

VERSION CONTROL FORM

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This PRIME 3 NOFA Version 2.0 will be the controlling document for the Program and supersedes any previous version(s) and/or Addendums.



Louisiana Housing
Corporation

LOUISIANA HOUSING CORPORATION (“LHC”)

NOTICE OF FUNDING AVAILABILITY AND PROGRAM IMPLEMENTATION

GUIDELINES

FOR

MULTIFAMILY PIGGYBACK / CDBG-DR LOAN FUNDING

2023 Piggyback Resilience Initiative - Mixed-Income (PRIME-3)

VERSION FOR PUBLIC COMMENT

THIS PROGRAM IS NOT FORMALLY ISSUED

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Contents

1.	General Overview.....	5
2.	General Requirements	6
2.1	General Provisions Regarding Funding	6
2.2	Eligible and Ineligible Uses	6
2.3	General Restrictions Regarding Ineligible Applicants	6
2.4	General Provisions Regarding Eligible and Ineligible Projects	6
2.5	Non-Assignability of Application and Award.....	7
2.6	Prior Awards	7
2.7	Strictly Enforced Deadlines	8
2.8	QAP Related Requirements.....	8
2.9	Market Study Absorption Rate Requirement	8
2.10	Accessibility Requirements	8
2.11	Insurance Requirements	9
2.12	Payment of Developer Fee.....	9
2.13	Davis Bacon Prevailing Wage Compliance	9
2.14	Environmental Clearance	9
2.15	Site Development Requirements	9
2.16	Regulatory Authority and Requirements	10
2.17	Completed Projects.....	10
2.18	Overall Obligation.....	10
2.19	Cross Cutting Federal Requirements.....	11
2.20	Uniform Relocation and Real Property Acquisition Act	11
2.21	Housing Choice Opportunities	11
2.22	Nondiscrimination Requirements	11
3.	Funds Available, Maximum and Minimum Funding	12
3.1	Set-Asides and Limitations	12
3.1.1	Apportionment Requirements.....	12
3.1.2	9% Applications.....	13
3.1.3	PRIME-3 Applicant Award Limitation.....	13

3.1.4	Most Impacted and Distressed (MID) Requirement.....	13
4.	PRIME-3 Affordability and Unit-Mix Requirements.....	14
4.1	Seniors’ Housing Exception.....	14
4.2	Project-Based Rental Assistance Exception.....	14
4.3	Deep Affordability / PSH.....	15
4.4	Unit Mix Requirements.....	15
4.5	Construction Type.....	15
4.6	Eligible Sites.....	15
5.	Mandatory Disaster Resilience Criteria.....	17
5.1	2020 Enterprise Green Communities (EGC) Certification.....	18
5.1.1	Required Optional EGC Criteria required under this NOFA:.....	18
5.2	IIBHS FORTIFIED Multifamily Gold Certification.....	19
5.2.1	Alternate Requirements for IIBHS Multifamily FORTIFIED Gold.....	19
5.3	“Flood-Hardy” Materials and Assemblies.....	20
5.4	Unit and Mechanical Elevations.....	20
6.	Scoring Criteria.....	21
6.1	Various Scoring Explained.....	21
6.2	CDBG-DR Efficiency.....	21
6.3	Affordability Value.....	22
7.	Gap Financing Terms.....	24
7.1	Interest Rate and Residual Value.....	25
7.2	Required Affordability.....	25
7.3	Legal Documents.....	25
7.1	Underwriting Standards and Requirements.....	26
7.1.1	Replacement Reserve Deposit Requirements.....	26
7.1.2	Operating Deficit Reserve Requirements.....	26
7.1.3	Lease-Up Reserve Requirements.....	26
7.1.4	Insurance Reserve Requirements.....	26
7.2	Rents.....	27
7.3	First Mortgage Sizing.....	27
7.3.1	Expense Underwriting.....	27
7.3.2	PSH Underwriting.....	28

7.4	Limits on and Ceilings Applicable to Developer Fee	28
7.5	Payment and Performance Bond	29
7.6	Project Readiness Requirement: Funding Commitments	29
8.	PRIME-3 Application Submission	30
8.1	Application Fees	30
8.2	Requirements and Order of Submission	30
8.3	PRIME-3 CDBG-DR Supplemental Application	30
8.4	Deadline to Submit.....	30
8.5	Methods of Submission.....	31
8.6	Important Dates and Deadlines	31
8.7	Questions and Communication.....	32
9.	Definitions	33
10.	PSH Program Summary	35
11.	Exhibit A – Affordability Value Sample.....	38

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1. General Overview

The Louisiana Housing Corporation (“LHC” or “Corporation”) hereby releases this Notice of Funding Availability and Program Implementation Guidelines (“NOFA” or “Program”) for the availability of **Two Hundred Twenty Million Dollars (\$220,000,000.00)** in Community Development Block Grant Disaster Recovery (CDBG-DR) funds.¹ These CDBG-DR funds have been allocated by HUD for recovery activities related to damage resulting from Hurricane Ida in 2021. Per this NOFA, these funds are available for projects located in the thirty parishes designated by FEMA as eligible for ‘Individual Assistance’ under FEMA Disaster 4611 (See “Ida Eligible Parishes” at §9, Definitions).

The PRIME-3 Program, hereinafter referred to as ‘PRIME-3’ will provide funding for the new construction or substantial rehabilitation development of multifamily affordable rental housing, as stipulated herein.

Successful applicants will be required to utilize CDBG-DR funds paired with (a) equity from the sale 4% Low Income Housing Tax Credits (“LIHTC”) made available under the 2024 Qualified Allocation Plan issued by the LHC (“2024 QAP”) 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”), or (b) equity from the sale of 9% LIHTCs, for properties for which such credits have been allocated prior to the date of initial publication of this NOFA.

