

Challenges and Opportunities for Affordable and Workforce Housing in Central Arizona



“ We cannot seek achievement for ourselves and forget about progress and prosperity for our community... Our ambitions must be broad enough to include the aspirations and needs of others, for their sakes and for our own.”

– Cesar Chavez

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Introduction

Stardust Center: Building Capacity

Arizona State University's Stardust Center for Affordable Homes and the Family, founded by philanthropist Jerry Bisgrove, offers resources for research and planning aimed at improving regional leadership on affordable-housing strategy and implementation. In addition, Stardust acts as a forum for discussion among important community stakeholders. Given the ongoing housing crisis that our region faces, and the growing housing inequalities in our nation's cities, the Stardust Center hopes to contribute to, and augment, contemporary views on housing by bringing together communities, field experts, and practitioners involved in every stage—from policy to planning—of housing preservation and production.

To this end, the Stardust Center hosted four capacity-building workshops in 2019. This report summarizes the co-creation of knowledge resulting from these robust discussions and catalogs the opportunities and challenges that emerged. An inaugural gathering sought to bring together community members to discuss affordable housing and the surrounding myths and to set the stage for future workshops. A three-member panel provided information and expertise: Liz Morales (Housing and Community Director, City of Mesa), Brandy Banks Hotchkiss, (a partner at Leavitt Consultants), and Mark Lymer (resident of Mesa Artspace Lofts, an affordable housing project, and architect). A packed audience gathered to discuss the many programs available in the region, as well as the challenges and barriers to affordable and workforce housing. Topics included federal, state, local and private financing programs that often determine program eligibility, placement, and amenities; community concerns that often delay or stop construction; and the need to advocate for quality housing in your own community.

We tailored the ensuing four workshops for cities—to showcase best practices, build capacity, and foster an environment for dialogue and inquiry. Staff from different city departments were encouraged to attend as their daily responsibilities leave little time for exchanging ideas with colleagues from other city departments.

Workshop 1, Financing Affordable Housing, with Gloria Munoz (executive director, Housing Authority of Maricopa County) and Steve Russo (Attorney at Law, Russo, Russo, and Slania)

Workshop 2, Mitigating Gentrification and Displacement, with Kevin Kellogg (principal, Kellogg + Associates) and Beatrice Moore (director, Grand Avenue Arts & Preservation)

Workshop 3, Preserving Existing Affordable Housing, with Sally Schwen (president, Arizona Market, Gorman & Company LLC) and Stephanie Brewer (deputy director, Newtown Community Development Corporation)

Workshop 4, Trends in Affordable and Workshop Housing, with Kurt Creager (executive vice president, Bridge Housing, Portland)

Housing: The Key to Healthy Communities

Housing, often a family's largest asset, is the bedrock of the family and the foundation of a healthy community. Study after study reveals that quality housing and ensuing stability create a healthier environment for children to grow; support community and social cohesion; offer higher employment stability; generate multigenerational family wealth; and improve educational outcomes. Although having a place to call home is the most basic of needs, over the past several decades, quality, affordable housing options have become increasingly difficult, particularly for lower-income families and communities of color. Across the board, without dependable, quality housing, social and economic indicators are dramatically lower.

Housing is not always accessible to lower-income individuals of any age. Substandard housing can be a source of environmental poison with long-term consequences (e.g., lead contamination in housing, increased incidence of asthma in housing close to highways). Land-use regulations can act as barriers that can foster discriminatory practices and segregation. Employment stability sometimes requires longer commutes. Red lining and other financing barriers suppress multigenerational wealth. In addition, neighborhoods with few economic resources see strikingly different educational outcomes. In fact, the latest research on the geography of opportunity indicates that the zip code in which you reside can determine your lifespan.

Housing is also a leading economic indicator; commentators often rely upon housing statistics as a relevant measure of good or poor economic forecasts. Macro-policies at the national level that influence the interest rate impact the financing of housing for individuals and families alike. Policies at different governmental levels strongly impact where, when, and how much housing is built. On the micro-level, neighborhood and partisan politics frequently frame debates on the types of housing that can be created.

Housing is a complex issue across individual, neighborhood, city, community, regional, state, and federal levels. Many different factors influence housing supply and demand, and the average resident can be left with little understanding of policies relevant to them, or why our communities are experiencing an affordability crisis. While residents often blame their local governments, state governments contribute key tools for addressing (or inhibiting) affordable housing. In Arizona, the State of Arizona has stripped cities of useful tools, such as inclusionary zoning, that cities in other states use regularly to help preserve and create affordable housing.

Stardust workshop participants identified common scenarios driving our regional housing crisis:

- employed people struggling to pay the rent or mortgage;
- an increasing number of homeless people on every corner;
- and rising home foreclosures due to economic instability.

However, every time an affordable housing development notice is posted, dozens of people show up to protest against including such housing in their neighborhood. Why is that? It is our hope that this report will answer questions around housing and increase the recognition of its basic need. Quality housing is good for everybody but for lower-income individuals and families, the stability that comes from secure housing can transform lives. Ultimately, we seek to encourage policies that increase the number of housing units that are affordable to more individuals and families and thus contribute to healthier communities for all.

Housing programs have been an important part of local, state, and federal government because of its impact on families and the economy. In fact, it was decided a long time ago that market forces are simply not responsive enough to the housing needs of regular people, especially those with low incomes, and so frequent government intervention in the housing market was deemed essential. The first housing regulations date back to 1867, when New York City passed laws banning construction of rooms without ventilators or apartments without fire escapes.

As far back as 1909, in a report to the President's Housing Commission, Congress recommended that the government purchase and outright condemn expanding slums around the nation and replace them with

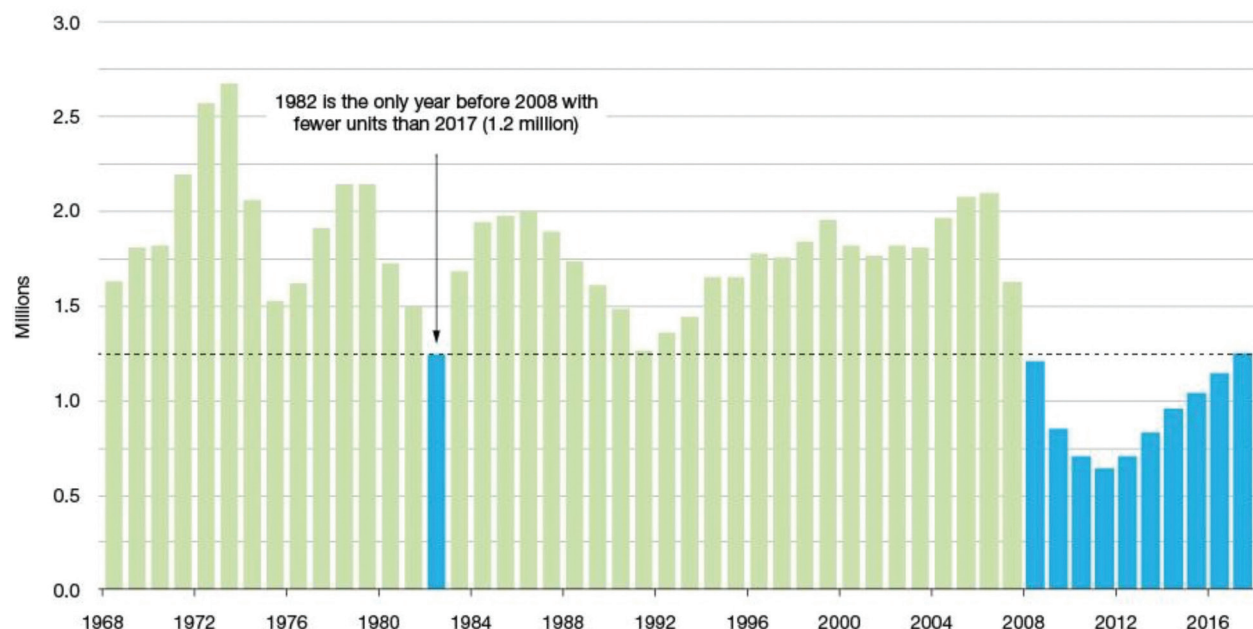
“inexpensive and improved healthful habitations” made available to the poor at low rents or low interest rates. Major housing legislation dates to the Great Depression, when President Franklin D. Roosevelt incorporated housing into the New Deal to make home mortgages more affordable to struggling families.

