

HOME PROGRAM

Rental Housing Production

Application Guidelines



City of Mesa
Housing and Community Development
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AzRelay 711

Online: [Rental Housing Production Application Guidelines](#)

The City of Mesa Housing and Community Development Rental Housing Production Program provides financing to developers for the rehabilitation and/or new construction of rental housing in the City of Mesa for low- and moderate-income households. The program's primary purpose is to expand the supply of affordable rental units and redevelop vacant, abandoned, and foreclosed buildings.

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Disclaimer

The information presented in these pages should not be construed as an exhaustive list of the regulations and requirements governing the City of Mesa Housing and Community Development (“HCD”) financing for its Housing Production Program. Most regulations pertain to CDBG, HOME, and/or NSP program funding. Additional exhibits, documentation, and/or attachments may be required. For more information, please visit HUD online: [HUD Program - Community Planning and Development](#).

Developers assume all risk of any predevelopment funds expended before funding is formally approved.

Upon filing an application, you acknowledge that you assume all risks of change in HCD's rules and regulations or policies concerning this program, together with any adverse effects upon you therefrom and any resulting costs thereof.

Introduction

Thank you for your interest in developing affordable rental homes in the City of Mesa. Each year, the City receives an allocation of HOME Investment Partnership funds (HOME) and Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD). The City's Housing and Community Development (HCD) Department administers this allocation to expand the supply of quality and affordable housing and to help stabilize City of Mesa neighborhoods.

Purpose of This Manual

This manual contains the basic program guidelines for HCD's Rental Housing Production Program. The purpose of this manual is to introduce you to the program, ensure you understand the requirements of the program, and instruct you on how to apply for funding.

How to Apply for Funding

A. Notice of Funding Availability (NOFA)

HCD will routinely announce and publish Housing Production funding rounds in the form of a NOFA. Specific information regarding each NOFA (such as targeted properties, amounts and types of funding, and application/proposal deadlines) will be indicated on the HCD website at [Housing, Community Development, & Human Services](#).

B. Before Completing an Application

1. Read through this manual.
2. Review the HCD HOME, CDBG or NSP Guidelines, which are online at [Housing, Community Development, & Human Services](#).
3. Attend HCD training workshops when available (dates and times published on the HCD website).
4. Secure a letter of interest from a private construction lender or demonstrate proof of funds.
5. Consult with the neighborhood group(s) and elected official representing the neighborhood where the project will be located.

C. Submit a Complete Application

Applications are submitted online at: [Housing Production Programs Application](#). You must submit one hard copy of your completed application AND one electronic version of the “HCD Rental Program Production Application.” If submitting for ADOH LIHTC application, submit one hard copy **and** one electronic copy of the State of Arizona ADOH application and Form 3. (Hard copy must be submitted in a 3-ring binder and contain original signatures.) Applications and forms may be obtained from the HCD website at [Housing, Community Development, & Human Services](#).

All applications for FY 2020 HOME and LIHTC projects must be submitted, **including hard copy and electronic copy** (flash drive, CD-ROM, or email to: homeprogram@mesaaz.gov) to the HOME Program Manager, City of Mesa Housing and Community Development, 20 E. Main, Suite 250, MS 9870, Mesa, AZ 85201 (no later than the date specified in the NOFA).

Low Income Housing Tax Credit (LIHTC) Projects

Notice to all Low-Income Housing Tax Credit (LIHTC) development teams. These required procedures are effective immediately and with the FY 2020-2021 LIHTC application process for all proposals in Mesa, Arizona.

Pursuant to A.R.S. §35-728(C), the Arizona Department of Housing (ADOH) is required to notify where the project is located and request that the local government provide a letter of acknowledgement and consent to the project. The local government is required to notify ADOH within thirty (30) calendar days from the date of the letter. ADOH will consider the review and consider the local government's response and determine whether it conflicts with A.R.S. §35-728(C), and/or whether the objectionable (if any), characteristics can be mitigated, before making a final determination on the project's eligibility for an award of LIHTC tax credits.

