

Senate Engrossed

department of housing; continuation.

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SENATE BILL 1357

AN ACT

REPEALING SECTION 41-3025.06, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3029.15; AMENDING SECTIONS 41-3953 AND 41-3955, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 37, ARTICLE 2, BY ADDING SECTION 41-3958; RELATING TO THE ARIZONA DEPARTMENT OF HOUSING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Repeal

3 Section 41-3025.06, Arizona Revised Statutes, is repealed.

4 Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes,
5 is amended by adding section 41-3029.15, to read:

6 41-3029.15. Arizona department of housing; termination
7 July 1, 2029

8 A. THE ARIZONA DEPARTMENT OF HOUSING TERMINATES ON JULY 1, 2029.

9 B. TITLE 41, CHAPTER 37 AND THIS SECTION ARE REPEALED ON JANUARY 1,
10 2030.

11 Sec. 3. Section 41-3953, Arizona Revised Statutes, is amended to
12 read:

13 41-3953. Department powers and duties; definition

14 A. The department is responsible for establishing policies,
15 procedures and programs that the department is authorized to conduct to
16 address the affordable housing issues confronting this state, including
17 housing issues of ~~low-income~~ LOW-INCOME families, ~~moderate-income~~
18 MODERATE-INCOME families, housing affordability, special needs populations
19 and decaying housing stock. Among other things, the department shall
20 provide to qualified housing participants and political subdivisions of
21 this state financial, advisory, consultative, planning, training and
22 educational assistance for the development of safe, decent and affordable
23 housing, including housing for low and moderate income households. The
24 department is responsible for maintaining and enforcing standards of
25 quality and safety for manufactured homes, mobile homes and factory-built
26 buildings.

27 B. Under the direction of the director, the department shall:

28 1. Establish guidelines applicable to the programs and activities
29 of the department for the construction and financing of affordable housing
30 and housing for low and moderate income households in this state. These
31 guidelines shall meet or exceed all applicable state or local building and
32 health and safety code requirements and, if applicable, the national
33 manufactured home construction and safety standards act of 1974 and title
34 VI of the housing and community development act of 1974 (P.L. ~~93-383~~
35 96-399, as amended by P.L. 95-128, 96-153 and 96-339). Guidelines
36 established pursuant to this paragraph do not apply to the department's
37 activities prescribed in section 35-726, subsection E.

38 2. Accept and allocate any monies as from time to time may be
39 appropriated by the legislature for the purposes set forth in this
40 article.

41 3. Perform other duties necessary to administer this chapter.

42 4. Perform the duties prescribed in sections 35-726 and 35-728.

43 5. Stimulate and encourage all local, state, regional and federal
44 governmental agencies and all private persons and enterprises that have
45 similar and related objectives and purposes, cooperate with the agencies,

1 persons and enterprises and correlate department plans, programs and
2 operations with those of the agencies, persons and enterprises.

3 6. Conduct research on its own initiative or at the request of the
4 governor, the legislature or state or local agencies pertaining to any
5 department objectives.

6 7. Provide information and advice on request of any local, state or
7 federal agencies, private persons and business enterprises on matters
8 within the scope of department activities.

9 8. Consult with and make recommendations to the governor and the
10 legislature on all matters concerning department objectives.

11 9. Make annual reports to the governor and the legislature on its
12 activities, including the geographic location of its activities, its
13 finances and the scope of its operations. THE ANNUAL REPORTS SUBMITTED
14 PURSUANT TO THIS PARAGRAPH SHALL ALSO INCLUDE ALL OF THE FOLLOWING
15 OUTCOME-BASED METRICS FOR DEPARTMENT-FUNDED PROJECTS AND INITIATIVES:

16 (a) THE NUMBER OF AFFORDABLE HOUSING UNITS DEVELOPED IN THIS STATE.

17 (b) ANY CHANGES IN HOMELESSNESS RATES IN THIS STATE DUE TO
18 PERMANENT SUPPORTIVE HOUSING INITIATIVES.

