



Third Program Year Action Plan

The CPMP Third 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 3 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 2007 has been organized to provide a separate, full discussion of the requirements pertaining to each of the four programs.

In fiscal year 2007, ADOH will manage and invest its allocation as follows:

- **CDBG – the Small Cities 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 \$11,499,801 will be used to provide decent housing, provide suitable living environments and enhance economic opportunities across the state. Fifteen percent of the adjusted total, \$1,724,970, 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 (\$9,774,831) will be distributed through the Rural Council of Governments: (a) NACOG - \$2,236,940; (b) WACOG - \$2,886,584; (c) CAAG - \$2,326,526 and (d) SEAGO - 2,324,780.

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

The state will use \$7,464,864 (includes \$82,686 ADDI) to increase the availability/accessibility and affordability of decent housing, provide suitable living environments and enhance economic opportunities across the state. Twenty-eight percent of these funds (\$2,067,010) will support

Rental/Transitional Housing Development. Twelve percent of these funds (\$885,861) will support Homeownership Housing Development. Sixty percent of these funds (\$4,429,307) will support Owner-Occupied Housing Rehabilitation.

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

The state will use \$877,362 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 \$180,000 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.

Objectives and Outcomes

By directing investment toward activities that support the four strategic priorities and goals, the following outcomes are anticipated:

Rental Housing Objectives:

1. Increase the availability of affordable rental housing.
2. Improve the quality of rental housing.

Owner Housing Objectives:

1. Increase the availability of affordable owner-occupied housing.
2. Improve the quality of owner-occupied housing.
3. Increase the opportunities for low and moderate-income household to become and remain homeowners through homeownership assistance.

Homeless Objectives

1. Increase number of individuals moving from homelessness to transitional housing and to permanent housing.
2. End chronic homelessness in ten years.

Special Needs Objective

1. Increase the range of 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 a housing priority area, or as a strategic revitalization area.

3. Reduce isolation of income groups through de-concentration of housing for lower-income persons.

Economic Opportunity Objectives

1. Encourage participation of businesses and contractors for construction projects in rural Arizona.

Evaluation of Past Performance

The HUD field office conducted an annual monitoring of the CDBG area during the 2006 program year. HUD issued a finding related to the processes used to award and evaluate contracts. In response to the HUD finding, ADOH proposed to more diligently measure investment outcomes through integrated award assessment and effective performance measures processes. The proposal was accepted.

Consequently, ADOH has strengthened the award assessment processes for all of its programs. For all rounds, the award assessment process will include an analysis of strategic alignment, probability of on time completion and financial feasibility. ADOH will continue to use the formal application approach, and will improve the rating system used in its analysis of competitive applications (State Housing Fund and State Special Projects). The department will also integrate a rating system for its non-competitive (CDBG Regional Account) applications. The use of a rating system for the non-competitive applications will enable all parities to identify gaps and to help ADOH in its efforts to provide resources in support and alignment with the priorities articulated in the Consolidated Plan. A rating template for non-competitive applications will be available in the next funding cycle and will be included in the Fourth Program Year Action Plan.

ADOH will continue to improve the development and evaluation of performance measures and indicators. Leading with collaborative solutions, ADOH will work with local units of 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.

In program year 2007, ADOH will expand its use of online resources and existing HUD approved tools. Rather than rewrite regulations, ADOH will incorporate HUD approved tools, such as "Managing CDBG – A Guidebook for CDBG Grantees on Subrecipient Oversight," and the "Community Planning and Development Outcome Performance Measurement Framework." ADOH will continue to use its online Information Bulletins to provide updates. By leveraging educational and regulatory resources, ADOH will be able to expand its participation in community revitalization strategies.

Further, 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:

"Our annual review of the state's CAPER indicates that Arizona is performing well in the administration of HUD programs, and communities throughout Arizona clearly benefit from the dedication, professionalism, and expertise in the management of various funding resources. The state is implementing community development strategies that address the needs originally described in the state's 2005 five-year Consolidated Plan and in accordance with the methods of distribution described in the state's PY 2005 Action Plan. Activities undertaken by

the state during the 2005 Program Year reflect progress toward addressing the overall statutory objectives opportunities for low-and moderate-income persons.”

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 Consolidated Plan 2005, population growth (Arizona is the fastest growing state in the nation) has stimulated market demand for permanent housing, both rental and homeownership. Most of the economic growth in Arizona, in terms of employment and population, occurred in the urban areas from 2001-2005. While statewide employment increased by 241,800 jobs during that period, only 33,800 (14%) of the jobs occurred in rural areas. Further, one out of every three additions to total employment statewide occurred in the low wage industries. Workers in these industries, on average, do not make enough money to buy a median price house or rent an apartment as a single income earner.

Demand for housing is defined by what households are willing and able to pay, the location, physical amenities, access to employment, educational facilities, recreation and social characteristics of the community. The resulting rise in housing prices places homeownership out of reach for many low income Arizonans. Converging with this occurrence is the fact that housing is out of reach also for persons and families earning 80%-120% of Area Median Income (AMI). Further, more of the population must pay a greater amount of their income for housing, thereby increasing the overall number of households that cannot afford housing and reducing their choices.

Increased construction costs impact unit production and restrict the quantity and quality of rehabilitation and emergency repair activities. These factors become compounded in rural communities where inadequate availability of contractors thwarts both procurement and production.

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 \$900,000; however unit production is adversely affected. Every issuance by the AzHFA is quickly subscribed. The need to leverage and layer resources in order to complete projects on time has led to a competitive application environment.

Limited funds, competitively accessed, required a shift in approach half-way through program year 2006. The ADOH application, award and evaluation process for projects identified for the State Housing Fund (HOME and Housing Trust Fund), submitted through the State Housing Fund application, or submitted through the Qualified Allocation Plan Gap Financing application, became fully competitive. Applications for ESG and HOPWA 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 and the SSP will remain competitive.

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 Third Program Year Annual Action Plan for federal fiscal year 2007 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 state 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 Third Annual Action Plan for 2007 identifies the priorities to be addressed with these funds and the actions which the State expects to take to address these priorities.

Strategic Priorities

Priority One: PRESERVATION

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 provide education on fair housing in compliance with the Fair Housing Act.

Priority Two: HOMEOWNERSHIP

Goals: Provide Decent Housing; Provide Sustainable Living Environments

ADOH will *continue* to encourage participation in its Homes for Arizonans (downpayment and closing cost assistance) program, leveraging ADDI and HOME funds in combination with the State's Housing Trust Fund. By investing through its State Housing Trust Fund, along with deployment of resources through the Arizona Housing Finance Authority (AzHFA), ADOH will *expand* its efforts to increase the availability of homebuyer education counseling in all of its counties. ADOH will *expand* its support of statewide homebuyer education providers by fostering the use of standardized curriculum that includes

foreclosure prevention counseling. ADOH will invest HOME funds toward activities that increase minority homeownership. The AzHFA will issue Mortgage Revenue Bonds to provide low-interest mortgage financing to families that have difficulty accessing conventional financing.

