



Arizona Department *of* Housing

2018-2019 State Housing Fund Program Summary & Application Guide

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2018-2019 State Housing Fund Program Summary & Application Guide

The Arizona Department of Housing (“ADOH”) combines HOME Investment Partnerships Program with State resources from the State Housing Trust Fund (“HTF”) into a single housing program called the State Housing Fund. This Program Summary and Application Guide is intended to serve as a tool for organizations wishing to apply for SHFs.

This Program Summary and Application Guide works in conjunction with the following documents:

- **Market Demand Study Guide**
- **Application for Owner-Occupied Housing Rehabilitation (OOHR)**
- **Application for the Development of Permanent Rental Housing**
- **CHDO Certification**
- **CHDO Recertification**
- **ADOH Guidance on New Weatherization Standards for OOHR Housing Rehabilitation**
- **State Rehabilitation Standards, CDBG and HOME Handbook**
- **Mandatory Design Standards for Multi-Family Rental Housing**
- **HOME/HTF/NSP Annual Compliance Report Guide (four (4) documents found in Forms and Handbooks/Rental Compliance and Monitoring on ADOH website)**
- **ADOH Affirmative Marketing Plan**
- **Qualified Allocation Plan**

All of the most recent and amended versions of the above documents are available from the Arizona Department of Housing website at <https://housing.az.gov>. Title II of the Americans with Disabilities Act prohibits discrimination on the basis of disability in the programs of a public agency. Person(s) with disabilities or with limited English proficiency who need the information contained in this publication in an alternate format may contact the Department of Housing at (602) 771-1000 or our TTY number, (602) 771-1001, to make their needs known. Requests should be made as soon as possible to allow sufficient time to arrange for the accommodation.

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1. GENERAL STATE HOUSING FUND OVERVIEW

The purpose of this chapter is to provide potential applicants with guidance regarding the general requirements of the State Housing Fund (“SHF”) for all activities.

Receipt of any of the following funds requires adherence to the regulations governing the use of such fund. When combining funds the most restrictive regulations apply. The NOFA through which funding availability is announced will have additional requirements.

1.1 The State Housing Fund

The SHF is a combination of HOME Investment Partnerships Program (“HOME”) funds and State Housing Trust Fund (“HTF”) resources administered by the Arizona Department of Housing (“ADOH”). The SHF is made available to applicants on a periodic basis through a Notice of Funding Available (“NOFA”) which outlines project eligibility and available funding. ADOH outlines its specific goals and objectives for the SHF in a five (5) Year Consolidated Plan, which is updated annually through an Action Plan and submitted to the U.S. Department of Housing and Urban Development (“HUD”) by May 15th of each year. This document is available upon request or can be downloaded from the publications page of the ADOH website at <https://housing.az.gov/documents-links/publications>

Federal HOME Program

The Home Investment Partnerships Program (“HOME”) was created by the National Affordable Housing Act of 1990. The statutory purpose of the HOME program is “to increase the number of families served with decent, safe, sanitary, and affordable housing and expand the long-term supply of affordable housing”. Regulations governing HOME are published in 24 CFR Part 92 (Final Rule, published July 24, 2013 as amended (effective August 23, 2013)). Applicants are encouraged to become familiar with Federal regulations.

A. State Housing Trust Fund

Established in 1988 by the Arizona State Legislature and amended in November 2009, the HTF was created to provide a flexible funding source to assist in meeting the housing needs of low-income families in Arizona. Legislation governing the HTF is published at A.R.S. 41-3955 and A.R.S. 44-313. The HTF is funded from an allocation of unclaimed property deposits, interest on unexpended funds, loan repayments and recaptured funds.

B. Qualified Allocation Plan

The Federal Low-Income Housing Tax Credit (“LIHTC”) program was established by the Tax Reform Act of 1986, and codified in Section 42 of the Internal Revenue Code of 1986, as amended to encourage construction and rehabilitation of low-income rental housing. The Arizona Department of Housing (“ADOH”) is the housing credit agency responsible for allocating Tax Credits to Owners of qualifying residential rental projects. The Revenue Reconciliation Act of 1989 amended I.R.C. § 42 by adding § 42(m), which requires allocating agencies to allocate Low-Income Housing Tax Credits

pursuant to a Qualified Allocation Plan (“QAP”), I.R.C. § 42(m). QAP always refers to the most recent ADOH QAP.

1.2 Eligible Applicants for SHF

Eligible applicants are limited to:

1. Units of local government, including cities, towns and counties;
2. Tribal governments, tribally designated housing entities and housing authorities;
3. Public Housing Authorities;
4. Regional Councils of Government;
5. Other State Agencies;
6. Non-Profit Agencies, including CHDOs;
7. Private development agencies.

All applicants must be authorized to conduct business in Arizona.

1.3 Community Housing Development Organizations

Community Housing Development Organizations (“CHDOs”) are specially formed non-profit organizations established pursuant to HOME regulations and certified by ADOH. To qualify as a CHDO, a non-profit must have full time staff and demonstrate the capacity to undertake CHDO set-aside activities. **Pursuant to FY 2012 HOME Appropriate Law Requirements, CHDO’s must meet certain development capacity requirements. Applicants should review the Consolidated and Further Continuing Appropriations Act of 2012 (PL 112-55) and CPD Notice 12-007.** ADOH is required to set aside fifteen percent (15%) of its HOME allocation for CHDO sponsored development projects. CHDOs may also apply for ongoing programs, such as owner-occupied housing rehabilitation; but in those instances are only eligible to receive funding from non-CHDO resources. An organization seeking a CHDO-designation must have as one (1) of its primary purposes the development of affordable housing in the State. Organizations wishing to apply for funds from the CHDO set-aside must be certified by ADOH prior to each application. The ADOH CHDO Certification and CHDO Re-Certification forms are available at the ADOH website or on request.

1.4 Eligible Activities

Eligible activities include the following:

1. Gap financing for the development or rehabilitation of permanent rental housing funded with LIHTCs;
2. The substantial rehabilitation of owner-occupied housing;
3. New construction and/or rehabilitation of permanent rental housing.

1.5 Terms of Assistance

Single Family Housing Rehabilitation

Applicants who receive a reservation of SHF must provide the funds to the direct beneficiaries in the form of a loan. All loans are secured by Deeds of Trust and/or other appropriate lien instruments. The terms and conditions of each loan are determined on a project-by-project basis and may be:

1. Interest-bearing or non-interest bearing;
2. Amortizing or non-amortizing;

3. Repayable or forgivable.

Permanent Rental Housing

Covenants, Conditions and Restrictions (“CC&Rs”) must be recorded on each property remain in place throughout the required period of affordability regardless of the status of the loan or changes in ownership. See the QAP for further restrictions. The terms and conditions of each loan are determined on a project-by-project basis and may be:

1. Interest-bearing or non-interest bearing;
2. Amortizing or non-amortizing;
3. Repayable or Forgivable;
4. Cash Flow

1.6 Beneficiary Income Limits

Assisted homeowners may not have incomes that exceed eighty percent (80%) of the area median income adjusted by family size; SHF-assisted renters may not have incomes that exceed sixty percent (60%) of the area median income adjusted by family size.

1.7 ADOH’s Role in the Program

ADOH will perform the following:

1. Design and administer the SHF program.
2. Establish policies and procedures.
3. Make funding determinations.
4. Ensure recipients comply with all applicable State and Federal regulations, policies, and procedures.
5. Maintain required records.
6. Provide ongoing technical assistance to recipients.
7. Monitor projects for both contract and long-term compliance.
8. Prepare and submit the State Consolidated Plan, the Annual Action Plan and the Consolidated Annual Performance Evaluation Report to HUD.

1.8 The Applicants Role in the Program

Applicants who become recipients of SHF must:

1. Design projects and programs that are consistent with established local affordable housing planning and meet the affordable housing priorities of ADOH as identified in the State Consolidated Plan.
2. Administer projects in compliance with State and Federal regulations and ADOH written agreements.
3. Maintain proper records.
4. Request technical assistance from ADOH, as necessary.
5. Maintain compliance for entire period of affordability.

1.9 Compliance with Federal and State Requirements

SHF recipients must comply with the following statutes, regulations, policies and procedures; many that must be considered prior to application because they may have an impact on the cost, timeline and design of the proposed project.

A. Davis Bacon Act

Requires that a contract for construction with twelve (12) or more HOME-assisted units pay to all laborers and mechanics not less than the wages prevailing in that locality as predetermined by the U.S. Department of Labor. Prevailing wages must be paid on the entire development, not just the HOME-assisted units and the wage provisions must be in the construction contract. Payroll records must be provided to ADOH weekly. HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development Programs) should be used.

B. Contract Work Hours and Safety Standards Act

Requires that projects with twelve (12) or more HOME-assisted units comply with overtime provisions of the Act. Overtime provisions apply to the entire development, not just the HOME-assisted units and the provisions must be in the construction contract. Payroll records must be provided to ADOH weekly. HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development Programs) should be used.

C. Conflict-of-Interest

Both Federal and State laws prohibit employees, agents, consultants, officers or elected officials of entities receiving government funds from obtaining a financial interest or benefit from a government-assisted activity, having an interest in any contract, subcontract or agreement with respect to any contract during their tenure and for one (1) year thereafter. These requirements are also applicable to persons to whom the above-identified parties have family or business ties. If the Applicant is unsure whether a conflict of interest exists, they may request a determination from ADOH.

D. Equal Opportunity and Fair Housing

Multiple Acts, Orders and Regulations preclude discrimination. These include: Fair Housing Act (24 CFR 100); Executive Order 12259 (Equal Opportunity in Housing); Title VI of the Civil Rights Act of 1964 (24 CFR 1); Age Discrimination Act of 1975 (25 CFR 146); Section 504 of the Rehabilitation Act (24 CFR 8); Executive Order 11246 (Equal Employment Opportunity).

E. Affirmative Marketing

Owners of assisted rental housing containing five (5) or more units must adhere to the ADOH Affirmative Marketing Plan, which requires that actions be taken to provide equal access to all eligible persons in the housing market area. Affirmative marketing procedures are required to be submitted with the application.

F. Environmental Review

In accordance with 24 CFR 50 and 24 CFR 58 (HUD Format Environmental Review), the environmental effects of each activity carried out with Federal funds must be assessed. A completed HUD Format Environmental Review and a HUD issued Authority to Use Grant Funds is required at the time of application. 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 SHF.

HUD Format Environmental Review requirements generally require between thirty (30) and one hundred twenty (120) days to complete, depending upon the type of activity and its location. Projects funded solely with HTF are required to meet the requirements of the State Historic Preservation Act. Applicants must consult with the State Historic Preservation Officer (“SHPO”), including the Tribal Historic Preservation Officer, if applicable.

An ASTM E 1527-13 Phase I Assessment (with asbestos and lead paint reports, if a rehabilitation) is required for all rental development projects. An ASTM E 1527-13 Phase I Assessment completed first may help expedite the HUD Format Environmental Review process.

The ADOH Environmental Review Handbook and required forms can be downloaded from the Forms and Handbooks page of the ADOH website at <https://housing.az.gov/documents-links/handbooks> The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“URA”)

This law provides important protections and assistance for people affected by the acquisition, rehabilitation or demolition of real property for Federal or federally funded projects. This law ensures that people whose real property is acquired, or who move as a direct result of projects receiving Federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy. All voluntary and involuntary acquisitions must comply with the URA. Projects funded with HTF are not covered by the URA but require the submission of a relocation plan and relocation cost estimates.

G. Flood Insurance

Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106) requires that Federal funds not be provided to an area that has been identified by the Federal Emergency Management Agency (“FEMA”) as having special flood hazards unless the community is participating in the National Flood Insurance Program or it has been less than one (1) year since the community was designated as having special flood hazards and flood insurance is obtained. The SHFs applies these standards for projects receiving either Federal or State funds.

H. Drug Free Workplace

Recipients are required to certify and maintain a drug free workplace.

I. Lead Safe Housing Rule

The Lead Safe Housing Rule (“LSHR”) 24 CFR Part 35 applies to all SHF projects. Depending on the nature of work and the dollar amount of SHF, certain requirements must be complied with in handling lead-based paint. The use of a certified abatement contractor is required.

J. Asbestos Testing

Pursuant to applicable Environmental Protection Agency (“EPA”) regulations, recipients must comply with Federal and State requirements to protect affected public members from exposure to regulated asbestos-containing material during facility renovation, demolition, removal, transport, and disposal activities.

K. Audit Requirements

Audited financial statements (“Audits”) are required of all governmental and nonprofit recipients according to State and/or Federal guidelines, whichever applies. Audits are required to be in

accordance with Generally Accepted Audit Standards and include a review of general operations, financial statements, internal controls and compliance. In the event that a newly formed nonprofit does not have an Audit, unaudited financial statements are required. Governmental entities are held to governmental audit standards outlined in the U.S. Office of Management and Budget (“OMB”) Circulars when utilizing Federal funds and are also required to conduct an annual audit per State legislation regardless of sources of income. On December 26, 2013, the Office of Management and Budget (OMB) issued the “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,” a/k/a the Uniform Guidance or 2 CFR 200.

L. Energy Efficiency

At a minimum, all single family housing rehabilitation is required to incorporate ADOH Guidance on New Weatherization Standards for OOHHR and all permanent rental housing must conform to ADOH Year Mandatory Design Standards for Multifamily Rental Housing (Exhibit D).

M. Accessibility Standards

Recipients must adhere to the accessibility standards of the Americans with Disabilities Act, The Fair Housing Act and the Rehabilitation Act, as revised.

