



Off-Farm Labor Housing Industry Workshop

New Construction Round 3 NOSA



Rural Development
U.S. DEPARTMENT OF AGRICULTURE

May 11, 2022

Welcome and Opening Remarks

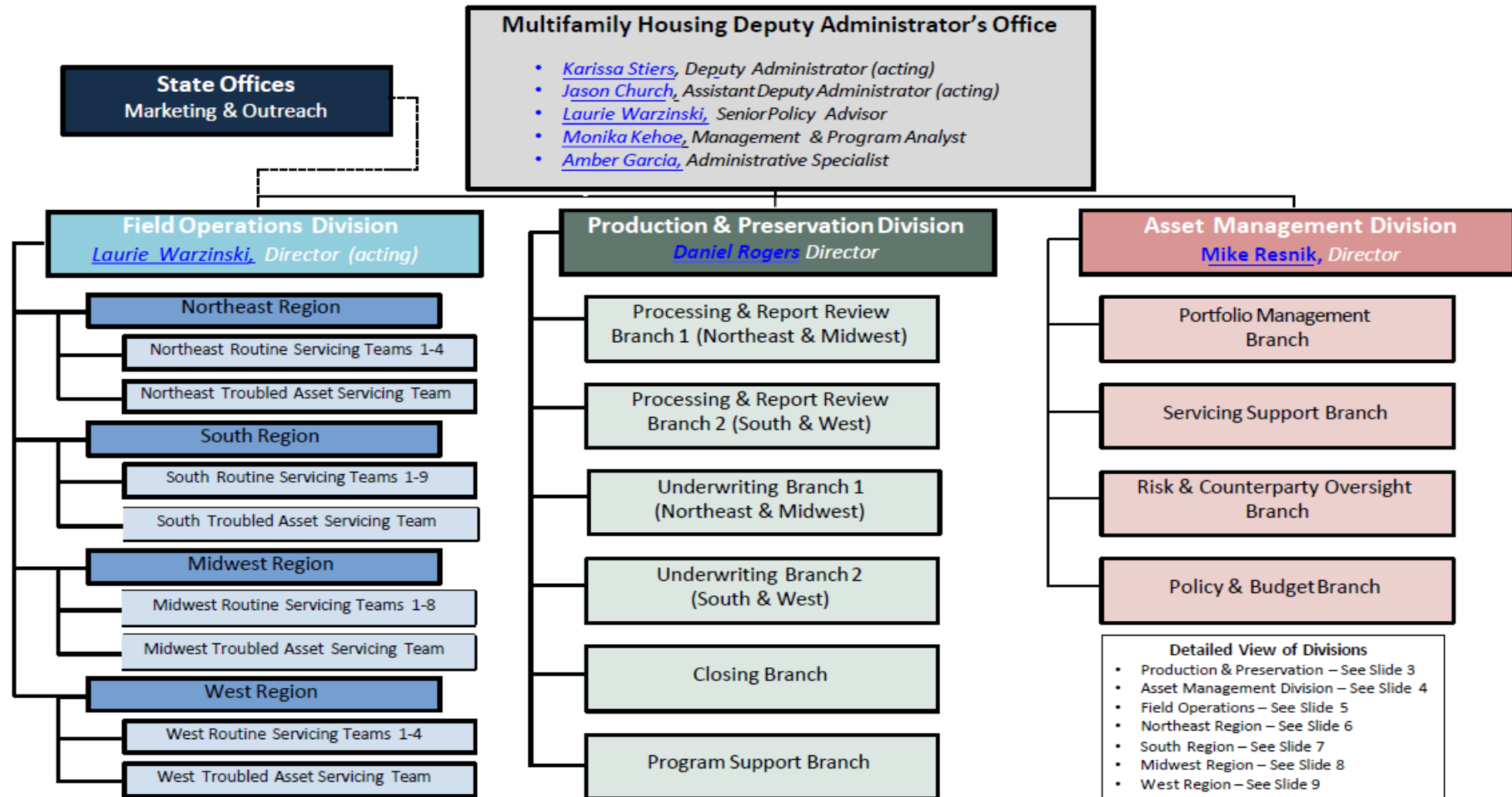
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Multifamily Housing Organizational Structure



Production and Preservation Leadership Team



Realignment / Program & Process Improvements

Program Enhancement: Compatibility with Other Public Funding Sources

Issue: The FLH New Construction NOSA previously required all 3rd party funding to be in place at time of application for FLH funds. This presented challenges for applicants in states with competitive HOME, LIHTC, and other bond funding rounds. State agencies are reluctant to commit competitive resources to developments without full funding commitments (including from USDA) in place.

To mitigate:

- P2 modified its Round 3 FLH NC NOSA to permit applications without committed 3rd party sources, allowing owners to submit applications while concurrently seeking other public sources to finance the FLH units.
- P2 will modify its award letters (effective Round 3), allowing a 12-month timeframe for awardees to use their FLH award to strengthen their application for local, state, and federal funds, and successfully leverage private capital necessary for construction of new FLH units.
- If applicants are unable to show evidence of financial feasibility after the 12-month timeframe, their FLH commitment will be rescinded and funds will be reallocated to a transaction with a higher level of readiness.

