

1. The capital improvement account would be in addition to the reserve for repair and replacement account, the operating reserve account, and any rehabilitation expenditures escrow funded in connection with secondary financing. The capital improvement account shall be used for capital improvements, repairs, maintenance and any other expense of the project which will help ensure that the project is maintained as safe and sanitary rental housing during the mortgage term and thereafter. Ten percent of the annual residual receipts must be deposited into the capital improvement account prior to distribution of the residual receipts between the Agency and owner;

2. The buyer shall execute a deed restriction which preserves the project as affordable rental housing for an additional 15-year period, subject to the same Agency restrictions as are applicable during the 35-year period under the definition of housing investment sales in N.J.A.C. 5:80-32.1;

3. The Agency's annual share of the residual receipts shall be deposited into the Housing Investment Sales Account;

4. Buyers which elect to participate in this option must make such election at the time of closing. Buyers may elect to participate subsequent to closing, provided they fund the capital improvement account with an amount equivalent to the amount which would have been required since closing and distribute 50 percent of the accumulated residual receipts to the Agency for deposit into the Housing Investment Sales Account.

(d) The distribution of amounts to the buyer pursuant to this section shall be subject to those conditions set forth at N.J.A.C. 5:80-3.4.

New Rule, R.1997 d.102, effective March 3, 1997.  
See: 28 N.J.R. 321(a), 29 N.J.R. 763(a).

## APPENDIX

### Example of Application of Subchapter Rules

(a) A group of individuals formed an eligible LD sponsor and invested \$1,500,000 in it: \$1,000,000 was invested in the physical assets of the project (that is, its realty and tangible personalty) and was recognized as investment in the project under the HMFA Law; \$500,000 represented promoters' fees and was not recognized as investment in the project under the HMFA Law. The eligible LD sponsor received a non-recourse loan of \$9,000,000 from the HMFA.

(b) If the Agency had recognized the entire \$1,500,000 as investment in the project, which it was not required to do, the eligible LD sponsor would have been entitled to an additional return on its investment of \$40,000 in each year of operation. For 15 years the project generated revenues sufficient to cover this additional \$40,000. The \$600,000 (15 years x \$40,000) aggregate representing this additional return, along with other surpluses, was invested and earned a total of \$200,000 in interest income over the 15 years.

(c) Fifteen years after the formation of the eligible LD sponsor, a qualified housing sponsor proposes to buy the physical assets of the eligible LD sponsor in a housing investment sale. At the time of the sale, the eligible LD sponsor has repaid \$1,800,000 of the HMFA loan and has received the full annual return on investment permitted under the HMFA Law. At the closing of the housing investment sale, the project's residual receipts, as defined in N.J.A.C. 5:80-30.1 were \$2,200,000. The purchase price paid by the buyer to the eligible LD sponsor is \$10,900,000, paid by assuming the \$7,200,000 mortgage loan still outstanding and paying \$3,700,000 cash at closing.

(d) At the closing of the housing investment sale, \$200,000 of the purchase price is applied to transaction costs. Thus, the available proceeds of the eligible LD sponsor is \$5,700,000, computed as follows: \$3,500,000 (the cash portion of the Purchase Price, \$3,700,000, less \$200,000 in transaction costs), plus \$2,200,000 (the residual receipts). (See N.J.A.C. 5:80-32.1, "available cash".)

(e) The maximum additional return is \$4,000,000, computed as follows:

1. \$500,000 cash invested by the owners of the eligible LD sponsor that was not recognized as investment in the project (see N.J.A.C. 5:80-32.1, "maximum additional return" paragraph 1), plus

2. \$600,000 representing cumulative annual return on the \$500,000 described in (e)1 above (see N.J.A.C. 5:80-32.1, "maximum additional return" paragraph 2), plus

3. \$200,000 investment income earned on the \$600,000 described in (e)2 above (see N.J.A.C. 5:80-32.1, "maximum additional return" paragraph 3), plus

4. \$1,800,000 representing amortization of principal on the Agency's mortgage loan (see N.J.A.C. 5:80-32.1, "maximum additional return" paragraph 4), plus

5. \$900,000 in market appreciation of realty and tangible personalty (that is, the purchase price of \$10,900,000 less investment in the project of \$1,000,000 and original mortgage loan of \$9,000,000, as provided in N.J.A.C. 5:80-32.1, "maximum additional return" paragraph 5).