N. Insurance

During the contract period, recipient shall purchase and maintain in full force the following insurance. All certifications of insurance must provide for a thirty (30) day notice to ADOH of cancellation, non-renewal or material change. Proof of insurance from the recipient shall be provided to ADOH prior to execution of the contract and periodic certifications must be furnished at the request of ADOH.

The recipient and its subcontractor, at recipient’s and subcontractor’s own expense, shall purchase and maintain the herein stipulated minimum insurance with companies duly licensed possessing a current A.M. Best, Inc. Rating of A-, 7. Local government insurance pools formed pursuant to ARS 11-952.01 or other as approved by ADOH and licensed in the State of Arizona with policies and forms satisfactory to ADOH.

All insurance required shall be maintained in full force and effect until all work or service required under the performance terms of the contract is completed satisfactorily and formally accepted. Failure to do so may, at the sole discretion of ADOH, constitute a material breach of the contract.

The recipient’s insurance shall be primary insurance as respects to ADOH and any insurance or self-insurance maintained by ADOH shall not contribute to it.

Recipient shall not fail to comply with the claim reporting provisions of the insurance policies or cause any breach of an insurance policy warranty, which would affect coverage afforded under insurance policies to protect ADOH.

The insurance policies may provide coverage, which contains deductibles or self-insured retentions. Such deductibles and/or self-insured retentions shall not be applicable with respect to the coverage provided to ADOH under such policies. The recipient shall be solely responsible for the deductible and/or self-insured retention, and ADOH, at its option, may require the recipient to secure payment

of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit.

ADOH reserves the right to request and to receive, within ten (10) working days, certified copies of any or all of the herein required insurance policies and/or endorsements. ADOH shall not be obligated, however, to review same or to advise recipient of any deficiencies in such policies and endorsements and such receipt shall not relieve recipient from, or be deemed a waiver of ADOH's right to insist on, strict fulfillment of recipient's obligations under the contract.

The insurance policies, except Worker's Compensation and Professional Liability, required by the contract, shall name ADOH, its agents, representatives, officers, directors, officials and employees as additionally insured.

1. **Commercial General Liability.** Recipient shall maintain Commercial General Liability insurance with a limit of not less than \$1,000,000 for each occurrence with a \$2,000,000 Products/Completed Operations Aggregate and a \$2,000,000 General Aggregate Limit. The Policy shall include coverage for bodily injury, broad form property damage, personal injury, products and completed operations and blanket contractual coverage. Coverage will be at least as broad as Insurance Service Office, Inc. Policy Form CG 00011093 or any replacements thereof. Such policy shall contain a severability of interest provision and shall not contain a sunset provision or commutation clause, or any provision that would serve to limit their party action over claims. The Commercial General Liability additional insured endorsement shall be at least as broad as the Insurance Service Office, Inc. Additional Insured, Form B, CG 20101185 and shall include coverage for recipient's operations products and completed operations.
2. **Automobile Liability.** Recipient shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 for each occurrence for all owned autos, scheduled autos, hired autos, non-owned autos assigned to or used in performance of the recipient's work. Coverage will be at least as broad as coverage code one (1), "any auto", (Insurance Service Office, Inc. Policy Form CA 00011293 or any replacements thereof).
3. **Worker's Compensation.** Recipient shall carry Worker's Compensation insurance to cover obligations imposed by Federal and State statutes having jurisdiction of recipient's employees engaged in the performance of the work or services; and Employer's Liability insurance of not less than \$100,000 for each accident, \$100,000 disease for each employee and \$500,000 disease policy limit. Recipient will require all subcontractors to provide Worker's Compensation and Employer's Liability to at least the same extent as required of the recipient.
4. **Certificates of Insurance.** Prior to commencing work or services under this Contract, recipient shall furnish ADOH with Certificates of Insurance, or formal endorsements as required by the Contract, issued by recipient's insurer(s), as evidence that policies providing the required coverage, conditions and limits required by this Contract are in full force and effect. In the event any insurance policy(ies) required by this contract is (are)

written on a “claims made” basis, coverage shall extend for two (2) years past completion and acceptance of recipient’s work or services and as evidenced by annual Certificates of Insurance. If a policy does expire during the life of the Contract, a renewal certificate must be sent to ADOH fifteen (15) days prior to the expiration date.

5. **Cancellation and Expiration Notice.** Insurance required herein shall not expire, be canceled, or materially changed without thirty (30) days written notice to ADOH.

O. Signage

Recipient must erect a sign at the project site at the time of issuance of the Notice to Proceed through the completion of construction indicating that the project is funded through the ADOH and indicate the sources of funds. 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 recipient incorporates ADOH information into a larger group sign. Contact ADOH for guidance regarding signage for scattered site, owner occupied rehabilitation and emergency repair projects.

P. Photographs

Recipient is required to provide to ADOH digital format photographs of projects undertaken with SHF at the following various stages of development:

1. Before;
2. Fifty percent (50%) completion; and
3. Completed project.

Q. Registration with Social Serve

For new construction or rehabilitation of rental projects, recipient agrees to register the project with www.socialserve.com at the time of initial lease up and keep the project listed with www.socialserve.com for the duration of the period of affordability as indicated in the CC&Rs.

R. Energy Star

The purpose of the Energy Star partnership is to promote energy-efficient affordable housing stock while protecting the environment. Applicants or recipients constructing, rehabilitating or maintaining housing or community facilities are required to promote energy efficiency in design and operations and to purchase Energy Star rated appliances.

S. HUD Performance Measures

Recipient shall provide performance measurement data as prescribed by HUD and submit such data to ADOH upon request. The performance measurements shall be incorporated into the Consolidated Plan Update and corresponding Annual Action Plan. The performance outcome shall be reported in the Consolidated Annual Performance Evaluation Report. These documents are available upon request or can be downloaded from the Publications page of the ADOH website at <https://housing.az.gov/documents-links/publications> Scrutinized Business Operations

Pursuant to A.R.S. § 35-391.06 and 35-393.06, recipient shall certify that it does not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section, the term “scrutinized business operations” shall have the meanings set forth in A.R.S. § 35-391 or and 35-393, as applicable. If the

State of Arizona or ADOH determines that the recipient submitted a false certification, ADOH may impose remedies as provided by law including cancellation or termination of a Funding Agreement.

T. Compliance Requirements

(for A.R.S. § 41-4401 – Immigration Laws and E-Verify Requirement)

1. Recipient shall warrant compliance with all Federal immigration laws and regulations relating to employees and shall warrant its compliance with Section A.R.S. § 23-214, Subsection A. (That subsection reads, “After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.”).
2. A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the contract and recipient may be subject to penalties up to and including termination of the Funding Agreement.
3. ADOH retains the legal right to inspect the papers of any employee who works on the Funding Agreement to ensure that recipient or recipient’s subcontractor is complying with the warranty under paragraph one (1).

U. Data Universal Number System (“DUNS”) Number

The Federal government requires that all applicants for Federal grants and cooperative agreements, with the exception of individuals other than sole proprietors, have a DUNS number. (See policy at <http://www.gpo.gov/fdsys/granule/FR-2004-11-09/04-24884>.) The Federal government will use the DUNS number to better identify related organizations that are receiving funding under grants and cooperative agreements, and to provide consistent name and address data for electronic grant application systems.

V. Central Contractor Registration

Applicant must provide information that applicant, ownership entity and general contractor are registered in the Central Contractor Registration (“CCR”) through the System of Awards Management (SAM). Registration information can be found at www.sam.gov.

W. Compliance Training

Developer, co-developer and managing agents must attend Compliance Training at a minimum of every five (5) years. Developer must provide Compliance Training certificates prior to the project completion date.

X. ADOH requires adherence to Executive Orders 11625 and 12432

(concerning Minority Business Enterprise) and 12138 (concerning Women's Business Enterprise)

Consistent with HUD's responsibilities under these Orders, the recipient must make efforts to include, to the maximum extent possible, minorities and women and entities owned by minorities and women in all contract activity. The State has been informed that the MBE/WBE/DBE report (HUD-2516) is not mandatory for states; however, the State captures this data and makes it available to HUD upon request.

Recipients are contractually obligated to maintain documentation and data on the steps taken to implement outreach programs to minority-owned and women-owned businesses, including data

indicating the racial, ethnic or gender character of each business entity receiving a contract or subcontract to be paid with HOME funds; the amount of the contract or subcontract and documentation of the steps to assure that minority- and women-owned business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Lists must be compiled of all minority- and women-owned business enterprises within the Recipient’s political jurisdiction.

**1.10 General Administrative and Project-Specific Funding
(Single Family Housing Rehabilitation Only)**

General Administrative Funding may be made available from HTFs to support programs. Administrative funding is limited to ten percent (10%) of the SHFs awarded for housing rehabilitation. Administrative costs are generally those that cannot be linked directly to an assisted housing unit or beneficiary. General administrative costs are always provided to recipient in the form of a grant. The availability of general administrative funding will be defined in the NOFA issued by ADOH.

Example of General Administrative Costs: Your housing rehabilitation specialist returns to the office after having traveled to a rehabilitation site. In the office, the specialist compiles information on the current status of the rehabilitation program for a monthly report due to ADOH and also completes a “Request for Funds” form in order to request reimbursement for SHFs. While compiling these reports, the specialist calls ADOH and spends fifteen (15) minutes with the contract specialist discussing the status of the program and seeking advice. These duties and the associated cost of performing the duties are necessary but cannot be directly related to a specific housing unit or beneficiary.

Project-Specific Administrative Funding is made available from either HTFs or HOME funds for Owner-Occupied Housing Rehabilitation, depending upon the source of project or program funding. Project-specific administrative funding is distinguished from general administrative funding in that the duties performed and the costs of performing the duties bear a direct relationship to an assisted housing unit or assisted beneficiary. Project-specific administrative costs are part of the budget for the assisted housing unit or assisted beneficiary and must be reflected in the appropriate unit or beneficiary budget as well as be included in the total funds invested per unit maximum.

Example of Project-Specific Administrative Costs: Your housing rehabilitation specialist travels ten (10) miles round trip to the site of a home that is to be rehabilitated. While there, the rehabilitation specialist meets with the homeowners and inspects their home, prepares a work write-up and discusses the program with the homeowners. The duties performed and costs of performing these duties are directly related to providing assistance to a specific housing unit.

A. Maximum General Administrative Requests

Administrative funding available for individual activities is outlined in the following table:

| Activity | General Administrative Limit |
|--|---|
| Owner-Occupied Housing Rehabilitation Programs | Up to ten percent (10%) of the SHF award. |

1.11 Funding Goals

ADOH’s funding goals are described in its Consolidated Plan.

1.12 Geographic Funding Objectives

In accordance with 91.315 (a)(1), the 2015-2019 Consolidated Plan directs funding in accordance with the following priorities: 1)capacity, experience and past performance of applicant; 2)extent to which units are affordable to extremely-low income individuals and families (HTF units must have project based rental assistance); 3) proximity of proposed project to transit, services and amenities; 4) project readiness; 5) sustainable development (energy efficiency); 6) the duration of the affordability period.

1.13 Maximum Applicant Funding

The maximum amount of SHFs that any single applicant, entity or developer may receive will be defined in the NOFA or QAP issued by ADOH. Separate entities with identities of interest are considered one (1) applicant. An identity of interest exists when entities are affiliated or an ownership interest, including but not limited to, stock or other equity ownership exists.

1.14 Help with SHF Application and Contact Information

Within ADOH there are two (2) program areas that administer all of the activities eligible for funding with SHFs. Additionally, ADOH employs a part-time Tribal Technical Assistance Coordinator to assist Arizona tribes and applicants wishing to undertake activities on tribal land. Listed below are the contact persons available to provide assistance with structuring an application.

| State Housing Fund Application Contact Information | | |
|---|---|--|
| Program | Activity | Contact Information |
| Homeownership | Owner-Occupied Housing Rehabilitation | Kathy Blodgett Community Development & Revitalization Administrator Phone (602) 771-1021 kathy.blodgett@azhousing.gov |
| Rental Housing | Permanent Rental Housing LIHTC Gap Financing Technical Assistance | Jeanne Redondo Rental Programs Administrator Phone (602) 771-1031 jeanne.redondo@azhousing.gov |
| Tribal Liaison | Provides assistance in conjunction with staff listed above. | Karia Basta Special Needs Administrator Phone (602) 771-1085 karia.basta@azhousing.gov |

2. THE FUNDING PROCESS

Funding decisions are based upon a competitive application review of the following:

1. Completeness review
2. Threshold review
3. Scoring (if applicable)
4. Financial and technical review
5. Compliance with Federal and State regulations
6. ADOH funding approval

2.1 Application Deadlines and Funding Notification

Applications are accepted according to the schedule outlined in the ADOH issued NOFA or QAP.

2.2 Completeness and Threshold Review

The purpose of the completeness and threshold review is to ensure that the applicant and project application meet minimum qualifications.

A. Completeness Review Criteria

1. All sections of the application forms are completed.
2. The application appendices are in the correct format and order according to the application instructions and are properly labeled.
3. All required support documentation (back up) has been provided in the appropriate application appendices.

B. Threshold Review

Both common and activity specific thresholds apply. Common thresholds are listed below while activity-specific thresholds are described in the chapter that applies to the activity.

