Town of Payson Housing Study and Strategy

May 2009

Prepared for:

Town of Payson
303 N Beeline Highway
Payson, AZ 85541

Prepared by:

Martina Kuehl
Kuehl Enterprises LLC
PO Box 642
Humboldt, AZ 86329
928-899-4339

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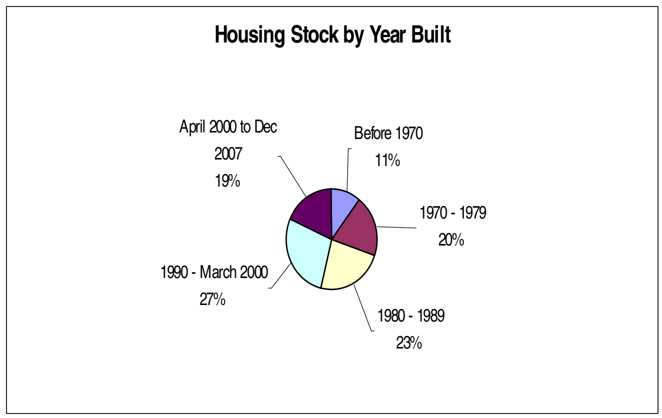
EXECUTIVE SUMMARY

Recognizing the potential positive impacts of assuring a healthy balanced housing market where all Payson residents have access to quality housing within their economic means, the Town of Payson undertook a housing study intended to serve as the basis for the development of a housing strategy.

The study incorporates data from the US Census, the Town of Payson and various federal, state and local sources. The primary source of socio-economic data is the US Census, while the primary sources of housing data are the Town of Payson Community Development Department and the Multiple Listing Service. The data provide a broad picture of both trends and current socio-economic and housing conditions and the relationship between the two. The many relationships provide insight into how the Town might work cooperatively with the private and nonprofit sectors to enhance the economy and quality of life in Payson.

Payson's natural beauty, small town character and proximity to Phoenix have all contributed to its continuing attraction as a retirement and seasonal community. Since 1970, an average of 222 new housing units have been annually added to the Payson housing stock. The highest annual volume of new units during any five-year period occurred from 1995 to 2000, when an average 295 units were annually added. Since 2000, with the exception of 2006 (when 277 units were added), the number of housing units has increased an average of about 200 units annually.



With this relatively stable increase in the housing stock, came change in housing variety that was typical of many small western US communities. This change is typified by an increase in single-family site-built units, which is more characteristic of suburban development than the urban core with forested or open surroundings and extremely low-density residential that was more typical in the 1980s and 1990s. In 1990, 63% of Payson's housing units were single-family site-built units; in 2007, 70% were single-family site-built units. This pattern, combined with the Payson terrain and natural environment has resulted in a community that is more suburban in nature than was the case in 1990. The urban core remains and is surrounded by subdivisions. Residential development in the urban core consists of older site-built and manufactured housing units as well as newer multi-family units.

As the proportion of single-family site-built units increased, the proportion of manufactured housing units declined from 28% of the housing stock in 1990 to 19% in 2007. In 2000, nearly one-half (48%) of all manufactured housing units were older than 20 years old (placed before 1980) and many of these were occupied by those on both ends of the age spectrum - households headed by a person over age 65 and under age 35. In 2000, 58% of manufactured units were owner occupied, 26% were renter-occupied and 16% were vacant.

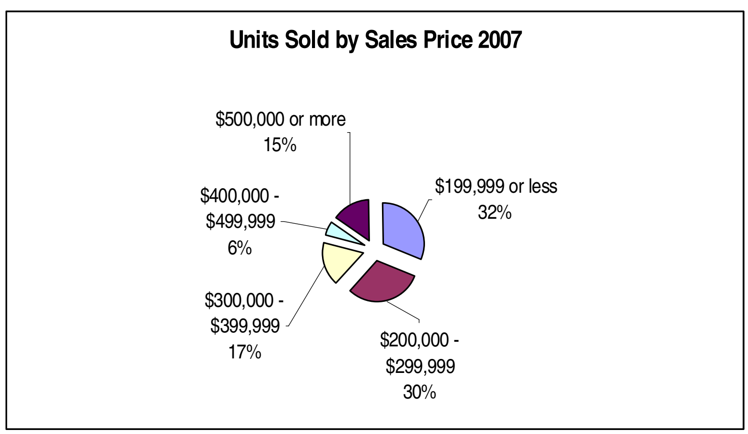
From 1990 to 2007, the proportion of multi-family units increased from 9% to 11%. The multi-family units consist of a mix of apartment units and condominium/townhome units, 21% of which were built prior to 1980. An estimated 40% of apartment units are restricted for occupancy by households earning less than 60% of the median income and/or seniors. Most multi-family units consist of one- or two bedrooms and given smaller unit sizes and higher densities are frequently more affordable than single-family site-built units. In 2000, 11% of multi-family units were owner occupied, 73% were renter-occupied and 16% were vacant. Among owners, those over the age of 75 were most common.

Single-family site-built units are more likely to be owner-occupied or vacant than are other unit types. In 2000, 71% of single-family site-built units were owner occupied, 9% were renter-occupied and 19% were vacant. Among single-family site-built units in 2000, 2000 37% were built before 1980, with 26.3% of older units renter occupied, compared to 20.9% of units built after 1980.

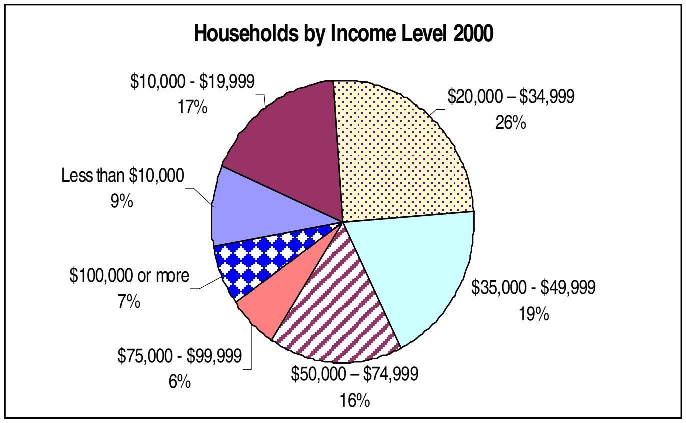
Across the nation and in Payson, from 2000 to 2006 housing growth was fueled largely by the higher earnings of baby boomers in their peak earning years and the significant gains in real estate value. Many boomers purchased future retirement and vacation homes during this period, increasing the estimated proportion of seasonal housing units to 15%, equal the proportion of seasonal units in 1990.

The large gains in real estate equity combined with minimal capital gains taxation and a strong construction-led local economy also increased investment by both local and out-of-area investors in rental units. By 2008, there were an estimated 1,746 rental units, including 1,214 manufactured and single-family site-built units. From 2000 to 2008, the median rent for an apartment unit increased to $680, and for all units increased an estimated 51.4% from $545 to approximately $825.

This same increased investment by seasonal residents and investors contributed to a strong local economy that also attracted additional businesses and employees, increasing the demand for additional housing units for the workforce. Together the resulting demand led to increased home values and prices and decreased affordability. From 2000 to 2007, median housing prices increased 84.7% from $148,900 to $268,500. Assuming a 5% down payment, purchasing a home in Payson in 2000 required an annual income of $45,350 or 144% of the median income; by 2000, an income of $75,600 or 179% of the median income was needed. Along with decreased affordability came decreased availability of units for moderate and lower income households. At the time of the 2000 Census, the greatest proportion (28%) of for-sale housing units were priced under $100,000. By 2007, the proportion of units for sale under $100,000 had declined to 3%, with the greatest proportion (19%) priced between $300,000 and $400,000.



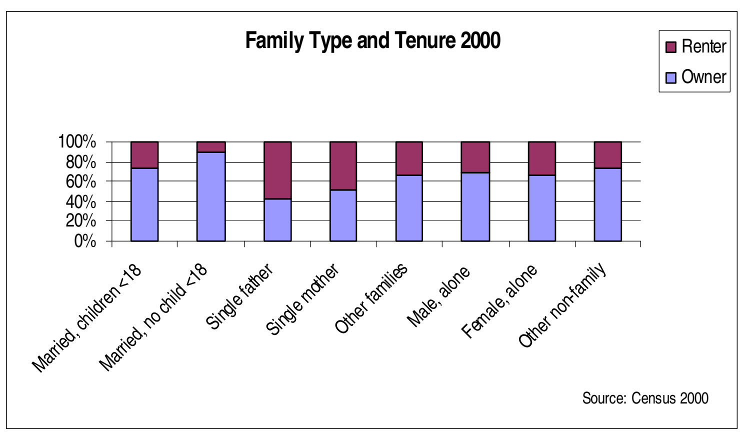
From a purely economic perspective, from 2000 to 2007 both rental affordability and home purchase affordability declined as median wages increased 32.4%, rent increased 51.4%, and home prices increased 84.7%. For two-earner working households at the median wage in Payson's primary industries, an affordable rent ranges from $1,140 to $1,599/month, and an affordable purchase unit is priced from $125,000 to $180,000. For these households, there are a large number of rental housing choices, but few home purchase choices. Considering the possible range of workforce households and the range of sales prices in relationship to asking prices, the estimated shortfall of purchase units in September 2008 is 50 units priced between $105,000 and $150,000, and 70 units priced between $150,000 and $225,000. This assumes that households earning less than $35,000 would not be able to purchase.



The majority of the housing that is affordable to households earning the median income, including workforce households is located in the urban core. Many of these units are older single-family site-built or manufactured housing units that may require additional investment or be more difficult to finance. Several employers stated that they had difficulty recruiting moderate-wage employees due to the lack of newer site-built units that were affordable and not in need of improvement. Still, there are options for those working households with sufficient credit and the financial and human capacity to undertake home improvements.

As the economy has cooled, home prices have declined somewhat and more units are available at prices affordable to the workforce. From September 2008 to April 2009, the volume of for-sale housing units has remained relatively stable at approximately 500 units with a median asking price of $329,000. In April 2009, 80% of for-sale units were single-family site-built with a median asking price of $399,000, 12% were manufactured units with a median asking price of $155,000, and 8% were condo/townhome units with a median asking price of $235,000.

While the focus of housing dual-earner workforce families is on increasing homeownership opportunities, single-person and single-earner households face different challenges. Many of the lowest income households are employed in food service and building/grounds maintenance industries, are single parents or are persons with disabilities. Some of these households move frequently for employment, resulting in poor credit and difficulty finding quality housing. This movement also negatively impacts occupancy in housing targeted for lower income households.



While many of these households qualify to occupy subsidized rental units targeted to those with incomes below 60% of the median income, others have incomes well below the amount necessary to make a minimum rent payment, even in a subsidized unit. Still others have incomes too high to qualify for subsidized housing, yet too low for many of the available single-family units. In 2008, there was an estimated shortfall of 134 units renting for less than

$250/month, 41 units renting for between $250/month and $500/month, and 71 units renting for between $500/month and $875/month.

Another large segment of households, many of whom are also single-person households, are those headed by a person over the age of 65. Forty percent (40%) of Payson's householders are over the age of 65. In general, households over the age of 65 have lower incomes than working families, yet have greater equity and assets and are more likely to own their housing unit. Many owners wish to "age in place", while others wish to move to smaller units with less upkeep. With the large proportion of households in this age category, additional units with appropriate amenities, and defined services and supports for those wishing to age in place are key elements of the housing market.

These four identified conditions – workforce and family housing affordability, single-person and single-earner housing availability and affordability, an aging population with emerging housing and supportive services needs, and limited housing variety – all require a coordinated effort of the private, public and nonprofit sectors to address. This coordination and capacity have just begun to mature in Payson and additional efforts are necessary to successfully address the identified conditions.

The Payson Housing Advisory Commission (PHAC) created a one-year action plan intended to first build capacity and coordination before exploring and suggesting policies, programs, incentives and regulations for future implementation. The focus of this one-year workplan is on community education and collaboration, developing processes to support Town Staff and elected and appointed officials, and establishing housing policy. With these foundations strongly in place, the Town may then more fully explore additional housing programs and financial and technical processes.

The PHAC identified five primary categories of actions for exploration and implementation during the next year:

1. <u>Community Education and Collaboration</u> includes providing specific information regarding the pros and cons of housing for households at all socio-economic levels, and the relationship of housing affordability to employment and income. More specifically and regarding education, the PHAC will meet with organizations that serve seniors, secure community design assistance through the Arizona Department of Housing Technical Assistance program, develop fact sheets for distribution to affordable housing developers, create a process for employer input into housing programs and projects, and pursue resources to support these education efforts. These efforts will be supported by the development of processes to ensure data and information is current.

2. <u>Community-based Programs</u> includes implementing a neighborhood- or geographically-based approach to planning and activity implementation, updating existing programs to ensure goals and objectives are consistent with identified conditions, working more closely with employers to ensure on-site delivery of housing counseling and education to employees, securing resources through legal mechanisms that provide for the return of any Town investment, and establishing a volunteer network to address identified conditions.

3. <u>Planning and Zoning Requirements and Incentives</u> includes continuing to ensure that subsidized housing is located close to employment and services, and continuing to ensure that new housing units respect the mass, scale and form of neighboring buildings through design review.

4. Building Leadership and Capacity includes developing and bringing forward for adoption a local housing policy that incorporates maintaining and increasing a range of quality housing for all economic and demographic segments of the population. Additional activities include involving housing staff in development review and negotiations, examining and reporting on a variety of organizational structures and fiscal resources that will aide in strategy implementation, and developing a methodology to assess new or expanding housing programs and resources in light of existing plans, strategies and policies.

5. Additional Financial Resources include supporting housing staff to gain housing education and counseling certification, pursuing federal and state funding, supporting projects and programs that are appropriately seeking federal and state funding, and convening the local lending and real estate communities to begin researching potential local financing mechanisms.

With these activities as a foundation, the Town will be better positioned to more fully explore, evaluate and possibly implement a variety of activities over the next five years and beyond. The PHAC has categorized later strategies in accordance with the conditions identified in the Housing Study as follows:

1. Increasing housing options for Payson's workforce and families includes:
   a. Continuing community education and outreach and enhancing education through sponsoring of workshops and seminars;
   b. Encouraging the development of employer-assisted housing and housing programs through linking jobs creation with housing creation, supporting higher-wage employer attraction, and providing for the development of employee housing by employers adjacent to businesses; and
   c. Encouraging the construction of a variety of workforce housing options – both for buyers and renters - in locations that are accessible to services and employment, including incentives for housing rehabilitation in targeted neighborhoods, and exploring a variety of zoning and building requirements and incentives through the General Plan process.

2. Increasing housing options and supportive services for Payson's aging householders experiencing housing quality and affordability challenges includes:
   a. Continuing community education and outreach, enhancing volunteer-based programs, and contacting developers of senior housing;
   b. Delivering or supporting community-based programs and projects that will address the housing and supportive services conditions of Payson's aging population, including a home modification program to allow seniors to age in place, and the examination of a program to replace the oldest manufactured housing units.

3. Increasing owner housing assistance and subsidized rental housing options for single-person and very low-income households includes:
   a. Encouraging the development of single-room-occupancy housing and other projects and programs that will house single-person and very low-income families, including working with the Gila County Housing Authority to encourage the pursuit of additional rental assistance, developing a process for tracking abandoned, vacant and foreclosed property and evaluating its effectiveness as subsidized housing, and encouraging the adaptive reuse of vacant structures; and
   b. Examining a program to assist landlords renting to disabled household to modify their units.

4. Increasing the <u>variety of housing</u> types in Payson, including site-built, manufactured and multi-family homeownership and rental units. Many of the identified strategies to address this condition are suggested as part of the General Plan update process and include evaluating and investigating zoning and building requirements and incentives that encourage the development of a variety of housing types suitable for occupancy by identified populations. One primary activity is involving Housing Advisory Commission members and housing staff in the process as advisors and/or committee members. The knowledge of these individuals will then assist with:
   a. Requirements. Evaluating zoning to ensure that a diverse range of housing types, including multifamily homes, manufactured homes and accessory dwelling units are possible; evaluating areas where higher- or mixed-density residential might encourage a greater mix of housing; ensuring that adequate sites are designated for multi-family and manufactured housing to meet expected demand among households at various income levels; and encouraging mixed-use zoning to allow different types of uses within the same structure or on the same site.
   b. Incentives. Exploring the waiver of permit fees and paying or deferring impact fees as incentives for new affordable residential development or neighborhood revitalization; ensuring that specific guidelines regarding income, rent or purchase prices and occupancy requirements are developed and met; exploring a variety of methods to reduce up-front costs and minimize developer risk; exploring density bonuses as a method for increasing the supply of affordable housing; exploring the use of Community Development Block Grant funding as a source for land acquisition and near-term affordable housing development; and establishing design criteria for manufactured and modular housing to promote placement in a wider array of zoning districts.

5. Additional strategies to develop <u>local capacity to coordinate activities</u> that address identified housing conditions include:
   a. Developing a methodology and process to periodically reassess the impact of regulatory policy and land use on housing affordability and affordable housing development, and ensuring that programs, policies and actions incorporate an analysis of current and projected economic, social and political forces and the potential for displacement or loss of existing affordable units.
   b. Identifying and pursuing resources and structuring incentives and financing to ensure housing regulation and incentives are efficiently funded, and encouraging partnerships with financial institutions to develop a targeted local loan pool.
   c. Developing a portfolio of successful affordable housing projects and programs, ensuring that residents have access to financial and housing counseling to support housing decisions and investments, and ensuring that a public input process is utilized for all key housing programs, projects and policies.
   d. Developing a neighborhood-based approach to housing planning, projects and programs, which includes:
      i. Utilizing a systematic approach to identify the needs of specific neighborhoods, involving neighborhood residents in the planning process and developing action plans to meet identified housing, social and economic conditions.
      ii. Undertaking a housing conditions inventory in areas consisting primarily of housing stock built prior to 1980, identifying and mapping substandard units, and evaluating a systematic housing inspection program in areas with a high volume of substandard dwellings and/or code violations.
      iii. Exploring a variety of zoning districts to encourage housing variety, such as traditional neighborhood or cluster housing districts; and implementing rehabilitation codes in defined

areas as a method to rehabilitate older buildings, provide mixed-income or mixed-use housing and spark redevelopment or revitalization.

In conclusion, the Payson Housing Study defines the people who occupy housing, the people who live and work in the community, and two separate but inter-related housing markets – the rental market and the homeownership market. The three elements within and between these two housing markets that impact supply and demand - housing variety, housing quality, and housing affordability – are examined to identify the conditions that when positively impacted will contribute to a healthy, balanced community.

If housing alone were adequate to create and sustain a healthy balanced community, then a quality housing unit with all of the desired amenities that costs not more than 30% of a household's gross income would represent a healthy balanced community. Yet housing alone does not create a healthy balanced community. Through implementing community and individual education opportunities and creating volunteer networks the Town of Payson will be taking the first steps towards more fully examining the housing-related policies and resources that will contribute to a healthy community.

INTRODUCTION

This housing needs assessment document is divided into six sections:

1. A community housing inventory and housing overview, including housing quality, housing variety and housing affordability.
2. A general description of the population and households, and an overview of household socio-economic characteristics – past, present and future - and the housing conditions and needs of each.
3. A summary of conclusions regarding the housing market and the conditions and needs of Payson households as drawn from the data and information.
4. A housing strategy that details goals, objectives and actions suggested by the Town of Payson Housing Advisory Commission.
5. Several examples of how actions might be implemented to positively impact housing quality, variety and affordability.
6. A housing spectrum that demonstrates income levels, occupations by income level, housing unit need, and policies and programs to support households at various income levels.

Where practical, 2000 Census data has been updated based on 1990-2000 trends. Data available from the Town of Payson or through interviews with those familiar with socio-economic changes was used when available to arrive at estimates of conditions at the end of 2007 and into 2008. These trends were also used to establish a "moderate" growth rate and anticipate socio-economic conditions in 2013, 2018, and 2023.

The compilation of data and the development of this document occurred as the nation began to experience economic change. The housing needs assessment took place over a six month period from May 2008 to November 2008. During this time, national, state and local economic experts were predicting an economic recession lasting from three to six years. At the same time, the credit market was in the midst of turmoil and little was known about how restructuring of this industry might impact housing choice for consumers at all income levels. The depth, breadth and impact of the economic recession and changes in the credit market are unknown factors and not reflected in the summary of current conditions or estimates for future decades. Accordingly, it is important to view the estimates of future socio-economic and housing conditions as they were derived – using trends over a 16-year period during which the economy remained relatively stable.

While estimates of future conditions must be viewed in light of these many unknowns, so must consideration of current conditions be viewed in light of the possibility that economic and therefore housing hardship may be underestimated.

For some, the economic recession is a time to wait; however, it is also the ideal time to take stock of what has occurred, address immediately identifiable conditions, and define housing policy suitable during both times of economic prosperity and economic uncertainty. Accordingly, the summary of existing conditions summarizes socio-economic and housing conditions that may be addressed as part of a locally-coordinated housing strategy. The housing strategy assumes the goal of a balanced housing market – one in which a variety of quality, economically-sustainable housing choices are available to all segments of the population.

COMMUNITY HOUSING INVENTORY

A local housing market consists of two separate but inter-related markets – the rental market and the homeownership market. There are three elements within and between these two markets that impact supply and demand - housing variety, housing quality, and housing affordability. Housing quality may be defined by unit age, housing variety by the types of housing that are available, and housing affordability by the relationship between income and housing costs. If housing alone were adequate to create and sustain a healthy balanced community, then a quality unit with all of the desired amenities that costs not more than 30% of a household's gross income would represent a healthy balanced community.

Occupancy and Vacancy

The proportion of occupied units and the vacancy status of vacant units define overall housing demand and the primary use(s) of housing units. The number of vacant housing units and the reasons for vacancy are key housing market indicators. A large volume of vacant units for sale or for rent indicates an oversupply, while a large volume of vacant units that are not seasonal and neither sold/rented nor for sale or rent indicates units may be uninhabitable, abandoned or otherwise not available for occupancy.

From 1990 to 2000, the occupancy rate in Payson increased five percent (5%). This change may be attributed to an increasing volume of year-round residents during the decade.

TABLE 1 - TRENDS IN OCCUPANCY (1990 – 2000)

	1990	2000
Occupied Units	76.7%	81.6%
Vacant Units	23.3%	18.4%

Source: 1990 US Census, Census 2000
Note: includes seasonal, vacant for sale, and vacant for rent units only.

In 2000, the vacancy rate in Payson was 18.4%. The majority (67.5%) of vacant Payson housing units were seasonal units. Among non-seasonal vacancies, 11.4% were for rent, 12.7% were for sale and 5.2% were classified as "other".

