



## Fourth Program Year Action Plan

The CPMP Fourth Annual Action Plan includes the [SF 424](#) and Narrative Responses to Action Plan questions that CDBG, HOME, HOPWA, and ESG grantees must respond to each year in order to be compliant with the Consolidated Planning Regulations. The Executive Summary narratives are optional.

### Summary of Regulatory Requirements

#### Section 91.320(a) through (g) Action Plan – General Requirements

The action plan must include the following:

- (a) Standard Form 424;
- (b) A concise executive summary that includes the objectives and outcomes identified in the plan as well as an evaluation of past performance, a summary of the citizen participation and consultation process (including efforts to broaden public participation) (24 CFR 91.300 (b)), a summary of comments or views, and a summary of comments or views not accepted and the reasons therefore (24 CFR 91.115 (b) (5)).
- (c) Resources and objectives. (1) Federal resources. The consolidated plan must provide a concise summary of the federal resources expected to be made available. These resources include grant funds and program income.  
(2) Other resources. The consolidated plan must indicate resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The plan must explain how federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. Where the state deems it appropriate, it may indicate publicly owned land or property located within the state that may be used to carry out the purposes identified in the plan;
- (3) Annual objectives. The consolidated plan must contain a summary of the annual objectives the state expects to achieve during the forthcoming program year.
- (d) Activities. A description of the state's method for distributing funds to local governments and nonprofit organizations to carry out activities, or the activities to be undertaken by the state, using funds that are expected to be received under formula allocations (and related program income) and other HUD assistance during the program year, the reasons for the allocation priorities, how the proposed distribution of funds will address the priority needs and specific objectives described in the consolidated plan, and any obstacles to addressing underserved needs.
- (e) Outcome measures. Each state must provide outcome measures for activities included in its action plan in accordance with guidance issued by HUD. For the CDBG program, this would include activities that are likely to be funded as a result of the implementation of the state's method of distribution.
- (f) Geographic distribution. A description of the geographic areas of the State (including areas of low-income and minority concentration) in which it will direct assistance during the ensuing program year, giving the rationale for the priorities for allocating investment geographically. When appropriate, the state should estimate the percentage of funds they plan to dedicate to target area(s).
- (g) Affordable housing goals. The state must specify one-year goals for the number of households to be provided affordable housing through activities that provide rental assistance, production of new units, rehabilitation of existing units, or acquisition of existing units using funds made

available to the state, and one-year goals for the number of homeless, non-homeless, and special-needs households to be provided affordable housing using funds made available to the state. The term affordable housing shall be as defined in 24 CFR 92.252 for rental housing and 24 CFR 92.254 for homeownership.

This Action Plan complies with the 24 CFR Parts 91 and 570, "Consolidated Plan Revision and Updates: Final Rule."

#### Program Year 4 Action Plan Executive Summary

The Executive Summary is required. Include the objectives and outcomes identified in the plan and an evaluation of past performance (91.220).

Federal law and the regulations of the U.S. Department of Housing and Urban Development (HUD) require the state of Arizona to prepare a Consolidated Plan in order to receive federal funding for certain affordable housing and community development activities. The state of Arizona acts as a participating jurisdiction through the Arizona Department of Housing (ADOH). The state's Consolidated Plan is prepared every five years, distributed widely and updated annually. In 2005, The State of Arizona submitted, and HUD approved, the state's Consolidated Plan: 2005 – 2009. This Plan consolidates into a single document the planning and application requirements for:

- **CDBG** – the Community Development Block Grant (CDBG) Small Cities program;
- **HOME** – the HOME Investment Partnership program;
- **ESG** – the Emergency Shelter Grants (ESG) program; and
- **HOPWA** – the Housing Opportunities for Persons with AIDS (HOPWA) program.

HUD regulations at 24 CFR 91.320 requires a discussion of the resources, activities, distribution, monitoring, and program-specific requirements of the CDBG, HOME, ESG and HOPWA programs.

Although the regulations do not specify the organization of the section, the state's Annual Action Plan for 2008 has been organized to provide a separate, full discussion of the requirements pertaining to each of the four programs.

In fiscal year 2008, ADOH will manage and invest its allocation as follows:

- **CDBG –Community Development Block Grant program**

The state may set aside up to two percent of the gross allocation plus \$100,000 for costs associated with administration of the program and may use up to one percent for providing technical assistance. This adjusted total of \$11,339,247 will be used to provide decent housing, provide suitable living environments and enhance economic opportunities across the state. Fifteen percent of the adjusted total, \$1,700,887, will be allocated through the competitive State Special Projects application round. The Consolidated Plan describes the method of distribution used for the regional allocation process: eighty-five percent of the adjusted total (\$9,638,359) will be distributed through the Rural Council of Governments: (a) NACOG - \$2,199,425; (b) WACOG - \$2,836,059; (c) CAAG - \$2,322,992 and (d) SEAGO - 2,279,884.

- **HOME – the HOME Investment Partnerships program**

The state will use \$7,129,593 (includes \$33,408 ADDI) to increase the availability/accessibility and affordability of decent housing, provide suitable living environments and enhance economic opportunities across the state. Fifty-eight percent of these funds (\$4,096,185) will support Rental/Transitional Housing Development. Forty-two percent of these funds (\$3,000,000) will support Owner-Occupied Housing Rehabilitation. Ten percent of the \$7,884,650 grant funds (\$788,465) will be for state administrative costs.

- **ESG – the Emergency Shelter Grant program**

The state will use \$873,061 to increase the availability/accessibility of suitable living environments and decent housing by providing a wide range of supportive services to directed toward the prevention of homelessness.

- **HOPWA – the Housing Opportunities for Persons with AIDS program**

The state will use \$191,000 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 essentially needed community resources.

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**Objectives**

Investment will be made in activities that support the following objectives:

Rental Housing Objectives:

1. Increase, through new development, the availability of affordable rental housing.
2. Improve, through acquisition/rehabilitation, the quality of rental housing.

Owner Housing Objectives:

1. Improve, through owner-occupied housing rehabilitation programs, the quality of owner-occupied housing.
2. Increase, through the Homes for Arizonans program (State Housing Trust Fund and ADDI), the opportunities for low and moderate-income households to become and remain homeowners through homeownership assistance.
3. Preserve homeownership, through Homes for Arizonans program (State Housing Trust Fund), homebuyer education counseling.
4. Preserve homeownership, using State Housing Trust funds, to support capacity building and availability of foreclosure counseling services through the state.
5. Preserve homeownership, by administering National Foreclosure Mitigation Counseling Program (\$1,333,069) through thirteen certified counseling agencies across the state.

Homeless Objectives

1. Increase number of individuals moving from homelessness to transitional housing and to permanent housing.

Special Needs Objective

1. Increase the range of supportive housing options and related services for special needs populations.

Community Development Objectives

1. Create, enhance, or sustain the operation of neighborhood facilities and improvements in areas designated as strategic revitalization areas.
2. Create, enhance, or improve the condition of housing units located in areas designated as housing priority areas, or as a strategic revitalization areas.
3. Reduce isolation of income groups through de-concentration of housing for lower-income persons.

Economic Opportunity Objectives

1. Increase technical assistance to Arizona’s communities through expanded private and public partnerships.

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**Evaluation of Past Performance**

The Community Planning and Development (CPD) division of the U.S. Department of Housing and Urban Development (HUD) completed its review of the state of Arizona’s Consolidated Annual Performance Report (CAPER) and concluded:

A copy of the complete Annual Community Assessment is provided in Appendix A.

**Overview and Priorities**

The Arizona Department of Housing evaluates performance, not just in terms of the efficiency with which programs are administered, but also in terms of the collaboration and innovation with which the department responds to changes in market demands. Since the writing of the Third Annual Plan, the landscape for Arizona’s housing market has changed dramatically. Like the rest of the nation, Arizona must confront the statewide foreclosures on the impact on Arizona’s citizens, neighborhoods and communities.

In 2007 and in 2008, Arizona, along with the nation, will address the impact of foreclosures in its communities, particularly urban communities. The Arizona Department of Housing will support preservation of homeownership by increasing the availability of foreclosure counseling providers through out the state. ADOH will administer through thirteen statewide foreclosure counseling agencies, \$1,333,069 of funding through the National Foreclosure Mitigation Counseling Program.

Developing incentives to participate in affordable housing programs continues to be a challenging goal for the Arizona Department of Housing. Demand for the limited resources available through HUD’s CDBG, HOME, ESG and HOPWA programs, have outstripped supply. The state’s Low-Income-Housing

Tax Credit program has addressed the rise in costs by increasing the maximum allowed credits to \$1,000,000; however unit production will be adversely affected. The need to leverage and layer resources in order to complete projects on time has led to an even greater competitive application environment. Compounding the challenge will be restrictions in availability of customary funding sources, ranging from conventional lending to the State Housing Trust Fund. The availability of funds through the State Housing Trust Fund is expected to be significantly lower the both 2008 and 2009 program years.

Applications for ESG and HOPWA will continue to be let through a bid system. Applications for CDBG funds will continue to follow the regional account method of distribution detailed in the Consolidated Plan FY 2005-2009. The application process for CDBG State Special Projects will reflect the planning requirements of Arizona's smart growth initiatives.

ADOH will continue to improve the development and evaluation of performance measures and indicators. Leading with collaborative solutions, ADOH will work with units of local government to continuously define appropriate indicators and incorporate data collection methodologies that reflect the needs and uniqueness of its rural communities.

Like its local communities, ADOH has limited staff resources. The commitment to leverage resources through greater opportunities to collaborate, however, remains an imperative. To address this issue, ADOH proposes a reduction in the creation of paper-intensive communication processes. Historically, ADOH has produced a variety of manuals as a means of providing technical assistance. While source manuals will not be altogether eliminated, updates to existing and future manuals will be made available through an expanded Information Bulletin process. By leveraging educational and regulatory resources, ADOH will be able to expand its participation in community revitalization strategies.

As required, the state of Arizona's Consolidated Plan:

- **assesses** the State's affordable housing and community development **needs**;
- **analyzes** the State's housing **markets**;
- **articulates** the State's **goals**, priorities and strategies to address identified needs; and
- **describes** the **actions** the State will take to implement strategies for affordable housing and community development.

The following Fourth Program Year Annual Action Plan for federal fiscal year 2008 updates that Consolidated Plan by describing the methods the state of Arizona will use to distribute CDBG, HOME, ESG and HOPWA funds. Through this plan, ADOH will demonstrate its commitment to assess current market conditions and address the housing challenges inherent in being the fastest growing states in the nation. Investment allocation decisions will focus on activities that close funding gaps and 1) support activities in rural areas that have limited funding opportunities; 2) support projects where the need for funds and the demand for the project design is demonstrated; 3) support projects identified as high priorities in the Consolidated Plan; and, 4) invest in areas in decline and those with a disproportionate concentration of low-income and minority populations.

In addition, the Fourth Program Year Annual Action Plan for 2008-2009 identifies the priorities to be addressed with these funds and the actions which the State expects to take to address these priorities.

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## Strategic Priorities

### Priority One: PRESERVATION

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Goals: Provide Decent Housing; Provide Sustainable Living Environments, Expand Economic Opportunities

ADOH will support Rental and Owner-Occupied Rehabilitation activities, Owner-Occupied Emergency Repair activities and Eviction Prevention Emergency Housing activities. ADOH will *continue* to use CDBG, HOME, ESG, HOPWA and State Housing Trust Funds to invest in activities that help to retain Arizona's affordable housing stock, increase the availability of permanent housing that is affordable to low-income and moderate-income individuals without discrimination and provide supportive housing that includes structural features and services to enable persons with special needs to live in dignity. Further, ADOH will invest in activities that empower low-and moderate income persons in federally – assisted and public housing to achieve self-sufficiency. ADOH will invest in activities that assist homeless persons to obtain affordable housing. ADOH will invest in activities that support the prevention of eviction and foreclosures in order to prevent homelessness. ADOH will invest in programs that improve the safety and livability of neighborhoods, revitalization of deteriorating neighborhoods, restoring, enhancing and preserving natural and physical features of special value for historic, architectural or aesthetic reasons and conserving energy resources. ADOH will invest in activities that increase the availability of foreclosure counseling to all Arizonans. ADOH will provide education on fair housing in compliance with the Fair Housing Act. ADOH will increase technical assistance and support to encourage planning that incorporates economic development and smart growth initiatives.

#### Priority Two: HOMEOWNERSHIP

Goals: Provide Decent Housing; Provide Sustainable Living Environments

The reported shortfall in the overall state budget is expected to result in significant recapture of the State Housing Trust Fund. Limited availability of State Housing Trust Funds and the markets reception to new mortgage revenue bond deals will affect the state's ability to expand downpayment and closing cost assistance, homebuyer education counseling and mortgage revenue bonds financings. Further, the state anticipates a reduction in owner-occupied rehabilitation production through HOME because of reduced funding through the State Housing Trust Fund. In order to sustain these valuable programs, the state will encourage partners and subrecipients to analyze current production goals and assessment processes (waiting lists vs. targeted analysis, etc.). ADOH staff will work with its community partners to secure minimal disruption to OOHR programs. Conversely, because of the existing oversupply of housing stock in key markets throughout the state, ADOH will reduce its investment in new single family housing development.

ADOH will continue to work in partnership with a variety of community partners, including the Foreclosure Prevention Task Force, the Arizona Department of Financial Institutions and Neighborworks in an effort to mitigate the effects of foreclosures on homeowners, neighborhoods and communities.

