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Pima County Board of Supervisors

To: Melissa Manriquez, Clerk of the Board

From: Matt Heinz, Supervisor, District 2

Date: April 10, 2025

RE: BOS Addendum Agenda 4/15/25:

Proposed BOS Policy D 22.17 – Gen Fund, Three Cents for Affordable Housing

Please add this item to the 4/15/25 Addendum. Thank you.

Board of Supervisors:

Discussion/Direction/Action: Proposing adoption of a new Board of Supervisors Policy, D 22.17 – General Fund, Three Cents for Affordable Housing, to raise \$207,000,000 over the next decade for the construction and preservation of affordable housing in Pima County, as well as potentially the expansion of initiatives and programs that reduce homelessness and keep people housed.

The initial findings from ECONorthwest point to the need for an additional 38,584 housing units in Pima County over the next decade that are affordable to families earning 60% or below of the Area Median Income (\$48,720 for a family of four, 2023). This policy, if enacted as proposed, would allow us to expand our Affordable Housing Gap Funding program and other programs that preserve affordable housing units and keep people housed, in a meaningful way over the next decade. Additionally, it would give us a head start as we further develop and implement a **Regional Housing Strategy and Funding Plan**, as per the County Administrator's memo to the Board dated March 20, 2025.

cc: Jan Leshner, County Administrator
Steve Holmes, Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator
Nicole Fyffe, Senior Advisor to the County Administrator
Jenifer Darland, Director, Office of Housing Opportunities and Homeless Solutions



PIMA COUNTY, ARIZONA BOARD OF SUPERVISORS POLICY

Subject: **General Fund, Three Cents for
Affordable Housing**

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Purpose

To establish Pima County policy for determining the annual primary property tax levy, such that the levy increases over what it otherwise would have been by three cents each year for the next ten years, with one hundred percent of the additional revenues generated going toward Pima County's efforts to preserve and build more affordable housing, and keep people housed.

Background

"The consequences of failing to establish widespread access to affordable housing have been linked with long-term negative effects on health, children, the environment, and jobs. Hence, lack of affordable housing is not only an individual problem but has negative collective consequences." (ASU Morrison Institute for Public Policy, 2021, *Building Arizona: Constructing a Rental Market that Meets Demand and Serves All Arizonans*)

As illustrated in the Initial Findings of the Housing Needs Assessment by EConorthwest (attached, page 8), the median household income in Pima County rose by 16% from 2000 to 2023. Meanwhile, the median home value in Pima County increased over the same period by 200%, to a median home value of \$337,800 in 2023.

The EConorthwest Housing Needs Assessment showed that we must create 116,000 additional housing units over the next 20 years in order to overcome more than a decade of underproduction, meet the demands of those who are currently housing-cost burdened or experiencing homelessness, and meet the demands of future population growth as well.

The market will take care of the market-rate units that need to be built over this timeframe (roughly 49,000 of the 116,000 additional units needed countywide; p. 11). Additionally, continued revisions to the Zoning Code should facilitate higher production of "Missing Middle" homes (such as duplexes, triplexes and smaller apartments) -- which are by definition more affordable to build and thus more affordable to rent or own -- as well as more production of smaller starter homes and other naturally occurring affordable housing. **But the fact is that for those members of our community living at or below 60% Area Median Income (\$48,720 for a family of four, 2023), we must increase and accelerate the building and preservation of affordable housing today and into the future.** This will require additional, dedicated General Fund dollars to scale up our successful Gap Funding for Affordable Housing program.

Specifically, the EConorthwest report finds that as a community we must build the following number of **additional** units to serve the needs of these low-income individuals and families (those below 60%AMI). The report notes that these units, by definition, "will require some level of subsidy for either production, preservation, or stabilization" (p.12):

By 2030	23,292 additional units for residents at or below 60% AMI
By 2035	38,584 additional units for residents at or below 60% AMI



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By 2045 62,771 additional units for residents at or below 60% AMI

The \$5 million through PAYGO is a down payment. This policy aims to increase our investment over the next decade, to meet a much larger share of the identified need, as rapidly as possible.

Policy

Beginning with the FY26 County Budget and extending through the FY35 County Budget, the County Administrator shall add 3.0 cents to the Primary Property Tax levy each fiscal year, earmarked for Affordable Housing. Assuming that each penny in the tax levy generates about \$1.3M per year over the next 10 years (a very conservative estimate based on historical growth in the tax base), this policy would generate much needed additional revenues to construct and preserve affordable housing, and keep people housed, as follows:

Over the FY25 base of zero additional dollars dedicated to Affordable Housing beyond the \$5M/yr now in the County's Base Budget, this policy would generate *approximately* the following revenues for affordable housing, at *approximately* the following costs to homeowners:

YEAR	Additional Tax Levy Over FY25 Base	Estimated G.F. Revenues per Penny in Primary Prop Tax Levy (avg of \$1.3M/yr over 10 years)	Pima Co. Median Home Limited Assessed Value ; (i.e. what gets taxed; cannot increase by more than 5.0% annually, per AZ Constitution)	Est. Annual Cost to Median Homeowner, Over Previous Year	Est. Additional Revenues/ Year for Affordable Housing, Over Prev. Year	Est. Additional Annual Revenues for Affordable Housing (over FY25 baseline)	Est. Cost per Unit in Pima Co Gap Funding needed, based on historic avg.+ 6% annual accelerator	Est. Number of ADDITIONAL Units of Affordable Housing Built or Preserved Per Year
FY26	0.0300	\$1,200,000	\$235,200	$\$2.352 \times 3 = \7.06	\$3,600,000	\$3,600,000	\$12,000	300
FY27	0.0600	\$1,200,000	\$246,960	$\$2.4696 \times 3 = \7.41	\$3,600,000	\$7,200,000	\$12,720	566
FY28	0.0900	\$1,200,000	\$259,308	$\$2.5931 \times 3 = \7.78	\$3,600,000	\$10,800,000	\$13,480	801
FY29	0.1200	\$1,200,000	\$272,273	$\$2.7227 \times 3 = \8.17	\$3,600,000	\$14,400,000	\$14,290	1,008
FY30	0.1500	\$1,200,000	\$285,887	$\$2.8589 \times 3 = \8.58	\$3,600,000	\$18,000,000	\$15,150	1,188
FY31	0.1800	\$1,400,000	\$300,181	$\$3.0018 \times 3 = \9.01	\$4,200,000	\$22,200,000	\$16,060	1,382
FY32	0.2100	\$1,400,000	\$315,190	$\$3.1519 \times 3 = \9.46	\$4,200,000	\$26,400,000	\$17,020	1,551
FY33	0.2400	\$1,400,000	\$330,950	$\$3.3095 \times 3 = \9.93	\$4,200,000	\$30,600,000	\$18,040	1,696
FY34	0.2700	\$1,400,000	\$347,498	$\$3.4750 \times 3 = \10.43	\$4,200,000	\$34,800,000	\$19,130	1,819
FY35	0.3000	\$1,400,000	\$364,872	$\$3.6487 \times 3 = \10.95	\$4,200,000	\$39,000,000	\$20,270	1,924



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TOTAL AFTER 10 YRS, When Policy Sunsets				\$88.78/year additional cost to the median homeowner, or \$7.40/mo. (over the FY25 level)		\$207,000,000		12,235 Additional Affordable Housing Units Built or Preserved
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Total Revenues raised for Affordable Housing over the coming decade (above and beyond the \$5M annual appropriation in today's Base Budget): \$207,000,000.

Leveraging private and other public dollars at the 10:1 to 12:1 rate that current Gap Funding projects are doing, this would help Pima County preserve or construct an additional **12,235 Affordable Housing Units over the next decade** – or 32% of the entire need for housing available to those under 60% AMI over this period.

As with the base \$5M/year appropriation, the specific annual appropriations of these additional funds for Affordable Housing would be at the direction and recommendation of the **Pima County Regional Affordable Housing Commission** – which includes representation from all five Board of Supervisor districts, all Pima County jurisdictions, the Administrator's Office, and the Director of Pima County's Office of Housing Opportunities and Homeless Solutions (OHOHS) – **and the annual approval of the Board of Supervisors.**