19 (c) ANY IMPROVEMENTS IN HOUSING ACCESSIBILITY FOR UNDERSERVED AND
20 RURAL POPULATIONS IN THIS STATE.

21 10. Maintain and enforce standards of quality and safety for
22 manufactured homes, mobile homes and factory-built buildings and enforce
23 rules adopted by the board pursuant to section 41-4010.

24 11. AS A CONDITION OF FUNDING FOR PROGRAMS THAT RECEIVE GRANTS OR
25 OTHER SOURCES OF FUNDING FROM THE DEPARTMENT, ESTABLISH STANDARDS
26 CONCERNING THE PROHIBITION OF THE SALE, MANUFACTURE OR POSSESSION OF
27 DANGEROUS DRUGS AND NARCOTIC DRUGS AS DEFINED IN SECTION 13-3401 IN
28 FACILITIES OR PROGRAMS FUNDED BY THE DEPARTMENT. THE STANDARDS
29 ESTABLISHED PURSUANT TO THIS PARAGRAPH SHALL INCLUDE CLEAR SIGNAGE ON
30 FACILITIES DENOTING A DRUG-FREE ZONE AND AN EXPECTATION OF COOPERATION
31 WITH LAW ENFORCEMENT REGARDING ANY VIOLATIONS PURSUANT TO SECTION 13-3408,
32 SUBSECTION A, PARAGRAPH 7. A GRANTEE'S REFUSAL TO COMPLY WITH THESE
33 STANDARDS DISQUALIFIES THE GRANTEE FROM RECEIVING ANY FUTURE FUNDING FROM
34 THE DEPARTMENT.

35 C. Under the direction of the director, the department may:

36 1. Assist in securing construction and mortgage financing from
37 public and private sector sources.

38 2. Assist mortgage financing programs established by industrial
39 development authorities and political subdivisions of this state.

40 3. Assist in the acquisition and use of federal housing assistance
41 programs pertinent to enhance the economic feasibility of a proposed
42 residential development.

43 4. Assist in the compliance of a proposed residential development
44 with applicable federal, state and local codes and ordinances.

1 5. Prepare and publish planning and development guidelines for the
2 establishment and delivery of housing assistance programs.

3 6. Contract with a federal agency to carry out financial work on
4 the federal agency's behalf and accept payment for the work.

5 7. Subcontract for the financial work prescribed in paragraph 6 of
6 this subsection and make payments for that subcontracted work based on the
7 expectation that the federal agency will pay for that work.

8 8. Accept payment from a federal agency for work prescribed in
9 paragraph 6 of this subsection and deposit those payments in the Arizona
10 department of housing program fund established by section 41-3957.

11 9. Contract for the services of outside advisers, consultants and
12 aides reasonably necessary or desirable to enable the department to
13 adequately perform its duties.

14 10. Contract for and incur obligations reasonably necessary or
15 desirable within the general scope of department activities and operations
16 to enable the department to adequately perform its duties.

17 11. Use any media of communication, publication and exhibition in
18 the dissemination of information, advertising and publicity in any field
19 of its purposes, objectives or duties.

20 12. Adopt rules deemed necessary or desirable to govern its
21 procedures and business.

22 13. Contract with other agencies in furtherance of any department
23 program.

24 14. Use monies, facilities or services to provide contributions
25 under federal or other programs that further the objectives and programs
26 of the department.

27 15. Accept gifts, grants, matching monies or direct payments from
28 public or private agencies or private persons and enterprises for the
29 conduct of programs that are consistent with the general purposes and
30 objectives of this article and deposit these monies in the Arizona
31 department of housing program fund established by section 41-3957.

32 16. Establish and collect fees and receive reimbursement of costs
33 in connection with any programs or duties performed by the department and
34 deposit the fees and cost reimbursements in the Arizona department of
35 housing program fund established by section 41-3957.

36 17. Provide staff support to the board of manufactured housing.

