THE ROAD HOME

CDBG-LIHTC Piggyback Program Description

Louisiana Office of Community Development,
Division of Administration

Louisiana Recovery Authority

September 28, 2006

Louisiana CDBG-LIHTC Program
Program Description

Overview

The LIHTC-CDBG program (referred to as the "Piggyback" program in the Louisiana Recovery Administration Action Plan) supports affordability for especially low-income Louisianans in properties receiving Gulf Opportunity Zone Low Income Housing Tax Credits (see the summary discussion of Additional Affordability Units on page 2 and the more detailed discussion in Appendix 1). The Program also supports the production of three types of eligible properties through four types of funding mechanisms. Eligible Property Types are summarized on page 2 and are discussed in more detail in Appendices 2, 3 and 4. Types of Funding Mechanisms are summarized on pages 3 and 4 and are discussed in more detail in Appendices 5 through 10.

Type of Funding Mechanisms	Mixed Income Properties	Additional Affordability LIHTC Properties	Permanent Supportive Housing Properties
Project Based Rental Assistance for Additional Affordability Units	Yes	Yes	Yes
Flexible Subsidy	Yes		
Gap Financing		Yes	Yes
Supportive Services Grant	Yes*	Yes*	Yes

* Supportive Services Grants to Local Lead Agencies will fund services for PSH clients who live in Mixed Income properties, Additional Affordability LIHTC properties, and other GO Zone Credit properties that accept PSH Set-Aside Agreements.

OCD, LRA and CDBG Funding. The Office of Community Development ("OCD") is providing $667 million of Community Development Block Grant ("CDBG") funds, to be used in conjunction with Gulf Opportunity Zone tax credits ("GO Zone Credits") under the Low Income Housing Tax Credit ("LIHTC") program in accordance with the Louisiana Recovery Authority ("LRA") Action Plan entitled "The Road Home". OCD, LRA and LHFA have now adopted a Qualified Allocation Plan for the 2007-2008 GO Zone Credits ("QAP") that incorporates the goals of OCD, LRA and LHFA, conforms to the Road Home Action Plan, and minimizes the risk that GO Zone Credits will have to be returned to the U. S. Treasury. OCD and LRA have made a new estimate of CDBG funding needs based on the QAP. This estimate indicates that – because of the mix of likely projects and the availability of alternate forms of project based rental assistance – a smaller amount of Louisiana Project Based Rental Assistance may be needed than was thought earlier. In addition, the QAP includes a significant allocation for Mixed Income properties that likely will need more Gap Financing than was thought earlier.

Primary Method of Award. The OCD/CDBG funds will be awarded to sponsors who apply for and receive GO Zone Credits under the QAP. LHFA's application form for the QAP will include the ability to apply for the OCD / CDBG funding discussed herein. GO Zone Credit funding and CDBG funding will be based on a self-scored application verified by LHFA, and using the scoring formula contained in the QAP as developed by LHFA, OCD and LRA . In order to be eligible for CDBG funding, applications must meet all requirements and must achieve a minimum score that varies according to project type. Applicants under the QAP are not required to apply for any OCD / CDBG funds.

Secondary Method of Award. It is possible that the $667 million of Piggyback funding will be more than adequate to fund successful QAP applications. In particular, significant CDBG funds are initially allocated for Project Based Rental Assistance to make units affordable to households with particularly low incomes. However, this outcome can also be achieved through the use of other types of funding (such as HUD Section 8 subsidy). OCD and LRA encourage sponsors to apply for and obtain such alternate subsidies to the extent they are available. To the extent that CDBG remain after funding all successful QAP applications, OCD may make those funds available competitively for:

- Gap Financing for LIHTC developments utilizing tax-exempt private activity bonds and 4% LIHTCs. See Appendix 6.
- Potentially for other related public purposes, for example Gap Financing for damaged properties, including HUD-assisted properties, that are not funded under the QAP.
- Supportive Services Grants for PSH units not funded under the QAP

Funding Allocation. See Appendix 10 for an illustration of how LRA and OCD envision funding being allocated. The actual allocation of CDBG funds will be governed by the QAP. Consistent with the LRA Action Plan, LHFA anticipates that the QAP will result in at least 75% of the CDBG funds being awarded by Parish according to the number of rental units in the Parish that were damaged by the 2005 hurricanes. Any CDBG funds not needed to fund successful QAP applications may be utilized as discussed under Secondary Method of Award above.

Workforce Housing. OCD and LRA seek to facilitate development of workforce housing, including market-rate units and units affordable to (and restricted to occupancy by) households with incomes below 60% of AMI.

Additional Affordability Units. OCD and LRA seek to facilitate development of units affordable to (and restricted to occupancy by) households with incomes at or below:

- 20% of area median income (“AMI”), hereinafter referred to as “20% AMI Units”.
- 30% of AMI, hereinafter referred to as “30% AMI Units”.
- 40% of AMI, hereinafter referred to as “40% AMI Units”.

Collectively, 20% AMI Units and 30% AMI Units and 40% AMI Units are hereinafter referred to as “Additional Affordability Units”. Additional Affordability Units, and related requirements, are discussed in more detail in Appendix 1.

Project Based Vouchers and Other Alternative Forms of Project Based Rental Assistance. OCD has created Louisiana Project Based Rental Assistance (“PBRA”) to serve as the rental assistance of last resort to support 20% AMI Units, 30% AMI Units, and 40% AMI Units. Because this program is quite expensive in terms of CDBG dollars required, the QAP requires sponsors to use best efforts to investigate and utilize other forms of project based rental assistance before requesting Louisiana PBRA. Because PSH units are targeted to households earning less than 30% of AMI, sponsors may apply for Louisiana PBRA with respect to PSH units in those instances where other acceptable Project Based Rental Assistance (e.g. project based Housing Choice Vouchers) is not available.

Permanent Supportive Housing ("PSH"). OCD and LRA also seek to facilitate the development of permanent supportive housing for the eligible target populations listed in appendix 4A. OCD and LRA will pursue a variety of PSH strategies:

- The primary strategy is a PSH Set-Aside Program, under which all properties that receive 2007-2008 GO Zone Credits will agree to make at least 5% of total units available to PSH clients, who will be supported by appropriate services (provided through Local Lead Agencies using CDBG funds).
- Additional set-aside PSH units are anticipated as a result of a scoring bonus provided in the QAP to projects that commit to reserving 10% of their units for PSH.
- An additional strategy is development of PSH properties (in which at least 15% of units are designated for PSH clients). PSH clients will be supported by appropriate services (provided through Local Lead Agencies and, potentially, the property's sponsor using CDBG funds).

Note: The 5% (or greater) set aside for PSH may also be used to satisfy a portion of the Additional Affordability obligations (minimum requirements to serve households earning below 40% of AMI) in Mixed Income projects and Additional Affordability projects.

The units initially identified for PSH must consist of a mix of accessible and non-accessible units and cannot be made up of more than 50% of the accessible units required under Section 504[1]. PSH units should be integrated throughout the development and should not be segregated to one area of a building or development[2]. The State intends that PSH applicants (both initially and over time) be able to exercise choice among available units; accordingly it is possible that the physical units used for PSH will change over time.

Because PSH units will be targeted to households at and below 30% of AMI, applications must include some form of project based rental assistance (e.g., Louisiana Project Based Rental Assistance, or Section 8 Project-Based Vouchers with respect to PSH units. Sponsors may apply for Louisiana Project Based Rental Assistance for PSH units, if other forms of rental assistance are not available.

Permanent supportive housing is an "evidenced-based" best practice housing model which provides affordable rental housing units in a non-institutional setting linked with flexible community-based supportive services. Some PSH units will be created in PSH developments, as discussed in more detail in Appendix 4. Most PSH units, however, will be created through the PSH Set-Aside Program.

More information about PSH Set-Aside and developments can be found in Appendix 4.

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[1] Unless the actual PSH applicants select a greater percentage of the accessible units.

[2] However, the units initially identified for PSH should be selected from those units that are located on accessible routes.

