2025 Qualified Allocation Plan

Frequently Asked Questions as of 2/28/25

NOTE: the questions below are only minimally edited and are in the same or nearly the same form as submitted to the Corporation. Responses to the Frequently Asked Questions are provided as a courtesy to our developers and are meant to provide clarification with regard to the 2024 Qualified Allocation Plan (QAP). Be advised that the QAP is the controlling document and responses below are not intended to circumvent or substitute any of the directives or requirements of the QAP.

1. **If a property is in an Urban Area (EBR, Orleans, Caddo, Ouachita, Calcasieu, Lafayette, St. Tammany, Jefferson) but is a rural property by definition, which pool would they be eligible for?**
   Answer: Even if the property is rural by definition, if it is located in one of the eight parishes designated as urban (EBR, Orleans, Caddo, Ouachita, Calcasieu, Lafayette, St. Tammany, Jefferson), it must follow the eligibility rules for urban areas and compete in the Urban Area Pools.

2. **When will the Cost Containment Template and Lien Payment Priority Spreadsheet be made available to applicants?**
   Answer: The template and spreadsheet will be made available by March 7, 2025.

3. **Will costs associated with the installation of the required FORTIFIED Roof with impact-resistant windows and doors or hurricane-rated shutters for projects located in Tier 1 and 2 parishes be considered "Excess Costs" that do not count against the TDC Limit calculation?**
   Answer: To determine if the costs associated with the installation of the required FORTIFIED Roof with impact-resistant windows and doors or hurricane-rated shutters for projects in Tier 1 and 2 parishes are considered "Excess Costs" and excluded from the Total Development Cost (TDC) limit, you should refer to **pages 23 and 24 of the Qualified Allocation Plan (QAP)**. These pages will provide a description of the exclusions from the TDC calculation, including specific details on what costs may or may not be included.

4. **Our property management company is unfamiliar with formal domestic violence or abuse training. Please specify what training is required and what certification or other evidence needs to be submitted with the application.**

   Answer: While the QAP may not specifically list the exact training required, one possible way to meet this requirement is through **completion of the two HUD trainings** on VAWA, as mentioned. The required training courses can be found on the **HUD Exchange** website at the following link: VAWA Housing Services Series

5. **The second tie-breaking measure is earliest submittal. The final submission deadline is 05/30/2025 at 4:00 p.m. With the consideration that third-party market studies will be returned to applicants at different times, what is the earliest date and time that LHC will start accepting final submissions? And when will the QAP application be made available to applicants?**

   Answer: The earliest date and time that LHC (Louisiana Housing Corporation) will start accepting **final submissions** is **May 20, 2025**.

6. **Given 2025 awards will be announced in October (only a few months before the end of the year), will the carryover deadline for 2025 awarded projects be extended to December 2026 instead of December 2025?**

   Answer: No changes to the carryover submission date is being considered at this time.

7. **Replacing windows on historic rehabs is typically not allowed in the Historic Tax Credit program by the Louisiana State Historic Preservation Office (SHPO) or the National Park Service. Additionally, this may not be allowed by the City historic preservation office if the property is located in a historic district. Adding hurricane shutters may be restricted depending on the architectural style and history of the building. Please clarify the Resiliency Construction Requirements for Tier 1 & Tier 2 Parishes (pg 13 of the QAP) specific to historic rehabs located in those parishes.**

   Answer: Typically, historic rehabs must comply with the requirements of the Louisiana State Historic Preservation Office (SHPO) and the National Park Service (NPS). However, for resiliency construction requirements in Tier 1 & Tier 2 Parishes, a validation by a qualified professional engineer confirming that the windows and doors meet the necessary pressure-rated requirements should be sufficient. Roofing should follow the same criteria, with validation by the engineer of record being acceptable. The intent appears to be cost reduction, so obtaining an IBHS certificate should not be required, provided that a qualified professional reviews and confirms compliance with resiliency standards.

8. **Re: Tie-Breaker #1, please clarify if the tie-breaker is the lowest amount of LIHTCs overall (which naturally favors smaller developments with fewer units) or if it's the lowest amount of LIHTCs PER UNIT (which allows for larger developments with more units while favoring cost containment).**

   Answer: Tie-Breaker #1 is determined by the overall lowest requested amount of LIHTCs, rather than the LIHTC amount per unit.

