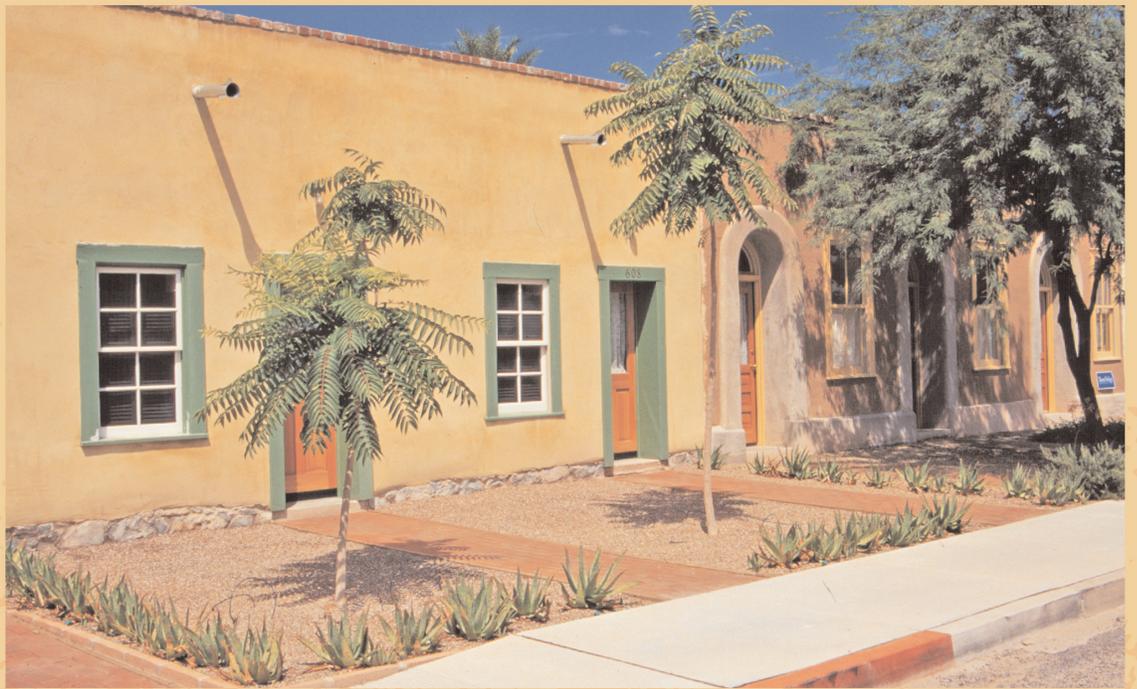


Affordable Housing

City of Tucson Affordable Housing Strategies

Fiscal Years 2006 - 2010



Affordable Housing Strategies

CITY OF TUCSON MAYOR AND COUNCIL

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Letter From the Chair

City of Tucson
Metropolitan Housing Commission

September 2005

Tucson is a great community to call home; it has a wonderful climate and wonderful residents. It is also experiencing rapid growth. With this rapid growth comes the need for additional housing in our community, especially affordable housing.

I am pleased to report that the Metropolitan Housing Commission and the City of Tucson are working together to develop strategies designed to increase the amount of affordable housing available in our community. These strategies are vital to Tucson since so many of its residents are of limited means.

The plans outlined within the Affordable Housing Strategies 2006-2010 are diverse and seek to provide assistance across a spectrum of need - from the homeless to the homeowner. It will serve as a framework to ensure that this important community goal of affordable housing is provided to those in need.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Nancy Nicolosi". The signature is written in a cursive style with a prominent initial "N".

Nancy Nicolosi, Chair
Metropolitan Housing Commission

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Executive Summary

This document outlines the City of Tucson's affordable housing strategies for FY2006-2010. It builds on two previous five-year plans. In each of those, the City set a goal of creating or preserving 1000 affordable housing units per year. This goal was met every year, sometimes with great difficulty. This document establishes new five-year goals that will bring us closer to meeting the affordable housing needs of the community.

Understanding the dynamics of Tucson and its housing is fundamental to developing government strategies. Key factors include population growth and change, income levels, and market trends.

- Population trends of significance include a continued steady growth, with projected increase in the percentage of seniors from 12% to 16% by 2010.
- Income, which increased by 7% over the last three years, has not kept pace with skyrocketing homeownership costs, which increased by nearly 21% in the same time period. Forty-one percent of all households continue to be low-income, which makes affordability of housing an important issue. Forty-one percent of renters and 28% of owners spend more than 30% of their income on housing costs.
- In the housing market there is an adequate supply of for-sale units, due in part to continued low interest rates. Consequently, homeownership rates have improved to 55.6%. This is still below the national average, however; and low-end units are in short supply. Older homes are becoming rentals. Rental vacancy rates continue to decline, but still hover around double digits. The aging housing stock increases housing quality issues.
- Diminishing federal resources for housing assistance places more responsibility on the City and community stakeholders.

To meet these challenges, the broad strategies outlined in detail in the report are:

- Increase local resources, primarily through the establishment of a City Housing Trust Fund that can be used to leverage other investments and reduce the impact of diminished federal funding. Housing Trust Funds are distinct accounts into which a committed stream of public revenue provides an on-going secure source of funding to support housing for low- and moderate-income households.
 - Increase focus on development of mixed-income neighborhoods. Segregation by income in certain parts of the City leads to disinvestment in other areas.
 - Target resources to preservation and redevelopment of older housing, including financial assistance and code enforcement.
 - Provide better information to consumers, which can reduce the need for more expensive housing solutions.
 - Target housing investment for longer-term affordability. City lending policies should encourage people to stay in their homes longer, and investors to have longer affordability periods.
 - Implement selected development incentives to support affordable housing goals in the City's General Plan. Examples include density bonuses, flexible zoning, reduced parking requirements, fee waivers, expedited rezoning and development reviews and the provision of affordable housing as a consideration when approving zoning changes.
-

These strategies, and others, will support three key goals:

- The General Plan calls for 10% of our housing (21,000 units) to have their affordability protected over time. Move from 5% to 6%.
- Increase the homeownership rate by assisting 300 first-time homebuyers annually.
- Reduce the amount of substandard housing by 500 homes per year.

