

Arizona Department of Housing



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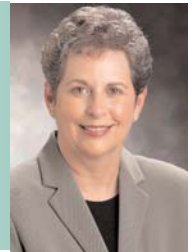
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Housing is the single largest expenditure for most Arizona families and the single largest source of wealth for most homeowners. The development and preservation of housing provides a major stimulus to our economy, generating more than one-fifth of the nation's gross domestic product.

An economically diverse housing stock is extremely important to future economic and social well being of communities. Access to a suitable labor pool--one of the top three considerations in business location decisions--is hindered by a lack of housing options. Additionally, better housing promotes family and community stability and creates a positive environment for raising children. To reiterate, housing does matter to every aspect of society.

The housing market in Arizona has been red hot for several years. Record-setting residential building permits and sale prices for new and resale homes are becoming commonplace, caused in large part by our tremendous growth. The extensive growth Arizona has experienced in the housing market can be deceiving, as a significant portion of our population still cannot afford a place to call home. The average Arizonan can no longer afford to purchase the average priced home. Since the 1970s, housing prices (single-family and rental) have risen one-and-a-half times faster than income. Many of those who provide vital services to our communities are beginning to feel the housing pinch. Housing affordability is quickly becoming an important issue, as all Arizonans want to live in quality homes without having to choose to forego other basic needs.

Sheila D. Harris, Ph.D.
Director



In FY2004, the first full year as a state agency, the Arizona Department of Housing (ADOH) accomplished much to address Arizona's housing and community development needs, directly impacting almost 240,000 people statewide. The work of ADOH and its numerous partners equated to over 1,780 jobs, \$95 million in wages and salaries, \$24 million in state and local taxes, and an economic impact of over \$315 million to the Arizona economy. Additionally, through our recent partnership with Socialserve.com, those seeking affordable apartments will be able to search the ADOH portfolio of over 30,000 apartments across the state for vacant affordable units. The service was available for the last quarter of FY2004. During this time period, Socialserve.com received over 10,000 searches, averaging over 110 per day.

We cannot, however, measure our success solely based on numbers. It must also be measured in terms of whether the lives of families and communities are improved.

I am pleased to present this annual report, which details such efforts.

Sheila D. Harris

FY2004



Accomplishments

Homeownership

- Provided 153 households in rural Arizona with down payment and closing cost assistance toward the purchase of their first home.
- Rehabilitated 995 owner-occupied homes.
- Constructed 28 new owner-occupied homes.
- Performed emergency repair of 320 owner-occupied homes.

Rental/Multifamily

- Constructed 2,600 new affordable rental homes and apartments
- Rehabilitated 1,759 existing rental homes and made them available to low-income households.
- Provided Section 8 Tenant Based rental subsidy to 48 households in Graham and Yavapai counties.
- Administered Section 8 Project Based rental subsidy to 7,751 households throughout Arizona.

Special Needs, Homeless and Domestic Violence

- Prevented 3,714 persons from becoming homeless through eviction prevention or foreclosure assistance.
- Constructed emergency shelter space for 100 homeless persons and victims of domestic violence.
- Prevented the closure of 10 transitional housing and emergency shelter facilities (which assisted a total of 8,283 persons) by providing one-time emergency assistance for operating and support services.
- Constructed 36 units of permanent housing for seriously mentally ill persons.
- Constructed 139 transitional single resident occupancy units for homeless individuals.
- Constructed 40 units of transitional housing for homeless, pregnant women.
- Constructed 9 units of transitional housing for victims of domestic violence.
- Provided the supportive housing assistance necessary for permanent housing for homeless persons with co-occurring disorders to 220 persons.
- Provided housing assistance to 194 persons living with HIV/AIDS.
- Provided supportive and housing information services to 102 persons with HIV/AIDS.

Economic Impact of Department Programs

- 1788 jobs
- \$94,948,059 wages and salaries
- \$23,854,788 state and local taxes
- \$315,423,394 economic impact/gross regional product

The economic analysis was completed on the HTF, HOME, CDBG and 9% Tax Credit programs, which equate to over 76% of all committed funds in FY2004.

Community Revitalization

- Assisted 8 communities with public facility improvements.
- Assisted 8 communities with neighborhood services and facilities.
- Assisted 4 communities with water and sewer system improvements.
- Assisted 11 communities with street improvements.
- Assisted 3 communities with fire safety improvements.

Monitoring and Compliance

ADOH staff conducted site visits of 231 properties, comprised of 15,999 units, of which over 2,500 were physically inspected.



Programs

HOMEOWNERSHIP

The Arizona Department of Housing (ADOH) provides several different avenues to promote homeownership in the state. In FY2004, these programs included:

Homes for Arizonans Initiative formerly Rural Homeownership Assistance Program (RHAP)

In FY2004, 153 first-time rural homebuyers were provided down payment and closing cost assistance. Eligible participants must have met the following qualifications: have not owned a home within the last three years; earn no more than 80% of area median income—adjusted for family size, or up to 120% if used in conjunction with mortgage programs through the AzHFA; reside outside of Maricopa and Pima counties; attend homebuyer

Governor Napolitano declared June, 2004 “Homeownership Month”

counseling; and qualify for a mortgage through a lender of their choice. Participants were eligible to obtain up to \$20,000 in down payment and closing cost assistance toward the purchase of their home. Purchase price limits for homes were based on HFA 203(b) insuring limits, which ranged from \$160,176 to \$175,085, depending on the county, during FY2004. Assistance was provided in the form of a 20-year, zero-percent interest loan due



Kristy Blakeman and her two children were recently assisted into homeownership, purchasing a home in Casa Grande with assistance through the Homes for Arizonans Initiative.



