



Louisiana Housing
Corporation

DEVELOPER FORUM PRIME-2 NOFA CDBG/LIHTC



Louisiana Housing
Corporation

Friday, September 9, 2022



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Welcome and Introductions

Lisa Lester Bergeron, Housing Manager, LHC

September 9, 2022



Welcoming Remarks

Josh Hollis, Executive Director, Louisiana Housing Corporation

Patrick Forbes, Executive Director, Louisiana Office of Community
Development



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Agenda and Program Overview

Lisa Lester Bergeron, Housing Manager, LHC

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Today's Agenda

- Overview of PRIME-2
- Key Aspects of the PRIME-2 NOFA
- FORTIFIED-What it is, why it matters, how it works
- Enterprise Green-What it is, why it matters, how it works
- Questions and Answers



Overview – What is PRIME-2?

- PRIME is about disaster-resilient, mixed-income affordable rental housing
 - Act instead of react
 - Resilient housing for resilient people
 - Build smarter, stronger
 - We can do better



Teamwork

- The Louisiana Housing Corporation
- Housing and Urban Development (HUD)
- OCD-DRU, Compass Group, Baker Donelson, Gov't Consultants, advisors, counsel.
- Smart Homes America, the FORTIFIED Program
- Enterprise Green Communities
- Developers, and their partnering lenders, builders, and advisors



\$149M

- \$15M max per property (increased from PRIME-1)
- 12-14 awards + 1,200 units anticipated (similar production, with higher CDBG per unit projected)
- NOFA issued 08/22 (v. 1)
 - Amended 08/30 (v. 2) to revise developers' session date to today
 - Amended 09/02 (v. 3) to excise Zeta Parishes and provide other clarifications
 - May be amended further—be alert



Path to PRIME-2

- National Disaster Resilience Competition: HUD awarded OCD \$90M+ for disaster resilient projects
- Isle de Jean Charles- \$40M resettlement of residents
- LAsafe- Lafourche Resilient Housing--\$7M CDBG gap funding for \$11M 35-unit resilient housing—proof of concept in Ida's eyewall
- Pecan Acres- \$12M resettlement for 40 SF homes in Pointe Coupe Parish
- More...



Path to PRIME-2

- PRIME-1
 - 14 developments: 1,233 units, 1.2M SF
 - All awarded transactions closed, 2 projects complete, 12 projects >50% construction complete
 - 9 will be completed before end of the year; 3 will be completed by Q1 2023

In '000s

	TOTAL	PROP	UNIT	PERCENT
TDC	\$295,075	\$21,077	\$239	100%
CDBG	\$103,629	\$7,402	\$84	35%
Equity	\$107,863	\$7,705	\$87	37%
Perm	\$70,648	\$5,046	\$57	24%
DDF/Other	\$12,935	\$924	\$10	4%



Application Process

- **08/22** NOFA issued
- **09/07** Developer Session (today!)
- **09/16** Written inquiry deadline: questions to Development@lhc.la.gov;
- **10/07** Formal FAQ posted; possible Amended NOFA posted same time;
- **10/28** Letter of Intent and payment of Market Study fee (+67 days);
- **12/15** Application Deadline, and payment of application fees (+115 days)
- **01/27** Deficiency Letters to Applicants
- **02/03** Deficiency Responses Due
- **02/24** Awards Published (+186 days)



Post-Award Process

- **08/24/23** Closings (+180 from award)
- **11/15/24** Construction Completion (+450 from Closing)
- **04/14/25** 100% Occupancy (+150 from Construction Completion)
- On the Drawing Board
 - Shortly After Closings of PRIME-2, New ~\$100M NOFA for PRIME-3 (Q3-24)
 - Shortly After Closings of PRIME-3, New ~\$100M NOFA for PRIME-4 (Q3-25)
 - 45-50 total PRIME Deals
 - Ida PRIME?



NOFA Overview

Anker Heegaard, OCD/LHC Advisor, The Compass Group, LLC



Basics

- Must be a bond-financed project with 4% LIHTCS
- May be New Construction or Acquisition Rehab (change)
- Must be disaster resilient...



Mixed Income

- MI = better communities, more market-disciplined, more diverse. 40%'s offset 80%'s = some units more deeply affordable. Better to broadly serve Louisiana's many needs.
- Income Averaging (IA) Required.
- Anticipating 'friendly' IRS guidance on 60% threshold issue
 - If 'yes' before 10/07, the requirement stands; if 'no' by 10/07 we will reconsider viability of requirement. Plan for IA, prepare for 80/20
 - Loss of IA and shifting to achieve MI through 80/20 would increase CDBG cost 16% (\$20M).



Deep Affordability and PSH

- No 'mandatory' PSH (change)
- 5% at 30% AMI income eligibility and 20% AMI rents.
 - 30% income and 30% rent = 30% of income to housing costs.
 - 30% income and 20% rent = 20% of income to housing costs.
 - Example: Caddo Parish, \$63K AMI, 30% HH at 30% rent has \$191/week. At 20% rent has \$218.
 - Better affordability for ELI HHs without RA.
- 80% of the 5% (4% of total) must be available for PSH referrals, regardless of vouchers.



