

**CHAPTER 80****NEW JERSEY HOUSING AND MORTGAGE  
FINANCE AGENCY****Authority**

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

**Source and Effective Date**

R.2000 d.132, effective February 28, 2000.  
See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

**Executive Order No. 66(1978) Expiration Date**

Chapter 80, New Jersey Housing and Mortgage Finance Agency, expires on February 28, 2005.

**Chapter Historical Note**

Chapter 80, Housing Finance Agency, was adopted as R.1977 d.71, effective March 4, 1977. See: 9 N.J.R. 62(c), 9 N.J.R. 164(c).

Chapter 80, New Jersey Housing and Mortgage Finance Agency, was adopted as R.1985 d.241, effective May 20, 1985. See: 17 N.J.R. 505(a), 17 N.J.R. 1258(b).

Pursuant to Executive Order No. 66(1978), Chapter 80, New Jersey Housing and Mortgage Finance Agency, was readopted as R.1990 d.248, effective April 20, 1990. See: 22 N.J.R. 277(b), 22 N.J.R. 1556(a).

Pursuant to Executive Order No. 66(1978), Chapter 80, New Jersey Housing and Mortgage Finance Agency, was readopted as R.1995 d.247, effective April 17, 1995. See: 27 N.J.R. 265(a), 27 N.J.R. 1977(a).

Subchapter 33, Low Income Housing Tax Credit Qualified Allocation Plan, was adopted as 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Subchapter 33, Low Income Housing Tax Credit Qualified Allocation Plan, was repealed and Subchapter 33, Low Income Housing Tax Credit Qualified Allocation Plan, was adopted as new rules by R.1996 d.255, effective June 3, 1996. See: 28 N.J.R. 1443(b), 28 N.J.R. 2843(a).

Pursuant to Executive Order No. 66(1978), Chapter 80, New Jersey Housing and Mortgage Finance Agency, was readopted as R.2000 d.132, effective February 28, 2000. See: Source and Effective Date. See, also, section annotations.

**CHAPTER TABLE OF CONTENTS****SUBCHAPTER 1. GENERAL PROVISIONS**

- 5:80-1.1 Authority
- 5:80-1.2 Purpose and objective
- 5:80-1.3 General definitions
- 5:80-1.4 Regulations regarding Housing Projects

**SUBCHAPTER 2. ACTIONS REGARDING HOUSING  
SPONSORS**

- 5:80-2.1 Rights of housing sponsors

- 5:80-2.2 Consultation with housing sponsors
- 5:80-2.3 Temporary appointment of Agency representative to perform functions on behalf of housing sponsors

**SUBCHAPTER 3. RETURN ON EQUITY**

- 5:80-3.1 Authority
- 5:80-3.2 Housing projects prior to January 17, 1984
- 5:80-3.3 Housing projects on or after January 17, 1984
- 5:80-3.4 Conditions required for distribution
- 5:80-3.5 Waiver

**SUBCHAPTER 4. (RESERVED)****SUBCHAPTER 5. TRANSFER OF OWNERSHIP  
INTERESTS**

- 5:80-5.1 Definitions
- 5:80-5.2 General policy
- 5:80-5.3 Applicability
- 5:80-5.4 Procedure
- 5:80-5.5 Scope of review
- 5:80-5.6 Required documents
- 5:80-5.7 Secondary financing
- 5:80-5.8 Return on equity
- 5:80-5.9 Required payment and repayments
- 5:80-5.10 Prepayment
- 5:80-5.11 Approval and disclosure requirements

**SUBCHAPTER 6. SALE OF PROJECTS OWNED BY  
NONPROFIT CORPORATIONS TO LIMITED  
PARTNERSHIPS**

- 5:80-6.1 Definitions
- 5:80-6.2 Procedures
- 5:80-6.3 Determination of total development cost
- 5:80-6.4 Required fees and repayments
- 5:80-6.5 Use of funds with regard to projects subsidized under Section 8
- 5:80-6.6 Use of funds with regard to projects subsidized under Section 236 Interest Reduction Program
- 5:80-6.7 Investment income earned on the PSR, DCE and CDE
- 5:80-6.8 Use of DCE and CDE for development of housing
- 5:80-6.9 Additional terms of purchase
- 5:80-6.10 Tax obligations
- 5:80-6.11 Approval and disclosure requirements
- 5:80-6.12 Request for use of escrow funds
- 5:80-6.13 (Reserved)

**SUBCHAPTER 7. TENANT SELECTION STANDARDS**

- 5:80-7.1 Definitions
- 5:80-7.2 General policy
- 5:80-7.3 Screening criteria
- 5:80-7.4 Non-discrimination
- 5:80-7.5 Priorities and preferences
- 5:80-7.6 Limitations on admission of over-income tenants
- 5:80-7.7 Non-immigrant student aliens
- 5:80-7.8 Prohibited conditions for admission

**SUBCHAPTER 8. OCCUPANCY REQUIREMENTS  
REGARDING INCOME**

- 5:80-8.1 General applicability
- 5:80-8.2 Maximum gross aggregate family income
- 5:80-8.3 Occupancy requirements for housing projects
- 5:80-8.4 Special Multiple Family Unit within housing projects located in municipalities affected by casino gaming
- 5:80-8.5 Recertification of income

**SUBCHAPTER 9. RENTS**

- 5:80-9.1 Purpose
- 5:80-9.2 Applicability

- 5:80-9.3 Rent determination
- 5:80-9.4 Rent increase application
- 5:80-9.5 Additional rent increases in given fiscal year
- 5:80-9.6 Notice to tenants and cooperators
- 5:80-9.7 Agency review
- 5:80-9.8 Rent increases approvable by the Department of Housing and Urban Development
- 5:80-9.9 Increases approved by Agency
- 5:80-9.10 Increase subject to hearing
- 5:80-9.11 Notice of final approval
- 5:80-9.12 Effective date of increase
- 5:80-9.13 Rent increases for low and/or moderate income projects without Federal project-based rent subsidies
- 5:80-9.14 Resident monthly fee increases for low and/or moderate income-restricted units in assisted living residences (ALRs)

#### SUBCHAPTER 10. LOANS TO LENDERS FOR SINGLE FAMILY MORTGAGE LOANS

- 5:80-10.1 Authority
- 5:80-10.2 Requests for loans
- 5:80-10.3 Allocation of loans
- 5:80-10.4 Award of loans
- 5:80-10.5 Interest and other terms of loan
- 5:80-10.6 Collateral for loans
- 5:80-10.7 Application of loan proceeds; restriction as to single family mortgage loans
- 5:80-10.8 Restrictions on return realized by mortgage lenders
- 5:80-10.9 Fees and charges of the Agency; loan account
- 5:80-10.10 Purchase of Agency bonds

#### SUBCHAPTERS 11 THROUGH 12. (RESERVED)

#### SUBCHAPTER 13. MAKING OR PURCHASING ELIGIBLE LOANS FOR SINGLE FAMILY MORTGAGES

- 5:80-13.1 Authority
- 5:80-13.2 Commitment applications
- 5:80-13.3 Allocation of commitments
- 5:80-13.4 Execution of mortgage purchase agreement, mortgage servicing agreement; Term Sheet; Notice of Acceptance
- 5:80-13.5 Eligible neighborhoods
- 5:80-13.6 Limitations on loans
- 5:80-13.7 Regulation of points charged by mortgage sellers
- 5:80-13.8 Refinancing of pre-existing single family mortgage loans
- 5:80-13.9 Purchase of Agency bonds
- 5:80-13.10 Return on equity for eligible loans

#### SUBCHAPTER 14. MAKING OR PURCHASING ELIGIBLE LOANS FOR SINGLE FAMILY HOME IMPROVEMENT

- 5:80-14.1 Commitment applications
- 5:80-14.2 Allocation of commitments
- 5:80-14.3 Execution of note purchase agreement
- 5:80-14.4 Unsecured single family home improvement loans
- 5:80-14.5 Eligibility requirements
- 5:80-14.6 Regulation of points charged by mortgage sellers
- 5:80-14.7 Refinancing of pre-existing debt
- 5:80-14.8 Purchase of Agency bonds

#### SUBCHAPTERS 15 THROUGH 16. (RESERVED)

#### SUBCHAPTER 17. PREVAILING WAGES

- 5:80-17.1 Authority
- 5:80-17.2 Applicability of prevailing wages

#### SUBCHAPTER 18. DEBARMENT AND SUSPENSION FROM AGENCY CONTRACTING

- 5:80-18.1 Definitions
- 5:80-18.2 Causes for debarment of a person(s)
- 5:80-18.3 Conditions affecting the debarment of a person(s)

- 5:80-18.4 Procedures; period of debarment; scope of debarment affecting the debarment of a person(s)
- 5:80-18.5 Causes for suspension of a person(s)
- 5:80-18.6 Conditions for suspension of a person(s)
- 5:80-18.7 Procedures; period of suspension; scope of suspension affecting the suspension of a person(s)
- 5:80-18.8 Prohibited activities of persons; reporting requirement
- 5:80-18.9 Extent of debarment and suspension
- 5:80-18.10 Prior notice by the Agency
- 5:80-18.11 List of debarred and suspended
- 5:80-18.12 Discretion
- 5:80-18.13 Lists of other agencies

#### SUBCHAPTER 19. WAIVERS

- 5:80-19.1 Waivers

#### SUBCHAPTER 20. CERTIFICATION AND RECERTIFICATION OF INCOME

- 5:80-20.1 Authority
- 5:80-20.2 General applicability
- 5:80-20.3 Documentation
- 5:80-20.4 Calculation of income
- 5:80-20.5 Recertification periods and procedures
- 5:80-20.6 Failure to recertify
- 5:80-20.7 Adjustments in tenancy
- 5:80-20.8 Surcharges
- 5:80-20.9 Eviction
- 5:80-20.10 Confidentiality

#### SUBCHAPTER 21. TRANSFER OF SERVICING OF SINGLE FAMILY MORTGAGE LOANS

- 5:80-21.1 General applicability
- 5:80-21.2 Agency review and approval of transfer
- 5:80-21.3 Compensation adjustment due on transfer
- 5:80-21.4 Subsequent transfers
- 5:80-21.5 Termination of servicing by Agency

#### SUBCHAPTER 22. AFFIRMATIVE FAIR HOUSING MARKETING

- 5:80-22.1 Definitions
- 5:80-22.2 Purpose of the Affirmative Fair Housing Marketing Plan
- 5:80-22.3 Who submits a plan
- 5:80-22.4 Plan submission deadlines
- 5:80-22.5 Format of the Affirmative Fair Housing Marketing Plan
- 5:80-22.6 Direction of marketing activity
- 5:80-22.7 Marketing program
- 5:80-22.8 Community contact
- 5:80-22.9 Future marketing activities for rental units only
- 5:80-22.10 Assessment of marketing efforts
- 5:80-22.11 Composition of the prospective occupant pool
- 5:80-22.12 Demographic characteristics of income eligible population in need
- 5:80-22.13 Residency preferences
- 5:80-22.14 Staff experience and instructions for fair housing training
- 5:80-22.15 Other indicators of successful implementation
- 5:80-22.16 Approval of the Affirmative Fair Housing Marketing Plan
- 5:80-22.17 The Management Plan
- 5:80-22.18 Notification of intent to begin marketing
- 5:80-22.19 Preoccupancy conference
- 5:80-22.20 Marketing for initial sales or rent-up
- 5:80-22.21 Assessment of the Plan's implementation
- 5:80-22.22 Modification of the approved Affirmative Fair Housing Marketing Plan
- 5:80-22.23 Record keeping and recording requirements
- 5:80-22.24 Future marketing activities for rental projects
- 5:80-22.25 Monitoring

#### SUBCHAPTER 23. HOUSING INCENTIVE NOTE PURCHASE PROGRAM

- 5:80-23.1 Authority

- 5:80-23.2 Purpose
- 5:80-23.3 Definitions
- 5:80-23.4 Housing Incentive Note Purchase Fund
- 5:80-23.5 Authority to enter into housing incentive note purchase agreements
- 5:80-23.6 Applications
- 5:80-23.7 Housing incentive note purchase commitment and requirements
- 5:80-23.8 Housing incentive note purchase agreement requirements
- 5:80-23.9 Fees
- 5:80-23.10 No discrimination

#### SUBCHAPTER 24. LEASE-PURCHASE PROGRAM AUTHORITY

- 5:80-24.1 Authority
- 5:80-24.2 Purpose
- 5:80-24.3 Definitions
- 5:80-24.4 Authority to enter into purchase agreements
- 5:80-24.5 Purchase agreement requirements
- 5:80-24.6 Application
- 5:80-24.7 Authority to enter into lease-purchase agreements

#### SUBCHAPTER 25. (RESERVED)

#### SUBCHAPTER 26. HOUSING AFFORDABILITY CONTROLS

- 5:80-26.1 Purpose and applicability
- 5:80-26.2 Definitions
- 5:80-26.3 Length of controls on affordability
- 5:80-26.4 Agreements regarding affordability controls
- 5:80-26.5 Calculation of initial/purchase price: owner-occupied units
- 5:80-26.6 Calculation of resale price: owner-occupied units
- 5:80-26.7 Referral of household to units: owner-occupied units
- 5:80-26.8 Hardship waiver: owner-occupied units
- 5:80-26.9 Exempt transactions: owner-occupied units
- 5:80-26.10 Owner-occupied rehabilitated units
- 5:80-26.11 Lease or rental of owner-occupied units
- 5:80-26.12 Initial rents: rental units
- 5:80-26.13 Vacancies: rental units
- 5:80-26.14 Tenant selection: rental units
- 5:80-26.15 Leases: rental units
- 5:80-26.16 Rent adjustments
- 5:80-26.17 Transfer of ownership: rental units
- 5:80-26.18 Determination of applicant households
- 5:80-26.19 Determination and referral of eligible households
- 5:80-26.20 Assignment or sublease of rental units
- 5:80-26.21 Foreclosure: owner-occupied and rental units
- 5:80-26.22 Agency grants or loans
- 5:80-26.23 Contractual agreements with municipalities or developers

#### SUBCHAPTER 27. (RESERVED)

#### SUBCHAPTER 28. NONPUBLIC RECORDS

- 5:80-28.1 Nonpublic records

#### SUBCHAPTER 29. INVESTMENT OF HOUSING PROJECT FUNDS

- 5:80-29.1 Permitted investments
- 5:80-29.2 (Reserved)
- 5:80-29.3 General applicability

#### SUBCHAPTER 30. RESIDUAL RECEIPTS

- 5:80-30.1 Definitions
- 5:80-30.2 Uses of residual receipts
- 5:80-30.3 Request for use of residual receipts
- 5:80-30.4 Agency review and approval
- 5:80-30.5 Disbursement of residual receipts

#### SUBCHAPTER 31. ATTORNEY SERVICES

- 5:80-31.1 Applicability
- 5:80-31.2 Scope of services

- 5:80-31.3 Maximum fees
- 5:80-31.4 Agency approval

#### SUBCHAPTER 32. HOUSING INVESTMENT SALES

- 5:80-32.1 Definitions
- 5:80-32.2 Realization of maximum additional return
- 5:80-32.3 Application procedure
- 5:80-32.4 Required documents
- 5:80-32.5 Fee
- 5:80-32.6 Closing
- 5:80-32.7 Developer's fee and return on equity

#### APPENDIX EXAMPLE OF APPLICATION OF SUBCHAPTER RULES

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

- 5:80-33.1 Introduction
- 5:80-33.2 Definitions
- 5:80-33.3 Application cycles
- 5:80-33.4 Urban Cycle
- 5:80-33.5 Suburban/Rural Cycle
- 5:80-33.6 HOPE VI Cycle
- 5:80-33.7 Special Needs Cycle
- 5:80-33.8 Final Cycle
- 5:80-33.9 Reserve
- 5:80-33.10 Volume cap credits
- 5:80-33.11 Application fee schedule
- 5:80-33.12 Cycle deadlines
- 5:80-33.13 Application to a cycle/eligibility requirements
- 5:80-33.14 Application to the Reserve
- 5:80-33.15 Scoring and ranking
- 5:80-33.16 Point system for the Urban Cycle
- 5:80-33.17 Point system for the Suburban/Rural Cycle
- 5:80-33.18 Point system for the HOPE VI Cycle
- 5:80-33.19 Point system for the Special Needs Cycle
- 5:80-33.20 Point system for the Final Cycle
- 5:80-33.21 Tie-breaker system
- 5:80-33.22 Municipal comment
- 5:80-33.23 Application needs analysis
- 5:80-33.24 Committee review
- 5:80-33.25 Allocation needs analysis
- 5:80-33.26 Reservations, allocations and binding commitments
- 5:80-33.27 Obtaining IRS Form 8609
- 5:80-33.28 Placed in service needs analysis
- 5:80-33.29 Project cost certification
- 5:80-33.30 Extended use agreement
- 5:80-33.31 Returning credits
- 5:80-33.32 Applicant's affirmative obligation to disclose changes
- 5:80-33.33 Compliance monitoring
- 5:80-33.34 NJHMFA review
- 5:80-33.35 Compliance monitoring fee
- 5:80-33.36 Inspection
- 5:80-33.37 Notification of noncompliance
- 5:80-33.38 Confidentiality of tax credit applications and information
- 5:80-33.39 through 5:80-33.40 (Reserved)

#### SUBCHAPTER 1. GENERAL PROVISIONS

##### 5:80-1.1 Authority

These regulations are issued under and pursuant to the authority of the New Jersey Housing and Mortgage Finance Agency Law of 1983 constituting Chapter 530 of the Laws of 1983, N.J.S.A. 55:14K-1 et seq.; specifically N.J.S.A. 55:14K-5(g).