(f) At closing, the following payments are made from the available proceeds:

1. To the eligible LD sponsor, \$1,000,000, representing its investment in the project, as determined under the HMFA Law (see N.J.A.C. 5:80-32.6(b)3i);

2. To the eligible LD sponsor, \$2,000,000, representing 50 percent of its maximum additional return (see N.J.A.C. 5:80-32.6(b)3ii);

3. To the Housing Investment Sales Account, \$2,000,000 representing 50 percent of the maximum additional return (see N.J.A.C. 5:80-32.6(b)3iii); and

4. To the State Treasurer, \$700,000, representing the balance of available proceeds (see N.J.A.C. 5:80-32.6(b)3iv).

Amended by R.1997 d.102, effective March 3, 1997.

See: 28 N.J.R. 321(a), 29 N.J.R. 763(a).

In (d), (f), and (f)4, substituted "proceeds" for "cash"; and in (f)3, substituted "Housing Investment Sales Account" for "MAR Revolving Account".

### SUBCHAPTER 33. LOW INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

#### Authority

N.J.S.A. 55:14K-5g.

#### Source and Effective Date

R.1996 d.255, effective June 3, 1996.  
See: 28 N.J.R. 1443(b), 28 N.J.R. 2843(a).

#### Subchapter Historical Note

Subchapter 33, Low Income Housing Tax Credit Qualified Allocation Plan, was adopted as new rules by R.1995 d.281, effective June 5, 1995. See: 27 N.J.R. 986(a), 27 N.J.R. 2190(a). Subchapter 33, Low Income Housing Tax Credit Qualified Allocation Plan, was repealed and a new Subchapter 33, Low Income Housing Tax Credit Qualified Allocation Plan, was adopted by R.1996 d.255, effective June 3, 1996. See: Source and Effective Date.

#### 5:80-33.1 Introduction

(a) The New Jersey Housing and Mortgage Finance Agency ("NJHMFA") is the designated agency for the State of New Jersey to be responsible for the oversight of the Federal Low Income Housing Tax Credit Program. This oversight includes the allocation of the tax credits to qualified applicants and the monitoring of those projects for compliance with Section 42 of the Internal Revenue Code ("Code").

(b) In order to provide for the effective coordination of New Jersey's Low Income Housing Tax Credit Program under the Code, these rules shall be construed and administered in a manner consistent and in accordance with the Code and regulations promulgated thereunder.

(c) Compliance with the requirements of the Code is the sole responsibility of the owner of the building for which the credit is allowable. NJHMFA makes no representations to the owner or anyone else as to compliance with the Code, Federal regulations issued under the Code, or any other laws or regulations governing Low-Income Housing Tax Credits, or as to the financial viability of any project. All applicants should consult their tax accountant, attorney or advisor as to the specific requirements of Section 42 of the

Code governing the Low Income Housing Tax Credit Program.

#### 5:80-33.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context already indicates otherwise.

"COAH" means the New Jersey State Council on Affordable Housing.

"COAH obligation" means a low/moderate income rental project that is in a COAH-certified plan or in a plan that is currently under COAH's jurisdiction as the result of a petition for substantive certification. Generally, projects being constructed pursuant to a density bonus are not eligible to apply for tax credits from the State's housing credit ceiling. However, a project may be considered eligible for ceiling credits if 100 percent of the units are affordable and if the project is not identified, by sale or transfer or any other means, with an inclusionary development or non-residential zoning. In addition, to encourage family rental units in non-urban municipalities, a density bonus project may be eligible for tax credits from the State's volume cap if the density bonus is insufficient to yield family rental units. In such circumstances, the COAH Executive Director will review the project for funding eligibility and provide written verification to NJHMFA at or before an application for tax credits is filed. Under no circumstances shall a senior project receive credits from volume cap if it is being constructed pursuant to a density bonus.

"Code" means the Internal Revenue Code, 26 U.S.C. §§ 1 et seq.

"Complete application" means an application including the application fee, completed application forms and certifications, and all eligibility requirements.

