

## 2022 PRIME-2 Frequently Asked Questions, Published as Supplemental to NOFA Amendment #4, Friday, October 7, 2022

*Questions reflected here were posed at the Developer Forum and/or under the provisions of the NOFA, by the deadline. The LHC has arranged the questions topically, and has condensed and/or combined (“//”) some questions. Some editing of questions has been undertaken for clarity and efficiency.*

### **Questions related to application submission and timing requirements.**

- 1) I would like to get to the application for this. I can't seem to find it on the website. Could you help me get to it? // In addition to the LIHTC 4% application, will there be a specific PRIME-2 application? *Answer – There will be a specific PRIME-2 Addendum required with your application, which has been made available concurrent with the publication of this FAQ document.*
- 2) I'm interested to learn more about the PRIME-2 Funds, can you email me more info? *Answer—all applicable information is available through the NOFA as amended, the QAP, this document, and the information provided in the developer forum. There are no other materials or information currently available.*
- 3) [It was] stated in the developer [forum]...that the PowerPoint presentation would be made available on the website. Could you please direct me to the correct place to find that? // Has the PPT presentation from last Friday's (9/9/2022) developer's forum been posted to the website? If so, where can it be found? *Answer—this will be made available with the publication of this FAQ document.*
- 4) Confirm that whether a completed Multifamily Revenue Bond Application is due at the time of the CDBG-DR application or if the bond application would only be required post CDBG award. *Answer—confirmed. The completed multifamily revenue bond application is due at the time of the CDBG-DR application.*
- 5) Confirm that the LOI can be submitted electronically by email. *Answer—Confirmed. It may be emailed to the contact email address listed in the NOFA. The template for the Letter of Intent (LOI) has been made available concurrent with the publication of this document.*
- 6) Confirm that the Application and all supporting materials can be submitted electronically. *Answer—Confirmed. Requirements are consistent with normal submission of a request for 4% LIHTCs, and utilize the LHC's electronic application submission portal. Note that two additional links have been provided to accommodate materials required under this NOFA, found as 'Supplemental Document A' and 'Supplemental Document B'. One of these should be used for the required Supplemental Application required under the NOFA (see NOFA §10.3), and one should be used for all other NOFA-required materials.*

- 7) What is the application due date for the PRIME-2 NOFA? *Answer—As published in the NOFA (§10.6); this date is unchanged in the amended NOFA and remains December 15, 2022.*
- 8) Developers are facing a challenge with the construction period; most GC are talking about 16 to 21 months... // [this is a difficult development environment] factors necessitate a more flexible goal of closing timelines and construction completion schedules. // Looking at the closing schedule and deadlines, it seems a little aggressive...are there going to be hard deadlines? You may have trouble with closing commitments, if [so are] funds going to be in danger? What happens when the reality is not working that easily? // The construction completion date is constricting based on current construction timelines and remaining supply chain delays that have continued after COVID. Please reconsider moving the completion date to the end of the first quarter of 2024. *Answer—overall, the LHC has added three months to the schedule; see questions below and see the amended NOFA. The LHC reserves the right to determine, in its sole discretion, that an awardee failing to meet established deadlines is making inadequate progress, is unlikely to succeed within a reasonable timeframe, and to enforce its rights as established in the legal documents.*
- 9) Recommend extending deadline to close an additional 180 days from Wednesday August 24, 2023. *Answer—Answer—various deadlines have been revised and extended. The LHC has extended the time between award and closing from 180 to 210 days. See the revised NOFA.*
- 10) Recommend extending deadline to complete construction an additional 180 days from November 15, 2024. *Answer—various deadlines have been revised and extended. The LHC has extended the time between closing and construction completion from 450 to 480 days. See the revised NOFA.*
- 11) Recommend extending deadline to achieve 100% Occupancy an additional 180 days from April 14, 2025. *Answer—various deadlines have been revised and extended. The LHC has extended the time between construction completion and 100% occupancy from 150 to 180 days. See the revised NOFA.*
- 12) The NOFA schedule requirements, as currently published, would not accommodate the time needed for an FHA loan closing process. We anticipate that given the current climate; it is likely that most applicants will require an extension to the Q3-23 closing requirement, even with conventional financing, anyway. If deals take more time to close regardless of the product, it would be most beneficial to get the best terms with a HUD FHA loan as detailed below:
- The programmatic features of a 40-year term and 40-year amortization at very competitive rates produce maximum proceeds for construction or rehabilitation scope.
  - In a raising interest rate and construction cost environment, the benefit of the long-term, fixed rate financing is emphasized. Aligning both the construction and permanent financing through HUD eliminates the risk of changing loan underwriting metrics of a third-party commercial lender in disrupted market conditions.

