



Arizona
Department
of Housing

Section 811 Project Rental Assistance Program Notice of Funding Availability

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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



Table of Contents

Introduction	1
Eligibility	1
Eligible Multi-family Property	1
Eligible Property Locations.....	2
Eligible Unit Types.....	2
Eligible Applicants	2
Eligible Use(s) of Funds.....	2
Funding Amount and Terms.....	3
Funding Amount.....	3
Rental Assistance Contract (“RAC”)	3
Use Agreement.....	4
Lease Up Terms	4
Rent Adjustments.....	4
Application Requirements	4
Applicant Responsibilities	4
Application and Submittal Format.....	5
Application Review	5
Technical Assistance	5
Application Deadline.....	5
Program Guidelines and Eligible Tenants.....	5
HUD Program Guidelines.....	5
Tenant Eligibility	6
Tenant Selection Procedures/Plan	6
Income Limits	6
Selection Thresholds and Priorities	6
Threshold Requirements	6
Environmental Reviews.....	7
Monitoring, Reporting, and Compliance Review.....	8
Monitoring Requirement	8

Reporting Requirements8

Program Compliance Requirements.....8

Fair Housing.....9

Affirmative Fair Housing Marketing Plan (AFHMP) for Section 811 PRA9

Introduction

The Arizona Department of Housing (“ADOH” or the “Department”) is pleased to announce a Notice of Funding Availability (“NOFA”) for approximately \$2,731,481 in project-based rental assistance for up to sixty-four (64) units funded through Section 811 Project Rental Assistance Program (“811 PRA”).

The Department is requesting applications from owners of existing affordable multi-family developments that have LIHTC financing and/or HUD assistance (CDBG, HOME, NSP, PBCA, PACS, PRACS, SPRACS, or FHA-mortgage insurance, Federal mortgage interest subsidy) who have unsubsidized units available and are interested in receiving rental assistance for units that would be set-aside up for persons with developmental disabilities. The 811 PRA provides a project-based rental assistance subsidy that covers the difference between the tenant payment and the approved contract rent (initially set at Fair Market Rent). Tenants pay thirty percent (30%) of their adjusted gross income for rent and utilities.

The rental assistance is funded by an 811 PRA grant that was received by ADOH in 2013. The 811 PRA units (not to exceed twenty-five percent (25%) of the total units) will be one (1) and two (2) bedroom units. ADOH and the successful applicant owner will enter in to a thirty (30) year Use Agreement and a twenty (20) year Rental Assistance Contract (RAC) for the funding awarded to the project.

The 811 PRA eligible tenants (“Program Participants”) are households where at least one (1) person has a developmental disability, who is between the ages of eighteen (18) and sixty-one (61), and is receiving community-based long-term care services through the Department of Economic Security/Division of Developmental Disabilities (“DES/DDD”). DES/DDD will identify Program Participants who are ready and willing to live independently (with support and services) and refer them to ADOH who will refer them to the property owners/managers. **Property managers are not responsible for finding Program Participants, who must be referred by DES/DDD.** Program Participants will have a Support Coordinator and an annual Individual Support Plan that identifies and provides the medically necessary services and support needed by the individual.

This NOFA sets forth the terms and conditions under which ADOH will provide 811 PRA for sixty-four (64) units in eligible multi-family properties. The purpose of this funding is to expand the supply of supportive housing that promotes and facilitates community integration for people with developmental disabilities.

Eligibility

Eligible Multi-family Property

Eligible properties are existing (already placed in service) multi-family developments in Arizona.

1. Must have at least five (5) unsubsidized units (without rental assistance) available in projects with LIHTC financing and/or HUD assistance (CDBG, HOME, NSP, PBCA, PACS, PRACS,

SPRACS, FHA-mortgage insurance, Federal mortgage interest subsidy).

2. Property must have a total of at least twenty (20) units and be able to set-aside at least five (5) 811 PRA units.
3. No more than twenty-five percent (25%) (collectively) of the total units in an eligible multi-family property can: 1) be provided Section 811 PRA funds; 2) be restricted as supportive housing for persons with disabilities; or 3) have any occupancy preference for persons with disabilities.
4. Units must not be HUD Section 202, 236, or 811 properties or be restricted to serve one-hundred percent (100%) elderly (persons age sixty-two (62) and over).
5. At the time the application is submitted, no member of the Development Team may be in default on a low-income housing financial obligation to ADOH, HUD, or to any local government or public housing authority in Arizona.
6. Must not be disqualified in accordance with the provisions of Section 2.5 (H) of the 2017 QAP.
7. Must be in sound financial position as determined through audited financial statements.
8. Property is in good condition. All 811 PRA units must meet local and state housing code, ordinances, and zoning requirements and minimum UPCS standards.

