



Fifth Program Year

Action Plan

The CPMP Fifth 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.

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 5 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) 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 2009 has been organized to provide a separate, full discussion of the requirements pertaining to each of the four programs.

In fiscal year 2009, ADOH will manage and invest its allocation as follows:

- **CDBG –Community Development Block Grant program: \$12,078,239**
The State will set aside two percent (\$241,564) of the gross allocation of \$12,078,239, plus \$100,000 for a total of \$341,564, for costs associated with the State's administration of the program. The State will also set aside one percent (\$120,782) for providing technical assistance. The remaining funds in the amount of \$11,615,893 will be used as Program funding to provide decent housing, provide suitable living environments and enhance economic opportunities across the state. Fifteen percent or \$1,742,384 of the Program funding may be allocated through a competitive State Special Projects (SSP) application round. The Consolidated Plan describes the method of distribution used for the regional allocation process: eighty-five percent or \$9,873,509 of the Program funding will be distributed through the Rural Council of Governments method of distributions: (a) NACOG -\$2,243,094 (b) WACOG - \$2,891,378 (c) CAAG - \$2,408,431 and (d) SEAGO - \$2,330,606.

- **HOME – the HOME Investment Partnerships program: \$8,762,874**
The State will use 90 percent or \$7,886,587 of its HOME allocation for Program funding to increase the availability/accessibility and affordability of decent housing and provide suitable living environments for low-income households. Ten percent or \$873,287 of the grant funds will be for State administrative costs.
- **ESG – the Emergency Shelter Grant program: \$886,603**
The State will utilize this grant 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: \$198,919**
The State will utilize \$179,027 of this grant to increase the availability/accessibility and affordability of suitable living environments and decent housing through organizations that provide planning for housing needs, education and access to essentially needed community resources. Three percent or \$5,968 will be retained by the State to cover administrative-related expenses of the program; grantees will be allowed to utilize seven percent of the grant money or up to \$13,924 in total for grantee administration costs.

Objectives

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

Rental Housing Objectives:

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

Owner Housing Objectives:

1. Improve, through owner-occupied housing rehabilitation programs, the quality of owner-occupied housing.
2. Preserve homeownership, using State Housing Trust funds, to support capacity building and availability of foreclosure counseling services through the state.
3. Preserve homeownership, by administering National Foreclosure Mitigation Counseling Program through certified counseling agencies across the state.
4. Utilize Neighborhood Stabilization Program funding to decrease the incidence of vacant, foreclosed homes in Arizona’s neighborhoods hardest hit by foreclosures.

Homeless Objectives

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

Special Needs Objective

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

Community Development Objectives

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

Economic Opportunity Objectives

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

Evaluation of Past Performance

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

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

Overview and Priorities

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

In 2009, Arizona along with the rest of the nation, will address the impact of foreclosures in its communities, particularly urban communities. The Arizona Department of Housing will support preservation of homeownership by maintaining the availability of foreclosure counseling providers throughout the state. ADOH will continue to administer a statewide foreclosure counseling program through a National Foreclosure Mitigation Counseling Program grant made available through NeighborWorks®. The State will also launch the Neighborhood Stabilization Program (NSP), utilizing up to \$20 million of a \$38 million grant to assist homebuyers to purchase vacant, foreclosed homes in neighborhoods hard hit by foreclosures. NSP funds will also be utilized to finance foreclosed rental properties. ADOH will be partnering with the other NSP grantee communities to market the availability of this resource to a wide audience through an ADOH-sponsored website.

Developing incentives to participate in affordable housing programs continues to be a challenging goal for the Arizona Department of Housing. The state's Low-Income-Housing Tax Credit program has addressed the rise in costs and decreases in the worth of tax credits by increasing the amount of allowed credits to the maximum amount of credits that a project may utilize. Funding from the Tax Credit Assistance Program (TCAP) will be utilized to fill funding gaps, and the State will likely utilize its ability to monetize a portion of its 2009 tax credit allocation as a mechanism to combat financing problems now plaguing the tax credit program. The need to leverage and layer resources in order to complete projects on time has led to an even greater competitive application environment. Compounding the challenge will be restrictions in availability of customary funding sources, ranging from conventional lending to the State Housing Trust Fund, which is a flexible source that doesn't carry many of the regulatory requirements that accompany the use of federal sources. The availability of funds through the State Housing Trust Fund is expected to be significantly lower than 2009. Depending on legislative action taken with regard to the State budget in the spring of 2009, the State Housing Trust Fund could possibly be permanently eliminated as a source of financing.

