

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 and simultaneously maintaining the flexibility to respond to new demands for affordable housing. 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 a Federal budget of approximately \$80-90 million annually, as well as hundreds of millions of Federal tax credits, and mortgage foreclosure avoidance products in its tool belt, the Department is able to assist with many of the most pressing housing and community development needs in the state. Since 2010, the agency has overseen the work of the Arizona Home Foreclosure Prevention Funding Corporation ("AHFPFC"), a non-profit corporation, established to meet the requirements for accepting the U.S. Department of the Treasury's mortgage foreclosure assistance award of nearly \$300 million, which is available to the State for commitments through 2020 (note: the program may operate beyond this date to expend or reinvest funds.) While the day-to-day administration of the non-profit's mortgage foreclosure and down payment assistance programs is conducted by the Department, its resources are not a part of the State's budget per requirements of the U.S. Department of the Treasury.

A recent change that affected the operation of the Department, was the dissolution of the Arizona Housing Finance Authority (“AzHFA”) in August 2016, when the mortgage programs of that entity, as well as multi-family housing bond issuance authority were folded into the newly established Arizona Industrial Development Authority (“AzIDA”). While the AzHFA’s programs were absorbed by the AzIDA in August 2016, through an agreement with the AzIDA, the Department continued to operate its programs through June 2017 and will continue to provide loan servicing for the entity. The Department expects to continue to provide guidance to these mortgage programs in the years to come and will be receiving a portion of fees and excess mortgage proceeds for deposit into the State Housing Trust Fund to be used for affordable housing activities of the Department.

Beginning in August 2017, the agency will discontinue relying on any State General Fund Support and will use only a small amount of Unclaimed Property Funds, which are deposited into the State Housing Trust Funds (\$2.5 million annually), to help provide its required Federal match. Total resources administered by the Department and the Corporation it controls are detailed at the end of this document.

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. Our mission is a state where individual lives are impacted by our commitment to providing the opportunity for people to live the life they love in their own home. To bring that vision to reality, we continuously improve ways to create, finance, repair, community build and provide services. 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 – Creating better living environments for Arizona’s citizens and 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 of sustainable, energy efficient, accessible affordable housing in areas of opportunity with private and community partners; working with rural cities and counties to make good and timely investments in community development and revitalization through federal resources; and operating at the speed of business to regulate the manufactured housing and modular building industry in order to protect consumers.

While the Department has historically taken a conservative approach to the utilization of its resources, it has had to increase its efforts to target its resources in order to demonstrate the greatest impact in Arizona with fewer resources. With an end goal of aiding in the creation of conditions that foster and

promote more productive living amongst all Arizonans, the Department is narrowing its focus, increasing efforts to maximize the number of new rental units it can produce throughout the state in order to address an ever growing deficit in available affordable housing.

Activities that are financed through Department resources that create better living environments include: the development of affordable rental housing units through new construction or acquisition and rehabilitation; 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; development and support of transitional housing opportunities for Arizona's most vulnerable special needs populations, including those transitioning out of homelessness, victims of domestic violence, recovering substance abusers, and others; improved infrastructure and community facilities in Arizona's 13 rural counties; regulating the activities of the manufactured housing industry; and other community development and revitalization activities.

Strategies. The Department's strategies to create better living environments includes: (1) targeting resources that promote development of affordable housing opportunities along public transportation hubs to increase transportation to jobs, education, and after school programs for family units and senior centers when properties focus on providing senior housing, in order to provide location efficient housing for low-income households; (2) tying financial assistance through the Department to projects that will create the highest economic impact in the shortest term; (3) requiring the incorporation of energy efficiency and green building practices for long-term energy savings and sustainability for Department-financed projects; (4) continuing to limit Department investments to only those projects that require a public subsidy to achieve viability – encouraging the use of limited resources for the creation of new units and the use of non-limited (e.g., 4% federal tax credit) resources for the rehabilitation and retention of existing rental stock; (5) collaborating with community partners to eliminate homelessness by providing permanent supportive rental housing; (6) working with the Department's rural communities to make good and timely investments of federal resources; and (7) operating at the speed of business to provide timely inspection services to manufactured housing plants and installation sites.

