



**LOUISIANA HOUSING CORPORATION (“LHC”)  
NOTICE OF FUNDING AVAILABILITY AND PROGRAM IMPLEMENTATION  
GUIDELINES  
FOR  
MULTIFAMILY RESTORATION LOAN FUNDING  
(CDBG FUNDS TO RESTORE FLOOD-IMPACTED MULTIFAMILY HOUSING)**

**Published Monday, May 15<sup>th</sup>, 2017**

**Revised Friday, June 2<sup>nd</sup>, 2017**

**VERSION SHOWING REVISIONS**

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**I. OVERVIEW**

These Application and Program Implementation Guidelines contain the program requirements for the Multifamily Restoration Loan Funding program (the “MRLF Program”) to be administered by the Louisiana Housing Corporation (“LHC”) on behalf of the State of Louisiana, Division of Administration, Office of Community Development (“OCD”).

**I.A. MRLF Program Objectives.** For Existing Multifamily Housing with Existing Affordability Commitments: MRLF Program’s objective is to finance the rehabilitation of flood-impacted multifamily housing units in developments located within FEMA Disaster-Declared Parishes and HUD Designated Most Impacted Parishes. For Existing Non-Affordable Housing without an Existing Affordability Commitment: MRLF Program’s objectives are as follows:

- (a) to finance the rehabilitation of flood-impacted multifamily housing units in developments located within FEMA Disaster-Declared Parishes and HUD Designated Most Impacted Parishes;

- (b) to ensure physical and economic viability of such developments throughout a period to be required by a new Restoration Affordability Commitment; and
- (c) to increase Affordable Housing Units within the FEMA Disaster-Declared Parishes and HUD Designated Most Impacted Parishes.

**I.B. Eligible Projects.** Existing Multifamily Housing Developments located in the FEMA Disaster Declared parishes or HUD Designated Most Impacted Parishes containing at least 20 units that were impacted by the Great Floods of 2016.

**I.C. Eligible Applicant.** An Eligible Applicant may be either a private for-profit or non-profit property owner (“Residential Rental Property Owner”) organized under Louisiana law or a local public housing authority (“PHA”) that will rehabilitate an Eligible Project that is or will be owned and operated by the Eligible Applicant.

**I.D. Identity of Interest.** An identity of interest is construed to exist when:

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

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For purposes of determining an identity of interest between parties not identified in (i) through (ix), such parties will be identified as either the Developer and Taxpayer or the Contractor as appropriate to establish the identity of interest. The Corporation may reduce any allowable costs where an Identity of Interest has been found among the parties to transactions involving the sale, development and/or operation of the project.

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**D.I.E. Ineligible Projects.** The following properties are Ineligible Projects:

- (a) Properties which were located in a Special Flood Hazard Area and which did not carry flood insurance.
- (b) Properties not structured as a single asset entity.
- (c) Properties with fewer than 20 residential rental units.
- (d) Properties not located in either a FEMA Disaster-Declared Parish or a HUD Designated Most Impacted Parish.
- (e) Properties which did not incur damage as a result of flooding in 2016.

**E.I.F. MRLF Program Funds.** Community Development Block Grant (“CDBG”) funds amounting to \$38.25 million will be made available by the LHC to be utilized in combination with other funding sources to rehabilitate Eligible Projects.

**F.I.G. Additional Sources of Funds.** An Eligible Applicant may not apply for or receive any additional funds from the LHC or OCD, or other Federal funds, in conjunction with this program; however, funds made available from sources other than LHC or OCD or other Federal funds may be used by an Eligible Applicant to complete rehabilitation.

**G.I.H. Funding Limits per Project.**

- (a) **Existing Affordable Housing:** The maximum MRLF Program Funds award for Existing Affordable Housing is the lesser of (a) the funding gap after application of funds other than MRLF Program Funds to Eligible Costs or (b) a \$40,000 cap per residential unit damaged by and having become unoccupied as a direct result of flood damage from Great Floods of 2016 (i.e., \$800,000 for a project in which twenty (20) units were flood-impacted).
- (b) **Existing Non-Affordable Housing:** The maximum MRLF Program Funds award for Existing Non-Affordable Housing is the lesser of (a) the funding gap required after application of funds other than MRLF Program Funds to Eligible Costs or (b) a

\$62,500 cap per residential rental unit (i.e., \$3.125 million for a 50-unit project) or (c) \$6.25 Million.

**I.H.I.I. Eligible Costs.** The following constitute Eligible Costs that will be funded under the MRLF Program:

- I.H.(a) Development hard costs.** The actual cost of rehabilitating an Eligible Project.
- (a) Related soft costs. Other reasonable and necessary costs incurred by the Eligible Applicant associated with the financing an Eligible Project with MRLF Program Funds.
- (b) Required operating and replacement reserves. ~~No MRLF Program Funds may directly fund any operating or replacement reserves. Operating or replacement reserves may only be funded only from sources other than MRLF Program Funds in order to satisfy the viability underwriting requirements applicable to Existing Non-Affordable Housing. Only the amount required to fund operating and replacement reserves in conjunction with new debt and the viability requirements applicable to Existing Non-Affordable Housing and only to the extent that such reserves are funded from sources other than MRLF Program Funds.~~
- (c) Refinancing Costs: Only an amount required to pay down an existing 1st mortgage to implement the Restoration Affordability Commitment in connection with Existing Non-Affordable Housing.

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**I.J. Ineligible Costs.** The following costs constitute Ineligible Costs that may not be funded from any funding source:

- (a) Payments to a Seller in Excess of Existing Prior Mortgage Debt: Payments of an existing housing property in excess of any mortgage principal securing the existing housing property on May 15, 2017.
- (b) Excess Developer or Consultant Fees: Payments to a Developer or any consultant which in the aggregate exceed any approved Developer Fee.

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~~**I.J. Ineligible Costs.** The following costs constitute Ineligible Costs that will not be funded under the MRLF Program:~~

- ~~(a) Payments to a Seller in Excess of Prior Debt: Payments to a Seller of a property in excess of the principal balance ("Prior Mortgage Principal") of a pre-existing mortgage note ("Prior Mortgage Note"). The Prior Mortgage Principal shall not~~

~~exceed the principal balance of the Prior Mortgage Note during the period commencing as the date of publication of these Program Guidelines and ending as of date of Closing.~~

~~(a) Excess Developer or Consultant Fees: Payments to a Developer or any consultant which in the aggregate exceed any approved Developer Fee.~~

**I.K. Form of CDBG Funding.** For projects other than those owned by a PHA, MRLF Program Funds will be in the form of a MRLF Restoration Loan to finance Eligible Costs of an Eligible Project. For Existing Affordable Properties (including those owned by PHAs), these funds are limited to rehab of flood-impacted units and limited related soft costs. For Existing Non-Affordable Housing, funds include restoration of flood-impacted units and related soft costs, as well as funds needed to facilitate financial and physical viability of the Eligible Project over the Period of Affordability. For Eligible Projects owned by a PHA, CDBG funding is expected to be offered in the form of a grant.