**5:80-1.2 Purpose and objective**

(a) These regulations are established to effectuate and shall be applied to accomplish the general purposes of the New Jersey Housing and Mortgage Finance Agency including:

1. Assuring the availability of rental and owner occupied housing;
2. Stimulating the construction, rehabilitation and improvement of adequate and affordable housing in the State so as to increase the number of housing opportunities for New Jersey residents particularly those of low and moderate income;
3. Enhancing the production capacity of the private sector in meeting the housing needs of residents of New Jersey;
4. Assisting in the revitalization of the State's urban areas; and
5. Responding to changing housing demographic and economic circumstances for the development of innovative and flexible financing vehicles.

**5:80-1.3 General definitions**

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

"Act" shall mean the New Jersey Housing and Mortgage Finance Agency Law, N.J.S.A. 55:14K-1 et seq.

"Assisted living" means a coordinated array of supportive personal and health services, available 24 hours per day, to residents who have been assessed to need these services, including residents who require formal long-term care. Assisted living promotes resident self direction and participation in decisions that emphasize independence, individuality, privacy, dignity, and homelike surroundings.

"Assisted living residence" (ALR) means a housing project which is a facility licensed by the Department of Health and Senior Services to provide apartment-style housing and congregate dining and to assure that assisted living services are available when needed, for four or more adult persons unrelated to the proprietor. Apartment units offer, at a minimum, one unfurnished room, a private bathroom, a kitchenette and a lockable door on the unit entrance.

"Collateral" shall mean with respect to any loan those securities, mortgages or other instruments defined as eligible pursuant to the terms of the Assignment of Collateral and Trust Agreement relating to such loan.

"Collateral requirement" shall mean, as of any date of calculation and with respect to any loan the amount at which collateral securing such loan is required to be maintained pursuant to the terms of the Assignment of Collateral and Trust Agreement relating to such loan.

"Home Improvement Loan Program Commitment" shall mean the aggregate unpaid principal amount of home improvement loans which a mortgage seller offers to deliver and sell to the Agency and the Agency agrees to purchase, such sale and purchase to be made under a Note Purchase Agreement.

"Housing project" or "project" shall mean any work or undertaking other than a continuing care retirement community, whether new construction, improvement, rehabilitation or acquisition of existing buildings or units, which is designed for the primary purpose of providing multi-family rental housing or acquisition of sites for future multi-family rental housing, including an assisted living residence.

"Housing sponsor" shall mean any person, partnership, corporation or association to which the Agency has made or proposes to make a loan, either directly or indirectly through an institutional lender, for a housing project.

"Mortgage Purchase Agreement" shall mean an agreement, entered into between a mortgage seller and the Agency, under which the mortgage seller agrees to deliver and sell to the Agency and the Agency agrees to purchase mortgage loans.

"Mortgage Servicing Agreement" shall mean an agreement entered into between a mortgage seller or other person acceptable to the Agency, under which the mortgage seller or other person agrees to service the mortgage loans purchased by the Agency from such mortgage seller under a Mortgage Purchase Agreement.

"Note Purchase Agreement" shall mean an agreement, entered into between a mortgage seller and the Agency, under which the mortgage seller agrees to deliver and sell to the Agency and the Agency agrees to purchase single family home improvement loans.

"Notice of Acceptance" shall mean the Notice of Acceptance by the Agency to the mortgage seller of an application.

"Primarily residential in character" as set forth in N.J.S.A. 55:14K-3(e) shall mean:

1. With regard to an individual unit, structure, or property, that at least 60 percent of the net sheltered area, not including areas for circulation, utilities and common space, is or will be upon completion of scheduled improvements used exclusively as a residence for one or more persons; or

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 re-

turn, 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

### 5:80-33.1 Introduction

(a) Section 42 of the Internal Revenue Code of 1986 (Code), 26 U.S.C. § 42, establishes a low income housing tax credit that may be applied against the Federal income tax of persons or associations who or which have invested in certain buildings providing housing for families of low income. As the housing credit agency for the State of New Jersey, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) allocates these credits to qualified taxpayers and thereafter monitors their compliance with Section 42 of the Code. The rules in this subchapter set forth the standards and procedures used by NJHMFA to perform its allocation and monitoring responsibilities and this subchapter represents the qualified allocation plan for New Jersey required by Section 42 of the Code.

(b) In each calendar year, the total dollar value of the credits that can be allocated under these rules, except for the credits issued in connection with buildings financed with the proceeds of certain tax exempt bonds, is limited by the State housing credit ceiling provided in Section 42 of the Code. NJHMFA, therefore, has determined to award these limited credits on a competitive basis. Applicants seeking an allocation of these credits must apply under one of the cycles set forth in N.J.A.C. 5:80-33.4, 33.5, 33.6, 33.7 or 33.8. NJHMFA ranks the applications received in each cycle according to the respective point scales provided in N.J.A.C. 5:80-33.16, 33.17, 33.18, 33.19 and 33.20. The credits assigned to each cycle are then reserved for the highest ranking applications that meet the eligibility requirements set forth in N.J.A.C. 5:80-33.13.

(c) Credits issued in connection with buildings financed with the proceeds of tax exempt bonds subject to the volume cap restrictions provided in Section 42(h)(4) of the Code are not limited by the State housing credit ceiling and, therefore, are not allocated on a competitive basis. Applicants seeking such "volume cap tax credits" are directed to the provisions of N.J.A.C. 5:80-33.10.

(d) It is the burden of every applicant to comply literally with the requirements of these rules and to ensure that any application presented to NJHMFA is clear, unambiguous and complete in all respects at the time of submission.

(e) These rules shall be construed and administered in a manner consistent and in accordance with the Code and regulations promulgated thereunder.

(f) 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 accountant, tax attorney or advisor as to the specific requirements of Section 42 of the Code governing the Low Income Housing Tax Credit Program.

Amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote (a); added new (b) through (d); and recodified former (b) and (c) as (e) and (f).

Amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (b) and (c), changed N.J.A.C. references.

### 5:80-33.2 Definitions

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

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

"COAH obligation" means a low or moderate-income rental project in a plan that is either COAH-certified or under COAH's jurisdiction as the result of a petition to receive substantive certification or to amend a plan that has previously received substantive certification.

"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 or moderate-income rental project that is part of a judgment of repose, as defined by COAH at N.J.A.C. 5:93-1.3, or a court settlement resulting from an exclusionary zoning lawsuit. For the purpose of this definition, a project shall be deemed to be part of a judgment of repose or a court settlement if the applicant provides a letter from the Superior Court judge or special master with jurisdiction over the suit stating that the project will be included in a final judgment of repose or court settlement.



“Density bonus subsidy” means an economic benefit for low and moderate-income housing resulting from a zoning change that increases permitted density.

“Designated center” means a center designated by the New Jersey State Planning Commission. These consist of urban centers, regional centers, towns, villages and hamlets. For scattered site projects where not all the sites are in a designated center, a majority of the units must be located in the designated center to qualify for the designated center points. 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, compensation to the general partner, financial consultants, employees of the developer, construction managers/monitors, clerk of the works 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. (If there are costs listed under the professional planner, the executed contract shall be submitted. Only those costs determined by NJHMFA to be for planning purposes shall be shown as a separate line item.) All other consultant and professional fees shall be included in the developer fee and are not allowed to be shown as separate line items on the tax credit application; otherwise, those fees shown separately will be added to the developer fee line item and may result in a lower point score for the project.

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 to 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.

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 detached 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 shall not be allowed in the calculation of the developer fee if the acquisition is between related parties (see definition) or if it is a minimum rehab project (see definition).

“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 for projects in the Special Needs Cycle or those projects that receive any credits from volume cap) 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 HUD 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 limit is not a per se limit on eligible basis as defined in the Code but is a mechanism that facilitates NJHMFA’s exercise of its authority to limit tax credits to what is necessary to finance projects. See Code Section 42(m).

"Endorsed plan" means a municipal, county or regional plan which has been formally endorsed by the State Planning Commission (by the application deadline) as a result of finding it consistent with the State Plan. For scattered site projects where not all the sites are in an endorsed plan area, a majority of the units must be located in the endorsed plan area to qualify for the endorsed plan points.

"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.

"Frail elderly" means a person at least 62 years of age who requires assistance in performing at least two activities of daily living or instrumental activities of daily living (that is, eating, dressing, grooming and household management activities). Only special needs projects which also qualify as "housing for older persons" under the Fair Housing Act may reserve units for rental exclusively to the frail elderly.

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

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

"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).

"LIHTC project" means a project participating in the Low Income Housing Tax Credit Program.

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

"Mid-rise" means a building having four to seven residential 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.

"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 is not affiliated with or controlled by a for-profit organization.

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

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

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

(iii) 1 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:

"(i) 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.

(ii) Qualified corporation. For purposes of clause (i), 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 nonprofit reservation fee are available exclusively to Section 501(c)(3) or (4) housing sponsors who comprise 100 percent of the general partner interest in the final ownership entity (the limited partnership). Limited liability companies and limited liability partnerships are not eligible for the nonprofit set-aside or nonprofit reservation fee.

In order to qualify for the nonprofit set-aside and nonprofit reservation fee, the application shall include:

1. A fully executed Nonprofit Certification;
2. The IRS determination letter granting tax-exempt status under Code section 501(c)(3) or 501(c)(4);
3. The by-laws or articles of incorporation of each general partner, which clearly state that one of the exempt purposes of said organization includes the fostering of low-income housing; and
4. If applicable, the contract establishing a turnkey relationship.



At the point the project places in service, the sponsor shall be required to submit an attorney opinion letter which states that neither the for-profit developer with a financial interest in the project nor any member of the investor limited partner is or has been a member of the qualified nonprofit organization's board of directors.

"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 (and/or related entity) will retain two percent ownership interest or more. For projects where the general partner's ownership interest is between two and five percent, \$.05 shall be added to the equity factor. If the general partner's ownership interest is five to 49 percent, \$.10 shall be added to the equity factor. If the general partner's ownership interest is 50 percent or more, \$.20 shall be added to the equity factor.

"Scattered site project" means a project that consists of buildings which are not all proximate to one another within the same municipality or contiguous municipalities, financed pursuant to a common financing plan and 100 percent occupied by qualified low-income households. For scattered site projects, all sites must qualify for a point category in order to receive the points with the exception of the geographic distribution and endorsed plan point categories, where a majority of the units must be located within the municipality or endorsed plan area to qualify.

"Senior project" means "housing for older persons" as defined in Section 807(b)(2) of the Fair Housing Act, 42 U.S.C. § 3607, as it may be amended. In order to be eligible for the senior set-aside, the project must meet one of the three categories of exempt "housing for older persons" as defined by the Fair Housing Act:

1. At least 80 percent of the occupied units in the building are each occupied by at least one person 55 years or older and the property must be clearly intended for older persons as evidenced by policies and procedures that demonstrate the intent that the property be housing for older persons (55+);
2. All the residents are 62 or older; or
3. Housing that the Secretary of HUD has designated as housing for older persons.

The familial status provisions of the Fair Housing Act prohibit discrimination against households with children under 18. This protection extends to pregnant women, foster families, legal guardians, and those in the process of obtain-

ing guardianship or of adopting minor children. The only exception to this prohibition against discrimination based on familial status is for property that qualifies under a Fair Housing Act exemption as "housing for older persons."

Refusing to rent to households with children is allowed under the exemption for housing for older persons as long as the age restrictions are met. Accordingly, in these properties, managers must verify the age of residents. Age verification documentation must be available on site; failure may lead to a loss of the exemption. For questions about whether a property qualifies for the exemption as housing for older persons, a fair housing attorney or other fair housing professional should be consulted.

"SNAP neighborhood" means a neighborhood participating in the Strategic Neighborhood Assistance Program with an approved neighborhood plan as confirmed by the Department of Community Affairs. For scattered site projects where not all the sites are in a SNAP neighborhood, a majority of the units 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 service coordinator" means a person who is responsible for linking the residents of a tax credit property to appropriate supportive services. The major functions of the social service coordinator include, but are not limited to:

1. Providing information and referrals to residents on programs and resources on local, State and Federal levels;
2. Interviewing and screening residents for eligibility for programs and entitlements and assisting with application procedures;
3. Assessing the needs of residents, including physical, mental, social and financial needs, and developing a plan for service delivery;
4. Monitoring and evaluating service delivery, and reassessing as necessary;
5. Establishing links with agencies and service providers;
6. Serving as residents' advocate/liaison; and
7. Planning and implementing monthly programs and activities to meet the needs of residents, including establishment of social, educational and recreational programs.

"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, appropriate, available 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 project” means a project which shall rent a minimum of 25 percent of the tax credit units (with the exception of Work First projects, which shall rent a minimum of 10 percent of the tax credit units) in the project to 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 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. Project sponsors may rent more than 25 percent (or 10 percent for Work First projects) of the tax credit units to 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 homes 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 housecleaning, 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 for 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 (see definition);

v. Alcohol/substance abusers;

vi. Persons with physical disabilities;

vii. Mentally retarded/developmentally disabled;

viii. Pregnant/parenting teens;

ix. Participants of the Work First Temporary Assistance to Needy Families Program;

x. Participants of the Work First General Assistance Program; and

xi. Victims of domestic violence.

2. Examples of support services include, but are not limited to, the following:

i. Social service coordinator (see definition)/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.

"Supplemental award" means an award of credits from the Reserve in order to fund the last highest ranking project in a cycle if there are insufficient credits in the cycle to provide a full reservation for the project. Applicants do not apply for supplemental awards.

"Targeted city" means any city designated by the Governor's Urban Coordinating Council. Cities must be designated by the application deadline.

"Targeted neighborhood" means any neighborhood which has been selected for implementation of a specific revitalization plan within a city designated by the Governor's Urban Coordinating Council ("UCC"). To qualify for the targeted neighborhood/SNAP neighborhood set-aside, the project must be part of a neighborhood plan approved by the UCC. For scattered site projects where not all the sites are in a targeted neighborhood, a majority of the units 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 any one of the following which was reported to the owner by NJHMFA and remains uncorrected as of the date of the tax credit application deadline or the correction date set forth in the formal notice of non-compliance, whichever occurs later:

1. A violation of State and local building codes or health ordinances;
2. Failure of one or more major systems (for example, roof, HVAC, elevators, plumbing and electric); or
3. Failure to fulfill any Qualified Allocation Plan provisions as represented by an owner in a project's New Jersey LIHTC application.

Owners shall be notified of the noncompliance by either a formal notice of noncompliance or by the non-issuance of the IRS Form 8609.

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 minimis award", "Developer fee", "Minimum rehab project", "Related party", "Social services model", and "Sponsor certification"; and deleted "After-school program", "Day-care", "Intermediary fees", "Partial allocation", "Urban aid municipality", and "Urban center".

Amended by R.1998 d.279, effective June 1, 1998.  
See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote the section.

Amended by R.1999 d.120, effective April 5, 1999.  
See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Substituted "clearly" for "already" in the introductory paragraph; in "COAH obligation" and "Court-ordered obligation", deleted "to encourage family rental units in non-urban municipalities," following

"addition," and substituted a reference to affordable rental units for a reference to family rental units in the fourth sentence, and deleted former sixth sentence; deleted "De minimis award"; in "Developer fee" or "development fee", rewrote the first paragraph; in "Eligible basis limits", deleted a reference to the Mixed Income Cycle; in "Qualified nonprofit organization", rewrote the concluding paragraph; rewrote "Retention factor"; in "Social services model", inserted "appropriate" in the second sentence of the introductory paragraph; in "Special needs project", substituted "tax credit units in the project to" for "total units in the project for occupancy by" in the first sentence, and substituted "the tax credit units to" for "their affordable units for occupancy by" in the third sentence; inserted "Supplemental award"; and rewrote "Uncorrected noncompliance".

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote the section.

### 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, except for projects receiving HOPE VI funding, are eligible to apply in the Urban Cycle. The list of these municipalities changes periodically and is 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 that are part of an approved neighborhood plan 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.

2. Senior set-aside: 15 percent of the credits available in the Urban Cycle shall be set aside for senior citizen projects. Senior citizen projects are eligible for Urban Cycle credits beyond the set-aside. If, because of lack of demand, the senior set-aside is not fully utilized, remaining credits in the senior set-aside shall be released into the Urban Cycle for use by other projects.

3. Nonprofit set-aside: In order to encourage the participation of local and/or State tax-exempt organizations in the tax credit program, 40 percent of the credits available in the Urban Cycle shall be set aside for qualified nonprofit organizations (see definition). Nonprofits are eligible for Urban Cycle credits beyond the set-aside. If, however, there is not enough nonprofit demand, credits remaining in the nonprofit set-aside shall be made available to other projects in the Urban Cycle so long as no more than 90 percent of the total State housing credit ceiling, as per Section 42(h)(5)(A) of the Code, is allocated to for-profit sponsored projects.

