

The Affordable Housing Production Fund: Fostering Opportunity in All Communities

New Jersey Housing and Mortgage Finance Agency
Rental Housing: Encouraging New Construction

HFA Staff Contact

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Summary: Since late 2022, NJHMFA has obligated \$298 million out of an initial \$305 million investment from the State Legislature in rescuing 100% affordable housing developments from pandemic-related financing difficulties. This infusion of funds will add over 4,000 affordable rentals to New Jersey's housing stock. Most of these new homes are being built in communities with few low-cost options, helping them to fulfill local planning goals to provide a diverse mix of housing opportunities.

Entry Description:

Background:

Living in a state with a high cost of living and limited land available for development, New Jerseyans have struggled to keep pace with rising rents. Ensuring an adequate range of housing at all price points is therefore one of municipalities' most important planning goals, reflecting a constitutional obligation dating back to 1975 to provide realistic opportunities for the development of affordable housing for low- and moderate-income residents. In the most recent round of construction since 2015, over 300 municipalities have entered into settlements with the nonprofit Fair Share Housing Center, enabling the construction of more than 20,000 affordable units.

The Covid-19 pandemic and ensuing economic difficulties threatened to derail a significant share of badly needed and court-approved 100% affordable developments as a result of unprecedented financing challenges. To address these urgent needs, Governor Murphy proposed the Affordable Housing Production Fund in the FY 2023 budget, a new program relying on \$305 million in aid from the American Rescue Plan to close the backlog of unbuilt approved affordable developments across the state. The stakes for the AHPF were high: these projects alone would provide thousands of new rentals for low- and moderate-income residents, including hundreds of units for residents with special needs.

Implementation:

The successful implementation of the AHPF is a result of close collaboration between NJHMFA, the Department of Community Affairs (DCA), municipal leaders, affordable housing developers, and partners in the State Legislature. NJHMFA moved quickly to efficiently and effectively allocate the AHPF. By June of 2023, two-thirds of the original allocation had already been committed, and a Memorandum of Understanding signed with the DCA that month allowed for the immediate distribution of funds. By the end of the year, \$298 of the original \$305 million had been allocated, putting the state on track to eliminate the backlog of unbuilt projects by the end of 2025. This funding also includes the AHPF's sister program, the Affordable Housing Production Fund Set-Aside (AHPFSA), which complements the AHPF's core mission by filling financing gaps in pandemic-affected 9% LIHTC projects. Cumulatively, the AHPF has facilitated the construction of 4,000 new rentals to become available to residents in the next few years.

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According to the latest statistics, NJHMFA has closed on 255 units projected to produce over \$115 million worth of total development. Moreover, these projects have received only \$14 million in financial assistance through the AHPF, underscoring just how cost-effective this program has been at driving new housing construction. Additionally, as of March 2024, \$117 million in financing has been committed to projects, while projects receiving a Declaration of Intent represent an additional \$106 million. The need for this program is demonstrated by high demand from developers, with NJHMFA unable to assist all applicants. To address expand the program's impact, the State Legislature allocated an additional \$100 million to the AHPF in the FY2024 Budget, enabling NJHMFA to bolster the program's core mission while simultaneously creating two new complementary initiatives to address unique housing needs for a diverse range of residents with a further \$130 million investment.

The \$80 million Urban Preservation Program will fund necessary renovations and extend the period of affordability controls for LIHTC properties in designated cities which are on the verge of converting to market-rate rentals. The \$50 million Workforce Housing Program, on the other hand, will finance the construction of new mixed-income projects near transit stations and in job-center municipalities, helping to fulfill the unmet housing needs of the "missing middle."

Achieving objectives:

By building more than 4,000 affordable apartments across the state, the AHPF ensures that all communities in New Jersey are able to provide high-quality housing opportunities to residents regardless of income. The policy provides a quintessential win-win, enabling municipalities to fulfill their legal obligations and allowing residents of affordable housing to live in high-opportunity neighborhoods with good schools and plentiful job opportunities. Each of these homes will help transform lives, revitalize neighborhoods, and connect residents to amenities, jobs, and convenient transportation.

Given the scarcity of available resources, the availability of these funds allows the Agency to advance other state priorities by requiring that developments financed with the AHPF have extended affordability control periods lasting 45 years to ensure lasting benefits. The Agency was also able to pair this funding with smaller allocations from the state's Special Needs Housing Trust Fund to pay down the costs to restrict 5-10 units for supportive housing in most developments, creating inclusive communities for individuals regardless of their specialized needs.

It's easy to notice the real-world impact of the AHPF, as several projects have already opened their doors to the community. 722 Chancellor, which opened in May 2023, provides 56 affordable apartments for Irvington residents earning under 60% of Area Median Income. The 85-unit Osprey Point development in Little Ferry offers older residents' affordable options in a serene neighborhood. Valor Pointe in Monroe, an 80-unit apartment complex geared towards veterans and their families, is projected to open later this year. Thanks to these investments, New Jersey is already seeing the first tangible impacts with thousands of additional units made possible through this program to come online in the coming years.

Implications:

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From the very beginning, the AHPF required innovative thinking. Efforts to address New Jersey's complex and unique housing needs benefited tremendously from the influx of federal aid in the American Rescue Plan, which allowed state policymakers to make one of the nation's largest housing-related investments through the ARP. It demonstrates a creative willingness to combine federal funding streams with private and non-profit developers to ensure the timely completion of affordable housing projects. Every step of the process has relied on close partnership with the various stakeholders in affordable housing in New Jersey – the State Legislature, the Governor, municipalities, developers, and state agencies like NJHMFA and the DCA. Thanks to this initiative, the state is measurably increasing affordable options for low- and moderate-income New Jerseyans in all types of communities.

By having the state complement municipal planning goals for affordable housing construction, the AHPF helped to transform an at-times controversial process into a much more collaborative one. While New Jersey's system of local obligations for affordable construction may be unique, the desire to provide affordable options in all communities is universal. As evidenced by New Jersey's adoption of the AHPF model for the subsequent creation of the Urban Preservation Program and Workforce Housing Program, this model shows a strong potential for the creative utilization of outside sources of financing to complement local planning initiatives, allowing municipalities to reach lofty goals which may be otherwise infeasible.