Issue – Coordinating efforts to eliminate homelessness throughout the state. The Department will coordinate efforts to eliminate homelessness by providing a safety net for struggling homeowners by providing timely assistance to avoid foreclosures; and reduce homelessness by working with other public and private partners and making resources available to avoid evictions and re-house the homeless. Since the State began addressing the issue of homelessness, decades ago, there had not been a collective conscience fighting this issue until recently. In order for Arizona to make progress it will take a coordinated effort. Despite numerous challenges and obstacles, such as inadequate resources, significant progress has been made towards achieving our ongoing objective to end homelessness in Arizona.

While the foreclosure crisis has abated, with foreclosure levels falling to pre-recession levels, close to 18 percent of Arizona mortgage holders are still underwater and thousands of homeowners are still unable to afford their mortgages, as they are unable to find employment opportunities that match their pre-recession incomes, or have experience difficulties due to job loss or illness. Fortunately, through at least 2020, the Department will have resources to help such households avoid foreclosure. The Department is currently working to implement a program to aid renters in avoiding eviction.

By utilizing strategies like the “Housing First” concept, we are working to remove the instability that comes with being homeless by offering Rapid Rehousing resources. We have seen firsthand how people’s lives have been transformed once they are stabilized in housing that is supported with services that assist people to become self-sufficient.

The Department will continue to work with the Maricopa County, the City of Phoenix, and other community partners to address chronic homelessness in Maricopa County. The Men’s Overflow Shelter (MOS), operated by Central Arizona Shelter Services (CASS), in Phoenix, began in 2007 as a temporary, short term shelter in response to unusually high temperatures and heat related deaths of individuals experiencing street homelessness. However, the facility was not intended to remain open on a permanent basis despite housing an average of 500 people a night. In January 2014, the state fire marshal cited the MOS with five code violations. Various structural issues and upgrades to basic living conditions were cost prohibitive necessitating the need to close the facility. Working with our collaborative partners, Valley of the Sun United Way, Maricopa County, and the city of Phoenix we found short-term, mid-term, and long-term solutions to housing the individuals who depended heavily on the MOS facility. This coming together to work out a solution for the MOS has led to a renewed effort to look at the totality of all of these public and private efforts to end homelessness and a concerted effort to end homelessness together within the next five years.

Strategies. The Department is taking a multi-pronged approach, by continuing to offer foreclosure assistance and working on a program to avoid evictions to avoid homelessness in the first place; and then working with innovative approaches to re-house those persons and households who fall into homeless.

To assist still struggling homeowners, the Save Our Home AZ (SOHAZ) program continues to successfully assist Arizona homeowners who are either facing a potential foreclosure. Moving forward, the Department will: (1) continue to provide principal reduction assistance, when feasible, to buy down mortgages to an affordable payment for underemployed Arizonans; and (2) the Program will also continue to provide monthly mortgage assistance to homeowners who are un/underemployed or for whom a principal reduction is not a feasible solution. Such financial assistance is given as a loan so that as the housing market improves, homeowners who sell an assisted property may be repaying a portion of the assistance back to the State to recycle for future use.

People experiencing homelessness will continue to be identified through various outreach efforts and referred to the access points either for singles or families. Individuals generally access emergency shelters first and then are assessed for the appropriate housing interventions. Outreach teams identify individuals and families experiencing homelessness. The common assessment tool known as the Service Prioritization Decision Assessment Tool (SPDAT) is now being utilized to assess the needs of the individuals or families and match them to the most appropriate intervention. Often this can entail diversion, rapid-re-housing, or permanent supportive housing. The SPDAT has undergone rigorous testing. It has been reviewed by experts in healthcare, mental healthcare, housing and homelessness. It is effective in a range of population from an age, gender, and cultural perspective. The core premise is to get the right household to the right program at the right time to end homelessness, based upon evidence of strengths, understanding of needs and housing status.

