Housing Trust Funds

2021-2022 Notice of Funding Availability

Date Issued: July 15, 2021
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Definitions
I. Introduction

The Arizona Department of Housing is pleased to announce a 2021 – 2022 State Housing Fund Notice of Funding Availability (NOFA). Projects financed with 4% Low Income Housing Tax Credits will be eligible for up to $2,000,000 in gap financing from the State Housing Fund. In addition to State Housing Trust Funds, National Housing Trust Funds are also available, making almost $21 million dollars available under this NOFA. The National Housing Trust Fund was launched in 2008 as an affordable housing production program that complements existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for low- and extremely low-income households, including families experiencing homelessness.

This NOFA dated July 15, 2021 supersedes and replaces the NOFA issued on March 3, 2021.

This NOFA will remain in effect until further notice is posted on the Publications page of ADOH’s website.

Additional Documents Incorporated Herein by Reference. The following documents provide additional compliance requirements for the funding sources in this NOFA and are incorporated herein by reference. The NOFA may be more restrictive than the regulations in these documents. In the event that these or other requirements are inconsistent, the most restrictive requirements shall govern.

- 2021 Qualified Allocation Plan (“QAP”) pursuant to Low Income Housing Tax Credits (“LIHTC”), including all forms and exhibits thereto
- Arizona Department of Housing Funding Agreement and Loan Documents
- 24 CFR parts 91 and 92, as amended, HOME Investment Partnership Program: Improving Performance and Accountability; Updating Property Standards, July 24, 2013 (applicable to State Housing Trust Funds)
- 24 CFR parts 91 and 93, as amended, Housing Trust Fund; Interim Rule, January 30, 2015
- Docket No. FR 5890-F-02 published in the Federal Register on December 20, 2016 “Narrowing the Digital Divide Through Installation of Broadband Infrastructure in HUD-Funded New Construction and Substantial Rehabilitation of Multifamily Rental Housing” commonly known as the Final Broadband Rule
- ADOH NHTF Rehabilitation Standards
- National Housing Trust Fund and HOME Rent and Income Limits
1.1 Changes to the NOFA

Modifications to the NOFA. ADOH may modify this NOFA, including its compliance and monitoring provisions, from time to time, or for any other reasons as determined by ADOH: 1) to reflect any changes, additions, deletions, interpretations or other matters necessary to comply with the Code of Federal Regulations; 2) to respond to changes in the market for Affordable Housing; 3) to insert such provisions clarifying matters or questions arising under this NOFA as are necessary or desirable and that are contrary or are inconsistent with this NOFA; or 4) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision with this NOFA or the laws and regulations governing the funding sources being made available in this NOFA.

NOFA Clarifications. ADOH will periodically post written clarifications to this NOFA on its website. The clarifications elaborate on the meaning of the text within this NOFA and may sometimes add additional guidance on how to interpret this NOFA. NOFA clarifications are to be considered a part of this NOFA. Applicants are responsible for checking the clarifications and submitting an Application that is in conformance with the clarifications. Requests for clarification must be made in writing via email or letter via US Mail and will be responded to in the written clarifications to the NOFA on ADOH’s website.

II. Application

2.1 Application Deadline and Fees

Applications will be accepted on a rolling basis until the date funds are exhausted. Projects deemed eligible pursuant to this NOFA will be awarded on a first-come, first served basis. A non-refundable gap financing application fee in the amount of $1,500 is due with the Application for 4% Low Income Housing Tax Credits. For Projects that were previously submitted in the 2021 9% LIHTC round, the Department will waive the $5,000 4% LIHTC Application Fee pursuant to 2021 QAP Section 6.1. Fees may be remitted through the ADOH Payment Portal or via check with the hard copy materials specified in Section 2.2 below to the following address:

Arizona Department of Housing
Attn: Ruby Dhillon-Williams
1110 West Washington Street, Suite 280
Phoenix, AZ  85007
2.2 Application and Submittal Format

