



**State of Arizona  
Consolidated Annual Performance and Evaluation Report  
(CAPER)  
Federal FY 2012  
July 1, 2012 - June 30, 2013**

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Prepared by the Arizona Department of Housing  
and the Arizona Department of Economic Security  
for the U.S. Department of Housing and Urban Development



The FY 2012 State of Arizona Consolidated Performance and Evaluation Report (CAPER) represents a collaborative effort between the Arizona Department of Housing and the Arizona Department of Economic Security. This document outlines the State's affordable housing and community development resources, their methods of distribution, geographic funding objectives, and actions by the State to meet those objectives during the past fiscal year.

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## **I. EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Arizona Department of Housing (ADOH or the Department) utilizes a variety of resources in its mission of strengthening Arizona communities. The effect of the dramatic shifting of the economy to both state and local governments has created a unique set of opportunities and challenges in economic development, and housing markets. Responding and attending to these shifts are essential in successfully achieving the overarching goals of creating a suitable living environment, expanding economic opportunity and providing decent housing.

### **REPORTING AGENCY**

The ADOH is the lead agency responsible for the development of the Consolidated Plan (the Con Plan) and Annual Action Plans. This Consolidated Annual Performance and Evaluation Report (CAPER) for the period of July 1, 2012 – June 30, 2012 summarizes progress made towards meeting goals and objectives as outlined in the first year Action Plan.

The State of Arizona's Con Plan is prepared every five years, and updated annually through the Action Plan. In 2009, the State submitted, and U.S. Department of Housing and Urban Development (HUD) approved, the Arizona Con Plan: 2012 – 2014. This Plan consolidates into a single document the planning and distribution of funds for:

- Community Development Block Grant (CDBG)
- Home Investment Partnerships Program (HOME)
- Emergency Shelter Grant (ESG)
- Housing Opportunities for Persons With Aids (HOPWA)

ADOH has the responsibility for the administration of the HOME, CDBG and HOPWA programs to non-entitlement communities (generally these are cities with populations of less than 50,000 and counties with populations of less than 200,000). The Department of Economic Security (DES) has the responsibility for the administration of the ESG program but all information is combined into the CAPER. Both Departments use these resources in combination with other programs; therefore this report includes a look at other resources used to provide a complete picture of the State of Arizona's performance over the last fiscal year.

### **INITIATIVES**

The Con Plan assesses the state's affordable housing and community development needs and analyzes the state's housing markets. It articulates the State's priorities and strategies to address

identified needs along with describing the actions the State will take to implement strategies for affordable housing and community development.

Economic conditions in Arizona have generally improved over the past 12 months led by improvements in the housing market. Maricopa County leads the state in improved home values. For the first time in six years, the Maricopa County Assessor's Office is raising property values for single-family parcels in 2014. Home prices in the Phoenix area have increased 35% in the past year alone and new construction of homes has increased 71%. The median sales price for homes in Flagstaff from December 2012 to February 2013 was \$235,015. This represents an increase of 11.9% compared to the prior year. Tucson and Yuma have had slower gains. Unemployment remains high with a slight decrease from 9.0% to 7.9% from December of 2011 to December 2012.

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

Despite a sizeable decrease to the Department's State resources over the past couple of years (the State Housing Trust Fund (HTF) went from an allocation of \$30 million in 2008 to \$2.5 million in FY2012) the Department continued to support a number of the state's most significant housing needs in keeping with ADOH's priorities of:

- Investing in rural areas that have limited funding opportunities;
- Investing in projects where the need for funds and the demand for the project is demonstrated; and
- Investing in areas in decline and those with a disproportionate concentration of low-income and minority populations.

Preservation of and improvement to the long-term life of existing affordable owner-occupied housing stock continued to be a high priority for the Department. Approximately \$6.7 million in federal HOME and CDBG funding was committed to preservation and improvement in the form of owner occupied housing rehabilitation.

CD&R provided approximately \$3.2 million in federal funding for public infrastructure projects as they are the primary focus of rural counties and communities participating in the State and small cities CDBG program thru ADOH. Infrastructure improvements including streets, sidewalks, water, wastewater, curbs, gutters and drainage improvements were funded addressing the Department's priority to promote sustainable and accessible communities.

Capacity deficiencies of local units of government along with the remoteness of the non entitlement rural communities in the State program remain a barrier for economic development

projects. Current economic difficulties make it less desirable for location of new business in rural Arizona. Although ADOH was contacted to discuss possible economic development projects, no applications were received.

ADOH did not invest funds into the construction of new single family homes as supply continued to exceed demand and home prices remained low. The National Foreclosure Mitigation Counseling (NFMC) program, which began in 2008, is still providing much needed services to struggling homeowners. This program assisted 2,790 households with one-on-one counseling in FY 2012. This assistance consisted of crisis budgeting counseling, loan modification request counseling and short sale process counseling. The primary objective of all counseling delivered through this program is to avoid foreclosure when possible and to assist the homeowners with the transition process.

The Foreclosure Assistance Help Hotline which processes calls from distressed homeowners processed 10,539 phone calls in FY 2012. These calls were triaged and distributed to our HUD approved housing counseling partners. These partners facilitate the calls delivering an array of services and assistance to families in need.

ADOH's Foreclosure Assistance Division was established in 2010 in direct response to the U.S. Treasury Department declaring Arizona one of the "Hardest Hit" states by the mortgage crisis. As a result of this classification we were awarded \$267 million dollars to address the ongoing crisis in a market sensitive manner. Based on property depreciation in excess of 50 percent our first goal was to create a principal reduction program. However, due to the unforeseen reluctance of the GSEs to allow principal reduction, an expansion of the initial program was required. In 2011 we added an Unemployment/Underemployment Mortgage Assistance (UMA) component to the program. This has made a dramatic difference in the number of Arizonans we have been able to assist.

We continue to monitor the progress of this program and make adjustments where possible to produce stabilization in our housing market as soon as possible. As of June 30, 2013, over \$54.9 million in mortgage foreclosure assistance has been committed to 1,849 households.

The Rental Division of ADOH led the efforts on the development of new rental units with a variety of resources. These include HOME, Low-Income Housing Tax Credits, (LIHTC) NSP, and HTF. This will result in 400 multi-family rental units. Of those, 365 units were preserved thru rehabilitation. A portion of the 2013 LIHTC allocations were forward allocated during FY 2012 and were included in the 2011-2012 CAPER. Additional 2013 LIHTC commitments will be made in August 2013. These additional 2013 LIHTC commitments will be reported in ADOH's 2013-2014 CAPER.



The Special Needs Division of ADOH worked to increase the agency capacity of homeless shelters and service providers that assist families and individuals in need, and worked to prevent homelessness.

HOPWA monies provided \$223,424 in funds for tenant-based rental assistance, supportive services, and short-term rent, mortgage and utilities. ADOH contracted with three organizations to administer the HOPWA programs which serve five of the thirteen non-entitlement counties.

McKinney-Vento monies provided \$ 9,892,477 to 1,726 households through 34 contracts. Most of this money went for rental assistance while less than 5% was directed toward supportive services.

HPRP assistance in the amount of \$590,618 was expended on 170 households, 62% eviction prevention and 19% rapid re-housing. Case management services were provided to all households.

HTF monies provided \$3,500 for homeless conferences and \$640,000 for emergency operating dollars for shelters.

**SUMMARY OF RESOURCES AND DISTRIBUTION OF FUNDS**

ADOH obligated \$344,280,374 million in Fiscal Year 2012 to affordable housing and community development efforts through multiple resources. The following is a list of those resources.

Community Development Block Grant (CDBG)	\$8,198,834
Neighborhood Stabilization Program (NSP)(HERA and ARRA funds)	\$2,369,269
HOME Investment Partnerships Program (HOME)	\$11,534,857
Housing Opportunities for Persons with Aids (HOPWA)	\$223,424
Shelter Plus Care (SPC)	\$7,374,086
Supportive Housing Program (SHP)	\$2,518,391
Homeless Prevention and Rapid Re-Housing Program (HPRP)(ARRA)	\$590,618
Section 8 Housing Choice Voucher Program (HCVP)	\$1,349,828
Project Based Section 8	\$49,392,231
LowIncome Housing Tax Credits-9%	\$13,444,020
4% LIHTC Bond	\$2,115,750
State Housing Trust Fund (HTF)	\$6,145,034
Mortgage Revenue Bond (MRB) – Single Family	\$15,632,880
Downpayment Assistance (AzHFA)	\$704,149
National Mortgage Foreclosure Counseling Program (NFMC)	\$722,076
Save Our Home AZ Program (HHF)	\$25,463,631
<b>Total</b>	<b>\$147,779,078</b>

Additionally, the Arizona Department of Economic Security (DES) obligated the following resources:

Emergency Shelter Grant (ESG)	\$900,623
DES – Homeless	\$4,039,970
<b>Total</b>	<b>\$4,940,593</b>
<b>GRAND TOTAL</b>	<b>\$344,280,374</b>

Chart 1 below represents the division of ADOH funding by Program.

The actual geographic distribution of resources was based on the number and quality of applications received. ADOH did 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. Geographic distribution of activities is widely varied, but program funds are targeted for low-income persons and take place in or near a low-income area. The location of an activity largely depends on the type of activity.

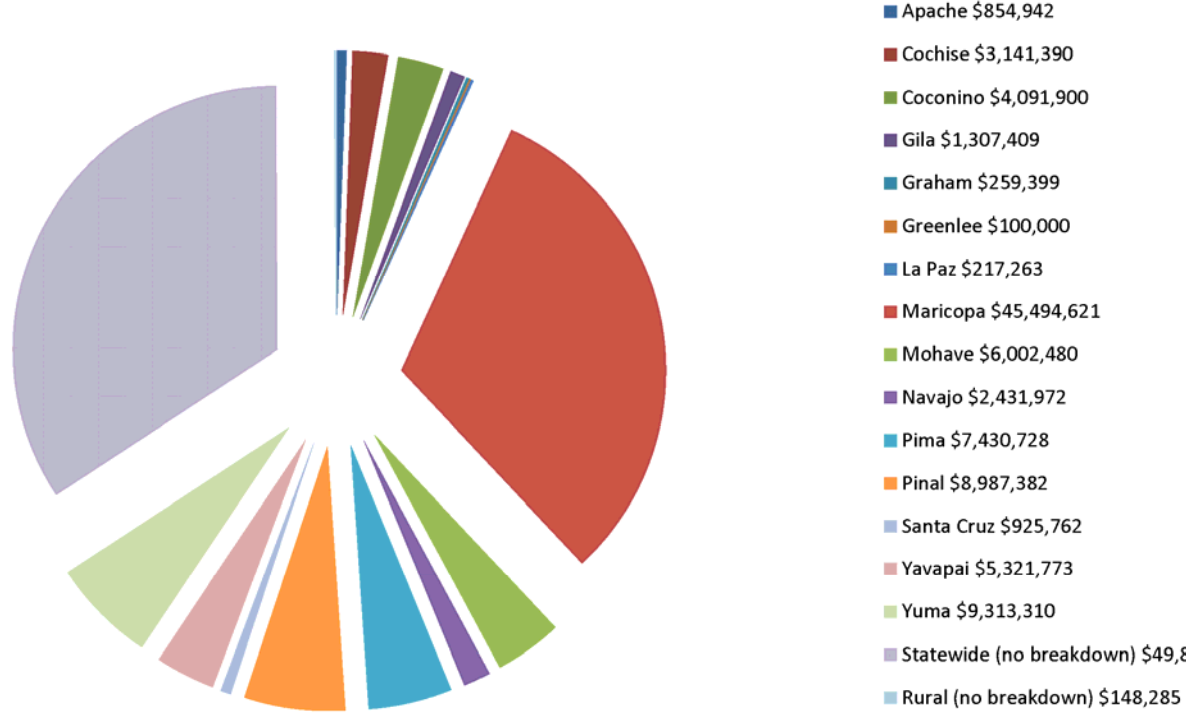
As a function of its planning processes, the ADOH routinely considers economic and statistical data in its analysis. Arizona's areas of highest minority household concentration lie along Arizona's border with Mexico and on Arizona's 22 Indian reservations. ADOH invests statewide, through its HTF, and its LIHTC allocations. ADOH, however, directs the investment of its formula programs, with the exception of HOME, 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. Chart 2 shows the geographic distribution of funding and Chart 3 shows the geographic distribution of beneficiaries.

