

SPECIAL NEEDS HOUSING PARTNERSHIP LOAN PROGRAM (SNHPLP) GUIDELINES

Program Summary:

Under the Special Needs Housing Partnership Loan Program (SNHPLP), the New Jersey Housing and Mortgage Finance Agency (NJHMFA), the New Jersey Department of Community Affairs (DCA) and the New Jersey Department of Human Services (DHS), Division of Developmental Disabilities (DDD) will provide financing to create permanent supportive housing and community residences for individuals with developmental disabilities. Loan proceeds may be used for the acquisition and rehabilitation of existing 3-4 bedroom single-family houses and first floor 3-4 bedroom condominiums, with acquisition and all rehabilitation to be completed within six (6) months of mortgage closing. Other housing arrangements of up to six (6) bedrooms may qualify, on a case-by-case basis, as may be accepted by NJHMFA staff, in consultation with the New Jersey Department of Human Services, Division of Developmental Disabilities (DDD), provided the Sponsor is able to meet the 6-month threshold requirement. New construction, while not encouraged, will be considered on a case-by-case basis provided the Sponsor is also able to meet the 6-month threshold requirement.

A. Application Process:

Applications for the SNHPLP may be obtained from the NJHMFA website, www.nj-hmfa.com or from the NJHMFA Division of Supported Housing and Special Needs, which may be reached at 609-278-7521. Three (3) copies of the application and supporting documentation must be submitted. NJHMFA will **not** accept applications by facsimile or via email delivery. Applications will be reviewed and loan commitments will be made on a first come, first served basis, based on availability of funds.

B. Eligibility Requirements:

- 1) **Eligible Applicants:** The program is available to qualified developers who have been prequalified by the NJHMFA, the DCA and DDD for participation in the SNHPLP. For a list of eligible qualified developers please go to <http://www.state.nj.us/dca/hmfa/developers/needs/partnership> or contact the Supported Housing and Special Needs Division at 609-278-7521.
- 2) **Maximum Loan Amount:** SNHPLP loans will not exceed \$125,000 per bed, with a cap of \$500,000 per property. The \$500,000 cap includes the NJHMFA/DCA contribution plus Municipal Affordable Housing Trust Fund (AHTF) dollars. Sponsors should note that the SNHPLP will match the AHTF dollars on a dollar for Dollar basis up to a maximum of \$250,000. However, should the total development cost exceed the \$500,000 cap per property, the Sponsor may seek additional sources of other State (that is, funds from State entities other than the NJHMFA or the DCA) or non-State funding (HOME funds, etc.). Please note that DDD will be financing the capital costs of the sprinkler system, which is outside the \$500,000 cap. Applicants for the SNHPLP should contact DDD for additional information on this issue. In cases when 100% SNHPLP loans from HMFA/DCA funds are required, the Agency in consultation with DDD will determine the loan amount based on the reasonableness of the total development cost. The SNHPLP loan in this case may exceed \$125,000 per bed and/or the cap of \$500,000 per property. In all cases, the application will be reviewed to determine the reasonableness of the total development costs of the project for participation in the SNHPLP.

- 3) Affordable Housing Trust Fund (AHTF) Dollars and SNHPLP Funds:** SNHPLP funds can be used to finance projects in municipalities without AHTF dollars or municipalities whose Trust Fund balances are less than \$250,000. Projects applying for SNHPLP funds in these cases will be required to bring a match of 20% of the total development costs from other State (that is, funds from State entities other than the NJHMFA or the DCA) or non-State sources. These funds will be limited to projects that serve individuals coming out of development centers. Any exception will be made at the sole discretion of DDD and only after all attempts to fill a vacancy with an individual leaving a developmental center have been exhausted.

Projects without any matching funds in municipal AHTF funds and other no-Agency or DCA State or non-state sources could receive up to 100% financing in HMFA/DCA and/or other available funding sources on a case-by-case basis, as may be determined by NJHMFA staff, in consultation with the Department of Human Services, Division of Developmental Disabilities (“DHS/DDD”). The SNHPLP loan in this case may exceed \$125,000 per bed and/or the cap of \$500,000 per property. This 100% financing will be limited to projects that will serve individuals leaving developmental centers, in support of the State’s Developmental Center Closure Plan and Olmstead Settlement Plan, as well as those participating in the Return Home New Jersey initiative. Allocation of this financing may also be limited to projects located in Counties that have been determined by DHS/DDD to be a high priority for individuals leaving Developmental Centers

- 4) Other Types of Housing Arrangements:** Other housing arrangements of up to six (6) bedrooms may qualify, on a case-by-case basis, as may be accepted by NJHMFA staff in consultation with the New Jersey Department of Human Services, Division of Developmental Disabilities. In such cases, SNHPLP funds may be used as per the SNHPLP Guidelines.

C. Project Underwriting Guidelines:

- 1. Site Inspection:** The site inspection will be conducted by DHS/DDD and NJHMFA, jointly or severally. Evidence of such site approval must be part of the supporting documents for commitment.

The site inspection will be conducted within 10 business days after receipt of the application. The site visit will determine if the property is suitable for the intended use including the needs of the individuals with developmental disabilities. DHS/DDD will also map the site to ensure the location is not in an overly saturated area. Once the property is determined to be acceptable, DHS/DDD and NJHMFA staff will, in writing, either combined or as two separate reports, approve the site inspection. Please note that site approval does not guarantee approval of the SNHPLP Loan.

