

**ARKANSAS DEVELOPMENT
FINANCE AUTHORITY**

**2023 HOME-ARP Non-Congregate Shelter
(NCS) Scoring Criteria**

Approved by ADFA Board of Directors 1/19/2023

The Arkansas Development Finance Authority ("ADFA") is charged with administering the HOME Investment Partnerships American Rescue Plan ("HOME-ARP") Program funding to provide NCS Housing.

I. APPLICATION

Any entity seeking an allocation of HOME-ARP funding must file a Non-Congregate Shelter ("NCS") application ("NCS Application" or "Application") with ADFA. Such NCS Application will be reviewed by ADFA, scored according to the Scoring Criteria, and compared to other Applications to determine if such project should be funded.

II. COMPLIANCE

Applicants shall comply with all applicable federal, state, and local laws, including ADFA's Compliance Monitoring Policies and Procedures Manual for the HOME-ARP Program.

III. CLOSING

The ADFA Board of Directors has delegated to the President of ADFA the authority to implement closing requirements that are financially prudent for each development awarded ADFA resources. Recipients will be notified of closing requirements as promptly as possible after notice of award(s). The standard list of information and documents required prior to closing will be available on the ADFA Programs Portal. The President of ADFA has the authority and discretion to add, modify, or waive requirements.

IV. CLARIFICATIONS

No director, officer, agent, or employee of ADFA shall be personally liable concerning any matters arising out of, or in relation to, the award of HOME-ARP funds; the rejection of any NCS Application; the award or lack of award of any other ADFA-administered resource whether federal or state in origin; the closing of any awarded



funds or lack of closing; the failure of a development to comply with federal, state, or local laws, regulations, or other governing instruments; the failure of any NCS development to remain financially feasible; or the failure of any NCS development to meet federal, state, or local deadlines.

ADFA may amend, make technical changes to, and/or adopt rules ancillary to this Scoring Criteria form as necessary to prudently administer ADFA-administered funds or to comply with state or federal law. ADFA may require all things necessary or convenient to carry out its purposes, pursuant to Ark. Code Ann. § 15-5-207(b)(26).

Applicants or their representatives may not contact ADFA staff or Board members in any manner regarding any Application after submission of the Application and during the ADFA review period, unless ADFA staff or a Board member has initiated contact. Violations of this policy could result in a downgrade to the final scoring and rejection of the Application from consideration for an award of NCS funding.

Any questions or concerns from Board members relating to a submitted Application shall be transmitted to ADFA staff, who will then communicate them to the applicant as deemed necessary by staff and distribute applicant's response to all Board members. The ADFA review period concludes when the ADFA Board of Directors approves successful applicants.

ADFA may suspend for good cause any entity based on its incapacity to effectively administer, manage, and/or utilize resources. Any appeal of such suspension shall include written justification for the suspension's reversal and be presented in writing to ADFA for possible consideration. The ADFA Board Housing Review Committee will decide whether to allow any appeal of suspension and will set the time, date, terms, and requirements associated with any appeal process.

Adopted by the Board of Directors of the Arkansas Development Finance Authority on this the 18th day of MAY, 2023.

By: 
Seth Mims, Chairman

ATTEST:


Mark Conine, President/Secretary



A. APPLICATION PROCESS FOR ALLOCATION

Applications must be submitted in the ADFA Programs Portal. Instructions are included in the 2023 NCS Application.

ADFA will score Applications based solely upon the information and documentation submitted by the Applicant.

B. REQUIREMENTS FOR A COMPLETE APPLICATION

The following Application Requirements (the "Requirements") must be submitted along with the Application. Failure to submit all the following will disqualify the Application from consideration.

1. Financial Commitment Letters. The Application must include all sources of financial commitments, including but not limited to, as applicable, commitment letter(s) from any non-ADFA source. The letter(s) shall be dated within six (6) months prior to the date of the submission of the Application ("Application Submission Date").

ADFA may contact the applicant to request supplemental or revised financial commitments.

2. Appraisal. All Applications for new construction must include a certified land appraisal dated within one (1) year prior to the Application Submission Date.

All rehabilitation Applications must include an appraisal, dated within one (1) year prior to the Application Submission Date, which supports the purchase price of the development. The appraisal must separately identify the appraised value for the buildings in the development and the value of the land.

The purchase price must be equal to or less than the appraised value of the land, and buildings if applicable.

3. Site Control Information. The applicant must have site control and provide evidence thereof through one of the following forms:

- Executed purchase option contract;
- Executed long-term land lease or option on a 99-year lease; or
- Evidence of executed assignment and assumption agreement with executed purchase option agreement, contract, or land lease agreement attached.

a. The Option, Contract, or Agreement must be in the name of an

existing entity or person that is in a position of control over the applicant and give such entity or person the exclusive right to purchase or lease the property.

If one of the above applies, the applicant must also submit a copy of the recorded deed evidencing the Seller's or Lessor's ownership.

- b. The applicant will sign a Verification of Arm's-Length Transactions. A statement in the market study or appraisal will not suffice. If the seller is an entity, the applicant must disclose the identity of all members, partners, or shareholders.

