

Housing Arizona



Improving The Availability And Quality Of Housing For All Arizonans

Highlights of the
93rd Arizona Town Hall
November 2-5, 2008





"Housing is a fundamental component of American life that affects, and is affected by, almost every aspect of our society.... Safe, decent, affordable, and stable housing contributes to physical and emotional health, educational success, wealth, stability, and self-esteem."

- Report of the 93rd Arizona Town Hall

As the "think tank" for Arizona's business and community leaders, Arizona Town Hall has a proven record of creating solutions for critical issues facing Arizona. Participants in the 93rd Town Hall, held at the Grand Canyon on November 2-5, 2008, brought high levels of energy and knowledge to complex conversations about housing in Arizona. Traveling from throughout the state, these committed individuals met for three days during an historic national election as they sought to understand the issues and forge consensus-based solutions for improving the availability and quality of housing for all Arizonans.

Prior to the Town Hall session, more than 150 participants from throughout the state reviewed a comprehensive background report developed by The University of Arizona's Roy P. Drachman Institute. Meeting in facilitated small groups for two days, the participants addressed a common set of discussion questions. Trained recorders captured points of consensus and the entire group gathered for a plenary session on the third day to adopt a report of findings and recommendations.

The final recommendations report and background report are published in a single volume and distributed to Arizona Town Hall members, the Arizona Legislature, other officials, public libraries, and the general public. Copies are available from Arizona Town Hall by calling 602-252-9600 and online at www.aztownhall.org.

A Snapshot of Housing in Arizona

From the University of Arizona Background Report

- ▶ In 2008, it was estimated that a minimum of 591,000 Arizona households were financially "in distress." Of these, 53 percent were renters and 47 percent were owners. Most distress was attributable to "cost burden" (paying greater than 30 percent of household income for housing costs).
- ▶ Homebuilding does not normally "drive" the economy. It is the consequence of expanded economic activity—not the source. When homebuilding does become a driver, as it did during 2004-2006, it creates an "asset bubble," a temporary phenomenon that is not healthy for long-term growth and stability.
- ▶ As the role of the federal government in developing and implementing policy and funding for affordable housing decreases, state and local resources become increasingly important. The Arizona Housing Trust Fund is a successful and critical component in the state affordable housing effort. Other important efforts include new local programs such as community land trusts, local trust funds, and employer-assisted housing.
- ▶ While responding to the current rise in foreclosures is critical, attention must be paid to laying the foundation for sustainable homeownership in Arizona. An opportunity currently exists for state policymakers to

think about how to strategically target public subsidies to stabilize local housing markets, as well as provide for affordable housing in the future.

- ▶ Rental housing is a large and important component in the Arizona housing picture for individuals and families at all income levels.
- ▶ Housing affordability in rural Arizona is a special issue due to the preponderance of single-family housing, often on large lots or acreage, combined with lower-wage employment, limited private land, and high cost of infrastructure. Capacity in rural communities to address affordable housing needs is limited by access to funding for planning and implementation, availability of qualified organizations and human resources, and lack of economies of scale for project development.
- ▶ As in other rural areas of the state, Native Nations face difficult issues regarding infrastructure and capacity. Achieving housing developments on much of the land involves complex legal implications and costly processes.
- ▶ By 2020, one of four Arizona residents will be over 60 years of age (compared to one in six in 2000). About 25 percent of the state's over-65 population has significant mental or behavioral health problems. For those elderly persons struggling with chronic and disabling health conditions, housing is a key to stability and health maintenance.
- ▶ In 2007, the best estimate of the number of homeless persons in Arizona on any given day was 14,514 men, women, and children. Of this

population, it was estimated that nearly 3,000 were chronically homeless.

- ▶ Arizona experienced a housing boom following World War II; these homes are still an important part of the state's housing stock, but are approaching an age where major repairs are needed. Trends show that older housing makes up a large part of the affordable and single-family rental unit housing stock.
- ▶ Regulations for energy efficiency are adopted by local jurisdictions in Arizona and do not currently account for solar orientation, a factor that greatly impacts the energy performance of a building in the southwest. There are still some jurisdictions that do not require any specific energy standards to be met for residential construction.



