



Louisiana Housing
Corporation

LOUISIANA HOUSING CORPORATION

NOTICE OF FUNDING AVAILABILITY AND PROGRAM IMPLEMENTATION

GUIDELINES

FOR

MULTIFAMILY PIGGYBACK / CDBG-DR LOAN FUNDING

Rural Bond Bundle Program

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1. General Program Terms

1.1. Overview

The Louisiana Housing Corporation (“LHC”) hereby releases this Notice of Funding Availability and Program Implementation Guidelines (“NOFA” or “Program Description”) for the availability

of **Fourteen Million Two Hundred Fourteen Thousand and Five Hundred Dollars (\$14,214,500.00)** in Community Development Block Grant Disaster Recovery (“CDBG-DR”) funds. These CDBG-DR funds were originally allocated by the United States Department of Housing and Urban Development (“HUD”) for recovery activities related to two separate flooding events in 2016 (identified by HUD as the DR-4263 and DR-4277 floods) affecting wide swaths of the state (the “2016 Floods”). This CDBG-DR program, hereinafter referred to as “**The Rural Bond Bundle Program**”, “RBBP” 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 (Action Plan Amendment #16). The Program is designed to provide CDBG-DR funding for the **rehabilitation and preservation of existing, rural, multifamily affordable housing**, currently financed through the United States Department of Agriculture’s Rural Development program (“USDA-RD”).

RBBP is a competitive program focused on the preservation of existing affordable rural housing and requires the grouping of multiple properties within a single application and financing structure (collectively referred to herein as a “Bundle”). All Bundles funded through the Program are to primarily benefit low- and moderate-income populations. No new construction projects will be permitted, and no new units will be created. Eligible Bundles shall contain at least one property located in one of the fifty-one FEMA Disaster-Declared Parishes affected by the 2016 Floods for which FEMA Individual Assistance was available (see “Eligible Parishes” at §1.2, Definitions).

This Program specifically seeks to leverage efficiencies of scale in financing rural, affordable, multifamily properties with existing financing through USDA-RD, and which otherwise would be unable as individual transactions to cost-effectively access the capital needed for rehabilitation, preservation, and continued viability. Successful Applicants will be required to pair USDA-RD funds and CDBG-DR funds (structured as soft subordinate debt),¹ with equity from the sale of 4% Low Income Housing Tax Credits (“LIHTC”) available to projects issued LHC² Multifamily Revenue Bonds (“LHC Tax-Exempt Bonds”) in accordance with Section 42(h)(4) of the Internal Revenue Code of 1986, as amended (“Code”). All CDBG-DR Funds will be awarded as loans, with terms necessary to ensure the loan may be included in LIHTC Eligible Basis. See §6, Gap Financing Terms.

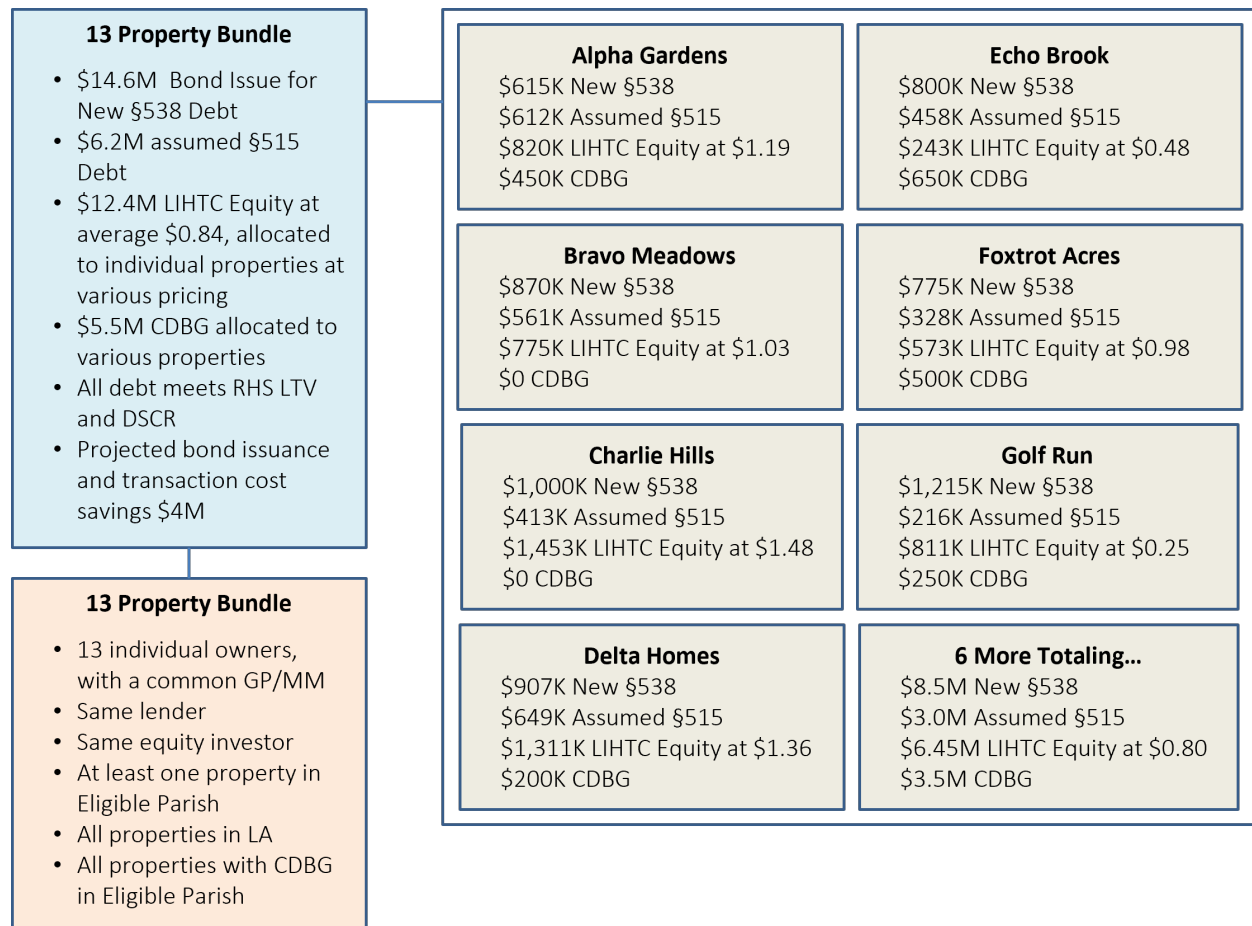
Under the Program, a Bundle will include multiple properties within the State of Louisiana³, with each property individually eligible for an allocation of LIHTCs, and in which all properties in the Bundle obtain bond-financing through a single bond issuance. Further requirements and program priorities are enumerated throughout this Program Description.

