



Welcome to the Webinar

Today's event will
begin at 2:00 PM ET.



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Housing Assistance Council

Building Rural
Communities
since 1971

LET'S BUILD
SOMETHING
TOGETHER





FINANCING FARM LABOR HOUSING WITH USDA SECTION 514/516 FUNDING

Part 2: Final Application and Closing

**February 7, 2018
2:00 pm ET**

Upcoming Events

**Financing Farm Labor Housing With USDA Section 514/516 Funding
Part 3: Construction and Lease-Up
February 28, 2018**

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

**American Indian Housing Symposium
Rapid City, SD
May 1-2, 2018**





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Financing Farm Labor Housing with USDA Section 514/516 Funding:

Completing the Final Application and Closing the USDA Loan and Grant

Second 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.

Tierra Del Sol Housing Corporation Farm Labor Housing Developments



- **Desert Sun**
- **Desert Sun II**
- **Franklin VII Apts**
- **Mesquite Village**
- **Tierra Encantada**
- **Valle Verde II**
- **Valle Verde III**



What is 514/516?

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

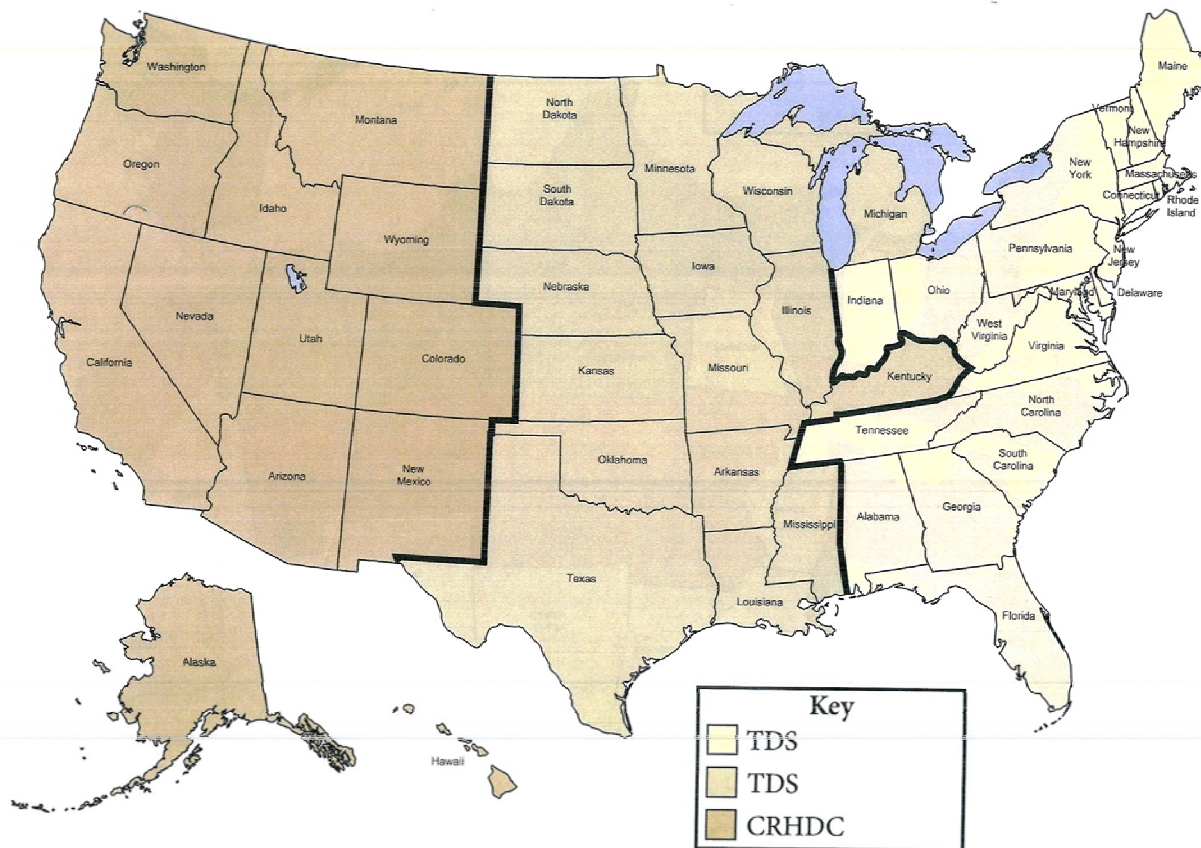
USDA Rural Development Section 516 is a grant. Only nonprofit organizations and government entities are eligible to receive a grant.

