



Arizona Department of Housing

American Rescue Plan – State Fiscal Recovery Fund Funding Process and Application Instructions – Preservation NOFA

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**SFRF-ARP Preservation Funding Process
and Application Instructions**

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Funding Process

The ADOH will review applications on a first-come first-served basis, based on the date and time received by the ADOH. The ADOH will first review applications to ensure they meet all threshold requirements. Applications that meet all threshold requirements will receive a conditional commitment of SFRF-ARP funds subject to successful completion of the underwriting process, which may include submission of additional information or documentation within a specified time period.

When all available funding is conditionally committed, applications will be retained on a waiting list based on the date and time the application is received by the ADOH.

If an applicant does not submit additional information or documentation within the specified time period, or does not otherwise successfully complete the underwriting process, the conditional commitment will be released, and the next application on the waiting list will be reviewed.

At each stage in the project selection process, the ADOH will provide additional guidance to applicants, including deadlines for submission of additional information or documentation and technical assistance, if needed.

Threshold Requirements

The ADOH will first review applications to ensure they meet the following threshold requirements:

1. The project responds to a disproportionate impact caused by the COVID-19 public health emergency.
2. The project will result in preservation of existing affordable housing.
3. Utilizes SFRF-ARP funding for costs that:
 - a. Are hard construction costs allowable, reasonable, and allocable under 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
 - b. Do not duplicate financial assistance received from other federal sources;
 - c. Do not exceed the total need for financial assistance;

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- d. Were not incurred prior to March 3, 2021 or after December 31, 2024;
 - e. Evidence commitment of all funding necessary to provide benefit (anti-speculation) NOTE: projects that include other federal funding are subject to additional federal requirements SEE Underwriting Review and Criteria-Project Feasibility and Viability 2c;
4. For activities that will take place in whole or in part on tribal lands, has the written consent of the tribal jurisdiction if the applicant is not a tribal government.
 5. Documents in the project timeline quarterly reporting to the ADOH as required by Treasury for SFRF-ARP funding.
 6. Documents in the project timeline that funds will be expended within 24 months, with not less than 80% of funds expended by March 31, 2023, and the remaining 20% of funds expended by March 31, 2024.
 7. The project is properly zoned for the intended use.
 8. If the applicant is a non-entitlement unit of local government, documents compliance with the citizen participation requirements as described in the State's Citizen Participation Plan.

Underwriting Criteria and Review

The ADOH will initially underwrite applications based on the following criteria.

1. Project readiness, including:
 - a. The site and buildings are owned by the applicant, or the applicant has a binding commitment to transfer control or ownership or execute a lease agreement within 180 calendar days of the application deadline, subject only to receipt of SFRF-ARP funding and environmental clearance.
 - b. The title commitment (or report if applicant is already the property owner) issued by a title insurer licensed in Arizona does not include any conditions or requirements that are materially and substantially adverse to the feasibility of the project.
2. Project feasibility and viability, including:
 - a. Commitment of all funding necessary to complete the development phase of the project (no remaining tentative funding); NOTE: if applicant is using additional federal funding other than SFRF-ARP there will be additional federal requirements including but not limited to NEPA Environmental clearance, David Bacon Labor Standards, Uniform Relocation Act, Procurement, etc.

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- b. Commitment and/or reasonable expectation of securing funding necessary to meet the ongoing operating costs of the proposed hotel to housing conversion project;
- c. In projects that charge participant rents, including any tenant-paid utilities:
 - i. If residents with ongoing income are required to pay rent, the rents, including any tenant-paid utilities, do not exceed the local HUD FMR for the unit size; and
 - ii. Vacancy rates are seven percent (7%) or less, or the rationale for a higher vacancy rate is reasonable given the project size and location.

The ADOH may make adjustments to rent or vacancy allowances projects that charge participant rent to bring rents into alignment with local HUD Fair Market Rents. Any adjustments must result in sufficient operating revenue to cover operating costs during the mandatory five (5) year operating period. A minimum of 15 additional years of affordability through a Land Use Restrictive Agreement will be required.

