



Arizona Department *of* Housing

FY2024

Single Family Homebuyer Unit Development Notice of Funding Available

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

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



**Arizona Department of Housing
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Single-Family Homebuyer Unit Development Notice of Funding Availability

I. Summary

Introduction

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 fund up to three (3) proposals to be used for the construction or acquisition and rehabilitation of homes for sale that remain permanently affordable to low to moderate income, first-time homebuyer households. Land Trusts and other long-term ground lease ownership housing projects are also permitted.

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 \$6.5 million in funding for the development of first-time, affordable homes.

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- Assist in the development and long-term affordability of homeownership housing for low-income, first-time homebuyer households (at a maximum of 80% of Area Median Income).
 - Make funds available to developers of homeownership housing to help construct or acquire and rehabilitate homes for sale to low-income qualified households, with the intent that the funds remain with the housing units as subsidy for the low-income first-time homebuyers.

ADOH will prioritize geographically dispersed awards with the intent to award up to 3 projects located throughout the state, depending on responses to this NOFA.

II. 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 a proposal 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>. All contact during the NOFA process and evaluation phase shall only be through the designated email for the designated point of contact, Esparanza Padilla, esparanza.padilla@azhousing.gov. Applicants shall neither contact nor lobby ADOH staff or evaluators during the evaluation process. Attempts by the applicant to contact and/or influence evaluators may result in disqualification of the applicant. The Department will accept questions about this funding opportunity until January 26, 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.

III. Threshold

The following should guide the response to this NOFA and should be considered the guiding principles for receiving the funds:

- Project funds will serve households with a maximum income of 80% of Area Median Income (AMI) and provide long-term affordable homeownership housing.
- As part of program design, sale of homes must be restricted to “First Time Homebuyers,” and the unit must be their primary residence.
- Homeownership and financial counseling must be mandatory for homebuyers.
- ADOH will require a Fair Housing Marketing Plan for each project to ensure that resident and workforce populations will be aware of the housing opportunities to the greatest extent possible. The Marketing Plan must include a viable and proactive strategy for securing applications from population groups traditionally underrepresented in homeownership.
- Mixed-income projects including homes at moderate and/or market rate are eligible, but only the units at or below 80% AMI will receive State Housing Trust Funds.
- Funds can be used for new construction or acquisition and rehabilitation projects, as well as Land Trusts or other forms of long-term ground lease ownership housing.
- Projects that will permanently displace current low- or moderate-income residents are ineligible for State Housing Trust Funds.
- Developers must demonstrate previous success with homebuyers at 80% or below AMI.
- Uses of funds will be flexible, within the parameters of eligibility for use of State Housing Trust Funds, including acquisition, development, and construction.
- Funds for project development will be provided in the form of a development grant to developers on a project basis, which will convert to deeds of trust associated with each home when purchased by the homebuyer as part of Applicant’s program design.

- Upon sale of individual homes to eligible homebuyers, the Applicant must assure affordability into perpetuity.
- Project funds should support projects with urgent funding needs.
- Project funds should support projects that will break ground within 6 months of the funding award.
- In this NOFA process, ADOH seeks exceptional projects that meet the above stated priorities to expand and preserve the supply of quality affordable housing to serve the neediest households throughout the state. To that end, ADOH is seeking projects that, to the greatest degree possible, serve low to moderate income households, meet the stated priorities, and are in the best position to move forward to construction and occupancy. ADOH reserves the right to re-allocate program resources from the funding released in this NOFA as needed to ensure that overall goals are achieved.

IV. NOFA, Proposal Submission, Review and Funding Process

A. Informational Webinar

Those interested in submitting a proposal in response to this NOFA are encouraged to attend an Informational Webinar, where ADOH will present the NOFA content and instructions for how to apply on Wednesday, January 24, 2024 at 11 a.m. You can register using this link:

<https://us02web.zoom.us/meeting/register/tZlvcuCurz0uG9HNufoTD2runNQxTzAetRQU>

B. On-Line Proposal Submission Requirement

Affordable Housing Developers will apply directly through the State HTF Special Projects Portal found here: <https://housing.az.gov/portals/document-upload-portals/state-htf-special-projects-portal>. 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 must be included. The on-line portal requires submittal of information in a number of subject areas (e.g. developer information, project information, project design, market, financial feasibility, resident services, developer

capacity, etc.). Questions regarding this NOFA should be sent to Esperanza Padilla at esperanza.padilla@azhousing.gov. Questions may be submitted until January 26, 2024. Applicants must upload their proposal and submit it by no later than 5 p.m. on the due date of Monday, January 29, 2024. Late proposals will not be considered.

