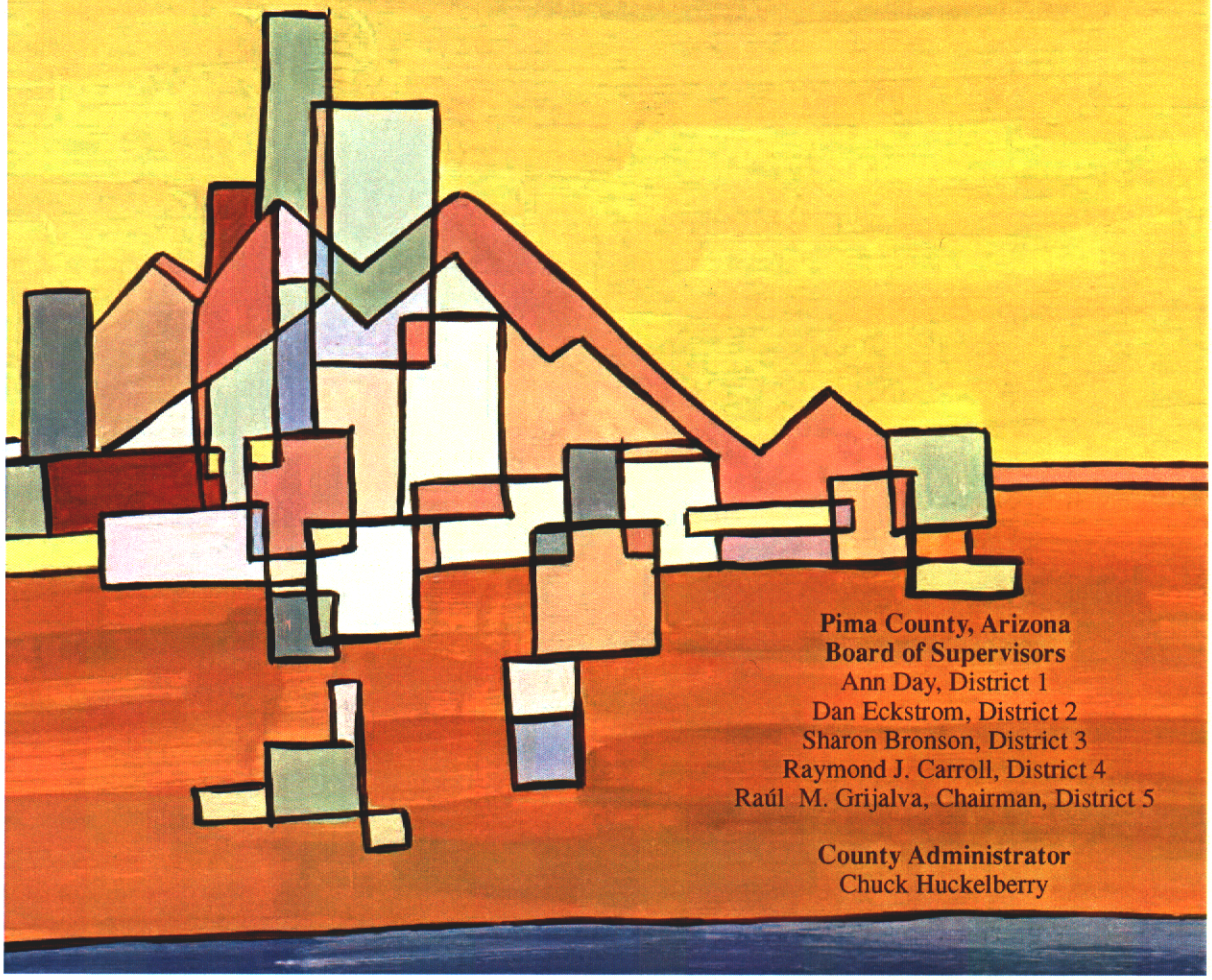
DRAFT

Trends in Housing Affordability (1975-2001)

Pima County
Comprehensive Land Use Plan
2001



Pima County, Arizona
Board of Supervisors
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County Administrator
Chuck Huckelberry

MEMORANDUM

Date: October 6, 2001

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

From: C.H. Huckelberry
County Administrator

Re: **Trends in Housing Affordability, 1975 through 2001**

Background

This week we have issued three studies on the topic of housing: *Housing in Pima County; Impact Fee and Affordable Housing Study*; and the *Inclusionary Housing Study*. This memorandum summarizes the major findings of these studies and discusses the attached data which shows trends in housing affordability from 1975 through 2001.