(b) Reservations shall first be awarded to the highest ranking project in targeted neighborhoods until the neighborhood set-aside has been met. Once the neighborhood set-aside has been fully reserved to projects in targeted neighborhoods, reservations shall be awarded to the highest ranking senior projects until the senior set-aside has been met. Once the senior set-aside has been fully reserved to senior projects, reservations shall be awarded to the highest ranking nonprofit-sponsored projects until the nonprofit set-aside has been fully reserved. Then, reservations shall be awarded to the applications with the highest rankings.

(c) Projects can qualify for multiple set-asides. For example, if a targeted neighborhood project qualified as a senior and a nonprofit project, the project would be meeting all three set-asides.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a), substituted reference to municipalities on the Urban Cycle List for reference specifying types of municipalities.

Amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), inserted a reference to HOPE VI funding in the introductory paragraph and inserted "that are part of an approved neighborhood plan" preceding "within targeted neighborhoods" in 1.

Amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a)3, inserted a reference to nonprofit points in the last sentence. Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a)3, substituted "40" for "15" following "credit program," and deleted a former fourth sentence.

### 5:80-33.5 Suburban/Rural Cycle

(a) Projects not located in municipalities listed on the Urban Cycle List may apply in this cycle. Projects located in municipalities on the Urban Cycle List which also satisfy a COAH obligation may choose to compete in either the Urban Cycle or Suburban/Rural Cycle. Minimum rehab projects are not eligible to apply in this cycle. There is one set-aside in the Suburban/Rural Cycle:

1. Nonprofit set-aside: In order to encourage the participation of local and/or State tax-exempt organizations in the tax credit program, 15 percent of the credits available in the Suburban/Rural Cycle shall be set aside for qualified nonprofit organizations (see definition). Nonprofits are eligible for Suburban/Rural Cycle credits beyond the set-aside. If, however, there is not enough nonprofit demand, credits remaining in the nonprofit set-aside shall be made available to other projects in the Suburban/Rural Cycle so long as no more than 90 percent of the total State housing credit ceiling, as per Section 42(h)(5)(A) of the Code, is allocated to for-profit sponsored projects.

(b) Reservations shall first be awarded to the highest ranking nonprofit-sponsored projects until the nonprofit set-aside has been fully reserved. Then, reservations shall be awarded to the applications with the highest rankings.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substituted references to family project or family set-aside for references to senior project or senior set-aside throughout; in (a), substituted reference to municipalities on the Urban Cycle List for reference specifying types of municipalities; rewrote (a)1; and in (a)2, inserted references to the Rural Cycle.

Amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote the section.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a), inserted a new second sentence in the introductory paragraph.

### 5:80-33.6 HOPE VI Cycle

Projects located in municipalities on the Urban Cycle list which utilize HOPE VI funds from HUD are eligible to apply in the HOPE VI Cycle. HOPE VI projects may only apply to the HOPE VI or Final Cycles; they are ineligible to apply to the Urban, Suburban/Rural and Special Needs Cycles. Minimum rehab projects are not eligible to apply in this cycle. There are no set-asides in this cycle.

New Rule, R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.6, Special Needs Cycle, was recodified to N.J.A.C. 5:80-33.8.

Amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote the section.

### 5:80-33.7 Special Needs Cycle

(a) Special needs projects may be located anywhere in the State. To qualify for this cycle, at least 25 percent of the tax credit units (10 percent of the tax credit units for Work First projects) must be rented to the special needs client population and at least three appropriate services must be provided. There are two set-asides in the Special Needs Cycle:

1. Developmentally disabled set-aside: \$210,000 in the Special Needs Cycle shall be set aside for projects providing housing for the developmentally disabled. Projects must ultimately result in the reduction of the waiting list described in the Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction Bond Act of 1994 (P.L. 1994, c.108). Sponsors of projects seeking credits from the developmentally disabled set-aside must demonstrate experience both as a social services provider and housing developer. For example, if the project sponsor is strictly a social service provider, it must joint venture with an experienced developer or hire a housing consultant. Conversely, if the project sponsor is a developer with no experience in providing social services, it must joint venture with an experienced service provider. Sponsors shall provide in their application a letter from the Department of Human Services, Division of Developmental Disabilities ("DDD") which describes and approves the manner in which the project will reduce the waiting list and confirms the availability of operating and social service funding for all of the DDD units in the project. Projects serving the developmentally disabled populations are eligible for Special Needs Cycle credits beyond the set-aside. If, because of lack of demand, the developmentally disabled set-aside is not fully utilized, remaining credits in the developmentally disabled set-aside shall be released into the Special Needs Cycle for use by other projects.

2. Work First set-aside: \$210,000 in the Special Needs Cycle shall be set aside for projects providing housing to participants of the Work First Temporary Assistance to Needy Families Program or Work First General Assistance Program (Work First), administered by the Department of Human Services, Division of Family Development. In order for a project to qualify under this set-aside, 10 percent of the units in the project shall be rented to Work First participants, with rents restricted to no more than 20 percent of the area median income adjusted for family size. The remaining 90 percent of the units shall be restricted to families earning no more than 60 percent of area median income adjusted for family size.

(b) Reservations shall first be awarded to the highest ranking developmentally disabled project until the developmentally disabled set-aside has been fully reserved. Once the developmentally disabled set-aside has been fully reserved, reservations shall be awarded to the highest ranking Work First projects until the Work First set-aside has been fully reserved. Then, reservations shall be awarded to the applications with the highest rankings.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substantially amended section.

Recodified from N.J.A.C. 5:80-33.6 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote (a). Former N.J.A.C. 5:80-33.8, Reserve, was recodified to N.J.A.C. 5:80-33.10.

Recodified from N.J.A.C. 5:80-33.8 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), substituted "tax credit" for "total number of" preceding "units" in the first sentence, and rewrote 1. Former N.J.A.C. 5:80-33.7, Mixed Income Cycle, repealed.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a), inserted "(10 percent of the tax credit units for Work First projects)" following "credit units" in the introductory paragraph, substituted "\$210,000" for "\$300,000" in the first sentence in 1, and rewrote 2; and in (b), substituted "Work First" for "HIV/AIDS" throughout.

### 5:80-33.8 Final Cycle

(a) The Final Cycle shall take place only if NJHMFA determines there are sufficient credits from the Reserve to administer a Final Cycle. In the event the Final Cycle is canceled, NJHMFA shall announce the cancellation via notices to its mailing list as soon as the determination has been made.

(b) All projects, including minimum rehab projects, may apply to this cycle. There are no set-asides in this cycle. However, in the unlikely event less than 10 percent of the ceiling has been awarded to qualified nonprofit organizations, then awards from the Final Cycle shall first be made to such organizations until not less than 10 percent of the credit ceiling has been awarded to such organizations.

(c) Should NJHMFA receive any returned credits after the Final Cycle awards have been made, NJHMFA may, in its discretion, reallocate them to the next-highest ranking project(s) from the Final Cycle provided such project(s) can meet the 10 percent carryover test.

(d) Projects that were admitted to a cycle in the same allocation year but did not receive a reservation of credits may re-apply in the Final Cycle by simply submitting the re-application fee and a sponsor certification for re-application in which the applicant:

1. Certifies that there are no changes whatsoever to the previously submitted application; or

2. Documents any and all changes to the previously submitted application.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Inserted references to Rural Cycle.

Recodified from N.J.A.C. 5:80-33.7 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), inserted "including minimum rehab projects" following "All projects". Former N.J.A.C. 5:80-33.9, Application fee schedule, was recodified to N.J.A.C. 5:80-33.12.

Recodified from N.J.A.C. 5:80-33.9 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote the section. Former N.J.A.C. 5:80-33.8, Special Needs Cycle, recodified to N.J.A.C. 5:80-33.7.



**5:80-33.9 Reserve**

(a) Projects that need additional credits because of technical errors and severe hardship can submit a reapplication for credits from the Reserve. The Reserve may also be used to fund supplemental awards (see definition) or for unforeseen circumstances where NJHMFA determines that a project's financial feasibility is jeopardized. Awards of credits from the Reserve are subject to availability and to NJHMFA's evaluation of the request. If sufficient credits remain from the Reserve, they shall be transferred into the Final Cycle.

1. Since NJHMFA does not award partial allocations, one of the purposes of the Reserve is to provide supplemental awards to eligible projects that can only be partially funded with the credits remaining in their respective cycles. In determining which projects shall receive a supplemental award, NJHMFA evaluates the highest ranking, partially funded eligible projects from the Urban, Suburban, Special Needs and Hope VI Cycles. Supplemental awards are given first to the project which requires the least amount of credits from the Reserve to achieve the maximum eligible credit amount. Simultaneously, credits remaining from cycles that did not receive a supplemental award shall be deposited into the Reserve.

2. Hardship requests are limited to \$100,000 per project. Hardship requests must be documented to the satisfaction of NJHMFA and must demonstrate the existence of an unforeseen emergency situation where the completion of the project is jeopardized without an award of additional low-income housing tax credits. Applicants cannot apply for hardship credits if they have already received the maximum credit allocation allowed by the eligible basis limits that were in effect at the time the project was awarded credits. Applicants cannot apply for hardship credits from the Reserve until the year in which the project places in service. If a project receiving a reservation of hardship credits from the Reserve fails to place in service that same year, no allocation shall be issued to the project and the project will have to reapply to the Reserve in the following year. Hardship applications to the Reserve are accepted on an ongoing basis until May 15. To apply to the Reserve for a hardship reservation of additional credit, applicants must follow the procedures at N.J.A.C. 5:80-33.14.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substantially amended section.

Recodified from N.J.A.C. 5:80-33.8 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote (a). Former N.J.A.C. 5:80-33.10, Cycle deadlines; was recodified to N.J.A.C. 5:80-33.13.

Recodified from N.J.A.C. 5:80-33.10 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote (a). Former N.J.A.C. 5:80-33.9, Final Cycle, recodified to N.J.A.C. 5:80-33.8.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote (a).

**5:80-33.10 Volume cap credits**

(a) Projects financed by tax-exempt bonds that request tax credits pursuant to Section 42(h)(4) of the Code are required by Section 42(m)(1)(D) to satisfy the requirements for allocation of a housing credit dollar amount under the qualified allocation plan. Projects requesting tax credits entirely from volume cap do not have to compete and there are no cycle deadlines. However, complete applications should be submitted before the tax-exempt bonds are sold. The following information shall be included in order for the application to be deemed complete: all applicable sections of the application corresponding to eligibility requirements at N.J.A.C. 5:80-33.13; those sections of the application corresponding to the point categories for low-income set-aside, period of restriction, conversion to tenant ownership (if applicable), tax abatement (if applicable) and the negative point categories; and a sponsor certification and breakdown of cost and basis. A copy of the appraisal/market study required by the applicant's lender and/or syndicator may be submitted in lieu of the market study required at N.J.A.C. 5:80-33.13(a)1ii.

1. The governmental unit issuing the bonds is required by Section 42(m)(2)(D) of the Code to determine the credit amount needed for feasibility and viability of the project. If NJHMFA is the bond issuer, NJHMFA shall make this credit determination. If NJHMFA is not the bond issuer, the bond issuer shall provide a letter to NJHMFA assigning its responsibility under Section 42(m)(2)(D) to NJHMFA.

2. In order for a project to qualify for all of its tax credits from volume cap, Section 42(h)(4) of the Code requires that 50 percent or more of the aggregate basis of the building and the land on which it is located be financed with tax-exempt bonds. Qualifying tax-exempt bonds are obligations the interest on which is exempt from tax under Section 103 of the Code if such obligation is taken into account under Section 146 of the Code, and the principal payments on such financing are applied within a reasonable period to redeem obligations the proceeds of which were used to provide such financing.

3. Projects that request both volume cap credits and ceiling (competitive) credits shall comply with the application requirements for both.

4. Projects that would have received negative points under N.J.A.C. 5:80-33.16(a)21, 23 and 24 shall not be issued tax credits until such items are corrected.



(b) If a municipality has created a density bonus subsidy to assist the low or moderate-income units in a project, the project may not receive volume cap credits unless the subsidy is insufficient to assure the financial feasibility of the project. This subsection shall not be evaded by failing to apply all or any portion of the subsidy to the low or moderate-income units, by diverting all or any portion of the subsidy to other uses or by using any other device in which all or any portion of the subsidy is not used to benefit low or moderate-income housing.

New Rule, R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.11, Application to a cycle/eligibility requirements, was recodified to N.J.A.C. 5:80-33.14.

Recodified from N.J.A.C. 5:80-33.11 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), changed N.J.A.C. references throughout, added the last sentence in the introductory paragraph, and added the last sentence in 1. Former N.J.A.C. 5:80-33.10, Reserve, recodified to N.J.A.C. 5:80-33.9.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Added paragraph (b).

In (a), rewrote the fourth sentence in the introductory paragraph, and changed N.J.A.C. reference in 4; and added (b).

#### 5:80-33.11 Application fee schedule

(a) The following fees shall be submitted at the time the application or re-application is submitted:

1. An application fee of \$1,000 shall be paid by applicants for projects applying to the Urban, Suburban/Rural, HOPE VI or Special Needs Cycle, and any first-time applications to the Final Cycle, as well as for projects applying for volume cap tax credits.

2. A re-application fee of \$100.00 is due for projects requesting hardship credits from the Reserve and for projects that applied to the Urban, Suburban/Rural, HOPE VI or Special Needs Cycle, which did not receive a reservation of credits, and wish to re-apply in the Final Cycle of the same allocation year. Projects that are in essence new projects (for example, changes in the project composition, sites, or sponsor or developer entities) shall submit a new application and application fee.

(b) Application fees and re-application fees are nonrefundable.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a)1, inserted reference to Rural Cycle and added "as well as for projects applying for volume cap tax credits"; and in (a)2, inserted "B" following "Reserve" and inserted reference to Rural Cycle.

Recodified from N.J.A.C. 5:80-33.9 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), inserted references to HOPE VI, Mixed Income. Former N.J.A.C. 5:80-33.12, Application to the Reserve (B), was recodified to N.J.A.C. 5:80-33.15.

Recodified from N.J.A.C. 5:80-33.12 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), deleted references to the Mixed Income Cycle throughout. Former N.J.A.C. 5:80-33.11, Volume cap credits, recodified to N.J.A.C. 5:80-33.10.

#### 5:80-33.12 Cycle deadlines

(a) Application cycles shall be announced by NJHMFA via notices sent to its mailing list no later than 45 days prior to the deadline. Applications shall be accepted beginning one month prior to the deadline date. Late and substantially incomplete applications shall not be admitted into a cycle and will be returned to the applicant.

(b) It is the burden of the applicant to comply literally with the requirements of these rules and to ensure that the application presented to NJHMFA is clear, unambiguous and complete in all respects at the time of submission.

(c) Applications that are substantially incomplete cannot be accepted, but applicants shall be given 48 hours to cure defects as follows:

1. If the applicant has failed to include a required document, the applicant may supply the document; provided, however, that the document existed on the application deadline date and, if the document is a legal agreement or instrument, the document was legally effective on the application deadline date.

2. If statements or items in the application are contradictory or mutually inconsistent, the applicant may present information resolving the contradiction or inconsistency; provided, however, that the information accurately reflects the state of affairs on the application deadline date.

3. The applicant may provide any required signature that has been omitted.

(d) NJHMFA shall notify the applicant of any curable defects it discovers by telephone and, simultaneously, in writing by facsimile transmission. The applicant's corrective submission shall not be considered unless it is received by NJHMFA no later than 48 hours (excluding weekends and legal holidays) from the applicant's receipt of the facsimile transmission. NJHMFA shall notify applicants of curable defects on Mondays, Tuesdays or Wednesdays. No application will receive more than one notice for a curable defect.

(e) If an applicant cures one or more defects in the manner set forth at (c)1 or 3 above, NJHMFA will deduct one point from the project's score in determining its ranking in the application cycle.

(f) If an applicant fails to respond to NJHMFA's notification of curable defects within the 48-hour cure period, or if an applicant's response is non-responsive to the question asked, a negative inference shall be drawn. (For example, failure to respond to an item in a cure letter will result in the denial of points if the question is with respect to a point category; negative points if with respect to the point categories at N.J.A.C. 5:80-33.16(a)20 to 24; or ineligibility if with respect to an eligibility requirement.)

(g) After the application deadline, telephone calls or other oral or written communications on behalf of a tax credit applicant (for example, from a project's development team, elected representatives, etc.) other than information submitted under the cure period shall not be accepted before reservation awards have been announced.

Recodified from N.J.A.C. 5:80-33.10 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Added new (b) through (e); and recodified former (b) as (f). Former N.J.A.C. 5:80-33.13, Scoring and ranking, was recodified to N.J.A.C. 5:80-33.16.

Recodified from N.J.A.C. 5:80-33.13 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (e), changed the deduction from two points to one point; inserted a new (f); and recodified former (f) as (g). Former N.J.A.C. 5:80-33.12, Application fee schedule, recodified to N.J.A.C. 5:80-33.11. Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (f), changed N.J.A.C. reference.

