

State of Arizona Recovery Housing
Program Action Plan
Amendment 1
April 2023
Public Comment Draft



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Department
of Housing

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Table of Contents

Amendment 1 April 2023 Summary	1
Program Summary	2
Resources	3
Administration Summary	3
Use of Funds.....	3
Awards to Communities by Method of Distribution	5
Activities Carried out Directly	5
Eligible Subrecipients	5
Criteria for evaluation of applications and applicants.....	6
HUD Criteria 1: Entities with the greatest need	6
HUD Criteria 2: Entities with the ability to deliver effective assistance in a timely manner .	7
Threshold Requirements.....	8
Additional Criteria	9
Definitions.....	10
Individual in recovery.....	10
Substance use disorder.....	10
Recovery Housing	10
Anticipated Outcomes and Expenditure Plan.....	11
Expenditures	11
Outcomes	11
Citizen Participation Summary.....	11
Partner Coordination	12
Subrecipient Management and Monitoring	12
Pre-award/Pre-Agreement Costs.....	13

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[Amendment 1 April 2023 Summary](#)

The State of Arizona Department of Housing (ADOH) receives an annual allocation of Recovery Housing Program (RHP) funds. The US Department of Housing and Urban Development (HUD) requires ADOH develop a Recovery Housing Program (RHP) Action Plan and amend the RHP Action Plan as additional funds are allocated. The ADOH has elected to combine the FFY2022 and FFY2023 RHP allocations into one amendment. All amendments are in red text in the body of this RHP Action Plan. This document amends the original RHP Action Plan as follows:

1. Adds \$917,922 of FFY2022 RHP funding and \$1,174,274 of FFY2023 RHP funding;
2. Updates the goals to reflect that FFY2022 and FFY2023 combined will construct, acquire and/or rehabilitate facilities or housing to initially housing and provide services to eight (8) individuals in recovery, and to annually exit not less than eight (8) individuals to permanent housing;
3. Provides priority to applications from organizations proposing to provide Recovery Housing in counties that have age-adjusted drug overdose mortality rates higher than the statewide rate. The RHP Notice of Funding Available will specify the date after which applications will be accepted statewide;
4. Updates expenditure deadlines to accommodate FFY2022 and FFY2023 program requirements; and
5. Clarifies that the ADOH will retain funds for technical assistance and administrative costs from each fiscal year RHP allocation, including three percent (3%) for technical assistance, and five percent (5%) for administrative costs.



State of Arizona
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Program Summary

The purpose of the Recovery Housing Program (RHP) is to provide stable, temporary housing (up to 24 months) to low-income persons in recovery from a substance use disorder. Individuals insured by the Arizona Health Care Cost Containment System (Arizona's Medicaid program) are presumed eligible.

The Arizona Department of Housing (ADOH) was allocated \$917,922 (FFY2022) and \$1,174,274 (FFY2023) of Recovery Housing Program (RHP) funding from the US Department of Housing and Urban Development. The RHP is authorized under Section 8071 of the SUPPORT for Patients and Communities Act (Section 8071) and is a pilot program. Section 8071 requires RHP funds be treated as Community Development Block Grant (CDBG) funds, with certain waivers and alternative requirements. Arizona received RHP funding because it has an age-adjusted rate of drug overdose deaths above the national overdose mortality rate, according to the Centers for Disease Control and Prevention. The ADOH was previously awarded and has committed \$804,000 (FFY2020) and \$820,208 (FFY2021) RHP funding.

The ADOH has identified a need for additional recovery housing and services in the Arizona Balance of State, which includes all areas outside of Maricopa and Pima Counties. The ADOH will work with the Balance of State Continuum of Care and the Arizona Health Care Cost Containment System (AHCCCS). The ADOH will coordinate a Notice of Funds Available through the Balance of State Continuum of Care for eligible subrecipients. AHCCCS will coordinate with health plans to provide services to AHCCCS-enrolled participants.

The specific goals of the FFY2022 and FFY2023 ADOH RHP are to construct, acquire and/or rehabilitate facilities or housing to initially house and provide services to eight (8) individuals in recovery, and to annually exit not less than eight (8) individuals to permanent housing. FFY2020 and FFY2021 funds were also allocated to the construction, acquisition and/or rehabilitation of facilities or housing to initially house and provide services to eight (8) individuals in recovery, and to annually exit not less than eight (8) individuals to permanent housing.

