



**CITY OF PHOENIX
HOUSING DEPARTMENT**

**NOTICE OF FUNDING OPPORTUNITY
FY24-086-17**

**HOME Investment Partnerships Program American Recovery Plan Act (HOME-
ARP) Non-congregate Shelter and Rental Housing Open Application**

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HOME-ARP Program Background

The City of Phoenix (“City”) received HOME Investment Partnerships Program American Recovery Plan Act (“HOME-ARP”) funds from the U.S. Department of Housing and Urban Development (“HUD”) to reduce homelessness and increase housing stability through Non-congregate Shelter (“NCS”), Rental Housing, and Supportive Services Projects and Activities.

As part of this effort, the City has opened this funding opportunity to award Rental Housing and NCS projects serving HOME-ARP Qualified Populations as outlined in [Notice CPD 21-10 Requirements for the Use of Funds in the HOME-American Rescue Plan Program](#). Due to the tremendous need in our community, this NOFO is designed to prioritize shovel ready projects. The City expects to award approximately \$8,419,298 through this process.

Funding and Use Restrictions

Rental Housing

There is no cap on HOME-ARP Rental Housing projects, however funding may be limited by available HOME ARP funds. This funding notice is restricted to non-tax credit Rental Housing Projects. HOME ARP funds may only be used for hard cost construction. HOME-ARP funds will be loaned to the project and secured by a Deed of Trust, UCC Financing Statement, Promissory Note, and Declaration of Affirmative Land Use Restrictions and Collateral Assignment. Rental housing will be subject to a 15-year minimum compliance period.

HOME-ARP NCS

There is no cap on HOME-ARP NCS projects, however funding may be limited by available HOME ARP funds. The final award amount for HOME-ARP NCS projects will be determined through the negotiation phase after a project is awarded. HOME-ARP funds will be loaned to the project in the form of a forgivable loan and secured by a Deed of Trust, UCC Financing Statement, Promissory Note, and Declaration of Affirmative Land Use Restrictions and Collateral Assignment.

NCS projects will be subject to a restricted use period ranging from 10 years for acquisition and/or rehabilitation projects and 15 years for new construction projects. NCS projects may be converted to HOME-ARP rental housing after expiration of the restricted use period.

City of Phoenix HOME ARP Preference

The City HUD-approved HOME-ARP Allocation provides preference for NCS and Rental Housing projects that will provide shelter or housing for individuals and families experiencing homelessness. A preference means that HOME-ARP NCS operators and Rental Housing owners must:



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1. accept applications from all HOME-ARP qualifying populations as defined in *Notice CPD 21-10 Requirements for the Use of Funds in the HOME-American Rescue Plan Program*, and
2. have written procedures to place individuals and families experiencing homelessness at the top of the waiting list for occupancy or tenancy.

To further the Strategies to Address Homelessness Task Force Recommendations, priority will be provided to:

1. NCS distributed throughout the City and have worked closely with neighborhoods; and
2. NCS and Rental Housing that provide tailored services to address the unique needs of individuals and families experiencing homelessness.

Funding Process

HOME-ARP funds will be available on a rolling basis with applications accepted every four months until funds are depleted. First application review will take place on August 31, 2024. Applications are subject to a responsiveness review and regulatory threshold review before being evaluated by a panel and undergoing underwriting. The panel evaluation must result in a score of not less than 800 out of 1000 points. The final award amount will be determined through project underwriting and may be negotiated by City staff. The final award is made by City Council.

Application Availability and Format

Applications may be downloaded at the [Department's Housing Development Website](#). Applications must be submitted to David Wisniewski at david.wisniewski@phoenix.gov. Handwritten applications will not be accepted. Applications must be submitted as one zip file containing all relevant files and supporting documentation. The application form must be completed in Microsoft Excel Format. All supporting documents and required attachments must be organized according to the folder hierarchy found in the Excel application form as well as the Application Instructions at the end of this document. Enter the solicitation number on the subject line of the email when submitting your application. Applications will only be accepted via email to the email address listed above and will not be accepted through any other transmission format (postal, hand-delivered, etc.).