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

Goals: Provide Decent Housing, Provide Suitable Living Environments

HOME funds, in combination with State Housing Trust Funds will be 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. 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 and conserving energy resources

Priority Four: Strategic Investment

Goals: Provide Suitable Living Environments

The department will *expand* its current process for recognizing community revitalization strategy areas in its scoring and application evaluation processes. Using the definition of Community Revitalization referenced in its Qualified Allocation Plan, ADOH will invest in activities located in areas designated by the governing body of the municipality or county as (1) a housing priority, (2) a federal empowerment zone or federal enterprise community, (3) a Redevelopment Area, (4) an established HUD Neighborhood Revitalization Strategy Area, (5) a geographic area that has been established by the local government as part of a comprehensive affordable housing plan, (6) a revitalization area designated by the local government and (ii) a map showing boundaries of the housing priority area and the location of the project within the housing priority area. The map must clearly show the names of the roads, streets or other boundaries of the housing priority area and also clearly reflect the location of the project on such roads or streets. These activities may include the elimination of blighting influences and deterioration of property and facilities, increasing access to quality facilities and services, reducing the isolation of income groups within areas by deconcentrating housing opportunities and revitalizing neighborhoods.

Summary of Citizen Participation and Consultation Process

Public Hearing

A public hearing was conducted in the ADOH offices in Phoenix on April 27, 2007.

Advance notice was given for this hearing in the form of an announcement published in a newspaper of general circulation at least two weeks prior to the hearing; notice was also posted on the Department's website (which averages over 26,000 hits a month). 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. These events typically consist of public hearings and forums. Public hearings traditionally provide a venue for the Department to release information to residents in an open setting. Various forums have also taken place over the years providing a more focused, direct method of public input. The Department has also become more involved in sponsoring and attending regularly scheduled meetings with various agencies and working groups. This adds another unique dimension to the planning purposes. For the development of this Annual Action Plan, the State sponsored six community dialogues. These dialogues were held in Casa Grande, Flagstaff, Globe, Kingman, Sierra Vista and Yuma.

All public hearing and forum announcements and comment periods specifically referenced 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.

Summary of Comments or Views

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

The Arizona Department of Housing held six Community Dialogues in rural Arizona to obtain community input about 1) housing and community revitalization activities in rural Arizona, 2) the impact of population growth on the communities and 3) Arizona's Consolidated Plan/Third Annual Action Plan.

Fifty-nine people attended the meetings which were held in Casa Grande, Flagstaff, Globe, Kingman, Sierra Vista and Yuma. Invitations were extended to participants in the Rural Continuum of Care, City Managers, County Managers, Councils of Government, City and County Housing Departments, Tribal Chairpersons, Tribal Housing Departments and community social service and housing providers. Members of the Governor's Interagency and Community Council, the Arizona Housing Commission, and the Affordable Housing Task Force were also notified of the meetings.

Discussion of local activities, the impact of population growth on the communities and specific comments regarding the Third Annual Action Plan have been summarized into five categories; Affordability Factors, Regional Planning, Homebuyer Education, Rehabilitation and Funding and Priorities.

I. *Affordability Factors*

Communities that are experiencing rapid population growth and high housing costs are having difficulty recruiting the work force they need to support the growing community. Teachers were specifically mentioned in two communities. Schools are being built but there are not affordable homes (at a teacher's salary) in the area. More tax credit projects are needed. Many people coming in from out-of-state are able to pay more for housing, resulting in the exclusion of the working families from the available housing stock. Additionally, conversion of apartments to condos is reducing the availability of affordable apartments and investors purchasing land and properties and holding them until the market is more favorable to sell is removing some properties from the market. The cost of land, the addition of impact fees and overall building costs are really impacting the ability to build affordable housing.

Across the State, communities are experiencing long Section 8 waiting lists. For low income families, the lack of emergency assistance for utilities is impacting families' ability to retain the housing they have. Even when Tax Credit properties are developed, families get into trouble with utilities and become evicted.

ADOH Response

When housing costs are compared against disposable incomes, it is possible to determine whether households will be faced with prices beyond their ability to pay. Standard measures of housing affordability traditionally have been between 25%-30% of a household's gross income for rent and 2 to 2 ½ times the annual family income for mortgage loans. The average American actually spends over 30% of his/her after tax income for housing. For the first time buyer of a new home, that average goes up to 40% of disposable income. This data is consistent in Arizona.

Rising housing costs result in an increase in the overall number of households that cannot afford housing. Both at the national and state levels, the lower middle income and low income households have increasingly fewer selections from which to choose. Individuals earning what HUD defines as moderate income, between 80%-120% of Area Median Income, are also challenged to pay a larger portion of their income for housing. In Arizona, the need to "commute where you can afford to live," has resulted in hyper growth in population in many cities, but especially those near large MSAs. The demand for more affordable workforce housing has emerged from these dynamics. Workforce housing focuses on providing homes for public employees, such as teachers and nurses, public safety volunteers and employees of small and large business in Arizona's cities. Workforce housing can be ownership or rental, townhouse or typical market-rate apartment units.

Workforce housing and affordable housing is developed by private developers and by non-profit developers (many of which are local community or faith based organizations), using a combination of rental income, private financing, income from sales and leverage from state and federal funds. As resources become more finite, the Arizona Department of Housing will continue to encourage greater partnerships among local government, non-profit and for-profit housing developers, community leaders and private financial institutions. In this matter, investments made by the Arizona Department of Housing may be leveraged optimally.

Rapid growth, rising housing costs and rising construction costs have contributed to the need to make tough choices for these limited resources. In this third year annual action plan, the priorities for state investment continue to be preservation, homeownership, new rental and single family unit development and strategic investment. Trade-offs made to use HOME funds to encourage the development of more tax credit properties may be made at the expense of rental subsidy programs, for example. Stakeholders of affordable housing investment in Arizona agree that more funding is needed. While the complexities of the housing affordability problem cannot be resolved with money alone, access to more funds is a good place to start.

II. Regional Planning

The challenge to all communities and the State is to think along the lines of investment in our communities. "We need to think in terms of long term sustainability Plans. How do we sustain the work we do?" Regional planning could help us do this. Encouragement and support for regional planning and public-private partnerships could create real opportunities to address in a collective way some of the major challenges that are faced by communities across various regions of the State. Regional planning

could be a CDBG opportunity, like with ADOT, creating a regional approach and doing more things together, leveraging the resources we have. We all need to be more strategic in our investments.

Opportunities such as alternative design options (smaller, green, sustainable, modular, and Katrina Cottages), addressing NIMBY issues, and responding to the need for shelter services could be part of a Regional approach.

NIMBY issues with regard to multi-family housing and any high density projects are a huge challenge in these communities. At times the term “affordable housing” sends up red flags to people in the neighborhood. An education program targeting the general population would help to dispel the belief that affordable housing means an automatic increase in social issues and crime.