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

Section 521 Rental Assistance or Operating Assistance can also be awarded

LEAD TA PROVIDERS

FARM LABOR HOUSING TECHICAL ASSISTANCE SERVICES BY STATE REGION





Notice of Pre-application Review Action (or similar letter) from USDA State Office

- **This is a letter from USDA that indicates you have been selected for further processing and will have a list of additional information required. We will highlight the major items, however, there will be several other miscellaneous forms and other information required**



Engage your TA provider to help you complete this process

Provide Guidance on the USDA Requirements

They have sample:

- Management Plans
- Management Agreements
- Bid Packets
- etc.

Predevelopment Funds and Gap Financing Commitments

Pre development Loan

It is now time to close on source of pre-development funds. These can be grants, loans (with interest and costs written into the project budget)

Permanent Loans

- Description of all financing, commitments from all funding sources
- If utilizing LIHTC you will need draft partnership agreements (best to get this approved with USDA State Legal asap)



Title Commitment

Obtain a copy of the title commitment and address any requirements that will be necessary for this project to close. Copies of everything must be provided to USDA for their legal review.

Commitment Number: 9620

SCHEDULE B

1 Requirements:

- a. Item (a) Payment to or for the account of the grantors or mortgagors of the full consideration for the estate of interest to be insured.
- b. Item (b) Proper instrument(s) creating the estate or interest to be insured much be executed and duly filed for record, to wit:
 - 1) Record the Ordinance authorizing the donation of the subject real property to ~~Harvest Heights Housing, LLC~~, a Colorado limited liability company.
 - 2) Record a Quit Claim Deed from Incorporated Town of ~~Oriston~~, a Municipal Corporation executed by the Mayor and attested by the Town Clerk with the seal affixed conveying the subject real property to ~~Harvest Heights Housing LLC~~, a Colorado limited liability company.
- c. Item (c) Payment of all taxes, charges or assessment, levied and assessed against the subject premises which are due and payable.
- d. Item (d) Additional requirements, if any, disclosed below:
- e. NOTE: The company hereby reserves the right to assert additional requirements or exceptions regarding the grantee(s) when they are designated

2. Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company:

1. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land
2. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records
3. Any encroachments, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records
4. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records
5. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records or attaching to the subsequent effective date hereof but prior to the date the proposed Insured acquires of record for value the estate or interest or mortgage thereon covered by this commitment.
6. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing



Zoning and Planning Approval

You will need confirmation that your project has met the zoning and planning approval requirements and proper zoning is in place.

You will also need confirmation that building permits will be available as soon as a contractor is selected.



Engineer and architect will work with the City or County to complete the process for obtaining final approvals of land planning

- Final costs and utility plans
- Any off-site requirements and costs (remember USDA funds cannot be used for this)



Comprehensive Needs Assessment

A USDA qualified firm (one that has experience with USDA and their regulations) must be used.

The Comprehensive Needs Assessment is a cost that is paid up-front and is required to provide an estimate of the financial needs of property over the next 20 years.

The CNA is a cost that can be reimbursed at loan closing.

The CNA will determine the amount of estimated reserve needed for the project. This information is reported in the Form 3560-7 (Operating Budget)



GREEN BUILD

LEED/Green Communities/Local Requirements

These features need to be planned in the construction of the project and must be included in the construction documents and specifications to ensure the project is bid with these costs included.

Remember, plan review and testing is required to assure compliance with green building standards.

The cost of the energy consultant is an allowable project cost that is reflected in the development budget.

Position 3

Form RD 3560-7
(05-06)

MULTIPLE FAMILY HOUSING PROJECT BUDGET **UTILITY ALLOWANCE**

FORM APPROVED
OMB NO.0575-0189

PROJECT NAME Tierra del Sol Village		BORROWER NAME Tierra del Sol Housing Corporation		BORROWER ID AND PROJECT NO. 05-841154001-05-6	
Loan/Transfer Amount \$		Note Rate Payment \$		IC Payment \$	
Reporting Period <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly	Budget Type <input type="checkbox"/> Initial <input checked="" type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing	Project Rental Type <input checked="" type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> L.H	Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input checked="" type="checkbox"/> Non-Profit	The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Other _____	
				<input checked="" type="checkbox"/> I hereby request 20 units of RA. Current number of RA unit: 20 Borrower Accounting Method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	