These all support the primary housing goals of expanding affordable housing opportunities for low-income families and encouraging development that benefits the entire community.

Introduction

Why is City government involved in housing? Housing quality and affordability affects households and neighborhoods, and is a major contributor to what makes a City function well. Housing that is safe and affordable is crucial to a healthy, vibrant community. Without it, there is an increase in homelessness, public assistance and criminal behavior, as well as a decline in educational performance and proper nutritional health.

Homeownership is a stabilizing force, building wealth for families and stability for neighborhoods. Housing in good repair supports reinvestment in the community and discourages crime and neglect.

According to the *National Low Income Housing Coalition: Out of Reach 2004* report, a worker earning minimum wage (\$5.15 per hour) can afford monthly housing costs of \$268. To afford a unit at Tucson's fair market rent of \$673, he or she must work 102 hours per week. With a median monthly owner cost of \$964, homeownership is not possible for this segment of the population.

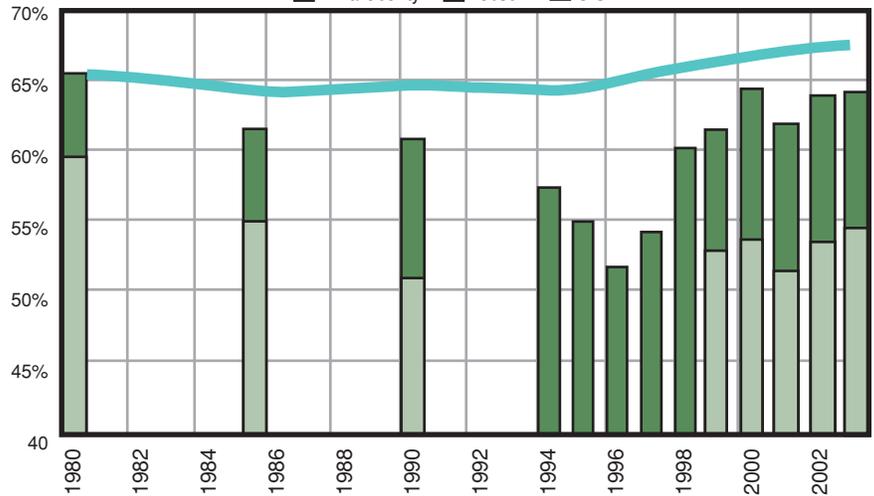
Building and rehabilitating affordable housing has economic benefits for the community. Housing creates jobs and wages, creates a greater demand for goods and services, and increases tax revenues. The National Association of Home Builders reports that the impact of building 1,000 single-family homes generates 2,448 full-time construction jobs and construction-related industries, and \$79.4 million in wages.



Home Ownership: 1980-2003

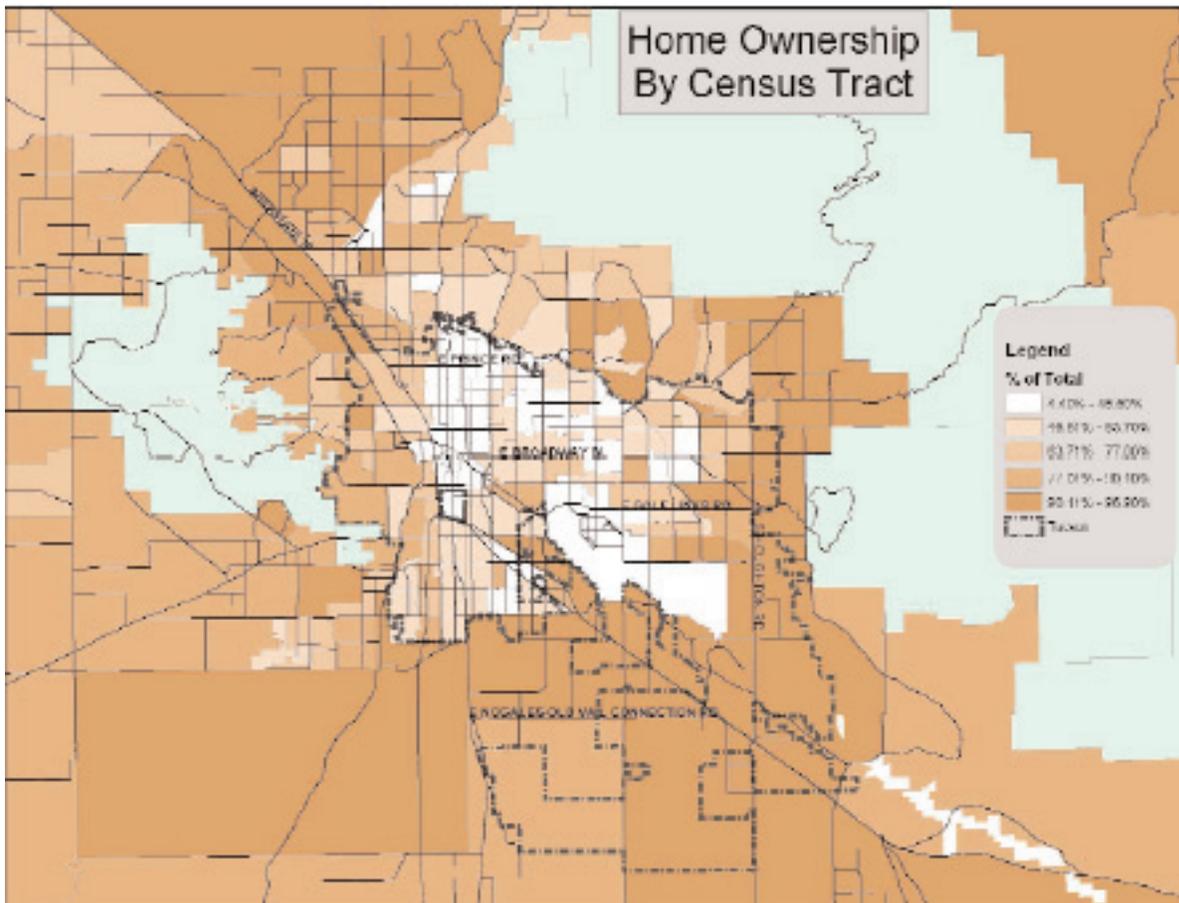
U.S., Pima County & Tucson

■ Pima County ■ Tucson ■ U.S.