There is a community need for shelter particularly for single men and transitional housing and the Plan does not recognize this need. If we ignore the homeless population, they are at risk of injury or death. Suggested Objective: Support when possible the development of emergency and transitional housing in rural areas.

With regard to state land sales, there needs to be a statement made that the use of state land (when purchased) must address the vital need of housing in our community. Consideration could be given to using some of the funding from the sale of state land for home buyer assistance.

Finally, across the State communities discussed USDA Rural Development designation changes resulting in a reduction in the availability of Rural Development funds. (Due to population growth, some communities will no longer be eligible communities for Rural Development funds.) ADOH has attempted to give scoring advantage by using rural development scoring - 25,000 population capacity and now also has urban set asides. For some communities, Prescott and Flagstaff for example, due to size, they are in between urban and rural, so we can't get tax credits. These communities were defined by participants as “tweeners” – not rural - not urban.

ADOH Response

Land development costs, building material and labor costs as well as profit margins comprise the total selling price for a dwelling unit. As this trend continues, appearance, production and distribution of housing will be unique in each community. Individuals who live in Arizona's large MSAs, Phoenix and Tucson, and cities contiguous to them often pay a “time tax,” because of the need to drive to destinations where housing affordability is obtainable. Attempts to develop housing within reach must often confront issues associated with NIMBYism (not in my backyard). Because opposition arises out of misconception, the Arizona Department of Housing and its community partners recognize the need for continuous education about housing affordability.

Federal programs, especially those through HUD and USDA Rural Development have established a variety of policies, programs and activities in support of the housing industry and in support of the goal stated in the Housing Act of 1949, “a decent home and suitable living environment for every American family.” However, the policies that created formulas and definitions of affordability, such as area median income to population size and qualified census tracts can result in statistical anomalies that reduce funding to low and moderate income individuals when exponential population growth tips market demand for housing. This is the “Catch-22” in which many Arizona communities find themselves.

Consistent with the first priority stated in this annual action plan, Preservation, 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 provide education on fair housing in compliance with the Fair Housing Act.

Along with its community partners, ADOH recognizes that the challenges facing the homeless in rural areas differ from the challenges facing the homeless in urban and suburban communities. The rural homeless are more likely to be working and newly homeless (for three or fewer months). Most rural homeless are male and single, but homeless families account for 15 percent of the total. Among homeless clients in families, 84 percent are women. Because there are fewer shelters in rural areas, homeless families are more likely to live in their cars or with relatives (Burt 1999). Although assistance for the rural homeless is available, the programs provide fewer services. For example, because of the limited number of health care facilities serving the rural homeless, individuals seeking medical assistance are likely to be more seriously ill than their urban counterparts.

(Source: www.financeproject.org/Publications/currentissuesinruralINRAC.htm)

Because of the complexities of these issues, the Arizona Department of Housing has a leadership role on the Governor's Interagency and Community Council on Homelessness (ICCH). Governor Janet Napolitano created the Interagency and Community Council on Homelessness (ICCH) through Executive Order 2004-13 on June 5, 2004. The purpose of the ICCH is to guide the development and implementation of a state plan to end homelessness for Arizonans with a focus on families. The ICCH identifies policy, practice, and funding actions that can be taken at the state level to prevent and end homelessness through support, involvement, and coordination among multiple state agencies and the private sector. The ICCH is comprised of representatives of the Governor's Children's Cabinet and private sector individuals appointed by the Governor.

The development and implementation of the Arizona state plan to end homelessness is being achieved through a project structure that includes the ICCH, the state plan work group, and community input and involvement. The ICCH is chaired by Governor Janet Napolitano and, in her absence, is co-chaired by the Director of the Arizona Department of Housing and the Director of the Arizona Department of Economic Security. On December 5, 2005, the ICCH adopted the final recommendations for the state plan to end homelessness. On December 1st, the Governor's Interagency and Community Council on Homelessness approved both the Plan for Services and the Plan for Housing, which together comprise the State Plan to End Homelessness. The State Plan to End Homelessness has four goals. The Plan for Services focuses on the first three goals to prevent homelessness: a) build the infrastructure to end homelessness; b) manage outcome and c) create permanent housing.

The Plan for Housing was developed in response to the fourth goal – the creation of permanent housing. To facilitate the development of the Plan for Housing, data was gathered from current research on homelessness nationally and in Arizona. ADOH convened two dozen housing experts from across the state to provide direction for the Plan for Housing. Over 150 service providers, government

representatives, and other community leaders committed to ending homelessness in Arizona then met to identify barriers, goals and action steps to include in the Plan. The Arizona Department of Housing will continue to support its community partners in their efforts to increase funding both for prevention and for permanent housing.

The creation of more partnerships at the local level will create opportunities to leverage finite resources. Extending planning beyond traditional community borders will promote innovation while encouraging smarter growth strategies. The Arizona Department of Housing will continue to encourage regional planning, and planning for community revitalization in its allocation and award of contracts.

III. *Home Buyer Education*

Communities across Arizona are experiencing increasing numbers of foreclosures. A greater emphasis on home buyer education is needed – both in availability and in the breadth of the information provided. People need a better understanding of the mortgage loans they are getting and what things like “balloon payment” and “adjustable rate mortgage” mean – before they purchase the home. They also need to be provided information about the added costs of property taxes. The home buyer education programs need to be available to people across the income spectrum and more in depth so people understand the long term impact of their decisions regarding mortgages. We need specialized home buyer programs that address the current home buying market, mortgages and terms.

ADOH Response

Data culled by the Department of Labor and the Office of Federal Housing Enterprise oversight, presented in a comprehensive report to Congress' Joint Economic Committee, stated that 1.8 million hybrid adjustable-rate mortgages will reset within the next two years. [According to CNNMoney](#), foreclosures are predicted to be between 1 million and 3 million in 2007. According to [The Mortgage Bankers Association](#), the percentage of home loans that entered the foreclosure process in 2006 was .54%. This is the highest it has ever been, with the previous high being .50%, which was back in 2002. According to [Forbes.com](#), foreclosures are most common in the “Rust Belt” (Michigan, Ohio, and Indiana), and in the “Sun Belt” (California, Arizona, and Florida). These areas have been affected by unemployment, economic recession, and a slowing house market. In the Sun Belt, a surge in population in recent years drove up housing prices, which fell dramatically when the housing market slowed-- leaving subprime borrowers in the lurch when they try to refinance before the “teaser rates” expire on their adjustable-rate mortgages. In the most dramatic case, Arizona, home appreciations slowed by 26% in 2006. As in the Rust Belt, delinquencies on subprime loans are increasing, the report says, like the 9% increase in Sacramento from February 2005 to 2007 (source: www.forbes.com/2007/04/11/subprime-mortgage-report-biz-wash-cx_bw_0412subprime).

