

Tucson Housing and Community Development



Public Housing Financial Stability Plan



Commission on Equitable
Housing and
Development

September 7, 2023



HCD Context: Legacy of Innovation

HCD is
Committed to
Owning
Affordable
Housing and
Development



MLK Apartments
Mixed-Finance



Silverbell
Scattered Site / Mixed Finance



Posadas
HOPE VI



Thrive in the '05
Choice Neighborhoods Initiative

Public Housing No Longer a Sustainable Housing Program

- Aging Properties
- Operating Costs exceeding Revenue
- Pressing Capital Needs
- Inadequate Capital Funds
- Scattered-Site Challenges and Opportunities
- HUD knows this and has made 'repositioning' tools available

What is Asset Repositioning?

Stabilizing a financially or physically distressed housing portfolio by 'Repositioning':

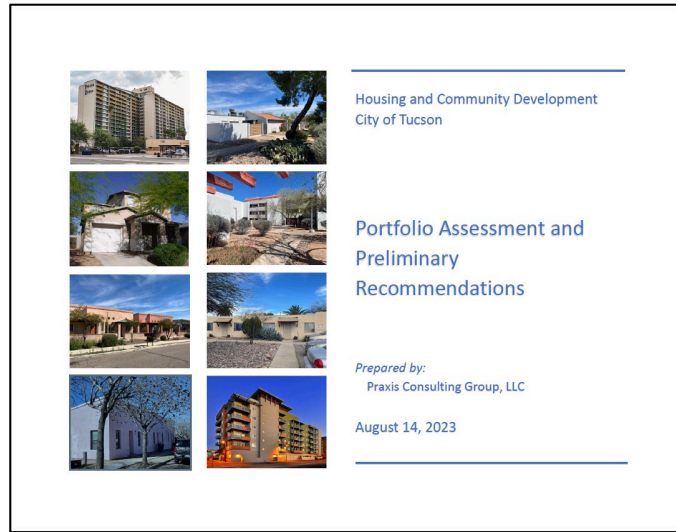
- Assessing the needs of properties considering age, condition, location, operating expenses, etc.;
- Planning and prioritizing physical repairs and energy improvements to lower operating costs;
- Increasing financing opportunities and potential revenue of properties;
- Creating new units that better serve residents and neighborhoods; and,
- Selling of select properties to create homeownership opportunities and/or to finance rehabilitations and new construction activities.

‘Repositioning’ is a Process and takes time

Each Public Housing Project goes through an approval process that involves:

- Evaluation of property condition to help determine what HUD tool to pursue
- Resident Input
- Creation of a viable financial plan
- PHA Board Approval
- HUD Approval

Scope of Work for Consultant – Praxis Consulting Group Selected



- Assessment of Current Portfolio
- Collect and Analyze Property Data
- Training/Discussion of HUD Tools
- Create Repositioning Strategy

