

Baton Rouge ReBuilds Rental Program

1. Summary

1.1. Program Goals

The goals of the Baton Rouge ReBuilds Rental Program (“program”) are to:

- Eliminate blight and stabilize neighborhoods impacted by the Great Floods of 2016;
- Repair damaged rental housing stock that will be made available at affordable rental rates for low income households; and
- Increase the available rental stock in flood-damaged East Baton Rouge

1.2. Program Overview

The program is designed to provide forgivable loans for repair or reconstruction of rental units damaged in the Great Floods of 2016 for occupancy by low-to-moderate income tenants. Under the program, the Louisiana Housing Corporation (“LHC”) will accept an application from an eligible property owner who will repair or reconstruct residential rental housing units in a project that will not exceed seven (7) residential housing units. Properties may be scattered site, within a single building, or combination of these. Preference will be given to eligible property owners whose annual household income is below 120% of the Area Median Income based on household size. Eligible property owners must secure all funds necessary which are required in excess of the assistance provided by the program.

1.3. CDBG National Objective

The program will provide benefit in the form of affordable rents to tenant households meeting the low-and moderate-income (LMI) National Objective requirements in accordance with HUD LMI standards.

2. Tenancy Requirements

The program requires that 51% of reconstructed or rehabilitated units are occupied by “Qualified Households” and are charged “Affordable Rents” for the duration of the “Affordability Period.”

2.1. Qualified Households

A Qualified Household is one in which no member is related to the Applicant and for which household income does not exceed 80% of the area median income published by HUD as adjusted by family size.

2.2. Affordable Rents

Units required to be leased at affordable rents must use the rent amounts provided by the program. Rents are based on the tenant’s household income and the number of bedrooms

in the leased unit and are inclusive of a utility allowance as calculated using LHC's methodology. A rent table and utility allowance calculation form are provided by the program.

These rents cannot exceed the allowable published rents when Section 8 vouchers are present. In other words, property owners may not collect more than the published rents, regardless of the funding source(s) during the affordability period.

2.3. Affordability Period

The Affordability Period will be five calendar years and will commence upon initial lease-up. The program reserves the right to decrease the affordability period based on information gathered from eligible property owners during the application process.

3. Eligibility Requirements

3.1. Applicant Requirements

- Owner of a rental property at the time of the flood (owner as of or before August 11, 2016)
- Persons or entities on the federal debarred list or organizations representing such persons or entities are ineligible for participation in the program
- Persons not in compliance with any EBR-OCD, LHC, or OCD-DRU housing program are ineligible for participation in the program
- Priority will be given to eligible applicants who are low to moderate income (under 120% AMI)

3.2. Property Requirements

- Located within the corporate limits of Baton Rouge or East Baton Rouge Parish with the exception of the incorporated areas of Zachary, Baker, and Central.
- Property must be a site-built, modular, or manufactured housing unit.
- All properties assisted must contain seven or fewer units.
- Property must have been damaged by the flood event and must require rehabilitation or reconstruction.
- All units within the property must be vacant at the time of application.
- Property must not be in foreclosure.
- Properties either inside or outside of a Special Flood Hazard Area are eligible for assistance.

3.3. Project Requirements

- Owner must provide a pro-forma showing the project is financially feasible while maintaining program affordability requirements.
- Project may address repair or reconstruction of up to seven total units. Units do not need to be within the same building or on the same property. Projects may repair scattered site units. For example, a project may seek to repair three doubles and a

single, all on separate property, or it may seek to repair all seven units in a seven unit building.

- Housing units that comprise the project must not also be receiving assistance from the LHC Neighborhood Landlord Repair Program.

3.4. Prioritization

Due to the level of unmet need and the limited availability of funds, the Program will first serve eligible property owners whose household income is at or below 120% of the area median income (“round one”). If funds allow, the program will then serve eligible property owners whose household income is above 120% of the area median income (“round two”). Should the number of eligible projects within a funding round exceed the funds available, projects will be evaluated and scored with funding allocated to the highest scoring projects. Scoring criteria will preference projects located in low-poverty census tracts, projects that advance fair housing goals including housing for families with children or households with access or functional needs, projects that leverage outside funding, and projects with low per-unit cost.

