

PIMA COUNTY NSP2 AMENDMENT #2

Pima County is submitting this application to amend its NSp2 Grant – B-09-CN-AZ-0051.

The purpose of this amendment is to delete four census tracts from the NSP2 Target Area as amended by means of Amendment #1.

Approximately 400 properties have been impacted by the NSP2 Grant. Activities have occurred in 26 of the 30 tracts. The original grant included 29 tracts – one (35.03) was added by means of Amendment#1. However no activities occurred in this tract and therefore it will be removed. The four tracts are:

- 25.03 (04019002503) also referred to as **Santa Cruz-Southwest**
- 41.10 (04019004110) also referred to as **Cherry Avenue**
- 39.01 (04109003901) also referred to as **Spectrum**
- 35.03 (04019003503) also referred to as **Craycroft/Myers** – (Added by Amendment #1)

Documentation to support this Amendment is attached and includes NSP3 Planning Data and maps from Pima County's PimaMaps, as well as other supporting documentation.

Method

To track the location and distribution of NSP2 properties, NSP (or Pima Neighborhood Investment Partnership/PNIP) staff created a GIS/Google Pin Map, with a pin used to locate each property. A different color was used for each type of eligible activity. Projects containing multiple properties had one pin on the main map which further subdivided into individual pins for each lots or home. This map was imposed upon an outline of the target area subdivided into the census tracts.

A review of all addresses entered in DRGR took place and it was determined that four of the 30 tracts did not receive treatment with NSP2 funds.

Analysis

The NSP2/PNIP Consortium is led by Pima County and consists of eight members, seven non-profits and the City of Tucson. The grant included all five eligible activities. One member, Primavera Foundation, isolated its activities to the City of South Tucson, and three members, Habitat for Humanity, Chicanos Por La Causa, and Old Pueblo Community Services were engaged in redevelopment on sites they owned. Other members, Southern Arizona Land Trust (SALT), Family Housing Resources (FHR) and Tucson were engaged in Acquisition and Rehabilitation and Land Banking, and could select sites from throughout the target area. Finally Community Investment Corporation (CIC) administered a downpayment assistance program. The latter two activities (Acquisition and Rehabilitation, and Downpayment Assistance) were market driven and based upon both the availability of foreclosed properties, and presumed marketability of the homes before and after rehabilitation.

Note that the City of Tucson as recipient of NSP1 and NSP3 funds could have invested funds in these tracts. It has not been determined whether Tucson made investments in these tracts with NSP funds.

Each of the four tracts presented opportunities and challenges. In the last two years the market has rebounded and the number of foreclosed properties has dropped. Speculators have continued to purchase foreclosed properties and competition with NSP began to increase near the end of the program. While program income received by Pima County can continue to be invested, it will be at a much smaller scale, and as fewer eligible properties are on the market the program remains viable.

The market has improved as indicated by studies commissioned as recently as 2013 by PNIP showing a reduction of the amount of time homes are on the "for sale" market. Median prices have increased in tracts in the target area. There is no other recent comprehensive market study of the target area. Generalizing the condition of the market using real estate and public data is in the Target Area is difficult. The HUD User generated Risk scores are included and provide a historic and relative comparison between the NSP2 tracts.

An analysis of each tract follows:

35.03 – Craycroft/Myers

NSP2 score: 19

NSP3 score: 17

This tract was incorporated into the target area with the intention of acquiring a large rental property that was in foreclosure (Craycroft Gardens). The offer was not accepted, and the property was subsequently sold. The late entry of this property into PNIP may have inhibited its potential for marketing to non-profits and homebuyers. Since this tract was added by amendment, its deletion does not impact Pima County's original application.

41.10 –Cherry Avenue

NSP2 score: 18

NSP3 score: 18

Data suggests an ongoing need for reinvestment in this neighborhood, which was located along the main corridor leading to Tucson International Airport. The tract comprises one third of the area of Cherry Avenue Neighborhood Association. NSP acquisitions in abutting neighborhoods may have impacted this tract. Buyers may also have been attracted to foreclosed homes in more recently completed nearby subdivisions.

31.01 – Spectrum

NSP2 score: 19

NSP3 score: 18.4

This tract is divided between two neighborhood associations, Midvale Park and Sunnyside. A portion of the tract is not associated with any neighborhood association. The name provided here is based upon the large shopping complex which occupies approximately one-third of the tract. The data suggests a need for intervention and investment, however containing less than 800 housing units, there were fewer number of units from which to choose. Consortium member Chicanos Por La Causa has developed Liberty Corners, a six single family homes (five with NSP2 funds) in the abutting tract on Iowa Street and holds a sizeable parcel for potential development of a multi-family complex, thus contributing to this tract. Given the proximity to a major shopping area, a nearby branch of the Community College and lying adjacent to the linear park that is being developed along the Santa Cruz River, as well as proximity to a transportation hub, this neighborhood should rebound.

