LOUISIANA HOUSING CORPORATION ("LHC")

NOTICE OF FUNDING AVAILABILITY AND PROGRAM IMPLEMENTATION GUIDELINES FOR MULTIFAMILY CDBG-DR LOAN FUNDING

Middle Market Loan Program (MMLP)

Initial Publication: Friday, August 11, 2023

Contents++

1. General Program Terms

1.1. Overview

The Louisiana Housing Corporation ("LHC") hereby releases this Notice of Funding Availability and Program Implementation Guidelines ("NOFA" or "Program Description") for the availability of **Fifty-Six Million One Hundred Thousand Dollars** (**$56,100,000.00)** in Community Development Block Grant Disaster Recovery (CDBG-DR) funds (see §1.2, Funding). These CDBG-DR funds have been allocated by HUD for recovery activities related to flooding events resulting from Hurricanes Laura and Delta in 2020 and Hurricane Ida in 2021. Per this NOFA, one-half of these funds are available for projects located in the HUD-determined Most-Impacted and Distressed Parishes affected by the Hurricanes Laura and Delta and one-half of these funds are available for projects in the HUD-determined Most-Impacted and Distressed Parishes affected by Hurricane Ida (see "Eligible Parishes Laura-Delta" and "Eligible Parishes Ida", at §11, Definitions).

This NOFA is designed to provide funding for the development of multifamily affordable housing, as stipulated herein. Applicants may **not** combine CDBG-DR funding available through this NOFA with Low Income Housing Tax Credits (LIHTC). Projects to be funded hereunder must primarily provide 'middle market' housing, in which (a) 51% of units must be set aside for households which (i) earn at or below 80% of Area Median Income ('AMI') at move-in and (ii) pay no more than thirty percent of 80% of AMI for rent plus utilities, and (b) up to 10% may be set aside for households which (i) earn at or below 90% of Area Median Income ('AMI') at move-in and (ii) pay no more than thirty percent of 90% of AMI for rent plus utilities, and up to 10% may be set aside for households which (i) earn at or below 100% of Area Median Income ('AMI') at move-in and (ii) pay no more than thirty percent of 100% of AMI for rent plus utilities, and (c) the remainder of households will not be restricted as to income or rents. All developments funded through the Program are to primarily benefit moderate-income populations (and therefore, units may not be restricted as to rents or income at move-in below 80% AMI other than those units reserved for PSH). See §3, Affordability Mix.

It is the desire of LHC to invest CDBG-DR funds into at least two qualifying projects for Laura-Delta-eligible projects and at least two qualifying projects for Ida-eligible projects, as determined through the competitive scoring approach established in this NOFA. See §6, Scoring Criteria. However, LHC will award to the highest scoring application, and will fund other applications only to the extent permitted by available funds.

This Middle Market / CDBG-DR program, hereinafter referred to as 'Middle Market Loan Program', 'MMLP' or 'the Program' is subject to the State of Louisiana's HUD-approved Master Action Plan for the Utilization of Community Development Block Grant Funds in Response to 2020 and 2021 Federal Declarations in Louisiana, as amended. The Program's objective is to create multifamily rental units by primarily using conventional financing and CDBG-DR funds. MMLP is a competitive program and through its design requires housing to feature certain disaster-resilience characteristics (see §5, Mandatory Disaster Resilience Criteria). Further requirements and program priorities are enumerated throughout this Program Description.

All CDBG-DR Funds will be awarded in the form of a cash flow-based second mortgage loan payable from quarterly Cash Flow Available for Distribution. CDBG-DR Funds will be loaned at an interest rate selected by the applicant and will be payable from Cash Flow Available for Distribution, net refinancing proceeds and net sales proceeds based on terms and conditions further detailed herein, and will be fully repaid no later than Year 20. See §7, CDBG-DR Loan Terms.

1.2. Funding

Fifty-Six Million One Hundred Thousand Dollars (**$56,100,000.00)** in CDBG-DR funds will be made available through this NOFA. Within this total, **Twenty-Three Million and Fifty Thousand Dollars ($23,050,000)** will be available to projects within Ida Eligible Parishes and **Twenty-Three Million and Fifty Thousand Dollars ($23,050,000)** will be available to projects within Laura-Delta Eligible Parishes (see §11, Definitions) The highest scoring projects within each of these groups will be awarded until the funds are exhausted, subject to the provisions herein. If the available funds remaining are insufficient to fund a proposal as submitted, LHC reserves the right but is not obligated to (a) invite that applicant to resubmit requesting no more than the amount of funds available, or (b) to increase funding, or (c) to decline to issue an award. The funding amount promulgated herein is subject to upward or downward adjustment by LHC.

1.3. Eligible Uses

CDBG-DR funds awarded under this NOFA will only reimburse eligible costs incurred to develop a project. No CDBG-DR funds will be paid to reimburse a project cost unless the electronic Funds Requisition Form with back-up AIA certification, invoices and receipts are submitted and approved. No funds will be disbursed until all funding commitments and grant agreements are signed and environmental conditions are satisfied.

Real estate purchases from affiliated persons or entities must be supported with an appraisal, acceptable to LHC in its sole discretion. All construction / rehabilitation costs must be included as individual budgeted items and funds must be drawn on a schedule approved by LHC, in its sole discretion.

Notwithstanding appraised value, LHC retains the right to determine that net proceeds to an affiliated seller are excessive in relation to the proposed expenditure of CDBG-DR funds, and to reject transactions in which LHC's funds are not efficiently resulting in affordable housing. This determination will be at LHC's sole discretion, will not be subject to appeal, and any application submitted under this NOFA acknowledges the foregoing.

Eligible uses are those costs which are not enumerated at 24 CFR §570.207, as amended.

1.4. Eligible Projects

All borrowers must be single asset entity limited partnerships ("LPs") or limited liability companies ("LLCs"). General Partners of LPs and Managing Members of LLCs may be for- or non-profit entities. All projects must combine CDBG-DR in second lien position with conventional mortgage financing in a first lien position.

Eligible projects must be located in a HUD-determined Most Impacted and Distressed Parish (or zip code within a parish). These specifically eligible areas are delineated at §11, Definitions, under the defined terms 'Ida Eligible Parishes' and 'Laura-Delta Eligible Parishes'.

Eligible projects must include market-rate units (units unrestricted as to rent and initial household income) but must also include affordable units (restricted as to rent and initial household income). Set-aside requirements are as follows, as further described at §3.1, Set-Aside Requirements:

- Eligible projects must set aside 2% of units as PSH units, at rents affordable at 20% AMI, and for occupancy by households at or below 30% AMI. These units will be eligible for PSH Vouchers and must be made available pursuant to the PSH Program requirements. These units are included in the 51% required to be restricted at or below 80% AMI (see next item).
- 51% of the units must be restricted to rents at or below 80% of AMI and reserved for households with initial household incomes (i.e., at move-in), at or below 80% of AMI, for the duration of the CDBG-DR Period of Affordability.
- Up to but not exceeding 20% of units may be set aside at rents affordable to households at 90% AMI and/or 100% AMI and restricted to households at income levels corresponding to these rent restrictions.

Eligible projects will occupy a single contiguous site, unless otherwise approved in advance of submission of an Application.

Eligible projects must have site control. Site control requires ownership or an option to purchase which is valid at submission of the Application and for which the Applicant has the right to extend through the Closing Date. Note that violations of CDBG rules related to choice-limiting actions apply and violations of these rules will result in disqualification of the Application.