Applications for ESG and HOPWA will continue to be let through a bid system. Applications for CDBG funds will continue to follow the regional account method of distribution detailed in the Consolidated Plan FY 2005-2009. The application process for CDBG State Special Projects will reflect the planning requirements of Arizona's smart growth initiatives. The application process for CDBG funds made available through the American Recovery and Reinvestment Act (ARRA), will be distributed according to a process outlined in an amendment to the 2008 Action Plan. HOME will be let through a competitive system, and will include a large set-aside for LIHTC project gap financing.

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

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

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

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

The following Fifth Program Year Annual Action Plan for federal fiscal year 2009 updates that Consolidated Plan by describing the methods the state of Arizona will use to distribute CDBG, HOME, ESG and HOPWA funds. Through this plan, ADOH will demonstrate its commitment to assess current market conditions and address the housing challenges inherent in being the fastest growing states in the nation. Investment allocation decisions will focus on activities that close funding gaps

and 1) support activities in rural areas that have limited funding opportunities when feasible; 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 Fifth Program Year Annual Action Plan for 2009-2010 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 preservation, through financing the acquisition and/or rehabilitation of existing rental properties through HOME and the Low-Income Housing Tax Credit Program. HOME and CDBG funds will be made available for owner-occupied rehabilitation, and to the extent that Housing Trust Funds are available, owner-occupied emergency repair programs will be funded. Homeless prevention programs will be available through funding from the Housing Trust Fund and the Homeless Prevention and Rapid Re-Housing Program (HPRP). Through CDBG, 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 improving energy resources. Through a NeighborWorks® grant ADOH will invest in activities that increase the availability of foreclosure counseling to all Arizonans. Through a Neighborhood Stabilization Program grant, ADOH will provide funding to assist homebuyers in purchasing vacant, foreclosed homes to preserve the viability and safety of neighborhoods. Funding from the same grant will also be utilized to purchase foreclosed rental properties, to preserve the availability of affordable rental housing.

Priority Two: HOMEOWNERSHIP

Goals: Provide Decent Housing; Provide Sustainable Living Environments

Through December 31, 2009 (at a minimum), ADOH will continue to operate a toll-free number providing free foreclosure counseling to Arizonans facing foreclosure or threatened with facing foreclosure, with a goal of assisting as many households as possible to remain in their homes.

The shortfall in the overall state budget is expected to result in a significant decrease in the availability of the State Housing Trust Fund for new homeownership opportunities. As a result, the agency will be reducing or eliminating the Homes for Arizonans Program (except for those households assisted with Arizona Housing Finance Authority mortgage revenue bonds or mortgage credit certificates) until adequate Housing Trust Fund availability is restored.

The State will, however, have significant resources made available through the Neighborhood Stabilization Program to assist homebuyers to purchase vacant, foreclosed homes throughout the state. This change in funding availability in 2009 will result in a shift from assisting only low-income, first-

time homebuyers, to assisting a larger pool of homebuyers, at slightly higher income levels. Further, the State anticipates a reduction or elimination in owner-occupied emergency repair program funding because of reduced funding through the State Housing Trust Fund. HOME funds will continue to be utilized to fund owner-occupied housing rehabilitation programs, though ADOH may be unable to provide administrative funding to program participants if Housing Trust Fund dollars are not available due to budgetary constraints. ADOH staff will work with its community partners to secure minimal disruption to on-going owner-occupied housing rehabilitation programs.

Because of the existing oversupply of housing stock in key markets throughout the state, ADOH will reduce its investment in new single family housing development.

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

Priority Three: NEW RENTAL UNIT DEVELOPMENT

Goals: Provide Decent Housing, Provide Suitable Living Environments

In prior years, HOME funds, in combination with State Housing Trust Funds, were used to invest in new development of rental units and single family home units in order to increase the accessibility and availability of permanent housing that is affordable to low-and-moderate income individuals. As mentioned previously, because of the existing oversupply of housing stock in key markets throughout the state, ADOH will reduce its investment in new single family housing development.

ADOH will concentrate its greatest rental development unit output through the Low-Income Housing Tax Credit Program (LIHTC), with the assistance of gap financing made available through the Tax Credit Assistance Program (TCAP), a source made temporarily available through the American Recovery and Reinvestment Act (ARRA). In addition to the possibility of monetizing a portion of its LIHTC allocation (up to \$50 million) to alleviate shortages in tax credit syndication interest, the State will also be lifting caps on the amount of tax credits available to individual projects by allowing the use of the maximum amount of credits allowable under regulations to achieve a viable project.

