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GAP ANALYSIS OF AFFORDABLE HOUSING

IN PIMA COUNTY, ARIZONA

Family Housing
RESOURCES

THE UNIVERSITY OF ARIZONA

AFFORDABLE HOUSING GAP ANALYSIS IN PIMA COUNTY ARIZONA

Prepared for

Family Housing Resources, Inc.

Family Housing Resources (FHR) was established in 1991 and attained 501(c)(3) nonprofit status in 1994. The mission of FHR is to assist low to moderate income families and individuals in acquiring decent, affordable housing. Through its two principal divisions; the homeownership division and the multi-family residential services division, FHR is one of the largest and most respected providers of affordable housing in southern Arizona.

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Executive Summary

The University of Arizona was commissioned by Family Housing Resources, Inc. to conduct a "gap analysis" of affordable low income housing in Pima County.

Our analysis defines lower income households as those earning less than 80% of the county median income (using the American Community Survey) and affordable units as homes that cost households no more than 30% of their income to own or rent.

Our focus is on the affordable housing stock. We do not cover the adequacy of support services for lower income households even though that is often important for their success and part of an effective affordable housing strategy.

Key findings

1. There are about 156,000 lower income households in Pima County, which is about 40% of all households. That total is probably overstated because the definition for income excludes capital gains, money from the sale of property, withdrawals from deposits and more. The lower income households mostly reside in Tucson, but at least 1,000 are found in several other eastern county communities ranging from Green Valley to Oro Valley.

2. About 33% of the lower income households include at least one senior (65+); about 24% are families with children; and the most common lower income household type (29%) is single female living alone.

3. There are about 224,000 units that are affordable to lower income households, which is more than the number of low income households (156,000). However, the majority of those units are occupied by other income households. As a result, about 104,000 lower income households (27%) are cost burdened by paying more than 30% of their income for housing and about 62,000 (16%) are extremely cost burdened by paying more than 50%. The most common cost burdened household has just 1 householder. It would cost us about $200 million per year, or about 0.6% of the Tucson metropolitan gross regional product, to reduce housing costs to an affordable level for all extremely cost burdened, extremely low income households (that is those earning less than 30% of the county median income and paying more than half their income for housing).

4. The number of lower income households who are not in affordable units (i.e. cost-burdened) includes 40,583 extremely low income households, 31,833 very low income households, and 31,415 low income households, for a total of 103,831 lower income households. So, about 70% of the cost burdened lower income households are extremely and very low income.

5. Most affordable housing units are mobile homes/trailers or single

family detached homes; most units affordable to extremely low income households, who earn less than 30% of the county median income, are mobile homes/trailers.

6. As many as 68% of the units that are affordable to extremely low income households may lack air conditioning, putting their residents, especially the infirm, in danger of heat-related health hazards. This excludes evaporative coolers, which need to be studied. There are about 3,500 affordable units lacking complete kitchens and about 1,700 lacking complete plumbing. About half the units without complete kitchens and about a third of those without complete plumbing are vacant. This indicates a possible opportunity to increase the stock of affordable housing via unit refurbishment programs.

7. There are about 9,500 income restricted units, most of which are restricted to households earning 60% or less than the county median income. About 16% of those restrictions may retire within 5 years and about 27% within 10 years. When comparing the expiration status of non-profit (NP) units and for profit (FP) units, 374 NP units expire in the next 5 years, compared to 643 FP units, and 598 NP units expires in the next 10 years compared to 2,224 FP units.

8. For income restricted units that are further restricted to certain demographic groups, the largest share are limited to elderly residents, higher in proportion to their share in the general population of lower income households. There are relatively very few reserved for handicapped or single mothers with children, as compared to their share of the lower income population. There are too few studio or single room units relative to the number of single person households in the lower income population. Income restricted units are nearly always within walking distance of a bus stop but there are some lower income job clusters that could be better served with income restricted housing including around Davis Monthan AFB, Tucson Medical Center, Park Place Mall and Casas Adobes.

9. For-profits play a large role in income-restricted housing. Of these units, 5,407 (57%) are owned by for-profit entities; 1,594 (17%) of the units are owned by non-profits; and 2,145 (23%) of the units are government owned (the remaining 338 are of unknown ownership). For-profits own the most units while non-profits own the most properties.

10. Gentrification, which occurs when higher income households move into lower income areas, is occurring in 7 (3%) of the county census tracts, mostly in or near downtown Tucson.

11. There are nearly 26,000 low income workers that do not live in the jurisdiction where they work; evidence of a jobs-housing imbalance. More than 19% of the low income individuals (9,258) who work in Tucson travel 50 miles or more from their home to work, suggesting a heavier cost burden on those who can least afford it.

12. Some local governments do not emphasize affordable housing policies in their comprehensive planning, however all jurisdictions have cost burdened lower income households.

13. Low income housing providers perceive the least support for affordable housing from the universities, business leaders, philanthropists, and neighborhoods. They think the greatest barriers to increasing supplies are financial and regulatory. They have been experiencing a decline in funding sources, especially governmental.

14. With respect to best practices, a myriad of tools, strategies, and examples of best practices create both challenges and opportunities. Working to innovate in and around the largest obstacles such as limited market sorting, capital availability and limited public support are likely to pay the largest dividends. Additionally, there are likely to be significant benefits from investment in data analysis and management to help refine and maintain understanding of the gap in the market between affordable housing stock and households needing affordable housing.

15. There is a large and comprehensive need for affordable housing in Pima County. There are multiple gaps in the marketplace that must be bridged. Small strategies are valuable and warrant significant consideration as, en masse, they can contribute substantially to closing the gaps. However, significant innovations are also needed and should be pursued. Closing gaps in the market for affordable housing is not a task any single organization can complete. Indeed, collaboration amongst advocates, developers, operators, stakeholders, policy makers, and area residents is essential. This collaboration can begin with definition of the gaps present in the marketplace. It must be followed by a discussion among the above listed groups about the strengths and willingness of individual organizations to participate in developing solutions.

These findings raise multiple questions. A broadly participatory discussion of them could lead to new strategies to improve the lives of those struggling under difficult housing conditions.

1. What actions could produce more support for affordable housing from business leaders, the university, philanthropists and all local governments in Pima County?

2. How can we ensure that all units occupied by heat sensitive individuals have sufficient air conditioning?

3. Should providers of lower income housing build more studio units because they are less expensive and most cost burdened lower income households contain just 1 person? Alternatively, could a roommate matching program help small households?

4. How can we deliver more lower income housing units with services for the mentally, developmentally, and physically handicapped and for single parents raising children?

5. What should be done to preserve the affordability of units with affordability contracts expiring in the next 5 to 10 years?

6. Should we find strategies to get lower income households into affordable units that are now taken up by households that are not lower income? Why does this occur and who are the occupants? If, for example, landlords are avoiding lower income applicants in order to mitigate financial risk, could financial guarantees be put in place? If households earning 80-120% of the county income are occupying the units, could more "workforce housing" projects improve the situation? If students occupy many affordable units, could more student housing towers near campus release affordable units for other households?

7. What should be done to redress the problems being caused by downtown gentrification?

8. How can we innovate around financing to offset declining public affordable housing funds? Should regional housing district funding, inclusionary zoning, or other large scale strategies be adopted?

9. Should we reform permitting so it only impedes poorly planned housing projects? Shouldn't well planned affordable housing projects be protected from regulatory and neighborhood resistance?

10. Given the large role that for profits play in providing affordable housing, are there ways they can collaborate better with non-profits and the public sector to achieve shared goals?

Introduction

Purpose

In September of 2015, Family Housing Resources, Inc. contracted with the University of Arizona to conduct a gap analysis of affordable housing in Pima County. The scope of work included a review of existing and planned affordable housing, an assessment of future demand, and an analysis of strategies and best practices for increasing affordable housing. To complete the scope we analyzed public and private data sets, produced analytical maps, conducted surveys and interviews with key stakeholders and housing providers, and gathered information on best practices from around the country.

In this study, "affordable housing" refers to housing that costs lower income households no more than 30% of their income to rent or own. "Lower income" households are defined as those earning less than 80% of the county median household income.

We define an affordable housing gap as any significant departure from what a reasonable person might consider a desirable situation. Examples would include situations where lower income households are paying more than they can afford for housing, where the housing they can afford is too far from where they work, or where affordable housing units are too small to meet their needs. There can of course be various views on the gaps that are important, so we look at the issue from several perspectives, hoping to address a range of concerns.

The gaps we report suggest a range of opportunities for improving housing affordability in Pima County. However, this report is not intended to determine the best or most appropriate responses. Rather, we hope it raises issues and serves as a factual basis for strategic planning by housing agencies, providers and stakeholders. We invite everyone to discuss what should be done, what can be done, and who should do what to achieve the needed solutions.

Organization of the Report

The affordable housing issue for lower income households is greatly determined by income levels and housing costs. So we begin by looking at income and demographic trends. We then turn to the existing affordable housing stock in Pima County, including geographic distribution, characteristics, and income restricted units. The findings from these sections are then synthesized and interpreted as affordable housing gaps. We conclude with a look at affordable housing best practices from across the country.

Where appropriate we present our findings at both a county-wide level using tables and text and at a sub-county level using maps in order to understand how conditions vary geographically, both at the level of cities or places and by census tract.

Data Sources

Unless otherwise stated, our analyses of low income households and the affordable housing stock use data from The American Community Survey (ACS) 1- year Public Use Microdata Sample (PUMS) files for 2014. The US Census Bureau released the ACS PUMS files in 2015 as a set of untabulated records about people, households and housing units.

The ACS is an ongoing survey that provides information on a yearly basis about our nation and its people. About 1 in 38 households per year receives an invitation to participate in the ACS. The invited households are randomly selected from the universe of all valid, residential housing unit addresses. The data in the ACS are estimates of the figures that would have been obtained by interviewing the entire population of households. In other words, they are estimated totals or proportions for the county and its subareas. When we report, for example, that 13% of all Pima County households had extremely low incomes in 2014 (earning less than $13,757), we are reporting an estimate that 13% of all county households were in that group, not just 13% of the sample surveyed for the ACS.

All estimates based on samples are subject to error that can arise during sampling, data entry and for other reasons. Sample-based estimates will vary depending on the particular sample selected from a population. Margins of error are estimates of the variation in the estimates that would be seen over all possible samples. For example, the margin of error for the percentage of extremely low income households in Pima County was +/-0.7. This means that the estimated percentage of extremely low incomes households in Pima County would average 0.7 above or below 13% over all possible samples. The margin of error will vary for each value estimated but in general in the present study they are of that order of magnitude. The values given in this report should therefore be understood to be estimates that could depart slightly from the true value for the entire population, but they are the most accurate and up-to-date estimates available as of the time this report.

The PUMS files used for this report contain all of the individual household responses produced in Pima County. By using these data, the research team was able to produce customized tables that are not otherwise available from the standard reports and tables produced by the US Census Bureau. This allowed us to produce more detailed breakdowns than would otherwise be possible in order to better understand the unique circumstances in Pima County. Much of the information in the following report has never been reported until now.

1. Lower Income Households

Household Income Trends

In affordable housing studies, lower income households are normally defined in relationship to a benchmark area median household income (AMI). In this study the benchmark area is Pima County and "median" refers to the mid-point in a frequency distribution such that half the households lie above and below that point. We also follow the normal convention for low income housing studies by examining three separate lower income population groups. Collectively, we refer to the households in all three of these groups as lower income households, meaning households earning 80% or less of AMI.

TABLE 1.1: Household Income and Percent AMI:

Pima County, 2014 (2014 ACS 1 year estimates)			
Area Median Household Income (AMI) in 2014 inflation adjusted dollars	Low Income Households 80% of AMI	Very Low Income Households 50% of AMI	Extremely Low Income Households 30% of AMI
$45,856	$36,685	$22,928	$13,757

This report utilizes median household income at the county level from the American Community Survey (ACS) 1 year estimates for 2014 as the critical threshold to define levels of affordability. [1] The 2014 median household income for Pima County was $45,856. The median *household* income is lower than the 2014 median *family* income of $56,300, which is calculated by HUD for the purpose of defining housing program qualifications. Median family incomes are higher than median household incomes because families do not include single-person households. However, affordable housing for all households, not just family households, is the subject of this study, which is why it is more appropriate to use the median household income as our key income threshold.

The Census defines income as,"income received on a regular basis (exclusive of certain money receipts such as capital gains) before payments for personal income taxes, social security, union dues, medicare deductions). Given the inclusions and exclusions, it is possible that the estimates presented here include those that might qualify for affordable housing on an income test but not a income + capital gains, wealth, or other asset test.

1 https://www.census.gov/hhes/www/income/about/

As shown in **Figure 1.1**, since 2000 the AMI and the cutpoints for the lower income household groups have increased in nominal (i.e. current) dollar terms by about 1.8% per year. If that trend continues, the Pima County AMI should nearly reach $50,000 by 2019, or 5 years beyond the most recent observation available. These figures are in nominal terms, however, and when they are adjusted for inflation, household incomes in Pima County actually declined. From 2005 thru 2014, real household income, adjusted for inflation, declined by nearly 9% at an average rate of about 1% per year. This of course can exacerbate housing affordability problems.

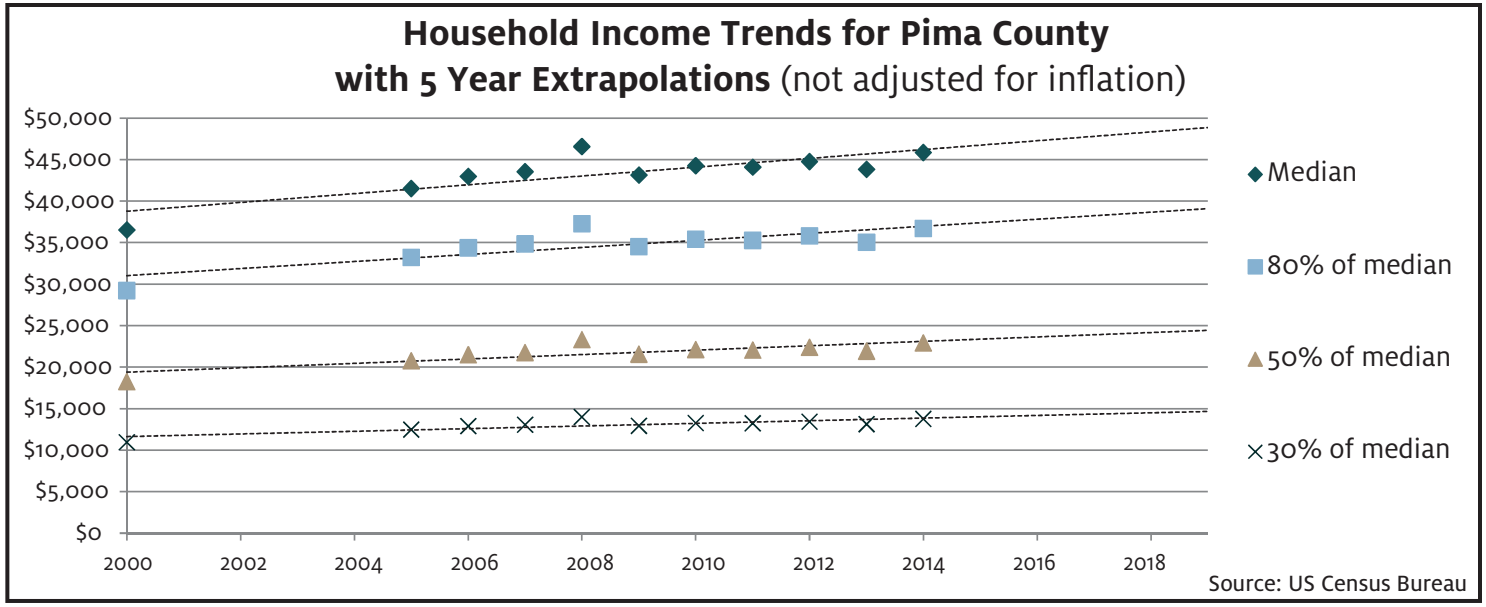


Figure 1.1

Numbers of Lower Income Households

Based on thresholds from **Table 1.1**, in 2014 there were *156,453 lower income households in all of Pima County* or households that earned less than 80% of the county median income. That figure is probably overstated because the definition used by the Census Bureau for household income excludes capital gains, money received from the sale of property, withdrawal from bank deposits and more.[1] That

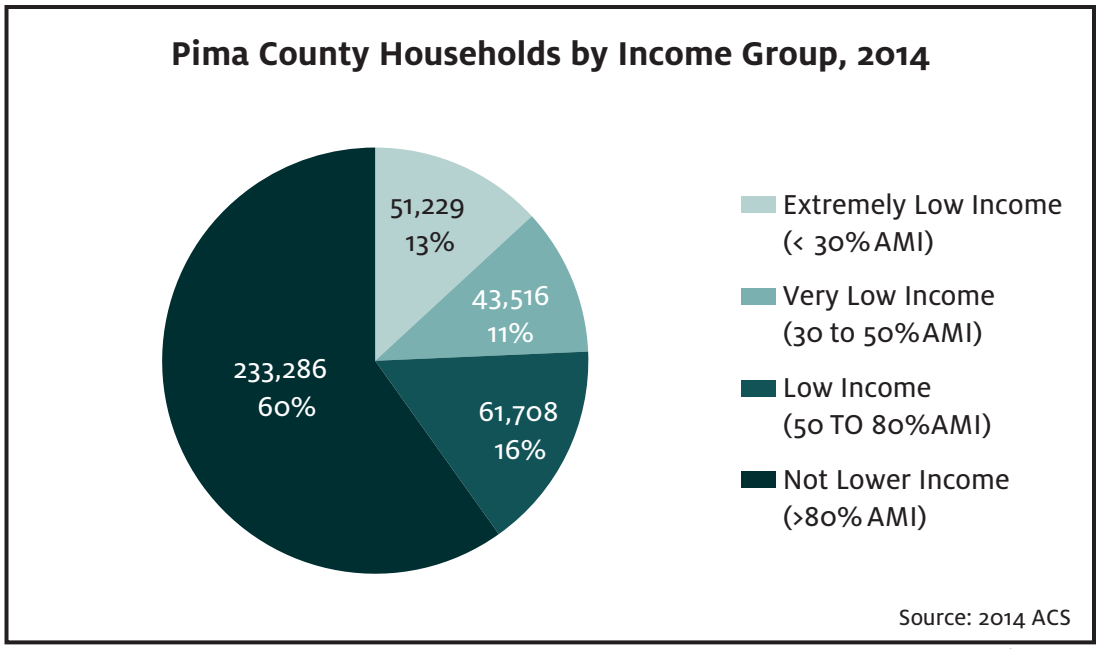


Figure 1.2

1 Official Census Bureau definition: Household income is defined as the sum of the income of all people 15 years and older living in the household. A household includes related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit, is also counted as a household. "Money income" is the income received on a regular basis (exclusive of certain money receipts such as capital gains

explains why there are some households in the county with low incomes who spend relatively large amounts on housing. These households could be composed of, for example, higher net worth retired persons who are supported by their savings and investments. If lower income households living in homes in the top 10% of the rent or home value distribution were not counted as lower income households (gross rent over $1,137 per month or home value over $250,000), then the total number of lower income households would come to about *136,000* rather than *156,453*. The analyses below are based on the *unadjusted* total of 156,453 because we do not have a firm basis on which to quantify the funds available to households that are excluded by the definition of household income.

