VERSION CONTROL FORM

PROGRAM NAME:	Piggyback Resilience Initiative – Mixed-Income (PRIME)
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SUMMARY OF CURRENT CHANGES:	The PRIME NOFA has been altered. Any and all other versions and addendums have been incorporated into this new publication. Key sections and subsections that have been altered are as follows: ▪ 1.5 ▪ 2.1 ▪ 4 ▪ 5 ▪ 9.3, 9.10, 9.13 ▪ 10.2, 10.3, 10.4 ▪ 11

This PRIME NOFA Version 1.2 will be the controlling document for the Program and supersedes any previous version(s) and/or Addendums.

LOUISIANA HOUSING CORPORATION ("LHC")

NOTICE OF FUNDING AVAILABILITY AND PROGRAM IMPLEMENTATION GUIDELINES

FOR

MULTIFAMILY PIGGYBACK / CDBG-DR LOAN FUNDING

Piggyback Resilience Initiative - Mixed-Income (PRIME)

Original Published Wednesday, December 11th, 2019

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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 **Sixty Million Dollars** (**$60,000,000.00)**[1] in Community Development Block Grant Disaster Recovery (CDBG-DR) funds. These CDBG-DR funds were originally allocated by HUD for recovery activities related to two separate flooding events in 2016 affecting wide swaths of the state. Per this NOFA, these funds are available for projects located in the ten parishes designated by HUD as most impacted and distressed in the 2016 flooding events (see "Eligible Parishes" at §11, Definitions). This NOFA is designed to provide funding for the new construction development of multifamily affordable 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 2020', 'Piggyback Resilience Initiative – Mixed-Income' ('PRIME') or 'the Program' is subject to the State of Louisiana's Action Plan for the Utilization of Community Development Block Grant Funds in the Great Floods of 2016, 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 is a competitive program and, through its design, requires housing to feature substantial disaster-resilience characteristics and requires mixed-income housing with either (a) market-rate units and LIHTC units affordable to households with incomes at or below 60% AMI, or (b) 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 in conjunction with repayment of the soft cash flow loan, not later than the initial fifteen-year compliance period for LIHTCs. See §7, Gap Financing Terms.

[1] Pursuant to Addendum #1, Published 12/23/19

1.2. Funding

Sixty Million Dollars ($60,000,000.00) 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. 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.[2]

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

Eligible projects may include market-rate units (with some units unrestricted as to rent and initial household income), but must include affordable units (restricted as to rent and initial household income). Set-aside requirements are as follows:

- Eligible projects must set-aside no fewer than 3% of units at rents affordable at 30% AMI, and for occupancy by households at or below 30% AMI. Note that this requirement is in addition to PSH set-aside requirements.
- In addition to the foregoing, eligible projects must set aside 2% of units as Mandatory PSH units, at rents affordable at 20% AMI, and for occupancy by households at or below 30% AMI.

[2] The LHC Tax-Exempt bond-financed 1st may be construction-period only, or it may be construction to permanent.

These units will not be eligible for PSH Vouchers, but must be made available pursuant to the PSH Program requirements. See §9.3, Permanent Supportive Housing ("PSH") Set-Aside Requirement.

- In addition to the foregoing, eligible applicants must provide the Louisiana Department of Health ("LDH") with an option for additional PSH ("Additional PSH"). During the Application Process (see §10.6, Important Dates and Deadlines) the developer must offer LDH an option for at least 2% Additional PSH, and may offer up to 5% Additional PSH. LDH shall review the proposed project offer of the Additional PSH in regards to the following factors: (i) location in an area in which sustainable supportive services are offered; (ii) location in an area identified as having need for PSH units; and (iii) conformance to program needs for accessible units, visitability features,[3] and offer of 1 or 2 bedroom units. LDH reserves the right not to make referrals to a Mandatory PSH unit, or to decline the offer of Additional PSH if it is determined that the project does not sufficiently meet LDH's assessment criteria. If the option of Additional PSH is accepted by the LDH, the property will be required to include these Additional PSH units, and will receive project-based subsidies for all such Additional PSH which is offered by the developer and accepted by the LDH. If the option is not exercised by the LDH, the project will not be required to incorporate any Additional PSH. See §9.3, Permanent Supportive Housing ("PSH") Set-Aside Requirement.

- No fewer than 40% of all units must be set-aside at rents at or below 60% of AMI, and reserved for households with incomes at move-in at or below 60% of AMI, for the duration of the CDBG-DR Period of Affordability.

- At least 51% of the units must be restricted to rents at or below 80% of AMI, and reserved for households with initial household incomes (i.e., at move-in), at or below 80% of AMI, for the duration of the CDBG-DR Period of Affordability.

- For projects which apply 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.

Eligible projects must be New Construction. The definition of New Construction requires that no fewer than 51% of the units at the property must be newly constructed. 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.

[3] See NOTICE PIH 2010-26 (HA)

Eligible projects must comply with all application requirements.

1.6. 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 CBDG-DR Gap Financing Mortgage, lease-to-own (Year 16) properties will not be permitted.
- Projects which do not satisfy the requirements of §1.5, Eligible Projects.

1.7. Properties which fail to achieve a minimum forty (40) point score against the scoring criteria established in the LHC 2019 QAP. See §6.1, Various Scoring Explained

Applicants must consider three different scoring systems.

- Minimum QAP Score—pursuant to the terms of the 2019 QAP, applicants requesting allocations of non-competitive LIHTCs must score no less than forty (40) points against the scoring criteria enumerated in the 2019 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. See §6.2.
- 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 §5.3.
- NOFA Scoring Points—Funds will be awarded under this NOFA based on a competitive score, which allocates points for CDBG-DR Efficiency (see §6.3) and Disaster Resilience Optional Points (see §6.4), only. 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.

- Minimum QAP Score.
- Any proposed project which includes fewer than forty (40) residential units. For purposes of this requirement, staff units do not count as residential units.

1.8. 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 annual audits 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.

