



Louisiana Housing
Corporation

DEVELOPER FORUM PRIME-3 NOFA CDBG/LIHTC



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Corporation

Monday, November 6, 2023



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Welcome and Introductions

Lisa Lester Bergeron, Deputy Administrator-CDBG, LHC

November 6, 2023



Welcoming Remarks

Marjorianna Willman, Interim Executive Director, Louisiana Housing Corporation

Patrick Forbes, Executive Director, Louisiana Office of Community Development



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Agenda and Program Overview

Lisa Lester Bergeron, Housing Manager, LHC

November 6, 2023



Today's Agenda

- Overview of PRIME-3
- Key Aspects of the PRIME-3 NOFA
- FORTIFIED-What, Why & How
- Enterprise Green-What , Why & How
- Q&As



Overview – What is PRIME-3?

- PRIME is about disaster-resilient, mixed-income affordable rental housing
 - We can do better
 - Build smarter, stronger
 - Act instead of react
 - Resilient housing for resilient people



Teamwork Makes the Dream Work

- HUD
- OCD-DRU, their advisors and counsel, Compass Group and Baker Donelson
- The Louisiana Housing Corporation
- Smart Homes America, the FORTIFIED Program
- Enterprise Green Communities
- Developers, and their partnering investors, lenders, builders, and advisors



Maximum Awards

- NOFA issued 10/13 (v. 1)
 - Public Draft, issued September, 2023
 - Amended 10/31 (v. 2) to revise Important Dates and Deadlines
 - Be alert—Further amendments may ensue
- \$20M max per property—Note: No per-unit cap.
- 12-14 awards + 2,000 units anticipated (similar production, with higher CDBG per unit projected)



Path to PRIME-3

- National Disaster Resilience Competition: HUD awarded OCD \$90M+ for disaster resilient projects
- Isle de Jean Charles- \$40M resettlement of residents
- LAsafe- Lafourche Resilient Housing--\$7M CDBG gap funding for \$11M 35-unit resilient housing—proof of concept in Ida’s eyewall
- **14 PRIME-1 Deals all built to Enterprise Green and Fortified Standards**
- **~26 PRIME-2 Deals will be built to Enterprise Green and Fortified Standards**



Path to PRIME-3

- PRIME-2
 - ~26 developments: 2370 units, 2.5M residential SF
 - 1 awarded transaction has closed
 - Remaining projects working towards closing (The State is actively working to determine adjusted award amounts for projects affected by market changes)



Application Process

- **10/13/2023** NOFA issued
- **11/06/2023** Developer Session (Right Here-Right Now)
- **11/10/2023** Written inquiry deadline: questions to Development@lhc.la.gov;
- **11/15/2023** Formal FAQ posted; possible Amended NOFA posted same time;
- **12/13/2023** Letter of Intent and payment of Market Study fee (+67 days);
- **02/27/2024** Application Deadline, and payment of application fees (+115 days)
- **04/17/2024** Deficiency Letters to Applicants
- **04/24/2024** Deficiency Responses Due
- **05/15/2024** Awards Published (+186 days)



Post-Award Process

- **12/11/24** Closings (+180 from award)
- **06/04/26** Construction Completion (+450 from Closing)
- **11/30/26** 100% Occupancy (+150 from Construction Completion)



NOFA Overview

Anker Heegaard, OCD/LHC Advisor, The Compass Group, LLC



Basics

- Must be a bond-financed project with 4% LIHTC or 9% LIHTC
- May be New Construction or adaptive-reuse buildings which are not currently used as housing
- Excludes existing, occupied multifamily housing
- Must be disaster resilient...



Mixed Income

- MI = better communities, more market-disciplined, more diverse. 40%'s offset 80%'s = some units more deeply affordable. Better to broadly serve Louisiana's various needs.
- Income Averaging (IA) Required except in certain scenarios. See NOFA §4.0 for additional details.



Deep Affordability and PSH

- PSH requirements have not changed from Prime 2 NOFA except in the following situation:
 - Pursuant to 2024 QAP IV.A.1, Applications must indicate a commitment to accept Section 811 project based rental assistance or other LHC sponsored rental assistance for up to 10% of the total restricted units
- 5% at 30% AMI income eligibility and 20% AMI rents.
 - 30% income and 30% rent = 30% of income to housing costs.
 - 30% income and 20% rent = 20% of income to housing costs.
 - Example: Caddo Parish, \$63K AMI, 30% HH at 30% rent has \$191/week. At 20% rent has \$218.
 - Better affordability for ELI HHs without RA.
- 80% of the 5% (4% of total) must be available for PSH referrals, regardless of vouchers.