Figure 1.2 gives the breakdown for income groups in Pima County. *Forty percent of all households in Pima County qualify as lower income households, which was about the same as the national average of 41% from 2009-13.*

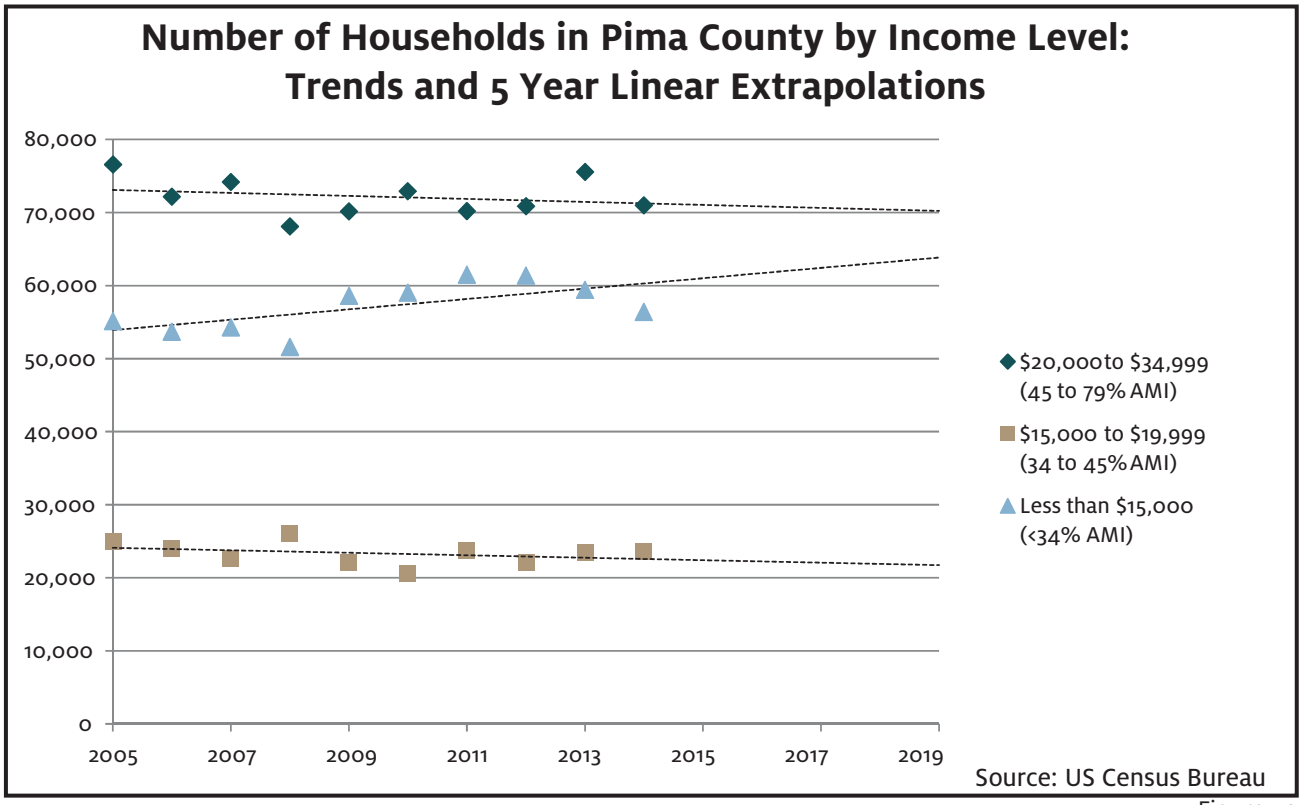


Figure 1.3

Over the past 9 years, the number of lower income households has changed, albeit slowly. This is illustrated in **Figure 1.3.** The number of households in the two highest lower income groups (low and very low income households) was about 7 and 6 percent *lower* respectively in 2014 compared to 2005, declining in size by an average of 0.8 and 0.6 percent per year. In numeric terms, that means there were nearly 7,000 fewer households in these two groups in 2014 compared to 2005. The number of extremely low income households, however, *increased* by about 2% from 2005 to 2014 at an average rate of about 0.3% per year, adding about 1,300 households during that 9-year period. Linear extrapolations of these trends suggest that five years from now, there may be 3 or 4 percent *less* demand for affordable housing in the two higher low income groups and about 1 percent *more* demand in the lowest income group. The decline in the number of extremely low income households in the past few years that can

and lump-sum payments) before payments for personal income taxes, social security, union dues, Medicare deductions, etc. It includes income received from wages, salary, commissions, bonuses, and tips; self-employment income from own nonfarm or farm businesses, including proprietorships and partnerships; interest, dividends, net rental income, royalty income, or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); any cash public assistance or welfare payments from the state or local welfare office; retirement, survivor, or disability benefits; and any other sources of income received regularly such as Veterans' (VA) payments, unemployment and/or worker's compensation, child support, and alimony. Receipts from the following sources are not included as income: capital gains, money received from the sale of property (unless the recipient was engaged in the business of selling such property); the value of income "in kind" from food stamps, public housing subsidies, medical care, employer contributions for individuals, etc.; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

be seen in **Figure 1.3** could signal a change in direction for the trend in extremely low income households. However, insofar as there are more than 156,000 lower income households and the affordable housing supply trends show a substantial shortage, *a reduction in the number of lower income households by a few percent will not bring much relief to the overall affordable housing gap in Pima County.*

Geographic Distribution of Lower Income Households

In order to study the geographic distribution of lower income households, we used place and census tract level tables published by the US Census Bureau for the 2013 American Community Survey (ACS) 5 Year Estimates. Those estimates are given in 2013 dollars based on averages for data collected from 2009 thru 2013. They gave us the most reliable counts for the number of households in different locations, but the income ranges in the tables published by the Census Bureau do not exactly match the ranges for low, very low and extremely low income based on 80, 50, and 30 percent of AMI. There were close approximations, however, which we used for the mapping and are given in **Table 1.2.**

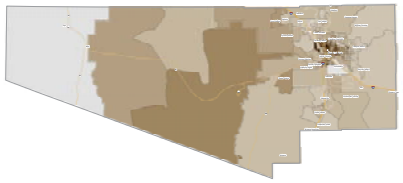
TABLE 1.2: Comparison of Income Categories

	Extremely low income	Very low income	Low income
Based on 80%, 50%, and 30% of AMI	$13,757 or below	$13,758 to $22,928	$22,929 to $36,685
Approximate equivalent in ACS census tables	$10,000 or below	$10,000 to $20,000	$20,000 to $35,000

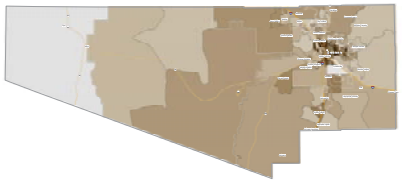
For this analysis we prepared 4 maps that can be viewed by clicking on the icons below or by going to the Map Folio (Appendix B). Our findings are presented for each of the income categories at both the city/town/place and census tract levels. A place is a census delineated concentration of population that serves as a counterpart to incorporated cities and towns. Hereafter we will use "place" to refer to cities, towns and places. In the eastern county, where we find most of the population, the reader may find it most useful to examine the data at the place and census tract levels. In the eastern county, however, where census tracts get very large, it is probably more useful to consider information by place.

Household Income by Census Tract and Place source: American Community Survey 2013 5yr estimates
B19001 - HOUSEHOLD INCOME IN THE PAST 12 MONTHS (IN 2013 INFLATION-ADJUSTED DOLLARS)

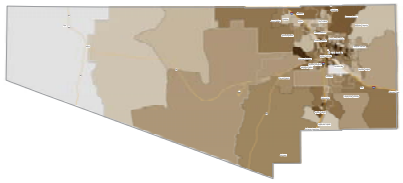
TRACTS



1.1 Households earning less than $10,000 annually

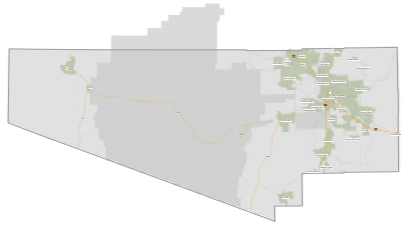


1.2 Households earning $10,000 - $19,999 annually



1.3 Households earning $20,000 - $34,999 annually

PLACES



1.4 Households earning less than $10,000, $10,000 - $19,999, and $20,000 - $34,999 annually

TABLE 1.3: Places with More Than 1,000 Households in any Lower Income Category (2013 dollars) *Source: American Community Survey 2013 5yr estimates*

	Extremely Low (<$10,000)	Very Low ($10,000-$20,000)	Low ($20,000-$35,000)
Tucson	23,987	31,730	41,093
Casas Adobes	1,449	2,225	4,320
Green Valley	472	1,685	2,808
Catalina Foothills	947	1,379	2,898
Flowing Wells	724	1,130	1,804
Drexel Heights	728	1,103	1,634
Oro Valley	489	948	1,941
Marana	178	671	1,645
Tucson Estates	347	397	1,076

When we look at the location of lower income households by place **(Table 1.3 and Maps 1.1 - 1.4)** we find that by far, the largest concentration of lower income households are in the City of Tucson. However, there are other significant concentrations. In addition to Tucson, there are more than 1,000 households in at least one of the 3 lower income categories in Casas Adobes, Green Valley, Catalina Foothills, Flowing Wells and Drexel Heights, Oro Valley, Marana, and Tucson Estates.

When we look at census tracts **(Maps 1.1, 1.2, and 1.3)** we find that the highest concentrations of extremely low income households **(Map 1.1)** are located within a 4 to 6 mile radius of the University of Arizona plus the Tohono O'odham nation reservation and near Casas Adobes. When we look at very low incomes, we find concentrations in these same locations plus less central locations including Three Points, Green Valley, Avra Valley, and near South Houghton Road and Old Spanish Trail. Finally, when we examine the low income category, we see a more even distribution in many parts of central and eastern Pima County. *This evidence does not support the idea that low incomes households are geographically isolated in just a few places or neighborhoods.*

Characteristics of Lower Income Households

Special Needs: Seniors, Persons with Disabilities, Children, and Transit-Dependence *(Figure 1.4)*

Lower income households often face additional family, transportation, health or age-related challenges that could affect the kind of housing they need or prefer. **Figure 1.4** shows the share of the lower income households that are single parent families with young children (7%), that include persons with a disability (6%), that have no vehicle (13%) or that include one or more persons 65 years or older (32%). Households with persons 65 years or older is the largest of these special households, making

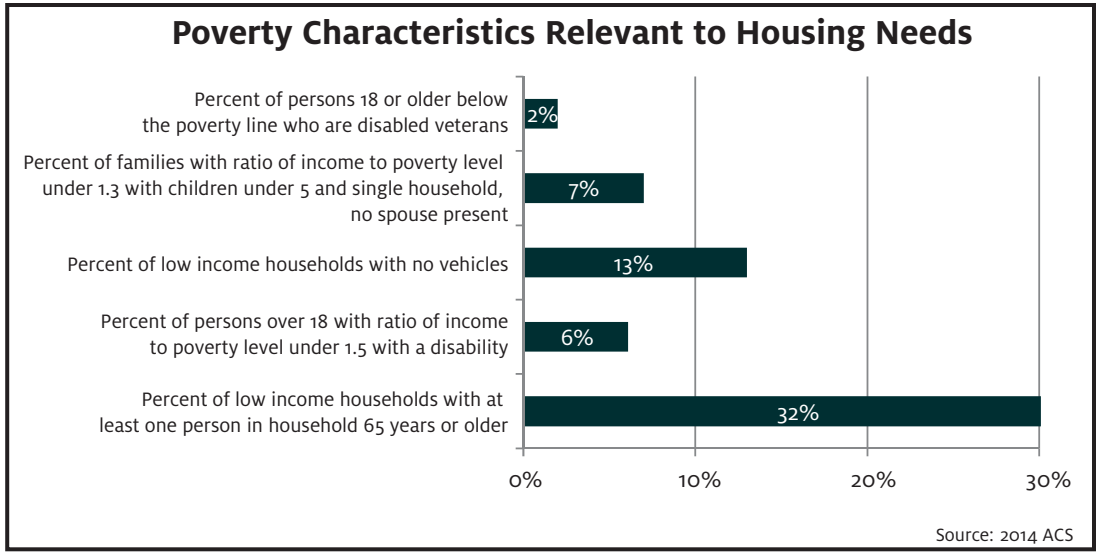


Figure 1.4

up nearly a third of all lower income households. Notably, that figure is about 5 percent higher than it was 10 years ago, so we think it is reasonable to expect households with older members to gain another half percent of market share in each of the next several years.

Household Size and Type

As shown in **Table 1.4**, *the most common **household size** in 2014 was 1-person*, which comprised nearly half of all lower income households. It was even more common as income falls. Nearly 60% of extremely low income households had 1 person. Two-person households comprised another 20 to 30 percent of the three lower income groups. *Together, one- and two-person households made-up about three-quarters of all lower income households and one through three-person households made-up about 85 percent of all lower income households.* This may surprise some people who think that lower income households are mostly large. Given the large number of 1-person households, single-room occupancy and studio units may be a cost-effective solution for many low-income housing needs in Pima County.

TABLE 1.4: Household Size *Source: 2014 ACS 1-year PUMS*

		Income Group							
		Extremely Low		Very Low		Low		Total	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
Number of persons	1	30,362	59.30%	23,233	53.40%	24,151	39.10%	77,746	49.70%
	2	11,991	23.40%	8,571	19.70%	19,684	31.90%	40,246	25.70%
	3	4,089	8.00%	5,404	12.40%	6,578	10.70%	16,071	10.30%
	4	2,875	5.60%	3,136	7.20%	5,200	8.40%	11,211	7.20%
	5	1,303	2.50%	1,937	4.50%	3,356	5.40%	6,596	4.20%
	6	200	0.40%	1,095	2.50%	2,157	3.50%	3,452	2.20%
	7	297	0.60%	140	0.30%	275	0.40%	712	0.50%
	8	66	0.10%	0	0.00%	115	0.20%	181	0.10%
	9	46	0.10%	0	0.00%	0	0.00%	46	0.00%
	12	0	0.00%	0	0.00%	192	0.30%	192	0.10%
	Total	51,229	100.00%	43,516	100.00%	61,708	100.00%	156,453	100.00%

Another way to look at the households is thru the lens of **family status**. A family is a certain kind of household with two or more related persons. As shown in **Table 1.5,** about *57% of the lower income households in Pima County are not families.* But about 66,000 (43%) of all lower income households are families - about 37,000 with children and about 30,000 without.

TABLE 1.5: Family Status *Source: 2014 ACS 1-year PUMS*

		Income Group							
		Extremely Low		Very Low		Low		Total	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
Presence, age of related children	Vacant or not a family	34639	67.60%	25876	59.50%	29158	47.30%	89673	57.30%
	With related children under 5 years only	1913	3.70%	1754	4.00%	1981	3.20%	5648	3.60%
	With related children 5 to 17 years only	5879	11.50%	7413	17.00%	8634	14.00%	21926	14.00%
	With related children under 5 years and 5 to 17 years	2464	4.80%	2302	5.30%	4215	6.80%	8981	5.70%
	No related children	6334	12.40%	6171	14.20%	17720	28.70%	30225	19.30%
	Total	51229	100.00%	43516	100.00%	61708	100.00%	156453	100.00%

Finally, when viewed by **household/family type** in **Table 1.6,** we see that across all lower income groups, *the most common lower income household is a female householder living alone,* which makes-up 29% of all lower income households. Women living alone are an even larger share of extremely low and very low income households (35 and 33%, respectively). Men living alone comprise the next most common household type among the extremely and very low income households, though married couples are the second most common across all of the three lower income groups. Men or women living alone are half the lower income households, and an even larger share of the extremely- and very-low income households. The large number of female headed families with children is also notable, comprising 16 percent of all lower income households.

TABLE 1.6: Household/Family Type *Source: 2014 ACS 1-year PUMS*

		Income Group							
		Extremely Low		Very Low		Low		Total	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
Household/family type	Married couple household	6507	13%	8423	19%	20384	33%	35314	23%
	Other family household: Male householder, no wife present	1463	3%	2503	6%	2391	4%	6357	4%
	Other family household: Female householder, no husband present	8620	17%	6714	15%	9775	16%	25109	16%
	Non family household: Male householder: Living alone	12574	25%	9005	21%	11274	18%	32853	21%
	Non family household: Male householder: Not living alone	2654	5%	1082	2%	2276	4%	6012	4%
	Non family household: Female householder: Living alone	17788	35%	14228	33%	12877	21%	44893	29%
	Non family household: Female householder: Not living alone	1623	3%	1561	4%	2731	4%	5915	4%
	Total	51229	100%	43516	100%	61708	100%	156453	100%

2. Cost Burdened Households

Number of Cost Burdened Households

When what households pay for housing is compared to their income, it is possible to determine the number who are cost-burdened, or paying too much according to pre-established criteria. The US Census defines those paying more than 30 percent of total household income as housing cost burdened and those paying more than 50 percent as extremely cost burdened. These metrics are widely accepted as good measures of the affordability problem for lower income households. They are based on the premise that a cost burdened lower income household will not have enough money to pay for other essentials after paying their housing costs.

In Pima County in 2014, about 104,000 or 27% of lower income households were cost-burdened and about 62,000 or 16% were extremely cost-burdened. **Figure 2.1** breaks down these totals by tenure and income.

Extremely low income renters comprise the largest group of both cost-burdened and extremely cost-burdened households, followed by very low income renters. The majority of cost burdened households are extremely low income owners and renters. The majority of extremely cost burdened households are extremely low income owner and renters and very low income renters.

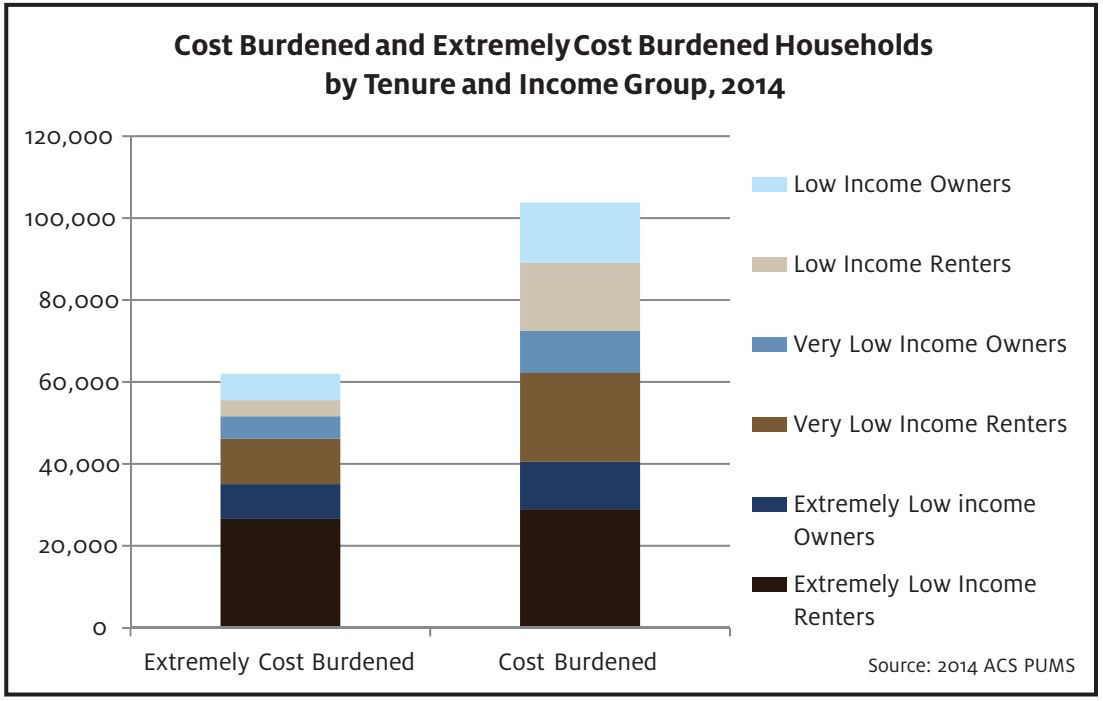


Figure 2.1

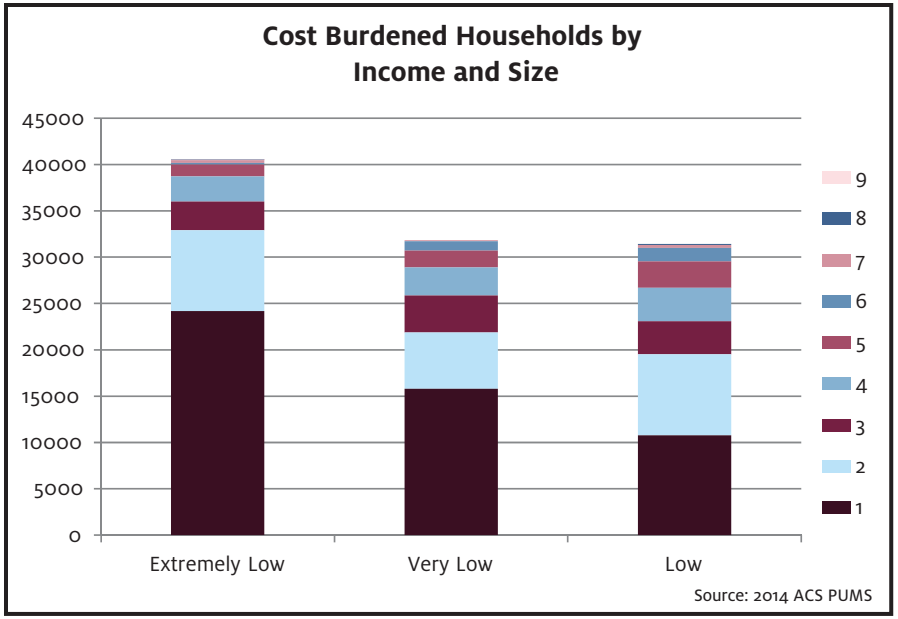


Figure 2.2

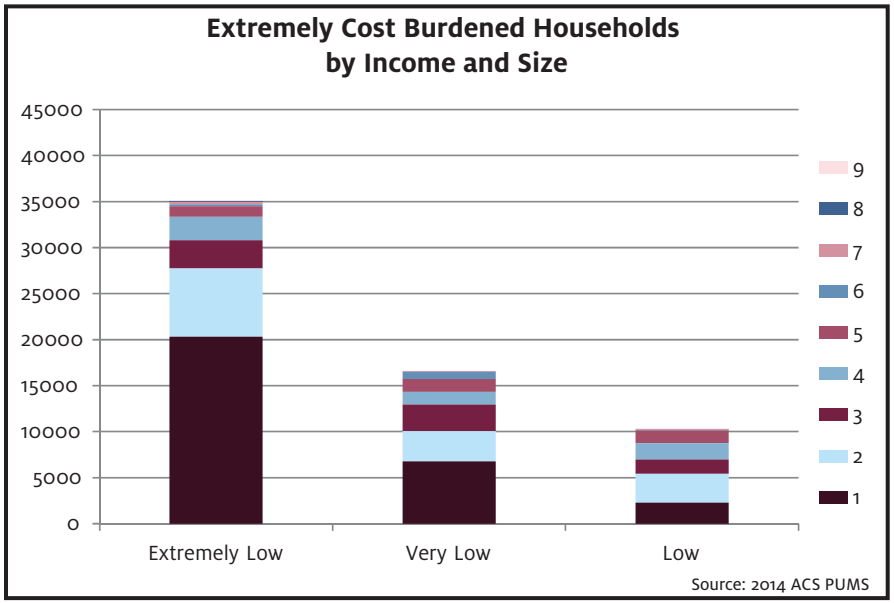


Figure 2.3

Figures 2.2 and 2.3 show the number of cost burdened and extremely cost burdened households by size. In both cases, the one-person household is the most common. The one exception is for low income extremely cost burdened households where there are more two-person households.