C. Modifications to Submittals

Applicants may not modify their Submittal at any time after the due date, except in direct response to a request from ADOH for clarification. Any Submittal and proposed information items must be valid for at least 180 days after submission.

D. Expense of Preparation

ADOH is not responsible for any expense incurred in preparation of submittals or in any action in connection with the process, or for the costs of any services performed in connection with submittal, interviews, or approval process.

E. Review and Funding Process

Subsequent to the Proposal due date, submissions will be reviewed by ADOH for completeness and the project's compliance with State Housing Trust Fund requirements, attainment of basic threshold requirements, and competitiveness. Please note:

- Incomplete proposals will not be accepted.
- Staff may ask clarifying questions of applicants after the NOFA response due date and require submittal of additional documentation or responses to questions. Staff will include this information as part of the review process.

F. Evaluation Process

To be considered for funding, proposals will first be reviewed on the basis of whether they have met the basic thresholds as outlined in the Threshold and Funded Project Requirements section of this NOFA. Qualified projects that have passed the basic thresholds will then be scored (rated) based on the State Housing Trust Fund evaluation

criteria (the “evaluation criteria”) as set forth in Attachment A of this NOFA. An evaluation committee will review and rank the projects. ADOH reserves the right to recommend funding for less than the amount requested by an applicant, and/or apportion funds between projects in cases of tie scores, as needed to expend funds in a timely fashion, and/or to achieve State Housing Trust fund goals. All developments financed under this NOFA must have the support and approval of the cities in which they are located.

V. Time Frame for Use of Funds

Applicants must be able to meet time parameters for this funding opportunity. ADOH will evaluate projects in terms of meeting this NOFA’s key goal of expanding the supply of long-term affordable homeownership housing to serve the neediest households while considering those projects that are in the best position to move forward to construction and occupancy. It is the state’s intention to fund projects with a high degree of readiness and which are financially feasible and programmatically viable. It is the Project Developer’s responsibility to keep ADOH staff apprised of all schedules and milestones for the project. Failure to keep ADOH staff apprised could mean the loss of funds. Failure to move the project forward in a reasonable way could result in loss of funds for funded projects. Additional submittals will be required prior to grant closing if a project is funded, as well as through the construction period and post-occupancy.

VI. Match, Leveraging and State Housing Trust Fund

The State Housing Trust Fund funding opportunity will require that projects leverage other investments to the maximum extent possible and State Housing Trust Funds must fill a gap and not supplant other funding. ADOH will evaluate projects on the basis of their feasibility and on their leveraging of other funding sources. The maximum amount of State Housing Trust Funds allowed in projects on a per unit basis will be based on HUD’s homeownership value limits, found [here](#).

VII. Eligible Uses of State Housing Trust Funds

State Housing Trust Funds may be used for a variety of project-related costs, including acquisition costs if the project is developed within a reasonable period of time, predevelopment period costs, construction period costs, permanent financing so long as the

uses paid with construction financing meet State Housing Trust Fund requirements. Land banking and operating and services costs are not eligible uses of these funds.

VIII. Basic (minimum) Thresholds and Evaluation Criteria

Proposals submitted in response to this NOFA will be assessed against basic thresholds and evaluation criteria in order to evaluate, rate and rank these NOFA responses. Proposals will first be reviewed by ADOH staff to determine if the basic thresholds are satisfied. Projects must meet all threshold requirements in order to be considered for funding. Projects meeting threshold requirements will then be evaluated according to the rating criteria.