Eligible projects must contain no fewer than sixty (60) residential, rental dwelling units.[1]

Eligible projects must have a market rent determination in which market rents are in excess of 100% AMI (i.e., 30% of 100% of Area Median Income, adjusted for household size minus an allowance for utilities), for each unit type.[2] For applicants proposing to additionally set aside units with rents restricted at 90% of AMI for households at 90% of AMI, the market rent must be equal to or greater than the rent which would be equal to 30% of 110% of area median income, adjusted for household size. For applicants proposing to additionally set aside units with rents restricted at 100% of AMI for households at 100% of AMI, the market rent must be

[1] Model and staff units are not included in the total for this purpose.

[2] For example: if the Area Median Income for the Parish is $75,000, this represents 100% AMI for a four-person household. For a 2BR unit, this would be adjusted to an imputed three-person household (90% of the four-person amount, or $67,500). The affordability standard for housing costs (rent plus utilities) is 30% of income. Assuming utility costs of $150, the 'market rent' for a 100% AMI, 2BR household would be: $67,500 X 30% = $20,250; divided by 12 months = $1,687.50; minus the utility allowance of $150 = $1,537.50. Therefore, if the AMI is $75,000, a 2BR market rent of $1,537.50 is 'affordable' to a household earning 100% of AMI. Or, the market rent of $1,537.50 is equivalent to a 100% AMI rent.

equal to or greater than the rent which would be equal to 30% of 120% of area median income, adjusted for household size.

An applicant may submit no more than one individual application. No application may have affiliated sponsorship with any other application.

Eligible projects may be New Construction or Adaptive-Reuse/Rehab, or a combination thereof. No project will be eligible if it is currently occupied by rental households, and which would require displacement or would otherwise trigger the requirements of the Uniform Relocation Act. Adaptive-Reuse/Rehab projects are permitted when they can otherwise fully comply with this NOFA, including the disaster resiliency criteria.

Reserve for Replacement deposit requirements from operating revenue do <u>not</u> apply. See §8.1, Replacement Reserve Deposit Requirements.

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

Eligible projects must comply with all application requirements, including but not limited to submission of a complete and fully developed application for award of funding, and timely response to questions and concerns put forth by LHC by the deadline imposed by LHC for such responses.

Eligible projects will contain no provisions regarding lease-to-own, or allowing short-term rental.

1.5. <u>Ineligible Applicants</u>

The following applicants are Ineligible Applicants:

- Any person or entity (or affiliate thereof) on the federal debarred list, or an organization controlled by such person or entity on that list.
- Any person or entity (or affiliate thereof) that received notice that they are currently out of compliance with the Louisiana Housing Corporation ("LHC") and/or Louisiana Office of Community Development ("OCD") regarding annual audits or who are in arrears on payments of LHC/OCD loans.
- Any person or entity that currently owns or controls an LHC- and/or OCD-financed project with outstanding issues of non-compliance that are unresolved for greater than 90 days as of the date of the application submission.

1.6. <u>Various Scoring Explained</u>

Applicants must consider two different scoring systems.

- Minimum Enterprise Green Communities (EGC) Score—All applicants are required to obtain EGC certification. EGC requires certain mandatory elements and provides a number of optional elements. EGC optional elements are associated with optional points. EGC certification requires new construction properties to score at least forty (40) optional EGC points; this NOFA reflects this requirement, but further requires specific 'options' to be selected. This is a threshold item: all properties must achieve at least 40 EGC points; these points are not considered when competitively scoring this NOFA.

- NOFA Scoring Points—Funds will be awarded under this NOFA based on a competitive score, which allocates points as enumerated at §6, Scoring Criteria. There are 100 total available points.

1.7. Prior Awards

No awards under this NOFA may be combined with prior awards issued by the LHC/OCD, including those which have not yet closed and those which have closed and have not yet been fully funded.

1.8. Non-Assignability of Application and Award

The entity or individual submitting an application for CDBG-DR must be a principal of the proposed development team with the legal authority to execute a legal agreement on behalf of the LP or LLC ownership entity with LHC. All awards made will be to the proposed or established single-asset entity LP or LLC identified in the application and will be addressed to the principal of that entity submitting the application. Any assignment of such an award without the prior, written consent of LHC may, at the sole discretion of the LHC, immediately and irrevocably void the award. Any change in the proposed ownership from that which is stipulated in the application will constitute an assignment.

1.9. Strictly Enforced Deadlines

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

- CDBG-DR awards may be terminated at any time prior to the CDBG-DR award expiration date due to the absence of project productivity. CDBG-DR funds advanced prior to the termination of a project (whether voluntary or involuntary) must be repaid to LHC.
- Applicants must submit a project schedule in their application submission and must adhere to the project schedule included in their application submission (and that schedule must conform to the schedule outlined §10.6, Required Dates and Deadlines. Adherence to the schedule will also be a formal requirement of any award.

1.10. Project Readiness Requirement: Funding commitments

The Application must demonstrate and include commitments for all funding sources, to the satisfaction of LHC. Commitments for all non-CDBG sources of funding must meet the following requirements:

- All commitments must be dated after the publication date of this NOFA.[3]
- LHC reserves the right to require updated commitments as it deems necessary.
- All conditions contained in commitments shall be subject to determination by LHC as to reasonableness. LHC may reject any commitment (and deem the application deficient) if, in the sole discretion of LHC, any condition is outside of market requirements and/or is unlikely to be satisfied.
- No aspect of a funding commitment may conflict with any NOFA requirement.

[3] If an Applicant has an earlier commitment for financing which is dated prior to the date of publication of the NOFA, such commitment must be updated, and such update must be subsequent to the date of NOFA publication.

2. CDBG Limits

2.1. Funds Available, Maximum and Minimum Funding

No CDBG-DR award may exceed Two Hundred Thousand Dollars ($200,000) per residential dwelling unit.[4]

No CDBG-DR funds award may exceed Fifteen Million Dollars ($15,000,000) in total funding to any single project.

There is no ceiling on Total Development Costs (TDC).

2.2. Developer Fee

This program will permit a developer fee, in an amount no greater than $25,000 per residential unit, and only to the extent it can be paid from development sources (i.e., there will be no 'deferred developer fee' in the transaction in a development which otherwise conforms with this NOFA). This fee may be paid 25% at closing, 25% at 50% construction completion, and 50% at construction completion.

[4] The staff unit(s) and model unit (if any) are excluded from this calculation.

3. Affordability Mix

3.1. Set-Aside Requirements

The affordability requirements must conform to the following:

- 51% of units must be designated as restricted as to rents and income at 80% of AMI (hereinafter 'Moderate-Income Units').[5] Applicants may not propose more units be set aside as Moderate-Income Units than are required to produce the required 51% of units. Households occupying these units must earn no more than 80% of AMI[6] at move-in, and rents for these units may not exceed 30% of 80% of AMI, adjusted for imputed household size, less the utility allowance.
- 2% of total units must be set aside as Permanent Supportive Housing (PSH), subject to the award of vouchers, and referral of qualifying households.[7] These units will qualify as Moderate-Income Units and will count within the 51% which must be set aside as Moderate-Income Units.
- Provided market rents are affordable only to households earning equal to or greater than 110% AMI,[8] up to an additional ten percent (10%) of units may be designated as restricted to households earning less than 90% of AMI, with rents restricted to 30% of 90% of AMI, adjusted for imputed household size, less a utility allowance.
- Provided market rents are affordable only to households earning equal to or greater than 120% AMI, and if a percentage of units are set-aside as restricted to households earning less than 90% of AMI, up to an equal number of units to those set aside at 90% AMI may additionally be designated as restricted to households earning less than 100% of AMI, with rents restricted to 30% of 100% of AMI, adjusted for imputed household size, less a utility allowance.[9]

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[5] The percentage must be the lowest percentage resulting from the allocation of units to the low-mod requirement, which is equal to or greater than 51% of total units; i.e., enough units to achieve the 51% requirement, but no more.

