The Department of Community Affairs ("DCA") Community Development Block Grant – Disaster Recovery ("CDBG-DR") Action Plan Amendment 11 ("AP-11") was approved by the U.S. Department of Housing and Urban Development on April 20, 2015. AP-11 allocates $215 million in CDBG-DR funds to the New Jersey Housing and Mortgage Finance Agency (the "Agency") for administration of the Fund for Restoration of Multi-Family Housing ("FRM –Third Round").

The Agency has awarded FRM funds to more than 50 projects that will provide approximately 3,800 units of affordable housing in response to Superstorm Sandy, including approximately 1,100 units in Monmouth and Ocean counties. However, such awards do not yet satisfy the Agency’s obligation to meet certain funding benchmarks prescribed in the Voluntary Compliance Agreement and Conciliation Agreement ("VCA") entered into by and between HUD, the Latino Action Network, NAACP, Fair Share Housing Center, the State of New Jersey and DCA on May 29, 2014. In an effort to facilitate satisfaction of the VCA requirements, the Agency shall proceed with an initial rollout of FRM-Third Round funds by setting aside a minimum of $50 million ("FRM-Monmouth/Ocean Set-Aside") for qualified projects that meet ALL of the following criteria:

- Family (non-age restricted) project;
- Located outside of a Targeted Urban Municipality as defined at N.J.A.C. 5:80-33.2 ("non-TUM");
- Located in Monmouth or Ocean County; and
- Located in a municipality that sustained major or severe renter damage based on the attached "Major and Severe Renter Damage by Municipality" chart or physically borders a town, or multiple towns, that appear on the aforementioned chart.

Note: The FRM-Monmouth/Ocean Set-Aside is not a distinct funding round, but rather, a subset of the FRM-Third Round. As such, the FRM-Monmouth/Ocean Set-Aside in and of itself shall not be considered a “subsequent funding round” under the VCA.

**Step 1. Application Submission**: Projects that fit all of the above criteria may apply for the FRM-Monmouth/Ocean Set-Aside upon satisfactory submission of the following:

- Part 1 of the Unified Application for Multi-family Rental Housing Production Programs ("UNIAP");
- A description of the project;
- Section I of the FRM Document Checklist;
- Section II of the FRM Document Checklist;
- Documentation the application meets a minimum score of 31 points based on the selection criteria under Section 5 below;
- Self Score Sheet; and
- Sponsor Certification.
The UNIAP, Application Guide, Scoring Sheet, FRM Document Checklist, list of Targeted Urban Municipalities and Sponsor Certification are available on-line. Applications under the FRM-Monmouth/Ocean Set-Aside shall be accepted by the Agency on a rolling basis; however, an application shall not be considered for funding until all of the requirements listed above have been submitted to the satisfaction of the Agency. To qualify under the FRM-Monmouth/Ocean Set-Aside, CDBG-DR funds must be committed to a project no later than the November 5, 2015 Agency Board meeting. Any funds remaining under the FRM-Monmouth/Ocean Set-Aside after November 5, 2015 shall be made available to projects applying in the full FRM-Third Round.

**Step 2. Agency Review and Approval:** FRM-Monmouth/Ocean Set-Aside funds shall be awarded on a rolling basis (based on application date) to eligible Applicants that meet the minimum score based on the objective selection criteria, tiebreaker and equitable distribution provisions as outlined below. FRM-Monmouth/Ocean Set-Aside funds will be awarded on a rolling basis to eligible projects until all funds are expended. If all FRM-Monmouth/Ocean Set-Aside funds are expended before all eligible FRM-Monmouth/Ocean Set-Aside projects are funded, unfunded projects will be considered for funding in connection with the expenditure of the remaining FRM-Third Round funds.