Since then, the federal government enacted legislation that prompted progress on a variety of fronts:

- National Housing Act of 1934 created the Federal Housing Administration
- Housing Act of 1937 created Local Public Housing Agencies and subsidies
- Housing Act of 1949 greatly expanded the government's role in mortgage insurance and construction of public housing
- Housing and Urban Development Act of 1965 created the Department of Housing and Urban Development (HUD) as a cabinet-level agency
- Civil Rights Act of 1968 brought us the Fair Housing Act
- Housing and Community Development Act of 1974 consolidated programs into the Community Development Block Grants (CDBG), with Section 8 Tenant Assistance, providing housing choice
- Depository Institutions Deregulation and Monetary Control Act of 1980 changed rules affecting thrift institutions and expanded alternative mortgages
- Housing and Urban/Rural Recovery Act of 1983 began Housing Development Action Grant and Rental Rehabilitation programs
- Tax Reform Act of 1986 created the Low-Income Housing Tax Credit Program by giving incentives to private equity to develop affordable housing. This program produces 90% of the affordable housing units in the US

The decline in support for housing began in the 1980s and what we are now seeing and experiencing is the accumulation of policies that have been cut at all governmental levels. Since the 1980s, a myriad of laws has passed and initiatives enacted aiming to redefine the role of government away from active participation in housing production. These laws resulted in increased housing challenges for today's generation. Other factors that contribute to the current affordable housing crisis include the lack of adequate supply. As seen in the chart below, the number of new housing units declined dramatically during the recession and has been slow in climbing since that time. Market conditions such as increased materials costs and a less-qualified workforce also explain the crisis of supply.

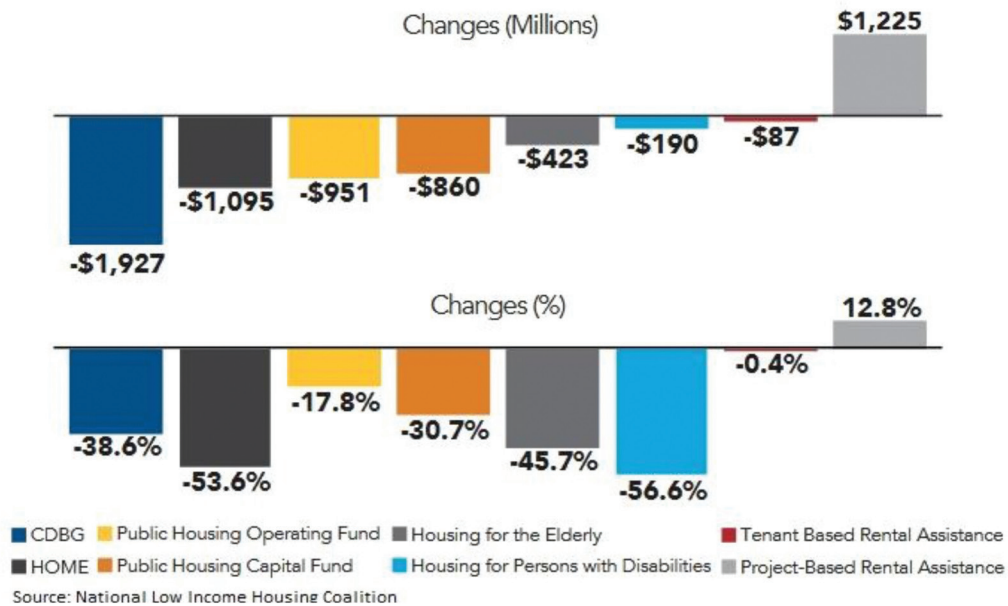
The supply of new housing is low by historical levels



Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety.

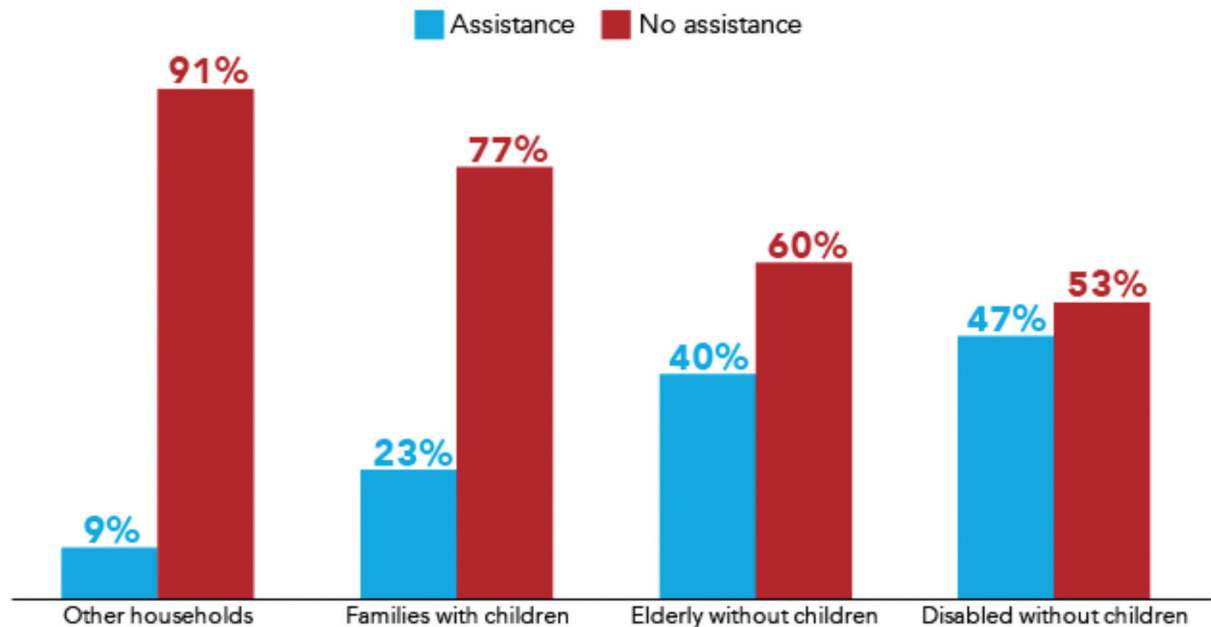
The other driver is the continuing decline in government funding:

CHANGES IN FUNDING LEVELS FOR KEY HUD PROGRAMS (FY10-FY17)



Increased project-based rental assistance does not begin to compensate for reduced funding of other programs and, as a result, low-income renters represent the most severely impacted population. The chart below demonstrates that assistance to individuals and families falls well below the demonstrated need.

Most Low Income Renters are Without Federal Rental Assistance



Notes: Low income households have income at or less than 80 percent of area median income.