A. Basic Threshold Requirements

- a. The proposed project must be located in the state of Arizona.
- b. The developer must be an experienced affordable housing developer. In order to meet this basic threshold, a developer must demonstrate experience and capacity to complete the project. Experience includes the successful development and completion of three projects of a similar size and scope by the developer. Capacity includes having staff assigned to the project who have worked on similar projects and whose resumes demonstrate their ability to guide the project through all stages of the development process. For developers that do not meet these requirements, a partnership with an experienced affordable housing developer is required. Developer must demonstrate previous success with homebuyers at the 80% or below Area Median Income level.
- c. Project funds will serve households with a maximum income of 80% of Area Median Income (AMI), based on the annual income limits published by the U.S. Department of Housing and Urban Development (HUD). The current income limits in effect are found [here](#).
- d. Sale of homes must be restricted to “First Time Homebuyers” (defined as a first-time homebuyer who has not owned a residential property in the last three years) and the unit must be the first-time homebuyer’s primary residence.
- e. Projects must have site control. Evidence of site control must be included in the NOFA response, otherwise a conditional award will be issued.
- f. The project must be new construction, acquisition and rehabilitation, or Land Trust/long term ground lease ownership housing.
- g. Project must provide permanent affordability. The affordability term length should be well established within their program design.

- h. Requested funds must fill a financing gap. The project must not already be fully funded with permanent financing, and State Housing Trust Funds may not replace other permanent funding on the project.
- i. Projects will not permanently displace current low- or moderate-income residents.
- j. Final sale price must align with HUD’s FY23 95% median value homeownership limits found here: <https://housing.az.gov/sites/default/files/documents/files/FY-2023-HOME-95%25-Median-Value-Homeownership-Limits-EFF-7-1-23.pdf>

B. Rating and Ranking Evaluation Criteria

ADOH will rate and rank project submissions that have passed basic threshold review. The evaluation criteria categories are as follows:

Evaluation Criteria	Score Weighting
Readiness to Proceed	20
Project Amenities and proximity (employment, transit, childcare, green building/utilities)	15
Financing	20
Targeting/Deep Affordability, Marketing, and Selection Process	10
Homeownership and Financial Counseling	10
Developer/Sponsor Experience	20
Marketability	05
Total Points	100

The reviewers will score the project proposals and rate them on the degree to which they meet the respective evaluation rating and ranking criteria. The proposals will be ranked based on the highest to lowest scores.

IX. List of Attachment(s)

Attachment A—Homeowner Housing Development Fund Evaluation Criteria

Attachment A – Homeowner Housing Development Fund Evaluation Criteria

X. State Housing Trust Fund Homeownership Housing Development Fund Rating and Ranking Evaluation Criteria

EVALUATION CRITERIA	SCORING DESCRIPTION
A. Readiness to Proceed	Maximum Points Available: 20
1. Amount of Financing Commitments	Points awarded based on a percentage of total committed permanent financing sources, with exception of the State Housing Trust Fund request. All funding sources with exception of those funds must be committed to receive maximum points. Points awarded on a sliding scale for evidence of enforceable financing commitments other than State Housing Trust Funds
2. Environmental Review Approvals	Points awarded on project's progress towards obtaining Environmental Review Approvals
3. Entitlements	Points awarded on project's progress towards obtaining Land Use or Planning Entitlements.
4. Project Ownership Entity	Points awarded if project ownership entity (LLC or LP) has been formed and documentation has been submitted with NOFA response. For the purposes of this criteria, a W-9, LP Agreement or Articles of Incorporation will be considered acceptable evidence of ownership entity formation.
5. Evaluation of Scope of Development and Project Plan	Points awarded if it is a well-defined project that responds comprehensively to required components of the Project Narrative submitted with proposal, and scope of

	development is feasible and meets State Housing Trust Fund goals and policies.
6. Community Outreach Plan is Completed or Underway	Points awarded if proposals includes documentation that Community Outreach Plan has been completed or is underway and evidence of such engagement (presentations, flyers, sign-in-sheets, comments received, actions taken) is included with submission.
7. Construction Start Date	Points awarded if construction will begin within 6 months of the commitment of funding by the Arizona Department of Housing. Must be able to complete environmental review and planning approval process, obtain all financing, execute ADOH contract. ADOH will consider project schedule.
B. Neighborhood Access and Amenities, Project Amenities, Accessibility and Green Building	Maximum Points Available: 15
8. Proximity to services that meet needs of target population(s) of the project (e.g. for family development, proximity to public schools; for senior development, proximity to senior services; for special needs, proximity to services for target population)	Points awarded if project is within services for target population. For a general family development, proximity to public schools shall be evaluated. For a Senior Development, proximity to a daily operated senior center or services site for seniors shall be evaluated. For a Special Needs development, proximity to services serving the target population shall be evaluated.
9. Proximity to full scale grocery store, neighborhood market, and/or farmers' market	Points awarded if project is within close proximity to a full-scale grocery store, neighborhood market and/or farmers' market.
10. Proximity to public transit station	Points awarded if project is within close proximity of public bus stop, light rail station, commuter rail station, ferry terminal, bus station with service at least every 30 minutes during the hours of 7-9 AM and 4-6 PM Monday-Friday.