Applicant Eligibility

This application is open to any Non-profit or for-profit entities serving the HOME ARP Qualified Populations. Non-profits may partner with for profit entities for the purposes of the project. All employees, agents, representatives, proposed partner(s), subcontractor(s), joint venture(s),



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member(s), or any of their lobbyists or attorneys are collectively referred to as “Applicant”. Applicants must:

1. Be in good standing with the Arizona Corporation Commission;
2. Have and maintain an active SAM.GOV registration, without any exclusions, at the time of application submission and throughout the period of performance;
3. Be current on all loan payments to the City or have a pending deferral request at the time of application; and
4. Be free of outstanding compliance issues with HUD or the City.

The City may disqualify any Applicant that:

1. Makes a misrepresentation or provides materially false information in an application;
2. Has been involved in any project awarded City funding where there has been a material change (including in general partners or managing members) that the City did not approve in writing beforehand;
3. Has allowed a NCS or affordable rental housing property to enter into foreclosure;
4. Has been removed from a NCS or Rental Housing ownership entity by an equity investor or funder;
5. Has been a debtor in a bankruptcy within the past five years;
6. Has been a party in a civil, administrative, or criminal matter that resulted in an adverse fair housing settlement, an adverse civil rights settlement, or an adverse federal or state government proceeding and settlement; or
7. Has been found to be directly or indirectly responsible for any other project within the past five years in which there is or was uncorrected noncompliance with City requirements or federal rules, regulations, or standards.

Project Eligibility

The HOME-ARP funds may be used only for eligible costs of new construction, acquisition and/or rehabilitation of real property for use as HOME-ARP NCS or Rental Housing within the City. HOME-ARP NCS and Rental Housing must meet the requirements of the *Notice CPD 21-10 Requirements for the Use of Funds in the HOME-American Rescue Plan Program*.



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Federal Requirements

Notice Of Federal Funds and Requirements

This NOFO is funded by HOME-ARP funding from HUD. The following regulations will apply to any funding award made through this process.

Conflict of Interest

Conflicts of interest (or appearance thereof) may negatively impact activities supported with federal funds. The general rule is that no employee, board member, officer, agent, consultant, elected official or appointed official of the recipients or sub-recipients that are receiving funds under a HOME-ARP assisted program who have responsibilities with respect to the HOME-ARP activities or are in a position to participate in decision making processes or have access to inside information with regard to the activities can obtain a financial interest or benefit from a HOME-ARP assisted activity during their tenure or for one year thereafter (Federal Regulation 24 CFR 570.611).

Certification

By signing the application form the Applicant certifies:

1. The submission of the application did not involve collusion or other anti-competitive practices.
2. Applicant will not discriminate against any employee, or applicant for employment in violation of Federal or State Law.
3. Applicant has not given, offered to give, nor intends to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer.
4. Applicant is financially stable and solvent and has adequate cash reserves to meet all financial obligations while waiting reimbursement from the City.

Environmental Reviews

Environmental reviews are required to comply with National Environmental Policy Act (“NEPA”) and HUD’s regulations. The review includes analysis of 13 federal laws designed to protect certain environmental areas. An environmental review must be performed on any project funded in part with HOME-ARP dollars. Premature committing or expending any funds prior to the environmental review will jeopardize the eligibility of the project. This includes an agency’s matching funds from other sources.



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If the application is funded, City staff will initiate the review and the agency will be kept informed about the estimated length of time to clear the project. The review normally is completed at no cost. However, if the project is geographically located in an area of potential archaeological resources, archaeological monitoring or testing will be required and must be included in the project budget. Staff can assist Applicants in making this determination. Depending upon the project location, projects involving construction, rehabilitation, and demolition may take up to 180 days to obtain an environmental clearance.

Davis Bacon Labor Standards

The Davis Bacon Act is a regulatory requirement that applies to all projects using \$2,000 or more in federal funds for construction activities. The Act requires all contractors and subcontractors to pay laborers and mechanics working on the project the prevailing wages and fringe benefits as determined by the federal government. This may increase the project costs.

Architectural Services

Architectural services are generally required for all new construction projects and for most rehabilitation projects. Architects assess existing buildings to determine the level and extent of repairs needed to meet the local occupancy and building codes, zoning requirements and to determine safety issues. Issues include physical accessibility, emergency egress and sprinkler systems. Architects also are important in the helping the agency through the bid solicitation process and complying with federal procurement rules.

Lead-Based Paint Regulations

HUD has issued final regulations on notification, evaluation, and reduction of lead-based paint hazards in some facilities receiving federal assistance. Rehabilitation of facilities where children are served may be affected by this new regulation, which may require the testing of painted surfaces that will be disturbed to determine the presence of lead-based paint. If painted surfaces are not lead-free, remediation and safe work practices will be required.

