



Arizona Department *of* Housing

Request for Proposals

Secure Behavioral Health Residential Facility

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I. Introduction

The Arizona Department of Housing (“ADOH” or the “Department”) received a \$3,500,000 appropriation from the Arizona State Legislature in the FY2020 budget to develop secure behavioral health residential facilities for court-ordered treatment of persons who have been determined to be seriously mentally ill and chronically resistant to treatment pursuant to a court order (“Facility”) (*see* A.R.S. §§ 41-3955(D), 36-425.06(A), 36-550.05(B)3, and 36-550.09). ADOH and is pleased to announce a request for proposals (“RFP”) to award this funding to successful Offeror(s) based upon its review of proposals submitted pursuant to this RFP (“Proposal”).

The Offeror of a Proposal pursuant to this RFP must be the proposed owner of the Facility (“Facility Owner”). The Facility Owner may also contract with an eligible operator of the Facility (“Facility Operator”). The Facility Owner may also contract with an unrelated third party to develop the real estate on a turnkey basis (“Consultant”).

Additional Documents Incorporated Herein by Reference. The Proposal materials posted with this RFP are hereby incorporated into this RFP by reference.

1.1 Changes to the RFP

Modifications to the RFP. ADOH may modify this RFP, including its compliance and monitoring provisions, from time to time, or for any other reasons as determined by ADOH: 1) to insert such provisions clarifying matters or questions arising under this RFP as are necessary or desirable and that are contrary or are inconsistent with this RFP; or 2) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision with this RFP or the laws and regulations governing the funding sources being made available in this RFP.

RFP Clarifications. ADOH will periodically post written clarifications to this RFP on its website. The clarifications elaborate on the meaning of the text within this RFP and may sometimes add additional guidance on how to interpret this RFP. RFP clarifications are to be considered a part of this RFP. Offerors 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 RFP on its website. The deadline to request clarifications is Friday, February 14, 2020 at noon.

1.2 Technical Assistance

The Department will not preview, comment on, or pre-judge any element of any Proposal prior to its initial submittal. All requests for clarification shall be made in writing via e-mail to Rental-NOFA@azhousing.gov **and identify that the question pertains to this RFP**. The responses thereto will be posted no more often than weekly to the Department's website to a document entitled "Clarifications to the SBHRF RFP". Offerors are responsible for checking the Department's website for this information.

II. Proposal

2.1 Proposal Deadline

Proposals will be due by 4:00 pm on Monday, March 16, 2020.

2.2 Proposal and Submittal Format

Offeror must submit one (1) electronic copy of the complete Proposal with all exhibits and forms via the ADOH Portal (see <https://housing.az.gov/portals/document-upload-portals/rental-development-upload-portal>) and one (1) hard copy of each of the documents and exhibits in the list below. The electronic copy must be organized to correspond to the Tabs in Section 2.5 of this RFP. Form 3 must be submitted in both Excel and PDF formats. Each Tab shall be one (1) separate easy to read document in PDF format and named as follows: "Project name - Tab # - Name of Section".

For purposes of the page limits identified in this RFP, a page shall mean one 8.5 x 11 inch piece of paper with side margins no narrower than one inch on each side and top and bottom margins that are no less than 3/4". Font size shall be no smaller than 11 point and fonts are limited to Palatino Linotype, Arial, Calibri or Times New Roman or other similar easy to read fonts.

Offerors shall provide substantive, responsive and responsible answers to questions posed in this RFP directly in the order they are posed. References to or attachments of policy documents and/or brochures shall not be considered responsive to this RFP, except where a specific document, such as a financial statement, organizational chart, or form is specifically requested in this RFP.

In addition to the electronic copy of the entire Proposal with all exhibits and forms, the following portions of the Proposal must be submitted in hard copy by the Proposal Deadline to: Jeanne Redondo, Arizona Department of Housing, 1110 West Washington Street, Suite 280, Phoenix, AZ 85007:

1. Original Housing Trust Fund Affidavit, Release and Certification Form (Application Tab 3-9).
2. Any documents that exceed twenty (20) pages.

The hard copy Proposal materials specified above must be in eight and one-half by eleven (8 ½ x 11) format, placed in one (1) adequate sized three (3) ring binder, indexed and Tabbed to correspond with the Tabs described in Section 2.5 of this RFP. The front cover and spine of the three ring binder must be labeled with the name of the Project. The only exception are items of significant volume (such as an Appraisal or Capital Needs Assessment), which may be submitted as separate bound items.

Each Proposal must comply with the format and content of this RFP. ADOH may reject any Proposal or Proposal information that does not conform to the requirements of this RFP.

In the event that there is a discrepancy with respect to any information provided in the Proposal materials (where both an electronic and hard copy are required), ADOH will consider the hard copy Proposal document as the primary source document. ADOH retains the sole discretion in determining and interpreting whether a Proposal or Project meets state law, federal law or the RFP criteria, terms, conditions or definitions.

All documents in the Proposal shall be originals where requested in this RFP or specifically requested by ADOH. Offerors shall make every effort to ensure that documents submitted are easy to read, and wherever possible shall convert original electronic documents to a PDF format, rather than scan them. Documents that are not easy to read, in ADOH's sole discretion, shall be rejected by ADOH. ADOH, in its sole discretion, may request that such documents be replaced with legible documents.