1. Common Thresholds: To be eligible to apply for SHFs, the applicant and all of its team members, with the exception of the applicant's consultant ("Applicant Team"), must meet the following performance criteria on all SHF and CDBG contracts on the date the application is received by ADOH.
 - a. All project contract and/or annual reporting required by ADOH is up to date.
 - b. All monitoring findings have been cleared.
 - c. All fees payable to ADOH are paid.
 - d. Applicant Team is compliant with all current contracts.
 - e. Applicant Team is in conformance with all original contract project timelines or has obtained ADOH approvals for revisions or amendments to their project timelines.
 - f. For all previously funded projects, the scope of work has begun.
 - g. Applicant Team has no existing contracts in which individual activity, project completion or closeout reports and data have not been submitted and accepted by ADOH within sixty (60) days of a final draw.
 - h. Applicant Team has no current contract in which funds have not been drawn for six (6) months.

- i. Applicant Team has no outstanding or unresolved contractual, property or beneficiary-related compliance issues.
 - j. The applicant is an eligible party to apply for funding through ADOH.
 - k. The activity, project and property type is eligible.
 - l. SHFs are budgeted for eligible uses.
 - m. The proposed beneficiaries are eligible.
 - n. The amount of SHF invested per unit does not exceed the program limits and is at least \$1,000/unit.
 - o. The applicant has certified that all development or rehabilitation will meet, at a minimum, all local building codes, and that the property is properly zoned for the proposed use and meets local ordinances.
 - p. The applicant (and all of its team members) is not included on the Federal Excluded Parties List located at www.sam.gov.
 - q. The Environmental Review requirements pursuant to 24 CFR Part 58, (up to Part III HUD Appendix A for Single Family Owner-Occupied Rehabilitation) are complete and an Authority to Use Grant Funds from HUD or ADOH is provided.
 - r. All funding sources (loans, grants, fee waivers, land donations, etc.) must be secured with written binding commitments at application and the project must be scheduled to start within ninety (90) days of executing a Funding Agreement with the ADOH.
2. Activity Specific Thresholds: Activity specific threshold criteria can be found in the chapters of this document that relate specifically to the activity type.

Those applications missing required threshold items will be given a remedy period of five (5) business days to submit the required documentation. ADOH will contact the applicant (via e-mail) regarding the insufficient threshold documentation. Applications that do not meet all thresholds at the end of the remedy period will not receive further consideration. Original application packages determined to be incomplete after the expiration of the remedy period will be stored by ADOH electronically for 1 year. After the expiration of the 1-year electronic storage period, the application will be deleted.

2.3 Scoring

Competitive funding criteria may be utilized to make funding decisions. Only applications that meet completeness and all common and activity specific thresholds are competitively scored, if applicable. Scoring criteria is contained in the application documents. Self-Score Sheets are provided as part of the application specific to their project type.

The NOFA will describe the competitive scoring criteria that will be used to evaluate applications in the event of a tie.

2.4 Financial and Technical Review

When committing funds to a HOME activity set up in Integrated Disbursement and Information System ("IDIS"), ADOH must certify in IDIS that it has conducted an underwriting review, assessed developer capacity and fiscal soundness and examined neighborhood market conditions to ensure

adequate need for the project. ADOH is able to make this certification based on its financial and technical review of each application that meets threshold requirements. The financial and technical review assesses the following project components.

A. Market Demand

The Market Demand Study included in the application must be an accurate and true assessment of the housing market in the primary area of the proposed development or program and must have been completed not more than six (6) months prior to application submission to ADOH. The following two (2) possible types of market demand formats are discussed below:

1. Market Demand Study.
2. Owner-Occupied Housing Rehabilitation Market Analysis.

If the demand format submitted with the application is inconclusive, ADOH may require the applicant to supplement the analysis, in whole or in part, before the application will receive further consideration. This may include a request for an independent third party Market Demand Study.

1. Permanent Rental Development:

The ADOH Market Demand Study Guide can be found on the Rental Development LIHTC Forms page of the ADOH website at <https://housing.az.gov/documents-links/forms/rental-development-lihtc> Owner-Occupied Housing Rehabilitation Market Analysis:

The Owner-Occupied Housing Rehabilitation Market Analysis requires:

- a. A narrative description of the market demand based on a demographic analysis of the target area and target population;
- b. Information on the condition of low-income housing stock and rehabilitation needs;
- c. A narrative description of the degree to which comparable rehabilitation programs and services are available to the proposed service area; and
- d. A waitlist in spreadsheet format of income qualified households who have applied to receive assistance and the household demographics including, but not limited to, household name, address, household size, race, ethnicity, income, date of income qualification, % AMI, household type, etc. The list must be certified as a true copy of the original and signed by the Grants Coordinator, Housing Rehabilitation Specialist, or other appropriate official.

B. Affordability to Low-Income Households

1. Rental Projects: The proposed rents and any committed subsidies must be sufficient to cover operating expenses, reserves and debt service throughout the period of affordability without compromising affordability.
2. Owner-Occupied Housing Rehabilitation: Sufficient funds should be invested in each home to meet, at a minimum, the State of Arizona Rehabilitation Standards, ADOH Weatherization Standards and local building codes. Lien amounts placed on rehabilitated homes will not be allowed to exceed one hundred percent (100%) combined loan to value. In some cases,

reconstruction will be more cost effective than rehabilitation. Manufactured housing replacement is only allowed as an owner occupied housing rehabilitation activity.

C. Development/ Program Team Experience and Ability to Deliver

ADOH will only provide SHF for development activities to applicants with demonstrated development experience. If applicant is a CHDO, it must demonstrate that they have paid staff with demonstrated housing development experience. The project or program team must demonstrate in the application the following:

1. It possesses the technical and financial capacity to successfully complete the proposed project or program;
2. It has developed projects or implemented programs of comparable size and complexity for similar populations; and
3. The financial and technical review process will evaluate the development or administration team for experience and ability to deliver the project or program as proposed.

This review focuses on the skills, experience and available or potential financing of the team through the evaluation of each individual and the team as a whole.

D. Financial Feasibility

The financial feasibility review process will evaluate cost reasonableness, and will consider all sources and uses of funds to determine whether the program is feasible as proposed and can be completed for the budget indicated.

2.5 Compliance with Federal and State regulations

Applications must comply with all Federal and State regulations.

2.6 ADOH Funding Approval

The Funding Review Team reviews contract awards, contract terms, contract amendments, budget adjustments and loan terms for proposed new projects and amendments to existing projects. Applicants are notified in writing of the results of the Funding Review Team.

2.7 Local Government Notification and Review

ADOH is required by A.R.S. 41-3953(I) and 41-3955(H) to seek comment from the governing body of the city, town, county or tribal government when a construction project is proposed. To meet this requirement, ADOH will forward a letter to all affected units of government during the review process. ADOH may decline to fund any application to which a unit of local government objects and will not interfere with any attempt to override the local jurisdiction's planning, zoning or land use regulations. ADOH strongly recommends that potential applicants meet with affected units of government prior to submitting an application.

2.8 Conditional Award Letter

When a conditional award of funds is made by ADOH, a letter describing the terms and conditions of the funding is sent to the applicant. When funding is contingent upon the applicant, program or project meeting certain criteria, the applicant will be given a timeline to meet the criteria outlined in

the Conditional Award Letter. If conditions are not met within the specified timeline, the conditional award of funds will be withdrawn.

2.9 Executed Funding Agreement

ADOH executes Funding Agreements with Recipients once all conditions in the Conditional Award Letter are met.

2.10 Funding Notification

ADOH will make every effort to make its funding decisions within ninety (90) days, depending on the number and complexity of the applications received.

2.11 Appeal of Funding Decision

Applicants may appeal funding decisions pursuant to A. R. S. § 41-1092.03. For more information on the Appeal process, please consult the Office of Administrative Hearings' website at www.azoah.com. Applicants are entitled to a hearing before an administrative law judge by filing a written request for hearing/notice of appeal within thirty (30) days after receipt of the denial. Applicant shall be the moving party and have the burden of proof. Additionally, pursuant to A.R.S. § 41-1092.06, applicants have the right to request an informal settlement conference by filing such a request with ADOH in writing no less than twenty (20) days before the hearing. Hearing Requests/Notice of Appeals can be sent to:

**Assistant Deputy Director - Operations
Arizona Department of Housing
1110 West Washington Street, Suite 280
Phoenix, AZ 85007**

Applicants have a right to a hearing. A party may obtain a hearing on an appealable agency action by filing a notice of appeal with ADOH within thirty (30) days after receiving the denial with notice of appealable agency action. The notice of appeal shall be delivered to ADOH at the following address:

**Assistant Deputy Director - Operations
Arizona Department of Housing
1110 West Washington Street, Suite 280
Phoenix, AZ 85007**

The notice of appeal shall identify the party, the party's address, the agency and the action being appealed or contested, and shall contain a concise statement of the reasons for the appeal or request for a hearing. Upon receipt of a notice of appeal, ADOH shall notify the Office of Administrative Hearings ("OAH") of the appeal and OAH shall schedule an appeal before an administrative law judge pursuant to section 41-1092.05. See A.R.S. § 41-1092.03(B). Please refer to A.R.S. Title 41, Chapter 6, Article 10 generally for Uniform Administrative Hearings Procedures. Additional information about OAH and its procedures is available at www.azoah.com.

Applicant's right to an informal settlement conference.

If requested by the appellant of an appealable agency action, ADOH shall hold an informal settlement conference within fifteen (15) days after receiving the request. A request for an informal

settlement conference shall be in writing and shall be filed with ADOH no later than twenty (20) days before the hearing. If an informal settlement conference is requested, ADOH shall notify OAH. The request for an informal settlement conference does not toll the sixty (60) day period in which the administrative hearing is to be held pursuant to section 41-1092.05. See A.R.S. § 41-1092.06(A). The informal settlement conference may be tape recorded for the purposes of Rule 408 of the Arizona Rules of Evidence.

ADOH reserves its right to representation of legal counsel at the administrative hearing and the informal settlement conference.

3. PERMANENT RENTAL HOUSING

The following program parameters are based on HOME regulations.

3.1 Eligible Activities

Permanent Rental Development (single-family and multi-family) financed with Low Income Housing Tax Credits (“LIHTC”).

Eligible activities include:

1. New construction.
2. Acquisition /Rehabilitation of existing units.
3. Acquisition/Demolition/New Construction

3.2 Eligible Beneficiaries

1. In properties with less than five (5) assisted units, households initially earning less than sixty percent (60%) of the area median income adjusted for household size.
2. In properties with five (5) or more assisted units, twenty percent (20%) of the households must initially earn less than fifty percent (50%) of the area median income adjusted for household size and the remaining households must initially earn less than sixty percent (60%) of the area median income adjusted for household size.
3. Eligible beneficiaries may be further limited by the NOFA.

3.3 Eligible Ownership Interests

Eligible ownership entities are described in QAP.

3.4 Disqualification

Disqualification criteria is defined in the QAP.

3.5 Material Change

Material Change criteria is defined in the QAP

3.6 Acquisition of Occupied Land/Buildings

Properties that are currently occupied by renters, including businesses, are subject to the Uniform Relocation Act. The applicant must be familiar with 24 CFR part 92.353 and CPD 02-10.

3.7 Required Property Standards

All properties must meet the following property standards prior to occupancy and throughout the period of affordability:

1. Most recent State and local code requirements.
2. Uniform Physical Conditions Standards pursuant to 24 CFR Parts 5 and 200.
3. Appliances as applicable must be Energy Star rated.
4. International Energy Conservation Code (“IECC”, 2012 edition or most recently adopted by local building jurisdiction).
5. Federal Fair Housing Act (42 U.S.C. § 3601 et seq.), AZ Fair Housing Act (A.R.S. § 41-1491 to 41-1491.37) and the HUD Fair Housing Regulations (24 C.F.R. Part 100, Subpart D).

6. Uniform Federal Accessibility Standards (Section 504 of the 1973 Rehabilitation Act) and the Americans with Disabilities Act, as applicable.
7. Site and Neighborhood Standards per 24 CFR Part 983.6(b).
8. ADOH Mandatory Design Standards for Multi-family Rental Housing.
9. Energy Standards in accordance with the QAP.

3.8 Eligible Expenses

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

| Project Hard Costs | Project Soft Costs |
|---|--|
| <ul style="list-style-type: none"> • Acquisition of land (for a specific project) and existing structures • On-site costs, such as site preparation or improvement, including demolition • Materials and labor • Improvements for physically disabled • In pre-1978 structures, compliance with HUD and ADOH’s LBP regulations • Energy-related improvements • Relocation costs • Payment for replacement housing, moving costs and out-of-pocket expenses • Advisory services • Staff and overhead related to relocation assistance and services | <ul style="list-style-type: none"> • Financing fees • Credit reports • Title binders and insurance • Surety fees (surety bond/performance bond) • Recordation fees; transaction taxes • Legal and accounting, including cost certifications • Appraisals • Architectural/engineering fees, including specifications and job progress inspections • Environmental reviews • Builder or developer fees within ADOH caps • Affirmative marketing, initial leasing and marketing costs • Operating deficit reserves (up to eighteen (18) months) |

3.9 Ineligible Expenses

The following expenses are ineligible:

1. Project-based rental assistance.
2. Costs to provide public services to tenants.
3. Off-site improvements.
4. Refinancing of HUD or other publicly-held mortgages (except under RAD).
5. Luxury amenities not necessary for the provision of safe, decent, affordable housing (i.e. swimming pools, tennis courts).
6. Delinquent taxes and fees or charges levied on a property.
7. Project reserve accounts (except for initial operating deficit reserves).
8. Student housing.

3.10 Minimum and Maximum State Investments

1. The **minimum** SHF investment is \$1,000 per assisted unit.

2. The **maximum** per unit investment is as defined in the most recent HUD Section 234 Condominium Housing ELEVATOR BASE LIMITS by bedroom size as may be adjusted by HUD Notice CPD-15-003.

