



PUBLIC HOUSING AUTHORITY COMMUNICATION

September 19, 2023

Subject: Public Housing Financial Stability Plan (City Wide)

Page: 1 of 4

Issue – Time has been set aside for a discussion regarding the future of the City’s public housing portfolio. Costs to operate and maintain the units are not keeping pace with the federal funding provided by the U.S. Department of Housing and Urban Development (HUD). Moreover, the majority of the units are in need of rehabilitation. Fortunately, HUD recognizes this trend across the nation and has made available several tools to help PHAs “reposition” public housing to a voucher-based model, which is generally considered to be a more stable financial platform.

City Manager’s Office Recommendation – The Board of Commissioners is requested to review and discuss the draft Public Housing Portfolio Assessment and Preliminary Recommendations (Attachment B) and offer feedback on the proposed strategies. The City Manager recommends that the Board of Commissioners approve the proposed framework and start working on the short-term recommendations. Each and every project that is considered for repositioning will come back to the Board for approval.

Background – Mayor and Council adopted the Housing Affordability Strategy for Tucson (HAST Plan) in December 2021. The very first policy initiative is to “Transform Public Housing” by preserving and/or renovating public housing and creating home ownership opportunities.

In December 2022, the City of Tucson Department of Housing and Community Development (HCD) engaged Praxis Consulting Group, LLC (Praxis) to conduct an assessment of HCD’s public housing properties and provide recommendations for preserving and expanding affordable housing in Tucson. The objectives of this assessment included:

- Identifying strategic options and available HUD financing tools for rehabilitating and preserving HCD’s housing portfolio, particularly its larger multifamily developments;
- Developing a set of recommendations for HCD’s extensive scattered-site housing portfolio that creates homeownership opportunities for lower income Tucson residents and/or raises funds for new affordable housing development and/or preservation;
- Determining opportunities for new affordable housing development through existing and potential new HCD resources; and
- Create a Public Housing Financial Stability Plan (also referred to as an Asset Repositioning Plan) for the PHA based on the assessments completed above.

Asset Repositioning is the term that HUD uses to describe a process to stabilize a financially or physically distressed public housing authority. Repositioning involves multiple steps, including

- Assessing the current properties’ age, condition, and expenses to maintain and operate the units;
- Planning and prioritizing repairs to existing units; and
- Creating new units that better serve the residents and community.

HCD is pursuing Asset Repositioning due to a number of factors, including:

- The public housing portfolio is aging, and in need of millions of dollars of repairs.
- HCD operating expenses exceed the revenue received from rent and subsidies from HUD.
- The portfolio is scattered across Tucson, which makes it both expensive and difficult to maintain and to manage; and involves maintenance staff driving across Tucson daily, resulting in excessive greenhouse gas emissions.
- Rehabilitation of the units will allow for green improvements that align with the Tucson Resilient Together Climate Action Plan.
- HUD is encouraging Public Housing Authorities to move away from the Public Housing model and to take advantage of the new tools they have made available to do that.

Present Considerations – Attached to this agenda item are the draft report from Praxis as well as an executive summary summarizing the lengthy document.

Below are the key findings of the report:

- Public Housing Portfolio Summary:

The City of Tucson owns and operates 1,505 units of Public Housing and as the PHA, receives funding from HUD to support these units. Separate from the Public Housing portfolio, HCD owns the El Portal portfolio that has another 450 units. This Communication and the draft Plan focuses solely on Public Housing. Important to note is that the cost estimate in this memo and throughout the attached draft plan are based on information from 2019 and HCD estimated even at that time the estimates were low. With the cost of construction having skyrocketed since then, the funding needed is significantly higher than the report outlines. That said, excluding the Tucson House, which is already set to receive a total rehabilitation through the City's successful Choice Neighborhoods Initiative application, it is estimated the rest of the Public Housing portfolio needs over \$48 million of repairs and/or rehabilitation. Based on the current funding that HCD receives from HUD, it would take over 18 years to complete the needed repairs.

The average age of an apartment/house in the portfolio is over 45 years. Many of the units are functionally obsolete, with swamp coolers, single pane windows, galvanized pipes, and outdated electrical systems.

The portfolio is scattered throughout Tucson, and there are properties in Pima County and as far as Vail. While having units scattered has some advantages, the distance and the variety of unit types makes it difficult for staff to maintain the units and to find savings in uniformity of repairs (i.e. maintenance staff must purchase many different types of filters, cabinets, and other items).

- Preliminary Revenue Analysis:
Repositioning will move the current financial situation from an average deficit of \$4 million a year to a position of financial stability. The revenue will increase due to the change to project-based and tenant-based vouchers. The tenant's rent amount will not increase, but the amount of subsidy from HUD to pay for the voucher rent will increase based on Fair Market Rent in Tucson.
- Recommendation Summary:
Repositioning is complicated, and involves a number of financing options, including HUD's programs such as Rental Assistance Demonstration (RAD) and Section 18 Demolition/Disposition; low-income housing tax credits (LIHTC); Choice Neighborhoods Initiative; and a number of mixed-financing options. In order to help housing authority boards, residents, and community members better understand this process, HUD created a short [introduction video](#). Asset Repositioning takes time and will involve phases. It will likely take at least 10 years for the PHA to implement the full plan.

Based on HCD's goals to put itself on stable financial footing, address its aging housing stock, increase the overall affordable housing inventory City-wide, and meet the City's climate goals, Praxis developed a series of recommendations for the public housing properties as well as potential future developments, sorting them as Short Term (0 – 3 Years) or Medium Term (4 – 6 Years) tasks.

- **Short Term (0 to 3 years)** projects include the recent Choice Neighborhoods Initiative grant that the City of Tucson just received to rehabilitate the Tucson House. An additional short-term project is the MLK Apartments. MLK could be converted to HUD's RAD program without any rehabilitation needed. Another short-term project is Craycroft Towers. Craycroft Towers will need major rehabilitation, and multiple layers of financing. HCD is evaluating the many single-family homes in the portfolio and proposes working with a task force to develop a plan to sell a portion of the homes to increase affordable homeownership opportunities. The strategy for homeownership will involve community partners.
- **Medium Term (4 to 6 years)** projects include Lander Gardens and Posadas Sentinel. Both of these properties will need investment in the future. HCD will need to evaluate these properties and determine the best course of action to modernize the properties. Additionally, HCD will develop a plan to build new affordable housing scattered throughout Tucson.

In order to move forward on any single project, HCD would need to follow HUD's guidelines. Each individual project will go through an approval process that involves:

- Resident Input
- Creation of a viable financial plan
- PHA Board of Commissioner's Approval
- HUD Approval

HCD is interested in moving forward with the first three projects identified in the report: 1. Tucson House; 2. MLK; and 3. Craycroft Towers. In addition, HCD proposes convening a task force to develop a strategy for the scattered site units and create affordable homeownership opportunities.

Respectfully submitted,



Liz Morales
Assistant City Manager

LM: ac
Housing and Community Development

Attachment(s): A – Executive Summary of Public Housing Portfolio Plan (Draft)
B – Public Housing Portfolio Assessment and Preliminary Recommendations
(Draft)