*All LIHTC projects, whether or not seeking funding or project support from the City of Mesa must submit a **NOTICE OF INTENT TO APPLY FOR LIHTC TAX CREDITS** and complete the LIHTC Project Profile Brief for public review/comment and submission to City Council for consideration.*

LIHTC applicants seeking financial support from the City must also submit a HOME Program Housing Production application.

The City of Mesa 2020-2021 HOME Program funding application period will open October 1, 2019. LIHTC applications are due by close of business January 30, 2020, 5:00 p.m. The Funding Schedule includes dates for training and public hearings. As a result of the new HOME rules, the Housing and Community Development Division has updated the policies for this Program.

Access the policy and procedure manual and guidelines here: [HOME Investment Partnership Program](#).

LIHTC applicants, whether or not seeking funding from the City, should consult and seek support from the councilperson of the district where the project will be located, as well as seek and obtain support from the local neighborhood group representing the neighborhood where the project will be located.

LIHTC applicants should be prepared to present their project proposals upon request. The City reserves the right to require any additional information as needed. For additional information, contact Ra'Chel'Ni Mar'Na, MA at (480) 644-3020, Rachelni.Marna@mesaaz.gov.

All applications for FY 2020-2021 HOME and LIHTC projects must be submitted (both hard copy and electronic copy) to: (1) submit hard copy to City of Mesa Housing & Community Development, Attn: HOME Program Manager, 20 E. Main, Suite 250, Mesa, AZ 85201, (2) submit electronic copy (flash drive, CD-ROM, or email to homeprogram@mesaaz.gov)

The *NOTICE OF INTENT TO APPLY FOR LIHTC TAX CREDITS* and *PROJECT PROFILE BRIEF* may be found on our website at: [LIHTC Notice of Intent to Apply for LIHTC Tax Credits](#)

Required Application Contents

1. HCD ***Housing Production Application*** and Rental Production Proforma.
2. ADOH application and proforma (Form 3), if applicable.

All HCD Rental Production and City-funded LIHTC applications must submit *both electronic and hard copies, and if applicable, the **NOTICE OF INTENT TO APPLY FOR LIHTC TAX CREDITS**: [Notice of Intent to Apply for LIHTC Tax Credits](#) (regardless of funding or support from the City)*. Note: Low-Income Housing Tax Credit projects may substitute the HCD proforma with the proforma (Form 3) submitted to the State.

3. Additional forms and attachments (*hard copies*)
 1. Description of development team experience
 2. Organizational chart
 3. Development Partnership Agreement, *if applicable*
 4. Articles of Incorporation, *if applicable*
 5. By-Laws, Proof of Nonprofit Status, and Roster of Board Members, *if applicable*.
 6. City of Mesa Business License
 7. Certification of Corporate Good Standing (dated not more than six months old)
 8. HCD Conflict of Interest Disclosure Statement
 9. Preliminary schematic plans (proposed site plan, elevations, and floorplans)
 10. Professional market analysis (for projects with 12 or more units)
 11. Letter of Interest or Construction Loan Commitment Letter or Proof of Funds
 12. Evidence of site control (deed/title, contract, or option if not City-owned)
 13. Evidence of HOME program [Matching Contribution Requirement](#).
 14. HCD Form F18 [Conflict of Interest Disclosure](#).

Program Overview

HCD's Rental Housing Production Program provides financing to developers for the rehabilitation and/or new construction of rental housing in the City of Mesa for low- and moderate-income households. The program's primary purpose is to expand the supply of affordable rental units and redevelop vacant, abandoned, and foreclosed buildings.