PART I --- CASH FLOW STATEMENT

	CURRENT BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
BEGINNING DATES->	()	()	()	()
ENDING DATES->	()	()	()	()
OPERATIONAL CASH SOURCES:				
1. RENTAL INCOME			\$ 180,000	
2. FmHA RENTAL ASSISTANCE RECEIVED				
3. OCCUPANCY SURCHARGES RECEIVED		\$ -		
4. LAUNDRY AND VENDING		\$ -		
5. INTEREST INCOME			650	
6. TENANT CHARGES - forfeit of deposit		\$ -		
7. OTHER - PROJECT SOURCES		\$ -		
8. LESS (Vacancy and Contingency Allowance)			9,000	5%
9. LESS (Agency Approved Incentive Allowance)				
10. SUB-TOTAL ((1 thru 7) - (8 & 9))	-	-	171,650	
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT				
12. AUTHORIZED LOAN (Non-RHS)				
13. TRANSFER FROM RESERVE	-	-	-	
14. SUB-TOTAL (11 thru 13)	-	-	-	
15. TOTAL CASH SOURCES (10 + 14)	-	-	171,650	
OPERATIONAL CASH USES:				
16. TOTAL O & M EXPENSES (From Part II)	-	pg 2 ->	100,833	
17. RHS DEBT PAYMENT \$1,100	-		39,150	
18. RHS PAYMENT (Overage)				
19. RHS PAYMENT (Late Fee)				
20. REDUCTION IN PRIOR YEAR PAYABLES				
21. TENANT UTILITY PAYMENTS				
22. TRANSFER TO RESERVE				
23. RETURN TO OWNER		initial - gdm	30,000	
24. SUB-TOTAL (16 thru 23)	-	from CNA	-	
NON-OPERATIONAL CASH USES				
25. AUTHORIZED DEBT PAYMENT (Non-RHS)	-		169,983	
26. LONG-TERM IMPROVEMENTS	-		-	
27. MISCELLANEOUS	-		-	
28. SUB-TOTAL (25 thru 27)	-		-	
29. TOTAL CASH USES (24 + 28)	-		169,983	
30. NET CASH (DEFICIT) (15-29)	-		1,667	
CASH BALANCE				
31. BEGINNING CASH BALANCE			-	
32. ACCRUAL TO CASH ADJUSTMENT (See Part IV)				
33. ENDING CASH BALANCE (30+31+32)		NOTE: NO Debt Service Coverage	1,667	

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering



Operating Costs Finalized: Form 3560-7

- Review all operating costs
- Finalize management agent costs
- Finalize real estate taxes (if exempt – you will need documentation)
- Finalize needed rents
 - If needed rents are higher because of operating costs, approval must be obtained from USDA staff of the higher rent amounts.

PART II --- OPERATING AND MAINTENANCE EXPENSE SCHEDULE				
	CURRENT BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	COMMENTS or (YTD)
1. MAINTENANCE & REPAIRS PAYROLL	-	-	14,000	
2. MAINTENANCE & REPAIRS SUPPLY	-	-	3,000	
3. MAINTENANCE & REPAIRS CONTRACT	-	-	2,500	
4. PAINTING AND DECORATING	-	-	2,000	
5. SNOW REMOVAL	-	-	800	
6. ELEVATOR MAINTENANCE/CONTRACT	-	-	-	
7. GROUNDS & EQUIPMENT	-	-	1,500	
8. SERVICES	-	-	500	
9. CAPITAL BUDGET(PART V OPERATING)	-	-	-	
10. OTHER OPERATING EXPENSES (Itemize)	-	-	-	
11. SUB-TOTAL MAINT. & OPERATING (1 thru 10)	-	-	24,300	
12. ELECTRICITY	-	-	11,500	
13. WATER	-	-	3,500	
14. SEWER	-	-	3,500	
15. FUEL (Oil/Coal/Gas)	-	-	11,000	
16. GARBAGE & TRASH REMOVAL	-	-	3,600	
17. OTHER UTILITIES	-	-	-	
18. SUB-TOTAL UTILITIES (12 thru 17)	-	-	33,100	
19. SITE MANAGEMENT PAYROLL	-	-	16,500	
20. MANAGEMENT FEE	-	-	-	
21. PROJECT AUDITING EXPENSE	-	-	4,500	
22. PROJECT BOOKKEEPING/ACCOUNTING	-	-	3,000	
23. LEGAL EXPENSE	-	-	-	
24. ADVERTISING	-	-	400	
25. TELEPHONE & ANSWERING SERVICE	-	-	1,000	
26. OFFICE SUPPLIES	-	-	1,000	
27. OFFICE FURNITURE & EQUIPMENT	-	-	500	
28. TRAINING EXPENSE	-	-	1,200	
29. HEALTH INS. & OTHER EMP. BENEFITS	-	-	4,000	
30. PAYROLL TAXES	-	-	2,333	
31. WORKMAN'S COMPENSATION	-	-	2,000	
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)	-	-	-	
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)	-	-	36,433	
34. REAL ESTATE TAXES	-	-	2,000	
35. SPECIAL ASSESSMENTS	-	-	-	
36. OTHER TAXES, LICENSES & PERMITS	-	-	-	
37. PROPERTY & LIABILITY INSURANCE	-	-	5,000	
38. FIDELITY COVERAGE INSURANCE	-	-	-	
39. OTHER INSURANCE-Board Insurance	-	-	-	
40. SUB-TOTAL TAXES & INSURANCE (34 thru 39)	-	-	7,000	
41. TOTAL O & M EXPENSES (11+18+33+40)	-	-	100,833	