Priority Four: STRATEGIC INVESTMENT

Goals: Provide Suitable Living Environments

The department will maintain its current process for recognizing strategic revitalization areas in its scoring and application evaluation processes.

Public Hearing

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.

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

The department's website has become the primary source by which the department shares and receives information. The agency also held one public hearing on April 24, 2009 at 11:00 a.m. at the Arizona Department of Housing headquarters in Phoenix. This meeting was held immediately following a meeting of the Arizona Housing Commission to allow for full participation by the Commission. The hearing was attended by 16 individuals.

Comments that were made at the April 24, 2009 Public Hearing and the State's response to those comments are summarized below:

1. One comment was made asking if ADOH could allow the tracking of in-kind match in individual HOME projects so that Housing Trust Funds that are currently being utilized in HOME projects could be utilized for other programs and projects.

Response: Housing Trust Funds generally are not currently being utilized within individual HOME projects as match as was presumed, but are meeting HOME match requirements by being utilized for HOME-compatible projects to serve as match (e.g., historically through the Homes for Arizonans Program which provided a down payment and closing cost assistance program in Arizona's 13 rural counties.) On the rare occasion when a HOME-funded project includes in-kind match, ADOH will track such match for HOME matching purposes.

2. One commenter asked ADOH to consider allowing Community Housing Development Organizations (CHDOs) to access HOME CHDO Operating Funds to augment their non-profit's general operating budget.

Response: Because HOME regulations require that CHDOs utilizing CHDO Operating Funds develop a HOME-CHDO-financed project within 18 months of the use of the CHDO Operating Funds ADOH has determined it extremely risky to advance CHDO Operating Funds to a CHDO that may or may not qualify to undertake a HOME-CHDO financed project within the regulated time constraints set by HUD. However,

ADOH will make CHDO Operating Funds available to CHDOs undertaking a HOME-CHDO-financed project (in lieu of developers' fees) if requested.

3. One commenter indicated that because of high costs associated with the Flagstaff market it was difficult to keep assisted homeownership projects permanently affordable. Once affordability periods expired, homeowners were free to sell their properties and walk away with large amounts of equity. It was requested that the State essentially consider providing some type of permanent subsidy to assisted properties.

Response: Under current market conditions ADOH does not intend to invest in new homeownership development or subsidies in federal program year 2009 (with the exception of subsidies available through the Neighborhood Stabilization Program which is limited to the purchase of foreclosed properties.) That being said, ADOH is open to adopting policies that will allow for permanent subsidies to be utilized within State assisted programs at the point in time that the housing market rebounds and ADOH resources are again being directed toward homeownership development. ADOH recommends that interested parties continue to pursue such policy changes by requesting a proposal to change the HOME Resale and Recapture Provisions in the State's next Five Year Consolidated Plan.

4. One comment was received requesting that the State's Homeless Prevention and Rapid Re-Housing Program (HPRP) allocation (being made available through the American Recovery & Reinvestment Act) be utilized specifically to fund a program that was previously funded through the Arizona Department of Economic Security (DES) and aimed at addressing homeless youth, but which has recently lost its funding due to DES budget cuts.

Response: The State's Homeless Prevention and Rapid Re-Housing Program (HPRP) allocation is currently being vetted in the form of a draft amendment to the Federal FY2008 Action Plan (not specifically in this Action Plan) and has not yet been formally adopted. Nevertheless, ADOH would like to respond that at this point in time it does not anticipate selectively restricting use of the HPRP funds to any specific age group within the homeless population but to make the funds available to homeless individuals of all ages.

5. A comment concerned itself with a national imperative to create jobs (especially for minorities, youth and the disabled) and requested to know how ADOH would weave this into its Action Plan.

Response: It goes without saying that the housing and community development programs operated by ADOH have always had a great economic impact on the state as a whole and that the provision of funding through its myriad of programs provides significant job creation (or preservation) not only in the construction, real estate and lending industries, but also continues to support job opportunities for individuals within a number of sectors both governmental and private – for-profit and non-profit alike. Many of ADOH's partners assist the populations noted above and as such also employ individuals within the same community. ADOH regularly reports on the economic development potential of its programs through reports created through Regional Economic Models, Inc (REMI). Under the leadership of the agency's new director, ADOH will be going to extraordinary lengths to look at innovative ways of collaborating in public/private partnership to stimulate the economy and propel the mission of the department forward. This holds true with not only its ongoing funding sources, but the economic stimulus resources under its care as well.

