



Louisiana Housing
Corporation

DEVELOPER FORUM

MMLP NOFA

CDBG-DR



Louisiana Housing
Corporation

Wednesday, August 23, 2023



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Corporation

Welcome and Introductions

Lisa Lester Bergeron, Housing Manager, LHC



Louisiana Housing
Corporation

Agenda and Program Overview

Lisa Lester Bergeron, Housing Manager, LHC



Administrative Business

- All participants are muted
- Two hour session consisting of Part I presentation and Part II Q&A
- Place questions in chat feature anytime; answers will be provided during Part II
- Attendees should be developers and their partners having capacity to develop, build and operate market rental housing with affordability restrictions



AGENDA



AGENDA ITEM 1

Administrative Business

Liza Bergeron, LHC Housing Manager



AGENDA ITEM 2

Priorities, Goals & Objectives

Liza Bergeron, LHC Housing Manager



AGENDA ITEM 3

Program Overview / Key Aspects of Program

Anker Heegaard, OCD Multifamily Advisor



AGENDA ITEM 4

Questions and Answers





Program Priorities, Goals and Objectives

Louisiana was impacted by three major disasters in 2020—Hurricane Laura, Delta and Zeta followed by a number of other storm events in 2021 including Hurricane Ida

Middle-Market renters are increasingly rent burdened

MMLP will promote economic development, while addressing affordability for the workforce population



Overview – What is MMLP (Laura/Delta/Ida)

- The Middle Market Loan Program was designed to create multifamily rental units by primarily using conventional financing and CDBG-DR funds
- Will include market rate units, but also affordable units
 - 51% must be 80% and below
 - 2% must be set aside for PSH
 - Up to 20% may be 90% and 100%
- \$56.1M is available for funding
 - \$28,050,000 available to projects within Ida Parishes
 - \$28,050,000 available to project within Laura/Delta Parishes
- Key requirements include disaster-resilience and green building standards



Teamwork

- Housing and Urban Development (HUD)
- Office of Community Development-DRU (OCD-DRU), along with Compass Group, Advisor and Baker Donelson, Legal Counsel
- The Louisiana Housing Corporation (LHC)
- Smart Homes America, the FORTIFIED Program
- Enterprise Green Communities
- Developers along with your partnering lenders, builders, and advisors



MMLP CDBG-DR Limits

- The goal of LHC is to invest two developments in Ida parishes and two developments in Laura/Delta parishes
- \$15M CDBG-DR max per property
- \$200K CDBG-DR max per residential unit
- 60-unit minimum development size
- No ceiling on total development costs (TDC)
- Maximum allowable developer fee is \$25K/unit
 - 25% at closing; 25% at 50% completion, 50% at final completion (no deferred developer fee)



Important Deadlines

- **08/11** NOFA issued
- **08/23** Developer Session (today!)
- **08/25** Written inquiry deadline: questions to Development@lhc.la.gov
- **09/08** Formal FAQ posted; possible Amended NOFA posted same time
- **10/06** Letter of Intent and payment of Market Study fee
- **12/15** Application Deadline
- **01/19/2024** Award Letters issued
- **08/30/2024** Financial Closing Deadline
- **03/07/26** Full expenditure of CDBG, Lease-Up Complete, National Objective of 51% of units leased to qualifying households complete



Path to MMLP

- Pilot program administered at OCD, under the 2016 Flood Allocation
- NOFA issued 1/14/2022
- Awards issued 6/25/2022
 - 3 projects awarded in MMLP
 - 302 total units will become available
 - 1 project has closed and construction is underway, 2 projects set to close shortly
 - All projects set to be completed by Q1/2025