- 2. Pre-Application Meeting:** First time applicants are required to contact the Supported Housing and Special Needs Division at 609-278-7521 to set up a pre-application meeting or telephone conference call to discuss any potential projects.

3. Required Documentation:

- Site approval from DDD and NJHMFA as set forth in subsection C.1., above;
- Local Approvals/Building Permits, if applicable;
- Scope of rehabilitation work;
- A detailed breakout of all funding sources and uses for capital and operating funding;
- Professional contracts, if applicable, including Architect, General Contractor, Consultant, Attorney, etc.;
- Evidence of Contractors Insurance;
- Supportive Services Provider Agreement, if applicable;
- Evidence of Rental Assistance or Operating Subsidy;
- DDD Letter of Support;
- Upon determination of project feasibility, NJHMFA will order an appraisal in accordance with NJHMFA appraisal process;
- Evidence of Supportive Services Funding; and
- Evidence of all financing commitments in the event that there are sources in addition to or in lieu of municipal and state funds.

- 4. Eligible Projects:** Eligible projects must be supportive housing and community based residential projects for persons with developmental disabilities. Loan proceeds may be used for the acquisition and rehabilitation of existing 3-4 bedroom single-family houses and first floor 3-4 bedroom condominiums, with acquisition and all rehabilitation to be completed within six (6) months of mortgage closing. Other housing arrangements of up to six (6) bedrooms may qualify, on a case-by-case basis, as may be accepted by NJHMFA staff, in consultation with DDD, provided the Sponsor is able to meet the 6-month threshold requirement. New construction, while not encouraged, will be considered on a case-by-case basis provided the Sponsor is able to meet the 6-month threshold requirement. All of the units/beds created must be set-aside for persons with developmental disabilities as approved by DDD and deed restricted for this class of tenants for a term of not less than 20 years.
- 5. Eligible Activities:** Eligible uses include the acquisition and rehabilitation of existing properties for individuals with developmental disabilities. New construction, while not encouraged, will be considered on a case-by-case basis, provided the Sponsor is able to meet the 6-month threshold requirement.
- 6. Transfer of Ownership:** The transfer of ownership of a SNHPLP project from a qualified developer to a DDD Qualified Service Provider is an allowable activity under this program. The transfer of ownership will take place after construction completion and after the receipt of a Certificate of Occupancy.
- 7. Eligible Loan Terms:** Financing will be structured in the form of a cash flow loan. All loans will be non-recourse loans. The term of the loan will not be less than 20 years, up to a maximum term of 40 years, which term will be determined by the NJHMFA and/or DCA.

8. **Loan Repayment:** The SNHPLP loan will be repaid by twenty-five percent (25%) of the project's available annual cash flow from project revenue after the payment of operating expenses.
9. **Lien Status:** SNHPLP loans will be secured by a first mortgage lien on the land and improvements. In certain cases, the SNHPLP loan may be secured by a subordinate mortgage lien if NJHMFA determines that a first lien position is not available.
10. **Real Estate Valuation:** The real estate shall be valued at the lesser of the appraised value or the purchase price of the realty and any buildings and improvements thereon.
11. **Rehabilitation:** NJHMFA's and DDD's technical staff will review and approve the scope of the rehabilitation as well as the project architect, if applicable, and contractor contracts. Accessibility requirements and features will be determined by DDD.
12. **Developer's Fee:** The amount of the developer's fee allowed for the SNHPLP is limited to up to 5% of total acquisition and construction costs, excluding professional fees, land, working capital, marketing expenses, escrows, operation deficit reserves, and costs associated with syndication, as determined by NJHMFA staff.
13. **Repair and Replacement Reserve:** A Repair and Replacement Reserve Account as determined by the NJHMFA will be held in a separate dedicated project account at the NJHMFA for the term of the loan.
14. **Annual Reviews:** The Sponsor will submit an annual financial summary of the project operations in a form acceptable to the NJHMFA, and the NJHMFA reserves the right to inspect the project on an annual basis.
15. **Other:** All required approvals, licenses, or permits for a proposed SNHPLP project must be obtained by the project Sponsor. Although not an eligibility criterion, projects may leverage other capital funds from local, county, state, federal, non-profit organizations and other private grants.

Approval Process:

All applications will be reviewed by a committee comprised of representatives from DCA, DDD and NJHMFA. The committee will review all documentation submitted with the application and make a determination as to the eligibility of the project for SNHPLP funding. The committee will then make a recommendation to the NJHMFA Executive Director and/or the DCA Commissioner. Upon acceptance of a proposed project, a loan commitment will be issued.

Document Checklist Requirements: The processing of a SNHPLP loan application or a Transfer of Ownership is monitored by a project-specific document checklist. Once all closing checklist documents have been submitted, reviewed and approved by the assigned Division of Loan Closings paralegal, a mortgage closing date can be targeted. It is anticipated that all closing documents be submitted at least two weeks prior to a targeted closing date in order to allow sufficient review time by the appropriate Agency staff and Counsel.

Interested project applicants for the SNHPLP should contact the NJHMFA Division of Supported Housing and Special Needs at 609-278-7521.