

**\*\*\*Grantees are required to adhere to the National Housing Trust Fund Minimum Housing Rehabilitation Standards located [HERE](#)**

## **PROGRAM GUIDELINES AND PROCEDURES**

**PROGRAM: National Housing Trust Fund (NHTF)**

**LEAD AGENCY: New Jersey Department of Community Affairs**

### **PROGRAM DESCRIPTION**

The National Housing Trust Fund (NHTF) is a new affordable housing production program that will complement existing federal, state and local efforts to increase and preserve the supply of decent, safe and affordable rental housing for extremely low-income households (those earning 30% or less of the Area Median Income).

### **MAXIMUM AWARD:**

- Maximum Award per application is \$1,000,000
- Per unit subsidy is capped as shown in the Maximum Per Unit Subsidy Limit Chart

### **ELIGIBLE APPLICANTS**

Eligible Applicants (EA) consist of Non-profit or For-profit Affordable Housing Developers that demonstrate strong financial, organizational, and development capacity.

### **ELIGIBLE ACTIVITIES**

- Acquisition and Renovation (Moderate rehabilitation)
- Acquisition and Reconstruction (Substantial rehabilitation)
- Acquisition and New Construction

### **INELIGIBLE PROJECT TYPE**

- Condominiums/Homeowner Associations, Congregate/Shared Housing, Mobile Homes or Single Room Occupancy (SRO)
- Mixed use or mixed income projects
- Acquisition of vacant land without development
- Currently occupied rental units
- Homeownership projects
- Projects that are currently or anticipate receiving other DCA or NJHMFA funding

### **THRESHOLD REQUIREMENTS**

- Project must not require any municipal, county, regional or state approval beyond a construction permit
- All financial sources must have written commitments
- Project must be able to be completed within two (2) years
- No project can contain more than 4 NHTF units
- Projects must not be located in a floodplain or environmentally sensitive area
- Articles of Incorporation
- Certificate of Good Standing
- Proof of site control (Deed, Contract of Sale, Option Agreement, etc.)

- Original Sealed Resolution of support from the Board
- The project units must be considered permanent housing, and no aspect of the lease can be contingent upon receiving social services
- Developer fee must not exceed 5% of the project total development cost
- Debt Coverage Ratio must be at least 1.2
- Project is financially feasible

**MAXIMUM PER UNIT SUBSIDY LIMIT CHART**

Unit Size	Studio	1-Bdr	2-Bdr	3-Bdr	4-Bdr
Maximum Per-Unit Subsidy	\$250,000	\$350,000	\$430,000	\$500,000	\$570,000

**PROJECT ELIGIBILITY CRITERIA**

***Priority based on geographic diversity***

To further the State’s commitment to the development of affordable housing in areas of high opportunity, applications will receive points (maximum 31 out of 100) for projects located in places with access to public transportation and other amenities. Proximity to DCA funded re-entry programs and the services they provide will be an important consideration in light of the State’s articulated housing need with respect to this population and its ongoing investment in programs intended to reduce recidivism.

***Applicant’s ability to obligate NHTF funds and applicant’s ability to undertake eligible activities in a timely fashion.***

The EA’s capacity and successful experience in developing and managing affordable housing projects will be crucial in ensuring that NHTF funds are obligated quickly and that projects are successfully completed in a timely fashion. Applications will receive points (maximum 26 out of 100) for demonstrating ability to meet the following criteria:

- Applicant has experience in developing affordable housing
- Applicant has demonstrated financial ability to develop the project
- Applicant has experience with DCA and HUD programs
- Applicant has no loan findings or other outstanding issues with DCA or HUD
- Project timeline is feasible and project will be completed within three years of award
- Project budget is feasible and reasonable

***The merits of the application in meeting the State’s priority housing needs.***

In order to achieve the State’s goals in preventing and reducing homelessness and in providing affordable housing for people who are most vulnerable, including those with disabilities or other special needs, applications will receive points (maximum 22 out of 100). The definition of special needs includes:

- Heads of households with mental illness
- Heads of households with physical or developmental disabilities
- Heads of households who are victims of domestic violence
- Youth aging out of foster care, runaway and homeless youth
- Individuals and families who are homeless

- Disabled and homeless veterans
- Heads of households with HIV/AIDS
- Head of households who are re-entering the community after incarceration in a correctional facility

Applicants must describe a strong history of experience in serving the designated special needs population and provide a social services plan and evidence that voluntary social services will be made available to tenants.

