

## **Report of Findings and Recommendations of the**

### **93rd ARIZONA TOWN HALL**

#### **“HOUSING ARIZONA”**

**Grand Canyon, Arizona**

**November 2-5, 2008**

Housing is a fundamental component of American life that affects, and is affected by, almost every aspect of our society, including family life, jobs, schools, transportation, infrastructure, fiscal and financial systems, community, the economy, and the environment. Safe, affordable, and stable housing contributes to physical and emotional health, educational success, wealth, stability, and self-esteem. When Arizona Town Hall decided to address housing issues, it appeared that the housing bubble of the past decade was rapidly pushing the American dream of home ownership out of reach for many Arizonans. By the time the opening bell rang in the 93rd Arizona Town Hall, the housing bubble had burst, and sub-prime mortgage lending and associated excesses were at the center of a national economic crisis.

Participants of the 93rd Arizona Town Hall traveled from throughout the state to discuss Arizona’s housing issues against the backdrop of its greatest landmark—the magnificent Grand Canyon. During an historic national election these committed individuals met for three days of thoughtful discussion as they sought to understand the issues and forge consensus-based solutions.

The results of the discussion are included in this report. While not all Town Hall participants agree with each of the conclusions and recommendations, this report reflects the overall consensus achieved at the 93rd Arizona Town Hall.

### **ASSESSING OUR VALUES AND NEEDS**

#### **Arizona’s Version of the American Dream**

Deciding how best to meet Arizona’s housing needs must begin by considering the larger economic, social, political, and historical context. Clear-sighted decisions about housing should rest upon a basic understanding of what Arizonans generally consider to be the most important features in a home, and how these views and values are affected by changing circumstances.

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A house is not necessarily a home. It is important to differentiate between the qualities that are important for housing and the qualities that are important for homes.

The term “housing” encompasses physical qualities that provide important tangible benefits. At the most basic level a house provides shelter. A house should protect its occupants from the elements and be a safe haven. A house provides a place to cook, eat, sleep, entertain, use the restroom, and secure persons and possessions. A house should be a well-built structure that meets diverse individual or family needs.

A home is not necessarily a house. A home includes all types of residential structures and occupancy arrangements. A home does more than simply meet the physical needs of its occupants—it provides additional intangible benefits. A home may provide stability, a sense of self-worth, a sense of belonging to a community, and connectedness to work, recreation, and support networks. How we feel about a home, although difficult to quantify and standardize, can be as important as the physical structure itself. Intangible features such as spiritual freedom, privacy, proximity to work, and community interaction contribute immeasurably to home life. Children particularly benefit from the sense of security, continuity, and lasting connections when they grow up in stable home environments.

Homes should express the cultural and environmental values of the diverse groups inhabiting them. A home should be flexible enough to adapt to and sustain the needs of

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the occupants. A home should fit within the community and allow convenient access to community resources such as schools, hospitals, parks, libraries, commercial services, and employment. Location, cost, durability, and sustainability also are important. Technological amenities (especially high-speed Internet) may foster a sense of community by allowing neighbors to

communicate about various neighborhood programs, such as recycling programs, and other community events.

Whether we define a structure as a house or a home, many have viewed investment in residential real estate as a form of wealth building. But when housing is viewed as an investment only, its important role in shaping and sustaining the lives of families can be obscured. A home should foster connections and meet basic family or individual needs. The ability of a home to meet these intangible needs is diminished if the home is too far from work and recreation, or is seen primarily as a financial investment or status symbol.

Various factors influence public views about the relative importance of different housing features, and some may have unintended consequences. For example, governmental policies that encourage development at the urban fringes at the expense of infill development, and the relocation of Native Americans, have, in some cases, resulted in communities of strangers where people feel isolated and disconnected from one another and from their communities of origin.

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*Policies that solely promote home ownership create a bias against renting.*

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Not everyone wants or can afford to own a home. More than 30 percent of Arizona's population lives in rental housing. Policies that solely promote home ownership create a bias against renting, despite the fact that apartment renters may feel a greater sense of connectedness than homeowners living in detached housing communities. Homeowner

associations promote higher standards for property maintenance, which benefit the community, but potentially infringe upon personal freedom and private enjoyment of homes. To address these concerns, land use regulations and homeowner association rules should be more flexible to accommodate different cultural norms and values.

Many Arizonans share the American dream of home ownership. Since World War II, that dream most often was met by a home in the suburbs with a white picket fence and a yard. For other Arizonans, living in a home in an inner city neighborhood or rural community is a proud accomplishment. Changing demographics, economics, and increased mobility within society are redefining this American dream. Different cultures, and different generations, have different views about which attributes are most important, and what constitutes suitable, affordable, and sustainable housing. As a result, housing needs are becoming more diverse. Although growing families need larger dwellings, there is increasing demand for smaller homes, condominiums, and multigenerational housing. For many people, a smaller or more environmentally-conscious home can be more desirable than a larger and more lavish one. Having a variety of options available will allow different groups to find the kind of home that is important to them. An evolving sense of what is important in a home is changing not only the marketplace, but also our very definition of "community."

### **Arizona's Housing Mix**

The present mix of housing in Arizona is largely the result of economic, social, and cultural forces that have favored urban sprawl over a more compact and dense urban form. Arizona is a relatively young state. Arizona's climate, natural beauty, wide-open spaces, and economic opportunities have attracted large numbers of new residents. The resulting population growth has created steadily increasing demand for housing.

For most of Arizona's history the availability of relatively cheap land has contributed to the rapid expansion of urban areas and the proliferation of houses on large suburban lots. Land is less expensive on the outskirts than in the urban core, and infill development often is more expensive and more heavily regulated than development on the fringe. The availability of cheap development financing and governmental policies that obscure or shift the true cost of infrastructure in undeveloped areas have effectively subsidized outward expansion. Without shared understanding of true costs, the cost-bearing sectors and subsidized sectors are not fully understood or acknowledged.

Many residents live on large, suburban lots in neighborhoods that are not densely developed. Zoning policies in Arizona communities generally have not promoted

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intensification or density of development or required a mix of housing options, and have separated and segregated housing from other uses. The result has been an explosion of homogenous, master planned communities, as well as neighborhoods and associations that oppose growth, relaxation of height restrictions, greater density, and mixed-use and mixed-income projects. The illusion of perpetually cheap gasoline made long commutes between home and work seem economically feasible, while the lack of high-paying jobs and affordable housing in the urban cores made such commutes essential for many.

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Continued population growth will require more new housing, although the need for additional housing will vary by location. Arizona must meet the housing needs of various population groups, including the elderly, teachers, fire and police workers, military and ex-military personnel, construction workers, government workers, service workers, and many others at lower income levels.

Rural and Native American communities have different needs and are likely to require different solutions than urban communities. It will be critical that ideas are translated to meet local character, culture, and lifestyles, especially the unique conditions of rural and tribal communities.

