

## VERSION CONTROL FORM

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SUMMARY OF CURRENT CHANGES	



**Louisiana Housing**  
Corporation

**LOUISIANA HOUSING CORPORATION (“LHC”)**

**NOTICE OF FUNDING AVAILABILITY AND PROGRAM IMPLEMENTATION**

**GUIDELINES**

**FOR**

**MULTIFAMILY PIGGYBACK / CDBG-DR LOAN FUNDING**

**2022 Piggyback Resilience Initiative - Mixed-Income (PRIME-2)**

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## 1. General Program Terms

### 1.1. Overview

The Louisiana Housing Corporation (“LHC” or “Corporation”) hereby releases this Notice of Funding Availability and Program Implementation Guidelines (“NOFA” or “Program Description”) for the availability of **One Hundred Forty-Nine Million Dollars (\$149,000,000.00)** in Community Development Block Grant Disaster Recovery (CDBG-DR) funds. These CDBG-DR funds have been allocated by HUD for recovery activities related to flooding events resulting from Hurricanes Laura and Delta in 2020. Per this NOFA, these funds are available for projects located in the twenty-four parishes designated by FEMA as eligible for ‘Individual Assistance’ under FEMA Disasters 4559 and 4570 (see “Eligible Parishes” at §11, Definitions). This NOFA is designed to provide funding for the new construction or substantial rehabilitation development of multifamily affordable rental housing, as stipulated herein. Successful applicants will be required to utilize CDBG-DR funds paired with 4% Low Income Housing Tax Credits (LIHTC) which are available to projects which utilize LHC Multifamily Revenue Bonds (“LHC Tax-Exempt Bonds”) issued by the LHC in accordance with Section 42(h)(4) of the Internal Revenue Code of 1986, as amended (“Code”).

This LIHTC/CDBG-DR program, hereinafter referred to as ‘Piggyback 2022’, ‘Piggyback Resilience Initiative – Mixed-Income 2’, ‘PRIME-2’ or ‘the Program’ is subject to the State of Louisiana’s HUD-approved Master Action Plan for the Utilization of Community Development Block Grant Funds in Response to 2020 and 2021 Federal Declarations in Louisiana, as amended. The Program’s objective is to create multifamily rental units by primarily using LHC Tax-Exempt Bonds, CDBG-DR funds (structured as soft first or second mortgages), and equity from the sale of 4% LIHTCs, allowable in accordance with Section 42(h)(4) of the Code. All developments funded through the Program are to primarily benefit low- and moderate-income populations. PRIME-2 is a competitive program and, through its design, requires housing to feature substantial disaster-resilience characteristics and requires mixed-income housing with 100% LIHTC units averaging affordability at or below 60% AMI. Further requirements and program priorities are enumerated later in this Program Description.

All CDBG-DR Funds will be awarded in the form of a soft cash flow first or second mortgage loan payable from Surplus Cash. CDBG-DR Funds will accrue interest at a rate not exceeding the long-term applicable federal rate (AFR) and will be payable from not less than 50% of Surplus Cash. Any deferred developer fees will be paid from the owner’s share of Surplus Cash, not later than the initial fifteen-year compliance period for LIHTCs. See §7, Gap Financing Terms.

### 1.2. Funding

**One Hundred Forty-Nine Million Dollars (\$149,000,000.00)** in CDBG-DR funds will be made available through this NOFA. The highest scoring projects will be awarded until the funds are exhausted, subject to the provisions herein.

### 1.3. Eligible Uses

CDBG-DR Funds awarded under this NOFA will only reimburse eligible costs incurred to develop a project. No CDBG-DR Funds will be paid in advance to reimburse a project cost unless the electronic Funds Requisition Form with back-up AIA certification, invoices and receipts are submitted and approved. No funds will be disbursed until all funding commitments and grant agreements are signed, and environmental conditions are satisfied.

Purchases from affiliated persons or entities must be supported with an appraisal, acceptable to the LHC in its sole discretion. Construction / Rehabilitation costs must be included as a budgeted item and funds must be drawn on a pari passu basis with other construction-period funding sources.

### 1.4. Ineligible Uses

CDBG-DR will not be disbursed for any costs enumerated at 24 CFR §570.207, with the exception of those costs which are permitted under the state's waiver, which permits the use of CDBG-DR funds for new construction activities.

### 1.5. Ineligible Applicants

- Any person or entity (or affiliate thereof) on the federal debarred list, or an organization controlled by such person or entity on that list.
- Any person or entity (or affiliate thereof) that received notice that they are currently out of compliance with the LHC and/or Louisiana Office of Community Development (OCD) regarding submission of annual audits and other financial reports, or who are in arrears on payments of LHC/OCD loans.
- Any person or entity that currently owns or controls a LHC and/or OCD financed project with outstanding issues of non-compliance that are unresolved for greater than 90 days as of the date of the application submission.

### 1.6. Eligible Projects

All borrowers must be LIHTC single asset entities organized as for-profit limited partnerships ("LPs") or limited liability companies ("LLCs"). General Partners of LPs and Managing Members of LLCs may be for- or non-profit entities. A PHA may participate as General Partner or Managing Member. All projects must combine CDBG-DR with LIHTCs, allowable by LHC Tax-Exempt Bonds, which finance costs in accordance with Section 42(h)(4) of the Code. LHC Tax-Exempt Bonds may, but are not required to, finance a permanent first mortgage.<sup>1</sup>

Eligible projects must be located in an Eligible Parish. See §11, Definitions.

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<sup>1</sup> The LHC Tax-Exempt bond-financed 1<sup>st</sup> may be construction-period only, or it may be construction to permanent.

Eligible projects may be New Construction or Substantial Rehabilitation. However, note that Substantial Rehabilitation properties must meet the FORTIFIED Gold standard, and no award will be made to a Substantial Rehabilitation property which cannot achieve this designation. See §11, Definitions.

Reserve for Replacement requirements apply. See §8.1, Replacement Reserve Deposit Requirements.

Eligible projects must meet all eligibility requirements of this Program Description, including underwriting requirements.

Eligible projects must comply with all application requirements.

### 1.7. Ineligible Projects

The following properties are Ineligible Projects:

- Properties not located in an Eligible Parish. See §11, Definitions.
- Properties not allowed LIHTCs, pursuant to Section 42(h)(4) of the Code.
- Properties deemed non-feasible or non-viable by the LHC, based on its underwriting review.
- Properties failing to submit a complete and fully responsive application for award of funding, or to respond to questions and concerns put forth by the LHC by the deadline imposed by the LHC for such responses when submitting an inquiry to the applicant.
- Properties failing to submit timely and proper fees as required. See §10.1, Application Fees.
- Lease to Own Properties; because of the structure of the CDBG-DR Gap Financing Mortgage, lease-to-own (Year 16) properties will not be permitted.
- Properties which fail to achieve a minimum forty (40) point score against the scoring criteria established in the LHC 2022-2023 QAP. See §6.1.

### 1.8. Affordability Requirements Overview

Eligible projects may not include market-rate units (i.e., units unrestricted as to rent and initial household income); all residential units must be affordable units (restricted as to rent and initial household income).

All projects must select Income Averaging, no fewer than 20% of units must be set aside at 80% AMI. See §3, Mixed-Income Properties.

Regarding PSH requirements, see §8.4, Rents; §8.6, PSH Underwriting; and §9.3, Permanent Supportive Housing (“PSH”) Set-Aside Requirement.



### 1.9. Non-Assignability of Application and Award

The entity or individual submitting an application for CDBG-DR must be a principal of the proposed development team with the legal authority to execute a legal agreement on behalf of the LP or LLC ownership entity, with the LHC. All awards made will be to the established single-asset entity LP or LLC identified in the application and will be addressed to the principal of that entity submitting the application. Any assignment of such an award without the prior, written consent of the LHC may immediately and irrevocably void the award. Any change in the proposed ownership from that which is stipulated in the application will constitute an assignment.

### 1.10. Various Scoring Explained

Applicants must consider three different scoring systems.

**Minimum QAP Score**—pursuant to the terms of the 2022-2023 QAP, applicants requesting allocations of non-competitive LIHTCs must score no less than forty (40) points against the scoring criteria enumerated in the QAP. This is a threshold requirement, only. Projects which do not score at least forty (40) QAP points will not be eligible for an allocation of LIHTCs, and will not receive an award under this NOFA.

