

Smart Move Program (Phase I)

Frequently Asked Questions (FAQs)

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Disclaimer

FAQs are written to reflect all published policies and application materials accurately and consistently. If any FAQ below does not completely comport with the Policy Manual, Notice of Funding Availability (NOFA), or Application Materials, those documents should govern any decision. Please read all published guidance on the Smart Move Program website and carefully follow all federal, state, and local requirements.

FAQs containing guidance specific for Round 2 will be identified directly below the standard response.

General Program Information

1. What is the Smart Move Program?

The Smart Move Program is a pilot program that subsidizes the development of quality, energy-efficient, resilient, and affordable single-family, owner-occupied housing in lower-risk areas within or near disaster-impacted communities. The program uses a developer-led model, where developers control the site, build housing, and sell to eligible homebuyers. Priority is given to those relocating from high-risk properties sold through buyout programs.

2. What is the funding source for Smart Move?

The Smart Move Program is funded by the Department of Housing and Urban Development's (HUD) Community Development Block Grant-Disaster Recovery (CDBG-DR) funds, targeting unmet disaster-related needs not covered by other federal, state, or local recovery resources. This funding specifically supports areas impacted by Hurricane Ida.

3. Are Smart Move funds considered a loan or a grant?

Smart Move funds are disbursed as grants, not loans. However, receipt of these grants are contingent upon applicants agreeing to specific terms outlined in the Development Agreement.

4. Who is eligible for Smart Move?

Eligible developers may submit housing development proposals for sites within the designated Most Impacted and Distressed (MID) counties during Phase I. For Phase II, qualified households, including displaced residents and first-time homebuyers, may apply to purchase homes once they are built.

5. How does the program prioritize projects and allocate funding?

Projects are prioritized based on their alignment with program goals, including proximity to buyout properties, readiness to begin development, and potential community impact. Applications will be scored on factors like project site suitability, developer experience, and innovative and/or resilient design features. Awards are capped at \$15 million per project and subject to a competitive application process. For more information on the program's scoring criteria, please review the applicable *Notice of Funding (NOFA)*.

Due to funding availability, up to \$10 million may be awarded per project for Round 2.

6. Which counties are considered MID counties?

Bergen, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Union, and Warren.

For Round 2, eligible locations are limited to projects located within the following HUD-identified MID counties: Bergen, Essex, Hudson, Middlesex, Passaic, Somerset, and Union.

7. What types of homes can be constructed under Smart Move?

The program may include various single-family residential types to address community needs. In addition to single-family detached structures, the program supports single-family attached residential structures such as condominiums, townhomes, and semi-attached homes with smaller footprints. The program also encourages alternative methods to expand housing opportunities.

Eligible construction types include:

- **Adaptive Reuse and Conversion:** Transforming existing non-residential structures (e.g., schools, warehouses) into residential housing.
- **Infill and Scattered-Site Development:** Building on vacant or underused parcels within established neighborhoods or developing multiple sites within the same jurisdiction.
- **Innovative Housing Construction:** Incorporating advanced techniques such as prefabricated manufactured housing, 3-D printed housing, fixed foundation tiny houses, and alternative technological designs.

8. Can Smart Move funding be used to rehabilitate existing homes?

No. The program only permits new construction and the conversion of non-residential structures into housing units to be sold to qualified homebuyers.

9. Can Smart Move be used to build rental units?

No, Smart Move funding may only be used to build single-family, owner-occupied housing.

10. Are small-scale condominium developments eligible for funding?

Yes, the program allows for single-family attached units such as condominiums, provided there are at least six units in the project.

Developer Eligibility and Application Requirements

11. Can municipalities apply for Smart Move funding?

No, municipalities cannot apply for Smart Move funding, only developers. However, a letter of support from the municipality is required for the applications to be considered.

12. What is the difference between Part 1 and Part 2 of the application?

For Round 2, there are two parts to the application. Part 1 requests basic information about the applicant and proposed project to provide the Program with an initial understanding of the proposal. After submitting Part 1, the applicant will receive Part 2, which requires more detailed project information and supporting documentation. Applicants are encouraged to submit Part 1 as early as possible to allow sufficient time to complete Part 2.

13. Can more than one project in a MID area be awarded? Can one developer partner with multiple communities?

Yes, more than one project may be awarded within a single Most Impacted and Distressed (MID) area. Although, the application process will aim to distribute projects to ensure a geographic distribution of housing. A developer is allowed to partner with multiple communities, enabling them to submit and work on projects across different locations within eligible MID areas.

14. What is the maximum award per project?

The maximum award available through the program is \$15 million per project. This cap is not a limit on the total project cost, and applicants are expected to secure other sources of financing if necessary.

Due to funding availability, up to \$10 million may be awarded per project for Round 2.

15. How is the sales price of homes set within the program?

Developers propose the sales price in the application. The program evaluates these prices to ensure cost reasonableness and may require independent pricing assessments.