9. **Re: 24. Syndication Costs in Underwriting Guidelines, the QAP reads "Syndication Costs: Maximum of ten percent (10%) and fifteen percent (15%) of Gross Equity for privately placed and publicly offered syndications, respectively, will be treated as part of the Developer Fee." Can you clarify what this means via example?**

   Answer: Syndication costs refer to expenses associated with marketing and selling investment interests in a partnership, including legal fees, marketing, and broker commissions. The **2025** QAP correctly establishes that syndication costs within the stated limits will be included as part of the Developer Fee. This approach ensures consistent evaluation of syndication efficiency and aligns with LHC's underwriting standards.

10. **Please clarify if FORTIFIED Resiliency requires certification by a FORTIFIED rater or may developer's architect certify compliance. Are FORTIFIED certificates from IBHS required by LHC?**

    Answer: Compliance with FORTIFIED Resiliency standards may be validated by a qualified professional (typically an engineer) rather than requiring certification by a FORTIFIED rater. IBHS certification is not required by LHC, but developers should note that without it, they may not be eligible for insurance discounts.

11. **Flood Requirement (p.17) states that "Applicants must provide a finished construction Elevation Certificate, and if located inside a levee protected area, an Architect's certification."**
    - Does this refer exclusively to a certificate that awarded applicants will provide upon **project completion**?

    Answer: Yes, the finished construction Elevation Certificate is required upon project completion**.** However, applicants should also submit the anticipated finished floor elevation with their application.

    - This section appears that it may only apply to projects in Special Flood Hazard Areas. Please clarify.

    Answer: This requirement applies to all projects that are subject to floodplain management by either FEMA and/or the local floodplain administrator**,** not just those in Special Flood Hazard Areas.

12. **Cash Flow Threshold p 21. QAP language: "If cash flow exceeds 10% of total operating expenses LHC's Program Underwriter may adjust the LIHTC allocation…" Is QAP referring to an <u>AVERAGE</u> annual cash flow over 15 years? Oftentimes smaller projects require cash flow that exceeds 10% of operating expenses in the earlier years of operations in order to hit the QAP-required Year 15 Debt Service Ratio.**

    Answer: Cash flow measures an affordable housing development's financial health. LHC follows HUD's SLR guideline, which limits annual cash flow to 10% of operating expenses. If cash flow exceeds this threshold, adjustments must be made, or LIHTC allocations may be reduced to ensure compliance.

13. **Required Debt Service Ratios p 21. QAP language: "Required Debt Service Ratios: Debt service ratios may not fall below 1.15 (1.10 for Rural Development and HUD funded properties). The maximum debt service ratio is 1.4. Excess cash flow must be deposited to the Reserves for Replacement or used to prepay hard debts."**
    - Please define "Excess cash flow."
    - We note that the Required DSCR is 1.15 – 1.40; is this range required for the duration of the 20-year pro forma to be included with the application?
    - With the rates of increase specified in the Underwriting Guidelines, some projects may result in a DSCR greater than 1.40 within the 20-year period, in order to keep the minimum DSCR from falling below 1.15. Is the intent that any cash flow <u>*above*</u> 1.40 DSCR be deposited into the Reserves for Replacement account or used to prepay hard debt?

    Answer: LHC follows HUD's SLR guidance: if cash flow exceeds 10% of operating expenses, adjustments must be made to reduce it. While DSCR must remain between 1.15 – 1.40, any surplus above 1.40 DSCR must be allocated to Reserves for Replacement or used for debt prepayment.

14. **Application Excel Model has previously escalated Project Management Fee at 3% rather than as a percentage of Income. Will this be corrected in the new Application Excel Model?**

    Answer: Yes. The underwriting model will now escalate property management fees at 2%, aligning with the income inflation rate.

15. **Application Excel Model has previously required notice to the State Representative. Will this still be required?**

    Answer: Yes, notice to the State Representative is still required.

16. ***<u>Section D. Underwriting Guideline</u>*** **– Page 22 of the QAP related to developer fees states "projects utilizing tax-exempt bonds are not subject to a fee cap" however it then states "developer fees cannot exceed 15% of the projects total development costs". Does this fee cap apply to 4% LIHTC deals with tax exempt bonds? If so, how is LHC calculating total development costs?**

    Answer: See response to Question #28.