TABLE 2 - VACANCY STATUS 2000

Status	No.	% Vacant Units	% Total Units
For rent	152	11.4%	2.1%
For sale only	170	12.7%	2.3%
Rented or sold, not occupied	42	3.1%	0.6%
Seasonal, recreational, occasional use	903	67.5%	12.4%
Other vacant	70	5.2%	1.0%
Total	1,337		18.4%

Source: Census 2000

Estimated Number of Second Homes/Seasonal Units - 2007

From 2000 to 2007, the US Census Bureau reported an increase in second-home ownership and estimated that 35% to 40% of all home purchases from 2000 to 2005 were second home purchases. According to the National Association of Realtors® *2006 Profile of Second Home Buyers (Profile),* ownership of more than one home became increasingly common during the early 2000s. The *Profile* found that 15% of buyers owned two or more homes and that 40% of home sales in 2005 were second homes. The profile identified the following characteristics of seasonal or vacation home owners:

- Median age of 59 years;
- Median income of $120,600;
- Median distance of 220 miles from the owner's primary residence;
- One-half are located in a resort or recreation area;
- Median occupancy of 39 nights per year;
- For units with a mortgage, 73% of the purchase price was financed;
- 35% pay cash when purchasing.

Payson has always been attractive to retirees and vacationers and this attractiveness combined with the following to increase the demand for housing:

1. Higher earnings of the baby boomers in their peak earning years;
2. In-migration of buyers with equity from the sale of homes in areas with higher incomes and higher housing values, and little or no corresponding capital gains taxation; and
3. Gains in real estate values that provided equity, as well as capital and access to liberal financing.

A review of Home Mortgage Disclosure Act data for the period from 2000 to 2007 and covering 1,429 loans from major lending institutions revealed that 25.3% of new home loans (not including refinancing) were for non-owner occupied units. The Payson Housing Advisory Commission estimates that half of these loans were for seasonal units and the other half were for investor units, resulting in an estimated seasonal home rate of 12.7% for all new units and purchases.

There were 1,656 new units added from 2000 to 2007 and an estimated 209 of these units were seasonal units. In addition, approximately 5% of units sell during any one year. Applying this rate of sale to owner-occupied units in 2000 (4,576), an average of 229 existing owner units were sold each year from 2000 to 2007. Applying the same 12.7% rate of seasonal purchases to this average rate of existing home sales adds an additional 29 seasonal units per year. The total estimated seasonal units as of the end of 2007 is 1,343 or 15% of the total housing units.

TABLE 3 - ESTIMATED NUMBER OF SECOND-HOME UNITS 2007 AND TRENDS IN SECOND-HOME UNITS 1990 – 2000

	1990		2000		New Units Added (2000 – 2007)		Estimated Existing Owner-occupied Home Sales (2000 – 2007)		2007 Estimated Seasonal Units	
	No.	%	No.	%	No.	%	No.	%	No.	%
Total Units	4,792		7,254		1,656		1,830		8,935	
Second-Home Units	728	15.2%	903	12.4%	209	12.7%	231	12.7%	1,343	15.0%

Sources: 1990 US Census, Census 2000, Author
Note: excludes 25 Boat, RV, Van

Investors and Investment Property

Seasonal and second homes are only part of the picture. Ownership of investment property also played significantly into the real estate boom of the early 2000s. Unlike second home units, ownership of investment property is dependent upon the financial gains owners expect from rental income, value appreciation, and depreciation and other tax incentives. For investment property, mortgage rates and the strength of the local economy are key factors. According to the National Association of Realtors® *2006 Profile of Second Home Buyers,* the following are characteristics of investment property owners (on a national basis):

- Median age of 55 years;
- Median income of $98,600;
- Median distance of 10 miles from primary residence;
- One-half are single-family homes; median size of 1,520 square feet;
- For units with a mortgage, 77% of the purchase price was financed; 28% pay cash.

Number of Rental Units

A review of rental property records provided by the Gila County Assessor indicates that 810 Payson properties are registered as rentals. Over one-half (52%) of registered rental units are owned by households whose primary residence is also located in Payson. Of the remaining units, 30% have in-state ownership and 17% have out-of-state ownership. It should be noted that although required by statute many rental properties are not registered with the County Assessor.

TABLE 4 - REGISTERED RENTAL PROPERTIES

Total Properties Registered	Payson Owner		In-state ownership		Out-of-State ownership	
	No.	%	No.	%	No.	%
810	423	52%	247	30%	140	17%

Source: Gila County Assessor

Assuming a stable homeownership rate (77%) and a 15.0% second-home rate, there were an estimated 1,746 rental units in Payson as of December 2007, including 532 multi-family units and 1,214 single-family site-built and manufactured housing units. There are few 3-bedroom and no 4-bedroom multi-family units, and it is assumed that larger families rely on the single-family and manufactured housing rental market.

Tenure

The proportion of renters and owners has remained relatively stable in Payson over the past several decades, with a 77% homeownership rate and a 23% renter rate. In 2000, the nationwide homeownership rate was 66%, and in Arizona was 68%.

TABLE 5 - TRENDS IN TENURE (1990 – 2000)

	1990	2000
Owners	76.4%	77.0%
Renters	23.6%	23.0%

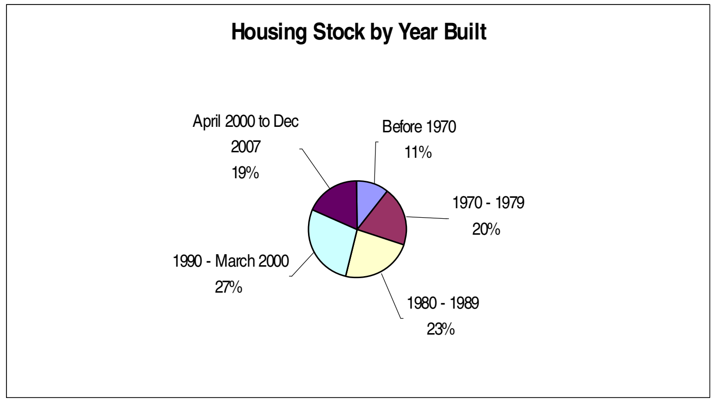
Source: 1990 US Census, Census 2000

Housing Quality

Number and Age of Housing Units

Utilizing permit data reported by the Town to the Central Arizona Association of Governments and Census 2000 data:

- 31% of housing units were built prior to 1980;
- 23% were built in the 1980s;
- 27% were built in the 1990s; and
- 19% have been built since 2000.



Since 1970, Payson has grown steadily, with an annual average of 222 units. The highest annual volume of new units during any five-year period occurred from 1995 to 2000, when an average 295 units were annually added.

Since 2000, with the exception of 2006, when 277 units were added, the number of housing units has increased an average of about 200 units annually.

TABLE 6 - HOUSING STOCK BY YEAR BUILT (DECEMBER 2007)

Year Built	No Of Units	% of Units	Cumulative Units	Cumulative %	Annual Average
1939 or earlier	48	0.5%	48	0.5%	5
1940 to 1949	43	0.5%	91	1.0%	4
1950 to 1959	346	3.9%	437	4.9%	35
1960 to 1969	538	6.1%	975	11.0%	54
1970 to 1979	1,745	19.7%	2,720	30.7%	175
1980 to 1989	2,065	23.3%	4,785	54.1%	207
1990 to 1994	931	10.5%	5,716	64.6%	186
1995 to 1998	1,196	13.5%	6,912	78.1%	299
1999 to March 2000	367	4.1%	7,279	81.5%	294
April – Dec 2000	218	2.4%	7,497	83.9%	291
2001	200	2.2%	7,697	86.1%	200
2002	216	2.4%	7,913	88.6%	216
2003	212	2.4%	8,125	90.9%	212
2004	156	1.7%	8,281	92.7%	156
2005	174	1.9%	8,455	94.6%	174
2006	277	3.1%	8,732	97.7%	277
2007	203	2.3%	8,935	100.0%	203
	8,935				

Sources: Census 2000; Central Arizona Association of Governments as reported by Town of Payson

Age of the Housing Stock and Tenure

Pre-1980 housing units may be a health and safety risk as many were built before the implementation of local building codes and the HUD code for manufactured housing. Another concern is environmental hazards, such as lead-based paint. Renters are more likely (44.5%) to occupy a pre-1980 unit than are owners (37.2%).

TABLE 7 - AGE OF OCCUPIED HOUSING UNIT AND TENURE (2000)								
	Occupied Units		Owner			Renter		
Unit Age	No.	%	No.	% of Owners	% of Units	No.	% of Renters	% of Units
Built before 1979	2,309	38.9%	1,701	37.2%	73.7%	608	44.5%	26.3%
Built 1980 or later	3,633	61.1%	2,875	62.8%	79.1%	758	55.5%	20.9%
Source: Census 2000								

Age of the Housing Stock and Type of Unit

In 2000 and of the housing stock built prior to 1980, manufactured housing was the oldest with nearly one-half (48.7%) built before 1980. Many of these units are renter occupied.

TABLE 8 - AGE OF HOUSING UNIT AND TYPE OF UNIT (2000)											
	Occupied Units		Site-built			Manufactured			Multi-family		
Unit Age	No.	%	No.	% of Type	% of Age	No.	% of Type	% of Age	No.	% of Type	% of Age
Built before 1979	2,298	38.9%	1,505	37.0%	65.5%	639	48.7%	27.8%	154	28.9%	6.7%
Built 1980 or later	3,614	61.1%	2,562	63.0%	70.9%	674	51.3%	18.6%	378	71.1%	10.5%
Sources: Census 2000; Central Arizona Association of Governments Note: excludes Boat , RV, Van											

Housing Variety - Type of Housing Units

A variety of housing types is necessary to meet the diverse housing needs and desires of both owners and renters. Housing variety is defined as the types of units that comprise the housing market and generally includes site-built single-family and multi-family units, and manufactured housing and mobile home units. Housing variety is driven primarily by market factors - builders and developers respond to the housing types and amenities desired by households who can afford the units and amenities. Other factors that influence housing variety include: the cost of land and construction, community character and setting (i.e. rural v. urban), public policy such as zoning and building requirements, and infrastructure capacity, availability, and cost.

The majority (72.9%) of housing units added in Payson from 2000 to 2007 were single family site-built units. 12.4% of units added were manufactured housing, and 14.8% were multi-family units. In 2007, Payson's housing stock included 70.1% single-family site-built units, up slightly from 69.5% in 2000; 19.9% manufactured housing and mobile home units, down slightly from 21.7% in 2000, and 10.0% multi-family, up slightly from 8.8% in 2000.

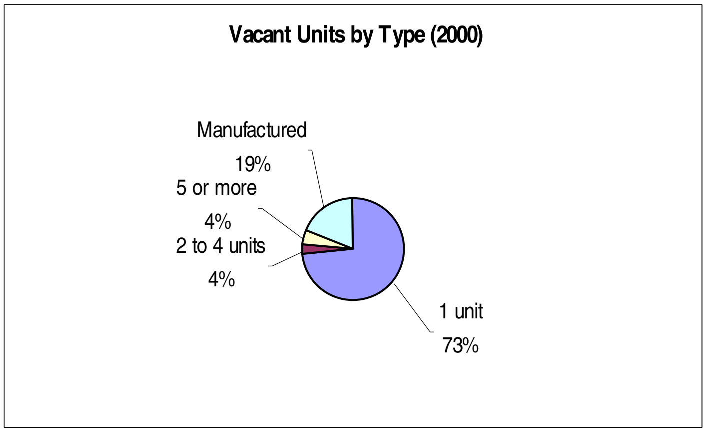
TABLE 9 - UNITS IN STRUCTURES BY TYPE OF STRUCTURE 1990, 2000 & 2007

	1990		2000		2007		Change 2000- 2007	
	No.	%	No.	%	No.	%	No.	% of Units
1 unit	2,992	63.0%	5,041	69.5%	6,248	70.1%	1,207	72.9%
2 to 4	208	4.4%	275	3.8%	344	3.9%	69	4.2%
5 or more	232	4.9%	366	5.0%	541	6.1%	175	10.6%
Manufactured	1,317	27.7%	1,572	21.7%	1,777	19.9%	205	12.4%
Total	4,749		7,254		8,910		1,656	

Sources: Census 2000, Town of Payson
Note: does not include Boats, RVs or Vans, which accounted for 25 units in the 2000 Census

Housing Type and Vacancy

Among vacant units in 2000, the majority (72.8%) were single family site-built units. Another 19.4% were manufactured units and fewer than 8% were multi-family units.



Housing Type and Tenure

Nearly eight of ten (78.9%) owners occupied single-family site-built housing units in 2000; 20% occupied manufactured units, and 1% occupied multi-family units. Renter occupancy was more evenly distributed across housing types, with 35.8% occupying multi-family units, 34.8% occupying single family site-built units, and 29.4% occupying manufactured housing units.

Among unit types, single-family site built units were more likely to be owner-occupied (71.2%) or vacant (19.3%), than renter-occupied (9.4%). Manufactured units were 58% owner-occupied, 25.5% renter-occupied and 16.5% vacant. Among multi-family units, nearly three quarters (73.4%) were renter-occupied, while 15.6% were vacant and 10.9% were owner-occupied.

TABLE 10 – TENURE BY UNITS IN STRUCTURE 2000

Units in Structure	Total Units		Owner-occupied			Renter Occupied		
	No.	%	No.	% of total units	% of Owner-occupied	No.	% of total units	% of Renter-occupied
1 unit	5,041	69.5%	3,591	71.2%	78.9%	476	9.4%	34.8%
2 – 4	275	3.8%	37	13.5%	0.8%	189	68.7%	13.8%
5 or more	366	5.0%	11	3.0%	0.2%	300	82.0%	22.0%
Manufactured	1,572	21.7%	912	58.0%	20.0%	401	25.5%	29.4%
Total	7,254		4,551			1,366		

Sources: Census 2000
Note: excludes Boat, RV, Van

Future Housing Types - Vacant Land and Zoning

According to an October 2008 Town of Payson Community Development Department vacant land report, the Town of Payson boundary incorporates 12,336 acres, including 4,511 acres of National Forest lands. National Forest lands account for 36.6 % of the total acreage, leaving approximately 7,825 potentially-developable acres, including private, Tribal and local government.

TABLE 11 - LAND OWNERSHIP

Ownership	Acres	
	Number	%
National Forest	4,511	36.6%
Non-Federal, Private, Tribal, Local Government	7,825	63.4%
Total Land Base	12,336	100.0%

Source: Town of Payson Community Development Dept.

The National Forest classifies 1,097 of its acres within the Town boundary as suitable "base for exchange" and potentially available as part of a future federal land exchange. Were this land to be completely exchanged with the Town of Payson, the total potentially-developable land base would grow to 8,922 acres or 72.3% of the total land base.

Utilizing Gila County tax records and the Town's Geographic Information System (GIS), the Town determined that 5,595 acres (72%) of the 7,825 potentially-developable acres have been developed, leaving 2,230 acres for potential development. Of the 2,230 remaining potentially-developable acres, 2,005 (89.9%) are zoned residential, 74 (12.8%) are zoned commercial, and 12 (4.5%) are zoned for manufacturing.

TABLE 12 - PAYSON LAND CLASSIFICATION BY ACRES

Land Use	Vacant			Developed			Total	
	Acres	% of Vacant	% Vacant by Class	Acres	% of Developed	% Developed by Class	Acres	%
Residential	2,005	89.9%	34.1%	3,867	69.1%	65.9%	5,872	75.0%
Commercial	74	3.3%	12.8%	506	9.0%	87.2%	580	7.4%
Manufacturing	12	0.5%	4.5%	253	4.5%	95.5%	265	3.4%
Open Space	132	5.9%	100.0%	0	0.0%	0.0%	132	1.7%
Clear Zone	7	0.3%	100.0%	0	0.0%	0.0%	7	0.1%
Roadways	0	0.0%	0.0%	969	17.3%	100.0%	969	12.4%
Total Acres	2,230		28.5%	5,595		71.5%	7,825	

Source: Town of Payson

Residential land zoning includes various classifications that allow for multi-family / attached dwellings or single-family detached dwellings. Zoning districts provide for a minimum lot size, which restricts the number of units that might be built on each vacant acre. For example, R1-6 zoning would allow up to one unit per 6,000 square feet of land or approximately seven units per acre, while R1-70 would allow up to 1 unit per 70,000 square feet of land or approximately one unit per 1.61 acres.

Owner choice, historical building patterns, terrain, roadways, and building requirements all impact the number of units actually built, and already-developed land has been built to approximately 61% of its maximum zoning capacity. So, while the already-developed single-family residential land in Payson could have supported as many as 13,111 housing units, 8,025 single-family units were actually built.

TABLE 13 - DEVELOPABLE, VACANT AND DEVELOPED ACRES BY ZONING DISTRICT 2008								
Zoning District	Total Acres		Vacant Acres			Developed Acres		
	No.	%	No.	% Vacant	% of Vacant	No.	% Developed	% of Developed
R-3 (MF)	610	10.4%	167	27.4%	8.3%	443	72.6%	11.5%
R-2 (MF)	37	0.6%	16	43.2%	0.8%	21	56.8%	0.5%
R1-6	722	12.3%	61	8.4%	3.0%	661	91.6%	17.1%
R1-8	556	9.5%	130	23.4%	6.5%	426	76.6%	11.0%
R1-10	928	15.8%	232	25.0%	11.6%	696	75.0%	18.0%
R1-12	1,158	19.7%	580	50.1%	28.9%	578	49.9%	14.9%
R1-18	83	1.4%	19	22.9%	0.9%	64	77.1%	1.7%
R1-35	199	3.4%	9	4.5%	0.4%	190	95.5%	4.9%
R1-44	300	5.1%	136	45.3%	6.8%	164	54.7%	4.2%
R1-70	149	2.5%	2	1.3%	0.1%	147	98.7%	3.8%
R1-90	681	11.6%	260	38.2%	13.0%	421	61.8%	10.9%
R1-175	449	7.6%	393	87.5%	19.6%	56	12.5%	1.4%
Total	5,872		2,005			3,867	65.9%	
Source: Town of Payson Note: MF – Multi-family								

Development Options

The future residential character of and housing affordability in Payson will be defined by the type of development that occurs. Of the already-developed land, 58% was zoned R1-10 or higher density. Of the remaining vacant developable residential land, 30.2% is zoned R1-10 or higher density. Conversely, of the already-developed land, 20.3% was zoned for low-density residential or less than one unit per acre, and 39.5% was zoned for low-density residential or less than one unit per acre.

In some cases, current residential zoning assumes that a developer will eventually acquire a parcel and propose a mix of residential housing types and densities. In other cases, lower densities are necessary due to infrastructure, terrain or other natural features. For those areas where residential rezoning is likely, the ability to provide for higher densities or manufactured housing will encourage more affordable housing development.

Higher densities provide for greater housing affordability by distributing the costs of land and financing over a greater number of units. For example, assuming similar size and type of construction, by increasing the density from 4 units per acre to 8 units per acre or 12 units per acre, a development cost savings of approximately $33,000 to $40,000 is realized. This cost savings can then be passed on to the home purchaser. More detailed strategies are included in the action plan.

Housing Affordability

Housing affordability is defined by the relationship of household income to housing costs. Generally, when incomes increase, housing affordability increases, housing choice increases, and the quality and size of housing that may be purchased or rented increases. When incomes stagnate or decrease, housing affordability declines as monthly payments, utilities and maintenance consume a greater share of gross income and fewer households are able to purchase housing.

Rental Affordability

A June 2008 phone survey and review of data provided by professional property managers included 423 units - 374 multi-family and 49 single-family. While the rental survey included approximately one quarter of the total rental units, few non-apartment type units were included. Property management companies indicated that many rental units are managed by individual owners who do not publicly advertise but rent by word-of-mouth. A door-to-door survey would be necessary to elicit a more accurate representation of the single-family rental market.

Apartment Rental Affordability

Of the apartment-type units surveyed, 36.6% were 1-bedroom units, 56.4% were 2-bedroom units, and 8.0% were 3-bedroom units. Over one quarter (27.3%) were restricted to occupancy by seniors and disabled households, and four of ten (43.9%) were restricted to households earning 60% of the area median income or less, adjusted for household size. For income restricted units, maximum monthly rents range from approximately $480 to $685, depending upon the size of the household and number of bedrooms per unit.

TABLE 14 - RENTAL SURVEY (JUNE 2008 MULTI-FAMILY SAMPLING) – PAYSON

	Units Sampled	Units by Bedroom Size			
		1 br	2 br	3 br	4 br
Multi-family Rentals	374	137	211	26	0
Median Monthly Rent	$ 680	$ 525	$ 680	$ 700	n/a
Average Monthly Rent	$ 639	$ 532	$ 698	$ 717	n/a
% of units surveyed		36.6%	56.4%	8.0%	0.0%
Age Restricted	102	27.3%			
Income Restricted	164	43.9%			

Single-family Rental Affordability

The median rent in the small sampling of site-built and manufactured units was $900 and ranged from $500 for 1-bedroom units to $1,050 for 3-bedroom units. Compared to apartment-type units, median monthly rents for single-family and manufactured units were 21% higher for 2-bedroom units and 50% higher for 3-bedroom units. Discussion with a professional property manager revealed that although the sampling is small, the rents were representative of the site-built and manufactured housing rental market.

TABLE 15 – RENTAL SURVEY (JUNE 2008 SINGLE-FAMILY SAMPLING) – PAYSON

	Units Sampled	Units by Bedroom Size		
		1 br	2 br	3 br
Single-family Rentals	49	4	24	21
Median Monthly Rent	$ 900	$ 500	$ 825	$1,050
Average Monthly Rent	$ 937	$ 513	$ 807	$1,167
% of units surveyed		8.2%	49.9%	42.9%

Trends in Rental Affordability (2000 – 2008)

The 2008 median monthly apartment rent of $680/month was affordable to households earning approximately $13.08/hour or $27,200. This income equates to 61% of the 2008 estimated Payson median income. Only households earning less than 60% of the area median income (adjusted for household size) are eligible to occupy income-restricted housing and 44% of apartment units are income-restricted.

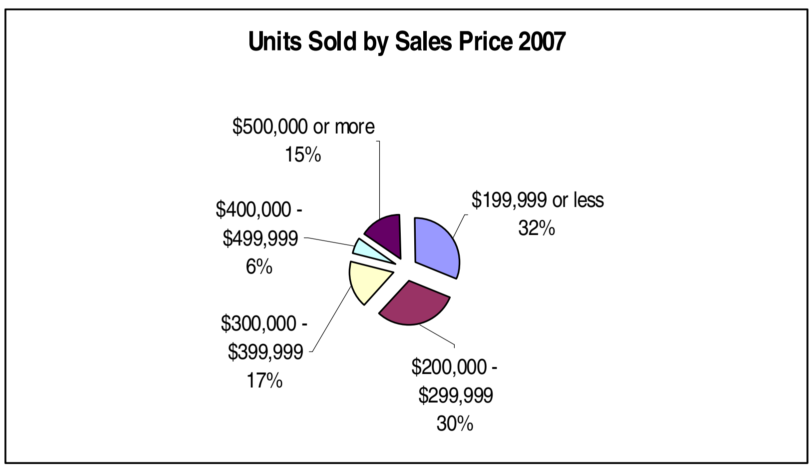
The 2008 median monthly non-apartment rent of $900/month was affordable to households earning approximately $17.37/hour or $36,000. This income equates to 75% of the 2008 estimated Payson median income.