2.3 Eligible Projects and Other Eligibility Requirements

The following criteria must be met in order to be considered for an award:

A. Proposal Submittal

One (1) complete Proposal organized in the prescribed sequence and format, as required by this RFP.

B. Authorized Signatures

All documents that require a signature must be signed by the Offeror's authorized representative. Electronic signatures are permitted if preceded by "/s/" or other indications that an electronic signature is intended. Offeror must be an existing legal entity authorized to conduct business in Arizona and in good standing with the applicable Arizona state agency for the type of Offeror entity. The Offeror must be the Facility Owner. ADOH will not consider forms signed on behalf of an entity that is not duly formed or by a representative without authority. The Offeror's authorized representative must sign the ADOH forms rather than an attached signature page.

C. Current Accounts

At the time the Proposal is submitted, no member of the Development Team may be in default on a financial obligation to the State of Arizona.

D. Satisfactory Progress and Compliance

ADOH may reject Proposals for Projects having Development Team members with facilities that are not in compliance with applicable regulations of the Arizona Health Care Cost Containment System (“AHCCCS”) and/or the Arizona Department of Health Services (“ADHS”).

E. Eligible Projects

Eligible Projects are those that fully comply with this RFP and include new construction and/or acquisition/rehabilitation of vacant buildings that result in a secure behavioral health residential facility with sixteen (16) or fewer beds. Projects must comply with A.R.S. §§ 41-3955(D), 36-425.06(A), 36-550.05(B)3, and 36-550.09.

2.4 Scoring

ADOH has established a scoring methodology to evaluate an Offeror’s ability to develop and operate a cost-effective, high quality Facility in accordance with the State of Arizona’s mission and goals. Both the real estate and programmatic components will be evaluated and weighted.

1. The real estate component includes documents in Tabs 2 – 11 and 14 – 22. ADOH will evaluate the Proposals for feasibility. Proposals that are not responsive to the RFP and its requirements, or which are not considered feasible will not move forward for consideration of the programmatic component.
2. The programmatic component includes all documents in Tabs 1, 12 and 13. AHCCCS will review the programmatic component for responsiveness, and rank the Proposals for their adherence to the RFP and programmatic viability.

2.5 Proposal Content

Proposals must be complete and responsive to this RFP. ADOH may make written inquiries in order to verify and or clarify the information submitted. Offerors must respond by the deadline included in the inquiry to avoid disqualification. ADOH may verify representations, information, and data in a Proposal with public information, independent reports, and statistics available through recognized subscription services.

A. Tab 1: Cover Letter

1. Cover Letter. Offeror must describe the Project in a cover letter, which includes the following:
 - a. Description of the Offeror and the Operations Team
 - b. What is being proposed (i.e. describe the facility), and

- c. Where the facility will be located, and
- d. How the Project will be completed and in what timeframes, and
- e. What is the Offeror's vision regarding how the Project will operate, and
- f. What are the credentials of the Operations Team who will provide the court-ordered treatment, and
- g. How the Project meets the legislative intent, and
- h. Any other information deemed pertinent that is not requested elsewhere in the RFP.

B. Tab 2: Project Schedule

Insert Form 2 – Project Schedule

C. Tab 3: Proposal and Certifications

Insert a completed Form 3 and executed Certifications.

D. Tab 4: Development Team

The Offeror must demonstrate that the Development Team possesses the experience and financial capacity necessary to acquire the real estate and complete the development of the secure behavioral health residential facility through new construction or rehabilitation of an existing building. The Development Team may consist of individuals representing the Offeror, Facility Operator, Consultant, and other industry professionals.

- 1. The following items must be provided:
 - a. Offeror must insert a completed Form 4.
 - b. Insert resumes for the Development Team that include documentation of successful projects of similar or greater complexity over the past five years.
 - c. Offeror must identify the existence of any identity of interest with another party to the Development Team in Item 5 on page 3 of Form 3. Offeror shall insert a written explanation of the identity of interest on a separate sheet directly behind the resumes submitted in this Tab.

E. Tab 5: Offeror and Consultant– Legal Formation

The Offeror must include evidence that it is a duly formed legal entity authorized to transact business in the State of Arizona and in good standing with the Arizona Corporation Commission or the Office of the Secretary of the State of Arizona, as applicable.

If the Offeror plans to contract with a Consultant, the Consultant must also have legal authorization to transact business in the State of Arizona and be in good standing with the Arizona Corporation Commission or Office of the Secretary of the State of Arizona, as applicable. Insert the evidence described in Item 3 in this section directly behind the Offeror's legal formation documents.