The Sun Corridor—stretching from Prescott/Chino Valley to Sierra Vista—is expected to experience substantial growth, thereby increasing demands for transportation, energy, and infrastructure. Different communities have different housing needs and different mechanisms and capabilities to address housing issues. Increased density may require increased expenditures on community amenities, including recreational facilities, water resources, and schools. The availability of private land, transportation corridors, public transportation, water, wastewater reuse, energy costs, and environmental impacts influences the location and quantity of new development.

In planning for Arizona's future housing needs, it will be important to provide for a mixture of uses and types of housing, including greater density of development. The type and mix of housing will be driven by many factors, including affordability and a green ethos. New homes will need to be more energy efficient, and energy demands within existing housing will be reduced through various modifications. Green building techniques will lead to smaller, more efficient homes that will reduce our carbon footprint and will be more livable and socially connected.

It will be difficult to change existing views and patterns of growth without changing the politics associated with infrastructure planning. Change will take time, new leadership, and education about the costs and benefits of the various options available.

## Achieving Optimal Housing Development

Arizona's housing needs in the 20th century were great given the state's tremendous population growth and the post-World War II baby boom. Arizona succeeded in meeting the market needs of the majority and in creating new models such as Sun City. However, the needs of rural and tribal communities have not been met. In addition, the needs of special populations were not satisfied, including the working poor, persons with physical disabilities, persons living with mental illness, grandparents raising grandchildren, domestic violence victims, refugees, and ex-felons, resulting in homelessness for some. The great majority of these populations are renters by financial necessity and they need safe, stable, and affordable housing. We must do better in the 21st century.

Arizona faces considerable challenges in meeting its future housing needs. In the 21st century, Arizona must address the problems of limited water and other resource limitations, public lands, clean energy, and transportation. In the future, and presuming continued growth, we will need more housing and greater variety of housing choices. Future consumers are expected to demand sustainable, mixed use, and walkable communities. New options, like co-housing and shared community garages, should be in the mix. The non-traditional family is an increasingly important part of society, and those families can have unique needs. Rentals, manufactured housing, collective ownership of land, shared-equity models, and other options will continue to be a viable market choice.

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Infrastructure is one of the biggest challenges facing Arizona in meeting its housing needs. Initial development costs and impact fees contribute significantly to the ultimate cost of housing. The need to retrofit aging infrastructure and housing stock will require substantial financial resources. We must determine who will pay for the infrastructure, and provide for the future costs of maintaining aging houses and their infrastructure.

One of our challenges is to integrate older and younger populations to create multi-generational, mixed-use, sustainable communities. Arizona's aging population will need smaller homes with supportive services, as well as assisted living and care facilities. At the same time, many young adults struggle to afford their own homes or rentals.

A variety of other challenges must be addressed. Since affordability will continue to be a challenge, we will need more housing for low- to moderate-income persons, single-parent families, service workers, and other special populations. There will continue to be a need for workforce housing. It is essential that affordable housing remain so over time, building a base of affordable housing stock. Our future needs will require environmentally conscious communities. We must address high fuel costs and other transportation issues. New schools will be needed to serve new developments. Although

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growth has slowed, it will continue. Our vision of the future must consider other population changes, such as the anticipated Hispanic majority.

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One of Arizona's greatest challenges is updating 20th century resources and tools to meet 21st century needs and lifestyle choices. In the future, Arizona must rethink the use of municipal and county planning and zoning tools. Planning at the front end is vital to urban, rural, and Native American communities, as the cost of correcting mistakes later will be great. Proposition 207<sup>1</sup> has deterred municipalities and counties from changing land use regulations at a time when there is a need for acceptance of more

diverse uses in both the zoning and master planning process. If people want diverse, mixed-use communities, our planning must accommodate those desires now.

Planning is not limited to the cities and counties. Planning also should comprehensively address the entire state, and the sustainability of resources, such as water, throughout the state. Responsibility for this regional planning process starts with the Governor and Legislature.

Developing housing that meets the needs of the population and still is acceptable to the community will be a challenge. Greater collaboration and investment by city, county, state, and federal governments is necessary, with involvement of private-sector components, such as bankers, developers, employers, and non-profit organizations. To meet our needs, we also should consider regionalization of housing services and cost sharing by the government and the private sector.

Financial and fiscal education of consumers will be critically important to meeting these challenges. We also will need to educate people about Arizona's housing needs, and must empower communities of all types to revitalize and reinvest in housing. Additionally, consumers should be educated about nontraditional living options, such as cooperatives, which could reduce other costs and promote greater affordability of housing. Arizona should encourage individuals to make smart housing choices that safeguard our natural resources.

## HOUSING AND THE ECONOMY

### **The Role of the Housing/Construction Industry in Arizona's Economy**

Arizona's economy is closely tied to the housing/construction industry. During the recent boom period housing became even more the core of our economy. This interrelationship exacerbates the highs and the lows of the economic cycle.

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<sup>1</sup> Proposition 207, a 2006 ballot initiative officially titled the "Private Property Rights Protection Act", requires the government to reimburse land owners when regulations result in a decrease in the property's value, and also prevents government from exercising eminent domain on behalf of a private party. It was approved by a 64.8% margin.

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Arizona benefits from boom times, not only in the housing/construction industry, but also in the sales of other goods and services, many of which generate significant sales tax revenues. The construction industry provides opportunities for entry-level employment, a progressive job ladder, and skilled jobs. Upward mobility in the job market is important for sustained growth. During the boom period construction drove the economy upward, and individuals seized on the wealth-creation potential of the housing bubble.

The principal challenge of the relationship between the housing/construction industry and Arizona's economy is the boom-bust housing cycle. Downturns in the housing/construction industry profoundly affect the fabric of our society. The construction industry employs a wide range of people, from on-site workers to architects and developers. When there are layoffs or reduced wages for these employees, there is a ripple effect throughout Arizona's economy. Loss of jobs in the construction industry also could result in the loss of a significant portion of the state's skilled workforce.

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Government revenues are so connected to sales and property taxes that those revenues vary greatly between boom and bust times. This hurts all levels of government that have bonded, borrowed, and planned for revenues and expenses based on boom-time projections. The loss of public services caused by the loss of tax dollars from this industry's activity will have far-reaching consequences. Layoffs and reduced wages for workers likely will translate into greater strain on government resources. The construction industry is slow to bounce back. This means that, to the extent the construction industry and the economy are related, our economy will regain strength at the same slower pace.

Arizona should tackle this challenge by diversifying its economy. If other industries were a larger part of Arizona's economy, the state would have a more diversified portfolio of economic supports that would better sustain the economy through the highs and the lows of the economic cycle. However, we must recognize that a growing and more diverse economy will increase demand for additional housing.

### **Housing and Quality of Life**

The availability of desirable and affordable housing, and its proximity to business and employment activities, directly affects Arizona's economy and quality of life. The less affordable housing is, the lower the quality of life is for those residents who are unable to afford better. This is especially significant for those who are forced to live in an unsafe area because that is all they can afford.

