AFFORDABLE HOUSING SUBCOMMITTEE MINUTES

August 28, 2024- 4:00PM

[Affordable Housing Subcommittee August 2024 (youtube.com)]

Affordable Housing Subcommittee of the Commission on Equitable Housing and Development meeting via Zoom.

Call to Order/Roll Call, and Introductions

The meeting was called to order at 4 pm by Chair Jim Tofel. Roll call was taken, and a quorum was established.
No Action Taken

Members present: Maggie Tellez, Jim Tofel, Maryann Beerling, Sarah Meggison, Marcos Ysmael

Others present: Meghan Heddrigs, Ernesto

1. **Call to the Audience - no one present**

2. **HCD Update** – Sarah needs more time to prepare & this will be moved to the end of the agenda.

3. Follow up on previous recommendations sent to Mayor & Council – Jim feels that some progress is being made on the three recommendations sent which are: 1. Reinstate the Housing Trust Fund; 2. Direct Development Services on zoning changes and 3. Fast track bond initiative.
-Jim brought up LiTech awards between 2017-2022 that 9.9% of tax credits were to Pima County & the proof is in the data.

4. Discussion on Mortgage Revenue Bond – Dre Thompson & Nicole Johnson from Tucson IDA shared a PowerPoint presentation on the Lighthouse Program (Single Family Mortgage Revenue Bond Program).

Slide 1: Introduction

Slide 2: Described the program which was created by the Federal Government to support those who have challenges entering home ownership and central traditional target has been first-time home buyer ERS but also creates opportunities for veterans and those in economically distressed zip codes, low-income families and manufactured home buyers.

Slide 3: AZ Volume Cap – this is a federally limited amount each year, based on population size. The state of Arizona is currently “out” of volume cap for the year.

2024 AZ Volume Cap: $928,918,000.00

<u>There are 3 programs</u>

- 30% “single family” program
    1. mortgage credit certificates
    2. single-family mortgage revenue bond
- 40% multi-family program
    1. low-income Housing Tax Credit

IDAs were created for and empowered to implement these federal programs for the state of Arizona.

Slide 4: Single Family Mortgage Revenue Bond

- Mortgage-backed revenue bonds are issued to obtain funding for low-interest rate mortgages.
- In essence, the entity issuing the loan outsources mortgage funding to <u>bondholders</u> who get paid a coupon based on the mortgage interest rate.
- Municipalities commonly issue these types of bonds through <u>housing finance agencies</u> (HFAs).
- The IDAs are Housing Finance Agencies

Using this financial instrument, we are able to offer a lower interest rate and 4% down payment assistance.

Slide 5: Leveraging Capital

-A Bond is a Loan-

The IDAs must take out a massive “loan” each time we issue a bond for $25 million	→	if the market changes, and our rate is no longer lower than market rate, we are at a major risk.
Like all loans, we have to put money Down in equity, plus the costs of the Issuance	→	it costs about $1 million for every $25 million bond issued.
Many cities & states help their HFA Pay for the cost of issuance. ADOH Gave $10 million to the Arizona IDA for this purpose, but none to local IDAs. We advocated for a portion to create a revolving loan fund that we would pay	→	currently that cash comes out of our operating budget (primarily earned from parking lot revenue). Tucson IDA has only been able to participate in 2 of 6 issuances due to limited funds.

Slide 6: Guidelines

Federal

1st time Homebuyers are the stated target of this federal program, but it also aims to reach some other groups that struggle to get a foothold into homeownership.

- Pursuit to ARS, there are set-asides for:
  - manufactured housing (10% of each bond)
  - low-income persons at 100% or less of the median income (30% of each bond)
  - federally targeted areas-typically low-income census tracts (20% of each bond)
- Veterans do not need to be a first-time homebuyer, nor do those purchasing in a "distressed" zip code.

Local

- We have chosen to require homebuyer education
- We have chosen to make the down payment assistance forgivable after 5 years in residence at the home.
- Lenders must complete training to participate in the program in order to better monitor and enforce program compliance. Non-compliance or bad behavior (i.e. reserving when home are not ready to close) removes them from the program.

