



Arizona Department *of* Housing

Lower Cost Housing Typology

2023-2024 Notice of Funding Availability

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Application Deadline: January 12, 2024

1110 West Washington Street, Suite 280 | Phoenix, AZ 85007

Telephone: (602) 771-1000 | Facsimile: (602) 771-1002 | TTY: (602) 771-1001



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I. Purpose of This Solicitation

The Arizona Department of Housing (ADOH) is issuing this Notice of Funding Availability (NOFA) for entities statewide who meet the eligibility requirements outlined in this NOFA below to assist ADOH in awarding funds appropriated for Lower Cost Housing Typology projects. ADOH may award this funding to up to (2) successful Applicants based on review of submitted proposal(s) pursuant to this NOFA.

II. Background Information

In FY24, the State of Arizona approved approximately \$150 million in Arizona State Housing Trust Funds to fund affordable housing projects and housing assistance programs throughout Arizona. In the fall, ADOH issued a Request for Information (RFI) to the public to identify the greatest housing and homeless service needs in the state. Based on the RFI responses, it was determined to allocate approximately \$3 million to eligible organizations to construct lower cost housing that will serve individuals exiting homelessness.

The appropriation is provided solely for competitive grant awards for lower cost housing typology which includes high quality, permanent affordable housing projects that will quickly move people from homelessness into secure housing and are significantly less expensive to construct than traditional housing. Examples of lower cost housing typology can include factory built buildings, panelized systems, shipping container conversions, 3D printed housing and modular housing. These funds must be awarded to projects with a total project development cost per housing unit of less than \$100,000, excluding the value of land, off-site infrastructure costs, and any capitalized reserves, compliant with the Americans with disabilities act, and with a commitment by the applicant to maintain the housing units for at least a ten-year period.

The Lower Cost Housing Typology funding is limited to new construction or for the acquisition and rehabilitation of state-owned shipping containers that are for sale. To learn more about this option, visit: <https://doa.az.gov/about-us/surplus-property/shipping-containers-purchase>

III. Changes to the NOFA

Modifications to the NOFA. ADOH may modify this NOFA, from time to time, or for any other reasons as determined by ADOH: 1) to reflect any changes, additions, deletions, interpretations or other matters regulatory matters; 2) to insert such provisions clarifying matters or questions arising under this NOFA as are necessary or desirable and

that are contrary or are inconsistent with this NOFA; or 3) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision with this NOFA or the laws and regulations governing the funding sources being made available in this NOFA.

NOFA Clarifications. ADOH will periodically post written clarifications to this NOFA on its website. The clarifications elaborate on the meaning of the text within this NOFA and may sometimes add additional guidance on how to interpret this NOFA. NOFA clarifications are to be considered a part of this NOFA. Applicants are responsible for checking the clarifications and submitting an Application that is in conformance with the clarifications. Requests for clarification must be made in writing via email or letter via US Mail and will be responded to in the written clarifications to the NOFA on ADOH's website. Notice regarding amendments and or modifications will be announced through the Department's mailing list and posted on the Department's website. Use the following link to join the Department's mailing list: <https://housing.az.gov/about/press-release/mailling-list>. The Department will accept questions about this funding opportunity until January 8, 2024.

NOFA Cancellation In the event that proposals received pursuant to this Notice of Funding Availability (NOFA) fail to satisfy the specified requirements and criteria set forth herein, the issuing entity reserves the right to cancel this NOFA. Upon the cancellation of this NOFA, all funds associated with the solicitation shall be deemed unallocated and shall be subject to reissuance under a subsequent NOFA with revised terms and conditions.

IV. Threshold and Application Requirements

The following construction elements may be part of the project:

A. Factory Built Building Construction: The project may use Factory Built Building construction technologies. Factory Built Buildings (FBB) means a factory-assembled structure designed primarily for use as a dwelling when connected to the required utilities that include plumbing, heating, and electrical systems contained therein, does not contain its own running gear, and must be mounted on a permanent foundation.