Since 2005, the number of lower income cost-burdened renters has been growing while the number of cost-burdened owners has been steady or declining, according tables from the US Census American Community Survey **(Figure 2.4).**

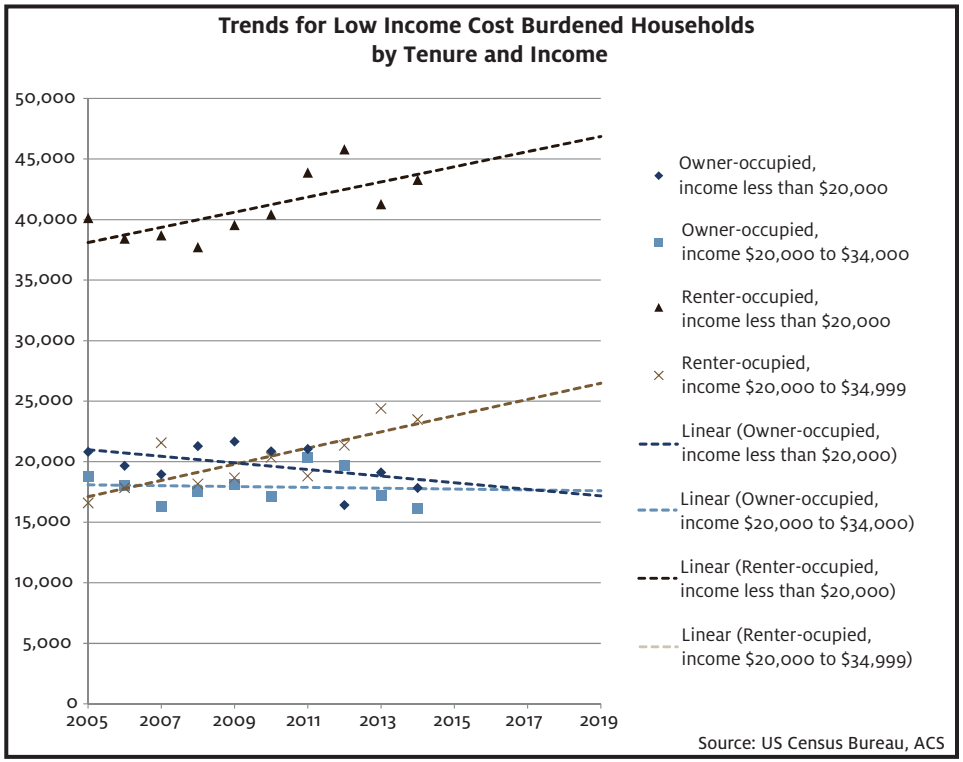


Figure 2.4

TABLE 2.1: Comparison of Income Categories

	Low income	Very low income	Extremely low income
Based on 80%, 50%, and 30% of AMI	$22,929 to $36,685	$13,758 to $22,928	$13,757 or below
Approximate equivalent in ACS census tables	$20,000 to $35,000	$10,000 to $20,000	$10,000 or below

Location of Cost Burdened Households

As with our analyses of lower income household locations, in order to study the geographic distribution of affordable housing units, we used place and census tract level rent and owner cost tables published by the US Census Bureau for the 2013 American Community Survey (ACS) 5 Year Estimates (Tables B25074 and C25095). As was the case with the household income data, the ACS cost burden tables used income categories that do not exactly match the ranges for what is low, very low and extremely low income based on 80, 50, and 30 percent of AMI. There were close approximations, however, which we used for the mapping and which are given in **Table 2.1**.

For this analysis we prepared 8 separate maps on the location of cost burdened households at both the place and census tract scale for low, very low and extremely low income households. The maps can be viewed by clicking on the icons below or by going to the Map Folio found in the appendix.

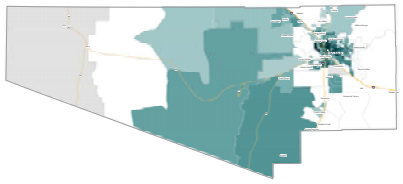
When we look at the location of **cost burdened renters by place (Map 2.4)** we find that as with the location of lower income households, the largest concentration by far is in the City of Tucson. However, there are other significant concentrations. As **Table 2.2** shows, in addition to Tucson, there are more than 500 cost burdened lower income households living in either rented or owner occupied units in eleven other places. Cost burdened households are not unique to Tucson though the problem is largest there. In addition, cost burdened households are not only renters. In Tucson, Casas Adobes and South Tucson most cost burdened households are renters, but in the other places with large concentrations of cost burdened households most cost burdened households are owner occupants.

When we look at the data by **census tract (Maps 2.1, 2.2, and 2.3)** we find that the highest concentrations of cost burdened households are extremely and very low income renters within a 4 to 6 mile radius of the University of Arizona. However, we also see heavier concentrations

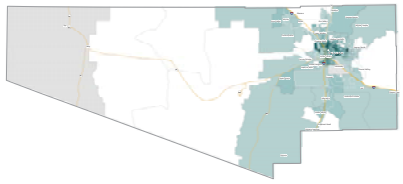
Cost Burdened Renter Households by Census Tract and Place source: American Community Survey 2013 5yr estimates

B25074 - HOUSEHOLD INCOME BY GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME IN THE PAST 12 MONTHS

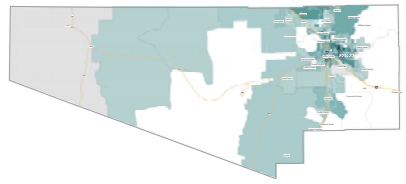
TRACTS



2.1 Households earning less than $10,000 annually and paying 30% or more in rent

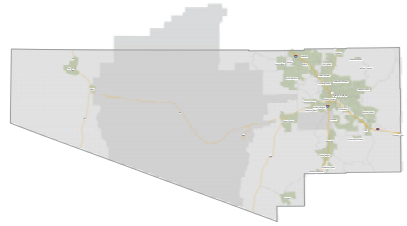


2.2 Households earning $10,000 - $19,999 annually and paying 30% or more in rent



2.3 Households earning $20,000 - $34,999 annually and paying 30% or more in rent

PLACES



2.4 Households earning less than $10,000, $10,000 - $19,999, and $20,000 - $34,999 annually, and paying 30% or more in rent

TABLE 2.2: Places With More Than 500 Cost Burdened Households Living in Rented or Owner Occupied Housing Units *Source: 2013 ACS 5 year estimates*

	In Rentals	In Owner Occupied Units
Tucson	48,541	18,276
Casas Adobes	3,379	2,475
Catalina Foothills	1,743	1,981
Oro Valley	1,066	1,048
Drexel Heights	898	1,549
Flowing Wells	859	1,117
Marana	834	1,029
Green Valley	786	1,289
South Tucson	652	128
Sahuarita	379	603
Valencia West	126	632
Tucson Estates	97	776

of cost burdened low income renters near Green Valley, Marana, Casas Adobes, Oro Valley and Catalina.

The geographic distribution of **cost burdened households in owner occupied units (Maps 2.5, 2.6, 2.7, and 2.8)** is more widely dispersed. The larger clusters of extremely low income cost burdened households are found near Tucson International Airport and Flowing Wells but also in the northern, central and western part of the county. For very low and lower income households living in owner occupied homes, the tracts with the most cost burdened households are found throughout the county.

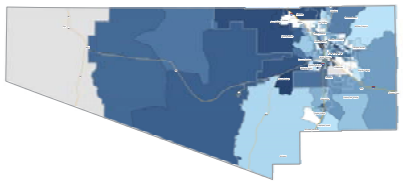
If a household is paying more than 30% or 50% of its household income for housing, then the total annual spending for housing by all low, very low and extremely low income households above these thresholds can be referred to as the Aggregate Annual Cost Deficit Gap. For the 30% threshold, this totaled $567 million in 2014 **(Figure 2.5)**. For the 50% of income threshold, it totaled $321 million **(Figure 2.6)**. If only extremely low income households are counted, the total in 2014 was $271 million for the 30% threshold and $209 million for the 50% threshold. As a reference, the gross regional product for the Tucson metropolitan area in 2014 was $35.2 billion.

Cost Burdened Owner Households by Census Tract and Place

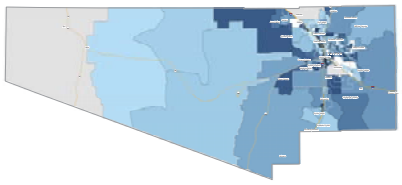
source: American Community Survey 2013 5yr estimates

C25095 - HOUSEHOLD INCOME BY SELECTED MONTHLY OWNER COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME IN THE PAST 12 MONTHS

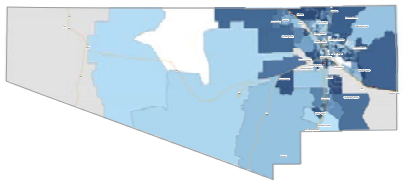
TRACTS



2.5 Households earning less than $10,000 annually and paying 30% or more in housing costs

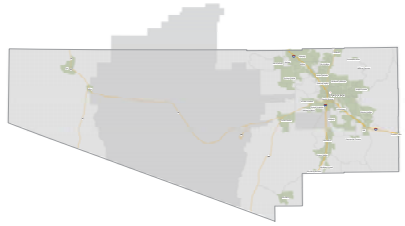


2.6 Households earning $10,000 - $19,999 annually and paying 30% or more in housing costs



2.7 Households earning $20,000 - $34,999 annually and paying 30% or more in housing costs

PLACES



2.8 Households earning less than $10,000, $10,000 - $19,999, and $20,000 - $34,999 annually, and paying 30% or more in housing costs

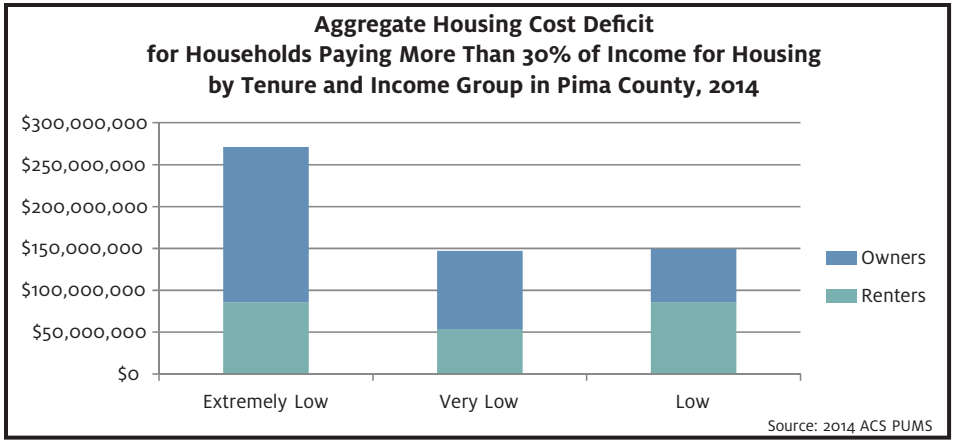


Figure 2.5

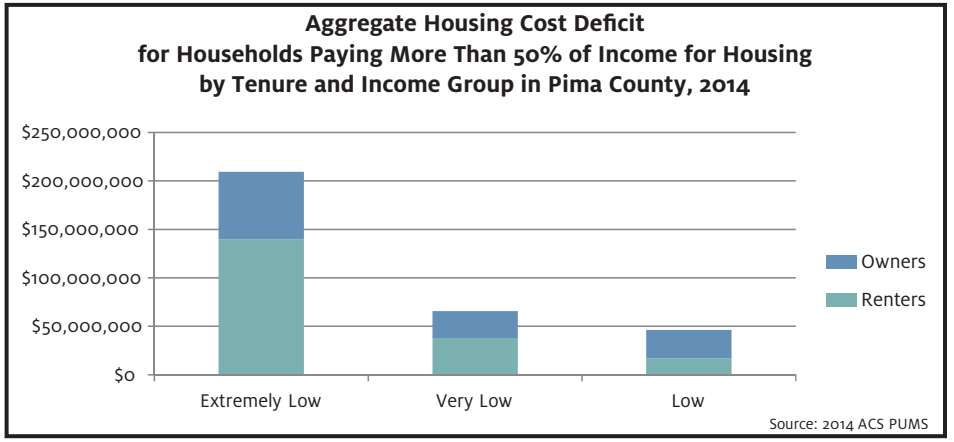


Figure 2.6

3. The Affordable Housing Stock in Pima County Today

Total stock

County Level

Housing stock is the inventory of occupied or vacant housing units or living quarters that exist at a given point of time in a geographic area. A housing unit is classified as affordable if households making 80%, 50% or 30% of the Pima County median household income could occupy the unit without spending more than 30% of their annual household income for the rent or mortgage and utilities. This 30% criterion is a commonly applied standard that is expected to leave households with enough money to cover other essential non-housing needs. In this study, we classified rental units as affordable based on the gross rent paid by occupants or the asking rent for vacant units (including contract rent and estimated cost of utilities paid by the occupant or someone else). We classified owner occupied units based on what the payments would be if the property were sold at the estimated value for occupied units or the asking price for vacant units and then mortgaged at a 5% interest rate under a 30-year term with a 20% down payment (**Table 3.1**).

TABLE 3.1: Pima County Affordability Thresholds (2014):

2014 thresholds	80% AMI	50% AMI	30% AMI
Monthly gross rent for renter-occupied units	$917	$573	$344
Estimated property value for owner-occupied units	$160,000	$90,000	$53,000

The following chart **(Figure 3.1)** shows estimates for the total number of housing units in Pima County in 2014 broken down by tenure that are affordable to households that earn 80, 50 and 30 percent of AMI. There were *about 224,000 occupied or vacant units that were affordable to low income households in 2014, about 90,000 units that were affordable to very low income households, and about 33,000 that were affordable to extremely low income households,* assuming no household pays more than 30 percent of its income for housing and utilities.

Note that in Table 3.2 the number of units affordable to those earning 50 percent of the county median household income are a subset of those affordable to those earning 80 percent. Similarly, the number of units affordable to those earning 30 percent of the county median income are a subset of those earning 50 percent.

When **vacant units** for sale or rent are compared to the total number of units in their price range, it is possible to compute the vacancy rate for units affordable to households at the three income levels. As shown in **Figure 3.2,** vacancy rates ranged from 2.7 to 7.8 percent depending on tenure and price range. The natural vacancy rate for housing is about 5% *(see D. Hagen and J. Hansen, Rental Housing and the Natural Vacancy Rate. Journal of Real Estate Research: 2010, Vol. 32, No. 4, pp. 413-433, 2010)*. At that vacancy rate, prices should remain stable. Households who are paying too much for housing would not have their problems solved, but at least overspending on housing would not get worse as long as incomes remained the same and new supplies kept up with household growth. Using this standard, the market is tight or in short supply for both the lowest cost rentals and for units offered for sale and affordable to households earning 80 and 50 percent of AMI. In no case was the vacancy rate at a level that would cause rents to fall or make vacant units easy to find. The above normal vacancy rates for low and very low income rentals could indicate a market efficiency issue caused by insufficiencies in information, location or other problems.

Geographic Distribution

As with our analysis of lower income and cost burdened household locations, in order to study the geographic distribution of affordable housing units, we used tables published by the US Census Bureau for the 2013 American Community Survey (ACS) 5 Year Estimates (Tables B25063 and B25094). The ACS tables used rent and property value categories that do not exactly match the ranges for what is affordable to low, very low and extremely low income based on not paying more than 30% of household income for households earning 80, 50, and 30 percent of AMI. There were close approximations, however, which we used for the mapping and which are given in **Table 3.2.**

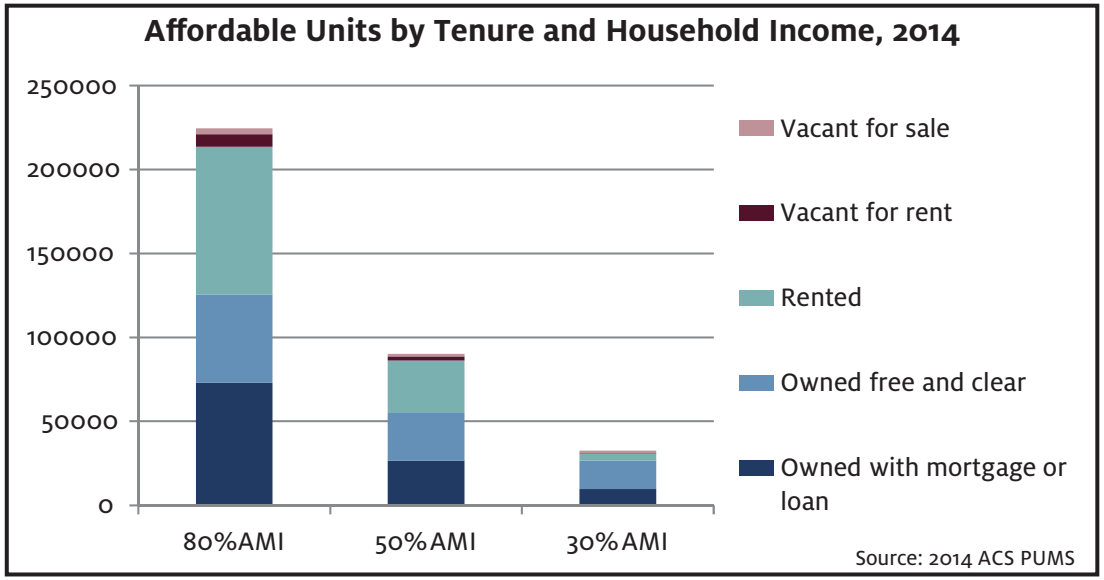


Figure 3.1

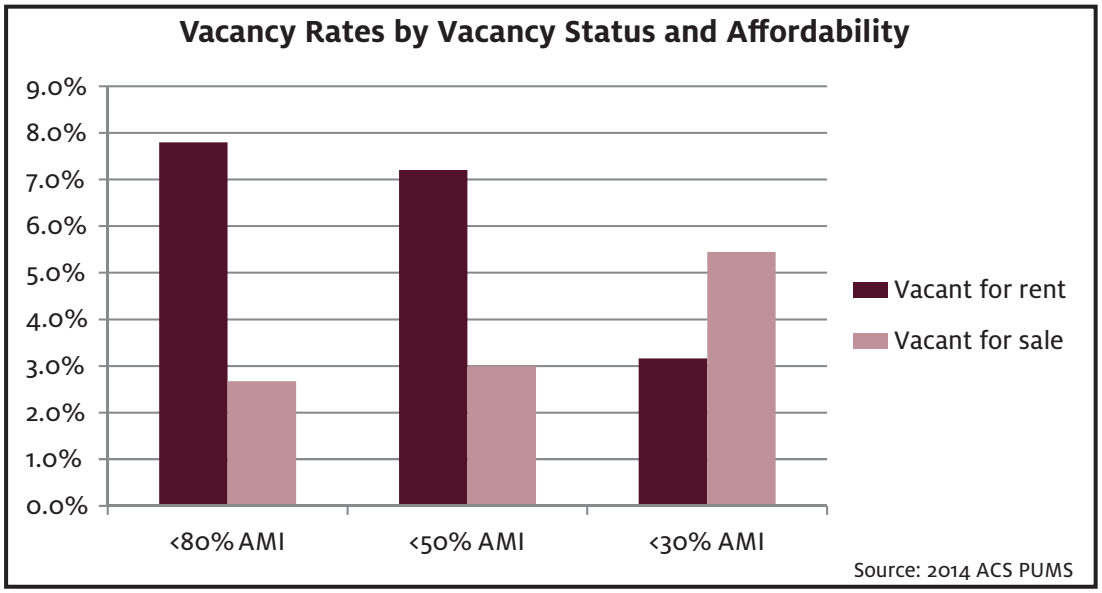


Figure 3.2

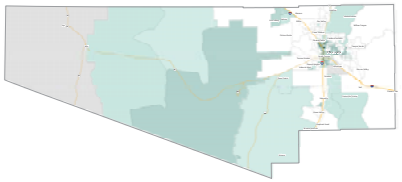
TABLE 3.2: Comparison Of Rent/Owner Cost Categories

	Low income affordable rent/owner costs	Very low income affordable rent/owner costs	Extremely low income affordable rent/ owner costs
Based on 80%, 50%, and 30% of AMI	$917	$573	$344
Approximate equivalent in ACS census tables	$899/$899	$549/$599	$349/$399

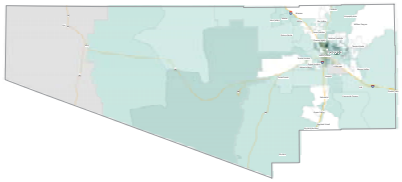
For this analysis we prepared 8 separate maps on the location of affordable rentals and owner-occupied units at both the place and census tract scale for low, very low and extremely low income households. The maps can be viewed by clicking on the icons below or by going to the Map Folio found in Appendix A.

Gross Rent by Census Tract and Place source: American Community Survey 2013 5yr estimates
B25063 - SELECTED MONTHLY OWNER COSTS

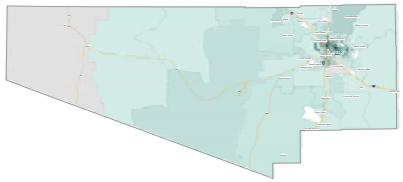
TRACTS



3.1 Households paying less than $349 per month in rent



3.2 Households paying less than $549 per month in rent



3.3 Households paying less than $899 per month in rent

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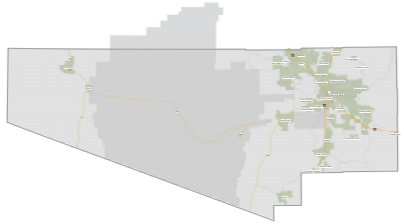


3.4 Households paying less than $399, $599, and $899 per month in rent

When we look at the location of **affordable rental units by place (Map 3.4)** we find that as with the location of lower income households, the largest concentration by far of affordable rentals is in the City of Tucson. However, there are other significant concentrations. In addition to Tucson, there are more than 1,000 rentals affordable in at least one of the 3 lower income categories in Casas Adobes, Catalina Foothills, Oro Valley, Flowing Wells and Drexel Heights, as shown in **Table 3.3.**

TABLE 3.3: Places with More Than 1,000 Rental Units Affordable to Any Lower Income Category (2013 dollars)
Source: American Community Survey 2013 5yr estimates

	Extremely Low (<$349 gross rent)	Very Low (<$549 gross rent)	Low (<$899 gross rent)
Tucson	4,242	20,285	66,109
Casas Adobes	85	220	3,548
Catalina Foothills	40	332	2,731
Oro Valley	0	101	1,314
Flowing Wells	46	371	1,237
Drexel Heights	52	218	1,010

When we look at **census tracts (Maps 3.1, 3.2, and 3.3)** we find that the highest concentrations of rentals that are affordable to extremely low income households **(Map 3.1)** are located in a 3 to 4 mile

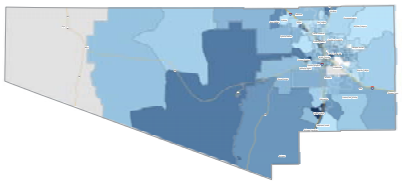
radius centered around the University of Arizona plus the Tohono O'odham nation reservation, Avra Valley and Marana. We see a similar pattern for rentals that are affordable to very low income households with an additional cluster south of Tucson International Airport. Rentals affordable to low income households are more widely dispersed, but still mostly clustered within 6 to 8 miles of the University. New student housing towers near campus could make many of the affordable units near campus available for other lower income households.