### 5:80-33.13 Application to a cycle/eligibility requirements

(a) If a municipality has created a density bonus subsidy to assist the low or moderate-income units in a project, the project may not compete for tax credits (ceiling tax credits). This subsection shall not be evaded by failing to apply all or any portion of the subsidy to the low or moderate-income units, by diverting all or any portion of the subsidy to other uses or by using any other device by which all or any portion of the subsidy is not used to benefit low or moderate-income housing.

(b) In performing its review of all applicable eligibility requirements, NJHMFA staff may contact the applicant to ask questions if there are unclear aspects of the application. Such contact should not be construed by the applicant as an approval or rejection, but simply as an attempt to clarify the application.

(c) Applications shall meet all of the eligibility requirements listed in this section in order to be admitted into a cycle.

1. Applications shall include the information set forth in (c)1i and either (c)1ii or (c)1iii below in order to demonstrate the need and demand for the proposed project in a market area. If NJHMFA determines an insufficient market need or demand exists, the project shall be deemed ineligible.

i. The type of housing proposed and all amenities and services shall be described in a narrative format by the project sponsor. The narrative shall include an explanation of how the services shall be paid for, as well as the need and demand for the project and its impact upon the neighborhood. Commercial space, if any, shall be disclosed. Photographs of the site and existing structures shall be provided from all significant perspectives and show all significant nearby land uses, including, but not limited to, those land uses listed at N.J.A.C. 5:80-33.16(a)15. Preliminary drawings of the finished project, including the site plan, floor plan, cross-sections and elevations drawn to scale, shall be submitted with the narrative.

ii. A market study, certified to both the sponsor and NJHMFA in the analyst's Certification, shall be submitted for all projects except those listed under (c)1iii below. Two copies of the report shall be submitted. The market study shall be no more than six months old; therefore, unsuccessful Spring Cycle applicants may have to update their market study prior to applying to the Final Cycle. The engagement letter and instructions to the analyst which require conformance with this section shall be bound in the market study. The analyst shall disclose steps taken to conform to this section and state that all requirements have been fully addressed. If any relevant information cannot be obtained, the analyst shall explain the steps taken to obtain the information in an appendix of the report. The study shall also identify any assumptions, estimates, projections and models used in the analysis. The assumptions used in the market study (for example, project rents, unit mix, amenities, etc.) must precisely reflect the information provided in the tax credit application. The data and analysis shall clearly indicate enough demand in the market to support the proposed development. Any additional information appropriate to the market area and the project shall be submitted to demonstrate the demand for the proposed housing project. The report shall include, at a minimum:

(1) A brief executive summary which includes the appropriate vacancy rate, capture rate and absorption period given the rents projected by the sponsor, as well as a table of contents which clearly identifies the location of each of the items listed below;

(2) A description of the proposed site, including unit mix, pictures of the site and existing structures, pictures of the immediate neighborhood, a commentary on the preliminary drawings including size and design, proposed project and unit amenities and any applicable tenant charges, visibility/access/ exposure, proximity to retail and employment, detailed neighborhood and market area maps showing all significant nearby land uses, block and lot numbers of each parcel, site acreage, tenant-paid utilities, project-paid utilities, available public services and public transportation, and existing infrastructure;

(3) Geographic definition and analysis of the market area, including a reasonable rationale for the suggested market area. For example, the market area may be defined as the area in which similar properties compete with the subject property for tenants, or the area immediately surrounding the project from which 60 to 70 percent of the residents are expected to be drawn, taking into account political and natural boundaries, socioeconomic characteristics, and the experience of nearby rental developments. The market area shall be evaluated on the basis of employment and income levels and trends, the presence of local revitalization projects, the number of substandard units in the market and the number of cost burdened households in the market;

(4) A demographic analysis of the households in the market area in (c)1iii(3) above which are income eligible and can afford to pay the rent (assuming potential households may spend up to 40 percent of their income on housing expenses). The eligible population shall be further segmented by tenure (owner/renter), size of renter households, and age (for senior projects). Demographics from the last census shall be updated to reflect current market conditions and shall be the basis for projected demographics. This research data shall be provided in the appendix and shall be from an organization such as Claritas, Easy Analytic Software, National Decision Systems or a governmental source. Special needs projects shall also provide demographics on the special needs population in the project in order to substantiate need and demand at projected rent levels;

(5) Rent, vacancy and amenity surveys by unit size of both market and subsidized properties. The subsidized property survey shall include all LIHTC properties in the market area. Include those projects that are currently under construction or have received preliminary site plan approval. In addition, a rent adjustment analysis shall be provided of the properties most comparable to the subject property. Data shall include, at a minimum, a narrative and grid analysis by unit size for rents, vacancy and turn-over rates, operating expenses (if available), amenities, unit square footage, age, number of bathrooms, tenant-paid utilities, rent per square foot, rent trends, rent concessions, waiting lists, absorption per month, design, curb appeal, name of property contact and phone number. Rents shall be adjusted, especially for utility and amenity charges, so that fair comparisons can be made. The market study shall contain a minimum of three rent comparables for each unit size, which may require analyst to examine the single-family rental market to get enough comparables for large units. At least one picture of each comparable and a detailed street map which shows the location of each comparable shall be provided;

(6) The capture rate, absorption period and the effect of the proposed rental housing on the market area. The capture rate is the number of units in the project divided by the net demand for the project, where the net demand is the number of households which are income eligible and can afford to pay the rent minus the number of comparable subsidized units in the market area. Income qualification shall be based upon gross rent levels with the lowest gross rent level setting the minimum income requirement. The absorption period is a forecast of the number of months that will elapse from the completion of construction to the achievement of stabilization of the project as a whole, taking into consideration a reasonable vacancy rate. Sample calculations of capture rate and absorption period shall be shown in the

report, and NJHMFA shall be able to reconstruct the estimates using the data and methods in the market study. Methods shall consider demographic trends, the size of renter households, the unit mix of the project, the amount of home ownership in the target population, the cost of home ownership in the market area, approved projects not yet placed in service and any other significant factors. The impact of the subject project on existing housing in the market area shall also be addressed;

(7) If applicable, the appropriate rent per square foot and vacancy factor based on market conditions for any commercial space in the project;

(8) A conclusion forecast regarding the potential viability of the proposed project which states the strengths and weaknesses of the project, compatibility of surrounding land uses, appropriateness of project design and amenities, and the reasonableness of projected rents. In addition, the analyst shall state whether sufficient demand from targeted households exists for the development as proposed. Suggestions to make the project more marketable shall be provided if appropriate. All conclusions shall be based on data analyzed in the body of the report; and

(9) A statement of the competency of the analyst conducting the study. The market analyst shall certify that:

(A) He or she is an independent, third party professional with no financial interest in the project other than in the practice of his or her profession (for example, his or her fee for preparing the report is not contingent upon project completion and/or an award of tax credits);

(B) He or she has the requisite knowledge to proceed with the study;

(C) He or she has personally inspected the subject property and the comparable properties analyzed in the report; and

(D) He or she has conducted the study in accordance with Standards 4 and 5 of the Uniform Standards of Professional Appraisal Practice (USPAP).

iii. The following projects shall not be required to submit a market study: projects of 25 units or less, projects receiving Project Based Section 8 rental assistance for 100 percent of the units and projects in which all of the units reduce the waiting list described at N.J.A.C. 5:80-33.7(a)1. In lieu of a market study, the applicant shall provide age and salary demographics within a one-mile radius of the proposed project and comparable data also within a one-mile radius of the project. Demographics from the last census shall be updated to reflect current conditions and shall provide the basis for the projected demographics. This research

data shall be provided by an organization such as Claritas, Easy Analytic Software, National Decision Systems or a governmental source. Special needs projects shall also provide demographics on the special needs population in the project in order to substantiate need and demand at projected rent levels. Comparable data must include a listing of comparable rental projects, their locations, rents, vacancy rates, whether they have waiting lists, their unit and project amenities, proximity to public services and support facilities, unit square footage, age, number of bathrooms, tenant-paid utilities, rent per square foot, rent trends, rent concessions, absorption per month, design, curb appeal, name of property contact and phone number. Rents shall be adjusted, especially for utility and amenity charges, so that fair comparisons can be made. The applicant shall provide a minimum of three rent comparables for each unit size, which may require applicants to examine the single-family rental market to get enough comparables for large units. At least one picture of each comparable and a detailed street map which shows the location of each comparable shall be provided.

2. The applicant shall be either the owner or developer of the project and shall demonstrate that it has site control of the property via any one of the following: fee simple title; long-term leasehold interest (for a minimum term of the compliance and extended use periods); option to purchase or lease, including evidence that options are renewable until at least the start of construction; executed land sales contract or other enforceable agreement for acquisition of the property; or an executed disposition and development agreement with a public agency. For all forms of site control, a copy of the current owner's recorded deed shall be submitted as supporting documentation.

3. Applicants shall submit a copy of the preliminary or final site plan resolution as well as all other approvals. For substantial rehabilitation projects with sites that are not required by the municipality to obtain site plan approval, a letter from the planning board (or appropriate municipal official) stating that the sites are not subject to site plan approval shall be provided. It is the applicant's responsibility to demonstrate that the project complies with all applicable local land use and zoning ordinances and that nothing at the local level interferes with the project obtaining all necessary permits.

4. Applicants shall certify that all necessary environmental approvals have been obtained, or at a minimum, applied for. If remediation is necessary, the remediation plan shall be accounted for in total development costs. If a Phase I environmental study conducted in accordance with A.S.T.M. E1527-97, Standard and Poors Enhanced Protocol (which includes testing for lead, asbestos and radon) has been completed for the project, the findings shall be submitted. A Phase I is not required; however, if a project is awarded credits and a Phase I was not submitted with the application, the applicant shall not be allowed to apply for hardship credits from the Reserve for unforeseen environmental issues.

5. As required by Section 42(m)(2)(B)(i) of the Code, all financing information shall be disclosed in the application, including information about letters of interest and other undertakings that the applicant does not identify as funding sources in the application. The applicant shall provide all syndication documents in existence at the time of application including, but not limited to, the prospectus (offering memorandum), limited partnership agreement, joint venture agreement, partnership administration services agreement, development agreement and any amendments to the aforementioned documents and any relevant agreement between and among the relevant parties setting forth the terms of the financial arrangements, commitment letters, if any (firm or otherwise) and mortgage documents. All documents must include all exhibits and schedules. In addition, Section 42(m)(2)(C)(ii) of the Code requires the taxpayer to "certify to the housing credit agency the full extent of all Federal, State, and local subsidies which apply (or which the taxpayer expects to apply) with respect to the building."

6. All funding sources planned for the project shall be committed to the project. The amount and all terms of the funding commitment shall be listed in the documentation provided under (a)6i through viii below. The amount and terms shall be used by NJHMFA in its underwriting analysis. Expired commitments, letters of interest/intent and term sheets do not qualify as commitments. To evidence commitments for funding sources, the following is required:

i. Banks and other lending institutions: Commitment letters for construction and permanent financing must indicate the interest rate (or the basis on which the interest rate will be set), term of the loan (at least 15 years for permanent financing, or if less than 15 years, loan must be fully amortizing) and all conditions. If the interest rate is floating after permanent loan closing, a maximum interest rate shall be stated in the commitment letter, and shall be the rate at which NJHMFA conducts its underwriting analysis. The commitment shall have been approved by the lender's final approval authority (for example, from a bank's loan review committee or if a lending consortium, from the consortium itself) and shall be countersigned/accepted by the applicant. The maximum mortgage supportable shall have been obtained.

ii. State Balanced Housing or State HOME funds: The Department of Community Affairs (DCA) shall inform NJHMFA of those projects that have submitted a complete application for State Balanced Housing or State HOME funds by the tax credit application deadline. DCA will inform NJHMFA of the projects it intends to fund and the subsidy amounts if those projects are sufficiently competitive to receive tax credits. DCA will announce the Balanced Housing and HOME commitments at the same time NJHMFA awards the reservations of tax credits. The expenditure of Balanced Housing funds is conditioned upon the entry of a judgment of repose (in the case of a project meeting a court-ordered obligation) or upon the receipt of substantive certification (in the case of a project meeting a COAH obligation). Thus, an applicant with a Balanced Housing commitment may not include Balanced Housing funds as an initial funding source unless, at the time of the application deadline, any applicable judgment of repose or grant of substantive certification has occurred. Where such events have not occurred by the application deadline, the applicant shall (a) provide a fully committed alternate source of funding that will later be replaced with the Balanced Housing monies and (b) include the Balanced Housing commitment as a part of the overall plan of funding for the project.

iii. Grants: Commitment letters for grants must be firm or contain only conditions that are under the control of the sponsor (that is, grant commitments cannot be conditioned on the availability of funds). All private, State or local grants shall be deducted from basis unless the grantee is taking the grant into income and paying income tax on it or the grantee is making a loan to the partnership. All Federal grants must be subtracted from basis.

iv. Municipal, county or PHA grants or loans: Funding approvals for municipal or county grants or loans (for example, CDBG, RCA, HOME) vary from county to county and from municipality to municipality. NJHMFA is sensitive to the regulatory constraints and administrative processes of local governmental funding sources. Therefore, evidence of firm commitments may vary from one government entity to the next. Generally, it is the municipal council and county board of freeholders that have final approval authority; therefore, a copy of the county or municipal resolution approving the funds for the project is required to be submitted with the application. However, for governmental entities where that is not the standard approval process, NJHMFA shall accept comparable commitments. For example, for projects receiving HOME funds from participating jurisdictions ("PJs"), NJHMFA shall accept one of four forms of commitments in light of the many ways that local governmental entities combine their local approval process with Federal HOME regulations.

First, applicants may simply submit an approved municipal or county resolution described in the beginning of this subsection. Second, an applicant may submit a copy of the HUD form 7015.15 "Request for Release of Funds & Certification" along with a copy of the PJ's cover letter transmitting it to HUD. Third, the applicant may submit a copy of their PJ's Comprehensive Housing Affordability Strategy (CHAS) with the project and the funding amount specifically cited in the CHAS along with a copy of the PJ's resolution approving the CHAS. Fourth, for those PJs that have authorized their staff to make final funding decisions, a commitment letter signed by the authorized signatory (that is, the person having final approval authority) shall be sufficient so long as documentation delegating final approval authority to the signatory is also submitted.

v. Owner equity/loans: All applicants representing that they shall be contributing equity beyond that generated by the tax credit shall disclose the amount, the source and all terms. Applicants "coming out-of-pocket" to fill a funding gap shall provide a letter from an independent C.P.A. who certifies that the applicant has the amount of cash that is needed to fill the funding gap. Cash already expended on the project by the applicant can be utilized as a source of funds if said expenditures are verified by an independent C.P.A. and said cash is not an advance of other project funding sources. If the developer fee is pledged, applicants shall specify the amount, and when and how it will be paid. (NJHMFA establishes maximum developer fees.) Contractor fees cannot be pledged. Applicant equity or pledges cannot be subsequently replaced by State HOME or Balanced Housing resources except for those COAH/Court-ordered projects referenced in (c)6ii above.

vi. Investor commitments: Applicants who do not have an agreement with a syndicator/investor at the time of application or who have only received an investor's term sheet may still apply for tax credits; however, NJHMFA shall underwrite the project at the NJHMFA equity factor (see definition) to be determined from time to time based on current market conditions. Applicants that have an investment agreement with their investor shall have their project underwritten at a price higher than the NJHMFA equity factor and shall include in their application a commitment letter (not a term sheet) from an investor evidencing the net pricing (cents per credit dollar) and total anticipated net proceeds. Applicants of projects where the general partner(s) (or equivalent) will be retaining two or more percent ownership interest will have a retention factor added to the NJHMFA equity factor or the project's net pricing (see definition of retention factor and equity factor).



vii. All-equity projects: Such projects include those where the applicant is financing the project and is taking the credits itself and those where the project is permanently financed solely on tax credit proceeds (that is, no mortgage, grants, etc.). Applicants of projects in the former category shall comply with (c)6v above and shall have a retention factor added to the NJHMFA equity factor. Applicants of the projects in the latter category shall submit a fully executed investor commitment evidencing the pricing per credit dollar and total anticipated net proceeds shown in the application. If there is sufficient cash flow to amortize debt, the applicant shall obtain a mortgage commitment for such debt.

viii. Federal Home Loan Bank (FHLB): Applicants simultaneously applying in the Spring funding cycles for tax credits (Urban, Suburban/Rural, HOPE VI, Mixed Income or Special Needs Cycle) and in the FHLB Affordable Housing Program (Spring window only) shall not be required to submit a commitment letter from FHLB by the application deadline so long as the FHLB awards are scheduled to be announced during the Spring tax credit cycles. If a project fails to receive FHLB funding, the project may be declared infeasible unless there is an alternate source of financing, such as a pledged developer fee, identified in the tax credit application. Final Cycle applicants must submit their FHLB commitment with the application by the Final Cycle application deadline.