In addition to the comments that were offered at the Public Hearing, one written comment was also received, which essentially mirrored the last comment above:

6. How will the agency address the national imperative to preserve and create jobs? In summary:
(1) How will ADOH measure and report the impact of its funding investments and job preservation and job creation in low-income communities; (2) How will ADOH encourage recipients of HUD formula funds, recipients of LIHTC and recipients of HERA/ARRA stimulus funds to affirmatively seek to improve employment opportunities for minority and low-income persons living in communities where projects are funded; and (3) How will ADOH increase interagency partnerships to ensure the integration of workforce development, energy efficiency and weatherization with its investments in affordable housing?

Response: Our response to this question is essentially the same as our response to question number 5 (above). Additionally, to the degree that any of these items are required to be addressed under the federal programs operated by the State it will measure and report these issues as required by HUD.

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

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

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

Antipoverty Strategy

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

Recognizing the symbiotic relationship between affordable housing and human, social, and supportive services, the State has established – and continues to strengthen – partnerships with the Arizona Department of Economic Security, the Community Services Administration, the Family Assistance Administration, the Aging and Adult Administration, the Arizona Early Intervention Program, the Arizona Department of Health Services, the Arizona Health Care Cost Containment System, the Arizona Department of Veteran's Affairs, and the Governor's Office for Children, Youth and Families.

Institutional Structure

Plan Implementation

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

Gaps in the Delivery System

The effectiveness of implementing activities by contracting with outside agencies is dependent upon the capacity of the agencies conducting the activities and the expertise of ADOH staff in administering the contracts. Effective and professional administration of contracts by ADOH Program Specialists is strength in the delivery system. Each contract is assigned a Program Specialist to oversee the progress and distribute funding. The Program Specialist is the primary point of contact for the implementing agency. Gaps in delivery exist most often at the implementation level.

Gaps in Public Housing

While the Arizona Department of Housing and the Arizona Public Housing Authority do not own or manage any public housing, the State's PHA has monitoring and compliance oversight through a contract with HUD, of approximately 113 federally-financed properties and 124 Housing Choice Vouchers. The Housing Choice Voucher program administered by the agency is an extremely small program and one that requires in-kind contributions from the State to administer.

ADOH encourages partnerships with local Public Housing Authorities (PHAs) by making all of its resources available for PHAs to access. ADOH will continue to encourage PHAs to develop new alternatives to public housing, as well as to preserve through HOPE VI grants, its rental housing stock. In recent years, PHAs have been increasingly successful in utilizing ADOH-administered LIHTC resources for the expansion and preservation of housing stock.

Assisting Troubled Housing Agencies

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

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

F. For areas of this state where an existing public housing authority has not been established pursuant to section 36-1404, subsection A, the department acting as a public housing agency may undertake all activities under the section 8 tenant-based rental housing assistance payment program, except that the department shall not

undertake a section 8 tenant-based rental housing assistance payment program within the boundaries of a city, town or county unless authorized by resolution of the governing body of the city, town or county. If the department accepts monies for a section 8 tenant-based rental housing assistance payment program for areas of this state where an existing public housing authority has been established pursuant to section 36-1404, subsection A, the department shall only accept and secure federal monies to provide housing for the seriously mentally ill or other disabled populations. The department may accept and secure federal monies for undertaking all contract administrator activities authorized under a section 8 project-based rental housing assistance payment program.

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

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 percent.

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 ADOH 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. (Note that in cases when additional resources are received through HUD, as with the recent funding made available through the American Recovery & Reinvestment Act, that the State will adhere in such cases to the public comment and/or hearing requirements set forth in those notices, which may deviate from the process described above.)

In PY 2008, the application process for funds accessed through the State Housing Fund, (State Housing Trust Fund match with HOME) became competitive. This did not constitute a change or substantial amendment to the Consolidated Plan. Notice of this eventuality was addressed in the State Housing Fund Program Summary and Application Guide: "In the event that insufficient funds are available to fund all applications that are received for a specific activity or in a geographic area, competitive funding criteria may be utilized to make awards."

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.

CDBG

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

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

(ii) If the State intends to aid non-entitlement 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 State CDBG Program Action Plan for Program Year 2009 will address the needs and implement the objectives and priorities set forth in the State's 2005-2009 Consolidated Plan for affordable housing and for non-housing community development needs.

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

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

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

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

CDBG Eligible Applicants

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

State Method of Distribution

The total amount of CDBG funds available to the State in program year 2009 is \$12,078,239, which shall be utilized as described below:

ADOH Administration - \$462,346. This figure includes one percent (\$120,782) set aside for technical assistance and two percent (\$241,564) plus \$100,000 set aside allowable for administration. (This amount does not include the required two percent administration match.)