RHP funds will be allocated by the ADOH to one or more public or private nonprofit organization subrecipients through an application process to ensure all HUD requirements are met. Subrecipients must evidence the ability to operate the facility or housing and directly or indirectly provide services for participants. Operating and services funds are not provided for

State of Arizona
Recovery Housing Program Action Plan
April 2023 Amendment 1
Public Comment Draft



with RHP funding. Subrecipients are encouraged to coordinate services with other federal and non-federal assistance related to homelessness and employment. Suggested services include case management, direct connection to peer support, clinical addiction services, employment, vocational and educational opportunities, assistance with social, personal and living skills, and mental health services.

Resources

The Arizona Department of Housing was awarded \$917,922 of FFY2022 and \$1,174,274 of FFY2023 RHP funding. The Arizona Department of Housing was previously awarded and has fully committed \$804,000 of FFY2020 and \$820,208 of FFY2021 RHP funding. No program income or other federal program funding are expected to be available for RHP-eligible activities. Nonprofit and private resources committed by subrecipients may leverage RHP funding.

Administration Summary

The Arizona Department of Housing will administer the RHP utilizing one or more subrecipient organizations. The RHP contact person is:

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Use of Funds

As indicated under “activities carried out directly” section of this plan, and in accordance with Federal Register Notice FR-6225-N-01, the State of Arizona will utilize RH funds for the following eligible activities as described in Section L of the Federal Register Notice. Actual activities will be identified through an application process as described in this Plan. In accordance with FR-6225-N-01 Section M, all activities must comply with the LMC National Objective as modified by the notice.

1. *Public Facilities and Improvements.* RHP funds may be used for activities under 24 CFR 570.201(c) or section 105(a)(2) of the HCD Act (42 USC 5305(a)(2)) only for the purpose of providing stable, temporary housing for individuals in recovery from a substance use disorder in accordance with Section 8071.
2. *Acquisition of Real Property.* RHP funds may be used for acquisition under 24 CFR 570.201(a) or section 105(a)(1) of the HCD Act (42 USC 5305(a)(1)) for the purpose of providing stable, temporary housing to persons in recovery from a substance use disorder.
3. *Rehabilitation and Reconstruction of Single-Unit Residential.* RHP funds may be used for rehabilitation or reconstruction of publicly- or privately-owned single-unit residential buildings and improvements eligible under 24 CFR 570.202(a)(1) or section 105(a)(4) of the HCD Act (42 USC 5305(a)(4)) for the purpose of providing stable, temporary housing for individuals in recovery from a substance use disorder in accordance with Section 8071.
4. *Rehabilitation and Reconstruction of Multi-Unit Residential.* RHP funds may be used for rehabilitation or reconstruction of publicly- or privately-owned buildings and improvements with two or more permanent residential units that otherwise comply with 24 CFR 570.202(a) and section 105(a)(4) of the HCD Act (42 USC 5305(a)(4)) for the purpose of providing stable, temporary housing for individuals in recovery from a substance use disorder in accordance with Section 8071.
5. *New Construction of Housing.* RHP funds can be used for new construction of housing, to the extent the newly constructed housing shall be used for the purpose of providing stable, temporary housing for individuals in recovery from a substance use disorder in accordance with Section 8071. New construction of housing is subject to the same requirements that apply to rehabilitation activities under the provisions at section 105(a)(4) of the HCD Act (42 USC 5305(a)(4)) and 24 CFR 570.202(b).
6. *Technical Assistance.* RHP funds may be used to pay for the State's non-administrative costs associated with providing technical assistance to a nonprofit or a unit of general local government to successfully apply for and implement the RHP program, to the extent eligible under 24 CFR 570.201(p) and section 105(a)(19) of the HCD Act (42 USC 5305(a)(19)).
7. *Grant Administration.* RHP funds may be used to pay administrative costs of the RHP program. These administrative costs include, but are not limited to, the costs related to

the development and submission of the RHP Action Plan, costs associated with carrying out subrecipient monitoring and oversight, and costs associated with reporting to HUD.

Awards to Communities by Method of Distribution

The ADOH will not distribute all or part of the RHP funds to communities through a method of distribution.