1.9. Prior Awards

No awards under this NOFA may be combined with prior awards issued by the LHC/OCD, including those which have not yet closed and those which have closed and have not yet been fully funded.

1.10. 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.

1.11. 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 agreement 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 termination of a project (whether voluntary or involuntary) must be repaid to the LHC.

- 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 §1.13 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.

1.12. Project Readiness Requirement: Funding commitments

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

(a) Commitments for all non-CDBG sources of funding.
  (i) All Commitments must be dated after the publication date of this NOFA.
  (ii) LHC reserves the right to require updated commitments as it deems necessary.
  (iii) Commitments for LIHTC equity must provide for at least 10% pay-in prior to the first payment of CDBG-DR funds from LHC.
  (iv) 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.

(b) 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 2019 State Qualified Allocation Plan ("2019 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.

1.13. Schedule

Projects are scheduled to be awarded by the end of Q2-20, to close by the end of Q4-20, and to complete construction by the end of Q2-22. 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 Sixty Million Dollars ($60,000,000.00). 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 $10 Million in total funding to any single project.[4] However, note that applicants are disadvantaged when requesting a high percentage of CDBG-DR funds relative to total development costs through scoring criteria. See §6.3, CDBG-DR Efficiency.

Illustrative examples (≤$150K/u and ≤$10M/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)
- 67-unit project man not request more than $10M ($149,254/u)
- 100-unit project may not request more than $10M ($100K/u)
- 150-unit project may not request more than $10M ($66,667/u)

The LHC will not award less than Two Million Dollars ($2,000,000) in CDBG-DR Gap Financing to any individual property. Projects which require less than $2,000,000 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.

There is no ceiling on Total Development Costs (TDC), pursuant to the 2019 QAP.

To encourage geographic dispersion of funds within the Eligible Parishes and Metropolitan Statistical Areas ("MSAs"), CDBG-DR funding is available to Applicants based on project location, as enumerated and described below:

- Limitation on Funding by MSA: No more than 60% of available funds will be awarded within any single MSA.
- Limitation on Funding by Parish: No more than 40% of available funds will be awarded within any single Parish.

MSA	Parishes
Baton Rouge	Ascension, East Baton Rouge, Livingston
Hammond	Tangipahoa
Lafayette	Acadia, Lafayette, Vermilion
Monroe	Ouachita

[4] Accordingly, maximum per-unit funding is applicable to projects with between 40-66 units. There is no funding for projects below 40 units, and the $10M per project cap is effectively applicable to projects above 67 units.

MSA	Parishes
New Orleans	St. Tammany[5]
N/A	Washington[6]

Accordingly, total projects in Ascension, EBR and Livingston (which comprise the Eligible Parishes located within the Baton Rouge MSA) may be allocated no more than 60% of total funds, and total projects in Acadia, Lafayette and Vermilion (which comprise the Eligible Parishes located within the Lafayette MSA) may be awarded no more than 60% of total funds. If the highest scoring applications result in awards which would allocate more than 60% of funds to any MSA or 40% of funds to any Parish, awards will be made subject to these limitations, and projects which are not awarded based on these limitations will be funded only after all other eligible transactions have been funded, and subject to the availability of funds. To be clear, any one parish may be awarded more than 40% of funds, and any one MSA may be awarded more than 60% of funds, only if the total requested by all eligible applications is less than the total funding available.

- Right to fund the subsequent highest scoring transaction: Funds will be allocated pursuant to the above MSA and Parish limits until funds are insufficient to fund the next-highest scoring application in each Pool. However, if a subsequent application in that MSA or Parish which is requesting a lower amount of CDBG can be funded within the MSA or Parish limitation, the LHC reserves the right to fund that application, despite its lower score. For example, five applications are submitted for the Baton Rouge MSA. Based on this published $60M program budget, no more than $36.0M (60%) may be committed to projects within any single MSA. The example below illustrates highest scoring deals, in descending order:

Project	App $	Running Total $	Fund?
A	$10M	$10M	Yes
B	$4.5M	$14.5M	Yes
C	$6M	$20.5M	Yes
D	$8M	$28.5M	Yes
E	$4M	$32.5M	Yes
F	$10M	$43.5M	No
G	$3.5M	$36M	Yes

In the illustration above, Project F would not be funded because doing so would violate the MSA limitation, but the remaining funds available under the MSA limitation ($3.5M, after

[5] Note that St. Tammany is eligible, but Orleans Parish is not. St. Tammany is technically limited by being within the New Orleans MSA, but it is not a functional limitation because St. Tammany is the only Eligible Parish within the New Orleans MSA, and as such is limited to 40% of total funding as a Parish. This rationale also applies to Tangipahoa, Ouachita and Washington, which are the only Eligible Parishes within their respective MSAs.

[6] Washington Parish is the only Eligible Parish which is not located within an MSA. Accordingly, the MSA limitation is not applicable to Washington Parish.

funding Projects A-E) are sufficient to fund Project G. Project G would be funded ahead of Project F, despite the fact that F has a higher score than G.

Note that CDBG Limits by Parish and MSA will result in an outcome in which awards are dispersed across no fewer than two MSAs and no fewer than three Parishes.

3. Mixed-Income Properties

Mixed-Income properties are required. The use of the LIHTC Income Averaging option is permitted. Properties may undertake any of the following scenarios:

- 20-40% Market units, remainder of units LIHTC at 60% AMI and below.
- 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 is a mixed-income Program. Applicants may <u>not</u> 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 permits applicants to elect 'Income Averaging' pursuant to Section 42(g)(1)(C) of the Internal Revenue Code ("Code"). If 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 in 10% increments (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.

Properties may elect market units, which may be indicated for properties in which market rents are above 80% AMI. These properties may not apply income averaging to the LIHTC units as Income Averaging requires that 100% of units be LIHTC units.

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[7]; 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.[8] 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.4.) apply.[9]

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[7] 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.