**Minimum Enterprise Green Communities (EGC) Score**—All applicants are required to obtain EGC certification. EGC requires certain elements, and provides a number of optional elements. EGC optional elements are associated with optional points. This NOFA requires awarded properties to score at least fifty (50) optional EGC points, and further requires certain ‘options’ be selected. This is a threshold item: all properties must achieve 50 EGC points; these points are not considered when competitively scoring this NOFA. See §5.1, Enterprise Green Communities (EGC) Certification.

**NOFA Scoring Points**—Funds will be awarded under this NOFA based on a competitive score, which allocates points for CDBG-DR Efficiency (see §6.2), Affordability Value (see §6.3) and Calcasieu Parish (see §6.4), only. There are 43 total available points; however, no property can receive all the available points because CDBG-DR Efficiency points will always be less than the (theoretical) maximum.

### 1.11. Prior Awards

No awards under this NOFA may be combined with prior awards issued by the LHC/OCD without the written consent of both the LHC and OCD, requested by the applicant no less than 30 calendar days prior to the deadline for submissions under the Program, including those which have not yet closed and those which have closed and have not yet been fully funded.

### 1.12. Strictly Enforced Deadlines

The LHC will strictly adhere and impose deadlines for committing and expending CDBG-DR fund awards under this NOFA based upon the activity proposed and other information provided in the application. Any CDBG-DR funds not committed or expended within the timeframes included in the loan documents may be recaptured by the Corporation. Projects must adhere to the following:

- CDBG-DR awards may be terminated at any time prior to the CDBG-DR award expiration date due to the absence of project productivity. CDBG-DR funds advanced prior to the completion and close-out of a project (whether voluntary or involuntary) must be repaid to the LHC if the project is not completed for any reason by the close out deadline for the CDBG-DR funds.
- Applicants must submit a project schedule in their application submission and must adhere to the project schedule included in their application submission (and that schedule must conform to the schedule outlined at §1.14 and satisfy placed in service requirements required by Section 42 of the Code). Adherence to the schedule will also be a formal requirement of any award.

#### 1.13. Project Readiness Requirement: Funding commitments

The Application must demonstrate and include commitments for all funding sources, to the satisfaction of the LHC, as follows:

- Commitments for all non-CDBG sources of funding.
  - All Commitments must be dated after the publication date of this NOFA.
  - LHC reserves the right to require updated commitments as it deems necessary.
  - Commitments for LIHTC equity must provide for at least 10% pay-in prior to the first payment of CDBG-DR funds from LHC.
  - All conditions contained in commitments shall be subject to determination by the LHC as to reasonableness. LHC may reject any commitment (and deem the application deficient) if, in the sole discretion of the LHC, any condition is outside of market requirements and/or is unlikely to be satisfied.

Projects that will utilize LIHTCs pursuant to Section 42(h)(4) of the Code must also submit a LIHTC Application in accordance with the requirements of Section 42(m) of the Code and the provisions of the 2022-2023 State Qualified Allocation Plan (“2022-2023 QAP”). The application for LIHTC and CDBG-DR funds will be a combined application. Any award of CDBG-DR funds for a project utilizing LHC Tax-exempt Bonds to obtain LIHTCs allowable pursuant to Section 42(h)(4) of the Code will be made contingent upon approval from the Louisiana State Bond Commission.

#### 1.14. Schedule

Projects are scheduled to be awarded by the end of Q1-23, to close Q3 -23, and to complete construction by Q4-24. Projects which cannot adhere to this schedule should not apply. See §10.6, Important Dates and Deadlines.

## 2. CDBG Limits

### 2.1. Funds Available, Maximum and Minimum Funding

Total funding to be awarded under this NOFA is One Hundred Forty-Nine Million Dollars (\$149,000,000.00). This amount is subject to upward or downward adjustment by the LHC. Any adjustment will be subject to notification through an amendment to this NOFA. Such amendments may be issued at any time.

No CDBG-DR funds award may exceed \$150,000 per unit and no CDBG-DR funds award may exceed \$15 Million in total funding to any single project.<sup>2,3</sup> However, note that applicants are disadvantaged when requesting a high percentage of CDBG-DR funds relative to total development costs through scoring criteria. See §6.2, CDBG-DR Efficiency.

Illustrative examples ( $\leq$ \$150K/u and  $\leq$ \$15M/p):

- 40-unit project may not request more than \$6M (\$150K/u)
- 50-unit project may not request more than \$7.5M (\$150K/u)
- 66-unit project may not request more than \$9.9M (\$150K/u)
- 100-unit project may not request more than \$15M (\$150K/u)
- 125-unit project may not request more than \$15M (\$120K/u)
- 150-unit project may not request more than \$15M (\$100,000/u)

The LHC will not award less than Four Million Dollars (\$4,000,000) in CDBG-DR Gap Financing to any individual property. Projects which require less than \$4,000,000 in CDBG-DR Gap Financing based on the LHC's review will be determined to be ineligible. The LHC does not anticipate that any conforming project can be completed for an award below this amount. Applicants may request a waiver for applications of less than \$4M in writing prior to application. No waiver requests will be considered for amounts in excess of the \$15M per project ceiling of the \$150K per unit ceiling.

There is no ceiling on Total Development Costs (TDC), pursuant to the 2022-2023 QAP. However, see QAP §III.C.

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<sup>2</sup> Accordingly, maximum per-unit funding is applicable to projects with fewer than 100 units. There is no funding for projects below 40 units, and the \$15M per project cap is effectively applicable to projects above 100 units.

<sup>3</sup> The approved amount is \$10M per project; However the NOFA includes a per-project limit of \$15M as reflected in Action Plan Amendment #1, which is not currently approved by HUD.

### **3. Mixed-Income Properties**

#### **3.1. Requirements**

Mixed-Income properties are required. The use of the LIHTC Income Averaging ("IA") option is required (however, see §3.3, Regarding Income Averaging and IRS Guidance). Properties must undertake the following scenario:

- 0% Market units, average affordability of 100% LIHTC units at or below 60% AMI, with no fewer than 20% of units at 80% AMI.

PRIME-2 is a mixed-income Program. Applicants may not propose a property which is 100% LIHTC with all units at or below 60% AMI. Properties developed under this program will have units available at a range of incomes and will operate as 'mixed-income' properties as a result.

To ensure a range of incomes, this Program requires applicants to elect 'Income Averaging' pursuant to Section 42(g)(1)(C) of the Internal Revenue Code ("Code"). When electing Income Averaging, this Program further stipulates that (a) no less than 100% of the units must be LIHTC restricted, and (b) the average restriction of restricted units (which may range between 20% and 80% AMI) is at-or-below 60% AMI, and (c) the averaging is based on a range of income levels, which includes at least 20% of units at 80% AMI.

#### **3.2. Deep Affordability / PSH**

- Eligible projects must set-aside no fewer than 5% of units at rents affordable at 20% AMI, and for occupancy by households at or below 30% AMI. Note that this requirement is inclusive of the PSH set-aside requirements, below.
- Inclusive of the foregoing and as otherwise required in the QAP, eligible projects must set aside 4% of units as available under QAP IV.A.1. These units are eligible for PSH Vouchers but must be made available pursuant to the PSH Program requirements without regard to whether a voucher is available. See §9.3, Permanent Supportive Housing ("PSH") Set-Aside Requirement.

#### **3.3. Regarding Income Averaging and IRS Guidance**

This NOFA acknowledges that rules regarding the IRS treatment of IA are needed to facilitate investor interest in and comfort with the option. As published, this NOFA requires IA. If IRS clarifying guidance is published in prior to the scheduled amendment date for this NOFA (see §10.4, Deadline to Submit), and that guidance is sufficient for the LHC/OCD to conclude that investor interest in IA transactions is restored, the requirement will stand. If, alternately, the IRS does not publish clarifying guidance sufficient to allay investors' concerns regarding IA, the amendment will remove the IA requirement. Applicants should plan for IA but be prepared to adjust their applications accordingly.

Regardless of the foregoing, the LHC/OCD will permit an income average lower than 60% AMI.