Summary Findings from Housing Studies

Some of the conclusions from this study series are that:

- The real estate market forces have served the higher income residents of Pima County but left an affordability gap for other residents which is filled in part through the detrimental land use practice of unregulated development. In order to accommodate future population growth and carry out the compact form development goals of Growing Smarter Plus, affordable housing programs will need to be a part of Pima County's Updated Comprehensive Land Use Plan.

- In general, from the beginning to the end of the last decade, the real estate market sold more homes at higher prices and in less time. On average, the market served the high income buyer better than the lower income buyer.

- During 2000, the fastest selling homes were in the price ranges of $70,000 to $79,999, $80,000 to $89,999, and $90,000 to $99,999, averaging 48, 50 and 48 days on the market respectively. Only 2,573 of the 11,077 homes sold were in this category, however.

- Comparing 1991 to 2000, the average number of days a residence stayed on the market dropped from 96 to 55 days.

- During the same ten year period, the number of units sold per year almost doubled.

- Another factor contributing to the affordability gap is that the characteristics of single family homes have changed over time. The average square footage of single family residences has more than doubled since 1950.

- In 2000, 20 percent of households had incomes below $15,000. According to Tucson Association of Realtor's Residential Sales Statistics for 2000, less than 4 percent of all residential units sold in 2000 were affordable by the lowest earning fifth of the community: less than 446 of the 11,077 units sold (assuming a 30 year fixed rate mortgage at 8.06 percent). Furthermore, only those individuals who were at the high end of the low-income range could afford any of the houses that were for sale in Pima County.

- Rental housing becomes the only available option. However, according to the American Community Survey (2000), 47 percent of renters in Pima County are spending one third or more of their household income on housing. With almost half of the renters in Pima County experiencing a cost burdened housing dilemma, the ability to save or invest in home ownership become even more attenuated.

- In 1998, the review of impact fee programs found that other jurisdictions exceeded the Pima County roadway impact fee program in both range and extent. The same result holds true today. Counties in Florida typically have fees for roads, fire services, parks, library services, corrections, emergency services, public buildings, schools, and at times solid waste programs. California programs have a similar scope, and at times are extensive, such as the $14,221 total rooftop fee found in Orange County California, of which $11,566 is for roads. Today, at least two-thirds of the 35 counties in the study set collect fees greater than those collected in Pima County.

- In 1998, affordable housing programs that provided alternative funding sources, inclusionary zoning and linkage fees were discussed. Today approximately one third of the 35 counties surveyed have a fee waiver program for affordable housing. Pima County has recently instituted this aspect of affordable housing, but to date has not adopted measures that would integrate affordable housing into the new home construction industry where the operation of market forces has created substantial affordability gaps.

- In general Pima County grew faster, spent less on a per capita basis, collected less in growth related fees, and afforded less in the way of equitable housing programs than the county governments in the study set. Our growth pressures are generally greater, but our program response is less.

