

RD AN No. 3952 (1944-D)
March 5, 2004

TO: State Directors
Rural Development

ATTENTION: Multi-Family Housing
Program Directors and Coordinators

FROM: Arthur A. Garcia *(Signed by Arthur A; Garcia)*
Administrator
Rural Housing Service

SUBJECT: Processing Off-Farm Labor Housing (LH)
New Construction Loan and Grant Requests
Fiscal Year 2004

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance on processing section 514 loan requests and section 516 grant requests for Off-Farm Labor Housing (LH) units in accordance with the RD Instruction 1944-D and the Notice of Timeframe for Section 514 Farm Labor Housing Loans and Section 516 Farm Labor Housing Grants for Off-Farm Housing for Fiscal Year 2004 that was published in the Federal Register on February 6, 2004 (69 FR 5818).

COMPARISON WITH PREVIOUS AN:

This AN modifies and replaces RD AN No. 3840 (1944-D) dated March 26, 2003 which expired on September 30, 2003.

IMPLEMENTATION RESPONSIBILITIES:

Sections 514 and 516 off-farm new construction loan and grant requests must be processed in accordance with RD Instruction 1944-D and the “Notice of Timeframe for the Section 514 Farm Labor Housing Loans and Section 516 Farm Labor Housing Grants for Off-Farm Housing for Fiscal Year 2004” published in the Federal Register on February 6, 2004. Complete requests received by May 6, 2004 will be reviewed and scored based upon the factors in §1944.170(c)(1) of RD Instruction 1944-D, as discussed in more detail in this AN under “Scoring Factors.”

EXPIRATION DATE:
September 30, 2004

FILING INSTRUCTIONS:
Preceding RD Instruction 1944-D

PROCESSING TIMEFRAMES:

States needing assistance in reviewing or processing LH preapplications should advise the National Office Multi-Family Housing Processing staff.

- May 6, 2004 The notice's application period closes.
- May 27, 2004 State Offices conduct preliminary eligibility assessment on each application received. Based on the preliminary eligibility, feasibility review, and application scoring, State Offices provide final list of scored and ranked preapplications (Attachment 1), checklist and point score sheet (Attachment 2), the calculation of leveraged assistance worksheet (Attachment 3) and cash flow analysis to the National Office attention to (douglas.macdowell@usda.gov or fax 202-690-3444).
- Include ALL requests. In the case of applications determined incomplete or ineligible, indicate the reason for that determination.
- June 17, 2004 National Office reviews all cash flow analyses, and ranks preapplications nationwide. As soon as possible thereafter, the National Office notifies States of requests selected for further processing. Upon National Office notification, States immediately notify selected applicants to submit a formal application within 30 days. Applicants should be advised to submit organizational documents immediately to allow time for review by the Office of the General Counsel. State Offices conduct the site visit and begin the environmental review, appraisal, civil rights impact analysis, and cash flow analysis.
- August 13, 2004 Deadline for receipt of final application from applicant.
- September 10, 2004 Deadline for issuing letter of conditions and acceptance by borrower.
- September 17, 2004 Deadline for State Office completion of the environmental review (including the public notification requirements), appraisal, civil rights impact analysis and for loan and/or grant approval and obligation of funds. If rental assistance is being provided, Form RD 1944-27, "Rental Assistance Agreement", must also be executed by this date.

FUNDING LIMITS:

Individual requests may not exceed \$3 million (total loan and grant).

No State may receive more than 30 percent of total program budget authority.

New construction Rental Assistance (RA) and Operating Assistance will be held in the National Office for use with section 514 loans and section 516 grants and will be awarded based on each project's financial structure and need.

Owners of migrant housing projects with rental assistance contracts may elect to convert to project operating assistance. New applicants for off-farm migrant housing projects will have the option of requesting either rental assistance or operating assistance.

Limited partnerships in which the general partner is a nonprofit entity are eligible for section 514 loans, but are not eligible for section 516 grants. Such partnerships which are receiving benefits from low-income housing tax credits may not receive section 514 loans that exceed 95 percent of the project's total development cost or the security value, whichever is less.

PREAPPLICATION REQUIREMENTS:

Applicants must be provided with a copy of exhibit A-1, of RD Instruction 1944-D, section I, "Information to be submitted with SF 424.2 (for preapplication submission)." In addition, applicants must also submit an estimate of development cost utilizing Form RD 1924-13, Estimate and Certificate of Actual Cost, and include a proposed operating budget utilizing Form RD 1930-7, Multiple Family Housing Project Budget.

PRELIMINARY ELIGIBILITY ASSESSMENT:

The Processing Office shall make a preliminary eligibility assessment using the following criteria:

1. The preapplication was received by the submission deadline specified in the Notice;
2. The preapplication is complete as specified by the Notice and RD Instruction 1944-D;
3. The applicant is an eligible entity and is not currently debarred, suspended, or delinquent on any Federal debt; and
4. The proposal is for authorized purposes.

