



EAST BATON ROUGE REDEVELOPMENT AUTHORITY GAP FINANCE FOR AFFORDABLE HOUSING PROGRAM GUIDELINES

I. STATEMENT OF PURPOSE

The East Baton Rouge Redevelopment Authority (“RDA”) Gap Finance for Affordable Housing Program (“GAP-A”) is designed to provide gap funding for mixed income real estate development projects. GAP-A funds are reimbursement funds intended to fill a potential void between traditional loan funds from a senior lender, developer equity, tax credits and other non-traditional funding sources. GAP-A will provide permanent mortgage funds for the repair and rehabilitation of existing rental properties as well as acquisition and development of new residential rental properties within an RDA-identified target area. An “attainable rental unit” is defined as a residential rental unit in which the annual rent does not exceed thirty percent (30%) of the annual household income, for those households that earn a maximum of 80 percent of Area Median Income (“AMI”). For East Baton Rouge Parish, the 2011 AMI is \$62,100. Therefore, the maximum rents for attainable rental units are as follows; Efficiency: \$652, One Bedroom: \$699, Two Bedroom: \$838, Three Bedroom: \$969, Four Bedroom: \$1,081.

II. PROGRAM FUNDING

Funding for the GAP-A program comes from the Community Development Block Grants (“CDBG”) allocated to East Baton Rouge Parish for affordable rental housing activities associated with Hurricane Gustav and Hurricane Ike recovery as well as a program grant from the East Baton Rouge Mortgage Finance Authority (“EBRMFA”). The RDA will remain compliant with all CDBG and EBRMFA regulations until all allocated funds and program income are expended on eligible activities.

III. ELIGIBILITY

Passive real estate development undertaken by nonprofit and for-profit developers that provides a minimum of two (2) attainable rental units. Attainable rental units must be offered at attainable rates for a minimum of five (5) years. This attainability period requirement may be increased to correspond to the RDA’s financial participation in the project. Properties must be located in low income census tracts in East Baton Rouge Parish.

IV. ELIGIBLE COSTS

- A. Land costs, including acquisition; site preparation – testing, site mapping, legal, and other costs related thereto.
- B. Building costs, including building acquisition; construction; rehabilitation of existing rental properties; and engineering, architectural, legal and other costs related thereto.
- C. Costs associated with property development (e.g., legal, architectural, engineering, etc.).
- D. Bridge loan principle and interest
- E. Proof of payment and copies of paid invoices will be required prior to disbursement of reimbursable loan funds.

V. LOAN PARAMETERS

A. Loan Size:

Up to \$40,000 per attainable unit, not to exceed thirty percent (30%) of total project financing or \$1,000,000, whichever is less.

B. Private Sector Investment:

Loans shall only be made in conjunction with private sector investment of equity and/or permanent financing dollars.

C. Equity Requirements:

Typically, each project shall contain a cash investment by the applicant or an affiliate of at least ten percent (10%) of the total project cost. Applicants for real estate development funds may replace the otherwise required equity with additional first mortgage or other public financing sources

D. Loan Security:

All loans must be secured with mortgage lien positions on one or more of the following assets: land, buildings, and any other fixed assets. In addition, the RDA may require personal guarantees from the owner(s).

E. Term:

The repayment period shall, at a minimum, be the same as the repayment period of the senior debt. Repayment deferrals and forgiveness of debt will be determined individually by RDA and the Loan Review Committee.

F. Interest Rate:

Each loan's interest rate will be individually determined based on the minimum subsidy necessary to finance the project, but will not be more than one point (1) below the interest rate of the senior loan.

G. Construction Timeframe:

Projects financed through the GAP-A must begin construction within three (3) months from closing, and construction must be completed within twenty-four (24) months from closing. A project is deemed completed upon final inspection and approval by the RDA, and upon the submission of proof by the Borrower that all appropriate City of Baton Rouge/Parish of East Baton Rouge agencies have approved the work performed, including issuance of Certificates of Occupancy. Extensions may be evaluated on a case-by-case basis by the RDA.

H. Construction Inspection Fee:

The construction inspection fee formula is as follows: one-half percent (0.5%) of the construction contract. If the construction inspection is provided by a private lender, no RDA construction inspection fee will be due, but all inspection reports must be made suitable to the RDA. The construction inspection fee will be eligible for financing through GAP-A funds.

I. Origination Fee:

All approved loans will carry an origination fee of one percent (1%) which may be financed as part of the total project cost.