Monthly Owner Costs by Census Tract and Place

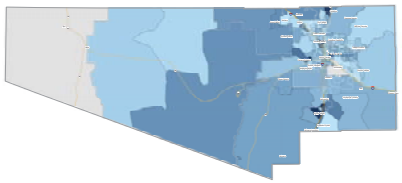
source: American Community Survey 2013 5yr estimates

B25094 - SELECTED MONTHLY OWNER COSTS

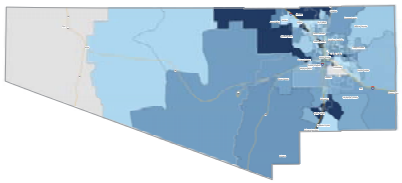
TRACTS



3.5 Households paying less than $399 per month in owner costs

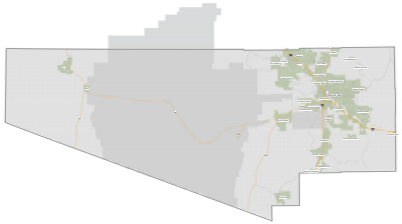


3.6 Households paying less than $599 per month in owner costs



3.7 Households paying less than $899 per month in owner costs

PLACES



3.8 Households paying less than $399, $599, and $899 per month in owner costs

TABLE 3.4: Places with More Than 1,000 Owner Occupied Units Affordable to Any Lower Income Category(2013 dollars)

Source: American Community Survey 2013 5yr estimates

	Extremely Low (<$399 owner cost)	Very Low (<$549 owner cost)	Low (<$899 owner cost)
Tucson	19,056	32,607	42,348
Casas Adobes	2,213	4,587	5,996
Catalina Foothills	1,060	3,213	4,936
Oro Valley	1,506	3,525	4,515
Flowing Wells	1,614	2,713	3,233
Drexel Heights	1,160	1,839	2,425
Green Valley	5,104	6,936	7,991
Tucson Estates	1,468	2,050	2,548
Sahuarita Town	774	1,842	2,056
Marana Town	946	1,959	2,372
Picture Rocks	404	848	1,190
Catalina	457	787	1,100

For **affordable owner occupied units by place (Table 3.4 and Map 3.8)** we find that as with the location of lower income households, the largest concentration by far of affordable rentals is in the City of Tucson. However, there are other significant concentrations. Moreover, the absolute number of affordable owner occupied units in these places is higher than the number of affordable rentals. This is replicated countywide where there are 195,218 units that are affordable to low income households and 80,977 rentals. *Both rental and owner occupied housing are important to the total affordable housing stock.*

Characteristics of the Affordable Housing Stock

Complete kitchen and plumbing. ***(Figures 3.3 and 3.4)***
A unit has complete kitchen facilities when it has all of the following facilities:
(a) cooking facilities
(b) refrigerator
(c) a sink with piped water.

Complete plumbing facilities include all of the following:
(1) hot and cold piped water
(2) a flush toilet
(3) a bathtub or shower.

Only one or two percent of affordable units lack complete kitchen or plumbing facilities. Most without complete kitchens are vacant while those with plumbing issues are distributed more evenly across tenures. There are about 3,500 affordable units lacking complete kitchens and about 1,700 lacking complete plumbing. About half the units without complete kitchens and about a third of those without complete plumbing are vacant. This indicates a possible opportunity to increase the stock of affordable housing via unit refurbishment programs, depending on other conditions issues in those units.

These are not the only condition issues found in lower income housing. Table C-05-AO-M of the 2013 Census of Housing, which covers units in the Tucson Metropolitan Area occupied by households below the poverty line reported that about 6,000 (8.6%) of those units had fuse or breaker issues in the prior 3 months, about 6,100 (8.8%) were uncomfortably cold for 24 hours or more, about 7,100 (10.2%) had water leakage from inside during the last 12 months, and 7,700 (11.1%) had water leakage from outside. The families in poverty in the Tucson metro area are just

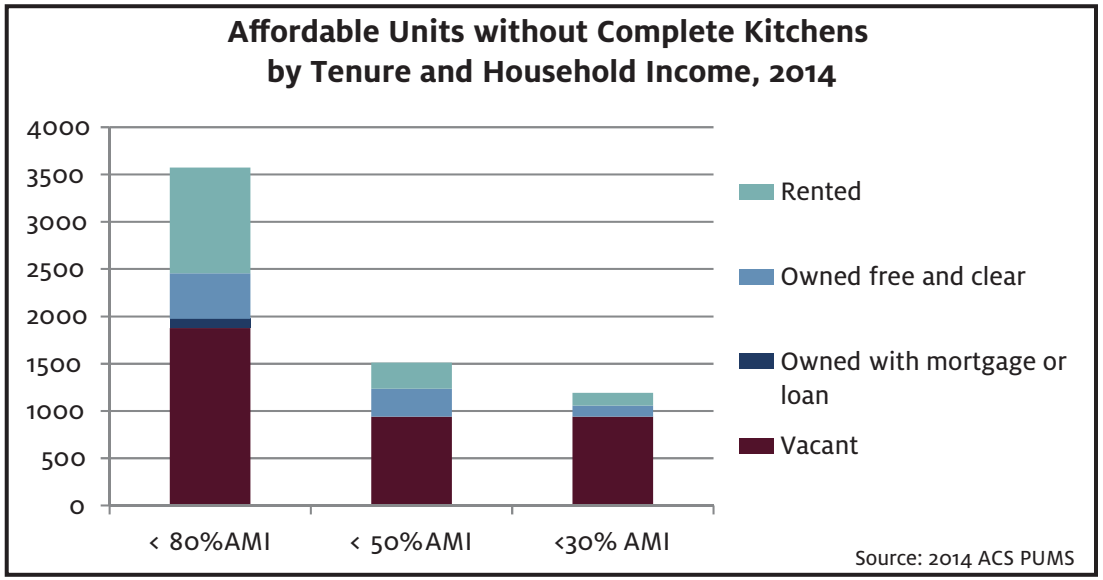


Figure 3.3

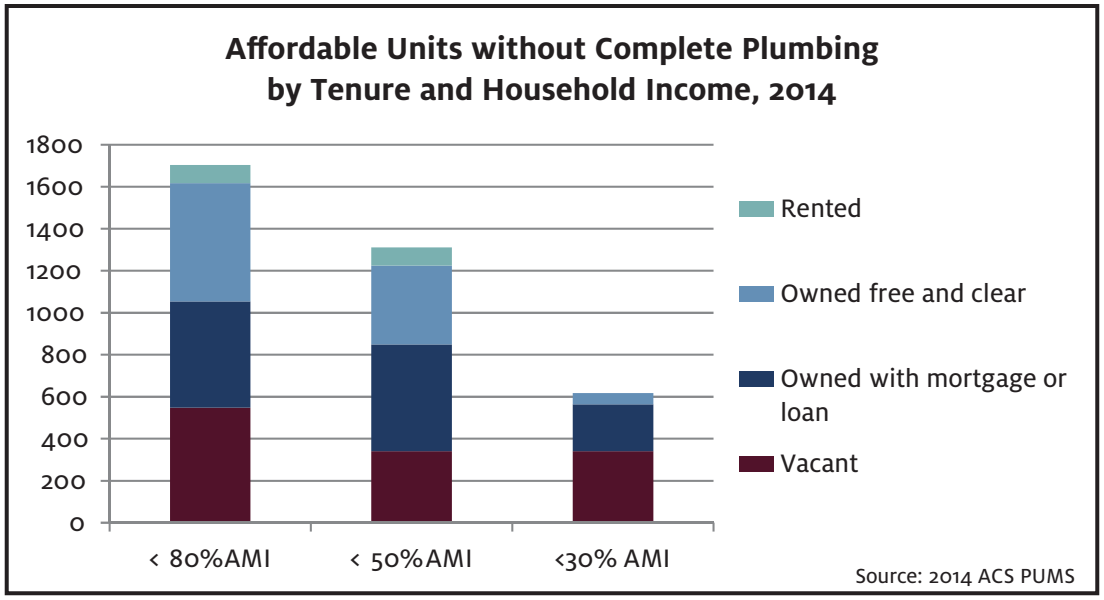


Figure 3.4

a portion of all lower income households countywide, so the total number of units occupied by lower income households with these condition issues is likely to be substantially greater than the figures given in this paragraph.

Type of building. ***(Figure 3.5)***
The majority of affordable units were in mobile homes, trailers or one-family detached houses in 2014. *For extremely low income households, mobile homes and trailers comprised the majority of affordable units.*

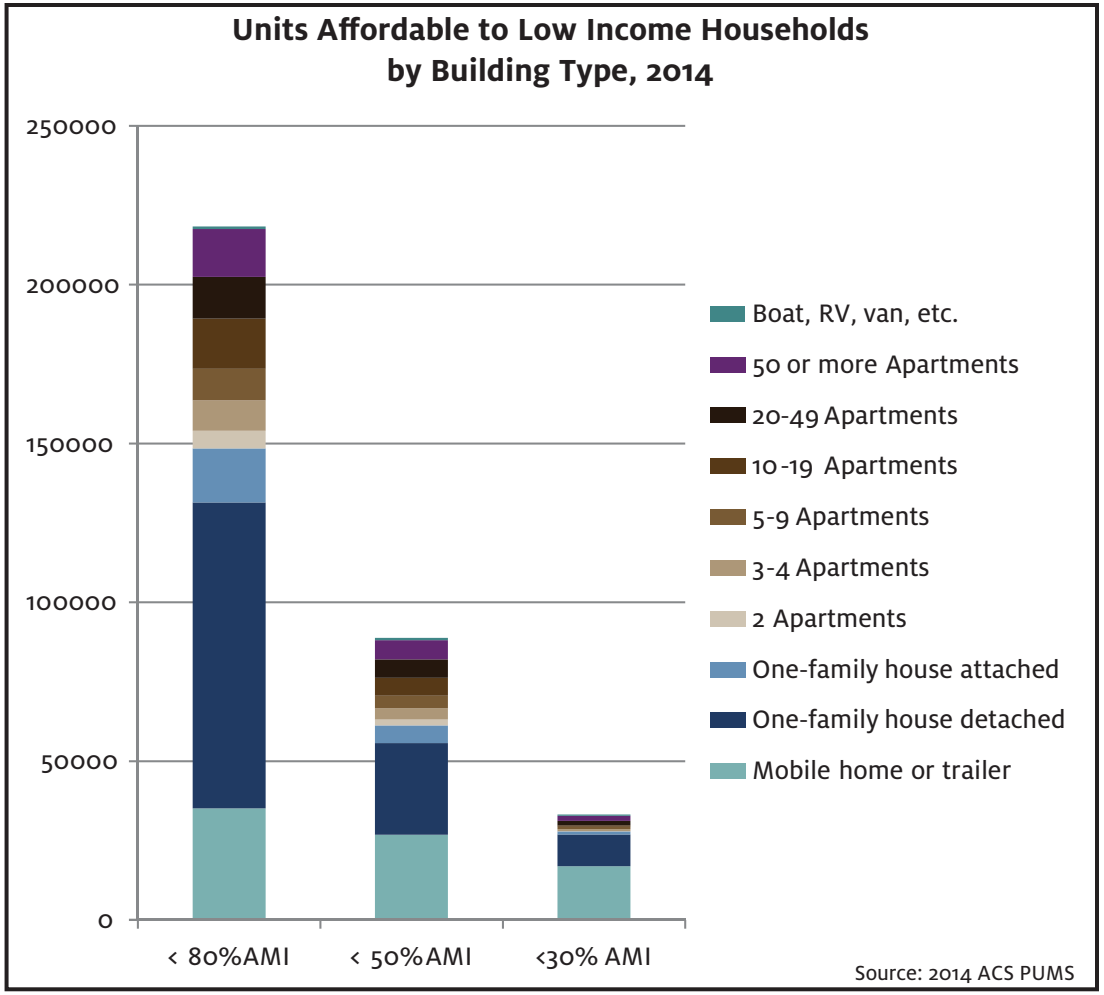


Figure 3.5

Access to the Internet. ***(Figure 3.6)***
Many affordable units lack internet access, especially in owner occupied units.

Number of bedrooms. ***(Figure 3.7)***
Most affordable units contain 2 or 3 bedrooms. *Units suitable for small and large households are uncommon, which is notable given that small households comprise most of the lower income households in Pima County.*

Units with no air conditioning by income.
About 45,000 housing units in the Tucson metropolitan area lack air conditioning (central or 1 or more room air conditioning units), according to the 2013 Census of Housing (Table C-12-AO-M). Air conditioning is defined as the cooling of air by a refrigeration unit or a heat pump. It does not include evaporative coolers or fans. The housing census report does not indicate how many of the 45,000 housing units without air conditioning are affordable to lower income units (nor how many have evaporative coolers instead) but they represent about 12 percent of the total number of housing units in the metropolitan area. It is safe to assume that many of these are part of the lower income housing stock. If half of the 45,000 units without air conditioning were part of the 224,000 occupied or vacant units that were affordable to low income households in 2014, then 10 percent of those units would have no air conditioning. *If, however, half of the 45,000 units without air conditioning were part of the roughly 33,000 that were affordable to extremely low income households, then about 68% of those units would not have air conditioning. The combination of poverty and old age could mean a health disaster during heat emergencies, which may be more frequent in the future as a result of climate change in the desert southwest.*

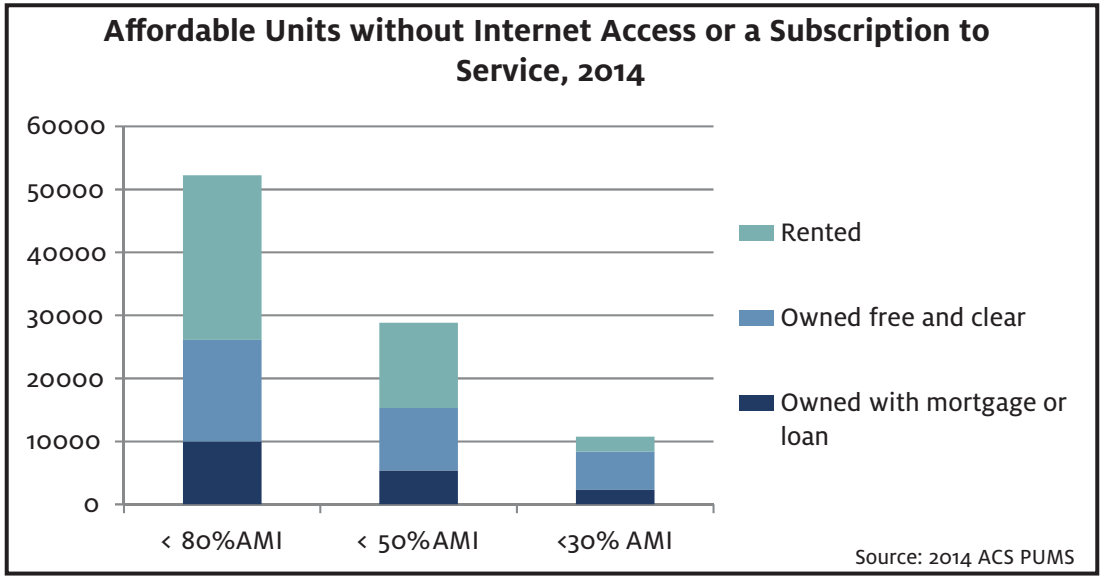


Figure 3.6

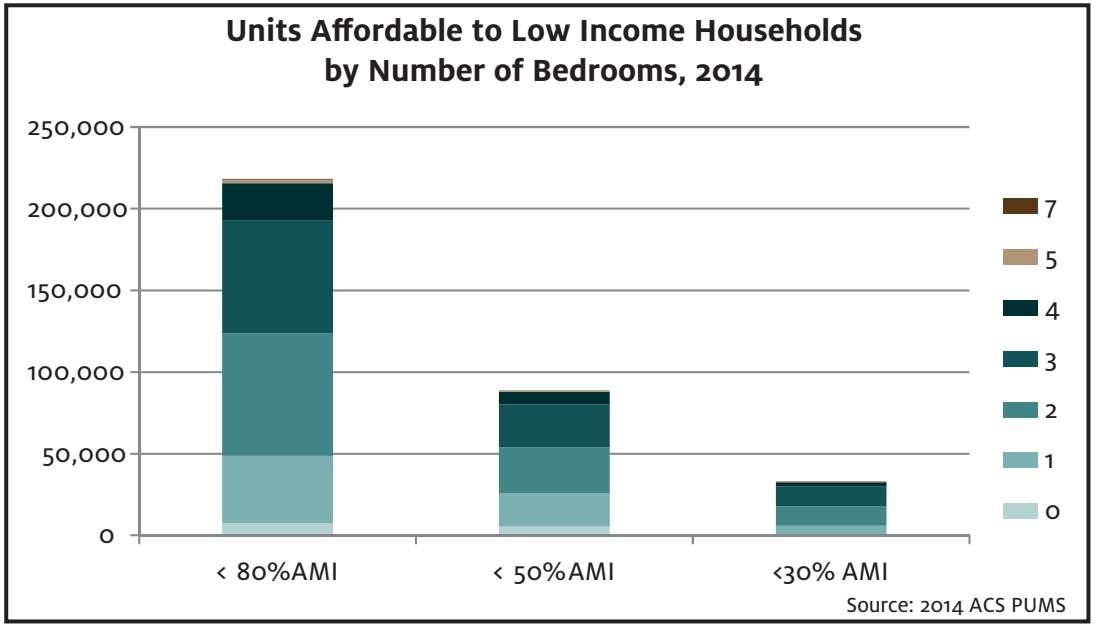


Figure 3.7

Crowding. ***(Figure 3.8)***
Few of the affordable units are overcrowded, defined as more than 1 person per room.

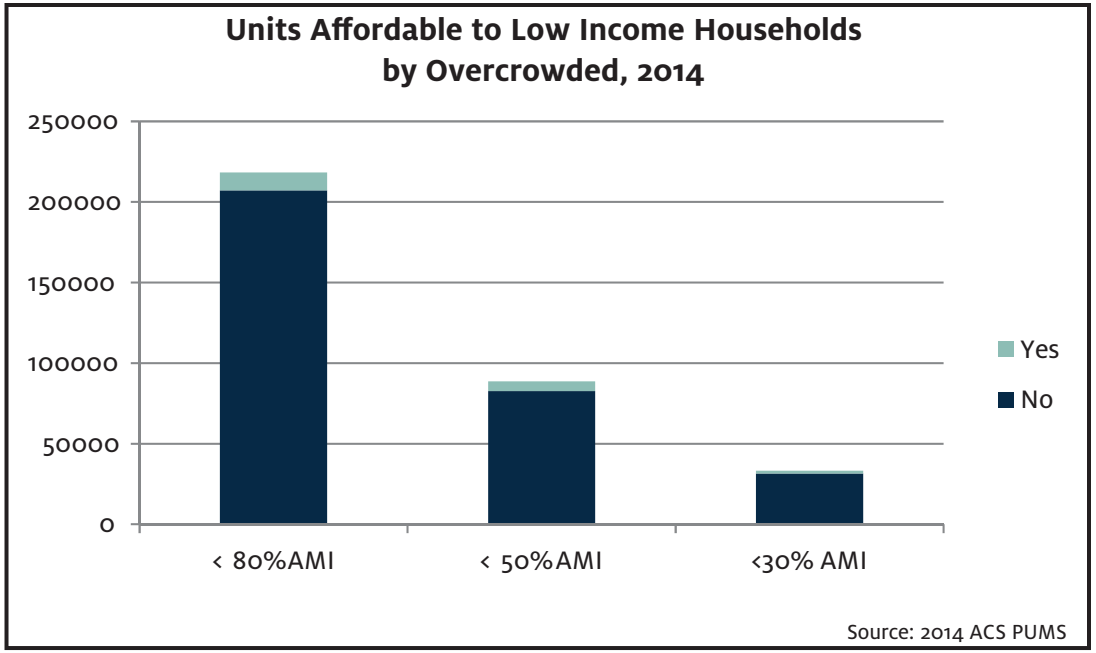


Figure 3.8

Income Restricted Units

One of the important affordable housing resources for lower income families are income restricted properties where housing units are reserved for households that meet certain income and sometimes other demographic criteria. For this report we compiled a database of all such properties in Pima County that we could identify together with detailed information on their location, owners, eligibility criteria and more. The database was compiled from several lists and supplemented with data collected on the properties from the property owners and/or their property websites. The lists we used included the following:

U.S Department of Housing and Urban Development LIHTC database *lihtc.huduser.gov*

National Housing Preservation Database *preservationdatabase.org*

Pima County Housing Search *pimacountyhousingsearch.org*

Pima Council on Aging *pcoa.org/wp-content/uploads/2013/10/Subsidized-Housing.pdf*

Arizona Department of Housing *housing.az.gov/documents-links/forms/rental-development-lihtc*

Arizona Department of Housing LIHTC Projects 1987 – 2014 *housing.az.gov/sites/default/files/documents/files/Tax%20Credit%20Projects%201987%20to%20Current%20(updated%2005.2015).pdf*

MF Properties with Assistance and Section 8 contracts Pima County

Credio Low Income Housing *http://www.credio.com/*

Southern Arizona Land Trust properties list

Habitat for Humanity properties list

Primavera properties list

Pima County Neighborhood Stabilization Program Properties, Pima County Community Development and Neighborhood Conservation Department

We were able to verify the existence of 9,484 income restricted units in 227 separate properties. Of these, 63 (28%) of the properties and 5,407 of the units (57%) are owned by for-profit entities, 145 (64%) of the properties and 1,594 (17%) of the units are owned by non-profits, and 15 (7%) of the properties and 2,145 (23%) of the units are government owned. *For-profits own the most units* while non-profits own the most properties.

