Supportive Housing Development for Persons who are Homeless

2019 - 2020 Notice of Funding Available

Date Issued: October 17, 2019
Table of Contents

I. Introduction ........................................................................................................................3
   1.1 Changes to the NOFA ...............................................................................................3
   1.2 Technical Assistance ..........................................................................................4

II. Application .....................................................................................................................4
   2.1 Application Deadline .........................................................................................4
   2.2 Application and Submittal Format ......................................................................4
   2.3 Eligible Projects and Other Eligibility Requirements ..........................................6
       A. Application Submittal ..........................................................................................6
       B. Authorized Signatures .......................................................................................6
       C. Current Accounts .............................................................................................6
       D. Satisfactory Progress and Compliance ...............................................................6
       E. Eligible Recipients .............................................................................................7
       F. Project Team Disqualification ............................................................................7
       G. Eligible Projects ................................................................................................7
       H. Ineligible Projects .............................................................................................8
   2.4 Scoring ....................................................................................................................8
       A. Cost Effectiveness ..............................................................................................8
       B. Developer Experience .......................................................................................9
       C. Service Enriched Location – Grocery Store ....................................................9
       D. Transit Oriented Design ....................................................................................9
       E. Chronically Homeless Demand by Continuum of Care Point in Time Counts. ....9
   2.5 Tie Breaker .............................................................................................................10
   2.6 Threshold ...............................................................................................................10
       A. Tab 1: Cover Letter, Form 1 - Project Schedule and Waiver of Requirement Requests .........................................................................................10
       B. Tab 2: Self Score Sheet .......................................................................................11
       C. Tab 3: Application and Certifications .................................................................11
       D. Tab 4: Legal Formation, Licensing and Business Registration ............................11
       E. Tab 5: Non-Profit Organization & Continuum of Care Eligibility Information ...13
       F. Tab 6: Development Team .................................................................................14
       G. Tab 7: Acquisition, Site Control, Environmental Review and Termite Inspection ...............................................................................................15
       H. Tab 8: Planning and Zoning Verification .............................................................18
       I. Tab 9: Financial Ability to Proceed ....................................................................18
       J. Tab 10: Service Enriched Location – Grocery Store ........................................20
K. Tab 11: Property Design Standards, Drawings and Plans ................................................................. 20
L. Tab 12: Utility Allowance Schedule .................................................................................................. 20
M. Tab 13: Market Demand .................................................................................................................... 22
N. Tab 14: Transit Oriented Design ........................................................................................................ 22
O. Tab 15: Supportive Housing Requirements ...................................................................................... 23
P. Tab 16: Capital Needs Assessment .................................................................................................... 24

III. Post Award Submittals ....................................................................................................................... 27
  3.1 Post Award Submittals ....................................................................................................................... 27
  3.2 Loan Closing .................................................................................................................................... 29
    A. Underwriting .................................................................................................................................. 29
    B. Loan Documentation ...................................................................................................................... 32
    C. Loan Funding During Construction .............................................................................................. 33
  3.3 Construction Period ......................................................................................................................... 34
  3.4 Project Closeout ............................................................................................................................... 35

IV. General Regulations .......................................................................................................................... 37
  4.1 False Filing ....................................................................................................................................... 37
  4.2 Satisfactory Progress ......................................................................................................................... 37
  4.3 Disclaimer and Limitation of Liability .............................................................................................. 37

V. Underwriting ....................................................................................................................................... 38
  5.1 Underwriting Financial Evaluation Requirements ........................................................................... 38
    A. Underwriting Process ...................................................................................................................... 38
    B. ADOH Analysis .............................................................................................................................. 38
    C. Operating Budget and Proforma - Threshold Requirements and Standards ................................ 39

VI. Compliance ......................................................................................................................................... 45
  6.1 Project Compliance Monitoring ........................................................................................................ 45
    A. Monitor and Inspect ....................................................................................................................... 45
    B. Marketing ...................................................................................................................................... 46
  6.2 Liability .......................................................................................................................................... 46

Forms ....................................................................................................................................................... 47
Definitions ................................................................................................................................................. 48
I. Introduction

The Arizona Department of Housing ("ADOH" or the "Department") is pleased to announce a Notice of Funding Availability ("NOFA") in the three state Continuums of Care areas for Supportive Housing. Funding from the following sources, which comprise the State Housing Fund (SHF) are being made available to Non Profit Organizations for this NOFA:

- Federal National Housing Trust Fund ("NHTF")
- Federal HOME Investment Partnerships Program ("HOME")
- State Housing Trust Fund ("HTF")

This NOFA shall remain in effect until further notice.

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.

- 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
- 24 CFR parts 91 and 93, as amended, Housing Trust Fund; Interim Rule, January 30, 2015
- Exhibit A - Mandatory Design Standards for Multi-family Housing
- Exhibit B - ADOH NHTF Rehabilitation Standards
- Exhibit C - Physical Design Standards in Supportive Housing Developments, July 2013
- 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 its website.

### 1.2 Technical Assistance

The Department will not preview, comment on, or pre-judge any element of any application prior to its initial submittal. All requests for clarification shall be made in writing via e-mail to Rental-NOFA@azhousing.gov and identify that the question pertains to this NOFA. The responses thereto will be posted no more often than weekly to the Department’s website to a document entitled “Clarifications to the Supportive Housing NOFA”. Applicants are responsible for checking the Department’s website for this information.

### II. Application

#### 2.1 Application Deadline

Applications will be due on the last business day of each calendar month beginning on November 29, 2019 until the date funds are exhausted. Projects deemed eligible pursuant to this NOFA will be awarded on a first-come, first served basis. If funding is insufficient to award all Projects submitted for consideration, eligible Projects submitted to ADOH pursuant to the same Application Deadline will be ranked in order from the highest to the lowest competitive score to determine which one(s) will be funded.

#### 2.2 Application and Submittal Format

Applicant must submit one (1) electronic copy of the complete Application with all exhibits and forms via the ADOH Portal and one (1) hard copy of each of the documents and exhibits in the list below. The electronic copy must be organized to correspond to the Tabs in Section 2.6 of this NOFA. Form 3 must be submitted in both Excel and PDF formats.
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.

In addition to the electronic copy of the entire Application with all exhibits and forms, the following portions of the Application must be submitted by the Application Deadline in hard copy:


2. Operating plan required at Tab 5, if more than one (1) Non-Profit Organization is participating in the Project.

3. The legal document demonstrating the authority of the Applicant to bind the Owner, such as a limited partnership agreement, operating agreement for a limited liability company, a development services agreement, or similar agreement, required at Tab 4.

4. Appraisal required at Tab 7.

5. Purchase and Sale Agreement and/or lease, as applicable to the Project, as required at Tab 7.

6. The documentation required at Tab 7 of this NOFA, if the Project has Federal funds or Project Based Vouchers in the capital stack (i.e. sources of funding), and is (i) located in a 100-Year Floodplain; (ii) in a historic district; (iii) is eligible to be listed in the National Register of Historic Places; or (iv) is listed in the National Register of Historic Places.

7. Capital Needs Assessment as may be required at Tab 16.

The hard copy Application materials specified above must be in eight and one-half by eleven (8 ½ x 11) format, placed in one (1) adequate sized three (3) ring binder, indexed and Tabbed to correspond with the Tabs described in Section 2.6 of this NOFA. The front cover and spine of the three ring binder must be labeled with the name of the Project. The only exception are items of significant volume (such as an Appraisal or Capital Needs Assessment), which may be submitted as separate bound items.

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.

In the event that there is a discrepancy with respect to any information provided in the Application materials (where both an electronic and hard copy are required), ADOH will consider the hard copy Application document as the primary source document. ADOH
retains the sole discretion in determining and interpreting whether an Application or Project meets state law, federal law or the NOFA criteria, terms, conditions or definitions.

All documents in the Application and each later submittal Shall be originals where requested in this NOFA or specifically requested by ADOH. 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. Applications that meet the eligibility requirements must be scored and then reviewed for threshold requirements.

The following criteria must be met in order to meet the eligibility requirements:

A. Application Submittal

One (1) complete Application organized in the prescribed sequence and format, as required by 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. Current Accounts

At the time the Application is submitted, no member of the Development Team may be in default on a financial obligation to ADOH.

D. Satisfactory Progress and Compliance

ADOH may reject Applications for Projects having Development Team members who failed to make Satisfactory Progress with past funding awards.
E. **Eligible Recipients**

Only Non Profit Organizations operating within and actively participating in Coordinated Entry through the 1) Balance of State Continuum of Care, 2) Pima County Continuum of Care, and/or Maricopa County Continuum of Care are eligible recipients under this NOFA.

F. **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 denied participation in the past ten (10) years by any federal or state agency in any housing development program;

3. 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;

4. Has outstanding compliance issues with ADOH;

5. 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;

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

7. Is not in good standing with the ADOH.

G. **Eligible Projects**

Eligible Projects are those that fully comply with this NOFA and include new construction and/or acquisition/rehabilitation of vacant buildings that result in affordable rental housing developments serving persons experiencing homelessness. Projects must reserve at least fifty (50%) percent of the Units for Homeless Households.

All tenants, both Homeless Households and other households, occupying Units as of the date they move into the Project may not have incomes that exceed the greater of: 1) thirty percent (30%) of the area median income adjusted by family size; or 2) the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2), as adjusted for family size.
Projects must demonstrate the ability to begin construction within 12 months of award and must obtain a certificate of occupancy within 30 months of award.

**H. Ineligible Projects**

The following Project types are ineligible under this NOFA:

1. Projects that utilize 4% LIHTC/Bond and/or 9% LIHTC financing.
2. Projects involving the acquisition of property that requires the relocation of existing commercial and/or residential tenants and/or owner-occupants. (Only Projects that add Units to the housing stock are eligible.)
3. Projects not located on one or more adjacent parcels (i.e. Scattered Sites).
4. Projects that utilize land leases as a form of site control in any regard.
5. Projects that require ADOH to subordinate its priority of repayment and/or affordability restrictions to any other source of financing. (ADOH must be in first lien position.)
6. Projects that do not conform to ADOH’s Acquisition Cost standards set forth in Section 2.6(G)(1) and 5.1(E) of this NOFA.

**2.4 Scoring**

If the amount of funds requested through this RFP exceeds availability, projects will be scored against each other and the highest scoring projects will be awarded. Only projects with minimum or winning scores that meet underwriting, threshold, and eligibility requirements will qualify for a preliminary award of State Housing Funds. The minimum qualifying score for Applications not scored against other Applicants is 32 points for Section 2.4(B) – (E). Applications shall be scored in accordance with the following criteria.

<table>
<thead>
<tr>
<th><strong>Point Scoring Summary</strong></th>
<th><strong>Maximum Points</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Effectiveness &amp; PSH Units Committed</td>
<td>Up to 20</td>
</tr>
<tr>
<td>Developer Experience</td>
<td>Up to 10</td>
</tr>
<tr>
<td>Service Enriched Location</td>
<td>15</td>
</tr>
<tr>
<td>Transit Oriented Design</td>
<td>15</td>
</tr>
<tr>
<td>Point in Time Counts</td>
<td>Up to 30</td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>90</strong></td>
</tr>
</tbody>
</table>

**A. Cost Effectiveness**

**Up to twenty (20) points**

Applications received pursuant to an Application Deadline will be ranked in order from the
lowest to the highest Total Development Cost (“TDC”) per unit.

