

# LOUISIANA HOUSING CORPORATION

## Nonprofit Open Cycle Affordable Housing Program

RELEASE DATE: January 4, 2017

The Louisiana Housing Corporation (LHC, Corporation, or Agency) hereby initiates this Nonprofit Open Cycle Affordable Housing Program (NOAH) for the preliminary commitment of at least four million dollars of HOME Investment Partnership Program Funds (HOME Funds).

Under NOAH the LHC will receive applications for new small housing development projects from experienced non-profit housing development organizations on an open noncompetitive basis. No less than **four million dollars** will be made available through the NOAH Program with a maximum award of to any one project of up to four hundred thousand **dollars**. Applications will be processed and awards made until the funds are exhausted. Projects will be considered on a first come first served basis with "first come" being defined as a complete application inclusive of information necessary for LHC staff to accurately underwrite the project. This may include information not listed in the original packet which is identified during review. Potential applicants (such as community housing development organization (CHDO's), nonprofit organizations, community development corporations (CDC's), etc.) are strongly encouraged to discuss project proposals with LHC staff in order to ensure that they are in furtherance LHC goals. The LHC reserves the sole right to approve or reject any and all applications on such basis as it deems to be in its best interest.

### Eligible Applicants

To qualify for assistance under the program a housing development organization will have to:

1. Be organized under State law;
2. Be domiciled in Louisiana;
3. Be free to contract for goods and services from vendors of its own choosing;
4. Be neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization;
5. Have a tax exemption ruling from the United States Department of the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 (26 CFR 1.501(c)(3)-1 or 1.501(c)(4)-1));
6. Have standards of financial accountability that conform to 24 CFR 84.21, "Standards for Financial Management Systems";

7. Have been in operation for at least one year prior to applying;
8. Have an established service area where it has done work for at least one year;
9. Have at least six board members;
10. Hold at least semi-annual board meetings;
11. Hold all board meetings in the project service area;
12. Have previously developed projects that are consistent in size and scope to the one proposed, has development team members with relevant experience or has contracted with a consultant with the required experience.
13. Have not more than two projects that at the time of application do not meet the definition of a completed project as defined in this document.

#### **Required Documentation**

Each applicant for assistance shall provide the following information:

1. Certificate of Incorporation from the Louisiana Secretary of State;
2. Current Articles of Incorporation (including amendments if any);
3. By-Laws;
4. List of board members including current occupation of each member;
5. Listing of previous developments;
6. Complete LHC Rental or Homeownership Application;
7. Appraisal (for homeownership activities only. Must include both a before and as-built value);
8. Market Study;
9. Phase I Environmental Study; and
10. Part 58 Environmental with all required backup (if the applicant elects to undertake the part 58 process).
11. For Rental Applications a current Rate and Tariff sheet must be provided from the providers of the following utilities: Electricity, Natural Gas, Water and Sewer, Garbage.

## **Mandatory Activities & Threshold Requirements Cross Cutting Federal Requirements**

All Applicants shall comply with the following:

1. Environmental clearance;
2. Uniform Residential Requirements as applicable;
3. Feasibility and viability; and
4. Market studies.

### **THRESHOLD REQUIREMENTS**

1. Applicants must provide the required performance bond or provide proof of minimum financial requirements at start of construction.
2. Projects with multiple environmental issues will cause the award of HOME Funds to be canceled.
3. Projects involving the relocation of tenants must include in the application submittal a relocation plan and evidence in the project's Sources and Uses the costs associated with relocation of tenants. Applicants must provide a copy of the HUD required General Information Notice Application package. The budget for relocation must be included in the application and the expected cost must be reasonable.
4. Projects shall prove that water and sewer services will be provided upon completion by submitting the following:
  - a. Letter from the local service provider; or
  - b. Architectural submission.

### **Eligible Projects:**

**Homeownership Development** – Funds may be used to pay eligible costs associated with the development of single family homeownership units. The units may be either new construction or acquisition and rehabilitation of existing vacant units. Project must be small in scope (up to four units) and modest by local standards. The value of the homes produced (appraised value after rehabilitation or new construction) cannot exceed HOME/Housing Trust Fund Sale Price Limit for the year in which the project is originally funded. The homes produced must be sold to an eligible buyer through a fee simple sale within nine months of completion of the construction.

