

AFFORDABLE HOUSING GAP SUBSIDY (“AHGS”) PROGRAM GUIDELINES

(Supply Chain Disruption Gap Financing)-

In response to increased construction costs and project funding gaps resulting from the pandemic and supply chain disruptions, the Murphy Administration and the New Jersey Legislature have made up to \$40,000,000 for Affordable Housing Gap Subsidy (“AHGS”) funding available, to be provided in the form of loans to eligible affordable housing projects. This document sets forth the program guidelines and selection criteria for projects requesting AHGS funds and the priorities used to competitively award such funds. Applicants are advised that AHGS funds awarded under this program are for permanent take out financing only.

I. ELIGIBLE PROJECTS

The New Jersey Housing and Mortgage Finance Agency (“NJHMFA”) is the authorized housing credit agency responsible for administration of the federal Low-Income Housing Tax Credit (LIHTC) Program in the State of New Jersey. Projects eligible to receive AHGS assistance are rental housing projects that received an award of 70% present value credits (“9% credits”), pursuant to Section 42(b)(1)(B)(i) of the Internal Revenue Code (“IRC”), as well as projects receiving funding from other programs, such as the 4% federal Low Income Housing Tax Credit Program, the federal New Markets Tax Credit Program, and the New Jersey Affordable Housing Trust Fund. Eligible projects must have experienced a COVID-19 induced funding gap and have received a tax credit reservation or funding commitment from their respective program by November 30, 2021. Projects that have received an award of hardship credits from the Reserve pursuant to N.J.A.C. 5:80-33.8(a)2 are ineligible for AHGS funds.

AHGS Sponsors awarded federal Low-Income Housing Tax Credits, Tax Exempt financing under the Internal Revenue Code, or other HMFA financing must refer to the applicable program guidelines for such programs, which will take precedence in the case of a conflict with these guidelines.

II. MAXIMUM AHGS AWARD PER PROJECT

AHGS funding shall not exceed \$ 1.5 million for projects with a total of up to 149 units, and \$2.5 million for projects with a total of 150 units or greater, except for awards made in accordance with Section V below. AHGS shall only be made available for affordable units, defined as units reserved for households earning up to 60% of area median income. Mixed income projects must differentiate between the financing gap for affordable and market rate units and AHGS funding may only be used to address the gap attributable to the affordable units. AHGS funds shall be provided in the form of loans repayable out of available cash flow.

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Interest Rate: The program permanent loans shall be at an 1% interest rate. The interest rate is fixed for the term of the mortgage.

Term: Standard term is 30 years. The developer may request a term of less than 30 years or request a term of more than 30 years.

Cash flow loan: Program financing shall be in the form of a cash flow loan. Repayment shall be in the amount of 50% of the project’s available cash flow remaining after the payment of operating expenses, required reserves (if applicable) and amortized mortgage debt service and at the earlier of 10 years or the payment of the deferred developer’s fee (if applicable). Upon maturity of the loan or upon expiration of the affordability controls, whichever comes first, the balance of any unpaid principal balance, together with all accrued interest thereon, shall become due and payable. The Agency may require the developer to submit annual financial statements to document the project’s available cash flow.

Lien status: AHGS subsidy loan shall be secured by a note and mortgage as required by NJSA 55:14K-1 et. seq.as may be amended from time to time.

III. APPLICATION CYCLES

NJHMFA will accept applications in two funding cycles:

The first cycle of applications will be accepted from February 15 to March 15, 2022. At least \$25 million but no more than \$30 million shall be allocated to this application cycle. Unused funds (if any) shall be made available in the second application cycle.

The second cycle of applications will be accepted from May 2 to May 31, 2022. All remaining unallocated funds shall be made available during this application cycle. Projects that were unsuccessful in obtaining an award during the first AHGS cycle may re-submit an application for consideration during the second cycle.

IV. SELECTION CRITERIA

Demand for AHGS is likely to exceed the availability of funding. Priority will be given to projects in the following order: 1) 9% LIHTC projects with a 2020 carryover allocation, as such projects are in jeopardy of losing their credit allocation if they do not place in service by December 31, 2022; 2) 9% LIHTC projects that are under construction; 3) any remaining eligible 9%LIHTC projects; and 4) other eligible project types. Selection criteria will be as follows:

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1) 9% LIHTC projects with a 2020 carryover allocation

Should multiple applications be received from such projects, AHGS funding shall be awarded starting with the project requiring the least amount of AHGS funds per affordable unit, and shall continue in this manner subject to fund availability.

2) Eligible 9% LIHTC projects under construction

Should multiple applications be received from such projects, AHGS funding shall be awarded starting with the project requiring the least amount of AHGS funds per affordable unit, and shall continue in this manner subject to fund availability.

3) Eligible 9% LIHTC projects, not yet under construction

Should multiple applications be received from such projects, AHGS funding shall be awarded starting with the project requiring the least amount of AHGS funds per affordable unit, and shall continue in this manner subject to fund availability.

4) 4% federal Low-Income Tax Credit Program projects or other programs authorized under the request for state fiscal recovery fund program approval issued to the Joint Budget Oversight Committee on November 24, 2021.

Should multiple applications be received from such projects, AHGS funding shall be awarded starting with the project requiring the least amount of AHGS funds per affordable unit, and shall continue in this manner subject to fund availability.

V. OTHER SELECTION CRITERIA

Notwithstanding the prioritization set forth in Section IV above, a review committee may award up to 10% of the total AHGS funds to projects that satisfy at least one of the following criteria. The review committee shall be comprised of the Chief of Legal and Regulatory Affairs, the Chief Financial Officer, the Director of Regulatory Affairs and the Director of Finance of the NJHMFA. Funding under this section may be awarded to projects in either application cycle, provided the cumulative awards to such projects do not exceed 10% of the total AHGS funds:

- 1) Represent a regional or geographic location that has received limited affordable housing resources;
- 2) Leverage substantial financial resources from the Federal government or from other non-HMFA funding sources;
- 3) Affirmatively further the purposes and policies of the Fair Housing Act (Title VIII of the Civil Rights Act of 1968) or contribute to a municipal fair share housing development plan;
- 4) Respond to an urgent housing need or an underserved population; or
- 5) Meet other critical State housing policy directives, goals, or priorities.

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VI. DOCUMENTATION OF HARDSHIP

Projects applying for AHGS must show need by providing the following. HMFA reserves the right to request additional information during the review process in order to satisfactorily document the need and eligibility for AHGS funds:

- 1) Detailed cost breakdown comparisons, including quantities, labor and material take-offs
- 2) Cost backup for specific construction categories affected by COVID-19, including but not limited to: materials, equipment purchasing, appliances
- 3) Evidence of Value Engineering efforts: Architect of Record to provide scope of work indicating substitution/changes, along with revision pages for drawings and specifications
- 4) Firm commitments from other sources of funding to evidence financial feasibility
- 5) A “firm” commitment of equity from a tax credit investor. Such letter shall not contain any “best efforts” language (e.g., “subject to finding an investor” or “subject to equity availability”). Such letter shall contain confirmation that the pricing is not being reduced due to subsidy.
- 6) 50% developer fee deferral