

**FUND FOR RESTORATION OF MULTI-FAMILY HOUSING - 3B
PROGRAM GUIDELINES**

Approved: September 24, 2015

Amended: January 21, 2016

Amended: March 24, 2016

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”). On May 21, 2015, the HMFA Board approved an initial rollout of FRM-Third Round (FRM-3A) funds (a minimum of \$50 million) for qualified family projects located in Monmouth or Ocean County.

Demand for FRM –3B funding is expected to significantly exceed the balance of available FRM- 3B funds. As a result, requests for the balance of FRM - 3B funds shall adhere to the following application process, and the Agency shall award FRM – 3B funds to projects, on a competitive basis, to the highest ranking eligible applicants based on the objective selection criteria, set-asides, tiebreaker and equitable distribution provisions set forth below.

Step 1. Application Part A Submission: For a project to be considered for FRM – 3B funds, **a hard copy** of the following items must be submitted by project sponsors (“Applicants”). In order to ensure the federal deadline to obligate CDBG-DR funds is met in a timely manner, the deadline for Applicants to submit Part A Submissions to the Agency shall be **no later than 12 noon on November 6, 2015:**

- Part 1 of the Unified Application for Multi-family Rental Housing Production Programs (“UNIAP”);
- A description of the project;
- Section 1 of the FRM - 3B Document Checklist, excluding the Resolution of Need.

The UNIAP and FRM – 3B Document Checklist are available on-line. 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 November 10, 2015. These Applicants **shall then have until 12 noon on April 8, 2016, to submit a hard copy** of the items set forth in Section II of the FRM – 3B Document Checklist, documentation of the applicable criteria under Section 5 below and a Self-Score Sheet (the “Application Part B Submission Documents”). **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 April 8, 2016 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 **July 1, 2016**.

Step 4. Ranking Projects: FRM – 3B funds shall be awarded to the highest ranking, eligible Applicants based on the objective selection criteria, set-asides, tiebreaker and equitable distribution provisions as outlined below.

	FRM – 3B Guidelines
PROGRAM OVERVIEW	The Fund for Restoration of Multi-Family Housing - Third Round (“FRM – 3B”) 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 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 - 3B 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.
1. Eligible Applicants	Private for-profit and nonprofit housing developers and public housing authorities capable of developing and managing large multi-family housing developments.
2. Eligible Project Locations	Projects located within any of New Jersey’s 21 counties are eligible to apply for FRM – 3B 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 – 3B funds are needed to serve Sandy-impacted renters in the market area.
3. Eligible Types of Projects	<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 – 3B subsidy loans may be used in conjunction with 4% LIHTCs allocated by the Agency, HMFA Multi-Family Revenue Bond financing, HMFA conduit bond financing or may be used without these funding</p>

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	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. County Set-Asides	<p>Monmouth/Ocean County: In the event the funding benchmarks prescribed in the Voluntary Compliance Agreement and Conciliation Agreement (“VCA”) of May 29, 2014, have not been satisfied by the initial rollout of FRM 3A funds approved by the HMFA Board on May 21, 2015 (i.e., the Monmouth/Ocean Initial Set-Aside), HMFA shall set aside additional FRM-3B funds for Family projects located within Monmouth and Ocean Counties in an amount necessary to satisfy the VCA requirement. Awards to Family projects located within Monmouth and Ocean Counties shall then be determined by the selection criteria and tiebreaker outlined in Sections 6 and 7 below.</p> <p>Atlantic County: HMFA shall set-aside FRM-3B funds for Family projects located within Atlantic County in an amount necessary to satisfy the VCA requirement. This amount shall be no less than \$28 million. Awards to Family projects located within Atlantic County shall then be determined by the selection criteria and tiebreaker outlined in Sections 6 and 7 below.</p> <p>In the event there are not enough eligible applications from Monmouth, Ocean and/or Atlantic Counties to exhaust these county set-asides, the remaining balance of these funds shall be reserved in a subsequent round to meet these targets.</p>
6. Selection Criteria	<p>FRM – 3B funds shall be awarded to the highest ranking, eligible Applicants based on the following selection criteria (96 points total):</p> <ol style="list-style-type: none"> 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"> • Red municipalities: 22 points • Orange municipalities : 18 points • Yellow municipalities: 14 points • Green municipalities: 10 points • Blue municipalities: 6 points <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 appears in the attached chart.</p>

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2. Impact of Prior CDBG-DR Funding through FRM (up to 20 points). To encourage distribution of FRM –3B funds 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 Ocean County
 - 16 points shall be awarded to projects located in Atlantic and Monmouth Counties
 - 12 points shall be awarded to projects in Hudson, Bergen and Cape May Counties
 - 9 points shall be awarded to projects located in Union County
 - 3 points shall be awarded to projects located in Salem, Camden and Middlesex Counties
 - 0 points shall be awarded projects located in all other counties

3. Housing Type. Up to 10 points shall be awarded for the following housing types:
 - Family housing located outside Targeted Urban Municipalities (“TUMs”) as defined by N.J.A.C. 5:80-33.2, and are within a coastal community (i.e. located within a municipality that includes areas subject to CAFRA): 10 points
 - Family housing located within TUMs, and are within a coastal community: 8 points
 - Family housing located outside TUMs: 5 points
 - Family housing located within TUMs: 3 points

4. Supportive Housing (up to 10 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.

5. 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.