Eligible Property Types. OCD funds will be provided to support the development of the following types of affordable rental housing:

- **Mixed Income –** two types of Mixed Income property will be eligible for CDBG funds under the QAP:
    - **Primary Definition.** Properties including at least 60% of units not restricted by OCD as to rents or occupancy, and including 20% of units restricted for occupancy by households with incomes at or below 40% AMI.
        - The QAP contains a significant incentive for sponsors to select a deeper affordability targeting with 10% of the units restricted at or below 20% AMI, and an additional 10% of units restricted at or below 30% AMI. Sponsors who intend to use Louisiana Project Based Rental Assistance, as opposed to other acceptable project based rental assistance, must select this deeper targeting option.
        - OCD and LRA expect that Mixed Income developments will be able to support significant amounts of first mortgage debt, and that GO Zone Credits will support most, perhaps all, of the development costs for the required 40% AMI Units (or 20%AMI and 30% AMI Units if chosen). OCD and LRA expect that most Mixed Income developments will require Louisiana Flexible Subsidy and that all Mixed Income developments will require Louisiana Project Based Rental Assistance (or some other acceptable form of rental assistance, such as Section 8 Project Based Housing Choice Vouchers) to support the 40% AMI Units (or 20%AMI and 30% AMI Units if chosen). Mixed Income developments are discussed in more detail in Appendix 2.
        - *Under this primary definition, a project would be required to have at least 60% of its units reserved as market-rate units AND reserve at least 20% of its units for additional affordability units. For example, a 250-unit project with 150 market-rate units and 100 LIHTC units, with 25 of the LIHTC units being 20% AMI units, 25 of the LIHTC units being 30% AMI units, and 50 of the LIHTC units being restricted at 60% AMI.*
        - As noted on page 7 below, 51% of initial tenants of mixed income properties must have incomes at or below 80% AMI and must pay rents not to exceed the 80% AMI rent. This restriction applies only at initial occupancy.
    - **Secondary Definition.** A second category of mixed income projects are required to include at least 30% market-rate units, and have not more than one-third of the units restricted at or below 40% AMI. *For example, a 240-unit project with 80 market-rate units, 80 units with project-based Housing Choice Vouchers, and 80 units restricted at 60% AMI.*
- **Additional Affordability LIHTC –** LIHTC properties in which 20% of the units are 20% AMI Units, 20% of the units are 30% AMI Units, and 20% of the units are 40% AMI Units, with the remaining units being equally divided between units restricted at 50% AMI and units restricted at 60% AMI[3]. OCD and LRA envision that Additional

[3] For Additional Affordability LIHTC properties in which less than 100% of the units are LIHTC units, these percentages apply to the LIHTC units only.

Affordability LIHTC developments will be able to support modest amounts of first mortgage debt, and that first mortgage debt and GO Zone Credits will support most, perhaps all, development costs. OCD and LRA expect that a few Additional Affordability LIHTC developments may require Louisiana Gap Financing and that all Additional Affordability LIHTC developments will require Louisiana Project Based Rental Assistance (or some other form of rental assistance, such as Section 8) to support the Additional Affordability Units. Additional Affordability LIHTC developments are discussed in more detail in Appendix 3. *For example, a project with 100 LIHTC units (Twenty 20% AMI units, twenty 30% AMI units, twenty 40% AMI Units, twenty units restricted at 50% AMI, and twenty units restricted at 60% AMI).*

- **Permanent Supportive Housing Developments ("PSH") –** LIHTC properties in which 15% or more of the units are designated for eligible populations and in which eligible clients / tenants are offered a range of intensive supportive services linked directly to the PSH units. OCD and LRA expect that Permanent Supportive Housing units will not be able to support first mortgage debt, that most development costs will be funded through GO Zone Credits, and that some Permanent Supportive Housing units may require Louisiana Gap Financing. OCD and LRA expect that all Permanent Supportive Housing developments will require Louisiana Project Based Rental Assistance (or some other form of rental assistance, such as Section 8 Project Based Housing Choice Vouchers) to support the Additional Affordability Units. Permanent Supportive Housing developments are discussed in more detail in Appendix 4. See Appendix 8 for the required Service Plan for Permanent Supportive Housing developments. *For example, a project with 100 LIHTC units, 20 of which are reserved for members of eligible populations, with an intensive services package as discussed in Appendix 8. Or a 20 unit LIHTC project, of which all units are reserved for eligible populations, with an intensive service package as discussed in Appendix 8.*

As discussed above, OCD and LRA expect that a modest amount of Permanent Supportive Housing will be created in PSH developments, and that a much larger amount of Permanent Supportive Housing will be developed through the PSH Set-Aside Program, in properties designating 5% or 10% of total units for PSH clients.

Types of Funding Available From OCD

Except for Supportive Service Funds (which may be awarded subsequent to the QAP), sponsors may apply for the CDBG funds discussed in this Section only in conjunction with an application under the QAP. As noted above under Secondary Method of Award, it is possible that CDBG funds may be made available for other purposes subsequent to the QAP. Sponsors may apply for the following types of financial assistance:

- **Louisiana Project Based Rental Assistance –** This funding will be available for units (in any of the three eligible property types) affordable to households with incomes below 40% of AMI. Funding will be in the form of 15-year subsidy contracts through OCD. The subsidy contracts will pay the difference between the affordable rent (for example, the 20% AMI rent with respect to a 20% AMI Unit) and the payment standard proposed by the sponsor and approved by OCD. Sponsors may propose a payment standard of (a) the 50% AMI rent, (b) the 55% AMI rent, or (c) the 60% AMI rent most recently published by LHFA. Sponsors proposing lower payment standards will receive additional points in the competitive scoring formula. See also the discussion of Louisiana Project Based Rental Assistance in Appendix 5. OCD and LRA encourage sponsors to apply for and obtain available alternative subsidies (such as Section 8) in lieu of requesting Project Based Rental Assistance.

- **Louisiana Mixed Income Flexible Subsidy –** to provide financial support for Mixed Income developments. Sponsors may choose one of three types of Flexible Subsidy support: an operating deficit escrow (**Note: requires advance coordination with OCD)**, a 0% simple interest loan, or a compound-interest loan at the Applicable Federal Rate. See the discussion of Flexible Subsidy Terms in Appendix 9.

- **Louisiana Additional Affordability Gap Financing** -- available under the QAP to provide gap financing for Additional Affordability LIHTC developments (i.e., to cover total development costs that cannot be funded through GO Zone Credits or other sources). Loans will be limited to $15,000 for each LIHTC unit. See the discussion of Gap Financing Terms in Appendix 7.

- **Louisiana Permanent Supportive Housing Gap Financing** -- available under the QAP to provide gap financing for Permanent Supportive Housing developments (i.e., to cover total development costs that cannot be funded through GO Zone Credits or other sources). Loans will be limited to $20,000 for each LIHTC unit. See the discussion of Gap Financing Terms in Appendix 7.

Louisiana Supportive Services Grants – Up to $72.7 million will be available through OCD toward the cost of supportive services with respect to the PSH Set-Aside Program residents (who live in Mixed Income, Additional Affordability LIHTC, or other GO Zone Credit developments), and with respect to residents of Permanent Supportive Housing developments. Louisiana Supportive Services Grants are limited to $25,000 per eligible unit. Louisiana Supportive Services Grants are discussed in more detail in Appendix 4. The bulk of this funding will be allocated directly to Local Lead Agencies[4] designated by the Louisiana Department of Health and Hospitals and the Louisiana Department of Social Services, to support PSH clients under both the PSH Set-Aside Program and in PSH developments. In some instances, sponsors of PSH developments may wish to submit to OCD a joint application with the designated Local Lead Agency for a Supportive Services Grant. In order to submit a joint application with the LLA, the sponsor of a PSH development must include a letter of support from the DHH/DSS-designated Local Lead Agency as part of their application under the QAP. All Supportive Services Grants will be awarded independently from the QAP process, after the QAP awards have been made. Grants will be conditioned on submission of a Supportive Services Plan acceptable to DHH/DSS, generally to be submitted by the Local Lead Agency after award of GO Zone credits.

Summary of Key CDBG Compliance Requirements

[4] DHH and DSS have agreed that the DHH-designated Local Lead Agency will apply for Supportive Service Grants on behalf of both agencies and will coordinate services for clients of both agencies.

Sponsors will be responsible for compliance with all applicable Community Development Block Grant requirements not specifically waived. These requirements include, without limitation:

- **Environmental.** Generally, new construction or substantial rehabilitation[5] will require that OCD, or its designated agent, sign an Environmental Assessment based on the report of the sponsor's environmental engineer. Other activities will require that OCD complete a Statutory Worksheet based on the report of an environmental engineer. See 24 CFR Part 58.

- **Fair Housing.** Sponsors must comply with Section 504 of the Rehabilitation Act of 1973. See 24 CFR Part 8.

- **Labor.** If CDBG funds are used for construction, Davis-Bacon wage rates and reporting requirements will apply. Whether the CDBG funds are used for construction is a situation-specific determination based on how the CDBG funds are provided and whether the CDBG funds are earmarked for particular purposes. See 42 USC 5310 and 24 CFR 570.603.

- **Subsidy Layering.** Sponsors must submit a certified statement detailing (a) all projected sources and uses of funds; (b) any funding applied for or projected to be provided by any federal, State or local governmental entity; and (c) whether any uses of funds are proposed to be paid to entities having an identity of interest with the sponsor. After completion of construction, sponsors must submit a cost certification audit from an independent public accountant acceptable to OCD. The amount of the CDBG award will be subject to reduction based on a post-construction-completion Subsidy Layering review (if actual development costs are lower than estimated, the CDBG award may be reduced accordingly).

