

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

**Urban Preservation Program (UPP)
Guidelines**

Adopted: October 19, 2023

Program Overview: The New Jersey fiscal year 2024 budget (P.L. 2023, c.74) appropriates \$80,000,000 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 Urban Preservation Program (UPP) established pursuant to P.L. 2023, c. 77. 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 UPP funds to provide funding for affordable housing projects.

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. Conduit projects are not eligible for the program.

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 be made available for gap financing on housing projects that utilize the Low-Income Housing Tax Credit (LIHTC) Program and Bond Financing from HMFA. UPP funds may not be utilized in conjunction with conduit financing. To be eligible for funding the applicant must: <ul style="list-style-type: none">• Rehabilitate at least 50 percent of total dwelling units within a multiple dwelling (25+ units) to be used as affordable housing;• Renovate and preserve existing affordable housing units that have reached or are approaching the end of the periods of affordability controls established pursuant to the “Fair Housing Act,” P.L.1985, c.222 (C.52:27D-301 et seq.); or• Construct a multiple dwelling to replace an existing multiple dwelling (25+ units) utilized for affordable housing, provided that the number of affordable housing

	<p>units in the new development is equal to or exceeds the affordable units in the existing multiple dwelling.</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 meet the following criteria:</p> <ul style="list-style-type: none"> • Family or Senior project; • Multiple dwelling of 25 units or more; • Located in an urban preservation municipality; • Affordability controls that 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; • 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; • 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; and • Cannot have received a subsidy loan from the Affordable Housing Production Fund (AHPF) Program.
<p>4. Subsidy Loan Amounts/Maximum Award</p>	<p>UPP maximum award is \$150,000 per affordable 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>Additionally, the maximum subsidy for all HMFA subsidy loans</p>

	combined shall not exceed \$10 million. Loans from the Special Needs Housing Trust Fund and the Money Follows the Person Housing Partnership Program shall not be included in the calculation of the subsidy total.
5. Types of Available Funding	<p>UPP 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 UPP 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.</p>
6. HMFA Mortgage Required	Any permanent debt must be in the form of an HMFA-provided permanent mortgage loan. The maximum mortgage supportable shall be obtained.
7. Financing Term	Unless otherwise authorized, the estimated financing term of a UPP loan shall be coterminous with HMFA mortgage financing and/or the LIHTC requirement, whichever is/are applicable.
8. Security, Collateral, and Lien Status	A UPP loan shall only be used in conjunction with traditional HMFA financing and shall take a subordinate position behind other HMFA financing.
9. 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 UPP subsidy loan or any other HMFA financing.</p>
10. Mortgage Interest Rate	UPP loans provided during construction shall be at a Zero (0%) percent interest rate during construction.

	<p>UPP loans provided during permanent financing shall be at a one-percent (1%) interest rate.</p>
11. Cash Flow Repayments	<p>Repayment of a UPP 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.</p>
12. Debt Service Coverage Ratio	<p>Projected cash flow repayments of UPP 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 UPP loan amounts will be determined.</p>
13. Other Underwriting	<p>Projects funded by UPP loans shall be considered to be HMFA multifamily UPP and/or tax credit projects and must meet the requirements of the HMFA Multifamily Underwriting Guidelines and/or the LIHTC program, as applicable.</p>
14. Energy Efficiencies and Green Building Standards	<p>New construction projects funded by UPP subsidy funds must meet the certification requirements of the U.S. Department of Energy’s Zero Energy Ready Homes Program, which is administered at the state level by the New Jersey Board of Public Utilities’ Office of Clean Energy. Projects must fully incorporate an energy-efficient electrification scope.</p> <p>Retrofit projects funded by UPP subsidy funds must, in addition to meeting the energy requirements of the four-percent LIHTC program, evaluate the project, if applicable, for conversion to electrification of cooking, and heating equipment.</p>
15. Target Areas:	<p>Projects must be located in an Urban Preservation Municipality, defined as a municipality that either:</p> <ul style="list-style-type: none"> • Has a total population above 10,000, a population density over 7,000 people per square mile, and a housing density over 2,000 housing units per square mile; or • Is currently designated as both a Department of Community Affairs Urban Aid Municipality and an NJRA Legislative Designated Municipality. <p>A list of municipalities that meet these criteria is included as an</p>

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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.