Complete an ALTA Survey and Order the Appraisal: USDA Handbook 3560

An ALTA Survey is required to be reviewed by USDA before closing. The cost of the ALTA survey can be reimbursed at closing from project funds.

The appraisal is ordered after USDA completes its review of the CNA and issues a Statement of Work.

The appraisal is also required before closing. The project sponsor selects the appraisal company. These costs can also be reimbursed at closing from project funds

Refer to Handbook 1: 3560 Chapter 7

Final Planning: Preparing Bidding and Construction Contract Documents

- Determine Davis Bacon Wage rates. This information must be included in the bid documents, and contractors must comply with Davis Bacon requirements.
- Before the project is put out to bid, USDA must approve the construction documents including final drawings, specifications and the bid packet. All of these documents should be submitted to the State Architect as soon as possible.
- Once the plans are approved, the project can be put out to bid (unless you are an owner/builder). Bidding and selection of the contractor normally takes 30-45 days to complete, and is undertaken PRIOR to closing with USDA.
- Most likely the low bidder will be selected as the contractor, UNLESS after review of bids, there has been information left out of their bid or the bidder does not meet the minimum thresholds.
- Remember, Davis Bacon wage rates apply. Be clear who is monitoring the wage rates. (Monitoring of Davis Bacon wage rates is an allowable project costs that can be included in the project budget.)

Finalize Development Costs – 1924 -13

Line	Div	Trade Item	Estimated Cost	Paid	Actual Cost To Be Paid	Total	Name of Subcontractor or Payee	101 *
1	3	Concrete	\$200,000.00					
2	4	Masonry						
3	5	Metals	\$30,000.00					
4	6	Rough Carpentry	\$450,000.00					
5	6	Finish Carpentry						
6	7	Waterproofing						
7	7	Insulation	\$45,000.00					
8	7	Roofing	\$90,000.00					
9	7	Sheet Metal	\$4,000.00					
10	8	Doors	\$50,000.00					
11	8	Windows	\$85,000.00					
12	8	Glass						
13	9	Drywall	\$170,000.00					
14	9	Tile Work						
15	9	Acoustical						
16	9	Resilient Flooring	\$44,000.00					
17	9	Painting and Decorating	\$52,000.00					
18	10	Specialties	\$8,160.00					
19	11	Special Equipment	\$64,200.00				Fire Protection	
20	11	Cabinets	\$83,000.00					
21	11	Appliances	\$30,000.00					
22	12	Blinds and Shades, Artwork						
23	12	Carpets						
24	13	Special Construction	\$50,000.00					
25	14	Elevators						
26	15	Plumbing and Hot Water	\$166,000.00					
27	15	Heat and Ventilation	\$83,000.00					
28	15	Air Conditioning						
29	16	Electrical	\$177,000.00					
30	2	Earth Work	\$53,000.00					
31	2	On-Site Utilities	\$81,700.00					
32	2	Roads and Walks	\$88,300.00					
33	2	On-Site Improvements	\$44,000.00					
34	2	Lawns and Planting	\$18,000.00					
35	2	Unusual On-Site Conditions						
36	2	Off-Site Development						
37		Miscellaneous (Labor and Materials)	\$34,800.00					
38		Total Hard Costs	\$2,201,160.00					
39	1	General Requirements *	\$110,058.00					
40		General Overhead *	\$44,023.20					
41		Other Fees Paid By Contractor *						
42		Total Costs	\$2,355,241.20					

NOTE: (If additional space is required for these other items, append Rider thereto, with references and initial. When more than one subcontractor is performing a trade item, the attached work sheet must be completed giving the information indicated.) Form RD 1924-13 (Rev. 12-98)

Breakdown on page 4.