Applicant must submit one (1) electronic copy of the a complete 4% LIHTC Application pursuant to the 2021 QAP with all exhibits and forms via the ADOH Portal, along with an ADOH Gap Financing Application form at Tab 3. Applicants who previously submitted and 9% LIHTC Application in the 2021 round may submit the updated documents for any changes to the 9% LIHTC Application along with the ADOH Gap Financing Application in lieu of an entire 4% LIHTC Application. However, the materials for each Tab shall be submitted organized to correspond to the Tabs in Section 2.9 of the 2021 QAP. An updated Form 3 must be submitted in both Excel and PDF formats along with an ADOH Gap Financing Application. Each Tab shall be one (1) separate easy to read document in PDF format and named as follows: “Project name - Tab # - Name of Section”. Tabs with large documents should be bookmarked or in a PDF Binder to clearly show each exhibit required in the Tab.

Applicants who are not ready to close will receive a conditional Determination of Qualification in accordance with 2021 QAP Section 4.1(B)(1) (Exhibit F Step 3) based upon the updated 9% LIHTC Application. Applicants who are ready to close must also submit the materials in 2021 QAP Sections 3.1 and 3.2 to receive a Determination of Qualification in accordance with 2021 QAP Section 4.1(B)(2) (Exhibit F Step 11).

Each Application must comply with the format and content of this NOFA. ADOH may reject any Application or Application information that does not conform to the requirements of this NOFA.

Applicants shall make every effort to ensure that documents submitted are easy to read, and wherever possible shall convert original electronic documents to a PDF format, rather than scan them. Documents that are not easy to read, in ADOH’s sole discretion, shall be rejected by ADOH. ADOH, in its sole discretion, may request that such documents be replaced with legible documents.

2.3 Eligible Projects and Other Eligibility Requirements

ADOH will evaluate all Applications in accordance with this NOFA. ADOH shall deny any Application that fails to meet eligibility requirements regardless of its score. The following criteria must be met in order to meet the eligibility requirements:

A. Application Submittal

One (1) complete 4% LIHTC Application organized in the prescribed sequence and format, ADOH Gap Financing Application and other materials specified in this NOFA.
B. **Authorized Signatures**

All documents that require a signature must be signed by the Applicant’s authorized representative. Electronic signatures are permitted if proceeded by “/s/” or other indications that an electronic signature is intended. Applicant must be an existing legal entity authorized to conduct business in Arizona and in good standing with the applicable Arizona state agency for the type of Applicant entity. ADOH will not consider forms signed on behalf of an entity that is not duly formed or by a representative without authority. The Applicant’s authorized representative must sign the ADOH forms rather than an attached signature page.

C. **Eligible Recipients**

- Non-Profit Organizations
- For-Profit Organizations
- Public Housing Authorities

D. **Project Team Disqualification**

ADOH may disqualify any Applicant, Owner, Person with a Controlling Interest in either such entity, Agent, or management agent who:

1. Is not an existing legal entity authorized to conduct business in Arizona and in good standing with the applicable Arizona state agency for the type of entity;

2. Has been found to be directly or indirectly responsible for any other project within the past five (5) years in which there is or was uncorrected noncompliance with state or federal rules, regulations or standards for more than three (3) months from the date of notification by the ADOH;

3. Has outstanding compliance issues with ADOH;

4. Has been involved in any ADOH project where there has been a Material Change in the project, general partners, or managing members, that ADOH did not approve in writing;

5. Has been removed by the ADOH from the ownership of a project that is subject of an Application;

6. Has failed to make Satisfactory Progress on previous and/or current projects; or

7. Has past due ADOH loan payments for which no deferral is currently pending.
E. Eligible Projects

Only Projects submitting a new 4% Low Income Housing Tax Credit Application on or after July 15, 2021 and which are in conformance with the 2021 Qualified Allocation Plan are eligible Projects under this NOFA.

2.4 Threshold

Applications must include a minimum “Threshold” of information in the 4% LIHTC Application to advance to the underwriting stage. Additional requirements and exhibits pursuant to the ADOH Gap Financing Application that are not included in the 2021 QAP are listed below. ADOH may make written inquiries in order to verify and or clarify the information submitted. ADOH may also verify representations, information, and data in an Application with public information, independent reports, and statistics available through recognized subscription services.