**Rental Development** - Funds may be used to pay eligible costs associated with the development of permanent multifamily housing. The units may be either new construction or involve acquisition with rehabilitation or reconstruction. The project can have up to four units. Units developed with LHC assistance must meet the following affordability requirements:

1. Rent for assisted units must not exceed thirty percent of the adjusted income of a family whose annual income equals or is less than sixty-five percent of the area median income as determined by HUD, adjusted by bedroom size. HUD provides annual HOME rent limits that include average occupancy per bedroom and adjusted income assumptions. For purposes of the NOAH Program, HOME rent limits and requirements will be used for all HOME Funds-assisted units.
2. Project based vouchers (PBV) may be awarded to projects that have one-bedroom units available to serve households in need of permanent supportive housing (PSH). In addition to the unit size the project must be close to public transportation and health care. No more than twenty-five percent of the units in a project can be set aside for PSH PBVs. Projects that request PBVs will be reviewed by the PSH Executive Management Counsel and the with PSH/PBV waiting list to ensure the project is in a location where services are accessible and people in need of PSH want to live.

## **Underwriting Standards:**

### Homeownership

#### **Sale:**

**Sale price** cannot exceed the lesser of the appraised value or the HOME/Housing Trust Fund Sale Price Limit for the year in which the project is originally funded.

**Appraised Value** cannot exceed the HOME/Housing Trust Fund Sale Price Limit for the year in which the project is originally funded.

**Area of Demonstrated Need** – An Area of Demonstrated Need is one that is located in a Qualified Census Tract, has a shortage of standard affordable housing units available for 80% AMI households and meets at least two of the following three criteria:

1. Housing value at or below 50% of the State average. The State Average is currently \$144,100 (2015 ACS 5-Year Estimates, Table B25077)
2. Median Household Income at or below 65% of the State Average. The State Average is currently \$45,047.00 (2015 ACS 5-Year Estimates, Table B19013).
3. A Poverty Rate at or above 1.5 times the state average. The State Average is currently 0.20197615 as computed from Poverty Status in the Past 12 Months By Sex and Age Table B17001 (2015 ACS 5-Year Estimates)

For Areas of Demonstrated Need ONLY the following two definitions apply:

**Areas of Demonstrated Need Development Subsidy** – Funds may be left in the project to provide a development subsidy when the total cost to develop the homes exceeds the lesser of the appraised value or the HOME/Housing Trust Fund Sale Price Limit for the year in which the project is originally

funded. The amount of the development subsidy is the difference between the actual total cost to construct (TDC) and the sale price. For Areas of Demonstrated Need LHC is waving the maximum development subsidy. LHC will allow whatever amount is necessary to produce affordable modest housing. The development subsidy will not exceed the difference between the appraised value and the TDC. HOME funds cannot be used solely for development subsidy without some level of direct subsidy to the home buyer. There must be a minimum of \$1,000 of HOME funds used as direct subsidy to the end beneficiary.

**Construction Financing** -- HOME funds may be requested to provide 100 percent of the construction financing needed for a project. Up to \$40,000 of HOME may be used to assist home buyers in direct subsidy. However, the HUD HOME Final Rule prohibits over-subsidizing a property.

**Development Subsidy** – Funds may be left in the project to provide a development subsidy when the cost to develop the homes exceeds the lesser of the appraised value or the HOME/Housing Trust Fund Sale Price Limit for the year in which the project is originally funded. The amount of the development subsidy is the difference between the actual cost to construct and the sale price. The development subsidy when combined with any homebuyer subsidy cannot exceed forty percent of the sale price. The Development Subsidy alone cannot exceed \$10,000 on any one unit. In the event the development subsidy needed exceeds \$10,000 for a unit, the applicant may use funds from other sources to cover the development subsidy above the \$10,000. HOME funds cannot be used solely for development subsidy without some level of direct subsidy to the home buyer. There must be a minimum of \$1,000 of HOME funds used as direct subsidy to the end beneficiary.

**Fee Simple** The greatest possible estate in land, wherein the owner has the right to use it, exclusively possess it, commit waste upon it, dispose of it by deed or will, and take its fruits. A fee simple represents absolute ownership of land, and therefore the owner may do whatever he or she chooses with the land. If an owner of a fee simple dies intestate, the land will descend to the heirs.

