

**Briefing Report Number 1**



# **Affordable/Workforce Housing Recommendations and Barriers in Arizona and Metro Phoenix, from 2001 to 2007**

**Prepared for:**

**LISC**  
Phoenix  
Local Initiatives  
Support Corporation

and



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## 1. INTRODUCTION

### 1.1. AIM AND SCOPE OF THE PROJECT

The ASU Stardust Center for Affordable Housing and the Family undertook this three-phased project for Arizona Community Foundation and LISC Phoenix to inform the regional business community leadership of:

- a. recommendations made by various task forces and commissions of specific initiatives and policies that would generate more affordable/workforce housing in greater Phoenix and Arizona,
- b. major barriers and challenges that affordable housing initiatives in Arizona and Phoenix typically confront, as identified by the various task forces, and
- c. successful policies and programs throughout the country that are germane to the most consistently recommended initiatives and policies.

### 1.2. METHODOLOGY

The first step of the project was identifying and reviewing reports of the numerous commissions, sub-committees and task forces in greater Phoenix and Arizona that studied and made recommendations for generating more affordable/workforce housing. Among the twelve documents provided by LISC Phoenix and six additional reports identified by the Stardust Center, ten documents were found most relevant for analysis; it is these ten that are included in this briefing report. An executive summary was developed for each report, using a consistent organizational format to allow for easier comparison across reports. (These executive summaries are located in Section 2.3.) These reports are:

1. 91<sup>st</sup> Town Hall Report: Land Use Challenges and Choices for the 21<sup>st</sup> Century. (2007)
2. MAG 2007 Regional Human Services Summit Report / Exec. Summary. (2007)
3. Arizona Incentives for Affordable Housing Task Force Final Report. (2006)
4. Regional Workforce Housing Final Report/Exec. Summary by Regional Workforce Housing Task Force. (2006)
5. Governor's Plan to End Homelessness: Plan for Housing. (2005)
6. Maricopa County Regional Workforce Housing Plan: Framing the Economic Argument, prepared for Regional Workforce Housing Task Force. (2005)
7. Affordable Housing: MAG Best Practices Paper #2: Growing Smarter Implementation Project. (2002)
8. Affordable Housing Report, City of Phoenix Commission on Housing and Neighborhoods. (2001)
9. MAG Regional Affordable Housing Assessment. (2001)
10. Maricopa County 2020 Eye to the Future Report: Affordable Housing. (2001)

The second step (in Section 2.2) constructed graphic matrices that display the various *recommendations* derived from the ten reports. Four matrices were developed, each for a particular field of recommendation:

- Financial tools for development, preservation and homeowner/renter assistance
- Land use/planning and design
- Incentives and capacity building for developers
- Education/outreach

Similarly, matrices were constructed that display the *barriers* faced in developing and constructing affordable/workforce housing. Likewise, these barriers are grouped for particular fields:

- Financial and legislative barriers
- Land use/planning related barriers
- Barriers related to developers
- Social barriers to housing affordability

Four of the most frequently mentioned recommendations (in Section 2) guided the search for successful initiatives and practices employed by other states and cities in fostering affordable/workforce housing and dismantling barriers. Programs and policies with applicability to the Arizona context (at city, county, and state levels) that were frequently identified as best practices or exemplary cases in national reports and toolkits are described in Section 3 of this report.

Readers of this report are encouraged to visit the 'Publications' section of the Arizona Department of Housing (ADOH) website [<http://www.housingaz.com>] for the most recent and comprehensive statistical information of housing affordability in greater Phoenix and Arizona. ADOH prepares a report on Arizona's housing market each year for distribution at the Governor's Housing Forum in September. From this website, reports from the previous years (from 2000 to 2007) can also be accessed.

### 1.3. OUTLINE OF THE REPORT

This report is composed of 3 main sections:

1. **Compendium of affordable/workforce housing recommendations in Arizona and metro Phoenix.** This section includes the four matrices of specific recommendations made by the various commissions, followed by executive summaries of each report and a descriptive list of each commission's recommendations regarding affordable/workforce housing.

2. **Barriers to development of affordable/workforce housing in Arizona and metro Phoenix.**  
Culled from four major and recent reports, four matrices of specific barriers are followed by description of barriers identified in each report.
3. **Examples of best or exemplary practices of some of the leading policy, program and development recommendations identified in the first section of this report.** The best practices are grouped under three categories: employer-assisted housing programs, housing trust funds, and development tools.

A glossary of key terms is also provided as an appendix for the regional business community who may not be familiar with the affordable/workforce housing terminology.



## **2. AFFORDABLE/WORKFORCE HOUSING RECOMMENDATIONS**

### **2.1. INTRODUCTION**

This section is composed of two-subsections: recommendation matrices and executive summaries of the individual task force reports. In the matrices section, recommendations are grouped according to their area of applicability. Specific recommendations are listed on the left side of each matrix and are marked by a dot when recommended by a specific report. Recommendations are listed in order of frequency of mention from the various reports.

Executive summaries of each report include a brief overview of the report, description of its aim and scope, and the process of how the report was prepared. This is followed by a list of recommendations made in that particular report.





2.2.2. Recommendations for Land Use/Planning & Design

	Regional Human Services Summit Report (2007)	Report of the 91 <sup>st</sup> Arizona Town Hall(2007)	Arizona Incentives for Affordable Housing Task Force (2006)	Regional Workforce Housing Final Report (2006)	State Plan to End Homelessness: Part 2: Plan for Housing (2005)	Affordable Housing: Best Practices Paper #2 (2002)	Arizona Affordable Housing Profile: Findings & Conclusions (2002)	2020 Eye to the Future, Maricopa County Comprehensive Plan (2001)	Affordable Housing Report by the Herberger Center (2001)	MAG Regional Affordable Housing Assessment (2001)
Reports										
Recommendations										
Zoning Ordinances and Plans Allowing Accessory Dwelling Units (ADUs)		●				●	●	●	●	
Inclusionary Zoning (Voluntary or Mandatory)						● V,M	● V,M	● V,M	● M	
Growing Smarter/Plus and Inclusion Of AH in General Plans		●	●	●			●			
Mixed Use Zoning - "Live, Work, Learn and Play" Communities	●	●						●	●	
Housing-Transportation Planning		●						●	●	
Higher Density Developments/Upzoning						●		●	●	
Alternative Zoning Techniques, such as Clustering, Zero Lot Line						●	●	●		
Mixed-Income Neighborhoods								●	●	
Design for Energy Efficiency to Maintain Affordability							●	●		
Building Codes to Encourage Rehabilitation of Existing Housing							●	●		
Building Materials & Construction Techniques to Improve Affordability				●					●	
Flexibility in Manufactured Housing and Mobile Home Parks							●	●		
Infill Programs									●	
Sale of State Trust Land to Facilitate Planned Growth			●							
Increase Supply of Land for AH			●							
Housing Incentives Districts						●				

### 2.2.3. Incentives and Capacity Building for Developers

	<b>Reports</b>									
<b>Recommendations</b>	Regional Human Services Summit Report (2007)	Report of the 91 <sup>st</sup> Arizona Town Hall(2007)	Arizona Incentives for Affordable Housing Task Force (2006)	Regional Workforce Housing Final Report (2006)	State Plan to End Homelessness: Part 2: Plan for Housing (2005)	Affordable Housing: Best Practices Paper #2 (2002)	Arizona Affordable Housing Profile: Findings & Conclusions (2002)	2020 Eye to the Future, Maricopa County Comprehensive Plan (2001)	Affordable Housing Report by the Herberger Center (2001)	MAG Regional Affordable Housing Assessment (2001)
Fee Waivers and Reductions		•				•	•		•	•
Fast Track, Expedited Review Processing and Approval			•			•	•		•	•
Density Bonuses		•		•		•				
Agreements Between Local Government and Private Developer								•		
Allowing Third Party Plan Review Approval Process				•						
Allowing for Modifications such as Setbacks and Garage Requirements		•								
Paying for Infrastructure		•								
Neighborhood Incentive Program									•	
Consistent Methods to Locally Determine Development/Impact Fees			•							
Clearinghouse for Resource Material and Model Strategies			•							
MAG Providing Recent Data on Jobs, Housing Balance and Affordability						•				
A "Training Collaborative" for Community Organizations, City Staff				•						
"Training Calendar" of Activities for Community Organizations and Cities				•						
Attract Experienced AH Developers to Joint Venture with Nonprofits				•						
Phoenix & Maricopa County Revise Developer Compensation Guidelines				•						
Educate Development Community on New Funding Sources and Policies				•						
"Community Builder" Awards for Innovation & Effectiveness in WH				•						





## 2.3. EXECUTIVE SUMMARIES AND AFFORDABLE/WORKFORCE HOUSING RECOMMENDATIONS FOR INDIVIDUAL TASK FORCE REPORTS

<b>Title:</b>	Report of the 91 <sup>st</sup> Arizona Town Hall: "Land Use: Challenges and Choices for the 21 <sup>st</sup> Century"
<b>Year:</b>	2007
<b>Reference:</b>	Grand Canyon, Arizona. Based on the background report prepared by ASU's College of Public Programs, Global Institute of Sustainability, Decision Center for a Desert City.

### Executive summary

#### Overview, Aim and Scope:

The participants of the 91st Arizona Town Hall, drawn from across the state, addressed population growth; the balance of responsibility for land-use planning and regulation among local, regional, tribal, federal, and state governments; and the effectiveness of collaboration among tribal and non-tribal communities. Participants examined the interface of land-use planning with transportation, education, water, energy, and state trust land issues. This report summarizes the conclusions and recommendations of this Town Hall meeting.

#### Process:

139 participants met for three days and debated best approaches to creating livable communities and considered the roles of financing and incentives in directing change. The recommendations and conclusions of this report are based on an overall consensus achieved at the end of the meeting.

#### Affordable Housing Recommendations:<sup>1</sup>

1. Amend Growing Smarter statutes to include affordable/workforce housing and a job/housing balance within general plans.
2. Stronger regional planning and better coordination among state, federal, county, municipal, and tribal governments
3. Local governments can use planning to provide people with density alternatives to achieve a better balance between urban cores, suburbs, and rural areas. The preferred balance of density should provide quality jobs, quality schools, and affordable and workforce housing. All levels of government can assist in achieving the preferred balance by developing the necessary infrastructure and creating corridors and connections between and within density areas that make them more attractive.
4. Public and private partnerships, in combination with incentives and requirements, should be encouraged to result in more affordable and workforce housing within high urban density areas.
5. In some cases, large commercial tracks are developed without sufficient planning for affordable and workforce housing. To create diverse "live, work, learn and play" communities, planners must take into account housing and transportation pressures, required infrastructure, community demographics (families, singles, senior citizens, etc.), and hold back parcels of land for employment/commercial uses.

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<sup>1</sup> The recommendations of this report address a variety of land-use related issues. Only the ones relevant to affordable housing are listed here.

6. The Town Hall recommends changes in local zoning to encourage employers to locate close to affordable and workforce housing. As part of this, local communities must work with private developers to create affordable and workforce housing. For example, they should allow increased density, consider reducing some impact fees, allow for modifications such as changes to setbacks and garage requirements, and also consider paying for infrastructure to encourage affordable and workforce housing.
7. Encourage employers to take a role in ensuring affordable and workforce housing. Some examples include subsidies and assistance with down payments, but we should not expect employers to bear full responsibility for ensuring nearby affordable and workforce housing.
8. Zoning ordinances and general plans should allow accessory dwelling units, such as guest houses, within single family zones, to create higher density and provide affordable housing closer to areas where people work.

<b>Title:</b>	Affordable Housing from the 2020 Eye to the Future, Maricopa County Comprehensive Plan
<b>Year:</b>	2001
<b>Reference:</b>	Affordable Housing Section added to the Land Use element of the Plan; prepared by the Maricopa County Planning and Development Department.

## Executive summary

### Overview, Aim and Scope:

This document presents an affordable housing strategy for Maricopa County, and is included in the Land Use element of *Eye to the Future 2020*, the Maricopa County Comprehensive Plan. This report was prepared by the cooperative efforts of Maricopa County Board of Supervisors, the Planning and Zoning Commission, and citizens and stakeholders that provided input.

The report examines the housing conditions and trends at the national, state and county levels, identifies the issues affecting housing affordability, discusses potential strategies to improve housing affordability and defines goals, objectives and policies that will help Maricopa County achieve affordable housing opportunities.

It provides a guide for decisions by the Planning and Zoning Commission and the Board of Supervisors concerning growth and development. While it is to be used by policy makers to guide their decisions, it also serves as a reference for the private sector in making informed investment decisions.

### Process:

This report was prepared by the cooperative efforts of Maricopa County Board of Supervisors, the Planning and Zoning Commission, and citizens and stakeholders that provided input.

### Affordable Housing Recommendations:

*Opportunities* available to encourage affordable housing are identified below:

Federal Funding Opportunities: National Affordable Housing Act and HOME Investment Partnerships Program, Self-Help Homeownership Opportunity Program (SHOP), and Community Development Block Grant (CDBG).

State Funding Opportunities: State Housing Trust Fund, and Low Income Housing Tax Credit Program.

Other Funding Opportunities: Industrial Development Authority (IDA)

Land Use Techniques: Upzoning, inclusionary zoning, incentive programs, and other planning techniques such as flexible siting for manufactured housing communities and mobile home parks, use of accessory units, clustering of homes to reduce costs, mixed use zoning, and development agreements between local government and private developer.

*Policy Recommendations* to guide public and private decision-making are also provided (below):

**Goal:** Ensure the availability of safe and sanitary affordable housing for all residents of unincorporated Maricopa County, especially those with very low, low, and moderate incomes.

**Objective H1:** Support and encourage efforts by public, private, and non-profit agencies to establish affordable housing programs.

Policy H1.1: Evaluate the use of market incentives to make affordable housing more cost effective, while assuring target units remain affordable for specified periods of time.

Policy H1.2: Meet periodically with public, private, and non-profit sector participants to evaluate affordable housing opportunities, and identify strategies to increase affordable housing options.

Policy H1.3: Encourage partnerships and ongoing communication with public and private lending institutions to identify ways to reduce financing costs for both builders and consumers.

Policy H1.4: Encourage the construction of an adequate supply of rental housing units that meets the needs of very low, low, and moderate income residents.

Policy H1.5: Support and provide assistance to other Maricopa County departments in the pursuit of federal and state monies directed at affordable housing.

Policy H1.6: Support efforts of the Maricopa County Industrial Development Authority to provide affordable housing opportunities.

**Objective H2:** Promote zoning, subdivision, and land use regulations that accommodate affordable housing.

Policy H2.1: Establish a periodic review of zoning and subdivision regulations to evaluate potential impacts on affordable housing efforts, and mitigate potential deterrents if warranted.

Policy H2.2: Encourage mixed use developments that provide affordable housing proximate to employment and commercial uses, and that physically integrate, rather than isolate, very low, low, and moderate income citizens from other sectors of a community.

Policy H2.3: Encourage transit options in new communities in conjunction with affordable housing.

Policy H2.4: Encourage flexible design criteria specifically for affordable housing developments.

Policy H2.5: Support the use of manufactured housing in planned communities where appropriate.

Policy H2.6: Evaluate new development to determine whether affordable housing needs are being met by individual developments, and the unincorporated county as a whole.

Policy H2.7: Evaluate the feasibility of alternative zoning techniques to encourage affordable housing.

Policy H2.8: Review adopted land use categories to determine if additional categories are necessary to increase affordable housing options.

Policy H2.9: Periodically monitor affordable housing programs in other communities, and report findings to the Planning and Zoning Commission.

**Objective H3:** Promote community participation in affordable housing decisions.

Policy H3.1: Encourage public input in the design of affordable housing.

Policy H3.2: Encourage efforts to educate citizens about the social and economic importance of affordable housing.

**Objective H4:** Support the rehabilitation of substandard and existing housing units to help ensure safe and sanitary affordable housing.

Policy H4.1: Continue to monitor and enforce zoning and housing codes that assure safe and sanitary conditions for both tenants and community residents.

Policy H4.2: Support code enforcement of safety, aesthetic, and design requirements.

Policy H4.3: Provide assistance to low-income communities to encourage and maintain beautification efforts, and generate a sense of community pride.

Policy H4.4: Encourage the use of energy efficient and water conserving reconstruction techniques to help reduce occupant utility costs, and thus help maintain affordability.

Policy H4.5: Encourage and support efforts to maintain housing affordability for extended periods of time.



**Title:** Affordable Housing Report  
**Year:** 2001  
**Reference:** Prepared for City of Phoenix Commission on Housing and Neighborhoods; by Joint Urban Design Program, Herberger Center for Design Excellence, Arizona State Univ.

