

The Rural Rental Rehab Program Frequently Asked Questions

Q1. What if we need more than 50K per Unit?

A. Section 2. CDBG Limits.

No award may exceed \$50,000 per unit and no award may exceed \$2 Million in total funding to any single project.

The NOFA caps the award at 50K per unit. This includes construction and 5% administration cost and other reimbursable soft costs.

Q2. Does the Dev/Owner need to start the environmental before the award?

A. There is no requirement to begin the Environmental Review process prior to the announcement of award. If the applicant receives an invitation to submit, the complete applications are due by Thursday, November 30th, 2023. It is the developer's decision to start the environmental process without an award. If the development is not awarded, costs which are incurred will not be reimbursed to non-funded applications.

Q3. Does the Dev/Owner need to start Phase 1 of the environmental?

A. If the applicant receives an invitation to submit, the complete applications are due by Thursday, November 30th, 2023, and award announcement will be on Tuesday, January 30th, 2024. A developer/owner would then begin the environmental process, and costs will be reimbursed at first draw.

Q4. What about funding §202 and §811 HUD programs?

A. Currently, there are no plans to include CDBG funding paired with HUD's §202 and §811 programs. This initiative came as a result of discussions with USDA-RD and is strictly limited to providing funds to USD properties with §515 loans. LHC will consider how to best address other types of properties with future offerings

Q5. Can CDBG fund the up-front capitalization of the Replacement Reserve account?

- A. CDBG is a reimbursable program, and funding reserves is not an eligible cost. CDBG may only pay for incurred costs, during the rehab period.

Q6. What if there is a 2nd lien already on the property, the NOFA states LHC will be in second lien?

- A. Section 5. Gap Financing Terms.
The CDBG- DR award will be secured by a second mortgage lien, subordinate only to the USDA mortgage. If there is a current second mortgage on the development at application and award, it is possible for LHC to be in third position. Such a proposal must be presented clearly at application and a waiver is required. Approval would be at LHC's sole discretion.

Q7. Has the actual full application and workbook been uploaded on website?

- A. The workbook will be uploaded July 7th, 2023 on LHC's website and an announcement will be provided.

Q8. If applying for a 32 Unit property, could the borrower request the max of 1.6 million?

- A. Section 2. CDBG Limits
No award may exceed \$50,000 per unit and no award may exceed \$2 Million in total funding to any single project. Amount of request should not be submitted as a placeholder. The actual amount of the award will be determined by backup documentation required for the full application, the Capital Needs Assessment, and the sustainability and viability of the property.

Q9. Are you funding during construction?

- A. Yes, CDBG funds will be disbursed on a reimbursement basis only. If CDBG is the only source for the rehabilitation, we will fund 100%. If there are additional sources, we will fund on a pari passu basis. First draw may be submitted 30 days after closing. No funds will be disbursed at closing.

Q10. How much are closing costs?

- A. Closing costs will be posted July 7th, 2023.

All closing costs will be reimbursed by the CDBG award. However, no funds will be disbursed at closing. Borrowers must pay any closing costs at closing and CDBG will reimburse the borrower at first draw request.

Q11. Does rehab have to include fortified?

- A. The TRRRP program does not require FORTIFIED.

Q12. Is CDBG subject to Davis Bacon Requirements?

- A. Section 7.11 Davis Bacon Prevailing Wage Compliance.

If CDBG-DR Funds are awarded, the project budget labor costs must be based on the locally prevailing wage rates for each worker classification. The then-current wage rates must be attached to the construction contract and accepted by the general contractor prior to closing.

All properties with 8 units or more, DBRA wage scale would have to be followed. This will be monitored by LHC. Developers/Owners must be knowledgeable of Davis Bacon requirements.

Q13. Does the award go to the Developer?

- A. Section 1.1 Overview

A Successful applicants will be owners of properties with existing U.S. Department of Agriculture (“USDA”) Rural Development §515 loans, in which physical viability can be achieved for a specified period based on the combination of CDBG-DR funded rehab and ongoing reserves for replacement (based on USDA underwriting).

Yes, the Award goes to the developer/owner, who is responsible for contracting the work to be performed. However, no funds are disbursed at the closing.

Q14. Can ownership be evidenced with option agreement?

- A. It is not advised to have an option to purchase agreement due to the time constraints of the expenditure requirements set by the Housing and Urban Development CDBG requirements. The applicant must fully own the property.

Q15. Can smaller amounts of CDBG awards be paired with existing USDA for larger renovations, given the CDBG awards do not exceed the provided limits? (For example, renovations exceeding the lesser of \$2,000,000 total or \$50,000 per unit, when combined with other funds.)

- A. It is not advised to propose this scenario due to the tight time constraints of expenditure requirements set by the Housing and Urban Development requirements. The focus of this program is moderate rehab i.e. \$20,000 to \$50,000 per unit and in coordination with the adequacy of the Reserve for Replacement funds that the property is physically viable.

Q16. Will LHC follow previous NOFA's, QAP'S procedures and publish an addendum to the TRRRP NOFA that provides opportunities for CHDO'S and nonprofit housing providers?

- A. There will be no addendums published for any set asides for non-profits, CHDO's or CDBO's within this NOFA.

Q17. Will the addendum provide a set aside that if unused collapses back into the general pool?

- A. No set asides are included in the TRRRP program.

Q18. Will LHC establish a minimum threshold of points that must be achieved in the CHDO set-aside?

- A. See Q16. There are no set-asides included in the TRRRP program. OCD and LHC may have discussions concerning this for future funding rounds.