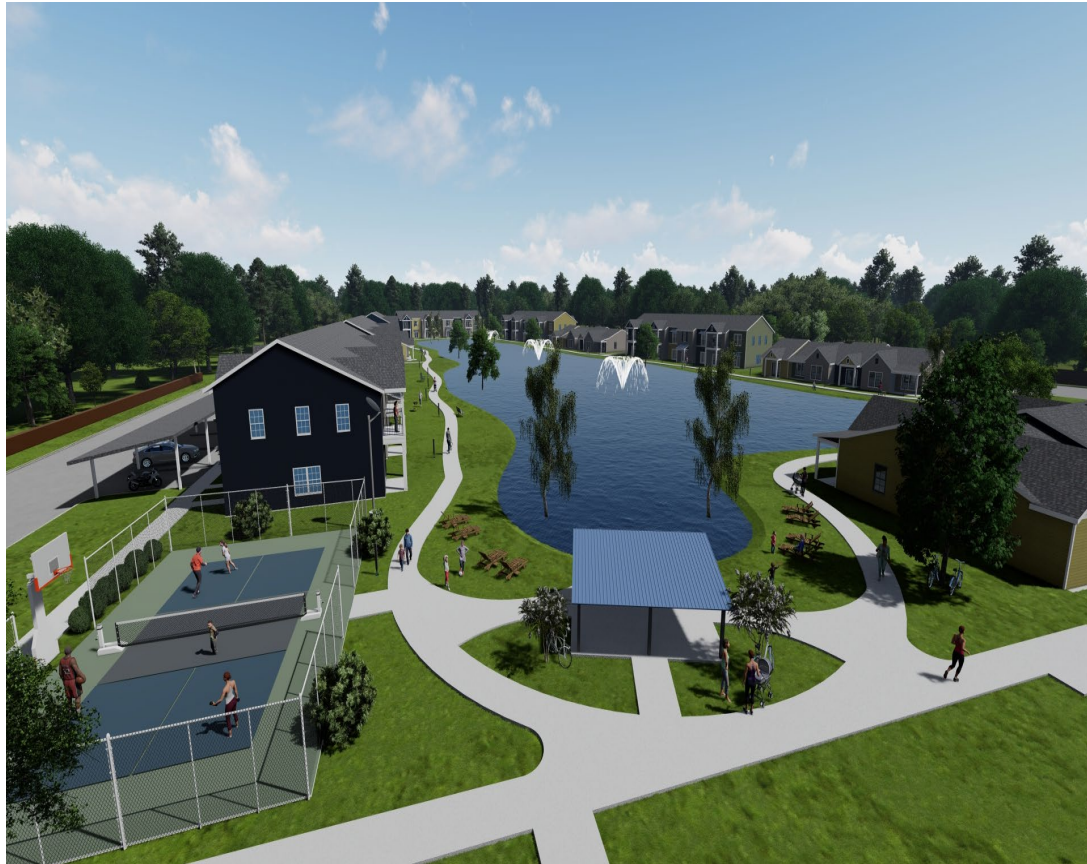


Covington Trace Ridge Apartments





Denham Townhomes





A.C. Lewis Apartments (YMCA)





NOFA Overview

Anker Heegaard, Multifamily Advisor, The Compass Group, LLC



Basics

- This is a high-level overview
- Nothing in this presentation in any way amends or modifies the NOFA
- May be New Construction or Acquisition Rehab*
- Must be disaster resilient and built using green building standards



MMLP Affordability Mix

- What does it mean to express market rents as a percentage of Area Median Income (AMI)?
- If 100% AMI (adjusted for 2BR size) is \$78,540, then:
 - \$78,540 divided by 12 = \$6,545/month
 - \$6,545 times 0.30 (affordability standard) = \$1,963.50 (total housing cost)
 - \$1,963.50 minus \$150 utility allowance = \$1,813.50 (total rent)
 - Therefore, a 2BR rent of \$1,813.50 is affordable to a household earning 100% AMI.
 - Therefore, if the 2BR market rent is \$2,000, it is 'affordable' to a household earning $\geq 110\%$ of AMI ($\$2,000 / \$1,813.50$)



MMLP Affordability Mix

- **Threshold Requirement: Market Study Rents must be greater than or equal to 100% AMI (weighted average)**
- 51% of units must be set aside at 80% AMI
 - 2% of total units must be Permanent Supportive Housing (PSH), which will receive vouchers at 110% FMR
 - The rest (of the 51%) must be rent restricted at rents which are equal to 80% AMI, for households earning less than or equal to 80% AMI (generally 70% to 79%)
- No other set-asides permitted or required below 80% AMI
- However...you **may** elect some set asides at 90% and 100%



