

# Memorandum



## Housing Interdepartmental Workgroup

Date: August 5, 2016  
To: Mayor and Council  
From: Donna Kennedy, Ryan Levesque, and Naomi Farrell  
Cc: Steven Methvin  
Subject: Citywide Housing Strategies – Subsidized/Workforce Housing

### Purpose

The intent of this memorandum is to provide an overview of the City of Tempe’s affordable housing continuum, and seek Council direction to guide future affordable housing initiatives.

### Defining Affordable Housing for Tempe

Historically, the term affordable housing has not been used consistently in its application. In addition, the terms attainable housing and workforce housing have been used interchangeably. For some, affordable housing means any form of housing that is attainable by the purchaser(s) at their current income level. For others, it may mean housing that has been subsidized providing greater access to lower income households. Due to the ambiguity of both terminology and its application, staff is seeking Council guidance in defining their vision toward affordable housing in the City of Tempe.

To aid in this discussion, staff are proposing the following four general income categories:

1. Subsidized housing - This category consist of households earning less than 80% Annual Median Income (AMI). Multiple programs support members of this category for both rental housing and home ownership. These programs include Section 8, Low Income Housing Tax Credit Program, Community Assisted Mortgage Program (CAMP), Family Self Sufficiency, etc.
2. Workforce housing - This category consists of households with income between 80%-120% AMI. This group is typically limited in their housing options within their price point.
3. Market-rate housing - This category consists of households earning between 120%-250% AMI. Generally this group can afford to buy a market rate home in a location that is convenient to their place of employment.
4. Luxury housing - This category consists of households earning greater than 250% AMI or housing priced over \$350,000.

This differentiation will assist staff by clarifying which population is being discussed.

Consideration 1: Should staff adopt the proposed naming convention?

### Approaches to Housing and Housing Demographics

Questions are consistently raised regarding an individual’s ability to afford to live in Tempe as well as the impact that development has on the involuntary displacement or residents. Staff has established an initial response to assist in addressing these questions and is seeking Council direction for future efforts. Attachment A provides a visual representation of housing options for a sample of 20 different occupations. Cells marked as green indicates a person in this occupation can afford to live in that housing type. Cells marked as red are unaffordable. This is based on the assumption that for owner occupied housing the person put 3.5% down, had a 4% interest rate for 30 years and their HOA fee was \$50/month<sup>1</sup>. For rental housing we assume 30% of an individual’s income is allocated for rent and utilities. The attachment includes three charts for review:

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<sup>1</sup> This delineation is based on data collected from ARMLS, BLS and Costar and was retrieved at the end of June.

1. Affordability to own various types of housing
2. Affordability to rent various types of housing
3. Affordability for renting various sized apartments

To restate, this attachment illustrates housing options for a single individual by occupation seeking to live in the City of Tempe. Staff has the capacity to expand this information to reflect dual income multi-person households for future reference.

Clarity of housing options by occupation is important for today's discussion. However, additional information is necessary to assist future decision making. First, a census of the City of Tempe's current housing inventory by affordability is needed. Second, the City currently lacks a framework that establishes preferred ratios of housing stock by affordability. In other words, what is the ideal ratio of subsidized, workforce, market rate, and luxury housing for the City of Tempe? A framework could assist Council and staff with future affordable housing continuum discussions and decisions. Finally, a greater understanding of the impact development has on involuntary displacement is needed.

Consideration 2: Should staff research and present affordable housing continuum framework/model options inclusive of a housing inventory and potential involuntary displacement impacts?

#### **Formalizing Overarching Housing Plan**

Additionally, Tempe lacks an umbrella program, or code, to articulate housing development. Currently, only separate components exist that may be utilized to offset costs for projects. For example, in recent years Apache ASL Trails and Gracie's Village received low-income tax credits to aid in subsidizing the development of low income, special needs and senior housing projects. Other developments such as Residences on Farmer, Meridian @101, Desert Willow and Valor on Eighth have received direct subsidy assistance from the City with CDBG and HOME funding in addition to receiving Low Income Housing Tax Credits.

Moreover, the current Zoning and Development Code fee-schedule offers up to 50% fee reduction within the Apache Boulevard Redevelopment Area for two designations:

1. Neighborhood services not already within the area.
2. "Workforce Housing", provided that at least 20% of the housing units are developed for, offered to, and leased or sold to households whose gross income is 100-120% AMI, or 10% of the housing units developed for, offered to, and leased or sold to households with 80-100% AMI.

This fee adoption was initially contemplated in the context of a broader Workforce Housing Program. That effort was tabled. To date, only the Apache ASL Trails project has utilized this fee incentive.

On the horizon, in coordination with the Tempe Streetcar, a federal grant was received that the city is moving forward to conduct a planning effort to develop a Transportation Overlay District for the Tempe Streetcar and to prepare an Affordable Housing Strategy within the District. The Affordable Housing Strategy effort will be a subcomponent of the grant. Tempe does not currently have an affordable housing code.

Consideration 3: As staff moves forward with Council's recommendations, are there additional considerations, such as an affordable housing code, staff should incorporate into their efforts?