

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

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

Adopted: September 22, 2022

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, the 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 2025 by more than 3,300 units.

Application Submission Process: Applications 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% Low-Income Housing Tax Credit (4% 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 of Area Median Income (AMI) and the project must be approved as part of a Fair Share Settlement Agreement.</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 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 Internal Revenue Code. 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 \$8,000,000 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-provided 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 be at a one percent interest rate compounded annually.</p>

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 subsidy funds 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.