

# Union Hotel

## Redevelopment Plan



Flemington Borough, Hunterdon County, New Jersey  
October 12, 2010



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## REDEVELOPMENT OF THE UNION HOTEL

October 12, 2010

### I. INTRODUCTION

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The Union Hotel has a long and important history in the center of Flemington Borough. Built in 1878 on the site of an earlier inn, the Hotel sits across from the historic Hunterdon County Courthouse, the Hall of Records and the Hunterdon County Administration Building. Since the 1950's, it has been underutilized. Since 2008, it has been vacant. This vacancy of a crucial building in the center of downtown business district and its deteriorating condition are the driving forces behind the preparation of this plan.

The Redevelopment Plan for the Union Hotel is the result of lengthy public process that began in April of 2010 when the Flemington Borough Council authorized Clarke Caton Hintz to prepare an "Area in Need of Redevelopment Study", and culminated in a public presentation of the draft Redevelopment Plan on September 21, 2010 to get feedback and comments.

The Plan aims to understand and preserve the important history and architecture of the Union Hotel while making the site attractive for high-quality, economically viable redevelopment. The main portion of the building must be preserved and restored, while the plan seeks to give the potential Redeveloper some flexibility in terms of potential uses and treatments for the remainder of the building and site, and seeks to provide assistance in addressing parking requirements, funding and approvals.



## 2. PLAN PRINCIPLES AND REDEVELOPMENT STRATEGIES

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The overall goal of the Redevelopment Plan for the Union Hotel is to encourage vibrant, sustainable, long-term, mixed-use redevelopment of the Union Hotel that:

- Is compatible with and enhances the historic character of the building and Historic District
- Attracts new visitors and residents to Flemington Borough
- Supports the existing businesses and other uses on Main Street and in Flemington Borough
- And that is cohesive with adjacent residential uses.

A number of Plan Principles and Redevelopment Strategies have been identified:

### **Historic Preservation:**

The Union Hotel is a key structure in the downtown business district as well as in the historic district. It is one of Flemington's "icons", and any work on the exterior of the building is already subject to review by the Historic Preservation Commission and the Planning Board. In recognition of the building's important historic character, the existing four story main portion of the building that faces Main Street shall be preserved and rehabilitated. On all portions of the façade that are visible from Main Street, the exterior will be restored, meeting the Secretary of the Interior's Standards for the Treatment of Historic Properties. The treatment of the other facades will also receive careful review by the Planning Board and Historic Preservation Commission to ensure compatibility with the historic character of the building.

The Union Hotel is located in a historic district that is listed on the State and National Registers of Historic Places. As such, it is eligible to receive a Federal Historic Tax Credit for 20% of the qualified costs, providing that the entire rehabilitation project meets the Secretary of the Interior's Standards for the Treatment of Historic Properties. This Plan encourages the use of the Federal Historic Tax Credit for the redevelopment of the Union Hotel.

### **Additions to the Structure:**

In order for the redevelopment of the Union Hotel to be viable economically, it is possible that an addition will be needed. This Plan encourages the rehabilitation of the existing wings at the rear of the structure, as well as the construction of new additions that meet the Secretary of the Interior's Standards for the Treatment of Historic Properties (which addresses the character of additions to historic buildings).



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This Redevelopment Plan also permits the construction of a new addition at the rear of the property that replaces the existing wings and that allows for a significant increase in the area of the project. The constraints for the size, configuration and height of the new addition are discussed in greater length in a later section of this plan. In general, the addition must be no higher and no wider than the existing building, and it must be compatible in terms of scale, detailing, materials and character to the original hotel and the character of the Flemington Historic District.

#### **Uses for the Union Hotel:**

Permitted and encouraged uses include hotel, restaurant, bar, banquet hall, multi-unit housing, retail, commercial offices, bed and breakfast, and museum. A mixed-use project with greater parking requirements in the evenings and on weekends is encouraged. The permitted uses for the Union Hotel are found in Section 2620 Downtown Business District of the zoning ordinance. Additionally, parking structures will also be permitted uses in the Union Hotel redevelopment area.

The Union Hotel Redevelopment Committee, appointed by Borough Council, has identified uses for the building that are preferred by the Borough, and believed to be the most economically viable for long-term, financially stable operation of the property. These include restaurant, bar, hotel, banquet hall and multi-unit housing.

#### **Liquor License:**

This Plan acknowledges the potential financial importance of having a liquor license assigned to the site, particularly for some of the potential uses. The Borough of Flemington will work closely with the Redeveloper to locate and assign a liquor license to the Union Hotel site if needed for the proposed uses.

#### **Assistance to the Developer:**

In order to encourage a viable and attractive redevelopment at the Union Hotel, the Borough of Flemington will consider providing a range of assistance, including potential financial incentives, assistance with locating and gaining financing approvals, streamlining approvals, locating additional parking, etc.