[6] The applicable AMI for this requirement will be the most recently HUD published AMI in effect at the time the 12-month lease is entered. For application purposes, the applicable AMI is the HUD published AMI in effect as of the application submission date.

[7] The percentage must be the lowest percentage resulting from the allocation of units to the PSH requirement, which is equal to or greater than 2% of total units. If a voucher contract is not tendered by the LHC, the PSH requirement shall not apply and the 'PSH unit' will become a Moderate-Income Unit.

[8] If a household earning 100% of AMI is spending equal to or less than 30% of income toward **market rent plus utilities**, then the market rent is affordable at 100% AMI income. OCD will not permit developers to incrementally commit to set asides for units at 90% and 100% AMI, unless market rents are above 100% and 110% AMI, respectively.

[9] Applicants should note that while 51% of units must be set aside at or below 80% AMI, set asides at 90% and 100% are optional; however, such set asides will contribute to the project's Affordability Value (see §6.1, Scoring Criteria Based on Transactional Economics, 75 Possible Points.

- All remaining units must not be subject to any maximum income-qualification requirements or rent limits and will be referred to as 'market rate' units.

All affordability restrictions will have a duration of twenty years. See §3.2, Affordability Term and End-of-Term Transition.

Model units are not counted as residential dwelling units and are not included in the calculation. Staff units are not counted as residential dwelling units and are not included in the calculation.

Qualifying projects may not utilize any additional financing which imposes affordability requirements which differ from the above requirements.

Affordable units will not be 'fixed' (designated as specific units within the property). Affordable units will 'float' such that the next available unit must be rented to an income qualifying household at a restricted rent, if at the time the next unit becomes available the established set-aside requirements are not met.

PSH units are subject to the award of a PSH Voucher Contract from the Louisiana Department of Health (LDH). Such PSH Units are strongly preferred to be one-bedroom units. These units will receive project-based subsidies and rents should correspond to the payment standard, less the utility allowance. Household incomes may be up to 30% AMI at move-in.

PSH residents will have access to supportive services through the LDH and its supportive service provider network. PSH will be operated pursuant to the terms and requirements of the PSH program. Note that if a voucher contract is not offered by the LHC or PSH units are not referred tenants through the Louisiana Department of Health within the timeframes set forth in the PSH Set-Aside Agreement, these units may be rented to non-PSH households with incomes at or below 80% AMI, at rents not to exceed 80% AMI, less the utility allowance. For more information on the PSH program, see §12, PSH Program Summary.

3.2. Affordability Term and End-of-Term Transition

All affordability will be deed-restricted for 35 years. However, to correspond with the anticipated maturity of the Refinanced First Mortgage LHC shall agree within the loan documents to release the affordability after 20 years, provided the property has performed in compliance with the deed restriction, and the CDBG-DR loan principal and outstanding accrued interest is repaid (in full or in part) pursuant to the terms of the CDBG Loan Agreement. The CDBG-DR Regulatory Agreement will be recorded superior to the First Mortgage; the CDBG Regulatory Agreement will survive foreclosure. The following guidelines will apply to the leasing of units as the property's period of affordability is released or expires.

- Existing leases must be honored, borrower may not increase rent during the term of a lease on a rent-restricted unit, irrespective of the status of the CDBG Regulatory Agreement.
- Borrowers must offer a 12-month renewal at restricted rents to any tenant in good standing, whose lease expires with more than six months remaining prior to the date on which the affordability restrictions are projected to expire (i.e., the twentieth anniversary of

the Initial Compliance Date). However, borrowers may renew affected households month-to-month if the lease expires and there is less than six months remaining prior to the date on which the affordability restrictions are scheduled to expire.

- Vacant units: in the event a unit becomes vacant prior to the expiration of the affordability restrictions, that unit may only be rented to an income-qualifying household at restricted rents on a 12-month lease term if doing so is necessary to meet the set-aside requirements of the CDBG Regulatory Agreement. The lease term of such rentals is addressed above.
- Borrowers are cautioned to obtain LHC's written consent before leasing units in non-compliance with the CDBG Regulatory Agreement. Until the regulatory agreement is released, borrower is at risk of LHC's determination that the affordability was not achieved for the required twenty <u>consecutive</u> years.

4. Eligible Sites

Disaster Resilience of funded projects will be partly accomplished through project siting. Unless stricter requirements are required by any applicable law, in which case such requirements shall govern, the following rules shall apply:

- The building footprint (for buildings with residential units) may not be located within or partially within the Special Flood Hazard Area ("SFHA"). The SFHA may not be remapped or modified on the basis of a 'Conditional Letter of Map Revision Based on Fill'; the building footprint must be outside of the SFHA as mapped, without consideration for mapping revisions. Parking is not required to be at or above the building elevation requirements required in the NOFA.
- The building footprint may be in Zone B or X-Shaded (500-YR); however, all building mechanicals and finished residential floors must be built at elevations of no less than three feet above the higher of (a) the lowest point within the building footprint, or (b) the nearest road centerline.
- Irrespective of the Flood Insurance Rate Map ("FIRM") designation, the application must clearly establish whether the proposed building footprint experienced flooding in the 2016 Great Floods;[10] if the proposed residential building footprint was flooded, the plan must clearly address how such risks are mitigated, either through elevation above the Base Flood Elevation ("BFE"), flood proofing, or both.
- Irrespective of FIRM designation, the application must identify the flood risk exposure as indicated by the Coastal Protection and Restoration Authority's Master Plan Data Viewer.[11] To look up property in the Data Viewer - Select 'View Louisiana Coast'; Select 'View My Community'; Input the street address of the proposed property; Select 'My Info!'; Select 'My Flood Risk'; and on the right select 'Medium Scenario', 'With Plan', and '.2% Flood Event (500-Year)'. If your property is shown to be in a location with flood depth (the colored map), your plan must address how you will withstand such a future, equal flooding event. Such mitigation may be by means other than elevation.
- For historic buildings located in a SFHA, if the residential units are above the required elevation noted above, and applicant satisfies all other requirements above, the site will qualify as eligible.

[10] Applicants are strongly advised to consult the local floodplain manager in the jurisdiction in which their proposed project is located to determine whether and to what extent their proposed site was impacted by the 2016 floods.

[11] https://cims.coastal.louisiana.gov/masterplan/).

5. Mandatory Disaster Resilience Criteria

In addition to complying with Louisiana State Uniform Construction Code (LSUCC) and local planning and zoning requirements, properties constructed with CDBG-DR funds awarded under this NOFA will be required to adhere to the LHC QAP Design and Construction Standards.[12] Applicants must request—within their application under this NOFA—waivers for any current, applicable QAP[13] Design and Construction Standards which conflict with required or proposed resilience measures, or which the applicant otherwise asserts would be cost-ineffective or unattainable. LHC may grant these waivers unless there is a specific rationale for not doing so which outweighs impact of the measure toward the property's disaster resilience. Note that a central element of disaster-resilience under this NOFA is project siting. See §4, Eligible Sites.

All properties funded under this NOFA will—at a minimum and in addition to specific siting and elevation requirements—be required to meet the FORTIFIED Multifamily Gold standard (see §5.1, Meets IIBHS FORTIFIED Multifamily Gold Standard, and will achieve Enterprise Green Communities certification (2020) (see §5.2, Enterprise Green Communities (EGC) Certification).

If FORTIFIED Multifamily Gold or EGC criteria is determined to not have been met at construction completion, CDBG retainage may not be released and applicants and their affiliates may be ineligible to receive future CDBG awards though OCD and/or LHC for a period to be determined by these entities, in their sole discretion. IIBHS will adjudicate achievement of the FORTIFIED Multifamily Gold Standard. Enterprise will adjudicate whether the EGC criteria have been met.