Eligible Property Locations

Property must be located in the State of Arizona.

Eligible Unit Types

One (1) and two (2) bedroom units.

Eligible Applicants

Non-profit and for-profit owners of eligible properties that are in good standing with ADOH and have not been disqualified pursuant to the 2017 ADOH Qualified Allocation Plan, Section 2.5(H). Owner or owner's agent must have the willingness and ability to administer HUD rental assistance and using HUD's Tenant Rental Assistance Certification System ("TRACS").

Eligible Use(s) of Funds

The 811 PRA funds are to be used for rental assistance for persons with developmental disabilities as follows:

1. The 811 PRA provides a project-based rental assistance subsidy that covers the difference between the tenant payment and the approved contract rent initially set at approximately Fair Market Rent. Tenants pay thirty percent (30%) of their adjusted monthly income for rent and utilities.
2. Rental assistance payments shall be paid to owner for assisted units under lease for occupancy by eligible households in accordance with the Rental Assistance Contract ("RAC").

3. Payments to owners will be processed through voucher submissions in TRACS.
4. Vacancy payments during rent-up may be allowed, as determined by ADOH.
5. Vacancy payments after rent-up will be allowed as described in Part II of the RAC.

Funding Amount and Terms

Funding Amount

A total of \$2,731,481 is available for 811 PRA for up to sixty-four (64) units for a period of five (5) years.

A minimum of five (5) units at selected properties will be provided 811 PRA funding based on estimated rental assistance payments. Funding for each 811 PRA unit for an initial period of five (5) years, with expected renewals for up to twenty (20) years.

Rental Assistance Contract ("RAC")

ADOH and the successful applicant owner will enter into a thirty (30) year Use Agreement and a twenty (20) year RAC for the funding awarded to the project. The initial term of the RAC between ADOH and the eligible multi-family property owner shall have a minimum term of twenty (20) years. At the time a RAC is executed, ADOH will commit PRA funding sufficient to cover the estimated subsidy for the unit for five (5) years. Financial support from HUD following initial funding is subject to available appropriations. If Congress fails to appropriate funds adequate to meet the future financial needs of the Cooperative Agreement and the Cooperative Agreement is terminated, HUD will not require ADOH to enforce any Use Agreement on eligible multi-family properties covered under an RAC. The RAC consists of:

1. Part I of the Agreement to Enter into a Section 811 RAC. This is the commitment between ADOH and the owner of the selected property to enter into the RAC. See *Exhibit 7: Agreement to Enter into Rental Assistance Contract ("ARAC")* at the following link:

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-7-Agreement-to-Enter-Into-RAC.pdf>

2. RAC Part I and II. The Rental Assistance Contract describes the terms and conditions of the contract. The RAC designates the funding amount and the number of units that are expected to be available for 811 PRA tenants within six (6) months of the initial RAC. The RAC may be amended, after six (6) months, until the designated number of 811 PRA units are leased to qualified tenants. See *Exhibit 8: Rental Assistance Contract (RAC) - Part I* and *Exhibit 9: Rental Assistance Contract (RAC) - Part II* at the following links:

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-8-RAC-Part-I.pdf>

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-9-RAC-Part-II.pdf>

Use Agreement

Owners of selected properties must enter into a thirty (30) year Use Agreement, restricting the use of the pre-determined number of units for the 811 PRA program. The restriction is subject to appropriations. The use restriction will terminate if Congress fails to appropriate adequate funding to provide for the financial needs of the assisted units. See *Exhibit 10: Use Agreement* at the following link:

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-10-Use-Agreement.pdf>

Lease Up Terms

The 811 PRA units must be leased within six (6) months from date of the RAC execution. Applicants will be expected to meet requirements of the Section 811 PRA Demo Program and the HUD Cooperative Agreement. All properties must use the HUD Model Lease for 811 PRA assisted units. See *Exhibit 11: Model Lease* at the following link:

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-11-Model-Lease.pdf>

Rent levels for units selected under this NOFA will be determined by ADOH and shall not exceed the applicable Section 8 Fair Market Rent or Fair Market Rent levels as published by HUD. Rents can only be adjusted annually based upon HUD's Operating Cost Adjustment Factor ("OCAF"). Tenants will be required by regulation to pay no more than thirty percent (30%) of their income towards rent.

Rent Adjustments

Section 811 PRA contract units are eligible for an annual rent adjustment on the anniversary date of the RAC. Within the first year of the contract, the owner may request to align their contract anniversary date with an existing state or federal state housing program layered at the property.