The types of loans which saw the most foreclosures in 2006 were FHA loans, as well as subprime loans. People who want to own a home but can't get a loan because they have bad credit usually resort to subprime loans. Subprime loans are like conventional mortgages, but because they have to make up for the borrower's credit risk, they have a higher interest rate. According to the [Boston Globe](#), subprime mortgages have helped boost the home ownership rate to a record 69% of American households. However, there is a downside to this growth. Subprime borrowers get foreclosed more frequently than their conventional counterparts. About 3.5 percent of subprime mortgages and refinancing loans go into foreclosure, but a study by the University of North Carolina Kenan-Flagler Business School found that 20 percent of refinancings in 1998 through 2000 that were examined wound up in foreclosure. For conventional loans, the rate is 1.1 percent of mortgages and refinancings.

(Source: www.boston.com/business/personalfinance/articles/2005/08/03/dark_side_of_subprime_loans)

However, many homes fall into some state of foreclosure as a result of the homeowner not knowing exactly what kind of legal agreement they are getting into. According to CNNMoney, more than three out of ten people in the U.S have no clue what type of mortgage they have, which is an alarming statistic. The Arizona Department concurs with its community partners –being educated about loan agreements is crucial. Governor Janet Napolitano, in her 2007 State of the State message, focused on three themes, Education, Foundation and Innovation. Among the key initiatives highlighted as critical to the infrastructure and foundation of the state was a commitment to encourage homebuyer education across borrower incomes. The Arizona Department of Housing currently supports homebuyer education counseling in its rural communities through a variety of partnerships with non-profit homebuyer counselors and through its staff which supports the Homes for Arizonans first time homebuyers program. Last year in our rural communities, 3020 people attended more than 180 classes made available through investment in homebuyer education by the Arizona Department of Housing. It is noteworthy since the inception of its Homes for Arizonans program, only one foreclosure has occurred in this portfolio. Beginning in April, 2007, the Arizona Housing Finance Authority began requiring homebuyer education for its borrowers. Moderate-income borrowers may choose to use an online education program provided through Mortgage Guarantee Insurance Corporation (MGIC).

The Arizona Department of Housing will work with its community partners to expand the availability of and accessibility of homebuyer education throughout the state. The Arizona Department of Housing will also work with its community partners to expand standardize curriculum applicable to the unique characteristics of Arizona's housing market.

IV. *Rehabilitation*

Rehabilitation of properties is becoming more and more difficult due to the cost and availability of contractors in some communities.

Some rental properties are poorly taken care of and code enforcers are faced with trying to get out-of-state landlords to comply and/or with displacing families from properties without being able to offer those families an alternative place to live.

Trailers and mobile homes tend to be the only affordable housing for a great number of people. However, they are not energy efficient, so low income people are paying an inordinate amount on energy bills. Since houses are out of reach for them, there should be economic incentives and assistance for upgrades to new, well-insulated trailers and mobile homes. Among the opportunities and challenges identified were: replacement programs are really good, there is difficulty when the family does not have a title in their name (many are passed down among families without the legal change) and when the tenant does not own the land.

ADOH Response

Although low-income and working families in rural areas are more likely than their urban counterparts to own their homes, many rural homeowners live in substandard housing. Rising construction and labor costs necessitate a narrowing of scope in housing rehabilitation programs. In order to stretch finite resources, many city and county rehabilitation plans limit investment to under \$50,000 per unit; the rehabilitation to code/standards often require an investment of more than the \$50,000 per unit ceilings of most programs. An unintended consequence of static limits in rehabilitation programs is the continuance

of substandard housing. Social service programs that provide assistance to families to bring their homes up to code are rare. The elderly, a significant population in rural areas, need housing accommodations that enable them to stay in their own homes rather than be forced to leave their communities for assisted living facilities or nursing homes.

Further, different funding sources require different outcomes. For the HOME program, rehab is considered to be permanent, essential repairs to the home. These repairs are intended to ensure that the home meets all applicable local building codes and passes a Housing Quality Standards (HQS). Other funding sources require that an activity meet only minimum HQS standards, enabling more flexibility in program design. Recognizing that different funding sources require different implementation strategies, the Arizona Department of Housing created the division of Community Development and Revitalization. This division will facilitate access to three funding sources: HOME, CDBG and the State Housing Fund. Additionally, the Arizona Department of Housing recently created The Center for Housing Affordability and Livable Communities to serve as a resource for community planning and education. These two actions will allow the ADOH staff to provide more comprehensive service to its community partners.

This annual action plan emphasizes the priorities of *Preservation* and *Strategic Investment*. ADOH will continue to encourage planning, especially regional planning. Regional planning may enable more scalable project design and long-range investment.

Through its community partners, ADOH has invested in a number of successful mobile home replacement programs. Its county partners in particular have a history of successful rehabilitation programs. Together, the team at ADOH will continue to explore areas to impact access and availability of affordable housing.

V. Funding & Priorities

Allocation of funding should take into consideration the cost of building (which is higher in rural areas) and not just population. There needs to be flexibility that in rural communities the requirements and needs will be different, even from town to town.

CDBG funding is used in other communities and states in a more dynamic way than in Arizona. For example, they are used as seed money to help fund neighborhood revitalization, re-lending for IDAs, and transit.

Consider use of HOME resources for rental assistance. There needs to be more funding available for rental assistance. We need a more creative version of rental assistance programs. Include the option for use of HOME funds for tenant based rental assistance. Many rural areas have little or no transitional housing available. TBRA provides for almost immediate availability at less cost, allowing for more households to be served. According to Page 17- ADOH will not use HOME resources for rental assistance.

State Special Projects – Consider establishing priorities for the State Special Projects account.

ADOH Response

As resources become more finite, the Arizona Department of Housing will continue to encourage greater partnerships among local government, non-profit and for-profit housing developers, community leaders and private financial institutions. In this manner, investments made by the Arizona Department of Housing may be leveraged optimally.

Rapid growth, rising housing costs and rising construction costs have contributed to the need to make tough choices for these limited resources. For example, to encourage the development of more tax credit properties, which sustain affordability for a 15 years, HOME funds must be used to provide gap financing. This priority occurs at the expense of rental subsidy programs, like TBRA. All stakeholders in Arizona's affordable housing community agree that more funding is needed. While the complexities of the housing affordability problem cannot be resolved with money alone, access to more fund resources is a good place to start.

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 does 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.

Section 91.320(k) (1) Small Cities 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.”*

The ADOH Small Cities CDBG Program Action Plan for Program Year 2007 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 and provide access to community-needed services in local facilities.

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

- continue to support a mix of rehabilitation, conversion and construction activities to preserve and increase affordable housing, both for renters and owners;
- 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; and
- develop and implement strategies which facilitate the coordination of CDBG Small Cities funding with other federal/state/local community development resources.

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, and tribal lands.