[8] https://cims.coastal.louisiana.gov/masterplan/).

[9] 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. All NOFA siting requirements are in addition to QAP requirements/prohibitions.

5. Mandatory Disaster Resilience Criteria

In addition to complying with Louisiana State Uniform Construction Code (LSUCC) and local planning and zoning requirements, 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 (2019 QAP) which conflict with required or proposed resilience measures. 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 will—at a minimum and in addition to specific siting and elevation requirements—have to meet the FORTIFIED Commercial Roof standard, will conduct a multi-hazard risk and vulnerability assessment, manage surface stormwater, provide access to potable water during emergencies, flood-proof buildings, provide emergency power, install back-flow preventers, and ensure all mechanical systems are elevated. Beyond this, points will be awarded for commitments to further measures, including more robust construction techniques and materials used on the walls, windows and exterior doors, 'continuous load-path' strengthening between the roof and foundation, the use of permeable paving, and the use of flood-hardy materials and assemblies for all ground floor elevations.

Mandatory Enterprise Green Communities criteria stipulated in the NOFA are a requirement of the PRIME program. The applicant will follow the same policy as LIHTC projects. *Properties which propose FORTIFIED Silver or Gold are eligible for scoring points in this NOFA and will receive such points based on their commitment to pursue such certification. If EGC 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.* Enterprise will adjudicate whether the required elements have been achieved, and Enterprise will adjudicate whether the EGC criteria have been met. This will be a precondition of the release of retainage of the CDBG funds.

5.1. Meets IBHS FORTIFIED Commercial Roof Standard

The Insurance Institute for Business and Home Safety ("IBHS") FORTIFIED Roof Standard[10] is primarily concerned with the application of proven technologies, materials and techniques in the design and installation of the roof system. Such roofs are generally recognized by the insurance industry as superior in terms of their ability to withstand wind and weather-related impacts. The LHC anticipates that there will be an incremental cost for a roof built to this standard. Certification by the IBHS, through its contractor, is required.[11] The cost of the

[10] http://FORTIFIEDhome.org/wp-content/uploads/2019/08/FORTIFIED_Commercial_Wind_Standards_2019.pdf

[11] Greg Bates, Global Risk Consultants, (770) 343-9074, greg.bates@tuvsud.com

certification (inclusive of design review, site visit and other costs) is estimated at $5K - $10K per project, with the number of roofs at the project being a primary cost driver.[12]

5.2. Enterprise Green Communities (EGC) Certification

The 2019 QAP requires New Construction to meet one of the 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; this NOFA requirement satisfies that QAP requirement. In addition, the QAP requires that the properties pursuing the EGC standard receive certification from Enterprise; this NOFA mirrors that requirement.

The QAP requires achievement of all mandatory EGC requirements, plus thirty-five (35) optional points. This NOFA requires that properties complete all mandatory EGC requirements, plus achieve at least fifty (50) EGC optional points as available within the 2015 EGC Criteria Checklist.[13] However, among the EGC optional points, this NOFA requires certain EGC optional elements, which total between 28-40 points (depending on the configuration of the property proposed and the options selected within the criteria—see the table at §5.3(e)). Therefore, of the 50 EGC optional points, 28-40 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 EGC criteria:

5.3. EGC §1.3a Resilient Communities: Design for Resilience

(a) EGC §1.3b, 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 15 optional points toward the required 50 optional points which must be achieved under the EGC criteria.

(b) EGC §3.6 Surface Stormwater Management. Retain, infiltrate and/or harvest the first 1.0 inch of rain that falls; permanently label all storm drains and inlets. [4 points]. Under EGC, this is required for Greenfields developments and earns no points under the 2015 EGC Criteria Checklist. Under this NOFA, this is required, irrespective of Greenfields. Therefore a property which is Greenfields will earn no points for this. A property which is not Greenfields will earn four (4) points for this election. Any property which selects §3.6 Option B (whether or not it is a Greenfields development), will earn eight (8) points

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12 This estimate is provided for convenience. Sponsors are responsible for cost-estimation.

13 https://www.enterprisecommunity.org/sites/default/files/media-library/solutions-and-innovation/green/ecp-2015-criteria-checklist-11-15.pdf

toward the fifty (50) required points. Option B requires a design which retains, infiltrates and/or harvests all stormwater from a 24-hour-period for a one-year event. Accordingly, developers may score 0 (Greenfields Option A), 4 (non-Greenfields Option A) or 8 points (any property, Option B) against this criterion.

(c) EGC §4.6 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.

(d) EGC §5.8a 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.

(e) EGC §5.8b Resilient Energy Systems - Islandable Power. 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 three options, earning 4, 6 or 8 points. The applicant may select any of these. This mandatory NOFA selection accrues 4, 6, or 8 optional points toward the required 50 optional points which must be achieved under the EGC criteria.

EGC Criteria	Earned Points toward 50 Required	Notes
1.3b Vulnerability Assessment	8	
3.6 Surface Stormwater Management	0, 4 or 8	Greenfields properties that select Option A will receive 0 points. Non-Greenfields properties that select Option A will receive 4 points; any property that selects Option B will receive 8 points.
4.6 Access to Potable Water during Emergencies	8	
5.8a Resilient Energy Systems - Floodproofing	8	
5.8b Resilient Energy Systems - Islandable Power	4, 6 or 8	See the EGC Criterion; Option 1 earns 4 points, Option 2 earns 6 points; Option 3 earns 8 points. Developers may select any option.

EGC Criteria	Earned Points toward 50 Required	Notes
Total	28 - 40	Depending on whether the property is Greenfields, and the options selected (3.6 A or B, and 5.8b 1, 2 or 3), the property will accrue between 28 and 40 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 the difference (i.e., between 10 and 22 points)

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.[14]

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). [Note, this is a requirement of FORTIFIED Silver; and is also a requirement of 5.8a).

[14] Not part of Enterprise Green or FORTIFIED Roof.