¹ CDBG funds must be used within one or more properties within a Bundle but are not required to be used by all properties within a Bundle.

² The LHC will be the bond issuer.

³ No properties may be included in the Bundle which are not located in the State of Louisiana. Properties in which CDBG-DR funds are used must be located in an eligible parish.

For clarity, the term “Property” throughout this NOFA refers to a single property owned by a single-asset entity, or a scattered site of reasonable operational proximity, but which has common management, financing, accounting, collateral, and ownership. The term “Bundle” refers to a grouping of eligible Properties. Awardees under this NOFA will receive CDBG-DR funding to rehabilitate eligible Properties in a Bundle as part of the financing of rehabilitation of all Properties in the Bundle under one single common bond-issuance, with common lenders, and common LIHTC investor, thus producing cost savings for the Bundle. All Properties in a Bundle will undergo rehab, and all will be reprovisioned for continued physical viability and affordability. All Properties will undertake debt refinancing. Some or all Properties will receive CDBG-DR. See the sample Illustration below.



1.2. Definitions

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

- **Applicant** – A Sponsor applying in response to this NOFA.
- **Application** – collectively or individually as the case may be, the Preliminary Application and/or the Full Application, including all responses to any deficiency letters.
- **Award** – a conditional commitment of CDBG-DR toward the financing of a Bundle.

- **Awardee** – An applicant receiving an Award.
- **Bundle** – Any grouping of between five and twenty eligible single asset entity properties to be recapitalized and preserved under a single bond issuance, with a single investor limited partner/member, which otherwise qualifies under the terms and conditions specified in this NOFA.
- **CDBG-DR Period of Affordability** – A period of not less than thirty-five (35) years and not more than forty (40) years during which certain rent and income restrictions apply to the operation of a Property, as established in a foreclosure-proof CDBG-DR Use Agreement.
- **Completed Projects** – a Project that has reached Construction Completion with certificates of occupancy issued for all units.
- **Construction Completion** - All construction work has been performed and the final drawdown of CDBG-DR Funds has been disbursed for the project.
- **Eligible Parishes.** the fifty-one (51) FEMA Disaster-Declared Parishes affected by the 2016 Floods for which FEMA Individual Assistance was available, namely: Acadia, Allen, Ascension, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Catahoula, Claiborne, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Lafayette, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Ouachita, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Helena, St. James, St. Landry, St. Martin, St. Tammany, Tangipahoa, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn.
- **Entity/ Organization** – A corporation, partnership, limited liability company, or other legal entity (non-profit or for-profit), that will have legal ownership of all properties within a Bundle before and after project completion.
- **Full Application** – a comprehensive application submitted by the Applicant at the invitation of the LHC, based on the LHC's determination that the Applicant's Preliminary Application meets the necessary standards and provides a relatively better opportunity to preserve housing than other applications received.
- **Preliminary Application** – an initial application, providing the information needed to permit the LHC to make a preliminary determination of feasibility, viability and likelihood to succeed, as a basis for determining whether to request (invite) the Applicant to submit a Full Application.
- **Project** - An undertaking or task related to this NOFA (which may concern the entirety of terms and requirements of a Bundle of Properties), and not referring specifically to the real estate, or legal entity which is an individual 'property' (see below).
- **Property** – A site or sites together with any improvements located on the site(s) that are currently improved and operated as housing and under common ownership, management, accounting, and financing.

- **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.
- **Surplus Cash** – Surplus cash is a “cash minus payables” calculation, performed pursuant to the terms of the CDBG-DR Gap Financing Loan Agreement. Surplus Cash measures the amount of cash that exceeds short-term obligations. CDBG-DR loan payments are generally based on the amount of calculated Surplus Cash.

1.3. Funding

Fourteen Million Two Hundred Fourteen Thousand and Five Hundred Dollars (\$14,214,500.00) in 2016 Flood CDBG-DR funds will be made available through this NOFA, subject to limitations enumerated at §2.1, Funds Available, Maximum and Minimum Funding.

1.4. Eligible Uses

CDBG-DR Funds awarded under this NOFA will only reimburse eligible costs incurred to rehabilitate and preserve existing rural housing projects. No CDBG-DR Funds will be paid 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 final financial closing of all funding sources, and all environmental conditions are satisfied. 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. The LHC will determine the *pari passu* percentage basis on which CDBG-DR funds are released during construction.

Purchases from affiliated persons or entities must be supported with an appraisal, acceptable to the LHC in its sole discretion.

1.5. 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 Federal Register Docket No. FR-5989-N-01.

1.6. Eligible Projects

Bundles shall contain no fewer than five (5) Properties and no more than twenty (20) Properties. No new construction of units will be permitted. All units in a Bundle must be existing units which, if awarded, will undergo rehabilitation of no less than \$6,500 per unit. *See §5, Rehabilitation Criteria.* At least one Property in a Bundle must be located in an Eligible Parish, and all Properties receiving CDBG-DR must be in an Eligible Parish. No single property may be included in more than one submitted Bundle.

At closing, each Property in a Bundle must be owned by a separate single asset entity organized as either a for-profit limited partnership (“LP”) or limited liability company (“LLC”). All Properties in a Bundle must share a common general partner/managing member and the investor member/limited partners of each Property must be affiliated with each other. The

general partner or managing member may be for- or non-profit entities. Applicants should be an affiliate of the proposed general partner/managing member and may submit no more than two Preliminary Applications containing one Bundle per Preliminary Application.

All Properties must satisfy the requirements of both the LHC 2022 QAP and applicable USDA -RD Rural Housing Service (“RHS”) requirements, as well as all eligibility requirements of this Program Description, except as noted herein.

