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New Jersey Creates $305 Million Fund to Complete Affordable Housing Projects

The New Jersey Housing and Mortgage Finance Agency (HMFA) announced the creation of a new Affordable Housing Production Fund to assist developers with gaps in financing for 100 percent affordable housing projects. Applications will be accepted on a rolling basis beginning on November 1, 2022.

The Fund consists of $305 million appropriated in New Jersey's 2023 fiscal year budget. This money was allocated to New Jersey as part of the federal American Rescue Plan Act of 2021. Under the new HMFA program, the Fund offers financing to complete 100 percent affordable housing projects that were included in a court-approved *Mount Laurel* Fair Share Settlement Agreement with a municipality.

Projects that use or will use 4 percent low-income housing tax credits (LIHTCs) and/or tax-exempt bond financing from HMFA are eligible for Fund financing. Some of the eligibility requirements include setting aside the greater of five units or 5 percent of the total project units for "supportive housing." The affordability restrictions on the project must remain for 45 years, including a 30-year compliance period and a 15-year extended use period. Both family and senior residential projects are eligible.

For projects that qualify and are approved, developers will receive an award of $150,000 per unit, up to a maximum of $8 million per project. This financing will come in the form of construction loans, construction loans that convert to permanent financing and permanent-only loans. Zero percent interest applies to loans provided through the Fund during construction, and loans provided during permanent financing will bear 1% interest, compounded annually. Like other HMFA programs, projects receiving construction financing through the Fund are eligible for exemption from sales tax on materials or supplies used in the project.

Day Pitney's real estate and land use professionals are experienced in a broad range of HMFA programs and stand ready to assist clients in preparing applications for the Fund before the application period begins on November 1. If you or a developer you know are interested in applying or learning more about the Fund, contact us today.

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