17. **Could LHC provide further clarification on the process for collapsing the various pools? If an urban, new construction development applies within the CNI Allocation Pool and is unfunded there, would it be eligible to collapse with the New Construction Sub-Pool of the Urban Areas or would it move directly to the Statewide Collapsed Pool?**

    Answer: Please refer to QAP page 6 for details. LIHTCs not awarded due to inadequate requests among eligible applications in established pools will shift to other pools within Urban Areas or Rural Areas, respectively. Except for LIHTCs in the Qualified Non-Profit Pool/CHDO Pool, any remaining LIHTC pool balances after awards from the Urban Pools and Rural Pools will be transferred to a Statewide Collapsed Pool.

18. **Could LHC clarify how tiebreakers will be applied within the Allocation Pools? Are tiebreakers to be used only for the statewide collapsed pool or will they be used at the Sub-Pool level?**

    Answer: Tiebreakers will be used only for projects that collapse into the statewide pool, not at the Sub-Pool level.

19. **Could LHC clarify the Development Wi-Fi threshold and what costs are allowed to be allocated to the residents? It seems on Page 16 that residents can be charged for usage and costs in"activating and making available any services provided directly by the Project or through third party providers." However, the definition of Development Wi-Fi includes all costs and equipment with maintenance/replacement must be paid by owner with the service available.**

    Answer: The Glossary term referenced in your FAQ is correct. The costs and equipment, including maintenance and replacement, must be covered by the owner, with the service made available to residents. This amenity is separate from the minimum internet/cable capacity requirement for all units. Development Wi-Fi must be provided and paid for by the owner. However, tenants are responsible for any in-unit service they wish to activate beyond the provided service.

20. **Could LHC provide a template for the verification certifying compliance required by a licensed architect or engineer for the Resiliency Construction Requirement (Fortified Roof)?**

    Answer: Each developer must consult with a qualified professional on this requirement. LHC will accept the certification letter from this qualified professional indicating compliance with roof requirements as well as pressure rated assemblies for location proposed.

21. **For the On-Site Security points, Scoring Criteria V.E., are you required to choose more than one option in the first section to receive the two points or can you just select one option?**

    Answer: there is a max total of 3 points available for this selection criteria item. 2 points for (i) and 1 point for (ii)

22. **The QAP requires that all surplus cash distributed to owners & investors must be approved by LHC, and the language indicates that most surplus cash will remain with the project in reserves. Based on this language, we believe this may lower investor interest in the projects given their distributions will likely be either delayed or reduced on an annual basis. This would, in effect, likely cause a reduction in pricing up-front, meaning the projects would receive less funds during their renovations, while potentially having a smaller amount remain in the project in future years. The up-front underwriting for projects is based on LHC's required annual reserve contributions, which are already designed to sufficiently fund the reserve account for the project.**

    Answer: LHC anticipates that **25% of Surplus Cash** will be available for distribution. However, approval ensures sufficient funding for deferred developer fees, reserves, and priority payments. Investors should expect distributions **only if projects perform as originally underwritten**.

23. **The QAP requires that all surplus cash distributed to owners & investors must be approved by LHC, and the language indicates that most surplus cash will remain with the project in reserves. For Rural Development projects, RD already approves all distributions to owners and investors on an annual basis. Will LHC still need to approve distributions of surplus cash to owners and investors for these projects? Based on the current language, we believe there may be issues with the two agencies' decisions regarding surplus cash that could result in delays or unnecessary reductions in distributions.**

    Answer: No. LHC will defer to RD and HUD regarding their financing programs but will communicate concerns about future financial shortfalls if necessary.

24. **Since the 2025 funding round was planned to include an application deadline of August 2024, will LHC allow the use of the following items that may have already been started/obtained within an allowable time frame for this initial round? For each, when is the earliest these items would be allowable for this funding round (as applicable)? We believe that acceptance of earlier reports would align with LHC's cost containment policies to prevent additional costs associated with updated reports.**
    - i. **Zoning letters**
    - ii. **Appraisals (inspection date & report date, for new construction or rehabilitations)**
    - iii. **Capital Needs Assessments (inspection date & report date)**

iv. **Environmental Restrictions Checklists (inspection date & report date, for new construction or rehabilitations)**

Answer: No, LHC will not accept any documents or certifications for zoning certification prior to six months of the application submission date. For appraisals, CNAs, and market studies, the following applies:

- Appraisals may not be dated more than 180 days prior to the application submission date.
- CNAs must be dated no earlier than six months before the application submission.
- Environmental Restrictions Checklists should follow the same timeline as appraisals and CNAs.

