



EAST BATON ROUGE REDEVELOPMENT AUTHORITY RENTAL REHABILITATION PROGRAM GUIDELINES

I. STATEMENT OF PURPOSE

The East Baton Rouge Redevelopment Authority (“RDA”) Rental Rehabilitation Program (“RRP”) was created to provide up-front funding for the repair and rehabilitation of residential rental properties that were damaged by Hurricanes Gustav and/or Ike in exchange for attainable rental housing once the property is rehabilitated. The RRP is designed to ensure rental properties damaged by the hurricanes are brought back into service and do not fall into blighted conditions. The Program also seeks to stabilize rents in traditional neighborhoods and encourage mixed-income rental properties.

The RRP will provide loans to rental property owners for properties that contain two or more units and are located in a low-income census tract of East Baton Rouge Parish. RRP loans may be forgiven if all conditions of the loan, including attainability periods, are satisfied. 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 2010 AMI is \$60,600. Therefore, the maximum rent for an attainable rental unit in 2010 is \$1,212 per month for a family of four.

II. PROGRAM FUNDING

The RDA received a portion of the Community Development Block Grant funding allocated to East Baton Rouge Parish for Hurricane Gustav and Hurricane Ike recovery. The RDA will remain compliant with all CDBG regulations until all allocated funds and program income are expended on CDBG eligible activities.

III. ELIGIBILITY

A. Property Criteria:

Eligible rental property must meet **all three** of the following criteria at the time an application is submitted. Failure to meet any one of these will make a property ineligible for the RRP. The property must:

1. Be a residential rental property containing a minimum of two units;
2. Be located in a low-income census tract in East Baton Rouge Parish (see attached map); and
3. Have suffered damages from Hurricane Gustav or Ike as verified by a visual inspection or third-party verification.

B. Property Owner Criteria:

Property owners must also meet certain criteria to be eligible to apply.

Both pre-storm owners and new investors are eligible to apply, but owners of record who owned their properties on or before September 1, 2008 will have a higher priority ranking. Nonprofit organizations that own rental residential property will also receive priority ranking. Nonprofit applicants must have an IRS 501(c)(3) designation and be registered to do business in the State of Louisiana at the time of application.

IV. ELIGIBLE COSTS

- A. Repair and rehabilitation costs, including: demolition; construction; and the purchase of basic appliances (e.g. – refrigerators, garbage disposals, etc.).
- B. Other costs associated with property rehabilitation (e.g. - inspections, legal, architectural, engineering, etc.).

V. RRP LOAN PARAMETERS

A. Loan Size:

Up to \$20,000 per attainable unit, not to exceed \$500,000.

B. Equity Requirements:

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

C. Loan Security:

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

D. Term:

If all RRP requirements are met, loans may be forgiven upon the expiration of the attainability period negotiated between the RDA and the owner(s). Failure to perform on the part of the owner(s) shall result in a penalty equal to five (5) percent of the total RRP loan for every month of the agreed upon attainability rental period that is not achieved, not to exceed 100 percent of the RRP loan.

E. Interest Rate:

RRP loans will have a zero (0) percent interest rate.

F. Construction Timeframe:

Projects financed through the RRP must begin construction within three (3) months from closing, and construction must be completed within six (6) months from closing. A project is deemed completed upon the submission of proof by the owner that all appropriate City of Baton Rouge/Parish of East Baton Rouge agencies have approved the work performed, including issuance of Certificates of Occupancy, and final inspection and approval by the RDA. Extensions may be evaluated on a case-by-case basis by the RDA.

G. 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 shall be available to the RDA. The construction inspection fee will be eligible for financing through RRP funds.

H. Application Fee:

All applicants to the RRP must pay a non-refundable application fee of \$100 at the time of submission to the RDA.

I. 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, and appraisals.

J. Loan Closing:

The loan closing will be scheduled at a time acceptable to the RDA and to the owner.

Costs that may be charged to the Borrower and may be financed are:

- 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.

K. Taxes and Assessments:

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

L. 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 upon 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 RRP. The procedures may be amended from time to time and shall be binding upon all applicants. 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 RRP Application to the RDA including, but not limited to:

1. Project Description;
2. General design of the project;
3. Development team information;
4. Past accomplishments of developer and/or development team;
5. Location of project;
6. Details on residential units – e.g., price points, number of units, size of units, number of bedrooms, unit types, etc. Preliminary design 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 primary financing commitment (can be contingent upon subordinate financing);
 12. Estimated project costs;
 13. Project pro forma.
 14. Evidence of equity in the project.
 15. Amount of loan requested, including terms
 16. List of guarantors and a personal financial statement
 17. Global Cash Flow and/or a K-1 or the previous year's income tax statement
 18. Marketing study and plan
 19. Additional information as requested.
- B. A RDA staff member will be assigned to serve as Underwriter for the project.
 - C. Underwriter makes recommendation to the Loan Committee, which votes on project.
 - D. Using the loan application, the review process will consider the Rental Rehab Application Evaluation Criteria listed in Section X of this document.
 - E. If Loan Committee approves, the project is sent to the RDA Board of Commissioners for a final vote.
 - F. 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 the guidelines contained in this document.
- 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 Committee. Final loan approval will be made by the RDA's Board of Commissioners.
- D. Approval shall be evidenced by a written commitment to the applicant. Further action may not be taken toward closing the RRP loan until the Applicant executes and returns to the RDA a copy of the commitment letter. No rehabilitation activity can occur prior to loan closing unless authorized by the RDA prior to loan closing.
- E. If a loan application is disapproved, the RDA shall notify the applicant in writing.