- It is important in this market to consider the consistency of the construction financing source provided by the HUD program. In uncertain capital markets, commercial banks are known to become more stringent on construction lending terms thereby potentially creating issues with development budgets assuming higher leverage construction loans.
  - The 221(d)(4) is a consistent source of construction capital perhaps best demonstrated by HUD loan program volume increase in the most disrupted markets of 2008-2010 as well as through the most recent covid environment.
  - The non-recourse construction source will serve as a meaningful risk mitigant to developers thereby allowing them to develop projects at an appropriate risk level in an uncertain market.
  - The HUD 221(d)(4) eliminates re-underwriting risk found with many forward locked permanent loans. Upon stabilization, numerous permanent debt projects are re-underwritten before the permanent loan converts and funds to ensure the actual operations can support the underwritten debt level.
  - Timing and the Presence of Davis Bacon Wages are the two primary considerations of obtaining 221(d)(4) financing. However, given the CDBG-DR funding already triggers prevailing wages regardless of debt structure/source, if the State were to allow extensions by right for HUD 221d4 financing, this would address the other primary consideration of a 221d4.
  - *Answer—the LHC will permit extensions to the closing deadline for projects which indicate in their application that they will structure with 40/40 221(d)(4) financing.*
- 13) Will PRIME-3 and PRIME-4 be for Laura/Delta only, or will they include Ida funds? AKA - is Ida funding going to be deployed separately? // What about IDA Prime? *Answer—As contemplated, the LHC will issue separate rounds of PRIME-3 and -4 for Laura Delta only. No formal commitment exists regarding these NOFAs or their schedule. Ida will be deployed under a separate schedule and consistent with the requirements of those funds, subject to HUD Action Plan approval.*
- 14) Are we allowed to use [CDBG-]DR with 9% credits? *Answer—Yes. The Amended NOFA permits projects with an existing allocation of 9% LIHTCs (as established by an LHC allocation letter dated prior to the original date of publication of this NOFA). Any submission of a 9% application must be revised to conform to the PRIME-2 NOFA, must retain obligations related to the selection criteria under which it successfully competed and was awarded 9% credits and the LIHTC application must be submitted to the LHC as a reprocessing per the QAP. CDBG-DR for these awards (if any) will be made available in addition to the funds committed to the NOFA. Questions regarding these submissions should be directed to [Development@lhc.la.gov](mailto:Development@lhc.la.gov).*
- 15) We acknowledge that successful applications are required to utilize CDBG-DR funds paired with 4% LIHTC and LHC Multifamily Revenue Bonds. We recommend that some portion of CDBG-DR funding (either through this NOFA or to-be-released subsequent CDBG-DR NOFAs) also be made available as gap funding for mixed income 2024 forward allocated 9% LIHTC

applications and/or for waitlisted 2023 9% LIHTC applications in disaster impacted areas. The rising cost of financing, volatility in the marketplace and ongoing workforce shortages has led to gaps in 9% LIHTC deals as well as the 4%. 9% LIHTC deals with gaps would likely require less CDBG funding to move forward than the 4% deals and would build on investment already made, likely leading to swifter closing and deployment of funding in the most impacted areas. *Answer—the OCD and LHC will consider this; however, any such program would be separate from this NOFA and its requirements. Note that this NOFA is amended to permit 9% awardees. See prior question.*

- 16) Given the complexity of the formulas and ratios, please include these point driven calculations in the model. // Can we please have a simplified score sheet for the PRIME NOFA clearly indicating the optional points that are eligible by category. *Answer—The NOFA enumerates all of the requirements adequately. Note that a worksheet of the Supplemental Application reflects scoring.*
- 17) Could you make all the market studies available to everybody involved? It is public record and that would help see if there are big discrepancies and if you have different absorption rates. *Answer—No. Market studies are not sharable amongst developers. Requests may be submitted under FOIA.*
- 18) [Would the LHC] assign your market analysis on a per city or per area bases so that you have one analyst doing all the rent comparability studies for one market area? *Answer—the LHC intends to assign these locationally.*
- 19) [Is the CDBG cap] \$170,000 per affordable unit or per unit? *Answer—this question is superseded by the answer to Question #35.*

#### **Questions related to NOFA / QAP definitions, rules and requirements**

- 20) To encourage the broadest base of PRIME NOFA 2 applications, [commenter] recommends that the OCD / LHC utilize the proven NOFA scoring criteria utilized in PRIME NOFA #1 modified as proposed for Calcasieu Parish points and for Senior Citizen development scoring. // Why didn't you stick with PRIME-1 criteria? *Answer—PRIME-1 was a 'Great Floods' NOFA, with different geographies and requirements. PRIME-2 specifically sets a fixed standard for disaster-resilience, based in part on the lessons learned and successful implementation of PRIME-1; those scoring options are now required elements of the program.*
- 21) What are the due dates for LIHTC applications for 4% and 9% for 2023 funding round? I was not able to find it on the site. *Answer—this NOFA is generally concerned with 4% applications, which are 'open-round' and have no 'due date'; however, applications under this NOFA do have a due date as published in the NOFA.*
- 22) Is Scattered Site development acceptable? // The NOFA does not mention development with scattered sites. a. Are there any rules related to scattered site with PRIME-2 NOFA, or just those rules related to tax-exempt bonds/LIHTC? *Answer—the NOFA itself does not prohibit*

*scattered site development; however, applicants must ensure that any scattered site proposal conforms to all NOFA requirements (including siting and disaster resilience) and to the LHC QAP and §42 of the Internal Revenue Code.*