5.1. Meets IIBHS FORTIFIED Multifamily Gold Standard

The Insurance Institute for Business and Home Safety ("IIBHS") FORTIFIED Multifamily Gold Standard[14] is concerned with the application of proven technologies, materials, and techniques in (a) the design and installation of the roof system for enhanced performance, (b) building envelope protection and reduction of business operations downtime, and (c) enhanced structural performance, including a continuous load path from roof to ground. Such requirements are generally recognized by the insurance industry as superior in terms of their ability to withstand wind and weather-related impacts, ensuring rapid recovery of operations in the aftermath of a major weather event. LHC anticipates that there will be an incremental cost for construction to this standard. Certification by the IIBHS, through its contractor, is required.

[12] Note that **no** Low-Income Housing Tax Credit allocation applies, and the 2022 LHC QAP does not generally apply to projects awarded hereunder. However, OCD will by reference incorporate and require awarded projects be built consistent with the LHC's Design and Construction Standards, as found in the LHC's Qualified Allocation Plan document.

[13] The applicable Qualified Action Plan (QAP) will be the one most recently published prior to the issuance of this NOFA.

[14] https://fortifiedcommercial.org/wp-content/uploads/Fortified_Commercial_Wind_Standards_2020.pdf

5.2. Enterprise Green Communities (EGC) Certification

All awarded projects must meet the 2020 Enterprise Green Communities Criteria. Properties must receive post-construction certification from Enterprise. For a summary of the mandatory criteria required under Enterprise 2020 Green Communities standards refer to https://www.greencommunitiesonline.org/sites/default/files/2020_green_communities_criteria_checklist.pdf.

Note that EGC certification requires that all EGC Mandatory criteria be achieved, and projects must also achieve at least 40 EGC Optional points. Within these EGC Optional points, this NOFA requires applicants to select: 1.6 Resilient Communities: Multi-Hazard/Vulnerability Assessment (10 points); 3.5 Surface Stormwater Management (6-10 points); 4.7 Access to Potable Water During Emergencies (8 points); 5.9 Resilient Energy Systems: Floodproofing (8 points) and 5.10 Resilient Energy Systems: Critical Loads (8 points). Accordingly, all of the EGC optional points are mandated by this NOFA as specific items concerned with disaster resilience. There is no preference in this NOFA for properties which achieve more than the required minimum of 40 EGC Optional points under the EGC criteria, or the 40-44 points stipulated by this NOFA.

6. Scoring Criteria

MMLP funds will be awarded based on a scored application verified by LHC. 100 points are available in this scoring structure. Awards will be made to the highest scoring applicant(s) applying under each Laura-Delta and Ida.

CDBG-DR Scoring will be based on the criteria enumerated within this Section.

6.1. Scoring Criteria Based on Transactional Economics

A total of 75 possible points will be awarded to the application with the greatest CDBG Efficiency Score. This score is based on Affordability Value, relative to net CDBG investment—This will measure the difference between market and restricted rents over the 20-year period of affordability, in relation to the projected net cost of the CDBG (initial investment, less repayments on a Net Present Value basis).

In calculating a proposed project's CDBG Efficiency Score, the applicant will commit in the application to certain terms regarding repayment of the CDBG. These terms will be binding in the Award, and the Loan Agreement. CDBG Efficiency Score is a function of (a) CDBG requested, as offset by (b) Affordability Value, plus (c) Repayment of CDBG. These elements are discussed below; see also §7, CDBG-DR Loan Terms:

6.1.1. CDBG Requested

This amount will be calculated by the Scoring Model (BASIC INPUT C70)[15], based on the Applicant's inputs for Total Development Cost (C66), and Other Sources (C68). The Scoring Model will determine supportable First Mortgage debt based on the applicant's inputs for income based on the unit mix (D11:H18), utility allowance (G20:G24) and market rents (H20:H24), and based on Projected Operating Costs (H88:H91), commercial income (if any) (H94), and Commercial Other Income (D95). Vacancy loss assumptions are fixed, as are mortgage sizing assumptions (7% interest rate, 1.20 DSCR, 30-year amortization).[16]

6.1.2. Affordability Value

This is the net present value of the total difference between market rents and restricted rents, over the 20-year period of affordability, as trended. As a simplified example, if the market rent in year-one was $1,000, and the restricted rent was $800, the market rent would be trended at 2.75% and the restricted rent would be trended at 2.5%, over 20 years. The sum of the restricted rent, as trended, over this period would be subtracted from the sum of the market rent, as trended, over this period. The difference would be the total of the below-market rent

[15] Model references to the MMLP LDI Scoring and Structuring Model, BASIC INPUT worksheet, here and in following citations.

[16] For purposes of scoring and sizing of CDBG, all applications will be based on these characteristics. An applicant may be able to obtain a higher or lower 1st, ultimately. If the 1st is higher or lower than shown in the application, the CDBG will be decreased or increased, commensurately, subject to the maximum award provisions of this NOFA (see §7.5, Reconciling Application to Actual).

reduction resulting from the MMLP Use Restriction, and would be termed the 'NPV of the Trended 20-Year Affordability Value'. This must be calculated by the Applicant using the 'MMLP Application Scoring Model' with inputs for the applicable Parish (C5) unit mix (D11:H15), utility allowance (G20:G24), and market rents (H20:H24). The market rents must match those determined in the Market Study (see §10.1, Letter of Intent and Market Study). The Affordability Value used in the CDBG Efficiency Score is the NPV of the Trended 20YR Affordability Value in the Scoring Model (C85).

6.1.3. Repayment of CDBG

Applicants will make four selections in their application related to the repayment provisions of the CDBG. These selections will correspond both to the amount of CDBG projected to be repaid, and its timing. This repayment is an element of the CDBG Efficiency Score.

- Applicant's Selected % of Cash Flow Paid on CDBG Note (C102)—Cash Flow shall be split between the LHC and the Borrower, with LHC receiving not less than the percentage of Cash Flow proposed by the Applicant in the Application, payable in quarterly installments. The first payment from Cash Flow Available for Distribution will be a percentage, specified by the Applicant in the application, paid on the CDBG Note. No other payments or deductions may be made or paid from Cash Flow Available for Distribution until the CDBG payment has been calculated and paid.
- Applicant's Selected Interest Rate on CDBG (C103). The Applicant may select an interest rate above 0%, in 0.25% increments; however, If the Applicant proposes an interest rate above zero, the MMLP-LDI Scoring and Structuring Model must indicate that the entire CDBG loan amount, including accrued and unpaid interest, will be repayable at Maturity.
- Percentage of Net Refinancing Proceeds at YR10 Paid to CDBG (C104). The Applicant must select a percentage of Net Refinancing Proceeds, which may not be below 25%, to be paid as debt service on the CDBG loan in the event of a year 10 (or other event prior to maturity) refinancing.
- Percentage of Net Sales Proceeds at YR20 Paid to CDBG Note (C105). The Applicant must select a percentage of Net Sales Proceeds, which may not be below 50%, to be paid as debt service on the CDBG loan upon maturity.

6.1.4. Converting the Score to Points

The CDBG Efficiency Score will be expressed as a percentage (C163). The application with the highest percentage CDBG Efficiency Score will earn 75 points. All other applications will earn points proportionally. For example, if Application Alpha scores 125% CDBG Efficiency, and Application Bravo scores 110% efficiency, Alpha will score 75 points, and Bravo will score 66 points (110% / 125%) = 88% X 75 = 66. Projects applying for Laura-Delta eligible Parishes will compete in one group, and projects applying from Ida-eligible parishes will compete in a separate group. Therefore, there will be one application from each group which achieves a score of 75 points for CDBG Efficiency.