## Executive summary

### Overview, Aim and Scope:

The report outlines the recommendations of the Affordable Housing Design Advisory Group and the Affordable Housing Finance Advisory Group to the City of Phoenix Commission on Housing and Neighborhoods.

The recommendations of the Design Advisory Group address 4 design issues: density, mixed use, diverse housing types and economical construction. Finance Advisory Group addresses the themes of education and outreach, leverage and special products.

### Process:

The design advisory group consisted of 14 individuals, and the finance advisory group had 6 members from public and private organizations. This report was prepared by reviewing documents and meeting with city staff. All the meetings were held in public forums and included city staff in the discussions.

### Affordable Housing Recommendations:

#### Design Advisory Group Recommendations:

1. Increase density by adding accessory units, building multi-story apartments and townhomes, single resident occupancy (SRO) towers, etc.
2. Provide a mix of uses
3. Allow more diverse housing types
4. Encourage economical construction by alternative and innovative building materials and construction techniques
5. Educate the community on the importance of affordable housing
6. Strengthen sense of identity within each of the village cores through alternative development—conduct a workshop with each Village Planning Committee about alternative housing options
7. Develop programs to help fund the construction and maintenance of affordable housing
8. Promote mixed-income communities as a funding priority instead of mixed-income projects
9. Mandate affordability

#### Specific action items proposed from the above-mentioned recommendations:

- Neighborhood Incentive Program—create an umbrella program including combination of several programs, such as Community Development Block Grant-Funded Neighborhood Enhancement and Infrastructure programs, to accomplish larger development and redevelopment goals by providing developer incentives, clearing vacant/blighted parcels, improving infrastructure, etc.
- Transit Linkage—incorporate the transit element from the General Plan into a policy that would reward development of affordable housing in location-efficient areas.
- Provide recommendations for inclusion of affordable housing in the HUD Enterprise Community and State of Arizona Enterprise Zone
- Create an Urban Zoning District incorporating density to achieve affordable housing

- Amend ordinance to eliminate the need for each proposed modular housing unit to individually obtain approval from the Planning Hearing Officer in a public hearing
- Create an overlay to allow accessory dwelling units in single-family and multifamily residential districts
- Amend infill program to be more inclusive of a variety of housing types and costs
- Amend restriction that only 40% of newly constructed LIHTC multifamily units within a single project exceeding 25 units can be designated affordable in city-assisted projects
- Create policy mandating construction of affordable units as a percentage total of construction
- Offer fee waivers for certain development fees when affordable housing is provided

Finance Advisory Group Recommendations:

1. Education and outreach to help reach and better serve lower income persons and prepare them for Mortgage Revenue Bond (MRB) Single-Family programs and such ownership programs.
2. Leverage: Target funding efforts to leverage and maximize results
3. Special products: Explore the opportunity to promote and use existing mortgage products that allow for greater reach through expanded ratios and more flexible underwriting in single-family mortgages, i.e. employer assisted housing, energy and location efficient mortgages, or mortgages for persons with slightly impaired credit
4. Better understanding of tools and resources in place and available to the City of Phoenix, such as: HOME, Community Development Block Grant (CDBG), Section 8, Mortgage Credit Certificates, Mortgage Revenue Bond, Bond issues, Housing Department/Housing Authority, and Neighborhood Housing Services Division.

Next Steps—areas to be explored for opportunity to create affordable housing:

- Land banking;
- Community land trust;
- Lease-purchase program;
- Urban self-help;
- Neighborhood redevelopment;
- Section 108;
- Confiscated property;
- Community Reinvestment Act (CRA);
- Urban growth;
- Low-income census tracts.

<b>Title:</b> Arizona Incentives for Affordable Housing Task Force
<b>Year:</b> 2006
<b>Reference:</b> Prepared by Arizona Department of Housing

## Executive summary

### Overview, Aim and Scope:

In response to the housing affordability challenge faced by Arizona, Governor Janet Napolitano in December 2005 directed the Arizona Department of Housing and the Arizona Housing Commission to bring together a broad group of stakeholders as a task force to identify innovative solutions for creating housing opportunities which can be implemented within the context of local market conditions.

This report summarizes the guiding principles developed by this Task Force to improve the housing environment for Arizonans. These principles include both short-term and long-term recommendations for the following issues: finance, barriers and incentives, education and land planning.

### Process:

The Task Force consisted of 28 professionals from the private, public and non-profit sectors, including housing industry and economic development representatives. Members represented both rural and urban interests throughout the State. Three subcommittees were established to tackle what the Task Force identified as the major hurdles to affordable housing production and preservation in Arizona: Barriers and Incentives to Affordable Housing, Lack of Adequate Financing and Lack of Adequate Land. Each subcommittee met several times, also inviting non-Task Force members to gain a broader perspective. Two additional meetings were held in partnership with the League of Arizona Cities and Towns to discuss the role local governments play in the housing development process.

### Affordable Housing Recommendations:

The set of recommendations and implementation strategies are divided into short-term recommendations (that could be accomplished in 6 months and, where necessary, developed into a legislative package) and long term recommendations (that require additional implementation time beyond 2007).

### Finance:

1. Develop, expand and market Employer Assisted Housing (EAH) strategies throughout the state and provide tax benefits for participating employers and employees.
2. Enhance the ability to use both Greater Arizona Development Authority (GADA) and Water Infrastructure Finance Authority (WIFA) financing on a single project.
3. Standardize the property tax valuation processes for housing developed through the Low Income Housing Tax Credit (LIHTC) program to ensure consistency throughout the State.
4. Investigate the possibility of using interest earned on earnest monies from the resale of residential and commercial real estate transactions to dedicate to affordable housing.
5. Seek out Community Reinvestment Act-related partnerships with financial institutions to increase affordable housing investments. Create partnerships with financial institutions where a percentage of government funds are invested at below market rates and in exchange, the financial institutions commit to passing on these savings to borrowers in the form of low-interest loans for housing related activity.

6. Explore financial incentives to municipalities and counties to encourage the establishment of local housing trust/resource funds.
7. Establish state and local tax incentive programs to encourage the development of affordable housing.
8. Dedicate a portion of State Transaction Privilege Tax (TPT) collections from the prime contracting classification, above a determined threshold, to affordable housing.

Barriers and Incentives:

1. Improve procedures at the local level to reduce housing costs, such as processing time, development process, development standards, financial requirements, and market considerations.
2. Identify strategies for greater collaboration among state agencies, such as the Departments of Housing, Commerce, Transportation, Land and Corrections, around land use and housing development.
3. Establish consistent methods locally to determine development/impact fees so that builders can plan for the cost of fees at the development stage.

Education:

1. Create and maintain a clearinghouse for resource material and model strategies relating to housing affordability.
2. Begin a public awareness, education and communications effort relating to affordable housing.

Land/Land Planning:

1. Expand the investment authority of the State Treasurer to permit a portion of the Permanent Fund to be invested into loans for affordable housing.
2. Permit beneficiaries of the sale of State Trust land to use earnings from the Permanent Fund to finance Employer-Assisted Housing programs for their employees.
3. Prioritize the sale of State trust land so as to facilitate planned growth rather than speculate on growth (i.e. "leap-frog development"). Provide the State Land Department with increased flexibility and resources to carry out this goal.
4. Include affordable housing goals and strategies as an element addressed in municipal and county general and comprehensive plans.
5. Inventory existing real-estate assets (e.g. parking structures, buildings, land) owned by municipalities, counties, and State that are underutilized, vacant, or have multiple uses, for consideration in affordable housing development.
6. Increase the supply of land for housing that is affordable.

<b>Title:</b>	Arizona Affordable Housing Profile: Findings and Conclusions
<b>Year:</b>	2002
<b>Reference:</b>	Prepared for Arizona Housing Commission, Arizona Department of Housing & U.S. Department of Housing and Urban Development; prepared by Elliott D. Pollack & Company, Inc.

## Executive summary

### Overview, Aim & Scope:

In 2000, the Arizona Housing Commission released the report *The State of Housing in Arizona 2000* which outlined housing issues facing Arizona and made recommendations to achieve affordability goals. As a follow-up, the *Arizona Affordable Housing Profile* was commissioned by the Arizona Housing Commission, the Arizona Department of Housing, and the U.S. Department of Housing and Urban Development. With an in-depth look at housing issues on a community-by community basis, this report profiles the housing inventory of each incorporated community, Native American reservation and county in the State; the affordability of that housing; and community and governmental efforts to produce new affordable units. The report is intended to provide leaders in Arizona with a "point in time" picture of the housing stock within each city, county and on many tribal lands. The profile specifically details the affordable housing gap of each jurisdiction.

### Process:

The "affordability gap" was estimated for each Arizona jurisdiction. The "gap" is defined as the difference between the number of households within each income range and the number of housing units affordable to those households. A database was developed using county recorder and assessor records, 2000 US Census data, assessor's market values, and telephone surveys as data sources. Affordable housing strategies are suggested to overcome this affordability gap. Some of the best practices that can be implemented at the state and local levels are examined. These best practices are selected from HUD's "Best Practices 2000: Best of the Best Winners" because they mirror resources and strategies that might be replicated in Arizona to deliver housing to the lowest-income groups.

### Affordable Housing Recommendations:

#### Strategies:

1. Re-target Resources. Consideration should be given to making the affordable housing gap the highest priority for Arizona CDBG, HOME, and Housing Trust Fund Programs, so that funds being used now for other purposes might be re-prioritized.
2. Augment the Housing Trust Fund. Advocates should make preparations now to a) increase annual appropriations to the Housing Trust Fund as soon as economic conditions allow and b) identify new sources of capital for the fund.
3. Home Ownership Initiatives. Funding home ownership opportunities for households earning 50% of median income and below should include:
  - a. IDAs to serve as a secondary market facility for lower-than market mortgages for these households.
  - b. Land and infrastructure costs to be financed by a variety of methods including grants to nonprofit housing corporations, land write-down by local communities, and provision of infrastructure improvements for specific developments through capital improvement programs.

- c. Donated building materials (e.g. Habitat for Humanity's method) need to be used to the greatest extent possible to cut costs, minimize mortgages, and help homeowners reserve the available funds in tight budgets for insurance, taxes, and inevitable maintenance costs. Homes should also be built for energy efficiency to reduce maintenance costs for the owner/renter.
  - d. Volunteer labor from the prospective homeowners themselves, construction trades students, college students, etc. should be used to the greatest extent possible.
4. Rental Housing Initiatives. Rental housing is likely the primary vehicle to address the needs of the lowest income groups. Since the Low Income Housing Tax Credit (LIHTC) program often does not reach to the lowest income households, probably the most effective program for improving the well being of low income families is the Section 8 or Housing Vouchers Program. But increases in the allocation of new vouchers from the federal government are limited. The state and local governments should study how to expand this supply or use other resources to augment the creation of housing vouchers.
  5. Revise Existing Rules, Regulations, and Guidelines. Federal and state funding sources should review their rules, regulations, and guidelines to determine whether 1) existing rules serve to impede the development of housing for the lowest income groups, and 2) changes should be made proactively (set-asides, priorities, preferential scoring) to encourage development for the lowest income households.

Potential tools for local communities:

1. Smart Growth and Growing Smarter General Plans. Affordable housing can be provided through higher density development with mixed land uses and compact building design following the key principles of Smart Growth.
2. Voluntary or Mandatory Inclusionary Zoning and Housing Programs—"Fair Share Housing". In order to reach lowest income ranges, some sort of public subsidies must be combined with the inclusionary housing program. Density incentives are the key to inclusionary programs. Additionally, extensive education programs must be implemented for the general public.
3. Linkage Fees.
4. Development Fee Waivers. Arizona statutes should be revised so that development fees can be waived for affordable housing.
5. Innovative Zoning and Housing Development Standards. Cluster developments, zero lot line development, and other forms of subdividing should be established to maintain affordable housing prices.
6. Fact Track Development Review.
7. Accessory Dwelling Units (ADUs).
8. Land Purchase and Resale. Purchase of land by the local government and resale at reduced or no cost to non-profit organizations and affordable housing developers.
9. Banking Partnerships. Communities can institute working relationships with local financial institutions to promote affordable housing through low interest loans, outreach to low and moderate income residents, homeownership training and other activities. Another alternative is "linked deposits" for affordable housing.
10. Alternative Building Codes. Alternative building codes increase the viability of renovation by private and non-profit developers by reducing the cost of code compliance, without sacrificing safety.
11. Housing Vouchers. Programs by local communities to supplement Section 8 vouchers which have been very effective in providing housing for the lowest-income families.

12. Energy Efficiency. Consideration should be given to building orientation to minimize heat gain, overhangs and shade structures, proper insulation of exterior walls and ceilings, high performance windows and doors, quality roofing systems that will require less maintenance and replacement.
13. Manufactured Housing. Consideration should be given to manufactured housing as to reduce building costs. Innovation in the use of manufactured housing and/or building components could lead to better architectural features for such buildings and more acceptance by local governments, the public and home buyers.

#### Conclusions:

- The affordability gap for the established, larger communities of the State typically occurs at income ranges that are less than 50% of median income.
- In the non-metro areas of the State, mobile homes and manufactured housing provide a significant source of affordable housing.
- The lack of affordable housing for the lowest income households also affects the housing supply for moderate-income families farther up the income scale, compounding the problem for many working families.
- The primary effort of governmental and non-profit entities should be to create housing for those households most in need of affordable units - those that are included within the affordability gap where housing availability is extremely limited.
- Each community's housing needs are different and individual solutions and strategies must be tailored to the particular situation.

<b>Title:</b> Regional Human Services Summit Report
<b>Year:</b> 2007
<b>Reference:</b> Presented by the Maricopa Association of Governments.

## Executive summary

### Overview, Aim & Scope:

This report is a compilation of the projects developed by people from across the Valley and across various sectors as they came together at the one-day MAG Regional Human Services Summit on June 7, 2007. The summit's purpose was to engage community stakeholders in a dialogue and form partnerships and projects that would result in positive change in the community. This report documents the research and discussions that shaped the projects proposed at the end of the summit.

### Process:

Participants of the summit, including elected officials, government staff, social workers, faith-based organizations, academic representatives and the private sector, attended plenary sessions and workshops that focused on paired issues. Then they shared the projects they developed during the workshops. The paired issues included:

- Affordable Housing and Transportation,
- Aging and Development Disabilities,
- Aging and Housing,
- Community and Government,
- Population Growth and Human Services Capacity,
- Domestic Violence and the Civil Legal System,
- Homelessness and Domestic Violence,
- Homelessness and Mental Illness, and
- Youth and Crime.

The projects proposed during the workshops addressing the above-listed paired topics were:

- Affordable Housing and Transportation Civic Education Campaign,
- Developmental Disabilities and Aging Integration Project,
- Housing And Aging Summit and Development of a Blue Ribbon Committee,
- Human Services Unification Project,
- Judges Making A Difference,
- Home Safe Campaign,
- Maintaining Housing and Self-Sufficiency, and
- Juvenile Crime Reduction Campaign.

### Affordable Housing Recommendations:<sup>2</sup>

1. Develop a civic education campaign to increase awareness about the relationship between transportation and housing. If the community is better informed about higher density and shorter commutes, it will shift the market toward centrally located higher density housing.
2. "Live, work and play" as a strategy: City of Goodyear's campaign to locate employment centers and services near housing can be expanded to other municipalities.

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<sup>2</sup> The report describes several recommendations, but only outcomes relevant to affordable housing are listed here.



3. Research and compile best practices that encourage high density development close to employment centers.
4. Provide appropriate, affordable housing within each community for aging people (60 or older).
5. Inform aging people about their housing options.
6. Host a summit on aging and housing in order to gather input and community support to develop a continuum of housing options for older adults that can be replicated throughout our communities. Form a committee to address this topic throughout the year on an ongoing basis.

<b>Title:</b> Affordable Housing: Best Practices Paper #2: Growing Smarter Implementation Project
<b>Year:</b> 2002
<b>Reference:</b> Prepared for Maricopa Association of Governments Regional Development Division; prepared by Corey Cox Planning and Research, Inc.

### Executive summary:

#### Overview, Aim and Scope:

This paper is a component of the Maricopa Association of Governments (MAG) Growing Smarter Implementation Project. This Best Practices paper series is intended to assist member agencies in two ways. First, economies will be achieved by sharing some of these planning efforts that each community does in isolation. Second, innovative alternative planning solutions of individual communities will be highlighted for potential use by others.

The focus of this particular Best Practices paper is on land use planning mechanisms that can be used by local governments to promote an adequate supply of affordable housing. The paper initially addresses housing affordability issues for the Phoenix metropolitan area. It then sets a framework of nationwide affordable housing strategies over time and discusses some successful state and regional government approaches used in other states. This is followed by an examination of local government options for affordable housing for their potential applicability in Arizona. The author states that even though some of these options are applicable under the existing statutes, some of them would require new legislation.