### FRM-Monmouth/Ocean Set-Aside Guidelines

<table>
<thead>
<tr>
<th>PROGRAM OVERVIEW</th>
<th>The FRM-Monmouth/Ocean Set-Aside offers subsidies in the form of loans to developers of eligible affordable and mixed-income rental housing in the State of New Jersey (the “State”). This program will be funded with Community Development Block Grant-Disaster Recovery (“CDBG-DR”) monies appropriated pursuant to the Disaster Relief Appropriations Act of 2013 (Public Law 113-2, approved January 29, 2013) (the “Disaster Relief Act”). The Agency will receive the CDBG-DR funding from the New Jersey Department of Community Affairs (“DCA”). The FRM-Monmouth/Ocean Set-Aside allows developers to apply directly to the Agency for subsidies while simultaneously applying for low-interest mortgage financing and Federal Low Income Housing Tax Credits (“LIHTCs”) made available through the Agency.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eligible Applicants</td>
<td>Private for-profit and nonprofit housing developers and public housing authorities capable of developing and managing large multi-family housing developments.</td>
</tr>
<tr>
<td>2. Eligible Project Locations</td>
<td>Non-TUM, family projects located within Monmouth or Ocean County that are also located within a municipality that sustained major or severe renter damage based on the attached “Major and Severe Renter Damage by Municipality” chart or physically borders a town, or multiple towns, that appear on the aforementioned chart are eligible to apply for the FRM-Monmouth/Ocean Set-Aside.</td>
</tr>
<tr>
<td>3. Eligible Types of Projects</td>
<td>Projects must: (a) rehabilitate or replace affordable rental units that were damaged as a result of the storm; (b) build new rental housing that addresses an unmet need resulting from the storm; or (c) convert existing structures into affordable housing that addresses an unmet need resulting from the storm. This conversion may include conducting substantial rehabilitation and, as a result, transitioning market rate units to</td>
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</table>

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FRM-Monmouth/Ocean Set-Aside Guidelines

affordable units, changing a property that was not a rental housing use into permanent, affordable rental housing or rehabilitating vacant, dilapidated units.

Subsidy loans under the FRM-Monmouth/Ocean Set-Aside may be used in conjunction with 4% LIHTCs allocated by the Agency, HMFA Multifamily Revenue Bond financing, HMFA conduit bond financing or may be used without these funding sources as stand-alone (CDBG funds only) financing.

4. Resolution of Need

A Resolution of Need shall be submitted by the time of final commitment of funds, which is the date of Agency Board approval.

5. Selection Criteria

FRM-Monmouth/Ocean Set-Aside funds shall be awarded on a rolling basis to projects that score at least 31 points based on the following selection criteria (76 points total):

1. Readiness to Proceed (5 points). Projects that will start construction and/or close with their lender or syndicator within 90 business days of the FRM-Monmouth/Ocean Set-Aside award shall receive 5 points. Applicant shall submit to the Agency a fully executed partnership/operating agreement, closing documents and/or photos of construction commencement within 90 days of the FRM–Monmouth/Ocean Set-Aside award.

2. Sandy Damage (Up to 22 points). Projects in, or adjacent to, a municipality that sustained major or severe renter damage based on the attached “Major and Severe Renter Damage by Municipality” chart, shall receive up to 22 points according to the following scale:
   - Red municipalities: 22 points
   - Orange municipalities: 18 points
   - Yellow municipalities: 14 points
   - Green municipalities: 10 points
   - Blue municipalities: 6 points

   If a project location town physically borders a town, or multiple towns, that appear on the attached chart, then for damage that project scores the higher of (i) half of the points allotted for the highest scoring physically bordering municipality, or (ii) its own points if the project location town appears in the attached chart.

3. Supportive Housing (up to 15 points). Projects that provide five units or 5% of the total project units, whichever is greater, as supportive housing units, as the term “supportive housing unit” is defined at N.J.A.C. 5:80-33.2, and that meet
the criteria at N.J.A.C. 5:80-33.12(c)(14) shall receive 10 points.

An additional 5 points shall be awarded to projects that agree to accept HUD Section 811 Supportive Housing for Persons with Disabilities - Project Rental Assistance (“PRA”).

**Target Section 811 Populations:** Individuals between the ages of 18 and 62 with physical, psychiatric and/or developmental disabilities who seek to leave state psychiatric hospitals, developmental centers and nursing homes or who are at risk of institutionalization due to a lack of supportive housing that meets their needs.

**Use Restriction:** Housing assisted with Section 811 PRA must have a minimum 30-year use restriction for extremely low-income persons with disabilities. Please refer to the attached NOFA for additional details on the comprehensive requirements for participation in this program.