Sandy,

I have had this card for 3 weeks now. I haven't sent it to you, not because I don't know what to write, but because I want to write so much!! No matter how many times I say "thank you" you will never have any idea as to how much I appreciate you, for what you did for me, Robert and my kids. I can sleep at night now knowing that my son will be going to an excellent elementary school this August! I hope you realize that you have impacted our lives greatly and you will never be forgotten!! Thank you for all of your help Sandy, and thank you for being such a great person!! Your kids are sooo lucky to have you as a mom!! I wish you and your husband nothing but the best, you deserve it!! Thank you!!!!!! Thank you!!!!!!

Kristy Blakeman



ADOH & Habitat for Humanity

Jose Denny is a 17-year veteran of the U.S. Army Rangers. After moving home to care for his gravely ill father, the events of 9/11 took place. Sure that he would be called back to active duty, prospective employers would not hire him. After several months of struggling, he was hired by the City of Scottsdale. Elva, Jose's wife, was a practicing physician in Mexico when she married him. Today, she is working on her residency and caring for their two small children. Though they could not afford a home through conventional methods, a partnership with Habitat for Humanity Desert Foothills and the Arizona Department of Housing helped this productive couple build and buy an affordable home, enabling them to continue living in the community they call home.

upon sale of the home. ADOH implements the program in conjunction with the following organizations: South Eastern Arizona Governmental Organization, Northern Arizona Council of Governments, and Housing America Corporation.

In the summer of 2003, ADOH established a working group comprised of members of the Arizona Housing Finance Authority (AzHFA), Arizona Housing Commission, and ADOH staff, to restructure the homeownership assistance programs offered by ADOH and the AzHFA. The result of the working group is the Homes for Arizonans Initiative, which combines HTF (Housing Trust Fund), MRBs (Mortgage Revenue Bonds), MCCs (Mortgage Credit Certificates) and private financing to assist first-time homebuyers in purchasing a home. This initiative will provides a seamless tool for lenders, real estate professionals, first-time homebuyers and other housing professionals in rural Arizona to make homeownership a reality for rural Arizonans.

New Construction

In addition to assisting families to purchase existing homes, ADOH provides financing to developers (usually non-profit) for the development of new affordable homeownership opportunities. For FY2004, financing was provided for the development of 28 new owner-occupied homes in Flagstaff

(3), Cave Creek (4), El Mirage (8), Verde Valley (2) and Somerton (11).

Owner-Occupied Rehabilitation and Emergency Repair

Preservation and rehabilitation of Arizona's existing housing stock is vitally important. In most cases, it is less expensive to rehabilitate a home than to build new one. Rehabilitation provides for neighborhood revitalization and can give communities a renewed sense of hope. Rehabilitation projects commonly consist of bringing an entire home up to local building codes and construction standards. However, homes sometimes need emergency repairs which are more limited in scope and address health and safety concerns, such as leaking roofs and broken heating or cooling systems. ADOH recognizes both needs and provides funding to address such concerns. In both cases, applicants (cities, counties, councils of government and non-profit organizations) design and implement the program in their respective communities. In FY2004, financing was provided for the reconstruction, rehabilitation and emergency repair of 1,315 single-family homes owned by Arizona families earning below 80% of area median income.

RENTAL DEVELOPMENT

ADOH provides several financial tools to non-profit and for-profit housing developers to assist in developing and rehabilitating affordable rental homes and transitional housing facilities for individuals earning less than 60% of

area median income, adjusted for household size. ADOH resources are used during the construction phase of such developments. Developers utilizing these resources require lower levels of traditional, market rate financing, thereby reducing the total debt service. Lower debt costs result in the developer being able to offer the housing at lower rents to persons of modest income. Developers receiving assistance are required to keep rents at an affordable rate for as long as 30 years. ADOH also provided financial assistance for the development and rehabilitation of emergency shelters to assist persons who are homeless or otherwise in crisis.

New Construction

Financing was provided for the development of 2,600 new affordable rental homes, including:

- 36 units of permanent housing for seriously mentally ill persons.
- 139 transitional housing units for homeless individuals.
- 40 units of transitional housing for homeless, pregnant women.
- 9 units of transitional housing for victims of domestic violence.

Rehabilitation

Financing was provided for the rehabilitation of 1,759 rental homes.

Emergency Shelters

Financing was provided for the construction of emergency shelter space for 100 homeless persons and victims of domestic violence.

Catholic Community Services of Southern Arizona (CCS) received a commitment of \$500,000 from the ADOH Housing Trust Fund for the development of a 40-bed emergency shelter in Yuma. The shelter will serve victims of domestic violence and will allow CCS to replace their existing facility, which offers only eight beds.

CCS is one of a very limited number of agencies within the Yuma area to offer emergency shelter beds for victims of domestic violence. Fiscal year 2002 data shows that over 18,000 adults and children in Arizona were unable to receive shelter due to a lack of space. Over half of persons needing crisis shelter are children. Data from CCS through September of 2003 shows that two in three people are turned away from their current facility due to a lack of space.



Wickenburg's Bradshaw Vista Apartments



In January 2000, the Wickenburg Chamber of Commerce Board of Directors held their Annual Retreat. One of the items on the agenda for that meeting was the lack of affordable housing in the community and how they

could affect a change. To this end, an Affordable Housing Task Force was formed to put together a profile of community housing needs. Comprised of members from the Chamber, a local Economic Development Advisory Board, local banks and developers, the Task Force contracted with Community Services of Arizona, who surveyed the current Wickenburg market to identify the depth of demand, rent levels and unit mix. The decision was made to construct a 48-unit complex comprised of 43 units at or below 50% AMI (Area Median Income) and 5 units at or below 40% AMI.