#### 4. Eligible Sites

Eligible Sites: Disaster Resilience of funded projects will be partly accomplished through project siting. The following rules shall apply:

- The building footprint (for buildings with residential units) may not be located within or partially within the Special Flood Hazard Area (“SFHA”). Parking is not required to be at or above the building elevation requirements required in the NOFA.
- The building footprint may be in Zone B or X-Shaded (500-YR); 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.
- Irrespective of FIRM designation, the application must clearly establish whether the proposed building footprint experienced flooding in the 2016 Great Floods<sup>4</sup>; if footprint was flooded, the plan must clearly address how such risks are mitigated, either through elevation above the BFE, floodproofing, or both.
- Irrespective of FIRM designation, the application must identify the flood risk exposure as indicated by the Coastal Protection and Restoration Authority’s Master Plan Data Viewer.<sup>5</sup> To look up property in the Data Viewer - Select ‘View Louisiana Coast’; Select ‘View My Community’; Input the street address of the proposed property; Select ‘My Info!’; Select ‘My Flood Risk’; and on the right select ‘Medium Scenario’, ‘With Plan’, and ‘.2% Flood Event (500-Year)’. If your property is shown to be in a location with flood depth (the colored map), your plan must address how you will withstand such a flooding event. Such mitigation may be by means other than elevation.

Applicants should note the siting preferences and prohibitions outlined in the QAP (V.A.11.) apply.<sup>6</sup>

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<sup>4</sup> Applicants are strongly advised to consult the local floodplain manager in the jurisdiction in which their proposed project is located to determine whether and to what extent their proposed site was impacted by the 2016 floods.

<sup>5</sup> <https://cims.coastal.louisiana.gov/masterplan/>.

<sup>6</sup> Negative siting rules in the QAP (i.e., prohibitions against siting properties within specified proximity to specified activities) apply. The NOFA does not supersede the QAP in this regard. See QAP IV.A.6..

## 5. Mandatory Disaster Resilience Criteria

In addition to complying with other requirements, including but not limited to the 2022-2023 QAP, the Louisiana State Uniform Construction Code (LSUCC) and local planning and zoning requirements, the Americans with Disabilities Act, the Fair Housing Act and §504 of the Rehabilitation Act, the following design and construction elements are mandatory; proposed properties will be determined to be ineligible if they fail to incorporate these elements. Applicants must request—within their application under this NOFA—waivers for any QAP Design and Construction Standards (2022-2023 QAP) which conflict with required or proposed resilience measures herein. The LHC may grant these waivers unless there is a specific rationale for not doing so which outweighs impact of the measure toward the property’s disaster resilience. Note that a central element of disaster-resilience under this NOFA is project siting. See §4, Eligible Sites.

As a consequence of these criteria, all properties funded under this NOFA must—at a minimum and in addition to specific siting and elevation requirements—meet the FORTIFIED Multifamily Gold standard, will conduct a multi-hazard risk and vulnerability assessment, provide access to potable water during emergencies, flood-proof buildings, provide emergency power, install back-flow preventers, construct with ‘flood-hardy’ materials and assemblies and ensure all mechanical systems are elevated. No NOFA scoring points will be awarded for commitments to further measures; these disaster-resilience measures are required, with waivers provided only as provided above. PRIME-2 properties are distinguished from typical multifamily as being significantly more disaster-resilient.

Mandatory Enterprise Green Communities criteria stipulated in this NOFA are a requirement of the PRIME-2 program (see §5.1, below). *If EGC criteria as proposed in the application has been determined to not have been met or was violated, applicants will be ineligible to receive future CDBG awards for a period of no less than two (2) years and up to five (5) years. In addition, the tax credits reserved and/or allocated to the project will be subject to rescission and/or recapture.* Enterprise will adjudicate whether the required elements have been achieved, and Enterprise will adjudicate whether the EGC criteria have been met. This determination (i.e., the EGC Certification) will be a precondition of the release of retainage of the CDBG funds.

Similarly, is it a mandatory requirement that IBHS FORTIFIED Multifamily Gold Certification be achieved (see §5.2, below). *If FORTIFIED Gold criteria has been determined to not have been met or was violated, applicants will be ineligible to receive future CDBG awards for a period of no less than two (2) years and up to five (5) years. In addition, the tax credits reserved and/or allocated to the project will be subject to rescission and/or recapture.* IBHS will adjudicate whether the required elements have been achieved, and IBHS will adjudicate whether the EGC criteria have been met. This determination (i.e., IBHS FORTIFIED Multifamily Gold Certification) will be a precondition of the release of retainage of the CDBG funds.

### 5.1. Enterprise Green Communities (EGC) Certification

The 2022-2023 QAP requires applicants to either commit to Universal Design, or to meet one of the four following standards: LEED Criteria, Enterprise Green Communities (“EGC”) Criteria,

National Green Building Standard ICC 700 Criteria, or EarthCraft Criteria. For purposes of this NOFA, all projects must meet Enterprise Green Communities Criteria (i.e., LEED, ICC 700 or EarthCraft may not be selected); this NOFA requires the selection of Enterprise Green Communities, and that selection satisfies the QAP requirement.

This NOFA requires achievement of all mandatory EGC requirements for certification under the 2020 criteria<sup>7</sup> plus fifty (50) EGC optional points. However, among the EGC optional points, this NOFA requires certain EGC optional elements, which total 34 points—see the table at subsection (e), below). Therefore, of the NOFA-required 50 EGC optional points, 34 are specified as requirements within this NOFA. The remaining required points are at the discretion of the applicant.

All applications will be required to select the following ‘optional’ requirements from the 2020 EGC criteria:

Required Optional EGC Criteria required under this NOFA:

- (a) EGC §1.6, Multi-Hazard Risk / Vulnerability Assessment. Carry out a Vulnerabilities Assessment and implement building elements designed to enable the project to adapt to and mitigate climate impacts given the project location, building/construction type and resident population. This mandatory NOFA selection accrues ten (10) optional points toward the required 50 optional points which must be achieved under the EGC criteria.
- (b) EGC §4.7 Access to Potable Water during Emergencies. Provide residents with access to potable water in the event of an emergency that disrupts normal access to potable water, including disruptions related to power outages that prevent pumping water to upper floors of multifamily buildings or pumping of water from on-site wells. This mandatory NOFA selection accrues eight (8) optional points toward the required 50 optional points which must be achieved under the EGC criteria.
- (c) EGC §5.9 Resilient Energy Systems - Floodproofing. Conduct floodproofing, including perimeter floodproofing (barriers/shields), of lower floors. Design and install building systems in such a way that, in the case of an emergency, the operation of specified systems will not be grossly affected. This mandatory NOFA selection accrues eight (8) optional points toward the required 50 optional points which must be achieved under the EGC criteria.
- (d) EGC §5.10 Resilient Energy Systems - Critical Loads. Provide emergency power through an islandable photovoltaic (PV) system or an efficient and portable generator that will offer at least limited electricity for critical circuits during power outages. EGC provides two options, either earning eight (8) points. The applicant may select either of these.

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<sup>7</sup> [https://www.greencommunitiesonline.org/sites/default/files/egc\\_2020\\_criteria\\_manual.pdf](https://www.greencommunitiesonline.org/sites/default/files/egc_2020_criteria_manual.pdf)



This mandatory NOFA selection accrues 8 optional points toward the required 50 optional points which must be achieved under the EGC criteria.

(e) Summary Table of EGC Required Selections

EGC Criteria	Earned Points toward 50 Required	Notes
<b>1.6 Vulnerability Assessment</b>	10	
<b>4.7 Access to Potable Water during Emergencies</b>	8	
<b>5.9 Resilient Energy Systems - Floodproofing</b>	8	
<b>5.10 Resilient Energy Systems - Critical Loads</b>	8	Note the options are 'islandable PV system' or 'efficient generator'.
<b>Total</b>	34	The NOFA required selections of EGC 2020 Options total 34 points. The remainder of the points (toward a total score of 50 optional points under EGC) must be achieved by the property selecting additional items with total point values representing at least an additional 16 points.

5.2. Meets IIBHS FORTIFIED Multifamily Gold Standard

The Insurance Institute for Business and Home Safety (“IBHS”) FORTIFIED Multifamily Gold Standard<sup>8</sup> is primarily concerned with the application of proven technologies, materials and techniques to reduce the likelihood of damage in severe wind and hurricane events. The Gold standard includes requirements related to the design and installation of roofing systems, specifications related to walls, windows and doors, and techniques to ensure a ‘continuous load path’ from the roof to the foundation, to better strengthen the property. The LHC anticipates that there will be an incremental cost to build to this standard. Certification by the IBHS, through its contractor, is required.