- 23) What is the definition of Substantial Rehab? *Answer—with respect to the NOFA, projects may be either New Construction or Substantial Rehabilitation. The extent of Substantial Rehab will be determined by the Low Income Housing Tax Credit Program.*
- 24) Can [CDBG-]DR be used for acquisition? *Answer—yes.*
- 25) Caddo is listed as a disaster parish but Bossier is not. Please clarify. *Answer—the CBDG-DR is federally-allocated, based on specific disasters, as defined. The eligible parishes are established by law, and by regulation, and the funding is tied to eligible parishes.*
- 26) Can you please clarify in whether or not the ATDC calculation requires the basis boost reduction for a DDA as well as a QCT? *Answer—yes. If basis is boosted the equity contribution attributable to that must be subtracted from TDC in calculating CDBG-DR Efficiency (NOFA §6.2) and must be subtracted from CDBG-DR in calculating Affordability Value (NOFA §6.3).*
- 27) Is the adjusted TDC from the equity based on just the amount of additional credits? Or is it based on the credit rate of which the equity investors are paying in? *Answer—it is based on the value of the credits, which is the credits multiplied by the price paid for the credits. This is the 'equity value' of the boosted basis, and is not simply the credits. See the example at the amended NOFA, §6.2.*
- 28) [The] NOFA ... references that the funds must be combined with "4% Low-Income Housing Tax Credits (LIHTC) and bond-financed mortgage proceeds". Could a project use the PRIME funds if [it applied] for a non 4% deal where another finance agency is issuing tax exempt bonds. For example, ... a deal where FANO is looking to provide essential housing bonds for low- and moderate-income families. *Answer—No, transactions must utilize either 4% or (previously awarded) 9% LIHTCs. Additionally, all 4% transactions must use LHC Bonds.*
- 29) [Can] PRIME-2 funds ... be used in a deal in which the affordable units are a part of an adjoining building of market rate units, i.e., when the affordable units are a separate condominium and financed as such within a larger development. *Answer—the LHC would consider a condo approach in which one condo conformed to the NOFA/QAP, and the other were market rate. However, the market rate component must meet the disaster resilience requirements of the NOFA.*
- 30) Is it permissible to make two applications for the same site? In other words, it is OK to present, for example, a 100-unit family property and a 100-unit senior property for the same site. *Answer—No. There may be two applications for two immediately adjacent sites, but each property must be a single, asset entity, and the land for each must be separate. The applications must not be interdependent.*

- 31) How were MID areas identified? Why do some parishes have MID areas by zip code while others do not...? *Answer—please refer to the Federal Register notice, and its requirements governing these funds (Fed Register Notice #6364/Vol 87, No. 23, Thursday Feb 3, 2022).*
- 32) [Regarding] the Affordability Value Points – are you utilizing the actual project’s proposed net LIHTC rental amounts or the parish’s maximum net LIHTC rents allowed in this calculation? *Answer—developers may not propose rents lower than those required for underwriting purposes without being obligated to those lower rents. For the calculation, developers should use the lesser of the applicable maximum net LIHTC rents, or market rents as determined in the Market Study. However, see next question.*
- 33) [The]...QAP still includes language that units are underwritten at the lower of achievable rents, AMI % and Fair Market Rent and this NOFA requires 80% units. I think most of the markets if not all the markets that the NOFA is eligible for the fair market rent are going to be substantially below the maximum 80% AMI rents because one of the scoring criteria is essentially how much debt accruing capacity there is on the project and what leverage we can apply to the CDBG funds. I just want to make sure we all are applying the same methodology for how we are underwriting those units that may fall out above FMR at 60%, 70%, and 80%. *Answer—underwriting will generally recognize only rent limits with a practical impact on a property’s GPR. If FMR is lower than AMI- or market-based rent determinations, please submit a waiver request. The CDBG will be underwritten to the gap, after sizing the 1<sup>st</sup> mortgage on the lesser of applicable AMI-based rents or market rents.*
- 34) Advise whether there is a Per Developer Cap for LIHTC or CDBG-DR award or limit to the number of projects for which a developer is eligible. *Answer—Developers not limited to a number of applications or awards. Developers should not submit more applications than they have the capacity to carry through to completion.*
- 35) PRIME-2 NOFA; § 2.1 “CDBG Limits”: Given the many uncontrollable influences on overall development costs, we suggest that establishing a blanket maximum CDBG per unit limit as a project eligibility threshold is overly restrictive and may serve to preclude submission of good projects that otherwise accomplish the final state and federal objectives of the PRIME-2 program. Removal of the CDBG per unit limit acknowledges the currently extreme volatility of cost factors and also prevents the blind exclusion of projects without consideration for sometimes unique financing, construction, and market circumstances that affect development costs and thus, the amount of CDBG needed. Removal of the CDBG per unit limit further allows for projects located in non-QCT or DDA census tracts, which are often high-growth, high-income, desirable areas to live, to apply for additional resources with the absence of a 30% basis boost. Through its eligibility requirements for project size, location, siting criteria, and underwriting feasibility, the PRIME-2 NOFA already enables LHC to direct basic project characteristics. Additionally, for eligible projects satisfying basic threshold requirements, the competitive selection criteria of PRIME-2 afford LHC with further command to identify the projects of highest benefit and priority with much more specificity than would be conveyed by a CDBG per unit limit. Finally, with its CDBG per project limit and the CDBG Efficiency scoring criteria, the NOFA is already consistent with LHC’s wise mandate

