

Exhibit A - Executive Summary
City of Phoenix

City of Phoenix, Arizona
Pathways to Removing Obstacles to Housing (PRO Housing) Application

The City of Phoenix is requesting \$7 million in PRO Housing funds to advance our commitment to addressing the critical affordable housing shortage in the nation's fifth-largest city. With a rapidly growing population, rising housing costs, and increasing development expenses, Phoenix faces an urgent need for sustainable and equitable housing solutions. This funding will support three critical initiatives that align with the Housing Phoenix Plan and the city's long-term transportation and sustainability goals, creating new opportunities for low- to moderate-income (LMI) residents to access affordable housing in high-opportunity areas along our transit-oriented community (TOC) corridors.

The proposed projects will support the City of Phoenix's ambitious goal of creating or preserving 50,000 housing units by 2030 and will strategically leverage existing city resources and partnerships to maximize the impact of these funds.

Our \$7 million PRO Housing request will be allocated as follows:

1. **Gap Financing for Affordable Housing Developments:** \$4.5 million will provide gap financing for two City-owned properties located at Central Avenue and Columbus Avenue and 9th Street and Jefferson Street. For the Central and Columbus property, we expect to develop 250 units, with half of the units targeted at or below 80% of the Area Median Income (AMI) and the remainder up to 120% AMI. The 9th Street and Jefferson site is estimated to include between 75-100 units, with a mix of affordability levels below and above 80% AMI. We are also exploring the potential to incorporate Housing Choice Voucher program office space at the 9th Street and Jefferson site as part of the redevelopment, which may further enhance the project's value.

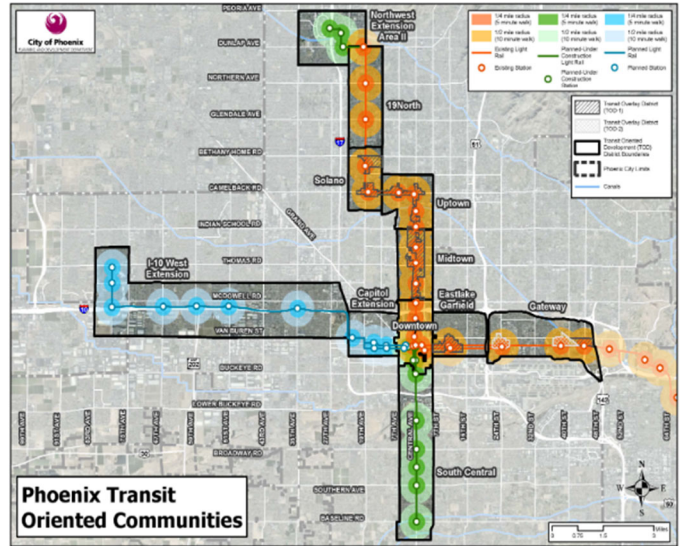
Both properties are situated within Phoenix's designated Transit Oriented Communities (TOC) corridors, aligning with our commitment to transit-oriented, walkable urban development as outlined in Initiative 2 of the Housing Phoenix Plan. Additionally, the redevelopment of these city-owned properties supports Initiative 3 (Redevelop City-owned Land with Mixed-Income Housing), further promoting the city's goal of mixed-income developments in well-resourced, high-opportunity areas.

These developments will help bridge the financial gap created by high-density, mixed-use projects, which require additional funding due to increased development costs. These redevelopment projects will provide needed high-density affordable housing adjacent to high-capacity transit and in close proximity to the downtown Phoenix core. These developments will prioritize housing for LMI households, supporting Phoenix's efforts to expand housing options near public transportation and reduce transportation costs for residents.

2. **Permit and Plan Review Fee Reduction Program:** \$1.5 million will fund the reduction of plan review and permitting fees for affordable housing projects, prioritizing developments within high opportunity zones identified for strategic growth within Phoenix's Transit Oriented Communities (TOC areas). If projects are not located directly within TOC district boundaries, they will need to be in proximity to other transportation options such as bus routes to ensure accessibility. This broader approach allows us to

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incentivize affordable housing development while maintaining a focus on transportation connectivity.



This project will provide \$3,000 per unit in fee reductions, facilitating the creation of approximately 500 affordable units. By alleviating the financial burden associated with city fees, this initiative will incentivize developers to pursue projects that provide affordable housing options in key areas, helping meet the city’s growing housing demand.

3. **Housing Needs Assessment - Phase 2 Feasibility Analysis:** \$300,000 will be allocated to conduct a Phase 2 Housing Needs Assessment, building on our existing research to identify new opportunities for housing development in underutilized areas. This data-driven analysis will guide future investment and policy decisions by evaluating effectiveness of existing programs and determine feasibility to identify most impactful affordable housing solutions, ensuring Phoenix continues to address affordable housing needs efficiently and strategically.

These initiatives will not only create new affordable housing but will also align with Phoenix’s broader sustainability goals of reducing greenhouse gas emissions, increasing access to transit, and fostering equitable development in well-resourced areas (2021 Climate Action Plan phoenix.gov.) By focusing on transit-oriented development, we will reduce transportation costs for residents, support environmental sustainability, and create walkable urban spaces that promote healthy, connected communities.

Long-Term Impact and Alignment with Regional Goals

The proposed projects directly support the Housing Phoenix Plan, which aims to increase housing options across the city while ensuring that all residents—regardless of income—can access safe, affordable housing. The developments at Central and Columbus and 9th Street and Jefferson are part of a broader effort to integrate housing and transportation, reducing the city’s carbon footprint and promoting sustainable urban growth.

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Furthermore, this proposal will help Phoenix meet the Affirmatively Furthering Fair Housing (AFFH) requirements by increasing affordable housing availability in high-opportunity areas and ensuring equitable access to services and amenities for LMI households. By focusing on TOC communities, the program will provide residents with better access to jobs, healthcare, schools, and other critical services, supporting both housing equity and transportation access.

Partnerships and Leveraged Resources

The Phoenix Housing Department will oversee the implementation of this grant, working in close partnership with the Planning and Development Department and other local stakeholders. These partnerships ensure that the proposed projects will benefit from technical expertise and streamlined coordination, enabling efficient use of funds and maximizing impact. Additionally, the City will leverage existing general funds to cover staffing and administrative costs, ensuring that the majority of the grant will be directed toward project funding.

Metrics and Outcomes

The \$7 million in PRO Housing funding is projected to:

- Create 350 housing units, with the majority of units affordable to households earning below 80% of the Area Median Income (AMI), while ensuring a portion of units remain accessible to households earning above 80% AMI to promote mixed-income developments.
- Offset permitting and plan review fees for 500 projects, facilitating the creation of affordable housing in key transit-oriented zones.
- Ensure long-term affordability of these units for a minimum of 30 years.
- Reduce residents' transportation costs by prioritizing developments in transit-accessible locations.
- Provide essential data through the Phase 2 Housing Needs Assessment, guiding future city investments and housing policy.
- By using gap financing as loans, we aim to recycle these funds into future projects as repayments are made, thereby extending the long-term impact of this program.

These projects are expected to have lasting effects on Phoenix's housing landscape, serving as exemplar developments for future TOC projects and demonstrating the city's commitment to equitable, sustainable, and affordable housing solutions.

Exhibit B - Threshold Requirements and Other Submission Requirements
City of Phoenix

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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 is a party to a number of lawsuits filed by individuals alleging civil rights violations, but to date no legal judgment has been entered against the City for a pattern or practice or systemic violation of civil rights laws. In the interest of full transparency, the U.S. Department of Justice conducted an investigation of the Phoenix Police Department and issued its report on June 13, 2024. At this time, the City of Phoenix is in the process of conducting a thorough review of the report and will evaluate options to effectively and efficiently resolve any credible allegations raised in the report.

Timely Submission

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

Number of Submissions

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

Code of Conduct

The City of Phoenix has submitted to HUD its written code of conduct/Ethics Handbook that complies with the requirements included in the “Conducting Business in Accordance with Ethical Standards” section of the Administrative, National and Department Policy Requirements and Terms for HUD Financial Assistance Awards, as well as any program-specific requirements.

Standard Application, Assurances, Certifications, and Disclosures

The City has completed and/or attached to this application the following required forms/assurances:

- Standard Form 424 (SF-424) Application for Federal Assistance
- Assurances (HUD 424-B)
- Applicant Disclosure Report Form (HUD 2880)
- Federal Assistance Assurances
- 424-CBW Budget Form
- Certification Regarding Lobbying
- Disclosure of Lobbying Activities (SF-LLL)
- PRO Housing Certifications

Other Program-Specific Requirements

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During the application process, the City of Phoenix:

- Proposed activities consistent with Affirmatively Furthering Fair Housing, the Fair Housing Act, and the City of Phoenix Analysis of Impediments to Fair Housing Choice.
- Conducted the planning process in accordance with Limited English Proficiency (LEP) guidance.
- Ensured that the in-person public hearing was held in a facility that was physically accessible to persons with disabilities.
- Provided notices and communications in a manner accessible to persons with hearing, visual, and other communication-related disabilities or provided reasonable accommodations as needed.

If awarded, the City of Phoenix will:

- Continue to comply with LEP guidance, ensuring access to services for individuals with limited English proficiency.
- Maintain physical accessibility in all public hearings and project implementations, ensuring that accommodations for persons with disabilities are provided.
- Communicate effectively for individuals with hearing, visual, and other communication-related disabilities, offering reasonable accommodations to those in need.
- Conduct all necessary environmental reviews in accordance with applicable federal, state, and local environmental regulations to ensure full compliance with HUD's environmental requirements for awarded funds.

By adhering to these standards, the City of Phoenix is committed to ensuring inclusive and compliant planning, communication, and implementation processes.

Exhibit C - Need
City of Phoenix

C1. Efforts to Identify, Address, Mitigate, or Remove Barriers to Affordable Housing

Housing Phoenix Plan

In 2019, the Phoenix City Council requested an affordable housing initiative to identify housing needs, compile an inventory of affordable housing communities, and document the gap in affordable housing. The result was the Housing Phoenix Plan (2020), which aims to create or preserve 50,000 housing units by 2030 through nine policy initiatives. Progress has been made, but significant barriers remain, especially regarding developing affordable housing development in high-opportunity areas like within transit-oriented corridors. Our proposed application integrates sustainable, walkable urban development, aligned with TOD policies to increase access to jobs and essential services.

Key efforts that have been undertaken to address the policy initiatives are described below.

Initiative 1: Prioritize New Housing in Areas of Opportunity

Transit infrastructure plays a central role in prioritizing new housing. The City will develop a place-based scoring matrix that will align housing developments near transit options and essential community resources. This framework is being implemented through a GIS-based analysis as part of the next steps for PlanPHX 2025, the city's general plan update to guide housing development decisions, with a particular focus on proximity to transportation options such as the light rail and bus systems.