Program Goals	To increase neighborhood and family stability via affordable rental housing development that respects neighborhood context and improve the quality of life.
Target Geography	Citywide program. (Unincorporated county islands are excluded.)
Funding Preferences	<ul style="list-style-type: none"> • Rehabilitation of existing structures • Development of City Asset Portfolio properties identified in a current HCD NOFA • Using HCD funds to leverage private funding/financing • High quality designs that respect historic character • No displacement of existing residents • Local ownership and property management • Meeting needs of the City’s Consolidated Plan
<p>Eligibility</p> <p>Who Can Apply:</p> <p>Eligible Activities:</p> <p>Properties:</p> <p>Tenants:</p>	<p>Private builders, developers, nonprofit organizations, and CHDOs. Developers must demonstrate rental housing development experience and financial capacity for both construction and operating periods. This program is not intended to provide gap assistance to owner-occupant rehabilitation or new construction</p> <p>Rehabilitation and new construction of rental housing</p> <p>One or more buildings on a single site under common ownership, management, and financing, OR concentrated scattered sites under common ownership, management, and financing, receiving funding as a single project.</p> <p>Households earning 80% of Area Median Income or less.</p>
<p>HCD Assistance</p> <p>Types:</p>	<p><u>Development Gap Subsidy</u>: Covers gap between appraised value and total development costs. Subsidy will be recorded as a lien against the property.</p> <p><u>Permanent Financing</u>: 1% to market interest rate; 20-40 year amortization; interest-only or principle-only loans in some cases.</p> <p><u>Loan</u>: Repayable loan secured against a project. Financing will be recorded as a lien against the property and released upon repayment and/or meeting HOME program affordability periods.</p>

Factors that help a project move through the process	<ul style="list-style-type: none">• High-quality site plans, construction drawings and specifications• Reasonable construction costs (<i>industry standard, CSI division format</i>)• Familiarity with all requirements outlined in this manual• Timely submission of all required documents• Strong community support• Addresses “High” need of the City’s Consolidated Plan and Analysis
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Regulatory Compliance

Because the Rental Housing Production Program is a City of Mesa Program utilizing Federal funds, a number of regulations and requirements apply. The following is a list of the key compliance areas you should understand before applying for funding. If your project is selected for funding, the HCD Housing Production Team assigned to your project will provide you with detailed technical documents and will work with you to meet these requirements.

General Regulations and Requirements

A. Type and Amount of Assistance

Funds may be utilized to assist with development gap subsidy (difference between appraised value and development costs), bridge loan financing, and permanent financing for the development of affordable rental housing. Developers may apply for low-interest, deferred, and/or forgivable loans. HCD provides permanent financing based on a 20- to 40-year amortization, and loan interest rates range from 0% to market rates; interest-only loans may be considered in some cases. See [maximum per unit subsidy limits](#).

B. Term of Assistance

Rental units developed with HOME and NSP funds must remain affordable to income-qualified households for varying lengths of time depending upon the amount of HOME and/or NSP funds invested per unit. All loans will be secured by a lien on the property coinciding with the required Period of Affordability (POA).

Construction Type	Subsidy Per Assisted Unit	Compliance Period (Secured via Lien)
	Less than \$15,000	5 years
Rehab	\$15,000 to \$40,000	10 years
	More than \$40,000	15 years
New Construction Refinancing*	Any amount	20 years

**refinancing is only allowed if necessary part of substantial development activity with pre-existing debt.*

C. Tenant Income Limits

Units subsidized by HCD must be leased to households earning incomes at or below 60% of Area Median Income (AMI) for HOME, per HUD-published limits. The current income limits for the City of Mesa are as follows:

Household Size (persons)	100% AMI (Approximate)	50% AMI Limit (HOME)	60% AMI Limit (HOME)	80% AMI Limit (CDBG)	120% AMI Limit (NSP)
1		\$25,550	\$30,660	\$40,850	\$61,250
2		\$29,200	\$35,040	\$46,650	\$70,000
3		\$32,850	\$39,420	\$52,500	\$78,750
4	\$72,900	\$36,450	\$43,740	\$58,300	\$87,500
5		\$39,400	\$47,280	\$63,000	\$94,500
6		\$42,300	\$50,760	\$67,650	\$101,500

last updated: June 2019

[HOME Income Limits](#)

[NSP Income Limits](#)

HOME Requirements: In projects of five (5) or more HOME-assisted units, 20% of HOME units must be occupied by households with annual incomes at or below 50% AMI.