Tab 7: Acquisition, Site Control and Termite Inspection

1) All Applications receiving Federal funds must conform to the following regulations:
   a) As of the effective date for the Project in 24 CFR § 58.22, conditional purchase contracts may only be used for the acquisition of existing multifamily residential properties. Land must be acquired through a purchase option.
   b) A purchase option (for land or an existing multifamily residential property) must include language that it is subject to a determination by the recipient on the desirability of the property for the Project as a result of the completion of the environmental review in accordance with 24 CFR § 58 and the cost of the option is limited to a nominal portion of the purchase price.
   c) A conditional purchase contract for an existing (vacant) multifamily residential property must include language similar to the following:

      “Notwithstanding any other provision of this Contract, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until ADOH (and/or other Responsible Entity, as applicable) has provided Purchase and/or Seller with a written notification that: 1) it has completed a federally required environmental review and its request for release of federal funds has been approved and,
subject to any other Contingencies of this Contract, (a) the purchase may proceed, or (b) the purchase may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property; or 2) it has determined that the purchase is exempt from federal environmental review and a request for release of funds is not required. ADOH (and/or other Responsible Entity, as applicable) shall use its best efforts to conclude the environmental review of the property expeditiously.”

a. Projects in a Floodway or 100-Year Floodplain

1) Projects with any improvements located in a Floodway (crosshatched in the A zone of a Flood Insurance Rate Map ("FIRM" map) are ineligible for an award of ADOH funding under this NOFA.

2) Projects on parcel(s) of land that include a floodway, but in which the portion of the parcel that is a floodway remains undeveloped are not eligible for ADOH funding under this NOFA.

3) Projects located in a 100-Year Floodplain (dark shaded A zone of a FIRM map) may not be eligible for ADOH funding under this NOFA.

b. Historic Structures

Projects with Historic Structure(s) must submit the documentation evidencing that the Section 106 review process under 16 U.S.C. 470 et seq. has been completed and that there is No Adverse Effect, and that the scope of work meets the Secretary of the Interior’s Standards for Rehabilitation.

2. Termite Inspection

If the Project includes the rehabilitation of an existing vacant building, attach a termite inspection dated no later than sixty (60) calendar days prior to the Application Deadline.

**Tab 9: Financial Ability to Proceed**

1. Letters of Interest or Intent shall agree to the terms, conditions and repayment schedule of the ADOH Gap Financing included in this NOFA and ADOH loan documents.

2. Applicant must insert a Certification that there is no pending litigation against the Owner, Developer and (if applicable) Co-Developer that could affect the Project.
3. Insert a Management Plan prepared by the Property Manager that includes:
   a. Financial Plan – indicating how rents will be collected, and how the Project’s financial operations will be managed;
   b. Physical Management – indicating how the physical plant will be managed by describing planned/preventative maintenance activities, work order system response, ongoing unit inspections, and maintenance of Uniform Physical Conditions Standards;
   c. Occupancy Management – Describe how the units will be advertised/marketed, the intake and application process in accordance with the Tenant Selection Policies and Criteria below (including certification and documentation of eligibility to occupy the unit), if an how a waiting list will be maintained, how occupancy standards (i.e., house rules or standards of conduct) will be enforced, and how re-certification and turnover will be managed;
      i. Attach document formally adopting the Tenant Selection Policies and Criteria from the governing body of the proposed Owner Entity in the form of a resolution.
      ii. Attach tenant lease agreement that is compliant with the provisions of the Arizona Residential Tenant Landlord Act, the Fair Housing Act, and 24 CFR 92.253.

4. Provide HUD Authority to Use Grant Funds, if Project includes HOME funds from any source or project based Rental Assistance.

5. Evidence of Rental Assistance award, if applicable.

6. Subsidy layering review, as applicable for federally funded projects. (Hard copy required.)

7. If requesting a subsidy layering review, evidence that ADOH, the Local Government providing the Federal funds, and HUD are listed as authorized users of all third party reports (i.e. appraisal) in the reliance provision of the report.

8. Certification that there is no pending litigation against the Owner, Developer and (if applicable) Co-Developer.
III. Equity Closing Submittals

3.1 Equity Closing Submittals

Please see the additional exhibits below, which may supersede the requirements in the 2021 QAP, which are required with the exhibits in 2021 QAP Section 3.2.