**I.L. Periods of Affordability.**

- (a) Properties with Existing Affordability Commitments: The longer of five (5) years from date of Closing or the remaining duration of time over which the Existing Affordability Commitment is enforceable.
- (b) Existing Non-Affordable Housing Without an Existing Affordability Commitment: A period of twenty (20) years commencing with the date of Closing.

**I.M. MRLF Program Legal Documents.** The MRLF Program Legal Documents are posted to the LHC's website and consist of the following documents:

- (a) MRLF Funding Commitment
- (b) MRLF Loan Agreement
- (c) MRLF Program Note
- (d) MRLF Program Mortgage
- (e) MRLF Regulatory Agreement
- (f) MRLF Intercreditor and Subordination Agreement

**CAPITALIZED TERMS NOT DEFINED IN THE MRLF PROGRAM GLOSSARY BELOW SHALL HAVE THE MEANING ASCRIBED TO SUCH TERMS IN THE**

**FOREGOING MRLF PROGRAM LEGAL DOCUMENTS. ELIGIBLE APPLICANTS MUST REVIEW THE MRLF PROGRAM LEGAL DOCUMENTS PRIOR TO SUBMITTING AN APPLICATION FOR MRLF PROGRAM FUNDS. SUBMISSION OF AN APPLICATION CONSTITUTES AFFIRMATION BY THE ELIGIBLE APPLICANT OF THE MRLF LEGAL DOCUMENTS.**

**II. MRLF PROGRAM GLOSSARY:**

- **Affordability Commitment:** An agreement as to residential rental units in an Eligible Project being Income Restricted and Rent Restricted which is or may be recorded as a covenant running with the land that is enforceable against the property owner and all successors and assigns for a period of at least five (5) years from Closing and which is superior to all debt as a condition of an Award.
- **Affordable:** The rent charged plus tenant paid utilities are at or below 30% of the applicable Imputed Income Limit, based on the bedroom size of the Qualified Unit.
- **Affordable Rents:** The maximum rents for the applicable Income Limit(s) for each residential rental housing unit by bedroom size published by LHC by parish location for each Qualified Project.
- **AMI:** Area Median Income as adjusted by household size.
- **Application:** The MRLF Program Application posted to the LHC website to be used by an Eligible Applicant requesting MRLF Program Funds to pay for the Eligible Costs of and Eligible Project, including all required exhibits and third party reports.
- **Award:** The amount of CDBG Funding specified in a MRLF Funding Commitment.
- **Closing:** The date all MRLF Program Legal Documents are executed and a title policy with appropriate endorsements are released to the LHC.
- **Construction Contract:** A contract with a Louisiana licensed contractor to complete rehabilitation or construction of an Eligible Project.
- **Developer Fee:** A fee equal to the lesser of five percent (5.0 %) of Total Permitted Costs or \$5,000 per Set-Aside Unit. A Developer Fee will only be permitted and paid in connection with the Affordability Commitment which has been accepted by the Eligible Applicant with

respect to Existing Non-Affordable Housing and which has been awarded MRLF Program Funds to pay for the Eligible Costs.

- **Eligible Applicant:** An Eligible Applicant is a Single Asset Entity, which may be either a private for-profit or non-profit property owner (“Residential Rental Property Owner”) organized under Louisiana law or a local public housing authority (“PHA”) that will rehabilitate an Eligible Project that is or will be owned and operated by the Eligible Applicant.
- **Eligible Costs:**
  - Development hard costs. The actual cost of rehabilitating an Eligible Project.
  - Related soft costs. Other reasonable and necessary costs incurred by the Eligible Applicant associated with the financing an Eligible Project with MRLF Program Funds
  - Required operating and replacement reserves. Only the amount required to fund operating and replacement reserves in conjunction with new debt and the viability requirements applicable to Existing Non-Affordable Housing.
  - Refinancing costs. Only an amount required to pay down an existing 1st mortgage to implement the Restoration Affordability Commitment in connection with Existing Non-Affordable Housing.
- **Eligible Project.** An existing multifamily housing development located in one of the FEMA Disaster Declared Parishes or one of the HUD Designated Most Impacted Parishes containing at least 20 units that were impacted by the Great Floods of 2016.
- **Existing Affordability Commitment.** Any enforceable Affordability Commitment which was entered into prior to 2017 by and between the Eligible Applicant and a governmental entity that remains in effect as of the date an Application is submitted and with respect to which at least fifty-one percent (51%) of the residential rental units are Rent Restricted and Income Restricted for a Period of Affordability.
- **Existing Affordable Housing.** Any otherwise qualifying project which at the time of Application is subject to an Existing Affordability Commitment.

- **Existing Multifamily Housing.** A residential rental property containing at least twenty (20) residential rental units that are owned by a SAE pursuant to a common plan of finance.
- **Existing Non-Affordable Housing.** Any otherwise qualifying project which does have an Existing Affordability Commitment in place, but which would enter into a Restoration Affordability Commitment as a condition of an Award of MRLF Program Funds.
- **FEMA Disaster-Declared Parishes.** The following forty-one (41) parishes affected by DR-4263 or DR-4277 floods in which FEMA Individual Assistance was available, which are not otherwise defined as HUD Designated Most Impacted: Allen, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Catahoula, Claiborne, DeSoto, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, LaSalle, Lincoln, Madison, Morehouse, Natchitoches, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Helena, St. James, St. Landry, St. Martin, Union, Vernon, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn.
- **FONSI – Findings of No Significant Impact.** A FONSI is issued when environmental analysis and interagency review during the EA process find a project to have no significant impacts on the quality of the environment.
- **Great Floods of 2016.** One or both of the floods identified by DR-4263 or DR-4277 floods in which FEMA Individual Assistance.
- **Gross Potential Rent.** The maximum amount of money a property would generate if such property was 100% occupied and every residential rental paid the scheduled rent on time and in full.
- **HUD Designated Most Impacted Parishes.** The following ten (10) Parishes: Ascension, Acadia, East Baton Rouge, St. Tammany, Lafayette, Vermilion, Livingston, Washington, Ouachita, and Tangipahoa.
- **Imputed Income Limit.** Each bedroom is assumed to be occupied by a household at Income Limits specified in the Affordability Commitment with not more than 1.5 persons occupying each bedroom. An efficiency is assumed to be occupied by one person.
- **Income Limit.** The maximum household income for a tenant occupying a Qualified Unit.