- **Uniform Relocation Act.** Sponsors must comply with applicable requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (see 49 CFR Part 24) and Section 104(d) of the Housing and Community Development Act of 1974 as amended. These requirements are explained in HUD Handbook 1378 and specify the procedures for the acquisition of property and the treatment of tenants located in property being acquired.

- **Low-Moderate Income National Objective.** Sponsors of Mixed Income developments receiving CDBG funds will be required to demonstrate that at least 51% of total units (including both "market-rate" and LIHTC units in those projects where the percentage of LIHTC units is less than 51%) are <u>initially occupied</u> by tenants with incomes at or below 80% AMI, and that the initial rents for those tenants are at or below the 80% AMI rent; also see the discussion of Income Data for Initial Occupants in Appendix 2. For example, in a 100 unit mixed income development with 70 market rate units and 30 LIHTC units,

[5] Under CDBG, substantial rehabilitation is rehabilitation that meets any of the following tests: (a) the estimated cost of rehabilitation is 75% or more of the total replacement cost; or (b) the total number of units is changed by more than 20%; or (c) the project involves change in land use from residential to non-residential.

21 of the initial market-rate tenants would have to have incomes at or below 80% AMI and rents below the 80% AMI rent.

Appendix 1: Additional Affordability Units

Unit Mix. OCD and LRA will require that Additional Affordability LIHTC sponsors provide an equal mix of 20% AMI Units, 30% AMI Units, 40% AMI Units, units restricted at 50% AMI, and units restricted at 60% AMI.

20% AMI Units. Except as discussed in Appendix 5 (Louisiana Project Based Rental Assistance), the rent charged to a tenant for a 20% AMI unit (including tenant-paid utilities) may not exceed the 20% AMI rent most recently published by LHFA. Each 20% AMI unit may be occupied only by a household whose adjusted income, at time of initial occupancy, was below 20% of AMI.

30% AMI Units. Except as discussed in Appendix 5 (Louisiana Project Based Rental Assistance), the rent charged to a tenant for a 30% AMI unit (including tenant-paid utilities) may not exceed the 30% AMI rent most recently published by LHFA. Each 30% AMI unit may be occupied only by a household whose adjusted income, at time of initial occupancy, was below 30% of AMI.

40% AMI Units. Except as discussed in Appendix 5 (Louisiana Project Based Rental Assistance), the rent charged to a tenant for a 40% AMI unit (including tenant-paid utilities) may not exceed the 40% AMI rent most recently published by LHFA. Each 40% AMI unit may be occupied only by a household whose adjusted income, at time of initial occupancy, was below 40% of AMI.

Flexibility If Waiting List is Exhausted. If the developer/sponsor's waiting list for a particular income tier is exhausted, the developer/sponsor may fill a vacant Additional Affordability Unit with an applicant in the next higher income tier (i.e., a vacant 20% AMI unit may be filled with an applicant having income between 20% AMI and 30% AMI if the 20% AMI waiting list is exhausted; however, the 20% AMI unit could not under any circumstances be filled with an applicant with income above 30% AMI). The rent to be charged to the tenant will not change (i.e., the rent for a 20% AMI Unit will remain at the 20% AMI rent).[6]

Rent Charged By Sponsor To Tenants. Except as described in Appendix 5, (Louisiana Project Based Rental Assistance) the sponsor may charge a tenant less than the maximum rent (for example, for 20% AMI Units the owner may charge less than the 20% AMI rent) but may not charge more. However, the Louisiana Project Based Rental Assistance payment will be based on the maximum affordable rent (in this example, the 20% AMI rent) and not on any lower rent the sponsor may decide to charge.

Rental Assistance. Sponsors may apply for Louisiana Project Based Rental Assistance for some or all Additional Affordability Units. Sponsors are encouraged to apply for and obtain alternative rental assistance, such as Section 8 Project Based Housing Choice Vouchers or Public

[6] Continuing this example, when the 30% AMI tenant moves out, the requirement to target the unit to 20% AMI tenants remains in effect, and the rent for the unit continues to be the 20% AMI rent.

Housing Project Based Rental Assistance, so as to maximize the amount of CDBG funds available for the Secondary Method of Award.

Above-Income Households. Six months after a household's income reaches or exceeds 60% AMI:

- If the Additional Affordability Unit is in an Additional Affordability LIHTC development or PSH development, the household may remain and pay the 60% AMI rent, and the sponsor must convert the next available similar unit to an Additional Affordability Unit at the applicable level of affordability. If the household's income continues to rise, the LIHTC "Next Available Unit" rule[7] will apply.
- If the Additional Affordability Unit is in a Mixed Income development, the household may remain and pay the 60% AMI rent. If the household's income continues to rise, the LIHTC Next Available Unit rule will apply.

Resident Selection Criteria. Sponsors must admit, ahead of all other qualified applicants, qualified applicants who were displaced by Hurricanes Katrina or Rita and have not yet obtained permanent housing. Sponsors may apply any additional non-discriminatory resident selection criteria, provided that the same resident selection criteria are applied consistently to all applicants for other units within the development.

Unit Sizes, Features and Quality. Additional Affordability Units may not differ (for example, in size, number of bathrooms, or quality of finishes) from other units within the property having the same number of bedrooms. If no other units within the property have the same number of bedrooms, the sponsor's application must demonstrate to LHFA (in LHFA's sole discretion) that the proposed unit sizes, numbers of bathrooms, and finish quality for the Additional Affordability Units are comparable to the remaining units, taking into account differences in number of bedrooms.

[7] RIN 1545-AT60, Federal Register September 26, 1997

Appendix 2: Mixed Income Developments

Note – this Appendix will be further updated with additional guidance to sponsors on preparing their Mixed Income narratives, and with additional information on the process by which OCD-LRA will process Mixed Income applications for award of CDBG funds.

These developments contain between 60% and 80% market rate units, with exactly 20% of units restricted at or below 40% AMI. The QAP contains a significant incentive for deeper affordability in this 20% of units: exactly 10% "20% AMI Units", and exactly 10% "30% AMI Units"[8]. OCD and LRA will not make PBRA available for 40% AMI Units in Mixed Income developments (40% AMI Units will be available in Additional Affordability developments). Sponsors choosing not to provide affordable units at the 20% AMI and 30AMI levels must obtain alternative acceptable project based rental assistance (e.g. Section 8 Project Based Housing Choice Vouchers) to ensure that the 40% AMI units remain affordable[9]. Sponsors may apply to LHFA for additional LIHTC units, up to a total of no more than 40% LIHTC units. Properties meeting this definition are eligible for Louisiana Mixed Income Flexible Subsidy.

The QAP includes a second definition of Mixed Income for developments containing at least 30% market rate units and not more than one-third of units restricted at or below 40% AMI. Properties meeting this second definition are eligible to apply for Louisiana Mixed Income Flexible Subsidy.

Selections for Award. Mixed Income developments will be recommended to the LHFA Board for award of GO Zone Credits based on their application scores. Mixed Income developments will be recommended to OCD for award of Louisiana Mixed Income Flexible Subsidy based on their application scores. The funding recommendation to OCD may be for a lower or higher amount than the sponsor proposed, based on staff analysis of the proposal and its cost effectiveness. In order to be eligible for GO Zone Credits and/or for Louisiana Mixed Income Flexible Subsidy, proposed developments must submit a narrative as required under the QAP demonstrating that the proposed project will, if developed, satisfy the public purpose criteria listed below.

Public Purpose Criteria. OCD and LRA are facilitating Mixed Income Developments in order to provide needed workforce housing and in order to provide replacement housing for extremely-low-income evacuees without replicating the excessive concentration of poverty that was prevalent prior to Hurricane Katrina. LRA and OCD intend for the Mixed Income program to demonstrate best practices in neighborhood revitalization, de-concentration of poverty, and smart growth. The following factors summarize the key public-purpose objectives of the program and how those objectives will be measured:

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[8] Sponsors who elect to provide 10% of units at 20% AMI and 10% of units at 30% AMI may apply for Louisiana Project Based Rental Assistance but are encouraged to utilize other forms of project-based rental assistance if available.

[9] Sponsors who utilize alternative forms of project based rental assistance may not take an applicant's level of income (below 40% AMI) into account in making resident selection decisions. These sponsors may not impose minimum income requirements, may not establish preferences based on level of income, and may not otherwise rank, prefer, or exclude income-eligible applicants based on level of income or source of income.

- **Affordability –** LRA and OCD wish to stimulate production of market-rate units that will be affordable to important workforce populations such as teachers, police, nurses, and firefighters. Accordingly, LRA and OCD will consider the level of market rents projected (relative to Area Median Income), and whether the sponsor proposes to accept a restriction on the rents to be charged for the market-rate units (and if so, the rent level and duration of that restriction).
- **Mixed-Income Plan –** the quality and persuasiveness of the sponsor's plan for creating a viable mixed-income community, the sponsor's experience in providing high quality market-rate rental housing, and the sponsor's experience in providing high quality affordable rental housing. This plan should discuss, at a minimum, whether discounts will be needed for market-rate units and whether additional operating expenses may be required in order to support a successful mixed-income community.
- **Quality –** quality of design / appeal, whether the design is consistent with the neighborhood, the proposed unit sizes and features and amenities, and consistency of the location and proposed design with "smart growth" principles.
- **Other Public Purposes –** the extent of support for the project from the neighborhood and the local government, the compatibility of the project with the locality's Consolidated Plan, whether the development is consistent with the community-based planning process instituted by LRA, and how the proposed project will facilitate the economic and social improvement of the neighborhood.