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

The goal of this initiative is to amend the zoning ordinance to facilitate a broader range of housing options. The initiative includes key measures such as affordable housing incentives, the allowance of Accessory Dwelling Units (ADUs), and the expansion of the Walkable Urban Code.

Several significant achievements have been made that aid in reducing barriers to affordable housing production and preservation in Phoenix:

- In 2022, the City Council approved an expansion of the Walkable Urban Code to incentivize mixed-income, high-density housing in transit-oriented communities (TOC) corridors. These zoning amendments support the development of dense, walkable neighborhoods, reducing the reliance on cars and promoting sustainability.
- In June 2023, text amendments were passed to address the approval procedures for new mobile home park developments and the expansion of existing non-conforming parks. This ensures that mobile home parks, a critical affordable housing resource, can continue to grow and support low-income residents, many of whom rely on public transit.
- In January 2024, a text amendment addressing parking reductions for multifamily development was approved by City Council. These changes provide more streamlined regulations, which can aid in reducing the cost to develop housing.

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Further efforts are underway to expand housing options and incentives through three additional text amendments:

- A Mobile Home Park Incentive Framework to support the development and expansion of affordable mobile home parks.
- An adaptive reuse and multifamily overlay district to address reuse of existing commercially obsolete buildings in addition to conversion of existing commercial sites to multifamily use.
- Updates to ADU requirements, which could provide opportunities to increase affordable housing availability.

These zoning changes are critical for increasing the supply of housing and will further enable the development of affordable, transit-accessible housing options that align with Phoenix's goals of sustainability, walkable neighborhoods, and equitable housing access.

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

The goal of this initiative is to address the severe shortage of affordable housing in Phoenix by redeveloping land owned by the city into mixed-income housing opportunities. In 2020, the City Council approved a list of 144 properties suitable for residential development, which was updated in 2022 to reflect new opportunities. Several key sites on this list are located within the City's TOC corridors. This effort to maximize city-owned assets supports a broader strategy to create sustainable, transit-oriented communities where residents can access jobs, public transportation, and essential services. The development of affordable housing in high-opportunity, transit-connected areas supports the city's goal of creating walkable, equitable neighborhoods. To date, more than 30 parcels have been released via Requests for Proposal (RFP).

Two key project sites exemplify this initiative: the redevelopment of Central and Columbus and 9th Street and Jefferson, both of which focus on transforming city-owned land into mixed-income housing. These projects are strategically located within Transit Oriented Communities (TOC areas), offering residents enhanced access to public transportation, jobs, schools, and essential services, significantly reducing transportation costs and promoting economic mobility. The developments will prioritize affordable housing while ensuring integration with the surrounding community and TOC infrastructure.

The Request for Proposal (RFP) for the Central and Columbus redevelopment was released in January 2024, marking a critical step forward in moving the project to the construction phase. Similarly, the RFP for the 9th Street and Jefferson site is expected to be released in 2025. These timelines demonstrate the city's commitment to advancing these projects and ensuring they align with Phoenix's broader housing and transportation goals.

Further RFPs are being developed to capitalize on additional city-owned properties, ensuring that Phoenix continues to address its affordable housing shortage by leveraging public land.

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Initiative 4: Enhance Public-Private Partnerships and Increase Funding

This initiative aims to strengthen public-private partnerships and expand funding opportunities through public, private, and philanthropic sources to boost affordable housing production in Phoenix. The Affordable Housing Division of the Phoenix Housing Department plays a key role in fostering these relationships, regularly engaging with developers, community organizations, advocacy groups, and other stakeholders to identify new opportunities for collaboration and support the development of more affordable housing.

A significant milestone in this initiative occurred in February 2023, when the city issued a Call for Interest for \$6 million in American Recovery Plan Act (ARPA) funding specifically for affordable housing development gap financing. This effort resulted in four projects being awarded funding by the Phoenix City Council in June 2023, which are expected to support the creation of over 500 new affordable housing units across the city. Two of the four projects awarded through this funding opportunity are strategically located within Transit Oriented Communities (TOC) corridors. These projects were prioritized based on their alignment with the city's broader goals of promoting transit-oriented development (TOD), walkable neighborhoods, and integrated affordable housing solutions. By situating these projects within TOC areas, the city is ensuring that affordable housing is closely linked with public transportation networks and key community services, further advancing Phoenix's long-term sustainability and accessibility goals.

By leveraging gap financing—provided as low-interest loans—the city is ensuring that public funds are used efficiently and can be recycled into future projects as loans are repaid. This financing model allows Phoenix to fill funding gaps for high-priority affordable housing developments, particularly in high-opportunity areas. These efforts are not only increasing the number of affordable units but also making it easier for developers to secure the capital necessary to move projects forward, especially in transit-accessible neighborhoods where land and development costs are higher.

The continued success of this initiative relies on the city's ability to build and maintain strong partnerships across sectors. Through regular collaboration and innovative funding approaches, Phoenix is well-positioned to meet its ambitious affordable housing goals while creating equitable, sustainable communities that align with the city's TOC and Housing Phoenix Plan objectives.

Initiative 5: Building Innovations and Cost-Saving Practices

The goals of this initiative are to increase the production of affordable housing by implementing building innovations and cost-saving practices. Key strategies include the creation of a development assistance team specifically assigned to affordable housing projects, the use of an Affordable Housing Advocate, reducing planning and permitting fees, establishing an infrastructure fund for affordable housing developers, and continuing research into cost-saving practices.

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To achieve these goals, the Housing Department established the Affordable Housing Division in 2021, the first entirely General Funded division within the Housing Department. This highlights the City Council’s commitment to implementing the Housing Phoenix Plan. In collaboration with the Planning and Development Department, development teams have been identified to review affordable housing projects, ensuring a thorough understanding of the complexity involved in such developments. This collaborative approach facilitates smoother project approvals and a better understanding of the unique challenges faced by affordable housing developers.

The Housing Phoenix Plan also underscores the importance of reducing planning and permitting fees, which significantly impact the total development costs of affordable housing projects. The city has implemented expedited plan reviews for affordable housing at no additional cost, further streamlining the predevelopment process. Internal research and analysis conducted by the Housing and Planning and Development Departments estimated that planning and permit fees add approximately \$3,000 per unit to the total cost of affordable housing projects. The Plan proposes that these fees be covered by an alternative funding source to maintain the operational capacity of the Planning and Development Department while supporting affordable housing production.

By continuing to develop cost-saving measures, streamline regulatory processes, and support innovative funding approaches, Phoenix is taking concrete steps toward achieving its affordable housing goals and ensuring that projects in transit-oriented, walkable neighborhoods can be developed efficiently and sustainably.

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 initiative is to expand efforts to preserve the existing affordable housing stock through strategic acquisitions, implementing a Community Land Trust (CLT) program, landlord incentives, and expanding the Rental Rehabilitation Program. Through these programs, Phoenix aims to ensure long-term housing stability for low-income residents.

To achieve this goal, the Neighborhood Services Department expanded and launched the Rental Rehabilitation Program in 2021, targeting the preservation and rehabilitation of affordable housing units in key areas of the city, several of which are included in TOC corridors. Additionally, a significant downtown property was acquired in 2021 for future redevelopment, with the intent to develop additional affordable housing within a downtown, in transit-accessible corridor.

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The Landlord Incentive Program, launched in 2020, provides monetary incentives to landlords who rent to Housing Choice Voucher holders, particularly in areas near public transportation. As of July 2024, more than 4,700 payments have been made to over 900 new landlords, helping to expand housing options for voucher holders in high-opportunity, transit-rich neighborhoods.

In February 2023, an RFP for \$5 million in ARPA funding was released to support the establishment of a Community Land Trust (CLT). This initiative aims to create 25 new permanently affordable homeownership opportunities, ensuring long-term affordability. The Phoenix City Council approved a local Community Development Corporation to administer the program in June 2023, marking a significant step toward preserving affordable housing options in high-demand areas.

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

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.

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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

As of June 2024, the City of Phoenix has made substantial progress in addressing its affordable housing crisis through the Housing Phoenix Plan. According to the latest report, 44,677 housing units have been created or preserved. This number is part of the city's long-term goal of creating or preserving 50,000 units by 2030.

Here's how the numbers break down as of the most recent data:

- Affordable housing units (80% AMI and below): 4,331 created and 5,708 preserved, representing 23% of the total units.
- Workforce housing units (80% to 120% AMI): 10,145 created, or about 23% of the total.
- Market-rate units (above 120% AMI): 24,493 created, accounting for 55% of the total.

On the homelessness front, Phoenix is also making progress. As of September 2024, the city is on track to add 790 new shelter, transitional, and supportive housing beds for people experiencing homelessness in 2024 and 2025, which is in addition to the 1,072 shelter beds added in 2022 and 2023.

C2. Acute Demand for Affordable Housing

The City of Phoenix is facing a profound housing crisis. Despite ongoing efforts through city initiatives, the creation of affordable housing is not keeping pace with the skyrocketing demand caused by rapid population growth, escalating rent and homeownership costs, and a troubling rise in eviction rates. As the fifth-largest city in the United States, Phoenix spans 518 square miles and continues to experience the fastest growth among major cities, with a population exceeding 1.6 million as of July 2022. For the fifth consecutive year in 2020, Phoenix was ranked as the nation's fastest-growing large city, according to U.S. Census Bureau estimates. This extraordinary growth has exacerbated the strain on the housing market, leaving many residents struggling to find affordable homes.

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.

Demographics and Poverty Rates

Phoenix is also a city rich in diversity. According to the 2020 Census, its population consists of 42% White, 42% Hispanic, 7% Black, 4% Asian, and 3.5% identifying as mixed-race. This diversity highlights the need for inclusive and equitable housing solutions that cater to people from all cultural and economic backgrounds. Alarmingly, 19.9% of Phoenix's population lives

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below the poverty line, including 19% of children under 18 and a significant portion of seniors aged 65 and older, further stressing the urgent need for affordable housing.

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.

INCOME¹ AND HOUSING PROFILE - CITY OF PHOENIX	
<i>Median Area Income</i>	<i># Households</i>
Households earning less than 30% Area Median Income	76,870
Households earning 30% -50% Area Median Income	72,490
Households earning 50% - 80% Area Median Income	115,900
<i>Total Households Low- to Moderate- Income</i>	<i>183,050</i>
<i>Housing Problems and High-Cost Burden</i>	<i># Households</i>
At least one of four housing problems	205,365
At least one of four SEVERE housing problems	114,130
High Cost Burden - Renters/Owners paying <u>30 – 50%</u> of monthly income on housing expenses	99,180
High Cost Burden – Renters/Owners paying <u>more than 50%</u> of monthly income on housing expenses	79,565
Total Households City of Phoenix	580,835

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 estimates. Additionally, evictions in Arizona have escalated significantly, worsening the housing instability crisis. Recent reports reveal that 97,000 eviction filings were recorded in Arizona in 2023, marking a 43% increase compared to 2022. This surge reflects the intensifying challenges of rising rental costs and a lack of affordable housing options. As highlighted in Phoenix’s Strategies to Address Homelessness Plan, these trends underscore the urgent need for intervention to address poverty, prevent evictions, and expand access to affordable housing (*Morrison Institute State of Housing in Arizona August 2024*). 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.