1.7. Ineligible Properties

The following Properties are ineligible to be included in a Bundle:

- Properties in a Bundle in which there is not at least one Property located in an Eligible Parish. *See §1.2, Definitions.*
- Properties not allowed LIHTCs, pursuant to Section 42(h)(4) of the Code.
- Lease to Own Properties.
- Properties in which some units would not have affordability restrictions. To be clear, the LHC will require for properties receiving CDBG-DR that the CDBG-DR Regulatory Agreement have initial occupancy and rent restrictions applicable to all units. See the set-aside requirements at §7.2, Affordability. Other affordability requirements pursuant to the QAP apply to all properties receiving LIHTCs.
- Any new construction property or unit. This program only permits rehab and recapitalization of existing units at existing properties.
- Properties requesting CDBG-DR and located below the current Flood Elevation Level, with residential structures located within the 100-year flood zone. To be clear, the LHC may permit such at-risk properties to be included in a Bundle, but will not permit the investment of CDBG-DR in properties at risk of future flooding based on siting within the 100-year flood zone.
- Properties which fail to achieve a minimum forty (40) point score against the scoring criteria established in the LHC 2022 QAP (§IV.A.12), based on the LHC’s review of a Full Application. *See §4, LHC Selection Criteria Based on Preliminary Applications.*

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) which is currently out of compliance with the LHC and/or the State of Louisiana, Division of Administration’s Office of Community Development (“OCD”) regarding annual audits or which is in arrears on payments of or other obligations related to LHC/OCD loans.

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 individual signing on behalf of the Applicant must have the authority to execute a legal agreement with the LHC. All Awards will be to the established or proposed general partner/managing member entity identified in the Application and will be addressed to the principal of that entity. No assignment of an award may be made without the prior, written consent of the LHC. Any change in the proposed ownership from that which is stipulated in the Application will constitute an assignment.

1.11. Strictly Enforced Schedule

Award Acceptance Agreements (“Award Agreement”) will be issued to Awardees by the Award Determinations Published Date. Applicants should plan to close prior to the Closing Deadline Date, and to complete construction no later than the Construction Completion Date. Applicants which cannot adhere to this schedule should not apply. The submission of a Preliminary Application represents a commitment to meet this schedule. *See §9.6, Important Dates and Deadlines.*

The LHC will strictly adhere to and impose deadlines for committing and expending CDBG-DR to Awardees based upon the activity proposed and other information provided by Applicants in the Preliminary Application. Any CDBG-DR funds not expended within the timeframes included in any award or loan documents may be recaptured and reallocated by the LHC. Projects must adhere to the following:

- Each CDBG-DR Award Agreement will contain an expiration date of the Award, as well as construction start and completion. The LHC may terminate any Award Agreement at any time after the expiration of the Award expiration deadline and may put an Awardee in default under the applicable loan documents upon expiration of the completion deadline unless LHC and the Awardee agree to amend the respective Award Agreement or loan document. Any CDBG-DR funds disbursed for a Property that is not completed timely and placed in service (whether due to the fault or negligence of the Awardee or otherwise) must be repaid in full to the LHC upon thirty (30) days written notice.
- Applicants must submit a project schedule in their Preliminary Application and must adhere to the project schedule (and that schedule must conform to the schedule outlined at §9, *Deadlines to Submit* 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, and failure to meet the agreed upon schedule will be an event of default under the CDBG-DR loan documents.

1.12. Overview of Two-Stage Process: Preliminary and Full Applications

The LHC will award CDBG-DR funding through a two-stage process.

After potential Applicants submit a **Letter of Intent** to submit an Application, LHC will accept **Preliminary Applications** containing the information and in accordance with the schedule described herein.

The LHC will review the **Preliminary Applications** for threshold eligibility and assess these against the **LHC Selection Criteria Based on Preliminary Applications** set forth herein. The LHC will subsequently provide those Applicants best meeting these criteria with an **Invitation to Apply**.

Applicants receiving an **Invitation to Apply** may then submit a **Full Application** containing the additional information and in accordance with the schedule set forth below.

The LHC will provide Awards to Applicants that meet the Program requirements by issuing: (1) a General Letter of Acceptance for the approved Bundle, outlining general criteria, terms and conditions; (2) CDBG-DR Award Acceptance Agreements to individual Properties allocated CDBG-DR within the approved Bundle, and (3) credit reservation letters for each Property within the approved Bundle.

The General Letter of Acceptance will include conditions related to the transaction, both at the Bundle and Property levels. The LHC may stipulate it retains absolute discretion to refuse any draws against awarded CDBG for those properties in the Bundle awarded CDBG, in the event that fewer than 90% of the total properties in the Bundle fail to close.

See §4, LHC Selection Criteria Based on Preliminary Applications; and §3, Applications.

2. CDBG-DR Limits

2.1. Funds Available, Maximum and Minimum Funding

Total CDBG-DR to be awarded under this NOFA is **Fourteen Million Two Hundred Fourteen Thousand and Five Hundred Dollars (\$14,214,500.00)**. This amount (and the limits enumerated below) is subject to upward or downward adjustment by the LHC. Any adjustments will be published to the public through an amendment to this NOFA. Such amendments may be issued at any time. Funding limits are as follows:

- A single Bundle may not be allocated less than One Million Dollars (\$1,000,000.00) and no more than Seven Million One Hundred Seven Thousand and Two Hundred and Fifty Dollars (\$7,107,250.00) in CDBG-DR funds.
- An individual Property within a Bundle may not be allocated less than Four Hundred Thousand Dollars (\$400,000.00) (unless required by the per unit cap set forth below) or more than One Million Dollars (\$1,000,000.00). Accordingly, any Applicant requesting the maximum CDBG-DR must have a Bundle of at least eight (8) Properties that individually qualify for CDBG-DR hereunder. Not all Properties in a Bundle are required to be eligible

for CDBG-DR, so an Applicant could also include non-qualifying Properties in the Bundle to increase efficiencies of financing rehabilitation of the Bundle.

- Properties within a Bundle that are awarded CDBG-DR hereunder may not allocate more than Forty Thousand Dollars (\$40,000.00) per unit allocated CDBG-DR. For example, Bundle Beta has 13 total properties and 351 total units, including six properties proposed to receive awards of CDBG-DR. Those six properties contain 181 units. For this Bundle, the total CDBG request must be limited to no more than \$7,200,000. Note this limit is not an individual Property limit; consequently, the CDBG-DR allocated to a specific Property could exceed \$40,000 per unit, provided the average CDBG-DR allocated to all units receiving CDBG-DR is not greater than \$40,000 per unit. There is no minimum per unit allocation of CDBG-DR.