State of Arizona - Department of Housing  
FY2012 CAPER CHART 1  
Distribution of Funding by Program



- Community Development Block Grant (CDBG)
- Neighborhood Stabilization Program \$2,300,000
- HOME \$11,534,857
- HOPWA \$223,424
- Shelter Plus Care \$7,374,086
- Supportive Housing Program \$2,518,391
- Homeless Prevention and Rapid Re-Housing
- Section 8 - Housing Choice Voucher Program
- Project Based Section 8 \$49,392,231
- Low Income Housing Tax Credits-9% \$13,400,000
- Low Income Housing Tax Credits-4% \$2,110,000
- State Housing Trust Fund \$6,145,034
- MRB - Single Family \$15,632,880
- Down Payment Assistance (AzHFA) \$704,100
- National Mortgage Foreclosure Counseling
- Save Our Home AZ (HHF) \$25,463,631
- Emergency Shelter Grant (ESG) \$1,203,090
- DES - Homeless \$TBD

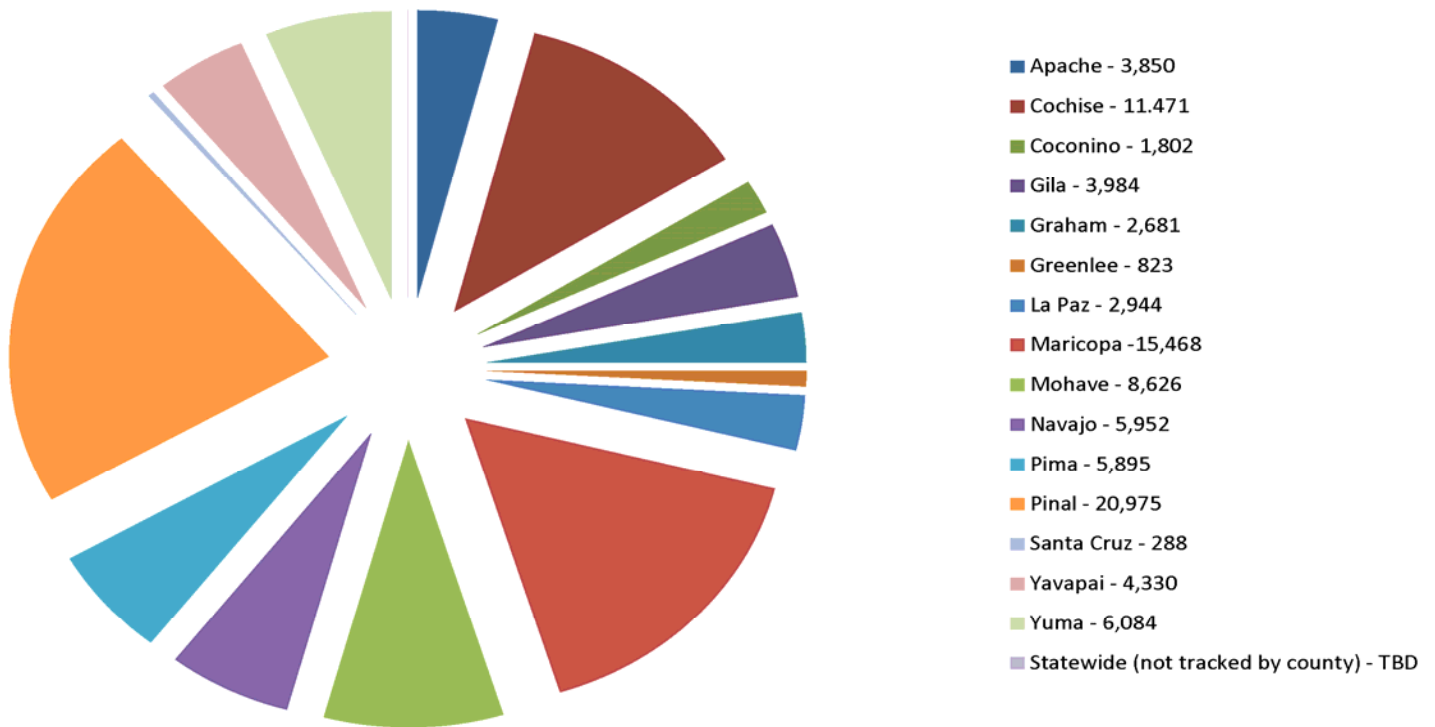
State of Arizona - Department of Housing  
FY 2012 CAPER CHART 2  
Geographic Distribution of Funding - All Programs  
(except ESG, DES Homeless and DES Domestic Violence)



II. ASSESSMENT OF THE FIVE YEAR GOALS AND OBJECTIVE

ADOH provided services and funding to low to moderate income persons through the investment of CDBG, HOME, ESG, HTF, LIHTC program, Treasury’s Hardest Hit Fund (HHF)

**State of Arizona - Department of Housing  
FY2012 CAPER CHART 3  
Geographic Distribution of Beneficiaries - All Programs** (except ESG,  
DES Homeless and DES Domestic Violence)



and American Recovery and Reinvestment Act (ARRA) funding ADOH is on track to fully expend ARRA funds by their respective deadlines.

ADOH established 13 priorities in 4 categories in its 2010-2014 Consolidated Plan Strategic Plan. Those priorities and the progress made in FY2012 are listed below:



- Development of Permanent Rental 13 units , BOS CoC
- Shelter Operation 109,900 bed nights HTF

**Priority 7:** Offer Services and funding to help prevent people from becoming homeless.

- Eviction Prevention 195 HH's HOPWA, HPRP

**CATEGORY THREE: SPECIAL NEEDS PRIORITIES**

**Priority 8:** Increase and preserve the supply of affordable housing available to the elderly, disabled and large families.

- Development of rental units for the elderly 41 units HOME
- Development of rental units for the disabled 58 units BOS CoC, NSP, HOME
- Development of rental units for large families 56 units LIHTC, HTF
- Preservation of owner occupied units, elderly 215 units HOME, HTF, CDBG
- Preservation of owner occupied units, disabled 114 units HOME, HTF, CDBG

**Priority 9:** Improve housing accessibility and safety.

- ADA improvements owner occupied units 53 units CDBG, HTF

**Priority 10:** Improve the access special needs populations have to services.

- ADA improvements to public buildings 34,977 people CDBG

**CATEGORY FOUR: COMMUNITY DEVELOPMENT PRIORITIES**

**Priority 11:** Improve infrastructure and physical environments to promote sustainable and accessible communities.

- Streets, Sidewalks, Drainage 18,619 people CDBG
- Water/Sewer Improvements 20,167 people CDBG
- 
- Fire Station/ Emergency Equipment 3,614 people CDBG
- Planning 1,936 people CDBG
-



**Priority 12:** Ensure a variety of public facilities are available to meet the recreational, human development and service needs of low income households and priority populations.

- Senior Center Improvements 2,065 people CDBG
- Public/Neighborhood Facility Improvements 12,128 CDBG
- 
- Parks, Recreational Facilities 5,978 people CDBG
- 
- 
- 
- 
- Other Public Services 3,097 people CDBG

The state’s annual CAPER for FY2012 is organized to report accomplishments aligned with performance goals. Exhibit 1 specifically, is organized in compliance with HUD’s performance measurement system, to report proposed units and actual units by activity number, along with income targets met or target population served.

A listing of CDBG, HOME and HTF Projects Completed during FY 2012 and their beneficiaries are provided as Exhibits 2A, 2B, 3A, 3B, 4A and 4B.

This CAPER is the second report for the Con Plan for years 2010-2014. The second year Action Plan reflects today’s economic reality and describes the changes ADOH is making as a result of our experiences.

### III. ASSESSMENT OF ANNUAL PROGRESS

#### AFFIRMATIVELY FURTHERING FAIR HOUSING (AFFH)

##### Actions Taken to Affirmatively Further Fair Housing

The agency’s commitment to affirmatively furthering fair housing was demonstrated on many fronts. ADOH staff sits on the Arizona Fair Housing Partnership’s steering committee and participated in the their annual event, which was advertised in the ADOH Spring newsletter. The event was held at the Disabilities Empowerment Center on April 11, 2012 and was entitled The Faces of Housing Discrimination. William Shaw of the Phoenix HUD office, Tom Horne, the State’s Attorney General, and Shawn Tarboro of Southwest Fair Housing Council spoke. Southwest Fair Housing Council responded to a Request for Proposal (RFP) and was awarded the fair housing contract to provide fair housing/fair lending training throughout the State of Arizona; providing at least two workshops per county for housing professionals, two

workshops per county for consumers and a minimum of one fair housing training per CDBG recipient. The contract also requires a fair housing training for ADOH staff; two presentations at an agency, city, county and continuum of care meetings; to stock and maintain at least fifteen sites per county for the distribution of fair housing literature; and use of the media (radio, television, print ads) to make consumers aware of fair housing laws. The Community Development and Revitalization division of ADOH required each recipient of CDBG funds to offer at least three opportunities per year to further fair housing. Those opportunities included an annual adoption of a fair housing resolution or fair housing proclamation and display of fair housing posters in a public area of the community's administration building or office. Other fair housing activities that communities participated in for fair housing compliance included the distribution of a fair housing brochure, the sponsoring of a fair housing poster contest, an essay, or poetry contest in the local schools; encouraging the media to promote fair housing awareness with public service announcements; hosting of an annual fair housing meeting or forum; conducting a community wide fair housing opinion survey; encouraging civic organizations to invite speakers to talk about fair housing; or other activities. ADOH monitors fair housing compliance on all applicants and recipients of CDBG and HOME funding.

### **Summary of Impediment to Fair Housing Choice**

The agency's Analysis of Impediments to Fair Housing Choice (AI) was updated in the spring of 2009. The impediments are:

- Illegal housing discrimination is occurring in non-metro counties in Arizona.
- Many housing consumers are unaware of their fair housing rights and available fair housing resources. Therefore, when housing discrimination is encountered, it often goes unreported and unresolved.
- Many housing providers illegally discriminate because of inadequate knowledge and understanding of their responsibilities under the Fair Housing Act (FHA)
- Many public and private agencies in non-metro Arizona lack effective fair housing referral procedures. This impedes people's access to agencies that provide fair housing information and assistance to victims of housing discrimination.
- Disparities in lending and predatory lending practices are impediments to fair housing choice in Arizona.
- "Not in my Backyard" (NIMBYism) can be an impediment to fair housing because it has obstructed plans and policies to provide affordable housing and special needs housing that serves protected classes.
- The issue of affordable housing is an impediment to fair housing in two ways:
  - The lack of affordable housing throughout the state has a disparate negative impact on Fair Housing Act protected classes.

- Planning to affirmatively further fair housing will be included/expanded in affordable housing projects funded by ADOH.
- On-going data gathering from CDBG subrecipients will need to improve to meet evolving AI requirements. The 2006 AI stated, "Information gathering and monitoring fair housing performance needs to be improved." ADOH responded with improvements in these areas.

**Action Identified to be Taken to Overcome Effects of Impediments.**

ADOH has no fair housing enforcement capacity. The State of Arizona Attorney General's Office has this responsibility. Therefore, the identification of impediments to fair housing choice and Plan of Action are limited to those areas that are within ADOH's jurisdiction. However, within the parameters that ADOH operates, it will continue to have a significant impact in improving fair housing choice in Arizona.

The agency has a contract with Southwest Fair Housing Council to provide education and outreach throughout Arizona. The key points in the Plan of Action include the following:

- Train CDBG recipients and housing providers throughout the non-metro rural areas to recognize housing discrimination when allegations are made or clients encounter housing problems and then to refer them to agencies that can help them remedy the issue or file a complaint with HUD or the AG.
- Conduct fair housing workshops targeting housing consumers in each of the four Councils of Government (COGs) in the state. The objective of the location and marketing of these workshops will be to provide residents in all of the thirteen rural counties in Arizona an opportunity to participate in the training.
- Identify and establish sites in each rural county where fair housing literature will be distributed on an on-going basis, and ensure the materials are maintained and the sites are kept stocked. Fair housing materials will also be distributed at meetings, trainings, forums and community events in each of these counties when the opportunity presents itself. These materials will be available in both English and Spanish.
- ADOH will monitor the referral procedures of all CDBG recipients through an annual questionnaire that will require identification of the procedure used to train staff, log contacts, and specify the agencies to which they refer fair housing issues. Agencies that do not have effective referral procedures in place will be referred for training.
- ADOH will collaborate with organizations such as the Arizona Foreclosure Prevention Task Force and Don't Borrow Trouble in Pima County by co-sponsoring trainings for people at risk of foreclosure, promoting counseling efforts to people wanting a loan modification and encouraging enforcement efforts of state and federal agencies to charge

and punish agents and companies who perpetrate illegal foreclosure and loan modification scams.