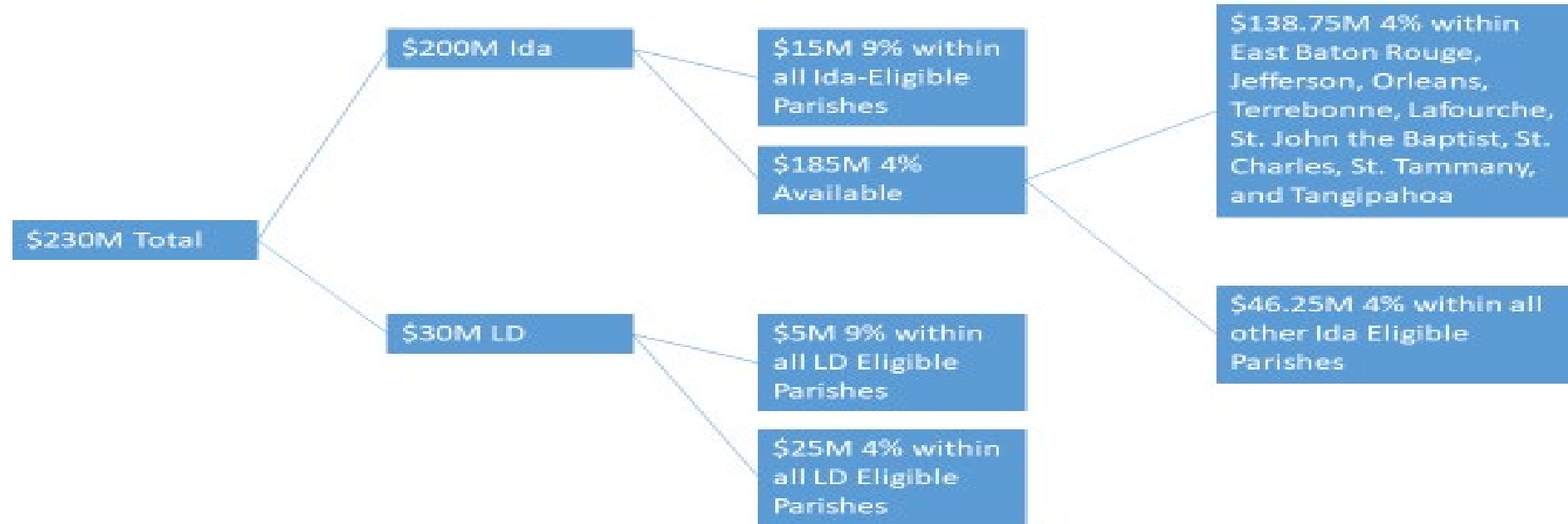


Maximum CDBG-DR Awards

- No CDBG-DR funds award may exceed \$20M in total funding to any single project
 - Note 1: Applicants are disadvantaged when requesting a high % of CDBG-DR funds relative to TDC through scoring criteria
 - Note 2: No waiver requests will be considered for requests in excess of \$20M (there is no ceiling on TDC)
- 4% LIHTCs projects will be awarded no less than \$4M in CDBG- DR without a waiver prior to application
- 9% LIHTCs projects will be awarded no less than \$1M in CDBG-DR without a waiver prior to application



Summary of Set Asides



November 6, 2023



Eligible Locations- *NOFA §3.1 Set-Asides*

- Laura- and Delta-Eligible Parishes Set-Aside-Total funding \$30M
 - \$25M—for 4% LIHTCs
 - \$5M—for 9% LIHTCs
- Ida-Eligible Parishes Set-Aside (Specified MIDs only)-Total funding \$200M
 - \$138.5M—4% LIHTCs (within the following nine Parishes: East Baton Rouge, Jefferson, Orleans, Terrebonne, Lafourche, St. John the Baptist, St. Charles, St. Tammany, and Tangipahoa (1 award per MID))
 - \$46.25M—4% LIHTCs (all other IDA eligible MIDs not listed above)
 - \$15M—9% LIHTCs within all IDA MIDs



Set Asides Continued

- Note: No single applicant may receive awards for more than 3 submitted applications with 4% LIHTC; if 3+ in PRIME-2, limit is 2.
- 80% of LD funding must occur in HUD identified MIDs per the NOFA
- Qualifying Senior Housing applications will be funded per the NOFA
 - No fewer than 2 in IDA Eligible Parishes; No fewer than 1 in LD Eligible Parishes
- **Special attention needs to be given to NOFA §3.1.5 and §3.1.6**