Owners must submit their request for a rent adjustment in writing to ADOH, along with the appropriate documentation as determined by ADOH, within appropriate timeframes to be determined by ADOH.

Application Requirements

Applicant Responsibilities

The applicant is responsible to understand the program requirements and submission requirements necessary for a complete application. Applicants are able to access the application, supplemental materials, and resources on the ADOH website at the following link: www.housing.az.gov.

Application and Submittal Format

Applicant must submit one (1) electronic copy of the complete Application with all exhibits and forms via the ADOH Portal:

<https://housing.az.gov/portals/document-upload-portals/rental-development-upload-portal>.

The electronic copy must be organized to include the completed Section 811 PRA Application and Tabs 1-5 in the application. The application and each Tab shall be one (1) separate easy to read document in PDF format and named as follows: "PRA Application" and "PRA Application Tab #". Tabs with large documents should be bookmarked or in a PDF Binder to clearly show each exhibit required in the Tab.

Each application must comply with the format and content of this NOFA and accompanying documents and exhibits. ADOH may reject any application or application information that does not conform to the requirements of this NOFA. ADOH retains the sole discretion in determining and interpreting whether an application or project meets state law, federal law, or the NOFA criteria, terms, conditions, or definitions. The application package and any subsequent revisions or clarifications, if approved for funding, will become part of the agreement with the Department.

Application Review

ADOH and DES/DDD will review each application completeness and for adherence to the threshold criteria in the NOFA. ADOH may make written inquiries in order to verify and or clarify the information submitted. Applicants will be notified of a conditional award in writing and be invited to begin the process of entering into a thirty (30) year Use Agreement and a twenty (20) year Rental Assistance Contract (RAC) for the funding awarded to the project. Final award will evidenced by the execution of the Use Agreement and RAC.

Technical Assistance

The Department is available to meet with any eligible applicant that requires technical assistance with application preparation. All requests for clarification shall be made in writing via e-mail to Jeanne.Redondo@azhousing.gov. The responses thereto will be posted weekly to the Department's website to a document entitled "Clarifications to the HUD 811 PRA NOFA". Applicants are responsible for checking the Department's website for this information.

Application Deadline

Applications will be received until all sixty-four (64) units of 811 PRA assistance are placed.

Program Guidelines and Eligible Tenants

HUD Program Guidelines

All selected applicants must understand and follow the HUD Program Guidelines, specifically Part C - Rental Assistance Contract and Part D - Owner Requirements. See *Exhibit 5: Program Guidelines* at

the following link:

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-5-Program-Guidelines.pdf>.

Tenant Eligibility

The 811 PRA Program Participants are households where at least one (1) person has a developmental disability, who is between the ages of eighteen (18) and sixty-one (61), and is receiving community-based long-term care services through the DES/DDD. Program Participants will have a Support Coordinator and an annual Individual Support Plan that identifies and provides the medically necessary services and support needed by the individual.

Tenant Selection Procedures/Plan

The initial lease-up and on-going leasing of PRA units will be facilitated as follows: DES/DDD will recruit tenants from developmentally disabled persons enrolled in community-based long-term care services. DES/DDD will perform initial eligibility verification and refer eligible Program Participants to ADOH. ADOH will place the eligible Program Participant on the ADOH-maintained waiting list of potential applicants and provide the applicant with a list of available 811 PRA units. The applicant will choose from the list a location/property wherein they would like to reside. The applicant will have the opportunity to choose “first available” if they so desire. When a suitable unit becomes vacant, ADOH will refer the applicant to the property wherein there is an available unit. The property owner/agent will verify and maintain verification of applicable eligibility information and determine the level of subsidy including, but not limited to, identification of household members, citizenship status, income, assets, expenses, and deductions.

Those awarded 811 PRA rental assistance will be expected to adopt the ADOH 811 PRA Tenant Selection Plan which reflect the procedures listed above.

Income Limits

An eligible household’s annual income must not exceed thirty percent (30%) of the median income for the area, with adjustments for family size.

Selection Thresholds and Priorities

ADOH will review applications for selection based on threshold requirements and point scoring.

Threshold Requirements

The following threshold requirement must be met for an application to be considered for review:

1. Property is an eligible property as described above.
2. Application is complete and all information required in the Tabs is provided.
3. PRA units not tied to specific units but “float” throughout the property and are well integrated

with all other types of units.

4. Property is in good condition without deferred maintenance. All 811 PRA units must meet local and state housing code, ordinances, and zoning requirements and minimum UPCS standards.

Environmental Reviews

Properties that are currently HUD-assisted (CDBG, HOME, NSP, PBCA, PACS, PRACS, SPRACS, property with a FHA-mortgage insurance, Federal mortgage interest subsidy) that will not engage in activities with physical impacts or changes beyond routine maintenance activities or minimal repairs are not required to comply with the environmental tenets.