**Minimum Front End Ratio** -- LHC has established a minimum front-end ratio of 20 percent (minimum PITI to gross monthly income cannot be less than 20 percent) to ensure the household is only receiving enough LHC assistance to complete the transaction and is not being over-subsidized. Based on its review, LHC may require the applicant to decrease the amount of LHC assistance and increase the amount of borrowed funds. If the review indicates that the household is being provided housing that is excessive in size or amenities, LHC may also require the applicant to reduce the size and scope of the project to provide more suitable housing as it relates to the household's current needs. **The goal of the HOME program is to assist low-income persons to obtain safe, quality, and affordable housing that meets their basic housing needs.**

**Homebuyer Subsidy** – Funds may be left in the project to provide a homebuyer subsidy when the established sale results in a note to the buyer that exceeds thirty percent of the purchaser adjusted household income. The amount of the homebuyer subsidy may not exceed the actual amount necessary

to bring the note to thirty of household income. The homebuyer subsidy when combined with the development subsidy cannot exceed forty percent of the sale price. Up to \$40,000 of HOME may be used to assist home buyers in direct subsidy. However, the HUD HOME Final Rule prohibits over-subsidizing a property. Therefore, the homebuyer subsidy must not result in a front end ratio that is less than that required by this program.

**Conversion to Rental** – If, for any reason, homeownership units completed under the NOAH Program are not sold to qualified buyers within Nine months they must be converted to permanent rental housing and fully initially leased to eligible renters within eighteen months. Any units that do not meet the deadlines above must repay the LHC assistance provided.

## Rental Development

**Relocation Plan** - Projects involving the rehabilitation of existing occupied rental units must include in the application submittal a relocation plan and evidence in the project's Sources and Uses the costs associated with the relocation of tenants. Applicants must provide a copy of the HUD required General Information Notice in the application package. The budget for relocation must be included in the application and the expected cost must be reasonable.

**Capital Needs Assessment** – For projects involving the renovation/rehabilitation of existing rental units a capital needs assessment must be submitted at the time of application.

An independent, experienced third party must perform the Capital Needs Assessment and this party cannot have a financial interest in ownership of the development (i.e. not a member of the development team). It is required that a licensed professional, such as an engineer/architect, perform the assessment and supply the LHC with their professional opinion of a property's current overall physical condition. This includes the identification of significant deferred maintenance, existing deficiencies, and material building code violations that affect the property's use and its structural or mechanical integrity.

The assessment shall include a site visit and physical inspection of the interior and exterior of units and structures, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment should include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. The assessment should also include recurring probable expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, in order to determine the appropriate replacement reserve deposits on a per unit per year basis.

The following components should be specifically examined in the Capital Needs Assessment:

1. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas, and electric utilities and lines;

2. Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
3. Interiors, including unit and common area finishes (carpeting, vinyl tile, plaster walls, paint condition, etc.), unit kitchen finishes and appliances, unit bathroom finishes and fixtures; and common area lobbies, and corridors;
4. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, and fire protection; and
5. Elevators and/or stair wells (if applicable).

**Debt Coverage Ratio** – Rental projects must have a debt coverage ratio of not less than 1.10 not more than 1.40 for the first position loan.

**Maximum Rents** – For the purposes of the NOAH program HOME rents in effect at application will be considered the maximum allowable rents. The HOME rents are inclusive of utilities. If the utilities are paid by the tenant then a utility allowance must be deducted from the standard HOME rents to reach the maximum allowable rent for the project. As an example if a two broom unit has a HOME Rent limit of seven hundred twenty six dollars and the utility allowance for the unit is one hundred twenty-five dollars the maximum rent allowed would be six hundred one dollars.

**Rate of Increase Assumptions for Revenues and Expenses** -- Revenues may be projected to increase at a rate not in excess of two percent and expenses must be projected to increase at a rate of not less than three percent.

**Reserve for Replacement** – A special reserve to be established for each project from which the costs of replacement and repair of the project is to be funded. For the NOAH program the minimum amount allowed for Reserve for Replacement is three hundred dollars per unit per year. The Reserve for Replacement is based on all units not just assisted units.

**Utility Allowance** – HUD now requires that HOME PJs such as LHC to produce utility allowances for each specific project. The PJ may no longer rely on the utility allowances produced by local housing authorities. As such LHC will allow the use by an applicant of a PHA utility allowance for planning and application purposes only but LHC will produce a utility allowance based on the information provided by the utility companies to the applicant that must be used by all funded projects. The LHC utility allowance will be incorporated into the Regulatory Agreement and other closing documents as appropriate. Applicants must provide rate and tariff sheets and a sample bill provided by each utility that will be providing service to the property. If certain utilities (such as water, sewer and trash pick-up) will be paid by the project then a rate sheet is not required. Additionally, if a project is all electric there is no need to provide a gas rate sheet and sample bill. The sample bill for electricity shall be for 1,000 kWh, for Gas 100 ccf, for water 1,000 gallons. All sample bills must include any taxes and other charges or tariffs assessed.