The PRIME-3 objective is to create or preserve multifamily rental developments which feature substantial disaster-resilience characteristics, generally requiring IBHS’ FORTIFIED Multifamily Gold certification and generally requiring mixed-income housing with 100% LIHTC units averaging affordability at or below 60% AMI. Further requirements and program priorities are enumerated later in this Program Description.

Only properties which can achieve all of the program requirements of PRIME-3, including its disaster resilience and affordability requirements, should apply for funding under this Track.

PRIME-3 is a competitive program and funding will be awarded to the highest scoring applications only, subject to set-asides and other provisions intended to provide for statewide outcomes. See §3.1, Set-Asides and §6, Scoring Criteria.

The amount of funds available herein is subject to upward or downward adjustment by the LHC. The terms of this NOFA are subject to revision. Any changes will be subject to notification through an amendment to this NOFA. Such amendments may be issued at any time. All terms for this program are subject to the State of Louisiana’s HUD-approved Master Action Plan for the Utilization of Community Development Block Grant Funds in Response to 2020 and 2021 Federal Declarations in Louisiana, as amended.

¹ Note that PRIME-2 issued \$206M of awards within the Laura-Delta Eligible Parishes in 2022.

2. General Requirements

The following are general requirements which apply to all applications, awards and fundings under this NOFA.

2.1 General Provisions Regarding Funding

Two Hundred Twenty Million Dollars (\$220,000,000.00) 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.

2.2 Eligible and Ineligible 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; all reimbursements require the electronic Funds Requisition Form with back-up AIA certification, invoices and receipts to be 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.

CDBG-DR will not be disbursed for any costs enumerated at 24 CFR §570.207, as amended by Federal Register (Docket No. FR-6326-N-01, Appendix B, §II.B.1.) which permits the use of CDBG-DR funds for new construction activities.

2.3 General Restrictions Regarding Ineligible Applicants

Applications are ineligible for funding under this NOFA when ownership or proposed ownership includes any of the following:

- 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 is out of compliance with the LHC and/or Louisiana Office of Community Development (OCD) as of Application Date of this NOFA regarding submission of annual audits and other financial reports, or who are in arrears on payments of LHC/OCD loans.

2.4 General Provisions Regarding Eligible and Ineligible Projects

Eligible projects must be located in an Ida-Eligible Parish. See §9, Definitions.

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.

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

The following properties are Ineligible Projects:

- Properties not located in an Ida-Eligible Parish. See §9, 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, when and as required. See §8.1, Application Fees.
- Lease to Own Properties; because of the structure of the CDBG-DR Gap Financing Mortgage, lease-to-own (Year 16) properties will not be permitted.
- Properties which fail to achieve a minimum forty (40) point score against the scoring criteria established in the LHC 2024 QAP. See §6.1.

2.5 Non-Assignability of Application and Award

The entity or individual submitting an application for CDBG-DR must be a principal of the existing or 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.

2.6 Prior Awards

No awards under this NOFA may be combined with prior awards (not including allocations of 9% LIHTCs pursuant to §3.1.2) issued by the LHC/OCD without the written consent of both the LHC and OCD, requested by the applicant no less than 30 calendar days prior to the deadline for submissions under the Program, including those which have not yet closed and those which have closed and have not yet been fully funded.

2.7 Strictly Enforced Deadlines

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

- CDBG-DR awards may be terminated at any time prior to the CDBG-DR award expiration date due to the absence of project progress. CDBG-DR funds advanced prior to the completion and close-out of a project (whether voluntary or involuntary) must be repaid to the LHC if the project is not completed for any reason by the close-out deadline for the CDBG-DR funds.
- Applicants must submit a project schedule in their application submission and must adhere to the project schedule included in their application submission (and that schedule must conform to the schedule outlined at §8.6, Important Dates and Deadlines) 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.

2.8 QAP Related Requirements

All applications must combine CDBG-DR with 4% LIHTCs and bond-financed mortgage proceeds, or 9% LIHTCs. Accordingly, all applications must conform to the standards and requirements related to these funding sources, as enumerated in the QAP governing the allocation of their LIHTCs.

2.9 Market Study Absorption Rate Requirement

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.

2.10 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.

2.11 Insurance Requirements

Insurance requirements for projects are governed by the State of Louisiana Office of Risk Management Procedures Manual for Insurance Language in Contracts and Indemnification Agreements, Revised December, 2019, Exhibit D. The entire procedures manual can be found at the following URL: <https://www.doa.la.gov/media/lugfise1/contract-manual-12-2019.pdf>

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

2.12 Payment of Developer Fee

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

2.13 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.

2.14 Environmental Clearance

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.* Projects with multiple environmental issues which cannot be addressed timely and cost-effectively will cause the award of CDBG-DR Funds to be canceled.

2.15 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 financial closing. See §4.6, Eligible Sites regarding project siting requirements specific to this NOFA.

2.16 Regulatory Authority and Requirements

All PRIME-3 applications under this NOFA are governed by the 2024 Qualified Allocation Plan,² 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 applicable 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.

2.17 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.

2.18 Overall Obligation

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 Periods of Affordability covered by the CDBG-DR Regulatory Agreement and the LIHTC Regulatory 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;
- Documenting the Project's compliance with the Program; and
- Ensuring that all CDBG-DR and LIHTC requirements are met for the entire affordability period applicable to the project.

² Certain 9% LIHTC projects are eligible, if previously awarded LIHTCs and otherwise conforming with the requirements of PRIME-3, and these would be governed under the QAP under which they were allocated LIHTCs.

2.19 Cross Cutting Federal Requirements

All applicants shall comply with all applicable Federal requirements.

2.20 Uniform Relocation and Real Property Acquisition Act

Currently occupied properties are not eligible. Therefore, CDBG-DR may not be used to pay for URA related costs.

2.21 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.

2.22 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 without discrimination on the basis of applicable protected classes.

3. Funds Available, Maximum and Minimum Funding

Total funding to be awarded under this NOFA for the PRIME-3 Program is **Two Hundred Twenty Million Dollars (\$220,000,000.00)**. However, see §3.1, Set-Asides.