for cost control and maximum production under the PRIME-2 program. By capping awards at a project level as opposed to a unit level and by also strongly encouraging developers, through competitive scoring, to use as little CDBG as needed, PRIME-2 provides LHC with the tools needed to maximize the overall program utility of its CDBG funds. Removal of the CDBG per unit limits, while doing nothing to detract from LHC's direction of the program's objectives, does permit LHC to at least consider all worthwhile proposals submitted under PRIME-2. Consider removal of the \$150,000 CDBG per unit cap. // If you have a \$170,000 per unit of CDBG funds but otherwise you score enough to be funded, wouldn't it make sense to fund that deal? *Answer—The NOFA (v 4.0, published Friday, October 7, 2022) has been amended to increase the cap from \$150,000 per unit to \$200,000 per unit and to increase the maximum award from \$15M to \$20M. Corresponding to this, the Office of Community Development will seek HUD approval of an amendment to the approved Action Plan, regarding these changes. Applicants are advised that HUD has approved only the \$150,000/unit and \$10M maximum awards; any transaction requesting greater amounts (i.e., above \$150,000 and below \$200,000 per unit, and/or above \$10M and below \$20M per project) may do so but the award will be subject to HUD approval of the requested amendment, and the award may be rescinded if the requested amendment is not approved. Applicants are further reminded that higher CDBG-DR relative to TDC will result in a lower score (see NOFA §6.2).*

*Note: Corresponding to this increase in the amount of CDBG available, NOFA scoring is amended to provide increased weight to the CDBG Efficiency Score and decreased weight to the Affordability Value Score. See the revised NOFA, §6.2 and §6.3.*

- 36) Note, the Zeta Parishes should also be excised from the list of Rural Parishes. *Answer—this has been done in the amended NOFA.*

#### **Questions related to disaster resilience requirements**

***Note, the LHC received a number of technical questions related to IBHS' Fortified Multifamily Gold Standard and to the 2020 Enterprise Green Building Standard. These organizations are individually responsible for their own standards, administration of their own requirements, and issuance of certifications. The NOFA requires that developers coordinate directly with these organizations, and obtain these certifications, and the LHC is not responsible for the technical requirements of these certification programs. However, we have taken the questions posed to us, obtained answers, and posted these as an addendum to this FAQ for the benefit of all applicants. See the separate Section 'Fortified and EGC Questions' at the end of this document. General questions regarding Fortified and EGC as they relate to the NOFA are answered immediately below in this section.***

- 37) What if a historic building can only reach the Fortified Roof Certification level due to restrictions by NPS/SHPO will any consideration be given to this project? *Answer—The PRIME-2 NOFA requires applicant properties to achieve Fortified Gold Multifamily, among other standards. This requirement likely precludes historic properties and many acquisition-rehabs and will result in most (if not all) of the awardees under this NOFA being new construction projects. The LHC however is committed to creating a path for existing projects in future funding rounds, with clear and reasonable standards which ensure these properties*

*can be preserved with disaster resilience standards appropriate to their limitations and considerations.*

- 38) Under the NOFA, is there a requirement (as on prior NOFA) to construct with permeable pavement? *Answer—not specifically; however, there are limited requirements within the Enterprise Green Standard.*
- 39) Will Borate chemical treatment be acceptable as a wood preservative of existing wood materials (under 5.3 Developer “Flood-Hardy” Materials and Assemblies? See FEMA Flood Damage –Resistant Material Requirements Technical Bulletin 2 (2008) Table 2 on page 8. *Answer—yes for structural elements only; however, additional treatment may be required if a flood event occurs.*
- 40) [The NOFA requires that all] mechanical and finished residential floors [be] 3 feet above the nearest road centerline. If I have a square building on a square site and the front road is 3ft higher than the rear road, which road do I use for the 3ft [standard, the] lower or the higher road? *Answer—the higher thereof.*
- 41) All mechanical – does this include electrical? *Answer—yes.*
- 42) Clarify: This Prime 2 NOFA requires Enterprise Green Communities Certification level. NOT Enterprise Green Communities Certification PLUS level. *Yes—confirmed, the PRIME-2 NOFA does not require EGC PLUS.*
- 43) “Flood-hardy” requirements: Are there guidelines as to how this would apply and be implemented to Rehab projects? Is it required if you are outside/above the 500-year flood risk level? *Answer-- This is required regardless of location. See [here](#).*
- 44) Does any part of our application for this NOFA need to be reviewed by or obtain any type of clearance by FORTIFIED or Enterprise Green Communities, PRIOR to the NOFA application deadline of December 15, 2022? // Is there a separate IIBHS Fortified Multifamily Gold Standard self-certification or application that must be submitted with the PRIME 2 application or a certification by a rater prior to start of construction? *Answer—Yes and No. an applicant’s NOFA application by the deadline must be inclusive of costs to achieve these certifications; while there is no requirement for pre-clearance, applicants must be certain that their proposal can achieve these certifications, and that the costs for doing so are reflected in their projections. An applicant which has not been in dialogue with experts and/or Enterprise and IBHS is taking unnecessary risks regarding proper scoping and ability to conform to the program requirements.*
- 45) When does the LHC expect Prebuild submission and approval (FORTIFIED and Enterprise Green)? Is it prior or AT the December 15, 2022 application deadline or is it at a certain point AFTER a project is awarded. *Answer—after award, prior to closing; however, see the prior question.*



