

Commission on Equitable Housing and Development

Update to Tucson Mayor and Council

TO: Honorable Mayor Romero and Tucson Council Members

FROM: Jim Tofel, Chair
Jay Young, Vice-Chair
Commission on Equitable Housing and Development

DATE: 4/30/2024

SUBJECT: City of Tucson Affordable Housing Goal

The Commission on Equitable Housing and Development (CEHD) is pleased to provide a snapshot of the current affordable housing supply and needs to put into context goal setting for the City of Tucson. One of the goals we would like to create is an affordable housing goal within the City limits by the year 2030.

Arizona Affordable Housing Snapshot

Currently in the State of Arizona, there is a shortage of 136,282 units that are affordable for low-income individuals. Arizona ranks 48th in terms of meeting the overall needs for our underprivileged population.

KEY
FACTS

179,846
OR
20%

Renter households that are
extremely low income

-136,282

Shortage of rental homes
affordable and available for
extremely low income renters

\$26,500

Maximum income for 4-person
extremely low income
household (state level)

\$62,252

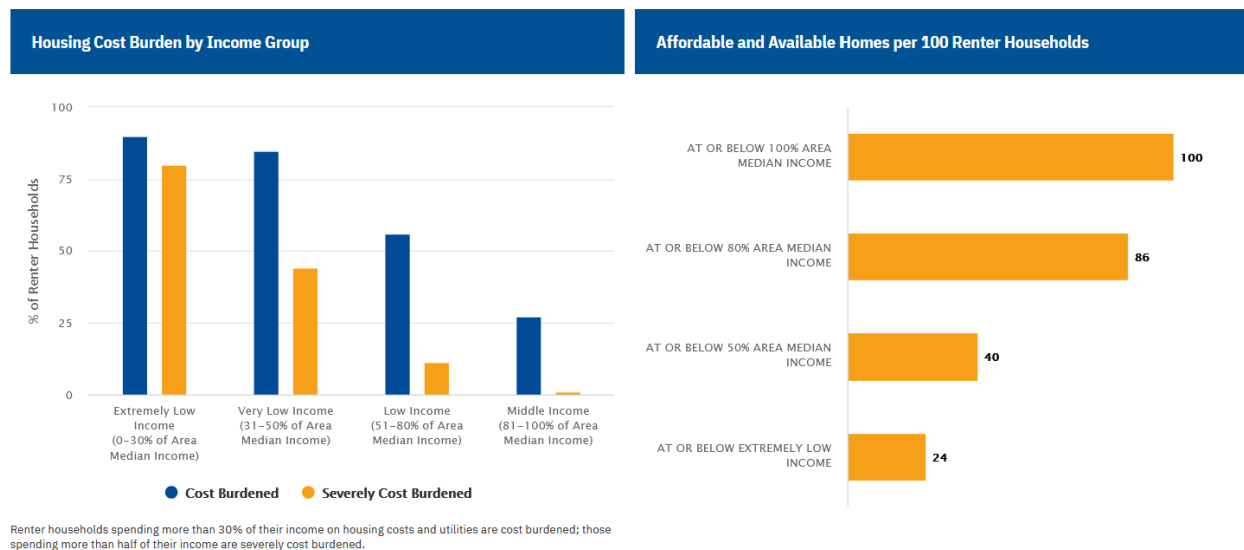
Annual household income
needed to afford a two-
bedroom rental home at HUD's
Fair Market Rent.

80%

Percent of extremely low
income renter households with
severe cost burden

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Tucson Affordable Housing Snapshot

Deficit of Affordable Housing Units for Extremely Low Income (30% AMI)
26,615*

Deficit of Affordable Housing Units at or below 50% AMI
34,568*

Current Affordable Housing Supply (as of Q3, 2023):

City of Tucson owned Units	1,489
Section 8 Units	4,996
Home Ownership (with permanent restrictions)	~ 94
<u>LIHTC / HUD 202 Units</u>	<u>4,341</u>
Total	10,920

Affordable Housing Units in development pipeline	1,192
Estimated Affordable Housing units available by Dec 31, 2025	12,018
Units at Risk of falling out of affordability (over the next 5 years)	(1,882)

Tucson Goal per year

3 – 9% LIHTC projects @ 75 units each –	225
2 – 4% new construction LIHTC project @ 200 ea –	400
Home Ownership	50

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Other (non-LIHTC) -	80
Total -	755

Assuming a 2–3-year development cycle for new projects, all projects in operation by 2030 need to have funding commitments by 2028 (5 years).

Current Supply Stock	10,920
Under Development	1,192
Units falling out of affordability	<250>
755 units / year for 5 years	<u>3,775</u>
2030 GOAL	15,637

15,000 Affordable Housing units in Tucson by 2030.

With this goal, Tucson will fulfill roughly 10% of the deficit.

There is an effort underway between Pima County and the City of Tucson to complete a housing market study which is estimated to be complete in 2025. Our current data is limited and to obtain a more accurate assessment of the current number of affordable housing units and their needs, we recommend authorizing a thorough Housing Needs Assessment to be conducted by HCD. This will allow us to provide better recommendations for the City.

From a financial perspective, the average total development cost of a new affordable housing unit is between \$350k - \$400k per unit when working with Tax Credits and Bonds. When working with funding other than tax credits/bonds, home ownership and rental units can be built on smaller parcels and are less expensive per unit. This will translate into a total development cost of approximately \$1,397M, which will require significant participation from the City of Tucson. Note that if the City of Tucson invests \$2M per year in the Tucson Housing Trust fund, that alone will provide funding of \$10M. If a Housing Bond measure is completed, it will move the City forward and make a significant contribution to developing affordable and quality housing as well as help with the financial gap.

* Sources:

<https://nlihc.org/gap/state/az>
<https://nlihc.org/housing-needs-by-state/arizona>

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