This could include utilization of shipping containers, 3D-printing housing advancements, prefab, or modular homes. Applicants may take advantage of the state owned shipping containers for sale. To learn more, visit <https://doa.az.gov/about-us/surplus-property/shipping-containers-purchase>

B. **Manufactured home:** Manufactured home means a structure, designed and constructed to be transportable in one or more sections, and is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities that include plumbing, heating, and electrical systems contained therein.

The following project elements must be part of the project:

C. **Homeless-At-Entry:** The project (or portion of the project) funded must exclusively serve those who are experiencing homelessness. Other populations may be served, but the Lower Cost Housing affordable units must serve those experiencing homelessness.

D. **\$100,000 Per Unit:** The Lower Cost Housing affordable housing project must have a total development cost of no more than \$100,000 per unit.

Total development costs DO NOT INCLUDE the following:

- Land,
- Off-site infrastructure, and
- Any capitalized reserves.

Total development costs DO INCLUDE the following:

- Costs associated with land acquisition and preparation such as closing costs, onsite infrastructure, site work, purchase and sale extensions, etc.
- Construction costs,
- Soft costs,
- Lease up reserves, and
- Other costs required in order to complete construction.

E. **10-Year Commitment:** The Lower Cost Housing Type units will be subject to a ten (10) year low-income affordable housing covenant.

F. **Timely & Complete Application Submittal:** Complete applications must be submitted by the deadline indicated in this NOFA: 5PM, January 12, 2024.

G. **Eligible Applicant:** Eligible applicants include units of local government, tribal jurisdictions, non-profit organizations, and for-profit entities.

H. Experience: The applicant must have recent (last 5 years) and relevant housing development experience (e.g., project type, project size, funding structure) or partner with a developer that has recent and relevant housing development experience.

I. Applicant must be able to demonstrate site control through ownership, partnership, purchase contract, or legal right to purchase the site.

J. Property must be properly zoned for the proposed use. Properties requiring variances or use permits are permitted.

K. Applicant has written consent of the tribal jurisdiction: If any activities will take place on or services will be delivered on tribal lands, the applicant must submit a letter documenting the consent of the tribal jurisdiction.

L. Proposed project must be non-speculative. SHTF will be awarded to projects with a total project development cost per housing unit of less than \$100,000. Applicants will have up to six months to secure commitments for all funding required to complete the construction or renovation of the project including the value of land, off-site infrastructure costs, and any capitalized reserves. If the applicant is unable to secure funding in the allotted time, the Department may withdraw the conditional funding award.

M. Conditionally awarded applications for lower cost housing types shall be subject to underwriting by the Department and the project must be deemed financially viable. In addition, the Department will require due diligence documents including but not limited to title reports, Phase 1, environmental reviews, capital needs assessments, and financial statements. If additional federal funding is included in the project then the Project must comply with all federal cross-cutting regulations. These include but are not limited to Environmental Review, Procurement, Federal Labor Standards, Uniform Relocation Act, Section 3, etc.

N. Applications must be responsive and include the information requested in this NOFA.

O. Applicant agrees to repay or secure repayment if the assistance is determined to be duplicative.

P. Applicant must be able to provide evidence of capacity (with staff in place) to complete the project in a timely manner.

Q. The project must use a construction typology outside of traditional site built construction.

R. Projects that include manufacturing or building conversions in a factory setting must include evidence that required parties possess valid ADOH licensing to manufacture, distribute and install the proposed unit type.

