

2017 CDBG NOFA
Frequently Asked Questions (FAQ)
Release Date: November 3, 2017

1. What is the maximum amount of Community Block Grant Funds (CDBG) available per project?

Answer: There is no maximum amount CDBG funds available per project.

2. Are previously funded LHC projects eligible to apply for CDBG funds?

Answer: No, projects previously funded by the LHC are not eligible to apply for CDBG funds under this NOFA.

3. What application(s) are required to apply for CDBG funds under the 2017 CDBG Notice of Funding Availability (NOFA)?

Answer: The 2017 Electronic Underwriting Application (in Excel format) is required along with the required attachments and support documentation. Please refer to the Checklist Tab of the 2017 Electronic Underwriting Application for a list of required attachments.

4. Will the developers be required to submit a market study with the application or will LHC assign the market studies directly to market analysts?

Answer: A \$4,500 market study fee is required and must be submitted by December 1, 2017.

5. Please confirm that the CDBG funds will be awarded based on an Applicant's combined score from the points available in the 2017 CDBG NOFA and in the 2017 Low Income Housing Tax Credit (LIHTC) Qualified Allocation Plan (QAP).

Answer: Yes, CDBG funds will be awarded based on an Applicant's combined score from selections made in both the 2017 CDBG NOFA and the 2017 Electronic Underwriting Application as of 10/18/17.

6. Where should the Applicant account for CDBG specific scoring selections within the most recently posted 2017 application?

Answer: The Application should include the point selection and support documents as attachments to the submission. Please label each item/attachment.

7. Strictly Enforced Deadlines – Developer's Fee – Page 5

“Developer Fee-Fifty percent (50%) of the reimbursable portion of the developer fee will be paid at project completion. The remaining fifty percent (50%) will be paid once all “CDBG” assisted units have been initially leased to eligible tenants.”

Please provide clarification for the stipulated timing of “Developer Fee-Fifty percent (50%)” payable at project completion and the “remaining fifty percent” 50%” after CDBG unit lease-up. Does this mean that 50% of any developer's fee paid from CDBG funds? Will the other financial sources have the ability to determine alternative developer fee schedules related to their proprietary sources?

Answer: The language quoted from “Strictly Enforced Deadlines – Developer’s Fee” on page 5 of the NOFA is related only to the release of CDBG funds awarded through the 2017 NOFA. CDBG funds will only be released at project completion (50%) and after unit lease-up (remaining 50%).

8. II. ABILITY TO LEVERAGE CDBG FUNDS WITH OTHER FUNDING (MAXIMUM 15 POINTS) – Page 15

Projects with material support from stakeholders (governmental and non-governmental) such as housing authorities, philanthropic organizations, private companies or individuals may request points in this category. Each documented source of material support must be evidenced by a letter from the donating entity stating type and value of the contribution. Loans are not eligible for points.

Per Page 15 Section II, projects may use points for leverage activities happening within the community to support sustainable initiatives? FHA HUD 221(d)4 is considered federal funding. Is FHA HUD 221(d)4 federal funding excluded from this category?

Answer: FHA HUD 221(d)4 is a loan; therefore, not eligible for points under “II. Ability to Leverage CDBG Funds with Other Funding”.

9. If the application for CDBG funding is the same as an applicant’s 2017 QAP application in terms of numbers of units, project location, number of affordable units, etc., will a new market study be required or can the existing market study be utilized?

Answer: A market study commissioned by LHC that is dated within six months of the submission deadline is acceptable provided there have been no changes made to the project.

10. Scoring Criteria II. Ability to Leverage CDBG Funds with Other Funding (NOFA p.15) states that “Loans are not eligible for points.” Will LHC consider “soft” or “contingent” loans as eligible for points in this category? If the applicant submits material match support in the form of a grant or donation, it will count directly against the eligible basis to derive tax credits, and thus negate severely the effect of the intended match dollars.

Answer: Soft or contingent loans may be included in the project’s sources, but are not acceptable to support the referenced point item.

11. Page 1 of the NOFA states the following:

All CDBG Funds will be awarded in the form of a soft cash flow loan payable from Surplus Cash. CDBG Funds will accrue interest at a rate not exceeding the long-term applicable federal rate (AFR) and will be payable from not less than 50% of Surplus Cash so that at the end of the term of the hard first Mortgage Note the unpaid balance of such Note will not exceed 80% of the residual value of the project.

Will the CDBG be coterminous with the first mortgage loan (i.e. 30, 35 or 40 years)?

Answer: No subordinate debt, including a subordinate CDBG Loan, may mature prior to the term of the first mortgage loan; therefore, the maturity date of the CDBG loan will be no earlier than the term of the first mortgage loan. Repayment of the CDBG loan from not less than 50% of Surplus Cash will commence in the first year in which Surplus Cash is available following the placed in service date of residential units in a project.

12. How is residual value determined?

Answer: Residual Value is the as-completed appraised value from an appraisal that is included in the closing transcript. In the absence of an as-completed appraised value from an appraisal, the Total Development Cost may be used as a reasonable proxy for an appraisal.

13. Is it just the outstanding balance of the first mortgage, or is it the combined outstanding principal balance of all debt, that must not exceed 80% of the calculated residual value?

Answer: Residual Value is calculated at the maturity date of the first mortgage loan; therefore, as a rule, the outstanding balance of the subordinate CDBG second mortgage loan at maturity of the first mortgage loan may not exceed the applicable percentage of the calculated residual value. Exceptions to the rule may be available if there is a balloon payment of the first mortgage loan. Balloon payments

of a first mortgage loan occur when monthly payments on a first mortgage loan are based on an amortization term that is longer than the actual term of the first mortgage loan.