HCD Context

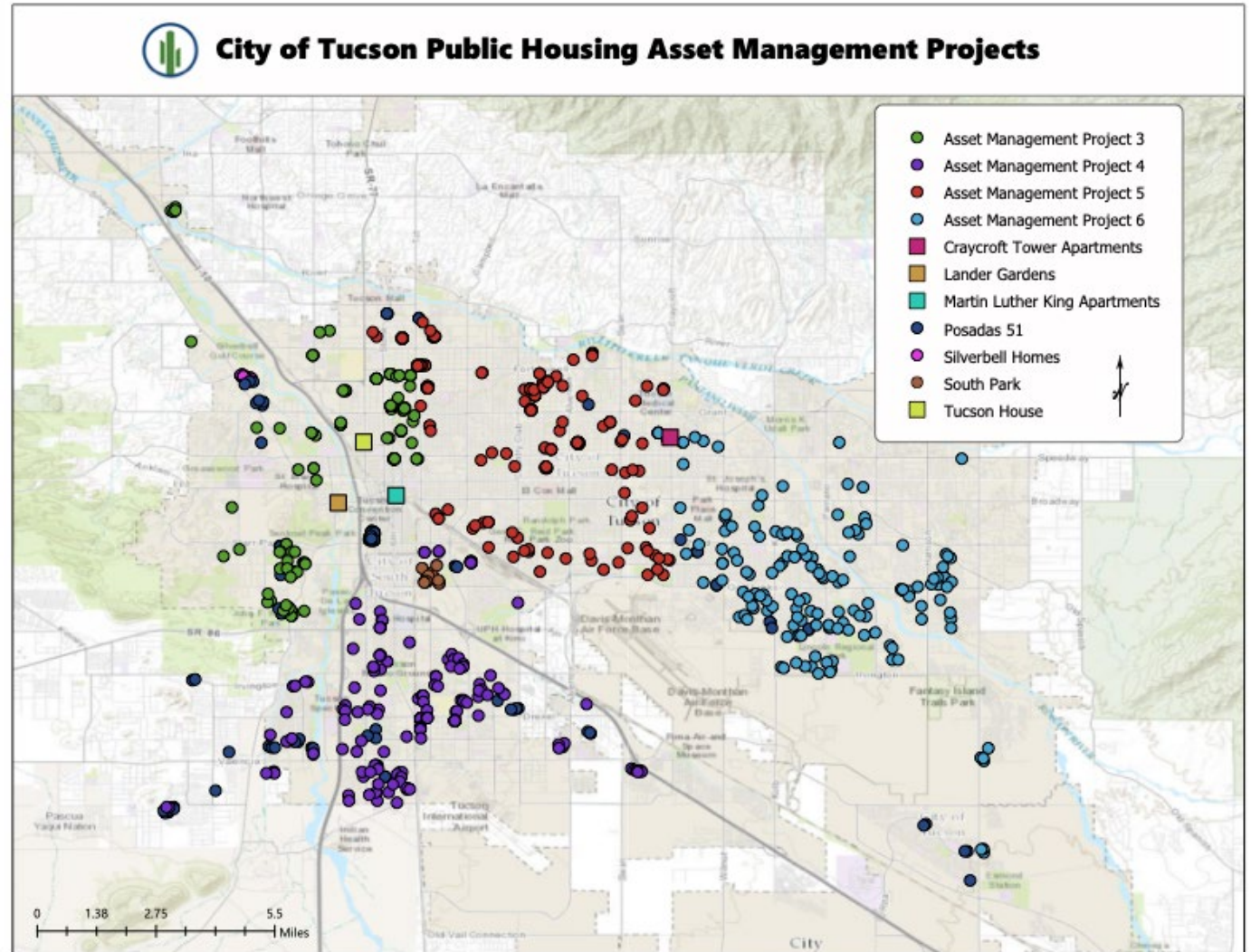
Public Housing Summary

Table 1: HCD Public Housing Portfolio

Property	Year Built	# of units	AMP	Type
Craycroft Towers	1975	74	113	Conventional Public Housing
Lander Gardens	1980	47	115	Conventional Public Housing
AMP 3	1972-2008	135	110	Scattered-Site Public Housing
AMP 4	1982-2009	184	111	Scattered-Site Public Housing
AMP 5	1949-2003	231	112	Scattered-Site Public Housing
AMP 6 (w/o Craycroft)	1951-2003	163	113	Scattered-Site Public Housing
Tucson House	1963	407	48	Mixed-Finance Public Housing
Posadas Sentinel	1999-2002	140	51	Mixed-Finance Public Housing
Silverbell Homes	2007	28	65	Mixed-Finance Public Housing
MLK Apartments	2010	68	120	Mixed-Finance Public Housing
South Park	1971	28	6040	Mixed-Finance Public Housing
Total	-	1,505		

Weighted Average Age of Properties: 45.44 years

HCD Context



HCD Context

- HUD Scattered-Site Definition:
 - Any property with units in non-contiguous buildings with 4 or fewer total units
 - “Contiguous” includes physically connected units as well as units on directly adjacent parcels
 - Tucson portfolio has an estimated ~500 scattered site units

HCD Context - Capital Needs

Table 5: Capital Needs by Property (sorted by need per unit)