**Re-Entry Population.** Breaking the cycle of incarceration and homelessness is crucial in reducing recidivism and helping individuals successfully re-integrate into their communities. One of the top predictors of homelessness is an individual's arrest history (Caton et al., 2005). According to a 2004 study of people released from New York state prisons to New York City, 11.4% of individuals released became homeless within two years, and use of emergency shelter was a predictor of recidivism (Metraux & Culhame, 2004). In NJ's 2015 Annual Homelessness Assessment Report (AHAR), 1,640 individuals (9% of homeless households included in the report) identified the primary contributing factor to their homelessness as their release from prison or jail.

In order to assist in the State's goals of preventing and reducing homelessness and recidivism, applications will receive points for projects that will serve the re-entry population.

- Applicant has experience in serving special needs and/or re-entry populations
- Applicant is a non-profit
- Application includes service plan detailing how services will be provided on a voluntary basis to targeted special needs population (by applicant or by partner in formal Memorandum of Understanding)
- 100% of units will serve re-entry population

**The extent to which application makes use of non-federal funding sources.** While projects may apply for up to 100% of financing from the NHTF funds, applications will receive points (maximum of 6 out of 100) for projects that include evidence of leverage from other non-federal sources.

**Other Criteria.** Based on the size of the NHTF allocation, the State's priority for serving people with special needs in community-integrated housing in high opportunity areas, and the priority for timely development, applications will receive points (maximum of 15 out of 100) based on the following criteria:

- Project provides extended affordability controls beyond the initial 30 years
- Project will contain no more than 4 units
- Project will be acquisition and moderate rehabilitation

**Equitable Project Distribution**

DCA anticipates awarding at least one project in the northern part of the State and one project in the southern part of the State. Although the entire State is eligible, DCA reserves the right to distribute projects equitably throughout the State regardless of score.

**See National Housing Trust Fund Scoring Sheet at the end of this document for more details on scoring categories.**

**1. RFP Workshop with Eligible Applicants**

After publishing a Request for Proposals, the DCA staff will conduct a RFP workshop with eligible applicants. The purpose of the workshop will be to provide the background information and program requirements applicants will need to prepare a proposal.

The technical workshop will cover the following topics:

- Development priorities for the National Housing Trust Fund Program.
- An overview of DCA's program standards, application process and requirements, project requirements and approval process.
- An overview of applicable federal regulations.

**DCA Program Standards and Application Requirements**

DCA will detail project requirements that must be met for a project to be eligible for the program. These requirements include the following project eligibility criteria:

- Activity Type (Reconstruction, Renovation, New Construction)
- Scale of Projects (4 NHTF units or less per project)
- Site Control of prospective properties
- 30 year Affordability Period
- Eligible Applicants
- Financing Structure (construction loan, first mortgage, second mortgage, other funding).

**NHTF Requirements**

During the technical workshop with EA, the following topics will be discussed:

- Eligible NHTF housing related activities and the methods for qualifying these activities
- Eligible NHTF costs, income targeting, and affordability requirements
- Federal or State requirements, if and when they are triggered

**Federal Requirements**

There are numerous requirements that apply to projects being proposed for funding. EA's should be aware of the following requirements, as they may have budgetary implications which impact project funding. These requirements, if not addressed at the outset of a project, can render the project completely ineligible for funding.

In addition to the qualifying criteria and the NHTF program requirements, all projects funded under NHTF must also meet a number of other requirements including, but limited to:

- Environmental Review
- Lead-Based Paint
- Section 3
- Affirmative Marketing
- Choice Limiting Activities

### Environmental Review

DCA staff will ensure that an Environmental Review is conducted as a condition of entering into a NHTF Grant/Loan agreement with the EA. According to DCA policy, the following steps must be taken in conducting an Environmental Review:

A summary of the steps required for environmental review for the typical NHTF project includes:

1. Establish Environmental Review Record
2. Determine level of review required
3. Complete Environmental Assessment (EA) (or other applicable review format)
4. The EA substantiates compliance with all requirements established in the Environmental Assessment (if any exist)
5. Receive "Notice to Proceed" from the Department
6. Start construction phase of the project

Note: This process assumes a full ER is required. The Department may except neighborhood wide Tier I assessments that can be used for some single family projects (1–4 residential dwelling units.) As a result, completion of a Tier II and statutory checklist, along with clearance from the State Office of Historic Preservation may be all that is required to comply with federal environmental requirements.