No CDBG-DR funds award may exceed Twenty Million Dollars (\$20,000,000.00) in total funding to any single project. However, note that applicants are disadvantaged when requesting a high percentage of CDBG-DR funds relative to total development costs through scoring criteria. See §6.2, CDBG-DR Efficiency.

For projects financed with CDBG-DR and 4% LIHTCs, the LHC will not award less than Three Million Dollars (\$3,000,000.00) in CDBG-DR Gap Financing unless the Applicant submits a waiver for applications of less than Three Million Dollars (\$3,000,000.00) in writing prior to or with their Application.

For projects financed with CDBG-DR and 9% LIHTCs (see § 3.1.2, 9% Applications), the LHC will not award less than One Million Dollars (\$1,000,000.00) in CDBG-DR Gap Financing to any individual property. However, Applicants of such projects may request a waiver for applications of less than One Million Dollars (\$1,000,000.00) in writing prior or with their Application.

No waiver requests will be considered for amounts in excess of Twenty Million Dollars (\$20,000,000.00) in total funding. There is no ceiling on Total Development Costs pursuant to the 2024 QAP. However, see QAP §III.C.

3.1 Set-Asides and Limitations

3.1.1 *Apportionment Requirements*

Funding is available only to applications for projects located in the Ida-Eligible Parishes (see §9, Definitions). Notwithstanding this, to ensure that funds from this NOFA result in apportionment of housing development across the eligible Parishes, the LHC will award to the highest scoring 4% LIHTC/CDBG-DR Application in each eligible Parish, provided the score of that highest-scoring application is within ten-percent (10%) of the otherwise lowest-scoring application. Therefore, an overall lower-scoring 4% LIHTC/CDBG-DR Application may be funded ahead of an overall higher-scoring 4% LIHTC/CDBG-DR Application if doing so is necessary to ensure that the highest-scoring application within each Parish (subject to the above threshold requirement) is funded, and that funds from this NOFA result in apportionment of housing development across the eligible Parishes.

For example, there are eighteen highest-scoring projects within the \$200,000,000 available for 4% LIHTC/CDBG. The LHC received 50 applications overall, representing 21 of the 25 eligible Parishes. The 18 highest-scoring applications represent 15 of the 21 parishes submitting applications. Within the 18 highest-scoring, the lowest score is 68. Six Parishes (16, 17, 18, 19, 20 and 21) submitted applications, but were not among the 18 highest-scoring. In the illustration below, Parish 16 and 21 would advance to replace the two lowest-scoring deals which represent multiple awards for any one Parish.

Permitted Adjustment Factor 10%

Otherwise Lowest-Scoring within \$200M 68

Parish submitting but not otherwise in the \$200M	Earned Score	(+10%) Adjusted Score	Above otherwise Lowest-Scoring?
Parish 16	67	73.7	YES
Parish 17	45	49.5	NO
Parish 18	55	60.5	NO
Parish 19	60	66	NO
Parish 20	51	56.1	NO
Parish 21	62	68.2	YES

3.1.2 9% Applications

PRIME-3 CDBG-DR applications for properties awarded 9% LIHTCs will generally request materially lower amounts of CDBG (owing to their greater LIHTC equity). Accordingly, applications with awards of 9% Low Income Housing Tax Credits will compete only within a specifically reserved pool of CDBG-DR.

Twenty Million Dollars (\$20,000,000.00) is reserved for the highest-scoring 9% applications. Funds remaining after funding the highest-scoring 9% applications (which can be fully funded within this pool), if any, will be available to fund 4% applications.

3.1.3 PRIME-3 Applicant Award Limitation

No single Applicant may receive awards for more than three submitted applications.³ In the event that an Applicant submits more than three applications which would otherwise be eligible for funding, only the three highest-scoring applications will receive an award of funds.

No single Applicant which received three or more awards in the PRIME-2 funding round may receive more than two awards under PRIME-3.

3.1.4 Most Impacted and Distressed (MID) Requirement

³ Note, this includes both 9% and 4% applications.

4. The Action Plan as amended stipulates that eighty percent (80%) of funding will occur in ‘HUD-Identified Most Impacted and Distressed (MID) Areas’. Consequently, the LHC reserves the right to ensure that no less than eighty percent (80%) of funds are awarded pursuant to this NOFA to MID Areas. If necessary, applications in MID areas scoring lower than those not located in MID areas will be funded to accomplish this outcome, and doing so may result in a higher-scoring non-MID development being non-funded. See §9, Definitions. PRIME-3 Affordability and Unit-Mix Requirements

PRIME-3 is a mixed-income Program. Applicants may not propose a property which is 100% LIHTC with all units at or below 60% AMI. Properties developed under this program will have units available at a range of incomes and will operate as ‘mixed-income’ properties as a result. The use of the LIHTC Income Averaging (“IA”) option is required; however, see §4.1, Seniors’ Housing Exception and see §4.2, Project-Based Rental Assistance Exception. Properties not meeting the requirements of these exceptions must undertake the following scenario:

- No Market units, with 100% LIHTC units (i.e., the ‘Applicable Fraction), with average affordability of the LIHTC units at least 55% AMI and no greater than 60% AMI, with no fewer than 20% of units at 80% AMI.

To ensure a range of incomes, this Program requires applicants to elect ‘Income Averaging’ pursuant to Section 42(g)(1)I of the Internal Revenue Code (“Code”). When electing Income Averaging, this Program further stipulates that (a) no less than 100% of the units must be LIHTC restricted, and (b) the average income and rent restriction of restricted units (which may range between 20% and 80% AMI) is at least 55% AMI and no greater than 60% AMI, and (c) the averaging is based on a range of AMI-based income- and rent-restriction levels, which includes at least 20% of units at 80% AMI.

