

City of Sedona Housing Needs Assessment & Five-Year Affordable Housing Action Plan

December 9, 2020



The Team

- **Elliott D. Pollack & Company** – Lead Consultant
 - Rick Merritt, President
 - Danny Court, Senior Economist
- **Sheila D. Harris Consulting**
 - Consultant to affordable housing developers



Agenda

- **Existing Conditions & Housing Gap Assessment**
 - **Sedona Employee Housing Survey**
 - **Stakeholder Interviews**

- **Five-Year Affordable Housing Action Plan**
 - **Case Study**
 - **Tool Kit**



Existing Conditions & Housing Gap Assessment



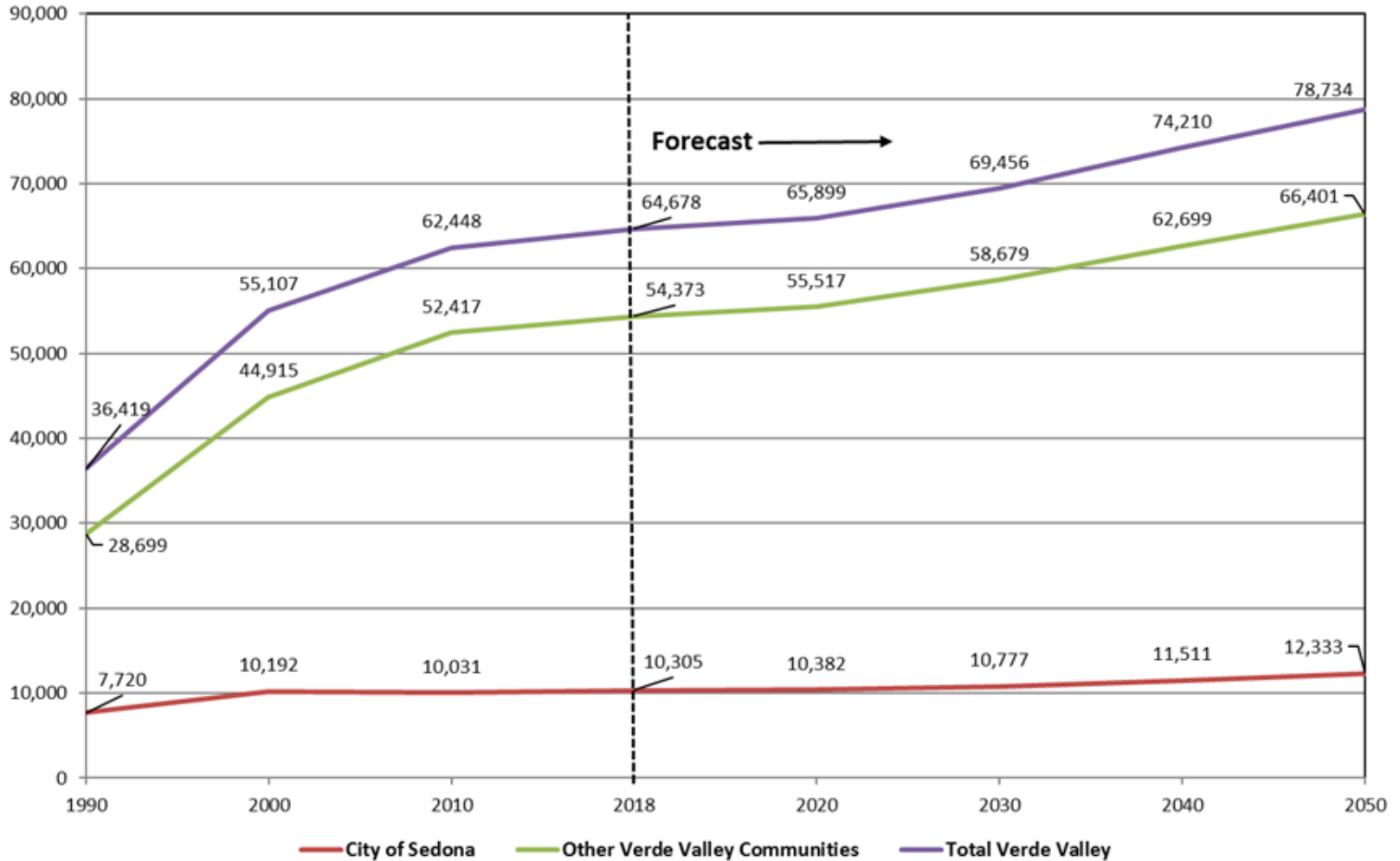
2019 Population & Household Estimates

Municipalities	Population	Households	Persons Per Household
Sedona	10,374	5,285	1.96
Camp Verde	11,162	4,361	2.56
Clarkdale	4,517	2,384	1.89
Cottonwood	12,249	5,589	2.19
Jerome	450	222	2.03
Unincorporated Areas			
Cornville	3,665	1,542	2.38
Lake Montezuma	5,784	2,486	2.33
Village of Oak Creek	5,888	2,232	2.64
Verde Village	11,466	5,785	1.98
Total Verde Valley	65,556	29,886	2.19
Source: U.S. Census Bureau; Office of Economic Opportunity			



Population History & Forecast 1990 - 2050

Sources: *US. Census Bureau; AOEO



Average Household Size & Median Age

Communities	Average Household Size	Owner Occupied Units	Renter Occupied Units	Median Age
City of Sedona	1.96	2.01	1.84	58.70
Other Verde Valley Communities	2.31	2.28	2.37	50.19
Total Verde Valley	2.25	2.23	2.29	51.53

Source: 2013-2017 American Community Survey 5-Year Estimates



Median & Average Household Incomes

Municipalities	Median Income	Average Income
Sedona	\$58,417	\$82,535
Camp Verde	\$40,465	\$48,440
Clarkdale	\$45,901	\$59,836
Cottonwood	\$32,746	\$43,177
Jerome	\$48,125	\$74,583
Unincorporated Areas		
Cornville	\$60,455	\$69,805
Lake Montezuma	\$38,422	\$49,050
Village of Oak Creek	\$53,735	\$79,520
Verde Village	\$49,016	\$60,736
Total Verde Valley	\$46,532	\$61,442

Source: 2013-2017 American Community Survey 5-Year Estimates



Low & Moderate-Income Households City of Sedona

% of Median Family Income	Income for Family of 4	Total Households	% of Total Households
0%-30%	\$0 - \$24,300	545	10.6%
30%-50%	\$24,301 - \$26,600	480	9.4%
50%-80%	\$26,601 - \$42,600	630	12.3%
80%-100%	\$42,601 - \$52,200	495	9.7%
>100%	\$52,201+	2,975	58.0%
Total		5,125	100.0%

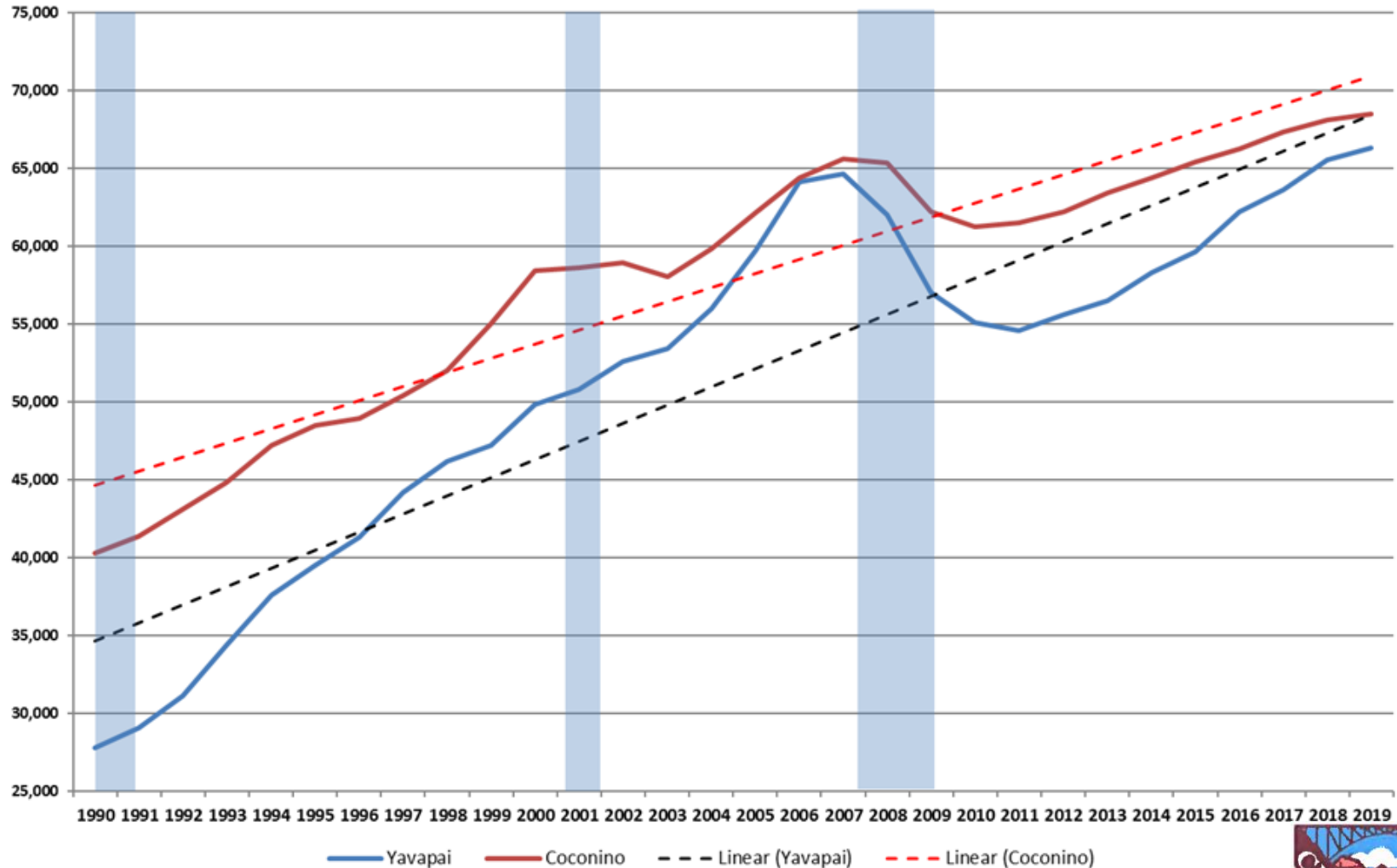
Sources: U.S. Census 2012-2016 American Community Survey, HUD CHAS Dataset



Employment 1990-2019 Yavapai & Coconino County

Source: Arizona Office of Employment and Population Statistics, in cooperation with the U.S. Dept of Labor, Bureau of Labor Statistics