Source: Center on Budget and Policy Priorities. (2017). Interactive Graphic: Highlighting the 3 Out of 4 at-Risk Renters Who Don't Get Rental Assistance. Washington, DC: Author.

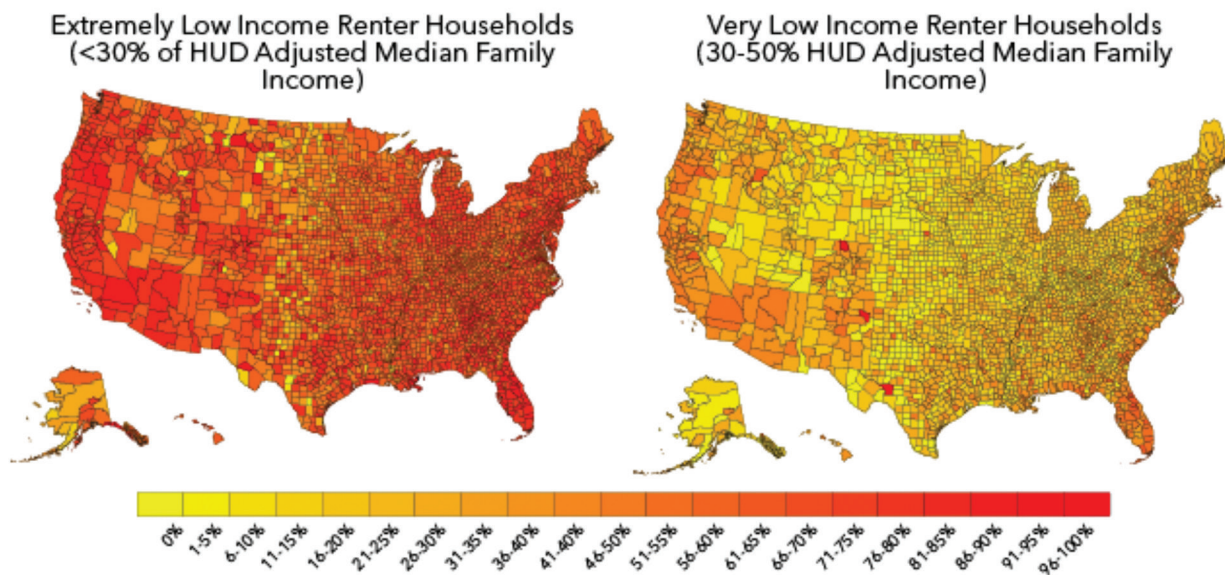
Unfortunately, there is a decided lack of consensus and commitment about how to address the needs of low-income people at all levels of government. The lack of support for low-income individuals and families creates further instability because families pay too much for housing, thereby opting out of necessary healthcare, healthy food, educational attainment and, finally, housing itself.

Affordable housing generally refers to housing that does not exceed 30% of an individual or family's income, though specific income guidelines for government programs do account for family size. For the most common affordable housing program, the Low-Income Housing Tax Credit, individuals and families must be at 60% or less of the Area Median Income (AMI). As of 2018, the AMI for the Phoenix area is \$69,100. To meet the income guidelines, a family can earn no more than \$41,460, which is 60% of AMI.

If you pay more than 30% of your income toward housing costs (rent or mortgage), you are considered cost-burdened. If you pay more than 50% of your income, you are severely cost-burdened. This designation often means that individuals and families must make stressful choices—balancing health care, food and other important life decisions to remain in their homes.

The graphic below reveals the national picture:

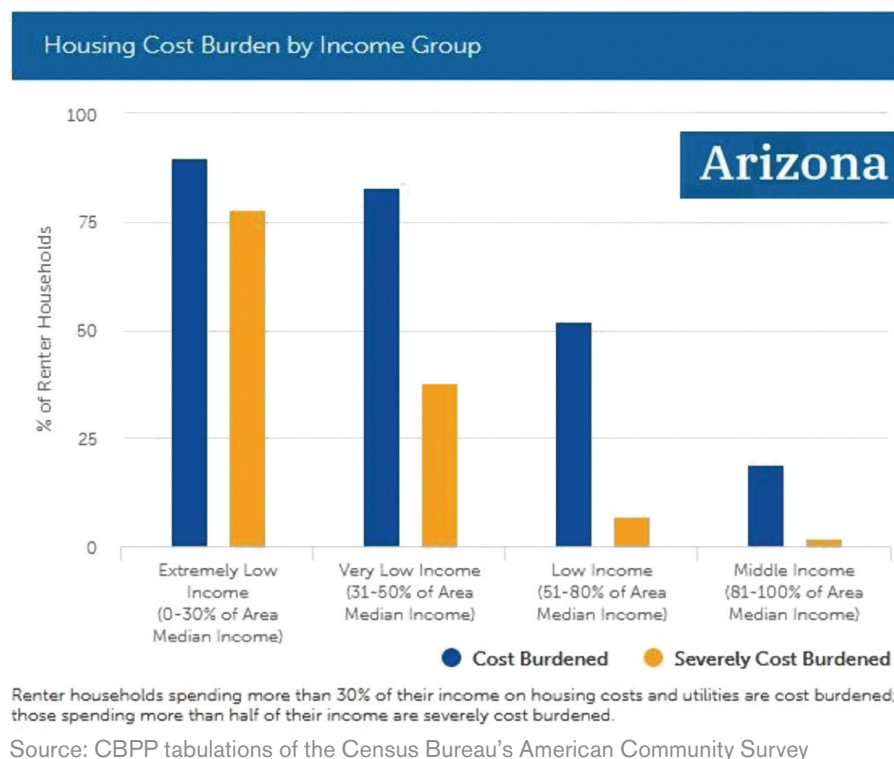
Percent of Severely Cost-Burdened Renter Households within Income Groups (U.S. Counties)



Source: NLIHC tabulations of CHAS 2011-2015 data

Note: Severely cost-burdened households spend more than 50% of their income toward housing costs.

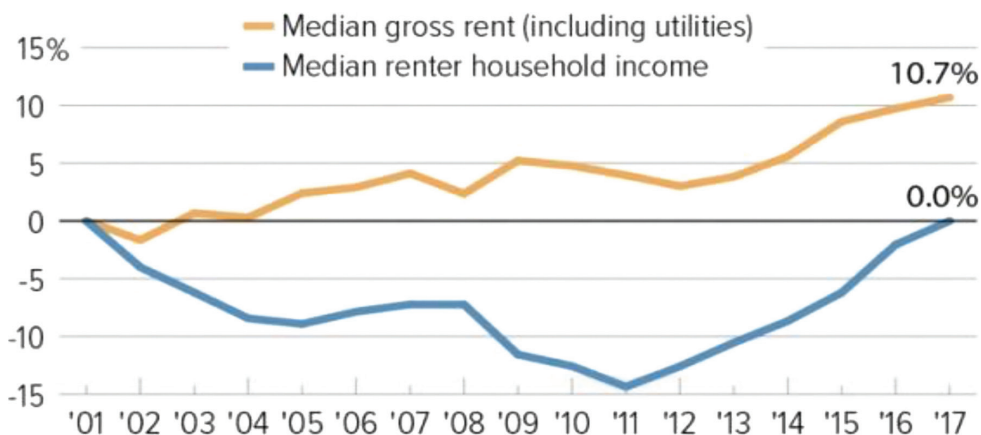
The graphic below displays the Arizona context:



Salaries simply have not kept up with increasing housing costs, impacting individuals and families with higher incomes as well as low-income groups. Apart from existing programs aimed at low-income earners, needs for workforce housing emerged along with programs targeted to those earning up to 120% of AMI.