The application with the highest rank under the ranking above will receive twenty (20) points. The application ranking second will receive fifteen (15) points. The Application ranked third will receive ten (10) points. Each subsequent application will receive five (5) less points. It is possible to receive negative points.

B. Developer Experience

<table>
<thead>
<tr>
<th>Up to 10 points</th>
<th>Section 2.6(F)/Tab 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Support Housing Experience: Up to ten (10) points are available to Developers who demonstrate that they have experience in the development of permanent Supportive Housing.</td>
<td></td>
</tr>
<tr>
<td>One (1) Project Placed in Service</td>
<td>2 points</td>
</tr>
<tr>
<td>Two (2) Projects Placed in Service</td>
<td>4 points</td>
</tr>
<tr>
<td>Three (3) Projects Placed in Service</td>
<td>6 points</td>
</tr>
<tr>
<td>Four (4) Projects Placed in Service</td>
<td>8 points</td>
</tr>
<tr>
<td>Five (5) or more Projects Placed in Service</td>
<td>10 points</td>
</tr>
</tbody>
</table>

C. Service Enriched Location – Grocery Store

<table>
<thead>
<tr>
<th>15 points</th>
<th>Section 2.6(J)/Tab 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fifteen points (15) are available to Projects located in an Urban Area within one (1) mile of a Grocery Store, or which are located in a Balance of State area within two (2) miles of a Grocery Store.</td>
<td></td>
</tr>
</tbody>
</table>

D. Transit Oriented Design

<table>
<thead>
<tr>
<th>15 points</th>
<th>Section 2.6(N)/Tab 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fifteen points are available if the Project is located within the following distances from frequent bus transit system stop or a high capacity transit station: 1) Tucson and Greater Phoenix - one mile; 2) Balance of State – two miles.</td>
<td></td>
</tr>
</tbody>
</table>

E. Chronically Homeless Demand by Continuum of Care Point in Time Counts.

Scoring categories are based on the relative demand in Arizona as documented in the 2019 Point In Time Counts, Chronically Homeless category. Chronically Homeless numbers are depicted in parenthesis.

| Up to 30 points |
|-----------------|-----------------|
| Maricopa County Continuum of Care (558) | 30 points |
| Balance of State County Continuum of Care (43) | 15 points |
| Pima County Continuum of Care (11) | 5 points |
2.5 Tie Breaker

In the event that two or more Applications are submitted for consideration under the same Application Deadline with the same adjusted competitive score, ADOH will award funding according to the following tiebreaker criteria:

First, to Applicants with the most efficient use of State Housing Fund resources calculated by dividing the amount of SHF requested by the total number of Units in the Project.

Second, to Applicants proposing Units dedicated to Chronically Homeless Households in descending order from the largest number of Units to the smallest number of Units.

2.6 Threshold

Applications must include a minimum “Threshold” of information in Tabs 1 through 16 to advance to the underwriting stage. Applications not containing the threshold of information for any point category will be disqualified from that point category. All Grocery Stores and transportation claimed for points must be in place, and operating as of the Application Deadline.

ADOH may make written inquiries in order to verify and or clarify the information submitted. Applicants must respond by the deadline included in the inquiry to avoid disqualification. ADOH may verify representations, information, and data in an Application with public information, independent reports, and statistics available through recognized subscription services.

A. Tab 1: Cover Letter, Form 1 - Project Schedule and Waiver of Requirement Requests

1. Cover Letter. Applicant must provide a cover letter along with a narrative describing the Project, which includes the following:

   a. target population, location, construction type (new or rehabilitation), housing first features, number of buildings, tenant recruitment and selection process including how the Owner will organize the selection process with the local Coordinated Entry, Unit mix, descriptions of Common Area Facilities, scope of work, energy standards, square footages, material selection, services to be provided and steps required to implement the Project successfully, and

   b. describe how the Project will meet the needs of the Chronically Homeless/Homeless Households, and
c. describe how the targeted population will be integrated with the other extremely low income tenants, and

d. describe how the Project affirmatively furthers fair housing, and

e. provide a definition of a successful formerly Chronically Homeless resident, and

f. describe how the Project will meet Federal, State, and local physical accessibility requirements, and

g. indicate whether there are any site requirements, including parking, and

h. provide a narrative describing the source of the Project-Based Rental Assistance, if any.

2. Insert Form 1 - Project Schedule.

3. Waiver of Requirements. With the exception of Scoring and Threshold items, Applicants may request that ADOH waive specific requirements of this NOFA. Waiver requests must be submitted with the Application and shall be supported by a detailed narrative explanation sufficient to permit ADOH to determine that: 1) waiver of the requirement is necessary; 2) waiver of the requirement accomplishes the purposes and objectives of this NOFA; and 4) the waiver does not adversely affect the feasibility of the Project.

B. Tab 2: Self Score Sheet

Insert Form 2 – Self Score Sheet

C. Tab 3: Application and Certifications

Insert a completed Form 3 and executed Certifications.

D. Tab 4: Legal Formation, Licensing and Business Registration

The Applicant must include evidence that the Applicant, Owner (if formed), Developer and Co-Developer are duly formed legal entities authorized to transact business in the State of Arizona and in good standing with the Arizona Corporation Commission or the Office of the Secretary of the State of Arizona.

The Project Owner shall be the Non-Profit Organization who is the Developer, or a single purpose entity, wholly consisting of Non-Profit Organization(s) and/or their Affiliate(s). Both the Developer and any Co-Developer(s) must be Non-Profit Organizations. The Non-Profit Organization(s) cannot be formed by a member (or an Affiliate) of the Development Team, or by one or more individuals of for-profit entities, for the principle purpose of being eligible under this NOFA.
1. Insert completed and executed Form 4 – Applicant Resolution.

2. Insert an organizational chart that describes the relationship whether through ownership, control or contract between the Applicant, Developer, Co-Developer and Owner.

3. Insert organizational documents for all entities that tie the individual executing certifications and closing documents on behalf of the Project with the Applicant. ADOH reserves the right to request additional documents for Affiliates and pass-through entities to determine Principals.

If the Owner is formed, provide a copy of the legal document demonstrating the authority of the Applicant to bind the Owner, such as a limited partnership agreement, operating agreement for a limited liability company, a development services agreement, or similar agreement. If the limited partnership agreement, operating agreement, or development services agreement has not been finalized, then ADOH will accept a provisional agreement with a warranty that the requisite authority will be made a part of any such agreement at the time of closing.

The Non-Profit Organization’s Articles of Incorporation and Bylaws, as amended, must contain a description of the Non-Profit Organization and its activities that include the fostering of low-income housing.

a. Corporations. If the entity is a corporation, provide the Articles of Incorporation and Bylaws and all amendments. If the entity was incorporated in Arizona, provide a certificate of good standing issued by the Arizona Corporation Commission confirming the legal existence of the entity as of the date of the certificate (“Certificate of Good Standing”) and dated not earlier than thirty (30) calendar days prior to the Application Deadline. Entities incorporated in another state and doing business in Arizona must submit a certificate of good standing or its equivalent from the state of incorporation confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Application Deadline and a certificate of good standing to transact business in Arizona (“Certificate of Authority”) for such foreign corporation, issued by the Arizona Corporation Commission and dated not earlier than thirty (30) calendar days prior to the Application Deadline.

b. Limited Partnerships. Partners in a limited partnership are limited to the Non-Profit Organization and its Affiliate(s). If the entity is a limited partnership, provide an executed copy of the limited partnership agreement and all attachments and amendments thereto. If the entity is a limited
partnership organized under the laws of Arizona, provide a certificate of existence issued by the Arizona Secretary of State confirming the legal existence of the entity (“Limited Partnership Certificate of Existence”) and dated not earlier than thirty (30) calendar days prior to the Application Deadline. Limited Partnerships organized under the laws of another state and doing business in Arizona must submit the following: a limited partnership certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity, dated not earlier than thirty (30) calendar days prior to the Application Deadline, and an Arizona Certificate of Authority from the Arizona Secretary of State dated not earlier than thirty (30) calendar days prior to the Application Deadline.

c. Limited Liability Companies. Members of a limited liability company are restricted to the Non-Profit Organization and its Affiliate(s). If the entity is a limited liability company, then provide the Articles of Organization (or its equivalent) and Operating Agreement and all attachments and amendments thereto. If the entity is organized under the laws of Arizona, provide a certificate of good standing existence, issued by the Arizona Corporation Commission confirming the legal existence of the entity (“LLC Certificate of Good Standing”), dated not earlier than thirty (30) calendar days prior to the Application Deadline. Entities organized under the laws of another state and doing business in Arizona must submit the following: a certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Application Deadline and an Arizona Certificate of Good Standing issued by the Arizona Corporation Commission for such foreign limited liability company dated not earlier than thirty (30) calendar days prior to the Application Deadline.

4. Signature Block. Provide a signature block for the Project Owner who will sign the Funding Agreement.

E. Tab 5: Non-Profit Organization & Continuum of Care Eligibility Information

Insert the following:

1. Letter from the authorized representative of the entity that coordinates entry on behalf of the Continuum of Care in which the Project is located (“Coordinated Entry”), affirming that the Applicant actively participates in the Coordinated Entry.

2. IRS documentation of I.R.C. § 501(c)(3) or 501(c)(4) status including the IRS non-profit designation letter, a current copy of the IRS 990 form evidencing the
organization’s 501(c)(3) or (4) status, and a letter from the Applicant certifying its continued non-profit status as of the date the Application is submitted.

3. Evidence that it or the Non-Profit Organization’s officers or members have experience in developing or operating low-income housing.

4. If more than one (1) Non-Profit Organization is participating in the Project, provide evidence that each Non-Profit Organization has developed an operating plan for the Project covering its role in developing and managing the Project, including its participation in the Developer Fee, its control of Project reserves, its strategy for maintenance, replacement, and renovation, and its oversight of marketing and of compliance with applicable regulations.

5. The names of board members of the Non-Profit Organization(s).

F. Tab 6: Development Team

The Applicant must demonstrate that the Development Team possesses the experience and financial capacity necessary to undertake and complete the Project, and that the Developer and/or Co-Developer, as applicable, have developed Projects of comparable size and financial complexity using Affordable Housing programs.

