

## **RFP Clarifications**

***All references to the RFP in this document refer to the Request for Proposals – Secure Behavioral Health Residential Facility issued on November 18, 2019 by the Arizona Department of Housing (“ADOH”). Please be reminded that the deadline to submit questions for clarification is Friday, February 14, 2020 at noon, Mountain Standard Time.***

### **Received by February 10, 2020**

#### **Question 11:**

I am writing to inquire about the Secure Behavioral Health Residential Facility program (posted online here). On page 5 of the RFP, it states that application tab 3-9 must be submitted as a hard copy, but there doesn't seem to be an application tab 3-9 in the application file posted online. I'm assuming that the hard copy needs to be of tab 3-8, the original housing trust fund affidavit, release, and certification form, but I just wanted to double check!

#### **ADOH Response:**

*Your assumption is correct. Section 2.2(1) requires the Proposal to include the “Original Housing Trust fund Affidavit, Release and Certification Form (Application Tab 3-9) in hard copy format. That document is actually at Tab 3-8 of the application form posted on the Department’s website. At the top of the form, it is called “Housing Trust Fund Offeror Affidavit, Release and Certification Form”.*

### **Received by December 9, 2019**

#### **Question 1:**

Our reading of the RFP indicates that the applicant must be the property owner. Must the “owner” have completed the purchase of the property prior to the submittal of an application?

#### **ADOH Response:**

*No. The applicant/offeror does not need to own the property prior to submitting a proposal.*

#### **Question 2:**

Is this a loan? If yes, can you please state anything about the terms? We understand that on page 21 it says that the loan will be based on a review of the proforma projections.

#### **ADOH Response:**

*Yes, ADOH financing is offered as a loan. Loans are offered for a term that matures when the land use restrictions expire. Payments are the greater of: 1) a minimum hard payment determined by ADOH during underwriting or 2) Some reasonable percentage of excess cash flow after payment of the facility’s direct operating costs defined in the promissory note. The minimum hard payment is usually simple*

interest at the Long-Term Applicable Federal Rate published monthly by the IRS, which may be downloaded from the IRS website here: <https://apps.irs.gov/app/picklist/list/federalRates.html>. Subject to ADOH's determination of the facility's ability to make payment from its operating income, the minimum payment may be reduced to an amount deemed affordable to the facility. The hard payment would not be lower than \$1,000 per year.

Funding is provided as a loan for a several reasons: (1) A loan and accompanying lien on the property serve as security for the public investment in case the property owner should fail to operate the facility as required under the terms of the award; and (2) provides a mechanism for repayment of the public investment if the property is sold because the Owner no longer wishes to operate the property as required. Properties may convey to the Owner at loan maturity, if all requirements have been met.

**Question 3:**

If it is a loan, will it be forgiven after a certain period of time?

**ADOH Response:**

*Based upon the facility's ability to repay the loan, ADOH may elect to forgive any remaining balances due on the loan at loan maturity.*

**Question 4:**

Would issuing CC&Rs be involved in this transaction? If so, how?

**ADOH Response:**

*Yes, a Declaration of Covenants, Conditions and Restrictions ("CC&Rs") will be recorded against the property, including both the land and building(s) for a period of thirty years from the date the facility is first available for its intended use as a Secure Behavioral Health Residential Facility.*

**Question 5:**

Can the money be used for any type of building leases? We understand that on page 15 it states the "land leases" are not acceptable.

**ADOH Response:**

*No. The funds may not be used to pay costs associated with any lease. Lease payments are ongoing operating costs and the funding is only available for hard development costs, and capitalized operating and replacement reserves.*

**Received by December 20, 2019:**

**Question 6:**

We would also like to know if the language in the RFP will be modified to reflect a sub acute facility model and/or a secured residential program.

ADOH Response:

*The law as written authorizes a Secure Behavioral Health Residential Facility (BHRF), so only projects that are intended to be licensed as a BHRF are qualified to apply.*

**Received by January 7, 2020**

Question 7:

There will be a large upfront purchase of equipment (computers, desks, tables, file cabinets, printers, copiers, etc), supplies (medical, office, program), appliances (kitchen, washer/dryer) and furniture (including bedrooms). This investment, separate from the hard costs to purchase and rehab a building, will contribute to initial deficits and negative cash flow. Can we request that operating reserves cover this upfront cost?