<p>11. Proximity to public park, recreation or community center open to the public</p>	<p>Points awarded if project is within close proximity to a public park, recreation center or community center open to the public.</p>
<p>12. Project exceeds minimum accessibility requirements</p>	<p>Points awarded if project uses Universal Design principles.</p>
<p>D. Match, Leveraging, and State Housing Trust Fund Investment</p>	<p>Maximum Points Available: 20</p>
<p>13. Leveraging of State Housing Trust Funding Based on Permanent Commitments</p>	<p>Points awarded to the degree to which enforceable permanent financing commitments have been received to leverage State Housing Trust funds.</p>
<p>E. Targeting, Marketing and Selection Process</p>	<p>Maximum Points Available: 10</p>
<p>14. Project Marketing Plan meets state standard</p>	<p>Points awarded if Affirmative Fair Housing Marketing Plan attached with submission.</p>
<p>15. Project serves Arizona residents, those displaced from Arizona, and Arizona workforce</p>	<p>Points awarded if marketing materials and selection process are targeted towards state residents, displaced state residents, and state workforce.</p>
<p>16. Project seeks to promote homeownership in populations that have been historically underrepresented</p>	<p>Points awarded on the inclusivity of the marketing materials and selection process towards underrepresented populations.</p>
<p>17. Maximum Sales Price Calculation meets HUD's 95% Median Value Homeownership Limits</p>	<p>Points awarded if sales price is within limits based on geography.</p>

<p>18. Affordability Term and Resale Restrictions meets HUD’s 95% Median Value Homeownership Limits</p>	<p>Points awarded if sales price is within limits based on geography.</p>
<p>19. Market demand for the specific project at its specific location</p>	<p>Full point if well evidenced. Must be documented in Market Study submitted with the submission.</p>
<p>20. Unit prices are affordable compared to comparable homes included in the market study</p>	<p>Points available if included narrative is based on the Market Study and can fully justify Unit prices as compared to comparable market rate homes in the area.</p>
<p>F. Homeownership and Financial Counseling</p>	<p>Maximum Points Available: 10</p>
<p>21. Homebuyer Education Partnership</p>	<p>Points available if developer has partnered with a HUD certified homebuyer counselor.</p>
<p>22. Affordability Analysis is well defined and reasonable</p>	<p>Points awarded if project has undergone a subjective analysis of Affordability Analysis. Projects should include credible values and explanations for proposed Household income level, assumptions about down payment, perm loan interest and term, max % of income to be spent on housing costs, any secondary silent loans, proposed HOA fees, unit size and household size assumptions</p>
<p>H. Developer/Sponsor Experience</p>	<p>Maximum Points Available: 20</p>
<p>23. Completing more than 3 similar projects or a combination of equivalent, dissimilar projects on time and within budget</p>	<p>Points available if the developer has completed 3 similar projects.</p>
<p>24. Lead Staff (Project Manager) Experience</p>	<p>Points available based on if PM has completed at least 2 similar projects.</p>

<p>25. Strength of Development Team (Architect, GC, Legal, Financial Consultant)</p>	<p>Points available based on experience and capacity of other team members (architect, general contractor, legal, financial consultant) who have worked on similar projects (including one in the submission).</p>
<p>26. Developer has local government reference letter for past performance, including monitoring performance.</p>	<p>Points available if the applicant submits written letter of reference/ recommendation from housing director or equivalent level from jurisdiction other than jurisdiction in which proposed State Housing Trust Fund project located.</p>
<p>I. Marketability</p>	<p>Maximum Points Available: 5</p>
<p>Units will be absorbed quickly</p>	
<p>Sale price at least 10% below market price</p>	
<p>TOTAL POSSIBLE POINTS</p>	<p>100</p>