Recessions



Unemployment Rate

Year	Arizona	Yavapai County	Camp Verde	Clarkdale	Cottonwood	Jerome	Sedona
2012	8.3%	8.6%	9.9%	13.6%	8.7%	5.4%	7.1%
2013	7.7%	7.7%	8.9%	12.3%	7.8%	5.0%	6.6%
2014	6.8%	6.4%	7.4%	10.5%	7.1%	7.4%	6.3%
2015	6.1%	5.6%	6.5%	9.3%	6.3%	6.6%	5.7%
2016	5.4%	4.9%	5.7%	8.3%	5.5%	5.7%	5.2%
2017	4.9%	4.5%	5.3%	7.6%	5.1%	5.2%	4.7%
2018	4.8%	4.5%	5.2%	7.5%	5.0%	5.1%	4.7%
2019	4.8%	4.5%	5.3%	7.6%	5.0%	5.2%	4.6%
2020 Average Through Oct.	8.6%	8.0%	6.3%	12.8%	7.1%	12.9%	8.5%
Oct 2020	7.9%	6.9%	5.6%	10.6%	6.2%	10.7%	7.3%

Source: Arizona Office of Economic Opportunity



Average Travel Time to Work

Jurisdiction	Minutes
City of Sedona	16.4
Other Verde Valley Communities	25.3
Total Verde Valley	23.7

Source: 2013-2017 American Community Survey 5-Year Estimates



City of Sedona Inflow/Outflow Job Counts 2017

City of Sedona

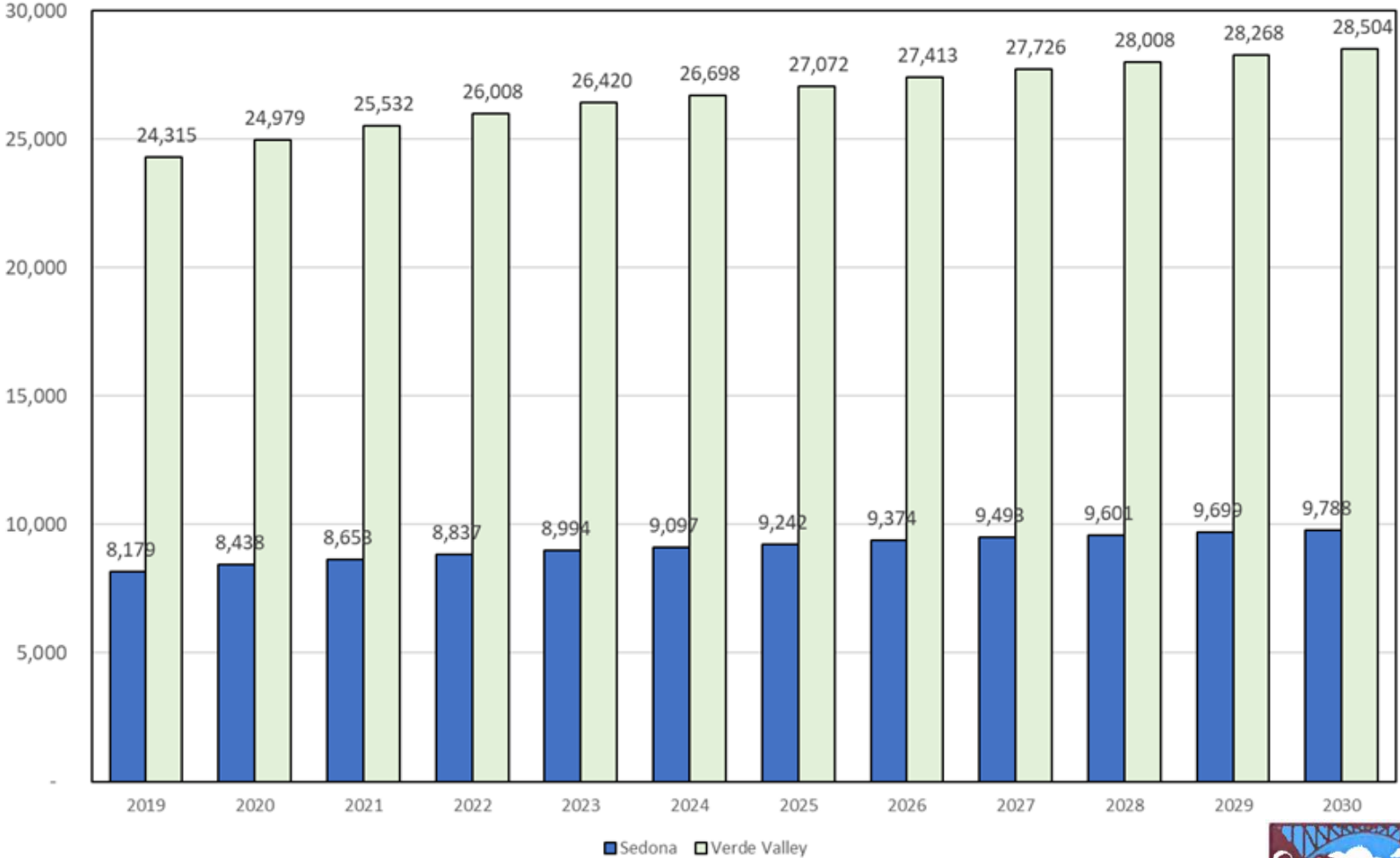
Where Sedona Workers Live			Where Sedona Residents Are Employed		
Place	Count	Share	Place	Count	Share
All Places	5,979	100.0%	All Places	3,725	100.0%
Sedona	1,544	25.8%	Sedona	1,544	41.4%
Verde Village	637	10.7%	Phoenix	418	11.2%
Cottonwood	615	10.3%	Flagstaff	211	5.7%
Village of Oak Creek	475	7.9%	Scottsdale	115	3.1%
Camp Verde	252	4.2%	Cottonwood	90	2.4%
Flagstaff	237	4.0%	Tempe	80	2.1%
Phoenix	208	3.5%	Village of Oak Creek	74	2.0%
Cornville	198	3.3%	Prescott	64	1.7%
Lake Montezuma	132	2.2%	Camp Verde	56	1.5%
Prescott Valley	106	1.8%	Mesa	46	1.2%
All Other Locations	1,575	26.3%	All Other Locations	1,027	27.6%

Source: U.S. Census Bureau's OntheMap



Sedona and Verde Valley Employment Forecast 2019-2030

Source: EMSI



Demographic Summary

- Sedona is forecasted to grow by about 2,000 persons over the next 30 years.
- Employment forecast of 1,600 jobs over next 10 years.
- High income levels, such as found in Sedona, are not typically found in the non-urban parts of the state.
- Employee commuting patterns are an important indicator of the difficulty in finding affordable housing. For Sedona, 75% of those employees who work in the city live in another community.



Total Housing Units

Occupancy Status	City of Sedona		Other Verde Valley Communities		Total Verde Valley	
	Estimate	% of Total	Estimate	% of Total	Estimate	% of Total
Total Units	6,450		26,633		33,083	
Occupied	5,220	80.9%	23,153	86.9%	28,373	85.8%
Vacant	1,230	19.1%	3,480	13.1%	4,710	14.2%
For rent	46	0.7%	383	1.4%	429	1.3%
Rented, not occupied	28	0.4%	99	0.4%	127	0.4%
For sale only	142	2.2%	387	1.5%	529	1.6%
Sold, not occupied	18	0.3%	6	0.0%	24	0.1%
For seasonal, recreational use	942	14.6%	1,743	6.5%	2,685	8.1%
For migrant workers	-	0.0%	-	0.0%	-	0.0%
Other vacant	54	0.8%	862	3.2%	916	2.8%
Homeowner Vacancy Rate	3.6%		2.4%		2.7%	
Renter Vacancy Rate	3.1%		4.4%		4.2%	

Source: 2013-2017 American Community Survey 5-Year Estimates



Housing Units by Unit Type

Units in Structure	City of Sedona	% of Total Units	Other Verde Valley Communities	% of Total Units	Total Verde Valley	% of Total Units
Total Occupied Housing Units	6,450		26,633		33,083	
1, detached	4,794	74.3%	16,307	61.2%	21,101	63.8%
1, attached	211	3.3%	1,051	3.9%	1,262	3.8%
2	221	3.4%	1,038	3.9%	1,259	3.8%
3 or 4	109	1.7%	692	2.6%	801	2.4%
5 to 9	133	2.1%	642	2.4%	775	2.3%
10 to 19	58	0.9%	590	2.2%	648	2.0%
20 to 49	57	0.9%	403	1.5%	460	1.4%
50 or more	9	0.1%	394	1.5%	403	1.2%
Mobile home	846	13.1%	5,470	20.5%	6,316	19.1%
Boat, RV, van, etc.	12	0.2%	46	0.2%	58	0.2%

