

Department: Pima County Community Development and Neighborhood Conservation Department

Revised Date: September 8, 2014

### **Future Pima County Bond Election Proposed Project**

**Project Name:** AFFORDABLE HOUSING PROGRAM

**Location:** Communities throughout Pima County.

**Scope:** The program creates and expands affordable housing through the construction of new development and the rehabilitation of existing affordable housing units in order to provide safe decent and healthy affordable housing opportunities and options to low and moderate income families living in Pima County. Unlike other bond projects with specific earmarks for identified projects, the bond funds which support the Affordable Housing program has a pre-established process for project selection that requires the applicant meet a minimum threshold standard established by the Pima County Housing Commission (PCHC) prior to any notice of availability of funds. Additionally, the program records a 30 year Affordability Housing Restriction on each unit to ensure preservation and long term affordability.

#### **Program Requirements:**

1. Applicant must meet minimum thresholds described in the formal application completed and undergo an extensive review by qualified housing staff, then reviewed and scored by a subcommittee of the PCHC; after meeting the minimum thresholds, the application must score at least 80 points for the subcommittee to present the proposed project to the full PCHC for their vote to recommend the project to the Pima County Board of Supervisors for final approval.
2. Any proposed project located within a jurisdiction of Pima County must be able to demonstrate that the jurisdiction will contribute a reasonable match or other leverage (i.e.: donation of land and/or building structure, waiver of fees, other funding sources including but not limited to federal and general funds).
3. Applicant must have site control by evidence of a valid and current purchase contract, option agreement, or lease agreement providing the applicant with the right to develop the site for the proposed use and documentation that the project is appropriate for the current zoning approved for the site.
4. Applicant must provide evidence that there is sufficient need in the community to support the proposed use. An independent comprehensive market study is required at the time of application for projects with more than 25 units. Projects with 25 or fewer units must provide a comprehensive study within 90 days of receiving any conditional approval for funding.
5. Applicants are required to provide an Affirmative Marketing Plan within ninety days of approval of their application. The plan must demonstrate a concerted effort to reach out to households not likely to seek the proposed, bond-assisted housing development. This is a requirement consistent with state and federal fair housing laws and regulations and in the best interest of those seeking affordable housing in Pima County.
6. Upon commitment of funds by the Board of Supervisors (BOS), CDNC staff will negotiate an agreement with the applicant. All Housing Commission recommendations and BOS commitments will include deadlines for securing any funds not fully committed, deadlines for executing county contract and deadlines for beginning and completing construction of housing units. The contract will not be negotiated until commitments of all funding sources needed to support the project are determined to be available. Staff will determine whether any substantial changes in the project targeting or funding will require additional underwriting and/or resubmission of the application for re-review by the Housing Commission and possibly the BOS.

**Benefits:** The Affordable Housing program provides for the expansion of homeownership and rental opportunities, the provision of access to safe, decent, affordable housing for low-moderate income residents of Pima County, and encourages public-private partnerships in the development and creation of affordable housing. In 1997, the voters of Pima County approved \$5 million, and \$10 million in 2004 for the Affordable Housing program and the establishment

of a Housing Trust Fund. The success of the current program can be measured by the number of housing developments completed, the increase in property tax base, public and private sector partnerships developed, and the funds leveraged for home ownership and rental opportunities. As of March 31, 2014, The Pima County Housing Commission has recommended and the Board of Supervisors have approved funding for development of 469 single family housing units, and 461 multi-family rental units for a combined total of 930 affordable housing units (1997 & 2004 Bonds).

General Obligation Bond Funds for Affordable Housing from 1997 and 2004 combined total of \$15 Million used for development will leverage more than \$129 Million. Increasing home ownership and rental opportunities for families by using bond funds to reduce housing costs becomes more critical than ever before. The General Obligation Bond Funds for Affordable Housing has been an "economic stimulus" package in Pima County since the completion of the first project in 2003. It has been well documented that housing development creates local jobs and stimulates the economy through property and sales tax revenue, while sustaining and stabilizing families, neighborhoods and community thus providing both economic and social impacts to Pima County.