"Court-ordered obligation" means a low/moderate income rental project that is part of a judgment of repose, a pending judgment of repose, and/or a court settlement that is the result of an exclusionary zoning lawsuit. Generally, projects being constructed pursuant to a density bonus are not eligible to apply for tax credits from the State's housing credit ceiling program. However, a project may be considered eligible for ceiling credits if 100 percent of the units are affordable and if the project is not identified, by sale or transfer or any other means, with an inclusionary development or non-residential zoning. In addition, to encourage family rental units in non-urban municipalities, a density bonus project may be eligible for tax credits from the State's volume cap if the density bonus is insufficient to yield family rental units. In such circumstances, the applicable court master will review the project for funding eligibility and provide written verification to NJHMFA at or before an application for tax credits is filed. Under no circumstances shall a senior project receive credits from volume cap if it is being constructed pursuant to a density bonus.

“De minimis award” means an award of credits from the Reserve in order to fund the last highest ranking project in a cycle if such project cannot receive a full reservation. De minimis awards are generally capped at \$100,000. Applicants do not apply for de minimis awards. Example: There are 10 projects in the Suburban/Rural Cycle. They are ranked highest to lowest. There are enough credits to fully fund the first five projects. The sixth project needs \$100,000 but there is only \$10,000 left in the cycle. NJHMFA may take \$90,000 from the Reserve and award it to the project.

“Density bonus” means a zoning change that results in an increase in density from the original zoning and this increased density is to provide for low and moderate income housing.

“Designated center” means a center designated by the New Jersey State Planning Commission, or located within the boundaries of an Urban Complex or Corridor Region Development Plan endorsed by the State Planning Commission. These consist of urban centers, regional centers, towns, villages and hamlets. In order to qualify for points, centers shall be designated by the application deadline.

“Developer fee” or “development fee” means the fee that covers the overhead and profit of the developer. Certain fees are subsumed within the developer fee—such as acquisition fees, financial consultants, employees of the developer, related party construction managers/monitors, and syndicator-required consultants. Professional fees not paid out of the developer fee are the fees for the architect, engineer, lawyer, accountant, surveyor, appraiser, soil investigator, professional planner, historical consultant and environmental consultant. All other consultant fees shall be included in the developer fee and are not allowed to be shown as separate line items on the tax credit application. If there are costs listed under professional planner, the executed contract shall be submitted for NJHMFA determination of whether such fees are for planning or for financial consulting.

The developer fee contained in the application shall be the maximum fee (dollar amount) recognized by NJHMFA at the time of cost certification so long as the project scope remains the same. NJHMFA may recalculate the fee at time of cost certification using the developer fee percentage in the project’s application, possibly resulting in a higher or lower dollar amount, if NJHMFA determines that there are significant increases or decreases in the project scope (substantial new additions or deletions in the number of units, amenities, etc.).

Any fee paid to the developer in excess of the developer fee, such as an acquisition fee, incentive developer fee, or other pseudonym, shall be treated as a funding source and may not be recognized as a use of funds.

One of the scoring criteria is a lower developer fee. For scoring purposes, no additional points will be awarded for developer fees that drop below a “floor” of eight percent.

1. The amount of developer fee allowed is limited to 15 percent of total development cost excluding land, working capital, marketing expenses, escrows, operating deficit reserves, step-in-the-shoes costs and costs associated with syndication. However, a developer fee of up to 20 percent (of total development cost excluding land, working capital, marketing expenses, escrows, operating deficit reserves, step-in-the-shoes costs and costs associated with syndication) is allowed for the following types of housing:

- i. Scattered site single-family or duplex housing;
- ii. Projects of 25 units or less; or
- iii. Housing for special needs populations (see definition).

The cost of acquiring a building from a related party (see definition) shall not be allowed in the calculation of the developer fee.

“Developmentally disabled” means a severe, chronic disability of a person which:

1. Is attributable to a mental or physical impairment or combination of mental or physical impairments;
2. Is manifested before the person attains age 22;
3. Is likely to continue indefinitely;
4. Results in substantial functional limitations in three or more of the following areas of major life activity:
  - i. Self-care;
  - ii. Receptive and expressive languages;
  - iii. Learning;
  - iv. Mobility;
  - v. Self-direction;
  - vi. Capacity for independent living; and
  - vii. Economic sufficiency; and
5. Reflects the person’s need for a combination and sequence of special, interdisciplinary, or generic care, treatment or other services which are of lifelong or extended duration and are individually planned and coordinated.