1. The following items must be provided:
   a. Applicant must insert a completed Forms 6, 6-1, 6-2 and 6-3.
   b. Insert a resumes for the Development Team and proposed Property Manager that include documentation of successful projects of similar size and scope over the past five years.
   c. Developers must have the financial capacity to successfully complete and operate the proposed Project. Applicant must include evidence of financial capacity and solvency in the form of Financial Statements of the Developer (and Co-Developer(s) if applicable) for the prior two (2) full calendar years.
   d. Applicant must provide explanation of any identity of interest designated under Development Team Information in Item 5 on page 3 of Form 3. Applicant should note that the Developer must identify the existence of any identity of interest with another party to the Development Team.
   e. Provide a written process that Applicant intends to use to solicit bids and select a general contractor. The process must be compliant with 2 CFR § 200 and 24 CFR § 92.505. Only licensed contractors who are able to obtain payment and performance bonds in accordance with 24 CFR § 200.325 through the period described in Section 3.3(E) of this NOFA are eligible general contractors under this NOFA. Upon selection, ADOH will
investigate whether the general contractor holds either a KB-1 Dual Building Contractor or B-1 General Commercial Contractor license, and that the proposed general contractor has no open complaints or disciplined cases registered with the Arizona Registrar of Contractors.

G. **Tab 7: Acquisition, Site Control, Environmental Review and Termite Inspection**

1. **Projects involving Acquisition - Appraisal Requirements.**
   
   Applicant should refer to the Underwriting section of this NOFA regarding the land and, if applicable, building value(s) that will be accepted in the Development Budget.
   
   a. New Construction Project. A land only Appraisal of real property that is not subject to a lease must be provided as part of the Application submittal.
   
   b. Acquisition/Rehab Project. The Appraisal must include separate values for the land and the vacant buildings. The value of the land shall be the “As If Vacant Land value. The remaining value of the “As-Is” Market Value of the land and buildings combined shall be allocated to the building(s).
   
   c. Appraisal Validation. In the event that the Appraisal submitted with the Application is not acceptable to ADOH in its sole discretion, ADOH will select a second appraiser who will provide an Appraisal at the Applicant’s expense to determine whether the valuation provided in the Applicant’s submitted Appraisal is reasonable and use the lower value of the two appraisals in its underwriting. If the appraiser requests further information, ADOH shall request such information from the Applicant. ADOH shall be present during all inspections of the property pursuant to the second Appraisal.

2. **Site Control.**

   Land leases are not an acceptable form of site control under this NOFA. ADOH will require that the Project Owner have fee simple title to the land concurrent with or prior to the ADOH loan closing. Applicants must acquire the land and buildings for the Project from unrelated third parties in arms-length transactions to include the cost of the land and building in the Development Budget. To establish Site Control for threshold requirements, the Applicant must submit the following to ADOH:
   
   a. All Projects: A “Title Commitment” (or “Title Report” if Applicant is already the Owner) for the property dated within sixty (60) calendar days of the date of the Application by a title insurer licensed in Arizona. The title commitment must not include any conditions or requirements materially and substantially adverse to the feasibility of the Project.
b. Purchase Contract or Options

1) If the Applicant has a binding commitment to transfer control or ownership of the land to the Owner or Applicant, then the Applicant must submit a copy of the executed commitment. As of the Application Deadline, the only remaining contingency in a binding commitment that is in the Seller’s control may be a condition of receipt of ADOH funding. No other conditions will be accepted.

2) If a purchase contract, or purchase option is submitted, a copy of the agreement must be submitted and the relevant agreement must provide for either a closing date or an initial term lasting until the period ending no less than 180 calendar days after the Application Deadline. If more than one (1) Project is included in the purchase contract, it must include a breakdown of costs associated with each of the Projects.

3) All Applications 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.”

b. Land Owned by Applicant or Owner.

1) An Applicant or Owner who holds fee title to the property must provide a copy of the recorded deed listing the Applicant or Owner as the grantee and a final settlement statement prepared by the title company evidencing the purchase of the property. Estimated settlement statements will not be accepted.

3. Environmental Reviews.

Except as may be required to complete the documentation specified below, the Phase I Assessment and HUD Format Environmental Review described in Section 3.1 are due 120 days from the date of the ADOH funding Award Letter.

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 must submit either:

a) evidence that the site has received a conditional or final: Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR), or Letter of Map Revision Based on Fill (LOMR-F) that removes the property from a FEMA-designated floodplain location; or

b) submit evidence that the decision making process described in 24 CFR § 55.20 has been completed including all analyses and other documentation that the 8-Step Process has been completed and that no practical alternative location exists.

b. Historic Projects

Historic Preservation Projects 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 or that the Adverse Effect is mitigated.
4. Termite Inspection

If the Project is the rehabilitation of an existing building, attach a termite inspection dated within sixty (60) calendar days of the Application.

H. Tab 8: Planning and Zoning Verification

The property on which the Project is to be built or rehabilitated must be zoned for the proposed use by the governmental agency or agencies having jurisdiction to do so. If the Project requires additional zoning, one or more variances or use permit approvals, the Project shall be deemed to not to be eligible.

Applicant must:

1. Provide evidence that the property on which the project is to be built or rehabilitated is zoned for the proposed use at the time of application with no additional zoning, variance, or use permit approvals required. The Project, as proposed, must be able to be built on the parcel, as of the Application Deadline.

2. Insert a completed Form 8, signed by an Authorized Signatory of the Local Government.

3. For new construction, provide will-serve letters for water and sewer dated within 180 calendar days of the Application Deadline signed by an Authorized Signatory of the utility provider acknowledging that the utilities provided are anticipated to meet the needs of the Project. If the proposed construction activity includes acquisition/rehabilitation, or acquisition/demolition, Applicant may provide a utility bill from utility provider dated within sixty (60) calendar days of the Application Deadline, evidencing that services are presently available to the Project and will continue to serve the Project upon completion of construction.

I. Tab 9: Financial Ability to Proceed

Applicant must demonstrate that the Developer has funding sources necessary to complete the Project. The ADOH financing awarded under this NOFA must be in first lien position. Other loans requiring a hard payment are not permitted under this NOFA. Applicant must provide the following documentary support demonstrating feasibility:

1. Letters of Interest or Intent from Sources of Soft Subordinate Financing, if applicable. Copies of Letters of Interest/ Intent / Award or term sheet from all sources of financing that defines the funding amount, interest rate, term, cash
flow payment criteria, and applicable restrictions, fees and forgiveness provisions.

2. **Pro Forma and Operating Expenses.** Include a fifteen (15) year pro forma. (See Section 5.1 for assumptions relating to operating expenses that must be included in the pro forma.) The pro forma submitted at Application does not need to be signed by subordinate financing providers, but it must be consistent with any Letters of Intent that are submitted with the Application.

   a. The pro forma must reflect the rent structure in the Application, all subordinate lenders’ assumptions such as cash flow payment obligations, non-rental income, detailed operating expenses, required reserves, and annual fees.

   b. If the pro forma reflects negative cash flow in any year, the Application must demonstrate the funding and utilization of an operating deficit escrow account or describe the source of the operating deficit funds. A commitment from the entity funding the operating deficit reserve/escrow funds must be included with the other funding source documents.

   c. The pro forma must reflect Rental Assistance, if applicable.

   d. Applicants proposing operating expenses that are not compliant with Section 5 of this NOFA must submit audited Financial Statements for comparable Projects owned by the Applicant justifying a waiver. In addition, the proposed management agent shall certify that the Operating Expenses are reasonable for the Project, as required under Section 5.1(C)(2)(c).

   e. The pro forma income and expense amounts must increase each year at a rate of two percent (2%) and three percent (3%) respectively. Required annual replacement reserves must increase each year at a rate of three percent (3%).

3. **Rental Assistance, if applicable.** Projects serving Chronically Homeless Households must have Project Based Rental Assistance. If the Project is supported by Rental Assistance, insert either: a letter of interest specifying the terms of the Rental Assistance contract with a firm date to enter into a contract or other evidence of a Rental Assistance award. A Rental Assistance contract, confirming the commitment to provide Project Based Rental Assistance must be submitted to ADOH at least 30 days prior to the ADOH’s Loan Closing.
J. **Tab 10: Service Enriched Location – Grocery Store**

1. Insert Form 10 providing the name, location and distance to the Grocery Store claimed for points. The information on Form 10 for each Grocery Store claimed must be complete in order to receive the points. If Form 10 is incomplete, the Project will not be awarded points for that Grocery Store.

2. Applicant must provide evidence of the distance between the edge of the Project property line closest to the Grocery Store and the portion of the building that houses the Grocery Store using Google Earth or other comparable software. ADOH will use the measurements it calculates using Google Earth to determine whether the Project qualifies for points under this scoring category.

K. **Tab 11: Property Design Standards, Drawings and Plans**

Insert Form 11, Architect’s Certificate, stating that the architect has read Exhibit A Year 2019 Mandatory Design Standards for Multifamily Rental Housing, and certifies that the Project complies with Exhibit A, Exhibit B (if rehabilitation) and Exhibit C.

Insert Form 11-1 Architect’s Certificate of Building Efficiency. The ratio calculated as Residential Floor Area divided by Total Project Square Footage must be 60% or higher.

The Applicant must include preliminary drawings and renderings of the development including:

1. A site plan showing the general development of the site, streets bordering the site, the building and parking location. (Sites located on land that is not generally level must also show site topography.) Outdoor amenities claimed on Form 3 must be shown on the site plan. Municipal site plan approval is not required as of the Application Deadline.

2. The Unit layout and Residential Floor Area for each Unit type.

3. The building layout and net floor area for Common Area Facilities.

4. Plans and elevations for each proposed building and clubhouse.

L. **Tab 12: Utility Allowance Schedule**

1. Projects with one hundred percent (100%) Owner paid power (and if applicable, gas) are not required to submit a utility allowance schedule.

2. Projects supported by federally sourced Project Based Rental Assistance (i.e., Section 8 HAP Contracts) must submit copies of the most recent PHA-approved utility allowance and rent schedule.

3. Projects without federally sourced Project Based Rental Assistance may use either the HUD Utility Schedule Model or the energy consumption model
described below to determine the utility allowance required under 24 CFR 92.252(d). Submit the applicable documentation described below.

a. Utility allowances based upon the HUD Utility Schedule Model must be calculated using the instructions found on HUD’s website at the following URL: https://www.huduser.gov/portal/sites/default/files/pdf/HUSM-Instructions.pdf.

b. Utility allowances based on the energy consumption model (Treas. Reg. § 1.42-10(b)(4)(ii)(E)) must be prepared by a qualified professional as described in this paragraph. A qualified professional is a Certified RESNET Home Energy Rater who is in good standing with the Residential Energy Services Network (“RESNET”). Furthermore, the qualified professional must not be related to the building owner, Property Manager or any other entities owned or controlled by these parties within the meaning of I.R.C. § 267(b) or § 707(b).

i. The Certified RESNET Home Energy Rater shall perform an energy analysis for the property following the RESNET Home Energy Rating System Standards. The analysis shall establish an estimated utility allowance for each unit type based on the implementation of all ADOH approved design requirements. At Project final, and completion of all necessary verification testing and inspections, a RESNET “confirmed rating” or “sample rating” shall be issued for the Project.

ii. For Existing-Rehab and New Construction Projects, the Owner must submit to ADOH documentation that the “confirmed” or “sampled” rating is completed; include a report of the utility allowance estimates for each unit type. Once approved, the estimated utility allowances are to be utilized for the first year of building operation and rent calculations.

iii. For Existing-Rehab and New Construction Projects, at the conclusion of the first year of operation utilizing the utility allowance estimates, the qualified professional shall obtain from the appropriate utility companies actual utility bills for the previous twelve (12) months of building operation. The professional shall calculate the average actual utility bill allowance for each unit type for the property. The Owner must submit to ADOH a report of the average actual utility allowance for each unit type. Once approved, the new utility allowances are to be utilized for building operation and rent calculations for the property and must be updated and submitted annually to ADOH using the same process outlined in this paragraph.
M. Tab 13: Market Demand

Insert the following:

1. Narrative description of the market demand for the Project. Include a description regarding how the Project will be leased up and any information supporting the description of the market demand.