37 D. For the purposes of this section, the department is exempt from
38 chapter 23 of this title.

39 E. The department is the designated state public housing agency as
40 defined in the United States housing act of 1937 (42 United States Code
41 sections 1401 through 1440) for the purpose of accepting federal housing
42 assistance monies and may participate in the housing assistance payments
43 program. Federal monies may be secured for all areas of this state
44 subject only to the limitations prescribed in subsection F of this
45 section.

1 F. For areas of this state where an existing public housing
2 authority has not been established pursuant to section 36-1404, subsection
3 A, the department acting as a public housing agency may undertake all
4 activities under the section 8 tenant-based rental housing assistance
5 payment program, except that the department shall not undertake a section
6 8 tenant-based rental housing assistance payment program within the
7 boundaries of a city, town or county unless authorized by resolution of
8 the governing body of the city, town or county. If the department accepts
9 monies for a section 8 tenant-based rental housing assistance payment
10 program for areas of this state where an existing public housing authority
11 has been established pursuant to section 36-1404, subsection A, the
12 department shall only accept and secure federal monies to provide housing
13 for the seriously mentally ill or other populations with disabilities.
14 The department may accept and secure federal monies for undertaking all
15 contract administrator activities authorized under a section 8
16 project-based rental housing assistance payment program in all areas of
17 this state and this participation does not require the authorization of
18 any local governing body.

19 G. The department shall not itself directly own, construct, operate
20 or rehabilitate any housing units, except as may be necessary to protect
21 the department's collateral or security interest arising out of any
22 department programs.

23 H. Notwithstanding any other provision of this section, the
24 department may obligate monies as loans or grants applicable to programs
25 and activities of the department for the purpose of providing housing
26 opportunities for low or moderate income households or for housing
27 affordability or to prevent or combat decaying housing stock. Unless
28 otherwise required by federal or state law, any loan repayments shall be
29 deposited in the Arizona department of housing program fund established by
30 section 41-3957.

31 I. For any construction project financed by the department pursuant
32 to subsection C of this section, except for contract administration
33 activities in connection with the project-based section 8 program, the
34 department shall notify a city, town, county or tribal government that a
35 project is planned for its jurisdiction and, before proceeding, shall seek
36 comment from the governing body of the city, town, county or tribal
37 government or an official authorized by the governing body of the city,
38 town, county or tribal government. The department shall not interfere
39 with or attempt to override the local jurisdiction's planning, zoning or
40 land use regulations.

41 J. The department has the administrative responsibility through its
42 hearing officer function concerning alleged violations of the Arizona
43 mobile home parks residential landlord and tenant act under title 33,
44 chapter 11.

1 K. The ARIZONA department OF HOUSING shall act consistently with
2 the minimum standards of the United States department of housing and urban
3 development so as to be designated the ~~"state inspector"~~ for
4 manufactured homes and related industries. The ARIZONA department OF
5 HOUSING shall implement all existing laws and regulations established by
6 the federal government, its agencies and this state for that purpose.

7 L. FOR THE PURPOSES OF THIS SECTION, "PERMANENT SUPPORTIVE HOUSING"
8 MEANS LONG-TERM HOUSING ASSISTANCE PAIRED WITH SUPPORTIVE SERVICES AIMED
9 AT INDIVIDUALS EXPERIENCING HOMELESSNESS OR INDIVIDUALS WITH SPECIAL
10 NEEDS.

11 Sec. 4. Section 41-3955, Arizona Revised Statutes, is amended to
12 read:

13 41-3955. Housing trust fund; purpose; annual report

14 A. The housing trust fund is established, and the director shall
15 administer the fund. The fund consists of monies from unclaimed property
16 deposited in the fund pursuant to section 44-313, monies transferred
17 pursuant to section 35-751 and investment earnings.

18 B. On notice from the department, the state treasurer shall invest
19 and divest monies in the fund as provided by section 35-313, and monies
20 earned from investment shall be credited to the fund.

21 C. Except as provided in subsection D of this section, fund monies
22 shall be spent on approval of the department for developing projects and
23 programs connected with providing housing opportunities for low and
24 moderate income households and for housing affordability programs.
25 ~~Pursuant to section 44-313, subsection A,~~ A portion of fund monies shall
26 be used exclusively for housing in rural areas.