ADOH Response:

*With the exception of supplies, which are an operating cost, the equipment, appliances and furniture you described are included in Line 73 "Personal Property (i.e. Furniture, etc.)" in the Development Budget found on Tab 3-6 of the Application Form 3. Section 2.9(V)(2)(b) on page 21 of the RFP permits Offerors to request a reasonable capitalized lease-up reserve on Line 77 of the Development Budget on Form 3 to cover anticipated start up vacancies. Costs such as needed supplies to operate the facility could be paid from that reserve until fee income is generated and received.*

**Received by January 10, 2020**

Question 8:

As we examine the feasibility of participating in this program, respondents will need to know the AHCCCS billing code for the service as described in the RFP. If it is the existing H0018 AHCCCS billing code, will there be a modifier to the code to cover the additional costs associated with the higher level of care needed for this population?

ADOH Response:

*The facility has to be licensed by ADHS as a Behavioral Health Residential Facility (BHRF), but the pertinent Medicaid billing numbers, covered costs, and reimbursement rates are part of the negotiated contract between the Offeror and the health provider through which the services are billed. Medicaid reimbursement rates and associated codes will not be determined by AHCCCS or ADOH.*

**Received by February 5, 2020**

**Question 9:**

Some documents or tasks (tabs in the RFP) must be completed with the initial response on March 16<sup>th</sup> and others can be submitted after March 16<sup>th</sup> (eg, a clean title report). Which of the following can be completed and submitted after March 16<sup>th</sup> and still have the initial RFP response be considered complete, subject to delivery of remaining items?

- a. Planning and zone verification
- b. Appraisal
- c. Project design site plan and floor plan
- d. Capital Needs Assessment
- e. Environmental Assessment with the State Historic Preservation Office
- f. Phase 1 Environmental
- g. Termite Inspection
- h. Asbestos report
- i. Preliminary construction contract

**ADOH Response:**

*The RFP is a competitive process, which requires the materials stipulated in the RFP to evaluate each Proposal. The only item in your list that may be provided post-award is the Phase I Environmental Assessment (see "f" below). The RFP requires that each of the remaining items (a – e and g – j) be included with the Proposal and be in place as of the Proposal Deadline:*

- a. *Planning and zone verification – See Section 2.5(O)/Tab 15 on page 15*
- b. *Appraisal – See Section 2.5(P)/Tab 16 on page 16*
- c. *Project design site plan and floor plan – See Section 2.5(R)/Tab 18 on page 16*
- d. *Capital Needs Assessment – See Section 2.5(S)/Tab 19 on page 17*
- e. *Environmental Assessment with the State Historic Preservation Office – See Section 2.5(T)/Tab 20 on page 19*
- f. *Phase 1 Environmental – This is submitted prior to acquisition of the land, which may occur after an award is made, but the cost must be included in the Development Budget.*
- g. *Termite Inspection – See Section 2.5(T)(3)/Tab 20 on page 20*
- h. *Asbestos report – See Section 2.5(T)(3)(a)/Tab 20 on page 20*

*i. Preliminary construction contract – Section 2.5(U)(2)/Tab 21 requires a draft construction contract with a schedule of values similar to the list of construction costs on pages 8-11 of the Form 3 application to support the basis for the applicable new construction or rehabilitation budget.*

**Question 10:**

For purposes of determining the required length of an escrow for a property purchase contract, approximately how long after March 16<sup>th</sup> will it take for ADOH to announce funding decisions?

**ADOH Response:**

*Section 2.5(N)(1)(b)(2) stipulates that the purchase contract “must provide for either a closing date or an initial term sufficient for the Offeror to acquire the real property in accordance with the Project Schedule provided at Tab 2.” ADOH anticipates making announcements in mid-May (approximately 60 days after Proposals are due. However, Offerors should bear in mind that it will take time to work through post-award requirements prior to closing on the award (i.e., contract and other legal documents).*