- **Income Restricted.** Households with incomes at initial occupancy of a Qualified Unit at or below 80% AMI in which at least 51% of units are affordable to (i.e., with rents and tenant-paid utilities at or below 30% of 80% AMI) and reserved for occupancy for the duration of the Period of Affordability.
- **Ineligible Projects.** Properties which (i) are located in a Special Flood Hazard Area and which did not carry flood insurance, (ii) are not structured as a single asset entity, (iii) have fewer than 20 units, (iv) are not located in either a FEMA Disaster-Declared Parish or a HUD Designated Most Impacted Parish, or (v) did not incur damage as a result of flooding in 2016.
- **Market Rent.** The amount of money that a given residential rental unit would command if it were open for leasing without any Affordability Commitment; provided that the Market Rents may not exceed the rent charged for the unit in Existing Non-Affordable Housing as reflected in an Eligible Project's financials prior to calendar year 2016.
- **Period of Affordability.** For properties with Existing Affordability Commitments, the remaining duration of time over which the Existing Affordability Commitment occurs but not less than five (5) years from Closing; for Existing Non-Affordable Housing, a period of twenty (20) years commencing with the date of Closing.
- **PHA.** A local public housing authority established pursuant to La. R.S. 40:391 or 392 and a regional or consolidated housing authority established pursuant to La. R.S. 40:411.
- **Physical Condition Assessment.** An inspection report of an existing building or project by an architect or engineer conducted in accordance with Fannie Mae's Capital Needs Assessment Guidance to the Property Evaluation which (i) identifies the age and condition of the building or project and related major systems (including climate control equipment, plumbing and fixtures, cooking and other kitchen equipment, roofs, exterior siding and electrical systems), (ii) specifies the required repair and/or rehabilitation of the buildings and systems (including the estimated costs of each) over at least twenty years following the Placed in Service Date, (iii) estimates the useful remaining life of the project and related major systems following their repair, (iv) specifies the minimum amount which must be deposited to the repair and replacement reserve over twenty years to maintain property quality and habitability standards and (v) either identifies the presence of environmental hazards, such as asbestos, lead paint and mold on the property or contains an Exhibit A Phase

I Environmental. Note: No project will be awarded MRLF Program Funds if hazardous materials are identified without a hazard mitigation plan submitted with the application and costs accounted for such plan in the project budget.

- **Qualified Household.** A tenant household in which the household income at initial occupancy of a Qualified Unit does not exceed the lower of 80% of AMI published by HUD as adjusted by family size or such lower amount for Set-aside Units as provided for in the Application.
- **Qualified Unit.** A residential rental unit in an Eligible Project that is Income Restricted and Rent Restricted
- **Rent Restricted.** An Eligible Project in which residential rental units in an Eligible Project are subject to rents that are Affordable to Qualified Households.
- **Residential Rental Property Owner.** A private for-profit or non-profit property owner organized under Louisiana law.
- **Restoration Affordability Commitment.** The requirement specified in MRLF Program Legal Documents that a specified number of units in Existing Non-Affordable Housing to become Affordable following an Award by requiring such units to be Income Restricted and Rent Restricted. Affordability will be achieved by requiring rents on such units to be reduced to the lesser of (a) 30% of 80% of the applicable Imputed Income Limit or (b) a rent which is affordable to households at ten percent below the AMI equivalent of the Market Rent for that unit.
- **SAE.** A single asset entity authorized to do business in the State of Louisiana.
- **Set-Aside Units.** Specified number of set aside units in an Eligible Project to be occupied initially by Qualified Households with lower household incomes.
- **Special Flood Hazard Area.** Flood hazard areas identified on the Flood Insurance Rate Map labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30.
- **Total Permitted Costs.**

(a) For Existing Affordable Housing: Costs include only the only costs to rehab and restore flood-impacted units, and certain soft costs.

~~(b)~~(c) For Existing Non-Affordable Housing: Costs include the costs to rehabilitate and restore flood-impacted units, other immediate physical needs, pay down of the 1<sup>st</sup> mortgage, fund replacement reserves, third-party costs, and developer fee.

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- **LHC Web Site.** References herein to LHC’s web site refer to the following URL: <http://www.lhc.la.gov/>

### III. TIMELINE.

LHC envisions the following timeline for awarding funds:

Date	Event
05/15/2017	Notice of Funding Availability and Program Guidelines published
05/31/2017	Questions submitted by COB on this date will be answered by LHC on or before COB 06/06/2017.
06/15/2017	Last date for submission of Applications to LHC for the initial funding round.
06/23/2017	Awards announced; Announcement of 2 <sup>nd</sup> Round (subject to funding availability)
TBD	Subject to availability of funding, last date for submission of Applications to LHC for the second funding round.

### IV. METHOD OF AWARD.

IV.A. Funding Pools. See §VIII.I for additional information on how Pools will be managed by LHC.

(a) POOL A: \$22 Million for Existing Affordable Multifamily Projects within the HUD Designated Most Impacted Parishes that are not owned by PHAs.

~~(b)~~(d) POOL B: \$6 Million for Existing Affordable Multifamily Projects that are owned by a PHA and located within a HUD Designated Most Impacted Parish or a FEMA Disaster-Declared Parish.

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~~(e)~~(e) POOL C: \$4 Million for Existing Affordable Housing not owned by PHAs and located within a HUD Designated Most Impacted Parish or a FEMA Disaster-Declared Parish.

~~(f)~~ POOL D: \$6.25 Million for Existing Non-Affordable Projects within a HUD Designated Most Impacted Parishes or FEMA Disaster-Declared Parishes.

~~(g)~~ POOL E: Funds from Pool A through D that are not awarded will be made available to the highest scoring Applications.

Any funding remaining in Pool E after awards pursuant to the Initial Funding Round may be transferred to a Second Funding Round, or may be reallocated by the LHC to other programs, at its sole discretion.

NOTWITHSTANDING THE FOREGOING, LHC RESERVES THE RIGHT TO PRIORITIZE FUNDING TO PROJECTS IN THE HUD MOST-IMPACTED PARISHES IN ORDER TO COMPLY WITH THE HUD REQUIREMENT THAT 80% OF FUNDS ARE ALLOCATED TO THE HUD MOST-IMPACTED PARISHES.

**IV.B.** Initial Funding Round. Complete Applications received on or before 6/15/2017 will be processed for an Award on a competitive basis. Awards will be made to Eligible Projects among acceptable applications in decreasing order of point score. Acceptable applications are (a) complete or (b) have resolved any deficiencies; and (c) meet the requirements of these Application Guidelines.

**IV.C.** Second Funding Round. If CDBG funds remain after the Initial Funding Round, there may either be a Second Funding Round or a transfer of remaining funding to other programs at the sole discretion of the LHC.

**IV.D.** Competitive Award Point System. Competition within each Pool in each funding round will be based on points. See §VIII.J for the point system (“Selection Criteria”).

**IV.E.** Application Submission. Applications must be received by LHC not later than 4:00 pm Central time on the applicable Application submission deadline date. Applications must be submitted to the MRLF Program Manager the following address:

Attn: Recovery Department - MRLF  
Louisiana Housing Corporation  
2415 Quail Drive  
Baton Rouge, LA 70808  
[Email: disasterrecovery@lhc.la.gov](mailto:disasterrecovery@lhc.la.gov)  
Phone: (225) 763-8880

**IV.F.** Potential Supplemental Funding. In the event that LHC increases the funds allocated to the MRLF Program, LHC may at its option and sole discretion fund acceptable and Complete Applications submitted for the MRLF Program Funds which did not receive an Award without requesting additional Applications.

**V. PRIMARY REQUIREMENTS APPLICABLE TO ALL ELIGIBLE PROJECTS UNLESS NOTED OTHERWISE**

**V.A.** Minimum Project Size. Projects must have at least 20 residential rental units. There is no maximum project size.

**V.B.** Project Location. Eligible projects must be located in either a HUD Designated Most Impacted Parish or FEMA Disaster-Declared Parish.

**V.C.** Residential Rental Use and Mixed-Use Permitted. Mixed-use projects (that is, projects that include uses other than residential rental) are eligible.