Renters' Incomes Haven't Caught Up With Housing Costs

Percent change since 2001, adjusted for inflation



Source: CBPP tabulations of the Census Bureau's American Community Survey

This report focuses on two types of housing—affordable and workforce—both of which generally reflect a private-market approach with limited public and community intervention. Thus, there are opportunities for community and local and state government to incentivize creation and preservation of quality housing. The picture on the report's cover page represents one of the best examples of housing in the Valley. Urban Living on 2nd Avenue in Phoenix, developed by the nonprofit Native American Connections, provides both affordable and workforce housing in an aesthetically pleasing building near public transportation.

Background

Affordable and workforce housing have become increasingly scarce in Arizona as the growing population exerts pressure on the supply of low-cost housing. Historically, housing in the state has been plentiful, as cities expanded their boundaries to accommodate an ever-growing number of subdivisions and because affordable land was widely available. However, by the early 2000s, an increasing population and influx of speculative buyers sparked the first noticeable housing/income gaps.

In response to observed market changes, many non-governmental organizations (NGOs) and community groups in Arizona began to discuss, plan, and develop programs to meet the growing housing need. In 2008, ASU's Stardust Center published *The Affordable/ Workforce Housing Recommendation and Barriers in Arizona and Metro Phoenix*¹, prepared for LISC Phoenix and the Arizona Community Foundation. This report summarized the data from the following reports and offered guidance on future directions:

- 2020 Eye to the Future (2001), a Maricopa County Comprehensive Plan containing recommendations on affordable housing
- Maricopa Association of Governments (MAG) Regional Affordable Housing Assessment (2001) prepared for Government Regional Development Division by Crystal & Company
- Affordable Housing Report (2001) prepared for the City of Phoenix Commission on Housing and Neighborhoods by the Joint Urban Design Program, Herberger Center for Design Excellence, ASU
- Arizona Affordable Housing Profile: Findings and Conclusions (2002) prepared for the Arizona Housing Commission, Arizona Department of Housing, and U.S. Department of Housing and Urban Development (HUD) by Elliott D. Pollack & Company, Inc.
- Affordable Housing Best Practices Paper #2: Growing Smarter Implementation Project (2002), prepared for MAG Regional Development Division by Corey Cox Planning and Research, Inc.
- State Plan to End Homelessness Part 2: Plan for Housing (2005) by the Arizona Interagency and Community Council on Homelessness
- Regional Workforce Housing Final Report (2006) by the Maricopa County Regional Workforce Housing Task Force
- Arizona Incentives for Affordable Housing Task Force (2006) by the Arizona Department of Housing
- Regional Human Services Summit Report (2007) by MAG
- Report of the 91st Arizona Town Hall: Land Use: Challenges and Choices for the 21st Century (2007), based on a background report prepared by ASU's College of Public Programs, Julie Ann Wrigley Global Institute of Sustainability, Decision Center for a Desert City

These sustained efforts engendered many accomplishments, including:

- 2002: establishment of the Arizona Department of Housing and the Arizona Housing Finance Authority
- 2005: establishment of the Stardust Center for Affordable Homes and the Family through a generous gift from Jerry Bisgrove and the Stardust Foundation
- 2006: City of Phoenix included affordable housing in its bond authorization
- 2008: establishment of the Arizona Housing Alliance to advocate for affordable housing
- 2007: establishment of the Sustainable Communities Collaborative and, in 2011, the Sustainable Communities Fund to incentivize equitable development along the light rail
- 2012–2015: The City of Phoenix established Reinvent Phoenix, a planning effort to engage community stakeholders and create redevelopment plans for station sites along the light rail. HUD funded this effort to ensure that community development was part and parcel of the significant transportation investment.

Challenges

The high demand, price increases, and easy credit that fueled the 2005–2006 housing bubble and subsequent recession led to catastrophic results for hundreds of thousands of families. Arizona experienced over 100,000 foreclosures in that time and was slow to rebound: the state saw no significant improvements in the housing market until after 2012. As the nation's and state's economies have recovered, alarm bells are, once again, sounding on the lack of affordable housing. And the need is not restricted to the Phoenix metro area—as cities and small towns across the state, such as Flagstaff and Sedona, are experiencing similar crises, in some cases, brought on by the short-term vacation rentals.

There are many reasons, the US and Arizona are facing housing challenges, including:

- **History** – The need for decent, safe, and sanitary housing was once seen as a problem unique to big cities and poor rural areas. Most of the advocacy took place where large populations gathered as need in rural areas went unseen. In addition, Western states with large expanses of land and smaller populations did not focus on this issue.
- **Regulations** – Political ideologies on a limited role of government, racism, and discriminatory practices led to a wave of regulations and institutional barriers.
- **Community Barriers** – Fear of different cultures, as well as economic and educational status, fomented separation of neighborhoods, including gated communities, in the name of safety and preservation of property values.
- **Lack of Comprehensive Planning** – Whether by intent, choice, or happenstance, many communities have developed (and continue to exist) without comprehensive planning addressing equity, sustainability, and individual/community health.
- **Lack of Community Information and Involvement** – The “professionals know best” mentality is not the best method for determining the development and redevelopment of communities. Inclusion leads to more equitable and sustainable outcomes.
- **Lack of Investment** – Intentional investment in communities that encourages equitable and sustainable development addressing the social determinants of health has been insufficient.

Income and Housing

The National Low-Income Housing Coalition (NLIHC) publishes an annual report detailing the income needed to rent a modest apartment by state. The report reveals a growing gap between what people earn and the cost of rent. The 2018 Out of Reach² report lists Arizona as #25 in the nation when ranking the gaps between what a renter earns and what a two-bedroom apartment costs to rent. A renter needs to earn \$18.46 per hour to afford a 2-bedroom unit at a fair market rate of \$960. Even for one bedroom, the minimum wage worker earning \$10.50 per hour would have to work 56 hours per week to afford a one bedroom at fair market rate of \$761 per month.



Despite the claims that Arizona used to be affordable, the 2014 Out of Reach³ report details that a renter needed to earn \$17.52 per hour when the minimum wage was \$7.90. With this finding, we can fairly conclude that, for low-wage earners, lack of access to affordable housing is not a recent phenomenon.

In Flagstaff⁴, where over 62% of residents rent, the average monthly rent is \$1,746. According to Payscale, the average salary in that city is about \$45,000. To be affordable, the average rent needs to be around \$1,499. This \$247 gap hurts a renter's ability to pay for other necessities, such as food and healthcare. An elementary school teacher averages \$43,836 a year, below the average salary, illustrating how the income-housing gap may be even greater for civil servants, such as teachers, police officers, and firefighters.

The 2018 report published by NLIHC, *The Gap: A Shortage of Affordable Rental Homes*⁵, delved deeper into the gap, detailing information by income tier. The key finding was that the lowest income tier families (income at or below 30% of AMI) faced the greatest lack of available housing. There are only 25 affordable homes for every 100 renters in Arizona at this tier.

Housing and Health

It is widely recognized that, while health encompasses healthcare and genetics, the “Social Determinants of Health (i.e., environmental, social, and behavioral factors) can drive well-being. In fact, research points to the Social Determinants of Health as having the largest impact on individual well-being.

The effect of housing on health⁶ was the topic of a study funded by the Robert Wood Johnson Foundation that examined the health impact of housing and the characteristics of neighborhoods where the housing is located.