#### Priority Three: New Rental Unit and Single-Family Home Development

Goals: Provide Decent Housing, Provide Suitable Living Environments

In prior years, HOME funds, in combination with State Housing Trust Funds, were used to invest in new development of rental units and single family home units in order to increase the accessibility and availability of permanent housing that is affordable to low-and-moderate income individuals. The

cutbacks in the State Housing Trust Fund will directly impact the department's ability to provide gap financing for rental development. Due to the anticipated reduction in State Housing Trust Funds, the department will have limited ability to stimulate sustainable design or to expand existing programs, particularly existing owner occupied rehabilitation programs. The department will attempt to mitigate the current conditions through increased partnerships with other state agencies and private partnership. ADOH will encourage statewide planning that addresses the jobs/housing balance, local land use planning goals, water, transportation and energy alternatives. ADOH will direct CDBG funds toward activities that improve the safety and livability of neighborhoods, revitalization of deteriorating neighborhoods, restoring, enhancing and preserving natural and physical features of special value for historic, architectural or aesthetic reasons (community character) and economic development

#### Priority Four: Strategic Investment

Goals: Provide Suitable Living Environments

The department will *maintain* its current process for recognizing strategic revitalization areas in its scoring and application evaluation processes. ADOH will encourage the inclusion of smart growth initiatives in the CDBG State Special Projects funding application process.

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### Summary of Citizen Participation and Consultation Process

#### **Public Hearing**

A public hearing was conducted in the ADOH offices in Phoenix on April 25, 2008.

Advance notice was given for this hearing in the form of announcements published in a newspaper of general circulation at least two weeks prior to the hearing; notice was also posted on the Department's website. The announcement provided information about the topic of the hearing, location, and how comments could be submitted if the person(s) was unable to attend. The hearing was held in a handicapped accessible location convenient to actual and potential beneficiaries. No requests for interpreters were received.

The state is required to adopt a citizen participation plan that sets forth the state's policies and procedures for citizen participation in compliance with the provisions of 24 CFR 91.115.

The Arizona Department of Housing encourages participation in the development of the Consolidated Plan, any substantial amendments to the plan, and the Performance and Evaluation Report (PER). Participation of low and moderate income persons is encouraged – particularly those living in slum and blighted areas and in areas where Community Development Block Grant funds are proposed to be used and by residents of predominantly low and moderate income neighborhoods.

The public participation events for this Annual Action Plan represent the culmination of several years' worth of experience in conducting similar events. The department's website has become the primary source by which the department shares and receives information.

All public hearing and forum announcements specifically states that comment were requested both on the Annual Action Plan and the Citizen Participation Plan. The plan was made available in a format accessible to persons with disabilities and those with limited English proficiency (LEP) upon request.

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## Summary of Comments or Views

*Accepted or not accepted and the reasons therefore (24 CFR 91.115(b) (5))*

The Arizona Department of Housing received comments to its annual action plan. Those comments and responses have been aggregated in two categories:

1. Communicating administrative and policy changes to funding processes
  - a. The requirement to match administrative expenses to direct project activity at the time of set-up
  - b. The integration of growing smarter initiatives through the CDBG State Special Project competitive award
  - c. The use of web-based tools and HUD-developed collateral and technical assistance tools over internally created manuals, and
2. Priorities for State Housing Fund (HOME and Housing Trust Fund)
  - a. The use of HOME funds for Tenant Base Rental Assistance
  - b. The availability of funds for gap financing of rental development
  - c. The potential to effect and protect the availability of affordable housing stock within the context of foreclosure trends

### **ADOH Response**

#### 1. Communicating Administrative and Policy Changes to Funding Processes.

The department uses a decision making process that balances evidence based methodology with forecasting principles. This decision making process includes publicly vetting the policies that determine funding priorities and policies. Funding priorities for most programs administered by the Arizona Department of Housing are vetted through the Consolidated Plan process, which describes the Method of Distribution for HOME, CDBG, ADDI, ESG, HOPWA. This document is used to describe funding priorities for the State Housing Fund as well. It includes the Annual Action Plan process too. Timing of this process has been consistently administered: 1) The Consolidated Plan is developed every five years. The next strategic plan will be completed on May 15, 2010. 2) The Annual Action Plan is updated annually and is completed on May 15 each year in alignment with the strategic plan. 3) The Consolidated Annual Performance and Evaluation Report (CAPER) are completed each year on September 30. Moreover, the Public Housing Authority Annual Action (April 15 each year) Plan, and the Low-Income Housing Tax Credit Qualified Allocation Plan (by December 15 each year) is tested for consistency with the Consolidated Plan. These are the primary processes by which the agency vets funding priorities and policies.

Administrative procedures, however, are a function of business practices. The agency has an obligation to HUD, HUD's Office of Inspector General, the States' Auditor General and others; we must comply with a host of statutory and financial standards. While we can not guarantee participation in the development of these administrative procedures; we can guarantee that those procedures will be transparent and communicated as promptly as possible. As a State agency, we receive comments to any department action at any time.



The requirements of running the agency are balanced with the need to build relationships with our grant recipients and stakeholders. Because we are serious about our commitment to these relationships, we would be remiss if we did not respond to the agitation expressed by some toward the agency in the execution of its business duties.

Since the mandatory incorporation of performance measures, the agency's administrative processes have migrated toward procedures that increase predictability of outcomes. This migration includes the establishment of the pre-award assessment process for CDBG (2006) funding; it includes the pre-award dialogue and negotiations process for State Housing Fund (HOME and Housing Trust Fund) grants. It includes upgrading data collection, retrieval and reporting methodologies. It includes aligning funding priorities with HUD's national objectives and Arizona's statewide objectives. It continues to recognize the needs and priorities of local governments, but not at the exclusion of national and statewide planning objectives, or fundamental accounting and compliance standards.

- a) The requirement to match administrative expenses to direct project activity at the time of set-up. The recent administrative change, which requires the direct connection of CDBG administrative expenses to the project, at the time of data set-up, reflects Cost Accounting Standard Board (CASB) recommendations. In all cases, the CDBG monitoring program confirms that subrecipients are accounting for administrative expenses accurately. By recognizing the administrative expense with the activity in our data base, the agency can insure the timely closeout of completed activities. The fact that a cost requested in a budget is awarded, as requested, does not automatically ensure a determination of allowability. Similarly, unanticipated costs will not automatically be presumed unallowable. Moreover, cost savings will not automatically be presumed unallowable. The purpose of this administrative change is to establish that there is a clear and close relationship between the administrative expenses and the objective of the activity. The process for modifying a budget in-process will continue as a part of the current grant processes. The department is in the business of underwriting grant application. We understand that budget forecasts are estimates. Budget proofreads remain a viable way of allocating costs, and our expectation is that every application will present its best forecast. Moreover, all grant proposals, whether for CDBG, HOME, SHP, S+C, ESG and SHF are expected to propose activities that result in measurable outcomes.
- b) The integration of growing smarter initiatives through the CDBG State Special Project competitive award. The challenges and opportunities presented by unprecedented population growth have been felt in every Arizona community. In response to this dynamic, a working group of the Governor's Growth Cabinet was established to address the challenges and the opportunities. Under Executive Order 2007-05, the Governor's Growth Cabinet prepared the Arizona Smart Growth Scorecard to help State agencies "direct future discretionary funding to applicant communities that are 'growing smart,' and help them assess whether or not they have the right tools in place to do so." "Communities and counties that are not able to advance smart growth planning because they are challenged by limited resources, causing them to score lower on the smart growth scorecard, will still be eligible for State discretionary funding." (The Arizona Smart Growth Scorecard, [www.azcommerce.com](http://www.azcommerce.com)). The Scorecard is continually being refined and ADOH will be more responsive when the mechanics for accessing discretionary funding (including CDBG SSP) are communicated. Information about smart growth and the Arizona Smart Growth Scorecard can be found at [www.azcommerce.com](http://www.azcommerce.com).
- c) The use of web-based tools and HUD-developed collateral and technical assistance tools. ADOH is required to develop policies and procedures for itself, as well as for the units of local government that act as the State's recipients [24 CFR 570.489(d)]. We certainly appreciate the

regard for the program handbooks and especially for the CDBG handbooks. Our goal, is to maintain a system that adequately ensures compliance with financial management and policy requirements, The migration toward reliance on materials that are already available, directly from our primary source of funding, HUD, allows us to be accurate and cost effective. So, whenever uniform guidance exists through HUD manuals, handbooks, workbooks, notices, guidelines etc, we may defer to these documents for guidance. Development of tools specific to processes unique to Arizona's programs, such as grant applications, NOFAs, etc will continue. As we migrate toward use of more HUD approved/prepared materials, ADOH will centralize links and reference sources whenever possible. Additionally, the agency will make the Information Bulletin mechanism more robust.

We recognize that this direction is not popular. We hope that our partners will acknowledge the need for this strategy. The Department of Housing has been tapped for significant financial adjustments totaling \$13.3 million in budget sweeps to three of our agency funds for the current fiscal year. The largest sweep will be in the Housing Trust Fund. The reduction of \$10.2 million in our most flexible funding source will mean that no new funding commitments will be possible before our annual transfer of funds from Unclaimed Property arrive in mid-July. While no existing HTF-funded projects will be affected by this sweep, ADOH will remain unsure as to how much HTF funding will be available in the next fiscal year until decisions on the FY2009 budget are finalized.

The second fund affected by the legislative sweeps is the Housing Program Fund. The primary source of our operating budget was cut by \$2,775,900. This is a significant sweep to the agency's operating budget and will require prudent tightening of the agency's operating expenses. We believe it makes good business sense to rely on HUD approved collateral and web-based processes, as we weather the budget challenges together.

The third fund affected is the \$364,000 sweep of the Housing Development Fund. Originally created in the 1990s as a set aside to assist employees in the Department of Corrections, it is sometimes referred to as the 'Prison City Development Fund'. This amount represents a full sweep to that fund's balance and will effectively sunset this program.

The agency remains concerned about possible fund sweeps in FY2009 and thanks the Housing community for its ongoing support of the agency's budget.

## 2. Priorities for State Housing Fund (HOME and Housing Trust Fund)

There is an expectation by HUD that the State will assess and articulate unmet needs and develop funding priorities that address those needs. *Each year the State makes funding priority decisions based on an analysis of available research. This analysis includes the review of unmet needs as defined in the Consolidated Plan, a review of alternative sources of funds and an analysis of local market conditions.* Further, the State must certify that with respect to nonentitlement areas the State will engage in planning for community development activities and consult with local officials in determining methods of distributing funds. The State does this regularly by vetting public policy, and also through its staff relationships, annual affordable housing conference, workshops and technical assistance.

- a. The use of HOME funds for Tenant Base Rental Assistance. HOME funds used for the preservation of existing housing stock and the development of new rental housing are

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leveraged across several economic multipliers, including jobs, sales and revenues. For that reason, the use of HOME funds for preservation and new development of rental housing will continue as targeted in this program year. There is always an opportunity costs when choosing to fund one priority over another priority. We will continue to review the use of HOME for TBRA, while simultaneously encouraging the allocation of more funding for permanent and transitional housing.

- b. The availability of funds for gap financing of rental development the reduction in the allocation of Housing Trust Fund and HOME will reduce funds available for gap financing. Larger gaps in new and acquisition rehab developments are expected as the secondary market responds to the mortgage foreclosure event. The agency recognizes that the some developers have relationships and track records with syndicators and other financial partners that will allow them to maintain prior year budget. The department will continue to support those healthier projects.
- c. The potential to effect and protect the availability of affordable housing stock within the context of foreclosure trends. The department continues to research ways to mitigate the economic impact of foreclosures and a tight credit market. Organizations such as the Local Initiatives Support Corporation have explored opportunities to absorb housing stock with the desire to make that inventory affordable to a variety of beneficiaries. Unfortunately, the reduction in the State's most flexible funding source (the Housing Trust Fund) limits options for participation in this solution. We will continue to work with our housing partners to explore alternatives.

#### **Barriers to Affordable Housing 91.210 (e) and 91.215 (f)**

As indicated by the stakeholder comments, barriers to affordable housing remain complex. The complexities and challenges were noted in the state's five-year Consolidated Plan (please refer to FY 2005-2009 State of Arizona Consolidate Plan, page 46, Barriers to Affordable Housing (91.210) (e) and 91.215 (f).) include (a) limitation of Natural Resources, (b) regulatory barriers and public policies, (c) lack of knowledge of fair housing laws and (d) barriers on reservations/tribal lands. These barriers are compounded by the effect of subprime lending and a tight credit environment.

The state continues to pursue those strategies outlined in its five-year Consolidated Plan (please refer to the State of Arizona Consolidated Plan, page 49, Strategy to Address Barriers).

#### **Antipoverty Strategy**

The Department of Housing's approach for reducing the number of poverty level families includes: (a) addressing the needs engendered by poverty; (b) being proactive in preventing poverty by promoting job growth and increasing job training opportunities; (c) Increasing the supply and availability of decent, safe, and affordable housing necessary for low income families ,and (d) increasing the effectiveness of existing programs through better collaboration and increased efficiency of implementation

Recognizing the symbiotic relationship between affordable housing and human, social, and supportive services, the Department has established – and continues to strengthen – partnerships with the Arizona Department of Economic Security, 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 Veteran's Affairs, and the Governor's Office for Children, Youth and Families.

## **Institutional Structure**

### *Plan Implementation*

The Arizona Department of Housing (ADOH) is a department of Arizona state government. ADOH is headed by its Director, Fred Karnas, who oversees all activities related to funding/financing, operations, education, technical assistance, industry and market analysis and the State Public Housing Authority. ADOH produces a Consolidated Plan. The activities prescribed in the Plan are implemented by governmental, non-profit and for-profit entities under contract with ADOH. Contracts are awarded based on the ability of an entity to demonstrate the capacity to undertake eligible activities through a written proposal process. ADOH works in conjunction with the four Council's of Government to develop a plan for the targeting and distribution of CDBG funds throughout the state.