¹ U.S. Census Bureau. (2022). American Community Survey 5-year estimates: 2016-2020.

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Household Income for Phoenix

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

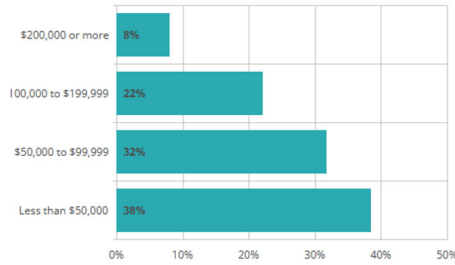


Figure 1: Household Income for Phoenix Households

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.

Phoenix MSA Median Sales Price increased 44% since 2020

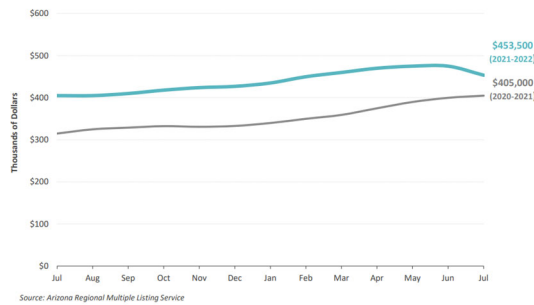


Figure 2: Phoenix MSA Median Sales Prices 2020-2022

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

In the Phoenix MSA, availability of apartment units with rent under \$1,000 has decreased by more than 83% since 2010.

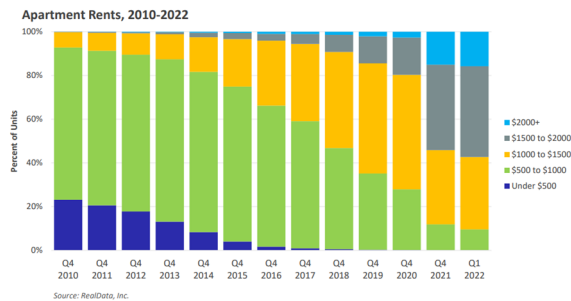


Figure 3: Phoenix MSA Availability of Rent Under \$1,000

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

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Remaining Affordable Housing Needs

As of the most recent Housing Phoenix Plan quarterly report from June 2024, all initiatives and sub-categories have reached 75% completion or higher, except for Initiative 5, which focuses on reducing planning and permitting fees and remains at 30% completion. Despite significant progress in other plan areas, the city continues to face barriers in fully implementing Initiative 5 due to funding constraints and legal limitations related to the cost-recovery model.

While significant progress has been made in further the redevelopment of City-owned property consistent with Initiative 3 of the Plan, development of properties in TOC areas, benefiting from existing transportation infrastructure, and which are ideal for denser, mixed-use, transit-oriented developments are difficult to make financially feasible at a scale and intensity appropriate for their location. While plans for development are underway, securing additional funding will allow us to maximize these strategic locations and enhance affordable housing production near rich transit resources. This investment would further strengthen our ability to create sustainable, well-connected neighborhoods, driving long-term economic mobility for low- to moderate-income residents.

The city has, however, made notable advancements in creating and preserving over 44,677 housing units, moving closer to its goal of 50,000 units by 2030.

Beyond these specific challenges, Phoenix faces several other significant barriers that complicate affordable housing development, particularly in transit-oriented development (TOD) areas where land values are often higher than other areas of the city. The availability of traditional affordable housing financing and subsidies, such as 9% Low-Income Housing Tax Credit (LIHTC), is a major issue as funding is oversubscribed and insufficient to meet the demand. This year, Arizona also reached the 4% bond cap, making it difficult for developers to secure the necessary "capital stack" to break ground on projects. In addition, land acquisition costs near transit hubs are high, with affordable housing developers often competing with market-rate projects and investors for prime sites, further straining project feasibility. Compounding these issues are rising development costs, driven by construction material price increases, labor shortages, and higher interest rates, which make it more difficult to maintain affordability. These challenges, along with delays in the permitting process and infrastructure constraints, demonstrate the need for PRO Housing funding to support Phoenix in overcoming these barriers and ensuring the efficient development of affordable housing in transit-accessible, high-opportunity areas.

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 2024 within Maricopa County alone there were 110,775 extremely low-income renter households, and only 20,719 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 34 rental homes that are affordable and available in Maricopa County to every 100 households at or below 50% AMI. This is a deficit of 128,908 rental units for the county as a whole.

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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 first phase of 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 finalized late 2024 and will, with the completion of a second, feasibility analysis, help 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 that included completion of the first phase of the housing needs assessment in addition to framework for a second, feasibility analysis, phase. The scope of the first phase of the needs assessment includes evaluation of the following:

- Existing conditions
 - Household composition
 - Housing stock
 - Market health / affordability
 - Macroeconomic conditions that include migration patterns
- 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 in Phoenix is directly tied to the lack of affordable housing and rising rental rates for low-income residents. According to the 2024 Point-in-Time Count, 4,076 people were experiencing unsheltered homelessness in Maricopa County, with 2,701 located in Phoenix. However, this count underestimates the total number, as many more individuals face homelessness throughout the year.

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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.

C3. Key Barriers to Producing and Preserving More Affordable and Accessible Housing

Phoenix is making significant strides in increasing affordable housing production, but several barriers hinder progress. Key barriers include plan review and permitting fees, rising costs and limited funding availability, rising construction and land costs, time and complexity of the permitting process, and legal constraints on fee waivers and reductions. Each of these barriers presents a significant challenge to developing and preserving affordable housing in Phoenix.

Rising Costs and Limited Funding Availability

In addition to permitting fees, the availability of financing for affordable housing has become increasingly limited. The 9% Low-Income Housing Tax Credit (LIHTC) is oversubscribed, with only about one-third of requested funding allocated in recent rounds. For example, in the 2024 LIHTC reservation, awarded projects received \$22.7 million in allocations out of a total \$74.5 million requested. Furthermore, Arizona has reached its 4% bond cap for 2024, leaving fewer financing options for affordable housing projects. The scarcity of these funding sources has created a significant funding gap, making it difficult for developers to secure the capital necessary to break ground on projects.

Plan Review, Permitting Fees and Legal Constraints on Waivers and Reductions

A primary barrier to affordable housing production and preservation in Phoenix is the significant cost associated with plan review and permitting fees. These fees add approximately \$3,000 per unit to the total cost of an affordable housing project, which can substantially increase the overall development budget. This burden is especially heavy for affordable housing developers, who already face challenges in securing subsidies and maintaining project viability.

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The City of Phoenix operates under a cost-recovery model, where the Planning and Development Department is primarily funded through user fees, including plan review and permitting fees, which are legally designated by City Council action as special revenue funds. This structure limits flexibility to reduce or waive these fees without an alternative funding source, such as the General Fund. However, the General Fund faces increasing pressures from several sources, including recent State legislation, such as Senate Bill 1131, which eliminates the residential rental sales tax starting in 2025, and Senate Bill 1828, which reduces individual income tax rates to a flat 2.5%. These legislative changes will result in significant revenue reductions for Phoenix, with an estimated annual impact of over \$43 million from the rental sales tax elimination alone, and further reductions in state-shared income taxes. Additionally, the City faces rising costs in employee pensions, compensation, and essential services like addressing homelessness. Given these constraints, funding for fee waivers or reductions without impacting other critical services is extremely limited, making it even more challenging to absorb development-related costs into the city's budget.

Rising Construction and Land Costs

Another critical challenge is the rising cost of construction. Over the past year, Phoenix has seen a 1.8% increase in its construction cost index, driven by rising material prices, labor shortages, and higher interest rates. These rising costs make it increasingly difficult for developers to maintain affordability and complete projects within budget. Based on an analysis of affordable housing developments submitted to the Arizona Department of Housing for funding between 2016 and 2024, the cost per unit to develop has increased by approximately 44%, from \$294,820 to \$424,329. Moreover, the cost of land is also rising, particularly in high-opportunity areas near transit-oriented development (TOD) corridors. Developers face increased competition for land in these areas, further escalating acquisition costs and adding financial strain to affordable housing projects.

Time and Complexity of the Permit Process

The time and complexity of the permitting process also pose significant challenges. The plan review and permitting process in Phoenix can add up to two months to project timelines, increasing holding costs and further complicating the development process. Coordinating between multiple city departments during this review period exacerbates delays and adds complexity, making it harder for developers to navigate the system efficiently. Combined with rising infrastructure and insurance costs, these delays significantly impact the timeline and budget of affordable housing projects.

Efforts to Address Barriers

Despite these challenges, Phoenix is working to address the barriers to affordable housing production. The Housing Phoenix Plan, approved in 2020, includes several initiatives to streamline the development process and assist with affordable housing development costs. The city offers expedited plan reviews for affordable housing projects and has conducted internal research on fee reductions. Additionally, Phoenix has launched a pilot program using

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Community Development Block Grant (CDBG) funds to address off-site infrastructure costs and utilized ARPA funds for affordable housing gap funding.

Further, the city has utilized American Rescue Plan Act (ARPA) funds to provide gap financing for affordable housing projects. These gap financing programs help developers bridge the financial shortfall caused by rising construction costs, limited public subsidies, and other market constraints. By offering this funding, Phoenix ensured that projects in high-opportunity areas, particularly Transit Oriented Communities (TOC), proceeded despite financial barriers. This holistic approach of pairing development incentives with financial assistance is critical in overcoming the challenges to affordable housing production and ensuring long-term housing stability for low- and moderate-income households.

While Phoenix has undertaken various initiatives to mitigate these barriers, including policy changes, research, and pilot programs, permit fees and affordable housing project funding remain a critical obstacle due to legal and financial constraints. The City is committed to working with its departments and stakeholders to propose long-term solutions.

Exhibit D - Soundness of Approach
City of Phoenix

D1. Vision – 5 points

Project Description and Vision

Project Description and Vision

The City of Phoenix is requesting \$7 million in PRO Housing funds to directly address the key barriers that have historically hindered affordable housing production: **rising construction costs**, **limited public subsidies**, and **development-related fees**. This proposal is deeply aligned with the city's Housing Phoenix Plan, which seeks to create or preserve 50,000 affordable housing units by 2030. The proposal consists of three key initiatives: gap financing for two affordable housing developments, fee reduction assistance for plan review and permitting, and a comprehensive Phase 2 Housing Needs Assessment. Each of these components plays a vital role in eliminating long-standing barriers, ensuring the long-term production and preservation of affordable housing in Phoenix.