The result of the willingness of the Chamber to meet the housing needs of their citizens is Bradshaw Vista Apartments. This beautiful facility, financed in part with Low Income Housing Tax Credits, blends into the desert landscape in Wickenburg. The groundbreaking was held in early 2003 and construction was finalized in June, 2004.



Please indulge me this morning...I would like to brag a little about the Owner-Occupied Rehabilitation Program. Mrs. Lorena McKiddey is a sweet, elderly woman in her 80s who lives alone in Patagonia in Santa Cruz County. She had been going up and down these steps (old bricks and concrete blocks stacked up) for many years. As you can see, they were not just unsafe, but scary to use for a person with good legs. Mrs. McKiddey has problems walking and her balance "isn't as good as it used to be", to quote her. It has been a long time coming, but this is the reason I do this job and I came to work this morning with a smile on my face. I know that this is a very small step (no pun intended) but it is a good start. I would like to thank some people who have worked very hard to help this happen (in no particular order): Lisa Yanagishashi, Santa Cruz County Housing Specialist; Richard Davis of R.H. Davis Development (General Contractor); Randy Heiss, Town Clerk, Town of Patagonia; Mr. John Maynard, Santa Cruz County Supervisor; and Rose Roy, Homeownership Program Specialist, Arizona Department of Housing. I know this is just the beginning, but it is important to realize that it is the "Mrs. McKiddeys" we are helping.

George Federico
PPEP Microbusiness and Housing Development

Energy Savings

The Qualified Allocation Plan (QAP) outlines the usage of the Low Income Housing Tax Credit (LIHTC) Program. For a number of years, Arizona has required in the QAP that all developments receiving LIHTCs must obtain certification from the Arizona Energy Office, within the Arizona Department of Commerce, that they comply with the 2000 International Energy Conservation Code (IECC). Arizona was one of the first states to include energy-saving standards in new building construction funded by the LIHTC program. After construction, an energy audit determines if the building is in compliance with energy conservation requirements. The final assessment is a scientific test that measures the amount of air that escapes or infiltrates a heated or cooled indoor area. From 2001 to 2003, more than 3,800 apartments in Arizona have been built under this program and have reduced annual utility costs by an estimated \$350,000.

Review of Multifamily Private Activity Bonds

Arizona statute requires the ADOH to review proposed issuances of tax-exempt multifamily private

activity bonds used for the development of residential rental projects. These rental developments provide housing to low- and moderate-income persons. The review must consider at least the following factors:

1. The demand for and feasibility of the project in the area set forth in the application;
2. The terms and conditions of the proposed bonds;
3. The proposed use of bond proceeds;
4. The benefit to the public if the project provides rental housing for persons of low- and moderate-income or encourages rental housing in slum or blighted areas.

ADOH must approve or disapprove the project not later than 30 days after receipt of the request for approval. In FY2004, ADOH conducted 14 reviews.

Socialserve.com

ADOH formed a partnership with a national group called Socialserve.com in mid-2004 to bring a convenient and timely new tool to the search for affordable housing. The new service allows those seeking affordable apartments developed using State resources, to search a portfolio of over 30,000 apartments across the state for vacant affordable units. By following a link on the ADOH website, prospective renters can select the communities, rents, amenities and other features and get an up-to-date list of affordable apartments that meet their search criteria. Interested persons who do not have access to a computer or the Internet can call toll-free 1-877-428-8844 and receive the same information, in both English and Spanish, by phone, fax or mail. Prior to this partnership, there was no centralized data bank in place to track vacancies in state funded housing units. Through the partnership with Socialserve.com, apartment vacancy data is updated weekly. This service is available to anyone seeking an affordable apartment including social service professionals assisting low-income clients. Socialserve.com is a 501(c)(3) not-for-profit that provides technology solutions to state governments, local governments and housing authorities. Socialserve.com was named a "Best Practice" by the

U.S. Conference of Mayors and was awarded "Site of the Month" by the National Housing Institute.

The service was available for just 90 days during FY2004 and during this brief period, Socialserve.com received over 10,000 searches, an average of over 110 per day.



CDBG funds improve and enhance community resources for such services as police equipment, infrastructure, building rehabilitation, and fire and rescue. Pictured from left: Mobile Command Unit, Apache Junction; fire hydrants, Eloy; single-family home rehabilitation, Casa Grande; fire station, Superior.

COMMUNITY REVITALIZATION

ADOH provides funds to local communities through the federal Community Development Block Grant (CDBG) program aimed at creating viable communities by providing funds to improve housing, living environment, and economic opportunities, for persons with low- and moderate-incomes. ADOH administers the program in the 13 rural counties in the state, except for Yuma and Flagstaff. CDBG funds were utilized to address a wide variety of community revitalization needs, impacting over 217,000 people, including:

- Public facility improvements in 8 communities
- Neighborhood services and facilities in 8 communities
- Water and sewer system improvements in 4 communities
- Street improvements in 11 communities
- Fire safety improvements in 3 communities

MONITORING & COMPLIANCE

All developers receiving state assistance for the development of single-family or multifamily units must continue to meet certain affordability criteria for as long as 30 years. They must also comply with various health and safety regulations. In FY2004, monitoring and compliance staff visited 117 properties statewide, comprised of 8,228 units. Over 2,000 units were physically inspected. Additionally, ADOH performs similar inspections for 111 HUD-subsidized rental properties. In FY2004, staff inspected 114 properties, comprised of 7,771 units.