**V.D.** Flood Insurance. Properties which were located in a Special Flood Hazard Area and which did not carry flood insurance are not eligible. Flood hazard areas identified on the Flood Insurance Rate Map are identified as a Special Flood Hazard Area (SFHA). SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30.

**V.E.** Maximum MRLF Program Funds Award.

(a) Existing Affordable Housing: The maximum MRLF Program Funds award for Existing Affordable Housing is the lesser of (a) the funding gap after application of funds other than MRLF Program Funds to Eligible Costs or (b) a \$40,000 cap per residential unit damaged by and becoming unoccupied as a direct result of flood damage from Great Floods of 2016 (i.e., \$800,000 for a project in which twenty (20) units were flood-impacted).

(b) Existing Non-Affordable Housing: The maximum MRLF Program Funds award for Existing Non-Affordable Housing is the lesser of (a) the funding gap required after application of funds other than MRLF Program Funds to Eligible Costs or (b) a \$62,500 cap per residential rental unit (i.e., \$3.125 million for a 50-unit project) or (c) for projects of more than 100 units, \$6.25 Million.

**V.F.** Physical Condition Assessment. Existing Non-Affordable Housing Eligible Applicants must submit with their application a Physical Condition Assessment (“PCA”) to establish the property’s immediate physical needs and the capital repair and replacement needs the project is likely to encounter for the Period of Affordability (20 years).

**V.G.** Proof of Loss. Applicants who have received a ‘proof of loss’ from the National Flood Insurance Program or SBA must submit this with their application. For those applicants who do not have an NFIP or SBA ‘proof of loss’ the application must include a detailed bid for repairs, a contract with schedule of values for repairs, or itemized invoices for completed repairs from a Louisiana licensed contractor.

**V.H.** Rules Regarding Identity of Interest Contracting. For work that has not commenced as of the date of publication of the NOFA/Program Description, construction/rehabilitation work may only be undertaken by an entity that has an identity of interest (“IOI”) with the borrower provided that (a) the borrower has obtained three bids from qualified, Louisiana licensed contractors for the same work to be undertaken by the IOI entity, and (b) either (i) the IOI entity price is lower than any of the three bids, or (ii) the LHC in its sole discretion, accepts the IOI arrangement, notwithstanding the existence of lower bids from non-IOI bidders. For work that has commenced as of the date of the publication, LHC will not require (retroactive) bids, but will impose a cost-reasonableness test to ensure that IOI-based construction and rehabilitation work does not exceed market costs.

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**V.H.V.I.** Comparability of Affordable and Market-Rate Units. For Existing Non-Affordable Housing the proposed affordable units must be comparable to the market rate units. All Existing Non-Affordable Housing Eligible Applicants will be required as a condition of award to enter into a Restoration Affordability Commitment that stipulates comparability.

**V.I.V.J.** Scattered Site Projects. Scattered site projects are permitted. However, all units must exist within a single asset entity legal and accounting structure, as evidenced by existing legal documents as of the date an Application is submitted, and as reflected in prior-year annual financial statements.

**V.J.V.K.** MRLF Funds Leverage Requirement.

- All insurance and other proceeds, such as from an SBA Loan, received by the Eligible Applicant for an Eligible Project related to Great Floods of 2016 must be applied toward Total Permitted Costs.

- For Existing Affordable Housing projects undergoing refinancing to achieve a viable 20-year operating pro forma, all mortgage proceeds must be applied toward Total Permitted Costs.

~~V.K.V.L.~~ **No Additional Permanent Supportive Housing (PSH) Requirement.** There is no PSH requirement attached to the award of MRLF Restoration Loan proceeds. However, if an existing PSH Agreement is in place at an awarded property, that PSH Agreement will remain in place.

~~V.L.V.M.~~ **Required Eligible Project Types.** Eligible Projects must meet either the Existing Affordable Project requirement or the New Affordable Project requirement.

(a) **Existing Affordable Project Requirement.** This option requires an Eligible Project to be governed by an Existing Affordability Commitment. These properties may be owned by any Residential Rental Property Owner or a PHA. Note that PHA owned properties are eligible to apply for MRLF Program Funds under the terms and conditions that apply to Existing Affordable Properties unless otherwise excluded; however, PHAs will receive funds in the form of a Grant, rather than a Loan.

(b) **Existing Non-Affordable (i.e., New Affordable) Project Requirement.** To be considered for an award of MRLF Program Funds under this option, the property must NOT be governed by an Existing Affordability Commitment, as of the date on which this MRLF Program Description is published. An Award of MRLF Program Funds under this option requires the Existing Non-Affordable Housing Project to enter into an Affordability Commitment.

~~V.M.V.N.~~ **Project Readiness Requirement.** All Eligible Applicants must demonstrate as part of the Complete Application acceptable Commitments as determined by LHC for all non-MRLF Program Funds sources.

(a) Commitments must be dated no more than thirty days prior to the date on which an Application is submitted to LHC and must extend at least thirty days past the anticipated Closing indicated by the Eligible Applicant in its application.

(b) LHC reserves the right to require updated commitments as it deems necessary.

(c) 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.

- (d) For Existing Non-Affordable Housing in which a new 1st Mortgage is contemplated, the commitment from the lender must acknowledge and permit the MRLF Restoration Loan, must consent to the execution and delivery of the MRLF Program Legal Documents, and must agree that the loan will be made subject to the Restoration Affordability Commitment.

**V.N.V.O. Status of Physical Rehabilitation and Environmental Clearance**

**Requirement.** Projects for which restoration of flood-impacted damage has started or has been completed are eligible if an Eligible Applicant retained a Louisiana licensed contractor to complete restoration pursuant to a fixed price Construction Contract. In addition, Eligible Applicants should note that environmental requirements related to an Award of MRLF Program Funds include a requirement that no choice limiting actions may occur until LHC has issued environmental clearance. Accordingly, while construction which is underway pursuant to a Construction Contract on the date on which this MRLF Program Description is published may proceed, no change to the Scope of Work may be undertaken following the date of such publication. If LHC determines there are changes to the original scope of work in the Construction Contract after the date of MRLF Program description is published, the Award will be rescinded and the commitment will be cancelled and Eligible Applicant will be required to repay to LHC all MRLF Program Funds that have been disbursed.

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 FONSI/NOI public notice period prior to submitting



the Request for Release of Funds (RROF) (15-18 days), and the HUD review/comment period prior to the authorization to use grant funds (“AUGF”) which (15-18 days but more often than not) gets extended. Those three steps can take anywhere from 45-60 days if not longer. Please contact the LHC’s Environmental Impact and Labor Compliance Manager for further information on Environmental Reviews as follows:

Agaha Brass  
Environmental Impact & Labor Compliance Manager  
Louisiana Housing Corporation  
2415 Quail Drive, Baton Rouge, LA 70808  
Email: abrass@lhc.la.gov  
Phone: (225) 763-8734

**V.O.V.P. Davis-Bacon and Section 3 Requirements.** Eligible Applicants are advised of the following:

- (a) For projects in which work has not commenced as of the date of publication of this MRLF Program Description, all work pursuant to a Construction Contract must conform to Davis-Bacon and Section 3 Requirements.
- (b) For projects in which work has commenced but not been completed as of the date of publication of this MRLF Program Description, all work subsequent to the submission of the Application by the Eligible Applicant must conform to Davis Bacon and Section 3 Requirements.
- (c) For projects in which all work has been completed as of the date on which the Eligible Applicant submits an Application for MRLF Funds, Davis-Bacon and Section 3 Requirements do not apply.
- (d) Davis Bacon reviews are processed on a weekly basis with LHC. If for any reason a violation occurs, funding for the development could be postponed until the development clears the non-compliance item(s).