- d. A Phase I Environmental Assessment for the project must be provided. Additionally, if Underwriting determines the age or condition of the building is a factor or the property is historical in nature, ADOH may request a Capital Needs Assessment or other study to substantiate the rehab necessary to bring the project to readiness for occupancy.
 - e. If the building is over 50 years of age or located in a local, state or National Register historic district, then a Historic Preservation review of the project completed through consultation with the State Historic Preservation Office (SHPO) is required. Applicants will provide evidence of the consultation and any additional surveys or reports identified through this consultation with SHPO.
3. Organization capacity, including:
- a. No party to the project is included on the Federal Excluded Parties List;
 - b. All project team members are identified and evidence sufficient experience to complete and/or operate the project, as applicable;
 - c. The organization's officers, members or staff, minimum staff competencies, or collaborators/subcontractor, including any project(s) developed or operated by the applicant, demonstrate experience or capacity necessary to operate affordable housing; and
 - d. The proposed staffing levels and coverage hours are reasonable given the size and type of facility.

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Additional Underwriting

Projects will undergo additional underwriting when any material change occurs. A material change includes:

1. Any additional funding source is committed to the project, regardless of whether the funding source was identified in the application as tentative;
2. Change in the number of beds or units;
3. Addition or deletion of any funding source necessary for the completion of the development;
4. Change in any development funding source amount;
5. Substitution of one or more members of the administrative or development team;
6. Changes in the development budget; and
7. Change in the year 1 operating budget of 10% or more, or for projects that charge participant rent a change in the operating budget of more than \$100/unit per month or \$1,200/unit per year.

Projects may also undergo a final underwriting prior to final payment and/or contract close out



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Application Instructions

Enter information only in the green shaded cells in each worksheet. Most worksheets contain dropdown menus where a yes/no or other answer options are limited and required.

All application forms and attachments must be uploaded to the ADOH Document Upload Portals, specifically the Rental Development Portal. Do not mail the original documents unless specifically requested.

Applicants are encouraged to review the NOFA, entire application and these instructions before completing any tabs to ensure that all application requirements can be met.

Threshold Requirements, as detailed in the Funding Process narrative are also identified in Tab 2 - Checklist. Please do not submit the application without fully completing all green-shaded cells in each tab and attaching the completed threshold documents. Applicants are encouraged to attach all available documents, not just those required to meet thresholds, as all documents must be submitted and reviewed before the application can be considered for award.

Questions may be directed to Sheree Bouchee via email at sheree.bouchee@azhousing.gov.

Tab 1 – Funding Process, Threshold Requirements, Pre-Award Requirements and Additional Underwriting Certification

Read lines 5 – 59.

Line 63. The certification must be signed electronically by the Chief Elected Official, Organization President or their authorized designee.

Tab 2 - Checklist

Enter the name of the applicant. The applicant name will carry forward to other application tabs.

Complete the checklist.

Upload the following attachments to the ADOH Application Portal. Indicate the page number of the attachment in the green shaded cell. Do not mail the originals to ADOH.

1. SFRF-ARP Application Tabs 1 through 10 and 11 or 12, as applicable with all green-shaded cells completed.
2. Certificate of good standing from the Arizona Corporation Commission..
3. Nonprofit IRS proof of 501c3 or 501c4 status, if the applicant is a nonprofit organization.
4. Letters of commitment or term sheets for each funding or financing source.
5. Document evidencing site control (deed, contract/option, lease, lease option).

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6. Independent Appraiser Report, if project includes acquisition.
7. Title commitment (or title report if the applicant is already the property owner).
8. Project relocation plan, if any buildings are occupied by residents or businesses.
9. Zoning verification.
10. FEMA Floodplain map, if applicable.
11. Completed Environmental Review forms, if applicable.
12. Phase I Environmental Assessment.
13. One-for-one replacement plan, if any low-income units will be demolished.
14. Affirmative Marketing Plan, if participants will pay rent through a rental or lease agreement.
15. Applicant's most recent financial statements.
16. Project-specific organization chart.
17. Capital Needs Assessment, if completed.
18. 3rd-party work write-up and cost estimate, if applicable.
19. Termite Inspection Report.
20. Property Design Standards, Drawings and/or Plans.
21. Commitment letter from the entity funding the operating reserve/escrow account, if applicable.
22. Firm or tentative commitment letters for operating funds, if applicable.
23. Local PHA Utility Allowance Schedule, if applicable.
24. Commitment letter from source of rental assistance, if applicable.