6. Scoring Criteria

PRIME 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 terms of the 2019 QAP, applicants requesting allocations of non-competitive LIHTCs must score no less than forty (40) points against the scoring criteria enumerated in the 2019 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. See §6.2.
- 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 §5.3.
- NOFA Scoring Points—Funds will be awarded under this NOFA based on a competitive score, which allocates points for CDBG-DR Efficiency (see §6.3) and Disaster Resilience Optional Points (see §6.4), only. 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.

6.2. Minimum QAP Score

Pursuant to the 2019 QAP, §IV.B., "Bond-financed projects are required to have a minimum [2019 QAP] selection criteria score of 40 (forty) 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 below will be used for that purpose.

6.3. <u>CDBG-DR Efficiency</u>

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:

- TDC[15] (2019 Application Model, 'Development Costs' Worksheet, Total Development Costs at Cell D140),
- Minus CDBG-DR Gap Financing Loan reservation requested,
- Divided by the TDC,
- Times 20, rounded.
  - Example 1 (more CDBG-DR relative to TDC): Project with a TDC of $12.3M, requesting an award of $4.56M.
    - $12.3M TDC; $4.56M Gap Financing Loan Request
    - $12.3M - $4.56M = $7.74M ÷ $12.3M =.6292
    - .6292 x 20 = 12.58 points, rounded to 13 points.
- Example 2 (less CDBG-DR relative to TDC): Project with a TDC of $12.3M, requesting an award of $2.85M.
    - $12.3M TDC; $2.85M Gap Financing Loan Request
    - $12.3M - $2.85M = $9.45M ÷ $12.3M = .7683
    - .7683 x 20 = 15.36 points, rounded to 15 points.

6.4. <u>Disaster Resilience Optional Points</u>

In addition to all required elements regarding disaster resilience (See §5, Mandatory Disaster Resilience Criteria), projects may earn additional scoring points for selecting, committing to and incorporating items from this subsection.

[15] For purposes of this calculation, TDC is used, not 'adjusted TDC'. There are no deductions from TDC when used for scoring CDBG-DR Efficiency.

6.4.1. Meets IBHS FORTIFIED Commercial Silver Standard ***3 points***

Inclusive of the roof standard, the Silver standard extends the specifications for construction materials and techniques to the walls, windows and doors, to enhance endurance of the property to hurricanes and wind (specifications differ depending on whether the property is in a hurricane-prone or wind-prone region). In addition, it requires mechanicals be elevated to BFE +3, or the 500-year level, and that there be electrical connections for back-up power.[16]

6.4.2. Meets IBHS FORTIFIED Commercial Gold Standard ***4 points***

Inclusive of the Silver standard, the Gold standard incorporates techniques to ensure a 'continuous load path' from the roof to the foundation, to better strengthen the property. In addition, back-up power is required.[17, 18]

6.4.3. Permeable Paving ***1 point***

Project commits to use of permeable paving surfaces on sidewalks, non-public roadways and parking areas on the site. The ratio of permeable paving to non-permeable paving should be appropriate to the development considering cost and surface stormwater management goals, but should not be less than 20% of the total of such areas without the approval of the LHC. See §5 regarding waivers. Note that EGC §3.6 Surface Stormwater Management does not specifically require permeable paving, but it may be necessary or helpful to utilize permeable paving to achieve that requirement.

6.4.4. "Flood-hardy" Materials and Assemblies ***3 points***

Commitment to construction techniques and materials on the lowest residential floor, to a level three feet above the finished floor level, which incorporates the 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.

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[16] Note that elevated mechanicals is already required under §5.3, EGC §1.3a Resilient Communities: Design for Resilience. Selection of FORTIFIED Silver is relevant to items not otherwise required under this NOFA.

[17] Note that back-up power is already required under §5.3, EGC §1.3a Resilient Communities: Design for Resilience. Selection of this option is relevant with respect to all other items pertaining to the FORTIFIED Gold standard not otherwise required under this NOFA.

[18] Note that applicants may select either Gold or Silver but may not select both.

7. Gap Financing Terms

CDBG-DR financing will be in 1st or 2nd lien, with annual payments equal to 50% of annual Surplus Cash.[19] The balance of the Loan is due at maturity. [20] There will be no deferral of amounts due based on the deferred developer fee.[21,22] Loans will become due upon the earlier of (a) maturity; (b) sale or refinancing of the property;[23] 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 Limited Partnership Agreement. 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 applicant'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,[24] 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

[19] Note, it will only be in 1st lien if the underwriting determination is that the property cannot support a permanent 1st mortgage.

[20] 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 1st mortgage is 40 years. When the 1st mortgage is 40 years, the term of the CDBG Loan will be 40 years.

[21] 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.

[22] 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.

[23] Due on sale or refinancing, unless the LHC, in its sole discretion, agrees to resubordinate to new financing.

[24] The permitted 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 1st 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 1st Mortgage term. The CDBG Use Restriction will prime the 1st mortgage; the CDBG Period of Affordability will survive foreclosure.

7.3. Legal Documents

2020 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 2019 QAP, as reflected in the 2019 QAP the 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.
- Mandatory PSH: Mandatory PSH are underwritten to 20% AMI rents. For all properties, 2% of units are required to be set aside as Mandatory PSH units.
- Additional PSH: All properties must offer the Louisiana Department of Health ("LDH") at least 2% Additional PSH. Any Additional PSH units offered by the sponsor and accepted by the LDH will receive project-based subsidies, and rents for these units will be underwritten at the project-based subsidy rent.
- Market units must be underwritten at the market rent established in the Market Study.

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.c.) 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 2% of total units for Permanent Supportive Housing ("PSH"). These are referred to as Mandatory PSH units.

In addition, projects must offer the Louisiana Department of Health ("LDH") an option for at least 2% Additional PSH, and may offer the LDH an option for up to 5% Additional PSH. The LDH will respond to such offers during the application period. Any offers made and accepted by the LDH will be supported with project-based subsidies.