Gap Financing for Affordable Housing Developments (\$4.5M)

Phoenix will dedicate \$4.5 million in gap financing to two critical affordable housing projects located on City-owned property in Transit-Oriented Communities (TOC) at Central Avenue and Columbus Avenue and 9th Street and Jefferson Street. These developments will produce approximately 350 units of affordable and mixed-income housing, strategically placed in walkable, well-resourced areas that align with Phoenix's sustainability and transportation goals. Both projects will secure a minimum of 40 to 99-year affordability commitments through a Land Use Restrictive Agreements (LURA), ensuring long-term accessibility for low- and moderate-income households. Gap financing will be structured as **low-interest loans** that will be repaid, allowing funds to be recycled into future housing developments and creating a sustainable source of funding.

Plan and Permit Fee Reduction Assistance (\$1.5M)

To further lower development costs, the proposal includes a plan review and permit fee assistance program, allocating \$1.5 million to assist in the production of 500 affordable housing units financed with Low-Income Housing Tax Credits (LIHTC). Given the city's legal constraints on permanently waiving fees, this program will cover a portion of development-related fees, ensuring that developers—especially nonprofit housing developers—can pursue more projects in high-opportunity areas. This reduction will improve financial viability for affordable housing and streamline the permitting process, leading to faster delivery of housing units and meeting immediate housing demands. This fee assistance will directly contribute to reducing upfront financial hurdles and accelerating project timelines in addition to ensuring minimum affordability that aligns with LIHTC funding.

Phase 2 Housing Needs Assessment (\$300,000)

The Housing Needs Assessment will provide crucial data and insights into areas of greatest housing need and underutilized land in well-resourced areas. This assessment is foundational to Phoenix's long-term housing strategy, helping to inform policy development, zoning updates, and future investments that support sustainable housing production. By pinpointing key areas for investment and development, the city will better align its resources to expand affordable housing and increase access for low-income households. The findings from this assessment will play a

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key role in removing systemic barriers, including potential ordinance changes and regulatory adjustments that could streamline development further.

National Objectives and Eligible Activities

All proposed activities align with CDBG National Objectives, focusing on benefiting low- and moderate-income persons by increasing the availability of affordable housing. Gap financing and fee reductions directly contribute to this objective by making housing financially feasible for low-income households. These activities also meet CDBG guidelines for eligible activities by supporting the construction, rehabilitation, and planning of affordable housing developments. The Housing Needs Assessment is also considered an eligible planning activity under CDBG rules, designed to identify gaps in housing availability and provide data-driven guidance for future development.

Alignment with Existing Plans and National Objectives

This proposal is consistent with Phoenix’s broader planning initiatives, including the Housing Phoenix Plan, the HUD 5-Year Consolidated Plan, the Phoenix General Plan, and the Maricopa Association of Governments (MAG) Pathways Home Plan. These initiatives prioritize increasing affordable housing availability, reducing the environmental impact of urban sprawl, and providing equitable access to resources for low- to moderate-income (LMI) households. By developing housing in TOC areas, Phoenix ensures that new affordable housing is not only connected to public transportation and jobs but also promotes sustainability, addressing both housing needs and climate resilience.

Addressing Key Barriers to Affordable Housing

Phoenix faces several persistent barriers to affordable housing production: rising construction costs, limited public subsidies and financing as well as legal constraints on waiving plan review and permitting fees. This proposal is designed to address these barriers head-on.

1. **Rising Construction Costs:** Phoenix has seen a 1.8% increase in its construction cost index in the last year, significantly impacting the affordability of new housing projects. By providing gap financing, the city is ensuring that key city-owned TOC parcels are able to be developed with high-density, affordable housing projects despite these rising costs. This financing will reduce the financial strain on the city’s developer partners for these project sites and create a sustainable funding model by recycling loan repayments into future housing projects.

Limited Public Subsidies and Affordable Housing Financing: Phoenix has experienced ongoing challenges with the oversubscription of the 9% Low-Income Housing Tax Credit (LIHTC) program, and the 4% LIHTC bond cap has further restricted financing options this year. To address this, the Permit and Plan Review Fee Assistance Program helps alleviate some of the financial burdens developers face by offsetting \$3,000 in fees per unit for 500 affordable units. This fee reduction is particularly important given the rising construction costs, as it allows developers to lower upfront costs and maintain the financial viability of affordable housing projects.

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In addition to the fee reduction, Phoenix’s \$4.5 million gap financing initiative offers a direct solution to financing constraints by providing critical funding to ensure that affordable housing developments can move forward despite limited public subsidies. Together, the gap financing and fee assistance programs complement each other, enabling developers to bridge financial gaps and mitigate construction cost increases, ensuring continued housing production even in a challenging funding environment.

2. Legal Constraints on Waiving Fees:

The Phoenix Planning and Development Department operates under a cost-recovery model, with a special revenue fund for development activities restricted by City Council action from being waived. Plan review and permitting fees are an essential revenue stream to support the department’s operations, making permanent fee assistance or waivers unfeasible. However, the PRO Housing funds in this proposal allow Phoenix to temporarily offset these fees for affordable housing developers, helping them move forward with their projects without facing prohibitive upfront costs. This strategy provides immediate relief and ensures that projects remain financially viable despite the city’s legal and budgetary constraints.

Given the city’s budget pressures, including predicted deficits stemming from the elimination of the residential rental sales tax and reductions in income tax, there is limited flexibility to subsidize these fees through the general fund. The use of PRO Housing funds provides a timely solution, but Phoenix hopes to build on the insights gained from the Phase 2 Housing Needs Assessment to explore more permanent fee assistance strategies. This assessment will help identify potential opportunities for cost recovery reforms, zoning adjustments, or other policy changes that could streamline the development process and reduce financial barriers for affordable housing projects in the long term.

Comparative Analysis and Lessons Learned

Phoenix’s proposed approach draws from successful local and national models, incorporating valuable lessons learned from neighboring jurisdictions and best practices in affordable housing development. For example, the City of Glendale, Arizona, has implemented a fee waiver program for LIHTC (Low-Income Housing Tax Credit) projects, reducing the financial burden on developers. While Phoenix is legally unable to waive fees, Glendale’s experience emphasizes the importance of lowering development costs, which has informed Phoenix’s fee reduction strategy, using PRO Housing funds to offset plan review and permitting fees.

Phoenix’s gap financing initiative builds on the success of its established HOME and ARPA gap financing programs, which have supported the development of over 8,000 affordable housing units since 1993. By leveraging these existing frameworks, the city ensures that the financing for the two proposed developments follows proven methods for affordability and repayment, minimizing risks and ensuring efficient implementation.

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Nationally, cities like San Francisco and Boston have demonstrated how targeted financial assistance can make affordable housing viable in high-cost markets. Phoenix’s approach, inspired by successful models like San Francisco’s Housing Trust Fund and Boston’s Affordable Housing Initiative, is designed to bridge financing gaps and ensure long-term affordability.

By combining gap financing, fee reductions, and a data-driven Housing Needs Assessment, Phoenix’s proposal offers a comprehensive, scalable solution. Its innovative recycling of loan repayments ensures that the impact of the gap financing extends beyond the initial projects, providing a sustainable funding model for affordable housing development even after the grant period concludes.

Alignment with Existing Planning Initiatives and Local Efforts

This proposal is fully aligned with Phoenix’s broader planning initiatives, including the *Housing Phoenix Plan*, *Phoenix General Plan*, and the *Strategies to Address Homelessness Plan*. The development projects funded through this proposal are strategically located in Phoenix’s transit-oriented communities (TOC), which advance the city’s transportation, housing, and environmental sustainability goals. Specifically, the two proposed developments on City-owned property are directly implementing two key TOC Policy Plans—Midtown and Eastlake-Garfield—that were developed as part of the *Reinvent PHX* initiative, funded by a \$2.9 million HUD Sustainable Communities Grant.

1. Central and Columbus

This site, located in the Midtown TOC corridor, was identified in the *Midtown TOC Policy Plan* as a priority opportunity site for affordable housing. In line with the plan’s recommendations, the property was rezoned in 2019 to the Walkable Urban Code (WUC), Transect 5:7, which supports a mixed-use, high-density urban environment with a maximum building height of 100 feet and no residential density limits. The development will provide much-needed affordable housing in this rapidly developing urban area, contributing to the city’s goal of creating a walkable, transit-accessible community that reduces reliance on private vehicles and supports Phoenix’s *Climate Action Plan* targets by cutting greenhouse gas emissions.

2. 9th and Jefferson

The 9th and Jefferson site falls within the Eastlake-Garfield TOC corridor, which was similarly identified in the *Eastlake-Garfield TOC Policy Plan* for its potential to become a vibrant, walkable, mixed-income community along the light rail system. This plan, developed through the HUD *Reinvent PHX* initiative, calls for increased affordable housing, pedestrian-oriented zoning, and infrastructure investments to create a sustainable urban environment. The redevelopment of this city-owned land into affordable housing supports the plan’s objectives by introducing mixed-income housing that promotes neighborhood compatibility and capitalizes on the site’s proximity to public transportation.

By reducing residents' reliance on private vehicles and encouraging the use of public transit, these developments will help Phoenix meet its *Climate Action Plan* goals while also advancing

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the broader objectives of the *Reinvent PHX* initiative. Moreover, these projects align with regional efforts, such as the *Maricopa Association of Governments' (MAG) Pathways Home Plan*, which calls for increased affordable housing production across Maricopa County. By situating affordable housing in well-resourced areas with access to jobs, schools, and public services, Phoenix is ensuring that low- to moderate-income (LMI) residents have equitable access to the resources they need to thrive.

Environmental Resilience and Sustainability

Phoenix faces significant environmental risks, including extreme heat, drought, and flash flooding due to its desert climate. The city's Climate Action Plan aims to mitigate these risks by promoting sustainable urban development and reducing greenhouse gas emissions. The proposed developments aim to address these risks by developing to Walkable Urban Code standards, which will reduce energy consumption and improve long-term climate resilience. These developments will contribute to the city's efforts to mitigate extreme heat, drought and flooding risks, ensuring that new housing is both affordable and climate-resilient. Prioritizing tree canopies, and water-efficient landscaping further enhances the developments' environmental resilience, ensuring they contribute positively to the city's long-term environmental goals.

By situating these developments in TOC areas, Phoenix will reduce residents' reliance on cars, contributing to lower carbon emissions. Based on EPA data, the average car emits approximately 4.6 metric tons of CO₂ annually. With 350 new affordable units reducing car dependency by an estimated one vehicle per household, Phoenix could see a reduction of 4,830 metric tons of CO₂ over the next 30 years.

Roadblocks and Solutions

Phoenix's affordable housing production faces several persistent and interrelated barriers, but each is addressed through the strategic use of PRO Housing funds. By carefully aligning resources and addressing these specific roadblocks, Phoenix aims to create a sustainable framework for long-term housing development that continues beyond the grant period.