**V.P.V.Q. Fair Housing Act Accessibility Requirements.** All construction and rehabilitation work performed in association with funding under this MRLF Program must comply with the Fair Housing Act. HUD has published “Fair Housing Accessibility Guidelines” to facilitate compliance with the accessibility requirements of the Act. The primary standard used in the Guidelines is the American National Standards Institute (“ANSI”) standard.

Eligible Applicants will be required to certify regarding their compliance with these requirements.

**~~V.Q.V.R.~~ Section 504 Accessibility Requirements.** Eligible Applicants must note that Section 504 Requirements apply as a consequence of MRLF Program Funds being MRLF Program Funds. For properties already constructed in compliance with Section 504, any rehab must restore accessible units. For properties not already constructed under Section 504, rehab performed under this MRLF Program is expected to constitute ‘Other Alterations’, triggering the requirement that five-percent (5%) of all units be accessible. Note that for Existing Affordable Properties, retrofits for accessibility of units that were not flood impacted are not Eligible Costs.

**~~V.R.V.S.~~ Other Compliance Requirements.** In addition to requirements discussed in this Section, all awardees must meet the CDBG regulatory compliance requirements contained in the MRLF Program Legal Documents.

- (a) **APPLICANTS MUST REVIEW THE MRLF PROGRAM LEGAL DOCUMENTS PRIOR TO SUBMITTING AN APPLICATION FOR MRLF PROGRAM FUNDS. SUBMISSION OF AN APPLICATION CONSTITUTES AFFIRMATION BY THE APPLICANT OF LEGAL OBLIGATIONS, DUTIES AND RESPONSIBILITIES OF THE APPLICANT CONTAINED IN THE MRLF LEGAL DOCUMENTS.**
- (b) **Non-Compliance in Federal or Other Agency MRLF Programs.** Eligible Applicants (including Affiliates) cited for non-compliance in federal housing programs or in a project/program administered by LHC or OCD shall not receive a reservation of MRLF Program Funds unless or until such non-compliance is cleared to the satisfaction of LHC and OCD in their sole discretion.
- (c) **Duration of Requirements.** All requirements will be applicable for the duration of the Restoration Affordability Commitment (20 years), or for the remaining duration of the Existing Affordability Commitment, whichever is applicable.

## **VI. SECONDARY REQUIREMENTS.**

### **VI.A. MRLF Program Funds Gap Funding.**

- (a) **MRLF Program Funds Limited to Funding Gap.** For purposes of structuring the Application, Eligible Applicants should assume that MRLF Program Funds will close any funding gap after accounting for other funding received (subject to the limitations

on MRLF Program Funds discussed herein) and that the amount of MRLF Program Funds will be limited to that funding gap.

~~(b)~~**(h) Subsidy Layering Review (Duplication of Benefits Review).** Eligible Applicants should note that LHC will perform a post-construction-completion subsidy layering analysis to verify that MRLF Program Funds did not exceed the amount needed to restore the project.

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~~(e)~~**(i) Use of MRLF Program Funds.** LHC will require that MRLF Program Funds be used for permitted Eligible Costs. Eligible Applicants who wish to use MRLF Program Funds for any other purpose must obtain the written agreement of LHC prior to submitting an application.

**VI.B. Restrictions on Development Costs.** Although LHC does not impose any limits on project development costs and does not impose any per-unit development cost limits, Eligible Applicants should note the per-unit and per-project MRLF Program Funds funding limits.

**VI.C. Developers May Receive Awards for Multiple Projects.** Developers and their Affiliates may submit applications for multiple projects and may receive multiple awards. LHC will consider only one application per project, however.

**VI.D. Potential Exceptions for Flood-Impacted Properties.** Eligible Applicants may request specific exceptions to the requirements of this MRLF Program Description, as needed to facilitate the repair / reconstruction of rental housing properties that existed prior to 2016, and underwent the loss of a unit or units due to flood damage resulting from the flooding that occurred in 2016, which caused the inhabitability of flood-impacted units. Requests for exceptions may be submitted by email to the MRLF Program Manager or in writing to the address provided above for submission of Applications. Any such exceptions may be granted by LHC in its sole discretion. Requests for exceptions may be made prior to, or included within, the Application, but Eligible Applicants are encouraged to make their requests as soon as possible. Granting of any exception must be in writing. Any exception granted shall only be for the specific project and shall not apply to other projects unless expressly made applicable by LHC.

## **VII. GAP FINANCING LOANS**

### **VII.A. Loan Documents.**

(a) **In General.** Gap Financing Loans will be documented using LHC’s template legal documents for the MRLF Program to be posted on LHC’s Web site. By submitting an application, Eligible Applicants agree to execute the template legal documents without modification. LHC may require modifications to the templates to address particular features of funding or other aspects of any given project.

(b)(i) **Loan Documents Control.** The summary below is provided for the convenience of Eligible Applicants. If the summary below differs from the MRLF Legal Documents, the MRLF Legal Documents will prevail.

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(k) **MRLF Restoration Loan Regulatory Agreement (Affordability Commitment).** The MRLF Regulatory Agreement will be subject to only those liens and encumbrances specifically agreed to by LHC. The lien of any permanent mortgage will be subject to the MRLF Regulatory Agreement.

(l) **Mortgage.** The Gap Financing Loan will have either (a) first lien position, or (b) second lien position behind the lien of permanent financing acceptable to LHC (in which case, if the first lien lender so requests, LHC agrees to execute LHC’s standard form of Subordination Agreement contained in the MRLF Legal Documents). LHC will consider, on a case-by-case basis, requests for subordination to other indebtedness.

(m) **Guaranties.** Eligible Applicants should note that LHC will require one or more Key Principals to give a Guaranty of Completion to LHC. LHC’s requirements for Key Principals, and for financial statements that all proposed Key Principals must submit prior to closing are contained in the MRLF Legal Documents.

(n) **Transaction Costs / Expenses.** The Eligible Applicant will be responsible for all costs related to closing the loan, whether or not closing occurs, including all title costs, recording costs, legal fees (including LHC fees), abstract fees, appraisal costs, environmental and historic property review, and site and progress inspection fees (including LHC’s fees), survey costs, or such other costs associated with the funding. These costs will include LHC’s expenses, (if any) that may be incurred subsequent to the closing. Expenses provided under this paragraph and incurred subsequent to the closing but not escrowed at the time of closing shall be the responsibility of the Eligible Applicant.

