Rental Restoration and Development Program (RRDP) Policies and Procedures

CDBG-DR

February 2024

Version 1

Louisiana Housing Corporation

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Version	Date Revised	Description of Revisions
1.0	September 2023	LHC (CDBG-DR) RRDP Policies and Procedures
	February 29, 2024	Internal revisions to reflect SOPs on eligibility reviews and operational consistency.

1.0 INTRODUCTION

On behalf of the State of Louisiana, the **Office of Community Development-Disaster Recovery Unit (OCD)** serves as the ***Grantee*** for Community Development Block Grant-Disaster Recovery (CDBG-DR) funds provided by the Department of Housing and Urban Development (HUD). The use of CDBG-DR funds is governed by the *State's Action Plan for Utilization of CDBG-DR for the 2020/2021 Federally Declared Disasters*[1] and ensuing amendments following federally declared disasters impacting Louisiana. The **Louisiana Housing Corporation** is a ***Subrecipient*** of CDBG-DR through OCD.

The Rental Restoration and Development Program (RRDP) provides grant awards to applicants to develop or rehabilitate affordable residential rental housing in declared disaster areas affected by the 2020-2021 disaster events (Hurricanes Laura, Delta, Ida, and/or May 2021 floods), as specified by the U.S. Department of Housing and Urban Development (HUD) that will not exceed 7 residential units. Applicants must either have the financial resources for construction or be able to obtain a construction loan from a private lender equal to the total development costs. RRDP funds will be distributed upon completion of construction milestones and other requirements (including tenant placement) as defined in the NOFA. Funds are issued as a forgivable loan. The applicant is required to meet the program compliance requirements of affordable rents for LMI households for the required Affordability Period.

1.1 Purpose

The purposes of RRDP are:

- To repair damaged housing stock in eligible parishes that will be made available at affordable rents for households at or below eighty percent (80%) of area median income (AMI);
- To produce affordable residential rental housing units outside of a Special Flood Hazard Area (SFHA);
- To revitalize communities damaged by Hurricanes Laura, Delta, Ida, and the May 2021 floods by eliminating the blight of vacant properties in order to increase the availability of affordable rental housing for households at or below 80% AMI;
- Engage lenders who commit to new construction and/or renovation financing for residential properties located in eligible parishes;
- LHC will accept applications from an eligible borrower who will construct new residential rental housing units or renovate vacant residential rental housing units in a project that will NOT exceed seven (7) residential qualified housing units;
- An eligible applicant must either partner with a commercial lender that provides the applicant a commitment contingent upon receipt of a RDDP loan which will be included in the application to provide the eligible borrower mortgage lien construction financing of a qualified project or must fully fund all development costs of the qualified project with the borrower's own funds.

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[1] The Louisiana State Action Plan for the Utilization of CDBG-DR for 2020/2021 Federally Declared Disasters and ensuing amendments as approved by HUD are located on the OCD website: https://www.doa.la.gov/doa/ocd/policy-and-reports/apa/2020-2021-storms-action-plans/

1.2 Process

The LHC issues a Notice of Funding Availability (NOFA) which will provide the funding guidelines, competitive process and requirements for applicants to apply for the CDBG-DR funding. The NOFA will specify the building requirements, scoring criteria and federal and state regulations that are applicable to the funding sources and for the housing development project.

1.3 Description of Entities

Louisiana Office of Community Development – Disaster Recovery Unit (OCD)

OCD is the state's leading agency in disaster recovery and long-term community resilience planning efforts. OCD is designated by the Governor as the Grantee for Louisiana's CDBG-DR funds.

Louisiana Housing Corporation (LHC)

The LHC was created in January 2011 when the Louisiana Legislature merged the Louisiana Housing Finance Agency with housing programs from other state agencies, including those administered under Louisiana's Office of Community Development. The LHC administers federal and state funds through programs designed to advance the development of energy efficient and affordable housing for low- and moderate-income families, drives housing policy for Louisiana and oversees the state's Disaster Housing Task Force.

OCD administers CDBG-DR funded programs directly or has determined when projects are best to be administered through subrecipients, which includes other state agencies, nonprofits, or local entities. For housing programs, especially affordable housing repair, development, rental and ownership, as well as supportive housing and services and rental assistance for those at risk of or experiencing homelessness after a disaster, OCD has designated LHC as a subrecipient.

2.0 DEFINITION OF TERMS

2.1 Acronyms

Term	Acronym
U.S. Housing and Urban Development	HUD
Louisiana Housing Corporation	LHC
Louisiana Office of Community Development-Disaster Recovery Unit	OCD
Community Development Block Grant - Disaster Recovery	CDBG-DR
Disaster Recovery Grant Reporting System (HUD)	DRGR
Subrecipient Agreement	SA
Low to Moderate Income Households	LMI
Point of Contact	POC
The Housing and Community Development Act of 1974	The HCD Act
Code of Federal Regulations	CFR
Federal Register Notice	FRN
Compliance and Monitoring	C&M
Mitigation	MIT
Cooperative Endeavor Agreement	CEA

2.2 Terms and Definitions

Terms	Definition
Agreement	An agreement that, pursuant to state and HUD regulations, obligates the parties to expend or distribute federal funds and undertake responsibilities as set forth in the agreement.
Affordability Period	The term specific to keep unit rents at affordable rates to LMI households.
Applicant / Borrower	Nonprofit or for-profit entity applying for funding under RRDP.
Average Median Income (AMI)	HUD sets income limits that determine eligibility for assisted housing programs. RRDP requires 80% and below. AMI limits are posted on HUD's website and updated yearly to account for location and household size.
Beneficiaries	Persons to whom assistance, services, or benefits are provided. Occupants of affordable housing.
CDBG-DR	A special grant in aid to a State or local entities for recovery from a Presidentially declared disaster awarded by HUD that provides funds to States and cities/counties for community development programs.
Contractor	An entity paid with project funds in return for a specific service (e.g., consultants, equipment suppliers, construction contractors, and developers). Contractors must be selected through a competitive procurement process.
Conversion Date	The date the Lender receives payment pursuant to the Take-out Commitment of CDBG-DR or "take out funds".
Developer	A person, body of persons, or firm who/which engages in the development of housing projects.
Fair Market Rent (FMR) - Affordable Rents (AR)	Fair Market Rents, as defined in 24 CFR 888.113 are estimates of 40th percentile gross rents for standard quality units within a metropolitan area or nonmetropolitan county. Listed annually on HUD website. RRDP program may not accept any amount exceeding the RRDP allowable rent. If tenant is required to pay utilities, the AR must be reduced by the Utility Allowance.
Federal Assistance	Any funding for the purpose of assisting a beneficiary typically through a federal award. CDBG-DR is a type of federal assistance and must follow federal requirements.
Federal Register Notice	An official public notification (within the Federal Register of the Government Printing Office) that presents a federal department's rules, regulations, or other guidance concerning the allocation of Federal grants, their intended use, and the administration or other required conduct for the recipient of a Federal Award
Mitigation	Those activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship, by lessening the impact of future disasters. Federal Register notice specifies mitigation to be built into projects funded by CDBG-DR.
Monitoring	A routine review of projects during or after Federal assistance has been provided to designated subrecipient of the grantee that is conducted at one of two levels – a desk monitoring or onsite monitoring of the subrecipient or contractor – to determine program compliance.
Resiliency	See Mitigation.

3.0 PROGRAMMATIC REQUIREMENTS

3.1 Geographic Location

The Qualified Project must be located in one of the FEMA Disaster-Declared Parishes or one of the HUD-Designated Most Impacted and Distressed (MID) Parishes ("**Eligible Parish**") as a result of Hurricanes Laura and Delta or Hurricane Ida and/or the May 2021 floods.

Geographic Location of Qualified Project -- Laura & Delta

The Qualified Project must be located in one of the FEMA Disaster-Declared Parishes or one of the HUD-Designated Most Impacted and Distressed Parishes ("Eligible Parishes") as a result of Hurricane Laura and Delta. Those parishes are: Acadia, Allen, Beauregard, Caddo, Calcasieu, Cameron, Grant, Iberia, Jackson, Jefferson Davis, LaSalle, Lafayette, Lincoln, Morehouse, Natchitoches, Ouachita, Rapides, Sabine, St. Landry, St. Martin, Union, Vermilion, Vernon, and Winn.

Eighty percent of allocated funds must be spent in the HUD-Identified Most Impacted and Distressed areas, which are: Acadia (Units located in the 70526 & 70578 zip codes only), Allen, Beauregard, Caddo, Calcasieu, Cameron, Jefferson Davis, Lafayette, Natchitoches, Ouachita, Rapides (Units located in 71302 only), St. Landry (Units located in 70570 only), St. Martin (Units located in 70517 only), Vermilion (Units located in 70510 only), and Vernon (Units located in 71446 only).