A. An ASTM E 1527-13 Phase I Assessment (with asbestos and lead based paint reports if a rehabilitation) and an applicable HUD Format Environmental Review in accordance with 24 CFR § 50 or 24 CFR § 58 is required.

The Phase I Assessment (and applicable asbestos and lead based paint reports) may not be dated more than one (1) year prior to the Application is submitted to ADOH for consideration. The lead based paint report may not be dated more than twenty-four (24) months prior to the date of the ADOH funding Award Letter. If the Phase I identifies issues and/or the need for remediation, further testing or a Phase II, Applicant must submit the remediation plan, Phase II and/or studies identified in the Phase I with the Post Award Submittals stipulated in Section 3.1 of this NOFA. Applicant’s Form 3 - Development Budget, must also include the costs associated with the need for further testing Phase II or additional studies (hard copy also required)

The body of the Phase I Assessment or an executive summary thereof that includes the certification of the professional preparing the report, the site description, findings, and conclusions must be submitted in hard copy and electronic formats. The balance of the Phase I Assessment, including all records reviews and appendices, may be submitted in electronic format.

1. Projects that include rehabilitation or demolition of a pre-1978 building must attach a Lead-Based Paint Analysis with an Operations and Maintenance Plan in accordance with 24 CFR § 35 if federally funded, and in accordance with ADOH’s Lead Hazard Control if funded with State monies only.

B. Provide the Environmental Record Review applicable to the funding source identified in the ADOH Award Letter on ADOH’s forms. A HUD 24 CFR § 50 Assessment must be complete and ready for ADOH’s acceptance for its files. A HUD 24 CFR § 58 Assessment must be ready to publish a FONSI/RROF (finding of no significant impact/request for release of funds). HUD Format Environmental Reviews assess the effects of activities carried out with Federal funds including project based Rental Assistance. The acquisition of property or any physical action taken on a proposed site prior to the completion of HUD Format Environmental Review precludes the ability to use federal funds such as HOME, CDBG, or project based Rental Assistance. HUD Format Environmental Reviews generally require
between thirty (30) and 120 calendar days to complete, depending upon the type of activity and its location, so Applicants are encouraged to begin the HUD Format Environmental Review immediately upon receipt of an award so that the Applicant can meet the deadline identified in this NOFA. The ADOH environmental review forms and Environmental Review Record Handbook are available for download from the following URL on the ADOH website: https://housing.az.gov/documents-links/handbooks

3.2 Loan Closing

A. Loan Documentation

Among other documents necessary to obtain a Lender’s policy with endorsements required by ADOH and properly secure its loan, Applicant will be required to execute the following documents in connection with ADOH’s financing:

- ADOH Funding Agreement
- Promissory Note
- Conditions, Covenants and Restrictions (“CC&Rs”)
- Deed of Trust
- LIHTC Land Use Restriction Agreement that prohibits a request for Qualified Contract until such time as the Period of Affordability for the ADOH Gap Financing has been completed and the ADOH Gap Financing loan has been repaid in full.

Prior to the closing on ADOH financing, Applicant is not permitted to close on any other financing pursuant to the Project or begin construction. If applicable, other financing will be required to close in conjunction with the ADOH loan. The Department will only execute ADOH’s form of subordination agreement to a senior lender. ADOH requires each lender that is providing financing subordinate to the funding under this NOFA to execute ADOH’s form of subordination agreement.

The Funding Agreement will expire when the Project passes final inspection by ADOH after construction is completed and all State assisted Units are leased. Upon expiration of the Funding Agreement, all real property under Applicant’s control that was acquired or improved in whole or in part with SHF funds must be fully compliant with the encumbrances and obligations described in the Declaration of Conditions, Covenants and Restrictions (“CC&Rs”). The CC&Rs will be recorded in a superior position to any
other financing on the property for a Period of Affordability based upon the most restrictive source of ADOH funding to the Project.