Slide 7: Program Qualifications

Homebuyer Eligibility

- First-time homebuyer*
- Min FICO 640
- DTI 45%*
- Tucson and Pima County

*Exceptions apply for DTI with 680 or higher credit score
*Exceptions apply for veterans and homebuyers purchasing in target areas

Household Limits effective 5/22/24

	Non-Targeted Areas	Targeted Areas
1-2 person Household	$94,200	$113,040
3 or more person Household	$108,330	$131,880

Acquisition Limits (Sales Price Limits) effective 5/22/24

County	Non-Target	Targeted
1 Unit	$501,939	$624,481
2 unit*	$654,187	$700,652
3 unit*	$790,752	$966,475
4 unit*	$982,742	$1,201,129

*2-4 unit properties must be at least 5-years old, no new construction.

Slide 8: Marketing and Communications

Awareness Campaign

-We inform our community and real estate professionals within 24 hours of programmatic updates to support proactive, efficient and accurate information distribution.

-Minimum 2 weeks prior to program launch we inform the community of rate lock date and launch date:

- Newsletter email blast to over 1,500 real estate professionals "what to do to prepare your buyers".
- social media post on 3 major platforms
  - Instagram, Facebook, Linkedin

Urgent Housing Needs

We partner directly with Family Housing Resources to make a warm hand-off of members in our community who reach out explicitly for housing assistance and urgent housing instability. An email and phone number ensure FHR follow-up with those in need of immediate housing assistance within 24 hours of request for assistance.

Slide 9: Community Impact

467 Served $5 million DPA $124 million Impact

Program to launch September 11th

Slide 10: Demographics

Graph shows the Household Annual Income Report data

Even while the federal guidelines allow for higher income limits, most household incomes in our program align with the area median income for Pima County, (AMI = $64,323).

Slide 11: Demographics

Graph shows Household Size Report data

Average Household Income by Family Size

1 person	2 persons	3 persons	4 persons
$65,258	$72,514	$76,478	$77,560

Slide 12: Demographics

Graph shows Property Type Report data

Slide 13: Demographics

Graph shows Ethnicity Report data

Slide 14: Appendix

Graph shows Average Household Income by family size across Lighthouse Programming, FICO scores and Homebuyer age.

Lighthouse Approved Lenders downloadable PDF link and shows total 38 with 20 active.

Q&A was opened to panel

-Dre is looking for 2 million to keep this program running as a revolving loan and funding from Community organizations or possibly the city.

-Sarah brought up the 1% sales tax increase that could possibly fund this program so it can continue to run.

-The panel thanked Dre & Nicole for their very informative presentation.

5. **Affordable Housing Fast Track program –** Loran and Korem presented a PowerPoint presentation. This program has been running for a few months from recommendations brought forth from the subcommittee.

Slide 1: Affordable Housing Fast Track Program introduction.

Goal: Streamline development review process for affordable housing projects.

Slide 2: Agenda

- How we got here
- Program Eligibility
- Program Process
- Pilot Projects
- Discussion and Next Steps

Slide 3: How we got here….

- February 22, 2023, the Commission on Equitable Housing and Development recommended Mayor and Council task Planning and Development Services Department with codifying a fast-track approval process for affordable housing projects, specifically for LIHTC projects – motion passed unanimously.
- Discussions with management within PDSD Current planning – including Site and Building safety – Advanced Planning as well as the Housing and Community Development Department.

- HAST booklet with link to click onto for the 6.1 streamline development review process for AH Projects.

Slide 4: Program Eligibility

- Projects that restrict affordability due to funding through Low-Income Housing Tax Credit (LIHTC) or the Housing and Community Development (HCD) department and have been vetted with HCD.
- Vetted for affordability terms
- Tracked for annual affordability performance
- Legally binding affordable housing
- Constrained by short timelines

~4-5 projects per year

Slide 5: Program Process

- Introduction meeting
- Mandatory Pre-Application meeting
- Plan Review (15-day review cycle)
- Plan Review Working Sessions
- Pre-Construction meeting

Slide 6: Introduction meeting

- Arrange Introduction meeting with the applicant, the assigned PDSD Project Manager and HCD representative
- Explain the program, set expectations and discuss timelines
- Determine if the project meets eligibility requirements
- Assign the PDSD Project Manager
    - Single point of contact for questions, assist in coordinating reviews, troubleshoot permitting challenges and facilitating the program process.