Financing Farm Labor Housing with USDA Section 514/516 Funding

Part 2 – Final Application and Closing

Presented February 7, 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

Page

CONTRACTOR'S AND BORROWER'S ESTIMATE AND CERTIFICATE OF ACTUAL COST						
Line	Trade Item	Estimated Cost	Paid	Actual Cost To Be Paid	Total	Name of Subcontractor or Payee
	Balance Brwt. Forward (line 42)	\$2,355,241.20				
43	Builder's Profit	\$117,762.00				
44	Total Construction Cost	\$2,473,003.20				
45	Architectural Fees	\$40,000.00				
46	Survey and Engineering	\$72,000.00				
47	Financing Costs Loan Fees	\$5,337.50				Appraisal & Loan orginatn fee
48	Interest During Construction	\$7,500.00				
49	Closing Costs & Legal Fees	\$20,000.00				
50	Land Cost or Value					Donation
51	Nonprofit O&M Capital	\$33,200.00				
52	Tap and or Impact Fees	\$81,618.52				
53	Tax Credit Fees	\$20,000.00				Green Communities
54	Environmental Fees	\$2,100.00				
55	Market Study Cost	\$6,950.00				
56		\$20,000.00				Davis Bacon Monitoring
57		\$173,110.22				Contingency
		\$45,180.56				Annex, offsite road & Utility
58	Total Development Cost	\$3,000,000.00				

Note: USDA funds cannot pay for off-site costs

"Whoever, in any matter, with the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations; or makes or uses any false writing or statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

WARNING: Section 1001 of Title 18, United States Code provides: Furthermore, submission of false information relating to the content of this Estimate and Certificate of Actual Cost will subject the submitter to any and all administrative remedies available to USDA. Such remedies may include suspension and debarment from participating in any Rural Development or other Federal program.

The undersigned hereby certifies that: *(check as appropriate)*

- ☐ There has not been and is not now any identity of interest between or among the borrower and/or general contractor on the one hand and any subcontractor, material supplier, equipment lessor, or payee on the other (including any of their members, officers, directors, beneficiaries, or partners).
- ☐ Attached to and made part of this certificate is a signed statement fully describing any rebates, adjustments, discounts, or any other devices which may have or have had the effect of reducing cost, and all amounts shown above as "to be paid in cash" will be so paid within forty-five (45) days.

ESTIMATES:

<p>Date _____</p> <p>_____</p> <p>Lines 1 through 44 (Name of Contractor)</p> <p>By: _____</p> <p style="text-align: right;"><i>(Signature)</i></p> <p>Title: _____</p>	<p style="text-align: center; font-size: 1.2em;">Signed and certified by Contractor</p> <p>Date _____</p> <p>_____</p> <p>Lines 44 through 58 (Name of Mortgagor)</p> <p>By: _____</p> <p style="text-align: right;"><i>(Signature)</i></p> <p>Title: _____</p>
---	---

ACTUAL

<p>Date _____</p> <p>_____</p> <p>Lines 1 through 44 (Name of Contractor)</p> <p>By: _____</p> <p style="text-align: right;"><i>(Signature)</i></p> <p>Title: _____</p>	<p>Date _____</p> <p>_____</p> <p>Lines 44 through 58 (Name of Mortgagor)</p> <p>By: _____</p> <p style="text-align: right;"><i>(Signature)</i></p> <p>Title: _____</p>
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Form RD 1924-13 (Rev. 12-98)

