



Arizona
Department
of Housing

State of Arizona 2014 Annual Action Plan

Federal FY 2014

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EXECUTIVE SUMMARY

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD) requires all government entities receiving federal low-income housing and community development funds to prepare an Annual Action Plan.

The FY 2014 Action Plan is a one (1) year plan to address the low-income housing and community development needs in the State of Arizona, with a special focus on serving the small cities and rural areas of the state. It is the fourth year Action Plan in the implementation of the five (5) year Consolidated Plan for fiscal years 2010 to 2014. It consolidates the planning, application and funding requirements for several programs funded by the HUD: Community Development Block Grant (CDBG); HOME Investment Partnerships Program (HOME); Housing Opportunities for Persons with AIDS (HOPWA); and Emergency Solutions Grant (ESG). The ESG is administered by the Arizona Department of Economic Security (DES). Also included in this plan is a description of the Continuum of Care planning process which is required for the distribution of HUD competitive Continuum of Care funding (formerly Shelter Plus Care and Supportive Housing Program).

Both the Consolidated Plan and the Action Plan are implemented by the Arizona Department of Housing (ADOH). The federal and state-funded housing and community development projects and programs described within the Action Plan are administered and implemented by ADOH, DES, units of local or regional government or non-profit agencies.

BACKGROUND

Home prices in some areas of Arizona have increased since they hit a low point in September 2011, but the increases have slowed down in recent months. The median single-family-home price went up twenty-three percent (23%) from November 2012 to this past November – from \$162,500 to \$200,000. Realtors will note the average price per square foot rose about eighteen percent (18%). The median townhouse/condo price went up about twenty percent (20%), to \$119,900. Higher prices have discouraged buyer interest and as the tight supply of homes increases, demand is down. Sales of single-family homes dropped twenty-seven percent (27%) from November 2012 to November 2013.

“This past November was the weakest month for sales in several years,” explains the report’s author, Mike Orr, director of the Center for Real Estate Theory and Practice at the W. P. Carey School of Business. “Demand is drastically lower in a slide that started in July. By the beginning of January, demand had weakened enough to drop even below the limited supply here, despite the fact that we have fifteen (15) to twenty percent (20%) fewer active listings than normal.”

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“The Arizona economy is still expanding at a slow, but steady pace in 2014; growth rates for employment and population are better than for most states, but still below Arizona’s long-term average,” says one of the speakers, Research Professor Lee McPheters, director of the JPMorgan Chase Economic Outlook Center at the W. P. Carey School of Business. “Analysts expect unemployment to decline next year, while job growth accelerates. However, this assumes the national economy will get back on track. If the U.S. economy picks up, then 2014 should be the best year for Arizona since the recovery began.”

ADOH is committed to the continual assessment of needs and economic conditions in Arizona to ensure that housing and infrastructure needs of the lowest income groups are met. Equally important to the formulation of investment decisions is the capacity of grant recipients to successfully carry out and operate each funded project.

CITIZEN PARTICIPATION

ADOH staff encouraged citizen participation throughout the development of the Consolidated Plan by consulting local organizations, holding public meetings and encouraging public comment during the public review period. A public hearing was held at 4:15 p.m. on September 19, 2013 at the ADOH Housing Forum at the Talking Stick Resort, to receive comments on housing and community development needs in the state. Information from this meeting was used to draft the 2014-2015 Action Plan. A draft of the 2014-2015 Action Plan was made available to the public for a thirty (30) day comment period beginning April 1, 2014 and ending May 1, 2014. During this comment period a second public hearing was held at 4:00 p.m. on April 15, 2014 at the ADOH offices.

Notices for the public hearing were posted on the ADOH website and advertised in the following papers at least seven (7) days prior to the meetings: Arizona Republic, Kingman Daily Miner, Arizona Daily Sun (Flagstaff), Yuma Sun and the Arizona Daily Star (Tucson). The same notices were sent by e-mail to partner communities, counties, regional councils of government, non-profit and for-profit entities. ADOH staff formulated the objectives and outcomes that are briefly described below.

PRIORITY OBJECTIVES AND OUTCOMES

HUD program outcomes will be based on the following:

- Accessibility for the purpose of creating suitable living environments will be addressed with CDBG.
- Accessibility for the purpose of providing decent affordable housing will be addressed with Continuum of Care.
- Accessibility for the purpose of creating economic opportunities will be addressed with CDBG.

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- Affordability for purpose of creating suitable living environments with CDBG.
- Affordability for the purpose of providing decent affordable housing will be addressed with HOME, HOPWA and ESG.
- Sustainability for the purpose of creating suitable living environments will be addressed with ESG and CDBG.

The State's priorities for the 2014 funding year include the following:

- Expand the supply of affordable rental housing for very low-income and extremely low-income households. Emphasize projects that assist families, seniors, persons with disabilities and those experiencing homelessness.
- Ensure that all households in the state have adequate access to fair housing resources.
- Preserve and improve the long-term life of existing affordable rental housing stock.
 - *Outcome* – Provide funding toward the creation of 1,000 new rental units.
 - *Outcome* – Continue to ensure ADOH-funded rental units meet Uniform Physical Condition Standards (UCPS) through continuous monitoring and compliance.
 - *Outcome* – Provide rental assistance funds to approximately 9,000 qualified households throughout the state.
 - *Outcome* – Assist in the rehabilitation of approximately 400 affordable rental units during fiscal year 2014.
- Improve the condition of existing single family residences to support the affordability and long term sustainability of decent, safe and sanitary owner-occupied housing for low-income households.
- Preserve and improve the long-term life of existing affordable owner-occupied housing stock.
 - *Outcome* – Provide funding to assist in the rehabilitation of approximately seventy-five (75) owner-occupied housing units during fiscal year 2014.
 - *Outcome* – Provide funding for the screening and remediation of Lead Paint Hazards through owner-occupied housing rehabilitation programs.
 - *Outcome* – Continued requirements to incorporate green technologies and green retrofit wherever possible to support affordability and sustainability of single family owner-occupied housing units.
 - *Outcome* – Promote incorporation of best practices of HUD Healthy Homes Initiative as part of rehabilitation efforts.
- Encourage a range of services to help people move from homelessness to permanent housing and maintain independent living.

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- *Outcome* – Fund and support local supportive facilities to deliver housing, development and other services to a minimum of 2,500 low-income persons and priority populations throughout the state, including those at risk of homelessness.
- *Outcome* – Support agencies, facilities and programs that will deliver supportive services to approximately 12,000 non-homeless special needs persons during the fiscal year 2014-2015. Part of the projected 12,000 special needs persons assisted includes ninety (90) people who will receive assistance as a result of utilizing HOPWA funding.
- Improve infrastructure and physical environments through revitalization efforts to promote a sustainable community.
- Improve infrastructure and physical environments to promote sustainable and accessible communities.
- Improve the ADA accessibility of public facilities and services for priority populations.
- Encourage job training and employment opportunities.
 - *Outcome* – Provide funding assistance to a minimum of thirteen (13) infrastructure/ public facility improvement projects including potable water delivery or wastewater treatment systems, roads/streets and flood drainage that will foster sustainable communities and positively affect an estimated 33,000 Arizona residents.
 - *Outcome* – Provide funding to projects enabling the accessibility of community buildings and services through ADA accessibility improvements and positively affect an estimated 8,800 Arizona residents.
 - *Outcome* – Provide funding to projects that increase services to seniors, persons experiencing homelessness and other low-income priority populations.
- Continue coordination of services and collaboration to help people move from homelessness to permanent housing and maintain independent living.
- Increase the number of permanent supportive housing units for those experiencing homelessness and those who are chronically homeless while maintaining an adequate supply of transitional housing.
- Offer services and funding to help prevent people from becoming homeless and breaking the cycle of chronic homelessness.
- Participate in Continua of Care meetings in the Balance of State, Pima and Maricopa Counties, for the purpose of planning and the provision of technical assistance.
- Coordinate with State Departments of Education, Veterans Services, Economic Security, Behavioral Health, non-profit organizations and Arizona Coalition to End Homelessness on addressing homelessness in a coordinated and comprehensive manner in conjunction with the Governor’s Committee on Housing and Homelessness.

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- Increase and preserve the supply of affordable housing for the elderly, disabled, and large families.
- Where appropriate, encourage and provide supportive services for special needs populations.
- Improve accessibility, health and safety for existing and new housing.
 - *Outcome* – If HUD funding permits, begin one (1) new project designed to increase the number of permanent supported housing units by seven (7) for Arizona’s homeless population.
 - *Outcome* – Produce housing units and support services that will benefit approximately 4,500 homeless persons during the fifth year of the consolidated planning period.
 - *Outcome* – Provide emergency assistance for rent, utilities, mortgage, etc. to a minimum of 250 households to help them avoid homelessness.

RESOURCES AND PROGRAMS

In 2014, the State anticipates receiving approximately \$15,747,094 in federal funding for the CDBG, HOME, ESG, and HOPWA programs.

Community Development Block Grant: \$9,146,952

The CDBG program provides funding to communities for a variety of activities that address community development conditions that threaten the health or welfare of the community, benefit low-income persons or prevent or eliminate slums or blighted areas in the community.

ADOH plans to set aside two percent (2% or \$182,939) of the gross allocation, plus \$100,000 (for a total of \$282,939) for costs associated with the administration of the program. ADOH will also set aside one percent (1%) of the total allocation (\$91,470) for providing technical assistance. Ten percent (10%) of the total grant award (\$914,695) will be set aside for Colonias applications.

The remaining funds in the amount of \$7,857,848 will be used as program funding to provide decent housing, suitable living environments and economic opportunities in the small cities, towns and rural areas of Arizona. Program funding will be delivered through both competitive application and regional method of distribution as further described in the Method of Distribution section of this Action Plan.

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Procedure for CDBG Funds Allocation:	Rounded +
Total Estimated 2014 CDBG HUD Funding	\$9,146,952
10% Colonias Set-Aside	\$914,695
1% TA Funds	\$91,470
2% + \$100,000 Admin Funds	\$282,939
Adjusted Total = Total	\$ 7,857,848
15% of Adjusted Total to be Allocated to SSP	\$1,178,667
85% of Adjusted Total to be Allocated to Rural COGs	\$6,679,171

Rural COGs	SFY2014 Allocation (FFY2014)
NACOG (Northern AZ Council of Government)	24.28%
WACOG (Western AZ Council of Government)	31.75%
CAG (Central AZ Governments)	28.80%
SEAGO (SouthEastern AZ Council of Government)	15.17%
Rural COGs	SFY2014 Allocation (FFY2014)
NACOG	\$1,621,960
WACOG	\$2,120,605
CAG	\$1,923,368
SEAGO	\$1,013,238
Total Allocation to Rural COGs	\$6,679,171

HOME Investment Partnerships Program: \$4,995,036

The HOME program provides grants to state and local governments to fund local programs that support the construction of rental or ownership housing, or provide homeownership or rental assistance to low-income persons.