As a result, all properties funded under this NOFA will have at least 2% PSH which is not supported with PSH Vouchers. Some properties may have between 2% and 5% Additional PSH, subject to approval by the LDH and such Additional PSH units would receive project-based subsidies.

All properties should endeavor to dedicate a number of accessible units. PSH units will be governed by the terms of the PSH Agreement. See §13, 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. <u>Overview</u>

- Applicants must complete and submit the LHC LIHTC electronic application (version 2019) and the PRIME 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. <u>Bond and LIHTC Requirements</u>

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 2019 QAP.

9.3. Permanent Supportive Housing ("PSH") Set-Aside Requirement

Projects must set aside and provide at least 2% of total units for Permanent Supportive Housing ("PSH"). Such Mandatory PSH Units are strongly preferred to be one-bedroom units. Projects must offer at least 2% Additional PSH to the Louisiana Department of Health (LDH); if such an offer is accepted, Project-based rent subsidies ("PBA") are will be reserved for Additional PSH units in awarded projects.

The Mandatory PSH units must be included in the property's set aside. These units will not receive project-based subsidies and rents may not exceed 20% of AMI, less the utility allowance. Household incomes may be up to 30% AMI.

By the deadline imposed in the schedule, applicants are required to provide a written offer to the Louisiana Department of Health (LDH) of at least 2% Additional PSH. The LDH must respond by the date in the Schedule. If the LDH accepts the offer, the applicant must include the offered PSH units in the proposed development, subject to the provision of PSH vouchers for the offered units. If the LDH rejects the offer or fails to respond to the offer by the date specified in the Schedule, the applicant is not required to provide Additional PSH units. Sponsors must offer at least 2% additional PSH units, and may offer up to 5% Additional PSH units. The LDH may reject the offer, may accept all of the offered units, or may elect to accept a lesser percentage of units. A template letter for this offer will be provided on the LHC Web Site no later than the date in the Schedule for the posting of FAQs.

PSH residents of both Mandatory PSH and Additional PSH units will have access to supportive services through the LDH and its supportive service provider network Both Mandatory PSH and Additional PSH will be operated pursuant the terms and requirements of the PSH program. Note that if Mandatory PSH units are not referred tenants through the Louisiana Department of Health within the timeframes set forth in the PSH Set-Aside Agreement, these units may be rented to non-PSH households with incomes at or below 30% AMI, at rents not to exceed 20% AMI, less the utility allowance.

Mandatory and Additional PSH units may not be grouped for purposes of meeting a combined percentage of units. For example, on a 60-unit property, 2% Mandatory PSH requires 1.2 units, which must be rounded up to two units to satisfy the requirement. On that 60-unit property, the sponsor must offer LDH 2% Additional PSH, which will similarly require 2 PSH units. Sponsors may not treat the requirements as combined, and achieve 4% total PSH (2% Mandatory and 2% Additional) by providing 3 units (4% of 60 units). They instead must achieve 2% of each (if the Additional PSH is optioned by the LDH).

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 2019 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. 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.

9.7. 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.

9.8. Regulatory Authority and Requirements

All applications under this NOFA are governed by the 2019 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.

9.9. 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.

9.10. 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 §14, Insurance Requirements. The entire procedures manual can be found at the following URL: https://www.doa.la.gov/orm/PDF/ContractManual2-2018.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.

9.11. 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.

9.12. 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.

9.13. Cross Cutting Federal Requirements

All applicants shall comply with the following:

- Environmental clearance; [25]
- Uniform Residential Requirements as applicable;
- Lead Based Paint
- Section 3

[25] 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.*

Note that all

9.14. 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.

9.15. 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.

9.16. 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.

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	$4,500
Reprocessing Fee	
1-4 units	$50
5-32 units	$500
33-60 units	$750
61-100 units	1,250
Over 100 units	2,500
Bond Application Fee	$1,000
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

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: 2020 PRIME 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 CDBG-DR Supplemental Application, all support documentation required by the 2019 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 CDBG-DR Supplemental Application

In addition to the LHC Application Model (corresponding to the 2019 QAP[26]), applicants will submit certain supplementary materials, including the Enterprise Green Checklist (2015), information regarding the siting of the proposed project (see §4, Eligible Sites), the response received by the Sponsor from the LDH waiving or accepting Additional PSH units (see §9.3), 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 February 17th LOI deadline may render an applicant ineligible to submit a corresponding application by the March 17th 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: 2020 PRIME 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 2019 Electronic Underwriting Application using the instructions provided on the LHC website.

10.6. Important Dates and Deadlines

NOFA and application published and posted to LHC website	Wednesday, December 11, 2019
Deadline to submit written inquiries regarding the NOFA to the LHC*	Wednesday, January 8, 2020

[26] Note that applicants will submit using the 2019 QAP Application Model. A version correcting issues identified in the 2019 QAP round will be published concurrently with this NOFA version 1.2.

Posting by LHC of FAQ in response to written inquires (Amendment of NOFA—if required)	Wednesday, January 22, 2020
Letter from Sponsor offering LDH option on at least 2% Additional PSH**	Friday, January 24, 2020
Response due from LDH to Sponsor waiving or accepting Additional PSH units	Friday, February 7, 2020
Letter of Intent and payment of Market Study Fee* ♦	Monday, February 17, 2020
Application deadline, including payment of application and analysis fees*	Tuesday, March 17, 2020
Deficiency Letters Issued by LHC to Applicants	Friday, May 1, 2020
Deficiency letter response deadline, by applicants to LHC*	Friday, May 8, 2020
Award determinations published	Friday, June 12, 2020

*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.

See §1.11, Strictly Enforced Deadlines.

NOTE: LHC reserves the right to revise this schedule. Any such revision will be formalized by the issuance of an amendment to the NOFA.

