



MEMORANDUM

Date: December 1, 2020

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **Phase 2 Housing Market Study Update**

Background

Pima County is participating in a housing market study with the City of Tucson and the University of Arizona's Economic and Business Research Center. The purpose of the study is to understand existing housing inventory and housing development trends, and to identify gaps and potential policies to support a variety of housing options that meet the needs of the full range of household types in our community. The study was initiated by the City of Tucson in response to concerns from downtown neighborhoods about the impacts on housing prices due to downtown investments, as well as a desire to better understand housing affordability city-wide. Pima County, sharing similar interest, joined the study and expanding it county-wide to also include the other cities and towns and unincorporated areas. Much of the data is available for what is called the Tucson Metropolitan Statistical Area (MSA), which actually covers all of Pima County. This area of measurement is very helpful in that the University's MAP Dashboard already includes a variety of data that is compared across 12 MSAs, including the Tucson MSA. Pima County's contribution to this study, in addition to funding a portion of it, is staff expertise in affordable housing and property taxes.

The study is not available in hard copy, but instead is included in a web-based format as a feature on the University of Arizona's MAP Dashboard as many of the charts and maps are interactive: <https://mapazdashboard.arizona.edu/housing-market-study-overview>

I wrote to the Board of Supervisors in May 2020 after completion of the first phase of the study, which was the development of a Neighborhood Vulnerability Index. This index replaced the outdated stress index previously used by the County to prioritize or qualify neighborhoods for infrastructure investment and other forms of public assistance. The data layers are also available on Pima County's PimaMaps and MapGuide online mapping systems. The index uses the following five indicators to classify neighborhoods (census tracts) as not vulnerable, vulnerable, more vulnerable or most vulnerable:

1. Percentage of residents that identify as any race or ethnicity other than "non-Hispanic white"

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2. Percentage of households that rent their homes
3. Percentage of residents age 25 and over who lack four-year bachelor degrees or higher
4. Percentage of households who with incomes below 80 percent of the area median income
5. Share of children that live in households below the poverty line

A study out of Austin Texas, called Austin Uprooted, informed this index and other parts of the housing market study.

Phase 2 of the study is now complete and is summarized below. Phase 3 is underway and will include a gap analysis to estimate the need for affordable housing based on incomes and housing inventory, and will also focus on vulnerable neighborhoods, seniors, and racial and ethnic minorities. Phase 3 is scheduled to be complete by mid-December. The final phase will be development of recommended policies, programs, and actions to meet our housing affordability needs, with special focus again on vulnerable neighborhoods, seniors, and communities of color. This last phase will include extensive public and stakeholder input, which will determine the completion date.

Phase 2 Overview

Phase 2 of the study was recently completed. I encourage you to visit the housing market study web page, at the link above, as many of the maps and charts allow the user to interactively change the area of focus, or time frame, etc. Phase 2 includes information on the current housing market and trends over time, including owner occupied and rental, by price, housing cost burden, inventory type, new home construction, and existing subsidized affordable housing. It is important to note that much of the data comes from the census or other sources that do not account for the recent impact of the recession. That is why a related effort is also so important. The Evictions and Homeless Prevention Task Force, staffed by Lisa Royal in my office, has involved many of the same city and county housing staff participating in the housing market study, and will be releasing their recommendations soon.

Below are some of the more important findings from Phase 2:

1. When compared across the 12 MSAs, Tucson/Pima County home prices, rents, and percent of households that are housing cost burdened, were substantially lower.
2. Combined property taxes for homeowners in Tucson are significantly lower than in 50 other large cities across the country.
3. However, increases over time in home prices, rents and cost burdened households were higher than most of the other MSAs.
4. While housing prices on average only increased 3.6 percent between 2013 and 2018, there were some census tracts that experienced over 100 percent price increases.

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5. Median rents increased 8 percent from 2010 to 2013, and then another 11 percent from 2013 to 2018.
6. Renters, who account for 38 percent of households in Pima County, and those with lower incomes, were much more likely to be housing cost burdened (defined as spending more than 30 percent of their household income on housing costs like rent, mortgage, property taxes, and utilities). Part of this is due to our median income being the second lowest among the 12 MSAs.
7. There are approximately 12,400 subsidized affordable housing units across Pima County, most of which are within the City of Tucson. This includes traditional public housing, rental vouchers, and housing units that are required to be kept affordable due to low income tax credits provided to the developer.
8. Single-family detached homes make up 60 percent of Pima County's housing inventory, with the largest proportion of homes built between 1970 and 1979. The study includes an animated map that shows where the most housing was built by decade since 1930. Not surprisingly, it starts out with more homes being built in the central core of Tucson and moving out to the suburbs over time. The sharp reduction in new home construction permits is evident in the data during the Great Recession.

Overall, while home prices and rent are low in Tucson and Pima County compared to other regions, the fact that median income is low makes it especially difficult for those on the lower end of the income spectrum to afford housing. Substantial increases in housing costs in certain geographic areas with Tucson and Pima County could be of concern if those areas also happen to be in vulnerable neighborhoods where households have less resources to respond to such housing cost increases. More will be known about this in Phase 3.

Summary

In summary, I encourage you and your staff to visit the study website at <https://mapazdashboard.arizona.edu/housing-market-study-overview> so you can zoom into your particular geographic areas of interest. If you have any questions, please contact Marcos Ysmael, Pima County's Housing Program Manager, or my Executive Assistant Nicole Fyffe.

CHH/dr

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