



## Introduction and Purpose

To add Emergency Solutions Grant (ESG-CV2), Community Development Block Grant (CDBG-CV1 & CDBG-CV2) funding received through the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act, and to describe the planned uses of these funds. The FY2019 Annual Action Plan following HUD's proscribed format will be amended as follows.

## ES-05 Executive Summary

On March 27, 2020, the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to assist states and communities in their efforts to prevent, prepare for and respond to the coronavirus COVID-19. The CARES Act included supplemental formula allocations to HUD's CPD programs, including \$16,373,488 of ESG-CV2, \$5,743,880 of CDBG-CV1, and \$18,139,425 of CDBG-CV2 funding for the State of Arizona. ESG-CV2 funds are administered by the Arizona Department of Economic Security. CDBG-CV funds are administered by the Arizona Department of Housing. An additional \$8,308,668 of CDBG-CV3 funds will be added in a future amendment.

## PR-15 Citizen Participation

The US Department of Housing and Urban Development (HUD) provided multiple waivers to program procedures to facilitate and expedite the use of these funds. Waivers included an ability to amend the Citizen Participation Plan (CPP) and allow for no less than five (5) days public comment period, use of the internet to notify the public and make the Substantial Amendment available to the public, and use of virtual meetings to allow for input and comment. Arizona's CPP was amended to reflect this expedited process.

On August 7, 2020, HUD issued a Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for CDBG-CV grants (FR-6218-N-01). The notice issued a corollary waiver and alternative requirement to permit states to extend citizen participation flexibilities to units of local government. Arizona's CPP was amended to reflect these flexibilities and to clarify minimum citizen participation requirements of units of local government.

A description of citizen participation efforts, including public notices, summary of public comments and responses to public comments will be added to the amendment after completion of the citizen participation process.

## AP-15 Expected Resources

The expected resources for the ESG-CV2 (\$16,373,488), CDBG-CV1 (\$5,743,880) and CDBG-CV2 (\$18,139,425) programs are based on allocations announced by HUD.

## AP-30 Methods of Distribution

### Emergency Solutions Grant (ESG-CV2)

<b>Funding Sources:</b>	ESG-CV2
<b>Describe the state program addressed by the Method of Distribution.</b>	<p>Emergency Solutions Grant (ESG-CV2) funds will be used to prevent, prepare for and respond to the coronavirus. ESG-CV2 funds will support activities eligible under HUD Notice CDP 20-08: Waivers and Alternative Requirements for the Emergency Solutions Grants (ESG) Program Under the CARES Act and subsequent HUD policy, guidance or approved waivers. These activities include but are not limited to:</p> <ol style="list-style-type: none"> <li>1. Street Outreach, including helping unsheltered individuals and families to connect with shelter, housing, and critical services; and engagement, case management, emergency health and mental health services, and transportation.</li> <li>2. Emergency shelter operations and essential services, including case management, child care, education and employment assistance, outpatient health and mental health services, legal services, life skills training, transportation and services for special populations.</li> <li>3. Homelessness Prevention services to assist individuals and families at risk of losing housing and becoming homeless.</li> <li>4. Rapid Rehousing, including housing relocation and stabilization services, rental assistance to help individuals and families move as quickly as possible into permanent housing and achieve housing stability.</li> </ol>



	<p>5. HMIS Activities.</p> <p>6. Administration.</p>
<p><b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b></p>	<p>The Arizona Department of Economic Security will distribute ESG-CV-2 funds through a grants process pursuant to Arizona Revised Statutes (ARS) 41-2703. ARS 41-2703 provides for a waiver of solicitation and award procedures for the duration of the public health emergency so as to not delay critical resources from being deployed. Outreach will be conducted throughout Arizona to identify potential agencies in need of resources to prevent, prepare for or respond to the coronavirus. Specific selection criteria will include 1) needs of the service area related to preventing, preparing for and responding to the coronavirus, 2) availability of other resources to address needs related to preventing, preparing for and responding to the coronavirus, and 3) availability of service providers in an area.</p>
<p><b>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and nonprofit organizations, including community and faith-based organizations. (ESG only)</b></p>	<p>The Arizona Department of Economic Security will distribute ESG-CV-2 funds through a grants process pursuant to Arizona Revised Statutes (ARS) 41-2703. ARS 41-2703 provides for a waiver of solicitation and award procedures for the duration of the public health emergency so as to not delay critical resources from being deployed. Outreach will be conducted throughout Arizona to identify potential agencies in need of resources to prevent, prepare for or respond to the coronavirus.</p>
<p><b>Describe how resources will be allocated among funding categories.</b></p>	<p>ESG-CV2 funds are administered through the Arizona Department of Economic Security (DES). In addition to implementing activities eligible under HUD Notice CPD 20-08: Waivers and Alternative Requirements for the Emergency Solutions Grants (ESG) Program Under the CARES Act and subsequent HUD policy, guidance or approved waivers, the DES will approximately allocate ESG-CV-2 funds as follows. The actual distribution among eligible activities will be determined through the grants process.</p> <ol style="list-style-type: none"> <li>1. Street Outreach – 9.5% (\$1,555,481).</li> <li>2. Emergency Shelter – 21% (\$3,438,432).</li> </ol>

	<ol style="list-style-type: none"> <li>3. Homelessness Prevention – 15% (2,456,023).</li> <li>4. Rapid Rehousing – 50% (\$8,186,744).</li> <li>5. HMIS Activities – 2.5% (\$409,337).</li> <li>6. Administration – 2% (\$327,470).</li> </ol> <p>To be responsive to Arizona’s needs in preparing for, preventing, and responding to the coronavirus and its impacts on people at risk of or experiencing homelessness, the State of Arizona will routinely reevaluate funding decisions throughout the period of ESG-CV2 performance. The State of Arizona may reprogram ESG-CV2 funding between activities based on infection control needs and response efforts.</p>
<p><b>Describe threshold factors and grant size limits.</b></p>	<p>Threshold factors include 1) the activity or activities will prevent, prepare for, or respond to the coronavirus, 2) ESG-CV2 resources will not duplicate benefits funded by other sources, 3) beneficiaries will meet the HUD definition of homeless, 4) the activity and service provider will comply with all program requirements and will meet all program goals and objectives, and 5) the service provider participates in HMIS and a Continuum of Care. There are no grant size limits.</p>
<p><b>What are the outcome measures expected as a result of the method of distribution?</b></p>	<p>In addition to implementing activities eligible under HUD Notice CPD 20-08: Waivers and Alternative Requirements for the Emergency Solutions Grants (ESG) Program Under the CARES Act and subsequent HUD policy, guidance or approved waivers, the DES estimates ESG-CV2 funded activities will have the following outcomes. Actual outcomes will be determined by the grants process.</p> <ol style="list-style-type: none"> <li>1. Street Outreach – 1,600 people.</li> <li>2. Emergency Shelter – 3,500 people.</li> <li>3. Homelessness Prevention – 1,000 people.</li> <li>4. Rapid Rehousing – 1,100 households.</li> </ol>

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[Community Development Block Grant \(CDBG-CV1 and CDBG-CV2\)](#)

The State of Arizona will implement the following waivers and requirements of FR-6218-N-01 for CDBG-CV resources:

1. Utilize more than 15% of the combined CDBG-CV resources for urgently-needed public services activities that are new or represent a quantifiable increase above the level of an existing service in the 12 calendar months preceding the State's submission of the substantial amendment and prevent, prepare for, and respond to coronavirus.
2. Reimburse documented and allowable costs and pre-award costs of eligible activities incurred on or after January 21, 2020 subject to the environmental review requirements of 24 CFR part 58 and citizen participation requirements of the State's Citizen Participation Plan.
3. Make available an amount equal to not less than CDBG-CV1 (\$5,743,880) to units of local government eligible to participate in the State CDBG program.
4. Carry out activities directly through employees, contractors and subrecipients in all geographic areas of the state, including entitlement areas and tribal areas with the written consent of the tribal jurisdiction.
5. Utilize up to 30% of funds for urgent needs activities related to the prevention of, preparation for, or response to the coronavirus when activities provide evidence that other financial resources are or were not available to address the need.
6. Extend emergency grant payments on behalf of individuals and families for items such as food, clothing, housing (emergency rental or mortgage assistance) or utilities for up to six consecutive months. Emergency payments must be made to the provider of such items or services on behalf an individual or family.
7. Allow the use of procurement requirements imposed by other Federal grants where the Federal granting agency imposes the procurement requirements in 2 CFR part 200 and CDBG-CV funds will be used to satisfy non-Federal cost share (match) requirements.
8. Require subrecipients and units of local government to report quarterly: 1) the amount of funds obligated and expended for each project or activity; 2) a detailed list of all such projects or activities, including a description of the project or activity; and 3) detailed information on any subcontracts or subgrants awarded.
9. For each activity require a duplication of benefits assessment to ensure that 1) no person, household, business, or other entity receives (or would receive by acting reasonably to obtain available assistance) financial assistance from any other source

(including insurance), and 2) the total amount received does not exceed the total need for those costs.

10. Require that any person or entity receiving CDBG-CV assistance (including subrecipients and direct beneficiaries [e.g. units of local government, nonprofit organizations, households, businesses] must agree to repay assistance that is determined to be duplicative or does not comply with CDBG program and/or cross-cutting regulations.

<b>State Program Name:</b>	CDBG-CV1 and CDBG CV2
<b>Funding Sources:</b>	CDBG
<b>Describe the state program addressed by the Method of Distribution.</b>	CDBG-CV1 and CDBG-CV2 funds to prevent, prepare for and respond to the coronavirus COVID-19.

<p><b>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</b></p>	<p>The State of Arizona will utilize the following equally-relevant criteria to select applications:</p> <ol style="list-style-type: none"> <li>1. CDBG-eligible activity that prevents, prepares for, or responds to the coronavirus COVID-19.</li> <li>2. Utilizes CDBG 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 duplicate financial assistance received from (or that would be received by acting reasonably to obtain available assistance) from any other source (including insurance); c) do not exceed the total need for financial assistance; d) were not incurred prior to January 21, 2020 subject to the environmental review requirements of 24 CFR part 58 and citizen participation requirements; e) for pre-award costs and costs to satisfy non-Federal share (match) requirements, documents compliance with CDBG procurement requirements or 2 CFR part 200 where the Federal granting agency imposes those requirements; f) evidence commitment in the form of a Legally Binding Commitment of all funding necessary to meet a CDBG National Objective and provide benefit (anti-speculation); g) evidence incorporation of Davis Bacon wage rates and relocation costs and compliance, where applicable.</li> <li>3. Documents compliance with the citizen participation requirements as described in the State’s Citizen Participation Plan.</li> <li>4. CDBG-eligible activity that is: a) exempt from the environmental review requirements, or meets the criteria for the exemption for improvements necessary to respond to an imminent threat to public safety as further described in CPD Notice 20-07 Guidance on conducting environmental reviews pursuant to 24 CFR Part 58 for activities undertaken in response to the public health emergency as a result of COVID-19; b) categorically excluded from the environmental</li> </ol>
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	<p>review requirements and has documented compliance with §58.5 and §58.6 and the Section 106 Historic Preservation determination and prepared a public notice and Request for Release of Funds; or c) subject to an environmental assessment and the environmental assessment process is evident in and incorporated into the project timeline.</p> <ol style="list-style-type: none"> <li>5. For activities that will take place in whole or in part on tribal lands, has the written consent of the tribal jurisdiction.</li> <li>6. Documents in the timeline quarterly reporting to the ADOH as required by HUD for CARES Act funding.</li> <li>7. 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 cross-cutting program requirements.</li> <li>8. Documents in the project timeline that 80% of funds will be expended within 24 months, and the remaining 20% of funds will be expended within 48 months.</li> <li>9. Agrees to repay or secure repayment from any person or entity receiving CDBG-CV assistance (including direct beneficiaries) assistance that is determined to be duplicative or does not comply with CDBG program and/or cross-cutting regulations.</li> <li>10. Meets ADOH underwriting criteria including project readiness, organization capacity, certification that rehabilitation will meet (at a minimum) local building codes, properly zoned land for the proposed use, compliance with local ordinances, no party to the project is included on the Federal Excluded Parties List, evidence of ability to start within ninety (90) days of executing a funding agreement, ability to meet ongoing operating costs of a proposed facility, and in shelter or housing facilities individual units or ability to physically distance inhabitants.</li> <li>11. The Arizona Department of Emergency and Military Affairs</li> </ol>
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	<p>will distribute public services and non-federal share (match) funds through a grants process pursuant to Arizona Revised Statutes (ARS) 41-2703. ARS 41-2703 provides for a waiver of solicitation and award procedures for the duration of the public health emergency so as not to delay critical resources from being deployed. Outreach will be conducted throughout Arizona to identify potential agencies and units of local government in need of resources to prevent, prepare for or respond to the coronavirus.</p>
<p><b>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</b></p>	<p>An RFP will be issued for the conversion, acquisition and/or rehabilitation of emergency or transitional housing and subsistence payments. Application materials will be made available on the ADOH website. CDBG handbooks, including the Administration, Environmental Review and Procurement Handbooks are available on the ADOH website. Application requirements are further detailed in the ADOH Application Handbook.</p>

<p><b>Describe how resources will be allocated among funding categories.</b></p>	<p>The State of Arizona will allocate CDBG-CV1 and CDBG-CV2 resources among the following funding categories:</p> <ol style="list-style-type: none"> <li>1. Technical Assistance - \$57,439 (0.2%) to Rural Councils of Government to assist units of local government with subrecipient agreements and compliance with CDBG cross-cutting requirements.</li> <li>2. ADOH Administration - \$321,919 (1%). Units of local government and subrecipients may utilize not more than 10% of a funding award for CDBG-eligible administrative costs, including any developer fees.</li> <li>3. Public Services, including non-Federal Share (Match) Requirements - \$7,934,427 (24.6%) to the Arizona Department of Emergency and Military Affairs to directly administer funds to a) fund CDBG-eligible public service activities and b) match FEMA Public Assistance funds for CDBG eligible activities under the CDBG Urgent Need National Objective.</li> <li>4. Subsistence Payments - \$2,500,000 (7.8%) for emergency payments to providers on behalf of individuals or families, such as food, clothing, housing (emergency rental or mortgage assistance) or utilities for up to six consecutive months. Direct administration by the State of Arizona through subrecipient agreements.</li> <li>5. Conversion, acquisition and/or rehabilitation of emergency shelter or transitional housing - \$13,069,520 (54.7%), including \$5,686,441 set-aside for units of local government eligible for the State CDBG program. Under the set-aside, conversion, acquisition and/or rehabilitation may be undertaken directly by an eligible unit of local government or through a subrecipient agreement with a nonprofit organization.</li> </ol> <p>Applications will be accepted for the conversion, acquisition and/or rehabilitation of emergency or transitional shelter until all funds are committed. Applications will be accepted for subsistence payments to identify subrecipients until all funds</p>
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	are committed.
<p><b>Describe threshold factors and grant size limits.</b></p>	<p>Applications/projects will be funded only if the following threshold criteria are met on the date the application is received by the ADOH:</p> <ol style="list-style-type: none"> <li>1. The application is complete.</li> <li>2. CDBG-eligible activity that prevents, prepares for, or responds to the coronavirus COVID-19.</li> <li>3. Complies with all CDBG program regulations, cross-cutting regulations, and duplication of benefits requirements.</li> <li>4. Complies with the citizen participation requirements as described in the State’s Citizen Participation Plan.</li> <li>5. Written consent of the tribal jurisdiction, where applicable.</li> <li>6. Agrees to repay or secure repayment if the assistance is determined to be duplicative or does not comply with CDBG program and/or cross-cutting regulations.</li> <li>7. Activity or project is non-speculative.</li> <li>8. Applicant evidences capacity (with all staff in place) to complete the project in a timely manner.</li> </ol> <p>The ADOH will notify applicants that do not meet all threshold criteria by email and will provide a timeline for the applicant to provide any additional information or support documentation that is necessary. Specific information will be provided detailing the timeline for completion of the environmental review process when applicable; the environmental review process must be completed within a specified timeline to receive further consideration for funding.</p> <p>There are no grant size limits.</p>

<p><b>What are the outcome measures expected as a result of the method of distribution?</b></p>	<p>The State of Arizona estimates the following outcomes will result from the distribution of CDBG-CV1 and CDBG-CV2 resources:</p> <ol style="list-style-type: none"> <li>1. Public services activities - non-Federal Share (Match) Requirements for public services, subsistence payments, and other public services – will benefit an estimated 10,000 Arizona residents.</li> <li>2. The conversion, acquisition and/or rehabilitation of emergency shelter or transitional housing will add an estimated 670 emergency and transitional beds for Arizonans experiencing homelessness.</li> </ol>
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### AP-35 Projects

The following projects, as described in the method of distribution, will be included in the substantial amendment:

1. ESG20 – FY2020 ESG, ESG-CV1 and ESG-CV2
2. CDBG-CV Technical Assistance
3. CDBG-CV State Administration
4. CDBG-CV Public Services, including non-Federal Share Requirements
5. CDBG-CV Subsistence payments
6. CDBG-CV Conversion, acquisition and/or rehabilitation of emergency shelter or transitional housing