Funding Available. Mixed Income sponsors may apply for Louisiana Mixed Income Flexible Subsidy (for gap financing) and Louisiana Project Based Rental Assistance (to support Additional Affordability Units). OCD envisions that all Mixed Income sponsors will apply for GO Zone Credits with respect to eligible low-income units.

Additional Application Requirements. In addition to requirements otherwise required for LIHTCs, sponsors of proposed Mixed Income developments must provide the narrative discussed above under Public Purpose Criteria. Sponsors must agree to house, for up to 5% of total units, qualified applicants who are referred by Supportive Services Grantees (see also the related discussion in Appendix 4). Additional points will be awarded to Mixed Income sponsors who agree to a PSH set-aside larger than the 5% minimum requirement. Finally, sponsors of Mixed Income developments will be required to demonstrate that at least 51% of total units (including both market-rate and LIHTC units) are <u>initially occupied</u> by tenants with incomes at or below 80% AMI, at initial rents not to exceed the 80% AMI rent (in order to comply with the CDBG 'national objective' requirement); also see the discussion below of Income Data for Initial Occupants. For example, in a mixed income development with 70 market rate units and 30 LIHTC units, 21 of the initial market-rate tenants would have to have incomes at or below 80% AMI and be charged an initial rent not exceeding the 80% AMI rent. Alternatively, in a 240 unit project that qualified under the second definition of Mixed Income with 80 LIHTC units, 80 units set aside for Additional Affordability, and 80 market rate units, there would be no requirement to limit rents on any of the market rate units.

Rents and Occupancy. Other than the requirement stated above that at least 51% of the project's units be initially affordable to households with incomes at or below 80% of AMI, rents for market-rate units within Mixed Income developments will not be subject to any LHFA or

OCD requirements (but may be subject to a rent restriction voluntarily accepted by the sponsor). No LHFA or OCD requirements will apply to the sponsor's selection of residents for the market-rate units. Rents and occupancy for the Additional Affordability Units will be regulated as discussed in Appendix 1 and may be subsidized via a Louisiana Project Based Rental Assistance contract as discussed in Appendix 5. Rents and occupancy for Permanent Supportive Housing tenants will be subject to OCD requirements as discussed in Appendix 4.

Income Data for Initial Occupants. Because of CDBG program reporting requirements, OCD will require sponsors to provide information on household incomes of all initial occupants of market-rate units. For market-rate units, no income information need be provided to OCD except for the first household that occupies each market-rate unit. Neither OCD nor LHFA will impose any additional income limitations for occupancy of market-rate units.

Appendix 3: Additional Affordability LIHTC Developments

These developments may contain up to 100% LIHTC units. LIHTC units must be equally divided between 20% AMI Units, 30% AMI Units, 40% AMI Units, units restricted at 50% AMI, and units restricted at 60% AMI.

Public Purposes. OCD and LRA are facilitating Additional Affordability LIHTC developments in order to provide needed workforce housing, to provide replacement housing for extremely-low-income evacuees in particular, and to provide housing for extremely-low-income households generally, without replicating the excessive concentrations of poverty prevalent prior to Hurricane Katrina.

Funding Available. Additional Affordability LIHTC sponsors may apply for Louisiana Additional Affordability Gap Financing (for gap financing), and Louisiana Project Based Rental Assistance (to support Additional Affordability Units).

Additional Application Requirements. Sponsors must agree to accept, for up to 5% of total units, qualified applicants who are referred by Supportive Services Grantees (see also the related discussion in Appendix 4). Additional points will be awarded to sponsors who agree to a PSH set-aside of 10% of their units. Additional points are also available to sponsors of PSH Developments (containing 15% or more PSH units); see Appendix 4C.

Rents and Occupancy. Rents and occupancy for all LIHTC units will be governed by LIHTC requirements. In addition, rents and occupancy for Additional Affordability Units will be subject to OCD requirements as discussed in Appendix 1 and may be subsidized by a Louisiana Project Based Rental Assistance contract as discussed in Appendix 5. Rents and occupancy for Permanent Supportive Housing tenants will be subject to OCD requirements as discussed in Appendix 4.

Appendix 4A: Permanent Supportive Housing In General

Overview of Public Purpose Objectives. OCD, LRA, LHFA, the Louisiana Department of Health and Hospitals ("DHH"), and the Louisiana Department of Social Services ("DSS"), hereinafter collectively the "State", seek to make a significant amount of rental housing available to Louisianans with special needs, in community-based non-institutional settings, by providing Supportive Services Grants and, if necessary, Project Based Rental Assistance, designed to support successful tenancies and successful lives in mainstream housing. Experience with similar approaches in other States suggests that this approach leads to reduced utilization of emergency room services and other high-cost health / social service interventions, and to cost savings that outweigh amounts spent to provide the supportive services. PSH is an "evidenced-based" practice which facilitates community integration through flexible, sustainable cross-disability supportive service approaches. The PSH model represents effective government policy to reduce reliance on expensive and restrictive settings for people with disabilities such as nursing homes, public institutions (e.g., state psychiatric hospitals), homeless facilities, acute care and emergency facilities, etc. PSH is also increasingly used to address the complex needs of other vulnerable populations, such as transition age youth, people with chronic health conditions, and people who have been homeless for long periods of time.

Two Contexts: (1) PSH Set-Aside Program and (2) PSH Developments. OCD will provide Supportive Service Grants in two contexts. In the first context ("PSH Set-Aside Program"), a DHH/DSS-approved Local Lead Agency may apply to provide supportive services to clients who will reside in PSH units within Additional Affordability LIHTC properties, Mixed Income properties, and other 2007-2008 GO Zone Credit properties. The second context is a Permanent Supportive Housing development, with at least 15% of units designated for PSH clients. The PSH Set-Aside Program is discussed in Appendix 4B, and PSH developments are discussed in Appendix 4C.

Should the Road Home Plan goal of creating 3,000 units of Permanent Supportive Housing not be achieved through the award of GO Zone tax credits, OCD will make efforts to link remaining Supportive Services Grant funds with other OCD/LHFA initiatives in order to create PSH.

Eligible Populations. Literature and practice in the area of permanent supportive housing asserts that the target population for PSH should be people with extremely-low incomes who have chronic health and other conditions that are at least episodically disabling or who face other substantial barriers to obtaining/maintaining housing (e.g. history of out-of-home placement); do not currently live in appropriate and stable affordable housing; and who would be unable to retain housing without tightly linked supportive services coordinated with the housing at the systems level. Consistent with this expectation, the eligible target populations for permanent supportive housing through the Road Home program will be extremely-low-income individuals and households (i.e., with incomes at or below 30% of AMI) who have one or more of the following conditions:

- They are hurricane displacees in need of Permanent Supportive Housing (as determined by the Local Lead Agency) living in the homeless shelter system or otherwise in temporary housing[10].
- The individual/household member has a substantial, long-term disability as determined by the Local Lead Agency including any of the following:
    - Serious Mental Illness;
    - Addictive Disorder, i.e., individuals in treatment/recovery from substance abuse disorder;
    - Developmental Disability, i.e., mental retardation, autism, or other disability acquired before the age of 22;
    - Physical, sensory, or cognitive disability occurring after the age of 22;
    - Disability caused by chronic illness (e.g., people with HIV/AIDs who are no longer able to work); and
    - Age-related disability (i.e., “frail elderly).
- The household is homeless, or is determined by the Local Lead Agency to be (1) most-at-risk of homelessness, and (2) in need of Permanent Supportive Housing. This will include family services clients with a goal of family reunification who are at risk for homelessness.
- The individual/household member is aging out of the state Foster Care system and is determined by the Local Lead Agency to be in need of Permanent Supportive Housing.

PSH sponsors may propose to house other special needs populations, subject to the prior concurrence of DHH and DSS.

For the purposes of the PSH goal within the Road Home Plan, DHH and DSS have agreed to jointly designate Local Lead Agencies in each DHH region that will apply for Supportive Services Grants, assume primary responsibility for identifying and prioritizing members of the eligible population for referral to PSH units; for referring eligible tenants to project sponsors as PSH units become available; and for arranging for appropriate Permanent Supportive Housing Services to be delivered. DHH, DSS, OCD, LRA, LHFA, Local Lead Agencies, project sponsors, and other interested parties will develop (1) acceptable procedures for referral, for intervention when tenancy problems occur, and for other aspects of the PSH relationship[11]; and (2) an acceptable form of PSH Set-Aside Agreement that will outline the roles and responsibilities of the Local Lead Agencies and of project sponsors regarding PSH units. The process for developing these policies and agreements will be collaborative and will balance the legitimate needs of all affected parties. Thereafter, Local Lead Agencies and project sponsors will then enter into PSH Set-Aside Agreements. With one exception, LLAs will be the sole applicants to OCD for all Louisiana Supportive Services Grants.

