

2018 Piggyback Program

NOTICE OF FUNDING AVAILABILITY SEMINAR
FEBRUARY 15, 2018



Agenda

Welcome

Introductions

2018 Piggyback Program

- Program Overview
- Application Overview
- Question/Answers

Adjourn

Overview

- Developed in response to March/August 2016 flooding
- Amount available to fund: \$33,850,000
- HUD CDBG-DR 'piggybacks' on 4% Low Income Housing Tax Credits/Bond-financed construction/construction-perm debt.

Initial Funding Round

- Application deadline March 16th by 4:00 pm CST
- Applications must be complete or have resolved deficiencies as required by LHC
- Requirements of the NOFA and QAP must be met; NOFA takes precedence in conflicts.
- We expect to fund between 6 to 12 deals.

Objectives

- Create or preserve multifamily rental units primarily using:
 - 1st mortgages
 - CDBG-DR funds (structured as soft first or second mortgages), and
 - Equity from the sale of Low Income Housing Tax Credits (LIHTC's), in 4% transactions with Bond financing.

Eligible Components

- Developments must be located in one of the 51 FEMA Disaster Declared Parishes
- Eligible applicants will be LIHTC single asset entity limited partnerships
 - General Partners of these LPs may be for- or non-profit entities or PHAs.
- Eligible CDBG Costs
 - Land acquisition and rehab or repair costs
 - Hard costs of new construction
 - Related soft costs

Ineligible Components

➤ Ineligible Properties

- Properties not qualifying for an award of LIHTCs
- Not structured as a single asset entity (SAE)
- Properties deemed not feasible or viable by LHC
- Not located in one of the 51 FEMA Disaster Declared Parishes
- Properties failing to submit a complete and fully responsive application
- Lease to Own properties

➤ Ineligible Costs

- Payments to a seller in excess of existing debt
- Costs not directly related to applicable program objective
- Unreasonable costs

Ineligible Applicants

- Any person or entity or an organization representing such person or entity on the federal debarred list.
- Any person or entity (or affiliate) currently out of compliance with LHC and/or Louisiana Office of Community Development – Disaster Recovery Unit (OCD-DRU) regarding annual audits, in arrears on payments, etc.
- Any person or entity currently with a LHC/OCD-DRU financed project that is out of compliance with unresolved issues greater than 90 days.

Maximum Amount of Loan/Grant

- No CDBG-DR award may exceed the lesser of \$100,000 per unit, or \$6,000,000 for projects of greater than 60 units.
- NOTE: Applicants are discouraged from requesting high CDBG-DR amounts compared to TDC through scoring criteria (see NOFA §2.1, CDBG-DR Efficiency).

Set Aside Requirements

➤ MUST

- Eligible projects set aside no fewer than 5% of units as PSH. See QAP Scoring.
- No fewer than 40% of units at or below 60% of AMI,
- OR no fewer than 20% of units at or below 50% of AMI.
- At least 51% of the units must be at or below 80% of AMI.

➤ MAY (additional points)

- Deconcentration (40% - 60% of units above 60% AMI)
- Additional PSH (Up to 10% PSH)
- Incremental Affordability ($\geq 1:3$ ratio of 50% to 60% units)

✓ Note: All set-asides apply for 35 years (term of CDBG Note)

Financing Terms

- 1st or 2nd position

- Repayable from 50% of Surplus Cash with the balance due at term, in thirty-five (35) years.

- The CDBG-DR Gap Financing loan will be at 0% interest.

- The developer may request 1% interest, or interest at the AFR
 - Permitted only if the projected balance at underwriting is to be less than 80% of residual value at Year 35 (based on interest accrual and repayments from projected Surplus Cash).

- Loans will become due upon the earlier of
 - (a) maturity at 35 years;
 - (b) sale or refinancing of the property (unless LHC resubordinates); or
 - (c) acceleration as the result of material noncompliance with the terms of the loan.

Surplus Cash

- Audited annual financial statements will be required and include a Surplus Cash computation as defined by LHC and as established in the Loan Agreement.

- If Surplus Cash is positive, it would be distributed in the following order of priority:
 1. One-half toward the CDBG-DR Gap Financing Loan.
 2. Any remaining amount to the borrower

Developer Fee

- 30% of the Non-Deferred Portion of Developer Fee is paid out at closing.
- 30% of the Non-Deferred Portion of Developer Fee is paid out at the time of construction completion.
- Remaining 40% disbursed from the final draw.

Replacement Reserve Deposit Requirements

- The Program will require an initial deposit (from development sources) of \$1,000 per unit, and
- An Annual Deposit to the Replacement Reserve of \$600 per unit, inflated by 2% annually.