25. Since the 2025 funding round was delayed just before the original Pre-Submission deadline in July 2024, will LHC allow market study fees that had already been paid to LHC in or before July 2024 for market studies for 2025 applications to be used for the rescheduled Pre-Submissions? Since Selection Criteria and Threshold Requirements have been adjusted, would Developers be able to request that LHC re-purpose already paid market study fees to other projects should a project that has already paid the market study fee no longer be able to apply in this round? We believe that acceptance of earlier payment of market study fees would align with LHC's cost containment policies through preventing the doubling of this cost.

Answer: No. LHC will not accept previously paid market study fees for the rescheduled 2025 Pre-Submissions. All required documents, including market studies, appraisals, CNAs, and ERCs, must adhere to the following timelines relative to the new application submission date:

26. The QAP 2025 Program Schedule indicates that Developers will not be made aware of the reservation of LIHTCs until October 8, 2025. As these are 2025 LIHTCs, we assume that the Placed-in-Service deadline for these projects will be 12/31/2027. For existing Rural Development projects, we are concerned this could create a significant timing issue, as Rural Development has typically stated that their transfer process takes around 9 months after submission, which may be extended due to current changes in Rural Development's structure. Will there be anything in place to assist Rural Development projects to alleviate a potential LIHTC Reallocation Fee caused by a combination of delays from the QAP Program Schedule, Rural Development, and construction? For larger Rural Development projects, this could create significant cost overruns.

Answer: No, all projects, regardless of construction type or funding structure, will need to adhere to the mandated timing deadlines to meet both carryover and placed-in-service deadlines.

27. **Page 14 of the QAP discusses New Construction/Redevelopment requirements related to Special Flood Hazard Areas. Only the final paragraph on this page appears to apply to Redevelopment. Does this requirement apply to "Redevelopment Projects" or "Redevelopment Properties" as defined by the QAP?**

    Answer: Redevelopment Property

28. **Developer Fee is now capped at 15% of Total Development Cost. Does "Total Development Cost" in relation to this calculation include the Developer Fee itself?**

    Answer: LHC applies the **15% cap** to Total Development Costs, excluding **lease payments for self-owned equipment, payments to related entities, and acquisition/land costs for certain rehab projects.** This aligns with **NCSHA Best Practices**, ensuring fees remain reasonable while maintaining project feasibility.

29. **The QAP states that carryover allocation documentation is due December 11, 2025, which is unchanged from the previous draft. This is only two months after the anticipated announcement of LIHTC awards. With the typical six-month extension allowed for the 10% Test, this does not give enough time for Rural Development projects to get through RD's typical 9-month transfer process (before any potential changes to the process) within the 8 months between credit award and 10% Test deadline, meaning Rural Development rehabilitation projects would essentially be required to exchange credits and pay a LIHTC Reallocation Fee. Please confirm if this is the case or if our understanding of this timeline is inaccurate.**

    Answer: No extensions are being considered at this time.

30. **The minimum score is stated as 40 points, which appears to be barely below the maximum possible number of points with the new Selection Criteria. The lower count of available points while maintaining the same minimum score makes rehabilitation 4% projects either barely feasible or impossible and creates a similar strain on 9% rehabilitation projects. Please confirm this is the case or if adjustments will be made.**

    Answer: All projects, including those using tax-exempt bonds, must meet a minimum selection criteria score of forty (40) points.

31. **The new threshold requirements for the Eviction Prevention Plan and Low-Barrier Tenant Screening indicate that these items must be submitted to LHC "prior to initial lease-up". When will these deadlines be for rehabilitation projects that are occupied during the renovations?**

    Answer: The plan submitted must be project specific. They must specify what they are implementing in order to comply.