PUBLIC HOUSING AUTHORITY

State statute designates ADOH as the state's Public Housing Authority (PHA). The PHA currently has two primary functions:

Section 8 Housing Choice Voucher Program

The PHA currently administers a Section 8 Voucher program for Yavapai and Graham counties, two rural counties that are not otherwise served by a local housing authority. The Section 8 Housing Choice Voucher Program provides rental subsidy payments for very low-income households, with the tenants paying 30% of their adjusted incomes for rent. Participating tenants are assigned vouchers and may utilize the assistance in any qualified private rental property. The program has a very small baseline of vouchers and is generally 100% subscribed. In FY2004, an average of 48 families received Section 8 vouchers, annualized over 12 months. The PHA also accepts and administers "portable" vouchers to provide assistance to tenants who have already accessed Section 8 vouchers through another housing authority and are moving into Yavapai and Graham counties. In FY2004, the PHA administered approximately 65 portable vouchers.

Section 8 Project-Based Contract Administration

In 2001, the PHA entered into a contract with HUD to provide administrative oversight to approximately 111 HUD-subsidized rental properties accounting for thousands of individual rental units located throughout the state of Arizona. Under this performance-based contract, the PHA is responsible for a number of key duties to assure that properties are not over-subsidized and that these properties are maintained as safe, decent affordable housing for the life of their contracts with the federal government. Through this program participating properties are subsidized, allowing the very low-income tenants to pay only 30% of their incomes for rent. In FY2004, ADOH acted as a pass-through conduit for over \$30.8 million in federal rental subsidies for the respective properties.

SPECIAL NEEDS

The Special Needs section was developed to enable the agency to address the housing needs of populations that have special needs beyond the fact that their incomes may not support decent and affordable housing opportu-

nities. These populations have been identified as those with physical disabilities, people with Alzheimer's disease, HIV/AIDS, serious mental illnesses, emotional disturbance or chronic substance abuse problems, developmental disabilities, homeless, migrant or seasonal farm workers, and victims of domestic violence.

Homelessness Prevention Program

Homelessness Prevention Program grants were made to selected local governments and nonprofit agencies that provide housing counseling and financial assistance to individuals and families at risk of homelessness. Services eligible under this program included: loans and grants for security deposits, rent and mortgage assistance, utility payments, moving and storage fees to prevent eviction, landlord-tenant mediation, household management assistance, and budget counseling. In FY2004, 3,542 households were assisted with rental eviction prevention or mortgage foreclosure prevention assistance. Ten emergency shelters and/or transitional living facilities were provided one-time emergency operating assistance, in turn preventing their closure. This service assisted 8,283 households.

Rural Continuum of Care Process and Applications to HUD for Federal Funding

The Special Needs staff leads the Continuum of Care process for the 13 rural counties in the state. The Continuum of Care process is required by HUD to enable localities to apply to the federal government for

certain competitive grant programs that provide funding to combat specific special needs problems. This process brings together local governments and agencies to address local solutions to these problems. On an annual basis, the Department applies for competitive funding to HUD for projects and programs that are identified as priority projects through the Continuum process. ADOH then acts as the administering agency for the grants that are passed through to the participating sub-recipients. Over the years, ADOH has secured millions of dollars in funding for projects and programs through the Shelter Plus Care and Supportive Housing Programs. In FY2004, the Shelter Plus Care and Supportive Housing Programs provided 1,905 households with rental assistance. Additionally, various emergency shelters or transitional living facilities were provided operating assistance, in turn preventing their closure. This service assisted 220 households.

Housing Assistance for People With AIDS (HOPWA)

The State receives a small yearly grant from the federal Housing Opportunities for Persons With AIDS (HOPWA) program. HOPWA provides funding to eligible jurisdictions to address the housing needs of persons living with HIV/AIDS and their families. Funding is passed through to local governments or nonprofit organizations to provide direct assistance to eligible beneficiaries. In FY2004, HOPWA provided rental assistance to 22 households; provided short-term mortgage, rental, and utility assistance to 172 households; and provided support services to 102 households.

Homeless Management Information System (HMIS)

The Homeless Management Information System (HMIS) began operation in March 2004. Flagstaff was one of 80 pilot sites from around the nation (including Phoenix) selected to participate in a preliminary study of the federal requirement to implement the HMIS system. The implementation of a rural Arizona HMIS system is in response to a Congressional mandate to have made "substantial progress" toward such a system by October 2004. HMIS will become a prerequisite to obtaining federal housing grants and other funding in the near future. To date, all required agencies have deployed the system making Arizona one of the first in the country to have its implementation phase completed by the HUD required date. In addition to the rural Arizona HMIS system, both Pima and Maricopa counties have begun their implementations. The state Housing Trust Fund has provided significant assistance in the development of the HMIS systems in Maricopa and Pima counties, and rural Arizona, including the Flagstaff locations. As a part of the overall training and implementation project, ADOH has created a website to keep all rural participants informed as to progress, meeting and training dates, as well as providing an online bulletin board for rural homeless service providers to post questions and concerns and receive answers from the Department and/or other providers.

TECHNICAL ASSISTANCE

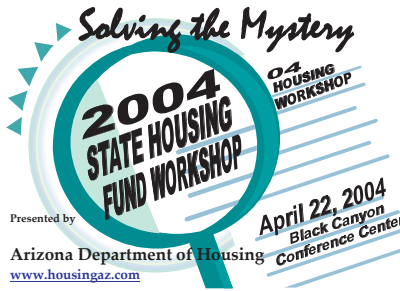
During this fiscal year, technical assistance (TA) staff participated in a number of initiatives designed to develop affordable housing and community development projects that meet local needs. They also provided assistance in planning and evaluating housing and community development solutions while pursuing additional federal funding opportunities. The staff works directly with local communities and various affordable housing developers, especially those in rural Arizona.