Trends in Housing Affordability, 1975 through 2001

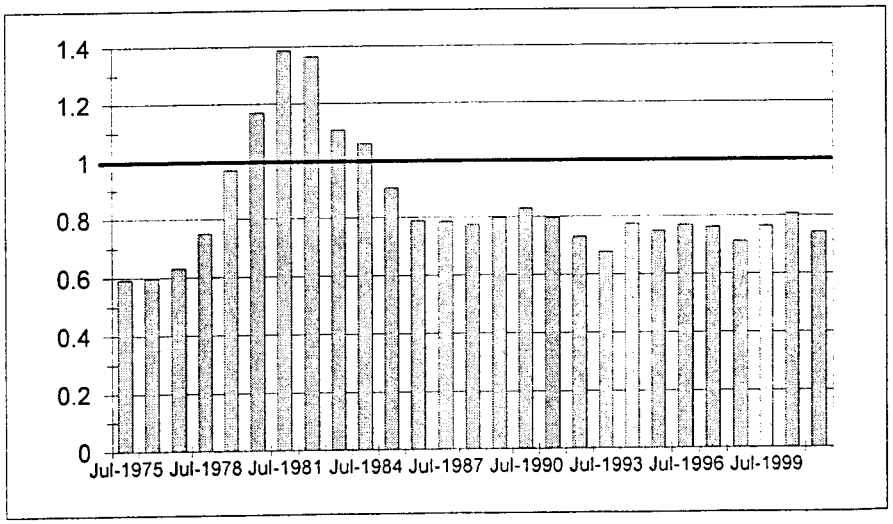
Finally, questions such as "who constitutes the local homebuyer market?", and "what has their experience been recently?", need to be asked together. We have discussed that the local real estate and homebuilders have tailored their product to the high end income earners. Recently these buyers have not experienced an affordability gap. The attached data demonstrates that during the 1970s and through the mid-1980s there was an acceleration of housing costs due, at the outset, to increased construction costs. Later high mortgage rates contributed significantly to making homes unaffordable to the normal purchasing market, which is the higher income earners. Since interest rates came back down, we have experienced a rise in the average cost of homes as discussed above. However, within the narrow band of the buyer's market, which is made up higher income community members, there was also an increase in income which kept pace so that there has been a fairly constant ratio in past years: that is, as the cost of homes increased due to the operation of market forces, incomes of the high end earners also increased.

Conclusion

Two simple conclusions can be drawn from the studies issued this week. (1) The real estate and homebuilding interests in Pima County have not been concerned with the majority of the community that is unable to afford the average home. The market exists for high income earners. (2) For the high income earners, which is the market the local industry tailors it product to, the housing market has not been made less accessible because of government regulations. Housing costs have risen due to the operation of market forces, but high earners have experienced an increase in income that has kept pace with the increased cost of housing. Future studies will assess how market driven affordability issues have impacted minority home buyers.

Attachment

	Monthly Mortgage cost on average house	Monthly amount for Taxes & Insurance	TOTAL MORTGAGE, INTEREST & TAX PAYMENT	INCOME FOR HOUSING (Prin. Int, Ins, Taxes)	INDEX
Jul-1975	$ 180.66	$ 29.10	$ 209.76	$ 353.13	0.59
Jul-1976	$ 193.00	$ 31.60	$ 224.60	$ 375.70	0.60
Jul-1977	$ 218.66	$ 35.87	$ 254.53	$ 403.53	0.63
Jul-1978	$ 292.16	$ 44.70	$ 336.86	$ 448.49	0.75
Jul-1979	$ 432.35	$ 58.19	$ 490.54	$ 505.34	0.97
Jul-1980	$ 594.00	$ 66.43	$ 660.42	$ 564.55	1.17
Jul-1981	$ 803.78	$ 74.99	$ 878.77	$ 634.12	1.39
Jul-1982	$ 806.95	$ 77.95	$ 884.89	$ 648.74	1.36
Jul-1983	$ 675.09	$ 78.14	$ 753.22	$ 679.95	1.11
Jul-1984	$ 703.67	$ 77.95	$ 781.62	$ 736.89	1.06
Jul-1985	$ 625.14	$ 76.66	$ 701.80	$ 776.88	0.90
Jul-1986	$ 554.67	$ 80.87	$ 635.54	$ 805.92	0.79
Jul-1987	$ 572.05	$ 83.40	$ 655.45	$ 834.74	0.79
Jul-1988	$ 586.21	$ 84.55	$ 670.76	$ 865.46	0.78
Jul-1989	$ 630.06	$ 91.02	$ 721.08	$ 904.43	0.80
Jul-1990	$ 656.06	$ 96.29	$ 752.34	$ 905.71	0.83
Jul-1991	$ 640.76	$ 101.42	$ 742.17	$ 931.28	0.80
Jul-1992	$ 590.81	$ 101.07	$ 691.88	$ 946.35	0.73
Jul-1993	$ 571.55	$ 108.45	$ 680.00	$ 1,002.18	0.68
Jul-1994	$ 701.78	$ 120.17	$ 821.94	$ 1,060.02	0.78
Jul-1995	$ 691.93	$ 123.61	$ 815.54	$ 1,087.26	0.75
Jul-1996	$ 734.45	$ 132.72	$ 867.17	$ 1,125.48	0.77
Jul-1997	$ 747.14	$ 137.78	$ 884.92	$ 1,160.66	0.76
Jul-1998	$ 723.11	$ 142.38	$ 865.49	$ 1,214.15	0.71
Jul-1999	$ 815.22	$ 152.71	$ 967.93	$ 1,264.35	0.77
Jul-2000	$ 917.11	$ 161.97	$ 1,079.08	$ 1,335.68	0.81
Jul-2001	$ 859.02	$ 167.07	$ 1,026.09	$ 1,379.28	0.74



