

**Draft Framework for Fiscal Year 2023 General Fund Budget Allocation
for Affordable Housing:
Pima County Regional Affordable Housing Commission Consideration
January 9, 2023**

Background

On October 18, 2022, the Board of Supervisors (Board) created the Pima County Regional Affordable Housing Commission (Commission). One of the purposes of the Commission as outlined in the by-laws is to “Provide oversight and transparency for funding allocated by Pima County for the purpose of improving housing affordability across Pima County...” The Fiscal Year 2023 General Fund budget includes an allocation of \$5 million for affordable housing. Staff asks for the Commission’s review of the following draft framework for the expenditure of the \$5 million. The Commission’s input will be used to refine this framework and transmit it to County Administration for approval.

Framework

A team of staff, including the directors of Community and Workforce Development and Development Services, have been working to develop the following framework. The individual expenditure items grew out of recommendations made by the Affordable Housing Task Force that proceeded the new Commission. The projects listed here have also been discussed with City of Tucson housing staff in light of solicitations that they are considering and priorities identified by their Housing Commission.

While some of these recommendations could incur expenses this Fiscal Year, others require a competitive solicitation process that may result in the approval of project funds this Fiscal Year that are not fully expended until next Fiscal Year.

Recommendations:

- Gap funding for affordable housing development and preservation - \$4.0 million
- Surplus County land for affordable housing development - \$200,000
- Housing market study and online dashboard - \$500,000
- Develop pre-approved affordable housing design models - \$50,000
- Other to be determined expenses - \$250,000

Gap Funding for Affordable Housing Development and Preservation - \$4 million

There has not been significant expenditure of County funding allocated to affordable housing development since the \$10 million in 2004 voter approved bond funds were fully expended for this purpose in 2017. Those funds leveraged over \$120 million in other funds and resulted in the development of 585 affordable housing units for low-income families. Over the last few months the County has received at least three unsolicited proposals for gap funding and/or surplus land to assist with the development of affordable housing; one of which could result in 200 units in an area of the County that provides great opportunity for those in need of affordable housing. Similar to the solicitation process used to award the 2004 bond funding, the Community and Workforce Development Department would conduct a

competitive solicitation process to award gap funding for costs directly incurred by a developer in construction or rehabilitation of an approved affordable housing project. Although interest rates are up considerably, we still anticipate these County funds would leverage significant other funding.

We are also aware of affordable housing units that are towards the end of their period of required affordability and could be reauthorized to remain affordable for a continued period of time. Reauthorization may require renovations. A portion of the funding (potentially up to \$1 million) could be made available through the same solicitation process for renovation costs associated with preserving existing affordable housing.

Below is a draft schedule of actions that would be necessary to conduct a similar solicitation and award of funds. It is an aggressive schedule that is timed to leverage the planned availability of Low Income Housing Tax Credit (LIHTC) funding, as well as result in approval of funding contracts as soon as possible understanding the dire need for affordable housing. The schedule includes updating prior documents to include revised priorities, project award limits, and scoring criteria for which staff would seek input from the Commission following the January 9th Commission meeting. Note that we recommend a separate solicitation process for surplus County land, discussed below.

**Table 1
Solicitation Timeline Gap Funding For Affordable Housing Development and Preservation**

Staff update Notice of Funding Availability (NOFA) and application materials used for prior solicitations	December 2022
Pima County Regional Affordable Housing Commission members individually provide input into application materials	January 10-16 2023
Release NOFA	January 19, 2023
NOFA Review Meeting with interested applicants	January 25 or 26, 2023
Applications Due	By 12pm (Noon) February 20, 2023
County Staff Review of Applications Begins	February 21, 2023
Complete Staff Review & Scoring of Applications	February 28, 2023
Send Staff recommendations to Housing Commission	February 28, 2023
Housing Commission Meeting to review recommendations	March 6 - 10, 2023
BOS Agenda for approval of Conditional Funding Awards	March 21, 2023
Negotiate & Draft 1 st Round of Contracts	April – June, 2023
BOS Agenda for approval for 1 st Round of contracts	June 20, 2023

Surplus County Land for Affordable Housing Development - \$200,000

Using a request for proposals process that was recently used for the lease of County land, the County's surplus land inventory could be utilized to build more affordable housing. Under this model, land will either be donated, leased, or contributed to a partnership to develop affordable units, depending on the proposal and property. The units would be rented or individually sold with 30-year covenants maintaining the housing for low-income residents, consistent with legal requirements contained in State Statute that allows the County to make surplus land available for affordable housing. Pima County's Community and Workforce Development staff will monitor compliance with these affordability restrictions, similar to what they do now for other County funded affordable housing projects.