10.7. <u>Questions and Communication</u>

LHC will consider written inquiries from applicants regarding this NOFA. Inquiries will only be considered if they are **submitted in writing to qapcomments@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 2019 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 parishes are eligible to apply and to receive awards under the PRIME NOFA: Acadia, Ascension, East Baton Rouge, Lafayette, Livingston, Ouachita, St. Tammany, Tangipahoa, Vermilion, and Washington.
- **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 2015 EGC Criteria. Generally, Greenfield land is land which has not previously been developed beyond agricultural use.
- **New Construction** – For purposes of this NOFA, which is limited to New Construction projects, a project shall be considered New Construction if at least 51% of total units are newly constructed. Adaptive-reuse projects are permitted, so long as at least 51% of the residential units that are created are not previously occupied residential units.
- **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.
- **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. Examples of Affordability Mixes Which Comply with the Requirements of this NOFA

Note, these unit mixes illustrate various options based on 50 units, <u>for example, only</u>. The minimum number of units is 40, and there is no maximum number of units. Note the explanations which apply to these examples:

	PSH-20%	30%	40%	50%	60%	70%	80%	PSH-V	Market	Total
1BR	1	2			31			1	15	50

Mandatory PSH	2.0%	OK	*Required of all projects; rents at 20%, income at 30%, no vouchers, must accept PSH referrals*
Required at 30%	4.0%	OK	*Required of all projects; rents at 30%, income at 30%.*
Additional PSH	2.0%	OK	*Required of all projects to offer at least 2% to LDH, if accepted, PBVs provided for PSH units*
Applicable Fraction (IA)	70%	OK	*AF must be greater than or equal to 60%*
Income Avg	Not Eligible for IA		*IA only available if 100% of units are LIHTC, and (of that) 20% are at 80%*
% below 60% AMI:	70%	OK	*Program Requires >40% below 60%*
% below 80% AMI:	70%	OK	*CDBG requires >51% below 80% AMI.*

	20%	30%	40%	50%	60%	70%	80%	PSH-V	Market	Total
1BR	1	2	3		36		8	0	0	50

Mandatory PSH	2.0%	OK	*Required of all projects; rents at 20%, income at 30%, no vouchers, must accept PSH referrals*
Required at 30%	4.0%	OK	*Required of all projects; rents at 30%, income at 30%.*
Additional PSH (PSH-V)	0.0%	OK	*Required of all projects to offer at least 2% to LDH, if accepted, PBVs provided for PSH units*
Applicable Fraction (IA)	84%	OK	*AF must be greater than or equal to 60%*
Income Avg	60.0%	OK	*IA only available if 100% of units are LIHTC, and (of that) 20% are at 80%*
% below 60% AMI:	84%	OK	*Program Requires >40% below 60%*
% below 80% AMI:	100%	OK	*CDBG requires >51% below 80% AMI.*

	PSH-20%	30%	40%	50%	60%	70%	80%	PSH-V	Market	Total
1BR	1	2			28			3	16	50

Mandatory PSH	2.0%	OK	*Required of all projects; rents at 20%, income at 30%, no vouchers, must accept PSH referrals*
Required at 30%	4.0%	OK	*Required of all projects; rents at 30%, income at 30%.*
Additional PSH (PSH-V)	6.0%	OK	*Required of all projects to offer at least 2% to LDH, if accepted, PBVs provided for PSH units*

Applicable Fraction (IA)	68%	OK	*AF must be greater than or equal to 60%*
Income Avg	Not Eligible for IA	OK	*IA only available if 100% of units are LIHTC, and (of that) 20% are at 80%*
% below 60% AMI:	68%	OK	*Program Requires ≥40% below 60%*
% below 80% AMI:	68%	OK	*CDBG requires ≥51% below 80% AMI.*

	20%	30%	40%	50%	60%	70%	80%	PSH-V	Market	Total
1BR	1	2	4		24	6	10	3		50

Mandatory PSH	2.0%	OK	*Required of all projects; rents at 20%, income at 30%, no vouchers, must accept PSH referrals*
Required at 30%	4.0%	OK	*Required of all projects; rents at 30%, income at 30%.*
Additional PSH (PSH-V)	6.0%	OK	*Required of all projects to offer at least 2% to LDH, if accepted, PBVs provided for PSH units*
Applicable Fraction (IA)	68%	OK	*AF must be greater than or equal to 60%*
Income Avg	59.8%	OK	*IA only available if 100% of units are LIHTC, and (of that) 20% are at 80% (PSH-V = 30%)*
% below 60% AMI:	68%	OK	*Program Requires ≥40% below 60%*
% below 80% AMI:	100%	OK	*CDBG requires ≥51% below 80% AMI.*

13. 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. All properties that receive reservations of 4 % LIHTC Credits will agree to make at least 2% of total units available to PSH consumers, who will be supported by appropriate services provided through the Louisiana Department of Health (LDH) and its supportive service provider network. Additional set-aside PSH units are required to be offered by the Sponsor to the Louisiana Department of Health (LDH) and if accepted are required to be operated pursuant to the terms and requirements of the PSH Program.

Public Purpose: LHC requires LIHTC applicants/owners to make available to LDH priority consumers at least 2% of the total 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 Katrina or Rita. 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.[27] PSH units must be integrated throughout the entire development and should not be segregated to one area of a building or development.[28] 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)[29] 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;

[27] Unless the actual PSH applicants select a greater percentage of the accessible units

[28] However, the units initially identified for PSH should be selected from those units that are located on accessible routes

[29] Note however that households with PSH vouchers may earn up to 50% AMI.

    - 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
    - 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.

14. Insurance Requirements

See §9.10, Insurance Requirements. The following is Exhibit D from the State of Louisiana Office of Risk Management Procedures Manual for Insurance Language in Contracts and Indemnification Agreements, Revised February 2018. 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).

EXHIBIT D

INSURANCE REQUIREMENTS FOR NEW CONSTRUCTION, ADDITIONS AND LARGE RENOVATIONS

The Contractor shall purchase and maintain without interruption for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors, or anyone employed directly or indirectly by any of them. The duration of the contract shall be from the inception of the contract until the date of final payment.