Source: 2013-2017 American Community Survey 5-Year Estimates

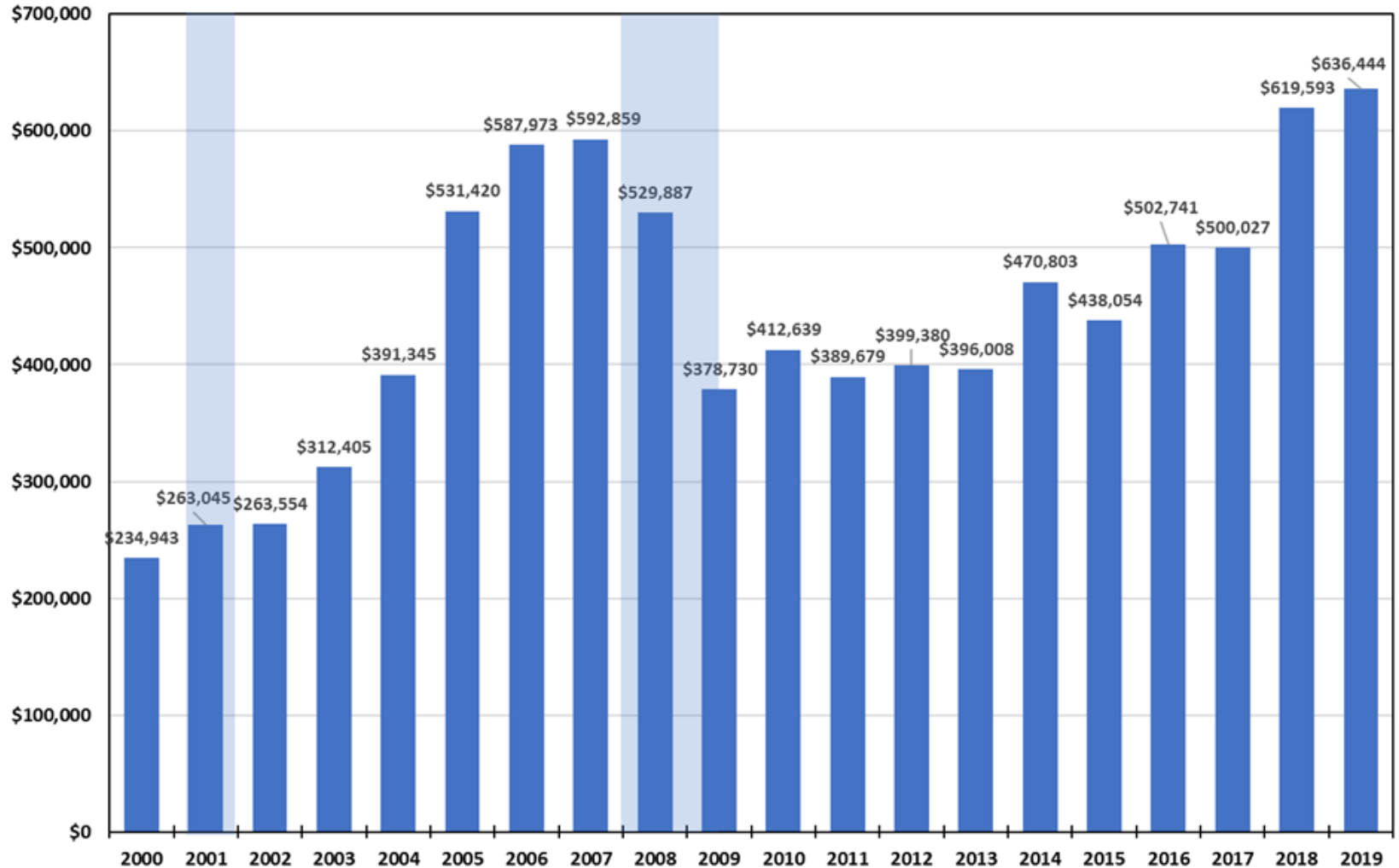


Historic Average Home Price* City of Sedona

Source: Yavapai & Coconino County Assessors

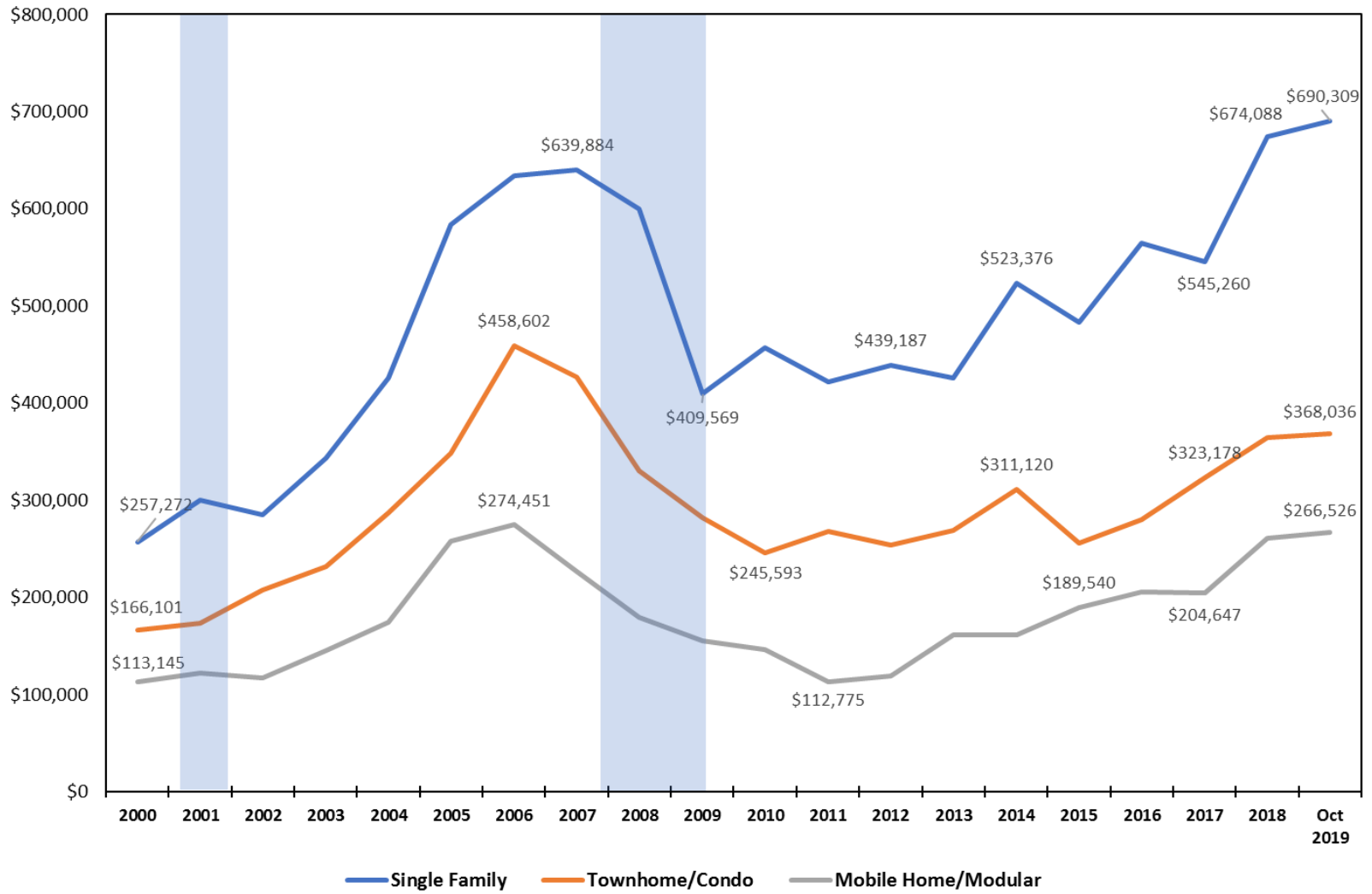
*Includes all unit types: single family, condo, townhome, and mobile home.