7. In accordance with the Code, NJHMFA shall examine the reasonableness of the operational costs of the project. Applicants shall demonstrate that their project is financially feasible and viable as a qualified low-income housing project throughout the tax credit compliance period.

i. Projects shall be underwritten to demonstrate project feasibility at a household median income percentage that is 2.5 percent below the set-aside selected. Therefore, if the 20 percent at 50 percent Federal set-aside is selected, the project shall be underwritten with rents affordable to tenants at or below 47.5 percent of the area median income adjusted for family size. If the 40 percent at 60 percent Federal set-aside is selected in conjunction with the 60 percent at 50 percent State set-aside, the project shall be underwritten with rents affordable to tenants at or below 57.5 percent and 47.5 percent of the area median income adjusted for family size. If the 40 percent at 60 percent Federal set-aside is selected in conjunction with the three-tier State set-aside as detailed in N.J.A.C. 5:80-33.16(a)2ii, the project shall be underwritten with rents affordable to tenants at or below 57.5 percent, 47.5 percent and 37.5 percent of area median income adjusted for family size.

ii. Applicants shall submit a 15-year cash flow proforma signed by the first mortgagee (or syndicator/investor if the project has no hard debt) which exclusively reflects the following language verbatim: "We acknowledge that this proforma substantially matches the assumptions used in our underwriting of the mortgage (equity investment)."

(1) The proforma must precisely reflect the rent structure in the tax credit application, all lenders' assumptions such as principal and interest payments, non-rental income, operating expenses, required reserves, annual fees, etc. as well as other characteristics of the application that impact financial feasibility (for example, cost of social services). For example, a project's Balanced Housing application (or other lender application) must mirror the development cost, operating assumptions, rent structure, etc., shown in the tax credit application.

(2) Year one of the proforma shall show stabilized operations. If the proforma reflects negative cash flows in any year, the application must demonstrate the funding and utilization of an Operating Deficit Escrow Account (ODEA). Assumptions regarding interest on the ODEA must be reasonable.

(3) The proforma may reflect rental assistance only if such assistance is project based and is evidenced by the submission requirements described in (a)12 below. The subsidy may be illustrated only for the initial contractual term; that is, future renewals of project based subsidy contracts cannot be assumed.

iii. Applicants shall submit at least two forms of data supporting the operating expenses stated in the proforma (for example, database information, comparable project information, Institute of Real Estate Management (IREM) statistics). NJHMFA reserves the right to require submission of the audited financial statements for comparable projects owned by the applicant.

iv. NJHMFA reserves the right to require a residual value analysis (conducted by the partnership's accountant) of any project with significant soft debt, at any time during the application and/or allocation process.

v. Projects with market-rate units shall distribute the low and moderate income units among the different sized units to reflect the same percentage distribution as the number of different sized units bear to the total number of units. A greater percentage of the low and moderate income units may, however, be allocated to the larger units. Additionally, low and moderate income units shall be distributed throughout the project such that the tenants of such units will have equal access to, and enjoyment of, all common facilities of the project. (See N.J.A.C. 5:80-8.3.)



8. For all projects except those applying to the Special Needs Cycle, a majority of the units in the project shall be part of a municipally supported, comprehensive strategic neighborhood plan for substantial community development which includes a housing component and may include an economic or social services component. Applicants shall provide a copy of the strategic neighborhood plan, map of the strategic neighborhood with the project site clearly indicated, the municipal resolution that approves and adopts said plan, and municipal documentation of: a description of how the project is specifically addressing the goals of the plan; evidence of the municipality's prior commitments to the neighborhood (for example, other projects in the neighborhood that have received municipal funding/support); and a description of how the municipality proposes to address the goals of the plan in the future. Projects located within a targeted neighborhood, a SNAP neighborhood, or a neighborhood that has been approved by the DCA Neighborhood Preservation Program shall not be required to submit the aforementioned documentation.

9. Applicants requesting acquisition credits shall include an attorney's opinion regarding each building's eligibility for acquisition credits unless the deed(s) conveying title to the previous owner clearly shows that the building has not changed ownership in the past 10 years. Applicants shall submit an appraisal not older than six months or the entire application shall be deemed ineligible to compete (regardless of whether the project is still feasible without the acquisition credit). The acquisition basis shall be limited to the lesser of the purchase price or appraised value of the building.

10. For all projects that are claiming a prior owner's expenditures in basis, a C.P.A. shall itemize the step-in-the-shoes costs and certify that the amount of the step-in-the-shoes costs shown in the application has indeed been spent and is accurately reflected in eligible basis. Prior owner's developer fees shall not be recognized.

11. All projects funded by the U.S. Department of Rural Economic and Community Development (RE&CD) shall provide a letter from the State Director approving the loan and stating that the funds have been obligated. Because RE&CD does not fund a developer fee, the allocated credit amount may be limited to an amount sufficient to pay only the developer fee. The NJHMFA establishes the maximum developer fee.

12. All applicants receiving rental subsidy from a government or private source shall submit with the tax credit application evidence of receipt of such assistance. Evidence of Project Based Section 8 Rental Assistance shall include, at a minimum, a letter from the Public Housing Authority (PHA) firmly approving the project for Section 8 Project Based Assistance subject to the completion of the subsidy layering review. For projects involved in the AFL-CIO Pension Fund Program, a preliminary commitment from the AFL-CIO shall suffice. For other types of

(non-Section 8) rental assistance, evidence shall include a fully executed rental assistance contract that specifies the source and term of the subsidy. Only projects receiving Project Based Section 8 Rental Assistance may underwrite the project using the fair market rents (FMRs) as defined by the project's approved HAP contract. Upon the expiration of project based rental assistance, the project must be underwritten at rents which meet tax credit rules as well as market conditions.

13. Special needs projects applying to any cycle shall submit the following items in addition to those items at N.J.A.C. 5:80-33.16(a)7.

- i. A special needs marketing analysis;
- ii. A special needs marketing plan;
- iii. Evidence of the special needs housing development or management experience of the social service provider (or the applicant); and
- iv. For projects applying to the Developmentally Disabled Set-Aside, sponsors shall provide in their application a letter from the New Jersey Department of Human Services, Division of Developmental Disabilities (DDD) which describes and approves the manner in which the project will reduce the waiting list described in the Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction Bond Act of 1994 (P.L. 1994, c.108) and confirms the availability of operating and social service funding for all of the DDD units in the project.

14. NJHMFA encourages all owners/developers to affirmatively market their projects. For projects over 25 units, applicants shall submit an Affirmative Fair Housing Marketing Plan, which, in short, documents how the project will be marketed to those people who are least likely to apply. For instance, if the proposed development is located in an area predominantly populated by Caucasians, outreach should be directed to non-Caucasians. Conversely, if the population is predominantly African-American, outreach should be directed to non-African-American groups. At the time the units are placed in service, the owner/developer and rental agent shall certify that the project was affirmatively marketed.

15. Applicants applying in the HOPE VI Cycle shall submit the following:

- i. A copy of the commitment letter from HUD awarding funds to the public housing authority. The applicant shall disclose the terms and conditions of the HOPE VI grant to the public housing authority that funds the project, as well the terms and conditions of the funding arrangements between the public housing authority and the applicant.
- ii. An opinion of tax counsel in support of the dollar amount of the eligible basis for the project set forth in the application. Attached to this opinion, and

incorporated therein, shall be the accountant's analysis required in (c)15iii below.

iii. An analysis conducted by the applicant's accountant of anticipated project cash flow and residual value demonstrating a reasonable prospect of repayment of all loans funded by the proceeds of the HOPE VI grant and all debt. This analysis shall incorporate the same assumptions utilized in the 15-year operating proforma submitted pursuant to (c)7ii above; and

iv. The applicant shall demonstrate that any HOPE VI funds used in the application to establish eligible basis at any time during the credit period are received under contractual financing provisions that, when viewed in the context of reasonably anticipated project cash flow and residual value, constitute lawful basis under the Code and applicable law.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substantially amended paragraphs under (a); deleted former (b), relating to requirements upon additional award of credits; and recodified former (c) as (b).

Recodified from N.J.A.C. 5:80-33.11 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote (a). Former N.J.A.C. 5:80-33.14, Point system for the Urban Cycle, was recodified to N.J.A.C. 5:80-33.17.

Recodified from N.J.A.C. 5:80-33.14 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote (a). Former N.J.A.C. 5:80-33.13, Cycle deadlines, recodified to N.J.A.C. 5:80-33.12.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote the section.

#### 5:80-33.14 Application to the Reserve

(a) See N.J.A.C. 5:80-33.9 for a description of the Reserve. Applicants shall submit all of the following before NJHMFA will consider any hardship request.

1. The re-application fee;
2. A Sponsor Certification for Re-Application (including all updates to original application. The developer fee cannot exceed that stated in the original application);
3. A rent qualification chart, income and expense statements and 15-year cash flow proforma all reflecting current projections. The proforma shall be signed by the first mortgagee (or syndicator/investor if the project has no hard debt) exclusively reflecting the following language verbatim: "We acknowledge that this proforma substantially matches the assumptions used in our underwriting of the mortgage (equity investment)";
4. An explanation why additional credits are being sought plus supporting documentation. Projects that did not submit a Phase I environmental assessment (conducted in accordance with A.S.T.M. E1527-97, Standard and Poors Enhanced Protocol) with their original application for tax credits are not eligible for additional credits for environmental overruns;

5. Evidence that at least 50 percent of the developer fee is pledged and that the applicant has attempted to increase funding from every other source (except State Balanced Housing from the New Jersey Department of Community Affairs) before applying to the Reserve for additional credits; and

6. A letter from the syndicator/investor which addresses the eligibility and specific need for the additional credits. (If the applicant is still incurring costs and is using a projection of costs and basis in his or her application for additional credits, the investor shall verify the projection.)

(b) Should additional credits be awarded to a project, a reservation fee for the additional credit amount shall be provided.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a), deleted text relating to requirements for additional credit applications and awards, and inserted "See N.J.A.C. 5:80-33.8 for a description of the Reserve B."; and in (a)2, inserted reference to developer fee.

Recodified from N.J.A.C. 5:80-33.12 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), added new 3 and 5 and recodified former 3 and 4 as 4 and 6. Former N.J.A.C. 5:80-33.15, Point system for the Suburban/Rural Cycle, was recodified to N.J.A.C. 5:80-33.18.

Recodified from N.J.A.C. 5:80-33.15 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), changed N.J.A.C. reference in the introductory paragraph, and inserted "(or syndicator/investor if the project has no hard debt)" and "(equity investment)" in 3. Former N.J.A.C. 5:80-33.14, Application to a cycle/eligibility requirements, recodified to N.J.A.C. 5:80-33.13.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a)4, inserted "(conducted in accordance with A.S.T.M. E1527-97, Standard and Poors Enhanced Protocol)" following "environmental assessment".

#### 5:80-33.15 Scoring and ranking

(a) Because of the limited amount of credits and the high volume of applications to NJHMFA, only a fraction of the projects that apply typically receive credits. NJHMFA will rank projects according to the score sheet submitted in the project's application. Based on this ranking, NJHMFA will then examine the applications of only those projects that rank sufficiently high to receive credits. Once it is determined that an application meets all eligibility requirements, it is admitted into the cycle and underwritten.

(b) Applications shall receive points based on the point system for the particular cycle in which they compete. In the event of a tie score, projects shall be ranked according to the tie-breaker system. Then, reservations shall be awarded to the applications with the highest scores and to the applications that win the tie-breakers, with reservations first going to projects in the set-asides.

(c) All units in the project must qualify for a point category in order for the application to receive the points with the exception of the following categories:

1. For the geographic distribution and endorsed plan point categories, a majority of the units must be located within the municipality or endorsed plan area to qualify.

2. For scattered site projects seeking points for county, municipal or PHA support under the contribution of land option, at least 75 percent of the parcels shall be contributed to qualify.

(d) Applicants who are successful in receiving tax credits are strongly advised to closely oversee during construction the implementation of all categories for which the application received points. Implementation shall be verified through certifications and on-site inspection by NJHMFA staff. The IRS Form(s) 8609 shall not be issued until all owner representations have been fulfilled. If they are incapable of being fulfilled in a timely manner, NJHMFA may unilaterally cancel the allocation to the project.

Recodified from N.J.A.C. 5:80-33.13 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Added a new (c). Former N.J.A.C. 5:80-33.16, Point system for the Special Needs Cycle, was recodified to N.J.A.C. 5:80-33.21.

Recodified from N.J.A.C. 5:80-33.16 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote the section. Former N.J.A.C. 5:80-33.15, Application to the Reserve, recodified to N.J.A.C. 5:80-33.14.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote (c)1.

### 5:80-33.16 Point System for the Urban Cycle

(a) The point system for the Urban Cycle shall be as follows:

1. Increase in compliance period or conversion to tenant ownership (zero to 15 points):

i. For increases in the compliance period, zero to 15 points shall be awarded. The minimum term of the low-income occupancy commitment is 30 years: a 15-year compliance period plus a 15-year extended use period. NJHMFA shall award points to projects which extend their compliance period. Extension of the compliance period bars the utilization of Section 42(h)(6)(I) of the Code until the beginning of the last year of the extended compliance period. The point system provides one point for every additional year the compliance period is extended. Points are maximized where the sponsor elects to extend the compliance period by an additional 15 years. Example: A sponsor electing to extend the compliance period for 15 years will be restricting the property for 45 years—a 30-year compliance period and a 15-year extended use period. Therefore, the sponsor cannot request the housing credit agency to find a buyer for the tax credit project until the beginning of year 30. This restriction will be enforceable by NJHMFA and future tenants via a deed of easement and restrictive covenant which shall be recorded by NJHMFA pursuant to State law at the later of the

carryover allocation described in N.J.A.C. 5:80-33.26(a)1 or acquisition of the property.

ii. For conversions to tenant ownership, 10 points shall be awarded. Projects must convert to home ownership at the end of the compliance period. Syndication documents must reflect the conversion. The deed of easement and restrictive covenant shall reflect a right of first refusal to be granted by the owner to the tenants.

2. Low-income set-aside (8 to 10 points). Applicants may select one of the following options:

i. For applicants selecting the 20 percent at 50 percent Federal set-aside, 10 points are awarded. This election is irrevocable. If this election is selected, all tax credit units shall be restricted to 50 percent of the area median income adjusted for family size. For example, if the project has an applicable fraction of 100 percent, 100 percent of the units shall be restricted to 50 percent of the area median income adjusted for family size. This election shall be reflected on each building's IRS Form 8609 and on the deed of easement and restrictive covenant.

ii. For applicants selecting the 40 percent at 60 percent Federal set-aside in conjunction with the three-tier State set-aside, 10 points are awarded. If this election is selected, 30 percent of the units in the project shall be restricted to no more than 40 percent of the area median income adjusted for family size, 40 percent of the units shall be restricted to no more than 50 percent of the area median income adjusted for family size, and the remaining 30 percent of the units shall be restricted to no more than 60 percent of the area median income adjusted for family size.

(1) This election is irrevocable. The 40 percent at 60 percent Federal set-aside shall be reflected on each building's IRS Form 8609. Both the Federal set-aside and the State set-aside shall be reflected in the deed of easement and restrictive covenant.

iii. For applicants selecting the 40 percent at 60 percent Federal set-aside and 60 percent at 50 percent State set-aside, eight points are awarded. If this election is selected, 40 percent of the units in the project shall be restricted to no more than 60 percent of the area median income adjusted for family size. To meet the State set-aside, 60 percent of the tax credit units shall be restricted to 50 percent of area median income adjusted for family size.

(1) This election is irrevocable. The 40 percent at 60 percent Federal set-aside shall be reflected on each building's IRS Form 8609. Both the Federal set-aside and the State set-aside shall be reflected in the deed of easement and restrictive covenant.

3. A project shall receive one point if the project utilizes public housing waiting lists.

4. Zero to 10 points shall be awarded based on the percentage of the low-income units meeting the definition of a large family unit. Points are based on the percentage of large family units with respect to the total number of low-income units; it is not based on square footage. Points are maximized when large family units make up 30 percent of the low-income units for low-rise, garden apartments, single family and townhome/rowhome projects. New construction mid-rise and high-rise projects cannot qualify for these points. Mid-rise and high-rise rehabilitation projects maximize their point score in this category where 15 percent of the low-income units meet the large family unit definition.

5. Five points are awarded to projects that secure tax abatements for a term of at least 15 years. The tax abatement for the first 15 years must be at a fixed rate. Additional points are awarded to projects which secure a tax abatement for the term of the low-income housing tax credit compliance period which exceeds 15 years. These points are calculated at one-third of one point for every year beyond year 15 up to a maximum of five additional points (that is, the maximum score is 10 points for a 30-year abatement). The municipal resolution or ordinance granting the tax abatement must be included in the application and all steps necessary to make them legally binding shall have been completed. If the specifics of the tax abatement (for example, percentage of rent roll, term) are not recited in the resolution/ordinance, the financial agreement to the tax abatement should be included with the application. Proof of a project sponsor's tax-exempt nonprofit status is not sufficient to qualify for points for a tax abatement.

i. In order to receive points under this category, the resolution/ordinance approving the abatement must cite the proper statutory authority. Only projects utilizing financing from NJHMFA may be granted an abatement under N.J.S.A. 55:14K-37(b). For information regarding NJHMFA financing, please contact the Division of Multifamily Programs at (609) 278-7518.