Asbestos Testing

An asbestos survey will be required on all renovation projects to determine the presence of asbestos. The Applicant should include the cost of the survey and provide for contingency funds for remediation if asbestos is present. The survey will visually review all suspect asbestos containing materials (“ACMs”) associated with the building’s interior and will collect samples for laboratory analysis prior to a renovation project. The survey will identify whether asbestos containing materials were found and what classification. For further information about asbestos surveys and remediation requirements, contact the Arizona Department of Environmental Quality at 602-506-6708.



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Construction Bonding

The following requirements will apply to all successful Applicant's bid processes for construction contractors:

A performance bond on the part of the contractor for 100% of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

A payment bond on the part of the contractor for 100% of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

Procurement Provisions

Funded Applicants are required to conduct a fair and open bid process, in compliance with City and Federal requirements, to procure a general contractor to perform the proposed work. Applicants are strongly encouraged to utilize the services of an architect on any HOME-ARP funded project. Applicants also need to have solid financial management practices (e.g., accounting standards and cost principles) that comply with 24 CFR 84.21-28 and OMB Circulars A-122 "Cost Principles for Non-Profit Organizations" or A-21 "Cost Principles for Educational Institutions", as applicable.

Volunteers

The use of volunteers on a project may be allowed provided they are not otherwise employed by the Applicant or contractor. Depending on the work the volunteers will perform, state licensing requirements will apply. For example, volunteers performing trade work (electrical, plumbing) must be licensed. To determine if the use of in-kind volunteer labor is appropriate for your project ***post award***, please contact the Project Manager assigned to your organization's project. If volunteer labor is deemed appropriate, determining the labor contributions for the budget can be obtained by estimating the amount of what a paid worker would earn doing the same type of work.

Premature Committing or Expending Funds

Project expenses incurred prior to City Council approval, environmental clearance, and prior to award date, are not eligible for reimbursement.



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Proof of Site Control

If the site(s) where the project will take place is not owned by the Applicant, a copy of a lease or use agreement must be submitted prior to the HOME-ARP contract execution.

Accessibility to Persons with Disabilities

Programs, information, participation, communications, and services must be accessible to persons with disabilities and comply with the Americans with Disabilities Act (“ADA”).

Equal Employment Opportunity Requirements

Any Applicant shall not discriminate against any worker, employee or applicant or any member of the public, Applicants must comply with Phoenix City Code, Chapter 18, Article V, as amended, Equal Employment Opportunity Requirements. Any questions regarding these requirements should be directed to the Equal Opportunity Department, 602-262-6790. The City extends to each individual firm, vendor, supplier, contractor and subcontractors an equal economic opportunity to compete for City business and strongly encourages voluntary utilization of small or disadvantaged businesses.

Small and Minority Businesses, Women’s Business Enterprises and Disadvantaged Business Enterprises

Funded organizations will be required to take affirmative steps to assure that small and minority businesses, women’s business enterprises, labor area surplus firms, and Disadvantaged Business Enterprises are utilized when possible as sources of supplies, equipment, construction, and services.

Public Records

All applications submitted in response to the NOFO shall become the property of the City and shall become a matter of public record available for review pursuant to Arizona state law after the award notification. The City is obligated to abide by all public information laws.

Legal Worker Requirements

As mandated by Ariz. Rev. Stat. § 41-4401, the City is prohibited after Sept. 30, 2008, from awarding a contract to any contractor who fails, or whose subcontractors fail, to comply with Ariz. Rev. Stat. § 23-214(A). That statute requires employers verify the employment eligibility of their employees through the federal e-verify system.

In signing or performing any contract for the City, the Applicant fully understands that any subcontractors it may use must comply with all federal immigration laws and with Ariz. Rev. Stat. § 23-214(A). The City is authorized by law to randomly inspect the records relating to an



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employee of the contractor or any of its subcontractors who works on the contract to ensure compliance.

System for Award Management

The System for Award Management (SAM) is the Official U.S. Government system that tracks federal contracts, including City HOME-ARP contracts. Selected contractors of the NOFO will be required to register in SAM.gov prior to receiving a City contract. A completed SAM.gov registration is NOT required to apply, however, **Applicants will need to provide proof they have initiated registration prior to the application submission date.** Failure to attach proof of an initiated SAM.gov registration will result in the application being deemed nonresponsive and ineligible. Unsuccessful registration with SAM.gov after City Council award may result in the loss of grant funding.