Adopted Date: April 15, 2025
Effective Date: April 15, 2025



Pima County Housing Study

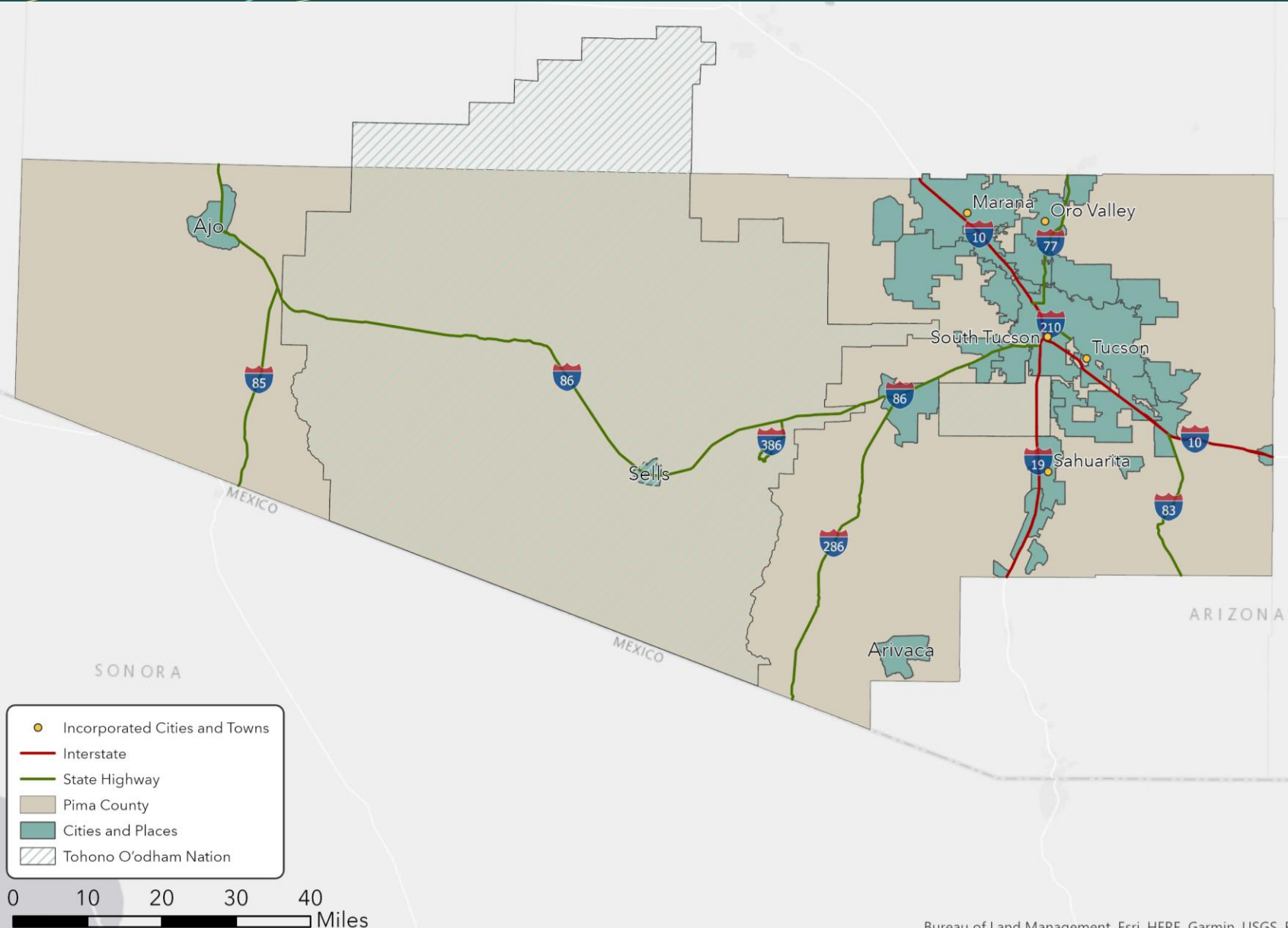
Housing Needs Assessment
Key Findings

February 4, 2024

Board of Supervisors Meeting



Housing Markets are Regional

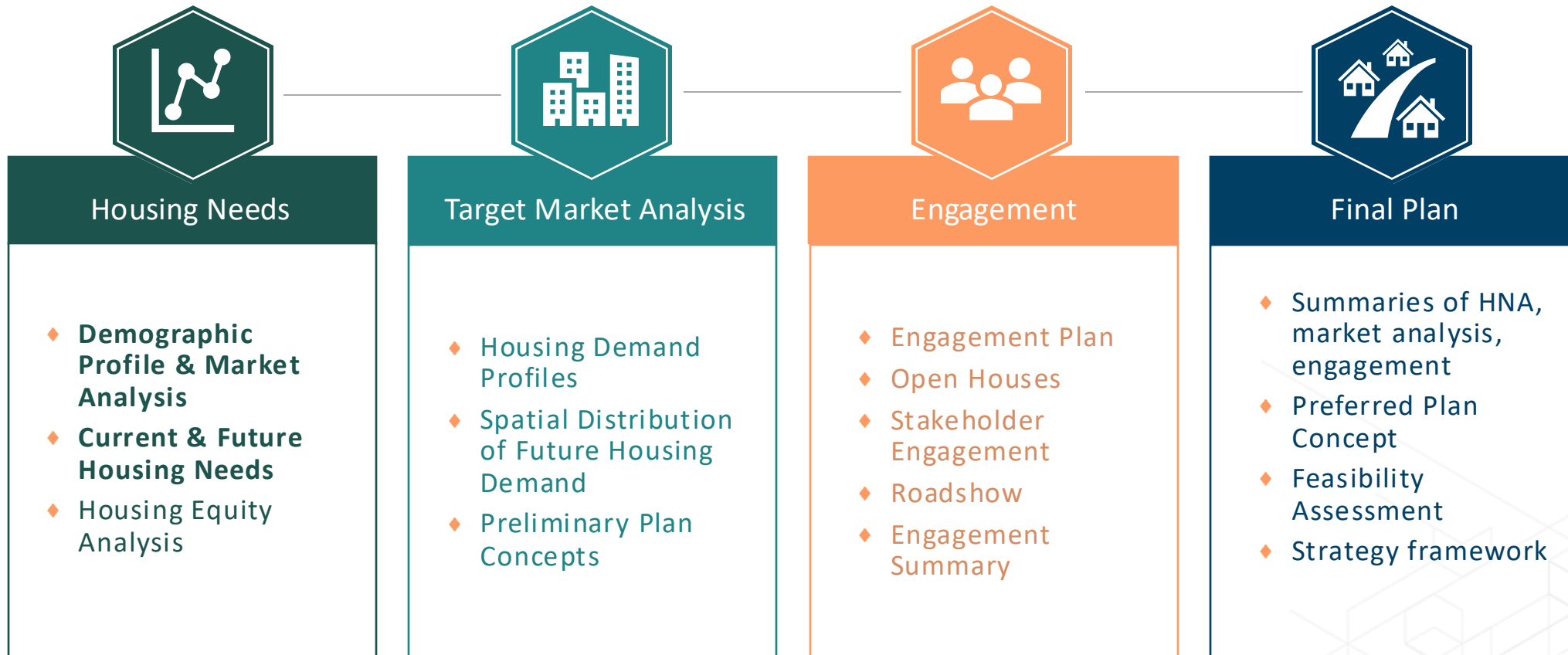


- Housing markets operate **regionally**, as people choose where to live based on jobs, affordability, schools, amenities, and other factors.
- Housing **policies are often localized**, resulting in fragmented efforts that **fall short** of addressing broader dynamics shaping housing supply, demand, and affordability.

Why a Housing Study & Why Now?



