Upcoming Events

Section 502 Packaging Training for Nonprofit Developers
New Orleans, LA
March 20-22, 2018

American Indian Housing Symposium
Rapid City, SD
May 2-3, 2018
FINANCING FARM LABOR HOUSING WITH USDA SECTION 514/516 FUNDING

Part 3: Construction and Lease-Up

February 28, 2018
2:00 pm ET
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Financing Farm Labor Housing with USDA Section 514/516 Funding:

Completing the Construction and Lease Up Process

This is the final presentation in a series of three webinars presented by Tierra del Sol Housing Corporation and Community Resources and Housing Development Corporation in collaboration with the Housing Assistance Council to provide technical assistance services on the development of Farm Labor Housing using USDA Section 514/516 Funding.
Community Resources and Housing Development Corporation was established in 1971 to address the intolerable conditions of migrant housing in rural Colorado through research and housing development.

The mission has expanded over the years to address community needs in Urban and Rural markets on a state-wide and regional scale. This includes activities geared toward increasing the financial viability and sustainability of families and the communities in which they live and work.
Tierra del Sol Housing Corporation (TDS)

was formed in 1973 to help rural New Mexicans achieve “the goal of a decent home and suitable living environment”.

Today, Tierra del Sol is advancing the needs of farmworkers and rural families by sharing its technical expertise to help other organizations address their community’s housing needs through Farm Labor Housing Technical Assistance, Self-Help Homeownership Opportunities and Workforce Investment Opportunity programs offered throughout the region and nationally. TDS also owns and manages more than 1,000 rental housing units serving low income families and special populations which includes almost 300 units for farm workers.

Recognized as a leading producer of affordable housing in the Southwest, the success attained by Tierra del Sol could only be achieved through its partnerships and collaborations with communities, housing advocates and stakeholders.
Financing Farm Labor Housing with USDA Section 514/516 Funding
Part III – Construction and Lease-Up
Presented February 28, 2018

Hosted by: The Housing Assistance Council
Presented and Sponsored by: Tierra del Sol Housing Corporation and Community Resources and Housing Development Corporation through a grant agreement with USDA Rural Housing Services
What is 514/516?

USDA Rural Development Section 514 is a loan that offers terms of 1% interest amortized over 33 years.

USDA Rural Development Section 516 is a grant. Only nonprofit organizations and government entities are eligible to receive a grant.

USDA allows up to $3,000,000 per project.

Section 521 Rental Assistance or Operating Assistance can also be awarded.
Notice to Proceed

- Final planning and zoning
- Final Plans, specs, development costs,
- Out for bid and bid opening
- Finalize all funding commitments
- USDA and all other funding commitment loan closings
- CNA and Appraisal
- Final operating budget, Management Plan, Management Agreement

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After the USDA legal review, USDA will issue written closing instructions.

It is important to address each one of the items listed in the closing instructions. This will often involve working with your legal counsel.

Once all closing instructions have been met, and the required documentation has been submitted and approved by USDA, a closing date is set.
Pre-Construction Conference

- As we discussed in the 2nd Webinar, after the contractor has been selected and approved by USDA, it is often possible to hold the pre-construction conference prior to loan closing with USDA.

- The pre-construction conference can also take place after loan closing, however, it is important to understand that the contractor may not start construction until after the pre-construction conference has taken place.
Other Leveraged Funds

- All funds leveraged to finance the project need to be in place in order to close on the USDA loan. This includes loans and grants.
- At the time of closing the USDA loan, it is necessary to also close on other lender financing to ensure all funds are in place to complete the project.
Tracking Funds

• When there are multiple sources of funds in a project, the use of these funds need to be tracked. Your TA provider can provide sample spreadsheets that will help to track these Sources and Uses.