### **3. STATUTORY REQUIREMENTS**

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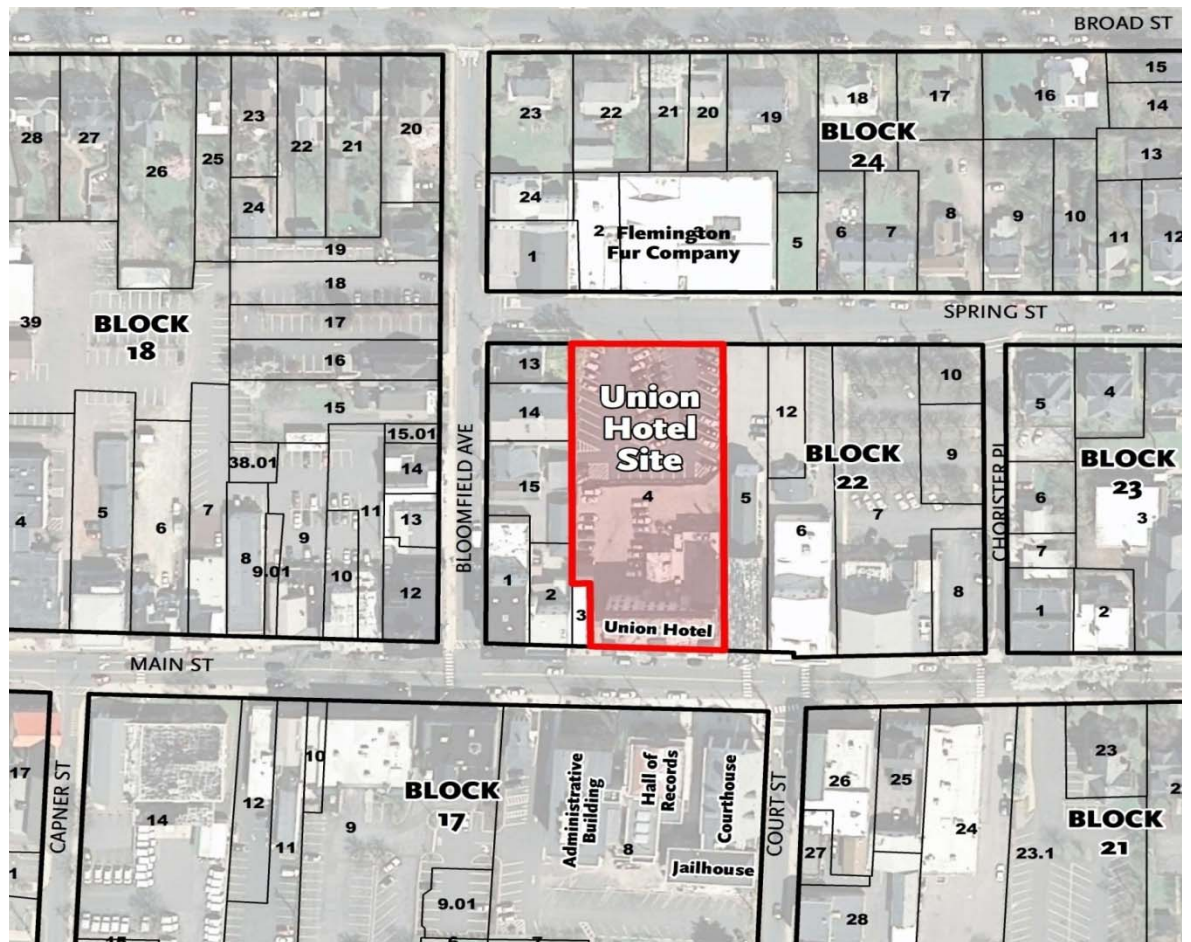
According to the Local Redevelopment and Housing Law (NJSA 40A: 12A-1, et seq.), the Redevelopment Plan shall include an outline for the planning, development, redevelopment or rehabilitation of the project area sufficient to indicate:

1. Its relationship to definitive local objectives, including appropriate land uses, density of population and improved traffic and public transportation, public utilities, recreational and community facilities and other public improvements;
2. Proposed land uses and building requirements;
3. Adequate provision for the temporary and permanent relocation, as necessary, of residents in the project area;
4. Identification of properties to be acquired, if any;
5. Any significant relationship of the Redevelopment Plan to the Master Plans of contiguous municipalities, the County and the State Development and Redevelopment Plan.



#### 4. BOUNDARY MAP

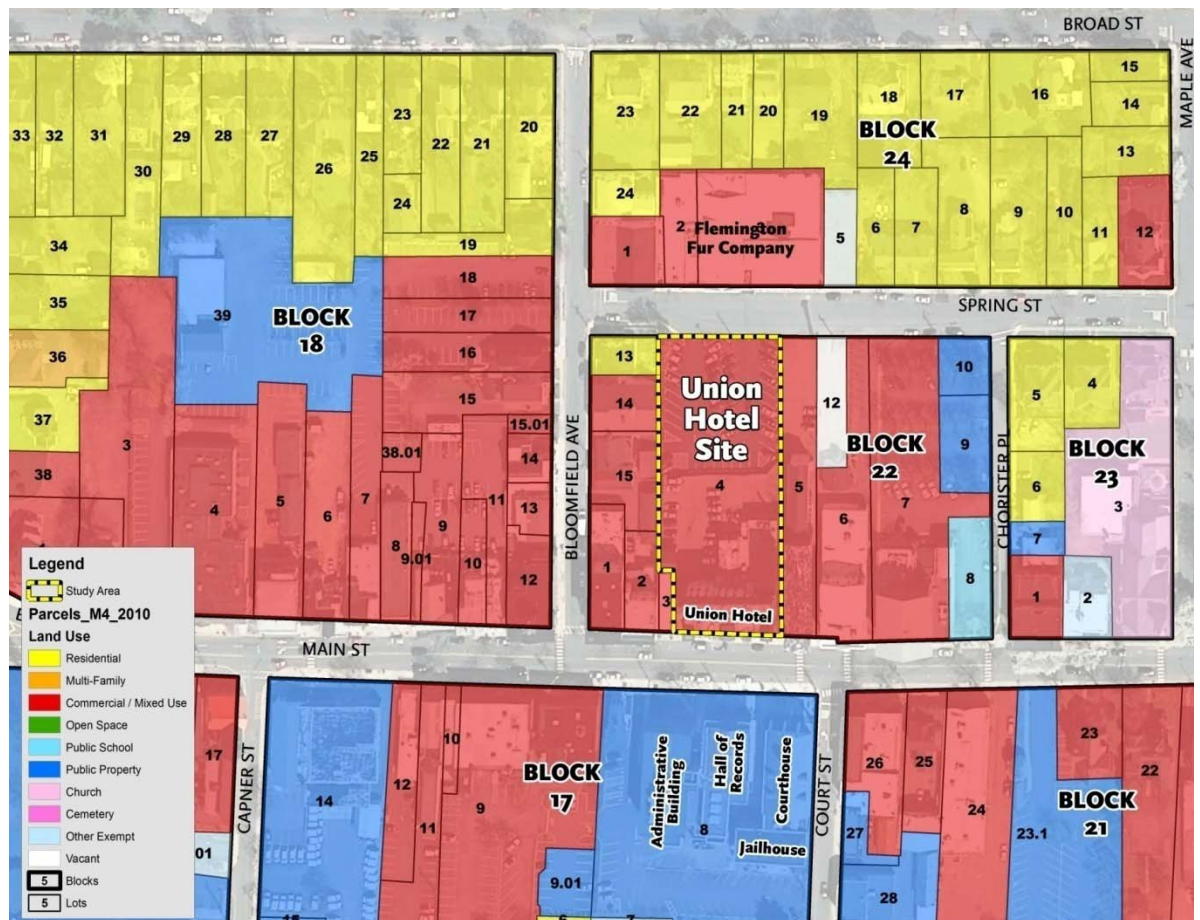
The site is a 1.0 acre property located at 76 Main Street, Block 22, Lot 4. The site has approximately 120 feet of frontage on Main Street and approximately 140 feet of frontage on Spring Street.







## 5. EXISTING LAND USE MAP



Although the Union Hotel is currently vacant, its most recent use was a restaurant/ bar with some associated office space (Commercial/ Mixed Use). The majority of nearby uses are also a mix of retail, office, government and residential uses.