The properties will be offered "as is" with no improvements. The \$200,000 budget recommended for this process will be used to mitigate property title issues, conduct surveys if necessary and order phase 1 environmental studies. Utilities will be identified but not extended to the sites.

Priority will be given to proposals that can generate multiple units at an affordable cost, and will also be informed by the priorities and scoring criteria used for the gap funding solicitation. Experienced developers, either for-profit or non-profit, would be encouraged to respond.

We anticipate several rounds of solicitations, starting with six or seven properties that have been prioritized from the original list. For the first round of properties, we will not include those owned by the Regional Flood Control District (District), which were identified on our initial list of surplus land for affordable housing. These District properties will take longer to prepare as they first have to be exchanged for County property of equal value in order to be owned by the County and made available for this purpose.

Note that the initial list of surplus land for affordable housing did not include larger County-owned parcels for which a portion of the parcel could be suitable for affordable housing. Staff will be reviewing these large County-owned parcels from a holistic perspective to include a broad mix of uses, including affordable housing, and will be adding those suitable to the list to propose for future rounds.

Below is a tentative timeframe for this process:

Table 2
Request for Proposals to Develop Affordable Housing on County Surplus Land

Timeframe	Process Step	Department Responsibility	Outcome
November 2022	Prioritize land parcels identified in initial inventory	Real Property Services (RPS), Capital Project Office (CPO), Development Services Department (DSD) and Community and Workforce Development (CWD)	First parcels to be solicited for proposals
December 2022	Legal Analysis	PCAO	Identify proper procurement process and conveyance to ensure flexibility
January 2023	Complete land due diligence, title search	RPS/CPO	Clear title and issues on ownership, lots and easements
January 2023	Complete any survey or environmental clearances	RPS	Provide a phase 1 environmental and new legal if necessary
February 2023	Housing Commission review of RFP	CWD, DSD, RPS	Commission input improves RFP
March 2023	Release first round of RFP on parcels	RPS	RFP released
April-May 2023	Review proposals and select applicants and begin development agreement process	RPS, CWD, CPO, DSD	Recommendation for approval
July-August 2023	Complete development agreements	CWD, RPS	Board approval by August
September – October 2023	Identify additional parcels to begin a second request for proposals	CPO, RPS, DSD and CWD	

Housing Market Study and Dashboard - \$500,000

There has been considerable interest in a housing market study and dashboard to provide a more informed picture of the supply of and demand for affordable housing at certain income levels across Pima County, including both unincorporated and incorporated communities, through 2030. Discussions with several experts in this area has led to the following draft proposal, which will continue to be refined with input from the Commission and other stakeholders:

1. A housing needs assessment – This would be an overall housing supply and demand analysis based on demographics, the local economy and growth potential, total and unmet housing needs, affordable housing supply, and a fair housing assessment.
2. A target market analysis – This would build upon the supply and demand analysis by identifying the potential market for new units considering a number of factors including household mobility rates, incomes, lifestyle characteristics and housing preferences, site locations and the competitive environment. The result would include recommendations on optimum unit sizes, rents/sales prices, and projections of absorption in various geographic areas within the County.
3. Online Dashboard – Data from the housing needs assessment and target market analysis will be incorporated into a user-friendly and interactive online dashboard for stakeholders, including Pima County, to monitor the type of housing needed and where.
4. Visioning Charrette – Stakeholders and the public will be invited to a multi-day event to develop a shared understanding of the information developed as part of the housing market study and reflected on the dashboard, and to further refine the County's regional housing plan of action.

Developer Pre-Approved Affordable Housing Design Models - \$50,000

For individual property owners and small housing developers, a number of home design models could be developed to meet city, town and county building codes, thereby largely eliminating the design costs and facilitating development more quickly. On a small scale, one of our local land trusts is already offering this service to low-income homeowners interested in building an additional unit on their property. Staff propose working with architects already under contract with the County and developers that respond to the housing development solicitations above to develop a small menu of housing designs that would be made available and marketed to the public and other housing stakeholders. Staff will also contact the University of Arizona's Drachmann Center to see if they can provide or inform design types for this purpose.

To be determined needs - \$250,000

This amount could be reserved for expenses not yet anticipated or if any of the above initiatives are determined to require additional funding.

Not Recommended for this Fiscal Year– Rental Assistance and Revolving Low Interest Loan Fund

The County is continuing to seek federal funding to continue the emergency rental assistance program. Therefore, we are not recommending use of this general fund allocation for this purpose this fiscal year. For next fiscal year, staff is developing a scaled back rental assistance program for consideration by County Administration. Staff is also reviewing the potential benefit of offering a revolving low interest loan program for the purchase and development of affordable housing. This may be particularly effective in the current economic climate while interest rates for borrowing are so high.