2. Affirmative Marketing Plan. Provide an affirmative marketing plan that is dated no earlier than three months prior to the Application Deadline and is completed in accordance with fair housing requirements. The marketing plan must specifically address any potentially adverse demographic, rent-up or market information for the primary market area identified in the narrative market demand description identified in the paragraph above. The marketing plan must indicate how Special Populations identified in the Application will be targeted. All projects must include the HUD Affirmative Fair Housing Marketing Plan (HUD Form 935-2a), which may be obtained through the following website: https://www.hud.gov/sites/documents/935-2A.PDF

The Marketing Plan must include outreach to the local Coordinated Entry and the local Public Housing Authority. In the event that the Project is at less than seventy-five percent (75%) occupancy after six (6) months from the receipt of the Certificate of Occupancy after coordinating with the local Coordinated Entry, the Owner must contact the local Public Housing Authority to occupy the units from the current, public housing waiting list.

If it deems it necessary, ADOH may request that additional market information be submitted with the Post Award submittals described in Section 3.1.

N. Tab 14: Transit Oriented Design

Applicants may earn points in the Transit Oriented Design scoring category by meeting the requirements under this Section. Insert Form 14 and all other documentation described on Form 14.

1. The Project must be located at or within the distances stated below, in Sections 2.6(N)(2)(a) – (b), of a Frequent Bus Transit System or a High Capacity Transit Station. Distance is measured from the closest edge point of the Project property line to the closest edge point of the bus stop or transit station.

2. Frequent Bus Transit or High Capacity Transit System must be in operation at the time of application. The bus route corridor must also provide one (1) or more
fixed route bus stops that are at or within the applicable straight line distance of
the proposed site as stated in (a)-(b) below

a. For a Project located in the Tucson or the Greater Phoenix area:
   1) Location is at or within one (1) mile (5,280') straight-line distance of the
      Project.

b. For project located in the Balance of State, or in areas in Maricopa or Pima
   County currently eligible for multifamily loan programs guaranteed by
   USDA Rural Development as reported on the following website.
   https://eligibility.scegov.usda.gov/eligibility/welcomeAction.do :
   1) Location is at or within two (2) miles (10,560') straight-line distance of the
      Project.

O. Tab 15: Supportive Housing Requirements

Supportive Services must be provided with the purpose of helping residents achieve
maximum possible self-sufficiency and maintain their permanent housing.

Projects will be required to coordinate intake with the local homeless Coordinated Entry
to the maximum extent that it is feasible.

1. The Supportive Services threshold requirements for Projects are as follows:

   a. Where the resident is eligible, the Applicant must coordinate to provide
      supportive services financed through the Regional Behavioral Health
      Authority (“RBHA”) to the Project. Applicants should contact the housing
      administrator at the RBHA to establish and/or formalize connection to an
      eligible behavioral health service provider.

   b. Insert a Supportive Services plan prepared by the Supportive Services
      Provider as outlined in Form 15 demonstrating proven capacity and
      experience to serve Homeless Households. Supportive Services must be
      tenant-centered and flexible with a focus on housing retention.

   c. Projects serving Homeless Households (who are not Chronically Homeless):
      Services may include individual person-centered planning, twenty-four (24)
      hour emergency on-call coverage, group and individual programming, on-
      site case management and life skills services, collaborative treatment with
      area providers, and on-site property management and client support
      staffing.

   d. Projects serving Chronically Homeless Households must:
      2) include all of the services listed in 1(c) directly above, and
3) ensure that the Supportive Services provided adhere to the fidelity standards of the Substance Abuse and Mental Health Services Administration ("SAMHSA") model. These additional Supportive Services, at a minimum, must include:

a) harm reduction strategies to reduce the consequences of substance use, if applicable;
b) twenty-four (24) hour on-call coverage;
c) on-site case management and coordination services;
d) on-site habilitation/life skills training;
e) on-site, or Contiguous and Accessible to the Project, Benefits Specialist;
f) on-site, or Contiguous and Accessible to the Project, on-going job training, search assistance and/or placement;
g) on-site, or Contiguous and Accessible to the Project, financial literacy classes;
h) on-site, or Contiguous and Accessible to the Project, computer training.

P. Tab 16: Capital Needs Assessment

1. Capital Needs Assessment. A Capital Needs Assessment ("CNA") is required as a threshold item for each Project that includes rehabilitation of a vacant building. The Application must include supporting documentation that validates the credentials of the licensed professional preparing the CNA.

a. Insert Form 16 (Certification of Qualified Professional).

b. The rehabilitation improvements and the amount of rehabilitation costs will be based on the CNA. ADOH shall utilize the services of an independent cost estimator in determining whether the rehabilitation and/or adaptive re-use costs are reasonable and meet the requirements of this NOFA. Applicant must provide a full set of plans and specifications in PDF format to the cost estimator upon completion of the plans, but no later than forty-five (45) days prior to the anticipated construction closing date. Cost of rehabilitation per Unit is determined by dividing "Total Direct Construction Costs" on Form 3 by the number of Units.

c. The CNA report must be prepared by a qualified professional (architect or engineer) who has no financial interest in the Project and no identity of
interest with the Developer. For purposes of this NOFA, a “qualified professional” is a licensed professional architect or engineer, who can substantiate a minimum of five (5) years’ experience providing CNA reports in accordance with ADOH standards, and who performs the assessment and supplies ADOH with their professional opinion of the property’s current overall physical condition. The preparer must insert Form 16 in the front of the CNA certifying that it meets these requirements. CNAs must conform to the requirements of this NOFA including the Form 16 certification. The CNA must include the identification of significant deferred maintenance, existing deficiencies, and material building code violations that affect the property’s use and its structural or mechanical integrity. Furthermore, the CNA must examine and analyze the following building components:

1) Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities, and lines.

2) Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage.

3) Interiors, including Unit and common area finishes (carpeting, vinyl tile, interior walls, paint condition, etc.), Unit kitchen finishes and appliances, Unit bathroom finishes and fixtures, and common area lobbies and corridors.

4) Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, and fire protection.

5) Elevators (if applicable).

6) Provide building life cycle study that lists each building component, the base cost and opinions of probable cost immediately (critical repair item), within two (2) years, and within ten (10) years along with an analysis of the reserves for replacement needed to fund long-term physical needs of the Project, accounting for inflation, the existing reserves for replacement balance, and the expected useful life of major building systems.

d. The CNA must also include the following major parts:

1) All health and safety deficiencies or violations of Uniform Physical Conditions Standards (“UPCS”) under 24 CFR 5.705, requiring immediate remediation. If the Project has tenants, these repairs are to be made a first priority.
2) Repairs, replacements, and significant deferred and other maintenance items that need to be addressed within twenty-four (24) months of the date of the CNA. Include any necessary redesign of the Project and market amenities needed to restore the property to the standard outlined in this NOFA, and Exhibits A and B.

3) Repairs and replacements beyond the first two (2) years that are required to maintain the Project’s physical integrity over the next twenty years, such as major structural systems.

e. The professional preparing the CNA report must:

1) Conduct site inspections of a minimum of thirty-five percent (35%) of all Units. Units must be randomly sampled and also include a pro-rata portion of each type of Unit while taking into consideration the Unit size mix (i.e. one (1) bedroom, two (2) bedroom, etc.).

2) Identify any physical deficiencies based upon a: 1) visual survey; 2) review of pertinent documentation; and 3) interviews with the property owner as of the date of the CNA, community groups, and government officials. If a management company is managing the vacant building on behalf of the property owner, the management agent and any maintenance personnel shall also be interviewed.

3) Identify physical deficiencies, including critical repair items, two (2) year physical needs, and long-term physical needs. These must include repair items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations that would limit the expected useful life of major components or systems.

4) Explain how the Project will meet the requirements for accessibility to persons with disabilities. Identify the physical obstacles and describe methods to make the Project more accessible, and list needed repair items in the rehabilitation plan.

5) Prepare a rehabilitation plan, addressing separately all two (2) year and long-term physical needs. Long-term physical needs anticipated during the first twenty years of the Period of Affordability must be included in the rehabilitation scope of work.

6) Conduct a cost/benefit analysis of each significant work item in the rehabilitation plan (items greater than $5,000) that represents an improvement or upgrade that will result in reduced operating expenses
(i.e. individual utility metering, extra insulation, thermo-pane windows, setback thermostats). Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of building systems.

7) The assessment must include a site visit and physical inspection of the interior and exterior of the units and structures, as well as an interview with any applicable on-site property management and maintenance personnel to inquire about past repairs/improvements and an examination of invoices, contracts or work orders relating to the repairs/improvements over the last twenty-four (24) months, pending repairs, and existing or chronic physical deficiencies. Any information from the interview must be included in the CNA. The assessment must also consider the presence of hazardous materials on the site.

III. Post Award Submittals

3.1 Post Award Submittals

Projects must provide the following documents within 150 calendar days from the date of the Award Letter. Each of the following documents will be reviewed by the ADOH as the second phase of the Application. In the event that any of the documents submitted does not meet the requirements of this NOFA or negatively impacts the feasibility of the Project, ADOH may, in its sole discretion, provide five (5) business days to cure the deficiency. If the deficiency is not cured within the five (5) business days provided, ADOH will cancel any award that was extended to the Project.

All documents submitted shall be in electronic format and uploaded to the ADOH Rental Development Portal except as noted below where a hard copy format is also required.

A. IRS Documentation for Employer Identification Number (“EIN”) for the entity that will own the Project and be the recipient of the ADOH loan.

B. 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 for all projects.

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.

C. 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

D. Soil/Geotechnical Report

E. ALTA Site Survey

F. Copies of other Environmental reports that have been conducted by other governmental entities, if applicable.

G. RESNET HERS Index Analysis

1. Insert an energy analysis prepared by a Certified RESNET Home Energy Rater as follows:
a. In New Construction residential buildings, perform an energy analysis utilizing a Certified RESNET Home Energy Rater following the RESNET Home Energy Rating System Standards based upon the Project’s City-approved plans and specifications. All New Construction buildings will be required to achieve a weighted average HERS Index of sixty-five (65).

b. In Rehabilitation residential buildings, perform an energy analysis utilizing a Certified RESNET Home Energy Rater following the RESNET Home Energy Rating System Standards. The HERS Rater must evaluate the building to establish a HERS Index for the existing building condition, and then prepare an energy improvement report, which identifies cost-effective energy improvements that achieve a minimum of fifteen percent (15%) reduction in energy usage over the existing building condition. Those recommended improvements must be incorporated into the rehabilitation plans and specifications. The weighted average HERS Index that equates to a fifteen percent (15%) reduction, excluding the use of renewable energy, will be required by ADOH.