V. Definitions

- DEFINITION: Homeless-at-Entry is defined as an individual or household moving into the provided housing from an immediately prior status considered as “homeless” under HUD categories:
 1. Literally Homeless,
 2. Homeless under other Federal Statutes, or
 3. Fleeing/Attempting to Flee Domestic Violence

- DEFINITION: Factory Built Building (FBB): Defined in Arizona Revised Statute §41-4001 (17): “Factory-built building” means a residential or commercial building that is:
 1. Either wholly or in substantial part manufactured at an off-site location and transported for installation or completion, or both, on-site.
 2. Constructed in compliance with adopted codes, standards and procedures.
 3. Installed temporarily or permanently.

- DEFINITION: Manufactured Home: Defined in Arizona Revised Statute §41-4001. “Manufactured home” means a structure built in accordance with the National Manufactured Housing Construction and Safety Standards Act.

- DEFINITION: Modular Home: Defined in Arizona Administrative Code §R4-34-101 (14). “Modular” means a type of FBB built in a factory and transported in three-dimensional sections to an installation site.

- DEFINITION: Panelized Systems: Defined by the International Code Council at www.codes.iccsafe.org: “Panelized System” means a wall, roof or floor components that are constructed at a location other than the building site in a manner that prevents the construction from being inspected at the building site without disassembly, damage or destruction thereof.

VI. Eligible Activities

Eligible activities include construction of new high quality, permanent affordable housing projects that will quickly move people from homelessness into secure housing and are significantly less expensive to construct than traditional housing.

Project administrative expenses, including developer fees, are capped at 10% of the construction budget, and up to 10% of the funding awarded for construction can be used to fund project administrative expenses. Acquisition costs are excluded from the calculation of project administrative expenses and fees. Eligible activities should begin as soon as possible following the execution of the Funding Agreement. Committed funds must be expended by June 30, 2026

VII. Maximum Award

Applicants may request a maximum of \$3 million dollars for construction of new high quality affordable housing projects that will quickly move people from homelessness into secure housing and are significantly less expensive to construct than traditional housing. ADOH may award this funding to up to (2) successful Applicants based on review of submitted proposal(s) pursuant to this NOFA.

VIII. Outcome and Performance Measures

Awarded applicants are required to report on the following information quarterly:

- Number of persons housed through the housing project
- Number of and nature of exits from the funded program
- Demographics of persons served in program
- Qualitative Narrative Report: a brief description of activities performed, including but not limited to, occurrences that caused variation from schedule, changes to plans, unforeseen circumstances, program progress, successes and/or barrier experienced, etc.

ADOH shall monitor both the progress and quality of construction. If progress or quality has not been satisfactory to the ADOH, ADOH shall require corrective action be undertaken by the Applicant. ADOH may also report significant deficiencies to any other funding source or other members of the Project team, and the Project may be subject to revocation of funding due to lack of Satisfactory Progress.

IX. Application Scoring

ADOH will evaluate all Applications in accordance with this NOFA. ADOH shall deny any Application that fails to meet eligibility requirements regardless of its score. The following outlines the scoring and proposal requirements:

Scoring Criteria

Applicant Experience, Qualifications and Capacity	30
Proposed Project and Program Implementation	30
Project Readiness	20
<u>Program Budget</u>	<u>20</u>
 Total	 100

X. Proposal Criteria

Each proposal must include the information requested below. Proposals lacking the information requested below may be deemed nonresponsive. Proposal information should be presented in narrative form and may include tables or graphics to convey pertinent information.

A. Section 1- Entity Information

1. Organization name
2. Organization Type
3. Unique Entity ID (UEI)
4. Tax Identification Number (TIN)
5. Contact Person
6. Contact Information
7. Amount of funding requested for construction or acquisition and conversion
8. Amount of funding requested for operations

B. Section 2- Applicant Experience, Qualifications, and Capacity

1. Describe the experience of the organization’s officers, members or staff in developing non-traditional housing projects. Include the number of years your organization has been developing unique housing units, as well as, success working with the target population and/or other populations.