3.5. Timeline

Date	Event
05/31/2017	Application Guidelines published; Application Period opens
06/30/2017	Application Period closes
07/14/2017	Commitment Letters issued continuously after this date

4. Award Structure

4.1. Award Amount

Property awards will be based on the lesser of the cost of construction, limits imposed by program guidelines/procedures, or the maximum program assistance cap.

Should the applicant’s total project cost exceed the eligible amount provided by the program, the applicant must provide proof of contingent commitment of the availability of all funds required to complete the project at the time of application. All funding sources – including any duplication of benefits – must be firmly committed and available to the project at the time of award execution.

The program award limits are determined by the number of units in the building and the construction type of the unit damaged by the flood – site-built, modular, or manufactured.

Eligible owners of manufactured housing units damaged by the flood may choose to replace the units with site-built or modular housing however their award amount will still be based on replacement of the manufactured housing unit and the owner must provide any funding required in excess of the award amount.

SITE BUILT & MODULAR HOUSING	
NUMBER OF UNITS PER BUILDING	MAXIMUM ASSISTANCE
1 Unit	\$150,000
2 Units	\$250,000
3 Units	\$315,000
4 Units	\$375,000
5 to 7 Units	\$500,000

MANUFACTURED HOUSING	
TYPE	MAXIMUM ASSISTANCE
Single-wide	\$45,000
Double-wide	\$65,000

4.2. Maximum Program Assistance

Eligible Applicants may receive only one award from the Program for the rehabilitation/reconstruction of up to seven units. Applicants are encouraged to submit applications for as many qualifying projects as desired, however, only one can be funded.

4.3. Duplication of Benefits

Award amounts will be reduced by funds received from any source deemed to be duplicative such as SBA loans, flood or hazard insurance. LHC will perform an analysis of funds received from any duplicative sources during the application intake process. Eligible applicants will be required to contribute any benefits determined to be duplicative toward the repair or reconstruction of their properties.

4.4. Repair or Reconstruction

Projects where rehabilitation cost exceeds 80% of reconstruction cost will be approached as reconstruction whereas projects whose rehabilitation cost is less than or equal to 80% of reconstruction cost will be approached as rehabilitation. Damaged manufactured housing units are eligible only for replacement, not repair. Owners of damaged manufactured housing units may elect instead to construct a new housing unit using site-built or modular construction provided the owner can secure all funds needed in excess of the program award.

4.5. Eligible and Ineligible Expenses

The following expenses are eligible for reimbursement under the program:

1. Development hard costs. Development hard costs are the actual cost of constructing or rehabilitating housing.
2. Related soft costs. Other reasonable and necessary costs incurred by the owner or LHC and associated with the financing or development (or both) of New Units or Existing Units assisted with CDBG Funds.

The following expenses are ineligible for reimbursement under the program:

1. Reimbursement of costs incurred prior to the program's issuance of Notice to Proceed.
2. Land purchased from a person or person that has an identity of interest with the Eligible Borrower.
3. Development, operations or modernization of public housing financed under the 1973 Act (Public Housing Capital and Operating Funds).
4. Acquisition costs.
5. Refinancing of any loan.

4.6. Construction Contractor and Fixed Price Construction Contract

Applicants must submit with each Application a fixed price construction contract ("Construction Contract") with a Louisiana licensed contractor ("Contractor") who will reconstruct or renovate Existing Units or construct New Units in a Qualified Project at a not-to-exceed fixed contract price. 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.

4.7. Cost Reasonableness

A Cost Reasonableness Analysis is performed on all projects by the LHC Construction Department using information provided and RS Means costing data. The cost of construction submitted by the applicant must fall within twenty percent of the cost obtained by the LHC staff for the project to be considered as cost reasonable. For projects not deemed as cost reasonable to be funded, either such projects must be redesigned or the construction must be competitively bid through a public bid process. In no case will the LHC provide per unit funding in excess of the HUD 234 limits for elevator type projects.

4.8. Feasibility Review

A review will be conducted of the proposed project's feasibility using the applicant's provided pro-forma. The review will ensure that approved projects can sustain renting at affordable rates for the duration of the affordability period.