The State will use ninety percent (90% or \$4,495,532) of its HOME allocation for program funding to increase the availability/accessibility and affordability of decent housing and provide suitable living environments for low-income households. Ten percent (10% or \$495,504) of the grant funds will be for ADOH's administrative costs.

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HOME Resources, Method of Distribution and Geographic Investment

Federal FY2014 HOME Funding Objectives by Activity		
Activity	Amount	%
State Administrative Costs	\$495,504	10
Project Funding:		
Rental/Transitional Housing Development	\$3,459,532	70
Owner-Occupied Housing Rehabilitation	\$1,000,000	20
Total Project Funding	\$4,459,532	90
Total Funding	\$4,955,036	100

Federal FY 2014 HOME Geographic Funding Objectives		
Geographic Area	Amount	%
State Administrative Costs (not for distribution)	\$495,504	10
Statewide CHDO set-aside	\$743,255	15
METRO Area (Maricopa & Pima Counties)	\$845,081	75
CAG Area (Gila & Pinal Counties)	\$783,351	
NACOG Area (Apache, Coconino, Navajo & Yavapai Counties)	\$927,562	
SEAGO Area (Cochise, Graham, Greenlee & Santa Cruz Counties)	\$400,721	
WACOG Area (La Paz, Mohave & Yuma Counties)	\$759,562	
SUB-TOTAL	\$4,955,036	

Emergency Solutions Grant: \$1,414,251

ESG funds support Street Outreach Services to homeless persons living on the streets, basic shelter and supportive services for homeless persons in the form of operation costs and direct services for homeless persons living in Temporary Emergency Shelters, funding for Homeless Prevention services to assist individuals and families at risk of losing housing and becoming homeless and Rapid Re-Housing support for individuals and families who are homeless and need assistance to return to housing and independent living. ESG funds also support HMIS data collection, information management and reporting systems and Administrative services necessary to coordinate grant activities.

The State will utilize this grant to increase the availability and accessibility of suitable living environments and housing options by providing a wide range of supportive services to persons experiencing homelessness or at risk of homelessness including Street Outreach Services, Temporary Emergency Shelter, Rapid Re-Housing and Homeless Prevention Services.

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Housing Opportunities for Persons with AIDS: \$230,855

HOPWA funds provide housing and supportive services for persons with HIV/AIDS. These funds may go toward acquisition, rehabilitation or new construction of housing units and may also fund rental assistance, facility operations, short-term homelessness prevention, medical and mental health services, chemical dependency treatment, nutritional services, case management and other supportive services.

ADOH will utilize \$223,929 of this grant to increase the availability/accessibility and affordability of suitable living environments and decent housing through organizations that provide planning for housing needs, education, and access to essential community resources. Three percent (3% or \$6,926) will be retained by ADOH to cover administrative-related expenses of the program; grantees will be allowed to utilize seven percent (7%) of the grant money (up to \$15,675 in total) for grantee administration costs.

Other Resources

In addition to the above funding sources, the State makes available several other federal, state, and local resources in support of housing and community development activities. Other funding sources include:

- **State Housing Trust Fund (HTF).** As of the passing of Senate Bill 1616 in 2011, \$2,500,000 in Housing Trust Funds are available annually to assist with acquisition and rehabilitation or new construction of rental housing and emergency shelter units, or rehabilitation of owner-occupied housing, as well as a range of other affordable housing-related activities.
- **McKinney-Vento.** ADOH is the Collaborative Applicant to HUD for the Balance of State Continuum of Care. Renewable in a competitive annual application, funds provide transitional and permanent supportive housing for individuals and families experiencing homelessness and are leveraged with social services from other sources. ADOH expects to administer approximately \$4.1 million in federal FY2014.
- **Low-Income Housing Tax Credits (LIHTC).** ADOH administers this federal tax credit that funds low-income housing rental development. The State receives approximately \$15 million in tax credit authority annually, which has an approximate market value of \$100 million over ten (10) years. ADOH expects to allocate approximately \$15 million for 2014. The market value of the tax credits depends on the syndication price of the tax credits, which fluctuates with the market.
- **Private Activity Bonds.** The Arizona Housing Finance Authority, under the provisions of HB 2615, may issue bonds for multi-family residential projects and bonds to finance residential dwelling units.

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- **Economic Stimulus Programs.** The remaining stimulus/recovery funds being administered by ADOH are the National Foreclosure Mitigation Counseling Program, and Hardest Hit Fund Foreclosure Prevention Program. HPRP, NSP1, NSP3, TCAP, TCEP and CDBG-R are fully expended.

EVALUATION OF PAST PERFORMANCE

Annually the ADOH submits a Consolidated Annual Performance and Evaluation Report (CAPER) which provides HUD with an update on progress toward meeting goals outlined in the Consolidated Plan and more specifically the Annual Action Plans. In the most recently available CAPER (Federal FY 2012), ADOH obligated \$147,775,078 to affordable housing and community development efforts from its HUD allocations, HTF, Low-Income Housing Tax Credit and Hardest Hit Fund Foreclosure Prevention programs. In its efforts to provide decent housing, sustainable living environments and expand economic opportunities, ADOH used CDBG, HOME, HOPWA and HTF to invest in activities that helped to retain affordable housing stock, increased the availability of permanent housing that is affordable to low and moderate income individuals and provided supportive housing that includes structural features and services for persons with special needs. ADOH invested in activities that increase the availability of foreclosure counseling to all Arizonans while providing education on fair housing in compliance with the Fair Housing Act. It also provided technical assistance and support to encourage planning for the long term affordability, sustainability and revitalization of communities in the rural areas of the state.

Over the 2013 fiscal year, ADOH met its planning goals to provide and maintain decent affordable housing and sustainable living environments. ADOH spent millions of stimulus dollars toward creating sustainable homeownership and affordable rental units through its NSP1/NSP3 programs. Furthermore, the Arizona Housing Finance Authority utilized Mortgage Revenue Bonds and Mortgage Credit Certificates providing low-interest mortgage financing to stimulate and encourage homeownership in rural markets.

HOME funds, in combination with HTF, were used to invest in new or rehabilitated affordable rental projects and rehabilitated single family home units in order to increase the accessibility and availability as well as improve the sustainability of permanent housing that is affordable to low-and-moderate income individuals. In addition, ADOH directed CDBG funds toward revitalization activities that improved the safety and livability of deteriorating neighborhoods.

As lead agency for the Balance of State Continuum of Care, ADOH supports the planning, contract requirements and delivery of housing and services to meet the varying needs of people experiencing homelessness. In 2013, ADOH contracted with housing providers in Arizona's thirteen (13) non-metro counties (all but Pima and Maricopa) to provide 475 units of transitional and permanent housing through thirty-four (34) housing programs. During 2013, Hope House, Fresh Start and Forward Step entered into contract, adding twenty-five (25) more units. Funded but not yet in contract from the HUD 2012 Continuum of Care, is Skyepoint, the first Rapid Re-housing funded under the Continuum with reallocated funds. It will serve families in Yavapai

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and Coconino counties. Since 1995, ADOH has successfully applied through HUD's competitive process to secure millions of dollars each year for transitional and permanent housing programs in the Balance of State region.

Overall, ADOH actively aims for and efficiently implements the activities and strategies described in the Consolidated Plan and Annual Action Plans and continues to make a positive impact on identified needs within the State of Arizona.

PRIORITY OBJECTIVES

The 2010-2014 Consolidated Plan includes several priorities for activities over the five (5) year period. These priorities were divided into affordable housing, homeless prevention, special needs and community development. The FY2014 Annual Action Plan will focus on the following priorities:

HOUSING PRIORITIES

- Expand the supply of affordable rental housing for very low-income and extremely low-income households. When possible, emphasize projects that assist families, seniors, persons with disabilities and those experiencing homelessness.
- Preserve and improve the long-term life of existing affordable rental housing stock.
- Preserve and improve the long-term life of existing affordable owner-occupied housing stock.
- Ensure that all households in the state have adequate access to fair housing resources.
- Improve the condition of existing single family residences to support the affordability and long term sustainability of decent, safe and sanitary owner-occupied housing for low-income households.
- Preserve and improve the long-term life of existing affordable owner-occupied housing stock.

HOMELESS PREVENTION PRIORITIES

- Target prevention services and funding to help prevent people most likely to become homeless from becoming homeless and to provide rapid re-housing to those who have become homeless in order to break the cycle of chronic homelessness.
- Strengthen the Balance of State Continuum of Care process by increasing participation in the regional meetings held three (3) times a year in the five (5) Balance of State regions.
- Encourage a range of services to help people move from homelessness to permanent housing and maintain independent living.

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- Continue coordination of services and collaboration to help people move from homelessness to permanent housing and maintain independent living.
- Increase the number of permanent supportive housing units for those experiencing homelessness and those who are chronically homeless while maintaining an adequate supply of transitional housing.
- Offer services and funding to help prevent people from becoming homeless and breaking the cycle of chronic homelessness.
- Participate in Continua of Care meetings in the Balance of State, Pima and Maricopa Counties, for the purpose of planning and the provision of technical assistance
- Coordinate with State Departments of Education, Veterans Services, Economic Security, Behavioral Health, non-profit organizations and Arizona Coalition to End Homelessness on addressing homelessness in a coordinated and comprehensive manner in conjunction with the Governor's Committee on Housing and Homelessness.
- Increase and preserve the supply of affordable housing for the elderly, disabled, and large families.
- Where appropriate, encourage and provide supportive services for special needs populations.
- Improve accessibility, health and safety for existing and new housing.

SPECIAL NEEDS PRIORITIES

- Increase and preserve the supply of affordable housing available to large families and people who are elderly, disabled and/or homeless.
- Improve housing accessibility and safety (existing and new).

COMMUNITY DEVELOPMENT PRIORITIES

- Improve the ADA accessibility of public facilities and services for priority populations.
- Encourage job training and employment opportunities.
- Improve infrastructure and physical environments through revitalization efforts to promote a sustainable community.

METHOD OF DISTRIBUTION

This section describes the methods of distribution and geographic allocation of resources for CDBG, HOME, ESG and HOPWA. The allocation of ADOH investments is as follows:

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COMMUNITY DEVELOPMENT BLOCK GRANT METHOD OF DISTRIBUTION

The State expects to receive approximately \$9,146,952 in new CDBG resources in 2014.

CDBG Eligible Applicants

The State CDBG program is available to eligible units of local government, including cities, towns and counties in rural areas. For purposes of this program, rural areas are those located outside of entitlement jurisdictions (those that receive CDBG funds directly from HUD). Entitlement jurisdictions in Arizona include all of Maricopa and Pima Counties, and the cities of Douglas, Flagstaff, Prescott, Sierra Vista and Yuma.