CONSTANTS

1) Percent of Income to Principal, Interest, Taxes, & Insurance: 30%
2) Percent of house cost for taxes & Insurance: 1.25%
3) Mortgage based on 80% of the median value of the house.
4) Mortgage is Fixed-Rate, 30-Yr, at the average interest rate prevailing in the given year:
   a) Total number of payments: 360
   b) Monthly interest rate is i/12

Third Quarter 2001 Estimates by EBR

Year	Total Pima County Disposable Income M$	Total Pima County Personal Income M$	Total Pima County Earnings by Place of Work M$	Total Pima County Dividends, Interest & Rental Inc. M$	Earnings by Place of Work Plus Dividends Interest & Rental Inc. M$
Jul-1975	$ 2,258.01	$ 2,488.82	$ 1,733.66	$ 469.02	**$ 2,202.68**
Jul-1976	$ 2,496.92	$ 2,770.57	$ 1,921.52	$ 519.35	**$ 2,440.87**
Jul-1977	$ 2,758.34	$ 3,082.24	$ 2,139.53	$ 591.20	**$ 2,730.73**
Jul-1978	$ 3,166.55	$ 3,567.17	$ 2,450.22	$ 723.38	**$ 3,173.59**
Jul-1979	$ 3,745.10	$ 4,245.09	$ 2,923.66	$ 898.24	**$ 3,821.90**
Jul-1980	$ 4,375.63	$ 4,940.72	$ 3,340.64	$ 1,106.10	**$ 4,446.74**
Jul-1981	$ 5,028.46	$ 5,732.94	$ 3,769.20	$ 1,366.66	**$ 5,135.86**
Jul-1982	$ 5,338.39	$ 6,064.62	$ 3,944.58	$ 1,479.23	**$ 5,423.81**
Jul-1983	$ 5,797.69	$ 6,530.99	$ 4,230.05	$ 1,624.53	**$ 5,854.58**
Jul-1984	$ 6,456.27	$ 7,252.46	$ 4,724.06	$ 1,840.57	**$ 6,564.63**
Jul-1985	$ 7,021.23	$ 7,925.45	$ 5,171.78	$ 2,007.61	**$ 7,179.39**
Jul-1986	$ 7,579.43	$ 8,546.88	$ 5,578.57	$ 2,153.23	**$ 7,731.80**
Jul-1987	$ 8,090.11	$ 9,131.68	$ 5,924.48	$ 2,304.72	**$ 8,229.20**
Jul-1988	$ 8,660.04	$ 9,719.58	$ 6,247.05	$ 2,477.02	**$ 8,724.06**
Jul-1989	$ 9,262.91	$ 10,456.15	$ 6,450.24	$ 2,869.99	**$ 9,320.23**
Jul-1990	$ 9,609.18	$ 10,846.85	$ 6,619.28	$ 2,920.55	**$ 9,539.83**
Jul-1991	$ 10,134.09	$ 11,434.07	$ 7,047.10	$ 2,939.90	**$ 9,987.00**
Jul-1992	$ 10,741.07	$ 12,076.25	$ 7,507.70	$ 2,881.42	**$ 10,389.12**
Jul-1993	$ 11,604.95	$ 13,080.85	$ 8,122.97	$ 3,149.42	**$ 11,272.39**
Jul-1994	$ 12,546.74	$ 14,178.64	$ 8,896.49	$ 3,379.48	**$ 12,275.97**
Jul-1995	$ 13,259.90	$ 15,019.28	$ 9,404.08	$ 3,566.56	**$ 12,970.63**
Jul-1996	$ 13,972.12	$ 15,984.90	$ 9,886.57	$ 3,879.65	**$ 13,766.22**
Jul-1997	$ 14,623.48	$ 16,809.20	$ 10,445.34	$ 4,083.37	**$ 14,528.72**
Jul-1998	$ 15,601.47	$ 18,049.17	$ 11,311.85	$ 4,442.37	**$ 15,754.22**
Jul-1999	$ 16,568.02	$ 19,215.13	$ 12,183.72	$ 4,661.25	**$ 16,844.98**
Jul-2000	$ 17,787.84	$ 20,730.52	$ 13,203.31	$ 5,021.62	**$ 18,224.93**
Jul-2001	$ 18,792.65	$ 22,006.41	$ 14,077.66	$ 5,181.86	**$ 19,259.52**
*Current d	$ 20,018.25	$ 23,424.38	$ 15,067.41	$ 5,309.13	**$ 20,376.54**