For the purposes of the ER, the State of New Jersey, in the form of the Department of Community Affairs is the "responsible entity" (RE) referred to in 24 CFR Part 58. In this capacity, they are responsible for ensuring that the environmental review process is satisfied before NHTF funds are committed.

Agencies receiving funding must comply with all requirements of the National Environmental Policy Act of 1969 (A). Prior to the acquisition of a property, the EA must request an environmental review from a licensed environmental consultant and comply with all requirements of the completed review before taking any choice-limiting actions.

### Lead Based Paint Requirements

Projects that involve rehabilitation of properties built before 1978, must obtain a "lead-free" certification from a licensed lead evaluation firm.

A "Lead-free" certificate documents that there is no lead-based paint on any surface within a building, dwelling unit, or common area.

Requirements vary depending on the type of work performed and the level of subsidy being provided. In any event, failure to adequately plan for lead compliance can cause significant cost overruns and/or delays in project development.

At the conclusion of an abatement job, the abatement contractor files an Abatement Certification which goes to the Construction Code Official for the lead abatement permit file. This document states that the lead abatement scope of work on file with the permit office was completed.

### Section 3

DCA staff needs to ensure that the EA is meeting Section 3 requirements for NHTF projects. Section 3 of

the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, opportunities for training and employment arising from HUD funded programs will be provided to low/very low-income persons residing in Public housing or area in which a HUD-assisted project exist. Also, to the greatest extent feasible, contracts for work of all types to be performed in connection with HUD funded programs will be awarded to Section 3 businesses. EAs are required to track and report Section 3 employment data, and submit any documentation, as required, to DCA.

#### Affirmative Marketing

The proposal must include a plan to affirmatively market the units to households least likely to apply for occupancy, including persons with disabilities, hearing or visual impairments. DCA staff will review the affirmative marketing plan to ensure that it meets the following elements required by the NHTF

Program:

- All affordable housing must be listed on the NJ Housing Resource Center <https://www.nj.gov/njhrc/>
- Methods for informing the public, renters, and potential tenants about fair housing laws and the EA's policies (for example, the use of the Fair Housing logo, or equal opportunity language);
- A description of the actions the EA shall perform in order to affirmatively market housing assisted with NHTF funds in addition the maintenance of records that document the actions taken in this marketing effort;
- A description of what actions EA's shall perform to inform persons not likely to apply for housing without special outreach, and the maintenance of records that document the actions taken in this marketing effort with a particular focus on those households earning 30% or less than the median income; and
- A description of how efforts will be assessed and what corrective actions will be taken where requirements are not met, and the maintenance of records that document an assessment of the effectiveness of the marketing effort.

#### Choice Limiting Activities

As of the application date for NHTF funding, the EA cannot engage in any choice-limiting activities prior to environmental clearance and issuance of a Notice to Proceed.

Choice-limiting activities include, but are not limited to, the following:

- Acquisition of land, except through the use of an option agreement, regardless of funding source;
- Closing on loans including loans for interim financing
- Signing a construction contract
- Any construction activity

This regulation extends to the use of all funds being utilized for the same project, regardless of whether those funds are public or private.

## **2. Request for Proposals**

The Request for Proposals (RFP) for NHTF projects will be posted on the DCA website. The DCA requires that applicants follow a uniform format in submitting proposals. The application must be submitted via the Department of Community Affairs' System for Administering Grants Electronically (SAGE). **Two (2) copies of the attachments will be submitted by hard copy under separate cover.**

Applications will be accepted by the posted application deadline. DCA is authorized to approve an application consistent with program policy guidelines using selection criteria, such as, but not limited to the following:

- Information about the EA and the personnel who will oversee construction.
- Information about the development.
- Information about the site and the ability of the EA to develop on the site.
- Information about the properties being developed, plans and specifications, the contractor (if known), and the construction proposal.
- How the proposal relates to the existing neighborhood.
- A marketing plan describing how the units will be advertised and rented.
- A project schedule showing that the property will be developed within the allowable time period.
- A project budget, including an operating pro forma.