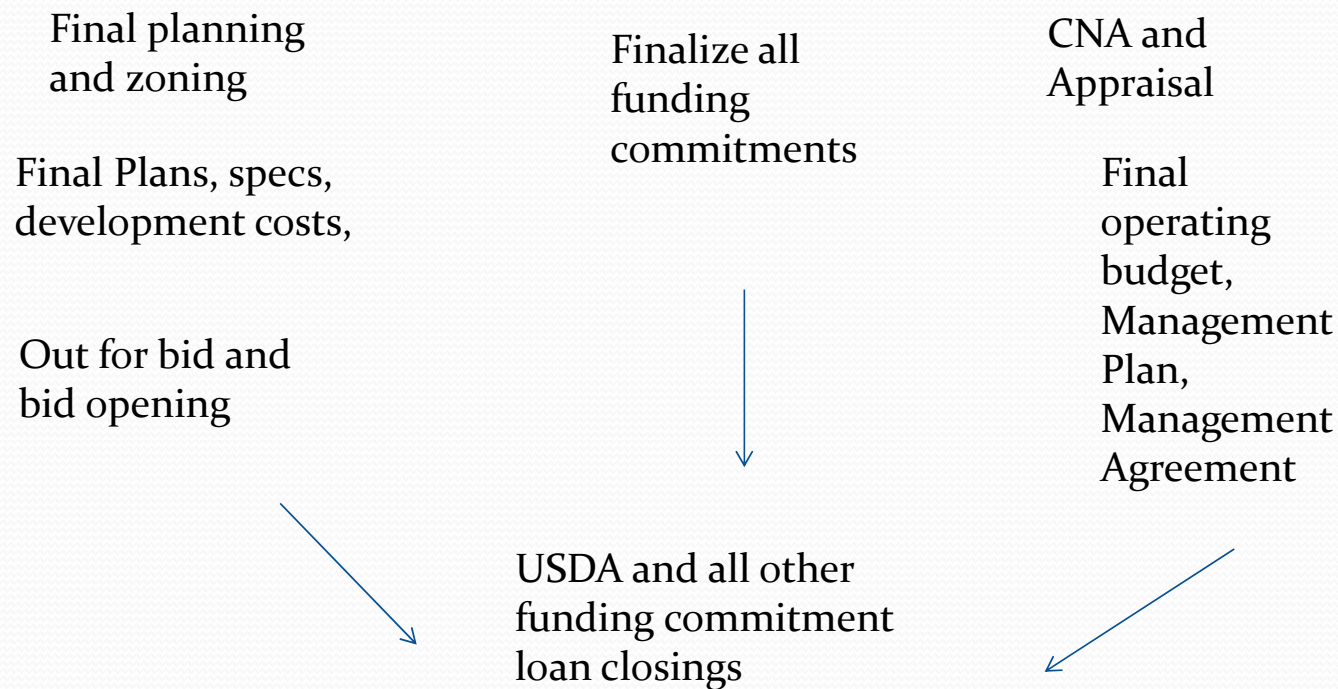
Management Plan

- The TA Team has a template of the Management Plan that follows USDA Handbook 2: 3560 and can be adapted to your project needs and management situation. The template follows USDA requirements so that when USDA reviews it, the Management Plan is in the order of their regulations. Using the template also assures that no requirements will be overlooked.
-
- This management plan is very detailed and outlines the operations of the project.
- If the project is using 3rd party property management services, the Management Plan is still required. USDA will need to receive a signed Form 3560-13 Management Certification that indicates their fees, reserves, etc.

Bidding the Project

- Once the USDA State Architect has approved the construction documents including final plans, specifications and the bid packet, it is time to put the project out to bid.
 - Make sure the bid notice is published in a major newspaper that serves the area.
 - Allow plenty of time for contractors to respond (usually 30-45 days)
- Clearly describe when, where, how bids are to be submitted. The due date and time for submitting the bid is usually scheduled immediately prior to the bid opening.
- Prior to awarding the bid, the bids must be reviewed by the project architect for accuracy, compliance with the bid documents and that the contractor can provide the required insurances. Debarred contractors cannot be awarded the bid!
- Once an award has been made, the pre-construction conference is scheduled with the contractor and State Architect to review the draw (payment) process, monthly site visits, USDA site requirements, Davis Bacon requirements, etc. This can be done PRIOR to the USDA closing (Webinar #3 of this 3-part series).

Notice to Proceed





Webinar #3 will present information on *Construction and Lease-up*

- Construction Draws
- Change Orders
- Davis Bacon Monitoring
- Final Inspections
- 11 month Warranty
- Working with Property Management Companies
- Processing tenant applications and files
- AFHMP

Any questions???



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QUESTIONS?

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