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Tab 3 – Cover Page

Line 8. Enter the amount of SFRF-ARP funds requested for eligible project costs. Eligible project costs include administration (subject to cap), conversion including, acquisition and/or rehabilitation.

Line 12. Indicate the federal Congressional district(s) that will be served by the project.

Line 13. Indicate the state Legislative district(s) that will be served by the project.

Lines 41 - 43. Provide the project name and address.

Line 45. Enter the proposed number of units.

Line 46. Select acquisition only, rehabilitation only, or acquisition and rehabilitation.

Line 56. The certification must be signed electronically by the Chief Elected Official, Organization President or their authorized designee.

Attachments

Upload the following attachments to the ADOH Rental Development document portal. Indicate the page number of the attachment in the green shaded cell. Do not mail the originals to ADOH.

1. Certificate of good standing from the Arizona Corporation Commission.
2. Nonprofit IRS proof of nonprofit 501c3 or 501c4 status.

Tab 4 – Budget Summary & Duplication of Benefits

Lines 10 - 13. Enter the amount of SFRF-ARP and other funds necessary to complete the project for each eligible project cost. The SFRF-ARP administrative cap, including developer fees, is limited to 10% of the total development costs as calculated in Tab 9, line 105.

Line 20. Enter the date the project will start. All projects must start within thirty (30) days of executing the funding agreement.

Line 21. Enter the projected date of project completion. Project completion is defined as the date that ADOH approves the contract close-out report.

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Line 22. Enter the number of months from the project start date to the project completion date. The number of months from project start to project completion must not exceed 24 months.

Lines 29 - 40 column B. Enter the amount of funding or financing that is currently committed to and available to the project. Attach letters of commitment or term sheets for each committed funding or financing source.

Lines 29 - 40 column D. Enter the amount of funding or financing that has been applied for but not yet received. The ADOH may require proof of application.

Lines 29 - 40 column F. Provide the date of application for each funding or financing source applied for but not yet received, if applicable.

Lines 29 - 40 column H. Provide the anticipated award announcement date for each funding or financing source applied for but not yet received, if applicable. If awarded, the applicant must immediately provide written notification to the ADOH of the awarding source, amount of award, and intended uses.

Lines 29 - 40 column J. Select yes or no to indicate whether the applicant intends to apply for additional funds during the project development phase. If additional funds are applied for and received, the applicant must immediately provide written notification to the ADOH of the awarding source, amount of award, and intended uses.

Lines 37-40 column A. Specify the source(s) of other committed or tentative funding or financing.

Attachments

Upload the following attachments to the Application Portal. Do not mail hard copy to ADOH.

1. Letters of commitment or term sheets for each financing or funding source that include: funding amount, interest rate, term cash flow payment criteria, and applicable restrictions, fees, or forgiveness provisions.

Tab 5 – Timeline

Follow the instructions beginning on line 36.

Tab 6 – Project and Site Information

The site or buildings must be under site control through a deed or lease.

Line 10. Enter the date the deed was recorded if the applicant currently owns the property.



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Line 11. Enter the lease execution date.

Line 15. Explain any closing or lease conditions, if applicable. Closing or lease conditions beyond receipt of SFRF-ARP funding or successful completion of the environmental review process may result in the project being considered ineligible.

Lines 19 through 25. Enter the name, company, address, phone number and email address of the lessor.

Line 27. Describe the relationship of the lessor and applicant and attach a copy of the independent appraiser's report if acquiring by purchase contract or option. Related-party transactions may result in the project being considered ineligible. If the lessor and applicant are related parties, the ADOH will require verification that the sales or lease price is equal to or less than the market value or price.

Line 29. Select yes or no to indicate whether the title commitment or report includes any conditions or requirements that would materially and substantially impact project feasibility. Conditions that would materially and substantially impact project feasibility may result in the project being considered ineligible. Attach a copy of the title commitment or title report.

Indicate if any of the buildings are currently occupied by residents or businesses. If buildings are currently occupied, the project relocation plan, following URA guidelines, must be attached and the full cost of URA compliance included in Tab 9 Development Budget.

Lines 33 through 34. Enter the total land area of the project site and the number of buildings on the site.