- Provide public hearings throughout the state to provide residents an opportunity to learn about the benefits of affordable housing and diversity in neighborhoods and express their concerns regarding affordable housing projects
- Each housing project funded by ADOH includes a clear AFFH plan as a component of the operational plan. The AFFH plan will include the following:
  - Demographic data and maps to identify minority residential concentrations in the residential areas impacted by the project.
  - Specific activities that will be conducted to AFFH (e.g. Affirmative Marketing Plan).
- ADOH will require a mandatory comprehensive questionnaire with new questions about local zoning and land use laws' compliance with fair housing laws, be filled out and submitted by all subrecipients. ADOH will also summarize and report on the responses to the questionnaire in CAPERs and AIs beginning in 2013.

The agency has also created and distributed a fair housing complaint referral form, a referral list, and procedures to each of its CDBG communities. This complaint referral process is monitored by ADOH annually and whenever CDBG-contracts are closed out.

## **AFFORDABLE HOUSING**

### **Performance Measurements**

A comparison of quantifiable goals of proposed actions to actual production/people served, including income targets during the reporting period is provided in Exhibit 1: FY 2012 Summary Objectives, in the HUD performance measures format.

## **HOMELESSNESS PREVENTION**

### **Continuum of Care: FY 2012 Activities**

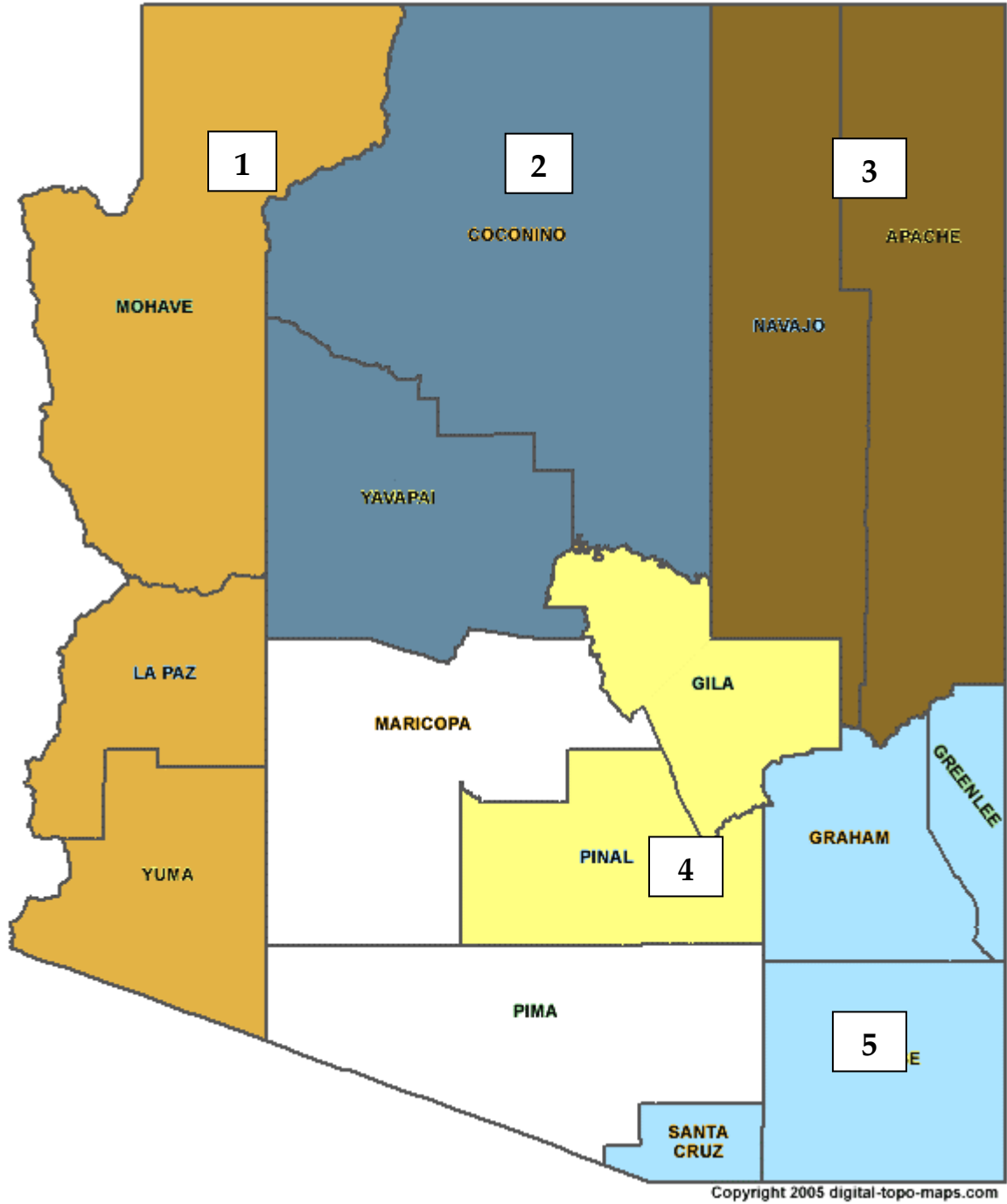
In order to prevent homelessness for Arizonan's and increase capacity for supportive service providers, the ADOH coordinates its efforts with the three Arizona Continua of Care (CoC's). It is the lead agency for the Balance of State Continuum of Care (BOS CoC) and internally this responsibility lies with the Special Needs Division. The BOS CoC covers thirteen of the fifteen counties in Arizona. The two other CoC's are: Phoenix/Mesa/Maricopa County and Tucson/Pima County.

The Continuum of Care process is required by the HUD to enable localities to apply to the federal government for McKinney-Vento Homeless Assistance Act competitive grant programs.

Ideally, this process brings together local governments, community businesses, faith-based organizations, non-profits, current and/or formerly homeless persons to develop local solutions to end homelessness. On an annual basis, the agency applies to HUD through the competitive process for funding for projects and programs that have been identified as priority needs through the Continuum process. ADOH then acts as the administering agency for the grants that are passed through to the participating subrecipients. For the last several years, all projects have been renewed on an annual basis and one or two new Supportive Permanent Housing projects a year have fortunately been funded. There was one reallocation project funded through the 2012 Continuum in the amount of \$32,094. This is a Rapid Rehousing Project in Coconino and Yavapai Counties. , ADOH has been very successful in securing millions of dollars in funding for transitional and permanent housing programs using the Continuum of Care system. All 36 projects involving ADOH, through all three CoC's in Arizona, totaled over \$11 million.

Arizona has developed its Continuum of Care Application process over the years and in the spring of 2010 put into motion an organizational change. The 13 counties that make up the geographic area for the BOS CoC were divided into five regions. (See map below) Meetings are conducted quarterly, 3 of them in each region and the fourth meeting of the year to be a statewide meeting held in conjunction with the Arizona Coalition to End Homelessness Conference held every fall, usually in October. HMIS training was conducted simultaneously at all of the regional meetings. It provides data entry operators the opportunity to understand the overall picture of how HMIS fits into the CoC process and likewise for administrators to understand how HMIS is a two way street and examine what information can be gleaned for the improvement of BOS CoC programs.

BALANCE OF STATE CONTINUUM OF CARE REGIONS



The BOS CoC consisted of the following components:

1. **Identification of needs, existing resources and gaps** addressed in the HUD application. This data was gathered through several sources, including: local network and continuum meetings held in each of the BOS counties; data collected by all agencies participating in the CoC process; consultation with municipal, county and service providers regarding needs in their respective geographic areas; and, use of various databases compiled on a regular basis by ADOH and other state agencies.
2. **Submission of Letters of Intent** by interested eligible project sponsors, including: description of project design; estimated budget; match requirements and local contribution available; needs and gaps data relating to the proposed population to be served; and evidence of local concurrence with the proposed project.
3. **Technical Assistance** to project sponsors was provided by state staff, including representatives of ADOH, DES, and other state agencies as needed. The technical assistance focused on assisting sponsors to refine preliminary proposals to conform to HUD requirements, to firm up budget estimates, to identify sufficient match funds and to prepare successful proposals for the HUD Application.
4. **Final Proposals** were submitted by five project sponsors in the format required for the HUD Continuum of Care Application. One project was being funded through reallocation of monies.
5. **Ranking of Projects in Priority Order:** All five projects met threshold criteria, but total funding requested exceeded the “bonus”. A statewide ranking committee which consisted of persons appointed by the BOS CoC chairperson from areas not competing for the bonus project reviewed and ranked all five projects. Meeting threshold included taking into consideration all the following factors:
  - proposing a permanent supportive housing project
  - housing experience
  - conformance with the needs and gaps identified in the Homeless CoC developed as part of the application
  - likelihood of the project having significant impact on the identified gap in the affected geographic target area
  - avoidance of duplication of effort
  - matching funds being made available by sponsoring agencies

Four of the five projects were submitted and were funded under the 2012 Continuum of Care. Technical Submissions have been submitted but contracts have not been received. When in service, the four programs together will provide an additional 29 units of permanent supportive housing for northern Arizona.

- **Matching Fund Requirements** - All projects that had operating or support services funds were required to have the proper cash match. Project sponsors provided leverage, usually in support services or other qualifying in kind donations. Shelter Plus Care (SPC) providers were required to provide at a minimum an equal amount of service dollars as were received in leasing dollars.

Project sponsors or their subcontractors perform program administration for all HUD-approved projects. ADOH acted as the HUD Grantee for the overall program and was responsible for project monitoring, drawing of HUD funds, submission of all HUD reports and overall program evaluation. State contracts were offered to all sponsors receiving HUD approval for their projects and were administered by ADOH.

## **OTHER RESOURCES**

HOPWA, Veterans Affairs Supportive Housing (VASH), Section 8 Housing Choice Voucher Program (Section 8 or HCVP), and ESG are allocated to housing and services which prevent homelessness.

Other activities regarding efforts to end homelessness for all Arizonans, ADOH financially supported the Valley of the Sun United Way (VSUW) efforts on their campaign in Ending Chronic Homelessness Through Permanent Supportive Housing. VSUW, working closely with the Corporation for Supportive Housing conducted "Opening New Doors Supportive Housing Institute." They provided over 80 hours of training to four non-profit agencies that are proposing development of supportive and affordable housing targeting homeless individuals and families. This is a continuation of a program started last year.

### **Arizona Commission on Homelessness and Housing**

In January of 2010 Governor Janice K. Brewer created the Governor's Arizona Commission on Homelessness and Housing (ACHH) through an Executive Order continuing the previous State Interagency and Community Council on Homelessness (ICCH).

The ACHH is chaired by Governor Brewer. In her absence, the designated co-chairs are Clarence Carter, Director of DES and Michael Traylor, Director of ADOH.

The purpose of the ACHH is two-fold. It serves as the statewide homelessness planning and policy development resource for the Governor and the State of Arizona and oversees the implementation and progress of the State Plan to Prevent and End Homelessness. A State Plan to End Homelessness was completed and adopted by the previous ICCH in 2005. The statewide plan was revised to align with the objectives of the United States Interagency Council on Homelessness (USICH) Plan that was introduced in 2010. Under the new and expanded



Commission on Homelessness and Housing, the focus has shifted to implementation of the plan.

## **OTHER ACTIONS**

### **Address Obstacles to Meeting Underserved Needs**

High percentages of housing foreclosures and unemployment figures coupled with the State's severe budget deficit continue to negatively impact Arizona's economy.

According to Foreclosure Radar <http://www.foreclosureradar.com> an online foreclosure data tracking service, as of June 2012 Foreclosure filings have been on a downward trend, down 28.2 percent from June of last year. According to the Bureau of Labor Statistics, Arizona's unemployment rate remains above the national average and was at 8.5 percent as of June 2012 but averaged 8.9 percent for the 12 month period. This is a slight decline for the second year in a row but, it is still a negative factor contributing to Arizona's weak economy.

ADOH offers rental housing compliance training twice annually for current and future property owners and managers. This training is offered in Phoenix in the spring and in Tucson in the fall. Each session was at maximum capacity for the facility. In conjunction with the ADOH Compliance Division, it is facilitated by well-known national trainers who are experts in the subject of tax credits and can offer national designations in the field.

ADOH is in contract with The Drachman Institute, the research and public service/community outreach unit of The College of Architecture and Landscape Architecture at The University of Arizona. They provide training, technical assistance, and design examples through utilization of staff and students. Projects and training include community planning, housing assessments, site planning and facility design for affordable housing, transit oriented design education and planning and colonia needs assessment.

ADOH convened the Arizona Housing Forum in Tucson in September of 2012. The Department was pleased with the 300+ participants attending the forum in light of stressful economic times. It proves that the Housing Forum has become an annual priority for many stakeholders. The Housing Forum provides an opportunity to share in best practice development, community revitalization and neighborhood stability.