"A home should express the cultural and environmental values of the inhabitants as well as be flexible enough to be adapted to and sustain their needs over time.... When housing is viewed as an investment only, its important role in shaping and sustaining the lives of individuals and families can be obscured."

- Report of the 93rd Arizona Town Hall

Excerpts from the Town Hall Discussion

Importance of Diverse Housing Options

- ▶ The need for more diversity in housing is increasing as the sense of what is important in a home evolves for a more diverse population.
- ▶ Having a variety of housing options allows individuals and families to find the kind of home that meets their specific goals, needs, and values. Options should include a variety of opportunities for renters as well as owners at all income levels, for multi-family attached as well as single-family detached housing, and for rural, suburban, and center-city locations.
- ▶ Rural and Native American communities have different needs and are likely to require different housing solutions than urban communities. It is important that ideas are translated to meet local character, culture, and lifestyles, especially the unique conditions of rural and tribal communities.
- ▶ Arizona must meet the housing needs of various populations, including the elderly; grandparents raising grandchildren; childcare-, hospital-, fire-, and police-workers; military and ex-military personnel; teachers; retail and food service workers; and many others at lower income levels. In addition, persons with disabilities, persons living with mental illness, domestic violence victims, refugees, and ex-felons face serious obstacles in finding housing, resulting in homelessness for some.



“Contrary to popular opinion, construction activity is not a driver of growth—at least not normally. Rather, it is a by-product from expansion of basic economic activity. It is the consequence of expanded economic activity—not the source....Diversifying the economy is always a good idea—but it will not lessen Arizona’s reliance on construction activity. As long as Arizona continues to be a destination of choice for retirees, job seekers, and those looking for low-cost housing, its economy will remain one of the most volatile of any state.”

- University of Arizona Background Report

Importance of Infrastructure and Resource Conservation

- ▶ Infrastructure is one of the biggest challenges facing Arizona in meeting its housing needs. Location and design of new development have major impacts on the need for roads, transit services, utilities, water, schools, and other resources, services, and amenities. Local and regional housing plans should take these costs into consideration when considering new housing locations.
- ▶ In meeting its housing needs, Arizona must address the problems of limited water and other resources, public lands, clean energy, and transportation.
- ▶ More consumers are choosing sustainable, mixed-use, and walkable communities for various reasons including greater affordability and a “green ethos.” New homes need to be more energy efficient, and energy demands within existing housing need to be reduced through home improvements.
- ▶ It is essential that affordable housing remain so over time, building a base of affordable housing stock. Our future needs will also require environmentally conscious housing and communities. Arizona should encourage developers, builders, and consumers to make smart housing choices that safeguard our natural resources.

Importance of Education about Housing—Needs, Costs, Options

- ▶ We need to educate people about Arizona’s housing needs and empower communities of all types to revitalize and reinvest in housing.

- ▶ Financial and fiscal education is critically needed for citizens and students at all levels so they are better able to understand and afford the true costs of their decisions as housing consumers.
- ▶ The public should be educated about nontraditional housing options, such as community land trusts, co-housing, and other cooperatives, which could reduce housing and other costs and promote greater affordability of housing.

Importance of Housing to the Economy and Quality of Life

- ▶ The housing industry provides a wide range of jobs, from construction trades and engineering to real estate and financing. When there are layoffs or reduced wages for workers in these fields, there is a ripple effect throughout the economy.
- ▶ The availability of desirable and affordable housing, and its proximity to employment and community services, such as schools, grocery stores, child care, and health care, directly affects quality of life. Affordability must take into account the costs and other consequences such as travel time (the “time tax”) of locating more affordable housing farther away from employment and city centers.
- ▶ In addition to financial costs, long commutes can adversely affect job performance, and family and social life, which in turn directly affects the quality of life.