- 46) Is there a self-certification for EGC that must be submitted with the application or is this a certification we need to obtain post award and prior to closing? *Answer—applicants must select the optional elements of the 2020 Enterprise Green Certification and include these selections in their application. Applicants must select 50 points, of which 34 are stipulated as required by the NOFA, and the remaining 16 remain at the option of the applicant. See NOFA §5.1.*
- 47) There are many mentions of “assessments” and “evaluations” required throughout the NOFA, FORTIFIED and Enterprise Green criteria items. Do any of these require special accreditation, certifications, credentials? (Other than Lead Paint and environmental site assessments). *Answer—All licensed professionals will be required to have accreditation (i.e., engineers, attorneys, accountants, etc.). Fortified and Enterprise Green have specific credentialing requirements for their certifications.*

### **Questions related to affordability requirements**

- 48) While the concept of mixed-income and income averaging is great in theory, unfortunately, as stated in the NOFA, much of investor interest hinges on a favorable IRS ruling. Please reconsider postponing this requirement for a future PRIME NOFA to allow for an IRS ruling to be released and analyzed appropriately. *Answer—thank you for your input. The LHC is committed to this approach; however, see answers to questions below.*
- 49) We acknowledge the requirement that 100% of the units be LIHTC, utilizing income averaging. This will certainly generate the maximum amount of 4% LIHTC equity to leverage CDBG funding, while still providing mixed income housing, which is a great program. We recommend allowing for some percentage of unrestricted/true market rate units within each development (~20% or less). This would help to accommodate households who may be over income, earning above 80% AMI, but who may still be rent burdened. The reduction in 4% LIHTC basis associated with these market rate units, would still be evaluated in the feasibility and viability portion of any application’s underwriting review. // Consider removing the prohibition on including unrestricted/market rate units. *Answer—The NOFA does not permit market units; all units must be income and rent restricted.*
- 50) 2022-23 QAP guidance on rents underwriting is similar but not identical to PRIME-2 NOFA (8.4): 8.4. Rents: AMI-based rents must be underwritten at the lesser of (a) the maximum net rent (gross rent less applicable utility allowance) for the set-aside applicable to the unit; or (b) the market rent as established in the Market Study. (PRIME-2 NOFA guidance on rents does not mention FMR as a limiting factor). Does the QAP FMR rents restriction not apply to PRIME-2 NOFA? That is, are rents limited only by lesser of: market rents (per market study) or LIHTC set aside rents? Or does the ‘lesser of’ limitation also include FMR rents, per QAP D.7? *Answer—See the answer provided to Question #33, above. FMRs will not be considered as a ceiling on rents in underwriting.*
- 51) Advise whether the total funding awarded under this NOFA and/or the per unit or per project ceiling will be increased if the LIHTC Income Averaging requirement is removed // In the

event the IRS does not provide the guidance that we are hoping for, how do you envision the numbers changing? (What happens if we lose our battle with income averaging). *Answer—if the anticipated IRS guidance is not supportive of Income Averaging, the LHC expects that it would revise the per-property and per-unit caps.*

- 52) Section 1.8 Affordability Requirements state 20% of all units must be set aside at up to 80% AMI. Regardless of whether IRS Guidance permits income-averaging, a public housing authority with a current RAD CHAP that plans to perform a substantial rehabilitation on an existing project is not permitted by HUD to service new households above 60% AMI. Will LHC waive this requirement for the PHA? // For Public Housing Authority, they are doing a Demo Dispo of an existing storm damaged property or an Acq-Rehab, they don't have the ability to do 80%, they are replacing Public Housing which 60% AMI would be their limit. Will they be kicked out of Prime 2 Programs? *Answer—PRIME-2 is not programmatically intended to address all housing development needs. Properties which cannot comply with the NOFA should not apply.*
- 53) The NOFA states that, "...average affordability of 100% LIHTC units at or below 60% AMI, with no fewer than 20% of the units at 80% AMI". a. Are we able to cover 20% of the units at 80% AMI with Project-Based Vouchers? (The income limit would be 80% but the rents would be set at the contract rents. If the answer to the above question is "yes", then we can have 100% subsidized LIHTC property.) *Answer—No. The intent of the program is mixed income, and this violates that intent.*
- 54) If you do accept an Affordable Housing Development deep affordability and they can meet the below 80% requirement, you can't underwrite and expect them to pull in 80% rents just for the underwriting requirements. *Answer—the LHC understands that, which is why the rent on all units is the lesser of the AMI-based rent or the market rent from the market study. In stronger markets, the rent on the 80% units will likely be the 80% AMI-based rent; in weaker markets, the rent on the 80% units will likely be the market rent.*
- 55) Confirm that if there are no PSH Project Based Vouchers available or no qualified PSH households to refer to the property, the mandatory 4% PSH set aside can be leased to otherwise income qualified households up to 50% AMI. *Answer—confirmed.*

#### **Questions related to developer fee and deferred developer fee**

- 56) Gap Financing Terms solely allowing deferred developer fee (DDF) out of 50% of surplus cash only, will prohibit the payback of DDF within the required 15-year term. For instance, a senior property, which is highly favored in the NOFA, cannot payback a 50% DDF due to the lower rent income compared to a family property before the 50% split. Please reconsider moving DDF above CDBG repayment in the calculation. *Answer—the LHC disagrees. The amount of fee deferral capacity for any property will a function of its NOI and DSCR; all properties will have some ability to defer fee and all applicants are limited in their ability to defer fee on this basis. If an applicant finds that more fee deferral is required than can be repaid, the applicant may request a lower developer fee.*

