



Entry Form 2018 Annual Awards for Program Excellence

Entry Deadline: Friday, June 15, 2018, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

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Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

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Louisiana Housing Corporation
Louisiana Neighborhood Landlord Rental Program (Construction Take-Out Model)
Special Achievement

Summary

Louisiana Housing Corporation works with financial institutions to create a disaster loan program that enhances project monitoring and oversight, speeds up development process, mitigates the improper use of grant funds by an estimated 95%, and reduces operational costs by 50%.

Historic Floods Causes Widespread Devastation

The Great Floods of 2016 wreaked havoc across the State of Louisiana. Rainfalls exceeding 20 inches caused many rivers and waterways to reach record levels. The worst storm to strike in the United States since Hurricane Sandy, dumped an estimated 7.1 trillion gallons of water across 51 of 64 parishes (counties) - yielding more than three times as much rain as Hurricane Katrina.

The torrential storm damaged more than 28,000 rental units and displaced thousands of individuals and families, exacerbating an already plaguing lack of affordable housing.

LHC Launches Loan Program with Take-Out Commitment

To address the affected rental stock, Louisiana Housing Corporation (LHC) partnered with the Office of Community Development's (OCD) Disaster Recovery Unit to develop a comprehensive program that would create more single-family and multi-family rental housing in the affected areas.

LHC utilized disaster funding provided by U.S. Department of Housing and Urban Development to launch the Louisiana Neighborhood Landlord Rental Program (LNLRP). LNLRP provides financial assistance in the form of forgivable loans to landlords constructing new affordable units or fixing complexes with fewer than seven units. However, developing a program that guaranteed adherence to compliance guidelines, while speeding up the development process and reducing operational costs was the top priority.

In previous disasters, LHC made advanced payments to program participants to initiate the recovery process. Unfortunately, this approach often resulted in the misuse of grant funds, which had the potential to lead to fraud allegations and impact the projects ability to meet the national objective - effectively making the funds ineligible.

LHC strategized with local lending institutions including Community Development Financing Institutions (CDFI) to develop a program that incorporated underwriting techniques and guidelines that would mitigate the misappropriation of funds. Restoring the confidence of key lending partners proved critical, as previous misuses of funds impacted some. With substantial input from the lending community, LHC developed and implemented the Construction Take-Out Model as a signature component of the LNLRP.

This newly minted process provided a short-term investment opportunity that allowed lenders to collect interest during the term of the loan, while meeting Community Reinvestment Act requirements.

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Construction Take-Out Model 4-Step Process

1. Landlord applies for new construction or rehabilitation funds through a participating lender.
2. LHC guarantees to repay the loan upon successful project completion.
3. Lender provides construction oversight to ensure milestone achievement and project completion.
4. LHC pays off the construction loan through an electronic funds transfer.

Construction Take-Out Model Produces Results

The Construction Take-Out Model has led to an increase in construction productivity, enhanced monitoring oversight, and significantly reduced operational expenses. Since the financial institutions are assuming the monitoring and oversight responsibility, LHC has been able to reduce costs associated with payroll and travel by 50%.

Additionally, the number of ineligible projects and fraud attempts is estimated to decrease by 95% over the course of this program.

Partnering with lenders during the inception of the LNLRP proved to be immensely beneficial to the LHC and program applicants. Through this program, 74 loan applications were submitted totaling \$33 million. With the enhanced compliance monitoring, LHC confidently estimates that LNLRP will produce 525 rental units.

Furthermore, The take-out concept nearly guarantees that the funds will be used for the intended purposes to meet a designated national objective. LHC plans to establish this concept as the fundamental component for the design of future disaster programs.

Louisiana Housing Corporation

Louisiana Neighborhood Landlord Rental Program (Construction Take-Out Model)

Special Achievement

New 'piggyback' funding program targets rebuilding of mixed income rentals in flooded parishes

theadvocate.com/baton_rouge/news/article_e0faa738-e1c4-11e7-9f15-132f3a097b6.html
BY CAROLINE GRUESKIN | cgrueskin@theadvocate.com December 17, 2017

With the capital area's rental housing market still tighter than normal due to the 2016 floods, officials are launching a new program to encourage developers to build affordable apartments in the hardest hit parishes, including East Baton Rouge.

The Piggyback 2018 program is the third major initiative since the flood disaster to use federal funding to subsidize construction of rental units. Approximately 28,000 rental units were damaged during the floods, according to the state's Office of Community Development.

The program — announced Friday by the Louisiana Housing Corporation — works by giving additional loans to those receiving low-income housing tax credits, the primary subsidy with which low-income apartments are built.

The new federal money "piggybacks" on the tax credit program, allowing developers to build mixed income complexes with some apartments that can be rented out at market rates.

To obtain funding, projects have to contain more than half apartments for people making 80 percent or less of the area median income and remain at reduced prices for 35 years. Five percent of all units must be for permanent supportive housing, used by people with very low incomes or chronic health conditions.