The National Financial Crisis and Arizona Housing

- ▶ The recent national financial crisis has had a dramatic negative impact on Arizona's housing industry. During the "housing bubble," Arizona developed the perfect storm—many builders ready to build homes; availability of cheap land and a large supply of houses; and a lack of regulation of home lending.
- ▶ Low housing prices in Arizona, as compared to other parts of the country (especially California), encouraged nonresidents to purchase houses for investment purposes, driving prices up and making housing less affordable for Arizona residents.
- ▶ Now unemployment is up and consumer confidence is down. Building permits are down and there is a glut of foreclosed houses on the market.
- ▶ Although prices have decreased, housing is not necessarily more affordable because Arizona's general economy and employment have suffered.
- ▶ These problems are more severe in rural counties and on tribal lands. Minority populations are disproportionately affected.
- ▶ The current economic crisis presents a tremendous window of opportunity to promote planning and innovation for both affordable housing and a sustainable housing market. Now is the time to implement a variety of creative and longer-term measures that could make housing more affordable over time. For example, community land trusts, which separate the land from the

improvements, can make housing more affordable. This is also a time to explore new and creative energy technologies that will reduce utility costs.

- ▶ There should be more focus on long-term planning, within the boundaries of sustainability, including efficient transit and mass transit across the state.

Housing Programs and Resources

- ▶ While the free market system accommodates most middle- and upper-income buyers and renters in obtaining affordable housing, Arizona's low- and moderate-income individuals and families are often unable to find safe and decent housing they can afford.
- ▶ For these lower-income households and those with special needs, there are a number of effective housing programs; these programs are often under-funded and unable to meet the need.
- ▶ Existing federal programs are highly competitive and the resources are insufficient to meet the needs of all who qualify.
- ▶ State, local, and tribal governments also support a number of programs that address housing needs. While there are only a few housing trust funds in Arizona, most notably the State Housing Trust Fund, this is a funding source that is of major and growing importance, and must be protected.
- ▶ Non-profit organizations and private-public partnerships provide important housing programs and assistance throughout Arizona, including a growing number of Community

Land Trusts and Employer-Assisted Housing.

- ▶ Rural areas and tribal nations face some of the greatest challenges to fund and implement affordable housing development.
- ▶ In many places where housing is more affordable, transportation costs for daily living are much higher, a connection that is often overlooked. The Brookings Institution and the Center for Neighborhood Technology (CNT) have created a Housing + Transportation Affordability Index that prices trade-offs between housing and transportation costs and the savings that derive from living near shopping, schools, work, and transit. A study has been completed by CNT for Pima and Pinal Counties through the Drachman Institute at the University of Arizona. (Find more information at <http://htaindex.cnt.org>).



"Resources are not just measured in funding amounts...A critical mass of funds, skilled people, organizations, political will, and real estate are factors that make affordable housing possible."

- University of Arizona Background Report



"Housing is a basic human right and ensuring that housing is available for all is the shared responsibility of us all; when people are not housed, there is public cost in other systems of care such as health care, corrections, and social services."

- Report of the 93rd Arizona Town Hall

Taking Action to Improve Arizona's Housing

It is clear that there is no quick or simple fix for Arizona's housing problems, and no single approach will address all problems. The following ten imperatives are the recommendations of the participants of the 93rd Arizona Town Hall for immediate action.

1. Develop a Comprehensive State Housing Plan

- ▶ If Arizona is to effectively address current and future housing issues, we must become informed about existing needs and programs, identify the gaps to be filled, and then develop a plan to fill them.
- ▶ Arizona's Housing Plan should include an expanded role for the Arizona Housing Commission and the following elements (items 2 through 10):

2. Implement a Public Education and Public Relations Campaign

- ▶ To address Arizona's housing issues effectively we need to inform and engage the public and stakeholders so that biases that have posed barriers to affordable housing and programs that meet the needs of special and varied populations are changed.
- ▶ True housing affordability, including the impact of location in relation to jobs, schools, shopping, and other services and amenities needs to be better understood. The use of the Housing + Transportation Affordability Index should be part of any education campaign.

3. Provide Financial Literacy Education

- ▶ Individual consumers must become better informed about the issues that affect their ability to afford housing, so that they can make better decisions and are better equipped to prevent personal credit crises, potential foreclosures, evictions, and other negative consequences that may result from their housing-related decisions. Financial literacy should be part of the core curriculum of K-12 schools.

4. Think Globally, Act Locally

- ▶ Much of the work that must be done to provide more affordable housing must occur at the local level. Local housing decisions have regional impacts, and local communities should consider the impacts of their decisions and policies on the state as a whole. These policies should take into account water, energy, transportation, and infrastructure issues.

