

Arizona Department of Housing Five-Year Strategic Plan

Agency Mission

Providing affordable housing and community revitalization to benefit the people of Arizona.

Agency Vision

To create, preserve and invest in affordable housing; protect consumers; and revitalize communities to make Arizona the best place to live.

Agency Description

The Arizona Department of Housing is a cabinet level agency, created in 2002 by the State legislature to serve as the State's primary agency to address housing issues in the State. Primarily funded through federal resources and fees, the agency administers housing and community development resources, serves as the State Public Housing Authority, and regulates Arizona's manufactured housing and modular building industry. When adequately housed, individuals, families, and communities flourish; without adequate housing, every aspect of life suffers as a result, including health, education, and the entire welfare of the community. Many of society's ills begin with and are exacerbated by poor housing choices and deteriorating neighborhoods. As Arizona continues to grow and the economic and housing needs of its population evolve, the Department is in a position to recognize changing market conditions and to respond accordingly. Creative solutions are developed to be responsive to both rural and urban housing issues, and much of the Department's focus is on assisting Arizona's most vulnerable populations, who through no fault of their own, are challenged with finding decent, suitable housing.

The Department is working toward sustaining current initiatives, implementing new programs, and simultaneously maintaining the flexibility to respond to new demands for affordable housing and homelessness services. The Department primarily administers federal funding to promote housing and community development activities, most often acting as a funding and financing pass-through agency (as opposed to providing direct assistance to the public), with community partners providing the bulk of the hands-on assistance in actually delivering the programs and resources entrusted to the agency. ADOH's partners include local governments, including counties, cities, and towns, tribal governments, local housing authorities, non-profit social service agencies, and for-profit and non-profit housing developers. Beginning in FY2017, the Department began overseeing the regulation of the manufactured housing and modular building industry in the State, as the Office of Manufactured Housing, previously located in another State agency, was transferred to ADOH.

With an annual Federal budget of approximately \$80-90 million, as well as hundreds of millions of Federal tax credits the Department is able to assist with many of the most pressing housing and community development needs in the state. An influx of federal funds resulting from the American Rescue Plan Act will almost double the department's annual operating budget in FY 22 and FY 23. The department will receive about \$100,000 additional funding per year in the following programs: Community Development Block Grant, Housing Opportunities for Persons with HIV/Aids, HOME, and

Section 8 Emergency Housing Vouchers. These funds will be passed through to housing, homeless, and social services providers to assist Arizona residents who were negatively impacted by the COVID 19 Pandemic.

The Department will implement a newly created State Low Income Housing Tax Credit (LIHTC) program in the 2022-23 Qualified Allocation Plan. This State LIHTC Program will leverage the use of 4% tax exempt bonds for affordable housing development. This new resource, coupled with increased gap financing from the Housing Trust Fund, is expected to significantly increase the production of affordable housing units throughout the State.

Beginning in 2021, the department will implement a \$199 million Homeowner Assistance Fund (HAF) Program from the U.S. Department of Treasury. Created as part of the American Rescue Plan Act, HAF will provide assistance for Arizona homeowners who have experienced financial hardship due to COVID-19 after January 21st, 2020. HAF funds are intended to prevent foreclosure by paying for: mortgage reinstatement, mortgage delinquencies, past due utilities and internet services, property taxes, mortgage insurance, homeowners insurance, HOA fees; and repairs to prevent displacement. This program will replace the “Save Our Home” program funded with the federal Hardest Hit Fund that sunset on June 30, 2021.

Principles/Values

Mutual Respect – Compassion – Integrity – Continuous Improvement – Excellence – Diversity

We are a diverse group of professionals. We are an empowered workforce of compassionate and creative people who strive for excellence and are dedicated to serving our customers’ needs with integrity and mutual respect. We continuously seek to improve ways to (create, finance, repair, community build and provide services) accomplish our mission. We produce progressive solutions which create strong, vibrant neighborhoods for citizens throughout Arizona. What we do matters. Safe, decent affordable housing and healthy communities are the cornerstone of a rich, vibrant and clean environment that stimulates economic growth and provides the stability necessary for Arizonans to pursue their dreams.