Unit mixes (types of units by bedroom size) and affordability mixes (types of units by rent- and income-restriction) must be *reasonably* balanced. The LHC will not accept a unit/affordability mix in which all 80% AMI units are one bedroom type, and all 40% AMI units are another bedroom type. Applications must justify significant imbalances, and Applicants are responsible for ensuring compliance with Fair Housing and Civil Rights laws in their unit/affordability mix.

4.1 Seniors’ Housing Exception

Properties in which all units are reserved for occupancy by seniors, and the occupancy restriction complies with the requirements for ‘housing for older persons’ exemption under the Fair Housing Act, may structure their affordability to restrict all units to rents and incomes below 60% of Area Median Income. Note that all other affordability requirements (i.e., §4.3, §4.4) apply.

4.2 Project-Based Rental Assistance Exception

Properties in which no fewer than 20% of the units are covered by a project-based rental assistance contract with a term of no less than fifteen years may structure their affordability to

restrict all units to rents and incomes below 60% of Area Median Income. Note that all other affordability requirements (i.e., §4.3, §4.4) apply.

4.3 Deep Affordability / PSH

- Eligible projects must set-aside no fewer than 5% of units at rents affordable at 20% AMI,⁴ and for occupancy by households with incomes at or below 30% AMI. Note that this requirement is inclusive of the PSH set-aside requirements, below.
- Inclusive of the foregoing and as otherwise required in the 2024 QAP, eligible projects must set aside 4% of units as available under QAP IV.A.1. These units are eligible for PSH Vouchers but must be made available pursuant to the PSH Program requirements without regard to whether a voucher is available.
- Pursuant to 2024 QAP IV.A.1, Applications must indicate "...a commitment to accept Section 811 project based rental assistance (Section 811 PRA) or other LHC sponsored rental assistance for up to 10% of the total restricted units..." Also see §4.4, Unit Mix Requirements.

Applicants should note that these requirements may be more restrictive than the requirements of the 2024 QAP.

4.4 Unit Mix Requirements

Properties must have no fewer than forty (40) residential units.

Pursuant to the 2024 QAP (§IV.A.1, and §IV.D.8) projects which do not have a project-based rental assistance contract must have at least ten-percent (10%) of total units be one-bedroom units. See §4.3, Deep Affordability / PSH). Applicants must incorporate this requirement into their proposed unit mix.

4.5 Construction Type

PRIME-3 requires New Construction. Note that this excludes existing, occupied multifamily housing. However, adaptive-reuse buildings which are not currently used as housing will be considered New Construction for purposes of this definition.

4.6 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"). The SFHA may not be remapped or

⁴ Note that this NOFA requires rents for the required PSH units to be restricted at 20% AMI, which is lower than the otherwise applicable requirement in the 2024 QAP in which 5% must be set aside at 30%.

modified on the basis of a 'Conditional Letter of Map Revision Based on Fill'—i.e., the building footprint must be outside of the SFHA as mapped, without consideration for mapping revisions. Parking is not required to be at or above the building elevation requirements required in this NOFA.

- The building footprint may be in Zone B or X-Shaded (500-Year); 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 Flood Insurance Rate Map ("FIRM") designation, the application must clearly establish whether the proposed building footprint experienced flooding in the 2016 Great Floods;⁵ if the footprint was flooded, the plan must clearly address how such risks are mitigated, either through elevation above the Base Flood Elevation ("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.⁶ To look up property in the Data View—r - 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.
- For buildings qualifying and applying for Historic Tax Credits and located in a SFHA, if the residential units are above the required elevation noted above, and applicant satisfies all other requirements above, the site will qualify as eligible.

Applicants should note the siting preferences and prohibitions outlined in the 2024 QAP (Appendix A and QAP IV.A.6.) apply.⁷

⁵ 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.

⁶ <https://cims.coastal.louisiana.gov/masterplan/>).

⁷ Negative siting rules in the QAP (i.e., prohibitions against siting properties within specified proximity to specified activities) apply. The NOFA does not supersede the QAP in this regard. See 2024 QAP IV.A.6.

5. Mandatory Disaster Resilience Criteria

In addition to complying with other requirements, including but not limited to the 2024 QAP, the Louisiana State Uniform Construction Code (LSUCC) and local planning and zoning requirements, the Americans with Disabilities Act, the Fair Housing Act and §504 of the Rehabilitation Act, the following design and construction elements are mandatory; proposed properties will be determined to be ineligible if they fail to incorporate these elements. Applicants must request—within their application under this NOFA—waivers for any 2024 QAP Design and Construction Standards which conflict with required or proposed resilience measures herein. The LHC may grant these waivers unless there is a specific rationale for not doing so which outweighs impact of the measure toward the property’s disaster resilience. Note that a central element of disaster-resilience under this NOFA is project siting. See §4.6, Eligible Sites.

As a consequence of these criteria, all PRIME-3 Track properties funded under this NOFA must—at a minimum and in addition to specific siting and elevation requirements—meet the FORTIFIED Multifamily Gold standard, will conduct a multi-hazard risk and vulnerability assessment, provide access to potable water during emergencies, flood-proof buildings, provide emergency power, construct with ‘flood-hardy’ materials and assemblies and ensure all mechanical systems are elevated. No NOFA scoring points will be awarded for commitments to further measures; these disaster-resilience measures are required, with waivers provided only as provided (see above). PRIME-3 properties are distinguished from typical multifamily as being significantly more disaster-resilient.

Mandatory Enterprise Green Communities criteria stipulated in this NOFA are a requirement of the PRIME-3 program (see §5.1, below). *If EGC criteria as proposed in the application has been determined to not have been met or was violated, applicants will be ineligible to receive future CDBG-DR 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 may be subject to rescission and/or recapture.* Enterprise will adjudicate whether the required elements have been achieved, and Enterprise will adjudicate whether the EGC criteria have been met. This determination (i.e., the EGC Certification) will be a precondition of the release of retainage of the CDBG-DR funds. Applicants should note the Enterprise ‘pre-build’ requirements, and should undertake coordination with Enterprise toward this clearance as soon as practicable following an award of funds.