**3. *Vetting of RFP Responses***

Staff from DCA will review each application based mainly on the following factors:

- Organizational capacity and strength of the development team
- Intent to further the State's commitment to the development of affordable housing in areas of high opportunity
- Population served
- NHTF project financing spreadsheet
- Projects ability to meet all program requirements

Although there may be only one organization acting as an applicant, DCA strongly encourages EAs to take a "Development Team Approach" in applying for and administering NHTF funds. The DCA prefers that EA demonstrate that they have assembled a Development Team with sufficient experience and expertise to undertake and successfully complete the planned activities in a timely manner as described in the Application. DCA will require documentation that outlines the roles and responsibilities of key team members to implement a NHTF project.

A successful Development Team has the ability to successfully manage and complete the following:

- Site control and acquisition
- Specification development (Bid Specification - Development Documents)
- Contractor procurement, vetting, and selection
- Construction management and oversight, including inspections and draw request verification
- Funds management and compliance
- Working knowledge of Federal and State housing production regulations
- Marketing directed to the NHTF eligible tenant
- Financial structuring
- Monitoring for ongoing compliance

#### **4. Intake and Review of Applications**

To be eligible, the application must meet a number of requirements as described below. If the application does not meet all the requirements in these three categories, the application will not move forward. Successful applications must include the following:

- NHTF Program Requirements. The NHTF program specifies requirements relating the use of funds, amount of funding per unit, unit rents and other aspects related to the development renting of the units.
- Other Requirements. There are also requirements relating to work standards environmental review, and other concerns.
- Qualifying Criteria. Each project must meet the threshold criteria prior to being considered for funding.

#### **5. Review Proposal for Threshold Criteria**

An application must meet the threshold criteria noted on Page 1, in order for the review process to move forward. If the project does not meet these criteria, DCA will reject the application and discontinue additional review.

#### **6. Notification to EA of Not Meeting Threshold**

If an application is received that is not complete or does not meet program the threshold requirements, DCA will notify the EA in writing.

#### **7. Applications Meeting Threshold Requirements Move to Underwriting**

DCA staff will conduct a preliminary underwriting review, assess the EA's capacity and fiscal soundness, and examine neighborhood market conditions to ensure there is an adequate market for the project.

#### **8. Review and Underwriting**

DCA staff will ensure that the project is financially feasible via underwriting standards.

For DCA to effectively underwrite the NHTF projects the EA must submit information that enables analysis of the following to be assessed:

- Borrower risk (capacity of EA, liquidity, creditworthiness, collateral)
- Project risk (financial feasibility, viability, sustainability)
- Compliance analysis (cost reasonableness and regulatory compliance)
- Located in a strategic neighborhood of "high opportunity".

#### Organizational Capacity Assessment

DCA will assess the capacity of each EA to manage funds and housing projects. This assessment will be based on a number of factors including, but not limited to the EA's demonstrated proficiency and ability to quickly and efficiently achieve housing objectives thru programs such as CDBG, HOME, NSP and NEP. DCA has sole discretion to determine whether each organization's experience managing housing projects qualifies them to be awarded NHTF funds.

#### Eligible Properties

The following term is the applicable definition of "vacant" that DCA intends to use with the NHTF Program:



State of New Jersey - National Housing Trust Fund Program Guidelines:

**Vacant:** A structure that is not occupied at the time of application (except homeownership units which are currently on the market for-sale) and remains vacant until a “Notice to Proceed” is issued by the DCA. The EA is responsible for providing evidence that the property was not occupied prior to the application.

Eligible Activity

DCA staff will review applications to determine whether the proposed project is an eligible activity under the NHTF Program. Eligible activities include acquisition and new construction, reconstruction, or renovation of affordable rental housing.

Forms of Assistance

DCA staff will review applications to determine if the form of assistance requested is consistent with program requirements. NHTF funding will be in the form of a thirty (30) year zero-percent non-amortizing loan.

Eligible Costs

DCA staff will review applications and identify potential eligible costs. Eligible costs include hard costs, soft costs, and developer fees as outlined in the “Eligible Costs” table below. NHTF funds can also be used to cover a lease up reserve, if the reserve meets the requirements listed in the following table. Any costs proposed in the application that are not eligible under NHTF must be covered by another source.