1. **Rising Construction Costs:** The construction cost index in Phoenix has increased by 1.8% over the past year, making it increasingly difficult for developers to finance high-density affordable housing. Rising material and labor costs have squeezed already thin margins on affordable housing projects. By providing \$4.5 million in gap financing, Phoenix will help bridge the financial gap for 350 units of affordable and mixed-income housing in transit-oriented corridors. This financing allows the City to partner with developers to move forward with these projects that would otherwise stall due to limited availability of affordable housing financing. Additionally, the recycling of gap financing ensures long-term sustainability, as funds will be repaid and reinvested in future projects, continuously mitigating the impact of rising costs over time. This cyclical funding mechanism allows Phoenix to consistently combat inflationary pressures in housing development.
2. **Limited Public Subsidies:** Access to public subsidies such as the 9% Low-Income Housing Tax Credit (LIHTC) is increasingly difficult, as these programs are

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oversubscribed, and Arizona has reached its 4% bond cap in 2024 for the first time. The oversubscription limits developers' ability to finance affordable housing through traditional means. By strategically allocating \$1.5 million to plan review and permitting fee reductions, Phoenix is reducing upfront costs for developers, allowing them to maximize the limited public funds they do receive. Each development will save approximately \$3,000 per unit, which can be redirected to further stretch LIHTC funding. This solution does not depend on external changes to federal or state programs but instead leverages the city's existing resources to ensure affordable housing production continues sustainably. The targeted use of fee reductions will allow developers to complete more projects without depending solely on oversubscribed public funds.

3. **Population Growth and Housing Demand:** Phoenix remains one of the fastest-growing cities in the U.S., and this rapid growth intensifies the demand for affordable housing. The increasing population drives up housing prices, particularly for low- and moderate-income (LMI) households. By focusing development within high-opportunity TOC zones, the city is not only creating housing units but also fostering resilient, walkable communities. Transit-oriented developments reduce transportation costs for residents by providing access to public transit, jobs, and essential services. These areas support long-term affordability and accessibility, and with 350 new units created on City-owned property, the city is proactively addressing both current housing needs and future population growth. Additionally, the minimum 40-year affordability commitment for these units ensures that as Phoenix grows, the housing market remains accessible for LMI residents.
4. **Legal Constraints on Waiving Fees:** Phoenix's legal structure prevents the city from outright waiving plan review and permitting fees due to its cost-recovery model. However, the \$1.5 million in PRO Housing funds allocated for fee assistance serves as a workaround, enabling the city to offer financial relief to developers. While this approach does not permanently remove the fee barrier, it provides an immediate solution that allows projects to proceed without facing prohibitive upfront costs. The Housing Needs Assessment will further provide critical data to explore long-term funding solutions that could allow for more permanent fee assistance in the future. By identifying opportunities for targeted fee assistance, Phoenix could eventually create a more flexible framework for affordable housing development that addresses this barrier more directly.

Through the combination of gap financing, fee assistance, and data-driven planning through the Housing Needs Assessment, Phoenix is establishing a robust, replicable model for addressing both immediate and long-term challenges to affordable housing development. This approach not only tackles the current barriers but sets the stage for sustained housing production that adapts to rising costs, limited subsidies, and population growth well beyond the grant period.

D2. Geographic Scope - 3

The geographic scope of the City of Phoenix's proposed housing initiatives focuses throughout the City, with a targeted priority of two key locations within the Central Phoenix area, emphasizing proximity to public transportation, mixed-income housing, and strategic alignment with the city's broader development goals. Phoenix, home to over 1.64 million residents across 518 square miles, is a diverse city where 15.4% of the population lives below the poverty line. The city is pursuing equitable growth strategies to address affordable housing shortages through

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targeted investments, particularly in areas that can offer residents access to essential services and transportation.

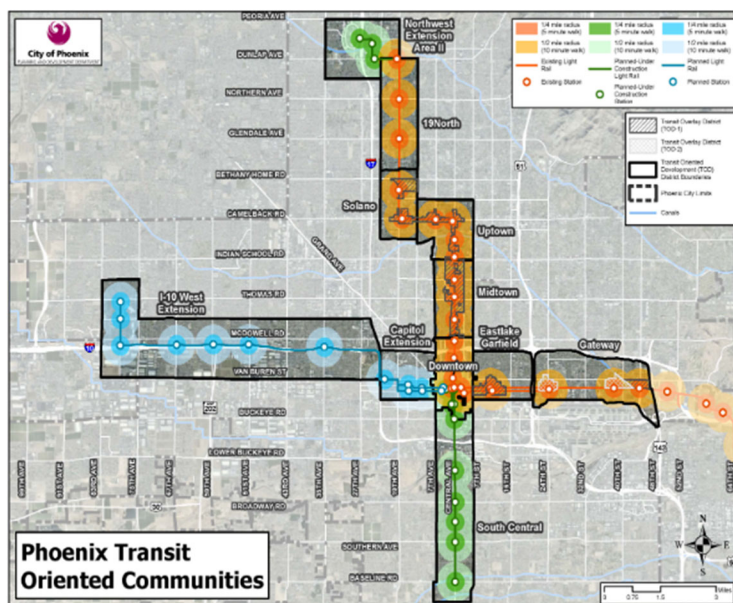
Central and Columbus Mixed-Income Redevelopment

One of the proposed projects under this grant is the redevelopment of the Central and Columbus site, a 3.2-acre city-owned parcel located within the Central Avenue light rail corridor. This site is situated between Weldon and Columbus avenues, approximately 1,000 feet from the light rail station at Central Avenue and Osborn Road (*Central and Columbus Mixed Income Redevelopment*). The redevelopment project, aligned with the Housing Phoenix Plan, seeks to promote transit-oriented development (TOD) and increase affordable housing. This strategic location within the Encanto Village Core and the North Central Avenue employment center makes it ideal for mixed-use, mixed-income development that includes 50% affordable housing, workforce housing, and market-rate units (*Central and Columbus Mixed Income Redevelopment*).

Given the site's zoning under Phoenix's Walkable Urban Code, it allows for high-density residential and commercial use, with no density limits and a maximum building height of 100 feet. The development will incorporate approximately 75 project-based vouchers and ground-floor commercial space, supporting both the residents and the surrounding community.

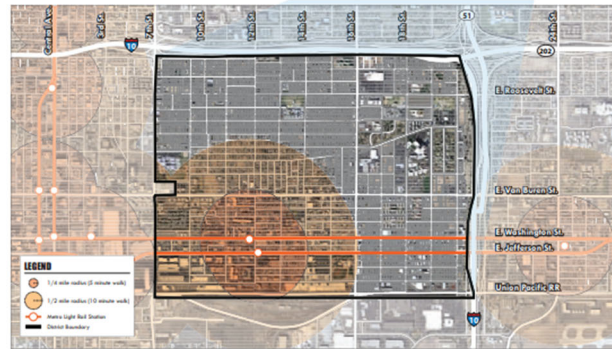
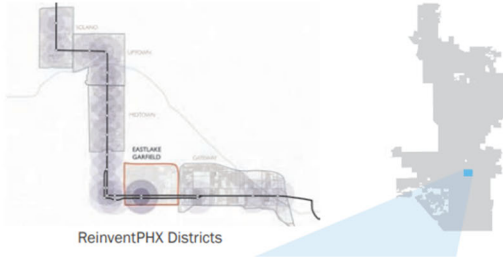
9th Street and Jefferson Section 8 Redevelopment

The second project is the redevelopment of the Section 8 Building at 9th Street and Jefferson, within the Eastlake-Garfield TOD district. The redevelopment will involve constructing affordable housing units while potentially retaining the existing Section 8 office space on-site (*Section 8 Building Redevelopment*). The location benefits from proximity to downtown Phoenix, public transit, and other critical services, ensuring accessibility for low-income residents. The focus of the TOC zones is to reduce transportation costs for residents while enhancing access to jobs and educational opportunities.



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Eastlake-Garfield in Context



Impact on Surrounding Communities

Both project sites are situated within high-opportunity TOD corridors, which provide residents with essential access to public transportation, jobs, and services. These locations foster a reduction in car dependency and contribute to Phoenix’s broader sustainability and economic mobility goals. With over 140 city-owned parcels designated for redevelopment, these key projects are part of a comprehensive plan to increase affordable housing and provide long-term stability for residents in Phoenix.

Long-Term Benefits

Upon completion of these projects, Phoenix will have made significant strides in addressing housing shortages by providing long-term affordable housing. The minimum 40-year affordability commitment guarantees that the units will remain affordable for generations. The developments will contribute to creating more inclusive communities, promoting socioeconomic mobility, and fostering a more sustainable urban environment.

Demographics and Need

Both redevelopment sites are located in areas where the need for affordable housing is critical. Phoenix’s population growth has driven housing demand, and these developments aim to serve low- to moderate-income families, including vulnerable and protected populations. The projects address not only housing needs but also align with regional goals for sustainable urban development.

This geographic focus emphasizes Phoenix’s commitment to inclusive, equitable, and sustainable growth through strategic investments in high-opportunity areas.

The fee assistance program will accept applications for eligible affordable housing projects that will occur anywhere within our city limits, but will prioritize projects located within TOC areas or with access to other transportation alternatives. 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,

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schools, healthcare, and transportation options. By requiring applications for affordable housing to be thoroughly vetted by the Housing Department prior to approval and prioritizing project location, 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.

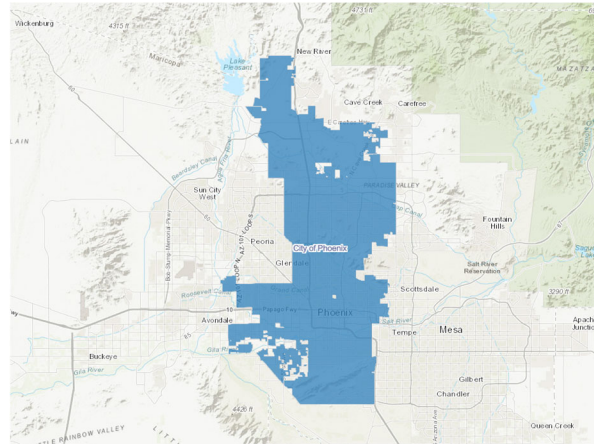
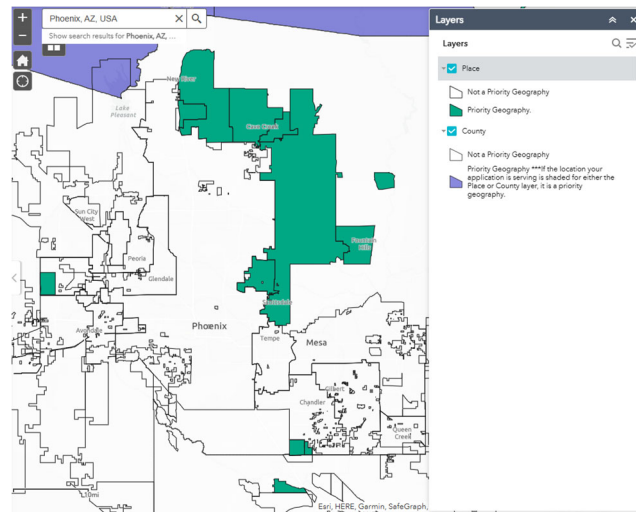


Figure 1: City of Phoenix City Limits Map

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.