Line 35. Describe the buildings, square footage and current use of each.

Line 36. Select yes or no to indicate if any of the buildings are occupied by residents or business. If any buildings are occupied by residents or business, a project relocation plan must be attached and relocation costs included in the development budget.

Lines 44 through 49. Select yes or no to indicate property amenities.

Lines 50 through 52. Enter information regarding any other property amenities.

Line 56. Select whether verification of current zoning for the intended use is attached. All projects must be appropriately zoned for the intended use.

Line 57. Select yes or no to indicate whether a variance or use permit will be required for the project.

Line 58. Indicate whether the applicant has begun the process of securing a variance or use permit and the expected finalization date for obtaining the variance or use permit.



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Attachments

Upload the following attachments to the Rental Development Portal. Do not mail hard copy to ADOH.

1. Evidence of site control.
2. Independent Appraiser's Report, if applicable.
3. Title Commitment or Title Report, as applicable.
4. Relocation plan, if applicable.
5. Verification of current zoning for the intended project use.

Tab 7 – Cross-cutting Regulations

Complete the green-shaded cell(s) for each regulatory requirement. The project, applicant must comply with all cross-cutting federal regulations if additional federal funding resources (non-SFRF-ARP) are needed to complete the project.

Environmental Review

An ASTM E 1527-13 Phase I Environmental Assessment (with asbestos and lead paint reports) is required.

The Part 58 environmental review must be completed, if applicable and the FONSI/RROF prepared for publication if the project is subject to environmental assessment within 180 days of application submission. The Environmental Review Handbook may be accessed at <https://housing.az.gov/sites/default/files/documents/files/Environmental-Review-Record-Handbook-rev-8-13-19.pdf>.

Lines 10-12 column B. Enter the date the applicable Review is completed. If the environmental review has not been completed, enter N/A.

Lines 10-12 column C. Enter the date the applicable Review is anticipated to be completed. If the environmental review has been completed and a date entered in column B, enter N/A.

Line 14. Enter the year the property was built.

Lines 17 – 28. Select yes or no for each question.

Relocation and Real Property Acquisition

If other federal funding resources (non SFRF-ARP) are needed for completion of the project then the project is subject to the Uniform Relocation and Real Property Acquisition Act (URA). Additional information may be found at <https://housing.az.gov/documents-links/handbooks> under the procurement forms heading.



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Lines 31-35. Select yes or no to answer each question. Select Not Applicable if the project will not be subject to URA. Due to the complexity and cost of relocation, the ADOH discourages projects that will displace residents or businesses.

Federal Labor Standards

All projects that will use other federal funding sources (non SFRF-ARP) to complete the project must incorporate Davis-Bacon wage rates and labor standards monitoring (as applicable) into the rehabilitation budget submitted as part of the development budget (tab 9). Federal Labor Standards must be included in project-related procurement. Additional information regarding Federal Labor Standards requirements may be found at https://housing.az.gov/documents-links/handbooks?tid_1=97.

Demolition or Change in Use

Federal Regulations (24 CFR 42.375) requires that any federally-funded project that will result in the demolition or change in use of existing lower-income dwelling units will replace those units with comparable lower-income dwelling units on a one-for-one basis. The replacement cost associated with the demolition or change in use of any low-income units is the sole responsibility of the applicant. Additional information may be found at <https://www.govinfo.gov/content/pkg/CFR-2010-title24-vol1/pdf/CFR-2010-title24-vol1-sec42-375.pdf>.

Line 34. Select yes or no to indicate if the project will result in the demolition or change in use of any existing lower-income dwelling units.

Line 35. Indicate the number of units that will be demolished or experience a change in use and attach the applicant's plan for one-for-one replacement with comparable dwelling units.

Procurement and Contracting

All applicant procurement must comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200. Any procurement that did not incorporate federal labor standards or Section 3 employment opportunities requirements will be invalid. Construction contractors must have the appropriate license and insurance for the type of work being performed.

Additional information may be found at https://housing.az.gov/documents-links/handbooks?tid_1=678. The ADOH may require evidence that any pre-award procurement complied with the applicant's or subrecipient's written procurement policy and 2 CFR 200, and included Federal Labor Standards and/or Section 3 requirements, as applicable.

Lines 38 through 40. Select yes or no to answer each question.