HOMEOWNERSHIP

Tucson's homeownership rate is lower than the national average. In 2004, 55.6% of Tucsonans owned a home, compared to 67.1% for the U.S. as a whole, and 61.5% for Phoenix. The low ownership rate can be attributed, in part, to low local wages.



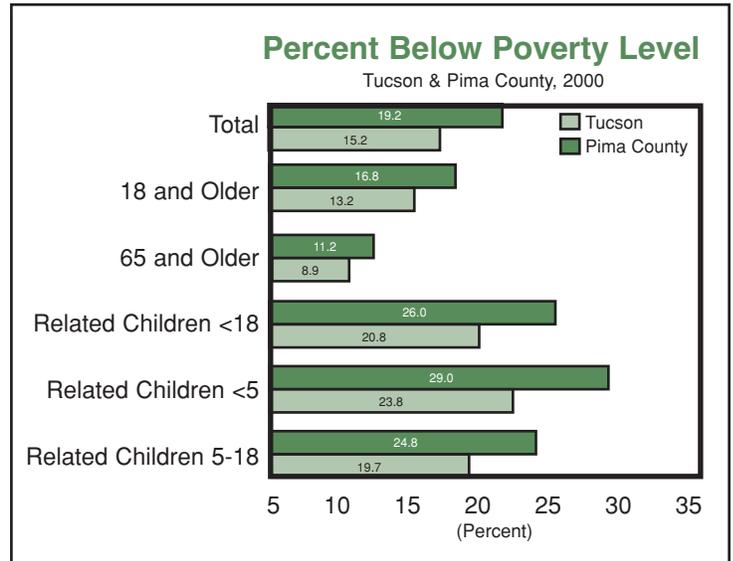
I. Current Conditions

POVERTY

Poverty rates and the number of people in poverty are important means of measuring a community's well-being. In 2000, Tucson's poverty rate was high, 19.2%, compared to 15.2% for Pima County and 12.4% for the U.S. Children comprise the largest group of people living in poverty.

HOUSING PROBLEMS

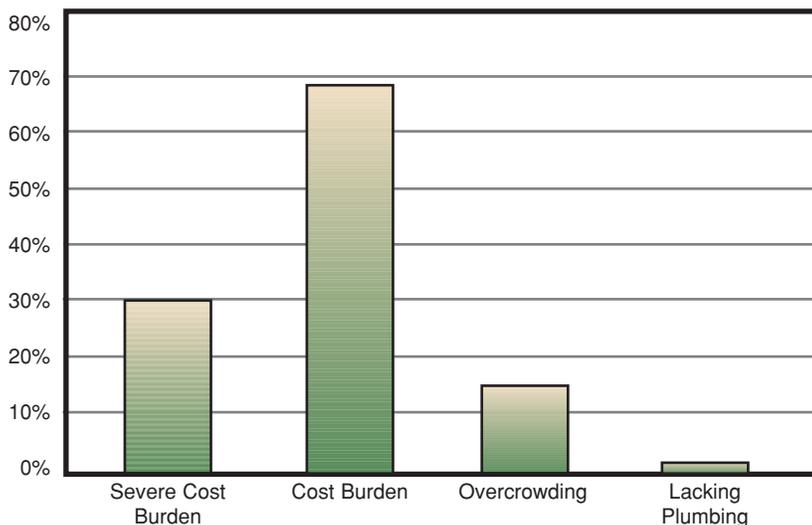
There are three categories of housing problems identified through census data: cost burden, overcrowding, and substandard housing. Using this source of information allows for consistent comparison with other communities.



Cost burden - The 2000 census reported that 41% of renters and 28% of owners were cost burdened (spending more than 30% of gross income on housing costs). Of greater concern, 21% of renters and 9% of homeowners were severely cost-burdened (paying more than 50% of their income on housing).

Not surprisingly, being cost burdened occurs more frequently and is more of a health and safety issue for low-income households. Sixty-eight percent of low-income renters are cost burdened, while 58% are severely cost burdened. Among low-income owners, the numbers are 62% and 39%, respectively.

Tucson Households with Housing Problems



Overcrowding – 9% of Tucson households are living in overcrowded conditions. Overcrowding is defined as more than one person per room. Severely overcrowded is defined as more than 1.5 persons per room.

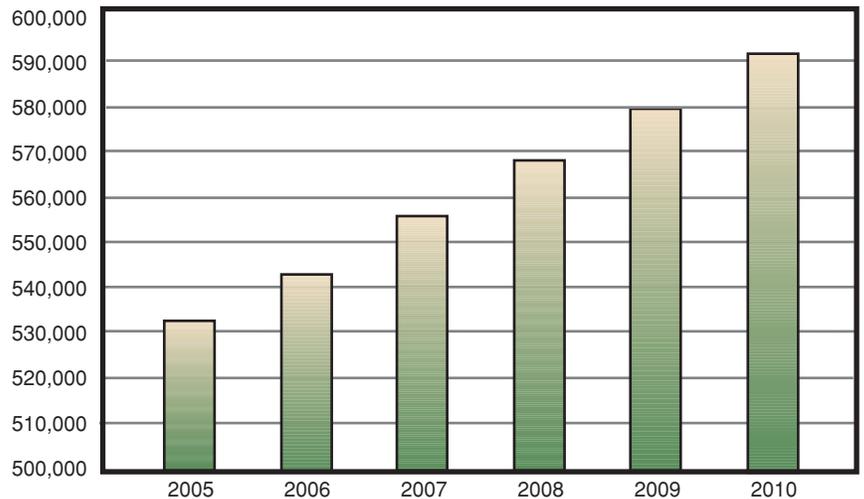
Substandard – The 2000 census reported that roughly 1% of Tucson homes lack complete plumbing facilities or a complete kitchen facility. This is an inadequate measure of substandard housing, but we lack statistics to appropriately measure the number of houses in serious need of repair.

Looking forward, there are important trends that are likely to impact the affordable housing need in Tucson. Key issues include population growth and change, income levels and market trends.