Review Process

The multi-step review process consists of:

1. Application receipt by deadline;
2. Completeness review;
3. Regulatory threshold review;
4. Evaluation panel review;
5. Underwriting and funding recommendation; and
6. City Council approval.

All awards are negotiated based on underwriting and are subject to City Council approval on an as-needed basis depending on Council agenda schedules. The City will announce the amount of funds remaining for the next application cycle within 90 days of each application deadline.

Action	Timeline
Pre-Submittal Workshop	July 11, 2024 – Virtual Registration Link
Application Deadline(s)	First application round deadline is August 30st. Should funds still be available after the first application round, a new application deadline will be established.
Completeness Review	Five days



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Threshold Review	Fifteen days
Evaluation Panel Review	Forty-five days
Underwriting and Funding Recommendation	Seventy-five days
Notice of Remaining Funds Available	Ninety days
City Council Approval	Based on council agenda schedule

Completeness Review

Each Applicant will receive an acknowledgement of receipt, including the time and date of receipt. Within five business days after the application deadline, City staff will review the application for completeness to ensure all required items are included. Completeness is based on conformity to the application guidelines. If the application appears to be complete, the application will move to threshold review. If the application does not appear to be complete, City staff will notify the Applicant by email of the deficiencies and may provide technical assistance to ensure Application completion. The Applicant will be provided an opportunity to correct any deficiencies found in the application. If the deficiencies are corrected within three business days of notification, the application will move to threshold review. If the deficiencies are not corrected within three business days, the application will be considered incomplete, will not move to the next phase of the application process, the Applicant will be notified by email that the application is deemed incomplete, and that the Applicant may resubmit for the next review cycle.

Threshold Review

Threshold review is designed to ensure only projects that meet HOME-ARP regulatory requirements are further evaluated.

Threshold Criteria – All Projects

1. HOME-ARP funds are proposed for eligible uses and costs.
2. All funds necessary to complete the development phase of the project are committed or tentative funding is subject only to the receipt of HOME-ARP funds from the City and/or environmental clearance. This will include an analysis of the Applicant's committed pre-development funding, most recent audit, current fiscal year-to-date income and expense statement, current balance sheet showing all assets and liabilities (including contingent liabilities), and any litigation, pending judgments and bankruptcies. If the Applicant is a partnership or limited liability corporation, the partnership agreement or operating agreement must indicate the cash contributions by the partner(s) or member(s).



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3. The Applicant's audit demonstrates the organization's financial management system meets the financial accountability standards of 2 CFR 200.302 regarding financial management and 2 CFR 200.303 regarding internal controls.
4. Financing senior to City HOME-ARP funds bears a fixed interest rate, has a term equal to or longer than the required minimum use period or compliance period, and allows for recording of HOME-ARP Affirmative Land Use Restrictions and Collateral Assignments senior to all other financing documents.
5. The cost of land and/or buildings acquired or to be acquired does not exceed the as-is market value of the property substantiated by an independent appraisal performed according to the Uniform Standard of Professional Appraisal Practice and acceptable to the City. Appraisals must conform to the Uniform Relocation Act guidelines if relocation is involved in the project. The appraisal cannot be a "restricted" report prepared solely for the developer or another entity. Additionally, the City will only accept a summary or self-contained appraisal report which includes the City as an intended user. There should be enough data and analysis in the report for the reviewer to analyze the information and arrive at the same conclusions as the appraiser. Appraisals will be reviewed by the City's Appraisal Section.
6. The contingency does not exceed 10% of project hard costs for new construction projects, and 15% of project hard costs for rehabilitation projects.
7. Any conditions of other funders or funding will not have a negative impact on project feasibility and/or viability, do not conflict with HOME-ARP requirements, and are incorporated into the project structure.
8. Other funding repayment terms, including any deferred developer fees, are incorporated into long-term operating projections.
9. Cross-cutting regulations (environmental review, labor standards, 2 CFR 200 audit requirements, lead-based paint, Uniform Relocation and Real Property Acquisition Policies Act, HOME-ARP Displacement, Relocation and Acquisition Program requirements, Section 104(d), and Section 3 are incorporated into the project budget and timeline.

