Piggyback 2018 Program
Frequently Asked Questions

Note: Unless otherwise noted, citations are to the 2018 Piggyback NOFA published on 12/15/17.

1. What is the average percentage of money into the proposed applications do you usually see?
   There is not one hard and fast rule of thumb when it comes to an average percent of CDBG-DR gap funds as it relates to the overall development costs because each development is different. Variables include the size of the development, the affordability mix, the expense profile (including taxes and insurance), equity pricing, soft costs, terms on financing, and so forth.

2. How much of the gap is a fair ask for the LHC in this Piggyback program? Would a 20% down and an 80% GAP application be approved?
   CDBG-DR will be awarded based on the scoring criteria; there is no 'fair ask' principle. The amount of CDBG-DR requested is not relevant for award purposes, except (a) there are maximum limits to the amount which may be awarded (see §1.9), and to the extent the amount requested impacts the CDBG-DR Efficiency Score (see §2.1).

3. I see where both CDBG funds and Multifamily Revenue bonds (MRB) will be used in this NOFA. What determines which funds will be used and what are the terms (interest rate, years to payback, etc) of the multifamily revenue bonds?
   CDBG-DR funds are to fill the gap that remains once other sources are secured. The bond-financed 1st mortgage should be underwritten to a debt service coverage ratio as enumerated at §4.5; interest rate on the bond-financed mortgage should be market competitive (as should fees), and the amortization should be 30 years. Note that the bond proceeds, must to cover at least 50% of the construction costs.

4. Do I need to start securing financing of my own for the development in advance of applying for this program?
   Yes. We have set the deadline for applications for March 16th, 2018, to provide ample time to secure financing. Your application must include a funding commitment, but does not need to include approval for the issuance of the bonds.

5. If we submitted an application under the 2017 QAP and are submitting the same project under this Piggyback DR round, is the 6 month referenced for requiring a new market study from the date of the last application submission (July 10, 2017) or date of this NOFA (December 15, 2017)?
   The market study is only good for 6 months from the date of the application submission. The date is based on the submission preceding the commissioning of the market study. Therefore, if you submitted an application on 12/06/17, and paid for a market study at that time, the market study obtained through that application will be good until 06/06/18, and may be used for an application submitted to this program, on 03/16/18.

6. Incremental Affordability Scoring Clarification: Page 11 of the Piggyback 2018 states projects

selecting these criteria will earn an additional 4 points. However, the bottom three examples provided at section 8.2 all reference 5 points for Incremental Affordability. Which is correct?
There was a typo on p 29, thank you for pointing this out. 4 points is correct. We will post an amended version of the NOFA with this correction.

7. PSH Scoring Criteria: Page 11 of the Piggyback 2018 states that projects that agree to reserve 10% for PSH receive an additional 3 points. However, the example provided on bottom of page 29 references 4 points for additional PSH. Which is correct?
   There was a typo on p 29, thank you for pointing this out. 3 points is correct. We will post an amended version of the NOFA with this correction.

8. We are resubmitting our previous 2017 QAP acquisition/rehab project as 4% bond project under this NOFA. Can we resubmit the previous Zoning letter, Capital Needs Assessment, Appraisal docs, 2017 Environmental Restrictions Checklist and HUD waiver of minimum Bathroom and Bedroom Size, all dated in June and July 2017, without having to update if no changes are expected?
   All of the documents should be updated due to the fact that they are older than six months. The appraisal cannot be dated earlier than ninety days prior to the submission date. The capital Needs Assessment cannot be dated no earlier than six months before the application deadline.

9. Please describe how we are to document the additional scoring items 2.1 - 2.7 of the NOFA in the application submission. The checklist does not include a section for these additional items.
   LHC has posted on our website a word application form that is one page to be filled out by the applicant listing out all additional scoring items. This can be found at:
   http://www.lhc.la.gov/page/PiggybackProgram
   Note that the QAP & the 2018 Piggyback Application (Word Version) are listed at the bottom of the page. Both of these documents are required to be submitted.

10. The NOFA mentions two pools—Mixed Income and General Pool. The Selection Criteria in the application that was provided on line for this NOFA doesn't list these two choices. It has not been revised to reflect the pools of reserved funds under this NOFA. Please advise.
    The NOFA states "Projects that elect points under QAP Scoring Criterion I.A (Deconcentration Projects) will automatically compete in the Mixed Income Pool." By choosing these points in the QAP the applicant is automatically choosing Mixed Income pool. If this selection is not made, then applicant is competing in the General pool. Note that set-asides must correspond to the selected option (i.e., if you select QAP Scoring Criteria I.A.(i)(a), (Deconcentration) "Project Diversity – Percentage of Low Income Units in the Project does not exceed 60% of the Total Project Units", then no more than 60% of your units may be below 60% AMI (and eligible for low income housing tax credits).