State Method of Distribution

The total amount of CDBG funds available for project in FY 2007 is \$11,958,557, a decrease of \$185,028 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% (\$239,171) 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 \$11,958,557 in federal CDBG project resources available to the state will be distributed as follows:

ADOH Administration - \$697,927. This includes \$119,585 (1% for technical assistance) and \$339,171 (2% plus \$100,000 for administration). This amount includes the required 2% administration match of \$239,171.

Grantee Funds – \$11,499,801

Regional Account 85% (RA) – \$9,774,831

SSP Account 15% (SSP) – \$1,724,970

ADOH will provide the non-federal 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, the front desk of the Department, 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 30th 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 30th. ADOH will distribute the final MOD to recipient communities by October 30th.

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. \$2,326,526;

Northern Arizona Council of Government (NACOG): Apache, Coconino, Navajo, and Yavapai Counties. \$2,236,940;

South Eastern Arizona Government Organization (SEAGO): Cochise, Graham, Greenlee, and Santa Cruz Counties. \$2,324,780;

Western Arizona Council of Government (WACOG): La Paz, Mohave, and Yuma Counties. \$2,886,584.

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, 2007.

WACOG and CAAG – July 1, 2007.

ADOH will attempt to review each application submitted within 60 days of receipt. ADOH will review all applications and make final award determinations.

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 the 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.

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.

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. All first priority applications will be reviewed first with subsequent priority applications reviewed if sufficient funding is available, thereby allowing each community a chance to be funded.

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

Applications are due to ADOH for the State Special Project round on June 1, 2007 by 5:00 pm.

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 what 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 relative performance of the applicant on past contracts and the capacity of in house or contracted staff to implement the project; 9) does the proposed cost of the project/activity justify the number of persons who will directly benefit from the project/activity; 10) the extent to which a project will generate secondary benefits such as continued investment (especially private), increase in economic activity, decrease in crime, increased safety, community building; 11) the extent to which the application 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.

CDBG Colonias Set Aside

HUD mandates the state expend at least 10% of its CDBG allocation in the colonias. The colonias allocation is \$1,214,359. 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 2007

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 \$8,285,106 HOME resources, including \$82,686 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 \$1,800,000. 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 \$4.0 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 **\$8.0 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: \$1,230,363
- Metro Area (Maricopa and Pima Counties): \$1,398,923
- CAAG Region (Gila and Pinal Counties): \$1,107,090
- NACOG Region (Apache, Coconino, Navajo and Yavapai Counties): \$1,656,065
- SEAGO Region (Cochise, Graham, Greenlee and Santa Cruz): \$698,615
- WACOG Region (La Paz, Mohave and Yuma Counties): \$1,291,122
- American Dream Downpayment Initiative: \$82,686
- State Administration \$820,242
- Total HOME Available: \$ 8,285,106

HOME Activity Funding Objectives

Rental Housing, including HOME CHDO set-aside, LIHTC gap financing; emergency shelter development. \$2,067,010

Homeownership Housing, including HOME CHDO set-aside, new construction; acquisition/rehabilitation for resale. \$885,861

American Dream Downpayment Initiative. \$82,626

Owner-occupied Housing Rehabilitation: \$4,429,307

Grantee/Recipient Administrative Cost \$0 (Funded through State Housing Trust Fund)

HOME Application Process

The state makes available HOME funds through an application process. Applications are accepted quarterly for rental and homeownership development activities, including CHDO activities, and semi-annually for housing rehabilitation programs. Administrative funding from the State Housing Trust Fund in support of HOME activities is available through the HOME application. Funding decisions are generally made within sixty (60) days.

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 committee for final review and recommendation. The funding committee 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.

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 \$877,362 have been allocated to the state of Arizona. Up to 5% (\$43,868) 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 \$777,362 for a total program resource of \$1,654,724. 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, Community Services Administration (CSA) 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 70% in Maricopa County, 11.5% in Pima County, 4% in Pinal County, 12% in Mohave, Yavapai and Yuma Counties and 2.5% 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.

The state allocation for HOPWA funds is \$180,000. A total of \$18,000 of these funds will be used for administration. Three percent (\$5,400) will be used by the Arizona Department of Housing and 7% (\$12,600) 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 Public Health Department

The Mohave County Public Health Department, a local county government entity, directly administers HOPWA as a HUD project sponsor in Mohave County. Mohave County geographically is located in the top northwestern portion of Arizona with an approximate population of 187,200. The population continues to steadily grow with an average increase of three (3) percent every year. The most recently published Arizona Department of Health Services HIV infection surveillance report indicated that Mohave County yielded the second highest incidence of persons/cases with HIV/AIDS within the twelve (12) rural counties with 173 persons.

The public health department, who also directly administers Title II Ryan White funding, will provide two main housing activities under HOPWA - short-term mortgage, rent, and utility assistance, and supportive services.

With an annual average target amount of ninety (90) persons to be served the program known as Housing Electrical and Living Program (HELP) provides short-term emergency assistance to prevent homelessness and maintain autonomy. In addition, the project sponsor provides supportive services through the development of a comprehensive care plan by a registered nurse with each participant which may include one or more of the following services: medical advice and follow-up, budget planning for sustained medical and housing needs, education, and access to essentially needed community resources.

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.

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 \$2,229,504 in Supportive Housing Program Funds. Of this, \$86,887 will be retained by the state for administration and \$43,444 will be provided to project sponsors in Housing Trust Fund for administration.

The state anticipates receiving \$7,693,692 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 \$795,000. 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 \$4 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 \$24 million in the next fiscal year. 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 \$11 million allocation of tax credits is available. This tax credit allocation will result in approximately \$109 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.

Other Sources of Funds

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 2007.

⇒ *Domestic Violence Prevention (DVP)*

DES contracts these state appropriated funds for services such as counseling, shelter, transportation, transitional housing and childcare. Approximately \$5.2 million is available in SFY 2007.

⇒ *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 \$674,000 is available for domestic violence services and homeless services received approximately \$794,000 in SFY 2007.

⇒ *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 2007, about \$1.1 million is available through this state fund source.

⇒ *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 2007.