5. Urge the Arizona Legislature to Take Action

- ▶ The Town Hall recommends a number of changes be made to state law to facilitate the implementation of appropriate housing policies. Among others, the Legislature should provide authorization to allow individual communities to adopt affordable housing strategies to meet local conditions and needs.

6. Provide Incentives for Desired Development

- ▶ Public policies at the state and local level should incorporate incentives that encourage the development of affordable housing, mixed-income and mixed-use, or remove barriers to its development.

7. Implement Robust Economic Development Strategies

- ▶ Government at all levels should implement robust economic development strategies designed to encourage the type of economic development that provides well-paying jobs and help to create industries that support sustainable housing in Arizona.

8. Adopt Needed Housing Finance Regulations

- ▶ The current national financial crisis has highlighted the need for additional regulation of various segments of the financial and real estate industries. There should be a requirement to utilize a Housing + Transportation Affordability Index to determine realistic affordability and buyer eligibility for loans.

9. Demonstrate Effective Leadership

- ▶ Arizona needs sustained, vigorous, and effective leadership on housing issues from government, business, and all community stakeholders. We also need a cadre of experts and increased public and private staffing to make all of these reforms possible. The Governor's Housing Commission needs to review and make recommendations for state and private educational institutions to expand offerings, expertise, and training to help address this need.

10. Protect, Pursue, and Secure Needed Funding

- ▶ If Arizona is to adequately support affordable housing programs, it must protect existing funding sources against reallocation during times of financial shortfall. In particular, the State Housing Trust Fund should be protected. Arizona should also support the development of local housing trust funds that will need dedicated funding sources. The Town Hall also suggests the following be considered:

Public Financing Tools

- Authorize Tax Increment Financing.
- Develop new property tax incentives and abatement policies for covenanted affordable housing development.
- Develop voluntary fees and contributions to support affordable housing (such as license plate fees and Affordable Housing plates).
- Dedicate sales taxes in support of the affordable housing initiatives reflected in the 93rd Arizona Town Hall report.
- Offer tax credits to incentivize affordable housing development.
- Offer additional state tax deductions for philanthropy devoted to affordable housing.

Private Financing Tools

- Encourage philanthropic contributions to support affordable housing.
- Develop a private capital pool that would provide "advantaged financing" for affordable housing development.
- Promote community land trusts as a means to affordable housing that is preserved as affordable over time.

How You Can Take Action

- ▶ Make your views on housing issues known to the governor (<http://azgovernor.gov/Contact.asp>) and your state legislators (www.azleg.state.az.us/alisStaticPages/HowToContactMember.asp).
- ▶ Use resources such as Project Vote Smart (www.vote-smart.org/index.htm) to find contact information for all of your elected officials, including U.S. Senators and Representatives.
- ▶ Keep up to date on relevant issues and action you can take through the Arizona Town Hall web site at www.aztownhall.org, the Arizona Housing Alliance at www.azhousingalliance.org, and the Arizona Department of Housing (ADOH) at www.housingaz.com.
- ▶ Arrange a community program on housing in Arizona. Arizona Town Hall can provide resources, speakers, and printed materials.
- ▶ Be a change agent. Utilize the wealth of knowledge contained in the full report from the 93rd Town Hall to develop partnerships and programs that will help improve the availability and quality of housing for all Arizonans.
- ▶ Find information about the Housing + Transportation Affordability Index and interactive maps and data for Maricopa, Pima, and Pinal Counties at <http://htaindex.cnt.org>.



**We welcome your involvement,
questions, and perspectives.**

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Since 1962, Arizona Town Hall has served as a “think tank” of Arizona leaders. Town Hall recommendations are a valuable resource for policymakers because they do not represent the agenda of a particular group or political perspective. Instead, Arizona Town Hall reports contain the informed consensus of Arizonans from different political parties, professions, and geographic areas of the state. A private, nonprofit civic organization, Arizona Town Hall has served as a catalyst for conversations and recommendations that have influenced significant changes in Arizona’s public policy over the years. Countless local, state, and national leaders have cited Arizona Town Hall as an important factor in educating people about the multiple facets of complex issues and fostering the development of personal and professional leadership skills.

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