5.3. Developer “Flood-Hardy” Materials and Assemblies

Applicants are required to commit to construction techniques and materials on the lowest residential floor, to a level three feet above the finished floor level, which incorporates both of the following requirements:

- Building materials capable of withstanding direct and prolonged (72 hr.) contact with floodwaters without sustaining significant damage. Refer to FEMA *Flood Damage-Resistant Materials* Technical Bulletin 2 (2008) or replacement Standard.
- Washable, drainable, dryable assemblies. For examples, see FEMA *Wet Floodproofing* publication, *LaHouse Resource Center* website “Flood Recovery” page.

<sup>8</sup> <https://fortifiedhome.org/fortified-multifamily/>



5.4. Backflow Preventers

All buildings must have a backflow device on the sanitary line at the point of entry into the building to prevent sewage backflow during a flood.<sup>9</sup>

5.5. Unit and Mechanical Elevations

Housing unit finished floor elevations (FFE) and mechanical equipment that services housing units (HVAC, electrical panels, elevator motors, etc.) are above the 500-year flood risk level (if known) or 3 ft. above the Base Flood Level (BFE).

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<sup>9</sup> Not part of Enterprise Green or FORTIFIED.

## 6. Scoring Criteria

PRIME-2 Piggyback funds will be used as Gap Financing for developments utilizing LHC Tax-Exempt Bonds in accordance with Section 42(h)(4) of the Code. CDBG-DR will be awarded to developments based on a scored application verified by LHC and using a scoring formula unique to this Program.

There are 28 total available points; however, no property can receive all the available points because CDBG-DR Efficiency points will always be less than the (theoretical) maximum. If CDBG represents 50% of TDC, the applicant will receive 10 CDBG Efficiency points. If that property also selects all available disaster resilience optional points the application will receive 8 additional points for a total competitive score of 18 points.

Note that in event of ties, LHC will use the non-rounded CDBG-DR efficiency score, to the number of decimal places necessary to break a tie.

### 6.1. Various Scoring Explained

Applicants must consider three different scoring systems.

- Minimum QAP Score—Pursuant to the 2022-2023 QAP, §IV.A.16., “All projects, including those using tax-exempt bonds, must meet a minimum selection criteria score of forty (40) points.” Points earned from the QAP Selection Criteria are used only to establish whether a project meets the required 40-point threshold requirement stipulated in the QAP. Points based on the QAP Selection Criteria are not used toward the competitive score on which awards will be made under this NOFA. Only the scoring criteria herein will be used for that purpose.
- Minimum Enterprise Green Communities (EGC) Score—All applicants are required to obtain EGC certification. EGC requires certain elements, and provides a number of optional elements. EGC optional elements are associated with optional points. This NOFA requires awarded properties to score at least fifty (50) optional EGC points, and further requires certain ‘options’ be selected. This is a threshold item: all properties must achieve 50 EGC points; these points are not considered when competitively scoring this NOFA. See §5.1, Enterprise Green Communities (EGC) Certification.
- NOFA Scoring Points—**Funds** will be awarded under this NOFA based on a competitive score, which allocates points for CDBG-DR Efficiency (see §6.2), Affordability Value (see §6.3) and Calcasieu Parish (see §6.4), only. There are 43 total available points; however, no property can receive all the available points because CDBG-DR Efficiency points will always be less than the (theoretical) maximum. In the event of ties, the CDBG-DR Efficiency and Affordability Value scores will be unrounded.

### 6.2. CDBG-DR Efficiency

Up to twenty (20) points will be awarded for the calculated CDBG-DR Efficiency of the Applicant’s proposed development. This criterion rewards project applications which request a

smaller percentage of CDBG-DR funds relative to total developmental costs. Projects will earn points based on the ratio. Each project's point score will be computed as follows, with final point rounded to the tenth decimal place:

- Adjusted TDC<sup>10</sup> (2022-2023 LIHTC Application Model, 'Development Costs' Worksheet, Total Development Costs at Cell D140),
- Minus CDBG-DR Gap Financing Loan reservation requested,
- Divided by the Adjusted TDC,
- Times 20, rounded.
  - Example 1 (more CDBG-DR relative to Adjusted TDC): Project with a TDC of \$28M, requesting an award of \$13M.
    - \$28M Adjusted TDC; \$13M Gap Financing Loan Request
    - $\$28M - \$13M = \$15M \div \$28M = .536$
    - $.536 \times 20 = 10.714$  points, rounded to 10.7 points.
  - Example 2 (less CDBG-DR relative to Adjusted TDC): Project with an Adjusted TDC of \$35M, requesting an award of \$9.85M.
    - \$35M Adjusted TDC; \$9.85M Gap Financing Loan Request
    - $\$35M - \$9.85M = \$25.15M \div \$35M = .719$
    - $.719 \times 20 = 14.37$  points, rounded to 14.4 points.

### 6.3. Affordability Value

Up to twenty (20) points will be awarded for the calculated Affordability Value of the Applicant's proposed development. This scoring criterion prefers developments in which there is a greater difference between market and restricted rents, reflecting a greater 'street value' of the affordability restrictions. For this calculation, LHC will divide (A) the Adjusted CDBG-DR funding<sup>11</sup> by the total difference over ten years<sup>12</sup> between (B) the Gross Potential Rent ("GPR") of all Residential Dwelling Units at Market-Rent and (C) the GPR of the project with the proposed Affordability Mix, and (D) will multiply this by 20.

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<sup>10</sup> For purposes of this calculation, TDC is adjusted. The Adjusted TDC equals total TDC less equity attributable to boosted basis, if any.

<sup>11</sup> For purposes of this calculation, CDBG-DR is adjusted. The Adjusted CDBG-DR equals total CDBG-DR less equity attributable to boosted basis, if any.

<sup>12</sup> No inflation is applied. The annual difference is multiplied by 10, only.

For example, Applicant A requests \$10M of CDBG-DR funding and proposes 100 one-bedroom units. The annual GPR over ten years at market rent for these units would be \$10.8M (\$900 average monthly market rent,<sup>13</sup> times 12 months, times 10 years, times 100 units, equals \$10,800,000). The applicant proposes 20 units at 80% AMI, 20 units at 40% AMI, 55 units at 60% AMI and 5 units at 20% AMI, representing a 58% Income Average. The resulting as-restricted GPR over ten years is \$8,003,400.<sup>14</sup> The difference between the Market Rent GPR and the Restricted GPR at the proposed rents is \$2,796,600. The developer has requested \$10,000,000 of CDBG but has \$1,100,000 of equity investment corresponding to boosted basis. The Adjusted CDBG is \$8,900,000. The difference in rents is divided by the Adjusted CDBG ( $\$2,796,600 / \$8,900,000 = .31422$ ). The developer earns 6.3 points ( $.31422 \times 20 = 6.2844$ , rounded to 6.3). Scores will be rounded to the tenths decimal place. Scores may not exceed 20 points, even if the difference between Market Rents and Proposed Rents over the Use Period is greater than the Adjusted CDBG. Refer to §14, Exhibit A – Affordability Value Sample for an illustration of this scenario.

Properties in a Rural Parish (see §34, Definitions) are encouraged to apply. This NOFA recognizes that market rents are lower in these areas, and that these properties may consequently fail to achieve a comparatively high Affordability Value. Such properties must calculate the Affordability Value but will receive a score which is the greater of their calculated score, or four (4) points.

#### 6.4. Calcasieu Parish

Projects located in Calcasieu Parish will receive three (3) points.

#### 6.5. Senior Housing Preference

No fewer than three (3) seniors' housing developments will be awarded under this NOFA. If necessary, seniors' deals scoring lower than family deals will be funded to accomplish this outcome, and doing so may result in a higher-scoring family development being non-funded. Said otherwise: regardless of overall scoring of all applications, the three highest-scoring seniors' deals will be awarded.

#### 6.6. HUD Most-Impacted and Distressed Areas

The Action Plan stipulates that 80% of funding will occur in 'Most Impacted and Distressed (MID) Areas'. Consequently, the LHC reserves the right to ensure that no less than \$119.2M in funds are awarded pursuant to this NOFA to MID areas. If necessary, applications in MID areas

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<sup>13</sup> All figures in this example are provided for illustration only. The market rent would be based on the required Market Study. The AMI-based rents would correspond to the year and location and utility allowance. For these calculations the 100% AMI used is \$72,000, the assumed utility allowance is \$80. See §3, Affordability Mix. See §14, Exhibit A – Affordability Value Sample.