25.03 – Santa Cruz Southwest

NSP2 – 20

NSP3 – 12

This is an older neighborhood part of which lies between the west branch and main channel of the Santa Cruz River, near downtown Tucson. The neighborhood contains mobile home parks, as well as larger “horse properties” which have been owned by families for several generations. The southern part of this neighborhood contains recent residential development. This tract was included in a study conducted by the University of Arizona’s Drachman Institute. The study did not lead to NSP2 investment. The difference between the NSP2 and NSP3 scores suggests a reduced number of foreclosures, and this tract would not have been eligible for inclusion in NSP3 geography. It is possible that there were insufficient number of eligible properties from which to choose for NSP2.

Summary

After removing the 3 tracts from the score from the original application (one tract was added by amendment), the remaining Average Maximum Needs score from the original application is 19.03. Removing the tracts does not impact the “Needs Score.” (see Project Summary)

Scoring Factors

A) Target Geography

Pima County’s NSP2/PNIP Grant covered a target area comprising the neighborhoods that were the hardest hit by the recession. PNIP provided opportunities for Consortium members and public to develop and acquire properties in a nearly contiguous target area – generally speaking lying east of Davis Monthan Air Force Base, west of the Santa Cruz River, and south of 22nd Street, north of Valencia Road. One geographic break occurs where the panhandle of the San Xavier District of the Tohono O’Odham Nation bisects the target area leaving the unincorporated area of Cardinal Valencia neighborhood outside of the contiguous PNIP area.

The deletion of the four tracts has a disruptive impact on this basic geography. Two tracts (39.01, and 41.10) lie within the target area, and one lies on the eastern extremity (35.03) with the fourth (25.03) lying on the northwest corner.

The original target geography was created in 2009, with the additional tract added in early 2011. There has been a significant recovery in the housing market there are fewer foreclosed and abandoned properties that might be considered eligible for NSP acquisition. Pima County has spent 100% of grant funds, spending a total of \$23.7 million, while disbursing most of the \$2.0 million in Program income that has been received. A limited amount of program income will allow a continuation of a modest program limited to the remaining target area – which still contains 26 of the hardest hit tracts. This includes tracts in the “urban core” tracts where property values have not appreciated to the extent that values have increased in the “evolving edge” neighborhoods where many NSP2 buyers selected foreclosed properties for purchase.

Deletion of the four tracts will not impact ongoing NSP2 activities. Consortium members have reported that there are fewer foreclosed properties that are available, but there is still an inventory of properties for acquisition within some of the remaining census tracts.

B) Market Conditions and Demand Factors

The success of PNIP resulted from the market driven approach of the grantee and subrecipients, and the response of households who chose to purchase and rent homes in the target area neighborhoods. Over \$2.8 million was allocated for downpayment assistance for the 141 households who chose to purchase foreclosed homes in the targeted neighborhoods. These funds were exhausted in late 2012. Twenty four families chose to purchase discounted homes in the Pima County Community Land Trust. Over 90 new single family homes were constructed and sold to first time buyers.

Continued demand and availability of inventory may be demonstrated by the Homebuyer Solutions program a joint mortgage product offered through the City of Tucson and Pima County Industrial Development Authorities, which provides a low interest mortgage with premium pricing that provides funds for downpayment and closing cost assistance. In the two years since inception approximately 1700 loans have been made at a rate that has accelerated to nearly 100 per month.

Similarly, local real estate publications note a continuing, yet modest rebound in sales and prices. The principal driver of the current market is low interest rates. Credit is tough as high scores are required for most lenders and subprime loans are not driving sales. The market may have found some equilibrium.

An indicator for the rental market that suggests a need for affordable and decent housing is the low turnover rate for the properties that were purchased with NSP2 funds that are now being rented. Few vacancies occur in these properties. However a reoccurring issue with tenants appears to be habitual late rent payments, indicating the potential for financial instability amongst many low to moderate income households.

Low wages may be an ongoing issue, but unemployment rates continue to drop, going as low as 5.9% in Pima County in June 2015, as compared to the seasonally adjusted rate of 5.3% in the US. During the recession the rate was above 10% in Pima County.

2 – Capacity and Organizational Staff

Pima County and consortium members out-performed the original grant application, by creating a total of 409 NSP2 units (houses rehabbed, built, land bank lots acquired, and demolition). The grant proposed 380 units. All deadlines have been met and grant funds disbursed from the DRGR system. At peak Pima County's NSP or PNIP had five full-time employees, and now moving to close out of the grant has .5 FTE with support and back up by staff of Community Development and Neighborhood Conservation.

Several Consortium members expanded or maintained capacity as a result of participation in the NSP2 grant:

Community Investment Corporation – as a result of acting as the fiscal agent for NSP2 HAP, CIC established credibility to implement the Homebuyer Solutions Program with 1700 closings in two years, currently closing on approximately 100 loans a month.