J. Withdrawal of Application:

Any applicant may withdraw the loan application at any time before closing by giving written notice to the RDA. The applicant shall bear any costs incurred for items including, but not limited to, credit reports, appraisals, and application fees.

K. Loan Closing:

The loan closing will be scheduled at a time acceptable to the RDA and to the Borrower. Under no circumstances shall the closing occur more than 60 days beyond

the execution of the contract. The RDA may charge the Borrower for the following items, which may be financed:

- a. Recording fees and other charges incidental to the recordation;
- b. Required survey charges and appraisal fee, as applicable;
- c. Title examination and title insurance, as applicable;
- d. Other reasonable and customary charges or fees authorized by the RDA.

L. Taxes and Assessments:

All taxes and assessments against the property which are due and payable shall be paid before or at closing, where applicable.

M. Assumption:

Loans may be assumed only if approved by the RDA prior to assumption. The RDA may charge an assumption fee. Loans that are not assumed are due on the sale of the business or property, or a change in the ownership structure of the Borrower, whichever is applicable.

VI. LOAN APPLICATION PROCESSING

The RDA has established written application processes and procedures (below) that will facilitate the application process and will best serve the objectives of the GAP-A. The procedures may be amended from time to time and shall be binding upon all applicants. **All applications must be submitted in an organized three ring binder with tabs and a table of contents along with a CD containing all of the required documents.** An application fee of one hundred dollars (\$100) per application will be charged. The application fee is non-refundable.

The application processes and procedures are as follows:

- A. Applicant submits completed GAP-A Application to the RDA including, but not limited to:
 1. Project Description and summary;
 2. General design of the project;
 3. Development team information;
 4. Past accomplishments of developer and/or development team;
 5. Location map of the project;
 6. Details on residential units – e.g., price points, number of units, size of units, number of bedrooms, unit types, etc. Preliminary floor plans are strongly encouraged.
 7. Number of attainable units and proposed AMI level of each;
 8. Number of market rate units (if applicable) and rental rates of each;
 9. Other project elements – e.g., commercial space, parking, open space, etc.
 10. Project timeline;

11. Evidence of financing commitments (can be contingent upon subordinate financing);
 12. Estimated project costs;
 13. Project pro forma (15 year minimum)
 14. Evidence of 10% owner equity in the project.
 15. Amount of loan requested, including terms
 16. Financial Statements from the last 2 years, audited if available
 17. List of guarantors and a personal financial statement
 18. Global Cash Flow and/or a K-1 or the previous year's income tax statement
 19. Marketing study and plan
 20. Lease up plan
 21. Additional information as requested.
- B. The RDA will contract with a third party, who will serve as Underwriter for the project.
 - C. The Underwriter makes recommendations to the Loan Review Committee based upon the financial data and their analysis.
 - D. The Loan Review Committee scores the application based upon the Standard Application Evaluation Criteria and Competitive Evaluation Criteria listed in Sections X and XI of this document respectively.
 - E. If an application scores eighty (80) points or higher, the Loan Review Committee approves, and the project is sent to the RDA Board of Commissioners for a final vote with a recommendation for approval from the Committee.
 - F. Once the loan has been approved by the RDA Board of Commissioners the applicant will receive a notice of award. This is not a notice to proceed. The process of obtaining environmental clearance per HUD's guidelines will also commence at this time. Once environmental clearance is obtained a pre-closing meeting will be held.
 - G. The pre-closing meeting will be held to commence the due diligence process and set a loan closing date.
 - H. A signed contract must be in place within 30 days of the pre-closing meeting. Draft loan documents will be prepared and the loan must close within 60 days of the contract signing.
 - I. Upon approval, loan is closed and Underwriter continues to monitor progress.

VII. LOAN APPROVAL AND DISAPPROVAL

- A. The RDA may approve or disapprove loans in accordance with these guidelines.

- B. The Applicant must meet RDA deadlines for submission of documents at each stage of the application process. The Applicant's failure to meet the stated deadlines may result in the cancellation of the application and/or the applicant's loss of a priority position in loan processing.
- C. All applications will be processed through a two-step review and approval process. Initial review will be conducted by an advisory Loan Review Committee. Each project must score an averaged eighty (80) points or above for approval from the Loan Review Committee. Projects scoring an averaged seventy-nine (79) points or below will be rejected.
- D. Final loan approval will be made by the RDA's Board of Commissioners.
- E. Approval shall be evidenced by a written commitment to the applicant. Further action may not be taken toward closing the GAP-A loan until the Applicant executes and returns to the RDA a copy of the commitment letter.
- F. If a loan application is disapproved, the RDA shall notify the applicant in writing.