<sup>14</sup> In calculating the as-restricted GPR, the lower of the AMI-based restricted rent or the market rent determination in the Market Study is used.

scoring lower than those not located in MID areas will be funded to accomplish this outcome, and doing so may result in a higher-scoring non-MID development being non-funded. The following are MID areas: 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).

## 7. Gap Financing Terms

CDBG-DR financing will be in 1<sup>st</sup> or 2<sup>nd</sup> lien, with annual payments equal to 50% of annual Surplus Cash.<sup>15</sup> The balance of the Loan is due at maturity.<sup>16</sup> There will be no deferral of amounts due based on the deferred developer fee.<sup>17,18</sup> Loans will become due upon the earlier of (a) maturity; (b) sale or refinancing of the property;<sup>19</sup> or (c) acceleration as the result of material noncompliance with the terms of the Loan.

Applicants will be required to submit audited annual financial statements that include a Surplus Cash computation as defined by LHC and as established in the Loan Agreement. Surplus Cash is a balance sheet measurement that subtracts short-term obligations from available cash. If Surplus Cash were positive, it would be distributed in the following order of priority:

- One-half toward the CDBG-DR Gap Financing Loan.
- Any remaining amount to the applicant (and subject to any agreements between the partners or members).

The CDBG-DR Gap Financing Loan takes precedence over any provisions regarding Surplus Cash in the Borrower's organizational documents or the QAP. A submission under this NOFA acknowledges this legal principle, notwithstanding definitions or understandings regarding what may constitute "surplus cash" in other parties' agreements.

The following must be paid solely from the Borrower's share of Surplus Cash: deferred developer fee, any tax credit adjusters, any asset management fees or investor service fees greater than \$5,000 per year in total,<sup>20</sup> any incentive payments to any affiliated entities, and the replenishment of any reserves, if required by any other financial partners. However, normal monthly deposits to the Reserve for Replacements may be paid from operations as if they were

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<sup>15</sup> Note, it will only be in 1st lien if the underwriting determination is that the property cannot support a permanent 1st mortgage.

<sup>16</sup> The term of the CDBG-DR Gap Financing Loan will be 35 years in all cases except in those cases where the term of the 1<sup>st</sup> mortgage is 40 years. When the 1<sup>st</sup> mortgage is 40 years, the term of the CDBG Loan will be 40 years.

<sup>17</sup> The deferred developer fee must be projected in the underwriting to be recoverable from the developer's portion of Surplus Cash, within 15 years. The developer fee will be reduced to accommodate this restriction, if required.

<sup>18</sup> The loan will be at 0% interest. The developer may request 1% interest, or interest at the AFR, but this will be permitted only if the projected balance of the Gap Financing Loan at maturity is less than 80% of residual value.

<sup>19</sup> Due on sale or refinancing, unless the LHC, in its sole discretion, agrees to resubordinate to new financing.

<sup>20</sup> The permitted LP asset management fee, recognized as a priority item to be paid ahead of the Surplus Cash subject to repayment, will be (a) not greater than \$5000 per annum, (b) inflated at 2% per annum, and (c) not subject to accrual. Sponsors may agree to different terms with their partners, but any amounts greater than the foregoing will not be recognized by the LHC in its determination of Surplus Cash, and in its determination of amounts due under the Loan.

operating expenses (ongoing deposits to other reserves, and replenishment deposits to any reserve account, may be made only from Surplus Cash that is distributed to the owner).

The borrower may defer any portion of developer fee; however, the LHC will permit to be included in basis only that portion which the developer asserts can be reasonably projected to be recovered from the borrower's share of Surplus Cash within the first 15 years. Developers may not propose DDF higher than can be recovered under these terms—and must reduce total developer fee in the event the deferral is greater than can be recovered under these terms.

No other subordinate loans may be repaid through the borrower's share of SC, except loans made by an affiliate of the borrower, without (a) disclosure of such proposed arrangements in the application, and (b) the LHC's written consent, which shall be at its sole discretion.

#### 7.1. Interest Rate and Residual Value

The CDBG-DR Gap Financing loan will be at 0% interest. The developer may request 1% interest, or interest at the AFR, but an interest rate greater than 0% will be permitted only if the balance when the Gap Financing Loan matures is projected by the LHC in its underwriting analysis to be less than 80% of residual value, based on interest accrual, repayments from projected Surplus Cash and a projected valuation which applies a 10% cap rate to the property's NOI in the year in which the CDBG-DR Loan matures. Note that default interest may be charged, pursuant to the terms of the Legal Documents.

#### 7.2. Required Affordability

All affordability will be deed-restricted for 35 years, unless the term of the permanent 1<sup>st</sup> Mortgage is for a longer period, in which case the term of the CDBG Mortgage and the term of the CDBG affordability restrictions will match the 1<sup>st</sup> Mortgage term. The CDBG Use Restriction will prime the 1<sup>st</sup> mortgage; the CDBG Period of Affordability will survive foreclosure.

#### 7.3. Legal Documents

PRIME-2 Piggyback loans will be structured around standard-form legal documents, including an Award Acceptance Agreement, Loan Agreement, Note, Mortgage, Regulatory Agreement, Subordination Agreement (if required by the senior lender), Completion Guaranty, Operating Deficit Guaranty, and Guaranty of Non-Recourse Carve-Outs. It is anticipated that these template legal documents will be posted no later than forty-five (45) days prior to the deadline for submission of applications under this NOFA.

Unless the application contains a summary of specific provisions which the applicant requests be amended, in submitting an application in response to this NOFA the applicant asserts its agreement with the terms and requirements set forth in these legal documents. The submission of a request for amendment or modification of provisions is not binding on the LHC, and it reserves the right to make any award of funds contingent on closing without modification of the legal documents.

## **8. Underwriting Standards and Requirements**

The underwriting standards and requirements of the QAP, as reflected in the 2022-2023 QAP and the 2022-2023 electronic application model, will apply to projects under this NOFA. However, the following additional provisions will apply.

### **8.1. Replacement Reserve Deposit Requirements**

To better ensure funded properties are physically viable for the term of the CDBG loan, all applicants must make an initial deposit (from development sources) to the Replacement Reserve (IDRR) Account of \$1,000 per unit and an Annual Deposit to the Replacement Reserve (ADRR) of \$500 per unit. For underwriting purposes, the ADRR shall be inflated 3% between years 1-15, and shall be inflated 2% between years 16 and the Maturity of the CDBG Loan.

Replacement Reserves will be subject to controls as stipulated in the Legal Documents. See §7.3, Legal Documents.

### **8.2. Operating Deficit Reserve Requirements**

This program does not impose Operating Deficit reserve requirements, but will recognize reasonable establishment of such reserves from development funds, as required by other funding partners. As enumerated in the Legal Documents, any reserves released from the account for purposes other than curing operating deficits as defined in the Loan Agreement must be in the form of a payment against the CDBG Gap Financing Loan.

### **8.3. Lease-Up Reserve Requirements**

This program does not impose Lease-Up reserve requirements, but will recognize reasonable establishment of such reserves from development funds, as proposed by the applicant. All uses of such funds must appear in the audit of the partnership in the year the project is placed in service.

### **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.
- PSH: PSH units are underwritten to the greater of 20% AMI rents, or rental assistance (PBV or PBRA) rents if a contract commitment for such rental assistance is submitted the application. For all properties, 4% of units are required to be set aside as PSH units.

### **8.5. First Mortgage Sizing**

Certain required debt service coverage ratio requirements are governed by QAP §IV.D.2. Note that the QAP requires these standards over the first fifteen years. For purposes of underwriting the CDBG, the LHC will additionally consider the following:



- The first-year DSCR may be no less than 1.15 and no more than 1.20 unless a higher DSCR is required to ensure a DSCR equal to or greater than 1.0 during the term of the 1st.
- The initial DSCR of the permanent 1st may not exceed 1.4 (per the QAP).
- At maturity of the First Mortgage (if shorter than the maturity of the CDBG Loan) the underwriting must model a refinancing of the First Mortgage to establish that at maturity the then-remaining balance can be refinanced with a mortgage at 6% interest, with \$200K in transaction costs, with an amortization no longer than the then-remaining term of the CDBG Loan (such that the First Mortgage resulting from the refinancing fully amortizes in the month in which the CDBG loan matures).
- All CDBG loans will be in Second, or Junior, Lien Position, except and unless there is no hard First Mortgage possible due to the property's inability to support a First Mortgage of greater than \$500,000 which otherwise conforms to the requirements. Properties which cannot support a mortgage of at least this amount should propose that there be no permanent First Mortgage, and in these cases the CDBG loan will be in First Mortgage position at the conversion to permanent financing but will be paid solely through a share of Surplus Cash (SC).
- The QAP (§IV.D.1.) requires inflation trending of revenues at 2% and expenses of the greater of 3% or OCAF. This standard will be applied for the first 15 years of the proforma. For years 16 through the projected maturity of the CDBG loan, revenues will be inflated at 2% and expenses will be inflated at 2.5%.