2. The final HERS Index must be submitted after testing is completed at the conclusion of construction. Common areas must use construction materials and methods consistent with those used in the dwelling Units, where possible.

To verify the projected HERS score, Applicant must provide a certification from a Certified RESNET Home Energy Rater that the Project’s schematic design has been reviewed and it is possible for Applicant to achieve the projected HERS Index score. In the event Applicant does not meet the projected HERS Index score, ADOH will withhold funding until Applicant provides ADOH with: 1) a method to improve the energy efficiency of the building, excluding the use of renewable energy, to achieve the approved projected HERS Index score, and 2) the improvements have been completed.

3.2 Loan Closing

A. Underwriting

The following items must be submitted at least thirty (30) days prior to the construction loan closing. ADOH will perform its second underwriting at this time. All documents must be uploaded to the ADOH Rental Development Portal. Where specifically stated, documents must also be provided in hard copy format. In the event that ADOH makes a written inquiry to request further information or to address deficiencies in the construction closing submittal, Applicants must provide a complete and substantive response within five business days of the inquiry to avoid rejection of the package. ADOH may request further documentation, as it deems it necessary to secure its loan.
1. Updated notarized Owner Certification & Indemnification (Hard copy required.)
2. Updated Form 3 that includes terms and conditions under which the Project will close.
3. Updated title report. (ADOH will require a Lender’s Policy with the applicable endorsements.)
4. If the Land has been purchased, a copy of the final settlement statement.
5. Final documents for all sources of financing for the Project including a form of Deferred Developer Fee Note, if applicable. (Hard copy required.)
   a. All terms and conditions must be included.
   b. Executed copies must be received within five (5) days after the equity closing.
6. Final draft construction contracts and all attachments thereto. (Hard copy required.)
   a. Form of Contractor’s Payment and Performance Bond in an amount and form that is satisfactory to ADOH.
   b. General contractor’s contract in final form that is acceptable to ADOH.
   c. Subcontracts between General Contractor and all Subcontractors in place at the time of submittal, or as soon as they are executed.
7. Legible full set of Local Government approved stamped Plans and Specifications, in PDF format. (ADOH should be able to zoom in and read all text in the plans.) Additional information such as photos shall be provided upon request. The plans shall include the Residential Floor Area and Total Project Square Footage as defined in this NOFA.
8. Fair Housing Accessibility Checklist (Form 17)
9. Building permits (within five (5) days of closing on the construction loan).
10. Updated Form 11 - Architect Certification evidencing compliance with Exhibit A, Exhibit B, the Fair Housing Act, Exhibit C - the Housing First Model, and other Federal requirements.
11. Updated project schedule. (Form 1)
12. GANNT Chart with construction schedule.
13. Eight by ten (8 x 10) photograph of an erected sign at the construction site listing all sources of financing. The sign must be a minimum size of twenty-four (24) inches high by thirty-six (36) inches wide, include a minimum five (5) inch high
ADOH logo and text printed at a minimum seventy-two (72) point font. An individual ADOH sign does not have to be provided if incorporated into a larger group sign.

14. A Succession Plan prepared by the Applicant that identifies how the Non-Profit Organization’s operations will continue in its current capacity, should key personnel with the expertise and knowledge identified in Tab 6 leave the organization;

15. 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.

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

17. Evidence of Rental Assistance award, if applicable.

18. Subsidy layering review, as applicable for federally funded projects. (Hard copy required.)
19. 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.

20. Certification that there is no pending litigation against the Owner, Developer and (if applicable) Co-Developer.

B. 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 (aka Loan Agreement)
- Promissory Note
- Conditions, Covenants and Restrictions (“CC&Rs”)
- Deed of Trust
- Assignment of Rents
- Assignment of Architectural Agreements & Plans and Specifications
- Assignment of Construction Contract
- Assignment of Management Agreement
- Environmental Indemnity Agreement
- UCCs
- Disbursement Agreement
- Assignment of Reserves

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. ADOH will require each subordinate lender 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 first position on the
property for a Period of Affordability based upon the most restrictive source of ADOH funding to the Project. ADOH will secure its financing through a Deed of Trust recorded on land owned by the owner/operator through fee simple ownership.

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. Completed and executed ADOH Request for Payment and supporting documentation
   e. Executed Payment and Performance Bond that is acceptable to ADOH
   f. Executed construction contracts (general contractor and subcontracts)
   g. A schedule of all subcontractors and contract amounts that are consistent with the construction contract, subcontracts and schedule of values provided for underwriting.
   h. A flow of funds reflecting the anticipated requests for payment each month during the construction period, which shall be signed by both the Applicant and general contractor.
   i. Title company acceptance of final escrow instructions that includes the recording priority of all documents to be recorded in conjunction with the closing
   j. 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.

C. 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. Conditional Lien Waivers from the General Contractor and all subcontractors for the current month’s invoice.

6. Unconditional Lien Waivers from the General Contractor and all subcontractors for the prior month’s invoice using the form stipulated in A.R.S. 33-1008.

7. Copies of cancelled checks evidencing the payment from the Applicant to the general contractor and from the general contractor to the subcontractor for the prior month’s invoice. (The amounts must match the amounts of the unconditional lien waivers stipulated directly above.)

8. Date Down Endorsement

Upon review and approval, ADOH shall issue payment to the Borrower to pay the invoices.

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. Change Orders

1. Applicant shall submit copies of proposed change orders for ADOH’s approval prior to commencement of work. The plans and specifications prepared and approved by the Local Government prior to closing must be complete. Change orders will only be approved for items substantiated as required by Local Government building inspectors, and as deemed necessary by ADOH for health and safety of the residents. “Betterments” will not be approved.

2. Upon approval, Applicant must provide a copy of the updated subcontract that includes the scope of work stipulated in the approved change order.

C. Material Changes

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

E. 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

Upon receipt and approval of each of the items described below 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.) Applicant must respond to any ADOH inquiries regarding the submittal within five business days. Applicant must submit each of the documents requested in this section of the NOFA via the ADOH Rental Development Portal. The documents also required in hard copy format must be submitted in eight and one-half by eleven (8 ½ x 11) format, bound in a three (3) ring binder, and Tabbed accordingly:

A. Updated Form 3.

B. Project Closeout Report on ADOH form.
C. Final title search providing evidence that there are no outstanding liens on the property.

D. A fifteen (15) year pro forma starting with the date the Project receives its final certificate of occupancy. ADOH will underwrite the Project’s cash flow based upon stabilized occupancy.

E. All certificates of occupancy, issued by the appropriate governmental authorities, for qualifying buildings that must indicate the dates the buildings were completed. Each certificate of occupancy must include the building address for that building.

F. A copy of the final cost certification, if any, required by another funding source.

G. Copies of the restrictive covenants from any gap financing from other sources. (Hard copy required.)

H. Evidence that separate bank accounts have been established for the Project’s operations, reserves and tenant security deposits. Upon funding of the 18-month Operating Reserve, Applicant shall provide evidence that such reserve has been deposited into the Project’s reserve bank account.

I. One (1) eight by ten (8 x 10) inch color photograph of at least one (1) of the Project’s buildings with signage.

J. Executed Architect’s Certificate on ADOH form certifying that the Project meets ADOH’s design standards.

K. ADOH Fair Housing Accessibility Checklist form, executed by the Project Architect.

L. Completed and signed certification from the contractor (ADOH Contractor’s Certificate form) that the Project was built in compliance with the plans and specifications provided by the architect and as described in the Application.

M. Completed ADOH Operational Risk Management form.

N. Proof of flood insurance or verification that property is not located in a flood zone.

O. Updated title report.

P. As built survey, drawings, and specifications of completed Project.

Q. Certification on ADOH’s form that there is no pending litigation against the Owner, Developer or Co-Developer.

R. An insurance certificate evidencing that ADOH is an additional insured for the insurance required in the loan documents.

S. Any additional information requested by ADOH.
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’s underwriting review process of Applications focuses on the feasibility and the long-term viability of the Project.

5.1 Underwriting Financial Evaluation Requirements

A. Underwriting Process

A Project will undergo the underwriting process a minimum of three (3) times: 1) prior to issuing a Funding Award; 2) prior to closing; and 3) prior to final payment. ADOH may request, at any time, updated information needed to perform an interim underwriting and evaluation if a Material Change has occurred.

B. ADOH Analysis

Based on information submitted and other relevant information available, ADOH analyzes and, if necessary, adjusts the financial considerations in accordance with this NOFA. ADOH will review development costs, Permanent Financing sources and amounts, public funding amounts, Developer Fees, projected rents, projected Operating Expenses, vacancy rates, and other financial considerations of a Project as necessary in accordance with this NOFA, and reserves the right to contact other financing sources directly to obtain additional information, if needed. Based on its review ADOH may make adjustments as necessary to ensure that proposed sources and uses of funds and other financial considerations are reasonable. ADOH will award funding under this NOFA based on its determination. ADOH may deny an Application, or revoke an award if ADOH concludes that:

1. Sources of funds are insufficient to finance the Total Development Cost of the Project;
2. Operating revenues are insufficient to ensure the viability of the Project through the end of the Period of Affordability according to the standards described in this NOFA;
3. The Project does not generate sufficient income to cover Operating Expenses and ADOH debt service (subordinate financing shall not include a hard payment);
4. The Application is inconsistent with the requirements A.R.S § 41-3953;
5. The Application is inconsistent with applicable federal law including without limitation the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794), the program requirements for any source of funding and any requirements or conditions described in an applicable notice of funding availability;

6. The Application fails to reasonably meet the underwriting standards and guidance described in this NOFA;

7. The information submitted is insufficient to permit ADOH to make a determination on the Project’s feasibility and long term viability;

8. A submittal contains material errors and inconsistencies including without limitation incorrect or contradictory information, incorrect numbers, and mathematical errors; or

9. A Project is collateralized by other real property.

C. Operating Budget and Proforma - Threshold Requirements and Standards.

1. Rental Analysis - Form 3. ADOH restricts costs in the operating budget to the costs directly associated with operating the Project.

   a. Rental Analysis. Gross Rent paid by the tenant shall not exceed 30% of the imputed income restriction for the Unit. In addition, Project rents shall:

      1) Not exceed the maximum allowable permitted by HOME and NHTF regulations.

      2) Undergo verification of adjustments to rent made during the underwriting process to be in line with the market.

   b. Additional Monthly Income.

      1) ADOH restricts miscellaneous monthly income to no more than $20 per Unit per month.

      2) Rental assistance may be considered as additional income if supported by the funding source documents at Tab 8.