Year	Total Pima County Population 000's (Source: EBR)	Estimated Persons Per Household	Calculated Households	Calculated Household Disposable income	Calculated Household income	Calculated Household Earnings by Place of Work	Calculated Household Dividends, Interest & Rental Inc.	Calculated Household Sum of incomes.
Jul-1975	459.50	2.95	155,941	$14,480	$15,960	$11,117	$3,008	$14,125
Jul-1976	471.20	2.90	162,421	$15,373	$17,058	$11,830	$3,198	$15,028
Jul-1977	483.10	2.86	169,179	$16,304	$18,219	$12,647	$3,495	$16,141
Jul-1978	497.10	2.81	176,902	$17,900	$20,165	$13,851	$4,089	$17,940
Jul-1979	522.70	2.76	189,077	$19,807	$22,452	$15,463	$4,751	$20,213
Jul-1980	535.40	**2.72**	196,914	$22,221	$25,091	$16,965	$5,617	$22,582
Jul-1981	547.00	2.70	202,481	$24,834	$28,314	$18,615	$6,750	$25,365
Jul-1982	561.00	2.68	209,013	$25,541	$29,015	$18,872	$7,077	$25,950
Jul-1983	574.00	2.67	215,257	$26,934	$30,340	$19,651	$7,547	$27,198
Jul-1984	590.00	2.65	222,715	$28,989	$32,564	$21,211	$8,264	$29,475
Jul-1985	608.00	2.63	231,032	$30,391	$34,305	$22,386	$8,690	$31,075
Jul-1986	627.00	2.61	239,842	$31,602	$35,635	$23,259	$8,978	$32,237
Jul-1987	640.00	2.60	246,461	$32,825	$37,051	$24,038	$9,351	$33,389
Jul-1988	650.00	2.58	252,006	$34,364	$38,569	$24,789	$9,829	$34,618
Jul-1989	660.00	2.56	257,626	$35,955	$40,586	$25,037	$11,140	$36,177
Jul-1990	670.00	**2.54**	263,324	$36,492	$41,192	$25,137	$11,091	$36,229
Jul-1991	682.00	2.54	268,100	$37,800	$42,649	$26,285	$10,966	$37,251
Jul-1992	698.00	2.54	274,451	$39,137	$44,001	$27,355	$10,499	$37,854
Jul-1993	715.00	2.54	281,198	$41,270	$46,518	$28,887	$11,200	$40,087
Jul-1994	736.00	2.54	289,521	$43,336	$48,973	$30,728	$11,673	$42,401
Jul-1995	758.00	2.54	298,242	$44,460	$50,359	$31,532	$11,959	$43,490
Jul-1996	777.00	2.54	305,786	$45,692	$52,275	$32,332	$12,687	$45,019
Jul-1997	795.00	2.54	312,939	$46,729	$53,714	$33,378	$13,048	$46,427
Jul-1998	823.90	2.54	324,388	$48,095	$55,641	$34,871	$13,695	$48,566
Jul-1999	845.78	2.54	333,075	$49,743	$57,690	$36,580	$13,995	$50,574
Jul-2000	866.00	**2.54**	341,116	$52,146	$60,773	$38,706	$14,721	$53,427
Jul-2001	886.23	2.54	349,086	$53,834	$63,040	$40,327	$14,844	$55,171
*Current d	905.49	2.54	356,671	$56,125	$65,675	$42,245	$14,885	$57,130