11. In the QAP, Tab 3—Sources & Uses: Which line would we use to show CDBG funds?
    You would show the LHC CDBG funds on line 19 "Other Loan (identify)" and list these funds as "CDBG Piggyback Loan or LHC CDBG Assistance".

12. What interest rate, amortization term and lien position should we specify?
    The interest rate may be 0%, 1% or the current AFR; however, the interest rate may not cause the projected balance at year 35 to exceed 80% of residual value (we'll do our own review, analysis and determination of that). The amortization term must be 35 years. Lien position

should be 2nd lien, unless the underwriting does not support a reasonable *permanent* 1st, in which case the PB2018 loan would be in 1st lien after the construction loan is satisfied (while still being paid only through Surplus Cash).

13. Do we upload the completed application and all appendices to "Seafile" as was required for the 2017 LIHTC submission July 10, 2017?
    No, the app is not uploaded through Seafile. It is submitted on CD-ROM as indicated in the NOFA. LHC did not state in NOFA that CD-ROM was the preferred method of electronic submission. LHC will amend the NOFA to provide this clarification.

14. I had downloaded the Excel application for the NOFA Piggyback round last week from the LHC website. Since then, LHC has added the "Restore Louisiana Piggyback Program" page. Can you help me confirm that the application that I downloaded last week (and, for the most part, have completed) is the same application that is now listed in the "Restore Louisiana" page? I'm not sure how to identify that I am using the most recent version. What changes were made that would help me figure this out? Otherwise, I will have to start completely over.
    The application on LHCs website and Restore site are the same. There is no need to start over. Restore posted the application after LHC's posting.

15. The "CDBG-DR Supplemental Application" that is referred to in the NOFA is the document titled, "2018PiggybackApplication" correct?
    Correct, the Supplemental application referred to in the NOFA is that 1 page Word document titled "2018 Piggyback Application (Word Version)" that is listed on our website here: http://www.lhc.la.gov/page/PiggybackProgram
    Both the Excel application and the Word version are required.

16. "Funds Available and Maximum Funding" (Section 1.9) does not reference a Developer Limit. Please confirm there is no Developer Limit in regards to CDBG-DR awards.
    The developer limit is articulated in the 2017 QAP. See QAP §V.D.4.

17. The "Replacement Reserve" amounts as stated under "Eligible Projects" (Section 1.5.6) and "Replacement Reserve Deposit Requirements" (§4.1) are onerous and atypical. We respect that "this provision supports greater long-term viability"; however, this provision also negatively impacts the underwriting of projects and will result in otherwise financially feasible projects being deemed unviable in both the short and long term. As an offset, projects will require larger CDBG-DR awards, which will in turn reduce the number of units that can be created with these funds. Therefore, we believe it is in the best interest of all parties that the "Replacement Reserve" amounts be amended to those levels stated in the 2017 QAP and currently reflected on the "Underwriting Criteria" tab of the "2018 Piggyback Application (Excel)".
    Thank you for your concern regarding reserve funding levels. The LHC is fully aware that the higher reserve requirements will affect cash flow, and will otherwise reduce the amount of supportable first mortgage debt. We intend for the reduction in first mortgage borrowing capacity to be offset with CDBG-DR funds. We also intend for these projects to be physically viable for the period of the use agreement, without necessitating additional investments of public funds during the period of affordability, which is the standard for 'viable' properties. Our analysis indicates that this produces a lower public cost of affordable housing per unit-year. Please bring to our attention any transaction which is fundamentally unworkable (i.e., cannot

generate positive cash flow with the required reserves, despite the absence of a permanent first mortgage).

18. Please provide the "Local Community Notification" requirements given that we cannot meet the dates stated in the 2017 QAP.
    Thank you for bringing this to our attention. LHC will amend the QAP requirement regarding community notification as follows: The Applicant must include in the Application evidence that a Public Notice was published in a local newspaper having general circulation in the city, town, township or municipality of the proposed development area AND in the official journal of the local governing authority three (3) separate times ~~between June 1, 2017 and July 10, 2017~~ prior to the submission of the application.

19. Section 1.5 Eligible Projects, please confirm the intent that the borrower would also be eligible as a single asset entity limited liability company and limited liability managing member in lieu of a limited partnership and general partner structure.
    Yes, either structure is fine, so long as it meets the requirements of the LIHTC program, and the legal documents of the CDBG-DR program.