POPULATION GROWTH

Tucson's population growth has been steady and significant over the last half century. Population projections show that the City of Tucson is expected to grow from a population of 532,250 to 595,807 by 2010, an 8% increase. The Pima Association of Governments (PAG) projects substantial population growth to occur in the Southlands area in southeast Tucson. PAG projects the annual rate of growth for this area to be 13.1%, compared to 2.8% for the City. There is a unique opportunity in this area to address issues of housing variety and affordability.

Population Projections



The pattern for new residential development is shifting to the southern part of the metropolitan area. In 2004, for the first time in recent history, the majority of residential building permits were issued south of 22nd Street. This southern residential development trend is expected to continue and gain momentum over the next five years. Areas within the city, such as along the Houghton Road corridor, will experience a portion of the new growth. Preplanning, as was initiated by the Houghton Area Master Plan, will provide an opportunity to incorporate affordable housing into this emerging development pattern.

AGING OF THE POPULATION

A second key trend concerns the aging of the population. The percentages of people in the under 45 years age groups are expected to decrease, while the percentage of people 65 years and older will continue to increase in Tucson and nationally, reflecting the aging of the Baby Boom generation and medical advances that increase life expectancy. In 2000, 12% of the population was 65 years or older; by 2010, this is expected to increase to 16%.

The aging of the population will have an impact on housing needs. The incidence of physical limitations and the need for home modifications to address them, increases sharply with age. In addition to home modifications, innovative forms of housing, along with support services, will allow elderly persons to remain independent longer. For those seniors who choose not to remain in their homes, there must be affordable housing options available. These can include transitional housing, group homes and nursing facilities.

II. Future Trends and Issues

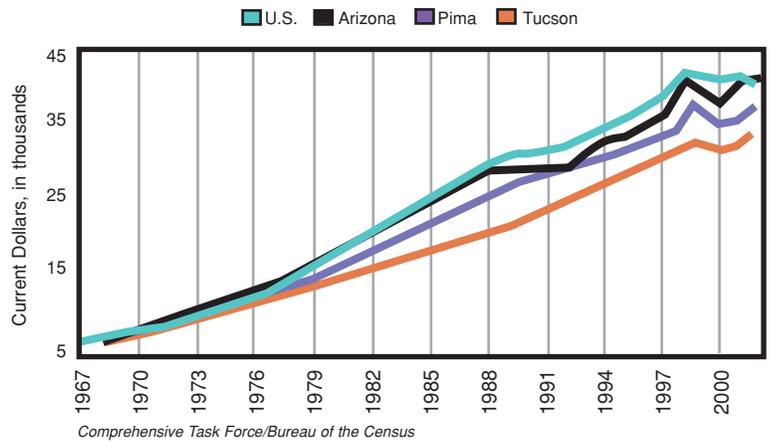
INCOME

According to *5 Trends Tucson?*, Tucson has a reputation as a low-wage town. In 2002, the median household income was just over \$30,000, low compared to Pima County, to Arizona, and to the U.S., and the gap has been increasing.

The bar chart (right) shows that in 2002, the average annual wage for the Tucson metro area was 3rd lowest, up from the 2nd lowest in 2001.

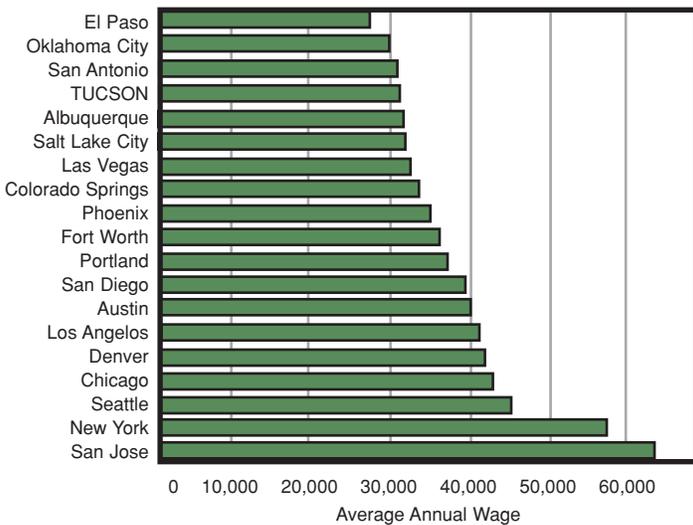
Median Household Income

1967-2002

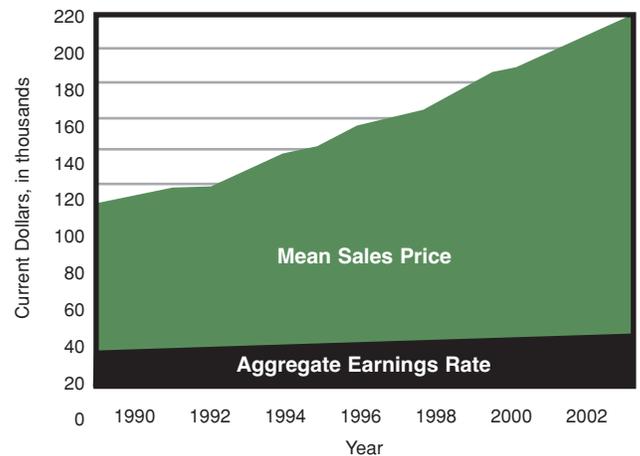


While income has remained low, the cost of housing in Tucson has skyrocketed. The average sales price of a home in 2004 was \$205,188, compared to \$155,907 in 2000, a 32% increase. The chart below shows how little our earnings rate has changed over the past 20 years, compared to housing costs.