#### 8.6. PSH Underwriting

Projects must set aside and provide at least 4% of total units for Permanent Supportive Housing ("PSH"). These are referred to as PSH units.

As a result, all properties funded under this NOFA will have at least 4% PSH which is not supported with PSH Vouchers unless a commitment is obtained by the Borrower prior to the submission of the application.

All properties should endeavor to dedicate a number of accessible units. PSH units will be governed by the terms of the PSH Agreement. See §12, PSH Program Summary.

#### 8.7. Payment and Performance Bond

Each funded application that receives an award of CDBG-DR Funds will be required to post a payment and performance bond during the period of construction corresponding to the requirements of the Disaster Recovery CDBG Grantee Administrative Manual. The minimum requirements are as follows:

- A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

- A payment bond on the part of the contractor for 100 percent of the contract price. A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

## 9. Key Requirements

### 9.1. Overview

- Applicants must complete and submit the LHC LIHTC electronic application (version 2022-2023) and the PRIME-2 CDBG-DR Supplemental Application (see §10.3) by no later than the **Application Deadline**. See §10.6, Important Dates and Deadlines. Applicants must provide the required payment and performance bond as a condition of closing. See §8.7, Payment and Performance Bond.
- Applicants must include a narrative describing the project.
- The project must be feasible and viable with an award of requested CDBG-DR Funds.
- Projects with multiple environmental issues which cannot be addressed timely and cost-effectively will cause the award of CDBG-DR Funds to be canceled.
- An applicant receiving funds under this NOFA will be expected to maintain the fiscal, physical and managerial soundness of the benefitting rental housing development for the longer of the Period of Affordability covered by the CDBG-DR Use Agreement or the LIHTC Use Agreement. Applicants must ensure compliance with all federal cross-cutting and LHC regulatory and administrative requirements, including but not limited to:
  - Implementing the project or program activity as proposed in the submitted application;
  - Ensuring compliance with all reporting requirements;
  - Managing funds disbursement and accounting;
  - Preparing work specifications;
  - Conducting inspections;
  - Affirmatively marketing the units for rental;
  - Administering the Program;
  - Documenting the Program; and
  - Ensuring that all CDBG-DR and LIHTC requirements are met for the entire affordability period applicable to the project.

### 9.2. Bond and LIHTC Requirements

All applications must combine CDBG-DR with 4% LIHTCs and bond-financed mortgage proceeds. Accordingly, all applications must conform to the standards and requirements related to these funding sources, as enumerated in the 2022-2023 QAP.

### 9.3. Permanent Supportive Housing (“PSH”) Set-Aside Requirement

Projects must set aside and provide at least 4% of total units for Permanent Supportive Housing (“PSH”). Such Mandatory PSH Units are strongly preferred to be one-bedroom units

See §8.6, PSH Underwriting.

### 9.4. Market-Study Determined Absorption Rate

The LHC will not fund a project for which the market study indicates the proposed units cannot be effectively absorbed. The LHC will require a determination by the market study analyst that the new units can be absorbed at a rate of no less than 15% (i.e., 15% of the units per month, resulting in full occupancy no later than seven months from initial leasing). Applicants should be reasonably confident that there is market demand for their proposed units, prior to incurring the costs to apply.

### 9.5. Changes to Project after Award

After a notice of award under this NOFA, any changes to a project as defined as Material Changes in the 2022-2023 QAP, must be approved in advance by the LHC in writing. The LHC will not close on a CDBG Loan in which there have been unapproved Material Changes.

### 9.6. Limits on and Ceilings Applicable to Developer Fee

2022-2023 QAP §IV.D.14 indicates the developer fees for New Construction projects may not exceed \$35,000 per unit, and Acquisition Rehab projects may not exceed 35% of rehab hard costs. The QAP also indicates that, “...there is no cap for projects utilizing tax-exempt bonds.” Projects funded under this NOFA will be subject to these limitations; in addition, they will be subject to the cap applicable to 9% transactions, which does not permit a developer fee of greater than \$2,000,000.00 for projects located in Rural parishes and \$2,500,000 for projects located and the Metro parishes.” See §11, Definitions for a list of Rural Parishes eligible for funding under this NOFA. All other eligible Parishes under this NOFA are Metro Parishes.

### 9.7. Payment of Developer Fee

Thirty percent (30%) of the non-deferred portion of the Developer Fee will be paid out at the Closing. Thirty percent (30%) of the non-deferred portion of the Developer Fee will be paid out when construction is complete. The remaining 40% of the non-deferred portion of the Developer Fee will be disbursed from the final draw subject to conditions outlined in the closing documents.

### 9.8. Completed Projects

Projects are considered complete only after certificates of occupancy have been issued for all buildings within a project, and the project sponsor has complied with all conditions precedent to the final release of CDBG-DR funds, as stipulated in the legal documents.

### 9.9. Regulatory Authority and Requirements

All applications under this NOFA are governed by the 2022-2023 Qualified Allocation Plan, Section 42 of the Internal Revenue Code and 24 CFR Part 570. Modification of federal statutes or regulations governing the CDBG-DR 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 this NOFA.

This NOFA does not include the text of all applicable regulations that may be important to a particular project. For proper completion of the application, LHC strongly encourages potential applicants to consult the federal CDBG-DR Program regulations, and other federal cross-cutting regulations. Applicants should also consult the State's Uniform Construction Code.

### 9.10. Site Development Requirements

Construction that is financed by CDBG-DR Funds must meet all applicable State and local building codes along with appropriate zoning ordinances in effect at the time of project completion. See §4, Eligible Sites regarding project siting requirements specific to this NOFA.

### 9.11. Insurance Requirements

Insurance requirements for projects are governed by the State of Louisiana Office of Risk Management Procedures Manual for Insurance Language in Contracts and Indemnification Agreements, Revised February, 2018, Exhibit D. This Exhibit is appended for reference to this NOFA, See §13, Insurance Requirements. The entire procedures manual can be found at the following URL: <https://www.doa.la.gov/media/lugfise1/contract-manual-12-2019.pdf>

Additionally, all funded projects are required to carry flood insurance, irrespective of whether such insurance is required by other parties, and without regard to the siting of the property outside of the SFHA. Projects must carry the lesser of full replacement coverage or the maximum available NFIP insurance on all individual buildings. Sponsors are hereby advised to ensure that costs for these insurance premiums are fully reflected in their proposed operating budgets.

### 9.12. Housing Choice Opportunities

Projects awarded CDBG-DR 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.

### 9.13. Uniform Relocation and Real Property Acquisition Act

If CDBG-DR Funds are proposed to pay for acquisition costs and activities, the Applicant must follow 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. CDBG-DR Funds cannot be used to pay or reimburse an applicant for site acquisition activities that do not comply with the requirements of the Uniform Act. In no case will CDBG-DR be used to pay for URA related costs; other sources must be applied to these costs.

#### 9.14. Cross Cutting Federal Requirements

All applicants shall comply with the following:

- Environmental clearance; <sup>21</sup>
- Uniform Residential Requirements as applicable;
- Lead Based Paint
- Section 3

#### 9.15. Davis Bacon Prevailing Wage Compliance

If CDBG-DR Funds are awarded, the project budget costs must be based on the prevailing wage rates. The then-current wage rates must be attached to the construction contract and accepted by the general contractor prior to closing.

#### 9.16. 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.

#### 9.17. Nondiscrimination Requirements

The Sponsor agrees to abide by the requirements of the following as applicable: Title VI and VII of the Civil Rights Act of 1964, as amended by the Equal Opportunity Act of 1972, Federal Executive Order 11246, the Federal Rehabilitation Act of 1973, as amended, the Vietnam Era Veteran's Readjustment Assistance Act of 1974, Title IX of the Education Amendments of 1972, the Age Act of 1975, and Contractor agrees to abide by the requirements of the Americans with Disabilities Act of 1990.