20. Section 1.5 Eligible Projects, in taking into account a required $1,000 per unit capitalized Replacement Reserve from development sources, a $300 per unit Annual Deposit, inflated by 2% annually, would also support greater long-term viability, consistent with the 35 year CDBG-DR loan term and period of affordability. Would the LHC consider reducing the minimum $600 Annual Deposit per unit requirement?
    The LHC will not consider any change to this requirement, except to the extent that the change is demonstrably necessary for the transaction to be feasible, and the lower reserve requirement does not, in our opinion threaten the long-term viability of the asset.

21. Section 1.6 Ineligible Projects, please confirm that a structure including a single asset entity limited liability company would also be an eligible project.
    See the answer to FAQ #19.

22. Section 1.9, please confirm that the funds available and maximum funding language in the NOFA intends to allow for a 60+ unit property to be awarded greater than $6,000,000 in CDBG funds.
    The language in the NOFA states that projects may be awarded $100,000 per unit. Anything over 60 units, the maximum amount allowed is $6,000,000. There will be no CDBG award greater than $6,000,000.

23. Section 1.12, please confirm that additional PSH, per section 2.5, page 12, will be underwritten at the PSH Voucher Rents.
    Please see Section 4.6 "PSH Underwriting", p. 17, for an explanation on how the additional units will be underwritten. Properties with the minimum required 5% PSH set aside will underwrite those units at 20% AMI. Properties that elect 'Additional PSH' will have 10% PSH, of which half are underwritten at 20% AMI rents, and half are underwritten at the PSH Voucher Rents. PSH Vouchers have been reserved for all PSH units at all projects awarded funds under this NOFA.

24. Section 5.3, please confirm that approval of changes to the project after award under the CDBG NOFA will be required per the 2017 Final QAP section C Application Revisions Notification of Material Change and Notification of Reprocessing Change.

Approval of changes will be required.

25. Section 6.1, please confirm that the $1,000 Financing Application Fee for the Tax Exempt Bond Application is not also due with the submission of the CDBG application.
    Correct. Application fees for Tax Exempt Bonds are not included in the fees enumerated in this NOFA, and are not due with the submission of an application under this NOFA.

26. Section 6.2, please confirm that the Bond Application is not also required to be submitted with the LIHTC Electronic Underwriting Application and CDBG-DR Supplemental Application.
    The Bond application is a separate process, with separate requirements. The Bond Application is not due to be submitted under this NOFA; however, note that a separate, successful Bond application is necessary to proceed with a transaction awarded under this NOFA.

27. Section 9, page 32, please confirm that if an applicant is proposing to provide Additional Accessible Units per Selection Criteria D (above and beyond the Section 504 requirements) that the PSH set aside could be made up of 50% of the total accessible units in the project (which would be above the 50% of the units required to be accessible per section 504).
    If the applicant proposes more than the §504 required percentage of accessible units, the developer may allocate a commensurately greater number of accessible units to PSH households, so long as doing so does not violate the Fair Housing Act, Americans with Disabilities Act, or any other State or Federal laws governing protections for persons with disabilities.

28. QAP Preservation Priority Project, are defined as those with project based Section 8 and those that are in their final year of LIHTCs. However, only the first type is awarded additional points in the Scoring Criteria. Please confirm that this will be revised so both types are awarded additional points.
    It is not our intention to make any revisions to the QAP.

29. Would LHC consider revising the developer fee pay structure to pay out 1/3 or 33.33% at project closing, 1/3 or 33.33% at project completion and the remaining 1/3 at lease up of assisted units? Currently the structure is ½ paid out at project completion and ½ at lease up of assisted units
    The current developer fee structure will be utilized as published.

30. The $100,000-unit maximum assistance, does that apply to smaller developments?
    The language in the NOFA states that projects may be awarded $100,000 per unit. Please keep in mind that requesting the maximum amount impacts the CDBG-DR Efficiency Score (see §2.1).

31. Does this $100,000 and $6M refer to CDBG units only?
    No. The CDBG-DR award may not exceed the greater of $100,000 per unit, or $6,000,000 for projects of greater than 60 units. ‘Unit’ and ‘Units’ refers to the total units in the project, without regard to what form of subsidy or restriction is attached to the units.

32. The structure of draw requests and pay out for this award, is it monthly, pari passu, or other periodic CDBG construction draws?
    Draws will be pari-passu (in equal shares) with other construction-period financing.

33. In regards to Green Building Standards, is self-certification and inclusion of energy efficient

appliances and fixtures in architectural specs adequate?
The LHC will require certification by the building architect.