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Civil Rights/Non-discrimination

All projects and project sites must be accessible or made accessible to persons with disabilities. Projects must also have an affirmative marketing plan. HUD's affirmative marketing plan requirements are described in the form found at <https://www.hud.gov/sites/dfiles/OCHCO/documents/935-2A.pdf>.

Projects and programs must be accomplished in an equitable and impartial manner, without discrimination on the basis of race, color, religion, national origin, sex, age, disability, English proficiency, or economic status.

Lines 43 through 45. Select yes or no to answer each question.

Financial Records and Audits

All applicant financial management systems and audits must comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200. The ADOH may require evidence that the applicant's financial management system complies with 2 CFR 200, and may require the most recent audit be submitted for review.

Lines 48 and 49. Select yes to no to answer each question.

Line 50. Enter the date of the applicant's most recent audit if the applicant is a nonprofit organization. Attach a copy of the applicant's most recent financial statements.

Line 51. Enter the date of the organization's most recent audit if the applicant is a unit of local government or tribal government applying on behalf of a organization. Attach a copy of the most recent financial statements.

Section 3

Employment opportunities must be offered to low-and-moderate income residents of the project area. Section 3 requirements must be included in any project-related procurement. Additional information may be found at <https://housing.az.gov/documents-links/handbooks> under the procurement forms heading.

Line 62. Describe how the project will provide employment opportunities for low-and-moderate income households in the project service area.

Citizen Participation

Non-entitlement units of local government must follow the State's Citizen Participation Plan, document compliance, and attach the Certificate of Postings Distribution. The State's Citizen Participation Plan is found at <https://housing.az.gov/sites/default/files/documents/files/ADOH-Citizen-Participation-Plan-2020-2024-ConPlan-Draft-Amend-11-2020.pdf>

Line 57. Select yes or no to answer the question.

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Attachments

Upload the following attachments to the Rental Development Portal. Do not mail hard copy to ADOH.

1. Phase I Environmental Assessment
2. FEMA Floodplain map, if applicable
3. Completed Environmental Review forms, if applicable
4. One-for-one replacement plan, if any low-income units will be demolished
5. Affirmative Marketing Plan,
6. Applicant's most recent financial statements if the applicant is a nonprofit organization
7. Applicant's most recent financial statements.

Tab 8 – Project Team and Organization Capacity

Lines 9 through 23. For each member of the project or program team, provide their name, title, organization/company, phone number, email address, and a brief (not to exceed one paragraph) description of their experience in terms of years or number of contracts for similar work in the past five years. If a project or program team member is not yet identified, enter “unknown” in the Name column and leave the remainder of the line blank.

Lines 24 through 27. Enter the project team member type in Column A and follow the instructions for lines 9 through 23.

Line 30. Describe the experience of the organization's officers, members or staff in developing or operating affordable housing.

Line 32. Describe any projects developed or operated by the organization of comparable size and financial complexity.

Line 34. Describe proposed staffing levels (number of staff, coverage hours) and minimum staff competencies.

Line 36. Describe any collaborations, sub-contractors or other entities that may be involved in providing program services. Also include any administrative partners and services such as food preparation, janitorial, etc.

Attachments

Upload the following attachments to the Rental Development Portal. Do not mail hard copy to ADOH.

1. Project-specific organization chart.

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Tab 9 - Project and Program Description

Answer each question by entering a response in the green shaded box. Please limit responses to not more than two paragraphs.

Attachments

Upload the following attachments to the Application Portal. Do not mail hard copy to ADOH.

1. Written consent of the tribal government(s), if the project will take place on tribal lands and the applicant is not a tribal government.

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Tab 10 – Underwriting Workbook

Projects must complete the underwriting workbook identifying the project’s development budget, sources, uses and pro-forma.

Attachments

Upload the following attachments to the Application Portal. Do not mail hard copy to ADOH.

1. Completed underwriting workbook (in excel format).
2. Commitment letter from the entity funding the operation reserve/escrow account, if applicable.
3. Firm or tentative commitment letters for operating funds, if applicable.
4. Capital Needs Assessment, if completed
5. Other work write-up cost estimate, if applicable
6. Termite Inspection Report
7. Property Design Standards, Drawings and/or Plans