- 57) This problem of DDF repayment is not as imperative to nonprofit developers as for-profit developers. Please consider waiving the requirement for a maximum of 50% DDF in the case of nonprofits. *Answer—see previous question and answer.*
- 58) Adding a maximum amount for 4% developer fee inhibits the ability to leverage DDF to cover any remaining gap after maxing out the CDBG request. In addition, this disincentivizes developers from larger projects that the 4% LIHTC program has historically been used for. *Answer—The LHC will apply the limits on developer fee as established in the NOFA.*
- 59) PRIME-2 NOFA; § 9.6 “Limits on and Ceilings Applicable to Developer Fee”: Developer fee limits established by the PRIME-2 NOFA, whether intentionally or not, serve as a de facto eligibility threshold requirement by discouraging the submittal of projects that, due to unusual scale and/or costs, are restricted to a lower fee than typically allowed by the QAP and HUD safe-harbors. Acknowledging the flexibility of tax-exempt bond financing for varying project sizes or types, and understanding that general fee calculations per HUD safe-harbors provide controls over the appropriateness of developer fees, many QAPs, including Louisiana’s 2022-2023 QAP, generally waive developer fee limits for projects utilizing tax-exempt bond financing. This provision, however, was specifically removed from the NOFA which otherwise copied the developer fee language from LHC’s 2022-2023 QAP. Furthermore, restricting rural projects to a lower fee than metro projects is not typical on tax-exempt bond financed projects given the absence of credit pools associated with competitive 9% LIHTC financing. Similar to the discussion above regarding the PRIME-2 CDBG per unit limits, the NOFA already affords LHC much control over preferred project types and development costs/efficiency, so we respectfully submit that specifically limiting developer fee below industry standards may not be the ideal method for LHC to filter eligible projects. Remove the developer fee per project cap for projects utilizing tax-exempt bonds. *Answer—The LHC will apply the limits on developer fee as established in the NOFA.*

#### **Questions related to underwriting requirements**

- 60) As was discussed in this previous years’ developer roundtable held by LHC, an item mentioned was the amount of replacement reserve/unit deposited. Industry standard is approximately \$350/unit annually whereas this NOFA requires \$500/unit – above the \$400/unit minimum in LHC’s current QAP – as well as the addition of an initial deposit of \$1,000/unit. This puts strain on the already burdened operating expenses and decreases the cash availability to repay DDF and CDBG as noted in the point above. Please reconsider reducing the minimum annual deposit to the required \$400/unit in the QAP or remove the initial deposit // The requirement for \$500/unit in replacement reserve funding annually will reduce the amount of debt the property can support. Replacement needs beyond the first 15 years could instead be managed to be funded from a refinance of the primary debt. *Answer—any debt constrained by the increased reserve deposit is offset with CDBG; the CDBG is paying for this increased reserve deposit requirement. Similarly, the \$1K/u IDRR will contribute to the gap to be funded with CDBG. It is the intent of PRIME-2 to create resilient properties, and in part this will require properties with better reserve capacity to address replacement needs, including damage from weather related events.*

- 61) Requiring that the CDBG loan be paid in full at the time of a refinance of other debt will limit the amount of primary debt available to the property at initial closing. The first mortgage lender will evaluate the ability of the property to repay the full amount of their loan and CDBG loan at the time of their maturity in the exit test, which would likely reduce the proceeds available. We recommend allowing a refinance without triggering the repayment of the CDBG. *Answer—there is no requirement that the CDBG be repaid at the maturity of the first mortgage. The CDBG is due in 35 years. At (e.g., YR18) maturity of the 1<sup>st</sup>, the borrower will request a resubordination of the CDBG to the new, proposed refinancing debt. At that time, the LHC will review the transaction to determine adequacy of reserves, proposed proceeds to seller, supportability of new, proposed debt, and other matters.*
- 62) Are there any procurement requirements for the associated with the PRIME 2 NOFA? For example, will an awardee be required to follow any procurement procedures when selecting an Architect or General Contractor? *Answer—the NOFA itself does not impose any such requirements; however, there are restrictions on identify of interest relationships, and some borrowers may have procurement requirements independent of this NOFA.*