Recession



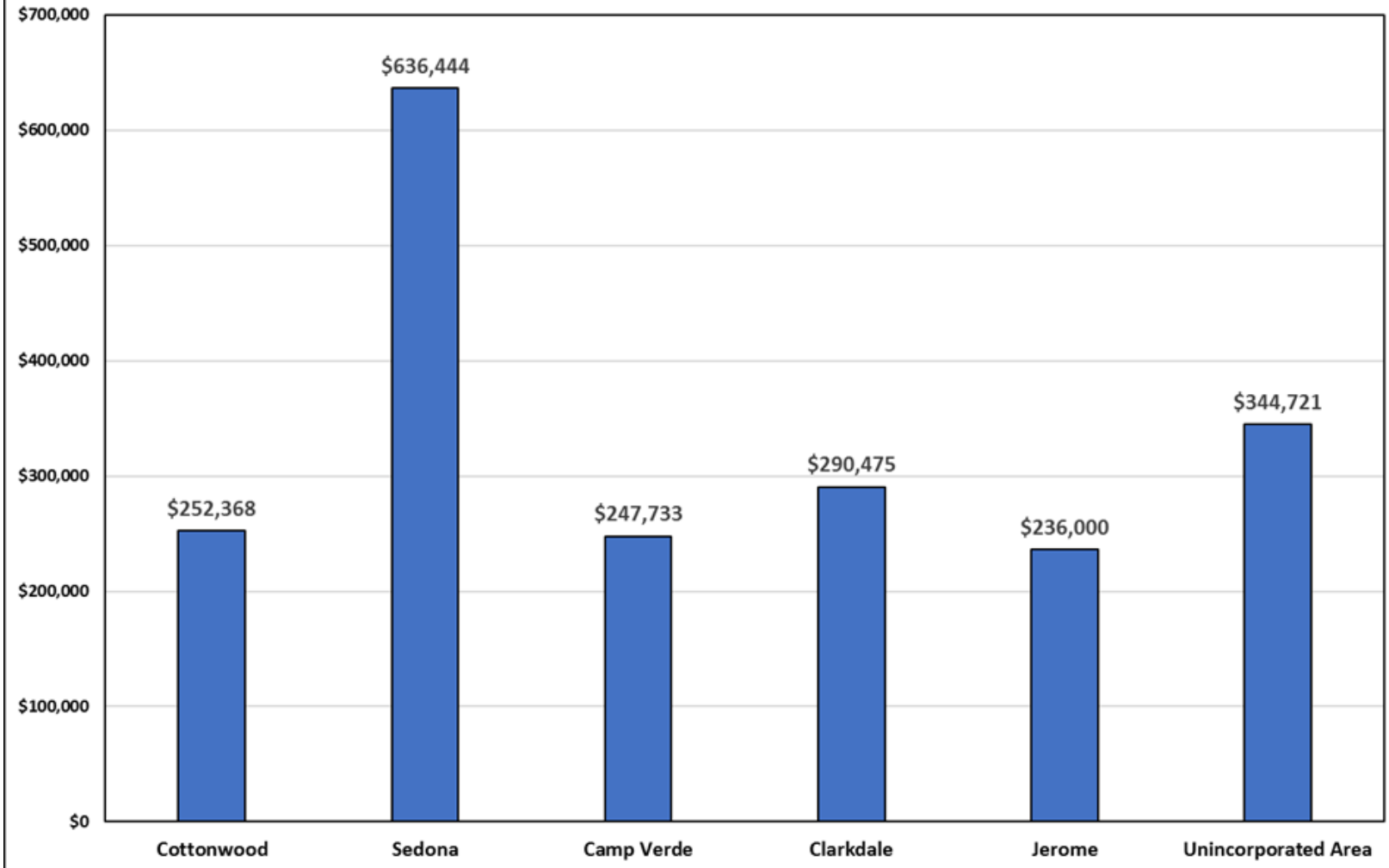
Historic Sedona Housing Price By Type

Sources: Yavapai & Coconino County Assessors



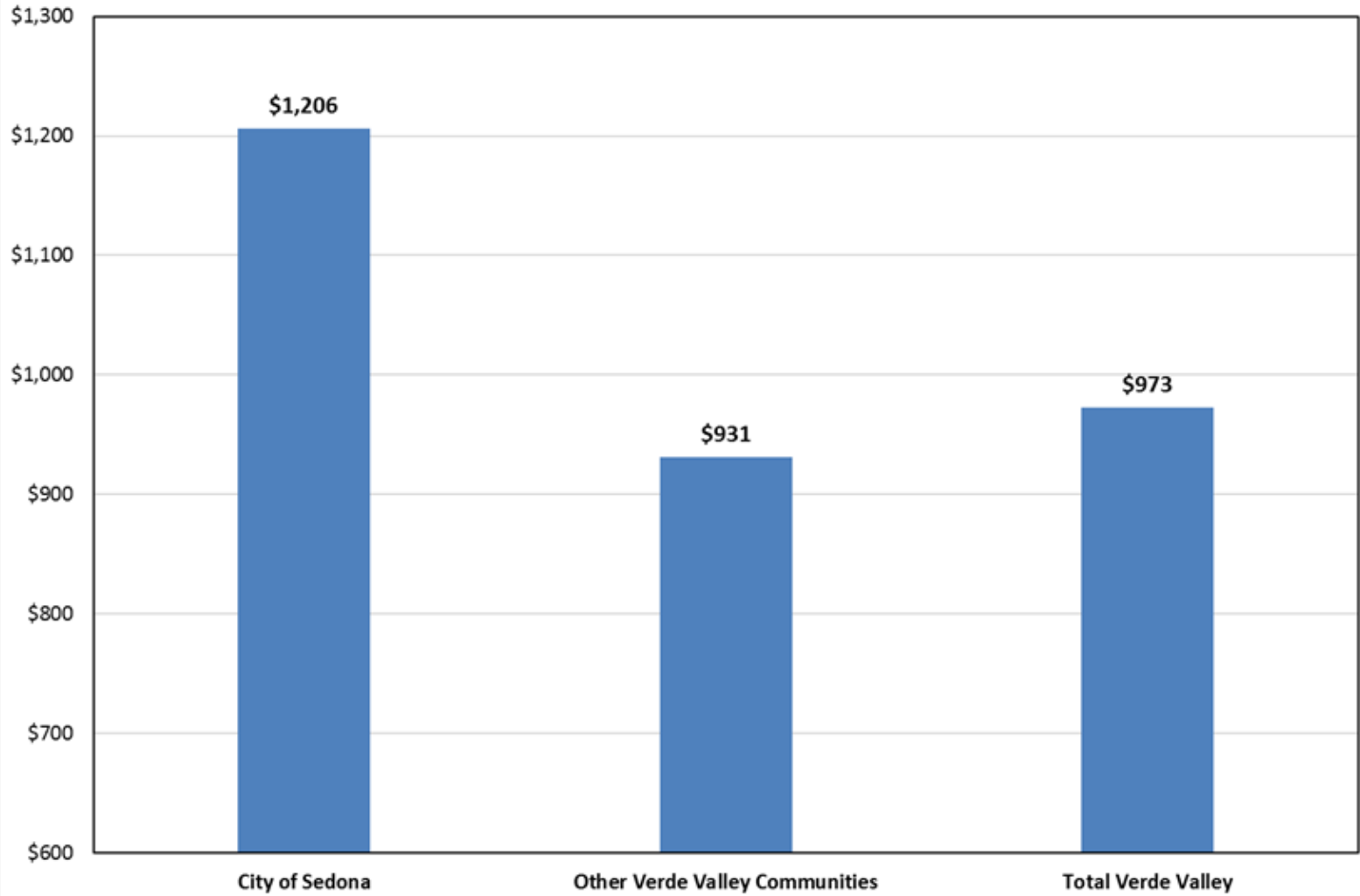
2019 Average Housing Price Verde Valley

Sources: Yavapai & Coconino County Assessor



Median Rent

Source: 2013-2017 American Community Survey 5-Year Estimates



Yavapai County Average Rents

Year	Average Rent	% Change
2010	\$665	
2011	\$687	3.4%
2012	\$651	-5.3%
2013	\$676	3.9%
2014	\$751	11.1%
2015	\$803	6.9%
2016	\$832	3.7%
2017	\$922	10.8%
2018	\$1,019	10.5%
2019	\$1,121	10.0%

Source: Zillow



Verde Valley Apartment Inventory		
Community	Units	% of Total
Camp Verde	135	9.5%
Clarkdale	67	4.7%
Cottonwood	879	61.7%
Jerome	24	1.7%
Oak Creek	74	5.2%
Sedona	246	17.3%
Total	1,425	100.0%
Source: Elliott D. Pollack & Co.		

Sedona Apartment Inventory		
Complex Name/Address	Address	Units
325 Price Rd		6
515 Sunset Ln		8
200 N Payne Pl		10
75 Canyon Circle Dr		14
550 Jordan Rd		15
Sedona Terrace Apartments	50 Sombart Ln	15
150 Sombart Ln		16
371-390 Cedar St		18
Sedona Winds	405 Jacks Canyon Rd	22
79 Canyon Diablo Rd		23
Pinon Lofts	3285 W State 89A	45
Shadowbrook Apartments	145 Navajo Dr	54
Total Units		246
Source: Elliott D. Pollack & Co.		



**Affordable Rents For
Critical Personnel & Service Workers
Yavapai County**

Occupation	Annual Wage	Affordable Payment*	Affordable Rent
Teacher	\$46,000	\$1,150	\$1,000
Police	\$54,900	\$1,373	\$1,223
Firefighter	\$53,400	\$1,335	\$1,185
Registered Nurse	\$82,050	\$2,051	\$1,901
LPN	\$54,100	\$1,353	\$1,203
Nursing Assistants	\$33,800	\$845	\$695
Restaurant Cook	\$31,200	\$780	\$630
Waiter	\$40,000	\$1,000	\$850
Housekeeping	\$31,200	\$780	\$630
Area Median Family Income 2020 (HUD)	\$64,600	\$1,615	\$1,465

*Includes rent and utilities

Source: AZ OEO, U.S. Dept. of Labor 2019



Tenure by Age of Householder 2009 & 2017

Tenure & Age	2009	2017	Change
Total Households	5,754	5,220	(534)
Owner occupied:	4,136	3,826	(310)
Householder 15 to 24 years	-	7	7
Householder 25 to 34 years	90	10	(80)
Householder 35 to 44 years	229	302	73
Householder 45 to 54 years	755	466	(289)
Householder 55 to 59 years	831	588	(243)
Householder 60 to 64 years	527	526	(1)
Householder 65 to 74 years	941	1,093	152
Householder 75 to 84 years	630	498	(132)
Householder 85 years and over	133	336	203
Renter occupied:	1,618	1,394	(224)
Householder 15 to 24 years	13	41	28
Householder 25 to 34 years	229	189	(40)
Householder 35 to 44 years	457	334	(123)
Householder 45 to 54 years	385	189	(196)
Householder 55 to 59 years	240	182	(58)
Householder 60 to 64 years	43	167	124
Householder 65 to 74 years	176	194	18
Householder 75 to 84 years	23	98	75
Householder 85 years and over	52	-	(52)

Sources: 2005-2009 and 2013-2017 American Community Survey 5-Year Estimates



**Tenure by Household Income
2009 & 2017**

Tenure & Age	2009	2017	Change
Total Households	5,754	5,220	(534)
Owner occupied:			
Less than \$5,000	103	125	22
\$5,000 to \$9,999	190	75	(115)
\$10,000 to \$14,999	117	148	31
\$15,000 to \$19,999	96	147	51
\$20,000 to \$24,999	187	102	(85)
\$25,000 to \$34,999	432	276	(156)
\$35,000 to \$49,999	581	430	(151)
\$50,000 to \$74,999	667	814	147
\$75,000 to \$99,999	569	634	65
\$100,000 to \$149,999	528	473	(55)
\$150,000 or more	666	602	(64)
Renter occupied:			
Less than \$5,000	142	98	(44)
\$5,000 to \$9,999	14	109	95
\$10,000 to \$14,999	80	173	93
\$15,000 to \$19,999	69	99	30
\$20,000 to \$24,999	74	9	(65)
\$25,000 to \$34,999	444	193	(251)
\$35,000 to \$49,999	377	253	(124)
\$50,000 to \$74,999	164	271	107
\$75,000 to \$99,999	38	108	70
\$100,000 to \$149,999	111	26	(85)
\$150,000 or more	105	55	(50)

Sources: 2005-2009 and 2013-2017 American Community Survey 5-Year Estimates



Sample Monthly Housing Payment & Qualifying Income

	5% Down Payment		5% Down Payment	
Home Price	\$250,000		\$300,000	
Down Payment	\$12,500	5%	\$15,000	5%
Loan Amount	\$237,500		\$285,000	
Interest Rate	3.5%		3.5%	
Payment (30 Years)	\$1,066		\$1,280	
Property Tax	\$188	0.90%	\$225	0.90%
Insurance	\$73	0.35%	\$88	0.35%
PMI	\$158	0.80%	\$190	0.80%
Total Payment	\$1,485		\$1,782	
Qualifying Income	\$59,409		\$71,291	



Housing Costs as a Percentage of Household Income

Housing Tenure & Income	City of Sedona		
	Total Households	Paying More Than 30% Toward Housing	% Paying More Than 30% Toward Housing
Owner-Occupied Housing Units			
Less than \$20,000:	454	437	96.3%
\$20,000 to \$34,999:	378	232	61.4%
\$35,000 to \$49,999:	430	253	58.8%
\$50,000 to \$74,999:	814	260	31.9%
\$75,000 or more:	1,709	270	15.8%
Zero or negative income	41	-	0.0%
Totals	3,826	1,452	38.0%
Renter-Occupied Housing Units			
Less than \$20,000:	392	392	100.0%
\$20,000 to \$34,999:	150	113	75.3%
\$35,000 to \$49,999:	237	189	79.7%
\$50,000 to \$74,999:	271	89	32.8%
\$75,000 or more:	189	24	12.7%
Zero or negative income	53	-	0.0%
No cash rent	102	-	0.0%
Totals	1,394	807	57.9%
Total Households	5,220	2,259	43.3%

Source: 2013-2017 American Community Survey 5-Year Estimates



Housing Summary

- The term “affordable housing” refers to the continuum of housing demand including both low income and workforce households.
- The Sedona “gap” affects a greater percentage of renters than owners (58% to 38%).
- Single family detached units and mobile home units account for 87% of all housing units in the City.
- By comparison, Sedona only has 257 units within what would be considered traditional apartment complexes and only 211 occupied single family attached units or townhomes.



Housing Summary

- Housing prices have risen by 45% since 2015 to an average of \$636,000 in 2019.
- The Sedona apartment inventory is comprised of small properties.
- The number of households has declined by 534 since 2009, most in the moderate-income ranges.
- Sedona is forecasted to grow by 1,000 households over the next 30 years or an average of 33 units per year.



Affordable Housing Gap Analysis



Verde Valley Housing Cost Burden Summary

	Camp Verde	Clarkdale	Cottonwood	Jerome	Sedona	Yavapai County	Total Verde Valley
Total Households	3,956	2,226	5,253	227	5,348	11,414	28,424
Cost Burdened Households	1,144	1,034	2,135	62	2,275	3,686	10,336
% Cost Burdened Households	28.9%	46.5%	40.6%	27.3%	42.5%	32.3%	36.4%
Paying 30%-50% of Income	554	882	1,174	14	1,060	2,024	5,708
Paying More Than 50% of Income	590	152	961	48	1,215	1,662	4,628
% Paying More Than 50% of Income	14.9%	6.8%	18.3%	21.1%	22.7%	14.6%	16.3%