Southern Arizona Land Trust – manages the rental properties that it acquired with NSP funds, as well as other properties that were acquired with unrestricted funds. SALT is constructing homes on vacant lots it has acquired with unrestricted and NSP2 funds.

Pima County Community Land Trust – was spun off from the City of Tucson into a separate non-profit organization – with properties acquired and rehabbed with NSP1, 2 and 3 funds. PCCLT is now seeking other resources to expand the community land trust model in Pima County.

Habitat for Humanity/Tucson – maintains steady production through its unique model. They completed development of Corazon del Pueblo with aid from the NSP2 grant. Habitat now constructs homes on two failed subdivisions that received assistance through NSP2. Build out of one of the subdivisions is years away.

3 – Soundness of Approach

Pima County's NSP2 (or PNIP) adopted a market based and flexible approach – to the extent regulations allowed. Funds were driven to activities that were successful, away from projects that were slow. Pima County, as the lead, promoted a “nimble” approach, discouraging the exclusive use of orthodox approaches in favor of encouraging new ideas through the support of new institutions such as the community land trust, and marketing.

Marketing included fairs and open houses where consortium members were able to promote their products. A website was developed – and bus stop ads drove the public to the website.

Meetings were held to review and discuss activities. Newsletters and email “blasts” were used to keep consortium staff informed.

Other than subdivisions that were included in the application, no geography in the target area was favored or promoted over others. Market, affordability and available inventory may account for the lack of activity in the four tracts that are proposed for deletion from the Target Area.

While all feasible and eligible income ranges were targeted, most buyers and renters were in the moderate income range (50-80% ami). Program design and targeting enabled participation of households with incomes below 50%l with over 30% of grant expenditures being used to meet the set-aside requirement.

Members of the NSP2 Consortium adopted various strategies to maintain affordability. The Pima County Community Land Trust was formed to insure the longest possible affordability through a 99 year land lease – resale restriction. Habitat for Humanity as a mortgagor maintains affordability through their relationship with each buyer. Where Pima County land is deeded for use as in the case of Las Abuelitas, a 30 year affordability requirement is mandated by state law. Other activities used the minimum requirements as a means to make minimize barriers for marketing.

PNIP, as the grant was called, used various means of outreach into the community and to stay in touch with the partners. This is outlined above. At this time changes in staff and program focus in agencies and government has led to dissolution of PNIP as a viable group, and maintain momentum as well as follow up to resolve various issues.

Pima County maintains a schedule for on-going monitoring of both fiscal and program aspects. Staff does a risk assessment of each grant recipient and selects agencies for monitoring on that basis. Staff also meets regularly with those subrecipients who have active programs that are retaining and using Program income.

4 - Leverage

To the extent possible Consortium members have leveraged resources which include grants, loans, and volunteers. The grants and loans are from public and private sources.

At a point when Pima County has collected a significant amount of program income from NSP2 activities, an RFP will be issued and leverage brought to a proposed activity in the target area will be evaluated.

Notwithstanding the leverage contributed to this point – deleting the four census tracts will have no impact on on-going or continuing NSP2 activities except for excluding investments in the tracts that are proposed for deletion from the grant.

5- Energy Efficient Improvements and Sustainable Development Forms

The deletion of the four tracts from the NSP2 geography will not impact County’s ongoing commitment to energy efficient improvements and sustainability. One of the four tracts (Spectrum) is located near

the El Pueblo Transit Center, a local transit node, located adjacent to a community center and health services. It is also located adjacent to a regional shopping area.

All NSP2 tracts are located adjacent to bus lines and in most cases the greatest distance from a bus line is a quarter mile.

Pima County has terminated its Residential Green Building program, however the City of Tucson's program is still operating. As most properties are purchased within the city limits the rating system will still be used. The County is exploring the potential use of DOE's Home Energy Score rating and Water Sense for ongoing NSP2 investments.

6 - Neighborhood Transformation and Economic Opportunity

Pima County through its Consolidated Plan as well as through other planning processes maintain commitment to providing resources to the NSP2 target area including the four tracts that are proposed for removal from the target area.

Over the past two decades local government has used "stress maps" to guide discussion of the need for investment in neighborhoods and communities. Maps have been produced using census data as a proxy for "stress" indicative of the relative needs in particular tracts. The NSP2 Target area was assembled using the stress and NSP mapping to verify assumptions of relative need.

In November voters will decide whether to continue to support General Obligation Bond programs that provide funding for affordable housing and neighborhood improvements as well as projects that are characterized for "economic development." The Housing and Neighborhood Reinvestment Bond projects are targeted to neighborhoods experiencing "stress."

The NSP2 target area is given weight when consideration of need when evaluating projects along with other community indicators which have been mapped. There is a remote possibility that the deletion of the four tracts could impact the competitiveness of projects that are considered in these neighborhoods.