### *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. Effective and professional administration of contracts by ADOH Program Specialists is strength in the delivery system. 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 the delivery exist in implementation.

### *Gaps in Public Housing*

While the Arizona Department of Housing and the Arizona Public Housing Authority do not own or manage any public housing, the state's PHA has monitoring and compliance oversight through a contract with HUD, of approximately 110 properties and 89 Housing Choice Vouchers.

## **Assisting Troubled Housing Agencies**

The Arizona Department of Housing serves as the state public housing authority in accordance with Arizona Revised Statutes 41-3953 E and F:

*E. The department is the designated state public housing agency as defined in the United States housing act of 1937 (42 United States Code sections 1401 through 1440) for the purpose of accepting federal housing assistance monies and may participate in the housing assistance payments program. Federal monies may be secured for all areas of this state subject only to the limitations prescribed in subsection F of this section.*

*F. For areas of this state where an existing public housing authority has not been established pursuant to section 36-1404, subsection A, the department acting as a public housing agency may undertake all activities under the section 8 tenant-based rental housing assistance payment program, except that the department shall not undertake a section 8 tenant-based rental housing assistance payment program within the boundaries of a city, town or county unless authorized by resolution of the governing body of the city, town or county. If the department accepts monies for a section 8 tenant-based rental housing assistance payment program for areas of this state where an existing public housing authority has been established pursuant to section 36-1404, subsection A, the department shall only accept and secure federal monies to provide housing for the seriously mentally ill or other disabled populations. The*

*department may accept and secure federal monies for undertaking all contract administrator activities authorized under a section 8 project-based rental housing assistance payment program.*

ADOH will continue to review the plans of housing agencies for consistency with its Consolidated Plan, but it does not monitor or have oversight of established housing agencies.

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### **Amendments to the Consolidated Plan**

Under the final Consolidated Plan regulations, the state is required to advise HUD of substantial changes to the state's Consolidated Plan. The Arizona Consolidated Plan represents the best efforts possible to incorporate citizen comments and concerns in the entire planning process.

Criteria for amending the Consolidated Plan and/or the disbursement or targeting of funding would include changes in activities or the method of distribution, either reported herein or unforeseen, and changes in beneficiaries or subscribers that could reasonably be expected to change the delivery of services described herein. By definition, a substantial amendment to the Consolidated Plan would result from a change in activity from eligible to ineligible, or vice versa, a change from formula allocation to competitive award of funds, or vice versa, or from a change in the method of distribution of funds if said change will cause an increase or decrease in the original allocation mix over 35%.

The state will provide interested parties with reasonable notice through a public newspaper(s) with statewide circulation and an opportunity to comment on substantial amendments. Comments will be received for a period of not less than 30 days, as identified in the public notice, on the substantial amendment before the amendment is implemented. Furthermore, the notice will clearly provide the name and address of the individual responsible for receiving these comments. Reasonable notice will be given to interested parties for non-substantial amendments through a mailing to current grantees and by posting on the Department's website. The state will consider any comments or views of interested parties received in writing, if any, in preparing the substantial amendment to the Consolidated Plan.

In PY 2006, the application process for funds accessed through the State Housing Fund, (State Housing Trust Fund match with HOME) became competitive. This did not constitute a change or substantial amendment to the Consolidated Plan. Notice of this eventuality was addressed in the State Housing Fund Program Summary and Application Guide: "In the event that insufficient funds are available to fund all applications that are received for a specific activity or in a geographic area, competitive funding criteria may be utilized to make awards."

## 2. Resources

Identify the resources from private and public sources, including those amounts allocated under HUD formula grant programs and program income, that are reasonably expected to be made available to address the need identified in its plan, explaining how Federal funds made available will leverage resources from private and non-federal public sources, and a description of how matching requirements of HUD programs will be satisfied. Where deemed appropriate by the state, it may indicate publicly owned land or property that may be utilized to carry out the plan.

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CDBG

### Section 91.320(k) (1) Community Development Block Grant (CDBG) Program

(i) *“The method of distribution shall contain a description of all criteria used to select applications from local governments for funding, including the relative importance of the criteria where applicable. The action plan must include a description of how all CDBG resources will be allocated among all funding categories and the threshold factors and grant size limits that are to be applied. The method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it, understand what criteria and information their application will be judged, and be able to prepare responsive applications. The method of distribution may provide a summary of the selection criteria, provided that all criteria are summarized and the details are set forth in application manuals or other official state publications that are widely distributed to eligible applicants. HUD may monitor the method of distribution as part of its audit and review responsibilities, as provided in 570.493(a) (1), in order to determine compliance with program requirements.*

(ii) *If the State intends to aid nonentitlement units of general local government in applying for guaranteed loan funds under 24 CFR part 570, subpart M, it must describe available guarantee amounts and how applications will be selected for assistance. If a State elects to allow units of general local government to carry out community revitalization strategies, the method of distribution shall reflect the State’s process and criteria for approving local governments’ revitalization strategies.”*

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The ADOH CDBG Program Action Plan for Program Year 2008-2009 will address the needs and implement the objectives and priorities set forth in the State’s 2005-2009 Consolidated Plan for affordable housing and for non-housing community development needs.

To that end, the ADOH will provide loans, grants or technical assistance for developing projects that provide decent and hazard-free affordable housing, increase access to safe drinking water, provide proper disposal of household wastewater, provide access to community services in local facilities and stimulate economic development.

In support of the State’s priorities, the CDBG Program will:

- continue to support a mix of rehabilitation, renewal, infrastructure improvement and construction of public facilities to support the availability of affordable housing and community development

- revitalize and revive the vibrancy of our communities which will enhance the quality of life for the people of Arizona;
- encourage and assist local governments to develop comprehensive public facility improvement strategies which support viable communities and primarily benefit low- and moderate-income persons;
- develop and implement strategies which facilitate the coordination of CDBG funding with other federal/state/local community development resources.
- develop and implement strategies that enhance quality growth and define performance criteria for determining the success of local land use planning goals.

### **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, the cities of Flagstaff, Prescott, and Yuma.

### **State Method of Distribution**

The total amount of CDBG funds available for project in FY 2008 is \$11,793,037, a decrease of \$167,134 over prior year. No program income or carryover funds are available therefore none are included in this amount. Federal Law allows the state to retain 2% (\$235,860) plus \$100,000 of its annual CDBG allocation for program administration. The state must provide a non-federal match for the 2%. The match is to be documented at the same time that CDBG funds are drawn down for the administrative expenditures of the state above \$100,000. The \$11,793,037 in federal CDBG resources available to the state will be distributed as follows:

ADOH Administration - \$453,790. This includes \$117,930 (1% for technical assistance) and \$335,860 (2% plus \$100,000 for administration). This amount does not include the required 2% administration match of \$235,860.

ADOH will provide the \$235,860 in non-federal matching funds from two 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 individuals, who include those located in the Information Technology Division, Personnel, Procurement, Customer Liaison, the Deputy Director, and Programs Administrator all track their time on departmental time sheets.

### **CDBG-Eligible Activities**

Eligible activities are generally found in Section 105 of the HUD Act of 1974, as amended and 24 CFR Part 570.482, as amended. CDBG funds can be used for a wide range of activities. Activities eligible for funding under this Action Plan fall under the main funding categories of: 1) housing (both owner-occupied and rental rehabilitation, new housing construction undertaken by a CBDO or certified

nonprofit, and homeownership assistance); 2) public improvements (water, wastewater, streets); 3) public facilities (parks, community/senior centers, removal of architectural barriers); 4) public services (e.g., childcare, and transportation); and 5) planning.

Funding allocations for the Regional Account (RA) and the State Special Project (SSP) competitive funding round distributed by the state CDBG program are outlined below.

### **CDBG Regional Account**

The CDBG Regional Account (RA) consists of 85% of the state of Arizona allocation from HUD. The RA is distributed on a non-competitive basis to all non-metropolitan cities, towns, and counties in Arizona. All distribution of state CDBG funds is to be accomplished through an allocation system. Each non-metropolitan Council of Government (COG) region creates a Regional Council approved Method of Distribution (MOD) which will be submitted to ADOH by November 30<sup>th</sup> 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 should 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 September 30<sup>th</sup>. ADOH will distribute the final MOD to recipient communities by December 30<sup>th</sup>.

ADOH has the final authority to determine the MOD for the state. The MOD approved by ADOH will be included in the Annual update of the Consolidated Plan, which is subject to a citizen participation process.

The Regional Account (RA) is divided into four sub-accounts, one for each of the non-metropolitan COG areas. Regional Account allocations are as follows:

Central Arizona Association of Government (CAAG): Gila and Pinal Counties. \$2,322, 992;

Northern Arizona Council of Government (NACOG): Apache, Coconino, Navajo, and Yavapai Counties. \$2,199, 425;

South Eastern Arizona Government Organization (SEAGO): Cochise, Graham, Greenlee, and Santa Cruz Counties. \$2,279, 884;

Western Arizona Council of Government (WACOG): La Paz, Mohave, and Yuma Counties. \$2,836, 059.

ADOH will announce CDBG funding levels by the end of the first quarter of each year for both the Regional Account and the State Special Project round via its website.

All applications for the Regional Account are due to ADOH by 5:00 P.M. on the following dates.

NACOG and SEAGO – June 1, 2008.

WACOG and CAAG – July 1, 2008.

ADOH will review all applications and make final award determinations within 60 days of receipt, whenever possible.



### **CDBG Regional Account Recipient Community Responsibility**

While CDBG money is scheduled to be provided to all eligible recipient regional account communities according to the Method of Distribution of the state, 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. Projects must comply with the priorities communicated through this annual action plan. Benefit to low-and moderate 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.

Though the state does not define minimum and maximum investments, outcomes of activities must clearly demonstrate program results at the HUD national level, which is the standard required by OMB's program assessment process.

As indicated in the 2005-2009 Consolidated Plan, 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. The Arizona Department of Housing will strive to make available technical assistance and support, both through its partners in the Councils of Government and through its staff. 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 can not be resolved, the recipient community will receive a Notice of Appealable Agency Action (See Appendix B). 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.

### ***State CDBG activities may serve beneficiaries residing in areas adjacent to nonentitlement area jurisdictions***

The Arizona Department of Housing (the State) allocates CDBG funds to projects and programs that benefit residents of nonentitlement areas. A nonentitlement area is defined by HUD as an area which is not a metropolitan city or part of an urban county. In Arizona, this primarily means the communities located outside of the Phoenix and Tucson MSAs. Many of these communities are adjacent to entitlement areas and Indian reservations.

In reviewing a nonentitlement area unit of local government's application for state CDBG funding, the State must determine that the applicant has identified the community development and housing needs of its nonentitlement area residents, and has demonstrated that the activity(ies) will meet those needs.<sup>2</sup> The State recognizes that CDBG activities that address the community development and housing needs of nonentitlement area residents may also benefit the residents of Entitlement communities or residents of Indian reservations<sup>1</sup>. 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 nonentitlement 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:

1. The Arizona Department of Housing will review applications and allocate funding for CDBG activities consistent with the priorities, objectives and the method of distribution as described in its 2005 -2009 Consolidated Plan (and as updated in its Annual Action Plans).
2. The Arizona Department of Housing can allocate funds only to units of local government of nonentitlement areas. Funds are awarded through an application process described in the 2005-2009 Consolidated Plan (and as updated in its Annual Action Plans).
3. If a proposed activity will be initiated, conducted, operated, constructed/rehabbed, repaired, replaced, or in any manner located in an Entitlement area or on tribal lands, the application made by the nonentitlement area unit of local government must demonstrate benefit to residents of the nonentitlement area. Such documentation may include primary research, such as citizen/community surveys and market studies that demonstrate that the activity will meet the needs of the residents of the nonentitlement area.
4. If a proposed activity will be initiated, conducted, operated, constructed/rehabbed, repaired, replaced, or in any manner located in an Entitlement area or on tribal lands, the nonentitlement unit of local government must demonstrate that no other alternative will provide greater benefit to the residents of the nonentitlement area.
5. Financial participation must be in proportion to the share of expected benefits residents will receive. Additionally, evidence of affirmative outreach to nonentitlement area residents must be demonstrated in the marketing and communication plans.

***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 with State 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 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 thru completion of the application budget. ADOH also encourages communities to estimate a sufficient dollar amount for TAAP fees to allow the flexibility of increasing the level of assistance from the COG for both compiling the application and administering the project. Administrative funding will be awarded thru 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 the Department of Housing 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. If the funding amounts scheduled for a community exceeds funding requests included in the application, the balance will be redistributed to the SSP fund.

ADOH will distribute any recaptured funds or de-obligated funds. These funds will be distributed as follows: *(The following language must be included in all MODs submitted to ADOH)*

Recapture is the action of removing funds from a contract due to one of the following two types of circumstances: 1) Recapture for non-compliance whereby ADOH determines that CDBG funds will be not used in compliance with the contract between ADOH and the recipient or in compliance with federal regulations; and 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 State Special Projects account to the applicant next in line for funding.

### **De-Obligated Funds**

De-obligation is the action or removing funds from a contract due to one 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; 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 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 State Special Projects account to the applicant next in line for funding.

### **CDBG State Special Projects**

All communities eligible to receive funding from the state CDBG program are eligible to apply for State Special Projects. Each community is encouraged to submit one application. Multiple applications may be submitted from one community if the applications are prioritized. The application process for CDBG State Special Projects will reflect the planning requirements of Arizona's smart growth initiatives.