6. Two points are given to projects which provide evidence of municipal, county or public housing authority (PHA) support in the form of an authorized resolution from the appropriate authority for any of the following: contribution of land (must be 100 percent of the project's land with the exception of a scattered site project in which case at least 75 percent of the parcels must be contributed); monetary contribution to the project (for example, HOME, RCA, CDBG, UDAG) totaling at least five percent of the total project cost; or waiver of local building permit fees. If land is being contributed, the recorded deed into the current owner and all agreements pertaining to the transfer of the land shall be provided.

7. Because the availability of social services greatly improves the quality of life for residents, NJHMFA awards up to three points for the provision of up to three social services for the compliance period. One point will be awarded per service offered. The services shall be affordable, appropriate, available and accessible to the project's tenants. Applicants shall support their claim to provide social services by providing the following:

- i. Evidence of funding sources or documentation of how or by whom the services shall be paid;
- ii. Evidence of experience of the service provider for both provision of social service and fulfillment of prior private or governmental contracts; and
- iii. Evidence of firm agreements (executed contracts) with service providers for the services.

8. Four points are awarded to projects which pledge to expend a sum equaling at least 15 percent of construction cost on contractors, subcontractors and material suppliers which are certified as minority business enterprises (MBE) and women business enterprises (WBE) by the New Jersey Department of Commerce and Economic Development ("Certified MBE's and WBE's"). If the project fails to meet this goal, NJHMFA shall recapture the allocation.

9. Projects located in areas with an endorsed plan (see definition) or designated center (see definition) shall receive two points.

10. To encourage the distribution of tax credits throughout the State, one point shall be awarded to projects located in municipalities which have less than five projects that have received tax credit allocations in the past three years.

11. NJHMFA awards up to three points for the provision of unit amenities. One point will be awarded per amenity offered. The costs of the amenities must be shown in the capital and/or operating budgets, as appropriate. Amenities must be appropriate to the proposed tenant population. The list provided below is not all-inclusive. Substitutions are permitted at NJHMFA discretion; however, it is incumbent upon the applicant to demonstrate how each substitute amenity provides a comparable benefit to the tenants as those amenities listed below.

- i. A security alarm;
- ii. A washer and dryer hook-up with drip pan or floor drain;
- iii. A frost free refrigerator of 14 cubic feet for efficiencies and one bedroom, 16 cubic feet for two bedrooms, 18 cubic feet for three bedrooms and 20 cubic feet for four bedrooms;
- iv. A washer and dryer;
- v. A dishwasher;

- vi. Central air conditioning;
- vii. A minimum bedroom size of 100 square feet;
- viii. Minimum kitchen cabinets of 14 linear feet (for up to two bedrooms) and 16 linear feet (for three bedrooms or more);
- ix. Minimum closet space of 14 linear feet for efficiencies and one bedroom, 24 linear feet for two bedrooms, 30 linear feet for three bedrooms and 35 linear feet for four bedrooms;
- x. Emergency pull cords/call button—senior projects only;
- xi. Garages;
- xii. Patios;
- xiii. Outside storage lockers.

12. NJHMFA awards points for the provision of project amenities, up to a maximum of two points. One point will be awarded per amenity provided. The costs of the amenities must be shown in the capital and/or operating budgets, as appropriate. Amenities must be appropriate to the proposed tenant population. Applicants may select any combination of the following amenities in order to receive the maximum two points. The list provided below is not all-inclusive. Substitutions are permitted at NJHMFA discretion; however, it is incumbent upon the applicant to demonstrate how each substitute amenity provides a comparable benefit to the tenants as those amenities listed below.

- i. A playground (family projects only);
- ii. A community room/building (minimum 1,600 square feet);
- iii. Laundry facilities in each building;
- iv. Community gardens;
- v. Average interior unit sizes of 500 square feet for efficiencies, 650 square feet for one bedroom, 800 square feet for two bedrooms, 1,100 square feet for three bedrooms and 1,200 square feet for four bedrooms;
- vi. 1.0 parking spaces per unit (may be off-street: garage, parking lot, pad or driveway, or on-street: designated/permit); and
- vii. A 25 year manufacturer's warranty on roof shingles for sloped roofs, 20 year for low slope roofing.

13. Projects which demonstrate community policing or public safety enhancements shall be awarded one point. Applicants may select any of the following strategies in order to receive the point. The list provided below is not all-inclusive. Substitutions are permitted at NJHMFA discretion; however, it is incumbent upon the applicant to demonstrate how the proposed substitution provides a

comparable benefit to the tenants as those items listed below.

- i. An evening hour security guard;
- ii. On-site community policing station;
- iii. Camera/security system in each building;
- iv. Coordination/training for community policing groups and/or property manager by a governmental law enforcement agency;
- v. Incorporation of Community Policing Through Environmental Design (CPTED) characteristics in the design, layout and construction of buildings and on-site facilities;
- vi. Partnerships or agreements which increase on-site police and security patrols on the development site (that is, leveraging partnerships with other funding sources for police salaries such as State Urban Enterprise Zones, Special Improvement Districts, Community Oriented Policing grants, etc.);
- vii. Innovative approaches which increase the number of community policing volunteers as residents of the development (including rent reductions or subsidies where allowable); and
- viii. Using operating funds or alternative funding sources such as Urban Enterprise Zone funds or HUD grants to purchase or subsidize the purchase of take-home police vehicles for law enforcement officers in the development.

14. Participation in the Environmental Protection Agency's (EPA) ENERGY STAR Homes Program or equivalent (for example, PSEG, Conectiv) shall be worth one point. Applications shall include a copy of the signed Memorandum of Understanding or Specification Form between the applicant and the EPA or equivalent. At the time the project places in service, sponsors shall submit to NJHMFA the ENERGY STAR Homes Certificate issued by the EPA or equivalent for each building in the project.

15. Applications may receive up to a maximum of two points based on a combination of the attributes of the project site and proximate land uses or the employment of local residents in the development of the site. For purposes of this paragraph, "proximity" shall be defined as located within one mile for projects located in municipalities on the Urban Cycle List and within two miles for projects in all other municipalities. Proximity to the following locations shall be addressed in the market analysis as required at N.J.A.C. 5:80-33.13(a)1:

- i. Projects with on-site day care shall be awarded two points;
- ii. Projects which expend a sum equaling at least five percent of construction cost on employees who reside in the subject municipality shall be awarded two



points. The final cost certification shall have to verify these expenditures;

iii. One point shall be awarded based on the project's proximity to any of the following positive land uses:

- (1) Primary/elementary school (family projects only);
- (2) Day care center (cannot be combined with points under (a)15i above);
- (3) Food store;
- (4) Community center or faith-based organization;
- (5) Public transportation.

iv. Two points shall be deducted based on the project's proximity to any of the following negative land uses:

- (1) Land fill;
- (2) Garbage dump;
- (3) Trash incinerator;
- (4) Nuclear power plant;
- (5) Oil/chemistry refinery;

(6) Unremediated Superfund or toxic waste site as identified by the Environmental Protection Agency (EPA) or the New Jersey Department of Environmental Protection (DEP).

v. Example: A project has on-site day care and is located within one mile of an elementary school, a food store and an oil refinery. The project shall be awarded two points.

16. Projects with a property manager that will have successfully completed an NJHMFA approved tax credit certification course prior to the project being placed in service shall receive two points. For the list of approved tax credit certification courses, please contact NJHMFA.

17. Applications which include a commitment letter signed by the syndicator or investor specifying net pricing and net capital contributions at least one full cent higher than NJHMFA's equity factor (see definition of "equity factor") shall receive one point. Applicants utilizing the credits themselves do not have to submit a syndicator letter to receive the point. Term sheets do not qualify for this point.

18. Applications shall receive one point per percentage point reduction in the developer fee up to a maximum of seven points. For example, an application by a 25 unit project which lists a 15 percent developer fee shall receive five points because it is five percentage points below the maximum allowance of 20 percent.

19. Historic rehabilitation projects utilizing the historic tax credit recited under Section 47 of the Code shall receive one point. In order to qualify for the historic rehabilitation point, the application shall include a copy of Part 1 Evaluation of Significance and Part 2 Description of Rehabilitation of the Historic Preservation Certification application approved by the National Park Service. A copy of the Request for Certification of Completed Work shall be submitted to NJHMFA at the time the project places in service.

20. Applications which have a general partner, voting member, developer or a related party who owned a managing or controlling interest in a LIHTC project when title was foreclosed by entry of judgment or deed in lieu of foreclosure during the past seven years shall have three points deducted from the application's score. Failure to respond to this point category shall result in the deduction of points as provided under this paragraph.

21. Applications which have a general partner, voting member, developer, or related party that owns a managing or controlling interest in a New Jersey LIHTC project with an uncorrected noncompliance (see definition) shall have the following points deducted from the application's score: 10 points shall be deducted for violations of State and local building codes or health ordinances or failure of one or more major systems (for example, roof, HVAC, elevators, plumbing and electric); and five points shall be deducted for a failure to fulfill any Qualified Allocation Plan provisions as represented by an owner in a project's New Jersey LIHTC application. For noncompliance that cannot be corrected, points under this category shall only be deducted for the first year each application is submitted. Failure to respond to this point category shall result in the deduction of points as provided under this paragraph.

22. Three points shall be deducted from applications which have a general partner, voting member, developer, or related party that was involved in a full return of tax credits to NJHMFA within the past two years and such return occurred after October 15 of the year in which the project would have been required to be placed in service. Failure to respond to this point category shall result in the deduction of points as provided under this paragraph.

23. Applications which have a general partner, voting member, developer, or related party that owns a managing or controlling interest in a New Jersey LIHTC project that has failed to pay NJHMFA monitoring fees (unless NJHMFA has formally issued a deferral) shall have 10 points deducted from the application's score. Failure to respond to this point category shall result in the deduction of points as provided under this paragraph.



24. Applications which have a general partner, voting member, developer, or related party that owns a managing or controlling interest in a New Jersey LIHTC project that has failed to submit its annual project certifications shall have 10 points deducted from the application's score. Failure to respond to this point category shall result in the deduction of points as provided under this paragraph.

25. Applicants that utilize the cure period in N.J.A.C. 5:80-33.12(c)1 or 3 shall have one point deducted from the application's score.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substantially amended section.

Recodified from N.J.A.C. 5:80-33.14 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote (a). Former N.J.A.C. 5:80-33.17, Point system for the Final Cycle, was recodified to N.J.A.C. 5:80-33.22.

Recodified from N.J.A.C. 5:80-33.17 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote (a). Former N.J.A.C. 5:80-33.16, Scoring and ranking, recodified to N.J.A.C. 5:80-33.15.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote the section.

#### 5:80-33.17 Point system for the Suburban/Rural Cycle

(a) The point system for the Suburban/Rural Cycle includes all point categories of the Urban Cycle except that the point category in N.J.A.C. 5:80-33.16(a)9 concerning a project located in a designated center or an endorsed plan area is replaced with the following:

1. Projects meeting the definition of a COAH obligation or court-ordered obligation shall be awarded five points; or
2. Projects located in areas with an endorsed plan (see definition) or designated center (see definition) shall be awarded two points.

(b) In order to receive points as a project satisfying a COAH obligation, the petition for substantive certification or amendment to a plan that has previously received substantive certification must be received by COAH by 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).

Recodified from N.J.A.C. 5:80-33.15 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), changed N.J.A.C. reference in the introductory paragraph. Former N.J.A.C. 5:80-33.18, Tie-breaker system, was recodified to N.J.A.C. 5:80-33.23.

Recodified from N.J.A.C. 5:80-33.18 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote (a). Former N.J.A.C. 5:80-33.17, Point system for the Urban Cycle, recodified to N.J.A.C. 5:80-33.16.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote the section.

#### 5:80-33.18 Point system for the HOPE VI Cycle

The point system for the HOPE VI Cycle includes all point categories of the Urban Cycle except for the point category in N.J.A.C. 5:80-33.16(a)6 concerning municipal, county and public housing authority support.

New Rule, R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.19, Municipal comment, was recodified to N.J.A.C. 5:80-33.24.

Recodified from N.J.A.C. 5:80-33.19 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Changed N.J.A.C. reference, and deleted "and the point category in N.J.A.C. 5:80-33.17(a)9 concerning HUD troubled projects" at the end. Former N.J.A.C. 5:80-33.18, Point system for the Suburban/Rural Cycle, recodified to N.J.A.C. 5:80-33.17.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065.

#### 5:80-33.19 Point system for the Special Needs Cycle

(a) The point system for the Special Needs Cycle includes all point categories of the Suburban/Rural Cycle except for the point category in N.J.A.C. 5:80-33.16(a)7 concerning social services. The Special Needs Cycle also includes the following point categories:

1. Applications shall be awarded one point per year of guaranteed funding from any program under the HUD McKinney Act (including Shelter Plus Care) or project based rental assistance up to a maximum of 10 points.
2. Applications shall earn one point for each year of experience its social service provider has in providing social services to the special needs population stated in the application. No points shall be awarded if the special needs provider has less than three years of experience. The maximum points available for this category is six.
3. Applications shall earn one point for each special needs housing project that the sponsor and/or social service provider has successfully developed or managed. The maximum number of points available for this category is six.
4. To qualify for the Special Needs Cycle, at least three services for the targeted special needs population shall be provided. If the sponsor of the project is capable of providing additional appropriate services, NJHMFA shall award two points per additional service up to a maximum of three additional services. Services shall be affordable, available, appropriate and accessible to the project's tenants. Applicants shall support their claim to provide social services by providing the following:

- i. Evidence of funding sources or documentation of how or by whom the services will be paid;
- ii. Evidence of experience of the service provider for both provision of social service and fulfillment of prior private or governmental contracts; and

iii. Evidence of firm agreements (executed contracts) with service providers for the services.

5. Applications in which the social service provider has greater than a 50 percent interest in the general partnership or voting membership in a limited liability company shall earn an additional six points.

6. Applications demonstrating provision of appropriate services at no charge to the tenants shall earn one point for each free service up to a maximum of three points. The sponsor shall provide evidence of funding for these services.

7. Zero to 10 points shall be awarded based on the percentage of low-income, single room occupancy units (SROs) in the project. Points are based on the percentage of SROs with respect to the total number of low-income units; it is not based on square footage. Points are maximized when SROs make up 30 percent of the low-income units. Note that projects cannot qualify for points in both this category and the points at N.J.A.C. 5:80-33.16(a)4 concerning large family units.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a), inserted reference to Rural Cycle and amended N.J.A.C. reference; in (a)1, inserted "up to a maximum of 10 points"; in (a)3, substituted "the sponsor/social service" for "its social service"; and in (a)4, added last two sentences.

Recodified from N.J.A.C. 5:80-33.16 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), rewrote the introductory paragraph and 4, and deleted 7. Former N.J.A.C. 5:80-33.21, Committee review, was recodified to N.J.A.C. 5:80-33.26.

Recodified from N.J.A.C. 5:80-33.21 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), changed N.J.A.C. references in the introductory paragraph, substituted "sponsor and/or social" for "sponsor/social" in 3, and substituted a reference to six points for a reference to four points in 5. Former N.J.A.C. 5:80-33.19, HOPE VI Cycle, recodified to N.J.A.C. 5:80-33.18.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a), rewrote the introductory paragraph and 1, inserted "stated in the application" at the end of the first sentence in 2, inserted "housing" following "needs" in 3, inserted "available, appropriate" following "affordable" in 4, and added 7.

### 5:80-33.20 Point system for the Final Cycle

(a) The point system for the Final Cycle is the same as for the Suburban/Rural Cycle with the exception of the following three additional point categories:

1. Applications that are eligible to apply to the Urban Cycle (see N.J.A.C. 5:80-33.4) or the HOPE VI Cycle (see N.J.A.C. 5:80-33.6) shall be awarded six points. Note that projects cannot qualify for points both in this category and the points from the COAH/ Endorsed Plan category.

2. Applications shall be awarded two points if there is evidence that the sponsor had taken title to the land or executed a lease agreement for at least the term of the compliance period and extended use period.

3. Applications which meet the 10 percent carryover test shall receive eight points. All requisite carryover documentation shall be included in the application. Accrued developer fees in carryover basis shall not exceed the lesser of the fee earned to date or 20 percent of the total developer fee.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a), inserted reference to Rural Cycle and substituted "one existing category" for "two existing category"; in (a)1, added second sentence; in (a)2, added "or executed a lease ... extended use period"; deleted (a)3, relating to points for projects in Urban Centers; recodified former (a)4 and 5 as (a)3 and 4; and in (a)3, added last sentence.

Recodified from N.J.A.C. 5:80-33.17 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a)1, changed N.J.A.C. reference. Former N.J.A.C. 5:80-33.22, Allocation needs analysis, was recodified to N.J.A.C. 5:80-33.27.

Recodified from N.J.A.C. 5:80-33.22 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), deleted "and increased points in one existing category" at the end of the introductory paragraph, and deleted a former 4. Former N.J.A.C. 5:80-33.20, Mixed Income Cycle, repealed.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote (a)1.