Average Annual Wage, 2002



Metro Tucson: Housing Price vs. Aggregate Earnings



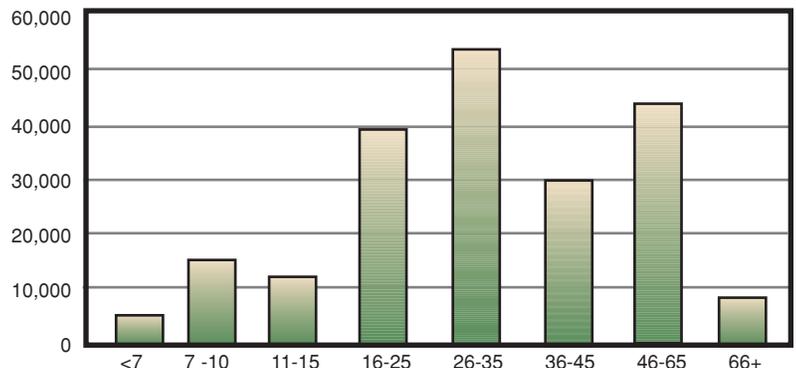
AGING HOUSING STOCK

The City's large stock of existing housing, when kept in good repair, remains vital to meeting housing affordability needs. As the housing stock ages, the importance of rehabilitation increases. Just 25 years ago, the city had a relatively modest 10,000 residences over 50 years old. By 2010, the city will have over 53,666 homes in this category, comparable in size to Lake Havasu City. Lower-income families, who are often unable to prioritize home repair in their budgets, occupy many of these older residences.

The current conditions and future trends discussed above, guide us in developing strategies to address the critical housing issues facing our community. It is a large challenge, with limited funds and a growing need.

Housing Units by Age

City of Tucson, 2002



III. Fundamental Principles

The City's housing strategies are guided by several overarching principles that apply to all housing programs or projects. This "statement of values" includes:

- Provide housing assistance across a spectrum of need, from the homeless to homeowner.
- Enforce housing quality standards to maximize the availability of safe, decent housing.
- Support environmentally friendly construction, emphasizing energy efficiency and low-cost maintenance.
- Help build the capacity and collaboration of organizations that contribute to affordable housing.
- Leverage City resources.
- Support economic and personal self-sufficiency for low-income residents.
- Actively promote fair housing.
- Support comprehensive planning processes for the development and redevelopment of neighborhoods.
- Encourage private development and investment in affordable housing.
- Encourage the distribution of affordable housing across the community.

These strategies will serve as a guide for staff action over the next five years. While they attempt to form a context for members of the public, the Mayor and Council, and staff, they are not intended to be exclusive strategies, but focus areas. There are a number of related actions supported by the City, and special actions that result from new or changing conditions.

IV. Five-Year Strategies

These strategies will serve as a guide for staff action over the next five years. While they attempt to form a context for members of the public, the Mayor and Council, and staff, they are not intended to be exclusive strategies, but focus areas. There are a number of related actions supported by the City, and special actions that result from new or changing conditions.

HOMELESS/NEAR HOMELESS

According to the *Current Status of Homelessness in Arizona Report November 2004*, approximately 4,000 people a day are homeless in Tucson. Homeless families, specifically women with children, account for 43% of this population, and are the fastest growing subpopulation of people who are homeless. In addition, the elderly and the homeless veteran populations will continue to increase. Between 2002 and 2003 there was a 9% increase in homeless seniors statewide.

According to the Veterans Administration, the number of homeless veterans is expected to rise as a result of the wars in Afghanistan and Iraq. We will also begin to see an increase in the number of homeless female veterans. They will have many of the same mental and physical issues we see in men, such as posttraumatic stress disorder, substance abuse and general mental health disorders, but they will also have different issues surrounding their children, domestic violence, etc.

Homeless Population	Sheltered	Unsheltered
Individuals	1,018	1,720
Families with Children	776	694
<hr/>		
Total Persons	1,794	2,414

Goal: To increase the number of transitional housing units that are linked with supportive services.

Target Population: Homeless individuals and households that have no or very little income (0-30% of median family income). This includes individuals and families who have become homeless as a result of domestic violence, illness, eviction and an inability to pay ongoing housing costs. Transitional housing is provided to persons vulnerable to homelessness and households at the low end of the income scale, but typically with some income.

Activities: Activities include shelter beds, transitional housing units, and emergency services. The City will continue working with the Tucson Planning Council for the Homeless to develop policies and coordinate comprehensive planning in support of the *Continuum of Care for the Homeless*.

Strategies

- **Planning:** Complete the local 10-year homeless plan; participate in development of the new State Homeless Plan; annually, participate in the Continuum of Care plans; implement those parts of the plans that are City responsibilities. Continue to support Tucson Planning Council for the Homeless. Explore *Housing First* model with providers, in which emphasis is on stabilizing housing early in receiving services.
- **Funding priorities:** Prioritize transitional housing programs that are linked with job referral, training and placement programs that help extremely low-income families attain economic independence and prevent them from becoming homeless. Link services to housing to help move families beyond homelessness and break the cycle of poverty.
- **Collaboration:** While continuing support of community-based partners, increase outreach to faith-based organizations that wish to provide homeless services.
- **Programs:** Continue to make City-owned transitional housing units available to local agencies; sustain City homeless protocol that coordinates responses from various City departments; expand efforts to provide a safety net for households impacted by City code enforcement.



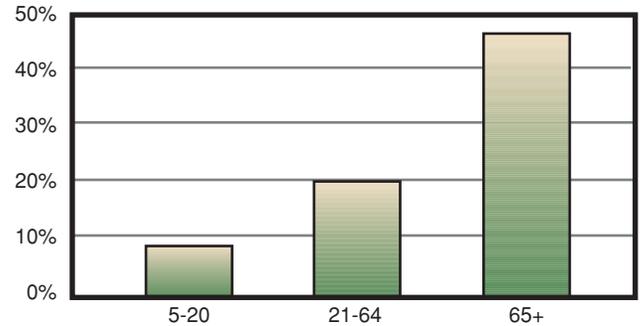
IV. Five-Year Strategies

SPECIAL NEEDS

Elderly – In 2000, Tucson had 57,828 residents ages 65 and older. This group represented about 12% of the City's population, similar to the national average. Due to the Baby Boom generation, this is the fastest growing segment of the population.

Disabled – The likelihood of having a disability increases with age. In light of the aging of the Baby Boomers and increasing life expectancies, the City can expect an increase in the number of people with disabilities.

Population with Disability



Goal: Housing that is affordable, can accommodate the physical limitations of elderly and disabled persons, and supports personal independence.

Activities: Activities include home repair, minor repair, retrofitting for handicapped accessibility, reverse mortgage counseling and loans, and housing for persons living with serious mental illness and HIV/AIDS.