Similarly, is it a mandatory requirement that IBHS FORTIFIED Multifamily Gold Certification be achieved (see §5.2, below). *If FORTIFIED Gold criteria has been determined to not have been met or was violated, applicants will be ineligible to receive future CDBG_DR 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 may be subject to rescission and/or recapture.* IBHS will adjudicate whether the required elements have been achieved, and IBHS will adjudicate whether the FORTIFIED criteria have been met. This determination (i.e., IBHS FORTIFIED Multifamily Gold Certification) will be a precondition of the release of retainage of the CDBG funds.

5.1 2020 Enterprise Green Communities (EGC) Certification

The 2024 QAP requires applicants to either commit to Universal Design, or to meet one of the four following standards: LEED Criteria, Enterprise Green Communities (“EGC”) Criteria, National Green Building Standard ICC 700 Criteria, or EarthCraft Criteria. For purposes of this NOFA, all PRIME-3 projects must meet the 2020 Enterprise Green Communities Criteria (i.e., LEED, ICC 700 or EarthCraft may not be selected); this NOFA requires the selection of Enterprise Green Communities, and that selection satisfies the QAP requirement.

This NOFA requires achievement of all mandatory EGC requirements for certification under the EGC 2020 criteria⁸ plus fifty (50) EGC optional points. However, among the EGC optional points, this NOFA requires certain EGC optional elements, which total 34 points—see the table, below). Therefore, of the NOFA-required 50 EGC optional points 34 are specified as requirements within this NOFA. The remaining required points are at the discretion of the applicant.

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

5.1.1 *Required Optional⁹ EGC Criteria required under this NOFA:*

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

⁸ https://www.greencommunitiesonline.org/sites/default/files/egc_2020_criteria_manual.pdf

⁹ These criteria are classified as “optional” by EGC, but have been selected by LHC as ‘required’ under this NOFA.

least limited electricity for critical circuits during power outages. EGC provides two options, either earning eight (8) points. The applicant may select either of these. This mandatory NOFA selection accrues 8 optional points toward the required 50 optional points which must be achieved under the EGC criteria.

- Summary Table of EGC Required Selections

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

5.2 IIBHS FORTIFIED Multifamily Gold Certification

The Insurance Institute for Business and Home Safety (“IBHS”) FORTIFIED Multifamily Gold Standard¹⁰ is primarily concerned with the application of proven technologies, materials and techniques to reduce the likelihood of damage in severe wind and hurricane events. The Gold standard includes requirements related to the design and installation of roofing systems, specifications related to walls, windows and doors, and techniques to ensure a ‘continuous load path’ from the roof to the foundation, to better strengthen the property. The LHC anticipates that there will be an incremental cost to build to this standard. Certification by the IBHS, through its contractor, is required.

5.2.1 *Alternate Requirements for IIBHS Multifamily FORTIFIED Gold*

New Construction properties must propose and pursue and achieve IIBHS Multifamily FORTIFIED Gold Certification. Existing buildings, however, are eligible to apply for PRIME-3 funding, and achievement of FORTIFIED Gold may be infeasible or impractical for these properties, under particular circumstances. Applications for existing buildings may either propose FORTIFIED Gold (if the Applicant determines this standard is achievable) or may propose alternate disaster resilience measures (including but not requiring FORTIFIED Multifamily Roof, or Silver) as described by a licensed architect or contractor with an explanation as to why Fortified

¹⁰ <https://fortifiedhome.org/fortified-multifamily/>

Multifamily Gold is unattainable for the particular building; these proposals do not require a pre-application waiver and will be reviewed by LHC staff to determine whether the proposal represents the most reasonably achievable level of disaster resilience under the circumstances. To be clear: Applications that do not stipulate FORTIFIED Multifamily Gold may only be submitted for existing buildings and will require an alternate, rigorous disaster resilience proposal to be eligible for funding. For properties in which some existing buildings will be retained and additional buildings will be new construction, the additional buildings must meet the FORTIFIED Gold standard.

5.3 “Flood-Hardy” Materials and Assemblies

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

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

5.4 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).

6. Scoring Criteria

PRIME-3 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 100 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.

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. In the event this does not break the tie, the LHC will use the non-rounded Affordability Value score to the number of decimal places necessary.

6.1 Various Scoring Explained

Applicants must consider three different scoring systems.

- Minimum QAP Score—Pursuant to the 2024 QAP, §IV.A.16., “All projects, including those using tax-exempt bonds, must meet a minimum selection criteria score of forty (40) points.” Points earned from the QAP Selection Criteria are used only to establish whether a project meets the required 40-point threshold requirement stipulated in the QAP. Points based on the QAP Selection Criteria are not used toward the competitive score on which awards will be made under this NOFA. Only the scoring criteria herein will be used for that purpose.
- Minimum Enterprise Green Communities (EGC) Score—All applicants are required to obtain EGC certification. EGC requires certain elements, and provides a number of optional elements. EGC optional elements are associated with optional points. This NOFA requires awarded properties to score at least fifty (50) optional EGC points, and further requires certain ‘options’ be selected. This is a threshold item: all properties must achieve 50 EGC points; these points are not considered when competitively scoring this NOFA. See §5.1, 2020 Enterprise Green Communities (EGC) Certification.
- NOFA Scoring Points—Funds will be awarded under this NOFA based on a competitive score, which allocates points for CDBG-DR Efficiency (see §6.2) and Affordability Value (see §6.3), only. There are 100 total available points; however, no property can receive all the available points because CDBG-DR Efficiency points will always be less than the (theoretical) maximum. In the event of ties, the CDBG-DR Efficiency and Affordability Value scores will be unrounded.