D. Maximum Rents

Each year HUD publishes maximum rent limits for HOME. Rent limits include utilities. If any utilities are paid directly by the tenant, the maximum rent must be reduced by a standardized utility allowance. So, the total rent charged to the tenant PLUS estimated utilities paid by the tenant cannot exceed the rent limits below.

HOME and NSP Rent					
	Efficiency	1 BR	2 BR	3 BR	4 BR
Low HOME <i>50% AMI Limit</i>	\$638	\$684	\$821	\$948	\$1,057
High HOME <i>60% AMI Limit</i>	\$744	\$868	\$1,054	\$1,209	\$1,329
FAIR MARKET RENT	\$744	\$868	\$1,073	\$1,551	\$1,776

Last updated: June 2019

[HOME Rent Limits](#)

Low HOME Rents: In projects of five (5) or more HOME-assisted units, at least 20% HOME units must be targeted to households at or below 50% AMI, and rents must be set at or below the Low HOME rent limit listed above.

Project-Based Rent Subsidies Exempt from Rent Limits Above: If the project/unit receives federal or state project-based rental subsidy, the maximum rent is the rent allowable under the Federal or State project-based rental subsidy program.

E. Development and Loan Agreements

Successful applicants will be required to enter into a Loan Agreement, Promissory Note, Deed of Trust, Regulatory Agreement, Restriction Land Covenant, and depending on the project, Disbursing Agreement at construction closing which will incorporate all regulatory compliance and specific project information. (*Affordability Restriction Documents will be recorded at project startup.*)

Requirements Affecting What and How You Build

A. Development and Property Standards

All developments to be funded with CDBG, HOME and/or NSP funds must at the time of completion, at a minimum, comply with all local building codes, rehabilitation standards, ordinances, zoning and federal regulations regarding hazardous materials. Energy Star certification is also required for all projects as certified by a RESNET energy auditor. You can find certified auditors via this link: [RESNET](#).

Our goal is to provide efficient, affordable housing that respects neighborhood context and provides enhancement of property values and quality of life. To that end, development proposals are reviewed by HCD project and construction staff for compliance with HCD standards.

B. Environmental Review

In accordance with HUD regulations, the environmental effects of each activity carried out with federal funds must be assessed. The City of Mesa is responsible for conducting an environmental review of projects selected for funding. Compliance with environmental review requirements is mandatory prior to the applicant entering into any choice-limiting agreements or taking any physical action on a site. The selected applicant(s) shall be responsible for providing information and relevant documents necessary to accomplish the environmental review. For some projects, the City will require a Phase I environmental assessment conducted in accordance with standards developed by the American Society for Testing and Materials, and if applicable, a follow-up Phase II assessment. For more information contact Ray Thimesch (480) 644-4521, email: Ray.Thimesch@mesaaz.gov.

C. Historic Preservation

Section 106 of the National Historic Preservation Act of 1966 (revised) requires that all federally-funded agencies consider the effect of the proposed project on existing historic resources. Any rehabilitation or new construction project subsidized by HCD must be reviewed under the Section 106 procedures established by the Federal Advisory Council on Historic Preservation. For more information, contact Ray Thimesch (480) 644-4521, email: Ray.Thimesch@mesaaz.gov.

D. Lead-Safe Housing and Work Practices

Any project involving the rehabilitation of a property built before 1978 must comply with the Residential Lead-Based Hazard Reduction Act of 1992 and the EPA's *Lead Renovation, Repair, and Painting Program*. Residential developments funded with CDBG, HOME and/or NSP funds must result in lead-safe housing. For more information, contact your CDBG, NSP or HOME Program Coordinator. Contact information can be found on the last page.

