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Program Summary

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

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

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

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

RHP funds will be allocated by the ADOH to one or more public or private nonprofit organization subrecipients through an application process to ensure all HUD requirements are met. Subrecipients must evidence the ability to operate the facility or housing and directly or indirectly provide services for participants. Operating and services funds are not provided for with RHP funding. Subrecipients are encouraged to coordinate services with other federal and non-federal assistance related to homelessness and employment. Suggested services include case management, direct connection to peer support, clinical addiction services, employment, vocational and educational opportunities, assistance with social, personal and living skills, and mental health services.
Resources

The Arizona Department of Housing was awarded $804,000 of FFY2020 and $820,208 of FFY2021 RHP funding. No program income or other federal program funding are expected to be available for RHP-eligible activities. Nonprofit and private resources committed by subrecipients may leverage RHP funding.

Administration Summary

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

Ruby Dhillon-Williams
Assistant Deputy Director, Housing & Community Development
Arizona Department of Housing
1110 West Washington Street, Suite 310
Phoenix, AZ 85007
Phone: 602-771-1010
Email: ruby.dhillon@azhousing.gov

Use of Funds

Awards to Communities by Method of Distribution

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

Activities Carried out Directly

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

Eligible Subrecipients

Eligible subrecipients are public or private nonprofit organizations. Initially eligible subrecipients will be limited to organizations with projects outside of Maricopa and Pima counties and participating with or agreeing to participate with the Continuum of Care in their geographic area. Subrecipient organizations must have experience providing services to assist
individuals in recovery to attain self-sufficiency and individual recovery goals. In addition, subrecipients must demonstrate capacity to comply with RHP program requirements, including:

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

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

HUD Criteria 1: Entities with the greatest need
Entities with the greatest need are those that demonstrate projected demand for the housing solution and the financial need for assistance.

Projected Demand
Projected demand for the housing solution must be quantifiable. Five-year average drug overdose mortality rates for the 2014-2018 time period as reported by the US Department of Agriculture Community Assessment Tool by county indicate that six balance of state Arizona counties have age-adjusted drug overdose mortality rates higher than the statewide rate (29.7). These counties, in rank order, are La Paz (63.6), Gila (58.6), Yavapai (42.2), Cochise (32.1), and Navajo (30.5).

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

1. A definition of the size, location and boundaries of the primary service area, and the rationale for determining the service area;
2. The depth and breadth of demand for recovery housing including primary data such as surveys, interviews, waiting lists, client lists, and other information directly from or about potential beneficiaries;

3. The supply of competitive recovery housing and how the proposed recovery housing compares to the existing supply, including information regarding occupancy rates, waiting lists, program fees and/or rents, services provided, and affordability to low-income persons; and

4. Conclusions about the demand for the project.

Financial Need for RHP funding

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

1. Any capitalization of an operating reserve in the development budget may not exceed six months of operating costs. Operating reserves must be used only to cover shortfalls in operating revenues necessary to meet operating costs during the first two years of project operation.

2. Any capitalization of a replacement reserve does not exceed $350/unit. A unit is defined as a room that has a separate exterior entrance/exit and both kitchen and bathroom facilities, and is occupied by one person or members of the same household. Replacement reserves must be used only to cover the unforeseen cost of replacing major systems in the facility, such as roofing or mechanical systems.

3. In facilities or housing that charge participant rents, including any tenant-paid utilities:
   a. The rents, including any tenant-paid utilities, do not exceed the low-HOME rent for the unit size and county; and
   b. Vacancy rates are seven percent (7%) or less, or the rationale for a higher vacancy rate is reasonable given the project size and location.
HUD Criteria 2: Entities with the ability to deliver effective assistance in a timely manner

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

1. All project team members are identified and evidence sufficient experience to complete and operate the project;
2. Demonstrated experience of the organization’s officers, members or staff, or collaborators/subcontractors in developing and operating facilities or housing for individuals in recovery and/or providing supportive services to individuals in recovery;
3. Prior experience of team members utilizing CDBG or other federal funds for the construction, acquisition and/or rehabilitation of facilities or single- or multi-family residential units.
4. Evidence the site and buildings are owned by the applicant, or the applicant has a binding commitment to transfer control or ownership or execute a lease agreement within 180 calendar days, subject only to receipt of RHP funding and environmental clearance.