### **Foster and Maintain Affordable Housing**

In FY2012 ADOH administered over \$58.4 million in rental subsidy payments, assisting 3,467 households of low and extremely low-income Arizonans with their monthly rent. The rent subsidy dollars administered consisted of 94 percent federal dollars and 82 percent of those

funds were associated with federally financed rental properties holding long-term housing assistance payment contract. Generally, when households are assisted with public monies, they are expected to contribute 30 percent of their income with the subsidy covering the difference between what the household can afford and a reasonable, modest rent payment.

Over \$3 million in state and federal funding was spent on housing rehabilitation programs in FY 2012. This helped extend the life of affordable properties as well as ensure safe, decent living environments for some of Arizona's poorest homeowners.

### **Eliminate Barriers to Affordable Housing**

When formulating strategies to address the barriers to affordable housing, a range of interrelated issues must be considered including infrastructure, jobs, transportation, and quality of life. Capacity in rural communities to address affordable housing needs is limited by access to funding for planning and implementation, availability of qualified organizations and human resources, and lack of economies of scale for project development.

ADOH provided professional education and technical assistance to local governments to address barriers to housing affordability. ADOH staff travel throughout the state to provide technical assistance and on-site training upon request or as targeted according to need.

Developing projects and obtaining grant funding is most successfully accomplished by partnerships between local governments and for-profit or non-profit service providers. However, there is a general lack of interest these days in developing and especially developing in the rural areas of the state. Given the lingering recession, economic distress is likely to be with us for quite a while and this has a disproportionate effect on rural communities. Historically, poverty in sparsely populated areas is higher than elsewhere. Though the market is glutted with housing units they are no more affordable now than a few years ago due to the high rate of unemployment and underemployment.

ADOH has invested funds to increase capacity of housing providers in the distressed areas of the state and address the needs of Arizona's low-income population. Funding the rehabilitation of owner-occupied housing units and rental subsidies for households provided decent and safe living environments for low-income families. Although much progress has been made in the past five years, much remains to be done—both in the housing arena and in the array of other factors that affect a family's housing decisions and abilities. Most of the barriers to affordable housing in rural Arizona are not imposed by public policies implemented by the local jurisdiction, although much of the work that must be done to provide more affordable housing must occur at the local level. The main barriers to affordable housing are the lack of decent housing stock, a preponderance of single-family housing, often on large lots or acreage, lack of

employment or lower-wage employment, limited private land and high cost infrastructure. Another barrier to affordable housing is the limited number of Housing Choice Vouchers available to supplement rent payments for low income residents. This subsidy is driven by federal funds made available to housing authorities.

### **Overcome Gaps in Institutional Structures**

- ADOH worked in conjunction with four COGs to develop a plan for the targeting and distribution of funds throughout the state.
- ADOH staff worked collaboratively with local contracting organizations to remove gaps in the delivery system to bring to fruition the successful completion of projects.
- ADOH provided additional direct technical assistance on the formation and establishment of non-profit organizations to carry out housing development.
- ADOH continued to make accommodations in its annual Qualified Allocation Plan (QAP) for the LIHTC Program) to better address and target priority populations. The QAP for the 2013 Round, for which applications were due May 2013 and will be announced in August 2013, established set-aside categories for two Permanent Supportive Housing Projects: one project with a minimum of 30 units set aside for the chronically homeless individuals with a preference for veterans and one project with a minimum of 25% of the units set aside for chronically homeless individuals and/or chronically homeless families. In addition, the 2013 QAP included set-asides for one Rural and one Tribal project.
- The ADOH Director co-chairs with the DES Director the ACHH. The Directors of 7 other state agencies also serve by Governor Appointment on this Commission allowing for continuous dialogue and work to carry out the State Plan to End Homelessness. Those 7 state agencies are: ADOH, DES, Department of Veterans' Services, Department of Corrections, Department of Public Safety, Department of Health Services (ADHS)/Division of Behavioral Health Services (DBHS) and Governor's Office of Children, Youth and Families.

### **Improve Public Housing and Resident Initiatives**

The Arizona Public Housing Authority (PHA) neither owns nor manages public housing. The PHA administers 149 Section 8 vouchers for Yavapai County and is a Section 8 project based contractor for HUD on another 115 properties. In addition, at any one time, the PHA administers approximately 100 "portable" Housing Choice Vouchers in Yavapai County. The PHA once again achieved a "No Findings" audit, conducting Management and Occupancy Reviews (MORs) and other tasks on-time. The PHA continued to work through HUD, to keep property owners from opting out by being responsive to questions and by assisting in the

assessment of property eligibility for either an Operating Cost Adjustment Factor (OCAF), Budget Based rent increase or new 20-year Housing Assistance Payment contract renewal.

### **Evaluate and Reduce Lead Based Paint Hazards**

ADOH continues to play a leadership role in the evaluation and reduction of the number of lead-based paint hazards in order to increase the inventory of lead-safe housing available to low and moderate income families.

Current regulations required subrecipients to ensure occupants; homeowners and homebuyers were notified of the hazards of lead-based paint. Additionally, subrecipients must

- conduct a visual assessment, paint testing, or risk assessment, depending on the activity, and
- 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.

Projects funded with HTF are not required to comply with the Federal LBP regulation at 24 CFR Part 35. However, ADOH policy follows these regulations for projects funded with federal funds or HTF.

Rental property owners are required to have a paint maintenance policy that ensures regular (at least once annually) visual assessment and repair/maintenance of painted surfaces using Safe Work Practices. In addition ADOH CD&R staff monitored all contracts to ensure they have a written plan that follows standard operating procedures for lead safe practices. Through their monitoring of assisted units and beneficiary file documentation, no issues of non-compliance with Federal Lead based Paint regulations were found in FY2012.

### **Compliance and Monitoring**

Procedures for CDBG monitoring are described in the State of Arizona Community Development Block Grant Program Grant Administration Handbook (Rev. 01/09) published by ADOH. The handbook is distributed on a compact disc to all CDBG eligible units of government and is updated as necessary. Chapter 6 of the handbook describes the monitoring process, which consists of both desk and on-site monitoring; it also contains copies of all “desk” (in-office) and onsite monitoring forms used by program staff. Thus, applicants and grantees know beforehand what they will be monitored on.

In addition, ADOH has prepared and provided to all grantees handbooks covering crosscutting federal requirements such as environmental review, labor standards, procurement, contracting,

and acquisition. These handbooks contain detailed information along with sample documents, file checklists, and forms that grantees may use to help ensure administration of a compliant program.

Staff conducts desk monitoring during all phases of each project based on a combination of a risk analysis and random sample. Documented desk monitoring includes a detailed application review including national objectives, eligible activities, cost reasonableness, anti-speculation, citizen and public participation and certifications; requests for payment; environmental review; procurement and contracting; acquisition; construction bids/contracts; labor standards including weekly payrolls and employee interviews; Section 3; housing rehabilitation guidelines; homeownership assistance guidelines; and, sub-recipient agreements, closeout reports, and audits. The nature of the activities undertaken by grantees determines which documents must be submitted for desk monitoring. After desk monitoring has been completed, the grantee is notified, in writing, as to whether the items reviewed were compliant or what corrective actions are needed with a date for such to be completed.

Staff also conducts on-site monitoring visits. Each community is monitored at least once during the contract period but often due to project complexity they are monitored twice; 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.

### **Reduce the Number of Persons Living Below the Poverty Level**

There are a number of programs that help the working poor, unemployed persons, homeless persons and other at risk low income persons living in poverty.

The approach of ADOH was to:

- increase the supply and availability of decent, safe and affordable housing necessary for low-income families to live healthy, productive lives;
- increase the effectiveness of existing programs through better collaboration, reduced duplication of services and increased efficiency of implementation; and
- utilize existing partnerships with the following state agencies to assist Arizonans:
  - DES
  - ADHS/DBHS
  - Department of Corrections
  - Governor's Office on Youth, Children and Families
  - Department of Veterans Affairs.

For the FY 2012 reporting year this was accomplished by:

- Creating opportunities for low-income families to stabilize their housing costs and build wealth through the down payment assistance for 184 households to purchase a home.
- Funding LIHTC projects that will construct 162 units
- Funding the rehabilitation of 370 owner-occupied housing units
- Provided decent and safe living environments for approximately 8,200 low income households through rental subsidies
- Providing rental subsidies for 1,564 special need households
- Assisting 170 households to avoid homelessness through its Homeless Prevention and Rapid Re-housing (HPRP) program
- Aiding 16,571 persons with ESG funding to be in a shelter or assist with rent to avoid becoming homeless
- Worked with ADHS/DBHS to pilot a Bridge Rental Subsidy Program to increase housing stock by 200 permanent housing units which links individuals with serious mental illness eventually to housing choice vouchers administered by local Public Housing Authorities. Due to decreased rents this program has exceeded original expectations in the number of people it assisted with subsidies in FY2012.

## **LEVERAGING RESOURCES**

### **Identify Progress in Obtaining Public and Private Resources That Address Needs Identified in the Plan**

Arizona continues to be successful leveraging its resources. HTF is a vital resource, which provides leverage to HUD CPD formula grant funding. HOME match, for example, has been met through HTF dollars directed toward the down payment and closing cost assistance

program. HTF and HOME are used to provide gap financing for multifamily development, including the LIHTC and Bond financed programs. Moreover, the collaborative efforts of DES, ADHS, the Department of Corrections, and partners in the Balance of State CoC leveraged their finite resources with ADOH to provide quality housing and sustainable communities throughout Arizona. SPC requires a dollar for dollar match and this is always exceeded by providers as well as the match requirement for the Supportive Housing Programs.

## CITIZEN COMMENT

ADOH invites public comments on all planning and reporting activities. ADOH kept the public informed via the Department's website at [www.azhousing.gov](http://www.azhousing.gov). ADOH also electronically distributed four newsletters last fiscal year. Finally, Information Bulletins were electronically sent our non-profit, for-profit, unit of local government, tribal and public partners to both inform and garner feedback from the public.

The *Solicitation for Comments* for the 2012 CAPER which will be submitted to HUD in September of 2012 was publicized on August 19, 2013 in 5 newspapers, 4 of them in rural Arizona. These newspapers were the Arizona Republic; Arizona Daily Star in Tucson, Arizona; Kingman Daily Minor; Yuma Sun; and the Arizona Daily Sun in Flagstaff, Arizona. The draft CAPER was posted on the publications page of the ADOH website.

## SELF EVALUATION

Are the activities and strategies making an impact on identified needs?

The activities and strategies described in the Con Plan continued to make a positive impact on identified needs. Investment allocation decisions focused on activities that closed funding gaps and

- Supported activities in rural areas that had limited funding opportunities;
- Supported projects where the need for funds and the demand for the project design were demonstrated;
- Supported projects identified as high priorities in the Consolidated Plan; and,
- Invested in areas in decline and those with a disproportionate concentration of low-income and minority populations.

ADOH's programs facilitated increased affordable housing opportunities and improved community services across the state. These accomplishments were made across all programs. More specifically:

- LIHTC, HTF, NSP and HOME funds provided 394 additional housing units targeted at low-income populations.
- CDBG program assisted 67,768 Households and met community needs in rural areas.
- The Arizona Housing Finance Authority (AzHFA) assisted 184 households in achieving home ownership and ADOH's Your Way Home Program prevented 624 households from losing their homes.
- HPRP prevented homelessness for 120 households.



### **What Indicators Would Best Describe The Results?**

The indicators that best provided the results of what has been accomplished is the overall number of completed construction, rehabilitation, community development, down payment and closing cost assistance and loan activities. This information is described in Exhibit 1: FY 2012 Summary of Objectives.

### **What Barriers May Have a Negative Impact on Fulfilling the Strategies and the Overall Vision?**

The economic recession has created a barrier to achieving strategies. Job losses have directly increased homelessness due to loss of income and have contributed to a decrease in wealth overall due to losses in home equity. Revenue losses have decreased involvement by local government in CDBG service delivery due to staff and program losses. Lack of capacity in rural areas of Arizona inhibits the implementation of projects and services. Capacity issues have been compounded by staff turnovers which are related to job losses by a spouse or other factors requiring relocation.

Developing projects and obtaining grant funding is most successfully accomplished by partnerships between local governments, and for-profit and non-profit service providers. In economically distressed rural areas, local governments may not have sufficient staff to do the work necessary to develop projects and obtain grant funding. The problem is further compounded in these areas by the lack of non-profit housing service providers, the lack of design professionals and the lack of contractors to implement projects. ADOH continues to provide technical assistance in response to these needs.

