

Exhibit 2 - RFQ777056S

**NEW JERSEY FUND FOR THE REHABILITATION OF
SMALL RENTAL PROPERTIES**

PROGRAM POLICIES



**EQUAL HOUSING
OPPORTUNITY**

Part I: New Jersey Fund for the Rehabilitation of Small Rental Properties

1.0 Purpose

The New Jersey Fund for the Rehabilitation of Small Rental Properties (Small Rental Program) is designed to restore small rental properties that were damaged by Superstorm Sandy and have remained uninhabitable. In addition to increasing the supply of rental housing in areas that were hit by the Storm, the program will also serve to help revitalize damaged neighborhoods by transforming blighted vacant buildings into newly renovated rental properties. In addition, the program will help small property owners whose businesses were hit by Superstorm Sandy to recover, enabling them to once again begin collecting rent and contribute to the local economy through purchase of goods and services necessary to operate their property.

2.0 Program Overview

2.1 Funding Appropriation

On January 29, 2013, President Obama signed into law the Disaster Relief Appropriations Act, 2013, (Pub. Law 113-2), which appropriated \$16 billion through the Community Development Block Grant (CDBG) program to states that experienced declared natural disasters during 2012. The Appropriations Act requires funds to be used only for specific disaster-related purposes.

On February 6, 2013, HUD announced the first portion of disaster recovery CDBG funds, allocating \$1.83 billion to the State of New Jersey. Fully \$70,000,000 of this allocation will be used for the Fund for the Rehabilitation of Small Rental Properties.

2.2 Federally – Designated Areas Eligible for CDBG Assistance

All counties in the State were declared major disaster areas and are therefore eligible for CDBG assistance. The assistance under this program is limited to properties that were directly damaged by Superstorm Sandy.

2.3 Overall Low and Moderate Income (LMI) Benefit

New Jersey has received a waiver regarding the overall benefit to LMI persons, but the Federal requirement to serve LMI persons is not entirely eliminated. Fifty percent (50%) of the funds allocated to New Jersey must be used for activities that meet a LMI national objective (described below). The Small Rental Program is

limited to units that serve LMI persons, and consequently 100% of this particular allocation will benefit LMI persons.

3.0 New Jersey Small Rental Program Requirements

3.1 CDBG National Objective

All program activities (with certain exceptions for administrative and planning activities) must meet an applicable CDBG National Objective. The New Jersey Small Rental Program will meet the “LMI Housing” National Objective by assisting housing for LMI persons. Note: While some CDBG program activities (e.g. a new public park) can meet the LMI National Objective by providing benefits to an entire community that qualifies as LMI (“LMI Area”), housing activities can only meet the LMI objective if the actual residents of the housing to be assisted are primarily LMI, regardless of the income status of the overall neighborhood. While the Small Rental Program will use the LMI National Objective to qualify for assistance, it is important to note that it could also qualify under the Urgent Need Objective, and in many cases, the Slums and Blight Objective.

3.2 Eligible Properties

Rental Properties with fewer than 25 rental units that received significant damage from Superstorm Sandy.

Properties must be vacant and uninhabitable since the time of the storm.

This policy ensures that all of the units assisted through the program will be real additions to the supply of rental housing in storm hit areas of New Jersey. It also ensures that the program will not involve displacement of existing tenants.

3.3 Eligible Owners

Owners that have owned the property continuously since Superstorm Sandy made landfall in New Jersey on October 29, 2012 are considered “Original Owners” and are eligible for a special pool of funding.

Individuals and for-profit or non-profit entities that have purchased an eligible property since the time of the storm, or those that have obtained an option to purchase an eligible property since the storm, are considered “new owners” and may apply to the New Owners Funding Pool.

3.4 Nature of Assistance

The Small Rental Program will offer approved owners assistance in the form of a forgivable, zero percent loan for the rehabilitation of their property.

Funds provided to owners cannot be used for any other purpose.

Loans will be forgiven on a straight line basis over a five (5) year term so long as the owner continues to meet the program's requirements.

3.5 Restrictions on Tenant's Income

For the length of the compliance period, all tenants must qualify as LMI households. That is, they must have an income that is equal to or less than 80% of the applicable Area Median Income (AMI) adjusted for household size as calculated by HUD.

3.6 Restrictions on Rent

For the length of the compliance period, rents will be capped at a level that is equal to 30% of income for a household earning 80% of the AMI adjusted for household size. In areas where the maximum rent level described above is higher than the Fair Market Rent (FMR), the State may cap rents at the FMR.

3.7 Affordability Term

All units participating in the program must meet the restrictions on Tenant Income and the Restrictions on Rent stipulated above for at least five (5) years from the time of initial lease-up under the program.

3.8 Rehabilitation Standards

All rehabilitation work performed through the Small Rental Program must meet all applicable state and local building codes.

In addition, all rehabilitation work performed through the Small Rental Program must also meet the "green building" standards referenced in HUD March 5th Federal Register Notice on Disaster Recovery rules and waivers.

3.9 Duplication of Benefits

All assistance provided through the Small Rental Program will be subject to a Duplication of Benefit (DOB) analysis, as required by the Stafford Act. Specifically, the amount of damage the property suffered from Superstorm Sandy will be calculated and then the amount of any other assistance the property owner had previously received for the purpose of addressing the damage (e.g. Insurance Claims, SBA Loans, etc.) will be deducted in order to determine the remaining “unmet need”, i.e. the maximum amount of assistance that the Small Rental Program can provide to the owner without violating the DOB rules.

3.10 Maximum Award

The maximum loan under the Small Rental Program is \$50,000 per unit.

Note: The total allowable construction amount can exceed the \$50,000 cap if the owner can supply additional funding for the rehabilitation; these funds will be escrowed.

3.11 Scope of Work and Loan Determination

The Construction Management team will develop a proposed scope of work that is designed to bring the property back to a livable condition and to meet all of the applicable building codes and “green building” requirements.

The maximum available CDBG assistance that can be used to complete this scope of work in the form of a Small Rental loan will be set at the lower of (1) the \$50,000 Maximum Award amount mentioned above; (2) the maximum amount of Federal assistance permissible under the DOB calculation mentioned above; and (3) the amount necessary to complete the Scope of Work.

If the cost to complete the Scope of Work exceeds the maximum CDBG assistance, then the owner will be provided the opportunity to demonstrate that s/he has adequate additional equity to complete the Scope of Work. Equity must be in cash form that can be deposited in an escrow account for the duration of the project period.

3.12 Application Process

Applicants will apply through the SHHIP Program Manager.

The SHHIP Program will review the application to determine the following:

- The owner’s status as an “original owner”, a “new owner”, or someone that is not eligible
- whether property can be confirmed to meet the Program’s size requirements
- whether the property can be immediately confirmed as receiving significant damage from Superstorm Sandy

3.13 Program Components

Funding will be divided between into two “program components” – one for “Original Owners” and one for “New Owners”. *This format expands the pool of owners that can participate in the rebuilding process, while insuring that those owners that actually suffered damage from the storm will be given priority.*