Strategies:

- Develop mortgage assistance program targeted to persons with disabilities.
- Enhance support services in housing for persons with special needs.
- Increase supply of transitional and permanent affordable housing for people with special needs.
- Prioritize funding for elderly home-repair programs.
- Encourage the development of housing that better suits the needs of an aging population.
- Increase the number of accessible housing units, and the understanding of ADA requirements by professionals and consumers.
- Participate in volunteer programs for senior support and housing maintenance.



PRESERVATION

An effective affordable housing policy should preserve, as well as expand, the supply of quality housing units in order to ensure the availability of decent housing for low- and moderate-income people

HOMEOWNERSHIP

A large number of homes were built in Tucson through the 1950s. In some cases, homes were constructed quickly to meet market demands, and do not meet today's building standards. As these homes continue to age, some areas of the city will face major housing rehabilitation needs.

Goals: To maintain housing quality and affordability for low-income homeowners, and to promote neighborhood revitalization through rehabilitation efforts.

Target Population: Housing rehabilitation assistance to households with incomes between 30-80% of area median income. Financial assistance for owners of affordable rental properties.

Activities: Activities include home repair grants and loans, gap financing for acquisition/rehab of rental properties; mobile home repair and removal; code enforcement and redevelopment. Assistance to households can be provided in the form of a grant or loan. The City currently funds approximately 370 owner-occupied housing rehabilitation projects a year.

RENTAL

There are approximately 8,700 subsidized rental units in Tucson (public housing, Section 8 tenant and project based, tax credit projects); and 343 non-profit-owned subsidized rental units set aside for special populations that require supportive services.

Goal: To maintain the current inventory of assisted rental units for low-income families and individuals.

Target Population: Assisted rental housing is provided to individuals and families with incomes at or below 60% of area median income. Rent structures differ by program.

Activities: Assisted rental housing activities include public housing, rental vouchers, and rehabilitation of existing rental properties.

IV. Five-Year Strategies

Strategies:

- Strengthen code enforcement and redevelopment of vacant and neglected properties.
- Continue to provide home repair grants to very low-income families; expand rehabilitation loan program for persons earning between 50-80% of MFI.
- Support use of historic tax credit by eligible homeowners.
- Encourage the use of mortgage revenue bond proceeds for eligible home improvement financing.
- Strengthen the collaboration of rehab providers whose goals include: implementing strategies to streamline services, maximizing resources, incorporating property management and education in existing programs, and more effectively delivering services to the community.
- Through the Metropolitan Housing Corporation, acquire and preserve privately-owned rental units presently assisted by HUD, which are at risk of losing their subsidy, and redevelop public housing.
- Redevelop Martin Luther King Apartments and the public housing development on Pastime Road.



NEW DEVELOPMENT

Homeowner New Development

The City's role is to provide resources to low-income housing providers and to facilitate partnerships in the community that result in new homeownership opportunities for low-income families who are otherwise shut out of the home purchasing market.

Goal: To expand homeownership opportunities and affordability among lower income groups, including households up to 120% of median family income.

Target Population: Homeownership opportunities will be provided to individuals and families with incomes between 50-80% of area median income.

Activities: Activities include acquisition and new construction.

Strategies:

- Support neighborhood infill through the development of vacant parcels.
- Expand development of affordable single-family homes for low-income families in areas with high renter-to-homeowner ratios.
- Support and encourage mixed-income development of single-family homes in new subdivisions.
- Coordinate with City of Tucson and Pima County IDAs to implement bond-financed home purchase programs.
- Use appropriate City surplus land to develop mixed-income-housing communities.



IV. Five-Year Strategies

Rental Housing New Development

The City's primary role is to facilitate the development of additional assisted rental housing units. To accomplish this, the City leverages resources and provides technical assistance to agencies, landlords, and private sector developers and investors for assisted housing projects.

Goal: To increase assisted rental housing opportunities for low-income families and individuals in the community.

Target Population: Rental housing assistance will be provided to individuals and families with incomes at or below 80% of area median income.

Activities: Activities include new construction, acquisition and preservation of assisted properties with expiring subsidies, and mobile home parks.

Strategies:

- Increase production of rental units throughout the City of Tucson for households earning up to 80% of MFI.
- Provide gap financing through the HOME program for projects using Low-Income Housing Tax Credits, and HUD section 202 and 811 programs and mixed-income rental developments that meet community goals.
- Strengthen the capacity of non-profits to own and manage property in order to expand supportive housing environments.
- Continue to further the City's scattered site policy for public housing.
- Continue to expand the City-owned El Portal program to ensure long-term affordability.



HOMEOWNERSHIP AND RENTAL ASSISTANCE

Increasing the number of affordable units is not the only way to address the housing needs of low- and moderate-income people. Another strategy is to make existing housing more affordable and more readily available. Programs that supplement what families can afford to pay for rent, or that provide down payment and closing costs for first-time home buyers, make existing housing more affordable. Programs that combat discrimination can make existing housing more accessible.

Homeownership Assistance Goals: To expand homeownership opportunities and affordability among lower income groups, including households up to 120% of median family income.

Target Population: Assisted homeownership is provided to individuals and families with incomes between 50-120% of area median income.

Activities: Assistance may include down payments for existing or newly constructed homes, coordination and financing for rehabilitation, housing counseling and coordination for household management, client debt counseling, credit qualification and mortgage financing. The City and its partners generate approximately 165 homebuyer opportunities for low-income residents each year.

AFFORDABLE HOME MORTGAGES BASED ON INCOME*

<u>GROSS ANNUAL INCOME</u>	<u>MAXIMUM MORTGAGE AMOUNT*</u>
\$15,000	\$45,000
\$20,000	\$56,700
\$25,000	\$70,900
\$30,000	\$85,100
\$35,000	\$99,300
\$40,000	\$113,500
\$45,000	\$127,700

*Based on a 30-year, fixed rate loan at 8 percent interest
Source: Fannie Mae Foundation

IV. Five-Year Strategies

Strategies:

- Increase the number of households that can be assisted in existing programs by developing incentive programs for a broad range of income groups.
- Coordinate with City of Tucson and Pima County IDAs to implement bond financed home purchase programs for households with incomes between 80-120% of area median income.
- Target the use of downpayment assistance programs to encourage homeownership in high-stress areas.
- Encourage the use of mortgage credit certificates.
- Promote fair housing and the elimination of predatory lending practices.
- Further develop the Section 8 Housing Choice voucher program for homeownership.
- Fund comprehensive housing counseling programs, including post-homeownership training in areas such as home maintenance.