6.2. Scoring Criteria Based on Applicant's Capacity and Experience

There are twenty-five (25) total possible points related to the Applicant's Capacity and Experience.

6.2.1. Prior Experience

A total of eight (8) points may be awarded in this subcategory. LHC seeks developers with prior, proven experience and capacity to develop a successful market-rate rental community and considers the volume of the applicant's prior production to be an important indicator of this capacity. The applicant with the greatest number of apartment units developed within the last seven years[17] will be awarded eight (8) points. All other applicants will be awarded points proportionately. For example, if Developer A has developed 500 units, Developer B has developed 375 units, and Developer C has developed 100 units, then Developer A will be awarded 8 points (500/500 X 8), Developer B will be awarded 6 points (375/500 X 8) and Developer C will be awarded 1.6 points (100/500 X 8). To permit otherwise qualified developers from being disadvantageously outscored by developers of significantly larger scale, the highest scoring developer in this category may not score more than five points greater than the second-highest scoring developer.[18] Scores will be rounded to the tenths decimal place.

6.2.2. Applicant Access to Capital to Complete Transaction

LHC seeks a developer with established access to capital. A total of seven (7) points may be awarded in this subcategory.

- 7 points. Applicant must provide recent[19] letter(s) from financial institution(s) through which it obtained construction and permanent financing previously, toward market-rate multifamily developments, stating facts concerning their **similar or greater** scale, successful completion, and repayment without acts of default, and indicating their interest in providing financing toward the proposed development.
- 4 points. Applicant must provide letter(s) from financial institution(s) through which it obtained construction and permanent financing previously, toward market-rate multifamily developments, stating facts concerning their **lesser but relevant** scale[20], successful completion, and repayment without acts of default, and indicating their interest in providing financing toward the proposed development.
- No points will be awarded to an Applicant who fails to submit letter(s) from financial institution(s) evidencing prior successful financing of market-rate multifamily developments

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[17] Based on the issuance of certificates of occupancy.

[18] Note, in the example given, Developer B is within five points of Developer A, so no adjustment is needed. There is no adjustment factor beyond the highest-scoring and second-highest scoring.

[19] 'Recent' means within the last seven years.

[20] A 'lesser but relevant' scale will be transactions in which the construction and permanent loan amounts are within 75% of the amounts proposed in the application.

sponsored by the Applicant, or to those Applicants submitting letter(s) from financial institutions attesting to prior experience with the Applicant at a scale not relevant to the proposal.

6.2.3. Developer Financial Strength

LHC seeks a developer with financial capacity to undertake the proposed development, including the ability to guarantee completion. A total of ten (10) points may be awarded in this subcategory.

Financial capacity to ensure completion will be established on the basis of developer-submitted financial statements for itself and/or guarantors demonstrating liquidity proportional to the development cost. For example, if the projected development cost is $40M, and liquidity is $30M, 7.5 points ($30M / $40M X 10) will be awarded. Scoring may not exceed ten (10) points.

6.3. <u>Tiebreaking</u>

In the event two applications receive the same total score, the application with the higher CDBG Efficiency Score will be prioritized. In the event the CDBG Efficiency Scores are identical, the CDBG Efficiency Score will be determined to a greater number of decimal places.

7. CDBG-DR Loan Terms

7.1. CDBG During Construction

The CDBG-DR will be subject to pay-in consistent with §1.3, Eligible Uses. CDBG will be disbursed at a ratio of 4:5 to total construction sources on an accrued basis. CDBG will not be disbursed at the closing draw.

The first CDBG-DR draw, and the final 10% of CDBG (retainage) may not be released prior to certain specific conditions being met, which are outlined in the loan documents. All other draws will be subject to standard construction funding conditions, including a completed draw application with invoices justifying the reimbursement and evidence of lien free construction.

7.2. Payments from Cash Flow

CDBG-DR financing will be secured by a second priority mortgage lien.

LHC will provide definitions of Operating Expenses and Cash Flow Available for Distribution in the loan documents. Only defined Operating Expenses may be paid prior to the determination of Cash Flow Available for Distribution.

Payments on the CDBG Loan will be made quarterly from Cash Flow Available for Distribution, which shall be defined as the remaining cash available after payment of Operating Expenses.

If the CDBG Loan is at an interest rate greater than 0%, payments to the CDBG Loan from Cash Flow Available for Distribution will be applied first to accrued, interest on this balance. The CDBG Loan may be prepaid; however, this shall not affect the Regulatory Agreement, which shall not be released prior to the expiration of its term.

7.3. Due on Maturity

The principal balance and any unpaid, accrued interest on the CDBG Loan will be due upon Maturity. The CDBG Loan shall have a 20-year term. The LHC will require payment pursuant to the terms of the CDBG Loan Agreement and this may result in full repayment or it may result in partial repayment. If the repayment is partial, and there is a remaining balance on the Loan after all payment requirements of the CDBG Loan Agreement are satisfied, the LHC will forgive the remaining balance of the loan.

7.4. Interest Rate

The loan will be at an interest rate proposed by the Applicant (C103). Note that applicants may propose an interest rate of 0%. See §6.1, Scoring Criteria Based on Transactional Economics.[21, 22] Note that the proposed interest rate should not be greater than 0% if there is a projected, unrepaid amount (C164).

Interest will begin accruing from the date of each disbursement of Loan proceeds for the amount of such draw. Note that default interest may be charged, pursuant to the terms of the Legal Documents.

7.5. Legal Documents

Loans will be structured around standard-form legal documents, including an Award Acceptance Agreement, Loan Agreement, Note, Mortgage, Regulatory Agreement, Subordination Agreement (if required by the senior lender), Completion Guaranty, and Guaranty of Non-Recourse Carve-Outs. It is anticipated that these template legal documents will be posted no later than forty-five (45) days prior to the deadline for submission of applications under this NOFA.

Note that in the event of any conflicts between the legal documents and this NOFA, the legal documents shall prevail.

7.6. Reconciling Application to Actual

Applicants are strongly cautioned to ensure their proposed Total Development Cost is achievable and that their proposed First Mortgage is obtainable (any deviation in the actual First Mortgage from the proposed First Mortgage should be attributable to interest rates and not First Mortgage Lender underwriting). Applicants should work closely with their intended lenders during the application process to avoid issues later. This will include ensuring the lender agrees with the underwritten rents, expenses, rent loss assumption, debt coverage, and other factors corresponding to mortgage sizing.

The LHC reserves the right (1) to refuse to close on any transaction in which there are inadequate sources, (2) to refuse to increase the CDBG to address inadequacy of sources, (3) to deobligate the funds awarded, and (4) to redeploy that funding to the next highest-scoring application which was not awarded funds.

In the event there are inadequate sources, the LHC may, at its sole discretion, offer to increase the CDBG award. However, in so doing, it will require, at a minimum, a revision of the terms of repayment (percentage of cash flow, CDBG interest rate, percentage of Year-10 net refinancing proceeds and/or percentage of Year-20 net sales proceeds) which together correspond to a CDBG Efficiency Score which is at least equal to the CDBG Efficiency Score on which the funding was

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[21] Applicants should note that lower, requested interest rates may produce lower Projected ROI, which is a scoring criterion.

[22] The interest rate may not be greater than 0% if the proforma indicates there would be an unpaid balance at maturity.

awarded. If the terms of repayment cannot be modified to result in an equivalent CDBG Efficiency Score, the LHC may require additional sources be provided by the borrower (including but not limited to deferral of developer fee), at repayment terms which are subordinate to the repayment terms of the CDBG.

