

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

**Workforce Housing Program (WHP)
Guidelines**

Adopted: October 19, 2023

Program Overview: The New Jersey fiscal year 2024 budget (P.L. 2023, c.74) appropriates \$50,000,000 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, for New Jersey’s first statewide Workforce Housing Program (WHP). Workforce housing, for the purposes of this program, is defined as housing units deed-restricted for occupancy by households with a gross household income of 80 percent or more, but not exceeding 120 percent, of the median gross household income for households of the same size within the housing region in which the housing is located, specifically, the Multifamily Tax Subsidy Project Income Limit Area established by HUD. 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 WHP funds for the rehabilitation or construction of residential units within multiple dwellings located within areas with proximity to existing public transportation and job opportunities. Conduit projects are not eligible for WHP.

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.

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 HMFA Revenue Bond Financing Program. To be eligible for funding the applicant must be: <ul style="list-style-type: none">• A mixed-income project with non-LIHTC rental units deed-restricted for occupancy by households with a gross household income of 80 percent or more, but not exceeding 120 percent, of the median gross household income for households of the same size within the housing region in which the housing is located,

	<p>specifically, the Multifamily Tax Subsidy Project Income Limit Area established by HUD.</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 project; • New construction; • Multiple dwelling of 25 units or more; • Located in workforce housing area, as outlined by Section 15; • Cannot have received a subsidy loan from the Affordable Housing Production Fund (AHPF) Program; and • 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. <p>LIHTC Requirements:</p> <ul style="list-style-type: none"> • 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; and • 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. <p>Workforce Unit Requirements:</p> <ul style="list-style-type: none"> • Workforce housing units must follow the same bedroom distribution mix as the LIHTC-funded units; and

	<ul style="list-style-type: none"> • Workforce units shall follow the same affordability compliance periods and income certification requirements as the development’s LIHTC units.
4. Subsidy Loan Amounts/Maximum Award	<p>WHP maximum award is \$150,000 per unit deed-restricted for Workforce Housing, not to exceed \$10 million per project. Standard HMFA Underwriting Guidelines, as set forth in the Multifamily Underwriting & Financing Guidelines and Policy will apply.</p> <p>Additionally, the maximum subsidy for all HMFA subsidy loans 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.</p>
5. Types of Available Funding	<p>WHP 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 WHP 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	<p>Any permanent debt must be in the form of an HMFA-provided permanent mortgage loan. The maximum mortgage supportable shall be obtained.</p>
7. Financing Term	<p>Unless otherwise authorized, the estimated financing term of a WHP loan shall be coterminous with HMFA mortgage financing and/or the LIHTC requirement, whichever is/are applicable.</p>
8. Security, Collateral, and Lien Status	<p>A WHP loan shall only be used in conjunction with traditional HMFA financing and shall take a subordinate position behind other HMFA financing.</p>
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 WHP subsidy loan or any other HMFA financing.</p>
10. Mortgage Interest Rate	<p>WHP loans provided during construction shall be at a Zero (0%) percent interest rate during construction.</p> <p>WHP loans provided during permanent financing shall be at a one-percent (1%) interest rate.</p>
11. Cash Flow Repayments	<p>Repayment of a WHP 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 WHP 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 WHP loan amounts will be determined.</p>
13. Other Underwriting	<p>Projects funded by WHP loans shall be considered to be HMFA Multifamily, WHP and/or tax credit projects and must meet the requirements of the HMFA Multifamily Underwriting and Financing Guidelines & Policy and/or the LIHTC program, as applicable.</p>
14. Energy Efficiencies and Green Building Standards	<p>New construction projects funded by WHP 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>
15. Target Areas:	<p>Projects must be located in a Workforce Housing Area, defined as:</p> <ul style="list-style-type: none"> • Located within a municipality that has a jobs-to-housing

	<p>ratio of 1.2 or higher, a list of which is included as an attachment; or</p> <ul style="list-style-type: none">• Located within one-half (0.5) mile walking distance of an existing, publicly-operated bus or transit stop, the existence and proximity of which must be established by competent, independent evidence included in the application. <p>Areas included on the attached list are presumptively considered to be eligible Workforce Housing Areas. If an application is not presumptively eligible under the first criterion, it is the responsibility of the applicant to demonstrate that a project is eligible by meeting the second criterion.</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.