Median Family Income (MFI) Levels by Household Size

Income Level	Household Size							
	1	2	3	4	5	6	7	8
80% MFI	\$28,200	\$32,250	\$36,300	\$40,300	\$43,550	\$46,750	\$50,000	\$53,200
50% MFI	\$17,650	\$20,150	\$22,700	\$25,200	\$27,200	\$29,250	\$31,250	\$33,250
30% MFI	\$10,600	\$12,100	\$13,600	\$15,100	\$16,350	\$17,550	\$18,750	\$19,950



Rental Assistance Goal: To increase assisted rental housing opportunities for low-income families and individuals.

Target Population: Individuals and families with incomes at or below 80% of area median income. Rent structures are determined on a household income or project basis.

Activities: Assisted Rental Housing activities include public housing and rental vouchers.

ANNUAL INCOME	AFFORDABLE MONTHLY HOUSING COSTS	FAIR MARKET RENT
	(30% INCOME)	
\$10,000	\$260	\$673
\$15,000	\$375	\$673
\$20,000	\$500	\$673
\$25,000	\$625	\$673
\$30,000	\$750	\$673

Strategies:

- Preserve the inventory of 1,505 city-administered public housing units. Develop site-based financial management systems for public housing operations and institute business practices that result in self-sustaining project operations.
- Seek to maximize the number of persons assisted by Section 8 through careful program adjustments.
- Develop a Housing Information Center that can provide reliable information to consumers about their rights, home maintenance, home buying, housing options, etc.
- Assist rental housing residents with supportive services that foster economic independence through training and employment, and provide incentives to encourage transitioning to unassisted rentals and homeownership. Primary tools are the Family Self-Sufficiency Program and the Section 8 homeownership program.

IV. Five-Year Strategies

NEIGHBORHOOD REVITALIZATION

Neighborhood revitalization is inextricably linked with housing strategies, as good quality housing can and should only exist in the context of safe and vibrant neighborhoods. Neighborhood revitalization is a concentration of resources in a designated geographic area, designed to carry out prioritized activities that: 1) increase the quality of life for residents; 2) arrest deterioration; 3) increase and upgrade area assets; and 4) create momentum for cohesive and ongoing neighborhood planning and improvements. The City's role in neighborhood revitalization is to provide resources for planning, and to leverage resources and facilitate partnerships to accomplish specific projects.

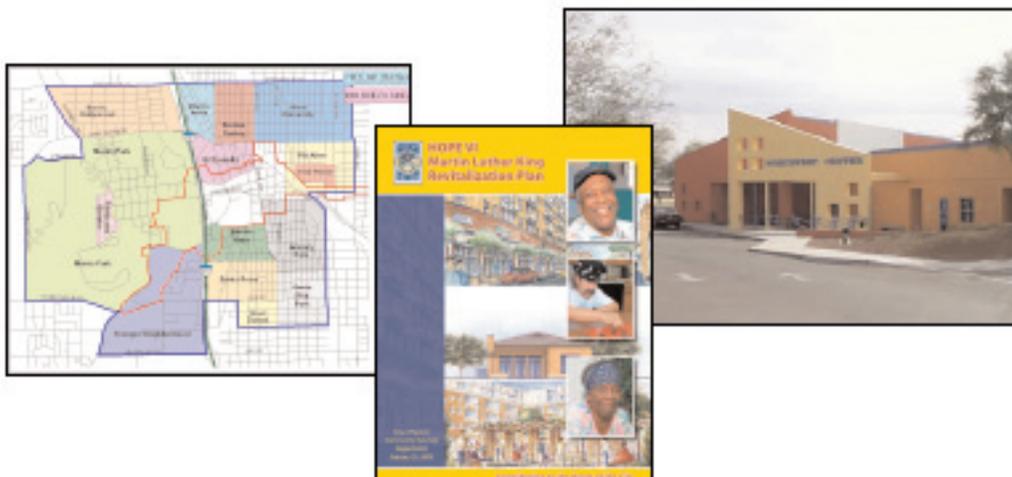
Goal: The goal of neighborhood revitalization is to provide a safe, decent, affordable and vital environment in which all Tucson residents can live, work, recreate and grow.

Target Population: Revitalization efforts may be directed to specific neighborhoods based on demographic, economic or land-use characteristics.

Activities: Activities may include vacant land development, infrastructure improvements, housing rehabilitation, code enforcement, landscaping, implementation of safety programs, expansion of supportive services, park enhancement or development, business development, removal of adverse environmental conditions, transportation improvements or linkages to other assets and services in the community.

Strategies:

- Develop targeted initiatives for key neighborhood revitalization projects such as the Back to Basics Program, HOPE VI, and Rio Nuevo neighborhoods.
- Develop specific incentives and revisions to the land use code to encourage quality infill.
- Support community plans for neighborhood-based redevelopment.
- Encourage strong participation by lending institutions in community reinvestment.
- Preserve and enhance the unique features of neighborhoods.
- Encourage development that addresses and encourages diversity, mixed uses and capacity for future development.
- Support asset-based community development initiatives such as Pro-Neighborhoods.



DOWNTOWN

Over the next five years, as part of Rio Nuevo, the City has specifically targeted the revitalization of the downtown and the neighborhoods surrounding the downtown. Strategies linked to affordable housing in the downtown include:

- Tax protection program for low-income homeowners
- Downpayment assistance for first-time homeowners
- Home rehabilitation grants and loans
- Development of mixed-income new housing
- Utilizing mechanisms such as land trusts for long-term affordability



RESOURCES

None of these strategies can be carried out without adequate resources. Federal funding in the area of housing has been rapidly decreasing, while the needs in Tucson have been growing. While City staff will continue to aggressively pursue all of the traditional funding sources, specific strategies to expand resources are called for.