## 6. BUILDING AND SITE DESCRIPTION

The site, Block 22, Lot 4, is a 1.0 acre property known locally as the “Union Hotel”, named for the historic use of the site’s principal building. The site has approximately 120 feet of frontage on Main Street and approximately 140 feet of frontage on Spring Street. It is located in the Borough’s Downtown Business zone district.

The primary structure on the property, the Union Hotel building, is oriented toward Main Street. The rear of the property consists of surface parking lots and a small single story structure along the northern property line. The rear .46 acres of the property, which consists of 45 parking spaces, is encumbered by a permanent easement by a neighboring property owner. The area may not be used by the owners or visitors of the site and is fenced from the remaining portion of the site.



The Union Hotel is a contributing property within the Flemington Historic District, listed on the State and National Registers of Historic Places. Additionally, the front portion of the building located closest to Main Street is listed as “significant” and the rear portions of the building are listed as “contributing” in the Borough’s Historic Preservation Element of the Master Plan. Significant buildings are defined as those that have unique characteristics with a clearly distinctive type, period or construction method which may include being the site of an important event or residence of an important person during the period of significance. Contributing buildings are defined as those



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that contribute toward the integrity of the historic district through distinguishable architectural characteristics and also built during the period of significance.

The architecture of Flemington is one of the Borough's main assets. It gives the Borough a special significance not only for its wide variety and the large number of its buildings, but also for its superb quality. The Borough's historic district contains numerous architectural styles, including Greek Revival, Italianate and Second Empire buildings. The Union Hotel is perhaps the most grand and significant of the Second Empire buildings.

The Union Hotel dates to ca. 1878 and is a four-story, nine bay brick structure. The straight-sloped, slate, mansard roof has central and end pavilions with pedimented dormers. All remaining windows have segmentally-arched brick "hoods". The main façade is dominated by a two-story, nine bay porch fronting Main Street. The exterior of the building contains much of the historic fabric likely present during the 19<sup>th</sup> century through the 1920s and 1930s, the historic district's period of significance. The overall condition of the exterior is fair. The front is in better condition than the rear. The brick is in good condition and the wood trim is fair with some repair and repainting needed. At the rear, the wood, two story wing shows some more significant deterioration.



At the rear of the building, there is a two story, wood frame construction wing and a one story brick wing, both built prior to 1903 (they appear on a 1903 Sanborn Map). The ground floor of these wings is now interconnected and has been renovated as the kitchen for the restaurant and a dining room. These are in fair condition. The upper floor of the wood wing appears to have contained additional, smaller hotel rooms, or perhaps rooms for servants. In any case, the upper floor has not been used in many years and exhibits the original floor plan configuration. There is some water damage to the plaster finishes, both on the second floor ceiling and the exterior walls.



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The basement of the Union Hotel has been used as storage for the restaurant use, for mechanical equipment or has been vacant. The exterior walls are stone and brick. There are interior brick bearing walls. It appears that there is excessive moisture, although the wood floor structure is in fair to good condition.

The first floor of the Union Hotel contains a former restaurant facility. This tenant space contains little historic original fabric save for some wood trim, tile work and fireplace mantles. The second and third floors of the Union Hotel retain the original configuration of the Hotel and much of the historic fabric remains intact. The second floor has a tin ceiling in the main corridor that is in good condition, and the wood floors and plaster walls are in fair condition. The third floor, as would be expected, has some additional water damage, particularly to some of the plaster ceilings. In general on the second and third floors, the spaces appear to be the original hotel rooms with private sinks, wood floors and plaster walls/ ceilings.



The fourth floor is attic space that has never been occupied. The roof structure is in good condition, although there is some evidence of minor water damage. The space is quite tall and open and could be readily renovated for other uses.



North and south of the site along the east side of Main Street are retail, office and mixed use buildings. Across Main Street is a cluster of County-owned buildings, including the County Administrative building, Hall of Records, Courthouse and Jail. Further north and south of the site along the west side of Main Street are commercial and mixed use buildings. East of the site are retail buildings along Spring Street. Further east is a single family residential neighborhood. All of the surrounding area is located within the Borough's Historic District and many of the surrounding buildings are designated as significant or contributing to the Historic District.



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All of Flemington Borough is located within a designated Center pursuant to the State Development and Redevelopment Plan.





## **7. PUBLIC OUTREACH**

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The preparation of this Redevelopment Plan included an extensive public process, beginning with a public Planning Board Meeting authorizing the preliminary investigation to determine whether the Union Hotel meets the criteria for an “Area in Need of Redevelopment”, pursuant to NJSA 40A:12A-1 et seq. (the “Redevelopment Law”). Borough Council at their meeting of April 26, 2010 and the Planning Board at their meeting of April 27, 2010 authorized Clarke Caton Hintz to prepare the preliminary investigation for an “Area in Need of Redevelopment.”

The preparation of this Plan was subsequently authorized at public Council and Planning Board meetings in July of 2010, and a committee consisting of Planning Board, Borough Council and Historic Preservation Commission members, as well as local business owners and residents was formed to assist with the preparation of the plan. Clarke Caton Hintz was authorized to work with the committee, as well as with the Planning Board and the Borough Council, and to prepare the Redevelopment Plan.

The preliminary findings of the Union Hotel Redevelopment Committee were presented at a public informational meeting at the Historic Hunterdon County Courthouse on Main Street in Flemington on September 21, 2010. Comments from the general public were heard and adjustments were made to the Redevelopment Plan. A final draft of the Redevelopment was referred by Borough Council to the Planning Board who, on September 28, 2010, made its comments and recommended the Plan for adoption by Borough Council ordinance.



## 8. RELATIONSHIP OF THE REDEVELOPMENT PLAN TO THE BOROUGH'S MASTER PLAN

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The Flemington Master Plan was adopted in 2010, replacing a master plan adopted in 1997. Six goals and objectives of the 2010 plan directly relate to the goals of this Redevelopment Plan for the Union Hotel:

- Preserve, protect and enhance the integrity of Flemington's historic district and the historic resources within.
- Employ strategies to encourage community and economic development within the Borough.
- Integrate the residential and commercial segments of Flemington Borough to benefit the entire community.
- Strengthen and enhance the commercial sector of the Borough, with an emphasis on attracting specialty retail and restaurants, and encouraging the redevelopment of underutilized properties particularly those within the Downtown Business District.
- Encourage a redevelopment solution for the Union Hotel property that protects and enhances the site as a significant historic resource and at the same time ensures the site's long-term financial viability.
- Encourage sustainable practices including the use of green building techniques as well as the use of alternative technologies including those that produce clean energy or otherwise have a comparative reduced impact upon the environment.

The Union Hotel Redevelopment is consistent with the goals of the Borough's Master Plan.

Since the Union Hotel site is a single lot located in the center of the Borough, this Plan does not have a significant relationship or impact on any municipality adjacent to Flemington Borough.