VIII. GENERAL CONDITIONS

- A. No application will be accepted by the RDA until the applicant has all other financing secured. If an applicant submits an application without firm commitments of financing, the application will be returned to the applicant.
- B. The application must exhibit a demonstrable gap in the project funding.
- C. The loan recipient must satisfy the public benefit requirement associated with the GAP-A loan by providing a minimum of two (2) attainable rental housing units as part of the financed development project and maintaining the attainable rental rates for an amount of time agreed upon between the borrower and the RDA prior to closing, but not less than five (5) years.
- D. If the GAP-A loan is used for construction expenses, such as new construction or elimination of a blighted condition, the borrower must ensure that federal prevailing wage rates are paid where applicable.
- E. All projects must comply with the RDA's requirements for a Minority and Woman-owned Business Enterprise ("MWBE") Plan. The MWBE Plan will document the applicant's strategy to purchase materials and services from minority and woman-owned businesses. Each MWBE Plan must be approved prior to loan closing.
- F. Any use of loan funds must comply with Federal, State, and local regulations concerning historic properties and environmental review, if applicable.

- G. Applicants must comply with all state and federal regulations.
- H. Upon application approval from the Board of Commissioners and acceptance from the applicant, the project will be submitted for Environmental Review per U.S Department of Housing and Urban Development (“HUD”) requirements. This review process can take from 45 up to 100 days.

I. Loan Repayment:

All loans are reimbursement loans. Loan repayment schedules will be negotiated between the RDA and each Borrower.

J. Late Charges:

Late charges, as permitted by law, will be charged on delinquent loans.

K. Loan Delinquency and Default:

1. Loans shall be deemed delinquent if payment is not received within 15 days of the payment due date. Delinquent loans will be subject to late charges.
2. Loans shall be deemed to be in default to the extent that:
 - a. Any payment required by the documents evidencing the loan is 30 days delinquent.
 - b. There is a default in any other term or condition of the loan documents evidencing the loan.
 - c. Any representation made in any document submitted to the RDA in connection with the loan is determined to have been false or misleading in any material respect when made or anytime thereafter.
 - d. Loan proceeds are used for ineligible expenses.
3. In the event of any default by the borrower, the RDA may, subject to the rights of any senior lender, after giving the required notice to the borrower:
 - a. Recast the loan at an interest rate not to exceed prime plus two percentage points.
 - b. Accelerate the loan to maturity.
 - c. Foreclose on the property.

L. Loan Disbursement:

Loan disbursements will be made in accordance with a schedule approved by the RDA, Borrower, and senior lender. Completion guarantees will be required for all projects unless otherwise waived in writing by the RDA.

Loan funds will not be disbursed if there is a default on any term or condition of the loan documents.

M. Refinancing:

Refinancing of existing debt on a property during the GAP-A loan term is not permitted without the prior written consent of the RDA. In general, a Borrower will not be able to increase the amount of conventional or other debt in a superior lien position to the GAP-A loan.

N. Change of Ownership:

Borrower may not sell, lease, assign, transfer, dispose of any or all of the property financed with the proceeds of the GAP-A loan, or change the ownership structure of the Borrower during the term of the GAP-A loan without the prior written consent of the RDA.

O. Insurance:

1. The Borrower shall maintain hazard and liability insurance at the Borrower's expense in an amount as approved by the RDA

During the project construction period, the Borrower shall maintain a builder's risk insurance policy in an amount acceptable to the RDA. Insurance coverage must include wind loss and flood coverage.

2. For properties located in a floodplain, the Borrower must maintain special flood insurance in an amount not less than the total indebtedness secured by the property, or such amount as required by FEMA regulations, as approved by the RDA.
3. All required insurance policies shall:
 - a. Be written by a company authorized to transact business in the State of Louisiana.
 - b. Be written by a company which is reputable and financially sound as determined by the RDA.
 - c. Be in force at the time of closing.
 - d. Name the RDA as a loss payee in a standard mortgagee clause attached to or printed in the policy.
 - e. Contain terms and coverage satisfactory to the RDA.

P. Title Insurance:

The Borrower shall provide a Lender's policy issued by a title insurance company acceptable to the RDA for an amount equal to the maximum principal amount of the GAP-A loan. The title insurance policy must name the RDA as a mortgagee and must provide evidence that the title to the property on the date of closing is vested in the Borrower, preprinted exceptions deleted, and is free and clear of all liens and encumbrances, except to taxes not yet due and payable. Approved prior mortgages and any other items that are required by or specifically determined to be acceptable by the RDA may be included.