Strategic Issues & Strategies

The following are key challenges and opportunities facing the agency:

Issue – Increase affordable housing opportunities. The Department will focus efforts and funding on producing affordable housing units in both urban and rural areas of the State. Since the early 2000’s housing production has not kept up with Arizona’s strong population growth. We currently estimate a housing shortage of over 250,000 units Statewide. The overall housing shortage in Arizona is driving up rental and home prices, making housing unaffordable for many longtime Arizona residents. Most low income households are so cost burdened that one unexpected bill or cut in work hours can cause them to lose their housing and become homeless. The State is also seeing an increase in persons experiencing homelessness. The housing shortage makes it very difficult to find available housing for homeless persons, even with rental assistance like Rapid Rehousing and Section 8 Housing Choice Vouchers. Fast growing metro areas in the State are also seeing land and construction costs rising, making it very difficult to finance affordable housing. Innovative and collaborative strategies involving both the public and private sector are needed to dramatically increase affordable housing in the State.

Strategies. The Department’s strategies to increase affordable housing opportunities include: (1) streamlining the application review process and the Qualified Allocation Plan (QAP) for all stakeholders; (2) conducting focus groups to enhance stakeholder engagement well in advance of public hearings related to the QAP; (3) utilizing all funding sources, including the new State LIHTC Program, to increase financing for the production of at least 50% more new affordable rental units than the previous year; and (4) increasing partner engagement and seeking create opportunities to increase housing development statewide.

Issue – Reduce homelessness. The Department will coordinate efforts to reduce homelessness by working with other public and private partners and making resources available to avoid evictions and foreclosures, increase shelter capacity, and re-house the homeless. Homeless numbers are growing in the State while shelter and housing units are scarce. The unsheltered homeless grew by 18% from 2019 to 2020, increasing at a higher rate than the sheltered and overall homeless count. The most current Point-In-Time count showed approximately 9,700 unsheltered homeless across the State. Income loss from the 2020 Pandemic increased homelessness, put extra pressure on service providers, and exposed many shortcomings in housing and homeless policies. However, Federal CARES Act funding to isolate and care for infected residents and mitigate the spread of COVID 19 resulted in some innovative housing models. Those models can be used to quickly create additional shelter and transitional housing units with a greater success rate of housing stability.

During the 2020 Pandemic, many renters and homeowners struggled to pay for housing and utilities. Federal programs assisted residents with rent and utility costs and, in 2021, the American Rescue Plan Act created a Homeowner Assistance Fund (HAF) to help struggling homeowners. The challenge with federal assistance programs is to get the funding to the residents before they experience evictions or foreclosures that make them at-risk for homelessness. The Department will utilize past experience, National best practices, and an online application and payment program to implement the HAF Program. The HAF Program goal is to prevent foreclosure by quickly and efficiently disbursing the funds to struggling low income homeowners.

The Department will also continue to support successful ongoing programs and partnerships such as Rapid ReHousing and Re-Entry Housing. The Department will continue working with the Arizona Department of Corrections and other state agencies, to address housing issues of individuals exiting Corrections facilities in order to avoid homelessness and to provide more stable housing situations in order to aid in the reduction of recidivism.

In order for Arizona to make progress it will take a coordinated effort. The Department is actively cultivating partnerships and increasing communication and collaboration among service providers to effectively leverage the \$2.6 billion in federal funding flowing into the state via the American Rescue Plan Act.

Strategies. The Department is taking a multi-pronged approach, starting with a renewed commitment to the Statewide Homeless Breakthrough Project.

Re-envision the homelessness breakthrough project: (1) convene State agencies, form a leadership group, and determine goals for Homelessness Breakthrough; (2) Create goal-driven subcommittees with appropriate State agencies, local jurisdictions, service providers, and community organizations; (3) Improve Statewide communication and coordination of homeless services; (4) Work with other State Agencies to create supportive housing for the seriously mentally ill population; and (5) implement Breakthrough goals and increase regional shelter/transitional housing units.

Re-house homeless persons through the Rapid Rehousing Program: (1) continue financial assistance to organizations managing Rapid Rehousing Programs and (2) analyze target populations being served and implement a focused effort of getting people experiencing homelessness into permanent housing within as close to 30 days as possible.

Aid inmates leaving state prison with short term housing solutions to reduce recidivism: (1) continue financial assistance pilot at Lewis Prison's Eagle Point Second Chance Center and (2) track program data prepared by ASU to analyze major findings, recommendations, and lessons learned to improve program outcomes. Reorganize and collaborate with partners as needed.

Effectively utilize Federal Homeowner Assistance Funding to prevent homelessness: (1) outsource program to provide homeowner assistance with mortgage and utility payments quickly and efficiently to prevent foreclosures and (2) conduct a needs assessment to effectively serve constituents and target outreach.