## **9. LAND USE STANDARDS**

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This Plan shall constitute an “overlay” zone within the existing Downtown Business District (DB) Zone. Unless otherwise specified below or elsewhere in this Plan, the DB Zone zoning regulations and applicable use, bulk and design standards and requirements will continue to apply in the Union Hotel redevelopment area.

Minimum Lot Area: Existing

Minimum Lot Width: Existing

Minimum Front Yard: Match Existing Building

Minimum Side Yard: Match Existing Building

Minimum Rear Yard: 20 feet (0 feet for accessory building)

Maximum FAR: To be determined

Maximum Height: Four Stories and 55 feet; not to exceed the ridgeline of the existing Union Hotel building.

Maximum Building Coverage: To be determined

Maximum Impervious Coverage: 100%

Parking: Provide 20 spaces dedicated to the Union Hotel on site.





## 10. DESIGN STANDARDS

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In recognition of the building's important historic character, all exterior rehabilitation work and the design of any proposed additions shall meet all relevant Flemington Ordinances, as well as the Secretary of the Interiors Standards for the Treatment of Historic Properties. The one exception is that, if required to make the Redevelopment of the Union Hotel financially viable, the demolition and replacement of the rear wings is permitted. All design and architectural elements in any proposals are subject to review and approval by the Governing Body, pursuant to Section 12 herein.

The existing four story main portion of the building that faces Main Street will be preserved and rehabilitated. On all portions of the façade that are visible from Main Street, the exterior shall be restored, meeting the Secretary of the Interior's Standards for the Treatment of Historic Properties. The treatment of the other facades shall also receive careful review by the Planning Board and Historic Preservation Commission to ensure compatibility with the historic character of the building and the District.

Any proposed additions shall meet the design requirements of the existing Flemington Ordinances, as well as the Secretary of the Interiors Standards for the Treatment of Historic Properties.

This Redevelopment Plan encourages the use of the Federal Historic Tax Credit. If Redeveloper chooses to take advantage of this incentive, review and approval by the State Historic Preservation Office and the National Park Service will also be required.



### **PARKING FOR UNION HOTEL REDEVELOPMENT**

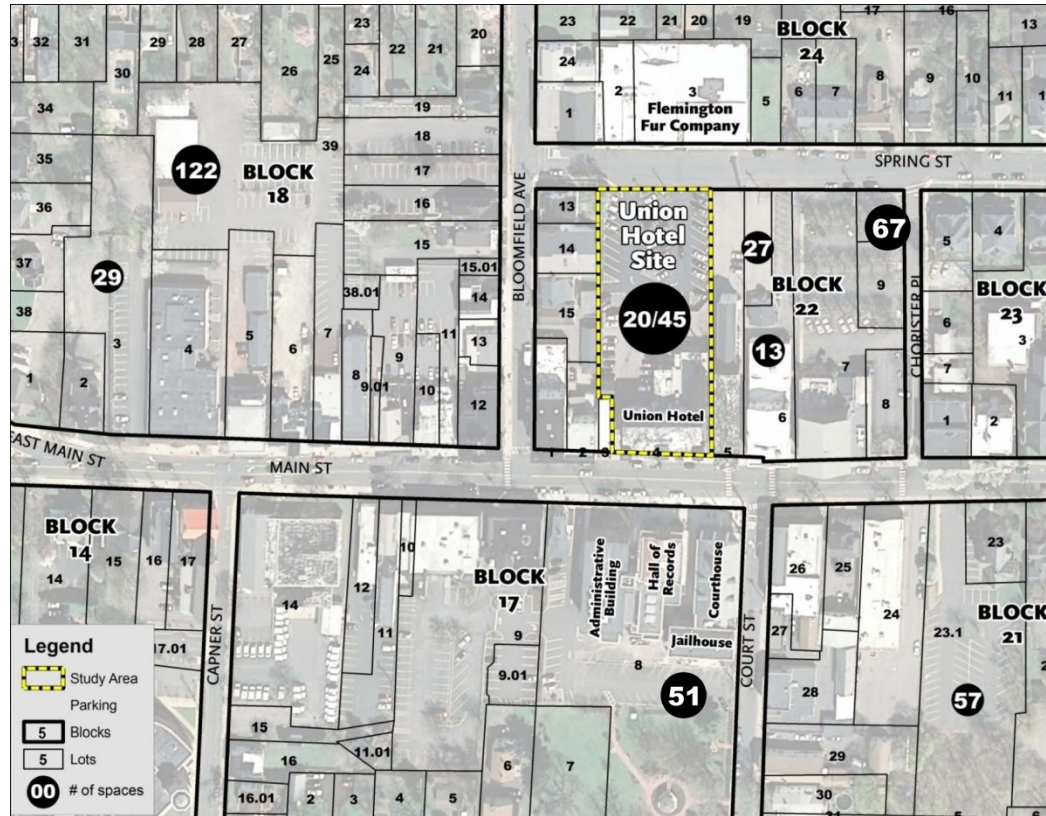
Parking is a crucial issue in Flemington’s downtown business district, and there is a perception that there is insufficient parking to handle existing uses as peak times. Although this does not appear to be the case, any new uses at the Union Hotel will generate additional parking demand. The most parking-intensive new use would include a banquet hall/ hotel, which could generate the need for more than 200 additional spaces during events.

#### **Shared Parking**

It is anticipated there will be shared parking with some of the uses in the redevelopment of the Union Hotel. For example, if there are residential apartments or condominiums developed on the upper floors, they will have a higher demand or usage in the early evening and overnight which will drop off during the daytime hours as residents leave for work, shopping or other purposes. It will, of course, depend on the ultimate occupants. Other parking “spikes” will occur during lunch or dinner hours for the restaurant or bar patrons. Noon to mid-afternoon parking demand for restaurant patrons will be about 50% of the demand when compared to the evening customers at a restaurant or bar. If there are office uses, there will be higher demand between 9AM to 5PM, which will decrease to almost zero in the evening hours.

#### **Parking Availability**

The existing site currently has approximately 20 spaces dedicated to the Union Hotel itself, along with approximately 45 that are deed-restricted for use by Flemington Furs. The parking demand fluctuations can somewhat be compensated by some of the existing public (borough and county) parking lots in the immediate vicinity of the hotel. These locations are found to the north in the borough parking lot accessed from Bloomfield Avenue, where there are approximately 71 spaces within 250-300 feet from the Hotel not including on-street parking in the vicinity. A proposed new way-finding sign system is pending which will make it clearer to the visitor how to access those spaces.



