

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

**State Tax Credit Subsidy (STCS) Program Fund
Guidelines**

Adopted: October 2, 2025

Program Overview: Pursuant to P.L.2025, c.111, New Jersey Housing and Mortgage Finance Agency (HMFA) will sell up to \$500,000,000 in tax credits over the course of no more than six years through competitive auctions, beginning in 2025. No more than \$100,000,000 in tax credits will be sold annually, and tax credits will be sold for no less than 80 percent of the tax credit amount. The funds from the auction, minus five percent of the proceeds to reimburse HMFA for administrative and operational costs, will be deposited into the State Tax Credit Subsidy (STCS) Program Fund. Fifty percent of the proceeds deposited into the STCS Program Fund will be reserved for the creation of workforce housing through the Workforce Housing Fund set-aside (WFH-ST), and fifty percent will be reserved for the development of 100% affordable housing projects included in a court approved Mount Laurel Fair Share Settlement Agreement, Compliance Certification, or Plan pursuant to the "Fair Housing Act," P.L.1985, c.222 (C.52:27D-301 et al.) through the Affordable Housing Production Fund set-aside (AHPF-ST). For the purposes of these guidelines, "Targeted Suburban Municipality" shall mean the same as "Older Distressed Suburban Municipality" under P.L.2025, c.111.

Application Submission Process: Complete financing applications will be accepted on a rolling basis. Approval will be determined based on a project having demonstrated that it meets all eligibility criteria and has secured firm funding commitments from all other financing sources. Since Program funding is contingent upon the sale of state tax credits, subsidy award recommendations shall only be presented to the HMFA Board for consideration to the extent funds are available.

The 50 percent distribution requirement for each set-aside shall remain in effect until December 31st of the year the auction was held. Any funds not committed by December 31st of the year the auction was held shall no longer be subject to the mandatory 50 percent distribution requirement, and may be awarded to projects in either set-aside.

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	The subsidy will only 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. STCS Program funds may not be utilized in conjunction with the Conduit Bond Financing

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	<ul style="list-style-type: none"> • The proportion of workforce housing units must follow the same bedroom distribution mix as the LIHTC-funded units; and • Workforce units shall follow the same affordability compliance periods and income certification requirements as the development’s LIHTC units. <p>All Projects: Eligible projects must meet the following criteria:</p> <ul style="list-style-type: none"> • The project must be a multiple dwelling of 25 units or more; • 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; 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.
4. Types of Rental Housing	Family projects and Senior projects are eligible for either set-aside.
5. Subsidy Loan Amounts/Maximum Award	Program maximum award is \$150,000 per affordable unit in the AHPF-ST set-aside and \$150,000 per workforce unit in the WFH-ST set-aside, not to exceed \$10,000,000 per project.
6. Types of Available Funding	<p>Program loans will be provided to projects in the form of the following types of loans: (1) construction loans that convert to permanent financing; or (2) permanent-only loans.</p> <p>Applicants are advised that projects using Program dollars in construction financing must comply with New Jersey State Prevailing Wage Rates.</p>
7. HMFA Mortgage Required	Any permanent debt must be in the form of an HMFA permanent mortgage loan. The maximum mortgage supportable shall be obtained.
8. Financing Term	Unless otherwise authorized, the estimated financing term of a

	Program loan shall be coterminous with HMFA mortgage financing.
9. Security, Collateral, and Lien Status	A Program loan shall only be used in conjunction with traditional HMFA financing and in the case of permanent financing, shall only take a subordinate position behind other HMFA financing. During construction, the Program loan may take a subordinate position behind an outside construction lender.
10. Eligibility for Sales Tax Exemption	<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 Program subsidy loan.</p>
11. Mortgage Interest Rate	<p>Program loans provided during construction shall be at a zero-percent interest rate.</p> <p>Program loans provided during permanent financing shall be at a one-percent interest rate.</p>
12. Cash Flow Repayments	Repayment of the STCS Program subsidy loan for any project shall be made annually and shall be equal to 50 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. If the project has other HMFA subsidy loans in addition to STCS, the percentage of the repayment for each HMFA subsidy loan shall be calculated based on a pro rata share, with combined repayments for HMFA subsidy loans not to exceed 50% of the project's available cash flow.
13. Debt Service Coverage Ratio	Projected cash flow repayments of subsidy 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 STCS Program loan amounts will be determined.

14. Other Underwriting	Projects funded by 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 the LIHTC program, as applicable.
15. Energy Efficiencies and Green Building Standards	Projects funded by Program loans must be certified to the latest version 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. Prioritization	<p>Projects must be sited within the State of New Jersey.</p> <p>Workforce Housing Fund (WFH-ST) There are no specified target areas for WFH-ST financing. If multiple projects seek WFH-ST financing commitments at the same Board meeting and there are insufficient WFH-ST funds to finance all of the applications, projects will be funded in order of the submission dates of their completed applications.</p> <p>Affordable Housing Production Fund (AHPF-ST) If multiple projects seek AHPF-ST financing commitments at the same Board meeting and there are insufficient AHPF-ST funds to finance all complete pending applications, funding of projects will be prioritized according to the following:</p> <ul style="list-style-type: none"> • A project located in a Targeted Suburban Municipality will be funded before a project not located in a Targeted Suburban Municipality. The attached list of Distressed Older Suburban Municipalities is calculated in accordance with the requirements of P.L.2025, c.111. • If there is still a tie after considering Targeted Suburban Municipality status, a project requesting a lower amount of AHPF-ST funds will be funded before a project requesting a higher amount of AHPF-ST funds. • If there is still a tie after considering AHPF-ST funds per project, a project with a lower total development cost per unit will be funded before a project with a higher total development cost per unit.

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