**PRA Awards:** The Section 811 Centralized Implementation and Monitoring Team (CIMT) will identify projects that would be marketable/desirable projects for participation on the Section 811 PRA program from the pool of successful FRM-Monmouth/Ocean Set-Aside applications. **An award of FRM-Monmouth/Ocean Set-Aside funding under these selection criteria does not constitute a guarantee of a Section 811 PRA award; therefore, FRM-Monmouth/Ocean Set-Aside applications will not be underwritten assuming an award of Section 811 PRA.**

4. **Provision of Social Services (Up to 6 points).** Up to 6 points (2 points per service) shall be awarded for the provision of up to three social services for the term of the affordability period. Applicants shall support their claim to provide social services by providing those items set forth at N.J.A.C. 5:80-33.15(a)5.

5. **Leveraging (Up to 10 points).** Applicants that are able to leverage other funding sources to realize their projects shall receive up to 10 points based on the following sliding scale. For projects with LIHTC equity as a funding source, Applicants may value the LIHTCs using a tax credit equity pricing between $0.93 and $1.00 (if applicable). For purposes of this category, Total Development Cost (“TDC”) is defined as the cost to complete the development of the project:
**FRM-Monmouth/Ocean Set-Aside Guidelines**

- Less than 5% of TDC from non-CDBG-DR funds: 0 points
- 5%-20% of TDC from non-CDBG-DR funds: 2 points
- 20.01% - 40% of TDC from non-CDBG-DR funds: 4 points
- 40.01% - 60% of TDC from non-CDBG-DR funds: 6 points
- 60.01% - 80% of TDC from non-CDBG-DR funds: 8 points
- 80.01%+ of TDC from non-CDBG-DR funds: 10 points

6. **Cost per Unit (Up to 9 points).** Up to 9 points shall be awarded based on the amount of CDBG-DR funds requested per CDBG-DR eligible unit in accordance with the following scale:
   - CDBG-DR request is $40,000 or less per CDBG-DR eligible unit = 9 points
   - CDBG-DR request of $40,001 - $80,000 per CDBG-DR eligible unit = 6 points
   - CDBG-DR request of $80,001 - $120,000 per CDBG-DR eligible unit = 3 points
   - CDBG-DR request exceeding $120,000 per CDBG-DR eligible unit = 0 points.

7. **Higher Opportunity Area (Up to 9 points).** Each of the following is worth 3 points, up to a maximum of 9 points:
   a. A project that is fully located within 1/2 mile of public transportation as documented in the project market study;
   b. A project that is fully located within a school district wherein 66% or more of the students are either proficient or advanced proficient on the NJ ASK 4 in both math and language arts based on data available from the New Jersey Department of Education as of the application deadline. The Agency shall rely upon the data effective in the calendar year of the application deadline as well as the preceding year; and
   c. A project that is fully located within a municipality with public and private sector jobs that total at least 95% of the housing units. To confirm that a project satisfies this point category, the Agency shall use the annual average of total public and private sector jobs (including suppressed data) from the New Jersey Department of Labor Quarterly Census of
## Employment and Wages, Municipal Annual Reports, and the number of housing units according to the five-year American Community Survey, Table B25001, U.S. Department of the Census as of the application deadline. NJHMFA shall rely upon the data effective in the calendar year of the application deadline as well as the preceding year.

d. Mixed income projects with a minimum 20% affordability component and minimum 40% market rate component.

### 6. Tiebreaker

In the event of insufficient funds under the FRM-Monmouth/Ocean Set-Aside and a tie score between projects based on the Selection Criteria, FRM-Monmouth/Ocean Set-Aside funds shall be awarded to the Applicant requesting the least amount of CDBG-DR funds per CDBG-DR eligible unit.

### 7. Equitable Distribution

FRM-Monmouth/Ocean Set-Aside projects shall not be subject to the municipal limits referenced in prior FRM funding rounds provided the market study clearly demonstrates the need for the housing and addresses any saturation issues that may be created by the additional housing being provided in the market area.

In the event there are not enough eligible applications from the most underserved counties and/or outside of TUMs and/or serving families with children to satisfy the VCA requirements as of the funding of the FRM-Monmouth/Ocean Set-Aside, sufficient funds shall be reserved in the full FRM-Third Round and one subsequent funding round to meet those targets. If, after the full FRM-Third Round and one subsequent round, the targets have not been met, FRM funds shall be allocated as required to generally meet the needs of low and moderate income households. The FRM-Monmouth/Ocean Set-Aside in and of itself shall not be considered a “subsequent funding round” under the VCA.