The Hunterdon County parking areas directly across Main Street from the hotel are available after 5PM. These include 51 spaces behind the County Administration Building, Hall of Records and the Historic Courthouse and Jail. Also nearby on Block 21, Lot 23.1 are spaces owned by the County which are sometimes used for grand jury but currently available in the evening hours and on weekends which total 57 spaces.

There are a number of on-street parking spaces along Main Street, Bloomfield Avenue and Spring Street which are all readily accessible to the Union Hotel.

### Future Parking Alternatives

In preparing the Redevelopment Plan, a number of solutions to the potential increase in parking demand due to the redevelopment of the Hotel were explored and evaluated. These include short term and long term alternatives.

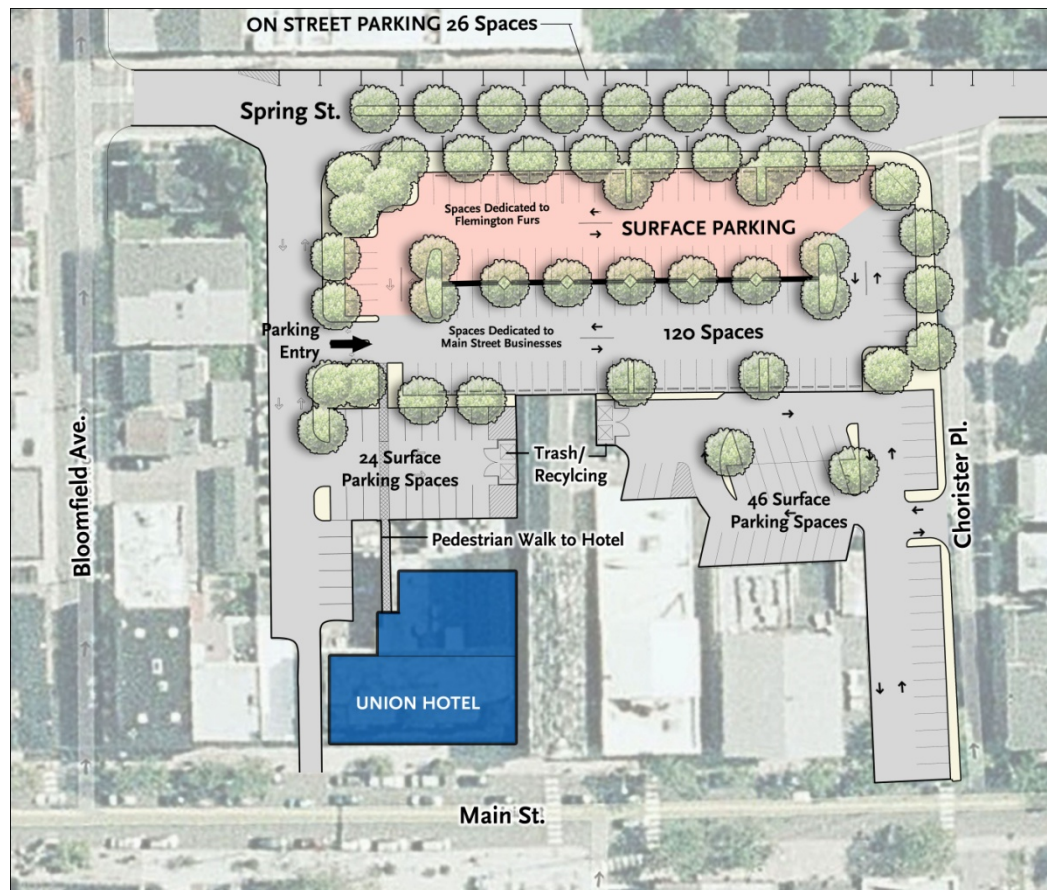


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##### Short Term:

There have been discussions with the adjacent property owners (including Hunterdon County) to determine if there are opportunities for shared parking. These will continue but no conclusions have been reached at this time.

These parking concepts will require agreement and easements with properties outside of the Redevelopment Area. The Borough may wish to consider expanding the Redevelopment Area to include these adjacent properties to facilitate a cooperative agreement.



A surface lot concept has been designed which would involve several properties in Block 22: Flemington Fur Company, Union Hotel, the Potting Shed, 80 Main Street, and the Borough's property at 100-110 Main Street. The parking rights for each of these owners need to be retained so that none lose spaces, thus an alternative surface lot concept was prepared which results in approximately 35 new spaces in addition to the 171 currently available. Such a concept also involves creating a boulevard with a treed island on Spring





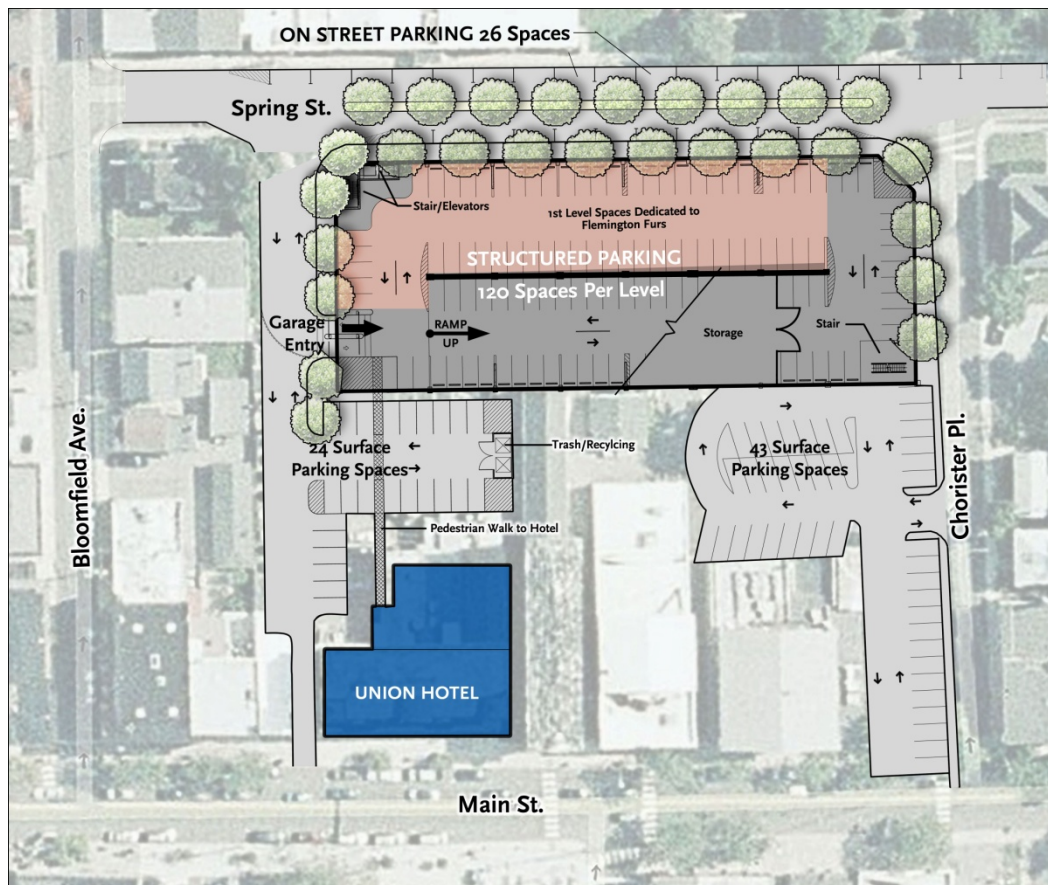
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Street and would double the amount of parallel spaces currently there today. A cooperative agreement would have to be reached with all property owners in order to accomplish the plan so that they retain the number of their existing spaces as well as gain added spaces for use by the Union Hotel property.