3.11 Terms of Assistance to the Project/Property Owner

Covenants, Conditions and Restrictions (“CC&Rs”) must be recorded on each property remain in place throughout the required period of affordability regardless of the status of the loan or changes in ownership. See the QAP for further restrictions. The terms and conditions of each loan are determined on a project-by-project basis and may be:

1. Interest-bearing or non-interest bearing
2. Amortizing or non-amortizing
3. Repayable or Forgivable
4. Cash Flow

3.12 Period of Affordability

State-funded permanent and transitional rental housing is subject to a period of affordability during which it must comply with the affordability requirements outlined in this section. The period of affordability is based on the total amount of the per unit investment of SHFs, regardless of repayment and as follows:

| Activity | State Investment Per Unit | Minimum Period of Affordability |
|--|------------------------------|---------------------------------|
| HOME/HTF Acquisition and/or Rehabilitation | Less than \$15,000 | Five (5) years |
| | Between \$15,000 to \$40,000 | Ten (10) years |
| | More than \$40,000 | Fifteen (15) years |
| HOME/HTF New construction or acquisition of newly-constructed units (initial certificate of occupancy issued within twelve (12) months of State assistance) | Regardless of the amount | Twenty (20) years |

3.13 State-Assisted Units

Only units receiving State funds (and matching funds) are considered State-assisted units; therefore, minimum and maximum State subsidies, rent and occupancy rules apply only to State-assisted units. State-assisted units must be comparable to all other units in the project.

The minimum number of State-assisted units is determined through a series of calculations that takes into account:

1. Eligible costs per square foot;
2. Unit mix (number and size);
3. Maximum program subsidy limits; and
4. Project amenities.

The final determination on the required number of units will be made by ADOH in the financial and technical review and will be specified in the reservation letter, written agreement and CC&Rs.

Absent any compelling justification for an alternative distribution of assisted units, ADOH will assume that the State-assisted units will be “comparable and proportional” to the overall project. In particular:

1. The total number of State-assisted units at a minimum will equal or exceed the percentage of eligible project costs funded by SHF;
2. The units will be distributed through all buildings or phases of the project;
3. The unit mix of State-assisted units will approximate the overall distribution of project units by bedroom size; and
4. A floating system will be used to maintain the distribution of units over the compliance period.

In some cases, however, ADOH may choose to regulate more than the minimum required units when it is in the public interest to do so and the project is not made infeasible by the additional assisted units. ADOH may choose to designate a fixed system of unit mix when there are particular units that would be in ADOH’s interest to designate as State-assisted, such as accessible units, large family units or units that serve a priority population.

A. Calculating the Number of State-Assisted Units

The following formula is used by ADOH to determine the minimum number of State-assisted units. The final determination on the required number of units will be determined in financial and technical review. Cost per square foot, unit mix (number and size), maximum subsidy limits and project type will impact the actual required number of State-assisted units. The example assumes the project is a “standard” project.

| Calculations on total project: | Example: |
|--|--------------------|
| Total amount of investment in construction, acquisition and/or rehabilitation minus ineligible costs (i.e. reserves, community building, etc.) | \$300,000 |
| Divided by the total number of units in project | Fifteen (15) units |
| Equals the average per unit investment (all units) | = \$20,000 |

| Calculations regarding State-Assistance: | Example: |
|---|---|
| Amount of State investment, and any matching funds | \$200,000 |
| Divided by the average per unit investment (all units) | \$20,000 |
| Equals the number of State-assisted units | = Ten (10) units |
| Period of affordability (based on \$20,000 per unit investment) | Ten (10) years (if acquisition/rehabilitation) |
| Period of affordability (based on \$20,000 per unit investment) | Twenty (20) years (if new construction) |
| Number of units @ High HOME rent | Eight (8) units |
| Number of units @ Low HOME rent | Two (2) units |

3.14 Covenants, Conditions and Restrictions

State-funded rental housing requirements and resources are enforced through the recording of CC&Rs. The CC&Rs remain in place throughout the period of affordability regardless of the status of the loan. ADOH requires the CC&Rs be recorded in first position, ahead of all other liens. A sample copy of ADOH’s required Declaration of CC&Rs is available upon request.

3.15 Initial Income and Rent Restrictions in State-Assisted Units

State-assisted units and the households that occupy the units are subject to rent and income restrictions throughout the period of affordability. Rents may be lower as long as the project remains viable. Rental sales tax is included in maximum rent.

| Standard Projects | | |
|---|--|--|
| Projects with less than five (5) State-assisted units | One hundred percent (100%) of State-assisted units must be occupied by households initially earning no more than sixty percent (60%) of the area median income (low-income units) adjusted by family size, and must bear rents not greater than the lesser of: | <ul style="list-style-type: none"> • The fair market rent (“FMR”) for existing housing for comparable units in the area as established by HUD including tenant paid utilities; or • Rent that does not exceed the area sixty-five percent (65%) rent limit (High HOME rent limit) including tenant paid utilities. |
| Projects with five (5) or more State-assisted units, or in the case of an owner of multiple one (1) or two (2) unit projects, with a total of five (5) or more State-assisted rental units. | Not less than twenty percent (20%) of the State-assisted units must be occupied by households whose incomes do not initially exceed fifty percent (50%) of the area median income (very low-income units) adjusted by household size, and bear rents not greater than the lesser of: | <ul style="list-style-type: none"> • The FMR for the area as established by HUD including tenant paid utilities; or • A rent that does not exceed the area fifty percent (50%) rent limit including tenant paid utilities. • Low HOME rent. |
| | The balance of the State-assisted units must be occupied by households whose incomes do not initially exceed sixty percent (60%) of the area median income (low income units) adjusted by household size, and bear rents not greater than the lesser of: | <ul style="list-style-type: none"> • The FMR for the area as established by HUD including tenant paid utilities and sales tax; or • A rent that does not exceed the area sixty five percent (65%) rent limit including tenant paid utilities and sales tax. • High HOME rent. |

| Single Room Occupancy (“SRO”) Projects | |
|---|--|
| Regardless of the number of units, if the unit has neither food preparation nor sanitary facilities or only one (1) of these amenities: | One hundred percent (100%) of State-assisted units must be occupied by households initially earning no more than sixty percent (60%) (low income unit) of the area median income adjusted by family size and must bear rents not greater than seventy five percent (75%) of the FMR for a zero (0) bedroom unit. |
| If the unit has both food and sanitary facilities: | Income and rent restrictions for standard projects apply. |

3.16 Proposed Income and Rent

Applicants that propose to serve households whose incomes are lower than program income limits will be required to rent units to the proposed households. Applicants that propose rents lower than those required may request an adjustment to the proposed rent prior to lease-up. Annual rent increases must be approved by ADOH through the Annual Compliance Report.

3.17 Utility Allowances

Maximum rents include utility allowances for tenant paid utility costs. Tenant-paid utilities must be deducted from the actual rent charged whether the rent is equal to or lower than the rent limit.

Note: Units may not be refused for leasing to a holder of a HUD Section 8 voucher or State tenant-based rental assistance certificate. When accepting Section 8 vouchers, the rent received, including tenant payment and subsidy, may not exceed the maximum rent level.

Utility allowances shall be based on the energy consumption model (Treasury Regulation § 1.42-10(b)(4)(ii)(E)) and must be prepared by a qualified professional as described in this paragraph. ADOH considers Certified RESNET Home Energy Raters who are in good standing with the Residential Energy Services Network (“RESNET”) to be “qualified professionals” for the purposes of the utility allowance regulation. 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). See the QAP, Utility Allowance Schedule, for more information. Applicants may use the local PHA Utility Allowance assumptions for the initial application, but must proceed immediately upon receipt of a preliminary award to prepare a utility allowance based upon the energy consumption model.

3.18 Underwriting and Financial Analysis

Rental Development projects must meet the underwriting and financial analysis requirement of the QAP.

3.19 Long-Term Compliance

Applicants who become recipients of SHFs must maintain long-term compliance with State and Federal regulations, policies and program requirements in each State-assisted unit during the entire affordability period.

A. Future State-Assisted Unit Rents

Annual rent increases must be approved by ADOH through the Annual Compliance Report. Rent and income limits and tenant-paid utility allowances must be analyzed and adjusted annually during the period of affordability. Updated income and rent limits are distributed to recipients by ADOH on an annual basis. It is the responsibility of the recipient to monitor ADOH's website for updates. Based on changes in area income levels or market conditions, rents as calculated by HUD annually may increase or decrease. Adjustments to the rent structure may be permitted if the financial feasibility of the project is threatened. Tenants must be given thirty (30) days written notice of rent increases.

B. Tenant Income Certification and Recertification Requirements

The income of tenants in State-assisted units must be certified according to HUD Section 8 (Part 5) guidelines for determining annual gross income. During the period of affordability, tenant income (and assets) must be recertified annually. Owners must use ADOH's Tenant Income Certification ("TIC") form for both initial certifications and annual re-certifications.

C. Fixed or Floating State-Assisted Units

When a project includes both State-assisted and non State-assisted units, the State-assisted units will be designated at the time of reservation as either "fixed" or "floating".

1. Fixed Units are units specifically designated that retain this designation during the period of affordability.
2. Floating Units are initially designated but may lose their designation and be replaced by comparable units during the period of affordability. The number and size, amenities and other characteristics of assisted units remain the same throughout the period of affordability.

When an increase in household income in a fixed, very-low income State-assisted unit occurs, the following applies:

1. If the increase does not exceed eighty percent (80%) of the area median income adjusted for household size, then the next available State-assisted unit must be rented to a very-low income qualified household and the unit that has been replaced becomes a low income State-assisted unit and the low-income rent must be charged.
2. If the increase exceeds eighty percent (80%) of the area median income adjusted for household size, then the next available State-assisted unit must be rented to a very-low income qualified household and the unit that has been replaced is required to pay thirty percent (30%) of the household's income for rent.

When an increase in household income in a floating very-low income occupied State-assisted unit occurs, the following applies:

1. If the increase does not exceed eighty percent (80%) of the area median income adjusted for household size, then the next available comparable unit is rented to a very-low income qualified household and the unit that has been replaced becomes a low- income State-assisted unit and the low-income rent must be charged.
2. If the increase exceeds eighty percent (80%) of the area median income adjusted for household size, then the next available comparable unit must be rented to a very-low income qualified household and the unit that has been replaced is required to pay thirty percent (30%) of the household's income for rent or the prevailing market rent, whichever is less.

When the annual income of households occupying fixed, low income State-assisted units exceeds eighty percent (80%) of the area median income adjusted for household size, they may stay in their State-assisted units but must pay a minimum of thirty percent (30%) of their adjusted income for rent and utilities and the next available low income, State-assisted unit must be rented to an income eligible household. When the occupied unit is a floating unit, the tenant may continue occupancy and pay a minimum of thirty percent (30%) of their adjusted income for rent and utilities, up to the prevailing market rent.

D. Terms of Tenant's Leases

Tenant leases on all HOME and HTF funded State-assisted units are subject to the following requirements:

1. The minimum lease term is one (1) year unless by mutual agreement between the tenant and the owner agree otherwise. The owner must provide evidence that a twelve (12) month lease was offered but both parties agreed on a lesser term.
2. For permanent rental housing, tenant leases must comply with the provisions of the Arizona Residential Tenant Landlord Act and Fair Housing Act.
3. For permanent and transitional housing, tenant lease agreements must be separate from program agreements.
4. Tenant lease agreements must not contain any of the following provisions:
 - a. Agreement to be sued. The tenant must not be required to agree to be sued, to admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
 - b. Treatment of property. The tenant must not be required to agree that the owner may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This provision does not apply to disposition of personal property left by a tenant who has vacated a property.
 - c. Excusing owner from responsibility. The tenant must not be required to agree not to hold the owner or owner's agents legally responsible for any action or failure to act, whether intentional or negligent.
 - d. Waiver of notice. The tenant must not be required to agree that the owner may institute a lawsuit without notice to the tenant.
 - e. Waiver of legal proceedings. The tenant must not be required to agree that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense or before a court decision on the rights of the parties.
 - f. Waiver of a jury trial. The tenant must not be required to agree to waive any right to a trial by jury.
 - g. Waiver of right to appeal court decision. The tenant must not be required to waive their right to appeal, or to otherwise challenge in court, a court decision in connection with the lease.
 - h. Tenant chargeable with cost of legal actions regardless of outcome. The tenant must not be required to agree to pay attorney's fees or other legal costs

even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

- i. Mandatory Supportive Services. Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.
- j. Owners may terminate tenancy or refuse to renew a lease only upon thirty (30) days written notice with cause except as provided by Arizona Law.

E. Inspection and Reporting

ADOH will conduct a pre-construction inspection of Rental Rehabilitation projects prior to executing funding agreements to ensure site conditions are compatible with the contract documents (Scope of Work, Construction Contract). ADOH will conduct an interim inspection (during construction) to ensure the project is progressing in accordance with the Contract Documents. ADOH will conduct a final inspection (after construction completion) to ensure the project was constructed in accordance with the contract documents. Owners of assisted projects are required to submit a Compliance Annual Report in accordance with the most recent HOME/HTF/NSP Annual Report Guide. Information provided in the Compliance Annual Report is generally confirmed through on-site unit and record inspections. ADOH will provide reasonable notice of scheduled inspections to each property every three (3) years, adhering to the Uniform Physical Conditions Standards (“UPCS”) pursuant to 24 CFR Parts 5 and 200 and to monitor tenant files for compliance with the applicable State and Federal regulation. Inspections and file monitoring may occur more frequently depending upon project performance. The Annual Compliance Report is to be submitted in hardcopy to the Compliance Administrator, annually by May 15th. For projects committed after July 24, 2014 with ten (10) or more total units, financial statements (of the projects) must be submitted with the Compliance Annual Report. If you need further information regarding project inspection and reporting, visit the ADOH website at <http://www.housing.az.gov>.