Based on the units surveyed, from 2000 to June 2008 the median monthly rent increased 51.4% from $545 to an estimated $825. During the same period, median income increased 34.3% and median wages increased 32.4%, resulting in decreased rental affordability.

TABLE 16 - TRENDS IN RENTAL AFFORDABILITY (2000 –2008)		
	2000	June 2008 (est)
Median Contract Rent (does not include utilities)	$ 545	$ 825
Approximate Monthly Income Needed	$ 1,817	$ 2,750
Approximate Annual Income Needed	$ 21,800	$ 33,000
Approximate Hourly wage needed (full-time)	$ 10.48	$ 15.87
Change in Annual Income Needed to Afford Median Contract Rent		$ 11,200
Change in Hourly Wage Needed to Afford Median Contract Rent		$ 5.39
% Change in Income Needed to Afford Median Contract Rent		51.4%
% Change in Median Income		34.3%
% Change in Median Wages (2000 – 2007)		32.4%

Cost of Purchasing and Trends in Cost of Purchasing

Householders entering homeownership for the first time in the 2000s faced housing market trends full square – the high demand from second home and other investors combined with higher-income, higher-wealth households moving to the area led to increased prices for both new and existing units. Lower mortgage interest rates and liberal financing terms could not offset home price increases for many households.



The Payson housing market lags the nationwide and urban Arizona markets by about eighteen months. Demand for housing in Payson remained relatively high in 2006 and 2007, while demand declined in many areas. In 2007, 342 units sold in the Town of Payson, including 242 (70.8%) site-built units, 87 (25.4%) manufactured units, and 13 (3.8%) multi-family units.

The median sales price for all units sold was $268,500 and the median year built was 1986. The median sales price for site-built units was $324,950 with a median year built of 1996. The median sales price for manufactured units was $169,000 with a median year built of 1986. The median sales price for condominium/ townhome units was $180,000 with a median year built of 1995. One quarter (26%) of buyers paid cash, with nearly half (46%) of condo/townhouse buyers paying cash, and more than one-third (35%) of manufactured housing buyers paying cash.

TABLE 17 - SINGLE FAMILY UNITS SOLD (2007) BY PRICE RANGE & TYPE OF UNIT												
Price Range	All Units		Site Built			Manufactured			Condo / Townhouse			
	No.	% of Units	No.	% of Price Range	% of Units	No.	% of Price Range	% of Units	No.	% of Price Range	% of Units
$99,999 and less	12	4%	0	0%	0%	11	92%	13%	1	8%	8%
$100,000 - $124,999	10	3%	1	10%	<1%	9	90%	10%	0	0%	0%
$125,000 - $149,999	14	4%	3	21%	1%	11	79%	13%	0	0%	0%
$150,000 - $174,999	43	13%	13	30%	5%	25	58%	29%	5	12%	39%
$175,000 - $199,999	28	8%	9	32%	4%	17	61%	20%	2	7%	15%
$200,000 - $249,999	49	14%	36	74%	15%	10	20%	12%	3	6%	23%
$250,000 - $299,999	54	16%	49	91%	20%	3	6%	3%	2	4%	15%
$300,000 - $399,999	59	17%	59	100%	24%	0	0%	0%	0	0%	0%
$400,000 - $499,999	20	6%	19	95%	8%	1	5%	1%	0	0%	0%
$500,000 - $749,999	26	8%	26	100%	11%	0	0%	0%	0	0%	0%
$750,000 - $999,999	14	4%	14	100%	6%	0	0%	0%	0	0%	0%
$1,000,000 or more	13	4%	13	100%	5%	0	0%	0%	0	0%	0%
	342		242		70.8%	87		25.4%	13		3.8%
1 bedroom	5	1%	0	0%	0%	4	5%	80%	1	8%	20%
2 bedroom	97	28%	45	19%	46%	40	46%	41%	12	92%	12%
3 bedroom	207	61%	165	68%	80%	42	48%	20%	0	0%	0%
4+ bedrooms	33	10%	32	13%	97%	1	1%	3%	0	0%	0%
Median Sales Price	$268,500		$308,500			$160,000			$175,000		
Median Days to Sale	112		123			79			57		
Median Square Feet	1,600		1,692			1,350			1,207		
Median Price/Sq Ft	$171.88		$188.65			$122.45			$159.09		
Median Year Built	1993		1996			1986			1995		
Paid for with Cash	26%		23%			35%			46%		
Source: Mike Foil, Foil Appraisal MLS											

Vacant Land Sales

A comparison of vacant land sales during the last six months of 2005, 2006 and 2007 revealed that vacant land sales volume dropped from 164 lots in the last half of 2005 to 21 lots in the last half of 2007. Average lot sizes remained relatively stable at .40 acres. Prices increased 11.5% based on a cost/acre comparison. Cash purchasers remained relatively stable at around 60 – 65% of total purchasers.

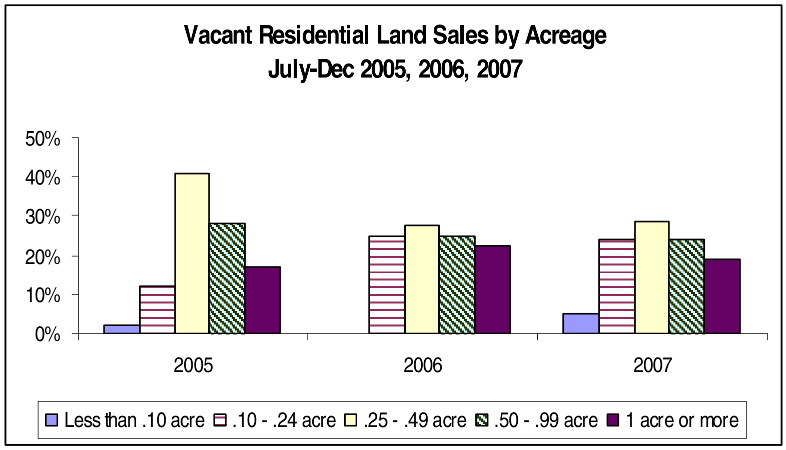
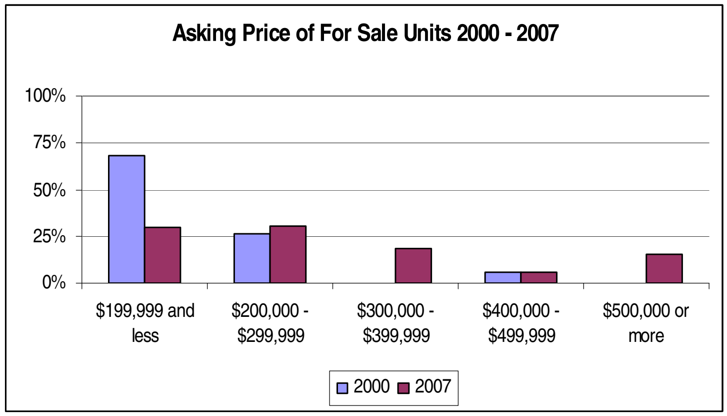


TABLE 18 – TRENDS IN VACANT LAND SOLD (2005 - 2007)						
Price Range	July – Dec 2005		July – Dec 2006		July – Dec 2007	
	No.	%	No.	%	No.	%
$49,999 or less	6	4%	0	0%	0	0%
$50,000 - $99,999	47	29%	17	35%	5	24%
$100,000 - $149,999	31	19%	10	20%	4	19%
$150,000 - $199,999	30	18%	3	6%	4	19%
$200,000 or more	50	30%	19	39%	8	38%
	164		49		21	
Median Sales Price	$ 143,900		$124,250		$ 175,000	
Median Days to Sale	135		137		84	
Median Lot Size / Acre	0.43		0.36		0.40	
Median $/acre	$ 347,806		$ 366,505		$ 387,324	
Purchased Cash	60%		65%		67%	
Source: Mike Foil, Foil Appraisal MLS						

Trends in Price Asked

While vacant land prices/ acre increased 11.5% from 2005 to 2007, median lot prices increased 21.6% from 2000 to 2007, and median asking prices increased 84.7%.



In 2000, approximately two-thirds (67.9%) of for-sale units were priced less than $200,000 and an additional 26.1% were priced between $200,000 and $299,999. At that time no units were priced more than $500,000.

In 2007, less than one-third (29.8%) were priced under $200,000, 30.1% were priced between $200,000 and $299,999, and 15.2% were priced over $500,000. The average sales price was 96.8% of the asking price.

TABLE 19 – TRENDS IN PRICE-ASKED 2000 CENSUS - 2007							
	2000 Census			2007			Change
Price Range	No. of units	% of units	Cumulative Units	No. of units	% of units	Cumulative Units	
$99,999 or less	38	28.4%	28.4%	11	3.2%	3.2%	(25.2%)
$100,000 - $124,999	8	6.0%	34.3%	9	2.6%	5.8%	(3.4%)
$125,000 - $149,999	22	16.4%	50.7%	16	4.7%	10.5%	(11.7%)
$150,000 - $174,999	15	11.2%	61.9%	30	8.8%	19.3%	(2.4%)
$175,000 - $199,999	8	6.0%	67.9%	36	10.5%	29.8%	4.6%
$200,000 - $249,999	22	16.4%	84.3%	49	14.3%	44.2%	(2.1%)
$250,000 - $299,999	13	9.7%	94.0%	54	15.8%	59.9%	6.1%
$300,000 - $399,999	0	0.0%	94.0%	64	18.7%	78.7%	18.7%
$400,000 - $499,999	8	6.0%	100.0%	20	5.8%	84.5%	(0.2%)
$500,000 - $749,999	0	0.0%	100.0%	27	7.9%	92.4%	7.9%
$750,000 - $999,999	0	0.0%	100.0%	13	3.8%	96.2%	3.8%
$1,000,000 or more	0	0.0%	100.0%	13	3.8%	100.0%	3.8%
	134			342			155.2%
Median Price Asked	$148,900			$275,000			84.7%
Source: Census 2000, Mike Foil, Foil Appraisal MLS							

Homeownership Affordability - 2007

In 2007 the median sales price was $268,500, requiring an annual income ranging from $75,590 to $89,100. This assumes:

- 5% down payment, 2% closing costs;
- Two possible lending ratios (28% or 33% for housing);
- A 30-year fixed rate mortgage at 7% interest;
- Monthly payment includes principal, interest, taxes and insurance, private mortgage insurance, and no homeowner's association.

Homeownership Affordability (2007) – Median Priced Housing Unit		
Income to Housing Cost Ratio ➔	28%	33%
Unit Price	$ 268,500	$ 268,500
+ Closing Costs (2%)	5,370	5,370
- Down Payment (5%)	13,425	13,425
Estimated Mortgage Amount	$ 260,445	$ 260,445
Estimated Monthly Payment at 7% for 30 years, including principal, interest, taxes, insurance, PMI, no HOA	$ 2,080	$ 2,080
Approx. Annual Income Needed to Purchase	$89,100	$75,590
Approximate Hourly wage needed (full-time)	$42.83	$36.34
Max other monthly debt (41% total debt ratio)	$965	$504

Trends in Housing Affordability 2000 – 2007

In 2000, a household income of $45,350 (137% of the median income) was required to purchase the median-priced ($149,800) housing unit, assuming the buyer would pay 97% of the asking price. In 2007, a household income of $75,590 (166% of the median income) was required to purchase the median priced ($268,500) housing unit. Consequently, from 2000 to 2007, an additional $30,240 in annual household income was required to purchase the median priced unit, an increase of 66.7%. During this same period, median income increased $10,800 or 34.3% and median wages increased $7,137 or 32.4%.

Trends in Homeownership Affordability (2000- 2007)		
	Median Price (2000)	Median Price (2007)
Unit Asking Price	$149,800	
Units Sales Price (95% of Asking Price)	$145,300	$268,500
+ Closing Costs (estimated minimum)	3,000	5,370
- Down Payment (5%)	7,265	13,425
Estimated Mortgage Amount	$140,940	$ 260,445
Estimated Monthly Payment at 7% for 30 years, including principal, interest, taxes, insurance, PMI, no HOA	$1,160	$2,079
Approximate Annual Income Needed to Purchase	$ 45,350	$ 75,590
Approximate Hourly wage needed (full-time)	$ 21.80	$ 36.34
Median Income (HUD)	$ 31,500	$ 42,300
Housing Affordability Ratio (Median Income/Median Price)	22%	16%

Change in Annual Income Needed to Afford Median Price Unit	$ 30,240
Change in Hourly Wage Needed to Afford Median Value Unit	$ 14.54
% Change in Income Needed to Afford Median Value Unit	66.7%
Change in Median Income (HUD)	$10,800
% Change in Median Income (HUD)	34.3%
Change in Housing Affordability Ratio (Median Income/Median Price)	-5.3%
% Change in Wages (AZ Workforce Informer)	32.4%
Change in Workforce Housing Affordability Ratio (Median Wage/Median Price)	-2.6%

2008 - 2009 Housing Market Conditions

Most experts predict that Arizona will be one of the top states for foreclosures. In making this prediction, experts cite two market conditions:

- A higher proportion of subprime and ARM loans in recent years, which equates to foreclosure vulnerability when initial interest rates reset, and
- A significant imbalance of supply and demand that is making it difficult to sell properties at prices sufficient to cover outstanding mortgages.

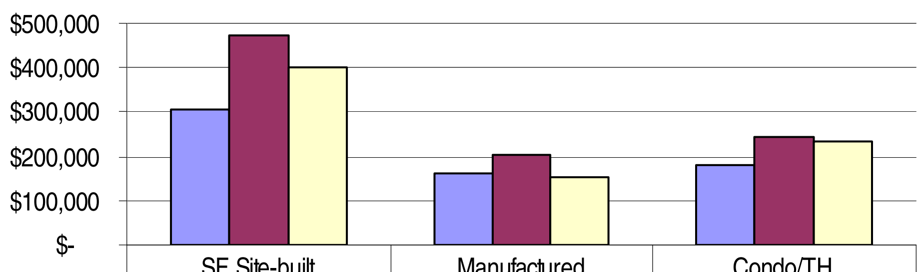
The most vulnerable owners are those who purchased from 2002 through 2006 and those who utilized creative financing, such as adjustable rate mortgages. These owners in particular, regardless of whether they are primary occupants, seasonal occupants or landlords are faced with declining property values, inadequate income to pay higher housing costs associated with interest rate resets (if ARMs were used), and fewer refinancing options as lender underwriting standards become increasingly stringent and access to credit more limited. While many owners are in a position to wait until the real estate market recovers, others are vulnerable to foreclosure or financial loss.

September 2008 and April 2009 Asking Prices

Two point-in-time analyses of housing units for sale revealed that approximately 500 housing units were on the market during September 2008 – April 2009. Thirty-seven percent (37%) of all units were included in both analyses, including 40% of site-built units, 22% of manufactured units, and 35% of condo/townhome units. Of the units included in both analyses, 15% were priced below $200,000, 27% were priced between $200,000 and $400,000, and 58% were priced over $400,000.

In September 2008 the median asking price for all units was $339,000 and in April 2009, the median asking price was $329,000. The proportion of available unit types remained relatively stable, with approximately 80% single-family site-built units, 12% -14% manufactured housing units, and 6% - 8% condominium/ townhouse units.

Price Asked 2007 - 09/2008 - 04/2009



	SF Site-built	Manufactured	Condo/TH
2007	$308,500	$160,000	$180,000
2008	$475,000	$203,000	$244,500
2009	$399,000	$155,000	$235,000

TABLE 20 – TRENDS IN PRICE-ASKED SEPTEMBER 2008 – APRIL 2009						
	September 2008			April 2009		
Price Range	No. of units	% of units	Cumul. Units	No. of units	% of units	Cumul. Units
$99,999 or less	7	1.4%	1.4%	8	1.6%	1.6%
$100,000 - $124,999	3	0.6%	2.0%	9	1.8%	3.5%
$125,000 - $149,999	16	3.1%	5.1%	33	6.7%	10.2%
$150,000 - $174,999	23	4.5%	9.6%	26	5.3%	15.4%
$175,000 - $199,999	22	4.3%	13.9%	45	9.1%	24.6%
$200,000 - $249,999	80	15.7%	29.7%	53	10.8%	35.4%
$250,000 - $299,999	61	12.0%	41.7%	56	11.4%	46.7%
$300,000 - $399,999	61	12.0%	53.6%	69	14.0%	60.8%
$400,000 - $499,999	46	9.0%	62.7%	49	10.0%	70.7%
$500,000 - $749,999	87	17.1%	79.8%	62	12.6%	83.3%
$750,000 - $999,999	60	11.8%	91.6%	40	8.1%	91.5%
$1,000,000 or more	43	8.4%	100.0%	42	8.5%	100.0%
	509			492		
Median Price Asked	$339,000			$329,000		

	Median price	% units	Median price	% units
Single-family Site-built	$475,000	80%	$399,000	80%
Manufactured	$203,000	14%	$155,000	12%
Condominium/Townhome	$244,500	6%	$235,000	8%

Source: Mike Foil, Foil Appraisal MLS

Sales Prices Summer 2007 – Summer 2008

A comparison of housing unit sales from July/August 2007 to July/August 2008 revealed that fewer units are selling, particularly those at higher asking prices. In general:

- Sales volume declined 51.5% from 68 units to 35 units;
- The median sales price declined 33% from $282,500 to $190,000;
- The mix of units sold changed from 67.6% site-built, 27.9% manufactured, and 4.4% condo/townhouse to 57.1% site-built, 40.0% manufactured, and 2.9% condo/townhouse; and
- The percentage of units sold for more than $400,000 declined from 26.5% to 0.0%.

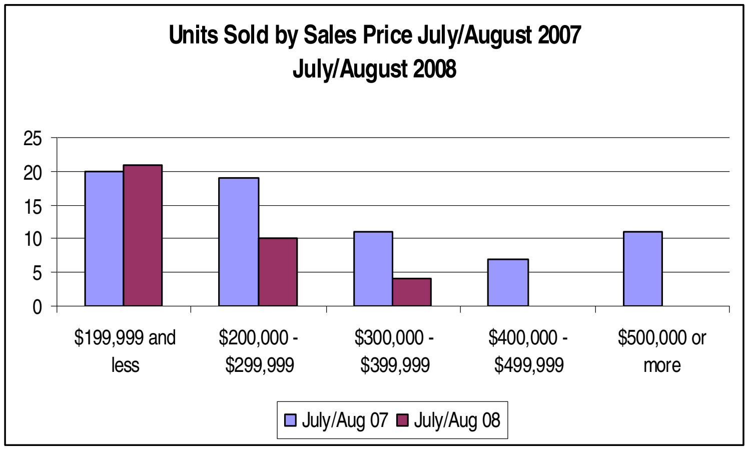


TABLE 21 – TRENDS IN SALES PRICES JULY/AUGUST 2007 – JULY/AUGUST 2008							
	July/August 2007			July/August 2008			Change
Sales Price Range	No. of units	% of units	Cumulative Units	No. of units	% of units	Cumulative Units	
$99,999 or less	3	4.4%	4.4%	3	8.6%	8.6%	4.2%
$100,000 - $124,999	0	0.0%	4.4%	3	8.6%	17.1%	8.6%
$125,000 - $149,999	2	2.9%	7.4%	3	8.6%	25.7%	5.6%
$150,000 - $174,999	12	17.6%	25.0%	4	11.4%	37.1%	(6.2%)
$175,000 - $199,999	3	4.4%	29.4%	8	22.9%	60.0%	18.4%
$200,000 - $249,999	5	7.4%	36.8%	4	11.4%	71.4%	4.1%
$250,000 - $299,999	14	20.6%	57.4%	6	17.1%	88.6%	(3.4%)
$300,000 - $399,999	11	16.2%	73.5%	4	11.4%	100.0%	(4.7%)
$400,000 - $499,999	7	10.3%	83.8%	0	0.0%	100.0%	(10.3%)
$500,000 - $749,999	6	8.8%	92.6%	0	0.0%	100.0%	(8.8%)
$750,000 - $999,999	1	1.5%	94.1%	0	0.0%	100.0%	(1.5%)
$1,000,000 or more	4	5.9%	100.0%	0	0.0%	100.0%	(5.9%)
	68			35			(51.5%)
Median Sales Price	$282,500			$190,000			(32.7%)
Source: MLS, Mike Foil, Foil Appraisal							

August 2008 Foreclosures

An August 2008 point-in-time review of foreclosed units listed on foreclosures.com revealed that 92 units or 1% of the total housing stock was available at auction or owned by financial institutions. The median market value of foreclosed properties was $231,500 and the median repossession amount was $168,000 or 72.6% of the market value. This indicates that many owners had positive equity, yet lost their homes to foreclosure for other reasons.

Among foreclosed units where both repossession and market value were listed, nearly one-third (32.2%) had negative equity - meaning the owner owed more than the unit's market value. The highest percentage of negative equity situations were among units valued under $99,999 (66.7%) and units valued between $300,000 and $399,999 (63.6%). Negative equity is most common when the unit was purchased or refinanced in recent years, or the unit was purchased with zero or little down or creative financing.

Foreclosures are more of a problem for middle-income homeowners than lower and higher-income homeowners, primarily because middle-income borrowers were more likely to have taken advantage of liberal financing terms than were other borrowers. According to the January 22, 2008 Arizona Department of Housing Report *Under Pressure: The Arizona Residential Real Estate Market and Loan Foreclosures*, approximately 40% of moderate and middle-income homeowners had high cost loans and these owners were more likely to experience foreclosure than lower-income homeowners.