### 8. Subsidy Loan Amounts/Maximum Award

Consistent with AP-11, the maximum award of CDBG-DR funding shall be $170,000 per CDBG-DR unit. Standard Agency Underwriting Guidelines will apply. See the Multi-Family Underwriting Guidelines and Financing Policy.

FRM-Monmouth/Ocean Set-Aside subsidy loan amounts will be approved only after documentation of other sources of funding have been identified in accordance with Duplication of Benefits provisions of the federal Stafford Act. CDBG subsidy loan amounts cannot exceed the amount needed after other assistance for the project has been considered. Other assistance includes FEMA, Small Business Administration, insurance, and other assistance received or reasonably expected to be received for the project.
9. Types of Available Funding

FRM-Monmouth/Ocean Set-Aside subsidy funding will be provided to projects in the form of loans.

Loan types:
(1) Construction loans;
(2) Construction loans which convert to permanent financing;
(3) Permanent loans for take-out financing.

If needed, other loan types such as conditional bridge loans may be authorized to ensure project feasibility.

10. Agency Mortgage Required

In the event any permanent mortgage debt is needed for any project funded by the FRM-Monmouth/Ocean Set-Aside, the first mortgage loan must be an Agency-provided permanent mortgage loan.

11. Financing Term

Unless otherwise authorized, the estimated financing term of the FRM-Monmouth/Ocean Set-Aside subsidy loan shall match that of the Agency mortgage financing and/or the LIHTC requirement, whichever is applicable.

12. Security, Collateral and Lien Status

Each FRM-Monmouth/Ocean Set-Aside subsidy loan shall be secured by a note and mortgage.

An FRM-Monmouth/Ocean Set-Aside subsidy loan may take a subordinate position behind other lenders only where either: (a) the project is receiving no Agency financing; or (b) in the case of an Agency conduit bond financing.

13. Eligibility for Sales Tax Exemption

Sales of materials or supplies to housing sponsors utilizing Agency construction financing are eligible for exemption from New Jersey State sales tax.

Sales of materials or supplies to contractors for the purpose of erecting housing projects which have received Agency construction financing and other local, state or federal subsidies are eligible for exemption from New Jersey State sales tax. For the purpose of this exemption, the project must have a governmental subsidy other than the FRM loan.

14. Mortgage Interest Rate

An FRM-Monmouth/Ocean Set-Aside subsidy loan provided during construction shall be at a 0% interest rate.

FRM-Monmouth/Ocean Set-Aside subsidy permanent loans shall be at a 1% interest rate compounded annually.