Q. Appraisals:

The RDA may require an up-to-date appraisal of each property showing the value of the property as-is and after construction. All appraisals shall be performed by appraisers acceptable to the RDA and shall be in an approved format. The Borrower shall be responsible for providing the appraisal, if required.

R. Construction Standards:

All properties to be constructed or rehabilitated under the GAP-A must comply with all applicable health and building codes of the City of Baton Rouge/Parish of East Baton Rouge.

S. Contractor Requirements:

All building contractors shall:

1. Meet all licensing requirements necessary to perform the construction.
2. Be in good standing with the Louisiana Secretary of State, financially sound, and fully qualified to perform the required work outlined in the specifications as evidenced by previous professional construction experience.
3. Provide insurance coverage in forms and amounts required by the RDA.
4. Perform all work covered by the RDA approved plans and specifications in conformance with the contract, construction documents, and all applicable laws, codes, and RDA construction standards, and in a competent, workmanlike manner at least equal to the standards of the industry.
5. Comply with all applicable laws, ordinances, and regulations relating to the protection and safety of persons and property.
6. Comply with all applicable laws pertaining to the removal of hazardous materials.

7. Furnish all labor, materials, and equipment and obtain all licenses, permits, and privileges required to construct or rehabilitate the property in accordance with the construction documents.
8. Not assign the contract without the prior written consent of the Borrower and the approval of the RDA.
9. Agree to complete construction according to the specifications of the approved construction documents within the specified completion date.
10. Agree not to commence any construction activities prior to the closing of the GAP-A loan without the prior written consent of the Borrower and the RDA.
11. Indemnify and hold the RDA harmless from all liability and loss due to injury or death of any person or damage to any property which may occur or be alleged to occur during performance of the contract as a direct or indirect result of any act or omission, whether intentional, negligent, or otherwise, by the contractor, subcontractors or their agents and employees. The contractor shall defend all suits and claims involving the above at his or her sole cost and expense.
12. Execute a No-lien Agreement with the Borrower.

T. Identity of Interest:

Borrowers may act as general contractors provided that they meet the provisions of Section VIII. S of these guidelines and only with prior written approval of the RDA. All Borrowers acting as the general contractor must provide cost certification in a form acceptable to the RDA within sixty (60) days after the date of the final construction stage payment.

IX. STANDARD APPLICATION EVALUATION CRITERIA

A. Applicant Evaluation (25 points):

The historical performance of the applicant will be evaluated to assess the ability to both perform the duties required through the GAP-A Program and repay the loan. Specifically, this evaluation will include:

1. Financial Performance of the Applicant: This involves an evaluation of the prior years' financial performance, including an examination of budgets, income statements, balance sheets, tax returns, and cash flow statements. This evaluation may also include personal financial statements and credit bureau checks. **(10 points)**

2. Market Performance: This involves an evaluation of the relevant local and national markets and a demonstration of the expectation for a strong potential market for the product. **(5 points)**
3. Management Ability: This involves an evaluation of the experience and skills of the proprietor, partners, or directors. This includes general business experience as well as specialized experience in the particular industry. **(10 points)**

B. Project Criteria (40 points):

The merits of the proposed uses of GAP-A funds will also be assessed to determine the ability to deliver a successful project and repay the loan. Specifically, this evaluation will include:

1. Projected Rents and Revenues: This involves an assessment of the validity and risk of the rents and revenue projects. **(10 points)**
2. Projected Financial Statements: A thorough credit analysis will be performed using both historical and projected financial statements. **(10 points)**
3. Value of Assets and Collateral: Appraisals, when appropriate, will be required to assist the RDA in evaluating the ability to secure the loan. The Borrower shall be responsible for providing the appraisal. **(10 points)**
4. Market Strategy and/or Management Plan: A complete business plan and pro forma will be required. This includes a project summary and a lease up plan for residential units. **(10 points)**

X. COMPETITIVE CRITERIA: PUBLIC BENEFITS (35 points):

Because there are insufficient funds to approve all eligible applications that meet the standard criteria, loan applicants will be evaluated based on additional criteria measuring public benefits.