Maximum CDBG-DR Awards

- \$150K per unit and \$15M per project – both apply:
 - 40-unit project may not request more than \$6M (\$150K/u)
 - 50-unit project may not request more than \$7.5M (\$150K/u)
 - 99-unit project may not request more than \$14.85M (\$150K/u)
 - 101-unit project may not request more than \$15M (\$148,515/u)
- *Residential units apply to this calculation. Staff units do not apply.*
- *Current approved Action Plan allows \$10M/project. An amended AP to increase this to \$15M/property is awaiting HUD approval.*



Eligible Locations

- Limited to 24 FEMA 'Individual Assistance' Parishes from 2020 Hurricanes (Laura, Delta)—See FEMA Disaster Declarations #4559 and #4570.
- The LHC may award to a lower-scoring application in order to ensure that 80% of awarded amounts are made to Most Impacted and Distressed (MID) locations.
- MID:
 - Acadia (only zip codes 70526 and 70578), Allen, Beauregard, Caddo, Calcasieu, Cameron, Jefferson Davis, Lafayette, Natchitoches, Ouachita, Rapides (only zip code 71302), St. Landry (only zip code 70570), St. Martin (only zip code 70517), Vermilion (only zip code 70510), and Vernon (only zip code 71446).



Disaster Resilience Elements of PRIME-2

- Siting
 - Building Footprint outside SFHA—not waivable.
 - All mechanicals and finished residential floors 3+ feet above nearest road centerline.
 - Check flooding from Great Floods, if flooded, mitigation plan req'd in application
 - Check flood risk in CPRA's Master Plan Data Viewer, if projected to flood, mitigation plan req'd in application.
- FORTIFIED Multifamily Gold—Required (change) – *A/R is allowed but must be able to achieve Gold*
- Enterprise Green—Required (no change) selected 'options' required.
- Flood-Hardy + Backflow preventers + Unit and mechanicals above 500YR or 3ft above BFE



Scoring

- Three scoring structures (NOFA §6.1)
 1. 40-point minimum against QAP criteria. Threshold only.
 2. 50-point minimum against Enterprise Green 'optional' scoring criteria. Threshold only.
 3. NOFA Scoring (awards to highest scoring applications), except:
 1. At least three seniors properties will be funded, lower scoring apps advanced if needed.
 2. At least 80% of funds will be awarded to MID Areas, lower scoring apps advanced if needed.



NOFA Scoring—CDBG Efficiency

- CDBG-DR Efficiency: theoretical max of 20 points (0% CDBG); theoretical minimum of 0 points (100% CDBG)
 - $ATDC - CDBG / ATDC \times 20$
 - $\$25 - \$10 = \$15 / \$25 = .6 \times 20 = 12$ points
 - $\$25 - \$8 = \$17 / \$25 = .68 \times 20 = 13.6$ points
 - Less CDBG to ATDC = greater points
 - Based on adjusted TDC (TDC less equity from QAP boosted Eligible Basis)
 - An application in which CDBG is 40% of the TDC would get 60% of the 20 points.



NOFA Scoring—Affordability Value

- Seeks better locations and property quality with higher market rate rent equivalents
- Based on Adjusted CDBG (CDBG less equity from QAP boosted Eligible Basis)
- 10YR Market Rent GPR, minus 10YR Affordable Rent GPR = Value
 - $\$10,800,000 - \$8,003,400 = \$2,796,600$
- Value / ADJ CDBG = Ratio, times 20
 - $\$2,796,600 / \$8,900,000 = .31422, \times 20 = 6.3 \text{ points}$



NOFA Scoring: Other

- 3 points for projects located in Calcasieu Parish
- Senior Housing Goal: 3 projects
- Most Impacted and Distressed Requirement: 80% to MID Areas



CDBG Underwriting

- QAP rules apply (1.15 - 1.4 DSCR)
- Perm 1st Mortgage >\$500K
- \$500 PUPA R4R ADRR Deposit; \$1K/u IDRR
 - ADRR inflated 3% first 15 years, 2% thereafter
- 1st Mortgage UW follows QAP; however after YR15 trending changes to 2% / 2.5%
- Mandatory PSH UW at 20% rents; Additional PSH underwritten at voucher rents
- P&P Bonding required



CDBG Repayment

- 50% of SC, paid to LHC
- DDF must be recoverable from borrower's share of SC—if not, lower DF.
- The LHC will permit a \$5K p.a., A/M fee, inflated 2%, ahead of the SC determination



Market Studies

- Market rents matter
 - U/W to lesser of market rent or AMI rent
 - Market rents compute into 'Affordability Value'—*higher market rents vs. affordable correspond to higher score*
 - Lender can use a lower market rent, but if debt is unduly constrained, difference will not be CDBG.
- Absorbption Rate matters
 - 15% per month = 7 month lease-up from 0% to 100%
- Getting to agreement
 - MS provided to applicant 12/01 to 12/15.
 - LHC deficiencies (01/27), Sponsor responses (02/03)



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