Studies have shown the impact of quality stable housing on child development⁷. Low-income families struggle to find affordable housing and often may need to accept substandard housing. Housing or neighborhoods where toxins can exacerbate asthma or lead contamination can lead to permanent brain injury. Substandard housing affects parents as well as children by increasing anxiety, depression, and behavioral problems.

Neighborhood characteristics that impact health include access to fresh food, green space, safety, education, transportation, and services. In fact, where you live can determine how long you live⁸. Researchers can now map these disparities, and residents can use their address to compare their neighborhood to others.



Homelessness

Homelessness is not a new phenomenon in the US. Since colonial times, American history is replete with examples of homelessness at different times and under varying circumstances, whether the Dust Bowl, Great Depression, immigrant waves, war veterans, deinstitutionalization of mental hospitals patients, increase in drug use, urban renewal, and decreased housing supply—all these factors have contributed to individuals and families lacking shelter. Federal response came



in the form of the Federal Transient Service in 1934, a program dismantled only a year later. As the numbers of those experiencing homelessness began to increase again, in 1987, Congress formed the US Interagency Council on Homelessness and passed the Stewart B. McKinney Act program to assist communities facing homelessness.

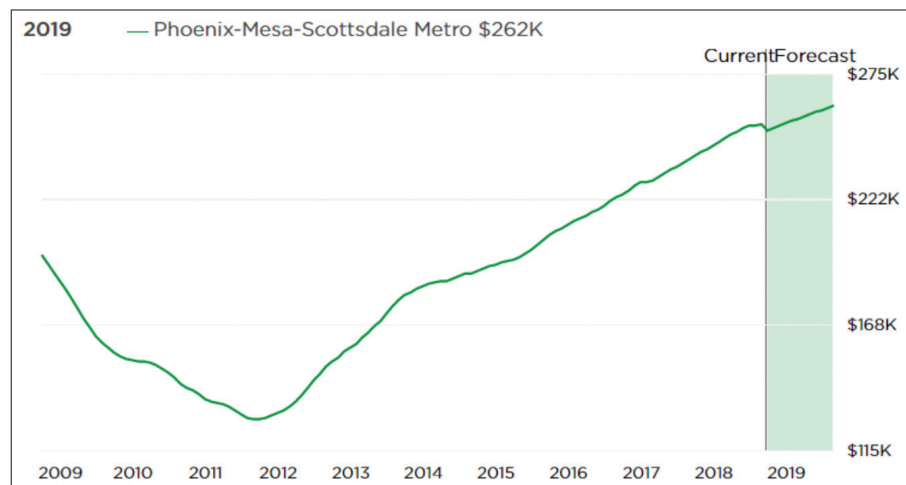
HUD defines homelessness as *temporary* (an individual is homeless for a time but returns to family or finds a place to live) or *chronic* (homeless for a year or homeless repeatedly due to physical or mental illness or substance abuse). At the 2018 national Point-in-Time count, over 550,000 people were counted as homeless, and only 65% of these were shelters. Although every state, region, and community struggles with homelessness, the homeless population appears to be stabilizing nationwide. Arizona, on the other hand, is experiencing a marked increase. Data from the 2018 report supported what most of us see daily along major thoroughfares: an increase in the number of homeless people of all ages and genders.

The FY 2018 Annual Report from the Maricopa Association of Governments⁹ noted that, in Maricopa County, the number of people not in shelter on a single point in time in January 2018 had increased 27% from the previous year and 149% since 2014. HUD issued to Congress the 2018 Annual Homeless Assessment Report¹⁰, which noted that Arizona had one of the nation's largest increases in homeless population (an increase of 10%). In Arizona, ADOH funds shelters and, as part of the Low-Income Housing Tax Credits Allocation Plan, gives preference to supportive housing projects that address the underlying issues of homelessness, such as substance abuse or mental-health issues. Maricopa County, with the largest population of homeless in Arizona, has many shelters and services. However, given the increased numbers of homeless, human services, while important and necessary, are not enough to reduce the extent of homelessness.

For-Sale Housing Market

In 2018, the housing market began on a positive note with home construction and sales up and foreclosures down. However, by the end of the year, the picture had changed: Construction and sales declined, although home prices increased annually by 5 to 6%. This increase significantly exceeded income gains, reported to be about 3% for 2018. Recent reports indicate that single-family housing prices have returned to pre-recession values.

HUD's Office of Policy Development and Research publishes comprehensive reports on the national and regional housing markets. The latest report¹¹ for Arizona noted that the Phoenix market, with increased economic activity, population, and investor activity, has experienced reduced vacancy rates, increased home prices (averaging \$262K for existing homes and \$365K for new homes; see graph below).



The *Arizona Republic*¹² documented increasing home prices over the past 10 years (by 130%) while noting that wages had increased only 22%. Additionally, Zillow¹³ categorized the Phoenix market as “very hot,” with a forecasted increase of 9.7% for 2020.

Mortgage rates, another important consumer index, have fluctuated from a high of 5.1% in March 2010 to a low of 3.4% in November 2012. Since January 2019, rates have fallen every month from 4.5% in January to 4.1% in April. Thus, mortgage rates have held relatively low and are not a major obstacle to home ownership. In a December 2018 survey by Statista, 43% of respondents blamed the lack of affordability as the reason they did not own a home.

Rental-Housing Market

As reported in the *Arizona Republic* on March 22, 2019: “Apartment rents climbed faster in metro Phoenix than anywhere in the US during the past year.” As early as 2016, RentCafe¹⁴ was reporting that 75% of new construction were high-end apartments. An additional report highlighted that the 10 newest apartment complexes in the Phoenix metro area consisted of 3,213 new units, all market rate. By contrast, the number of new affordable units reported by the Arizona Department of Housing in 2017 for the entire state was 833 units.



Photo Credit: District at Biltmore, Phoenix

An example of the thousands of luxury apartment built is the photo above for the District at Biltmore¹⁵, where the average rent of a one bedroom is \$1,532 (\$1,830 for a 2 bedroom). In Mesa, a 2017 multifamily development named San Posada advertises \$1,345 for one bedroom and \$1,531 for a two bedroom. A less-expensive option certainly but still not affordable.

Of course, rising rents and lack of affordable housing are not limited to metro Phoenix. Flagstaff is one of the most impacted areas in the state. Housing Solutions of Northern Arizona¹⁶, a Flagstaff nonprofit, issues yearly reports on housing attainability. The reports show that despite raising the minimum wage from \$8.05/hr in 2015 to \$11/hr in 2019, this wage earner’s income/rent gap has deteriorated—the amount of time a person needs to work to afford a two-bedroom apartment has increased from 99 hours/week to 104 hours/week.