Additional Threshold Criteria – Non-Congregate Shelter (NCS) Projects

1. If the project includes acquisition and/or rehabilitation, the application includes a capital needs assessment that demonstrates the project will meet habitability and property standards prior to occupancy and throughout the restricted use period.
2. The minimum restricted use period is correctly calculated for the project.



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3. The project evidences sufficient operating revenue to cover operating expenses throughout the minimum restricted use period. Evidence is in the form of:
 - a. letters of commitment, which may be contingent upon receipt of HOME-ARP funding,
 - b. unrestricted reserves equal to at least one full year of projected operating expenses, or
 - c. a history of securing sufficient operating funds for other comparable projects.
4. The waiting list procedures document how applicants for occupancy will be selected in chronological order to the extent practicable, providing preference to individuals and/or families experiencing homelessness. Project occupancy does not rely exclusively on Coordinated Entry referrals.
5. The project does not charge occupancy fees.
6. The timeline complies with commitment and expenditure deadlines.
7. If acquisition only, the project will be operated as HOME-ARP NCS within six months of execution of the City-subrecipient agreement;
8. If construction or rehabilitation (including HOME-ARP funding of a capitalized replacement reserve):
 - a. Construction or rehabilitation will begin within twelve months of execution of the City-subrecipient agreement; and
 - b. The project will be completed and operated as HOME-ARP NCS within four years of execution of the City-subrecipient agreement.
9. All project activities and HOME-ARP expenditures will be completed by September 30, 2029.
10. The operating budget covers any proposed extended restricted use period.

Additional Threshold Criteria – Rental Housing Projects

1. Completed market assessment.
2. The minimum HOME-ARP per-unit subsidy is not less than \$1,000 per unit.
3. HOME-ARP units are proportionate and comparable to units not designated as HOME-ARP units.
4. The number of HOME-ARP Units is properly calculated based on the proportion of HOME-ARP funds to total development costs, and:



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- a. Not less than 70% of HOME-ARP units (rounded up to the nearest whole number) are set-aside for tenancy by HOME-ARP Qualifying Populations with preference to individuals and families experiencing homelessness; and
 - b. Not more than 30% of HOME-ARP units (rounded down to the nearest whole number) are set-aside for tenancy by households with income less than 80% of the area median income adjusted for household size.
5. The timeline complies with commitment and expenditure deadlines and evidences:
 - a. Acquisition, if applicable, will occur within six months of execution of the City-owner/developer agreement;
 - b. Construction or rehabilitation will begin within twelve months of execution of the City-owner/developer agreement;
 - c. The project will be completed and fully occupied within four years of the City-owner/developer agreement;
 - d. The project will lease-up within six months of development phase completion; and
 - e. All project activities and HOME-ARP expenditures will be completed by September 30, 2030.
6. New construction, acquisition and/or rehabilitation projects evidence compliance with all local codes, zoning, and ordinances.
7. If the project includes acquisition and/or rehabilitation, the capital needs assessment evidences the project will also meet the minimum property standards found at https://www.phoenix.gov/housingsite/documents/min_prop_standards.Pdf
8. Year 1 HOME-ARP qualified participant (as defined in the CPD Notice) unit rent is calculated as 30% of income of a household whose income is 30% of the Area Median Income ([as defined by HUD](#)), adjusted for anticipated occupancy by bedroom size, and including utilities as follows:
 - a. 1 person per each single room occupancy or 0-bedroom unit;
 - b. 2 people per 1-bedroom unit;
 - c. 3 people per 2-bedroom unit;
 - d. 4 people per 3-bedroom unit.
9. Stabilized operating (years 2 through 15) assumes the Low-HOME-ARP rent for HOME-ARP qualified participant units and the High-HOME rents for HOME-ARP Low-income Units ("HOME-ARP LI Units"), unit rents, including utilities.



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10. The operating proforma covers any proposed extended compliance period.
11. The waiting list and tenant selection criteria provide for selection from the waiting list in chronological order to the extent practicable, with preference for individuals and families experiencing homelessness. Referral sources are not limited to the Coordinated Entry system.
12. The affirmative marketing plan complies with HUD and City requirements.