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[10] In consultation with DSS and affected parties, OCD will issue additional guidance defining “temporary housing” for purposes of determining Eligible Population membership. OCD may issue additional guidance and/or requirements as OCD deems necessary to ensure that the objectives of the Piggyback PSH program are realized.

[11] This collaborative process will ensure that project sponsors are made aware of their obligations under Section 504 and other state and federal fair housing and nondiscrimination laws, to provide reasonable accommodations to persons with disabilities, when appropriate, in tenant screening and occupancy policies. DHH, OCD, and the Local Lead Agency will be available to provide information to sponsors as needed regarding the nature of their responsibilities with regard to PSH tenants, tenants’ rights under applicable fair housing and non-discrimination laws, and other issues that may arise around the application of Section 504.

However, in instances where the project sponsor may wish to provide some or all of the supportive services for units in a PSH development:

- The LLA and the sponsor may jointly apply to OCD for a Supportive Services Grant.
- This grant application shall be made post-tax credit award.
- Under this exception, sponsors of PSH developments who wish to make a joint application for Supportive Services funding with the LLA must submit a letter of support from the LLA as part of their application under the QAP.
- A joint application for the Supportive Services Grant will be allowed only if the LLA's letter of support specifies that a joint application will be made.

PSH units created through the Piggyback Program will be open to any members of the eligible target population[12]. However, DHH and DSS have agreed in principle that sponsors of elderly properties who wish to restrict PSH units to elderly PSH clients may do so, wherever such a restriction is otherwise lawful.

[12] An exception is possible for PSH Developments whose sponsors are permitted under the QAP and under Appendix 4C to serve less than the full range of the eligible target population.

Appendix 4B: The Permanent Supportive Housing Set-Aside Program

The following discusses PSH clients who live in properties developed with GO Zone Credits (other than PSH developments, which are discussed in Appendix 4C). Sponsors of these properties are not required to prepare Supportive Service Plans. In these instances, such plans will be developed by the Local Lead Agency after the award of tax credits and as part of the LLA's application for state Supportive Services Grant funding.

Public Purpose: Access to Mixed Income Properties, Additional Affordability LIHTC Properties, and non-CDBG 2007-2008 GO Zone Credit Properties, By PSH Clients. OCD and LRA require sponsors of Mixed Income and Additional Affordability LIHTC properties to house Supportive Services Grant beneficiaries (by making at least 5% of total units in the property available to PSH clients) in order to improve opportunities for beneficiaries to obtain permanent housing, in a residential setting, with appropriate services available (in these situations, the services will be provided through a DHH/DSS-approved agency through the Supportive Services Grant). PSH units within Mixed Income, Additional Affordability LIHTC, and other GO Zone Credit developments will be open to members of any eligible population. However, DHH and DSS have agreed in principle that sponsors of elderly properties who wish to restrict PSH units to elderly PSH clients may do so, wherever such a restriction is otherwise lawful.

PSH Set-Aside Program Requirements for Sponsors. Under the PSH Set-Aside Program, developers/sponsors are required to work cooperatively with DHH/DSS-designated Local Lead Agencies who will refer potential tenants. Service Plans in the PSH Set-Aside Program will be solely the responsibility of the appropriate DHH/DSS-approved Local Lead Agency. The initial PSH Set-Aside agreement (between the sponsor and the Grantee) will have a term of five years. The sponsor (and its successors and assigns) shall accept renewals of the PSH Set-Aside agreement, if offered by the Grantee (and its successors or assigns) on substantially the same terms, for a term (or terms) not to exceed in the aggregate thirty years after the commencement date of the initial PSH Set-Aside Agreement. The PSH Set-Aside Agreement will provide that the sponsor may terminate the Agreement upon 90 days' advance written notice to the Grantee, LHFA and OCD if, at any point, the Grantee notifies the sponsor that the Grantee can no longer provide supportive services to the Grantee's clients. However, neither expiration nor termination of the Agreement shall relieve the sponsor of any of its obligations under leases with PSH clients / residents.

Referral Process for PSH Set-Aside Units. Project sponsors must promptly notify the applicable Supportive Services Grantee whenever an eligible unit becomes available (that is, whenever the sponsor has not yet filled its PSH set-aside requirement). If, the Grantee refers one or more PSH clients within a reasonable period not to exceed one week, the sponsor must accept or decline such PSH client(s) prior to considering any other applicant(s) for such unit. If the Grantee is unable to provide a referral within the allotted period, it may compel the sponsor to hold the unit off line for an additional period of up to 25 days if the Grantee offers to compensate the owner for the loss of rental income during this period. Sponsors are not required to hold a unit if the PSH client fails to provide needed information (for example, verification of income) within a reasonable time in accordance with guidance to be issued by LHFA. Project sponsors are not obliged to accept a referred applicant unless the applicant is acceptable in accordance with the sponsor's standard nondiscriminatory resident selection criteria (which must be applied consistently to all applicants for all units in the property). Project sponsors may vary the terms of the tenancy (including, specifically, requiring a lease term as short as month-to-month), so long as the sponsor's decision is based on nondiscriminatory criteria consistently applied to all applicants for all units in the property[13]. Grantees may not refer a client to a project sponsor unless (a) the client has affirmatively expressed a desire to live in that specific property, (b) in the Grantee's reasonable judgment, the client has sufficient and sufficiently stable income to afford the rent and utilities (typically affordable at 20% AMI), and (c) in the Grantee's reasonable judgment, the client is likely to uphold his or her responsibilities under the lease. The client must be the tenant / lessee; neither the Grantee itself nor any service provider is permitted to be the lessee. During the five year grant period, OCD and LRA will require Grantees to grant a priority to applicants displaced by a 2005 hurricane (or for whom a 2005 hurricane caused or aggravated a disability) and who were Louisiana residents at the time of such hurricane[14]. Additional guidance will be developed by the State through public comment processes open to all stakeholders; this additional guidance may include appropriate requirements relating to resident selection and lease provisions.

Typical Working Relationship Between Project Sponsor and Supportive Services Grantee. DHH and DSS will require, as a condition for approval of Service Plans, a commitment by the Supportive Services Grantee to a productive working relationship with project sponsors, consistent with the following. Upon acceptance of the PSH client by the project sponsor, the Grantee will have also arranged with a service provider(s) to provide (at no cost to the project sponsor) the appropriate array of services to the tenant residing in the PSH unit. The Grantee will coordinate the timing of the service provision to ensure that the service provider is in place to assist with move-in and initial occupancy activities. Service provider staff will assist each PSH tenant to comply with the lease agreement and to achieve a successful long-term tenancy. The Service Plan must provide for a designated Tenant Liaison/Service Coordinator who will serve as the primary day to day contact for the Sponsor's property management staff. The Service Plan must provide points of contact for PSH client referral and for Sponsor feedback regarding the Service Plan.

PSH Set-Aside Program Funding Approach. After initial awards have been made to sponsors under the QAP, each DHH/DSS-approved Local Lead Agency will know how many PSH clients can potentially be housed in its service area. At that point, OCD will solicit applications for Supportive Service Grants from DHH/DSS-approved agencies. Any DHH-designated Local Lead Agency that applies for a Supportive Services Grant with respect to eligible units in its service area shall be selected to receive the grant upon submission of a Service Plan bearing the approval of DHH and DSS. Grants will be funded by OCD in accordance with applicable HUD and Treasury requirements; any remaining funding (committed to the grant but not yet provided to the Grantee) will remain in OCD's account at Treasury (without appropriations risk).

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[13] For example, the sponsor's criteria for requiring a shorter lease term may not be based on the presence, nature or severity of a disability but could be based on neutral criteria such as housing history and credit history.

[14] OCD anticipates that Supportive Services Grantees will conduct outreach to hurricane displacees early in the grant period. If a Grantee can demonstrate sufficient outreach, OCD will consider a request from the Grantee to close the hurricane-displacee portion of the waiting list.

Louisiana Supportive Services Grant for PSH Set-Aside Program. DHH and DSS have agreed that the DHH-designated “Local Lead Agency” will apply for Louisiana Supportive Services Grants on behalf of both agencies and will coordinate services for clients of both DHH and DSS. Each DHH/DSS-approved agency may request a Louisiana Supportive Services Grant equal to the lesser of (a) $25,000 per Permanent Supportive Housing unit and (b) five times the proposed annual services budget.