CDBG Eligible Activities

Eligible activities are generally found in Section 105 of the HUD Act of 1974, as amended, and at 24 CFR Part 570.482, as amended. CDBG funds can be used for a wide range of activities of which ADOH plans to utilize no less than seventy percent (70%) of the CDBG funds for activities that directly benefit persons of low- and moderate-income and no more than thirty percent (30%) toward addressing community blight or other urgent need activities. Those activities listed in Appendix B of this document that have received a priority ranking of high or medium are eligible for funding under this Action Plan. Those activities generally fall under the following main funding categories:

- Public facilities and improvements (such as water, wastewater or street improvements);
- Fire and police protection facilities;
- Community/supportive housing facilities (such as homeless/domestic violence facilities, food banks or senior centers);
- Public services (such as public safety or health care services);
- Housing (such as owner-occupied or rental rehabilitation; or lead paint evaluation and reduction);
- Economic development (tied to job creation or job retention);
- Neighborhood revitalization and redevelopment (such as historic preservation or demo and clearance of blighted property); and
- Planning and capacity building (such as comprehensive and community development plans or housing studies.)

ADOH Administration

The State expects to retain \$374,409 of the FY2014 CDBG Allocation. This figure includes one percent (1% or \$91,470) set aside for technical assistance and two percent (2%) plus \$100,000

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(\$282,939 total) set aside for state administration. (This amount does not include the required two percent (2%) administration match.)

ADOH will provide the two percent (2%) required match in non-federal matching funds from two (2) sources. These include “hard” match funds (i.e. state funds used to pay salaries and other operating expenses of the CDBG program) and “in-kind” or “soft” match funds which represent staff time devoted to the CDBG program by individuals whose salaries are paid from non-federal sources. These personnel include those located in the Information Technology Division, Personnel, Procurement, Customer Liaison, the Assistant Deputy Director/Programs and Assistant Deputy Director/Operations. Soft match is tracked by employees on their time sheets.

CDBG Colonia Set Aside

According to Section 916 of the Cranston-Gonzalez Act of 1990, a “colonia” is any identifiable community that:

- Is located within 150 miles of the border between the United States and Mexico, except within any standard metropolitan statistical area that has a population exceeding 1,000,000;
- Is designated by the state or county in which it is located as a colonia;
- Is determined to be a colonia on the basis of objective criteria, including the lack of potable water supply, lack of adequate sewage systems and lack of decent, safe and sanitary housing; and
- Is generally recognized as a colonia before the enactment of the National Affordable Housing Act of 1990.

HUD mandates the State expend at least ten percent (10%) of its CDBG project allocation in the areas designated as colonias. The FY 2014 colonia set aside allocation is \$914,695. Colonia funding will be distributed through a competitive application process. ADOH will issue a funding notice, once every two (2) years, to solicit projects located in eligible, designated colonias. All cities, towns, counties and tribal reservations that contain either geographically defined neighborhoods or unincorporated communities designated as colonias and that are eligible to receive CDBG colonia set aside funding through ADOH are eligible to apply for these funds. Maricopa and Pinal Counties, as well as the communities located within those counties, are excluded from eligibility for Colonias funding. Under this funding, ADOH is able to serve eligible designated colonia in Pima County, although the county is not eligible to receive other CDBG funds from ADOH. The funding notice will further outline the colonia set aside maximum project funding, application requirements as well as the scoring categories which will be designed to award projects for colonias demonstrating the greatest need due to severe water, sewer and housing issues. Other scoring categories will include, but are not limited to, poverty level, leveraged funds, project need, project priority, project readiness, past performance and organizational capacity. An application for colonia set aside funds will not affect a jurisdiction's

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eligibility for other CDBG funding. CDBG colonia resources for Federal FY2013 and FY2014 will be combined and will be awarded through one (1) competitive funding round announced through a Notice of Funding Availability (NOFA) in FY2014. Water/sewer infrastructure (delivery and/or treatment systems) and substantial housing rehabilitation activities will be considered eligible Colonia Set Aside projects for areas certified as designated colonia.

Eighty-five percent (85%) of the remaining amount of CDBG funds after allocations to administration, technical assistance and the colonia set aside will be distributed into the Regional Account (RA). These funds will be used for housing, community development or public service projects listed on Appendix B that address a high- or medium-priority community development need.

The RA is first divided into four (4) sub-accounts, one (1) for each of the non-metropolitan Council of Governments (COG) areas: CAG, NACOG, SEAGO and WACOG. To determine the amount of CDBG funding allocated to each COG's sub account, the State uses a formula based on population and persons in poverty. The COG sub-accounts are determined by: 1) multiplying the percentage of the total population of each COG by thirty percent (30%); 2) multiplying the percentage of the total poverty population of COG by seventy percent (70%); and 3) adding the products of the two.

Regional Account allocations are as follows:

- NACOG: \$1,621,960
- WACOG: \$2,120,605
- CAG: \$1,923,368
- SEAGO: \$1,013,238

Each non-metropolitan COG region must create a regionally approved Method of Distribution (MOD) and submit it to ADOH for review. The MOD contains a multi-year schedule indicating how CDBG allocations are to be distributed such that all eligible communities within each respective COG region will receive funding. The multi-year schedule must include the funding years that each community in the region will receive funds and estimate the amount to be available. This will allow each community to plan its CDBG projects in advance. Deviations from rotation schedules whereby communities trade allocations is allowed but must be accomplished prior to submittal of the final MOD.

Each COG must submit its MOD to ADOH within forty-five (45) days of the Information Bulletin published by ADOH (announcing the COG's allocation by CDBG region) along with documentation that the MOD has been approved by formal action of the Regional Council. ADOH has the final authority to approve or deny each MOD.

After the MOD is determined, local governments must complete applications for funding and route them through the COG to ADOH. The COG reviews each application for completeness,

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priority project selection and assists the community or county with rectifying any application deficiencies. The COGs have no discretion to approve or reject applications and must forward all applications to the state. Only those communities and counties identified as eligible to receive funding in the current year MOD may submit an application. In addition to the procedures outlined in the ADOH CDBG Application Handbook (REV. February 2014), each COG will establish its own application procedures (letters of intent, etc.) and submission deadline for the compilation of applications to be forwarded to ADOH.

All applications for the Regional Account are due to ADOH by 4:00 P.M. on the following dates:

- NACOG and SEAGO June 1, 2014
- WACOG and CAG July 2, 2014

ADOH will attempt to review and make final award determinations for each application submitted within ninety (90) days of receipt of all outstanding application issues. At the time of application each CDBG application amount must equal the allocation amount of the community then the highest priority project will be funded. Actual award of CDBG funds is contingent upon an application that is eligible, meets national objective and benefit standards, meets all application review thresholds, and is a State priority project. Recent decreases in federal CDBG allocations have reduced the funding amounts available to communities and, therefore, the number of projects that can be undertaken.

Performance Criteria for 2014-2015

Beginning with fiscal year 2014-2015, ADOH will apply performance criteria to all communities that submit CDBG funding applications.

Applications/projects in excess of one (1) per community or three (3) per county will be funded only if the following threshold criteria are met on the date the application is received by ADOH:

All Recipients

- All reporting required by the Department is up to date;
- All monitoring findings have been cleared;
- Recipient is compliant with all current contracts;
- Recipient is in compliance with all original contract Schedules of Completion or has obtained ADOH approvals for revisions or amendments to their Schedules of Completion;
- Recipient has no contracts over the previous three (3) years that have been extended more than once;
- For all previously funded projects, environmental clearances have been obtained and scope of work has begun; and

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- Recipient has no current contract in which funds have not been drawn for six (6) months.

Recipients with contracts in their 24th or greater month:

- Performance: Scope of Work one hundred percent (100%) complete and contract close-out report received and approved; and
- Expenditure Rates: CDBG funds one hundred percent (100%) expended or de-obligated.

Recipients with contracts in their 18th to 23rd month:

- Performance: Scope of Work is currently seventy-five percent (75%) complete; and
- Expenditure Rates: CDBG funds seventy-five percent (75%) percent expended.

Recipients with contracts in their 12th to 17th month:

- Performance: Scope of Work is currently fifty percent (50%) complete; and
- Expenditure Rates: CDBG funds fifty percent (50%) expended.

Recipients with new contracts up to their 11th month:

- Performance: Scope of Work is currently twenty-five percent (25%) complete; and
- Expenditure Rates: CDBG funds are twenty-five percent (25%) expended.

However, ADOH reserves the right to limit the number of applications submitted by any one community or county based on past performance.

CDBG State Special Projects Account

Fifteen percent (15%) of the remaining amount of CDBG funds, after allocations to administration, technical assistance and the Colonia Set Aside will be distributed into the State Special Projects Account (SSP). All communities eligible to receive funding from the State CDBG program are eligible to apply for SSP funding. Each community is encouraged to submit one (1) application. No more than two (2) applications are allowed from the same community and they must be listed in priority. All first priority applications will be reviewed first with subsequent priority applications reviewed if sufficient funding is available, thereby allowing each community a chance to be funded.

Generally, any eligible CDBG activity in Appendix B from the categories listed below of the FY2014 Annual Action Plan that has received a priority ranking of high or medium may be undertaken with SSP funds. The only difference is that the SSP is competitive and all applications must demonstrate the project is ready to implement immediately.

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Eligible Categories are as follows:

- Public facilities and improvements
- Community/supportive housing facilities
- Housing
- Economic development
- Neighborhood revitalization and redevelopment

Applications submitted must propose all activities pursuant to 24 CFR 570 that are ready to begin implementation immediately with environmental review requirements completed, Release of Funds issued, land control secured, planning, design and permitting complete and all other related upfront issues resolved.

A NOFA will be released and will include the application form and applicable deadlines. Additionally the NOFA will indicate any variances in project eligibility, documentation requirements, etc. The 2014 funding for SSP grants is anticipated to be \$1,178,667.

Projects will be selected for SSP funding through a competitive process in which applications are scored by a rating and ranking system that includes project priority, project need, percentage of low/mod income persons served, project readiness, leveraged funds and organizational capacity. Projects must receive a minimum score of seventy (70) points to be eligible for an award. The highest scoring applications that have also achieved the minimum score of seventy (70) points will be awarded until SSP funding is exhausted.

Other CDBG Policies

CDBG Regional Account Recipient Community Responsibility

While CDBG money is scheduled to be provided to all eligible recipient regional account communities according to the above method of distribution, an actual award of CDBG funds is contingent upon passing the threshold and completeness review. Applicants must propose projects that are financially viable, necessary and feasible, ready to start, conform to compliance standards and result in benefit. Projects must adhere to contracted timeliness parameters for both progress and expenditures. Projects must comply with the priorities communicated through this Annual Action Plan. Benefit to low-income persons, preventing or eliminating slum or blight or meeting other urgent community needs must be measurable by the end of the approved contract timeframe.

Although the State does not define minimum and maximum investments, outcomes of activities must clearly demonstrate program results at the HUD national level.