6.2 CDBG-DR Efficiency

Up to eighty (80) points will be awarded for the calculated CDBG-DR Efficiency of the Applicant’s proposed development. This criterion rewards project applications which request a smaller percentage of CDBG-DR funds relative to total developmental costs. Projects will earn points

based on the ratio. Each project's point score will be computed as follows, with final point rounded to the tenth decimal place:

- Adjusted TDC¹¹ (2024 LIHTC Application Model, 'Development Costs' Worksheet, Total Development Costs at Cell D140),
- Minus CDBG-DR Gap Financing Loan reservation requested,
- Divided by the Adjusted TDC,
- Times 80, rounded.
 - Example 1 (more CDBG-DR relative to Adjusted TDC): Project with an Adjusted TDC of \$28M, requesting an award of \$13M.
 - \$28M Adjusted TDC; \$13M Gap Financing Loan Request
 - $\$28M - \$13M = \$15M \div \$28M = .536$
 - $.536 \times 80 = 42.88$ points, rounded to 42.9 points.
 - Example 2 (less CDBG-DR relative to Adjusted TDC): Project with an Adjusted TDC of \$35M, requesting an award of \$9.85M.
 - \$35M Adjusted TDC; \$9.85M Gap Financing Loan Request
 - $\$35M - \$9.85M = \$25.15M \div \$35M = .719$
 - $.719 \times 80 = 57.52$ points, rounded to 57.5 points.

6.3 Affordability Value

Up to twenty (20) points will be awarded for the calculated Affordability Value of the Applicant's proposed development. This scoring criterion prefers developments in which there is a greater difference between market and restricted rents, reflecting a greater 'street value' of the affordability restrictions. For this calculation, LHC will divide (A) two times the Adjusted CDBG-DR funding¹² by the total difference over thirty-five (35) or forty (40) years^{13, 14} between (B) the

¹¹ For purposes of this calculation, TDC is adjusted. The Adjusted TDC equals total TDC less equity attributable to boosted basis, if any.

¹² For purposes of this calculation, CDBG-DR is adjusted. The Adjusted CDBG-DR equals total CDBG-DR less equity attributable to boosted basis, if any.

¹³ No inflation is applied. The annual difference is multiplied by 35 or 40 only, which is the period of the CDBG-DR use restriction. See Footnote 14.

¹⁴ See §7.2: the CDBG-DR Use Restriction is 35 years unless the proposed 1st mortgage has a 40-year term, in which case the CDBG-DR Use Restriction is 40 years.

Gross Potential Rent (“GPR”) of all Residential Dwelling Units at Market-Rent and (C) the GPR of the project with the proposed Affordability Mix, and (D) will multiply this by 20.

For example, Applicant A requests \$10M of CDBG-DR funding and proposes 100 one-bedroom units. The annual GPR over thirty-five years at market rent for these units would be \$37.8M (\$900 average monthly market rent,¹⁵ times 12 months, times 35 years, times 100 units, equals \$37,800,000). The Applicant proposes 20 one-bedroom units at 80% AMI, 20 one-bedroom units at 40% AMI, 55 one-bedroom units at 60% AMI and 5 one-bedroom units at 20% AMI, representing a 58% Income Average. The resulting as-restricted GPR over thirty-five years is \$28,321,000.¹⁶ The difference between the Market Rent GPR and the Restricted GPR at the proposed rents over the period of affordability is \$9,479,000. The developer has requested \$10,000,000 of CDBG but has \$1,100,000 of equity investment corresponding to boosted basis. The Adjusted CDBG is \$8,900,000 times two (\$17,800,000). The difference in rents is divided by the Adjusted CDBG ($\$9,479,000 / \$17,800,000 = .5325$). The developer earns 10.7 points ($.5325 \times 20 = 10.65$, rounded to 10.7). Scores will be rounded to the tenths decimal place. Scores may not exceed 20 points, even if the difference between Market Rents and Proposed Rents over the Use Period is greater than the Adjusted CDBG.

¹⁵ All figures in this example are provided for illustration only. The market rent would be based on the required Market Study. The AMI-based rents would correspond to the year and location and utility allowance. For these calculations the (50%) Very Low Income used is \$36,750, the assumed utility allowance is \$125.

¹⁶ In calculating the as-restricted GPR, the lower of the AMI-based restricted rent or the market rent determination in the Market Study is used. The Utility Allowance is factored into the rents (i.e., the rents are ‘net’ rents).

7. Gap Financing Terms

CDBG-DR financing will be in 1st or 2nd lien, with annual payments equal to 50% of annual Surplus Cash.¹⁷ The balance of the Loan is due at maturity.¹⁸ There will be no deferral of amounts due based on the deferred developer fee.^{19,20} Loans will become due upon the earlier of (a) maturity; (b) sale or refinancing of the property;²¹ or (c) acceleration as the result of material noncompliance with the terms of the Loan.

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

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

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

The following must be paid solely from the Borrower's share of Surplus Cash: deferred developer fee, any tax credit adjusters, any asset management fees or investor service fees greater than \$5,000 per year in total,²² any incentive payments to any affiliated entities, and the replenishment of any reserves, if required by any other financial partners. However, CBDG-required monthly deposits to the Reserve for Replacements may be paid from operations as if they were operating expenses; however, ongoing deposits to other reserves, and replenishment

¹⁷ Note, it will only be in 1st lien if the LHC's underwriting determination is that the property cannot support a permanent 1st mortgage.

¹⁸ 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.

¹⁹ 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 total developer fee will be reduced to accommodate this restriction, if required.

²⁰ 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.

²¹ Due on sale or refinancing, unless the LHC, in its sole discretion, agrees to resubordinate to new financing.

²² The permitted LP asset management fee, recognized as a priority item to be paid ahead of the Surplus Cash subject to repayment, will be (a) not greater than \$5,000 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.

deposits to any reserve account, may be made only from Surplus Cash that is distributed to the Borrower.

