

LOUISIANA HOUSING CORPORATION
DEVELOPER ASSISTANCE PLAN
PLAN DESCRIPTION
Executive Director Joshua Hollins

The Louisiana Housing Corporation's (LHC) Developer Assistance Plan (DAP) is designed to provide rapid relief to taxpayers/owners of Low Income Housing Tax Credit and other LHC funded developments that are experiencing increased development and/or operating costs as a result of any of the following unforeseen circumstances:

1. Increased labor and supply costs attributed to labor and supply shortages
2. Increased insurance premiums and insurance deductibles
3. Increased taxes and/or other municipal expenses
4. Unanticipated delays and any other factors that resulted in higher interest rates

PART I

Upon request and approval by LHC, the Developer Assistance Plan (DAP) allows taxpayers/owners access to a portion of the development's operating and replacement reserves to cover unforeseen expenses by allowing a portion of such reserves to be placed in a separate reserve for unanticipated operating costs. The plan has an open application period and is available to taxpayers/owners that are able to meet the plan's requirements. Applicants must submit a written request to access the reserves along with the following support documentation:

1. A capital needs assessment (CNA) as described in the State's Qualified Allocation Plan (QAP) for Low Income Housing tax credits (LIHTCs);
2. A revised pro forma evidencing deposits to a revised operating reserve incorporating the unforeseen increased operating expenses and an adjusted replacement reserve deposit schedule based on the CNA. The revised pro forma must evidence sufficient deposits to the replacement reserves to cover the schedule of capital replacement costs and capital repair costs evidenced in the CNA at least through the

development's 15-year compliance period or the period of affordability associated with soft funds provided by LHC to the development;

3. Approval of the permanent lender(s) to direct a specified portion of the operating and replacement reserves to a separate reserve for increased development and/or operating costs; and
4. The taxpayers/owners must include an explanation of mitigating efforts taken to offset increased costs such as including a copy of a request submitted to the local government to waive fees and/or any value engineering efforts.
5. A description of the unforeseen increases and documentation evidencing the change in costs.

LHC staff will provide a response to the written requests within thirty days of receiving a complete submission. An interview with the taxpayer/owner or the representing development team may be requested during the review process.

PART II

LHC is making available up to \$2,000,000 per project in HOME Investment Partnership Program Funds (HOME Funds) and National Housing Trust Funds (HTF) to previously awarded 4% and 9% LIHTC projects in predevelopment stage that have an identifiable funding gap. Applications will be processed until funds are exhausted. Applications will be considered received once a required pre-submission meeting has occurred and a complete packet is submitted that includes all the information necessary for LHC staff to accurately underwrite the project. Developers interested in the aforementioned funding, should schedule the required pre-submission meeting with LHC staff to review the funding issues and to discuss the suitability of HOME or HTF funding for the project. Funding under Part II of the DAP may involve additional environmental clearance, affordability and match requirements.

FUNDING

SOURCE	HOME	NHTF
Total Available	\$12,000,000.00	\$8,000,000.00
Per Project Limit	Gap confirmed by underwriting up to \$2,000,000.00	Gap confirmed by underwriting up to \$2,000,000.00
Eligible Area	Statewide	Statewide
Homeownership Development	No	No
Rental Development	Yes	Yes
Affordability Period Rental	<\$15,000 per unit 5 Years \$15,000 -\$40,000 10 Years >\$40,000 15 Years New Construction 20 Years	30 Years
Per Unit Limit	HUD 234	HUD 234
Deed Restriction Type	Recapture	Recapture
Assistance Type Rental	Cash Flow Loans	Cash Flow Loans
Application Deadline	Open	Open
Interest Rate Rental	AFR	AFR
Term Rental	20 Years	30 Years
Eligible Applicant	Qualified Developers with LIHTC awards that have an identifiable funding gap	Qualified Developers with LIHTC awards that have an identifiable funding gap
Eligible Beneficiaries Rental	<=60% AMI households**	<=30% AMI households
Eligible Costs*	1) For new construction projects, costs to meet the new construction standards in §92.251; (2) For rehabilitation, costs to meet the property standards for rehabilitation projects in §92.251;	1) For new construction projects, costs to meet the new construction standards of the grantee in § 93.301; (2) For rehabilitation, costs to meet