Source: 2018 American Community Survey 5-Year Estimates



Sedona Affordability Gap Analysis

Assumptions

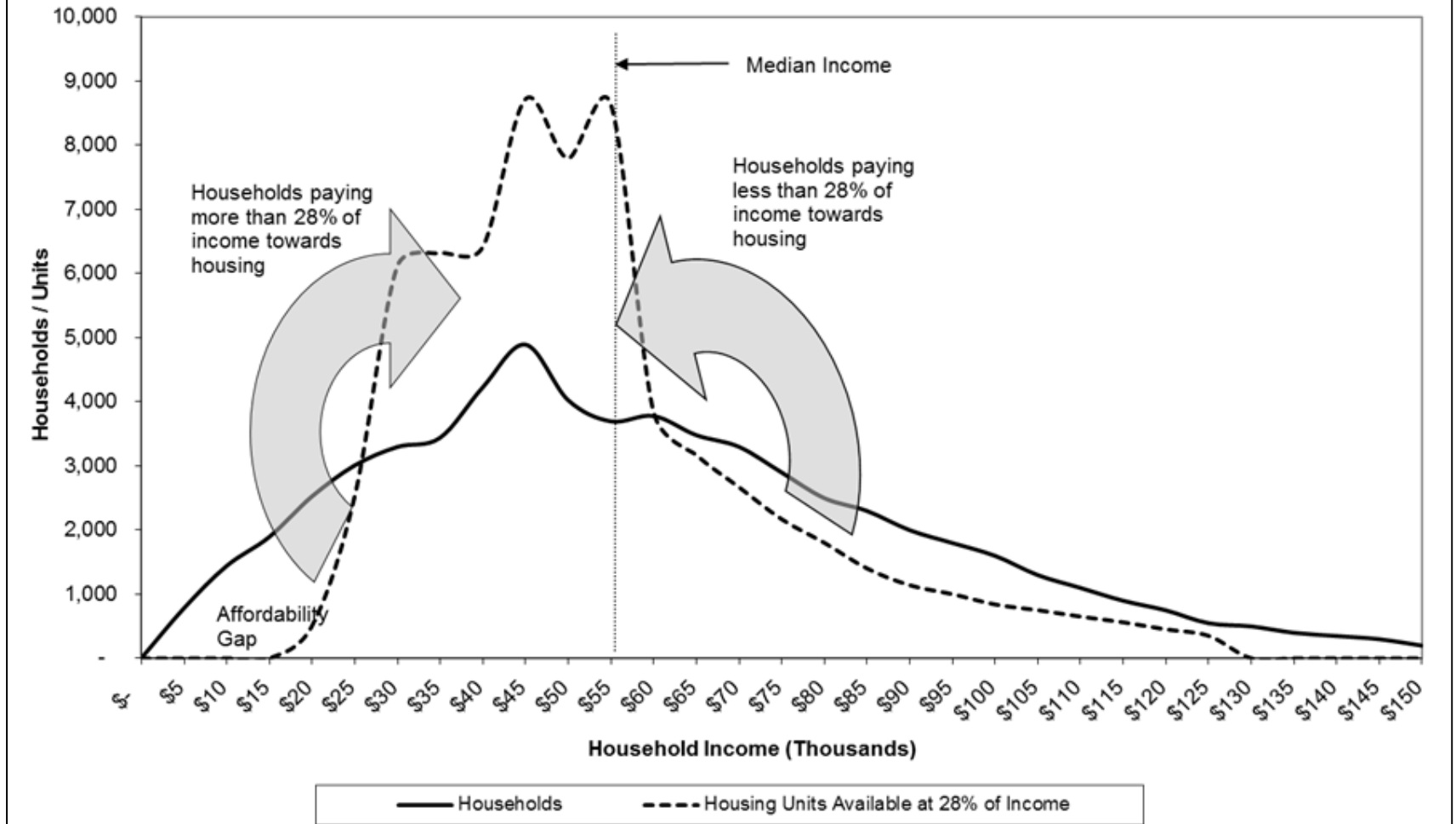
Maximum % of Income for Housing	30%
Interest Rate	4.00%
Down Payment	5.00%
Median Household Income	\$60,015
PMI/Home Insurance/Property Tax Factor	1.45

Household Income		Total Households	Affordability Range		House Value		Monthly Rent		Units Available		Total Units Available	GAP	Cumulative GAP
			Low	High	Low	High	Low	High	Owner Occupied	Renter Occupied			
\$0	\$10,000	364	-	\$250	-	\$38,000	\$0	\$250	86	72	158	(205)	(205)
\$10,000	\$14,999	380	\$250	\$375	\$38,000	\$57,100	\$250	\$375	38	35	73	(306)	(512)
\$15,000	\$24,999	385	\$375	\$625	\$57,100	\$95,100	\$375	\$625	50	100	150	(235)	(747)
\$25,000	\$34,999	513	\$625	\$875	\$95,100	\$133,100	\$625	\$875	112	176	288	(225)	(972)
\$35,000	\$49,999	599	\$875	\$1,250	\$133,100	\$190,200	\$875	\$1,250	288	302	590	(9)	(981)
\$50,000	\$74,999	1,112	\$1,250	\$1,875	\$190,200	\$285,300	\$1,250	\$1,875	590	350	940	(173)	(1,154)
\$75,000	\$99,999	711	\$1,875	\$2,500	\$285,300	\$380,400	\$1,875	\$2,500	487	121	607	(104)	(1,258)
\$100,000	\$149,999	583	\$2,500	\$3,750	\$380,400	\$570,600	\$2,500	\$3,750	817	80	897	314	(943)
\$150,000	\$199,999	203	\$3,750	\$5,000	\$570,600	\$760,700	\$3,750	\$5,000	699	-	699	495	(448)
\$200,000	-	497	\$5,000	\$0	\$760,800	\$0	\$5,000	\$0	945	-	945	448	-
		5,348							4,113	1,235	5,348		