Project Overview



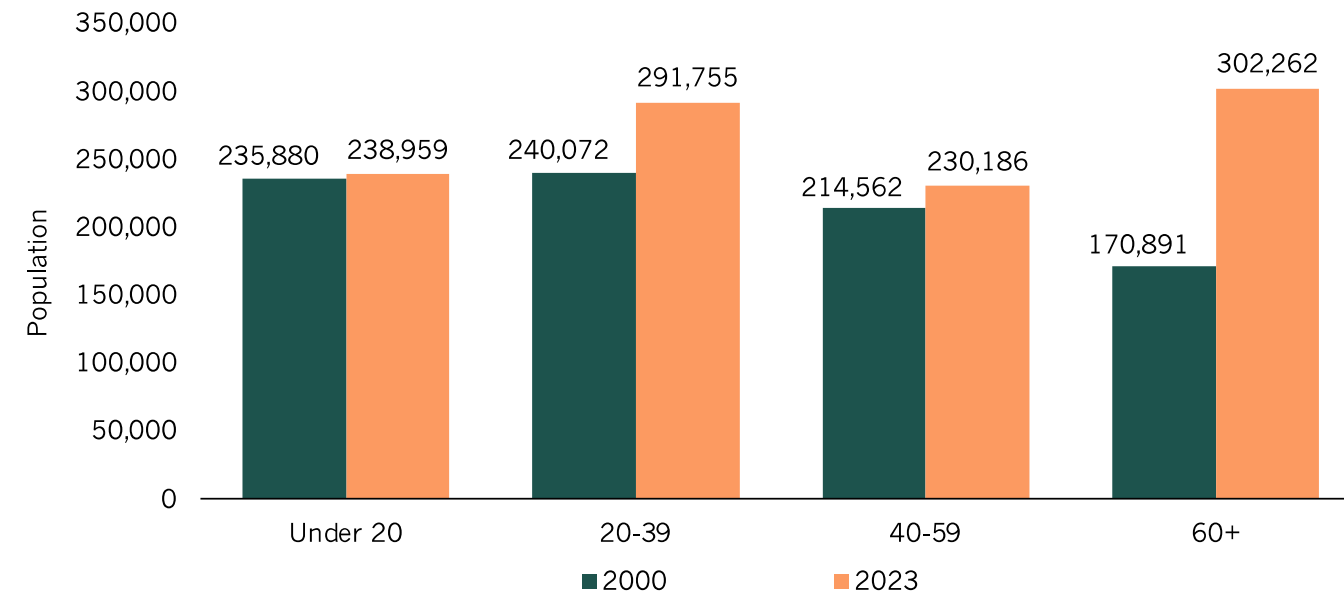


Summary of Key Findings

Demographic & Market Analysis

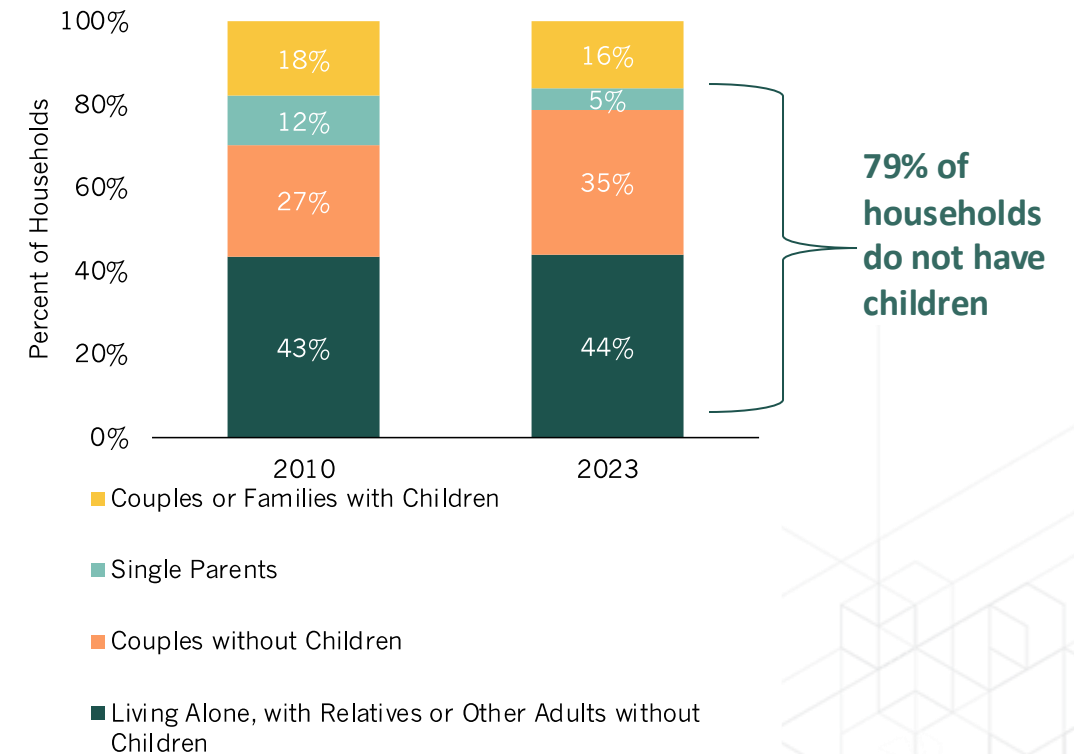
Demographic Changes

Age group changes, Pima County, 2000 - 2023



Source: US Decennial Census 2000, P012001 and ACS 1-Year Estimates 2023 Table B01001