- A. Nonprofit applicants will receive priority over for-profit applicants. **(2 points)**
- B. The degree to which the feasibility of the project depends on the GAP-A loan. The applicant may be required to provide a written rejection from a private lender. The RDA reserves the right to reject an application based on the corporate or personal net worth of the applicant. **(1 points)**
- C. The number of attainable units provided per RDA dollar invested. **(3 points)**

- D. The total number of residential units provided, and the proposed mix of rental rates, price points and uses. **(4 points)**
- E. Compliance with/adherence to the City Parish Planning Commission and/or the RDA Community Improvement Plan (based on location). **(3 points)**
- F. Proximity to employment centers, schools, public transportation routes, and other basic services. **(5 points)**
- G. Use of green building techniques in any stage of development or basic energy efficient appliances: **(5 points)**
 - a. Tankless water heaters that serve each rental unit separately;
 - b. Energy efficient central heating and air conditioning systems in excess of 14 SEER or 95 percent AFUE (may be one unit for entire rental property or individual units);
 - c. ENERGY STAR® refrigerators, dishwashers, clothes washer and dryer;
 - d. Garbage disposals;
 - e. Ceiling fans
- H. Use of three (3) or more of the following hazard mitigation measures: **(5 points)**
 - a. Bracing on garage doors
 - b. Stronger exterior doors
 - c. Tying down or anchoring of propane and heating fuel tanks
 - d. Elevation of furnaces and water heaters;
 - e. Elevation of electrical panels and air conditioning units;
 - f. Window protection;
 - g. Hurricane straps or clips;
 - h. Walls bolted to the foundation; or
 - i. Backflow valves.
- I. Rehabilitation of existing structures to visible standards, which include at least one no-step entrance, doors and hallways wide enough for a wheelchair to navigate, and at least one ADA accessible bathroom on the first floor of the unit. **(3 points)**
- J. Overall impact on the neighborhood and quality of life. **(4 points)**

XI. WAIVER OF PROVISIONS

The Board of Commissioners of the RDA may waive certain provisions of these guidelines based on a determination of the private and public benefits of the project.

XII. NOTIFICATION

The RDA will notify the appropriate elected officials and community-based organizations of applications received for projects in their neighborhoods. The RDA reserves the right to announce all loan commitments publicly.

XIII. GREVIANCE PROCEDURE

If a loan application is rejected, the RDA shall notify the applicant in writing and include copies of the scoring sheets. The notice, sent to the rejected applicant via email or regular mail, shall clearly describe the two-level grievance procedure. Only those applicants scoring eighty (80) points or above may appeal the decision of the Board of Commissioners. A written request must be received by the RDA no later than ten (10) business days after the notice of disapproval was sent and/or postmarked. The grievance procedure is as follows:

- A. Applicant must request, in writing, a second review of the application by the RDA Board of Commissioners. Requests must clearly state the reason for the grievance, and reference the project for which the application was not approved. Written requests should be sent to:

Mark Goodson: mgoodson@ebrra.org

Or

East Baton Rouge Redevelopment Authority

Attn: Mark Goodson

801 North Boulevard

Suite 200

Baton Rouge, LA 70802

- B. The request for a second review shall be considered by the RDA Board of Commissioners at its next meeting following receipt of the written request, unless such request is received within one (1) week of the scheduled Board of Commissioners meeting. If a request is received within one week of a scheduled Board meeting, it will be considered at the next scheduled Board of Commissioners meeting, not to exceed three (3) months from the date the request was received.
- C. The RDA Board of Commissioners shall consider each request for a second application review at its regular public meetings. If the Board votes to consider an application for a second time, it will be sent to the Loan Review Committee for additional review. If the Board votes not to consider the application for a second time, the applicant shall be notified in writing, and informed that there are no other opportunities for appeal. Applicants will be provided an opportunity to speak at these meetings.
- D. At the next scheduled Loan Review Committee meeting, the Committee shall discuss the application, if necessary, and make a recommendation to the Board of Commissioners to approve or disapprove the application for a second time.

- E. At the next RDA Board of Commissioners meeting, following the Loan Review Committee meeting where the application was review for a second time, the Board shall hear the Loan Review Committee's recommendation, and consider approving or disapproving the application in question for a second time. Applicants will be provided an opportunity to speak at these meetings. Should the Board vote to approve the application, an award letter will be issued to the applicant, contingent upon available funds. If the Board votes not to approve the application, the applicant shall be notified in writing and informed that there will be no further opportunity to appeal the decision of the RDA Board of Commissioners.

XIV. ADDITIONAL INFORMATION

For additional information, please contact the East Baton Rouge Redevelopment Authority at (225) 387-5606, or visit the RDA website at www.ebrra.org.

The East Baton Rouge Redevelopment Authority does not discriminate on the basis of age; race; sex; religion; national origin; physical handicap, including impaired vision or hearing; or political or union affiliation. No person, solely on the basis of any of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan and grant programs operated by the East Baton Rouge Redevelopment Authority.