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

CDBG Eligible Activities - \$11,615,892

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 - \$9,873,509

The CDBG Regional Account (RA) consists of 85 percent 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 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 submittal of the final MOD.

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.

Each COG must submit its MOD to ADOH **within 45 days of the Information Bulletin published by ADOH (announcing the COGs' allocation by CDBG region)** along with documentation that the MOD has been approved by formal action of the Regional Council.

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. Amount: \$2,408,431;
- Northern Arizona Council of Government (NACOG): Apache, Coconino, Navajo, and Yavapai Counties. Amount: \$2,243,094;
- South Eastern Arizona Government Organization (SEAGO): Cochise, Graham, Greenlee, and Santa Cruz Counties. Amount: \$2,330,606;
- Western Arizona Council of Government (WACOG): La Paz, Mohave, and Yuma Counties. Amount: \$2,891,378.

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, 2009.
- WACOG and CAAG – July 1, 2009.

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

CDBG Regional Account Recipient Community Responsibility

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

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

As indicated in the 2005-2009 Consolidated Plan, back-up applications will not be accepted. Applications reflective of the citizen participation process may be submitted only at the time of funding for that program year. The Arizona Department of Housing will strive to make available technical assistance and support, both through its partners in the Councils of Government and through its staff. Further, through its pre-award assessment process, ADOH will strive to negotiate and resolve any outstanding issues that may be material to an award of funds decision. If issues material to the decision can not be resolved, the recipient community will receive a Notice of Appealable Agency Action (See Appendix B). It is the responsibility of each recipient community to submit a CDBG application with a request of funding equal to or less than the amount of the projected allocation in the MOD.

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

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

In reviewing a non-entitlement area unit of local government's application for state CDBG funding, the State must determine that the applicant has identified the community development and housing needs of its non-entitlement area residents, and has demonstrated that the activity(ies) will meet those needs.² The State recognizes that CDBG activities that address the community development and housing needs of non-entitlement area residents may also benefit the residents of Entitlement communities or residents of Indian reservations¹. In some cases, the most feasible or practical location for an eligible CDBG activity (such as for reasons of public transportation accessibility, maximizing accessibility to the greatest number of non-entitlement area beneficiaries, operational cost effectiveness, land/building availability, or engineering considerations) may be located on tribal land or in an Entitlement community.

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

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

Administrative Expenses Must Directly Relate to Project Activities

CDBG funds may be used to pay reasonable program administration costs related to the planning and execution of eligible activities funded in whole or in part with State CDBG. Activities eligible under this category include Citizen Participation costs; Fair Housing activities; staff and overhead costs for project delivery; and grant administration.

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

ADOH encourages all communities to apply for a reasonable and appropriate amount of administrative funding based on the activity type thru completion of the application budget. ADOH also encourages communities to estimate a sufficient dollar amount for TAAP fees to allow the flexibility of increasing the level of assistance from the COG for both compiling the application and administering the project. Administrative funding will be awarded thru the application and pre-award assessment process.

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

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

CDBG Redistribution of Funds

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

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

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

Recaptured funds will return to ADOH to be redistributed through the State Special Projects account to the applicant next in line for funding.

De-Obligated Funds

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

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

If the above is not possible, the funds will return to ADOH to be redistributed through the State Special Projects account to the applicant next in line for funding.

CDBG State Special Projects - \$1,742,384

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

Notification of Funds Availability will be announced.

CDBG SSP Selection of Project Awards

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

CDBG Urgent Needs Grant Applications

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

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

CDBG Colonias Set Aside

HUD mandates the state expend at least 10 percent of its CDBG project allocation in the areas designated as colonias. The colonias allocation is TBD. Water/sewer infrastructure and housing activities will be considered for areas determined to be Colonia-eligible. 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 2009

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

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

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

HOME Method of Distribution

The State expects to receive \$8,762,874 in new 2009 HOME resources.