Incentivizing participation in affordable housing programs continued to be a challenging goal for the Arizona Department of Housing. ADOH provided a longer time for applicants to prepare submittals and an increase in the ceiling for its 2012 HOME NOFA. These incentives, along with a new requirement to have a HUD issued Authority to Use Grant Funds, resulted in a higher quality of applications in the pool.

### **What is the Status of Grant Programs?**

ADOH grant programs are resulting in the production of housing and related services in accordance with the Action Plan. Demand for CDBG, ESG, HOME, HOPWA continues to exceed availability. Reductions of the HTF to \$2.5 million have caused the elimination of programs. ADOH, however, aggressively managed its portfolio to insure that funds were leveraged and that the state's affordable housing needs were addressed; ensuring geographic distribution, and ensuring sustainability through underwriting criteria. ADOH has

traditionally used the HTF to provide the match requirements for HOME. In addition, it is a source used for gap financing for rental projects, including the LIHTC program. The LIHTC program continues to be a very effective means to produce affordable rental housing units. The complexity of financing needs, combined with the Department's commitment to ensure viable, long term affordability resulted in more thorough contract negotiations when investing HOME and HTF dollars.

Emergency Solutions Grant (ESG) continued to play a vital role in providing prevention services and as a first line of defense in reducing the number of people who are living on the streets. The annual report on homelessness in Arizona, "Current Status of Homelessness in Arizona," produced by the DES through its Homeless Coordination Office provides an in depth analysis of conditions and resources directed toward the prevention and alleviation of homelessness.

The Homeless Prevention and Rapid Re-Housing Program (HPRP) funded with ARRA monies ended September of 2012. This program was designed to prevent individuals and families at risk of homelessness from becoming homeless and to assist persons experiencing homelessness to be quickly re-housed and stabilized. Clients assisted were all at or below 50 percent AMI. HPRP assistance was given to 170 households and a report run by the Homeless Management Information System in spring of 2013, shows that 98% of those assisted through HPRP have not received assistance through another homeless provider in the balance of state. This is an indication that the HPRP met the goals of preventing homelessness and rehousing those in the throes of homelessness rapidly. ,

#### **Are Any Activities or Types of Activities Falling Behind Schedule?**

ADOH implemented new policies to enhance project readiness. NOFA's for HOME and LIHTCs required environmental reviews to be completed at the time of application. ADOH provides technical assistance as necessary to prevent projects from falling behind schedule. ADOH continued to encourage better planning and strategic use of finite resources. ADOH's community partners worked diligently to complete projects on time, and were for the most part successful.

#### **Are Grant Disbursements Timely?**

Contract obligations and disbursements were in alignment with HUD's timeliness requirements for all programs covered under this CAPER including CDBG, HOME, ESG, HOPWA, NSP 1 and 3 and HPRP. ADOH has maintained a goal to approve and award contracts within 90 days of application and met all disbursement deadlines.

### **What Adjustments or Improvements to Strategies and Activities Might Meet Your Needs More Effectively?**

Continuing to incorporate incentives for project readiness will help ADOH meet needs more effectively. In conjunction with the MRB, MCC and NSP 1 programs, AzHFA provided loans for homebuyer assistance to 184 Arizona families.

In order to address the needs, and manage finite resources, the Department's application, award and evaluation process for projects identified for the State Housing Fund (HOME and HTF), submitted through the State Housing Fund application, or submitted through the QAP Gap Financing application, was competitive. Applications for ESG continued to be let through a bid system, with an emphasis on criteria for capacity and outreach. Applications for CDBG funds continued to follow the regional account method of distribution detailed in the Con Plan FY 2010-2014; competition for CDBG SSP funds became more stringent with regard to requirements in the application process. Incentives for meeting the priorities and objectives established in the State's Con Plan were enhanced through the scoring systems outlined in each application guide or plan. CDBG Colonias Set Aside funds became competitively accessed for the first time beginning with FY2010 federal funds.

The continuing efforts to create more partnerships at the local level should create opportunities to leverage finite resources. Extending planning beyond traditional community borders may be one way to promote innovation while encouraging smarter growth strategies. ADOH continued to provide incentives for regional planning, and planning for community revitalization in its application guidelines.

### **PROJECTS COMPLETED IN FY 2012**

As seen in the Section IV, ADOH invested in projects that reflect the state's commitment to sustainability, affordability, and suitability. Please also refer to Exhibits 2A, 2B, 2C, 3A, 3B, 3C, 4A, 4B and 4C for complete lists of projects completed with CDBG, HOME and HTF funds.

## IV. PROGRAM NARRATIVE

### COMMUNITY DEVELOPMENT BLOCK GRANT

CDBG activities in FY 2012 continued to address the needs and implement the objectives and priorities set forth in the State's 2010-2014 Con Plan for affordable housing and for non-housing community development needs. To that end, ADOH provided grants, and technical assistance for developing projects which provided decent and hazard-free affordable housing, increased access to safe drinking water, provided proper disposal of household wastewater and provided access to community-needed services in local facilities. All of these activities were provided for low/mod income persons improving their quality of life in rural Arizona communities. The Department's investment of funds into CDBG assisted activities did not trigger one for one replacement requirements and did not cause any relocation or displacement issues. Additionally, no publicly assisted housing units were demolished.

In support of the state's community development priorities, the CDBG Program:

- Improved infrastructure and physical environments to promote sustainable and accessible communities.
  - \$2,206,418 obligated to Streets, Sidewalks, or Drainage Improvements (9 projects).
  - \$321,851 obligated to Wastewater Treatment Improvements (2 projects).
  - \$851,480 obligated to Potable Water Delivery Improvements (4 projects).
- Ensured a variety of public facilities were available to meet the recreation, human development and service needs of low income households and priority populations.
  - \$104,094 obligated to Senior Center Improvements (3 projects).
  - \$821,245 obligated to Neighborhood Facility Improvements (4 projects).
  - \$215,755 obligated to Emergency 911 Call Center Expansion (1 project).
  - \$660,812 obligated to ADA Improvements (4 projects).
  - \$71,000 obligated to general planning (1 project).
  - 99,780 obligated to public services activities (2 projects)
- Continued to support a mix of rehabilitation, conversion and construction activities that preserved and increased affordable housing, both for renters and owners;
  - \$2,716,399 obligated for owner-occupied home rehabilitation (14 programs).
  - \$130,000 obligated to Rental Housing Acquisition/Rehabilitation of a Sober Living Home (1 project).
- Developed and implemented strategies which facilitated the coordination of CDBG funding with other federal/state/local community development resources.
  - \$30,000 obligated to other Technical Assistance activities (3 projects).

- o ADOH is involved on a continual basis in numerous planning efforts with other state departments; local, regional, and county governments; housing and social service providers; businesses and citizens.

**CDBG Eligible Applicants**

The State CDBG program made funds 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 tribal lands, Maricopa and Pima Counties, and the cities of Flagstaff, Prescott, and Yuma.

**State Method of Distribution**

The total amount of CDBG funds through the FY 2012 allocation was \$8,908,063. Federal Law allows the State of Arizona to retain 2 percent (\$178,161) plus \$100,000 of its annual CDBG allocation for program administration. ADOH provided a non-federal match for the 2 percent required. The match was documented at the same time that CDBG funds were drawn down for the administrative expenditures of the state above \$100,000. In addition, Federal Law allows the State of Arizona to retain 1% (\$89,081) for technical assistance funding. The \$8,908,063 in federal CDBG project resources available to the state was distributed as follows:

**Grantee Funds – \$8,540,821.**

- |   |  |
|---|--|
| • Regional Account (RA)                 | \$6,502,513  |
| • SSP Account (SSP)                     | \$1147502  |
| • Colonia Set-Aside (10% of allocation) | \$890,806 (to be distributed with FY2013 colonias set aside funds) |

**ADOH Administration - \$545,403.**

- |                                |                                 |
|--------------------------------|---------------------------------|
| • Technical Assistance         | \$89,081                        |
| • State program administration | \$278,161                       |
| • 2% administration match      | \$178,161 (contributed by ADOH) |

ADOH provided the required non-federal match funds from two sources. These included “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 represented staff time devoted to the CDBG program by individuals whose salaries are paid from non-federal sources. These individuals, who included those located in the Information Technology Division, Personnel, Procurement, the front desk of the Department, and Assistant Deputy Directors all track their time on departmental time sheets.

### **CDBG-Eligible Activities**

Eligible activities are generally found in Section 105 of the HUD Act of 1974, as amended and 24 CFR Part 570.482, as amended. CDBG funds were used for a wide range of activities. Activities eligible for funding under this Action Plan fell under these main funding categories of:

- Housing (both owner-occupied and rental rehabilitation);
- Public improvements (water, wastewater, streets);
- Public facilities (community/senior/youth centers, removal of architectural barriers);
- Public services (e.g. healthcare, and transportation); and
- Planning.

Funding allocations for the Regional Account (RA) and the State Special Project (SSP) competitive funding round distributed by the state CDBG program were:

### **CDBG Regional Account**

The CDBG RA consists of 85 percent of the state allocation from HUD. The RA is distributed on a non-competitive basis to the non-entitlement non-metropolitan cities, towns, and counties in Arizona. Distribution of State CDBG funds was accomplished through an allocation system. Each non-metropolitan Council of Government (COG) region created a Regional Council approved Method of Distribution (MOD), which was submitted to ADOH for review. The MOD contained a multi-year schedule indicating how CDBG allocations were to be distributed such that all eligible communities within each respective COG region received funding. ADOH has the final authority to determine the MOD for the state. The MOD approved by ADOH was included in the Annual update of the Consolidated Plan, which is subject to a citizen participation process.

The RA was divided into four sub-accounts, one for each of the non-metropolitan COG areas. RA allocations were as follows:

- Central Arizona Association of Government (CAAG):
  - Gila and Pinal Counties. \$1,772,685;
- Northern Arizona Council of Government (NACOG):
  - Apache, Coconino, Navajo, and Yavapai Counties. \$1,499,164;
- South Eastern Arizona Government Organization (SEAGO):
  - Cochise, Graham, Greenlee, and Santa Cruz Counties. \$1,278,945;
- Western Arizona Council of Government (WACOG):
  - La Paz, Mohave, and Yuma Counties. \$1,951,719.

ADOH announced FY 2012 CDBG funding levels for both the RA and the SSP round via its website and thru electronic bulletin 13-11 sent to all of its state CDBG eligible partners on June 1, 2012.

**CDBG Recipient Community Responsibility**

While CDBG money is scheduled to be provided to all eligible recipient communities according to the Method of Distribution, an actual award of CDBG funds remained contingent upon meeting readiness criteria, threshold criteria and performance measurement criteria.

Through its pre-award assessment process, ADOH negotiated and resolved any outstanding issues that may have been material to an award decision. If issues material to the decision could not be resolved, the recipient community received a Notice of Appealable Agency Action. Notwithstanding the options available through the Notice of Appealable Agency Action, the recipient community was allowed to modify the application, substituting a feasible and viable activity within 30 calendar days of receipt of the Notice of Appealable Agency Action.

**CDBG Redistribution of Funds**

If a community that was scheduled to receive funding chose not to participate or does not submit a viable and compliant application to their COG to be forwarded 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 may from time to time recapture or de-obligate funds. These actions are described in the Con Plan and annual action plan.

The projects completed during FY2012 are found in Exhibit 1: FY 2012 Summary of Annual Objectives and Exhibit 2A: FY 2012 Summary of CDBG Accomplishments

- Street Improvements 14 projects benefitting 30,371 low-to-moderate income people;
- Sidewalk Improvements 2 projects benefitting 2,446 low-to-moderate income people;
- Water/Sewer Improvement 10 projects benefitting 21,159 low-to-moderate income people;
- 
- Flood and Drainage 1 project benefitting 1,402 low-to-moderate income people;
- Neighborhood Facilities 7 projects benefitting 9,007 low-to-moderate income people;
- Parks, Recreational Facilities 2 projects benefitting 22,336 low-to-

• Senior Centers	2 projects	moderate income people; benefitting 271 senior citizens;
•		
•		
• Housing Rehabilitation (Owner Occupied)	14 programs	benefitting 272 low-to-moderate income households;
• Housing Rehabilitation (Multi-family Rental)	1 project	benefitting 33 low-to-moderate income households;
•		
•		
•		
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•		
• Removal of Architectural Barriers	1 project	benefitting 888 low-to-moderate income handicapped persons;
• Planning	1 project	benefitting 2,071 low-to-moderate income people;
•		
• Public Services (General)	1 project	Benefitting 64,567 low-to-moderate income people.