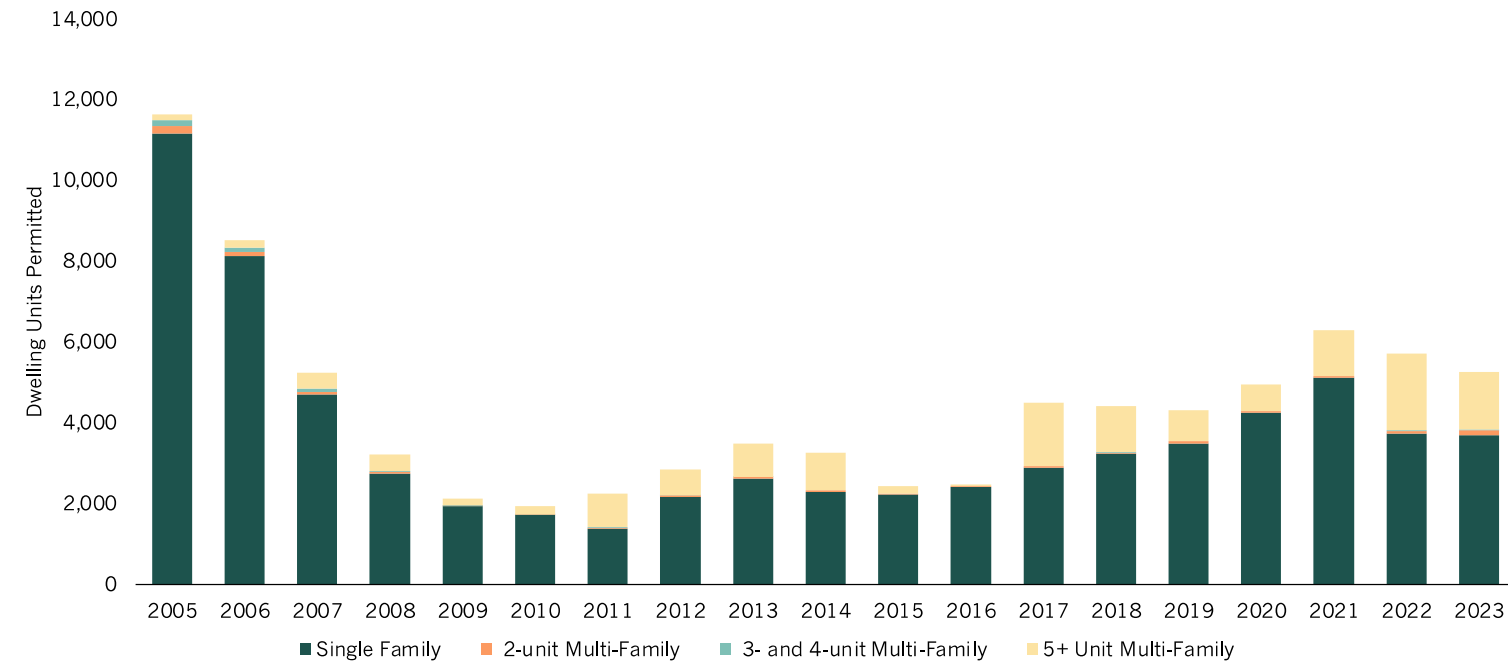
Household Composition, Pima County, 2010 vs 2023



Source: US Decennial Census 2010, P020001 and ACS 1-Year Estimates 2023 Table B11012