#### Long Term:

It is anticipated that with a redevelopment of the hotel there will be increased occupancy of currently vacant square footage of various buildings along Main Street. The rejuvenation of the Hotel, both physically and economically, is expected to act as a catalyst for opening up currently underutilized space in the immediate area. This will, of course, result in the need for more off-street parking solutions.

One alternative, which may be many years in the future, would be the construction of a parking structure. One preliminary parking concept has been prepared which incorporates existing impervious parking areas of the various properties mentioned previously including the Union Hotel, Flemington Fur Company, the Potting Shed, 80





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Main Street and 100-110 Main Street (Block 22, lots 4, 5, 6, 7, 8, 9, 10 and 12). There are various parking arrangements possible but all must recognize the existing parking presently owned or controlled by these entities. For example, a structure could retain on a ground level all of the 45 spaces controlled by a permanent easement of the Flemington Fur Company, and would need to make those spaces secure and safe for the patrons of the Fur Company. One parking structure design could result in 120 spaces per level with 240 for a two level garage and 360 for a three level structure.

Each of these long term solutions envision a boulevard planting island along Spring Street, and a significant increase in the number of shade and street trees, as well as other landscaping to buffer the parking. A rooftop planting can also be accomplished with a parking structure, helping to transform what is currently a fairly drab “sea of parking” in Block 22.



## **12. REDEVELOPER AGREEMENTS AND SELECTION OF REDEVELOPER**

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The Governing Body shall act as the Redevelopment Entity responsible for the implementation of this Plan.

### **12.1 Review Procedures and Developer Designation**

As the Redevelopment Entity, the Governing Body shall preliminarily review and approve as set forth herein all project concepts and proposals, including design and architectural elements, by any proposed or potential redeveloper, whether such proposal is presented through a direct proposal and negotiation or through a competitive process, as discussed below.

Upon receiving such preliminary approval of the development concept, the Governing Body shall “conditionally designate” such redeveloper as the redeveloper for the Site, subject to the negotiation of a redevelopment agreement within a reasonable time frame specified by the Governing Body.

If a redevelopment agreement cannot be negotiated with a conditionally designated redeveloper within the time frame set forth by the Governing Body, or any extension of such time that may be granted in the discretion of the Governing Body, the Governing Body shall terminate such negotiations and “de-designate” such developer.

The terms of the redevelopment agreement will include, at a minimum:

1. A description of the project concept and design;
2. A schedule for the commencement and completion of the improvements;
3. Provisions for the termination of the redevelopment agreement in the event of default by redeveloper;
4. Redeveloper’s responsibilities for public facilities and off-site and on-site infrastructure;
5. Redeveloper’s responsibilities for property acquisition;
6. Redeveloper’s responsibility for costs incurred by the Borough in implementing the redevelopment plan and the project;
7. Borough approval of development entity and its members;
8. Procedures for final approvals by the Governing Body, which shall be a prerequisite to applying for a site plan, site plan review and approval, and issuance of building permits and certificates of occupancy and completion;



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9. A requirement to carry out the improvements specified in the Redevelopment Plan; and
10. Such other provisions which may be required by law or as may otherwise be reasonably required by the Borough.

Upon the successful completion of the negotiation of a redevelopment agreement, the Governing Body will approve the execution of such redevelopment agreement by Resolution, and designate such developer as the redeveloper for the Union Hotel redevelopment site.

In order to encourage the viable long-term redevelopment of the Union Hotel site, the Borough of Flemington may choose to utilize a “Request for Proposal” (RFP) process. If this process is followed, the Borough of Flemington would issue an RFP that would likely include the following:

1. Public advertisement of the RFP requirements, as well as extensive additional marketing to encourage a broad response.
2. A time frame for accomplishing the improvements.
3. A requirement to negotiate with the current owners and come to a mutually agreeable price for the transfer of the property to the Redeveloper. If an agreement cannot be reached, the Borough of Flemington will facilitate the transfer of the property, if necessary through the power of eminent domain.
4. Until the completion of the improvements, the Redeveloper will not be permitted to sell, lease or otherwise transfer or dispose of property within the Redevelopment Area without the prior written consent of Council.
5. No covenant, agreement, lease, conveyance or other instrument shall be effected or executed by the redevelopers, Borough Council, or the successors, leasees, or assigns of either of them by which any portion of the Redevelopment Area is restricted as to sale, lease, or occupancy upon the basis of race, color, creed, religion, ancestry, national origin, gender, sexual orientation or marital status.

An RFP process is not mandated by this Plan, nor is the Borough required to solicit bids pursuant to the Local Public Contracts Law. Accordingly, the Borough specifically reserves the right and option to choose a qualified developer to negotiate with if such an opportunity presents itself.





### 13. ADMINISTRATIVE AND PROCEDURAL REQUIREMENTS

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#### **Amending the Redevelopment Plan:**

Upon compliance with the requirements of applicable law, the Borough Council may amend, revise or modify the plan, as circumstances may make such changes appropriate. This Plan does not provide for variance relief pursuant to N.J.S.A. 40:55D-70. The Governing Body may, in its discretion, provide a waiver from any design requirements if it deems such waiver generally consistent with the goals and objectives herein and not otherwise detrimental to the Plan or the community.

#### **Duration of the Plan:**

The Plan, as amended, shall be in full force and effect for a period of thirty (30) years from the date of approval of this Plan by the Borough Council.

#### **Property Acquisition and Relocation**

It is the intention of the Borough to facilitate the sale of the Union Hotel property to a redeveloper through direct negotiations with the owner. The Borough will require the Redeveloper to engage in good faith negotiations with the owner for the purchase of the property. In the event that Redeveloper is unsuccessful in negotiating the purchase of the property, or securing any other property interest necessary to carry out this Plan, the Borough reserves the right to acquire such property or property interest through eminent domain. There are currently no occupants of the Union Hotel Redevelopment Area, so no relocation will be required.