1. Insert completed and executed Form 5 – Offeror Resolution.
2. Insert an organizational chart that describes the relationship whether through ownership, control or contract between the Offeror and Facility Operator.
3. Insert organizational documents for all entities that tie the individual executing certifications and closing documents on behalf of the Project with the Offeror. ADOH reserves the right to request additional documents for affiliates and pass-through entities to determine principals.
 - a. Corporations. If the entity is a corporation, provide the Articles of Incorporation and Bylaws and all amendments. If the entity was incorporated in Arizona, provide a certificate of good standing issued by the Arizona Corporation Commission confirming the legal existence of the entity as of the date of the certificate (“Certificate of Good Standing”) and dated not earlier than thirty (30) calendar days prior to the Proposal Deadline. Entities incorporated in another state and doing business in Arizona must submit a certificate of good standing or its equivalent from the state of incorporation confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Proposal Deadline and a certificate of good standing to transact business in Arizona (“Certificate of Authority”) for such foreign corporation, issued by the Arizona Corporation Commission and dated not earlier than thirty (30) calendar days prior to the Proposal Deadline.
 - b. Limited Partnerships. If the entity is a limited partnership, provide an executed copy of the limited partnership agreement and all attachments and amendments thereto. If the entity is a limited partnership organized under the laws of Arizona, provide a certificate of existence issued by the Arizona Secretary of State confirming the legal existence of the entity (“Limited Partnership Certificate of Existence”) and dated not earlier than thirty (30) calendar days prior to the Proposal Deadline. Limited Partnerships organized under the laws of another state and doing business in Arizona must submit the following: a limited partnership certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity, dated not earlier than thirty (30) calendar days prior to the Proposal

Deadline, and an Arizona Certificate of Authority from the Arizona Secretary of State dated not earlier than thirty (30) calendar days prior to the Proposal Deadline.

- c. Limited Liability Companies. If the entity is a limited liability company, then provide the Articles of Organization (or its equivalent) and Operating Agreement and all attachments and amendments thereto. If the entity is organized under the laws of Arizona, provide a certificate of good standing existence, issued by the Arizona Corporation Commission confirming the legal existence of the entity (“LLC Certificate of Good Standing”), dated not earlier than thirty (30) calendar days prior to the Proposal Deadline. Entities organized under the laws of another state and doing business in Arizona must submit the following: a certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Proposal Deadline and an Arizona Certificate of Good Standing issued by the Arizona Corporation Commission for such foreign limited liability company dated not earlier than thirty (30) calendar days prior to the Proposal Deadline.
4. Signature Block. Provide a signature block for the Offeror who will sign the Funding Agreement.

F. Tab 6: Offeror’s Financial Statement

Insert the Offeror’s most recent annual financial statement including a complete and accurate balance sheet, income statement, statement of cash flows, and accompanying notes prepared according to generally accepted accounting principles that is reviewed or audited by a certified public accountant.

G. Tab 7: Facility Operator Organizational Chart

As of the date the Proposal is submitted, the Facility Operator must be a licensed behavioral health services provider registered with AHCCCS, which is eligible to access Medicaid funding for the operation and services provided at the Facility.

1. Insert an organizational chart that describes the proposed Facility Operator’s oversight hierarchy.

H. Tab 8: Agreements

If the Offeror and Facility Operator are all the same legal entity, this Tab does not apply.

1. Agreement between the Offeror and Facility Operator.

At a minimum, insert a letter of intent from the proposed Facility Operator agreeing to operate the Facility, which shall meet the definition of the proposed Facility pursuant to A.R.S.§ 36-425.06. If awarded funding, a fully executed Operating Agreement must be provided to ADOH before closing on the transaction.

2. Agreement between the Offeror and Consultant, if applicable.

If the Offeror intends to contract with a Consultant provide a fully executed agreement between the Offeror and the Consultant, which includes all services, fees, and when fees are earned.

I. Tab 9: Facility Operator’s Legal Formation Documents

1. If the Facility Operator is not the same entity as the Offeror, insert organizational documents for all entities that tie the individual executing agreements on behalf of the Facility Operator. ADOH reserves the right to request additional documents for affiliates and pass-through entities to determine principals.

a. Corporations. If the entity is a corporation, provide the Articles of Incorporation and Bylaws and all amendments. If the entity was incorporated in Arizona, provide a certificate of good standing issued by the Arizona Corporation Commission confirming the legal existence of the entity as of the date of the certificate (“Certificate of Good Standing”) and dated not earlier than thirty (30) calendar days prior to the Proposal Deadline. Entities incorporated in another state and doing business in Arizona must submit a certificate of good standing or its equivalent from the state of incorporation confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Proposal Deadline and a certificate of good standing to transact business in Arizona (“Certificate of Authority”) for such foreign corporation, issued by the Arizona Corporation Commission and dated not earlier than thirty (30) calendar days prior to the Proposal Deadline.

b. Limited Partnerships. If the entity is a limited partnership, provide an executed copy of the limited partnership agreement and all attachments and amendments thereto. If the entity is a limited partnership organized under the laws of Arizona, provide a certificate of existence issued by the Arizona Secretary of State confirming the legal existence of the entity (“Limited Partnership Certificate of Existence”) and dated not earlier than thirty (30) calendar days prior to the Proposal Deadline. Limited Partnerships organized under the laws of another state and doing business in Arizona must submit the following: a limited partnership certificate of existence or its equivalent from the state of organization confirming the legal existence of the

entity, dated not earlier than thirty (30) calendar days prior to the Proposal Deadline, and an Arizona Certificate of Authority from the Arizona Secretary of State dated not earlier than thirty (30) calendar days prior to the Proposal Deadline.