Evaluation Panel

Applications that pass the threshold review will be evaluated and scored by an evaluation panel using the evaluation criteria. The evaluation criteria are specific to NCS and Rental Housing. The evaluation panel will recommend projects for underwriting and funding award based on availability of funding and the evaluation criteria. The application must achieve a score of 800 out of 1000 points to be considered for underwriting. Recommendation for underwriting will be based on the highest points awarded in descending order until funds are depleted.

Evaluation Criteria – Non-congregate Shelter (NCS)

Responsive NCS applications that meet threshold review will be evaluated based on the following criteria. Multiple applications that receive the same combined average score will be recommended for underwriting and final award based on the length of any extended use period, housing located in geographic areas without existing affordable rental housing (so many miles from existing), lowest HOME-ARP cost per unit or bed.

Shelter Operations (0-250 points)

Points will be awarded based on the Applicant's proposed services, experience and partnerships with services providers, intake systems or partnerships with referral agencies outside of the Coordinated Entry system, community outreach and neighborhood impact mitigation, and ability to provide safe, sustainable, on-going shelter beds to persons experiencing homelessness.

Strategies to Address Homelessness Plan (0-250 points)

Points will be awarded based on the project's alignment with the *Strategies to Address Homelessness Plan*, specifically the Guiding Principles and strategies related to low-barrier shelter, outreach/navigation, mental health services, neighborhoods, and workforce development. Applications must reference the section and page number of the City's Strategies to Address Homelessness Plan.



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Organization Capacity (0-250 points)

Points will be awarded based on the Applicant organization or partnership development and regulatory experience. More points will be awarded for applications that demonstrate key staff or partner experience with the proposed development type (new construction, acquisition and/or rehabilitation), for development teams with prior experience working together, and for development teams that have experience working with HOME or CDBG funds.

Project Readiness (0-250 points)

Points will be awarded based on evidence that the project will be ready to proceed with construction, acquisition and/or rehabilitation. More points will be awarded to projects with neighborhood engagement and demonstrated zoning or a reasonable plan to obtain appropriate zoning.

Evaluation Criteria – Rental Housing

Responsive Rental Housing applications that meet threshold review will be evaluated based on the following criteria. Multiple applications that receive the same combined average score will be recommended for underwriting and final award based on the length of any extended use period, housing located in geographic areas without existing affordable rental housing (so many miles from existing), lowest HOME-ARP cost per unit or bed.

Rental Housing Operations (0-250 points)

Points will be awarded based on the Applicant's proposed services, experience and partnerships with service providers, intake systems or partnerships with referral agencies outside the Coordinated Entry system, community outreach and neighborhood impact mitigation, tenant selection plan, and property manager experience managing waiting lists with preferences and managing units reserved for persons experiencing homelessness. Written service agreements may be substituted for property manager experience managing units reserved for persons experiencing homelessness, but not for property manager experience managing waiting lists with preferences.

Strategies to Address Homelessness Plan (0-250 points)

Points will be awarded based on the project's alignment with the *Strategies to Address Homelessness Plan*, specifically the Guiding Principles and strategies related to low-barrier housing, outreach/navigation, mental health services, neighborhoods, and workforce development. Applications must reference the section and page number of the City's Strategies to Address Homelessness Plan.



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Points will be awarded based on the Applicant organization or partnership development and regulatory experience. More points will be awarded for applications that demonstrate key staff or partner experience with the proposed development type (new construction, acquisition and/or rehabilitation), for development teams with prior experience working together, and for development teams that have experience working with HOME or CDBG funds.

Project Readiness (0-250 points)

Points will be awarded based on evidence that the project will be ready to proceed with construction, acquisition and/or rehabilitation. More points will be awarded to projects with neighborhood engagement and demonstrated zoning or a reasonable plan to obtain appropriate zoning.

Underwriting and Funding Award Recommendation

Applications recommended for underwriting by the evaluation panel will be underwritten using the following guidelines. Underwriting includes a subsidy layering analysis and determines the recommended award amount and loan repayment terms based on a gap analysis. The actual funding award recommendation and repayment terms may be negotiated with the Applicant.

Pending underwriting and any negotiated award amount, the recommendation for award will be submitted to City Council for final approval. Applications that are not recommended for award will be notified in writing within 30 days of evaluation panel recommendation or City Council action, whichever is later.