Correspondingly, in the event of excess sources, the LHC reserves the right to reduce the CDBG in an amount equal to the excess and will do so pursuant to the Subsidy Layering Review process, as provided for in the Loan Agreement. Moreover, any such reduction will not obligate the LHC to agree to any revision in the terms of repayment.

8. Underwriting Standards and Requirements

8.1. Replacement Reserve Deposit Requirements

The project must fund an Initial Deposit to the Reserve for Replacements Escrow in the amount of $2,000 per unit from Development Sources. No annual contributions to the reserve account from operating revenue will be required under the CDBG loan documents.

Replacement Reserves will be subject to controls as stipulated in the Legal Documents. See §7.5, Legal Documents.

8.2. Operating Deficit Reserve Requirements

The project must fund an Operating Deficit Reserve from Development Sources in an amount equal to six months of operating expenses. Withdrawals from this Reserve shall only be made with the prior written consent of LHC for the purpose of curing operating deficits as defined in the Loan Agreement. If this Reserve is determined by LHC to no longer be necessary, all funds remaining in such Reserve shall be paid to reduce the CDBG-DR Loan.

8.3. Lease-Up Reserve Requirements

This program does not impose Lease-Up reserve requirements but will recognize reasonable establishment of such reserves from development funds, as proposed by the Applicant. All uses of such funds must appear in the audit of the partnership in the year the project is placed in service.

8.4. Rents

See also §3 ,Affordability Mix.

- AMI-based rents must be underwritten at the maximum net rent (gross rent less applicable utility allowance) for the set-aside applicable to the unit; or (b) the market rent as established in the Market Study.[23]
- Permanent Supportive Housing (PSH): PSH are underwritten to applicable voucher-based rents (120% FMR). Two-percent (2%) of units are required to be set aside as PSH units.
- Market units must be underwritten at the market rent established in the Market Study, unless otherwise required or agreed to by LHC.

8.5. Market-Study Determined Absorption Rate

LHC will not fund a project for which the market study indicates the proposed units cannot be effectively absorbed within a reasonable period of time.

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[23] However, in no case will the OCD award funds to a project in which the market rents are below the rent levels of units set-aside as restricted. Market rents must be equal to or above 100% AMI as a basic eligibility requirement. Market rents must be equal to or above 110% AMI to propose units restricted at 90% AMI and must be equal to or above 120% AMI to propose units restricted at 100% AMI. See §3.1, Set-Aside Requirements.

8.6. First Mortgage Terms

The proposed First Mortgage will be sized for scoring purposes at the terms outlined at §6.1, Scoring Criteria Based on Transactional Economics. That is, the First Mortgage will be sized for the application based on the NOI reflected in the applicant's proposal, and assuming a 1.20 Debt Service Coverage Ratio, and a 7% interest rate, and a 30-year amortization. NOI will depend on the unit- and affordability-mixes, market rents, other income, commercial income (if any) and operating expenses.

The borrower's actual First Mortgage may ultimately be higher or lower than the amount reflected in the application, and upon which the CDBG amount is based. The borrower's actual First Mortgage may be less if the actual lender determines a lower Net Operating Income than the borrower proposed in the application, and/or provides a higher interest rate. The actual First Mortgage may be more if it is based on a higher NOI and/or a lower rate. In either case the LHC will allow the actual First Mortgage to differ from the First Mortgage assumed in the application. See §7.6, Reconciling Application to Actual.

The actual First Mortgage (and as is modeled in this program) will have a ten-year term. At maturity of the First Mortgage the underwriting models a refinancing of the First Mortgage to determine and distribute (as proposed by the applicant) any net proceeds from this refinancing. At maturity of the First Mortgage, there will be a Refinancing Mortgage (also in 1st lien). The required modeling sizes this Refinancing Mortgage based on Year-10 NOI, at a 1.20 DSCR, at an interest rate of 7%, with a 30-year maturity and a 10-year term. The actual Refinancing Mortgage may be less or more than is modeled in the application.

8.7. Sale of Property

MMLP is structured around an initial First Mortgage with a 10-year term, refinancing at Year-10 with a ten-year Refinancing Mortgage, maturing in the twentieth year of the project. At that time (Year-20) the Affordability Requirements will have been met, and the LHC (subject to various conditions) will release the Regulatory Agreement, and the property will be sold based on its value from a market rent-based NOI. For modeling purposes, specific assumptions determine the potential sale value (projected unpaid principal balance of the Refinancing Mortgage, valuation at a 5% Cap Rate, and certain amounts for transaction costs). The Applicant selects, as part of the application, the percentage of Net Sales Proceeds payable toward the CDBG Loan in Year-20. Any remaining, unrepaid CDBG at that time may be forgiven, and it is the Borrower's responsibility to anticipate any potential tax consequences of this potential outcome in its considerations.

9. Other Requirements

9.1. Overview

- Applicants must complete and submit their own financial model and the MMLP-LDI Scoring and Structuring Model (see §10.3, Application) by no later than the Application Deadline. See §10.6, Required Dates and Deadlines. Applicants must provide the required payment and performance bond as a condition of closing. See §9.2, Payment and Performance Bond.
- Applicants must include a narrative describing the project.
- Applicants must obtain through the LHC a third-party market study by a qualified firm. Unless otherwise permitted by LHC, the Market Study must conform to the requirements of the Multifamily Accelerated Process (MAP) Guide, Revision 03/19/21. The market study must include determinations of market rents for all unit types proposed, using a HUD-92273 (or similar) rent comparability adjustments approach. If the Market Analyst proposes achievable rents which differ from the market rent determination, the Market Study must include a detailed explanation of the reasons for the difference between the determined market rent and the achievable market rent. See §10.1, Letter of Intent and Market Study
- The project must be determined by LHC in its sole discretion to be feasible and viable with an award of requested CDBG-DR funds.
- Projects with any environmental issues which cannot be addressed timely and cost-effectively may cause the award of CDBG-DR funds to be canceled. Failure to disclose significant environmental clearance issues in the application may serve as a justification for the LHC to reject an application or rescind an award.
- An applicant receiving funds under this NOFA will be expected to maintain the fiscal, physical and managerial soundness of the benefitting rental housing development for the 20-Year Period of Affordability covered by the CDBG-DR Regulatory Agreement and must ensure compliance with all federal cross-cutting and LHC regulatory and administrative requirements, including but not limited to:
    - Implementing the project or program activity as proposed in the submitted application;
    - Ensuring compliance with all reporting requirements;
    - Managing funds disbursement and accounting;
    - Preparing work specifications;
    - Conducting inspections;
    - Affirmatively marketing the units for rental;
    - Administering the Program;
    - Documenting the Program; and

- Ensuring that all CDBG-DR requirements are met for the entire affordability period applicable to the project.

9.2. Payment and Performance Bonds

Each funded application that receives an award of CDBG-DR Funds will be required to post both a payment and performance bond during the period of construction corresponding to the requirements of the Disaster Recovery CDBG Grantee Administrative Manual. The minimum requirements are as follows:

- A performance bond on the part of the contractor for 100 percent of the contract price. A “performance bond” is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
- A payment bond on the part of the contractor for 100 percent of the contract price. A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

9.3. Changes to Project after Award

After a notice of award under this NOFA, any changes to a project must be approved in advance by LHC in writing. LHC will not close on a CDBG Loan in which there have been unapproved Material Changes.

9.4. Completed Projects

Projects are considered complete only after certificates of occupancy have been issued for all buildings within a project, and the project sponsor has complied with all conditions precedent to the final release of CDBG-DR funds, as stipulated in the Legal Documents.

9.5. Regulatory Authority and Requirements

All applications under this NOFA are governed by 24 CFR Part 570. Modification of federal statutes or regulations governing the CDBG-DR Program by Congress, the Department of Housing and Urban Development (HUD), the state legislature, or OCD or the LHC may become effective immediately and apply to the activities funded under this NOFA.