“Eligible basis limits” are limitations on total eligible basis (except in the Special Needs Cycle and those projects in the Reserve whose initial allocation was not subject to limits on eligible basis) based on site location and whether or not a project has elevators. The limits are a specified percentage above the Section 221(d)(3) limits published in 24 C.F.R. Part 200 by the U.S. Department of Housing and Urban Development as of the first of the year. A project whose

total eligible basis exceeds its applicable eligible basis limit may participate in the tax credit program; however, the maximum amount of credits allowed to the project will be limited to the amount of the eligible basis limit applicable to the project. The eligible basis limitation is not a per se limit on eligible basis as defined in the Code but is a mechanism that facilitates the NJHMFA's exercise of its authority to limit tax credits to what is necessary to finance projects. See IRC Section 42(m).

"Equity factor" means the pricing of the tax credit in terms of cents per tax credit dollar. The equity factor is listed in the application and may change as market conditions dictate.

"High-rise" means a building having eight or more floors or stories.

"HUD" means the United States Department of Housing and Urban Development.

"Inclusionary development" means a development containing all low and moderate income units or a mix of market units and low and moderate income units.

"Large family unit" means a unit within a non-age-restricted project with three or more bedrooms. For every three bedrooms, there must be at least 1.5 bathrooms. A three bedroom unit must measure no less than 950 square feet. A four-bedroom unit should measure no less than 1,150 square feet. (Excluded from the calculation are common halls, stairways, unfinished basements and attics, garages, balconies and porches.) Developments must be structured in conjunction with realistic market demands (that is, if a developer's market analysis does not show a need or demand for all three bedroom units, the developer should not be developing all three bedroom units).

"Low-rise" means a building having one to three floors or stories.

"Mid-rise" means a building having four to seven floors or stories.

"Minimum rehab project" means any project undertaking only a minimum amount of rehabilitation. Minimum rehab is defined as construction costs totaling less than 50 percent of the acquisition cost where construction cost equals the total of the lines listed under Construction (less any costs associated with step-in-the-shoes basis) on the breakdown of costs and basis form and acquisition cost equals the total of the lines listed under "Acquisition" plus the land cost. Minimum rehab projects are eligible to apply only in the Special Needs Cycle and Final Cycle. In the Final Cycle, they shall be funded only if there are no other projects left to fund.

"Partial allocation" means an allocation made to a project where the amount allocated is less than the tax credit need as determined by NJHMFA staff at the time the allocation was made.

"Qualified nonprofit organization" means, pursuant to Section 42(h)(5)(B) of the Code, an entity that owns an interest in the project (directly or through a partnership) and materially participates (within the meaning of Section 469(h) of the Code) in the development and operation of the project throughout the compliance period and must not be affiliated with or controlled by a for-profit organization.

1. Section 42(h)(5)(c) defines a qualified nonprofit organization as follows:

"(1) such organization is described in paragraph (3) or (4) of Section 501(c) and is exempt from tax under Section 501(a);

(2) such organization is determined by the State housing credit agency not to be affiliated with or controlled by a for-profit organization; and

(3) one of the exempt purposes of such organization includes the fostering of low-income housing."

2. Section 42(h)(5)(D) describes how certain subsidiaries meet the definition of a qualified nonprofit organization as follows:

"(1) In general—For purposes of this paragraph, a qualified nonprofit organization shall be treated as satisfying the ownership and material participation test of subparagraph (B) if any qualified corporation in which such organization holds stock satisfies such test.

(2) Qualified corporation—For purposes of clause (1), the term 'qualified corporation' means any corporation if 100 percent of the stock of such corporation is held by 1 or more qualified nonprofit organizations at all times during the period such corporation is in existence."

The nonprofit set-aside and qualified nonprofit reservation fee are available exclusively to section 501(c)(3) or (4) housing sponsors which are the sole general partner of the final ownership entity (the limited partnership). Limited liability companies and limited liability partnerships are not eligible for the nonprofit set-aside.

"Related party" means a relationship between parties when there is a spousal or family relationship, parent-subsidiary relationship or where owners, officers, directors, partners, stockholders, or members of one business entity hold a 10 percent or more interest in the other business entity.

"Retention factor" means an increase to the equity factor used to calculate the value of the tax credits. NJHMFA will add a retention factor to non-syndicated tax credit projects, or projects where the general partner (or related entity) will retain more than a four percent ownership interest. For projects where the general partner's ownership interest is five to 49 percent, \$0.10 shall be added to the equity factor. If the general partner's ownership interest is 50 percent or more, \$0.20 shall be added to the equity factor.