- c. Limited Liability Companies. If the entity is a limited liability company, then provide the Articles of Organization (or its equivalent) and Operating Agreement and all attachments and amendments thereto. If the entity is organized under the laws of Arizona, provide a certificate of good standing existence, issued by the Arizona Corporation Commission confirming the legal existence of the entity (“LLC Certificate of Good Standing”), dated not earlier than thirty (30) calendar days prior to the Proposal Deadline. Entities organized under the laws of another state and doing business in Arizona must submit the following: a certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Proposal Deadline and an Arizona Certificate of Good Standing issued by the Arizona Corporation Commission for such foreign limited liability company dated not earlier than thirty (30) calendar days prior to the Proposal Deadline.
2. Signature Block. Provide a signature block for the Facility Operator who will execute (or has executed) the agreement between the Offeror and Facility Operator.

J. Tab 10: Operations Team

1. Insert a list of the name, business address, email address and telephone number of each individual listed on the Organizational Chart in Tab 7 above.
2. Insert the resumes of each of the individuals listed in the Organizational Chart in Tab 7 above.
3. Insert a certification executed by the authorized representative of the Facility Operator that none of the individuals listed on the Organizational Chart in Tab 7 above are excluded from federally funded health care programs pursuant to Section 1128 of the Social Security Act (the “Act”) and from Medicaid and state health care programs under Section 1156 of the Act.
4. Insert a certification executed by the authorized representative of the Facility Operator that neither the Facility Operator, nor any of its affiliated entities, have had a license revoked by the Arizona Department of Health Services (“ADHS”).

K. Tab 11: Facility Operator’s Financial Statements

Insert the Facility Operator's most recent annual financial statement including a complete and accurate balance sheet, income statement, statement of cash flows, and accompanying notes prepared according to generally accepted accounting principles that is reviewed or audited by a certified public accountant.

L. Tab 12: Facility Operator's Experience

1. Insert a written narrative not to exceed twenty-seven (27) pages, which outlines the Operator's experience and effectiveness. At a minimum, the narrative must address the following topics listed below:
 - a. Describe how long the Operator has been in the business of providing clinical and supportive services, and/or residentially-based services, to the subject population. Describe the type of services that have been provided.
 - b. Describe the Operator's experience and best practices for working with individuals with serious mental illness. Describe its best practices for helping high acuity members in successful transitions.
 - c. Describe the Operator's experience in achieving sustained wellness where individuals were able to successfully transition to a community setting and eventually live in an independent or minimally supervised setting, and demonstrate a reduction in behaviors that result in self-harm or harm to others (e.g., substance use, incarceration, homelessness.) Provide statistics and other information that may be used to gauge the Operator's success rates with respect to this experience.
 - d. Describe the experience of the Operator, if any, in providing individuals with Court Ordered Treatment, as well as re-hospitalizations and amendments due to non-compliance, and its success rates with each.
 - e. Describe experience of the Operator in providing behavioral treatment to individuals with co-occurring mental health and substance use disorders.
 - f. Describe the Operator's track record concerning individuals living in residentially-based settings and provide any statistical data available on length of retention in such settings and successful transitions to less restrictive setting types.
 - g. Provide information describing the Operator's historical staff retention and turnover rates for each type of treatment setting for which the Operator has experience.
 - h. Provide statistical information concerning incidences of police involvement at the Operator's other residences and/or facilities, initiated by staff and residents separately, if available.

- i. Provide the number of substantiated grievances for each of your treatment settings for each of the last three years. Include the number of beds for each treatment setting.

M. Tab 13: Facility Program Narrative

1. Insert a written narrative, not to exceed forty-five (45) pages, which describes the Operator's Secure Behavioral Health Residential Facility Program. The narrative must include a detailed description as to how the program will provide secure 24-hour per day, 7-days per week, on-site supportive treatment and supervision by staff with appropriate behavioral health training for persons who have been determined to be seriously mentally ill and non-adherent with respect to treatment. The narrative should describe unique programmatic design features that are person-centered and most likely to result in successful transition from the program to a less restrictive living arrangement. Letters of support from behavioral health experts, family/family of choice, guardians, advocates, individuals who have successfully transitioned under similarly designed programs, as well as interested individuals who may attest to the success of such program designs may be included. At a minimum, the narrative must address the following topics listed below.
 - a. Describe how the program will achieve design and implementation of individualized treatment plans (in accordance with R9-10-708.) and coordinate care to ensure member treatment plan needs are addressed.
 - b. Describe the program's anticipated professional staffing levels, including the number and hours of availability of counselors, and BCBA's and/or those who are licensed or board certified to complete a functional behavior assessment and behavior treatment plan. Describe the professional degrees and minimum years of experience that will be required of each anticipated staff position or contracted practitioners.
 - c. Describe anticipated methods for working with individuals who have co-occurring mental health, physical health, and substance use issues.
 - d. Describe anticipated methods to assist high acuity members to successfully transition to less restrictive settings.
 - e. Describe methods you will utilize to manage members who present with severe symptoms of their illness, including de-escalation and other methods
 - f. Describe how the program will allow residents to be involved in supervised community events, as allowed by court order.
 - g. Describe how the program will foster a person and family centered culture of care. Will the plan involve family or family of choice in the behavioral health treatment plan?