4.9. Environmental Review

LHC will conduct all required environmental testing. The timeline for an Environmental Assessment (“EA”) level (i.e., requiring a Phase I Report for new construction or rehabilitation) environmental process is 90-120 days from the receipt of a comprehensive environmental review record (“ERR”). The range of time required to completely review an ERR for a given property varies and is largely dependent upon how well the ERR submission is compiled. The stated condition of the property and recognized environmental conditions (“REC”) in vicinity of the project dictate follow-up necessities (i.e., 404 wetlands permits or Phase 2 reports) which further prolong the review process. There is no official HUD timeline for all of the steps of the environmental review process.

The only steps that have associated time constraints are the 8-step process (if applicable has 15 and 7 day notice periods), the Finding Of No Significant Impact and Notice of Intent public notice period prior to submitting the Request Release of Funds (15-18 days), and the HUD review/comment period prior to the Authorization to Use Grant Funds (15-18 days, often extended). Those three steps can take anywhere from 45-60 days if not longer.

Additional information on the HUD-required environmental review process can be found at: <https://www.hudexchange.info/programs/environmental-review/orientation-to-environmental-reviews/#overview>

4.10. Stop Work

Applicant and its contractors are prohibited from undertaking or committing any funds or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction, or leasing or disposition prior to the execution of the “Authority to Use Grant Funds” (HUD 7015.16) or equivalent letter, and that the violation of this provision may result in the denial of any LNLRP Funds under this Agreement. Entering a contract obligating the applicant to any of the above constitutes a choice limiting action.

Applicants who, at the time of application, have not already entered a fully executed written construction contract must stop all repair or reconstruction work on the subject properties and cannot enter any contract to do repair or reconstruction work until the program notifies the applicant that their property is environmentally cleared and notice to proceed is issued.

Applicants who, at the time of application, have already entered a fully executed written construction contract to repair or reconstruct the subject properties are allowed to proceed with that work, but cannot make any amendments or change orders to that contract until the program notifies the applicant that their property is environmentally cleared and notice to proceed is issued.

4.11. Construction Monitoring and Progress Payments

Upon approval of the project, LHC will issue Notice to Proceed and begin construction management. If the applicant is required to contribute funding to the construction project, these funds must be expended on the project and verified by the program prior to the expenditure of program funds. The applicant will be paid only for work performed over up to four progress payments (25%, 50% 75%, and Certificate of Occupancy). LHC inspectors will perform site visits and verify completion of all work before issuing payment. All construction progress payments must be supported with back-up invoices and receipts and will be issued as two party checks payable to the applicant and the contractor.

Applicants seeking replacement of a manufactured housing unit must provide evidence of their intent to purchase a new manufactured home (such as a Purchase Agreement with a manufactured home seller). Upon receipt of acceptable documentation, the Program will issue a two-party check to the applicant and the manufactured home seller for an amount up to the established award cap to be paid upon delivery of the mobile home to the homeowner's site. The applicant will be provided with documentation to give to prospective mobile home vendors prior to selection of vendor.

4.12. Terms of Loan - Payment Only Upon Default

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

5. Architectural Requirements

All construction must comply with Louisiana State Uniform Construction Code (LSUCC), local planning and zoning, and local authorities and jurisdictions. Federal regulations which may pertain to the specific project such as the Fair Housing and Section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990, as amended, also apply. LHC strongly encourages that the 2010 ADA/ABA standard be used when designing accessible units and public facilities.

Each rehabilitated item in the home or new home construction must meet the City-Parish Building Code and the City-Parish's minimum property standards; and the entire home must meet City-Parish code compliance when construction is complete. Every new home reconstructed must meet the City-Parish Building Codes, and be built in accordance to the State's contractor specification and performance manual and the City-Parish's minimum property standards. For the most current City-Parish Residential Building Codes visit: https://www.municode.com/library/la/baton_rouge_east_baton_rouge_parish/codes/code_of_ordinances?nodeId=TIT8BURE_CH1BUUCO_PTIINGE_S8_3REEVFLHA.

