

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

**Affordable Housing Production Fund (AHPF) Program
Guidelines**

Adopted: September 22, 2022

Amended: January 12, 2023

Program Overview: The New Jersey fiscal year 2023 budget (P.L. 2022, c.49) appropriates \$305,000,000 from the State’s "Coronavirus State Fiscal Recovery Fund" allocation, established pursuant to the federal "American Rescue Plan Act of 2021," Pub. L. 117-2, to the Affordable Housing Production Fund (AHPF). Through a Memorandum of Understanding with the Department of Community Affairs, Division of Disaster Recovery and Mitigation, New Jersey Housing and Mortgage Finance Agency (HMFA) will utilize the AHPF funds to provide subsidy financing for projects that are 100-percent affordable and are included in an approved Mount Laurel Fair Share Settlement Agreement. The AHPF is expected to increase the number of affordable housing units to be financed by December 31, 2025 by more than 3,300 units.

AHPF Program Set Aside: HMFA will set aside up to \$60,000,000 (the “Affordable Housing Production Fund Set Aside” or “AHPFSA”) from the State’s "Coronavirus State Fiscal Recovery Fund" allocation of \$305,000,000 to provide assistance to rental housing projects that received an award of 70 percent present value credits (“9 percent credits”), pursuant to Section 42(b)(1)(B)(i) of the Internal Revenue Code (“IRC”). Refer to the following AHPFSA Guidelines for program requirements. Eligible projects must have experienced a funding gap and have received a tax credit reservation between January 1, 2019 and December 31, 2021. Demand for the AHPFSA is likely to exceed the availability of funding. The AHPFSA will be exempt from certain statutory requirements as permitted by P.L. 2021, c.372.

Application Submission Process: Applications for other than the AHPFSA funds will be accepted on a rolling basis and approval will be determined based on a project having demonstrated that it meets all eligibility criteria and has secured firm commitments from all other financing sources.

1. Eligible Applicants	Private for-profit and nonprofit housing developers and public housing authorities capable of developing and managing multifamily housing developments.
2. Eligible Projects	<p>The subsidy will be made available for gap financing on housing projects that utilize the 4 percent Low-Income Housing Tax Credit (4 percent LIHTC) Program and Tax-Exempt Bond Financing from HMFA. AHPF Program funds may not be utilized in conjunction with conduit financing.</p> <p>To be eligible for funding, 100 percent of the residential units in the project must be restricted for occupancy by individuals whose income is 60 percent or less than Area Median Income (AMI)</p>

	<p>and the project must be approved as part of a Fair Share Settlement Agreement. A deviation from the settlement agreement’s unit count and distribution not in excess of 5 units or 5 percent of units, whichever is greater, shall be considered <i>de minimis</i> and in compliance with the plan for the purposes of eligibility under this program. Any deviations from the settlement that exceed the <i>de minimis</i> standard must include an order from the relevant court approving the revised plan in order to be considered in compliance for the purposes of this program.</p> <p>In accordance with U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds (SLFRF) regulations, funds must be obligated by December 31, 2024 and must be expended by December 31, 2026.</p>
<p>3. Eligible Types of Projects</p>	<p>Eligible projects must be new construction and/or gut rehabilitation projects that meet each of the following criteria:</p> <ul style="list-style-type: none"> • Projects must set aside at least five units or five percent of the total project units, whichever is greater, as supportive housing units as defined at N.J.A.C. 5:80-33.2; • Projects are required to submit the documentation set forth at N.J.A.C. 5:80-33.12(c)14; • Affordability controls must remain in place for 45 years — a 30-year compliance period and a 15-year extended use period. This restriction will be enforceable by HMFA and by future tenants via a deed of easement and restrictive covenant, which shall be recorded by HMFA pursuant to State law at the latter of the carryover allocation described at N.J.A.C. 5:80-33.24(a)1 or acquisition of the property; • The applicant waives the right to request termination of the extended use period through the qualified contract (QC) process under Sections 42(h)(6)(E), (F), and (I) of the IRC. This waiver will be included in the extended use agreement described at N.J.A.C. 5:80-33.29; and • Projects must have a Certified Minority and/or Women Business Enterprise (certified M/WBE) with at least a 20 percent interest in the general partner/managing member or pledge to expend a sum equaling at least 20 percent of construction cost on contractors, subcontractors, and material suppliers which are certified M/WBEs, as defined at N.J.A.C. 5:80-33.2.
<p>4. Types of Rental Housing</p>	<p>Family projects and Senior projects are eligible projects.</p>