2. Vacancy. ADOH will underwrite to a stabilized Project vacancy rate of five percent (5%). Annual Operating Expenses - Form 3. If ADOH does not receive a waiver request with evidence that similar properties in the Applicant’s portfolio are currently operating at a different cost standard, ADOH will underwrite annual Operating Expenses at $4,700 per Unit per year, not including replacement reserves and resident Supportive Services. Any employee Unit, whether or not it is rent-commanding, is included in the calculation of Operating Expenses. The $4,700 Operating Expense assumption also assumes that the
utilities for the Units will be broken down as follows: 1) tenants will pay for power and gas in their Units; and 2) water, sewer, and trash expenses will be borne by the Owner. If the Owner is paying for power and/or gas in the Units, ADOH will underwrite to the $4,700 Operating Expense assumed earlier in the paragraph, plus the allowance for the utility paid for by the Owner. The utility allowance shall be underwritten using the PHA published utility allowances until the HERS Rater analysis has been completed. Upon completion of the HERS Rater analysis required at Section 3.1(D) of this NOFA, the Operating Expenses will be adjusted to reflect the HERS Rater analysis.

Waivers will be required for an operating budget that is more than $100 per unit per year higher or lower than this standard. Waivers for operating budgets that are higher than the standard must demonstrate that the additional costs are reasonable and necessary for project operations. Waivers will only be considered where the Developer can demonstrate by providing past operating statements from similar properties over which the Developer has a Controlling Interest, which demonstrate capacity to operate the Project within the proposed operating budget without deferred maintenance.

a. Replacement Reserves. ADOH will underwrite replacement reserves at the rate of $350 per Unit per year. Replacement reserves must be shown on the Project pro forma beginning in year one (1) and must increase at three percent (3%) per year during the Period of Affordability.

b. Costs for Supportive Services may be included in the pro-forma. Thus, a Supportive Housing operating budget that includes Supportive Services must equal the sum of the annual Operating Expenses plus the annual cost for the Supportive Services identified in the contract for the Supportive Services between the Project Owner and Supportive Services Provider. Increases in the cost of Supportive Housing Supportive Services shall only be considered under a Material Change request for unforeseen, extraordinary circumstances.

c. The proposed management company must submit a statement at time of application confirming that the Operating Expense projections are reasonable.

3. Project Pro forma/Cash Flow Analysis

a. Yearly Increases. Revenues and expenses shown on the pro forma must increase annually at two percent (2%) and three percent (3%) respectively. Annual replacement reserve obligations must increase at three percent (3%) per year.
D. ADOH Loan Parameters.

ADOH will provide the primary construction and Permanent Financing as the senior lender. Other loans requiring a hard payment are not permitted under this NOFA. ADOH anticipates that ADOH funds awarded under this NOFA will comprise the majority, if not all, of the Project financing. However, Applicants are encouraged to leverage the SHF with other subordinate soft funding sources.

1. Loan Terms:
   a. ADOH loans awarded under this NOFA shall be secured through a Deed of Trust in first lien position, and accrue simple interest annually at the long-term applicable federal rate.
   b. ADOH will determine the term of the loan based upon the longest period of affordability associated with the source of the funds awarded (15-30 years).
   c. Any remaining balance may be forgivable upon maturity of the loan, assuming the owner is compliant with the loan terms during the loan term. In the event the Project is sold or transferred before maturity, the loan shall be repayable in full.
   d. The annual payment shall be a fixed annual hard payment to be determined by ADOH during underwriting.
   e. Any cash flow from property operations remaining after the payment to ADOH has been made may be used to 1) repay a subordinate Local Government loan 2) pay Deferred Developer Fee acknowledged in the ADOH loan documents, or 3) placed in reserves for future operations or capital replacements. Cash flow may not be distributed for any other purpose.

2. Maximum State Investment:

ADOH will determine the source of funds to be awarded to the Project and whether it deems the Development Budget to be reasonable in comparison to other similar developments and the market.

The Maximum State Investment per Unit permitted by source is found in the following table. (The Maximum State Investment per Unit is a ceiling.)

<table>
<thead>
<tr>
<th>Project Area in Arizona</th>
<th>Cost/unit 0 bedroom</th>
<th>Cost/unit 1 bedroom</th>
<th>Cost/unit 2 bedroom</th>
<th>Cost/unit 3 bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas</td>
<td>$149,868</td>
<td>$171,802</td>
<td>$208,913</td>
<td>$270,266</td>
</tr>
</tbody>
</table>
3. Period of Affordability:
   The minimum Period of Affordability for Projects required under this NOFA is 30 years.

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.

E. 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:

<table>
<thead>
<tr>
<th>Project Hard Costs</th>
<th>Project Soft Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Acquisition of land (for a specific project) and existing structures</td>
<td>• Title binders and insurance</td>
</tr>
<tr>
<td>• On-site costs, such as site preparation or improvement, including demolition</td>
<td>• Surety fees (surety bond/performance bond)</td>
</tr>
<tr>
<td>• Materials and labor</td>
<td>• Recordation fees; transaction taxes</td>
</tr>
<tr>
<td>• Accessibility improvements to meet the Fair Housing Act and Section 504</td>
<td>• Legal and accounting, including cost certifications</td>
</tr>
<tr>
<td>• In pre-1978 structures, compliance with HUD and ADOH's Lead Based Paint regulations</td>
<td>• Appraisals</td>
</tr>
<tr>
<td>• Energy-related improvements</td>
<td>• Architectural/engineering fees, including specifications and job progress inspections</td>
</tr>
<tr>
<td></td>
<td>• Environmental reviews</td>
</tr>
<tr>
<td></td>
<td>• Builder or developer fees within ADOH caps</td>
</tr>
<tr>
<td></td>
<td>• Affirmative marketing, initial leasing and marketing costs</td>
</tr>
<tr>
<td></td>
<td>• Operating deficit reserves (up to eighteen (18) months)</td>
</tr>
</tbody>
</table>
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).
- Personal Property (Furniture & Fixtures).

a. Acquisition costs:

ADOH will limit acquisition costs in the Development Budget to the lowest of: original purchase price with documented extension fees and holding costs, or the “As-Is” Market Value in the appraisal submitted with the application. “As-If” prospective values are not an acceptable form of valuation for determination of acquisition costs.

i. Projects which include Acquisition/Demolition and New Construction components are limited to the “As If” Vacant Land value. The value of buildings to be demolished (or torn down to the foundation) shall not be included in the Development Budget.

ii. For Projects that include Acquisition/Rehabilitation or Adaptive Re-Use components, the value of the land shall be the “As If” Vacant Land value. The remaining value of the “As-Is” Market Value of the land and buildings combined shall be allocated to the building(s).

b. Construction Contingency. Applications shall include a minimum hard cost contingency of five percent (5%) of the Total Direct Construction Cost line item for New Construction and seven percent (7%) of the Total Direct Construction Cost line item for all other project types. The maximum hard cost contingency for all project types is ten percent (10%) of the “Total Direct Construction Cost” line item. Rehabilitation projects and Acquisition/Demo projects may also include a hazardous waste contingency of up to seven percent (7%) of the “Total Direct Construction Cost” line item.
c. Developer Fee Limits. The total amount of Developer Fee that can be included in Line 116 of the Development Budget shall be limited to $150,000. The Developer Fee also includes overhead and profit, construction management fees, non-profit fees, and all consultant fees to perform development work including but not limited to preparation of applications, and representation of the Applicant to obtain entitlements, coordinate utilities, inspect construction, purchase furniture and fixtures. The total Developer Fee first submitted shall not be increased.

d. Builder’s Profit, Overhead, and General Requirement Limits. These limits are calculated as a percentage of line item “Subtotal Direct Construction Costs” (Cell D59 on Line 47 of Form 3 Pages 8 - 11) as set forth in the Table below:

<table>
<thead>
<tr>
<th>Builder’s Profit, Overhead and General Requirements</th>
<th>Percent of Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project size in Units</td>
<td>1-15  16-30  31-45  46-60  61+</td>
</tr>
<tr>
<td>Builder’s profit</td>
<td>06.00  05.75  05.50  05.25  05.00</td>
</tr>
<tr>
<td>Builder’s overhead</td>
<td>03.00  02.75  02.50  02.25  02.00</td>
</tr>
<tr>
<td>General requirements</td>
<td>06.00  05.75  05.50  05.25  05.00</td>
</tr>
<tr>
<td>Total maximum percentage</td>
<td>15.00  14.25  13.50  12.75  12.00</td>
</tr>
</tbody>
</table>

NOTE: General Requirements include Project-related site costs such as temporary fencing, utilities to the site during construction, job site supervision, job site office and similar costs.

e. Architectural and Engineering Fees. Architectural and engineering fees, including design and inspection costs that can be included in the Development Budget shall be limited to $4,500 per Unit for acquisition/rehabilitation and the limits in the following Table for new construction, acquisition/demolition/new construction or adaptive re-use. The limits include architectural design and construction administration, structural engineering, civil engineering, mechanical engineering, electrical engineering, plumbing engineering, landscape architecture, green consultant/LEED rater, and geotechnical engineering (including the soils report), and the cost of architectural design and civil engineering associated with re-zoning (prior to Application) and site plan approvals. Applicants with extensive off-site civil engineering in remote areas may request a waiver, with justification and other sources to fund the off-site civil engineering and construction costs.
f. Capitalized Reserve Requirements. Capitalized Reserves included in the Development Budget are limited to the following:

1) 18-Month Initial Operating Deficit Reserve. A minimum of six (6) months of Operating Expenses must be shown in the Development Budget to cover up to the first eighteen months of operating deficits. Up to eighteen months of Operating Expenses may be included in the Development Budget. Funds from this reserve are to be used solely to cover Project Operating Expenses as defined in this NOFA when revenues are not sufficient during the first eighteen months of the period beginning when the Project receives a Certificate of Occupancy. Any remaining funds after the initial eighteen months may be used to repay any Deferred Developer Fee and the ADOH loan.

g. Replacement Reserve. Replacement reserves shall not be capitalized in the Development Budget.

4. Application submitted during any round may only include one (1) set of proposed funding sources. The ADOH will not consider multiple financial scenarios submitted with the original Application.

5. All financing sources must be in place at the time of Application. A Project will be ineligible for an award of ADOH financing if any of the committed funding sources in the Application will not be available in an amount or under the terms described in the Application. Commitments for funding sources may not include any terms that would reduce the amount committed.

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 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 following Forms are hereby incorporated into this NOFA and are to be included with the Application, as directed in this NOFA. Exhibits and Forms are posted on the Department’s website at www.housing.az.gov.

- Form 0 Application Receipt Form
- Form 1 Project Schedule
- Form 2 Self-Score Sheet
- Form 3 Application & Certifications
- Form 4 Form of Applicant Resolution
- Form 6 Development Team Experience
- Form 6-1 Supportive Housing Development Experience
- Form 6-2 Schedule of Real Estate Owned
- Form 6-3 Management Company Experience
- Form 8 Planning and Zoning Verification
- Form 10 Schedule of Facilities – Grocery Store
- Form 11 Architect’s Certificate
- Form 11-1 Architect’s Certificate of Building Efficiency
- Form 11-2 Sustainability Survey (optional)
- Form 14 Transit Oriented Design Checklist
- Form 15 Supportive Services Plan
- Form 16 Certification of Qualified Professional – CNA
Definitions

The following definitions shall apply to this NOFA. Terms that are not specifically defined in this here 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. All capitalized terms not otherwise defined in the NOFA shall have the meaning assigned to them in this Definitions section.