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Affordability also must include the cost of access to work, and community services (especially schools and grocery stores), as well as other necessary support services, such as health care and child care.

In some communities, workers who cannot afford housing near their work have no choice but to commute. Some people made housing choices based on factors other than proximity to the workplace and services, including factors such as school quality and taxes.

Some people who live in rural areas or on tribal lands face special challenges due to high unemployment rates, lack of infrastructure, and the need to travel long distances. Whatever the reason for long commutes, they can adversely affect job performance, which in turn directly affects the quality of life. Rising fuel prices make commuting more costly. While public transportation is critical for some to get to and retain employment, cutbacks in service due to flagging revenues have made public transportation less available and more costly for those who need it most.

These considerations can be addressed by land-use planning, market forces, and public policies. Employer-assisted housing may help residents to obtain affordable housing near their work, and government should provide incentives for employer-assisted housing programs. For instance, housing as a contractual benefit for employees, such as teachers, is worth exploring.

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In certain areas, solutions may require building up rather than building out. Improved public transportation and other city-center amenities can make higher density more attractive in appropriate areas, such as near the universities. It is important to provide residents with the option to live in different types of

communities. Zoning, public policy, and infrastructure decisions are the key to making diverse communities possible. Investments in infrastructure that support neighborhood revitalization and provide environmental benefits are needed, or residents may choose to relocate because of the lack of schools, parks, or streets.

Ideally there should be a balance between public policies, the planning process, and market forces. Public policies can be developed in conjunction with private industry to solve other housing problems, including transportation. For example, local government can establish publicly owned but privately managed bus or other transportation services.



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Additionally, coordinated efforts between the public and private sectors to build transportation services, and provide water and other services, can successfully solve some of the challenges we face. Wise land use decisions can help build a better sense of community and promote the densities needed to support public transit. Development fees could be waived and other policies adopted to encourage development in high-density or infill areas.

### **Defaulting on the Dream: Arizona's Housing Market and the National Financial Crisis**

The recent national financial crisis has had a dramatic negative impact on Arizona's housing industry and its overall economy. During the housing bubble, Arizona developed the perfect storm—many builders ready to build homes; availability of cheap land; a large supply of homes; and a lack of regulation of home lending.

The general lack of overall mortgage industry regulation in Arizona contributed to this problem. During the housing bubble, there was an international infusion of capital into Wall Street and unregulated mortgage products which caused some problems, given Arizona's relatively unregulated conditions. Regulation of derivatives, mortgage brokers, lending standards, and loan-to-value ratios, for instance, should be reformed to provide more systemic safeguards.

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Arizona's regulatory scheme must be enhanced to prevent mortgage fraud and lending abuses and increase penalties for such violations. Such laws should be aimed at mortgage brokers, real estate agents, appraisers, and others involved in the home-purchase process. We must exercise more control over lending to discourage predatory lending and encourage other alternatives to the payday loan industry. Such improvements should help people select and pay for their housing in a manner appropriate to their financial capacity.

Low housing prices in Arizona, as compared to the rest of the country, encouraged nonresidents to purchase houses for investment purposes, rather than as the owner's primary residence. These outside investments drove housing prices up, making housing relatively less affordable for Arizona residents. Seeing homes as an investment vehicle created an environment in which people felt that they would be left out if they did not invest in housing. This resulted in an out-of-control, frenzied wave of speculative investment.

Now unemployment is up, and consumer confidence is down. Building permits are down, and there is a glut of foreclosed houses on the market. There are many single family houses available for rent, or vacant and abandoned. The change in immigration laws also has adversely affected the rental housing market and contributed to an oversupply of single family homes. Multifamily apartments in a number of communities

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in the state have been affected as well. Home values have been depressed. Homeowners have lost some—and sometimes substantial—equity in their homes. Many developers, builders, and retailers are going out of business, and many people are losing their jobs. As people’s net worth has declined, some have lost access to credit, and others must delay retirement. The loss of home equity itself has caused a domino effect throughout many other industries. Asset securitization and the sub-prime mortgage practices during the housing bubble, while not necessarily the fault of the construction industry, nevertheless contributed to the serious downward swing our economy has experienced recently.

Businesses located in or near distressed neighborhoods also have suffered. Construction-related small businesses have failed. High unemployment among construction workers has negatively affected many small businesses that sell goods and provide services to them. Sales tax revenues have declined, and property tax revenues will decline in the future. The loss of state revenues, including from sales taxes, has trickled down to cause loss of revenues for local governments. Contributions to non-profits also have declined.

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Although prices have decreased, housing is not necessarily more affordable, because Arizona’s general economy and employment have suffered. A significant number of Arizona homeowners now have little or no equity in their homes. Mortgages and credit are still available, but it is more difficult to qualify for such credit due to different lending requirements. Upward mobility has been frozen as a direct function of unaffordable mortgages.

These problems are more severe in rural counties and on tribal lands. For example, it has become more difficult for tribes to find other sources of funding outside of the Native American Housing Assistance and Self-Determination Act (NAHASDA). Minority populations are disproportionately affected.

Factors specific to Arizona’s economy have exacerbated these impacts. A significant number of people have left the state due to the changes in the immigration laws. With more restrictions on the flow of workers, jobs and capital have left the state. Potential investors from outside Arizona, including retired persons investing in retirement communities and persons buying second homes in the state, have seen their net worth decline. The flow of capital into our state has slowed significantly.

The financial crisis has affected both homeowners and renters. Displaced homeowners are now turning to rental units. Subsidized rental housing is in much greater demand, and tenants thrown out of foreclosed homes are not prepared to rent elsewhere. The supply of rental housing now includes homes held by investors in addition to apartments. Apartment rental vacancies have skyrocketed.

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Landlords have been forced to reduce rental rates and suffer a loss of income. If these investors abandon their rental property investments, significant negative consequences may follow. Renters who are forced to leave these abandoned or sold properties need to be considered when addressing future housing issues. These former renters and people generally displaced by foreclosures and evictions may increase homelessness and place other strains on government and non-profit services.

These circumstances also may exacerbate domestic violence, alcoholism, and other harmful behavior, and may jeopardize the long-term stability of families and child development. Some families have become separated because they cannot sell their homes. Economic hardship has resulted in higher stress and can contribute to crime and other problems. This unstable home life diminishes children's success in school.

On a positive note, the national financial crisis has encouraged some people to go back to school. Some may benefit from lower housing prices. There is an opportunity to implement governmental policies and changes that would be more costly and politically unpopular during a boom period. It is also hoped that the financial crisis will create positive changes by encouraging us to start saving and relying less on credit.

### **Addressing the Challenges and Opportunities In Times of Financial Crisis**

The current economic crisis presents a tremendous window of opportunity to promote planning and innovation for both affordable housing and a sustainable housing market. As a result of the national financial crisis, the price of housing has decreased and the federal discount rate is at historical lows. Loan modifications and forbearance programs will avoid some foreclosures and allow some Arizonans to stay in their homes.