Any eligible CDBG activity 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. ADOH may use a portion of the SSP to create a contingency account available to assist with RA and SSP project shortfalls.

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.

### **CDBG SSP Application Deadline**

Notification of Funds Availability will be announced.

### **CDBG SSP Selection of Project Awards**

Projects will be selected for SSP funding through a competitive process in which applications are scored by a rating and ranking system that includes specific criteria to be reviewed. The highest scoring applications within each priority category will be awarded prior to awarding projects in subsequent priority categories. Scored applications will be kept on file for one year and the next highest scoring applications will be funded if funding becomes available through recapture or de-obligated CDBG funds. The following criteria will be used to select project awards: 1) the extent to which the project meets the needs for public services, public works, community facilities and housing ; 2) the extent to which equipment or a project improves, upgrades, or rehabilitates facilities, housing or neighborhoods; 3) the extent to which a project benefits a large segment of the population specific to the type of assistance; 4) the extent to which the project provides a direct, provable benefit to low-income and special needs persons, especially, how effectively the proposal proves that the need for the project exists; 5) the extent to which project costs been carefully estimated and documented; 6) the extent to which the project is ready to begin; 7) the extent the project leverages other committed money into the service, facility or housing especially local private and governmental investment (to include salaries, engineering/architectural services, etc) that CDBG will not be billed for; 8) the performance of the applicant on past contracts and the capacity of in house or contracted staff to implement the project; 9) the extent to which other projects are affected; 10) the extent to which a project will generate secondary benefits such as continued investment (especially private), increase in economic activity, decrease in crime, and increase in safety; 11) the extent to which the applicant demonstrates that improvements can be maintained in the future.

### **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.

Eligible activities are generally found in Section 105 of the HUD Act of 1974, as amended and 24 CFR Part 570.482, as amended. CDBG funds can be used for a wide range of activities. Activities eligible for funding under this Action Plan fall under the main funding categories of: 1) housing (both owner-occupied and rental rehabilitation, new housing construction undertaken by a CBDO or certified nonprofit, and homeownership assistance); 2) public improvements (water, wastewater, streets); 3) public facilities (parks, community/senior centers, removal of architectural barriers); 4) public services (e.g., childcare, and transportation); and 5) planning.

### **CDBG Colonias Set Aside**

HUD mandates the state expend at least 10% of its CDBG project allocation in the areas designated as colonias. The colonias allocation is \$1,133,925. All activities in a self-determined or CDBG-determined Colonia will be considered to meet this set-aside. If there are insufficient funds requested for colonias from the RA, colonias SSP applications will be given priority-funding consideration.

### **CDBG Projected Goals for FY 2008-2009**

In conjunction with state priorities, ADOH proposes to fund approximately fourteen (14) projects associated with housing rehabilitation activities. Since the Consolidated Plan submission in 2005, the capacity of recipient communities and non-profit organizations to provide housing rehabilitation service has expanded. While housing rehabilitation service providers are concentrated in larger communities and within the technical staffs of the Councils of Government, Arizona's providers have demonstrated a willingness to share resources.

ADOH proposes goals for funding eight (8) Public Improvement projects, seven (7) Public Facilities, and eight (8) Public Services. These funding categories have high costs associated with them resulting in a fewer number of projects but a higher impact on the number of beneficiaries.

Arizona's rapid growth has resulted in an explosion of population growth. Often, commensurate infrastructure is lacking. ADOH will continue to encourage recipient communities to use CDBG funds as leverage in expanded planning activities.

**HOME Method of Distribution**

The state expects to receive \$7,918,058 HOME resources, including \$33,408 in American Dream Downpayment Initiative (ADDI). ADOH will implement the American Dream Downpayment Initiative through the existing ADOH Homes for Arizonans Program.

HOME match liability is expected to be met through state dollars invested in the Homes for Arizonans Program. The HOME program match liability is 25 percent (statutory requirement) of actual project expenditures during the program year or approximately \$1.8 million. Match will be provided from the following two sources – the Homes for Arizonans Program and match carried over from previous years. The Homes for Arizonans Program is expected to generate up to \$4 million of match. This program provides downpayment and closing cost assistance to first time homebuyers in the rural areas of the State. Additionally, the State has \$12.7 million in match that was carried over from the previous years. The Homes for Arizonans program has been an essential component in the state's ability to far exceed the HOME program's minimum match requirements.

The state intends to make HOME funds available statewide. Applicants for most HOME activities may also apply for State Housing Trust Fund resources through the same application. The following approximate funding objectives are for resource targeting only. Funding decisions will be made on the strength of the funding proposals and the order in which they are received.

**HOME Geographic Funding Objectives**

- Statewide CHDO set-aside: \$1,182,698
- Metro Area (Maricopa and Pima Counties): \$1,344,727
- CAAG Region (Gila and Pinal Counties): \$1,105,364
- NACOG Region (Apache, Coconino, Navajo and Yavapai Counties): \$1,575,526
- SEAGO Region (Cochise, Graham, Greenlee and Santa Cruz): \$660,649
- WACOG Region (La Paz, Mohave and Yuma Counties): \$1,227,221
- American Dream Downpayment Initiative: \$33,408

**HOME Activity Funding Objectives**

Rental Housing, including HOME CHDO set-aside, LIHTC gap financing; transitional housing and emergency shelter development. \$4,096,185

American Dream Downpayment Initiative: \$33,408

Owner-occupied Housing Rehabilitation: \$3,000,000

**HOME Application Process**

The state makes available HOME funds through an application process. Notification of funds availability will be announced.

Only applications that meet completeness requirements and minimum thresholds are considered for funding. Minimum completeness requirements include, but are not limited to an ERR

determination letter and satisfactory compliance history, The minimum thresholds for HOME applications program include, but are not limited to, responsiveness and readiness to proceed.

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; and 4) program design. Once it is determined that an application meets minimum underwriting standards, the application and underwriting results are forwarded to a funding review panel for final analysis and recommendation. The funding review panel is comprised of ADOH staff, including program administrators, risk assessors, administrators, the assistant deputy directors of programs and operations, the deputy director and the director.

The Consolidated Plan for PY 2005 contained an explanation under which a rating system would be employed: "When insufficient funds are available, either geographically or for an activity, competitive scoring criteria are used. If competitive scoring is necessary, the following scoring criteria will be used: very-low income and priority population targeting, and project readiness." During PY 2006, requests for funds exceeded funds availability. HOME funds, as well as State Housing Funds remain accessible only through a competitive process.

The actual geographic distribution of resources will be based on the number and quality of applications received. The state 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.

ADOH will not utilize HOME resources for tenant-based rental assistance or for homeownership assistance in the form of downpayment/closing cost or equity contributions, with the exception of the American Dream Downpayment Initiative set-aside. Downpayment and closing cost homeownership assistance programs are funded through the State Housing Trust Fund.

### **HOME CHDO Distribution**

The state will distribute HOME resources to recipients and Community Housing Development Organizations (CHDOs) through the application process outlined above. In accordance with §92.201(b)(1) of the HOME regulations, geographic funding objectives have been established to ensure, to the extent possible, an equitable geographic distribution of funds.

### **HOME Forms of Investment**

Investment will be provided as grants and loans.

### **HOME Resale and Recapture Provisions**

The Federal HOME Program requires either a resale or recapture provision as outlined in 24 CFR 92.254 of the HOME rule. ADOH has chosen to use the recapture provision for HOME and/or matching funds used to assist eligible homebuyers.

Assistance provided by ADOH shall be in the form of a non-interest bearing, deferred payment loan secured by a deed of trust naming the state of Arizona or its designated representative(s) as beneficiary. The assistance is completely forgiven upon completion of the applicable affordability period.

If 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 downpayment, ADOH will share the net proceeds. The net proceeds are the sales price minus loan repayment (other than ADOH funds) and closing costs.

ADOH will permit the homeowner to recover the homeowner's initial downpayment before recapturing ADOH assistance. 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 repay a recapture amount based on the process described above, as applied to the net proceeds after foreclosure, and take the property without the affordability restrictions.

### **HOME Security Instruments**

Recapture restrictions shall be executed through one or more of the following instruments, depending on the type of first-mortgage instrument: 1) Land Use Restriction Agreements and/or deed restrictions filed against the property acquired by the assisted homebuyer; 2) Deed of Trust and Promissory Notes consistent with the non-interest HOME-financed loan filed on the property acquired by the assisted homebuyer; and, 3) a due-on-sale Promissory Note and Deed of Trust consistent with the non-interest bearing State Housing Trust Fund.

### **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. The State's guidelines may be found in Appendix E.

ESG

### **Emergency Shelter Grant (ESG) Method of Distribution**

The ESG program is funded under the McKinney-Vento Homeless Assistance Act. The Arizona Department of Economic Security (DES) is the HUD grantee for ESG funds and is the responsible administrative agency. The primary intent of ESG is to provide fund for renovation/rehabilitation and operating expenses for homeless shelters. ESG funds in the amount of \$873,061 have been allocated to the state of Arizona. Up to 5% (\$43,653) will be retained for administrative costs. The DES will award contracts every five years through a competitive request for proposal (RFP) process. Proposals will be reviewed by a panel comprised of internal staff and external members. Proposal will be assessed using a rating system; evaluation criteria is published in each RFP, which may include service methodology, experience and expertise, cost/price and conformance to RFP requirements/instructions. The ESG prevention funding will be allocated through contracts with Community Action Agencies (CAAs) that are designated by law to receive all DES funding non-competitively. The funding will be allocated to the CAAs providing services in rural counties through a defined formula in which 90% of the funds are distributed on the percent of person at or below 125% of poverty and 10% based on unemployment. After awards



are received, and for the duration of the grant, each facility will be monitored by DES. Periodically, funds will be distributed through intergovernmental agreements with local governments for prevention and transitional housing services. By these means, the broadest coverage is ensured throughout the state.

**ESG Match**

ESG funds require a one-to-one (100%) match. Federal regulation allows the first \$100,000 expenditure of ESG to be unmatched. The total minimum match that will be provided for the ESG grant is \$773,061 for a total program resource of \$1,646,122. In previous years the minimum match requirements have been exceeded. Matching funds are provided in a variety of ways ranging from in-kind salary matches to volunteer labor.

Selected applicants least apt to be able to provide match will have their match requirement reduced by a negotiated amount. A total of \$100,000 of match will be waived as allowed by federal regulation.

**ESG Geographic Funding Objectives**

Updated budgets, certifications if needed, and descriptions of activities to be funded by ESG will be submitted to the DES, Office of Community Partnerships and Innovative Practices (CPIP) for the renewal period. The updated information submitted will be reviewed and approved, where necessary to assure compliance with ESG requirements.

Renewal contracts with governmental entities and nonprofit organizations will begin July 1.

**ESG Activity Funding Objectives**

The following funding strategies apply: 1) continue funding at current levels for shelter services, case management and outreach which is approximately 63% in Maricopa County, 8% in Pima County, 5% in Pinal County, 11% in Mohave, Yavapai and Yuma Counties and 13% in Navajo, Cochise and Coconino Counties; 2) funding of eviction prevention services up to the maximum 30% of the allocation; 3) funding of staff costs in shelter facilities is not planned.

DES intends to utilize up to 5% of the allocation for administration to help mitigate the costs of operating the ESG program.

The ESG funds, upon award, will be contracted and utilized within the state fiscal year to operate emergency shelter and transitional housing facilities and make homeless prevention and essential services available in order to alleviate the urgent and growing needs of people who are homeless.

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**HOPWA**

The state allocation for HOPWA funds is \$191,000. A total of \$19,100 of these funds will be used for administration. Three percent (\$5,730) will be used by the Arizona Department of Housing and 7% (\$13,370) will be used by project sponsors. Any previously uncommitted funds will be combined with this.

ADOH will contract with two organizations to administer the HOPWA program within six of the thirteen rural counties.

*Mohave County Community and Economic Development (MCCED)*

Mohave County Community and Economic Development (MCCED) creates and enhances viable and livable communities for Mohave County. The Community & Economic Development Department serves Mohave County employers, employees and residents by efficiently and effectively coordinating available Federal, State and Local resources to maximize community, workforce and Economic Development by seeking

- Affordable housing for Mohave County residents
- Community development projects for low and moderate income communities
- Skilled and available workforce for the economic community
- Business services and comprehensive information source for business and economic development through the One-Stop Centers
- Business expansion and retention programs
- Regional collaboration and partnership in workforce, community and economic development

*Northland Cares*

Northland Cares, a non profit organization, directly administers HOPWA in five (5) rural areas within the balance of the state jurisdiction - Apache, Coconino, Gila, Navajo, and Yavapai Counties. Similar to the aforementioned HOPWA project sponsor Northland Cares provides the same housing activities; short-term emergency housing and supportive services.

Similar to the aforementioned HOPWA project sponsor Northland Cares provides the same housing activities; short-term emergency housing and supportive services. Northland Cares coordinates directly with the case management units administering Title II Ryan White funding county public health department in the above referenced counties as referral sources.

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**Supportive Housing Program and Shelter plus Care Method of Distribution**

The state will coordinate and serve as the applicant for HUD Continuum of Care Homeless Assistance funds for rural Arizona (all counties excluding Maricopa and Pima). These include Supportive Housing Funds, Shelter Plus Care, and Housing Trust Fund. The state anticipates receiving \$2,229,689 in Supportive Housing Program Funds. Of this, \$109,453 - 5% will be retained by the state for administration and \$50,977-2.2% will be provided to project sponsors in Housing Trust Fund for administration.

The state anticipates receiving \$209,402 in Shelter Plus Care Funds. Project sponsors administering these programs may utilize up to 8% of the total SPC grant award, derived from total tenant rents and units leased below fair market rent, toward eligible grant (project) administration expenses.