For clarity, a Bundle must adhere to the below CDBG-DR limits:

- No less than \$1,000,000.00 and no more than \$7,107,250 of CDBG-DR funding for the Bundle.
- No less than \$400,000 and no more than \$1,000,000 of CDBG-DR per Property within the Bundle.
- No more than \$40,000 per unit at CDBG-DR funded Properties within the Bundle.

Example 1: Bundle with 18 total Properties and 500 total units, of which 9 Properties containing 240 units are requesting CDBG-DR funding. Request must be the lesser of **(a) \$7,107,250**; (b) \$9,000,000 (9 X \$1,000,000); or (c) \$9,600,000 (240 X \$40,000). In this case, the total limit per Bundle (highlighted in (a)) would apply.

Example 2: Bundle with 12 total Properties and 350 total units, of which 5 Properties containing 140 units are requesting CDBG-DR funding. Request must be the lesser of (a) \$7,107,250; (b) **\$5,000,000 (5 X \$1,000,000)**; or (c) \$5,600,000 (140 X \$40,000). In this case, the \$1,000,000 limit per Property receiving CDBG-DR within the Bundle (highlighted in (b)) would apply.

Note that Applicants are disadvantaged when requesting a high percentage of CDBG-DR funds relative to total rehabilitation costs. *See §4, LHC Selection Criteria Based on Preliminary Applications.*

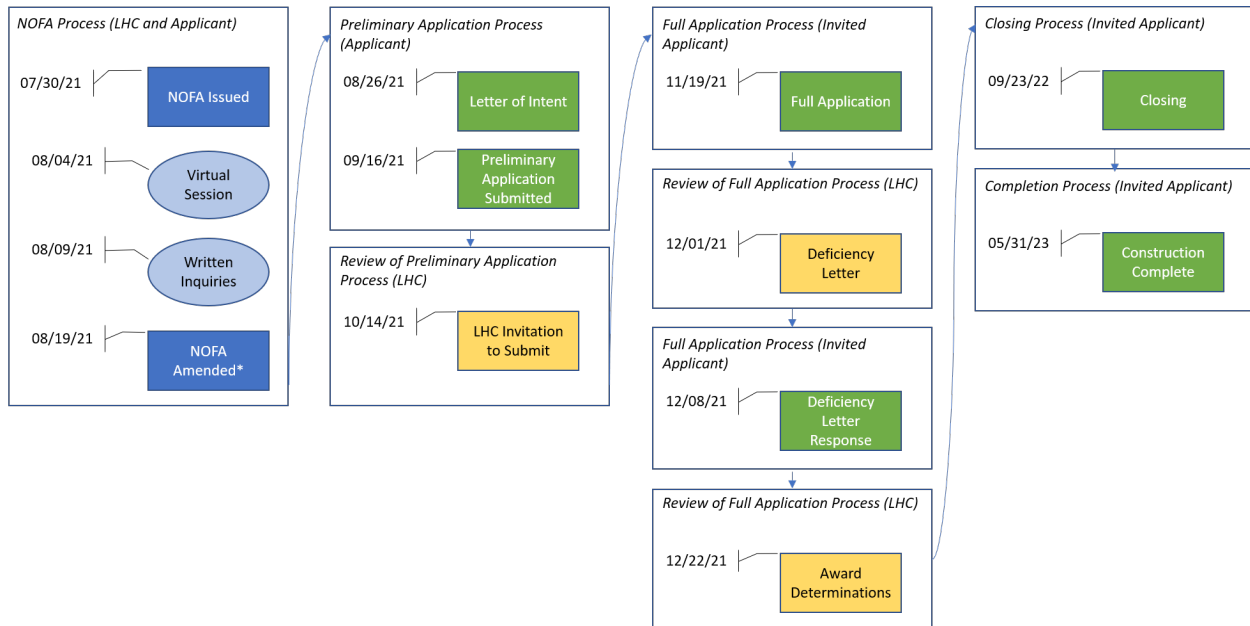
Applicants may request less than Four Hundred Thousand Dollars (\$400,000.00) for any Property if a lower amount is needed to avoid the maximum CDBG-DR per unit.⁴

⁴ This could happen on a <10-unit property.

3. Applications

3.1. General Process

The general application process is outlined in the illustration below. See also the remainder of this section, and §9, Deadlines to Submit. Note revised illustration (Amendment #1) to conform with revised schedule.



3.2. NOFA Process: Written Inquiries, Virtual Session, FAQs, Amendments to NOFA

This NOFA anticipates a need for inquiries, clarifications and potential modifications to the Program toward ensuring its requirements are achievable and consistent with good outcomes. See “NOFA Process (LHC and Applicant)” in the illustration above.

The LHC will hold a virtual session to present the Program on August 4, 2021. Interested parties may attend but are not required to do so. Information on this session will be provided separately.

Additionally, interested parties may submit written questions to the LHC. It is the sole responsibility of the Applicant to inquire into and clarify any item of the NOFA that is not understood. LHC will consider written inquiries from Applicants regarding this NOFA only if they are **submitted in writing to Development@lhc.la.gov by the deadline for the submission of written inquiries** set forth herein. See §9.6, *Important Dates and Deadlines*. Inquiries shall clearly reference the section of the NOFA about 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; however; the LHC reserves the right to decline to respond to any inquiry that will cause an undue burden or expense to the LHC.

In addition to written responses to individual inquiries, an official response to each inquiry, along with the actual inquiry, as well as topics discussed in the virtual session, will be posted by the

form of a Frequently Asked Questions Addendum (FAQ) at <http://www.lhc.la.gov> in accordance with the timeline provided below.

LHC reserves the right to amend this NOFA.

3.3. Preliminary Application Process: Letter of Intent

Interested potential Applicants must submit a Letter of Intent to Apply by the deadline set forth in Section 10.2. This Letter is only required to identify the current and proposed ownership entity (common general partner/managing member of all proposed Properties), key principals of the ownership entity, and the name, address and unit mix of each Property being considered for inclusion in a Bundle. See Exhibit A. The Letter of Intent is non-binding, does not require the submission of any fees, and does not obligate the Applicant to include the specific Properties in the Bundle submitted with the Preliminary Application (i.e. the final Bundle included in the Preliminary Application could have some, but not all of the Properties listed in the Letter of Intent, but may not include Properties not so listed).