- h. Describe how visiting hours will be implemented. Who may visit a resident and how often? Describe under what conditions visiting hours may be restricted.
- i. Describe methods you will use to ensure you obtain feedback from residents, guardians, advocates, and family/family of choice and how such feedback will be used to improve outcomes and overall satisfaction of residents, guardians, advocates, and family/family of choice.
- j. Describe your Grievance and Appeals process relating to complaints received by residents, guardians, advocates, and family/family of choice concerning their living and/or treatment concerns.
- k. Describe how long you will retain a bed for individuals if they require hospitalization during their stay at the facility.
- l. Describe how you will work with members to transition them into a non-secure setting and ensure that they are released with appropriate housing and individual treatment plans prior to their step down to a less restrictive environment. Describe how you will follow up to ensure the member attends his/her first appointment with an outpatient provider
- m. How would you use a combination of technology, oversight, and physical plant to ensure that the facility complies with the following definition of “secured”? (“Secured” means the use of a method, device, or structure that prevents a resident from leaving an area of the facility’s premises, except as allowed under the court order.)
- n. Describe how you will create a secure residential behavioral treatment program with a home-like environment.
- o. Describe how you will provide information and referral to resources to members’ guardians, advocates, and family/family of choice who are involved in the treatment plan.
- p. Describe how you will successfully discharge members to less restrictive settings including but not limited to family members’ homes.
- q. Describe how you will make considerations for the member’s religious and cultural preferences. Describe how you will include appropriate clergy upon member’s request in the treatment plan.
- r. Describe how you will screen potential residents with consideration for the safety of other residents
- s. Describe how you will foster and maintain a culture of respect and compassion between staff, members, family/family of choice, friends, guardians, advocates or caregivers.

N. Tab 14: Acquisition and Site Control

1. Acquisition and Site Control.

Site control is required as of the date the Offeror submits a Proposal under this RFP. Land leases are not an acceptable form of site control under this RFP. ADOH will require that the Offeror have fee simple title to the land concurrent with or prior to the ADOH loan closing.

To establish that the Offeror has the Site Control, the Offeror must submit the following to ADOH:

- a. All Projects: A “Title Commitment” (or “Title Report” if Offeror is already the property owner) for the property dated within sixty (60) calendar days of the date of the Proposal by a title insurer licensed in Arizona. The title commitment must not include any conditions or requirements materially and substantially adverse to the feasibility of the Project.
- b. Acquisition through Purchase Contract or Options (if the land is not owned by the Offeror).
 - 1) If the Offeror has a binding commitment to transfer control or Ownership of the land from the Seller to the Offeror, then the Offeror must submit a copy of the executed commitment. As of the Proposal Deadline, the only remaining contingency in a binding commitment that is in the Seller’s control may be a condition of receipt of ADOH funding. No other conditions will be accepted.
 - 2) If a purchase contract, or purchase option is submitted, a copy of the agreement must be submitted and the relevant agreement 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.
- c. Recorded Deed (If the land is already owned by the Offeror).
 - 1) An Offeror who holds fee title to the property must provide a copy of the recorded deed listing the Offeror as the grantee and a final settlement statement prepared by the title company evidencing the purchase of the property. Estimated settlement statements will not be accepted.

O. Tab 15: Planning and Zoning Verification

Insert Form 6 that is executed by the Authorized Signatory of the governmental entity with jurisdiction over the proposed site. Form 6 shall provide written verification that the site is zoned for the proposed use as of the Proposal Deadline, and stipulate any required contingencies and approval processes that the Offeror must meet to use the

property as described in the Proposal. If contingencies exist, such as additional zoning, variances, use permits, the acquisition may not proceed until ADOH has reasonable assurances that all zoning and use requirements will be met.

P. Tab 16: Appraisal

Insert an appraisal prepared by a licensed appraiser with no affiliation with any members of the development team listed in Tab 4 in accordance with the Uniform Standards of Professional Appraisal Practice. The Appraisal must be based upon on “As-Is” market value, including comparable properties, obtained within the last six months. ADOH reserves the right to obtain its own appraisal for validation purposes, in the event that the appraisal is not acceptable to ADOH.

Q. Tab 17: Availability of Water, Sewer, and Power

For new construction projects or vacant buildings, insert “will-serve” letters dated within 180 days of the Proposal Deadline and signed by an authorized signatory of the utility providers acknowledging that power, water and sewer are anticipated to meet the needs of the Project. If the Offeror will be building a newly constructed Facility, identify the location from where the utilities will brought on-site to the building, and describe any processes that will be required to bring the utilities on-site, as well as any potential challenges that could arise in obtaining the utilities.

