Attachment – Provisions Governing Resubmittal of Applications under PRIME-2

Revised applications are due no later than Wednesday, May 15, 2024, at 4:00 PM CST.

Applications should be resubmitted electronically to development@lhc.la.gov. The application form will be the Excel-formatted LHC Application Model (corresponding to the 2022-2023 QAP—i.e., the form of QAP application model originally required to be submitted under the PRIME-2 NOFA), and any revised supporting documentation in PDF format.

To be clear, resubmitted applications may not revise unit and affordability mixes, property location, sponsor entity, commitments to QAP or EGC scoring elements, disaster-resilience commitments, or other elements of the proposed transaction reflected in the initial application and as governed by the PRIME-2 NOFA.

All current PRIME-2 awardees for deals not yet closed may respond to this letter by the deadline. For any deal, a non-response will be interpreted by the LHC as a commitment from the sponsor of the following: (1) the currently awarded CDBG is adequate; and (2) that the deal will close within existing timelines. For those which do not expect to close under any circumstances in the near future, we request such information and a return of the CDBG and (if applicable) the volume cap set aside.

Changes Permitted

The following elements of an awarded application may be revised in the resubmitted application:

Rents—AMI-based rents in originally submitted applications were based on 2021 HUD Income Levels. Deficiency response applications generally updated these to 2022 levels. All resubmitted applications must update rents to the current 2024 HUD Income Levels, pursuant to the requirements in the PRIME-2 NOFA (see §8.4). For reference, see the QAP Application Model Project Description H699. Revisions to achievable rents must be input at Unit Mix and Rents L10++.

Insurance—Property Insurance (Revenues and Expenses C74) must be revised to the current estimate for the cost of insurance. Your resubmission must include a letter from your insurance broker, dated within 90-days of this letter, stating the inputted amounts are based on the best, currently available information, and are for coverage levels which comply with the State's requirements (see https://www.doa.la.gov/media/luqfise1/contract-manual-12-2019.pdf, Exhibit D).

Supportable Debt—The input for Supportable Permanent New First Mortgage Loan (Project Description rows 301-324) may be revised. The amount of the supportable 1st mortgage may be revised (in light of changes to the interest rate, and to Rents and Insurance costs (see above)). The Debt Service Coverage Ratio, amortization and term should not change without adequate supporting explanation. You are cautioned to use current lending rates, and should not project

future rates at a future rate-lock. You may not 'cushion' your estimate of supportable debt. Your resubmitted application must include an updated commitment letter.

Permanent Debt Financing Costs—you may revise your estimate of Financing Fees (Development Costs C79) to reflect any changes corresponding to the above.

Construction Interest—The input for construction loan interest costs (Development Costs C70) may be revised to reflect higher, anticipated interim borrowing costs.

Hard Costs and Associated Costs—You may revise estimates for construction costs, consistent with your updated pricing, at Development Costs, rows 18-61.

Deferred Developer Fee—You must revise the deferred Developer Fee to be an amount equal to one-half of the 15-year cash flow (Proforma C51). You may use a greater amount, subject to your assurance that this will not result in a decrease in Eligible Basis.

Credits Requested—Your input for credits requested (Project Description H196) should correspond to Basis Calculation C52. Any deviation in these amounts requires an explanation. You may not 'cushion' your transaction by understating the credit request.

Estimated Equity Proceeds—You may revise this amount (Project Description H424) based on any adjustments to Eligible Basis in the foregoing and the current pricing you are projecting for the sale of LIHTCs. Your resubmitted application must include an updated commitment letter from your proposed investor.

Other Permanent Sources—You may add other permanent sources (Project Description, 488++). For each, you must attach a commitment letter. The LHC will not consider contingent sources. Note that the LHC encourages the use of §45L Energy Credits.

Revised CDBG Request—The total financing gap resulting from the above changes will be reflected at Development Costs D152. Revise your total CDBG request at Project Description H187. Notwithstanding any other considerations, your revised CDBG-DR request must conform with the PRIME-2 NOFA at §2.1.

Any Other Changes—may be requested but should be specifically identified and enumerated.

LHC Review and Determination

The LHC expects that revised submissions will be straightforward with regard to the above changes, and is not anticipating a deficiency/reconciliation process. Ensure comprehensiveness in your revised request, and ensure that supporting documentation is provided for revisions to permanent financing, construction interest cost projections, equity, insurance, and hard costs.

The LHC will rescore all revised applications utilizing the CDBG Efficiency Score on which the original procurement was partially based.

Up to 100 points will be awarded for the calculated CDBG-DR Efficiency of the Applicant's proposed development. This criterion rewards project applications which request a smaller percentage of total CDBG-DR funds relative to total development costs. To be clear, we will review use the total CDBG request for scoring, not the incremental request. Projects will earn points based on the ratio. Each project's point score will be computed as follows, with final points rounded to the tenth decimal place:

- TDC (2023 LIHTC Application Model, 'Development Costs' Worksheet, Total Development Costs at Cell D140),

- Minus Adjusted CDBG-DR[1] Gap Financing Loan reservation requested,

- Divided by the TDC,

- Times 100, rounded.

  - Example 1 (more Adjusted CDBG-DR relative to TDC): Project with a TDC of $28M, and an Adjusted CDBG-DR of $11.1M.

    - Requested CDBG-DR of $10M, plus equity of $1.1M attributable to Basis Boost equals Adjusted CDBG of $11.1M

    - $28M TDC; $11.1M Adjusted CDBG-DR

    - $28M - $11.1M = $16.9M ÷ $28M = .6036

    - .6036 x 100 = 60.36 points, rounded to 60.4 points.

TDC	$28,000,000
Requested CDBG	$10,000,000
Equity from Basis Boost	$1,100,000
Adjusted CDBG	$11,100,000
TDC	$28,000,000
Adjusted CDBG Request	$11,100,000
TDC Less Adjusted CDBG Request	$16,900,000
Divided by TDC	0.6036
Times 100 (points)	60.36
Times 100 (points) Rounded	60.4

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[1] For purposes of this calculation, CDBG-DR is adjusted. The Adjusted CDBG-DR equals total CDBG-DR plus equity attributable to boosted basis, if any. For clarity: the CDBG-DR request may be different than the Adjusted CDBG-DR amount used for scoring: if the property is requesting $10M of CDBG but has $1.1M of equity attributable to QCT-Boosted Basis, the Adjusted CDBG for purposes of the scoring calculation will be $11.1M. This approach effectively neutralizes the scoring benefit a property eligible for Basis Boost would have as a consequence of the lower CDBG required against the higher equity corresponding to the basis boost.

- Example 2 (less Adjusted CDBG-DR relative to TDC): Project with a TDC of $35M, without Basis Boost and requesting CDBG-DR of $9.85M.

  - Requested CDBG-DR of $9.85M, plus $0 equity attributable to Basis Boost equals Adjusted CDBG of $9.85M

  - $35M TDC; $9.85M Adjusted CDBG-DR

  - $35M - $9.85M = $25.15M ÷ $35M = .7186

  - .7186 x 100 = 71.86 points, rounded to 71.9 points.

TDC	$35,000,000
Requested CDBG	$9,850,000
Equity from Basis Boost	$0
Adjusted CDBG	$9,850,000
TDC	$35,000,000
Adjusted CDBG Request	$9,850,000
TDC Less Adjusted CDBG Request	$25,150,000
Divided by TDC	0.7186
Times 100 (points)	71.86
Times 100 (points) Rounded	71.9

The CDBG Efficiency Score enumerated above will be the sole determinant of the score used to determine awards under this process.