<b>Eligible Costs</b>	
<p><b>Hard Costs</b></p> <ul style="list-style-type: none"> <li>• Acquisition of land (for a specific project) and existing structures</li> <li>• Site preparations or improvements, including demolition</li> <li>• Securing of buildings</li> <li>• Construction materials and labor</li> <li>• Builder’s overhead, profit and general conditions</li> <li>• Builder’s risk insurance</li> <li>• Permit fees</li> </ul>	<p><b>Requirements for Lease Up Reserves</b></p> <ul style="list-style-type: none"> <li>• This reserve is meant to meet any shortfall in project income during the project rent-up period.</li> <li>• The reserve cannot exceed 3 months.</li> <li>• The reserve can be used only for project operating expenses, scheduled payments to replacement reserves and debt service.</li> </ul>
<p><b>Soft Costs</b></p> <ul style="list-style-type: none"> <li>• Financing fees</li> <li>• Specification writing</li> <li>• Title binders and insurance</li> <li>• Surety fees</li> <li>• Recordation fees and transaction taxes</li> <li>• Legal and accounting fees, &amp; cost certification</li> <li>• Appraisals</li> <li>• Construction period holding costs (insurance, property taxes, utilities, maintenance)</li> <li>• Architectural/engineering fees, including specifications and job progress inspections</li> <li>• Environmental reviews</li> <li>• Builders’ or developers’ fees</li> <li>• Affirmative marketing, initial leasing and marketing costs</li> <li>• Real estate commissions</li> <li>• Lease up reserve</li> </ul>	

Ineligible Costs

- Project reserve accounts
- Development, operations or modernization of public housing
- Project or tenant based rental assistance
- Payment of delinquent taxes, fees, fines or charges

#### Underwriting/Subsidy Analysis

DCA staff will review the NHTF subsidy layering of the project to ensure that the project is not “over-subsidized”. The project subsidy “gap” will be determined by subtracting other sources of funding from total development cost.

To complete this analysis, DCA staff will follow NHTF Program subsidy guidelines. In most cases, the staff review will raise questions or issues that require further clarification. This does not automatically disqualify the application from further review. If the project appears to have merit, DCA staff will contact the proposing EA and request clarification.

#### Determining the per unit NHTF subsidy

DCA staff will review the development budget and project sources and determine the maximum eligible per unit NHTF subsidy as well as the maximum eligible total project NHTF subsidy. The Maximum Award per application is \$700,000.

#### Property Standards

Projects being developed with NHTF funds must meet all applicable state and local codes, rehabilitation standards, ordinances, etc. The housing must also meet all of the NHTF program specific property standards for Energy Efficiency and HUD CPD Green Building Retrofit requirements as applicable.

NHTF assisted properties must also meet written property standards identified in the National Housing Trust Fund Minimum Housing Rehabilitation Standards. DCA staff will review proposed housing development/rehabilitation plans, specifications and blueprints, etc. for compliance with the NHTF.

#### Expected Useful Life / Rehabilitation Scope

Each building component with a remaining expected useful life of less than the applicable NHTF period of affordability (30 years) shall be considered for replacement, repair or otherwise updated.

- All units must attempt to meet Energy Star
- All units must attempt to meet HUD CPD Green Building Retrofit requirements
- All units must meet DCA NHTF Minimum Housing Rehabilitation Standards
- All units must have Central Air Conditioning
- HVAC units must be replaced - 10 years or older
- H2O Heaters must be replaced - 5 years or older
- Windows and exterior doors must be replaced – 5 years or older or as inspected
- Roofing must be replaced -10 years or older
- Service panels must be replaced if less than 200 amp
- Toilets must be replaced with low flow 1.28 gallon
- All Appliances must be replaced with Energy Star rated
- All door knobs must be replaced with lever type and grab bars are to be installed in all bathrooms.
- All projects must secure an Architect

Rents and Occupancy (assign rents to units)

The NHTF program has rent and occupancy requirements that make the units affordable to extremely low income households. DCA staff will review the application to determine whether the proposed rents are consistent with the NHTF requirements which states that every NHTF-assisted unit is subject to rent limits designed to help make rents affordable to extremely low-income households. These rents are established by HUD and are meant to reflect rental payments plus or minus an allowance for utilities.