Underwriting Criteria

The City may adjust any factor during the underwriting analysis to adjust for known conditions not accounted for in the development or operating budget. Project underwriting will evaluate the application to ensure only the amount of HOME-ARP funds necessary for project feasibility and viability are awarded by ensuring:

1. Development costs, including those paid with other sources, are reasonable, necessary, and customary both on a line item and total project basis.
2. The developer fee does not exceed 15% of the total development cost of new construction or rehabilitation projects, and 5% for acquisition-only projects. When another funding source imposes a lower developer fee or limits contractor or architectural fees, the allowed fee will be the fee imposed by the other funding source.
3. Replacement reserve capitalization is adequate to realistically cover the cost of replacing covered items and not less than the amount determined necessary in the capital needs



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assessment. For NCS projects, the replacement reserve must be adequate to cover major system replacements during the restricted use period as documented in the capital needs assessment.

4. The capitalized operating reserve in a HOME-ARP rental housing project equals at least six months of operating expenses.
5. Individual line item and collective revenue (including non-residential revenue) and operating costs are reasonable, necessary, and customary when compared to other similar NCS or rental housing projects.
6. Annual revenue will be sufficient to cover annual expenses throughout the NCS restricted use period or Rental Housing minimum compliance period. The operating budget must demonstrate the project operates at least at break-even in each year during the restricted use or minimum compliance period, unless there is:
 - a. A capitalized operating reserve maintained outside the control of the Applicant or owner/developer and sufficient to fully fund all operating deficits; or
 - b. Evidence of commitment of secured sources for operating; or
 - c. For NCS only, an appropriate and acceptable plan for securing additional sources of funds for any operating gap during the restricted use period.
7. When a project includes a deferred developer fee as a financing source, projections of surplus cash are first credited to the deferred developer fee and are sufficient to repay the deferred fee within 15 years.
8. Other funding debt service and reserve requirements are included in the operating budget.
9. Vacancy rates and collection losses reflect local market conditions for comparable projects and do not exceed 10%. The City may adjust vacancy rates and collection losses for any project based on the actual vacancy rates of comparable projects in the market area or the presence of project-based subsidy.
10. Net operating income generated during the rental housing minimum compliance period is not attributable to HOME-ARP operating cost assistance.
11. Projected utility costs do not exceed the maximum amount calculated by the City for the Housing Choice Voucher program.
12. Not less than \$250 per unit for new construction projects and \$350 per unit for acquisition and/or rehabilitation projects are annually contributed to a replacement reserve.



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Subsidy Layering and Gap Analysis

Subsidy layering analysis is conducted to ensure only the amount of HOME-ARP funding necessary to provide compliant HOME-ARP NCS or Rental Housing for the restricted use period or minimum compliance period is provided to the project. The subsidy layering analysis will combine all underwriting factors with an examination of any other funding sources to determine the funding gap. The HOME-ARP award recommendation will not exceed the calculated funding gap. The City may require additional HOME-ARP assisted rental units if necessary to appropriately calculate the funding recommendation.

When the award recommendation is less than or greater than the amount requested:

1. The Applicant will be provided seven calendar days to reject, accept, or request a reevaluation of the funding amount.
2. If a reevaluation is requested, City staff will consider the request and prepare a final offer within seven calendar days of receipt of the reevaluation request. The Applicant will then have three business days to reject or accept the final offer.
3. All negotiated awards must be resolved before recommendations are submitted to City Council.

HOME-ARP Loan Repayment Terms

When a HOME-ARP project has a total debt service coverage ratio ("DCR") of 1.14 or less after repayment of any deferred developer fee, the HOME-ARP loan will be provided as a 0% interest deferred and forgivable loan with a term equal to the restricted use period or minimum compliance period, or an extended period if proposed by the Applicant.

When a project has a total DCR of 1.15 or greater after repayment of any deferred developer fee, the City may structure the HOME-ARP loan as an amortized loan, surplus cash loan or a split loan combining both amortizing payments and surplus cash flow payments. The HOME-ARP loan will be provided at 0% interest with a term equal to the restricted use period or minimum compliance period, or an extended period if proposed by the Applicant.

Definition of Surplus Cash

Surplus cash means for the fiscal year period ending prior to the annual installment date, the sum of gross rent revenues (less rental taxes and tenant security deposits) and other income (other income includes, but is not limited to, proceeds from the sale of the Property or transfer of ownership and withdrawal of equity) received from the operation of the project including amounts withheld from security deposits returned to tenants, less (a) annual accrued debt service for approved permanent senior loan(s); and (b) actual operating expenses and excluding allowed or allowable depreciation. Surplus cash will be calculated based on an audited annual



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cash flow analysis report submitted to the City by the owner/developer for the fiscal year period ending prior to the annual installment date.