“A.R.S.” means the Arizona Revised Statutes, as amended from time to time.

“Actual Age” means the number of years that have elapsed since construction of an improvement was completed; also called historical or chronological age.

“ADOH” means the Arizona Department of Housing.

“Affiliate” means any Person or entity, which directly or indirectly owns or controls another Person by having any family relationship, ownership interest or a Controlling Interest in that Person.

“Affordable Housing” means a multifamily residential rental development with recorded use restrictions limiting the income of tenants and using one (1) or any combination of the following funding sources: Low Income Housing Tax Credits; HUD HOME Investment Partnerships Sections 202, 207, 220, 223, 231, 811, and HOPE VI programs; Native American Housing Assistance and Self-Determination Act; USDA/RD Sections 514, 515, 516 and 538 programs; the National Housing Trust Fund or the Arizona Housing Trust Fund.

“Applicant” means an existing legal entity or an individual submitting an Application.

“Application” means the application described in this NOFA.

“Application Deadline” means on or before 4:00 p.m. Mountain Standard Time of the day designated by ADOH as the last day to submit an Application under this NOFA.

“Appraisal” means an estimate of the value of the Project’s real property based on market information, including comparable properties, that is current through the period ending no earlier than six (6) months before the Application Deadline; and that is prepared in accordance with the Uniform Standards of Professional Appraisal Practice by an analyst who does not have a Controlling Interest in the Development Team, bond issuer or user of bond proceeds and who is authorized to render the Appraisal in Arizona. An Appraisal that deviates from the requirements of this paragraph must provide a detailed explanation of why the deviation cannot be avoided.

“AMGI” means the measure of household income, published by HUD, adjusted for family size (i.e. “sixty percent (60%) of AMGI”, “fifty percent (50%) of AMGI”) and as the base in
calculations that yield maximum rents by number of bedrooms. (See the “Imputed Incomes/Allowable Rents” Tables posted on the ADOH website at www.housing.az.gov.)

“As-Is” Market Value” means the Fee Simple Interest value of the property appraised in the condition observed upon inspection and as it physically and legally exists at the time of the appraisal without hypothetical conditions, assumptions, or qualifications on the effective date of the appraisal, and under the following conditions:

1. Buyer and seller are typically motivated;
2. Buyer and seller are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (Title XI, FIRREA, 34.42(f)).

“Authorized Signatory” means an individual who is authorized to execute a binding document on behalf of a corporation, partnership or other legal entity.

“Award Letter” means a letter from a governmental or quasi-governmental agency (i.e. the Federal Home Loan Bank) stating that funds in a specific amount are awarded or are to be awarded to the Project in a specific time frame.

“Balance of State Area” means an area outside of Maricopa County and Pima County.

“Builder” means the general contractor.

“Capital Needs Assessment” or “CNA” means the assessment as set forth in Section 2.6(P).

“Case Management” means a collaborative process of assessment, planning, implementation, coordination, monitoring and evaluation of the options and services required to meet a client’s health and human service needs. It is characterized by advocacy, communication, and resource management and promotes quality and cost-effective interventions and outcomes.

“CDBG” means Community Development Block Grant program.

“Census Designated Place” means a statistical entity, defined for each decennial census according to Census Bureau guidelines, comprised of a densely settled concentration of population that is not within an incorporated place, but is locally identified by a name. CDPs are delineated cooperatively by state and local officials and the Census Bureau, following Census Bureau guidelines. Beginning with Census 2000 there are no size limits.
“Chronically Homeless” means an individual and/or family who has experienced at least two (2) episodes of shelter living and has a substantiated need for long term Case Management and Supportive Services as demonstrated by 1) a Vulnerability Index-Service Prioritization Decision Assistance Tool (“VI-SPDAT”) score of nine (9) or higher, or 2) a Family Service Prioritization Decision Tool (“Family SPDAT”) score of 54 or higher. Homeless individuals and/or families must be registered in the Homeless Management Information System (“HMIS”), with the exception of domestic violence victims.

“Co-Developer” means the Non-Profit Organization identified in Form 3 and Tab 6/Form 6 as the Co-Developer who is also one (1) of two (2) or more Developers of the same Project and which will actively participate in the development of the Project and will receive at least ten percent (10%) of the Developer Fee.


“Common Area Facilities” means on-site laundry facilities, site office, maintenance and storage areas, community rooms and community service facilities as described in Exhibit A.

“Consultant” means an advisor to the Development Team or to any member of the Development Team.

“Controlling Interest” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the means of ownership, position, contract or otherwise. The holder of a more than fifty percent (50%) ownership in a legal entity is automatically determined to have a Controlling Interest in that legal entity.

“Deferred Developer Fee” means a certain sum of money owed to the Developer and evidenced by a promissory note, partnership agreement or other written agreement acceptable to ADOD, such fee to be repaid from the Project’s cash flow after payment of Operating Expenses of the Project and after payment of debt service for all superior liens.

“Developer” means the Non-Profit Organization identified in Form 3 and Tab 6/Form 6 as the Developer for the Project, who must be listed in any agreement regarding the development fee as the Person receiving a majority of the Developer Fee, is responsible for preparing the Project for residential use as an affordable housing Project and is responsible for ensuring that a material portion of all phases of the development process are accomplished.

“Developer Fee” means the amount identified in the Form 3 and Project Owner’s organizational documents as the fee being paid to the Developer.

“Development Budget” means the cost categories listed on Pages 8 - 11 in Form 3 that are directly related to the proposed Project as submitted in the Application. Please see Section 5.1 regarding eligible expenses that may be included in the Development Budget.
“Development Team” means the entities and professionals assembled to develop and manage the Project, typically including the Applicant, Owner, Developer(s), Co-Developer(s) and general partner or any other related entities in which the Developer or Co-Developer has an identity of interest or a Controlling Interest.

“Effective Age” means the age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. It is the age indicated by the condition and utility of a structure and is based on an appraiser’s judgment and interpretation of market perceptions. The maintenance standards of owners or occupants can influence the pace of building depreciation. If one building is better maintained than other buildings in its market area, the effective age of that building may be less than its Actual Age. If a building is poorly maintained, its effective age may be greater than its Actual Age. If a building has received typical maintenance, its effective age and Actual Age may be the same.

“Facility” means the building that houses a community amenity for which points are available under the Service Enriched Location scoring category as follows: Grocery Store.

“Family” and “Families” means a household with one (1) or more persons, which may not exclude households with children.

“Fee Simple Interest” means absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (The Dictionary of Real Estate Appraisal, American Institute of Real Estate Appraisers, (Chicago, IL; AIREA, 1993), p. 140.)

“Financial Statements” means a complete and accurate balance sheet, income statement, cashflow statement and accompanying notes prepared according to generally accepted accounting principles and reviewed or audited by a certified public accountant.

“Grocery Store” means a full scale supermarket or neighborhood market where at least 5,000 gross interior square feet are dedicated to products which shall include each of the following categories: fresh meat, fresh produce, fresh dairy products, baked goods, toiletries, baby food and diapers, cleaning products, paper towels and toilet paper, beverages, canned vegetables and fruits, cooking oils, flour, sugar and frozen foods. The following full service supermarket chains shall automatically qualify for these points: AJ’s Fine Foods, Albertsons, Bashas’ Grocery Stores, Costco, Fry’s Food and Drug, Food City, IGA, Los Altos Ranch Market, Safeway, Sam’s Club, Sprouts Farmers Market, Walmart Supercenter, Walmart Neighborhood Market, Whole Foods Market and WinCo Foods.

“Gross Rent” means the contract rent plus any tenant-paid utility allowance.

“Historic Preservation Project” means a Project with: 1) a structure individually listed in the National Register of Historic Places; or 2) a structure certified by the National Parks Service as
contributing to a Register District; or 3) that is located within an area that has been zoned as a historic area. A Register District is a designated area listed in the National Register or listed under state statute or local ordinance as substantially meeting the requirements for listing of districts in the National Register.

“Home Energy Rating System” or “HERS” means a rating system for a home energy analysis of home design and construction plans established by the Residential Energy Services Network, a nonprofit membership corporation whose standards are officially recognized by the US Government and mortgage industry.

“Homeless Household” means an individual and/or family who qualifies under a “category of homeless” under the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (“HEARTH Act”) codified in 24 CFR Parts 91, 582 and 583 as defined in on page 75994 et. seq. of the Federal Register dated December 5, 2011.

“Homeless Management Information System” ("HMIS") is a software application designed to record and store client-level information on the characteristics and service needs of homeless persons. An HMIS is typically a web-based software application that homeless assistance providers use to coordinate care, manage their operations and better serve their clients.

“HUD” means the United States Department of Housing and Urban Development.

“I.R.C.” means the Internal Revenue Code

“IRS” means the Internal Revenue Service.

“Local Government” means the governing body of the city, town, county or Tribal government having jurisdiction over the real property upon which the Project will be located.

“Low-Income Unit” means a Unit that meets the income and rent limitation applicable HOME and National Housing Trust Fund regulations.

“Max” or “Maximum Points” means the highest amount of points that may be awarded by the ADOH in each scoring category.

“Multi-Family Housing” means a building or structure that is designed to house two (2) or more different households in separate housing Units which have full kitchen facilities including oven/range, refrigerator, kitchen sink with hot and cold water supply and food storage facilities and at least one (1) full bathroom facility(s), one (1) full bedroom and one (1) living area (including a combination thereof such as studio arrangements).

“Non-Profit Organization” means an existing entity formed and maintained as an I.R.C. § 501(c)(3) or (4) organization and is exempt from the tax under I.R.C. § 501(a).

“On-site” means directly located on the property of the Project.
“Operating Expenses” means for any given period of time the fixed and variable expenses of operating the Project on an accrual basis, limited to the following expenses, as applicable: 1) administrative (i.e. accounting and auditing, attorney and payroll); 2) operating and management expenses and fees (i.e. utilities, marketing, leasing, advertisement, commission and promotional costs); 3) maintenance and repair costs of the Project; 4) general real estate taxes; 5) ground/land lease costs; 6) premiums of insurance carried on or with respect to the Project; 7) costs of utilities for the Project; 8) replacement and operating reserves not to exceed the amount required by the primary debt lender and syndicator; and 9) Supportive Services; and excluding interest payments and accruals on any and all loans (including but not limited to construction, permanent, voluntary and partner/member loans), depreciation and amortization costs, and Deferred Developer Fees.

“Owner” means the legal entity that ultimately owns the Project and to which ADOH funding will be awarded.

“Period of Affordability” means the time during which the Project must comply with the Declaration of Covenants, Conditions, and Restrictions applicable to the ADOH financing.

