

**FUND FOR RESTORATION OF MULTI-FAMILY HOUSING - SECOND ROUND  
PROGRAM GUIDELINES  
Approved: June 6, 2014  
Amended: October 2, 2014  
Amended: February 10, 2015  
Amended: April 10, 2015  
Amended: July 2, 2015  
Amended: March 24, 2016**

The New Jersey Housing and Mortgage Finance Agency (the “Agency”) anticipates receiving an allocation of second round CDBG-DR funds for the Fund for Restoration of Multi-Family Housing (“FRM – Second Round”) in the amount of \$190 million (exclusive of the \$10 million FRM - Second Round set-aside for public housing authority projects). FRM – Second Round funds, once allocated to the Agency, will be available to realize rental housing projects through FRM – Second Round, less program delivery costs. An additional \$10 million of FRM –Second Round funds are anticipated to be available through FRM - Second Round to assist public housing authority projects, less applicable program delivery costs.

With respect to the \$190 million FRM – Second Round funding round, demand for FRM – Second Round funding significantly exceeds available FRM – Second Round funding. As a result, requests for FRM - Second Round funds shall adhere to the following application process, and the Agency shall award FRM – Second Round funds to projects, on a competitive basis, to the highest ranking eligible applicants based on the objective selection criteria, tiebreaker and equitable distribution provisions set forth below.

**Step 1. Application Part A Submission:** For a project to be considered for FRM – Second Round funds, the following items must be submitted by project sponsors (“Applicants”) to the Agency **no later than 12 noon on September 8, 2014:**

- Part 1 of the Unified Application for Multi-family Rental Housing Production Programs (“UNIAP”)
- A description of the project
- Section 1 of the FRM - Second Round Document Checklist, excluding the Resolution of Need.

The UNIAP is available on-line, and the FRM – Second Round Document Checklist is attached. Application Part A submissions which are incomplete will be rejected, unless the deficiencies causing the rejection are cured by the Applicant within 48 hours after written notification by the Agency.

**Step 2. Application Part B Submission:** The Agency shall notify Applicants that have successfully satisfied the Application Part A Submission Requirements described in Step 1 on or about September 10, 2014. These Applicants then **shall have until 12 noon on January 30, 2015, to hand deliver a hard copy** of the items set forth in Section II of the FRM – Second Round Document Checklist, documentation of the applicable criteria under Section 4 below and a Self Score Sheet. **Any submission done by means other than hand delivery will not be accepted.**

**While not required, it is strongly recommended that Applicants submit their Application Part B Submission documents in advance of the January 30, 2015 submission deadline.**

Application Part B submissions which are incomplete will be rejected, unless the deficiencies causing the rejection are cured by the Applicant within 48 hours after written notification by the Agency.

**Step 3. Agency Review and Approval of Documentation:** Due to the need to quickly develop affordable rental housing and to be responsive to federal regulations regarding the speed with which federal CDBG-DR recovery funds must be disbursed, the Agency’s review of applications is expected to be completed on or about **March 30, 2015.**

**Step 4. Ranking Projects:** FRM – Second Round funds shall be awarded to the highest ranking, eligible Applicants based on the objective selection criteria, tiebreaker and equitable distribution provisions as outlined below.

	<b>FRM – Second Round Guidelines</b>
<b>PROGRAM OVERVIEW</b>	The Fund for Restoration of Multi-Family Housing - Second Round (“FRM – Second Round”) offers subsidies in the form of loans to developers of eligible affordable and