E. Handicap Accessibility

CDBG, HOME, and NSP funding dictates that projects meet the accessibility requirements of the Fair Housing Act of 1968 and Section 504 of the Rehabilitation Act of 1973. Projects consisting of five (5) or more units must have a minimum of 5% of the total units (or at least one unit) accessible to the physically handicapped and an additional 2% of total units equipped for those with hearing or visual impairments. The 2009 International Building Code (as adopted by the City of Mesa) also has accessibility requirements for all buildings and structures. For more information, contact the CDBG, NSP, or HOME Program Coordinator. Contact information can be found on the last page.

F. Outreach to Minority- and Women-Owned Businesses

The HCD requires maximum utilization of minority- and women-owned businesses in all HCD-assisted housing projects. ***Maximum utilization will be determined by the level of good faith efforts demonstrated to contract MBE/WBE companies.*** As a Department goal, HCD is seeking to achieve at least 25% certified minority business enterprise (MBE) participation and 5% certified women's business enterprise (WBE) participation. This is taken as a percentage of the project's total development cost, excluding acquisition. HCD requires maximum effort in M/WBE utilization and will evaluate the Good Faith Effort prior to executing HCD loan agreements. The developer will use their best efforts to afford small businesses, minority business enterprises, and women's business enterprises the maximum practicable opportunity to participate in the performance of this contract. The term "small business" means a business that meets the criteria set forth in section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women's business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group developers or women.

All recipients of HCD funds will be required to keep records of participation by certified MBEs and WBEs. For more information, contact Mr. Dennis Newburn (480) 644-5867, or Dennis.Newburn@Mesaaz.gov.

G. Employment and Economic Opportunity for Low- and Very Low-Income Persons

If a project receives HCD funding of \$100,000 or more, the general contractor is subject to the requirements of HUD's "Section 3" which seeks to ensure employment and other economic opportunities are directed to low- and very low-income persons. All recipients are required to submit a Section 3 plan that must be approved prior to loan document execution and/or Notice of Approval of Documents. The Section 3 regulations can be found online at <https://www.hud.gov/section3/>

For more information, contact Dennis Newburn at (480) 644-5867, email: Dennis.Newburn@mesaaz.gov.

Other Important Requirements

A. Title Insurance and Disbursing Requirements

Developers must obtain a title insurance policy, with standard exceptions removed, from a title company licensed to do business in Arizona. Depending on the size and scope of the project, project funds will be disbursed through an Arizona-licensed title company or other licensed escrow or construction disbursing agent. The disbursing agent must provide pending disbursement both mechanics lien and survey coverage.

B. Debarment

An applicant may not receive HCD funds if any affiliated entity, board member, or member of the development team (including consultants) has been debarred and listed on System for Award Management (SAM): [Sam](#)

C. Prevailing Wage Requirement

Developments of eight (8) units or more financed with CDBG and/or NSP funds and developments of twelve (12) units or more financed with HOME funds are required to pay at rates not less than the prevailing wages as determined by the Secretary of Labor. For more information, contact Constance Bachman at (480) 644-3364, email: Constance.Bachman@mesaz.gov.

Requirements Regarding Ongoing Management

A. Affirmative Fair Housing Marketing Plan

All developments of five (5) units or more financed with CDBG, HOME, and/or NSP funds are required to submit an Affirmative Fair Housing Marketing Plan that outlines methods for providing information and otherwise attracting eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, sexual orientation, religion, familial status, or disability.

- [Affirmative Fair Housing Marketing Plan - Multifamily Housing](#) (multifamily)
- [Affirmative Fair Housing Marketing Plan - Single Family Housing](#) (single family)

The Affirmative Marketing Plan must include methods to be used by owners to inform and solicit applications from persons not likely to apply for the housing unit without special outreach (such as use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies).

B. Nondiscrimination Against Rental Assistance Subsidy Holders

The owner cannot refuse to lease HOME- or NSP-assisted units to a certificate or voucher holder under Section 8 Tenant-Based Assistance based on the status of the prospective tenant as a holder of such certificate, voucher or comparable document.

C. Property Management and Maintenance Service Standards

All developments financed with HCD funds must provide management and maintenance services to the housing provided. The developer will be required to submit a Management Plan and Agreement for review and approval prior to the issuance of an agreement or contract for funding.