Back-up applications will not be accepted. Applications reflective of the citizen participation process may be submitted only at the time of funding for that program year. ADOH will strive

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to make available technical assistance and support, both through its staff and its partners in the COGs. Further, through its pre-award assessment process, ADOH will strive to negotiate and resolve any outstanding issues that may be material to an award of funds decision. If issues material to the decision cannot be resolved, the recipient community will receive a Notice of Appealable Agency Action. It is the responsibility of each recipient community to submit a CDBG application with a request of funding equal to or less than the amount of the projected allocation in the MOD.

Activity Beneficiaries

CDBG activities may serve beneficiaries residing in areas adjacent to non-entitlement area jurisdictions.

ADOH allocates CDBG funds to projects and programs that benefit residents of non-entitlement areas. A non-entitlement area is defined as an area which is not a metropolitan city or part of an urban county. In Arizona, this primarily means that Maricopa County, Pima County, Douglas, Flagstaff, Prescott, Sierra Vista and Yuma are excluded.

In reviewing a non-entitlement area unit of local government's application for State CDBG funding, ADOH must determine that the applicant has identified the community development and housing needs of its non-entitlement area residents and has demonstrated that the proposed activity will meet those needs. ADOH recognizes that CDBG activities that address the community development and housing needs of non-entitlement area residents may also benefit the residents of entitlement communities or residents of Indian reservations. In some cases, the most feasible or practical location for an eligible CDBG activity (such as for reasons of public transportation accessibility, maximizing accessibility to the greatest number of non-entitlement area beneficiaries, operational cost effectiveness, land/building availability or engineering considerations) may be located on tribal land or in an entitlement community.

Therefore, the State offers the following clarification to the current CDBG funds allocation process:

- ADOH will review applications and allocate funding for CDBG activities consistent with the priorities, objectives and the MOD as described in its 2010-2014 Consolidated Plan and as updated in its Action Plans.
- ADOH can allocate funds only to units of local government of non-entitlement areas.
- If a proposed activity will be initiated, conducted, operated, constructed/rehabilitated, repaired, replaced or in any manner located in an entitlement area or on tribal lands, the application made by the non-entitlement area unit of local government must demonstrate benefit to residents of the non-entitlement area. Such documentation may include primary research, such as citizen/community surveys and market studies, which demonstrates that the activity will meet the needs of the residents of the non-entitlement area.

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- If a proposed activity will be initiated, conducted, operated, constructed/rehabilitated, repaired, replaced, or in any manner located in an entitlement area or on tribal lands, the non-entitlement unit of local government must demonstrate that no other alternative will provide greater benefit to the residents of the non-entitlement area.
- Financial participation must be in proportion to the share of expected benefits residents will receive. Additionally, evidence of affirmative outreach to non-entitlement area residents must be demonstrated in the marketing and communication plans.

Administration Expenses

Administrative expenses must directly relate to project activities. CDBG funds may be used to pay reasonable program administration costs related to the planning and execution of eligible activities funded in whole or in part by CDBG. Activities eligible under this category include citizen participation costs, fair housing activities, staff and overhead costs for project delivery and grant administration.

A maximum of eighteen percent (18%) of the aggregate total of all activities for which funding is requested can be charged to general administration and to eligible planning activities. If a community is implementing multiple activities, ADOH will enter into individual contracts for each activity; and each of the contracts will contain the general administration funds appropriate for and specific to that activity.

ADOH encourages all communities to apply for a reasonable and appropriate amount of administrative funding based on the activity type. Administrative funding will be awarded through the application and pre-award assessment process.

Communities must submit annual audits whether or not they received CDBG funds during the past year. This assists ADOH in determining whether technical assistance and guidance should be offered to the community, aiding it to implement a compliant CDBG project and avoiding future audit concerns.

Administration funds may be used by local governments and sub-recipients to pay for the proportionate share of an annual audit attributable to the expenditure of CDBG funds as documented by a written cost allocation plan.

CDBG Redistribution of Funds

If a community that is scheduled to receive funding chooses not to participate, or does not submit a viable and compliant application to ADOH, the allocation for that community will be returned to the SSP account. If the funding amounts scheduled for a community exceeds funding requests included in the application, the balance will be redistributed to the SSP account.

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ADOH will re-distribute any recaptured funds or de-obligated funds. These funds will be distributed as follows:

Recaptured Funds

- Recapture is the action of removing funds from a contract due to one (1) of the following two (2) types of circumstances: 1) recapture for non-compliance whereby ADOH determines that CDBG funds will not be used in compliance with the contract between ADOH and the recipient or in compliance with federal regulations; or 2) recapture for non-performance whereby recipient fails to perform according to the performance criteria outlined in the contract Scope of Work, the contract schedule and/or the performance criteria outlined in the text of the contract with ADOH.
- Recaptured funds will return to ADOH to be redistributed through the SSP account.

This language must be included in all MODs submitted to ADOH.

De-obligated Funds

De-obligation is the action of removing funds from a contract due to one (1) of the following: 1) the Scope of Work is completed using less CDBG funds than anticipated and leaving an unexpended balance; 2) the original allocation was a loan and the loan was paid back; 3) an activity was changed or cancelled (for reasons other than performance) resulting in excess funding; or 4) program income is received that is not programmed for use.

De-obligated funds may be rolled into an existing or new contract of the same funding year from which the funds will be de-obligated if they can be put under contract within sixty (60) days and used quickly. The community must have a positive performance record to be granted this approval.

If the above is not possible, the funds will return to ADOH to be redistributed through the SSP account.

CDBG Urgent Needs Grant Applications

When proposing an activity that meets the urgent need national objective, the applicant must document that it has no other financial resources available to meet the need. Additionally, all activities that propose to meet the urgent need national objective must meet community development needs that: 1) have a particular urgency; 2) pose a serious, immediate threat to the health or welfare of the community; and 3) and are of recent origin.

2014 CDBG Projected Goals

In conjunction with State priorities, ADOH proposes to fund approximately ten (10) projects associated with housing rehabilitation activities, twelve (12) public improvement projects, seven (7) public facilities, five (5) ADA improvement projects and four (4) planning activities.

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The State does not intend to assist non-entitlement units of general local government to apply for Section 108 guaranteed loan funds under 24 CFR part 270, subpart M.

HOME INVESTMENT PARTNERSHIPS PROGRAM METHOD OF DISTRIBUTION

The State expects to receive \$4,955,036 in new 2014 HOME resources.

The HOME MOD will be available statewide. ADOH makes available HOME funds through an application process. NOFAs are distributed throughout the year and include information describing the specific activities and amount of funding available for the activities for rental housing development, including CHDO activities. Applicants must meet threshold and underwriting criteria. Specific guidance is available in the State Housing Fund Summary and Application Guide which is updated on an annual basis and available on the ADOH website. Applicants that meet threshold, scoring and underwriting guidelines will advance to a funding review decision for final review and recommendation. The funding review is comprised of ADOH staff, risk assessment officers, administrators, assistant deputy directors and director. The actual geographic distribution of resources will be based in the number of applications received. ADOH will not hold funding availability or make concessions with regard to program threshold or underwriting in order to guarantee funding activities in geographic regions. HOME funds will be provided as grants and loans.

CHDO Method of Distribution

The HOME Community Housing Development Organization (CHDO) funds are distributed through the Rental Development NOFA, which also funds non-CHDO organizations. ADOH makes every attempt to promote an equitable geographic distribution of funds.

HOME Geographic Funding Objectives

ADOH anticipates approximate allocations of funding to each region, shown below. The actual geographic distribution of resources will be based on the number and quality of applications received. ADOH will not hold funding available or make any concessions with regard to program thresholds or underwriting in order to guarantee the funding of activities within a specific geographic region.

- Statewide CHDO set-aside: \$749,255
- Metro Area (Maricopa and Pima Counties): \$851,903
- CAG Region (Gila and Pinal Counties): \$789,674
- NACOG Region (Apache, Coconino, Navajo and Yavapai Counties): \$935,050
- SEAGO Region (Cochise, Graham, Greenlee and Santa Cruz): \$403,956
- WACOG Region (La Paz, Mohave and Yuma Counties): \$765,694

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HOME Activity Funding Objectives

ADOH will allocate new funding to the following activity in the approximate following amount:

- Rental housing development, including CHDO set-aside: \$3,495,532
- Owner-occupied housing rehabilitation (OOHR) outside of Pima and Maricopa Counties in Non-CDBG Entitlement communities: \$1,000,000

HOME Application Process

The State will make available owner-occupied housing rehabilitation funds through a competitive application process. Notification of funds availability for HOME funds will be announced and will include information regarding project eligibility, maximum funding amounts, application requirements, etc.

HOME funds set-aside for rental development are expected to be utilized as gap financing in projects that are successful in securing a competitive Low-Income Housing Tax Credit (LIHTC) allocation. Any remaining funds may be made available through a competitive process. If CHDO funds remain available, a NOFA strictly for CHDO projects may be released.

Only applications that meet completeness requirements and minimum thresholds are considered for funding. Applications that meet minimum thresholds are underwritten based on the following criteria as relevant to the proposed activity: 1) market need/demand; 2) management/capacity; 3) budget/financial analysis; 4) program design; and 5) all other financing is secured. Once it is determined that an application meets minimum underwriting standards, the application and underwriting results are forwarded to an ADOH funding review.

Performance Criteria for 2014-2015

Beginning with fiscal year 2014-2015, ADOH will apply new performance “threshold” criteria. To be eligible to apply for State Housing Funds the applicant (and all of its team members, with the exception of the applicant’s consultant) must meet the following performance criteria on all SHF contracts on the date the application is received by ADOH:

- All reporting required by ADOH is up to date.
- All monitoring findings have been cleared.
- All fees payable to ADOH are paid.
- Applicant Team is compliant with all current contracts.
- Applicant Team is in conformance with all original contract project timelines or has obtained ADOH approvals for revisions or amendments to their project timelines.

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- For all previously funded projects, environmental clearances have been obtained and scope of work has begun.
- Applicant Team has no existing contracts in which project completion reports and data have not been submitted and accepted by ADOH within sixty (60) days of a final draw.
- Applicant Team has no current contract in which funds have not been drawn for nine (9) months.

Applicant Team with contracts in their 24th or greater month:

- Performance: Scope of Work one hundred percent (100%) complete and contract close-out report received and approved; and
- Expenditure Rates: HOME and/or CDBG funds one hundred percent (100%) expended or de-obligated.

Applicant Team with contracts in their 18th to 23rd month:

- Performance: Scope of Work seventy-five percent (75%) complete and contract close-out report received and approved; and
- Expenditure Rates: HOME and/or CDBG funds seventy-five percent (75%) expended.

Applicant Team with contracts in their 12th to 17th month:

- Performance: Scope of Work fifty percent (50%) complete and contract close-out report received and approved; and
- Expenditure Rates: HOME and/or CDBG funds fifty percent (50%) expended.

