



April 1, 2013

Honorable Mayor and Council,

On behalf of the Tucson Metropolitan Housing Commission (TMHC) I am pleased to present our annual report for FY2012. Your package includes a detailed list of our 2012 activities and accomplishments and the 2012 Housing Report that contains a profile of local housing market conditions, a summary of local trends and indicators, and a production count/cumulative inventory of protected affordable housing including city-owned housing.

Tucson's Affordable Housing Challenges: Although Tucson is a tolerant community, many of our residents have misperceptions about what affordable is which have hindered our efforts. According to census data, about 40.7% of Tucson households qualify for some type of federal housing assistance but the vast majority of these households do not receive assistance. More than 20% of our residents live in poverty and nearly 6,000 adults and children experience homelessness; about 1,000 families a month start the foreclosure process or are seriously delinquent. In today's challenging fiscal environment with declining federal resources, restrictive state, county and municipal budgets and a rapidly changing economic environment, future housing programs must be designed to adjust to changing market conditions, to leverage more private investment, while at the same time efficiently delivering housing resources to the people who need it most.

2012 TMHC Accomplishments: To address the identified challenges, the Commission implemented the following activities last year:

1. Launched a website to begin educating the public about the myths and benefits of affordable housing. It's our hope that the website will eventually engage the public in affordable housing advocacy, funding and volunteer efforts.
2. Supported state and national foreclosure prevention efforts and helped create the Pima County Community Land Trust, a non-profit that acquires, rehabs and sells foreclosed properties.
3. Suggested ways to improve how we target limited affordable housing resources to people who are of greatest risk of becoming homeless.
4. Identified and evaluated new funding resources to recapitalize our housing trust fund and advocated for state, county and municipal funding and new policies to help increase the supply of affordable housing in our community.

2013 TMHC Initiatives: During our annual retreat the Commission identified four specific initiatives we plan to implement in 2013:

1. Redefine our mission and functions to better address a rapidly changing political, fiscal and economic environment
2. Change the perception of affordable housing through outreach and education
3. Develop a process for identifying multifamily properties that are most at risk of losing affordability covenants
4. Create a new funding resource to help increase the supply of affordable housing and remove one regulatory barrier

Current Housing Market Conditions: Investor activity, a declining inventory of active listings, low interest rates, and local job creation have led to increasing housing prices in many Tucson neighborhoods and some rental markets are beginning to tighten. In order to keep 40% of Tucson residents from being priced out of the housing market and or becoming even more housing cost burdened we believe it make sense to take advantage of historically low interest rates and increase the supply of affordable housing.

How Housing Impacts our Community: Tucson lost 15,000 construction jobs (about 42% of our workforce) after the peak of the building boom in 2008. It is estimated that every new housing unit constructed creates 1.52 jobs so the construction and rehabilitation of housing is a strong form of economic development. Stable neighborhoods with appropriate homeownership levels and well managed rental housing also support the utilization of parks and transportation routes and help create safe neighborhoods.

Thank you for your continued support: We will be forwarding specific ideas and recommendations to you as they are developed and vetted through our subcommittee process. We welcome your input and ideas and we look forward to working with you and your staff to address Tucson's affordable housing challenges and opportunities in 2013. We would also like to take this opportunity to thank current and former Commission members for their efforts. A current board list is included in your package.

Respectfully Submitted.

A handwritten signature in black ink, appearing to read 'Pete Chalupsky', written over a white background.

Pete Chalupsky
2013 Commission Chair

Annual Housing Report

City of Tucson Metropolitan Housing Commission

FY 2012 (July 1, 2011 through June 30, 2012)

Introduction

This annual housing report prepared by the Metropolitan Housing Commission for the City of Tucson Mayor and Council is designed to provide:

- 1) An update on the local housing market conditions;
- 2) A summary of local trends and indicators that inform housing policies and programs administered by the City; and
- 3) A production count and cumulative inventory of protected affordable housing, including City-owned housing.