Sponsor agrees not to discriminate in its employment practices, and will render services under this Contract without discrimination on the basis of applicable protected classes.

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<sup>21</sup> Projects may proceed to secure all Environmental Site Assessment reports prior to award and prior to closing. *However, no choice limiting actions, including, but not limited to, physical work or activity, may start until environmental clearance is obtained. All prohibitions regarding 'choice limiting actions' will apply, rendering the award void and applicant ineligible for award.*

## 10. Application Submission

This NOFA 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 this NOFA. 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 this NOFA. Any such revisions will be formalized by the issuance of an amendment to this NOFA.

### 10.1. Application Fees

- The following non-refundable fees govern the application processing, reprocessing and reservation of LIHTC and fee to monitor and report compliance. All fees must be paid either with a wire transfer, money order or with a certified check. If any other form of payment is received, the unacceptable form of payment will be returned and the application will be disqualified. The following fees are charged and are non-refundable in connection with this NOFA and due with the submission of an application.
- LIHTC Application Fee
- Multi-Revenue Bond Application
- Analysis Fee
- Market Study Fee (Note, the market study fee is due with the Letter of Intent to Submit, prior to the Application Deadline. See §10.3.

Reprocessing fees will be charged in the event a reprocessing change occurs, as defined in the QAP. The Credit Award fee and Subsidy Layering/PIS fee will be charged and payable upon issuance of a Credit Award, only. The Credit Award Fee will be due upon execution of the Credit Reservation Letter. The Annual Compliance Monitoring fee of \$40 per unit fee will be charged and invoiced only to awarded applications.

#### **Application Fees**

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

#### **Analysis Fees**

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

**Market Study Fees**

Market Study Fee	\$4,800
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**Reprocessing Fee**

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

<b>Bond Application Fee</b>	\$1,000
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**Credit Award**

5% of Credit Reserved

**Return/Reallocated**

5% of Reallocated Credits

**Subsidy Layering/PIS cost**

Subsidy Layering Review	1/4 Analysis Fee
PIS Review	\$250

**Annual Compliance and Monitoring Fee**

Total Units	\$40 Per Unit
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Application and Analysis Fees and the Market Study Fee must be addressed as follows:

Louisiana Housing Corporation  
 Housing Production  
 2415 Quail Drive  
 Baton Rouge, Louisiana 70808  
 Re: 2022 PRIME-2 CDBG-DR Program  
*Must include: Project Name, Sponsor Name and Return Address*

**10.2. Requirements and Order of Submission**

By the Deadline for the Letter of Intent, submit a Letter of Intent with accompanying Market Study Checklist, and payment of the Market Study fee. By the Deadline to Apply, submit a completed LIHTC Electronic Underwriting Application, Multifamily Revenue Bond Application, PRIME-2 CDBG-DR Supplemental Application, all support documentation required by the 2022-2023 QAP, and payment of the application and analysis fees. If the appropriate fees are not submitted to the LHC, the application shall be considered incomplete and subject to disqualification. See §10.6, Important Dates and Deadlines.



### 10.3. PRIME-2 CDBG-DR Supplemental Application

In addition to the LHC Application Model (corresponding to the 2022-2023 QAP), applicants will submit certain supplementary materials, including the Enterprise Green Checklist (2020), information regarding the siting of the proposed project (see §4, Eligible Sites), and other forms, as required. These forms will be posted to the LHC website no later than the date for 'Posting by LHC of FAQ in response to written inquires' (see §10.6).

### 10.4. Deadline to Submit

Applications must be received by the LHC, in their entirety, by no later than the date and time published herein (see §10.6, Important Dates and Deadlines). Note that a Letter of Intent to Submit, and the payment of Market Study fees have an earlier deadline, to enable the LHC to obtain the market studies concurrent with its review of the application. Failure to submit an LOI by the LOI Deadline may render an applicant ineligible to submit a corresponding application by the Application Deadline. Sponsors who would otherwise intend to submit an application by the Application Deadline but who cannot meet the LOI Deadline should immediately request a waiver of the LOI Deadline, with reasoning, prior to the LOI Deadline.

The Application must be addressed as follows:

Louisiana Housing Corporation  
2415 Quail Drive  
Baton Rouge, Louisiana 70808  
Re: 2022 PRIME-2 CDBG-DR Program  
*Must include: Project Name, Sponsor Name and Return Address*

### 10.5. Methods of Submission

Applicants assume the risk of the delivery method chosen, including delivery via private courier or the U.S. Mail. Be advised that applications arriving after the application deadline, whether via personal delivery, U.S. Mail, FedEx, UPS, or other comparable method of delivery, will not be accepted for any reason. Applications must be submitted using the 2022-2023 Electronic Underwriting Application using the instructions provided on the LHC website. The LHC requires applications be submitted to [Louisiana Housing Corporation \(la.gov\)](http://Louisiana Housing Corporation (la.gov)).

### 10.6. Important Dates and Deadlines

<b>NOFA and application published and posted to LHC website</b>	Monday, August 22, 2022
<b>Date for Program Seminar / Developer Session Zoom or at the LHC</b>	Friday, September 9, 2022
<b>Deadline to submit written inquiries regarding the NOFA to the LHC*</b>	Friday, September 16, 2022

<b>Posting by LHC of FAQ in response to written inquires (Amendment of NOFA—if required)</b>	Friday, October 7, 2022
<b>Letter of Intent and payment of Market Study Fee*</b>	Friday, October 28, 2022
<b>Application deadline, including payment of application and analysis fees*</b>	Thursday, December 15, 2022
<b>Deficiency Letters Issued by LHC to Applicants</b>	Friday, January 27, 2023
<b>Deficiency letter response deadline, by applicants to LHC*</b>	Friday, February 3, 2023
<b>Award determinations published</b>	Friday, February 24, 2023
<b>Closings, by or before</b>	Wednesday, August 24, 2023
<b>Construction completion, by or before</b>	Friday, November 15, 2024
<b>100% Occupancy, by or before</b>	Monday, April 14, 2025

\*For each deadline imposed on the applicant, the materials must be provided no later than 4:00 pm, CST, on the date of the deadline.

#### 10.7. Questions and Communication

LHC will consider written inquiries from applicants regarding this NOFA. Inquiries will only be considered if they are **submitted in writing to [Development@lhc.la.gov](mailto:Development@lhc.la.gov) by the deadline for the submission of written inquiries** set forth above. Inquiries shall clearly reference the section of the NOFA for which the applicant is inquiring or seeking clarification. Any and all written inquiries from applicants submitted in writing will be deemed to require an official response.

In addition to written responses to individual inquiries, an official response to each inquiry, along with the actual inquiry, will be posted by the deadline above in the form of a Frequently Asked Questions Addendum (FAQ) at <http://www.lhc.la.gov>.

LHC reserves the right to amend this NOFA.

It is the sole responsibility of the applicant to inquire into and clarify any item of the NOFA 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 NOFA 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 potential basis for disqualification from consideration.**

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

## 11. Definitions

Terms not specifically defined herein have the meaning given to them in LHC's 2022-2023 Qualified Allocation Plan (QAP) available on LHC's website at: <http://www.lhc.la.gov/page/archives>

- **Applicant** - A taxpayer or developer submitting an application to this NOFA.
- **Completed Projects** - Projects are considered complete only after all units are a 100% construction complete and certificates of occupancy have been issued for all units.
- **Construction Completion** - All necessary title transfer requirements and construction work have been performed and the final drawdown of CDBG-DR Funds has been disbursed for the project.
- **Corporation** – The Louisiana Housing Corporation (LHC).
- **Eligible Parishes.** Properties which will be located in the following 24 parishes are eligible to apply and to receive awards under the PRIME-2 NOFA: Acadia, Allen, Beauregard, Caddo, Calcasieu, Cameron, Grant, Iberia, Jackson, Jefferson Davis, La Salle, Lafayette, Lincoln, Morehouse, Natchitoches, Ouachita, Rapides, Sabine, St. Landry, St. Martin, Union, Vermilion, Vernon, Winn.
- **Entity/ Organization** – A legal body (non-profit, for-profit, local units of government) that will have legal ownership of the project and property before and after project completion. A developer may contract with an entity or be a part of a development team.
- **Greenfields** – For purposes of this NOFA, the term will use the definition as applied by Enterprise, for purposes of adjudicating points requirements under the 2020 EGC Criteria. Generally, Greenfield land is land which has not previously been developed beyond agricultural use.
- **Project** – A site or sites together with any building or buildings located on the site(s) that are under common ownership, management, accounting and financing and are to be assisted with CDBG-DR Funds as a single undertaking located within a single governmental entity.
- **Rural Parish** – for purposes of this NOFA, the following are Rural Parishes: Acadia, Allen, Beauregard, Cameron, Grant, Iberia, Jackson, Jefferson Davis, Lafourche, La Salle, Lincoln, Morehouse, Natchitoches, Plaquemines, Rapides, Sabine, St. Bernard, St. Landry, St. Martin, Terrebonne, Union, Vermilion, Vernon, Winn.
- **Sponsor** – Person(s) with respect to the project concerned, having site control (evidenced by a deed, a sales contract, or an option contract to acquire the property), a preliminary financial commitment, and a capable development team.