Slide 7: Mandatory Pre-Application Meeting

Required pre-application conference with the City Development Review Committee (CDRC) for applicants to participate in the program.

- Site Zoning, Site Engineering, Site Landscape, Building, Tucson Fire, Right of Way Transportation, Tucson Water.
- Any additional reviewers applicable to the project such as Building Safety, Special Districts, Historic, Design Professional, Zoning Administration, etc.
- Share Initial Feedback on the proposed development, identify and proactively address potential issues and discuss critical milestones and overall project timeline.

Slide 8: Plan Review Cycle reduced to 15-days

Plan review for development packages and building permits will aim to be completed after a 15-day review timeframe.

- Typical review cycles for projects this size is a 30-day review timeframe.
  -Projects requiring Historic or Special District reviews will be subject to different timeframes.
- Per UDC 5.12.6.D Provisional Approval for IID projects helps to have proactive conversations before formal submittal.

Slide 9: Working Sessions with City Staff

Plan review working sessions may be scheduled with review staff following the first review.

- Discuss comments, answer questions, and collaborate to solve problems as a team.
- Improve submittal quality to reduce multiple resubmittals.

Slide 10: Pre-Construction meeting

Pre-Construction meeting with the Project Manager, Site Engineering Staff, and Site Inspector will occur to identify any unanticipated challenges in the field that are difficult to identify on the site plans.

Slide 11: 2024 LIHTC Reservations (3 projects received)

- Sugar Hill on Stone by HCD
  1910 N. Stone Ave
  66 units
  (this location is zoned as Industrial, but they are using IID to allow multi-family residential and allow any additional zoning modifications needed.)

- Rincon Manor by Spire Development, Inc.
  NEC of S. 12th Ave and W. Medina Rd.
  84 units, senior housing
  (They have just come for a pre-app meeting & nothing formal submitted)

- Casa Del Pueblo Senior Apartments (Rehab)
  by Chicanos Por La Causa, Inc.
  4975 S. Liberty Ave.
  96 units, senior housing
  (This location has 2 buildings, one built in 1945 & one 1975 and both need rehab, site improvements with a majority needing interior work)

Slide 12: Other Projects

- Habitat for Humanity
  - 5 for-sale affordable housing units
- Pima County Community Land Trust
  - 8 for-sale affordable housing units, Condo Plat

Slide 13: Discussion and Next Steps….

- Codify the process? (document the process)
- Jim brought up during the Housing Forum that they would like to see construction begin on projects by March following the year awarded.
- Sarah brought up Sugar Hill that it will close on time (mid-February)

- Hopefully with this program, timelines can be met.
- Jim will meet with Jay to see if this program presentation can be presented to Full Commission.

6. AZ Research Center-State of Housing in Arizona

-Maryann shared a document from ASU Morrison's Institute and Arches which is Arizona Research Center that had a summit in Phoenix regarding the state of Housing and Water in the state and the document is information on their research findings. She went over the findings and thinks that this information should be presented to the full commission this November by Morrison and Arches with the recommendation coming from the subcommittee. She went over the 6 points on the key findings of the report.

-Jim brought up the challenges of projects in the future which have dropped compared to last year due to increased costs, market rates, etc. Funding is drying up in Arizona. 90% cut in the State Housing Trust Fund. Construction costs have decreased and if interest rates drop projects will again be increased.

Return to Agenda item #2-HCD Updates – Sarah Meggison

-Sarah mentioned that Ann will present the full commission meeting the Sales Tax Bond.
-The Milagro on Oracle just completed and celebrated it's 1-year anniversary and it's at 75% complete and fully complete by the end of this year. They will have a welcome party with a ribbon cutting ceremony scheduled when 100% completed.
-Sugar Hill is going through the process of submitting permits.
-Successful Neighborhood meeting for the IID, they heard a lot about bicycle parking.
-South 10th will have a public meeting on October 2nd which will focus on the Environmental topics of the site.
-10,000 blanket were received from FEMA and they will be storing them until they are needed.
-Cooling centers are up and running successfully
-More robust updates will be presented to the Full Commission meeting

7. Call to Audience – nothing

8. Next Steps –

- September 18th next AHS meeting
- Working Group needs to work on the Bond Initiative to present to the full commission from both the subcommittee and PDSD.

Adjournment – 5:40 pm