TABLE 22 - AUCTION/REO PROPERTIES BY REPOSSESSION AMOUNT AND MARKET VALUE (AUGUST 2008)

	Repossession Amount			Market Value			Negative Equity	
	No.	%	Cumulative % of units	No.	% of stated units	Cumulative % of units	No.	%
$99,999 or less	10	10.9%	11%	3	4.8%	5%	2	66.7%
$100,000 - $124,999	9	9.8%	21%	3	4.8%	10%	1	33.3%
$125,000 - $149,999	10	10.9%	32%	4	6.5%	16%	0	0.0%
$150,000 - $174,999	19	20.7%	52%	6	9.7%	26%	2	33.3%
$175,000 - $199,999	5	5.4%	58%	6	9.7%	36%	1	16.7%
$200,000 - $249,999	12	13.0%	71%	13	21.0%	57%	4	30.7%
$250,000 - $299,999	5	5.4%	76%	9	14.5%	71%	2	22.2%
$300,000 - $399,999	11	12.0%	88%	11	17.7%	89%	7	63.6%
$400,000 - $499,999	4	4.3%	92%	1	1.6%	90%	1	100%
$500,000 - $749,999	3	3.3%	96%	3	4.8%	95%	0	0.0%
$750,000 - $999,999	3	3.3%	99%	1	1.6%	97%	0	0.0%
$1,000,000 or more	1	1.1%	100%	2	3.2%	100%	0	0.0%
Total Stated	92			62	67.4%		20	32.2%

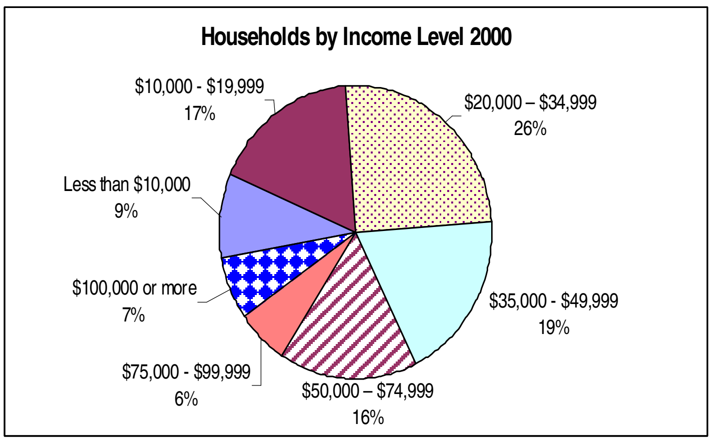
Source: Foresclosures.com

COMMUNITY ECONOMIC INVENTORY

In general, the housing market moves roughly in line with the rest of the economy over the long term. As employment in the overall economy grows, it is expected that employment in the housing economy will grow. As population grows and the number of households expands, the number of housing units is expected to grow proportionately. As income grows, we expect both the size and quality, and consequently the cost of housing to increase.

Household Income

Household income is the primary determinant of housing affordability and therefore housing opportunity and choice. Regardless of household size or type or the age of householder, income combines with wealth (capital) and access to credit to determine housing choice and affordability. In most cases, households with higher income have greater access to capital and credit, and households with lower income have less access.



In 2000, the greatest proportion of Payson households (25.1%) had a household income between $20,000 and $34,999 annually.

Among household growth from 1990 – 2000, the greatest proportion of growth was in those households with an annual income between $50,000 and $74,999.

Trends in Median Income

As the economy expands and the cost of goods and services increases, it is expected that incomes will also increase. From 1989 to 1999, the overall median income of Payson households increased 58% or 4.7% annually from $21,295 to $33,638. From 2000 to 2007, the estimated median income of Payson households increased 34.3% or 4.9% annually from $33,135 to $44,495.

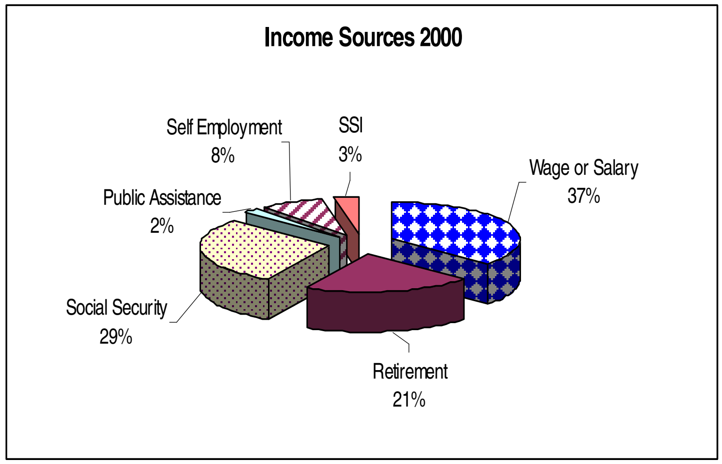
TABLE 23 - MEDIAN HOUSEHOLD INCOME 1990 – 2007

Year	Payson	Gila County	Annual % increase
1989	$ 21,295	$ 20,964	
1999	$ 33,638	$ 30,917	4.7%
2000	$ 33,135	$ 31,500	1.9%
2001	$ 33,871	$ 32,200	2.2%
2002	$ 34,713	$ 33,000	2.5%
2003	$ 42,076	$ 40,000	21.2%
2004	$ 43,549	$ 41,400	3.5%
2005	$ 43,549	$ 41,400	0.0%
2006	$ 44,916	$ 42,700	3.1%
2007	$ 44,495	$ 42,300	-0.9%

Sources: 1990 US Census, Census 2000; US Dept. of Housing and Urban Development. Note: Payson median income is assumed to be 108.8% of HUD Gila County Median Income

Sources of Income and Trends in Sources of Income

Sources of income are another measure of the local economy that reflect the demographic characteristics and housing priorities of residents.



In 2000, 37% of the Census-sampled population had wage or salary income, and 8% had self-employment income. In addition, 29% received social security and 21% had retirement income.

Among the population growth from 1990 to 2000, nearly one-half (45.7%) had wage or salary income, one third (32.1%) had social security income, and one-quarter (25.4%) had retirement income.

Poverty

Poverty is used by many to identify those individuals and households with the least income. The poverty level varies by the number of people in the household and by the age of the householder. The US Census calculates poverty using income from earnings and other sources for all of the adult household members, but not public assistance such as housing subsidy or food stamps. For this reason and others it is important to note that while poverty may measure what a family needs, it is used primarily as a statistical yardstick.

According to Census 2000, 10% of Payson's population and 6.5% of Payson's families were living in poverty. Nearly half of all poverty-level households were single-person households. Poverty was more prevalent among those under age 65 (87.1% of poverty) than those over age 65 (12.9%). Among families in poverty, seven of ten (70.1%) were families with children under 18, with most being single-parent families. Among single-person households, slightly more than one third (34.6%) were single males under 65 years and slightly less than one third (30.7%) were single females over 65 years.

Population and Household Trends and Estimates

A clear understanding of socio-economic trends and existing conditions is the starting point to identifying strategies that will result in a balanced housing market - one in which a variety of quality and affordable housing opportunities are available for both existing and future residents at all income levels.

The inter-relationship of the housing market and socio-economic factors such as population growth, household demographics, and economic opportunity is readily recognized – socio-economic factors help define the appropriate mix of housing, and changes in socio-economic factors equate to demand for additional or different types and prices of housing units.

While population is important to the distribution of federal and state funding, households occupy housing units and are the primary measure for identifying and discussing housing needs and translating those needs into estimates of demand. Utilizing housing unit completion data and estimates of household size (2.33) and seasonal units, the number of households grew from 5,924 in 2000 to 7,039 in 2007. During the same period, the population grew from 14,021 to an estimated 16,407.

The rate of growth from 2000 to 2007 was 2.7%, a much slower growth rate than the 1990 – 2000 5.7% rate. Given a moderate growth rate (4.2% = averaging the 1990s with the 2000s), future growth is estimated as 205 housing units, 165 households, and 384 people annually.

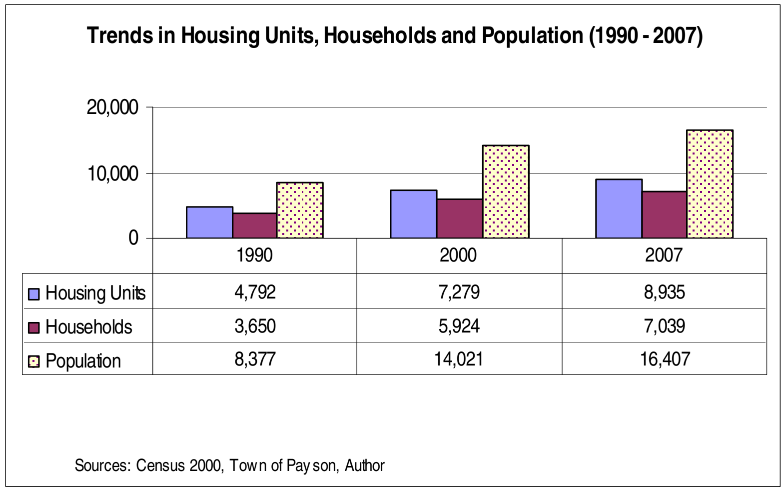


TABLE 24 - HOUSING UNIT, HOUSEHOLD AND POPULATION ESTIMATES 2013, 2018, 2023									
	2013			2018			2023		
	Slow	Moderate	Aggressive	Slow	Moderate	Aggressive	Slow	Moderate	Aggressive
Population	18,365	18,637	18,852	20,012	20,555	20,985	21,659	22,472	23,918
Households	7,882	7,999	8,091	8,589	8,822	9,006	9,295	9,645	9,922
Housing Units	9,815	9,960	10,075	10,695	10,985	11,215	11,575	12,010	12,355

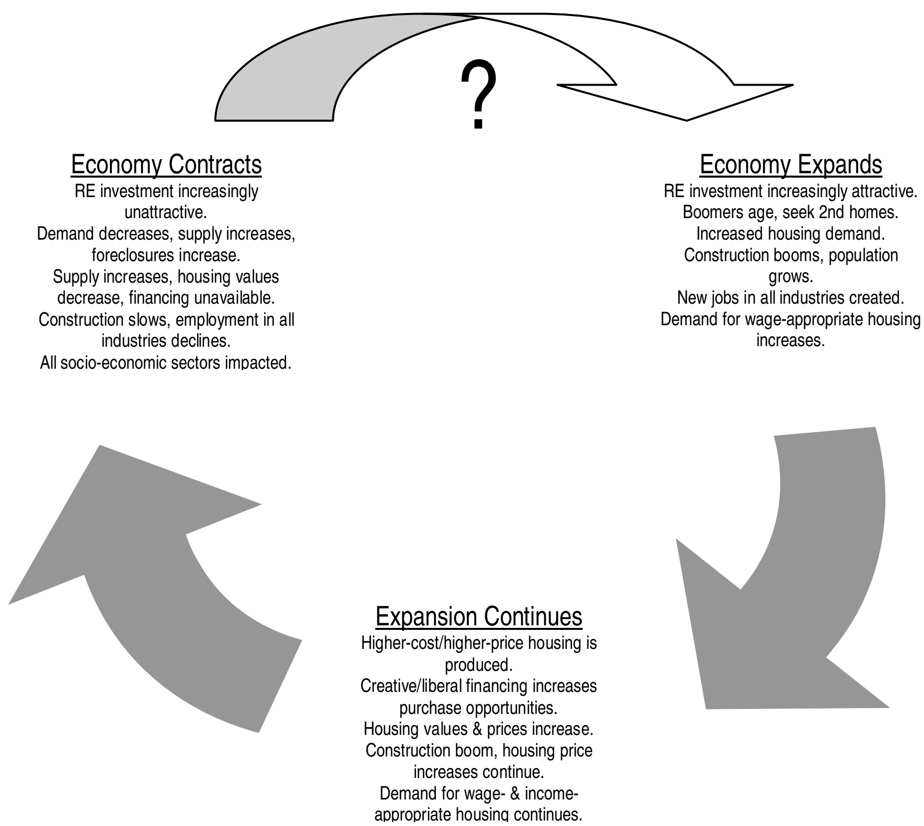
Sources: Town of Payson Permit Data; US Census

Notes: Slow Growth (2000 – 2008 Payson trend / 2.7%) – 176 average annual new housing units; Moderate Growth – 205 average annual housing units (Average of Slow + Aggressive Payson trend / 4.2%); Aggressive Growth – 228 average annual housing units (1990 – 2000 Payson trend / 5.7%)

HOUSING PAYSON'S HOUSEHOLDS

The housing market is influenced by a broad range of economic factors and is itself a major economic indicator. Employment and unemployment, major industries and occupations, and income levels are key indicators that both reflect and impact the housing market. In communities such as Payson, where a large part of the economy is driven by residential construction and recreation tourism, the inter-relationship is both significant and cyclical.

Since 1980, the Payson housing market has responded to increased demand with new housing units. The types of units built and the price of the units generally responded to the demands of the largest, most profitable socio-economic cohort – retirees, second-home purchasers, and investors. New jobs in construction and related industries were created, but the earnings from these jobs were less than the income needed to purchase the units being built. So, while the housing market functioned in an economically-appropriate supply-demand manner, there were socio-economic cohorts whose housing needs were not met by the increased supply. As residential construction and the overall economy slowed, those employed in construction-related and tourism-related industries lost income and their participation in the local economy slowed. The slowing economy also negatively impacted retirees, second-home purchasers and investors as the decreased demand and other economic conditions further reduced personal wealth, borrowing power, and cash for purchases from local businesses.



Household Income and Housing

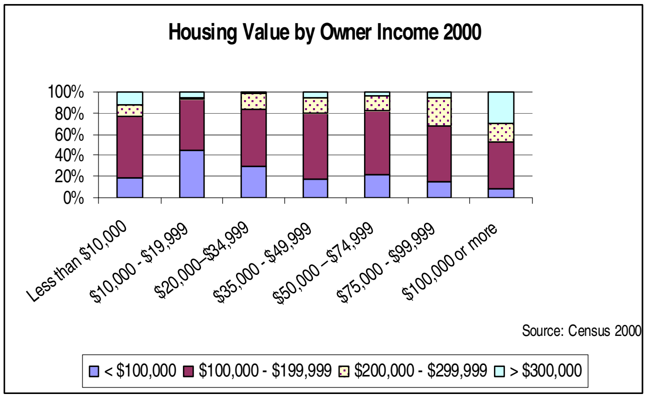
A variety of socio-economic factors contribute to household income. In turn, factors such as household composition, income type, credit establishment, and wealth accumulation contribute to income and therefore to tenure and housing choice. For many, the ability to purchase a home is the deciding factor in where to live. For others, the ability to locate a quality and affordable rental unit that allows for greater mobility is the deciding factor.

Household Income and Tenure

The lower the household income the more likely the household is to rent. For many lower income households, purchasing a home is simply beyond their financial means, regardless of the economic cycle. In 2000, the rental rate among households earning:

- Less than $20,000 (45% of the median income) was 36.4%;
- Between $20,000 and $49,999 (45% to 112% of the median income) was 21.7%; and
- $50,000 or more (more than 112% of the median income) was 19.6%.

Household Income and Housing Unit Value

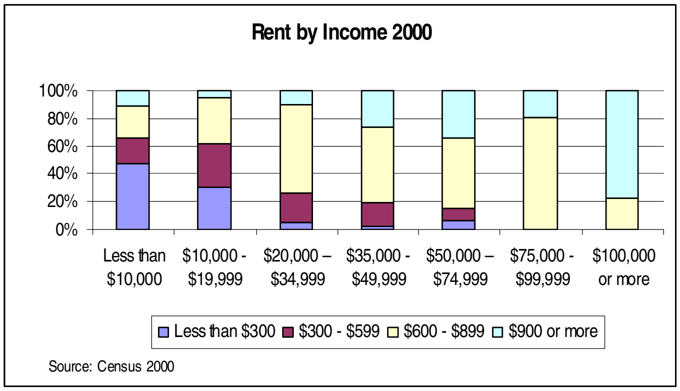


The relationship between income and unit value is most direct among middle-income owners. In terms of the relationship of unit value to income, more households at the lowest income levels own housing valued higher than what would be considered affordable, and more higher-income households own housing that is valued lower than what would be considered affordable.

Beyond purchase price affordability, other factors that contribute to the indirect relationship between value and income include: when the unit was purchased; income at the time of purchase; down payment amount; sources and cost of financing or financial assistance; unit inheritance; and increases in unit value during the term of ownership.

Household Income and Renting

Because rent is a monthly payment that does not have wealth-generation potential, the relationship between rent and income is more direct than the relationship between unit value and income. Further, renting is more prevalent among households with incomes too low to benefit from the tax savings of homeownership.



Household Income and Housing Cost Burden

When comparing income to the cost of owning or renting, the relationship between the two becomes clear - as income increases so does the likelihood that housing costs will be less than 30% of gross household income. In the overall housing market, higher income households have more housing choice, including more affordable housing choice, than lower income households.

In 2000, one-third of Payson's households (46% of renters and 29% of owners) paid more than 30% of gross household income for housing. The rate of cost burden was highest among the lowest income households, but is not a problem of only the lowest-income households:

- 65.4% (679) of households earning less than $19,999 were cost burdened, including 73.1% (350) of renter households and 58.8% (329) of owner households. These households earned less than 58% of the median income.
- 45.6% (533) of households earning between $20,000 and $34,999 were cost burdened, including 56.3% (175) of renter households and 41.8% (358) of owner households. These households earned the equivalent of 58% to 102% of the median income.
- 26.3% (254) of households earning between $35,000 and $49,999 were cost burdened, including 16.8% (42) of renter households and 29.6% (212) of owner households. These households earned the equivalent of 102% to 146% of the median income.

TABLE 25 - HOUSEHOLD INCOME AND HOUSING COST BURDEN (2000)

	Renters			Owners			All Sampled Households		
	No. in Sample	Cost Burdened	% Cost Burdened	No. in Sample	Cost Burdened	% Cost Burdened	No. in Sample	Cost Burdened	% Cost Burdened
Less than $10,000	197	152	77.2%	136	119	87.5%	333	271	81.4%
$10,000 - $19,999	282	198	70.2%	424	210	49.5%	706	408	57.8%
$20,000 – $34,999	311	175	56.3%	857	358	41.8%	1,168	533	45.6%
$35,000 - $49,999	250	42	16.8%	716	212	29.6%	966	254	26.3%
$50,000 – $74,999	141	0	0.0%	616	61	9.9%	757	61	8.1%
$75,000 - $99,999	21	0	0.0%	289	13	4.5%	310	13	4.2%
$100,000 or more	31	0	0.0%	340	7	2.1%	371	7	1.9%
Total	1,233	567	46.0%	3,378	980	29.0%	4,611	1,547	33.6%

Source: Census 2000 Notes: excludes Boat/RV/Van; sampling less than actual number

Estimated Households by Income Category – 2008 to 2023

Over time, income increases will shift the proportion of households into higher income categories. Since the actual income impacts of the current economy cannot be pre-determined, the following estimates assume:

1. Median income changes consistent with the 2000 – 2007 median income trend as estimated by the US Department of Housing and Urban Development;
2. Income category changes consistent with 1990 – 2000 income category changes & median income changes defined by the US Census; and
3. Estimated households assuming a moderate growth rate of 4.2%.

Given these assumptions, by 2018: 11% of households will have an income under $20,000, 63% will have income between $20,000 and $99,999, and 26% will have more than $100,000 in household income.

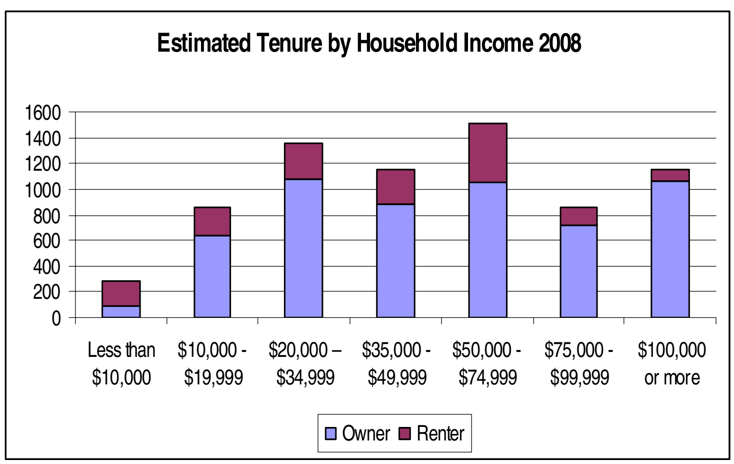
TABLE 26 - ESTIMATED HOUSEHOLDS BY INCOME CATEGORY 2008, 2013, 2018, 2023

	2008		2013		2018		2023	
	No.	%	No.	%	No.	%	No.	%
Less than $10,000	287	4%	280	4%	265	3%	241	2%
$10,000 - $19,999	861	12%	680	9%	705	8%	627	7%
$20,000 – $34,999	1,363	19%	1,440	18%	1,236	14%	1,157	12%
$35,000 - $49,999	1,148	16%	1,200	15%	1,235	14%	1,254	13%
$50,000 – $74,999	1,507	21%	1,599	20%	1,720	19%	1,833	19%
$75,000 - $99,999	861	12%	1,120	14%	1,367	15%	1,447	15%
$100,000 or more	1,148	16%	1,680	21%	2,294	26%	3,086	32%
Estimated Households	7,175		7,999		8,822		9,645	

Estimated Tenure by Household Income Category - 2008 to 2023

Estimating the tenure of households in various income categories is important to creating policies and programs that balance the future supply of housing for various household income levels. This is especially important when estimating the number of affordable and workforce housing units that will be needed over time.

Since the actual income and housing choice impacts of the current economy cannot be pre-determined, the estimates assume the proportion of renters and owners relative to the percentage of median income will remain stable over time.



As the income and income category of households change over time, the distribution of renters and owners relative to income is also expected to change: the proportion of renters at the lowest income levels is expected to increase to 100% over the next 10 years.

TABLE 27 - ESTIMATED TENURE BY INCOME CATEGORY (2013, 2018, 2023)												
	2013				2018				2023			
	Renters		Owners		Renters		Owners		Renters		Owners	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Less than $10,000	240	86%	40	14%	265	100%	0	0%	241	100%	0	0%
$10,000 - $19,999	160	24%	520	76%	176	25%	529	75%	145	23%	482	77%
$20,000 – $34,999	400	28%	1,040	72%	309	25%	927	75%	386	33%	771	67%
$35,000 - $49,999	320	27%	880	73%	265	21%	970	79%	337	27%	917	73%
$50,000 – $74,999	480	30%	1,119	70%	529	31%	1,191	69%	434	24%	1,399	76%
$75,000 or more	400	14%	2,400	86%	662	18%	2,999	82%	868	19%	3,665	81%
Total	2,000	25%	5,999	75%	2,206	25%	6,616	75%	2,411	25%	7,234	75%

2008 Estimated Rental Unit Gap

Based on estimates for 2008, there are sufficient affordable units for renters earning more than $35,000/year, yet there is an estimated gap of 246 units for households at lower income levels, including:

- 134 units renting for less than $250/month for households with incomes less than $10,000 annually (22% of the Gila County median income);
- 41 units renting for between $250/month and $500/month for households with incomes between $10,000 and $19,999 (23% - 44% of the Gila County median income); and
- 71 units renting for between $500/month and $875/month for households with incomes between $20,000 and $34,999 (45% - 77% of the Gila County median income).