## **Both Homeownership and Rental Development:**

**Alternative Market Analysis:** For all projects with less than 12 total units the Market Analysis fee is waived when the information below is submitted by the applicant.

### **Homeownership Development**

1. Number of prospective low income (80% of AMI and less) current rental households in the Market Area;
2. Household size of eligible prospective buyers;
3. Income Required of prospective buyers;
4. Average amount of direct homebuyer assistance required (if any) of prospective buyers;
5. Number of comparable units sold over the last year;
6. Sale price of comparable units sold in the last year;
7. Size of comparable units sold in the last year;
8. Square foot cost of comparable units sold in the last year;
9. Listing date of comparable units sold in the last year;
10. Sale date of comparable units sold in the last year;
11. Time on market (Average, Maximum, Minimum)

The Market Analysis must indicate that the homeownership units can reasonably be expected to be leased up in nine months following completion of construction.

### **Rental Development:**

1. Number of prospective low income (80% of AMI and less) current rental households in the Market Area;
2. Household size of eligible prospective buyers;
3. Vacancy Rate of Comparable projects;
4. Rents of comparable projects;
5. Capture rate;
6. Number of rent burden households in the market area;



The Market Study or Analysis must indicate the HOME assisted units can be reasonably expected to be leased within 12 months following construction completion.

**Assisted Units** – The number of HOME units will be determined by dividing the total amount of HOME Funds by the total permanent sources and applying the resulting percentage across all bedroom configurations. Each calculation is rounded up to the next whole number. In no case shall the number of HOME units be less than one unit for every \$100,000 (or any portion thereof) of HOME funding. Only the actual HOME eligible development costs of the assisted units may be charged to the HOME program. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

**Cost Reasonableness Analysis** – A Cost Reasonableness Analysis is performed on all projects by the LHC Construction Department using information provided and RS Means costing data. The cost of construction submitted by the applicant must fall within twenty percent of the cost obtained by the LHC staff for the project to be considered as cost reasonable. For projects not deemed as cost reasonable to be funded they must either be redesigned or the construction must be competitively bid through a public bid process. In no case will the LHC provide per unit funding in excess of the HUD 234 limits for elevator type projects.

**Construction Contingency** -- LHC will allow applicants to incorporate up to 10 percent of the total development cost to be used as a construction contingency. However, if a construction contingency is added to the cost estimate, it should not be considered an automatic project cost. Construction contingency is designed to help applicants pay for unforeseen cost overages. If LHC funds are budgeted for construction contingency, the applicant must seek approval from their assigned project representative prior to accessing these funds. If the amount budgeted for construction contingency on a particular unit is insufficient to meet the cost overage, **the applicant must then use their developer fee to meet these costs before requesting additional funds from LHC.** For rehabilitation projects that are ineligible to receive a HOME developer fee, if the amount budgeted for construction contingency on a particular unit is insufficient to meet the cost overage, the applicant must then use funds from other sources to meet these costs.

**Developer Fee** - Any profit, fee or income realized by the Developer in connection with the development of the project as specified in a GAAP Audit and which satisfy the Developer Fee Terms. The Developer Fee may not exceed 15% of the Developer Fee Basis. Developer Fee will be paid 50% at completion of construction and 50% once all HOME units have been occupied by eligible households.

**Developer Fee Base** - The Development Costs of a Project reduced by (i) any Acquisition Costs, (ii) any Land Costs, (iii) any payments deemed lease payments for self-owned equipment, (iv) any payments to related persons or to persons with an identity of interest to the Developer, and (v) any Developer Fees (including Builder Profit and Overhead when there is an identity of interest between the Builder and the Developer).

**Eligible Areas** -- HUD has established and defined local Participating Jurisdiction for the Cities of Alexandria, Baton Rouge, Jefferson Parish Consortium, Lafayette, Lake Charles, Monroe, New Orleans, and Shreveport. These PJs receive a direct allocation of HOME funds from HUD. Projects located in the PJ

areas are generally not eligible to apply for HOME funds administered by LHC. However, LHC may from time to time allow HOME funds to be allocated for projects in those participating jurisdictions. Any such deviation for the standard practice will be noted in the financing mechanism (NOFA, RFP, Program) that is utilized. NOAH projects are allowed in entitlement areas when done in conjunction with a disaster recovery program which is also administered by LHC.