	Population	Households	Pers'/Hshld
1970	351,667	110,785	3.1743
1980	531,443	195,459	2.7189
1990	666,957	262,128	2.5444
2000	843,746	332,350	2.5387

HOUSING PRICES

Year	DATE	Annual Average of Medians	Annual Average of Averages
Jul-71	Jul-1971	NA	$ 17,110
Jul-72	Jul-1972	NA	$ 19,883
Jul-73	Jul-1973	NA	$ 22,381
Jul-74	Jul-1974	NA	$ 23,897
Jul-75	Jul-1975	NA	$ 27,941
Jul-76	Jul-1976	NA	$ 30,335
Jul-77	Jul-1977	NA	$ 34,431
Jul-78	Jul-1978	NA	$ 42,910
Jul-79	Jul-1979	NA	$ 55,861
Jul-80	Jul-1980	NA	$ 63,771
Jul-81	Jul-1981	NA	$ 71,989
Jul-82	Jul-1982	NA	$ 74,829
Jul-83	Jul-1983	NA	$ 75,011
Jul-84	Jul-1984	NA	$ 74,834
Jul-85	Jul-1985	NA	$ 73,592
Jul-86	Jul-1986	NA	$ 77,631
Jul-87	Jul-1987	NA	$ 80,063
Jul-88	Jul-1988	NA	$ 81,166
Jul-89	Jul-1989	NA	$ 87,381
Jul-90	Jul-1990	NA	$ 92,435
Jul-91	Jul-1991	NA	$ 97,359
Jul-92	Jul-1992	$ 79,729	$ 97,028
Jul-93	Jul-1993	$ 84,870	$ 104,108
Jul-94	Jul-1994	$ 91,159	$ 115,359
Jul-95	Jul-1995	$ 94,056	$ 118,662
Jul-96	Jul-1996	$ 100,975	$ 127,410
Jul-97	Jul-1997	$ 105,533	$ 132,270
Jul-98	Jul-1998	$ 110,847	$ 136,687
Jul-99	Jul-1999	$ 116,046	$ 146,599
Jul-00	Jul-2000	$ 119,176	$ 155,494
Jul-01	Jul-2001	$ 125,575	$ 160,384

Source: Tucson Association of Realtor Multiple Listing Services.

	Primary Mortgage Market Survey 30-Year Fixed-rate Mortages Annual Average Rate	Points
Jul-1971	na	na
Jul-1972	7.38%	0.90%
Jul-1973	8.04%	1.00%
Jul-1974	9.19%	1.20%
Jul-1975	9.05%	1.10%
Jul-1976	8.87%	1.20%
Jul-1977	8.85%	1.10%
Jul-1978	9.64%	1.30%
Jul-1979	11.20%	1.60%
Jul-1980	13.74%	1.80%
Jul-1981	16.63%	2.10%
Jul-1982	16.04%	2.20%
Jul-1983	13.24%	2.10%
Jul-1984	13.88%	2.50%
Jul-1985	12.43%	2.50%
Jul-1986	10.21%	2.20%
Jul-1987	10.21%	2.20%
Jul-1988	10.34%	2.10%
Jul-1989	10.32%	2.10%
Jul-1990	10.13%	2.10%
Jul-1991	9.25%	2.00%
Jul-1992	8.39%	1.70%
Jul-1993	7.31%	1.60%
Jul-1994	8.38%	1.80%
Jul-1995	7.93%	1.80%
Jul-1996	7.81%	1.70%
Jul-1997	7.60%	1.70%
Jul-1998	6.94%	1.10%
Jul-1999	7.44%	1.00%
Jul-2000	8.05%	1.00%
Jul-2001	7.06%	0.94%

Source: Freddie Mac Historical 30-Yr Fixed-Rate Mortgages