D. Annual Recertification

Rental projects funded by HCD are audited each year for compliance in the following areas:

1. Certification of tenant income
2. Rent and utility allowances
3. Compliance with local building codes
4. Owner's Written Agreements – including Affirmative Fair Housing Marketing Plan, Management Plan, and Management Agreement.

Threshold Requirements for Funding

In addition to fulfilling the “Regulatory Compliance” requirements outlined in the previous section, project must meet the “Threshold Requirements” listed below. Any application that does not meet the requirements below may be rejected.

A. Complete Application

Your application must be complete. Incomplete applications will not be considered for funding until all required information is submitted.

B. Site Control

If an application is submitted for a targeted property specifically identified in a HCD NOFA, then evidence of site control is not required at application. Otherwise, applicants must provide a copy of title/deed, purchase contract, option, or other evidence of site control.

C. Experience of Development Team

Applicant must provide documentation to demonstrate sufficient financial, development and managerial capabilities. The managing development partner must provide evidence of experience developing housing similar to that proposed in the application. Resumes and references of the managing development partner(s) must also be included. The skills and roles of all development partners should be indicated. If an applicant has developed projects with HCD, they **must** have a satisfactory record for those projects. Anyone who has previously defaulted on any HCD loan will not be considered eligible.

D. Conflict of Interest

No employee, agent, consultant, officer, or elected or appointed official of the HCD or of the City of Mesa who exercises any functions or responsibilities with respect to the project activities set forth in an HCD for housing production application, **or**

- who is in a position to participate in a decision-making process or gain inside-information with regard to such activities, **or**
- has or will have obtained a financial interest or benefit from the proposed project activity, **or**
- has or will have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure and for one year thereafter,

may participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict would be involved.

Applicants must also complete HCD Form F18, [Conflict of Interest Disclosure](#).

E. Property and Asset Management Team

Applicant must also provide a description of the property management team, demonstrating past experience and capacity to manage the proposed development through the required compliance period.

F. Consistent with Local Needs and Demand

Each development will be evaluated to ensure it is consistent with local needs and demand. Projects must meet local needs/demand as evidenced by both of the following:

1. Consistency with the FY 2015-2019 City of Mesa Analysis of Impediments to Fair Housing Choice targeted market types as defined by the Notice of Funding Availability (NOFA).

To view the FY 2015-2019 City of Mesa Analysis of Impediments to Fair Housing Choice:
[Analysis of Impediments to Fair Housing Choice](#)

2. Consistency with the City of Mesa Consolidated Plan, including but not limited to the following priorities:

- Affordable housing for small low-moderate income households
- Affordable housing for large low-moderate income households
- Affordable housing for persons with special needs
- Affordable housing for elderly households

To view the Mesa Consolidated Plan: [Consolidated Plan and Annual Action Plan](#)

3. For projects of 12 units or more, a professional rental market analysis that reflects a need for the housing and that the development will be competitive in the local market.

Other Project Selection Criteria

Upon satisfying the requirements outlined in the “Regulatory Compliance” and “Threshold Requirements” sections above, an application will be evaluated under the following criteria. These are not stringent requirements, but fulfilling one or more may increase the likelihood that a project is funded or is funded more promptly by HCD.

A. Readiness to Proceed

Proposals will be evaluated on the overall status of the project and likeliness to proceed smoothly during the current construction season. Specific items that work in an applicant’s favor include:

1. Application to redevelop property specifically targeted by a HCDNOFA
2. Clear title to property if not publicly-owned
3. Firm financing commitments
4. “Shovel Ready” – 12 months or less. Reasonable timeline showing that work can commence promptly upon receipt of award

B. High-Quality Site Plans, Construction Drawings, and Specifications

Applications with professionally prepared design and construction documents will move more quickly through the design and construction review processes and will therefore be given preferential treatment.

C. Financial Feasibility

Proposals will be measured by the extent to which the applicant has demonstrated the overall soundness of the financial assumptions and that the request from HCD is gap funding/financing.