During this fiscal year, technical assistance (TA) staff participated in a number of initiatives designed to develop afford-

Project Development

Technical Assistance staff provides communities, counties, non-profit organizations and other partners with the assistance necessary to access ADOH resources and develop projects that meet critical community development and housing needs. In FY2004, staff actively provided technical assistance to over 50 proposed projects, 18 of which received funding. The balance are in various stages of planning and development.

In addition, staff assisted the Department of Health Services in the development of permanent housing for 200 persons with serious mental illness throughout the state.



Technical Assistance Workshops

In order to continue to develop the capacity in Arizona to undertake successful housing and community development projects, as well as using federal funds in a compliant way, ADOH provided training on various topics to over 450 attendees, on subjects such as current ADOH programs, environmental review, labor standards and other housing and community development related topics.

Tribal

ADOH has been involved in a number of efforts to increase the availability of decent, safe and affordable housing on tribal lands. The *State of Housing in Arizona 2000 Report* recommended creating a staff position to provide tribal governments with technical assistance. The data provided in the *Arizona Affordable Housing Profile*, noting the significant housing needs on tribal land, reinforced this recommendation. In an effort to target resources to areas with the greatest need, ADOH created a Tribal Liaison position in FY2003. Since the implementation of our outreach efforts, ADOH has seen an increased interest in and knowledge of the programs offered to tribal communities. On May 3, 2004, the U.S. House of Representatives Financial Services Subcommittee on Housing and Community Opportunity held a field hearing entitled "Improving Housing Opportunities for Native Americans", at the Grey Hills Academy High School auditorium in Tuba City. ADOH attended the hearing and submitted information for the Congressional record on tribal housing efforts undertaken by ADOH.



Apache Ridge Townhomes, Whiteriver, AZ

Governor's Tribal Housing Initiative

On September 2, 2003, Governor Napolitano and ADOH held a Tribal Housing Summit in Sells, on the Tohono O'odham Nation Reservation, to discuss housing related issues on tribal land. The Summit led to the creation of the Governor's Tribal Housing Initiative, consisting of two important endeavors. The first was the Tribal Housing Task Force.

During the Housing Summit, tribal officials noted four major policy areas that needed to be addressed in order to increase housing opportunities on tribal land, which included: Legal Instruments and Lending Documents; Tribal Infrastructure; Financial Education; and Needs Assessment. The Tribal Housing Task Force was formed to study these issues, suggest policy changes and develop strategies in these broad areas. Participants in the Task Force include representatives from tribes, funding partners such as the U.S. Department of Housing and Urban Development (HUD), the Federal Reserve Bank of San Francisco, Fannie Mae and several Arizona banks.

The second aspect of the Governor's Tribal Housing Initiative is the targeting of \$2.5 million in Housing Trust Fund dollars to support the creation or rehabilitation of housing units on tribal land by leveraging additional resources, including private and federal. The Department awarded \$500,000 in state Housing Trust Funds to assist in the rehabilitation of housing in the City of Whiteriver, in Navajo County. The project will rehabilitate 12 duplexes, consisting of 24 one-bedroom units. The White Mountain Apache Tribe will provide an additional \$516,000 in funding toward the project.

Competitive Federal Grants

Staff prepared a HUD Rural Housing and Economic Development (RHED) grant application that, for the second year in a row, received funding through a national competition to create replacement self-help housing units and job training opportunities in a colonia area in Pinal County. The grant will be used to create affordable homeownership opportunities for low- and moderate-income first-time homebuyers, replace and rehabilitate housing units using innovative designs, assist with sewer improvements and provide job training and opportunities for residents within the colonias near Casa Grande. Application preparation was added to the technical assistance services available through ADOH as a part of the overall technical assistance effort.

Fair Housing

ADOH continued its fair housing efforts during this year to ensure better coverage of the rural parts of the state. Attention is focused on education and prevention activities that target rental property managers and owners for education efforts. ADOH

contracted with Southwest Fair Housing Council during FY2004 to provide such outreach. Additionally, ADOH continued to work with the Arizona Fair Housing Partnership (AzFHP). AzFHP is an ad hoc group that's purpose is to further fair housing in Arizona. Members include real estate professionals; lending institutions; federal, state and local government officials; multihousing representatives; as well as numerous housing related nonprofit organizations. ADOH, on behalf of AzFHP, worked with the Governor's Office to proclaim April "Fair Housing Month."

**April, 2004 was declared "Fair Housing Month"
by Governor Napolitano**



Arizona Housing Finance Authority

The Arizona Housing Finance Authority (AzHFA) has the authority to issue Single-family Mortgage Revenue Bonds (MRBs), Mortgage Credit Certificates (MCCs) and private activity bonds for multifamily developments in areas outside of Maricopa and Pima Counties.

On June 29, 2004, the AzHFA issued an MRB to assist first-time homebuyers in purchasing homes by offering loans at approximately 1% below market to qualified borrowers. The product became available in FY2005. Neither the AzHFA nor ADOH directly makes MRB loans. Homebuyers go through the normal process of finding a home and arrange financing through a participating lender. The lender explains the program, determines eligibility and helps complete the required forms. Total discount and origination points are no more than 1% to the homebuyer. Purchasers must be first-time homebuyers who plan to occupy the property as their primary residence. Purchase price and household income limits for non-target areas range from approximately \$190,000 to \$225,000 and \$53,300 to \$58,600, respectively, depending on the county.

Prior home ownership within the last three years disqualifies the applicant unless the property is located in a target (census tract) area. Certain census tracts located in Apache, Cochise, Coconino, Gila, Graham, LaPaz, Mohave, Navajo, Santa Cruz and Yuma counties allow for higher income and sales prices.

The seven members of the AzHFA are appointed by the Governor and represent geographical diversity. No more than four members may be from the same political party.