Pre-Submittal Workshop

The City of Phoenix Housing Department will host a virtual pre-submittal workshop on July 11, 2024 date. Registration for the workshop can be done at [this link](#). Housing Department staff will provide an overview of the NOFO process, application, and instructions and open the meeting for questions. The virtual application workshop will be recorded and available for viewing by future Applicants at the [Housing Department's Website](#).

Complaint Process

Applicants may submit complaints regarding the review process. A written complaint must be filed within 7 days of receiving a denial notification from the City. The City will respond to all written complaints within 15 business days. All resolutions will be deemed final by the City. Applicants must submit the written complaint via email to david.wisniewski@phoenix.gov. The complaint must be on the Applicant's letterhead, dated and signed and submitted as a PDF document.

Questions and Inquiries

Questions or inquiries regarding this NOFO should be presented in writing and directed via email to staff at david.wisniewski@phoenix.gov. The City will post responses to material questions about the NOFO on the solicitation website (<https://solicitations.phoenix.gov>). The NOFO is a rolling application process with applications accepted every four months until all available funds are awarded, therefore technical assistance will be available throughout the entire process by emailing david.wisniewski@phoenix.gov. Technical assistance communication will only provide potential Applicants with minor clarifications that are immaterial to the NOFO, Application Instructions, or Application Form. City staff will accommodate requests for Technical Assistance meetings as needed.

Solicitation Transparency Policy

Beginning on the date this NOFO is posted and until the date all funds are awarded or the NOFO is withdrawn, all persons or entities that submit or plan to submit an application for the HOME-ARP NOFO, including their employees, agents, representatives, proposed partner(s), subcontractor(s), joint venture(s), member(s), or any of their lobbyists or attorneys, (collectively, the "Applicant") will refrain, from any direct or indirect contact with any person (other than the designated contracting officer) who may play a part in the selection process, including members



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of the Community Development (“CD”) Review Committee (“NOFO Evaluation Panel”), the City Manager, Assistant City Managers, Deputy City Managers, Department Heads, the Mayor, and other members of City Council. If the application is not discussed, Applicants may continue to conduct business with the City and discuss business unrelated to the application with City staff.

Applicants may discuss their application with the Mayor or one or more members of City Council, provided such meetings are scheduled through City staff, conducted in person, by phone, or virtually, and are posted as open meetings with the City Clerk at least twenty-four hours prior to the scheduled meetings. The City Clerk will be responsible for posting the meetings. The posted notice shall identify the participants, and subject matter, as well as invite the public to participate.

With respect to the selection of successful applications, the City Manager and/or City Manager's Office will continue the past practice of exerting no undue influence on the process. In all applications, any direction on the selection from the City Manager and/or City Manager's Office and Department Head (or representative) to the City's Housing Department staff must be provided in writing to all prospective Applicants. This policy is intended to create a level playing field for all Applicants, assure that contracts are awarded in public, and protect the integrity of the selection process. Applicants that violate this policy will be disqualified.

Application Withdrawal

An Applicant may withdraw an application by submitting a notice via email to david.wisniewski@phoenix.gov and contact information. The notice must be on Applicant letterhead, dated and signed, and submitted as a PDF document.

Confidential Information

The City is obligated to abide by all public information laws. If an Applicant believes a specific attachment to its application is confidential, the Applicant must isolate the pages marked confidential in a specific and clearly labeled section of the attachment to the application. The Applicant must include a written basis for considering the marked pages confidential including the specific harm or prejudice if disclosed. The City will review the material and decide if the information is considered confidential.

Application Instructions

Applicants will be required to submit one zip folder containing the excel file application as well as all relevant supporting documents. A comprehensive checklist of required documents can be found in the application excel file. All files should be organized into a folder hierarchy as shown:



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Tab 1 – General Information

- A. Application
- B. Applicant Documents
- C. Phase I

Tab 2 – Proposed development

- A. Site Control
- B. Site Plan
- C. Amenities
- D. Zoning
- E. Financial Commitments
- F. Market Study
- G. Marketing Plan
- H. Appraisal

Tab 3 – Applicant’s Qualifications

- A. Experience
- B. Financial Statements
- C. Organizational Policies