## 12. PSH Program Summary

PSH is an “evidenced-based” best practice housing model which provides affordable rental housing units in a non-institutional setting linked with flexible community-based supportive services. This approach leads to reduced utilization of emergency room services and other high-cost health / social service interventions, and to cost savings that outweigh amounts spent to provide the supportive services.

LHC seeks to facilitate the development of permanent supportive housing for the eligible target populations located in the eligible parishes. PSH consumers will be supported by appropriate services provided through the Louisiana Department of Health (LDH) and its supportive service provider network.

**Public Purpose:** LHC requires LIHTC applicants/owners to make available to LDH priority consumers units in the property available to PSH clients. This will achieve the goal of creating opportunities for LDH priority populations to obtain deeply affordable permanent housing, in a residential setting, with appropriate services available. PSH units within the LIHTC properties will be set aside for members of the LDH eligible population. Applicants of elderly properties who wish to restrict PSH units to elderly PSH clients may do so, wherever such a restriction is otherwise lawful.

**PSH Set-Aside Program Requirements.** Under the PSH Set-Aside Program, LIHTC owners are required to work cooperatively with LDH who will refer potential tenants. LDH through its service provider network will be solely responsible for the development and provision of supportive Service Plans in the PSH Set-Aside Program. The initial PSH Set-Aside agreement will have a term of fifteen years to align with the LIHTC affordability term. The LIHTC owner (and its successors and assigns) shall accept renewals of the PSH Set-Aside agreement, if offered on substantially the same terms, for a term (or terms) not to exceed in the aggregate thirty-five years after the commencement date of the initial PSH Set-Aside Agreement. The PSH Set-Aside Agreement will provide that the LIHTC owner may terminate the Agreement upon 90 days’ advance written notice if, at any point, the LIHTC owner notifies LHC that LDH through its service provider network can no longer provide supportive services to the PSH consumers. However, neither expiration nor termination of the Agreement shall relieve the LIHTC owner of any of its obligations under leases with PSH residents, nor shall it otherwise relieve the owner of the affordability obligations enumerated in the CDBG Regulatory Agreement.

**Referral Process for PSH Set-Aside Units.** Applicants must promptly notify the LDH PSH coordinator whenever an eligible PSH unit becomes available through vacancy (that is, whenever the LIHTC owner has not yet filled its PSH set-aside requirement). If, LDH refers one or more PSH clients within a reasonable period not to exceed one week, the LIHTC owner must accept or decline such PSH consumer prior to considering any other applicant(s) for such unit. The LIHTC owner is not required to hold a unit if the PSH applicant fails to provide the needed information (for example, verification of income) within a reasonable time in accordance with requirements specified in the PSH Set-Aside Agreement.

The LIHTC owner is not obliged to accept a referred PSH applicant unless the potential tenant is acceptable in accordance with the applicant’s standard nondiscriminatory resident selection

criteria (which must be applied consistently to all applicants for units in the LIHTC property). LIHTC owners may vary the terms of the tenancy (including, specifically, requiring a lease term as short as month-to-month), so long as the applicant's decision is based on nondiscriminatory criteria consistently applied to all applicants for all units in the property. LDH will not refer a tenant to a property unless (a) the potential tenant has affirmatively expressed a desire to live in that specific LIHTC property, (b) the potential tenant has sufficient and sufficiently stable income to afford the rent and utilities (typically affordable at 20% AMI), and (c) the potential tenant is likely to uphold his or her responsibilities under the lease. The potential applicant must be the tenant / lessee on the lease agreement. During the fifteen-year Set-Aside Agreement term LDH will offer priority referral of applicants displaced by hurricanes. LHC provides additional guidance to LIHTC owners regarding PSH Set-Aside Program and the details associated with the LDH referral process, resident selection expectation and lease requirements through the PSH Set Aside Agreement.

The units initially identified for PSH must consist of a mix of accessible and non-accessible units and cannot be made up of more than 50% of the accessible units required under Section 504.<sup>22</sup> PSH units must be integrated throughout the entire development and should not be segregated to one area of a building or development.<sup>23</sup> LHC anticipates that PSH applicants (both initially and over time) be able to exercise choice among available units; accordingly it is possible that the physical units used for PSH will change over time.

The eligible target populations for permanent supportive housing will be extremely-low-income individuals and family households (i.e., with incomes at or below 30% of AMI)<sup>24</sup> who have one or more of the following conditions:

- Individuals displaced as a result of the Hurricanes Katrina or Rita in need of Permanent Supportive Housing (as determined by the LDH) living in the homeless shelter system or otherwise in temporary housing.
- The individual/household member has a substantial, long-term disability as determined by the LDH including any of the following:
  - Serious Mental Illness;
  - Addictive Disorder, i.e., individuals in treatment/recovery from substance abuse disorder;
  - Developmental Disability, i.e., mental retardation, autism, or other disability acquired before the age of 22;
  - Physical, sensory, or cognitive disability occurring after the age of 22;
  - Disability caused by chronic illness (e.g., people with HIV/AIDs who are no longer able to work); and

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<sup>22</sup> Unless the actual PSH applicants select a greater percentage of the accessible units

<sup>23</sup> However, the units initially identified for PSH should be selected from those units that are located on accessible routes

<sup>24</sup> Note however that households with PSH vouchers may earn up to 50% AMI.

- Age-related disability (i.e., “frail elderly”).
- The household is homeless, or is determined by the LDH to be (1) most-at-risk of homelessness, and (2) in need of Permanent Supportive Housing. This will include family services clients with a goal of family reunification who are at risk for homelessness.
- The individual/household member is aging out of the state Foster Care system and is determined by the LDH to be in need of Permanent Supportive Housing.

### **13. Insurance Requirements**

See §9.11, Insurance Requirements. See Exhibit D from the State of Louisiana Office of Risk Management Procedures Manual for Insurance Language in Contracts and Indemnification Agreements, Revised December 2019. These requirements will apply to all funded projects. Note additionally that all projects must carry flood insurance, which may be acquired through the National Flood Insurance Program (NFIP).

14. Exhibit A – Affordability Value Sample

Exhibit A					
<i>Simplified (one unit type) Sample Calculation of Affordability Value</i>					
Assumed AMI	\$70,000				
Requested CDBG	\$10,000,000				
Equity from Basis Boost	(\$1,100,000)				
Adjusted CDBG	\$8,900,000				
<b>Rents as Restricted</b>					
Units	AMI	Gross	U/A	Lesser of Net Restricted or Market	Ext
20	80%	\$1,050	\$80	\$900	\$18,000
55	60%	\$788	\$80	\$707	\$38,885
20	40%	\$525	\$80	\$445	\$8,900
5	20%	\$263	\$80	\$182	\$910
Income Average	58%			10-Year GPR	\$8,003,400
<b>Rents as if Market</b>					
Units	AMI	Gross	U/A	Net (GPR)	Ext
100	N/A	NA	NA	\$900	\$90,000
				10-Year GPR	\$10,800,000
10 Year Difference Between as-Restricted and Market Rents					\$2,796,600
Difference in Rents Divided by <u>Adjusted</u> CDBG Requested					0.31422
Times Possible Points					20
Equals Calculated Points					6.2844
Equals Earned Points Rounded					6.3
Average Rent Reduction per Month					(\$341.50)
Weighted Rounded Average Rent Reduction per Month					(\$233.00)