15. Cash Flow Repayments

Repayment shall not begin until two (2) years from the date when the project is placed in service. Repayment of an FRM-Monmouth/Ocean Set-Aside subsidy loan for any project shall occur annually and shall be equal to 50% of available cash flow (or 25% of cash flow for SNHTF or
<table>
<thead>
<tr>
<th>16. Recapture Date</th>
<th>FRM funds must be drawn down by the later of two (2) years from the date of closing or the payoff of the 2nd note.</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Debt Service Coverage Ratio</td>
<td>Projected cash flow repayments of FRM-Monmouth/Ocean Set-Aside subsidy loans shall not be included when calculating the debt service coverage ratio for multi-family mortgage financing and/or for LIHTCs. However, in all cases, the maximum mortgage supportable at a minimum of 1.15 debt service ratio must be obtained before FRM-Monmouth/Ocean Set-Aside subsidy loan amounts will be determined.</td>
</tr>
<tr>
<td>18. Other Underwriting</td>
<td>FRM-Monmouth/Ocean Set-Aside subsidy loans shall be considered an Agency loan and must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.</td>
</tr>
<tr>
<td>19. Priority for Sandy-Impacted Residents</td>
<td>Projects funded by the FRM-Monmouth/Ocean Set-Aside shall be required to register the project with the Housing Resource Center. In addition, during the first 90 days of lease-up, priority shall be given to low and moderate income applicants who were displaced by and/or experienced major or severe damage from Superstorm Sandy based on either FEMA registration or alternative proof of damage, impact or displacement.</td>
</tr>
<tr>
<td>20. Other Requirements</td>
<td>The project sponsor shall ensure that the project complies with all applicable federal and/or State statutory and regulatory requirements concerning, but not limited to, environmental review, fair housing, Section 3 of the Housing and Urban Development Act of 1968 compliance, compliance with the Davis-Bacon Act as well as all other labor standards provisions, and equal opportunity requirements and compliance with applicable Office of Management and Budget (“OMB”) Circulars, program income, and other CDBG-DR financial requirements.</td>
</tr>
<tr>
<td>21. Other Junior Financing and Subordinate</td>
<td>Projects funded by the FRM-Monmouth/Ocean Set-Aside must meet the requirements of the Agency multi-family underwriting guidelines and/or</td>
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<tr>
<td>FRM-Monmouth/Ocean Set-Aside Guidelines</td>
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<tr>
<td><strong>Debt</strong></td>
<td>the LIHTC program, as applicable.</td>
</tr>
<tr>
<td><strong>22. Project Fees</strong></td>
<td>Maximum limitations on the contractor fee and/or the developer fee shall be those placed on the project by the Agency multi-family underwriting guidelines and/or the LIHTC program.</td>
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<td></td>
<td>FRM-Monmouth/Ocean Set-Aside subsidy loan funds shall be reduced to ensure that the non-deferred portion of the developer fee for all projects shall not exceed 8 percent of the total development cost excluding acquisition (that is land and building), working capital, marketing expenses, escrows, operating deficit reserves, step-in-the-shoes costs and costs associated with syndication. A developer fee of up to 4.00 percent shall be permitted for building acquisition costs.</td>
</tr>
<tr>
<td><strong>23. Tenant Income Requirements</strong></td>
<td>Projects funded by the FRM-Monmouth/Ocean Set-Aside must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.</td>
</tr>
<tr>
<td><strong>24. Affordability Controls</strong></td>
<td>At least 50 percent of the units of each bedroom size in each FRM – Monmouth/Ocean Set-Aside development shall be affordable to households at or below 50 percent of Area Median Income, including that at least 10 percent of units of each bedroom size shall be affordable to households at or below 30 percent of Area Median Income.</td>
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<tr>
<td></td>
<td>State Uniform Housing Affordability Control, N.J.A.C. 5:80, requirements on bedroom distribution shall control.</td>
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<tr>
<td></td>
<td>Any loan agreement entered into for FRM-Monmouth/Ocean Set-Aside subsidy funds shall incorporate contractual guarantees and procedures to ensure that any unit of housing provided for low and moderate income households shall continue to be occupied by low and moderate income households for the greater of: 15-year affordability or the length of affordability and/or extended use period required by any non-FRM source of funding used in the project by deed restriction.</td>
</tr>
<tr>
<td><strong>25. Energy Efficiencies and Green Building Standards</strong></td>
<td>Projects funded by FRM-Monmouth/Ocean Set-Aside subsidy funds must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable as well compliance with ENERGY STAR (for new construction and reconstruction) or HUD Community Planning and Development (“CPD”) Green Building retrofit checklist (for rehabilitation).</td>
</tr>
<tr>
<td><strong>26. No Cause Eviction</strong></td>
<td>Unless required by federal statute or regulation, no household occupying, or which hereafter occupies, an affordable unit approved for FRM-Monmouth/Ocean Set-Aside funding shall be evicted solely because the household income rises above the initial income eligibility ceiling.</td>
</tr>
<tr>
<td><strong>27. Authority to Approve award of Application</strong></td>
<td>The Agency Board shall approve all awards.</td>
</tr>
<tr>
<td><strong>28. LEP Marketing</strong></td>
<td>To ensure access to persons with Limited English Proficiency (LEP), all FRM-Monmouth/Ocean Set-Aside-funded housing shall be marketed in English and the major foreign languages spoken in the county in which the project is located, as indicated in the attached chart.</td>
</tr>
<tr>
<td><strong>29. Application Date</strong></td>
<td>For competitive funding rounds, the “application date” shall mean the deadline date published by the Agency for submission of a complete application. For non-competitive funding rounds with a rolling application process (where documents may be submitted piecemeal), the “application date” shall mean the date the application is presented to the Agency Board for consideration.</td>
</tr>
<tr>
<td><strong>30. Complete Application</strong></td>
<td>An application submitted to the Agency, including the application fee, completed application forms and certifications that meet all eligibility requirements and applicable selection criteria.</td>
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</tbody>
</table>

Note: These guidelines may be amended from time to time due to changes in New Jersey Department of Community Affairs’ Community Development Block Grant Disaster Recovery Action Plan (the “Action Plan”). Please refer to the Agency’s website for the most current version of these guidelines.