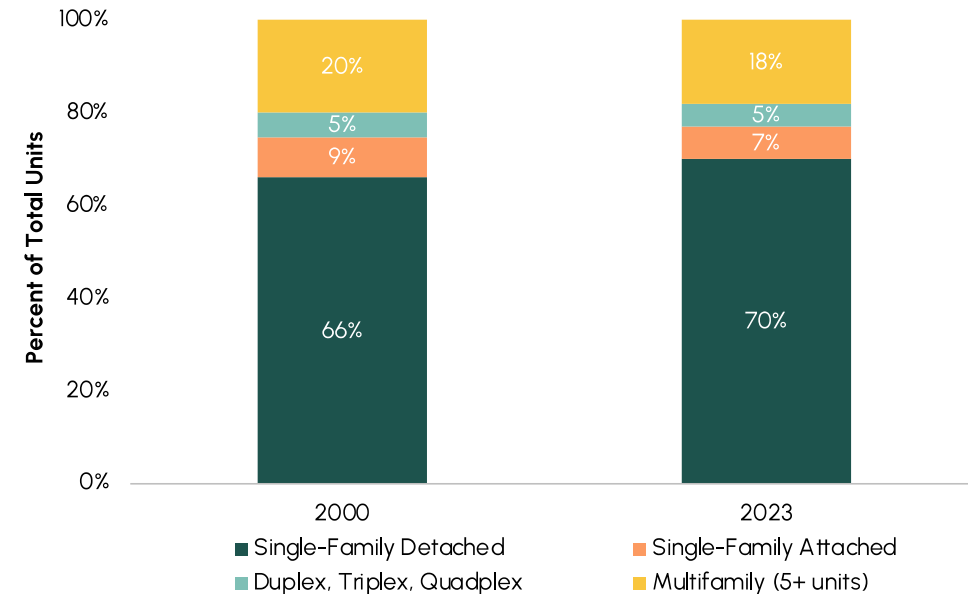
Housing Market Changes

Building Permits by Structure Type, Pima County, 2005 - 2023



Source: HUD SOCDs Building Permit Database

Changes in Housing Mix, Pima County, 2000 vs 2023



Source: 2023 American Community Survey 1-Year Estimates: B25024

Affordability Changes

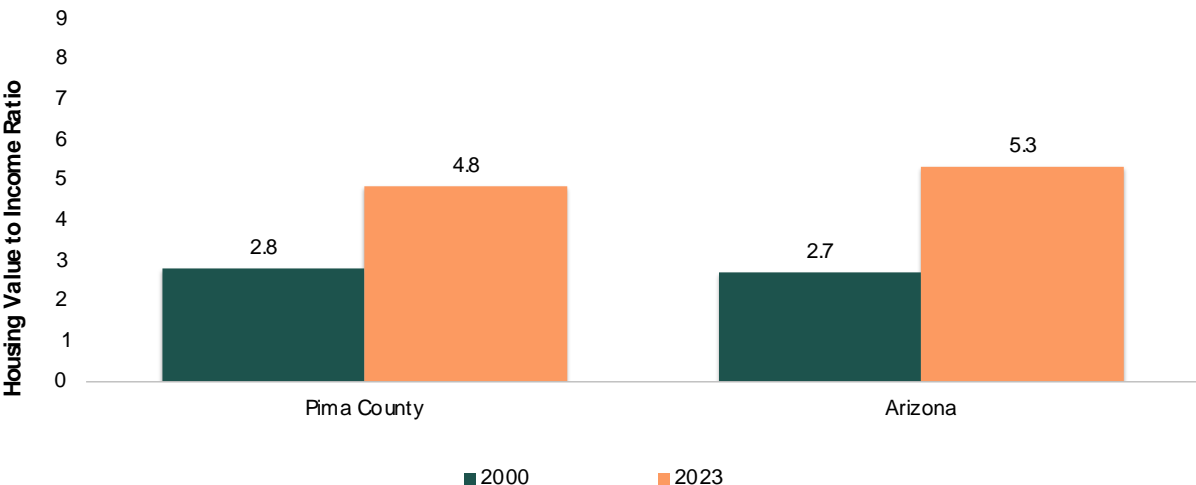
Median Home Sale Prices, Pima County and Arizona, 2014 to 2024 YTD



Source: Redfin Data Center, 2014 – 2024 YTD, pulled October 2024

Ratio of Housing Value to Income, Pima County and Arizona, 2000 vs 2023

Indicator	Pima County		Arizona	
	2000	2023	2000	2023
Median HH Income	\$60,270	\$69,758	\$66,632	\$77,315
Median Owner Value	\$169,269	\$337,800	\$180,488	\$411,200
Ratio of Housing Value to Income	2.81	4.84	2.71	5.32