However, exclusion of these tracts should not impact investments in affordable housing to the extent they are feasible through HOME or other funding sources and at this time there are no known active or proposed projects in any of the four tracts. The potential impact is that NSP2 funds will be precluded from being used as a source of leverage to the extent that NSP2 funds are available.

List of Attachments

Project Summary

HUD Neighborhood Stabilization Program 2 Target Area Map

Google Pin Map

Location map of the tracts proposed for deletion from the Target area

Map of Tract 25.03 -Santa Cruz Southwest

Map of Tract 41.10 – Cherry

Map of Tract 39.01 – Spectrum

Map of Tract 35.03 – Craycroft - Myers

Project Summary for NSP3

Project Name	Total Housing Units	NSP3Need Score
25.03 Santa Cruz sw	1945	12
39.01 Spectrum	766	18.4
41.10 Bravo Park	1023	18
35.03 Craycroft	1794	17

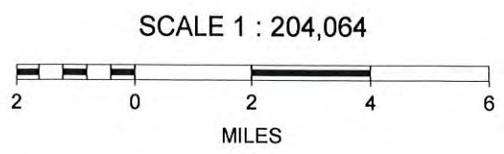
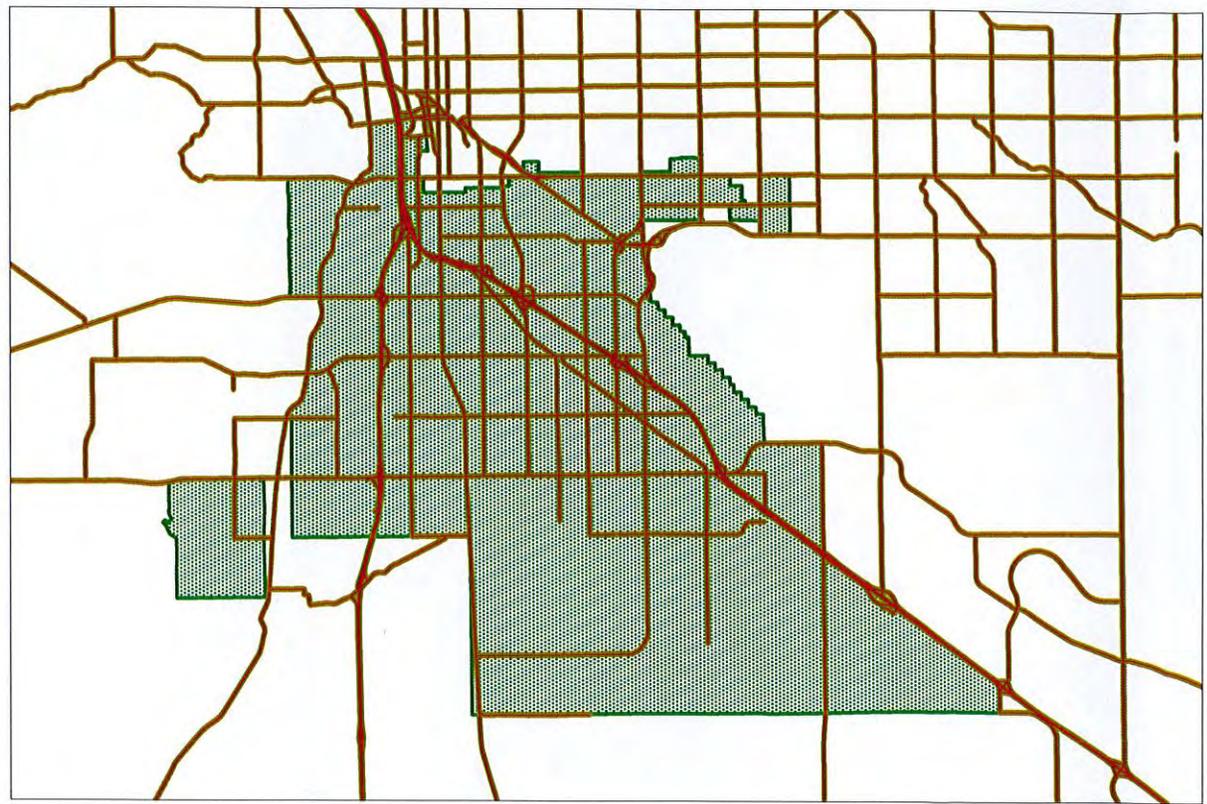
Total Housing Units for All Shapes: 5528