• The next slide shows a sample Sources and Uses budget.
## Financing Farm Labor Housing with USDA Section 514/516 Funding

### Part III – Construction and Lease-Up

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### Table: Budget and Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent costs</td>
<td>$148.35</td>
<td>$148.35</td>
</tr>
<tr>
<td>Site Grade/Seal &amp; Allied Plant (1 ft)</td>
<td>$2,159.72</td>
<td>$2,159.72</td>
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<tr>
<td>Off Site Grade/Seal &amp; Allied Plant Improvement (1 ft)</td>
<td>$35.98</td>
<td>$35.98</td>
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<tr>
<td>Off Site Site Construction &amp; Sanitary Sewer (2 ft)</td>
<td>$73.93</td>
<td>$73.93</td>
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<tr>
<td>Off Site Site Construction &amp; Sanitary Sewer (2 ft)</td>
<td>$22.92</td>
<td>$22.92</td>
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<tr>
<td>Off Site Site Construction &amp; Sanitary Sewer (2 ft)</td>
<td>$31.45</td>
<td>$31.45</td>
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<tr>
<td>Gas Main (Change Request to Replace Existing Gas Main)</td>
<td>$32.45</td>
<td>$32.45</td>
</tr>
<tr>
<td>Other Site Improvements (incl. Mail, Bldg/Utility Bldg)</td>
<td>$50.00</td>
<td>$50.00</td>
</tr>
<tr>
<td>Landscaping</td>
<td>$60.00</td>
<td>$60.00</td>
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<tr>
<td>TOTAL CONSTRUCTION</td>
<td>$2,488.82</td>
<td>$2,488.82</td>
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<tr>
<td>Engineering/Landscape (incl. D drain, Town Eng Site Const)</td>
<td>$19.92</td>
<td>$19.92</td>
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<tr>
<td>Environmental Assessments &amp; Testing</td>
<td>$6.00</td>
<td>$6.00</td>
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<tr>
<td>Sewer line (Donation from Town of Stratford per letter)</td>
<td>$160.00</td>
<td>$160.00</td>
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<tr>
<td>Water line (Donation from Town of Stratford per letter)</td>
<td>$160.00</td>
<td>$160.00</td>
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<tr>
<td>Electrical Potentiating from ECG Bus</td>
<td>$16.17</td>
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<tr>
<td>Any utility upgrades</td>
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<tr>
<td>Contingency</td>
<td>7% (Hire Construction)</td>
<td>7% (Hire Construction)</td>
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<tr>
<td>Architect/Engineer</td>
<td>$79,644</td>
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<td>Market Study</td>
<td>$5,000</td>
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<tr>
<td>Comprehensive Needs Assessment (CNA)</td>
<td>$4,500</td>
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<tr>
<td>Approval</td>
<td>$5,200</td>
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<tr>
<td>Title and Recording</td>
<td>$3,500</td>
<td>$3,500</td>
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<tr>
<td>Post Construction Audit</td>
<td>$6,000</td>
<td>$6,000</td>
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<tr>
<td>Post Energy Audit / Green Communities Monitoring</td>
<td>$30,000</td>
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<tr>
<td>Developer Fee for SAF Expenses (Housing)</td>
<td>$10,000</td>
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<tr>
<td>In Kind Donation 4M Feeders (Army)</td>
<td>$60,000</td>
<td>$60,000</td>
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<tr>
<td>Legal</td>
<td>$7,000</td>
<td>$7,000</td>
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<tr>
<td>Land - Irrigation Tunnel Donation (Per Commitment Letter)</td>
<td>$120,000</td>
<td>$120,000</td>
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<tr>
<td>Initial USDA-OSM</td>
<td>$58,000</td>
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<td>Data Exchange Monitoring</td>
<td>$25,000</td>
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<tr>
<td>Agent Office / Conference Room / Furloughing</td>
<td>$15,000</td>
<td>$15,000</td>
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<tr>
<td>REMAINING BALANCE</td>
<td>$2,144,633.75</td>
<td>$2,144,633.75</td>
</tr>
</tbody>
</table>

*All off-site expense definitions:
- Costs associated with the [off-site expenses] of the project
- Off-site items are expenses directly related to the project that are located outside of the project property line (i.e., off-site sewer, water, sewer, electrical, and street paving)
Closing the Loan with USDA
Refer to Handbook I-3560 Chapter 8

- Loan documents will need to be signed by staff that are authorized to sign them on behalf of the organization. They will need to attend closing to execute the official closing documents.

