HFA Name: New Jersey Housing and Mortgage Finance Agency
Entry Title: Urban Preservation Program for Multifamily Production and Preservation
Category: Rental Housing
Subcategory: Encouraging New Construction and Promoting Preservation

Summary

New Jersey, like the entire United States, faces a shortage of affordable housing. At the same time, older units, predominately in urban centers, are at risk of exiting affordability controls. NJHMFA's Urban Preservation Program is designed to alleviate these pressures by helping preserve, renovate, and rebuild affordable housing in urban areas. Through focused and targeted investment, this program protects the long-term affordability and habitability of New Jersey's existing housing stock.

Innovative and Replicable

The Urban Preservation Program subsidizes affordable housing preservation projects and extends affordability controls that remain in place for 45 years – a 30-year compliance period plus a 15-year extended use period. Loans are designed as gap financing to be paired with NJHMFA's Low-Income Housing Tax Credit (LIHTC) program. Financing provided during construction comes with a 0% interest rate, which becomes a 1% interest rate at permanent financing.

A unique feature of the Urban Preservation Program is that it strategically utilizes New Jersey's "Coronavirus State Fiscal Recovery Fund" allocation to finance affordable housing rehabilitation projects. Originally seeded with $80 million, NJHMFA converted temporary federal assistance into permanent affordable housing in parts of the state that need revitalized housing most urgently. However, this structure is not specific to federal funding and is a model that could be recreated with any source of gap subsidy funds.

Responds to an Important State Housing Need

New Jersey's urban municipalities are home to a large share of the state's aged affordable housing inventory. At the time the Urban Preservation Program was created, NJHMFA estimated that 1,510 LIHTC units in these areas were at risk of exiting their affordability controls within the next five years alone. Looking ahead a few years beyond that timeframe, the demand increases to include thousands of additional units. The scale of this uncertain future threatens to exasperate the state's overall affordable housing need. Even though New Jersey has been one of the regional leaders in new housing construction, ignoring long-term preservation of existing units would mean that new construction is simply replacing exiting units, rather than cutting into overall demand. With rehabilitation of existing units being, generally, cheaper than new construction, this program is not only necessary, but cost-effective.

Demonstrates Measurable Benefits

Research has consistently found that a lack of quality housing harms health, mental well-being, childhood development, and educational outcomes. Preserving the only option for shelter some working families have is critical for the lives of New Jerseyans. Often, modernization of existing projects includes better building systems, enhancements to apartments, and improved facilities. Residents directly benefit from upgraded housing that remains affordable for the long-term.

Proven Track Record of Success

Demand for Urban Preservation Program funds has been robust. The program is so popular that, even though it was originally provided $80 million, it required supplemental reallocations to meet demand and, ultimately, dispersed more than $105 million to projects. To put another way, demand for these gap subsidy funds was more than 30% higher than supply. In a demonstration of the importance of this program, NJHMFA worked with partners in the Governor's Office and the Legislature to ensure that all eligible applicant projects were able to get their necessary upgrades and extended for another 45 years of affordability controls.

In total, the Urban Preservation Program will be helping rehabilitate or rebuild nearly 1,200 units across the state. These projects will improve living conditions for residents, creating a safer and more comfortable home to live in. Examples of some of the projects that were helped through this program can be found in the appendices.

Effective Use of Resources that Delivers Benefits Outweighing Costs

Rehabilitating existing units is one of the most cost-effective strategies for maintaining affordable housing. New construction costs are high in New Jersey, with the average cost of a new multifamily development estimated at $245 per square foot, whereas the average cost for a rehabilitation is pegged at $114 per square foot. This is unsurprising, considering that compared to new construction, the fundamental infrastructure for a rehabilitation already exists. The Urban Preservation Program takes advantage of these cost synergies to maximize the impact of program funds. Additionally, the program limits the maximum award to $150,000 per affordable unit and up to $10 million per project. This allows NJHMFA to stretch its limited resources and help build as many affordable units as possible.

Partnerships

In operating the Urban Preservation Program, NJHMFA partners with numerous entities, including both those in the public and private sector. In particular, private for-profit and nonprofit housing developers and public housing authorities, who own the properties, apply for funding, which is administered through NJHMFA's Multifamily division in accordance with NJHMFA's rules, regulations, and guidelines. The success of the Urban Preservation Program is built on strong and collaborative relationships with partners across the spectrum.

Strategic Objectives

The mission of NJHMFA is to facilitate and finance the access of affordable, high-caliber homes for low-to-moderate income families. The Urban Preservation Program plays a key role in allowing NJHMFA to carry out its important mission. By marrying innovative techniques, efficient funding, and durable partnerships, NJHMFA ensures that New Jerseyans can continue to reside in the state they love. At a time when preserving existing affordable housing is more critical than ever, the Urban Preservation Program shines as an example for how housing finance agencies can encourage new construction and promote housing preservation.

Appendices

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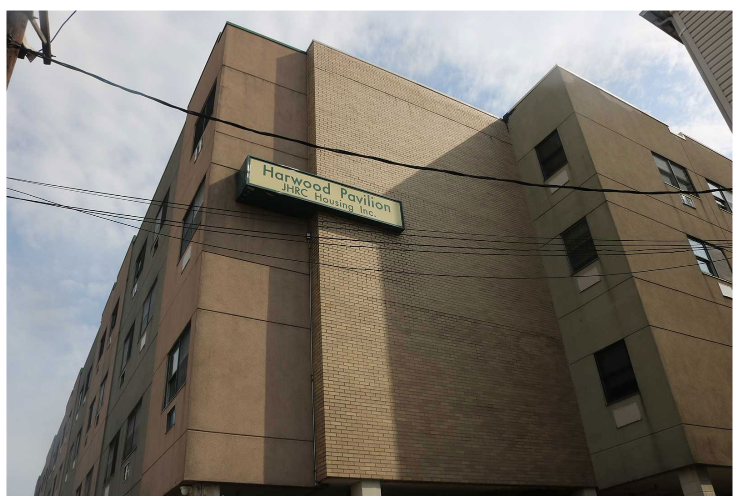
Kingsbury Tower[1]

A comprehensive rehabilitation of a project containing 152 units located in Trenton, NJ. The project is composed of Kingsbury Tower East and Kingsbury Tower West, two 21-story towers developed in 1970-1971, more than 50 years ago. The building was in dire need of revitalization due to its deteriorating interior condition, and renovation work will be performed with residents in-place, limiting disruption. All units are 100% affordable and receive project-based Section 8 vouchers from the United States Department of Housing and Urban Development

JHRC Senior Housing[2]

A total renovation of an existing 67-unit four-story senior affordable housing community located in Jersey City, NJ. The building contains eight studio units and 59 one-bedroom units, all supported by project-based vouchers that provide project-based rent subsidies. The rehabilitation includes upgrades to the common heating and cooling systems to be more efficient, elevator modernization, replacement of windows, new roof unit upgrades with efficient heating and cooling, and updated kitchens and baths.



[1] *Kingsbury Towers rendering. Image courtesy of Inglese Architecture + Engineering.*
[2] *JHRC Senior prior to rehabilitation*

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Salem Senior Village[3]

An occupied rehabilitation of an existing 64-unit senior affordable development located in Salem, NJ. The project consists of two studio units, 60 one-bedroom units, and two two-bedroom units. The two studio units are affordable to households with incomes of 20% area median income, the 60 one-bedroom units are affordable to households with incomes between 20% and 47% area median income, and the two two-bedroom units are affordable to households with incomes between 45.7% and 47% area median income.

[3] *Salem Senior. Image courtesy of Eastern Pacific Development.*