27 D. Fund monies may be spent on constructing or renovating
28 facilities and on housing assistance, including support services, ~~for~~
29 ~~persons who have been determined to be seriously mentally ill and to be~~
30 ~~chronically resistant to treatment.~~ FUND MONIES SHALL BE SPENT IN THE
31 FOLLOWING ORDER OF PRIORITY:

32 1. CONSTRUCTING OR RENOVATING EMERGENCY SHELTER FACILITIES SO THAT
33 THERE IS A SUFFICIENT NUMBER OF BEDS AVAILABLE TO MEET THE NEED FOR
34 EMERGENCY SHELTER. THE NUMBER OF EMERGENCY SHELTER BEDS MUST EXCEED THE
35 SUM OF THE UNSHELTERED HOMELESS POPULATION AND THE HOMELESS POPULATION IN
36 EMERGENCY SHELTER, AS REFLECTED IN THE LATEST POINT-IN-TIME COUNT, AS WELL
37 AS THE SPECIFIC SHELTER NEEDS OF ALL OF THE FOLLOWING:

38 (a) HOUSEHOLDS WITH CHILDREN, INCLUDING PARENTING YOUTH WHO ARE IN
39 EMERGENCY SHELTER OR WHO ARE UNSHELTERED.

40 (b) UNACCOMPANIED YOUTH WHO ARE IN EMERGENCY SHELTER OR WHO ARE
41 UNSHELTERED.

42 (c) VICTIMS OF DOMESTIC VIOLENCE WHO ARE IN EMERGENCY SHELTER OR
43 WHO ARE UNSHELTERED.

44 2. CONSTRUCTING OR RENOVATING TRANSITIONAL HOUSING UNITS SO THAT
45 THERE IS A SUFFICIENT NUMBER OF UNITS AVAILABLE TO MEET THE NEED FOR

1 TRANSITIONAL HOUSING, TAKING INTO ACCOUNT THE POPULATION LIKELY TO ACHIEVE
2 INDEPENDENT, UNSUBSIDIZED HOUSING IF SERVED UNDER THE TERMS OF
3 TRANSITIONAL HOUSING FOR A DURATION OF TWENTY-FOUR TO THIRTY-SIX MONTHS,
4 AS DETERMINED BY THE DEPARTMENT.

5 3. CONSTRUCTING OR RENOVATING OTHER TYPES OF SHELTER OR HOUSING AS
6 DETERMINED BY THE DEPARTMENT TO BEST SERVE THE NEEDS OF INDIVIDUALS WHO
7 HAVE BEEN DETERMINED TO BE SERIOUSLY MENTALLY ILL AND CHRONICALLY
8 RESISTANT TO TREATMENT.

9 E. For the purposes of subsection C of this section, in approving
10 the expenditure of monies, the director shall give priority to funding
11 projects that provide for operating, constructing or renovating facilities
12 for housing for low-income families and that provide housing and shelter
13 to families that have children.

14 F. ALL PROGRAMS ESTABLISHED BY THE DEPARTMENT AND FUNDED BY THE
15 HOUSING TRUST FUND PURSUANT TO THIS SECTION SHALL REQUIRE PRIOR REVIEW BY
16 THE JOINT LEGISLATIVE BUDGET COMMITTEE.

17 ~~F.~~ G. The director shall report annually to the legislature on the
18 status of the housing trust fund. The report shall include a summary of
19 facilities for which funding was provided during the preceding fiscal year
20 and shall show the cost and geographic location of each facility and the
21 number of individuals benefiting from the operation, construction or
22 renovation of the facility. The report shall also include the number of
23 individuals who benefit from housing assistance pursuant to subsection D
24 of this section. The report shall be submitted to the president of the
25 senate and the speaker of the house of representatives, and a copy
26 provided to the secretary of state, not later than September 1 of each
27 year.

28 ~~G.~~ H. Monies in the housing trust fund are exempt from the
29 provisions of section 35-190 relating to lapsing of appropriations.