Applicant Team with new contracts up to their 11th month:

- Performance: Scope of Work twenty-five percent (25%) complete; and
- Expenditure Rates: HOME and/or CDBG funds twenty-five percent (25%) expended.
- Applicant Team has no outstanding or unresolved contractual, property or beneficiary-related compliance issues.
- The applicant is an eligible party.
- The activity, project or property type is eligible.
- SHFs are budgeted for eligible uses.
- The proposed beneficiaries are eligible.
- The amount of SHF invested per unit does not exceed the program limits and is at least \$1,000/unit.

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- Applicant has certified that all development or rehabilitation will meet, at a minimum, all local building codes and the property is properly zoned for the proposed use and meets local ordinances.
- The applicant (and all of its team members) is not included on the Federal Excluded Parties List located at www.sam.gov.
- The Environmental Review requirements pursuant to 24 CFR Part 58, (up to Part III HUD Appendix A for Single Family Owner-Occupied Rehabilitation) are complete and an authority to use grant funds from HUD is provided to ADOH.
- All funding sources (loans, grants, fee waivers, land donations, etc.) must be secured with written binding commitments at application and the project must be scheduled to start within ninety (90) days of executing a Funding Agreement with the ADOH. Additionally, all applications will be required to meet the activity specific threshold criteria found in the SHF Program Summary and Application Guide published annually and available on the Department's website at <http://www.azhousing.gov/ShowPage.aspx?ID=453&CID=16>.

Other HOME Policies

Forms of Investment and Leveraging Funds

Applicants who receive a reservation of SHF must provide the funds to the direct beneficiaries in the form of a loan. The terms and conditions of each loan are determined on a project by project basis and may be:

- interest bearing or non-interest bearing;
- amortizing or non-amortizing;
- repayable or forgivable.

All loans are secured by Deeds of Trust and/or other appropriate lien instruments. Rental housing projects require the recording of Covenants, Conditions, and Restrictions ("CC&Rs"). These CC&Rs remain in place throughout the required period of affordability regardless of the status of the loan or changes in ownership.

HOME Match

The HOME program match liability is twenty-five percent (25%) (statutory requirement) of actual project expenditures during the program year, approximately \$1,123,883 million in 2014. The State currently has sufficient match carried over from previous years to meet its 2014 matching requirements. As needed, the State will supplement this with match funding from various sources.

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HOME Resale and Recapture Provisions

As outlined 24 CFR 92.254 of the HOME rule, there are provisions of resale or recapture. Although ADOH is not currently expending HOME funds for homebuyer activities, ADOH has chosen to use the recapture provision for HOME and/or matching funds to assist eligible homebuyers.

For homeownership programs, ADOH assistance shall be in the form of non-interest bearing, deferred payment loan secured by a deed of trust naming the State of Arizona as beneficiary. The assistance is forgiven upon completion of the affordability compliance period which is detailed in legal instruments associated with each homebuyer loan. If through voluntary sale the housing does not continue to be the principal residence of the homeowner for the duration of the affordability period, the assistance will be repaid in its entirety from the net sale proceeds. If the net sale proceeds are not sufficient to recapture the full amount of assistance plus enable the homeowner to recover the amount of their down payment, ADOH will share the net proceeds. The net proceeds are the sales price minus loan repayment amount (other than ADOH funds) and closing costs. ADOH will permit the homeowner to recover the homeowner's initial down payment before recapturing ADOH assistance. If during the period of affordability, the owner fails to occupy the housing as principal residence, the assistance will be repaid in its entirety. The amount of ADOH assistance that is subject to recapture is based on the amount of assistance that enabled the homeowner to purchase the dwelling unit. This includes any assistance that reduced the purchase price from a fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e. the development subsidy).

In the case of foreclosure or transfer in lieu of foreclosure, the primary lender is allowed to take the property without the affordability restrictions. As stipulated in the HOME regulations, ADOH will repay the HOME account if the assisted housing fails to meet the affordability requirements for the full affordability period without regard to the term of any loan or mortgage or the transfer of ownership, even in the event of foreclosure, transfer in lieu of foreclosure, or assignment to HUD.

HOME Security Instruments

Recapture restrictions shall be executed through one (1) or more of the following instruments, depending on the type of first mortgage instrument: 1) a due-on-sale provision inserted by a private mortgage lender with loan pre-payment penalties covering the amount of recapture as determined above. At the time of property transfer, pre-payment proceeds less processing costs due the State of Arizona shall be paid by the first mortgage lender. Due-on-sale provisions shall be executed through written agreements between the lender and the State of Arizona, and shall be accepted by the borrower at the time of first-mortgage loan origination; 2) land use restriction agreements and/or deed restrictions filed against the property acquired by the assisted homebuyer; and 3) deed of trust and promissory notes consistent with the non-interest HOME-financed loan filed on the property acquired by the assisted homebuyer.

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Affirmatively Marketing, Fair Housing and Minority Outreach (HOME Investments)

ADOH is committed to making every effort to ensure that HOME investments conform to affirmative marketing practices. ADOH has partnered with Socialserve.com for providing information on HOME and other federally-funded rental units. Socialserve.com is available in both English and Spanish and contains the equal housing opportunity logo on each webpage. Any publications produced by ADOH providing information on HOME-assisted rental units also are available in multiple languages and include the equal housing opportunity logo.

Through continuous compliance monitoring, ADOH ensures those properties that receive HOME investment funds are meeting the affirmative marketing and fair housing requirements. The monitoring inspections look for and verify that the HOME-assisted complexes have the equal housing opportunity logo clearly visible in the main office and are utilizing advertisements that include the equal housing opportunity logo or statement. In addition to being placed in general audience media sources, properties need to be advertised through a minority media outlet including newspapers, radio or television to actively market to minority populations. Complexes should have brochures and/or leaflets with unit information on site in the leasing office and distributed in various locations throughout the community.

In addition to reaching the general public and large numbers of minority populations, recipients of HOME funds need to perform specific outreach efforts to those who would benefit from the assisted units but may not know how to apply. ADOH monitors HOME recipients' marketing efforts to key community places including: local community organizations, places of worship, social service centers, employment centers, medical service centers and fair housing groups/advocate agencies.

If any area of affirmative marketing is not being performed, ADOH staff provides technical assistance to management and/or ownership as they work toward compliance with affirmative marketing, fair housing and minority outreach requirements.

Minority Business Outreach

ADOH requires all grantees to comply with procurement and labor standards requirements, including outreach to minority- and women-owned businesses. ADOH staff is available to provide technical assistance to any jurisdiction needing help identifying minority- or women-owned businesses. The State regularly compiles data on firms used by local jurisdictions to determine whether further outreach efforts are needed.

EMERGENCY SOLUTIONS GRANT METHOD OF DISTRIBUTION

The State expects to receive \$1,414,251 in FY2014 ESG resources. ESG Funding for Street Outreach Essential Services and Temporary Emergency Shelter will not exceed the sixty percent (60%) of the FY2014 grant amount.

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Administration

The DES retains seven and one-half percent (7.5% or \$106,069) of the grant award for administrative costs.

Street Outreach Essential Services

Funding for Street Outreach Essential Services will be used to engage the un-housed homeless population and encourage individuals experiencing homelessness to enter into temporary emergency shelter or permanent housing. These awards may be used for essential services that include engagement, assessment, case management and connection to emergency health and mental health services. Street Outreach Essential Services provide pathways to permanent housing for individuals and families experiencing homelessness. Approximately \$130,818, or ten percent (10%), of available funding, after administrative retention, will be dedicated Street Outreach activities.

Street Outreach funds will be used to make, and continually develop, contact with unsheltered individuals and families who are experiencing homelessness and may be living in places not meant for human habitation. Providers will connect individuals with mainstream resources, conduct assessments and develop case plans to the extent that is possible.

Temporary Emergency Shelter

Temporary Emergency Shelter funding will be used to provide immediate, short-term shelter for individuals and families experiencing homelessness, to conduct assessments and develop housing stability case plans. Funds to support essential services are provided for individuals and families experiencing homelessness in order to address emergency needs while promoting independent living and self-sufficiency as rapidly as possible. Temporary Emergency Shelter funds may also be used to support shelter operations including maintenance, security, fuel, insurance, food and supplies. Approximately \$654,091, or fifty percent (50%) of available funds after administrative retention, will be dedicated for Temporary Emergency Shelter services.

Homelessness Prevention

Efforts to support Homeless Prevention activities in the thirteen (13) counties that make up the Balance of State will continue being supported by unspent ESG funds from prior years as well as approximately seven percent (7%) of FY2014 funding which equals \$91,573. In Maricopa and Pima Counties the State will focus funding on Rapid Re-Housing while working with other ESG jurisdictions to fill gaps in services in those communities.

Rapid Re-Housing

In order to align with the State's housing priorities and to address growing needs for Rapid Re-Housing in all communities throughout the state, approximately thirty-seven percent (37%), or approximately \$484,027 of ESG funding, after administrative retention, will be dedicated to

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Rapid Re-Housing programs. Rapid Re-Housing provides housing relocation and stabilization and financial assistance services for homeless individuals and families including payments to housing owners, utility companies and other third parties for the following costs: rental application fees, security deposits, last month's rent, utility deposits, utility payments (including up six (6) months of rent and utility arrears) to support homeless individuals and families in order to move as quickly as possible into permanent housing and to achieve stability in that housing.

Other

Ending Chronic Homelessness

DES may designate ESG funds for special projects targeting veterans and chronically homeless such as Project H3 Vets in Maricopa County and special projects in Pima County to address and ultimately end chronic homelessness.

Target and Priority Populations

ESG funds provide services for individuals and families where the head of household has a primary nighttime residence that is a public or private place not meant for human habitation or is living in a publicly or privately operated shelter designated to provide temporary living arrangements; including congregate shelters, transitional housing and hotels or motels paid for by charitable organizations or by federal, state and local government programs. Sixty percent (60%) of ESG Rapid Re-housing and Homeless Prevention funds are intended to serve priority populations that meet one (1) or more of the following criteria: individuals and families experiencing chronic homelessness, have a disability, are experiencing substance abuse issues, have been released from an institution or a substance abuse facility, is or has aged-out of child foster care, is a youth eighteen (18) to twenty-four (24) years of age, is a Veteran or is sixty-two (62) years of age or older.

Other ESG Policies

ESG Match

ESG funds require a one hundred percent (100%) match. Federal regulations allow the first \$100,000 expenditure of ESG to be unmatched. The total minimum match that will be provided for the ESG grant is \$1,208,182. Matching funds are provided in a variety of ways including any federal source other than ESG, as well as state, local and private sources of funding, as long as the source of those funds does not prohibit those funds from being used to match ESG and ESG funds are not being used to satisfy the matching requirements. Matching funds can also include non-cash contributions that would have been allowable costs under ESG, services provided by individuals up to the value that the recipient organization would have had to pay for those services and program income used to pay for the costs otherwise eligible for ESG funding. Match sources will include CSBG which provides rent and utility assistance, TANF which provides emergency housing, rent and utility assistance for families with children and LIHEAP

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which provides utility assistance. Sub-recipients will be required to track and report on amounts and use of these funds as well as cash, non-cash and in-kind contributions.