Geographic Location of Qualified Project -- Ida and/or May 2021 Floods

The Qualified Project must be located in one of the FEMA Disaster-Declared Parishes or one of the HUD-Designated Most Impacted and Distressed (MID) Parishes as a result of Hurricane Ida and/or the May 2021 floods. Those parishes are: Ascension, Assumption, Calcasieu, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Washington, West Baton Rouge, and West Feliciana.

Eighty percent of allocated funds must be spent in the HUD-Identified Most Impacted and Distressed Areas, which are: Ascension, Assumption, Calcasieu, 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; 70764 & 70788 (Iberville Parish) and 70767 (West Baton Rouge Parish).

3.2 Eligible Applicants

An Eligible Applicant/Borrower may be one of the following entities:

Non-Profit Borrowers

- Community Housing Development Organization ("CHDO")
- Not-For-Profit Organization ("NPO")(501c3 or 501c4) with a board approved mission to further affordable housing, or demonstrated through the NPO by-laws mission statement
- Local Public Housing Authority ("PHA")
- Local development agency ("LDA") that is not a parish or municipality

For-Profit Borrowers

- Residential rental property owner ("Residential Rental Property Owner")

Eligible Applicants must be prepared and qualified to either:

1) Partner with a commercial lender (“Lender”) that provides the applicant a commitment contingent upon receipt of an RRDP loan which will be included in the application to provide the applicant mortgage lien construction financing (“Construction Loan”) for a project; or

2) Fully fund all development costs of the project with the applicant’s own funds.

3.3 Ownership Requirements

Project Ownership Requirements by Eligible Borrowers

Applications must be submitted by an eligible borrower which owns the property at the time of application. If there are multiple owners of a single property, all owners must be listed on the merchantable title and application, unless reviewed and approved by LHC. Merchantable title, also referred to as marketable title, should remain in the name of the eligible borrower(s) until the end of the award process, up to and including execution of closing documents. Special cases for title determinations will be reviewed by LHC and some allowance may be made for special circumstances that do not pose a risk to LHC or the project viability.

In the case where title issues are identified that require clarification, the RRDP may allow a cure period for deficiencies that do not violate program eligibility requirements.

Ownership Transfer Provisions for CHDO, NPO, PHA, or LDA:

- The title of a Qualified Project submitted by entities like CHDO, NPO, PHA, or LDA should remain in the borrower's name until the award process concludes and the RRDP program's closing documents are executed.
- Ownership transfer requests for a Qualified Project to a legitimate non-profit subsidiary LLC should be communicated in writing to the LHC. LHC evaluates each transfer request individually and retains ultimate discretion in granting approval.
- If a transfer gains approval, the original award recipient (CHDO, NPO, PHA, or LDA) and the non-profit subsidiary LLC are required to complete an “Assignment and Assumption Agreement.” This ensures that the non-profit subsidiary LLC adheres to the same RRDP terms and conditions as initially agreed upon by the primary organization.
- The LHC possesses exclusive authority to validate the eligibility of the non-profit subsidiary LLC for property ownership and to ensure adherence to affordability prerequisites. To qualify, the LLC must:
    - Have the parent non-profit corporation as its sole member.
    - Engage only in activities permitted for the parent 501c3 Corporation.
    - Be governed by the same directors and officers as the parent non-profit corporation.
    - Maintain an Operating Agreement that precludes any violation of the parent 501c3 corporation's bylaws or restrictions.
    - Uphold distinct accounts and capital separate from the parent non-profit corporation.

Ownership Transfer Guidelines for Residential Rental Property Owners:

- The title for a Qualified Project presented by a Residential Rental Property Owner should be retained in the owner's name until the award process's completion, including the RRDP program's closing document execution.
- Change of ownership requests must be directed in writing to the LHC. Each request undergoes a case-by-case assessment, with the LHC retaining the final say on its acceptability.
- If an ownership transfer is sanctioned, the initial award recipient is obligated to undertake an "Assignment and Assumption Agreement." This mandates the transferee to comply with the RRDP's terms and conditions, as initially agreed upon by the original awardee.

3.4 New Construction Requirements

RRDP has established specific award restrictions regarding the construction of new units. The following guidelines detail the eligibility criteria based on the type of borrower:

Non-Profit Borrowers

- Includes Community Housing Development Organizations (CHDO), Non-Profit Organizations (NPO), Public Housing Agencies (PHA), or Local Development Agencies (LDA).
- These entities are permitted to submit applications for the construction of new units in any eligible parish/location.

For-Profit Borrowers

- Refers to Residential Rental Property Owners who do not fall under the CHDO, NPO, PHA, or LDA categories.
- Such borrowers can only submit applications for the construction of new units if the property is located in the following rural parishes:
    - Allen, Beauregard, Jefferson Davis, Natchitoches, Vermilion, Vernon, Assumption, Tangipahoa, Washington, Iberville, Grant, Iberia, Jackson, St. Helena, LaSalle, Lincoln, Morehouse, Sabine, Union, Winn, East Feliciana, Pointe Coupee, and West Feliciana.

3.5 Property Requirements

For a property to qualify for RRDP, it must:

- Be designed as a residential rental property intended for rehabilitation, reconstruction, or new construction.
- Consist of no more than 7 eligible dwelling units. Properties housing over 7 units within a single structure will not be considered for the RRDP;
- The property type must be site-built, modular, or a manufactured home;
- The property must be located in one of the Eligible Parishes;
- The project must undergo and successfully complete an environmental review;
- The project must be located outside the boundaries of a Special Flood Hazard Area (SFHA).

Vacancy Requirement

To be eligible for the RRDP:

- All residential units detailed in the application must have been unoccupied **prior to February 27, 2023**, the release date of the Notice of Funding Availability (NOFA) and must remain so throughout both the application and construction phases. Only once construction is complete should they be occupied, in adherence to the RRDP's stipulations. A vacant unit is defined as one that does not have a tenant occupant or active agreement for lease.
- Landlords are explicitly prohibited from deliberately evicting tenants before applying to the RRDP with the goal of meeting this vacancy requirement.
- The vacancy requirements extend` to all possible residential units in the Qualified Project and within the same structure; applications proposing to rehabilitate less than the total number of residential units in a building while continuing to rent neighboring units during the application period will not be considered.

3.6 Construction Contract and Standards

A. Construction Contractor and Fixed Price Construction Contract

- Applicants must include a fixed-price construction quote from a Louisiana-licensed contractor with their application. This contractor will be responsible for constructing new units or renovating existing ones as part of the qualified project, at an agreed upon fixed contract price.

- Borrowers intending to personally oversee the construction of the qualified project are required to present two additional quotes from Louisiana-licensed contractors. Additionally, they must provide their own detailed bid for the same scope of work. This bid should break down costs line-by-line. Notably, these borrowers are not allowed to include profit or overhead costs in their self-prepared bid. Also, such borrowers must possess a valid Louisiana Contractor License.

- Each approved budget can accommodate a construction contingency of up to 10%. However, utilization of this contingency during the construction or renovation phases requires explicit written consent from both the lender and the Louisiana Housing Corporation (LHC).

To ensure the highest quality of rental restorations and developments, the following construction standards must be upheld:

B. Regulatory Compliance:

All construction endeavors must adhere to the Louisiana State Uniform Construction Code (LSUCC), relevant local planning, zoning standards, and other governing authorities. Projects must also align with applicable federal regulations, including the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973 (as amended), and the Americans with Disabilities Act of 1990 (as amended). We recommend utilizing the 2010 ADA/ABA standard for crafting accessible units and public facilities.

Minimum Construction Requirements

1. Development and Unit Features:

- The LHC promotes the establishment of well-designed multi-family and single-family housing that enhances the community.
- Borrowers should commit to design elements consistent with quality features and amenities, which should include resource-efficient, healthy, and durable building systems and approaches; fencing and/or access control features as appropriate to the design/location of the project; open space and landscaping; parking, and/or in-unit features including market-standard square-footage of units, window treatments, appliances, and finishes.

2. New Construction & Reconstruction:

- Only site-built or modular homes adhering to local and state building codes are permissible.
- Designs should complement the aesthetic of the surrounding neighborhood and adhere to local and state building norms.
- All New Construction and Reconstruction projects must achieve a "Fortified Roof" certification from IBHS (https://fortifiedhome.org/).

3. Energy Efficiency and Green Building Standards

All projects must adhere to specific building standards, depending on the type of construction proposed. New Construction and Reconstruction projects (demolishing a housing unit and rebuilding it on the same lot in manner largely similar to the original) of residential buildings must achieve an industry-recognized standard that has achieved certification under:

- Enterprise Green Communities;
- LEED (New Construction, Homes, Midrise, Existing Buildings Operations and Maintenance, or Neighborhood Development);
- ICC-700 National Green Building Standard Green+ Resilience;
- Living Building Challenge; or
- Any other equivalent comprehensive green building program acceptable to HUD.