**Environmental Clearance** – All projects must complete the appropriate part of 24 CFR Part 58 and receive an Authority to Use Grant Funds prior to commencing work.

**Financial Commitments** – Other funding must be backed up with firm enforceable financial commitments at the time of application.

**Identity of Interest** – An identity of interest is construed to exist when:

1. There is any financial interest of the Developer or Owner in the Builder or any financial interest of the Builder in the Developer or Owner.
2. Any officer, director or stockholder or partner of the Developer or Owner who is also an officer, director or stockholder or partner of the Builder.
3. Any officer, director, stockholder or partner of the Developer or Owner has any financial interest in the Builder; or any officer, director, stockholder or partner of the Builder has any financial interest in the Developer or Owner.
4. The Developer or Owner advances any funds to the Builder.
5. The Developer or Owner supplies and pays, on behalf of the Builder, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by a Developer or Owner in connection with its obligations under the construction contract.
6. The Developer or Owner takes stock or any interest in the Builder compensation as consideration of payment.
7. There exists or comes into being any side deals, arrangements, contracts or undertakings entered into or contemplated, thereby altering, amending, or canceling any of the required closing documents, except as approved by the LHC or the Corporation.
8. Any relationship (e.g., family) existing which would give the Builder or Developer or Owner control or influence over the price of the contract or the price paid to any subcontractor, material supplier or lessor of equipment.
9. Any member of the Development Team advances any funds to the Developer or Owner at any point prior to an allocation.

For purposes of determining an identity of interest between parties not identified in (i) through (ix), such parties will be identified as either the Developer and Owner or the Contractor as appropriate to establish the identity of interest.

The Corporation may reduce any allowable costs where an Identity of Interest has been found among the parties to transactions involving the sale, development and/or operation of the project.

**Market Study** – All projects require a Market Study to ensure that there is sufficient demand for the project that all units produced can reasonably be expected to be sold to qualified buyers within nine months of the completion of construction. The study is commissioned by LHC and paid for by the developer. Fees for the Market Study are due at application. A less formal Alternative Market Analysis may be done by LHC when appropriate in lieu of the Market Study. Requirements for the Alternative Market Analysis are detailed above.

**Maximum Award** – The maximum award cannot exceed the 234 limits for elevator type projects. Additionally, the LHC will underwrite to maximize, to the greatest extent possible, the private financing of the project. LHC may reduce the award from the amount requested to an amount that maximizes private financing.

**Maximum LHC Participation** – LHC will not contribute more than eighty-five percent toward the total development costs of a project. The remaining fifteen percent must be funded from other sources including owner equity, bank financing, etc.

**Type of Assistance** - The financial assistance for eligible projects will be made in the form of deferred payment loans. The maximum amount of funds that can be received by any one applicant under the NOAH is four hundred thousand dollars. Terms of the loan will be based upon LHC underwriting and may include forgiveness of all or part of the loan. HOME funds provided for homeownership development must be repaid through the proceeds of the sale of the housing units at the time of closing absent an approved CHDO proceeds reuse plan when applicable.

**Phased Projects** – The intent of the NOAH program is to fund small projects developed by nonprofit developers. Therefore a project that is phased to produce more than the maximum allowed 4 total units must complete the original phase before applying for an additional phase. For purposes of this section completion means that all units in the previous phase are constructed and sold to eligible homebuyers (for a homeownership project) or rented to an eligible tenant (for a rental project).

## **FINANCIAL SUSTAINABILITY**

**Applicants unable or unwilling to provide the required information below will not be funded under the NOAH Program**

**Performance Bond** - Each funded application that receives an award of HOME Funds will be required to post a performance bond during the period of construction sufficient to cover the HOME Fund award or provide proof of minimum net financial resources as indicated below.

**Minimum Net Financial Resources** - In lieu of a performance bond, demonstration of minimum net financial resources is an option for a person or entity alone or in combination with other persons or entities having net assets equal to the applied for HOME Fund Loan and who has unrestricted liquid assets at least equal to ten percent of the applied for HOME Fund Loan. Applicants must provide proof through submittal of certified audited financials.

#### **CHANGES TO PROJECT AFTER AWARD**

Any changes to a project, including but not limited to unit count and configuration, after the notice of award must be approved in advance by the Corporation in writing. Changes made without the prior written approval of the Corporation will result in the cancelation of the project and the recapture of all awarded funds.