<b>FRM – Second Round Guidelines</b>	
	<p>mixed-income rental housing in the State of New Jersey (the “State”). This program will be funded with Community Development Block Grant-Disaster Relief (“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 - Second Round program 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.</p>
<b>1. Eligible Applicants</b>	Private for-profit and nonprofit housing developers and public housing authorities capable of developing and managing large multi-family housing developments.
<b>2. Eligible Project Locations</b>	Projects located within any of New Jersey’s 21 counties are eligible to apply for FRM – Second Round funding. However, for projects located outside of the nine “most-impacted” counties as determined by the United States Department of Housing and Urban Development (“HUD”) (that is, projects outside of Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean or Union Counties), the application shall include a narrative of how Superstorm Sandy affected the rental population and why FRM – Second Round funds are needed to serve Sandy-impacted renters in the market area.
<b>3. Eligible Types of Projects</b>	<p>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 affordable units, changing a property that was not a rental housing use into permanent, affordable rental housing or rehabilitating vacant, dilapidated units.</p> <p>FRM – Second Round subsidy loans may be used in conjunction with 9% or 4% LIHTCs allocated by the Agency, HMFA Multi-Family Revenue Bond financing, HMFA conduit bond financing or may be used without these funding sources as stand-alone (CDBG funds only) financing.</p>
<b>4. Resolution of Need</b>	A Resolution of Need shall be submitted by the time of final commitment of funds, which is the date of Agency Board approval.
<b>5. Selection Criteria</b>	<p>FRM – Second Round funds shall be awarded to the highest ranking, eligible Applicants based on the following selection criteria (95 points total):</p> <ol style="list-style-type: none"> <li>1. <u>Sandy Damage (Up to 22 points)</u>. 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: <ul style="list-style-type: none"> <li>• <b>Red</b> municipalities: 22 points</li> <li>• <b>Orange</b> municipalities : 18 points</li> <li>• <b>Yellow</b> municipalities: 14 points</li> <li>• <b>Green</b> municipalities: 10 points</li> <li>• <b>Blue</b> municipalities: 6 points</li> </ul> <p>If a project location town physically borders a town, or multiple towns, that appear on the attached chart, then for damage that project scores <i>the higher of</i> (i) half of the points allotted for the highest scoring physically bordering municipality, or (ii) its own points if the project location town</p> </li> </ol>

**FRM – Second Round Guidelines**

appears in the attached chart.

2. Impact of First Round CDBG-DR Funding through FRM (up to 20 points). To encourage distribution of FRM –Second Round generally proportionate to the amount of renter damage sustained in each county as a result of Superstorm Sandy, up to 20 points shall be awarded as follows:
  - 20 points shall be awarded to projects located within Monmouth or Ocean Counties
  - 16 points shall be awarded to projects located in Atlantic County
  - 12 points shall be awarded to projects in Hudson County
  - 9 points shall be awarded to projects located in Union or Bergen Counties
  - 6 points shall be awarded to projects located in Cape May County
  - 0 points shall be awarded projects located in all other counties
3. Housing Type. Up to 4 points shall be awarded for the following housing types:
  - Family housing outside of TUMs: 4 points
  - Family housing within TUMs: 3 points
  - Senior housing: 2 points
4. 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”), in the event this funding is awarded to the Agency and the New Jersey Department of Human Services under HUD’s FY 2013 Notice of Funding Availability (NOFA), FR 5700-N-28.

**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 – Second Round applications. **An award of FRM – Second Round funding under**