Housing and Transportation

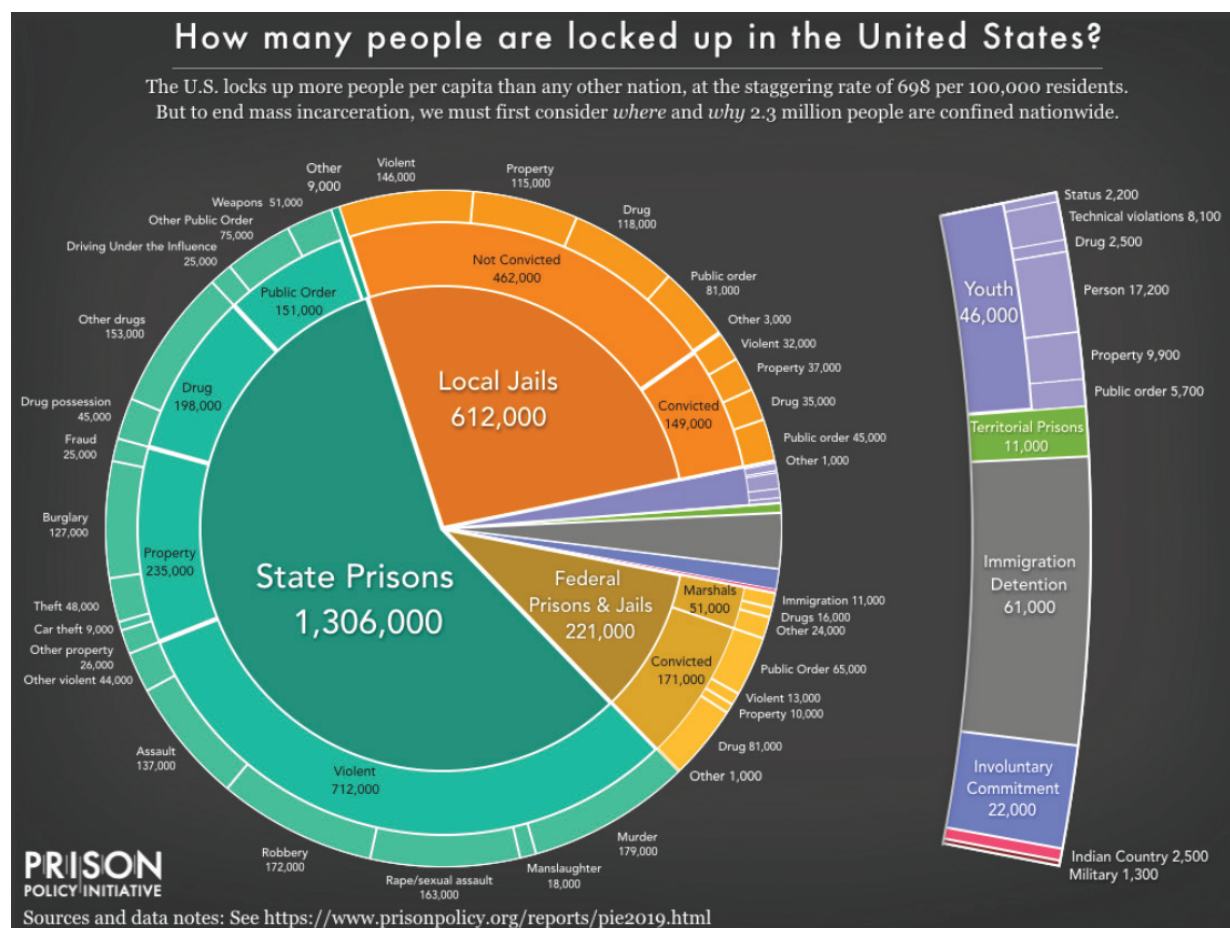
Housing amounts to the largest cost for families, followed by transportation. Together, these costs can total over half of a family’s income. The Center for Neighborhood Technology has been at the forefront of studying and reporting on this subject. The Center developed the housing + transportation index¹⁷ to test the actual costs of housing once the transportation costs are included. Many individuals and families do not consider transportation costs when deciding where to live and work. Transportation costs can impact the family budget dramatically as costs of owning and maintaining a vehicle may exceed \$10,000/year. Individuals can test their housing + commute affordability with this index¹⁸.



Transportation costs affect more than the family budget. They increase inactivity, daily stressors, and air pollution, which can impact health. However, despite well-documented impacts, many areas lack dependable public transportation (with shade) and lack access to jobs, food, and services urban areas. Multi-modal public transportation can provide an alternative to individual car ownership and be crucial to individuals and communities.

In Greater Phoenix, affordable housing has been built near the light rail to provide individuals and families with an opportunity to reduce transportation costs. This development is referred to as Transit Oriented Development, or TOD.

Housing and Justice Reform



According to Prison Policy Initiative's report, the Whole Pie 2019¹⁹, 2.3 million people are incarcerated in the US. The report offers a comprehensive dataset on the criminal justice system. To delve deeper and understand the role that housing plays in justice reform, the National Low Income Housing Coalition produced the report: Why Housing Matters in Criminal Reform²⁰.

The report highlights the impact of housing on individuals, how it can prevent criminal behavior and impact recidivism post-incarceration. In addition, it discusses how people of color and poor people are overrepresented in the incarcerated population. Barriers to affordable housing and promising new initiatives are discussed with the hope that housing is recognized as a component of reform.

Gentrification and Displacement

Gentrification occurs when low-income and/or communities of color experience economic pressures from higher-income individuals and businesses moving into their neighborhood. For example, a new company moves into a neighborhood, bringing along higher-income employees. Newcomers will look for housing in the neighborhood and, given their ability to pay higher rents, prices will inevitably rise. Price increases can force low-income residents to pay more, pressure them to leave, or owners may resort to eviction and force the move. This marked evolution from a lower- to a higher-income community is called gentrification, and the movement of existing residents or businesses to another neighborhood is termed displacement.



Gentrification and displacement are complex issues, with focused attention evident by university and nonprofit entities. A team of researchers from Berkeley, UCLA, and Portland State University called the Urban Displacement Project (www.urbandisplacement.org) is mapping and analyzing the impact of increased density around light-rail stations, the impact of climate change, and the strong housing market. Strong, Prosperous, Resilient Community Challenge (SPARCC; www.sparcchub.org) is an initiative of the Enterprise Community Partners, Federal Reserve Bank of San Francisco, Low-Income Investment Fund, and National Resources Defense Council. SPARCC supports efforts to ensure that the wave of public and private funds related to infrastructure, transit, housing, and health prepare communities for the challenges of climate change and creates equitable and healthy opportunities for everyone. Although this initiative is focuses on only six cities (Los Angeles, Chicago, Memphis, Denver, Atlanta, San Francisco Bay Area), lessons learned can be applied to other cities.

A study²¹ by the National Community Reinvestment Coalition found that major cities and areas surrounding central economic activity are most at risk for gentrifying and that African Americans and Latinos are disproportionately impacted.

Tools to Address Gentrification and Displacement

Reviewing the best practices in cities engaged with the Urban Displacement Project²² and the SPARCC initiative is instructive for our region:

1. Invite those most impacted to the decision table
2. Define a strategy to get ahead of the change: use data, speak with people and community groups and be unafraid to change policy
3. Displacement is about shifting power: follow the money and who benefits most
4. Displacement is a societal, cross-sector problem: engage not just the housing sector but financing, health, and others, in crafting solutions

Denver's Gentrification Study: Mitigating Involuntary Displacement²³ recommends:

1. Collaborate across agencies on mitigation strategies
2. Include these strategies in neighborhood plans
3. Create a robust permanent affordable housing trust fund
4. Invest in preserving affordable and workforce housing, which saves costs
5. Bank land in neighborhoods at risk

6. Protect existing homeowners with tax abatement
7. Analyze data to identify affordable-housing investments in neighborhoods at risk
8. Pair housing and economic strategies to increase neighborhood well-being
9. Provide technical support to neighborhood businesses to manage change
10. Tie business incentives to community engagement that benefits low-income residents
11. Offer neighborhood residents training for middle-income jobs in their neighborhood
12. Better to support entrepreneurs in gentrifying neighborhoods
13. Preserve industrial space and middle-skill jobs

Portland recognized the difficulty of mitigating gentrification and displacement. Their study, *Vulnerability 2012*²⁴, along with a housing-market assessment and demographic changes, have sparked discussion and new tools. For example, they developed a risk-factor index and map to identify vulnerable areas. Risk Factors include identifying the Census tract where the share of:

1. Renters is greater than the city average
2. Communities of color is greater than city average
3. Population 25 and over without a bachelor's degree is greater than city average
4. Population with income at or below 80% of AML is greater than city average

The City has continued to analyze its vulnerable areas, as shown in Portland's *Gentrification and Displacement Study*²⁵, to provide pertinent data to decision-makers on whether the nature or extent of the interventions are producing the desired results.