Eligible Costs*	<p>(3) For both new construction and rehabilitation projects, costs:</p> <ul style="list-style-type: none"> (i) To demolish existing structures; (ii) To make utility connections including off-site connections from the property line to the adjacent street; and (iii) To make improvements to the project site that are in keeping with improvements of surrounding, standard projects. 	<p>the property standards for rehabilitation projects in § 93.301(b);</p> <p>(3) For both new construction and rehabilitation projects, costs:</p> <ul style="list-style-type: none"> (i) To demolish existing structures; (ii) To make utility connections including off-site connections from the property line to the adjacent street; and (iii) To make improvements to the project site that are in keeping with improvements of surrounding, standard projects.
Ineligible Cost*	Refinancing	Refinancing
Environmental Review Requirement	<p>A Part 58 Environmental Review is required.</p> <p>A Phase I is required</p>	<p>Can have no violation after project completion.</p> <p>Phase I Required</p>
Davis-Bacon	Triggered with the 12 assisted unit	Not required
<p>*Examples, not all costs are listed</p>		
<p>**During initial occupancy. <=80% AMI thereafter.</p>		

MANDATORY ACTIVITIES & THRESHOLD REQUIREMENTS CROSS CUTTING FEDERAL REQUIREMENTS

All Applicants shall comply with the following:

1. Environmental clearance;
2. Uniform Residential Requirements as applicable;

3. Feasibility and viability; and
4. Market studies.

THRESHOLD REQUIREMENTS

1. Applicants must provide the required performance bond or provide proof of minimum financial requirements at start of construction.
2. Projects involving the relocation of tenants must include in the application submittal a relocation plan and evidence in the project's Sources and Uses the costs associated with relocation of tenants. Applicants must provide a copy of the HUD required General Information Notice Application package. The budget for relocation must be included in the application and the expected cost must be reasonable.
3. Projects shall prove that water and sewer services will be provided upon completion by submitting the following:
 - a. Letter from the local service provider; or
 - b. Architectural submission.
4. Proof that the project site is more than 300 feet from a railroad.
5. Proof that the project site is not located in a floodway

UNDERWRITING STANDARDS:

Following are some of the underwriting standards used by LHC. This is not meant to represent all of the criteria used. A more complete listing of underwriting standards can be found in the LHC HOME Policy and Procedures manual that is available on the LHC website.

https://cdn2.hubspot.net/hubfs/4280063/Document%20Libraries/Housing%20Development/Funding%20Opportunities/HOME/HOME_Policy_and_Procedure_Manual_03_31_2017_1.pdf

Relocation Plan - Projects involving the rehabilitation of existing occupied rental units must include in the application submittal a relocation plan and evidence in the project's Sources and Uses the costs associated with the relocation of tenants. Applicants must provide a copy of the HUD required General Information Notice in the application package. The budget for relocation must be included in the application and the expected cost must be reasonable.

Capital Needs Assessment – For projects involving the renovation/rehabilitation of existing

rental units a capital needs assessment must be submitted at the time of application.

An independent, experienced third party must perform the Capital Needs Assessment and this party cannot have a financial interest in ownership of the development (i.e. not a member of the development team). It is required that a licensed professional, such as an engineer/architect, perform the assessment and supply the LHC with their professional opinion of a property's current overall physical condition. This includes the identification of significant deferred maintenance, existing deficiencies, and material building code violations that affect the property's use and its structural or mechanical integrity.

The assessment shall include a site visit and physical inspection of the interior and exterior of units and structures, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment should include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. The assessment should also include recurring probable expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, in order to determine the appropriate replacement reserve deposits on a per unit per year basis.

The following components should be specifically examined in the Capital Needs Assessment:

1. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas, and electric utilities and lines;
2. Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
3. Interiors, including unit and common area finishes (carpeting, vinyl tile, plaster walls, paint condition, etc.), unit kitchen finishes and appliances, unit bathroom finishes and fixtures; and common area lobbies, and corridors;
4. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, and fire protection; and
5. Elevators and/or stair wells (if applicable)

Debt Coverage Ratio – Rental projects must have a debt coverage ratio of not less than 1.10 and not more than 1.40 for the first position loan.

Maximum Rents – For the purposes of the DAP plan, HOME rents in effect at application will be considered the maximum allowable rents. The HOME rents are inclusive of utilities. If the utilities are paid by the tenant, then a utility allowance must be deducted from the standard HOME rents to reach the maximum allowable rent for the project. As an example, if a two-broom unit has a HOME Rent limit of seven hundred twenty-six dollars and the utility allowance for the unit is one hundred twenty-five dollars the maximum rent allowed would be six hundred one dollars.

Operating Costs – Operating costs inclusive of Reserve for Replacement must be budgeted at \$4,500 per unit per year unless the developer submits audits of previous projects that have been in service for at least 5 years that support a different level of cost.

Rate of Increase Assumptions for Revenues and Expenses -- Revenues may be projected to increase at a rate not in excess of two percent and expenses must be projected to increase at a rate of not less than three percent.

Reserve for Replacement – A special reserve to be established for each project from which the costs of replacement and repair of the project is to be funded. For DAP the minimum amount allowed for Reserve for Replacement is four hundred dollars per unit per year. The Reserve for Replacement is based on all units not just assisted units.