**Plans and Specifications** – Applicants must submit complete set of plans and specifications for review by the LHC Construction Department. The Construction Department will use the plans and specifications along with other information submitted with the application to perform a Cost Reasonableness Analysis.

**Site Control** – Applicants must have site control at the time of application. Site control can be evidenced by a deed, a sales contract, or an option contract to acquire the property. Prior to drawing down any funds ownership of the property must be transferred to the development.

#### **Eligible Costs**

HOME funds may be used to pay the following eligible costs:

1. Development hard costs. Development hard costs are the actual cost of constructing or rehabilitating housing. These costs include but are not necessarily limited to the following:
  - a. For new construction projects, costs to meet the new construction standards in §92.251;
  - b. For rehabilitation, costs to meet the property standards for rehabilitation projects in §92.251;
  - c. For both new construction and rehabilitation projects, costs:
    - ii. To make utility connections including off-site connections from the property line to the adjacent street; and
    - iii. To make improvements to the project site that are in keeping with improvements of surrounding, standard projects. Site improvements may include on-site roads and sewer and water lines necessary to the development of the project. The project site is the property, owned by the project owner, upon which the project is located.
  - e. For both new construction and rehabilitation of multifamily rental housing projects, costs to construct or rehabilitate laundry and community facilities that are located within the same building as the housing and which are for the use of the project residents and their guests.

- f. Costs to make utility connections or to make improvements to the project site, in accordance with the provisions of §92.206(a)(3) (ii) and (iii) are also eligible in connection with acquisition of standard housing.
- g. Acquisition costs. Costs of acquiring improved or unimproved real property, including acquisition by homebuyers is eligible, however, **property acquired prior to receipt of NOAH Project funding is not an eligible cost to the program.**
- h. Related soft costs. Other reasonable and necessary costs incurred by the owner or participating jurisdiction and associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:
  - i. Architectural, engineering, or related professional services required to prepare plans, drawings, specifications, or work write-ups. The costs may be paid if they were incurred not more than 24 months before the date that HOME funds are committed to the project and the participating jurisdiction expressly permits HOME funds to be used to pay the costs in the written agreement committing the funds.
  - ii. Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recordation and filing of legal documents, building permits, attorneys fees, private appraisal fees and fees for an independent cost estimate, builders or developers fees.
- i. Costs of a project audit, including certification of costs performed by a certified public accountant, that the participating jurisdiction may require with respect to the development of the project.
- j. Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants as required by §92.351.
- k. For new construction or rehabilitation, the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay project operating expenses, scheduled payments to a replacement reserve, and debt service. Any HOME funds placed in an operating deficit reserve that remain unexpended after the period of project rent-up may be retained for project reserves if permitted by the participating jurisdiction.
- l. For both new construction and rehabilitation, costs for the payment of impact fees that are charged for all projects within a jurisdiction.
- m. Costs of environmental review and release of funds in accordance with 24 CFR part 58 which are directly related to the project.

- n. Construction/Rehabilitation costs must be included as a budgeted item and approval must be drawn on a pari passu basis with other permanent sources.
- o. This is a cost reimbursement loan. HOME Funds awarded under this NOAH Program will only reimburse costs incurred to develop a project. No HOME Funds will be advanced to a project cost unless the electronic FUND Requisition Form with back-up invoices and receipts and invoices is submitted and approved. No funds will be dispersed until all funding commitments and agreements are signed and environmental conditions are satisfied.

### **Ineligible Costs**

1. NOAH Funds cannot be used to purchase land from a person or person within an entity that has an identity of interest with the applicant.
2. Properties previously financed with HOME Funds during their affordability periods cannot receive additional HOME assistance unless assistance is provided within the first year after project completion.
3. NOAH Funds may not be used for development, operations or modernization of public housing financed under the 1973 Act (Public Housing Capital and Operating Funds).
4. Cost of acquiring land that was purchased prior to the receipt of NOAH Project funding.

**Terminated projects** - An assisted project that is terminated before completion, either voluntarily or involuntarily, constitutes an ineligible activity, and the developer must repay any LHC funds invested in the project to the LHC.

### **Regulatory Authority and Requirements:**

All applications under the NOAH Program are governed by the HOME regulations and Final HOME Rule dated July 24, 2013, as amended (24 CFR Part 92). Modification of federal statutes or regulations governing the HOME Program by Congress, the Department of Housing and Urban Development (HUD), the state legislature, or LHC may become effective immediately and apply to the activities funded under the NOAH Program.