In conducting the preliminary applicant eligibility assessment, if the Processing Office has concerns, the applicant's organizational documents should be forwarded to the Office of General Counsel (OGC) for further review. The official response from OGC to the Processing Office should contain all eligibility concerns, the extent to which these concerns are curable, and actions needed to cure them. If applicant eligibility concerns are deemed easily curable, the Processing Office shall give the applicant sufficient time (at least 10 business days) to rectify the problem.

SCORING FACTORS:

Requests will be scored on the factors listed below:

1. **Leveraged assistance.** The presence and extent of leveraged assistance, including donated land, meeting the provisions of § 1944.170(c)(1)(i). Leveraged assistance must meet the provisions of § 1944.170(c)(1)(i) of RD Instruction 1944-D. A minimum of ten percent leveraged assistance is needed to earn points and

commitment of the resource must be received prior to loan/grant obligation. Attachment 3 shall be used to determine the percentage of leveraged assistance. Leveraged assistance may include:

- A. Loans or grants from other sources;
 - B. Donated land meeting the provisions of § 1944.170(c)(1)(i)(B);
 - C. Contributions (including land) from the borrower's own resources above the required contribution indicated by the Sources and Uses Comprehensive Evaluation;
 - D. Leveraged assistance not designated for capital uses that is to be paid in over a scheduled period (tax abatements, rental subsidies, etc.) shall be limited to the total value of the first five years of such scheduled assistance. If RHS RA is being provided, the basic rents at the end of the abatement period when the benefit is no longer available must be comparable to or lower than the basic rents if RHS had provided full financing. (0 to 20 points)
2. **Seasonal, temporary, or migrant housing.** (5 points for up to 50 percent of the units; 10 points for 51 percent or more.)
3. **Areas of special emphasis or consideration.** This fiscal year, the National Office initiative is based on the presence of and extent to which a tenant services plan exists and clearly outlines services that will be provided to the residents of the proposed project. Plans must detail how the services are to be administered, who will administer them, and where they will be administered. All tenant service plans must include letters of intent that clearly state the service that will be provided at the project for the benefit of the residents from any party administering each service, including the applicant. Each application shall receive 2 points for each service in the plan that meets these guidelines. (0 to 10 points)

CASH-FLOW ANALYSIS SOFTWARE:

The National Office shall provide States with a cash flow analysis software tool that is to be used for each loan/grant application. This tool will be used by the National Office to make loan, grant, and rental assistance level funding decisions and will also serve as the analysis to determine minimum amount of assistance. Each State Office is required to complete the analysis as directed and transmit to the National Office (douglas.macdowell@usda.gov) by May 28, 2004.

DETERMINING RANK ORDER IN THE EVENT OF A POINT SCORE TIE:

Preapplications will be ranked by each State in point score and rank order. In the event of a point score tie, rank order will be determined by highest percentage of leveraged assistance. Rank order for further point score ties will be determined by lottery. For example, a State receives five preapplications that score as follows:

- Preapplication A: 15 points (10 for leveraged assistance; 5 for migrant housing)
- Preapplication B: 10 points (National Office initiative)
- Preapplication C: 10 points (National Office initiative)
- Preapplication D: 16 points (leveraged assistance of 52 percent)
- Preapplication E: 16 points (leveraged assistance of 56 percent)

Preapplications D and E tie for the highest point score. Preapplication E has the highest percentage of leveraged assistance, therefore, ranks first and Preapplication D ranks second. Preapplication A has the second highest score and therefore ranks third.

Preapplications B and C tie for the next highest point score. The ranking order for Preapplications B and C, which do not have leveraged assistance, is determined by lottery.

Ranking List:

<u>Rank</u>	<u>Score</u>	<u>Name</u>
1	16	Preapplication E (highest percentage of leveraged assistance)
2	16	Preapplication D
3	15	Preapplication A
4	10	Preapplication C (rank order determined by lottery)
5	10	Preapplication B (rank order determined by lottery)

RENTAL ASSISTANCE (RA) FOR PARTICIPATION LOANS: RA is only available with Sections 514/516 loans and loan/grant combinations where the section 514/516 portion is at least 5 percent of the total development cost. Projects without a LH loan cannot receive RA. Before submitting a loan request that needs RA, the State Office must review every 514/516 property in their State to determine whether there is any underutilized RA that is available. If so, you should make the National Office aware of the number of RA units that are available for new applications when submitting Attachment 1.

ANALYSIS OF LOAN REQUESTS TO DETERMINE THE MINIMUM AMOUNT OF ASSISTANCE:

All loan requests must be analyzed at the feasibility stage and again prior to obligation to determine the minimum amount of assistance that is needed for the proposal, using an analysis tool that considers the sources and uses of all assistance proposed, i.e., all loans, grants, LIHTC, and any other assistance. The State Director is responsible for sharing information on projects that are allocated LIHTC with the state agency that administers LIHTC.