- Develop a City of Tucson Housing Trust Fund. This would be funded through a dedicated local funding source, and used to support the strategies outlined in this document.
- Require greater investment or repayment by program recipients, specifically: using a shared equity repayment model for some homeowner development projects; requiring some level of repayment for any housing loan over \$7,500.
- Invest in mixed-income developments in which project income can help support the lower income units.
- Develop staff capacity to do fund development, including establishing relationships with non-profit foundations.

V. Available Resources

PARTNERS

The City works with a variety of entities in the community, including non-profit organizations, private developers and lending institutions and other governments, to increase affordable housing.

- **Private Sector Developers and Investors:** The City contracts with private sector developers and investors to build affordable housing. These contracts generally offer incentives to the private sector, such as reduced interest financing or contributions of City-owned land, in exchange for a term of affordability attached to the units produced. The City may also grant fee waivers to private developers or purchase existing or newly developed properties from the private sector and use these units for affordable housing.
- **Lending Institutions:** Many of the City's programs and initiatives utilize mortgages from local lending institutions. The City may ask lenders to provide loans directly to bankable low-income households for home purchase or home improvement loans, or to an organization or developer for a public facility or multi-family housing project. The City depends on the local implementation of federal Community Reinvestment Act (CRA) programs to successfully develop needed affordable housing.
- **Non-Profit Housing Organizations:** Non-profit organizations are instrumental in the development of affordable housing and delivering needed support services to low-income families.

CHDO Home Program Set-Aside: A minimum of 15% of the City/County Consortium's HOME funds must be allocated to projects owned, operated or sponsored by local Community Development Housing Organizations (CHDO's). CHDO's are non-profit organizations that have been designated to apply for this set-aside based on a set of federal criteria established in the HOME regulations which includes a stated commitment to affordable housing, low-income representation on the agency's board of directors, and at least one year's experience serving the community. The City holds a separate Request for Proposals (RFP) process for CHDO projects.

GOVERNMENTAL/ QUASI-GOVERNMENTAL

- **Industrial Development Authorities:** Both the City of Tucson and Pima County have an Industrial Development Authority (IDA). Through special bonding capacity, these organizations have financial resources for affordable housing development and public facility enhancements. The City has worked closely with the IDA's. For example, the City and the County provide downpayment assistance to lower income homebuyers who receive mortgages through the IDA's in order to reach lower income buyers. Over the last five years, mortgage revenue bonds have not been as strong a tool because of low market interest rates. Due to increasing interest rates, they will play a stronger role over the next five years.
 - **County:** The City and Pima County have formed two consortia: one for the HOME program and one for the Housing Choice Voucher program. The City and County work together in planning, project financing, community revitalization and lobbying for support for affordable housing. Pima County has also implemented neighborhood and housing bond fund programs that the City has utilized. Over the next five years, staff will continue to strengthen these relationships.
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- **State:** The State Department of Housing is now in its second year of existence, and has begun to play a strong role throughout the State in housing issues, particularly in rural areas. The State Housing Trust Fund has recently generated between \$10 and \$20 million annually, and provides a good resource for Tucson initiatives. The City is represented on the State Housing Commission, which helps set statewide housing policy. The State has expanded its role in providing training and conferences for the State, which should reduce the pressure on the City of Tucson to fill that gap.
- **Federal:** While federal funding has diminished, it continues to be the primary source of revenue for City housing programs, contributing over 90% of the Community Services Department budget. Over the next five years, the federal programs will continue to see rapid change, with some programs, such as Section 8 and CDBG, potentially seeing fundamental revision. Staff will need to be ahead of the curve, understanding and influencing the new directions. Participation in national organizations and fostering strong relationships with HUD program staff, will allow Tucson's traditional competitive edge to continue.

FUNDING

Maximizing financial resources and ensuring that they are used efficiently is key to a successful affordable housing strategy. We believe that substantial resources are available from the sources discussed below. Although the need will always exceed the available resources, their impact will be greater if they are allocated strategically, rather than piecemeal.

Existing State and Federal Resources

The City currently receives approximately \$7 million in CDBG, \$272,000 in ESG and \$4 million in HOME funds. While all HOME and ESG funds are used for housing programs, CDBG has many other uses, leaving approximately \$2.3 million available for affordable housing projects.

V. Available Resources

Municipal Support

The City has been appropriating approximately \$7 million annually from the general fund for affordable housing. It also provides vacant land to non-profit housing providers for the development of affordable housing.

The following chart lists the major sources of affordable housing funding and the programs supported by them.

Funds	Emergency Housing	Transitional Housing	Assisted Rental Housing	Assisted Homeownership	Preservation	Neighborhoods
CDBG	X	X		X	X	X
ESG	X	X				
SHP	X	X				
HOME			X	X	X	
United Way	X					
Public Hsg/Comp Grant			X			X
HOPE VI			X			X
FSS			X			
Section 8			X			
Shelter + Care		X	X			
FHLB			X	X		
Mort. Credit Certificates				X		
Mort. Rev. Bonds			X	X		
LIHTC			X			X
HURF						X
City General Fund	X	X	X	X	X	X

The above strategies are designed as a framework by which we can expand and improve the affordable housing stock in Tucson. From 1996 to 2005, the City established and surpassed the goal of assisting 1,000 households a year.

The City has established the following production goals for 2005-2010, in support of the primary housing goals of expanding affordable housing opportunities for low-income families and encouraging development that benefits the entire community. Mayor and Council will receive an annual status report on the progress being made toward meeting these goals.

PROTECTED AFFORDABLE UNITS

Currently, only 5% (10,473) of housing units in Tucson are protected affordable units. The community goal stated in the General Plan is that 10% of the units are affordable. We are working toward that goal by increasing protected units by 4,000 over the next five years. Adjusted for future growth, this would increase protected affordable units to 6% of the housing stock by 2010.

HOMEOWNERSHIP

Only 55.6 % of Tucsonans owned a home in 2004, well below the National average of 67.1%. The City's goal is to increase homeownership by assisting 1,500 first-time homebuyers.

SUBSTANDARD HOUSING

As the city's housing stock ages, a significant portion of the older homes will require rehabilitation. Some areas of the City will face major housing rehabilitation needs. The City's goal is to rehabilitate 2,500 homes over the next five years.

Affordable Housing Strategies



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