If you do not have access to the internet, please contact the following:

Juan Bello
Senior Compliance Officer
Phone: (602) 771-1074
Fax: (602) 771-1002

3.20 Responsibilities

In addition to delivering the project as specified and complying with all applicable State and Federal regulations, policies and program requirements, recipients of SHFs are responsible for the following:

A. Management Plan Requirements

An owner of State-assisted rental housing must adopt a management plan with the following components:

1. Financial Plan: Indicate how rents will be collected; and how the development’s financial operations will be managed.
2. Physical Management: Indicate how the project will be managed by describing planned and preventative maintenance activities, work order system response, ongoing unit inspections and maintenance of Uniform Physical Condition Standards (“UPCS”).

3. Occupancy Management: Describe how the units will be advertised/marketed, the intake and application process including certification and documentation of SHF eligibility, if and how a wait 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.

B. Adoption of Tenant Selection Policies and Criteria

(for the State-assisted Units)

An owner of State-assisted rental housing must adopt written tenant selection policies and criteria that:

1. Are consistent with the purpose of providing housing for low-income families.
2. Reasonably reflect ADOH's program eligibility requirements and the owner's ability to perform the obligations of the lease, including but not limited to:
3. Eligible tenants.
4. Tenant application procedures.
5. Tenant qualification process.
6. Provide for the selection of tenants from a written wait list in the chronological order of their application, insofar as is practical.
7. Give prompt written notification to any rejected applicant of the grounds for any rejection.
8. Projects in excess of five (5) State-assisted units are required to have an acceptable Affirmative Marketing plan.
9. Non-profits must have governing body formally adopt Tenant Selection Policies and Criteria.

C. Supportive Housing

Applicants that intend to provide supportive housing must complete a Supportive Service Plan. Applicants must submit proof of rental subsidy and incorporate into the Rental Analysis. Applicants must include a source for tenant services and include in the Permanent Rental Housing Project Sheet.

3.21 Program Specific Rental Thresholds

See Chapter 2 for additional thresholds common to all activities.

1. Rents on the State-assisted units do not exceed program limits and are adjusted for tenant-paid utilities.
2. If the project contains Federal funds (i.e. twelve (12) or more HOME assisted units), the budget reflects Davis-Bacon wages.
3. Applicant must provide written, acceptable Tenant Selection Policies and Criteria with formal adoption by the applicant's governing body in the form of a motion or resolution.
4. For permanent housing, applicant must provide an acceptable tenant lease agreement which complies with the provisions of the Arizona Residential Tenant Landlord Act and the Fair Housing Act.
5. Applicants serving special needs populations must provide a program agreement as well as a tenant lease agreement. The program agreement must be separate from the tenant lease agreement (combined agreements will not be accepted).
6. Applicants serving special needs populations must provide a completed Supportive Service Plan Outline and Service Provider Questionnaire including all required documentation as outlined on the forms.

7. For new construction projects, applicant must complete and provide an acceptable Site and Neighborhood Standards form per 24 CFR Part 983.6(b).
8. For projects consisting of five (5) or more units, applicant must complete and provide an acceptable Affirmative Fair Housing Marketing Plan (HUD Form 935.2).
9. Applicant must provide an acceptable Management Plan.
10. Applicants must provide an acceptable Fair Housing Accessibility Checklist fully completed and signed by the project architect.
11. Applicant must provide evidence of legal control of the property by submitting a recorded deed (if already owned), a fully executed ninety-nine (99) year leasehold on the property (fifty (50) years for tribal land), contract for purchase or lease, option for purchase or lease or an approved and executed governmental resolution and other documentation indicating the intent to sell to the applicant.
12. Applicants must acquire land and buildings for the project from unrelated third parties in arms-length transactions.
13. Applicant must provide a letter from the unit of local government indicating whether the property is appropriately zoned for the intended use. The letter must not be older than sixty (60) days from the date of submission deadline for the application.
14. A Preliminary Title Report must be provided for the proposed property dated within sixty (60) days of the date of the application for each property. For projects on tribal land, a title report must be received from the Bureau of Indian Affairs ("BIA").
15. If the project involves acquisition of real property, an appraisal conducted within the last six (6) months must be provided indicating the value of the real property to be acquired. This includes both vacant land and land with existing buildings and improvements. If no acquisition is to take place, an appraisal is not necessary.
16. Applicant must provide a complete HUD Format Environmental Review and HUD issued Authority to Use Grant Funds, on ADOH forms, pursuant to 24 CFR Part 58.
17. A Market Demand Study/Analysis must be provided that is not older than six (6) months of application.
18. Applicant must provide a Phase I and/or II Report that meets the standards of ASTM E1527-13 (not older than one (1) year at time of application).
19. Applications in which a property is currently inhabited by tenants must submit a relocation/temporary relocation plan that is in accordance with the requirements of the Uniform Relocation Act ("URA") even if the applicant does not anticipate temporary relocation. All costs associated with relocation/temporary relocation of tenants must be reflected in the development budget. Prior to application, all current tenants must be notified that the applicant intends to apply for funding in conformance with the URA and must be notified regarding the potential acquisition in writing.
20. For projects intending to rehabilitate or demolish buildings: If asbestos is found present in the Phase I and/or II Report, an asbestos assessment report and Operations and Maintenance plan must be provided, complying with Federal and State requirements.
21. For projects intending to rehabilitate or demolish pre-1978 buildings: Applicant must provide a Lead-based Paint Analysis with an Operations and Maintenance plan in accordance with 24 CFR Part 35.
22. For projects proposing to rehabilitate/preserve affordable housing with existing project-based rental assistance (i.e. Section 8 or Rural Development rental assistance), a copy of the rental assistance contract must be provided indicating the amount of assistance and number of rental units to be served/preserved. A confirmation letter must be provided from HUD

or RD insuring the rental assistance will remain with the rehabbed units once they are completed.

23. For rehabilitation projects submit Capital Needs Assessment (“CNA”) in accordance with the QAP.

4. OWNER-OCCUPIED HOUSING REHABILITATION (OOHR) PROGRAMS

The following guidelines apply to the use of SHFs for the rehabilitation of properties owned and occupied as a primary residence by low-income homeowners.

4.1 Eligible Activities

Rehabilitation of owner-occupied housing units, including:

1. Reconstruction.
2. Refinancing.

A. Reconstruction

When the cost to rehabilitate the existing housing unit is in excess of the cost to replace the unit, then reconstruction is an eligible activity. Reconstruction is eligible to the extent that the replacement unit will be situated on the same property as the existing unit and the replacement unit is substantially the same as the existing unit except when a larger or smaller unit is necessary to comply with property standards or local zoning, codes or ordinances. Reconstruction includes stick built replacement of existing manufactured housing. Unit being replaced must be demolished and removed from the property receiving assistance.

Note: Although reconstruction of single-family units is eligible to receive Federal HOME assistance as housing rehabilitation projects, Environmental Review regulations treat reconstruction as a new construction activity and a different process for environmental clearance must be followed.

B. Refinancing

Refinancing existing debt that is secured by the existing housing unit is an eligible activity only if State funds loaned for rehabilitation and refinancing combined will result in a lower overall housing cost than would result from any other combination of loans. The cost of the rehabilitation must be more than the amount of the mortgage that is refinanced.

Refinancing as a stand-alone activity is not eligible.

4.2 Ineligible Activities

The following activities are ineligible:

1. Single purpose rehabilitation, such as weatherization or accessibility when the unit will not comply with property standards after rehabilitation; however, accessibility, for example, can be a component of the rehabilitation.

4.3 Eligible Beneficiaries

All assisted homeowners must meet the following guidelines:

1. Have an annual gross income that does not exceed eighty percent (80%) of the area median income adjusted by household size.
2. The household must be income eligible at the time the rehabilitation commitment is made to the homeowner.
3. Income must be determined and verified according to HUD Area Median income guidelines.

4. Certify that they occupy the property as their principal and only residence.

4.4 Eligible Forms of Ownership

1. Fee simple title to the subject property, or;
2. Ninety-nine (99) year leasehold on the property; or
3. If on tribal lands, a leasehold on the property for not less than fifty (50) years; or
4. A lease agreement between the city or town and the agency applying for SHF. The lease agreement must be equal to or greater than the recapture period.

The ownership interest in the subject home may be subject only to mortgages, deeds of trust or other debt instruments approved by ADOH. The property must be free of restrictions or encumbrances that unduly restrict the good and marketable nature of the ownership interest, such as liens, non owner-occupants named on a deed, delinquent mortgages and/or property taxes. Limited title searches are recommended.

4.5 Eligible Property Types

The following property types are eligible:

1. Single-family (one (1) unit structures).
2. Condominium units.
3. Manufactured housing only if the unit upon completion will be:
 - a. Placed on a permanent foundation (requires certification) and is connected to permanent utility hook-ups;
 - b. Located on land that is held in fee-simple title or long-term ground lease with a term of at least ninety nine (99) years (fifty (50) years for tribal land);
 - c. Meets the construction standards of 24 CFR 3280 if manufactured after June 15, 1976; or meets applicable local and/or State codes if manufactured prior to June 15, 1976;
 - d. Meets all other requirements of this section.
4. All assisted properties must have a valid Homeowner's Insurance Policy in force for the duration of the lien at minimum.

4.6 Ineligible Properties

The following properties are ineligible:

1. Rental properties;
2. Units not occupied as the primary residence by the owner;
3. Uninsured properties;
4. Units located in a flood zone that are not covered by a flood insurance policy. Assisted units located in a flood zone will require flood mitigation.

4.7 Required Property Standards

Housing assisted with SHFs must meet the following property standards upon completion:

1. State Rehabilitation Standards (revised November 18, 2013) located on the Documents and Links/Forms/State Housing Fund page of the ADOH website at <https://housing.az.gov/documents-links/forms/state-housing-fund>
2. Most recent State and local code requirements
3. Appliances as applicable must be Energy Star rated.
4. International Energy Conservation Code ("IECC", 2012 edition or most current code recently adopted by local building jurisdiction).
5. Uniform Federal Accessibility Standards (Section 504 of the 1973 Rehabilitation Act) and the Americans with Disabilities Act, as applicable and needed by owner.
6. Weatherization Standards for OOHHR Housing Rehabilitation (issued October 11, 2012; revised November 18, 2013).
7. All plumbing fixtures are to be "low-flow."

4.8 Maximum Property Value

Section 215(b) of the National Affordable Housing Act ("NAHA") requires that the after-rehabilitation value of homeownership units assisted with HOME funds not exceed ninety five percent (95%) of the area median purchase price for single family housing as determined and published by HUD. To establish project eligibility, after-rehabilitation value must be established prior to any work being performed. The after-rehabilitation value may be established by one (1) or more of the following methods:

1. Estimates of value: Estimates of value by the sub-recipient may be used. Project files must contain the estimate of value and document the basis by which the value estimates were derived (i.e. a real estate broker's price opinion with supporting comparable sales).
2. Appraisals: Appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the participating jurisdiction, may be used. Project files must document the appraised value and the appraisal approach used.
3. Tax assessments: Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.

4.9 Minimum and Maximum State Investments

1. The minimum SHF per unit investment is \$1,000.
2. The maximum SHF per unit investment for units receiving rehabilitation assistance is \$65,000.
3. The maximum SHF per unit investment for units receiving reconstruction assistance is \$90,000. Reconstruction includes manufactured housing or stick built replacement.

4.10 Eligible Forms of Assistance to Beneficiaries

Owner-Occupied Housing Rehabilitation assistance to homeowners may be in the form of:

1. Deferred payment loans;
2. Non-interest bearing loans;
3. Interest-bearing loans; or

4. Due on sale, transfer or non-owner occupancy.

4.11 Terms of Assistance to Beneficiaries

The applicant must indicate the terms of assistance that will be offered to beneficiaries. This section details the options and suggestions for providing assistance. ADOH recommends that the applicant lien assisted properties for one hundred percent (100%) of the total SHF investment. However, applicants may design their program to lien only the construction cost investment portion of SHF but must remember that if recapture for non-compliance with income qualifying or occupancy requirements occur they are required to return one hundred percent (100%) of the total SHF investment to ADOH.

A. Deferred Payment and Forgivable Loans

Recipients may elect to provide deferred and/or forgivable loans to beneficiaries. These types of loans do not require scheduled repayment by beneficiaries and loan servicing is limited. Deferral or forgiveness of the loan is conditioned upon the beneficiary complying with program and occupancy requirements, as well as the requirements of the loan documents.

1. Recapture Period

When a recipient elects to provide assistance in the form of a deferred or forgivable loan, the following recapture periods apply. The recapture period is based on the total amount of State funds invested in the assisted unit and not the lien amount. Recipients may elect to have a recapture period that is longer than the required period. Please see the following chart for recapture period requirements.

| Amount of State Funds Invested Per Unit | Recapture Period |
|--|-------------------------|
| Under \$15,000 | Five (5) years |
| \$15,000 to \$40,000 | Ten (10) years |
| Over \$40,000 | Fifteen (15) years |

2. Deferred Payment Loan

Deferred payment loans require repayment of the principal amount of the loan at a specified time, usually when ownership of the assisted unit is transferred or when the assisted beneficiary fails to occupy the assisted unit as their primary residence. Deferred loan programs must specify the conditions under which the loan must be repaid. The deferred loan must be secured by a promissory note and a Deed of Trust naming the recipient agency as beneficiary.