If the proposed construction activity includes acquisition/rehabilitation, or acquisition/demolition, Offeror may provide a utility bill from utility provider dated within sixty (60) calendar days of the Proposal Deadline, evidencing that services are presently available to the Project and will continue to serve the Project upon completion of construction

R. Tab 18: Project Design

The design of the Facility must adhere to ADHS licensing requirements and local codes. Insert Form 7 and preliminary drawings and renderings of the development including:

1. A site plan showing the general development of the site, streets bordering the site, the building and parking location. (Sites located on land that is not generally level must also show site topography.) Outdoor amenities claimed on Form 3 must be shown on the site plan. Municipal site plan approval is not required as of the Proposal Deadline.
2. The floor plan and net square footage for each bedroom, along with whether the bedroom will be private or shared. (If bedrooms are shared, please indicate how many persons will share the bedroom.)

3. The building floor plan and net square footage for common areas and space used for treatment.
4. Floor plans and elevations for each proposed building. (If the Facility is an existing building for which the elevation will not change, Offeror may include color photographs from each side of each building in lieu of elevations.)

S. Tab 19: Capital Needs Assessment

1. Capital Needs Assessment. A Capital Needs Assessment (“CNA”) is required as a threshold item for each Project that includes rehabilitation of a vacant building. The Proposal must include supporting documentation that validates the credentials of the licensed professional preparing the CNA.
 - a. Insert Form 8 (Certification of Qualified Professional).
 - b. The rehabilitation improvements and the amount of rehabilitation costs will be based on the CNA. ADOH may utilize the services of an independent cost estimator in determining whether the rehabilitation and/or adaptive reuse costs are reasonable and meet the requirements of this RFP. Offeror must provide a full set of plans and specifications in PDF format to the cost estimator upon completion of the plans, but no later than thirty (30) days prior to the anticipated construction closing date.
 - c. The CNA report must be prepared by a qualified professional (architect or engineer) who has no financial interest in the Project and no identity of interest with the Offeror or Facility Operator. For purposes of this RFP, a “qualified professional” is a licensed professional architect or engineer, who can substantiate a minimum of five (5) years’ experience providing CNA reports in accordance with ADOH standards, and who performs the assessment and supplies ADOH with their professional opinion of the property’s current overall physical condition. The preparer must insert Form 8 in the front of the CNA certifying that it meets these requirements. CNAs must conform to the requirements of this RFP including the Form 8 certification. The CNA must include the identification of significant deferred maintenance, existing deficiencies, and material building code violations that affect the property’s use and its structural or mechanical integrity. Furthermore, the CNA must examine and analyze the following building components:
 - 1) Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities, and lines.

- 2) Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage.
 - 3) Interiors, including bedroom and common area finishes (carpeting, vinyl tile, interior walls, paint condition, etc.), kitchen finishes and appliances, bathroom finishes and fixtures, and common area lobbies and corridors.
 - 4) Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, and fire protection.
 - 5) Elevators (if applicable).
 - 6) Provide building life cycle study that lists each building component, the base cost and opinions of probable cost immediately (critical repair item), within two (2) years, and within ten (10) years along with an analysis of the reserves for replacement needed to fund long-term physical needs of the Project, accounting for inflation, the existing reserves for replacement balance, and the expected useful life of major building systems.
- d. The CNA must also include the following major parts:
- 1) All health and safety deficiencies.
 - 2) Repairs, replacements, and significant deferred and other maintenance items that need to be addressed within twenty-four (24) months of the date of the CNA. Include any necessary redesign of the Facility and market amenities needed to restore the property to the standard required for ADHS licensure.
 - 3) Repairs and replacements beyond the first two (2) years that are required to maintain the Facility's physical integrity over the next twenty years, such as major structural systems.
- e. The professional preparing the CNA report must:
- 1) Conduct site inspections of all buildings.
 - 2) Identify any physical deficiencies based upon a: 1) visual survey; 2) review of pertinent documentation; and 3) interviews with the property owner as of the date of the CNA, community groups, and government officials. If a management company is managing the vacant building on behalf of the property owner, the management agent and any maintenance personnel shall also be interviewed.
 - 3) Identify physical deficiencies, including critical repair items, two (2) year physical needs, and long-term physical needs. These must include repair

items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations that would limit the expected useful life of major components or systems.

- 4) Explain how the Facility will meet the applicable requirements for accessibility to persons with disabilities that are associated with licensure by the ADHS. Identify the physical obstacles and describe methods to make the Facility more accessible, and list needed repair items in the rehabilitation plan.
- 5) Prepare a rehabilitation plan, addressing separately all two (2) year and long-term physical needs. Long-term physical needs anticipated during the first twenty years of the Period of Affordability must be included in the rehabilitation scope of work.
- 6) Conduct a cost/benefit analysis of each significant work item in the rehabilitation plan (items greater than \$5,000) that represents an improvement or upgrade that will result in reduced operating expenses (i.e. individual utility metering, extra insulation, thermo-pane windows, setback thermostats). Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of building systems.
- 7) The assessment must include a site visit and physical inspection of the interior and exterior of the structures, as well as an interview with any applicable on-site property management and maintenance personnel to inquire about past repairs/improvements and an examination of invoices, contracts or work orders relating to the repairs/improvements over the last twenty-four (24) months, pending repairs, and existing or chronic physical deficiencies. Any information from the interview must be included in the CNA. The assessment must also consider the presence of hazardous materials on the site.