16. Does the policy allow developers to focus exclusively on housing for households earning up to 80% of AMI?

No. Projects must reasonably align with the Program's target of providing housing to 70% LMI households within a development.

17. Who needs to be included on the requested organization chart with the application?

The program will consider all factors relevant to the development team's ability to successfully develop/manage the project and properly expend awarded resources in a timely and eligible manner. The project's needs should be reflected in the development team's composition.

18. Are there specific requirements for project sites?

Yes, all project sites must be located outside the 500-year floodplain and within designated MID areas. Please consult *Smart Move Phase I Policy* and applicable *Notice of Funding (NOFA)* for more information on project site requirements.

19. What constitutes acceptable site control for the application?

Acceptable site control for application submission includes documented ownership (e.g., deed), an executed option to purchase, or other legal proof of control. All actions must comply with HUD environmental regulations, and land use must allow the proposed development without restrictions. Additional documentation, such as tract maps and appraisals, may be required.

20. Since land acquisition is an eligible cost, when must the land be purchased for the acquisition cost to qualify for reimbursement?

To be eligible for reimbursement, land acquisition must occur after the required environmental review has been completed and the Developer Agreement has been executed with the Program. Land acquired before these requirements are satisfied is not eligible for reimbursement. Applicants may, however, have an option to purchase the property at the time of application and complete the acquisition once the applicable Program requirements have been met.

21. Can developers apply for other funding sources in addition to Smart Move?

Yes, developers may seek other funding for the project, but a Duplication of Benefits (DOB) analysis will be conducted to ensure that the total funding does not exceed project costs.

22. Does the developer have to be nonprofit?

The developer can be either for-profit or nonprofit. However, developers are required to be registered with System for Award Management at www.sam.gov, possess a federal Unique Entity Identifier (UEI), and must not be included on the federal or state debarred and suspension list. Entities listed as debarred are not eligible for federal funding.

23. Do developer funding sources require evidence of funding?

Evidence of funding is required before finalizing an award but is not mandatory for the application. However, applicants who provide evidence of funding with the application may score higher for project readiness.

24. What are the program's reporting and compliance requirements for developers?

Developers participating in the Smart Move Program must adhere to the following reporting and compliance requirements:

- Adherence to federal and state regulations, including labor standards such as Davis-Bacon and Section 3, is required (*Section 8.2, Phase I Policy*).
- Developers must avoid overlapping funding sources and provide documentation for verification, repaying any excess funds (*Section 4.2, Phase I Policy*).
- Compliance with NEPA environmental standards and Section 504 accessibility requirements is mandatory (*Sections 4.1 and 6.3.4, Phase I Policy*).
- Projects must meet the timelines outlined in the development agreement, including milestone-based payment schedules (*Sections 1.8.1, 6.5, Phase I Policy*).
- Developers are required to create and implement an Affirmative Fair Housing Marketing Plan (AFHMP) to ensure equitable access (*Section 8.3, Phase I Policy*).
- Developers must provide final financial reports, compliance verification, and evidence of sales to eligible buyers to complete the project (*Section 7, Phase I Policy*).

25. Are there restrictions on construction projects already in progress?

Yes. Smart Move cannot fund projects that have begun construction or initiated any choice-limiting actions as defined by HUD (24 CFR 58.22).

26. Can developers keep the proceeds from home sales?

Yes, developers keep the proceeds from home sales, but the total projected sales are subtracted from the total development cost to arrive at the award amount.

27. If a Builder's Risk policy is not available until closer to breaking ground, what can be provided with the application to meet the insurance policy requirements of the application?

General Liability certificates may be provided with the application if a Builder's Risk policy is not yet available. The Builder's Risk certificate may be provided prior to award signing. If insurance policies are not available, any documentation from a developer's insurance broker that would explain the delay is required. Additionally, program policies require projects to begin within six (6) months of executing the development agreement.

28. What is required in the application's market analysis?

A qualified third-party market analyst must complete a market analysis that demonstrates the need for affordable housing in the area, analyzing economic conditions, housing supply and demand, and how the proposed development will meet those needs. More information is included in Section 2.4 of Phase I Policy.

29. Is there an appeals process if an application is denied?

Yes, applicants may appeal within sixty (60) calendar days of the decision date. Appeals must be submitted in writing to DCA's Division of Disaster Recovery and Mitigation (DRM), reviewed by an independent panel, and then finalized by the Deputy Commissioner. Appeals should include the applicant's details, reasons for appeal, supporting documents, and application number. The final decision will be sent via certified mail.

30. What is the difference between the Down Payment Assistance (DPA) reserve calculation in the Sources and Uses workbook, and the DPA available in Phase II? Does the 20% of sales price automatically go to the homebuyer?

The DPA reserve in the Sources and Uses workbook sets aside the maximum assistance that could be utilized in Phase II. However, this funding does not automatically go to the homebuyer. The amount of assistance is based on need and is capped at 20% of the respective unit's sales price.

31. When will applications to purchase homes in Phase II be available?

The Phase II application process will begin when construction nears completion.