3. Forgivable Loan

Like deferred payment loans, forgivable loans require repayment at a specified time; however, a forgivable loan may include repayment of only a portion of the principal amount. Forgiveness may be proportional based on the beneficiary’s continued owner occupancy for the recapture period or conditioned upon other locally defined criteria. Forgivable loan programs must specify the conditions under which the loan must be repaid. The forgivable loan must be secured by a promissory note and a Deed of Trust naming the recipient agency as beneficiary.

B. Customized Loan

Customized loans require repayment of the principal and/or interest over a period of time. The recipient must specify the loan terms and conditions that will be made available to meet the individual needs of beneficiaries. Customized loan programs calculate the borrowing capacity of each household by determining the income of the borrower, the amount available for additional housing related expenses and the estimated cost of rehabilitation. The interest rate and/or terms of the loan are based on the beneficiary's borrowing capacity. Borrowers should not be expected to pay more than thirty-three percent (33%) of their gross income on housing. The loan must be secured by a promissory note and a Deed of Trust naming the recipient as beneficiary.

C. Standardized Loans

Like customized loans, standardized loans require repayment of principal and/or interest over a period of time. The recipient must specify the loan terms and conditions that will apply to all beneficiaries. Standardized loan programs make available a single type of loan at a fixed term and interest rate regardless of the borrowing capacity of the beneficiary. Each beneficiary is qualified for the program based on the maximum affordable loan. Any funds necessary to complete the rehabilitation must be granted or deferred or the beneficiary would be disqualified. The loan must be secured by a promissory note and a Deed of Trust naming the recipient as beneficiary.

D. Beneficiary Refinancing and Home Equity Loan Policy

When SHFs are loaned to the homeowner, a repayment or recapture period applies. As part of the program policies, the recipient must establish a policy for refinancing of existing debt or home equity loans after completion of rehabilitation and prior to loan repayment or expiration of the recapture period. The policy must contain the following language:

1. Loan subordination will only be allowed when the refinancing results in a lower monthly payment; and
2. Loan subordination will not be allowed under any circumstances for a cash-out refinancing. As an alternative, the applicant may disallow any subordination under any circumstances.

Recipient must return all HOME funds repaid under any of the above loan types to ADOH. Any of the above loan types may be forgiven upon the death of a sole owner-occupant beneficiary or in the case of a catastrophic event such as complete and total loss due to fire.

4.12 Eligible Expenses

State funds may be used for construction (rehabilitation) costs and related soft costs. The following costs are eligible:

| Hard Costs | Soft Costs (related to a specific unit) |
|--|--|
| <ul style="list-style-type: none"> • Construction/reconstruction/rehabilitation materials and labor: <ul style="list-style-type: none"> ○ To meet rehabilitation standards; ○ To meet applicable codes, standards, ordinances; ○ For essential improvements; ○ For energy-related improvements; ○ Compliance with HUD and ADOH LBP requirements; ○ For improvements for person(s) with disabilities; ○ To repair or replace major housing systems; ○ For impending repairs and general property improvements of a non-luxury nature; ○ For site improvements and utility connections. | <ul style="list-style-type: none"> • Credit reports • Title reports and Title insurance • Legal and accounting fees including cost certifications • Appraisals • Recordation fees • Other applicable fees • Environmental reviews • Architectural/engineering fees including specifications and job progress inspections (if necessary) • Consultants' fees • Affirmative marketing/marketing costs • Building permits • Project audits • Third party subcontractor costs (if administered by a third party) • Project specific administrative costs. • Permanency certifications for manufactured housing units. |
| <ul style="list-style-type: none"> • Temporary Relocation costs including: <ul style="list-style-type: none"> ○ Temporary replacement housing ○ Moving costs ○ Out-of-pocket expenses ○ Advisory services ○ Staff and overhead costs related to relocation assistance services | |
| <ul style="list-style-type: none"> • For manufactured housing units: <ul style="list-style-type: none"> ○ Foundations ○ Tie-downs ○ Unit replacement | |

4.13 Recipient Responsibilities

Recipients must adopt and submit to ADOH for approval, formal housing rehabilitation policies as follows:

A. Housing Rehabilitation Guidelines (HRG's)

Recipients are required to develop and have their governing body adopt via a resolution or motion, policies for their owner-occupied housing rehabilitation program which are known as Housing Rehabilitation Guidelines (“HRGs”). Recipients will then implement their program following the adopted HRGs. HRGs must be submitted to ADOH in digital format and must be approved by

ADOH prior to a submission of an application for OOHHR funding. HRGs must include, but are not limited to, the following:

1. Program design (i.e. targeted revitalization area, other funding sources used for the program, other activities occurring in the targeted revitalization area).
2. Staffing and administrative structure.
3. Rehabilitation standard (minor, substantial, remove all code violations, etc.).
4. A plan to promote Green Technologies and the use of alternative energy sources. These may include solar energy, tankless water heaters, use of LED lighting and water harvesting and reuse. These are above and beyond ADOH minimum energy efficiency requirements which must be adopted in HRGs.
5. Marketing and advertising methods.
6. Application and wait list procedures.
7. Method of determining the scope of work for the potential beneficiary property.
8. Unit inspection, work write-up, cost estimate, bidding processes and contractor selection. Construction must be performed by a licensed general contractor. A management entity acting in place of a general contractor is not permitted. General contractors or any of their subcontractors must not appear on the Federal Excluded Parties List and must have met all the licensing and insurance requirements for the Arizona Registrar of Contractors (ROC).
9. Recipients are to adopt a schedule of contractor payment that is based on reimbursement for completed work and includes a minimum retainer for each draw of ten percent (10%). Recipients may choose to adopt an alternative payment schedule that would provide for even greater retention.

For example: Twenty percent (20%) of total contract upon completion of thirty percent (30%) of the work; additional twenty percent (20%) upon completion of fifty percent (50%) of the work; additional forty percent (40%) upon completion of one hundred percent (100%) of the work and submission of lien waivers from subcontractors; and final twenty percent (20%) plus change orders upon completion of all punch list items and a final lien waiver from the general contractor.

Final Draw must not be released until final inspections are completed, the rehab specialist and the homeowner have signed and accepted all repairs and the general contractor has provided all necessary lien waivers.

10. Pre-construction conference.
11. Construction inspection process.
12. Housing maintenance counseling services (i.e. changing filter pads, servicing furnace, warranty review for new systems, etc.).
13. Homeownership education (i.e. budgeting, timely mortgage payments, maintaining homeowner's insurance, etc.).
14. Examples of construction contract, deed of trust and promissory notes.
15. Loan closing and lien recordation process.
16. Method for determining after-rehabilitation value.
17. Loan servicing policies and procedures including lien release procedures.
18. Grievance and quality assurance procedures, which allow for an escalation of the homeowner's grievance (i.e. Step 1: Homeowner raises grievance verbally with direct rehabilitation program staff. If grievance is not resolved, go to next step. Step 2: Homeowner submits written grievance to Town or City Manager. If written grievance is not

resolved, then go to next step. Step 3: Homeowner grievance goes to a mutually agreed upon third party moderator.).

19. Program income accounting and return procedures, which outline the process the applicant will follow to return income that has been generated by the use of SHFs to ADOH.
20. Note: ADOH does not allow the recipient to retain and re-use Program Income.
21. Policy addressing the refinancing of existing debt or home equity loans after completion of rehabilitation and prior to loan repayment or expiration of the recapture period. The policy must, at minimum, contain the following language:
 - a. Loan subordination will only be allowed when the refinancing results in a fixed rate, lower monthly payment; and
 - b. Loan subordination will not be allowed under any circumstances for a cash-out refinancing.

As an alternative, the applicant may disallow subordination under any circumstances.

Recipients should also consider program policies and procedures that address, but are not limited to, the following:

1. Pets (i.e. number allowable per local code, if applicable and temporary relocation of pets during construction/rehabilitation).
2. Sanitary conditions of the unit prior to receiving assistance (i.e. animal feces/urine, unhealthy indoor air quality, excessive clutter in home, which obstructs inspection, etc.).
3. Excessive debris on the property which is in violation of local code or which obstructs or causes a safety hazard for workers.

B. Energy Efficiency Requirements

All projects are to be weatherized in accordance with the ADOH published Weatherization Standards for OOHHR Housing Rehabilitation (issued October 11, 2012; revised November 18, 2013) located on the Documents and Links/Forms/State Housing Fund page of the ADOH website at <https://housing.az.gov/documents-links/forms/state-housing-fund>. All weatherization work is to be completed by Building Performance Institute, Inc. ("BPI") certified weatherization professionals.

4.14 Owner-Occupied Housing Rehabilitation Activity Specific Thresholds

See Chapter 2 for thresholds common to all activities.

1. Prior to making application, both governmental and non-profit applicants must adopt a resolution of their governing board authorizing the submission of an application.
2. All applicants, including private for-profit entities, must execute the Applicant Affidavit, Release and Certification Form included in the application.
3. All non-profit and for-profit applicants must provide a Determination Letter and Certification of Good Standing from the State of Arizona. Non-profits must also submit a copy of the IRS non-profit designation letter.
4. Applicant has provided ADOH with a digital copy of acceptable written Owner-Occupied Housing Rehabilitation Policies adopted by its governing body via a Resolution or motion.
5. The form of property ownership is eligible.
6. The property valuation, after completion, does not exceed ninety five percent (95%) of the area median purchase price for single-family housing, as determined and published by HUD. Applicant has a commitment for all non-State funding shown in the budget, the

- receipt of which can reasonably be expected within ninety (90) days from the application deadline.
7. All staff/team members, including consultants and/or subcontractors, have been hired and are ready to begin work on the proposed program or can reasonably be assured to be in place within ninety (90) days of the award of funds.
 8. Application must serve a minimum of three (3) income qualified households.
 9. Applicant has provided as part of their market study a wait list of pre-qualified, income and property eligible owner occupied households who have applied to receive assistance. Wait list must also provide household demographics including but not limited to name, address, household size, race, ethnicity, income, date of income verification, % AMI, household type (single, elderly, single parent, etc.), etc. The wait list has been certified as a true copy of the original and signed by the Grants Coordinator, Housing Rehabilitation Specialist or other appropriate official.
 10. Recipients with OOHR contracts that have reached their Funding Agreement expiration:
 - a. Expenditure: Funds are one hundred percent (100%) expended or de-obligated with final request for payment submitted to ADOH within sixty (60) days of the contract expiration per Funding Agreement Section 13, Compensation and Method of Payment.
 - b. Close Out Report has been submitted to ADOH within sixty (60) days of the contract expiration per Funding Agreement Section 7.2 Contract Closeout-Completion Reports and Post-Funding Audits.
 11. Recipients with open CDBG or HOME OOHR contracts:
 - a. Performance: Project is in compliance with the Schedule of Completion per the Funding Agreement Attachment B; and
 - b. Expenditure Rates: Applicant must submit an up-to-date Schedule of Completion/ Performance Report (Attachment B) with the application that indicates the status of the units (completed, underway, out to bid, qualified, etc.) and an up-to-date Expenditure report for each of those units for all open CDBG, HOME and HTF OOHR contracts, The report must show that a reimbursement of expenditures has been requested for all complete units.

5. DEFINITIONS

Adjusted Income - ADOH program uses the definitions of the Section 8 program determining the amount of adjusted income necessary to compute actual tenant payment in tenant-based rental assistance programs only.

Affordability Period or **Period of Affordability** - A period of time, dependent upon the amount of State funds invested per unit, during which unit occupancy is restricted to low-income households, rents are restricted and funds are subject to recapture provisions. Consult the chapter regarding the applicable activity (i.e. rental, homeownership, etc. for information on the specific period required).

Area Median Income (“AMI”) - The median household income, adjusted for family size, covering a specific geographical area (usually by county or metropolitan area). Charts, issued and updated periodically by HUD, are used in determining the eligibility of households to become beneficiaries of ADOH program.

Annual Gross Income - ADOH program uses the definitions of the Section 8 program. Annual income is used to qualify potential beneficiaries for assistance and/or occupancy.

Applicant - The legal and primary entity submitting an application for funds. (Applicants who are successful in receiving funding are subsequently referred to as recipients.) If an eligible applicant is sponsoring an application for an ineligible applicant, the applicant is the sponsor (the eligible applicant) and will be considered the applicant on record. The ineligible applicant, through sponsorship may technically become the recipient, but will never be categorized as “the applicant”.

Beneficiary - Refers to a person or household that actually receives the end result of the SHF assistance; the assisted homeowner or renter.

Capitalized Reserves - Capitalized reserves is an investment of funds into a reserve account to be held for use of debt service and operating cost as needed.

Community Housing Development Organization (“CHDO”) - Is a private, non-profit organization that meets a series of qualifications and is certified by ADOH as eligible to receive funds from the CHDO set-aside.

Consolidated Plan and Consolidated Plan Update - The Consolidated Plan is a document, required by HUD that describes needs, resources, priorities and proposed activities to be undertaken with respect to HUD-funded projects and programs throughout the State of Arizona. As a condition of receiving HUD funding, ADOH is required to file a Consolidated Plan Update by May 15th of each year.

Contract Expiration Date - The date on which funding ceases. All work funded with State dollars must have been completed by this date. Any funding not encumbered by this date is typically recaptured by ADOH for re-use in another project.