The HOME program match liability is 25 percent (statutory requirement) of actual project expenditures during the program year or approximately \$2 million. Match will be provided from the Homes for Arizonans Program match carried over from previous years. The Homes for Arizonans Program has provided down payment and closing cost assistance to first time homebuyers in the rural areas of the State. The State currently has sufficient match that was carried over from previous years to meet its 2009 matching requirements. 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: \$1,314,431

Metro Area (Maricopa and Pima Counties): \$1,494,508

CAAG Region (Gila and Pinal Counties): \$1,272,678

NACOG Region (Apache, Coconino, Navajo and Yavapai Counties): \$1,728,118

SEAGO Region (Cochise, Graham, Greenlee and Santa Cruz): \$731,586

WACOG Region (La Paz, Mohave and Yuma Counties): \$1,345,266

HOME Activity Funding Objectives

Rental Housing, including HOME CHDO set-aside: \$6,947,661

This amount includes: \$2,375,505 in CHDO set-aside funds (\$1,061,074 in carry-over CHDO funds; \$1,314,431 in 2009 CHDO funds); and \$4,572,156 in regular HOME funds

Owner-occupied Housing Rehabilitation: \$2,000,000

HOME Application Process

The State will make available Owner-occupied Housing Rehabilitation funds through a competitive application process. Notification of funds availability will be announced.

The majority, if not all, of the HOME funds set aside for Rental development are expected to be utilized as gap-financing in projects successful in receiving a competitive Low-Income Housing Tax Credit (LIHTC) allocation. Any remaining funds may be made available through a competitive process. If CHDO funds remain available a notification of funds availability strictly available to CHDO projects may be announced.

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

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

Applications that meet minimum thresholds are underwritten based on the following criteria as relevant to the proposed activity: 1) market need/demand; 2) management/capacity; 3) budget/financial analysis; and 4) program design. Once it is determined that an application meets minimum underwriting standards, the application and underwriting results are forwarded to a funding review panel for review. The funding review panel is comprised of senior ADOH staff members. Actual funding determinations are ultimately made at the sole discretion of the agency 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." Since 2006, requests for funds have exceeded funds availability. HOME funds, as well as State Housing Trust Funds now remain accessible primarily 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 down payment/closing cost or equity contributions.

HOME CHDO Distribution

The state will distribute HOME resources to recipients and Community Housing Development Organizations (CHDOs) through the application process outlined above.

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 down payment, 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 down payment 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. ADOH does not use HOME fund to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds. ADOH uses HOMD funds to provide new loans for multifamily housing that is rehabilitated with HOME funds. For example, when opportunities to support the rehabilitation of HUD 202/811 properties occur, the developer retires the existing debt; ADOH provides a new loan that is occupied by a renewal of the HAP contract of the property, which ensures affordability.

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

ADOH is committed to making every effort to ensure that HOME investments conform to affirmative marketing practices. The State's guidelines may be found in Appendix E.

ESG

Emergency Shelter Grant (ESG) Method of Distribution

The ESG program is funded under the McKinney-Vento Homeless Assistance Act. The Arizona Department of Economic Security (DES) is the HUD grantee for ESG funds and is the responsible administrative agency. The primary intent of ESG is to provide funding for operating expenses for homeless shelters. ESG funds in the amount of \$886,603 have been allocated to the state of Arizona. Up to 5 percent or \$44,330 will be retained for administrative costs. The DES will award contracts approximately every three 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 percent of the funds are distributed on the percent of person at or below 125 percent of poverty and 10 percent 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 emergency shelter services. By these means, the broadest coverage is ensured throughout the state.

ESG Match

ESG funds require a one-to-one (100 percent) 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 \$786,603. 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 Activity Funding Objectives

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

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

ESG Geographic Funding Objectives

The following funding strategies apply: 1) continue funding at current levels for shelter services, case management and outreach in the counties of Maricopa, Pima County, Yavapai, and Yuma; 2) funding of eviction prevention services up to the maximum 30 percent of the allocation in the Rural counties of Pinal, Coconino, Gila, Graham, and Yuma; 3) funding of staff costs in shelter facilities is not planned.

DES intends to utilize up to 5 percent 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.

HOPWA

The state allocation for HOPWA funds is \$198,919. A total of \$19,892 of these funds will be used for administration. Three percent or \$5,968 will be used by the Arizona Department of Housing and 7 percent or \$13,924 will be used by project sponsors. Any previously uncommitted funds will be combined with this.

ADOH will contract with two organizations to administer the HOPWA program within six of the thirteen rural counties. Mohave County Community and Economic Development (MCCED) administering the Section 8, SHP and has the capacity to meet the housing requirements of the HOPWA program. Similarly, Northland Cares is one of the few non-profit organizations with the breadth of services for persons with AIDS that can meet the housing requirements of the program.

Mohave County Community and Economic Development (MCCED)

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

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

Northland Cares

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

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

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 \$2,462,726 in Supportive Housing Program Funds. Of this, \$123,136 - 5 percent will be retained by the state for administration and \$61,568-2 percent will be provided to project sponsors in Housing Trust Fund for administration.