ESG Contract Renewals and method of distribution

Updated budgets, certifications and descriptions of activities to be funded by ESG will be submitted to the DES for the renewal period. The updated information submitted will be reviewed and approved, where necessary to assure compliance with ESG requirements.

The DES will award contracts through a competitive request for proposal (RFP) process. Proposals are reviewed by a panel comprised of internal staff, Continua of Care and community partners. Proposals are assessed using the rating system published in each RFP. The rating system may include service methodology, experience and expertise, cost and other factors deemed relevant.

ESG Geographic Funding Objectives

ESG funding will be targeted to provide Street Outreach Essential Services, Temporary Emergency Shelter Services, Homeless Prevention and Rapid Re-housing services statewide. ESG funds for Homeless Prevention will support activities in the thirteen (13) counties that make up the Balance of State.

Outcomes

In the FY2015, approximately 14,500 people are anticipated to be served using ESG funding for Emergency Shelter and Street Outreach Essential Services. Additionally, 1,100 to 1,250 households are expected to be served through Rapid Re-Housing activities.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS METHOD OF DISTRIBUTION

The HOPWA allocation for FY2014 is \$230,855.

Administration

A total of ten percent (10%) of the grant award will be used for administration. Three percent (3%) will be used by ADOH and seven percent (7%) will be used by project sponsors.

Program Activities

The remaining ninety percent (90) of the grant award will be spent on rental assistance and direct service provision. ADOH will contract with housing providers to administer the HOPWA program within the thirteen (13) non-entitlement counties. Contracts will be reviewed annually, with additional proposals solicited as necessary. Project sponsors are selected by

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ADOH after extensive outreach efforts to local governmental entities, non-profits and grassroots organizations.

In FY2014, ADOH will contract with Mohave County Community Services (MCCS), Northland Cares and Northern Arizona Regional Behavioral Health Authority (NARBHA) to administer the HOPWA program within six (6) of the thirteen (13) non-entitlement counties. MCCS and Northland Cares have been administering HOPWA for several years and administer the Ryan White funding in addition to HOPWA. NARBHA is a private, not-for-profit managed care corporation who was contracted by ADOH in 2012 to increase services in Navajo and Apache counties through tenant based rental assistance (TBRA).

MCCS serves Mohave County with supportive services and TBRA. Northland Cares, a non-profit, grass-roots organization serves Coconino, Gila and Yavapai counties with supportive services and short term rental, mortgage and utility assistance (STRMU). ADOH continues to explore the possibility of adding a provider for the southwestern part of the state when funding is available. With improvements in drug therapies and medical care reducing the number of deaths from AIDS; there are now more people living with the HIV disease than ever before.

Outcomes

In the FY2014, approximately ninety (90) people are anticipated to be served using available HOPWA funds. Two-thirds (2/3) of the funding will be spent for housing assistance, most for tenant-based subsidies, while the remaining one-third (1/3) will be used for supportive services.

GEOGRAPHIC DISTRIBUTION OF FUNDS

The ADOH distributes funding across the state to many agencies under each of the program categories. Therefore, geographic distribution of activities is widely varied, but program funds are targeted for low- income persons and/or take place in or near a low-income area. The location of an activity largely depends on the type of activity.

As a function of its planning processes, the ADOH routinely considers economic and statistical data in its analysis. Arizona's areas of highest minority household concentration lie along Arizona's border with Mexico and on Arizona's twenty-two (22) Indian reservations. ADOH directs all its resources statewide with the exception of HOPWA & CDBG.

Arizona is one (1) of the four (4) states with communities that meet the definition of colonias. HUD and the United States Department of Agriculture (USDA) define colonias as non-metropolitan, unincorporated neighborhoods and incorporated communities within 150 miles of the United States and Mexico border in California, Arizona, New Mexico and Texas that lack sewer, water or decent housing – or a combination of all three (3). Eligible colonias will be encouraged to participate in the application round for Colonias Set Aside funding.

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ADOH makes all of its programs available to eligible low- and moderate-income residents regardless of sex, race, religious background or disability. As a result, all programs will be available to residents statewide through local governmental and non-profit organizations.

GEOGRAPHIC CONCENTRATIONS OF RACIAL AND ETHNIC SUBPOPULATIONS

ADOH will direct funds to areas of minority concentrations. The majority of persons of Hispanic descent reside in the SEAGO region. Within that region, Santa Cruz County has the highest percentage of Hispanic persons, with eighty point nine percent (80.9%) Hispanic persons. However, Cochise County had the highest number of Hispanic persons (40,165 Hispanic persons).

The majority of persons of African American or Black descent reside in the Maricopa Area Governments (MAG) region (four point one percent (4.1%)) and Pima Area Governments (PAG) region (three point one percent (3.1%)).

The majority of persons of American Indian and Alaskan Native descent resided in the NACOG region (twenty-six point nine percent (26.9%)). Within that region, both the highest number and the highest proportion of American Indian and Alaskan Native persons resided in Apache County, with a total of 51,055 persons or seventy-three point two percent (73.2%) of the county population.

REMOVAL OF BARRIERS TO AFFORDABLE HOUSING

The primary barrier to affordable housing development remains the gap between housing costs and incomes. Barriers to affordable housing are created by market, infrastructure, environmental and governmental factors.

Barriers may result in housing that is not affordable to low-income households or an inadequate supply of housing. Some potential barriers or constraints to the development of affordable housing that ADOH identified are as follows:

URBAN AREAS

- Availability of financing
- Limited funding
- High land cost/availability of land
- High labor and material costs
- Zoning

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- Lack of infrastructure
- Lack of knowledge of fair housing laws

NON-URBAN AREAS

- Limited funding
- Wage gap
- Lack of employment opportunities
- Lack of infrastructure
- Availability of financing
- Lack of local capacity
- High land cost/availability of land
- Lack of knowledge of fair housing laws

ADOH is committed to removing or reducing barriers to affordable housing whenever possible and has recommended the following policies and actions to address barriers:

- Provide professional education and technical assistance to local governments to address barriers to housing affordability. ADOH staff, in all program areas, are available to provide technical assistance upon request. Additionally, ADOH offers training on housing and community related issues annually through its Housing Forum held each September.
- Fund on-going Fair Housing Education.

OBSTACLES TO MEETING UNDERSERVED NEEDS

There are several obstacles Arizona will face in implementing the five (5) year strategies. The limited amount of funds available to meet the many needs of Arizona residents is possibly the most significant barrier. Recent federal and state cutbacks in social services programs will limit the amount of assistance that can be provided over the next five (5) years.

There remain a number of significant obstacles to meeting underserved needs in Arizona:

- Rapid population growth.
- Inadequate funding to acquire and rehabilitate all existing housing units in need of repair.
- Lack of knowledge of social services and service providers in Arizona for low-income residents.

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- Lack of funding to address the huge amount of unmet need that exists for affordable housing, infrastructure and facility improvements and social services.
- Absence of service providers: the geographically expansive service areas in rural Arizona make it nearly impossible for providers to maintain a consistent, physical presence in most communities; this is further complicated by the limited ability of many low-income residents to travel for services.
- Lack of capacity in existing agencies: many service providers experience higher than average attrition rates among their employees; recruitment and retention of staff continues to be a challenge.
- Lack of consensus: stakeholders within a particular jurisdiction often do not agree on priority needs and this can lead to little action.

FOSTER AND MAINTAIN AFFORDABLE HOUSING

ADOH will continue to foster and maintain affordable housing in Arizona through multiple programs designed to provide low- and moderate income households with affordable and sustainable rental and ownership opportunities.

INSTITUTIONAL STRUCTURE

PLAN IMPLEMENTATION

ADOH is a department of Arizona State government. ADOH is headed by a Governor-appointed director who oversees all activities of the agency, including the provisions of this plan. The activities prescribed in the plan are implemented primarily by partners, including local governmental entities (towns, cities, counties), public housing authorities, non-profit and for profit entities and tribal entities. Awards of state and federal grants and loans are based on the ability of an entity to demonstrate the capacity to undertake eligible activities through a written application process. ADOH works in conjunction with the four (4) COGs to develop a plan for the targeting and distribution of CDBG funds.

Non-Profit Agencies

ADOH provides funding to non-profit agencies located in Arizona that serve low-income households. These non-profits provide assistance for affordable low-income housing to special needs and homeless populations.

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Private Sector

The private sector is an important collaborator in the services and programs associated with the federal grants for housing and community development. The private sector brings additional resources and expertise that can be used to supplement existing services or fill gaps in the system.

Lenders, affordable housing developers, business and economic development organizations and private service providers offer a variety of assistance to residents such as health care, small business assistance, home loan programs and supportive housing, among others.

Tribal Communities

The State of Arizona has twenty-two (22) federally recognized tribes located within the conformed boundaries of the state. The tribes within Arizona are vastly different from one another and are recognized as self-governing entities that regulate laws under their respective tribal jurisdictions. Tribes in Arizona vary in size from the largest federally recognized tribe, Navajo Nation, which is located in four (4) states that include Arizona, Utah, New Mexico and Colorado, and totals sixteen (16) million acres and 280,000 in population. The smallest tribe in Arizona is the Tonto Apache, located in Payson, with a current land base of seventy-five (75) acres and a population of 122.

Within Arizona, sixteen (16) tribes currently receive a formula-driven grant known as the Indian Housing Block Grant for development and maintenance of existing housing. The formula-driven grant was enacted in 1996 and is based on various factors that include population, poverty, current assisted stock and overcrowding conditions. These funds are received on an annual basis by the tribe or tribal-designated housing entity and can be used for a number of activities.

Arizona Public Housing Authority

ADOH operates the Arizona Public Housing Authority (PHA). Information derived from operating the PHA provides an accurate and recent view of public housing needs and trends for which planning efforts can be designed to address. The responsibilities entail administering a Housing Choice Voucher Program (HCVP) for Yavapai County. HCVP provides rental subsidy payments for approximately 159 very low-income households. Of the 159 vouchers, seventy (70) are restricted to assist homeless veterans through the VASH program. ADOH works closely with the Veterans Administration Medical Center to identify those in need. The PHA also administers approximately eighty-six (86) portable vouchers for Section 8 participants porting in from housing authorities throughout the country. The Arizona PHA also has a competitively-awarded contract to operate the Section 8 project-based program throughout the state, which entails administering approximately 114 HUD-subsidized rental properties, comprised of over 8,000 rental units. Through this program, participating properties are

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subsidized, allowing very low-income tenants to pay approximately thirty percent (30%) of their incomes toward rent.