VIII. GRIEVANCE PROCEDURE

If a loan application is disapproved, the RDA shall notify the applicant in writing. The notice, sent to the disapproved applicant via email or regular mail, shall clearly describe the two-level grievance procedure. Should the applicant choose to appeal the decision, 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 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 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 Committee meeting where the application was reviewed for a second time, the Board shall hear the Loan 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.

IX. GENERAL CONDITIONS

- A. The loan recipient must satisfy the public benefit requirement associated with the RRP loan by providing a minimum of two (2) attainable rental housing units as part of the financed rehabilitation 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.
- B. If the RRP loan is used for construction expenses, the borrower must ensure that federal prevailing wage rates are paid where applicable.
- C. The RDA will require that all projects incorporate a Minority and Woman-owned Business Enterprise (“MWBE”) Plan. The MWBE Plan must document the applicant’s strategy to purchase materials and services from minority and woman-owned businesses. Each MWBE Plan must be approved by the RDA prior to loan closing.
- D. Any use of loan funds must comply with Federal, State, and local regulations concerning historic properties and environmental review, if applicable.
- E. Applicants must comply with all state and federal regulations.

F. Loan Repayment:

Loan repayment schedules will be negotiated between the RDA and each Borrower.

G. Late Charges:

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

H. Loan Delinquency and Default:

1. All RRP loans are designed to be forgivable. However, in the event that the requirements of the program are not met, owners shall be required to repay all or some portion of the loan.
2. 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 which are customary in the financial arena.
3. 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. Funds are used for ineligible costs.
4. In the event of any default by the borrower, the RDA may, after giving the required notice to the borrower:
- a. Recast the loan at an interest rate not to exceed prime plus two percentage points; or
 - b. Foreclose on the property, whichever action it deems appropriate.

I. Loan Disbursement:

RRP loans are designed to provide up-front financing for repair and rehabilitation activities. Loan disbursements may be made in one lump sum and will be made in accordance to a schedule approved by the RDA, Borrower, and senior lender (if applicable).

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

J. Refinancing:

Refinancing of existing debt on a property during the RRP 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 RRP loan.

K. Change of Ownership:

Borrower may not sell, lease, assign, transfer, or dispose of any or all of the property financed with the proceeds of the RRP loan during the term of the RRP loan without the prior written consent of the RDA.

L. Insurance:

1. The Borrower shall maintain hazard and liability insurance at the Borrower's expense in an amount not less than the sum of the RRP loan and any other senior and subordinate indebtedness secured by the property. During the project

construction period, the Borrower shall maintain a builder's risk insurance policy in an amount acceptable to the RDA.

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 for the term of the RRP loan.
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 acceptable to 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.

M. Title Insurance:

The Borrower shall provide a policy issued by a title insurance company acceptable to the RDA for an amount equal to the maximum principal amount of the RRP 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 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.

N. Appraisals:

The RDA may require an 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.

O. Construction Standards:

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

P. Contractor Requirements:

All building contractors shall:

1. Meet all State and local licensing requirements necessary to perform the construction.

2. Be in good standing with the Louisiana Secretary of State and acceptable to the RDA.
 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 RRP 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.
- Q. Identity of Interest:

Borrowers may act as general contractors provided that they meet the provisions of Section IX 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.

X. RENTAL REHAB APPLICATION EVALUATION CRITERIA

A. Applicant Evaluation: (20 points possible)

The historical performance of the applicant will be evaluated to assess the ability to both perform the duties required through the RRP and repay the loan, if needed. 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. **(5 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, and the general business experience as well as specialized experience in the particular industry. **(10 points)**

B. Project Criteria: (20 points possible)

The merits of the proposed uses of RRP funds will also be assessed to determine the ability to deliver a successful project and repay the loan, if needed. 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. **(5 points)**
2. Projected Financial Statements: A thorough credit analysis will be performed using both historical and projected financial statements. **(5 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, if required. **(5 points)**
4. Changes in Market Strategy and/or Management Strategy: A complete business plan and pro forma will be required. Any proposed significant changes in the business plan, market strategy, or management team will be reviewed. **(5 points)**

XI. COMPETITIVE CRITERIA: PUBLIC BENEFITS (60 points possible)

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

- A. The degree to which the feasibility of the project depends on the RRP 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. **(10 points)**
- B. Property has received a building permit prior to date of application. **(1 point)**
- C. The number of attainable units provided per RDA dollar invested. **(8 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 City Parish or RDA plans (based on location). **(4 points)**
- F. Proximity to employment centers, schools, public transportation routes, and other basic services. **(8 points)**
- G. Use of three (3) or more of the following hazard mitigation measures: **(5 points)**
 - 1. Stronger exterior doors;
 - 2. Bracing on garage doors;
 - 3. Tying down or anchoring of propane and heating fuel tanks;
 - 4. Elevation of furnaces and water heaters;
 - 5. Elevation of electrical panels and air conditioning units;
 - 6. Window protection;
 - 7. Hurricane straps or clips;
 - 8. Walls bolted to the foundation; or
 - 9. Backflow valves.

H. The provision of basic, energy efficient appliances and elements in attainable units, such as: **(5 points)**

1. Garbage disposals;
2. Tankless water heaters that serve each rental unit separately;
3. 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);
4. ENERGY STAR® refrigerators, dishwashers, clothes washers and dryers; and
5. Ceiling fans in all sleeping and living rooms.

I. Rehab to visibility standards, which include at least one no-step entrance, doors and hallways wide enough for a wheelchair to navigate, and at least one handicapped-accessible bathroom located on the first floor of the unit. **(5 points)**

J. Use of green building techniques in any stage of development. **(5 points)**

K. Overall impact on the neighborhood and quality of life. **(5 Points)**

XII. 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.

XIII. 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.

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.