3.4. Preliminary Application Process: Preliminary Applications

Interested parties must submit a Preliminary Application by the Preliminary Application Due Date. *See §9.6, Important Dates and Deadlines.*

The Preliminary Application form is not attached to this NOFA but will be issued subsequent to the publication of this NOFA.

Applicants are cautioned to ensure that any representations in their submitted Preliminary Application(s) regarding financing sources and other transactional features (debt and equity amounts, reserves, rehabilitation costs, rents, and other key elements) are achievable. The LHC will not permit material changes to terms included in Preliminary Applications which receive an Invitation to Apply. If an Applicant is issued an Invitation to Apply based on its Preliminary Application, and the LHC determines that the Full Application is not substantially consistent with the Preliminary Application, the LHC may deny the Application. For purposes of this determination, “substantially consistent” requires that the Full Application achieves the same or improved objectives as the Preliminary Application, pursuant to considerations enumerated at §4, *LHC Selection Criteria Based on Preliminary Applications*. The LHC reserves sole discretion to make this determination and there is no right of appeal by the Applicant. *See also §1.12, Overview of Two-Stage Process: Preliminary and Full Applications.*

3.5. Preliminary Application Process: Invitation to Apply

Based on the submitted Preliminary Applications, the LHC will issue Invitations to Apply to one or more Applicants. It is the LHC’s intent to award funds (CDBG-DR, Low Income Housing Tax Credits and LHC Tax-Exempt Bonds) to all Bundles which are invited to apply, subject to a comprehensive review of the Applicant’s Full Application for feasibility, viability, and conformance with the 2022 QAP and this Program Description. An Invitation to Apply does not constitute an Award.

3.6. Full Application Process: Full Application

Only Applicants receiving an Invitation to Apply may submit a Full Application. Each Full Application must meet the requirements of the 2022 QAP, including but not limited to:

- Submission of an Underwriting / Application model for each property within the Bundle;
- All required forms, certifications, and documents for the allocation of LIHTCs;
- Payment of all required fees pursuant to the 2022 QAP, including the Market Study Fee (see 2022 QAP);

In addition, Applicants must update the information submitted in the Preliminary Application and identify and explain all material changes related to transactional features (debt and equity amounts, reserves, rehabilitation costs, rents, and other key elements), if any.

3.7. Project Readiness Requirement: Funding Commitments

The Full 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) For Properties allocated CDBG-DR, 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.
 - (v) Note that approval of financing by the USDA-RD is not required prior to the deadline for Full Applications; however, it is required prior to closing.

- (b) The Full Application will be combined with an LIHTC Application in accordance with the requirements of Section 42(m) of the Code and the provisions of the 2022 QAP. Awarded funds for a project utilizing LHC Tax-exempt Bonds will be made contingent upon approval of such bond issuance from the Louisiana State Bond Commission.

4. LHC Selection Criteria Based on Preliminary Applications

The LHC will review all Preliminary Applications and issue selected Bundles with an Invitation to Apply. The LHC intends to limit selected Bundles so as not to exceed the available CDBG-DR funds for the Program. The LHC may select alternates, which will receive an Invitation to Apply only in the event that the Applicants initially receiving an Invitation to Apply fail to perform against program requirements and have their Invitations revoked, or their Full Applications denied.

Eighty (80) total points are possible. The highest scoring Bundles will be issued an Invitation to Submit a Full Application, subject to funding availability (a lower-scoring application may be awarded over a higher-scoring application if there are funds available for a lower-scoring request, but not the higher-scoring request).

In determining which Applicants receive an Invitation to Apply, the LHC will make determinations based upon consensus scoring (quantified criteria) by a Review Committee or by calculated points, based on the following:

4.1. Likelihood to Close (20 Points Max)

The LHC is invested in ensuring that awarded funds achieve their intended purpose of preserving housing. Points in this section will be awarded based on the Review Committees considered determinations of the capabilities of the Development Team to carry out the proposed recapitalization effort timely and competently. As represented by the information provide in the Preliminary Application, teams with little or no experience will receive lower scores, teams with extensive, demonstrated experience will receive higher scores.

4.1.1. Development team general expertise, 0-5 Points

The LHC will consider the developer's experience (including that of its partners, advisors, and other team members) toward its demonstrated prior success in USDA-RD financed Rural Housing, LIHTC, recapitalization, rehab, and preservation of use-restricted, affordable, multifamily housing.

4.1.2. Bundle feasibility irrespective of expertise, 0-5 Points

A higher number of points will be awarded to Bundles with fewer complicating factors and lower potential for risk of not closing due to dependencies and uncertainties. Such factors are at the discretion of the LHC, but may include environmental issues, title and ownership issues, financial capacity of the sponsor, multiplicity of financing strategies, and other challenges to successfully transacting the proposed Bundle.

4.1.3. Development team bond bundling expertise, 0-10 Points

A higher number of points will be awarded to Bundles in which the development team (including its partners (lender(s), equity investor, advisor(s)) have demonstrated prior success bundling rural properties under a single bond issuance, with a single investor, in programs which are similar in financing construct to this program. Bundles in which the development team has no such experience will score zero points in this category. Bundles in which key members of the team have such prior experience will receive points, with the most points awarded to Bundles in which all key partners (lender, equity investor, developer/sponsor and/or advisors) have extensive prior experience.

4.2. Bundle Efficiency (30 Points Max)

The elements in this subsection are scored based on relative performance of all applications, with the best-performing Bundle in each category receiving the maximum points for that category, and all other Bundles receiving points relative to the best-performing Bundle.

4.2.1. CDBG-DR requested per unit preserved, 10 Points Max

This scoring criterion rewards Bundles with a lower CDBG cost relative to overall units preserved within the Bundle. The Bundle with the highest ratio of units preserved to CDBG requested will receive ten (10) points. All other applications will receive a lower point-score, reflecting their outcome relative to the application performing highest against this criterion.