T: Tab 20: Environmental Assessment

1. All Projects: The use of State funds in any new construction or renovation project requires an Environmental Assessment with the State Historic Preservation Office (“SHPO”) to determine whether the site has any historically significant issues relating to either the site or the building that must be addressed.
2. Projects in a Floodway or 100-Year Floodplain are ineligible for an award of ADOH funding under this RFP.

3. If the Proposal includes rehabilitation of an existing building, insert a termite inspection dated within sixty (60) calendar days of the Proposal.
 - a. Proposals that include rehabilitation or demolition of a pre-1978 building must attach an asbestos report. Such report may not be older than 24 months as of the Proposal Deadline.
4. If the Proposal includes new construction, the following due diligence materials will be required before acquisition of the land. The cost associated with these reports must be included in the Offeror's development budget.
 - a. An ASTM E 1527-13 Phase I Environmental Assessment, dated within 12 months of submission of the Phase I shall be required within 90 calendar days of the award. If the Phase I identifies issues and/or the need for remediation, further testing or a Phase II, Offeror must submit the remediation plan, Phase II and/or studies identified in the Phase I within 150 calendar days of the Phase I.
 - b. Soils/Geotechnical Report.
 - c. ALTA Site Survey.

U.: Tab 21: Preliminary Construction Contract

1. Provide a written process that Offeror intends to use to select a general contractor. Self-managed construction is not recommended, and depending upon the scope of work, may not be permitted under State law. Upon selection, ADOH will investigate whether the general contractor is properly licensed, and that the proposed general contractor has no open complaints or disciplined cases registered with the Arizona Registrar of Contractors
2. Insert a draft construction contract from a licensed general contractor 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 a new construction or rehabilitation budget.

V: Tab 22: Financial Ability to Proceed

Offeror must demonstrate that the funding sources necessary to complete the Project are available. **The ADOH financing awarded under this RFP must be in first lien position. The State will not subordinate its loan, repayment terms, or land use restrictions to any other source of financing. Thus, other loans requiring a hard payment are not permitted under this RFP.**

The detailed development budget setting forth all development funding sources and uses in Form 3 will be reviewed in conjunction with the materials submitted in this Tab

22. The cost to build luxury amenities, such as a swimming pool, may not be included in the development budget.

Offeror must provide the following documentary support demonstrating feasibility:

1. Letters of Interest or Intent from Sources of Soft Subordinate Financing, if applicable. Copies of Letters of Interest/ Intent / Award or term sheet from all sources of financing that defines the funding amount, interest rate, term, cash flow payment criteria, and applicable restrictions, fees and forgiveness provisions.
2. Pro Forma and Operating Expenses. Include a thirty (30) year operating pro forma. The pro forma submitted at Proposal does not need to be signed by subordinate financing providers, but it must be consistent with any Letters of Intent that are submitted with the Proposal.
 - a. The pro forma must reflect all expected operating income, detailed operating expenses, and reserves for vacancies and capital replacements.
 - b. Reasonable capitalized lease-up reserves may be requested through this RFP to cover anticipated start up vacancies (include this request in Form 3 Application). However, the Facility Operator should anticipate funding ongoing operating and replacement reserves from its fee income. Such reserves shall be increased at a rate of three (3%) percent annually during operations. Capitalized operating reserves may not be relied upon to cover operations over the long-term.
 - c. If the pro forma reflects negative cash flow in any year, the Proposal must demonstrate the funding and utilization of an operating deficit escrow account or describe the source of the operating deficit funds. A commitment from the entity funding the operating deficit reserve/escrow funds must be included with the other funding source documents.
 - d. The pro forma income must increase at a rate commensurate with current reimbursement accelerations for the relevant sources (e.g., Medicaid reimbursements).
 - e. Pro forma expense amounts must increase each year at a rate of three percent (3%).
3. ADOH will determine the repayment terms of the loan awarded under this RFP based upon its review of the projections in the pro forma.

III. Post Award Requirements

An award provided under this RFP will include a list of any further conditions to implement the Project contemplated in the Proposal, including but not limited to land use restrictions for a period of thirty years from the date the Facility opens for business, and the terms and conditions of ADOH's loan to the Offeror.

IV. General Regulations

4.1 False Filing

A Proposal, including all exhibits, appendices, and attachments thereto, made to ADOH for an award of funding including any materials filed at a later time with ADOH in connection with an Proposal, is considered to be an "instrument" for the purposes of A.R.S. § 39-161. According to that statute, knowingly including any false information in or with the Proposal is a class 6 felony. Such an act may also result in barring the Offeror and Development Team members from future awards of ADOH funding. In addition, false filing may be subject to the provisions of A.R.S. § 13-2311 (designating as a class 5 felony the conduct of business with any department or agency of this state by knowingly using any false writing or document).

4.2 Satisfactory Progress

- A. Offerors who have previously received ADOH funding and or Tax Credits must make Satisfactory Progress and be in substantial compliance with the requirements of federal law with respect to all prior Projects before ADOH may consider a new Proposal.
- B. 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 Offeror. 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.

