



## **Application to U.S. Department of Housing and Urban Development**

### **Pathways to Removing Obstacles to Housing (PRO Housing) Funding Opportunity**

**DRAFT FOR PUBLIC COMMENT**

**OCTOBER 2023**

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City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

**Table of Contents**

Exhibit A: Executive Summary ..... 2

Exhibit B: Threshold Requirements and Other Submission Requirements ..... 3

Exhibit C: Need..... 5

    Efforts to Identify, Address, Mitigate, or Remove Barriers to Affordable Housing ..... 5

    Acute Demand for Affordable Housing ..... 9

    Remaining Affordable Housing Needs ..... 11

    Key Barriers to Producing and Preserving More Affordable and Accessible Housing ..... 13

Exhibit D: Soundness of Approach..... 15

    Vision ..... 15

    Geographic Scope ..... 19

    Key Stakeholders and Form of Engagement..... 21

    Alignment with Affirmatively Furthering Fair Housing ..... 22

    Budget and Timeline ..... 24

Exhibit E: Capacity ..... 26

    City of Phoenix Capacity ..... 26

    Partner Capacity ..... 27

    Staffing Plan ..... 28

Exhibit F: Leverage..... 33

Exhibit G: Long-term Effect ..... 34

Note: This is a draft document and the contents herein are subject to change prior to submission of the final grant application.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

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**Exhibit A: Executive Summary**

The City of Phoenix is the fifth most populous city in the United States and encompasses 518 square miles. It has recently recorded the fastest growth of any major city, with a population of over 1.6 million people. It is a vibrant, diverse community that is steeped in history but shares a common goal of a more equitable future for all.

In recent years, the City of Phoenix has committed to achieving the most ambitious housing goal ever set by our city: creating or preserving 50,000 housing units by 2030. This was in response to our city experiencing a housing crisis with population increases that are outpacing the number of available and affordable units in our community, rising rent and homeownership costs at all income levels, rising building and labor costs, growing eviction rates, and aging housing stock. Phoenix is taking affordable housing seriously and has allocated over \$110 million towards creating and preserving affordable housing within the city in just the last three years.

Our vision is to use PRO Housing funding to expand on our existing efforts by removing an additional barrier to the creation and preservation of affordable housing. We will utilize our momentum to continue creating a stronger and more resilient Phoenix through increased affordable housing options for residents strategically placed in well-resourced areas.

We intend to use the \$10 million PRO Housing grant funds during 2024-2029 for the following key purposes:

- Provide plan review and permit fee assistance to aid in the production or preservation of 3,000 housing units affordable to households with low-incomes. Assistance will be capped at \$3,000 per unit, or a maximum of \$300,000 per project.
- Ensure the units remain affordable to households for a minimum of 30 years.
- Create and launch a publicly-available guide geared toward affordable housing developers that will provide technical assistance and tips to navigate the Phoenix plan review and permit process.
- Provide technical assistance for approximately 30 projects as they navigate the plan review and permit process.
- Track our data and record best practices to be used as a model in the creation of future affordable housing development programs.

We will strategically leverage Phoenix General Funds for dedicated staff time to administer the program, allowing us to commit almost all of the grant funding directly to assistance for affordable housing creation or preservation.

The Phoenix Housing Department will have administrative oversight of the grant and will work in close coordination with the Phoenix Planning and Development Department to implement a successful, replicable program. We know that together we are strategically placed to take on this challenge to spur affordable housing units, generate governmental process efficiencies, and create a model program for other communities seeking to make data-informed decisions to mitigate the impacts of plan review and permit fees on the creation and preservation of affordable housing.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

**Exhibit B: Threshold Requirements and Other Submission Requirements**

*Eligibility*

The City of Phoenix certifies that it meets the Threshold Requirements and Other Submission Requirements outlined in the Notice of Funding Opportunity (NOFO) and that it is eligible to apply. The City of Phoenix is an entity with the eligible applicant designation of “02 (City or township governments).”

*Resolution of Civil Rights Matters*

The City of Phoenix, as a requirement of the grant application, certifies that it does not have any cause determinations, lawsuits, or letters of findings as referenced below:

1. Charges from HUD concerning a systemic violation of the Fair Housing Act or receipt of a cause determination from a substantially equivalent state or local fair housing agency concerning a systemic violation of a substantially equivalent state or local fair housing law proscribing discrimination because of race, color, religion, sex (including sexual orientation and gender identity), national origin, disability or familial status;
2. Status as a defendant in a Fair Housing Act lawsuit filed by the United States alleging a pattern or practice of discrimination or denial of rights to a group of persons raising an issue of general public importance under 42 U.S.C. 3614(a);
3. Status as a defendant in any other lawsuit filed or joined by the Department of Justice, or in which the Department of Justice has intervened, or filed an amicus brief or statement of interest, alleging a pattern or practice or systemic violation of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, the Americans with Disabilities Page 14 of 80 Act, Violence Against Women Act, or a claim under the False Claims Act related to fair housing, non-discrimination, or civil rights generally including an alleged failure to affirmatively further fair housing;
4. Receipt of a letter of findings identifying systemic non-compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974; Violence Against Women Act; or the Americans with Disabilities Act; or
5. Receipt of a cause determination from a substantially equivalent state or local fair housing agency concerning a systemic violation of provisions of a state or local law prohibiting discrimination in housing based on sexual orientation, gender identity, or lawful source of income.

*Timely Submission*

The City of Phoenix has submitted this application by the application deadline for the PRO Housing funding opportunity.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

*Number of Submissions*

The City of Phoenix has submitted only one application for the PRO Housing funding opportunity.

*Waivers*

Public Law 117-328 authorizes the Secretary of HUD to “waive or specify alternative requirements for any provision of such title I of the [Housing and Community Development Act of 1974, as amended, with some exceptions. If it is determined that a waiver to request a Modification of Existing Eligible Activities is required prior to application submission, Phoenix will submit a waiver to HUD in accordance with the NOFO.

**Exhibit C: Need**

**Efforts to Identify, Address, Mitigate, or Remove Barriers to Affordable Housing**

*Housing Phoenix Plan*

In 2019, the Phoenix City Council requested that staff conduct an affordable housing initiative intended to identify the housing needs in the community, create an inventory of affordable housing communities, document the gap in affordable housing and compile best practices related to affordable housing. After the City conducted extensive stakeholder engagement and received community feedback, the affordable housing initiative resulted in the compilation of a holistic housing policy plan. In 2020, the Phoenix City Council approved the formal Housing Phoenix Plan with a vision to create a stronger and more vibrant Phoenix through increased housing options for residents at all income levels and family sizes. To achieve this vision, the Plan set out a goal of creating or preserving 50,000 units by 2030 through the implementation of nine policy initiatives. Key efforts that have been undertaken to date to address the policy initiatives are described below.

Initiative 1: Prioritize New Housing in Areas of Opportunity

The goal of this initiative is to prioritize new housing in areas of opportunity. To achieve this goal, the Planning and Development Department is currently developing an objective place-based scoring matrix to help ensure multifamily housing is placed near community amenities, jobs, and other resources. In addition, GIS mapping and analysis is underway with a goal to provide framework for the scoring in the General Plan update.

Initiative 2: Amend Current Zoning Ordinance to Facilitate More Housing Options

The goals of this initiative are to prioritize new housing in areas of opportunity, amend the current zoning ordinance to facilitate more housing options, include affordable housing incentives, allow for Accessory Dwelling Units (ADU) in target areas), and expand the walkable urban code. Multiple successes have been achieved in this initiative. A Walkable Urban Code (form-based code) text amendment was approved by City Council in 2022. Mobile home text amendments were approved by the City Council in June 2023 that address approval procedures for new park development and expansion of existing non-conforming park developments.

An ADU text amendment was approved by the City Council in September 2023. In response to requests from the Phoenix City Council to reinforce the allowance for ADUs as a measure to provide additional long-term housing opportunities as called for in the City Council adopted Housing Phoenix Plan, the Planning and Development Department proposed modifications to the proposed text amendment language, restricting ADUs from being used as short-term rentals. The language prohibits the ADU from being used for anything requiring a permit in Chapter 10, Businesses, in the City Code (i.e., a short-term rental). Additional language has been included in the ordinance reinforcing that the intent of the City Council with this text amendment is to respond to the Housing Phoenix Plan and the housing crisis.

In addition, four text amendments are underway related to the expansion of housing options and affordable housing incentives including:

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

- Mobile home park incentive framework.
- Parking reductions for multifamily development.
- Strategic density and new housing types.
- Affordable housing incentive framework.

Initiative 3: Redevelop City-Owned Land with Mixed-Income Housing

The goal of this initiative is to redevelop land owned by the City of Phoenix with mixed-income housing opportunities to respond to severe shortages of affordable housing in our community. To achieve this goal, a list of 144 properties suitable for residential development was approved by the City Council in 2020, and an update was made to the list in 2022. In addition, the first Request for Proposal (RFP) for the co-location of senior affordable housing at an existing senior center site was issued in December 2022 and awarded to a development team in June 2023. A second RFP for two small parcels in an established historic neighborhood was issued in August 2023. Additional RFPs are being developed for release and additional successes are expected within this initiative.

Initiative 4: Enhance Public-Private Partnerships and Increase Funding

The goal of this initiative is to enhance public-private partnerships and increase financing through public, private, and philanthropic avenues. To achieve this goal, the Affordable Housing Division of the Phoenix Housing Department meets regularly with developers, community members, advocacy groups, and other stakeholders to help develop increased partnerships and promote an increase in the production of affordable housing.

In February 2023, a Call for Interest for \$6 million in American Recovery Plan Act (ARPA) funding was issued by the City for affordable housing development gap financing. Through this process, four projects were awarded funding by the Phoenix City Council in June 2023. It is expected that these four projects will help support the creation of more than 500 new affordable housing units throughout the city.