Service Priority – Projects that wish to claim Service Priority points should keep in mind that the project must still generate enough revenue such that any and all long term debt is covered and revenue is sufficient to cover standard ongoing operating expenses. For the purpose of this item, LHC will use \$4,500.00 per unit, per year operating costs unless the applicant has turned in audits of previous projects in support of a different operating costs in which case LHC will utilize the average operating costs of the applicants' previous developments.

Utility Allowance – HUD now requires that HOME PJs, such as LHC, produce utility

allowances for each specific project. The PJ may no longer rely on the utility allowances produced by local housing authorities.

As such LHC will allow the use by an applicant of a PHA utility allowance for planning and application purposes only but LHC will produce a utility allowance based on the information provided by the utility companies to the applicant that must be used by all funded projects. The LHC utility allowance will be incorporated into the Regulatory Agreement and other closing documents as appropriate. Applicants must provide rate and tariff sheets and a sample bill provided by each utility that will be providing service to the property. If certain utilities (such as water, sewer and trash pick-up) will be paid by the project then a rate sheet is not required. Additionally, if a project is all electric, there is no need to provide a gas rate sheet and sample bill. The sample bill for electricity shall be for 1,000 kWh, for Gas 100 ccf, for water 1,000 gallons. All sample bills must include any taxes and other charges or tariffs assessed.

ASSISTED UNITS – THE NUMBER OF HOME UNITS WILL BE DETERMINED BY DIVIDING THE TOTAL AMOUNT OF HOME FUNDS BY THE APPROPRIATE PER UNIT AMOUNT. EACH CALCULATION IS ROUNDED UP TO THE NEXT WHOLE NUMBER. ONLY THE ACTUAL HOME ELIGIBLE DEVELOPMENT COSTS OF THE ASSISTED UNITS MAY BE CHARGED TO THE HOME PLAN. IF THE ASSISTED AND NON-ASSISTED UNITS ARE NOT COMPARABLE, THE ACTUAL COSTS MAY BE DETERMINED BASED ON A METHOD OF COST ALLOCATION.

Cost Reasonableness Analysis – 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 they must either 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 or the actual cost to produce, whichever is less.

Developer Fee - Any profit, fee or income realized by the Developer in connection with the

development of the project as specified in a GAAP Audit and which satisfy the Developer Fee Terms.

Developer Fee Base - The Development Costs of a Project reduced by (i) any Acquisition Costs, (ii) any Land Costs, (iii) any payments deemed lease payments for self-owned equipment, (iv) any payments to related persons or to persons with an identity of interest to the Developer, and (v) any Developer Fees (including Builder Profit and Overhead when there is an identity of interest between the Builder and the Developer).

Environmental Clearance – All projects must complete the appropriate part of 24 CFR Part 58 and receive an Authority to Use Grant Funds prior to commencing work.

Estoppel Letter (Rental Renovation Projects without Acquisition only) – For rehabilitation projects that do not involve acquisition and do involve the rehabilitation of property whose ownership has an identity of interest with the applicant, an Estoppel letter must be provided for all debt holders. The letter cannot be dated prior to September 9, 2021. The LHC required estoppel letter format is:

The _____ (“the Lender”) is the payee under that certain Promissory Note dated as of Month Day, Year (said note, as amended, restated or supplemented from time to time is hereinafter called the “Note”) evidencing a loan (“Loan”) wherein (Borrower), A Legal Structure of Borrower, is the borrower (the “Borrower”).

The lender has been advised that you are considering making a subordinate loan to _____ (the Partnership”) upon the satisfaction of certain conditions precedent, which includes the delivery by the applicant of this letter confirming certain information about the Note and Mortgage.

In order to accommodate your request, we hereby certify to you as true, correct and complete, the following statements:

1. As of the date hereof, the principal amount of the Note is \$ _____ and a total

of \$ _____ has been disbursed to finance a portion of the costs of the project.

2. Interest on the indebtedness evidenced by the Note commences to accrue on Month Day, Year; however, no interest is required to be paid on the note until Month Day, Year.
3. To the best knowledge of the undersigned, no payment default exists under the Note and Mortgage and no written notice of default that remains uncured has been sent by the undersigned with respect to the Note and Mortgage.
4. There is no condition that currently exists that would constitute an instance of default under the Note or Mortgage nor would which if continued indefinitely uncorrected result in an instance of default.
5. The Note and the Mortgage have not been modified, amended or supplemented from its dated date of Month Day, Year.