Coordination

ADOH is committed to continuing its participation and coordination with federal, state, regional and local agencies, as well as with the private and non-profit sector, to serve the needs of low-income individuals and families in the community.

GAPS IN THE DELIVERY SYSTEM

The effectiveness of implementing activities by contracting with outside agencies is dependent upon the capacity of the agencies conducting the activities and the expertise of ADOH staff in administering the contracts. Each contract is assigned a Program Specialist to oversee the progress and distribute funding. The Program Specialist is the primary point of contact for the implementing agency. Gaps in delivery exist most often at the implementation level. ADOH staff works collaboratively with local contracting organizations to remove gaps in the delivery system of provision of services and successful completion of projects.

GAPS IN PUBLIC HOUSING

While ADOH and the PHA do not own or manage any public housing, the PHA has monitoring and compliance oversight of approximately 114 federally-financed properties (through a competitively awarded contract from HUD), 159 Section 8 Housing Choice Vouchers, and approximately eighty six (86) port-in vouchers. The HCVP, administered by the agency, is an extremely small program confined to Yavapai County and one that requires in-kind contributions from the state to administer. ADOH encourages partnerships with local public housing authorities by making all of its resources available for them to access. ADOH will continue to encourage public housing authorities to develop new alternatives to public housing, as well as to preserve and modernize rental housing stock. In recent years, many public housing authorities have been increasingly successful in utilizing ADOH-administered housing tax credit resources for the expansion and preservation of housing stock. There is a need to encourage public housing residents to become more involved in management and participate in homeownership.

ANTI-POVERTY STRATEGY

ADOH has an anti-poverty strategy that is based on revitalizing the State of Arizona's existing housing stock to provide safe and decent places to live, and supporting community organizations and local agencies that provide various services that promote income and housing stability.

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ADOH's approach for reducing the number of poverty level families includes: 1) addressing the needs caused by poverty; 2) increasing the supply and availability of decent, safe, and affordable housing necessary for low income families; and 3) increasing the effectiveness of existing programs through better collaboration and increased efficiency of implementation. While ADOH is focused on the provision of affordable housing and needed community development programs and projects, especially in rural areas of Arizona, ADOH works with and encourages job retention, training, and creation through the use of programs by other state agencies, local jurisdictions and non-profit organizations.

Further, recognizing the collaborative relationship between affordable housing and human, social and supportive services, ADOH has established, and continues to strengthen, partnerships with the DES, the Community Services Administration, the Family Assistance Administration, the Aging and Adult Administration, the Arizona Early Intervention Program, the Arizona Department of Health Services, the Arizona Health Care Cost Containment System, the Arizona Department of Veterans Services, the Arizona Commerce Authority and the Governor's Office for Children, Youth and Families.

LEAD-BASED PAINT HAZARD REDUCTION

ADOH has adopted long-term goals to promote affordable housing and community development. These goals, as applied to lead-based paint hazards, become ADOH's lead-based paint strategy. Arizona's strategy objectives are:

- Collaborate with local cities and counties to reduce housing-related lead-based paint hazards, especially for low-income families and children.
- Review its residential rehabilitation guidelines to include a risk assessment for lead-based paint being part of every home inspection.
- ADOH will refer families with children to Arizona Department of Health Services, Office of Environmental Health for blood testing if lead-based paint is found in units proposed for rehabilitation.
- The Arizona Department of Health Services maintains the lead exposure registry for Arizona. The program develops lead poisoning prevention programs, investigates cases with elevated blood lead levels and conducts educational outreach activities.

In recent years, ADOH has undertaken a wide range of activities to address the problem of lead-based paint in the housing stock. The Arizona Lead Poisoning Screening Coalition and the Arizona Department of Health Services recommends screening children six (6) years of age and younger according to the Childhood Lead Poisoning Targeted Screening Plan. These steps will hopefully prove important in assuring the long-term health and stability of lower-income children who are living in substandard housing.

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In FY2014, ADOH plans to fund lead-based paint hazard reduction primarily through housing rehabilitation programs for owners and renters.

AFFIRMATIVELY FURTHERING FAIR HOUSING

ADOH shall require that all HOME grantees carrying out HOME activities addressing rental or homeownership projects of five (5) or more units adopt and follow these same policies and procedures as outlined below. For rental projects that limit tenant eligibility or have a tenant preference in accordance with 92.253 (d)(3), grantee shall submit affirmative marketing procedures that apply in the context of the limited/preferred tenant eligibility for the project.

ADOH RESPONSIBILITIES

ADOH shall apply these procedures to its own marketing efforts and will inform the public, potential tenants and owners about this policy through:

- Placement of this policy on ADOH's website.
- Providing technical assistance through training and written information to owners or developers of housing assisted through ADOH's programs.
- Annually reviewing the marketing activities of recipients of fund assistance to ensure compliance with the previously approved marketing plan.

PROJECT OWNER RESPONSIBILITIES

The following requirements apply to any owner/developer of multi-family housing projects consisting of five (5) or more units and to owners/developers of single family homes who developed five (5) or more units in the previous twelve (12) month period OR who plan to develop five (5) or more units within the following twelve (12) months. ADOH requires the utilization of affirmative fair housing marketing practices in soliciting renters or buyers, determining their eligibility, and completing all transactions. All owners must comply with the following requirements for the duration of the applicable compliance period.

ADVERTISING

Local city, county and non-profit recipients will be required to inform the public of the program and their proposed activities through advertisements and announcements in the local media. The Equal Housing Opportunity logo or slogan must be used in all signs, ads, brochures and written communications. Advertising media may include, but is not limited to, any local newspaper, radio or television station, brochures, leaflets, bulletin boards, project signs or other housing organizations.

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FAIR HOUSING POSTER

Owners must display the HUD fair housing poster in all rental offices and locations where potential tenants may likely come to apply for housing.

PROJECT SIGN

Owners must post in a conspicuous position on all project sites a sign displaying prominently either the HUD approved Equal Housing Opportunity logo or slogan or statement.

SUBMISSION OF AN AFFIRMATIVE FAIR HOUSING MARKETING PLAN

Owners shall submit a Form HUD-935.2A for multifamily projects or Form HUD-935.2B for single family projects. Refer to the Affirmative Fair Housing Marketing Plan Applicants Guide for detailed instructions regarding the submission of the plan.

TRAINING

Owners must maintain a non-discriminatory hiring policy and must at least annually instruct all employees and agents in writing and orally of this policy and in fair housing.

RECORD KEEPING

Owners must maintain a file at each project office which contains documentation of all marketing efforts (copies of newspaper ads, memos of phone calls, copies of letters, brochures, flyers, etc). The marketing file must also include the approved Form HUD-935.2A or Form HUD-935.2B and the letter from ADOH that specified approval of the plan. These records must be available for inspection by ADOH upon request. These records must be retained for a period of five (5) years.

TENANT LIST

Owners must maintain a listing of all tenants and applicants. The list must include the unit number, if applicable, the tenant/applicants race, whether they utilize or are seeking an accessible unit, whether they have children and how they became aware of the availability of the unit(s).

TIMING OF ASSESSMENT

ADOH will annually review the marketing activities to determine compliance with the previously approved plan.

ASSESSMENT PROCEDURE

The marketing activities will be assessed by ADOH through a variety of methods including, but

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not limited to, review of records in the marketing file and examining the number of referrals received from community or minority organizations, the number of calls, visits or walk-ins due to outreach or advertising. The assessment will also include a comparison between the project's tenant waiting list and the housing market area to determine if the marketing is adequately reaching those groups that were previously identified in the plan.

Owners are required to make good faith efforts to design and implement an AFHMP to retain marketing documents, maintain accurate files, to participate in the annual review and to implement changes in plans when corrections are required. Owners must keep the signed approval letter with the AFHMP at all times. Failure to comply with any of the requirements in this policy may lead to corrective actions up to and including being prohibited from further participation in ADOH programs.

AFFIRMATIVE MARKETING

ADOH requires adherence to Executive Orders 11625 and 12432 (concerning Minority Business Enterprise), and 12138 (concerning Women's Business Enterprise). Consistent with HUD's responsibilities under these Orders, the recipient must make efforts to include, to the maximum extent possible, minorities and women, and entities owned by minorities and women in all contract activity. The State has been informed that the MBE/WBE/DBE report (HUD-2516) is not mandatory for states, however, the State captures this data and makes it available to HUD upon request. Recipients are contractually obligated to maintain documentation and data on the steps taken to implement outreach programs to minority-owned and women-owned businesses including data indicating the racial, ethnic or gender character of each business entity receiving a contract or subcontract to be paid with HOME funds; the amount of the contract or subcontract; and documentation of the steps to assure that minority- and women-owned business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Lists must be compiled of all minority- and women-owned business enterprises within the recipient's political jurisdiction.

MONITORING PLAN

The State of Arizona has developed a monitoring system to ensure that the activities carried out in furtherance of the Plan are done so in a timely manner in accordance with the federal monitoring requirements of 24 CFR 570.501(V) and 24 CFR 85.40 and all other applicable laws, regulations, policies, and sound management and accounting practices. The objectives of the monitoring plan are described in more detail in the 2010-2014 Consolidated Plan.

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COMMUNITY DEVELOPMENT BLOCK GRANT MONITORING PLAN

ADOH staff conducts desk monitoring during all phases of each project based on a combination of a risk analysis and random sampling. Documented desk monitoring includes a detailed application review of national objectives, eligible activities, cost reasonableness, anti-speculation, citizen and public participation and certifications; requests for payment; environmental review; procurement and contracting; acquisition; construction bids/contracts; labor standards including weekly payrolls and employee interviews; Section 3; housing rehabilitation guidelines; homeownership assistance guidelines; and sub-recipient agreements, closeout reports and audits. Grantees are notified, in writing, regarding result of the review, compliance and/or due dates for corrective steps.

Through the pre-award assessment process, recipients are informed of expectations and requirements of the contract and may require a contract set up meeting. Repeat recipients who have demonstrated good capacity for project delivery and expenditure may not require a contract set up meeting. Throughout the contract period, staff is available to provide technical assistance to the recipients as necessary.

In addition to desk review of documentation such as progress reports, procurement procedures, environmental review records, etc., staff typically schedules at least one (1) site visit for each recipient on an annual basis. However, for some CDBG projects it is unnecessary to perform more than one (1) on-site monitoring due to the scope of the project (i.e. purchase of fire equipment or public service activities such as staffing salaries for a domestic violence shelter, etc.). Staff will also conduct an on-site monitoring visit as part of a contract close-out.