Initiative 5: Building Innovations and Cost-Saving Practices

The goals of this initiative are to increase affordable housing through implementing building innovations and cost-savings practices including the creation of a development assistance team that is assigned to affordable housing projects, utilize an Affordable Housing Advocate, reduce planning and permitting fees, create an infrastructure fund for affordable housing developers, and continue researching cost-saving practices.

To achieve this goal, the Housing Department established the Affordable Housing Division in 2021, in part to serve as affordable housing advocates. This Division is the first to be entirely General Funded in the Housing Department, highlighting the importance the City Council has given to implementing the Housing Phoenix Plan. In addition, the Planning and Development Department has identified development teams to review affordable housing development projects so that reviewers understand the complexity of affordable housing development. A pilot off-site infrastructure funding program was developed with the Neighborhood Services Department to

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

help fund unanticipated off-site costs for new affordable housing development utilizing CDBG funds. The first project funded with this pilot program was approved by the Phoenix City Council in June 2023 and will help support a 235-unit affordable housing project.

The Housing Phoenix Plan noted that planning and permitting fee reductions and expedited plan review for affordable housing projects, at no extra cost, will also help streamline the predevelopment process and result in a reduced total development budget. The Plan suggested the city may also provide reduction in plan review costs and permit fees for affordable housing projects. In addition, it clarified that the fees would have to be paid from an alternative funding source to maintain the Planning and Development Department’s operations. Multiple pieces of internal research and analysis have been completed by the Housing and Planning and Development Departments which produced an estimated average per unit cost of \$3,000 for planning and permit fees.

Initiative 6: Increase Affordable Housing Developer Representation

The goal of this initiative is to continue to increase affordable housing developer representation on Boards, Commissions, and Committees. To achieve this goal, the City is revising its Boards and Commissions application to highlight affordable housing experience. Since the Plan’s adoption, several key boards and commissions have added representatives with affordable housing experience.

Initiative 7: Expand Efforts to Preserve Affordable Housing Stock

The goal of this housing initiative is to expand efforts to preserve affordable housing stock through strategic acquisition, implementing a Community Land Trust program, implementing landlord incentives and resources, and expanding a rental rehabilitation program. To achieve this goal, the Neighborhood Services Department’s Rental Rehabilitation was expanded and launched in 2021. A key downtown property was acquired in 2021 for future redevelopment.

In addition, the Landlord Incentive Program that provides a monetary incentive to landlords that rent to Housing Choice Voucher holders was launched in 2020. As of June 2023, over 2,800 payments have been made to more than 450 new landlords through this program.

In February 2023, an RFP for \$5 million in ARPA funding for a Community Land Trust was released to provide 25 new permanently affordable homeownership opportunities. The Phoenix City Council approved a local Community Development Corporation to administer the program in June 2023.

Initiative 8: Support Affordable Housing Legislation

The goal of this initiative is to support federal and state legislation that will increase the amount of funding available for the preservation and construction of affordable housing and result in an increase in the amount of affordable housing units developed on an annual basis. To achieve this goal, proposed state and federal legislation are continuously tracked.

Initiative 9: Education Campaign



City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

The goal of this initiative is to develop marketing and educational materials that can be shared community-wide to tell our housing story and communicate housing need. To achieve this goal, a dedicated webpage for the Housing Phoenix Plan was created in 2020. Also, Affordable Housing Division staff regularly communicate the City’s housing needs and Plan updates to a variety of stakeholders through informational presentations and speaking engagements.

*Strategies to Address Homelessness Plan*

The Phoenix City Council requested a strategic plan to focus on strategies for persons experiencing homelessness as well as developing best practices to mitigate impacts to surrounding communities and neighborhoods. In January 2021, a task force made up of neighborhood leaders, service providers, and homeless advocates began meeting to prioritize and provide recommendations on the City’s efforts to deploy the new Strategies to Address Homelessness Plan. Throughout 2021, the Task Force met to review and evaluate the plan. The recommendations were made in consensus among the Task Force members and were presented to the Phoenix City Manager as well as to the Phoenix City Council Community and Cultural Investment Subcommittee in April 2022. In developing this plan, 22 meetings were held to receive community feedback. Those meetings were held in various formats including virtually, in person, Spanish-only, and at the Heat Respite Center to receive input from those experiencing homelessness. Approximately 700 individuals attended these meetings and provided over 2,000 comments. In addition, over 2,200 survey takers provided an additional 3,700 comments to the city. The key findings from the survey were that additional funding and services are needed in the following areas: affordable housing, mental health, supportive services, an advisory group, small and specialized shelters, and providing a service resource navigator.

The Task Force for the Strategies to Address Homelessness Plan recognized the linkages between lack of affordable housing and homelessness. As a result, the Task Force reviewed the nine initiatives of the Housing Phoenix Plan and recommended the key components of the Housing Phoenix Plan to be prioritized to help address the need for affordable housing including Initiatives 2, 3, 7, and 9.

*Progress on Housing and Homelessness Efforts*

With two major initiatives supporting efforts for affordable housing and homelessness active simultaneously in the city, significant resources and staff time have been dedicated to ensure the success for our community.

Since the implementation of the Housing Phoenix Plan, as of June 30, 2023, 31,360 total housing units have been created or preserved in Phoenix including:

- Affordable (80% Area Median Income (AMI) and below): 2,070 created and 3,665 preserved or 18% of units.
- Workforce (80% to 120% AMI): 6,745 created or 22% of units.
- Market rate (120% AMI and above): 18,880 created or 60% of units.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

Since the implementation of the Strategies to Address Homelessness Plan, as of September 7, 2023, the city is on track to add 1,627 new shelter, transitional, and supportive housing beds for people experiencing homelessness including:

- 592 new shelter beds added in 2022.
- 120 new shelter beds added in 2023.
- Allocated funding to seven additional projects that in the pipeline which will add an additional 915 new beds through 2024.

**Acute Demand for Affordable Housing**

The City of Phoenix has an acute demand for housing. Regardless of the progress that current City efforts have made, the creation of affordable housing is simply not keeping up with the demand caused by a combination of rising population, rising rent and ownership housing costs, and rising eviction rates. Phoenix is the fifth most populous city in the United States and encompasses 518 square miles. It has also recorded the fastest growth of any major city, with an estimated July 2022 population of over 1.6 million people. In 2020, Phoenix was listed as the nation’s fastest growing large city for the fifth year in a row, according to U.S. Bureau’s estimates. While the city may not be listed as a priority jurisdiction based on the PRO Housing criteria, data shows Phoenix has an acute need for affordable housing and a significant number of households that meet the criteria that stand to benefit by the PRO Housing grant activities.

Phoenix’s extraordinary growth has not come without a price. Recent years have seen rising housing prices, rising eviction rates, and rising homelessness in the area. According to 2016-2020 American Community Survey data, there are a total of 76,870 households within the city earning less than 30% AMI, 72,490 households earning more than 30% and equal to or less than 50% of AMI, and an additional 115,900 households earning more than 50% but less than or equal to 80% AMI, for a total of 183,050 households. The total number of households that are experiencing at least one of four Housing Problems, as defined by HUD, is 205,365. The total number of households that are experiencing at least one of four Severe Housing Problems, as defined by HUD, is 114,130. Renter and owner households in Phoenix are experiencing high levels of cost burdens, with 99,180 households within the city paying between 30% and 50% of their income a month in housing expenses, and an additional 79,565 paying more than 50%.

In recent decades, the percentage of Phoenix residents living in poverty has also increased from 11.5% in 2000 to 13.9% in 2022, according to Decennial Census and American Community Survey 1-year estimates. As described in Phoenix’s Strategies to Address Homelessness Plan, it should also be noted that evictions are increasing across the country. According to the National Council of State Housing Agencies, it is estimated that in the state of Arizona, by January 2021 there will be an estimated 170,000-250,000 households unable to pay rent and at risk of eviction resulting in 150,000 potential eviction filings. As such, it is vitally important for the largest city in the state to put forth strategies that prevent individuals and families from experiencing homelessness through non-payment of rent. Figure 1 below illustrates that 38% of Phoenix households reported an income less than \$50,000.

City of Phoenix, Arizona  
 Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
 October 2023 Draft for Public Comment

**Household Income for Phoenix**

30% of households reported income of \$100,000 or more.

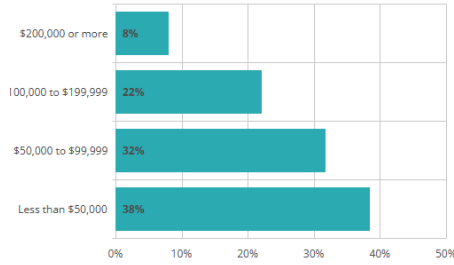


Figure 1: Household Income for Phoenix Households

Source: Maricopa Association of Governments. <https://azmag.gov/Programs/Maps-and-Data/Community-Profiles>

Phoenix has experienced extreme increases in both rent and home purchase prices since 2020. This data is captured at the local level, and the Census-level data from 2020 has not yet caught up to reflect recent trends in housing pricing. Figure 2 below illustrates the steeply climbing median home sales price and Figure 3 highlights that the availability of apartment units with rental rates under \$1,000 has decreased by a staggering 83% since 2020.

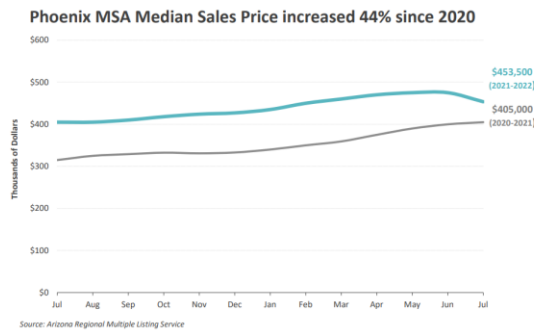


Figure 2: Phoenix MSA Median Sales Prices 2020-2022

Source: Maricopa Association of Governments. Demographic and Housing Trends. September 27, 2022.