Foreclosures displace some homeowners, but also reestablish home values, making

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Arizona homes more affordable and spurring more growth. Foreclosures will create opportunities for affordable housing in many communities, if prospective buyers can obtain the necessary credit.

Arizona will receive substantial federal funds through the Housing and Economic Recovery Act, which is not as limited as the federal programs that

preceded it. Arizona should use this money effectively. To recreate a sense of community, all of the stakeholders need to be brought to the table. Tribal and local governments should create programs to leverage opportunities to acquire distressed housing for affordable housing programs for a variety of local needs as part of foreclosure remediation strategies.

Foreclosure prevention programs should be considered. For example, state, county, and city governments should offer shared equity programs, purchase properties in foreclosure to promote affordable housing, or encourage lenders to refinance loans in default at

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reduced interest rates. Stakeholders should work with the Arizona Legislature and Congress to develop and design programs, such as community block grants, to assist low-income individuals in retaining their homes. There may be opportunities for public-private partnerships to jointly invest private and public funds to cure mortgage defaults.

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*Given the current decrease in the pressure to produce permits, this may be a good time to revisit broader land-use policy questions, such as policies that promote density.*

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Now is the time to implement a variety of creative and longer-term measures that could make housing more affordable over time. For example, community land trusts (CLTs), which separate the land from the improvements thereon, can make homes permanently more affordable. Given the current decrease in the pressure on jurisdictions to produce building permits, this may be a good time to revisit broader land-use policy questions, such as policies that promote density, and to implement new zoning and regulatory strategies. Streamlined regulation, streamlined

timelines, and fee waivers are possible solutions. There should be more focus on long-term planning, within the boundaries of sustainable natural resources, efficient transit, and mass transit across the state, involving all categories of residents. Arizona should implement a more aggressive economic development program to attract higher-wage jobs and develop a more diversified economy.

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*Housing trust funds at the state and local levels offer a flexible and nimble mechanism for strategic investment in affordable housing.*

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Financial crisis is a time of opportunity to explore new and creative energy technologies. Solar, biomass, geothermal, combined heat and power distributed generation, landfill gas, wind, and other clean-energy technologies will create new industries and additional jobs.

In some areas foreclosed homes could be purchased and converted into rentals, which would allow the former homeowners to stay

in them, or the homes could be rented to others. We should also work to promote stability for renters, because evictions cause crossover problems, including harmful effects on the long-term stability of the family and children, as well as homelessness.

Housing trust funds at the state and local levels offer a flexible and nimble mechanism for strategic investment in affordable housing. Arizona needs dedicated funding sources for housing trust funds. The State Housing Trust Fund should be protected against stripping of resources to meet other fiscal priorities. We also need more funding. Reasonable oversight of these dedicated funding sources is needed to ensure that they are used effectively.

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*Existing programs that provide financial education and counseling should be expanded, and offered at an early age.*

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The general public should be educated about U.S. Department of Housing and Urban Development (HUD) processes and programs, such as foreclosure prevention. Existing programs that provide financial education and counseling should be expanded, and offered at an early age. Mortgage counseling and other forms of consumer education will better equip prospective homebuyers to make informed decisions.

Various measures have been suggested, and they deserve consideration. Arizona could extend the net operating loss carry forward period from 5 years to 20 years. In an effort to sustain the construction industry in a time of decline, and to take advantage of lower construction costs to the taxpayers, the university construction and rehabilitation program (Stimulus Plan for Economic and Educational Development) and improvements to state parks should be implemented. Finally, additional support should be given to non-profit organizations that can be tapped to assist people who really need help in the foreclosure crisis.

## **DEFINING AND CREATING BEST PRACTICES**

### **Using Existing Programs to Meet Arizona's Housing Needs**

The free market system allows sellers and homebuyers to enter into affordable transactions that each can afford. The free market also will adjust to supply and demand. As an example, private builders have met the housing needs of most upper- and middle-income Arizonans. Some of Arizona's low- and moderate-income persons, and those with special needs, are served by a number of effective existing programs. Unfortunately, these programs sometimes are under-funded, or are not available to serve all those who need them.

### **Federally-funded Programs**

Existing programs provide different types of assistance by different methods. Perhaps the most familiar housing programs are federally funded. These programs subsidize the development and occupancy of affordable housing. Arizona benefits from several HUD-funded housing programs, including public housing, the HOME program, and the Section 8 voucher program. Section 8 vouchers allow tenants to move into communities where they otherwise could not afford to live, thereby providing an opportunity for upward mobility. Unfortunately, this program receives insufficient funding to serve all who qualify, and currently has long waiting lists.

Section 202 is a double-subsidy program that assists seniors by providing money up front, as well as long-term rental assistance. Section 811 provides similar assistance to persons with disabilities. However, these programs are subject to legal restrictions that limit their scope and effectiveness.

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The U.S. Department of Agriculture's (USDA's) housing division assists with affordable housing in rural communities and small towns. The Federal Home Loan Bank Board's Affordable Housing Program provides grants to support the development of affordable housing projects.

Other federal programs (such as New Markets Tax Credits, Solar Tax Credits, and Historic Preservation Tax Credits) may provide incentives for the development of affordable housing. In addition, the Low Income Housing Tax Credit (LIHTC) program uses federal tax credits to encourage investors to invest in affordable rental projects. Arizona should use the LIHTC program to encourage development of low-income housing in more affluent neighborhoods. Arizona should also help developers and owners to make these properties more attractive and acceptable as an integral part of our communities. Arizona should ensure that these projects are adequately capitalized and sustainable.

Existing federal programs are highly competitive, and there are insufficient resources to meet the needs. Making the existing programs available to rural and tribal areas presents special challenges. Administrative requirements associated with federal programs cost time and money that may be better spent on providing program benefits. These hurdles also may discourage some applicants from applying for assistance and should be minimized, and the programs themselves should be better funded. Across the board, the process of getting resources from programs should be simplified.

Special needs populations, such as the homeless, need supportive services to take advantage of existing programs. The elderly and persons with disabilities, who are at risk

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of needing nursing home care, are unique populations. They require assistance in accessing services to remain in their homes, using home and community-based services, or funding appropriate housing options such as adult care homes, assisted living, and nursing homes.

Others, such as former prisoners—nonviolent, violent, and sex offenders—have special housing needs that are not addressed by existing programs. Even those who reintegrate and want to contribute to society have difficulty finding suitable housing. These

problems become more acute with the severity of the offense. A comprehensive plan and state advocacy group are necessary for addressing this housing issue.

Arizona should seek to increase federal funding and more efficiently use available funds, including Community Development Block Grants (CDBG) and other HUD funding. Arizona will receive over \$120 million in emergency neighborhood stabilization program funds to assist neighborhoods impacted by foreclosure. These funds include \$39 million

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for the Arizona Department of Housing to address foreclosure issues in impacted areas, including rural communities.