Determining Period of Affordability

Affordability period will last for a minimum of thirty (30) years, beginning on the first day of the month after the date of the certificate of occupancy.

**9. Verify Sources of Funding, Duplication of Benefits, and Other Federal Cross Cutting Regulation**

DCA staff will verify all sources of project funding are committed and any contingencies identified and verify that all Program and Federal requirements will be addressed.

**10. Conduct Site Visit**

DCA staff will conduct a site visit with a particular focus on analyzing the immediate project, neighborhood market conditions and support for the development of the proposed units. It is also important to determine that the physical and social conditions in the immediate neighborhood, neighborhoods with high levels of abandonment or disinvestment are not good candidates for NHTF housing development activities.

**11. Rank Proposals and Make Recommendations**

Applications that meet all of the program requirements will be ranked according to the scoring guidelines. If scoring is a tie, the first tie breaker will be the lesser amount of NHTF subsidy per bedroom, the second tie breaker will be the lesser amount of total development cost per unit.

Once all projects have been underwritten and scored, DCA staff will make funding recommendations to senior staff. The Commissioner of DCA has the final approval.

However, as noted previously, DCA anticipates awarding at least one project in the northern part of the State and one project in the southern part of the State. Although the entire State is eligible, DCA reserves the right to distribute projects equitably throughout the state regardless of score.

**12. Decision on Project Funding**

It is anticipated that funding decisions will be made within 2 months of application deadline. The EAs of all applications, whether or not their application is recommended for NHTF funding, will be sent a letter notifying them of that decision.

**13. Issue Letter of Conditional Approval**

This letter informs the EA that funding has been approved for the project conditionally / contingent upon meeting specific requirements necessary to comply with federal, state and local rules. Typical conditions may include:

- Changes to project design or financing that are required in order to comply with applicable rules and regulations.
- Prohibition against making any other changes to the approved project without the prior

approval of the DCA staff.

- Requirement to not start construction until the appropriate environmental review has been completed, reviewed and approved by the DCA staff.
- Summary of other federal requirements that must be met during construction such as lead-paint safety and other OSHA regulations.

**14. Execute Funding Agreement with EA**

Grant/Loan agreements will be developed by DCA's staff and executed by all parties. Funding agreements will include all the stipulations contained within the conditional approval letter which shall incorporate all program requirements directly or by reference.

**15. Complete Environmental Review Process for Each Project**

DCA will determine the level of environmental review required to be completed by the EA. The EA will submit to DCA the completed review for their approval. If environmental review is satisfactory DCA will schedule a pre-construction conference with the EA. If the review is not acceptable to DCA, DCA will outline the deficiencies and allow the EA time to correct the review. If there are environmental issues which cannot be successfully addressed, at their sole discretion, DCA may void the Agreement and reallocate the funds.

**16. Pre-construction conference**

Before construction starts, DCA staff will conduct a pre-construction conference and require that all parties involved in the construction attend. The meeting will include an orientation to the NHTF requirements

The pre-construction conference, at a minimum, will accomplish the following objectives:

- Communicate the goals of the project to all team members to assure that everyone is clear on his or her role and responsibilities to the project.
- Identify deadlines and critical phases of the project.
- Review the overall schedule and work plan.
- Explain basic operating procedures, including reports, meetings and other ongoing communications required between the members of the construction team.
- Discuss all program requirements
- Discuss security and legal documents
- Discuss process for applying for payment

At the successful completion of the preconstruction conference DCA will issue a "Notice to Proceed" to the EA.

However, before construction can begin the EA must present to DCA, in the form provided by DCA, a list of the contractors for the project. DCA will check all contractors, subcontractors, lower-tier contractors and the EA against the State of New Jersey Consolidated Debarment report, <http://www.state.nj.us/treasury/revenue/debarment/index.shtml>, Prevailing Wage Debarment List, [http://lwd.dol.state.nj.us/labor/wagehour/wagerate/prevailing\\_wage\\_debarment\\_list.html](http://lwd.dol.state.nj.us/labor/wagehour/wagerate/prevailing_wage_debarment_list.html), and the System for Award Management (SAM) <https://www.sam.gov/portal/SAM> that list debarred, suspended and ineligible contractors. NHTF funds may not be used directly or indirectly to employ, award contracts

or otherwise engage the services of any contractor during a period of debarment, suspension or placement of ineligibility status.

