Multifamily Restoration Gap Program
Frequently Asked Questions

1. **When will applications be taken for this program?**
   The Notification for Funding Availability (NOFA) was released on May 15, 2017. Applications will be received from that time through the NOFA deadline, which is June 15.

2. **When will applications be due?**
   The deadline for application submittal is June 15 and awards will be announced June 23.

3. **Who will be eligible for funding?**
   - Must have an eligible unmet need, after deducting all duplicative assistance (SBA loans, NFIP proceeds, etc.)
   - Must be located in one of the 51 parishes impacted by the 2016 Severe Storms and Flooding Events and have been directly impacted by the storms/floods, with a documented loss of rentable apartments. Priority will be given to the properties located within the HUD most impacted declared parishes.
   - Must have an existing affordability commitment, or accept the Restoration Loan Affordability Commitment.
   - If the property was located in a Special Flood Hazard Area at the time of the flooding, it must have carried flood insurance.

4. **What types of structures will be funded?**
   Multi-family properties of at least 20 units.

5. **Can multiple properties be combined in the application?**

   Yes, so long as the properties are owned by a single asset entity.

6. **Will awards be in the forms of loans or grants?**

   Public housing authorities will receive awards in the form of grant funding. Other applicants who receive funding will receive awards in the form of zero (0%) interest loans, with payments deferred until maturity or upon sale or upon refinancing.

7. **What is the maximum amount of assistance that will be provided?**

For Public Housing and Existing Affordable Housing, the maximum grant or loan, respectively will be $40,000 per flood-impacted unit. For these properties, funds are limited to the cost to repair and restore flood impacted units, as well as certain 3rd party and legal costs.
For Market Rate housing (which must accept an affordability commitment as a condition of award) the maximum loan will be the greater of $62,500 per unit or $6.25 million. For these properties, funds may be applied to the cost to repair and restore flood impacted units, and may also be applied to the cost of 1st mortgage debt restructuring required to convert to affordable housing.

8. **Will additional dollars be made available once these funds are expended?**

   Additional funds would have to come through another Congressional Appropriation for flood relief. Governor Edwards has made securing additional funding from Congress a priority so that as many residents as possible can receive assistance for damages from the 2016 floods.

9. **Are properties that were located <u>outside the Special Hazard Flood Zone</u> and did not have flood insurance eligible to participate in this program?**

   Yes. A key goal of this program is to assist rental property owners who suffered damage and did not have flood insurance because they were not located in a flood zone and were not required to carry coverage.

10. **Are properties that were located <u>within the Special Hazard Flood Zone</u> and did not have flood insurance eligible to participate in this program?**

    Those properties are ineligible for this program.

11. **What are the 10 most impacted parishes?**

    Acadia, Ascension, East Baton Rouge, Lafayette, Livingston, Ouachita, St. Tammany, Tangipahoa, Vermilion, and Washington parishes were determined to be the 10 most impacted and distressed parishes by the U.S. Department of Housing and Urban Development, which is the source of this funding.

12. **Can the application deadline be pushed back to allow more preparation time for potential applicants?**

    The timelines were put in place to ensure funds are awarded in a timely manner. The application for the program will be on the LHC website by May 15th, and the deadline to submit the application will be June 15th.

13. **Will environmental reviews be required for construction performed in this program, and if so, who will coordinate?**

    Yes. Environmental reviews will be required, and these will be coordinated and funded through LHC.

14. **Will environmental review be required even if there are multiple buildings on a single project/site, and work has been started on all of the buildings (removal of damaged**

materials, etc) but the restoration not been completed at all buildings as of the date of the NOFA?

Yes. Environmental reviews will be required, and these will be coordinated and funded through LHC.

15. **If property is zoned commercial, can it be converted to affordable housing?**

    Yes.

16. **Can this funding be used as a "down payment" on a larger loan with a bank?**

    This funding is meant to help fill gaps in funding for repair and rebuilding projects.