Activities Carried out Directly

The ADOH will make one or more grants to subrecipient organizations for the construction, acquisition and/or rehabilitation of public facilities and improvements, or single-unit or multi-unit residential properties.

Eligible Subrecipients

Eligible subrecipients are public or private nonprofit organizations. Initially, eligible subrecipients will be limited to organizations with projects outside of Maricopa and Pima counties and participating with or agreeing to participate with the Continuum of Care in their geographic area. **Priority will be provided to applications from organizations proposing to provide Recovery Housing in counties that have age-adjusted drug overdose mortality rates higher than the statewide rate as defined under project demand. The RHP Notice of Funding Available will specify the date after which applications will be accepted statewide.**

Subrecipient organizations must have experience providing services to assist individuals in recovery to attain self-sufficiency and individual recovery goals. In addition, subrecipients must demonstrate capacity to comply with RHP program requirements, including:

1. 24 CFR 570.489(g) regarding procurement;
2. Environmental review requirements of 24 CFR Part 58;
3. Uniform Relocation and Real Property Acquisition Act (URA);
4. Federal Labor Standards, including the Davis-Bacon and Related Acts;
5. 24 CFR 42.375 regarding demolition or change in use of lower-income dwelling units;
6. 2 CFR 200 regarding financial records and audits; and
7. Section 3 employment opportunities.

Criteria for evaluation of applications and applicants

The ADOH will evaluate applications and applicants based on 1) the two HUD-required criteria, 2) threshold criteria and 3) additional criteria.

HUD Criteria 1: Entities with the greatest need

Entities with the greatest need are those that demonstrate projected demand for the housing solution and the financial need for assistance.

Projected Demand

Projected demand for the housing solution must be quantifiable. Five-year average drug overdose mortality rates for the 2015-2019 time period as reported by the US Department of Agriculture Community Assessment Tool by county indicate that six balance of state Arizona counties have age-adjusted drug overdose mortality rates higher than the statewide rate (32.3). These counties, in rank order, are La Paz (56.2), Gila (52.9), Yavapai (44.8), Mohave (38.6), Cochise (34.5), and **Graham (32.7)**.

An abbreviated market demand study will be required of all applicants. The abbreviated market demand study must include quantitative and qualitative data regarding the proposed project's primary service area including:

1. A definition of the size, location and boundaries of the primary service area, and the rationale for determining the service area;
2. The depth and breadth of demand for recovery housing including primary data such as surveys, interviews, waiting lists, client lists, and other information directly from or about potential beneficiaries;
3. The supply of competitive recovery housing and how the proposed recovery housing compares to the existing supply, including information regarding occupancy rates, waiting lists, program fees and/or rents, services provided, and affordability to low-income persons; and
4. Conclusions about the demand for the project.

Financial Need for RHP funding

The ADOH will require applicants demonstrate financial need for RHP funding through a gap analysis. The gap analysis will examine the need for RHP funding to fill the gap between available funding for construction, acquisition and/or rehabilitation and total development costs. RHP funding may be the sole source of funding for a project. In performing the gap analysis, ADOH will apply the following additional criteria.

1. Any capitalization of an operating reserve in the development budget may not exceed six months of operating costs. Operating reserves must be used only to cover shortfalls in operating revenues necessary to meet operating costs during the first two years of project operation.
2. Any capitalization of a replacement reserve does not exceed \$350/unit. A unit is defined as a room that has a separate exterior entrance/exit and both kitchen and bathroom facilities, and is occupied by one person or members of the same household. Replacement reserves must be used only to cover the unforeseen cost of replacing major systems in the facility, such as roofing or mechanical systems.
3. In facilities or housing that charge participant rents, including any tenant-paid utilities:
 - a. The rents, including any tenant-paid utilities, do not exceed the low-HOME rent for the unit size and county; and
 - b. Vacancy rates are seven percent (7%) or less, or the rationale for a higher vacancy rate is reasonable given the project size and location.

HUD Criteria 2: Entities with the ability to deliver effective assistance in a timely manner

Entities with the ability to deliver assistance in a timely manner are public or private nonprofit organizations that meet the following criteria:

1. All project team members are identified and evidence sufficient experience to complete and operate the project;
2. Demonstrated experience of the organization's officers, members or staff, or collaborators/subcontractors in developing and operating facilities or housing for individuals in recovery and/or providing supportive services to individuals in recovery;

3. Prior experience of team members utilizing CDBG or other federal funds for the construction, acquisition and/or rehabilitation of facilities or single- or multi-family residential units.
4. Evidence the site and buildings are owned by the applicant, or the applicant has a binding commitment to transfer control or ownership or execute a lease agreement within 180 calendar days, subject only to receipt of RHP funding and environmental clearance.