1. Leverage of other funding sources. Combining other public and/or private funds to minimize the amount requested from the City is encouraged.
2. Financial viability. All costs and assumptions must be consistent with industry standards and those standards outlined in the next section of this guide. The operating cash flow must demonstrate that the project has revenue sufficient to operate through the compliance period.
3. Soft costs are reasonable (% of TDC). As compared with other similar developments, the soft costs are considered to be reasonable (including, but not limited to: developer fees, attorney fees, consultant fees, engineering fees, and architect fees).
4. Funding sources are documented. The exact level of commitment, conditions and time frame for expending funds is clearly indicated. This threshold may also be evaluated based on the experience of applicant(s) in obtaining these commitments.

D. Other Considerations

1. Ownership and property management will be undertaken by a local individual, partnership, or corporation.
2. Developments that create mixed-income housing environments.
3. Materials and construction standards exceed Energy Star standards.
4. Developments that involve multiple City-owned properties that are either contiguous or in concentrated areas.
5. Projects developed in coordination with other targeted neighborhood investments.
6. Viability of a Capital Needs Assessment (CNA) Plan.

Development Cost Standards

The following table and descriptions delineate HCD’s guidelines and requirements for development costs. Unless indicated as a “recommendation only,” the following standards should be interpreted as requirements:

	Minimum Required	Maximum Allowed	Notes
Construction Contingency			
New Construction	5.0%	7.5%	of Total Development Costs (TDC) <i>recommendation only</i>
Rehab	10%	15.0%	
Developer Fee			
New Construction	-	12.0%	of TDC, excluding acquisition
Rehab	-	15.0%	
Contractor's Fees			
Profit	-	10.0%	of TDC
Overhead	-	2.0%	
General Conditions	-	6.0%	

A. Construction Contingency

Contingency should be 5% to 7.5% of the total construction costs for new construction and 7.5% to 10% for rehabs. Numbers outside of those ranges require an explanation for the variance.

B. Developer’s Fee

For new construction projects, the developer's fee and overhead, including any consultant fees, may not exceed 12% of total development costs excluding acquisition costs. For rehabilitation projects, the developer's fee cannot exceed 15% of non-acquisition total development costs.

C. General Contractor Fee

HCD may allow a maximum of 10% contractor's profit, 2% builder overhead and 6% general requirements. Contractor's profit, builder overhead, and general requirements may not exceed 18% of the total construction costs less the sum of the contractor profit, builder overhead, and general requirements. General requirements must include the cost of builder's risk insurance, all bonding costs, and temporary utilities.

What Happens After You're Selected for Funding?

I. Purchase Option Assigned to Developer

II. Orientation to Program Requirements

HCD staff orients developers to design, regulatory and other requirements. Developers meet with Design Reviewer and other City staff as required regarding:

- A. Environmental Review, Davis-Bacon
- B. Section 3
- C. MBE/WBE Solicitation and Utilization
- D. Residential Development Design Guidelines
- E. Section 106 Preservation Review
- F. LIHTC Tax Credit Applications
- G. Lead Risk Assessment
- H. Application and Program Requirements

III. Design/Budget Review and Revision

- A. Design Review and Revision
 - Review of Specifications, Drawings, Scope of Work
- B. Budget Review and Revision
 - 1. Review construction budget
 - 2. MBE/WBE and Section 3 goals

Please Note: The quality of your drawings, specifications and construction scope of work greatly determines how long this phase lasts. The more detailed and professional your plans and the more reasonable your construction budget are, the faster your project will move through this phase.

