

**Section 1602 Tax Credit Exchange (TCX)
Asset Management Plan**

OVERVIEW

As the administrator of the Section 1602 Tax Credit Exchange Program (TCX), NJ Housing and Mortgage Finance Agency (NJHMFA) is responsible for ensuring project compliance with Section 42 of the Internal Revenue Code and the regulations thereunder as well as the Section 1602 (c)(3) of the American Recovery and Reinvestment Tax Act.

NJHMFA has policies and procedures in place to ensure the long term viability of all projects financed with state-administered funds, and will utilize those same asset management functions to TCX projects.

Below is an overview of the Asset Management functions NJHMFA performs. More detail can be found in the corresponding manuals and handbooks outlining our policies and procedures.

MONITORING RESPONSIBILITIES

Task	Responsible NJHMFA Division	Timing/Frequency
Underwriting Review <ul style="list-style-type: none"> ▪ Tax Credit/TCX needs analysis ▪ Financial feasibility during construction and compliance period ▪ Operating expenses ▪ Construction expenditures ▪ Debt service coverage (if applicable) ▪ Reserves 	Tax Credit Allocations Multi-Family Property Management	At application and/or agency commitment
Review of Architectural/Engineering Plans and Specifications and/or Capital Needs Assessment	Technical Services	Prior to starting construction
Review of Construction Schedule	Tax Credits Technical Services	At application and prior to construction start
Review of Construction Contract and Trade Payment Breakdown	Technical Services	Prior to starting construction
Energy Efficiency Improvements	Green Homes Technical Services	Prior to starting construction and prior to issuance of 8609s
Monitoring Construction <ul style="list-style-type: none"> ▪ Monthly progress inspections ▪ Change Orders ▪ Housing Code Compliance ▪ Monthly Job Site meetings ▪ Construction Draws/ Applications for Payment ▪ Close-Out/Construction Completion ▪ As-Builts ▪ Certificates of Occupancy 	Technical Services	At least monthly

Task	Responsible NJHMFA Division	Timing/Frequency
Financial and Project Status Reporting to Treasury	Tax Credit Allocations Finance	Quarterly during construction
Construction Draw Requests and Budget Reviews	Construction Finance Tax Credit Allocations	Monthly
Tax Credit/TCX Carryovers	Tax Credit Allocations	Prior to the end of the calendar year of award
Cost Certification review	Tax Credit Allocations	Prior to issuance of 8609s
Review and approval of all prospective tenants prior to move-in	Property Management	During Lease-Up
Operating Procedures <ul style="list-style-type: none"> ▪ Affirmative Fair Housing Marketing and Leasing ▪ Reserve analysis ▪ Preventative Maintenance/ Capital Repair & Replacement ▪ Turnover Inspections ▪ Insurance coverage ▪ Internal Controls 	Property Management	On-going
Operating Reports <ul style="list-style-type: none"> ▪ Occupancy/Vacancy ▪ Monthly rent collection ▪ Cash Receipts ▪ Cash Disbursements ▪ General Ledger ▪ Payroll 	Property Management	Monthly/Quarterly
Annual Budgets and Audited Financial Statements	Property Management	Annual
Physical Inspection Reports	Property Management	Annual
Continued Marketability Analysis	Property Management	Annual
Review of Owner/Project Certifications and Building Status Reports/Tenant Information via MITAS Web Access System	Tax Credit Compliance	Annual
Notification of Non-Compliance, 8823's <ul style="list-style-type: none"> ▪ Applicable Fraction (LIHTC, Section 1602) ▪ Minimum Set-Aside ▪ Physical Property ▪ Documentation 	Tax Credit Compliance	As needed
Tenant File Audits/Inspections	Tax Credit Compliance	Within 2 years of Placed-In-Service and no less than every 3 years thereafter
Compliance Training for Owners, Developers and Managers	Tax Credit Compliance	Twice a year

AT RISK/TROUBLED PROPERTIES

Projects that are deemed at-risk of default, based on information revealed during monitoring procedures outlined above, are handled on an individual basis by the NJHMFA's Chief of Program Services.

NON-COMPLIANCE and RECAPTURE

Non-compliance notification and correction periods shall mirror those in place for LIHTC properties.

Failure of the Project to maintain the required applicable fraction of affordable units shall result in recapture of the full TCX grant amount, minus 6.67% (1/15th) for each full year that the applicable fraction was maintained. Upon expiration of any correction periods, this shall be due and payable immediately to the U.S. Treasury.

FEES

NJHMFA will collect an Asset Management fee equal to 5% of the original tax credit allocation amount. If the project does not have NJHMFA permanent financing, this fee shall be no less than \$100,000, capitalized and paid up front for the 15 year compliance period. This fee shall be payable at permanent loan closing or prior to issuance of 8609s, whichever occurs first.