#### Process:

The series of best practices paper topics has been identified by interviewing planning department staff from all member agencies as well as the State Land Department, Pinal County, Casa Grande and Apache Junction. During the interviews, planners were asked what they felt the most important planning issues are within and outside their jurisdictions. This information was then compiled into a survey, which was forwarded to members of the Planners Stakeholders Group, who prioritized Affordable Housing as one of their top issues and selected it as a topic for the Best Practices Paper series.

The primary method utilized in developing this particular paper is document analysis of existing housing policies and assessment of them for their applicability within the Arizona context.

#### Affordable Housing Recommendations:

Due to the insufficiency of federal programs, the author emphasizes the need to address the problem at the state and local level. Thus, the recommendations of this study are for local jurisdictions:

1. Communities should define the affordable housing shortages that are particular to their communities in the housing element of the General Plan. Also, to promote comprehensive implementation, affordable housing goals and policies should be incorporated into the land use, growth areas, cost of development, neighborhoods and redevelopment elements and (if applicable) infill incentives areas of the General Plan. Also, provisions should be established to include affordable housing in any mixed-use and transit-oriented development zoning district.
2. The housing goals and policies defined within the General Plan should be used as a springboard for the development of new implementation policies for affordable housing. ... The development of implementation policies should include a comprehensive assessment of zoning and subdivision regulations. Implementation policies to be considered should include:

- Voluntary or mandatory inclusionary zoning;
  - Fast track development review for projects that contain affordable housing;
  - New forms of higher density housing promoted by new zoning classifications. These should include accessory dwelling units, tandem houses, and zero lot line and cluster development;
  - Public provision of infrastructure support for affordable housing. This could potentially include housing trust funds, development fee waivers, linkage fees, APFO's and/or other new sources;
  - Establishment of Housing Incentives Districts incorporating all of the above options.
3. MAG communities should develop consensus on a legislative package to change our state statutes to enable different regional policies to support affordable housing. This might include some level of regional revenue sharing, legislation to allow tax increment financing for affordable housing and specific legislation to enable the use of regional linkage fees.
4. MAG should regularly provide updated jobs, housing balance and community housing affordability data to member agencies.

None of these methods will be "the" answer to solving the problem of affordable housing. In the words of APA Staff Researcher Marya Morris:

"... the provision of density bonuses and regulatory waivers of fees or development standards are not sufficient, in and of themselves, to get developers to build affordable housing. What does work, are carefully crafted packages of financial and regulatory techniques that remove the barriers to affordable housing but also meet the overall community planning objectives."

<b>Title:</b> MAG Regional Affordable Housing Assessment
<b>Year:</b> 2001
<b>Reference:</b> Prepared for Maricopa Association of Governments Regional Development Division; prepared by Crystal & Co.

## Executive summary

### Overview, Aim and Scope:

The Maricopa Association of Governments (MAG) Regional Affordable Housing Assessment is a component of the Growing Smarter Implementation (GSI) project. Selected as a top priority by a MAG Planners Working Group, a new state law (ARS 9-461.05) calls for the preparation of housing and conservation elements by communities over 50,000 in population. This report offers members a regional perspective on the status of affordable housing and neighborhood revitalization in Maricopa County and advances a regional agenda. It focuses on housing and neighborhood revitalization for low-income households, a large target audience of the new planning statute but not an exclusive one.

The aim of this report is to compile and summarize the current information on the prevailing conditions in the Valley. It presents key socio-economic trends affecting affordable housing supply and demand, summarizes the findings on the affordable housing need and offers a regional agenda to be followed in response to the issues related to affordable housing. The study also provides information on exemplary affordable housing and neighborhood revitalization cases.

### Process:

Crystal & Co. provides extensive statistical information to present the housing issues and affordable housing need in the Valley. Within the framework of this quantitative data, MAG regional agenda to affordable housing need and neighborhood stress is defined.

### Affordable Housing Recommendations:

#### Issue 1: Increase the Valley funding volume

- Explore authorization of a Valley-wide Housing Trust Fund - Consider financing the Housing Trust Fund through sources that include but are not limited to: (1) a modest surcharge on all resident building permits issued that is indexed to the value of the permit issued; and/or (2) a modest fee on all residential deeds recorded during a given year. Allocate funds through a 'fair-share' formula replete with minimum distress thresholds and emphasis for jurisdictions with high distress.
- Alterations to Commercial Governmental Lease Excise Tax - Raise incentive opportunities available for residential rental properties under ARS 42-6209.
- Increase the Private Activity Bond Allocation for multi-family development pursuant to HB 2390.
- Secure funding for the Arizona Neighborhood Preservation and Improvement Commission
- Community Reinvestment Financing - In cooperation with the Governor's Office, pursue the enactment of community reinvestment financing (also known as tax increment financing).
- Affirm Non-Profit Tax exemptions under State Law.
- Secure adequate state funding for the Mental Health and Correctional System.
- IDA Surplus Revenues - In concert with IDAs, pursue written agreements that establish public purpose parameters for the investment of IDA surplus revenues. Pursue state statutes as/if needed.
- Secure state resources for disabled homeless
- Secure state resources for prison inmate release

- Emphasize the commitment of resources for expiring HUD multifamily inventory.

#### Issue 2: Foster member funding equity and reliability

- Ensure the equitable geographic allocation of existing state housing resources through:
  - Ensuring the equitable allocation of *State Housing Trust Fund* (HTF) resources for the Valley at a level not less than 60% (population based) of the annual state revenues for all eligible uses authorized under state statute. If deemed appropriate, pursue a 'pass through' allocation of State HTF resources for the Valley.
  - Fostering continuing annual Valley allocations of *Low Income Housing Tax Credits* (LIHTC) at levels not less than 60% (population based) of the annual state total and subject to all local land-use and affordable housing priorities and policies.
  - Continuing the investment of State *HOME* Resources within the MAG region at levels proportionate to statewide need.
  - Working with the State on a continuing basis to ensure the acquisition and usage of all state resources that are not overly complicated or prescriptive.
- Sustain continued local administration of all federal and state rental subsidies.
- Continue to foster a decentralized affordable housing delivery system
- Phoenix/Glendale Neighborhood Revitalization - encourage cooperative endeavors to address neighborhood distress evident in the southwest Valley.

#### Issue 3: Foster affordable housing barrier removal

- Create a regional affordable housing information and referral service.
- Undertake a jobs/housing balance fiscal impact assessment.
- Continue to implement land-use ordinances, fee exemptions, expedited development processing and aggressive code enforcement that induce priority affordable housing production and neighborhood revitalization consistent with the objectives of local governing bodies.
- Aggressively implement the newly enacted Arizona Slumlord Statute and Local Neighborhood Improvement Ordinances.
- Commit surplus local public assets for priority affordable housing production.

<b>Title:</b> State Plan to End Homelessness: Part 2: Plan for Housing
<b>Year:</b> 2005
<b>Reference:</b> Prepared by Arizona Interagency and Community Council on Homelessness (ICCH)

## Executive summary:

### Overview, Aim and Scope:

Governor Janet Napolitano created the Governor's Interagency and Community Council on Homelessness (ICCH) through an Executive Order on June 5, 2004. The purpose of the ICCH is to guide the development and implementation of a state level plan to end homelessness for Arizonans with a focus on families who are homeless. The state plan has four goals: (1) prevent homelessness, (2) build the infrastructure to address homelessness, (3) manage outcomes, and (4) create permanent housing. This document contains the housing plan of the State Plan to End Homelessness.

### Process:

The Council proceeded by analyzing the current situation and barriers. Using the relatively narrow definition of homelessness provided by the U.S. Department of Housing and Urban Development, data from the three Arizona Continua of Care (CoC) suggest there are 12,264 homeless Arizonans<sup>3</sup>. The Continua of Care data also suggests that Arizona currently has an inventory of just under 4,600 beds of supportive housing but there remains a need of at least 996 beds (approximately 343 units) of supportive housing for homeless families with at least one disabled member, and 2,723 units of supportive housing for individuals. The number of beds needed for long-term homeless families and persons is a subset of this need: 343 units are needed for families and 1,348 units are needed for single individuals.

### Affordable Housing Recommendations:

Based on the identified needs and barriers, the following actions were recommended to enhance the development of affordable housing in Arizona.

#### Goal 1: Increase supportive housing development.

- Action a: In partnership with local government, non-profit and private developers, develop 343 units of supportive housing for long-term homeless families within five years.
- Action b: In partnership with local government, non-profit and private developers, develop 1,348 units of supportive housing for long-term homeless individuals for five years.

#### Goal 2: Expand the housing and services resources available for supportive housing.

- Action a: Create an interagency planning group on supportive housing.
- Action b: Review current housing program funding priorities and target more resources for supportive housing.
- Action c: Create a private pool of very low-interest loan or grant funds to cover the total development cost gap in projects for homeless and other very low-income persons.

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<sup>3</sup> Continuum of Care is a term coined by the US Department of Housing and Urban Development (HUD) to describe a coordinated community-based process of identifying the needs of homeless persons and crafting a system to address those needs from emergency shelter and services to permanent housing. This number reflects the total number of homeless individuals and homeless persons in families that were reported to HUD in the 2005 Continuum of Care applications submitted by Arizona's three Continua. Because of changes in the methodology acceptable to HUD implemented in 2005, only persons actually counted in the street and shelter counts could be included in the total. In the past, Continua included the actual count and an estimate of homeless persons missed. In 2004, that approach resulted in a reported 21,148 homeless persons in the state. Based on input from state experts, the authors believe that the 2004 number more accurately reflects the homeless population of the state.

Action d: Develop a targeted approach for using mainstream programs for support services in supportive housing.

Action e: Support expansion of state and local (city and county) housing trust funds.

Goal 3: Increase public awareness of the need for affordable housing and solutions to the lack of affordable housing.

Action a: Encourage the development of the "Governor's Supportive Housing Design" award.

Goal 4: Research and analyze key barriers to accessing affordable housing.

Action a: Convene a work group to review the current status of unregulated board and care homes in Arizona and their impact on homelessness.

Action b: Convene a work group of state agency and private stakeholders to discuss the impact of "crime free housing" and ways of meeting the spirit of the law without increasing homelessness.

Goal 5: Encourage the role of the federal government in affordable and supportive housing.

Action a: Advocate for sustaining and expanding federal funding for both housing and services.

### Conclusions:

The vast majority of homeless persons face significant economic challenges rather than disability. Their need is for safe, decent, and affordable housing but resources are limited and many of the options that currently exist are threatened by federal cutbacks. Their housing needs are very real and must ultimately be addressed if homelessness is to be ended.

Although all homeless persons need safe, decent, and affordable housing, this plan recommends the state of Arizona initially focus on those long-term homeless individuals and families who need supportive housing (affordable housing with wrap-around services) in order to move out of homelessness. This is a relatively small subset of the overall population, but research points out that this group is desperately needy and highly costly to communities. In theory, addressing the needs of this group in the short term should free up critical resources in the years ahead to better address the broader affordable housing need.

A number of barriers to the development of affordable permanent supportive housing were identified by those who participated in the development of this plan including the high cost of land and construction and the impact of zoning issues. Operational barriers, such as the lack of subsidies for very low-income housing, and the difficulty obtaining and sustaining support services were also cited. Move-in costs and lack of accessibility were identified as barriers to individuals seeking housing and regulatory issues such as impact fees, the implementation of "crime free housing," and costs related to some elements of building codes were also cited. Finally, the lack of public awareness regarding both the need for and possible solutions to affordable housing were cited as significant barriers to obtaining the political will needed to address the problem.

<b>Title:</b> Regional Workforce Housing Final Report/Executive Summary
<b>Year:</b> 2006
<b>Reference:</b> Prepared by the Maricopa County Regional Workforce Housing Task Force.

## Executive summary

### Overview, Aim & Scope:

The Maricopa County Regional Workforce Housing Task Force is a compilation of representatives from for-profit and non-profit housing industry, community leaders, business leaders, elected leaders and the public sector. The Task Force was convened in early 2005 to develop a plan to address comprehensively, through 2020, the housing affordability needs of working households in Maricopa County earning between \$20,000 and \$42,000 annually (households of four, 2005 income level; to be adjusted both by household size and annually as area median income for Maricopa County increases).

The report lists a series of recommendations developed by the Task Force in four areas: revenue, land use/process, capacity building, and outreach. It also summarizes the key findings of the background research conducted by David Paul Rosen & Associates (DRA) on the demographic, market, economic, financial, development, policy, legal and fiscal environment of Maricopa County and Arizona.

### Process:

The Task Force met throughout 2005 to consider demographic, market, legal, economic, land use, financial and public policy factors that contribute to and could potentially ameliorate the growing affordable housing crisis for working families in Maricopa County. The Task Force retained David Paul Rosen & Associates (DRA) to provide economic, finance, policy, program, capital planning, best practices, legal and other guidance and research upon which to base the Plan. Based on this research and guidance, and on the legal, fiscal and political constraints facing land use and revenue proposals in Maricopa and Arizona, the Task Force crafted a set of recommendations.

The Task Force was divided into 5 committees, in the areas of Land Use and Process, Policy, Financial Resources and Public Relations/Outreach. It also had a Steering Committee that periodically assisted in coordinating and compiling the work of the individual Committees. The Committees, Steering Committee and the Task Force itself each met over the course of twelve months to review the findings of the economic research and to discuss ideas. Each committee developed a specific set of recommendations that were provided to and reviewed by the full Task Force.

### Affordable Housing Recommendations:

#### 1. Revenue:

- a. Rental Housing Revenue Recommendations:
  - i. Creation of a \$100 million per year Arizona State Workforce Housing Tax Credit program— State tax credit program to complement the existing federal Low Income Housing Tax Credit (LIHTC) and Private Activity Bond programs.
  - ii. Increase the State allocation of Private Activity Bond (PAB) authority to rental housing.
  - iii. Streamline and formalize the process of granting property tax exemptions to affordable workforce housing developments.
  - iv. Secure a greater percentage of 9% LIHTCs for Maricopa County.
  - v. Improve LIHTC pricing in Arizona.



- b. Rental/Owner Housing Revenue Recommendations - that apply both to rental and owner workforce housing:
  - i. Establish a state tax credit contribution to a first-time homebuyer or housing trust fund.
  - ii. Maximize leverage of existing resources, such as LIHTC (9% and 4%), HOME funds, State Housing Funds, CDBG funds, as identified by DRA.
  - iii. Establish a Regional Housing Trust Fund.

## 2. Land Use / Process:

- i. Housing Element Reform—Growing Smarter/Plus
- ii. Local jurisdictions allow third party plan review approval process
- iii. Local jurisdictions adopt density bonus and other incentives related to zoning, design guidelines, and engineering and development standards for developers to voluntarily provide affordable workforce housing units
- iv. Encourage the development and use of building materials and production techniques designed to improve affordability without compromising quality

## 3. Capacity Building

- i. Develop a “Training Collaborative” for community development organizations and city staff to increase capacity to develop workforce housing and reduce duplication of effort
- ii. Develop a “Training Calendar” of training and activities for community development organizations and cities that can be utilized by all concerned.
- iii. Attract experienced affordable housing developers, both for-profit and nonprofit, to joint venture with existing nonprofit developers in Maricopa County to build the capacity of the existing nonprofit development community.
- iv. Work with the City of Phoenix Housing Department and the Maricopa County Community Development Department to evaluate their developer compensation guidelines for nonprofit community development organizations to create a “level playing field” for nonprofit and for-profit developers working with these agencies.
- v. Develop strategies to create incentives to encourage families or individuals living in subsidized housing or purchasing a home using public funds to attend financial fitness and/or homebuyer education training.

## 4. Outreach

- i. Establish an external communication process using a Leadership Council
- ii. Maintain an active relationship with key community organizations.
- iii. Establish a process to educate the development community on the availability of new funding sources and policies to help stimulate the production of workforce housing in the Region.
- iv. Establish a process to educate the general public regarding the availability of programs that can be used to accomplish their desire for homeownership.
- v. Establish “Community Builder” awards given to organizations that demonstrate innovation and effectiveness in building workforce housing units/neighborhoods on an annual basis.

### **3. BARRIERS CONFRONTED BY AFFORDABLE HOUSING INITIATIVES**

#### **3.1. INTRODUCTION**

This section presents the major barriers and challenges identified by the various task forces that affordable housing initiatives in Arizona and Phoenix typically confront. In addition to Regional Workforce Housing Task Force Final Report (2006) and Arizona Incentives for Affordable Housing Task Force Final Report (2006), barriers were identified from two other studies for the following reasons:

- The Economic Feasibility of Select Strategic Recommendations Pertaining to Housing Access and Affordability (2007): This report evaluates the appropriateness of the recommendations put forth by the Arizona Incentives for Affordable Housing Task Force (2006), and identifies the barriers that may interfere with the implementation of the recommended programs and policies by the task force.
- Arizona Affordable Housing Profile -- Findings and Conclusions (2002): This study presents the findings of a survey conducted of over 400 people across Arizona with the aim of identifying barriers to affordability.