The program is attractive to developers because the loans that are offered are long — 35 years — and the interest rates are lower than conventional banks can offer.

The piggyback program is funded by the U.S. Department of Housing and Urban Development's Community Development Block Grant Disaster Relief Program. Applications will be accepted through March 16.

"We understand, after disasters such as the 2016 flood, everyone is impacted," LHC Executive Director Keith Cunningham said in an interview. "With the use of CDBG funds, we're able to meet both the low to moderate mission as well as create some market rate components."

The program is expected to result in 500 new affordable housing units, according to a draft document on what state officials project for the program.

Priority will be given based on a number of factors, including whether the project is in one of the most flood damaged parishes and if rents in that parish are high relative to incomes. East Baton Rouge fits in both categories, while Ascension and Livingston fit into the first but not the

Cunningham said he expects to receive applications for complexes that would serve both families and elderly people.

Office of Community Development Director Pat Forbes said in a statement that the piggyback program will help resolve the shortage of affordable housing for working households.

"Over 28,000 rental units in Louisiana were damaged in The Great Floods of 2016, worsening what was already a terrible shortage of affordable rental housing from before the floods," Forbes said in a statement. "Our low-to-moderate income residents and our state need these new, affordable rental units to help drive the long-term recovery from these storms."

According to documents provided by LHC, 1,804 units in the housing corporation's tax credit-financed portfolio were damaged by the August 2016 floods. Of those, 974 have been repaired.

The new funding opportunity is modeled on a program implemented after Hurricanes Katrina and Rita that expended \$600 million to create over 7,000 rental units, including 4,420 with affordable rental rates, according to a 2015 LSU analysis of the earlier program. The housing corporation continues to recycle money from that program, building more housing as loans are repaid.

"We saw ourselves where we could learn from past examples, we could learn from the techniques and the programs that were developed after the last storms we've had in the state of Louisiana, dating back to Katrina," Cunningham said.

Stephen Barnes, director of LSU's economics and policy group, who analyzed the use of CDBG funding after Katrina and Rita for the state and city of New Orleans, said his analysis showed the piggyback program was effective in bringing people back to the most damaged regions.

He said homeowners who flood typically are offered more appropriate incentives to get their lives back on track when compared to those living in rental properties. In addition, rentals are often owned by out-of-state developers able to move their money elsewhere, he said.

"When you think about this whole region being so widely impacted (by the 2016 floods), that even has the potential for really reshaping that community," he said, noting that owner-occupied homes could come back while rentals disappear.

"That mix of housing is important to really getting the area back on its feet. Having those rental properties is going to be an important part of making sure you have nearby housing for the workforce of that community," he said.

Though on a smaller scale, Barnes said, the new piggyback program could have similar effects to the post-Katrina one.

In the News

LNLRP is specifically mentioned in the highlighted box below.

"My guess is those dollars will help restore housing that would bring population back into these impacted communities and give them the base of population and housing stock to start moving forward," Barnes said.

He noted that implementation is key, and how the program is administered could affect the outcomes.

Of the money appropriated for the piggyback program, \$17.7 million is a re-allocation from the \$38.25 million Multifamily Restoration Loan program announced in May.

Louisiana landlords with rental houses walloped by 2005's Hurricanes Katrina and Rita were eventually promised state help to rebuild: If they ...

Despite outreach efforts, the multifamily restoration program did not draw the interest officials expected, in part because owners of most eligible complexes of 20 apartments or more already had flood insurance, said Robert Bizot, LHC's director of recovery housing.

Among the successful applicants were public housing authorities and two market rate complexes that agreed to convert to affordable units, he said.

Bizot said LHC will also move \$5 million from the multi-family program into the more popular Neighborhood Landlord Recovery Program, which provides forgivable loans to landlords constructing new affordable units or fixing complexes with fewer than seven units.

The neighborhood program, now worth \$43 million, attracted faith-based groups interested in building new low-income housing and small landlords with property outside flood zones that was uninsured, Bizot said.

J. Daniels, the chief operating officer for Partners Southeast, a nonprofit development firm that works with the East Baton Rouge Housing Authority, said that despite the length of time since the disaster, there is still an overwhelming demand — including from people flooded out of their homes — for affordable housing.

"That will continue to increase as our population continues to grow absent a major flood event," he said.

He said the recovery process for permanent housing is slow, taking anywhere from 18 months to three years for construction of new units.

"We are a year and a half removed from the flood event. We're just now being able to build new units for the market," Daniels said. "And that's to replace what was destroyed during the flood and to add to the supply of affordable housing."

Daniels said his group successfully sought funding from the neighborhood landlord program to build loft units near the new Water Campus in Baton Rouge. He also has applied for a recent round of piggyback loans tied to Hurricanes Katrina and Rita to build more apartments in the Ardenwood area and a senior development at Gardere Lane.

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FIRST APPROVED APPLICANT



LHC Recovery Housing Director Robert Bizot and Matthew Binning