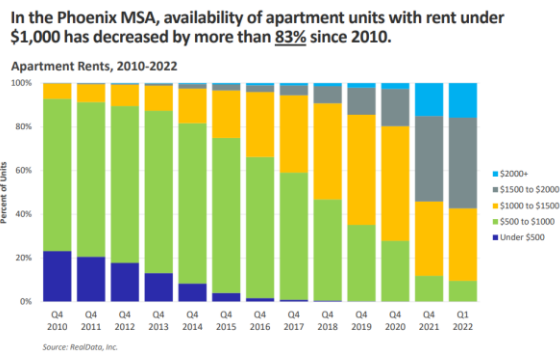


Figure 3: Phoenix MSA Availability of Rent Under \$1,000

Source: Maricopa Association of Governments. Demographic and Housing Trends. September 27, 2022.

**Remaining Affordable Housing Needs**

As of the most recent Housing Phoenix Plan quarterly report for June 2023, all Initiatives and sub-categories are at 75% complete or higher, with one exception. Initiative 5, related to Reduced Planning and Permitting Fees is at just 30% complete to date. With considerable barriers to completing this initiative, the PRO Housing funding will assist the City with its efforts to meet the needs of the community and fulfill its plan to fully implement the initiatives included in the Housing Phoenix Plan. We have concrete plans for, are already well underway, or have successfully completed all other initiatives from the Plan, but due to funding constraints and legal restrictions we have remaining barriers in which to fulfill Initiative 5.

Unmet Housing Needs

In Phoenix, as in the surrounding communities, there is a shortage of rental housing that is both affordable and available to extremely low-income households (with incomes at or below 30% AMI). According to the National Low Income Housing Coalition’s Report, The Gap, in 2021 within Maricopa County alone there were 108,349 extremely low-income renter households, and only 21,115 affordable and available rental homes which is down from the 23,252 rental homes reported in the 2019 The Gap report. There are reportedly only 44 rental homes that are affordable and available in Maricopa County to every 100 households at or below 50% AMI. This is a deficit of 115,156 rental units for the county as a whole.

While the data clearly demonstrates Phoenix’s acute and rising need for more affordable housing, the housing community’s feedback echoes this as well. On September 11, 2023, the City held a Roundtable on Affordable and Workforce Housing Solutions to have an open discussion and gather key stakeholder feedback on the state of housing in our city. The unmet needs highlighted by the Roundtable included many issues, but trended towards:

- Housing for households with 60% of the Area Median Income and below.
- Land, infrastructure, and parking cost challenges.

*Drilling Deeper*

Much of the data available in our region includes the entire Phoenix Metropolitan Statistical Area (MSA). While we see similar data trends between the region and our city, we are currently undergoing a housing needs assessment to further drill down deeper to understand our needs at the community level. The housing needs assessment is expected to be completed in 2024 and will inform future revisions to housing metrics and inform potential recommendations on increasing the supply of affordable housing.

The City began working with Bloomberg Associates (BA), the philanthropic consulting arm of Bloomberg Philanthropies that works with client cities to improve the quality of life for residents in 2022 after the Phoenix Mayor identified several priority projects for BA engagement with the City of Phoenix, one of which was incentivizing affordable housing supply. The Housing Department worked with BA’s sustainability group to complete a workplan in April 2022 addressing topics related to affordable housing supply including multifamily gap financing,

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

permanently affordable homeownership, housing goal metrics, and alternative revenue sources. The scope of the needs assessment includes evaluation of the following:

- Existing conditions
  - Household composition
  - Housing stock
  - Market health / affordability
  - Macroeconomic condition to include migration patterns and cost of construction
- Future needs
  - Future household growth
  - Future housing development
- Existing and projected gap in housing supply, broken down by income levels

Unmet Homeless Needs

The number of people experiencing homelessness is directly related to the lack of affordable housing and rising rental rates for people with low incomes. There were 3,767 persons experiencing unsheltered homelessness on a given night in all of Maricopa County, AZ in 2020 as identified by the Point-in-Time Count, 2,380 of those in the City of Phoenix alone. It should be noted that many more people who experience homelessness throughout the year than during any one given night. The 2023 Point-in-Time Count increased at an alarming rate, with 4,908 people experiencing unsheltered homelessness, and 3,333 or 68% of those counted were in the City of Phoenix. Of the additional 4,734 sheltered persons, 3,569 or 75.4% were in Phoenix.

According to the needs assessment performed by the Maricopa Association of Governments (MAG) titled Pathways Home: A Regional Homelessness Action Plan for Local and Tribal Governments, the percentage of homelessness grew faster in Arizona than anywhere else in the country in 2021. One of the main three steps to reducing homelessness by 25% by 2027 is increasing safe, affordable housing options. In order to meet the needs of these unsheltered people experiencing homelessness, new temporary and permanent housing units will need to be created to reduce homelessness by 25%. The Pathways Home Plan identified the following gaps in increasing safe housing options as necessary to meet the growing needs of the homeless population in the region by 2027 as:

- Add 770 units of temporary housing.
- Add 1,125 units of permanent housing (rapid re-housing and permanent supportive housing). MAG recommends expanding and creating permanent housing projects with supportive services that are strategically spread throughout the region where gaps exist. Offering a range of housing options will contribute to the region having a balanced housing portfolio.
- Increase access to and maintain existing rental units. MAG recommends supporting existing efforts and launch additional efforts to increase the number of landlords renting to people experiencing homelessness.

**Key Barriers to Producing and Preserving More Affordable and Accessible Housing**

Phoenix is making significant strides in many initiatives and increasing affordable housing production; however, the area of plan review and permit fees remains a barrier. Costs associated with plan review and permit fees, as well as the amount of time developers spend during this process are two key barriers to full implementation of the Housing Phoenix Plan and meeting the goal of creating or preserving 50,000 housing units by 2030.

The City completed research on a sample of affordable housing projects that were in development between 2021 and 2023. There were approximately 20 low-income housing projects in various stages of development (2021 through 2023), and the fees for seven of the projects were researched in detail through a collaborative project between the City Planning and Development and Housing Departments. The total project fees for the seven projects were estimated at \$2,148,977, equating to an average total per project of \$306,997. The lowest fee total was \$45,449, and the highest total was \$601,453. The seven projects will create a total of 717 new housing units. The research concluded that the average permitting fees, per unit, are estimated at \$2,997 to date. Planning and Development has also noted that the projects will continue to incur fees. While the scope and size of projects vary, the number of projects per year vary, and the projected estimated fees vary by project, this research helped the City gain insight into a very real barrier for these projects and how assistance with the barrier might make an impact through the PRO Housing grant. The City created this proposal from the estimate that plan review and permit fees cost approximately \$3,000 per new affordable housing unit.

Construction costs also continue to rise. According to the data collected by the Mortenson Construction Cost Index for 2023 Year-to-Date, the index is showing a single quarter increase of 1.3% nationally and 1.4% in Phoenix. Over the last twelve months, costs increased 2.9% nationally and 6.3% in Phoenix. Developers are increasingly needing to diversify their capital stack to ensure subsidy levels necessary to construct and operate. With construction costs higher than ever, permit fees are more burdensome to affordable housing than other types of developments because of the subsidy needed to keep rents affordable. With a goal to create or preserve 50,000 affordable and market rate units before 2030, and having achieved 31,260 to date, there remains a significant cost associated with plan review and permit fees for the remaining 18,740 units. While not all units will be created and some may be preserved, using the average fee per unit of \$3,000 as a baseline, the remaining amount of funding to achieve this plan in plan review and permit fees alone could total \$52,220,000.

Another barrier to lowering the costs associated with plan review and permitting is the lack of ability of City staff to waive or reduce fees in order to incentivize affordable housing production. According to the City’s Comprehensive Annual Financial Report, special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The ‘Development Services’ category of special revenue funds is used to account for development user fees that finance the City’s development review and permitting process, and for community reinvestment and impact fees to be used for redevelopment purposes. It is due to this categorization of funds that the City is legally restricted and without the ability to waive fees due to the 100% cost recovery requirements set forth in the rules.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

The Affordable Housing Roundtable held by the City in September 2023 also discussed barriers to the creation or preservation of affordable housing. The responses from that conversation included the following barriers:

- The Plan Review process; have to build in 2 additional months in project timeframe.
- The permit process; especially coordinating with other departments.
- The time it takes to get through City of Phoenix department processes.
- Increased infrastructure costs.
- Increased insurance costs.
- Increased financing costs.

## **Exhibit D: Soundness of Approach**

### **Vision**

#### *Project Description and Vision*

The City of Phoenix is requesting \$10,000,000 to reduce barriers to the creation and preservation of affordable and accessible housing by assisting housing developers with plan review and permitting fees, including fees associated with expedited plan review timeframes.

Our vision is to fill gaps in project assistance by piloting a new model for the City. We recognize construction costs and interest rates have increased rapidly in recent years and that this means affordable housing is more expensive to build than ever. Coupled with stagnating wages that do not always allow developers to recoup rent levels commensurate with project operating costs, this state of affairs is detrimental to our goal of increasing affordable housing units in Phoenix. While we are legally unable to waive or reduce plan review and permit fees for any development service including affordable housing, we also recognize that this cost to projects can be significant. We believe providing assistance to Low-Income Housing Tax Credit (LIHTC) projects to cover construction and design fees associated with plan and permit fees helps bridge the gap. Limiting our assistance to LIHTC projects aligns with our goal of providing quality, affordable housing in our community because this program focuses specifically on the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. LIHTC projects are subject to strict environmental review standards, and are thoroughly vetted for viability, equal access, and compliance by the Arizona Department of Housing (ADOH). By aligning our program with the high-quality projects that receive LIHTC allocations from ADOH, we believe this model increases the potential success of any project we approve while limiting the time and resources we need to dedicate to program administration.