Council of Government - Arizona is home to four (4) rural and two (2) metropolitan Councils of Governments serving regional planning districts. The four (4) rural councils and the districts they serve are: Northern Arizona Council of Government (NACOG), serving the counties of Apache, Coconino, Navajo and Yavapai Counties in Region 3; Western Arizona Council of Governments

(WACOG), serving the counties of La Paz, Mohave, and Yuma in Region 4; Central Arizona Association of Governments (CAG), serving the counties of Gila and Pinal in Region 5; and Southeastern Arizona Governments Organization (SEAGO), serving the counties of Cochise, Graham, Greenlee and Santa Cruz in Region 6. The two (2) metropolitan councils are Maricopa Association of Governments (MAG) and Pima Association of Governments (PAG).

Developer - Any legal entity that will provide or arrange for design, financing and construction services in connection with a project.

Development Project - Those projects that are actually developing new or expanding on current housing opportunities, including: new construction, acquisition and/or rehabilitation (excluding owner-occupied housing rehabilitation.)

Energy Star - Units newly constructed or rehabilitated must meet the Energy Star standard to promote use of energy efficient products to reduce greenhouse gas emissions. More information of approved Energy Star labeled products can be found at <http://www.energystar.gov>.

Final Rule - The Final HOME Rule, published at 24 CFR Part 92 on September 16, 1996, and effective October 16, 1996, with amendment published October 31, 2002 and subsequently amended July 24, 2013, and effective August 23, 2013.

Firm Commitment - A commitment for funding that is not connected with additional contingencies beyond conforming to the programmatic and legal requirements of funding.

Gap Financing - The financing gap left between acceptable costs and the funding available to the project (provided all other funding sources have been maximized to the greatest extent possible).

Home Energy Rating System (“HERS”) - Home Energy Rating System index beyond the baseline index of eighty-five (85). Workers conducting the HERS rating are required to be a Certified Home Rating System Rater. Certification must be through the Residential Energy Services Network (“RESNET”).

HOME-Assisted Units - See State-assisted units.

HOME Funds - All appropriations for the Federal HOME Investment Partnership Program plus all repayments and interest or other returns on the investment of these funds.

Homeownership - Ownership in fee simple title or a ninety-nine (99) year leasehold interest in a one (1) unit dwelling or in a condominium unit or equivalent form of ownership approved by ADOH.

Household - One (1) or more persons occupying a housing unit.

Housing Trust Fund (“HTF”) - A housing program funding source authorized under Arizona State Legislation to provide funding for housing projects and programs that assist low-income households.

HUD - United States Department of Housing and Urban Development.

Identity of Interest - Exists between the developer and builder if the entities are affiliated or there is commonality between the developer and builder of persons, related entities or firms which have a financial interest, direct or indirect, in the developer/owner and builder entities. Each applicant is evaluated on a case-by-case basis as this definition is not meant to be exclusive.

Impact Fee - Fee or charge, levied by a government against a property, to cover wholly or partly the cost of providing capital improvements or public services necessitated by the construction or alteration of a residential or commercial development or to control growth.

Low-Income Families - Families whose annual incomes do not exceed eighty percent (80%) of the median income for the area.

Low-Income Housing Tax Credits (“LIHTC”) - The Low-Income Housing Tax Credit is a program of the Internal Revenue Service (“IRS”) which provides Federal income tax credits to owners of qualified residential rental projects.

Low-Income Neighborhood - A neighborhood that has at least fifty-one percent (51%) of its households at or below eighty percent (80%) of median income for the area.

Land Banking - A prohibited activity. The acquisition of parcels of land to be held for an indefinite period of time without an imminent development date set in the immediate future for its use in the development of affordable housing. A determination of what is viewed as imminent and immediate is at the sole discretion of ADOH.

Match or Matching Contributions - Funds permanently contributed to a State-funded project that take on the characteristics of HOME funds and are subject to essentially the same requirements as HOME funds.

Material Changes - Changes, from information previously submitted to ADOH, in the substance of the project, including but not limited to, changes in the composition of ownership entity, in the project itself, in the terms of sources of financing or in construction lender, permanent lender or in the case of a LIHTC project, in the syndicator.

Neighborhood - Geographic location designated in comprehensive plans, ordinances or other local documents as a neighborhood, village or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government. If the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

New Construction - A project is considered to be new construction if the project is newly built or has had the initial certificate of occupancy issued within the past twelve (12) months of the receipt of ADOH subsidy.

Notice of Funding Availability (“NOFA”) - State Housing Fund memorandum issued when funds become available for affordable housing projects. NOFA will specify application and program requirements.

Operating Costs - The fixed and variable expenses of operating a project, including but not limited to, taxes, insurance, utilities, management and replacement reserves, but exclusive of debt service.

Owner - The entity which legally owns the project.

Owner-Occupied Housing Rehabilitation (“OOHR”) - An eligible program for funding where homes owned and occupied as the sole residency of low-income (at or below eighty percent (80%) AMI) households are eligible for rehabilitation or reconstruction assistance. It does not include

specialized programs such as weatherization or emergency repair programs. Homes completed under this program must meet ADOH's Housing Rehabilitation Standards.

Participating Jurisdiction ("PJ") - The term given to any State or local government or consortium that has been designated by HUD to administer a HOME Program. HUD designation as a PJ occurs if a State or local government meets the funding thresholds, notifies HUD that they intend to participate in the program and has a HUD-approved Consolidated Plan.

Principal Residence - Reside as a principal place of residence in dwelling for at least six (6) months of the year.

Priority Populations - The following special needs populations are recognized by ADOH as priority populations for the purpose of applying for SHFs:

1. Individuals or families experiencing homelessness. Individuals or families are considered homeless when they lack a fixed, regular and adequate night-time residence, and includes those who are sharing the housing of other persons due to loss of housing, economic hardship, or similar reason; are living in a supervised publicly or privately operated shelter designed to provide temporary living accommodations; or a public or private place not designed for or ordinarily used as regular sleeping accommodation for human beings (i.e. cars, parks, abandoned buildings, substandard housing, bus or train stations or similar settings).
2. Seriously mentally ill persons. Adults whose emotional or behavioral functioning is so impaired as to interfere with their capacity to remain in the community without supportive treatment. The mental impairment is severe and persistent and may result in a limitation of their functional capacities for primary activities of daily living, interpersonal relationships, homemaking, self-care, employment or recreation. The mental impairment may limit their ability to seek or receive local, State or Federal assistance such as housing, medical and dental care, rehabilitation services, income assistance or protective services.
3. Persons with a physical disability. Persons with a physical or mental impairment which substantially limits one (1) or more of such person's major life-activities, or having a record of such impairment(s), or being regarded as having such an impairment; but such term does not include current, illegal use of or addiction to a controlled substance (as defined in section 102 of the Controlled Substance Act (2 U.S.C. 802)).
4. Persons with a developmental disability. Persons 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.
5. Families with children under the age of eighteen (18).
6. Persons with Acquired Immune Deficiency Syndrome ("AIDS")/Human Immuno-deficiency Virus ("HIV"). Persons with the disease of AIDS or any conditions arising from the etiologic agent for AIDS including infection with the HIV.
7. Persons experiencing domestic violence. Persons experiencing bodily injury from a family or household member or is being placed in a position of threat of force or fear of imminent physical harm.
8. Persons with chronic substance abuse. If referred by a recognized substance abuse agency.
9. Elderly. A household in which at least one (1) member is sixty-two (62) and older.
10. Individuals or families with extremely low income. Persons or families whose income does not exceed the higher of the federal poverty level or thirty percent (30%) of AMI.

11. Other special needs groups. With documentation in writing by the affected unit of local government and approved by ADOH in its sole discretion. Applicants wishing to have other special needs groups recognized by ADOH as such within an application must receive written approval from ADOH at least thirty (30) days prior to the submittal of an application.

Priority Population Targeting - Special needs populations as defined above that are recognized by ADOH as priority populations for the purpose of application scoring for SHFs. Points will be awarded based on the percent (%) of total units in the project or program designated to serve:

1. Individuals or families experiencing homelessness
2. Persons with a physical disability
3. Persons with AIDS/HIV
4. Elderly
5. Individuals or families with extremely low income

Professional Fees - Fees directly related to the project paid to architects, engineers and lawyers and for soils analysis, soils reports and environmental reports.

Program Income - Program Income is income that has been generated by the use of SHFs. Funds recaptured from homeowners who are required to repay their assistance because they did not remain in the assisted housing for the required "recapture period" should not be categorized as Program Income. (See **Recaptured Funds** below.)

Project - A site or sites together with any buildings (including manufactured housing unit) that are under common ownership, management and financing and are to be assisted with State funds under a commitment by the owner as a single undertaking. Project includes all the activities associated with the site and building.

Project Completion - Occurs when all necessary title transfer requirements and construction work has been performed and the project, in ADOH's judgment, complies with the requirements of ADOH program including the property standards adopted; the final drawdown has been disbursed for the project; and a Project Completion Report or Contract Closeout Report has been submitted and accepted.

Recaptured Funds - State funds that are recaptured from homeowners who were required to repay their assistance subsidy because they did not remain in the assisted housing for the required "recapture period." Recaptured funds are not Program Income.

Recipient - A recipient is an applicant who is successful in receiving a firm commitment of funds. A non-eligible applicant who receives funding due to an application filed through a sponsorship, but becomes the legal entity who contracts directly with ADOH for funding also becomes the recipient (in which case the applicant on record will not be recognized as a recipient).

Reconstruction - Rebuilding on the same lot as that of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be decreased or increased as part of reconstruction project but the number of rooms per unit may be increased or decreased. The reconstructed housing must be substantially similar (i.e. single- or multi-family housing) to the original housing. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing. Reconstruction is

rehabilitation for purposes of this part. If the reconstruction does not take place on the original foundation, it is considered new construction for HUD Format Environmental Review record compliance requirements.

Single-Room Occupancy (“SRO”) - Housing consisting of single-room dwelling units that is the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities if the project involves new construction.

Special Needs Populations - See **Priority Populations**.

Sponsor - A sponsor is an eligible applicant who applies for funding on behalf of an ineligible applicant. Sponsors may request that the ineligible entity become the contracting entity (the “recipient”) with ADOH if the application receives funding; otherwise the “sponsor” is technically the applicant.

State-assisted Unit - A term that refers to units within a State-assisted project where State or matching funds are used, requiring that rent, occupancy and/or recapture provisions apply. Same as HOME-assisted units within this publication.

State Funds - This term encompasses both Federal HOME funds and State Housing Trust Funds. This term is not meant to imply literally only those funds that originated at ADOH level but both sources of funding that are outlined in this Program Summary and administered by ADOH. Collectively, these two (2) sources are referenced as State funds or SHFs.

State Housing Fund (“SHF”) - The State Housing Fund is a combination of Federal and State dollars that ADOH administers which are Federal HOME funds and State Housing Trust Funds. Collectively, these two (2) sources are referenced as State Housing Funds (“SHF”).

Transitional Housing - Is rental housing that:

1. Is designed to provide housing and appropriate supportive services to persons, including (but not limited to) priority (special needs) populations; and
2. Has its purpose facilitating the movement of individuals and families to independent living within a time-period that is set by the (State), State recipient or project owner before occupancy.

Very-Low Income Families - Families whose annual incomes do not exceed fifty percent (50%) of the median family income for the area.

6. APPENDICES

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6.1 APPENDIX A - Public Housing Authority List

Utility allowances must be obtained from the local Public Housing Authority. ADOH is the Public Housing Authority for Yavapai County.

| Region | Housing Authority | Address | Phone/Fax |
|--|--|---|--|
| City of Chandler | Chandler Housing Division | Mail Stop 101 P.O. Box 4008 Chandler, AZ 85244 | Phone: (480) 782-3200 Fax: (480) 782-3220 |
| City of Douglas | Douglas Housing Authority | 425 East 10th Street Douglas, AZ 85607 | Phone: (520) 417-7385 Fax: (520) 364-6462 |
| City of Eloy | Eloy Housing Authority | P.O. Box 637 Eloy, AZ 85231 | Phone: (520) 466-7162 Fax: (520) 466-4223 |
| City of Flagstaff | Flagstaff Housing Authority | 3841 North Fanning Drive Flagstaff, AZ 86004 | Phone: (928) 526-0002 Fax: (928) 526-3734 |
| City of Glendale | Glendale Community Partnerships Department | 6842 North 61 st Avenue Glendale, AZ 85301 | Phone: (623) 930-2180 Fax: (623) 930-1064 |
| City of Mesa | Mesa Housing Services Division | 20 East Main Street, #250 Mesa, AZ 85201 | Phone: (480) 644-3536 Fax: (480) 644-2923 |
| City of Nogales | Nogales Housing Authority | 951 North Kitchen Street Nogales, AZ 85621 | Phone: (520) 287-4183 Fax: (520) 287-4802 |
| City of Peoria | Peoria Housing Authority c/o Community Services of AZ | 10950 North 87 th Avenue Peoria, AZ 85345 | Phone: (623) 486-4375 Fax: (623) 486-0822 |
| City of Phoenix | Phoenix Housing Department | 830 East Jefferson Street Phoenix, AZ 85034 | Phone: (602) 534-1974 Fax: (602) 534-5345 |
| City of Scottsdale | Scottsdale Housing Authority | 7515 East 1 st Street Scottsdale, AZ 85251-4502 | Phone: (480) 312-7647 Fax: (480) 312-7761 |
| City of South Tucson | South Tucson Housing Authority | 1713 South 3 rd Avenue South Tucson, AZ 85713 | Phone: (520) 623-8481 Fax: (520) 770-0051 |
| City of Tempe | Tempe Public Library Human Services Department | 3500 South Rural Road 2nd Floor Tempe, AZ 85282 | Phone: (480) 350-8950 Fax: (480) 350-8902 |
| City of Tucson | Tucson Community Services Department | P.O. Box 27210 Tucson, AZ 85726 | Phone: (520) 791-4171 Fax: (520) 791-5407 |
| City of Williams | Williams Housing Authority | 620 West Sheridan Avenue Williams, AZ 86046 | Phone: (928) 635-4717 Fax: (928) 635-2711 |
| City of Winslow | Winslow Public Housing Department | 900 West Henderson Square Winslow, AZ 86047 | Phone: (928) 289-4617 Fax: (928) 289-3648 |
| City of Yuma | Yuma City Housing Authority | 420 South Madison Avenue Yuma, AZ 85364 | Phone: (928) 782-3823 Fax: (928) 376-0399 |
| Cochise County: <i>includes Bisbee, Sierra Vista, Tombstone, Benson, Willcox</i> | Housing Authority of Cochise County | 1000 Clawson Avenue P.O. Box 167 Bisbee, AZ 85603 | Phone: (520) 432-8880 Fax: (520) 432-8890 |
| Gila County: <i>includes Globe,</i> | Gila County Housing Department | 1400 East Ash Globe, AZ 85502 | Phone: (928) 425-7631 Fax: (928) 425-9468 |