I. Current Market Conditions

Profile of the Housing Stock in Tucson and Pima County

Housing Statistics	Pima County	City of Tucson
Total Residents	982,154	521,132
Total Housing Units	442,471	232,099
Average Household Size	2.54	2.51
% Owner-Occupied	61.4%	49.8%
% Renter-Occupied	38.6%	50.2%
Median Household Income	\$44,112	\$35,362
Median Value of Specified Owner-Occupied Housing	\$165,700	\$138,300
Age of Housing Stock: Units 50+ Years Old by 2010	63,599 (14.8%)	53,533 (23.6%)
Households with Seniors	108,832 (28.7%)	45,821 (22.7%)
Low-Income Households (below 80% Of Median Household Income; ~\$35,289 Pima Co; \$28,290 Tucson City)	158,753 (41.8%)	82,229 (40.7%)

**American Community Survey 2011 1-year estimate*

City of Tucson Permit Activity

Below is a summary of residential permit activity for the past two years compiled by the City Planning & Development Services Department. These numbers are considerably less than the pre-recession years.

FY 10-11	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
SFR	31	39	18	10	22	13	22	17	20	24	23	15	254
DUPLEX	0	0	0	0	0	0	0	0	0	1	0	0	1
3 or 4 Fam Bldgs	0	0	0	0	0	0	0	0	0	0	0	0	0
MULTI-FAM 5+	0	0	0	0	0	0	0	0	0	1	0	3	4
Residential Alterations	107	93	94	73	86	76	148	99	132	118	129	131	1291
Commercial Alterations	69	60	97	52	75	74	54	62	74	61	60	75	813

FY 11-12	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
SFR	18	25	78	22	10	17	28	24	21	25	29	28	325
DUPLEX	11	0	0	0	0	0	1	0	0	0	2	0	14
3 or 4 Fam Bldgs	0	0	9	2	0	4	0	2	0	0	0	0	17
MULTI-FAM 5+	0	0	0	0	0	0	0	0	14	0	0	0	14
Residential Alterations	171	120	103	88	80	100	92	83	90	78	64	98	1,167
Commercial Alterations	79	94	118	60	83	80	74	108	93	61	53	59	962

**2013 Income Guidelines for the City of Tucson and Pima County
(U.S. Department of Housing and Urban Development)**

Income Levels	Median Family Income (MFI levels) by Household Size					
	1	2	3	4	5	6
80% of MFI	\$33,550	\$38,350	\$43,150	\$47,900	\$51,750	\$55,600
50% of MFI	\$21,000	\$24,000	\$27,000	\$29,950	\$32,350	\$34,750
30% of MFI	\$12,600	\$14,400	\$16,200	\$17,950	\$19,400	\$20,850

2) Local Market Indicators and Emerging Trends

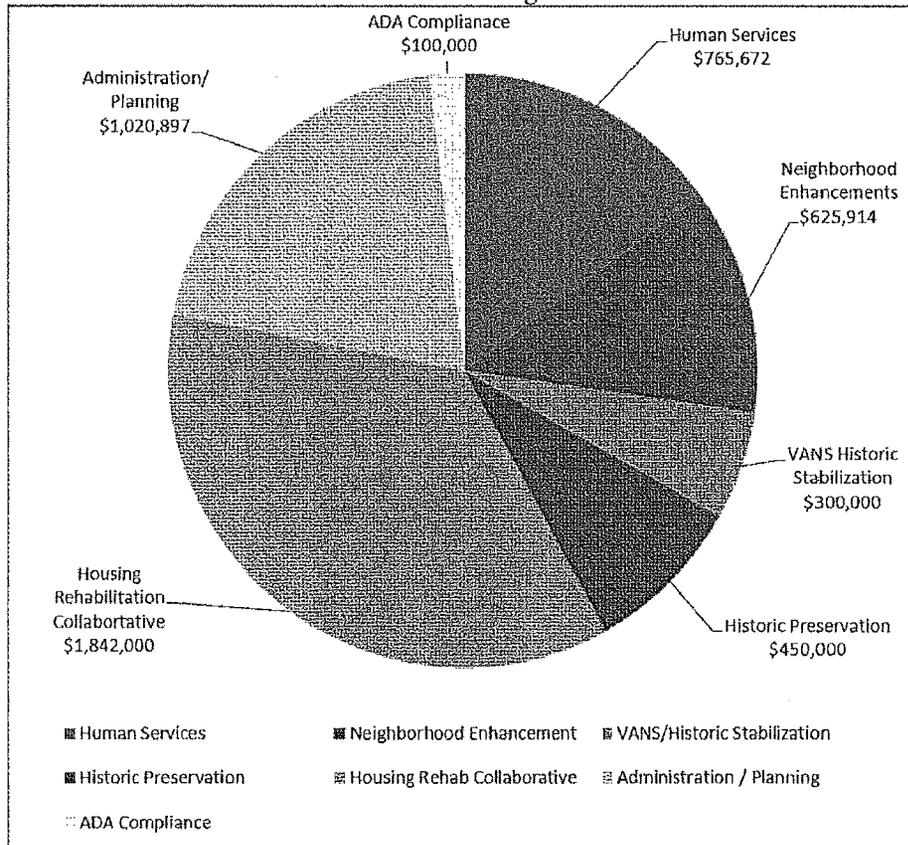
Housing Market Indicators:

Indicator	Available Statistics	Source of Information
Median Price of a SFH in Pima County	\$143,000	Multiple Listing Service, October 2012 (increase of 19% over last year)
Average Rents in Pima County	\$725 per month	Multi-family Housing Association
Household Income Needed to Afford Average Rent	\$2213 per month or \$26,560 per year	HUD Standard
Number of Households at or below \$28,290 Income % of households	82,229 40.7%	American Community Survey 2011
Fair Market Rents: 0 bedrooms 1 bedroom 2 bedrooms 3 bedrooms 4 bedrooms	\$492 \$614 \$826 \$1,213 \$1,444	HUD FY 2013
Apartment Vacancy Rates	11.9%	Multi-family Housing Association
Foreclosure Rate in Pima County	1 in every 526 homes	RealtyTrac (Dec 2012)
Unemployment rate for Tucson	7.4%	United States Department of Labor (Nov 2012)

3) Production and Cumulative Inventory of Affordable Housing

City housing programs are funded primarily with federal resources that are administered through the Housing and Community Development Department, with a network of non-profit and for-profit partners. These federal resources are used to leverage other resources (local, State, private sector, philanthropic) and are provided to qualified households in many forms. Rental subsidies, down-payment assistance for homeownership, and funds to rehabilitate substandard housing are the three major categories of assistance. It is anticipated that these funds may be cut by as much as 10% for the next funding year.

FY 2013 CDBG Funding Breakdown



Housing Plans, Policies, and Production

Plans:

The National Affordable Housing Act of 1990 requires all cities and counties of 50,000 or more population to prepare a 5-Year Consolidated Plan with annual updates showing how funds will be invested to meet documented housing needs and stated goals. This Plan is required as a condition of receiving federal funds for housing and related assistance. The City of Tucson and Pima County have formed a Consortium under federal regulation, and prepare a joint 5-year Consolidated Plan, undertaking a comprehensive public participation process to draft the document. The current 5-year Consolidated Plan is good through June 30, 2014. At the end of each fiscal year, the City and County prepare a HUD-mandated report called the Consolidated Annual Production and Evaluation Report (CAPER) which assesses the community's progress in meeting the goals contained in the Consolidated Plan.

Local Policies:

The City of Tucson currently has an Affordable Housing policy in the State-mandated 2001 General Plan that reads, "Establish a community-wide goal that 10% of the City's housing stock is affordable to families who are low-income." As required by

State law, the General Plan must be updated and taken to the voters for approval no later than 2015. A draft of the new general plan, Plan Tucson, is currently available for public comment. Policies related to affordable housing will be reviewed as part of that update, which will be taken to the voters in November, 2013.

City of Tucson Affordable Housing Inventory is as follows:

Activity	Cumulative FY (1996-11)	Production 7/1/11 – 6/30/2012						
		Rental		Homeowners		Homebuyer	Annual Total	Total all Units
		New Const	Preserved	Rehab	Repair	New Const		
El Portal	273		2				2	275
Homebuyer	679					15	15	694
Homeowner Rehab	4,146			474			474	4,620
Public Housing	1,888						0	1,888
Rental Partnership	670					43	43	713
Section 8	5,402						0	5,402
Shelter Plus Care	506		208				208	714

Production:

Below is a summary of the annual assistance to low-income households for City-administered affordable housing programs as documented by the CAPER:

Rental Housing Objectives	
Specific Objective	FY 2012
Rental development for Elderly	24 completed 10 underway
Rental development for special populations	42 completed (includes rehabs)
Owner Housing Objectives	
Homeownership development	15 completed 38 underway
Down payment assistance	319
Lead Free Homes (new program initiated)	20

**2012 Tucson Metropolitan Housing Commission
Details on Activities and Accomplishments**

(1) Created a Website to help educate the public about the myths and benefits of affordable housing:

Our Outreach and Education committee:

- Raised funding from the community to host the development and site,
- Developed proposals to hire web designer, developed content and initial site design,
- Hired Commotion Studies as web developer, and designed and implemented first draft of the website which will be up and running with content this year.