We were able to determine bedroom counts and income restrictions for most properties. Those results are given in **Figures 3.9 and 3.10.**

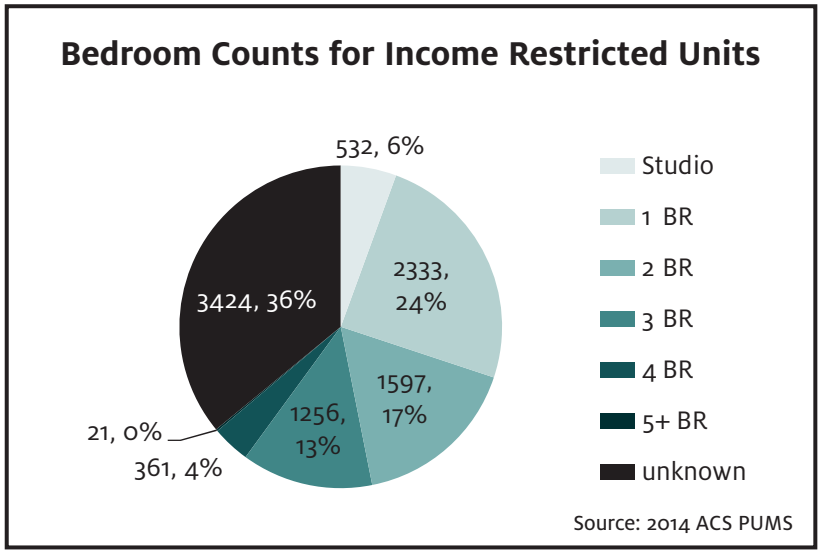


Figure 3.9

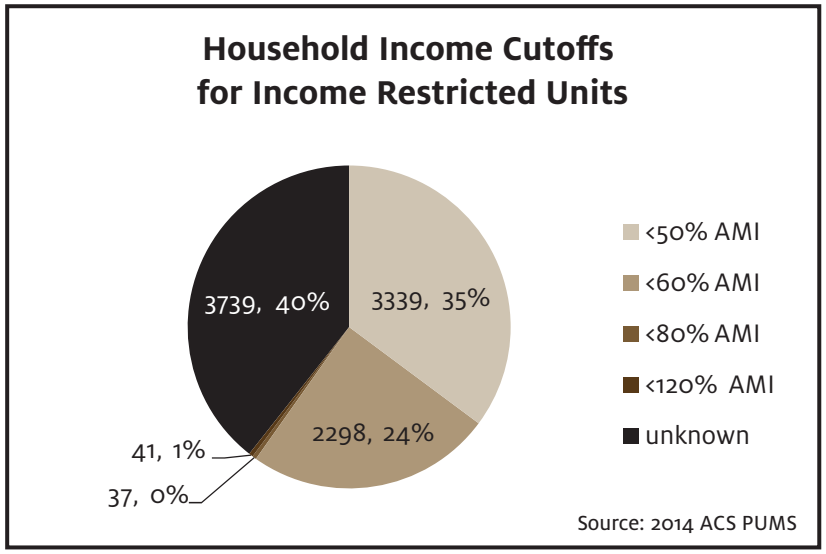


Figure 3.10

Target Group Restrictions

We identified specific occupant targets or restrictions for 95 percent of the income restricted units. About 55% of those with known targets are for general occupants and 65% for specific groups. The most common specific target, by far is the elderly (55, 62 or 65+) **(Table 3.5).**

Expiration Dates

We also collected data on the earliest year when any contractual income restrictions on each income restricted property are expected to expire **(Table 3.6)**. Those data were mostly drawn from the National Housing Preservation Database (NHPD), which was most recently updated in April of 2015. We confirmed the dates with owners where possible. Per NHPD, 1,503 units were scheduled to expire by 2019, and 2,593 by 2024. That represents 16% and 27% of all income restricted units in the county, respectively; however there were an additional 684 units (7%) whose expiration dates, if any, could not be determined. When comparing the expiration status of non-profit (NP) units and for-profit (FP) units, 374 NP units expire in the next 5 years, compared to 643 FP units; and 598 NP units expire in the next 10 years compared to 2,224 FP units.

TABLE 3.5: Targeted Units by Type

Target Group	Units	% of All	% of Units with Known Occupancy Requirements
Artists	30	0.3%	0.3%
Disabled	145	1.5%	1.6%
Elderly	3736	39.4%	41.2%
General	4967	52.4%	54.8%
Grandparents raising children	12	0.1%	0.1%
Men	20	0.2%	0.2%
Single mothers and children	72	0.8%	0.8%
Substance abuse recovery	24	0.3%	0.3%
Transitional	49	0.5%	0.5%
Victims/survivors of abuse	17	0.2%	0.2%
Unknown	412	4.3%	

TABLE 3.6: Income Restricted Unit Expirations by Year

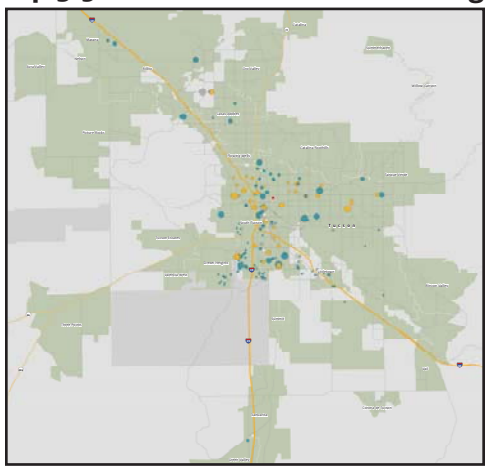
Year	Units	Year	Units	Year	Units
2015	558	2029	225	2043	315
2016	65	2030	144	2044	317
2017	297	2031	32	2045	105
2018	108	2032	267	2046	0
2019	475	2033	63	2047	0
2020	60	2034	144	2048	11
2021	0	2035	23	2049	430
2022	459	2036	81	2050	96
2023	476	2037	0	2051	168
2024	95	2038	0	2052	0
2025	490	2039	0	2053	80
2026	292	2040	0	None	2456
2027	0	2041	260	Unknown	684
2028	16	2042	192		

Plans for Maintaining or Growing Stock

In our survey of affordable housing providers, we asked about plans for maintaining or growing their own stock of income restricted properties in the next three to five years. Out of 17 respondents, 12 (71%) plan to increase their housing stock, 3 (18%) plan to maintain their stock, and 2 (12%) are unsure. Responses to open-ended questions indicate approximately 1,000 new units are planned for the future, including 450 new rental and owner-occupied units planned by the City of Tucson Housing Authority. According to the City of Tucson and Pima County Consortium 5-Year HUD Consolidated Plan (2015-2020), the Public Housing Authority plans to grow housing stock through partnerships with local non-profits who apply for gap funding from the county as follows: affordable rental housing rehabilitation (300 units); affordable rental new construction (400 units); preservation of expiring low income units (75 units); affordable owner housing rehabilitation (1,600 units); home purchase assistance (110 units); and affordable owner new construction (50 units).

The geographic distribution of income restricted housing is shown on **Map 3.9.** Analyses of the locations in comparison to various considerations, such as proximity to transit and job sites, are presented later in the report.

Map 3.9: Income Restricted Housing

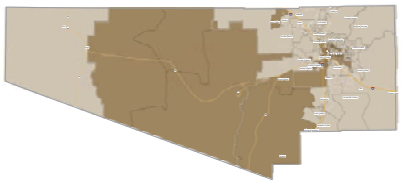


4. Gentrification

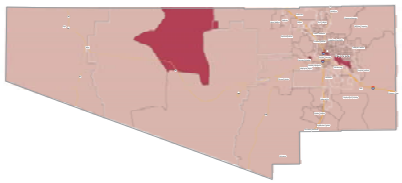
Gentrification describes the movement of medium and high-income populations into lower-income neighborhoods, causing the displacement of lower-income households. In this report gentrification is studied at the Census Tract level using four metrics (college degree attainment, median household income, owner occupied house value, and median gross rent) and the change in those metrics between 2000 and 2014.

The gentrification analysis occurred in three steps and was guided methodologically by by Galster and Peacock (Urban Gentrification: Evaluating Alternative Indicators, *Social Indicators Research*, 18(3), 1986). First, census tracts were assessed for gentrification eligibility. Eligibility for gentrification was established and measured by whether or not a tract had a metric value below the county wide median value for the same metric in 2000, as indicated by the 2000 US Census of Population and Housing. **Map 4.1** shows the 65 eligible tracts for gentrification in the County. In other words, only areas that had lower education levels, incomes, rents, and home values could be gentrified because gentrification is a process that occurs in these types of neighborhoods. Second, change over time values were calculated for each of the four metrics. Specifically, the county-wide mean change for each metric was calculated for the period 2000 to 2014. Finally, eligible Tracts were examined for gentrification. A tract was classified as having experienced gentrification if three or more of the gentrification metrics changed by at least the county-wide mean change. **Map 4.2** shows the location of the 7 tracts (out of 241 tracts in the county) that experienced gentrification according to this definition. Most gentrified tracts are clustered in the central and mid-town portions of Tucson. Specifically, 4 out of the 7 gentrified tracts are in or near downtown Tucson.

Gentrification in Pima County source: ACS 2014 (5 year estimates) and 2000 Census Summary files



4.1 Eligible Gentrified Tracts



4.2 Gentrified Tracts

5. Plans for Increasing and Sustaining Affordable Housing

For developers seeking to increase the supply of affordable housing, there are numerous resources available in Pima County. The availability of these resources varies based on project circumstance, timeline, and other external factors. Developers should consider working with development services staff early in their due diligence process to identify project needs and to negotiate the use of technology, public funding streams, publicly owned land, project scale and mix concessions, fee or tax deferrals/waivers, loan terms and conditions, and guidance on sustainable design.

In order to assess plans for increasing and sustaining affordable housing, we conducted a review of major planning documents and interviewed planning staff in each of the major jurisdictions. The review aimed to identify key public policies germane to affordable housing.

Pima County: "Pima Prospers" provides a structure for directly and indirectly addressing regulatory barriers to affordable housing development including:

- Reviewing the Inclusive Design Ordinance, a standard that provides technical criteria for making sites, facilities, buildings, and elements accessible; in order to consider further changes that will encourage aging in place, universal design and accessibility amendments.
- Supporting a secondary dwelling ordinance or update that will include innovative design and development standards, permit procedures, community education and a variety of incentives such as flexible zoning requirements and development standards; and allowing for owner-occupancy in either primary or secondary units.
- Supporting an incentive program for developers to build innovative residential product types and designs of varying densities.
- Integrating fair housing goals into county planning and development processes to provide for a range and mix of household incomes and family sizes.
- Implementing a Health Impact Assessment program for public and publicly funded projects based on healthy communities principles.
- Embracing principles of affordability and green building as mutually beneficial in reducing energy consumption, water use, material use and creating a healthier indoor environment; periodically updating existing codes and regulations to include the latest green standards, techniques and material; and creating an incentive program to encourage incorporation of green building techniques.

Pima County identified the following assessments and incentives that have not yet been explored:

- A comprehensive assessment of the cost of rules, regulations, development standards and processes and their impact on the supply of affordable housing.
- Density bonuses for affordable housing development.

The City of Tucson has made advancements in addressing regulatory barriers during the past few years by:

- Improving the permit process for contractors rehabilitating the existing housing stock and developers undertaking infill projects.
- Reforming the zoning regulations with the Unified Development Code, which is a simplification and consolidation of the City's zoning and subdivision regulations in the current Land Use Code and Development Standards; this successfully removed many barriers.
- Adopting the International Existing Building Code. This allows rehabilitation of older buildings, without all the regulations for new buildings, unless a clearly identified hazard is present.

The City has identified two incentives that it has not explored:

- Fast-track permitting and approvals for affordable housing projects; and
- An explicit policy that adjusts or waives parking requirements for affordable housing projects.

The City will implement policies during the next five years to further encourage affordable housing development, including:

- Making contingent commitments up to 2% of the qualifying basis for proposed Low Income Housing Tax Credit projects seeking HOME funds.
- Issuing requests for proposals for infill projects.
- Providing preservation/enhanced vouchers for residents of projects with expiring periods of affordability, contingent upon at least twelve months' notice from the property owner.
- Offering vouchers to tenants of Continuum of Care projects when the project is no longer receiving project-based funding.

The **Town of Marana** recognizes the importance of offering a variety of affordable housing options. They acknowledge the fact that some of their residents have left the town due to the increased market rates of housing. The town currently has plans to work with non-profit organizations and developers to provide their residents with a greater variety of affordable housing options.

The City of South Tucson's Strategic Plan does not include affordable housing policies. There is a section on housing in the City's economic development plan, which mentions that the city needs to work on revitalizing their housing stock through policies like the Neighborhood Stabilization Program (NSP). We learned from interviews with planners from the City that rehabilitation of aging and deteriorating housing stock is a primary goal.

The Town of Oro Valley's Strategic Plan mentions the need to offer a wide range of housing densities and prices to meet the needs of their community; however the Town is mostly focusing their efforts on the development of high-end apartment housing to attract young professionals to the area. The Town has an action plan to respond to the present and future needs of the community; including plans to conduct a housing inventory, to develop a housing plan to address diverse needs; and to develop zoning technique to implement that housing plan.

The Town of Sahuarita, per state law, is not required to adopt a housing element in their general plan. The Sahuarita East Conceptual Area Plan was adopted as part of the general plan, and calls for a diversity of housing types, sizes, and prices.

6. Gap Analysis

In this section we evaluate the various trends and conditions presented above in order to identify possible directions for improvement. We do not intend to recommend specific actions, policies, or programs but rather to underscore where circumstances fall short of desirable conditions.

Overall Affordable Housing Supply

Almost 92,000 more market rate and/or income restricted affordable units are needed to accommodate the lower income households not living in affordable housing.

Figure 6.1 compares various indicators of supply and demand for lower income affordable housing. For each income group, Indicator 1 gives the number of units affordable to the group, including market rate and income restricted units. Indicator 2 gives the number of households in the group. A simple comparison of these indicators shows there are fewer affordable units than households for extremely low income households. That is not the case for very low and low income households where there are more affordable units than households. However, households from other income groups occupy the units that are affordable to all three lower income groups, as shown by Indicators 3 and 4. Indicator 5 gives the sum of those other households plus the households in each group. When that sum is compared to the number of units that are affordable for each group (Indicator 1) we see there is a shortfall of affordable units in every income category. This creates a deficient supply for every lower income group, and as a result, the number

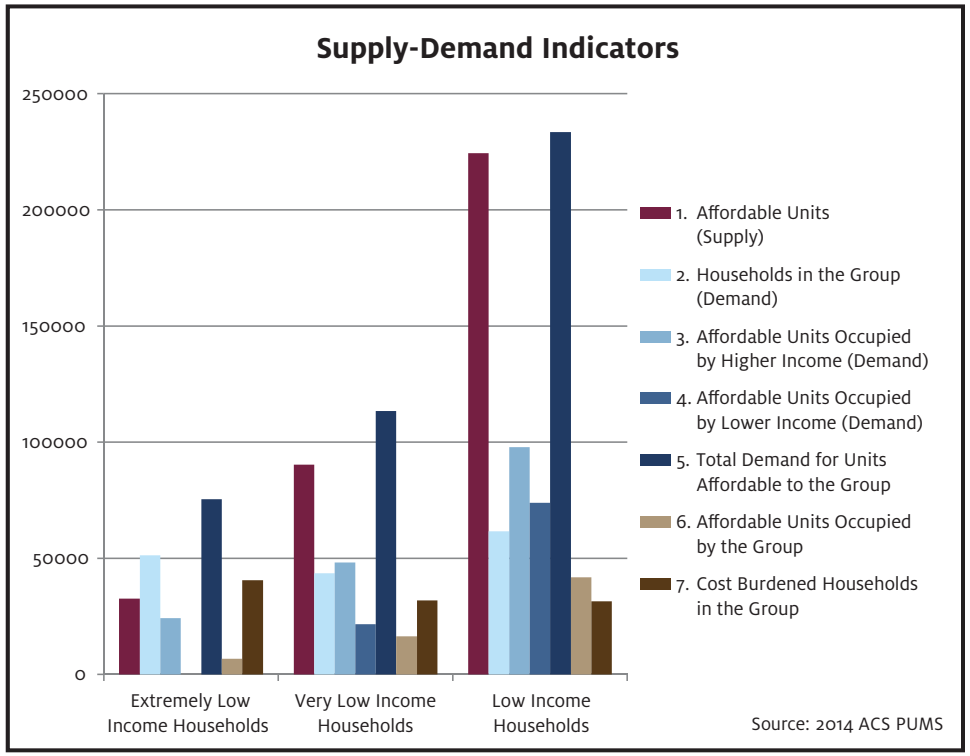


Figure 6.1

of households in each group that occupy affordable units (Indicator 6) is well below the number of households in the group (Indicator 2). The number of households who are not in affordable units (the difference between Indicators 2 and 6) comes to 44,539 units for extremely low income households, 27,182 units for very low income households, and 19,916 units for low income households, for a total of 91,637 units. This helps explain why there are so many housing cost burdened households in each income group (Indicator 7). Moreover, the fact that this supply gap of nearly 92,000 is almost as large as the total number of housing cost-burdened lower income households (nearly 104,000) suggests that most of the housing cost-burdened households are unable to choose more affordable housing should they wish to do so.

Figure 6.2 breaks down the incomes of households in occupied units that are affordable to each of the three lower income groups. It shows that every income group occupies a minority of units affordable to that group. If a system could be devised that helped lower income households compete more effectively for the units they could afford, it could help reduce the cost-burden problem. One possibility would be for an organization to work as an aggressive market intermediary that matches lower income households to market priced income unrestricted affordable units when they become vacant.

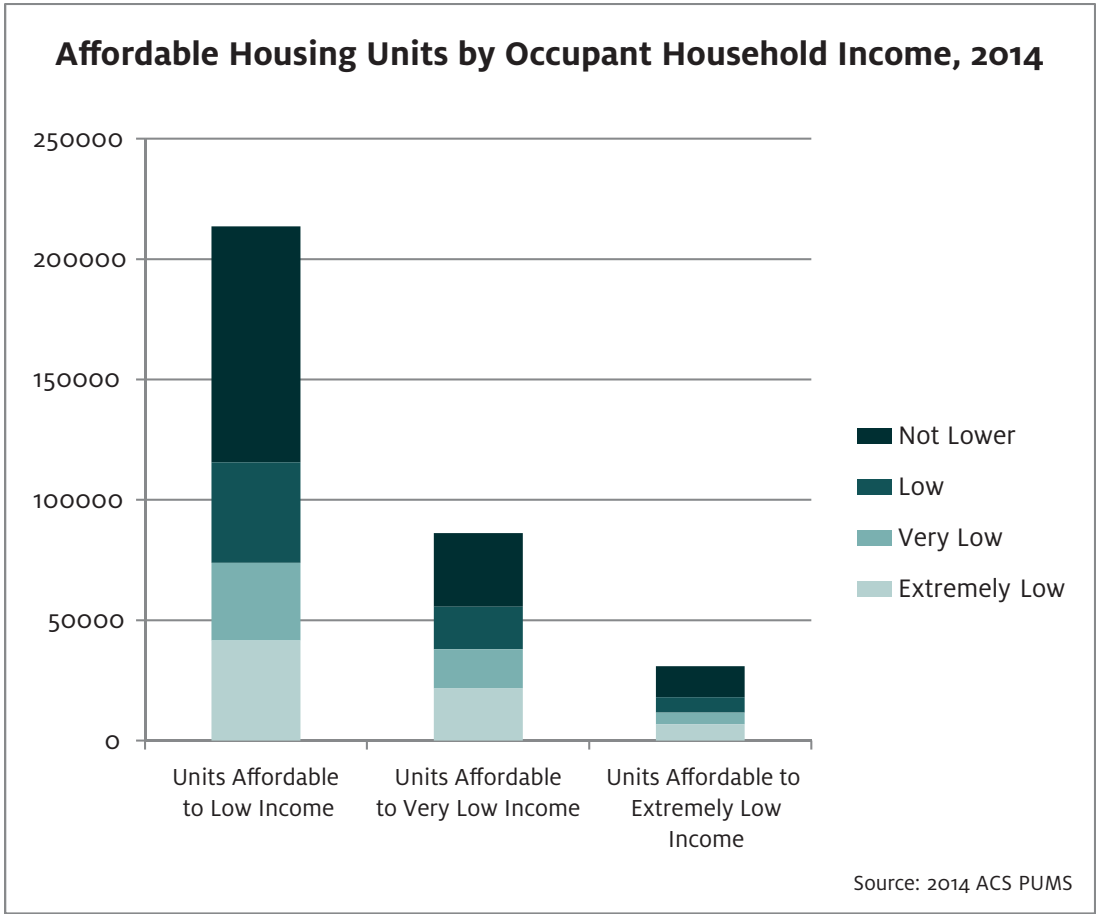


Figure 6.2

Income Restricted Housing

While some cities, towns and places have relatively more income restricted housing than others, none have enough income restricted units to match the number of lower income households and all have many lower income cost-burdened households as a result.

As shown in **Table 6.1**, Marana and South Tucson have the most income restricted units relative to their numbers of lower income households, while other communities have relatively few or none. This could be used to argue that income restricted housing developments have been too focused on a few places and that future development should be focused elsewhere. But given there are too many housing cost-burdened lower income households everywhere, it is fair to say there are too few income restricted units anywhere. More income restricted

units would be beneficial no matter where they are built. Other siting considerations, such as access to good schools, employment, and public transportation, which are analyzed below, together with opportunities to maximize production, are probably more important for determining where to build than whether one city or town has more or less income restricted units than another.

Waiting lists for income restricted units support these findings. According to records from the City of Tucson Public Housing Authority, there were approximately 23,000 households on waiting lists for housing assistance as of October 2015, broken down as follows: Public housing (8,120), Section 8 Housing Choice Vouchers (13,076), mainstream referral based (64), and Rehabilitation (1,736) (note that some of these may be duplicates). Additional information from various non-profit affordable housing providers indicates roughly another 250 households on waiting lists (again, these may be duplicates). However, nonprofit housing providers indicate there is no need to keep waiting lists as their units turn over very infrequently, and when units are available "nobody can move quickly enough to beat those with the funds available and ready," according to one provider.

TABLE 6.1: Lower Income Households, Income Restricted Units, and Lower Income Cost Burdened Households by Place *Sources: 2014 ACS PUMS and data sources listed on page 25.*

Places	Lower Income Households	Income Restricted Units	Income Restricted Units as a Share of Lower Income Households	Lower Income Cost-Burdened Households	Lower Income Cost-Burdened Households as a Share of Lower Income Households
Marana town and environs	2494	844	33.8%	1863	74.7%
South Tucson city	1312	320	24.3%	820	62.5%
Tucson city and environs	96810	7229	7.5%	66817	69.0%
Casas Adobes and environs	7994	395	3.9%	5854	73.2%
Ajo	804	30	3.7%	464	57.7%
Sahuarita town	1551	52	3.4%	982	63.3%
Green Valley	4965	24	0.5%	2075	41.8%
Drexel Heights	3465	11	0.3%	2447	70.6%
Arivaca	200	0	0.0%	49	24.5%
Arivaca Junction	119	0	0.0%	61	51.3%
Avra Valley	663	0	0.0%	431	65.0%
Catalina	1084	0	0.0%	648	59.8%
Catalina Foothills	5224	0	0.0%	3724	71.3%
Corona de Tucson	154	0	0.0%	88	57.1%
Elephant Head	53	0	0.0%	24	45.3%

table continued on following page

Places	Lower Income Households	Income Restricted Units	Income Restricted Units as a Share of Lower Income Households	Lower Income Cost-Burdened Households	Lower Income Cost-Burdened Households as a Share of Lower Income Households
Flowing Wells	3658	0	0.0%	1976	54.0%
Littletown	83	0	0.0%	72	86.7%
Nelson	34	0	0.0%	31	91.2%
Oro Valley town	3378	0	0.0%	2114	62.6%
Picture Rocks	912	0	0.0%	398	43.6%
Pimaco Two	121	0	0.0%	58	47.9%
Rillito	77	0	0.0%	59	76.6%
Rincon Valley	272	0	0.0%	179	65.8%
Summit	669	0	0.0%	435	65.0%
Tanque Verde	978	0	0.0%	627	64.1%
Three Points	830	0	0.0%	596	71.8%
Tucson Estates	1820	0	0.0%	873	48.0%
Vail	563	0	0.0%	370	65.7%
Valencia West	919	0	0.0%	758	82.5%
Why	25	0	0.0%	5	20.0%
Summerhaven	0	0	n/a	0	n/a
Willow Canyon	0	0	n/a	0	n/a

Special Needs Housing

There is a shortage in the proportion of income restricted units focused on some special needs households relative to their prevalence among lower income households.