Furthermore, such constructions should meet specific energy efficiency benchmarks, as represented by:

- ENERGY STAR (Certified Homes or Multifamily High-Rise);
- DOE Zero Energy Ready Home;
- EarthCraft House, EarthCraft Multifamily;
- Passive House Institute Passive Building or EnerPHit certification from the Passive House Institute US (PHIUS), International Passive House Association;
- Greenpoint Rated New Home, Greenpoint Rated Existing Home (Whole House or Whole Building label);
- Earth Advantage New Homes; or
- Any other equivalent energy efficiency standard acceptable to HUD.

A third-party inspection entity or a designated inspector will oversee the construction process, ensuring compliance with the chosen green building methodology. This inspector or firm guarantees that necessary milestones are met throughout the construction phase, as dictated by the certification process.

Rehabilitation of substantially damaged residential buildings, including changes to structural elements such as flooring systems, columns, or load-bearing interior or exterior walls, must adhere to the HUD CPD Green Retrofit Checklist to promote energy efficiency and green building practices for residential retrofit projects.

4. Resiliency Standards:

- The building blueprint may not be located within or partially within a Special Flood Hazard Area (SFHA). Parking is not required to be at or above building elevation specifications.
- Building footprints may be within Zone B or X-Shaded (500-YR). However, all building mechanicals and finished residential floors must be built to an elevation no less than three feet above the lowest point within the footprint or the nearest road centerline.
- Applications should clearly indicate if the proposed footprint was affected by notable hurricane events or flooding and elucidate the risk mitigation strategies.

5. Rehabilitation Standards:

- Rehabilitated units must result in safe, sanitary, efficient, and aesthetically pleasing living spaces.

6. Utility Services:

- Each unit should be equipped with a washer, dryer, and dishwasher.

7. Internet/Cable Capacity Provisions:

- Units should have provisions for cable TV, telephone, and internet in living areas and bedrooms. Necessary infrastructures (like CAT5e wiring or COAX cables) should be accessible to tenants, though activation fees can be chargeable.

8. Carbon Monoxide Compliance:

- Every unit should have at least one operable, life-long (minimum 10 year), sealed battery carbon monoxide (CO) detector.
- Detectors can be combined with smoke detectors.

9. Energy Efficiency:

- All units should prioritize energy efficiency.
- As the RRDP is backed by the CDBG-DR program, constructions should match the Green Building Standards as specified in the Federal Register (FR) 6326-N-01.

LHC's Role:

The RRDP does not directly enforce local codes or interpret their application. The onus lies with the Qualified Borrower/Applicant to obtain necessary permits, inspections, and certifications. Successfully acquiring these permits and passing program inspections is mandatory before finalizing any RRDP project.

4.0 AWARD LIMITS AND ELIGIBLE COSTS

4.1 CDBG-DR Allocation and Budgets for Awards

The RRDP will be comprised of the following 2 separate budgets for each CDBG-DR allocation.

Laura/Delta Budget:

- Total allocation for projects under Laura/Delta RRDP: $16,000,000.
- Awards prioritize borrowers, especially residential rental property owners, impacted by Hurricanes Laura and/or Delta.
- A minimum of 80% of the funds must be spent in areas designated most impacted and distressed (MIDs).

Ida/May 2021 Floods Budget:

- Total allocation for projects under Ida & May 2021 Floods RRDP: $16,000,000.
- Priority is given to borrowers, particularly residential rental property owners, affected by Hurricane Ida and/or the May 2021 Floods.
- At least 80% of these funds are earmarked for the areas designated most impacted and distressed (MIDs).

4.2 Maximum Award

The final award amount is the lesser of the eligible total development costs, amount requested by the Applicant, or other limits as defined by the RRDP program. Award amounts factor in the number of units in each building. Constraints on project funding are determined by the type of construction proposed, according to the following tables:

A. New Construction/Reconstruction Award Limits:

NUMBER OF QUALIFIED DWELLING UNITS PER PROJECT	MAXIMUM RRDP TAKE-OUT ASSISTANCE
1 Unit	$197,500
2 Units	$355,000
3 Units	$482,500
4 Units	$570,000
5 Units	$655,000
6 + Units	$725,000

Note: For-profit entities proposing new construction should note that the RRDP funding will not cover the total development costs. The program details specific award limits based on development costs. Private, for-profit borrowers proposing New Construction will be limited to 75% of the maximum take-out assistance amount for the respective number of Qualified Dwelling Units per project.

B. Rehabilitation Award Limits:

NUMBER OF QUALIFIED DWELLING UNITS PER PROJECT	MAXIMUM RRDP TAKE-OUT ASSISTANCE
1 Unit	$118,200
2 Units	$213,000
3 Units	$289,500
4 Units	$342,000
5 Units	$393,000
6 Units	$435,000
7 Units	$460,000

4.3 Assistance Caps and Take-Out Terms

An entity (be it a Residential Rental Property Owner, NPO, CHDO, PHA, or LDA) may seek assistance up to a maximum of $725,000 across multiple loans and applications.

Take-out Assistance (CDBG-DR) funding by LHC will only equal the total construction loan advances and accrued interest up until the Conversion Date.

Non-Profit Borrowers

NPO’s, CHDO’s, PHA’s, and LDA’s will be allowed up to 10 months of unpaid accrued interim construction interest from the date of the Notice to Proceed provided to them by the Program.

For-Profit Borrowers

A residential rental property owner whose income is at or below 80% AMI will be allowed up to 8 months of unpaid accrued interim construction interest from the date the Notice to Proceed is provided to them by the Program.

Contingencies of (10%) are excluded from the Permanent Loan if unutilized and without LHC's written consent during construction. Change orders may be approved only on an as-needed basis and must receive written approval from the LHC prior to commencement.

4.4 Eligible and Ineligible Costs

Eligible Costs Include:

- Development hard costs
  - Development hard costs are the actual cost of preparing land for construction, including demolition, and actual costs of constructing or rehabilitating housing units.
- Development soft costs
  - Interim Construction interest
  - Reasonable origination and closings charges as described by the construction loan lender

- Reasonable Architectural and/or Engineering Services as required for the construction of new units
    - Title and/or recording fees for the closing of the interim construction financing as required by the lender
    - Survey Costs
    - Appraisal costs as required by the interim construction-financing lender

Other reasonable costs associated with the development of new or existing units will be reviewed by the LHC on an individual basis.

Ineligible Costs Comprise:

- Any cost to purchase land or property before or after the NOFA was published;
- Any cost for development, operations, or modernization of public housing financed under the 1973 Act (Public Housing Capital and Operating Funds);
- Any cost to refinance any loan; and
- Any Developer or Consultant fees

5.0 FINANCING REQUIREMENTS AND GUIDELINES

5.1 Lender Construction Loan Terms

A Lender’s Construction Loan may accrue interest at a not-to-exceed rate of interest required by the Lender and as approved by the LHC during construction.

- The loan must be used strictly within:
    - An Approved Budget set by the Lender and LHC, which encapsulates all pertinent closing costs.
    - A LHC and Lender-approved Completion Date, detailed in the construction quote/contract.
- Upon completion, the Construction Loan should translate into a promissory note (Construction Note) backed by a mortgage (Construction Mortgage). This will be re-assigned to the "Louisiana Housing Corporation" upon full repayment, after construction completion.
- If LHC's prescribed construction loan documents are not used by the Lender, separate LHC documents will be employed for the Permanent Loan.

An application must identify all Lender fees to be charged to an Eligible Borrower/Applicant, including Lender Application Processing Fees, Lender Commitment Fees, Lender Closing Fees, Lender Legal Fees, and Lender Construction Monitoring Fees. Costs associated with closing of the permanent loan are to be advanced from the Construction Loan, which includes any filing fees and lender policy of title insurance issued by Construction Lender closing agent. All Lender fees must be reasonable and are subject to review and approval by the LHC.

5.2 Take-Out Assistance Timeline and Conditions

A. Permanent Loan in Senior Lien Position:

- If the Permanent Loan is in the senior lien position, the Conversion Date will be the later of
    - (i) the date a certificate of occupancy of the Qualified Project is delivered to the Construction Lender and the LHC or

- (ii) the date the Construction Lender receives payment in full pursuant to the Take-out Commitment.

Occupancy by a Qualified Household must occur no later than 90 days from the Conversion Date.

B. Permanent Loan in Subordinate Lien Position:

- If the Permanent Loan is subordinate to a third-party permanent lien lender, the Conversion Date will be delayed until all residential rental units in the Qualified Project are occupied by a Qualified Household.

5.3 Recourse and Guarantee Provisions

Construction Loans should be fully backed by Eligible Borrowers. Guarantees are also mandated from Principals of Eligible Borrowers holding at least a 20% stake.

Sales or property transfers before the end of the affordability period necessitate pro rata repayment of RRDP direct assistance by the Borrower to LHC.

5.4 Cross-Default Clause

Loan documents for Eligible Borrowers owning two or more Qualified Projects will include a cross-default clause and will affect all Qualified Projects during the Affordability Periods for each Qualified Project from the Conversion Date through the end of the last date of the last Affordability Period.