The state will invest \$2,500,000 in Housing Trust Funds to sustain its Eviction/Prevention Emergency Homeless Housing Assistance Program (EPEH). This will be done through negotiations with the current 24 contractors located statewide the 15 existing counties who represent nonprofit, county and city governments, and PHA agencies. Eligible project sponsors (co-applicants and subcontractors) include city and county governments, PHAs, Tribal governments and nonprofit agencies servicing homeless persons. ADOH will file the national competitive application on behalf of rural Arizona and will serve as grantee for projects approved by HUD through subcontracts to governmental and nonprofit agencies.

Eligible program components include: transitional housing; permanent housing for disabled persons; supportive services not in conjunction with supportive housing; Safe Havens; rental assistance through the Shelter Plus Care Program, in either tenant based, project based, sponsor based or SRO configurations; and Section 8 SRO housing. Within these components eligible activities may include acquisition, rehabilitation, new construction, leasing, operating costs, supportive services and rental assistance. The term of HUD assistance may vary depending on the program component for which funds are requested. The Continuum of Care Application Process has the following components: 1) existing resources and gaps addressed by the HUD application need to be identified; 2) data collection by all agencies proposing projects for Continuum of Care assistance and ongoing local homeless Continuum of Care planning groups; and 3) consultation with municipal, county and COG representatives regarding needs in their respective geographic areas; and, use of various databases compiled on a regular basis by the state of Arizona and its agencies.

#### **SHP Match**

ADOH actively obtains matching funds for operating costs, supportive services, and capital development for all Supportive Housing activities. ADOH has actively funded capital development activity, over and above HUD Supportive Housing program requirements, to help local communities and nonprofit agencies meet the housing needs of homeless persons throughout the state.

The total SHP match is \$515,144. HUD requires that recipients of Homeless McKinney-Vento Act assistance funding pledge leverage to awarded projects. This leverage is reported and tracked through the HUD Continuum of Care application submitted to HUD annually. The total SHP leverage is \$ 2,947,302 million.

#### **State Housing Trust Fund (HTF) Method of Distribution**

The State Housing Trust Fund (HTF) is a resource funded through the state's Unclaimed Property Fund. Estimates from the Arizona Department of Revenue indicate the fund could expect to receive approximately \$ 30 million in the next fiscal year, a reduction of 29 %. Additionally, a portion of the \$30 million expected to be received is likely to be swept by the legislature to balance the State budget. ADOH has identified the following funding objectives:

#### **HTF Selection Process**

ADOH makes available State Housing Trust Fund (HTF) through an application process. Applications are accepted periodically and funding decisions are generally made in 60 days.

Only applications that meet minimum thresholds are considered. The minimum thresholds for HTF applications include program responsiveness and readiness to proceed.

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; and 4) program design. Once it is determined that an application meets minimum underwriting standards, the application and underwriting results are forwarded to a funding committee for final review and recommendation. The funding committee is comprised of senior ADOH staff, including program managers, administrators, the deputy director, and the director. The funding committee makes a recommendation to the ADOH Director as to whether the application should be funded without conditions, funded with conditions, or rejected. The ADOH Director makes the final funding decision. When insufficient funds are available, either geographically or for an activity, competitive scoring criteria are used. If competitive scoring is necessary, the following scoring criteria will be used: Very-low income targeting and priority populations.

#### **Low Income Housing Tax Credit (LIHTC) Allocation Plan**

The Low Income Housing Tax Credit Program provides federal income tax credits to owners of qualifying residential rental projects. An approximate \$13 million allocation of tax credits is available. This tax credit allocation will result in approximately \$129 million in investor equity for the construction of affordable rental housing. The program was established by the Tax Reform Act of 1986 to replace traditional tax incentives for investment in low-income housing eliminated by the same law. ADOH is the agency in Arizona responsible for allocating tax credits to specific projects that comply with the Internal Revenue Code (“the IRS” or the “Code”). ADOH carries out this responsibility through the creation and administration of the Qualified Allocation Plan (the “QAP”).

The state has set the following specific goals for the LIHTC program: 1) an equitable allocation of projects between the urban and rural areas of the State and among various geographic regions; 2) substantial involvement and input from the affected community; 3) projects serving very low-income families; 4) projects to be built on tribal lands; 5) acquisition/rehabilitation and rehabilitation projects; 6) projects serving priority populations with special housing needs; 7) projects undertaken by non-profit organizations; 8) projects located in each of the rural Councils of Government jurisdictions.

#### **Arizona Public Housing Authority**

ADOH operates the Arizona Public Housing Authority. Information derived from operating the state 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 Section 8 Voucher program for Yavapai County. In PY 2005, Graham county was administered also by ADOH. The Section 8 Voucher Program provides rental subsidy payments for 89 very low-income households. Under contract with HUD, the Arizona PHA also provides contract administration services for 107 HUD-subsidized rental properties accounting for 7,580 rental units located throughout the state. Through this program participating properties are subsidized, allowing the very low-income tenants to pay only 30% of their incomes on rent and utilities.

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#### **Other Sources of Funds**

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*Arizona Housing Finance Authority*

As part of the creation of the Arizona Department of Housing, the legislature also created the Arizona Housing Finance Authority (AzHFA). Under the provisions of HB 2615, the Authority may issue bonds for multi-family residential projects, bonds to finance residential dwelling units and establish mortgage credit certificate programs. These powers have been granted for the rural areas of Arizona. The seven members of the AzHFA are appointed by the Governor and represent geographical diversity. No more than four members will be from the same political party. Various work groups consisting of Authority board members are convened on a regular basis to assist with program development and evaluation.

*Arizona Department of Economic Security (DES)*

⇒ *Domestic Violence Shelter Fund (DVSF)*

DES receives a percentage of all court filing fees collected by Arizona counties. These funds are used to provide emergency domestic violence shelter, advocacy and support services. Approximately \$1.7 million is available in SFY 2008.

⇒ *Domestic Violence Prevention (DVP)*

DES contracts these state appropriated funds for services such as counseling, shelter, transportation, transitional housing and childcare. Approximately \$8.2 million is available in SFY 2008.

⇒ *Emergency Shelter Grant (ESG)*

The ESG program is funded under the McKinney-Vento Homeless Assistance Act. The primary intent of ESG is to provide funds for renovation/rehabilitation and operating expenses for homeless shelters. Approximately \$838,000 is available in SFY 2006.

⇒ *Homeless Trust Fund (HTF)*

The Arizona Legislature passed a bill that liquidated the Homeless Trust Fund and provided a one-time allocation of \$400,000 to Maricopa County, \$200,000 to Pima County and approximately \$240,000 to the balance of the rural counties.

⇒ *Social Services Block Grant (SSBG)*

SSBG, also known as Title XX, is not homeless specific. However, part of the available funds, some of which are planned at a local level and some at a department (DES) level, have been allocated specifically for services to domestic violence victims in addition to general homelessness. Crisis intervention, which includes shelter and counseling, is provided for domestic violence victims. Services funded for homeless people in general include crisis intervention, case management, and transportation. The U.S. Department of Health and Human Services (DHHS) administers the SSBG funds. Approximately \$685,000 is available for domestic violence services and homeless services received approximately \$769,000 in SFY 2008.

⇒ *Homeless Shelter Line Item*

These funds are appropriated by the Arizona State Legislature for homeless shelters as a line item in the DES budget. The funds are then contracted out through state agencies to

non-profit, community-based providers to pay for the cost of shelter facilities and services and to provide hotel and motel vouchers. In SFY 2008, about \$1.1 million is available through this state fund source. An additional \$1 million may also be available through the lottery funds.

⇒ *Temporary Assistance for Needy Families (TANF)*

TANF funds are available through the Title IV-A of the Social Security Act, which are administered by the Department of Health and Human Services. The state has submitted amendments to the TANF State Plan in order to establish a TANF emergency services plan. Although the federal regulations do not specify that eligible clients be homeless, they do allow a State TANF Plan, or a portion of the Plan, to be limited to a targeted issue such as homelessness. Arizona has used a portion of the TANF funds for homeless services that include shelter (at a facility or by voucher), prevention, move-in assistance, and case management services. Approximately \$6.6 million was available to domestic violence services while \$1.6 million was available for homeless services in SFY 2008.

*Arizona Department of Education (DOE)*

⇒ Education for Homeless Children and Youth: Grants for State and Local Activities

In January of 2002, the McKinney Vento Homeless Assistance Act was reauthorized as a part of “No Child Left Behind” legislation. This Act requires educational access and equity for children and youth experiencing homelessness, outlines responsibilities for local liaisons, and provides funding to support local grants and statewide initiatives.

The Arizona Department of Education utilizes this funding to maintain a State Coordinator of Homeless Education, a role clearly defined by McKinney Vento. The Coordinator is responsible for developing Arizona’s state plan, facilitating coordination with other agencies, providing technical assistance to public school districts, and gathering comprehensive data for federal reporting purposes. For the 2005-6 school year, 19,122 students experiencing homelessness were enrolled in Arizona public schools.

The McKinney Vento Homeless Assistance Act also outlines specific responsibilities for the Local Education Agencies (LEAs). Each of the 623 public school districts and charter holders in Arizona have designated a Local Educational Agency Liaison to ensure that students experiencing homelessness:

- 1) Are informed of their rights as homeless children and unaccompanied youth.
- 2) Are identified, immediately enrolled in, and have a full and equal opportunity to succeed in school.
- 3) Are provided transportation to remain in their “school of origin” if it is in their “best interest” and considered feasible.
- 4) Have records maintained and available in a timely fashion.
- 5) Receive all educational services for which they are eligible, including free breakfast and lunch, Title I, gifted, special education, migrant, and English acquisition services.

While all public school districts are held accountable for these responsibilities, some receive financial assistance to do so. McKinney Vento sub grants help defray costs associated with educating homeless students, such as transportation services, facilitating



initial enrollment services, social services, and delivering supplemental instructional services. For SFY 2006, \$1,215,871 was allocated on a competitive basis to those with the highest program quality and greatest need for assistance. Additionally, school districts must reserve a portion of their Title I funds in case they should need them for the unique needs of homeless students. In SFY 2006, approximately \$1 million of Title I funds were set aside.

*Arizona Department of Health Services (DHS)*

⇒ *Projects for Assistance in Transition from Homelessness (PATH)*

The PATH Grant is a federal grant from the Substance Abuse and Mental Health Services Administration – U.S. Department of Health and Human Services for the purpose of providing outreach services to persons with serious mental illness who are homeless. DHS/Division of Clinical and Recovery Services utilizes the PATH Formula Grant Funds to provide an array of services to persons who are homeless and have a serious mental illness, including those with co-occurring substance abuse problems. Through a competitive bid process, DHS contracts with three local mental health providers to carry out the daily operations of PATH. DHS is responsible for program oversight, grant administration, cash match, monitoring, and providing technical assistance to grantees. The three providers serving the areas of the state where the largest numbers of homeless individuals and families are concentrated are Southwest Behavioral Health Services, Community Partnership for Southern Arizona, and Northern Arizona Behavioral Health Authority.

In FY 2005, PATH funded programs contacted approximately 6,000 homeless persons. It is projected that over 7,000 homeless persons will be contacted in FY 2006. It is further projected that over 1,000 of those contacted will be identified as having a serious mental illness. These individuals will be enrolled in a behavioral health authority.

⇒ *Shelter Plus Care*

The HUD funded Shelter Plus Care program, accessed through the three Continua of Care, provides rental assistance that, when combined with locally funded supportive service agencies, provides supportive housing for homeless people with disabilities and their families. The DHS/Division of Clinical and Recovery Services has the responsibility to administer services for persons who are seriously mentally ill. State appropriated funds are allocated to private Regional Behavioral Health Authorities that subsequently provide matching funding for services to approximately 2,000 seriously mentally ill persons who receive housing subsidies provided by the Shelter Plus Care program. This funding equals \$17,119,886 in supportive services to maintain formally homeless clients living in independent housing. Shelter Plus Care housing programs must be administered by the government agencies such as ADOH, DHS, or public housing authorities.

⇒ *State General Funds*

State general funds appropriated to DHS are used to develop a number of “community housing” programs and level of care systems for persons with serious mental illnesses. These funds provide permanent housing for individuals discharged from the Arizona State Hospital, board and care facilities, supervisory care homes and/or residential

treatment programs as described in the Arnold vs. Sarn lawsuit. These funds are used to purchase, lease, or rent properties in either the house model or small apartment complexes that offer consumers safe, decent, stable housing with the availability of in-home supportive services. The ability to integrate and maintain clients in the community is a major goal and component of the mental health service delivery system. DHS provides this supportive service to assist persons with serious mental illnesses in maintaining their independent housing in accordance with the Individual Service Plan.