Source: U.S. Census American Community Survey 2018 5-Year Estimates

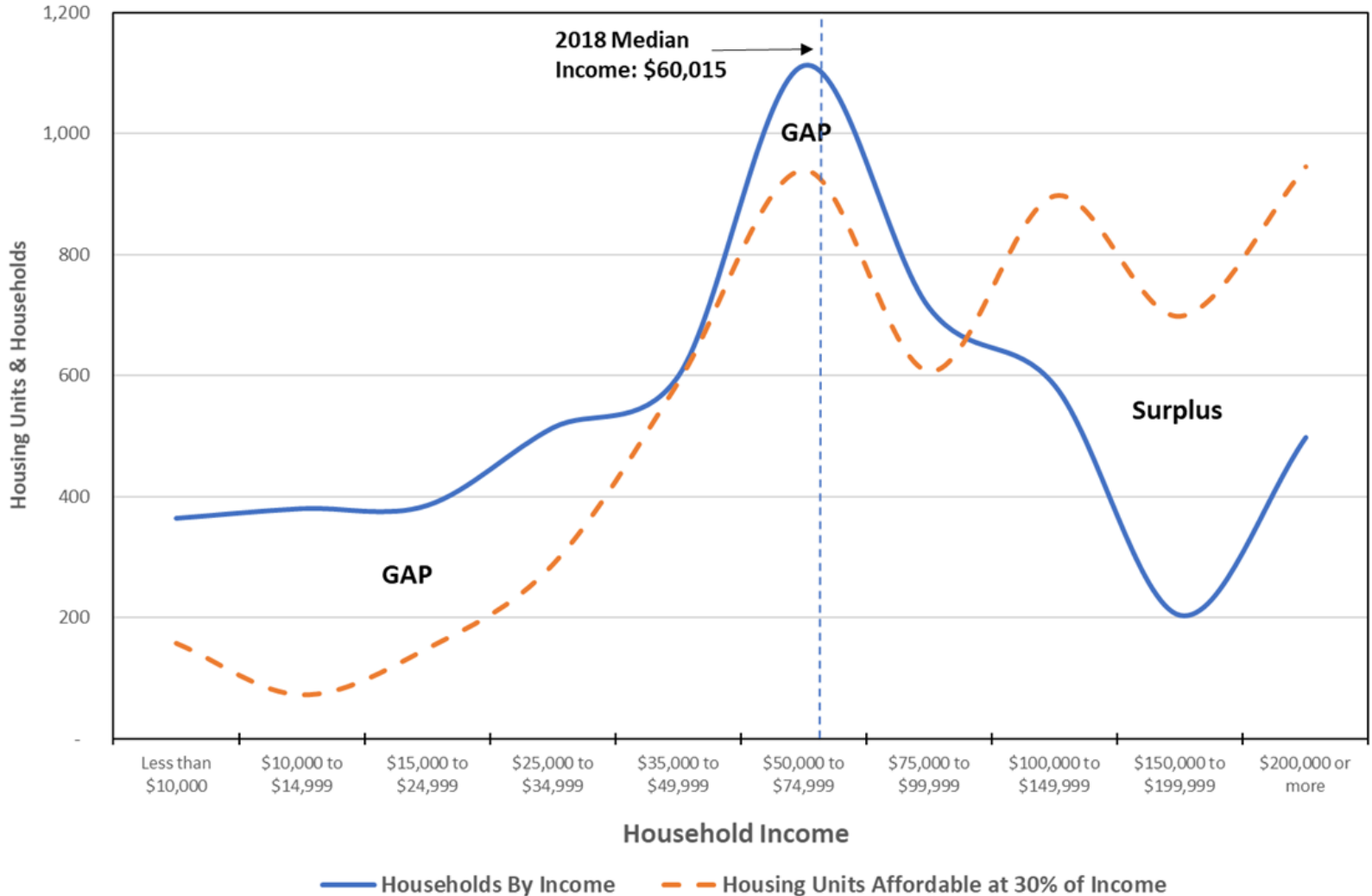


Affordability Gap Illustration



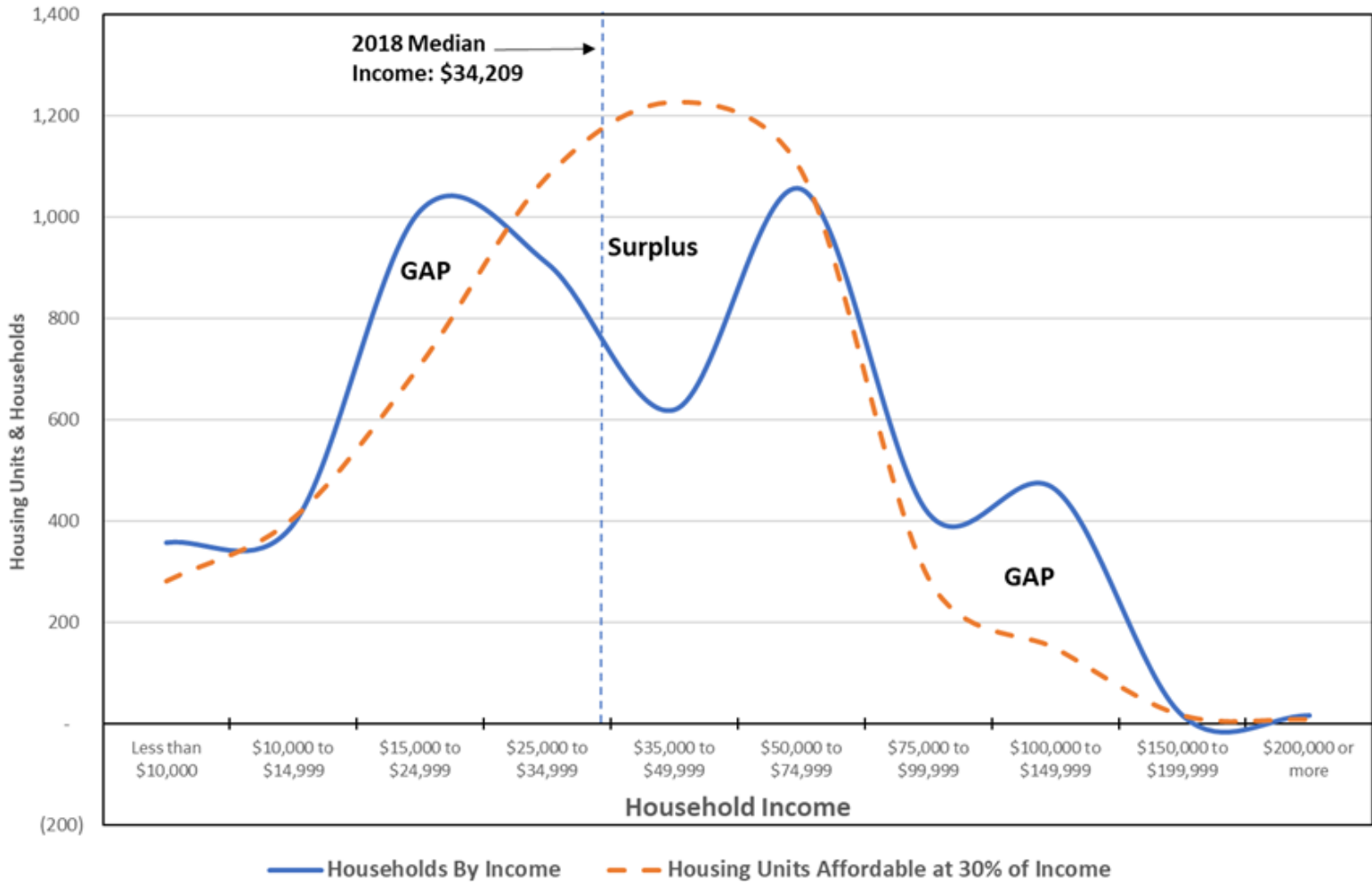
Sedona Affordability Gap

Sources: U.S. Census, Yavapai & Coconino County Assessors



Cottonwood Affordability Gap

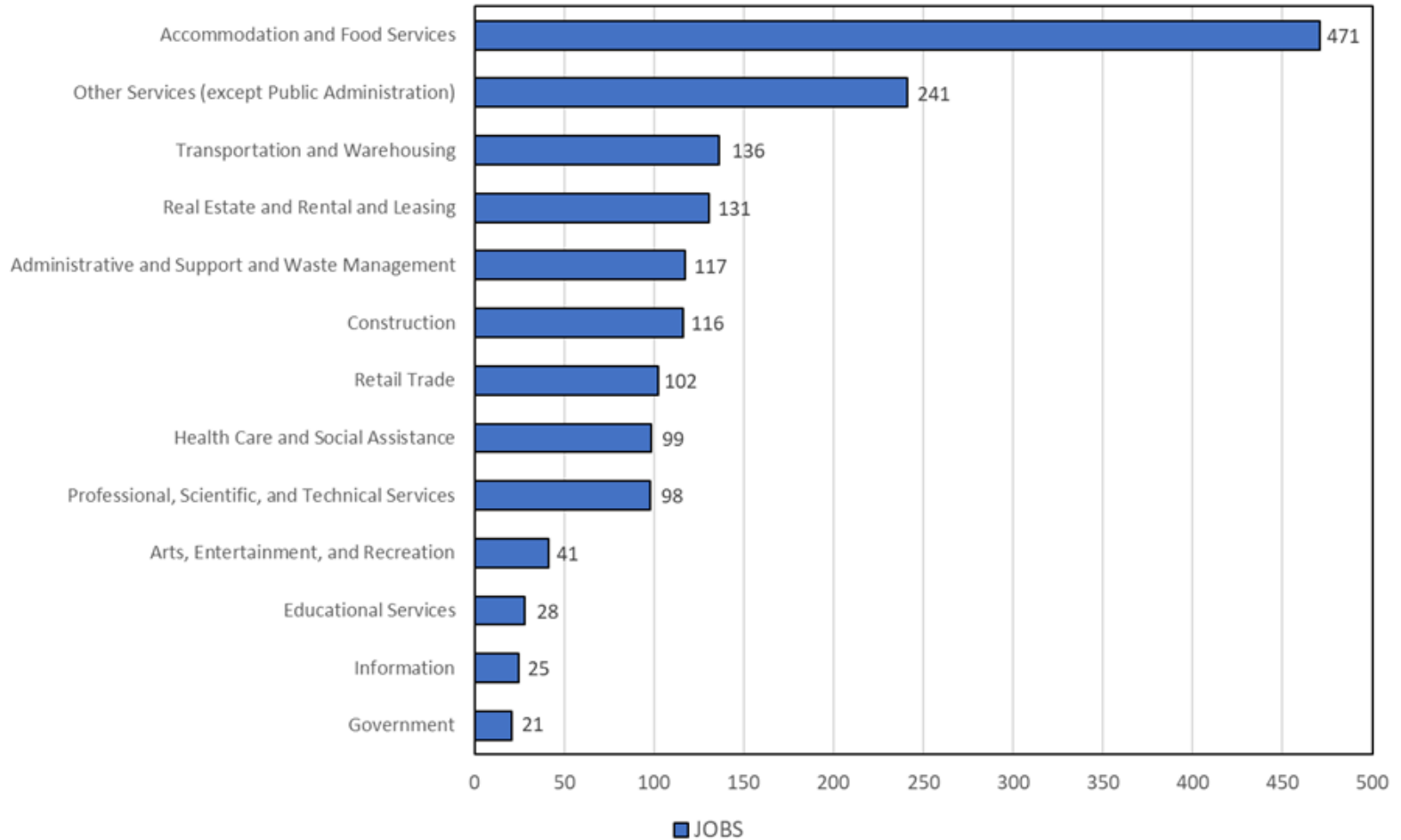
Sources: U.S. Census, Yavapai & Coconino County Assessors



Forecasted Increase in Jobs by Industry 2019-2030

City of Sedona

Source: EMSI



Sedona Housing Gap

- Gap analysis: 1,258 households
- Forecasted employment housing demand: 250 households
- Total Gap: +- 1,500 households



Verde Valley Mobile Home Inventory

	Camp Verde	Clarkdale	Cottonwood	Sedona	Jerome	Yavapai County	Verde Valley Total
Total Mobile Homes	1,290	184	964	786	6	2,232	5,462
Mobile Home Built Before 1979	528	0	142	442	6	590	1,708
% of Homes Built Before 1979	40.9%	0.0%	14.7%	56.2%	100.0%	26.4%	31.3%

Source: U.S. Census American Community Survey 2018 5-Year Estimates



Employee Survey



Primary Findings

FINAL TAKEAWAYS

- Employees like living in the Verde Valley.
- Some will not move to Sedona because they have settled in other communities.
- There is longevity in living & working in the area.



Stakeholder Interviews



Primary Findings

- There is an overwhelming need for affordable employee housing in Sedona across all industries.
- The sense of community is declining.
 - People don't know their neighbors.
 - Entering kindergarten classes are declining.
 - Constant churning of employees and retraining of new hires.



Primary Findings

- Short term rentals are disruptive to neighborhoods and reduce the availability of housing for employees.
- Some businesses are providing housing and transportation for their employees.
- Advocates of preservation and small town character are very vocal and influential.





Five-Year Affordable Housing Action Plan



Case Studies

- Martha's Vineyard, MA
- Flagstaff
- Telluride, CO
- Breckenridge, CO



Tool Kit

Apartment Development	
Costs of Development	Tools
<p>Land Costs</p> <p>15%-20% of total costs</p>	<ul style="list-style-type: none"> Community Land Trust Land Banks Use of City-owned land Density bonuses Zoning/General Plan policies City contribution to lower private land costs (Gap financing)
<p>Soft Costs</p> <p>15%-20% of total costs (Design, Entitlement, Permits)</p>	<ul style="list-style-type: none"> Waiver of permit fees Waiver/reimbursement of development fees Expedited review of plans Flexible design standards Streamlining of development requirements & processes Apartment development by-right
<p>Hard Costs</p> <p>60%-70% of total costs (Labor & Building Materials)</p>	<ul style="list-style-type: none"> Waiver of construction sales tax Consistency in Building Codes Reduced parking requirements City assistance with infrastructure improvements Direct capital funding of development costs (Gap financing) Partnerships with private developers & non-profits



Objectives

- Encourage development of affordable housing units that meet the needs of low and moderate-income households
- Incentivize the inclusion of affordable units in private development.
- Increase resources to support production of affordable housing
- Monitor the increase in demand and loss of affordable housing units in the community particularly mobile homes built before 1976



Summary of Affordable Housing Action Plan Objectives and Tools
City of Sedona

Objective/Tool	Tenure		Funding Source			Target Affordability Levels (AMI)		
	For Sale	Rental	Federal	State	Local	Very Low <50%	Low 50%-80%	Moderate >80%
1. Encourage Development of Affordable Housing Units								
Workforce Affordable Housing Approaches								
Tool 1: Community Land Trust (CLT)	X	X			X	X	X	X
Tool 2: City-Owned Land	X	X			X	X	X	X
Tool 3: Deed Restricted Housing	X	X			X			X
Tool 4: Rental Subsidy Program (Voucher)		X			X			X
Tool 5: Down Payment Assistance Program	X		X	X	X			X
Low Income Affordable Housing Approaches								
Tool 6: Low Income Housing Tax Credit Program (LIHTC)		X	X				X	
Tool 7: Private Activity Bonds (PABs)		X	X			X		
2. Incentivize the Inclusion of Affordable Units in Private Development								
Tool 8: Fee Waivers & Expedited Processing	X	X			X	X	X	X
Tool 9: Density Incentive	X	X						X
Tool 10: Regulation Review	X	X				X	X	X
3. Increase Resources to Support Production of Affordable Housing								
Funding of Housing Programs on an On-Going Dedicated Basis	X	X			X			X
4. Monitor the Increase in Demand and Loss of Affordable Housing Units								
Affordable Housing Impact Summary	X	X	X	X	X	X	X	X



Preface to Affordable Housing Action Plan

Limitations facing Sedona:

- The lack of developable land in the City and the cost of land
- The lack of existing multifamily units in the City
- The cost of construction in Sedona
- The small size of multifamily projects typically built in Sedona
- Reduced access to capital due to the perceived limited employment base in the City by lending institutions
- The size of the demand for affordable units in the City at 1,500 units will require Sedona to be proactive in its approach to implementing the Action Plan



Preface to Affordable Housing Action Plan

Commitment on the part of the City to address the issue:

- Staffing in order to administer programs and recruit housing developers to the community
- A combination of tools and resources will likely be required including public-private partnerships, fee waivers, density incentives, public subsidies, partnerships with local organizations, and the availability of city owned land to name a few
- Managing an affordable housing program will be a matter of trial and error and finding the right mix of tools that work for the City



Affordable Housing




Workforce Housing
(essential personnel)
80% - 120% AMI

+

Low & Moderate-
Income Housing
Less Than 80% AMI





Income Definitions

Family of 4, Yavapai County

AMI: \$64,600

Moderate Income: 80% - 120% AMI
\$51,680 - \$77,520

Low Income: 50% - 80 % AMI
\$32,300 - \$51,680

Very Low Income: Less than 50% AMI
Less than \$32,300



2020 HUD Incomes & Affordable Housing Cost By Family Size

Yavapai County Area Median Income (AMI):

Yavapai County Area Median Income (AMI):		\$64,600						
% AMI	Persons in Family							
	1	2	3	4	5	6	7	8
Income								
120%	\$54,360	\$62,040	\$69,840	\$77,520	\$83,760	\$90,000	\$96,240	\$102,360
100%	\$45,300	\$51,700	\$58,200	\$64,600	\$69,800	\$75,000	\$80,200	\$85,300
80%	\$36,240	\$41,360	\$46,560	\$51,680	\$55,840	\$60,000	\$64,160	\$68,240
60%	\$27,180	\$31,020	\$34,920	\$38,760	\$41,880	\$45,000	\$48,120	\$51,180
Maximum Affordable Housing Cost								
Persons/Room	1	1.5	3	4.5	6	7.5		
Unit Size	0 Bdrm	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm		
120%	\$1,359	\$1,455	\$1,746	\$2,016	\$2,250	\$2,483		
100%	\$1,133	\$1,213	\$1,455	\$1,680	\$1,875	\$2,069		
80%	\$906	\$970	\$1,164	\$1,344	\$1,500	\$1,655		
60%	\$679	\$727	\$873	\$1,008	\$1,125	\$1,241		

