

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) provides 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 three (3) to four (4) bedroom single-family houses and first floor three (3) to four (4) bedroom condominiums. Acquisition and all rehabilitation are 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, but must 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-housing.gov. Three hard (3) copies of the application and supporting documentation must be submitted (in binder format) to the Multifamily Supportive Housing and Lending Division. Applications for funding will be reviewed on a first come, first served basis, based on availability of funds.

B. Eligibility Requirements:

- 1) **Eligible Applicants:** The program is available to developers who meet the guideline criteria of the program.
- 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 and /or other funds available to the municipalities. The SNHPLP will match the AHTF dollars and /or any other funds available to the municipalities 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 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 whose Affordable Trust Fund balances are less than \$250,000. Projects applying for SNHPLP funds in this case will be required to bring a match up to \$250,000 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 from municipalities without available AHTF contributions require that municipalities contribute funds from other state, municipal or private sources that will be matched by HMFA/DCA funds. In no event will the partnership program contribute more than \$250,000.

- 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 review the site location to ensure that there is no unnecessary concentration of homes in one 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 Process:** First time applicants are required to contact the Multifamily Supportive Housing and Lending Division at 609-278-8884 to set up a pre-application conference call to discuss any potential projects.

3. Required Documentation:

- Site approval from DDD and NJHMFA as set forth in subsection C.1., above;
- Appraisal Report (to be ordered by HMFA);
- 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;
- Evidence of a support services provider;
- Evidence of a 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 NJHMFA/DCA+- 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 three (3) or four (4) bedroom single-family houses and first floor three (3) or four (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 may take place after construction completion and after the receipt of a Certificate of Occupancy. If a Sponsor/owner wishes to change the social services provider or any changes in ownership are needed, prior approval of the NJHMFA must be obtained.
- 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. Sponsors are required to submit project specific annual financial audit and/or financial compilation report to the Agency. Agency staff will review the financial report to determine the availability of cash flow payment.
- 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 and/or New Construction:** NJHMFA's and DDD's technical staff will review and approve the scope of the rehabilitation or new construction works 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. Annual Inspection:** The NJHMFA reserves the right to inspect the project on an annual basis.
- 14. 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.

D. 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 approval of a proposed project, a mortgage commitment letter will be issued to the Sponsor.