## 14. IMPLEMENTATION

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### **Action Steps:**

In order to insure a timely and effective redevelopment of the Union Hotel, the following action steps are suggested:

1. The Borough will schedule on-going meetings with adjacent property owners and with the public in general to keep them apprised of progress and to solicit feedback on the Redevelopment process.
2. The Borough will enforce the existing Property Maintenance ordinance to insure the on-going stability and preservation of the building.
3. The Borough will aggressively advertise and market the redevelopment of the Union Hotel through a wide variety of media and other potential sources of viable redevelopers.
4. The Borough will actively seek a liquor license that can be assigned to the site.
5. The Borough will develop a streamlined approvals process for the redevelopment of the Union Hotel, and will consider appointing a “facilitator” who can assist with obtaining the required local, county and state approvals.
6. The Borough may institute a Request for Proposal process to solicit interest and detailed proposals for the redevelopment of the Union Hotel.



## 15. FUNDING OPPORTUNITIES

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There is a variety of tools that Flemington Borough and the designated Redeveloper can use to make the redevelopment of the Union Hotel more feasible.

- Tax Abatements and “Payment in Lieu of Taxes” (PILOT) Agreements
- Parking Authority
- Energy Efficient Commercial Buildings (EECB) Tax Deduction
- Federal Business and Utilities Generation Tax Credit
- NJ EDA: Economic Redevelopment and Growth (ERG) Grant
- NJEDA Financing
- Historic Preservation Grants and Loans
- Federal Historic Tax Credit (if the project meets the Secretary of the Interior’s Standards)

### **Five-Year Tax Abatements:**

Pursuant to N.J.S.A. 40A:21-1 et seq., municipalities may grant short term property tax abatements for projects that are in areas in need of rehabilitation. The short term tax abatements take the form of reduced property tax bills that exclude all or part of the improvement values. Rather than paying the full amount of the project’s tax bill, the owner of the project would be responsible for making a “Payment In Lieu of Taxes” (hereinafter “PILOT”).

The municipality must play an active role in the Five-Year Tax Abatement program. In order to grant a PILOT, a municipality must first adopt an ordinance that invokes the five year abatement authority and establishes application procedures for developers who wish to take advantage of the program. The ordinance is required to define the eligibility criteria for the program, including the types of structures, the types of permissible improvements and qualifying geographic zones.

Applicants for the program must satisfy all the criteria at N.J.S.A. 40A:21-1 and the municipal ordinance. Applications to the municipal governing body must include:

- General description of the project;
- Statement of reasons why the applicant is seeking the abatement;
- Description of benefits to be realized if the agreement is granted;
- Estimate of the cost to complete the project;
- Estimate of the current and future taxes;
- Description of lease agreement between the applicant and the proposed user;
- and,



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- Number of dwellings if any and a description of dwellings.

The five-year abatement program has three different structures for calculating the PILOT – the cost basis, the gross revenue basis and the tax-phase-in basis. Under the cost basis, the amount of the PILOT is equivalent to 2% of the cost of the project. The project cost is defined by the fair market value of direct labor and all the materials used in construction, including the land cost, provision of roads, utilities, drainage, parking and design services. Under the Gross Revenue Calculation, the PILOT is equivalent to the amount of 15% of the annual gross revenue from the project. The annual gross revenues are calculated based on the total annual gross rent and other income payable to the owner of the project. The PILOT agreement establishes the method for calculating the annual gross revenue. The final type of payment structure is the tax-phase-in structure. Under the tax-phase-in structure, the applicant and the municipality set the PILOT as a percentage of the total taxes that would otherwise be due. The PILOT would be based on the following schedule:

1. Year 1 – No Payment Due
2. Year 2 – Amount not less than 20% of taxes otherwise due
3. Year 3 – Amount not less than 40% of taxes otherwise due
4. Year 4 – Amount not less than 60% of taxes otherwise due
5. Year 5 – Amount not less than 80% of taxes otherwise due.

The five-year abatement program is not available for properties with delinquent taxes.

#### **Long-Term Tax Abatement:**

In accordance with N.J.S.A. 40A:20-1, the long-term tax abatement program provides a tax incentive for Redevelopment projects under the Local Redevelopment and Housing Law. Under the long-term tax abatement program, the tax incentives can last for up to 30 years from the completion of the project or 35 years from the execution of the financial agreement.

N.J.S.A. 40A:20-1 restricts the eligibility of the long-term tax abatement programs to use in municipalities that have adopted a redevelopment plan and that have engaged a redevelopment authority to carry out the plan. Under the long-term tax abatement program, the municipal governing body reviews the tax abatement application submitted by the developer. Once an agreement is reached between the governing body and the developer, the governing body adopts the abatement by local ordinance. The payments are based either on a percentage of project costs or a percentage of revenues generated by the project. The PILOT cannot be less than 10% of annual gross revenues.



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### **Parking Authority:**

In order to finance parking improvements, including a potential future parking garage to address long term parking and development needs, the Borough may explore the possibility of creating a local Parking Authority or parking utility. This Authority would be a management and financing entity that could issue bonds for construction.

### **Energy Efficient Commercial Buildings (EECB) Tax Deduction:**

The Energy Policy Act of 2005 created the EECB, a federal tax deduction that is available for energy efficiency improvements to new or used buildings. Due to expire in 2008, the tax deduction was extended through December 31, 2013. In order to qualify, the building must be placed in service by December 31, 2013.

The EECB federal tax deduction is available for energy efficient improvements to the interior lighting systems, heating, cooling, ventilation and hot water systems and the building envelope. In order to qualify for the tax deduction, the energy efficient improvements must reduce the total energy and power costs by at least 50% in comparison to a reference building that meets the minimum standard of ASHRAE 90.1-2001. Partial deductions are permitted for separate buildings systems that comprise energy-efficient property and are certified as meeting or exceeding the applicable system savings targets established by the Secretary of the Treasury. The deduction can be utilized for all types of buildings with the exception of low-rise residential buildings.

The EECB federal tax deduction cannot exceed \$1.80 per square foot; however, there is no cap on the maximum amount of the tax deduction. For partial deductions, the maximum deduction that can be claimed is \$0.60 per square foot. The beneficiary of the deduction is typically the property owner.

### **Federal Business and Utilities Generation Tax Credit:**

The Recovery Act created the Federal Business and Utility Generation Tax credit, which is comprised of two separate tax credits: the Investment Tax Credit and the Production Tax Credit. A property owner may only claim one type of tax credit under this program.