Source: HCT012 Year 2000, B19013 1-Year 2023, H085 Year 2000, B25077 1-Year 2023

Current & Future Housing Needs

Final Results

Component Parts of Housing Need

Current Need

UNDERPRODUCTION



HOUSING FOR THE HOMELESS



Future Need

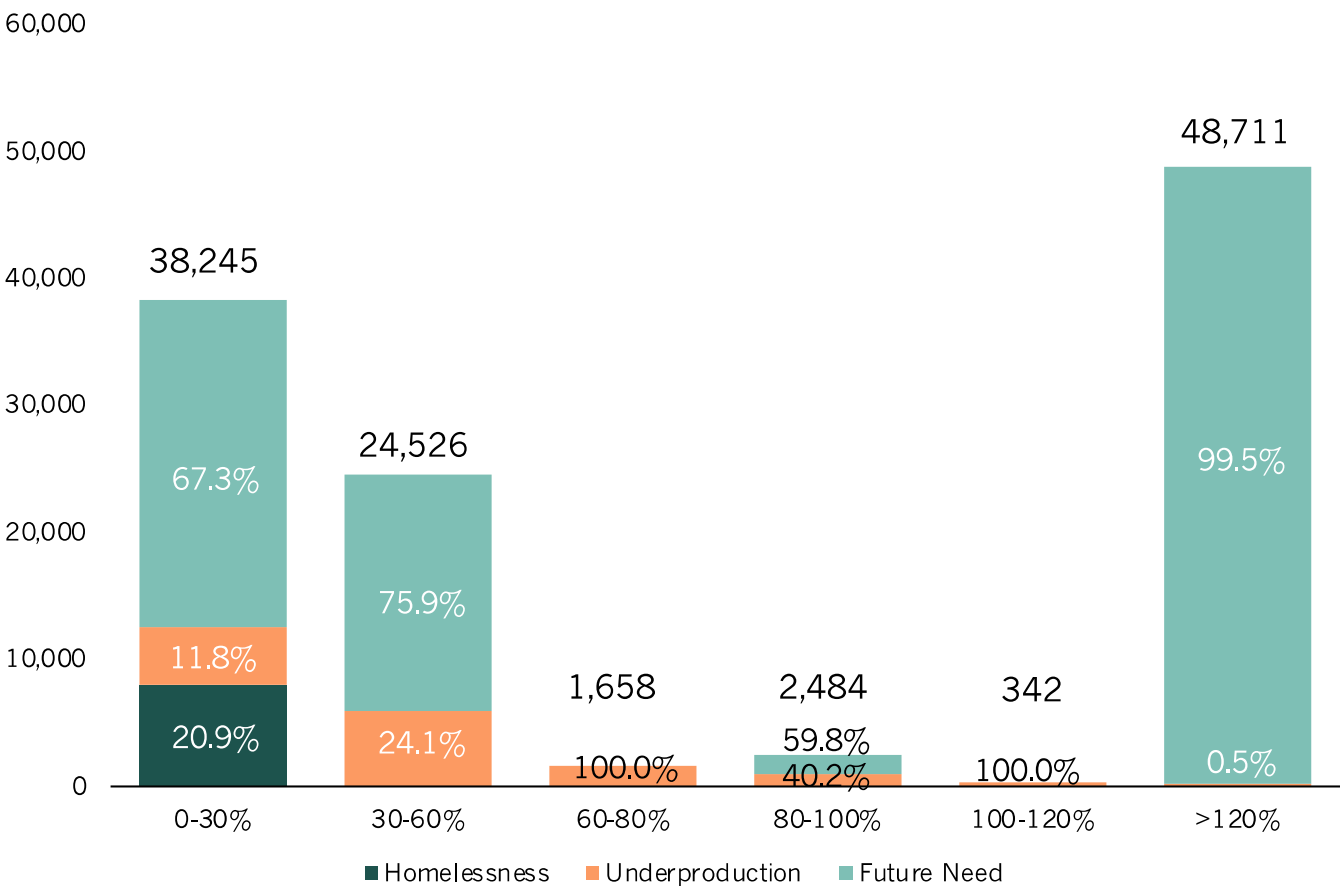
Population Growth



Preliminary HNA Results

116,000 additional units are needed countywide by 2045

Unmet Need by Component



The bulk of future housing needs in Pima County are concentrated on opposite ends of the income spectrum. Of the 116,000 units of housing needed by 2045, over 50% of housing is needed for households earning below 60% AMI and around 42% of housing is needed for households earning more than 120% AMI.

Current Housing Needs: 21,700 units are needed to address current housing needs

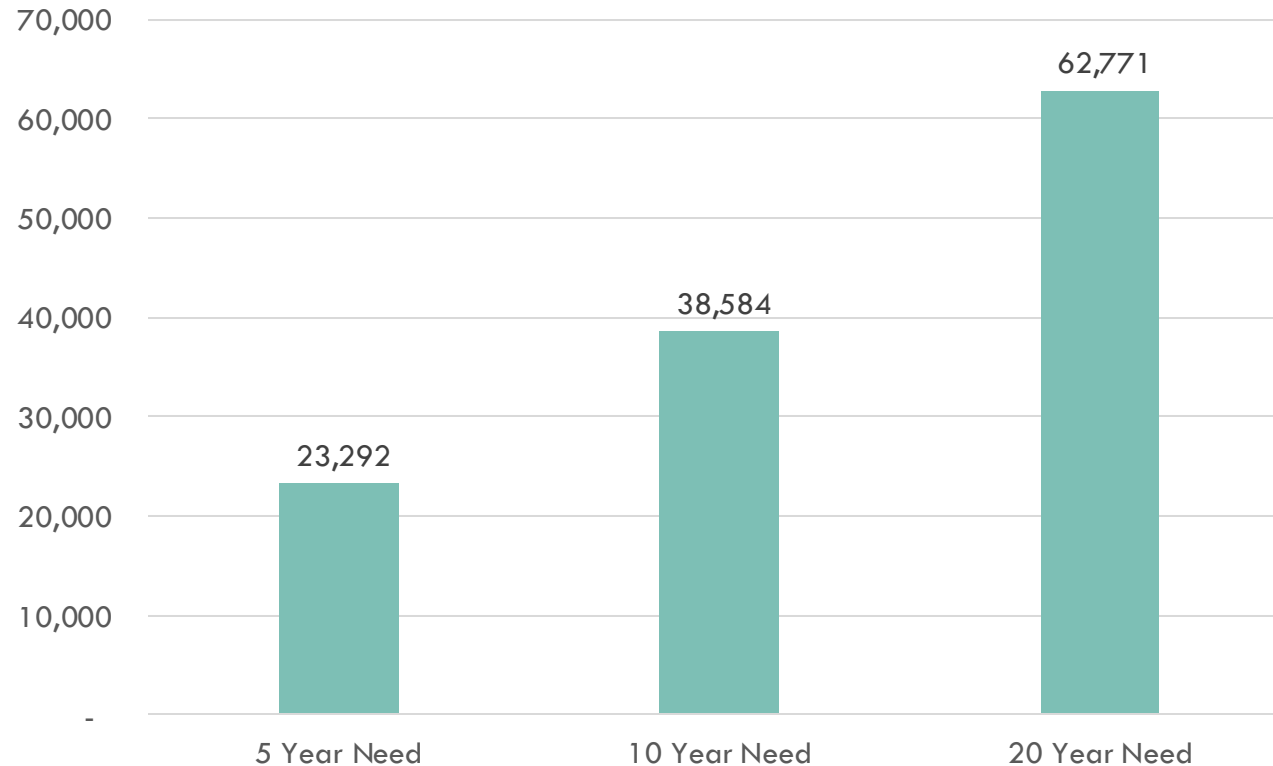
- 8,000 units to address homelessness
- 13,700 units to meet underproduction

Future Housing Needs: 94,300 units are needed to meet future housing needs driven by population growth and matched with housing affordability over the next 20 years

Source: ECONorthwest Housing Need Model US Census, Arizona Office of Economic Opportunity Forecasts

Below 60% AMI Needed by Timeframe

Indication of units that might need some form of subsidy for production or preservation