A. MINIMUM SCOPE AND LIMITS OF INSURANCE

1. **Workers Compensation**
Workers Compensation insurance shall be in compliance with the Workers Compensation law of the State of the Contractor's headquarters. Employers Liability is included with a minimum limit of $1,000,000 per accident/per disease/per employee. If work is to be performed over water and involves maritime exposure, applicable LHWCA, Jones Act, or other maritime law coverage shall be included. A.M. Best's insurance company rating requirement may be waived for workers compensation coverage only.

2. **Commercial General Liability**
   a. Commercial General Liability insurance, including Personal and Advertising Injury Liability and Products and Completed Operations Liability, shall have a minimum limit per occurrence based on the project value. The Insurance Services Office (ISO) Commercial General Liability occurrence coverage form CG 00 01 (current form approved for use in Louisiana), or equivalent, is to be used in the policy. Claims-made form is unacceptable.

   b. The aggregate loss limit must apply to each project. ISO form CG 25 03 (current form approved for use in Louisiana), or equivalent, shall also be submitted. The State project number, including part number, and project name shall be included on this endorsement.

   c. COMBINED SINGLE LIMIT (CSL) PER OCCURRENCE

Type of Construction	**Projects up to $1,000,000**	**Projects over $1,000,000 up to $10,000,000**	**Projects over $10,000,000**
New Buildings:			
Each Occurrence Minimum Limit	$1,000,000	$2,000,000	$4,000,000
Per Project Aggregate	$2,000,000	$4,000,000	$8,000,000
Renovations:	**The building(s) value for the Project is $_________________. ** **		
Each Occurrence Minimum Limit	$1,000,000 **	$2,000,000 **	$4,000,000 **
Per Project Aggregate	2 times per occur limit **	2 times per occur limit **	2 times per occur limit **

** While the minimum Combined Single Limit of $1,000,000 is required for any renovation, the limit is calculated by taking 10% of the building value and rounding it to the nearest $1,000,000 to get the insurance limit. Example: Renovation on a $33,000,000 building would have a calculated $3,000,000 combined single limit of coverage (33,000,000 times .10 = 3,300,000 and then rounding down to $3,000,000). If the calculated limit is less than the minimum limit listed in the above chart, then the amount needed is the minimum listed in the chart. Maximum per occurrence limit required is $10,000,000 regardless of building value. The per project aggregate limit is then calculated as twice the per occurrence limit.

3. **Automobile Liability**
Automobile Liability Insurance shall have a minimum combined single limit per accident of $1,000,000. ISO form number CA 00 01 (current form approved for use in Louisiana), or equivalent, is to be used in the policy. This insurance shall include third-party bodily injury and property damage liability for owned, hired and non-owned automobiles.

4. Excess Umbrella
Excess Umbrella insurance may be used to meet the minimum requirements for Commercial General Liability and Automobile Liability only.

5. Builder's Risk

a. Builder's Risk Insurance shall be in an amount equal to the amount of the construction contract including any amendments and shall be upon the entire work included in the contract. The policy shall provide coverage equivalent to the ISO form number CP 10 20, Broad Form Causes of Loss (extended, if necessary, to include the perils of wind, earthquake, collapse, vandalism/malicious mischief, and theft, including theft of materials whether or not attached to any structure). The policy must include architects' and engineers' fees necessary to provide plans, specifications and supervision of work for the repair and/or replacement of property damage caused by a covered peril, not to exceed 10% of the cost of the repair and/or replacement.

b. Flood coverage shall be provided by the Contractor on the first floor and below for all projects, except as otherwise noted. The builder's risk insurance policy, sub-limit for flood coverage shall not be less than ten percent (10%) of the total contract cost per occurrence. If flood is purchased as a separate policy, the limit shall be ten percent (10%) of the total contract cost per occurrence (with a max of $500,000 if NFIP). Coverage for roofing projects shall **not** require flood coverage.

c. A Specialty Contractor may provide an installation floater in lieu of a Builders Risk policy, with the similar coverage as the Builder's Risk policy, upon the system to be installed in an amount equal to the amount of the contract including any amendments. Flood coverage is not required.

d. The policy must include coverage for the Owner, Contractor and any subcontractors as their interests may appear.

6. **Pollution Liability** ***(required when asbestos or other hazardous material abatement is included in the contract)***

Pollution Liability insurance, including gradual release as well as sudden and accidental, shall have a minimum limit of not less than $1,000,000 per claim. A claims-made form will be acceptable. A policy period inception date of no later than the first day of anticipated work under this contract and an expiration date of no earlier than 30 days after anticipated completion of all work under the contract shall be provided. There shall be an extended reporting period of at least 24 months, with full reinstatement of limits, from the expiration date of the policy if policy is not renewed. The policy shall not be cancelled for any reason, except non-payment of premium.

B. DEDUCTIBLES AND SELF-INSURED RETENTIONS

Any deductibles or self-insured retentions must be declared to and accepted by the Agency. The Contractor shall be responsible for all deductibles and self-insured retentions.

C. OTHER INSURANCE PROVISIONS

The policies are to contain, or be endorsed to contain, the following provisions:

1. Workers Compensation and Employers Liability Coverage

   To the fullest extent allowed by law, the insurer shall agree to waive all rights of subrogation against the Agency, its officers, agents, employees and volunteers for losses arising from work performed by the Contractor for the Agency.

2. Commercial General Liability Coverage

   a. The Agency, its officers, agents, employees and volunteers are to be added as additional insureds as respects liability arising out of activities performed by or on behalf of the Contractor; products and completed operations of the Contractor, premises owned, occupied or used by the Contractor. ISO Forms CG 20 10 (for ongoing work) AND CG 20 37 (for completed work) (current forms approved for use in Louisiana), or equivalent, are to be used.

   b. The Contractor's insurance shall be primary as respects the Agency, its officers, agents, employees and volunteers for any and all losses that occur under the contract. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, its officers, officials, employees or volunteers. Any insurance or self-insurance maintained by the Agency shall be excess and non-contributory of the Contractor's insurance.