ADOH also examines the CDBG investment impact on project beneficiaries. Exhibit 2B: FY 2012 Summary of CDBG Project Beneficiaries looks at how each activity ended in benefit, showing the data by race, ethnicity and income.

**HOME INVESTMENT PARTNERSHIPS PROGRAM**

ADOH ensures that all HOME investments benefit low-to-moderate income communities and persons. An analysis of that data is illustrated in Exhibit 3A: FY 2012 Summary of HOME Accomplishments which provides the information by project name, HUD Matrix Code, and geographic distribution. Additionally, Exhibit 3B: “FY 2012 Summary of HOME Project Beneficiaries” looks at how each activity ended in benefit, showing the data by race and/or ethnicity. Exhibit 8: Non-CDBG Housing Units Assisted, provides data by activity and income target.

**HOME Method of Distribution**

Arizona received a total award of \$4,695,013 in HOME resources which it used for owner-occupied housing rehabilitation and rental development through a competitive application process. Notification of funds availability for HOME funds were made available through a



NOFA which included information regarding project eligibility, maximum funding amounts, application requirements, etc. HOME match liability was met through carryover state dollars invested in the previous Homes for Arizonans Program. The HOME program match liability is 25 percent (statutory requirement) of actual project expenditures during the program year or \$1,173,753.

### **HOME Affirmative Marketing**

Affirmative Marketing responsibilities are passed from the Department to its subrecipients as the Department does not directly market HOME assisted properties. Thru contractual obligation and recorded Covenants, Conditions and Restrictions, the Department requires that Owners of assisted rental or homebuyer developments containing 5 or more units take actions to provide information and otherwise attract eligible persons from all racial, ethnic, and gender groups in the housing market area to the available housing. Projects assisted with HOME funds must comply with the following procedures for the determined Affordability Period:

- Owners advertising vacant units must include the Equal Housing Opportunity logo or statement. Advertising media must include general audience and minority-owned newspapers, radio, television, brochures, leaflets, or may involve simply a sign in a window.
- The Owner shall implement special outreach efforts to solicit applications for vacant units from protected persons in the housing market who are least likely to apply for the housing assisted with State Housing Funds. Special outreach efforts should be designed to notify potential applicants regardless of existing neighborhood racial or ethnic patterns, location of housing in the metropolitan area, price, or other factors, and welcome them to apply and have the opportunity to rent.
- The Owner shall use community organizations, places of worship, employment centers, fair housing groups, housing counseling agencies, social service centers, or medical service centers as resources for this outreach.
- The Owner must maintain a file containing all marketing efforts (i.e. copies of newspaper ads, memos of phone calls, copies of letters, etc.) and the records to assess the results of these actions, and make said documents available for inspection by the Department.
- For assisted Rental properties, the Owner shall maintain a listing of all tenants residing in each unit at the time of application submittal through the end of the compliance period.

The Department will assess the affirmative marketing efforts of the Owner by comparing predetermined occupancy goals (based upon the area from which potential tenants or owners will be drawn) to actual occupancy data that the Owner is required to maintain. Outreach efforts of the part of the Owner will be evaluated by reviewing marketing efforts.

The Department will assess the efforts of the Owners receiving HOME funds for rental properties during the rent-up period and marketing of the units by use of a compliance

certification or personal monitoring visit to the project according to the Department's monitoring schedule.

Where the Owner fails to follow the affirmative marketing requirements, corrective actions shall include extensive outreach efforts to appropriate contacts to achieve occupancy goals, or other actions the Department may deem necessary.

Each unit of general local government that sub-grants the administration of this program must adopt affirmative marketing procedures that meet the requirement in paragraphs (a) and (b) of 24 C.F.R. Pt. 92.351.

### **HOME Match Report**

The match requirement of \$1,173,753 was met. Excess match from prior Federal fiscal year was \$15,807,242 and \$606,600 in new program income was accrued this year. The HOME Match Report, HUD-40107-A can be found in Exhibit 5: HUD 40107-A HOME Match. Excess match carried forward into FY 2012 will be \$ 14,198,674.

### **HOME Program Income**

The HOME Program Income Report, HUD-40107 can be found in Exhibit 6: HUD 40107-APR HOME PI and MBE/WBE. Program Income available at the end of the reporting period was \$68,760.

### **HOME MBE and WBE Report**

The Home MBE and WBE Report materials are provided in Exhibit 7: MBE and WBE Report. The state has been informed that the MBE/WBE/DBE report (HUD-2516) is not mandatory for states. However, the state captures this data and makes it available to HUD upon request during program review.

In all cases, MBE and WBE responsibilities are passed down to the Department's subrecipients as the Department does not directly enter into funding agreements with Contractors. Subrecipients are contractually obligated to maintain documentation and data on the steps taken to implement outreach programs to minority-owned and women-owned businesses including data indicating the racial, ethnic or gender character of each business entity receiving a contract or subcontract to be paid with HOME funds; the amount of the contract or subcontract, and documentation of the steps to assure that minority- and women-owned business enterprises have an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction, and services. Lists must be

compiled of all minority- and women-owned business enterprises within the Recipient's political jurisdiction.

### **HOME Application Process**

ADOH made HOME funds available through an application process. In FY 2012, a Notice of Funds Availability Process was issued on July 13, 2012 for Owner Occupied Housing Rehabilitation (OOHR) and for Rental project gap financing.

The actual geographic distribution of resources was based on the number and quality of applications received. Exhibit 9: Geographic Distribution Map, shows the geographic distribution by funding source, including HOME, CDBG, HTF, and CoC, (Supportive Housing (SHP) and SPC).

ADOH does not use HOME resources for tenant-based rental assistance or for homeownership assistance in the form of down payment/closing cost or equity contributions.

### **Steps taken to minimize displacement resulting from HOME funded activities.**

Each applicant requesting HOME funds must adopt a plan to minimize displacement resulting from HOME funds. Typically rehabilitation projects require only temporary relocation until the rehabilitation is completed and tenants or owners can be returned to their unit. None of the HOME funds expended resulted in any permanent displacement. Additionally there were no Public Housing Units demolished thru the Departments HOME funded activity investments.

### **HOME Monitoring**

Contract Specialist staff monitor HOME assisted units on site by conducting an UCPS physical inspection at the time of close out. Typically 100% of the assisted units are inspected however protocol requires only a 20% sampling. There were no instances of unresolved UCPS violations for any HOME assisted units.

Compliance is the division responsible for monitoring the long-term compliance of ADOH funded rental properties assisted with LIHTC and/or State Housing Funds (HOME program or HTFs).

The compliance staff monitors compliance with these programs through a review of annual reports and periodic on-site visits to assisted properties. These on-site visits consist of a file review and physical inspection of a percentage of assisted units.

Annual Reports are required for all permanent or transitional rental properties assisted with HOME or HTF funds allocated by ADOH. These reports are due annually on May 15 for the preceding calendar year.

Required documents for HOME and HTF annual reports include the HOME Annual Compliance Report, Rental Schedule for State-Assisted Units, Affirmative Marketing Report and Project Contact Sheet. Multiple contracts require completion of separate reports for each property and unit address.

Properties assisted with both LIHTC and HOME or HTF funds, need only submit the Tax Credit Annual Report. Currently, compliance monitoring fees are not required for HOME and HTF properties.

### **HOME CHDO Distribution**

The state distributed HOME resources in the amount of \$2,015,920 to Community Housing Development Organizations (CHDOs) through the application process outlined above.

### **HOME Forms of Investment**

Investment was provided as grants and loans.

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

The Federal HOME Program required 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 is 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 must 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 were executed through one or more of the following instruments, depending on the type of first-mortgage instrument:

- Land Use Restriction Agreements and/or deed restrictions filed against the property acquired by the assisted homebuyer;
- Deed of Trust and Promissory Notes consistent with the non-interest HOME-financed loan filed on the property acquired by the assisted homebuyer; and,
- a due-on-sale Promissory Note and Deed of Trust consistent with the non-interest bearing HTF.

### **EMERGENCY SHELTER GRANT**

#### **ESG Method of Distribution**

The ESG program is funded under the McKinney-Vento Homeless Assistance Act. DES is the HUD grantee for ESG funds and is the responsible administrative agency. The primary intent of ESG is to provide funds for shelter operating expenses for homeless shelters as well as prevention services. ESG funds in the amount of \$900,623 were allocated to Arizona. Up to 5% (\$45,031) was retained for administrative costs. DES awards contracts every five years through a competitive RFP process. Proposals are reviewed by a panel comprised of internal staff and external members. Proposals are reviewed by a panel comprised of internal staff and external members. Proposals are assessed using a rating system. Evaluation criteria are published in each RFP, which may include service methodology, experience and expertise, cost/price and conformance to RFP requirements/instructions. The ESG prevention funding was allocated through contracts with Community Action Agencies (CAAs) that have been designated by law to receive all DES funding non-competitively. The funding was allocated to the CAAs providing services in rural counties through a defined formula in which 90% of the funds are distributed on the percent of persons at or below 125% of poverty and 10% based on unemployment. Each facility was monitored by DES for the duration of the grant.

## **ESG Match**

ESG funds require a one-to-one (100%) match. Federal regulation allows the first \$100,000 expenditure of ESG to be unmatched. The total minimum match provided for the ESG grant is \$800,623 for a total program resource of \$1,701,246. 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, totaling \$4,043,190 for State Funding Year (SFY) 2012.

Selected applicants unable to provide full match requirements 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.

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

Renewal contracts with governmental entities and non-profit organizations began on July 1.

## **ESG Activity Funding Objectives**

The following strategies apply: 1) continued funding at current levels for shelter services, case management and outreach, approximately 63% of which is allocated in Maricopa County, 9% in Pima County, 7% in the Balance of State; 2) continued funding of eviction prevention services at 21% of the overall ESG allocation through contracts with Community Action Program (CAP) agencies serving counties in the Balance of State; these counties include Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Mohave, Navajo, Pinal, Santa Cruz, Yuma and Yavapai; 3) funding of operating staff costs in shelter facilities not to exceed a maximum of 10% of the overall ESG allocation.

## **FY 2012 Summary Data on DES-funded Shelter and Transitional Programs**

This summary only accounts for DES contract dollars, which include federal Emergency Shelter Grant, Social Services Block Grant, and Temporary Assistance for Needy Families funds, and State General and Lottery Fund appropriations. All shelter providers rely on a variety of public and private sources to meet operating costs.

### Homeless Emergency Shelter and Transitional Housing Programs

Unduplicated numbers of all homeless persons reported housed by 41 non-ESG DES-contracted emergency shelter and transitional housing programs during SFY 2012 with operating funds totaling \$4,039,970:

	Unduplicated persons served
• Maricopa County programs	1,904 (54%)
• Pima County programs	744 (21%)
• Balance of State programs	1,128 (25%)
 Total persons served by non-ESG funds in SFY 2012 (63% emergency shelter, 37% transitional housing)	 3,537
 (Total bed nights for non-ESG Emergency Shelter and Transitional Housing)	 333,648

### Emergency Shelter Grant programs

Numbers of persons served through 14 providers resulting in 16 contracts of ESG funds by DES during SFY 2012, with funds totaling \$849,907:

• Maricopa County programs	11,205 (77%)
• Pima County programs	1,773 (12%)
• Balance of State programs	1,610 (11%)
 Total persons served by ESG funds in SFY 2012 (95% shelter operation and outreach, 5% eviction prevention)	 14,588
 (Total bed nights for ESG funded Emergency Shelter programs)	 60,134