This NOFA does not include the text of all applicable regulations that may be important to a particular project. For proper completion of the application, LHC strongly encourages potential applicants to consult the federal CDBG-DR Program regulations, and other federal cross-cutting regulations. Applicants should also consult the State’s Uniform Construction Code.

9.6. Site Development Requirements

Construction that is financed by CDBG-DR Funds must meet all applicable State and local building codes along with appropriate zoning ordinances in effect at the time of project application. However, projects may be proposed which require a variance or rezoning but are at-risk of a determination by LHC that the proposed property is not reasonably likely to receive the necessary approvals, and LHCs rejection of the application on that basis, alone. Developers may bring situations to LHC prior to the application deadline for consideration, on this basis. See §4, Eligible Sites regarding project siting requirements specific to this NOFA.

9.7. Insurance Requirements

Insurance requirements for projects are governed by the State of Louisiana Office of Risk Management Procedures Manual for Insurance Language in Contracts and Indemnification Agreements, Revised February, 2018, available here.

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

9.8. Housing Choice Opportunities

Projects awarded CDBG-DR Funds must comply with Title VI of the Civil Rights Acts of 1964, the Fair Housing Act, Section 504, Executive Order 11063 and HUD regulations issued pursuant thereto so as to promote greater choice of housing opportunities.

9.9. Uniform Relocation and Real Property Acquisition Act

If CDBG-DR Funds are proposed to pay for acquisition costs and activities, the Applicant must follow the procedures of the Uniform Relocation and Real Property Acquisition Act to acquire the project site. The procedures must be followed prior to the site acquisition. CDBG-DR Funds cannot be used to pay or reimburse an applicant for site acquisition activities that do not comply with the requirements of the Uniform Act. In no case will CDBG-DR be used to pay for URA related costs; other sources must be applied to these costs.

9.10. Cross Cutting Federal Requirements

All applicants shall comply with the following:

- Environmental clearance;[24]
- Uniform Relocation Requirements as applicable;
- Lead Based Paint

[24] Projects may proceed to secure all Environmental Site Assessment reports prior to award and prior to closing. *However, no choice limiting actions, including, but not limited to, physical work or activity may start until environmental clearance is obtained. All prohibitions regarding 'choice limiting actions' will apply, rendering the award void and applicant ineligible for award.*

- Section 3

9.11. Davis Bacon Prevailing Wage Compliance

Project budget costs must be based on the prevailing wage rates. The then-current wage rates must be attached to the construction contract and accepted by the general contractor prior to closing.

9.12. Accessibility Requirements

All funded projects must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at 24 CFR 100.201, and must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619). These requirements must be met for the entire affordability period.

9.13. Nondiscrimination Requirements

The Sponsor, Applicant, and Borrower each agrees to abide by the requirements of the following as applicable: Title VI and VII of the Civil Rights Act of 1964, as amended by the Equal Opportunity Act of 1972, Federal Executive Order 11246, the Federal Rehabilitation Act of 1973, as amended, the Vietnam Era Veteran's Readjustment Assistance Act of 1974, Title IX of the Education Amendments of 1972, the Age Act of 1975, and Contractor agrees to abide by the requirements of the Americans with Disabilities Act of 1990.

Sponsor, Applicant, and Borrower each agrees not to discriminate in its employment practices and will render services under this Contract without discrimination on the basis of applicable protected classes.

10. Application Submission

This NOFA does not commit LHC to award any contract nor to pay any costs incurred in the preparation or delivery of applications. Furthermore, LHC reserves the right to accept or reject, in whole or in part, any and all applications submitted, and/or to cancel this NOFA. LHC also reserves the right to ask for additional information or conduct interviews from/with any applicant and/or all applicants as may be necessary or appropriate for purposes of clarification. LHC reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. Any such revisions will be formalized by the issuance of an amendment to this NOFA.

10.1. Letter of Intent and Market Study

No later than the deadline stipulated at §10.6, Required Dates and Deadlines for the Applicant's submission of a 'Letter of Intent to Submit and Payment of Market Study Fee Deadline' the applicant must submit to LHC the following:

- A Letter of Intent to Apply, for MMLP funds—the letter does not need to specify the amount of the request, or the number of units. However, certain information is required in the 'Market Study Checklist' (see below);
- The Market Study Checklist—this form is available through the LHC;
- Payment to the Louisiana Housing Corporation in the amount required for the Market Study ($4,800).

Market studies will be ordered for properties submitting a Letter of Intent to Apply with the required payment, and will be provided to applicants within approximately 30 days. The market study itself, with market rents in the application corresponding to those determined by the Market Study analyst, is a required element of the application. The submission of a Letter of Intent does not require the applicant to submit an application; however, an application may not be submitted for a project which did not submit a Letter of Intent, and payment of the market study fee.

10.2. Application Fees

No application fee is required. However, all costs associated with applying under this NOFA are the sole responsibility and obligation of the applicant. Awarded transactions may seek reimbursement for certain predevelopment costs at closing, as development costs.

10.3. Application

The full Application is comprised of the elements enumerated hereunder. The format below is required; however, there are no specific, required forms other than the MMLP-LDI Scoring and Structuring Model. All submissions must be clear, coherent, and well organized. All submissions must be in Adobe PDF format (with the applicant's financial model and the MMLP-LDI Scoring and Structuring model in Excel), with navigation tools to facilitate review by LHC.

- General Narrative. This element of the submission should describe the proposed development, providing an overview of the location, market, proposed design, unit sizes, features, amenities, and market competitiveness of the project. Include maps and preliminary elevations, if possible.

- Developer's Qualifications. The developer's qualifications must correspond to the scoring metrics found at §6.2, Scoring Criteria Based on Applicant's Capacity and Experience.
- Disclosure. Organizational chart(s), corporate resume(s), and Good Standing Certificate(s) for all entities proposed as Sponsor / Borrower. Statement of contact person and evidence of authority. Acknowledgement of §1.8, Non-Assignability of Application and Award.
- Eligibility. Signed statement that all aspects of the proposed development comply with requirements found at §1.4, Eligible Projects and §9, Other Requirements; and that the Applicant does not violate any requirements at §1.5, Ineligible Applicants.
- Project Siting. Narrative and statements of conformance with requirements at §4, Eligible Sites. Include information regarding, zoning, site control, and other relevant considerations.
- Disaster Resilience. Narrative and supporting materials related to all requirements found at §5, Mandatory Disaster Resilience Criteria, including the Enterprise Green checklist.
- Schedule and Readiness. Proposed schedule in detail, consistent with all requirements of §10.6, Required Dates and Deadlines.
- Scoring. Specific discussion and proposed calculations of scoring criteria, following the structure at §6, Scoring Criteria, and responsive to those items being measured. This must correspond to the calculation of the MMLP-LDI Scoring and Structuring Model. Final determination of the score will be made by LHC in its sole discretion.
- Proposed Loan Terms. The Applicant must stipulate all proposed arrangements related to Loan Terms, consistent with the requirements of this NOFA at §7, CDBG-DR Loan Terms, including a statement of amount of CDBG-DR requested. This must correspond to the calculation of the MMLP-LDI Scoring and Structuring Model.
- Applicant's Financial Model. Applicants will submit their own financial model; however, it must be in Excel, and unprotected. The Applicant's financial model must contain the following: (a) detailed development proforma, (b) detailed operating expenses; (c) rents and unit mix; (d) detailed operating proforma including loan repayments and cash flow waterfall, (e) construction flow of funds, and (f) other relevant schedules and data. Note that this model must be consistent with the modeling of the transaction in the MMLP-LDI Scoring and Structuring Model.