30 ~~H.~~ I. An amount not to exceed ten percent of the housing trust
31 fund monies may be appropriated annually by the legislature to the
32 department for administrative costs in providing services relating to the
33 housing trust fund.

34 ~~I.~~ J. For any construction project financed by the department
35 pursuant to this section, the department shall notify a city, town, county
36 or tribal government that a project is planned for its jurisdiction and,
37 before proceeding, shall seek comment from the governing body of the city,
38 town, county or tribal government or an official authorized by the
39 governing body of the city, town, county or tribal government. The
40 department shall not interfere with or attempt to override the local
41 jurisdiction's planning, zoning or land use regulations.

1 Sec. 5. Title 41, chapter 37, article 2, Arizona Revised Statutes,
2 is amended by adding section 41-3958, to read:

3 41-3958. Comprehensive performance measurement system;
4 tracking system; wire transfer protocols;
5 reporting requirements; definitions

6 A. THE DEPARTMENT SHALL:

7 1. ESTABLISH AND IMPLEMENT A COMPREHENSIVE PERFORMANCE MEASUREMENT
8 SYSTEM WITHIN TWELVE MONTHS AFTER THE EFFECTIVE DATE OF THIS SECTION. THE
9 COMPREHENSIVE PERFORMANCE MEASUREMENT SYSTEM SHALL REQUIRE ALL OF THE
10 FOLLOWING:

11 (a) ANNUAL GOALS WITH MEASURABLE BENCHMARKS FOR EACH HOUSING
12 PROGRAM IN THIS STATE.

13 (b) MECHANISMS FOR DATA COLLECTION AND REVIEW TO ASSESS THE
14 EFFECTIVENESS OF THE HOUSING PROGRAMS ADMINISTERED BY THE DEPARTMENT.

15 (c) QUARTERLY REPORTING TO THE PRESIDENT OF THE SENATE AND THE
16 SPEAKER OF THE HOUSE OF REPRESENTATIVES REGARDING PROGRAM PERFORMANCE
17 OUTCOMES, SUGGESTED IMPROVEMENTS FOR AFFORDABLE HOUSING, REDUCTIONS IN
18 HOMELESSNESS AND OTHER KEY METRICS.

19 2. CONDUCT A BIENNIAL EVALUATION OF ALL HOUSING PROGRAMS IN THIS
20 STATE TO ASSESS PROGRAM ALIGNMENT WITH STATE HOUSING GOALS AND ENSURE
21 COMPLIANCE WITH ALL STATUTORY REQUIREMENTS.

22 3. ESTABLISH SECURE WIRE TRANSFER PROTOCOLS TO MITIGATE FRAUD
23 RISKS, INCLUDING ALL OF THE FOLLOWING:

24 (a) DUAL AUTHORIZATION FOR ALL WIRE TRANSFERS EXCEEDING \$10,000.

25 (b) WORKING WITHIN THE DEPARTMENT'S AUTHORITY TO IMPLEMENT
26 REAL-TIME FRAUD DETECTION AND REPORTING MEASURES INTEGRATED INTO THE
27 FINANCIAL MANAGEMENT SYSTEM.

28 (c) MANDATORY RECONCILIATION AND AUDITING OF ALL WIRE TRANSFERS
29 ON A MONTHLY BASIS.

30 4. CONDUCT BIENNIAL REVIEWS OF REGULATORY FEES ASSOCIATED WITH
31 MANUFACTURED HOUSING IN THIS STATE TO ENSURE ALIGNMENT WITH REGULATORY
32 COSTS. ANY PROPOSED FEE CHANGES SHALL BE SUBMITTED TO THE BOARD OF
33 MANUFACTURED HOUSING ESTABLISHED BY SECTION 41-4009 FOR APPROVAL AND ARE
34 SUBJECT TO A THIRTY-DAY PUBLIC COMMENT PERIOD. ALL COMPLAINTS RELATED TO
35 MANUFACTURED HOUSING MUST BE RESOLVED WITHIN THE UNITED STATES DEPARTMENT
36 OF HOUSING AND URBAN DEVELOPMENT GUIDELINES PURSUANT TO 24 CODE OF FEDERAL
37 REGULATIONS PART 3288.