Eligible Costs. Grantees may use proceeds of the Louisiana Supportive Services Grant toward any or all of the following costs:

- Management and oversight of local PSH partnerships (between LLAs and service providers).
- Direct support services to individuals. Services may be provided by qualified staff or by qualified third parties.
- LLAs (but not project sponsors) may use grant funds to provide additional rental assistance (i.e., to reduce the rent below the 20% AMI rent), for up to three months per beneficiary, but only on an emergency basis. Additionally, LLAs may use a limited portion of the funds to cover the cost of lost rental income for a reasonable period of time in situations where it takes longer than anticipated to place a referral in the unit.
- Salaries and other payroll costs for qualified service coordinators and qualified case workers. Eligible staff of the sponsor may be shared with other properties only if the Service Plan so provides and if LHFA grants an advance written approval of the sharing approach.
- Furniture, computers, software, office supplies, utilities, maintenance, and communication services used exclusively by services staff.

The following costs are not eligible: training, training-related travel, construction / renovation of facilities, and salaries and other payroll costs of staff any portion of whose duties include any normal property management function(s).

Financial Requirements. The grant period will be five years. During the grant period, the grantee may utilize grant funds only for eligible costs. Any funds remaining at the end of the grant period will become eligible for a no-cost extension of the grant. OCD does not require grantees to provide any financial reports to OCD. However, OCD retains the right to inspect the books and records of the grantee at any reasonable time, at the grantee’s place of business, upon reasonable advance notice, and the grantee must cooperate with any such OCD inspection and review. See also the administrative requirements of the Service Plan in Appendix 8.

Appendix 4C: Permanent Supportive Housing Developments

The following discusses properties with 15% or more units designated for PSH clients.

Public Purpose: Development of Permanent Supportive Housing ("PSH" Properties). Because existing housing opportunities for eligible populations tend to be concentrated in developments exclusively for those populations, the QAP incentivizes PSH applications in which no more than 50% of units are for eligible populations; similarly, the State encourages PSH applications that propose to house a broad range of eligible populations rather than a narrow range of eligible populations. The State prefers that developments designated exclusively for PSH be on a small scale (for example, a cross-disability PSH property with up to 24 units, or a single-disability PSH property with up to 8 units). Sponsors of PSH properties should work closely with Local Lead Agencies to shape project characteristics, identify target populations, and establish a comprehensive service plan that includes specific and comprehensive service delivery methods. PSH sponsors may propose that all PSH units be 20% AMI Units. Because Section 8 subsidy can support even deeper affordability than Louisiana Project Based Rental Assistance, the State encourages PSH sponsors to obtain commitments for project-based Section 8 subsidy for PSH units in lieu of requesting Louisiana Project Based Rental Assistance.

Funding Approach for PSH Developments: Supportive Services Grant. A Services Plan is a requirement for an application for a Supportive Services Grant with respect to a PSH development. Typically the Services Plan will be developed independently of the QAP by the Local Lead Agency in consultation with the sponsor, after the award under the QAP. The State prefers that LLAs be the applicants for all Supportive Service Grant funding. However sponsors may submit a joint application with the LLA for Supportive Services Grants in those cases where the sponsor will be providing supportive services. To be eligible to make a joint application, the sponsor must submit a letter of support from the LLA along with the application under the QAP. Applicants may request a Louisiana Supportive Services Grant equal to the lesser of (a) $25,000 per Permanent Supportive Housing unit and (b) five times the proposed annual services budget. See the discussion in Appendix 4B regarding eligible costs and financial requirements for Louisiana Supportive Services Grants. See Appendix 8 for additional information on the Service Plan. Grants will be funded by OCD in accordance with applicable HUD and Treasury requirements; any remaining funding (committed to the grant but not yet provided to the Grantee) will remain in OCD's account at Treasury (without appropriations risk).

Funding Approach for PSH Developments: Project Based Rental Assistance. Because PSH units are targeted to households with incomes below 30% AMI, applications under the QAP must provide for some form of project based rental assistance with respect to all PSH units. Sponsors may apply for Louisiana Project Based Rental Assistance if other forms of assistance are not available.

Funding Approach for PSH Developments: Louisiana Gap Financing. PSH sponsors may apply for Gap Financing up to $20,000 per unit. Gap Financing applications may include the funding of an initial operating reserve up to the lesser of (a) $5,000 per unit or (b) in OCD's sole discretion, the amount that the sponsor demonstrates is needed.

Appendix 5: Louisiana Project Based Rental Assistance

Note – because this is a one-time program that must be implemented quickly, the program is designed for maximum simplicity both for the project sponsor and for OCD.

Amount of Project Based Rental Assistance. The Louisiana Project Based Rental Assistance contract will pay, for each Additional Affordability Unit, the difference between the affordable rent and the applicable payment standard. Sponsors will propose one of the following payment standards: (a) the 50% AMI rent, (b) the 55% AMI rent, and (c) the 60% AMI rent most recently published by LHFA. Sponsors proposing the lower payment standards will receive additional points in the competitive scoring formula.

Term of Project Based Rental Assistance Contracts. The contract term will expire upon the earlier of (a) 15 years and (b) expenditure of all contract funds. The total number of units assisted will be constant for the first 10 years and then will decline on a straight-line basis over the remaining term of the contract. Once a Project Based Rental Assistance Contract expires, the sponsor's obligation to restrict rents for Additional Affordability Units (below the maximum rents otherwise required for LIHTC purposes) ceases. However, rents may not be increased for occupied Additional Affordability Units until the later of (a) expiration of the tenant's lease and (b) expiration of a 90 day notice period to affected residents. The sponsor may issue this notice 90 days prior to the end of the contract term, or (with advance written OCD approval) 90 days prior to the estimated date on which contract funds will be fully expended.

Funding of Project Based Rental Assistance Contracts. Each Louisiana Project Based Rental Assistance contract will be funded by OCD in accordance with applicable HUD and Treasury requirements[15]. Contracts will be funded in an amount calculated by OCD to be sufficient to make subsidy and administrative fee payments for 15 years, assuming that future AMIs grow at 5.0% per year, and allowing 5% for administrative fees.

Administration of Louisiana Project Based Rental Assistance Contracts. OCD will engage one or more qualified independent administrators / trustees (that may be either private sector or public sector organizations) to manage investment of contract funds and to make payments to sponsors.

Compliance Monitoring. At each LHFA monitoring visit, LHFA will verify that rents charged for all Additional Affordability Units have not exceeded the maximum permissible rents, and LHFA will also verify (through review of initial and most recent income certifications / recertifications) that a sample of Additional Affordability Units are occupied by eligible households.

[15] OCD is discussing implementation with HUD and Treasury. It is anticipated that the first month's subsidy and all remaining monthly installments will be advanced and made available 30 days prior to the start of the month in which they are required. The remaining appropriated funds (for the life of the contract) will remain (not subject to any appropriations risk) in OCD's account at the United States Treasury. Appropriated funds will be reserved in amounts sufficient to fund owner payments and administrative costs.

Sanctions for Non-Compliance. Abatement (i.e., for some or all of the units, at OCD's option) could occur for any of the following reasons of non-compliance:

- Failure to Achieve 90% Occupancy Rate for Additional Affordability Units. If the owner's annual report, for two out of any five consecutive years, indicates an occupancy rate (by eligible households) of less than 90% for the Additional Affordability Units, OCD may abate the Project Based Rental Assistance for some or all units. For the remaining term of the Project Based Rental Assistance contract, the abated units must be occupied by households with incomes at or below 40% AMI, at rents not to exceed the 40% AMI rent (that is, the potential rent for the abated units will drop from the 50%-60% AMI rent to the 40% AMI rent). Other penalties may also apply.
- Other Material Noncompliance by the sponsor. For example, failure to lease Additional Affordability Units to eligible households, or failure to timely file accurate Annual Reports. OCD may abate some or all units under the Louisiana Subsidy Contract. For the remaining term of the Project Based Rental Assistance contract, the abated units must be occupied by households with incomes at or below 40% AMI, at rents not to exceed the 40% AMI rent (that is, the potential rent for the abated units will drop from the 50%-60% AMI rent to the 40% AMI rent). Other penalties may also apply.

If Project Based Rental Assistance is abated with respect to an occupied unit, the rent may not be increased until the later of (a) expiration of the tenant's lease and (b) expiration of a 90 day notice period.

Payment of Project Based Rental Assistance. The administrator will make 180 monthly payments to each sponsor. Funding will be committed to the contract based on an assumption that inflation will be 5.0% annually for the life of the contract. The actual funding level will be re-determined year by year based on actual changes in the Area Median Income. However, actual expenditures (on a cumulative basis since the start of the contract) may not exceed the budgeted expenditures (based on the 5.0% inflation estimate). For example, if AMI increases 4.0% in the first year and 6.0% in the second year, the sponsor would receive the full increase in both years.