4. Zoning and Planning Commission Information. The Application must include a signed letter, dated within six (6) months prior to the Application Submission Date, from the appropriate zoning authority (including a planning commission, if applicable) stating the proposed use of the property and that the property is properly zoned for such proposed use.

5. Capital Needs Assessment. All rehabilitation developments must include a capital needs assessment conducted by a firm on ADFAs "Capital Needs Assessment Firms - Approved List" dated within six (6) months prior to the Application Submission Date. The assessment must involve an interview with the maintenance personnel (if applicable) and an analysis of the following:

- a. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utility lines;
- b. Structural systems, both substructure and superstructure, including exterior walls, balconies and stairways, exterior doors and windows, roofing system and drainage, including but not limited to termite, mold, and water damage;
- c. Interiors, including unit and common area finishes (carpeting, vinyl flooring, tile flooring, plaster walls, paint condition, etc.), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors;
- d. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection, and elevators; and
- e. Buildings, facilities, common use areas, residential units, parking areas, curbs, ramps, and railings to ensure compliance with applicable federal, state, and local laws regarding accessibility for persons with disabilities.

The report must include a physical inspection of the interior and exterior of each unit and each building and must specifically identify the scope of work and

estimated costs necessary to:

- Rehabilitate all components examined and analyzed in the development to a new or like-new condition;
- Correct all deficiencies in order for the development to comply with applicable federal, state, and local laws and requirements regarding accessibility for persons with disabilities; and
- Correct all deficiencies to ensure compliance with ADFA's NCS Minimum Design Standards (other than as may be waived).

All rehabilitation applicants must submit a statement that the scope of rehabilitation will include all capital needs set forth in the Capital Needs Assessment.

6. Financial Feasibility. ADFA will underwrite all Applications using the following criteria:

- a. the extent to which the development's sources of funds equals the development's uses of funds;
- b. the reasonableness of total development costs;
- c. the reasonableness of the expenses and incomes, and the feasibility of continued operation through the affordability period.

7. Operating Deficit Reserve and Replacement Reserve Funds. The total development budget must include:

- a. Operating Deficit Reserve Fund of:
 - 6 months of projected annual operating expenses,
- b. The funding and maintenance of a Replacement Reserve Fund equal to \$250 per unit per year.

These amounts must be evidenced in the final cost certification.

The Replacement Reserve shall be maintained, and yearly deposits shall be made equal to the above requirement, for the entirety of the affordability period. The applicant shall identify the name of the financial institution where each reserve will be held. A copy of the December bank statement for the Operating Reserve account and the Replacement Reserve account must be submitted by the Owner to ADFA's Compliance Department by February 1 of each year. If the December bank statements do not evidence a year-end summary of each month's balance, copies of bank statements for all twelve (12) months for the Operating Reserve and the Replacement Reserve must be submitted to ADFA's Compliance Department by February 1 of each year. The ending balance of each reserve account must total the amounts required.

8. Developer Fee. The Developer Fee, which is defined as the sum of the developer's overhead and profit, and the consultant's fee (plus any interest payable on a deferred fee), cannot exceed five percent (5%) of the HOME-ARP requested funds. ADFA will disburse the five percent (5%) Developer Fee at project closeout.

9. General Requirements, Contractor's Overhead, and Contractor's Profit. The amount allocated to General Requirements cannot exceed seven percent (7%) of its construction hard costs. General Requirements include items that are required for the contractor to provide for the specific project including but are not limited to: field supervision; field engineering such as field office, sheds, toilets, and phone; performance and payment or latent defects bonds; building permits; site security; temporary utilities; property insurance; and cleaning or rubbish removal. Such items should not be accounted as separate line items in the development budget.

ADFA will limit the

- Contractor's Profit to ten percent (10%), and
- Contractor's Overhead to four percent (4%)

of the development's construction hard costs plus General Requirements. ADFA may determine whether costs included in the contractor's overhead and contractor's profit calculations are appropriate and reasonable.

ADFA has the discretion to determine reasonableness of all costs and may deny an Application based upon the unreasonableness of costs. Upon request by ADFA, applicants will provide justification and supporting documentation of costs.

10. Fair Housing Training. The applicant must include with its Application a certification evidencing completion of four (4) hours of fair housing training by a principal of the following members of the development team, or manager dealing with day-to-day operations, as appropriate under the circumstances: Owner; Developer; Management Company; Consultant, if applicable; and Architect. A certification is valid for the purpose herein for two (2) years from date of certification. Each development team member should attend the class most relevant to his or her development team role.

11. Identification of Applicant and Identity of Interest. The Application must identify all members or partners, as applicable, of the applicant entity. If any such members, partners, or shareholders are entities, the Application must identify

all members, partners, or shareholders of such entities. None of the parties identified may be affiliated with the project's architect or civil engineer.

12. Narrative Description of the Development. The Application must include a detailed narrative description that includes the type of development; development site and surrounding area; types of financing; involvement of nonprofit support service organizations; project amenities; energy efficiency; rehabilitation work to be performed, if applicable; and any other relevant descriptive information.