Total persons served through all funding sources in SFY 2012

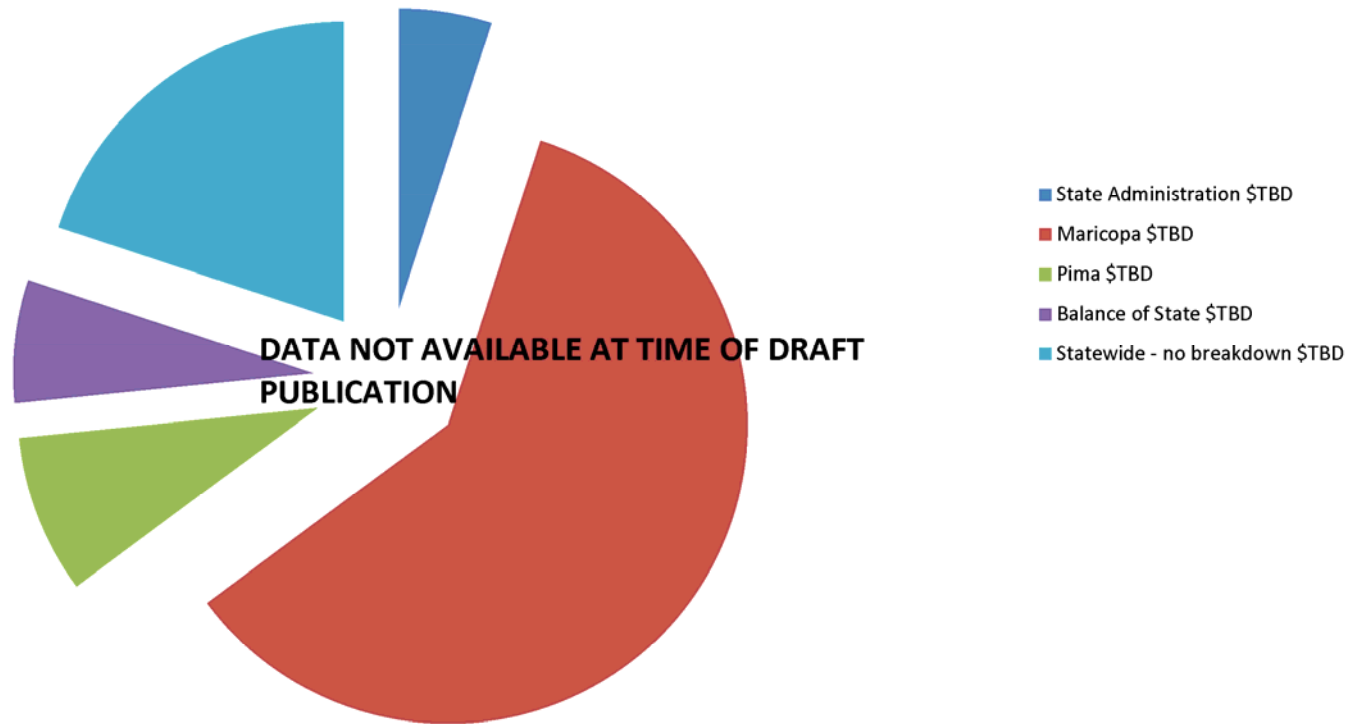
18,125

This information is reported quarterly by contracting agencies.

The Annual Report on the Current Status of Homelessness in Arizona prepared by the Arizona Homeless Coordination Office, Division of Aging and Adult Services and DES reports the investment allocation and accomplishments for both ESG funds and for DES funded activities related to shelter and transitional housing programs. The 2012 report may be accessed at:

[https://www.azdes.gov/InternetFiles/Reports/pdf/2012\\_homelessness\\_report.pdf](https://www.azdes.gov/InternetFiles/Reports/pdf/2012_homelessness_report.pdf)

State of Arizona - Department of Housing  
FY2012 CAPER CHART 4  
Geographic Distribution of ESG Funding





## **ESG Monitoring**

DES reviews contracts and validates for environmental clearance, when appropriate, prior to providing ESG funds.

For new ESG agencies contracting with the Homeless Coordination Office within the Division of Aging and Community Services, on-site visits are conducted within 24 months after contracts are awarded.

DES staff monitors contract compliance monthly by reviewing invoices and tracking expenditures on subrecipient specific spreadsheets. Additionally, the Contract Payment and Ledger System (CPALS) generate reports which are reviewed by ADES/DAAS contract and fiscal staff.

Programmatic reports are collected quarterly from ESG subrecipients and attached to fiscal claims for reimbursement. These reports capture client data, average number of bed nights, activities, fiscal expenditures billed and types, and sources of match. Additional programmatic elements are collected in an ESG Annual Report, which are used to enter data into the IDIS.

Desk reviews are completed at least annually for each ESG subrecipient, and written reports are prepared with findings and recommendations identified for corrective actions as necessary. At least every three years each ESG provider receives a monitoring site visit, at which point the subrecipient provides supporting documentation for the total amount of ESG expended on a monthly invoice. Written reports will be 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.

DES/DAAS financial staff sets up the subrecipient list in the very beginning of the state fiscal year (July or August). Programmatic data is entered into IDIS annually following the fiscal year and is usually completed by November.

## **HOUSING OPPORTUNITY FOR PEOPLE WITH AIDS**

*The HOPWA CAPER is provided in a separate document*

The state allocation for HOPWA funds was \$230,334. Three percent (\$6,910) was allocated by ADOH and 7% (\$15,640) was budgeted by project sponsors for administration of this funding. Any previously uncommitted funds were combined with this allocation.

Results and Expenditures: \$223,424 of HOPWA funds was expended last fiscal year, benefitting 67 households. ADOH contracts with three organizations to administer the HOPWA program within five of the thirteen non-entitlement counties.

### **Mohave County Community Services**

Mohave County Community Services, a local county government entity, directly administered HOPWA as a HUD project sponsor in Mohave County. Mohave County geographically is located in the top northwestern portion of Arizona with an approximate population of 200,186 as of 2010. Mohave County mainly provides Tenant Based Rental Assistance with Supportive Services for an average of 22 units, always exceeding their contracted number of 15.

### **Northland Cares**

Northland Cares, a non-profit organization, directly administers HOPWA in two counties within the BOS jurisdiction – Coconino and Yavapai Counties. Northland Cares offers Short Term Rental, Utility and Mortgage, assistance with supportive services. A total of 39 households were assisted during the reporting year.

### **Northern Arizona Regional Behavioral Health Authority (NARBHA)**

NARBHA is a private, non-profit managed care corporation designated by ADHS as being responsible for the planning, implementation, funding, monitoring and administration of publicly funded comprehensive behavioral health services in Northern Arizona.

NARBHA entered into contract with ADOH in November of 2011 to serve Apache and Navajo Counties with HOPWA funds through administering Tenant Based Rental Assistance with Supportive Services. They are leased up on their 5 contracted units.

The following is a list of some of the barriers that exist for accessing HIV/AIDS services in rural Arizona:

- Rural vastness
- Stigma—Disclosure of disease and discrimination
- Small town—everyone knows everyone
- Transportation—fuel cost
- Lack of knowledge of services available—consumer awareness
- Increased prevalence primarily due to population increases, decrease dollars for regions' ancillary services
- Limitations on state programs-Behavioral Health, no dental or vision care on AHCCCS
- Don't have HIV—specific Medicaid program

- Number of HIV providers in rural areas is limited

HOPWA funds continue to be expended at 97% of the annual allocation.

### **HOPWA Monitoring**

Annually HOPWA provider grantees receive an on-site monitoring visit and a written report with findings and corrective actions (if any) with specific timelines for improvement. Additionally, documentation is also desk monitored monthly with reimbursement requests from HOPWA providers.

### **CONTINUUM OF CARE METHOD OF DISTRIBUTION**

The state coordinated and served as the applicant for the HUD CoC Homeless Assistance funds for all counties excluding Maricopa and Pima in Arizona and is Grantee for three SPC programs in Maricopa County and one in Pima County. The state distributed almost \$10 million in SPC and Supportive Housing Program funding to qualified applicants through the CoC process.

The FY2012 HUD NOFA was the first NOFA for the Continuum of Care Competition under the HEARTH Interim Rule that was issued July 31, 2012. The NOFA was published November 9, 2012 and the close date was January 18, 2013.

The HEARTH Act amends and reauthorizes the McKinney-Vento Homelessness Assistance Act with substantial changes, including:

- A consolidation of HUD's competitive grant programs
- A change in HUD's definition of homelessness and chronic homelessness
- A simplified match requirement
- An increase in prevention resources
- An increase in emphasis on performance

Proposals for the NOFA were submitted via a prioritization process with a 3.5% reduction in funds. There was a review tool developed based primarily on information from monitoring reviews and the Annual Performance Reports. All but one renewal was prioritized in Tier 1 with that one renewal being the first priority in Tier 2, along with a reallocation proposal, planning proposal and two new bonus proposals.

HUD made three separate funding announcements with regard to the FY2012 Continuum of Care. In March all Tier 1 renewals were awarded, in May all Tier 2 renewals were awarded and on July 31 HUD announced new awards which for Balance of State only included the project that was reallocated from existing projects. It is a RRH project in Coconino County. Neither the Planning Proposal nor the bonus projects received funding.

### **Homeless Prevention and Rapid Re-Housing**

ADOH administered the final quarter of the HPRP which was funded with ARRA monies and ended September of 2012. This program was designed to prevent individuals and families at risk of homelessness from becoming homeless and to assist persons experiencing homelessness to be quickly re-housed and stabilized. The focus was on housing stabilization (i.e. client can remain stably housed after the temporary assistance ends). Clients assisted were all at or below 50 percent AMI. A total of 170 households were assisted the last three months of the program. Case management services were given to all households which will strengthen the chances of remaining stably housed once the assistance ends.

### **State Housing Trust Fund Method of Distribution**

The HTF is a resource funded through the State's Unclaimed Property Fund. \$6,145,034 million in HTF was committed to assisting 13,196 households.

ADOH analyzed the results of its investments through the HTF. Exhibit 4A: FY 2012 Summary of HTF Accomplishments shows this information by project name, HUD matrix code and geographic distribution. Exhibit 4B: FY 2012 Summary of HTF Project Beneficiaries shows the impact of the investment by activity and race and ethnicity.

### **LOW INCOME HOUSING TAX CREDIT**

The LIHTC Program provided federal income tax credits to owners of qualifying residential rental projects. The state set the following specific goals for the LIHTC program: 1) an allocation of projects between the urban and rural areas of the state and among various geographic regions; 2) substantial involvement and input from the affected community; 3) projects serving very low-income families; 4) projects to be built on tribal lands; 5) acquisition/rehabilitation and rehabilitation projects; 6) projects serving priority populations with special housing needs; 7) projects undertaken by non-profit organizations; 8) projects located in each of the rural COGs jurisdictions. Over 20 million in tax credits were awarded to 18 projects on June 1, 2012. (Exhibit 10: LIHTC Program 2012 Reservation List)

### **LIHTC projects Placed in Service FY2012**

**Project Name**

**Placed in Service Date (PIS)**

Encanto Pointe – Housing First	12/12/12
Grandfamilies Place of Phoenix	7/12/12
Pineview Manor Apartments	8/10/12
Sentinel Plaza	7/30/12
Yavapai-Apache Homes IV	7/1/12
Pascua Yaqui Homes II	10/29/12
Casa del Sol I	12/20/12
Madison Pointe	2/11/13
Aeroterra Senior Villages	12/13/12
Lakeview Villas	8/1/12
Trinity Place	7/31/12

## **ARIZONA PUBLIC HOUSING AUTHORITY**

ADOH operates the Arizona Public Housing Authority (PHA). 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 the Section 8 Housing Choice Voucher (HCV) Program in Yavapai County. The HCV Program provided rental subsidy payments for 149 very low-income households including VASH vouchers for homeless veterans. Under contract with HUD, the Arizona PHA is a Project Based Contract Administrator (PBCA) which provided contract administrative services for 115 HUD-subsidized rental properties accounting for approximately 8,083 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 ADOH, the legislature also created the AzHFA. The Authority may issue bonds for multi-family residential projects, bonds to finance single family mortgages establish Mortgage Credit Certificate (MCC) 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. During the past year, the AzHFA issued bonds and provided down payment assistance to assist first time homebuyers. They also continued to fund mortgages from a previous year's bond allocation.

## **Arizona Department of Economic Security**

### **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 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.

### **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. Arizona 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)**

### **Arizona Department of Education (ADE)**

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.

ADE utilizes a portion of 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.

The McKinney-Vento Homeless Assistance Act also outlines specific responsibilities for the Local Education Agencies (LEAs). Each of the 600 public school districts and charter holders in Arizona have designated a Local Educational Agency Liaison to ensure that students experiencing homelessness:

- Are informed of their rights as homeless children and unaccompanied youth.
- Are identified, immediately enrolled in, and have a full and equal opportunity to succeed in school.
- Are provided transportation to remain in their “school of origin” if it is in their “best interest” and considered feasible.
- Have records maintained and available in a timely fashion.
- 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. Funding was allocated on a competitive basis to those with the highest program quality and greatest need for assistance. McKinney-Vento funding for Homeless Education was \$1,330,033 last fiscal year (FY13). Additionally, school districts must reserve a portion of their Title I funds to meet the unique needs of homeless students.

Local Educational Agencies (LEA's) use a more inclusive definition of *homeless* to identify and serve children and youth experiencing homelessness. Based on the McKinney-Vento Homeless Education Assistance Improvements Act of 2001 (McKinney-Vento), the term *homeless children and youth* is defined as “*individuals who lack a fixed, regular, and adequate night-time residence.*” This definition allows the inclusion of children living in *doubled-up* situations with friends and family to receive necessary services. The number of children and youth experiencing homelessness in Arizona continues to increase.