This section is composed of two-subsections: (1) matrices of specific barriers and (2) lists of barriers identified in each of the four reports. In the matrices section, specific barriers are listed on the left side of each matrix and are marked by a dot when recommended by a specific report. Barriers are listed in order of frequency of mention from the various reports.

### 3.2. BARRIERS MATRICES

#### 3.2.1. Financial and Legislative Barriers to Housing Affordability

Financial and Legislative Barriers to Housing Affordability	Reports			
	The Economic Feasibility of Select Strategic Recommendations, 2007	Regional Workforce Housing Final Report, 2006	Arizona Incentives for Affordable Housing Task Force, 2006	Arizona Affordable Housing Profile: Findings & Conclusions, 2002
Variations in tax valuation of housing developed with LIHTCs from county to county	•		•	
Lack of adequate financing			•	•
Limited government funding		•		•
Unfeasibility of developing 100% affordable developments using tax-exempt bond/4% tax credit program without substantial gap financing		•		
New State legislation required to complement federal LIHTC and PAB programs with the State tax credit program		•		
New State legislation required to increase the State allocation of PAB authority to rental housing		•		
New funding sources and policies required for regional housing trust fund		•		
Unfeasibility of developing mixed-income developments using bond financing		•		
Necessity of legislation to provide tax relief for employers investing in EAH programs			•	
Necessity of legislation to eliminate the requirement that employer assistance be taxed by state			•	
Necessity of legislation to permit beneficiaries of the sale of State Trust Land to use earnings from the Permanent Fund to finance Employer-Assisted Housing programs for their employees			•	
If originated by the government, lack of certainty in implementing an EAH program	•			
If no government subsidy, an added cost to the employer by the EAH program	•			
If government implements an EAH program, tax dollars benefiting a particular, targeted group	•			
Most EAH programs do not address supply issues	•			
Risks associated with the use of earnest money funds for affordable housing	•			
Difficulty in finding a reliable and continuous source of income for local housing trust funds	•			
Programs at the individual level that result in inequitable tax policy may be unconstitutional	•			
Necessity of legislation to authorize the State Treasurer to invest Permanent Fund monies in real estate type investments	•			
Use of Permanent Fund monies on EAH programs might come at the expense of direct wage increases	•			
Provision of affordable housing through direct purchase may be most costly	•			
No Tax Increment Financing (TIF) legislation in AZ and ambivalent research on effectiveness of TIF	•			

3.2.2. Land-Use/Planning Related Barriers to Housing Affordability

	<b>Reports</b>			
<b>Land-Use/Planning Related Barriers to Housing Affordability</b>	The Economic Feasibility of Select Strategic Recommendations, 2007	Regional Workforce Housing Final Report, 2006	Arizona Incentives for Affordable Housing Task Force, 2006	Arizona Affordable Housing Profile: Findings & Conclusions, 2002
Lack of adequate land/high land cost (already entitled vacant land)	•	•	•	•
For Growing Smarter/Plus requirements, communities below 50,000 not required to address housing in plans	•	•	•	•
Inflexible zoning ordinances and bias against density	•	•	•	•
General plans that do not contain policies or regulations linking density to affordability	•	•	•	•
Policies in plans for reducing regulatory barriers not implemented	•	•	•	•
In Growing Smarter/Plus local governments not required to bring zoning into conformity with general plans	•	•	•	•
Little inventory of available infill land	•	•	•	•
Within the Arizona context (with large master planned communities), no inclusionary zoning or other incentives to place new homeowners closer to their jobs	•	•	•	•
Lack of infrastructure	•	•	•	•
Design guidelines set by local governments that increase housing costs	•	•	•	•
Limited staffing to enforce and monitor inclusionary zoning	•	•	•	•
Limited housing stock	•	•	•	•

### 3.2.3. Barriers Related to Developers

	<b>Reports</b>			
<b>Barriers Related to Developers</b>	The Economic Feasibility of Select Strategic Recommendations, 2007	Regional Workforce Housing Final Report, 2006	Arizona Incentives for Affordable Housing Task Force, 2006	Arizona Affordable Housing Profile: Findings & Conclusions, 2002
Impact/ development fees		•		•
Complicated and unpredictable development review procedures		•		
Unpredictable and inconsistent fee schedule for developers			•	
For regulations demanding uniform pricing schedule, municipalities may settle on a higher price	•			
Redirection of fees to one program that come at the expense of another	•			
Developers' complaints of unfair return of inclusionary zoning	•			

### 3.2.4. Social Barriers to Housing Affordability

	<b>Reports</b>			
<b>Social Barriers to Housing Affordability</b>	The Economic Feasibility of Select Strategic Recommendations, 2007	Regional Workforce Housing Final Report, 2006	Arizona Incentives for Affordable Housing Task Force, 2006	Arizona Affordable Housing Profile: Findings & Conclusions, 2002
'Not in my backyard' (NIMBY) sentiment, often premised on concerns about loss of property value and quality of life perceptions.	•	•	•	•
Wage gap				•
Lack of employment opportunities				•
Lack of awareness of affordable housing benefits				•
High property and other taxes				•
Growth in cost-burdened households		•		



### 3.3. BARRIERS AS IDENTIFIED IN INDIVIDUAL TASK FORCE REPORTS

<b>Title:</b>	Regional Workforce Housing Final Report/Executive Summary
<b>Year:</b>	2006
<b>Reference:</b>	Prepared by the Maricopa County Regional Workforce Housing Task Force

#### Barriers to Housing Affordability:

- Growth in cost-burdened households in each community in Maricopa County.
- Existing affordable rental units that are scheduled to convert to market-rate housing in the planning period. The regulatory compliance period for tax credit projects in Arizona is currently 30 years from the placed-in-service date. Without efforts to preserve these units, at least 1,402 affordable 9% tax credit units are scheduled to convert to market rate within the fifteen-year planning period for the Regional Workforce Housing Plan.
- **Barriers related to financing:**
  - o The State tax credit program, which would complement the existing federal Low Income Housing Tax Credit and Private Activity Bond programs, would require adoption by the State legislature.
  - o Increase of the State allocation of Private Activity Bond (PAB) authority to rental housing would require State legislation.
  - o Regional Housing Trust Fund can only start after the proposed new funding sources and policies proposed by the Task Force are adopted.
  - o The number of developments financed with private activity bonds and 4% tax credits in the Valley declined dramatically in 2005. This is because mixed-income developments using bond financing are not economically feasible under current market conditions.
  - o Without substantial gap financing, 100% affordable developments are not feasible using the tax-exempt bond/4% tax credit program.
- **Impact fees** can pose challenges to the development of workforce housing as most are imposed on a per-unit basis based on housing type (e.g., single-family dwelling unit), regardless of price, housing unit size, or location.
- **Social Barriers/Community Perception:** NIMBY sentiment, often premised on concerns about loss of property value and quality of life perceptions, can lead to restrictive land use controls and development regulations, which can drive up the cost of housing. Community opposition can also increase the cost of development by causing the developer to incur additional costs for technical and legal fees, adding delays in permitting, and forcing design concessions.
- **Barriers related to local development practices:**
  - o **Linking Land Use or Zoning Policies to Workforce Housing:** Most general plans for communities in Maricopa County contain higher density residential land use designations supportive of workforce housing. However, none of the general plans contain policies or regulations linking density to affordability. In addition, most plans contained policies fostering the removal of regulatory barriers, but these policies have generally not been implemented.
  - o **Vacant Residential Land and Residential Build-Out:** While there is a large amount of undeveloped residential land in the County, a very large proportion of the remaining vacant land has already been entitled, limiting the extent to which land use policies, regulations and incentives can be used to stimulate the production of affordable workforce housing.

- **General Plan Policies:** The state's Growing Smarter/Plus acts require rezoning conformity, not zoning conformity. In other words, local governments are not required to bring their zoning into conformity with their general plans, but they are required to ensure that the rezoning of property is done in conformity with the adopted general plan. The practical effect of this requirement is that a community's general plan may depict a desired mix and distribution of planned uses that differs from its adopted zoning. The Growing Smarter/Plus legislation mandates that only communities over 50,000 in population prepare housing elements. Thus, several of the most rapidly growing communities in Maricopa County are not required to address housing within their plans. In essence, the communities with the greatest opportunity to influence the development of the housing stock through general plan policy do not have to do so.
- **Zoning Practices:** A review of zoning ordinances in the Maricopa County communities identified inflexibility and a bias against density as issues affecting development of affordable workforce housing. Most communities do not allow minimum lot widths less than 50 feet without either administrative relief (e.g., variance) or approval of a development agreement. In addition, the same design standards often apply to both large and small-scale developments instead of being tailored to fit the proposed development's use or intensity. By its nature, zoning favors conventional site design options, rather than more innovative and flexible approaches such as planned development options (e.g., PUDs, PADs, PCDs). Furthermore, in some communities where such options are available, large minimum site areas are required. This leads to low densities in general.
- **Land Supply Constraints:** The availability of non-entitled vacant land within Maricopa County is a considerable constraint on the development of workforce housing options. Difficulties acquiring enough land, especially in infill areas, can also prevent builders from utilizing economies of scale necessary for the development of workforce housing. Although many look to State Trust Land for potential residential development, the cumbersome process and constitutional requirements for its disposition led many developers to "leapfrog" over this land to parcels easier to obtain farther into the rural periphery. In addition to its availability, the location of vacant land is also problematic within Maricopa County. As the County continues to develop, available parcels stretch farther and farther into the periphery. The farther these developments are from available jobs and other locational advantages for workforce housing (e.g., transit), the harder it will be for workforce housing developers to realistically build and sell an affordable product.
- **Permitting and Development Review:** Complicated and unpredictable development review procedures can discourage developers from attempting projects of any kind, let alone projects that include workforce housing. In many instances, communities revise land use or development regulations without reviewing administrative procedures to determine any potential conflicts or redundancy. Procedures used within Maricopa County that may hinder the development of workforce housing options include the following:
  - Complexity of process in discretionary approvals, such as PADs;
  - Insufficient staffing and staff consistency problems in review processes;
  - Building codes' hindering the rehabilitation projects and problems associated with variations in building codes adopted across the Valley;
  - Additional time required within the permitting and development review process due to needed rezonings or additional hearings for special exceptions or variance requests; and
  - Unspecified and ambiguous procedures for review.

<b>Title:</b> Arizona Incentives for Affordable Housing Task Force
<b>Year:</b> 2006
<b>Reference:</b> Prepared by Arizona Department of Housing

In order to identify the future steps, the Task Force pointed out the major hurdles to affordable housing production and preservation in Arizona in three categories:

- Barriers and Incentives to Affordable Housing
- Lack of Adequate Financing
- Lack of Adequate Land

However, instead of listing these obstacles in detail, the study listed recommendations. The following are the *barriers* extracted from this list of recommendations:

- **EAH-related barriers:**
  - o Legislation needed in order to provide tax relief for employers who invest in employer housing programs.
  - o Legislation needed to encourage employee participation by eliminating the requirement that employer assistance be taxed by the state.
  - o Legislation needed to permit beneficiaries of the sale of State Trust Land to use earnings from the Permanent Fund to finance Employer-Assisted Housing programs for their employees.
- Unpredictable and inconsistent fee schedule for developers,
- Public opposition—concerns raised about property values, crime, quality of construction, traffic, etc.
- Greater Arizona Development Authority (GADA) is approaching its lending limit based on its current capitalization of approximately \$16.5 million. To ensure it can continue to meet the public infrastructure needs of Arizona’s rapidly growing communities over the next five years - and participate with WIFA to finance water and wastewater projects - GADA will need an additional capital infusion in the near future.
- Tax valuation of housing developed with LIHTCs varies from county to county.
- Affordable housing is not a required element for the general plans of cities or the comprehensive plans of counties.



<b>Title:</b>	The Economic Feasibility of Select Strategic Recommendations Pertaining to Housing Access and Affordability
<b>Year:</b>	2007
<b>Reference:</b>	Prepared for Arizona Department of Housing, by Elliot D. Pollack & Company

This study evaluated the recommendations of the State Task Force for their feasibility. In that sense, it helped identify the possible barriers against the proposed affordable/workforce housing strategies.

#### Financial Recommendations:

##### a. Employer-Assisted Housing:

- i. The first potential problem with implementing an EAH program has to do with the fact that there is no hard and fast rule for defining "attainable." In addition, while it is possible to survey regions for housing supply and current pricing in an effort to identify trouble areas, it is nearly impossible to predict the value that companies place on having a proximate workforce. To capture this value, extensive surveys must be completed. The lack of certainty will make implementing an EAH program a challenge if originated by the government.
- ii. Assuming no government subsidy, the employer will be bearing an added cost from these programs while the employee is made better off.
- iii. If the government does indeed implement an EAH subsidy program, additional tax dollars will likely be redirected from a broader group of taxpayers for the benefit of a particular, targeted group.
- iv. Increasing the supply of workforce housing makes finding an affordable, proximate home much easier for employees. However, EAH programs do not address supply issues, except in very unusual instances.
- v. EAH programs will not be effective in all areas and for all companies.

##### b. Consistent Valuation of LIHTC Properties:

- i. If the property tax system were modified to be based on income streams rather than calculated property value, current LIHTC owners would disproportionately benefit from the change in law with less money available for new construction.
- ii. Another significant negative aspect of this proposal is the reduction in property tax collections by the counties. This would result in a transfer of the tax burden from LIHTC developers to other commercial property owners.

##### c. Earnest Money Funds: *[The use of earnest monies for affordable housing programs gained enough support to reach bill status in the last legislative session (2007). However, the bill failed to become law.]*

- i. If given the choice, under a law that requires deposits into interest-bearing accounts, many individuals would opt to keep their money. Or, businesses would charge a fee to capture a portion of the investment returns. This would limit the amount of revenue that the program would generate.
- ii. Since this source of revenue cannot be considered significant based on a review of other states, there is the question of the extent that it would help to alleviate affordable housing programs in the state.
- iii. The administration of the program could be a burden on the real estate community.

- iv. Under current Arizona law, it is not a requirement to place money held in escrow into interest-bearing accounts. One constraint is that the earnest money must be extremely liquid. This limits the type of investment options to money market accounts. With any assessed fee, and given the typically short amount of time the earnest money stays in escrow, the amount of money would need to be relatively large to accrue significant assets to be used on select programs. It is difficult to ascertain how many individuals will pass up the chance to earn a return if a deposit becomes a state requirement.
  - v. This method of acquiring housing funds has the potential to be classified as an expropriation, or taking. The point being that if individuals feel they legitimately lost money from this type of program, they may file a suit, either individually or as a class action. This could cost the state a considerable amount of money.
- d. Local housing trust funds:
- i. Finding a reliable source of income appears to be a problem with most local housing authorities.
  - ii. State Housing Trust Fund would be able to provide financial incentives or support to local housing authorities in establishing their own local housing trust funds. The constraint, however, is that the assistance may only be a one time grant. The fund simply does not have enough revenue to support any local fund over the long term.
- e. Tax incentives: *[The recommendation includes the abatement or redirection of construction sales taxes on affordable housing projects and the reduction of property taxes used for affordable housing, among others.]*
- i. Current laws allow for the monies to be used on anything the Legislature and Governor deem fit. This means that a redirection of monies will come at the expense of some other program or at the expense of local taxpayers by foregoing tax relief.
  - ii. It is often difficult to determine if the project indeed would not be constructed locally absent the subsidy. If subsidies are ultimately provided for projects that would have located here anyway, the program would result in a pure revenue loss to the State and local jurisdictions.
  - iii. A reduction of impact fees and other initial development taxes would reduce the cost of development. However, unless there is a financial incentive or requirement to pass the savings on to customers, home prices are not necessarily going to fall with this form of incentive.
  - iv. The unintended consequence is that buyers of the properties will value the potential for reduced tax payments, and this will translate into a higher home price unless regulated. If regulated, then there would be some administration cost. In addition, programs at the individual level that result in inequitable tax policy may be unconstitutional.