Total NSP3 Need Score: 15.62

Pima County

Streets

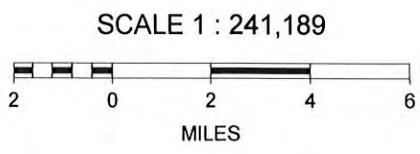
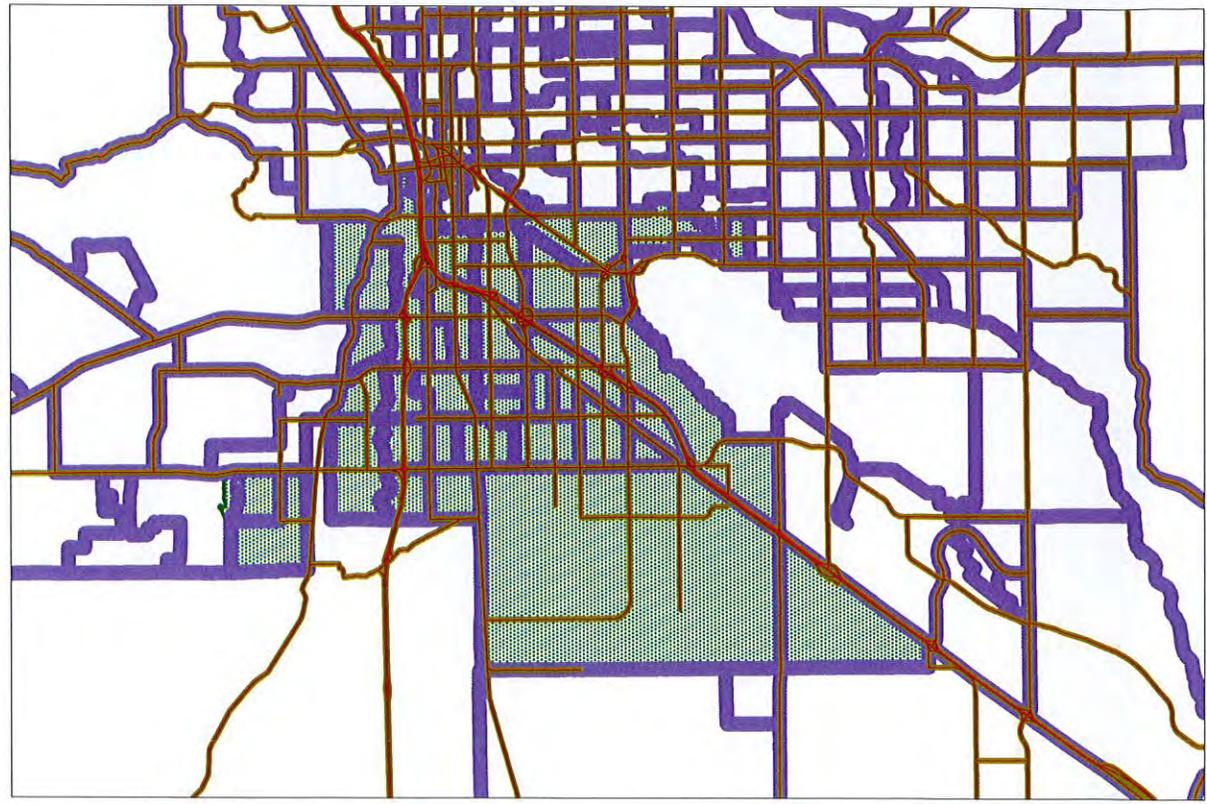
- Streets - Major
- ▒ HUD Neighborhood Stabilization Program 2 Target Area