TABLE 28 - ESTIMATED TOTAL RENTAL UNIT GAP BY INCOME CATEGORY (2008)						
	Affordable Monthly Rent	Estimated Renters	Estimated Units	Cumulative Units	Unit Gap	Cumulative Unit Gap
Less than $10,000	$ 250	201	67	67	134	134
$10,000 - $19,999	$ 500	217	176	243	41	175
$20,000 – $34,999	$ 875	284	213	455	71	246
$35,000 - $49,999	$ 1,250	262	806	1,262	(544)	0
$50,000 – $74,999	$ 1,875	456	315	1,577	140	0
$75,000 - $99,999	$ 2,500	149	50	1,627	99	0
$100,000 or more	$2,500 +	83	33	1,660	49	0

Estimated Rental Units Needed by Income Category 2013 - 2023

Given income and tenure trends, the proportion of renter households is expected to stabilize at 25% of total households, with the number of renter households at the very lowest income levels remaining relatively constant and the number of renter households at higher incomes increasing as median income increases. So, while higher-income renters will be able to afford a higher monthly rent, there will be a continuing need for rental units for households with incomes below $35,000 annually, including:

- 212-221 units renting for less than $250/month for households with incomes less than $10,000 annually;
- 212-233 units renting for between $250/month and $500/month for households with incomes between $10,000 and $19,999); and
- 341-353 units renting for between $500/month and $875/month for households with incomes between $20,000 and $34,999.

TABLE 29 - ESTIMATED RENTAL UNITS NEEDED BY INCOME CATEGORY (2013, 2018, 2023)

		2013		2018		2023	
	Affordable Monthly Rent	Estimated Renters	Estimated Units Needed	Estimated Renters	Estimated Units Needed	Estimated Renters	Estimated Units Needed
Less than $10,000	$ 250	211	221	204	214	201	212
$10,000 - $19,999	$ 500	222	233	219	230	201	212
$20,000 – $34,999	$ 875	331	347	336	353	325	341
$35,000 - $49,999	$ 1,250	263	276	254	267	286	300
$50,000 – $74,999	$ 1,875	518	544	495	520	445	467
$75000 - $99,999	$ 2,500	292	306	459	482	464	487
$100,000 or more	$2,500 +	163	171	238	250	489	513
Total		2,000	2,100	2,206	2,316	2,411	2,532

Note: Estimated units needed = 5% vacancy rate

2008 and 2009 Estimated Owner Unit Gap

Nationwide it is estimated that approximately 8% of existing homeowners will move in any one year, while in Payson an average of 5% of housing units transfer ownership in any given year. While some owners will move to rental situations, others will move into another owned unit. In addition, it is estimated that as many as 25% of renters are seeking to purchase a home, with the lowest income renters least likely to seek purchase and the highest income renters most likely to seek purchase.

The 2008 estimated owner unit gap considers only existing Payson residents and not in-migration. It is assumed that:

- Buyers can afford 2.8 times their annual household income;
- Sellers will accept 93% of the asking price; and
- Households with annual incomes less than $35,000 will not seek purchase.

Given these assumptions, approximately 120 affordable units are needed, including:

- 70 units priced between $105,000 and $150,000 for households earning between $35,000 and $49,999 (45% to 77% of the Gila County median income); and
- 50 units priced between $150,000 and $225,000 for households earning between $50,000 and $74,999 (78% to 164% of the Gila County median income).

TABLE 30 - ESTIMATED OWNER UNITS NEEDED BY INCOME CATEGORY –SEPTEMBER 2008

Income Category	Affordable Purchase Price	Estimated Existing Owner Purchasers	Estimated Existing Renter Purchasers	Total Estimated Purchasers	Manuf. /Condo Units For Sale	Site-built Units For Sale	Total For Sale Units	Units Needed
Less than $10,000	$ 28,000	4	2	6	0	0	0	6
$10,000 - $19,999	$ 56,000	32	4	36	1	0	1	35
$20,000 – $34,999	$ 98,000	54	23	77	4	3	7	70
$35,000 - $49,999	$140,000	44	26	70	13	7	20	50
$50,000 – $74,999	$ 210,000	53	91	144	41	33	74	70
$75,000 - $99,999	$280,000	36	37	73	25	69	94	0
$100,000 or more	$280,000 +	53	21	74	7	309	316	0
Total		276	184	458			509	0

With rapidly changing housing market conditions, more units that are affordable are on the market at any given time. Based on MLS data, the April 2009 owner unit gap is approximately 95 affordable units. Of affordable units on the market in April 2009, 30 or 42% were also on the market in September 2008.

- 71 units priced between $105,000 and $150,000 for households earning between $35,000 and $49,999 (45% to 77% of the Gila County median income); and
- 24 units priced between $150,000 and $225,000 for households earning between $50,000 and $74,999 (78% to 164% of the Gila County median income).

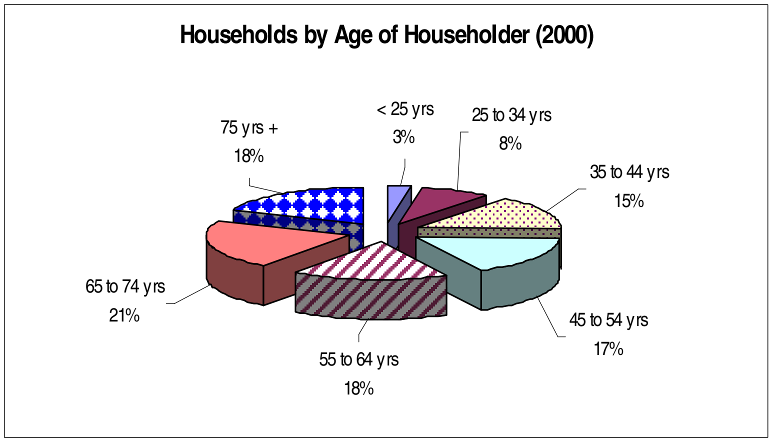
TABLE 31 - ESTIMATED OWNER UNITS NEEDED BY INCOME CATEGORY – APRIL 2009

Income Category	Affordable Purchase Price	Estimated Existing Owner Purchasers	Estimated Existing Renter Purchasers	Total Estimated Purchasers	Manuf. /Condo Units For Sale	Site-built Units For Sale	Total For Sale Units	Units Needed
Less than $10,000	$ 28,000	4	2	6	0	0	0	6
$10,000 - $19,999	$ 56,000	32	4	36	3	0	3	33
$20,000 – $34,999	$ 98,000	54	23	77	4	2	6	71
$35,000 - $49,999	$140,000	44	26	70	31	14	45	24
$50,000 – $74,999	$ 210,000	53	91	144	36	60	96	48
$75,000 - $99,999	$280,000	36	37	73	17	63	80	0
$100,000 or more	$280,000 +	53	21	74	7	254	261	0
Total		276	184	458			491	0

Age of Householder and Housing

As the baby-boom cohort formed households, both the size and type of households and the number of households in particular age groups changed. For example, the relatively large increases in the number of households maintained by people under age 25 in the 1960s and 1970s, by people age 25 to 44 in the 1970s and 1980s, and by people age 45 to 64 in the 1990s and 2000s all reflect the baby-boom generation moving through these age ranges.

Yet even with the baby boomers entering the 45 to 64 year old range, in 2000 the greatest proportion (21.6%) of Payson's householders were age 65 to 74 years. With people living longer, an additional 18.3% of householders were over the age of 75 years. So in 2000, nearly forty percent (39.9%) of householders were over the age of 65. In addition, 17.6% of householders were age 55 to 64 so 57.5% were over the age of 55.



Nationwide, population, age and household composition projections by the US Census Bureau reflect continued growth among the population age 65 and older, including more single-person households in this age category. The age distribution of Payson's householders is currently representative of the anticipated United States age distribution in 2015. Considering trends in Payson and Census Bureau projections, it is estimated that, due to age-related death, householders age 65 and older will continue to represent approximately 40% of the households.

TABLE 32 - ESTIMATED NUMBER OF HOUSEHOLDS BY AGE OF HOUSEHOLDER 2008, 2013, 2108, 2023

	2008		2013		2018		2023	
	HH		HH		HH		HH	
Householder Age	No.	%	No.	%	No.	%	No.	%
< 25 yrs	175	2.4%	181	2.3%	187	2.1%	193	2.0%
25 to 34 yrs	515	7.2%	555	6.9%	595	6.7%	635	6.6%
35 to 44 yrs	1,025	14.3%	1,126	14.1%	1,226	13.9%	1,326	13.7%
45 to 54 yrs	1,269	17.7%	1,428	17.9%	1,587	18.0%	1,746	18.1%
55 to 64 yrs	1,292	18.0%	1,456	18.2%	1,619	18.4%	1,783	18.5%
65 +	2,899	40.4%	3,254	40.7%	3,608	40.9%	3,962	41.1%
Payson	7,175		7,999		8,822		9,645	

Sources: Census 2000, Author. Notes: Assumes moderate growth scenario. Age category estimates based on time and 1990 – 2000 percent change, and Census Bureau projections.

Age of Householder and Median Income

As age increases so generally does individual income. Family structure also impacts household income, as there are more two-earner households among those between the ages of 25 and 64. Consequently, in 2000 the highest income households were those with a householder age 35 to 54, and the lowest income households were those headed by a householder over the age of 75 or under the age of 25.

TABLE 33 - MEDIAN INCOME BY HOUSEHOLDER AGE (2000)		
	Median Income	% of Payson Median
Householder < 25 yrs	$ 29,091	86%
Householder 25 to 34 yrs	$ 36,989	110%
Householder 35 to 44 yrs	$ 38,549	115%
Householder 45 to 54 yrs	$ 44,301	132%
Householder 55 to 64 yrs	$ 37,285	111%
Householder 65 to 74 yrs	$ 30,710	91%
Householder 75 yrs +	$ 24,892	74%
Payson	$ 33,638	
Source: Census 2000		

Age of Householder and Home Ownership (2000)

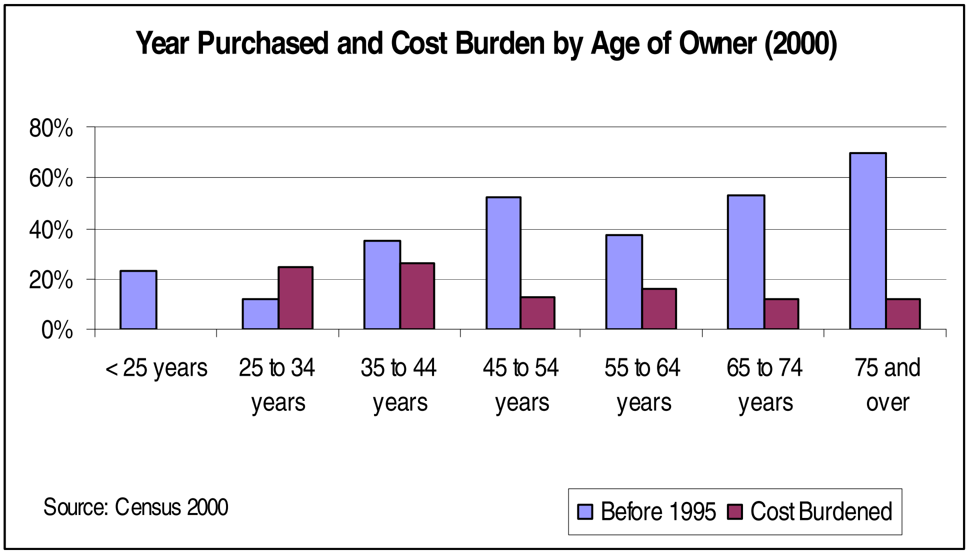
As noted, Payson's householders are generally older than householders throughout the State or Nation. Older householders are less likely to participate in the workforce, more likely to rely on retirement and social security income, and more likely to own than rent. The accumulated wealth of many older householders often makes possible a large down payment or paying cash for a home purchase. In general, older householders make housing choices based more on the availability of quality health care and recreation opportunities, and less so on schools and employment opportunities.

Still, older householders and the communities they comprise depend upon younger working householders to provide the services that contribute to quality of life. Younger households are usually larger and often require financing to purchase a home. Younger households also require a range of employment opportunities, including the ability to move up within an industry, high-quality educational opportunities, and appropriate recreation. They are more likely to relocate for employment opportunities and for quality schools than for other reasons.

Homeownership Rate, Year Purchased and Cost Burden

In 2000, the highest rates (85%) of homeownership were among householders age 65 and older and the lowest (32.9%) were among householders under the age of 25. Cost burden is highest among householders age 35 to 44 years, and lowest among householders age 25 and younger and 65 and older.

Year purchased is less of an affordability factor for younger householders who are more cost burdened regardless of year purchased. For older householders, those who purchased before 1995 experienced lower rates of cost burden than those who purchased after 1995. Sixty-one percent of owner householders age 65 and older purchased their home prior to 1995.



Type of Unit

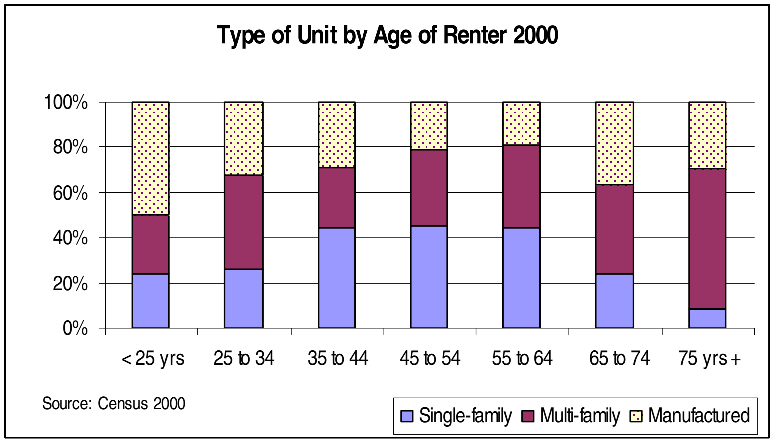
Seventy-nine percent (79.1%) of owners choose site-built housing. The youngest householders or those under age 25 were more likely to occupy manufactured housing (52.9%). The overall rate of owners occupying multi-family units was very low (0.8%) and most (89.2%) multi-family owner occupants were age 65 or older.

TABLE 34 - UNIT TYPE BY AGE OF HOUSEHOLDER (2000)

Householder Age	Owners		Site-built		Multi-family		Manufactured	
	No.	%	No.	%	No.	%	No.	%
< 25 yrs	57	32.9%	24	47.1%	0	0.0%	27	52.9%
25 to 34 yrs	270	54.8%	207	76.7%	0	0.0%	63	23.3%
35 to 44 yrs	549	64.7%	462	85.1%	4	0.7%	77	14.2%
45 to 54 yrs	690	69.1%	589	85.4%	0	0.0%	90	13.0%
55 to 64 yrs	849	84.6%	701	83.2%	0	0.0%	142	16.8%
65 to 74 yrs	1,117	86.8%	854	76.9%	13	1.2%	243	21.9%
75 yrs +	1,044	91.7%	754	72.2%	20	1.9%	270	25.9%
Total	4,576	77.0%	3,591	79.1%	37	0.8%	912	20.1%

Source: Census 2000
Note: excludes Boat/RV/Van Owner Units

Age of Householder and Renting (2000)



In 2000, the lowest rates (15%) of renting were among householders age 65 and older and the highest (67.1%) were among householders under the age of 25.

The housing choice of renters was nearly equally distributed among single-family (34.8%), multi-family (35.8%) and manufactured housing units (29.4%). The youngest renter householders were the most likely to occupy manufactured housing (50%) and those age 45 to 54 were the least likely to occupy manufactured housing (20.8%). Single-family site-built units were the rental of choice among renter households age 35 to 64 and multi-family housing was the predominant choice for renter households over the age of 75.

Cost Burden

In 2000, renters were twice as likely to be cost burdened as owners (15% v. 30%). The highest cost burden was among renter households younger than 25 years (42.2%) and between 65 and 74 years (39.4%). With the exception of those age 55 to 64, 25% or more of renter households in all other age categories were cost burdened. The lower rate of cost burden among the 55 to 64 age cohort may be attributed to the fact that nearly one-third had lived in their unit five years or longer.

TABLE 35 - RENTER COST BURDEN BY AGE OF HOUSEHOLDER (2000)

Householder Age	Renters		Cost Burdened > 35%	
	No.	%	No.	%
< 25 yrs	116	82.9%	49	42.2%
25 to 34 yrs	223	51.9%	61	27.4%
35 to 44 yrs	300	42.6%	75	25.0%
45 to 54 yrs	308	35.3%	111	36.0%
55 to 64 yrs	155	18.4%	28	18.1%
65 to 74 yrs	170	17.6%	67	39.4%
75 yrs +	94	11.4%	24	25.5%
	1,366	23.0%	415	30.4%

Source: Census 2000
Notes: excludes Boat/RV/Van

Age of Householder and Age of Housing Unit

The younger the householder the more likely they are to occupy housing built before 1980. In 2000, more than one half (52.3%) of householders under age 35 occupied pre-1980 housing, and 37.1% of householders over age 35 occupied pre-1980 housing. Householders under age 35 were also more likely to rent than own, and therefore to rent a pre-1980 housing unit – 55.6% of renters under age 35 occupy pre-1980 housing.

TABLE 36 - AGE OF HOUSEHOLDER AND HOUSING UNITS BUILT BEFORE 1980 (2000)						
Householder Age	Units built < 1980		Owners		Renters	
< 35 yrs	348	52.3%	151	43.4%	197	56.6%
35 to 64	1,083	38.0%	764	70.5%	319	29.5%
65 and older	878	36.2%	786	89.5%	92	10.5%
Total Units	2,309		1,701	73.7%	608	26.3%
Source: Census 2000						

Age of Householder, Poverty and Tenure

In 2000, more than one-half of households in poverty owned, yet renters had a proportionately higher rate (19.6%) of poverty than owners (7.5%). With the exception of householders age 35 to 44, householders in poverty and under the age of 55 were more likely to be renters, while householders in poverty and 55 years or older were more likely to be owners.

TABLE 37 - HOUSEHOLDS IN POVERTY BY HOUSEHOLDER AGE AND TENURE								
	In Poverty						Not in Poverty	
			Owner		Renter			
Age of Householder	No.	% of HH by Age	No.	% of HH in Poverty	No.	% of HH in Poverty	No.	% of HH by Age
< 25 yrs	47	27.2%	13	27.7%	34	72.3%	126	72.8%
25 to 34 yrs	68	13.8%	14	20.6%	54	79.4%	425	86.2%
35 to 44 yrs	119	14.0%	67	56.3%	52	43.7%	730	86.0%
45 to 54 yrs	92	9.2%	30	32.6%	62	67.4%	906	90.8%
55 to 64 yrs	114	11.4%	92	80.7%	22	19.3%	890	88.6%
65 to 74 yrs	92	7.1%	64	69.6%	28	30.4%	1,195	92.9%
75 yrs +	77	6.8%	61	79.2%	16	20.8%	1,061	93.2%
	609		341	56.0%	268	44.0%	5,333	
Source: Census 2000								

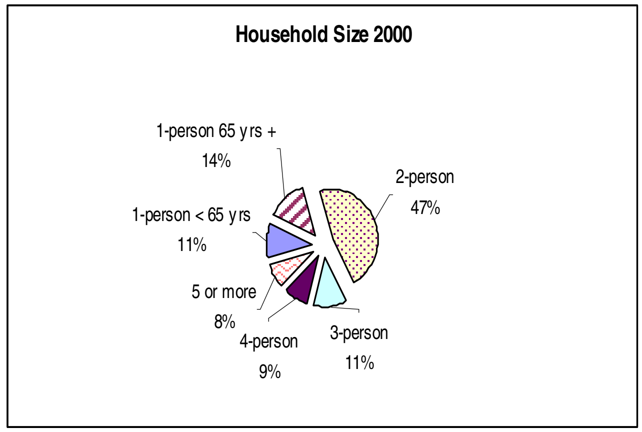
Household Size, Family Type and Housing

The US Census defines a household as “all the people who occupy a housing unit”. A household includes both related and unrelated people who share the housing unit. A person living alone and groups of unrelated people sharing a housing unit, such as unmarried partners or roomers are also counted as households.

All households may be broadly classified as either family households or nonfamily households. Family households include “married-couple” households and “other family” households. Nonfamily households may be separated into “one-person” households and “other” nonfamily households.

Household Size

According to Census 2000, 47% of Payson households consisted of two people and another 25% consisted of one person. The average household size was 2.36, up from 2.29 in 1990. The estimated household size in 2007 was 2.33 persons.



Household size, Tenure, Unit Type, and Cost Burden

The highest homeownership rate (86.1%) is among 2-person households and the lowest is among single people (67.1%) and households with five or more people (67.5%). Owner households with three or more people are more likely (85% or more) to occupy single-family site-built housing, while approximately one-third (31%) of single-person owner households occupy manufactured housing.

Renting was most common among 1-person and 5+ person households. One- and two-person renter households were more likely (40.6% and 43.3% respectively) to rent multi-family housing. Larger households (5+ persons) had fewer rental choices and were more likely (54.8%) to rent single-family site-built housing.

Cost burden is most common among households consisting of five or more people – 42% of owner households and 39.6% of renter households pay more than 35% of their income for housing costs.