	<p style="text-align: center;"><b>FRM – Second Round Guidelines</b></p> <p style="text-align: center;"><b>these selection criteria do not constitute a guarantee of a Section 811 PRA award; therefore, FRM – Second Round applications will not be underwritten assuming an award of Section 811 PRA.</b></p> <ol style="list-style-type: none"> <li>5. <u>Provision of Social Services (Up to 6 points)</u>. 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 <u>N.J.A.C. 5:80-33.15(a)5</u>.</li> <li>6. <u>Leveraging (Up to 10 points)</u>. 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:       <ul style="list-style-type: none"> <li>• Less than 5% of TDC from non-CDBG-DR funds: 0 points</li> <li>• 5%-20% of TDC from non-CDBG-DR funds: 2 points</li> <li>• 20.01% - 40% of TDC from non-CDBG-DR funds: 4 points</li> <li>• 40.01% - 60% of TDC from non-CDBG-DR funds: 6 points</li> <li>• 60.01% - 80% of TDC from non-CDBG-DR funds: 8 points</li> <li>• 80.01%+ of TDC from non-CDBG-DR funds: 10 points</li> </ul> </li> <li>7. <u>Cost per Unit (Up to 9 points)</u>. 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:       <ul style="list-style-type: none"> <li>• CDBG-DR request is \$40,000 or less per CDBG-DR eligible unit = 9 points</li> <li>• CDBG-DR request of \$40,001 - \$80,000 per CDBG-DR eligible unit = 6 points</li> <li>• CDBG-DR request of \$80,001 - \$120,000 per CDBG-DR eligible unit = 3 points</li> <li>• CDBG-DR request exceeding \$120,000 per CDBG-DR eligible unit = 0 points.</li> </ul> </li> <li>8. <u>Higher Opportunity Area (Up to 9 points)</u>. Each of the following is worth 3 points, up to a maximum of 9 points:       <ol style="list-style-type: none"> <li>a. A project that is fully located within 1/2 mile of public transportation as documented in the project market study;</li> <li>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 Part A application deadline as well as the preceding year; and</li> <li>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 Part A</li> </ol> </li> </ol>
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	<p style="text-align: center;"><b>FRM – Second Round Guidelines</b></p> <p>application deadline. NJHMFA shall rely upon the data effective in the calendar year of the Part A application deadline as well as the preceding year.</p> <p>d. Mixed income projects with a minimum 20% affordability component and minimum 40% market rate component.</p>
<p><b>6. Tiebreaker</b></p>	<p>In the event of a tie score based on the Selection Criteria, FRM – Second Round funds shall be awarded to the Applicant requesting the least amount of CDBG-DR funds per CDBG-DR eligible unit.</p>
<p><b>7. Equitable Distribution</b></p>	<p>A portion of all FRM funds shall be set-aside for the following counties using the following minimum percentages: Monmouth and Ocean Counties, 52 percent; Atlantic County, 20 percent.*</p> <p>Urban/Suburban*: At least 60 percent of all FRM funds will be initially reserved for projects outside Targeted Urban Municipalities (TUMs), which shall be defined pursuant to the definition in the rule adopted by the New Jersey Housing and Mortgage Finance Agency at N.J.A.C. 5:80-33.2, and the remainder shall be allocated to developments inside TUMs. The funds allocated toward Targeted Urban Municipalities could exceed 40 percent if necessary to fully fund a project.</p> <p>Family/Senior*: A minimum of 60 percent of the units funded by all FRM funds shall be for families with children. FRM-funded units shall be affirmatively marketed to those people and groups “least likely to apply” as required by the New Jersey Qualified Allocation Plan as adopted at N.J.A.C. 5:80-33.12(c)15.</p> <p>Projects Outside the Nine Counties: No more than 20% of the available funds shall be awarded to projects outside of the nine most-impacted counties. As stated in Section 2 of these Guidelines, applications for projects located outside of the nine most-impacted counties shall include a narrative of how Superstorm Sandy affected the rental population in that county and why FRM – Second Round funds for the project are needed to serve Sandy impacted renters in the market area.</p> <p>Municipal limits: Given the widespread impact of Sandy on rental housing units, FRM awards shall be limited by municipality based on population levels. Awards from both FRM Round 1 and Round 2 shall be considered in evaluating these limits:</p> <ul style="list-style-type: none"> <li>▪ 1-100,000 people in the municipality = no more than 3 FRM –project awards, except with respect to Atlantic City, which may receive no more than 5 FRM project awards <ul style="list-style-type: none"> <li>○ Per the attached Major and Severe Renter Damage by Municipality chart, rental units in Atlantic City that sustained at least “major” damage approximately double that of the next highest municipality. For that reason, Atlantic City may receive no more than 5 FRM project awards.</li> </ul> </li> <li>▪ 100,001-200,000 people in the municipality = no more than 4 FRM projects awarded</li> <li>▪ 200,001 people and higher in the municipality = no more than 5 FRM projects awarded</li> </ul> <p>In the event that the number of projects located in a particular municipality that score enough points to be funded exceeds the municipal limits on FRM project awards as described immediately above, the Agency will fund the highest scoring project, or projects, in that municipality up to the applicable municipal limits.</p> <p>* 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 result in these allocations as of the November10, 2014 deadline, sufficient funds shall be reserved in subsequent rounds to meet those targets. If, after two subsequent funding rounds, the</p>

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	targets have not been met, FRM funds shall be allocated as required to generally meet the needs of low and moderate income households.
<b>8. Subsidy Loan Amounts/Maximum Award</b>	<p>Consistent with CDBG-DR Action Plan Amendment No. 7, the amount of the award will be based on underwriting the funding gap in the project rather than setting a maximum amount per unit. Standard Agency Underwriting Guidelines will apply. See the Multi-Family Underwriting Guidelines and Financing Policy.</p> <p>FRM – Second Round 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.</p>
<b>9. Types of Available Funding</b>	<p>All Funds for FRM – Second Round subsidy funding will be provided to projects in the form of loans.</p> <p><u>Loan types:</u>  (1) Construction loans  (2) Construction loans which convert to permanent financing;  (3) Permanent loans for take-out financing.</p> <p>If needed, other loan types such as conditional bridge loans may be authorized to ensure project feasibility.</p>
<b>10. Agency Mortgage Required</b>	In the event any permanent mortgage debt is needed for any project funded by FRM – Second Round subsidy loan, the first mortgage loan must be an Agency-provided permanent mortgage loan.
<b>11. Financing Term</b>	Unless otherwise authorized, the estimated financing term of FRM – Second Round subsidy loan shall match that of the Agency mortgage financing and/or the LIHTC requirement, whichever is applicable.
<b>12. Security, Collateral and Lien Status</b>	<p>Each FRM – Second Round subsidy loan shall be secured by a note and mortgage.</p> <p>A FRM – Second Round subsidy loan may take a subordinate position behind other lenders only where either: (a) the project is receiving <b>no</b> Agency financing; or (b) in the case of an Agency conduit bond financing.</p>
<b>13. Eligibility for Sales Tax Exemption</b>	<p>Sales of materials or supplies to housing sponsors utilizing Agency construction financing are eligible for exemption from New Jersey State sales tax.</p> <p>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.</p>
<b>14. Mortgage Interest Rate</b>	<p>FRM – Second Round subsidy loan provided during construction shall be at a 0% interest rate.</p> <p>FRM – Second Round subsidy permanent loans shall be at a 1% interest rate compounded annually.</p>
<b>15. Cash Flow Repayments</b>	Interest will not accrue and repayment shall not begin until two (2) years from the date