### 5:80-33.21 Tie-breaker system

(a) The following tie-breaker system shall be used in all cycles to break ties between projects with the same score:

1. If competing projects within a cycle have a tie score, a tax credit reservation shall be awarded to the project with the lowest amount of low-income housing tax credits (unadjusted for the 130 percent difficult development area or qualified census tract bonus) per low-income bedroom.

2. If there is still a tie after the first tie-breaker, the tax credit reservation shall be awarded to the project with a lower total development cost per bedroom.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a)1, substituted "the lowest amount ... per low-income bedroom" for "lower intermediary fees per low income unit"; in (a)2, substituted "per bedroom" for "per unit"; and deleted (a)3 and 4. Recodified from N.J.A.C. 5:80-33.18 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.23, Reservations, allocations and binding commitments, was recodified to N.J.A.C. 5:80-33.28.

Recodified from N.J.A.C. 5:80-33.23 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.21, Point system for the Special Needs Cycle, recodified to N.J.A.C. 5:80-33.19.

**5:80-33.22 Municipal comment**

The Code requires that the chief executive officer of the municipality in which the project is to be located be given the opportunity to comment on the project. NJHMFA staff shall notify the chief executive officer of the municipality and allow him or her a reasonable opportunity to comment on the project.

Recodified from N.J.A.C. 5:80-33.19 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.24, Obtaining IRS Form 8609, was recodified to N.J.A.C. 5:80-33.29.

Recodified from N.J.A.C. 5:80-33.24 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.22, Point system for the Final Cycle, recodified to N.J.A.C. 5:80-33.20.

**5:80-33.23 Application needs analysis**

(a) Section 42(m)(2)(a) of the Code provides: "The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period." This determination, known as the "needs analysis," shall be performed by NJMFA with respect to those applications fulfilling the eligibility requirements at N.J.A.C. 5:80-33.13. In the needs analysis, NJHMFA shall compare the project's total development costs to the funding sources the applicant has identified to meet the cost. If the total funding sources not including tax credit are less than the total development costs, then a funding gap exists and the applicant has demonstrated a need for credits, provided however, that the following conditions are satisfied:

1. The project's development and operational costs are reasonable as required under Section 42(m)(2)(B)(iv) of the Code;
2. Funding sources identified by the applicant meet the requirements listed under N.J.A.C. 5:80-33.13(c)6;
3. The project is financially feasible in terms of the existence of sufficient sources to pay for total development costs; and
4. The project shall remain viable throughout the credit period.

(b) Financing arrangements shall be evaluated to ensure that projects are not structured to artificially increase basis. Such arrangements include drawing down entire bridge or secondary loans at construction closing instead of using such financing on an as-needed basis. NJHMFA reserves the right to assume a mortgage higher than the mortgage commitment submitted by the applicant if it is determined that

the mortgage amount stated in the commitment is underestimated. If NJHMFA has a reasonable basis for concluding the equity factor submitted by the applicant is inconsistent with market conditions, NJHMFA reserves the right to adjust the equity factor in its underwriting. NJHMFA reserves the right to require an appraisal at the applicant's expense. If the applicant acquires the property for more than appraised value, the overage shall be added to the sources of funds so as not to create artificial need.

(c) NJHMFA shall perform needs analyses at three separate times: application, allocation, and at the time the project is placed in service. (See N.J.A.C. 5:80-33.25 and 33.28.) The credit amount reserved is limited to the lesser of:

1. The credit amount based on the needs analysis; or
2. The credit amount generated from the project's qualified basis, as (potentially) capped by the eligible basis limits. Unless a project has an alternate funding source such as a developer fee able to be pledged, a project whose eligible basis is reduced by the eligible basis limits (thereby reducing the credit amount) may be declared infeasible due to a funding gap caused by the resulting shortfall in syndication proceeds.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a), substituted "Section 42(m)(2)(a) of the Code" for "The Code"; in (b), amended N.J.A.C. reference; in (b)2, inserted " , as (potentially) . . . syndication proceeds".

Recodified from N.J.A.C. 5:80-33.20 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), changed N.J.A.C. references in the introductory paragraph and in 2; in (b), added a new last sentence; and in (c), changed the N.J.A.C. reference in the introductory paragraph. Former N.J.A.C. 5:80-33.25, Placed in service needs analysis, was recodified to N.J.A.C. 5:80-33.30.

Recodified from N.J.A.C. 5:80-33.25 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a) and (c), changed N.J.A.C. references throughout. Former N.J.A.C. 5:80-33.23, Tie-breaker system, recodified to N.J.A.C. 5:80-33.21.

Administrative change.

See: 31 N.J.R. 1311(b).

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a)2, changed N.J.A.C. reference; and in (b), added the last two sentences.

**5:80-33.24 Committee review**

(a) Based on the rankings, eligibility review and needs analysis, NJHMFA shall make reservation award recommendations to the Tax Credit Committee. The Tax Credit Committee shall consist of the Commissioner of the Department of Community Affairs or designee, the Executive Director of NJHMFA and three members of the NJHMFA executive staff designated by the Executive Director.

(b) The Committee shall review the rankings, eligibility and tie-breaker decisions as well as requests for reservations from the Reserve. Committee decisions are final. All applicants shall be notified in writing whether their projects received a reservation or not and the basis for the decision. A reservation commitment letter shall be mailed to all reservation recipients. Recipients have 30 days from the date of the reservation letter to pay the reservation fee. A reservation is not complete until the reservation fee is paid.

(c) The reservation fee schedule is as follows:

1. For-profit reservation fee: one percent of the allocation amount over the 10-year credit period.

2. Qualified nonprofit reservation fee: one-half of one percent of the allocation amount over the 10-year credit period.

Recodified from N.J.A.C. 5:80-33.21 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.26, Project cost certification, was recodified to N.J.A.C. 5:80-33.31.

Recodified from N.J.A.C. 5:80-33.26 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (c), rewrote 1 and 2. Former N.J.A.C. 5:80-33.24, Municipal comment, recodified to N.J.A.C. 5:80-33.22.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

#### 5:80-33.25 Allocation needs analysis

In accordance with Section 42(m)(2) of the Code, NJHMFA evaluates the need for the tax credit at the time of application, the time of allocation, and after the building is placed in service. The credit amount allocated is limited to the lesser of the credit amount based on the needs analysis or the credit amount generated from the project's qualified basis (as potentially capped by the eligible basis limits). The determination of whether the credit amount reserved is needed for the financial feasibility and continued viability of the project shall include an examination as to whether there have been increases or decreases in project costs, other funding sources or rental subsidies which would result in a higher allocation than needed. If NJHMFA has a reasonable basis for concluding the equity factor submitted by the applicant is inconsistent with market conditions, NJHMFA reserves the right to adjust the equity factor in its underwriting. Any substantive changes to the project's financing plan or costs shall be explained in detail and may cause the project to be reconsidered by NJHMFA.

Recodified from N.J.A.C. 5:80-33.22 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Added a new fourth sentence. Former N.J.A.C. 5:80-33.27, Extended use agreement, was recodified to N.J.A.C. 5:80-33.32.

Recodified from N.J.A.C. 5:80-33.27 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.25, Application needs analysis, recodified to N.J.A.C. 5:80-33.23.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Inserted "at the time" following "tax credit" in the first sentence.

#### 5:80-33.26 Reservations, allocations and binding commitments

(a) Once the reservation is final as described in N.J.A.C. 5:80-33.24(b), projects must meet allocation criteria established by the Code and these rules in order to qualify for an allocation of tax credits. (The IRS does not recognize the reservation processes of housing credit agencies.) The deadline for meeting the allocation criteria described in (a)1 and 2 below is October 15 (November 15 for Final Cycle reservations), or the next business day if the 15th is a weekend or holiday. On a case-by-case basis, NJHMFA may extend its filing deadline if the sponsor can show good cause; however, in order to defray the added expense and regulatory burden of processing allocation requests that arrive after the deadline, a graduated extension fee shall be payable to NJHMFA for each week or part thereof that the sponsor is late in submitting a complete package (that is, in the Spring Cycle, \$500.00 per week or part thereof in October and \$1,000 per week or part thereof in November and December for each week the package is late; in the Final Cycle, \$500.00 per week or part thereof in November and \$1,000 per week or part thereof in December for each week the package is late). NJHMFA reserves the right to rescind a reservation if a deadline is unmet.

1. Sponsors requesting a carryover allocation shall submit their certification for carryover, fully executed deed of easement and restrictive covenant (if the property has been acquired by the carryover allocation date) and a certification from an independent C.P.A. which shows that more than 10 percent of the project's reasonably expected basis has been incurred; that all sources shown on the sponsor's carryover schedule are accurate; and that the costs shown in eligible basis are allowable under the Code. Accrued developer fees in carryover basis shall not exceed the lesser of the fee earned to date or 20 percent of the total developer fee. Title ownership is not required for carryover allocations, but site control must be maintained. Projects receiving carryover allocations have until the end of the second year after the execution of the carryover allocation agreement to place the project in service.

2. Sponsors requesting an allocation for a building in the same year the building places in service may receive a carryover allocation or a placed in service allocation depending upon the building's placed in service date. A building must be issued an allocation no later than December 31 of the year it is placed in service.

i. If the building is placed in service on or prior to August 1, the allocating document shall be the IRS Form 8609 and the sponsor shall submit all requirements listed in N.J.A.C. 5:80-33.27 by the filing deadline established in (a) above.

ii. If the building is placed in service after August 1, and if the timing of the final project cost certification, permanent closing and the like do not allow for the timely issuance of an IRS Form 8609 by December 31, a carryover allocation shall be issued to the project provided that the owner submits to NJHMFA an updated 10 percent letter from the partnership's accountant reflecting the new reasonably expected basis in the building.

(b) NJHMFA may enter into a binding commitment to allocate credits from the next year's tax credit authority to projects described below:

1. The next-highest ranking project in the Final Cycle if that project received only a partial allocation as a consequence of NJHMFA exhausting its tax credit authority for the current year, provided such project can meet the 10 percent carryover test. If the Final Cycle is canceled, NJHMFA may enter into a binding commitment with the project which received a supplemental award of credits from the Reserve but, as a consequence of NJHMFA having exhausted the Reserve, still requires additional credits. Together, the partial carryover allocation and the binding forward commitment shall not exceed the maximum eligible tax credit amount; or

2. Projects in a competitive cycle affected by a technical error as determined by the Tax Credit Committee. The Tax Credit Committee may fund technical errors wholly from the Reserve (if sufficient credits exist), wholly through a binding commitment or through a combination of Reserve credits and a binding commitment. Projects receiving credits from the Reserve must meet the 10 percent carryover test. In no event shall the project receive credits and/or a binding commitment exceeding the maximum eligible tax credit amount.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Deleted former (a); recodified former (a)1 through 3 as (a) through (c); in (b), substituted "October 15 (November 15 for Final Cycle reservations)" for "November 1st", and inserted sixth through eighth sentences; and in (c), inserted "typically" following "allocating document is", substituted "October 15 (November 15 for Final Cycle reservations) all items required by" for "November 1st all the requirements listed under", inserted fifth and sixth sentences, and deleted "(evidenced by a signed IRS Form 8609 from NJHMFA)" following "failed to receive an allocation".

Recodified from N.J.A.C. 5:80-33.23 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Rewrote the section. Former N.J.A.C. 5:80-33.28, Returning credits, was recodified to N.J.A.C. 5:80-33.33.

Recodified from N.J.A.C. 5:80-33.28 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), changed N.J.A.C. references throughout; and in (b), deleted "provided such project can meet the ten percent carryover test" at the end of the introductory paragraph, rewrote 1, and inserted a new third sentence in 2. Former N.J.A.C. 5:80-33.26, Committee review, recodified to N.J.A.C. 5:80-33.24.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a)1, inserted " , fully executed deed of easement and restrictive covenant (if the property has been acquired by the carryover allocation date)" following "carryover"; and in (b)1, deleted "(or the Reserve if the Final Cycle is cancelled)" following "Final Cycle" in the first sentence, and inserted a new second sentence.

#### 5:80-33.27 Obtaining IRS Form 8609

The IRS Form 8609 is the form used by owners to claim the low-income housing tax credit. A form is issued for each building in the project. Prior to issuance of the IRS Form 8609, NJHMFA must receive all required information from the owner. For projects receiving credits from the nonprofit set-aside, this shall include an attorney's opinion letter which states that no for-profit developer or member of the investor limited partner held a seat on the nonprofit's board of directors. NJHMFA staff shall also conduct an on-site inspection of the project to confirm that all representations made in the project's tax credit application have been met. Upon completion of the NJHMFA evaluation (which includes the placed in service needs analysis) and attendance by the project owner and managing agent at an NJHMFA-sponsored compliance monitoring seminar, NJHMFA shall complete Part I of the IRS Form 8609 and shall forward a copy, as filed with the IRS, to the project owner. Owners should be sure to make copies of the signed IRS Form 8609 as a copy must be filed each year with Federal tax returns.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In third sentence, substituted reference to required information for reference to specified required items and in the fourth sentence substituted reference to completed NJHMFA evaluation and placed in service needs analysis for reference to completed items and any other requested information.

Recodified from N.J.A.C. 5:80-33.24 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.29, Returning credits, was recodified to N.J.A.C. 5:80-33.34.

Recodified from N.J.A.C. 5:80-33.29 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Inserted a new third sentence. Former N.J.A.C. 5:80-33.27, Allocation needs analysis, recodified to N.J.A.C. 5:80-33.25.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Inserted a new fourth sentence, and inserted "and attendance by the project owner and managing agent at an NJHMFA-sponsored compliance monitoring seminar," following "needs analysis)" in the new sixth sentence.

#### 5:80-33.28 Placed in service needs analysis

(a) Pursuant to Section 42(m)(2) of the Code, NJHMFA shall conduct the last of its required needs analysis evaluations at the time the project places in service. The analysis shall be based on the project cost certification of an independent C.P.A. and the permanent financing sources (see N.J.A.C. 5:80-33.29). If the amount of the tax credit request is not needed for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period, the amount of the tax credit shall be reduced to the needed amount.



(b) The determination of whether the amount requested is needed for financial feasibility and continued viability of the project shall include an examination as to whether there have been increases or decreases in project costs, other funding sources or rental subsidies which would result in a higher allocation than needed. If NJHMFA has a reasonable basis for concluding the equity factor submitted by the applicant is inconsistent with market conditions, NJHMFA reserves the right to adjust the equity factor in its underwriting. The Code requires that NJHMFA reduce the credit amount based upon need; however, this does not mean that NJHMFA will jeopardize the long-term financial feasibility and viability of the project by arbitrarily taking back credits. For example, if the equity market improved so that projects were able to get better pricing from investors, NJHMFA would not necessarily reduce the credit on those projects that use the "excess" credits to cover cost overruns or provide betterments in the projects such as upgrading the security system, landscaping, provision of appliances such as washers, and the like. NJHMFA shall not allow these additional funds to be used to increase the developer fee over that shown on the application.

(c) For each needs analysis, a Sponsor Certification shall be submitted. Any substantive changes to the project's financing plan or costs shall be explained in detail and may cause the project to be reconsidered by NJHMFA.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Deleted "eligible basis amount" following "increase the developer fee".

Recodified from N.J.A.C. 5:80-33.24 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), changed N.J.A.C. reference; and in (b), added a new second sentence. Former N.J.A.C. 5:80-33.29, Returning credits, was recodified to N.J.A.C. 5:80-33.34.

Recodified from N.J.A.C. 5:80-33.30 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), rewrote the second sentence. Former N.J.A.C. 5:80-33.28, Reservations, allocations and binding commitments, recodified to N.J.A.C. 5:80-33.26.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

### 5:80-33.29 Project cost certification

(a) An independent C.P.A. shall audit both the development and construction costs of the project in accordance with generally accepted auditing standards. Fixed price contracts shall also be audited. The audit report, in a form acceptable to NJHMFA, must be submitted to NJHMFA as soon as possible after the project has placed in service but no later than four months following the issuance of the final certificate of occupancy for the project. To make sure that the necessary paperwork is submitted to NJHMFA in a timely manner, sponsors shall ensure that the cost certification process begins immediately upon construction completion. On a case-by-case basis, NJHMFA may extend its filing deadline if the sponsor can show good cause.

(b) "Contractor fee limits" with regard to contractor profit and overhead shall be set in accordance with the schedule below. Maximum fees include the base profit and overhead and any incentive cost savings fee realized. Costs included on the general conditions line must be broken out on a separate schedule. Unreasonable costs shall be disallowed.

#### CONTRACTOR FEE SCHEDULE

Construction Contract Amount	Fee (Overhead and Profit)
\$ 0 - \$ 500,000 +	11.75 percent
\$ 500,001 - \$ 1,000,000 +	10.75 percent
\$ 1,000,001 - \$ 5,000,000 +	9.50 percent
\$ 5,000,001 - \$ 10,000,000 +	8.50 percent
\$ 10,000,001 - \$ 15,000,000 +	7.00 percent
\$ 15,000,001 - \$ 20,000,000 +	6.70 percent
\$ 20,000,000 +	6.20 percent

(c) For projects seeking IRS Form 8609 allocations and for projects with carryover allocations, where completion is scheduled to occur close to the end of the year, interim audits should be taking place throughout construction so that when the certificate of occupancy is issued, the final cost certification is virtually complete. For projects still incurring eligible costs, NJHMFA may consider the sponsor's projection of costs and basis incurred through the end of the first year of the credit period. The projection shall be based on executed contracts with contractors/vendors for amenities such as security system, playground, and landscaping.