Pools

Mixed Income Pool	General Pool
\$10 Million	\$23.85 Million
<ul style="list-style-type: none">• Projects that elect points under QAP Scoring Criterion I.A (Deconcentration Projects) will automatically compete in the Mixed Income Pool.• To be eligible for this pool, at least 40% of the units and up to 60% of the units must not be low-income units.• In no case may more than 49% of units be unrestricted, or restricted above 80% of AMI	<ul style="list-style-type: none">• Projects that <u>do not</u> elect points under QAP Scoring Criterion I.A.• Eligible for the General Pool• No points will be awarded for QAP Scoring Criterion I.A.

NOFA Fees

Application Fees

1-4 units	\$100
5-32 units	\$1,000
33-60 units	\$1,500
61-100 units	\$2,500
Over 100 units	\$5,000

Reprocessing Fee

1-4 units	\$50
5-32 units	\$500
33-60 units	\$750
61-100 units	\$1,250
Over 100 units	\$2,500

Analysis Fees

1-4 units	\$100
5-32 units	\$1,000
33-60 units	\$1,500
61-100 units	\$2,500
Over 100 units	\$5,000

Market Study Fees

Market Study Fee	\$4,500
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NOFA Fees (Do not need to be sent in with NOFA application)

Credit Award

5% of Credit Reserved

Annual C&M Fee

Per Unit \$20

Return/Reallocated

5-16 units \$80

5% of Reallocated Credits

17-32 units \$160

Over 33 units Min. \$5.00 per unit

Subsidy Layering/PIS cost

Subsidy Layering Review 1/4 Analysis Fee

PIS Review \$250

Fees - Subject to confirmation that the following fees are consistent with provisions of Louisiana law, the fees described below shall apply:

Annual Compliance/Monitoring Fee Per unit \$40

Scoring Criteria

- NOFA Score relies on 2017 QAP scoring criteria and serves as the basic scoring framework.
- Additional NOFA Points are added to the QAP score.
- Total Score, for award or non-award: Based on the combined total of the above.

Additional NOFA Scoring Points

CDBG-DR Efficiency

CDBG-DR funds relative to total developmental costs. Projects will earn points based on the ratio.

HUD Most Impacted Parish

Any property located in a HUD Most-Impacted Parish will be automatically awarded five additional points.

Rent Burdened Parish

Three additional points for projects in specified parishes.

Incremental Affordability

Every three units = 60%, at least one unit = 50%. Incremental Affordability = additional four scoring points.

Additional 5% PSH

Furthermore, projects may agree to set aside at least ten percent (10%) of units as PSH (i.e., 5% in addition to the required 5%), and doing so will earn three additional scoring points.

Non Scattered Site Vacant Properties

Any non-scattered site property which is 100% unoccupied as of the date of the NOFA will be awarded three additional scoring points.

HUD Most Impacted Parishes

The following ten (10) Parishes have been designated as HUD Most-Impacted Parishes:

Acadia

Ascension

East Baton Rouge

Lafayette

Livingston

Ouachita

St. Tammany

Tangipahoa

Vermilion

Washington

Rent Burdened Parishes

Rent Burdened parishes for purposes of this NOFA, are listed below:

Bienville

Lincoln

Claiborne

Madison

DeSoto

Natchitoches

East Carroll

St. Landry

East Baton Rouge

St. Helena

Evangeline

Calculation of Efficiency Score

- Example 1 (TDC compared to CDBG-DR request):

TDC = \$12.3M

CDBG request = \$5.56M

a) \$12.3M TDC; \$5.56M Gap Financing Loan Request

b) $\$12.3M - \$5.56M = \$6.74M \div \$12.3M = .5480$

c) $.5480 \times 20 = 10.95$ points, rounded to 11 points.

- Example 2 (Less CDBG-DR compared to TDC):

TDC = \$12.3M

CDBG request = \$1.85M

a) \$12.3M TDC; \$1.85M Gap Financing Loan Request

b) $\$12.3M - \$1.85M = \$10.45M \div \$12.3M = .8496$

c) $.8496 \times 20 = 16.99$ points, rounded up to 17 points

Program Timelines

Notice of Funding Availability (NOFA) Issued and Application Period Opened	December 15
Deadline for Questions <i>(submit to disasterrecovery@lhc.la.gov)</i>	January 12
FAQ's Published	January 19
Application Deadline	March 16
Award of Applications	May 9

2018 Piggyback Addendums to Notice of Funding Availability

Addendum No. 1

- Section 6.2, Requirements and Order of Submission, page 24
- Section 8.1, Examples of Deconcentration Projects, page 28

Addendum No. 2

- Section 5.5, Payment of Developer Fee, page 19

Addendum No. 3

- Section 1.9, Funds Available and Maximum Funding, page 7
- Section 2.7, QAP Scoring, page 12

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Question/Answer Period