### 3. Statement Of Specific Annual Objectives/Outcome Measures

*The state's action plan must contain a summary of the priorities and the specific annual objectives. From their 3 or 5 year consolidated plans, grantees will delineate which outcome goals and objectives the grantee plans to address in the coming year. States are encouraged to identify specific objectives under the general outcomes and objective categories involving the availability/accessibility, affordability and sustainability of decent housing, a suitable living environment, and economic opportunity using option Table 3A (Summary of Annual Specific Objectives and Projects). If this table is not used, states must provide comparable information that is required by the consolidated plan regulation.*

*Each specific objective developed to address a priority need must be identified by number and contain the proposed accomplishments and outcomes the state hopes to achieve in quantitative terms during the specified time period, or in other measurable terms as identified and defined by the state.*

*Outcome Measures – The action plan must provide outcome measures for activities included in its action plan in accordance with the Federal Register Notice, dated March 7, 2006 (i.e., general objective category (decent housing, suitable living environment, economic opportunity) and general outcome category (availability/accessibility, affordability, sustainability). The outcomes, outputs and indicators that the grantee plans to work on in the coming year should be included in optional Table 3A, Summary of Annual Objectives and Projects. If this table is not used, states must provide comparable information that is required by the consolidated plan regulation and the Federal Register Notice.*

The state has chosen to incorporate Table 3A, Summary of Annual Specific Objectives and Projects. This table details the specific objectives under the general outcomes and objective categories involving the availability/accessibility, affordability and sustainability of decent housing, a suitable living environment, and economic opportunity using option, are required. Further, the state has incorporated into this table the specific goals and projects by which all funds will be invested. That includes goals and projects for a) rental development and rehabilitation ; b) owner housing objectives for new development, rehabilitation, emergency repair and downpayment and closing cost assistance; c) homeless goals; d) special needs housing and services goals; e) community development and revitalization goals; f) economic opportunities goals.



**Table 3 A**  
**Fourth Annual Action Plan; Summary of Annual Specific Objectives and Projects**

Obj/ Proj #	Specific Annual Objectives	Source of Funds	Performance Indicators	Actual Units	Expected Units	Outcome/ Objective
	<b>Rental Housing Objectives</b>					
RHO1	Increase the availability of affordable rental housing					
RHO1.1	Project 1 Using LIHTC, Bond, and HOME financing to produce new rental units affordable to households earning from 50% to 60% area median income (AMI).	LIHTC, Bonds, and HOME, private/public partnerships	Maintain or increase the number of affordable housing units  The number of LIHTC units placed in service  # of years added to affordability period		450	DH1.1 DH2.1
RHO1.2	Project 2 Provide eligible rental developments sufficient HOME and HTF gap financing to produce new rental units affordable to non-special needs households earning between 40% and 50% of AMI	HOME and HTF, private/public partnerships	Maintain or increase the number of affordable housing units  # of years added to affordability period  # of state assisted units		90	DH1.2 DH2.2

Obj/ Proj #	Specific Annual Objectives	Source of Funds	Performance Indicators	Actual Units	Expected Units	Outcome/ Objective
	<b>Rental Housing Objectives</b>					
RHO2	Improve the quality of rental housing					
RHO2.1	<p>Project 1</p> <p>Preserve the existing affordable rental housing stock, especially in conjunction with comprehensive neighborhood efforts, by using LIHTC, Bond, and HOME financing to rehabilitate rental units and make available to households earning from 50% to 60% area median income (AMI).</p>	LIHTC, Bonds, and HOME, private/public partnerships	<p>Maintain or increase the number of affordable housing units</p> <p># of contracts/ -- years added to affordability period</p>		<p>300</p> <p>18</p>	<p>DH1.3</p> <p>DH2.3</p>
RHO2.2	<p>Project 2</p> <p>Preserve the existing affordable rental housing stock, especially in conjunction with comprehensive neighborhood efforts, by providing eligible rental developments sufficient HOME and HTF gap financing to rehabilitate XXX rental units and make available to non-special needs households earning between 40% and 50% of AMI</p>	HOME and HTF and private/public partnerships	<p>Maintain or increase the number of affordable housing units</p> <p># of contracts -- years added to affordability period</p>		<p>60</p> <p>18</p>	<p>DH1.4</p> <p>DH2.4</p>
RHO3	Increase opportunities for low-income households to become and remain renters through rental subsidies					
RHO3.1	Through ADOH PHA, maintain oversight and monitoring responsibilities for subsidized properties throughout the state	HUD, HTF	Maintain or increase the number of affordable housing units		110	<p>DH1.5</p> <p>DH2.5</p>

RHO4	Promote self sufficiency and facilitate movement from rental to homeownership					
RH04.1	Encourage programs that promote self sufficiency /encourage/facilitate lower income tenants toward homeownership	CDBG, HOME, SHF, private/public partnerships	Maintain or increase the number education services such as homebuyer services  Specifically track data for programs, directly linked to state assisted rental developments		2	DH 3.1

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Obj/ Proj #	Owner Housing Objectives	Source of Funds	Performance Indicators	Actual Units	Expected Units	Outcome/ Objective
OHO1 Increase the availability of affordable owner-occupied housing						
OHO1.1	<p>Project 1</p> <p>Increase the availability of affordable owner-occupied housing by providing eligible "for sale" home developments sufficient gap financing to produce homes affordable to households earning from 51% to 80% AMI.</p>	<p>SHF, HTF, HOME, FHLB, RD, local private/public partnerships</p> <p>CDBG infrastructure if part of SRA and with CBDO</p>	Maintain or increase the number of units available and affordable		14	DH1.6 DH2.6
	<p>Project 2</p> <p>Increase the availability of affordable owner-occupied housing by providing eligible "for sale" home developments sufficient gap financing to produce homes affordable to households earning from 30% to 50% AMI.</p>	<p>SHF, HTF, HOME, FHLB, RD, local private/public partnerships</p> <p>CDBG infrastructure if part of SRA and with CBDO</p>	Maintain or increase the number of units available and affordable		3	DH1.7 DH2.7

OHO2 Improve the quality of owner-occupied housing					
OHO2.1	<p>Project 1</p> <p>Improve the quality of owner-occupied housing by preserving the housing stock currently owned by low-income households while reducing substandard housing overall, by providing sufficient funding to local governments and non-profit organizations to rehabilitate homes for households earning from 51% to 80% AMI.</p>	<p>SHF, HTF, HOME, FHLB, RD, local private/public partnerships</p> <p>CDBG infrastructure if part of SRA and with CBDO</p>	<p>Maintain or increase the units brought from substandard to standard condition</p>	25	DH3.2
OHO2.2	<p>Project 2</p> <p>Improve the quality of owner-occupied housing by preserving the housing stock currently owned by low-income households while reducing substandard housing overall, by providing sufficient funding to local governments and non-profit organizations to rehabilitate homes for households earning between 31% and 50% AMI</p>	<p>SHF, HTF, HOME, FHLB, RD, local private/public partnerships</p> <p>CDBG infrastructure if part of SRA and with CBDO</p>	<p>Maintain or increase the units brought from substandard to standard condition</p>	24	DH3.3

OHO3.1	<p>Project 1</p> <p>Improve the quality of owner-occupied housing by providing sufficient funding to local governments and non-profit organizations to conduct emergency repairs on homes for households earning from 51% to 80% AMI.</p>	SHF, local public and private partnerships	Maintain or increase the units brought from substandard to HQS condition	61	DH3.4
OHO3.2	<p>Project 2</p> <p>Improve the quality of owner-occupied housing by providing sufficient funding to local governments and non-profit organizations to conduct emergency repairs on homes for households earning between 31% and 50% AMI.</p>	SHF, local public and private partnerships	Maintain or increase the units brought from substandard to HQS condition	94	DH3.5
OHO3.3	<p>Project 3</p> <p>Increase the opportunities for low and moderate-income household to become and remain homeowners through homeownership assistance by providing down payment and closing cost loans to households earning up from 61% to 80% AMI.</p>			144	DH 1.8 DH 2.8
OHO3.4	<p>Project 4</p> <p>Increase the opportunities for low and moderate-income household to become and remain homeowners through homeownership assistance by providing down payment and closing cost loans to households earning up at or below 60% AMI.</p>	Homes for Arizonans- SHF, AzHFA, MCC/MRB	Maintain or increase the number of households receiving down-payment/closing cost assistance	72	DH 1.9 DH 2.9
OHO3.5	<p>Project 5</p> <p>Increase the opportunity to receive foreclosure counseling</p>	SHF/National Grant	Increase the number of foreclosure counseling provider statewide	12	DH 1.9 DH 2.9

	Homeless Objectives	Source of Funds	Performance Indicators	Actual Units	Expected Units	Outcome/Objective
HOM1						
Creating stable housing opportunities for individuals and families with a history of long-term homelessness						
HOM1.1	Project 1 Help low-income people and households avoid becoming homeless/ Eviction Prevention Assistance	SHF, private and public sources of funding, technical assistance provided by Special Needs Division of ADOH; ADOH leadership in Rural Continuum of Care, DES leadership in areas of homelessness prevention	Maintain the number of affordable units (collected as household =equivalent to unit)		3800	DH1.10 DH2.10
HOM1.2	Project 2 Provide supportive housing for homeless people with disabilities and their families/rental assistance	Shelter Plus Care, state appropriated funds, private and public sources of funding, technical assistance provided by Special Needs Division of ADOH; ADOH leadership in Rural Continuum of Care, DES leadership in areas of homelessness prevention	Improved access/availability to services		2000 people	DH1.10 DH2.10
HOM 1.3	Project 3 Provide funds for renovation/ Rehabilitation and operating expenses for homeless shelters	ESG, local public private partnerships (funded under McKinney-Vento Homeless Assistance)	Improved access to services		NOFA	DH1.11 DH2.11

	Homeless Objectives	Source of Funds	Performance Indicators	Actual Units	Expected Units	Outcome/Objective
HOM2 End chronic homelessness in ten years						
HOM2.1	Project 1 Provide outreach services for persons who are homeless and seriously mentally ill	PATH grant-competitive, DES Southwest Behavioral Health, Community Partnership for Southern Arizona and Northern Arizona Behavioral Health Authority	Improved access/availability to services		7000 people	DH1.12 DH2.12
HOM2.2	Provide permanent housing solutions rather than crisis management to homeless persons, homeless persons with disabilities and their families, persons with serious mental illness	State General Fund, ESG,	Improved access/availability to services		3000 people	DH1.13 DH2.13
HOM2.3	Promote the use of best practice models in the measuring the effectiveness of emergency and transitional housing programs funded through ESG and other funding sources	ESG, other funding sources	Improved access/Availability to services		Annual report	SL1.1 SL3.1



Obj/ Proj #	Special Needs Objectives	Source	Performance Measure	Actual Units	Expected Units	Outcomes/ Objectives
SNO1						
Increase the range of housing options and related services for special needs populations						
SNO1.1	Project 1 Provide accessibility improvements to owner-occupied households.	HOME, private/public partnerships	Improved access to services		40	DH1.14 DH2.14
SNO1.2	Project 2  Providing assistance through rehabilitation or new construction of units of housing for low- income seniors (over 62 years of age).	LIHTC, Bonds, and HOME, private/public partnerships			450	DH1.15 DH2.15

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Obj/ Proj #	Special Needs Objectives	Source	Performance Measure	Actual Units	Expected Units	Outcomes/ Objectives
SNO1						
Increase the range of housing options and related services for special needs populations						
SN1.3	Construct units of permanent housing for special needs populations.	LIHTC, Bonds, and HOME, private/public partnerships			50	DH1.16 DH2.16
SNO1.4	Construct units of transitional housing for special needs populations.	SHF, Bonds, and HOME, private/public partnerships			25	DH1.17 DH2.17
SN01.5	Provide financial support for the construction of emergency shelter beds	SHF, Bonds, and HOME, private/public partnerships			70 beds	DH1.18 DH2.18

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Obj/ Proj #	Special Needs Objectives	Source	Performance Measure	Actual Units	Expected Units	Outcomes/ Objectives
HOPWA1 Increase the range of housing options and related services for persons with AIDS						
HOP1.1	Provide short-term mortgage rent, utility assistance and supportive services  Contracts through Mohave County Public Health Department and Northland Cares	HOPWA	Improved access to services		300 people	SL1.2 DH1.18

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Obj./ Proj. #	Community Development Objectives	Source	Performance Measure	Actual Units	Expected Units	Outcomes/ Objectives
<b>CDO1</b> Create, enhance, or sustain the operation of neighborhood facilities and improvements						
CDO1 Create, enhance, or sustain the operation of neighborhood facilities and improvements	Project 1 Create, enhance, or sustain the operation of infrastructure systems affecting the health and safety of community residents/rehabilitation and expansion of water and sewer lines, street and sidewalk and flood drain improvements.	CDBG, local public and private resources	Improved access to service		8	SL1.3 SL3.2
CDO1 Create, enhance, or sustain the operation of neighborhood facilities and improvements	Project 1 Improve or enhance accessibility to public facilities that benefit LMI people	CDBG, local public and private resources	Improved access to service		7	SL1.4 SL3.3
<b>CDO2</b> Create, enhance, or improve the delivery of human and recreational services						
CDO2.1	Project 1 Rehabilitation and improve accessibility to public services facilities/improve or expand park facilities including green space, neighborhood parks and recreational facilities.	CDBG, local public/ Private partnership	Improved access to service		11	SL1.5 SL3.4
<b>Obj/ Proj #</b>	<b>Economic Opportunity Objectives</b>	<b>Source</b>	<b>Performance Measure</b>	<b>Actual Units</b>	<b>Expected Units</b>	<b>Outcome/ Objectives</b>
EOO1	Expand technical assistance via partnerships with other agencies such as Arizona Department of Commerce, state universities and education institutions, Arizona Community Foundation and others	Technical assistance – number of meetings	Improved access to service		6	EO1.1

#### 4. Low Income and Minority Concentration Areas

As a function of its planning processes, the Arizona Department of Housing routinely considers economic and statistical data in its analysis. ADOH invests statewide, through its State Housing Trust Fund, and its low-income housing tax credit allocations. ADOH, however, directs the investment of its formula programs in the non-entitled areas of the state-those communities that do not receive a direct allocation from HUD. State priorities for formula program allocations are determined through analysis of census data, American Community survey data, and from other state and national resources.