City-Parish NLRP does not assume responsibility for enforcing or determining compliance with local codes, zoning restrictions and regulations or make interpretations regarding their application in any specific instance. The Qualified Borrower shall be responsible for obtaining all applicable building permits and inspections leading to obtaining a certificate of occupancy and/or final inspection. These items, including a passed program inspection will be a prerequisite to close on any property constructed or rehabilitated through the program.

5.1. New Construction and Reconstruction

New construction and reconstruction shall be restricted to site-built or modular homes that meet the local and state building codes. The design shall provide for an aesthetically pleasing living facility of average/modest construction that is consistent with the character of the surrounding neighborhood, subject to local and state building codes.

5.2. Minimum Internet/Cable Capacity Requirements

All units must be equipped with networks to provide cable television, telephone and internet access in the living area and each bedroom. The following networks (combined or distinct) must be capable of being accessed and activated by tenants: (i) telephone network installed for phones using CAT5e or better wiring, (ii) network for data installed using CAT5e or better, networked from the unit back to a central location or similar configured wireless network and (iii) TV services network using COAX cable. The wiring for such networks should be available to tenants free of charge but tenants may be charged the actual fee incurred by the Taxpayer for activating and making available any services provided directly by the Project or through third party providers. The equivalent of wireless network access is acceptable.

5.3. Rehabilitation

Rehabilitation of vacant units shall provide for safe, sanitary, efficient and aesthetically pleasing living facility of average/modest construction upon completion.

5.4. Green Building Standards

The Program encourages all projects to incorporate Green Building designs and practices into their redevelopment plans such as Energy Star for New Homes or the HUD Green Building Retrofit Checklist for rehabilitation. These documents will be made available to applicants.

6. Application Process

Louisiana Housing Corporation (LHC) will perform the intake function for the program.

Applicants should provide the following:

6.1. Intake Package

- Proof of income below 120% AMI, if applicable

- Pro-forma
- Application checklist

6.2. Construction Package

6.2.1. Reconstruction and New Construction

- Site plan created by architect or engineer
- Floor plan created by architect or engineer
- Front, side and rear elevations created by architect or engineer
- Preliminary checklist indicating “Green Building” compliance with appropriate standard, if applicable
- Evidence that project meets zoning requirements
- Construction proposal from Louisiana licensed contractor (if project has not started)
- Construction contract from Louisiana licensed contractor (if project is underway)
- Completed Program Certifications (forms provided by LHC)
 - Duplication of Benefits Certification
 - Certification of Understanding Concerning Stop Work

6.2.2. Rehabilitation

- Site plan (may be hand drawn)
- Floor plan (may be hand drawn)
- Photos of front, rear and sides of exterior
- Photos of each room
- Complete scope of work to include modest appliances
- Proposed compliance alignment of the scope of work with HUD CPD Green Building Retrofit Checklist, if applicable
- Evidence that project meets zoning requirements
- Evidence that the housing unit is either not in a Special Flood Hazard Area or is at an elevation one foot (1’) above the DFIRM elevation requirement, if the property was substantially damaged (as determined by local code enforcement officials)
- Construction proposal from Louisiana licensed contractor (if project has not started)
- Construction contract from Louisiana licensed contractor (if project is underway)
- Completed Program Certifications (forms provided by LHC)
 - Duplication of Benefits Certification

- Vacancy Certification
- Tenant Certification
- Certification of Understanding Concerning Stop Work

6.3. Loan Execution

The Program is structured as a forgivable loan from LHC to applicant landlords. The loan will not require monthly payments and, upon successful completion of all program requirements, the loan will be fully forgiven. Approved applicants will be required to attend a loan closing meeting and execute the Program's loan documents and the Program's regulatory agreement. These documents detail all program terms and will be recorded with the Parish Clerk of Court.

6.4. Tenant Selection and Monitoring

LHC will provide technical assistance to applicants in identifying eligible tenants and will monitor the unit for compliance with program guidelines for one year from initial occupancy. Additionally, the Program will provide tenants with information advising them of their rights as tenants living within a unit receiving Program funding.

6.5. Project Closeout

Projects will be closed upon five years of occupancy by an eligible tenant within the renovated property.

6.6. Non-Compliance and Recapture

Should an applicant not comply with the obligations outlined in their grant agreement, the grant funds provided will be subject to recapture.