Example: Application A requests \$4M in CDBG for a Bundle which would recapitalize and preserve 420 total units (\$9,524/unit); Application B requests \$4.8M for 399 units (\$12,030/unit); and Application C requests \$6.8M for 550 units (\$12,364/unit). Application A is requesting the lowest CDBG per unit preserved within the Bundle and receives 10 points. Application B receives 7.92 points ($\$9,524 / \$12,030 = 0.792$) and Application C receives 7.77 points ($\$9,524 / \$12,364 = 0.777$). Note for this calculation, the numerator is all units within the Bundle, without regard to whether those units are located in properties which will individually receive CDBG-DR.⁵

4.2.2. CDBG-DR requested per property preserved, 10 Points Max

This scoring criterion rewards Bundles which preserve a greater number of properties, relative to the CDBG requested. The Bundle with the greatest number of properties preserved relative to the CDBG-DR requested will score ten (10) points. All other applications will receive a lower point-score, reflecting their outcome relative to the application performing highest against this criterion.

Example: Application A requests \$4M in CDBG for a Bundle which would recapitalize and preserve 12 total properties (\$333,333/property); Application B requests \$4.8M for a 16 property Bundle (\$300,000/property); and Application C requests \$6.8M for a 19 property Bundle (\$357,895/property). Application B is requesting the lowest CDBG per property preserved within the Bundle and receives 10 points. Application A receives 9.0 points ($\$300,000 / \$333,333 = 0.900$) and Application C receives 8.38 points ($\$300,000 / \$357,895 = 0.838$). Note for this calculation, the numerator is all properties within the Bundle, without regard to whether those are properties which will individually receive CDBG-DR.

⁵ Note: None of the amounts in any of the examples are intended to illustrate LHC's expectations for costs, amounts or averages in any category. None of the examples are based on modeling or projections, and the correct answer for any Bundle will be based on that Bundle's economics. No guidance is provided or inferred in these examples.

4.2.3. The proposed average rehabilitation cost per unit, 5 Points Max

This scoring criterion rewards Bundles in which the total proposed rehab is greater, without regard to the amount of CDBG-DR requested.

Example: Application A proposes average rehab per unit of \$42,000; Application B proposes average rehab per unit of \$35,000; and Application C proposes average rehab per unit of \$46,000. Application C proposes the greatest average rehab per unit within Bundle and receives 5 points. Application A receives 4.57 points ($\$42,000 / \$46,000 = 0.913 \times 5 = 4.57$) and Application B receives 3.80 points ($\$35,000 / \$46,000 = 0.761 \times 5 = 3.80$). Note for this calculation, the numerator is the highest proposed average rehab within all individual Bundles and the denominator is the average per unit rehab within the Bundle being scored.

4.2.4. Total transaction costs per unit, 5 points max

This scoring criterion rewards Bundles in which the average transaction costs per unit are lower, without regard to the amount of CDBG-DR requested. Transaction costs include all development costs which are not otherwise acquisition costs, hard costs for rehab, reserves and escrows,

Example: Application A proposes average transaction costs per unit of \$20,000; Application B proposes average transaction costs per unit of \$22,000; and Application C proposes average transaction costs per unit of \$29,000. Application A proposes the lowest average transaction costs per unit within the Bundle and receives 5 points. Application B receives 4.55 points ($\$20,000 / \$22,000 = 0.909 \times 5 = 4.545$) and Application C receives 3.45 points ($\$20,000 / \$29,000 = 0.690 \times 5 = 3.448$). Note for this calculation, the numerator is the lowest proposed average transaction costs per unit within all individual Bundles and the denominator is the average per unit transaction cost within the Bundle being scored.

4.3. Bundle Characteristics and Outcomes (30 points)

4.3.1. Balance of properties in the Bundle (0-15 Points)

The LHC will provide higher scores to Bundles which incorporate preservation-worthy assets which benefit from bundling (i.e., lower transaction costs, CDBG-DR and/or the rebalancing of equity within the Bundle) to support their recapitalization, which would not otherwise be possible as individual assets. Bundles which include properties which would not otherwise be preservable without bundling will receive higher scores.

4.3.2. Overall preservation-worthiness (0-15 Points)

The preservation-worthiness of Properties in the Bundle, as indicated by their historic occupancy rates, levels of affordability, levels of proposed rehabilitation (and resulting, likely long-term physical viability), flood-risk, and significance and relevance in the overall affordable housing framework of their local communities. Bundles with (a) higher average occupancy rates, (b) affordability at lower levels of Area Median Income, (c) greater levels of Rental

Assistance, (d) longer-term affordability restrictions, and (e) other measures related to preservation-worthiness will receive higher scores.

5. Rehabilitation Criteria

All units will be existing units which receive rehabilitation of no less than \$6,500 per unit. Full Applications will require detailed information regarding the scope of proposed rehabilitation, and the LHC will require the scopes to incorporate elements of disaster resilience, as denoted in the enhanced QAP criteria appended to this NOFA. Minimum Rehabilitation Criteria for the RBBP are the same as those stipulated in the 2022 QAP, Appendix B - Minimum Design Standards (New Construction & Rehabilitation).

6. Gap Financing Terms

CDBG-DR financing will be awarded as a project construction loan (“Loan”) secured by the project holding either a 1st or 2nd lien position, with annual debt service based on annual Surplus Cash.⁶ Any loan balance remaining at the end of the Loan term shall be payable in full at maturity.⁷ Loans will become due upon the earlier of (a) maturity; (b) sale or refinancing of the Property;⁸ or (c) acceleration as the result of a default of the terms of the documents evidencing or securing the Loan.

Awardees will be required to submit audited annual financial statements that include a Surplus Cash computation as defined by LHC and as established in the CDBG-DR Rural Bond Bundle Program Loan Agreement. Surplus Cash is a balance sheet measurement that subtracts short-term obligations from available cash. If Surplus Cash is positive, under the Loan Agreement it will be distributed in the following order of priority (regardless of the terms of the Awardee’s operating/partnership agreement):

- The percentage established in the Loan Agreement toward payment of the Loan.
- Any remaining amount to the Applicant (subject to any agreements between the partners or members).

The terms of the Loan Agreement will take precedence over any provisions regarding Surplus Cash in the Limited Partnership/Operating Agreement. An Application under this NOFA acknowledges this principle, notwithstanding definitions or understandings regarding what may constitute “surplus cash” in other parties’ agreements.