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

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D3. 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.

In addition to the roundtable, the draft application was shared for public comment during a hybrid public hearing held in-person at a centrally located local library and with a virtual option. 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 meeting was posted for public notice in the same location as all City of Phoenix public meetings and was noticed to the Phoenix Housing Department’s online list-serve which includes 2,743 subscribers. The draft application was posted on our website for a 15-day public comment period, whereby we also accepted comments at any time during the comment period 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 of Phoenix will continue to engage stakeholders throughout the design and implementation phases of the program. For the *Permit and Plan Review Fee Assistance*

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component, the City will actively seek community feedback and involve partners through several activities, including emailing information regarding the grant's objectives and hosting virtual or in-person meetings to gather feedback and provide updates. Public meetings where comments can be submitted will also be scheduled to ensure transparency and foster ongoing community involvement.

In addition, we will prioritize continuous engagement with the community for the two city-owned sites being developed through *Gap Financing*. We will ensure that residents and stakeholders have opportunities to provide input on how these properties are designed, constructed, and integrated into the surrounding neighborhoods. Regular updates will be shared to keep the public informed, and information sessions will be held at key stages of the development process. Furthermore, the City will maintain close communication with the Planning and Development Department and implementation teams throughout the grant period to ensure all program elements are carried out efficiently.

D4. Alignment with Affirmatively Furthering Fair Housing -2

The City of Phoenix is committed to ensuring that all individuals, regardless of race, ethnicity, disability status, socioeconomic background, or limited English language proficiency, have equitable access to affordable housing and well-resourced areas. The current proposal, which includes gap financing for two affordable housing projects, a permit and fee assistance program, and a Housing Needs Assessment, has been designed to affirmatively further fair housing (AFFH) by addressing historic barriers to housing and promoting desegregation.

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 for permit and plan review fee assistance 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.

Additionally, the two gap-financed development sites will follow the same equitable access criteria. These sites, located within high-opportunity areas with ample resources, will also be subject to loan agreements ensuring that fair housing considerations, such as access to services and environmental justice, are integrated into the project design and implementation phases. This approach guarantees that all developments supported by the program prioritize both equity and long-term sustainability.

Designing our fee assistance program to be approved by knowledgeable staff in the Housing Department that are confident in recognizing fair housing issues ensures that when the plans

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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 is not 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.

Removing Barriers to Affordable Housing in Well-Resourced Areas

The City of Phoenix's proposal aims to increase affordable housing in well-resourced areas like the Central Avenue and Columbus Avenue and 9th Street and Jefferson Street developments. These locations are transit-oriented and surrounded by employment opportunities, schools, healthcare, and other essential services. By developing affordable housing in such areas, Phoenix increases access for underserved populations, particularly low-income residents and people of color.

The Plan and Permit Fee Assistance Program will further incentivize developers to create affordable housing in well-resourced areas by directly offsetting the high costs associated with city fees. By reducing plan review and permit fees for 500 units, developers can afford to build in transit-accessible, high-opportunity areas, expanding housing options for low-income residents without being deterred by prohibitive upfront costs. The impact of this program will make it easier for developers to provide affordable housing in areas where it is most needed but hardest to fund due to costs.

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Additionally, the Phase 2 Housing Needs Assessment will allow the city to identify further underutilized opportunities in other well-resourced areas across the city, which will support future developments that prioritize equitable housing access.

Racial Composition of Beneficiaries

The racial composition of the areas surrounding the Central Avenue and Columbus Avenue and 9th Street and Jefferson Street developments, based on Census Tract data, shows a predominance of Hispanic and African American populations. The developments aim to diversify housing opportunities in these mixed-income neighborhoods, ensuring that low-income families of color have access to high-quality housing in areas that offer better jobs, schools, and services. This promotes racial equity and access to well-resourced areas for minority populations.

Removing Segregation-Perpetuating Barriers

Phoenix’s plan aligns with desegregation strategies by placing affordable housing in areas with low concentrations of low-income residents and high market-rate housing. Both projects—Central and Columbus and 9th Street and Jefferson—are located in mixed-income, transit-oriented communities. This placement actively counters past zoning and housing policies that perpetuated segregation by ensuring that low-income families have access to the same resources as higher-income residents.

The Phase 2 Housing Needs Assessment will help identify other similarly underutilized areas across Phoenix, further dismantling long-standing geographic segregation by ensuring future developments are in resource-rich areas, rather than concentrating low-income housing in impoverished neighborhoods.

Preventing Over-Concentration of Affordable Housing

Phoenix’s broader strategy, including the Plan and Permit Fee Assistance Program, ensures that affordable housing will not be overly concentrated in areas that already have a high density of low-income housing. The Central and Columbus and 9th Street and Jefferson developments are both located in neighborhoods with market-rate housing, ensuring that affordable housing is distributed throughout the city and preventing further concentration of low-income residents in less-resourced areas.

The Housing Needs Assessment will further guide future developments, ensuring that Phoenix continues to spread affordable housing across well-resourced and underutilized areas.

Addressing the Needs of Protected Class Groups

Phoenix’s developments, as well as its overall affordable housing plan, recognize the unique needs of protected class groups, including individuals with disabilities, families with children, and underserved communities of color. Both proposed city developments will feature ADA-compliant units, ensuring full accessibility for people with disabilities, and will include family-

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friendly amenities, such as nearby schools, healthcare, and access to public transit, making independent living possible for people with disabilities.

The Plan and Permit Fee Assistance Program will further support developments that provide housing for these vulnerable populations by lowering costs for developers committed to building accessible and family-friendly affordable housing. Additionally, the Housing Needs Assessment will identify housing needs across protected class groups to ensure that future developments address the needs of all residents, regardless of ability or income.

Phoenix's proposal is aligned with the city's most recent Analysis of Impediments to Fair Housing Choice (AI), which highlights the need for increased affordable housing in high-opportunity areas for minority and low-income residents. By focusing developments in transit-rich, well-resourced areas, the city is actively working to dismantle historical patterns of exclusion and segregation, as outlined in the AI.

Anti-Displacement Measures

Phoenix is deeply committed to ensuring that these projects do not result in the displacement of vulnerable residents. The long term affordability requirements for both city developments will prevent displacement by ensuring that low-income residents can remain in these neighborhoods even as property values rise.

Increasing Housing Opportunities for People with Disabilities

Both gap-financed developments and fee assistance projects will ensure compliance with the Americans with Disabilities Act (ADA), offering fully accessible units and common areas that cater to residents with disabilities. These developments will be strategically located near essential supportive services and public transportation, providing people with disabilities the opportunity to live independently while maintaining access to critical resources. Additionally, projects benefiting from the fee assistance program, which will be provided for Low-Income Housing Tax Credit (LIHTC) developments, are required to meet federal and state accessibility standards as mandated by the Arizona Department of Housing.

In line with city policies, gap-financed projects must adhere to Phoenix's minimum property standards, which mandate ADA-compliance. The Housing Needs Assessment will identify future opportunities for expanding accessible housing, ensuring people with disabilities will continue to have long-term access to affordable, accessible housing options. This comprehensive approach guarantees accessibility remains a top priority in all stages of housing development and planning.

Supporting Minority-, Women-, and Veteran-Owned Businesses

In the development of the Central and Columbus and 9th Street and Jefferson sites, Phoenix will work to engage Minority-, Women-, and Veteran-Owned Businesses (MWVBEs) in the construction and development phases. The city has a strong commitment to promoting diversity and equity in its procurement processes, ensuring that these businesses have opportunities to participate in these large-scale housing developments.

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Promoting Racial Equity and Expanding Access to Well-Resourced Areas

Phoenix will actively track and evaluate the impact of its developments on racial equity and access to high-opportunity areas. The city will use demographic data, displacement risk analysis, and other metrics to ensure that these projects are reducing geographic segregation and promoting housing opportunities for low-income, minority, and protected class groups.

The Phase 2 Housing Needs Assessment will serve as a critical tool in guiding Phoenix’s approach to affordable housing development, ensuring the feasibility of new housing opportunities, particularly in well-resourced areas. This assessment will provide essential data that supports the identification and prioritization of future city-led projects, including those receiving gap financing and other assistance. By ensuring that both gap-financed projects and fee-assisted developments align with Phoenix’s broader goals of equitable access to resources, the city will strategically direct efforts toward sustainable, inclusive housing opportunities.

To further expand access for underserved populations, Phoenix will require that all developments benefiting from gap financing and fee assistance include an affirmative marketing plan. This will ensure that affordable housing is advertised widely and reaches populations who are least likely to apply without targeted outreach, promoting greater diversity and equity in housing access across the city.

D5. Budget and Timeline

Budget

Category	Amount
Gap Financing for Affordable Housing Developments:	
\$4.5 million will provide gap financing for two City-owned properties located at Central Avenue and Columbus and 9 th Street and Jefferson.	\$4,500,000
Permit and Plan Review Fee Reduction:	
\$3,000 Per Affordable Housing Unit Plan Review and Permitting Fee Assistance @ 500 units	\$1,500,000
Housing Needs Assessment – Phase 2 Feasibility Analysis:	
Conduct a Phase 2 Housing Needs Assessment, building on existing research to evaluate effectiveness of existing programs and determine feasibility to identify most impactful affordable housing solutions.	\$300,000
Program Administration and Planning:	
Program Expenses of City of Phoenix Housing Department February 2025 – September 2030 Staff costs to cover Required Tracking, Reporting, Cross-Cutting Requirements, Program Planning, Legal Review, Recording Fees	\$700,000
TOTAL REQUEST	\$7,000,000

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If the City of Phoenix’s proposal is selected but funded at a level lower than the requested \$7 million, we would adjust the project scope accordingly to fit the available funding. This would impact the scale of the proposed initiatives, particularly reducing the number of housing units we can support with gap financing and fee assistance. For instance, should only 50% of the requested funding be awarded, the city estimates that it could still move forward with the development of approximately 75 to 100 units using gap financing, while also scaling back the permit and plan review fee reductions to approximately 250 units. Similarly, the Housing Needs Assessment would need to be scaled to reflect a reduced geographic focus or number of areas analyzed.

The minimum amount of funding required to implement the proposal at a meaningful level is \$3 million. At this funding level, Phoenix could still initiate the gap financing program for one project site, the fee reduction assistance on a smaller scale, assisting with fees for approximately 150 units and conduct a scaled back version of the needs assessment. While such a reduction would limit the overall impact and geographic scope, the city would still be able to collect valuable data and pilot these programs and set the stage for future expansion when additional resources become available.