32. **In accordance with the 2025 QAP, I am submitting a written request for clarification during the designated FAQ Period. In the highlighted snippet below from the QAP Selection Criteria, it states that any project receiving points in this category must be located in a QCT and a Concerted Community Revitalization Plan. Please clarify whether this criteria is applicable to only the selections that have an asterisk by them, or if it applies to every option in the category, including PHA Sponsored Projects.**

    A. Community Redevelopment (select one, maximum 3 points allowed)

    (i) *Redevelopment Project — 3____
      a. Distressed Property: ____
      b. Redevelopment Property: ____
      c. Owner Occupied Property with Development Plan of Action: ____

    (ii) *New Construction Project included in a Concerted Community Revitalization Plan — 3____

    (iii) PHA sponsored project — 3____

    * Documentation must be submitted with the application evidencing that the project meets the requirements of a Redevelopment Project as defined by the QAP. Any project receiving points in this category must be located in a qualified census tract and must be located in an area that is a part of a Concerted Community Revitalization Plan.

    Answer: The criteria is applicable to items listed under (i) and (ii).

33. **Would LHC consider providing additional insight into how the collapse of the various pools will take place? For instance, if an urban, new construction development applies within the nonprofit pool and is unfunded there, would it be eligible for funding within the New Construction Sub-Pool of the Urban Pool, or would it fall directly into the statewide collapsed pool? A similar scenario could unfold for an applicant in the CNI set-aside.**

    Answer: See response to Question #17.

34. **The presentation of a project underwriting list to the board of directors on July 9 is a new step in the allocation process for the state.**
    a. Will a board approval of this list be required for an application to proceed beyond this step?
       Answer: No.
    b. Will applicants that were not selected for underwriting be informed at that time?
       Answer: No.
    c. Will applicants that are not selected for underwriting have any portion of their analysis fee returned?
       Answer: No, all fees submitted are non-refundable.

35. **Can you please clarify LHC's expectations regarding the FORTIFIED Roof requirement? The FORTIFIED Roof certification is part of IBHS' residential program and is only eligible to single family detached, duplex, and townhomes per section 2.2 of the standard.**

Since triplex and larger buildings are ineligible for FORTIFIED Roof, what is LHC's expectation regarding the standard that these structures will need to meet?
It appears that buildings will not be required to achieve FORTIFIED certification through the IBHS if an architect or engineer "certify[ies] compliance." In order to clarify expectations upfront, is LHC expecting certification of the design or certification that the work was completed to the FORTIFIED Roof standards? LHC might consider furnishing a copy of the certification they are expecting to receive in order to clarify expectations.

Answer: See previous responses on items #10 and # 21. If multifamily, then they should be following the IBHS criteria for multifamily as it relates to roofing and pressure rated assemblies.

36. **Regarding the Development Wi-Fi threshold requirement, can LHC please confirm which costs, if any, are eligible for billing back to the tenants?**
    - **Page 16 states, "Owners may charge tenants its actual fee incurred for activating and making available any services provided directly by the Project or through third party providers."**
    - **Page 18 states, "Tenants must have access to the internet via a development deployed Wi-Fi network."**
    - **The definition of Development Wi-Fi on page 31 states, "All costs and equipment and maintenance/replacement of necessary equipment must be paid by owner through the end of the extended use period…."**
    - **It seems clear that the development must bear the cost of installing and maintaining the hardware to implement a wi-fi network throughout the development, including within the tenants' units. It is not clear whether the owner's actual cost of providing internet connectivity can be charged to the tenants, and if so, whether some basic level of connectivity is required to be provided to tenants, who do not elect to pay for the service.**

Answer: Development WI-FI is different from Minimum internet/Cable Capacity Requirments. While both are minimum threshold requirements they differ from each other in that Development WI-FI (refer to #21 pg. 16 and pg. 31) must provide Tenant access to the internet via a development deployed Wi-Fi network. Coverage must be available throughout the units. All costs and equipment and maintenance/replacement of necessary equipment must be paid by owner through the end of the extended use period and must be included as an annual operating expense of the project. And that Min internet/cable capacity requirements (#10 page16) will allow the residents to access a secure network at their expense if they so chose to.

37. Does Scoring Criteria V.E. for On-Site security award two points for any one of the three options listed, or must two options be selected in order to achieve those two points?

Answer: There is a max total of 3 points available for this selection criteria item. 2 points for (i) and 1 point for (ii)

38. I am reaching out to get a timeline for the availability of the updated application model.

Answer: The application model will be made available by March 7, 2025.