The proposed project will benefit the CDBG National Objective of Benefit to Low- and Moderate-Income Persons, specifically Limited Clientele Activities (LMC) through assisting with the creation or preservation of affordable housing through plan review and permit fee assistance. The project is described as an eligible activity in the NOFO under Development Activities which include soft costs, such as plan review and permitting fees, related to financing the construction of affordable housing. All projects approved for fee assistance will be required to have income eligibility requirements limiting the activity to a defined percentage of low- and moderate-income (LMI) persons, which would ensure that all development occurring with PRO Housing funding met the LMI requirements.

With this proposal we will:

- Increase and incentivize affordable housing production within Phoenix as quickly as possible through plan review and permit fee assistance and expedited plan review services.
- Ensure the funds support projects that are successful and provide for equitable, accessible housing options placed near well-resourced areas.



City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

- Strengthen customer service for housing developers undergoing plan review and permit processes through a streamlined reimbursement system. Internal teams will benefit from the expedited process as well.
- Provide technical assistance to housing developers and develop new guides for navigating the plan review and permitting process.

Program Design

Financial assistance to cover costs associated with plan review and permit fee assistance will be available to approved housing development applicants for the purposes of preserving or creating new affordable housing for households with low- to moderate-incomes. An eligible project could utilize a maximum project threshold of \$300,000 in assistance toward site plan and commercial construction plan review and permit fees. Zoning applications and impact fees would be exempt from this project, as would offset fees assessed by other Departments, such as Development Occupational Fees (DOF), Water Resource Acquisition (WRA), water tap, and meter fees.

The Phoenix Housing Department will be responsible for creating an application that interested housing developers would use to apply to the program. They will also develop a template Declaration of Affirmative Land Use Restriction Agreement (LURA) that will be executed on each project to ensure compliance with all contract provisions. Until these are executed by all parties, assistance is contingent. The application will be publicly available and will include a sample LURA. To apply, developers will be required to submit an application to staff and be approved prior to each plan submission or permit issuance to determine eligibility and availability of funds.

If a project has received a LIHTC allocation at the time of application, staff will review that it meets minimum guidelines for housing affordability, fair housing, and other cross-cutting requirements. If it is approved, Housing Department staff will forward the application to staff in Planning and Development for review and processing. Conversely, if a project is applying for a conditional letter of approval and seeking an approval letter contingent on the receipt of a LIHTC allocation, they may also apply with the same application and describe the proposed project and site location. They may receive contingent approval, but Planning and Development will only be notified once a LIHTC allocation has been officially awarded. All PRO Housing assistance will be secured by the placement of a lien through the LURA.

In order to ensure funds are spent in a timely manner, our approval process will include a specific deadline for approved projects to be issued permits for construction, with a 6-month extension period. After this timeframe, the City would de-obligate the funds for a given project in order to allow for the approval of other projects that are ready to seek plan review and permit. After a formal LIHTC allocation was approved, the LURA would be drafted and routed for signature by all parties. To ensure shovel ready projects are considered at time of program launch, existing awardees with gaps in financing will be permitted to apply if only they also meet CDBG requirements for funding commitments and environmental review.

During the program design phase, the Housing and Planning and Development Departments will review and build upon existing programs and processes to expeditiously launch this program.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

The Housing Department will model its LURA template from existing HUD and ARPA funded gap financing restrictions. Housing and Planning and Development will extensively research the viability of modeling the fee assistance portion of this program after an existing Adaptive Reuse Incentive program within Planning and Development. To implement PRO Housing quickly, Planning and Development could create a new fee code which would be tied directly to the City’s General Ledger and allow for monthly detailed reports, real-time budget feedback for accounts, and maximum tracking capabilities. With this option, approved fees could be covered directly from the grant. If this is not determined to be the most expeditious option, the city will provide assistance on a reimbursement basis after costs have been incurred by developers.

We intend to approve eligible PRO Housing projects on an ongoing, first-come first served basis to support new housing units in our city as quickly as possible. We expect that if the initial applications for LIHTC projects are submitted and approved in 2024, that these projects would begin construction by 2025.

Maximum Project Threshold and Guidelines

According to the City’s detailed research, over the last five years in Phoenix, 4% LIHTC projects created an average of 200 units per project and 9% LIHTC projects created an average of 70 units per project. Additional analysis was conducted regarding per unit plan review and permit costs for recently completed affordable housing projects, which showed that costs average approximately \$3,000 per unit. The analysis of recent projects also highlighted that an average project had plan review and permit fees of \$300,000. It is through this informed research that we are confident we will ensure equity for projects, and provide a maximum assistance level of \$3,000 per affordable unit for 4% LIHTC projects, and \$1,500 per affordable unit for 9% LIHTC projects, up to an overall maximum of \$300,000 per project.

Housing in Well-Resourced Areas

The application that City staff will create will keep Affirmatively Furthering Fair Housing alignment as a top priority. To ensure all projects funded by this program create housing that does not exacerbate known fair housing issues such as segregation and overrepresentation of low-income housing in areas with few amenities, applications will only be approved if they meet our minimum application thresholds. The final criteria will be decided with city data and stakeholder comments during the design phase, but will seek to include analysis of income levels as well as race and ethnicity data for the proposed site location. Environmental factors will also be reviewed. The application will also include criteria related to equitable access to amenities such as transportation, schools, healthcare, and employment opportunities.

Ensured Continued Affordability

Phoenix wants to ensure that units that receive PRO Housing assistance remain affordable to our residents for the longest period of time possible. While our program will be limited to LIHTC projects with defined periods of affordability requirements, we will further align our affordability provisions with ADOH and include requirements that assisted units remain affordable to individuals for 30 years after assistance. We will ensure this affordability with a LURA. Once

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

projects are constructed and the program fully underway, we will align our monitoring visits with ADOH staff in an effort to reduce staff burden whenever possible. We will seek to review their annual compliance information as well.

New Guide to Leave a Lasting Effect

City departments will undertake the creation of the application and other materials during the 90-day program design phase. We will also go farther to create a lasting effect beyond the initial gap assistance. The Housing and Planning and Development Departments are committed to collaborating to create a new guide that will assist housing developers with submitting complete information for plan review on their first submission. Our intent is to reduce the amount of time for plan review and permit issuance by tackling any common issues head on. We commit to keeping the new guide relevant and up-to-date and believe that this will leave a permanent impact long after the grant period ends.

In addition to the new guide, the Housing Department will also ensure all applicants to the program are aware of existing Planning and Development programs that focus on Priority Expedited Plan Review and Self-Certification. Priority Expedited Plan Review (PEPR) is a premium service for projects meeting City Council approved criteria. Assistance with costs associated with these programs will also be an eligible cost through our assistance program. PEPR is a premium service, and it is expected that submitted plans be complete and, to the nearest extent possible, code compliant when they are logged in for the first review. To be considered for PEPR, an applicant must demonstrate the project is in accordance with approved criteria. The applicant must also demonstrate significant adverse scheduling or financial impacts to the project if excluded from the program.

The Self-Certification Program eliminates plan review by allowing a registered professional to take responsibility for and certify a project’s compliance with building code, standards, and ordinances. Depending on the scope of the project, permits can be issued within five to ten calendar days. The expanded program includes most buildings over 25,000 square feet; inventory, salvage, landscape and parking lot plans by landscape architects; and grading and drainage and parking lot plans by civil engineers.

Planning Realignment

The Planning and Development Department will use the program design phase to review its internal processes and suggest realignment of work within the department to support the PRO Housing plan review and permit issuances, including any potential expedited requests. The department has adequate capacity to meet this demand currently, but will use this opportunity to explore additional process improvements in an effort to rely on internal efficiencies for the success of this program.

*Key Barrier Addressed*

The City intends to focus on only one barrier in this grant application: facilitate affordable housing production and preservation. This demands our entire focus because within it,

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

specifically the reduction of costs associated with the construction of affordable housing, is the singular barrier to affordable housing development to which the City has not yet allocated significant resources. We have been unable to waive plan review and permit fees due to legal restrictions that prevent us from doing so. This barrier was also discussed by many local stakeholders, who are counting on us to make informed decisions to innovatively remove barriers to affordable housing production.

*Regional Efforts Support Our Model*

Within our region, other cities are exploring similar models to incentivize housing development. The City of Glendale, Arizona borders Phoenix and shares many attributes with our city related to affordable housing needs. In January and February 2023, the Glendale City Council held two Workshops to discuss Affordable Housing Development Incentive Programs. They recognized labor shortages, supply chain issues, increased cost of materials, increased interest rates, off-site improvements, and design requirements as contributors to adverse financial conditions for affordable housing development. Their staff proposed a fee waiver program which aims to reduce the costs associated with affordable housing construction to incentivize the production of more units in their city. After lengthy discussion, the Council unanimously approved a limited waiver pilot, where they will create a city ordinance to waive fees up to a defined threshold amount on projects that receive ADOH tax credits through the LIHTC program. While Phoenix is legally restricted from waiving the fees for development services, the aims of our program are the same. We both seek to reduce the costs associated with affordable housing. It is too early to describe the benefits from Glendale’s program, but their efforts affirm that we are on the right track for addressing housing costs in our region.

*Alignment with Existing Planning Initiatives*

Our proposal aligns with multiple citywide and regional planning efforts including the HUD 5-Year Consolidated Plan and 1-Year Action Plan, Housing Phoenix Plan, Strategies to Address Homelessness Plan, Analysis of Impediments to Fair Housing Choice, Phoenix General Plan, and MAG’s Pathways Home: A Regional Homelessness Action Plan for Local & Tribal Governments. All plans share a similar call to action related to housing: increase the number of affordable housing units in our communities as quickly as possible to address the housing crisis, and do so in a thoughtful way that ensures residents have equitable access to services and amenities.

**Geographic Scope**

Our geographic scope is the entire City of Phoenix. Phoenix is home to over 1.64 million residents and covers a geographic area of 518 square miles. Phoenix is a vibrant and racially diverse city, however 15.4% or approximately 253,000 residents live in poverty.