The Borrower may defer any portion of developer fee; however, the LHC will permit to be included in Eligible 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, unless the Applicant requests either 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 6% cap rate to the property's market-rent based 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 Regulatory Agreement will prime the 1st mortgage; the CDBG Period of Affordability will survive foreclosure.

7.3 Legal Documents

PRIME-3 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. The CDBG Loan Agreement will contain provisions for disbursements under the Insurance Reserve (see §7.1.4, Insurance Reserve Requirements and 7.3.1, Expense Underwriting).

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.

7.1 Underwriting Standards and Requirements

The underwriting standards and requirements of the QAP, as reflected in the 2024 QAP and the 2024 electronic application model, will apply to projects under this NOFA. However, the following additional provisions will apply.

7.1.1 *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 \$600 per unit. For underwriting purposes, and as will be required under the Loan Documents, 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.

7.1.2 *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.

Insurance Reserve Requirements

7.1.3 *Lease-Up Reserve Requirements*

This program does not impose Lease-Up reserve requirements but will recognize reasonable inclusion of such reserves within the development budget, as proposed by the Applicant. The transfer of these funds to the operating account must appear in the accountant's Cost Certification, and all uses of such funds must appear in the audit of the partnership in the year the project is placed in service.

7.1.4 *Insurance Reserve Requirements*

Review the insurance underwriting requirements at §7.3.1, Expense Underwriting. In addition, all transactions must fund an Insurance Reserve, from development sources other than CDBG-DR, in an amount equal to five times the underwritten annual insurance cost ('Baseline Insurance Amount' or 'BIA'). These funds may be drawn from the Insurance Reserve annually to fund the difference between the BIA and actual insurance premiums. In the event that the balance of the Insurance Reserve drops to an amount equal to or less than two times the average of the last two years of Actual Insurance premiums, all Surplus Cash shall be payable to

the Insurance Reserve until it is equal to four times the last two years of Actual Insurance premiums.

7.2 Rents

- AMI-based rents must be underwritten at the lesser of (a) 95% of the maximum net rent (gross rent less applicable utility allowance) for the set-aside applicable to the unit; or (b) 95% of the market rent as established in the Market Study.
- PSH: PSH units are underwritten to the greater of 20% AMI rents, or rental assistance (PBV or PBRA) rents if a contract commitment for such rental assistance is submitted with the Application. For all properties, 4% of units are required to be set aside as PSH units.

7.3 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 will model a refinancing of the First Mortgage to establish that at maturity the then-remaining balance can be refinanced with a mortgage at 7% interest, with \$200K in transaction costs.
- All CDBG loans will be in Second 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.
- The QAP (§IV.D.1.) requires inflation trending of revenues at 2% and expenses of the greater of 3% or OCAF. This standard will be applied for the first 15 years of the proforma. For years 16 through the projected maturity of the CDBG loan, revenues will be inflated at 2.0% and expenses will be inflated at 2.5%.

7.3.1 *Expense Underwriting*

Applicants are responsible for proposing achievable but not excessive operating expenses in their applications. Proposals must conform to requirements of the 2024 QAP.

Additionally, due to volatility of insurance costs, this program will require that the cost of insurance be underwritten at either \$1,500 per unit per annum (“PUPA”) (absent other documentation), or the documented amount of likely insurance costs in the Application. For purposes of the Insurance Reserve (see §7.1.4, Insurance Reserve Requirements), insurance at \$1,500 PUPA or the documented amount in the Application, will serve as the Baseline Insurance Amount.

Documentation in the Application, when proposing an amount higher or lower than the \$1,500 PUPA standard, must include a letter from the Insurance Broker estimating the cost. Such letters must state that this cost reflects the insurance pricing adjustment corresponding to the FORTIFIED Gold standard.²³

Note that all PRIME-3 transactions will be eligible, under the standard legal documents and corresponding to the terms governing the Insurance Reserve, for funding of the portion of operating deficits related to insurance premiums in excess of the Basic Insurance Amount. Insurance premiums should be estimated at the likely cost in the first year of operations, only. Estimates should not be inflated relative to projections of future increases as the Insurance Reserve is intended to address this issue.

7.3.2 *PSH Underwriting*

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

As a result, all properties funded under this NOFA will have at least 4% PSH which is not supported with PSH Vouchers unless a commitment is obtained by the Borrower prior to the submission of the Application. See §7.2, Required Affordability.

All properties should endeavor to dedicate a number of accessible units. PSH units will be governed by the terms of the PSH Agreement. See §10, PSH Program Summary.

7.4 Limits on and Ceilings Applicable to Developer Fee

2024 QAP §IV.D.13 indicates the developer fees for New Construction projects may not exceed \$35,000 per unit, and Acquisition Rehab projects may not exceed 35% of rehab hard costs. The QAP also indicates that, “...there is no cap for projects utilizing tax-exempt bonds.” Projects funded under this NOFA will be subject to these limitations; in addition, they will be subject to the cap applicable to 9% transactions, which does not permit a developer fee of greater than \$2,000,000.00 for projects located in Rural parishes and \$2,500,000 for projects located and the Metro parishes.” See §9, Definitions for a list of Rural Parishes eligible for funding under this NOFA. All other eligible Parishes under this NOFA are Metro Parishes.

²³ Note exceptions; see §5.2.1, Alternate Requirements for IIBHS Multifamily FORTIFIED Gold.

7.5 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.

7.6 Project Readiness Requirement: Funding Commitments

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

- Commitments for all non-CDBG sources of funding.
- All Commitments must be dated after the publication date of this NOFA.
- LHC reserves the right to require updated commitments as it deems necessary.
- Commitments for LIHTC equity must provide for at least 10% pay-in prior to the first payment of CDBG-DR funds from LHC.
- All conditions contained in commitments shall be subject to determination by the LHC as to reasonableness. LHC may reject any commitment (and deem the application deficient) if, in the sole discretion of the LHC, any condition is outside of market requirements and/or is unlikely to be satisfied.
- Projects which have an existing allocation of 9% LIHTCs, but which have not yet closed on their financing, may apply.