5.5 Senior Lien Financing Stipulations

Seller Financing to Nonprofits:

- Only government bodies, like local redevelopment authorities, can offer seller financing to nonprofits like CHDOs or NPOs.

Net Asset and Liquidity Requirements Related to Liens Senior to Permanent Loan:

- For projects where LHC's Permanent Loan is secondary, the Eligible Borrower and its Principals must display sufficient net assets and liquidity.
  - Aggregate Net Worth: ≥ 110% of Take-out Commitment
  - Financial Liquidity: ≥ 20% of Take-out Commitment

5.6 Construction to Permanent Loan Conversion

Prior to the Conversion Date, the terms of the Construction Loan will correspond to the terms requirements specified by the Lender. The Construction Loan will either be assigned to the LHC on the Conversion Date and convert to a permanent loan (“Permanent Loan”) or shall be paid off or paid down on the Conversion Date under separate LHC loan documents, if the Lender has not utilized LHC-prescribed construction loan documents. On and after the Conversion Date, the terms of the Permanent Loan will correspond to the requirements of the LHC. Whichever form of LHC loan agreement is utilized, the Permanent Loan will mature not later than twenty (20) years following the Conversion Date.

The Construction Loan is not required to have a first mortgage lien position.

5.7 Permanent Loan Terms

The Permanent Loan will not bear interest and will be subject to principal payments only upon a determination that the Eligible Borrower failed to maintain the property financed by the Permanent Loan as a Qualified Project or that there is a default under the Permanent Loan Document that cannot be or is not cured following a notice of default.

If the residential rental units in a Qualified Project remain affordable during the applicable Affordability Period and if there has been no default finding by the LHC, the Permanent Loan will be forgiven at the end of the applicable Affordability Period.

5.8 Underwriting Standards

Maximum Rents:

- Qualified Projects must be Income-Restricted and Rent-Restricted as referenced in the RRDP Applicable Terms below.

Rate of Increase Assumptions for Revenues and Expenses:

- Revenues may be projected to increase at a rate not in excess of two percent, and expenses must be projected to increase at a rate of not less than three percent. With the approval of the LHC, expenses may increase at the rate for revenues.

Financial Commitments:

- If required by the LHC in the event that the Take-out Commitment is less than the Construction Loan, other funding must be backed up with firm, enforceable financial commitments at the time of application.

Maximum Award:

- The maximum award cannot exceed the limits for Qualified Projects. The LHC will underwrite to maximize, to the greatest extent possible, private financing of the project. LHC may reduce the award from the amount requested to an amount that maximizes private subordinate financing.

Cost Reasonableness Analysis:

- A Cost Reasonableness Analysis is performed on all projects by the LHC Construction Department, using information provided in project applications and estimating data.
- In order to perform the cost reasonableness analysis, Applicants must submit a detailed scope of work created by a licensed contractor, and a floor plan for their proposed project.
- The cost of construction submitted by the Applicant must fall within twenty percent (20%) of the cost obtained by the LHC staff for the project to be considered as cost reasonable.
- For projects deemed not cost reasonable to be funded, either such projects must be redesigned, or the construction must be competitively bid through a public bid process.

6.0 CROSS CUTTING REQUIREMENTS – FEDERAL GUIDELINES AND ETHICS PROVISIONS

All projects deemed eligible must adhere to the requirements laid out in the Rental Restoration and Development Program Regulatory Agreement (RRDP Regulatory Agreement). This agreement will act as a legal covenant associated with the land of every Qualified Project funded under the RRDP.

The RRDP Regulatory Agreement will be legally binding for both the Eligible Borrower and its subsequent successors, persisting through the Affordability Period. Among the federal requirements are:

- Adherence to Section 504 of the Rehabilitation Act of 1973.
- Compliance with the Fair Housing Act (42 U.S.C. 3601-19) and associated regulations.
- Abidance by the regulations at 24 CFR Part 107, which ensures Equal Opportunity in Housing.
- Conformity to Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) to prevent discrimination in Federally Assisted Programs

6.1 Fair Housing and Tenant Selection

The Fair Housing Act prohibits discrimination in the sale, rental, or financing of dwellings and in other housing-related activities on the basis of race, color, religion, sex, disability, familial status, or national origin. HUD guidance on April 4, 2016 addresses how the Fair Housing Act applies to the use of criminal history by providers or operators of housing and real-estate related transactions. Effective July 14, 2021, LHC applies the HUD guidance to all LHC-funded housing programs without any exceptions.

6.2 Davis-Bacon and Related Acts (DBRA)

For projects that receive direct funding or partial assistance from CDBG Funds, the Davis-Bacon wage and reporting stipulations are applicable. The Davis-Bacon Act holds a standard $2,000 threshold, which encompasses the entire project construction value, not just the CDBG-assisted portion. This also extends to structures that have more than 7 units. It is incumbent upon Public Housing Authorities to consult and adhere to their specific policies concerning this federal stipulation.

6.3 Duplication of Benefits (DOB)

The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster for which they have already received financial assistance under any other program or from insurance or any other source. The Stafford Act also requires that the LHC perform a duplication of benefits analysis pertaining to each Borrower within the RRDP.

LHC requires the Applicant to indicate in the application the types, amounts, and purposes of assistance both approved and received to date related to the Hurricanes Laura, Delta, or Ida or the May 2021 Floods. The amount of approved assistance will be counted in the duplication of benefits analysis. Sources of assistance will include, but are not limited to, FEMA, SBA, insurance, and other CDBG. Any Borrower who received SBA funding to rehabilitate their home/property will be evaluated for acceptance in the RRDP Program on a case-by-case basis. Any other assistance received that already covers unmet needs identified under this program will be considered when calculating an award. The program will utilize duplication of benefit (DOB) feeds from OCD and its memorandums of understanding (MOU) between SBA and FEMA to verify the amount received from its federal partners.

6.4 Environmental (NEPA)

CDBG-DR funding from HUD is contingent on compliance with the National Environmental Policy Act of 1969 (NEPA) and related environmental and historic preservation legislation and executive orders; therefore, an environmental review process must be completed for all project activities prior to the commitment of funds through a grant agreement and disbursement of program-eligible activities. LHC recommends that all applicants review 24 CFR Part 58 for further details and requirements for compliance.

No work may start on a proposed project before the environmental review process is completed, even if the work is being done using non-HUD funds. A violation of this requirement may jeopardize federal funding to the project and disallow all costs that were incurred before the completion of the Environmental Review. Further, applicants and its contractors are prohibited from undertaking or committing any funds for "choice limiting actions", including property acquisitions, demolitions, movement, rehabilitation, conversion, repair or construction, or leasing or disposition prior to the execution of the "Authority to Use Grant Funds (AUGF)" (HUD 7015.16) or equivalent clearance. Violation of this provision may result in the denial of any RRDP funds. Entering a contract obligating the borrower to any of the above constitutes a choice-limited action.

The HUD rules and regulations that govern the environmental review process can be found at 24 CFR Part 58. The provisions of the National Environmental Policy Act (NEPA) and the Council on Environmental Quality (CEQ) regulations in 40 CFR Parts 1500 through 1508 also apply. Other federal and state laws and regulations (some of which are enforced by Stat agencies) also apply depending upon the type of project and the level of review required.

6.5 Section 3 Requirement

Compliance requirements of Section 3 of the HUD Act of 1968, as amended, are triggered when a recipient receives in excess of $200,000 for construction, reconstruction, rehabilitation, or demolition. Section 3 requires that economic opportunities that are generated by the use of Federal funds be made available to low- and very low-income persons who reside in the project's service area and the businesses that employ them, to the greatest possible extent. Section 3 establishes goals for (1) job training and employment opportunities for any new hires that result from the investment of Federal funds, and (2) contracting and subcontracting opportunities that result from Federal fund investments.

6.6 Ethics Provisions

Conflicts of Interest and Identity of Interest arrangements are generally not allowed in the RRDP program. Conflicts of Interest and Identity of Interest must be disclosed in the application for RRDP funding. Non-disclosure shall be cause for denial of application and/or forfeiture or reductions of any awards if such relationship is found to exist after the awards process.

A. Conflicts of Interest:

HUD conflict of interest regulations prohibit local elected officials, sub-recipient employees, and consultants who exercise functions with respect to CDBG Disaster Recovery activities or who are in a position to participate in a decision-making process or gain inside information with regard to such activities from receiving any benefit from the CDBG Disaster Recovery activity, either for themselves or for those with whom they have family or business ties, during their tenure or for one year thereafter.

For purposes of this section, "family" is defined to include parents (including mother-in-law and father-in-law), grandparents, siblings (including sister-in-law and brother-in-law), and children of an official covered under the CDBG conflict of interest regulations at 24 CFR Sec. 570.489(h). An organization which employs or is about to employ any of the parties indicated above would also be deemed a conflict.