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 optional 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 provided 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
Summary of Annual Objectives and Projects

| Obj/ Proj # | Rental Housing Objectives | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|----------------|---|---|--|--------------|----------------|-----------------------|
| 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 places in service # of years added to affordability period | | 900 | 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 | | 190 | DH1.2 DH2.2 |

| Obj/ Proj # | Rental Housing Objectives | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|--|---|---|--|-----------------|-------------------|-----------------------|
| RHO2 Improve the quality of rental housing | | | | | | |
| RHO2.1 | Project 1 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). | LIHTC, Bonds, and HOME, private/public partnerships | Maintain or increase the number of affordable housing units # of years added to affordability period # of state assisted units | | 400 | DH1.3 DH2.3 |
| RHO2.2 | Project 2 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 | HOME and HTF and private/public partnerships | Maintain or increase the number of affordable housing units # of years added to affordability period # of state assisted units | | 120 | DH1.4 DH2.4 |
| 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 | | 1 0 7 | DH1.5 DH2.5 |

| Obj/ Proj # | Rental Housing Objectives | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|----------------|--|--|--|--------------|----------------|-----------------------|
| 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 | | TBD | DH 3.1 |

| Obj/ Proj # | Owner-Occupied Housing Objectives | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|--|--|---|---|--------------|----------------|-----------------------|
| OHO1 | | | | | | |
| Increase the availability of affordable owner-occupied housing | | | | | | |
| OHO1.1 | Project 1 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. | SHF, HTF, HOME, FHLB, RD, local private/public partnerships CDBG infrastructure if part of SRA and with CBDO | Maintain or increase the number of units available and affordable | | 28 | DH1.6 DH2.6 |
| | Project 2 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. | SHF, HTF, HOME, FHLB, RD, local private/public partnerships CDBG infrastructure if part of SRA and with CBDO | Maintain or increase the number of units available and affordable | | 3 | DH1.7 DH2.7 |

| Obj/ Proj # | Owner Occupied Housing Objectives | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|---|--|---|---|-----------------|-------------------|-----------------------|
| OHO2 | | | | | | |
| Improve the quality of owner-occupied housing | | | | | | |
| OHO2.1 | Project 1 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. | SHF, HTF, HOME, FHLB, RD, local private/public partnerships CDBG infrastructure if part of SRA and with CBDO | Maintain or increase the units brought from substandard to standard condition | | 25 | DH3.2 |
| OHO2.2 | Project 2 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 | SHF, HTF, HOME, FHLB, RD, local private/public partnerships CDBG infrastructure if part of SRA and with CBDO | Maintain or increase the units brought from substandard to standard condition | x x | 24 | DH3.3 |

| Obj/ Proj # | Ownership Objective | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|----------------|---|--|--|--------------|----------------|-----------------------|
| OHO3.1 | Project 1 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. | SHF, local public and private partnerships | Maintain or increase the units brought from substandard to HQS condition | | 61 | DH3.4 |
| OHO3.2 | Project 2 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. | SHF, local public and private partnerships | Maintain or increase the units brought from substandard to HQS condition | | 94 | DH3.5 |
| OHO3.3 | Project 3 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. | | | | 144 | DH 1.8 DH 2.8 |

| Obj/ Proj | Ownership Objective | Source of Funds | Performance Indicators | Actual Units | Expected Units | Outcome/ Objective |
|--------------|---|---|--|--------------|----------------|-----------------------|
| OHO3.4 | Project 4 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. | Homes for Arizonans-SHF, AzHFA, MCC/MRB | Maintain or increase the number of households receiving down-payment/closing cost assistance (captures units also when using households) | | 72 | DH 1.9 DH 2.9 |

| Obj/ Proj # | 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 people | 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 | x x x | 2000 people | DH1.10 DH2.10 |
| HOM1.3 | 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 | | TBD | DH1.11 DH2.11 |

| Obj/ Proj # | 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 | | TBD | 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 | | TBD | 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 50 owner-occupied households. | LIHTC, Bonds, and HOME, private/public partnerships | Improved access to services | | 50 | DH1.14 DH2.14 |
| SNO1.2 | Project 2 Providing assistance through rehabilitation or new construction of 600 units of housing for low-income seniors (over 62 years of age). | LIHTC, Bonds, and HOME, private/public partnerships | | | 600 | DH1.15 DH2.15 |
| SNO1.3 | Construct 50 units of permanent housing for special needs populations. | LIHTC, Bonds, and HOME, private/public partnerships | | | 50 | DH1.16 DH2.16 |
| SNO1.4 | Construct 40 units of transitional housing for special needs populations. | SHF, Bonds, and HOME, private/public partnerships | | | 40 | DH1.17 DH2.17 |
| SNO1.5 | Provide financial support for the construction of 70 emergency shelter beds | SHF, Bonds, and HOME, private/public partnerships | | | 70 beds | DH1.18 DH2.18 |

| Obj/ Proj # | Special Needs Objectives | Source of Funds | Performance Measure | Actual Units | Expected Units | Outcomes/ Objectives |
|--|--|--------------------|-----------------------------|-----------------|-------------------|-------------------------|
| HOPWA1 | | | | | | |
| Increase the range of housing options and related services for persons with AIDS | | | | | | |
| HOPWA1.1 | 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 |

| Obj/ Proj # | Community Development Objectives | Source of Funds | Performance Measure | Actual Units | Expected Units | Outcomes/ Objectives |
|---|--|--|----------------------------|--------------|----------------|-------------------------|
| CDO1 Create, enhance, or sustain the operation of neighborhood facilities and improvements | | | | | | |
| CDO1 | 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 | 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 |
| CDO2 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 |

| Obj/ Proj # | Economic Opportunity Objectives | Source | Performance Measure | Actual Units | Expected Units | Outcome/ Objectives |
|----------------|---|--|--|--------------|----------------|------------------------|
| EO01 | Support ULGs in efforts to expand participation of minority and women owned business in delivery of contracts | Technical assistance of ADOH staff and HUD staff | Increase in number of minority and women business that meet contractual deliverables | | TBD | 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

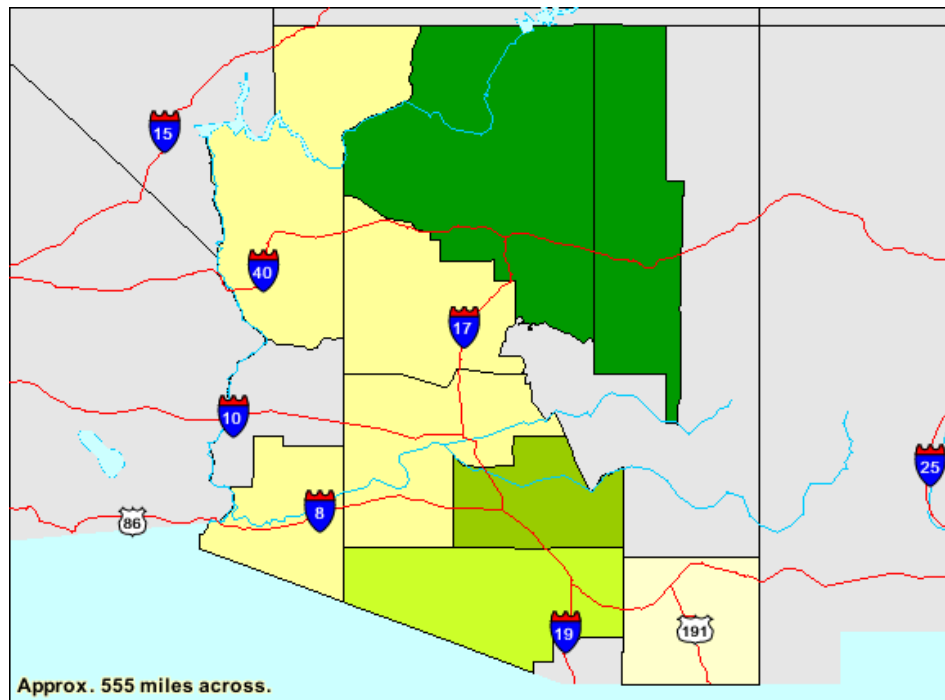
In addition to areas of minority concentration, and areas designated as colonias, the Arizona Department of Housing seeks to provide housing and community development and revitalization services on tribal lands. Table 2, Percent of Total Population Who Are American Indian and Alaska Native Alone, by 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 Third 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 Goals