17. **How do applicants receive these funds?**

    These funds work in "pari passu," or in tandem with the lender. We will have a draw process with the project allowing funds to be pulled down as work is completed.

18. **What if the owner remediated flood damaged units (removed waterlogged materials to prevent mold), can this program still assist?**

    Yes, the units can be in any stage of renovation, but no changes to the scope of work can occur following the date the MRLF Program Description is published.

19. **Is acquisition an allowable cost?**

    Yes, for Existing Non Affordable ONLY. Costs include the costs to pay down the amount remaining on the first mortgage. All applicants must own the property at the time of application.

20. **If a private investor acquired a complex of Section 8 rental units several months after the March '16 floods (120 units in total, 50 damaged), would this property still qualify?**

    So long as the applicant owns the property at the time of the application.

21. **Is it not possible to develop raw land for affordable units?**

    New construction of raw land is not allowed.

22. **Is the greater metro area of Baton Rouge considered Baton Rouge for the purpose of the "10 most impacted" designation? An area of East Feliciana, for example?**

    No, East Baton Rouge Parish is one of the 10 most impacted parishes, and any address within that parish is part of that designation. Only addresses within those 10 parishes are considered part of the most impacted parishes.

23. **What is the approach to site control for this program?**

    The applicant must own the property at the time of application.

24. **Why is this different than the Neighborhood Rental Program?**

    This program is meant for structures over 20 units.

25. **Are environmental clearances required in this program?**

    Yes. These will be coordinated and paid for through the LHC.

26. **Can the affordability commitment be transferred through a sale?**
    No. If the property is sold during the commitment period, the loan comes due.
27. **Please provide definitions for "existing affordable" and "existing non-affordable."**
    Existing affordable = properties which have certain units dedicated to tenants whose incomes are at 80% of the area median income (AMI) or less.
    Existing non-affordable = properties which are currently renting at market rates but would convert to affordable rates (80% AMI or less) through this program.
28. **Do all owners/partners need to provide financial information on the application regardless of ownership type?**
    Yes.
29. **Is there a list of damaged properties available to potential applicants through LHC?**
    No.
30. **What vacancy date is required for the units to be eligible for this program?**
    Units are required to be vacant from the time of application for this program. However, units do not have to be offline if rehab/construction has started or been completed.
31. **What is the program's definition of "directly impacted?"**
    The program has not defined a minimum level of flood impact.
32. **Does Davis-Bacon apply to work performed on this program?**
    Yes.
33. **If at the time of application, the work is substantially complete would there still be a requirement for Davis-Bacon/Section 3?**

    If the work has been totally completed Davis Bacon/Section 3 would not apply, otherwise Davis Bacon/Section 3 will apply.

34. **Are developers allowed to joint venture with property owners?**
    Yes.

35. **The NOFA references Green Building techniques. What are they?**

    HUD has developed a checklist of construction and rehabilitation practices in order to promote and encourage the use of energy efficiency and green building practices. Many of the green building practices HUD encourages have become standard in residential construction, and many property owners will be familiar with them and have possibly used them in other projects. A link to HUD's Green Building checklist is provided in the Required Application Documents in the Flood Resources section of the LHC website.

36. **Are the Green Building Techniques the same as LEED certification?**

No. LEED is a certification provided by the US Green Building Council that developers seek voluntarily. LEED certification is not a requirement for projects funded through either the Multifamily Restoration Loan Fund or the Neighborhood Landlord Rental Program.

37. How is the 0% interest loan paid back to LHC?

The loan will be structured to be co-terminous with the existing 1st mortgage, and will mature at the same time as the 1st mortgage. Generally, MRLF loans will sit in 2nd lien, but that will be subject to subordination agreements by subordinate lienholders, if applicable. All loans will be due on sale, refinancing, or if accelerated pursuant to the terms of the MRLF Program Funds Legal Documents.

38. A project had replacement reserves and an operating deficit reserve. Can funds be drawn on the loan to restore these amounts if reserves were used to fund rehab/construction costs?