If the need to determine whether or not a conflict of interest exists, an LHC attorney will make the determination. If required, the LHC attorney will produce an exception request, which will be submitted to the State's Office of Community Development (OCD) and/or the State Ethics Commission. The State is able to consider granting an exception to the conflict of interest provision should it be determined by the LHC attorney that the parties involved in the conflict have adequately and publicly addressed all of the concerns generated by the conflict of interest and that an exception would serve to further the purposes of Title I of the Housing and Community Development Act of 1974 and the effective and efficient administration of the program.

B. Identity of Interest:

Identity of interest means any relationship (generally based on family ties or financial interests) between (a) the seller and purchaser (prospective owner), (b) the owner and/or general contractor and the subcontractor, material supplier, or equipment lessor, or (c) the owner and the lender, which could reasonably give rise to a presumption that the parties to the transaction may operate in collusion in establishing the purchase price of the property, the cost of the rehabilitation work, or the terms of the financing.

Examples of identity of interest relationships include:

i. Any financial interest of the Developer or Owner in the Builder, or any financial interest of the Builder in the Developer or Owner
ii. Any officer, director, stockholder, or partner of the Developer or Owner is also an officer, director, stockholder, or partner of the Builder.
iii. Any officer, director, stockholder, or partner of the Developer or Owner has any financial interest in the Builder; or any officer, director, stockholder, or partner of the Builder has any financial interest in the Developer or Owner.
iv. The Developer or Owner advances any funds to the Builder.
v. The Developer or Owner supplies and pays, on behalf of the Builder, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by a Developer or Owner in connection with its obligations under the construction contract.
vi. The Developer or Owner takes stock or any interest in the Builder compensation as consideration of payment.
vii. There exists or comes into being any side deal, arrangement, contract, or undertaking entered into or contemplated, thereby altering, amending, or canceling any of the required closing documents, except as approved by the LHC or the Corporation.
viii. Any relationship (e.g., family) existing which would give the Builder or Developer or Owner control or influence over the price of the contract or the price paid to any subcontractor, material supplier, or lessor of equipment.

ix. Any member of the Development Team advances any funds to the Developer or Owner at any point prior to an allocation.

For purposes of determining an identity of interest between parties not identified in (i) through (ix), such parties will be identified as either the Developer and Owner or the Contractor as appropriate to establish the identity of interest.

LHC may reduce any allowable costs where an Identity of Interest has been found among the parties to transactions involving the sale, development, and/or operation of the project.

7.0 INELIGIBILITY

7.1 Ineligibility

Applications are subject to evaluation against specific criteria to ensure they adhere to the program's standards. An application will not be evaluated or scored if it falls under any of the following conditions upon submission:

- **Threshold Non-Compliance:** If the application fails to satisfy threshold requirements.
- **Debarment Issues:** The applicant or associated entity is listed on the federal debarment register, or if an organization representing the said individual/entity is blacklisted.
- **Non-Compliance with LHC Standards:**
    - The applicant/entity has received a non-compliance notice from LHC regarding annual audits.
    - The applicant/entity has outstanding dues linked to other projects financed by LHC.
- **Unsold Properties:** Entities proposing Homeownership Developments, yet currently holding unsold properties funded by LHC's CDBG Funds, will be deemed ineligible.
- **Existing LHC Compliance Issues:** Any applicant/entity that has an ongoing project financed by LHC and has unresolved compliance concerns extending beyond a 90-day period.
- **Incomplete LHC Projects:** An applicant/entity with two or more projects, previously funded by LHC, that remain unfinished.
- **Non-Compliance with LHC or OCD Programs**: The applicant is not meeting the guidelines or requirements of any other LHC or OCD disaster program.

Applications that meet any of the above conditions will not progress further in the evaluation process.

8.0 APPLICATION SUBMITTAL AND REVIEW PROCESS

8.1 Notice of Funding Availability (NOFA)

LHC issued a Notice of Funding Availability outlining the basis for the Program policies and Applicant responsibilities on February 27, 2023, with a final revision issued on April 13, 2023. Frequently Asked Questions and LHC’s responses to those questions were published on April 28, 2023, with additional questions and answers publicized on July 10, 2023.

8.2 Application Submittal Process

Applicants will utilize an LHC-supported application intake portal to submit their application (electronically) online, including all documentation required for their Application(s). Provision was made for those with technological challenges to submit a hard copy application that was entered electronically on their behalf, with approval.

This intake portal is refreshed with updated statuses and Application tracking based on activity and review done in the Housing Management System (HMS). Applications closing date was July 31, 2023.

8.3 Document Review

Following submission of a completed application, the Program conducts an initial review of the submitted documentation. This review focuses exclusively on confirming the presence of each required document, depending on the type of construction indicated in the application. The document review identifies if the following required documents are included in the submitted application. If any of these documents are not present, a notification of Application Incompleteness is issued to Applicant.

CHECKLIST
*1.Site plan
*2.Floor plan
*3.Evidence that project meets zoning requirements
*4.Scope of Work (If work hasn't started on the units)
*5.Evidence that the proposed housing unit is not in a flood hazard area
*6. Documentation of lender's contingent commitment to provide construction financing
*7.Documentation of other available funds to complete total development costs
*8.Front, side, and rear elevations (New Construction and Reconstruction Only)
*9.Interior Photos (Reconstruction and Rehabilitation Only)
*10.Exterior Photos (Reconstruction and Rehabilitation Only)
*11.Construction Contract if work has been started on the units (Reconstruction and Rehabilitation Only)
*12.Proposed compliance alignment of the scope of work with HUD CPD Green Building Retrofit Checklist (Rehabilitation Only)
*13.Duplication of Benefits Certification (RRDP Form)
*14.Stop Work Order Provision Document
*15.Rental Restoration & Development Program Application Signature Page
*16.Vacancy certification (Reconstruction and Rehabilitation Only)
*17.Previous Tenant Outreach Certification (RRDP Form) (Reconstruction and Rehabilitation Only)
*18.Proof of Ownership (All Owners Listed)

Incomplete Application Letters

Applications that do not provide the requisite documentation by a date designated by the Program are notified of their Application's deficiency and designation as an 'Incomplete' application that will not be considered for funding.

8.4 Eligibility Core Review

Following completion of the Document Review, each complete Application undergoes a thorough eligibility review of the information and documents provided in their Application. This step confirms the Application meets all eligibility requirements including ownership, location outside of Special Flood Hazard Areas, zoning, scope of work detail, project costs reasonableness, and underwriting standards as required by LHC.

A. Initial Eligibility Criteria

1. Ownership Review
    a. The Program utilizes ownership and title verification through a third-party research and data import from a trusted partner. That data import includes the following information regarding the property ownership:
        i. Date of purchase
        ii. Applicant is the current owner of the property
        iii. Applicant had ownership prior to application submission date
        iv. Any curative issues with the title
        v. The trusted partner's evaluation (in the form of a letter grade) related to the merchantability of the title.
    b. If the title report is unable to verify ownership of the property, the Reviewer utilizes the parish tax assessor records to validate ownership.
        i. Use the corresponding parish tax assessor site or the Louisiana Tax Commission Parish Tax Rolls to confirm the ownership information.
    c. The trusted partner reviews any additional documents or information related to clarifying the ownership status of the Application.
    d. Confirming the Applicant's Entity Type
        i. The Reviewer uses the Louisiana Secretary of State Business Fillings site to confirm the entity type provided in the initial application.
        ii. If more information is needed, the reviewer can use the IRS Website and/or GuideStar to confirm that the organization is a recognized non-profit.
        iii. For-profit Borrowers are ineligible for funding, if they are proposing new construction projects in certain parishes.
2. Geographic Location of Property
    a. HMS automatically conduct a mapping verification to confirm that the property is located in one of the eligible parishes. If the address is not located in an eligible parish, the application is deemed ineligible.
    b. Properties located in HUD-Designated Most Impacted Parishes ("Priority Eligible Parishes") receive 30 points on the Application Scoring Rubric.