2020 HUD Incomes & Affordable Housing Cost By Family Size

Coconino County Area Median Income (AMI):

Coconino County Area Median Income (AMI):		\$75,200						
% AMI	Persons in Family							
	1	2	3	4	5	6	7	8
Income								
120%	\$63,240	\$72,240	\$81,240	\$90,240	\$97,520	\$104,720	\$111,920	\$119,120
100%	\$52,700	\$60,200	\$67,700	\$75,200	\$81,260	\$87,260	\$93,270	\$99,270
80%	\$42,150	\$48,150	\$54,150	\$60,150	\$65,000	\$69,800	\$74,600	\$79,400
60%	\$31,620	\$36,120	\$40,620	\$45,120	\$48,780	\$52,380	\$55,980	\$59,580
Maximum Affordable Housing Cost								
Persons/Room	1	1.5	3	4.5	6	7.5		
Unit Size	0 Bdrm	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm		
120%	\$1,581	\$1,694	\$2,031	\$2,347	\$2,618	\$2,888		
100%	\$1,318	\$1,411	\$1,693	\$1,956	\$2,182	\$2,407		
80%	\$1,054	\$1,129	\$1,354	\$1,564	\$1,745	\$1,925		
60%	\$790	\$846	\$1,015	\$1,173	\$1,309	\$1,444		
Source: HUD 2020								



Objective 1: Encourage Development of Affordable Housing Units

Workforce Affordable Housing Approach (households earning between 80% and 120% of AMI)

- **Tool 1: Community Land Trust (CLT):** To facilitate the development of affordable housing through ground leases.
- **Tool 2: City-Owned Land:** Sedona should consider the use of its land inventory as a catalyst for the development of affordable housing. Promote partnerships with other government or non-profit organizations that may have land available for residential purposes.
- **Tool 3: Deed Restricted Housing:** Establish a deed restriction subsidy program as part of the DIGAH primarily directed at rental units.
- **Tool 4: Rental Subsidy Program (Voucher):** Establish a Rental Subsidy demonstration project to determine potential interest from landlords.



Objective 1: Encourage Development of Affordable Housing Units

- **Tool 5: Down Payment Assistance Program:** Establish a Down Payment Assistance demonstration project.
- Contract with Housing Solutions of Northern Arizona (HSNA) for assistance in the start-up of any housing programs.

Low Income Affordable Housing Approach (Households earning less than 80% of AMI)

Resources flow from federal and state programs and generally target the lowest income households.

- **Tool 6: Low Income Housing Tax Credit (LIHTC) Program:** Recruit a developer to construct a LIHTC complex in the City.
- **Tool 7: Private Activity Bond (PAB) Program:** Recruit a developer to construct a PAB complex in the City that will provide mixed-income housing for low and moderate income households.



Objective 2: Incentivize the Inclusion of Affordable Units in Private Development

- **Tool 8: Fee Waivers & Expedited Processing:** Strengthen the incentives and modifying certain portions of the DIGAH to increase participation by private interests.
- **Tool 9: Density Incentive:** Create a density incentive for multifamily development within the City's DIGAH.
- **Tool 10: Regulation Review:** Evaluate and review the Land Development Code requirements relative to the potential cost of the design enhancements (massing and articulation) and public art investment.



Objective 3: Increase Resources to Support Production of Affordable Housing

Dedicate local funds to affordable housing to offset declining federal and state resources. Sedona's Housing Fund is an important statement of the City's commitment to address housing affordability. Potential funding sources include:

- Retail sales tax
- Property tax
- Transient occupancy or bed tax
- Mitigation or linkage programs such as the DIGAH
- General Fund allocations
- Sale or Lease Proceeds
- Bond financing



Objective 4: Monitor the Increase in Demand and Loss of Affordable Housing Units

Monitor the demand for affordable housing in Sedona supply of affordable housing through an Affordable Housing Impact Summary on an annual or semi-annual basis. Any removal of units should be monitored to ensure replacement units are provided.



Affordable Housing Impact Summary

Annual Affordable Housing Impact Summary 2020			
Housing Demand			
Housing Demand Increase Due to Employment			
Use	Square Feet/Rooms	Employees Per SF/Room	Total Employees
Retail	10,000	400	25
Office	10,000	250	40
Hotel	100	0.8	80
Total			145
Affordable Housing Demand			65
Housing Supply			
Housing Supply Addition			
Housing Type	Total Units	Market Rate Units	Affordable Units
Single Family	10	10	-
Townhouse	4	4	-
Condo	6	6	-
Apartments	40	30	10
Mobile/Manufactured	20	10	10
Totals	80	60	20
Housing Supply Reduction			
Housing Type	Total Units	Market Rate Units	Affordable Units
Single Family	-	-	-
Townhouse	-	-	-
Condo	-	-	-
Apartments	-	-	-
Mobile/Manufactured	40	-	40
Totals	40	-	40
Net Gain (Loss) in Affordable Housing			(20)



Tool 1: Community Land Trust

■ **Pros:**

- A CLT is one of the most productive tools within a city's arsenal for addressing affordable housing issues.
- It can be used to hold title to land for both low-income and workforce housing projects, reducing land costs.
- A CLT could be a substitute for a Housing Authority option for Sedona and the Verde Valley.

■ **Cons:**

- The lack of new residential development activity in Sedona may limit the effectiveness of the CLT program for ownership housing.

■ **Administrative Support:**

- Requires staffing by the City to administer the CLT.
- Requires monitoring of the sale of homes to ensure affordability.
- Partnership with a non-profit housing agency is recommended.

■ **Example:** Flagstaff Community Land Trust Program (CLTP)



Tool 2: City-Owned Land

■ **Pros:**

- City-owned land could provide a cost-effective method of producing affordable low-income and workforce housing.
- City-owned land may represent a “sunk cost” to the City.

■ **Cons:**

- The process for the sale or lease of City-owned land will need to be carefully crafted and documented to ensure compliance with affordable housing objectives.

■ **Administrative Support:**

- Requires staffing by the City to properly sell or lease City assets.
- Requires extensive legal assistance.

- ## ■ **Example:** City’s wastewater treatment plant excess land; a small lot next to city hall.



Tool 3: Deed Restricted Housing

■ **Pros:**

- Deed restrictions can be put in place for 30 years or more.
- The Sedona Development Incentives & Guidelines for Affordable Housing (DIGAH) contain deed restriction provisions.
- Sedona can use deed restrictions and the DIGAH as a negotiating tool for affordable units or projects.
- The program can be expanded to existing ownership units.

■ **Cons:**

- The lack of new residential development activity in Sedona may limit the effectiveness of procuring deed restricted units.
- Linkage and mitigation programs outlined in the DIGAH are not permitted as a requirement of development under State law but can be used in rezoning matters.
- Deed restrictions require a subsidy paid to the developer.
- For deed restrictions placed on ownership units have encountered difficulties securing a mortgage for the property.



Tool 3: Deed Restricted Housing

■ *Administrative Support:*

- Requires staffing by the City to administer and monitor deed restricted rents.
- Partnership with a non-profit housing agency may assist with marketing properties for rent and monitoring of rents.
- Requires legal assistance in documenting development agreements and deed restriction documents.



Tool 3: Deed Restricted Housing

Five Year Return on Investment Market Rate Complex vs. Deed Restricted Complex		
	1 Market Rate Complex	2 5 Affordable Units Deed Restricted
Market Rate Units	45	40
Affordable Units	-	5
Total Units	45	45
Target Affordable Income		80% AMI
Project Cost	\$9,221,279	\$9,221,279
Equity Investment (30%)	\$2,766,384	\$2,766,384
Year 5 Property Value	\$12,025,254	\$11,149,502
Cost of Sale	(\$360,758)	(\$334,485)
Mortgage Ending Balance	(\$5,817,654)	(\$5,817,654)
Subsidy	\$0	\$950,000
5-Year Cash Flow	\$5,846,842	\$5,947,363
5-Year IRR	17.6%	17.4%
Subsidy Per Unit	\$0	\$190,000
Per Unit Value	\$267,228	\$247,767



Tool 4: Rental Subsidy Program (Voucher)

An alternative to the purchase of a deed restriction. The City would pay an apartment owner who rents a unit to a low income household the difference between the market rate rent and the household paying 30% of its income toward rent.

■ **Pros:**

- Would reduce the large initial outlay of City funds required under the deed restriction programs.
- The program could reach a larger number of households than other programs.
- Program could be extended to City employees as a stipend to their wages.

■ **Cons:**

- The lack of new residential development activity in Sedona may limit the effectiveness of the subsidy program.
- Rental units or homes would need to be certified they are suitable for habitation.
- Will landlords be willing to participate in the program?



Tool 4: Rental Subsidy Program (Voucher)

■ ***Administrative Support:***

- Requires staffing by the City to administer and monitor the subsidies to ensure the target households are being served.
- The City would need to establish criteria for unit suitability for habitation.
- Household incomes of residents would need to be verified.
- Partnership with a non-profit housing agency may assist with marketing properties for rent and monitoring of program activities.



Tool 4: Rental Subsidy Program (Voucher)

Subsidized Rent Alternative 100% AMI Yavapai County								
Unit Type	No. of Units	Market Rent	Affordable Rents			Difference To Market Rent	Annual Cost/Unit	Total Cost
			Affordable Rent	Utility Allowance	Project Rents			
1 BR	3	\$1,435	\$1,213	\$70	\$1,143	\$292	\$3,504	\$10,512
2 BR	2	\$1,800	\$1,455	\$82	\$1,373	\$427	\$5,124	\$10,248
Total Annual Subsidy								\$20,760
Total 5-Year Subsidy at Inflation Rate:				3.0%				\$110,218
Subsidized Rent Alternative 80% AMI Yavapai County								
Unit Type	No. of Units	Market Rent	Affordable Rents			Difference To Market Rent	Annual Cost/Unit	Total Cost
			Affordable Rent	Utility Allowance	Project Rents			
1 BR	3	\$1,435	\$970	\$70	\$900	\$535	\$6,420	\$19,260
2 BR	2	\$1,800	\$1,164	\$82	\$1,082	\$718	\$8,616	\$17,232
Total Annual Subsidy								\$36,492
Total 5-Year Subsidy at Inflation Rate:				3.0%				\$193,741



Tool 5: Down Payment Assistance Program

Down payment assistance programs match a buyer's down payment of two to three times up to a maximum, in some instances to \$15,000.

■ **Pros:**

- Programs help to provide stability in homeownership and city employment.
- Many of the federal and state programs are essentially cost-free to the City.
- Combined program with a Community Land Trust program

■ **Cons:**

- The lack of new residential development activity in Sedona and the cost of housing will limit the effectiveness of a down payment program.

■ **Administrative Support:**

- May require staffing by the City to administer and monitor the program.
- Household incomes of residents would need to be verified.
- Partnership with a non-profit housing agency may assist program activities.

■ **Example:** Flagstaff offers a down payment assistance program for local residents and city employees.