#### Barriers and Incentives:

- a. Procedural Improvements:
- v. In reality, the deferment of development fees is not likely to significantly impact the development decision. If fewer fees are collected, a community may provide too little of a particular service. This could, under extreme conditions, also influence development patterns.
  - vi. Development barriers identified by HUD: High land costs—primarily, in urban areas; repair costs of the deteriorated infrastructure if urban land is acquired;

infrastructure finance districts to fund infrastructure reducing affordability; mismatch between sites and where people want to live; lack of understanding about moderate-income earners' preferences; limited government funding (funding strategies previously employed toward low income housing can also be used to create funding for workforce housing. This may prove difficult as the current programs designed to assist low income earners generally have more applicants than the funding is capable of helping); and NIMBYism (with its biggest concern being loss of home value).

b. Consistent Development/Impact Fees:

- vii. If regulation demanded a uniform pricing schedule, the probability of collusion increases. The ending result may be that the municipalities settle on a higher price than they would have absent of the regulation.
- viii. The redirection of fees to one program will come at the expense of another program.

**Land/Land Planning:**

- a. Permanent Fund Investing: Under Arizona constitutional law, the State Treasurer is currently not authorized to invest Permanent Fund monies in real estate type investments. Enabling legislation would need to occur to begin consideration of this type of investment. Such investment may not be in line with Treasurer's office investment goals of safety, liquidity, and yield.
- b. Permanent Fund Employer Assisted Housing Programs: The use of Fund monies on EAH programs for teachers might come at the expense of direct wage increases. Many teachers may prefer a simple wage increase over a restricted housing grant.
- c. Municipal/County General and Comprehensive Plans: Although most of Arizona's counties do choose to address housing in their general plans, they are not required to mention affordable housing in any way.
- d. Municipality Owned Land for Affordable Housing Development: It appears the biggest issue related to developing infill projects at the local level is the fact that most cities do not have a current inventory of such land. Before a market assessment of a property can be completed, the property must be identified. This could be a serious undertaking at the State and large city level.
- e. Land Supply: This method of providing affordable housing (through direct purchase) could prove to be the most costly and should be considered within a second tier of priorities.

**Additional Considerations:**

- a. Tax Increment Financing (TIF): Arizona is currently the only state without Tax Increment Financing legislation. Research into the effectiveness of TIF is ambivalent. Some studies claim that TIF districts show definite improvement that would not have happened without the financing, while others claim that TIF does not help and can even hurt areas.
- b. Inclusionary Zoning:
  - ix. While these regulations may appear to have low costs to the government, many developers, land owners, and homebuyers would argue that the costs are unfairly focused on them rather than shared by the entire community.
  - x. One of the more significant drawbacks of inclusionary zoning can be the administrative liability. There are controls placed on the resale of the homes that require years of supervision in addition to the staff necessary to monitor the program in the first place.



<b>Title:</b>	Arizona Affordable Housing Profile: Findings and Conclusions
<b>Year:</b>	2002
<b>Reference:</b>	Prepared for Arizona Housing Commission, Arizona Department of Housing & U.S. Department of Housing and Urban Development; prepared by Elliott D. Pollack & Company, Inc.

This study discusses findings of a telephone survey conducted of 419 people across Arizona with the aim of identifying barriers to affordability. The participants include public officials, city staff members, and professionals involved in the real estate and housing market. Below is the summary of findings at the state level:

Barrier	# of respondents mentioning barrier	% of respondents mentioning barrier
High Land Cost/Limited Land Availability	199	47.5 %
Lack of Infrastructure	123	29.4 %
Wage Gap	120	28.6 %
Lack of Employment Opportunities	113	27.0 %
Zoning	84	20.0 %
Limited Housing Stock	80	19.1 %
Impact/Development Fees	73	17.4 %
Limited Government Funding	55	13.1 %
Design Guidelines Set by the Local Government Increasing Housing Costs	47	11.2 %
NIMBYs	43	10.3 %
Limited Financing Opportunities	43	10.3 %
Lack of Government Services	27	6.4 %
Lack of Affordable Housing Awareness	24	5.7 %
High Property and Other Taxes	21	5.0 %
Limited Infill Incentives	7	1.7 %
<b>Total Responses</b>	<b>1,059</b>	
<b># of respondents</b>	<b>419</b>	

The responses vary when data is separated between urban and non-urban areas. The barriers in the urban parts of the State are more related to government regulation and neighborhood opposition. The primary barrier, high land cost, is viewed as a symptom or result of the other barriers mentioned. The barriers for the non-urban areas follow closely with the statewide results and are more related to a lack of resources and high-paying jobs. Following is a summary of the responses, separated into urban and non-urban areas.

Barriers To Affordable Housing		
Urban Areas (Maricopa and Pima Counties)		
Rank	Barrier	Response Rate
1	High Land Cost /Limited Land Availability	54.5%
2	Impact/ Development Fees	33.3%
3	Zoning	30.3%
4	Design Guidelines	21.2%
5	Lack of Infrastructure	19.2%
6	Limited Gov't Funding	17.9%
7	NIMBY	15.4%
Non-Urban Areas (Remainder of State)		
Rank	Barrier	Response Rate
1	High Land Cost /Limited Land Availability	43.3%
2	Wage Gap	40.3%
3	Lack of Employment Opportunities	37.3%
4	Lack of Infrastructure	35.4%
5	Limited Housing Stock	26.2%
6	Zoning	14.1%
7	Limited Financing Opportunities	12.2%

Source: Elliott D. Pollack and Co.

## **4. BEST PRACTICES**

### **4.1. INTRODUCTION**

This section lists successful policies, programs and development tools throughout the country that are most relevant to a few of the consistently recommended initiatives and policies in Arizona-based task force reports (see section 2). These exemplary practices demonstrate a wide range of possibilities for implementing the recommended actions at various scales (i.e. from those implemented by a coalition of governmental, private and non-profit organizations, to those implemented by a small business or small city). When deciding on the categories for selecting the exemplary cases, frequently mentioned recommendations from each field—financial, land use/planning, and developer-related recommendations—were taken into consideration, as well as the applicability of implementation within Arizona. As a result of this process, the major categories for best practices were narrowed to include: employer-assisted housing programs, local housing trust funds, and development tools.

The following compilation of best case examples from across the country represent a wide range of practices and policies. The intent of this section is to demonstrate various initiatives that municipalities, businesses, and non-profit organizations in Arizona can consider and consult in directing efforts to improve affordable/workforce housing conditions within the state.

### **4.2. EMPLOYER-ASSISTED HOUSING PROGRAMS**

Employer-assisted housing (EAH) refers to a variety of benefits employers provide to their employees to help them afford and live in homes closer to their workplaces. EAH programs comprise one or more of the following elements:

- homeownership assistance including loans and grants for down payment and closing costs, mortgage guarantees and discounts, and discounted closing fees;
- rental assistance in terms of costs for searching for a place, monthly rent or security deposit;
- homeowner education and counseling;
- investments in new construction in the form of land donations, participation in a land bank, development of rental properties, and loans to developers of affordable homes; and
- home improvement assistance in the form of grants, loans, or forgivable loans.

Majority of EAH programs include an education and counseling component along with some type of homeownership assistance.

These programs can be established by private companies, public institutions and nonprofit organizations. They can be adjusted to reflect companies' objectives and priorities. Employers may choose to partner with other organizations to design and initiate their programs to ensure their feasibility.

Employers, employees and the larger community benefit from EAH programs. Employers benefit from EAH programs in several ways, including recruitment and retention of employees, increased employee productivity and morale, and improved community relations. EAH programs enhance the life quality of employees by allowing them to afford a home, live closer to work, enjoy shorter commute times, and be able to spend a larger amount of their income on other products or services instead of housing. Additionally, EAH programs may help revitalize communities in the program areas by increasing the number of homeowners and renters in the area, attracting and supporting local businesses, as well as decreasing the amount of commuter traffic.

To encourage the development of EAH programs, numerous states and local governments have given financial incentives to employers for providing housing benefits, by offering matching funds for employee contributions or by providing tax credits to participating employers. In many communities, every dollar of housing assistance provided by the employer is matched by the state and local government up to a certain limit. Some states also offer businesses a reduction in their state tax liability in return for contributions of cash, property, and/or securities to qualifying housing organizations.

This section of the briefing report presents best practice cases of various EAH program types. One exemplary case has been selected for each of the following EAH program types:

1. Coalition-based programs (partnerships of private businesses, local municipalities and nonprofit organizations)
2. State incentives for EAH programs
3. EAH programs by anchor institutions
4. EAH programs by small businesses
5. EAH programs targeting public service workers, such as firefighters, teachers and police officers

The profiled cases were selected because they met the following criteria: frequently mentioned in other studies or reports on EAH; identified as exemplary or best practice in other studies; and applicable to the Arizona context. A brief summary of the best practice cases are followed by a listing of similar programs in that category.

#### 4.2.1. Coalition-Based Programs: Regional Employer-Assisted Collaboration for Housing (REACH)

**Background:** The Metropolitan Planning Council and Housing Action Illinois work with more than a dozen partners to assist employers in offering EAH programs to their employees. Employers that contact REACH are paired with one of more than two-dozen partner organizations, which help develop a customized housing program that meets the company's needs and budget. The program is then fully implemented by the REACH partner organization, with technical assistance and program review from Housing Action Illinois and the Metropolitan Planning Council. REACH has launched a special effort to target small businesses that need assistance implementing housing benefit programs.

##### Program pre-development:

- **What triggered the program development?** The research conducted by the Metropolitan Planning Council (MPC) documented the jobs/housing mismatch in the region and summarized best practices on EAH from around the country. MPC hosted a tour for local leaders to demonstrate the Silicon Valley Manufacturing Group EAH model.
- **When was it initiated?** In 1999, MPC tailored the REACH model and partnered with community-based organizations. In 2000, a pilot EAH program was launched with MPC and the Joseph Corporation (the local REACH partner) at System Sensor, a manufacturing plant in St. Charles.
- **Who initiated the program?** The Metropolitan Planning Council of northeastern Illinois, a regional policy and advocacy organization.
- **What was the size of the program when initiated versus the current situation?** The program was launched with 8 community-based partners. During the pilot partnership in 2000, System Sensor provided assistance to 16 employees to buy closer homes. Today REACH Illinois has 23 partners (10 state, 6 city and 7 suburban), and about 70 employers in the region offer EAH benefits.

##### Program details:

- Partner organizations help employers customize their housing programs according to company needs.
- REACH partners provide full program administration. Working directly with homebuyers, they provide credit counseling and other assistance through the homebuying process to save employers the administrative costs and burden. In addition, REACH partners are the approved intermediaries to access the state tax credits, reducing the program costs for the employer.
- Through EAH initiatives, employees have benefited from programs that provide down payment and closing cost assistance and rental assistance, help resolve poor credit history, enable them to live closer to work, and providing homeownership education.
- Through EAH initiatives, employees have benefited from EAH, including improved employee retention, reduced recruitment and training costs, subsidized assistance for relocating employees, and state and federal tax benefits.
- Through REACH, more than 1,510 employees have bought homes and about 1000 more have benefited from homeownership education and counseling opportunities.

##### Key implementation strategies:

- The MPC/REACH programs advanced quite incrementally at the beginning. The successful pilot program was introduced to media and policymakers to provide leverage for the program.



- Use of media was mentioned as one of the reasons behind the program's success. It was also a tool for the employers to attract public attention by promoting their EAH programs.
- MPC addressed housing as self-interest of business leaders in the region and demonstrated benefits of EAH for employers.
- Special state incentives, including tax credits and matching funds, made REACH an attractive and cost-effective program. The State of Illinois provides a 50 percent tax credit for every dollar that an employer invests in EAH program since 2002. And the Illinois Housing Development Authority (IHDA) provides matching down payment assistance to income-eligible homebuyers whose employers work with REACH—a dollar-for-dollar match, up to \$5,000, to the employer assistance provided.
- In 2001, REACH received a BP Leaders Award of \$100,000 that was used to provide capacity building grants to non-profit partners involved with REACH.
- In 2002, assuming great leadership and influence, the Metropolitan Mayors Caucus adopted a Housing Action Agenda that included EAH as a strategy to leverage private sector engagement.
- Once they have launched their EAH programs, employers became credible voices of public policy advocacy. There have been significant advances in Illinois housing policies with the help of business leaders. For example, they have been writing letters to legislators, policy makers when there are policies addressing affordable housing developments. Even though EAH is a homeownership program for workforce, these employers became helpful for the rental support bill for low-income communities.

**For more information:**

Program website: <http://www.reachillinois.org/>

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This information was synthesized from the following resources:

- (1) Snyderman, R. (2004). The versatility of employer-assisted housing: bottom-line savings and top-level policies. *NHC Affordable Housing Policy Review*, 3(2): 7-13. Retrieved July 29, 2008 from [http://www.nhc.org/pdf/pub\\_ahp\\_06\\_04.pdf](http://www.nhc.org/pdf/pub_ahp_06_04.pdf)
- (2) Policy: Leverage Employers' Commitment to Affordable Homes for Workers. *Housingpolicy.org: Online guide to state and local housing policy*. Retrieved July 29, 2008 from [http://www.housingpolicy.org/toolbox/strategy/policies/employer\\_assisted\\_housing.html?tierid=64](http://www.housingpolicy.org/toolbox/strategy/policies/employer_assisted_housing.html?tierid=64)
- (3) Regional Employer-Assisted Collaboration for Housing - REACH Illinois website. <http://www.reachillinois.org>
- (4) Phone interview with Samantha DeKoven. Aug. 5, 2008.

#### Other Programs:

**Silicon Valley Leadership Group (SVLG), Santa Clara County, CA (formerly Silicon Valley Manufacturing Group):** SVLG has organized to involve principal officers and senior managers of 274 member companies in a cooperative effort with local, regional, state, and federal government officials to address major public policy issues affecting the economic health and quality of life in Silicon Valley.

For program information: <http://svlg.net/>

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#### 4.2.2. State Incentives for Employer-Assisted Housing: Illinois Affordable Housing Tax Credit Program

**Background:** The program offers 50-cent state income tax credit for every dollar invested in employer-assisted housing or donated to the creation of affordable homes. Employers can receive credit by offering down payment and closing cost assistance, below-market rate mortgages, mortgage guarantee programs, rent assistance and/or individual development account plans to qualifying employees.

#### Program pre-development:

- **When was it initiated?** Created in 2001 by Gov. George Ryan and launched in Jan. 7, 2002. In June 2005, Gov. Rod Blagojevich extended the program for another 5 years from Dec. 2006 to Dec. 2011.
- **What is the size of the program?** The State will forego \$13 million in annual tax revenue, and stimulate private sector investment to leverage an investment of \$26 million per year through 2011. Of this \$26 million, \$4 million has been allocated for EAH programs. In its first three years, \$40 million in Illinois Affordable Tax Credits leveraged \$80 million in donations for the creation or preservation of more than 5,000 homes at a total development cost of more than \$644 million. As of June 2005, more than 100 employers have donated nearly \$5 million to help more than 240 employers purchase a home.

#### Program details:

- Illinois Housing Department Authority (IHDA) (75.5%) and the City of Chicago Department of Housing (24.5%) administer the tax credits under the same rules and regulations.
- The program supports EAH programs that benefit households earning no more than 120% of the regions AMI. They don't have to be first-time homebuyers.
- Eligible programs include down payment assistance, reduced interest mortgages, individual development accounts and rental subsidies to help employers find and finance homes near work.
- When an employer invests in an EAH program, 50% of the total investment can be credited against the company's state income tax liability. In addition to that, the employer will be entitled to a federal deduction for their net out of pocket costs. A donation of \$10,000 would likely cost the donor \$3,250 once the credit and deductions are taken.

#### Key implementation strategies:

- All expenditures must go through nonprofit sponsor.

- Any employer in Illinois can offer an EAH program and receive tax credits, including non-profit and for-profit employers or a municipality. Any entity that does not pay state tax (such as a non-profit or municipality) can transfer or “sell” the credits to an entity with state tax liability.
- If the credit exceeds the individual or organization’s tax liability, the tax credit may be carried forward and applied to taxes for the five years following.

For more information:

Illinois Housing Department Authority website: <http://www.ihda.org/ViewPage.aspx?PageID=45>

This information was synthesized from the following resources:

- (1) Policy: Leverage Employers' Commitment to Affordable Homes for Workers. *Housingpolicy.org: Online guide to state and local housing policy*. Retrieved July 29, 2008 from [http://www.housingpolicy.org/toolbox/strategy/policies/employer\\_assisted\\_housing.html?tierid=63](http://www.housingpolicy.org/toolbox/strategy/policies/employer_assisted_housing.html?tierid=63)
- (2) Illinois Affordable Housing Tax Credits. Retrieved July 29, 2008 from <http://www.ihda.org/ViewPage.aspx?PageID=45>
- (3) Metropolitan Planning Council. (2005). Employer-Assisted Housing State Tax Credit: A New Financial Incentive. Retrieved July 30, 2008 from <http://www.metroplanning.org/cmadoocs/EAH-taxcredit.pdf>
- (4) Metropolitan Planning Council. (n.d.). General questions about Illinois Affordable Housing Tax Credits for employers offering employer-assisted housing. (n.d.). Retrieved July 30, 2008 from [www.metroplanning.org/cmadoocs/IAHTC-FAQs.doc](http://www.metroplanning.org/cmadoocs/IAHTC-FAQs.doc)

Other Programs:<sup>4</sup>

**Delaware's Live Near Your Work program:** Launched by the State Housing Authority, this program provides matching down payment or closing cost assistance to the staff members of participating employers since 2003.