However, a lower funding level would delay broader implementation of the pilot’s full potential and limit the city’s ability to generate sufficient data and insights for long-term, scalable affordable housing solutions.

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 these programs are 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 2025.

Program Design and Implementation Timeline	
Activity	Estimated Date
<i>Phase 2 Housing Needs Assessment</i>	
Scope Development	January – February 2025
Procurement of Consultant (Approx. 9 months)	March – November 2025
Needs Assessment and Feasibility Analyses (Approx. 8 months)	December 2025 – July 2026
Assessment Completion	August 2026
<i>Plan Review and Permit Fee Assistance</i>	
Project Award	January 2025
Program Design Meetings with Housing and Planning & Development Departments	February 2025
Stakeholder Engagement on Program Design	February 2025
Feedback Received	February 2025

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Develop Program Application, Policies, and Procedures	March 2025
Develop LURA Template and Process for Affordability Restrictions	March 2025
Create Program Website	April 2025
Program Launch	April 2025
Applications Accepted	May 2025 – Spring 2030
Monthly Program Team Meetings to coordinate processes during initial launch and implementation phase	May 2025 – June 2026
Quarterly Program Team Meetings to ensure regular communication during implementation	July 2026 – June 2030
Design Program Monitoring Guidelines, Begin 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
Program Monitoring of Approved Projects	July 2030
Project Closeout	September 2030
Annual Monitoring of Approved Projects	Ongoing
<i>Gap Financing Program</i>	
Loan Agreement Execution for Central Avenue and Columbus Avenue development project	2026
Loan Agreement Execution for 9 th Street and Jefferson Street development project	2027
Annual Monitoring of Approved Projects	Ongoing

After project closeout, the City is committed to annual affordability monitoring to ensure all units created or preserved with PRO Housing fee reduction program funding remain affordable for 30-year terms. Similarly, affordability period monitoring will be conducted for the specified affordability terms for the Central Avenue and Columbus Avenue and 9th Street and Jefferson Street projects. The Housing Department will utilize staff and resources to add all PRO Housing units to its portfolio for ongoing compliance monitoring.

Exhibit E - Capacity

City of Phoenix

E1. City of Phoenix Capacity

The lead agency for PRO Housing grant administration will be the Phoenix Housing Department. The Housing Department has 132 full-time staff, and an operating budget of \$259 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 7,500 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, 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

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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.



8/2/2024

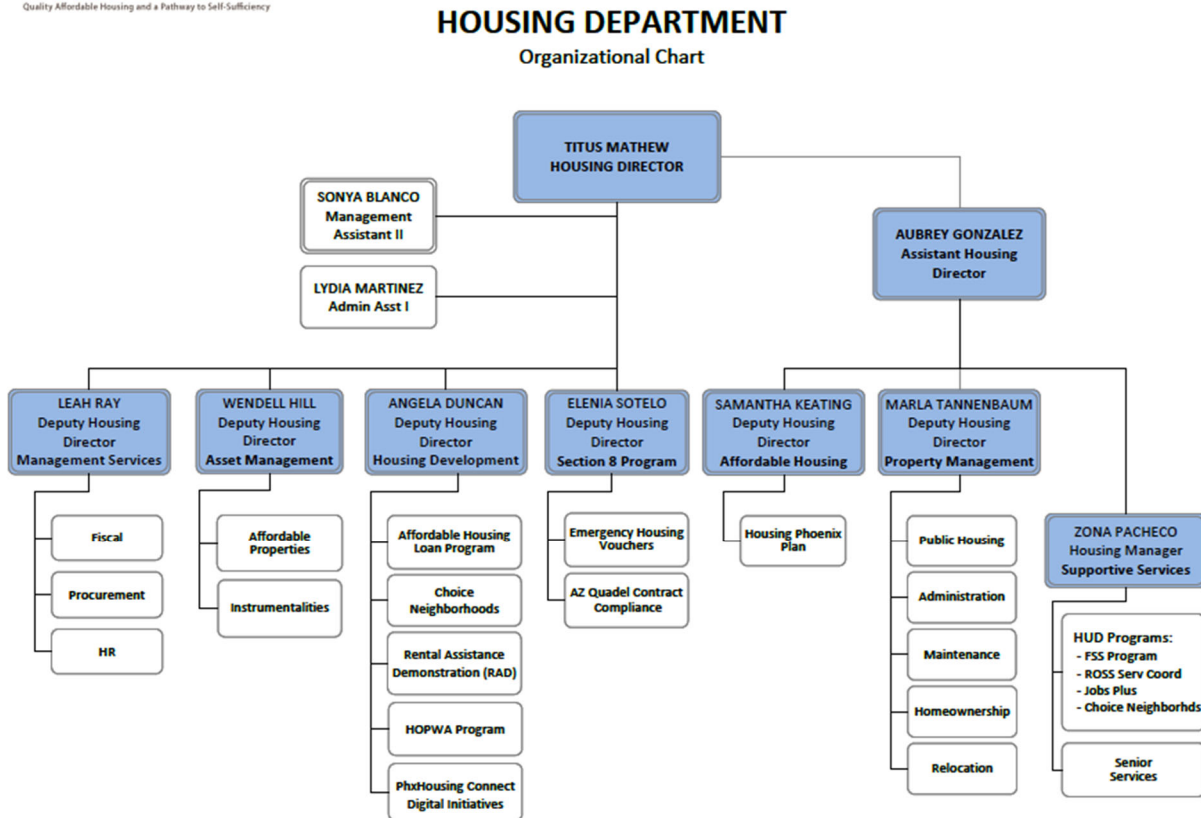


Figure 1: Phoenix Housing Department – Management Level Organizational Chart

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 545 full-time employees and an annual operating budget of \$101.5 million.

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

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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.

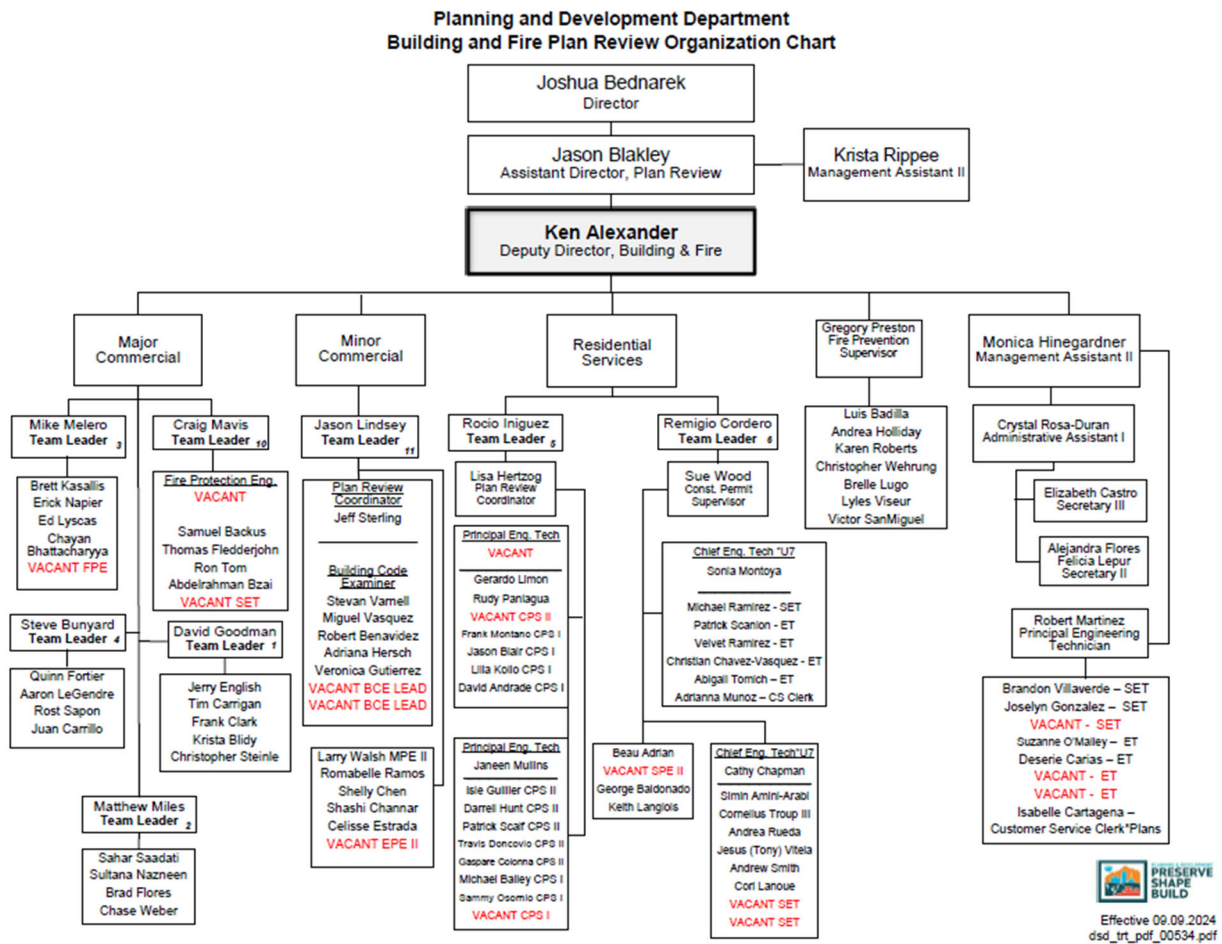


Figure 2: Phoenix Planning and Development Department – Plan Review Organizational Chart

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 675 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.

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Housing Department – The Housing Director Titus Mathew and Assistant Housing Director Aubrey Gonzalez 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 Samantha Keating 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, Project Manager and Project Management Assistant. For the PRO Housing grant, the Project Manager 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 Joseph MacEwan 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 fee assistance program; preparing gap financing loan agreements; 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 assists in 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 Leah Ray, the Housing Finance Manager Jessica Babani 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: Housing Finance Manager, Budget Supervisor, Accounting Analyst, two Budget Analyst II positions, two Accountant II positions, and two Account Clerk III positions.

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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, including procurement of a consultant to assist with the housing needs assessment, as well as ensuring the completion of a contracting process.

Planning and Development Department – The Planning and Development Director Joshua Bednarek 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 Jason Blakley 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 Ken Alexander 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.

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

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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 few years 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 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.

Exhibit F - Leverage

City of Phoenix

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F1. Leverage or Nonfinancial Contributions

The City of Phoenix is providing a 100% match to the PRO Housing grant, leveraging a 1:1 contribution through nonfinancial resources. A significant part of this leverage includes two key parcels of city-owned land valued at \$7.6 million for the Central and Columbus site, based on appraisal, and \$4.58 million for the 9th Street and Jefferson site, based on the County assessor's information, for a total of \$12.18 million. Together, these 30 parcels of land will be used for affordable housing construction projects, secured with deed restrictions ensuring long-term affordability.