Table 6.2 compares the percentages of lower income households or persons in three special needs groups in the general population and the percentage of income-restricted units (excluding those with unknown occupancy requirements) that are focused on the three groups. The proportion of income restricted units focused on seniors is higher than their proportion in the general lower income household population. The proportion of income restricted units focused on single mothers with children and households with disabled persons is lower than their proportion in the general lower income household population. Demographic data were not available to allow for similar comparisons for other types of targeted income-restricted housing. Given the general insufficiency in the number of affordable units, we cannot conclude there are too few of any targeted units, including those for seniors. What is needed also depends on how well general occupancy units can meet special needs, which goes beyond our available information. However, in relative terms there is a shortage in the proportion of income restricted units focused on single mothers with children and the disabled relative to their prevalence among lower income households.

TABLE 6.2: Targeted Groups *Sources: 2014 ACS PUMS and data sources listed on page 25.*

	As a percent of Lower Income Households	As a percent of Income Restricted Units with Known Special Need Targets
Elderly	32% of low income households have at least one person in households 65 years of older	41% (55+, 65+ and elderly)
Single mothers with young children	7% of families with ratio of income to poverty level under 1.3 with children under 5 and single householder, no spouse present	0.8%
Disabled	6.1% of persons over 18 with ratio of income to poverty level under 1.5 with a disability	1.6%

Small Affordable Housing Units

There are too few small units.

As shown in **Table 6.3**, there are about 78,000 1-person lower income households but only about 49,000 zero and one bedroom affordable units. For 2+ person lower income households, there are more one and two bedroom affordable units than the number of households, although due to the competition with other households discussed above, there are still many cost burdened 2+ person households and not enough housing they can afford.

The proportion of income restricted housing units by household size compares favorably to the percentage of households by size in the total population.

Waiting lists for affordable units confirm strong demand for smaller units. We found 11,179 households waiting for income restricted studio or 1 bedroom unit, 11,646 waiting for twos, 8,244 for threes, 2,204 for fours, 272 for fives, and 28 for sixes.

Also, as reported under Cost Burdened Households, one person households are the largest group of cost burdened and extremely cost burdened households.

New housing funds for income restricted housing may be better leveraged if more emphasis was given to smaller units.

TABLE 6.3: Low Income Households by Size and Affordable Units by Bedroom Count *Sources: 2014 ACS PUMS and data sources listed on page 25.*

Household Size	Households	%	All Relevant Market Rate and Income Restricted Units (Bedrooms)	% of Total (218,317)	(Deficit) or Surplus	Relevant Income Restricted Units with known bedroom count (Bedrooms)	Percent of Units with known bedroom count
1	77,746	49.7%	48,785 (0-1)	22.3%	(28,961)	2,865 (0-1)	47.0%
2-3	56,327	36.0%	116,359 (1-2)	53.4%	60,032	3,930 (1-2)	64.4%
4+	22,382	14.4%	169,532 (2+)	77.7%	147,150	3,235 (2+)	53.0%
			94,571 (3+)	43.3%		1,638 (3+)	26.9%
			25,301 (4+)	11.6%		382 (4+)	6.3%
			2,709 (5+)	1.2%		21 (5+)	0.3%

Workplace Accessibility

There are not enough units with a reasonable commute to job centers.

TABLE 6.4: Commuting Data *Source: U.S. Census On the Map (2013)*

All Workers	Tucson	Oro Valley	Marana	Sahuarita
Employed in the selection area	206,830	8,167	11,340	2,195
Employed and living in the area	102,083 (49.4%)	1,678 (20.5%)	1,392 (12.3%)	695 (31.7%)
Employed in the area but living outside	104,747 (50.6%)	6,489 (79.5%)	9,948 (87.7%)	1,500 (68.3%)
Workers earning $1,250 per month or less	**Tucson**	**Oro Valley**	**Marana**	**Sahuarita**
Employed in the area	47,621	2,025	2,745	657
Employed and living in the area	24,971 (52.4%)	346 (17.1%)	332 (12.1%)	227 (34.6%)
Employed in the area but living outside	22,650 (47.6%)	1,679 (82.9%)	2,413 (87.9%)	430 (65.4%)

Drawing from the US Census On The Map data, a database utilizing unemployment insurance data, it is possible to make observations about the location of jobs relative to housing units and vice versa. In the city of Tucson approximately half of all workers (50.6%) work in the city but live outside its boundaries **(Table 6.4)**. In certain other places within Pima County, a large majority of workers employed in the area are living outside the area.

When the data are segmented by income categories, the proportions of those employed in Tucson and other urbanized areas but living in other places remain similar to the proportions discussed above **(Table 6.4)**. However, there are more than 27,000 low income workers that do not live in the jurisdiction where they work; evidence of a jobs-housing imbalance and potentially unnecessary transportation cost burden on lower income households.

TABLE 6.5: Distance Traveled From Work To Home *Source: U.S. Census On the Map (2013)*

All workers	Tucson	Oro Valley	Marana	Sahuarita
Total	206,830	8,167	11,340	2,195
Less than 10 miles	121,902 (58.9%)	4,298 (52.6%)	4,718 (41.6%)	955 (43.5%)
10 to 24 miles	47,376 (22.9%)	2,243 (27.5%)	3,896 (34.4%)	729 (33.2%)
25 to 50 miles	4046 (2.0%)	281 (3.4%)	726 (6.4%)	260 (11.8%)
Greater than 50 miles	33,506 (16.2%)	1,345 (16.5%)	2,000 (17.6%)	251 (11.4%)
Workers earning $1,250 per month or less	**Tucson**	**Oro Valley**	**Marana**	**Sahuarita**
Total	47,621	2,025	2,745	657
Less than 10 miles	29,047 61.0%	994 (49.1%)	1,299 (44.8%)	339 (51.6%)
10 to 24 miles	8,440 (17.7%)	531 (26.2%)	870 (31.7%)	175 (26.6%)
25 to 50 miles	876 (1.8%)	78 (3.9%)	136 (5%)	66 (10%)
Greater than 50 miles	9,258 (19.4%)	422 (20.8%)	510 (18.6%)	77 (11.7%)

More than 19% of low income individuals (9,258) who work in Tucson travel 50 miles or more from their home to work **(Table 6.5)**. By comparison, only 16.2% of all workers commute that far. Lower-income employees are also driving longer distances to work in Oro Valley, Sahuarita, and Marana when compared to all workers. This longer commute suggests a heavier cost burden on lower income workers that might be reduced if they could find affordable housing closer to where they work.

Perceived Consumer Demand

The location of income restricted properties is well matched to some but not all location priorities, as perceived by stakeholders and providers. Most of those properties are not in highly walkable locations (though there are few such locations in the region) and some lower income job clusters may be under-served, including parts of Casas Adobes, and near to Davis-Monthan Air Force Base, Tucson Medical Center, and Park Place Mall. Income restricted housing is nearly always within walking distance of a bus stop.

While we don't have information directly from affordable housing consumers regarding their housing preferences, we asked affordable housing providers: "If you were planning to build a new affordable housing project in the next few years, how important would the following be to your clients?" Of the fifteen providers that responded, they felt that a location near major employers and a location near bus lines was somewhat to extremely important to their clients.

TABLE 6.6: Location Preferences for Affordable Housing *(7 point scale)*

Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important	Average Value
A location near major employers	1				6	6	2	5.4
A location near bus lines				1	1	6	7	6.3
A location near the streetcar	3	1	1	3	4	2	1	3.9
A location in downtown	3	1		7	3		1	3.7
A location in a suburban area like Marana	4	1	1	5	2	2		3.4

We also asked both providers and stakeholders where future affordable housing should be prioritized in terms of geography **(Table 6.7)**. Many felt that the downtown/central Tucson area should be where developers and regulators prioritize their expenditures. As indicated in the section on gentrification, the majority of the gentrified tracts are clustered in and around downtown Tucson.

TABLE 6.7: Geographic Prioritization for Future Affordable Housing Development

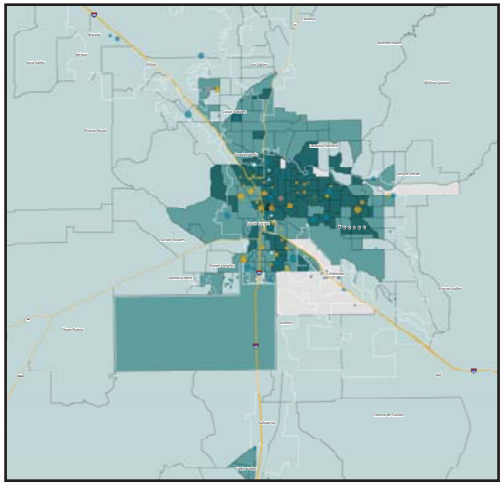
Stakeholders			Providers		
Answer	Frequency	%	Answer	Frequency	%
City of South Tucson	10	33%	City of South Tucson	4	29%
Downtown & Central Tucson	16	53%	Downtown & Central Tucson	9	64%
South Tucson	7	23%	South Tucson	2	14%
North Tucson	3	10%	North Tucson	1	7%
Unincorporated/Rural Pima County	8	26%	Unincorporated/Rural Pima County	2	14%
East Tucson	7	23%	East Tucson	0	0%
West Tucson	6	20%	West Tucson	0	0%
Other/Comments:	16	53%	Other	5	36%

Several of these location priorities pertain to maximizing mobility and/or minimizing transportation costs. Therefore, we compared the location of existing income restricted units to the cost of transportation. This is an important consideration because transportation costs are a large part of lower income household expenses, which is why proximity to bus lines and employers are viewed as important by stakeholders and providers. We used an index based on estimates of transportation costs for a 3-person single-parent family with income at 50% of the median income for renters for the core based statistical area. The estimates come from the **US Department of Housing and Urban Development Location Affordability Index (LAI)**. The index is based on modeled transportation costs as a percent of income for renters. Neighborhoods are defined as census tracts. Values are inverted and percentile ranked nationally, with values ranging from 0 to 100. The higher the transportation cost index, the lower the cost of transportation in a neighborhood. Transportation costs may be low for a range of reasons, including greater access to public transportation and the density of homes, services, and jobs in the neighborhood and surrounding community.

Map 6.1 gives the results. It shows that only a few of the income restricted properties are located in neighborhoods with the lowest transportation costs, which are located in downtown Tucson. Most, however, are located where transportation costs are below the national average; however there are some properties that have been developed in more expensive locations.

We also examined the location of income restricted units in comparison to the location of jobs held by workers earning $1250/month or less, based on workplace location in 2010. These data come from the US Census Longitudinal Employer-Household Dynamics program and the US EPA Smart Location Database. The results, given in **Map 6.2**, show that some lower income job concentrations may be underserved by income restricted housing, including parts of Casas Adobes, and close to Davis-Monthan Air Force Base, Tucson Medical Center, and Park Place Mall.

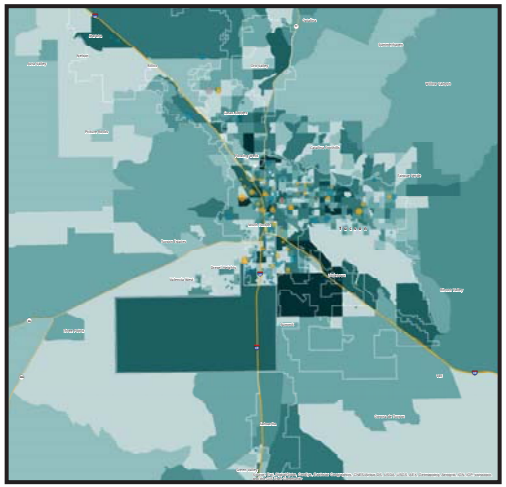
MAP 6.1: Transportation Costs by Location



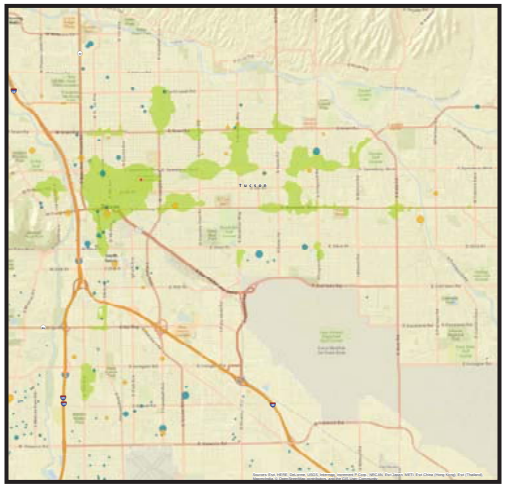
Walk Score is a measure of walkability, or the ability of residents in an area to walk to desired locations such as shopping, services, parks, and schools. Walkability was noted by stakeholders and providers as a desirable attribute for income restricted affordable housing locations. **Map 6.3** compares locations with a Walk Score of 70 or more (out of 100) to the location of income restricted properties. A score of 70+ is considered "very walkable" because most errands can be accomplished on foot. Most income restricted units in Pima County are not sited in very walkable locations, although there are not many highly walkable locations**.**

The surveys also indicate that lower income housing should be located where there is good bus or streetcar service. **Map 6.4** shows all locations within ½ and ¼ mile of a bus or transit stop, which are normal standards for walking distance to a transit stop. About three dozen income restricted properties are more than ¼ mile from a bus or streetcar stop, though nearly all properties are within ½ mile of those locations.

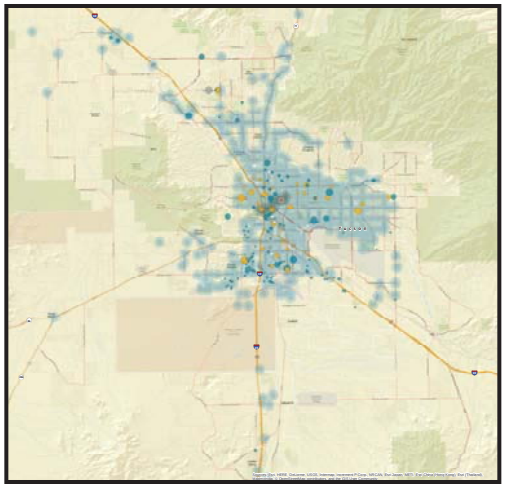
MAP 6.2: Workers Earning $1250 or Less Per Month



MAP 6.3: Areas in Pima County with a Walkscore of 70 or More



MAP 6.4: Locations Walkable to Transit



Perceived Level of Support for Affordable Housing

Stakeholders and providers perceive higher support for income restricted housing from some groups and lower support from others.

Providers and stakeholders perceive low support for affordable housing from property neighbors, neighborhood associations, the university, business leaders and philanthropists **(Table 6.8).**

Survey question: Based on your experience, how much support of any kind do you feel the following groups in Pima County give to agencies like yours in providing income restricted housing? (Leave blank if no opinion or unknown). Rate from 1=very low support to 5 = very high support.

Perceptions of Resources and Barriers

Stakeholders and providers view economic issues as the highest barriers to affordable housing.

Stakeholders and providers view financing, the availability of donations, and building costs as the highest barriers to affordable housing. Loan terms and government approvals/regulations are viewed as the next most significant barriers **(Table 6.9).**

Survey Question: There are many resources and barriers when it comes to providing affordable housing in Pima County. Based on your experience, please rate the following from 1=not a significant barrier to 5 = a very high barrier to providing affordable housing in Pima County.

Funding

Affordable housing developers and providers are competing for increasingly flat or declining resources from the Federal government.

According to the HUD annual budget, from 2010 to 2015, HOME funds were nearly halved ($1.8B to $1B).

TABLE 6.8: Perceived Level of Support for Affordable Housing

	Very Low Support				Very High Support	Average Value
	1	2	3	4	5	
Social Service Providers		3	13	13	8	3.7
Public Agency Staff and Administrators	1	5	12	11	6	3.5
Citizen Volunteers		9	12	12	4	3.3
Elected Officials		11	16	6	4	3.1
Philanthropists	6	19	8	2	1	2.3
Universities	10	13	8	4		2.2
Business Leaders	8	18	6	1	1	2.1
Property Neighbors	12	15	9	1	1	2.0
Neighborhood Associations	15	11	10	1		1.9

TABLE 6.9: Perceived Barriers to Affordable Housing

	Not a Significant Barrier				A Very High Barrier	Average Value
	1	2	3	4	5	
Financing	2	2	3	17	16	4.1
Availability of Donations	1	4	6	12	13	3.9
Building Costs	1	2	8	18	8	3.8
Loan Terms/Conditions	1	5	9	16	8	3.6
Government Approvals/Regulations	1	4	13	14	7	3.6
Neighborhood Support	2	8	11	8	8	3.3
Client Application Process	3	13	14	3	3	3.3
Land Supply	6	6	8	14	5	3.2
Awareness and Skills of Lenders	1	6	14	13	2	3.2
Coordination of Social Service Providers		8	14	9	4	3.2
Turnover in Occupancy	2	6	16	8	3	3.2
Property Maintenance	5	11	9	9	3	2.8
Property Management	7	13	9	6	3	2.6
Insurance	7	13	9	6	1	2.5
Availability of Sweat Equity and/or Volunteers	6	15	9	3	2	2.4

Similarly, Section 202 funds declined from $825M in 2010 to less than $400M in 2015. These two trends are coarsely illustrative of the cuts to most Federal housing programs during the same time period. Further, the Congressional Budget Office has recently examined proposals to eliminate the Low Income Housing Tax Credit (LIHTC). Together, these data points paint a gray picture of Federal support for affordable housing.

However, in many ways, this broad decline in support reflects the political process and is to be expected. For example, declines in nearly all Federal agency budgets were accelerated in 2013 due to the sequestration process. The curtailment of Federal housing resources trickles down to the State level as reductions in CDBG allocations attenuated the Arizona Housing and Finance Authority budget and reach.

Survey respondents' perceptions of the decline in Federal and State housing resources are reflected in the trajectory of the HUD budget from 2010 to 2015. Indeed, most stakeholders and affordable housing providers expect declining availability of funding in the near to medium term. While we were unable to identify funding trends related to private organizations with the exception of survey respondents' perceptions; it was clear that both stakeholders and providers believed that the availability of these resources had declined **(Table 6.10).**

Survey Question: In the last five years, how has overall funding for your firm or agency changed?

TABLE 6.10: Funding Change Over Time

Funding Change	Federal	State	Local	Private Lender	Private Grants/Gifts
Stayed the same	1	1	1	8	4
Increased	2	2	3	3	4
Decreased	14	10	13	5	6
Don't know	1	3	2	1	2
Not applicable	2	4	1	2	3
Total responses	20	20	20	19	19

LIHTC Qualified Allocation Plans for Arizona

The limited fixed rail transit system in Pima County may be making LIHTC proposals less competitive relative to Maricopa County.

Allocations of tax credits available for sale to fund the development of low-income housing are distributed within states based on a scoring system that prioritizes projects in several different categories. The categories range from attributes of the developer and the community to location efficiency, sustainable development, and transit oriented development.

The relative importance of these latter categories has increased in recent years. We reviewed the recent Qualified Allocation Plans (QAPs), which are the state approved prioritization plans for scoring applications for Low Income Housing Tax Credits, and found than an increasing number of points are being given to proposed developments in close proximity to transit and in particular high capacity transit. For example, from 2010 to 2016 the scoring for Transit Oriented Development doubled from (10) points in 2010 to (20) points in 2016. Further, the maximum number of points achievable under the broad category of Smart Growth grew from (20) in 2010 to (35) in 2016.

While there are positive outcomes for the affordable housing industry in Arizona and the residents of units developed under these policies, there are trade-offs. In particular, in markets such as metro Tucson and Pima County, where transit is less fully developed, this prioritization scheme may limit the ability of communities to compete for increasingly limited LIHTC resources.

> **I'm concerned that the availability to expand affordable housing units is being restricted to or prioritized to tax credit projects (the direction that the City of Tucson HOME funds are taking); and to projects on light rail/street car access (so more to Phoenix)." -non profit stakeholder**

7. Survey Results

As part of the scope of work, we conducted an online survey of key stakeholders and affordable housing providers in Pima County. The intent of the survey was to:

- collect public opinion on where future investment in affordable housing is needed in terms of target group demographics and location;
- identify the resources and barriers to providing affordable housing in Pima County;
- identify gaps in terms of support for affordable housing in Pima County;
- identify funding trends for those providing affordable housing in Pima County; and
- identify the future goals and strategies of providers for maintaining or growing their affordable housing stock.