Another tool is the Community Land Trust (CLT), wherein a nonprofit steward creates permanently affordable housing within a community. The CLT retains ownership of the land, while enabling an income-qualified individual/family to purchase the house. The individual leases the land from the CLT, allowing the CLT to preserve the home's affordability. The CLT model allows households to access affordable housing and build wealth through homeownership. While this tool has been around for many years, it has yet to reach its potential. Examples in Arizona are the Newtown Community Development Corporation in Tempe, the Pima County Community Land Trust, and the Townsite Community Land Trust in Flagstaff. To learn more, see LISC's white paper describing the opportunities that these Land Trusts bring to communities: *Community Land Trust and Community Development: Partners against Displacement*²⁶.

During a workshop discussion at the Stardust Center, it became clear that displacement has long-term effects on the community, such as lack of trust with governmental entities, disruption of community networks, an increased sense of instability, and loss of common history. Thus, it is imperative that, as our region grows, cities work with communities to develop strategies and policies to ensure that investments are inclusive and equitable.

Resources to Address Preserving and Creating Quality, Affordable Housing

The affordable housing crisis is complex and not well-understood. Residents may anticipate that proposed affordable-housing projects will negatively affect their neighborhood and may fight the project. This reaction is referred to as the NIMBY syndrome—Not In My Back Yard. Engaging the community early in planning conversations and applying regulatory frameworks and strategies to accommodate expected changes in the community serve to address concerns and create a trusted environment where affordable housing is better understood and welcomed.

Land-use policies and financing are key to developing good strategies. Although many of the tools listed below are well-known and have been recommended in the past, given the current crisis, all are worth another look.

Planning, use of data, community participation, goal-setting, and multi-sector involvement lead to better strategies when creating affordable and workforce housing policies. For instance, an economic-development plan or a transit plan without a concurrent housing plan is woefully inadequate. Companies choose location sites based on its ability to attract and retain skilled employees; potential employees assess housing affordability, length of commute, and quality of life as factors equal to salary when choosing employment.

Federal Programs

Since 1986, the most impactful federal program to create affordable housing has been the Low Income Housing Tax Credit (LIHTC) program. LIHTC, created by the Tax Reform Act to shift to private-market incentives to increase investments in affordable housing, is the largest housing production program in the US.

There is no companion federal program to create workforce housing. However, as housing needs have expanded to include higher income tiers, many government programs have stretched eligibility, and NGOs have created a number of programs and incentives for workforce housing.

HUD has several housing programs to support and encourage rental and home ownership for individuals and families. The federal government determines area median income (AMI). That information, broken down by area, region, and state is publicly available²⁷, published yearly for the entire nation. The federal government uses AMI to guide for many programs, including housing. Historically, these programs have centered on the most vulnerable population, however, programs are now available to higher income households who qualify for workforce housing.

A major source of new money is the national Housing Trust Fund²⁸ (HTF) established by Title I of the Housing and Economic Recovery Act of 2008. HTF's funding source is a distribution from Government Sponsored Entities such as Fannie Mae, Freddie Mac, and others designated by Congress. States can use these funds, allocated by formula to preserve and create affordable housing; 75% of the funds must serve individuals and families earning 50% of AMI or less and the homeless.

State Programs

Arizona Department of Housing (ADOH)

ADOH offers rental, homeownership, and manufactured-home programs. The agency also serves as a conduit for distributing federal funds to the state. ADOH administers the LIHTC program. They develop a yearly Allocation Plan that determines the awarding of credits. The process is competitive and only 1,000 units of housing can be developed from the credits. ADOH's website explains the program here²⁹. Additionally, ADOH now plays a role in manufactured housing, supporting innovation in the construction sector. As construction costs continue to escalate, new technologies and processes can bring relief to the housing sector and increase production, not only of housing, but quality, affordable housing.

Arizona Housing Trust Fund (AHTF)

Created in 1988 to support development of affordable housing, the AHTF is fueled with proceeds from unclaimed property sales. By 2008, it had reached \$30 million and served as a flexible tool to provide gap financing for many affordable housing projects throughout the state. During the recession, however, the Arizona legislature swept it to help cover state budget needs, reducing the AHTF to \$2.5 million. The 2019 Legislature approved a one-time allocation of \$15 million to the AHT, and advocates hope that as the demand for increases, the Legislature may fully restore funding. ADOH combines federal resources (AHTF and HOME funds) with state resources (AHTF) into a single program called the State Housing Fund³⁰. Arizona has received a little over \$6 million since the inception.

Eviction Policies

Eviction laws and policies that reduce notice to tenants, allow high fees, and require costly legal assistance have all been demonstrated to have a higher impact on low-income families. A review of these is necessary to ensure fair treatment and prevent housing insecurity. In response to state eviction laws, Durham, North Carolina, launched an Eviction Diversion Program in partnership with Legal Aid, county government, Duke Law School, and the courts.

Interagency Alignment

Many Arizona individuals and families receive services from governmental programs that could be more cost-effective and offer better outcomes if those programs included housing.

Local Programs

Community Land Trust (CLT)

City-controlled land can be made affordable permanently by transferring the properties into a CLT. Chicago, for example, placed its inclusionary zoned, for-sale housing in a community land trust to preserve affordability. In Arizona, the Newtown CDC in Tempe and the Pima County Community Land Trust offer affordable homeownership programs that preserve, protect, and produce affordable and workforce housing.

Employer Assisted Housing (EAH)

EAH has many variations; for example, the Bank of America provides forgivable down-payment assistance to its employees. Several states (IL, CT, MD, NV) offer tax credits or matching funds to companies that provide EAH. In addition, several universities have created housing for faculty and staff, including the University of Minnesota and University of California Irvine.

Expedited Processes

Recognizing that time is money, cities can expedite an often lengthy process for developers, reducing costs that serve to incentivize the production of affordable and workforce housing.

Expiring Affordability Covenants

Localities can create a system to map/identify existing properties with expiring covenants. To preserve affordability, they can mandate early-notice requirements and a right-of-first refusal on expiring use properties.

Fee Waivers

Cities can waive fees, such as impact fees, in exchange for affordable and workforce housing, as practiced in Tempe with nonprofit partners.

Free Pre-K Programs

Child care and Pre-K costs can overwhelm young families. When cities provide free Pre-K, they help individuals and families stay in their homes.

General Plans

Per state laws, Arizona municipalities must adopt a General Plan and address housing in that plan. Community input is an essential to that planning process, where housing advocates can gather data and set goals to address housing affordability.

Voluntary Inclusionary Housing or Incentive Zoning

Although the State of Arizona has prohibited inclusionary zoning since 2015, localities can enact voluntary programs that preserve and create affordable and workforce housing. Cities can offer upzoning, increased density, or accept contributions to a Housing Trust Fund.

Mandatory programs, seen across the US, can require fees, inclusion of affordable units, down-payment assistance, and change-of-use permits. Cities tailor strategies to suit community need. The Arizona Legislature could reverse itself as it happened in Oregon recently, when they overturned a 17-year prohibition on affordable housing mandates; that state now allows inclusionary housing.