The website will eventually provide information about local housing resources and give the public and an opportunity to participate in advocacy, funding, and volunteerism activities that support affordable housing

(2) Supported state and national foreclosure prevention efforts and created the Pima County Community Land Trust, a non-profit that acquires, rehabs and sells foreclosed properties.

Our Foreclosure Prevention Subcommittee:

- Participated in the Arizona Attorney General's office to meeting with Joseph Smith, the Director that oversees the National foreclosure Mortgage Settlement to discuss how the settlement will be implemented.
- Attended a training that at the ASU Sandra Day O'Connor Law School on the National Foreclosure Mortgage Settlement and brought information back to Tucson.

The Pima County Community Land Trust rehabbed on sold 60 homes, 9 homes are currently listed, 3 homes were recently acquired and 4 homes are currently being rehabilitated.

(3) Suggested ways to improve how we target our limited affordable housing resources to people at highest risk of becoming homeless

Our Targeting for Homelessness Prevention Subcommittee:

- Worked closely with the City of Tucson Housing Authority – public housing and the Housing Choice Voucher program (Section 8). The committee reviewed the Section 8 Administrative plan, and was pleased to learn that targeting to extremely low-income persons is carried out through a rule that 75% of new applicants must be earning 30% or less of the Area Median Income.
- Met with Sally Stang, the new Director of the City of Tucson Housing Authority, and later arranged for Ms. Stang to give a presentation to the Commission. In 2012.
- Members have attended Mayor Rothschild's Commission on Poverty meetings.

(4) Identified and evaluated new funding resources to recapitalize our housing trust fund and advocated for state, county and municipal funding and new policies to help increase the supply of affordable housing in our community

Our Housing Resources Subcommittee:

- Researched how housing trust funds are funded in different states. Evaluated 23 different types of funding mechanisms that potentially could be used to recapitalize the Tucson Housing Trust Fund.
- Participated in the Plan Tucson general plan process to ensure the diverse affordable housing needs in our community are addressed through City general plan policies.
- Attended the Arizona Housing Forum and QAP hearings to try to get a more favorable scoring system for Tucson applications. Advocated that Arizona Department of Housing (ADOH) give additional consideration in its Qualified Allocation Plan (QAP) to affordable multifamily properties proposed along Tucson's modern street car route. Helped get the ADOH to change its scoring to award points to Arizona Department of Education "B" or better rated "schools" (rather than only giving preference to only properties located within "A" rated school "districts" which would have excluded proposed housing applications in TUSD).

Members continue to advocate for the inclusion of funding of affordable housing and neighborhood reinvestment activities in future Pima County General Bond elections. Six or more potential funding sources will be further evaluated in 2013 with at least one recommended for implementation.

Attachment B

METROPOLITAN HOUSING COMMISSION

2013 MEMBERSHIP

<u>Member</u>	<u>Role</u>	<u>Classification</u>
Mr. Jerry Anderson	Member	Real Estate/Finance Representative
Ms. Maryann Beerling, CEO	Vice Chairperson	Neighborhood/Consumer Advocate
Ms. Leslie Carlson	Member	Community Partner
Mr. Albert Celaya	Member	Real Estate/Finance Representative
Mr. Pete Chalupsky	Chairperson	Real Estate/Finance Representative
Mr. Michael Grassinger	Member	Developer/Builder/Designer
Mr. Tom Heath	Member	Neighborhood/Consumer Advocate
Ms. LuAnn Kidd	Member	Neighborhood/Consumer Advocate
Ms. Evelia Martinez	Member	Community Partner
Ms. Gigi Rodriguez	Member	Developer/Builder/Designer
Ms. Jeanne Shaw	Member	Neighborhood/Consumer Advocate
Ms. Susan Soto	Member	Community Partner
Mr. Steve Tofel	Member	Developer/Builder/Designer