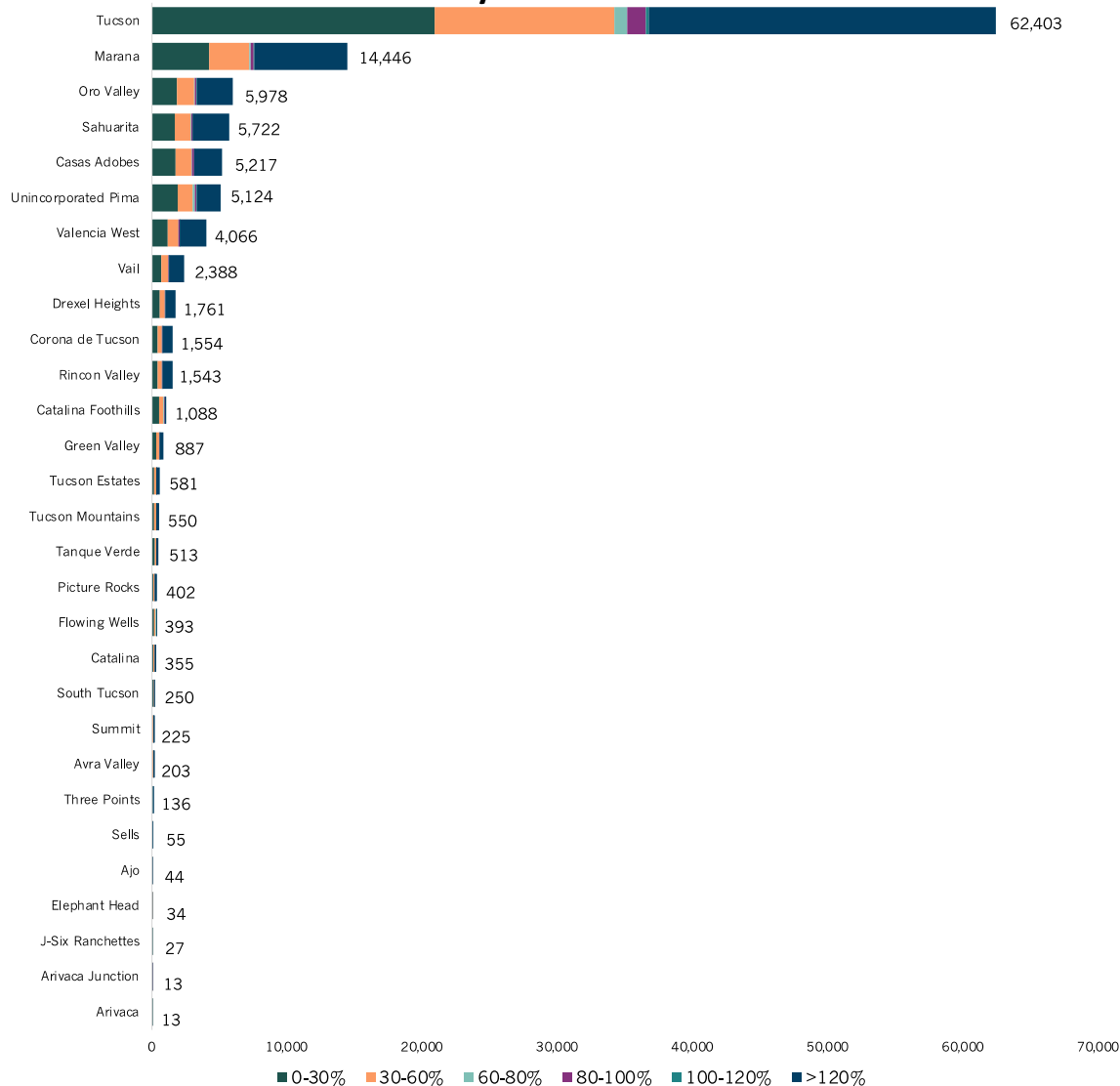
Most needed housing units below 60% AMI will require some level of subsidy for either production, preservation, or stabilization.

As the County and local partners think about funding and program needs, this analysis can be helpful to determine funding targets for different timelines. For example, this chart shows that approximately 23,000 units of housing below 60% AMI are needed over the next five years. These 23,000 units would need supports to account for renters and owners, stabilization, preservation, acquisition and new construction funding.

Source: ECONorthwest Housing Need Model, US Census, Arizona Office of Economic Opportunity Forecasts. Note, housing needs overtime are cumulative.

Tucson makes up over half of the county's needed units

Local Allocations of Unmet Need by AMI



Housing is needed across most income categories in all cities and census designated places across Pima County, but at varying rates.

Housing targets are identified at the Pima County level and then distributed to local jurisdictions based on projected population growth, projected employment growth, current population, and current jobs at the local level.

Source: ECONorthwest Housing Need Model, US Census, Arizona Office of Economic Opportunity Forecasts

- Housing Needs Task
 - Identifying methodology for conducting the displacement risk assessment
 - Preliminary results for displacement risk in March
- Target Market Analysis
 - Working on refinements to the housing demand profiles
 - Preliminary visualizations of demand profiles in March
- Engagement
 - Hosting stakeholder focus groups in February with tribes and school districts
 - Meeting with developers and those in the residential development industry in March-April
 - Developing a program for local government staff workshops for May-June
 - Housing commissions, planning and zoning commission, and Board of Supervisors and City/Town Councils