Loan Information

- a. Original Principal (Month Day, Year): \$ _____
- b. The Loan bears interest at a per annum rate equal to N.NN%
- c. The sum of \$ _____ has been disbursed by the Lender and is evidenced by the Note.
- d. Maturity date: Month Day, Year
- e. Escrows held by Lender, if any:

(1) Real estate tax Escrow:

Balance: \$ _____

Current estimated monthly installment: \$ _____

(2) Insurance

Escrow Balance: \$ _____

Current estimated monthly installment: \$ _____

(3) Other Escrows held by

Lender: Balance: \$ _____

Current estimated monthly installment: \$ _____

2. Lender has not given Borrower any notice of default under any documents evidencing, securing, guarantying, and/or governing the Loan (“the Loan Documents”).

Financial Commitments – Other funding must be backed up with firm enforceable financial commitments at the time of application.

Identity of Interest – An identity of interest is construed to exist when:

1. There is any financial interest of the Developer or Owner in the Builder or any financial interest of the Builder in the Developer or Owner.
2. Any officer, director or stockholder or partner of the Developer or Owner who is also an officer, director or stockholder or partner of the Builder.
3. Any officer, director, stockholder or partner of the Developer or Owner has any financial interest in the Builder; or any officer, director, stockholder or partner of the Builder has any financial interest in the Developer or Owner.
4. The Developer or Owner advances any funds to the Builder.
5. The Developer or Owner supplies and pays, on behalf of the Builder, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by a Developer or Owner in connection with its obligations under the construction contract.
6. The Developer or Owner takes stock or any interest in the Builder compensation as consideration of payment.
7. 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.

8. Any relationship (e.g., family) existing which would give the Builder or Developer or Owner control or influence over the price of the contract or the price paid to any subcontractor, material supplier or lessor of equipment.
9. Any member of the Development Team advances any funds to the Developer or Owner at any point prior to an allocation.

For purposes of determining an identity of interest between parties not identified in (1) through (6), such parties will be identified as either the Developer and Owner 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.

Market Study – All projects require a Market Study to ensure that there is sufficient demand for the project that all units produced can reasonably be expected to be sold to qualified buyers within nine months of the completion of construction. The study is commissioned by LHC and paid for by the developer. Fees for the Market Study are due at application. A less formal Market Analysis may be done by LHC when appropriate in lieu of the Market Study.

Maximum Award – The maximum per unit award cannot exceed the 234 limits for elevator type projects, or the actual cost to produce any individual unit. Additionally, the LHC will underwrite to maximize, to the greatest extent possible, the private financing of the project. LHC may reduce the award from the amount requested to an amount that maximizes private financing.

Type of Assistance - The financial assistance for eligible projects will be made in the form of deferred payment loans for rental projects. The maximum amount of funds that can be received by any one applicant under this DAP is \$2,000,000.00 (two million dollars) of HOME. Terms of the loan will be based upon LHC underwriting and may, but is not required to, include forgiveness of all or part of the loan.

FINANCIAL SUSTAINABILITY

APPLICANTS UNABLE OR UNWILLING TO PROVIDE THE REQUIRED INFORMATION BELOW WILL NOT BE FUNDED UNDER THE DAP PLAN

Performance Bond - Each funded application that receives an award of HOME Funds will be required to post a performance bond during the period of construction sufficient to cover the HOME Fund award or provide proof of minimum net financial resources as indicated below.

Minimum Net Financial Resources - In lieu of a performance bond, demonstration of minimum net financial resources is an option for a person or entity alone or in combination with other persons or entities having net assets equal to the applied for HOME Fund Loan and who has unrestricted liquid assets at least equal to ten percent of the applied for HOME Fund Loan. Applicants must provide proof through submittal of certified audited financials.

CHANGES TO PROJECT AFTER AWARD

Any changes to a project, including but not limited to unit count and configuration, after the notice of award must be approved in advance by the Corporation in writing. Changes made without the prior written approval of the Corporation will result in the cancelation of the project and the recapture of all awarded funds.

Plans and Specifications – Applicants must submit complete set of plans and specifications for review by the LHC Construction Department. The Construction Department will use the plans and specifications along with other information submitted with the application to perform a Cost Reasonableness Analysis.

Site Control – Applicants must have site control at the time of application. Site control can be evidenced by a deed, a sales contract, or an option contract to acquire the property. Prior to drawing down any funds ownership of the property must be transferred to the development.

FOR FURTHER INFORMATION:

Any questions related to Part I or II of the DAP submission, or to arrange a pre-submission meeting contact:

Louis Russell, Director of Housing Development

lrussell@lhc.la.gov

Louisiana Housing Corporation

2415 Quail Drive

Baton Rouge, Louisiana 70808

225-763-8639

LHC reserves the right to modify the plan as needed. Additional information may be requested anytime during the review process. The submission of an incomplete package may result in an extended review period.