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), affordable housing (www.socialserve.com), and general social service information (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 collect 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 a 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 by which recipients are expected to bring their program/project into compliance. Should ADOH exhaust all possible avenues to bring a recipient's contract into compliance, the matter may be determined by the Department to be an "unresolved issue." Any recipient with an unresolved 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 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 15th 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 Assessment (ACA)
Program Year 2005



U.S. Department of Housing and Urban Development
San Francisco Regional Office - Region IX
600 Harrison Street
San Francisco, California 94107-1387
www.hud.gov
espanol.hud.gov

Honorable Janet Napolitano
Governor of the State of Arizona
Office of the Governor, State House
Phoenix, AZ 85007

Dear Governor Napolitano:

SUBJECT: Annual Community Assessment for the 2005 Program Year
State of Arizona

The Community Planning and Development (CPD) Division of the U.S. Department of Housing and Urban Development (HUD) has completed its review of the State of Arizona's Consolidated Annual Performance and Evaluation Report (CAPER). Based on this review, we have provided an assessment of the State's performance as it relates to the Consolidated Plan, the 2005 Annual Action Plan, and other relevant information.

The State of Arizona is the recipient of four of HUD's Community Planning and Development entitlement programs including the Community Development Block Grant (CDBG) program, the Home Investment Partnership (HOME) program (including ADDI), the Emergency Shelter Grant (ESG) program, and the Housing Opportunities for Persons with AIDS (HOPWA) program. HUD's Community Planning and Development (CPD) Division annually reviews the performance of our grantees' management of these programs. In PY 2005 the State was awarded \$13,432,908 in CDBG, \$8,598,167 in HOME, \$166,153 in ADDI, \$827,875 in ESG, and \$164,000 in HOPWA funding. In addition, activities from these programs are supplemented with assistance from competitive grants received under the Continuum of Care such as Shelter Plus Care and Supportive Housing.

Activities were undertaken that address the State's priority needs identified in the five-year Consolidated Plan for the 2005 through 2009 Program Years. Staff continued to demonstrate their ability to implement the above programs in accordance with Federal requirements. Our review of the Consolidated Annual Performance and Evaluation Report (CAPER), the CDBG Performance and Evaluation Report (PER), and other available information confirms that the State has the continuing capacity to administer the CDBG, HOME, ESG, and HOPWA programs.

During PY 2005, the State successfully leveraged its HUD funding with a variety of other resources including State General Funds, State Housing Trust Funds, and Low Income Housing Tax Credits. The majority of funds continued to be targeted to the development of affordable rental housing and expansion of homeownership opportunities, however a portion of funds was used to install or upgrade public facilities and improvements, provide public services, increase economic development, and create jobs for low- and moderate-income persons. In support of the Rural Arizona Continuum of Care, limited funds were used to provide assistance to local and regional homeless facilities for emergency and transitional housing, and eviction prevention.

GRANTS MANAGEMENT PERFORMANCE

A high priority of the Department is the timely expenditure of program funds. In PY 2005, the State continued to perform well in the use of these resources, committing over \$22 million of HUD entitlement funds. During the 2005 Program Year, the State received a CDBG allocation of \$13,432,908 and expended \$13,900,369, which meets the recommended 1.0 ratio of funds expended during the program year to the annual grant amount. As of June 30, 2006 (the end of the program year), the State's balance of unexpended CDBG funds was 1.37 of its annual entitlement, well below the 2.5 timeliness goal. Arizona continued to rank high among the states in its Program Start Date group of 21. In HUD's June 30 report, Arizona was ranked fifth for average unexpended balance and ninth for average expenditure rate. We appreciate the continued effort the State is making in increasing the expenditure rate of CDBG funds.

The State is also in compliance with commitment, expenditure, and reservation requirements under the HOME, ESG and HOPWA programs.

AFFORDABLE HOUSING

The State of Arizona addressed housing needs through a broad range of housing programs, including rental subsidies to tenants, construction of rental housing, downpayment, closing cost, and mortgage assistance, construction of new single family housing, and rehabilitation of existing owner-occupied housing. The State continued to encourage the use of tax-exempt financing, Low Income Housing Tax Credits, CDBG, HOME, ADDI, and Housing Trust Funds to facilitate housing development. Funding for all State programs remained stable in PY 2005 and the State was able to achieve or exceed the five-year housing objectives.

Using a combination of resources, the 2005 CAPER reported success in the construction and rehabilitation of single and multi-family housing units. During PY 2005, a total of 1,420 new affordable rental units were constructed and 744 rental units were rehabilitated for low-and moderate-income persons. An additional 2,157 Low Income Housing Tax Credit units were placed in service.

Expanding homeownership opportunities continued to be a priority of the Department. To address this important priority, the State continues to successfully incorporate the American Dream Downpayment Initiative (ADDI) program into the Homes for Arizonans program. In PY 2005, the State received \$166,153 of ADDI funds and has since committed 100 percent of the PY 2003 allocation and 99 percent of the PY 2004 allocation to assist first-time homebuyers. Approximately \$130,000 of ADDI funds has recently been committed to two separate Habitat for Humanity projects that will deplete the balance of the 2004 funds and a majority of the 2005 funds. We appreciate the State's creativity and effort to effectively combine programs, maximize the small allocation of ADDI funds, and create a successful first-time homebuyer program.

During the program year, the State provided 364 households with downpayment, closing cost, and mortgage assistance. An additional 37 first-time homebuyers were assisted in PY 2005 through the Mortgage Credit Certificate program and 78 first-time homebuyers utilized the Single Family Mortgage Revenue Bond program. To supplement the downpayment and mortgage assistance programs, the State constructed 67 new homeownership units, rehabilitated

225 units of low-income owner-occupied housing, and assisted 516 households with emergency repairs. The State exceeded its production goals for very low-income (0-30% MFI), low-income (31-50% MFI), and moderate-income (51-80% MFI) households.

Homeownership is also being supported through the Governor's Affordable Housing Forum, an annual two-day conference conducted by State staff for housing professionals, government officials, and non-profit agencies to discuss strategies and challenges to developing affordable housing.

In PY 2005, in response to the State's housing affordability issue, you directed the ADOH and the Arizona Housing Commission to establish a task force to identify solutions for creating affordable housing opportunities. We appreciate your support, as well as the efforts of State staff and the Arizona Housing Finance Authority for promoting and creating affordable housing throughout Arizona.