### **State and Local Funding**

State, local, and tribal governments also support a number of programs that address housing needs. The Tucson Housing Trust Fund, for example, helps eligible homebuyers with down payments, and recoups the grant upon resale to replenish the trust. There are similar housing trust funds at all levels of local and state government. There are also a number of tribal support programs. One problem, especially in rural areas, is a lack of resources. One goal may be to expand these programs in time, scope, and funding.

Housing assistance is not the exclusive province of government. A number of non-profit organizations offer various types of housing assistance programs, primarily to special needs populations. These non-profit organizations have demonstrated that partnerships can and do work in helping to provide affordable housing.

There are also public-private partnership models that offer various types of housing assistance. Some programs help renters save money for down payments or provide general home-purchasing education.

### **Private Funding**

Innovative private-sector programs also assist in meeting Arizona's housing needs. Community Land Trusts have the potential to be effective during growth periods by

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*Community Land Trusts have the potential to be effective during growth periods by placing families into homes under an arrangement whereby the Land Trust owns the land, and the participants own the improvements.*

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placing families into homes under an arrangement whereby the Land Trust owns the land, and the participants own the improvements. The Trust assists in bringing the home up to code, and provides education assistance to its participants regarding first-time home ownership and maintenance.

There are some employer-assisted housing programs, either in existence or under consideration. The University of Arizona, for instance, owns property outside of its expansion boundaries and is

looking into providing housing for entry-level faculty and staff to avoid having to make them "drive 'til they qualify." Employer-assisted housing should be encouraged through tax credits and other means.

### **Suggested Improvements and New Programs**

Although not exhaustive, the following list of suggested new programs and improvements to current programs could help Arizona to meet housing needs in the 21st century:

## Report of Findings and Recommendations

1. Promote non-profit programs that provide housing education and funding to support home ownership.
2. Expand funding, promotion, and continued evolution of HUD assistance programs, which provide significant capital subsidies for home ownership and rental assistance.
3. Expand gap financing and transitional housing for certain individuals such as domestic violence victims.
4. Provide more pre- and post-home ownership education, especially to avoid the risks posed by predatory lenders.
5. Provide transportation and other services to allow special-need users to remain in non-profit, state, and federal housing programs.
6. Improve support programs that are provided along with housing subsidies or rental assistance.
7. Examine the criteria for private and public programs to relax or revise regulations related to occupancy requirements so funding can be spent over several fiscal years and to allow more people to qualify for housing funding and assistance.
8. Work together to identify and secure dedicated funding sources for our state and local housing trust funds because they provide flexible funding for many of the programs listed above.
9. Overcome the stigma associated with certain programs (*e.g.*, by improving effective asset property management) and provide advocates for other programs to ensure they get adequate funding to provide housing services to those in need.
10. Establish a philanthropic social venture capital pool to provide low interest rate funds to non-profits and their homeowner clients.
11. Adopt an affordable housing index that takes into account principal, interest, taxes, insurance, homeowners association fees, reasonable maintenance and repair reserves, transportation, utilities, and information costs.
12. Encourage the provision of infrastructure funds to improve neighborhoods that do incorporate affordable housing and thereby change the NIMBY (Not In My Backyard) phenomenon to YIMBY (Yes In My Backyard).

### **Working Together More Effectively to Solve Diverse Housing Issues**

Arizona's governing bodies, private industries, non-profits and other organizations must work together better to solve Arizona's housing issues. A variety of strategies should be implemented to improve collaboration.

Collaborative efforts that have been effective include Arizona Town Hall and local housing trust programs (which include the public and private sectors). Jointly, these efforts provide research and advocacy tools to foster connections, educate people about the significance of our housing problems, persuade donors to provide funding, and design



## Report of Findings and Recommendations

programs and solutions. Regional planning has been effective in solving transportation problems and in addressing the needs of the homeless.

Governments and non-profit organizations need more effective coordination with private industry. At a minimum, they need to communicate more effectively with private-sector partners about affordable housing needs and seek their support and assistance. In addition, private-sector participation on local boards should be encouraged.

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***There should be more collaboration among non-profits, which often compete with one another for dollars and visibility.***

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Cooperation among governments and non-profits has been good in some respects, although adequate funding sometimes is lacking. However, non-profits must engage the public and private sectors in good and bad times. There should be more collaboration among non-profits, which often compete with one another for dollars and visibility. Partnerships that leverage the use of available resources and promote

sharing of resources should be encouraged. The housing needs of Arizona veterans should be addressed in conjunction with the Veteran's Administration. Diversion programs in local jails should offer to provide affordable housing using existing housing inventory.

Private developers sometimes work with municipalities, but that interaction is not always consistent. Local town councils, concerned about the NIMBY effect, can present obstacles to the development of affordable housing projects that would serve the needs of local residents.

Sufficient collaboration between Native American tribal governments and state and local governments is lacking. Native American communities are a significant part of Arizona's population, and they face a number of barriers to effective housing solutions. For example, complex housing regulations that are not written with the needs of tribal communities in mind may deter the development of affordable housing on tribal lands. Rural communities face similar problems. More innovative and collaborative thinking is necessary to overcome these barriers.

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***An Internet-based project that would allow non-experts to access expert information would be a helpful resource.***

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Policymakers and other key decision makers should thoroughly understand housing issues. The development of comprehensive solutions to the housing problem will require local and statewide expertise at a variety of levels, including staff, board members, and government representatives. An Internet-based project that would allow non-experts to access expert information would be a helpful resource.

## Report of Findings and Recommendations

Forums are needed to facilitate discussion about housing issues among local governments, businesses, and non-profits. It is important to include private businesses, especially large employers, developers, and builders, in such discussions.

### **Government Regulations and Processes**

Zoning is one of the most important issues that the private and public sectors must address jointly. Some zoning authorities have required or encouraged developers to include affordable housing in the mix of new development.

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*Developers and municipalities should develop and coordinate new procedures to expedite the development of more affordable housing. Permitting and inspection processes should be simplified and streamlined.*

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Developers and municipalities should develop and coordinate new procedures to expedite the development of more affordable housing. Permitting and inspection processes should be simplified and streamlined for affordable housing. The use of electronic seals and electronic plan submissions by building professionals should be encouraged. Local government should help, not hinder, in the development and financing of infrastructure for affordable housing projects. Private utility providers, municipalities, and developers should work to reduce energy costs and also should examine the use of energy credits and long-term energy cost to homeowners.

Permits, incentives, fees, and waivers should be structured to encourage developments that use green building techniques and sustainable practices. A percentage of permit fees could be diverted into housing trust funds to support affordable housing. Point-of-sale contributions on subsequent sale of units revitalized with city funding could also go to housing trust funds.

The Arizona Legislature should more effectively engage in housing issues, and should consider authorizing local government to exempt affordable housing projects from impact fees.