## Questions related to IBHS' Fortified Program and Enterprise's EGC 2020 Program

- 63) Enterprise 2.15b: Is broadband connectivity MANDATORY for New Construction and Substantial Rehabs, if not located in a Rural/Tribal/Small Town zone? If broadband connectivity is available, is it required, no matter the location? *Enterprise's Answer—Criteria 2.15b, Broadband connectivity is Optional for all projects. 2.15a, Broadband ready, is mandatory only for new construction and substantial rehab projects in areas classified as rural/tribal/small town per the 2020 Criteria.*
- 64) Enterprise 5.9: Flood Proofing. This sections states “Not relevant for Rehab properties in Special Flood Hazard Areas”. Is this required for Rehab projects out of the SFHA? Are there guidelines as to how to implement the flood proofing on existing buildings in a rehab? *Enterprise's Answer—Programmatically, this criterion is not relevant for rehab projects in SFHA since, by nature of these projects being more vulnerable in this respect, such projects are required through Criterion 2.1, Sensitive Site Protection, to go above and beyond the flood proofing requirements of criterion 5.9. Per criterion 2.1 Sensitive Site Protection, “Projects built on land that is within the SFHA as identified by FEMA on the FIRM, must be designed to meet the ASCE 24 Flood Resistant Design and Construction standard.” Projects not built on SFHA comply with this portion of Criterion 2.1, and may also go above and beyond those requirements by pursuing 5.9.*
- 65) Enterprise 5.10: Critical Loads. Does this apply to only the living units or also to onsite Office/Community/Maintenance buildings? Our developments will have “stand alone” office/community/maintenance buildings and the dwelling/living units will be multiple single family, duplex or 3-4 plex configurations. *Enterprise's Answer—This criterion applies to the entire project; all buildings.*
- 66) Enterprise 6.6: Bath, Kitchen, Laundry Surfaces. Is there a list of “approved” materials? Such as plastic laminate, if it is formaldehyde free, is it ok, or are we to stay away from plastic laminate? *Enterprise's Answer—In general, plastic laminate is acceptable here. As with any material used for Green Communities certification projects, it must comply with the applicable mandatory provisions of Criterion 6.10, Healthy Building Materials, and any other applicable mandatory elements of the criteria.*
- 67) *Enterprise 6.9: Managing Moisture: Roofing and Wall Systems. Please clarify, for REHAB, what “deficiency in or include replacing particular assemblies called out below” means? What is considered a deficiency? On a rehab with brick veneer, are we expected to install a continuous weather-resistive barrier? Enterprise's Answer—All rehabs are not expected to implement the strategies listed in this criterion. Instead, those properties which are planning on replacing the roof or wall assemblies listed in the criterion as part of their retrofit scope are required to replace those assemblies in a way that complies with the information listed in this requirement. And, any property with a roof or wall assembly with evidence of a deficiency (existing wall or roof conditions that do not successfully drain water away from the building) must update them in accordance with Criterion 6.9.*

- 68) *Enterprise 7.2: Reduce Lead Hazards in Pre-1978 Buildings. Is a new lead risk assessment required, or is a lead assessment done in the past, acceptable. If lead was found previously and remediated or encapsulated, what proof is needed? Enterprise's Answer—All substantial rehabs of buildings constructed before 1978 should submit the project's lead hazard reduction compliance documentation at the time of post-build certification. If lead abatement has previously taken place at the property, documentation of that may be submitted rather than conducting a new assessment. However, if interim controls rather than abatement were implemented previously, a new lead risk assessment or inspection is required (along with corresponding lead hazard control actions).*
- 69) Enterprise 8.1, 8.2, 8.3, 8.4: Are there any certifications or “requirements” for those that create and compile the manuals? Any required format? Is there a template to follow? *Enterprise's Answer—No credentials required to complete – any project team member may do so by adhering to the requirements for each manual as specified in the criteria and may use templates available for 8.1 and 8.3 (all templates are available on the Green Communities Criteria website: <https://www.greencommunitiesonline.org/information-required-certification-submissions> ). There is not a template for 8.2 or 8.4. So long as all required information for the project is incorporated clearly, manuals are not required to follow a certain format.*
- 70) Enterprise 8.5: Is this collection of energy and water data required to be collected by any certain program or people? *Enterprise's Answer—No.* Can the on-site management collect this information? *Enterprise's Answer—yes, as long as the types of data collected and data tracking mechanisms listed in Criterion 8.5 are followed.*
- 71) Enterprise Green General Question: If a mandatory criteria item does not specify “New Construction” or “Substantial Rehab”, does it automatically apply to both? *Enterprise's Answer—yes.*
- 72) Enterprise Green General Question: Do dwelling unit buildings AND Office / Maintenance / Community buildings need be certified Green Community? *Enterprise's Answer—Green Communities certifies projects. All spaces within a project should meet the criteria requirements if possible. Specific circumstances do arise that present more nuance, and in that instance, we'd encourage teams to reach out and discuss with our team.*
- 73) Enterprise Green General Question: Is there a re-certification or re-evaluation process required to keep the Green Communities designation? If so, how often and for how long? *Enterprise's Answer—There is not a re-certification process in place currently.*
- 74) Enterprise Green General Question: Some items of the mandatory criteria (especially the mandatory NOFA items) seem to apply to New Construction. Do all the mandatory NOFA EGC items apply equally to Rehab projects and New Construction? *Enterprise's Answer—The PRIME 2 NOFA requires earning all the mandatory criteria for Enterprise Green, per a typical certification, and then also earning 50 optional points, including these criteria, which are all applicable to both new construction and rehab projects: 1.6 Multi-Hazard/Vulnerability*

*Assessment; 4.7 Access to Potable Water during Emergencies; 5.9 Resilient Energy Systems – Floodproofing and, 5.10 Resilient Energy Systems – Critical Loads*