Issue – Improve Low Income Communities. The Department will focus on creating the best living environments for Arizona's citizens and communities by targeting its resources to encourage the development and rehabilitation of sustainable, energy-efficient, accessible affordable housing; working with rural cities and counties to make good and timely investments in community development and revitalization through federal resources; and effectively utilizing our Housing Choice Vouchers in Yavapai County.

The Department will increase efforts to target its resources to ensure equity in funding and opportunity for rural and minority communities. Activities that are financed through Department resources that create better living environments include: rehabilitation and weatherization improvements of dilapidated owner-occupied housing stock with a priority for seniors, individuals living with disabilities, and families with children; monthly rental subsidy assistance for Arizona's lowest income households who otherwise would be homeless; and improved infrastructure and community facilities in Arizona's 13 rural counties.

Strategies. The Department has two focus areas to improve low income communities:

Ensure investment of federal funding into Arizona low to moderate income rural communities: (1) ensure at least 50% of CDBG funding is awarded to rural projects in low to moderate income communities and (2) ensure at least 25% of LIHTC and Housing Trust Funds are awarded to rural projects in low to moderate income communities.

Continue to provide rehabilitation and weatherization to preserve and improve aging housing stock: (1) focus efforts on providing assistance to priority populations and aging mobile/modular homes and (2) procure new weatherization database to improve construction work flow and tracking.

Issue – Enhance agency practices to align with business needs. The Department must modernize systems and adapt to a changing workplace. In a post-pandemic era, teleworking is predominant, staff and customers expect online access, electronic processes, and real time reports available 24/7. Systems need to be highly functional and the need for assigned office space is dwindling as staff is more mobile and their days physically in the office are shrinking.

The Manufactured Housing division of the Arizona Department of Housing is a fee-based regulatory function. It currently utilizes an antiquated set of desktop and web applications for providing numerous public services to its fee-paying customers. Implementing a modern software system for plan review, permitting, and inspections will provide fee paying customers with better customer service, including faster plan review, real time inspection results, and real time permit tracking statewide.

Strategies. The Department has two Manufactured Housing strategy areas and one agency-wide strategy to enhance agency practices:

Enhance the agency’s permitting system to streamline plan review and improve customer service, improve statewide permit and inspection reporting: (1) Salesforce permitting solution is selected and awarded a contract, implementation goal is October 2021; (2) provide online and real time project status; (3) implement electronic plan review; (4) provide system access to authorized jurisdictions under inspection agreements for real time tracking.

Reduce the number of installation inspections per permit: (1) continue to collaborate with local jurisdictions to ensure installation uniformity across the state; (2) continue to provide training on standardized procedures as needed for new installation inspection partners; and (3) provide technical assistance to authorized jurisdictions under an inspection agreement with excessive permit and inspection turnaround time.

Right size the footprint and space needs for ADOH: (1) review space needs in light of telework and outsourcing of Federal programs.

State Budget

RESOURCE ASSUMPTIONS	FY2021 Actuals	FY2022 Budget Request	FY2023 Estimate	FY2024 Estimate	FY2025 Estimate
Full-time-equivalent (FTE) Positions	77	77	77	77	77
General Fund	\$0	\$0	\$0	\$0	\$0
Other Appropriated Funds (HTF)	\$322.2	\$322.2	\$323.2	\$323.2	\$323.2
Non-Appropriated Funds	\$25,798.3	\$26,572.2	\$26,572.2	\$27,369.4	\$28,190.4
Federal Funds	\$88,433.0	\$91,086.0	\$91,086.0	\$93,818.5	\$96,633.1
Total Agency Funds	\$114,554.5	\$117,980.4	\$117,981.4	\$121,511.1	\$125,146.7

Other Resource Assumptions

Resources not included in the State Budget *[Federal Tax Credits, Hardest Hit Funds (ending in 2021), Homeowner Assistance Fund]*

	FY2021 Actuals	FY2022 Budget Request	FY2023 Estimate	FY2024 Estimate	FY2025 Estimate
Federal Tax Credits	\$193,772.2	\$167,770.2	\$170,269.9	\$172,807.0	\$175,347.3
Hardest Hit Funds/ HAF Program	\$78,972.7	\$13,709.3	\$11,316.7	\$0.0	\$0.0
Total Other Resources	\$272,744.9	\$181,479.5	\$181,586.6	\$172,807.0	\$172,807.0
Total Agency Resources	\$370,274.4	\$299,449.9	\$299,568.0	\$294,318.1	\$297,953.7

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