Arizona is one of the four 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 US-Mexico border in California, Arizona, New Mexico, and Texas that lack sewer, water or decent housing – or a combination of all three. Most of cities and towns in Arizona that are designated as colonias, as shown in Table 1, Rural Minority Concentration Census Tracts, have the capacity to manage the needs of their communities, and thus participate as units of general local government through the method of distribution prescribed in the FY 2005 Consolidated Plan. Similarly, those areas not designated as colonias, but supporting low income and minority concentration areas, i.e., Eloy, Winkelman and Douglas, have the capacity to manage the needs of their communities, and regularly access formula allocations through the application and award process.

Table No. 1 RURAL MINORITY CONCENTRATION CENSUS TRACTS					
Census Tract Number	County	City/Town	Percent of Minorities	% Below Poverty Level	Median Family Income %
6.00	Cochise	Douglas	75.0	36.2	62.8
7.00	Cochise	Douglas	85.2	33.8	76.0
8.00	Cochise	Douglas	85.3	35.7	71.0
9.00	Cochise	Douglas	92.6	40.6	59.3
13.00	Gila	Winkelman	75.7	25.6	84.1
19.00	Pinal	Eloy	83.4	37.1	57.2
20.00	Pinal	Eloy	81.4	27.6	60.2
9961.02	Santa Cruz	Unincorp. County	81.7	14.0	97.5
9962.00	Santa Cruz	Nogales	93.3	35.0	68.0
9963.00	Santa Cruz	Nogales	94.5	31.0	62.1
9964.01	Santa Cruz	Nogales	95.7	32.3	80.0
9964.02	Santa Cruz	Nogales	94.5	38.5	60.1
2.00	Yuma	Yuma	76.9	17.8	96.5
3.01	Yuma	Yuma	78.3	24.5	89.7
3.02	Yuma	Yuma	85.2	45.8	63.9
4.02	Yuma	Yuma	85.8	29.1	86.4
7.00	Yuma	Yuma	78.1	27.4	71.3
114.01	Yuma	San Luis	99.0	34.0	68.0
115.01	Yuma	Somerton	83.1	40.0	70.0
115.02	Yuma	Somerton	96.0	26.4	81.0
116.00	Yuma	San Luis	98.9	38.1	38.1
State Minority Percent			36.2%		

Source: Census 2000, the Federal Financial Institutions Examination Council (FFIEC), Arizona State Data Center, and Arizona Department of Housing.

Arizona

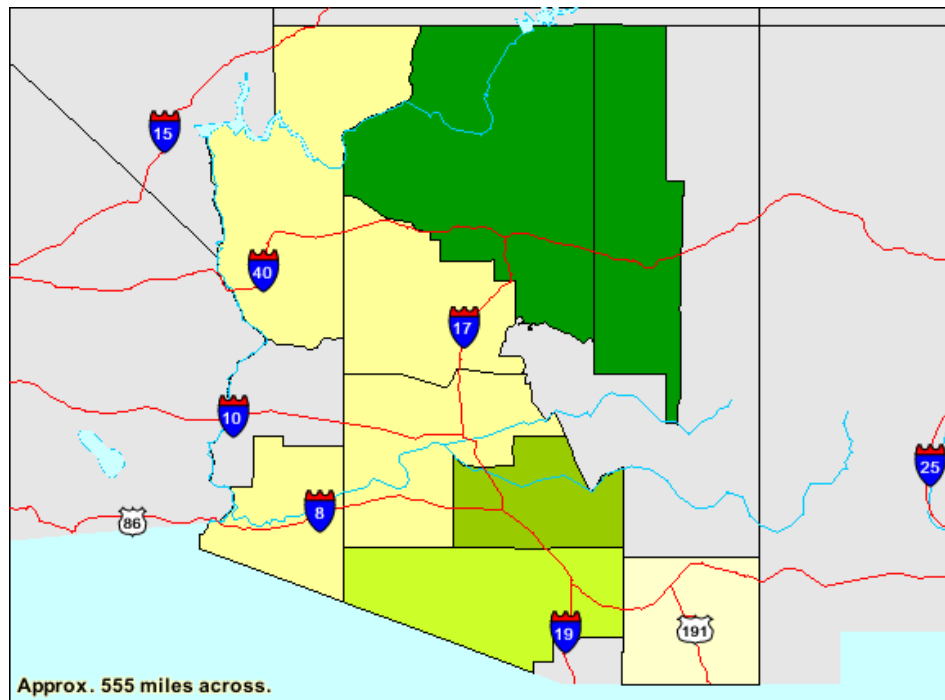
In addition to areas of minority concentration, and areas designated as colonias, the Arizona Department of Housing seeks to provide housing and community development and revitalization services on tribal lands. Table 2, Percent of Total Population Who Are American Indian and Alaska Native Alone, by County, is a map comprised of data collected in the 2005 American Community Survey.

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**Table 2**  
**Percent of the Total Population Who Are American Indian and Alaska Native Alone: 2005**  
Universe: **Total population**  
Data Set: **2005 American Community Survey**  
Survey: **2005 American Community Survey**

**Arizona by County**

NOTE. Data are limited to the household population and exclude the population living in institutions, college dormitories, and other group quarters. For information on confidentiality protection, sampling error, non-sampling error, and definitions, see [Survey Methodology](#).



Source: U.S. Census Bureau, 2005 American Community Survey

More demographic information about Arizona’s communities has been collected and is provided in Appendix C.

## 5. Narrative of Homeless Goals

In December 2005, the Governor's Interagency and Community Council on Homelessness (ICCH) approved the State Plan to End Homelessness. The focus of the ICCH, and the State Plan, is to create a system that is focused on: A) Prevention – eliminating the need for individuals and families to ever enter the homeless service system; B) Service Integration – a flexible, “wrap around” approach to service delivery; C) Permanent Housing – providing permanent solutions, instead of constant crisis management; and D) Outcomes-oriented – focus on outcomes, instead of outputs.

Each of the action steps below for “Chronic Homelessness,” “Homelessness Prevention” and “Discharge Coordination Policy” were the action steps identified for completion in Program Year Two directly from the State Plan to End Homelessness by the ICCH. Although divided by category, each action step falls under the goals of the State Plan, except that the fourth goal, to be “outcomes-oriented,” applies to all three categories below. The action steps to be completed this year under that goal are:

*Goal: Outcomes-Oriented*

1. **Establish and review performance measures:** Arizona Evaluation Project will publish preliminary findings on:
  - Measurement model for Homeless Emergency/Transitional programs
  - Preliminary report on Homeless based upon measurement model –
  - Treatment/predictive model for Emergency/Transitions Homeless
  - First formal evaluation of Homeless Emergency/Transitional programs using treatment/predictive model
2. **Support valid and reliable research specific to Arizona:** Three research studies – cost/benefit study on chronically homeless families (statewide), cost/benefit study on chronically homeless individuals going into permanent housing (Maricopa County) and a study of chronically homeless individuals (Pima County) – will be completed and disseminated.
3. **Encourage the use of best practice models:** The Department of Economic Security requires that best practice models be incorporated into emergency and transitional housing programs that are funded through ESG and other funding sources.
4. **Enhance data collection and integration:** The Statewide HMIS Reporting System (SHRS) has combined aggregate HMIS data from each of the three state Continuum of Care organizations into a single database and has released its first quarterly reports. The SHRS Advisory group will review and enhance the data integration system in the Third Program Year.

For this Fourth Program Year, creating stable housing opportunities for individuals and families with a history of long-term homelessness has been identified as a priority need. Therefore, an emphasis has been placed on increasing supportive housing through greater affordable housing stock and the availability of supportive services.



Two main obstacles to completing these action steps are operating and services funding for supportive housing projects. To this end, several of the agencies that participate on the ICCH are discussing requesting additional state funds to work toward this goal through a joint budget request next legislative session. Another group working on a similar issue, the Governor's Incentives to Affordable Housing Task Force, will be making recommendations in a number of areas that might be helpful to serve this population as well. Also, there will be action planning with local communities to identify local resources that may be able to fund supportive housing units in their areas.

## 6 Narrative of End Chronic Homelessness

### 1. **Improve access to mainstream support programs:**

- Arizona launched a joint venture with the Stepping Stones to Recovery, SSI/SSDI Outreach, Access, and Recovery (SOAR) Project to help individuals who are chronically homeless and disabled with no income by assisting them in obtaining benefits through the Social Security Administration. A two-day strategic planning session was held in January 2006. Arizona SOAR training was initiated as a joint venture between the Arizona Departments of Health Services, Economic Security, and Social Security Administration, Continua of Care, and providers of services to chronically homeless individuals. In Program Year Two, SOAR trainings were implemented in Phoenix, and Tucson. Outcomes of the training will be tracked to assess whether the training results in increased access to SSI/SSDI benefits.
- The Department of Health Services (DHS) has committed an Assertive Community Treatment team to the Maricopa Human Services Campus Day Resource Center. DHS is in the process of working with Value Options (the Regional Behavioral Health Authority) to construct the team, which will work in coordination with the Day Resource Center (local provider) to engage chronically homeless individuals.

### 2. **Increase supportive housing development for individuals and families:**

- An action plan with five targeted local communities will be developed for expanding the availability of new units of supportive housing for long-term homeless families (343 units total) and individuals (1348 units total) across the state and will establish individual area annual targets.
  - 34 units of supportive housing will be developed for long-term homeless families
  - 135 units of supportive housing will be developed for long-term homeless individuals.

### 3. **Expand the housing resources available for supportive housing:**

- An interagency budget planning group has been formed and will be exploring options for a joint budget package for SFY 2008.

### 4. **Increase public awareness of the need for supportive housing:**

- The ICCH workgroup will explore strategies for improving public

awareness and support for supportive housing across the state. A public awareness subcommittee was established.

5. **Research and analyze key barriers to accessing supportive and affordable housing:**
  - An Interagency Planning Group on Supportive Housing will be formed and will meet to discuss eliminating barriers to supportive housing development. The “Governor’s Incentives for Affordable Housing Taskforce” will also provide recommendations for increasing affordable housing development.
6. **Encourage the role of federal government in affordable and supportive housing:**
  - The ICCH workgroup will explore strategies for increasing funding for supportive housing at the federal level.

The obstacles to accomplish these action steps are similar to those noted above. While the state plays an important role in encouraging the development of supportive housing, local communities, developers and other funding sources must be actively engaged in the process in order for these steps to be accomplished.

### Homelessness Prevention

1. **Increase the use of risk assessment tools:** An initial risk assessment tool was developed and piloted. The Department of Economic Security (DES) will continue to improve the tool until it is deemed reliable and valid. The state will eventually be able to use this tool to most efficiently direct resources.
2. **Create and expand technology tools to provide more timely and accessible information:** Three websites have been developed and will continue to be improved that provide information on eligibility for state and federal programs ([www.azselfhelp.com](http://www.azselfhelp.com)), affordable housing ([www.socialserve.com](http://www.socialserve.com)), and general social service information ([www.az211.gov](http://www.az211.gov)).
3. **Focus on outcomes, not outputs, of prevention activities:**
  - Require follow-up with families 6 and 12 months post-assistance in the ADOH Request for Proposals with Eviction Prevention/Emergency Housing funding.
  - Work with Community Action Agencies on developing and implementing their ROMA (Results-Oriented Management and Assessment) standards.
4. **Implement multidisciplinary teams:**
  - The Department of Economic Security has implemented multidisciplinary Family Connections teams comprised of child welfare, TANF, and employment specialists in four shelters with the goal of rapidly re-housing families. Family Connections engages families involved in TANF and at-risk for involvement in the child welfare system in comprehensive, integrated services with the overarching goal of assisting families in achieving self-sufficiency, safety and overall well-being. The mission of

Family Connections is to promote and empower safe, healthy families by assisting them in achieving their highest potential. Services are family focused, strength based, voluntary, and coordinated.

- TANF Service Coordinators will be placed in shelters throughout the state in order to expedite the benefits process for families.
- DES/Family Assistance Administration and the Department of Education will partner to provide training regarding benefits programs to homeless education liaisons.

5. **Improve access to adequate physical health care, including dental care:** Maricopa Health Care for the Homeless constructed a new state of the art clinic, which celebrated its ribbon cutting on the Human Services Campus in November 2005. Adele O'Sullivan, M.D., Medical Director for the Clinic was named 2006 Family Physician of the Year by the American Academy of Family Physicians. In addition, the Campus includes a state of the art dental clinic. The clinic serves chronically homeless individuals and boasts eight dental stations that include the latest in technology and treatment methodologies.

## 7. Discharge Continuation Policy

1. **Discharge Planning from Hospitals:** A committee has been formed and is chaired by the Administrator of the Maricopa Health Care for the Homeless Clinic. This group will begin working with hospitals and care providers in the Maricopa County region (with expertise from other areas of the state) to develop a comprehensive hospital discharge plan and recommendations for systems changes.
2. **Discharge Planning from Prisons:**
  - Support the implementation of the Department of Corrections Homeless Prevention Plan.
  - Support the work of the Re-Entry Task Force subcommittee to begin a pilot housing project for people exiting prisons who have significant barriers to housing.
3. **Transitions Plans:** Change Medicaid status from termination to suspension when an individual is being returned to an institution (i.e. jails, prison, state hospital and other managed care environments).

## Monitoring

Every effort will be made to ensure all projects and units remain compliant with the regulations set forth by the applicable funding source and for the period of time specified in the funding contract.

### Community Development Block Grant (CDBG)

Staff conducts desk monitoring during all phases of each project based on a combination of a risk analysis and random sample. Documented desk monitoring includes a detailed application review including 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. The nature of the activities undertaken by grantees determines which documents must be submitted for desk monitoring. After desk monitoring has been completed, the grantee is notified, in writing, as to whether the items reviewed were compliant or what corrective actions are needed with a date for such to be completed.