Threshold Requirements

1. Utilizes RHP funding for costs that:
 - a. Are allowable, reasonable, and allocable under Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
 - b. Do not exceed the total need for financial assistance;
 - c. Document compliance with CDBG procurement requirements or 2 CFR part 200;
 - d. Evidence commitment of all funding necessary to complete the acquisition and/or rehabilitation of the facility or housing;
 - e. Evidence incorporation of Davis Bacon wage rates and relocation costs and compliance, where applicable.
2. For activities that will take place in whole or in part on tribal lands, has the written consent of the tribal jurisdiction.
3. Documents in the project timeline, budget and narrative description compliance with environmental review, federal labor standards, the Uniform Relocation and Real Property Acquisition Act, procurement and contracting, non-discrimination, financial records and audits, Section 3, and other CDBG program and RHP cross-cutting regulations.
4. Documents in the project timeline that at least 30% of funds will be expended by **September 30, 2024**, and 100% of funds by **December 31, 2027**.
5. Documents that individuals that will benefit are low- or moderate-income, meet the federal poverty limits, or are insured by Medicaid (AHCCCS).
6. Documents that any cost or other limitations on the participation of beneficiaries is not prohibitive for low-income persons, and that the project will not benefit moderate-income persons to the exclusion of low-income persons.

7. Demonstrates the project is properly zoned for the intended use.
8. Meets underwriting criteria as specified in the Notice of Funds Available (NOFA), including but not limited to:
 - a. Commitment of all funding necessary to complete the development phase of the project (no remaining tentative funding); and
 - b. Developer fee does not exceed 10% of the total development costs.

Additional Criteria

Additional criteria (described in order of relative importance from one (1) to three (3)):

1. The title commitment (or report if applicant is already the property owner) issued by a title insurer licensed in Arizona does not include any conditions or requirements that are materially and substantially adverse to the feasibility of the project.
2. In regards to the environmental review, the project is:
 - a. Categorically excluded from the environmental review requirements and has documented compliance with §58.5 and §58.6 and the Section 106 Historic Preservation determination and the public notice and Request for Release of Funds, as applicable, will be prepared within 90 days of application submission;
 - b. Subject to an environmental assessment and all environmental review forms are complete and the Finding of No Significant Impact/Request for Release of Funds will be ready for publication within 90 days of application submission.
3. Project viability:
 - a. Commitment and/or reasonable expectation of securing funding necessary to meet the ongoing operating costs of the proposed facility or housing for not less than five (5) years; and
 - b. The proposed staffing levels and coverage hours are reasonable given the size and type of facility.



Definitions

The following definitions apply to the State of Arizona Recovery Housing Program.

Individual in recovery

The State of Arizona uses the following definition of an individual in recovery as modified from the US Department of Health and Human Services Substance Abuse and Mental Health Services Administration working definition of recovery. An individual in recovery:

1. Is abstaining from use of alcohol, illicit drugs, and non-prescribed medications, and making informed healthy choices that support physical and emotional well-being.
2. Has a stable and safe place to live (with RHP assistance).
3. Is engaging in meaningful daily activities, such as a job, school, volunteerism, family caretaking, or creative endeavors.
4. Is working towards independence, and securing the income and resources necessary to participate in society.
5. Is engaging in relationships and social networks that provide support.

Substance use disorder

The State of Arizona uses the following definition of a substance use disorder as modified from the Arizona Health Care Cost Containment System definition of opioid use disorder.

- A condition caused by a problematic pattern of substance use that leads to a significant impairment or distress over a period of time for an individual. Systems of a substance use disorder include tolerance, craving, inability to control use, continued use despite adverse consequences and continued use despite interference with life obligations or social functioning.

Recovery Housing

Recovery housing is a vital part of the continuum of housing and treatment options for individuals with substance use disorders. Recovery housing provides a voluntary, safe, substance-free living environment that is affordable to low- and moderate-income individuals and provides connection to peer supports, recovery programs, and community-based resources that help to stabilize early recovery.