- 75) Fortified 1.1.1: Please give examples or more detail on the difference between Fortified Multifamily and when Multifamily is considered Commercial. If a project has multiple dwelling unit buildings, such as single family, duplex, 4-plex AND has a separate Office/Community building, are the dwelling units Fortified Multifamily and the Office/Community building Fortified Commercial? Could a site only have the dwelling units as Fortified, or are all buildings on the project required to be Fortified? *IBHS' Answer--All buildings would be under the Fortified Multifamily.*
- 76) Fortified 2.4.1: *states that whole building protection against flood hazard is "not required" but IBHS, "strongly recommends" mitigation steps for X-shaded zones (elevate FF above the 500-year flood level/or provide dry flood protection, check valve/backflow at sanitary line, etc.* Is this required only for new construction, or does it also apply to rehab/existing structures? Does LHC consider this MANDATORY for new and/or rehab? (Also, how does this elevating the FF affect "visit-ability" to all units? Still required? Accessible buildings only required to provide ramps/accessible path?) a. The NOFA states(pg12): "The building footprint maybe be in Zone B or X-Shaded (500 year); however, all building mechanicals and finished residential floors must be built at elevations of no less than three feet above the higher of (a) the lowest point within the building footprint, or (b) the nearest road centerline." This seems to contradict Fortified 2.4.1/or adds to the requirements of 2.4.1. *IBHS' Answer--LHC requires you to be 3 feet above the base flood elevation.*  
b. Is Electrical required or not required to be above the elevations stated in "a" above? *IBHS' Answer-- See on page 42 of the Fortified Multifamily: "3.2.4 Electrical and Mechanical Systems and Connections—Flood Protection All electrical and mechanical equipment and connections necessary to operate critical systems shall be elevated at minimum above the 500-year flood level, if known, or 3 ft above the base flood elevation (BFE) for the property. If the equipment cannot be sufficiently elevated as described above, permanent dry flood protection such as flood gates, walls, doors, or similar devices shall be used to prevent water intrusion to the heights described above. Flood depth, duration, velocity, and condition of water shall be considered (including floating debris)." All other electrical must meet NEC and be approved by AHJ.*
- 77) Fortified 2.4.2: Is Hail Supplement truly optional, or required by LHC? If required, only for hail designated parishes, or all parishes. *IBHS' Answer—Yes. LHC requires in hail prone parishes as listed in the standard*

- 78) Fortified 2.4.3 (Backup power): Listed as optional. Confirm as stated in meeting that LHC is requiring this section. Required for new and rehab? IBHS' Answer—*Refer to the Enterprise Green Communities Standard (also see NOFA §5.1(d)).*
- 79) Fortified 3.1.1.1/Re-evaluation: Properties/buildings must be re-evaluated every 5 years to keep the Fortified GOLD designation. How many years must the development maintain the designation? IBHS' Answer—*for the entire qualified compliance period.*
- 80) Fortified 3.1.3.1.1/Plywood and OSB: Are best practice items (such as plywood preferred over OSB), considered required or optional by LHC? IBHS' Answer—*Both Plywood and OSB meet the Fortified Multifamily standard.*
- 81) Fortified 3.1.3.3.1: Will LHC allow any of the 3 stated “sealed deck” options? IBHS' Answer—*All of the methods stated in the Fortified Multifamily standard meet the standard.*
- 82) Fortified 3.1.3.3.1/Sealed Roof Deck Option 2: If using OSB and a self-adhered membrane, is the primer, to ensure adhesion to OSB, required? How do you know when the “membrane to OSB” adhesion is “marginal”? IBHS' Answer—*Refer to the manufacturer's installation requirements. You know that the adhesion is marginal if you can unstick it.*
- 83) Fortified 3.1.3.3.1/Sealed Roof Deck Option 2: When the self-adhered membrane is used, is the bond break “required” or just recommended? IBHS' Answer—*Just recommended as stated in the standard.*
- 84) Fortified 3.1.3.7.2: Will LCH allow gable end vents? (Fortified “recommends” not to use, but can, if meet TAS100(A)). IBHS' Answer—*If gable end vents are present, they must meet TAS100A(A).*
- 85) Fortified 3.1.4: If something is not required (ex. Stainless steel fasteners and connectors), but IBHS recommends it, does LHC consider this a “required” product or condition? Does the word “should” = SHALL? IBHS' Answer—*Corrosion-resistant requirements are found on page 14 of the Fortified Multifamily standard.*
- 86) Fortified General Question: As read in the FAQs, “Each building on a site/project must have its own application. The fortified designation is by building, not project.” Please clarify that all buildings within a development/site must each have a separate application, by address? Every single family, duplex, 4-plex, etc. IBHS' Answer—*Each must have a separate application, by address - Every single family, duplex, 4-plex, etc.*
- 87) Fortified General Question: What is required/mandatory if your project is out of a Zone B or X-shaded area, (out of/above the 500-year flood risk zone), did not experience flooding during 2016, and is not within a colored portion of the CPRA map? Just FORTIFIED Gold and 2020 Enterprise Green? Or are all requirements stated in NOFA Section 5 (page 13-16) mandatory and required? Is there a difference if the project is New Construction vs



Substantial Rehab? *IBHS' Answer—FORTIFIED Gold, 2020 Enterprise Green Communities, and all mandatory requirements as listed in the NOFA.*

- 88) Fortified General Question: If a project is located outside of all the higher risk areas, as stated [above], will those factors affect the scoring of the project? *LHC Answer—No. There is no scoring preference for risk factors related to location; there are threshold requirements. See NOFA §4.)*