IV. Finalization and Closing

- A. Developer submits final development budget
- B. Contract compliance reviews for MBE/WBE and Section 3 participation goals
- C. HCD meets to determine terms of HCD financing and bring project to City's CCD Board
- D. City Council approves at monthly meeting
- E. Developer receives a formal HCD commitment letter
- F. HCD Staff orders final and legal documents
- G. HCD coordinates construction closing(s) for project start
- H. Developer submits to HCD all remaining items necessary for project start
- I. HCD issues Notice to Proceed

V. Construction and Marketing

- A. Developer provides construction schedule to HCD
- B. City and HCD monitors and inspects progress, approving draws and change orders as necessary
- C. Developer submits applicable reporting
- D. Developer begins marketing unit(s) for rent
- E. Construction completed and Certificate of Occupancy issued
- F. Project receives full site and lead test clearance
- G. HCD performs final inspection

VI. Project Closeout and Occupancy

- A. Closeout Checklist: Developer submits final project documentation to HCD program staff
- B. Developer assembles Tenant Income Certifications (TICs): verification and documentation
- C. HCD conducts regularly scheduled Asset Management inspections
- D. Developer annually submits to HCD project reporting and tenant re-certifications

**City of Mesa Housing and Community Development
Resources and Contacts**

General HCD Information, Applications & Forms	Executive Director – Liz Morales	Liz.morales@mesaaz.gov , (480) 644-4546
HCD Community Revitalization & Development Management Team	Development Project Manager – Ray Thimesch HOME Program Manager – Ra’Chel’Ni Mar’Na NSP Program Manager - Ray Thimesch CDBG Program Manager – Dennis Newburn	Ray.Thimesch@mesaaz.gov , (480) 644-4521 Rachelni.Marna@mesaaz.gov , (480) 644-3020 Dennis.Newburn@mesaaz.gov , (480) 644-5867
HCD Community Revitalization & Development Staff	HOME Program Specialist, Maurice Brundidge CDBG Program Specialist, Deanna Grogan CDBG Program Specialist, Constance Bachman	Maurice.Brundidge@mesaaz.gov , (480) 644-2967 Deanna.Grogan@mesaaz.gov , (480) 644-2320
HCD Design & Construction	Ra’Chel’Ni Mar’Na	Rachelni.Marna@mesaaz.gov , (480) 644-3020
Fair Housing	Dennis Newburn	Dennis.Newburn@mesaaz.gov , (480) 644-5867
Environmental Review	Ray Thimesch Maurice Brundidge	Ray.Thimesch@mesaaz.gov , (480) 644-4521 Maurice.Brundidge@mesaaz.gov , (480) 644-
City Plan Review	TBA	
MBE/WBE Compliance	Dennis Newburn	Dennis.Newburn@mesaaz.gov , (480) 644-5867
Section 3 Compliance	Dennis Newburn	Dennis.Newburn@mesaaz.gov , (480) 644-5867
Prevailing Wage/Davis-Bacon	Constance Bachman	Constance.Bachman@mesaaz.gov , (480) 644-3364
Low Income Housing Tax Credits	Ra’Chel’Ni Mar’Na Maurice Brundidge	Rachelni.Marna@mesaaz.gov , (480) 644-3020 Maurice.Brundidge@mesaaz.gov , (480) 644-2967
NSP	Ray Thimesch Ra’Chel’Ni Mar’Na	Ray.Thimesch@mesaaz.gov , (480) 644-4521 Rachelni.Marna@mesaaz.gov , (480) 644-3020
CBDO	Ray Thimesch	Ray.Thimesch@mesaaz.gov , (480) 644-5421
CHDO Certification	Ra’Chel’Ni Mar’Na	Rachelni.Marna@mesaaz.gov , (480) 644-3020
Homebuyers Assistance Downpayment & Closing Cost Assistance	Maurice Brundidge Ra’Chel’Ni Mar’Na	Maurice.Brundidge@mesaaz.gov , (480) 644-2967 Rachelni.Marna@mesaaz.gov , (480) 644-3020
Section 106 Historic Review	Ray Thimesch	Ray.Thimesch@mesaaz.gov , (480) 644-4521
City of Mesa Consolidated Plan	Ray Thimesch Ra’Chel’Ni Mar’Na Dennis Newburn	Ray.Thimesch@mesaaz.gov , (480) 644-4521 Rachelni.Marna@mesaaz.gov , (480) 644-3020 Dennis.Newburn@mesaaz.gov , (480) 644-5867