1. Applicant must submit the following documents for ADOH’s review at least ten business days prior to closing:
   a. Executed ADOH Funding Agreement
   b. Final draft settlement statement from title company
   c. Final draft Lender’s title policy in favor of ADOH
   d. Executed Payment and Performance Bond that is acceptable to ADOH
   e. Executed construction contracts (general contractor and subcontracts)
   f. Title company acceptance of final escrow instructions that includes the recording priority of all documents to be recorded in conjunction with the closing
   g. Acceptance of the ADOH Subordination Agreement from all subordinate lenders

2. In addition to the above, ADOH will require that all financing documents from other sources are executed and deposited into escrow at least 48 hours prior to closing.

Additional subcontractor contracts, if any, shall be required prior to commencement of the work to be performed by the subcontractor.

B. **Loan Funding During Construction**

Applicant shall submit draws monthly. Each month, Applicant shall forward the following documentation to ADOH for review and payment of eligible Project costs:

1. ADOH Request for Payment forms
2. Architect’s Field Report with photos of construction progress
3. Contractor’s Invoice using AIA G702/703.
4. Subcontractor’s invoices and supporting documentation.
5. Unconditional Lien Waivers from the General Contractor and all subcontractors for the current month’s invoice using the form stipulated in A.R.S. 33-1008.
6. Copies of cancelled checks evidencing the payment from the Applicant to the general contractor and from the general contractor to the subcontractor for the current month’s invoice. (The amounts must match the amounts of the unconditional lien waivers stipulated directly above.)
Upon review and approval, ADOH shall issue payment to the Borrower.

3.3 Construction Period

Applicants must submit the following reports and documentation until the Project receives a Certificate of Occupancy and ADOH issues its final retention payment.

A. Bi-Monthly Performance Report on ADOH’s form on the 20th day of every odd-numbered month (i.e. September 20th), which shall be accompanied by:
   1. Any requests to update the Project schedule; and
   2. An updated brief narrative description of Project progress.

B. Construction Inspections: Applicant will cooperate with ADOH’s construction inspector.

C. Change Orders
   1. Applicant shall submit copies of proposed change orders for ADOH’s approval prior to commencement of work.
   2. Upon approval, Applicant must provide a copy of the updated subcontract that includes the scope of work stipulated in the approved change order.

D. Material Changes

Any proposed changes to the Project must be approved by ADOH prior to making such changes.

E. Inspections

All Applicants must engage a Certified RESNET Home Energy Rater to perform the inspections that ensure that the building has qualified for the required HERS Index score.

HERS Raters shall follow Chapter 6 of the RESNET National Home Energy Rating Standards to determine the units to be selected for testing and inspections. The HERS Rater shall also inspect all energy efficiency items in Exhibit A Section IX(R) and Section XI.

Applicant must also cooperate with ADOH’s representative(s) regarding plan review and inspections, as requested.

F. Payment and Performance Bond Closeout

The general contractor’s payment and performance bond may be released once the following has transpired:
1. The general contractor and all subcontractors have been paid in full and evidence of such payment in the form of Unconditional Lien Releases in the form stipulated by A.R.S. 33-1008 and copies of cancelled checks have been received and reviewed by ADOH.

2. At least 45 calendar days have elapsed since the payments described above have been made.

3. ADOH receives an updated title search that is clear of mechanic’s liens dated at least 45 days after the payments described in this section were made.

3.4 Project Closeout

A. Upon receipt and approval of each of the items described below, items submitted with the final underwriting described in 2021 QAP Section 3.4, and a letter from ADOH’s Compliance Department stating that all (if any) issues from the initial monitoring visit have been cleared, ADOH shall issue its final 10% retention payment. (ADOH performs the initial monitoring once all State-assisted units have been occupied.)


2. Program Binder with all items listed in Exhibit F to the ADOH Funding Agreement.

IV. General Regulations

4.1 False Filing

An Application, including all exhibits, appendices, and attachments thereto, made to ADOH for an award of funding including any materials filed at a later time with ADOH in connection with an Application, is considered to be an “instrument” for the purposes of A.R.S. § 39-161. According to that statute, knowingly including any false information in or with the Application is a class 6 felony. Such an act may also result in barring the Applicant and Development Team members from future awards of ADOH funding and low-income housing Tax Credits. In addition, false filing may be subject to the provisions of A.R.S. § 13-2311 (designating as a class 5 felony the conduct of business with any department or agency of this state by knowingly using any false writing or document).