The high foreclosure rates and the Great Recession in Pima County have affected housing development in Pima County. While foreclosures are on the decline, recent reports and studies confirm that affordable housing continues to be a challenge for the low-wage earner, special populations, the low-income aging population, low to moderate-income families, and housing industry stakeholders. The changes in the 2004 bond language expanded the use, providing an opportunity for bond funds to be used for the purchase of foreclosed homes and creating opportunities for community revitalization. Bond funds have historically provided developers leverage, as lenders will consider them less risky when considering financing a proposed project. They have become more attractive to developers for the reasons stated but can also work as a tool to encourage the inclusion of affordable housing in future development of housing. County Bond Counsel has determined that bond funds can be used for the vertical development and construction, as long as there is a 30 year affordability restriction in place as required by state statutes. Overall bond funds strengthen and expand the opportunities for for-profit and non-profit partnerships and collaborations for new development projects in the future.

**Costs:** Projected costs of \$20,000 per unit, with a goal of at least 1,500 new affordable housing units, the bond request cost is estimated at \$30 million.

**Bond Funding:** \$30,000,000

**Other Funding:** Although each project is unique in its funding sources, historically, the average leverage is 10:1, with typical funding sources often include: Home Investment Partnership Program (HOME), Federal Home Loan Bank—Affordable Housing Program (AHP), Low Income Housing Tax Credits (LIHTC), United States Department Of Agriculture (USDA)—Rural Development Loan Programs, Community Development Block Grants (CDBG), State Of Arizona Department Of Housing, Private Foundation, Private Lenders, Owners Equity

**Fiscal Year Project Start and Finish Date:** Since this is a successful ongoing program, it is estimated that there will be a 10-year timeframe for completing all 1500 units, starting in 2016-2026.

**Project Management Jurisdiction:** A designated Project Manager from the department is responsible for oversight responsibilities related to the contract as approved by the Board of Supervisors. The Contractor must submit documentation for draw requests, which are verified, reviewed and approved by the Project Manager based upon a physical site inspection, proof of payment, and lien releases prior to funds being processed for disbursement. The Project Manager is actively involved in the project through the construction and/or rehab of all housing units. Once the project is completed, the Project Manager or designated staff continues to monitor and inspect properties for duration of the affordability period to ensure compliance.

**Future Operating and Maintenance Costs:** For those bonds funded projects that include offsite improvements in the public right of way are included and upon completion of the housing development project, the jurisdiction in which the project resides will be responsible for the operating and maintenance costs. For single-family housing units the property ownership is conveyed to a qualified low-income buyer with deed restrictions

requiring a 30-year affordability period. The Deed will name Pima County as the Trustor and requires that the County approve any subsequent buyers within the 30 year period to ensure the new owner meets the income eligibility guidelines in place at the time of sale and transfer. Pima County or other Pima County municipalities with an internal Real Property division may own single-family rental units purchased or another approved management entity. Pima County may transfer housing units to a land trust or non-profit entity which will be responsible for ensuring long-term preservation, affordability, and management. The rental units must be able to show a positive cash flow to support the funds for management, maintenance and operating expenses. The Contractor upon completion will own multi-Family units. Projects approved will require financing mechanisms such as Low Income Housing Tax Credits to ensure long-term affordability, monitoring, and management.

**Regional Benefits:** Affordable Housing projects benefit all residents of the specific development. Through increased affordable, safe and healthy rental and home ownership opportunities benefits are extended to all residents in the surrounding community. While individual projects are specific to an identified community, the overall program is based on a regional approach and the improvement in the quality of life, throughout the urban, suburban and rural areas of Pima County.

**Supervisor District of Project Location: All Districts**