TABLE 38 - TYPE OF OWNED UNIT BY HOUSEHOLD SIZE (2000)								
	Owners		Single-family		Multi-family		Manufactured	
	No.	%	No.	%	No.	%	No.	%
1-person	989	67.1%	659	67.5%	14	2.1%	303	31.0%
2-person	2,408	86.1%	1923	80.1%	19	1.0%	460	19.2%
3-person	505	74.7%	423	84.8%	0	0.0%	76	15.2%
4-person	371	68.1%	328	88.4%	11	3.4%	32	8.6%
5 + persons	303	67.5%	258	85.1%	4	1.6%	41	13.5%

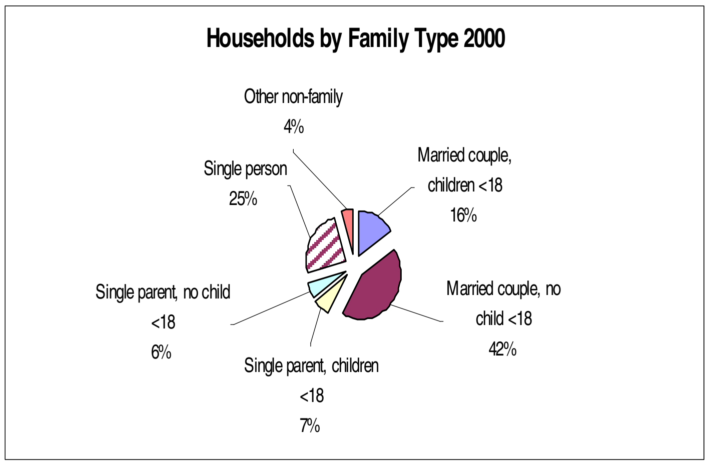
Source: Census 2000, US Dept of Housing and Urban Development
Notes: excludes Boat/RV/Van

TABLE 39 - TYPE OF RENTED UNIT BY HOUSEHOLD SIZE (2000)								
	Renters		Single-family		Multi-family		Manufactured	
	No.	%	No.	%	No.	%	No.	%
1-person	485	32.9%	137	28.2%	197	40.6%	151	31.1%
2-person	390	13.9%	147	37.7%	169	43.3%	74	19.0%
3-person	171	25.3%	56	32.7%	59	34.5%	56	32.7%
4-person	174	31.9%	56	32.2%	52	29.9%	66	37.9%
5 + person	146	32.5%	80	54.8%	12	8.2%	54	37.0%

Source: Census 2000, US Dept of Housing and Urban Development
Notes: excludes Boat/RV/Van

Family Type

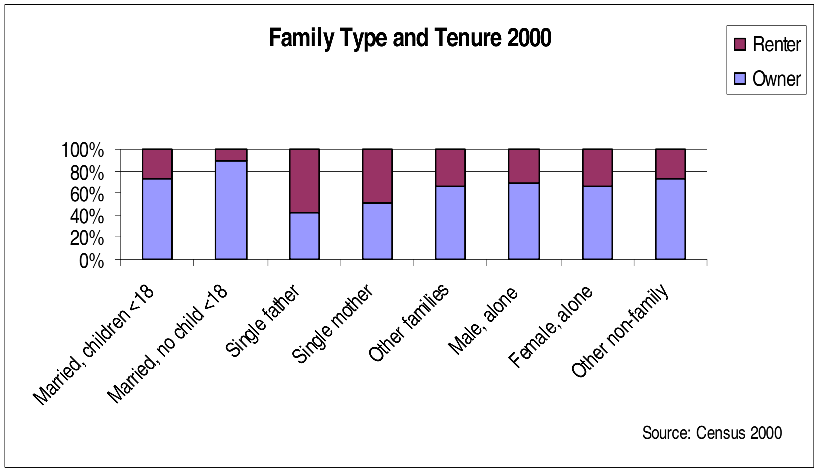
In 2000, married couples with no children under 18 were the most prevalent (42.3%) family type in Payson. The next most common household type in Payson was people living alone (24.8%). Of one-person households, more than one-half (56%) were over the age of 65. Female householders, particularly those over age 65 had a much greater likelihood of living alone than did younger female householders or male householders, regardless of age.



The trend of more single-person households is expected to continue. Growth among single-parent households and non-family households is also expected. By 2018, an estimated 2,647 or 30% of households will be single-person households. An additional 1,588 or 18% will be single-parent households.

Family Type, Median Income and Tenure

All families, regardless of composition or income, seek housing that is both affordable to and appropriate for their family. Safe neighborhoods and housing values that remain stable or increase over time are primary factors in choosing a home. And, the lower the household income, the more affordability plays a role in housing choice.



In 2000, the median income of married couples with children under 18 was the highest of all family types, yet the homeownership rate was 73.8% - less than the overall Payson homeownership rate of 77.5%. Nonfamily households, including single people had the lowest median income, yet had a homeownership rate of 68.1%. Homeownership rates were lowest among single-parent families with children under 18 (49.8%).

TABLE 40 - MEDIAN INCOME AND TENURE BY HOUSEHOLD TYPE (2000)							
	No.	Median Income	% Payson Median	Owners		Renters	
				No.	%	No.	%
Family Households	4,207			3,395	80.7%	812	19.3%
Married couple families	3,452	$42,373	128%	2,965	85.9%	487	14.1%
With children < 18 yrs	938	$43,438	131%	692	73.8%	246	26.2%
With no children < 18 yrs	2,514	$41,950	127%	2,273	90.4%	241	9.6%
Single-parent families	755	$21,911	66%	430	57.0%	325	43.0%
With children < 18	418	$19,691	59%	208	49.8%	210	50.2%
With no children < 18	337	$28,625	86%	222	65.9%	115	34.1%
Non-family Households	1,735	$17,069	52%	1,181	68.1%	554	31.9%
Living alone	1,474	n/a		989	67.1%	485	32.9%
Male Householder	535	n/a		369	69.0%	166	31.0%
Female Householder	939	n/a		620	66.0%	319	34.0%
Not living alone	261	n/a		192	73.6%	69	26.4%
Source: Census 2000							

The Workforce and Housing

During the first part of the decade, Payson and the surrounding area benefited from broad economic and housing growth throughout the State and nation. More people visited the area, ate in local restaurants, purchased items from retail establishments, and built or purchased seasonal and permanent homes. In turn, this growth provided economic opportunities for local residents, and attracted additional employees to the community.

There are many ways the housing market can influence the economy and demographics. For many households, housing is more than a home – it is the vast majority of their wealth. Housing price (ownership and rental) inflation impacts both workforce availability and the health of local goods- and services-producing businesses.

From the workforce and employment perspective, basic economic theory suggests that where housing-job imbalances exist, either people will move to areas with more employment opportunities or employers will move to areas with more workforce opportunities. The housing market therefore impacts employment as well as employment impacting the housing market. If housing prices are higher than wages, then a qualified workforce may choose to live where housing prices and wages are in alignment, despite other quality of life considerations. Conversely, a limited workforce, or one with limited education and training, impacts the desirability of business location when these factors are key to business success. In this cycle, housing price inflation can limit economic development opportunities and result in a negative cycle of workforce and business attraction.

Workforce housing is a key to community economic stability. Generally, the workforce consists of individuals between the ages of 25 and 64, and includes individuals and families with children. Debates about workforce housing often divide the workforce into sectors that focus on "essential" employees (police, teachers, firefighters, nurses) and "other" employees. While this definition speaks to community health and safety, it fails to recognize the essential nature of all employees - without receptionists to answer the phone in medical offices, cashiers in retail establishments, or construction tradesmen to build residences and businesses, the local economy would be hampered.

In addition, many workforce housing programs focus on providing home ownership opportunities for essential employees. Yet, it is important to consider all employees and the availability of both homeownership and rental opportunities, including a variety of housing types.

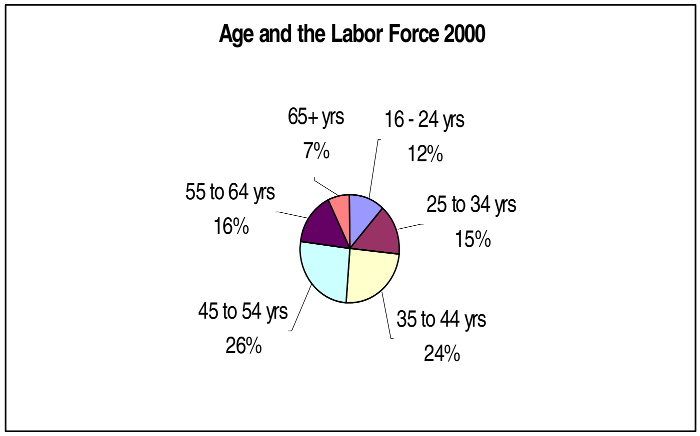
The abundance of retirement-age and near retirement age households in Payson suggests that housing the workforce will become increasingly important. Both skilled and unskilled labor is needed to fill the many jobs that make it possible for Payson's older householders to enjoy quality of life. A range of employees in occupations such as transportation, office and administrative support, and maintenance and installation are necessary to support the services that seniors rely on. When insufficient employees are available, services can become non-competitive or expensive, and in some cases simply unavailable.

Even with the political will and foresight to provide workforce housing, many communities are faced with complicated state and federal program requirements. For many communities local resources are not sufficient to meet workforce housing needs, yet there is the gap between low-income housing program requirements and the housing needs of the workforce. As in many rural areas, the Payson workforce does not generally meet the strict definitions of income eligibility in most housing programs. In other words, some working families earn too much to qualify for "low-income" housing and not enough to qualify for market-rate housing. Many working families are pushed to the outskirts of communities where housing may be less expensive, to older substandard units that are more costly to maintain, or to housing that is beyond their true economic means. So, despite the many lifestyle amenities of Payson, the most qualified workforce may choose to locate where employment and housing choices are more plentiful.

Age and Workforce Participation

In 2000, people between the ages of 35 and 54 represented over one-half (51%) of the employed labor force. In addition:

- 12% were age 16 to 24;
- 15% were age 25 to 34; and
- 7% were age 65 or older.



Industries and Occupations

The primary types of industries and occupations are indicators of current economic conditions. The more diverse the economic base of a community, the more stable the overall economy and the overall housing market.

Primary Industries

In 2000, the most prevalent industries in both Gila County and Payson were Construction, Retail Trade, Health Care & Social Services, Accommodation and Food Services, Public Administration, and Educational Services. Together these industries accounted for more than 60% of employment.

TABLE 41 - PRIMARY INDUSTRIES – PAYSON & GILA COUNTY 2000

	% Gila County Employment	% Payson Employment
Construction	11.2%	14.6%
Retail Trade	11.5%	12.4%
Health Care and Social Services	11.3%	12.3%
Accommodation and Food Services	9.5%	9.7%
Public Administration	9.6%	7.2%
Educational Services	8.3%	6.6%

Source: Census 2000; Arizona Workforce Informer Bureau of Labor Statistics Data; Author

Primary Occupations and Median Wages

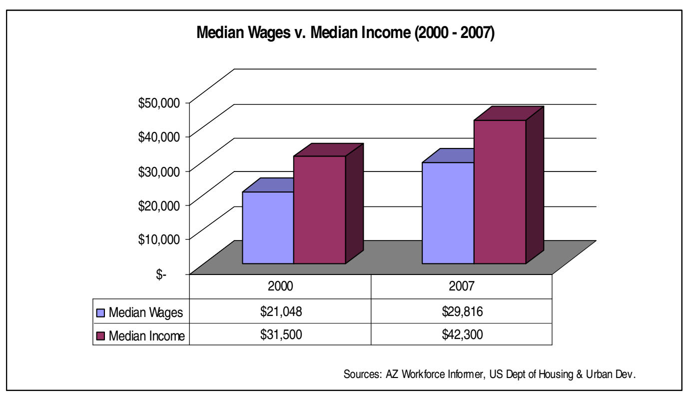
While industries are an indicator of economic diversity, occupations tell us about the types of jobs that the workforce, regardless of industry. In 2000, six primary occupations accounted for 24.4% of Payson employment – construction and extraction (6.3%), sales and related (6.0%), office and administrative support (5.5%), food preparation and serving (2.7%), education, training and library (2.1%), and building and grounds maintenance (1.8%).

According to Bureau of Labor Statistics (BLS) data for Arizona, construction employment declined 15.1% from July 2007 to July 2008. During the same period, health care and education services gained 3.4% and public administration gained 1%. Further declines in the construction industry are expected in the coming year.

TABLE 42 - PRIMARY OCCUPATIONS & INCOME BY PRIMARY OCCUPATION PAYSON & GILA COUNTY (2007)			
		2007 Median Wages	
	% of 2000 Payson Employment	Gila County	Estimated Payson
Construction & Extraction	6.3%	$ 32,658	$ 34,147
Sales & Related	6.0%	$ 21,375	$ 22,350
Office & Admin Support	5.5%	$ 26,606	$ 27,819
Food Preparation & Serving	2.7%	$ 15,099	$ 15,788
Education, Training, Library	2.1%	$ 33,059	$ 34,567
Building & Grounds Maintenance	1.8%	$ 18,701	$ 19,554
Source: Census 2000; Arizona Workforce Informer; Bureau of Labor Statistics Data Note: Payson wages are estimated as 104.6% of Gila County income			

From 2000 to 2007, median wages for all occupations in Gila County increased 32.4% to $29,816 annually. The greatest increases in median wages for Payson's primary occupations were in office and administrative support (26.6%), education, training and library (24.7%), and construction (23.7%).

Median Wages and Median Income



While median income increased 34.3% from 2000 to 2007, median wages increased 32.4%. Median wages are 64.6% of median income, indicating that households with multiple incomes and those with non-wage sources of income were more prevalent than were single-earner households. Primary sources of non-wage income include retirement, investments, and self-employment.

In 2007, full-time wage earners in Payson's primary occupations earned from 37% of the County median income (food preparation and serving) to 82% of the County median income (Education, Training, and Library). To earn the County median income required at least one full-time and one part-time earner in most occupations. Those employed in food preparation and serving or building and grounds maintenance occupations required two full-time earners to earn the median County income.

TABLE 43 - PAYSON PRIMARY OCCUPATIONS, MEDIAN WAGES AND PERCENT OF AREA MEDIAN INCOME 2007						
	Single Earner		1.5 Earners		2 Earners	
Occupation	Annual Median Wage	% of Gila County AMI	Annual Median Wages	% of Gila County AMI	Annual Median Wages	% of Gila County AMI
Construction & Extraction	$ 34,147	81%	$49,055	116%	$63,963	151%
Sales & Related	$ 22,350	53%	$37,258	88%	$52,166	123%
Office & Admin Support	$ 27,819	66%	$42,727	101%	$57,635	136%
Food Preparation & Serving	$ 15,788	37%	$30,696	73%	$45,604	108%
Education, Training, Library	$ 34,567	82%	$49,475	117%	$64,383	152%
Building/Grounds Maintenance	$ 19,544	46%	$34,452	81%	$49,360	117%
Source: Arizona Workforce Informer Bureau of Labor Statistics Data; Author Note: 1.5 and 2 earners assumes one earner at occupation median and one earner at median for all occupations						

Median Wages, Rental Affordability and Housing Subsidy Eligibility

In general, Payson's median rent was affordable to workforce households that included at least one full-time earner and one part-time earner. Single-earner households in four of six primary occupations could not afford the median rent unit, and some were eligible based on income alone to occupy subsidized rental units. Workforce households in construction and extraction and education/training/library occupations were able to afford the median rent, regardless of the number of full-time earners.

TABLE 44 - PRIMARY OCCUPATIONS, RENTAL AFFORDABILITY AND SUBSIDY ELIGIBILITY (2007)									
	Single-Earner			1.5 Earners			Dual-Earner		
Occupation	Afford-able Rent	Median Rent Gap	Eligible for Subsidy	Afford-able Rent	Median Rent Gap	Eligible for Subsidy	Afford-able Rent	Median Rent Gap	Eligible for Subsidy
Construction & Extraction	$ 854	0	No	$ 1,226	0	No	$ 1,599	0	No
Sales & Related	$ 559	$ 266	Yes	$ 931	0	No	$ 1,304	0	No
Office & Admin Support	$ 695	$ 130	No	$ 1,068	0	No	$ 1,441	0	No
Food Preparation & Serving	$ 395	$ 430	Yes	$ 767	$ 58	No	$ 1,140	0	No
Education, Training, Library	$ 864	0	No	$ 1,237	0	No	$ 1,610	0	No
Building/Grounds Maintenance	$ 489	$ 336	Yes	$ 861	0	No	$ 1,234	0	No
Source: Arizona Workforce Informer Bureau of Labor Statistics Data; Author									

Median Wages, Home Purchase Affordability and Housing Subsidy Eligibility

While renting is affordable for most multi-earner workforce households in Payson, home purchase is not an affordable housing option. And, while some are eligible for home purchase subsidy, an average subsidy of $154,791 would be required to assist the median-wage household to purchase a median priced housing unit ($268,500). Regardless of eligibility, this subsidy exceeds the maximum amount allowed by most home purchase programs.

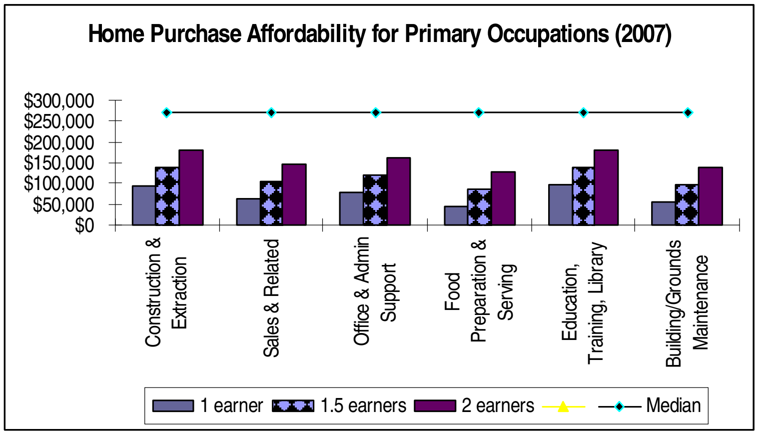


TABLE 45 - PRIMARY OCCUPATIONS, PURCHASE AFFORDABILITY, SUBSIDY ELIGIBILITY (2007)									
	Single-Earner			1.5 Earners			Dual-Earner		
Occupation	Afford-able Price	Price Gap	Sub-sidy?	Afford-able Price	Price Gap	Sub-sidy?	Afford-able Price	Price Gap	Sub-sidy?
Construction & Extraction	$95,612	$172,888	No	$137,354	$131,146	No	$179,096	$89,404	No
Sales & Related	$62,580	$205,920	Yes	$104,322	$164,178	No	$146,065	$122,435	No
Office & Admin Support	$77,893	$190,607	Yes	$119,636	$148,864	No	$161,378	$107,122	No
Food Preparation & Serving	$44,206	$224,294	Yes	$85,949	$182,551	Yes	$127,691	$140,809	No
Education, Training, Library	$96,788	$171,712	No	$138,530	$129,970	No	$180,272	$ 88,228	No
Building/Grounds Maintenance	$54,723	$213,777	Yes	$96,466	$172,034	No	$138,208	$130,292	No
Source: Arizona Workforce Informer Bureau of Labor Statistics Data; Author									

There are however home purchase opportunities for Payson's workforce households. Considering the housing units that sold in 2007, a two-earner household with the primary earner earning the median wage in a primary occupation and the other earning overall median wages would have as many as 70 housing choices if willing to purchase an older site-built home or manufactured housing unit. For those workforce households that have families and require a 3-bedroom unit or larger, the options are more limited and include up to 27 housing choices.

Considering homes for sale in September 2008, affordable workforce home purchase choices had the following characteristics.

- One-half of units were built prior to 1982.
- The median year built for site-built units was 1977, with one unit built after 1998 (2002).
- The median year built for manufactured units was 1983, with seven units built in 1998 or later.
- Forty-percent of units have three or more bedrooms;
- Fifty-two percent of units are manufactured units and forty percent are site-built units.

TABLE 46 - TWO-EARNER HOUSEHOLDS, HOME PURCHASE CHOICES - SEPTEMBER 2008												
		Site-built			Manufactured			Condo/ Townhouse			3+ br	
Occupation	Total Units	No.	%	Year (1)	No.	%	Year (1)	No.	%	Year (1)	No.	%
Construction/Extraction	69	30	43%	1977	34	49%	1989	5	7%	1985	27	39%
Sales/Related	31	11	35%	1977	17	55%	1980	3	10%	1985	12	39%
Office/Admin Support	49	19	39%	1974	26	53%	1983	4	8%	1983	20	41%
Food Prep/Serving	11	3	27%	1977	7	64%	1979	1	9%	1985	5	45%
Education/Training/Library	69	30	43%	1977	34	49%	1989	5	7%	1985	27	39%
Building/Grounds Maint	21	6	29%	1978	12	57%	1980	1	5%	1985	8	38%
Source: MLS, Mike Foil, Foil Appraisal; Author (1) Median Year Built												

Employer and Public Perspectives

While the data provides the basis for understanding the relationship between socio-economic and housing conditions, input from people who live and work in the community adds greater understanding to the inter-relationship and insight into the most appropriate strategies.

Employer Interviews

Interviews with local employers provided additional insight into the Payson workforce housing situation. Employers generally characterized their employees as employed in high-turnover occupations, second-earner occupations, and primary-earner occupations. High-turnover occupations included food preparation and serving and building and grounds maintenance occupations. Second-earner occupations included cashiers, and office and administrative support, while primary-earner occupations included managers, professional staff, and skilled tradesmen.

Employers expressed concern about the availability of affordable quality housing units. For high-turnover occupations, apartment-type rental housing with fewer occupancy restrictions were considered most appropriate. The greatest concern for workforce housing was for those in primary-earner occupations. It was generally accepted that many of these employees also had a second-earner to assist with household expenses but that together the two earners could not identify and purchase a quality housing unit that was also affordable. One employer noted that while relocation assistance was provided, a new hire was unable to find a housing unit that was both affordable (approximately $190,000) and not in need of major repairs. Another employer noted that a new hire declined the offered position, which paid approximately $40,000 annually, because the only affordable housing unit they could locate also needed an estimated $50,000 in repairs.

Employer and Public Meeting

A June 19, 2008 meeting of employers and interested community members provided additional insight into the housing situation for Payson's workforce and families.

The meeting participants discussed how many members of the workforce move to Payson seeking a different lifestyle and have difficulty finding adequate employment, often landing in retail or food service jobs that are low paying. Most jobs do not have benefits and turnover in lower-wage ($9 - $10/hour) jobs is high – banks are always seeking tellers, and hotels, restaurants and retail establishments have constant turnover and are frequently seeking food preparers and servers, and building/grounds maintenance personnel.

This turnover translates into high turnover in rental housing. For example, one subsidized apartment complex offers rents lower than required by its regulator yet still has a 50% turnover. Many renters live in Payson seasonally – moving between Payson in the summer and warmer climates, such as the Valley, in the winter. Other renters choose to live in mobile homes, as many of these units do not require proof of income or credit.

Payson Unified School District has 300 employees serving 2,700 students. While student enrollment had remained steady for 4 to 5 years, it declined by about 100 students in the 2007 – 2008 school year. Some speculated that the decline was due to local employment limits on illegal immigrants.

The PUSD indicated that 50% of students receive free or reduced-price meals, meaning these students live in families with household incomes less than 180% of the poverty level or approximately 30% to 60% of the median income adjusted for household size. An annual McKinney-Vento survey of families also revealed 170 homeless families. Homeless families are those in temporary living situations such as in cars or doubled up with other families.

The meeting participants indicated that many High School graduates leave Payson, some due to the pursuit of a higher education and others to pursue a lifestyle more attractive to young people. Those high school graduates who remain are most likely to take construction jobs. The PUSD indicated that it is increasing vocational and technical education opportunities.

The meeting participants discussed the changing economy and its impact on the housing market. Several participating real estate professionals provided insight into the home purchase and rental markets. The home purchase market had seen approximately a 70% decline in activity, with most of the decline attributed to a lack of seasonal buyers and investors, a tightening credit market, and fear of how low values may go. Prices had declined an estimated 15% by this time. The rental market was experiencing increased rents, yet the general feeling was that renters were preparing to move to the Phoenix area in search of higher-wage employment and greater housing choice. The meeting participants further indicated that the demand for services by families and seniors was increasing, with Meals on Wheels, Senior Meals, and the Food Bank all noting increasing demand.