Property	AMP #	Age	Total Units	20-Year Capital Needs	Per Unit	5-Year CFP Allocation
AMP 4 scattered-sites	111	39	184	\$10,807,094	\$58,734	\$1,218,000
AMP 3 scattered-sites	110	39	135	\$7,221,325	\$53,491	\$1,186,500
Silverbell Homes	65	16	28	\$1,392,476	\$49,731	
MLK	120	13	68	\$2,616,468	\$38,477	
AMP 6 scattered-sites	113	51	237	\$8,727,510	\$36,825	\$1,247,000
South Park HOPE VI	6040	52	28	\$984,316	\$35,154	
AMP 5 scattered-sites	112	51	231	\$8,060,619	\$34,894	\$1,908,000
Lander Gardens	115	43	47	\$1,528,373	\$32,519	\$660,000
Posadas Sentinel	51	22	140	\$4,388,718	\$31,348	\$1,588,500
Total			1,098	\$45,726,899	\$41,646	
Weighted Average Needs					\$45,727	

(Note: HCD's total CFP 5-Year Allocation (\$12,730,430) includes Agency-Wide Funds and Tucson House funds that were not included in this chart. This explains the discrepancy in total CFP allocations.)

Time to Address All Anticipated Capital Needs at Current Annual Capital Fund Allocation: 18.3 years

Unfortunately, we believe these assessed capital needs are actually **underestimates*

HCD Context – Operating Costs

- Operating costs exceeding revenues
- Last FY, \$4M gap
- HCD will be working to find ways to bring down costs and look to increase revenues without burdening low-income families
- Scattered Sites has the biggest impact on the gap – most multi-family properties are breaking even (but need rehabilitation)
- Need to evaluate changes

Estimated HCD Annual Revenue Gap: **\$4 million per year**

Why Reposition? Opportunities

- Address deficiencies with public housing projects (Rehabilitate)
- Place properties on solid financial footing
- Less reliant on annual Congressional appropriations
- New revenue sources (higher rents, Sec. 8 admin. fees, developer fee, cash flow)
- Leverage (LIHTC equity, debt, other soft funds)
- Creation of affordable home ownership opportunities
- Meeting climate targets identified in Tucson Resilient Together Climate Action Plan

Why Reposition?

Increased Revenue (Especially Through Section 18 tool)

*Silverbell Homes and MLK Apartments
Illustrative Examples (Estimates)*

Silverbell Homes	Average '21-23	Per unit	<i>Repositioned Tool (100% Section 18)</i>	<i>Per Unit</i>	<i>Percent Increase</i>
Total Project Revenue	\$180,273	\$6,438	\$682,585	\$24,378	279%
MLK Apartments	Average '21-23	Per unit	<i>Repositioned Tool (100% RAD)</i>	<i>Per Unit</i>	<i>Percent Increase</i>
Total Project Revenue	\$618,040	\$9,089	\$736,289	\$10,828	19%

Repositioning Strategy Recommendations

- Strategies broken out by Short Term (0-3 years), Mid Term (4-6)
- Each Public Housing Site gets evaluated to determine which HUD tool to use.
- Financing needs to be secured to move forward.
- Approval process involves resident input, PHA Board, and HUD.

Repositioning Strategy

Next Steps (next 6 months)

- Tucson House moving forward under the Choice Neighborhoods Grant Process
- Start Repositioning Process for MLK
- Evaluate Craycroft Towers to determine HUD repositioning tool and financing options
- Create Task Force to determine the strategy for the Scattered Sites

Scattered-Site Task Force

Goal: Identify units to keep as rental and units to sell for homeownership opportunities; develop a process for selling.

Potential Prioritization Criteria:

- Age of Property
- Physical Condition
- Distance of Property from HCD Offices
- Areas of higher opportunity
- Homeowners Association (HOA) status

Potential Strategies:

- Retain for rental
- Sell to Community Stewards for Rehabilitation, Homeownership, Supportive Hsg, etc.
- Sell to El Pueblo Housing Development for Rehabilitation, Homeownership, etc.
- Sell to Mkt. for Funds to Reinvest in Portfolio

Potential Community Partners:

- Pima County Community Land Trust
- Habitat for Humanity
- Tucson Industrial Development Authority
- Others!

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