**17. Execution of Security Documents**

Prior to the disbursement of any NHTF funds, at a minimum, the following documents must be executed, recorded if necessary, and filed with DCA. DCA will provide EA with drafts of any required documents:

- Mortgage Note
- Mortgage
- Deed Restriction
- Drawdown Schedule

The EA must also provide a Title Insurance Policy, deemed acceptable to DCA, insuring DCA in the amount of the NHTF mortgage. The EA must also submit proof of Property and Liability insurance coverage, naming DCA as additionally insured.

**18. EA to Submit Draw Requests with Documentation**

As noted previously the EA will execute a drawdown schedule outlining predetermined draws. **All payments will be on a reimbursement basis.** The supporting documentation for each draw must match or exceed the amount of each payment being requested. DCA staff and the EA will develop a construction draw schedule that establishes the frequency, procedures and documentation required for each draw.

If NHTF funds that are being requested for acquisition the following also will apply:

Appraisal Requirements

The National Housing Trust Fund requires that properties acquired using program funding be purchased at a price that is not in excess of the current market value as determined by a fee appraisal performed within 90 days of the acquisition date (exceptions to this policy will be granted on case-by-case basis). DCA will require documentation to ensure that this requirement is being met by requiring a copy of the fee appraisal for each property to be acquired using NHTF funds.

**19. Managing Construction and Reimbursements**

The EA will be responsible for the administration of the construction contract. The EA will execute all documents necessary to acquire the property, manage all construction contracts, and insure that all required permits are obtained. The EA along with a licensed NJ Architect will inspect the construction and make decisions on the quality of work and approve all construction payments. All requests for payment from the EA for construction must be in the form of an AIA form, notarized, signed/dated by the contractor and the architect.

**20. Change Orders**

The DCA recognizes that changes in a development may occur. DCA does not require submission of change orders as long as the total contract cost does not exceed the contract amount (including construction contingencies). Should change orders be required that will necessitate additional funding, NO approval is to be given by the EA without prior DCA approval. Costs overruns without prior approval may be rejected for payment.

Any change to the original amount of NHTF assistance must be reflected by an Amended NHTF Grant /Loan Agreement. **No payment of NHTF funds will be made on change orders that have not been approved in advance.**

The change order process provides flexibility and allows all parties to respond to unforeseen conditions, and problems that arise. It is also a way to document any revisions to the original project plans and specifications.

**21. Conduct On-Site Inspections**

DCA staff or their designee will ensure that on-site monitoring occurs during the construction period. The purpose of monitoring is to keep the project team working toward the final deadline within the budget and in line with the goals of the project.

- Formal monitoring consists of scheduled on-site visits, as well as unscheduled visits to the site, and regular communication with the, EA, architect and contractor.

**22. Draw Review**

The DCA staff or their designee will review payment requests from the EA. All payment requests must be made through the SAGE system. The review process will confirm that the contractor and subcontractors are receiving appropriate payment for completed work and that they are not being overpaid, nor being compensated for unfinished work.

A 10% retainage of the total NHTF award will be held back until at the end of the project and until all required documentation is received and approved by DCA as outlined in the Drawdown Schedule, Grant Agreement and Close out list.

**23. Final Inspection and close out requirements**

DCA staff or their designee will conduct a final inspection upon receipt of a notice of substantial completion from the EA. Final inspections will be made by state and local health, code and safety inspectors, as applicable. DCA will also provide EA with a comprehensive list of all required documentation which must be submitted and approved prior to the release of the final payment and project close out.

**24. Occupancy and Leasing of NHTF units**

To complete a National Housing Trust Fund unit, the unit must meet the NHTF objective. For the NHTF Program, that means that the unit must be rented to an income eligible household as defined by HUD.

Marketing

The essential requirement regarding marketing is demonstrating that properties are marketed openly and fairly among the eligible population of potential tenants. At a minimum all units are required to be marketed on HMFA's Housing Resource Center website.

To ensure access to persons whose first language is not English, all-funded housing shall be marketed in English and Spanish as well as the other applicable foreign languages spoken where the project is located, if applicable.

Determination of Project Based Assistance Vouchers eligibility:

The local NJDCA County Section 8 field office will be tasked with certifying NHTF tenants and issuing Project Based Assistance vouchers.