For program information: [http://www.destatehousing.com/services/hb\\_inyw.shtml](http://www.destatehousing.com/services/hb_inyw.shtml)

**The Oregon Farmworker Housing Tax Credit Program:** This program provides a 50% state income tax credit to individuals or organizations that invest in the construction, installation, or acquisition and rehabilitation of farmworker housing.

For program information: [http://www.oregon.gov/OHCS/HRS\\_Farmworker\\_Housing\\_TC.shtml](http://www.oregon.gov/OHCS/HRS_Farmworker_Housing_TC.shtml)

**Florida's Community Contribution Tax Credit Program:** Administered by the Office of Tourism, Trade and Economic Development, this program allows businesses to receive a 50-cent tax credit for every dollar donated to eligible organizations and government bodies that administer community development and low-income housing projects

For program information: [http://dor.myflorida.com/dor/taxes/corp\\_tax\\_incent.html](http://dor.myflorida.com/dor/taxes/corp_tax_incent.html)

#### 4.2.3. Anchor Institutions: Aurora Metro Health Care, Milwaukee, WI

**Background:** Aurora Health Care, a non-profit integrated health care provider based in Milwaukee, Wisconsin, employs more than 26,000 healthcare professionals, over 10,000 of who work in the metro

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<sup>4</sup> These programs are listed in [housingpolicy.org](http://housingpolicy.org).

Milwaukee area. Established in 1984, Aurora operates 13 hospitals, over 100 clinics and more than 130 pharmacies in 90 eastern Wisconsin communities. The Aurora Employee Homeownership Program encompasses all Aurora employees at all facilities.

#### Program pre-development:

- **What triggered the program development?** The program started as a “walk-to-work” program of Sinai Samaritan Medical Center (now Aurora Sinai Medical Center) in response to challenges faced by Aurora in recruiting and retaining health care professionals.
- **When was it initiated?** In 1993, in the Sinai Samaritan Medical Center (now Aurora Sinai Medical Center).
- **Who initiated the program?** Aurora Health Care
- **What was the size of the program when initiated versus the current situation?** Beginning only in the Sinai Center, the program later expanded to encompass other Aurora facilities. Participation in the program increased in time—40 employees used the program to purchase homes in 2003, up from seven in 2000. Since 2000, 718 Aurora employees have received counseling and homebuyer assistance. Of those, 206 have purchased homes with employer assistance.

#### Program details:

- Aurora employees are benefitting from the program by receiving financial and homeownership guidance, forgivable loans, and access to affordable, low-cost financing. Eligible employees receive a five-year, zero-percent interest forgivable loan of up to \$3,000. The loan is forgiven if the employee maintains full-time employment, continuously occupies the home, and does not sell or transfer ownership of the property.
- Full- and part-time employees can benefit from the program. In order to be eligible, employees must have been working for Aurora for at least one year and be in good standing.
- Participants can purchase homes anywhere in the city of Milwaukee.
- The Aurora program is working with Select Milwaukee—a local non-profit which gives financial and homeownership guidance to participating employees.
- While almost 70 percent of the Aurora employees stay with the organization for less than 10 years, as of 2007, the average length of service for the EAH participants still with Aurora is 14.7 years—an EAH benefit contributing to employee retention.

#### Key implementation strategies:

- This program is considered to be among the most successful EAH programs in Milwaukee. This success is partly derived from the size of the organization’s workforce, but also its strong commitment to its program, evidenced by strong administrative support and frequent internal publicity about the program.

#### For more information:

Ross, L. M. (2008, May). Quantifying the value proposition of employer-assisted housing: a case study of Aurora Health Care. Washington, D.C.: Center for Housing Policy.

This information was synthesized from the following resources:

- (1) Ross, L. M. (2008, May). Quantifying the value proposition of employer-assisted housing: a case study of Aurora Health Care. Washington, D.C.: Center for Housing Policy. Retrieved July 29, 2008 from [http://www.nhc.org/pdf/policy\\_milwaukee\\_EAH%20Value%20Proposition.pdf](http://www.nhc.org/pdf/policy_milwaukee_EAH%20Value%20Proposition.pdf)
- (2) Schmidt, R. (2004). Significant returns on Milwaukee's employer assisted homeownership investments. *NHC Affordable Housing Policy Review*, 3(2): 14-17. Retrieved July 29, 2008 from [http://www.nhc.org/pdf/pub\\_ahp\\_06\\_04.pdf](http://www.nhc.org/pdf/pub_ahp_06_04.pdf)
- (3) DeKoven, S. (2008, June). New data quantifies benefits of employer-assisted housing. Chicago, IL: Metropolitan Planning Council. Retrieved August 7, 2008, from <http://www.metroplanning.org/articleDetail.asp?objectID=4428>

**Other programs:**

**Citizens Financial Group, Inc. (CFG), Providence, R.I.:** CFG employs 24,500 people nationwide. Founded in 2002, the program provides forgivable loans for down payments and closing costs.

For program information: <http://www.housingpolicy.org/assets/EAH/Citizens.pdf>

**University of Chicago and University of Chicago Medical Center, Chicago, Ill.:** The organizations employ 14,000 people. Founded in 2003, the program provides interest-free forgivable loans and homeownership counseling for employees.

For program information:

<http://www.housingpolicy.org/assets/EAH/Univ%20of%20Chicago.pdf>

#### **4.2.4. Small Businesses: Brownstein Hyatt Farber Schreck Santa Barbara Office Homeownership Assistance Program (former Hatch & Parent)**

**Background:** Founded in 1968, Hatch & Parent was a small, full-service law firm based in Santa Barbara, with offices throughout California. In the beginning of 2008, the firm merged with Denver-based regional law firm Brownstein Hyatt Farber Schreck.

**Program pre-development:**

- **What triggered the program development?** In the late 1980s and early 1990s, Hatch & Parent faced a significant recruitment problem due to the very expensive housing market in Santa Barbara.
- **When was it initiated?** 1991
- **Who initiated the program?** The company's management team decided to explore how to offer an employer-assisted housing program as a small company.
- **What was the size of the program when initiated versus the current situation?** From 1996 through July 2007, a total of 43 Hatch & Parent employees benefited from the program: 24 purchased homes, 2 participated in rental assistance, and 17 refinanced their mortgages at more affordable interest rates.

**Program details:**

- The program is offered through the membership in the Coastal Housing Partnership (CHP), a nonprofit with expertise in homeownership education and financial assistance. Charging an annual membership fee of \$2,100, CHP in turn gives employees access to various discounted services when they rent or purchase a home.
- Through the program, employees are eligible for discounts on lender fees, discounts on home inspections, mortgage rate reductions, real estate broker commission credits, reduced down payments, discounts on upfront fees for a mortgage refinance, and reductions in market rent on new leases.
- On average, employees receive assistance equal to \$5,500 for a home purchase, \$500 for refinancing, and \$600 per year for rent.
- All full-time employees are eligible to participate in the program.

**Key implementation strategies:**

- Significantly greater benefits to employees are provided by partnering with a nonprofit organization that would be the third-party administrator of the program. The third-party administrator can offer a higher-level of renter and home-buyer discounts because it pools membership fees from several area employers.

**For more information:**

Case study by Homes for Working Families and Metropolitan Planning Council:  
<http://www.housingpolicy.org/assets/EAH/Hatch%20&%20Parent.pdf>

This information was synthesized from the following source:

- (1) *Understanding employer-assisted housing: a guidebook for employers*. (2007). Prepared by Homes for Working Families & Metropolitan Planning Council. Retrieved July 33, 2008 from <http://www.homesforworkingfamilies.org/solutions/housing/guidebook/>

#### **4.2.5. Targeting Public Service Workers: Police Homeowner Loan Program in Columbia, South Carolina**

**Background:** Administered in partnership with the City's Community Development Department, this program offers police officers 20-year low-interest, zero down payment mortgages to purchase rehabilitated homes in the City's low-income neighborhoods. This program, which won a 1993 Innovations in American Government Award, is intended both to promote affordable homeownership and to increase police presence in higher-crime areas. Participating officers also receive additional incentives in the form of bonuses and increased promotion eligibility.

**Program pre-development:**

- **What triggered the program development?** Increasing crime rates and deteriorating housing in the City of Columbia.
- **When was it initiated?** 1991
- **Who initiated the program?** Columbia's Community Development Department in partnership with Columbia's police department.

- **What was the size of the program when initiated versus the current situation?** By mid-1993, nine officers had purchased inner-city homes. In the first few years of the program an average of \$120,000-\$150,000 of Community Development Block Grants was spent per year to provide lower interest rates and to cover the cost of down payments. In the first 7 years of the program, 16 homes have been rehabilitated in low-income neighborhoods. So far, more than 30 police officers (out of a police force of about 200 people) have benefited from the program.

#### Program details:

- The program offers police officers low-interest (4%), short-term (20-year) financing with no down payment for the purchase of rehabilitated homes in low-income, inner-city neighborhoods in Columbia.
- Police officers who live in the city also receive a \$500 end-of-year bonus and become eligible for promotion to rank captain or above.
- The funds are provided through bond refinancing savings, Community Development Block Grant, and city funds.
- The program has been expanded to include other city employees, and over 70 communities have adopted the program.
- This program is part of the City's community-based policing initiative, which resulted in a 15 percent decrease in crime in 1992.
- Areas where the program was implemented have seen their property values stabilize and even bound, reversing the declining trend. According to a survey conducted in 1998 by Columbia's Community Development Department, property values increased 6.5% in the participating areas.

#### Key implementation strategies:

- A partnership with area lenders provides below-market-rate loans. Bank cooperation is an important part of this program. Every bank that was approached agreed to participate, providing interest rates approximately half of the market rate.
- Community support for the program is very strong, as evidenced by the demands from other neighborhoods for recruiting police homeowners in their areas.
- Target areas have been selected with respect to the income levels of the neighborhoods, rather than the crime rates. In Columbia, low-to-moderate income neighborhoods are tucked in the pockets of more affluent communities. While modest neighborhoods exist throughout the city, there were a few isolated crime areas. This structure made it easy for officers to find homes that qualify for the program, in neighborhoods suitable for raising their families.
- The young age of the police force might have been influential in the program's success, giving them a chance of homeownership early in their careers.
- The population of Columbia is about 120,000, which brings an ease of implementation of the program due to the manageable size of the area. Given the character of Columbia neighborhoods—defined areas between 500 to 2,000 residents—rehabilitating a single house on a block and adding a police officer has greater impact than it would in more diffuse and populous cities.
- The simple structure of the program which primarily necessitates a partnership with a bank is among the reasons for its success.

#### For more information:

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Community Development Department  
1136 Washington Street, PO Box 147  
Columbia, SC 29217  
[evcassell@columbiasc.net](mailto:evcassell@columbiasc.net)  
803.545.3369



This information was synthesized from the following resources:

- (1) Police Homeowner Loan Program. (2005). *Government Innovators Network*. Retrieved July 31, 2008 from <http://www.innovations.harvard.edu/awards.html?id=3569%20>
- (2) Police Homeowner Loan Program USA. MOST Clearing House Best Practices Database. Retrieved July 31, 2008 from <http://www.unesco.org/most/usa14.htm>
- (3) Fosdick, D. et al (n.d.). Alternative uses for community development block grant housing programs in Milwaukee. Retrieved July 31, 2008 from <http://www.lafollette.wisc.edu/publications/workshops/2001-2002/spring/PA869/domestic/CDBG.pdf>
- (4) Policy: Leverage Employers' Commitment to Affordable Homes for Workers. *Housingpolicy.org: Online guide to state and local housing policy*. Retrieved July 29, 2008 from [http://www.housingpolicy.org/toolbox/strategy/policies/employer\\_assisted\\_housing.html?tierid=66](http://www.housingpolicy.org/toolbox/strategy/policies/employer_assisted_housing.html?tierid=66)
- (5) Phone interview with Eric Cassell. Aug. 13, 2008.
- (6) Chernoff/Silver and Associates. (1995). Bringing the badge home, one neighborhood at a time: Columbia's successful, innovative police homeowner loan program (Program brochure).

#### Other Programs:

**New York City Housing Support Program** was developed to encourage experienced math, science and special education teachers to work in one of the City's middle- or high-schools. Participants receive housing support of approximately \$15,000 over two years in return for a three-year service commitment to teach in a high need school.

For program information: <http://teachnycprograms.net/hsp/>

**Maryland's House Keys 4 Employees (HK4E) program** provides state government employees up to \$10,000 in downpayment and closing cost assistance from the state. The HK4E program also provides up to \$5,000 in funds to match contributions from other participating employers in Maryland.

For program information: <http://www.morehouse4less.com/hk4Employees.aspx>

**Chicago Public Safety Officer Homeownership Incentive Program** provides police officers, firefighters, and paramedics who purchase homes in targeted areas of Chicago \$3,000 in down payment and closing costs assistance.

For program information: <http://www.cityofchicago.org>

### 4.3. LOCAL HOUSING TRUST FUNDS

Housing trust funds are dedicated funding sources established by states, cities and counties to provide stable revenue for production and preservation of affordable homes. Instead of annual budget allocations, housing trust funds come from commitment of dedicated public revenue. Since these funds are established at state and local levels, they are flexible in terms of program activities and eligibility requirements according to local needs and priorities. Housing trust funds, whose number has doubled in



the last five years, are now available in 38 states; with more than 550 city and county housing trust funds in operation.

This section of the briefing report comprises a synopsis of the *Housing Trust Fund Progress Report* by the Center for Community Change.<sup>5</sup> The Progress Report was published as a part of the Center's Housing Trust Fund Project, which is considered to be the single most reliable national source on housing trust funds. A brief description of the Center for Community Change and the Housing Trust Fund Project is provided below, followed by highlights of city- and county-level trust fund developments around the nation. The readers are encouraged to consult this report for further information about existing local housing trust funds and emerging trust fund trends.

### Center for Community Change

Since 1968, Center for Community Change assists low income communities, especially those with people of color, in building capacity to organize and advocate for social change. The Center helps grassroots groups to develop skills, strategies, and alliances to engage in local and national public policy decision-making processes that affect their lives, such as housing, jobs, education, transportation and more.

### The Housing Trust Fund Project

Initiated in 1986, the Housing Trust Fund Project is a clearinghouse about housing trust funds throughout the country. It also provides technical assistance to organizations to create and implement these funds. The project comprises profiles of successful models and case studies documenting their development.

### *Housing Trust Fund Progress Report (2007)*

This report documents the current state of housing trust funds which have existed for at least three decades. This progress report demonstrates how housing trust funds constitute a sustainable and significant model for ensuring good, affordable housing.

The information presented in this report was obtained via an electronic survey sent to the administrators of housing trust funds during the summer and fall of 2006. Additional data was collected through internet search, follow-up interviews, and requests for additional materials regarding the regulations, activities and accomplishments.

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<sup>5</sup> Brooks, Mary E. (2007). *Housing Trust Fund Progress Report*. Frazier Park, CA: Center for Community Change. Retrieved July 23, 2008 from <http://www.communitychange.org/our-projects/htf/other-media/HTF%2007%20final.pdf>

The report provides information about state, city and county housing trust funds, and emerging housing trust fund trends (as discussed in the sections of 'State Enabling Legislation,' 'Regional Housing Trust Funds,' and 'Housing Trust Funds Serving The Lowest Incomes'). The tables included in the report list locations, administering agencies, revenue sources and durations of the state, city, and county housing trust funds.