~~(e)~~(o) **Conflicts.** Conflicts between the MRLF Legal Documents and any other documents executed in connection with the project will be resolved in favor of the MRLF Legal Documents. Eligible Applicants should note that LHC will not be a party to “operating agreements” and other agreements between the Eligible Applicant and its investor(s), and that no aspect of such agreements may contravene or otherwise impugn the MRLF Legal Documents.

~~(h)~~(p) **Representations and Warranties.** Eligible Applicants should note that the MRLF Legal Documents contain representations and warranties that are ongoing. Accordingly, subsequent non-compliance or other circumstances that prevent the Eligible from making the required representations and warranties may result in an Award being rescinded prior to closing.

**VII.B. Interest Rate.** The interest rate on all MRLF Notes will be zero percent (0%).

**VII.C. Loan Term.**

- (a) For Existing Affordable Housing: the MRLF Restoration Loan will have a term equal to the remaining term on the existing 1<sup>st</sup> mortgage.
- (b) For Existing Non-Affordable Housing: the MRLF Program Loan will have a 20-year term; therefore, a new 20-Year 1st Mortgage must be obtained in connection with the MRLF Program Funds in transactions in which there is a refinancing of the 1st mortgage. For Existing Affordable Housing which is not refinanced in connection with the MRLF Program Funds financing, the MRLF Program Funds Loan will have a term equal to the remaining term of the existing 1st mortgage.
- (c) For all loans: the loan balance, if any, is due and payable at maturity. All loans will be due on sale, refinancing, or if accelerated pursuant to the terms of the MRLF Program Funds Legal Documents. **The MRLF is not a forgivable loan. This loan is due on maturity.**

**VII.D. Timing for Funding.** See the MRLF Program Funds Loan Agreement for further details. Note that MRLF Program funding is a cost reimbursement program; disbursements during or upon completion of rehabilitation are limited to the reimbursement of actual eligible costs that have been incurred. Eligible Applicants may request funding either:

(a) At completion of rehabilitation ; or

~~(b)~~(q) During rehabilitation; or

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~~(e)(f)~~ Pari Passu, in equal shares with other material funding sources. *Pari passu* funding requires a construction lender or bridge lender, on whose inspection and oversight capabilities LHC, in its sole discretion, is willing to rely. In the event LHC determines it requires independent inspection(s), the fees and costs associated with the inspection shall be the responsibility of the Eligible Applicant. *Pari passu* funding is subject to LHC reaching agreement with the other construction period funder(s) on a mutually acceptable intercreditor agreement.

**VII.E. Retainage.** The final disbursement will be at least 5% of the loan amount plus the CDBG portion of any construction contract retainage.

**VII.F. Required Payments.** Gap Financing Loans will be payable at maturity or acceleration, only.

**VII.G. Required Payments From Surplus Cash.** There is no required payment from Surplus Cash for MRLF Restoration Loans.

## **VIII. MRLF PROGRAM AWARD PROCESS**

**VIII.A. Questions Regarding These Application Guidelines.** Eligible Applicants and other stakeholders may submit questions by email to the designated MRLF Program Manager at [disasterrecovery@lhc.la.gov](mailto:disasterrecovery@lhc.la.gov). Periodically LHC will post answers to questions on LHC's Web site. The deadline for submitting questions, and the schedule for LHC's posted responses can be found at §III. However, questions may be submitted at any time; answers will be posted to LHC's Web site as questions are answered.

### **VIII.B. Process for Reviewing Applications.**

- (a) **Required Authorized Signatory of Borrowing Entity.** The Authorized Signatory of an Eligible Applicant must be a principal of the General Partner or Managing Member of the ownership entity, duly authorized to act for and on the behalf of the ownership entity in all matters regarding the borrowing of funds secured by the property.
- (b) **Communication with Contact Person.** The Authorized Signatory will serve as the Contact Person unless the Authorized Signatory appoints a Contact Person. The LHC will permit a person duly authorized to represent the Authorized Signatory to serve as the designated Contact Person. The designation of a Contact Person will require an Assignment of Agency, in which the Authorized Signatory delegates the Contact

Person to represent the Borrowing Entity in all matters concerning the Application and the Loan. If a Contact Person is appointed, information received from persons other than the Contact Person, will be disregarded by LHC until and unless the LHC is formally notified that the rights and authorities accorded to the designated Contact Person have been rescinded. The LHC will not permit two individuals to represent a single transaction, simultaneously.

- (c) **Completeness.** The review process will begin with a review for completeness. Applications that are materially incomplete (which determination shall be made by the LHC in its sole discretion) will be rejected without further review, and no opportunity to complete the application will be given.
- (d) **Potential LHC Requests for Clarification.** LHC may, but shall not be obligated to, follow-up with an Eligible Applicant's Contact Person during the application review process in a telephone conversation or in writing in order to obtain clarification should LHC determine it to be advisable or necessary. Eligible Applicants should endeavor, however, to provide thorough and complete applications as they may not have an opportunity for subsequent communications either oral or written other than the response to the deficiency letter.
- (e) **Order of Award.** Complete applications without deficiencies (including applications that cure deficiencies within the allowed response period), and that are determined to comply with the requirements hereof, will be awarded in descending order of point score (subject to availability of MRLF Program funding, and subject to the requirements hereof such as, without limitation, Pool size). Notwithstanding scores, the LHC is obligated to ensure that eighty-percent (80%) of funds are allocated to projects in the HUD Most Impacted Parishes, and reserves the right to award to lower-scoring applications if needed to comply with this requirement.

**VIII.C. Rejected Applications.** If an application is rejected by LHC (for example, for failure to submit a complete application), a new application for the same site may not be submitted (either by the original Eligible Applicant or by any successor Eligible Applicant) until the subsequent Round.

**VIII.D. MRLF Funding Commitment (“Funding Commitment”).**

- (a) **Form of MRLF Funding Commitment.** LHC will issue Funding Commitments to Eligible Applicants of awarded applications. If rehabilitation construction has not

already commenced, Eligible Applicants should note that the Funding Commitment will require commencement of rehabilitation construction within three months after issuance of the Funding Commitment (a one month extension is available for good cause<sup>1</sup>). Awards are non-assignable.

- (b) **Funding Reservation.** Funding will be reserved for the awarded project for the time period allowed in the Funding Commitment for the Eligible Applicant's execution and return of the Funding Commitment (two weeks).
- (c) **Recapture.** If the Eligible Applicant does not execute the Funding Commitment within the allowed time period, if the Eligible Applicant does not comply with the terms of the Funding Commitment, or if the Eligible Applicant relinquishes its Funding Commitment after executing it, LHC will reverse the funding reservation and may restore the funding to the MRLF Program and may award the funds immediately thereafter to the next highest scoring Eligible Applicant which did not receive an Award due to insufficiency of funds.
- (d) **Reservation Pursuant to Federal Regulations.** LHC reserves the right to make and revise reservations in accordance with published federal regulations, rulings, guidelines and notices. LHC will not close a MRLF Restoration Loan until environmental clearance has been issued.
- (e) **Funding Obligation.** LHC will not obligate funding to the project until the MRLF Program Legal Documents are executed.

**VIII.E. MRLF PROGRAM APPLICATION PACKAGE.** All materials must be submitted in electronic Adobe PDF format. Materials that require a signature must additionally be submitted as hard copies. Electronic spreadsheets must be submitted in "live" Excel format with all formulas active.