The on-site visit consists of a one (1) or two (2) day visit to the recipient agency to review records, inspect the project's progress in completing required activities and meet with staff responsible for the project. On-site monitoring visits include the following components: entrance/exit conferences, documentation/file review and viewing of the project (as applicable). Within thirty (30) days of an on-site monitoring visit, staff will provide written monitoring comments to the recipient in the form of a follow-up letter. The letter includes, at a minimum, the date of review and those present during the review; results of the monitoring (satisfactory performance, concern, or finding); a statement describing the basis for each conclusion; instructions on what the recipient must do to address any area of concern or finding; and a deadline by which the recipient must respond. In extreme cases of noncompliance, staff must determine that an additional on-site monitoring visit is necessary before an issue can be adequately resolved. In all cases, staff will work with recipients to come to a satisfactory resolution.

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HOME INVESTMENT PARTNERSHIPS PROGRAM MONITORING PLAN

ADOH staff conducts desk reviews and on-site monitoring of recipients of HOME funds to assure compliance with applicable laws, regulations and policies that govern the program. During 2014, recipients will submit bi-monthly (OOHR projects submit quarterly) reports regarding the program/project progress, as well as federally-mandated reporting information such as matching contributions, contracts let to minority and women owned businesses and statistics on any relocations.

As part of on-going technical assistance to recipients, staff is available to meet with recipients as necessary. Recipients who have not previously contracted with the ADOH for funding or who are engaging in a new activity may be required to attend a pre-contract meeting. Staff also makes themselves available for additional meetings and technical assistance visits as necessary throughout the open contract period.

In addition to reviewing bi-monthly or quarterly reports, staff schedules at least one (1) onsite visit for each recipient of HOME dollars on an annual basis. Since most HOME contracts are typically open from a period of twelve (12) months to two (2) years, most contracts will receive at least two (2) monitoring visits – one (1) of which is scheduled when the project or program is near or at completion. Each monitoring visit generally involves a one (1) to two (2) day visit to the recipient agency to review records, inspect the program/project's progress in completing required activities and to meet with staff responsible for the HOME funded program/project.

On-site monitoring visits shall include the following components: entrance/exit conferences, documentation/file review and viewing of the project (as applicable). Within thirty (30) days of an on-site monitoring visit, staff will provide written monitoring comments to the recipient in the form of a follow-up letter. The letter shall, at a minimum, include date of review and those present during the review; results of the monitoring (satisfactory performance, concern, or finding); a statement describing the basis for each conclusion; instructions on what the recipient must do to address any area of concern or finding; and a deadline by which the recipient must respond. In extreme cases of non-compliance, staff shall determine that an additional on-site monitoring visit is necessary before an issue can be adequately resolved.

Staff will work with recipients to the greatest extent possible to come to a satisfactory resolution in areas where recipients are in non-compliance or when on-site monitoring visits have resulted in findings. Deadlines are set and recipients are expected to bring their program/project into compliance. ADOH exhausts all possible avenues to bring a recipient's contract into compliance, but the matter may be determined by the Department to be an "unresolved issue" or "out of compliance". Any recipient with an "unresolved" or "out of compliance" issue may be barred from further funding from the State Housing Fund program (HOME and/or Housing Trust Funds). A recipient who has been barred from future funding due to "unresolved" or "out of compliance" issues may appeal the decision in one (1) of two (2) ways: 1) by resolving the issue to the ADOH's satisfaction; or 2) providing a detailed plan of action in the area(s) of

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concern that describes the procedures to recipient put into place to alleviate any future possibility of non-compliance. ADOH, in its sole discretion, may reject such plans of action if it is deemed insufficient in alleviating the Department's concerns about future performance and compliance.

EMERGENCY SOLUTIONS GRANT MONITORING PLAN

The DES will review contracts and validate for environmental clearance prior to providing approval and expenditure and reimbursement of ESG funds. For new ESG agencies contracting with DES, an on-site visit will be conducted after the contract is awarded. ESG resources and program reports are monitored quarterly. Quarterly program reports attached to fiscal claims for reimbursement are designed to capture client data, average number of bed nights, activities, fiscal expenditures billed, and types and sources of match. A formal desk review will be completed annually and a written report prepared with findings and recommendations identified for corrective actions, if necessary. At least every three (3) years, each ESG provider will receive a monitoring site visit and a written report prepared with findings and recommendations for corrective actions, if necessary. Completion of corrective actions with specific timelines for completion are required and verified by DES.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS MONITORING PLAN

ADOH contracts and monitors for compliance with annual performance relative to HOPWA requirements. On-site visits are conducted and program reports are required on an annual basis. Program reports are designed to capture client data and activities, while fiscal expenditures are billed monthly. Annually each HOPWA grantee receives an on-site monitoring visit and a written report with finding and corrective actions, if necessary. This visit also provides an opportunity for on-site programmatic technical assistance. Completion of corrective actions with specific timelines are required and verified by the Department.

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APPENDIX A PUBLIC COMMENT AND RESPONSE

Public Participation

ADOH staff encouraged citizen participation throughout the development of the Consolidated Plan by consulting local organizations, holding public meetings and encouraging public comment during the public review period. A public hearing was held at 4:15 p.m. on September 19, 2013 at the ADOH Housing Forum at the Talking Stick Resort, to receive comments on housing and community development needs in the state. Information from this meeting was used to draft the 2014-2015 Action Plan. A draft of the 2014-2015 Action Plan was made available to the public for a thirty (30) day comment period beginning April 1, 2014 and ending May 1, 2014. During this comment period a second public hearing was held at 4:00 p.m. on April 15, 2014 at the ADOH offices.

Notices for the public hearing were posted on the ADOH website and advertised in the following papers at least seven (7) days prior to the meetings: Arizona Republic, Kingman Daily Miner, Arizona Daily Sun (Flagstaff), Yuma Sun and the Arizona Daily Star (Tucson). The same notices were sent by email to partner communities, counties, regional councils of government, non-profit and for-profit entities. ADOH staff formulated the objectives and outcomes that are briefly described below.

Public Comment and Response

First Public Meeting

1. Why is there no HOME set aside for owner-occupied housing rehabilitation projects? Great need in the rural areas to preserve housing and doesn't know that there's a great need for rental housing in rural areas. Afraid if we don't have HOME for owner-occupied housing rehabilitation that we will kill a lot existing programs due to a gap in funding.
2. Support for first priority to be for housing for very low and extremely low income households for rental housing.
3. Laudable goal to have very low rents, but rents generated do not cover debt and operating expenses. Significant gap financing would be needed.
4. Subsidized rental unit wait lists continue to grow and the wait is significant. Financing needs are great for more units. They have a need for resources to purchase vans for transportation for their elderly housing properties to take residents to services and entertainment.

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Second Public Meeting

1. We need to advocate for the restoration of the Housing Trust Fund.
2. Great need in the rural areas for owner-occupied housing rehabilitation.
3. Metropolitan areas should use their own HOME allocations for LIHTC gap financing.
4. Can we incentivize rural areas to receive HOME funds for LIHTC gap financing?

Written Comments Received (attached in Appendix D)

The City of Coolidge sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation and also to suggest that HOME thresholds be modified to be consistent with CDBG.

The City of Apache Junction sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

The City of Casa Grande sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

The City of Prescott Valley sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

Northern Arizona Council of Governments sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

City of Bullhead City sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

City of San Luis sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

Lake Havasu City sent correspondence in support of allocating HOME funds for Owner-occupied Housing Rehabilitation.

Response to Public Comments

In response to public comments ADOH revised the draft 2014-2015 Annual Action Plan as follows: HOME allocations were revised to add \$1,000,000 for Owner Occupied Housing Rehabilitation for non-CDBG Entitlement areas outside of Maricopa and Pima Counties. Threshold criteria for competitive HOME allocations were revised to be consistent with the CDBG threshold Criteria.

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APPENDIX B

PRIORITY FOR FIVE (5) YEAR GOALS

Activity	Priority	Five (5) Year Goal
Public Facilities and Improvements		
Water system improvements	High	7 projects
Wastewater system improvements	High	7 projects
Solid waste disposal facilities and equipment	Low	-
Road/street improvements	High	10 projects
Flood and drainage improvements	High	5 projects
Other Public or Privately owned utilities	Medium	1 project
Fire and Police Protection Facilities		
Fire/police station construction	Medium	1 project
Fire trucks	Medium	2 projects
Firefighting equipment	Medium	2 projects
ADA/ROB Accessibility Improvements for Fire/Police station facilities	Medium	1 project
Community/Supportive Housing Facilities		
DA/ROB improvements as a standalone activity for any community/supportive housing facility (including parks, playgrounds etc. and libraries, youth centers, community centers etc.)	High	5 projects
Parks, Playgrounds and other Recreational Facilities (for use by local residents)	Low	-
Libraries	Low	-
Community Facilities (e.g. Community Center, Sr. Center,)	Medium	7 projects
Other Neighborhood facility (e.g. youth center, Library)	Low	-
Senior centers	High	6 projects
Social service centers	Low	-

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Activity	Priority	Five (5) Year Goal
Food banks	Medium	1 project
Physical or psychological disabilities facilities	Medium	1 project
Homeless facilities	High	1 project
Supportive housing facilities (DV shelters, halfway houses, housing for disaster victims, hospitals, etc.)	Medium	1 project
Public Services		
Child care	Low	-
Health care	Medium	2 projects
Public safety services	Medium	2 projects
Fair housing activities	High	3 projects
Services for seniors	High	3 projects
Services for homeless persons	High	3 projects
Equipment used in the provision of any of the above services	High	3 projects
Emergency assistance (utility, rent, mortgage) not to exceed a single 3 month period	High	3 project
Large-print books, tapes, and audio visual for adults with severe disabilities	Low	-
Lead hazard screening	High	3 projects
Housing		
Owner-occupied housing rehabilitation	High	25 projects
Rental housing rehabilitation	High	2 project
New Rental Housing	Medium	3 projects
Public housing rehabilitation and modernization	Low	3 projects
Homeownership assistance (DPA, closings costs, counseling, interest rate write downs, etc.)	Low	-
Construction of new housing by a CBDO	Low	-
Lead-based paint evaluation or reduction (as part of OOHR)	High	10 projects

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Activity	Priority	Five (5) Year Goal
Rapid Re-housing	Medium	1000 persons
Economic Development (tied to job creation or retention)		
Direct assistance to for-profits (businesses)	Medium	1 project
Economic development services	Medium	1 project
Micro-enterprise assistance (businesses)	Medium	1 project
Neighborhood Revitalization and Redevelopment		
Historic preservation	Medium	2 projects
Acquisition, disposition, clearance, or demolition of real property (specific criteria apply)	Medium	1 project
Commercial/industrial rehabilitation	Medium	2 projects
Planning and Capacity Building		
Comprehensive Plans	Medium	1 projects
Community development plans	Medium	2 projects
Housing plans and other such functional plans in certain areas (land use, transportation, historic preservation etc.)	High	5 projects
Neighborhood revitalization strategy	Medium	1 project
Policy, planning, management, and capacity building activities	Medium	1 project

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APPENDIX C – SF-424 AND STATE CERTIFICATIONS

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APPENDIX D – PUBLIC OUTREACH