The Investment Tax Credit allows property owners to claim up to 30% of the cost of renewable energy investments in the form of a tax credit. The range of the tax credit is between 10% and 30% of the total cost of the energy investments, with the size of the tax credit related to the type of renewable energy investment. Investments in solar, fuel cells and small wind turbines are eligible for a 30% tax credit with no maximum credit limit. Although there is no cap on the maximum tax credit available for fuel cells, the credit is limited to \$1,500 per 0.5 kilowatts of capacity. Investments in geothermal, micro-turbines and combined heat and power are eligible for a 10% tax credit with no limit on



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the maximum tax credit. While there is no maximum tax credit for micro-turbines, the credit is limited to \$200 per kilowatt of capacity.

Whereas the Investment Tax Credit ties the tax incentive to investment in renewable energy equipment, the Production Tax Credit provides a tax benefit for the generation of renewable energy. Property owners can claim Production Tax Credits for renewable energy produced on their property provided they sell the energy to an unrelated person. Eligible renewable energy technologies include wind, closed-loop biomass, open-loop biomass, geothermal, solar, small irrigation power, municipal solid waste, qualified hydropower production and marine and hydrokinetic renewable energy. The tax credit is based on the amount of energy that is produced and sold back to an unrelated entity. The tax credit is 2.2¢ per kWh for energy produced by wind, geothermal or closed loop biomass. A tax credit of 1.1¢ per kWh is available for other eligible technologies. The tax credit can be claimed for 10 years of production. Unused credits can be carried forward for up to 20 years from the date the credit was generated. Potential inclusion of renewable energy systems would need to be evaluated for feasibility by the Redeveloper.

#### **NJ EDA – Economic Redevelopment and Growth (ERG) Grant:**

The New Jersey Economic Stimulus Act of 2009 replaced Revenue Allocation Districts, the former structure of tax increment financing, with the Economic Redevelopment and Growth (ERG) Grants. Whereas the RAD program was applied to geographically defined districts, the ERG Grants are more flexible and are project based.

The ERG Grant is an incentive grant for up to 75% of the annual incremental state tax and/or local tax revenue. The grant is an incremental increase in approved state and/or local revenues that are directly realized from the redevelopment of the property. The grant period can extend for 20 years; however, the grant cannot exceed 20% of the total project cost. Under the New Jersey Economic Stimulus Act of 2009, the New Jersey Economic Development Authority (NJ EDA) may enter into a redevelopment incentive grant agreement with a developer for any qualifying redevelopment project located in Planning Area 1, Planning Area 2 or a designated center. The agreement between the NJ EDA and the developer must be approved by the host municipality by ordinance. A municipality may also enter into a similar agreement for a grant against projected local tax revenue.

In order to qualify for the ERG Grant, a project must meet the following criteria:

- Located within a designated center, Planning Area 1 or Planning Area 2;
- Have a financing gap;
- Have not started constructed prior to the grant application;



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- Include affordable units equal to 20% of all residential units or be located in a municipality that received substantive certification from COAH or a judgment of repose; and,
- Result in net benefits to the municipality and the State of New Jersey.

In determining the net benefits of the project, the State and the local municipality is responsible for: (i) assessing the redevelopment project costs, (ii) evaluate and validate the project financing gap estimated by the developer, and (iii) determine whether the overall public assistance provided to the project will result in net benefits to the State and municipality where the project is located.

#### **NJ EDA Financing:**

The New Jersey Economic Development Authority (NJ EDA) has a number of financing programs available for redevelopment projects like the Union Hotel. The redevelopment of the Union Hotel may be eligible for financing from the Fund for Community Economic Development (FCED) and Loan Guarantees.

Financing through FCED is available for predevelopment expenditures and real estate. The predevelopment funding is available for up to \$50,000 to finance the development of feasibility studies and other predevelopment work that is necessary to determine the viability of a project. The FCED also provides up to \$1.25 million in loans to fill financing gap in the development of community facilities and other real estate-based economic development projects. The program's interest rate on fixed rate loans is based on the five year United States Treasury Bond plus 100 basis points. Variable rate loans under the program are set at Prime minus 150 basis points.

In addition to FCED financing, the EDA also offers loan guarantees. Under the loan guarantee program, the EDA will guarantee funding for up to \$1.5 million for a maximum term of five years. The loan guarantees up to 50% of the loan amount. This guarantee improves the borrower's credit rating, which reduces the cost of financing for the loan. To be eligible for the loan guarantee program, the financing must be used for fixed assets and working capital to meet operating needs. Additionally, for every \$50,000 of EDA assistance, the company must create one job.

#### **NJ Board of Public Utilities (BPU) – Smart Start Program:**

The NJ BPU provides rebates for the purchase of energy efficient equipment in commercial, industrial and local government buildings. The rebates are available for qualifying HVAC equipment, lighting, premium motors, natural gas water heaters, variable frequency drives, and custom equipment approved by the participating utility.



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The size of the rebate is determined by the equipment type, the size and the efficiency level.

The program is available for projects that are located in Planning Area 1, Planning Area 2 or a designated center. Pre-approval is required for the rebate program. The process requires an application that is accompanied by a manufacturer's specification sheet for the equipment that is to be installed in the project. Upon approval, the equipment can be purchased. Equipment purchased prior to pre-approval may not qualify for the rebate program.

This program also offers design support; however, it is restricted to projects that are over 50,000 square feet. The redevelopment of the Union Hotel would not qualify for this technical assistance.

#### **Historic Preservation Grants and Loans:**

The redevelopment of the Union Hotel may qualify for historic preservation grants and loans through the New Jersey Historic Trust, but only if the structure is owned by a not-for-profit or a governmental agency. These are not preferred options in this Redevelopment Plan.

#### **Federal Historic Tax Credits:**

The Federal Historic Tax Credit may provide a financial incentive for the redevelopment of the Union Hotel. The Federal Historic Tax Credit is available for 20% of the qualified renovation cost (i.e. work directly related to construction, including design, on the historic building, but not for any new additions). The credits can be syndicated and sold. In order to qualify for the tax credit, the property must be on the State and National Registers of Historic Places. Moreover, the proposed scope of work must meet the Secretary of the Interior's Standards for the Rehabilitation of Historic Properties, and the property must be "income producing" either as apartments or a commercial development. In order to qualify, the existing wings at the rear of the building must be kept and rehabilitated.

#### **Conclusion:**

The availability of the incentive and financing programs described above is dependent on a number of factors, including, but not limited to, the scope of the redevelopment project, the availability of funding and the selected redeveloper (non-profit versus private for profit). In some cases, the Borough will need to work with the selected redeveloper to access the funding sources, such as the NJ EDA's ERG grant. The applicability of the financing and incentive programs will become clearer as the redevelopment planning process progresses.