- (a) **MRLF Program Electronic Application (MS Excel Model).** LHC will require an electronic application as part of the Application package.

~~(b)~~ • Eligible Applicants must use the current format available at the LHC website <http://www.lhc.la.gov/>. This must be submitted electronically (CD-ROM preferred).

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<sup>1</sup> The good-cause request must be in writing and must provide documentation of the reasons why the Eligible Applicant believes that good cause exists to grant the requested extension of time.



The first worksheet in this file determines eligibility and calculates the project's score.

~~(e)~~(b) **MRLF Application Form (MW Word Document).** Two hard copies of the LHC MRLF Restoration Loan MRLF Program Application are required, with original signatures of the Eligible Applicant on all pages that require signatures.

~~(d)~~(c) All required certifications and appendices must be included and must be signed.

~~(e)~~(s) For Existing Non-Affordable properties, the required Physical Condition Assessment must state conclusions as of a date within 90 days prior to the date of application, and subsequent to any flood-related damage which occurred, and must include an accompanying statement indicating the current status of any repairs relative to items identified as Immediate Repairs in the PCA.

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#### **VIII.F. PHYSICAL CONDITION ASSESSMENT.**

For Existing Non-Affordable Housing, applications must include a Physical Condition Assessment meeting the requirements of the PCA Statement of Work.

#### **VIII.G. MRLF PROGRAM COMPLIANCE REQUIREMENTS.**

Funding of the MRLF Program is through the United States Department of Housing and Urban Development, Community Development Block Grant Program. Eligible Applicants and their counsel should be familiar with the full range of CDBG compliance requirements and should review MRLF Program Legal Documents.

**APPLICANTS MUST REVIEW THE MRLF PROGRAM LEGAL DOCUMENTS PRIOR TO SUBMITTING AN APPLICATION FOR MRLF PROGRAM FUNDS. SUBMISSION OF AN APPLICATION CONSTITUTES AFFIRMATION BY THE APPLICANT OF LEGAL OBLIGATIONS, DUTIES AND RESPONSIBILITIES OF THE APPLICANT CONTAINED IN THE MRLF LEGAL DOCUMENTS.**

**VIII.H. UNDERWRITING CRITERIA FOR SIZING THE MRLF PROGRAM FUNDS REQUEST.** LHC will employ the following criteria when evaluating applications and requires ONLY EXISTING NON-AFFORDABLE (POOL D) Eligible Applicants to use the following criteria in the electronic application.

(a) **In General.**

- For Existing Non-Affordable Properties, the underwriting must demonstrate that the property is physically and financially viable, for the Period of Affordability. For Existing Affordable Properties, there is no underwriting, as funding for these properties is only available for repair and restoration of flood-impacted units.

~~(b)~~(t) **Rents (Applicable only to Existing Non-Affordable Properties).**

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- Rents for Market Rate Units: The proposed rents for Market Rate units must be equal to the Market Rents currently charged by the property, as demonstrated through a current Rent Roll (as of 12/31/16).
- Rents for Rent Restricted Units. Equal to the maximum rent-restricted rent less utilities paid by tenants, as dictated by the requirements of the Restoration Affordability Commitment or, for Existing Affordable Properties, the existing Regulatory Agreement.

~~(u)~~(u) **Rent Loss (Applicable only to Existing Non-Affordable Properties).** The greater of (a) the average rent loss experienced for the three prior fiscal years; or (b) 7.0% of gross potential rents (for vacancy loss, bad debt loss, and concession loss).

~~(v)~~(v) **Operating Expenses (Applicable only to Existing Non-Affordable Properties).**

Underwritten based upon three-year historical operating data, as documented in audited financial statements, with adjustments for:

- Most recent utility costs;
- Current insurance premiums;
- Appropriate levels of ongoing repair and replacement, in consideration of the rehabilitation of units undertaken with MRLF Funds and the adequate funding of future capital repairs and replacements as addressed through the proposed restructuring.

~~(w)~~(w) **Replacement Reserve Deposit (Applicable only to Existing Non-Affordable Properties).** The proposed replacement reserve deposit must be based on the actual needs of the property, as determined through the Physical Condition Assessment.

~~(x)~~(x) **Inflation (Applicable only to Existing Non-Affordable Properties).** The Pro Forma page of the electronic application must reflect the following inflation rates: 2% annually for revenue and 3% annually for expenses.

~~(y)~~(y) **First Mortgage Terms (Applicable only to Existing Non-Affordable Properties).**

- **In General.** The Application must include a commitment from a lender, containing the same business terms as those the Eligible Applicant included in its electronic application.
- **Debt Service Coverage Ratio (on 1<sup>st</sup> Mortgage).** The debt service coverage ratio (DSCR) on the Pro Forma Calculation page of the electronic application must be the greater of 1.20:1, or the DSCR resulting from a first-year Operating Expense Cushion (cash flow as a percentage of operating expenses) of ten percent (10%). If an Eligible Applicant determines that higher DSCR is necessary, the application must include an exhibit that supports the need for the higher initial debt service coverage ratio (“DSCR”) (for example, a long term cash flow projection showing that the higher initial DSCR is needed in order to maintain an acceptable minimum DSCR over the 20 year Affordability Period and Term of the 1<sup>st</sup> Mortgage).
- **First Mortgage Amount.** At closing, the actual amount of the first mortgage loan may not exceed the amount specified in the Application, and the actual interest rate must correspond to the rate quoted in the application. Any changes to the mortgage terms from those represented in the Application require the LHC’s consent.

~~(h)~~(z) **Operating Expense Cushion (Applicable only to Existing Non-Affordable Properties).** Operating expense cushion is Cash Flow Available divided by Total Operating Expenses.

- The operating expense cushion in the first stabilized year must be at least 10%.

~~(i)~~(aa) **Developer Fee (Applicable only to Existing Non-Affordable Properties).**

- The proposed developer fee in the Application is limited to the lesser of five percent (5.0%) of Total Permitted Costs or \$5,000 per Set-Aside Unit. A Developer Fee will only be permitted and paid in connection with the Affordability Commitment of Existing Non-Affordable Housing awarded MRLF Program Funds to pay for the Eligible Costs.
- Certain proposed soft costs (such as consultant fees and contingency fees) will be treated as part of the proposed developer fee.

⊕(bb) **Initial Reserves (Applicable only to Existing Non-Affordable Properties).** If a MRLF Program Funds award is issued, the award will require the funding of any initial reserves that are specified in the Application.

- The Application may include an initial deposit to the Reserve for Replacements, as needed to ensure the physical viability of the property for the Period of Affordability, in balance with the ongoing reserve deposit.
- The Application may include other initial reserves (such as a lease-up reserve, or operating deficit reserve), but only to the extent these are paid for with funds other than MRLF proceeds. During the term of the MRLP Loan, funds may be withdrawn only for (i) project operating expenses approved by LHC or (ii) to repay the MRLF Restoration Loan.
- When LHC performs its post-construction subsidy layering analysis, any initial reserves in excess of amounts specified in the Application will not be considered eligible project costs (i.e., such excess reserves must be funded through deferral of developer fee, or by increases in non-CDBG sources of funds beyond those represented in the Application).