The information presented below is extracted from this study to highlight some of the recent advances in city and county trust funds:

#### City Housing Trust Fund Advances

*Tucson, Arizona created a new housing trust fund with a multi-family conversion fee and unexpended funds from the Utility Services Low Income Assistance Program.*

*Anaheim, California approved a new fund with an increase in the mandatory tax increment set-aside and the first \$100,000 collected from selected transient occupancy taxes.*

*Indianapolis, Indiana secured a new dedicated revenue source committing fees from electronic filing of property sales disclosure forms.*

*Portland, Oregon increased funds for affordable housing, including the Housing Investment Fund, in this year's budget.*

*Austin, Texas voters approved a \$55 million housing bond that will support rehabilitation and construction of rental housing and homeownership.*

*Alexandria, Virginia approved a portion of property tax revenues for its Housing Opportunities Fund and anticipates collecting as much as \$2.8 million in 2006.*

*Milwaukee, Wisconsin created a new \$5 million housing trust fund with GO proceeds backed by surplus casino revenues, post-closure tax increment revenues, and excess payments in lieu of taxes.*

## County Housing Trust Fund Advances

*Santa Clara County, California has begun its Phase III in a public/private compact to raise \$10 million over the next three years, with \$1.5 million raised from employers, foundations, and individuals to be matched by commitments from the County and cities within Santa Clara County.*

*Sonoma County, California's housing trust fund will now receive revenue from the County's inclusionary zoning ordinance and linkage ordinance. Housing experts anticipate these new policies will raise \$2,000,000 each year.*

*Kalamazoo City and Kalamazoo County, Michigan joined to create a \$500,000 housing trust fund, with a focus on serving the homeless population and a commitment to continuing funding in the future. These funds have been doubled with funds from the State Housing Development Authority for a total of \$1 million.*

*Franklin County, Ohio has committed an increase in the real estate transfer tax to the Columbus/Franklin County Affordable Housing Trust Fund. Added to the City's commitment of hotel/motel taxes, the trust fund is expected to raise \$4 million a year.*

*Fairfax County, Virginia has dedicated one cent of each dollar of the real estate tax (property tax) for the preservation and production of affordable housing and the County housing trust fund can anticipate as much as \$18,000,000 a year.*

## 4.4. DEVELOPMENT TOOLS

Several cities, counties and states choose to give developers certain incentives to increase their affordable/workforce housing stock. These developer incentives, such as density bonuses and impact fee waivers, aim to lower the cost of housing production, thus decreasing the price local households pay for their housing. The Development Tools section of this report focuses on: (1) expediting review and approval processes by self-funded programs and one-stop shops; (2) density bonuses; (3) reduction of parking requirements; and (4) zoning for accessory dwelling units. Each tool is exemplified with one example. The cases also demonstrate how these tools may be combined with one or more programs to increase their effectiveness.

The profiled cases were selected because they met the following criteria: frequently mentioned in other studies or reports on development tools; identified as exemplary or best practice in other studies; and applicable to the Arizona context.

#### 4.4.1. Expedited Permitting and Review Processes: S.M.A.R.T. Housing Initiative, Austin, TX

**Program overview:** Expedited permitting and review processes for developments that qualify as “affordable” can reduce the costs of building homes and provide a strong incentive for developers to build more affordable units. Initiated by the city of Austin in 2000, S.M.A.R.T. Housing Initiative is a self-funded program to stimulate the production of affordable homes by giving incentives to developers who build residences that are safe, mixed-income, accessible, reasonable priced and transit oriented (thus the S.M.A.R.T acronym). The developments also need to meet Austin’s “green” building standards. Developers of projects that meet S.M.A.R.T. standards may receive development fee waivers, expedited reviews and assistance from the S.M.A.R.T. Housing staff to resolve any development-related issues with other departments.

**Program development:** The program has been developed incrementally as a way to address the problem of housing affordability issues in Austin, which is a rapidly growing city with rising housing prices. In 1997 Austin expanded its fee waiver program which was formerly available only to nonprofit developers to include non-profit builders. In 1998, the city adopted its smart growth initiative to manage future growth. In 2000, the city council adopted the S.M.A.R.T. Housing Initiative to coordinate housing needs with smart growth efforts.

##### Program details:

- The program is administered by the Austin Finance Corporation (AHFC) and the Neighborhood Housing and Community Development (NHCD) Department. While the AHFC fosters partnerships with homebuilding industry, the NHCD—the single point of contact to facilitate S.M.A.R.T. Housing development—fosters partnerships with neighborhoods and implements housing policy issues.
- The program is implemented by three staff members and a separate six-person review team responsible for inspecting eligible developments and completing expedited reviews.
- Eligible projects include single-lot and infill developments as well as new subdivisions.
- In addition to the eligibility for waivers of the city’s capital recovery fee, development review and inspection fee, and certain construction inspection fees, developers of projects meeting S.M.A.R.T. Housing certification standards receive expedited reviews that are completed in half the time of conventional reviews.
- Developments of five or more residential units must include at least 10% reasonably priced—i.e., affordable to households making up to 80% of AMI and spending no more than 30% of their family income on housing—to be eligible for full or partial waivers. Fee waivers are decided according to the percentage of reasonably priced units: For 10% S.M.A.R.T. reasonably priced units, the city provides 25% fee waivers and fast-track review; for 20% S.M.A.R.T. reasonably priced units, 50% fee waivers and fast-track review; for 30% S.M.A.R.T. reasonably priced units, 75% fee waivers and fast-track review; and for 40% S.M.A.R.T. reasonably priced units, 100% fee waivers and fast-track review. Developers can obtain partial or full fee waivers for up to 1000 units per year.
- Typical cost savings produced under the S.M.A.R.T. Housing Initiative are \$600 per unit of multifamily housing and \$2000 per single family house from reduced carrying costs from expedited review process and fee waivers.

##### Program effectiveness:

- In the three years before S.M.A.R.T. Housing was initiated, about 325 new housing units that met city affordability and technical standards were completed. In the first three years of the program (as of September 2004), more than 4,000 new units that met S.M.A.R.T. Housing standards have been completed.

- Performance measures of the program are as follows:

Performance measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended
Total amount of waivers	1,894,157	2,470,000	2,442,305	2,100,000
Average waiver per unit completed	1,291	800	1,980.33	1,300
Total S.M.A.R.T. Housing units certified	13,327	2,500	2,426	1,500
Total S.M.A.R.T. Housing units completed	1,725	1,692	1,470	1,750
Total # of reasonably priced S.M.A.R.T. housing units occupied	1,317	834	641	700
# of S.M.A.R.T. housing single family units completed per total housing units completed	683	800	584	750

Source: City of Austin - ePerformance Measures; <http://www.ci.austin.tx.us/budget/eperf/index.cfm>

- An evaluation of the program indicated that the fee waivers and expedited reviews are self-funding. Since projects are completed more quickly, completed housing units get into the tax base earlier than conventional review.
- The program is drawing developers who had left to build in the suburbs back to the city. Some builders even requested annexation of a development into the city to be eligible for the program benefits.

For program information: <http://www.ci.austin.tx.us/ahfc/smart.htm>

This information was synthesized from the following sources:

- (1) Case studies: successful programs—S.M.A.R.T. Housing Initiative: Austin, Texas. In *Workforce Housing: Innovative Strategies and Best Practices* (pp. 16-20). Washington, D.C.: Urban Land Institute.
- (2) Lubell, J. (2006). *Increasing the Availability of Affordable Homes: A Handbook of High-Impact Local and State Solutions*. Washington, D.C.: Homes for Working Families.

#### 4.4.2. One-Stop Shops to Expedite Permitting and Approval Processes: One-Stop Permit Center, Sunnyvale, CA

Instead of requiring developers to receive approvals from multiple agencies, such as land use, water and sewer systems, and building codes, some communities bring two or more of these departments together. Locating these services in one central office simplifies the development process, and decreases time and cost of developments.

In California, Sunnyvale's One-Stop Permit Center is considered to be a pioneer in the idea of one-stop shop. The center was opened in 1985 as a response to the call by local business leaders, property owners, and developers for a better-coordinated and streamlined regulatory approvals process. Staffed by members from the Community Development, Public Works, and Public Safety Departments, the center provides plan checks, permitting, and licensing, giving builders a schedule for reviews (about two months). An integral part of the One-Stop Center is an electronic permit tracking system. Through the One-Stop Permit Center, the City of Sunnyvale is able to provide streamlined plan review and building permit issuance with over 90% of all building permits issued at the counter.

For program information: <http://sunnyvale.ca.gov/Departments/Community+Development/One-Stop+Permit+Center.htm>

This information was synthesized from the following sources:

- (1) Adopt Expedited Permitting and Review Policies. *Housingpolicy.org: Online Guide to State and Local Housing Policy*. Retrieved August 13, 2008 from [http://www.housingpolicy.org/toolbox/strategy/policies/expedite\\_permitting.html?tierid=27#1](http://www.housingpolicy.org/toolbox/strategy/policies/expedite_permitting.html?tierid=27#1)
- (2) *Developing Housing for the Workforce: A Toolkit*. (2007). Washington, D.C.: Urban Land Institute.
- (3) *Sunnyvale One-Stop Permit Center*. Retrieved August 13, 2008 from <http://sunnyvale.ca.gov/Departments/Community+Development/One-Stop+Permit+Center.htm>

#### 4.4.3. Multi-Layered Density Bonuses: County of San Diego Density Bonus Programs

Program overview:

Density bonuses are granted for projects in which the developer agrees to include a certain number of affordable units. These bonuses allow more homes to be built on a parcel of land than would otherwise be permitted by the underlying zoning code. Density bonuses can help developers recoup the reduced revenue associated with offering a share of units at below-market rates by increasing the number of units that may be sold at market rates.

Program pre-development:

The program has been developed as a response to rising home values and lack of affordable units for sale and rent. The county is currently in the process of updating the Density Regulations section of their Zoning Ordinance. Until this section of the Zoning Ordinance is updated, they are relying on the Government Code for evaluating density bonus projects. The timing was triggered by the requirements of the state revisions to the government code (GC 65915 - effective date Jan. 1, 2005).

Program details:

The County of San Diego has four specific density bonus policies to encourage developers to build affordable units:

- **State Density Bonus Law** allows between 20% and 35% increase in the number of housing units with the requirement that for the next thirty years, at least
  - 5 percent of total units be reserved for very low-income households, or
  - 10 percent of total units be reserved for low-income households, or
  - A senior citizen housing development as allowed under existing law.

- **Affordable Housing for the Elderly (Policy I-79)** targets senior citizens requiring that all units house elderly households with 35 percent of total units reserved for very low-income elderly households. Although the increase in the number of allowable units is negotiated on a case-by-case basis, this policy allows up to 45 units per acre within designated areas.
- **Mobile-home Park Density Bonus (Policy 3.8)** permits mobile home park developments a density of up to 8 units per acre within and beyond established urban service areas.
- **Housing for Lower Income Families (Policy I-88)** allows the development of low-income housing with up to 20 units per acre in designated areas, provided that all of the units are affordable to low-income families.

#### Program effectiveness:

So far the impact of the program on the number of built affordable units has been negligible. However, the county anticipates that the developer incentives provided by the Government Code and revised Zoning Ordinance to density regulation exceptions will encourage building of affordable houses and apartments.

#### For program information:

[http://www.sdcounty.ca.gov/sdhcd/organizations/developer\\_incentive.html](http://www.sdcounty.ca.gov/sdhcd/organizations/developer_incentive.html)

This information was synthesized from the following sources:

- (1) Density Bonus Program. *Developer Incentive Programs, County of San Diego*. Retrieved August 13, 2008 from [http://www.sdcounty.ca.gov/sdhcd/organizations/developer\\_incentive.html](http://www.sdcounty.ca.gov/sdhcd/organizations/developer_incentive.html)
- (2) Email communication with Gail Wright, County of San Diego, Department of Planning and Land Use. Sep. 2, 2008.

#### 4.4.4. Reduction of Parking Requirements: Affordable Housing Overlay Districts of Corte Madera, CA

To lower the cost of developing and occupying land, some communities choose to reduce or waive the residential parking requirements for developments providing affordable/workforce housing. These policies can also be combined with other incentives, such as fee waivers or density bonuses to encourage the development of more affordable units.

Affordable Housing Overlay Zoning added to the zoning code of Corte Madera, California is an example of increasing the residential density and providing reduced parking requirements to developers who provide a certain percentage of affordable units to moderate-, low- and very low-income households. "Overlay zone" means a set of zoning requirements, mapped and imposed in addition to those of the underlying or primary district. Developments must conform to the requirements of both zones (overlay or primary) or the more restrictive of the two. In 2002, Corte Madera started establishing optional, exclusive and mixed use overlay districts to promote diversity in the type and cost of housing, expand affordable housing opportunities, and promote equal opportunity for all citizens.

Within these districts, when at least 50% of the units are affordable to moderate-, low- and very low-income households, developers are allowed to modify the parking requirements to enable construction of higher density housing. Affordable Housing Overlay Districts allow housing to be built at three times the density allowed in other areas of the town provided that affordability is maintained for 55 years. The town council may also waive or reduce administrative fees, traffic impact mitigation fees and dedications, reservations and in-lieu fees for land used for park and recreational purposes.

#### For program information:

[http://www.sdcounty.ca.gov/sdhcd/organizations/developer\\_incentive.html](http://www.sdcounty.ca.gov/sdhcd/organizations/developer_incentive.html)



This information was synthesized from the following sources:

- (1) Adopt Expedited Permitting and Review Policies. *Housingpolicy.org: Online Guide to State and Local Housing Policy*. Retrieved August 13, 2008 from [http://www.housingpolicy.org/toolbox/strategy/policies/expedite\\_permitting.html?tierid=34](http://www.housingpolicy.org/toolbox/strategy/policies/expedite_permitting.html?tierid=34)
- (2) Corte Madera Municipal Code, Chapter 18.18: Special Purpose Overlay Districts. Retrieved August 19, 2008 from <http://municipalcodes.lexisnexis.com/codes/cortem/index.htm>

#### 4.4.5. Zoning for Alternative Housing Types: Accessory Dwelling Development Program, Santa Cruz, CA

**Program Overview:** The Accessory Dwelling Unit Program of Santa Cruz aims to encourage the development of well-designed ADUs in the city to provide more rental housing in the developed city core, and promote infill development to preserve the surrounding green belt.

**Program pre-development:**

- **What triggered the program development?** Santa Cruz is one of the least affordable cities in the US in terms of housing. Statistics show that only 6.9% of Santa Cruz residents can easily afford to buy a median-priced home. The city is being challenged by growth pressures associated with increasing enrollment at the University of California at Santa Cruz (UCSC) and Santa Cruz's proximity to Silicon Valley.
- **When was it initiated?** 2003
- **Who initiated the program?** City of Santa Cruz through funding provided by a Sustainable Communities Grant from California Pollution Control Financing Authority.
- **What is the size of the program?** In the first year of the program, 35 accessory units were built, compared to the 8 units built in 2001. Over the next 5 years, it is estimated that 40 to 50 new accessory units to be built per year.

**Program details:**

- o With over 18,000 single family lots in the City of Santa Cruz, construction of ADUs provide an excellent opportunity to increase the amount of affordable rental housing in the community while providing homeowners with a chance to supplement mortgage payments, thus making their own housing more affordable.
- o The City's ADU ordinance regulates the development of ADUs. Revisions to this ordinance were adopted in June 2003 reflecting provisions of California Assembly Bill 1866.<sup>6</sup> The revisions allow for, in some cases, a simpler and shorter ADU permitting process as well as some ADU development incentives.

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<sup>6</sup> In 2002, California passed a law—AB 1866 (Chapter 1062, Statutes of 2002)—requiring local governments to allow accessory units without requiring a special permit, as long as the units meet locally determined criteria such as size and setbacks from the street and neighboring properties. AB 1866 (Chapter 1062, Statutes of 2002) amended two sections of Government Code to encourage the creation of second-units, generally as follows:

1. *Section 65852.2 (second-unit law)* - Amendments required local governments with a local second-unit ordinance to ministerially consider second-unit applications; and local governments without a local second-unit ordinance or a local ordinance not in compliance with subsections (a) or (c) of second-unit law should ministerially consider second-unit applications in accordance with State standards.

2. *Section 65583.1 (a portion of State housing element law)* - Amendments clarified existing housing element law to allow identification of realistic capacity for second-units in addressing a locality's share of the regional housing need. The identification of realistic capacity should be based on the development trends of second-units in the previous housing element planning period and other relevant factors.



- In Santa Cruz, ADUs are allowed only on residentially zoned lots of 5,000 sq.ft. or greater, and must meet setback, height and parking requirements. Two-story ADUs located within a rear yard setback or any ADU that does not meet applicable zoning standards require a public hearing and Administrative Use permit.
- The ADU Development Program has three major components to assist homeowners considering the development of an ADU on their property:
  1. A Technical Assistance Program to assist homeowners in designing an ADU for their property. Included in the program are:
    - An ADU Plan Sets Book containing seven ADU prototype concepts designed by local and regional architects (see figure 1);
    - Five public workshops to showcase the prototype designs and receive input from community members.
    - An ADU Manual containing a step-by-step guide on how to plan, design and obtain permits for an ADU;
    - An ADU Video containing highlights from the public workshops.
  2. A Wage Subsidy and Apprentice Program to provide wage subsidies to licensed contractors employing apprentice workers trained by the Women Ventures Project of the Community Action Board on ADUs built within the City.
  3. An ADU Loan Program offering loans up to \$100,000 through the Santa Cruz Community Credit Union.