FY2004 Board Members

Stephanie Prudence (Chairperson)	National Bank of Arizona	Sierra Vista
Ross McCallister (Vice-Chairperson)	The McCallister Companies	Tucson
Brian Mickelsen (Secretary)	City of Cottonwood	Cottonwood
Rita Carrillo (Treasurer)	Neighborhood Housing Services	Phoenix
Cliff Potts	Prudential Real Estate	Payson
Victor Flores	Salt River Project	Phoenix
Mo Stein	Cox Stein Group	Phoenix

Arizona Housing Commission



The Arizona Housing Commission was created by Executive Order in 1996, and in 1997, was formally established in statute. The Commission is comprised of 24 key decision-makers from private industry, community-based nonprofit housing organizations, state, local and tribal governments and receives staff support from ADOH.

The purpose of the Commission is to recommend housing policy; coordinate public and private housing finance programs; provide recommendations for better private and public partnerships and initiatives for developing housing; review state housing programs; encourage the development of housing opportunities for special needs populations; advise the Governor, the Legislature, state agencies and city, county and tribal governmental bodies on the public and private actions that affect the cost or supply of housing.

Members

Arthur Crozier (Chair)	Frank M. Smith & Assoc., Inc.	Pinetop
Scot Butler, III (Vice-Chair)	Manufactured Housing Industry of Arizona	Phoenix
Adeline Allen	Pinal County Division of Housing	Tucson
Rosa Bruce	City of Casa Grande	Casa Grande
Reid Butler	Multifamily Housing Association	Phoenix
Chester Carl	Navajo Housing Authority	Window Rock
Maria Chavez	Arizona Interagency Farmworker Coalition	Phoenix
Ray Clarke	Tucson Urban League	Tucson
Susie DeConcini	Long Realty Company	Tucson
Elisa de la Vara	Fannie Mae	Phoenix
Richard Elias	Pima County Board of Supervisors	Tucson
Joyce Eddie	Gila River Indian Community	Phoenix
Kenneth Finlayson	Housing Authority, City of Yuma	Yuma
Sheila Harris, Ph.D.	Arizona Department of Housing	Litchfield Park
Jeannie Jertson	Maricopa County Community Services	Phoenix
Janet Marcus	General Public	Tucson
Guy Mikkelsen	Foundation for Senior Living	Phoenix
Emily Nottingham	Tucson Community Services	Phoenix
Cass Rankin	General Public	Flagstaff
Jean Richmond	Northern Arizona Building Association	Flagstaff
Roberto Ruiz	Ruiz Engineering	Tucson
Juan Salgado	City of Phoenix	Phoenix
Sen. Ken Chevront	Arizona State Senate	Phoenix
Rep. Jake Flake	Speaker, Arizona House of Representatives	Snowflake

Funding Sources



The Arizona Department of Housing is a non-general fund agency which receives the bulk of its funding from federal resources. Below is a brief description of the resources available to the agency. Most funding sources allow for multiple-year projects, thus the amount allocated, awarded and actually spent in any given fiscal year may differ.

Housing Trust Fund

The Housing Trust Fund (HTF) is a state resource derived from the Arizona Unclaimed Property proceeds, distributed by the Department of Revenue. The HTF received approximately \$13.2 million (after fund transfers) at the end of FY2003 for use in FY2004. HTF dollars are flexible and fund many housing activities not eligible under federal programs, such as eviction and foreclosure prevention, emergency repair of homes, special projects, such as providing matching dollars to entities competing on a national level for federal dollars, one-time emergency funding for emergency shelters, and homeownership counseling. One-third of HTF monies must be spent in rural Arizona, although historically this percentage has exceeded 50 percent. HTF is used to fund the Homes for Arizonans Initiative. This first time homebuyer program for rural Arizona served as matching funds for the federally imposed 25 percent match to the HOME dollars.

HOME Investment Partnership Program (HOME)

The federal HOME Investment Partnership Program (HOME) is designed to expand the supply of decent, affordable housing for low- and very low-income families by providing grants to local governments, non-profit and private developers. Phoenix/Maricopa County and Tucson/Pima County also receive their own HOME entitlement funds. In FY2004, ADOH received \$8.9 million in HOME funds, for which it must provide a 25 percent match with state funds (HTF). HOME is used primarily for the development of rental and homeownership units (through new construction, acquisition and/or rehabilitation), financial assistance to first-time homebuyers, and substantial rehabilitation of dilapidated housing belonging to low-income homeowners.

Community Development Block Grant (CDBG)

This federal program provides funds to ADOH, which are passed through to local governments in rural Arizona (outside Maricopa and Pima counties, Flagstaff and Yuma - which all receive their own entitlement funds), for housing and community development activities, to benefit low- to moderate-income neighborhoods. In FY2004, the Community Development Block Grant (CDBG) Program received \$13.64 million.

Housing Opportunities for People with AIDS (HOPWA)

This federal program provides a small amount of funding to the State to address housing needs for people with HIV and AIDS living in the rural areas outside of Maricopa and Pima Counties. In FY2004, the grant was \$128,000.

Shelter Plus Care and Supportive Housing Program

These two sources of funding are competitive federal funding secured through the McKinney-Vento Act. Funding is applied for through a Rural Continuum of Care process, administered by ADOH, securing millions of dollars in funding to support homeless assistance in the rural portions of the state (outside of Maricopa and Pima counties). In FY2004, the agency administered \$5.9 million for this program.