### **Recognizing the True Costs of Housing**

Housing prices do not reflect the true cost of housing, either to the consumer or to the community at large, and the current financial crisis provides an excellent opportunity to reevaluate and redefine the true costs. The housing market has done a good job of capturing the actual bricks and mortar costs of constructing a home. But home ownership entails other costs, paid monthly or annually after the purchase is completed, that must be taken into account when determining whether a prospective purchaser actually can afford a home. When taking into account the true cost of housing, many indirect and external costs should be included, such as regulatory costs and costs to the developer, public, environment, maintenance costs, and family time.

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The notion of an Affordability Index is one way to calculate what it truly costs to own a home, taking into account factors other than the purchase price of the house itself. Factors that must be considered include: routine maintenance and upkeep, utilities, financing, property and other taxes, depreciation (which results in costs to replace worn out or obsolete housing components), transportation costs and homeowner association costs, if applicable. Some frequently unrecognized monthly costs include cell phone, Internet, and cable bills.

Public education programs should address the realities of home ownership and renting—including the concept that home ownership involves more than just paying your mortgage—to help prevent people from overextending themselves. This includes education about food, gas, and expense budgets, saving for repairs, and more general money management issues. These programs should include an emphasis on basic responsibility in recognizing needs and capabilities.

### Public Benefits and Costs

Housing provides both private and public benefits. Is housing a basic human right and a public responsibility, or a privilege and a purely individual responsibility? The public is

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*The difficult question is:  
How much should each of us,  
as the public, bear for the  
cost of housing others?*

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responsible to assure some basic level of housing, which benefits the community. The difficult question is: How much should each of us, as the public, bear for the cost of housing others?

Some costs associated with housing are shared with others, and therefore borne by the community to a greater or lesser extent. For example, communities bear much of the cost of constructing, operating, and maintaining infrastructure, including transportation. Negative transportation impacts, such as pollution, gridlock, and contribution to global warming, are borne by the community. Urban sprawl, especially in respect to transportation costs, has increased the true costs of housing well beyond the actual price of a house. The costs of schools, water, and environmental impacts likewise have not been represented. Homes prices, especially those on the outskirts of metropolitan areas, should reflect the need for transit centers, increased roads, and the other costs incurred by the broader community. Social costs of housing and the availability of services not planned for previously will be borne by the community as a whole.

### Other Cost Considerations

To evaluate which costs should be borne by whom, the effects of consumer choices on the true cost of housing must be taken into account. Identifying where private choices result in costs above the baseline will help us determine who should pay for certain costs. Community decisions also may increase the true cost of housing. For example, complying with regulations also increases the cost of housing.

## Report of Findings and Recommendations

The working poor contribute to the fabric of our society, but they are unable to pay the true cost of their housing. The income earned by two people on minimum wage is not sufficient to pay housing, food, and transportation costs. When the minimum wage does not provide a living wage, society must address that disparity.

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*Arizona should consider whether current “indirect subsidies” are properly targeted or should be redirected in other ways to provide for the community good.*

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It is generally acknowledged that providing affordable housing to low- to moderate-income families will not be accomplished without some form of subsidy. The true cost of housing for persons who can afford to pay is subsidized through the mortgage interest deduction, limits on residential property taxes, and publicly funded infrastructure extensions. Arizona should consider whether current “indirect subsidies” are properly targeted or should be redirected in other ways to provide for the community good.

Some measures, if adopted, might reduce the true cost of housing. Regional growth management plans may promote efficiency and help to take public costs into account. The development of more energy efficient and environmentally conscious communities (such as walkable subdivisions) may reduce long-term social costs. Communities could develop incentive programs, such as historic preservation tax credits, for developers who provide community benefits. This can be facilitated by zoning. Communities also can leverage the use of lands acquired for public purposes, such as light-rail use.

### **Public Policies, Private Market Forces, and Affordability**

Arizona’s private and public sectors have not done a good job of supporting optimal development of affordable housing. Significant numbers of people reside in substandard housing. The housing needs of several segments of the population, including sex offenders and ex-felons, are not being met. The private sector is best suited to meet the needs of individuals, not the needs of society as a whole.

The need for affordable housing is a community concern, and the solutions should be shared by the community. Arizona’s goal should be that all of its residents have safe, sanitary, and affordable housing. To the greatest extent possible, public policy should be used: (1) to remove barriers to affordable housing; and (2) to find broad-based, dedicated funding sources for community housing trust funds and other programs that provide affordable housing.

It also must be acknowledged that wages and housing are inextricably intertwined. Better jobs with a living wage, and better wages for what are often considered lesser jobs, are essential to building a workforce that is valued for its skill and therefore able to afford decent housing. As consumers, we have a personal responsibility for spending wisely, and we must be willing to pay for the true costs of our choices.

## Report of Findings and Recommendations

There are a number of barriers to the optimal development of affordable housing. Local governments, the private sector, and non-profits should work together to increase speed-to-market solutions that offer additional market choices and encourage optimal development. In some communities, the lack of city-owned land, otherwise affordable land, and land that could be redeveloped means there are limited options to promote needed change, even where public market forces and public policies work in concert.

Policy changes can be made to support the optimal development of housing. These include: relaxed zoning or bonding for affordable housing projects, better planning and growth management policies, regional coordination of planning processes to incorporate designs for sustainable communities, and incentives for the development of energy efficient housing. In addition, planning and zoning regulations should be modified as needed to encourage greater density, transit-oriented developments, walkable communities, innovative parking options, and better transportation options.

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*Planning and zoning regulations should be modified as needed to encourage greater density, transit-oriented developments, walkable communities, innovative parking options, and better transportation options.*

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Some policy changes will require enabling legislation, including tax incentives, tax increment financing, legislation to cap interest rates for qualified low-income homebuyers, new funding mechanisms for affordable housing development, and clarification of the legal authority for communities to adopt inclusionary zoning. Other policies can be changed without legislation, including the use of development agreements. Housing trust funds and point-of-sale contributions also should be promoted as potential solutions. There are isolated tracts of state land that could be used for affordable housing, but there currently is no program for using those

lands for that purpose. State Trust Land reform also could provide an opportunity for affordable housing and other housing planning. The ability to effectively use publicly owned land, such as Arizona Department of Transportation excess land, through acquisition or swapping, must be expanded.

Balancing competing interests, such as the values of a free-market economy and the needs of social justice, or the needs of the individual against the interests of society as a whole, is difficult and controversial. Funds are needed to assist the efforts of local municipalities to promote optimal housing development, but how to raise those funds often is controversial. Crafting solutions will require a comprehensive vision of the types of communities in which we want to live, and will require effective and persistent leadership.

## ESTABLISHING PRIORITIES, TAKING ACTION, AND FUNDING

It is clear that there is no quick or simple fix for Arizona's housing problems, and no single approach will address all problems. If Arizona is to effectively address current and

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*Housing is a basic human right and ensuring that housing is available for all is the shared responsibility of us all; when people are not housed, there is public cost in other systems of care such as health care, corrections, and social services.*

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future housing issues, we must become informed about existing needs and programs, identify the gaps to be filled, and then develop a plan to fill them. This process can be aided by the development of a vision or mission statement. Housing is a basic human right and ensuring that housing is available for all is the shared responsibility of us all; when people are not housed, there is a public cost in other systems of care such as health care, corrections, and social services.