We obtained the list of key stakeholders and providers from Family Housing Resources and other key informants, and the stakeholders received an invitation to take the survey. Individuals could forward the link to other coworkers or interested parties. In order to maximize returns, individuals received several invitations to fill out the survey over the course of three months (December 2015 – February 2016). Due to the nonrandom sampling method, we cannot claim that the responses are representative of the larger community, but rather the opinions of a select group of relatively experienced and senior level stakeholders and providers, mostly from government, non-profit and for-profit organizations. In total, 37 stakeholders and 21 affordable housing providers completed the survey, for a total of 58 responses. While we have presented some of those findings throughout the report, the complete responses by question are reported here. *Please note: stakeholders and providers filled out separate surveys, with some questions common to both.*

Stakeholder and Provider Survey

1. Is your agency:

Stakeholders			Providers		
Answer	Count	%	Answer	Count	%
Not for Profit	21	57%	Not for Profit	13	65%
For Profit	5	13%	For Profit	4	20%
Government	7	18%	Government	3	15%
Academic	0	0%	Academic	0	0%
Other (please explain):	4	11%	Other: Please explain:	0	0%
Total	37	100%	Total	20	100%

2. Job title/position of survey respondents:

President/CEO/COO/CFO	22
Director/Administrator	14
Program Manager	8
Other Professional	4
Volunteer	5
Retired	2
Unknown	3
Total	58

3. What is your personal background in affordable housing?

Stakeholders		
Answer	Count	%
I work or have worked as an affordable housing provider	11	33%
I work or have worked as a housing services provider (rent/mortgage assistance, etc.)	9	27%
I am or have been a developer of units of affordable housing	5	15%
I am or have been a member of an advisory board related to housing	16	48%
I work or have worked in a government position related to housing	8	24%
I am or have been a member of an advocacy group related to housing	15	45%
Other- Please explain:	11	33%

4. How knowledgeable would you say you are about affordable housing in Pima County? Please rate from 0 (not very knowledgeable) to 10 (extremely knowledgeable).

Stakeholders												
	Not Very Knowledgeable										Extremely Knowledgable	
Answer	0	1	2	3	4	5	6	7	8	9	10	Total
Count	0	3	2	4	2	3	6	2	7	3	1	33
%	0%	9%	6%	12%	6%	9%	18%	6%	21%	9%	3%	100%

5. Do you have a waiting list for affordable housing units?

Providers		
Answer	Count	%
Yes	11	55%
No	9	45%
Total	20	100%

6. Approximately how many applicants are currently on your waiting list?

Providers	
Respondant	Count
City of Tucson	22,996
Other	201
Total	23,197

7. In the last five years, how has overall funding for your firm or agency changed?

Providers					
Funding Change	Federal	State	Local	Private Lenders	Private Grants/Gifts
Stayed the same	1	1	1	8	4
Increased	2	2	3	3	4
Decreased	14	10	13	5	6
Don't know	1	3	2	1	2
Not applicable	2	4	1	2	3
Total responses	20	20	20	19	19

8. Any additional comments regarding past funding changes, or how they think funding might change in the next five years:

Provider Comments

- "Federal budget cuts are impacting affordable housing by reducing the funding to states and allowing for more strict restrictions on development. Most of the funding is being allocated for rental and permanently affordable units. The overwhelming majority of providers are pessimistic regarding future funding decreases."
- "HOME funds are being directed toward low income housing tax credit projects, reducing the county's ability to support community development organizations that focus on affordable housing building or administration."

9. We are interested in your plans for your affordable housing property(ies) in the next 3-5 years. Do you plan to maintain, increase, or decrease the number of affordable units you provide?

Providers		
Answer	Count	%
We plan to **maintain** the number of affordable units in the next 3-5 years	3	18%
We plan to **increase** the number of affordable units in the next 3-5 years	12	71%
We plan to **decrease** the number of affordable units in the next 3-5 years	0	0%
We are unsure of our future plans regarding our affordable housing stock	2	12%
Total	17	100%

10. Please explain your specific goals to maintain or grow your housing stock by eligibility category in the next 3-5 years.

Provider Comment
Approximately 1,000 new units are planned for the future, including 450 new rental and owner-occupied units planned by the City of Tucson Housing Authority. According to the City of Tucson and Pima County Consortium 5-Year HUD Consolidated Plan (2015-2020), the Public Housing Authority plans to grow housing stock through partnerships with local nonprofits who apply for gap funding from the county for the following: affordable rental housing rehabilitation (300 units); affordable rental new construction (400 units); preservation of expiring low income units (75 units); affordable owner housing rehabilitation (1,600 units); home purchase assistance (110 units); and affordable owner new construction (50 units).

11. If you were planning to build a new affordable housing project in the next few years, how important would the following be to your clients?

Providers								
Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important	Average Value
A location near major employers	1				6	6	2	5.4
A location near bus lines				1	1	6	7	6.3
A location near the streetcar	3	1	1	3	4	2	1	3.9
A location in downtown Tucson	3	1		7	3		1	3.7
A location in a suburban area like Marana	4	1	1	5	2	2		3.4

12. There are limited resources available to develop new affordable housing supply. In your opinion, on which group should developers and regulators prioritize their expenditures? (For example, veterans, age 55+, persons with disabilities, etc.)

Stakeholders/Providers	
Answer	Count
Elderly	12
Special needs	11
Families	11
Everyone, we should not target certain groups	8
The chronically homeless	3
Veterans	2
Working Poor	2

Note: some people selected multiple categories.

13. There are limited resources available to develop new affordable housing supply. In your opinion, on which income category should developers and regulators prioritize their expenditures?

Stakeholders			Providers		
Answer	Count	%	Answer	Count	%
Less than 30% of Area Median Income	5	17%	Less than 30% of Area Median Income	4	29%
Between 31 and 50% of Area Median Income	11	38%	Between 31 and 50% of Area Median Income	4	29%
Between 51 and 80% of Area Median Income	7	24%	Between 51 and 80% of Area Median Income	3	21%
Greater than 80% of Area Median Income	1	3%	Greater than 80% of Area Median Income	0	0%
Other/Comments:	5	17%	Other	3	21%
Total	**29**	**100%**	**Total**	**14**	**100%**

14. There are limited resources available to develop new affordable housing supply. In your opinion, where in Pima County (including the Cities of Tucson and South Tucson) should developers and regulators prioritize their expenditures?

Stakeholders			Providers		
Answer	Count	%	Answer	Count	%
City of South Tucson	10	33%	City of South Tucson	4	29%
Downtown & Central Tucson	16	53%	Downtown & Central Tucson	9	64%
South Tucson	7	23%	South Tucson	2	14%
North Tucson	3	10%	North Tucson	1	7%
Unincorporated/Rural Pima County	8	26%	Unincorporated/Rural Pima County	2	14%
East Tucson	7	23%	East Tucson	0	0%
West Tucson	6	20%	West Tucson	0	0%
Other/Comments:	16	53%	Other	5	36%

Stakeholder or Provider Comments

Additional open ended comments from both stakeholders and providers indicated that affordable housing should be located within reasonable distances from jobs, transportation, services, and employment. Some argue that areas of high density can benefit from increased affordable housing units, and some argue that areas with high housing prices should include more variety in their housing supply.

15. There are many resources and barriers when it comes to providing affordable housing in Pima County. Based on your experience, please rate the following from 1=not a significant barrier to 5 = a very high barrier to providing affordable housing in Pima County.

Stakeholders/Providers						
	Not a Significant Barrier			A Very High Barrier		Average Value
	1	2	3	4	5	
Financing	2	2	3	17	16	4.1
Availability of Donations	1	4	6	12	13	3.9
Building Costs	1	2	8	18	8	3.8
Loan Terms/Conditions	1	5	9	16	8	3.6
Government Approvals/Regulations	1	4	13	14	7	3.6
Neighborhood Support	2	8	11	8	8	3.3
Client Application Process	3	13	14	3	3	3.3
Land Supply	6	6	8	14	5	3.2

table continued on following page

Awareness and Skills of Lenders	1	6	14	13	2	3.2
Coordination of Social Service Providers		8	14	9	4	3.2
Turnover in Occupancy	2	6	16	8	3	3.2
Property Maintenance	5	11	9	9	3	2.8
Property Management	7	13	9	6	3	2.6
Insurance	7	13	9	6	1	2.5
Availability of Sweat Equity and/or Volunteers	6	15	9	3	2	2.4

16. Reflecting on the many resources and barriers critical to your affordable housing property(ies) or programs, what would you say are your three greatest needs in order to make your property(ies) or program successful?

Provider Comment
Funding seems to be the most common need. Most providers would like to see more lender participation and a more open and fair process to access other funding sources. Some mention that rent subsidies could be expedited so people do not have to wait years for rental assistance vouchers. A few of the organizations agree on the fact that increased public-private partnerships could be very beneficial for their projects, as well as more support from elected leaders and the community.

17. Based on your experience, how much support of any kind do you feel the following groups in Pima County give to agencies like yours in providing income-restricted housing? (Leave blank if no opinion or unknown).

Stakeholders/Providers						
	Very low support				Very high support	Average Value
	1	2	3	4	5	
Social Service Providers		3	13	13	8	3.7
Public Agency Staff and Administrators	1	5	12	11	6	3.5
Citizen Volunteers		9	12	12	4	3.3
Elected Officials		11	16	6	4	3.1
Philanthropists	6	19	8	2	1	2.3
Universities	10	13	8	4		2.2
Business Leaders	8	18	6	1	1	2.1
Property Neighbors	12	15	9	1	1	2.0
Neighborhood Associations	15	11	10	1		1.9

18. Any additional comments on outside support for affordable housing in Pima County?

Stakeholder or Provider Comments

- Other comments on outside support indicate that there is a problem in the attitude towards affordable housing. In the public's mind "affordable housing" is falsely associated with crime, reduced property values, etc. The result is that the issue is not on the public agenda.
- Others complained that the Department of Housing has too many rules and constraints that discourage affordable housing development and restricts the ability to get housing to neighborhoods outside of downtown.
- A large number of stakeholders/providers pointed out the lack of funding and the reduction of the programs that support affordable housing at the federal level.

19. To what extent would you agree with the following statement: My company/agency tends to be among the first to adopt new technologies, programs, and tools that advance affordable housing creation in Tucson.

Stakeholders/Providers	
Answer	Count
Strongly Disagree	3
Disagree	5
Neither Agree nor Disagree	9
Agree	15
Strongly Agree	5

20. Do you have any additional comments or information that you would like to share regarding affordable housing or information that you would like to expand upon from a previous question?

Stakeholder or Provider Comments

Additional comments on the survey pointed to the fact that state policy has moved away from local control in favor of state control, which is affecting the location of new affordable housing projects. It was also mentioned that some developers are not looking at the options in the market but only that which would provide the quickest sale, possibly not in the best interest of the homeowner. What Tucson and Pima County need most are developers providing true affordable housing that a person/family earning below-median income can afford without ongoing government subsidy.

21. Willing to be a part of a one-time focus group with other owners/providers/agencies/advocates to discuss affordable housing in further detail? Yes = 33

22. Would you like to be notified by email when the final report "Gap Analysis of Affordable Housing in Pima County" is available? Yes = 40

8. Best Practices for Addressing the Issues

Using the collective experience of the communities of research and practice provides a useful lens through which both housing advocates and providers can process new affordable housing policy and development opportunities. Distilling best practices out of the hard earned experience is a challenge as macro-economics, geography, demography, and the political climate of opinion each influence the effectiveness of a solution. In fact, stellar ideas in one place could fail in another. Here, we share multiple types of strategies, resources, and also lessons learned from individuals, firms, and government entities across the United States. For any number of reasons, it is a challenge to articulate precisely what might work in the Southwest. What follows below is a list of tools and ideas that could be adapted and/or used in parts to build more innovative solutions in Pima County. They should be vetted via public discussion. For a look at some affordable housing programs from across the country that have one awards, please see Appendix A.

Financing Strategies: Creating Dedicated Revenue Sources

One of the predominant challenges to affordable housing development is creating dedicated revenue sources to provide funding for affordable housing development. National, regional, and local jurisdictions each use a variety of revenue tools to fund their work. Innovative and efficient public funding sources for affordable housing increase the public-private partnerships in affordable housing development, and accordingly increase the supply of affordable housing. Below, we report on two examples of innovative and efficient revenue sources for affordable housing development that illustrate how jurisdictions can create and use public funding sources to increase housing affordability and the supply of affordable housing. Additionally, a recent report by the City of Portland provides a deep dive into revenue generating tools. [1]

Examples:

Pay for Success: Pay for success programs are innovative models of leveraging market forces and social investing that deliver a financial return when specific goals of social and public health programs are met. Pay for Success as a Social Impact Bond (SIB) directs governmental resources towards social and health programs. Using an agreement between all the stakeholders, a government entity agrees to pay the cost of the program in addition to a premium to the investor, only if the goals of the program are met. In return, the private investor provides initial capital for the program. In 2015, Cayahoga County partnered

1 https://www.portlandoregon.gov/PHB/article/508254

with multiple stakeholders to launch The Partnering for Family Success Program, aiming at reuniting children placed at out-of-home foster care with their families and enabling their homeless caregivers to settle successfully in stable housing through the Cuyahoga Metropolitan Housing Authority. In 2014, the City and County of Denver partnered with multiple stakeholders to deliver the Housing to Health Initiative, the project aims at providing supportive housing to chronically homeless individuals in the Denver, Colorado area to improve the quality of life for these individuals. [2]

Value Capture Financing (e.g., Tax Increment Financing (TIF) Districts): Value capture strategies enable cities and municipalities to use the incremental tax revenues from a housing district to provide affordable housing and to cover related infrastructure and facilities expenditure. In the City of Portland, The Tax Increment Financing (TIF) Set-Aside Policy was established in 2006 to invest in creating and preserving affordable housing in the city. [3] In Minnesota, the Housing Tax Increment Financing Districts that provide affordable rental housing set income limits on households in order to preserve 20% of the rental units affordable at 50% of the median income. [4]

Policy Strategies: Supportive Regulatory Practices

Beyond the challenges associated with financing affordable housing development, there are state and local regulatory barriers that can have a notable effect on affordable housing supply and the cost of development. Jurisdictions can alter regulatory processes that influence housing affordability in order to reduce costs and delays for developers, and to encourage innovative affordable housing construction and design. Many regulations such as minimum parking requirements and minimum lot size requirements can prevent denser housing development and accordingly decrease the supply of housing and housing affordability. The creation of affordable housing units is a long and often non-linear process that engages stakeholders across finance, construction, and policy (not to mention the attendant need to engage with consumers and non-governmental organizations). Given the intensity of the process and its duration, a best practice, hard learned by many in the industry, is to start discussion and negotiations with regulators early! By front-running, a number of potential problems can be more effectively attenuated. Below are a set of examples of supportive regulatory practices that illustrate how jurisdictions can alter existing regulations or adopt new regulations in order to increase the affordability of market-rate housing for lower income households, and to decrease the costs of housing development.

Examples:

Pre-Development Work: The ULI Best Practices in the Production of Affordable Housing report [5] recommends a set of pre-development activities that lay the ground for successful affordable housing development projects. Pre-development activities such as land acquisition and forming partnerships are the important first steps that are undertaken by developers before the launch of an affordable housing project. According to the ULI, the best practices for the public and non-profit sectors in pre-development work include marketing efforts designed to create a hospitable environment for new projects, addressing

2 http://www.enterprisecommunity.com/solutions-and-innovation/pay-for-success/see-the-work
3 https://www.portlandoregon.gov/phb/article/428244
4 http://www.ehlers-inc.com/blog/2011/03/housing-tif-districts-less-complications-but-more-administration/
5 http://thejcra.org/jcra_files/File/resources/best%20practices%20in%20affordable%20housing.pdf

unnecessary land use restrictions, creating community compatible design for housing, identifying promising locations for affordable housing, and matching the local market's affordable housing needs with the available funding resources.

Rent Control: The City of Santa Monica, California adopted [6] rent control in 1979 in response to the increase of rents and the shortage of housing units in the city. The Rent Control Law controls the fees of rental units constructed prior to the date of adoption and certain newer rental units, in addition to reducing and providing for unnecessary evictions. Rent controls are widely criticized for reducing the quality and quantity of housing and taxing land rent is suggested as an alternative that could be used to fund land trusts, non-profits, and rent subsidies. [7]

Inclusionary Housing Ordinances: Inclusionary housing policies were adopted [8] in 2010 by San Jose, California to require including affordable and price-restricted housing units for moderate-income purchasers in all new for-sale residential developments that include 20 or more units. Around 200 cities in California adopted inclusionary zoning laws that are similar to the San Jose Inclusionary Housing Ordinance. [9] Alternative variations of IZ include voluntary participation ordinances that allow developers to acquire additional density and other incentives for creating a portion of their projects as affordable housing units. A policy option with a literature unto itself, this policy solution has been both praised for its ability to add to the affordable housing stock and struck down as a tax on development (e.g., Hailey, Idaho). IZ policies often accompany related policy strategies such as fees in lieu of affordable housing development and linkage fees. Each offer unique advantages but are among the most legally challenged strategies available to the public sector.

Small Lot Ordinances: Small lot ordinances were established [10] in 2005 in Los Angeles, California in response to a decrease in available land and the corresponding increase in the demand for affordable housing in the city. The Small Lot Ordinance promotes the development of higher density housing units on small lots in multi-family and residential zones. It mimics the pursuit of micro-apartment strategies in denser cities like New York.

Innovative Parking Policies: Starting in the mid-to-late 1980s parking requirements [11] for housing in Seattle's downtown district were abolished to optimize the connection between housing, employment centers, and public transit. The parking policy promotes housing affordability in the downtown area by reducing the cost burden of constructing parking for housing providers.

Data Strategies: Obtaining Accurate and Relevant Data to Set Local Goals

Among the challenges of creating affordable housing policy and investing in affordable housing development is understanding the available and relevant data associated with supply, demand, demography, and regulation. Lessons from corporate finance indicate that the better the data and the easier its accessibility, the easier it is to understand prices. In housing, gaining deeper insight into housing needs, location, pricing dynamics, and quality of the existing housing stock, and potential consumer demand patterns are all critical. These needs are compounded by the fact that the traditional market for housing has incentive to produce housing units at prices that generate an economic

6 https://www.smgov.net/Overview.aspx
7 SE Barton, Land Rent and Housing Policy, The American J. of Economics and Sociology 70(4), 2011. Also see: M Skak and G Bloze, Urban Studies 50, 2013; R Arnott and E Shevyakhova, Regional Science and Urban Economics 47, 2014; and Micheli and Schmidt, Economic Modeling 48, 2015.
8 https://www.sanjoseca.gov/index.aspx?NID=1307
9 http://www.latimes.com/opinion/editorials/la-ed-inclusionary-zoning-affordable-housing-20150617-story.html
10 http://www.nlc.org/find-city-solutions/city-solutions-and-applied-research/city-practice-database/los-angeles-small-lot-ordinance
11 http://www.seattle.gov/dpd/cityplanning/2015parkingFAQ.pdf

loss. Below, two examples of innovative data products illustrate how communities and non-profits are capturing and creating data to shine new light on affordability and affordable housing.

Examples:

The City of Austin and BBC Research & Consulting (BBC) Housing Equity Model: The City of Austin worked with BBC Research and Consulting to create a housing equity model [12] at the zip code level. The housing equity model analyzes and maps the socioeconomic state, income balance, gentrification, housing affordability, homeownership and rental access, quality of subsidized housing, and transportation costs for each zip code in the city, using the 2015 American Community Survey Data. The model aims at setting affordable housing outcomes for a city or a neighborhood, identifying where affordable housing requirements and incentives are most needed, and prioritizing interventions and funding in these areas to achieve the desired housing outcomes. That all of the data used in this analysis was gathered from public sources suggests that it is replicable in other jurisdictions with limited cost.

The National Low Income Housing Coalition The GAP Report - The Affordable Housing Gap Analysis 2016: The National Housing Trust Fund (NHTF) is the first new source of federal funding for over 40 years that is dedicated to expanding the supply of affordable housing for extremely low income households (households with income of 30% or less of the area median income). The first funds from the National Housing Trust Fund will be distributed in 2016, in response to the funds distribution the National Low Income Housing Coalition (NLIHC) produced a report [13] that documents the shortage of affordable housing units for extremely low income households, discusses the causes of the shortage, and examines the potential of greater investment in the affordable housing for extremely low income household renters.

National Housing Preservation Database: The National Housing Preservation Database is a partnership between the Public and Affordable Housing Research Corporation (PAHRC) and the National Low Income Housing Coalition (NLIHC). The purpose of the database is preventative; it provides detailed information about the Federally subsidized housing including contract dates, Federal funding program, and other metrics. Critically, the database is a resource to help identify housing units on the verge of losing their affordable status.

Other Strategies: Innovative Ideas and Suggestions

From time to time, non-traditional thinking can assist in solving problems. Below, we offer several suggestions for policy-makers, investors, and stakeholders that add innovative spins on existing strategies. These are intended to be conceptual descriptions rather than plug and play solutions.

Locally Financed Housing Choice Vouchers: With growing cuts to the Section 8 program, there could be a role for regional or local governments and non-profit organizations to step in and provide individual and property based vouchers. If sufficient capital can be identified (and sustained), the valuable and effective voucher programs could continue to allow individuals and families to find affordable housing integrated within their community—rather than segregated into purely affordable housing complexes.

12 https://www.youtube.com/watch?v=8029FC3W7Ow
13 http://nlihc.org/sites/default/files/Gap-Report_print.pdf

First Option to Purchase for Market Rate Affordable Units: Inefficient sorting of households into housing units appropriately matched for their stage of life and income is a problem across the nation. This sorting inefficiency is also an opportunity for public agencies and affordable housing providers. Instead of deploying capital in the development process, advocates could purchase 'first option to purchase' options on existing market rate units that meet pre-determined criteria. Then, as these market rate units transact in the market place, housing advocates could exercise the option and pair the unit with an appropriate household—renting it at affordable rates or selling it with deed restrictions.

Projects with Innovative Greening Strategies & Innovative Rehabilitations

The housing industry is growing greener by the year. There are increasing numbers of technologies and products that optimize operation, increase the sustainability in construction, and make housing units more comfortable to live in. These innovations are not reserved exclusively for high cost homes. In fact, Enterprise Community Partners (Green Communities Initiative) and Jonathan Rose Companies have invested heavily in green design and greening strategies for their affordable housing projects. Other firms and jurisdictions have too. Below, several examples of greening and rehabilitation articulate useful strategies relative to affordable housing.