3. Slum or Blight. Some Parishes maintain a listing or database of slum & blight properties, but this is not done universally (for example, Orleans Parish does not have a list of designated blighted properties). The NOFA FAQs were updated with question #145 to acknowledge that supporting documentation from the Parish may be difficult to obtain.
    a. If documentation from the Parish is not provided or accessible, the Reviewer should look for alternative documentation in the Supporting or Additional Documentation, such as the following documents:
        i. Notice or letter from the local government identifying the property as a public nuisance, health and safety threat to the community, or uninhabitable property.
        ii. Statement from the insurance provider confirming blighted condition.
    b. If an application meets this criterion, the application receives 20 points on the scoring rubric.
4. Type of Construction
    a. Eligible applications are accepted for the following types of construction:
        i. <u>Rehabilitation</u> of existing vacant residential housing units. This includes general replacement of the interior of a building that may or may not include changes to structure. Rehabilitation projects are high priority, earning 20 points on the scoring rubric.
        ii. <u>Reconstruction</u> of residential rental housing units, defined as the rebuilding of a structure on the same site in substantially the same manner within the original footprint, will only be permitted if there is a stable foundation remaining on the property.
        iii. <u>New Construction</u> of residential rental housing units. New construction restriction for For-Profit Borrowers (Residential Rental Property Owner that is neither a CHDO, NPO, PHA, nor a LDA): May submit applications involving the construction of New Units only in the noted rural Parishes.
    b. To confirm the type of construction is correct, the Reviewer evaluates the document submitted in Document Checklist Review Items #4, #9, #10, #11, and #12.
    c. Is the unit's Vacancy Date before 2/27/23?
        i. Units must remain vacant throughout the application period and construction until such time as the Unit(s) shall be placed in service to comply with the RRDP terms. A landlord should not have intentionally displace a tenant prior to application to the RRDP in order to apply to the program.
        ii. Confirm that the applicant provided a completed and signed Vacancy certificate for Document Checklist Review Item #16.
    d. Did the property sustain damage as a result of either Hurricanes Laura/Delta, or Hurricane Ida/May 2021 Floods?
        i. The Reviewer confirms that the applicant answered 'Yes' to Question #1 on the 'Rental Property Info' tab, and that the answer is supported by Document Checklist Review Items #6 and #7.
        ii. If the applicant answered 'No' to Question #1 on the 'Rental Property Info' tab, the application will be deemed ineligible.

5. Flood Hazard Area
    a. The Program conducts an automated verification of the property location against FEMA-authorized flood mapping provided by the LSU AgCenter and FEMA Map Service Center.
        i. If the automated flood zone mapping review does not indicate that the property is located in Zone B or Zone X, the application is deemed ineligible and categorized based on its flood zone designation.
6. Type of Structure
    a. To be eligible, the property must be site-built, modular, or a manufactured home. The Reviewer will evaluate the information found in Document Review Checklist Items #1, #2, #11, #12, #13, and in the parish tax assessor records to confirm that the structure type meets the Program criteria.
    b. If the project is not for a site-built, modular, or manufactured home, the Reviewer will deem the application ineligible.
    c. If the application is for a manufactured home and the type of construction is indicated as Rehabilitation, the Reviewer will evaluate the information in Document Review Checklist Items #1, #4, #9, #10, or #11. Rehabilitation projects (i.e., repairs) to a mobile/manufactured home are not eligible for funding from the Program.
7. Number of Units within a Single Structure
    a. To be eligible, the project must be a residential rental structure with no more than 7 qualified dwelling units. The Reviewer will evaluate the information in Document Checklist Review Items #1, #2, and #4 to verify that the project does not develop a property exceeding 7 qualified dwelling units.
    b. If the project seeks to develop a property with greater than 7 qualified dwelling units, the application will be deemed ineligible.

B. Construction Requirements

As part of the Core Eligibility review, all completed applications have the following elements of their application reviewed and validated. Some elements may be incorporated into the Program scoring rubric and used to determine application eligibility.

If certain aspects of the Construction Review are deemed to not meet Program requirements, the application may be deemed ineligible.

The Construction Review consists of the following elements:

1. Zoning
    a. Does the project comply with local planning and zoning?
    b. For this criterion to be determined as complying with the Program, the Reviewer will evaluate the document submitted in Document Checklist Review Item #3, and confirm that the property is zoned for residential use and the unit count is within the number permitted by the zoning.
2. Scope of Work Review
    a. If construction has not started on the project, is the Scope of Work submitted and completed by a licensed contractor, including cost information?

        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #4 and confirm that the scope of work is prepared by a licensed contractor.
        ii. Confirm that the Scope of Work aligns with the cost information provided on the application.
        iii. Using the Louisiana State Licensing Board for Contractors website, verify that the contractor listed on the Scopes of Work is a licensed contractor. A contractor's license type must permit them to perform the work that is proposed. A contractor may hold one or both of the following types of licenses:
            1. Commercial
            2. Residential
        iv. A contractor who is a "Registered Home Improvement Contractor" may perform work on projects with a value exceeding $7,500 but not in excess of $75,000 including labor and materials.
        v. If the scope of work is not prepared by a licensed contractor, the application is deemed ineligible.
    b. If construction has started, the Reviewer evaluates the construction contract instead (this applies to Rehabilitation and Reconstruction projects only).
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #11 and confirms that the scope of work is prepared by a licensed contractor.
        ii. If the construction contract is not in agreement with a licensed contractor, the application is deemed ineligible.
3. Resilient Construction Standards
    a. Impact-resistant windows or storm shutters
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #1 and #4 and confirms that the project includes either impact-resistant windows or storm shutters.
    b. HVAC elevated 3' above the Base Flood Elevation (BFE)
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #1, #5, or #8, and confirms that the document indicates the HVAC is sufficiently elevated above BFE.
    c. Elevation (BFE) Waterproof floor covering
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #1, #2, #5, or #8, and confirms that the Site Plan indicates the residence being rehabilitated or constructed is sufficiently elevated above either reference point listed.

4. Construction Flood Zone Standards
    a. Is the property located in a Special Flood Hazard Area (SFHA)?
    b. For properties in Zone B or X-Shaded: Is the property three feet above the higher of (a) the lowest point within the building footprint, (b) the nearest road centerline?
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #1 and #5 and confirms that the Site Plan indicates the residence being rehabilitated or constructed is sufficiently elevated above either reference point listed.
5. Utility Services
    a. Does the unit include a washer, dryer, and dishwasher?
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #2, 4, and 9, and confirms that the project includes the required appliances.
6. Internet/Cable Capacity Requirements
    a. Is the unit equipped with networks to provide cable television, telephone access, and internet access in the living area and in each bedroom, and necessary wiring is available to tenants free of charge? If no, then ineligible.
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #4 and 9 and confirms that the project includes the required capabilities.
7. Carbon Monoxide Requirements
    a. Does the unit contain at least one operable, life-long, sealed battery carbon monoxide (CO) detector? If no, then ineligible.
        i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #4 and 9 and confirms that the project includes the required appliances.
8. Energy Efficiency Requirements
    a. Is the unit energy-efficient and does the construction adheres to the Green Building Standards as outlined in Federal Register (FR) 6326-N-01 (Page 48)? If no, then ineligible.
        i. The applicant is required to choose and adhere to a Green Standard for Reconstruction or New Construction, and have a third-party inspector monitor the construction process chosen to certify that benchmarks are met. For more information, refer to the RRDP Application Guide (page 4-5). The Green Standard must be chosen from one of these three options:
            1. Certified LEED Green Building Rating System;
            2. National Green Building Standard ICC 700; or,
            3. Energy Star Version 3
        ii. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #4 or #11 and confirms that the project will follow the chosen standard.

   b. If the Application is a Rehabilitation project, does it meet the guidelines specified in the HUD CPD Green Building Retrofit Checklist? If no, then ineligible.
      i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item #12 and confirms that the project includes the required elements.
9. Fortified Roof
   a. If a new construction or reconstruction project, have they obtained a certification by IBHS for “Fortified Roof”? If no, then ineligible.
      i. For this criterion to be determined as complying with the Program, the Reviewer evaluates the document submitted in Document Checklist Review Item # and confirms that the project includes the required checklist elements.

C. Project Cost Analysis

As part of the Project Cost review, all completed applications have the following elements of their application reviewed and validated. If certain aspects of the Project cost Review are deemed to not meet Program requirements, the application may be deemed ineligible.

The Construction Review consists of the following elements:

1. Confirm that the Costs are Eligible on the ‘Sources and Uses’ tab of the Application. The Reviewer is able to revise each line item cost in the Reviewer Input column.
   a. Eligible Hard Costs:
      i. Actual costs of preparing land for construction, including demolition.
      ii. Actual costs of constructing or rehabilitating housing units.
   b. Eligible Soft Costs
      i. Reasonable and necessary costs incurred by the owner or LHC, associated with the financing or development (or both) of New Units or Existing Units assisted with CDBG Funds:
         1. Interim Construction interest
         2. Reasonable origination and closings charges as described by the construction loan lender
         3. Reasonable Architectural and/or Engineering Services as required for the construction of new units
         4. Title and/or recording fees for the closing of the interim construction financing as required by the lender
         5. Survey Costs
         6. Appraisal costs as required by the interim construction-financing lender
      ii. Other reasonable and necessary costs incurred by the owner and associated with the financing or development (or both) of New Units or Existing Units may be considered by LHC on a case-by-case basis for approval.
   c. Ineligible Costs:
      i. Any cost to purchase land or property before or after the NOFA was published;
      ii. Any cost for development, operations, or modernization of public housing financed under the 1973 Act (Public Housing Capital and Operating Funds);
      iii. Any cost to refinance any loan; and
      iv. Any Developer or Consultant fees

2. Construction Contract.
    a. Confirm that the applicant has submitted a fixed-price construction quote with a Louisiana-licensed contractor ("Contractor") who will construct New Units or renovate Existing Units in a Qualified Project at a not-to-exceed fixed contract price (see Construction Review element related to Scope of Work evaluation.
        i. A construction contingency of not more than 10% ("Contingency") may be included in each Approved Budget, but such Contingency may not be used during construction or renovation without the express written approval of the Lender and the LHC.
3. Total Development Costs
    a. The Reviewer compares applicant inputs and the validated hard (construction) and soft costs listed above and ensure the total development costs are correctly reflected.
4. Cost Reasonableness Analysis.
    a. The Cost Reasonableness Analysis is performed on all projects by the LHC Construction Department, using information provided in project applications and agency-approved estimating software.
    b. The cost of construction submitted by the Borrower must fall within twenty percent (20%) of the cost obtained by the LHC staff for the project to be considered as cost reasonable.
        i. If the analysis indicates that the cost of construction submitted by the applicant falls within twenty percent (20%) of the cost obtained by the LHC staff, the project is considered cost reasonable.
        ii. If the cost reasonableness analysis does not meet LHC criteria, this item is added to the eligibility deficiency letter.
        iii. For projects not deemed as cost reasonable to be funded, such projects must be redesigned, or the construction must be competitively bid through a public bid process.
5. Total Max Funds Requested
    a. The Reviewer compares the applicant input to QB calculation based on the unit limit tables and cap on individual project award amounts.