All other existing properties are required to conduct an Environmental Review components shown below prior to the execution of the RAC, in accordance with the following provisions of PRA.215. See *Exhibit 5: Program Guidelines* at the following link:

<https://www.hudexchange.info/resources/documents/Section-811-PRA-Demo-Coop-Agreement-Exhibit-5-Program-Guidelines.pdf>

1. Site contamination (24 CFR 50.3(i)). Site must be free of environmental hazards.
2. Provide an ASTM Phase I Environmental Site Assessment (ESA) in accordance with ASTM E 1527-05 (or the most recent edition).
3. Airport Clear Zones (24 CFR Part 51, Subpart D - Siting of HUD Assisted Projects in Runway Clear Zones at Civil Airports and Clear Zones and Accident Potential Zones at Military Airfields). No activities or projects shall be permitted within the “clear zones” or the “accident potential zones” of military airfields or the “runway protection zones” of civilian airports.
4. Floodplains (Executive Order 11988; Flood Disaster Protection Act (42 U.S.C. 4001-4128)). Existing structures may be assisted in the mapped 500-year floodplain or in the 100-year floodplain according to FEMA’s Flood Insurance Rate Maps (“FIRM”) but must meet the following requirements:
 - a. The existing structures must be flood-proofed or must have the lowest habitable floor and utilities elevated above both the 500-year floodplain and the 100-year floodplain.
 - b. The project must have an early warning system and evacuation plan that includes evacuation routing to areas outside of the applicable floodplains.
 - c. Project structures in the 100-year floodplain must obtain flood insurance under the National Flood Insurance Program. No activities or projects located within the 100-year floodplain may be assisted in a community that is not participating in or has been suspended from the National Flood Insurance Program.

Monitoring, Reporting, and Compliance Review

Monitoring Requirement

ADOH will perform monitoring of properties that receive 811 PRA funding to insure compliance with program requirements. The protocol used during the monitoring will be similar to that used in existing project-based Section 8 properties with certain unique requirements specific to the 811 PRA. Monitoring will occur at least once every three (3) years but may be more frequent if the situation calls for it. Owners will be notified in advance of monitoring visits.

Reporting Requirements

TRACS: Tenant data must be entered into HUD’s Tenant Rental Assistance Certification System (“TRACS”). Owners must submit vouchers to ADOH by the tenth (10th) day of the month preceding the month for which the owner is requesting payment. Failure enter data and submit vouchers in a timely manner may delay rental assistance payments.

This is a HUD demonstration program and requires quarterly and annual reports from ADOH on program management, efficient utilization of PRA units, tenant outcomes, etc. It is important that owners submit tenant data to TRACS in a timely and accurate manner to insure the reporting requirements can be met.

Program Compliance Requirements

During monitoring visits, ADOH will review the following areas to confirm compliance with applicable 811 PRA program requirements:

1. Physical inspections of units.
 - a. UPCS protocol will be used during the physical inspections.
2. File compliance reviews/audits.
 - a. Review resident files to ensure initial and at-least annual eligibility with all applicable income and program requirements.
 - b. Income/asset/expenses verification and calculation review.
 - c. Review applicant rejections and move-out records.
 - d. Verify compliance with document retention requirements.
3. Review of waiting list(s).
 - a. Verify the DES/DDD referral process was followed and properly documented.
 - b. Review site’s resident selection criteria/policies.
4. TRACS data.
 - a. Ensure data is entered into TRACS accurately and timely.
5. Enterprise Income Verification (“EIV”) use monitoring.

- a. Ensure the site is utilizing the EIV system to verify sources of resident income at recertifications and monthly/quarterly use.
6. Annual rent adjustments.
 - a. Verify that rent changes are implemented timely and consistently.
7. Other reporting.
 - a. Monitoring staff may be responsible for on-going reporting, gathering data, and providing narrative reports on program compliance and effectiveness, as needed or required by HUD/ADOH.

Fair Housing

Affirmative Fair Housing Marketing Plan (AFHMP) for Section 811 PRA

All ADOH programs require owners to market affirmatively, using specific steps geared to the particular program. The Section 811 PRA program is unique in that the State (the 811 grantee, ADOH in partnership with DES/DDD) has an Affirmative Fair Housing Marketing Plan (“AFHMP”) approved by HUD. All marketing is done by the DES/DDD and ADOH to reach the most unlikely to apply for Section 811 PRA.

Owners are not required to have their own AFHMP for Section 811 PRA, but must adhere to the HUD approved ADOH AFHMP for 811 PRA.