#### VIII.I. MRLF PROGRAM FUNDS POOL STRUCTURE

(a) **Pool Structure.** In the Initial Round, \$38.25 Million in MRLF Program Funds will be allocated initially to the following pools. Funds remaining in the Pool A will be transferred to Pool B; funds remaining in Pool B will be transferred to Pool C; funds remaining in Pool C will be transferred to the General Pool. A Second Round will be held in the event there are funds remaining after the Initial Round. The following are the allocations of funding to reserved pools in the Initial Round.

- **POOL A:** \$22 Million for Existing Affordable Multifamily Projects within the HUD Designated Most Impacted Parishes that are not owned by PHAs.
- **POOL B:** \$6 Million for Existing Affordable Multifamily Projects that are owned by a PHA and located within a HUD Designated Most Impacted Parish or a FEMA Disaster-Declared Parish.
- **POOL C:** \$4 Million for Existing Affordable Housing not owned by PHAs and located within a HUD Designated Most Impacted Parish or a FEMA Disaster-Declared Parish.

- **POOL D:** \$6.25 Million for Existing Non-Affordable Projects within a HUD Designated Most Impacted Parishes or FEMA Disaster-Declared Parishes.
- **POOL E:** Funds from Pool A through D that are not awarded will be made available to the highest scoring Applications.

Any funding remaining in Pool E after awards pursuant to the Initial Funding Round may be transferred to a Second Funding Round, or may be reallocated by the LHC to other programs, at its sole discretion.

**(b)(cc) Reservation of Funds in Pools.**

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- Within each funding pool, acceptable applications will receive a reservation of MRLF Program Funds in descending order of score (see §VIII.J) until all MRLF Program Funds available for reservation within that Pool have been reserved (or until remaining funding is not sufficient to fund the next highest scoring acceptable application).
- MRLF Program Funds remaining (if any) after funding the highest scoring applications within Pool A will be transferred to the funding available for Pool B; funds remaining (if any) after funding the highest scoring applications within Pool B will be transferred to the funding available for Pool C; funds remaining (if any) after funding the highest scoring applications within Pool C will be transferred to Pool D; funds remaining (if any) after funding the highest scoring applications within Pool D will be transferred to Pool E. Funds remaining (if any) after funding the highest scoring applications within Pool E will be reserved for the second funding round. The second funding round will be held only if there are remaining funds from the initial funding round and if LHC, in its sole discretion, determines that a second round will be held. If a second round is not held, the LHC will transfer remaining funds to other flood recovery MRLF Programs.
- In the event of a tie between applications within a funding round for which there are insufficient MRLF Program Funds to reserve to each project, LHC will award the project that restores the greatest number of flood-impacted units to operations with awarded funds.

**NOTWITHSTANDING THE FOREGOING, LHC RESERVES THE RIGHT TO PRIORITIZE FUNDING TO PROJECTS IN THE HUD MOST-IMPACTED PARISHES, IN ORDER TO COMPLY WITH THE REQUIREMENT THAT 80% OF FUNDS ARE**

**SO ALLOCATED.**

**VIII.J. SELECTION CRITERIA**

(a) Efficiency Point Score.

- CDBG Funding Per Unit - See Section VIII.E below for Existing Affordable Properties. See Section VIII.F. below for Existing Non-Affordable Properties.
- Restored Units - Applicable to all Eligible Applicants. See Section VIII.G. below.

~~(d)~~(dd) **Efficiency Maximum and Minimum Score.** Applicants should note that requesting half of the applicable maximum funding available will yield 50 points for ‘Efficiency’, and (in theory) requesting no funds would produce a score of 100 for ‘Efficiency’, and requesting the maximum funds available would produce a score of 0 for ‘Efficiency’.

~~(d)~~(ee) **Restored Units Maximum and Minimum Score.** There is no Maximum Score for Restored Units. The minimum point score for Restored Units is 1 (i.e., all applicants must restore at least one flood-impacted unit to service to be eligible).

~~(d)~~(ff) **Overall Score.** The overall score is a combination of the Efficiency Score and the Restored Units Score. Awards will be based on the Overall Score.

~~(d)~~(gg) **MRLF Restoration Loan per Unit for Existing Affordable Properties.**

- Each Existing Affordable project’s point score will be computed as follows:
  - a. Funding cap: (number of flood-impacted units, multiplied by the \$40,000 per-unit cap)
  - b. Minus Gap Financing Loan reservation requested, equals the amount by which the Gap Financing Loan request is below the cap.
  - c. Divided by the cap.
  - d. Times 100, rounded.

- Example 1: 192-unit project with 64 flood-impacted units, resulting in a maximum award of \$2.56M (i.e., \$40K times 64 units). \$1.5 million MRLF Restoration Loan request:
  - a.  $\$40,000 \times 64 = \$2,560,000$ , so the cap for this project is \$2.56 million.
  - b.  $\$2,560,000 - \$1,500,000 = \$1,060,000$
  - c.  $\$1,060,000 \div \$2,560,000 = .41$
  - d.  $.41 \times 100 = 41 = 41$  points (rounded)
- Example 2: 40-unit project, with 10 flood-impacted units, resulting in a maximum award of \$400,000. \$250,000 MRLF Restoration Loan request:
  - a.  $\$40,000 \times 10 = \$400,000$ , so the cap for this project is \$400,000.
  - b.  $\$400,000 - \$250,000 = \$150,000$
  - c.  $\$150,000 \div \$400,000 = .38$
  - d.  $.38 \times 100 = 38$  points (rounded)

**VIII.K. MRLF RESTORATION LOAN PER UNIT FOR EXISTING NON-AFFORDABLE PROPERTIES.**

(a) Each project's point score will be computed as follows:

- Funding cap: (number of total units, multiplied by the \$62,500 per-unit cap; or \$6.25 million whichever is less)
- Minus Gap Financing Loan reservation requested, equals the amount by which the Gap Financing Loan request is below the cap.
- Divided by the cap.
- Times 100, rounded.

~~(g)~~(hh) Example 1: 80-unit project, \$3.5 million MRLF Restoration Loan request:

- $\$62,500 \times 80 = \$5,000,000$ . \$5.0 million is less than \$6.25 million, so the cap for this project is \$5.0 million.
- $\$5,000,000 - \$3,500,000 = \$1,500,000$
- $\$1,500,000 \div \$5,000,000 = .30$
- $.30 \times 100 = 30 = 30$  points (rounded)

~~(h)~~(ii) Example 2: 40-unit project, \$1.5 million MRLF Restoration Loan request:

- $\$62,500 \times 40 = \$2,500,000$ . \$2.5 million is less than \$6.5 million, so the cap for this project is \$2.5 million.
- $\$2,500,000 - \$1,500,000 = \$1,000,000$
- $\$1,000,000 \div \$2,500,000 = .40$
- $.40 \times 100 = 40 = 40$  points (rounded)

(ii) **Restored Units Point Score.** Each Eligible Applicant will receive one (1) point for each unit which received damage from a flooding event which was rendered to be uninhabitable and removed from operation, and which was or will be restored to service with Multifamily Restoration Loan funds.