Tool 6: Low Income Housing Tax Credit Program (LIHTC)

An indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing.

■ **Pros:**

- A highly successful program for low income households that can reach large number of households earning no more than 60% of AMI.
- Complexes are usually of moderate size ranging from 40 to 80 units.

■ **Cons:**

- The amount of tax credits available to Arizona is limited; project selection is highly competitive.
- Projects often require soft debt or subsidies from local governments.

■ **Administrative Support:**

- Limited administrative support required from City.
- Partnership with a non-profit housing agency may assist with marketing properties for rent and monitoring of program activities.



Tool 6: Low Income Housing Tax Credit Program (LIHTC)

■ *Example:*

This subsidy could be provided by City in a number of ways:

- An outright grant.
- A soft loan at a low interest rate.
- The contribution of land for the project.
- A lease of land from a Community Land Trust.
- The waiver of certain City processing fees.
- The reimbursement of development impact fees.

9% LIHTC Complex 60% AMI		
Assumptions	LIHTC Complex	
	Per Unit	Total
Land (Acres)		3.40
Affordable Units		68
Parking Spaces		121
Building area (SF)		57,396
Land Price (Per SF)	\$10.00	\$1,481,040
Land Price (Per Unit)	\$21,780	
Construction Cost (Per SF)		\$135.00
Equity Investment (% of Cost)	30%	
Debt Interest Rate	4.25%	
Amortization (Years)	35	
Targeted Households (AMI)	60%	
Total construction cost	\$132,070	\$8,980,792
Total project cost	\$192,309	\$13,077,000
Investment Summary	Per Unit	Total
Annual Tax Credit Equity		\$829,971
Total Tax Credit Equity - 10 Years	59.7%	\$7,801,728
Mortgage	33.6%	\$4,393,872
Deferred Development Fee	2.9%	\$379,233
Soft Debt	3.8%	\$502,167
Cost Per Affordable Unit		\$7,385



Tool 7: Private Activity Bonds (PABs)

The PAB program is similar to the LIHTC program but based on 4% tax credits instead of 9%. In addition, rental complexes are mixed income: 20% affordable units at 50% AMI or 40% of the affordable units at 60% AMI.

■ **Pros:**

- A successful approach to providing affordable housing for low income households earning no more than 60% of AMI.
- Complexes are typically large ranging from 100 to 200 units.
- The complexes are mixed-income - more acceptable to communities.
- The PAB program is less competitive than the LIHTC program.

■ **Cons:**

- Projects typically require more soft debt or subsidies from local governments than LIHTC projects.
- The availability of land in Sedona for multifamily development may be limited. The cost of land may be a further constraint.



Tool 7: Private Activity Bonds (PABs)

■ ***Administrative Support:***

- Limited administrative support required from City.
- Partnership with a non-profit housing agency may assist with marketing properties for rent and monitoring of program activities.
- Creating partnerships with organizations that own land suitable for multifamily development is an option.

■ **Additional Resources**

- **The U.S. Department of Agriculture (USDA)** loan programs for the development of affordable rental housing and homeownership in the non-urban areas of Arizona.
- **Housing Solutions of Northern Arizona (HSNA):** A HUD certified Housing Counseling Agency that provides a variety of housing services to Yavapai, Coconino, and Mohave counties.



Tool 7: Private Activity Bonds (PABs)

Alternative 1			Alternative 2		
4% Private Activity Bond Complex 60% AMI 40% Affordable Units			4% Private Activity Bond Complex 50% AMI 20% Affordable Units		
Assumptions	4% Tax Credit Complex		Assumptions	4% Tax Credit Complex	
	Per Unit	Total		Per Unit	Total
Land (Acres)		3.40	Land (Acres)		3.40
Units		68	Units		68
Market Rate Units		41	Market Rate Units		54
Affordable Units		27	Affordable Units		14
Parking Spaces		121	Parking Spaces		121
Building area (SF)		57,396	Building area (SF)		57,396
Land Price (Per SF)	\$10.00	\$1,481,040	Land Price (Per SF)	\$10.00	\$1,481,040
Land Price (Per Unit)	\$21,780		Land Price (Per Unit)	\$21,780	
Construction Cost (Per SF)		\$135.00	Construction Cost (Per SF)		\$135.00
Equity Investment (% of Cost)	30%		Equity Investment (% of Cost)	30%	
Debt Interest Rate	3.75%		Debt Interest Rate	3.75%	
Amortization (Years)	40		Amortization (Years)	40	
Targeted Households (AMI)	60%		Targeted Households (AMI)	60%	
Construction Cost	Per Unit	Total	Construction Cost	Per Unit	Total
Total construction cost	\$132,070	\$8,980,792	Total construction cost	\$132,070	\$8,980,792
Total project cost	\$192,309	\$13,077,000	Total project cost	\$192,309	\$13,077,000
Investment Summary	Per Unit	Total	Investment Summary	Per Unit	Total
Annual Tax Credit Equity		\$449,849	Annual Tax Credit Equity		\$449,849
Total Tax Credit Equity - 10 Years	32.3%	\$4,228,579	Total Tax Credit Equity - 10 Years	32.3%	\$4,228,579
Mortgage	60.0%	\$7,846,200	Mortgage	66.0%	\$8,630,820
Deferred Development Fee	3.5%	\$457,695	Deferred Development Fee	0.8%	\$104,616
Soft Debt	4.2%	\$544,526	Soft Debt	0.9%	\$112,985
Soft Debt Per Affordable Unit		\$20,168	Cost Per Affordable Unit		\$8,070



Tool 8: Fee Waivers & Expedited Processing

The Sedona Development Incentives & Guidelines for Affordable Housing document is well-crafted but is essentially a voluntary program. Strengthening the incentives and modifying certain portions of the DIGAH could assist in increasing participation by private interests. Following are some suggested revisions.

- The primary missing element of the DIGAH is a density incentive for the production of affordable units on a voluntary basis.
- The DIGAH requirements are not related to the number of jobs created by commercial developments.
- Waiver of the public art requirement for affordable housing complexes.
- The city's wastewater impact fees are a significant barrier to development. While the \$8,216 per unit impact fee for apartments may be justified, it is significantly higher than the same fee in cities in the Phoenix area.
- The formula for the resale price of an ownership unit under the DIGAH should be revised to maintain affordability. The formula used by Flagstaff assists in maintaining the resale of the home at an affordable level while still giving the owner some upside in the appreciation of the unit.



Tool 9: Density Incentive

One of the primary shortcomings of the DIGAH is the lack of a density incentive. The inclusion of a density incentive would make a voluntary, market-based affordable housing program more effective.

■ ***Pros:***

- A density incentive of approximately 10% will assist with reducing the public subsidy needed to provide a reasonable return to the developer.
- Deed restrictions would be placed on the density incentive units for 30 years or more to maintain the affordability of rental units.

■ ***Cons:***

- The lack of new residential development activity in Sedona may limit the effectiveness of procuring deed restricted units.
- Residential density is a difficult issue for the City and its residents.



Tool 9: Density Incentive

■ ***Administrative Support:***

- Requires staffing by the City to administer and monitor deed restricted rents.
- Partnership with a non-profit housing agency may assist with marketing properties for rent and monitoring of rents.
- Requires legal assistance in documenting development agreements and deed restriction documents.



Tool 9: Density Incentive

Five Year Return on Investment			
Market Rate Complex vs. Deed Restricted Complex vs. Density Bonus			
	1 Market Rate Complex	2 5 Affordable Units Deed Restricted	3 5 Affordable Units With Density Bonus
Market Rate Units	45	40	45
Affordable Units	-	5	5
Total Units	45	45	50
Target Affordable Income		80% AMI	80% AMI
Project Cost	\$9,221,279	\$9,221,279	\$10,084,867
Equity Investment (30%)	\$2,766,384	\$2,766,384	\$3,025,460
Year 5 Property Value	\$12,025,254	\$11,149,502	\$12,779,593
Cost of Sale	(\$360,758)	(\$334,485)	(\$383,388)
Mortgage Ending Balance	(\$5,817,654)	(\$5,817,654)	(\$6,362,487)
Subsidy	\$0	\$950,000	\$250,000
5-Year Cash Flow	\$5,846,842	\$5,947,363	\$6,283,718
5-Year IRR	17.6%	17.4%	17.4%
Subsidy Per Unit	\$0	\$190,000	\$50,000
Per Unit Value	\$267,228	\$247,767	\$255,592



Tool 10: Regulation Review

The Sedona Land Development Code requires a number of design enhancements that may result in an extraordinary expense for an affordable housing complex. The City should evaluate the potential cost of the design enhancements and public art investment to determine if some could be modified or waived for an affordable housing unit or complex.

■ ***Pros:***

- Relaxing or waiving the design requirements and public art investment would likely assist in reducing the cost of development.

■ ***Cons:***

- To ensure fairness and consistency in application of waiver of the requirements, granting of any waiver should be justified by the benefit provided to the affordable housing inventory.

■ ***Administrative Support:***

- City staff would need to establish criteria for any waivers and document such waivers in development and deed restriction agreements.



Potential Funding Commitments

Sample Scenarios of Funding Commitments - Affordable Housing Action Plan City of Sedona

Tool	Total Units	Market Rate Units	Affordable Units	Cost Per Unit	Total Cost	Total Commitments
Scenario 1						
LIHTC - 60% AMI	70		70	\$8,100	\$567,000	30 Year Affordable Commitment
PAB 4% Tax Credit- 50% AMI	100	80	20	\$8,900	\$178,000	30 Year Affordable Commitment
Renter Subsidy - 80% AMI	10		10	\$8,500	\$425,000	5-Year City Commitment
Density Incentive - 80% AMI	60	48	6	\$50,000	\$300,000	30 Year Affordable Deed Restriction
Down Payment Assistance	10		10	\$15,000	\$150,000	One Time Commitment
Totals	250	128	116		\$1,620,000	
Scenario 2						
LIHTC - 60% AMI	70		70	\$8,100	\$567,000	30 Year Affordable Commitment
PAB - 50% AMI	200	160	40	\$8,900	\$356,000	30 Year Affordable Commitment
Renter Subsidy - 80% AMI	40		40	\$8,500	\$1,700,000	5-Year City Commitment
Density Incentive - 80% AMI	120	108	12	\$50,000	\$600,000	30 Year Affordable Deed Restriction
Down Payment Assistance	40		40	\$15,000	\$600,000	One Time Commitment
Totals	470	268	202		\$3,823,000	



Summary

Limitations facing Sedona:

- The lack of developable land in the City and the cost of land.
- The lack of existing multifamily units in the City.
- The cost of construction in Sedona.
- The small size of multifamily projects typically built in Sedona.
- Limited access to capital due to the perceived limited employment base in the City by lending institutions.
- The size of the demand for affordable units in the City at 1,500 units will require Sedona to be proactive in its approach to implementing the Action Plan.



Summary

Commitment on the part of the City to address the issue:

- Staffing in order to administer programs and recruit housing developers to the community.
- A combination of tools and resources will likely be required including public-private partnerships, fee waivers, density incentives, public subsidies, partnerships with local organizations, and the availability of city owned land to name a few.
- Managing an affordable housing program will be a matter of trial and error and finding the right mix of tools that work for the City.





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