4.2 Satisfactory Progress

A. Applicants who have previously received ADOH funding and or Tax Credits must make Satisfactory Progress and be in substantial compliance with the requirements of federal law with respect to all prior Projects before ADOH may consider a new Application.
B. ADOH shall monitor both the progress and quality of construction. If progress or quality has not been satisfactory to the ADOH, ADOH shall require corrective action be undertaken by the Applicant. ADOH may also report significant deficiencies to any other funding source or other members of the Project team, and the Project may be subject to revocation of funding due to lack of Satisfactory Progress.

4.3 Disclaimer and Limitation of Liability

A. ADOH makes every effort to ensure that the references in this NOFA are accurate. All references in this NOFA to cells, line items and columns on forms are subject to amendments as forms are updated periodically. All references to URL webpages are subject to amendment as they are periodically updated by their webmasters.

B. Applicants, Development Team members, and other financing sources participate in ADOH programs at their own risk. No member, officer, agent, or employee of ADOH or the State will be liable for any claim arising out of, or in relation to, any Project, including claims for repayment of construction, financing, carrying costs, or consequential damage or loss of any kind incurred by an Applicant, Development Team member, lender or any other Person.

C. Disclosures. Public disclosure of Applications shall be as provided by Title 39, Chapter 1 Article 2 of the Arizona Revised Statutes. Applicants must only enter confidential information such as taxpayer identification numbers at the specific locations required by the Application materials. All information included in an Application submitted to ADOH is subject to disclosure to the public unless specifically exempted from disclosure by statute. Applicants must redact confidential information from documents if the information is not specifically required by ADOH. ADOH may redact information or withhold records that are protected from disclosure pursuant to Arizona law.

V. Underwriting

ADOH will underwrite the Project in accordance with the 2021 QAP. Where additional requirements are applicable, they are noted below.

5.1 Underwriting Financial Evaluation Requirements

A. ADOH Loan Terms.

ADOH Gap Financing must be used for construction and permanent financing. In the event that a Funding Agreement has been executed, and all or a portion of the funds are not necessary, ADOH may reduce Low Income Housing Tax Credits (if applicable) to the amount necessary for feasibility based upon its underwriting.
1. Loan Payment Terms:

All loans awarded under this NOFA shall be secured through a Deed of Trust and accrue simple interest annually at the long-term applicable federal rate as of the date the loan closes. The term of the loan will be based upon the longest period of affordability associated with the source of the funds awarded (15-30 years). The annual payment shall be the greater of: (1) an annual simple interest hard payment to be determined by ADOH during underwriting or (2) Surplus Cash Flow.

2. Maximum State Investment:

Applicants may apply for up to $2,000,000 in ADOH financing.

The Maximum State Investment per Assisted Unit permitted is the HOME Maximum per Unit Subsidy Limits which are published by HUD. The most recent limits, found in the following table, were published on June 4, 2020. (The Maximum State Investment per Unit is a ceiling.)

<table>
<thead>
<tr>
<th>Unit:</th>
<th>0 bedroom</th>
<th>1 bedroom</th>
<th>2 bedroom</th>
<th>3 bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum:</td>
<td>$153,314</td>
<td>$175,752</td>
<td>$213,718</td>
<td>$276,482</td>
</tr>
</tbody>
</table>

3. Period of Affordability:

The required Period of Affordability for Projects will be determined based upon the funding source awarded to the Project.

4. Labor Standards and Environmental Review:

The applicable Labor Standards and Environmental Review regulations will be determined based upon the funding source awarded to the Project.

5. USDA and HUD-insured loans:

In ADOH’s sole discretion, Applicants with USDA or HUD-insured loans may not be eligible for ADOH Gap Financing from federal sources unless guarantees or equivalent security are provided to ensure full collateralization of the ADOH Gap Financing for the entire Period of Affordability.