State, regional, local, and tribal leaders, as well as leaders in the private sector should participate in the process of developing a comprehensive state housing plan.

Arizona's plan should provide for coordination and sharing of resources. Once the plan is approved, it must be followed and funded.

Public and private partnerships will be necessary to make this happen. These partnerships should include state and local governments, non-profits, tribal communities, and private entities. Some existing partnerships can be harnessed in this broader leadership and implementation effort. The Governor's office and the Legislature should expand the Arizona Housing Commission with geographical representation to provide the necessary oversight and facilitate the development of affordable housing in Arizona. The Governor's Commission should provide policy direction, and the Department of Housing should provide the staffing for the Governor's Commission and be responsible for the implementation of policies. It is important that rural and tribal communities be represented on the Commission, and the interests of those communities should be protected in this process.

Under the umbrella of the Governor's Commission, the efforts of many interested stakeholders should be engaged and coordinated. State, regional, and local transportation bodies should develop a coordinated network and work together to become part of the affordable housing solution. The Department of Commerce and local organizations should be involved in economic development and job creation activities that will improve housing affordability through the creation of higher paying jobs. Associations such as the Arizona League of Cities and Towns, cities, counties, and non-profit advocacy groups, as well as the real estate and business community and Chambers of Commerce, also must be involved.

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The recommendations of the Arizona Town Hall should be forwarded to the Governor, with the request that she forward them to the state Housing Commission and empower that commission to plan for, publish, and implement these recommendations, and establish a report card to measure the progress.

Arizona's comprehensive housing plan should include the following elements, and should be implemented and advanced by the following stakeholders:

### **1. Implement a Public Education and Public Relations Campaign.**

To address Arizona's housing issues effectively we need to increase public awareness about housing issues. The public and stakeholders at all levels, including minority groups, must become informed about the nature and extent of the housing needs, Arizona's housing goals, and the plan for meeting these needs and achieving these goals. The public and stakeholders must become engaged, so that over time, opinions and biases that have posed as barriers to affordable housing and programs that meet the needs of special and varied populations are changed. Informing the public about the benefits of density, height-restriction waivers, and sustainable development should lead to greater acceptance of these measures. Local governments in conjunction with the private sector, either on their own or in collaboration with the upcoming Arizona Department of Housing Clearinghouse, should develop best-practice models to illustrate the "look and feel" as well as the benefits of affordable housing concepts that would "fit in" to the character of each individual community. These models would be used during the public process to gain public support.

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*Arizona should adopt a Housing Affordability Index to make consumers aware of all costs applicable to renting and home ownership.*

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Housing consumers and policymakers should become better informed about the true costs of renting and home ownership. To that end, as a matter of policy, Arizona should adopt a Housing Affordability Index to make consumers aware of all costs applicable to renting and home ownership. This Index should include all costs and expenses associated with home ownership or rental, including principal, interest, taxes, insurance, homeowners association fees, reasonable

maintenance and repair reserves, transportation, utilities, and information costs (such as monthly bills for cable, Internet, and cell phones). This should become a widely-used standard for affordability. The mortgage community must adopt these standards as part of their underwriting criteria.

Stakeholders and other parties-in-interest should be informed about how best to take advantage of various federal funding programs and other resources. All communities should be enabled to make use of local housing trust funds, and dedicated revenue sources should be both identified and funded.

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Stakeholders should create a well-defined media strategy and carry it forward to the media so the media can educate the public and make them aware of the seriousness of the foreclosure problem, and promote awareness of how affordable housing can help everyone. This media attention can create public pressure to help solve the problem. The media focus should target editorial boards and other strategic media, and should focus on English and Spanish channels.

Arizona's universities also should be involved in this educational campaign. The Arizona Department of Education, schools, and community colleges, in collaboration with non-profits and the financial sector of the community, also should be involved in this education and public relations effort. Immediate action should be taken to educate the general population on the full cost of housing, which includes transportation, energy, upkeep, and mortgage costs.

### **2. Provide Financial Literacy Education.**

Individual consumers must become better informed about the issues that affect their ability to afford housing, so that they can make better decisions and are better equipped to prevent personal credit crisis, potential foreclosures, evictions, and other economic consequences that may arise from their housing-related decisions. Financial literacy

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*Financial literacy classes should be made available to all prospective homebuyers.*

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classes should be made available to all prospective homebuyers. Consumers also should be informed about programs and other tools available to help them avoid foreclosure and eviction. Government should work with lenders to require education and counseling before a prospective buyer can purchase a home.

The Arizona Department of Education (State Board of Education) should be requested to include financial literacy as part of the core curriculum of K-12 schools. Stakeholders, including banks, other lending institutions, title companies, businesses who benefit from these transactions, and non-profits, should be encouraged to create and supplement these financial literacy programs. Private non-profit organizations should be encouraged to provide financial literacy programs.

### **3. Think Globally, Act Locally.**

Many of the barriers to effective housing policy stem from local laws and regulations, and much of the work that must be done to provide more affordable housing must occur at the local level. For example, local land-use and zoning codes should be modified to remove barriers to affordable housing. Local governments should promote a mix of housing, including affordable units, and provide transportation infrastructure. Further, they should encourage mixed-use, higher-density projects; flexible design standards; and diversity of housing product. The zoning decision-making process should be streamlined. Municipal general and county comprehensive plans should be regularly reviewed at least per state law and updated more frequently as necessary to reflect



changing community needs. Municipalities also should develop plans to equitably fund infrastructure development in conjunction with policies that promote affordable housing.

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*State and local governments should provide incentives for housing that is environmentally responsible and sustainable.*

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Local housing decisions have regional impacts, and local communities should consider the impacts of their decisions and policies on the state as a whole. These policies should take into account water, energy, transportation, and infrastructure issues. State and

local governments should provide incentives for housing that is environmentally responsible and sustainable. Green development should take into consideration and properly incentivize development practices with the least radical impact to natural landscape and habitat and should promote utilizing more environmentally conscious building materials, floorplans, and technologies.

Although the state should take the lead in coordinating and implementing Arizona's housing plan, the support and leadership of local communities will be essential. It will be important to the success of the plan that it be flexible enough to meet the different needs and take advantage of the resources of various local communities. What works in one city might or might not work in another. A local focus also will allow communities to rapidly incorporate cutting edge programs and techniques that have worked in others.

#### **4. Urge the Arizona Legislature to Take Action.**

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*The Legislature must form a bipartisan committee to hold hearings on the housing collapse and consider legislation consistent with the recommendations of the 93rd Arizona Town Hall.*

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The Arizona Legislature must be more engaged in housing issues, considering the collapse of the housing market and its impact on the overall Arizona economy and the tax base used to finance state and local government. The Legislature must form a bipartisan committee to hold hearings on the housing collapse and consider legislation consistent with the recommendations of the 93rd Arizona Town Hall. Town Hall recommends that a number of changes be made to state law to facilitate the implementation of the comprehensive state housing plan and appropriate housing policies.