Operating and replacement reserves are only eligible for Existing Non Affordable projects which wouldn't fall into Pool A. If the project is Existing Affordable, the only funds that can be requested would be the actual development/rehab costs and any related soft costs associated with the financing of program funds. However, the MRLF funds will go to the project with the applicable use of paying for the rehab. If the project has depleted reserves to 'bridge' this cost, it would be reasonable to expect that the MRLF funds are used (in whole or in part) to reconstitute the depleted reserves.

39. Will the reserves used help with the score of a project since they are a source of funds?

Doing so would double-count the sources, since the use of reserves was a 'bridge' use. Be aware that you are eligible for the cost to restore, only. The Financial Efficiency score is driven by the difference between the max funding for which you are eligible ($40K per flood-impacted unit) divided by the actual requested funds.

40. A project suffered significant operating deficit losses. Can these costs be a use of funds eligible for the loan program?

There is no program funding for operating deficit losses.

41. Is an Existing Affordable project required to do a Physical Needs Assessment?

It is not required to obtain a PCA. It is required to document the damage. We expect invoices and payments made for remediation/restoration to suffice. Proof of Loss statements from NFIP or SBA will also suffice.

42. **What if a Federally funded property is still operating under tenant eligibility requirements different than those required by LHC for these programs?**

    LHC will subordinate their eligibility requirements to those of the existing public funding program requirements.

43. **Is the only environmental report required from a third party environmental specialist a Phase I (assuming it comes back clean)?**

    Phase I (and subsequent Phase II or LSI) is typically prepared by a contractor.

44. **In regards to the application itself, how much are the accounting fees?**

    This is subject to the applicants' accountant and the fees they set. LHC will require an accountant prepared cost certification that establishes the costs that were incurred.

45. **In reference to the application, how much will the Attorney fees be?**

    Pools A thru C - $3000
    Pools D- $25,000

46. **Is a Physical Needs Assessment/Physical Condition Assessment required?**

    Only for Existing Non Affordable projects. For Existing Affordable, it is not required to obtain a PCA. It is required to document the damage, we expect payments made for remediation and restoration to suffice.

47. **If a property was completely destroyed during the floods and must be reconstructed, is this considered rehabilitation or new construction?**

    As long as the property maintains the same footprint it had prior to the floods, it will be considered rehabilitation.

48. **What if I have a copy of a Proof of Loss Report from the National Flood Insurance Program. Could this be used in lieu of a Capital Needs Assessment/Property Condition Assessment?**

    Yes. Developers/owners of existing affordable housing may use an alternative report that provides a list of Items, quantity, unit cost and total cost for repair and/or replacement of construction items necessary for code compliance and habitation. The assessment must accurately reflects damages to housing units at a specific time. For market rate owners/developers, A 20-year Property Condition Assessment is required.

49. Is it sufficient for a nonprofit organization to have site control—but not actual ownership--of a property at the time of submitting application?

No. The nonprofit organization must own the property at the time it submits an application.

50. What if an owner sells his stake in a property and it remains affordable?

At this time, this scenario would constitute a significant change in the project's ownership and loan would be due and payable if sold.

51. If the property is already an affordable property with LHC, do we still have to send in all the documents or will LHC have them on file?

All documentation must be sent in. Please do not assume that LHC will locate them for you.

52. It would be advantageous if LHC would ease the property ownership requirement: to require that the applicant have only an "option to purchase" a property at the time they apply for LHC construction funds. This would be similar to the NSP program.

Again, these two LHC programs are primarily intended to repair and restore flood-damaged units to commerce. It is not intended as a new construction program. Still, we will consider this request and may strive to address it if additional Federal funding becomes available.

53. If I have specific questions, is there a specific person I can talk to?

If you have questions about the Multifamily Restoration Loan Fund, please contact 888.454.2001. Additionally, questions can be sent to: disasterrecovery@lhc.la.gov