Examples:

Star Apartments, Skid Row Housing Trust, Los Angeles, California: Star Apartments is a LEED Platinum innovative affordable housing project designed by Michael Maltzan Architecture. This supportive housing project provides 102 apartment unit for tenants with disability who were experiencing homelessness. The project utilizes a new construction methodology by using prefabricated modules that were lifted into place over an existing podium. The utilized construction methodology reduces the construction costs and ensures a higher quality of construction. [14] The Star Apartments Project is one of the 2015 LEED for Home Awards winning projects. [15]

Westlawn Neighborhood Revitalization, Wisconsin, Milwaukee: Westlawn is a LEED Neighborhood Planning (Stage 3) Silver certified project that includes LEED Platinum homes. The neighborhood has an extensive storm water management system and innovative energy features including a street light system that utilizes LED lighting. In 2010, the Westlawn Gardens Revitalization Project was awarded $76 million in Low-Income Housing Tax Credits, the tax credit investment and additional funds allowed for the revitalization of the affordable housing community. [16]

The Commons at Imperial Hotel Project, Atlanta, Georgia: received the 2015 Vanguard Award for Major Rehab of a Historic Structure. The renovation of the Imperial Hotel, a historic landmark building in downtown Atlanta that provided permanent supportive housing since 1996, created 90 efficiency apartments, a suite of supportive services, and on-site amenities. The renovation came in response to the placement of the Imperial Hotel building in foreclosure in 2009. The project provides affordable housing units for residents with special needs, disabilities, in addition to residents who were experiencing homelessness. [17]

14 http://www.architectmagazine.com/project-gallery/star-apartments-3700
15 http://www.usgbc.org/articles/us-green-building-council-announces-leed-homes-award-winners
16 http://hacm.org/WestlawnRevitalization/index.htm
17 http://www.nahma.org/awards-contests/vanguard-award/awards-archive/2015-va-winners/

Hudson Oaks Project, Pasadena, California: received the 2014 Vanguard Award for Major Rehab of an Existing Rental Housing Community. The project site was transformed from an unattractive site into a vibrant affordable senior housing development that is linked to a public park. The project façade was redesigned to match the rich architectural heritage of the neighborhood. Hudson Oaks provides affordable service-enhanced homes for seniors in a high-priced area. The Hudson Oaks project became the first development to achieve a LEED for Homes Platinum certification in the city of Pasadena. [18]

18 http://www.nahma.org/awards-contests/vanguard-award/awards-archive/2014-va-winners/

Conclusion

This gap analysis is intended to serve as a factual basis for strategic planning by housing agencies and providers, as well as an educational resource for policy makers and anyone interested in housing equity. Key findings:

1. There are about 156,000 lower income households in Pima County, which is about 40% of all households. They mostly reside in Tucson, but at least 1,000 are found outside of Tucson. The evidence shows that low income households are not geographically isolated in just a few places or neighborhoods.

2. Households with persons 65 years or older make up nearly a third of all lower income households.

3. Together, one- and two-person households make up about three-quarters of all lower income households. The most common lower income household size in 2014 was 1-person, which comprised nearly half of all lower income households.

4. Across all lower income groups, the most common lower income household is a female householder living alone, which makes up 29% of all lower income households. Women living alone are an even larger share of extremely low and very low income households (35 and 33%, respectively). The large number of female headed families with children is also notable, comprising 16 percent of all lower income households.

5. In Pima County in 2014, about 104,000 or 27% of lower income households were housing cost-burdened and about 62,000 or 16% were extremely housing cost-burdened. It would cost us about $200 million per year, or about 0.6% of the Tucson metropolitan gross regional product, to reduce housing costs to an affordable level for all extremely cost burdened, extremely low income households (that is those earning less than 30% of the county median income and paying more than half their income for housing).

6. There are about 224,000 units that are affordable to lower income households, which is more than the number of low income households (156,000). However, the majority of those units are occupied by households that are not lower income.

7. The number of lower income households who are not in affordable units (i.e. cost-burdened) includes 40,583 extremely low income households, 31,833 very low income households, and 31,415 low income households, for a total of 103,831 lower income households.

8. There are about 3,500 affordable units lacking complete kitchens and about 1,700 lacking complete plumbing. About half the units without complete kitchens and about a third of those without complete plumbing are vacant. This indicates a possible opportunity to increase the stock of affordable housing via unit refurbishment programs.

9. For extremely low income households, mobile homes and trailers

comprised the majority of affordable units.

10. We were able to verify the existence of 9,484 income restricted units in 227 separate properties. Of these, 5,407 of the units (57%) are owned by for-profit entities, 1,594 (17%) of the units are owned by non-profits, and 2,145 (23%) of the units are government owned. For-profits own the most units while non-profits own the most properties. Approximately 1,503 units were scheduled to expire by 2019, and 2,593 by 2024. That represents 16% and 27% of all income restricted units in the county. When comparing the expiration status of non-profit units and for-profit units, 374 non-profit units expire in the next 5 years, compared to 643 for profit units; and 598 non-profit units expire in the next 10 years compared to 2,224 for-profit units.

11. The proportion of income restricted units focused on seniors is higher than their proportion in the general lower income household population. The proportion of income restricted units focused on single mothers with children and households with disabled persons is lower than their proportion in the general lower income household population.

12. There are about 78,000 1-person lower income households but only about 49,000 zero and one bedroom affordable units (market rate and income restricted together).

13. According to records from the City of Tucson Public Housing Authority, there were approximately 23,000 households on waiting lists for housing assistance as of October 2015. Additional information from various non-profit affordable housing providers indicates roughly another 250 households on waiting lists (these may be duplicates).

14. There is evidence of gentrification in the census tracts clustered in the central and mid-town portions of Tucson. Specifically, 4 out of the 7 gentrified tracts are in or near downtown Tucson.

15. There are more than 27,000 low income workers that do not live in the jurisdiction where they work; evidence of a jobs-housing imbalance and potentially unnecessary transportation cost burden on lower income households. More than 19% of low income individuals (9,258) who work in Tucson travel 50 miles or more from their home to work. By comparison, only 16.2% of all workers commute that far. Lower-income employees are also driving longer distances to work in Oro Valley, Sahuarita, and Marana when compared to all workers. This longer commute suggests a heavier cost burden on lower income workers that might be reduced if they could find affordable housing closer to where they work.

16. Some lower income job concentrations may be under-served by income restricted housing, including parts of Casas Adobes, and close to Davis-Monthan Air Force Base, Tucson Medical Center, and Park Place Mall.

17. Affordable housing developers and providers are competing for increasingly flat or declining resources from the Federal government.

18. The limited fixed rail transit system in Pima County may be making LIHTC proposals less competitive relative to Maricopa County.

19. Stakeholders and providers view financing, the availability of donations, and building costs as the highest barriers to affordable housing. Low income housing providers perceive the least support for affordable housing from the universities, business leaders, philanthropists, and neighborhoods.

There is a large and comprehensive need for affordable housing in Pima County. There are multiple gaps in the marketplace that must be bridged. Small strategies are valuable and warrant significant consideration as, en masse, they can contribute substantially to closing the gaps. However, significant innovations are also needed and should be pursued. Closing gaps in the market for affordable housing is not a task any single organization can complete. Indeed, collaboration amongst advocates, developers, operators, stakeholders, policy makers, and area residents is essential. We hope

that this report fosters discussion about what should be done, what can be done, and who should contribute to the needed solutions.

We believe that a broadly participatory discussion of the following questions could foster solutions that improve the lives of lower income households in Pima County:

1. What actions could produce more support for affordable housing from business leaders, the university, philanthropists and all local governments in Pima County?
2. How can we ensure that all units occupied by heat sensitive individuals have sufficient air conditioning?
3. What are possible strategies for acquiring and refurbishing vacant homes that lack kitchen and plumbing facilities?
4. Should providers of lower income housing build more studio units because they are less expensive and most cost burdened lower income households contain just 1 person? Alternatively, could a roommate matching program help small, lower income households?
5. How can we deliver more low income housing units with services for the mentally, developmentally, and physically handicapped and for single parents raising children?
6. What should be done to preserve the affordability of units with affordability contracts expiring in the next 5 to 10 years?
7. Should we find strategies to get lower income households into affordable units that are now taken up by households that are not lower income? Why does this occur and who are the occupants? If, for example, landlords are avoiding lower income applicants in order to mitigate financial risks, could financial guarantees be put in place? If households earning 80-120% of the county income are occupying the units, could more "workforce housing" projects improve the situation? If students occupy many affordable units, could new student housing towers near UA free up affordable units for lower income households?
8. What should be done to redress any problems being caused by downtown gentrification?
9. How can we innovate around financing to offset declining public affordable housing funds? Should regional housing district funding, inclusionary zoning, or other large scale strategies be debated?
10. Should we reform permitting so it only impedes poorly planned housing projects? Shouldn't well planned affordable housing projects be protected from regulatory and neighborhood resistance?
11. Given the large role that for profits play in providing affordable housing, are there ways they can collaborate better with non-profits and the public sector to achieve shared goals?

Finally, we would suggest further research be done to improve our capacity to address these issues. We need better information on the condition of affordable units, the needs and preferences of lower income households, why households occupy units affordable to lower income households who could afford better housing, how lower income households are impacted by fees charged by landlords, and how much of the jobs-housing spatial mismatch is by choice or by necessity.

Appendix A: Selected Award-Winning Projects

Rehab, New, Adaptive Reuse	Rehab
Location	**Downtown Atlanta, GA: The Commons at Imperial Hotel**
Award	National Affordable Housing Management Association 2015 Vanguard Award* for Major Rehab of a Historic Structure
Program	Permanent Supportive Housing to formerly homeless population, special needs, disabilities, housing-based subsidy
Strategies (i.e. public/ private partnerships/ collaborative impact initiatives)	all residents had to be displaced for 12 mth renovation. The building was equipped with housing-based subsidy meaning the displaced residents who, after receiving the benefits owed to them as part of their relocation package, may not have been able to afford housing costs. Through a complicated process with HUD, the local housing authority and the management team, The Commons was able to abate the subsidy at the building, provide vouchers for existing residents to use for their relocated housing and add new housing-based subsidy once the building reopened.
Key Players	Georgia Dept. of Community Affairs, the City, National Church Residences, Columbia Residential, Atlanta Housing Authority.
Sources of funding	The housing authority provided rental support throught the Homeless Demonstration Program, Federal and State LIHTCs, federal historic tax credits, loans, grants.
"Greening" Strategies	The renovation created 90 efficiency apartments, a suite of supportive services and resident amenities on-site. Redevelopment utilized sustainable construction and redevelopment principles, including LEED Gold Certification Standards.
Amenities	Other upgrades included security features for complete controlled access system with electronic keys, video-security system and 24-hour concierge entry. Amenities include wellness/medical offices, community room, training rooms, computer/business center, fitness center, laundry facility, indoor bike racks and trash chutes.

Rehab, New, Adaptive Reuse	Rehab
Location	**Worcester, MA: Voke Lofts**
Award	National Affordable Housing Management Association 2015 Vanguard Award for Major Rehab of a Nonhousing Structure
Program	Rehab of a former vocational technical high school into 84 mixed income apartments, half of which are restricted to HH with incomes 30-60% AMI, half of which are market rate
Key Players	WinnDevelopment Co.

**The Vanguard Award: Demonstrates that exceptional new affordable housing is available across the country; Demonstrates that the affordable multifamily industry is and must be creative and innovative if such exceptional properties are to be built given the financial and other challenges to development; Highlights results of the private-public partnerships required to develop today's affordable housing; and Shares ideas for unique design and financing mechanisms with industry practitioners to further stimulate creative development in the affordable multifamily industry.*

Sources of funding	The project benefitted from both federal and state Low-Income Housing Tax Credits (LIHTC) and federal and state historic tax credits. Additionally, the project utilized multiple sources of financing including various government funds, housing grants and loans
"Greening" Strategies	The building was designed to be extremely energy efficient and meets LEED certificate requirements. Some of the improvements included using green-labeled carpets, hardwood floors, Energy Star lights and appliances, low volatile organic compounds paint and water-saving plumbing devices.
Amenities	There are more than 4,000 square feet of common areas for resident use and enjoyment such as a fitness center, computer learning center (Think Tank), art gallery and lounge with fully equipped kitchen, large-screen television and comfortable seating with Wi-Fi access, and secured bicycle storage. There is an outside tot lot and an outdoor patio with tables for the use and enjoyment of residents. There is a room set aside to be used for craft and art classes for children and adult residents.

Rehab, New, Adaptive Reuse	Rehab
Location	**Woonsocket, RI: Glenark Mills/Glenark Oaks**
Award	National Affordable Housing Management Association 2015 Vanguard Award for Major Rehab of an Existing Rental Housing Community
Program	A former cotton mill converted to apartments in need of renovation in 2012. 89 apartments for individuals up to 60% AMI.
Strategies (i.e. public/ private partnerships/ collaborative impact initiatives)	One of the major challenges to overcome was the overall negative perception of the property in the community. This was achieved through strong marketing efforts, which included inviting city leaders and the community at large to tour the renovated buildings and led to an overabundance of applicants.
Key Players	Trinity Woodsocket LP
Sources of funding	The redevelopment was financed with a mix of low-income housing tax credits, historic tax credits, a first mortgage and a seller-financed purchase money mortgage. The project also used city and state funding, including Home Investment Partnerships (HOME) funds and Affordable Housing Trust Funds.
"Greening" Strategies	Energy improvements consisted of a new insulated roof; energy-efficient vinyl-glazed windows; new 95-percent efficient boilers; Energy Star-rated appliances; lighting upgrades; and an energy-efficient configuration of all controls and sequences pertaining to HVAC. Now, Glenark Mills/Glenark Oaks is one of 17 multifamily properties chosen as a Showcase Property in the U.S. Department of Energy's Better Buildings Challenge to reduce energy consumption by 20 percent.
Amenities	The property offers a Youth Rap program, which provides educational programs, life-skills training, field trips and community events for the children during after-school hours, school vacations and summer. The property also has a gym with an indoor basketball court, community room, a community kitchen and a separate recreation room. Events are held for all residents, including a summer barbeque, Thanksgiving dinner and other holiday celebrations.

Rehab, New, Adaptive Reuse	New
Location	**Washington, DC: Park 7 Apartments**
Award	National Affordable Housing Management Association 2015 Vanguard Award for New Construction (Large Property)
Program	376 units, 346 of which are affordable at 60% AMI.
Strategies (i.e. public/ private partnerships/ collaborative impact initiatives)	The development is a public-private partnership, with the district contributing the land in exchange for high-quality construction standards, minority construction and ownership of an affordable, high-end, mixed-use apartment community to an under-served corridor
Key Players	Donatelli Development
Sources of funding	It was financed with a unique structure that included tax credits and both taxable and tax-exempt debt to capitalize on the best interest rate environment available at the time it closed. The project required parceling together a series of vacant and/or abandoned lots adjacent to a Metrorail station and an in-use freight train track.
"Greening" Strategies	Specific design plans and construction materials were required to dampen the noise reaching into the apartment homes, including noise-cancelling windows.
Amenities	A true transit-oriented development, Park 7 is located adjacent to the Minnesota Avenue Metrorail station and the planned H Street-Benning Streetcar line while car- and bike-sharing services were introduced on-site and in the surrounding neighborhood. The property's first-floor retailers have begun to open and other long-depressed urban parcels are now in development nearby. The building features 376 apartments units, 276 surface-level parking spaces, 22,000 square feet of ground-floor retail and two 20,000 square-foot courtyards with grills and play areas in the building's interior. Units range from studios to up to three-bedrooms and include natural granite counters, brushed steel appliances, full-sized washer/dryers, walk-in closets, Berber carpeting, 6-foot windows, high-speed fiber optic services and private balconies. Additional amenities include an attended front desk with controlled building access, modern entry lobbies, a fully equipped fitness center, community room with LED televisions and a business center with touch-screen monitors and Wi-Fi. Park 7 was named a National Association of Home Builders Best Affordable Financing finalist and received the Washington Business Journal Best Real Estate Deals of 2015 award.

Rehab, New, Adaptive Reuse	New
Location	**Basking Ridge, NJ: Valley Brook Village**
Award	National Affordable Housing Management Association 2015 Vanguard Award for New Construction (Small Property)
Program	It is the first permanent supportive housing project in the country to be built on a VA medical campus under the Enhanced Use Lease Program enacted by Congress to utilize federal surplus land to create affordable housing for homeless veterans, and is the area's first housing community reserved entirely for homeless and at-risk veterans. 62 units.

Strategies (i.e. public/ private partnerships/ collaborative impact initiatives)	The project was the result of a collaboration of several private and public sector entities. Both the municipality and surrounding community have embraced VBV with collection and fundraising drives to benefit the low-income veterans residing in the community. In addition, the local YMCA provides pro bono weekly passes to the veterans for exercise and fitness, and the local churches provide transportation to AA meetings, pastoral and one-to-one support to the residents. The local VFW provides the residents with housekeeping supplies and hosts annual holiday dinners for the residents.
Key Players	VBV LLC
Sources of funding	The project cost $15.7 million to develop. Fifty of the units were awarded project-based housing vouchers under the Department of Housing and Urban Development and Veterans Affairs Supportive Housing (HUD-VASH) Program. The remaining units are available to homeless veterans who meet the income eligibility requirements or have their own tenant-based voucher.
"Greening" Strategies	VBV earned the Gold designation for Building A and Silver designation for Buildings B and C for the Leadership in Energy and Environmental Design (LEED) from the U.S. Green Building Council. Furthermore, VBV created an energy reduction plan with the Office of Clean Energy as part of its Pay for Performance application.
Amenities	The on-site management team consists of a property manager that is a licensed social worker, two VASH case managers, a peer advisor, employment and training specialist, van driver, live-in responder and service manager for facilities and maintenance. Additionally, being built on the medical campus affords the veterans easy access to on-site VA health and mental health services.

Rehab, New, Adaptive Reuse	New
Location	**San Francisco, CA: 1400 Mission Street**
Award	ULI Jack Kemp Excellence in Affordable and Workforce Housing Awards Finalist
Program	190-unit family-oriented housing development providing middle-income homeownership opportunities in central San Francisco, strategically located near transit in the city's MidMarket district. The vast majority of the units are affordable to the local workforce (167), targeting families earning up to4 90% of AMI, with the remaining units offered at moderate rates that target families earning up to 150% of AMI. The building also offers very low HOA fees for the area.
Strategies (i.e. public/ private partnerships/ collaborative impact initiatives)	It was developed through an innovative partnership between Tishman Speyer, a market rate developer, and Tenderloin Neighborhood Development Corporation (TNDC), a non-profit housing organization. TNDC made 1400 Mission possible by assisting Tishman with land assembly and entitlement process.
Key Players	Tishman Speyer, a market rate developer, and Tenderloin Neighborhood Development Corporation (TNDC), a non-profit housing organization.
Sources of funding	1400 Mission was developed by Tishman Speyer as an off-site inclusionary housing component of Lumina, their luxury condo development in San Francisco. The project was financially feasible largely because of the revenue generated by the market-rate Lumina development, as well as the savings in in-lieu fees associated with creating an affordable project.

"Greening" Strategies	1400 Mission was built using high-quality, sustainable construction materials and is outfitted with energy efficient, sustainable features. Features like solar PV cells and cool roofs lower operating costs and save residents money.
Amenities	more than 5,000 square feet of retail and landscaping. The development will not only offer affordable residential space, but also increase the walkability of the neighborhood and desirability of the streetscape.

Rehab, New, Adaptive Reuse	Adaptive Reuse
Location	**Sacramento, CA: Warehouse Artist Lofts**
Award	ULI Jack Kemp Excellence in Affordable and Workforce Housing Awards Finalist
Program	Warehouse Artist Lofts is a mixed-income, mixed-use community focused on the special needs of artists. 86 units offered at affordable rates, comprising three quarters of the project, Warehouse Artist Lofts is helping to alleviate the shortage of affordable housing in downtown Sacramento. With many residents moving back into the urban core of the city, the housing stock has been inadequate and prices rising, a situation which has left artists, among others, with limited affordable housing options. The project will enable artists, who largely helped revitalize downtown Sacramento, to remain in this vibrant neighborhood and continue to contribute to its growing economy.
Key Players	Developer: Ali Youssefi, Cyrus Youssefi, and John Cicerone Partners: Capitol Area Development Authority
Sources of funding	The project was made possible by a creative mix of Low Income Housing Tax Credits, Historic Tax Credits as well as infrastructure funds from California's department of Housing and Community Development.
"Greening" Strategies	The building upholds high sustainability features that exceed California's Title 24 energy standards, and was built on a former toxic remediation site.
Amenities	In addition to 116 apartments, the Lofts are replete with common spaces that stimulate creativity and a sense of community. A community room with performance space capabilities, a dance studio, and a rooftop deck with playground are some of the unique spaces that this facility offers its mixed-income tenants. Additionally, 13,000 square feet of ground floor retail provides additional services to the community, all within blocks of light rail and bus lines.

Rehab, New, Adaptive Reuse	Adaptive Reuse
Location	**Trenton, NJ: Chambers Lofts**
Award	ULI Jack Kemp Excellence in Affordable and Workforce Housing Awards Finalist
Program	More than half of the 64 apartment units are reserved for families with incomes below 50% of AMI for a period of 15 years, with remaining units renting at market rates.
Key Players	Developer: Daniel R. Brenna, Jr. Partners: Ajax Management ; David Moos and Sergio Coscia of Coscia Moos Architecture
Sources of funding	Chambers Lofts was the first multi-family project in Trenton built since 1988 without Low-Income Housing Tax Credits or public financing, proving that adaptive reuse is a viable development model in this area and leading the way for other developers. The project utilized the Historic Tax Credit program, and was funded by a consortium of seven statewide banks interested in funding affordable urban housing projects.

Rehab, New, Adaptive Reuse	New
Location	**Seattle, WA: BASE Capital Hill**
Award	ULI Jack Kemp Excellence in Affordable and Workforce Housing Awards Finalist
Program	BASE Capitol Hill is a 32 unit micro-apartment building with ground floor commercial space in Seattle's well-known Capitol Hill neighborhood. The project addresses growing demand for affordable market-rate studio apartments in neighborhoods close to Seattle's downtown. Twenty percent of the project is targeted towards tenants that make 65% or less of AMI, and market rate units are more affordable than comparable studios.
Key Players	1728 LLC, an affiliate of Eagle Rock Ventures LLC
Sources of funding	The project was financially feasible largely because 1728 LLC utilized the city and county's Multifamily Tax Exemption (MFTE) program. Since most large banks do not finance micro housing because it does not meet Federal Housing Authority and Fannie Mae/Freddie Mac standards, the developer acquired financing from a local community bank.
"Greening" Strategies	BASE Capitol Hill received BUILT SMART certification, which certifies that it was built to conserve resources alongside providing a healthy, comfortable environment. Smart design features like large windows and light colors make the units feel more expansive than their square footage would normally.
Amenities	The project offers residents an outdoor atrium, rooftop terrace, and private patios as well as indoor features like bike storage, laundry room, shared kitchens and a local taco shop on the ground floor. More than building amenities, the micro unit apartment building provides residents with the Capitol Hill neighborhood as their living room.