“Senior project” means an aged-restricted project dedicated to households whose head, spouse or sole member is 62 years of age or older. A portion of the units may also be made available to:

1. The handicapped, that is a person with a physical or mental impairment which:

- i. Is expected to be of long or indefinite duration;
- ii. Substantially impedes his or her ability to live independently; and
- iii. Is of such a nature that the person’s ability to live independently could be improved by more suitable housing conditions;

2. The disabled, that is a person that meets the definition of disabled under Section 223 of the Social Security Act; or

3. A person that has a severe, chronic disability which:

- i. Is attributable to a mental and/or physical impairment;
- ii. Was manifested before the age of 22;
- iii. Is likely to continue indefinitely;
- iv. Results in substantial functional limitations in three or more of the following areas: capacity for independent living; self-care; receptive and expressive language; learning; mobility; self-direction; and economic self-sufficiency; and
- v. Requires special, interdisciplinary, or generic care, treatment, or other services which are of lifelong or extended duration and are individually planned and coordinated.

In order to be eligible for the senior set-aside, 100 percent of the project must meet the above definition.

“SNAP neighborhood” means a neighborhood participating in the Strategic Neighborhood Assistance Program as confirmed by the Department of Community Affairs. For scattered site projects where not all the sites are in a SNAP neighborhood, at least one site must be located in a SNAP Neighborhood to qualify for the Targeted Neighborhood/SNAP Neighborhood set-aside. SNAP Neighborhoods must be designated by the application deadline.

“Social services model” means any project which submits an executed agreement between a housing and social service provider or otherwise demonstrates to the satisfaction of NJHMFA that one or more of the following types of services shall be provided for at least the term of the compliance period to improve the quality of life of the residents of the project. The services must be affordable and accessible to the project’s tenants and the social service provider must have the capacity to perform such services. The services include, but are not limited to:

1. Hiring a full-time social service coordinator. If a social service coordinator is being provided through a third party, then a signed agreement between the two parties is required, and the coordinator must be dedicated to the tax credit project for at least 20 hours a week;

2. Providing child care services either on site or linked to outside child care centers;

3. Providing health care services either on site or linked with a local health care provider;

4. Providing job training programs on site or linked with a local training center;

5. Providing personal care and/or housekeeping services on site;

6. Providing at least one congregate meal on site;

7. Providing adult day-care services; and/or

8. Providing transportation services for the residents.

Social service coordinator, case manager and linkages coordinator/ provider are not counted as separate and distinct services. NJHMFA shall view these services as all being part of the same service.

“Special needs projects” means a project which shall reserve a minimum of 25 percent of the total units in the project for occupancy by one (or more) of the targeted special needs populations referred to below, and must make available a minimum of three daily services addressing the needs of the identified group, one of which must be a social services coordinator. If a social service coordinator is being provided through a third party, then a signed agreement between the two parties is required, and the coordinator must be dedicated to the tax credit project for at least 20 hours a week. Project sponsors may reserve more than 25 percent of their affordable units for occupancy by one or more of these targeted populations. However, sponsors should also be aware that for certain types of special needs projects, when more than 30 percent of the units are set aside for persons with special needs, “saturation” may occur resulting in an institution-type atmosphere. Special needs populations include individuals and families who are in need of certain types of home and/or community-based supportive services, usually on an ongoing basis, in order to remain capable of independent living in communities. Supportive services range across a wide continuum of care (such as meals preparation, assistance with house cleaning, etc.) to high level (such as substance abuse and mental health supports) to medically intense (such as skilled nursing) and will vary from person to person depending on their particular physical, psycho-social, and/or mental limitations, and may vary from one person over time. Each special needs tenant does not have to utilize all of the services provided by the project; however, the services must be available. If tenants are not utilizing the services that are available, NJHMFA may call into question whether or not the project is serving a special needs population.