The state anticipates receiving \$440,172 in Shelter Plus Care Funds. Project sponsors administering these programs may utilize up to 8 percent of the total SPC grant award, derived from total tenant rents and units leased below fair market rent, toward eligible grant (project) administration expenses.

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.

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 and SPC leverage is \$4,034,487 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 \$29 million in the next fiscal year. As of March 2009, \$17 million of the expected \$29 million has been swept by the Legislature to balance the State budget. Additionally, the Legislature may sweep an additional amount of the remaining monies to further alleviate the State's budget deficit for State FY2010. There is also a proposal to permanently divert all Unclaimed Property proceeds to the State General Fund, which would in effect defund the State Housing Trust Fund beginning in State FY2010.

Activities that will be funded through the HTF will be determined once the availability of and amount of HTF is determined.

HTF Selection Process

If State Housing Trust Funds are made available, ADOH may make a portion of the funds available through an application process, which may be competitive. 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 team for final review and recommendation. The funding team 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. Approximately \$14 million in tax credits will be available in calendar year 2009. This tax credit allocation will result in approximately \$91 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 specific goals of the LIHTC Program are outlined in the 2009 QAP.

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. The Section 8 Voucher Program provides rental subsidy payments for just over 100 low-income households. Under contract with HUD, the Arizona PHA also provides contract administration services for 114 HUD-subsidized rental properties accounting for 7,968 rental

units located throughout the state. Through this program participating properties are subsidized, allowing the very low-income tenants to pay only 30 percent 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 its enabling legislation, 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)

Due to State budget issues, the amounts available through each of these resources are currently unknown.

- ⇒ *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.
- ⇒ *Domestic Violence Prevention (DVP)*
DES contracts these state appropriated funds for services such as counseling, shelter, transportation, transitional housing and childcare.
- ⇒ *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.
- ⇒ *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.
- ⇒ *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.

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. 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

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.

⇒ *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. Sam 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.

Statement of Specific Annual Objectives/Outcome Measures

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

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

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

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. Arizona's areas of highest minority household concentration lie along Arizona's border with Mexico and on Arizona's 22 Indian reservations. 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 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%		

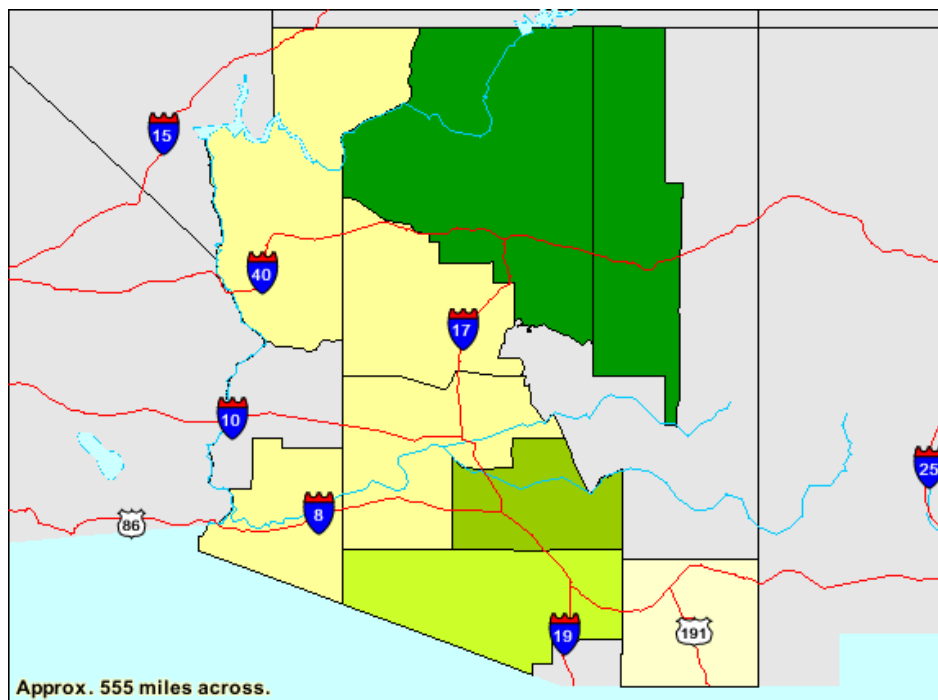
Source: Census 2000, the Federal Financial Institutions Examination Council (FFIEC), Arizona State Data Center, and Arizona Department of Housing.

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.

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.

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 Fifth 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.