(d) In addition to the audit report, the owner shall submit a Sponsor Certification for Placed in Service showing all sources, uses and eligible basis items as well as the pricing from the limited partner investor.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (a), in the first sentence inserted "both the development and construction costs of", inserted the second sentence, and in third and fourth sentences, substituted "October 15" for "November 1st"; inserted new (b); recodified former (b) and (c) as (c) and (d); and in (c), substituted "may consider" for "shall consider".

Recodified from N.J.A.C. 5:80-33.26 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (b), changed the date from 1997 to 1998 in the Contractor Fee Schedule. Former N.J.A.C. 5:80-33.31, NJHMFA review, was recodified to N.J.A.C. 5:80-33.36.

Recodified from N.J.A.C. 5:80-33.31 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (b), changed year in table heading. Former N.J.A.C. 5:80-33.29, Obtaining IRS Form 8609, recodified to N.J.A.C. 5:80-33.27.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Rewrote (a); in (b), substituted "CONTRACTOR FEE SCHEDULE" for "1999 Low Income Housing Tax Credit" and substituted "\$20,000,000" for "\$20,000, 001" in the table; and in (c), inserted "playground" following "system" in the last sentence.



**5:80-33.30 Extended use agreement**

Section 42(h)(6) of the Code requires the project owner to enter into an "extended low-income housing commitment agreement" that adds an additional 15-year low-income occupancy requirement to the initial 15-year compliance period. The agreement shall be recorded in order to claim the tax credits when filing Federal tax returns. Owners must complete NJHMFA's deed of easement and restrictive covenant at the later of the carryover allocation described at N.J.A.C. 5:80-33.26(a)1 or acquisition of the property. Upon receipt and review of a complete and fully executed agreement, NJHMFA shall file the restrictive covenant pursuant to State law. Applicants are responsible for paying the fee required to record the agreement in the County Clerk's Office. Note: For projects which received points for agreeing to extend the project compliance period beyond the minimum 15-year period, the deed of easement and restrictive covenant shall reflect the increased compliance term stated in the application.

Recodified from N.J.A.C. 5:80-33.27 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.32, Compliance monitoring fee, was recodified to N.J.A.C. 5:80-33.37.

Recodified from N.J.A.C. 5:80-33.32 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.30, Placed in service needs analysis, recodified to N.J.A.C. 5:80-33.28.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

Substituted "at the later of the carryover allocation described at N.J.A.C. 5:80-33.26(a)1 or acquisition of the property" for "above" at the end of the third sentence.

**5:80-33.31 Returning credits**

Applicants unable to utilize their allocation should return their allocation to NJHMFA as soon as possible. As an incentive to turn in unused credits early, applicants that return credits by October 15 shall have their previously paid reservation fee credited toward their next reservation fee. Applicants returning credits after October 15 that receive a reservation the next year shall have to pay a new reservation fee. Returned credits are deposited into the Reserve or in the Final Cycle if administered.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substituted "applicants" for "projects" and "October 15" for "November 1st" throughout.

Recodified from N.J.A.C. 5:80-33.28 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.33, Inspection, was recodified to N.J.A.C. 5:80-33.38.

Recodified from N.J.A.C. 5:80-33.33 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Substituted "administered" for "returned after the Reserve deadline" at the end. Former N.J.A.C. 5:80-33.31, Project cost certification, recodified to N.J.A.C. 5:80-33.29.

**5:80-33.32 Applicant's affirmative obligation to disclose changes**

(a) Applicants are under a continuing affirmative obligation to advise NJHMFA of any changes to any aspect of the proposed development and provide relevant information as it becomes available. NJHMFA shall require the sponsor to certify and may require further documentation to verify that all representations made in the application concerning the proposed development, including representations relied upon to determine the applicant's eligibility, scoring and ranking, are, and continue to be, true at the time of carryover allocation and issuance of the IRS Form 8609. Substantive changes may cause the project's allocation to be reconsidered by NJHMFA. NJHMFA reserves the right to ask for any documentation necessary throughout the application, reservation, carryover and placed in service processes.

(b) NJHMFA shall have the authority to rescind a reservation or an allocation if any representations made in the application are mistakenly or intentionally misrepresented or not fulfilled.

(c) Failure to disclose all relevant information is grounds for disqualification of the application or recapture of the allocation.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Inserted new (b); recodified former (b) as (c).

Recodified from N.J.A.C. 5:80-33.29 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Former N.J.A.C. 5:80-33.34, Notification of noncompliance, was recodified to N.J.A.C. 5:80-33.39.

Recodified from N.J.A.C. 5:80-33.34 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.32, Extended use agreement, recodified to N.J.A.C. 5:80-33.30.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

**5:80-33.33 Compliance monitoring**

(a) The owner of all projects with an allocation of low-income housing tax credits must contact NJHMFA's compliance monitoring section before the project places in service and prior to rent up. In addition, the owner must submit to NJHMFA a copy of the completed IRS Form 8609 (Part I completed by NJHMFA and Part II completed by the owner) within 30 days of the owner's filing of the IRS Form 8609 with the Internal Revenue Service. This form contains information necessary for NJHMFA to monitor the project for compliance. Failure to submit a copy of the completed IRS Form 8609 within the specified time frame may constitute noncompliance and may be reported by NJHMFA to the IRS.

(b) The owner of a tax credit project shall agree to submit to NJHMFA copies of any correspondence, notice or other document the owner receives from the Internal Revenue Service.

nue Service regarding compliance or noncompliance issues, audits, or other forms of communication regarding their low income tax credit project(s).

(c) (No later than 120 days after the close of each fiscal year during the compliance period of a project, its owners shall submit to NJHMFA a copy of the project's audited financial statements for the fiscal year, including a detailed income and expense schedule and vacancy rate calculation.

(d) Owners/agents are required to keep records for each qualified low-income building in the project which will show for each year of the compliance period the following information:

1. The total number of residential rental units in the building, including the number of bedrooms and the size in square feet of each residential rental unit;
2. The percentage of residential rental units in the building that are low-income units;
3. The rent charged on each residential rental unit in the building, including any utility allowances;
4. The number of occupants in each low-income unit, but only if rent is determined by the number of occupants in each unit under Section 42(g)(2) of the Code (as in effect before the Revenue Reconciliation Act of 1989);
5. The low-income unit vacancies in the building and information that shows when and to whom the next available units were rented;
6. The annual income certification of each low-income tenant per unit. For an exception to this requirement, see Section 42(g)(8)(B) of the Code which provides a special rule for a 100 percent low-income building;
7. Documentation to support each low-income tenant's income certification (that is, a copy of the tenant's Federal income tax return, W-2 form or income verification from third parties such as employers or agencies paying unemployment compensation). Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937, not in accordance with the determination of gross income for Federal income tax liability. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under Section 42(g) of the Code;
8. The eligible basis and qualified basis of the building at the end of the first year of the credit period; and
9. The character and use of the non-residential portion of the building included in the building's eligible basis under Section 42(d) of the Code (that is, tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).

(e) Owners/agents are required to retain records for each qualified low-income housing project as follows:

1. Owners/agents are required to retain the records described above for at least six years after the due date (with extensions) for filing the Federal income tax return for that year.

2. The records for the first year of the credit period, however, shall be retained for the entire compliance period plus six years beyond the due date (with extensions) for filing the Federal income tax return for the last year of the compliance period of the building.

3. Therefore, records for the first year of the compliance period shall be retained for a minimum of 21 years. If credits were allocated based on a compliance period that was greater than 15 years, all first year records shall be retained for six years beyond the compliance period. (For example: If credits were allocated in 1996 based on a compliance period of 25 years, all first year records must be retained for 31 years or 25 years plus six years.) Records for each year thereafter shall be retained for six years after filing the Federal income tax return for that particular year.

(f) The owner/agent of a low-income housing project shall certify, under penalty of perjury, that it has complied with the low-income housing tax credit restrictions of the Code by providing an Annual Project Certification to NJHMFA. The Annual Project Certification shall be sent annually to NJHMFA for each year of the compliance period for the preceding 12-month period and contain the following:

1. That the project met the requirements of the 20-50 test under Code Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), whichever Federal minimum set-aside test was applicable to the project, and, if applicable to the project, the 40-50 HOME test under Section 42(i)(2)(E)(i) and the 15-40 test under Sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" projects;
2. That there was no change in the applicable fraction of any building in the project (as defined by Section 42(c)(1)(B) of the Code) or that there was a change and a description of the change;
3. That the owner received an annual income certification from each low-income tenant, and documentation to support that certification, or, in the case of a tenant receiving Section 8 Housing Assistance Payments, the statement from a public housing authority declaring that the tenant's income does not exceed the applicable limit under Section 42(g) of the Code. For an exception to this requirement, see Section 42(g)(8)(B) of the Code which provides a special rule for a 100 percent low-income building;
4. That each low-income unit in the project was rent restricted under Section 42(g)(2) of the Code;

5. That all units in the project were for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(I)(3)(B)(iii) of the Code);

6. That each building in the project was suitable for occupancy, taking into account local health, safety and building codes;

7. That there was no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project or, if there was a change, the nature of the change (that is, a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);

8. That all tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;

9. That if a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

10. That if the income of tenants of a low-income unit, which was previously verified, increases above 140 percent of the applicable limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income; and

11. That an extended low-income housing commitment as described in Section 42(h)(6) of the Code was in effect for buildings subject to Section 7108-(c)(1) of the Revenue Reconciliation Act of 1989.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

In (b)9, inserted "that is," preceding "tenant facilities that are available"; in (d)1, inserted "Federal" and moved reference to the 40-50 test.

Recodified from N.J.A.C. 5:80-33.30 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Added new (b) and (c) and recodified former (b) through (d) as (d) through (f). Former N.J.A.C. 5:80-33.35, Confidentiality of tax credit applications, and information, was recodified to N.J.A.C. 5:80-33.40. Recodified from N.J.A.C. 5:80-33.35 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.33, Returning credits, recodified to N.J.A.C. 5:80-33.31.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a), inserted "contact NJHMFA's compliance monitoring section before the project places in service and prior to rent up. In addition, the owner must" following "credits must"; and in (c), substituted "120" for "90" following "later than".

#### 5:80-33.34 NJHMFA review

(a) Pursuant to Section 1.42-5(c)(2)(ii)(C) of the Code, NJHMFA requires the owners of all low-income housing projects to submit annually to NJHMFA for review the Annual Project Certification and the Occupancy Status Report. The Occupancy Status Report must indicate the income of and rent charged to tenants for each low-income unit.

(b) In addition, throughout the year, owners of at least 20 percent of all tax credit projects shall submit to NJHMFA for compliance review the following information for a minimum of 20 percent of all low-income units (units shall be identified by NJHMFA):

1. A copy of the annual income certification for the household;
2. The documentation the owner has received to support the certification; and
3. The rent record.

(c) NJHMFA shall also, throughout the year, select 20 percent of all tax credit developments and shall perform physical inspections to determine suitability for occupancy, taking into account State and local health, safety and building codes. If NJHMFA determines a violation(s) exist(s) which could render a building unsuitable for occupancy, such violation may be considered an issue of noncompliance which must be reported to the Internal Revenue Service. The owner shall be given a reasonable period of time to correct the violation(s). At the end of the correction period, NJHMFA shall notify the IRS whether the owner has or has not corrected the violation(s). Such violation(s) shall also be reported for appropriate action to the Division of Codes and Standards, Bureau of Housing Inspection in the New Jersey Department of Community Affairs.

(d) NJHMFA shall select which projects shall undergo NJHMFA review and give owners reasonable notice that their project has been chosen as well as identify which documents shall need to be submitted. Reviews may occur more frequently than on a 12-month basis, provided that all months within each 12-month period are subject to certification.

Amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Recodified from N.J.A.C. 5:80-33.31 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Added a new (c) and recodified former (c) as (d).

Recodified from N.J.A.C. 5:80-33.36 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.34, Applicant's affirmative obligation to disclose changes, recodified to N.J.A.C. 5:80-33.32.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

**5:80-33.35 Compliance monitoring fee**

NJHMFA charges a fee for monitoring compliance for the 15-year compliance period or a one-time up-front fee. Failure to pay such fee may constitute noncompliance and may be reported by the NJHMFA to the IRS. The monitoring fee is \$625.00 per unit one-time up-front fee or \$60.00 per unit if paid on an annual basis.

Recodified from N.J.A.C. 5:80-33.32 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Recodified from N.J.A.C. 5:80-33.37 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Former N.J.A.C. 5:80-33.35, Compliance monitoring, recodified to N.J.A.C. 5:80-33.33.

**5:80-33.36 Inspection**

Prior to the issuance of the IRS Form 8609, NJHMFA staff shall conduct an on-site inspection of the project to confirm that all representations made in the project's tax credit application have been met. (See N.J.A.C. 5:80-33.27.) NJHMFA also reserves the right to perform an on-site inspection of any low-income housing project at least through the end of the compliance period and have access to all books and records which would document compliance.

Recodified from N.J.A.C. 5:80-33.33 by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

Recodified from N.J.A.C. 5:80-33.38 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

Rewrote the section. Former N.J.A.C. 5:80-33.36, NJHMFA review, recodified to N.J.A.C. 5:80-33.34.

**5:80-33.37 Notification of noncompliance**

(a) Upon determination by NJHMFA of noncompliance with Section 42 of the Code, N.J.A.C. 5:80-33.33, or any other relevant rules, regulations, or procedures, NJHMFA shall give notice to the owner of the noncompliance. The owner shall then be given sufficient notice to correct the noncompliance.

(b) NJHMFA is required to notify the IRS, via IRS Form 8823, within 45 days after the end of the correction period, of all noncompliance and whether the owner has or has not corrected such noncompliance.

Recodified from N.J.A.C. 5:80-33.34 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a), changed the N.J.A.C. reference.

Recodified from N.J.A.C. 5:80-33.39 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), changed N.J.A.C. reference. Former N.J.A.C. 5:80-33.37, Compliance monitoring fee, recodified to N.J.A.C. 5:80-33.35.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

**5:80-33.38 Confidentiality of tax credit applications and information**

(a) Applications submitted to NJHMFA for tax credit reservations and all supporting documents submitted by the applicant for a reservation shall be confidential, non-public records until Final Cycle awards or cancellation of the Final Cycle are announced by NJHMFA. Applications submitted by applicants requesting volume cap tax credits and all supporting documents shall be confidential, non-public records until NJHMFA has issued a determination letter. Thereafter, applications and all supporting documents submitted shall be deemed to be public records, except the following supporting documents shall remain non-public records:

1. Financing information and syndication documents submitted in compliance with N.J.A.C. 5:80-33.13(c)5. However, the applicant's Certification of the Extent of Federal, State and local subsidies shall be a public record; and

2. Financing commitments and other documents submitted in compliance with N.J.A.C. 5:80-33.13(c)6 evidencing:

- i. Mortgage commitments from banks and other lending institutions;

- ii. Owner equity pledges or loans (including the required C.P.A. certifications); and

- iii. Investor commitments.

(b) Information or documents submitted or prepared with respect to binding forward commitments, carryover allocations, placed in service allocations, and IRS Form 8609 shall be confidential and shall be disclosed only as permitted by Section 6103 of the Code.

(c) Information submitted to NJHMFA by or on behalf of a project owner with respect to compliance monitoring, and reports, compliance notices, and IRS Forms 8823 prepared by NJHMFA with respect to monitoring the compliance of any project shall be confidential and shall be disclosed only as permitted by Section 6103 of the Code.

Recodified from 5:80-33.36 and amended by R.1997 d.284, effective July 7, 1997.

See: 29 N.J.R. 1441(a), 29 N.J.R. 2818(a).

Substantially amended (a); in (a)1 and 2, amended N.J.A.C. reference; rewrote (b); and added (c). Former section "Tax exempt financed projects" was recodified to N.J.A.C. 5:80-33.11(a)17.

Recodified from N.J.A.C. 5:80-33.35 and amended by R.1998 d.279, effective June 1, 1998.

See: 30 N.J.R. 1132(a), 30 N.J.R. 1978(a).

In (a)1 and 2, changed N.J.A.C. references.

Recodified from N.J.A.C. 5:80-33.40 and amended by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

In (a), inserted a reference to cancellation of the Final Cycle in the first sentence, and changed N.J.A.C. references in 1 and 2. Former N.J.A.C. 5:80-33.38, Inspection, recodified to N.J.A.C. 5:80-33.36.

Amended by R.2000 d.132, effective March 20, 2000.

See: 32 N.J.R. 191(a), 32 N.J.R. 1065(a).

In (a)1, changed N.J.A.C. reference.

**5:80-33.39 (Reserved)**

Recodified to N.J.A.C. 5:80-33.37 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).

**5:80-33.40 (Reserved)**

Recodified to N.J.A.C. 5:80-33.38 by R.1999 d.120, effective April 5, 1999.

See: 31 N.J.R. 122(a), 31 N.J.R. 860(a).