All HOME Funds must be spent in accordance with HOME Program rules and regulations on eligible HOME activities.

All dwelling units assisted with HOME Funds shall comply with the applicable federal, state, and local codes and ordinances, the rules and regulations for affordable housing set forth at 24 CFR 92.254, Subpart H--“Other Federal Requirements” (such as Affirmative Marketing, Lead-Based Paint Poisoning Prevention Act), and the rules and regulations set forth in 24 CFR Part 92 including Model Energy Code.

The NOAH Program does not include the text of all applicable regulations that may be important to particular projects. For proper completion of the application, LHC strongly encourages potential Applicants to consult the federal HOME Program regulations, and other federal cross-cutting regulations (referred to in Subpart H of the federal HOME regulations). Applicants should also consult the state Uniform Multifamily Regulations (UMRs).

#### **SITE DEVELOPMENT REQUIREMENTS**

Pursuant to 24 CFR §92.251, single-family new construction housing that is financed by HOME Funds must meet all applicable local building codes and building and zoning ordinances in effect at the time of project's completion. In the absence of a locally adopted building code, the project must meet the 2000 International Residential Code.

#### **AFFORDABILITY REQUIREMENTS**

The affordability period for each newly-developed unit is based on the amount of HOME Funds invested pursuant to 24 CFR §92.254. In the event that the housing unit is sold, the Corporation will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised by the appropriate governmental authority unless the balance on the loan will be paid at closing.

#### **MINIMUM HOME ASSISTANCE PER UNIT**

The minimum HOME assistance amount per unit may not be less than one thousand dollars. The number of HOME units will be determined by dividing the total amount of HOME funds by the total permanent sources and applying the resulting percentage across all bedroom configurations. Each calculation is rounded up to the next whole number.

#### **HOUSING CHOICE OPPORTUNITIES**

Projects awarded HOME Funds must comply with Title VI of the Civil Rights Acts of 1964, the Fair Housing Act, Section 504, Executive Order 11063 and HUD regulations issued pursuant thereto so as to promote greater choice of housing opportunities.

#### **UNIFORM RELOCATION AND REAL PROPERTY ACQUISITION ACT**

If HOME Funds are proposed to pay for acquisition costs and activities, the Applicant follows the procedures of the Uniform Relocation and Real Property Acquisition Act to acquire the project site. The procedures must be followed prior to the site acquisition. HOME Funds cannot be used to pay or reimburse an applicant for site acquisitions activities that do not comply with the requirements of the Uniform Act.

#### **DAVIS BACON PREVAILING WAGE RATE COMPLIANCE**

If HOME Funds are awarded for rehabilitation and renovation cost activities or new construction of 12 or more housing units, the project budget costs must be based on the prevailing wage residential rates.

## **UNIFORM PHYSICAL PROPERTY CONDITION STANDARD**

Housing that is constructed or rehabilitated with HOME Funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. If there are no such standards or code requirements, the housing must meet the Uniform Physical Property Condition Standard for the entire affordability period.

## **ACCESSIBILITY REQUIREMENTS**

All funded projects must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at 24 CFR 100.201, and must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619). These requirements must be met for the entire affordability period.

## **APPLICATION SUBMISSION:**

### **APPLICATIONS**

The NOAH Program does not commit the LHC to award any contract nor to pay any costs incurred in the preparation or delivery of applications. Furthermore, the LHC reserves the right to accept or reject, in whole or in part, any and all applications submitted, and/or to cancel the NOAH. The LHC also reserves the right to ask for additional information or conduct interviews from/with any applicant and/or all applicants as may be necessary or appropriate for purposes of clarification. LHC reserves the right, at its sole discretion, to suspend or amend the provisions of the NOAH Program. Any such revisions will be formalized by the issuance of an amendment to the NOAH Program.

### **Fees**

The following fees are due at the time of application:

MARKET STUDY FEE (when required)    \$4,500.00

### **INELIGIBLE APPLICATIONS**

Applications will be deemed ineligible if any of the following conditions exist at the time of application submission:

1. Any person and or entity on the federal debarred list or an organization representing such person or entity is on the list.
2. Any person and or entity that received notice that they are currently out of compliance with LHC regarding annual audits or who are in arrears with other LHC financed projects.