| Region | Housing Authority | Address | Phone/Fax |
|---|---|--|--|
| <i>Miami, Payson</i> | | | |
| Graham County: <i>includes Safford, Thatcher, Pima</i> | Housing Authority of Cochise County | 1000 Clawson Avenue P.O. Box 167 Bisbee, AZ 85603 | Phone: (520) 432-8880 Fax: (520) 432-8890 |
| Maricopa County: <i>all areas in the county includes Wickenburg, Gila Bend, Apache Junction</i> | Maricopa County Housing Department | 8910 North 78 th Avenue Building D Peoria, AZ 85345 | Phone: (602) 744-4500 Fax: (602) 253-9268 |
| Mohave County: <i>includes Kingman, Bullhead City, Lake Havasu City</i> | Mohave County Housing Authority | P.O. Box 7000 Kingman, AZ 86402 | Phone: (928) 753-0723 Fax: (928) 753-0776 |
| Pima County: <i>includes Tucson, Marana</i> | Tucson Community Services Department | P.O. Box 27210 Tucson, AZ 85726 | Phone: (520) 791-4739 Fax: (520) 791-5407 |
| Pinal County: <i>includes all areas except Eloy and includes Apache Junction, Casa Grande, Florence, Coolidge</i> | Pinal County Housing Authority | 970 North 11 Mile Corner Road Casa Grande, AZ 85222 | Phone: (520) 866-7201 Fax: (520) 866-7235 |
| Yavapai County <i>includes Prescott, Prescott Valley, Chino Valley, Sedona, Cottonwood, Camp Verde, Clarkdale</i> | State Public Housing Authority | 1110 West Washington, #280 Phoenix, AZ 85007 | Phone: (602) 771-1000 Fax: (602) 771-1013 |
| Yuma County | Yuma County Housing Department | 8450 West Highway 95, #88 Somerton, AZ 85350 | Phone: (928) 627-8828 Fax: (928) 627-8715 |

6.2 APPENDIX B - HUD HOME 95% of Area Median Purchase Price Limits

HUD updates the HOME ninety-five percent (95%) of Area Median Purchase Price Limits annually.

Further information can be found at the following HUD website:

<https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>.

Additionally, ADOH extracts the Arizona limits by county and publishes them through an Information Bulletin. The most current is available from the Department's website at

<https://housing.az.gov/documents-links/publications>

If you do not have access to the internet, please contact the following:

Kathy Blodgett

Community Development & Revitalization Administrator

Phone: (602) 771-1021

Fax: (602) 771-1002

6.3 APPENDIX C - Median Income Guidelines

HUD updates the Median Income Guidelines on an annual basis. You may download the information from the following HUD website:

<https://www.hudexchange.info/programs/home/home-income-limits/> or on ADOH's website:

<https://housing.az.gov/2015-homehtfnsp-program-income-limits>

If you do not have access to the internet, please contact the following:

Jeanne Redondo
Rental Programs Administrator
Phone: (602) 771-1031

6.4 APPENDIX D - Rent Chart

HUD updates the HOME Program Rent Limits on an annual basis. You may download the information from the following HUD website:

<https://www.hudexchange.info/programs/home/home-income-limits/> or on ADOH's website at <https://housing.az.gov/documents-links/forms/rent-limits>.

If you do not have access to the internet please contact the following:

Jeanne Redondo
Rental Programs Administrator
Phone: (602) 771-1031

6.5 APPENDIX E - Maximum per Unit State Investments by Geographic Area
HUD 221(d)(3) per unit limits

HUD updates the Maximum per Unit State Investments on an annual basis. You may download the information from the following HUD website:

<https://www.hudexchange.info/resource/2315/home-per-unit-subsidy/>

If you do not have access to the internet, please contact the following:

Jeanne Redondo
Rental Programs Administrator
Phone: (602) 771-1031

6.6 APPENDIX F - Sample Applicant Resolution

**Authorization to Submit Application(s) and
Enter into an Agreement for SHFs**

Resolution No. _____

A resolution of the [AUTHORIZING BOARD OR GOVERNING BODY] of [NAME OF APPLICANT] authorizing the submission of an application(s) for SHFs (which may include Federal funding through the HOME Investment Partnership Program or SHFs), certifying that said application(s) meets the community’s housing and community development needs and the requirements of the State Housing Programs, and authorizing all actions necessary to implement and complete the activities outlined in said application.

WHEREAS, the [AUTHORIZING BOARD OR GOVERNING BODY] of [NAME OF APPLICANT] is desirous of undertaking affordable housing development activities; and

WHEREAS, the State of Arizona is administering the State Housing Fund Program; and

WHEREAS, the State Housing Fund requires that SHFs benefit low income households; and

WHEREAS, the activity in the application addresses the community’s low-income population housing needs; and

WHEREAS, a recipient of SHFs is required to comply with the program guidelines, State and Federal Statutes and regulations.

NOW, THEREFORE, BE IT RESOLVED THAT the [AUTHORIZING BOARD OR GOVERNING BODY] of [NAME OF APPLICANT] authorize application to be made to the State of Arizona for funding from the State Housing Fund, and authorize [NAME and JOB POSITION OF INDIVIDUAL] to sign application and contract or grant documents for receipt and use of these funds, and authorize [NAME AND JOB POSITION OF INDIVIDUAL] to take all actions necessary to implement and complete the activities submitted in said application(s); and

THAT, the [AUTHORIZING BOARD OR GOVERNING BODY] of [NAME OF APPLICANT] will comply with all State Housing Fund Program Guidelines, State and Federal Statutes and regulations applicable to the State Housing Fund Program (HOME program and/or State Housing Trust Fund) and the certifications contained in the (these) application(s).

Passed and adopted by the [AUTHORIZING BOARD OR GOVERNING BODY] of [NAME OF APPLICANT] this _____ day of _____, ____.

By: _____
Title of person signing

ATTEST:

APPROVED AS TO FORM:

By: _____
Title of person attesting

By: _____
(Applicant Attorney)

6.7 APPENDIX G - ADOH Lead Hazard Control Procedures

Lead Hazard Control Standards for Projects Funded Exclusively with Housing Trust Funds

Some properties are assisted with Housing Trust Funds and have no other Federal funds and therefore are not required to comply with the Federal LBP regulation at 24 CFR Part 35. Recipients should consult with ADOH for clarification if they are not sure about the source of their funds.

Nevertheless, it is ADOH's policy to provide lead-safe housing to all assisted households. If ADOH provides assistance for the acquisition or rehabilitation of housing and no Federal funds are included in the project financing, the following will apply as a matter of policy beginning with projects acquired and/or rehabilitated after January 1, 2002:

1. All units in the project will be subject to visual assessment standards for identification of deteriorated or deteriorating paint surfaces.
2. All rehabilitation, maintenance or other physical work on the painted surfaces will be done using Safe Work Practices, to be certified by the owner of the property or recipient of grant funds, unless the surface has been tested and determined to be LBP-free.
3. Any such work will be subject to visual assessment standards upon completion to ensure that the work has been completed, an intact painted surface restored and all debris and dust have been removed. Dust wipes are not a requirement but are recommended where feasible to create documentation of safe work.
4. Rental property owners will be required to have a paint maintenance policy that ensures regular (at least annual) visual assessment and repair/maintenance of painted surfaces using Safe Work Practices.

6.8 APPENDIX H - Tenant Income Certification

The Tenant Income Certification Form is required for all households occupying a State Housing Fund or Low-income Housing Tax Credit unit. ADOH periodically updates this document and this Appendix H is intended to be a sample only.

The original fillable Tenant Income Certification Form can be downloaded from ADOH's website: <https://housing.az.gov/documents-links/forms/rental-compliance-monitoring>.

If you do not have access to the internet, please contact the following:

Juan Bello
Senior Compliance Officer
Phone: (602) 771-1074

6.9 APPENDIX I - Obtaining a DUNS Number

Obtaining a DUNS Number - a Guide for Federal Grant and Cooperative Agreement Applicants

The Federal government requires that all applicants for Federal grants and cooperative agreements, with the exception of individuals other than sole proprietors, have a Data Universal Numbering System (“DUNS”) number. (See policy at www.sam.gov.) The Federal government will use the DUNS number to better identify related organizations that are receiving funding under grants and cooperative agreements, and to provide consistent name and address data for electronic grant application systems.

Data Universal Number System (DUNS) Number:

1. The DUNS number is a unique nine (9) digit identification number provided by Dun & Bradstreet (“D&B”).
2. The DUNS number is site-specific. Therefore, each distinct physical location of an entity (such as branches, divisions and headquarters) may be assigned a DUNS number. Organizations should try to keep DUNS numbers to a minimum. In many instances, a central DUNS number with a DUNS number for each major division/department/agency that applies for a grant may be sufficient.
3. In order to provide on-the-spot DUNS number assignment, the requestor should do this by telephone. (See telephone number below.)

Obtaining a DUNS Number:

1. You should verify that you have a DUNS number or take the steps needed to obtain one as soon as possible if there is a possibility you will be applying for future Federal grants or cooperative agreements. There is no need to wait until you are submitting a particular application.
2. If you already have a DUNS number: If you, as the entity applying for a Federal grant or cooperative agreement, previously obtained a DUNS number in connection with the Federal acquisition process or requested or had a DUNS number assigned to you for another purpose, you should use that number on all of your applications. It is not necessary to request another DUNS number from D&B. You may request D&B to supply a family-tree report of the DUNS numbers associated with your organization. Organizations should work with D&B to ensure the right information is on the report. Organizations should not establish new numbers but use existing numbers and update/ validate the information associated with the number.
3. If you are not sure if you have a DUNS number: Call D&B using the toll-free number, (844) 881-7173, and indicate that you are a Federal grant applicant/prospective applicant. D&B will tell you if you already have a number. If you do not have a DUNS number, D&B will ask you to provide the information listed below and will immediately assign you a number, free of charge.
4. If you know you do not have a DUNS number: Call D&B using the toll-free number, (844) 881-7173, and indicate that you are a Federal grant applicant/prospective applicant. D&B will ask you to provide the information listed below and will immediately assign you a number, free of charge.

Managing Your DUNS Number:

1. D&B periodically contacts organizations with DUNS numbers to verify that their information is current. Organizations with multiple DUNS numbers may request a free family tree listing from D&B to help determine what branches/divisions have numbers and whether the information is current. Please call the dedicated toll-free DUNS Number request line at (844) 881-7173 to request your family tree.
2. D&B recommends that organizations with multiple DUNS numbers have a single point of contact for controlling DUNS number requests to ensure that the appropriate branches/divisions have DUNS numbers for Federal purposes.

As a result of obtaining a DUNS number, you have the option to be included on D&B's marketing list that is sold to other companies. If you do not want your name/organization included on this marketing list, request to be de-listed from D&B's marketing file when you are speaking with a D&B representative during your DUNS number telephone application.

Obtaining a DUNS number is absolutely free for all entities doing business with the Federal government. This includes grant and cooperative agreement applicants/prospective applicants and Federal contractors. Be certain that you identify yourself as a Federal grant applicant/prospective applicant.

To Obtain Your DUNS Number:

Please call the dedicated toll-free DUNS Number request line for Federal grant and cooperative agreement applicants or prospective grant applicants at (844) 881-7173.

The number is staffed from 8:00 a.m. to 6:00 p.m. (local time of the caller when calling from within the continental United States). Calls placed to the above number outside of those hours will receive a recorded message requesting the caller to call back between the operating hours:

1. The process to request a number takes about five (5) to ten (10) minutes.
2. A DUNS number will be assigned at the conclusion of the call.

You will need to provide the following information:

1. Legal Name
2. Headquarters name and address for your organization
3. Doing business as (dba) or other name by which your organization is commonly known or recognized
4. Physical address, city, state and zip code
5. Mailing address (if separate from headquarters and/or physical address)
6. Telephone number
7. Contact name and title
8. Number of employees at your physical location

6.10 APPENDIX J - Obtaining a Central Contractor Registration

Applicants must provide information that the applicant, ownership entity and general contractor are registered in the Central Contractor Registration (“CCR”). Registration information can be found at www.sam.gov

Registration in the CCR does periodically expire. It is the applicant’s responsibility to ensure their registration is current and will not expire prior to receiving an award of funding or during the construction phase of the project or program.