- It is also a good practice to have the project architect and legal counsel attend closing, particularly for those projects that are using LIHTCs.
Exhibit 8-1
Summary of Loan Closing Activities
Performed by Agency Staff

Preparing for Closing
- Select closing agent or title insurance company;
- Review title opinion/insurance binder;
- Provide necessary documents to the Office of General Counsel (OGC) to prepare/finalize closing instructions; and
- Provide closing instructions and necessary documents to closing agent (see Attachment 8-A).

Closing agent arranges closing date and prepares closing documents.

- Review promissory note and interest credit agreement;
- Determine size of initial check (if financing is by multiple advances); and
- Order loan check from St. Louis Office.

Loan Closing
- Attend closing (if necessary).

Closing agent reviews closing documents with all parties, and obtains applicant signature on all closing documents, and disburses loan funds.

Post-Closing Activities
- Obtain closing documents, review them to determine acceptability, and sign the closing instructions;
- Enter closing data into Automated Multi-Family Housing Accounting System (AMAS) [M1F] and establish the Amortization Effective Date (AED);
- Compile final documents in the loan file and forward them to OGC for review (if required); and
- Forward completed loan docket to Loan Servicing staff.
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Chapter 1 - Introduction
Chapter 2 - MFH Programs and the Origination Process
Chapter 3 - Property Requirements
Chapter 4 - NOFA and Initial Application Process
Chapter 5 - Processing Final Applications - Stage 2
Chapter 6 - Participating with Other Funding Sources
Chapter 7 - Security Requirements
Chapter 8 - Loan Closing and Project Lease-Up
Chapter 9 - Project Construction
Chapter 10 - Subsequent Loans and Loans for Final Payments
Chapter 11 - Special Property Types
Chapter 12 - Farm Labor Housing Loans and Grants
Appendix 1 - 7 CFR part 3560
Appendix 2 - 7 CFR part 11
Appendix 3 - Forms Referenced in this Handbook
Appendix 4 - Handbook Letters
First Draw Preparation

You will prepare the first draw to request funds at loan closing.

This first draw should request reimbursement for eligible pre-development costs that were paid up-front. Back-up documentation is required including evidence of how payment was made.

Be sure to coordinate this draw with contractor. If the contractor is ready to start construction, the first construction draw can be included.
Monthly Construction Draws are submitted by the Contractor.
Partial and Final Payment Requests are then submitted to USDA RD
Change Orders

- Many projects typically have construction contingency of 5-10%.

- The use of contingency funds needs to be tracked as change orders are approved.
Davis Bacon

- Even if the wage rates your project will be paying is higher than those required by Davis Bacon, the Contractor is still required to provide monthly payroll reports.

- Compliance with Davis Bacon is conducted by one of two methods: either by a third-party firm hired by you, or when required by one of the funding sources, they will monitor Davis Bacon.

- If there are issues of non-compliance with Davis Bacon, the jobsite can be shut down until compliance is met.

- A pre-construction meeting regarding Davis Bacon is required and provides necessary information regarding reports, review process, etc.
Energy Efficiency Certification: Coordination and Testing

- Projects that proposed meeting an Energy Initiative so the project would be awarded higher points at pre-application are required to demonstrate compliance with these construction standards.
- Other sources of funding such as LIHTC, HOME and CDBG may also require compliance with certain Energy Efficiency/Sustainability programs. Some of the more common programs are:
  - Enterprise Green Communities
  - EnergyStar for High Rise (four stories or higher) or EnergyStar for Homes. To achieve EnergyStar certification, a HERS rater must be part of the development team. The HERS rater will review and comment on construction drawings to ensure compliance with EnergyStar, and will also conduct at least three on-site inspections and testing. The HERS rater can work through the Architect’s contract or by directly contracting with the developer.
- It is important to monitor compliance with Energy Efficiency standards with the entire development team throughout the Design and Construction phases of the project.
Construction Close-Out and 11 Year Warranty

- At the time of Construction Close-Out, a final walk-through is conducted with USDA RD and the Construction, Design and Development team.