The cash flow analysis software mentioned above will satisfy this requirement.

Please make every attempt to obligate funds by the required timeframe. Form RD 1940-1, "Request for Obligation of Funds" should refer to assistance codes "322" for loans and "323" for grants. When obligating funds, the estimated development costs must be entered into AMAS using the M5V screen. Once construction is completed, the actual development costs must be entered into AMAS using the M5VA screen. Guidance can be found in Chapter 2 of the AMAS manual (Stock #66, pages 9-15). You should also ensure that this has been done for all LH developments in your State that have been put in service within the last 2 years and we ask that this task be completed within 60 days of this notice. In addition, this must be done for all future projects as soon as construction is completed. Questions regarding this AN may be directed to Doug MacDowell (202) 720-1627 of the Multi-Family Housing Processing Division.

Attachments

RURAL HOUSING SERVICE
 FARM LABOR HOUSING OFF-FARM PREAPPLICATIONS
 FISCAL YEAR 2004

STATE _____

RANK	SCORE	APPLICANT NAME/ LOCATION	# OF MIG UNITS	CONG DIST	TOTAL RHS DEVELOP- MENT COST*	RHS LOAN AMOUNT	RHS GRANT AMOUNT	LEVERAGED ASSISTANCE	% LEV.	# OF UNITS	# OF RA UNITS	Minority or Non- Minority Applicant (see codes below)	Faith Based Organ- ization (Y/N)
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				
					\$	\$	\$	\$	%				

*If the proposal includes non-RHS eligible costs, please indicate the items and costs on a separate line or as an attachment.

Number of under utilized rental assistance units that are available for the above proposals: _____

Race/Ethnicity Codes: 1 = White; 2 = Black/AA; 3 = A/NH/PI; 4 = AI/AN; 5 = Hispanic/Latino

**FARM LABOR HOUSING PREAPPLICATION
REVIEW CHECKLIST AND POINT SCORE SHEET - FY 2004**

Applicant information:

Applicant Name: _____ Date and time received: _____
 Project Name: _____ Applicant type: NP NPLP PB IT AF AFW
 # Units ____ # RA Units ____ # Mig Units ____
 City: _____ County: _____ Congressional District: _____

NP=Non-Profit NPLP=Non-Profit Limited Partnership PB=Public Body IT=Indian Tribe AF=Assoc. of Farmers AFW=Assoc. of Farmworkers

Application threshold requirements: Application meets preliminary threshold requirements (received by 5:00 p.m., May 6, 2004, contains all Exhibit A-1 requirements, an estimate of development cost (1924-13), and a proposed operating budget (1930-7), is an eligible applicant, and is for an eligible purpose). (Yes/No): _____ Comments: _____

Application scoring:

1. Leveraged assistance (0-20 points) _____
 (Attach "Calculation of Leveraged Assistance Worksheet")

2. Seasonal, temporary, or migrant housing: _____
 Enter number and percent of units that will serve seasonal, temporary, or migrant
 farm workers: Number _____ and _____ %
 (Enter 5 points for up to 50% of units; 10 points for 51% or more)

3. For FY 2004, National Office initiative will be based on the presence of _____
 and extent to which a tenant services plan exists that clearly outlines
 services that will be provided to the residents of the proposed project.
 Two points will be awarded for each resident service included in the
 tenant services plan up to a maximum of 10 points. (0 to 10 points)

Total point score _____

Estimated funding:

RHS loan amount _____ + grant amount _____ : \$ _____

Leveraged funds: Source _____ \$ _____
 Source _____ \$ _____
 Source _____ \$ _____
 Source _____ \$ _____

Total Development Cost: \$ _____

Review comments: _____

Reviewer: _____ Date of Review: _____

National ranking results: Selected for further processing based on National ranking
 (Yes/No): _____ Date: _____

**FARM LABOR HOUSING
CALCULATION OF LEVERAGED ASSISTANCE WORKSHEET**

Applicant Name: _____ Project Name: _____

1. RHS total development cost (Excludes non-RHS eligible costs): \$ _____

2. Leveraged Assistance (Include all eligible leveraging meeting the provisions of §1944.170(c)(1)(i) such as loans, grants, land, tax abatements, etc.)

<i>Source:</i>	<i>Amount:</i>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3. Total leveraged assistance: \$ _____

4. Percent of leveraged assistance (line 3 divided by line 1) _____%

5. Points for leveraging based on the following chart: _____
 (Round up for .50 and above; round down for .49 and below.
 For example, 59.49 becomes 59; 59.50 becomes 60.)

<i>Percentage:</i>	<i>Points:</i>
75 or more	20
60-74	18
50-59	16
40-49	12
30-39	10
20-29	8
10-19	5
0-9	0

Donated land in proposals with less than 10 percent total leveraged assistance 2

Reviewer: _____ Date: _____