The program will accept applications for eligible affordable housing projects that will occur anywhere within our city limits. During the design phase, the Housing Department staff will ensure the program application accounts for minimum threshold criteria for approval such as project location and availability of services within the area, i.e., access to food, schools,

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

healthcare, and transportation options. By requiring applications for affordable housing to be thoroughly vetted by the Housing Department prior to approval, we can ensure that each successful housing project preserves or creates housing in high-opportunity areas and expands opportunities in underserved areas in the city. Figure 4 illustrates the Phoenix city limits.

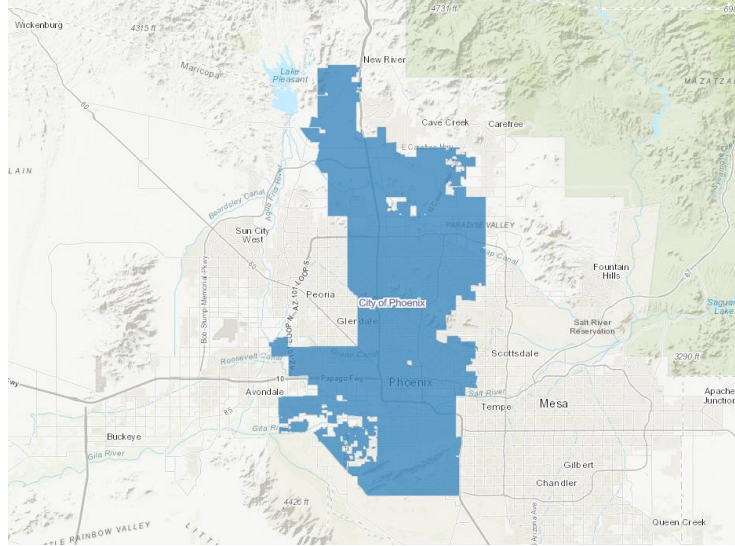


Figure 4: City of Phoenix City Limits Map

Source: City of Phoenix Maps and Geographic Information Systems (GIS) Data. <https://www.phoenix.gov/imap>

Phoenix recognizes that affordable housing and homelessness crises are not simply confined by city limit boundaries. As shown in the map below in Figure 5, Phoenix shares significant jurisdictional boundaries with Priority Geographies, which are all within the Phoenix Metropolitan Statistical Area. By adding affordable housing to Phoenix, the entire region, including the border Priority Geographies will benefit from new affordable units.

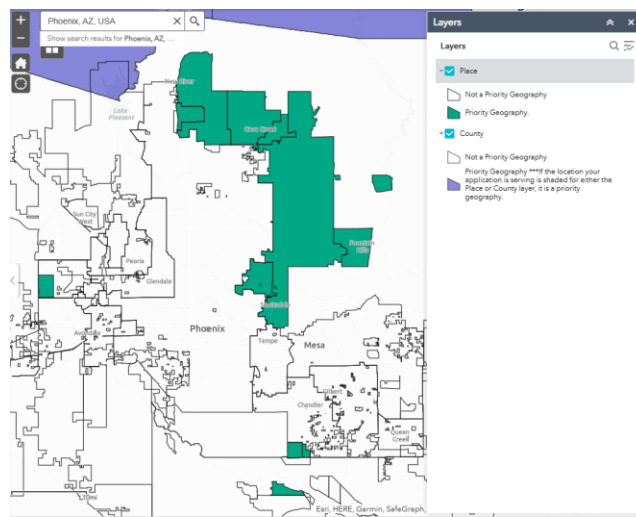


Figure 5: Phoenix Metropolitan Statistical Area (MSA) Priority Geographies

Source: U.S. Department of Housing and Urban Development. PRO Housing Priority Geography Search.

City of Phoenix, Arizona  
 Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
 October 2023 Draft for Public Comment

**Key Stakeholders and Form of Engagement**

The City engaged in meaningful conversations with key stakeholders in the affordable housing community while developing its proposal. In September 2023, the City held an Affordable Housing Roundtable. The City engaged with approximately 65 stakeholders including a wide range of non-profit and for-profit housing developers, consultants, public sector housing agencies, non-profit agencies with affordable housing focus, housing builders, regional housing and homelessness leaders, advocates, homelessness service and housing providers, people with lived experience, and policy organizations. The organizations and individuals provided insightful feedback and offered relevant and thoughtful suggestions for ways the City could further encourage affordable housing development.

The roundtable attendees provided ample feedback related to the City’s plan review and permitting processes in which they listed rising costs as a barrier and described a lengthy plan review process in which developers believe they must build two additional months into their timelines to account for the approval process. The input received by these stakeholders shaped our PRO Housing proposal by affirming that the issues facing the housing community that were highlighted in the Housing Phoenix Plan remain active barriers to creating and preserving more affordable units. Experts from Phoenix Departments also attended and added to the conversation, which represented the Mayor’s Office, City Council, City Manager’s Office, Office of Homeless Solutions, and the Phoenix Departments of Housing, Neighborhood Services, and Community and Economic Development. The stakeholders involved in our engagement are included in the table below.

<b>Affordable Housing Roundtable Attendees/Invitees September 2023</b>	
Alliance Residential	Mattamy Homes
ARDURRA	McCormack Baron Salazar
Arizona Department of Housing	Mercy Housing
Arizona Housing Coalition	Mercy Care AZ
Arizona Multihousing Association	Meritage Homes
Arizona State University	MetroWest Development
Baron Properties	Morrison Institute – ASU
Bloomberg Associates	Native American Connections
Brookfield	Newtown CDC
Butler Housing	Phoenix Community Alliance
Capitol Consulting	Phoenix Industrial Development Authority
Catholic Charities	PRIDE Board
Centex	Pulte Homes
Corporation for Supportive Housing	Quarles & Brady
Chicanos Por La Causa	RAZA Development Fund
Cul de Sac	RCG
Mercy Housing	RED Development
Dominium	Shea Homes
DR Horton	Sheila D. Harris Consulting

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

Gammage & Burnham	Taylor Morrison
Gorman & Company	Toll Brothers
Greenlight Communities	Transwestern Development
Habitat for Humanity	Trellis
Holualoa	Triadvocates
Home Builders Association of Central Arizona	Trinity Housing
i3	Tru Vista Development
KB Home	UMOM
Lazarus & Silvyn, P.C.	Urban Land Institute
Leavitt Consultants	U.S. Interagency Council on Homelessness
Lennar	Valley Partnership
Maricopa Association of Governments	Venue Projects
Mark Taylor	Vitalyst Health Foundation

In addition to the roundtable, the draft application was shared for public comment during a public hearing at a centrally located local library. The meeting was held at 5:30pm to ensure the highest number of attendees. The library is located on the light rail line and has free and available parking. The draft application was posted on our website for a 15-day public comment period, whereby we also accepted comments by email or in person at our office. A summary of comments is included as an attachment to this application.

The Phoenix Planning and Development Department is also a stakeholder and key partner in this application, and the Housing Department undertook considerable consultation with multiple staff members during the design and development of this proposal.

The Phoenix Neighborhood Services Department is an additional stakeholder in this application. As the lead agency for Community Development Block Grant (CDBG) funding, their staff were vital to ensuring the program design met PRO Housing and CDBG eligibility. They will remain an important partner during the grant period of performance on any issues related to CDBG regulations and compliance.

Once funded, the City would continue to undertake stakeholder engagement during the design and implementation phases of our program. The activities we would utilize to reach and engage the community and our partners include emailing information regarding the grant and its objectives, holding virtual or in-person information meetings to gather feedback, and providing information at meetings where public comments can be made. We are also committed to maintaining regular contact with the Planning and Development Department staff and implementation team during the grant period.

**Alignment with Affirmatively Furthering Fair Housing**

Phoenix is committed to ensuring equal opportunity and access for all persons, including persons in protected classes and limited English proficiency residents, to all of our programs and services. We will operate this program citywide, ensuring new affordable housing units have the best chance of being equally accessible and spread throughout the jurisdiction. The program will not include geographic prioritization in certain neighborhoods in an effort to disincentivize

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

concentrating housing in areas that are not well-resourced and allow for a greater production of housing in well-resourced areas throughout the city.

Rather than simply relying on the narratives of our applicants to achieve this alignment, our reviews will rely on trackable data to inform our approval decisions. To ensure all projects funded by this program create housing that does not exacerbate known fair housing issues such as segregation and overrepresentation of low-income housing in areas with few amenities, applications will only be approved if they meet our minimum application thresholds which will analyze the following criteria for the proposed site locations:

- Income level data.
- Race and ethnicity data.
- Environmental factors.
- Proximity to equitable access to amenities, i.e., transportation, schools, healthcare, and employment opportunities.

Designing our program to be approved by knowledgeable staff in the Housing Department that are confident in recognizing fair housing issues ensures that when the plans reach the Planning and Development Department, they are fully vetted and PRO Housing eligible prior to review and approval.

In addition to ensuring the projects funded are in line with Affirmatively Furthering Fair Housing (AFFH) requirements, the Housing Department will also undertake activities that will benefit residents of approved projects, including publicly posting contact information for reasonable accommodations requests, free language translation services, ADA accommodations, and its Language Access Plan for LEP residents prominently on its website at <https://www.phoenix.gov/housing>. Affirmative marketing plans will be required of any approved housing project.

The City isn't only making it easier to access its programs and services, it is taking meaningful action to expand the protections by affirmatively furthering fair housing to additional persons. The Phoenix Equal Opportunity Department (EOD) began enforcing the recent amendment to Chapter 18 of the City Code on April 6, 2023. The amendment was designed to address housing discrimination against persons who receive various sources of income including but not limited to: child support, spousal support, foster care subsidies, rental assistance, security deposit or down payment assistance, income derived from social security or disability insurance, veterans' benefits, Housing Choice Vouchers (Section 8), and other forms of governmental assistance. EOD is aware of the ongoing housing crisis and the struggles with finding affordable housing. Although this new ordinance provides EOD with additional authority to protect City residents who face discrimination because of their source of income, it is designed to address a limited aspect of the current housing crisis – the barrier of housing discrimination that has adversely impacted many in the community. This amendment expands EOD's authority to investigate discrimination due to an applicant's source of income.