MMLP Affordability Mix

- Based on the market study:
 - If Market Study market rents are greater than or equal to 110% AMI, up to 10% of units may be set aside at 90%
 - If Market Study market rents are greater than or equal to 120% AMI, and units are set aside at 90%, up to an equal number units may be set aside at 100%
- Why do that?
 - See §6.1.2., scoring points for Affordability Value (the net present value of the total difference between restricted rents and market rents.) More affordable units will equal more Affordability Value. More AV equals a higher CDBG Efficiency Score. The CDBG Efficiency Score is 75% of the total score.



Eligible Locations

- Limited to the following HUD identified Most Impacted and Distressed Areas (MID):
- Laura-Delta MIDs:
 - Acadia (only zip codes 70526 and 70578), Allen, Beauregard, Caddo, Calcasieu, Cameron, Jefferson Davis, Lafayette, Natchitoches, Ouachita, Rapides (only zip code 71302), St. Landry (only zip code 70570), St. Martin (only zip code 70517), Vermilion (only zip code 70510), and Vernon (only zip code 71446)
- Ida Eligible MIDs:
 - Ascension, Assumption, East Baton Rouge, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, and Washington Parishes; Iberville Parish (only zip codes 70764 & 70788) and West Baton Rouge Parish (only zip code 70767)



MMLP Disaster Resilience Requirements

- LHC's QAP Design and Construction Standards
- FORTIFIED Multifamily Gold Standard
 - Includes all requirements of the FORTIFIED Roof and FORTIFIED Silver standards, plus additional requirements
 - Properties built to these standards are demonstrably more disaster resilient
 - Insurance pricing advantages
 - Marketing advantages
- Enterprise Green Communities (EGC) Certification
 - EGC requires certain items and permits other options
 - For MMLP, specific options relative to disaster resilience are required
- Flood-Hardy + Backflow preventers



Disaster Resilience Elements of MMLP

- Siting
 - Residential Building Footprint outside SFHA—not waivable
 - All mechanicals and finished residential floors 3+ feet above nearest road centerline
 - Check flooding from Great Floods; if flooded, mitigation plan req'd in application
 - Check flood risk in CPRA's Master Plan Data Viewer, if projected to flood, mitigation plan req'd in application



Market Studies

- Market rents matter
 - U/W to projected market rents (for market units) and affordable rents (for restricted units)
 - Higher market rents contribute to 'Affordability Value'—*higher market rents vs. affordable correspond to a higher score*
 - Lender can use a lower market rent, but if debt is constrained, and the difference must be funded with additional CDBG, then:
 - The CDBG cannot exceed the cap regardless, and
 - The deal terms will be revised to yield an equivalent CDBG Efficiency Score (against the greater CDBG request)



MMLP Scoring

- Competitive NOFA award to highest-scoring, conforming applications
- If sufficient funds remain additional award(s) will be made
- Major Scoring Categories and Subcategories
 - 75 Points: Transactional Economics, as follows: CDBG Efficiency Score (Affordability Value, relative to net CDBG investment)
 - 25 Points: Capacity and Experience, as follows: (8) Prior Experience; (7) Access to Capital; (10) Financial Strength



MMLP Scoring

- All required details are in the NOFA (§6 Scoring, pages 18-21)
- Relative scoring (relative to other applications; i.e., CDBG efficiency score)
- Simple points (meet the criteria, get the points; i.e., Developer Financial Strength)



CDBG Underwriting

- The required modeling sizes the Refinancing Mortgage based on projected Year-10 NOI, at a 1.20 DSCR, at an interest rate of 7%, with a 30-year amortization and a 10-year term



CDBG Repayment

- Payments on the CDBG Loan will be made quarterly from Cash Flow Available for Distribution, which shall be defined as the remaining cash available after payment of Operating Expenses
- Payments also from Net Refinancing and Net Sales Proceeds
- It is not required in the modeling that the full CDBG is projected to repay in full