3. Builder's Risk

   The policy must include an endorsement providing the following:

   > In the event of a disagreement regarding a loss covered by this policy which may also be covered by a State of Louisiana self-insurance or commercial property policy through the Office of Risk Management (ORM), Contractor and its insurer agree to follow the following procedure to establish coverage and/or the amount of loss:
   >
   > Any party to a loss may make written demand for an appraisal of the matter in disagreement. Within 20 days of receipt of written demand, the Contractor's insurer and either ORM or its commercial insurance company shall each select a competent and impartial appraiser and notify the other of the appraiser selected. The two appraisers will select a competent and impartial umpire. The appraisers will then identify the policy or policies under which the loss is insured and, if necessary, state separately the value of the property and the amount of the loss that must be borne by each policy. If the two appraisers fail to agree, they shall submit their differences to the umpire. A written decision by any two shall determine the policy or policies and the amount of the loss. Each insurance company agree that the decision of the appraisers and the umpire if involved will be binding and final and that neither party will resort to litigation. Each of the two parties shall pay its chosen appraiser and bear the cost of the umpire equally.

4. All Coverages

   a. All policies must be endorsed to require 30 days written notice of cancellation to the Agency. Ten-day written notice of cancellation is acceptable for non-payment of premium. Notifications shall comply with the standard cancellation provisions in the Contractor's policy.

In addition, Contractor is required to notify Agency of policy cancellations or reductions in limits.

b. Neither the acceptance of the completed work nor the payment thereof shall release the Contractor from the obligations of the insurance requirements or indemnification agreement.

c. The insurance companies issuing the policies shall have no recourse against the Agency for payment of premiums or for assessments under any form of the policies.

d. Any failure of the Contractor to comply with reporting provisions of the policy shall not affect coverage provided to the Agency, its officers, agents, employees and volunteers.

D. ACCEPTABILITY OF INSURERS

1. All required insurance shall be provided by a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located. Insurance shall be placed with insurers with an A.M. Best's rating of **A-:VI or higher**. This rating requirement may be waived for workers compensation coverage only.

2. If at any time an insurer issuing any such policy does not meet the minimum A.M. Best rating, the Contractor shall obtain a policy with an insurer that meets the A.M. Best rating and shall submit another Certificate of Insurance within 30 days.

E. VERIFICATION OF COVERAGE

1. Contractor shall furnish the Agency with Certificates of Insurance reflecting proof of required coverage. The Certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The Certificates are to be received and approved by the Agency before work commences and upon any contract renewal or insurance policy renewal thereafter.

2. The Certificate Holder Shall be listed as follows:

   State of Louisiana
   Agency Name, Its Officers, Agents, Employees and Volunteers
   Address, City, State, Zip
   Project or Contract #:

3. In addition to the Certificates, Contractor shall submit the declarations page and the cancellation provision for each insurance policy. The Agency reserves the right to request complete certified copies of all required insurance policies at any time.

4. If the Contractor does not meet the insurance requirements at policy renewal, at the option of the Agency, payment to the Contractor may be withheld until the requirements have been met, OR the Agency may pay the renewal premium and withhold such payment from any monies due the Contractor, OR the contract may be suspended or terminated for cause. Failure of the Contractor to purchase and/or maintain any required insurance shall not relieve the Contractor from any liability or indemnification under the contract.

F. SUBCONTRACTORS

1. Contractor shall include all subcontractors as insureds under its policies OR shall be responsible for verifying and maintaining the Certificates provided by each subcontractor. Subcontractors shall be subject to all of the requirements stated herein. The Agency reserves the right to request copies of subcontractor's Certificates at any time.

2. If Contractor does not verify subcontractors' insurance as described above, Agency has the right to withhold payments to the Contractor until the requirements have been met.

G. WORKERS COMPENSATION INDEMNITY

In the event Contractor is not required to provide or elects not to provide workers compensation coverage, the parties hereby agree that Contractor, its owners, agents and employees will have no cause of action against, and will not assert a claim against, the State of Louisiana, its departments, agencies, agents and employees as an employer, whether pursuant to the Louisiana Workers Compensation Act or otherwise, under any circumstance. The parties also hereby agree that the State of Louisiana, its departments, agencies, agents and employees shall in no circumstance be, or considered as, the employer or statutory employer of Contractor, its owners, agents and employees. The parties further agree that Contractor is a wholly independent Contractor and is exclusively responsible for its employees, owners, and agents. Contractor hereby agrees to protect, defend, indemnify and hold the State of Louisiana, its departments, agencies, agents and employees harmless from any such assertion or claim that may arise from the performance of this contract.

H. INDEMNIFICATION/HOLD HARMLESS AGREEMENT

1. Contractor agrees to protect, defend, indemnify, save, and hold harmless, the State of Louisiana, all State Departments, Agencies, Boards and Commissions, its officers, agents, servants, employees, and volunteers, from and against any and all claims, damages, expenses, and liability arising out of injury or death to any person or the damage, loss or destruction of any property which may occur, or in any way grow out of, any act or omission of Contractor, its agents, servants, and employees, or any and all costs, expenses and/or attorney fees incurred by Contractor as a result of any claims, demands, suits or causes of action, except those claims, demands, suits, or causes of action arising out of the negligence of the State of Louisiana, all State Departments, Agencies, Boards, Commissions, its officers, agents, servants, employees and volunteers.

2. Contractor agrees to investigate, handle, respond to, provide defense for and defend any such claims, demands, suits, or causes of action at its sole expense and agrees to bear all other costs and expenses related thereto, even if the claims, demands, suits, or causes of action are groundless, false or fraudulent. The State of Louisiana may, but is not required to, consult with the Contractor in the defense of claims, but this shall not affect the Contractor's responsibility for the handling of and expenses for all claims.