For the Central and Columbus site, the land will be deed-restricted for 99 years, in line with our commitment to maintaining affordability for future generations. The redevelopment of this site will be secured through a Declaration of Affirmative Land Use Restrictive Covenant (LURA), with a focus on both affordable and workforce housing. Similarly, the 9th Street and Jefferson site will have a minimum affordability period of 40-99 years, with final terms to be determined but aligned with city standards for long-term affordable housing.

This comprehensive land contribution provides essential leverage and ensures the continued affordability of the housing units, effectively doubling the impact of the PRO Housing funds and creating sustainable housing options for low-income and workforce populations for decades to come.

The City will contribute \$80,725 in in-kind staffing, which covers the required staff time to implement the program. The table below highlights the resources that the City of Phoenix has committed to projects and activities that support reducing barriers to the development of affordable housing.

Exhibit G Long-term Effect
City of Phoenix

G1. Long-Term Effect

Long-term Effects and Outcomes

The City of Phoenix's proposal seeks to address the key barriers to affordable housing production—rising construction costs, limited public subsidies, and legal constraints on waiving fees—while providing long-term, scalable solutions that ensure sustained affordable housing production well beyond the grant period. The proposal outlines three initiatives: gap financing for 350 housing units, a plan and permit fee reduction for 500 units, and a Housing Needs Assessment.

Removal of Key Barriers and Sustained Production

Phoenix's proposal will eliminate several persistent barriers to affordable housing production, ensuring sustained housing development. Each initiative directly addresses these barriers and sets the foundation for long-term impact:

1. **Gap Financing (\$4.5M):** The \$4.5 million in gap financing will enable the construction of 350 housing units in Phoenix's Transit-Oriented Communities (TOC) corridors on City-owned property. By providing low-interest, long-term loans to developers, Phoenix will reduce the financial burden of high construction costs. The unique approach of recycling these funds into future projects—once loans are repaid—ensures a continuous funding stream, which supports the long-term production of affordable housing. This revolving loan fund also has the potential to attract private investment and collaboration with developers, further strengthening the financial incentives for affordable housing development in targeted areas with rich transit infrastructure and job accessibility.
2. **Plan and Permit Fee Reduction (\$1.5M):** The \$1.5 million allocated to plan review and permit fee assistance will support the development of 500 affordable housing units, removing a significant financial barrier for developers. By alleviating these upfront costs, Phoenix ensures that more affordable housing projects become financially viable, particularly for non-profit developers who often have limited budgets. This fee reduction not only attracts more developers but also accelerates construction timelines, allowing affordable units to be built and occupied sooner, addressing the city's urgent housing needs. Because projects funded through this program will be affordable housing developments utilizing LIHTC funding, the units supported through fee assistance will be made available for a minimum of 30 years.

Moreover, the initiative's ability to streamline the review process has broader implications. Faster project approvals mean housing units can be built and occupied sooner, helping meet the city's urgent demand for affordable housing. In addition, the data gathered from this program could guide future policy reforms, potentially leading to permanent fee assistance programs or streamlined processes. This effort not only removes immediate barriers but also creates a replicable model that can attract more investment in affordable housing, offering a long-term solution to Phoenix's housing challenges.

3. The **Housing Needs Assessment (\$300,000)** is pivotal for shaping Phoenix's long-term affordable housing strategy. This assessment will build on prior research conducted in a

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Phase 1 Housing Needs Assessment to provide a comprehensive analysis of the city's housing landscape, focusing on the most vulnerable populations. The study will identify the demographics and employment characteristics of households with the greatest need for affordable housing, enabling the city to strategically plan its future housing investments. In addition, it will explore potential revenue sources for affordable housing, including municipal bonds, housing trust funds, and tax incentives, which can help secure long-term funding for affordable housing projects.

Moreover, the assessment will help to inform Phoenix's policy decisions by evaluating various financial incentives such as gap financing, tax abatements, and fee waivers. This forward-looking approach ensures that the city can not only address current housing shortages but also anticipate future demand. By identifying opportunities for preserving naturally occurring affordable housing (NOAH) and offering insights into land use and market trends, the Housing Needs Assessment will enable Phoenix to evolve its affordable housing strategy and promote housing equity for years to come. This study will be the backbone of sustainable housing policy development, ensuring Phoenix remains proactive in addressing its long-term housing needs.

Sustained Production in High-Opportunity Areas

The developments supported by gap financing are located in TOC corridors, offering proximity to jobs, education, healthcare, and public transportation. This not only supports the city's sustainability goals but also ensures residents have access to economic opportunities without relying on costly car ownership. According to HUD, access to robust public transit systems can significantly reduce the cost burden for low-income residents by eliminating the need for a personal vehicle, which can cost as much as \$9,000 annually. By integrating affordable housing into transit-accessible areas, Phoenix ensures that these developments contribute to a resilient, sustainable urban environment while providing long-term benefits to residents.

In addition, the developments are expected to contribute to public health by promoting walkability. Research from Smart Growth America indicates that walkable neighborhoods can reduce vehicle miles traveled (VMT) by 25-30%, thereby reducing greenhouse gas emissions and fostering healthier communities. By prioritizing investments in these areas, Phoenix not only lowers transportation costs for residents but also makes strides toward climate resilience.

Expected Outcomes and Metrics

Phoenix expects the following measurable outcomes upon completion of the grant-funded activities:

- Creation of 350 new affordable and mixed-income housing units through gap financing, with long-term affordability for at least 40 years.
- Fee reductions for 500 affordable housing units, lowering costs for developers and making previously unfeasible projects viable.

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- Completion of the Phase 2 Housing Needs Assessment, which will identify future housing opportunities and guide policy decisions.
- Ongoing recycling of gap financing funds as loans are repaid, ensuring a sustainable funding model for future housing production.

Key metrics include:

- Number of affordable and mixed-income units constructed (target: 350 units).
- Number of units benefiting from fee reductions (target: 500 units).
- Reduction in transportation costs for TOC areas.
- Completion of the Housing Needs Assessment and actionable recommendations for future development.

Model for Other Communities

Phoenix's approach can serve as a model for other municipalities seeking to address affordable housing barriers. By combining gap financing, fee reductions, and a housing needs assessment, the city has created a multifaceted approach to housing production that addresses both short-term and long-term barriers. Other cities, particularly those facing similar legal constraints on fee waivers, can replicate this model by using grant funds to offset costs and strategically investing in areas with high growth potential. Phoenix's focus on TOC aligns with national efforts to promote walkable, transit-accessible urban centers that reduce environmental impact while increasing housing density.

Phoenix will share insights from the Housing Needs Assessment and the results of its fee assistance and gap financing initiatives with regional partners such as the Arizona Housing Coalition and the Maricopa Association of Governments. These insights can guide other cities in Arizona and beyond as they work to replicate similar approaches in their communities.

Removing Barriers to Housing for Vulnerable Populations and Protected Class Groups

The proposal directly addresses the longstanding barriers that have limited access to well-resourced neighborhoods for protected class groups and vulnerable populations. By focusing on TOC zones and high-opportunity areas, Phoenix is tackling the historical patterns of segregation that have isolated affordable housing in under-resourced areas. New developments will be located in areas with access to jobs, education, healthcare, and public transit, creating new housing opportunities for low-income households in areas that offer greater opportunity.

The long-term affordability commitment for gap financing and fee assistance programs ensure that these units remain accessible to low-income households, including minority groups and vulnerable populations. This produces long-term stability by not only providing secure housing but also mitigating displacement, a common issue when new developments increase property values and drive out existing residents.

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The Housing Needs Assessment will further expand access to housing by identifying underutilized but resource-rich areas for future development, ensuring that Phoenix can continue to provide equitable housing opportunities for protected class groups and vulnerable populations.

Success Beyond the Grant Period

At the end of the grant's performance period, success will be defined by:

- A completed pipeline of affordable housing units that continue to provide for low-income residents.
- The establishment of a long-term, sustainable funding mechanism through the recycling of gap financing funds.
- Policy shifts that lead to more permanent reductions or adjustments in plan review and permit fees.
- A housing needs database that informs future investments and keeps Phoenix on track to meet its goal of creating or preserving 50,000 housing units by 2030 and continue to increase affordable housing opportunities once this goal is met.

Other Factors

Although this NOFO does not offer specific preference points for categories like Climate Change, Environmental Justice, HBCUs, Minority-Serving Institutions, Promise Zones, or Rural Partners Networks, the City of Phoenix's proposed projects inherently address climate resilience, environmental justice, and equity by promoting sustainable development and improving the well-being of vulnerable communities.

Climate Change, Environmental Justice, and Resilience

The City of Phoenix's commitment to transit-oriented communities (TOC) and walkable communities directly impacts climate change mitigation and environmental sustainability.

Walkability is another key factor. Studies show that people living in walkable communities are more likely to engage in daily physical activity, which has broader public health benefits and reduces the reliance on vehicles. By prioritizing developments in high-opportunity, walkable areas, Phoenix encourages healthy living while further reducing greenhouse gas emissions. According to research from Smart Growth America, walkable neighborhoods can reduce vehicle miles traveled by 25-30%, which not only cuts down on emissions but also supports a lower-carbon lifestyle.

Equity and Environmental Justice

The focus on high-opportunity TOC areas also directly benefits environmental justice efforts by ensuring that low-income and vulnerable populations have access to resources typically concentrated in wealthier areas. By reducing transportation costs for residents and providing access to jobs, education, healthcare, and essential services, the proposed developments will serve as a model for addressing systemic inequities that have disproportionately impacted low-

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income and minority communities. By placing affordable housing in well-resourced neighborhoods, the city is promoting equitable access and expanding opportunities for protected class groups and vulnerable populations.

Additionally, the Phase 2 Housing Needs Assessment will focus on identifying underutilized areas that can serve as future sites for affordable housing. This data-driven approach will guide Phoenix's long-term efforts to ensure that affordable housing developments are equitably distributed and accessible to all residents, particularly those in historically marginalized communities. This assessment will also contribute to resilience planning, helping the city identify vulnerable areas and incorporate climate adaptation strategies in future housing projects.

Minority-Serving Institutions and Promise Zones

While Phoenix's projects do not directly involve HBCUs or Minority-Serving Institutions, the focus on equitable access and fair housing ensures that these developments will benefit minority populations throughout the city. Additionally, the city's ongoing partnerships with regional stakeholders, such as the Arizona Housing Coalition and the Maricopa Association of Governments (MAG), will continue to ensure that the benefits of these affordable housing developments reach all communities, including those served by minority-serving institutions.

Though Phoenix is not a designated Promise Zone, the strategic placement of these affordable housing projects aligns with Promise Zone goals by promoting economic growth, access to public transit, and improved quality of life for low-income residents. These projects will help create vibrant, resilient communities, reducing costs for residents and fostering long-term sustainability in neighborhoods that serve low- to moderate-income families.