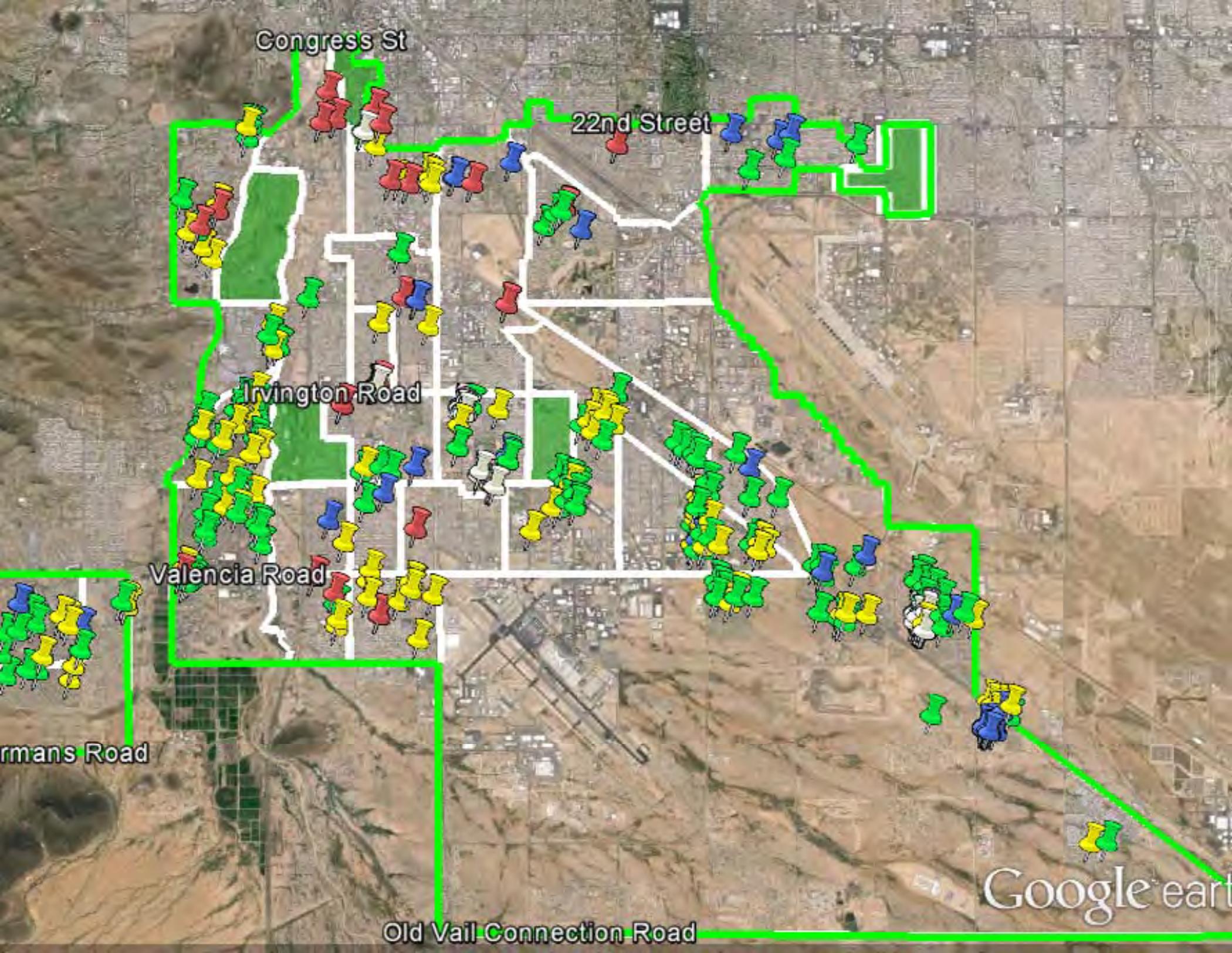


Pima County

Streets
— Streets - Major

Census
■ Census Tracts - 2010
■ HUD Neighborhood Stabilization Program 2 Target Area