D. Underwriting Standards Analysis

As part of the Underwriting review, all completed applications have the following elements of their application reviewed and validated. If certain aspects of the Underwriting Review are deemed to not meet Program requirements, the application may be deemed ineligible:

1. Project Unit Mix
    a. To generate a proforma financial model of the project's rental revenue over the period in which the Applicant must adhere to the Program's affordability requirement, the reviewer inputs the correct number of units included in each project for the various bedroom-sizes of each unit.
        i. The Reviewer will evaluate the applicant's response in the Number of Bedrooms in Unit field on the Rental Property Info tab.
        ii. HMS will calculate the total monthly rent expected based on the Reviewer inputs for the number of units in each bedroom count.

2. Utility Allowance Calculation
    a. Projecting the total monthly rental revenue also requires calculating the monthly utility allowance for each unit, based on which utilities the tenant or landlord is responsible.
        i. The Reviewer evaluates the applicant data provided on the 'Rental Income' to confirm if the tenant or landlord is responsible for some or all of the utilities in the application.
        ii. HMS calculates the Utility Allowance per unit based on the choices made by the Reviewer in completing the Utility Allowance table.
3. Maximum Rents
    a. Based on the number of units in the project, and the number of applications submitted by a single Borrower, there is a maximum amount of funding available in each project.
    b. If the total award across all projects submitted by the Borrower is less than the total available for the total number of units, the Reviewer will select 'YES' from the menu.
4. Rate of Increase Assumptions
    a. The Reviewer should review the assumptions listed in the Underwriting Review checklist, which are incorporated into the proforma.
5. Financial Commitments
    a. If required by LHC, when the Take-out Commitment is less than the Construction Loan, is other funding backed up with firm, enforceable financial commitments at the time of application?
        i. The Reviewer evaluates information provided in Documentation Review Checklist #6 and #7 to confirm that applicant has sufficient commitments to fund full Project if max award will not address total development costs. If the additional funding is identified by supporting documentation, the Reviewer will choose 'Yes' from the dropdown.
        ii. If the application does not have supporting documentation to identify other funding, Reviewer will choose 'No' from the dropdown, and the deficiency will be noted on a deficiency letter or conditional award letter.
6. Maximum Award
    a. Based on the number of units in the project, and the number of applications submitted by a single Borrower, there is a maximum amount of funding available in each project.
    b. The Underwriting Review checklist provides the number of units included in the previous checklists and a system calculation verifying that the Max Funding requested amount from the Project Cost checklist is below the maximum by unit count for the project construction type.

9.0 SCORING CRITERIA

RRDP grants will be awarded to eligible borrowers from applications received during the stipulated period. The program has set out a scoring system based on criteria that would establish a prioritization of potential projects and applicants to move forward to conditional award. Prioritization factors are used to guide reviewers in evaluating applications. The total points from the scoring criteria are reviewed to prioritize the issuance of commitment letters for completed applications without deficiencies. For all applications, the following factors will be prioritized in reviewing and recommending conditional awards:

- Projects in HUD-designated Most Impacted and Distressed areas

- Private, for-profit borrowers will be prioritized over non-profit entities
- Rehabilitation projects will be prioritized over New Construction or Reconstruction projects
- Properties damaged by the specific disasters identified above (Hurricanes Laura/Delta or Hurricane Ida/2021 Floods) over properties that were not damaged in the disasters

There is no minimum score an application must receive to qualify for a conditional award. Once in conditional award, applications will move forward based on finalization of reviews and resolution of any outstanding project information or resolutions for closings.

LAURA & DELTA BORROWERS: RRDP Application Review Metrics:

CRITERIA	DESCRIPTION	POINTS
Location	**Most Impacted and Distressed Areas**: Projects not located in the Most Impacted and Distressed Areas will be given zero points for this criterion.	30
Project Type	**Slum and Blight Property**: Points are given if the property is officially recognized as "Slum and Blight" by the local planning office. Otherwise, it receives zero points.	20
Resiliency	**Resilient Construction Standards**: Points are awarded for new construction or proposed substantial rehabilitation must incorporate resiliency standards:	30
	Impact-resistant windows or storm shutters (10 points)	
	HVAC elevated 3' above the Base Flood Elevation (BFE) (10 points)	
	Waterproof floor covering (10 points)	
Project Type	**Rehabilitation Project:** To receive points for this criterion, proposed project must be a rehabilitation project. Proposed new construction developments will be given zero points for the criterion.	20
Total Points		**100**

IDA & MAY 2021 BORROWERS: RRDP Application Review Metrics:

CRITERIA	DESCRIPTION	POINTS
Location	**Most Impacted and Distressed Areas**: Projects not located in the Most Impacted and Distressed Areas will be given zero points for this criterion.	30
Project Type	**Slum and Blight Property**: Points are given if the property is officially recognized as "Slum and Blight" by the local planning office. Otherwise, it receives zero points.	20
Resiliency	**Resilient Construction Standards**: Points are awarded for new construction or proposed substantial rehabilitation must incorporate resiliency standards:	30
	Impact-resistant windows or storm shutters (10 points)	
	HVAC elevated 3' above the Base Flood Elevation (BFE) (10 points)	
	Waterproof floor covering (10 points)	

Project Type	**Rehabilitation Project:** To receive points for this criterion, proposed project must be a rehabilitation project. Proposed new construction developments will be given zero points for the criterion.	20
Total Points		**100**

10.0 CONDITIONAL AWARD, ENVIRONMENTAL REVIEW AND CLOSING

10.1 Conditional Award

Following completion of the Eligibility Core Review, if the Application has been confirmed to meet the Program eligibility requirements, a Conditional Award letter is issued to the Applicant, identifying:

- Maximum amount of funding a specific Application may receive,
- Any outstanding "conditions" or deficiencies that the applicant must resolve prior to closing on award funds,
- The condition that the funds are contingent upon the successful completion of an Environmental Review.

10.2 Environmental Review

Applications with a Conditional Award letter are then moved to have an Environmental Review undertaken by the LHC, managed under the LHC Environmental Impact Manager, and recorded and tracked in the program system of record (HMS). All Environmental Review elements and statuses will be reflected in the Environmental Review checklist as updated by LHC Environmental Reviewers.

The HUD environmental review process must be completed before any funds are committed through a grant agreement and disbursed for Program eligible activities. No work may start on a proposed project before the environmental review process is completed.

The primary objectives of the HUD environmental review are to identify specific environmental factors that may be encountered at potential project sites and to develop procedures to ensure compliance with regulations pertaining to these factors. All CDBG-DR funded projects and activities must have documentation that they followed NEPA and all other environmental requirements.

Laws and regulations which contain environmental provisions that must be complied with include:

- Noise and Abatement Control
- Historic Preservation
- Coastal Zone Management
- Environmental Justice
- Water Quality
- Air Quality
- Floodplain Management
- Wetlands Protection
- Manmade Explosive & Flammable Hazards
- Flood Insurance Requirements
- Contamination & Toxic Substances
- Wild & Scenic Rivers
- Endangered Species
- Farmland Protection
- Airport Hazards
- Coastal Barrier Resources
- Sole Source Aquifers

The ERR process is determined by the type of construction or activities proposed. The general timeline for an environmental assessment ("EA") that requires a Phase 1 report for new construction or reconstruction is 120-180 days from the receipt of a comprehensive environmental review record ("ERR"). Construction projects will also have to complete the Tribal Consultations process as required. After the review of the ERR is complete, the responsible entity must make a finding of no significant impact (FONSI) determination. Once it has been made, the notice of intent (NOI) to request the release of funds (RROF) public notice period can be initiated. When this public notice period is over, the RROF package is prepared, signed, and submitted to HUD where the objection period is initiated. At the completion of this period, HUD provides an authorization to use grant funds (AUGF) which is the final step of the ERR process.