C. Section 3- Proposed Project and Program Implementation

1. Provide a brief description of the project including: target population, number of units, geographic location and area to be served.
2. For new construction, describe the property to be constructed and any amenities provided. Describe whether site control has been established for the proposed site or how site control will be established. Site control includes ownership of the property, executed lease, a purchase contract, or legal right to purchase the site. For acquisition and rehabilitation projects, describe the current condition of the property and the anticipated renovations to convert the property into lower cost housing.
3. Applicants should describe how they are paying particular attention to numbers of units, area median income levels, population categories, sources and uses amounts, funding structures, etc. Also, if the project calls for a manager’s unit, a common area unit, or other rent- and income-unrestricted units, applicants should make sure to identify those units in their application proposal.
4. Describe the activities or services to be delivered and the service methodology to be implemented; include any formal partnerships or collaborations involved in the project including any additional funding, services or resources being provided through collaboration.
5. Describe the need for the project in the community(ies).
6. Anticipated construction Start date and Occupancy
7. Identify and list specific measures that will be reported to demonstrate the impact of this funding. See Outcome Performance Measures for minimum reporting requirements. In addition, applicants must describe how their program is successfully identifying individuals exiting homelessness.

E. Section 4- Project Readiness

1. Describe the project timeline
2. Describe current zoning and how that impacts the proposed project and any variances, conditional use permits, and any entitlements or additional approvals needed from the local jurisdictions.
3. Describe whether site control has been established for the proposed site or how site control will be established. Site control includes ownership of the property, a purchase contract, or legal right to purchase the site.
4. If the project requires additional funding (more than the SHTF applied requested) for construction on operations, outline committed and expected funding.

F. Section 5 - Project Budget

1. Describe the total Development costs including and excluding the value of land and entitlements and site control.
2. Report on final project development costs, including data and descriptive statistics such as average and median per unit costs, regional costs variation, and other costs that ADOH may deem necessary to improve cost controls in affordable housing. A separate line item has been included in the application forms dedicated to the cost for the applicant to conduct a third party certification of their project's final development costs.

XI. Proposal Format

Proposal narratives must be no longer than four (4) pages typed, minimum eleven (11) point font, and margins no less than half (1/2) an inch. A two (2) page Budget Template must be included. Applicants may utilize a header and/or footer to display information listed under entity information above.

Proposals must be submitted via the Arizona Department of Housing State HTF Special Projects <https://housing.az.gov/portals/document-upload-portals> by Friday, January 12, 2024 by 5:00 p.m. Proposals may not be submitted via U.S. mail, Fed-ex, UPS, e-mail or fax.

Questions regarding this NOFA should be sent to Tara Brunetti, Assistant Deputy Director, at the following email address: tara.brunetti@azhousing.gov. Questions may be submitted until January 8, 2024.

XII. Selection Notification

ADOH anticipates notifying all applicants within twenty (20) days of the proposal deadline as to whether their proposal will be funded. Due to the anticipated demand for funds, proposals may be partially funded rather than funded at the dollar amount requested. The highest scoring proposals will receive a conditional award. Additional reports and underwriting are required to ensure project feasibility.

XIII. Proposal Process Timeline

The following is a list of key dates in the proposal process:

NOFA release	December 21, 2023
Q&A Webinar	January 2, 2024, 1:00 p.m.
Proposal Deadline	January 12, 2024, 5:00 p.m.
Scoring/Review Panel	January 22, 2024, Anticipated
Award Notice	January 26, 2024, Anticipated

XIV. Funding Distribution

Funds will be disbursed on a reimbursement basis. Reimbursement requests may be submitted monthly, but must be submitted at least quarterly for eligible costs incurred. Awardee will be expected to provide all supporting documentation of expended funds. Up to 10% of the total award may be utilized for awardee administrative costs and/or indirect expenses.

XV. Questions

For questions and additional information, please contact Tara Brunetti, Assistant Deputy Director, Manufactured Housing Building Division, by phone at (602) 771-1035 or by email at tara.brunetti@azhousing.gov.