3. Homeownership Developments proposed by entities that currently have unsold properties funded by LHC HOME Funds.
4. Any person or entity that currently has a LHC financed project with compliance issues that are unresolved for greater than ninety days.
5. Two or more projects previously awarded financing by LHC that are currently incomplete.

#### **REQUIREMENTS AND ORDER OF SUBMISSION**

1. Submit one original and one copy of the application along with one electronic copy (USB flash drive) including all required attachments and documentation individually scanned and attached. The USB flash drive shall contain the application in Microsoft Excel format (2007 Version or above) and all required attachments and documentation for the application in Adobe .pdf format.
2. Applicable fees stated above.
3. The application must be submitted in the following order and style:
  - a. Application Checklist;
  - b. Complete hardcopies of application with each section and attachment individually labeled and tabbed; and
  - c. Complete electronic copy the application with each section and attachment individually scanned and labeled. Application and attachments on USB flash drive shall contain be in Microsoft Excel format (2007 Version or above) and all required attachments in Adobe .pdf format.

#### **WHERE TO SUBMIT**

Each proposal and accompanying documentation shall be submitted in a sealed envelope. The outside of the envelope must be address as follows:

**Louisiana Housing Corporation**

**Housing Production**

**2415 Quail Drive**

**Baton Rouge, Louisiana 70808**

**Re: The NOAH Program**

**Must include: Applicant/Company Name & Return Address**

#### **METHODS OF SUBMISSION**

Applicants assume the risk of the delivery method chosen, including delivery via private courier or the U.S. mail.

## **QUESTIONS AND COMMUNICATION**

LHC will consider written inquiries from applicants regarding the NOAH Program. Inquiries will only be considered if they are **submitted in writing to HOME@lhc.la.gov**. Inquiries shall clearly reference the section of the NOAH Program for which the applicant is inquiring or seeking clarification. Any and all written inquiries from applicants submitted in writing to HOME@lhc.la.gov will be deemed to require an official response.

It is the sole responsibility of the applicant to inquire into and clarify any item of the NOAH Program that is not understood. The Corporation also reserves the right to decline to respond to any inquiry that will cause an undue burden or expense for LHC.

**It is the strict policy of the LHC that prospective respondents to this the NOAH Program refrain from initiating any contact or communication, direct or indirect, with LHC staff or members of the Louisiana Housing Corporation's Board of Directors with regard to the competitive selection of applicants. Any violation of this policy will be considered as a basis for disqualification from consideration.**

The LHC will produce public records in accordance with LA R.S. Title 44.

## **Definitions:**

**Applicant** – The organization chartered and domiciled in Louisiana that has complete control of project and either has control of a property on which they will develop a project, or has a contractual obligation to a property owner to develop a project; and performs all the functions typically expected of for nonprofit developers, and assumes all the risks and rewards associated with being the project developer.

**Completed Projects** - Projects are considered complete only after all units identified in a single project are a one hundred percent construction complete and occupied by an eligible tenant or sold to an eligible buyer.

**Construction Completion** - All necessary title transfer requirements and construction work have been performed; the project complies with the requirements of this part (including the property standards under § 92.251); the final drawdown of HOME Funds has been disbursed for the project.

**Corporation** – The Louisiana Housing Corporation

**Income Targeting** – Not less than ninety percent of the families receiving tenant based rental assistance (TBRA) are families whose annual incomes do not exceed sixty percent of the median family income for the area, as determined and made available by HUD with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later or the dwelling units assisted with HOME Funds are occupied by families having such incomes.

**LHC** – Louisiana Housing Corporation

**Project** – A site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME Funds as a single undertaking located within a five mile radius of each other within a single governmental entity (if located within a city, town, or other similar political subdivision then all sites must be within the same political subdivision for rental projects and within the same parish for homeownership projects. If located outside of a local jurisdiction then all sites must be within the same Parish for both rental and ownership projects. The project includes all the activities associated with the site and building.

**Shall, Must, Will** – Mandatory language denoting required action per Louisiana Revised Statute 39:1556(24); a requirement that must be met without alteration.

**Should, Can, May** – Non-mandatory language denoting desirable, advisable or permissible action.

**Single Family Housing** -- means a one-to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.

**Substandard Housing** - Any housing unit which does not satisfy the Habitability Standards and requires Substantial Rehabilitation.

**Written Agreement** – The document entered into between the LHC and the applicant for the HOME assisted units that includes, but is not limited to, the terms of funding.