

# UPP for Multifamily Production and Preservation

**New Jersey Housing and Mortgage Finance Agency**  
Rental Housing: Encouraging New Construction and  
Promoting Preservation

**HFA Staff Contact**

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HFA Name: NJHMFA

Entry Title: UPP for Multifamily Production and Preservation

Category: Rental Housing

Subcategory: Encouraging New Construction and Promoting Preservation

### **Summary:**

According to a recent study by Rutgers University, federal programs, including the Low-Income Housing Tax Credit (LIHTC), support 140,000 existing affordable rental units for New Jerseyans.<sup>1</sup> Within the next five years, approximately 10,750 units, or seven percent of these units, are at risk of losing affordability restrictions. In response to this coming need, NJHMFA created the Urban Preservation Program to provide necessary investment into these older properties and to extend affordability controls for an additional forty-five years.

### **Addresses an Important State Need:**

Research consistently demonstrates that a lack of affordable housing and the resulting instability have widespread negative long-term impacts on health, mental wellbeing, childhood development and educational outcomes<sup>2,3</sup>. Preserving affordable housing stock is an important way of preempting those negative outcomes, and enabling communities to avoid displacement as community investment increases.

This concern is especially acute in the state's cities, where investors are seeking to purchase and convert potentially expiring affordable properties to market-rate, given that the units at risk of losing their affordability are predominately concentrated within these cities. For example, approximately half of all the affordable units at risk over the next decade are situated within twenty-eight cities, or five percent of the state's municipalities.

Additionally, the loss of these existing affordable units would undermine the ongoing statewide efforts to reduce the excess demand for affordable housing currently facing New Jersey residents.

### **Replicability:**

In the current high interest rate environment, developers are experiencing difficulties in penciling out capital stacks for rehabilitation projects without additional subsidy. In order to address this problem and prevent older affordable units, which are disproportionately situated within in urban areas, from converting to market-rate, the Urban Preservation Program offers one-percent interest rate cashflow loans to serve as gap subsidy filler to be pair with four percent Low Income Housing Tax Credit allocations.

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<sup>1</sup> Deitz, S., Newman, K., Seymour, E., Payne, W. B., & Nolan, L. (2025). Federally Assisted Housing in New Jersey. New Brunswick: Ralph W. Voorhees Center for Civic Engagement.

<sup>2</sup> Patrick D. Smith, Danya E. Keene, Sarah Dilday, Kim M. Blankenship, Allison K. Groves, Eviction from rental housing and its links to health: A scoping review, *Health & Place*, Volume 86, 2024, 103182, ISSN 1353-8292, <https://doi.org/10.1016/j.healthplace.2024.103182>.

<sup>3</sup> Alidoust, S. & Huang, W. (2023). A decade of research on housing and health: a systematic literature review. *Reviews on Environmental Health*, 38(1), 45-64. <https://doi.org/10.1515/revch-2021-0121>

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In exchange for this assistance, the properties agree to extend their affordability terms for an additional forty-five years.

**Demonstrates Effective Use of Resources:**

Participating projects receive significant capital for upgrades and modernization, while the state benefits from decades of extended affordability controls on existing units. Consequently, the state can focus its new production on reducing the existing affordable housing shortage instead of needing new production to replace expiring units. This is of particular importance given that the costs for rehabilitation are substantially cheaper than the costs for land acquisition and new construction. While the specifics of a project will matter greatly in determining cost, the average cost of a new affordable multifamily development in New Jersey during 2024 was \$245 per square foot while the average cost for rehabilitation was \$114 per square foot. Preserving existing units is more cost-efficient than replacing them.

To that end, the Urban Preservation Program was created by statute and supported with an \$80 million investment of federal American Rescue Plan (ARP) funds from the FY2024 budget. However, the program received twelve applications requesting \$105 million to preserve 1,188 affordable units across nine municipalities. Since demand for funding from this program exceeded supply, NJHMFA has worked with its partners in the administration and legislature to identify additional revenue sources to ensure that all of the applications will be covered.