1. Examples of targeted special needs populations are:
  - i. Persons with AIDS/HIV-related illness;
  - ii. Homeless;
  - iii. Mentally ill;
  - iv. Frail elderly;
  - v. Alcohol/substance abusers;
  - vi. Persons with physical disabilities;
  - vii. Mentally retarded/developmentally disabled;
  - viii. Pregnant/parenting teens; and
  - ix. Victims of domestic violence.
2. Examples of support services include, but are not limited to, the following:
  - i. Social service coordinator/case manager;
  - ii. Counseling and crisis intervention;
  - iii. Health care advocacy and linkages;
  - iv. Assistance with activities of daily living and/or instrumental activities of daily living;
  - v. Recreational activities;
  - vi. Entitlement counseling and advocacy;
  - vii. Employment counseling and training;
  - viii. Support groups;
  - ix. Home-based personal or medical assistance;
  - x. Skilled nursing;
  - xi. Meals preparation;
  - xii. Housekeeping;
  - xiii. Substance abuse and mental health supports; and
  - xiv. Child care/adult day care.

“Sponsor certification” means the certification submitted by the sponsor for application, reapplication, carryover request or IRS Form 8609 request which identifies the anticipated or actual date that the project is placed in service. The certification shall also include a statement whereby the sponsor agrees to abide by the low income housing tax credit requirements of the Code and a statement, under penalty of perjury, that the information contained in the certification is true and complete.

“Targeted city” means any city designated by the Governor’s Urban Coordinating Council. Cities must be designated by the application deadline.

“Targeted neighborhood” any neighborhood which has been selected for implementation of a specific revitalization plan within a city designated by the Governor’s Urban Coordinating Council. For scattered site projects where not all the sites are in a Targeted Neighborhood, at least one site must be located in a Targeted Neighborhood to qualify for the Targeted Neighborhood/SNAP Neighborhood set-aside. Targeted Neighborhoods must be designated by the application deadline.

“Uncorrected noncompliance” applies only with respect to the uncorrected noncompliance point category and means a violation of State and local building codes or health ordinances or failure of one or more major systems (for example, roof, HVAC, elevators, etc.) which was reported to the owner by the NJHMFA via formal notice of noncompliance and remains uncorrected as of the date of the tax credit application deadline.

Amended by R.1997 d.284, effective July 7, 1997.  
See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Added “COAH”, “Density bonus”, “Designated center”, “Developmentally disabled”, “Eligible basis limits”, “High-rise”, “HUD”, “Inclusionary development”, “Low-rise”, “Mid-rise”, “Retention factor”, and “Uncorrected noncompliance”; amended “COAH obligation”, “Court-ordered obligation”, “De minimus award”, “Developer fee”, “Minimum rehab project”, “Related party”, “Social services model”, and “Sponsor certification”; and deleted “After-school program”, “Day-care”, “Intermediary fees”, “Urban aid municipality”, and “Urban center”.

### 5:80-33.3 Application cycles

Each year, NJHMFA shall establish funding cycles and the amount of credits available in each cycle. They will be advertised in The Atlantic City Press, The Record, Newark Star Ledger, The Courier News, The Asbury Park Press, The Camden Courier Post, Bridgeton Evening News and The Times. NJHMFA shall set the eligibility cut-off dates in each year for receipt of completed applications. The application filing deadlines and the credits available in each cycle shall be announced as early in the year as possible. Reservations shall be announced approximately 90 days (or the next business day if the 90th day is a weekend or holiday) after the deadline for the cycle. NJHMFA may adjust the number of cycles or adjust the award dates if required by the timing of passage of Federal legislation or adoption of IRS rules and regulations or for other compelling circumstances. A project cannot compete in more than one cycle simultaneously. No project will be allocated more than \$ 1,500,000 in credits in any one calendar year.

Amended by R.1997 d.284, effective July 7, 1997.  
See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Lowered maximum yearly credit allocation from \$2,000,000 to \$1,500,000.

### 5:80-33.4 Urban Cycle

(a) Projects located in the municipalities listed on the Urban Cycle List are eligible to apply in the Urban Cycle. The lists of these cities change periodically and are available in the application. Minimum rehab projects are not eligible to apply in this cycle. There are three set-asides in the Urban Cycle:

1. Targeted Neighborhood/SNAP Neighborhood Set-Aside (“Neighborhood Set-Aside”): 15 percent of the credits available in the Urban Cycle shall be set aside for projects within targeted neighborhoods (within targeted cities) and for projects in designated SNAP neighborhoods. Targeted neighborhood and SNAP projects are eligible for Urban Cycle credits beyond the set-aside. If, because of lack of demand, this set-aside is not fully utilized, remaining credits in this set-aside shall be released into the Urban Cycle for use by other projects.