Disaster Resilience Elements of PRIME-3

- Siting
 - 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.
- FORTIFIED Multifamily Gold (FMG)—Required (change) – *A/R is allowed but must be able to propose alternate disaster resilience measures as described by a licensed architect or contractor explaining why FMG is unattainable .*
- Enterprise Green—Required (no change) selected 'options' required.
- Flood-Hardy has changed + Unit and mechanicals above 500YR or 3ft above BFE has slightly changed. (See NOFA §5.3 and §5.4)



Scoring

- Three scoring structures (NOFA §6.1)
 1. 40-point minimum against QAP criteria. **Threshold only.**
 2. 50-point minimum against Enterprise Green 'optional' scoring criteria. **Threshold only.**
 3. NOFA Scoring (awards to highest scoring applications within the specific set aside), except:
 1. At least three seniors properties will be funded, lower scoring apps advanced if needed.
 2. At least 80% of funds will be awarded to MID Areas (L/D only), lower scoring apps advanced if needed.



NOFA Scoring—CDBG Efficiency (Max 80 points)

- CDBG-DR Efficiency: theoretical max of 80 points (0% CDBG); theoretical minimum of 0 points (100% CDBG)
 - $\frac{\text{TDC} - \text{Adjusted CDBG}}{\text{TDC}} \times 80$
 - $\$28 - \$11.1 = \$16.9 / \$28 = .6036 \times 80 = 48.3$ points
 - $\$35 - \$9.5 = \$25.5 / \$35 = .7286 \times 80 = 58.3$ points
 - Less Adjusted CDBG to TDC = greater points
 - Based on adjusted CDBG (CDBG plus equity from QAP boosted Eligible Basis)
 - An application in which CDBG is 40% of the TDC would get 60% of the 20 points.



NOFA Scoring—Affordability Value (Max 20 points)

- Seeks better locations and property quality with higher market rate rent equivalents
- Based on Adjusted CDBG (CDBG plus equity from QAP boosted Eligible Basis)
- 35YR Market Rent GPR, minus 35YR Affordable Rent GPR = Value
 - $\$37,800,000 - 28,011,900 = \$9,788,100$
 - $\text{Value} / \underline{2x} \text{ ADJ CDBG} = \text{Ratio}$, times 20
 - $\$9,788,100 / 22,200,000 = .44090, \times 20 = 8.8 \text{ points}$
- 40YR Market Rent GPR, minus 40YR Affordable Rent GPR = Value
 - $\$43,200,000 - \$32,013,600 = \$11,186,400$
 - $\text{Value} / \underline{2x} \text{ ADJ CDBG} = \text{Ratio}$, times 20
 - $\$11,186,400 / 22,200,000 = .5039 \times 20 = 10.1 \text{ points}$



CDBG Underwriting

- QAP rules apply (1.15 - 1.20 DSCR)
- Perm 1st Mortgage >\$500K
- \$600 PUPA R4R ADRR Deposit; \$1K/u IDRR
 - ADRR inflated 3% first 15 years, 2% thereafter
- 1st Mortgage UW follows QAP; however after YR15 trending changes to 2% / 2.5%
- There will be an insurance reserve requirement.
- P&P Bonding required



Insurance Reserve (IR) Requirement

- The current NOFA requires the IR to be funded in an amount equal to four times the underwritten annual insurance cost
- This requirement will be amended in the upcoming NOFA revision to reflect the following:
 - The Insurance Reserve (IR) will be funded from development sources at an amount equal to the annual underwritten insurance premium in the application plus the amount of the insurance deductible under the insurance policy.
 - The CDBG sizing will incorporate this development 'Use'.
 - The IR must be funded from non-CDBG sources.
 - The IR must be funded prior to release of the CDBG retainage.
- Insurance reserve can be withdrawn to fund an amount which is the lesser of SC deficiency of the property at the time of computation or the difference in actual and underwritten premiums plus paid deductibles.
- *NOTE– Addition details will be provided in the Amended NOFA.



CDBG Repayment

- 50% of SC, paid to LHC
- DDF must be recoverable from borrower's share of SC—if not, lower DF.
- The LHC will permit a \$5K p.a., A/M fee, inflated 2%, ahead of the SC determination



Market Studies

- Market rents matter
 - U/W to lesser of market rent or AMI rent
 - Market rents compute into 'Affordability Value'—*higher market rents vs. affordable correspond to higher score*
 - Lender can use a lower market rent, but if debt is unduly constrained, difference will not be CDBG.
- Absorption Rate matters
 - 15% per month = 7 month lease-up from 0% to 100%
- Getting to agreement
 - MS provided to applicant 01/01/24 to 01/15/24
 - LHC deficiencies (04/17/2024), Sponsor responses (04/24/2024)



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