Transparent Categorization of Transactions

- Category 1: Properties that have not closed and cannot be assisted under their original NOSA
 - Properties with a funding gap that, when combined with initial award, exceed their original NOSA Cap
 - NOSAs that identified a per-project award cap
- Category 2: Properties that have not closed on FLH or 515 Financing, but can be assisted under original NOSA
 - Properties with a funding gap that, when combined with initial award, are under their original NOSA Cap
 - NOSAs that identified a per-project or per-unit award cap
 - Example:

Initial Award	Funding Gap	Total Need	NOSA Cap	Result	Next Steps
\$2.2 million	\$1.3 million	\$3.5 million	\$3 million	Category 1	Apply
\$2.2 million	\$700,000	\$2.9 million	\$3 million	Category 2	Reach Out to RD

- Category 3: Properties that have closed on FLH or 515 Financing and therefore eligible for Subsequent Loan
 - Governed by Regulation 7 CFR 3560.73
 - Discussed in Handbook 1-3560 Chapter 10
 - Closed, in / about to start construction or construction complete
 - Do not need to apply under this NOSA, reach out to RD

Category 1: Not Closed and Ineligible Under Their Original NOSA

- Farm Labor Housing New Construction NOSAs have a per-project award cap (typically \$3-\$5 million)
- Applications that have not closed on their financing are continued to be monitored for financial feasibility
- If your initial award + the funding gap requested = **more than** the NOSA cap under which the initial award was given:
 - Applicant may request additional funds in this FLH New Construction NOSA
 - Applicants only need to apply for gap financing request
 - May apply for loan or grant, in accordance with eligibility
 - Application will be reviewed in accordance with applicable NOSA application guidance
 - Awards are subject to individual NOSA per-project award caps, not cumulative under a single cap
 - Example: Project has a \$3 million award from 2019 (NOSA cap was \$3 million)
Project needs \$2.2 million in gap financing in 2022 (NOSA cap is \$5 million)
Project is eligible for \$2.2 million in gap financing because request is below 2022 NOSA cap of \$5 million.

Category 2: Not Closed and Eligible Under Applicable NOSA

- Farm Labor Housing New Construction NOSAs have a per-project award cap (typically \$3-\$5 million)
- Applications that have not closed on their financing are continued to be monitored for financial feasibility
- Amendments to awards and rent setting may be made to address financial feasibility, when necessary, at the discretion of the agency
- If your initial award + the funding gap requested = **less than** the NOSA cap under which the award was given:
 - Applicant may request an amendment to their initial award
 - If eligible, applicant may request modification (grants vs. loans)
 - Application will be reviewed in accordance with applicable NOSA application guidance

Category 3: Properties that have closed on RD Direct Loan and therefore eligible for Subsequent Loan

Handbook 1-3560 Chapter 10:

- Subsequent loans may be made to current borrowers for a project with Agency financing to complete, improve, repair, or make modifications to the project;
- Complete a project when there have been unforeseen factors beyond the owner's control, including:
 - Design changes that were required by the Agency or Local Government,
 - Changes in financing
 - When the cost of completing the project has escalated due to .. excessive delays in constructing the project.
- Subsequent loan funds may not be used to reimburse an owner for additional owner contributions that were made to complete a project.
- May be used to convert additional construction or bridge financing approved by the agency to permanent debt.

Presenter Contact Information

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Key Priorities

Rural Development Funding Priorities

Rural Development encourages applicants to consider projects that will advance the following key priorities:

- Assisting Rural communities recover economically from the impacts of the COVID-19 pandemic, particularly disadvantaged communities;
- Ensuring all rural residents have equitable access to RD programs and benefits from RD funded projects; and
- Reducing climate pollution and increasing resilience to the impacts of climate change through economic support to rural communities.

For further information, visit <https://www.rd.usda.gov/priority-points>

New Construction NOSA

The program objective is to increase the supply of affordable housing for farm laborers through the construction of new farm labor housing units.

- Notice of Solicitation of Applications (NOSA) for Section 514 Off-Farm Labor Housing Loans and Section 516 Off-Farm Labor Housing Grants for New Construction for Fiscal Year 2021.
 - Published in the Federal Register on February 2, 2021.
 - <https://www.federalregister.gov/documents/2021/02/02/2021-02193/notice-of-solicitation-of-applications-for-section-514-off-farm-labor-housing-loans-and-section-516>
- Notice of Solicitation of Applications for Section 514 Off-Farm Labor Housing Loans and Section 516 Off-Farm Labor Housing Grants for New Construction for Fiscal Year 2022.
 - Published in the Federal Register on April 21, 2022.
 - <https://www.federalregister.gov/documents/2022/04/21/2022-08515/notice-of-solicitation-of-applications-for-section-514-off-farm-labor-housing-loans-and-section-516>

Application Deadlines

NOSA Timeline

Third Round

1. Available loan and grant funding posted to the RHS website by April 21, 2022.
2. Pre-applications will be accepted on May 16, 2022.
3. Pre-applications must be submitted by July 15, 2022, 12:00 p.m., Eastern Standard Time.
4. RHS notification to applicants by September 1, 2022.
5. Final applications must be submitted by November 1, 2022, 12:00 p.m., local time.