Threshold Requirements

1. Utilizes RHP funding for costs that:
   a. Are allowable, reasonable, and allocable under Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
   b. Do not exceed the total need for financial assistance;
   c. Document compliance with CDBG procurement requirements or 2 CFR part 200;
   d. Evidence commitment of all funding necessary to complete the acquisition and/or rehabilitation of the facility or housing;
   e. Evidence incorporation of Davis Bacon wage rates and relocation costs and compliance, where applicable.
2. For activities that will take place in whole or in part on tribal lands, has the written consent of the tribal jurisdiction.
3. Documents in the project timeline, budget and narrative description compliance with environmental review, federal labor standards, the Uniform Relocation and Real Property
Acquisition Act, procurement and contracting, non-discrimination, financial records and audits, Section 3, and other CDBG program and RHP cross-cutting regulations.

4. Documents in the project timeline that at least 30% of funds will be expended by September, 2022, and 100% of funds by December 31, 2025.

5. Documents that individuals that will benefit are low- or moderate-income, meet the federal poverty limits, or are insured by Medicaid (AHCCCS).

6. Documents that any cost or other limitations on the participation of beneficiaries is not prohibitive for low-income persons, and that the project will not benefit moderate-income persons to the exclusion of low-income persons.

7. Demonstrates the project is properly zoned for the intended use.

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

Additional Criteria

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

1. The title commitment (or report if applicant is already the property owner) issued by a title insurer licensed in Arizona does not include any conditions or requirements that are materially and substantially adverse to the feasibility of the project.

2. In regards to the environmental review, the project is:
   a. Categorically excluded from the environmental review requirements and has documented compliance with §58.5 and §58.6 and the Section 106 Historic Preservation determination and the public notice and Request for Release of Funds, as applicable, will be prepared within 90 days of application submission;
   b. Subject to an environmental assessment and all environmental review forms are complete and the Finding of No Significant Impact/Request for Release of Funds will be ready for publication within 90 days of application submission.

3. Project viability:
a. Commitment and/or reasonable expectation of securing funding necessary to meet the ongoing operating costs of the proposed facility or housing for not less than five (5) years; and

b. The proposed staffing levels and coverage hours are reasonable given the size and type of facility.

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

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

1. Is abstaining from use of alcohol, illicit drugs, and non-prescribed medications, and making informed healthy choices that support physical and emotional well-being.

2. Has a stable and safe place to live (with RHP assistance).

3. Is engaging in meaningful daily activities, such as a job, school, volunteerism, family caretaking, or creative endeavors.

4. Is working towards independence, and securing the income and resources necessary to participate in society.

5. Is engaging in relationships and social networks that provide support.

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

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

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

Anticipated Outcomes and Expenditure Plan

Expenditures

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

Administrative Costs

For FFY2020 RHP funds, the ADOH will retain 3% ($24,120) of the RHP grant for technical assistance and 5% ($40,200) for administrative costs. For FFY2021 RHP funds, the ADOH will retain 3% ($24,606) of the RHP grant for technical assistance and 5% ($41,010) for administrative costs.

Outcomes

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

1. Number of individuals initially assisted in RHP projects – eight (8) individuals with each fiscal year allocation initially; and

2. Number of individuals transitioning to permanent housing – eight (8) individuals annually transitioning to permanent housing.
Citizen Participation Summary

The ADOH made the Recovery Housing Program Plan available for public comment for a period of 15 days beginning April 1, 2021 and ending April 15, 2021. The Recovery Housing Plan was also discussed at a public hearing conducted on April 14, 2021 in conjunction with the State’s FY2021 Annual Action Plan. No comments were received.

On June 21, 2021, HUD issued Federal Register Notice FR-6265-N-01 Notice of Waivers and Alternative Requirements for the Pilot Recovery Housing Program. This notice provided additional guidance that included combining FFY2020 and FFY2021 RHP Action Plans into a single submission. To combine FFY2020 and FFY2021 RHP Actions Plans and ensure adequate time for subrecipients to meet expenditure thresholds, the RHP Action Plan was revised. The combined FFY2020 and FFY2021 RHP Action Plans were made available for an additional 15-day public comment period. Any comments received will be attached to the RHP Action Plan submission to HUD.