Low-Income Housing Tax Credits

ADOH is the statutorily designated federal housing credit agency and is responsible for allocating the Low Income Housing Tax Credits (LIHTC). The LIHTC program is administered at the federal level by the Internal Revenue Service (IRS) and is governed by Section 42 of the U.S. Tax Code. Developers, including non-profit organizations, obtain the credits from the Arizona Department of Housing through a competitive process and, in turn, sell the tax credits to corporations, using the proceeds to finance the construction of affordable housing. Tax credits provide a dollar-for-dollar reduction in federal tax liability for investors who provide dollars for the construction of housing that meets program requirements. Investors purchase the tax credits at a percentage of their face value. The result is that the developer is able to offer conventional style apartments to low-income people at an affordable rent. In FY2004, Arizona received an allocation of LIHTCs based on a population allocation of \$1.80 per resident, amounting to \$11.4 million. The Department was awarded additional LIHTCs by the IRS through the 2004 Housing Credit national pool allocation; 32 allocating agencies shared \$6,090,001 in additional Housing Credit authority. Arizona received about \$144,000 in additional credits.

Mortgage Revenue Bonds

The Arizona Housing Finance Authority (AzHFA) is authorized statutorily to issue single-family bonds from the State's Private Activity Bond (PAB) volume cap to assist in the promotion of homeownership opportunities in the rural areas of the state. In FY2004, the AzHFA reserved \$10 million in Mortgage Revenue Bonds (MRB). The MRB program assists in providing a mortgage rate that is typically below the average market rate. The program will be available for first-time homebuyers in FY2005.

Mortgage Credit Certificates

The Arizona Housing Finance Authority (AzHFA) is authorized statutorily to issue Mortgage Credit Certificates (MCCs) from the State's Private Activity Bond (PAB) volume cap to assist in the promotion of homeownership opportunities in the rural areas of the state. The (MCC) program is designed to allow first-time homebuyers a reduction in their federal income tax liability thereby helping make their mortgage payments more affordable. The tax credit is equal to 20% of the buyer's annual mortgage interest payment. The buyer receives the credit for as long as the home remains their primary residence.

Commitment of Funds



Program/Fund Source	Funds Committed
Community Development Block Grant	13,303,408
HOME	8,649,272
Homes for Arizonans	1,840,101
Housing Opportunities for People with HIV/AIDS	148,126
Housing Trust Fund	16,576,616
Low Income Housing Tax Credits-4% **	5,067,068
Low Income Housing Tax Credits-9% **	11,333,416
Mortgage Credit Certificates (MCC) **	5,083
Section 8*	210,685
Shelter Plus Care	5,467,200
Supportive Housing Program	3,008,817
ADOH Total	65,609,792

Housing and Community Development Resources Committed in FY2004

Activities	Amount	Projects Assisted	Persons Served	Pecent
Housing	4,345,216		846	33%
Public Facilities and Improvements	1,280,150	8	82,557	10%
Senior Centers	319,980	4	1,287	2%
Youth Centers	160,000	2	7,302	1%
Neighborhood Facilities	173,908	2	1,950	1%
Parks, Recreational Facilities	1,123,901	8	37,368	8%
Water/Sewer Improvements	676,952	4	3,059	5%
Street Improvements	2,639,725	11	19,011	20%
Fire Station Improvements,	393,000	3	17,974	3%
General Public Services	723,965	9	44,344	5%
Centers for the Disabled	79,370	1	62	1%
Transitional Housing				0%
Clearance and Demolition	109,548	1	1,475	1%
Planning	65,000	4	246	0%
Administration	1,187,693	38	843	9%
Economic Development	25,000	1		0%
Total	13,303,408	96	218,324	100%

CDBG Investments by Specific Activity and Persons Served

* Section 8 figure does not include portable vouchers administered by ADOH.
 ** These are not expenditures of cash within the ADOH budget. ADOH has authority to issue federal tax credits and Mortgage Credit Certificates. These numbers represent such issuances.

Dollar Commitment by Fund Source in FY2004 (Housing Related Services Only)

	CDBG Housing	HOME	HTF	Tax Credit		MCC	Homes for Arizonans (HTF Funded Program)	Supportive Housing Program and Shelter Plus Care	HOPWA	Section 8	Total	%
				4%	9%							
Multi Family	0	4,274,738	5,143,369	5,067,068	11,333,416	0	0	7,244,291	27,421	210,685	33,300,988	58.78%
New Construction	0	3,049,500	3,125,668	3,448,516	7,626,020	0	0	0	0	0	17,249,704	
Acquisition-Rehab	0	1,225,238	2,017,701	1,618,552	3,707,396	0	0	0	0	0	8,568,887	
Rental Assistance	0	0	0	0	0	0	0	7,244,291	27,421	210,685	7,482,397	
Single Family	4,100,216	4,374,534	2,459,400	0	0	5,083	1,840,101	0	0	0	12,779,334	22.56%
New Development	0	303,000	365,000	0	0	0	0	0	0	0	668,000	
Homeowner Rehab	4,100,216	4,021,534	2,094,400	0	0	0	0	0	0	0	10,216,150	
Homeownership Assistance	0	50,000	0	0	0	5,083	1,840,101	0	0	0	1,895,184	
Emergency and Transitional	0	0	5,016,801	0	0	0	0	1,231,726	120,705	0	6,369,232	11.24%
Eviction Prevention	0	0	2,072,232	0	0	0	0	0	63,158	0	2,135,390	
New and Rehab Units	0	0	2,403,665	0	0	0	0	0	0	0	2,403,665	
Support Services, Operating Cost	0	0	540,904	0	0	0	0	1,231,726	57,547	0	1,830,177	
Planning/Other	245,000	0	3,957,046	0	0	0	0	0	0	0	4,202,046	7.42%
Total	4,345,216	8,649,272	16,576,616	5,067,068	11,333,416	5,083	1,840,101	8,476,017	148,126	210,685	56,651,600	100.00%

Please note: Due to rounding, some columns may not add up to 100%.