<p>5. Subsidy Loan Amounts/Maximum Award</p>	<p>AHPF Program maximum award is \$150,000 per unit, not to exceed \$10,000,000 per project. Standard HMFA Underwriting Guidelines, as set forth in the Multifamily Rental Financing Program Underwriting Guidelines Policy, will apply.</p>
<p>6. Types of Available Funding</p>	<p>AHPF Program loans will be provided to projects in the form of the following types of loans: (1) construction loans; (2) construction loans that convert to permanent financing; and (3) permanent-only loans.</p> <p>Applicants are advised that projects using AHPF Program dollars in construction financing must comply with New Jersey State Prevailing Wage Rates.</p> <p>Projects must comply with the federal requirements of the SLFRF funds.</p>
<p>7. HMFA Mortgage Required</p>	<p>Any permanent debt must be in the form of an HMFA permanent mortgage loan. The maximum mortgage supportable shall be obtained.</p>
<p>8. Financing Term</p>	<p>Unless otherwise authorized, the estimated financing term of an AHPF Program loan shall be coterminous with HMFA mortgage financing and/or the LIHTC requirement, whichever is/are applicable.</p>
<p>9. Security, Collateral, and Lien Status</p>	<p>An AHPF Program loan shall only be used in conjunction with traditional HMFA financing and shall take a subordinate position behind other HMFA financing.</p>
<p>10. Eligibility for Sales Tax Exemption</p>	<p>Pursuant to N.J.S.A. 55:14K-34 and N.J.S.A. 54:32B-8.22, sales of materials or supplies to housing sponsors utilizing HMFA construction financing are eligible for exemption from New Jersey State sales tax.</p> <p>Sales of materials or supplies to contractors for the purpose of erecting housing projects which have received HMFA construction financing and other local, state, or federal subsidies are eligible for exemption from New Jersey State sales tax. For the purpose of this exemption, the project must have a governmental subsidy other than the AHPF Program subsidy loan.</p>
<p>11. Mortgage Interest Rate</p>	<p>AHPF Program loans provided during construction shall be at a zero-percent interest rate.</p> <p>AHPF Program loans provided during permanent financing shall</p>

	be at a one-percent interest rate, compounded annually.
12. Cash Flow Repayments	Repayment of an AHPF Program subsidy loan for any project shall be made annually and shall be equal to 25 percent of available cash flow remaining after the payment of operating expenses, required reserves, amortized mortgage debt service, and at the earlier of 10 years or the payment of the deferred developer’s fee.
13. Debt Service Coverage Ratio	Projected cash flow repayments of AHPF Project loans shall not be included when calculating the debt service coverage ratio for multifamily mortgage financing and/or for LIHTCs. However, in all cases, the maximum mortgage supportable at a minimum of 1.15 debt service ratio must be obtained before AHPF Program loan amounts will be determined.
14. Other Underwriting	Projects funded by AHPF Program loans shall be considered to be HMFA multifamily and/or tax credit projects and must meet the requirements of the HMFA Multifamily Underwriting Guidelines and/or the LIHTC program, as applicable.
15. Energy Efficiencies and Green Building Standards	Projects funded by AHPF Program loans must meet the certification requirements of the U.S. Department of Energy’s Zero Energy Ready Home Program, which is administered at the State level by the New Jersey Board of Public Utilities’ Office of Clean Energy.
16. Target Areas	Projects must be sited within the State of New Jersey.

Note: These guidelines may be amended from time to time. Please refer to HMFA’s website for the current version of these guidelines.

Affordable Housing Production Fund Set Aside (AHPFSA) Guidelines

1. Eligible Applicants	Private for-profit and nonprofit housing developers and public housing authorities capable of developing and managing multifamily housing developments.
2. Eligible Projects	Projects that received an award of 70 percent present value credits (“9 percent credits”), pursuant to Section 42(b)(1)(B)(i) of the Internal Revenue Code (“IRC”). Eligible projects must be 100% affordable, have experienced a funding gap, and have received a tax credit reservation between January 1, 2019 and December 31, 2021. Projects that have already placed in service shall not be eligible for AHPFSA funding.

	In accordance with U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds (SLFRF) regulations, funds must be obligated by December 31, 2024, and must be expended by December 31, 2026.
3. Selection Criteria	Projects shall be awarded as they are deemed ready to proceed, which is defined as projects that have satisfied Part I and Part II of the Multifamily checklist or AHPFSA checklist. Applications that do not include all required documents will not be processed. AHPFSA is awarded on a first-come, first-served basis. There will be a set-aside of no less than \$20 million for projects originally awarded 9 percent credits in 2021. Remaining AHPFSA funds will be released to the general pool for other eligible projects.
4. Types of Rental Housing	Family projects and Senior projects are eligible projects.
5. Subsidy Loan Amounts/Maximum Award	AHPFSA maximum award may not exceed \$2 million for projects originally awarded 9 percent credits in 2019 and 2020 and \$3.5 million for projects originally awarded 9 percent credits in 2021.
6. Types of Available Funding	AHPFSA will be provided to projects in the form of permanent-only loans. Projects must comply with the federal requirements of the SLFRF funds.
7. Financing Term	Unless otherwise authorized, the estimated financing term of an AHPFSA loan shall be coterminous with HMFA mortgage financing and/or the LIHTC requirement, whichever is/are applicable.
8. Security, Collateral, and Lien Status	AHPFSA loans shall be secured by a note and mortgage as required by N.J.S.A. 55:14K-1 et. seq., as it may be amended from time to time.
9. Mortgage Interest Rate	AHPFSA loans provided during permanent financing shall be at a one-percent interest rate, compounded annually.

10. Cash Flow Repayments	Repayment of an AHPFSA loan for any project shall be made annually and shall be equal to 25 percent of available cash flow remaining after the payment of operating expenses, required reserves, amortized mortgage debt service, at the earlier of 10 years or the payment of the deferred developer's fee.
11. Target Areas	Projects must be sited within the State of New Jersey.