“Permanent Financing” means long-term debt (with a term of no less than fifteen (15) years) including a mortgage or other financing evidenced by a lien against the property. Permanent sources of financing to cover development costs (including capitalized operating and replacement reserves) may not include letters of credit, cash from operations, the lease up reserve or other non-cash contributions to the Project.

“Supportive Housing” means affordable independent rental housing for persons who are homeless or have disabilities. These populations are limited, however, to the groups listed in the definition of Special Populations below. Supportive Services are provided to residents of supportive housing on an as-needed basis for as long as they are needed with the purpose of helping residents achieve maximum possible self-sufficiency and maintain their housing.

“Person” means an individual, partnership, corporation, limited liability company, trust, or other entity.

“Placed in Service” means the date on which the residential rental building is is certified as being suitable for occupancy in accordance with state or local law).

“Podium Parking” means on-grade parking that is sheltered under a building that is elevated on piers.

“Porch” or “Deck” means an unenclosed floor surface contiguous to a building that is suitable for use by an occupant and supported above the ground on at least two opposing sides by an adjacent structure, and/or posts, piers or other independent supports. A Porch or Deck may be covered or uncovered. ADOH limits the size of any Porch or Deck to 100 square feet, if the Project is new construction.
“Principal” for the buyer/lessee in a transaction means any one or more of the following: 1) all Persons or entities who are or who will become partners or members of the ownership entity or of its partners or members, 2) all Persons or entities whose Affiliates are or who will become partners or members or of the ownership entity, or of its partners or members, 3) all Persons or entities who directly or indirectly earn a portion of the Developer Fee for development services with respect to a Project and/or earn any compensation for development services rendered to such Project, which compensation is funded directly or indirectly from the Developer Fee of such Project, or 4) all Affiliates of such Persons or entities in clause 3) who directly or indirectly earn a portion of the Developer Fee for development services with respect to any Project submitted for an award under this NOFA. For purposes of determining Principal status ADOH may disregard multiple layers of pass through or corporate entities.

“Principal” for the seller/lessor in a transaction means any one or more of the following: 1) all Persons or Entities who are or who have been at any time during the twenty-four (24) months prior to the Application Deadline, partners or members of the ownership entity, or of its partners or members; or 2) all Persons or Entities whose Affiliates are or have been at any time during the twenty-four (24) months prior to the Application Deadline, partners or members of the ownership entity, or of its partners or members. For purposes of determining Principal status ADOH may disregard multiple layers of pass through or corporate entities.

“Project” means any Project for residential rental property, including the building(s), improvements, and entire parcel(s) of land on which the Project is situated. ADOH has adopted additional requirements which are set forth in the applicable sections of this NOFA. For purposes of this definition, any property must not be treated as failing to be residential rental property merely because part of the building in which such property is located is used for purposes other than residential purposes.

“Property Manager” or “Property Management Company” means the entity responsible for marketing, maintenance, and tenant relations for a building financed under this NOFA.

“Property Management Fees” means monthly compensation provided to the property management agent, which may be calculated as a fixed fee per Unit or based upon a percentage of the Project’s “Gross Revenue Receipts”. “Gross Revenue Receipts” shall mean and refer to all items of income collected by the property manager in connection with its management and operation of the Project, including, but not limited to, rents, non-refundable deposits, laundry room income, non-refundable or forfeited cleaning and redecorating charges, receipts from vending and coin operated machines and equipment on the Project, excluding refundable security deposits, the value of employee units and sales taxes.

“Public Housing Authority” means a State, county, municipality or other governmental entity or public body or agency or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the United States Housing Act of 1937 in accordance with 24 CFR §5.100.
“Rehabilitation” or “Rehab” or “Rehabilitated” means to restore to good condition, operation or capacity.

“Rental Assistance” means a voucher, operating subsidy, or privately funded assistance that provides the difference between the monthly rental rate and the tenant’s contribution of thirty percent (30%) of their income (after certain deductions are taken out) to pay for rent and utilities combined. Examples of Rental Assistance include the following federal programs: Section 8 Project-Based Vouchers, Section 8 HAP Contracts, Public Housing, HUD 202 and HUD 811 Supportive Housing Programs for the Elderly and for People with Disabilities, Housing Opportunities for People with AIDS/HIV (“HOPWA”), McKinney-Vento permanent housing programs for the homeless, USDA Section 514/515 rental assistance and USDA Section 521 Rural Rental Assistance program. Other privately and governmentally funded programs that provide the same level of assistance to a Project as the federal programs specified in the prior sentence are also Rental Assistance. If privately funded, Applicant must substantiate a minimum of three (3) years of providing Rental Assistance in other Projects. In order to be acceptable to ADOH, privately funded Rental Assistance must include sufficient resources to pay seventy-five percent (75%) of the total pro-forma gross rent for every Unit for which Rental Assistance is claimed in the Application for the entire Period of Affordability. The Applicant shall provide evidence that the Rental Assistance meets this definition.

“Residential Floor Area” means the total net square footage of the floor space in all Units (measured from paint to paint of the interior of the perimeter walls) including closets within the Units and Balconies, Porches or Decks (to the exterior edge of any railing) attached to the Units for the sole use of the tenants occupying the Units. First floor patios are not included in Residential Floor Area, as they are not part of the Total Project Square Footage.

“RBHA” means the Regional Behavioral Health Authority.

“Satisfactory Progress” means that the Applicant, including any Person with an ownership interest in the Applicant or Development Team member, has presented evidence, satisfactory to ADOH, that each Project for which the Applicant has received an award of ADOH has been Placed in Service on time or otherwise is progressing without unreasonable delay through the various phases of development (i.e. financing, permitting, construction, certificate of occupancy and rehabilitation). Projects that have not closed on ADOH Financing described in this NOFA and started construction within twelve months of receiving an award under this NOFA shall be considered to be noncompliant with the requirement to make Satisfactory Progress.

“Scattered Sites” means a Project comprised of two or more non-contiguous sites that are considered a single Project. Scattered Site Projects are not eligible under this NOFA.

“Site” means a parcel or portion of a parcel of land where on which the Project was, is or is intended to be, developed or rehabilitated as described in the Application.
“Site Control” means Applicant’s evidence of ownership or control over the land required for the Project in the form of: 1) a binding commitment to transfer land to the Owner or Applicant; 2) a recorded deed with the Owner or Applicant as grantee.

“Special Populations” means:

I. Homeless Families. Households which have experienced a long-term period without living independently in permanent housing, have experienced persistent instability as measured by frequent moves over such period and can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, histories of domestic violence and/or the presence of a child or youth with a disability.

II. Persons with HIV/AIDS. A household of one (1) or more persons that includes a member infected with the human immune-deficiency virus (“HIV/AIDS”).

III. Individuals who are experiencing homelessness. A person(s) who, at the time of intake, lives: 1) in places not meant for human habitation such as cars, parks, sidewalks, abandoned buildings, etc.; 2) in an emergency or shelter facility; or 3) in a transitional housing facility (not permanent housing).

IV. Persons with a Serious Emotional Disturbance. A person(s) between birth and age eighteen (18) who currently or at any time during the past year has had a diagnosable mental, behavioral, or emotional disorder that resulted in a functional impairment which substantially interferes with or limits the person’s role or functioning in family, school or community activities.

V. Persons with a Serious Mental Illness. A person(s) who currently or at any time during the past year has had a diagnosable mental, behavioral or emotional disorder of sufficient duration to meet criteria specified within DSM-V with the exception of “V” codes, substance use disorders, and developmental disorders, unless they co-occur with another diagnosable serious mental illness.

VI. Persons with Developmental and Physical Disabilities. A person(s) suffering from a severe, chronic condition attributable to a physical or mental impairment manifesting itself before the age of twenty-two (22) and likely to continue indefinitely. Persons with developmental disabilities are to be certified by a referral agency.

VII. Victims of Domestic Violence. As certified by a referral agency.

VIII. Individuals Suffering from Chronic Substance Abuse. As certified by a referral agency.

IX. Youth Exiting Foster Care. A person aged eighteen (18) to twenty-five (25) at initial occupancy who previously spent time in a foster care system governed by Title IV, part B or E of the Social Security Act.
“State” means the State of Arizona.

“State Housing Fund” or “SHE” means funds in a single housing program that are comprised of federal HOME and National Housing Trust Fund (NHTF) resources from HUD and state resources from the State Housing Trust Fund (HTF).

“Structured Parking” means an enclosed, structured floor area used for transient storage of motor vehicles, including associated circulation and building services (such as exhaust fans and ducts that serve the parking area) but not including loading docks, sally ports and building service areas such as enclosed auxiliary lobbies used to enter a building from the parking areas. It is often referred to as a Garage. Structured Parking excludes non-structured on-grade parking even if such parking is sheltered (as in a car port or under a building that is elevated on piers above on-grade parking).

“Supportive Services” means services provided by the service provider to help residents enhance their way of living and achieve self-sufficiency. Supportive Services shall be provided through coordination with existing service agencies delivered through a combination of both on- and off-site service delivery mechanisms.

“Total Direct Construction Costs” means the costs to construct the Project which matches the construction contract and Line 47 on Form 3 of the Development Budget.

“Total Project Square Footage” or “Construction Gross Area” means the Total Project Square Footage (also called “Construction Gross Area”) as defined in the Building Owners and Managers Association International Multi-Unit Residential Buildings: Standard Methods of Measurement (ANSI/BOMA Z65.4-2010), to which Applicants should refer for greater detail. It includes all residential and Common Area Facilities buildings in the Project and is measured to the building perimeter, a closed line that encompasses all structured elements of each building at every level including basements and penthouses but excluding roofs (unless they are used for Structured Parking). It includes Structured Parking, but does not include Podium Parking. It includes all fully enclosed areas including stairs, elevators, HVAC shafts, pipes, flues, as well as structured unenclosed areas, such as Balconies, roof terraces, plazas, Decks, Porches, exterior stairs and corridors. Areas with restricted headroom are included within the building perimeter. Not included within the building perimeter are the following: commercial space; non-structural protrusions including eves, cornices, canopies, awnings, sills, ledges, chimneys, casing, wainscoting, gutters, downspouts, signs, shutters, attached electrical or mechanical systems, and decorative projections. The “Construction Gross Area” must be prepared and certified by the architect of record for the Project, who may not be an employee of the Applicant or Developer. If the architect of record is an employee of the Applicant or Developer, a third party architect or engineer with no Controlling Interest in the Applicant or Developer must prepare and certify the Construction Gross Area.
“Total Development Cost” means the sum total of all costs in the Development Budget (Cell D138 on Line 126 on Pages 8 - 11 of Form 3).

“Unit” means any accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation (i.e. a residential dwelling consisting of one (1) apartment, one (1) single family home, one-half (½) of a duplex, etc.). Such accommodations may be served by centrally located equipment, such as air conditioning or heating.

“Urban Area” means Maricopa and Pima counties, excluding Tribal Lands.

“Useful Life” means the period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed.