



State of Arizona

Second Program Year

Action Plan

Federal FY 2006-2007

Prepared by:

Arizona Department of Housing

Arizona Department of Economic Security





The State of Arizona Second Program Year Action Plan for the Federal Fiscal Year 2006-2007 represents a collaborative effort between two state agencies, the Arizona Department of Housing and the Arizona Department of Economic Security. This document outlines the state's affordable housing and community development resources, methods of distribution, geographic funding objectives and other actions to be taken by the state during the Federal Fiscal Year 2006-2007.

Title II of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act prohibit discrimination on the basis of disability in the programs of a public agency. Persons who need the information contained in this publication in an alternative format may call Lori Moreno at the Department of Housing, (602) 771-1000, TYY (602) 771-1001.



SF 424

SF 424

Complete the fillable fields (blue cells) in the table below. The other items are pre-filled with values from the Grantee Information Worksheet.

Date Submitted May 15, 2006	Applicant Identifier	Type of Submission	
Date Received by state NA	State Identifier	Application	Pre-application
Date Received by HUD May15, 2006	Federal Identifier	<input checked="" type="checkbox"/> Construction	<input type="checkbox"/> Construction
		<input checked="" type="checkbox"/> Non Construction	<input type="checkbox"/> Non Construction
Applicant Information			
Arizona Department of Housing		AZ49999 ARIZONA STATE PROGRAM	
1700 W. Washington, Suite 210		Organizational DUNS 086704488	
		0	
Phoenix	Arizona	0	
85007	Country U.S.A.	0	
Employer Identification Number (EIN):		Maricopa County	
86-6004791		Program Year Start Date (07/01)	
Applicant Type:		Specify Other Type if necessary:	
State		Specify Other Type	
Program Funding		U.S. Department of Housing and Urban Development	
Catalogue of Federal Domestic Assistance Numbers; Descriptive Title of Applicant Project(s); Areas Affected by Project(s) (cities, Counties, localities etc.); Estimated Funding			
Community Development Block Grant		14.218 Entitlement Grant	
CDBG Project Titles N/A		Description of Areas Affected by CDBG Project(s) 13 Rural counties (excepting entitlement communities)	
\$CDBG Grant Amount \$12,143,585	\$Additional HUD Grant(s) Leveraged N/A	Describe N/A	
\$Additional Federal Funds Leveraged N/A		\$Additional State Funds Leveraged N/A	
\$Locally Leveraged Funds N/A		\$Grantee Funds Leveraged N/A	
\$Anticipated Program Income \$0.00		Other (Describe)	
Total Funds Leveraged for CDBG-based Project(s) N/A			
Home Investment Partnerships Program		14.239 HOME	
HOME Project Titles N/A		Description of Areas Affected by HOME Project(s) Statewide	
\$HOME Grant Amount \$8,189,920	\$Additional HUD Grant(s) Leveraged N/A	Describe N/A	
\$Additional Federal Funds Leveraged N/A		\$Additional State Funds Leveraged N/A	
\$Locally Leveraged Funds \$3,000,000		\$Grantee Funds Leveraged N/A	

\$Anticipated Program Income \$200,000		Other (Describe) N/A	
Total Funds Leveraged for HOME-based Project(s) \$3,000,000			
Housing Opportunities for People with AIDS		14.241 HOPWA	
HOPWA Project Titles N/A		Description of Areas Affected by HOPWA Project(s) Rural Arizona	
\$HOPWA Grant Amount \$173,000	\$Additional HUD Grant(s) Leveraged N/A	Describe	
\$Additional Federal Funds Leveraged \$283,745		\$Additional State Funds Leveraged \$45,000	
\$Locally Leveraged Funds \$77,500		\$Grantee Funds Leveraged N/A	
\$Anticipated Program Income N/A		Other (Describe)	
Total Funds Leveraged for HOPWA-based Project(s) \$406,245			
Emergency Shelter Grants Program		14.231 ESG	
ESG Project Titles N/A		Description of Areas Affected by ESG Project(s) N/A	
\$ESG Grant Amount N/A	\$Additional HUD Grant(s) Leveraged N/A	Describe	
\$Additional Federal Funds Leveraged N/A		\$Additional State Funds Leveraged N/A	
\$Locally Leveraged Funds N/A		\$Grantee Funds Leveraged N/A	
\$Anticipated Program Income N/A		Other (Describe)	
Total Funds Leveraged for ESG-based Project(s) N/A			
Congressional Districts of: All in Arizona		Is application subject to review by state Executive Order 12372 Process?	
Applicant Districts	Project Districts		
Is the applicant delinquent on any federal debt? If "Yes" please include an additional document explaining the situation.		<input type="checkbox"/> Yes	This application was made available to the state EO 12372 process for review on DATE
		<input checked="" type="checkbox"/> No	Program is not covered by EO 12372
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A	Program has not been selected by the state for review

Person to be contacted regarding this application		
First Name: Timothy	Middle Initial:	Last Name: Klont
Title: Administrator	Phone: (602) 771-1000	Fax: (602) 771-1002
eMail: timk@housingaz.com	Grantee Website: www.housingaz.com	Other Contact: Carol Ditmore
Signature of Authorized Representative		Date Signed
Sheila D. Harris, Ph.D. 		04-05-2006



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Complete the fillable fields (blue cells) in the table below. The other items are pre-filled with values from the Grantee Information Worksheet.

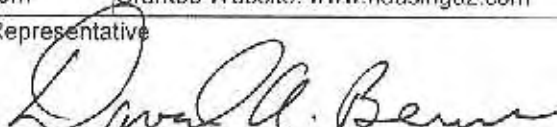
Date Submitted May 15, 2006	Applicant Identifier	Type of Submission	
Date Received by state NA	State Identifier	Application	Pre-application
Date Received by HUD May 15, 2006	Federal Identifier	<input checked="" type="checkbox"/> Construction	<input type="checkbox"/> Construction
		<input checked="" type="checkbox"/> Non Construction	<input type="checkbox"/> Non Construction
Applicant Information			
Arizona Department of Economic Security		AZ49999 ARIZONA STATE PROGRAM	
P.O. Box 6123, Site Code 086Z		Organizational DUNS 136730434	
		0	
Phoenix	Arizona	0	
85007	Country U.S.A.	0	
Employer Identification Number (EIN):		Maricopa County	
86-6004791		Program Year Start Date (07/01)	
Applicant Type:		Specify Other Type if necessary:	
State		Specify Other Type	
Program Funding		U.S. Department of Housing and Urban Development	
Catalogue of Federal Domestic Assistance Numbers; Descriptive Title of Applicant Project(s); Areas Affected by Project(s) (cities, Counties, localities etc.); Estimated Funding			
Community Development Block Grant		14.218 Entitlement Grant	
CDBG Project Titles N/A		Description of Areas Affected by CDBG Project(s) N/A	
\$CDBG Grant Amount N/A	\$Additional HUD Grant(s) Leveraged N/A	Describe N/A	
\$Additional Federal Funds Leveraged N/A		\$Additional State Funds Leveraged N/A	
\$Locally Leveraged Funds N/A		\$Grantee Funds Leveraged N/A	
\$Anticipated Program Income N/A		Other (Describe)	
Total Funds Leveraged for CDBG-based Project(s) N/A			
Home Investment Partnerships Program		14.239 HOME	
HOME Project Titles N/A		Description of Areas Affected by HOME Project(s) N/A	
\$HOME Grant Amount N/A	\$Additional HUD Grant(s) Leveraged N/A	Describe N/A	
\$Additional Federal Funds Leveraged N/A		\$Additional State Funds Leveraged N/A	
\$Locally Leveraged Funds N/A		\$Grantee Funds Leveraged N/A	
\$Anticipated Program Income N/A		Other (Describe) N/A	

Total Funds Leveraged for HOME-based Project(s) N/A	
Housing Opportunities for People with AIDS	14.241 HOPWA
HOPWA Project Titles N/A	Description of Areas Affected by HOPWA Project(s) N/A
SHOPWA Grant Amount N/A	\$Additional HUD Grant(s) Leveraged N/A Describe
\$Additional Federal Funds Leveraged	\$Additional State Funds Leveraged
\$Locally Leveraged Funds	\$Grantee Funds Leveraged N/A
\$Anticipated Program Income N/A	Other (Describe)

Total Funds Leveraged for HOPWA-based Project(s) N/A	
Emergency Shelter Grants Program	14.231 ESG
ESG Project Titles N/A	Description of Areas Affected by ESG Project(s) Rural Arizona
SESG Grant Amount \$830,742	\$Additional HUD Grant(s) Leveraged N/A Describe
\$Additional Federal Funds Leveraged N/A	\$Additional State Funds Leveraged \$730,742
\$Locally Leveraged Funds N/A	\$Grantee Funds Leveraged N/A
\$Anticipated Program Income N/A	Other (Describe)

Total Funds Leveraged for ESG-based Project(s) \$730,742

Congressional Districts of: All in Arizona		Is application subject to review by state Executive Order 12372 Process?	
Applicant Districts	Project Districts	<input type="checkbox"/> Yes	This application was made available to the state EO 12372 process for review on DATE
Is the applicant delinquent on any federal debt? If "Yes" please include an additional document explaining the situation.		<input checked="" type="checkbox"/> No	Program is not covered by EO 12372
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A	Program has not been selected by the state for review

Person to be contacted regarding this application		
First Name: Timothy	Middle Initial:	Last Name: Klont
Title: Administrator	Phone: (602) 771-1000	Fax: (602) 771-1002
eMail: timk@housingaz.com	Grantee Website: www.housingaz.com	Other Contact: Carol Diltmore
Signature of Authorized Representative 		Date Signed 05.15.06
David A. Berns, Director		



State Grantee Certifications

Many elements of this document may be completed electronically, however a signature must be manually applied and the document must be submitted in paper form to the Field Office.

- This certification does not apply.
- This certification is applicable. See signature on the last page.

STATE CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the jurisdiction certifies that:

Affirmatively Further Fair Housing -- The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Drug Free Workplace -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about –
 - a. The dangers of drug abuse in the workplace;
 - b. The grantee's policy of maintaining a drug-free workplace;
 - c. Any available drug counseling, rehabilitation, and employee assistance programs; and
 - d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will –
 - a. Abide by the terms of the statement; and
 - b. Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted –
 - a. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - b. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

Anti-Lobbying -- To the best of the state's knowledge and belief:

Anti-Lobbying -- To the best of the state's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraph 1 and 2 of this anti-lobbying certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of State -- The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan -- The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.


Signature/Authorized Official

May 15, 2006
Date

Shelia D. Harris, Ph.D.

Name

Director, Arizona Department of Housing

Title

1700 W. Washington, Suite 210

Address

Phoenix, AZ 85007

City/State/Zip

(602) 771-1000

Telephone Number

This certification does not apply.
 This certification is applicable. See signature on the last page.

Specific CDBG Certifications

The State certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is or will be following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

Consultation with Local Governments -- It has or will comply with the following:

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

Local Needs Identification -- It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended. (See 24 CFR 570.2 and 24 CFR part 570)

Use of Funds -- It has complied with the following criteria:

1. Maximum Feasible Priority - With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. Overall Benefit - The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) 2005, 2006, 2007, (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;
3. Special Assessments - The state will require units of general local government that receive CDBG funds to certify to the following:

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed 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.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force -- It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

Compliance With Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Compliance with Laws -- It will comply with applicable laws.



Signature/Authorized Official

May 15, 2006

Date

Shelia D. Harris, Ph.D.

Name

Director, Arizona Department of Housing

Title

1700 W. Washington, Suite 210

Address

Phoenix, AZ 85007

City/State/Zip

(602) 771-1000

Telephone Number

This certification does not apply.
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Specific HOME Certifications

The State certifies that:

Tenant Based Rental Assistance -- If it intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the State's consolidated plan.

Eligible Activities and Costs -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR § 92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

Appropriate Financial Assistance -- Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing;



Signature/Authorized Official

May 15, 2006
Date

Shelia D. Harris, Ph.D.

Name

Director, Arizona Department of Housing

Title

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Phoenix, AZ 85007

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(602) 771-1000

Telephone Number

This certification does not apply.
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HOPWA Certifications

The State HOPWA grantee certifies that:

Activities -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

Building -- Any building or structure assisted under the program shall be operated for the purpose specified in the plan:

1. For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,
2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.



Signature/Authorized Official

May 15, 2006

Date

Shelia D. Harris, Ph.D.

Name

Director, Arizona Department of Housing

Title

1700 W. Washington, Suite 210

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Phoenix, AZ 85007

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(602) 771-1000

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STATE GRANTEE

EMERGENCY SHELTER GRANTS PROGRAM

FY 2006 CERTIFICATIONS

I, David A. Berns, Director of the Arizona Department of Economic Security, authorized to act on behalf of the state of Arizona, certify that the state will ensure compliance by units of general local government and nonprofit organizations to which it distributes funds under the Emergency Shelter Grants Program with:

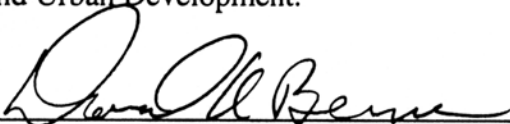
- (1) The requirements of 24 *CFR* 576.25(b)(2) concerning the submission by nonprofit organizations applying for funding of a certification of approval of the proposed project(s) from the unit of local government in which the proposed project is located.
- (2) The requirements of 24 *CFR* 576.53 concerning the continued use of buildings for which Emergency Shelter Grant funds are used for rehabilitation or conversion of buildings for use as emergency shelters for the homeless; or when funds are used solely for operating costs or essential services, concerning the population to be served.
- (3) The building standards requirement of 24 *CFR* 576.55.
- (4) The requirements of 24 *CFR* 576.56, concerning assurances on services and other assistance to the homeless.
- (5) The requirements of 24 *CFR* 576.57, other appropriate provisions of 24 *CFR* Part 576, and other applicable Federal law concerning nondiscrimination and equal opportunity.
- (6) The requirements of 24 *CFR* 576.59(b) concerning the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.
- (7) The requirements of 24 *CFR* 576.59 concerning minimizing the displacement of persons as a result of a project assisted with these funds.
- (8) The requirements of 24 *CFR* 576.56(a) and 576.65(b) that grantees develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the Emergency Shelter Grants Program and that the address or location of any family violence shelter project assisted with ESG funds will not be made public, except with written authorization of the person or persons responsible for the operation of the shelter.

- (9) The requirement that recipients involve, to the maximum extent practicable, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under the ESG program, and in providing services for occupants of these facilities as provided by 24 *CFR* 576.56(b)(2).
- (10) The requirements of 24 *CFR* 576.21(a)(4) which provide that the funding of homeless prevention activities for families that have received eviction notices or notices of termination of utility services meet the following standards: (A) that the inability of the family to make the required payments must be the result of a sudden reduction in income; (B) that the assistance must be necessary to avoid eviction of the family or termination of the services to the family; (C) that there must be a reasonable prospect that the family will be able to resume payments within a reasonable period of time; and (D) that the assistance must not supplant funding for preexisting homeless prevention activities from any other source.
- (11) The new requirement of the McKinney-Vento Act, 42 *USC* 11301, to develop and implement, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of persons from publicly funded institutions or systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) in order to prevent such discharge from immediately resulting in homelessness for such persons. I further understand that state and local governments are primarily responsible for the care of these individuals, and that ESG funds are not to be used to assist such persons in place of state and local resources.
- (12) The Drug Free Workplace requirements of 24 *CFR* Part 24 concerning the Drug Free Workplace Act of 1988.
- (13) The state will comply with the provisions of, and regulations and procedures applicable under 24 *CFR* 576.57(e) with respect to the environmental review responsibilities under the National Environmental Policy Act of 1969 and related authorities as specified in 24 *CFR* Part 58 as applicable to activities of nonprofit organizations funded directly by the state. The state also agrees to assume the Department's responsibility and authority as set forth in 24 *CFR* 576.57(e) for acting on the environmental certifications and requests for the release of funds submitted to the state by local government recipients.
- (14) The state's requirement to provide matching funds required by 24 *CFR* 576.51 and 42 *USC* 11375, including a description of the sources and amounts of such supplemental funds, as provided by the State, units of general local government or nonprofit organizations.

- (15) HUD's standards for participation in a local Homeless Management Information System (HMIS) and the collection and reporting of client-level information.

I further certify that the submission of a complete and approved Consolidated Plan with its relevant certifications, which is treated as the application for an Emergency Shelter Grant, is authorized under state law, and that the state possesses legal authority to fund the carrying out of grant activities by units of general local government and nonprofit organizations in accordance with applicable laws and regulations of the Department of Housing and Urban Development.

By:

 5/4/06
Signature and Date

David A. Berns
Director, Arizona Department of Economic Security

This certification does not apply.
 This certification is applicable. See signature on the last page.

APPENDIX TO CERTIFICATIONS

Instructions Concerning Lobbying and Drug-Free Workplace Requirements

Lobbying Certification

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Drug-Free Workplace Certification

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.
2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
4. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).
5. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph three).
6. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant: Place of Performance (Street address, city, county, state, zip code) Check if there are workplaces on file that are not identified here. The certification with regard to the drug-free workplace is required by 24 CFR part 21.

Place Name	Street	City	County	State	Zip
Arizona Department of Housing	1700 W. Washington, Suite 210	Phoenix	Maricopa	AZ	85007

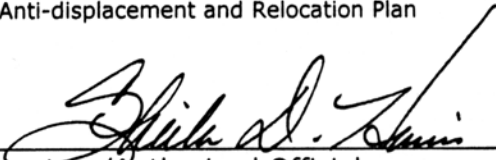
7. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules: "Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C. 812) and as further defined by regulation (21 CFR 1308.11 through 1308.15); "Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes; "Criminal drug statute" means a Federal or non-Federal criminal statute

involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;
"Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including:

- i. All "direct charge" employees;
- ii. all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and
- iii. temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).

Note that by signing these certifications, certain documents must be completed, in use, and on file for verification. These documents include:

- 1. Analysis of Impediments to Fair Housing
- 2. Citizen Participation Plan
- 3. Anti-displacement and Relocation Plan



Signature/Authorized Official

May 15, 2006
Date

Shelia D. Harris, Ph.D.

Name

Director, Arizona Department of Housing

Title

1700 W. Washington, Suite 210

Address

Phoenix, AZ 85007

City/State/Zip

(602) 771-1000

Telephone Number



Second Program Year Action Plan

The Second Annual Action Plan includes the SF 424 and Narrative Responses to Action Plan questions that CDBG, HOME, HOPWA, and ESG grantees must respond to each year in order to be compliant with the Consolidated Planning Regulations. The Executive Summary narratives are optional.

Narrative Responses

GENERAL

Executive Summary

The Executive Summary is required. Include the objectives and outcomes identified in the plan and an evaluation of past performance.

Second Program Year Annual Action Plan Executive Summary:

The State of Arizona began developing this Second Program Year Action Plan prior to the release in March 2006 of the final notice by the U.S. Department of Housing & Urban Development on the new "CPD Outcome Performance Measurement System." Upon detailed review of the Notice when published, examination of its requirements and suggestions, and consideration of the pre-determined timeframes necessary to complete this Plan, the State of Arizona determined it was not required - and impractical to attempt - to incorporate the new system into this Action Plan for Federal Fiscal Year (FFY) 2006. Although this Action Plan does not therefore fully reflect the lexicon of the new CPD Performance Measurement System, the State does intend to use the period leading up to the submission of the Third Program Year Action Plan to assign the appropriate objectives, outcomes, and indicators to each of the activities covered by the Action Plan, and begin reporting to HUD within this system.

However, prior to the release of the Notice, the State of Arizona determined the goals of this Second Program Year Action Plan in the following major categories. The full text of this Action Plan provides additional details and strategies associated with each of these goals:

Community Development

- Ensure safe and functional public infrastructure is available to support a variety of land uses necessary for thriving neighborhoods and communities.
- Ensure a variety of services are available to low income persons to maintain healthy lifestyles, remove negative influences and progress in the achievement of healthy goals.
- Increase opportunities for low-income persons to belong to the community workforce characterized by a diversity of job types and opportunities for personal and financial growth.

Rental Housing

- Increase the supply of decent, safe, water and energy efficient rental housing for low-income households.
- Preserve the existing affordable rental housing stock, especially in conjunction with comprehensive neighborhood revitalization efforts.

Homeownership

- Increase the supply of decent, safe, water and energy efficient homes affordable for purchase by low-income households.
- Increase homeownership among low-income households.

Homeowner Rehabilitation

- Preserve the housing stock currently owned by low-income households while reducing substandard housing overall.

Non-homeless Special Needs

- Promote collaboration between service providers to minimize duplication of services and maximize use of funds to provide housing and services for the following populations: elderly, physically and developmentally disabled, persons with substance abuse problems, seriously mentally ill, troubled youth, and victims of domestic violence.

Addressing Underserved Needs

- Remove the barriers, both real and perceived, to address underserved needs.

Institutional Structure

- Clarify the respective responsibilities of all parties involved with enhancing capacity, delivering technical assistance, developing project proposals, implementing project proposals, monitoring progress, ensuring compliance, and ensuring greater accountability overall.

Lead-Based Paint

- Continue 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.

Monitoring

- Ensure all projects and units remain compliant with the regulations set forth by the applicable funding source and for the period of time specified in the funding contract.

The past performance by the State on activities covered by the Consolidated Planning process is available through the Consolidated Annual Performance and Evaluation Report (CAPER) that is submitted to HUD each year. The most recent CAPERs submitted by the State indicate significant achievements in meeting the goals of each Action Plan and the needs of Arizonans.

The State made the Second Program Year Action Plan available for public review and comment in accordance with its citizen participation plan, including providing a thirty-day comment period, posting the Action Plan on its website, distributing the plan to Councils of Government that serve rural communities, making copies available at the office of the Arizona Department of Housing (ADOH), and conducting a public hearing.

The Department received written comments from ten entities – two towns, two counties, three cities, and three councils of government. Overall, the comments were varied; although, every respondent commented on the redistribution of Community Development Block Grant (CDBG) funds should a community not submit a viable and compliant application. ADOH changed its policy effective with the submission of the FFY 2004 Action Plan and didn't receive any comment on it at that time. However, based on comment received relative to this Action Plan, ADOH has clarified its policy on CDBG redistribution.

General Questions

1. Describe the geographic areas of the jurisdiction (including areas of low income families and/or racial/minority concentration) in which assistance will be directed during the next year. Where appropriate, the jurisdiction should estimate the percentage of funds the jurisdiction plans to dedicate to target areas.
2. Describe the basis for allocating investments geographically within the jurisdiction (or within the EMSA for HOPWA) (91.215(a)(1)) during the next year and the rationale for assigning the priorities.
3. Describe actions that will take place during the next year to address obstacles to meeting underserved needs.
4. Identify the federal, state, and local resources expected to be made available to address the needs identified in the plan. Federal resources should include Section 8 funds made available to the jurisdiction, Low-Income Housing Tax Credits, and competitive McKinney-Vento Homeless Assistance Act funds expected to be available to address priority needs and specific objectives identified in the strategic plan.

Second Program Year Annual Action Plan General Questions response:

Service Area

Assistance will be directed primarily to non-metropolitan areas in the state of Arizona. Metropolitan areas are also assisted generally when local jurisdictions contribute, at a minimum, equal funding.

Basis for Allocating Investments

Investments are allocated based on the following priorities: 1) invest in rural areas that have limited funding opportunities; 2) invest in projects where the need for funds and the demand for the project design is demonstrated; 3) invest in the types of projects identified as high priorities in this plan; and, 4) invest in areas in decline and those with a disproportionate concentration of low-income and minority populations. Priorities are assigned by analyzing CHAS and Census data and the input provided by local jurisdiction both in the planning process and the application process. Meeting underserved needs is hindered by inadequate funding, absence of service provider agencies, lack of capacity in existing agencies, and absence of consensus by local jurisdictions regarding which needs are underserved.

This section describes the methods of distribution and geographic allocation of resources for: 1) HOME Investment Partnerships Program (HOME), 2) Community Development Block Grant (CDBG), 3) Emergency Shelter Grant (ESG), and 4)

Housing for Persons with AIDS (HOPWA). Program descriptions for the State Housing Trust Fund (HTF) and Low-Income Housing Tax Credit (LIHTC) programs are also included in this section. As required by 24 CFR 91.320(g), program-specific items are noted when relevant.

HOME Method of Distribution

The state expects to receive \$8,189,920 HOME resources, including \$82,686 in American Dream Downpayment Initiative (ADDI). ADOH will implement the American Dream Downpayment Initiative through the existing ADOH Homes for Arizonans Program.

HOME match liability is expected to be met through state dollars invested in the Homes for Arizonans Program. The HOME program match liability is 25 percent (statutory requirement) of actual project expenditures during the program year or approximately \$1,800,000. Match will be provided from the following two sources – the Homes for Arizonans Program and match carried over from previous years. The Homes for Arizonans Program is expected to generate up to \$4.0 million of match. This program provides downpayment and closing cost assistance to first time homebuyers in the rural areas of the State. Additionally, the State has \$8.0 million in match that was carried over from the previous years. The Homes for Arizonans program has been an essential component in the state's ability to far exceed the HOME program's minimum match requirements.

The state intends to make HOME funds available statewide. Applicants for most HOME activities may also apply for State Housing Trust Fund resources through the same application. The following approximate funding objectives are for resource targeting only. Funding decisions will be made on the strength of the funding proposals and the order in which they are received.

HOME Geographic Funding Objectives

Statewide CHDO set-aside: \$1,228,488
Metro Area (Maricopa and Pima Counties): \$1,396,791
CAAG Region (Gila and Pinal Counties): \$993,143
NACOG Region (Apache, Coconino, Navajo and Yavapai Counties): \$1,713,134
SEAGO Region (Cochise, Graham, Greenlee and Santa Cruz): \$724,313
WACOG Region (La Paz, Mohave and Yuma Counties): \$1,315,059
American Dream Downpayment Initiative: \$82,686
State Administration \$818,992
Total HOME Available: \$ 8,272,606

HOME Activity Funding Objectives

Rental Housing, including HOME CHDO set-aside, LIHTC gap financing; emergency shelter development. \$2,948,371

Homeownership Housing, including HOME CHDO set-aside, new construction; acquisition/ rehabilitation for resale. \$442,256

American Dream Downpayment Initiative. \$82,626

Owner-occupied Housing Rehabilitation: \$3,980,301

Grantee/Recipient Administrative Cost \$0 (Funded through State Housing Trust Fund)

HOME Application Process

The state makes available HOME funds through an application process. Applications are accepted quarterly for rental and homeownership development activities, including CHDO activities, and semi-annually for housing rehabilitation programs. Administrative funding from the state Housing Trust Fund in support of HOME activities is available through the HOME application. Funding decisions are generally made within thirty (30) to sixty (60) days.

Only applications that meet minimum thresholds are considered for funding. The minimum thresholds for HOME applications include program responsiveness and readiness to proceed.

Applications that meet minimum thresholds are underwritten based on the following criteria as relevant to the proposed activity: 1) market need/demand; 2) management/capacity; 3) budget/financial analysis; and 4) program design. Once it is determined that an application meets minimum underwriting standards, the application and underwriting results are forwarded to a funding committee for final review and recommendation. The funding committee is comprised of ADOH staff, including program managers, risk assessors, administrators, the deputy director and the director.

When insufficient funds are available, either geographically or for an activity, competitive scoring criteria are used. If competitive scoring is necessary, the following scoring criteria will be used: very-low income and priority population targeting, and project readiness.

The actual geographic distribution of resources will be based on the number and quality of applications received. The state will 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.

ADOH will not utilize HOME resources for tenant-based rental assistance or for homeownership assistance in the form of downpayment/closing cost or equity contributions, with the exception of the American Dream Downpayment Initiative set-aside. Downpayment and closing cost homeownership assistance programs are funded through the State Housing Trust Fund.

HOME CHDO Distribution

The state will distribute HOME resources to recipients and Community Housing Development Organizations (CHDOs) through the application process outlined above. In accordance with §92.201(b)(1) of the HOME regulations, geographic funding objectives have been established to ensure, to the extent possible, an equitable geographic distribution of funds.

HOME Forms of Investment

Investment will be provided as grants and loans.

HOME Resale and Recapture Provisions

The Federal HOME Program requires 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 shall be 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 will 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 downpayment, 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 downpayment 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 shall be executed through one or more of the following instruments, depending on the type of first-mortgage instrument: 1) Land Use Restriction Agreements and/or deed restrictions filed against the property acquired by the assisted homebuyer; 2) Deed of Trust and Promissory Notes consistent with the non-interest HOME-financed loan filed on the property acquired by the assisted homebuyer; and, 3) a due-on-sale Promissory Note and Deed of Trust consistent with the non-interest bearing State Housing Trust Fund.

Emergency Shelter Grant (ESG) Method of Distribution

The Arizona Department of Economic Security (DES) is the HUD grantee for ESG funds and is the responsible administrative agency. ESG funds in the amount of \$830,742 have been allocated to the state of Arizona. Up to 5% (\$41,537) will be retained for administrative costs. It is the intent to renew existing contracts at previous funding levels.

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 that will be provided for the ESG grant is \$730,742 for a total program resource of

\$1,561,484. 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.

Selected applicants least apt to be able to provide match 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.

ESG Geographic Funding Objectives

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 nonprofit organizations will begin July 1.

ESG Activity Funding Objectives

The following funding strategies apply: 1) continue funding at current levels for shelter services, case management and outreach which is approximately 70% in Maricopa County, 11.5% in Pima County, 4% in Pinal County, 12% in Mohave, Yavapai and Yuma Counties and 2.5% in Navajo, Cochise and Coconino Counties; 2) funding of eviction prevention services up to the maximum 30% of the allocation; 3) funding of staff costs in shelter facilities is not planned.

DES intends to utilize up to 5% of the allocation for administration to help defray the costs of operating the ESG program.

The ESG funds, upon award, will be contracted and utilized within the state fiscal year to operate emergency shelter and transitional housing facilities and make homeless prevention and essential services available in order to alleviate the urgent and growing needs of people who are homeless.

Community Development Block Grant (CDBG)

CDBG Eligible Applicants

There are approximately 71 eligible applicants for ADOH CDBG funds in the state. The state CDBG program is 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 of Maricopa and Pima Counties, the cities of Flagstaff, Prescott, and Yuma, and tribal lands.

State Method of Distribution

The total amount of CDBG funds available for FY 2006 is \$12,143,585. No program income or carryover funds are available therefore none are included in this amount. Federal Law allows the state to retain 2% (\$242,872) plus \$100,000 of its annual CDBG allocation for program administration. The state must provide a non-federal

match for the 2%. The match is to be documented at the same time that CDBG funds are drawn down for the administrative expenditures of the state above \$100,000. The \$12,143,585 in federal CDBG project resources available to the state will be distributed as follows:

ADOH Administration - \$707,180. This includes \$121,436 (1% for technical assistance) and \$342,872 (2% plus \$100,000 for administration). This amount includes the required 2% administration match of \$242,872.

Grantee Funds – \$11,679,277
Regional Account 85% (RA) – \$9,927,385
SSP Account 15% (SSP) – \$1,751,892

ADOH will provide the non-federal funds from two sources. These include “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 represent staff time devoted to the CDBG program by individuals whose salaries are paid from non-federal sources. These individuals, who include those located in the Information Technology Division, Personnel, Procurement, the front desk of the Department, the Deputy Director, and Programs Administrator all track their time on departmental time sheets.

Total Allocation Requirements

At least 70% of CDBG funds must be primarily spent on activities that meet the low/mod benefit national objective. Consequently, activities justified on the basis of slum/blight or urgent need are funded on a first-notified (to ADOH), first-funded basis up to a maximum of 30% of CDBG funds.

Requests for administrative funds are limited to not more than 18% of each applicant’s total application amount. Requests for public service funds are limited to not more than 15% of the total CDBG allocation and are funded on a first-notified, first-funded basis.

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 can be used for a wide range of activities. Activities eligible for funding under this Action Plan fall under the main funding categories of: 1) public improvements (water, wastewater, streets); 2) public facilities (parks, community/senior centers, removal of architectural barriers); 3) housing (both owner-occupied and rental rehabilitation, new housing construction undertaken by a nonprofit, and homeownership assistance); 4) public services (e.g., childcare, transportation, job training); and 5) planning.

Funding allocations for the Regional Account (RA) and the State Special Project (SSP) competitive funding round distributed by the state CDBG program are outlined below.

CDBG Regional Account

The CDBG Regional Account (RA) consists of 85% of the state of Arizona allocation from HUD. The RA is distributed on a non-competitive basis to all non-metropolitan cities, towns, and counties in Arizona. All distribution of state CDBG funds is to be accomplished through an entitlement system. Each non-metropolitan Council of Government (COG) region creates a Regional Council approved Method of Distribution (MOD) which will be submitted to ADOH by September 30th for review. The MOD contains a multi-year schedule indicating how CDBG allocations are to be distributed such that all eligible communities within each respective COG region will receive funding. The multi-year schedule should include the funding years that each community in the region will receive funds and estimate the amount to be available. This will allow each community to plan its CDBG projects in advance. Deviations from rotation schedules whereby communities trade allocations is allowed but must be accomplished prior to September 30th. ADOH will distribute the final MOD to recipient communities by October 30th. ADOH has the final authority to determine the MOD for the state. The MOD approved by ADOH will be included in the Annual Update of the Consolidated Plan, which is subject to a public participation process.

The Regional Account (RA) is divided into four sub-accounts, one for each of the non-metropolitan COG areas. Regional Account allocations are as follows:

Central Arizona Association of Government (CAAG): Gila and Pinal Counties.
\$2,279,674;

Northern Arizona Council of Government (NACOG): Apache, Coconino, Navajo, and Yavapai Counties. \$2,300,600;

South Eastern Arizona Government Organization (SEAGO): Cochise, Graham, Greenlee, and Santa Cruz Counties. \$2,390,430;

Western Arizona Council of Government (WACOG): La Paz, Mohave, and Yuma Counties. \$2,956,683.

ADOH will announce CDBG funding levels by the first quarter of each year for both the Regional Account and the State Special Project round.

All applications for the Regional Account are due to ADOH by 5:00 P.M. on the following dates.

NACOG and SEAGO – June 1, 2006.

WACOG and CAAG – July 1, 2006.

ADOH will attempt to review and fund each application submitted within 60 days of receipt. ADOH will review all applications and make final award determinations.

CDBG Recipient Community Responsibility

While CDBG money is scheduled to be provided to all eligible recipient communities according to the Method of Distribution of the state, an actual award of CDBG funds is contingent upon an application that is eligible and that meets all application review thresholds. It is the responsibility of each recipient community to submit a CDBG application with a request of funding equal to or less than the amount of the

projected allocation in the MOD. If the funding amounts scheduled for a community exceed funding requests included in the application, the balance will be redistributed to the SSP. Back-up applications will not be accepted.

CDBG Redistribution of Funds

If a community that is scheduled to receive funding chooses not to participate, the allocation for that community will be returned to the Regional Account from which it came and is to be re-allocated according to the respective Council of Government Method of Distribution previously approved by ADOH.

If a community that is scheduled to receive funding does not submit a feasible and/or compliant application to their Council of Government, the allocation for that community is returned to the Regional Account from which it came and is to be re-allocated according to the respective Council of Government Method of Distribution previously approved by ADOH.

If a Council of Government submits an application to ADOH on behalf of a community that is scheduled to be funded, and that application is determined to be infeasible and/or non-compliant, the allocation for that community will be redistributed through the State Special Projects (SSP) account.

ADOH will distribute any recaptured funds or de-obligated funds. These funds will be distributed as follows: *(The following language must be included in all MODs submitted to ADOH)*

Recapture is the action of removing funds from a contract due to one of the following two types of circumstances: 1) Recapture for non-compliance whereby ADOH determines that CDBG funds were not used in compliance with the contract between ADOH and the recipient or in compliance with federal regulations; and 2) Recapture for non-performance whereby recipient fails to perform according to the performance criteria outlined in the contract scope of work, the contract schedule, and/or the performance criteria outlined in the text of the contract with ADOH.

Recaptured funds will return to ADOH to be redistributed through the State Special Projects account to the applicant next in line for funding.

De-Obligated Funds

De-obligation is the action of removing funds from a contract due to one of the following: 1) the scope of work is completed using less CDBG funds than anticipated and leaving an unexpended balance; 2) the original allocation was a loan and the loan was paid back; 3) an activity was changed or cancelled (for reasons other than performance) resulting in excess funding; 4) program income is received that is not programmed for use.

De-obligated funds may be rolled into an existing or new contract of the same funding year from which the funds were de-obligated if they can be put under contract within 60 days and used quickly. The community must have a positive performance record to be granted this approval.

If the above is not possible, the funds will return to ADOH to be redistributed through the State Special Projects account to the applicant next in line for funding.

CDBG State Special Projects

All communities eligible to receive funding from the state CDBG program are eligible to apply for State Special Projects. Each community is encouraged to submit one application. Multiple applications may be submitted from one community if the applications are prioritized. All first priority applications will be reviewed first with subsequent priority applications reviewed if sufficient funding is available, thereby allowing each community a chance to be funded.

Any eligible CDBG activity may be undertaken with SSP funds. The only difference is that the SSP is competitive and all applications must demonstrate the project is ready to implement immediately. ADOH may use a portion of the SSP to create a contingency account available to assist with RA and SSP project shortfalls.

Applications submitted must propose all activities pursuant to 24 CFR 570 that are ready to begin implementation immediately with environmental review requirements completed, Release of Funds issued, land control secured, planning, design, and permitting complete, and all other related upfront issues resolved.

CDBG SSP Application Deadline

Applications are due to ADOH for the State Special Project round on June 1, 2006 by 5:00 pm.

CDBG SSP Selection of Project Awards

Projects will be selected for SSP funding through a competitive process in which applications are scored by a rating and ranking system that includes specific criteria to be reviewed. The highest scoring applications within each priority category will be awarded prior to awarding projects in subsequent priority categories. Scored applications will be kept on file for one year and the next highest scoring applications will be funded if funding becomes available through recapture or de-obligated CDBG funds. The following criteria will be used to select project awards: 1) the extent to which the project meets the needs for public services, public works, community facilities and housing ; 2) the extent to which equipment or a project improves, upgrades, or rehabilitates facilities, housing or neighborhoods; 3) the extent to which a project benefits a large segment of the population specific to the type of assistance; 4) the extent to which the project provides a direct, provable benefit to low-income and special needs persons, especially, how effectively the proposal proves that the need for the project exists; 5) the extent to what project costs been carefully estimated and documented; 6) the extent to which the project is ready to begin; 7) the extent the project leverages other committed money into the service, facility or housing especially local private and governmental investment (to include salaries, engineering/architectural services, etc that CDBG will not be billed for; 8) the relative performance of the applicant on past contracts and the capacity of in house or contracted staff to implement the project; 9) does the proposed cost of the project/activity justify the number of persons who will directly benefit from the project/activity; 10) the extent to which a project will generate secondary benefits such as continued investment (especially private), increase in economic activity, decrease in crime, increased safety, community building; 11) the extent to which the application demonstrates that improvements can be maintained in the future.

CDBG Urgent Needs Grant Applications

When proposing an activity that meets the urgent need national objective, the applicant must document that it has no other financial resources available to meet the need. Additionally, all activities that propose to meet the urgent need national objective must meet community development needs that: 1) have a particular urgency; 2) pose a serious, immediate threat to the health or welfare of the community; and 3) and are of recent origin.

CDBG Colonias Set Aside

HUD mandates the state expend at least 10% of its CDBG allocation in the colonias. The colonias allocation is \$1,214,359. All activities in a self-determined or CDBG-determined colonia will be considered to meet this set-aside. If there are insufficient funds requested for colonias from the RA, colonias SSP applications will be given priority-funding consideration.

CDBG Projected Goals for FY 2006

ADOH proposes goals for funding eight (8) Public Improvement projects, seven (7) Public Facilities, and eleven (11) Public Services. These funding categories have high costs associated with them resulting in a fewer number of projects but a higher impact on the number of beneficiaries.

Under the CDBG program, ADOH expects to fund approximately seven (7) projects associated with housing rehabilitation related activities. Housing rehabilitation is not predominant due to administration capacity limitations suffered by the rural communities and the lack of non-profit organizations providing housing rehabilitation services.

ADOH received one application for planning for FY 2005 and few applications are expected in 2006.

Housing Opportunities for Persons with AIDS (HOPWA) Method of Distribution and Geographic Investment

The state is scheduled to receive \$173,000 in HUD HOPWA funds. A total of \$17,300 of these funds will be used for administration. Three percent (\$5,190) will be used by the Arizona Department of Housing and 7% (\$12,110) will be used by project sponsors. Any previously uncommitted funds will be combined with this. The state is an entitled eligible metropolitan area (EMA) that includes the following counties: Apache, Cochise, Coconino, Gila, Graham, Greenlee, LaPaz, Mohave, Navajo, Santa Cruz, Yavapai, and Yuma. The balance of the state is included in other HOPWA EMAs.

Applications will be accepted for projects located within the EMA and on an on-going basis until all funds are committed. Coordination of project proposal planning with local AIDS/HIV Consortia and the Rural Continuum of Care will be encouraged through the proposal review process. Technical assistance will be provided to potential applicants in the planning of their proposed projects.

Supportive Housing Program and Shelter Plus Care Method of Distribution

The state will coordinate and serve as the applicant for HUD Continuum of Care Homeless Assistance funds for rural Arizona (all counties excluding Maricopa and Pima). These include Supportive Housing Funds, Shelter Plus Care, and Housing

Trust Fund. The state is scheduled to receive \$2,229,504 in Supportive Housing Program Funds. Of this, \$86,887 will be retained by the state for administration and \$43,444 will be provided to project sponsors in Housing Trust Fund for administration.

The state is scheduled to receive \$7,693,692 in Shelter Plus Care Funds. Project sponsors administering these programs may utilize up to 8% of the total SPC grant award, derived from total tenant rents and units leased below fair market rent, toward eligible grant (project) administration expenses.

The state is scheduled to provide \$2,500,000 in Housing Trust Funds to sustain its Eviction/Prevention Emergency Homeless Housing Assistance Program. This will be done through negotiations with the current 22 contractors located statewide the 15 existing counties who represent nonprofit, county and city governments, and PHA agencies. Eligible project sponsors (co-applicants and subcontractors) include city and county governments, PHAs, Tribal governments and nonprofit agencies servicing homeless persons. ADOH will file the national competitive application on behalf of rural Arizona and will serve as grantee for projects approved by HUD through subcontracts to governmental and nonprofit agencies.

Eligible program components include: transitional housing; permanent housing for disabled persons; supportive services not in conjunction with supportive housing; Safe Havens; rental assistance through the Shelter Plus Care Program, in either tenant based, project based, sponsor based or SRO configurations; and Section 8 SRO housing. Within these components eligible activities may include acquisition, rehabilitation, new construction, leasing, operating costs, supportive services and rental assistance. The term of HUD assistance may vary depending on the program component for which funds are requested. The Continuum of Care Application Process has the following components: 1) existing resources and gaps addressed by the HUD application need to be identified; 2) data collection by all agencies proposing projects for Continuum of Care assistance and ongoing local homeless Continuum of Care planning groups; and 3) consultation with municipal, county and COG representatives regarding needs in their respective geographic areas; and, use of various databases compiled on a regular basis by the state of Arizona and its agencies.

SHP Match

ADOH actively obtains matching funds for operating costs, supportive services, and capital development for all Supportive Housing activities. ADOH has actively funded capital development activity, over and above HUD Supportive Housing program requirements, to help local communities and nonprofit agencies meet the housing needs of homeless persons throughout the state.

The total SHP match is \$795,000. HUD requires that recipients of Homeless McKinney-Vento Act assistance funding pledge leverage to awarded projects. This leverage is reported and tracked through the HUD Continuum of Care application submitted to HUD annually. The total SHP leverage is \$4 million.

State Housing Trust Fund (HTF) Method of Distribution

The State Housing Trust Fund (HTF) is a resource funded through the state's Unclaimed Property Fund. Estimates from the Arizona Department of Revenue

indicate the fund could expect to receive approximately \$24 million in the next fiscal year. ADOH has identified the following funding objectives:

HTF Selection Process

ADOH makes available State Housing Trust Fund (HTF) through an application process. Applications are accepted periodically and funding decisions are generally made in 30 to 60 days. Only applications that meet minimum thresholds are considered. The minimum thresholds for HTF applications include program responsiveness and readiness to proceed.

Applications that meet minimum thresholds are underwritten based on the following criteria as relevant to the proposed activity: 1) market need/demand; 2) management/capacity; 3) budget/financial analysis; and 4) program design. Once it is determined that an application meets minimum underwriting standards, the application and underwriting results are forwarded to a funding committee for final review and recommendation. The funding committee is comprised of senior ADOH staff, including program managers, administrators, the deputy director, and the director. The funding committee makes a recommendation to the ADOH Director as to whether the application should be funded without conditions, funded with conditions, or rejected. The ADOH Director makes the final funding decision. When insufficient funds are available, either geographically or for an activity, competitive scoring criteria are used. If competitive scoring is necessary, the following scoring criteria will be used: Very-low income targeting and priority populations.

Low Income Housing Tax Credit (LIHTC) Allocation Plan

The Low Income Housing Tax Credit Program provides federal income tax credits to owners of qualifying residential rental projects. An approximate \$11 million allocation of tax credits is available. This tax credit allocation will result in approximately \$109 million in investor equity for the construction of affordable rental housing. The program was established by the Tax Reform Act of 1986 to replace traditional tax incentives for investment in low-income housing eliminated by the same law. ADOH is the agency in Arizona responsible for allocating tax credits to specific projects that comply with the Internal Revenue Code ("the IRS" or the "Code"). ADOH carries out this responsibility through the creation and administration of the Qualified Allocation Plan (the "QAP").

The state has set the following specific goals for the LIHTC program: 1) an equitable 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 Councils of Government jurisdictions.

Addressing Underserved Needs

Goal: To remove the barriers, both real and perceived, to address underserved needs.

- Strategy: Maximize leverage opportunities in order to invest in as many feasible projects as possible.
- Strategy: Identify and build the capacity of potential partners in areas of the state that are underserved.
- Strategy: Work with community stakeholders to understand the needs of low- to moderate-income households and build consensus on actions to address those needs.

Managing the Process

1. Identify the lead agency, entity, and agencies responsible for administering programs covered by the consolidated plan.
2. Identify the significant aspects of the process by which the plan was developed, and the agencies, groups, organizations, and others who participated in the process.
3. Describe actions that will take place during the next year to enhance coordination between public and private housing, health, and social service agencies.

Second Program Year Annual Action Plan Managing the Process response:

Lead Agency

The Arizona Department of Housing (ADOH) is the lead agency for overseeing the development and implementation of the Consolidated Plan and Annual Action Plans. Please note that all comments regarding this Annual Action Plan were to be submitted to ADOH by May 7, 2006 at the following address or email address:

Arizona Department of Housing
Attn: Timothy Klont
1700 W. Washinton
Suite 210
Phoenix, AZ 85007

email: timk@housingaz.com

ADOH is a cabinet-level state agency, established on October 1, 2002. Former Governor Jane Dee Hull signed into law legislation that established the Arizona Housing Finance Authority on January 1, 2002, and the Arizona Department of Housing that following October. These two entities were established so that state government in Arizona could assist in developing the tools to impact an area of growing concern for the state, an issue that impact the lives of all Arizonans – affordable housing in viable communities.

The Department is responsible for the administration of the Small Cities Community Development Block Grant funding, is the Participating Jurisdiction responsible for administering HOME funds for all areas of the state outside of Maricopa and Pima counties, and is the Eligible Metropolitan Area responsible for administering Housing

Opportunities for Persons with AIDS (HOPWA) funds for all areas of the state except Maricopa, Mohave, Pima, and Pinal counties.

The Arizona Department of Economic Security is responsible for administering Emergency Shelter Grant (ESG) funds and has contributed to the development of this Plan.

Plan Development

ADOH is involved on a continual basis in numerous planning efforts with other state departments, local/regional/county governments, housing/social service providers, businesses and citizens. The planning bodies responsible for these efforts often consist of members that are recipients of ADOH funding or share in some respect ADOH's mission to address housing and community development needs for low-income and special needs populations throughout the state. The main product of these planning efforts are: 1) current and accurate identification and prioritization of needs; 2) establishment of objectives; 3) development of funding distribution methodology; and 4) development of policy.

These planning bodies include the following:

Governor's Interagency and Community Council on Homelessness (ICCH)

Governor Janet Napolitano created the Governor's Interagency and Community Council on Homelessness and issued an Executive Order to that effect on June 5, 2004. The purpose of the ICCH is to guide the development and implementation of a state level plan to end homelessness for Arizonans with a focus on families who are homeless. The ICCH works to identify policy, practice, and funding actions that can be taken at the state level to prevent and to end homelessness through support, involvement, and coordination among multiple state agencies and the private sector. The ICCH is comprised of representatives to the Governor's Children's Cabinet and private sector individuals appointed by the Governor.

Rural (Balance of State) Continuum of Care

ADOH directly facilitates the Continuum of Care (C of C) process in the 13 rural counties ("balance of state"). The C of C process is required by the U.S. Department of Housing & Urban Development (HUD) to enable localities to apply to the federal government for certain competitive grant programs that provide funding to address specific special needs problems. This process brings together local governments and agencies to address local solutions to these problems. On an annual basis the Department applies for competitive funding to HUD for projects and programs that are identified as priority projects through the Continuum process; ADOH, in turn, then acts as the administering agency for the grants that are passed through to the participating sub-recipients. Over the years, ADOH has secured millions of dollars from the Shelter Plus Care and Supportive Housing Programs.

Arizona Housing Commission

The Arizona Housing Commission was created by Executive Order in 1996 to serve as an advisory body to the Governor and to the Arizona Department of Commerce, now the Department of Housing. The Commission was formally established in statute in 1997. The Commission is comprised of 24 key decision makers from private

industry, community-based non-profit housing organizations, and state, local, and tribal governments.

The diverse representation is comprised of:

- One representative of a rural city government, a nonrural city government from Pima County and a nonrural city government from Maricopa County (3).
- One representative of a rural county government, Pima County government, and Maricopa County government (3).
- One representative of a tribal government and a tribal housing department (2).
- One representative of the banking or lending community (1).
- One representative of the special needs population (1).
- One representative of a statewide housing association (1).
- Two representatives of the private sector of the real estate industry (2).
- Three representatives from the private sector of the housing industry, a homebuilder, a multifamily housing developer, and a licensed manufactured home manufacturer or dealer (3).
- Two representatives of non-profit organizations that work on housing or other related issues, one from Pima County and one from a rural county (2).
- Two representatives of the general public, one from Pima County and one from a rural county (2).
- One representative of an organization that works on farmworker housing issues (1).
- The Director of the Arizona Department of Housing or the director's designee. The director or the director's designee may only vote to break a tie vote of the other members (1).
- The Speaker of the House of Representatives and the President of the Senate or their designees who serve as advisory members (2).

The Commission was given the following authorities and responsibilities:

- Recommend affordable housing strategic planning and policy.
- Coordinate public and private housing finance programs.
- Provide the means for better private and public partnerships and initiatives for developing affordable housing.
- Review and oversee state housing programs.
- Encourage the development of affordable housing opportunities for special needs populations.
- Advise the Governor, Legislature, state agencies, and city, county, and tribal governmental bodies on the public and private actions that affect the cost or supply of housing.

Arizona Housing Finance Authority

As part of the creation of the Arizona Department of Housing, the legislature also created the Arizona Housing Finance Authority (AzHFA). Under the provisions of HB 2615, the Authority may issue bonds for multi-family residential projects, bonds to finance residential dwelling units and establish mortgage credit certificate 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. No more than four members will be from the same political party. Various work

groups consisting of Authority board members are convened on a regular basis to assist with program development and evaluation.

Arizona Councils of Government

The four rural Council of Governments (COGs) - South East Arizona Government Organization (SEAGO), Northern Arizona Council of Governments (NACOG), Central Arizona Council of Governments (CAAG) and Western Arizona Council of Governments (WACOG) - provide an important planning and data gathering function for ADOH. Each COG is governed by a Board that consists of at least one elected official of each unit of local government within the respective geographic COG region. This equitable board structure provides a forum to conduct the planning necessary for the receipt of federal transportation and community development funds. The primary planning responsibility of each COG with respect to the Consolidated Plan is the development of a recommended method of distribution for CDBG funds. The COGs have both knowledge in the CDBG program and proximity to CDBG recipient community. CDBG grantees are encouraged to utilize the services of the COGs for technical assistance. The COGs provide general technical assistance to the recipient communities within their respective region on behalf of ADOH. General technical assistance includes the ability to explain CDBG regulations in general and the ADOH program specifically. COGs provide an excellent repository of local recent planning studies used for a variety of grant applications and public policy undertakings.

Arizona Public Housing Authority

ADOH operates the Arizona Public Housing Authority. 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 a Section 8 Voucher program for Yavapai and Graham Counties, two rural counties that are not otherwise served by a local housing authority. The Section 8 Voucher Program provides rental subsidy payments for 59 very low-income households. Under contract with HUD, the Arizona PHA also provides contract administration services for 107 HUD-subsidized rental properties accounting for 7,580 rental units located throughout the state. Through this program participating properties are subsidized, allowing the very low-income tenants to pay only 30% of their incomes on rent and utilities.

Governor's 2020 Planning Initiative

ADOH was given the responsibility of developing the housing component of the Governor's 2020 Planning Initiative. The Aging 2020 Plan is being developed in response to demographic trends forecasting increasing numbers of senior citizens who will live longer and have more demands for services. ADOH has developed a housing plan that provides more opportunities for affordable housing linked to improved medical and social services that will allow seniors to live productive independent lives longer in their life cycles. The housing component was developed in conjunction with Arizona COGs Area Agency on Aging departments, the Arizona Association of Retired Persons, and citizen input.

Public Hearing

A public hearing was conducted in ADOH offices in Phoenix on April 26, 2006. Advance notice was given for this hearing in the form of an announcement published in a newspaper of general circulation at least two weeks prior to the hearing; notices were also posted on the Department's website (which averages over 26,000 hits a month). The announcement provided information about the topic of the hearing, location, and how comments could be submitted if the person(s) was unable to attend. The hearing was held in a handicapped accessible location convenient to actual and potential beneficiaries. Interpreters were available. Representatives from two agencies attended the public hearing.

Coordination with Agencies

Agencies providing services related to housing, social services, elderly persons, disabled persons, persons with HIV/AIDS, families and homeless have permanent representation on the various planning bodies described above, were contacted and consulted in the process of creating this plan, and were invited to participate in public hearings. ADOH will continue to coordinate with these agencies throughout the coming year in order to maximize the effectiveness of the service delivery system, ascertain the emergence of new and/or ongoing needs, and provide activities to address these needs. The primary and regular mechanism for this coordination are the planning bodies described above, although less formal channels of communication and coordination are also encouraged and fostered through email, telephone, and ad-hoc meetings.

Citizen Participation

1. Provide a summary of the citizen participation process.
2. Provide a summary of citizen comments or views on the plan.
3. Provide a summary of efforts made to broaden public participation in the development of the consolidated plan, including outreach to minorities and non-English speaking persons, as well as persons with disabilities.
4. Provide a written explanation of comments not accepted and the reasons why these comments were not accepted.

*Please note that Citizen Comments and Responses may be included as additional files within the CPMP Tool.

Second Program Year Annual Action Plan Citizen Participation response:

Citizen Participation

The state is required to adopt a citizen participation plan that sets forth the state's policies and procedures for citizen participation in compliance with the provisions of 24 CFR 91.115.

The Arizona Department of Housing encourages participation in the development of the Consolidated Plan, any substantial amendments to the plan, and the Consolidated Annual Performance and Evaluation Report (CAPER). Participation of

low and moderate income persons is encouraged – particularly those living in slum and blighted areas and in areas where Community Development Block Grant funds are proposed to be used and by residents of predominantly low and moderate income neighborhoods.

The public participation events for this Annual Action Plan represent the culmination of several years' worth of experience in conducting similar events. These events typically consist of public hearings and forums. Public hearings traditionally provide a venue for the Department to release information to residents in an open setting. Various forums have also taken place over the years providing a more focused, direct method of public input. The Department has also become more involved in sponsoring and attending regularly scheduled meetings with various agencies and working groups. This adds another unique dimension to the planning purposes.

All public hearing and forum announcements and comment periods specifically reference that comment is requested both on the Annual Action Plan and the Citizen Participation Plan. These plans will be made available in a format accessible to persons with disabilities and those with limited English proficiency (LEP) upon request.

The state of Arizona sought public input and cooperated with a variety of organizations in the preparation of this Annual Action Plan, as follows:

- The Department solicited input from the Governor's Interagency and Community Council on Homelessness, the four Councils of Governments, the Arizona Housing Commission, the Arizona Housing Finance Authority, the Rural Arizona Continuum of Care, and local Public Housing Authorities on various program policies that are reflected in the Plan.
- A public hearing was held in Phoenix on April 26, 2006 to discuss the contents of this Plan. Additionally, various forums were held to solicit information on housing and community development needs for incorporation into the Arizona 2005-2009 Consolidated Plan. These forums were held in Sierra Vista, Cottonwood, Payson, Show Low, Phoenix, and Lake Havasu City. Advance notice was given for these forums in the form of announcements published in newspapers of general circulation at least two weeks prior to the forum; notice was also posted on the Department's website. These announcements provided information about the topic of the forum, location, and how comments could be submitted if the person(s) was unable to attend. The forum was held in handicapped accessible locations convenient to actual and potential beneficiaries. Interpreters were available in instances where the Department had reason to believe a significant number of non-English speaking residents were expected to participate.
- Throughout the year, ADOH representatives attended a wide variety of meetings with organizations and citizen advocacy groups on subjects affecting the Action Plan.
- In some cases, work groups were formed with practitioners to provide input on program design.
- Individual aspects and program components of the Action Plan have also been discussed and feedback generated at various meetings, workshops and conferences.

Information bulletins, newsletters and questionnaires on proposed program and policy changes have also been sent out to solicit feedback and input.

Review of Annual Action Plan

Before the state adopts its Annual Action Plan, it will make available to citizens, public agencies, and other interested parties information that includes the amount of assistance the state expects to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low and moderate income and the plans to minimize displacement of persons and to assist any person displaced. Of note, the state does not anticipate any programs that will involve displacement of low- and moderate-income persons. In the unlikely event displacement occurs, required assistance will be provided in accordance with the Uniform Acquisition and Relocation Act and the HUD Anti-Displacement regulations.

The state published the proposed Annual Action Plan in a manner that afforded all interested parties a reasonable opportunity to examine its contents and submit comments. This is included posting the draft Plan on the ADOH website, providing copies of the draft Plan to each of the four COG offices that serve rural communities, and making printed copies of the draft Plan available at ADOH offices during the 30-day comment period.

Citizen Comment

The Department received written comments from ten entities – two towns, two counties, three cities, and three councils of government.

Their comments and the ADOH responses are summarized below:

Two respondents commented the term “priority categories” as it relates to the CDBG State Special Projects (SSP) selection of project awards needs clarification.

ADOH Response:

All communities eligible to receive funding from the state CDBG program are eligible to apply for SSP. Each community is encouraged to submit one application. Multiple applications may be submitted from one community if the applications are prioritized. The term “priority categories” refers to first priority, second priority, etc. each community designates on their own SSP application.

One respondent commented the rating and ranking for SSP applications needs to be clarified and that, specifically, the “weighting” of each category be disclosed.

ADOH Response:

The (then) proposed rating and ranking for SSP applications was discussed at an Application Administration Handbook training held in Phoenix in October 2005. An informational bulletin was subsequently distributed in December 2005. This rating and ranking system is being used for the first time for applications funded in the FFY05 program year. The effectiveness of the system will be evaluated shortly thereafter. Revisions, if any, will be communicated and incorporated into FFY06 funded programs.

Four respondents commented a better communication process is needed to address any changes to the CDBG program and allow a transition period of implementing new rules and regulations.

ADOH Response:

The Department has established a Citizen Participation Plan in compliance with the provisions of 24 CFR 91.115. The Consolidated and Annual Action Plans are published in a manner that affords all interested parties a reasonable opportunity to examine their contents and submit written comment. This includes conducting at least one public hearing, posting the draft Plans on the ADOH website, and providing copies of the Plans to the four COG offices that primarily serve rural communities. Programmatic changes are routinely communicated to communities through informational bulletins. ADOH sponsors various training opportunities throughout the year and staff remains available to provide direct technical assistance.

Two respondents noted the board composition of the Councils of Government is incorrectly described in the Plan.

ADOH Response:

The Department recognizes the structure of a Council of Government board is unique to each COG and has clarified that in this Plan.

One respondent disagrees with removing all discretion on the part of the Councils of Government to select, rate, or revise local government CDBG applications, giving local government full responsibility for submitting viable proposals.

ADOH Response:

In accordance with 24 CFR 570.501, the recipient of CDBG funds may designate an entity to undertake administrative activities and that entity shall be subject to the same requirements as are applicable to the recipient. However, the recipient is the entity that is responsible for ensuring that CDBG funds are used in accordance with all program requirements. In maintaining that responsibility, it is up to the unit of local government to submit viable proposals to ADOH and ensure program requirements are met.

One respondent requested the Methods of Distribution (MOD) developed by the Councils of Government (COG) be included in the Annual Action Plan.

ADOH Response:

ADOH determines the final MOD for the state and has included it in the Plan as required by 24 CFR 91.320. MODs developed by the COGs are relevant only to their particular jurisdiction and, therefore, are not included in a statewide Plan.

One respondent expressed concern with the statement found in the "Specific CDBG Certifications" document that states, in part, "a State will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that the State is not prevented from establishing priorities in distributing funding on the basis of the activities selected."

ADOH Response:

The "Specific CDBG Certifications" document was developed by the U.S. Department of Housing & Urban Development (HUD). HUD requires the director of the Arizona

Department of Housing to certify to the statements contained within the document as a condition of the CDBG award. This particular statement illustrates the flexibility HUD gives state governments to establish priorities based on research, planning, and public participation.

One respondent commented on the use of the new performance measures “as a tool for determining the validity of an application (for) both regional account and state special project funding.”

ADOH Response:

The new performance measurement system developed by HUD will not be used to determine the “validity” of an application; rather, specific outcomes, objectives, and indicators will be developed for each project or activity.

One respondent commented on the statement within the Plan that “all distribution of state CDBG funds is to be accomplished through an entitlement system” (but that) local governments are not ‘entitled’ to these funds and that the State can tell them on what project they may use these funds.

ADOH Response:

Though the method of distribution is similar to an entitlement system calculation with respect to distribution of funding, local governments participating in the CDBG program administered by ADOH are non-entitled communities, as defined by HUD. In accordance with the federal regulations for the non-entitlement program, “the choice of activities on which block grant funds are expended represents the determination by State and local participants, developed in accordance with the State’s program design and procedures, as to which approach or approaches will best serve these interests.”

The Plan states that “an actual award of CDBG funds is contingent upon an application that is eligible and that meets all application review thresholds.” One respondent commented that some communities have been inconsistently selected to have their projects pre-authorized before they are even allowed to submit the application. The respondent continues that this selective process has not been formally advised to any COG or local government and is clearly based on unsubstantiated reasons.

ADOH Response:

ADOH does not require applications to be pre-authorized prior to submittal. Technical assistance is available to communities to ensure that applications submitted will meet all threshold criteria. Application workshops conducted by ADOH communicate such threshold criteria to local governments as well as inform the communities

One respondent commented on the public improvement, public facilities, and public service project priorities identified in the Plan and questioned whether ADOH is looking for a higher percentage of low- to moderate-income persons served or a higher impact in the community by addressing a higher number of beneficiaries.

ADOH Response:

The projected goals set forth by ADOH regarding public improvement, public facilities, and public service project priorities is an assumption based upon the approximate number of projects containing these activities funded in previous years.

CDBG program requirements state that projects of this sort must meet a threshold of benefiting at least 51 percent low- to moderate-income persons. A project that meets this threshold is eligible under the CDBG program and will report beneficiaries according to those criteria.

One respondent commented that the 30 day public comment period did not allow councils of municipalities sufficient time to pass a resolution commenting on proposed changes.

ADOH Response:

The Department has established a Citizen Participation Plan in compliance with the provisions of 24 CFR 91.115. The 30 day public comment period for Annual Action Plans published by ADOH occur at approximately the same time every year. The Citizen Participation Plan allows respondents to submit comments through the U.S. mail and via fax or e-mail. It does not require the comments to be in the form of a resolution.

One respondent commented that in the event CDBG funds are de-obligated for non-compliance, there are no clear set of investigatory procedures, methods of amelioration, or avenues of appeal enumerated in the Plan.

ADOH Response:

ADOH maintains that the Annual Action Plan is not the appropriate document to include programmatic administrative matters. Rather, remedies for non-compliance are found in the standard Funding Agreement executed between ADOH and its grantees. Enforcement action is an appealable agency action pursuant to Arizona Revised Statutes, Title 41, Chapter 6, Article 10.

Ten respondents commented on the redistribution of CDBG funds should a community not submit a viable and compliant application. The respondents object to the allocation for that community being returned to the State Special Project account. Rather, the respondents believe the allocation for that community should be retained in the Regional Account from which it came.

ADOH Response:

The Plan has been revised to read as follows:

If a community that is scheduled to receive funding chooses not to participate or is somehow precluded from participating, the allocation for that community will be returned to the Regional Account from which it came and is to be re-allocated according to the respective Council of Government Method of Distribution previously approved by ADOH.

If a community that is scheduled to receive funding does not submit a feasible and/or compliant application to their Council of Government, the allocation for that community will be returned to the Regional Account from which it came and is to be re-allocated according to the respective Council of Government Method of Distribution previously approved by ADOH.

If a Council of Government submits an application to ADOH on behalf of a community that is scheduled to be funded, and that application is determined to be infeasible and/or non-compliant, the allocation for that community will be redistributed through the State Special Project (SSP) account.

Amendments to the Consolidated Plan

Under the final Consolidated Plan regulations, the state is required to advise HUD of substantial changes to the Annual Action Plan. This Plan represents the best efforts possible to incorporate citizen comments and concerns in the entire planning process.

Criteria for amending the Annual Action Plan and/or the disbursement or targeting of funding would include changes in activities or the method of distribution, either reported herein or unforeseen, and changes in beneficiaries or subscribers that could reasonably be expected to change the delivery of services described herein. By definition, a substantial amendment to the Annual Action Plan would result from a change in activity from eligible to ineligible, or vice versa, a change from formula allocation to competitive award of funds, or vice versa, or from a change in the method of distribution of funds if said change will cause an increase or decrease in the original allocation mix over 35%.

The state will provide interested parties with reasonable notice through a public newspaper(s) with statewide circulation and an opportunity to comment on substantial amendments. Comments will be received for a period of not less than 30 days, as identified in the public notice, on the substantial amendment before the amendment is implemented. Furthermore, the notice will clearly provide the name and address of the individual responsible for receiving these comments. Reasonable notice will be given to interested parties for non-substantial amendments through a mailing to current grantees and by posting on the Department's website. The state will consider any comments or views of interested parties received in writing, if any, in preparing the substantial amendment to the Annual Action Plan.

Performance Reports

Citizens shall be provided with a reasonable notice and opportunity to comment on any performance reports required on the Annual Action Plan. A period of not less than 15 days shall be provided to receive comments on the performance report prior to its submission to HUD.

The state shall consider any comments received in writing from the public in preparing the performance report.

Citizen Participation Requirements for Local Governments

Units of local government, including councils of government, receiving Community Development Block Grant funds from the state will hold a public hearing to receive comment on their proposed project(s) and/or program(s) prior to submission to the state. For housing projects, these hearing must also include comment on program accomplishments from the preceding project(s) and/or program(s). Units of local government, including councils of government, receiving Community Development Block Grant funds from the state for non-housing projects also must hold a public hearing to receive comment on program accomplishments after project completion but prior to final close out.

Availability to the Public

The Annual Action Plan, as adopted, substantial amendments, and related performance reports shall be available to the public, including the availability of

materials in a form accessible to persons with disabilities and those with limited English proficiency (LEP) upon request. These documents shall be available in the Phoenix office of the Arizona Department of Housing and on the website, www.housingaz.com. The state shall provide interested parties with reasonable and timely access to the Annual Action Plan.

The state shall provide a timely, substantive written response to every written citizen complaint received in regard to the Annual Action Plan, its amendments, and performance reports.

Institutional Structure

1. Describe actions that will take place during the next year to develop institutional structure.

Second Program Year Annual Action Plan Institutional Structure response:

Goal: Clarify the respective responsibilities of all parties involved with enhancing capacity, delivering technical assistance, developing project proposals, implementing project proposals, monitoring progress, ensuring compliance, and ensuring greater accountability overall.

Strategy: Revise grant application materials and mediums to clarify principle administrative requirements.

Strategy: Revise contract instruments to clarify remediation actions for non-performance and non-compliance.

Strategy: Remove all discretion on the part of the COG to select, rate, or revise local government CDBG grant applications giving local units of government full responsibility for submitting viable proposals.

Strategy: Maintain an ADOH Program Enhancement Committee to research and develop professional and responsive program structures to meet the needs of ADOH staff and a wide diversity of grant recipients.

Monitoring

1. Describe actions that will take place during the next year to monitor its housing and community development projects and ensure long-term compliance with program requirements and comprehensive planning requirements.

Second Program Year Annual Action Plan Monitoring response:

The Arizona Department of Housing states the following goal consistent with the Monitoring Plan outlined in the 2005-2009 Strategic Plan.

Goal: Ensure all projects and units remain compliant with the regulations set forth by the applicable funding source and for the period of time specified in the funding contract.

- Strategy: Administer on-site monitoring visits, visiting every grantee at least once annually during the contract period.
- Strategy: Conduct desk audits, reviewing every grantee at least six times annually through submission of bi-monthly progress reports and requests for reimbursement during the contract period.
- Strategy: Physically inspect no less than 20% of the HOME-funded rental, housing rehabilitation, or homebuyer units for Housing Quality Standards during the contract period.
- Strategy: Deliver, sponsor, or host no less than eight program administration related external trainings.
- Strategy: Conduct a technical assistance, predevelopment consultation for every rental development project.
- Strategy: Offer 75 direct technical assistance engagements designed to build grantee capacity.

Lead-based Paint

1. Describe the actions that will take place during the next year to evaluate and reduce the number of housing units containing lead-based paint hazards in order to increase the inventory of lead-safe housing available to extremely low-income, low-income, and moderate-income families, and how the plan for the reduction of lead-based hazards is related to the extent of lead poisoning and hazards.

Second Program Year Annual Action Plan Lead-based Paint response:

Lead-Based Paint

- Goal: Continue 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.
- Strategy: Contractually obligate 100% of HOME and CDBG recipients, subrecipients, contractors, and sub-contractors to comply with the federal Lead-Based Paint Regulations found at 24 CFR Part 35.
- Strategy: Require visual assessments and lead Safe Work Practices for 100% of all projects funded exclusively with non-federal State Housing Trust Funds.
- Strategy: Mandate 100% of all rental property owners to have a paint maintenance policy that ensures regular – at least annually – visual assessments and repair/maintenance of painted surfaces.

Strategy: Maintain regular, on-going communication with the Childhood Lead Poisoning Prevention Program and Adult Blood Level Epidemiology and Surveillance Program, both of the Arizona Department of Health Services, to identify trends, areas of concentration, and opportunities for collaboration.

HOUSING

Specific Housing Objectives

1. Describe the priorities and specific objectives the jurisdiction hopes to achieve during the next year.
2. Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by this Action Plan.

Second Program Year Annual Action Plan Specific Objectives response:

Specific Housing Objectives

Rental Housing

- Goal: Increase the supply of decent, safe, water and energy efficient rental housing for low-income households.
- Strategy: Using LIHTC, Bond, and HOME financing to produce 1,200 new rental units affordable to households earning from 51% to 80% area median income (AMI).
- Strategy: Provide eligible rental developments sufficient HOME and HTF gap financing to produce 500 new rental units affordable to non-special needs households earning between 31% and 50% of AMI.
- Strategy: Provide eligible rental developments sufficient HOME and HTF gap financing to produce 100 new rental units affordable to non-special households earning 30% and below of AMI, in collaboration with rental subsidy resources of other organizations.
- Goal: Preserve the existing affordable rental housing stock, especially in conjunction with comprehensive neighborhood revitalization efforts.
- Strategy: Using LIHTC, Bond, and HOME financing rehabilitate 700 rental units and make available to households earning from 51% to 80% area median income (AMI).
- Strategy: Provide eligible rental developments sufficient HOME and HTF gap financing to rehabilitate 120 rental units and make available to non-special needs households earning between 31% and 50% of AMI.

Strategy: Provide eligible rental developments sufficient HOME and HTF gap financing to rehabilitate 50 rental units and make available to non-special households earning 30% and below of AMI, in collaboration with rental subsidy resources of other organizations.

Homeownership

Goal: Increase the supply of decent, safe, water and energy efficient homes affordable for purchase by low-income households.

Strategy: Provide eligible “for sale” home developments sufficient gap financing to produce 40 homes affordable to households earning from 51% to 80% AMI.

Strategy: Provide to eligible “for sale” home developments sufficient gap financing to produce 10 homes affordable to households earning between 30% and 50% AMI.

Goal: Increase homeownership among low-income households.

Strategy: Provide down payment and closing cost loans to 85 households earning up from 61% to 80% AMI.

Strategy: Provide down payment and closing cost loans to 75 households earning up at or below 60% AMI.

Homeowner Rehabilitation

Goal: Preserve the housing stock currently owned by low-income households while reducing substandard housing overall.

Strategy: Provide sufficient funding to local governments and non-profit organizations to rehabilitate 50 homes for households earning from 51% to 80% AMI.

Strategy: Provide sufficient funding to local governments and non-profit organizations to rehabilitate 135 homes for households earning between 31% and 50% AMI.

Strategy: Provide sufficient funding to local governments and non-profit organizations to rehabilitate 50 homes for households earning between 30% and below AMI.

Strategy: Provide sufficient funding to local governments and non-profit organizations to conduct emergency repairs on 85 homes for households earning from 51% to 80% AMI.

Strategy: Provide sufficient funding to local governments and non-profit organizations to conduct emergency repairs on 110 homes for households earning between 31% and 50% AMI.

Strategy: Provide sufficient funding to local governments and non-profit organizations to conduct emergency repairs on 100 homes for households earning between 30% and below AMI.

Needs of Public Housing

1. Describe the manner in which the plan of the jurisdiction will help address the needs of public housing and activities it will undertake during the next year to encourage public housing residents to become more involved in management and participate in homeownership.
2. If the public housing agency is designated as "troubled" by HUD or otherwise is performing poorly, the jurisdiction shall describe the manner in which it will provide financial or other assistance in improving its operations to remove such designation during the next year.

Second Program Year Annual Action Plan Public Housing Strategy response:

Needs of Public Housing

Operated by the Arizona Department of Housing, the Arizona Public Housing Authority administers 59 Housing Choice Vouchers (HCVs) – 29 in Graham County and 30 in Yavapai County. They also have oversight and monitoring responsibilities for 107 subsidized properties - representing 7,580 units - throughout the state.

The Arizona Public Housing Authority does not own or manage any public housing nor does it foresee owning or managing any public housing in the future. Due to the size of the PHA, the state does not have residency initiatives programs.

Simply stated, the PHA will strive to continue providing the same services to the same number of individuals and families even though financial resources are increasingly scarce.

The PHA received a "standard" performance score as a result of their 2005 Section Eight Management Assessment Program (SEMAP) review.

If requested, the Arizona Public Housing Authority will provide technical assistance on organizational and operations issues for PHAs designated by HUD as "troubled," unless the PHA is entirely within the boundaries of a unit of general local government that must submit a consolidated plan to HUD.

Of the 25 PHAs identified by HUD in Arizona, 11 are in communities not required to submit a consolidated plan. As of this writing, none of the PHAs in the state are designated as "troubled."

Barriers to Affordable Housing

1. Describe the actions that will take place during the next year to remove barriers to affordable housing.

Second Program Year Annual Action Plan Barriers to Affordable Housing response:

Barriers to Affordable Housing

The Arizona Department of Housing will address barriers to affordable housing through the following strategies:

- Strategy: Outreach to 25 members of the lending community in an effort to generate additional interest and involvement in the financing of affordable housing.
- Strategy: Provide professional staffing and support for the Incentives for Affordable Housing Task Force - a group of industry stakeholders assembled by the Governor to identify creative and responsive solutions to barriers to affordable housing.
- Strategy: Through eight meetings of the Arizona Housing Commission, commissioners may:
- Work to identify specific regulatory barriers and to educate government on the impacts of regulatory barriers on housing affordability.
 - Identify financing solutions that make it easier to obtain private financing for affordable housing.
 - Explore financing solutions that maximize the use of existing resources.

HOME/ American Dream Down payment Initiative (ADDI)

1. Describe other forms of investment not described in § 92.205(b).
2. If the participating jurisdiction (PJ) will use HOME or ADDI funds for homebuyers, it must state the guidelines for resale or recapture, as required in § 92.254 of the HOME rule.
3. If the PJ will use HOME funds to refinance existing debt secured by multifamily housing that is that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under § 92.206(b). The guidelines shall describe the conditions under which the PJ will refinance existing debt. At a minimum these guidelines must:
 - a. Demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing.
 - b. Require a review of management practices to demonstrate that disinvestments in the property has not occurred; that the long-term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.
 - c. State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both.
 - d. Specify the required period of affordability, whether it is the minimum 15 years or longer.

- e. Specify whether the investment of HOME funds may be jurisdiction-wide or limited to a specific geographic area, such as a neighborhood identified in a neighborhood revitalization strategy under 24 CFR 91.215(e)(2) or a Federally designated Empowerment Zone or Enterprise Community.
 - f. State that HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including CDBG.
4. If the PJ is going to receive American Dream Down payment Initiative (ADDI) funds, please complete the following narratives:
 - a. Describe the planned use of the ADDI funds.
 - b. Describe the PJ's plan for conducting targeted outreach to residents and tenants of public housing and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide down payment assistance for such residents, tenants, and families.
 - c. Describe the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as provision of housing counseling to homebuyers.

Second Program Year Annual Action Plan HOME/ADDI response:

HOME / American Dream Downpayment Initiative (ADDI)

The Department will invest its ADDI allocation in the existing "Homes for Arizonans" program.

The "Homes for Arizonans" program assists two basic income levels with two corresponding funding sources. The Department will use Housing Trust Funds and ADDI funds to provide downpayment and closing cost assistance in all areas outside Maricopa and Pima Counties to first-time homebuyers earning less than 80% of the area median income (AMI) adjusted for household size. The Homes for Arizonans program is delivered by three non-profit agencies as well as Department staff.

ADOH will make available and provide both pre- and post-purchase education/counseling to potential and existing "Homes for Arizonans" clients. Housing counseling may take place in a group setting or one-on-one with individual clients, depending upon the circumstances of each client. However, at least one individual session will be held with each potential client to discuss credit and related personal issues. Under no circumstance will credit, job history, or other personal information regarding any individual client be discussed in a group setting.

At a minimum, the housing counseling will include the following information:

- Distribution of the Fannie Mae Foundation document entitled "Opening the Door to a Home of Your Own" and /or any related publications.
- Distribution of "Homes for Arizonans" literature and explanation of program parameters, limitations, and calculations.
- Individual pre-closing briefing to review all closing documents and all obligations of the borrower.
- Two or more individual or group sessions in compliance with the Arizona Housing Counseling Collaborative Curriculum.

- Formal review of comprehensive curriculum which includes the mortgage loan process, the role of realtors, the role of title companies, closing statements, credit issues, mortgage interest payment, payment to income ratios, mortgage interest tax advantage, debt management, monthly expenses, and maintenance.

ADOH is responsible for all marketing and outreach activities for the “Homes for Arizonans” program. The goal of ADOH is to reach individuals and families who are eligible for homeownership based on employment and credit history but who otherwise will not take the final steps to homeownership because of real or perceived barriers. While the most common barrier is the lack of money for downpayment and closing costs, other barriers include cultural and language barriers, fear of the process, apprehension, lack of knowledge, and the need for education and counseling. ADOH will target these potential homeowners by:

- Providing flyers and mailings to residents of existing manufactured housing, public housing, and other assisted rental housing.
- Advertising via radio and newspapers on a quarterly basis.
- Conducting statewide public relations and information campaigns directed at local governments, professional housing associations, housing professionals, and for- and non-profit housing developers.
- Offering program brochures in English and Spanish.
- Speaking at housing, community, and economic development conferences.
- Recruiting homebuyer education participants and buyers from large employment centers.

The success of the above referenced strategies will be measured to the extent ADOH and its contractors implementing the “Homes for Arizonans” program have close working relationships with representatives of lending institutions, brokers, realtors, title agencies/companies, builders, local governments, and non-profit organizations.

The Federal HOME Program, from which ADDI is funded, requires 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, ADDI, and/or matching funds used to assist eligible homebuyers.

Assistance provided by ADOH shall be in the form of a non-interest bearing, deferred payment, due-on-sale loan secured by a deed of trust naming the state of Arizona or its designated representative(s) as beneficiary.

If the housing does not continue to be the principal residence of the homeowner, the assistance will 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 downpayment, ADOH will share the net proceeds. The net proceeds are the sales price minus loan repayment (other than ADOH funds) and closing costs. In the case of foreclosure or transfer in lieu of foreclosure, the lender is allowed to take the property without any affordability restrictions.

ADOH will permit the homeowner to recover the homeowner’s initial downpayment 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).

ADOH will not use any of its HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds or for multifamily loans made or insured by any Federal program; therefore, guidelines for doing so do not exist.

HOMELESS

Specific Homeless Prevention Elements

1. Sources of Funds—Identify the private and public resources that the jurisdiction expects to receive during the next year to address homeless needs and to prevent homelessness. These include the McKinney-Vento Homeless Assistance Act programs, other special federal, state and local and private funds targeted to homeless individuals and families with children, especially the chronically homeless, the HUD formula programs, and any publicly-owned land or property. Please describe, briefly, the jurisdiction’s plan for the investment and use of funds directed toward homelessness.
2. Homelessness—In a narrative, describe how the action plan will address the specific objectives of the Strategic Plan and, ultimately, the priority needs identified. Please also identify potential obstacles to completing these action steps.
3. Chronic homelessness—The jurisdiction must describe the specific planned action steps it will take over the next year aimed at eliminating chronic homelessness by 2012. Again, please identify barriers to achieving this.
4. Homelessness Prevention—The jurisdiction must describe its planned action steps over the next year to address the individual and families with children at imminent risk of becoming homeless.
5. Discharge Coordination Policy—Explain planned activities to implement a cohesive, community-wide Discharge Coordination Policy, and how, in the coming year, the community will move toward such a policy.

Second Program Year Annual Action Plan Special Needs response:

Specific Homeless Prevention Elements

Sources of Funds

Arizona Department of Housing (ADOH)

- ⇒ HOME and State Housing Trust Fund Programs
ADOH offers a combined application process for two sources of funding to induce the development and provision of affordable housing opportunities for low-income families. These two sources are collectively referred to as the “State Housing Fund” and include HOME Investment Partnerships Program

funding, which are federal funds received through the U.S. Department of Housing and Urban Development (HUD), and the state Housing Trust Fund (HTF). Together, \$31.5 million in HOME and State HTF funds are available in SFY 2007.

⇒ Housing Trust Fund Program

Established in 1988 by the Arizona State Legislature, the Housing Trust Fund (HTF) was created to provide a flexible funding source to assist in meeting the housing needs of low-income families in Arizona. The HTF is designed to assist local governments and other organizations in providing affordable housing. The HTF receives its money from a 55% allocation of unclaimed property deposits, interest on unexpended funds, loan repayments and recaptured funds. By statute, 36% of the 55% yearly allocation is specifically designated for use in rural areas of the state. Current goals for these funds are outlined in the state's Consolidated Plan, which is updated yearly and filed with HUD.

Legislation governing the HTF is published in A.R.S. § 41-1512 and A.R.S. § 44-323. The statutes that govern the fund are relatively open and flexible and do not spell out specific policies for the use of the funds in the same manner that the federal regulations govern the HOME funding. The HTF is available to fund projects or programs that are not statutorily fundable with federal dollars and are the best source to utilize in projects that do not lend themselves well to the confines of federal regulations. Approximately \$24.0 million is available through this fund in SFY 2007. In addition to the types of housing assistance listed below under "HOME," the HTF also fair housing education, state special projects, and recipient administrative costs.

⇒ Federal HOME Program

HOME is a federal housing block grant program created by the National Affordable Housing Act of 1990. It provides funds to state and local governments to design housing projects with non-profit developers. HOME gives state and local governments the flexibility to decide what kind of housing assistance, or mix of housing assistance, is most appropriate to meet their housing needs. Some types of assistance include rental housing development, homeownership assistance, new construction, owner occupied rehabilitation, and property acquisition.

⇒ Community Development Block Grant (CDBG)

ADOH administers the federal Community Development Block Grant (CDBG) Program for non-metropolitan counties in Arizona. Approximately \$11.7 million is available every year to local governments for housing and community development needs. The purpose of the CDBG Program is to develop viable communities by providing decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

⇒ Arizona Public Housing Authority (PHA)

○ Project-Based Section 8 Affordable Housing

The Arizona Public Housing Authority has contract administration and monitoring responsibilities for 107 federally subsidized properties, representing over 7,500 units throughout the state of Arizona. The properties, which receive rental subsidies through the U.S. Department of

Housing and Urban Development, offer affordable housing to households that are at or below 50% of the area median income. The creation of the Arizona Public Housing Authority was an important step toward assuring the continued affordability and condition of these properties.

- Tenant-Based Rental Assistance to Graham and Yavapai Counties
A PHA was formed by the legislature in 1992 to ensure that Federal Section 8 tenant-based rental assistance resources were made available to two areas of the state, Yavapai and Graham counties - not otherwise served by local PHAs. ADOH currently administers 59 Section 8 vouchers in Yavapai and Graham counties.

- ⇒ Federal Low Income Housing Tax Credit
The Low Income Housing Tax Credit Program provides low-cost rental housing assistance to many Arizonans. Approximately \$11 million in federal income tax credits is available annually to developers willing to build or rehabilitate residential multi-family apartment projects and make them affordable. This program provides a dollar-for-dollar credit against federal income tax liability for owners/developers of qualifying residential rental projects for a period of 10 years. The credit is intended to produce a cash subsidy to aid in the production of affordable housing and, in return, the developer agrees to restrict rents for a period of time. The federal tax credits finance approximately 60% of overall construction costs. To date, more than \$145 million in tax credits have been allocated assisting in the creation of 24,000 units of low-income housing. These projects have leveraged more than \$700 million in Arizona's construction industry.

- ⇒ Special Needs Housing (SNH)
Special Needs Housing (SNH) program within ADOH provides statewide planning to increase and sustain funding while coordinating localized resources and administers federal and state housing programs to various special needs populations. These populations include persons who are homeless with a serious mental illness (and their families), homeless youth, families, veterans, persons with HIV/AIDS, and victims of domestic violence.

Through the Housing Trust Fund (HTF), SNH administered \$2.1 million in SFY 2006 for eviction prevention/emergency housing assistance to 21 agencies statewide who serve low income individuals and families needing mortgage foreclosure, emergency rental and/or utilities assistance, rental/utility deposits, or hotel/motel vouchers. In addition, SNH facilitates a state funding process for "one time emergency" requests from non-profit agencies who are experiencing undue or unforeseen hardship in providing their current level of housing services to special needs populations, such as homeless persons or victims of domestic violence.

As the grantee for the Rural Arizona Continuum of Care, SNH administers the McKinney-Vento Homeless Assistance Act Programs consisting of Shelter Plus Care and Supportive Housing Programs, which promote the development of supportive housing and services to assist homeless persons in the transition from homelessness and to enable such persons to live as independently as possible. In addition, SNH is the grantee for several Continuum of Care projects in Maricopa and Pima Counties. In SFY 2006, SNH administered approximately \$10 million in McKinney-Vento Homeless Assistance Act

Programs and \$173,000 for Housing for Persons with AIDS (HOPWA) grants throughout the state.

Arizona Department of Economic Security (DES)

- ⇒ Domestic Violence Shelter Fund (DVSF)
DES receives a percentage of all court filing fees collected by Arizona counties. These funds are used to provide emergency domestic violence shelter, advocacy and support services. Approximately \$1.7 million is available in SFY 2006.
- ⇒ Domestic Violence Prevention (DVP)
DES contracts these state appropriated funds for services such as counseling, shelter, transportation, transitional housing and childcare. Approximately \$2.5 million is available in SFY 2006.
- ⇒ Emergency Shelter Grant (ESG)
The ESG program is funded under the McKinney-Vento Homeless Assistance Act. The primary intent of ESG is to provide funds for renovation/rehabilitation and operating expenses for homeless shelters. Approximately \$798,000 is available in SFY 2006.
- ⇒ Homeless Trust Fund (HTF)
The legislation that established this fund made available \$200,000 the first year (1991) and the amount of interest earned on the \$800,000 trust fund base in subsequent years. Homeless services provided with these funds are based on the priorities set by the Homeless Trust Fund Oversight Committee. Currently in the Arizona Legislature, there is a bill that would liquidate the Homeless Trust Fund and provide a one-time allocation of \$400,000 to Maricopa, \$200,000 to Pima County and approximately \$240,000 to the balance of the rural counties.
- ⇒ 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 department (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. Approximately \$674,000 is available for domestic violence services and homeless services received approximately \$741,000 in SFY 2006.
- ⇒ Homeless Shelter Line Item
These funds are appropriated by the Arizona State Legislature for homeless shelters as a line item in the DES budget. The funds are then contracted out through state agencies to non-profit, community-based providers to pay for the cost of shelter facilities and services and to provide hotel and motel vouchers. In SFY 2006, about \$1.1 million is available through this state fund source.

- ⇒ 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. The state 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. Approximately \$6.6 million was available to domestic violence services while \$1.6 million was available for homeless services in SFY 2006.

Arizona Department of Education (DOE)

- ⇒ 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.

The Arizona Department of Education utilizes 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. For the 2004-5 school year, 17,350 students experiencing homelessness were enrolled in Arizona public schools. Sixty-two percent of these students attended kindergarten through fifth grade.

The McKinney Vento Homeless Assistance Act also outlines specific responsibilities for the Local Education Agencies (LEAs). Each of the 623 public school districts and charter holders in Arizona have designated a Local Educational Agency Liaison to ensure that students experiencing homelessness:

- 1) Are informed of their rights as homeless children and unaccompanied youth.
- 2) Are identified, immediately enrolled in, and have a full and equal opportunity to succeed in school.
- 3) Are provided transportation to remain in their "school of origin" if it is in their "best interest" and considered feasible.
- 4) Have records maintained and available in a timely fashion.
- 5) 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. For SFY 2006, \$1,215,871 was allocated on a competitive basis to those with the highest program quality and greatest need for assistance. Additionally, school districts must reserve a portion of their Title I funds in case they should need them for the unique needs of homeless students. In SFY 2006, approximately \$1 million of Title I funds were set aside.

Arizona Department of Health Services (DHS)

- ⇒ Projects for Assistance in Transition from Homelessness (PATH)
The PATH Grant is a federal grant from the Substance Abuse and Mental Health Services Administration – U.S. Department of Health and Human Services for the purpose of providing outreach services to persons with serious mental illness who are homeless. DHS/Division of Clinical and Recovery Services utilizes the PATH Formula Grant Funds to provide an array of services to persons who are homeless and have a serious mental illness, including those with co-occurring substance abuse problems. Through a competitive bid process, DHS contracts with three local mental health providers to carry out the daily operations of PATH. DHS is responsible for program oversight, grant administration, cash match, monitoring, and providing technical assistance to grantees. The three providers serving the areas of the state where the largest numbers of homeless individuals and families are concentrated are Southwest Behavioral Health Services, Community Partnership for Southern Arizona, and Northern Arizona Behavioral Health Authority.

In FY 2005, PATH funded programs contacted approximately 6,000 homeless persons. It is projected that over 7,000 homeless persons will be contacted in FY 2006. It is further projected that over 1,000 of those contacted will be identified as having a serious mental illness. These individuals will be enrolled in a behavioral health authority.

- ⇒ Shelter Plus Care
The HUD funded Shelter Plus Care program, accessed through the three Continuum of Care, provides rental assistance that, when combined with locally funded supportive service agencies, provides supportive housing for homeless people with disabilities and their families. The DHS/Division of Clinical and Recovery Services has the responsibility to administer services for persons who are seriously mentally ill. State appropriated funds are allocated to private Regional Behavioral Health Authorities that subsequently provide matching funding for services to approximately 2,000 seriously mentally ill persons who receive housing subsidies provided by the Shelter Plus Care program. This funding equals \$17,119,886 in supportive services to maintain formally homeless clients living in independent housing. Shelter Plus Care housing programs must be administered by the government agencies such as ADOH, DHS, or public housing authorities.
- ⇒ State General Funds
State general funds appropriated to DHS 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. DHS provides this supportive service to assist persons with serious mental illnesses in maintaining their independent housing in accordance with the Individual Service Plan.

Homelessness

In December 2005, the Governor's Interagency and Community Council on Homelessness (ICCH) approved the State Plan to End Homelessness. The focus of the ICCH, and the State Plan, is to create a system that is focused on: A) Prevention – eliminating the need for individuals and families to ever enter the homeless service system; B) Service Integration – a flexible, "wrap around" approach to service delivery; C) Permanent Housing – providing permanent solutions, instead of constant crisis management; and D) Outcomes-oriented – focus on outcomes, instead of outputs.

Each of the action steps below for "Chronic Homelessness," "Homelessness Prevention" and "Discharge Coordination Policy" were the action steps identified for completion in Program Year Two directly from the State Plan to End Homelessness by the ICCH. Although divided by category, each action step falls under the goals of the State Plan, except that the fourth goal, to be "outcomes-oriented," applies to all three categories below. The action steps to be completed this year under that goal are:

Goal: Outcomes-Oriented

1. **Establish and review performance measures:** Arizona Evaluation Project will publish preliminary findings on:
 - Measurement model for Homeless Emergency/Transitional programs
 - Preliminary report on Homeless based upon measurement model –
 - Treatment/predictive model for Emergency/Transitions Homeless
 - First formal evaluation of Homeless Emergency/Transitional programs using treatment/predictive model
2. **Support valid and reliable research specific to Arizona:** Three research studies – cost/benefit study on chronically homeless families (statewide), cost/benefit study on chronically homeless individuals going into permanent housing (Maricopa County) and a study of chronically homeless individuals (Pima County) – will be completed and disseminated.
3. **Encourage the use of best practice models:** The Department of Economic Security requires that best practice models be incorporated into emergency and transitional housing programs that are funded through ESG and other funding sources.
4. **Enhance data collection and integration:** The Statewide HMIS Reporting System (SHRS) has combined aggregate HMIS data from

each of the three state Continuum of Care organizations into a single database and has released its first quarterly reports. The SHRS Advisory group will review and enhance the data integration system in the Second Program Year.

For this Second Program Year, creating stable housing opportunities for individuals and families with a history of long-term homelessness has been identified as a priority need. Therefore, an emphasis has been placed on increasing supportive housing through greater affordable housing stock and the availability of supportive services.

Two main obstacles to completing these action steps are operating and services funding for supportive housing projects. To this end, several of the agencies that participate on the ICCH are discussing requesting additional state funds to work toward this goal through a joint budget request next legislative session. Another group working on a similar issue, the Governor's Incentives to Affordable Housing Task Force, will be making recommendations in a number of areas that might be helpful to serve this population as well. Also, there will be action planning with local communities to identify local resources that may be able to fund supportive housing units in their areas.

Chronic Homelessness

1. Improve access to mainstream support programs:

- Arizona has launched a joint venture with the Stepping Stones to Recovery, SSI/SSDI Outreach, Access, and Recovery (SOAR) Project to help individuals who are chronically homeless and disabled with no income by assisting them in obtaining benefits through the Social Security Administration. A two-day strategic planning session was held in January 2006. As a result, three communities – Maricopa, Pima, and Flagstaff – will implement SOAR. Arizona SOAR training is a joint venture between the Arizona Departments of Health Services, Economic Security, and Social Security Administration, Continua of Care, and providers of services to chronically homeless individuals. In Program Year Two, SOAR trainings will be implemented in Phoenix, Tucson and one rural community and outcomes of the training will be tracked to assess whether the training results in increased access to SSI/SSDI benefits.
- The Department of Health Services (DHS) has committed an Assertive Community Treatment team to the Maricopa Human Services Campus Day Resource Center. DHS is in the process of working with Value Options (the Regional Behavioral Health Authority) to construct the team, which will work in coordination with the Day Resource Center (local provider) to engage chronically homeless individuals.

2. Increase supportive housing development for individuals and families:

- An action plan with five targeted local communities will be developed for expanding the availability of new units of supportive housing for long-term homeless families (343 units total) and individuals (1348 units total) across the state and will establish individual area annual targets.

- 34 units of supportive housing will be developed for long-term homeless families
 - 135 units of supportive housing will be developed for long-term homeless individuals.
3. **Expand the housing resources available for supportive housing:**
 - An interagency budget planning group has been formed and will be exploring options for a joint budget package for SFY 2008.
 4. **Increase public awareness of the need for supportive housing:**
 - The ICCH workgroup will explore strategies for improving public awareness and support for supportive housing across the state.
 5. **Research and analyze key barriers to accessing supportive and affordable housing:**
 - An Interagency Planning Group on Supportive Housing will be formed and will meet to discuss eliminating barriers to supportive housing development. The “Governor’s Incentives for Affordable Housing Taskforce” will also provide recommendations for increasing affordable housing development.
 6. **Encourage the role of federal government in affordable and supportive housing:**
 - The ICCH workgroup will explore strategies for increasing funding for supportive housing at the federal level.

The obstacles to accomplish these action steps are similar to those noted above. While the state plays an important role in encouraging the development of supportive housing, local communities, developers and other funding sources must be actively engaged in the process in order for these steps to be accomplished.

Homelessness Prevention

1. **Increase the use of risk assessment tools:** An initial risk assessment tool has been developed and is in the testing phase. The Department of Economic Security (DES) will gather and analyze the data in order to improve the tool until it is deemed reliable and valid. The state will eventually be able to use this tool to most efficiently direct resources.
2. **Create and expand technology tools to provide more timely and accessible information:** Three websites have been developed and will continue to be improved that provide information on eligibility for state and federal programs (www.azselfhelp.com), affordable housing (www.socialserve.com), and general social service information (www.az211.gov).
3. **Focus on outcomes, not outputs, of prevention activities:**
 - Require follow-up with families 6 and 12 months post-assistance in the ADOH Request for Proposals with Eviction Prevention/Emergency Housing funding.

- Work with Community Action Agencies on developing and implementing their ROMA (Results-Oriented Management and Assessment) standards.
4. **Implement multidisciplinary teams:**
 - The Department of Economic Security has implemented multidisciplinary Family Connections teams comprised of child welfare, TANF, and employment specialists in four shelters with the goal of rapidly re-housing families. Family Connections engages families involved in TANF and at-risk for involvement in the child welfare system in comprehensive, integrated services with the overarching goal of assisting families in achieving self-sufficiency, safety and overall well-being. The mission of Family Connections is to promote and empower safe, healthy families by assisting them in achieving their highest potential. Services are family focused, strength based, voluntary, and coordinated. In Program Year Two, the number of Family Connections teams serving homeless families will be increased by 50%.
 - TANF Service Coordinators will be placed in shelters throughout the state in order to expedite the benefits process for families.
 - DES/Family Assistance Administration and the Department of Education will partner to provide training regarding benefits programs to homeless education liaisons.
 5. **Enhance services for youth on their own and youth with families who are homeless:** The activities of the Pregnant and Parenting Teens subcommittee will be completed and their report, including recommendations, will be presented to the ICCH in this Second Program Year.
 6. **Improve access to adequate physical health care, including dental care:** Maricopa Health Care for the Homeless constructed a new state of the art clinic, which celebrated its ribbon cutting on the Human Services Campus in November 2005. Adele O'Sullivan, M.D., Medical Director for the Clinic was named 2006 Family Physician of the Year by the American Academy of Family Physicians. In addition, the Campus includes a state of the art dental clinic. The clinic serves chronically homeless individuals and boasts eight dental stations that include the latest in technology and treatment methodologies.

Discharge Coordination Policy

1. **Discharge Planning from Hospitals:** A committee has been formed and is chaired by the Administrator of the Maricopa Health Care for the Homeless Clinic. This group will begin working with hospitals and care providers in the Maricopa County region (with expertise from other areas of the state) to develop a comprehensive hospital discharge plan and recommendations for systems changes.

2. **Discharge Planning from Prisons:**

- Support the implementation of the Department of Corrections Homeless Prevention Plan.
- Support the work of the Re-Entry Task Force subcommittee to begin a pilot housing project for people exiting prisons who have significant barriers to housing.

3. **Transitions Plans:** Change Medicaid status from termination to suspension when an individual is being returned to an institution (i.e. jails, prison, state hospital and other managed care environments).

Emergency Shelter Grants (ESG)

(States only) Describe the process for awarding grants to State recipients, and a description of how the allocation will be made available to units of local government.

Second Program Year Annual Action Plan ESG response:

The ESG program is funded under the McKinney-Vento Homeless Assistance Act. HUD administers the program. The primary intent of ESG is to provide funds for renovation/rehabilitation and operating expenses for homeless shelters. Approximately \$798,000 was available in SFY 2006.

The Department of Economic Security awards these contracts to homeless providers every one to five years through a competitive request for proposal (RFP) process that includes a review panel comprised of internal staff and external members. The offers received are scored on evaluation criteria published in each RFP, which may include service methodology, experience and expertise, cost/price, and conformance to RFP requirements/instructions. The ESG prevention funding is allocated through contracts with Community Action Agencies (CAAs), who are designated by law to receive all DES funding non-competitively. The funding is 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. After awards are received, and during the duration of the grant, each facility is monitored by DES. Periodically, funds are distributed through intergovernmental agreements with local governments for prevention and transitional housing services. By these means, the broadest coverage is ensured throughout the state.

COMMUNITY DEVELOPMENT

Community Development

1. Identify the jurisdiction's priority non-housing community development needs eligible for assistance by CDBG eligibility category specified in the Community Development Needs Table (formerly Table 2B), public facilities, public improvements, public services and economic development.
2. Identify specific long-term and short-term community development objectives (including economic development activities that create jobs), developed in accordance with the statutory goals described in section 24 CFR 91.1 and the primary objective of the CDBG program to provide decent housing and a suitable living environment and expand economic opportunities, principally for low- and moderate-income persons.

*Note: Each specific objective developed to address a priority need, must be identified by number and contain proposed accomplishments, the time period (i.e., one, two, three, or more years), and annual program year numeric goals the jurisdiction hopes to achieve in quantitative terms, or in other measurable terms as identified and defined by the jurisdiction.

Second Program Year Annual Action Plan Community Development response:

- Goal: Ensure a variety of public facilities are available to meet the recreational, human development, and health needs of low income persons.
- Goal: Ensure safe and functional public infrastructure is available to support a variety of land uses necessary for thriving neighborhoods and communities.
- Goal: Ensure a variety of services are available to low income persons to maintain healthy lifestyles, remove negative influences and progress in the achievement of healthy goals.
- Goal: Increase opportunities for low-income persons to belong to the community work force characterized by a diversity of job types and opportunities for personal and financial growth.
- Strategy: Fund eight (8) public improvement projects.
- Strategy: Fund for 11 public service programs.
- Strategy: Fund seven (7) public facilities.

Antipoverty Strategy

1. Describe the actions that will take place during the next year to reduce the number of poverty level families.

Second Program Year Annual Action Plan Antipoverty Strategy response:

The approach by the Department for reducing the number of families in poverty includes:

- Addressing the needs engendered by poverty.
- Being proactive in preventing poverty by promoting job growth and increasing job training opportunities.
- Increasing the supply and availability of decent, safe, and affordable housing necessary for low-income families to live healthy, productive lives.
- Increasing the effectiveness of existing programs through better collaboration, reduced duplication of services and increased efficiency of implementation.

This will be accomplished by:

Strategy: Funding 160 downpayment assistance loans, thereby creating opportunities for low-income families to stabilize their housing costs and build wealth.

Strategy: Funding the rehabilitation of 235 owner-occupied housing units, thereby providing decent and safe living environments for low-income families.

Strategy: Funding at least one public service project/program designed to provide employment and training skills.

NON-HOMELESS SPECIAL NEEDS HOUSING

Non-homeless Special Needs (91.220 (c) and (e))

1. Describe the priorities and specific objectives the jurisdiction hopes to achieve for the period covered by the Action Plan.
2. Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by this Action Plan.

Second Program Year Annual Action Plan Specific Objectives response:

Specific Non-homeless Special Needs Objectives

Goal: Promote collaboration between service providers to minimize duplication of services and maximize use of funds to provide housing and services for the following populations: elderly, physically and developmentally disabled, persons with substance abuse problems, seriously mentally ill, troubled youth and victims of domestic violence.

Strategy: Provide accessibility improvements to 50 owner-occupied households.

- Strategy: Produce assistance through rehabilitation or new construction of 600 units of housing for low-income seniors (over 62 years of age).
- Strategy: Construct 50 units of permanent housing for special needs populations.
- Strategy: Construct 40 units of transitional housing for special needs populations.
- Strategy: Provide financial support for the construction of 70 emergency shelter beds.

Housing Opportunities for People with AIDS

1. Provide a Brief description of the organization, the area of service, the name of the program contacts, and a broad overview of the range/ type of housing activities to be done during the next year.
2. Report on the actions taken during the year that addressed the special needs of persons who are not homeless but require supportive housing, and assistance for persons who are homeless.
3. Evaluate the progress in meeting its specific objective of providing affordable housing, including a comparison of actual outputs and outcomes to proposed goals and progress made on the other planned actions indicated in the strategic and action plans. The evaluation can address any related program adjustments or future plans.
4. Report on annual HOPWA output goals for the number of households assisted during the year in: (1) short-term rent, mortgage and utility payments to avoid homelessness; (2) rental assistance programs; and (3) in housing facilities, such as community residences and SRO dwellings, where funds are used to develop and/or operate these facilities. Include any assessment of client outcomes for achieving housing stability, reduced risks of homelessness and improved access to care.
5. Report on the use of committed leveraging from other public and private resources that helped to address needs identified in the plan.
6. Provide an analysis of the extent to which HOPWA funds were distributed among different categories of housing needs consistent with the geographic distribution plans identified in its approved Consolidated Plan.
7. Describe any barriers (including non-regulatory) encountered, actions in response to barriers, and recommendations for program improvement.
8. Please describe the expected trends facing the community in meeting the needs of persons living with HIV/AIDS and provide additional information regarding the administration of services to people with HIV/AIDS.

9. Please note any evaluations, studies or other assessments that will be conducted on the local HOPWA program during the next year.

Second Program Year Annual Action Plan HOPWA response:

Organizations Providing Services

The Arizona Department of Housing contracts with two organizations to administer the HOPWA Entitlement program within six of the thirteen rural counties.

Mohave County Public Health Department

The Mohave County Public Health Department, a local county government entity, directly administers 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 171,000. The population continues to steadily grow with an average increase of three (3) percent every year. The most recently published Arizona Department of Health Services HIV infection surveillance report indicated that Mohave County yielded the second highest incidence of persons/cases with HIV/AIDS within the twelve (12) rural counties with 174 persons.

The public health department, who also directly administers Title II Ryan White funding, provides two main housing activities under HOPWA - short-term mortgage, rent, and utility assistance, and supportive services.

With an annual average target amount of ninety (90) persons to be served the program known as Housing Electrical and Living Program (HELP) provides short-term emergency assistance to prevent homelessness and maintain autonomy. In addition, the project sponsor provides supportive services through the development of a comprehensive care plan by a registered nurse with each participant which may include one or more of the following services: medical advice and follow-up, budget planning for sustained medical and housing needs, education, and access to essentially needed community resources.

Northland Cares

Northland Cares, a non profit organization, directly administers HOPWA in five (5) rural areas within the balance of the state jurisdiction - Apache, Coconino, Gila, Navajo, and Yavapai Counties. Similar to the aforementioned HOPWA project sponsor Northland Cares provides the same housing activities; short-term emergency housing and supportive services.

Similar to the aforementioned HOPWA project sponsor Northland Cares provides the same housing activities; short-term emergency housing and supportive services. Northland Cares coordinates directly with the case management units administering Title II Ryan White funding county public health department in the above referenced counties as referral sources.

Actions Taken Addressing Special Needs

In order to fully serve people in need, these two agencies have had to dispel the belief that as HIV/AIDS providers they “stand alone” in this mission. These two agencies are directly involved in the Continuum of Care planning effort for serving

the comprehensive needs of their target population. This process and level of involvement by HOPWA project sponsors did not take place prior to 2004.

This local planning process has allowed for a consistent and formal forum for addressing, achieving, and future planning of persons representing special needs populations (including homeless and non-homeless). Furthermore, these agencies are reaching out to viable community agency partners to serve HOPWA participants with resources when not otherwise available in their agencies or funded through Ryan White or HOPWA. This includes applying for and receiving rental/utility deposits, Section 8 vouchers, employment or training opportunities, behavioral health needs, smoke detectors, or homeownership programs.

Progress to Date

The goal set forth in the Program Year 1 Action Plan was not achieved this year. The expectation, however, was idealistic given the level funding of the program coupled with rising costs of living throughout the state. The goal was set at 275 for serving households with short-term rent, mortgage, and utility assistance and actually 113 were served. Ninety-one (91) households, however, were also assisted with supportive services only, which brings the total households served to 204. Strategic planning for HOPWA, however, also included the Public Housing Authority of Cochise County's competitive application for HOPWA funding in order to fully serve the needs of persons living with HIV/AIDS with a dedicated source of funding for long-term permanent affordable housing. The housing authority was awarded a three year HOPWA grant totaling \$677,000 for 42 units of rental assistance. Obviously, this is well above what the available entitlement funding could ever provide and in addition makes more funding available to the other six counties where persons with HIV/AIDS are more in need of the short term housing assistance.

Accomplishments

As reported in the HOPWA Data Verification Worksheet for 2004-2005 which was submitted to HUD's Office of HIV/AIDS Housing, the following accomplishments took place:

- 113 households received short-term rent, mortgage, and utility payments in order to avoid homelessness
- 91 individuals received supportive services only

HOPWA project sponsor agencies reported that all of those served with housing activities avoided homelessness, have maintained their own permanent housing, and continued their access to care without interruptions.

Leverage Sources

As committed leverage, both HOPWA project sponsor agencies receive and utilize Ryan White Title II, in excess of \$400,000 funding for medical services to HOPWA participants. Since participants typically have either pervasive or intermittent medical needs this source of funding provides financial coverage for these essentially services.

Separately, Mohave County provides \$17,160 further leveraging from "county government" unrestricted funding for staff time not paid for by HOPWA for various medical and/or supportive services needs i.e. ongoing education and intervention efforts to HOPWA participants. As a pass through grant the county utilized funding

from the local council of government and the Department of Health and Human Services for employment and training programs.

Northland Cares, on the other hand (as a non-profit organization), commits leverage for HOPWA participants utilizing many private entity and private foundation sources. For example, over \$42,500 is committed at any one time for outpatient medical services, program delivery staff salaries, program operating, and general administration expenses or activities.

As a state entitlement jurisdiction, the department receives \$164,000 to distribute and provide HOPWA activities within twelve of the thirteen rural Arizona counties. In order to maximize and efficiently deliver services (in as many counties representing the greatest need) with this limited amount of funding the Department currently, and plans to continue for years 2005/2006, contracts with the two aforementioned project sponsors. These two agencies are able to deliver services and administer the HOPWA program within six of the twelve counties. According to the latest HIV/AIDS surveillance report these six counties yielded 511 known cases of persons diagnosed. In total, there were 1,158 in all twelve of the counties with the departments' jurisdiction. Therefore, geographical coverage of HOPWA entitlement awarded is 47.5%.

Consistently, both of the current project sponsor agencies have touted, at a minimum, sustaining the current level of homeless prevention (HOPWA) activity; short-term rent, mortgage, and utility assistance (payments) as the number one goal and need for this population. Both agency staff and persons living with HIV/AIDS adamantly believe that they want to remain in their existing (own) homes and need HOPWA assistance or support from time to time in order to do this when a financial crisis occurs for a myriad of reasons.

In addition, and as stated previously, while the department does not award entitlement to Cochise County, they receive a large amount of competitive HOPWA funding from HUD for the locally established need of permanent affordable housing.

While given the opportunity through written public announcements and through the community and homeless planning process within the Rural Arizona Continuum of Care, none of the five counties who go unfunded for HOPWA have expressed interest in applying for HOPWA entitlement funding.

Barriers

The largest barrier involves inadequate resources in comparison to the level of need. Although Arizona will receive a slight increase in funding for FY 2006, the increase will not proportionally match the increased need for housing and services. One other notably large barrier in administering the HOPWA program is staff capacity issues. Both government and local non-profit agencies who administer HOPWA in rural Arizona struggle with maintaining adequate and qualified staff.

In order to resolve or address these barriers, the two project sponsor agencies fully involved with the local community and homeless planning process with the Arizona Rural Continuum of Care. This partially began in 2003 and totally in effect to date. This coordination and linkage to viable community resources has provided a cross spectrum of obtaining other housing and living resources for persons with HIV/AIDS.

In actuality, the Department further requires the participation in HOPWA project sponsor contract language.

Expected Trends

The expected trends which will impact meeting the needs of persons living with HIV/AIDS in these areas are as follows:

- Drastic cuts in funding
- Population growth in a relatively short amount of time (2 areas of consideration) and Arizona generally is experiencing a population growth spurt; large amount in a short time.
- Persons with HIV/AIDS who re-locate to the "prime or desirable areas" without being counted for entitlement funding to follow
- High housing costs (making the available stock of housing less affordable) as compared to household income
- Delivery of services to persons in need is always challenging in rural areas where there are large pockets of land mass to travel; Arizona represents the 6th largest state in land mass and nearly as large as "all new England states combined."

Evaluations, Studies or Assessments

The Department conducted an onsite review with one of the two currently funded HOPWA project sponsor agencies – Northland Cares – in December 2005. Northland Cares has satisfactorily cleared program findings from this review. The Department will conduct a grant start-up conference with Mohave County Community & Economic Development in July 2006 and a subsequent six month program follow-up in January 2007.

The Arizona Department of Health Services, Office of HIV/AIDS publishes annual Arizona HIV/AIDS Surveillance Reports by May each year. This report consists of an Executive Summary (narrative accumulation information), State HIV and AIDS Surveillance data, HIV and AIDS Cases by county, Mode of Transmission for HIV and AIDS Cases, United States AIDS summary, and community resources.

Specific HOPWA Objectives

Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by the Action Plan.

Second Program Year Annual Specific HOPWA Objectives response:

HOPWA, and other leveraged funds, will be used to provide short-term rental, mortgage, and utility payment assistance.

The current HOPWA project sponsor in Mohave County – the Mohave County Public Health Department – has recently announced that it will relinquish the HOPWA grant internally to their counterpart agency, Mohave County Community & Economic Development. This decision follows seven months of internal planning for the local government agency. Mohave County Community & Economic Development, serving as the local housing agency, plans to provide permanent rental assistance for persons living with HIV/AIDS and provide for a broader range of housing activities with the special needs population. The Department supports this decision.

Other Narrative

Include any Action Plan information that was not covered by a narrative in any other section.

N/A

ATTACHMENTS / MAPS

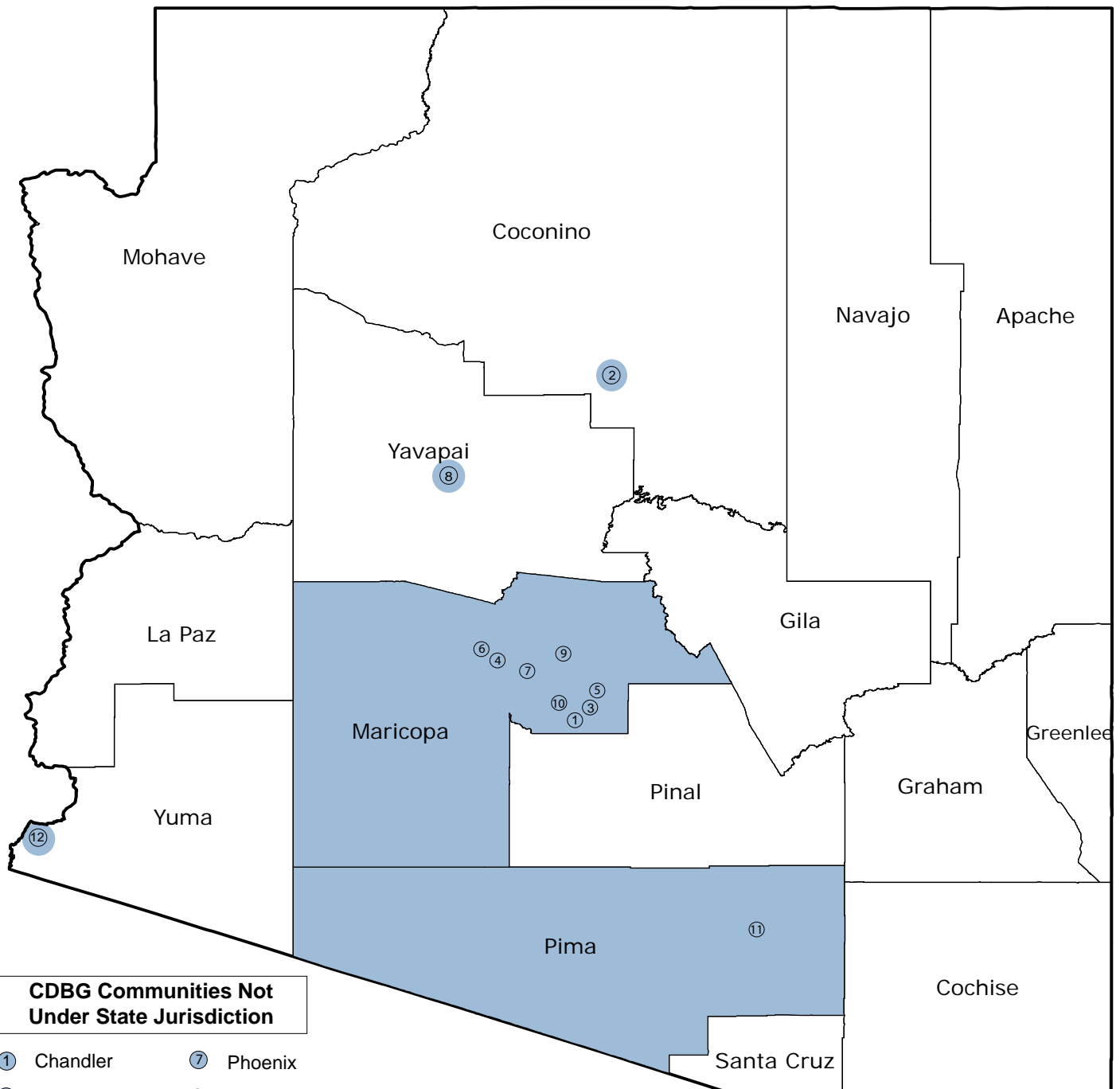
- Map 1: Councils of Government
- Map 2: Arizona Community Development Block Grant (CDBG)
Communities Not Included in the Jurisdiction of ADOH
- Map 3: Arizona HOME Participating Jurisdictions Not Included in the
Jurisdiction of ADOH
- Map 4: Housing Opportunities for Persons with AIDS (HOPWA)
Communities Not Included in the Jurisdiction of ADOH
- Map 5: Emergency Shelter Grant (ESG) Recipient Communities Not
Included in the Jurisdiction of the Arizona Department of
Economic Security
- Map 6: American Indian Reservations in the State of Arizona

State of Arizona Councils of Government

CAAG – Central Arizona Association of Governments	PAG – Pima Association of Governments
MAG – Maricopa Association of Governments	SEAGO – South Eastern Arizona Governments Organization
NACOG – Northern Arizona Council of Governments	WACOG – Western Arizona Council of Governments



Arizona CDBG Communities Not Included in the Jurisdiction of ADOH



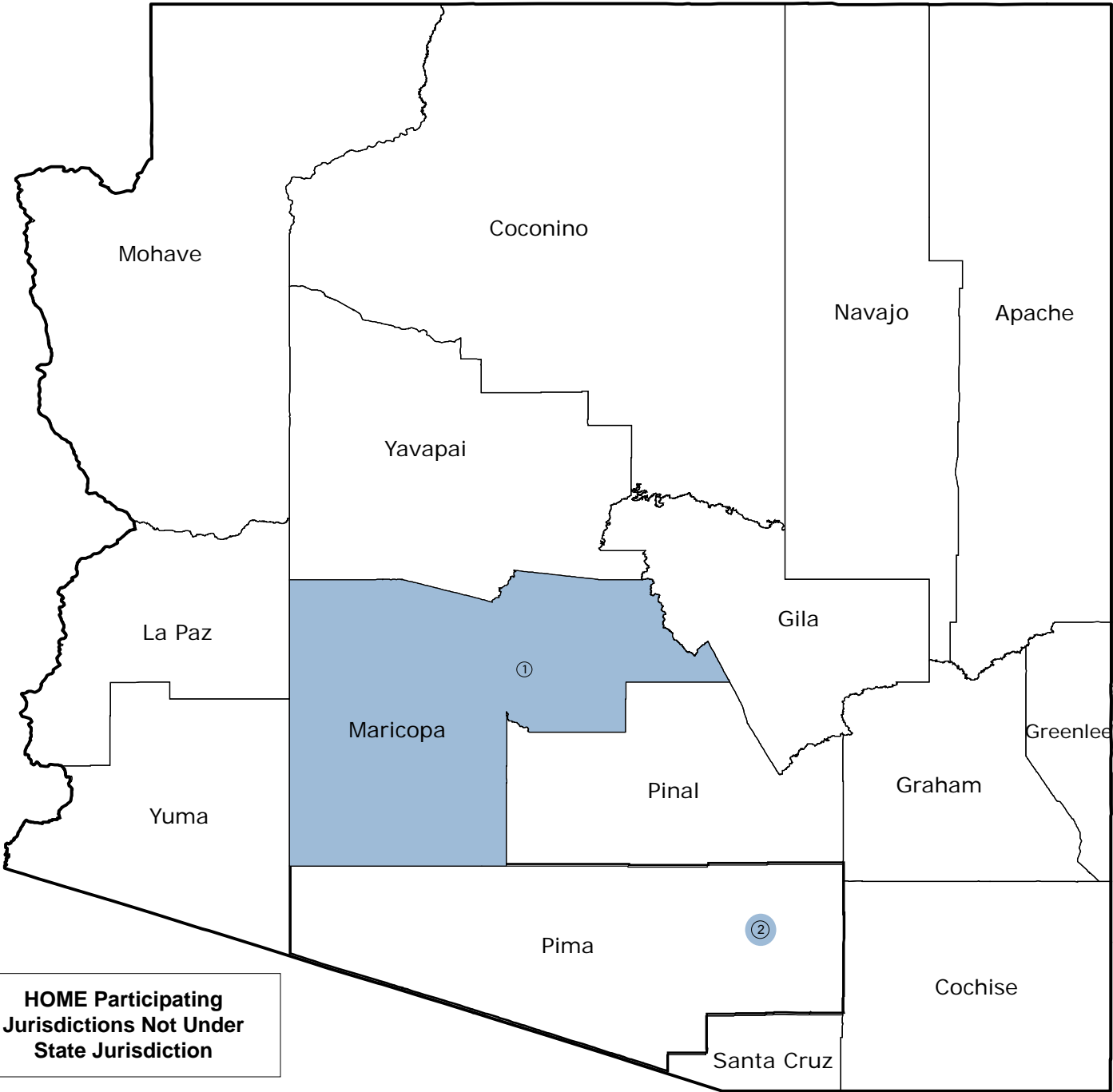
CDBG Communities Not Under State Jurisdiction

- ① Chandler
- ② Flagstaff
- ③ Gilbert
- ④ Glendale
- ⑤ Mesa
- ⑥ Peoria
- ⑦ Phoenix
- ⑧ Prescott
- ⑨ Scottsdale
- ⑩ Tempe
- ⑪ Tucson
- ⑫ Yuma

■ Maricopa Co. & Pima Co.

Source: Census 2000 data.

Arizona HOME Participating Jurisdictions Not Included in the Jurisdiction of the ADOH

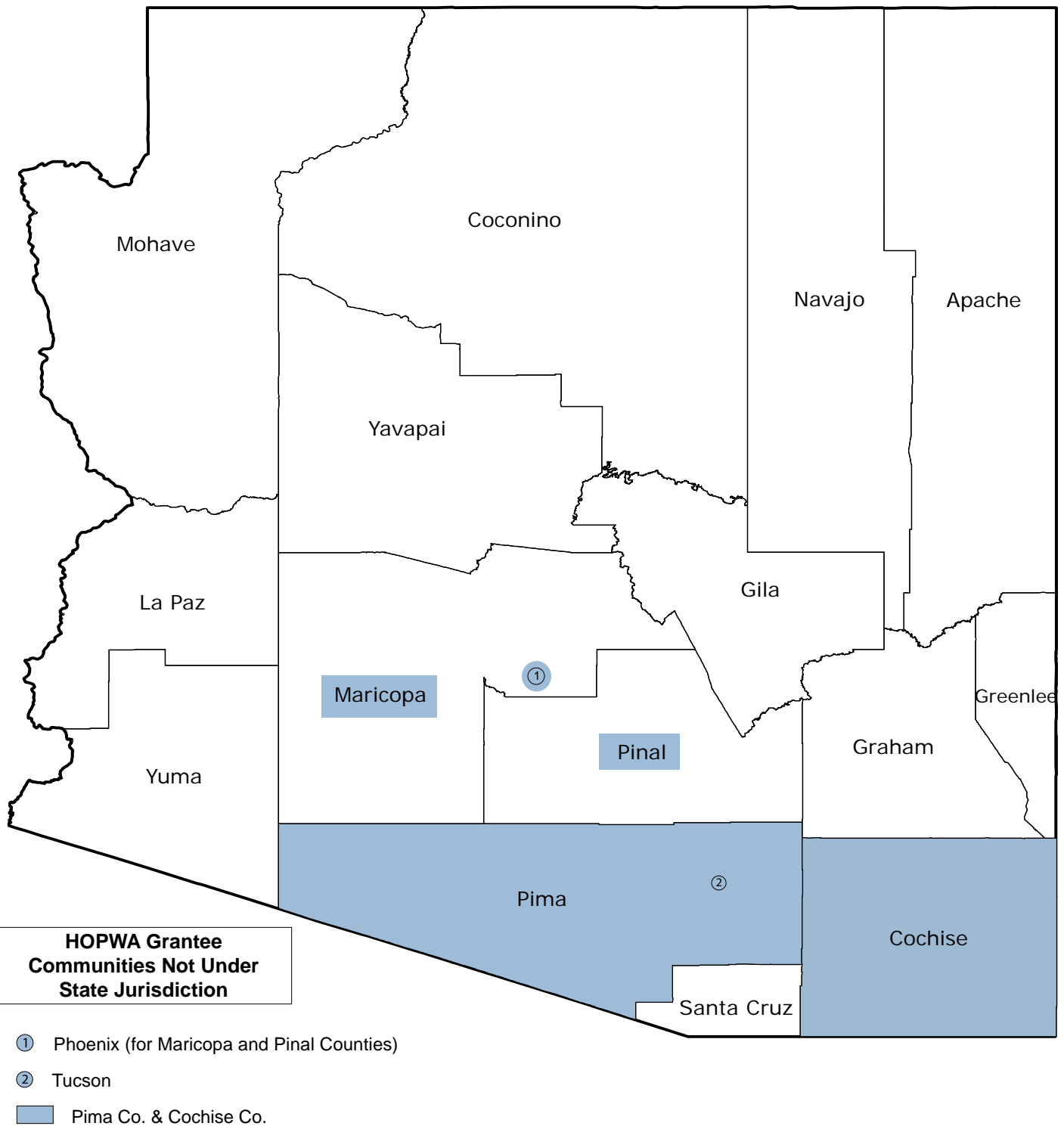


HOME Participating Jurisdictions Not Under State Jurisdiction

- ① Phoenix
- ② Tucson
- Maricopa County

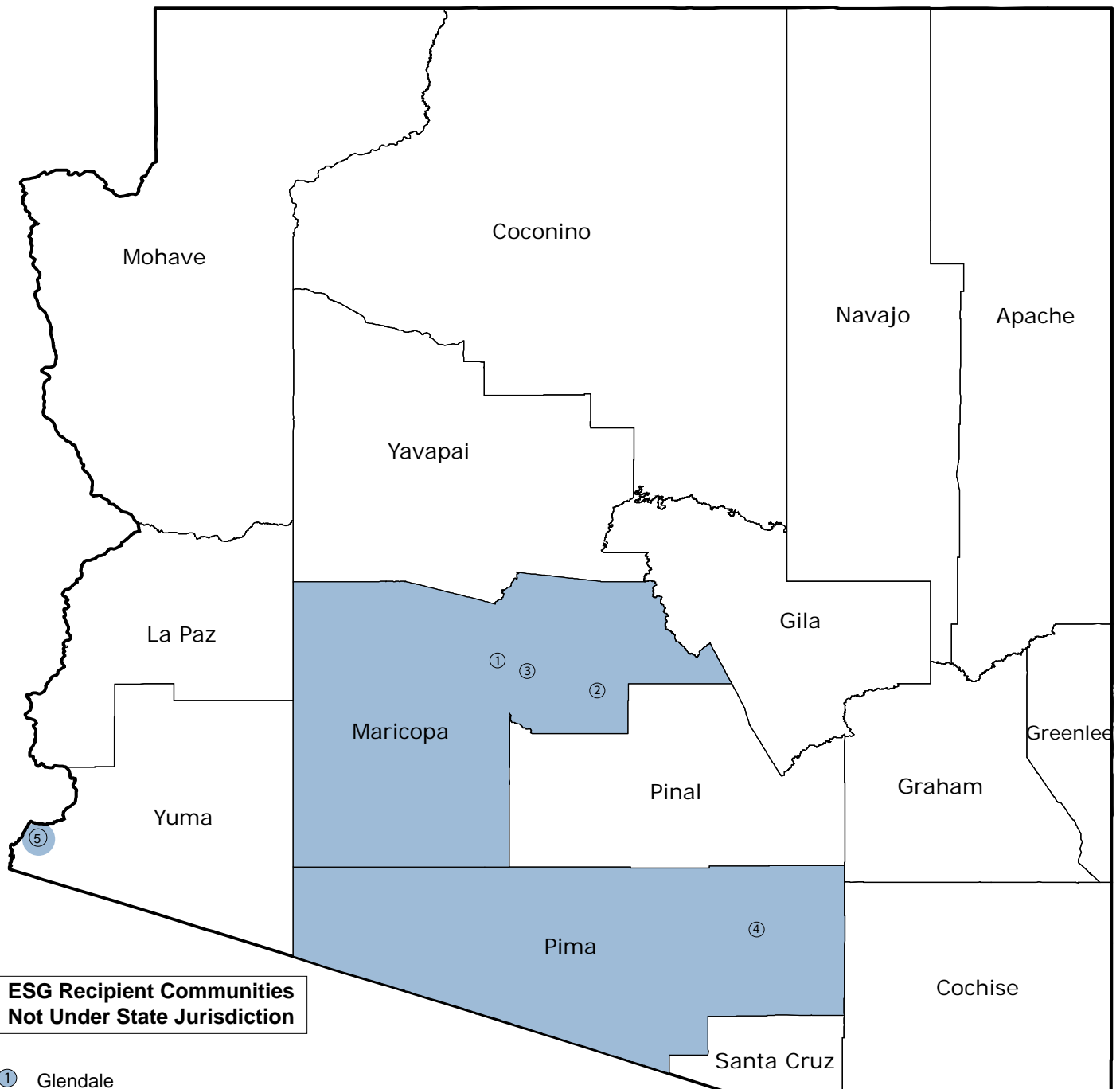
Source: Census 2000 data.

HOPWA Grantee Communities Not Included in the Jurisdiction of ADOH



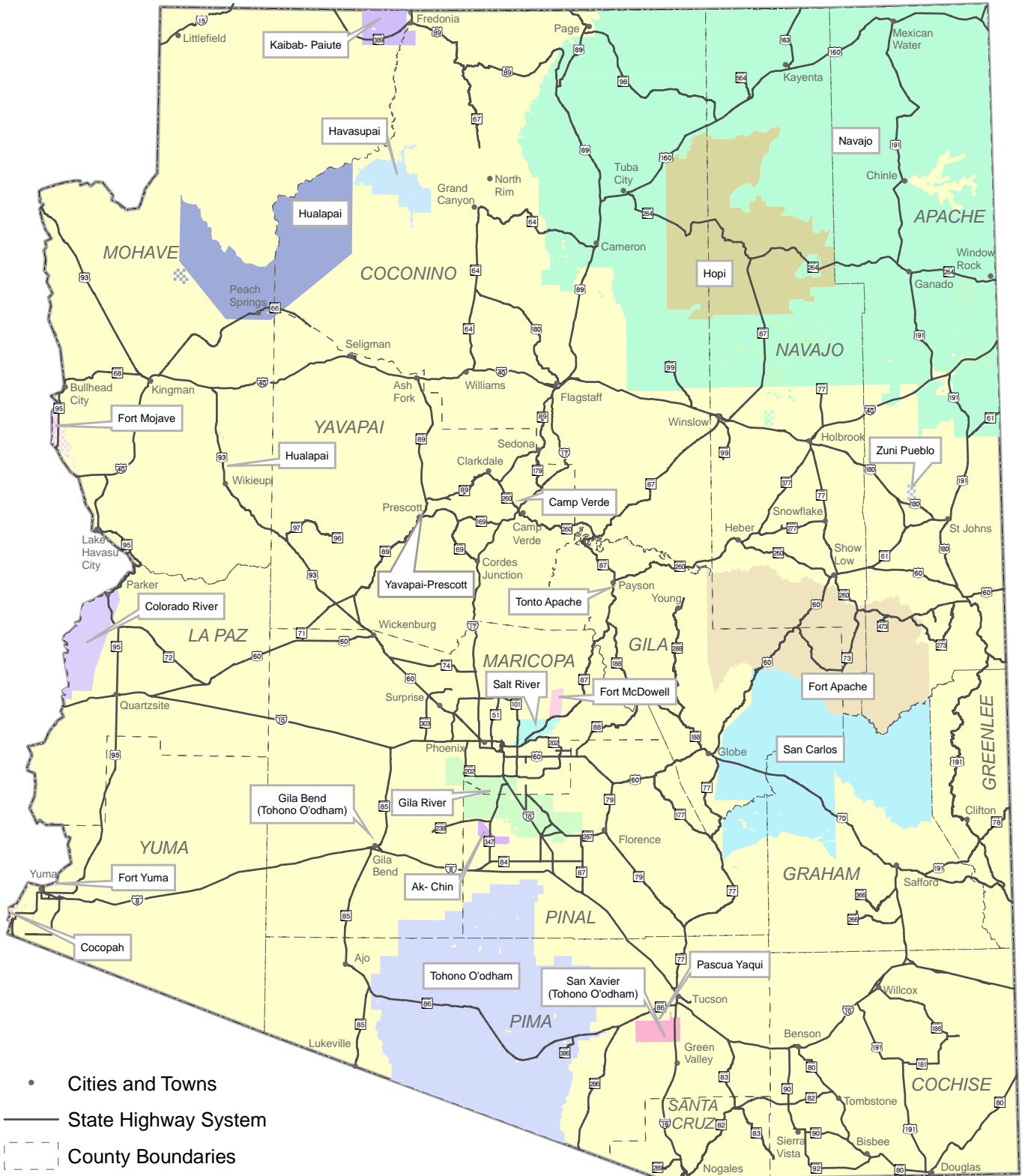
Source: Census 2000 data.

ESG Recipient Communities Not Included in the Jurisdiction of the ADES



Source: Census 2000 data.

American Indian Reservations



Prepared by:
 Arizona Department of Transportation
 Planning Division, Data Bureau GIS Section
 (602) 712-7333 August 2005