The SPDAT has enhanced the homeless assistance providers' ability to better serve in that it has reduced subjectivity and increased objectivity in referring and working with people to see that they obtain the best service and housing for their needs. With agreement on using the same assessment tool, there is now consistency in the evaluation process. The use of SPDAT will greatly improve the screening processes, better serving homeless populations to get to the type of assistance they individually need.

The Department is focused and committed to finding permanent supportive housing options which are more effective and less costly than traditional shelter services. It does this by providing funding to build rental facilities that are designed to address the needs of formerly homeless individuals and families, and by providing Rapid Re-housing rental assistance, to assist those homeless individuals and families who simply need a stabilized living situation to recover. Working with our housing partners, we will continue to work on permanent supportive housing solutions, and other ways to reduce Arizona's homeless population.

Beginning in FY2018, the Department will be 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.

Issue – Practicing fiscal responsibility and addressing the challenge associated with a lack of resources to address some of Arizona's most critical housing problems. The Department will practice fiscal responsibility by providing efficient and effective financial services; wisely investing available resources; and addressing the challenging lack of resources in Arizona to improve the state's most critical housing problems by finding innovative ways to finance the Department's mission without general fund support.

Strategies. Utilizing the Arizona Management System (AMS), the Department will continue to implement lean management practices that will assist with the most efficient and effective financial services and will lead to the wisest investing of the Department's available resources.

The Department will continue to focus on addressing the challenging lack of resources in Arizona to improve the State's most critical housing problems by finding innovative ways to finance the Department's mission without general fund support. Prior to the economic and ensuing state budget crises, the Department was the beneficiary of excess funding from the State's Unclaimed Property Fund, through a legislated formula of 55 percent of the fund, which was annually deposited into the State Housing Trust Fund. This resource amounted to approximately \$30 million a year that the state was dedicating to helping address affordable housing needs throughout the state. This was an important resource, in that it allowed the Department to address housing problems that no federal funding resource addresses. These types of activities included the development and support of homeless shelters, tribal housing issues, disaster-related housing assistance, emergency repairs for low-income homeowners such as roof and heat and air conditioning repairs, emergency eviction prevention programs, and other desirable activities for which no other resources exist. In FY2017, the Department began to be the beneficiary of excess fees earned through the State's mortgage programs, now operated by the Arizona Industrial Development Authority, which will be deposited into the State Housing Trust Fund. The Department will be looking for other such ways to finance its activities without putting a burden on the Arizona taxpayer.

State Budget

RESOURCE ASSUMPTIONS	FY2018 Actuals	FY2019 Budget Request	FY2020 Estimate	FY2021 Estimate	FY2022 Estimate
Full-time-equivalent (FTE) Positions	77	77	77	77	77
General Fund	\$0	\$0	\$0	\$0	\$0
Other Appropriated Funds (HTF)	\$0.5	\$323.2	\$323.2	\$323.2	\$323.2
Non-Appropriated Funds	\$0.2	\$25,798.3	\$26,572.2	\$27,369.4	\$28,190.4
Federal Funds	\$78,704.4	\$88,433.0	\$91,086.0	\$93,818.5	\$96,633.1
Total Agency Funds	\$97,529.5	\$114,554.5	\$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*)

	FY2018 Actuals	FY2019 Budget Request	FY2020 Estimate	FY2021 Estimate	FY2022 Estimate
Federal Tax Credits	\$193,772.2	\$158,482.5	\$167,770.2	\$170,269.9	\$172,807.0
Hardest Hit Funds	\$78,972.7	\$15,487.3	\$13,709.3	\$11,316.7	\$0.0
Total Other Resources	\$272,744.9	\$173,969.8	\$181,479.5	\$181,586.6	\$172,807.0
Total Agency Resources	\$370,274.4	\$288,524.3	\$299,460.9	\$303,097.7	\$297,953.7

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