Flexibility If Waiting List is Exhausted. If the developer/sponsor's waiting list for a particular income tier is exhausted, the developer/sponsor may fill a vacant Additional Affordability Unit with an applicant in the next higher income tier (i.e., a vacant 20% AMI unit may be filled with an applicant having income between 20% AMI and 30% AMI if the 20% AMI waiting list is exhausted; however, the 20% AMI unit could not under any circumstances be filled with an applicant with income above 30% AMI). The rent to be charged to the tenant will not change (i.e., the rent for a 20% AMI Unit will remain at the 20% AMI rent).[16]

Duplicative Subsidies Prohibited. Recipients of rental assistance such as a Section 8 Housing Choice Voucher, or public housing Project Based Rental Assistance, or HOME tenant-based rental assistance, may not occupy an Additional Affordability Unit unless they relinquish the non-OCD subsidy.

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[16] Continuing this example, when the 30% AMI tenant moves out, the requirement to target the unit to 20% AMI tenants remains in effect, and the rent for the unit continues to be the 20% AMI rent.

Annual Report for Additional Affordability Units. Within 30 days following the end of each calendar year during the term of the Louisiana Project Based Rental Assistance contract, the sponsor will submit to LHFA, OCD, and the third party administrator a report showing, for each Additional Affordability Unit, the name, initial occupancy date, income at initial occupancy, most recently recertified income, move-out date, and number of days occupancy during the calendar year for each resident household. The Annual Report must disclose whether any such resident household received any other form of rental assistance for any portion of the occupancy period. The Annual Report must meet any other requirements imposed by LHFA.

Appendix 6: Gap Financing for 4% LIHTC Developments

To the extent that funds initially allocated for Project Based Rental Assistance are (in OCD's sole discretion) not needed for that purpose, OCD may make a portion of those funds available through future LHFA offering, including for use as 4% LIHTC Gap Financing for LIHTC developments utilizing tax-exempt private activity bond financing ("volume cap" bonds allocated by LHFA) and 4% LIHTCs. The amount of CDBG funding, if any, to be made available, and any per-project / per-sponsor limits on such funding will be determined after CDBG awards are made under the current QAP. See Appendix 7 for a discussion of the terms for Gap Financing.

Appendix 7: Gap Financing Terms

The following discussion applies to Louisiana Additional Affordability Gap Financing, Louisiana PSH Gap Financing, and Louisiana Mixed Income Gap Financing. If OCD offers 4% LIHTC Gap Financing, the following discussion will apply to such financing as well.

Sponsors will select one of the following interest rates in consultation with their legal, financial and tax advisors:

- 0% per year, simple interest (i.e., not compounding).
- The Applicable Federal Rate, compounding annually.

Repayment will be secured by a second lien on the property[17]. The loans will be non-recourse to the borrower. Repayment will be from a share of Surplus Cash as discussed below, and from residual value of the project. Loans will become due upon the earlier of (a) maturity at 30 years; (b) sale of the property; (c) refinancing of the property; or (d) acceleration as the result of material noncompliance with the terms of the loan.

Payments From Residual Value. The sponsor will be required to pay one-third of the net proceeds of all refinancings, and one-third of the net proceeds of sale. OCD retains the right to require a larger minimum share of residual value on a case by case basis. Net proceeds will be determined in accordance with guidance to be developed by OCD in consultation with affected parties; however, payments to related parties will not be deducted when calculating net proceeds. Any amount due in excess of one-third of net proceeds will continue to be due and payable. In connection with a proposed refinancing, if one-third of estimated net proceeds will not be sufficient to repay the loan, OCD will consider a request from the borrower and proposed first mortgage lender to subordinate the remaining balance to the refinanced first mortgage loan (prominent factors in OCD's decision will include whether the borrower agrees to make a partial payment larger than the minimum one-third of net proceeds, and whether the borrower agrees to an extended use and affordability agreement). In connection with a proposed sale, if one-third of estimated net proceeds will not be sufficient to repay the loan, and if a purchaser acceptable to OCD agrees to a long-term affordability and use agreement acceptable to OCD, OCD will at the option of the purchaser (a) allow the purchaser to assume the remaining balance or (b) forgive the remaining balance.

Surplus Cash. Sponsors will be required to submit audited annual financial statements that include a Surplus Cash computation as defined by LHFA. Surplus Cash is a balance sheet measurement that subtracts short-term obligations from available cash. If Surplus Cash were positive, it would be distributed in the following order of priority:

1. One-third toward any Gap Financing Loan.
2. Unless the property has achieved positive cash flow in each of its two most recent fiscal years, one-third to an Operating Reserve maintained by the sponsor but under the control of LHFA.
3. Any remaining amount to the sponsor.

OCD retains the right to require a larger share of cash flow on a case by case basis.

[17] If appropriate on a case by case basis, sponsors may propose a more junior lien position for consideration by OCD.

Restrictions On Identity-of-Interest Relationships. In order to protect OCD's interest in future Surplus Cash, sponsors must notify OCD and LHFA prior to contracting with any identity-of-interest entity, and sponsors must include in their audited annual financial statements a disclosure of all amounts paid to identity-of-interest entities. In addition, OCD and LHFA each will have the right, in its sole and absolute discretion, during the term of any Gap Financing loan, to require the cancellation of any contract between the sponsor and any identity-of-interest entity, and all identity-of-interest contracts must permit such cancellation.

Appendix 8: Service Plan Requirements

Service Plans will be required only at the time the Local Lead Agency makes application to OCD for a Supportive Services Grant. These time frames also apply to applications made jointly by LLAs and sponsors of PSH developments.

Role of Local Lead Agency ("LLA"). OCD, LRA, LHFA, DHH and DSS have agreed that, subject to case by case exceptions that may be requested by potential PSH sponsors, Supportive Services Grants will be made to the DHH-designated Local Lead Agency both for the PSH Set-Aside Program discussed in Appendix 4B and with respect to PSH developments discussed in Appendix 4C. Local Lead Agencies (LLAs) are the Local Governance Entity (i.e. statutorily designated human services district or authority) or – in the regions without a Local Governance Entity – the DHH Regional Offices. These entities currently serve as primary entry point to community-based services, have extensive responsibility for individual service planning and coordination, monitoring of service provider quality and performance, and coordination of diverse funding streams to optimize cost-effectiveness and service sustainability. OCD, LRA, DHH and DSS intend for the LLA involvement to ensure that proposed PSH developments, and proposed Service Plans, are consistent with the State's evolving vision for providing supportive services to eligible populations over the long term.

Local Lead Agencies will have primary responsibility for the PSH partnerships to be created at the local level and will assume responsibility for planning, funding, and coordinating the delivery of the range of services needed for PSH eligible populations living in the LLA's service area. LLA's will work with Sponsors, the local service provider network and a broad range of stakeholders to ensure the range of interests and specific needs of each of the disability sub-populations living in PSH is met.

LLAs will develop and/or work with existing networks of service providers that can deliver effective and evidence-based PSH community supports tailored to individuals across PSH eligible populations. LLAs will contract with one or more PSH service provider(s) to create mobile and flexible Community Support Teams that can provide effective services necessary for PSH clients to meet their tenancy obligations, personal self-sufficiency goals, and become fully integrated into their communities. In instances where a project sponsor is qualified to provide supportive services, LLAs may contract with the sponsor to provide services.

LLAs shall assign a Tenant Services Liaison to each project with PSH units. The Tenant Services Liaison is the primary contact for the Sponsor to resolve tenant-landlord or property management issues.

Service Plan Requirements. Service Plans must address the Service Plan Contents discussed below, with adjustments to reflect the provision of supportive services at a number of locations within the community, and to reflect the full range of eligible populations. Service Plans with respect to PSH Developments must reflect the concurrence of the LLA and of the project sponsor. Service Plans must also:

- Include and address the referral process and working relationship discussed in Appendices 4B and 4C, as applicable.

- Specify that PSH tenants are not required to accept specific services as a condition of occupancy of a PSH unit.
- Specify progress toward economic self-sufficiency as a Service Plan objective except where client-specific considerations (e.g., age or disability) make this an unrealistic objective.

QAP applications for PSH Developments may provide that certain service-related costs be included in the project's annual operating budget (i.e., paid for by the project's rental income), but only if no Louisiana Gap Financing is requested.

Service Plan Contents. The supportive service plan must include the following elements in the order listed:

I. Populations Served - Describe the populations to be served and indicate the number of units to be set-aside for PSH (see Appendix 4A for a discussion of eligible populations). Demonstrate that the proposed development is appropriate for the intended eligible populations. Specifically justify the proposed location, project size, unit design, unit mix, and service mix, taking into account available data regarding the number of eligible individuals / households in the project's primary market area, and regarding existing permanent supportive housing in the primary market area that serves the intended eligible populations.

II. Tenant Services Liaison – Each Service Plan shall designate a service provider staff position assigned as the Tenant Services Liaison contact for the Sponsor to deal with any tenant-landlord/property management issue. The Plan will provide detail regarding the number of hours per week the Tenant Services Liaison will spend on-site working with PSH tenants and property management. (Note. DHH will work with Local Lead Agencies to develop minimum requirements including job qualifications for Tenant Services Liaison staff.)