38 5. ESTABLISH A TRACKING SYSTEM THAT MONITORS COMPLAINT RESOLUTION
39 TIMELINES. THE DEPARTMENT SHALL PROVIDE QUARTERLY REPORTS REGARDING ANY
40 UNRESOLVED COMPLAINTS TO THE BOARD OF MANUFACTURED HOUSING, THE PRESIDENT
41 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

1 6. REQUIRE ALL STAFF TO COMPLETE A CONFLICT OF INTEREST DISCLOSURE
2 FORM ANNUALLY, REVIEW ALL FORMS TO DETERMINE WHETHER THERE ARE ANY
3 SUBSTANTIAL INTEREST DISCLOSURES AND MAINTAIN A SPECIAL FILE OF ALL
4 SUBSTANTIAL INTEREST DISCLOSURES.

5 B. THE DEPARTMENT SHALL REPORT ANY INSTANCE OF FRAUDULENT ACTIVITY
6 INVOLVING STATE MONIES TO THE GOVERNOR, THE JOINT LEGISLATIVE BUDGET
7 COMMITTEE AND THE AUDITOR GENERAL WITHIN TEN BUSINESS DAYS. THE
8 DEPARTMENT SHALL INITIATE RESTITUTION EFFORTS WITHIN THIRTY DAYS AFTER
9 IDENTIFYING THE FRAUDULENT ACTIVITY.

10 C. FOR THE PURPOSES OF THIS SECTION:

11 1. "COMPREHENSIVE PERFORMANCE MEASUREMENT SYSTEM" MEANS A
12 SYSTEMATIC PROCESS FOR TRACKING, EVALUATING AND REPORTING ON PROGRAM
13 OUTCOMES, INCLUDING ESTABLISHING GOALS, PERFORMANCE BENCHMARKS AND
14 MEASURABLE OUTCOMES.

15 2. "WIRE TRANSFER PROTOCOLS" MEANS SECURE PROCESSES AND STANDARDS
16 TO PREVENT UNAUTHORIZED FINANCIAL TRANSFERS.

17 Sec. 6. Quarterly reporting; delayed repeal

18 A. The Arizona department of housing shall provide quarterly
19 reports to the president of the senate and the speaker of the house of
20 representatives regarding the use of monies from the housing trust fund
21 pursuant to section 41-3955, Arizona Revised Statutes, as amended by this
22 act, that include all of the following:

23 1. Details on all financial transactions in the housing trust fund.

24 2. Detailed information on recipients of monies from the housing
25 trust fund and any projected and realized results and analyses of the
26 performance of the housing trust fund in comparison to the goals of the
27 housing trust fund.

28 B. The Arizona department of housing shall also conduct a review of
29 approved and paid payment requests since July 1, 2021 to identify any
30 improper payments made to grantees and how to recover those monies. The
31 status of the review and recovery activities shall be outlined in the
32 quarterly reports pursuant to subsection A of this section.

33 C. This section is repealed from and after December 31, 2026.

34 Sec. 7. Auditor general; presentation; follow-up

35 The auditor general shall appear before the appropriate committee of
36 reference and the joint legislative audit committee to present the
37 eighteen-month follow-up of the sunset report for the Arizona department
38 of housing.

39 Sec. 8. Purpose

40 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
41 the legislature continues the Arizona department of housing to address the
42 affordable housing issues confronting this state, including housing issues
43 of low and moderate income families, housing affordability, housing for
44 special needs populations and decaying housing stock, to maintain
45 standards of quality and safety for manufactured homes, factory-built

1 buildings, mobile homes and accessory structures and to adjudicate
2 complaints regarding and ensure compliance with the Arizona mobile home
3 parks residential landlord and tenant act.

4 Sec. 9. Retroactivity

5 Sections 1 and 2 of this act apply retroactively to from and after
6 July 1, 2025.