A project that consists only of rehabilitation of an existing unit (that does not alter an existing footprint) would not require an EA and could potentially be completed quicker.

The RRDP program will utilize the Phase 1 clearance already completed by OCD where applicable, which should allow ways to expedite the environmental review process in certain cases.

10.3 Financial Closing

A. Lender's Participation and Conditions

Lenders are asked to use standard RRDP Loan Documents at each Closing. RRDP Loan Documents will be prepared and distributed in advance of the Application Period by the LHC. If Lenders do not choose to execute LHC Loan Documents, they are permitted to use their own loan documents. In no event should the lender’s loan documents obligate the Borrower to interest and costs not approved by LHC or include any prepayment penalty.

An application must identify all Lender fees to be charged to an Eligible Borrower, including Lender Application Processing Fees, Lender Commitment Fees, Lender Closing Fees, Lender Legal Fees, and Lender Construction Monitoring Fees. Costs associated with closing of the permanent loan are to be advanced from the Construction Loan, which includes any filing fees and lender policy of title insurance issued by Construction Lender closing agent. All Lender fees must be reasonable and are subject to review and approval by the LHC.

B. Construction Loan Document Requirements

Eligible Borrowers will be required to execute a Conditional Commitment of RRDP Funds upon award of a Take-out Commitment that must be acknowledged by the Construction Lender.

LHC-approved financing documents (“RRDP Loan Documents”) must be executed at Closing. RRDP Loan Documents may include the form of a Lender’s Construction Note and Construction Mortgage and other RRDP Loan Documents being submitted for the Qualified Project.

The form of the Rental Restoration and Development Program Regulatory Agreement (“RRDP Regulatory Agreement”) must be executed and recorded at the Closing of the Construction Loan. Lenders will be required to submit to the LHC (within five Business Days of Closing) a docket (“Closing Docket”) containing all RRDP Loan Documents, including Other Required Documents and Proceedings identified in a standard Index of Closing Documents (“Closing Index”) that the LHC will approve in advance of Closing.

Similarly, a Borrower using non-borrowed funds to finance construction must submit to the LHC a Closing Docket and arrange to commence construction financing using Other Required Documents and Proceedings identified in the Closing Index that the LHC will approve in advance of Closing.

C. Rental Restoration and Development Program Regulatory Agreement (RRDP Regulatory Agreement)

The RRDP Regulatory Agreement will be legally binding for both the Eligible Borrower and its subsequent successors, persisting through the Affordability Period. Contains federal compliance requirements and loan terms.

11.0 PROJECT CONSTRUCTION

Construction is expected to begin within 90 days from the date of the closing and the Notice to Proceed is released. Construction is not to exceed 18 months from the contract execution date. Any delays in construction from the contract execution date must be communicated to LHC with justification as extraordinary delays can lead to violations of CDBG-DR regulations.

Documentation of Construction

- Construction progress supervision falls to the Lender or LHC. Construction payments require backing by detailed invoices, verified by LHC.
- The Eligible Borrower will be required to provide proof of payments either by EFT, check, or money order to the Contractor performing the construction services.
- Cash payments to contractors are not permissible evidence of payment.

In the case of a change in circumstances or unpredicted situations, the project may require a change order to the original scope or budget. Change orders will be reviewed and approved only on an as-needed basis. No change orders should be undertaken unless there has been expressed written approval from LHC.

LHC Construction & Compliance Monitoring division inspects all work on the project, at the request and coordination of the RRDP manager. The invoices and status reports can trigger the engagement with the LHC Construction & Compliance Monitoring division to schedule an inspection when projects have met milestones.

At the completion of work, the RRDP staff or designee performs a final walk through of the property, noting any deficiencies that must be cured before the final payment is made. A punch list is drafted by LHC and provided to Borrower. The punch list includes photographs, indicating the location of each item which must be completed. Once all items from the punch list are completed, the Borrower receives final payment from the program.

12.0 COMPLIANCE: OCCUPANCY AND AFFORDABILITY REQUIREMENTS

12.1 Period of Affordability

The RRDP requires Qualified Households to occupy the residential housing units in a Qualified Project on and after the conversion date, which will be determined based on the type of proposed construction:

- A period of five (5) complete calendar years for all rehabilitation
- A period of ten (10) complete calendar years for all reconstruction and new construction
- A period of twenty (20) complete calendar years for all new construction consisting of 5 or more units in accordance with HOME program standards of 24 CFR 92.252(e)

The Affordability Period and percentage of AMI for each Qualified Household in a Qualified Project will be specified in the take out commitment and the permanent loan documents as of the conversion date. This date will normally reflect five (5), ten (10), or twenty (20) years after the initial lease-up by a qualified tenant.

All residential housing units following completion must be occupied by households at or below eighty percent (80%) of area median income (AMI).

12.2 Occupancy Standards During Affordability Period

General Requirement: Post-completion, all housing units should house Qualified Households with earnings at or below 80% of the AMI.

For Qualified Projects consisting of more than four units, RRDP stipulates the following Set-Aside Units:

Residential Unites	Qualified Household Earnings	Set-Aside Unites
4 or fewer	**80% AMI or Lower**	**None**
5	**80% AMI or Lower**	**One (for 50% AMI households)**
6-7	**80% AMI or Lower**	**Two (for 50% AMI households)**

For Non-Profit Organizations (NPOs), the above is the standard unless they opt to set aside for households with incomes at or below 50% of the AMI. It's vital that all units are leased to qualified tenants to initiate the period of affordability.

12.3 Insurance Protocols During Affordability Period

Insurance Requirements During Period of Affordability
All funded projects are required to carry hazard insurance and flood insurance, irrespective of whether such insurance is required by other parties, and without regard to the siting of the property outside the SFHA. Projects must carry the lesser of full replacement coverage or the maximum available NFIP insurance on all individual buildings.

12.4. Affirmative Marketing Plan and Tenant Selection Policy

An awarded Borrower must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs or those impacted by the noted disasters.

In an addendum to the application, Borrowers shall coordinate with the identified management company to determine the Tenant Selection Policy. This policy should lay out all of the criteria used in the decision-making process to reasonably determine a renter's likelihood of acceptance to the affordable housing property. The policy must include a nondiscrimination statement, describe any appeals process, and document affirmative marketing steps including reasonable accommodations if a renter is disabled.

12.5 LHC Website Listing of Qualified Projects

Eligible Borrowers are required to feature each Qualified Project on the LHC's official website, accessible at: https://LaHousingSearch.org.

12.6 Default and/or Early Opt Out Provisions

If a Qualified Project defaults or a Borrower chooses early RRDP withdrawal during the Affordability Period, the ensuing repercussions are:

- 5-year period: No loan forgiveness until the close of the 5th year. Opting out before this requires full loan repayment.
- 10-year period: Forgiveness commences post the 6th year, with a 20% annual forgiveness rate for years 6-10, culminating in complete forgiveness by year 10.
- 20-year period: Forgiveness starts after the 10th year, with a 10% annual forgiveness rate for years 11-20, resulting in total forgiveness by year 20.

Affordability Period	Forgiveness Begins	Forgiveness Rate
5 Years	**End of 5th Year**	**100%**
10 Years	**End of 6th Year**	**20% per year for years 6-10**
20 Years	**End of 10th Year**	**10% per year for years 11-20**

13.0 REPORTING & CLOSE OUT

Borrowers are reminded that they are responsible for monitoring their own project and the performance of their contractors and property managers. To do this, at minimum Borrowers must:

- Keep records sufficient to demonstrate to LHC that CDBG-DR RRDP funds have been spent appropriately and within the intent of the program and compliant with its regulations.
- Provide information regarding their annual performance in annually administering the funds so that the State can report the information and make it available to OCD and HUD and the public for review.
- Project records must be kept for 3 years after the close out of the grant funds.

Borrowers developing affordable rental units are responsible for rental projects are required to submit a Rental Housing Project Compliance Report each month in order for LHC to complete its required Quarterly Reporting to OCD. The report should document the current rents charged and income of occupants.

Rental project monitoring must occur during the first year of occupancy and at minimum, every three years thereafter during the affordability period. The focus of the first visit is broader as it must address a range of compliance requirements in project implementation, marketing and rent-up. Subsequent monitoring can focus more narrowly on occupancy compliance.

14.0 HOUSING MANAGEMENT SYSTEM (HMS)

The Rental Restoration and Development Program System of Record will be LHC's Housing Management System (HMS), based on a Quickbase platform. The system permits real-time reporting and workflow management of the RRDP application process detailed above.

HMS further enables the Program to interface with LHC Monitoring and the trusted partner third-party title search group and securely share Application data and documentation.

The Housing Management System also generates and distributes all standardized Program messages including:

- Completion of Application
- Review Status Updates
- Notice of Document Deficiencies
- Notice of Ineligibility
- Notice of Noncompliance
- Conditional Award Commitment Letter
- Notice of Title Deficiency

15.0 APPENDICES & LETTER TEMPLATES