13. Letter of Participation, Licenses, and Certification. Applications must include:

- a. A cover letter describing the participation of the members or partners in the development,
- b. Proof that the General Contractor/Builder, Architect, and Engineer are licensed to conduct business in Arkansas, and
- c. Certification of Good Standing from the Arkansas Secretary of State for the applicant, developer, and management company.

14. Capacity and Identity of Interest. ADFA may disqualify an Application based on (1) its determination that any development team member does not have the capacity to undertake performance, (2) information provided in the Criminal Background and Disclosure Form, or (3) documentation supporting instances of nonperformance, including:

- a. Failure to meet and maintain any material aspect of a development as represented in an Application;
- b. Having been involved in uncured financing defaults, foreclosures, or placement on HUD's list of debarred contractors;
- c. Events of material uncorrected noncompliance with any Federal or State assisted housing programs within the prior seven (7) year period;
- d. Failure to comply with ADFA's request for information or documentation on any development funded or administered by ADFA; or

Each member of the development team as listed in the Development Team section of the NCS Application must complete the "Conflict of Interest Acknowledgment" and "Contract and Grant Disclosure and Certification Form". Additionally, each applicant, consultant, development team member, and any public official affiliated with an Application must complete a "Criminal Background and Disclosure Form." Failure to submit or correctly complete each required "Criminal Background and Disclosure Form" may result in disqualification of the Application.

As appropriate for each entity listed on the Development List and the Limited Partnership, the Application must include an organizational chart for each member of the Development Team listing the entity and all applicable stockholders, directors, officers, members, managers, trusts, trustees, etc., including full names and addresses and percentage of ownership and voting rights.

15. Site Plan, ALTA/NSPS Survey, Topographic Survey, and Driving Distances. The Application must include a site plan depicting the location and orientation of each existing or proposed building and all paved areas throughout the development site, including sidewalks and parking areas.

For new construction developments, an ALTA/NSPS survey and topographic survey of the proposed development site signed and dated within six (6) months of the Application Submission Date thereof by a person authorized to perform such surveys by the Arkansas State Board of Licensure for Professional Engineers and Professional Surveyors are required with respect to Applications approved by ADFA. ADFA may require surveys for rehabilitation developments after approval.

16. NCS Housing Minimum Design Standards. Construction of the development must be in accordance with ADFA's "NCS Minimum Design Standards" (as well as all applicable local, state, and national building codes). The applicant's architect must complete and execute the "NCS Housing Minimum Design Standards Checklist". Applicants may request a waiver for rehabilitation proposals by submitting the following:

- a. Certification by the design architect or licensed engineer that the standard concerned is impractical or impossible;
- b. Description of alternative design which will achieve the benefit of the required standard; or certification by the design architect or licensed engineer that no alternative design can be undertaken to achieve the benefit of the required standard due to structural constraints; and
- c. Statement by applicant that it will implement any alternative identified by the design architect or licensed engineer.

ADFA will require a certification from the design architect or licensed engineer confirming compliance with ADFA's "NCS Housing Minimum Design Standards".

17. Minimum Score. A minimum self-score of 70 points is required to apply. Applications scored 69 and below will not receive an award of HOME-ARP

NCS funding. No exceptions.

C. HARD COST CONSTRUCTION BREAKOUT

All applicants must complete ADFAs Summary Cost Estimate form included in as attachment.

D. PROCEDURES FOR AWARDING POINTS AND RANKING APPLICATIONS

1. Scoring Criteria. Each Application will be awarded points based upon the Scoring Criteria outlined below. (All dates are measured as ending on the Application Submission Date.)

1	<p>Administrative Capacity</p> <p>If the applicant has a current NCS Shelter (or provides other shelter housing to a qualifying population)- Number of years, the NCS Shelter or shelter housing has been in place.</p> <ol style="list-style-type: none"> 1. >15 years 2. 11- 15 years 3. 5 - 11 years 4. 1 - 5 years 	<p>Up to 20 Points</p> <p>20</p> <p>15</p> <p>10</p> <p>5</p>
2	<p>Financial Capacity</p> <ol style="list-style-type: none"> 1. Leveraging funds- 10% of the project budget is leveraged by other sources 2. Agency Budget- Provide the two most recent financial audits. Points are awarded if no concerns are noted. 3. Operating Reserves- <ol style="list-style-type: none"> a. >2 years b. >1- 2 years c. 6 months- 1 year <p>Operating Reserves can be verified by providing bank statements if there is an account designated for operating reserves, firm financial commitment letters, grant awards, and any other funding sources.</p>	<p>Up to 20 Points</p> <p>5</p> <p>5</p> <p>10</p> <p>7</p> <p>3</p>



2. RANKING AND AWARD DETERMINATION.

ADFA will rank each Application according to the score awarded. In the event there is a tie in scoring for two or more Applications, the following are tie-breaker criteria ADFA would likely use, but not exclusively of others:

1. maximum number of units produced; or
2. the Application which requested the least amount of HOME-ARP funds per-unit;
3. equitable geographic distribution of awarded NCS funding; or
4. onsite amenities offered beyond those listed in Point Criteria #4

ADFA may disapprove any Application for an award, regardless of the ranking under the priorities and point ranking outlined above.