Congress St

22nd Street

Irvington Road

Valencia Road

rmans Road

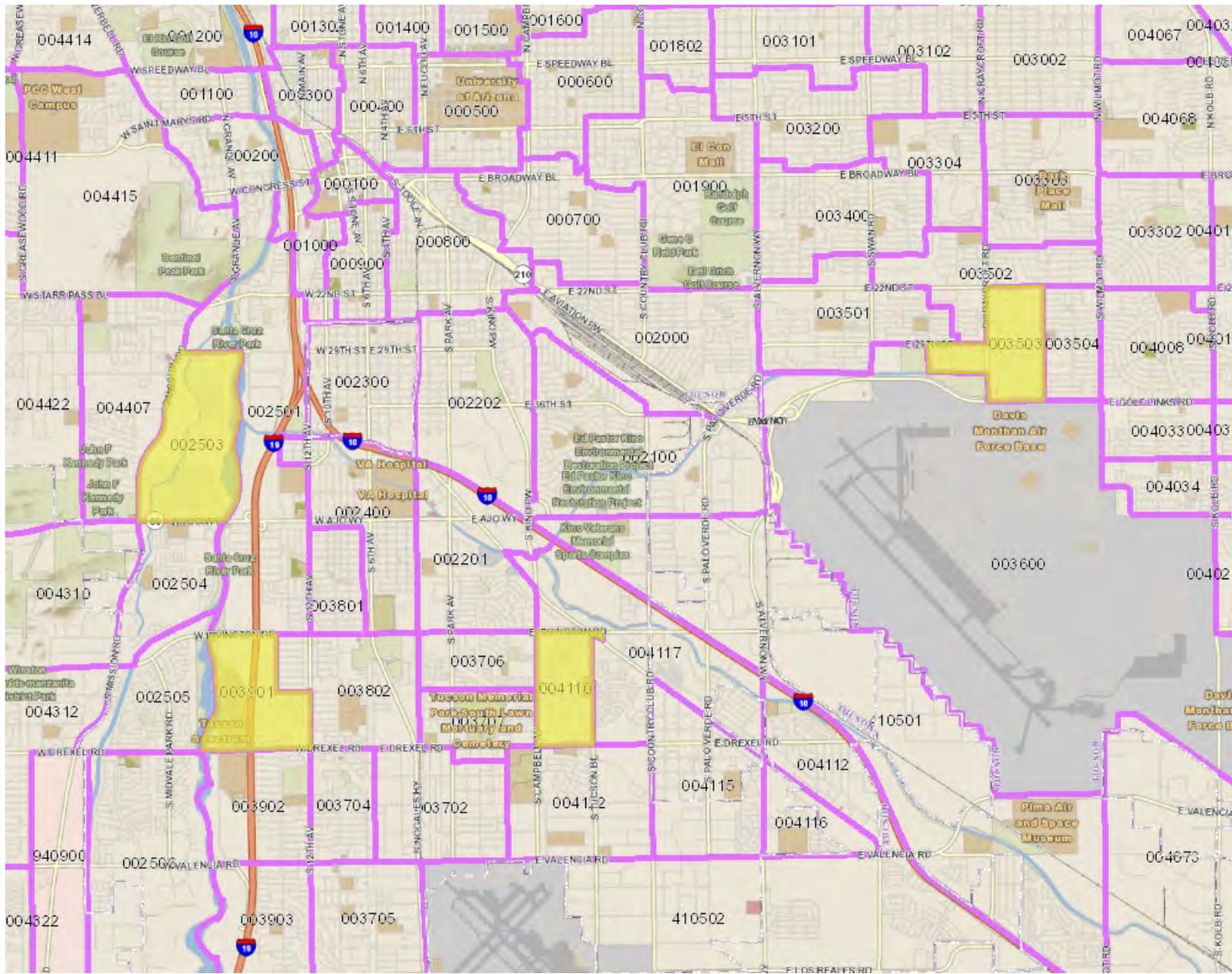
Old Vail Connection Road

Google earth

Pima County Census tracts

Legend

 Census Tracts - 2010



Notes: Indicates which tracts are proposed for removal from NSP2 Gran.