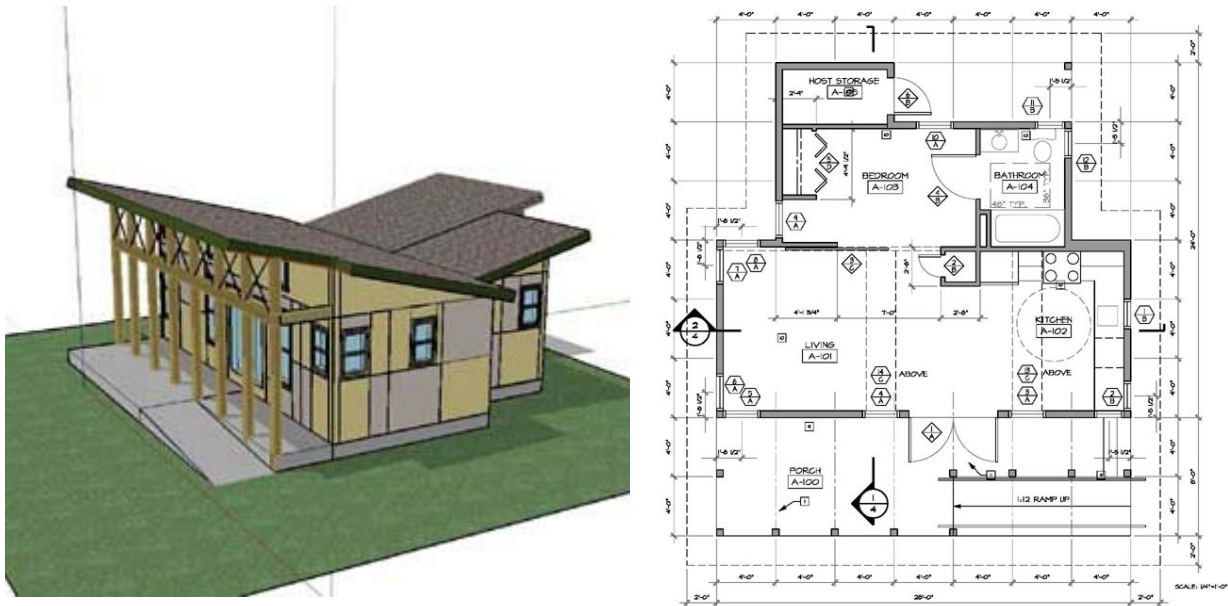


Figure 1. An example of pre-approved design prototypes by David Baker and Partners to encourage and stimulate the development of ADUs (<http://www.ci.santa-cruz.ca.us/pl/hcd/ADU/adu.html>)

#### Program effectiveness:

- In addition to the increase in the number of ADUs built in the city, more than 80 cities throughout California have requested copies of the ADU manual and ordinance.
- The EPA awarded it the Policies and Regulations Smart Growth Achievement Award in 2004.

**For more information:**

Santa Cruz City Housing and Community Development Department website:  
<http://www.ci.santa-cruz.ca.us/pl/hcd/ADU/adu.html>

This information was synthesized from the following resources:

- (1) Accessory Dwelling Unit Development Program. *Santa Cruz Housing and Community Development*. Retrieved August 19, 2008 from <http://www.ci.santa-cruz.ca.us/pl/hcd/ADU/adu.html>
- (2) Accessory Dwelling Unit Development Program, Santa Cruz, California. *Smart Growth in Action*. Retrieved August 19, 2008 from [http://www.smartgrowth.org/pdf/cs\\_018\\_SantaCruz.pdf](http://www.smartgrowth.org/pdf/cs_018_SantaCruz.pdf)



## 5. APPENDIX: GLOSSARY OF KEY TERMS<sup>7</sup>

**Accessory Dwelling Units (ADUs):** A small, self-contained residential unit built on the same lot as an existing single-family home. (Because they are often used by extended family members, ADUs are also referred to as "in-law apartments" or "granny flats.") ADUs may be built within a primary residence (such as in an attic or basement), attached to the primary residence (like a small duplex unit with a separate entrance), or detached from the primary residence (such as conversion of a detached garage). An ADU will be subordinate in size, location, and function to the primary residential unit (which is why ADUs are sometimes referred to as "secondary units" or "second units").

**Adequate Public Facilities Ordinances (APFOs):** A growth management tool that attempts to link the timing of a new development to the availability of facilities needed to service it. In jurisdictions with APFOs, approval for a development project depends on whether the project meets certain standards regarding adequacy of selected facilities and services needed to support that development. [*Adequate Public Facilities Ordinances in Maryland*, 2006; [http://www.smartgrowth.umd.edu/research/pdf/NCSG\\_APFOMaryland\\_041906.pdf](http://www.smartgrowth.umd.edu/research/pdf/NCSG_APFOMaryland_041906.pdf)]

**Affordable Housing:** "Affordable housing" means residential housing that has a sales price or rental amount that is within the means of a household that is moderate income or less. In the case of dwelling units for sale, housing that is affordable means housing in which principal, interest, taxes, which may be adjusted by state and local programs for property tax relief, and insurance constitute no more than thirty percent (30%) of the gross household income for a household with less than one hundred and twenty percent (120%) of area median income, adjusted for family size. In the case of dwelling units for rent, housing that is affordable means housing for which the rent, heat, and utilities other than telephone constitute no more than thirty percent (30%) of the gross annual household income for a household with eighty percent (80%) or less of area median income, adjusted for family size. [Glossary of HousingWorks RI; [http://www.housingworksri.org/matriarch/MultiPiecePage.asp\\_Q\\_PageID\\_E\\_43\\_A\\_Page](http://www.housingworksri.org/matriarch/MultiPiecePage.asp_Q_PageID_E_43_A_Page)]

**Area Median Income (AMI):** The area median income (AMI) is a statistic generated by the U.S. Department of Housing and Urban Development (HUD) for purposes of determining the eligibility of applicants for certain federal housing programs. HUD determines AMI on an annual basis for each metropolitan area and non-metropolitan county, making adjustments for household size and other factors. Different housing programs use different percentages of AMI - such as 30 percent of AMI or 80 percent of AMI - as maximum income limits for admission. Many state and localities have adopted HUD's income limits for their own programs, or use a variation on the HUD limits - for example, 120 percent of AMI.

**Cluster Developments:** Development in which single-family dwelling units are placed in closer proximity than zoning typically allows. Cluster development can save money on infrastructure like roads and their maintenance, while preserving permanently for the common good environmental assets like woodlands and environmentally sensitive areas. The techniques used to concentrate buildings might include reduction in lot areas, setback requirements, and/or bulk requirements, with the resultant open land being devoted by deed restrictions for one or more uses. [Glossary of HousingWorks RI]

**Community Development Block Grants (CDBGs):** A federal program created under the Housing and Community Development Act of 1974. This program (often known as CDBG) provides annual grants on a formula basis to states and larger cities and urban counties to be used for a wide range of community

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<sup>7</sup> Definitions of terms were compiled from the glossary of housingpolicy.org [<http://www.housingpolicy.org/glossary.html>] unless notes otherwise.

development activities directed toward neighborhood revitalization, economic development, affordable housing and improved community facilities and services.

**Community Land Trust:** Community land trusts are a form of shared equity homeownership designed to ensure that homes made affordable through public or philanthropic subsidies remain affordable over the long-term. Under the traditional community land trust model, a nonprofit community land trust is established to own the land on which homes are situated. The trust then sells the physical structures to home purchasers for an affordable price, along with a long-term lease on the land. When the home is sold, it must be sold at an affordable price to a qualifying homebuyer.

**Community Reinvestment Act (CRA):** A 1977 law that requires banks and savings and loan institutions to take affirmative steps to help meet the credit needs of the communities they are chartered to serve, especially low- and moderate-income communities. The Act directs the four banking regulatory agencies (Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation and the Office of Thrift Supervision) to evaluate the extent to which these institutions are meeting local credit needs. [Glossary of HousingWorks RI]

**Community Reinvestment Financing:** see *tax increment financing*.

**Density Bonus:** Permission granted by a municipality to build more or larger units than otherwise allowed by the existing zoning codes. Density bonuses are sometimes included as an "offset" to compensate developers for revenue that may be lost due to a requirement in an inclusionary zoning ordinance that a share of newly developed units be affordable to working families. In other cases, density bonuses are granted as an incentive to encourage owners to voluntarily include affordable units within new developments.

**Employer Assisted Housing (EAH):** Employer assisted housing is housing assistance provided by employers for their workers or the broader community. A growing number of employers are extending employer assisted housing benefits to their workers by providing grants or loans to assist with down payments (for homebuyers) or security deposits (for renters), offering homeownership education and counseling, and investing in the development of affordable homes in the community.

**Fast Tracking Development Approvals/Fast Track Development Review:** Expedited development approvals as an incentive for developers to add an affordable housing component to their projects. [Affordable Housing: MAG Best Practices Paper # 2, 2002]

**Growing Smarter/Plus:** The State of Arizona's Growing Smarter Act of 1998 and the Growing Smarter Plus Act of 2000 provide comprehensive land use planning and zoning reforms, including the acquisition of open space, and give residents of Arizona cities, towns, and counties a number of tools to shape growth in their own communities, such as the right to vote on general plans and restrictions on how general and comprehensive plans can be amended. [Arizona Department of Commerce; <http://www.azcommerce.com/CommAsst/GrowSmart/>]

**HOME Investment Partnerships Program:** Established by Congress in 1990, this federal program is designed to expand the supply of decent affordable housing for low- and very low-income families and individuals. HOME funds are provided each year by HUD to states and localities, which determine how the funds are spent. HOME funds may be used for: tenant-based rental assistance; assistance to homebuyers; property acquisition; new construction; rehabilitation; site improvements; demolition; relocation; and administrative costs.

**Housing Trust Funds:** A dedicated fund established by a state or locality to provide a stable source of revenue reserved solely for affordable homes. Because housing trust fund revenue is locally-generated,

it is not encumbered by the restrictions associated with federal resources and thus may be used more flexibly to fulfill locally-determined housing goals.

**Impact Fee:** A fee most commonly assessed to developers upon the construction of new homes within a jurisdiction to cover the initial costs of servicing those homes with water, sewer, and other public infrastructure. [*Increasing the Availability of Affordable Homes: A Handbook for State and Local Leaders*, 2006]

**Inclusionary Zoning:** A requirement or incentive to reserve a specific percentage of units in new residential developments for moderate- or lower-income households.

**Industrial Development Authority (IDA):** An Industrial Development Authority provides financial assistance for various purposes, including affordable housing. IDAs are allowed to make loans to banks and similar financial institutions, which then make loans to finance the acquisition, construction, improvement, or equipping owner-occupied single family or multifamily residential units that are provided for low and moderate income persons. An IDA can also purchase secured loans or loan interest from banks or similar financial institutions to finance the acquisition, construction, improvement or equipping of low income, owner-occupied single family or multifamily residential units. In addition, IDAs can make loans to residential property owners and banks or similar financial institutions for the repair or improvement of property related to residential or neighborhood improvement. [*2020 Eye to the Future*, 2001]

**Infill:** Development that occurs on empty lots of land, or in spaces between buildings, or the redevelopment of existing lots in an urban area rather than on new undeveloped land outside the neighborhood, city or town. [*Increasing the Availability of Affordable Homes: A Handbook for State and Local Leaders*, 2006]

**Land Banking:** Land banks are governmental or quasi-governmental entities dedicated to assembling properties - particularly vacant, abandoned, and tax-delinquent properties - and putting them to productive use. Land bank authorities acquire or facilitate the acquisition of properties, hold and manage properties as needed, and dispose of properties in coordination with city planners and in accordance with local priorities for land use.

**Linkage Fees:** Linkage fees are adopted by local governments to ensure that the additional housing needs generated through economic development and new job creation are met. In communities with linkage fee requirements, developers of non-residential buildings pay a fee, often based on project type (manufacturing, commercial, retail, etc.) and square footage, which is generally deposited in a housing trust fund and used to support affordable housing initiatives.

**Low Income Housing Tax Credit (LIHTC):** The federal low-income housing tax credit is the principal source of federal funding for the construction and rehabilitation of affordable rental homes. The tax credits are a dollar-for-dollar credit against federal tax liability. States allocate the tax credits to developers according to the criteria set out in the states' qualified allocation plans. Developers then work with syndicators to sell the credits to investors - generally for-profit corporations and investment funds - generating the equity necessary to complete their projects. Some states also have similar tax credit programs.

**Mortgage Credit Certificates:** The Mortgage Credit Certificate (MCC) is a tool to provide housing assistance to low and moderate-income families. The MCC operates as a federal income tax credit for an eligible borrower. It reduces the borrower's federal income taxes and, in effect, creates additional income for the borrower to use in making a monthly mortgage payment. [Arizona Housing Finance Authority; <http://www.housingaz.com/azhfa/mcc.aspx>]

**Mortgage Revenue Bond (MRB):** States are allowed, within certain limits, to issue bonds that yield interest free of federal tax. The proceeds of mortgage revenue bonds (MRBs) are used to finance the purchase, or qualifying rehabilitation or improvement of single family, owner-occupied residences for low- and moderate-income families and individuals. [National Association of Home Builders; <http://www.nahb.org/generic.aspx?genericContentID=3553>]

**Private Activity Bond (PAB) Program:** Private activity bonds are bonds issued by state or local governments to fund private activities that have a public benefit. The federal government provides each state with a certain amount of authority – known as bond cap – to issue tax-exempt private activity bonds for specified purposes, including homeownership, rental housing, health care, education, and manufacturing. States decide how much of their bond cap to allocate to each qualifying use. Private activity bonds are important sources of financing for affordable homes. When used to finance homeownership, they are known as mortgage revenue bonds. When used to finance qualifying rental developments, they automatically qualify a development for 4 percent low-income housing tax credits.

**Section 108:** Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. [HUD Office of Community Planning & Development, Section 108 Loan Guarantee Program; <http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/>]

**Section 8:** A two-pronged federal program that helps low-income households afford privately-owned rental units. Subsidies granted through the Section 8 Housing Choice Voucher program are tenant-based, meaning that they may be used to rent any unit that meets program requirements. Subsidies granted through Section 8 project-based assistance are project-based, meaning the same units remain affordable, even as tenants change. In both cases, families pay about 30 percent of their income for housing, including utilities, and the government covers the balance of costs through a subsidy.

**Self-Help Homeownership Opportunity Program (SHOP):** SHOP provides funds for eligible national and regional non-profit organizations and consortia to purchase home sites and develop or improve the infrastructure needed to set the stage for sweat equity and volunteer-based homeownership programs for low-income persons and families. SHOP funds are used for eligible expenses to develop decent, safe and sanitary non-luxury housing for low-income persons and families who otherwise would not become homeowners. [HUD Office of Community Planning & Development, Self-help Homeownership Opportunity Program (SHOP); <http://www.hud.gov/offices/cpd/affordablehousing/programs/shop/>]

**Smart Growth:** Smart growth refers to a set of development principles that link environmental, social, and economic objectives together to create vibrant, safe, and healthy places to live. Smart growth development generally seeks to take advantage of existing infrastructure to preserve farmland and open space; encourages multi-modal transportation options by concentrating development around public transit corridors; integrates housing and other land uses together; and provides a range of choices in the development of the built environment to promote affordability.

**State Transaction Privilege Tax (TPT):** The transaction privilege tax, commonly known as the sales tax, is levied on sellers or vendors for the privilege of engaging in business within Arizona. There are many different transaction privilege tax classifications, such as retail sales and prime contracting. The tax rate varies by classification, but most categories are taxed at a rate of 5%. Transaction privilege tax revenues are shared with the counties and cities. [Arizona State Legislature, Transaction Privilege Tax; <http://www.azleg.gov/jlbc/transaction%20privilege%20tax.pdf>]

**Tax Increment Financing (TIF):** A financing source for housing and other public improvements in designated underdeveloped areas. Communities can borrow against the incremental tax revenue expected to be received after completion of the improvements to provide initial funding of the investments.

**Upzoning:** The process of rezoning residential land to allow greater density. [*2020 Eye to the Future*, 2001]

**Zero Lot Line (ZLL) Development:** A development option where side yard restrictions are reduced and the building abuts a side lot line. Overall unit-lot densities are therefore increased. Zero-lot-line development can result in increased protection of natural resources. [Smart Growth/Smart Energy Toolkit Glossary; [http://www.mass.gov/envir/smart\\_growth\\_toolkit/pages/glossary.html](http://www.mass.gov/envir/smart_growth_toolkit/pages/glossary.html)]





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Through research, educational outreach, advocacy and design innovation, the ASU Stardust Center for Affordable Homes and the Family supports organizations, neighborhoods, and professionals in their efforts to improve the growth of quality affordable homes and sustainable communities.