City of Phoenix, Arizona  
 Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
 October 2023 Draft for Public Comment

**Budget and Timeline**

*Budget*

Category	Amount
<b>Development Activities:</b>	
\$3,000 Per Affordable Housing Unit Plan Review and Permitting Fee Assistance @ 3,000 units	\$9,000,000
<b>Program Administration and Planning:</b>	
Program Expenses of City of Phoenix Housing Department January 2024 – September 2029 <ul style="list-style-type: none"> <li>• Staff costs to cover Required Tracking, Reporting, Cross-Cutting Requirements, Program Planning, Legal Review, Recording Fees</li> <li>• 0.5 FTE Housing Department Project Manager to implement program</li> </ul>	\$1,000,000
<b>TOTAL REQUEST</b>	<b>\$10,000,000</b>

If the City’s proposal is selected but funded at a lower level than our request of \$10 million, we would proportionally reduce the Program Administration and Planning category of our budget to an overall 10% of the allocation and reduce the number of units assisted to meet the new total. This would ultimately limit the number of new affordable housing projects that could be assisted, and it would also limit our ability to pilot this program on a large scale. Without the needed data this program would afford our city, affordable housing fee assistance may not ever be implemented at a scale necessary to meet the demand. If we were to only receive 50% of our funding request, we estimate we would still be able to create a program, however we would only be able to provide plan review and permit fee assistance to assist in the creation or preservation of 1,500 units. The minimum amount of funding that would allow our proposal to be carried out in earnest is \$2,250,000, and with that amount we would only be able to assist with the production or preservation of 675 units.

*Timeline*

The following table shows the timelines for the eligible activities we will undertake upon award. Due to the many existing programs and services that PRO Housing activity processes will be modeled after, the pathway to launching the program is significantly expedited. We anticipate this will allow applications for LIHTC projects to incorporate a commitment for plan review and permit fee assistance with their LIHTC application as early as spring of 2024.

<b>Plan Review and Permit Fee Assistance Program Design and Implementation Timeline</b>	
Activity	Estimated Date
Project Award	January 2024
Program Design Meetings with Housing and Planning & Development Departments	February 2024
Stakeholder Engagement on Program Design	February 2024
Feedback Received	February 2024

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

Develop Program Application, Policies, and Procedures	March 2024
Develop LURA Template and Process for Affordability Restrictions	March 2024
Create Program Website	April 2024
Program Launch	April 2024
Rolling Applications Accepted on and Approved on First-Come First-Served Basis	May 2024 – Spring 2029
Monthly Program Team Meetings to coordinate processes during initial launch and implementation phase	May 2024 – June 2025
Quarterly Program Team Meetings to ensure regular communication during implementation	July 2025 – June 2029
Design Program Monitoring Guidelines, Begin Monitoring of Approved Projects	July 2025
Program Monitoring of Approved Projects	July 2026
Program Monitoring of Approved Projects	July 2027
Program Monitoring of Approved Projects	July 2028
Program Monitoring of Approved Projects	July 2029
Project Closeout	September 2029

**Exhibit E: Capacity**

**City of Phoenix Capacity**

The lead agency for PRO Housing grant administration will be the Phoenix Housing Department. The Housing Department has 129 full-time staff, 51 contract staff, and an operating budget of \$199 million. The Housing Department offers an array of services and programs designed to help residents and their families achieve their highest level of economic and social independence. Our programs provide public housing, Housing Choice Vouchers, affordable rental apartments, and single-family homes to more than 35,000 area residents. This includes partnering with non-profit and for-profit community organizations on the preservation and development of affordable housing units. Our partnerships have led to sustainable and affordable rental housing and homeownership opportunities.

The Housing Department is the administrator of multiple HUD funded programs, and has considerable knowledge on cross-cutting regulations. These programs include the HOME Investment Partnerships Program (HOME) and HOME Investment Partnerships-American Recovery Plan Program (HOME-ARP). The Housing Department administers over 7,300 vouchers through the Housing Choice Voucher program where participants pay at least 30% of their monthly income toward their rent to a private landlord of their choice and the program will pay the landlord the remaining balance of the rent. The Department administers the Veterans Affairs Supportive Housing (VASH) Program, which provides for housing to veterans experiencing homelessness. Further, the Housing Department is the administrator of the HUD Housing Opportunities for Persons with AIDS (HOPWA) Program. The goal is to help persons living with HIV/AIDS and their families maintain a stable living environment that will allow access to healthcare and supportive services.

Consistent with its defining mission, “Quality Affordable Housing and a Pathway to Self-Sufficiency,” the Housing Department is tasked with creating affordable housing opportunities to improve the quality of life for the residents of Phoenix, improving and preserving housing access and availability and funding programs that will assist persons at risk of homelessness and those experiencing homelessness. Housing programs serve people with low-to-limited incomes including families, singles, seniors, and people with special needs such as disabilities, veterans, people experiencing homelessness, victims of domestic violence and persons living with HIV/AIDS. The City owns and operates over 5,000 units of public and affordable housing, including single-family homes that are “scattered” throughout Phoenix. Both options allow applicants who meet the eligibility requirements to pay up to 30% of their monthly income towards rent without experiencing rent burdens. Recognizing the importance of independent living for seniors and people with disabilities, ADA-compliant apartment communities are located throughout Phoenix.

PRO Housing activities will be assigned to the Affordable Housing Division within the Housing Department. This division is responsible for organizing, planning, directing, implementing,

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

researching, and managing all nine policy initiatives listed in the Housing Phoenix Plan. These responsibilities include meeting timelines and performance objectives; identifying funding for potential projects and programs; issuing affordable housing development opportunities and managing development projects; advocating for housing with internal and external partners; working with partners to develop strategies to increase housing for our community; and ensuring excellent customer service for customers.

Below is the Housing Department’s organization chart including the Affordable Housing and Management Services Divisions, which will be primarily responsible for the grant implementation and the fiscal and procurement duties.



Housing Department Organizational Chart  
DIRECT REPORTS

10/5/2023

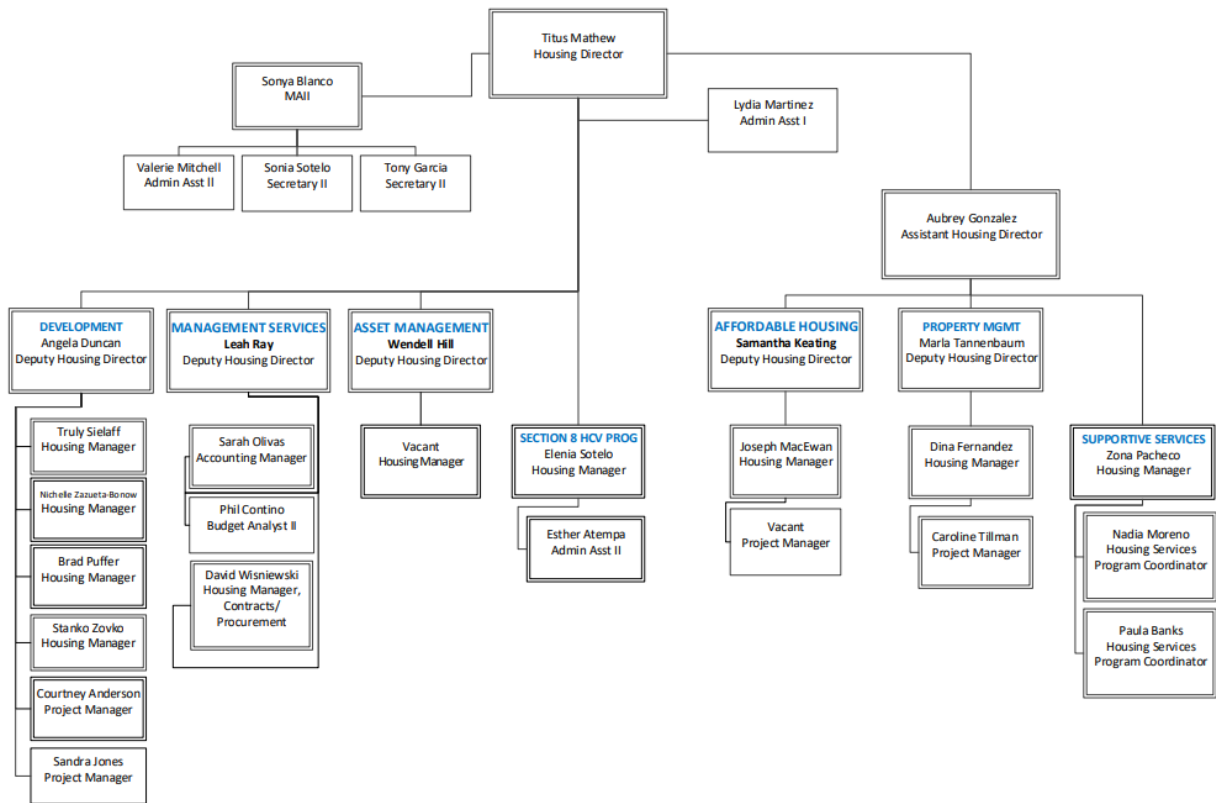


Figure 6: Phoenix Housing Department – Management Level Organizational Chart

**Partner Capacity**

The Phoenix Housing Department will administer the PRO Housing grant in close partnership with the City of Phoenix Planning and Development Department. The Planning and Development Department has 533 full-time employees and an annual operating budget of \$90.3 million.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

The Planning and Development Department is instrumental in guiding the physical development of the city by preserving our historic sites, planning what can be built and where, and ensuring the safe construction of buildings and infrastructure. These processes are governed through development and enforcement of city codes and ordinances. A host of advisory and governing bodies of residents as well as elected officials provide oversight to the Department as the city grows and needs arise.