Key Update to NOSA

Published in the Federal Register on April 21, 2022

- All award commitments will be valid for a period of twelve months. Applicants dependent upon third-party funding, including but not limited to local-, state-, and federal resources through competitive and noncompetitive application rounds, must obtain a satisfactory commitment of those funds, as determined by the Agency, within the twelve-month time frame. An extension of the award commitment of up to three months may be given, at the sole discretion of the Agency, and will be based on project viability, current program demand, and availability of program funds. Applicants unable to satisfy this condition of the award commitment will be subject to having the award rescinded and will be required to reapply in future rounds.
- The Capital Needs Assessment (CNA) requirements are incorporated into the Federal Register Notice. The requirements were previously referenced in a now expired Unnumbered Letter.

Funding

Funds available under this notice

- The funds available under this notice are as follows:
 - Section 514 Loans: \$28,000,000
 - Section 516 Grants: \$11,394,000

Maximum Award:

- The maximum award per selected project may not exceed \$5 million (total loan and grant).

Application Process

- The application process has two phases: The initial pre-application and the submission of a final application.
- The pre-application and final application are submitted electronically following the process outlined in the NOSA.
- The NOSA outlines in detail each item that must be submitted as part of the pre-application and the final application.
- Final applications will be processed, underwritten, and closed by the respective branches within the Production and Preservation Division.

Submission Process

Applications to this Notice must be submitted electronically to the Production and Preservation Division, Processing and Report Review Branch.

At least two business days prior to the application deadline, the applicant must email the RHS a request to create a shared folder in CloudVault. The email must be sent to the following address: Off-FLHapplication@usda.gov. The email must contain the following information:

1. Subject line: “Off-FLH Application Submission.”
2. Body of email: Borrower Name, Project Name, Borrower Contact Information, Project State.
3. Request language: “Please create a shared CloudVault folder so that we may submit our application documents.”

Once the email request to create a shared CloudVault folder has been received, a shared folder will be created within 2 business days. When the shared CloudVault folder is created by the RHS, the system will automatically send an email to the applicant’s submission email with a link to the shared folder. All required application documents in accordance with this Notice must be loaded into the shared CloudVault folder. When the submission deadline is reached the applicant’s access to the shared CloudVault folder will be removed. Any document uploaded to the shared CloudVault folder after the application deadline will not be reviewed or considered.

Borrower's Responsibilities

- The borrower/applicant is responsible for submitting the pre-application and final application, if applicable, by the required due dates specified in the NOSA.
- The borrower/applicant is responsible for carefully reviewing the NOSA and for submitting a complete pre-application and final application, if applicable.
- The borrower/applicant is responsible for meeting all of the regulatory requirements for the off-farm labor housing program.
- The borrower/applicant is responsible for expenses incurred in developing preapplications and final applications and it will be at the applicant's sole risk.

Highlights

- Section 516 Off-FLH grants may not exceed 90 percent of the total development cost (TDC) of the housing.
- Rental Assistance and Operating Assistance will be available for this Notice.
- A lists of awardees will be posted to our website.
- Housing Eligibility:
 - The housing must be constructed for eligible farm workers.

Highlights Continued...

- Applicant Eligibility:
 - The applicant must meet the requirements of 7 CFR 3560.555(a) and be a broad-based nonprofit organization; a nonprofit organization of farmworkers, a Federally recognized Indian tribe, a community organization, or an Agency or political subdivision of state or local Government, and must meet the requirements of § 3560.55, excluding § 3560.55(a)(6).
 - Limited partnerships with a non-profit general partner are eligible for Section 514 loans; however, they are not eligible for Section 516 grants.
- Current (not older than six months from the date of issuance) combination comprehensive credit reports for the applicant, entity and principals must be submitted and considered during the Agency's review for eligibility determination. In the past, the Agency has required the applicant to submit the credit report fee. In lieu of the applicant submitting the fee, the Agency will require the applicant to provide the credit report. Only Credit reports provided by accredited major credit bureaus will be accepted.
- Equity contribution:
 - An equity contribution must be made in accordance with 7 CFR 3560.63.
- Pre-applications that are deemed eligible but are not selected for further processing will be withdrawn from processing. The applicant may reapply in a future funding round.
- Third party reports such as the appraisal and CNA need to be submitted with the final application.

Highlights Continued...

- Complete environmental information in accordance with 7 CFR part 1970 needs to be submitted with the final application including a letter from the State Housing Preservation Office and/or Tribal Historic Preservation Officer, if applicable.
 - Part 1970 outlines different levels of review based on the specific proposed project.
 - The Phase I Environmental site assessment is not a complete environmental review.

Questions

- Questions from the chat box.
- We welcome your feedback regarding today's call on ways to enhance or improve future workshops.
- If you have any additional questions that were not covered today or any specific questions about a particular transaction, please email: off-flhapplication@usda.gov



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