- After all punch list items are completed, the Architect will issue a Certificate of Substantial Completion.

- An 11-month walk-through should then be scheduled with the Construction, Design and Development team.
  - The purpose of this second walk-through is to identify any construction issues that may need to be addressed under the General Contractor’s Warranty.
MARKETING AND LEASE-UP PHASE
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Chapter 8 - Rental Subsidies
Chapter 9 - Agency Monitoring
Appendix 1 - 7 CFR part 3560
Appendix 2 - 7 CFR part 11
Appendix 3 - Forms Referenced in this Handbook
Appendix 4 - Handbook Letters
Appendix 5 - Civil Rights Laws’ Accessibility Requirements That Apply to the Multi-Family Housing
Initial Lease-Up

**When property management services will be provided in-house:**
- Provide training for staff on farmworker and income eligibility requirements, forms and processes, the Property Management Plan and Affirmative Fair Housing Marketing.

**When property management services will be provided by a third-party property management agent:**
- Select the Property Management Agent at least 90-120 days before occupancy is expected.
- Provide the Property Management Agent with copies of the Property Management Plan and the Affirmative Fair Housing Management Plan, and monitor their compliance with these Plans.

**Initiate marketing activities at least 90 days before occupancy is expected.**
- Wait lists can be set up during the construction phase of the project.
Affirmative Fair Housing

- Marketing efforts and marketing tools must comply with Affirmative Fair Housing requirements.

- Follow the Affirmative Fair Housing Marketing Plan (AFHMP) approved by USDA.

- The Fair Housing Poster must be prominently displayed in all offices/locations in which rental activity takes place (24 CFR 200.620(e)).

- The AFHMP must be available for public inspection at all rental offices/locations (24 CFR 200.625).
How do we reach to potential tenants?

- Local growers, feedlots, packing plants
- Local HeadStart Programs
- Local Schools
- Local health care providers
- Local service providers
- Local housing authority
- Local refugee resettlement programs
- Local Department of Labor
## Determining Tenant Income Eligibility and Rent Payment

**Form RD 3960-8**

### Part I: Tenant Household Information

<table>
<thead>
<tr>
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</tbody>
</table>

### Part II: Asset Income

15. Net Family Assets (NOTE: If Line 15 is less than $5,000, enter zero on Line 16.): $0

16. Imputed Income from Assets (Bank Passbook Savings Rate * (x Line 15.): $0

17. Income from Assets: $0

### Part III: Income Calculations

18. Income:
   - a. Wages, Salaries, etc.: $0
   - b. Soc. Sec., Pensions, etc.: $0
   - c. Assistance: $0
   - d. Income Contributed by Assets (Tenant of Line 15 or Line 17): $0
   - e. Other: $0
   - f. Annual Income: $0
   - g. Household Has Exempt Income: 

### Part IV: Income Levels

19. Adjustments to Income:
   - a. $480 x total of Line 13: $0
   - b. $400 if elderly status: $0
   - c. Medical exceeding 3% of Line 18E (if elderly, handicapped, or disabled): $0
   - d. Child Care: $0

20. Adjusted Annual Income (Line H.I. minus Line W.a): $0

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USDA’s Role in Monitoring the Project

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Any questions???
Contact Information

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Jeanne V. Shaw
Phone (520) 307-2654
Email: JeanneS@tdshc.org
 QUESTIONS?

FIND OUT MORE ABOUT US:
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