Below is the Planning and Development Department’s organization chart for the Building and Fire Division which will be primarily responsible for the plan review and permitting activity for PRO Housing grant activities.

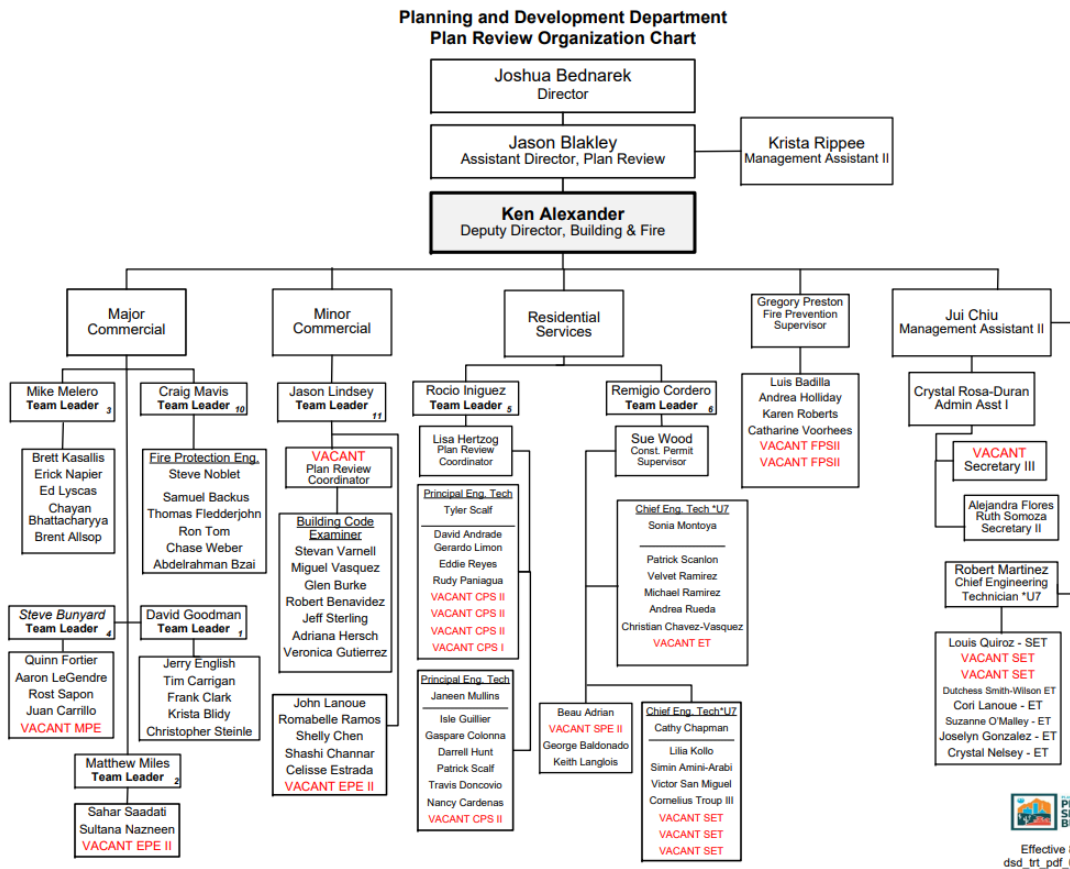


Figure 7: Phoenix Planning and Development Department – Plan Review Organizational Chart

**Staffing Plan**

Phoenix is placing the administration of the PRO Housing grant in two very capable, high-performing Departments with a combined total of over 650 employees. Within each department, a lead division has been identified. Described below in detail are the key positions that will participate in grant activities starting with policymaking and program design, and continuing on to the review and approval of plans and approving the permits for affordable housing projects in our community. The Affordable Housing Division currently is in the process of increasing

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

staffing by adding a Project Manager to their team. This will further expand the capacity of the team to undertake the new PRO Housing funded activities.

Housing Department – The Housing Director and Assistant Housing Director will be involved in setting policy objectives and monitoring, evaluating, and acting as technical advisor on management and program matters for staff working on the PRO Housing grant. They will confer with other officials, residents, and community organizations to explain the City’s housing objectives, policies, services, and needs. They will also recommend changes in policy, procedure, and program development and implementation as needed for the program.

The Deputy Housing Director – Affordable Housing will have general oversight of the PRO Housing grant activities, and is also responsible for serving as the Affordable Housing Division leader, overseeing the Council-approved Housing Phoenix Plan (HPP), as well as managing and overseeing the implementation of all programs and policy initiatives identified in the HPP and assists in meeting the goal of creating or preserving 50,000 homes by 2030. This position supervises the HPP team currently comprised of a Housing Manager and a new Project Manager position that will be filled in 2023. For the PRO Housing grant, this position will be responsible for organizing efforts of multiple city departments, managing contractors, managing contracts, researching, analyzing, reporting, providing recommendations to management on effective department processes, and communicating with external stakeholders on behalf of the City as needed.

The Affordable Housing Division Housing Manager will be responsible for the day-to-day responsibilities of the grant. These responsibilities will include meeting the grant’s timeline and performance objectives; accepting and approving applications for the program; advocating for housing with internal and external partners; working with partners in Planning and Development to ensure the smooth implementation of the grant; and ensure excellent customer service for applicants of the program and stakeholders. The Housing Manager will establish cooperative working relationships and make decisions according to PRO Housing requirements and applicable CDBG regulations, cross-cutting requirements, and existing laws and City policies.

The Affordable Housing Division Project Manager position is currently in recruitment. Once this position is filled and training is complete, duties may be transferred from the Housing Manager based on staffing needs. This may include collaboration on the implementation of the nine HPP initiatives and tracking key performance indicators related to their progress and goals which PRO Housing will bolster; preparing Council reports concerning HPP initiatives; overseeing development projects, including reviewing funding applications, developing and maintaining project schedules and budgets, ensuring federal compliance, conducting project inspections, and overseeing project closeout; and monitoring funding and development contracts and timelines.

Under the leadership and guidance of the Deputy Management Services Director, the Accounting Manager will provide oversight of all grant funding including grant accounting, accounts payable and receivable, financial reporting, auditing, and monthly monitoring of expenditures and budgeting for the grant. The Fiscal team consists of the following full-time employee positions:

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

Accounting Manager, Budget Supervisor, Accountant III, Accounting Analyst, Budget Analyst II, Accountant II, and two Account Clerk III positions.

Also reporting to the Deputy Management Services Director, is the Housing Manager – Contracts/Procurement who will be responsible for ensuring compliant and fair procurement of any needed grant activities, as well as ensuring the completion of a contracting process.

Planning and Development Department – The Planning and Development Director is responsible for organizing, planning, and managing the activities of the Planning and Development Department. The Director oversees and manages large scale redevelopment and new development efforts in an equitable and sustainable manner. This is accomplished through direct oversight of the General Plan, other area plans, administration of the zoning ordinance and rezoning requests, overseeing the Historic Preservation Office along with planning and design review, permitting, inspections of private construction projects, and will include PRO Housing activities.

The Assistant Planning and Development Director directs and manages highly complex and multi-disciplinary development or planning activities. For PRO housing activities, the Assistant Director will work with customers and departmental representatives to resolve property development problems; oversee the writing of project specification development requirement checklists and coordinate the plan approval process; screen appeals on site plans, building plans, subdivision plots, lot divisions and off-site improvements; confer with and advises deputy directors and division heads on problems relating to plan review, permit issuance, inspections and administrative matters; review plans, technical reports, budget estimates, proposed ordinances and regulations submitted by division heads; and review and participate in the development of proposed code changes.

The Deputy Director manages the Building and Fire Division of the Planning and Development Department and a corresponding team of planners, engineers, and professional staff involved in various phases of the planning and development process. Related to PRO Housing activities, the Deputy Director will assist with the development of standards and procedures for the conduct of their assigned division; provide general guidance to the work program and aid in interpreting policy; act as a technical adviser to employees in solving difficult assignments and in reviewing the objectives, feasibility, and techniques of execution and resultant findings of their work; and participate in code development with appropriate agencies and jurisdictions.

The Planning & Development Team Leaders will lead and supervise multi-disciplinary plan review staff assigned to a project review team in the Building and Fire Division, which will include all plans for affordable housing projects including PRO Housing activities. Each team typically consists of four to ten staff from such classifications as Structural Plans Engineer, Architect, Electrical Plans Engineer, Mechanical Plans Engineer, Fire Protection Engineer New Construction, Building Code Examiner, Planner III, Civil Engineer III, Traffic Engineer III, and other plan review and support staff.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

Additional Capacity – This application was written by a grant writer acting in a consultant capacity to the Housing Department in very close coordination with the City staff. Multiple members of the Housing Department, Planning and Development Department, Neighborhood Services Department, and City of Phoenix Office of Homeless Solutions staff coordinated closely to provide information for all sections to the grant writer. All information was reviewed by City staff during the development of the proposal. Coordination among the City departments will be a central part of the proposed program.

The City of Phoenix has extensive experience working with civil rights and fair housing issues. The Housing Department manages major federal programs guided by fair housing laws, and utilizes an equity lens to guide its work. The Equal Opportunity Department (EOD) has experience working with data to analyze racial or economic disparities, including during the most recent Analysis of Impediments to Fair Housing Choice. The EOD also serves on the Planning and Development Department committee to address the City's zoning ordinance concerning group homes in residential neighborhoods. This committee is comprised of City department directors, group home providers/professionals, legal consultants, and City of Phoenix residents.