III. Five Year Budget - List in detail the estimated annual costs of providing services. Any services to be provided by the PSH sponsors must be so identified. Recognizing that the Louisiana Supportive Services Grant will cover only a portion of long-term services costs, the Service Plan must discuss the plans for long-term sustainability of funding through the health system, through the social services system, and/or through contributions from other sources outside the housing system. This section of the Services Plan should discuss how the actual annual budgets will be developed and approved, and under what circumstances the services design and/or general funding allocations incorporated in the Five Year Budget can be modified.

IV. Description of Services - Provide specific descriptions of the proposed services and explain how they will be made available to residents. The descriptions of services must include enough details and information to establish what services will be provided, how the services will be provided, and who will provide the services. The State envisions a significant and intensive service package encompassing (as appropriate) outreach, engagement, support in accessing housing (including assistance with applications, arranging for utilities, and arranging for relocation), crisis prevention, intervention, support in acquiring skills and knowledge, support in acquiring benefits, assistance in money management, providing opportunities for social support and peer support, advocacy, clinical case management, clinical interventions, facilitating arrangements for child care, arranging access to acute and emergency health care, psychiatric and substance abuse treatment, providing linkage to education and employment opportunities, and arranging access to transportation.

V. Administration – Describe how the Grantee will maintain financial records establishing that grant funds were spent solely on eligible activities. Describe the qualifications that will be required for professionals other than the Tenant Services Liaison. Describe how all service professionals will be supervised and by whom. Describe how the Grantee will record, organize and report key outcome data. Describe how the Grantee will comply with applicable record-keeping and privacy requirements including requirements under HIPAA and requirements related to case management.

Appendix 9: Mixed Income Flexible Subsidy

See the Qualified Allocation Plan regarding limitations on the amount of Flexible Subsidy that may be requested. Sponsors of Mixed Income developments may request Flexible Subsidy, in one of the following forms, to close financing gaps and render Mixed Income developments financially feasible:

1. A loan to cover development costs, at 0% simple interest, payable from a share of cash flow and residual value. Also see Appendix 7.
2. A loan to cover development costs, at the Applicable Federal Rate, with compound interest, payable from a share of cash flow and residual value. Also see Appendix 7.
3. A recoverable loan may be available to fund an operating deficit reserve to cover cash flow deficits. The loan would be recoverable if the sponsor failed to provide the agreed-upon level of affordability. See the discussion of Type 3 Flexible Subsidy below. **Note – sponsors intending to request a Type 3 Flexible Subsidy must contact OCD (Calvin Parker, 225 219-0196, calvin.parker@la.gov) not later than 5 pm October 6, 2006.**

Gap financing loans are limited to the gap between allowable development costs and available sources of funds, in accordance with applicable Subsidy Layering requirements. Also see Appendix 7.

Type 3 Flexible Subsidy: Closing Financing Gaps Through A Recoverable Loan

The sponsor's application would include a cash flow pro forma extending through the lesser of 10 years, or until the project is estimated to achieve break-even cash flow. Projects must achieve break-even in or prior to year 10 in order to be eligible for Flexible Subsidy. The Flexible Subsidy is limited to 200% of the total pro forma cash flow deficits (not including the year in which the project first breaks even). In preparing the pro forma, the sponsor must use the same economic assumptions used in its LIHTC application.

The reserve funds would be drawn monthly, from OCD's account at the U.S. Treasury, without appropriation risk, by an administrator appointed by OCD. The reserve funds would be under the control of OCD and the administrator. Monthly, the administrator will pay to the sponsor one-twelfth of the sponsor's pro forma cash flow deficit for the year. After completion of the sponsor's audited financial statements for the year, the sponsor will file a report with the administrator documenting the actual cash flow for the year. If the actual cash flow was negative and was larger than the amount paid, the administrator will draw from the U.S. Treasury and will remit to the sponsor an additional payment equal to the lesser of the full difference, or 100% of the original estimate (that is, the total amount to be paid in any year is limited to 200% of the original estimate). If the actual cash flow was positive, or was a deficit smaller than the amount paid, the administrator would make no future payments to the sponsor until the difference had been recovered. Once the project achieves positive cash flow for two successive years, the remaining balance of the reserve will be drawn from the U.S. Treasury and paid as follows: up to $2,000 per unit to the sponsor, and the balance 25% to the sponsor and 75% to OCD. It is acceptable to OCD for the first mortgage lender to act as administrator (draw the funds and release the funds to the sponsor in accordance with OCD policy). It is acceptable to OCD for the first mortgage lender to have a security interest in the funds to provide that in the event of a default by the developer/sponsor any subsequent owner of the property would have the same rights and obligations with respect to the operating deficit reserve as the original developer/sponsor.

- **Note – sponsors intending to request a Flexible Subsidy Operating Deficit reserve must contact OCD (Calvin Parker, 225 219-0196, calvin.parker@la.gov) not later than 5 pm October 6, 2006.**

Appendix 10: CDBG Piggyback Funding Allocation

75% By Number of Heavily Damaged Rental Units

DRAFT 09-15-06; SUBJECT TO FURTHER REVISION

Parish	Adjusted Rental Units w/ Major Damage or Severe Damage		Project Based Rental Assistance	Mixed Income Flexible Subsidy	Additional Affordability Gap Financing	PSH Gap Financing	Supportive Services Grants	Secondary Method of Award (Potential)	Total
Calcasieu	1,068	1.7%	$1,958,000	$3,263,000	$718,000	$392,000	$949,000	$1,423,000	$8,703,000
Cameron	465	0.8%	$852,000	$1,421,000	$313,000	$170,000	$413,000	$619,000	$3,788,000
Jefferson	7,955	13.0%	$14,582,000	$24,304,000	$5,347,000	$2,916,000	$7,068,000	$10,596,000	$64,813,000
Orleans	43,226	70.4%	$79,241,000	$132,069,000	$29,055,000	$15,848,000	$38,406,000	$57,582,000	$352,201,000
Plaquemines	1,272	2.1%	$2,332,000	$3,886,000	$855,000	$466,000	$1,130,000	$1,694,000	$10,363,000
St. Bernard	4,940	8.0%	$9,055,000	$15,092,000	$3,320,000	$1,811,000	$4,389,000	$6,580,000	$40,247,000
St. Tammany	2,196	3.6%	$4,026,000	$6,710,000	$1,476,000	$805,000	$1,951,000	$2,925,000	$17,893,000
Vermilion	248	0.4%	$454,000	$756,000	$166,000	$91,000	$220,000	$330,000	$2,017,000
Other GO Zone *	0	0.0%	$37,500,000	$62,499,000	$13,750,000	$7,501,000	$18,174,000	$27,251,000	$166,675,000
Total	61,368	100.0%	**$150,000,000**	**$250,000,000**	**$55,000,000**	**$30,000,000**	**$72,700,000**	$109,000,000	$666,700,000

Actual Funding Allocation will be according to the QAP. The above is illustrative only and is based on estimates. LRA, OCD and LHFA anticipate that th actual allocation of funds will be consistent with the amount of major and severe damage by Parish but will not necessarily match the above table

Methodology for Award of Funding

Primary Method of Award (to Sponsors of LIHTC Proposals in the 2007 and 2008 GO Zone Credit Rounds)

PBRA funding is available to Mixed Income, Additional Affordability LIHTC and PSH sponsors who are unable to obtain alternative project based rental assistance.
Mixed Income Flexible Subsidy is available to Mixed Income sponsors, primarily for gap financing, in the eight most heavily damaged Parishes.
Additional Affordability Gap Financing is available to Additional Affordability LIHTC sponsors who cannot otherwise fund their total development costs.
PSH Gap Financing is available to sponsors of PSH projects (15% or more PSH units) who cannot otherwise fund their total development costs.
Supportive Services Grants will be made independently of the QAP, after the QAP awards are announced. Supportive Services funds will not be shifted to the Secondary Method of Award.

Secondary Method of Award

Remaining funds from PBRA, Flexible Subsidy, and Gap Financing may be made available by OCD as follows:

a. Announce the availability of funds, as Gap Financing for tax-exempt-bond / 4% LIHTC proposals.
b. Announce the availability of funds, as Gap Financing for damaged HUD-assisted projects not funded under the QAP.
c. Other housing recovery efforts as determined by OCD and LRA.

*** Other Parishes in the GO Zone:**

Acadia	Allen	Ascension	Assumption	Beauregard	East Baton Rouge	East Feliciana	Evangeline	Iberia
Iberville	Jefferson Davis	Lafayette	Lafourche	Livingston	Pointe Coupee	Sabine	St. Charles	St. Helena
St. James	St. John the Baptist	St. Landry	St. Martin	St. Mary	Tangipahoa	Terrebonne	Vernon	Washington
West Baton Rouge	West Feliciana							