Financial and Compliance Requirements

32. How does a project meet the Low-to-Moderate Income (LMI) National Objective?

The Program aims to have 70% of homes in each development sold to households earning at or below 80% of the Area Median Income (AMI). Developers must indicate in their applications the intended percentage of LMI homes, aiming for a 70% LMI ratio.

33. Are hard cost and soft cost contingencies permissible? If so, what are the limits?

Unforeseen costs must be addressed through change orders.

34. Are environmental costs considered eligible soft costs?

Environmental costs are not listed as eligible soft costs in the NOFA or policy. DCA will review the project and inform the developer of the appropriate level of environmental review (Tier II, EA, CEST, etc.) The Program and/or its designated firm are primarily responsible for managing the environmental review process. Developers in coordination with the Program are responsible for all documentation needed for the Environmental Review Record (ERR).

35. Does “construction cost per square foot” refer to the total development cost per square foot—including land acquisition, financing, and professional services—instead of just the physical construction expenses?

The term "construction costs per square foot" in the application specifically refers to the costs directly associated with building the housing units, including materials and labor. When considering the value of CDBG-DR investment for each development, land acquisition, financing, professional services, and infrastructure, is addressed separately in Tab “3- Development Costs” on the Sources and Uses Form.

36. Since the program is federally funded, do Davis-Bacon requirements apply to construction?

Yes, Davis-Bacon requirements apply to projects consisting of eight or more units.

Construction and Design

37. What are examples of resilient design features?

Resilient design features are aimed at reducing disaster vulnerability. Examples include but are not limited to solar power generation and storage, green roofs, and durable, storm-resistant exterior building materials.

38. What are examples of innovative design features?

Innovative designs incorporate new, creative construction solutions to address issues related to durable and affordable housing. Examples include but are not limited to 3-D printed homes, geothermal heating, and modular construction.

39. Is there a minimum lot size?

No, the program only requires the construction of a minimum of six units per project. All units must meet local building codes and zoning requirements.

40. How are square footage maximums determined?

Square footage calculations for the Program will be based solely on areas that are heated, finished, and attached. For instance, garages, attics, and unfinished basements are excluded from the square footage calculations for units, although they remain an eligible use of program funds.

41. Does the program allow for waivers on unit size requirements?

All projects must adhere to the maximum square footage guidelines outlined in the program policies.

42. Are there accessibility requirements in Smart Move?

Yes. Smart Move requires 5% of project units to be accessible for persons with mobility impairments and 2% of project units to be accessible for persons with hearing or vision impairments (*Smart Move Phase I Policy, Section 6.3.4*). Additionally, each development must have at least one unit that meets the combined accessibility requirements for mobility and hearing/visual impairments.

43. Are 1-bedroom units permissible for the program?

1-bedroom units are not eligible for funding under Smart Move. Per the Smart Move NOFA and Policy, the program prioritizes funding for 2-bedroom, 3-bedroom, and 4-bedroom units. The ideal housing community should consist of a majority of three-bedroom units, with the remaining units being two-bedroom. Where the market analysis indicates the need, an exception may be considered for a limited number of four-bedroom units.

Homebuyer Assistance

44. What DPA is available?

The program provides up to 20% of the home's sale price in DPA for households earning up to 80% AMI, and up to 5% for those earning between 81% and 120% AMI.

45. Can DPA from other programs be combined with Smart Move?

Yes, but DPA from other programs could reduce the amount provided by Smart Move, as it would be considered a Duplication of Benefits (DOB).

46. Will homebuyers have deed restrictions?

Yes, the program will execute an encumbrance for the total homebuyer assistance provided to the homeowner. This ensures the homeowner occupies the home for the required affordability period of 15 years.

47. What happens if a homeowner moves out before the affordability period ends?

The assistance will be forgiven in 7% increments annually. If the homeowner leaves before the 15-year period ends, they must repay a prorated portion of the assistance.

Additional Information

48. Who can I contact for immediate housing assistance if I was impacted by Hurricane Ida?

You can contact the Housing Counseling Services team at (609) 913-4463 or email DRM.HCS@dca.nj.gov. They assist those impacted by Hurricane Ida or Superstorm Sandy, as well as residents from the identified MID counties.

Acronyms

- **AMI** – Area Median Income
- **CDBG-DR** – Community Development Block Grant-Disaster Recovery
- **CEST** – Categorically Excluded Subject to (NEPA environmental review requirements)
- **CMF** – Construction Management Firm
- **DOB** – Duplication of Benefits
- **DPA** – Down Payment Assistance
- **DCA** – Department of Community Affairs
- **EA** – Environmental Assessment
- **ERR** – Environmental Review Record
- **FAQ** – Frequently Asked Question
- **HUD** – Department of Housing and Urban Development
- **LMI** – Low-Moderate Income
- **MID** – Most Impacted and Distressed
- **NEPA** – National Environmental Policy Act
- **NOFA** – Notice of Funding Availability
- **SAM** – System for Award Management
- **UEI** – Unique Entity Identifier
- **UN** – Urgent Need