Partner Coordination

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

Subrecipient Management and Monitoring

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

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

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

Subrecipients will be required to submit quarterly reports during the development phase of the project. All subrecipients, regardless of whether the project is in the development or operating phase will be required to submit an annual report. A close-out report will be required upon project completion. Fiscal expenditures will be monitored not less than quarterly. Subrecipient reports must include the following information:

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

Pre-award/Pre-Agreement Costs

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

1. The grantee certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan in connection with any activity assisted with funding under the RHP program. The grantee certifies that it will comply with the residential anti-displacement and relocation assistance plan, relocation assistance, and one-for-one replacement housing requirements of section 104(d) of the Housing and Community Development Act of 1974, as amended (42 USC § 5304(d)) and implementing regulations at 24 CFR part 42, as applicable, except where waivers or alternative requirements are provided.

2. The grantee certifies its compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by part 87.

3. The grantee certifies that the RHP Action Plan is authorized under state and local law (as applicable) and that the grantee, and any entity or entities designated by the grantee, and any contractor, subrecipient, or designated public agency carrying out an activity with RHP funds, possess(es) the legal authority to carry out the program for which it is seeking funding, in accordance with applicable HUD regulations and the grant requirements.

4. The grantee certifies that activities to be undertaken with RHP funds are consistent with its RHP Action Plan.

5. The grantee certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601 et seq.), and implementing regulations at 49 CFR part 24, except where waivers or alternative requirements are provided.


7. The grantee certifies that it is following a citizen participation plan adopted pursuant to 24 CFR 91.115 or 91.105 (as imposed in notices for its RHP grant). Also, each unit of general local government receiving RHP assistance from a state must comply with the citizen participation requirements of 24 CFR 570.486(a)(1) through (a)(7) for proposed and actual uses of RHP funding (except as provided in Federal Register notices providing waivers and alternative requirements for the use of RHP funds).

8. The grantee certifies that it is complying with each of the following criteria:
a. funds will be used solely for allowable activities to provide individuals in recovery from a substance use disorder stable, temporary housing for a period of not more than 2 years or until the individual secures permanent housing, whichever is earlier;

b. with respect to activities expected to be assisted with RHP funds, the RHP Action Plan has been developed so as to give the maximum feasible priority to activities that will benefit low- and moderate-income individuals and families;

c. the aggregate use of RHP funds shall principally benefit low- and moderate-income families in a manner that ensures the grant amount is expended for activities that benefit such persons; and

d. the grantee will not attempt to recover any capital costs of public improvements assisted with RHP grant funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

   i. RHP grant funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than RHP; or

   ii. for purposes of assessing any amount against properties owned and occupied by persons of moderate income, the grantee certifies to the Secretary that it lacks sufficient RHP funds (in any form, including program income) to comply with the requirements of clause (a).

9. The grantee certifies that the grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations, and that it will affirmatively further fair housing.

10. The grantee certifies that it has adopted and is enforcing the following policies, and, in addition, must certify that it will require local governments that receive grant funds to certify that they have adopted and are enforcing:

   a. a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and
b. a policy of enforcing applicable state and local laws against physically barring entrance to or exit from a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

11. The grantee certifies that the grant will be conducted and administered in conformity with the requirements of the Religious Freedom Restoration Act (42 U.S.C. 2000bb) and 24 CFR 5.109, allowing the full and fair participation of faith-based entities.

12. The grantee certifies that it (and any subrecipient or administering entity) currently has or will develop and maintain the capacity to carry out RHP eligible activities in a timely manner and that the grantee has reviewed the requirements of the grant.

13. The grantee certifies that its activities concerning lead-based paint will comply with the requirements of HUD’s lead-based paint rules (Lead Disclosure; and Lead Safe Housing (24 CFR part 35)), and EPA’s lead-based paint rules (e.g., Repair, Renovation and Painting; Pre-Renovation Education; and Lead Training and Certification (40 CFR part 745)).

14. The grantee certifies that it will comply with environmental review procedures and requirements at 24 CFR part 58.

15. The grantee certifies that it will comply with applicable laws.

**Standard Forms 424 and 424D**

Standard Forms 424 and 424D will be attached to this Plan.