The consensus among the meeting participants was that while housing was important, economic development must also occur, particularly incentives for small and medium size businesses. They also agreed that education regarding the positive impacts of buying goods from local businesses was important, as the Town relies too heavily on visitors for sales tax revenues. The proximity to Phoenix was noted as both a positive and a negative in this regard.

In terms of solutions, the meeting participants felt that Payson's residents had a civic responsibility to promote buying from local businesses, and to support growth and a positive image. Many felt that the

Town lacked a sense of community and had a reputation of negativity. They felt that the Town would have the greatest impact on the housing situation through:

- The attraction and retention of employers that employed 20 – 30 people;
- The creation of jobs that paid enough to afford quality housing;
- Employee benefit programs;
- Business planning for small and medium size businesses;
- More activities and services for working families;
- Community activities that promote awareness of the positives of the community and create greater pride;
- Addressing substandard housing conditions;
- Increasing multi-family housing opportunities; and
- Creating shared equity or down-payment and closing cost assistance programs.

Employee and Public Surveys

Two surveys were conducted to gain greater understanding of current demographics, and the socio-economic-housing situation of Payson's residents. These surveys included 300 Payson households, with one survey distributed through an employer and another posted on the internet and available to the public. Some double counting of households is possible. The socio-economic characteristics of the survey respondents mostly resembled the estimated socio-economic characteristics of Payson's current households, with the following exceptions:

Household Characteristics	Survey	All Households
Owners	86%	77%
Year-round Residents	95%	85%
Payson Resident 4+ years	63%	83%
Employed or Self-employed	83%	45%

Of interest in the comparison of the employee and public surveys is that employees had lower household income, were more likely to have lived in Payson for four or more years, were more likely to believe that affordable housing was important to Payson, and were less satisfied with their current housing situation.

Twenty-five percent of survey respondents were seeking to purchase a home. Among those seeking a home purchase opportunity, many were already owners and had owned their homes for more than four years. Of those seeking to purchase, most desired a single-family site-built unit. Given household size, more (53.6%) required three-bedroom or larger units. An affordable housing payment was considered by most to be under $1,000/month (65%), although one-third could afford to pay between $1,000 and $2,000/month. For many potential purchasers, a monthly payment less than $750/month was desired.

One quarter of the employees and one half of the public surveyed could make a down payment in excess of $7,000. But, 26.1% of employees could make a down payment less than $2,000 and 39% could make a down payment of $2,000 to $3,000. Together, five households would attend a home purchase seminar, twelve would speak one-to-one with a credit or home purchase counselor, nineteen would like down payment and closing cost assistance, and eighteen would like a list of homes available in Payson.

The Future and Workforce Housing

The Bureau of Labor Statistics (BLS) suggests that Arizona's occupational growth through 2016 will be in: health care support (32.3%); health care technicians and practitioners (30.3%); education, training and library (29.6%); community and social service occupations (29.0%); and building and grounds maintenance (23.8%). The 2007 median income of these occupations ranged from $22,889 for health care support occupations to $54,247 for health care technicians and practitioners.

While education and training for these occupations will be critical to Payson's economy, the availability of quality affordable housing will also be a factor in Payson's ability to compete economically. With the exception of health care technicians and practitioners who may have more housing options, future workforce housing affordability for primary occupations resembles today's workforce housing affordability.

TABLE 47 - MEDIAN INCOME AND HOUSING AFFORDABILITY FOR GROWING OCCUPATIONS

Occupation	2007 Median Income	1 earner		1.5 earners		2 earners	
		Purchase	Rent	Purchase	Rent	Purchase	Rent
Health Care Support	$22,889	$ 64,089	$ 572	$ 105,832	$ 945	$ 147,574	$ 1,318
Health Care Techs & Practitioners	$54,247	$ 151,892	$ 1,356	$ 193,634	$ 1,729	$ 235,376	$ 2,102
Education, Training, Library	$33,059	$ 92,565	$ 826	$ 134,308	$ 1,199	$ 176,050	$ 1,572
Community & Social Services	$33,580	$ 94,024	$ 840	$ 135,766	$ 1,212	$ 177,509	$ 1,585

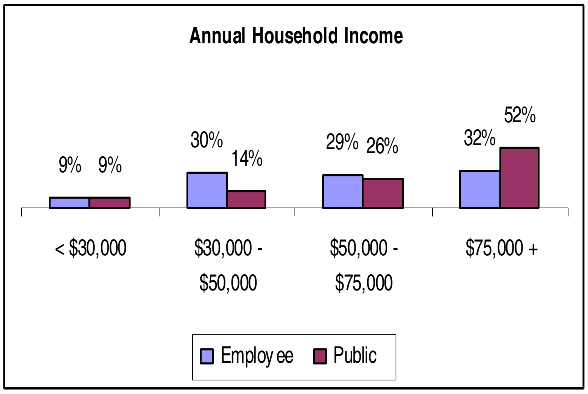
Source: Arizona Workforce Informer Bureau of Labor Statistics Data; Author

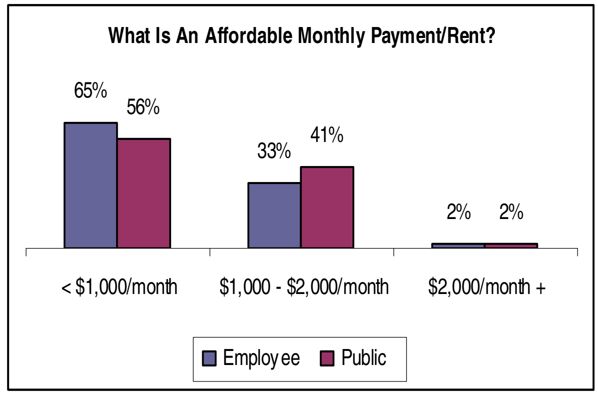
Notes: 1.5 and 2 earners assume one earner at occupation median and one earner at median for all occupations. Unit availability based on 2007 units sold. Units in bold indicate neither rent nor purchase is affordable.

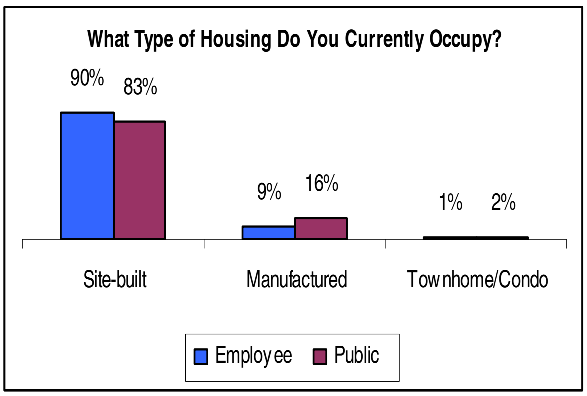
It is also important to note that these industries are expected to grow throughout the state and the Payson workforce must be educated and trained to take advantage of these opportunities. Accordingly, local leaders must examine opportunities for growth in these occupations based on local community factors unrelated to population growth, including but not limited to:

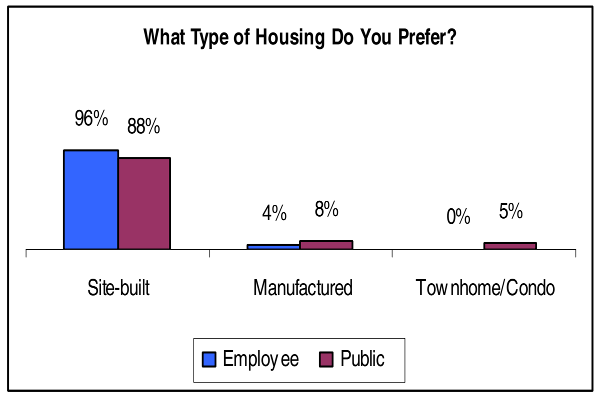
- Medical practitioners and specialists;
- Medical facilities;
- Housing that allows an aging population to remain in their homes or move to assisted living;
- Families with children staying in the community;
- A range of training opportunities and facilities.

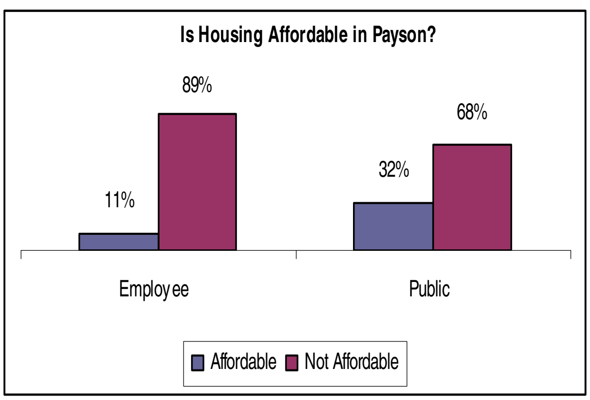
EMPLOYEE AND PUBLIC SURVEY RESULTS

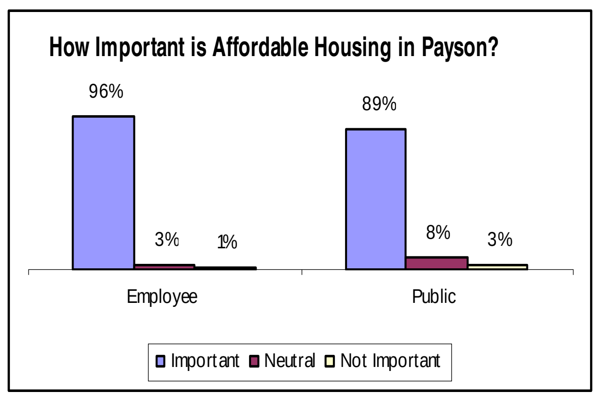












HOUSING PROGRAMS AND POLICIES

The concept of directly addressing housing conditions through policies and actions is relatively new to the Town of Payson. While many communities have multiple housing staff, the Town has one staff person to implement programs, staff the Housing Advisory Commission and coordinate other housing activities. The Town of Payson currently implements the following housing activities:

- Owner-occupied housing rehabilitation program.
- Accessory dwelling unit study group.
- Impact fee reductions for multi-family housing.
- Transfer of water credits for affordable housing development.
- Payment of impact fees over 5 to 10 years for multi-family development.

Given limited staffing and resources, the Town relies on the private and nonprofit sectors to address the housing market.

- Private sector builders have addressed the housing demand among buyers of seasonal units, higher-income households and retirees. It has not however been actively involved in delivering housing units for the workforce and families. This industry has evidenced the capacity to deliver as many as 300 housing units annually.
- Local lending institutions make available loan products to those with good credit and sufficient down payment to afford the available housing. However, increasingly stringent lending requirements may make it more difficult for buyers to acquire financing.
- The Habitat for Humanity affiliate assists very low-income home purchasers through a unique combination of self-help equity and no -interest financing.
- The Gila Regional Housing Development Corporation develops and manages multi-family housing for very low-income households.

In addition, other government agencies provide direct assistance to renters and purchasers in Payson, including:

- The Gila County Housing Authority provides Section 8 rental assistance to very low-income families and single seniors and disabled individuals. This assistance allows the renter to select a quality housing unit and pay only 30% of their household income towards rent and utilities; the remaining rent is paid by the Housing Authority.
- The Arizona Department of Housing offers up to $20,000 in down payment and closing cost assistance to households earning less than 80% of the Gila county median adjusted for household size.
- The Arizona Housing Finance Agency offers lower-cost mortgage financing to purchasers earning less than $58,500 for 1-2 person household or $67,275 for 3+ person households purchasing units for less than $292,500.
- The US Department of Agriculture Rural Housing Services Department provides loan guarantees for households earning less than 80% of the County median income.

HOUSING MARKET CONDITIONS AND ACTION PLAN

The data analysis and public input processes suggest five primary housing market conditions, each with multiple contributing socio-economic and housing inventory factors:

1. The workforce and families have limited housing options. Maintenance of the housing market and local economy are dependent upon non-local investment.
2. The proportion of the population age 65 and older is significant and additional housing choices or housing and supportive services necessary to remain in their existing housing are needed.
3. Single-person and very-low income households have limited housing choice.
4. Current housing variety is limited and current zoning will limit the types of housing that may be built, impacting housing affordability.
5. Local capacity is uncoordinated and insufficient to address the range of housing conditions.

For each condition, a corresponding goal has been developed and for each of these goals, one or more objectives, actions and strategies have been developed. In general, the goals of the local housing policy and corresponding actions are to:

1. Effectively address one or more local housing market imbalances or conditions, regardless of economic or market cycle; and
2. Strengthen the economic base of the community by utilizing or building local resources.

These goals, actions and strategies are premised in strategy 5A1, which is the development and adoption of a local housing policy statement. A housing policy statement is an essential first step that sets forth the intent of local leadership to support those actions necessary to long-term housing market balance and community sustainability.

Condition 1: The workforce and families have limited housing options. Maintenance of the housing market and local economy are dependent upon non-local investment.

<u>Demographics and Economics</u>

- In 2013, an estimated 58% of householders will be age 25 to 64; 2% will be age 25 and younger.
- In 2000, people age 35 to 54 represented over one-half (51%) of the employed labor force.
- In 2000, 37% of the Census sampled population had wage or salary income and 8% had self-employment income.
- Among the population growth from 1990 to 2000, nearly one-half (45.7%) had wage or salary income.
- From 2000 to 2007, the estimated median income increased 34.3% to $44,495/year; median wages grew 32.4% to $29,816/year.
- 25% of households age 25 to 44 pay more than 30% of income for housing costs.
- With the exception of health care technicians and practitioners, future housing affordability for primary occupations remains unchanged.

<u>Owners</u>

- The relationship of housing value to household income is most direct among middle-income owners.
- From 2000 to 2007, median home prices increased 80.3%, median income increased 34.3% and median wages increased 32.4%.
- In 2000, owner households paying more than 30% of household income for housing included:

- 45.6% with household income between $20,000 and $34,999.
- 29.6% with household income between $35,000 and $49,999.

– In 2007, 29.8% of housing units sold were priced under $200,000.

– In 2007, the median sales price for all units was $268,500, requiring an annual income ranging from $75,590 to $89,100, depending upon credit.

– An average subsidy of $154,791 would be needed to assist a dual-earner working household to purchase the median-priced unit.

– 23.3% of owners age 25 to 34 occupy manufactured housing. In 2007, the median price of manufactured units was $169,000. In 2000, nearly half of all manufactured units were more than 20 years old.

Purchasers

– In September 2008, dual-earner median-wage households ($58,000) had 69 affordable purchase options, with the following characteristics:
  - One-half were built prior to 1982.
  - 40% were site-built. Median year built was 1977, with one unit less than 10 years old.
  - 52% were manufactured. Median year built was 1983, with seven units less than 10 years old.
  - 40% (27) of affordable units have three or more bedrooms.

– Of employees surveyed and seeking to purchase:
  - Most desired a single-family site-built unit.
  - Given household size, 53.6% required three-bedroom or larger units.
  - 65% consider an affordable housing payment to be less than $1,000/month.

– Given income and purchase affordability, in April 2009 approximately 71 units priced between $105,000 and $150,000 and 24 units priced between $150,000 and $225,000 were needed.

Renters

– From 2000 to June 2008, the median monthly rent increased 51.4% while median income increased 34.3% and median wages increased 32.4%.

– Single-earner households in four of six primary occupations could not afford the median rent unit, and some were eligible based on income alone to occupy subsidized rental units.

– 44.5% of all renters occupy pre-1980 units; 55.6% of renters under age 35 occupy pre-1980 housing.

– Single-family site-built units were the rental of choice among renter households age 35 to 64

– 54.8% of large households (5+ persons) rent single-family site-built housing and 39.6% pay more than 30% of household income for rent.

– 50% of renters under age 25 occupy manufactured housing units. In 2000, nearly half of manufactured units were more than 20 years old.

– The 2008 median monthly apartment rent of $680/month was affordable to households earning approximately $13.08/hour ($27,200/year) or 61% of the median household income

Condition 2: Forty percent of households are headed by a householder age 65+. Additional housing choices or housing and supportive services contribute to aging-in-place.

Demographics and Economics

– In 2000, 57.5% of householders were age 55+ and 39.9% were age 65+.

– The proportion of Payson householders age 65 and older is expected to remain fairly constant at 40%.

– In 2000, 37% of the population had wage or salary income, 8% had self-employment income, 29% received social security, and 21% had retirement income.

- In 2000, the lowest income households were those headed by a householder over the age of 75 or under the age of 25.
- Female householders, particularly those age 65+ are more likely to live alone.

Owners

- Older householders are more likely to own a home.
- In 2000, the highest homeownership rates (85%) were among householders age 65+.
- 25.9% of owners age 65+ occupy manufactured housing. Nearly one-half (48.7%) of manufactured units were built prior to 1980.

Renters

- Multi-family housing was the predominant choice for renter households over the age of 75. Seven of ten (71.1%) multi-family units were built after 1980.
- Of apartment-type rental units surveyed in 2008:
  - 27.3% were restricted to occupancy by seniors and disabled households,
  - 43.9% were restricted to households earning 60% of the area median income or less.

Condition 3: Single-person and very low income households have limited housing choice.

Demographics and Economics

- The lowest income households are single-person households and single-parent households.
- In 2000, nearly half of all poverty-level households were single-person households
  - 34.6% were single males under 65 years,
  - 30.7% were single females over 65 years.
- Among families in poverty in 2000, 70.1% were families with children under 18.
- In 2000, 24.8% of households were people living alone. Of these households, 56% were over the age of 65.
- By 2018, an estimated 2,647 households (30%) will be single-persons.
- By 2018, an estimated 1,588 households (18%) will be single-parent households.

Housing Availability and Variety

- The lowest homeownership rates are among single-parent households (49.8%), and single-person households (67.1%).

Owners

- 31% of single-person owner households occupy manufactured housing. In 2000, 48.7% of manufactured units were more than 20 years old.

Renters

- In 2000, renting was most common among 1- and 5+ person households
- In 2000, 41.5% of renter households earned less than $19,999.
- In 2008, there are an estimated 246 rental units needed for households at lower income levels, including:
  - 134 units renting for less than $250/month,
  - 41 units renting for between $250/month and $500/month, and
  - 71 units renting for between $500/month and $875/month.
- There will be a continuing need for rental housing for households earning less than $35,000 annually, with the greatest anticipated need among renters at the very lowest income levels.

Condition 4: Current housing variety is limited and current zoning will limit the types of housing that may be built, impacting housing affordability.

- 72.9% of housing units added in Payson from 2000 to 2007 were single family site-built units.
- In 2000, 72.8% of vacant housing units were single family site-built units.
- In 2007, Payson's housing stock included:
  - 69.9% single-family site-built units, up slightly from 69.5% in 2000;
  - 19.9% manufactured housing and mobile home units, down slightly from 21.7% in 2000, and
  - 5.8% multi-family, down from 8.8% in 2000.
- An estimated 1,343 or 15.0% of Payson's housing units are held for seasonal use.
- Of units sold in 2007, 80% of 3-bedroom units were site-built.
- In 2007, the median sales price for site-built units was $324,950 or 121% of the median for all units.
- By 2008, unit sales had dropped by 50% or more, with a greater proportion of sales in manufactured and condominium/townhouse units.
- Of 2,230 remaining potentially-developable acres:
  - 2,005 (89.9%) are zoned residential,
  - 74 (12.8%) are zoned commercial, and
  - 12 (4.5%) are zoned for manufacturing.
- Already-developed land has been built to approximately 60% of its maximum zoning capacity.
- Of already-developed land:
  - 58.0% was zoned R1-10 or higher density, and
  - 20.3% was zoned for low-density residential or less than one unit per acre.
- Of remaining vacant developable residential land:
  - 30.2% is zoned R1-10 or higher density, and
  - 39.5% is zoned for low-density residential or less than one unit per acre.

Condition 5: Local capacity is uncoordinated and insufficient to address the range of housing conditions.

- The Town of Payson operates several programs and undertakes additional activities to assist low-income households in Payson. However these programs are not coordinated to impact identified housing conditions.
- There are few players in the Payson affordable housing arena:
  - The Gila County Housing Authority offers Section 8 housing vouchers for very-low income and disabled households throughout the County.
  - Housing nonprofits operating in Payson include the Habitat for Humanity Affiliate – which builds ownership units, and Payson Housing Regional Development – which builds apartment units.
- Since 2000, with the exception of 2006, when 277 units were added, the number of housing units has increased an average of about 200 units annually, indicating that the private sector has the capacity to build additional housing units.

The housing strategy (Appendix 2) identifies actions selected by the Payson Housing Advisory Commission (PHAC) as on-going, immediate (one-year), short-term (2-5 years), and long-term (6-10 years). All strategies are intended to address one or more of the five primary housing conditions.

The PHAC identified its initial role in Housing Strategy Implementation as education and advocacy. The immediate strategies of the PHAC are premised in the recognition that community awareness and involvement are central to the success of any housing policy or strategy. Accordingly, the short-term strategies focus on community awareness, education and involvement.

Among the immediate and short-term strategies, many are appropriate for exploration either prior to or during the updating of the Town's General Plan. These strategies are indicated by "GP" in the short-term column. Some strategies may be incorporated into the General Plan, while others may require further technical and public review for later General Plan amendment. Still other strategies are appropriate for exploration for later incorporation into the Payson Unified Development Code. In these cases, it is appropriate for Town staff to examine and explore housing-related incentives with the Housing Advisory Commission as it exercises its primary role of education and advocacy.

Continued dedication of Town staff to housing planning and policy are essential to the successful implementation of this strategy. While a variety of organizational structures have yet to be examined, many strategies along with current staffing lend themselves to geographic coordination. Geographic coordination focuses effort in those areas of the community that currently provide for or have the potential for providing workforce and affordable housing in support of Payson's economic infrastructure. These geographic areas include well-established neighborhoods where CCRs are not in place, commercial and residential areas where a variety of uses may re-invigorate investment, and areas with low-density zoning that may be rezoned for higher densities and mixed uses to encourage integration of households at various income levels, ages, and workforce participation.

The successful implementation of many housing strategies requires a broad range of expertise – planning, building, zoning, financing, and real estate development are a few. Town staff and members of the PHAC bring significant expertise to this housing strategy. Yet additional resources, both human and financial, may be necessary to implement identified strategies. Consequently, known resources are identified that may assist with examination, planning and implementation of various strategies. Other resources may be secured as activities expand.

While the initial focus of the PHAC and the Payson Housing Strategy is community awareness, education and involvement, mid-term and long-term strategies focus on policies and actions that will result in the investment of human and financial resources in affordable housing units. There are also some ongoing activities essential to ensuring that all other actions are appropriately directed.