4.3 Disclaimer and Limitation of Liability

- A. ADOH makes every effort to ensure that the references in this RFP are accurate. All references in this RFP to cells, line items and columns on forms are subject to amendments as forms are updated periodically. All references to URL webpages are subject to amendment as they are periodically updated by their webmasters.
- B. Offerors, Development Team members, and other financing sources participate in ADOH programs at their own risk. No member, officer, agent, or employee of ADOH or the State will be liable for any claim arising out of, or in relation to, any

Project, including claims for repayment of construction, financing, carrying costs, or consequential damage or loss of any kind incurred by an Offeror, Development Team member, lender or any other Person.

- C. Disclosures. Public disclosure of Proposals shall be as provided by Title 39, Chapter 1 Article 2 of the Arizona Revised Statutes. Offerors must only enter confidential information such as taxpayer identification numbers at the specific locations required by the Proposal materials. All information included in a Proposal submitted to ADOH is subject to disclosure to the public unless specifically exempted from disclosure by statute. Offerors must redact confidential information from documents if the information is not specifically required by ADOH. ADOH may redact information or withhold records that are protected from disclosure pursuant to Arizona law.

Forms

The following Forms are hereby incorporated into this RFP and are to be included with the Proposal, as directed in this RFP. Exhibits and Forms are posted on the Department's website at www.housing.az.gov.

Form 1	Proposal Receipt Form
Form 2	Project Schedule
Form 3	Application Form
Form 4	Development Team
Form 5	Form of Offeror Resolution
Form 6	Planning and Zoning Verification
Form 7	Architect's Certificate
Form 8	Certification of Qualified Professional – CNA

Definitions

The following definitions shall apply to this RFP. Terms that are not specifically defined in this here shall be interpreted using common meanings typically associated with such terms, but will be ultimately be interpreted by ADOH in its discretion. All capitalized terms not otherwise defined in the RFP shall have the meaning assigned to them in this Definitions section.

“A.R.S.” means the Arizona Revised Statutes, as amended from time to time.

“ADOH” means the Arizona Department of Housing.

“Affiliate” means any Person or entity, which directly or indirectly owns or controls another Person by having any family relationship, Ownership interest or a Controlling Interest in that Person.

“AHCCCS” shall mean the Arizona Health Care Cost Containment System.

“ADHS” shall mean the Arizona Department of Health Services.

“Offeror” means an existing legal entity or an individual submitting a Proposal.

“Proposal” means the Proposal described in this RFP.

“Proposal Deadline” means on or before 4:00 p.m. Mountain Standard Time of the day designated by ADOH as the last day to submit a Proposal under this RFP.

“Appraisal” means an estimate of the value of the Project’s real property based on market information, including comparable properties, that is current through the period ending no earlier than six (6) months before the Proposal Deadline; and that is prepared in accordance with the Uniform Standards of Professional Appraisal Practice by an analyst who does not have a Controlling Interest in the Development Team, or financing source proposed in the Proposal, and who is authorized to render the Appraisal in Arizona. An Appraisal that deviates from the requirements of this paragraph must provide a detailed explanation of why the deviation cannot be avoided.

“As-Is” Market Value” means the Fee Simple Interest value of the property appraised in the condition observed upon inspection and as it physically and legally exists at the time of the appraisal without hypothetical conditions, assumptions, or qualifications on the effective date of the appraisal, and under the following conditions:

1. Buyer and seller are typically motivated;
2. Buyer and seller are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (Title XI, FIRREA, 34.42(f)).

“Authorized Signatory” means an individual who is authorized to execute a binding document on behalf of a corporation, partnership or other legal entity.

“Controlling Interest” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the means of Ownership, position, contract or otherwise. The holder of a more than fifty percent (50%) Ownership in a legal entity is automatically determined to have a Controlling Interest in that legal entity.

“Development Budget” means the cost categories listed on Pages 8 - 11 in Form 2 that are directly related to the proposed Project as submitted in the Proposal.

“Development Team” means the entities and professionals assembled to develop and manage the Project, typically including the Offeror/Facility Owner, Developer, Facility Operator, and general partner or any other related entities in which the Offeror has an identity of interest or a Controlling Interest.

“Facility Owner” means the legal entity that ultimately owns the Project and to which ADOH funding will be awarded. The Facility Owner must be the Offeror.

“Floodway” means the crosshatched area in an “A zone” of a Flood Insurance Rate Map created by the Federal Emergency Management Agency (FEMA) for use by the National Flood Insurance Program.

“Operating Expenses” means for any given period of time the fixed and variable expenses of operating the Project on an accrual basis, limited to the following expenses, as applicable: 1) administrative (i.e. accounting and auditing, attorney and payroll); 2) operating and management expenses and fees (i.e. utilities, marketing, leasing, advertisement, commission and promotional costs); 3) maintenance and repair costs of the Project; 4) general real estate taxes; 5) treatment supplies and medications; 6) dietary and activities costs; 7) premiums of insurance carried on or with respect to the Project; 7) costs of utilities for the Project; and 8) replacement and operating reserves not to exceed a reasonable amount stipulated in the Proposal; and excluding interest payments and accruals on any and all loans (including but not limited to construction, permanent, voluntary and partner/member loans), and depreciation and amortization costs.

“State” means the State of Arizona.