Staff also conducts on-site monitoring visits. Each community is monitored at least twice during the contract period; once during construction and again at close-out. During on-site monitoring the project site(s) is/are visited to ensure consistency with the information in the application and contract. Additionally, a sample of files is reviewed. Checklists are provided to all grantees to ensure communities maintain all required documents and the on-site monitoring proceeds efficiently. Grantees are always notified in writing in advance of a monitoring visit; it is scheduled at a mutually convenient time. All monitoring visits result in a report that identifies the items reviewed, any concerns and findings, and a response date if necessary.

Response dates for both desk and on-site monitoring are tracked through Housing Development Software (HDS). Lack of timely, appropriate responses can result in a withholding of funds, an inability to apply for future funds or a grant termination following appropriate notification and due process procedures. Responses are reviewed for completeness and, if necessary, an additional correspondence is exchanged until all issues are resolved.

### HOME Investment Partnership Program

The goals and philosophy behind ADOH's monitoring is 1) to document accountability for the proper use of funds to regulatory oversight agencies and to the public; 2) to provide recipients with the training and technical assistance necessary to comply with legal requirements for the use of these public funds; and, 3) in cases of outright non-compliance, to take all necessary measures to assure issues are adequately resolved and/or proper sanctions are undertaken.

## Monitoring Policy for Funding Contracts

Desk reviews and on-site monitoring provide an on-going assessment to assure the activities and transactions undertaken by the recipient of HOME funds are allowable within laws, regulations, and policies that govern the program. Staff is responsible for gauging information received (or not received) from recipients against all applicable laws, regulations, and policies. Throughout the contract period, recipients must submit bi-monthly reports. The reports update staff regarding the recipient's progress and collects federally-mandated reporting information such as matching contributions, contracts let to minority and women owned businesses, and statistics on any relocations. Occasionally additional documentation is required of recipients that will enable staff to provide in-house oversight ("desk monitoring").

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 monthly reports, staff schedules at least one-site visit for each recipient of HOME dollars on an annual basis. Since most HOME contracts are typically open from a period of 12 months to two years, most contracts will receive at least two monitoring visits – one of which is scheduled when the project or program is near completion. Each monitoring visit generally involves at one-to-two 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 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 exhaust 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 of two ways: 1) by resolving the issue to the ADOH's satisfaction, or 2) providing a detailed plan of action in the area(s) of 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.

**Long-Term Monitoring for State-Assisted Rental Housing**

As outlined in all funding contracts and Declaration of Covenants, Conditions, and Restrictions (CC&Rs), rental property owners/managers are required to maintain complete files to comply with program reporting requirements and to make their records available to authorized agents of the state and federal government. ADOH holds owners of state assisted housing responsible for compliance with applicable state and federal regulations throughout the compliance period.

Desk review and on-site monitoring provide an on-going assessment to assure the rental units assisted with State Housing Fund (HOME and/or Housing Trust Funds) dollars are being utilized in accordance with all laws, regulations, and policies that govern the program. Staff is responsible for reviewing information received (or not received) from property owners/managers as it relates to laws, regulations, and policies.

Throughout the compliance period, property owners/managers must complete and submit a “Yearly Compliance Report.” The report updates staff on the status of the state-assisted units and property. Outright failure to comply with the reporting requirements of the program will result in an unresolved compliance issue and will prohibit owners from receiving future State Housing Fund dollars until the property is brought into compliance.

In addition to reviewing the yearly report, staff will schedule on-site monitoring visits according to the requirements of the HOME Program, as described below. The frequency of on-site monitoring is determined by the total number of units – both assisted and non-assisted - within the property, according to the following schedule:

Number of Units in the Project	Minimum Frequency of Site Visits
1-4	Once every 3 years
5-25	Once every 2 years
26+	Once every year

The length of the compliance period is determined by the amount of State Housing Funds invested per unit in the project. The compliance period, also known as the affordability period, is determined in the initial underwriting and is communicated to funding recipients at the time of initial commitment. The length of the compliance period is also outlined in the legal documentation filed on the property.

Activity	State Investment Per Unit	Minimum Affordability Period
Acquisition / Rehabilitation	Less than \$15,000	5 Years
	Between \$15,000 - \$40,000	10 Years
	More than \$40,000	15 Years
New Construction or Acquisition of Newly Constructed Units	Regardless of Amount	20 Years

On-site monitoring visits shall include the following components: entrance/exit conferences, tenant/general file review, and inspection of the state-assisted units and common areas. Within 30 days of an on-site monitoring visit, staff shall 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 areas 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.

The focus of the on-site monitoring is to determine compliance with tenant income eligibility requirements, maximum allowable rental rates, physical property standards, and affirmative fair marketing laws.

Staff will work with property owners/managers to the greatest extent possible to come to a satisfactory resolution in areas where properties are in non-compliance or when on-site monitoring visits have resulted in findings. Deadlines are set and adhered to by which property owners/managers are expected to bring their property into compliance. Should ADOH exhaust all possible avenues to bring a property into compliance, the matter may be determined by the Department to be an “unresolved issue.” Any property owner/manager with unresolved issues may be prohibited from further funding from the State Housing Fund. A property owner/manager who has been prohibited from receiving future funding due to unresolved issues may not appeal the decision but may have the ban lifted by bringing the property into compliance.

### **Low Income Housing Tax Credit (LIHTC)**

ADOH is required to monitor and inspect Low Income Housing Tax Credit (LIHTC) projects for compliance with the Internal Revenue Code (IRC) Section 42, Treasury Regulation 1.42-5, the requirements (set-asides, income restrictions, rent skewing, affordability period, amenities and services, etc.) elected in the application and agreed upon in the Extended Use Agreement, and upon which the Department based its award of tax credits.

ADOH has prepared a Low-Income Housing Tax Credit Program Compliance Manual for all program participants. The manual outlines the Department’s compliance monitoring procedures and reporting requirements. The manual also includes samples of all annual reports, certifications, etc. Twice annual training is offered by the ADOH on the Compliance Manual and owner’s/manager’s compliance responsibilities. Topics covered include recordkeeping, record retention, certifications, reviews and inspections, liability, and correction of non-compliance conditions.

ADOH is required to file Internal Revenue Service (IRS) Form 8823, “Low-Income Housing Credit Agencies Report of Noncompliance,” with the IRS within 45 calendar days of the end of the allowable correction period. All non-compliance issues must be reported whether corrected or not. The Department will explain the nature of the noncompliance or failure to certify and state whether or not the noncompliance has been corrected. The IRS, not ADOH, will make any determinations as to the applicability of recapture penalties.



ADOH must perform inspections of the project and perform on-site audits of the resident certification forms and supporting documentation throughout the first 15 years of the compliance period and any agreed-upon extended compliance period. ADOH will notify the owner in writing of the scheduling of any such inspection or audit.

Every applicant for a project that receives an allocation of tax credits must pay to ADOH a non-refundable monitoring fee to cover compliance monitoring of the project by or on behalf of ADOH. ADOH will assess the monitoring fee annually and the monitoring fee will be due on or before March 15<sup>th</sup> of each year along with the submission of the annual report.

#### **Emergency Shelter Grant (ESG) Monitoring Plan**

The Department of Economic Security (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 Community Services Administration, an on-site visit will be conducted after the contract is awarded. ESG resources and program reports are monitored monthly. Monthly 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 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 (HOPWA)**

With respect to the housing and related service needs of persons living with HIV or AIDS, the Department administers the Housing Opportunities for Persons with AIDS (HOPWA) Program. Activities are focused on homeless prevention (through rental assistance) and providing services to homeless persons with HIV or AIDS.

ADOH contracts and monitors for compliance with annual performance relative to HOPWA requirements. On-site visits are conducted following contract award and program reports are required on an annual basis. Program reports are designed to capture client data, activities, and fiscal expenditures billed. At least twice a year each HOPWA grantee receives a 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 for completion are required and verified by the Department.

#### **Lead-based Paint**

Lead poisoning is one of the most common and preventable pediatric health problems today. In 1991, the Centers for Disease Control (CDC) issued guidelines for identifying children with lead poisoning. Research has shown that even a low level of lead in a child's blood could have harmful effects on their physical and developmental health. Furthermore, the CDC has recommended all children be screened for lead in their blood. Those identified with blood lead



poisoning would receive intervention to remove the source of the poisoning and reduce the blood lead level.

Lead-based paint hazards consist of any condition that causes exposure to lead from lead-contaminated dust, lead-contaminated soil, lead-contaminated paint that is deteriorated or present in accessible surfaces, friction surfaces, or impact surfaces that would result in adverse human health effects as established by the appropriate federal agency. Of the 870,000 dwelling units constructed before 1978 at risk of lead based paint hazards, 77 percent of the units were located in metropolitan areas while 23 percent were located in rural Arizona. Of the dwelling units constructed before 1978 and occupied by low-income households at risk of lead-based paint hazards, 78 percent of the units were located in metropolitan areas while 22 percent were located in rural Arizona. The methodology used to generate these figures incorporates the application of national lead based paint incidence standards to the construction year residential dwellings were built. Discussions with the Arizona Department of Health Services indicate these estimates are reasonable for the state.

According to the information provided by the Arizona Department of Health Services, there were 331 reported cases (261 for children and 70 for adults) of elevated lead blood levels (poisoning) in 2003. The same source also indicated that a child is considered lead poisoned at 10 ug/dl and adults are considered lead poisoned at 25 ug/dl. Eighty-five percent of the 261 children had lead levels of 10 to 19 ug/dl and the remaining 15 percent 20+ ug/dl.

Of the total number of children reported, 74 percent were Hispanic, 13 percent Caucasian, three percent Native American, one percent African American, one percent Asian, and eight percent unknown. In terms of gender, 45 percent of the reported cases for children were male and 55 percent female.

### *Evaluation and Reduction*

Current regulations require recipients ensure occupants, homeowners and homebuyers are notified of the hazards of lead-based paint. Additionally, recipients must a) conduct a visual assessment, paint testing, or risk assessment, depending on the activity, and b) conduct lead hazard reduction activities, including paint stabilization, interim controls, standard treatments, or abatement depending on the requirements for the activity type as identified in 24 CFR Part 35.

Some projects are funded exclusively with Housing Trust Funds and therefore are not required to comply with the Federal LBP regulation at 24 CFR Part 35. Nevertheless, it is the Department's policy to provide lead-safe housing to all assisted households. If the Department provides assistance for the acquisition or rehabilitation of housing, and no federal funds are included in the project financing, the following will apply as a matter of policy beginning with projects acquired and/or rehabilitated after January 1, 2002:

1. All units in the project will be subject to visual assessment standards for identification of deteriorated or deteriorating paint surfaces.
2. All rehabilitation, maintenance or other physical work on the painted surfaces will be done using Safe Work Practices, to be certified by the owner of the property or recipient of grant funds, unless the surface has been tested and determined to be LBP-free.

3. Any such work will be subject to visual assessment standards upon completion to ensure that the work has been completed, an intact painted surface restored, and all debris and dust have been removed.

Rental property owners are required to have a paint maintenance policy that ensures regular (at least annual) visual assessment and repair/maintenance of painted surfaces using Safe Work Practices.

Appendix A: *Report of Past Performance*

Annual Community Performance Assessment (ACA)  
Program Year 2006 (July 1, 2006 to June 30, 2007)

Appendix B: *Notice of Appealable Agency Action*

Appendix C *Collection of Demographic Facts of Arizona's Communities*

Appendix D: *Affidavit of Public Notification*

Appendix E: *Affirmatively Marketing, Fair Housing and Minority Outreach*  
(HOME Investments)



# Arizona Department of Housing

## **PUBLIC NOTICE**

### Fourth Year Annual Action Plan for Federal Fiscal Year 2008

The public is hereby notified that the Arizona Department of Housing (ADOH) is requesting input on the draft of its FY 2008-2009 Fourth Year Annual Action Plan (the "Draft"). The Draft applies to non-metropolitan and rural areas and describes the state's strategies and actions related to housing, including Public Housing and Section 8, special needs (including HIV/AIDS), homeless, community development, lead based paint, anti-poverty and fair housing. The Draft is the annual action plan which describes the methods of distribution, and geographic funding objectives for the U.S. Department of Housing and Urban Development FY 2008 HOME, CDBG, HOPWA and ESG federal funds. The Draft will contain a Citizen Participation Plan governing procedures to secure citizen input for the use of HOME, CDBG, HOPWA and ESG resources for FY 2008. The Draft has been prepared pursuant to applicable federal regulations (24 CFR, PART 91).

The Draft will be available for review and comment at the offices of the Arizona Department of Housing, 1110 W. Washington, Suite 310, Phoenix, AZ 85007 from 8:00 a.m. to 5:00 p.m., Monday through Friday, beginning March 27, 2008. The Draft will also be posted to the Department's website on March 27, 2008: [www.housingaz.com](http://www.housingaz.com). Written comments on the Draft will be accepted from March 27, 2008, ending at 5:00 p.m. on April 25, 2008. Written comments on the Draft are encouraged and may be forwarded to: Programs, 1110 W. Washington, Suite, 310, Phoenix, AZ 85007; written comments may be emailed to [Info@housingaz.com](mailto:Info@housingaz.com).

To continue gathering public comment on the Draft, a public hearing will be held on April 25, 2008 from 10:00 a.m. to noon p.m. in the training room at the offices of the Arizona Department of Housing, 1110 W. Washington, Suite 310, Phoenix, Arizona 85007.

Any person requiring a special accommodation at this hearing because of a disability, physical impairment or English language deficiency should contact the Arizona Department of Housing at (602) 771-1000 or at our TTY number (602) 771-1001 at least five days before the scheduled hearing.

Publication Date: March 27, 2008