Anticipated Outcomes and Expenditure Plan

Expenditures

To ensure 30% of RHP funds are expended within twelve months of the ADOH receipt of the RHP grant agreement from HUD, the ADOH will issue a Notice of Funds Available within forty-five (45) days of the RHP grant agreement. Applications will be required to meet threshold requirements designed to ensure timely expenditure of funds, and will be funded on a first-come first-served basis until funds are exhausted. If sufficient applications are not received from eligible subrecipients with projects outside of Maricopa and Pima counties within one hundred eighty (180) days, applications will be accepted from eligible subrecipients with projects in Maricopa and/or Pima county.

Administrative Costs

The ADOH will retain funds for technical assistance and administrative costs from each fiscal year RHP allocation as follows:

1. Three percent (3%) for technical assistance; and
2. Five percent (5%) for administrative costs.

Outcomes

The ADOH has established goals for and will utilize the following two (2) RHP outcome measures:

1. Number of individuals initially assisted in RHP projects – eight (8) individuals with each fiscal year allocation initially; and
2. Number of individuals transitioning to permanent housing – eight (8) individuals annually transitioning to permanent housing.

Citizen Participation Summary

The ADOH is making this Recovery Housing Program Plan amendment for FFY2022 and FFY2023 available for public comment for a period of 15 days beginning April 1, 2023 and ending April 15, 2023. The Recovery Housing Plan will be discussed at a public hearing on April 5, 2023 in conjunction with the State's FFY2023 Annual Action Plan. Comments received during the public comment period or at the public hearing will be incorporated into this plan.

Partner Coordination

The ADOH will coordinate RHP funding with the Arizona Balance of State Continuum of Care and the Arizona Health Care Cost Containment System (AHCCCS). Applicants for RHP funding must participate with or agree to participate with the Continuum of Care in their service area to ensure coordination with entities providing shelter and services to vulnerable populations. To the extent that RHP beneficiaries are AHCCCS- enrolled, AHCCCS will coordinate service provision for participants in RHP-funded facilities or housing through health plans. AHCCCS manages 1) State Opioid Response (SOR) funding for the treatment, coordinated and integrated care, and recovery support to reduce the prevalence of opioid use disorders and related deaths, and 2) the Substance Abuse Prevention and Treatment Block Grant (SABG), which provides funds for the planning, implementation, and evaluation of activities that address and treat substance use.

Subrecipient Management and Monitoring

The ADOH has developed a monitoring plan to ensure RHP activities are carried out in accordance with all applicable laws, regulations, and policies.

ADOH will conduct desk monitoring of RHP projects including detailed review of: application; environmental review; procurement; labor standards; Section 3; progress reports; pay requests; closeout reports; audits; and uniform relocation. Subrecipients will be notified in writing regarding the results of desk monitoring.

ADOH staff will generally conduct a site visit as part of contract close-out or project completion. Site visits will be conducted over one or two days and include review of records, inspection of progress, and meetings with project staff. ADOH staff will provide to the subrecipient written monitoring comments that include the monitoring results, a statement of the basis for each conclusion, instructions on how to address non-compliance, and a response deadline. In extreme non-compliance cases, staff will determine if additional site monitoring is necessary. In all cases of non-compliance, staff will work with subrecipients to reach a satisfactory resolution. Completion of corrective actions will be verified by ADOH.

Subrecipients will be required to submit quarterly reports during the development phase of the project. All subrecipients, regardless of whether the project is in the development or operating phase will be required to submit an annual report. A close-out report will be required upon

project completion. Fiscal expenditures will be monitored not less than quarterly. Subrecipient reports must include the following information:

1. Proposed v. actual outcomes.
2. If progress is not being made, an explanation of contributing factors.
3. Uses of RHP funds.
4. Name and location of each project and for each project:
 - a. Funds budgeted and expended.
 - b. Funding source and amount of non-RHP funds expended for each same activity.
 - c. Race, ethnicity, gender, and income of applicants and participants/beneficiaries.

Pre-award/Pre-Agreement Costs

RHP funds may be used for pre-award/pre-agreement technical assistance and administrative costs of the ADOH including application and technical assistance to potential subrecipients, development of the RHP Plan, conduct of the citizen participation process and related administrative costs.