Applications and Income Certification

An eligible renter must have a household income at or below the extremely-low limits as defined by HUD. Annual gross household income cannot exceed thirty (30%) of the average median income for the locality as defined by 24 CFR Part 5, adjusted for family size.

**25. Final Close Out**

Upon receipt and approval of all required close out documents DCA staff will confirm that the National Objective of the NHTF program has been met, all required documentation has been received and the project is eligible for the final payment.

**26. Occupancy and Long Term Program Monitoring Requirements.**

Upon the release of the final payment and close out of the NHTF project DCA will provide the EA with a "Compliance Booklet" outlining the requirements for the continued occupancy of the units and the annual reporting requirements of the NHTF program. These requirements will remain in effect for the full term of the affordability period.

State of New Jersey - National Housing Trust Fund Program Guidelines:

SCORING SHEET FOR THE NATIONAL HOUSING TRUST FUND PROGRAM							TOP RATING	SELF SCORE
<b>1. Priority based upon geographic diversity:</b>								
Municipal Labor Force Unemployment rate is below <b>10%</b>							2	
Municipality has received a Smart Growth or Town Center Designation							2	
Municipal Poverty Level (choose only one category):								
• 0% - 6% of the families in the municipality are below the poverty level							10	
• 7% - 12% of the families in the municipality are below the poverty level							6	
• 13% - 18% of the families in the municipality are below the poverty level							3	
• 19% - 25% of the families in the municipality are below the poverty level							1	
High school graduation rate is above <b>85%</b>							3	
Municipal vacancy rate is below <b>7%</b>							4	
Municipality is NOT on State Urban Aid list							4	
Percentage of Homeownership (Owner Occupied Units) in the Census Tract is above <b>70%</b>							4	
Public transportation, shopping, medical facilities, and other amenities are easily accessible within 2 miles							2	
<b>TOTAL</b>							<b>(Maximum 31 points)</b>	
<b>2. Applicant's ability to obligate NHTF funds and undertake eligible activities in a timely fashion:</b>								
Applicant has experience in developing affordable housing (choose only one category):								
• Applicant has 5 years or more of experience							5	
• Applicant has less than 5 years of experience							3	
Applicant has demonstrated financial ability to develop the project							3	
Applicant has experience with DCA and has demonstrated the following:								
• Achieved prior grant/loan objectives within the established time frame.							2	
• Expended previous grant awards in a timely fashion to achieve project goal							2	
• Submitted accurate and timely prior performance and financial reports							2	
The applicant has no loan findings or other issues with DCA							2	
The project meets program requirements, budget is feasible and timeline is achievable							10	
<b>TOTAL</b>							<b>(Maximum 26 points)</b>	
<b>3. The merits of the application in meeting the State's priority housing needs (please describe):</b>								
Applicant has experience in serving special needs populations (choose only one category):								
• Applicant has five years or more of experience							5	
• Applicant has less than five years of experience							3	
Applicant is a non-profit							2	
Application includes service plan detailing how services will be provided on a voluntary basis to targeted special needs population (by applicant or by partner in formal Memorandum of Understanding)							5	
100% of units will serve re-entry population							10	
<b>TOTAL</b>							<b>(Maximum 22 points)</b>	
<b>4. The extent to which application makes use of non-federal funding sources :</b>								
Percentage of Matching Funds (choose only one category):								
• 5% - 10% of Total Development Cost from non-NHTF source							2	
• 11% - 20% of Total Development Cost from non-NHTF source							4	
• More than 20% of Total Development Cost from non-NHTF source							6	
<b>TOTAL</b>							<b>(Maximum 6 points)</b>	
<b>5. Other Criteria:</b>								
Project provides extended affordability controls beyond the initial 30 years							3	
Project will contain no more than 4 units in total							8	
Project will be acquisition and moderate rehabilitation							4	
<b>TOTAL</b>							<b>(Maximum 15 points)</b>	
<b>GRAND TOTAL</b>							<b>(Maximum 100 points)</b>	
All information for Section 3 (Neighborhood Criteria) must be derived from <a href="http://njgin.state.nj.us/OIT_BusinessMap2/">http://njgin.state.nj.us/OIT_BusinessMap2/</a> using General and Census Data Results for 2010								