Land Bank

City, federal, state, philanthropic, and other sources of funds can be used to acquire land for future development. Many cities have used this strategy, including Denver before their light-rail system was constructed.

Local Housing Trust Fund

Established by a local entity, housing trust funds can be public or private. They receive ongoing revenue from a dedicated source not reliant on regular appropriation and restricted to affordable and workforce housing. Funds are received from sources such as fees and are intended to be flexible to address local goals. The City of Tempe has established such a Housing Trust Fund. It was established as a 501-3(c), enabling contributions to be tax deductible.

Manufactured Housing

For many households in Arizona, manufactured housing has been the most affordable housing option available. While manufactured home parks (mobile homes) dot the landscape in urban and rural areas throughout Arizona, this housing option is under severe stress. In urban areas, many sites are undergoing ownership changes and, with resulting multifamily development, residents become displaced and communities dissolved. New policies are needed ensure that this affordable option remains and that quality of the units is improved.

Permanent Affordability (up to 99 years)

While the LIHTC program secures affordability for 15 years, many states require longer affordability for rental housing. In Arizona, the term of affordability is 30 years; Montgomery County, Maryland now requires affordability for 99 years (after losing hundreds of affordable units to housing produced with shorter terms)

Preservation of Existing Stock

Working with existing owners to maintain affordability is a cost-efficient way to retain housing stock, improve living conditions, and prevent displacement. Deed restrictions, covenants, and ground leases are commonly used to preserve housing. For instance, a jurisdiction may provide tax abatement in exchange for property improvements.

Reduced Parking Requirements

Parking requirements (and requirements for construction of surface lots or garages) increase development costs, which are often passed along to residents. For example, a surface parking space can range from \$5,000–\$10,000 to build, and a parking garage space can cost \$25,000–\$50,000. Thus, reducing parking requirements can save costs all around. Cities around the country have reduced or no longer require parking. In Greater Phoenix area, reduced parking is available for sites near the light rail (e.g., Tempe has reduced its requirements of late).

Residential & Commercial Linkage Fees

Cities across the US have imposed linkage fees related to residential or commercial development. The fees can then be used to support affordable housing, but Arizona cities must be careful not to conflict with state law prohibiting inclusionary zoning.

Short-Term Rental Fees

Given that Air BnB and other short-term rentals tend to reduce long-term housing stock and drive up rents, jurisdictions across the US have imposed fees that can be used to support housing needs. In Arizona, however, state law prohibits cities from imposing such fees or regulating them.

Tax Exempt Bonds: City and Regional

Bonding is an innovative option for cities, as are Industrial Development Authorities (IDAs) in many cities and counties. At a recent Stardust Center Capacity-Building Workshop for Cities, the Pima County IDA presented a case study on using bonds to finance both rental and homeownership housing.

Tax Exemption or Abatement

Local jurisdictions can reduce or abate taxes to preserve or create affordable or workforce housing. In addition, cities such as Tempe plan to offer developers incentives and bonuses in return for the inclusion of affordable housing in a given project.

Tax-Increment Financing

Although not allowed in Arizona, nearly all states allow this public-financing tool, which can subsidize infrastructure and other economic development. Cities typically divert future property tax revenue increases from a defined area or district toward an economic-development or public-improvement project. This financing option was once lauded as an important tool, though it is not as useful as heretofore.

Utility-Assistance Programs

Utility costs can overwhelm already-struggling families. Many cities in the Valley provide utility assistance to help individuals and families stay in their homes.

Top #10 Strategies

for Preserving and Creating Affordable and Workforce Housing

- #10: Data** — Collect baseline data on housing stock and require that developers file an Affordable Housing Impact Statement when they first approach a city's planning/community development department.
- #9: Income-Restricted Properties** — Identify (by expiration date of restrictions) and develop a plan to preserve and protect affordable and workforce housing.
- #8: General Plan** — Proactively set goals and identify potential sites and incentives for quality housing.
- #7: Holistic Development** — Ensure that affordable and workforce housing has access to multimodal public transportation, job centers, healthy food, shade and green space, healthcare, as well as sustainable and universal design.
- #6: Review of Zoning Regulations** — Identify and remove barriers (preemption on inclusionary zoning) to creating affordable and workforce housing.
- #5: Economic Development** — Analyze the impact of planned or created jobs on the associated housing needs.
- #4: Financing Options** — Use Trust Funds, Land Banks, Industrial Development Authorities, and Public/Private Partnerships to preserve and produce quality housing.
- #3: Communication** — Foster clear communication and shared knowledge within city departments to address housing issues.
- #2: Gentrification** — Develop strategies and incentives to identify and mitigate gentrification and displacement.
- #1: Community Inclusion** — Inform and engage the community to be the early and best advocates for affordable and workforce housing.

Glossary of Terms

Area Median Income (AMI)

Area Median Income is the midpoint of a region's income distribution—half of families in a region earn more than the median and half earn less. For housing policy, income thresholds set relative to the area median income—as much 50% of AMI—identify households eligible to live in income-restricted housing and the affordability of housing units to low-income households.

Arizona Department of Housing (ADOH)

Established in 2002 to provide housing and community revitalization to help the people of Arizona, ADOH implements many programs. To receive federal funds, HUD requires ADOH to produce a Consolidated Plan every five years, updated yearly, and hold public meetings to develop the Plan.

Fair Housing Act

The Civil Rights Act of 1968, known as the Fair Housing Act, prohibits discrimination by direct providers of housing, including landlords, real estate companies, cities, banks or other lending institutions, and homeowner insurance companies, based on protected characteristics race, color, religion, sex, national origin, familial status, and disability. State and local governments may include additional protected characteristics in their respective jurisdictions (e.g., lawful source of income, arrest and conviction record, military status).

General Plan

Under Arizona law 9-461.05, each city shall plan and adopt a long-range general plan. General Plans consist of a statement of community goals and development policies with several elements: 1) land use; 2) circulation/transportation; 3) identification of growth area; 4) environmental; 5) cost of development and municipal services; 6) water; 7) housing; and 8) redevelopment areas.

Low Income Housing Tax Credit (LIHTC)

The LIHTC program is an indirect federal subsidy used to finance construction and rehabilitation of low-income affordable rental housing. The tax credit provides investors with a dollar-for-dollar reduction in their federal tax liability in exchange for financing affordable rental housing. Investors receive tax credits paid in annual allotments, generally over 10 years.

Housing Choice Vouchers (HCV)

HCV is the federal government's major program for helping families in poverty, the elderly, and people with disabilities afford decent, safe, and sanitary housing in the private market. Local Public Housing Authorities administer the vouchers.

Not In My Backyard (NIMBY)

NIMBY describes the phenomenon in which residents decide that a new development (e.g., shelter, affordable housing, group home) or change in occupancy of an existing development is inappropriate or unwanted for their neighborhood. Typically, the opposition is based upon the assumed characteristics of the population that will be living in the development.

Public Housing Authorities (PHAs)

PHAs are government entities that own and manage low-income housing. The New York City Housing Authority is the largest public housing authority in North America.

US Department of Housing and Urban Development (HUD)

HUD is a federal agency created in 1965 to support community development and homeownership. HUD aims to improve affordable homeownership opportunities, increase safe and affordable rental options, and fight housing discrimination by ensuring equal opportunity in rental and purchase markets. This agency provides cities with its main resources to combat homelessness and support vulnerable populations.

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