⁶ Note, it will only be in 1st lien if the underwriting determination is that the property cannot support a permanent 1st mortgage.

⁷ 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.

⁸ Due on sale or refinancing, unless the LHC, in its sole discretion, agrees to resubordinate to new financing.

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,⁹ any incentive payments to any affiliated entities, and the replenishment of any reserves other than normal monthly deposits to the Reserve for Replacements paid as an operating expense. Ongoing deposits to other reserves, and replenishment deposits to any reserve account, may be made only from Surplus Cash that is distributed to the Applicant.

The Applicant may defer any portion of developer fee; however, the LHC will permit to be included in basis only that portion which the developer asserts and the LHC agrees can be reasonably projected to be recovered from the Applicant's share of Surplus Cash within the first 15 years.

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

Notwithstanding the foregoing, the LHC will amend its CBDG-DR loan requirements when doing so is necessary to align these loans with established USDA-RD requirements.

6.1. Interest Rate and Residual Value

The outstanding principal balance of the Loan will accrue interest at 0%.

6.2. Required Affordability

Eligible Properties may not include market-rate units. All units must be affordable units (restricted as to rent and initial, qualifying household income). Set-aside requirements are as follows applicable to properties receiving CBDG-DR are below; other set-aside requirements pursuant to the LIHTCs or USDA will apply:

- When not otherwise in conflict with USDA requirements, Properties receiving CBDG-DR must set-aside no fewer than 5% of the units at rents affordable at 30% AMI, and for occupancy by households at or below 30% AMI for the duration of the CBDG-DR Period of Affordability (defined below). Note that there are no Permanent Supportive Housing ("PSH") set-aside requirements, and properties funded under this Program are not required to offer PSH units.
- Properties receiving CBDG-DR must restrict 100% of the units to rents at or below 60% of AMI and reserved those units for households with initial household incomes (i.e., at move-in), at or below 60% of AMI, for the duration of the CBDG-DR Period of Affordability.

⁹ 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, as established in the Loan Documents.

- The above bulleted restrictions shall be documented by a CDBG-DR Regulatory Agreement which shall be recorded against the Properties receiving CDBG-DR funding hereunder for a term of 35 years, unless the term of the permanent 1st Mortgage is for a longer period, in which case the term of the CDBG-DR Regulatory Agreement will match the 1st Mortgage term. The CDBG-DR Regulatory Agreement will prime the 1st mortgage and will survive foreclosure of the first mortgage.

Additionally, all Properties in a Bundle will have existing or new USDA-RD Use Restrictions associated with their participation in USDA-RD programs, and LIHTC restrictions corresponding to the QAP and LIHTC LURA. In the event of the CDBG-DR, USDA-RD, and LIHTC affordability restrictions are in conflict, the most restrictive set of covenants will apply.

6.3. Legal Documents

CDBG-DR RBBP 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 any senior lender), and Guaranty Agreement that guaranties completion, the funding of operating deficits, and non-recourse carve-outs. It is anticipated that these template legal documents will be posted no later than thirty (30) days prior to the deadline for submission of Full Applications under this NOFA.

Unless the Full Application contains a summary of specific provisions of the Loan Documents which the Applicant requests be amended and the LHC consents in writing to these proposed, amended terms, 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.

7. Underwriting Standards and Requirements

The underwriting standards and requirements of the 2022 QAP, as reflected in the 2022 QAP electronic application model, will apply to applications submitted under this NOFA. In the event there are conflicts between the underwriting requirements in the QAP and those of the USDA-RRD, the LHC will consider the best interests of the Property and the inviolable requirements of the Code in determining whether case-by-case waivers to the 2022 QAP requirements will be permitted.

8. Various Requirements

8.1. Insurance Requirements

Insurance requirements for rehabilitation projects receiving funding from State agencies 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 §XX. 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 Special Flood Hazard Area. Projects must carry the lesser of full replacement coverage or the maximum available National Flood Insurance Program insurance on all individual buildings. Applicants are hereby advised to ensure that costs for these insurance premiums are fully reflected in their proposed operating budgets.

8.2. Payment and Performance Bond

Each Awardee will be required to post both a payment and performance bond during the period of construction for the entire amount of the construction contract and corresponding to the requirements of the Disaster Recovery CDBG Grantee Administrative Manual. Applicants may not contract with a general contractor who does not have bonding capacity and the ability to provide full coverage builder's risk insurance.

8.3. Cross Cutting Federal Requirements

All Applicants shall comply with all federal regulations applicable to federal funding, whether contained in the CDBG regulations or otherwise. These regulations include the following:

- Federal Labor Standards.
- Fair Housing and non-discrimination requirements; and
- Acquisition and Relocation requirements, as applicable;
- Financial management and procurement;
- Environmental Review;

Information on these regulations, as well as the CDBG regulations, may be found at the following website:

https://files.hudexchange.info/resources/documents/CDBGToolkit_Content.pdf

The below regulations are listed herein as frequently referenced federal regulations that arise in similar Programs, but in no way does the absence of a reference to a federal cross cutting regulation below eliminate the obligation of the Applicant and all Awarded projects to comply with all regulations described in the above CDBG Toolkit.

8.4. Federal Labor Standards; Davis Bacon Prevailing Wage Compliance

If CDBG-DR Funds are awarded to a property within a Bundle, the project budget costs for that Property 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.

8.5. Fair Housing; 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.

8.6. Fair Housing; Nondiscrimination Requirements

Applicants agree 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 Applicants shall cause their contractors to agree to abide by the requirements of the Americans with Disabilities Act of 1990.

Each Applicant agrees not to discriminate in its employment practices, and will render services under any award hereunder without discrimination on the basis of any protected classes.

8.7. Fair Housing; 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 a greater choice of housing opportunities.

8.8. Acquisition and Relocation; Uniform Relocation and Real Property Acquisition Act

If CDBG-DR funds are proposed to pay for any acquisition costs and activities, the Applicant must have an understanding of Uniform Relocation Assistance (URA) protocols and guidelines. Applicants must follow Title II (Uniform Relocation Assistance) and Sections 301-304 of Title III Uniform Real Property Acquisition Policy of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Chapter 61), and the HUD implemented instructions at 24 CFR Part 42 and 24 CFR §570.606. The procedures must be followed prior to 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.