	<b>FRM – Second Round Guidelines</b>
	<p>when the project is placed in service. Repayment of a FRM – Second Round 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 projects) remaining after the payment of operating expenses, required reserves and amortized mortgage debt service and at the earlier of 10 years or the payment of the deferred developer’s fee. Upon maturity of the loan or upon expiration of the affordability controls, whichever comes first, the balance of any unpaid principal balance, together with all accrued interest thereon, shall become due and payable.</p> <p>Any deferred developer fee may be taken by the developer as return on investment, but only after the applicable FRM – Second Round subsidy loan repayment requirements have been met.</p> <p>The Agency will require the developer to submit annual financial statements to document the project’s available cash flow.</p> <p>If a project is refinancing Agency debt and recovering excess proceeds beyond existing financing, then a pro rata share of the FRM Funds must be repaid at closing. The percentage of the FRM repayment shall be calculated based on a pro rata share of the FRM loan to the Total Project Costs. That percentage shall be applied to the excess proceeds recovered.</p>
<b>16. Recapture Date</b>	FRM funds must be drawn down by the later of two (2) years from the date of closing or the payoff of the 2 <sup>nd</sup> note.
<b>17. Debt Service Coverage Ratio</b>	Projected cash flow repayments of FRM – Second Round subsidy loans shall <b>not</b> 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 – Second Round subsidy loan amounts will be determined.
<b>18. Other Underwriting</b>	Projects funded by FRM – Second Round subsidy loans shall be considered to be an Agency loan and must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.
<b>19. Priority for FEMA Registrants</b>	Projects funded by FRM – Second Round 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 LMI 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.
<b>20. Other Requirements</b>	<p>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 the Office of Management and Budget (“OMB”) Circular A-87, program income, and other CDBG-DR financial requirements.</p> <p>Compliance with the Housing Resource Center registration requirements.</p>
<b>21. Other Junior Financing and Subordinate Debt</b>	Projects funded by FRM – Second Round subsidy loan must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.
<b>22. Project Fees</b>	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.

	<b>FRM – Second Round Guidelines</b>
	FRM – Second Round 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.
<b>23. Tenant Income Requirements</b>	Projects funded by FRM – Second Round subsidy funds must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.
<b>24. Affordability Controls</b>	<p>At least 50 percent of the units of each bedroom size in each FRM – Second Round 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. Up to 15 percent of housing funded in TUMs may be made available to households between 60%-120% of area median income.</p> <p>State Uniform Housing Affordability Control, N.J.A.C. 5:80, requirements on bedroom distribution shall control.</p> <p>Any loan agreement entered into for FRM – Second Round 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.</p>
<b>25. Energy Efficiencies and Green Building Standards</b>	Projects funded by FRM – Second Round 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).
<b>26. No Cause Eviction</b>	Unless required by federal statute or regulation, no household occupying, or which hereafter occupies, an affordable unit approved for FRM – Second Round funding shall be evicted solely because the household income rises above the initial income eligibility ceiling.
<b>27. Authority to Approve award of Application</b>	The Agency Board shall approve all awards.
<b>28. LEP Marketing</b>	To ensure access to persons with Limited English Proficiency (LEP), all FRM – Second Round-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.
<b>29. Application Date</b>	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 Agency’s Agenda Review Committee deems the submission to be a complete application that can be presented to the Agency Board for consideration.
<b>30. Complete Application</b>	An application submitted to the Agency, including the application fee, completed application forms and certifications that meets all eligibility requirements.

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.