B. Development Budget - Form 3.

Applicants shall disclose all uses of development funds. Costs are limited to those that are necessary to build the Project. All sources, including reserves and contingency items, must be funded from cash sources that are dedicated to the Project. Letters of credit and cash from operations are not acceptable financing sources to cover financing gaps in the Development Budget.
1. **Eligible Uses of SHF**

   SHF may be used only for reasonable and customary construction costs (or acquisition and rehabilitation costs) of properties to be improved. Eligible construction, acquisition and rehabilitation costs include:

   **Project Hard Costs**
   - Acquisition of land (for a specific project) and existing structures
   - On-site costs, such as site preparation or improvement, including demolition
   - Materials and labor
   - Accessibility improvements to meet the Fair Housing Act and Section 504
   - In pre-1978 structures, compliance with HUD and ADOH’s Lead Based Paint regulations
   - Energy-related improvements

   **Project Soft Costs**
   - Title binders and insurance
   - Surety fees (surety bond/performance bond)
   - Recordation fees; transaction taxes
   - Legal and accounting, including cost certifications
   - Appraisals
   - Architectural/engineering fees, including specifications and job progress inspections
   - Environmental reviews
   - Builder or developer fees within ADOH caps
   - Affirmative marketing, initial leasing and marketing costs
   - Operating deficit reserves (as limited by HUD based upon the source of funds)

2. **Ineligible Uses of SHF**

   - Project-based rental assistance.
   - Costs to provide services to tenants.
   - Off-site improvements.
   - Refinancing of debt.
   - Luxury amenities not necessary for the provision of safe, decent, affordable housing (i.e. swimming pools, tennis courts, gyms).
   - Delinquent taxes and fees or charges levied on a property.
   - Project reserve accounts (except for initial 18-month operating deficit reserves for HOME and up to a 5 year operating deficit reserve for NHTF units pursuant to 24 CFR §93.201).
   - Personal Property (Furniture & Fixtures).
3. Capitalized Reserves
   a) 5-year Operating Deficit Reserve. In addition to the Maximum State Investment per Unit, ADOH may authorize up to five (5) years of operating reserves pursuant to §93.201 for NHTF State Assisted Units to cover the difference between the tenant’s monthly rent payment and the NHTF-assisted Unit’s share of monthly operating costs.
   b) Rental Assistance Reserve. In lieu of the 5-year Operating Deficit Reserve described above, ADOH will underwrite a Rental Assistance Reserve funded through the Project’s equity to cover the difference between the tenant’s monthly rent payment and an NHTF-assisted Unit’s share of monthly operating costs.

VI. Compliance
6.1 Project Compliance Monitoring
   A. Monitor and Inspect
      ADOH is required to monitor and inspect Projects for compliance with the applicable federal (HOME or HTF) regulations and the CC&Rs. Generally, ADOH monitors to ensure: 1) Low-Income Units are rent restricted and occupied by qualifying tenants; 2) the property as a whole is suitable for occupancy; 3) the Owner is keeping and retaining the necessary records; and 4) the Project meets the requirements (income restrictions, rents, affordability period, design features, amenities and services, etc.) described in the Application. The final retainage payment will not be paid until the Project passes its initial compliance inspection after 100% of the State Assisted Units are occupied.

   B. Marketing
      1. Applicants who receive an award of ADOH funding must agree to register the units with socialserve.com and maintain such registration with socialserve.com for the duration of the Period of Affordability.
      2. To the maximum extent feasible, Applicants with Units for extremely low income households must coordinate intake with the local homeless Coordinated Entry.

6.2 Liability
   The Owner is responsible for compliance with all applicable laws, regulations, codes, etc. ADOH shall not be liable to third parties for claims arising from an Owner’s failure to comply with these.
Forms

The Gap Financing Application for Low Income Housing Tax Credit Projects Financed with Tax Exempt Bonds is hereby incorporated into this NOFA and is to be included with the LIHTC Application, as directed in this NOFA. It is posted on the Department’s website at https://housing.az.gov/documents-links/forms/rental-development-bonds.
Definitions

Definitions in the 2021 QAP shall apply to this NOFA. Terms that are not specifically defined in the 2021 QAP shall be interpreted using common meanings typically accepted in the multi-family housing development industry, but will be ultimately be interpreted by ADOH in its discretion.