8.9. Environmental Review

All CDBG-DR funded projects must comply with the National Environmental Policy Act (NEPA) and related laws and authorities. A complete environmental review in accordance with 24 CFR Part 58 is required prior to any choice-limiting action. A choice-limiting action includes actions to acquire, dispose, rehabilitate, demolish, convert, transfer, remove, lease, or construct properties (including entering into contracts or other written commitments). No choice-limiting action may

be taken prior to environmental clearance of the project as established by an executed “Authority to Use Grant Funds.” All prohibitions regarding choice-limiting actions will apply, with such actions rendering the Award void.

Projects with USDA RD funding must also comply with the Agencies’ 1970 Environmental Review regulation. Depending on the project, results could be categorically excluded without a report, categorically excluded with a report or an Environmental Assessment.

8.10. Duplication of Benefits (DOB)

The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster as to which they have already received financial assistance under any other program or from insurance or any other source.

The Stafford Act also requires that the LHC perform a duplication of benefits analysis pertaining to each Borrower within the Program.

The State will require the Borrower to indicate in the application, the types, amounts and purposes of assistance both approved and received to date related to the Great Flood of 2016.

The amount of approved assistance will be counted in the duplication of benefits analysis.

Sources of assistance will include, but are not limited to, FEMA, SBA, Insurance, and CDBG. Any Borrower who received SBA funding to rehabilitate their property will be evaluated for acceptance in the Program on a case-by-case basis. Any other assistance received that already covers unmet needs identified under this program will be considered when calculating an award.

The program will utilize duplication of benefit (DOB) feeds from the memorandum of understanding (MOU) between SBA and FEMA to verify the amount received from its federal partners.

9 Deadlines to Submit

There are three key deadlines for submission:

- **Thursday, August 26, 2021:** Submission of a Letter of Intent (“LOI”) to Submit. *See §3.3, Preliminary Application Process: Letter of Intent.*
- **Thursday, September 16, 2021:** Submission of a Preliminary Application. *See §3.4, Preliminary Application Process: Preliminary Applications.*
- **Friday, November 19, 2021:** Submission of a Full Application (by invitation only). *See §3.6, Full Application Process: Full Application.*

Failure to submit the complete documentation for each item listed above by 4:00 CST on the date listed above will result in rejection of the submission and disqualification from further submissions under this NOFA. Failure to submit an LOI by the LOI deadline will render an Applicant ineligible to submit a Preliminary Application. Applicants who would otherwise

intend to submit a Preliminary Application by the Preliminary 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 LOI, Preliminary and, if applicable, Full Applications must be addressed as follows:

Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, Louisiana 70808
Re: 2021 RBBP CDBG-DR Program
Must include: Project Names, Sponsor Name and Return Address

9.5 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 (both Preliminary and Full) applications arriving after the applicable deadline, whether via personal delivery, U.S. Mail, FedEx, UPS, or other comparable method of delivery, will not be accepted for any reason.**

9.6 Important Dates and Deadlines

NOFA published and posted to LHC website	Friday, July 30, 2021
Deadline to submit written inquiries regarding the NOFA to the LHC*	Monday, August 9, 2021
Posting by LHC of FAQ in response to written inquires (Amendment of NOFA—if required)¹⁰	Thursday, August 19, 2021
Deadline to submit Letter of Intent*	Thursday, August 26, 2021
Preliminary Application deadline*	Thursday, September 16, 2021
LHC Selection of Preliminary Applications and Issuance of Invitations to Submit	Thursday, October 14, 2021
Full Application Deadline and payment of Market Study Fee*	Friday, November 19, 2021
Deficiency Letters Issued by LHC to Applicants	Wednesday, December 1, 2021
Deficiency letter response deadline by Applicants to LHC*	Wednesday, December 8, 2021
Award Determinations Published Date	Wednesday, December 22, 2021
Closing Deadline Date	Friday September 23, 2022
Construction Completion Date	Wednesday, May 31, 2023

¹⁰ Preliminary Application Template and Template Legal Documents to be published by this date.

*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.

NOTE: the above schedule provides the following number of calendar days between certain key events in the timeline:

Applicant: Days between NOFA publication and Prelim App submission	48
LHC: Days between Prelim App Receipt and Invitation to Apply	28
Applicant: Days between Invitation to Apply to Full App submission.....	36
Applicant: Days between NOFA publication and Full App submission.....	112
LHC: Days between receipt of Full Applications and issuance of Awards	33
Applicant: Days between Award and Closing	275
Applicant: Days between Closing to Construction Completion.....	250
Days between NOFA publication and Construction Completion	670

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

See §1.11, Strictly Enforced Schedule.

9.7 Questions and Communication

It is the strict policy of the LHC that prospective Applicants refrain from initiating any contact or communication, direct or indirect, with staff of the State, Division of Administration, Office of Community Development, 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.

TEMPLATE LETTER OF INTENT Rural Bond Bundle Program
(To be sent on Sender's Letterhead)

[INSERT DATE]

Bradley Sweazy
Interim Executive Director
Louisiana Housing Corporation
2415 Quail Drive, Baton Rouge, LA 70808

By: Email to BSweazy@lhc.la.gov

Re: Letter of Intention to Apply, Notice of Funding Availability, Rural Bond Bundle Program.

Dear Mr. Sweazy,

Pursuant to the NOFA referenced above, and as stipulated at NOFA §4.3, we are submitting this letter of intention to apply.

While the specifics of our application are being developed, and will be apparent in our Preliminary Application to be submitted pursuant to the NOFA, we provide you with the following information now:

Name of Ownership / Sponsor Entity
Contact Person.....
Contact Phone.....
Contact Email

Please refer to the attached table which contains the following itemized information for each property we are currently contemplating would be included in the Bundle. This information is non-binding on our application, and is provided only to illustrate to the LHC various characteristics under consideration as we prepare our application:

For each property: property name, partnership name, street address, parish, unit mix, affordability mix inclusive of rental assistance and rental assistance type, year of original construction, year of most-recent substantial rehab (if any), current hard debt amount, current hard debt type, whether the property is currently owned or contemplated to be acquired, estimated amount of rehab in total and per unit, estimated CDBG request, and specific notes or issues.

Sincerely,

[Signature Block]