13,759.9 0 6,879.95

Feet

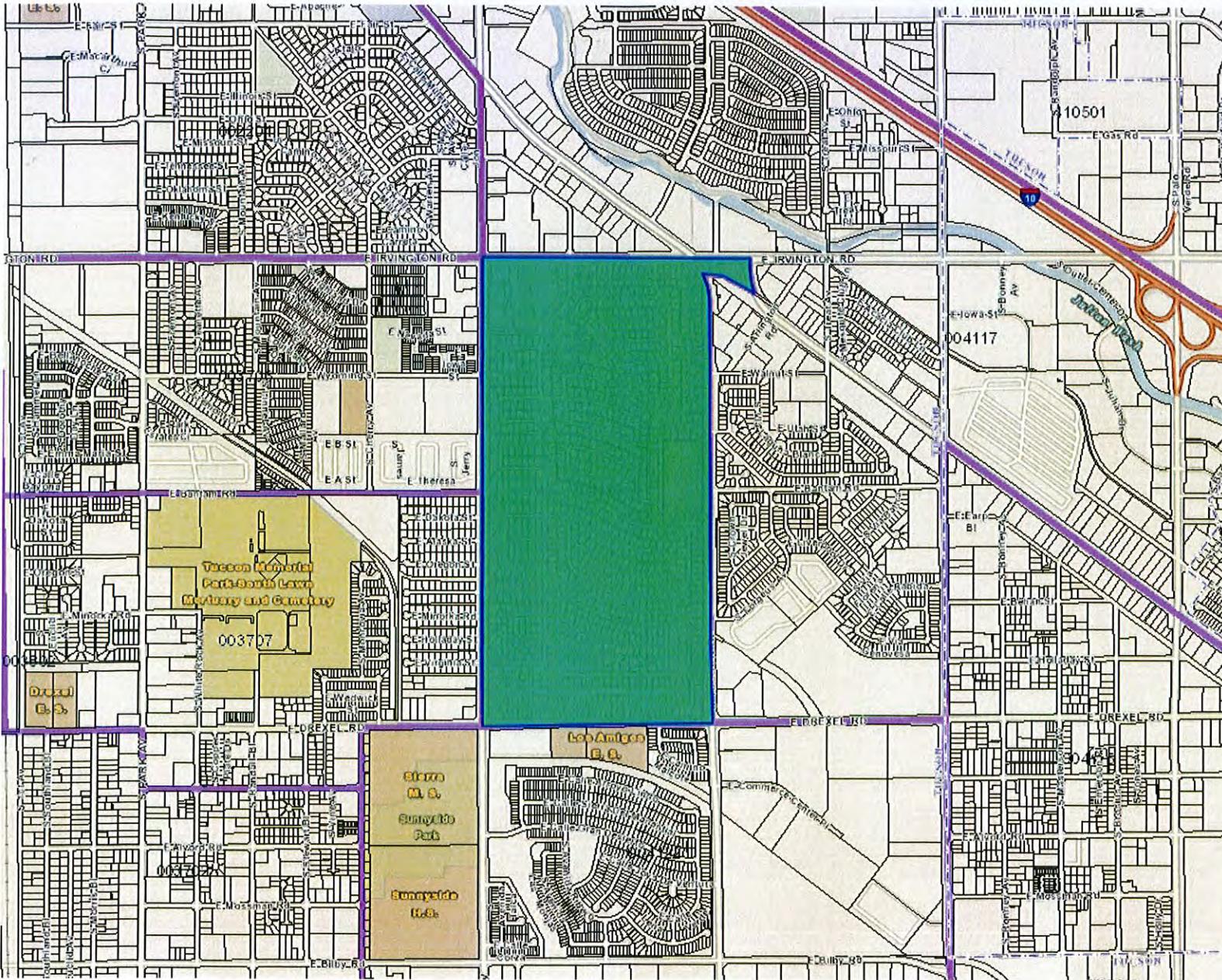


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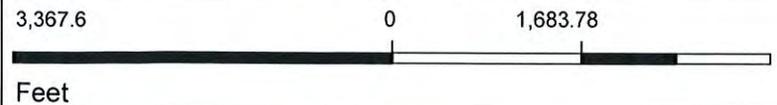
Census Tract 41.10 - Cherry

Legend

-  Parcels
-  Census Tracts - 2010



Notes:

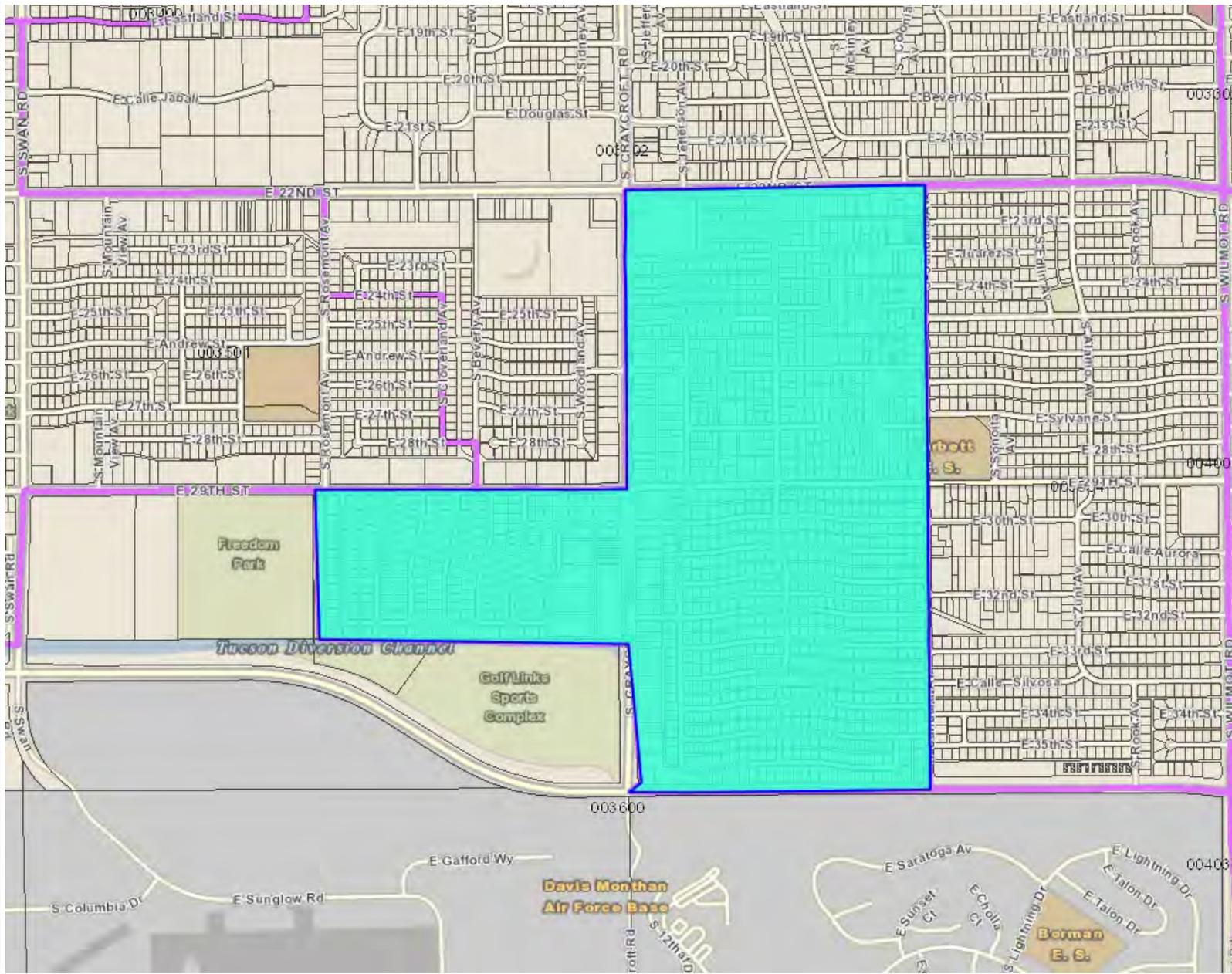


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Census Tract 35.03 Craycroft - Myers

Legend

-  Parcels
-  Census Tracts - 2010



Notes:

2,608.3 0 1,304.13

Feet



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