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6. 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:
- 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
7. 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.
8. 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 Part A

	<p style="text-align: center;">FRM – 3B Guidelines</p> <p>application deadline as well as the preceding year;</p> <p>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 application deadline. NJHMFA shall rely upon the data effective in the calendar year of the Part A application deadline and the preceding year; and</p> <p>d. Mixed income projects with a minimum 20% affordability component and minimum 40% market rate component.</p>
7.Tiebreaker	<p>In the event of a tie score based on the Selection Criteria, FRM – 3B funds shall be awarded to the Applicant requesting the least amount of CDBG-DR funds per CDBG-DR eligible unit.</p>
8. Equitable Distribution	<p>In accordance with the VCA, the following distribution objectives shall apply with respect to the aggregate amount of FRM funds allocated to HMFA (less program delivery costs):</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 TUMs, and the remainder shall be allocated to developments inside TUMs. The funds allocated toward TUMs 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 – 3B funds for the project are needed to serve</p>

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	<p>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"> ▪ 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"> ○ 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 this reason, and in order to facilitate satisfaction of VCA requirements, Atlantic City may receive no more than 7 FRM project awards. ▪ 100,001-200,000 people in the municipality = no more than 4 FRM projects awarded ▪ 200,001 people and higher in the municipality = no more than 5 FRM projects awarded <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>However, 3B projects that meet all of the following criteria shall not be subject to the municipal limits described above:</p> <ul style="list-style-type: none"> ▪ Family (non-age restricted) project; ▪ Located outside of a TUM; ▪ Located in Monmouth, Ocean or Atlantic 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 of physically border a town, or multiple towns, that appear on the aforementioned chart <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 FRM 3B deadline, sufficient funds shall be reserved in a subsequent round to meet those targets. If, after one more funding 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.</p>
9. Subsidy Loan Amounts/Maximum Award	Consistent with CDBG-DR Action Plan Amendment No. 11, the maximum CDBG-DR award shall be \$170,000 per CDBG-DR unit. Standard Agency Underwriting Guidelines will apply. See the Multi-

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	<p>Family Underwriting Guidelines and Financing Policy.</p> <p>FRM – 3B 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>
10. Types of Available Funding	<p>All Funds for FRM – 3B 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>
11. Agency Mortgage Required	<p>In the event any permanent mortgage debt is needed for any project funded by FRM – 3B subsidy loan, the first mortgage loan must be an Agency-provided permanent mortgage loan.</p>
12. Financing Term	<p>Unless otherwise authorized, the estimated financing term of FRM – 3B subsidy loan shall match that of the Agency mortgage financing and/or the LIHTC requirement, whichever is applicable.</p>
13. Security, Collateral and Lien Status	<p>Each FRM – 3B subsidy loan shall be secured by a note and mortgage.</p> <p>An FRM – 3B 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.</p>
14. Eligibility for Sales Tax Exemption	<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>
15. Mortgage Interest Rate	<p>FRM – 3B subsidy loan provided during construction shall be at a 0%</p>

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	<p>interest rate.</p> <p>FRM – 3B subsidy permanent loans shall be at a 1% interest rate compounded annually.</p>
16. Cash Flow Repayments	<p>Repayment shall not begin until two (2) years from the date when the project is placed in service. Repayment of an FRM – 3B 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 SSNHF 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 – 3B 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>
17. Recapture Date	FRM funds must be drawn down by the later of two (2) years from the date of closing or the payoff of the 2 nd note.
18. Debt Service Coverage Ratio	Projected cash flow repayments of FRM – 3B 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 – 3B subsidy loan amounts will be determined.
19. Other Underwriting	Projects funded by FRM – 3B 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.
20. Priority for FEMA Registrants	Projects funded by FRM – 3B 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

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	Superstorm Sandy based on either FEMA registration or alternative proof of damage, impact or displacement.
21. Other Requirements	<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>
22. Other Junior Financing and Subordinate Debt	Projects funded by FRM – 3B subsidy loan must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.
23. Project Fees	<p>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.</p> <p>FRM – 3B 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.</p>
24. Tenant Income Requirements	Projects funded by FRM – 3B subsidy funds must meet the requirements of the Agency multi-family underwriting guidelines and/or the LIHTC program, as applicable.
25. Affordability Controls	<p>At least 50 percent of the units of each bedroom size in each FRM – 3B 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>Requirements on bedroom distribution pursuant to State Uniform Housing Affordability Controls control. See N.J.A.C. 5:80-26.1 et seq.</p> <p>Any loan agreement entered into for FRM – 3B subsidy funds shall incorporate contractual guarantees and procedures to ensure that any unit</p>

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	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.
26. Energy Efficiencies and Green Building Standards	Projects funded by FRM – 3B 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).
27. No Cause Eviction	Unless required by federal statute or regulation, no household occupying, or which hereafter occupies, an affordable unit approved for FRM – 3B funding shall be evicted solely because the household income rises above the initial income eligibility ceiling.
28. Authority to Approve Award of Application	The Agency Board shall approve all awards.
29. LEP Marketing	To ensure access to persons with Limited English Proficiency (LEP), all FRM – 3B-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.
30. Application Date	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.
31. Complete Application	An application submitted to the Agency, including the application fee, completed application forms and certifications that meets all eligibility requirements and applicable selection criteria.

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.