MMLP Loan Terms

- Template legal documents published by November 1, 2023
- CDBG-DR proceeds will be disbursed at a ratio of 4:5 total construction sources on an accrued basis
- 10% retainage (final draw conditioned on various achievements)
- Developer selects interest rate, as low as 0%
 - Note that higher interest rates will produce better ROI to OCD
 - But...we will not allow interest at a level which results in a projected unrepayable balance, at the selected terms



MMLP Scoring and Structuring – Proposed Total Development Cost

Development Proforma (Sources and Uses) Inputs	
Proposed Total Development Cost	\$0
Proposed TDC per Unit	
Other Sources	\$0
Projected 1st Mortgage	\$0
CDBG Request	\$0
CDBG Request per Unit	



- All hard and soft costs, land / building acquisition, appropriate contingencies, reserves, developer fee, etc
- See NOFA §10.3, requiring a submitted model (developer’s format, Excel, unprotected), which must include detailed development proforma
- Must be consistent with rent determination in market rent study (LCA)



MMLP Scoring and Structuring – Other Sources

Development Proforma (Sources and Uses) Inputs	
Proposed Total Development Cost	\$0
Proposed TDC per Unit	
Other Sources	\$0
Projected 1st Mortgage	\$0
CDBG Request	\$0
CDBG Request per Unit	



- Any other sources you can bring (\$45L, Historic Credits, Parish CDBG)
- Other sources must be fully subordinate to LHC’s CDBG-DR (but may be repaid out of borrower’s share of CF / proceeds)
- Other sources may not impose use restrictions that are deeper than, or otherwise conflict with, the CDBG-DR use restrictions.
- No ‘DDF’



MMLP Scoring and Structuring – Projected 1st Mortgage

- Rents, OpEx, Commercial Income, Other Income, Rent Loss

Development Proforma (Sources and Uses) Inputs	
Proposed Total Development Cost	\$0
Proposed TDC per Unit	
Other Sources	\$0
Projected 1st Mortgage	\$0
CDBG Request	\$0
CDBG Request per Unit	



YR 1 Operating Costs	Total	Per Unit	
Administrative	\$75,000	\$1,000	<i>Input projected operating costs to the left. Note that the borrower will be responsible for operating deficits over the 20-year term of the CDBG loan. Ensure these are consistent with your proposed First Mortgage lender's requirements.</i>
Operating and Maintenance	\$105,000	\$1,400	
Property-Paid Utilities	\$35,000	\$467	
Taxes and Insurance	\$150,000	\$2,000	
Total	\$365,000	\$4,867	
If Commercial Space, Commercial Income per Year	\$0		<i>Mixed-use developments are permitted; provide documentation in your application supporting your commercial rent assumptions.</i>
Other Income per Year	\$15,000	\$200	<i>Enter your PUPA Other Income projection.</i>



MMLP Scoring and Structuring – Resulting CDBG Request

Development Proforma (Sources and Uses) Inputs	
Proposed Total Development Cost	\$0
Proposed TDC per Unit	
Other Sources	\$0
Projected 1st Mortgage	\$0
CDBG Request	\$0
CDBG Request per Unit	



- Total Development Cost
- Less Other Sources
- Less Projected 1st Mortgage
- Equals CDBG Request



MMLP Scoring and Structuring – Applicant Selects Repayment Terms

Applicant's Selected % of Cash Flow Paid on CDBG Note	60%
Applicant's Selected Interest Rate on CDBG	0.00%
Percentage of Net Refinancing Proceeds at YR10 Paid to CDBG Note	50%
Percentage of Net Sales Proceeds at YR20 Paid to CDBG Note	50%

- Four parameters
- Greater CDBG repayment = greater score
- LHC is agnostic to how this is done, but:
 - The score is on a Net Present Value Basis (\$1 now is better than \$1 later)
 - No minimum percentage of CF
 - 25% minimum percentage of Refinancing Proceeds at YR10
 - 50% minimum percentage of Net Sales Proceeds at YR20 (or full repayment of principal and interest, whichever is less)



MMLP Scoring and Structuring – Converting the Proposed Terms to the CDBG Efficiency Score –Sample A

