

## Frequently Asked Questions and Answers—Rural Bond Bundle NOFA Published by the Louisiana Housing Corporation on 07/20/21 and as Amended 08/19/21

### Question 1

**1.4 Eligible Uses** – Confirm the requirement that “all environmental conditions are satisfied” before funds will be disbursed. Can the remediation (i.e. ACM removal) be part of the rehab scope of work?

*Answer—The statement (NOFA §8.9), ‘No funds will be disbursed until final financial closing of all funding sources, and all environmental conditions are satisfied’ refers to the requirement that the Authority to Grant Funds must be received prior to closing on the CDBG, and disbursement of any draws of CDBG. It does not mean that any environmental issues which have been identified in the required Environmental Review must be addressed prior to closing.*

### Question 2

**1.4 Eligible Uses** - Can the CDBG-DR funds be used to pay back / collateralize bonds that are simultaneously used for CDBG-DR eligible costs during construction?

*Answer—Yes, with the following explanation. CDBG-DR is a reimbursement-based program. CDBG-DR may only be disbursed to reimburse actual, CDBG-DR eligible costs incurred. The repayment of Bonds is not itself an eligible expense. However, if the CDBG-DR disbursement is made for CDBG-DR eligible expenses within the approved scope of work and which were previously paid with Bonds, then the Borrower may direct the CDBG-DR funds received for such eligible costs toward repayment of the Bonds in the amount of such reimbursement.*

### Question 3

**1.6 Eligible Projects** – Will LHC allow for more than 20 properties to be included on the initial LOI to ensure the maximum potential properties (not to exceed 20) can be included with the full app in the event one or more are withdrawn during the due diligence process between applications?

*Answer—Yes.*

#### Question 4

**1.11 Strictly Enforced Schedule** – We believe the prescribed schedule is extremely difficult to achieve. RD will not underwrite until ALL sources are committed. Six months to close a 20-property portfolio is not likely feasible with USDA from an underwriting and closing perspective. Language should be added to state the later of “said date” or USDA approval.

*Answer—Note changes in the Amended NOFA (Amendment #1). Between 12/22/21 (CDBG Award Issuance) and 09/23/22 (Closing Deadline) there are 9.2 months, 275 calendar days and 198 workdays. Between 09/23/22 (Closing Deadline) and 05/31/23 (Construction Completion Deadline) there are 8.3 months, 250 calendar days, and 198 workdays. Projects which have not made sufficient progress toward closing by the Closing Deadline in the CDBG-DR Award Letter will be at risk of losing an award.*

#### Questions 5 a/b

**1.11 Strictly Enforced Schedule** - Construction period of only 7 months for a 20-property portfolio (or even a 5 property portfolio) is not realistic. This should be expanded to be in line with the LIHTC program of 24 months.

8/19/22 – Closing Process, 3/27/23 – Construction Complete. This would only allow 7 months to complete construction.

*Answer—RBBP does not permit new construction; these are rehabilitations only, and the timeline provided reflects this, and assumes a professional level of organization and coordination by borrowers, their architects and general contractors. Further, the LHC expects that only some properties within a Bundle will have CDBG-DR loans; as the construction completion deadline applies only to properties with CDBG-DR loans, the LHC expects that borrowers will prioritize rehab of these properties over other properties within the Bundle which do not have CDBG-DR loans.*

#### Question 6

**3.7 Funding Commitments** – Please confirm “conditional commitments” is acceptable for all non-CDBG sources of funding at time of full application.

*Answer—The LHC confirms that ‘conditional commitments’ with reasonable conditions as determined by LHC, would be acceptable, but directs applicants to §3.7(a)(iv).*

### Question 7

**6.0 Gap Financing** - RD has rigid rules regarding its restricted dividend program as it relates to its annual distribution of “surplus cash”. Within this program, there is a specific lender and investor waterfall that must be applied before payment of soft debt (i.e., investor asset management fee, deferred developer fee, etc.).

*Answer—The LHC will amend §6.0 of the NOFA to state that specific CDBG-DR Loan Terms will be established to conform to USDA-RD program requirements; LHC may seek similar accommodation from USDA-RD to conform its requirements to LHC’s QAP.*

### Question 8

**6.0 Gap Financing** – Footnote (9) – most investors WILL require accrual of their asset management fee.

*Answer—The OCD and LHC have closed on nearly \$1B of CDBG-DR loans, with non-accrual provisions for LP asset management fees. Investors should be made aware of this requirement and historical implementation. The LHC looks forward to addressing any issues with lenders, investors and owners as the structure and terms of the CDBG-DR note are finalized, as the LHC works to balance the interests of all parties to these transactions.*

### Question 9

**6.3 Legal Documents** – Concerns with USDA approval of CDBG taking a Senior position to USDA regulatory and subordination requirements.

*Answer—This question is vague, and unanswerable. The FAQ is not a forum for negotiating deal terms.*

### Question 10

**8.1 Insurance Requirements** – In speaking with a national insurance broker very active in LA, we have concerns about requirement for ALL projects to carry flood insurance irrespective of whether such insurance is required by other parties. This coverage may not be available or may be cost prohibitive.

*Answer—The National Flood Insurance Program (NFIP) is available to all properties. The LHC will discuss specific issues associated with prohibitively high insurance costs through NFIP, as brought to us transactionally.*

### Question 11

**8.5 Fair Housing: Accessibility Requirements** - Please clarify that Fair Housing Accessibility requirements is only applicable to those projects originally built post March 19, 1991 projects (not before). If both, this will be cost prohibitive for RD existing RD projects.

*Answer— Depending on the extent and nature of the rehabilitation of properties constructed prior to March 19, 1991, FHA requirements may apply. Developers must understand and follow all accessibility laws and requirements which apply to the particular circumstances of their rehabilitation. Any specific accessibility requirements triggered by CDBG-DR at properties awarded CDBG-DR can be funded with the CDBG-DR, per the limits in the NOFA. At a minimum, HUD Section 504 requirements must be met.*

### Question 12

**8.9 Environmental Review** – Will OCD be able to complete the environmental review within the required timeline?

*Answer—This is an LHC program, and environmental processing will be the responsibility of the LHC. The LHC will work to coordinate its efforts with all parties, including the USDA-RD. Delays in processing environmental clearances which accrue to the LHC will be a rationale for extensions of the Closing Date requirement.*

### Question 13

**9.6 Important Dates Deadlines-** Section 1.11 lists the closing date as 9/30/22 and construction completion date of 6/30/23. The schedule in 9.6 has a closing date of 8/19/22 and construction closing as 3/27/23. Please clarify which dates are correct. Also, see comment above on 1.11 with significant concerns with the overall timeline requirements.

*Answer—See Questions 4 and 5. Note changes in the Amended NOFA (Amendment #1).*