Households Assisted by Fund Source in FY2004 (Housing Related Services Only)

	CDBG Housing	HOME	HTF	Tax Credit		MCC	Homes for Arizonans	Supportive Housing and Shelter Plus Care	HOPWA	Section 8	TOTAL	%
				4%	9%							
Multi Family Total	0	64	211	2,421	1,663	0	0	1,905	22	48	6,334	31.21%
New Construction	0	49	93	1,697	761	0	0	0	0	0	2,600	12.81%
Acquisition-Rehab	0	15	118	724	902	0	0	0	0	0	1,759	8.67%
Rental Assistance	0	0	0	0	0	0	0	1,905	22	48	1,975	9.73%
Single Family Total	846	168	334	0	0	4	144	0	0	0	1,496	7.37%
New Development	0	14	14	0	0	0	0	0	0	0	28	0.14%
Homeowner Rehab	846	149	320	0	0	0	0	0	0	0	1,315	6.48%
Homeownership Assistance	0	5	0	0	0	4	144	0	0	0	153	0.75%
Emergency Transitional Total	0	0	11,971	0	0	0	0	220	274	0	12,465	61.42%
Eviction Prevention	0	0	3,542	0	0	0	0	0	172	0	3,714	18.30%
New and Rehab Unit Support Services, Operating Cost	0	0	146	0	0	0	0	0	0	0	146	0.72%
	0	0	8,283	0	0	0	0	220	102	0	8,605	42.40%
Other	0	0	0	0	0	0	0	0	0	0	0	0.00%
Total	846	232	12,516	2,421	1,663	4	144	2,125	296	48	20,295	100%

Geographic Distribution of Funding Commitments by County and Fund Source in FY2004

	CDBG (Including non-housing)	HOME	HTF	Tax Credit		MCC	Homes for Arizonans	Supportive Housing and Shelter Plus Care	HOPWA	Section 8	Total	%
				4%	9%							
Apache	255,546	0	437,736	0	481,100	1,279	85,711	167,735	3,500	0	1,432,607	2.31%
Cochise	1,844,820	300,000	1,458,405	0	1,750,314	1,216	392,173	176,400	27,421	0	5,950,749	9.58%
Coconino	1,011,252	901,571	505,124	0	1,019,040	0	53,350	251,876	58,205	0	3,800,418	6.12%
Gila	964,116	110,000	675,636	0	0	0	0	0	4,000	94,808	1,848,560	2.98%
Graham	628,582	0	26,250	0	343,915	0	5,300	0	0	0	1,004,047	1.62%
Greenlee	100,000	0	26,250	0	0	0	0	0	0	0	126,250	0.20%
La Paz	438,480	400,000	197,500	0	0	0	0	0	0	0	1,035,980	1.67%
Maricopa	0	2,191,017	3,764,850	4,698,756	3,237,477	0	0	5,728,610	0	0	19,620,710	31.59%
Mohave	1,652,062	490,484	1,023,100	0	0	0	9,233	158,075	0	0	3,332,954	5.37%
Navajo	863,391	1,074,500	1,441,064	0	1,763,353	0	147,829	96,495	5,000	0	5,391,632	8.68%
Pima	0	1,020,000	629,562	368,312	700,000	0	0	711,912	0	0	3,429,786	5.52%
Pinal	1,912,544	513,700	1,552,556	0	226,058	0	60,538	241,954	0	0	4,507,350	7.26%
Santa Cruz	733,213	250,000	347,175	0	1,091,250	0	158,077	29,925	0	115,877	2,725,517	4.39%
Yavapai	1,573,115	700,000	464,844	0	195,979	2,588	82,726	396,975	50,000	0	3,466,227	5.58%
Yuma	1,326,287	698,000	811,564	0	524,930	0	564,866	358,560	0	0	4,284,207	6.90%
Grand Total	13,303,408	8,649,272	13,361,616	5,067,068	11,333,416	5,083	1,559,803	8,476,017	148,126	210,685	62,114,494	100%
Rural	13,303,408	5,438,255	8,967,204	0	7,395,939	5,083	1,559,803	2,035,495	148,126	210,685	39,063,998	62.89%
Urban	0	3,211,017	4,394,412	5,067,068	3,937,477	0	0	6,440,522	0	0	23,050,496	37.11%

Geographic Distribution of Households Assisted by County and Fund Source in FY2004

	CDBG Housing	CDBG Other	HOME	HTF	Tax Credit		Supportive Housing and Shelter Plus Care	MCC	HOPWA	Section 8
					4%	9%				
Apache	45	1,475	0	174	0	48	61	1	6	0
Cochise	0	59,481	6	335	0	201	60	1	22	0
Coconino	27	5,481	28	210	0	148	43	0	137	0
Gila	18	11,238	4	240	0	0	0	0	3	0
Graham	0	288	0	40	0	40	0	0	0	22
Greenlee	0	2,596	0	35	0	0	0	0	0	0
La Paz	0	4,856	6	188	0	0	0	0	0	0
Maricopa	0	0	50	7,841	2,013	711	1,298	0	0	0
Mohave	508	0	28	320	0	0	105	0	0	0
Navajo	120	6,078	31	285	0	185	28	0	8	0
Pima	0	0	21	2,035	408	93	137	0	0	0
Pinal	21	44,212	14	298	0	23	63	0	0	0
Santa Cruz	0	44,034	11	42	0	139	10	0	0	0
Yavapai	104	8,167	12	315	0	16	158	2	120	26
Yuma	3	30,418	21	158	0	59	162	0	0	0
Grand Total	846	218,324	232	12,516	2,421	1,663	2,125	4	296	48
Rural	846	218,324	161	2,640	0	859	690	4	296	48
Urban	0	0	71	9,876	2,421	804	1,435	0	0	0