14. Page 14 of the NOFA states the following:

In addition to points selected in the 2017 Underwriting Application, applicants may select the following additional points. The highest scoring feasible and viable project will be awarded.

Does this mean that scoring will be based on the sum of the points as outlined in the NOFA and the point categories in the selection criteria tab of the 2017 Electronic Underwriting Application as of 10/18/17 (For use with the CDBG NOFAs)?

Answer: Please refer to the answer for Question #5.

15. Are the applications sorted by total points with highest score winning?

Answer: Yes, the highest scoring feasible and viable projects will be awarded.

16. Is there any specific definition of feasible and viable?

Answer: Feasibility and viability are not specifically defined but the terms require that a project satisfy the following requirements:

- **Financial Closing Budget for Project:** There must exist a firm commitment of funds to pay for all development costs and reserved required under the QAP. Funds, including equity from syndicating LIHTCs and other tax benefits, must not exceed amounts necessary in accordance with Section 42(m) of the Code.

- **Financial Operating Pro Forma:** The operating pro forma reviewed and underwritten by the LHC as the housing credit agency must evidence sufficiency, at least during the 10 year credit period if not longer, of operating rental revenues (assuming standard vacancy and bad debt losses) to cover the following:

- **Standard Operating and maintenance expenses (at minimum inflated percentages required by QAP) for the project type and size.**

- **Deposits to operating and replacement reserves mandated by the QAP.**

- **Minimum and maximum coverage ratios mandated by QAP.**

17. How are the leftover funds handled (i.e. if there are not enough remaining funds to meet the request of the next highest scoring application)? Does the next highest scoring application partially fund, or does the funding drop down to the highest scoring application that would be fully funded?

Answer: LHC will maintain a waiting list and fund the next highest scoring project as long as there is an adequate amount of funds available to fund the project.

18. For an acquisition rehab application, does the \$125k/unit TDC limit apply? If so, are there any available waivers for this as a 4%/CDBG execution?

Answer: There will be no waivers of the per unit cost limits identified in the 2017 QAP.

19. Is there any way we could get the due date for the NOFA pushed back? Without having Q&A for several more days, that gives us perhaps 3-4 weeks (including thanksgiving week) to order 3rd party reports and put together an entire application. Without the below questions answered, it is hard for us to even determine if our project is even financially feasible.

Answer: There are no plans to extend the application due date at this time.

20. The Goals of the NOFA mention targeting units at 50% AMI. How do we determine how many units will need to be at 50% AMI?

Answer: The NOFA does not establish a 50% AMI requirement.

21. Can you confirm that a Syndicator Letter of Interest is sufficient for “commitment”?

Answer: Without reviewing the Letter of Interest, a determination cannot be made as to whether the letter would be sufficient.

22. Is it a requirement to have units at 30% AMI or is it just for QAP scoring?

Answer: There is no requirement for a project to have units at 30% AMI.

23. Is leverage (other than conventional or HUD insured debt) a requirement?

Answer: Leverage is not required.

24. ELIGIBLE USES

Please confirm that applications for mixed use (housing with commercial) are permissible for award of CDBG funding.

Answer: Mixed use developments are not excluded from receiving an award of CDBG funding.

25. Is there a limit to the non-housing (commercial) development cost that this CDBG funding can be applied towards?

Answer: The amount of CDBG funding awarded to the project will be based solely on the residential portion of the development.

26. THRESHOLD REQUIREMENTS 3. Projects with multiple environmental issues will cause the award of CDBG Funds to be canceled. (page 5)

Please confirm that Threshold Requirement 3 does not apply to applications that include the complete abatement of multiple environmental issues in the construction scope of work and budget.

Answer: A project with abatement issues is not excluded from submitting an application for funding.

27. SCORING The highest scoring feasible and viable project will be awarded. (page 14)

Please confirm that the points the application qualifies for per the 2017 final Qualified Allocation Plan Selection Criteria will be added together with the additional available points as listed on pages 14-15 of the 2017 CDBG NOFA for a total score that will be used to determine award.

Answer: Please refer to the answer for Question #5.

28. Will low interest soft loans provided by governmental entities such as housing authorities, state and local governments be eligible for the 15 points for CDBG leverage in the scoring criteria for the 2017 CDBG NOFA?

Answer: Please refer to the answer for Question #9.

29. Must 2017 CDBG NOFA Applicants who sought an allocation of 9% LIHTC's in July 2017 repeat the Public Notice process?

If yes, given the competitive nature of these CDBG resources and their impact on Sources of Funds, Scope of Work, and Total Development Cost, must this Re-Publication occur prior to the CDBG Application deadline rather than post Preliminary CDBG Award?

Answer: Applicants are required to publish three (3) separate times in both the local newspaper and the official journal prior to the application deadline. In addition, proof must be submitted with the application that correspondence has been submitted to the Mayor and the Chair or President of the local governing authority where the project is located. Please refer to page 26 of the 2017 QAP.

30. Same question concerning 9% LIHTC Applicants with respect to Other Exhibits submitted in connection therewith that are otherwise still accurate, such as the following:

Zoning Certification (2017 QAP, Exhibit 4);
Appraisal (2017 QAP, Exhibit 5);
Capital Needs Assessment (2017 QAP, Exhibit 6);
HUD No Objection Letter (2017 QAP, Exhibit 10);
Supportive Services (2017 QAP, Exhibit 22);
Environmental Checklist 2017 (QAP, Exhibit 36)

Answer: These documents will be accepted if they were found to be acceptable for the 2017 LIHTC Funding Round.

31. In light of court cases and rulings involving segregated housing, would LHC consider removing or reducing points in the 2017 QAP associated with projects located in qualified census tracts.

Answer: The provisions of the 2017 QAP were deemed final upon approval by the LHC Board of Directors on April 12, 2017 and will not be revised.