Based on the above definition, preliminary data reported by the Arizona Department of Education (ADE), Homeless Education Office shows 31,097 children (pre-kindergarten through 12th grade) were reported throughout the state as homeless during SFY 2013, which represents a 1.8 percent decrease over 2012. 18,970 of those were in Maricopa county, 5,647 in Pima county and 6,480 in the Balance of State. The minor 1.8 percent decrease is believed to be a result of a change in interpretation of “awaiting foster care placement” within McKinney-Vento statute. Seventy-three percent of the children were reported as doubled-up, or living temporarily with another family; 22 percent were living in shelters; two percent were living in unsheltered situations, such as cars, parks, campgrounds and abandoned buildings; and three percent were temporarily residing in hotels or motels due to lack of alternative adequate accommodations.

### **Arizona Department of Health Services**

#### Projects for Assistance in Transition from Homelessness (PATH)

ADHS/DBHS provide outreach to homeless individuals and families under a federal SAMHSA Formula Grant, which provided over \$1,179,000 in FY2012. This funding requires a cash match which was \$394,167 allocated from State of Arizona’s General Fund through ADHS/DBHS. The ADHS/DBHS utilizes the PATH grant funds to provide an array of services to individuals and families who are homeless and have a serious mental illness, including those with co-occurring substance use disorders, and to prevent homelessness.

In Arizona, PATH funds Homeless outreach services designed to assist individuals who are homeless and potentially have a serious mental illness. The services were provided in locations where persons who are homeless gather, such as food banks, parks, vacant buildings and the streets. ADHS/DBHS utilized the PATH Formula Grant to provide an array of services to Special Populations persons who were homeless and were determined to have a serious mental illness, including those with co-occurring substance abuse problems.

Arizona local PATH contractors provide outreach services, screening and diagnostic services, staff training, emergency assistance, case management, referrals to job search and job education/training organizations, one-time only rental payments to prevent evictions, security deposits, and referrals to community housing providers to connect individuals with affordable permanent housing. Persons who are identified as homeless and having a serious mental illness or co-occurring substance use disorder are enrolled in the Arizona behavioral health system to be engaged in treatment and support services to place them on the road to recovery.

## State General Funds

State general funds appropriated to ADHS are used to develop a number of “community housing” programs and level of care systems for persons with serious mental illnesses. These funds provide permanent housing for individuals discharged from the Arizona State Hospital, board and care facilities, supervisory care homes and/or residential treatment programs as described in the Arnold vs. Sarn lawsuit. These funds are used to purchase, lease, or rent properties in either the house model or small apartment complexes that offer consumers safe, decent, stable housing with the availability of in-home supportive services. The ability to integrate and maintain clients in the community is a major goal and component of the mental health service delivery system. ADHS provides this supportive service to assist persons with serious mental illnesses in maintaining their independent housing in accordance with their Individual Service Plan.

Arizona worked in conjunction with agencies and governments all over the state to ensure that the needs identified in the Con Plan were met, and that as many resources as possible are brought to bear in addressing those needs. In addition to non-metropolitan areas ADOH worked with entitlement areas which received direct HUD funding, including the counties of Maricopa and Pima and the cities of Avondale, Chandler, Flagstaff, Gilbert, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Tempe, Tucson and Yuma. Through its contract negotiations and funding parameters ADOH promoted the leveraging of additional resources.

## V. PERFORMANCE EVALUATION REVIEW

The following section provided information about the entitlement programs administered by ADOH. This section will address program activities for the CDBG Program.

### Community Development Block Grant

#### FY 2012 Assessment

NOTE: The CDBG Performance Evaluation Report (PER) required to be submitted as part of the CAPER contains much of the information requested below. Therefore, in many instances the responses reference the PER. Form 4949.3 is not applicable to the state and therefore has not been attached.

- **Assess the relationship of the use of CDBG funds to the priorities, needs, goals, and objectives identified in the Consolidated Plan.** As stated below and in the separate CDBG PER dated September, 2013 covering FY 2005-2012, CDBG funds have been used to address the primary objective adopted by the CDBG Program, which is the primary goal of Title I. The PER contains detailed information about the specific activities undertaken with each year's grant funds.
- **Describe the nature and reasons for any changes.** Part II, Narrative Requirement 3 in the PER describes the nature of and reasons for changes in each year covered by the Report.
- **Assess grantee efforts in carrying out actions described in its Action Plan and certifications, etc.** The PER describes in detail the actions taken with each year's funds, and in narrative form addresses the State's certifications in terms of civil rights compliance.
- **Compliance with national objectives.** The CAPER identifies the national objective addressed by each CDBG funded activity at column 2 of Exhibit 2B and column 4 of Exhibit 2C. The PER Chart II contains a summary of the funds used from each fiscal year's allocation to address each national objective. For every year, 80 percent or more of the funds are used for activities that meet the LM national objective.
- **Steps taken to minimize displacement resulting from CDBG funded activities.** Each community requesting CDBG funds must adopt a resolution that incorporates a plan to minimize displacement resulting from CDBG funds. None of the CDBG funds expended resulted in any permanent displacement.
- **Availability of jobs to LMI persons under economic development projects.** There were no economic development projects completed for this reporting period and therefore no availability of jobs to report.
- **Benefit to limited clientele.** CDBG funds have been used for a variety of activities that benefit limited clientele. These include public facilities and public services for persons with

disabilities, victims of domestic violence, seniors, non-English speaking persons, and homeless persons. The CAPER Exhibit 2B and 2C provided detailed information about the nature of each such activity and the number of persons served.

- **Receipt and use of program income (PI).** Arizona CDBG Program has two grantees that have an approved housing rehabilitation revolving loan fund. In each case the grantee used or will use the PI before requesting additional CDBG funds. Where it is anticipated that a grantee may receive PI in the future, a Special Condition is added to the contract that requires reporting of such to the state. All PI received and/or awarded is reflected in Chart 1 in each year's PER.
- **Completed Rehabilitation that identifies type of program and number of projects/units completed, CDBG/private/other funds used.** The CAPER Exhibits 1, 2B and 2C; and PER Charts 3, 4 and 5, indicates the number of housing rehab activities, the number of units/projects completed and the amount of CDBG and non-CDBG funds used for each activity as well as a summary of such information. In all cases, rehab programs provide assistance thru 0% interest, no monthly payment DPL liens.

**Progress toward benchmarks in identified Revitalization Strategy Areas.** The Department's CDBG Program does not currently have any approved Revitalization Strategy Areas. Additionally, no requests for approval were submitted for FY2012.

#### **Affirmative Marketing Actions and Outreach to Minority- and Women-Owned Businesses**

During this reporting period, the state continued to require that all recipients of State HOME dollars adopt an affirmative marketing plan as described in 24 CFR 92.351. Requirements were set forth in funding contracts and consist of actions required by recipients to provide information and otherwise attract eligible persons from all racial, ethnic and gender groups in the housing market.

Recipients were required to report affirmative marketing efforts in their monthly reports, and to submit a final contract closeout report to the state that summarizes and assesses the results of their affirmative marketing practices. All recipients were required to show documentation regarding affirmative marketing efforts in their HOME files at the time of on-site monitoring and any instances of non-compliance were viewed as a 'concern,' requiring corrective measures to be taken by the recipient.

To continue to assist subrecipients in identifying women- and minority-owned businesses, the Arizona Commerce Authority provided, through its Minority/Women Services Offices, a number of services to identify, encourage and coordinate efforts of women- and minority-owned businesses. Efforts made by the state to this end included:

- An Executive Order (2007-21) issued by former Governor Janet Napolitano, affirming the state's support of Minority- and Women-Owned Businesses,
- The publication of Arizona Directory of Minority/Women-Owned Businesses, which offers a statewide listing of both certified and non-certified small businesses, which is available both in hard-copy form and directly on-line;
- The Small Business Assistance Center, which helps these businesses become registered to sell products and services to government entities;
- The Governor's Small Business Advocate, which provided assistance with appeals related to procurement issues;
- There is an Annual State Procurement Conference, which minority- and women-owned businesses are encouraged to attend;
- The Minority/Women Services Offices, which conducts seminars and workshops to help state agencies and local companies, procure goods and services from qualified firms.

## VI. INVITATION FOR CITIZEN COMMENTS

### Public Comments Advertisement

It is the policy of ADOH to comply in all respects with the non-discrimination requirements of Title II of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973. Individuals who require the reports to be provided in an alternative format may contact Joy Johnson at (602) 771-1026 to make their needs known. Requests should be made as soon as possible to allow sufficient time to arrange the accommodation.

ADVERTISEMENT REQUESTING PUBLIC COMMENT

**Public Comments Solicited**

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**2012-2013 State of Arizona**

**Consolidated Annual Performance Evaluation Report**

The Arizona Department of Housing (ADOH), on behalf of the State of Arizona, has prepared its Federal FY 2012 Consolidated Annual Performance Evaluation Report (CAPER), which covers the period of July 1, 2012 to June 30, 2013. The CAPER discusses the progress the State has made in meeting its goals for the following federal programs of the U.S. Department of Housing and Urban Development (HUD), which are administered by the State: Community Development Block Grant (CDBG); HOME Investment Partnership Program; Housing Opportunities for Persons With AIDS (HOPWA); and Emergency Shelter Grant (ESG), as well as other state and federal programs relating to housing development. The ESG funds are administered by the Arizona Department of Economic Security. ADOH is also making available for public review, the CDBG Performance Evaluation Report (PER) for Fiscal Year 2012. This report is part of the CAPER but contained in a separate document.

A draft of the CAPER and PER reports will be available August 26, 2013 on ADOH's website ([www.azhousing.gov](http://www.azhousing.gov)) or by contacting the person listed below.

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The law authorizing the CAPER requires that, prior to submission to HUD; the public must be given an opportunity to comment on the Report. Public comments are encouraged; however, all comments must be made in writing to the address or email listed above and must be received by ADOH no later than 5:00 p.m., September 11, 2013.

NOTE: It is the policy of ADOH to comply in all respects with the non-discrimination requirements of Title II of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973. Individuals who require the reports to be provided in an alternative format may contact Joy Johnson at [joy.johnson@azhousing.gov](mailto:joy.johnson@azhousing.gov) to make their needs known. Requests should be made as soon as possible to allow sufficient time to arrange the accommodation. Si necesita ayuda en español para entender este documento, puede solicitarla sin costo adicional, llamando al número (602) 771-1010.

Publication Date: August 19, 2013



## VII. LIST OF EXHIBITS

<b>EXHIBIT 1:</b>	<b>Fiscal Year 2012 Summary of Objectives:</b> <ul style="list-style-type: none"><li>• Community Development Objectives</li><li>• Owner-Occupied Housing Objectives</li><li>• HOPWA – information contained in the HOPWA CAPER</li><li>• Homeless Objectives</li><li>• Rental Housing Objectives</li><li>• Special Needs Housing</li></ul>
<b>EXHIBIT 2A:</b>	<b>FY 2012 Summary of CDBG Accomplishments</b>
<b>EXHIBIT 2B:</b>	<b>FY 2012 Summary of CDBG Project Beneficiaries</b>
<b>EXHIBIT 2C:</b>	<b>FY 2012 CDBG Investment by Activity and Persons Served</b>
<b>EXHIBIT 3A:</b>	<b>FY 2012 Summary of HOME Accomplishments</b>
<b>EXHIBIT 3B:</b>	<b>FY 2012 Summary of HOME Project Beneficiaries</b>
<b>EXHIBIT 3C:</b>	<b>FY 2012 HOME Investment by Activity and Persons Served</b>
<b>EXHIBIT 4A:</b>	<b>FY 2012 Summary of HTF Accomplishments</b>
<b>EXHIBIT 4B:</b>	<b>FY 2012 Summary of HTF Project Beneficiaries</b>
<b>EXHIBIT 4C:</b>	<b>FY 2012 HTF Investment by Activity and Persons Served</b>
<b>EXHIBIT 5:</b>	<b>HUD 40107-A HOME Match</b>
<b>EXHIBIT 6:</b>	<b>HUD 40107 APR HOME PI and MBE/WBE</b>
<b>EXHIBIT 7:</b>	<b>MBE and WBE Report</b>
<b>EXHIBIT 8:</b>	<b>Non-CDBG Housing Units Assisted</b>
<b>EXHIBIT 9:</b>	<b>Geographic Distribution Map</b>
<b>EXHIBIT 10:</b>	<b>LIHTC Program 2012 Reservation List</b>
<b>EXHIBIT 11:</b>	<b>Housing Dollar Accomplishment by Funding Source/by Program Activity</b>