Market Affordability Level 100.9%

Development Proforma (Sources and Uses) Inputs	
Proposed Total Development Cost	\$20,625,000
Proposed TDC per Unit	\$275,000
Other Sources	\$250,000
Projected 1st Mortgage	\$8,752,710
CDBG Request	\$11,622,290

Applicant's Selected % of Cash Flow Paid on CDBG Note	0%
Applicant's Selected Interest Rate on CDBG	0.00%
Percentage of Net Refinancing Proceeds at YR10 Paid to CDBG Note	50%
Percentage of Net Sales Proceeds at YR20 Paid to CDBG Note	50%

CDBG Efficiency	
Discount Rate on NPV calc	3%
Nominal Repayments on CDBG Note	\$7,005,219
NPV of Repayments on CDBG Note	\$4,068,280
CDBG Loan Amount	\$11,622,290
Net CDBG Cost	\$7,554,010
Affordability Value	\$4,205,869
Total Cost of (Return on) CDBG	\$3,348,142
CDBG Cost (Return) per Unit	\$44,642
CDBG Efficiency	71.19%
Amount of CDBG Note Projected to be Forgiven	\$4,617,072



MMLP Scoring and Structuring – Converting the Proposed Terms to the CDBG Efficiency Score –Sample B

Market Affordability Level 112.3%

Development Proforma (Sources and Uses) Inputs	
Proposed Total Development Cost	\$20,625,000
Proposed TDC per Unit	\$275,000
Other Sources	\$250,000
Projected 1st Mortgage	\$9,389,260
CDBG Request	\$10,985,740

Applicant's Selected % of Cash Flow Paid on CDBG Note	50%
Applicant's Selected Interest Rate on CDBG	0.00%
Percentage of Net Refinancing Proceeds at YR10 Paid to CDBG Note	60%
Percentage of Net Sales Proceeds at YR20 Paid to CDBG Note	75%

CDBG Efficiency	
Discount Rate on NPV calc	3%
Nominal Repayments on CDBG Note	\$11,237,182
NPV of Repayments on CDBG Note	\$6,979,857
CDBG Loan Amount	\$10,985,740
Net CDBG Cost	\$4,005,883
Affordability Value	\$6,477,741
Total Cost of (Return on) CDBG	(\$2,471,858)
CDBG Cost (Return) per Unit	(\$32,958)
CDBG Efficiency	122.50%
Amount of CDBG Note Projected to be Forgiven	\$0



MMLP Scoring and Structuring – Converting the Proposed Terms to the CDBG Efficiency Score –Side-by-Side

Market Affordability Level 100.9% vs. Market Affordability Level 112.3%

- Higher Market Rents =
- More 1st Mortgage Debt = Less CDBG = better score
- Greater 'Affordability Value = better performance of the CDBG = better score



MMLP Scoring and Structuring – Converting the Proposed Terms to the CDBG Efficiency Score –Side-by-Side

Applicant's Selected % of Cash Flow Paid on CDBG Note	0%
Applicant's Selected Interest Rate on CDBG	0.00%
Percentage of Net Refinancing Proceeds at YR10 Paid to CDBG Note	50%
Percentage of Net Sales Proceeds at YR20 Paid to CDBG Note	50%

Applicant's Selected % of Cash Flow Paid on CDBG Note	50%
Applicant's Selected Interest Rate on CDBG	0.00%
Percentage of Net Refinancing Proceeds at YR10 Paid to CDBG Note	60%
Percentage of Net Sales Proceeds at YR20 Paid to CDBG Note	75%

- Better repayment terms for CDBG =
- Higher NPV of the projected CDBG repayment =
- Better score



MMLP Scoring and Structuring – Converting the Proposed Terms to the CDBG Efficiency Score –Side-by-Side

- Deal A = 71.19% Efficient, projected \$4.6M forgiven.
- Deal B = 122.50% Efficient – fully repaid.
- Deal B = 75 points.
- Deal A = 43.6 points (75*(71.19/122.5))

CDBG Efficiency	
Discount Rate on NPV calc	3%
Nominal Repayments on CDBG Note	\$7,005,219
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