End Chronic Homelessness

1. Improve access to mainstream support programs:

- Although the SOAR initiative has not worked as well as anticipated we are pursuing new ways to increase SSI/SSDI benefits to homeless clients. Social Security Administration has started attending continuum meetings in all three of the Arizona Continuums. Plans are being developed to provide training to outreach workers to decrease SSI/SSDI denials and provide better understanding to who are eligible for 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.
- As part of the rural Continuum of Care process, we continue to break down the barriers that chronic homeless and homeless person encounter when seeking services. When there are problems identified, we work with DES or the appropriate agency to find solutions.

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 FY 2009.

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. **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). The third, www.az211.gov was disengaged following the State budget reductions of 2009
2. **Focus on outcomes, not outputs, of prevention activities:**
 - Instead of follow up for State Eviction Prevention Emergency Homeless (EPEH) programs at 6 and 12 months, we have added a HMIS component where households receiving prevention funding are entered into HMIS. As the real reason to providing “prevention” funding is to prevent persons from being homeless we can run reports from HMIS to see how successful prevention funding is. In the first 6 months of the State Fiscal Year almost 1600 households received prevention funding and less than 10 have so far entered into a homeless program.
 - Work with Community Action Agencies on developing and implementing their ROMA (Results-Oriented Management and Assessment) standards.
3. **Implement multidisciplinary teams:**
 - The Department of Economic Security has implemented multidisciplinary Family Connections teams comprised of child welfare, TANF, Domestic Violence and employment specialists collaborating with 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 work closely with the shelters throughout the two larger metropolitan areas in order to expedite the benefits process for families.
4. **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.

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 each 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.

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.

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 bi-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 and recipients are expected to bring their program/project into compliance. ADOH exhaust all possible avenues to bring a recipient's contract into compliance, but the matter may be determined by the Department to be an "unresolved issue" or "out of compliance." Any recipient with an "unresolved" or "out of compliance" issue may be barred from further funding from the State Housing Fund program (HOME and/or Housing Trust Funds). A recipient who has been barred from future funding due to "unresolved" or "out of compliance" issues may appeal the decision in one of two ways: 1) by resolving the issue to the ADOH's satisfaction, or 2) providing a detailed plan of action in the area(s) of concern that describes the procedures to recipient put into place to alleviate any future possibility of non-compliance. ADOH, in its sole discretion, may reject such plans of action if it is deemed insufficient in alleviating the Department's concerns about future performance and compliance.

Long-Term Monitoring for State-Assisted Rental Housing

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

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

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

In addition to reviewing the yearly report, staff will schedule on-site monitoring visits according to the requirements of the HOME Program, as described below. The frequency of on-site monitoring is

determined by the total number of units – both assisted and non-assisted - within the property, according to the following schedule:

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

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

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

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

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

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

Low Income Housing Tax Credit (LIHTC)

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

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

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

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

Every applicant for a project that receives an allocation of tax credits must pay to ADOH a non-refundable monitoring fee to cover compliance monitoring of the project by or on behalf of ADOH. ADOH will assess the monitoring fee annually and the monitoring fee will be due on or before March 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 the Office of Community Partnerships and Innovative Practices, an on-site visit will be conducted after the contract is awarded. ESG resources and program reports and monitored quarterly. Quarterly program reports attached to fiscal claims for reimbursement are designed to capture client data, average number of bed nights, activities, fiscal expenditures billed and types, and sources of match. A formal desk review will be completed annually and a written report prepared with findings and recommendations identified for corrective actions, if necessary. At least every three 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.

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.



Arizona Department of Housing

PUBLIC NOTICE

Fifth Year Annual Action Plan for Federal Fiscal Year 2009

The public is hereby notified that the Arizona Department of Housing (ADOH) is requesting input on the draft of its FY 2009-2010 Fifth 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 2009 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 2009. The Draft has been prepared pursuant to applicable federal regulations (24 CFR, PART 91).

The Draft will be available for review and comment at the offices of the Arizona Department of Housing, 1110 W. Washington, Suite 310, Phoenix, AZ 85007 from 8:00 a.m. to 5:00 p.m., Monday through Friday, beginning March 27, 2009. The Draft will also be posted to the Department's website on March 27, 2009: www.azhousing.gov. Written comments on the Draft will be accepted from March 27, 2009, ending at 5:00 p.m. on April 27, 2009. 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@azhousing.gov.

To continue gathering public comment on the Draft, a public hearing will be held on April 24, 2009 from at 11:00 a.m. in the training room at the offices of the Arizona Department of Housing, 1110 W. Washington, Suite 310, Phoenix, Arizona 85007.

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

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