LHC reserves the right to determine that a submitted application is incomplete, and to refuse further consideration of the application without providing an opportunity to the Applicant to provide additional materials.

10.4. Deadline to Submit

Applications must be received by LHC, in their entirety, by no later than the date and time published herein (see §10.6, Required Dates and Deadlines). Note that a Letter of Intent ("LOI") to Submit has an earlier deadline. Failure to submit an LOI by the LOI Deadline may render an applicant ineligible to submit a corresponding application by the Application Deadline.

The Application must be addressed as follows:

Louisiana Office of Community Development
Housing Production
2415 Quail Drive
Baton Rouge, Louisiana 70808
Re: 2023 MMLP-LDI CDBG-DR Program
Must include: Project Name, Sponsor Name and Return Address

10.5. Methods of Submission

Applicants assume the risk of the delivery method chosen, including delivery via private courier or the U.S. Mail. Be advised that applications arriving after the application deadline, whether via personal delivery, U.S. Mail, FedEx, UPS, or other comparable method of delivery, will not be accepted for any reason.

10.6. Required Dates and Deadlines

NOFA published and posted to LHC website	Friday, August 11, 2023
Deadline to submit written inquiries regarding the NOFA to LHC*	Friday, August 25, 2023
Posting by LHC of FAQ in response to written inquires (Amendment of NOFA—if required)	Friday, September 8, 2023
Letter of Intent to Submit and Payment of Market Study Fee Deadline*	Friday, October 6, 2023
Application Submission Deadline*	Friday, December 15, 2023
Award Letters issued	Friday, January 19, 2024
Financial Closing Deadline	Friday, August 30, 2024
Full expenditure of CDBG, Lease-Up Complete, National Objective of 51% of units leased to qualifying households complete	Friday, March 7, 2025

*For each deadline imposed on the applicant, the materials must be provided no later than 4:00 pm, Central Time, on the date of the deadline.

See §1.9, Strictly Enforced Deadlines.

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

NOTE: LHC anticipates holding a 'Developer Forum' to provide an overview of the program shortly following publication of this NOFA and will provide separate notice thereof.

10.7. Questions and Communication

LHC will consider written inquiries from applicants regarding this NOFA. Inquiries will only be considered if they are **submitted in writing to** developer@lhc.la.gov **by the deadline for the submission of written inquiries** set forth above. Inquiries shall clearly reference the section of the NOFA for which the applicant is inquiring or seeking clarification. Any and all written inquiries from applicants submitted in writing will be deemed to require an official response.

In addition to written responses to individual inquiries, an official response to each inquiry, along with the actual inquiry, will be posted by the deadline above in the form of a Frequently Asked Questions Addendum (FAQ) at the LHC Website.

LHC reserves the right to amend this NOFA. Additionally, LHC reserves the right to withdraw this NOFA, and to elect not to select any awardees of the funds committed herein. This NOFA does not constitute a commitment by LHC to grant any funds to any applicant.

It is the sole responsibility of the applicant to inquire into and clarify any item of the NOFA that is not understood. LHC also reserves the right to decline to respond to any inquiry that will cause an undue burden or expense for LHC.

It is the strict policy of LHC that prospective respondents to this NOFA refrain from initiating any contact or communication, direct or indirect, with LHC staff or advisors with regard to the competitive selection of applicants. Any violation of this policy will be considered as a potential basis for disqualification from consideration.

LHC reserves the right to inquire with Applicants regarding submitted Applications, to seek clarification, adjustment, refinement, revision, or amendment as needed to ensure the best outcomes.

LHC will produce public records in accordance with LA R.S. Title 44.

11. Definitions

Terms not specifically defined herein have the meaning given to them in LHC's 2024 Qualified Allocation Plan (QAP) available on LHC's website or within the legal documents. The legal documents will take precedence.

- **Applicant -** A developer submitting an application to this NOFA.
- **Construction Completion -** the point at which all construction work has been performed, certificates of occupancy for all units have been issued, and the final drawdown of CDBG-DR Funds has been disbursed for the project.
- **Ida Eligible Parishes.** All funds are restricted to developments in HUD Most-Impacted and Distressed (MID) areas, which are: Ascension, Assumption, East Baton Rouge, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, and Washington Parishes; Iberville Parish (only zip codes 70764 & 70788) and West Baton Rouge Parish (only zip code 70767).
- **Laura-Delta Eligible Parishes.** All funds are restricted to developments in HUD Most-Impacted and Distressed (MID) areas, which are: Acadia (only zip codes 70526 & 70578), Allen, Beauregard, Caddo, Calcasieu, Cameron, Jefferson Davis, Lafayette, Natchitoches, Ouachita, Rapides (only zip code 71302), St. Landry (only zip code 70570), St. Martin (only zip code 70517), Vermilion (only zip code 70510), and Vernon (only zip code 71446).
- **Entity/ Organization** – A legal body (non-profit, for-profit, local units of government) that will have legal ownership of the project and property before and after project completion. A developer may contract with an entity or be a part of a development team.
- **New Construction** – For purposes of this NOFA, a project shall be considered New Construction if at least 51% of total units are newly constructed. Adaptive-reuse projects are permitted, so long as at least 51% of the residential units that are created are not previously occupied residential units.
- **Project** – A site or sites together with any building or buildings located on the site(s) that are under common ownership, management, accounting and financing and are to be assisted with CDBG-DR Funds as a single undertaking located within a single governmental entity.

12. PSH Program Summary

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

LHC seeks to facilitate the development of permanent supportive housing for the eligible target populations located in the eligible parishes. All properties that receive CDBG-DR funds will agree to make at least 2% of total units available to PSH consumers, who will be supported by appropriate services provided through the Louisiana Department of Health (LDH) and its supportive service provider network.

Public Purpose: By requiring that applicants/owners make at least 2% of the total units in the property available to PSH clients, the goal of creating opportunities for LDH-priority populations to obtain deeply affordable permanent housing, in a residential setting, with appropriate services available is achieved. Applicants of elderly properties who wish to restrict PSH units to elderly PSH clients may do so, wherever such a restriction is otherwise lawful.

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

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

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

The units initially identified for PSH must consist of a mix of accessible and non-accessible units and cannot be made up of more than 50% of the accessible units required under Section 504.[25] PSH units must be integrated throughout the entire development and should not be segregated to one area of a building or development.[26] LHC anticipates that PSH applicants (both initially and over time) be able to exercise choice among available units; accordingly it is possible that the physical units used for PSH will change over time.

The eligible target populations for permanent supportive housing will be extremely-low-income individuals and family households (i.e., with incomes at or below 30% of AMI)[27] who have one or more of the following conditions:

- The individual/household member has a substantial, long-term disability as determined by the LDH including any of the following:
    - Serious Mental Illness;
    - Addictive Disorder, i.e., individuals in treatment/recovery from substance abuse disorder;
    - Developmental Disability, i.e., mental retardation, autism, or other disability acquired before the age of 22;
    - Physical, sensory, or cognitive disability occurring after the age of 22;
    - Disability caused by chronic illness (e.g., people with HIV/AIDs who are no longer able to work); and
    - Age-related disability (i.e., "frail elderly"). The household is homeless or is determined by the LDH to be (1) most-at-risk of homelessness, and (2) in need of Permanent Supportive Housing. This will include family services clients with a goal of family reunification who are at risk for homelessness.

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[25] Unless the actual PSH applicants select a greater percentage of the accessible units

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

[27] Note however that households with PSH vouchers may earn up to 50% AMI.

- The individual/household member is aging out of the state Foster Care system and is determined by the LDH to be in need of Permanent Supportive Housing.