FAIR HOUSING

The State continued to address the top two impediments identified in Arizona's *Analysis of Impediments to Fair Housing Choice*, "lack of knowledge of fair housing laws by consumers," and "lack of knowledge of fair housing laws by housing industry agents, realtors, builders, landlords, management agents, lenders, and insurers." Fair housing efforts were improved through a more focused Request for Proposals funding process, which allowed the State to eliminate duplicative activities in urban areas and target resources to rural counties. During PY 2005, the State allocated \$150,000 to further fair housing across Arizona.

In addition to contracting with the Southwest Fair Housing Council to conduct outreach and education, the State continued to participate in the State Fair Housing Partnership, a statewide collaboration of government agencies, private lenders, non-profit organizations, social service providers, and other housing advocates. The State Fair Housing Partnership works together to disseminate information concerning fair housing laws and policies, provide fair housing training, monitor discriminatory practices, and explore methods for overcoming barriers to fair housing. Over 69 workshops and classes were conducted on fair housing issues during the program year in addition to the creation of an educational video illustrating examples of fair housing discrimination. We appreciate the State's active approach to addressing impediments and furthering fair housing throughout Arizona, as well as its continued support for the Arizona Fair Housing Partnership.

HOMELESS AND SPECIAL NEEDS

At the local level the State continued to demonstrate its commitment to address the needs of homeless people in rural areas through a network of organizations including the Excel Group, the Guidance Center, the Community Partnership of Southern Arizona, the Old Concho Community Assistance Center, and the United States Veterans Initiative, among others. In PY 2005, the Rural Arizona Continuum of Care was awarded \$2,532,422 for 20 projects, most of which were renewals under the Supportive Housing program. An additional six (6) million dollars was awarded in three of the State's four Shelter Plus Care renewals that are located in the urban Phoenix and Tucson metropolitan areas. Homeless assistance was also provided with State ESG funds. Activities included operations, essential services and homeless prevention. In addition to the transitional and permanent housing assistance provided throughout the State, ESG

in combination with State Housing Trust funds were used to prevent 4,399 individuals from becoming homeless.

The State used a variety of funding resources including CDBG, ESG, HOPWA, and other competitive and local programs to address the needs of special needs populations. During the program year the State constructed nine units of transitional housing for victims of domestic violence, 22 units of permanent housing for the seriously mentally ill, and six units of transitional housing for women exiting foster care. The State also provided supportive housing assistance for 1,655 dually diagnosed persons and 204 persons with HIV/AIDS. The State was also an important partner in the development of the Human Services Campus in downtown Phoenix. The State worked closely with the Maricopa County Continuum of Care and local homeless providers to see the project through development to completion.

To support Congress' goal of collecting data on the number of unduplicated homeless persons, access to services, and the effectiveness of local assistance systems, the State continued to implement the Homeless Management Information System (HMIS) for the Rural Arizona Continuum of Care. There are currently 50 agencies within the Rural Continuum who are now on-line and entering data into HMIS, including all HUD project sponsors. The Rural Continuum is now at 100 percent for permanent supportive housing and 85 percent for transitional housing, and 76 percent for emergency shelter bed coverage in HMIS, all above the national HUD goal of 75 percent bed coverage in HMIS by 2005. We congratulate the State for its dedication and commitment of both staff and funding for the development, implementation and continued improvement of the Statewide HMIS.

HUD, through the McKinney-Vento legislation, has been providing homeless assistance funding to state and local municipal governments as well as non-profit corporations since 1988. Periodically, new policies were instituted to respond to issues raised during the implementation of the programs. One in particular is the current policy on states discharging clients from institutions onto the streets without providing housing. It has been HUD's policy generally, to disallow use of homeless assistance to individuals being discharged from institutions and having no available housing provided. HUD has been encouraging states to develop discharge policies and report on their progress in the Consolidated Annual Performance Assessment Report (CAPER). The State of Arizona has responded to this policy by developing protocols for youth exiting foster care, individuals coming out of the Arizona Health Care Cost Containment System (AHCCCS) and persons with mental illness coming out of State Hospitals, and finally those being released from the Arizona Correctional system. We appreciate the State's efforts these past few years in developing comprehensive discharge protocols for institutionalized individuals throughout Arizona.

PERFORMANCE MEASUREMENT

HUD has developed a new Performance Measurement System to describe the results of housing and community development programs to the public and to Congress. The Performance Measurement System will enable entitlement grantees to evaluate projects ensuring that Consolidated and Annual Plan goals are met, and assess how projects impact communities and the lives of residents. Grantees will need to fully implement this system in Consolidated and Annual Plans beginning in PY 2007 and report on outcomes and outputs in the Integrated Disbursement System or IDIS beginning PY 2006. The State of Arizona has already identified performance outcome measures in its 2005 Consolidated Annual Performance Evaluation Report

(CAPER). We are available to assist the State with any aspects related to the implementation of this system.

CONCLUSION

Our annual review of the State's CAPER indicates that Arizona is performing well in the administration of HUD programs, and communities throughout Arizona clearly benefit from the dedication, professionalism, and expertise in the management of various funding resources. The State is implementing community development strategies that address the needs originally described in the State's 2005 five-year Consolidated Plan and in accordance with the methods of distribution described in the State's PY 2005 Action Plan. Activities undertaken by the State during the 2005 Program Year reflect progress toward addressing the overall statutory objectives of providing decent housing, a suitable living environment, and economic development opportunities for low- and moderate-income persons.

We look forward to continuing to work in partnership with the Arizona Department of Housing and the Department of Economic Security to help Arizona achieve its immediate and long-range affordable housing and community development goals.

Sincerely,

Steven B. Sachs
Director, Community Planning
and Development Division

cc:

Sheila D. Harris, Director, ADOH

Karen Scates, Deputy Director, ADOH

Mattie McVey Lord, State Homeless Coordinator, DES

Susan Hallett, Program Administrator for Homeless Programs. DES

Appendix B: *Notice of Appealable Agency Action*

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

Appendix D: *Affidavit of Public Notification*



Arizona Department of Housing

PUBLIC NOTICE

March 22, 2007

Third Year Annual Action Plan for State Fiscal Year 2007

The public is hereby notified that the Arizona Department of Housing (ADOH) is requesting input on the draft of its FY 2007-2008 Third 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 2007 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 2007. 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 30, 2007. The Draft will also be posted to the Department's website on March 30, 2007: www.housingaz.com. Written comments on the Draft will be accepted from March 30, 2007, ending at 5:00 p.m. on April 30, 2007. 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.

To continue gathering public comment on the Draft, a public hearing will be held on April 27, 2007 from 10:00 a.m. to 12:00 p.m. 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 Department's Human Resources Manager at (602) 771-1000 or at our TTY number (602) 771-1001 at least five days before the scheduled hearing.