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 2024 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.

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8. PRIME-3 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.

8.1 Application Fees

QAP-required, non-refundable fees govern the application processing, reprocessing and reservation of LIHTC's and fees to monitor and report compliance. All fees must be paid as required by the 2024 QAP. There are no fees associated with the application for CDBG-DR funding.

8.2 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 2024 LIHTC Electronic Underwriting Application, Multifamily Revenue Bond Application, PRIME-3 CDBG-DR Supplemental Application, all support documentation required by the 2024 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 §8.6, Important Dates and Deadlines.

8.3 PRIME-3 CDBG-DR Supplemental Application

In addition to the LHC Application Model (corresponding to the 2024 QAP), applicants will submit certain supplementary materials, including the Enterprise Green Checklist (2020), information regarding the siting of the proposed project (see §4.6, Eligible Sites), and other forms, as required. These forms will be posted to the LHC website no later than the date for 'Posting by LHC of FAQ in response to written inquires' (see §8.6).

8.4 Deadline to Submit

Applications must be received by the LHC, in their entirety, by no later than the date and time published herein (see §8.6, Important Dates and Deadlines). Note that a Letter of Intent to Submit, and the payment of Market Study fees have an earlier deadline, to enable the LHC to obtain the market studies concurrent with its review of the application. Failure to submit an LOI by the LOI Deadline may render an applicant ineligible to submit a corresponding application by the Application Deadline. Sponsors who would otherwise intend to submit an application by the Application Deadline but who cannot meet the LOI Deadline should immediately request a waiver of the LOI Deadline, with reasoning, prior to the LOI Deadline.

The Application must be addressed as follows:

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

8.5 Methods of Submission

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

8.6 Important Dates and Deadlines

NOFA and application published and posted to LHC website	Friday, October 13, 2023
Tentative Date for Program Seminar / Developer Session Zoom or at the LHC	Tuesday, October 31, 2023
Deadline to submit written inquiries regarding the NOFA to the LHC*	Wednesday, November 8, 2023
Posting by LHC of FAQ in response to written inquiries (Amendment of NOFA—if required)	Wednesday, November 22, 2023
Letter of Intent and payment of Market Study Fee*	Wednesday, December 13, 2023
Application deadline, including payment of application and analysis fees*	Tuesday, February 27, 2024
Deficiency Letters Issued by LHC to Applicants	Wednesday, April 17, 2024
Deficiency letter response deadline, by applicants to LHC*	Wednesday, April 24, 2024
Award determinations published	Wednesday, May 15, 2024
Closings, by or before	Wednesday, December 11, 2024
Construction completion, by or before	Monday, April 6, 2026
100% Occupancy, by or before	Friday, October 2, 2026

*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.

8.7 Questions and Communication

LHC will consider written inquiries from applicants regarding this NOFA. Inquiries will only be considered if they are **submitted in writing to Development@lhc.la.gov 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 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.

9. Definitions

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

- **Applicant** - A taxpayer or developer submitting an application to this NOFA.
- **Completed Projects** - Projects are considered complete only after all units are a 100% construction complete and certificates of occupancy have been issued for all units.
- **Construction Completion** - All necessary title transfer requirements and construction work have been performed and the final drawdown of CDBG-DR Funds has been disbursed for the project.
- **Corporation** – The Louisiana Housing Corporation (LHC).
- **Entity/ Organization** – A legal body (non-profit, for-profit, local units of government) that will have legal ownership of the project and property before and after project completion. A developer may contract with an entity or be a part of a development team.
- **Greenfields** – For purposes of this NOFA, the term will use the definition as applied by Enterprise, for purposes of adjudicating points requirements under the 2020 EGC Criteria. Generally, Greenfield land is land which has not previously been developed beyond agricultural use.
- **Ida Eligible Parishes.** Properties which will be located in the following 30 parishes are eligible to apply and to receive awards under the PRIME-3 NOFA: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Washington, West Baton Rouge, West Feliciana.
- **MID Areas** All funds are restricted to developments in HUD Most-Impacted and Distressed (MID) areas, which are: Ascension, Assumption, East Baton Rouge, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, and Washington Parishes; Iberville Parish (only zip codes 70764 & 70788) and West Baton Rouge Parish (only zip code 70767).
- **Project** – A site or sites together with any building or buildings located on the site(s) that are under common ownership, management, accounting and financing and are to be assisted with CDBG-DR Funds as a single undertaking located within a single governmental entity.
- **Rural Parish** – for purposes of this NOFA, the following are Rural Parishes: Iberia, Lafourche, Plaquemines, St. Bernard, St. Martin, Terrebonne.

- 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.

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10. PSH Program Summary

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

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

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

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

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

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

The units initially identified for PSH must consist of a mix of accessible and non-accessible units and cannot be made up of more than 50% of the accessible units required under Section 504.²⁴ PSH units must be integrated throughout the entire development and should not be segregated to one area of a building or development.²⁵ 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)²⁶ who have one or more of the following conditions:

- Displaced individuals in need of Permanent Supportive Housing (as determined by the LDH) living in the homeless shelter system or otherwise in temporary housing.
- The individual/household member has a substantial, long-term disability as determined by the LDH including any of the following:
 - Serious Mental Illness;
 - Addictive Disorder, i.e., individuals in treatment/recovery from substance abuse disorder;
 - Developmental Disability, i.e., mental retardation, autism, or other disability acquired before the age of 22;
 - Physical, sensory, or cognitive disability occurring after the age of 22;

²⁴ Unless the actual PSH applicants select a greater percentage of the accessible units

²⁵ However, the units initially identified for PSH should be selected from those units that are located on accessible routes

²⁶ Note however that households with PSH vouchers may earn up to 50% AMI.

- 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.

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11. Exhibit A – Affordability Value Sample

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