Within the last year alone, EOD took the following significant actions to increase awareness of Fair Housing Laws within the City. The City partnered with the Southwest Fair Housing Council (SWFHC) to conduct monthly fair housing workshops that are free and eligible for continuing education unit (CEU) credit for REALTORS. The training was geared toward the general public, HOA members, REALTORS, leasing agents, and property management professionals. SWFHC also refers potential complainants to EOD to ensure that their concerns are triaged and investigated, as needed. EOD also participated in community presentations, radio and television interviews, and social media posts to increase awareness of fair housing. Additionally, EOD provided fair housing training to City staff, sub-recipients, and any other entities the City may contract with under its CDBG program.

The City also amended Chapter 18 of the City Code to add “Source of Income” as a protected basis. This expands EOD’s authority to investigate discrimination due to an applicant’s source of income; including child support, spousal support, foster care subsidies, rental assistance, security deposit or down payment assistance, income derived from social security or disability insurance, veterans' benefits, Housing Choice Vouchers, and other forms of governmental assistance.

To continue working towards breaking down barriers to fair housing choice, as described by the Analysis of Impediments to Fair Housing Choice, EOD partnered with the Phoenix Police Department Crime-Free Multi-Housing Unit. This unit conducts two half day seminars for landlords, REALTORS, property management employees and the general public. In the seminars, EOD offers fair housing training covers topics such as sexual harassment, criminal background policies, and various topics concerning disability discrimination. The seminars which include other City partners also provide information on various subject matters including landlord and tenant information, interacting with persons experiencing mental health crises, crime prevention and reporting, and evictions. EOD advertised fair housing month events on the



City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

city website, city calendars, and social media. EOD also had the opportunity to provide fair housing information for Spanish speakers during a regional Telemundo Phone Bank. EOD staff attended housing trainings offered through the HUD-sponsored National Fair Housing Training Academy, as well as other national training and conferences, regional housing seminars, and online webinars and utilizes this information to provide fair housing training and services for Phoenix departments and residents.

City of Phoenix, Arizona  
 Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
 October 2023 Draft for Public Comment

**Exhibit F: Leverage**

The City of Phoenix intends to leverage significant local and federal resources for the creation and preservation of affordable housing as part of its concerted effort to reduce barriers to affordable housing. The City of Phoenix is committing a minimum of \$81,836 in staff time to carry out the program, which is expected to increase over the grant period as costs for staff time and employee related expenses increase annually. Formal letters of leverage commitment from the Housing Department Planning and Development Department are included in the Attachments.

In addition, the table below highlights the significant resources that the City of Phoenix has committed to projects and activities that support the reduction of barriers to the development of affordable and accessible housing.

Funding	Activity to Support Affordable Housing	Amount
American Rescue Plan Act	Create and preserve more affordable housing by providing gap financing to developers	\$16,000,000
American Rescue Plan Act	Acquisition, housing development, rehabilitation, down payment assistance and administration for Community Land Trust	\$5,000,000
HOME Investment Partnerships Program- American Rescue Plan (HOME-ARP)	Assist people experiencing or at risk of homelessness and other vulnerable populations by providing housing, rental assistance, supportive services, and non-congregate shelter	\$21,354,777
2023-24 Community Development Block Grant	Housing preservation, rehabilitation, ADA modifications, infill, strategic acquisition, and down payment assistance	\$5,280,866
2023-24 HOME Investment Partnerships Program (HOME)	Affordable housing activities including multifamily rental construction, housing rehab. and reconstruction, owner-occupied housing rehab., and homeownership assistance	\$6,459,260
2023-24 City of Phoenix General Fund	City General Fund Support for Affordable Housing Initiatives and the Affordable Housing Division	\$421,867
2023 General Obligation Bond Program*	Affordable Housing Property Preservation - Phase I	\$33,170,454
2023 General Obligation Bond Program*	Choice Neighborhoods Housing Development Gap Funding	\$21,320,941
2023 General Obligation Bond Program*	Innovation in Affordable Housing	\$1,000,000
<b>Total</b>		<b>\$110,008,165</b>

\*Pending voter approval by City of Phoenix voters at a Special Bond Election on November 7, 2023.

**Exhibit G: Long-term Effect**

*Long-term Effect and Outcomes*

Succeeding with this program will mean that our city has addressed a recognized, data-driven barrier to the creation and preservation of affordable housing with true financial commitment. We will have also gained momentum and support for how and which measures we fund in the future so that we can continue piloting innovative measures through an ever-changing housing landscape.

Upon completion of the grant, we will have achieved the following:

- Provided plan review and permit fee assistance to aid in the production or preservation of 3,000 housing units affordable to households with low-incomes.
- Removed a significant barrier to the creation and preservation of affordable housing in our city.
- Created and launched a publicly-available guide geared toward affordable housing developers that will provide technical assistance and tips to navigate the Phoenix plan review and permit process.
- Provided technical assistance for approximately 30 projects as they navigate the plan review and permit process.
- Increased the efficiency of the plan review and permit process through strategic realignment of work with existing trained personnel.
- Ensured the 3,000 new units in Phoenix remain affordable for a minimum of 30 years after project completion.
- Created a program that serves as a model for other communities that seek to understand and mitigate the impacts of plan review and permitting fees on affordable housing.

*Roadblocks and Solutions*

Phoenix enjoys considerable support for affordable housing development from all levels of leadership including the Mayor, City Council, and City Manager. The City is always seeking ways to review local data and use the results to make informed, data-driven decisions that address our community challenges. We have already identified one roadblock to the creation and preservation of affordable housing in our city, and this application directly addresses the solution. Due to our legal restrictions to waive or reduce development services fees, securing funding to address the costs associated with plan review and permit fees is paramount to affecting real change and movement in this initiative.

The additional roadblocks to removing barriers to affordable housing creation and preservation are likely to remain the same for years to come including:

- Population increases that are outpacing the number of available and affordable units in our community.
- Rising rents for market rate units, increasing the demand for affordable housing units.
- Rising homeownership costs.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

- Rising building and labor costs.
- Increased evictions.
- Aging housing stock.

We plan to continue to review data, collaborate with our peers, determine what works and what doesn't in our completed affordable housing development projects, review national best practices in housing, and seek additional funds to continue to remove barriers one by one in Phoenix.

*Model for other Communities*

The Housing Phoenix Plan is already a model for other communities, and this new program will continue to add to and shape the outcomes of the plan. It is our hope that this fee assistance model is replicable for other communities in our region. We will track data diligently so that we can adequately evaluate and define program success. As data is gathered on the efficacy of this model in our community, Phoenix will prepare and provide presentations and briefing sheets to distribute within the region to inform our local jurisdictions about this option and how they can effectively scale and replicate it to suit their population and local fee structures. We will also provide our method for undertaking the fee study and determining the average costs per project and per unit so that other jurisdictions may take a focused look at their local costs and if these are providing a barrier to affordable development. We would seek to provide this information to local collaborative groups such as the Arizona Community Development Collaborative, Maricopa Association of Government (MAG) Continuum of Care Local Jurisdiction Committee, the Arizona Housing Coalition, and the League of Arizona Cities and Towns.

*Environmental Risks and Promotion of Community Resilience*

The most significant environmental risks described in the HUD Community Resilience Toolkit for Phoenix's desert climate are likely extreme heat, the potential for drought conditions, and inland flooding due to our summer monsoon season. As described in the Phoenix 2021 Climate Action Plan, the City has an Office of Heat Response and Mitigation, which is charged with coordinating efforts across all city investments in infrastructure to mitigate the effects of urban heat island.

The Housing Department has completed numerous projects with community resilience at the forefront of their design. One such example is the community-driven redevelopment effort as part of the Choice Neighborhoods redevelopment of the Edison-Eastlake Community. This effort includes LEED for Neighborhood Development (LEED ND) certification and architectural guidelines that create "Enterprise Green Communities" to provide a new mixed-income, energy-efficient housing development that will become a showcase of sustainable development. The Aeroterra Community is a HOPE VI redevelopment project that replaced obsolete public housing units with mixed-income energy efficient, Enterprise Green Communities certified buildings. The project also included carports with solar panels. In addition to these efforts, the Housing Department also partnered with the APS Solar Communities Program to install new carports and solar panels at Monroe Gardens, Fillmore Gardens, Marcos de Niza Apartments, Summit Apartments, Sunnyslope Manor, and Washington Manor Apartments.

City of Phoenix, Arizona  
Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application  
October 2023 Draft for Public Comment

---

Phoenix always conducts strict environmental reviews for all housing projects to define risks and ways to mitigate the effects of any new development on our community and for our housing residents. Projects receiving PRO Housing funds will be subject to the same stringent review process. We will also continue to consult with stakeholders in an effort to innovate and evolve as we seek to assist projects that are energy-efficient and aid in our community’s climate resilience.

*Reducing Cost-burden to Residents and Barriers to Affordable Housing for Protected Classes and Vulnerable Populations*

We believe the proposed application threshold for each affordable housing development site’s proximity to amenities, public services, jobs, transit, schools, and other important community assets and locations will result in reduced housing cost burden for residents without increasing other costs such as transportation. The application for assistance will review site location data and will also include a review of criteria related to equitable access to amenities such as transportation, schools, services, healthcare, and employment opportunities. By only approving projects that meet a defined set of criteria that seeks to locate affordable housing within areas of high-resources with ample access to amenities, we intend to have expanded access in our city to people affected by perpetuated segregation, inhibited access to well-resourced areas, protected class groups, and vulnerable populations. After a minimum period of affordability of 30 years, our 3,000 units will have ensured many households had access to housing options that did not cause cost burdens but instead reduced them by only allowing a rent payment of 30% of their income.

We are confident that we will succeed with our vision. Our plan to utilize PRO Housing funding to break down housing barriers will ensure that 3,000 units of affordable housing units are created or preserved in Phoenix, and that those units are affordable to low-income households for at least the next 30 years. Through this program we will also drill deeper into data, provide technical assistance and improved customer service for affordable housing developers, and serve as a model for other local jurisdictions to spur affordable housing. This program will propel Phoenix forward in its housing goals and through this initiative we will welcome new residents, and honor our existing ones, by providing a vast array of housing options for low-income households.