Arizona should establish a state-wide, uniform system of tax assessments for affordable housing. The Legislature should provide authorization to allow individual communities to adopt affordable housing strategies to meet local conditions and needs, including authorization to create municipal and county housing trust funds, inclusionary housing policies, community land trusts, and waiver of impact fees for affordable housing. Arizona should authorize the use of tax increment financing, tax credits, and bonding authority to finance the development of affordable housing. The laws governing state

trust lands should be amended to permit scattered parcel acquisitions and to facilitate land exchanges. Proposition 207 has had the effect of deterring municipalities and counties from changing zoning ordinances in order to increase flexibility and remove barriers to affordable housing, and it should be re-examined and modified as necessary.

Legislation also is needed to address the current financial crisis. A forbearance period should be established to delay foreclosures by an additional 60-90 days. In addition, the law must be changed to provide additional notice to tenants of pending foreclosure of properties occupied by them. Responsibility of giving notice should come from both borrower and lender. Government entities also should be authorized to purchase and convert foreclosed properties to “deed restricted” affordable housing.

A political action team should be formed to push this legislative agenda; to work with legislators to open a legislative file between Nov. 15, 2008, and Jan. 15, 2009; and to work with local elected officials. This legislative agenda should be pursued annually in subsequent Arizona State Legislative sessions. Affordable housing advocates should identify and collaborate with all interested housing groups to advocate these legislative priorities.

## **5. Provide Incentives for Desired Development.**

Public policies at the state and local level should incorporate incentives that encourage the development of affordable housing, mixed-income and mixed-use, or remove barriers to its development. For example, incentives such as waivers of permit and impact fees,

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*Public policies at the state and local level should incorporate incentives that encourage the development of affordable housing, mixed-income and mixed-use, or remove barriers to its development.*

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or expedited zoning and permitting, should be used to encourage higher densities. Local governments should incentivize participating neighborhoods’ acceptance of affordable housing, special needs residents, and increased density by providing improvements to address deficient infrastructure in those neighborhoods. The state should consider implementation of a tax credit program to encourage investments in affordable housing, including but not limited to credits for employers who provide employer-assisted housing programs. Zoning ordinances should encourage developers to include affordable

housing in the mix of new development. Municipalities and counties, especially those with complex land-use regulatory systems, should appoint an ombudsman on staff to help facilitate and expedite projects that include affordable housing. Incentives for desired development should include responsible resource planning such as sustainable water use, and encourage use of alternative water and energy sources as well as recycled and recyclable building materials.

**6. Implement Robust Economic Development Strategies.**

Government at all levels should implement robust economic development strategies designed to encourage the type of economic development that provides well-paying jobs that last a long time, and help to create industries that support optimal housing in Arizona. Such efforts should include job-training programs as well as incentives that attract new and more diverse industries to Arizona. This effort should be implemented by state and local economic development organizations and local elected bodies.

**7. Adopt Needed Housing Finance Regulations.**

The current national financial crisis has highlighted the need for additional regulation of various segments of the financial and real estate industries. The mortgage market, including the secondary market, should be more heavily regulated, and should include a requirement to utilize the Housing Affordability Index to determine realistic affordability and purchaser eligibility for loans. The mortgage industry should be subject to an expressly stated fiduciary duty to borrowers. Lenders should be required to return to sound underwriting standards, in which the focus was on whether an individual really could afford the cost of a home on a sustained basis. A portion of mortgage broker licensing fees could be dedicated to support affordable housing programs.

These efforts should engage the affected real estate-related industries to ensure mortgage lenders are educated, audited, and in compliance. The Arizona Department of Financial Institutions, the Arizona Department of Housing, and the Arizona Attorney General all should have a role in this effort.

**8. Demonstrate Effective Leadership.**

Arizona needs sustained, vigorous, and effective leadership on all of these issues, from government, business, and all community stakeholders. We also need a cadre of experts and increased public and private staffing to make all of these reforms possible. The Governor's Housing Commission needs to review and make recommendations for state and private educational institutions to expand offerings, expertise, and training to help address this need.

**9. Protect, Pursue, and Secure Needed Funding.**

Adequate funding will be essential to the implementation of Arizona's comprehensive housing plan. This funding could come from an array of sources, some private, some public. Each has advantages and disadvantages. Some funding comes with strings attached. Some funding may have unintended consequences, or may only be effective in the short term. Accordingly, proposed new funding sources should be scrutinized very carefully. As a general operating principle, housing advocates should take advantage of all funding from whatever source. Much of the available funding for housing programs comes from the federal government. Arizona should actively involve the members of its Congressional delegation to assure that Arizona receives its fair share of federal funding.

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*The State Housing Trust Fund should be maintained at current levels and protected against depletion by the Legislature in its pursuit of a fix for the state's current budget shortfall.*

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If Arizona is to adequately support affordable housing programs, it must protect funding sources against reallocation during times of financial shortfall. In particular, the State Housing Trust Fund should be maintained at current levels and protected against depletion by the Legislature in its pursuit of a fix for the state's current budget shortfall. Arizona also should encourage and enable the development of other local housing trust funds. Local housing trust

funds will need a dedicated funding source of substantial magnitude. The Governor should assist in these efforts.

As noted earlier, existing programs do not meet existing needs. The Governor, legislators, and the League of Cities and Towns should jointly lobby Congress for expansion of the Section 8 voucher program, increases in rental subsidies, and expansion of the low-income housing energy assistance program. Federal resources should be distributed in a manner that reflects the current needs, weather, and growth patterns in the Southwest.

In addition to the preservation and possible expansion of existing funding mechanisms that support affordable housing development, the Town Hall suggests that the following financing mechanisms be considered for development.

### **Public Financing Tools**

- Authorize Tax Increment Financing.
- Develop new property tax incentives and abatement policies for covenanted affordable housing development.
- Develop voluntary fees and contributions to support affordable housing (such as license plates fees and Affordable Housing Home plates).
- Dedicate sales taxes in support of the affordable housing initiatives reflected in the report.
- Offer tax credits to incentivize affordable housing development.
- Offer additional state tax deductions for philanthropy devoted to affordable housing.

### **Private Tools**

- Encourage philanthropic contributions to support affordable housing.

## Report of Findings and Recommendations

- Develop a private capital pool that would provide “advantaged financing” for affordable housing development.
- Promote community land trusts.

### **Conclusion**

A diverse group of people from around Arizona came together to build this beginning point for supporting, improving, and ensuring continued quality of life through housing in Arizona. The 93rd Arizona Town Hall recommends that immediate steps be taken to advance this agenda.

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**Background Report for  
The 93rd Arizona Town Hall**

**Housing Arizona**

*Prepared by*

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