The adoption of a housing policy is essential to the implementation of any housing strategy. Accordingly, the one-year workplan includes the implementation of a Housing Policy that governs all housing strategies included in this and other Town documents and regulations. The following one-year workplan details those actions that will take place during 2009 and 2010.

ONE-YEAR WORKPLAN

The focus of this one-year workplan is on community education and collaboration, developing processes to support Town Staff and Housing Advisory Commission members, and establishing Housing Policy, with few additional housing programs or technical processes. And, while community education and collaboration along with support processes are the initial focus, these efforts must be ongoing to support the technical processes and resource allocation that will be explored in future years.

Community Education and Collaboration

1. Set specific community education goals and educate the public, key staff and elected and appointed officials regarding housing variety and affordability. Repeat selected themes often. Include:
    a. Factual information on specific information such as density, crime, design, traffic, and parking;
    b. The range of employment and income opportunities and how these relate to the cost of renting or owning.
2. The Housing Advisory Commission specific community education and collaboration goals, include the following:
    a. Meet with senior social and housing services agencies to gain in-depth understanding of the housing quality, availability and affordability needs of seniors.
    b. Through the Senior Center and service providers, directly reach out to seniors to identify seniors with:
        i. Sufficient resources, yet in need of labor, referrals and materials for home repairs.
        ii. Insufficient resources and in need of labor, referrals and materials for home repairs.
    c. Through meetings with senior services agencies identify an appropriate facilitation or advocacy role for the Housing Advisory Commission.
    d. Work with the Arizona Department of Housing Technical Assistance Program to secure community design assistance from the University of Arizona Drachman Institute. Focus technical assistance on the development of and education regarding the appearance and integration of multi-family, SRO, workforce, and mixed-use structures into specific neighborhoods and zoning districts in Payson.
    e. Develop a "Facts about the Payson Affordable Housing Market" sheet for distribution to affordable housing developers. Utilize contact lists from the Arizona Department of Housing, USDA, HUD or other resources.
    f. Convene local senior and housing service agencies and discuss the delivery and expansion of senior services and housing services.
    g. Create a process for employer input into housing programs and projects as a method to facilitate employee attraction and retention.
    h. Identify and involve other agencies and organizations in the housing availability and affordability discussion, including the National Forest, Gila County, and Tonto Apache Tribal Government.

i. Pursue funding from foundations, financial institutions and the real estate community to support the development of fact sheets, flyers, PSAs and other media to educate the public. Ensure a variety of media are utilized, including bi-weekly television:
    i. Tax credits and other financing incentives for those wishing to purchase a home;
    ii. Available housing stock;
    iii. The “graying” of Payson;
    iv. Essential economic services and development activities to address current demographics.
    v. The relationship of wages/salaries to housing costs and opportunities;
    vi. How affordable housing contributes to a health community.

3. Develop a process for and regularly update:
    a. Housing sales volume and median price data to ensure that current policies, programs and projects are targeted appropriately and are achieving the desired balance of availability and affordability.
    b. Apartment rental information including median rent and vacancy rates by bedroom size to ensure that current policies, programs and projects are appropriately targeted.

Community-based Programs

1. Perform specific outreach to senior owner-occupants to increase awareness of housing rehabilitation services available through the Town.
2. Arrange for delivery of housing counseling and education services on location at employers of all sizes.
3. Continue the owner-occupied housing rehabilitation program. Update the program to reflect types of structures, geographic areas or neighborhoods, and owner income levels consistent with identified conditions. Further ensure that per unit investments are consistent with current property values and funding source limitations.
4. Secure all resources through legal mechanisms that provide for a return of investment in the event that property is sold or transferred or occupancy and affordability guidelines are not otherwise met. Reinvest returned resources into additional affordable housing projects and programs.
5. Establish the “I’m a Payson I*DO*IT” volunteer program:
    a. Establish a recognition program similar to the *Roundup Good Guy Award*;
    b. Work with local vendors to provide T-shirts for gift or sale to volunteers and participants;
    c. Include both residential and commercial clean-ups, beautifications and rehabilitations.
6. Provide leadership, direction, and grant writing support for a volunteer network to provide maintenance and repair services, conduct neighborhood clean-ups, and advocate for additional housing and supportive services in Payson. Focus initial efforts towards seniors, the Disabled and Very-low Income Households. Outreach to ElderBuilders, Senior Center, Home Depot, Habitat for Humanity Restore, Elks and other Civic Organizations, Employers and Businesses, Town staff, and Religious Organizations.
7. Implement a neighborhood- or geographically-based approach to planning and activity implementation:

a. Work with the police department and block watch program to identify active neighborhoods that may be interested in developing a neighborhood plan. Also provide an opportunity for additional neighborhoods to self-nominate.
b. Identify one or more specific neighborhoods and implement a beautification program:
c. Conduct a volunteer clean-up effort;
d. Provide free roll-offs and or Town dump trucks for non-hazardous materials disposal;
e. Evaluate the expansion of the Citizen's Academy to include a Neighborhood Academy focused on economic and housing issues;
f. Evaluate neighborhoods in which manufactured housing design standards may be implemented. Work within the neighborhoods to establish development and design criteria for presentation to the Housing Advisory Commission, Planning and Zoning Commission and Town Council.

8. Work directly with employers to implement community education and collaborative initiatives. Consider employer and employee involvement in:
   a. Neighborhood clean-ups;
   b. Sponsoring and funding of PSAs and other community education events;
   c. Development of a new employee recruitment packet that provides information about affordable housing and community services.

Planning and Zoning Requirements and Incentives

1. Ensure that subsidized housing is located close to shopping, employment, schools and community services and in a manner that does not encourage concentrations of low-income households in one geographic area.
2. Ensure that new housing units are designed to respect the mass, scale, siting and form of other buildings in a neighborhood or area.

Leadership and Capacity

1. Adopt a local housing policy to ensure that maintaining and increasing a range of quality housing for all economic and demographic segments of the population is considered as a primary goal in other local policy.
2. Involve housing staff in development review and negotiations to ensure a clear and mutual understanding of housing variety and affordability conditions.
3. Examine a variety of organizational structures and the fiscal resources necessary to provide secure, affordable access to land and housing, including housing rehabilitation activities, project financing, development and management. Include:
   a. Community Land Trust (CLT).
   b. Community Development Corporation (CDC).
   c. Municipal Property Corporation (MPC).
   d. Gila County Housing Department.
   e. Expansion of existing nonprofit organizations.

f. Continuation or expansion of the Town's role.

4. Include in the examination, the Town resources necessary to support the creation and on-going operations of an organization, either internal or external to the Town.
5. Prepare and present a final report and report of the fiscal and organizational impacts, both positive and negative, of each organizational type.
6. Prior to developing new programs or expanding existing programs or resources, develop a methodology to assess:
    a. Organizational capacity of the Town and/or partner organizations to successfully deliver;
    b. The relationship to existing plans, strategies and policies.

Additional Financial Resources

1. Support housing staff to gain housing education and counseling certification and provide such services to households utilizing housing rehabilitation and home purchase assistance programs.
2. Pursue federal and state funding to expand the supply of financial resources and funding available for affordable housing programs and projects.
3. Provide letters of support for projects applying for funding from governmental and private sources, when those projects are in alignment with the conditions identified in the Housing Needs Assessment.
4. Define criteria by which projects will be determined in alignment with the Housing Needs Assessment.
5. Establish a process whereby project developers or sponsors provide consistent information to evidence alignment with the Housing Needs Assessment.
6. Convene local financial institution representatives and the real estate community to both educate regarding housing conditions in Payson and begin the process of researching possible financing mechanisms including:
    a. Local loan pool;
    b. Possible portfolio products with extended loan terms and unique underwriting standards;
    c. Linked deposit and guarantee programs; and
    d. Funding for housing counseling certification and provision by Town Housing staff.

Examples of Housing Strategy Implementation

Although housing needs and demand differ from household to household, housing affordability is a community condition impacting single-person and very low-income households as well as of the workforce and families. Many of the strategies identified by the PHAC have the potential to impact housing affordability. This section examines the impact of various strategies on housing affordability and presents several examples of how housing might be developed to address identified conditions.

New Construction – 3.8 acre in-fill

A property located on Rumsey Street across from Town Hall is close to shopping, employment and services, a location that is ideal for both workforce and family households and single-person and very-low income households. The property is bounded by commercial uses to the south and residential uses to the north and west, making these properties less suited to low-density residential. The cost of this land is approximately $162,000 per acre and its primary current zoning is commercial.

The following example assumes that 3.6 acres would be retained for commercial use and the remaining 3.8 acres would be used for residential development. An additional mix of residential and commercial uses may be appropriate.

Zoning and Building Strategies

Strategies applied: 3A2, 3B1, 4A5, 4A6, 4A8, 4A9, 4A11, 4B1, 4C3, 4C4, 4C5

If the land was zoned residential and six or eight detached single-family units per acre were developed, the basic costs would be as follows. To be profitable, for the six unit example the developer would need to build a minimum house size of approximately 1,900 square feet; for the eight unit example, the developer would need to develop a minimum house size of approximately 1,780 square feet. The costs to the Town are those that would be applicable to any similar development. It is important to note that in the current economy, finished unit values may be less than the actual cost to produce the units, resulting in a higher-than-market-value sales price.

	Six units/Acre	Eight units/Acre
Total Units	22	30
Average Square feet	1,900	1,780
Sales Price	$ 314,000	$ 285,000
Affordable to Household Earning	$ 104,600	$ 95,000
Land	8.9%	7.2%
Construction & Infrastructure	64.7%	65.8%
Design & Engineering	3.6%	3.6%
Financing, Development & Real Estate Fees	17.4%	17.4%
Permit Fees	0.4%	0.5%
Impact Fees	5.0%	5.5%

If the land were developed to accommodate a mix of purchase and rental units for targeted households (very-low-income renters and workforce/family purchasers), a variety of strategies would be required. The following example demonstrates the impact of providing a mix of housing in 44 total units, including:

- Ten 500 square foot first-floor handicap accessible rental units for very-low-income singles;
- Five 900 square foot second-floor family rental units for very-low-income families;
- Twenty attached single-family for-sale 3-bedroom units – 5 market rate and 15 for moderate-income households; and
- Nine attached single-family for-sale 4-bedroom units – 3 market rate and 6 for moderate-income households.

The costs to the Town are staff costs that would be applicable to any development. The price reduction for a home purchaser ranges from $40,000 to $79,000 – making the units affordable to households earning between $68,700 and $81,700. This price is realized through the mix of commercial, owner-occupied residential and renter-occupied residential uses, a density increase of 3.6 units/acre from 8 units/acre to 11.6, and various designs and unit sizes.

With these variations from the typical single-family detached unit on a large lot, the cost savings is substantial yet does not equate to affordability for targeted households – those members of the workforce and households earning less than 80% of the county median income. Additional strategies will be necessary to provide homeownership opportunities for this economic segment of the community.

	3 Br	4 Br
Total Units	20	9
Average Square feet	1,250	1,530
Est. Monthly Rent or Sales Price	$ 206,000	$ 245,000
Affordable to Households Earning	$ 68,700	$ 81,700
Land	7.3%	
Construction & Infrastructure	64.8%	
Design & Engineering	3.6%	
Financing, Development & Real Estate Fees	16.5%	
Permit Fees	0.6%	
Impact Fees	7.2%	

Incentives and Financing Strategies

Strategies Applied: 4C1, 4C2, 4C8, 5D3, 5D5

A mix of financing- related incentives are further necessary to ensure long-term affordability for renters and initial affordability for purchasers. The difference with these strategies is the costs to the Town, including fee deferrals and pay-ins from the general fund, and the costs of grant-writing staff or grant-writers. Still, many of these costs may also be eligible for reimbursement from financing and funding sources. All other costs to the Town remain the same as for any other development.

	3 Br	4 Br
Total Units	20	9
Average Square feet	1,250	1,530
Est. Rent or Sales Price with Subsidies	$ 130,000	$ 140,000
Affordable to Households Earning	$ 43,300	$ 46,700

As noted earlier the cost to develop exceeds the amount that will be available from purchasers, even with the mix of affordable subsidized units and market-rate units. The following example demonstrates how the funding gap of for-sale units – the difference between what it costs to develop and what a target household can afford – might be filled.

Development Phase Financing and Funding	
Total Development Cost	$ 6,330,000
Construction Financing	4,114,000
Developer Equity	633,000
GAP	$ 1,583,000
Town Fee Pay-in Subsidized Units	297,000
GAP	$ 1,286,000
CDBG for Land Subsidized Units	332,000
GAP	$ 954,000
Development Subsidy (FHLB/AHP)	954,000

Buyer Financing and Funding	
Total Development Cost	$ 6,330,000
Cost of Sales	331,000
TDC + COS	$ 6,661,000
Buyer Down Payment	220,800
Buyer 1st Mortgages	4,195,000
GAP	$ 2,246,000
Town Fee Pay-in Subsidized Units	297,000
CDBG for Land Subsidized Units	332,000
Development Subsidy (FHLB/AHP)	954,000
Buyer Subsidies (AzHFA)	225,000
Buyer Subsidies (FHLB/AHP)	438,000

Total average subsidies to the moderate-income homebuyer that make possible a sales price ranging from $130,000 to $140,000 include:

	Average Buyer Subsidy
Town Fee Pay-ins	$10,500
CDBG	14,150
FHLB/AHP (development subsidy converted)	15,800
AzHFA Homes for Arizonans	10,700
FHLB/AHP (purchase subsidy)	21,000
Total	$ 72,150

Organizational Strategies

Strategies Applied or Evaluated: 5C1, 5D4, 5D5, 5D6

Many of the identified funding sources require that the subsidy to the homebuyer be secured through legal mechanisms, that the occupancy of the unit be restricted to low- and moderate-income purchasers or both. There are generally two mechanisms that the Town might consider – those that provide for initial affordability of the housing unit and recapture of any subsidies, and those that provide for both initial and long-term affordability of the housing unit. In both instances, the initial occupancy of the unit is restricted to income-qualified households. In the long-term affordability instance both initial and subsequent occupants must be income qualified. The legal mechanisms and organizational structures for each vary.

Initial occupancy with recapture or repayment terms. This structure is *buyer* focused and requires legal documents that specify the terms and conditions of repayment by the subsidized buyer. Repayment terms may be amortizing, due on sale or transfer, interest-bearing or non-interest-bearing. With this structure, the buyer is typically guaranteed their contributions first and then a share of the equity. The buyer takes some risk with the market – if market values increase, then equity is greater; if market values decrease, then a loss may occur. This structure requires:

- Housing counseling;
- Underwriting criteria;
- Legal mechanisms compatible with first lien holder mechanisms;
- Loan servicing capacity;
- Additional projects or on-going programs to utilize repaid funds.

Long-term affordability. This structure is *unit* focused and includes a Community Land Trust and other on-going programs. With this structure, the buyer is typically guaranteed their contributions first and then a share of the equity. Because resale values are restricted, the potential for equity is less than with buyer-focused structures. In addition to the capacity required for initial occupancy and repayment or recapture, this structure also requires:

- Land use restrictions;
- Additional funding to ensure continued unit affordability;
- Waiting list of prepared buyers.

Neighborhood Revitalization – In-fill

There are multiple parcels located throughout Town that are within existing residential neighborhoods and suitable for single units, duplexes, or accessory dwelling unit (ADU) units. Many of these neighborhoods are close to employment and services, have mature landscaping and full infrastructure availability, making them ideal for the placement of additional in-fill housing units. It is important to note that while there are many vacant parcels, terrain, floodplain, and legal issues among others may negatively impact development potential.

The following examples demonstrate how existing housing conditions might be met using a variety of strategies.

Manufactured Housing or Duplex For Sale

Zoning and Building Strategies: 2A2, 3A2, 4A1, 4A2, 4A4, 4B1, 5F4, 5F7
Incentives and Financing Strategies: 4C1, 4C2, 4C6, 4C7, 4C9
Organizational Strategies: 5D4, 5D5, 5D6

The costs to the Town are staff costs that would be applicable to any development. The price reduction for a home purchaser realized through the alternate building type is approximately $28,000 to $52,000. Again, additional incentives are necessary to address targeted households – those earning less than 80% of the area median income. In both the manufactured housing and duplex unit examples, pay-in of Town impact fees would bring the unit within the affordable range.

	Manufactured	Duplex
Total Units	1	2
Average Square feet	1,650	1,250
Sales Price	$ 158,000	$ 182,000
Affordable to Household Earning	$ 52,600	$ 61,000
Town Impact & Permit Fee Pay-in	$ 11,715	$ 11,715
Net Sales Price	$ 146,300	$ 170,600
Affordable to Household Earning	$ 48,700	$ 56,900
Land	25.3%	11.0%
Construction, including Site Improvements	59.2%	71.9%
Design & Engineering	1.8%	1.5%
Financing, Development & Real Estate Fees	2.8%	6.2%
Permit Fees	0.9%	0.8%
Impact Fees	10.0%	8.7%

Manufactured or Site-built Accessory Dwelling Unit For Rent

Zoning and Building Strategies: 3A1, 3A2, 4A1, 4A2, 4A4, 4B2
Incentives and Financing Strategies: 4C1, 4C2, 4C6, 4C7, 4C9
Organizational Strategies: 5D4, 5D5, 5D6

The costs to the Town are staff costs that would be applicable to any development. The rents possible through the addition of ADUs are affordable to many seniors, single-person and working households. Still, additional incentives are necessary to address targeted households – those with very-low-incomes or earning less than 50% of the area median income. In both the manufactured housing and site-built accessory unit examples, pay-in of Town impact fees would bring the unit within the affordable range.

	Manufactured	Site-Built
Average Square feet	450	450
Placement/Development Cost	$ 56,600	$ 63,900
Rent, including property taxes & insurance	$ 425	$ 475
Affordable to Household Earning	$ 17,000	$ 19,000
Town Impact & Permit Fee Pay-in	$ 11,715	$ 11,715
Rent, including property taxes & insurance	$ 350	$ 400
Affordable to Household Earning	$ 14,000	$ 16,000
Construction, including Site Improvements	66.3%	63.8%
Design & Engineering	1.3%	3.5%
Financing, Development & Real Estate Fees	1.9%	5.8%
Permit Fees	2.5%	2.2%
Impact Fees	27.9%	24.7%

APPENDIX 1 – COMMUNITY SURVEY – JUNE/JULY 2008

At the request of the Housing Advisory Commission, primary data was collected through an on-line survey. There were 212 responses to the survey, representing approximately 1.3% of the estimated population.

Respondents			
Live in Payson	77%	Annual income <$20,000	2%
Year-round Resident	93%	Annual income $20,000 - $39,999	17%
Employed in or own business in Payson	90%	Annual income $40,000 - $59,999	19%
Employed full-time	61%	Annual income $60,000 - $74,999	19%
Employed part-time	3%	Annual income $75,000 - $99,999	17%
Retired	17%	Annual income > $100,000	27%
Self-employed	10%	Believe housing is affordable to their household	32%
Lived in Payson 1 to 4 years	39%	Believe housing is not affordable to their household	68%
Lived in Payson 5 to 9 years	24%	Believe it is important for housing to be affordable in Payson	89%
Lived in Payson 10 years or more	31%	Neutral belief regarding affordable housing in Payson	8%
One-person household	11%	Believe not important for housing to be affordable in Payson	3%
Two-person household	49%	Four-person household	12%
Three-person household	14%	Five or more person household	14%

Owners	**83%**		
Single-earner Owners	14%	Seeking ownership - single-family	78%
Owners with two-earners, both full-time	40%	Seeking ownership - manufactured	13%
Owners with two-earners, one FT, one PT	8%	Seeking ownership - condo/townhouse	7%
Single-family site-built	83%	Seeking ownership - 2–bedroom	13%
Manufactured	16%	Seeking ownership - 3–bedroom	61%
Owners with no mortgage	26%	Seeking ownership - 4–bedroom	22%
Owners paying $999/month or less	21%	Seeking ownership payment < $1,000	51%
Owners paying $1,000 - $1,499/month	23%	Seeking ownership payment $1,000 - $1,499	37%
Owners paying $1,500 - $1,999/month	17%	Seeking ownership payment $1,500 - $1,999	11%
Owners paying $2,000 or more	13%	Seeking ownership payment $2,000 or more	2%
Owners in 3 bedroom	51%	Seeking ownership, down payment <$1,000	21%
Owners in 2 bedroom	27%	Seeking ownership, down payment <$1,000 - $2,999	19%
Owners in 4 or more bedroom	20%	Seeking ownership, down payment <$3,000 - $4,999	8%
Satisfied/ very satisfied with current housing	82%	Seeking ownership, down payment <$5,000 - $6,999	10%
Dissatisfied/very dissatisfied current housing	12%	Seeking ownership with down payment >$7,000	42%
Seeking other housing, wish to purchase	36%	Seeking ownership, interested in education/ counseling	35%
Owners seeking other housing, wish to rent	1%	Seeking ownership, interested in financial assistance	32%

Renters	**17%**		
Renters in current unit longer than 4 years	23%	Renters satisfied/very satisfied	68%
Renters in single family units	56%	Renters dissatisfied/very dissatisfied	24%
Renters in manufactured units	21%	Renters seeking to purchase	56%
Renters in apartments or condos	23%	Renters seeking to rent	27%
Renters paying less than $500/month	12%	Wishing to purchase single-family	73%
Renters paying $500 - $699/month	21%	Wishing to purchase manufactured	9%
Renters paying $700 - $999/month	35%	Wishing to rent apartment	18%
Renters paying more than $1,000/month	30%	Renters seeking to pay less than $500/month	18%
Rent includes utilities	28%	Renters seeking to pay $500 - $699/month	36%
Single-earner Renters	41%	Renters seeking to pay $700 - $999/month	27%
Renters in 1-bedroom unit	6%	Renters seeking to pay more than $1,000/month	9%
Renters in 2-bedroom unit	38%		
Renters in 3-bedroom unit	50%		
Renters in 4-bedroom unit	6%		
Primary factors influencing home choice: price, location, neighborhood, distance to services.			

APPENDIX 2 – HOUSING STRATEGY

GOAL 1: INCREASE HOUSING OPTIONS FOR PAYSON'S WORKFORCE AND FAMILIES.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
Objective A: Educate the community regarding demographic, economic and housing conditions of Payson's workforce and families and create a collaborative environment to address those conditions.							
1A1	Create a process for employer input into housing programs and projects as a method to facilitate employee attraction and retention.		✓			Housing Staff Housing Advisory Commission Economic Dev. Orgs.	General Fund Econ. Dev. Orgs.
1A2	Explore how workforce housing may be integrated into existing development and neighborhoods to avoid economic segregation. ** ADU ordinance passed			✓		Housing Staff	General Fund
1A3	Contact organizations and agencies that currently provide financial and other resources, and sponsor workshops and educational opportunities for homeowners, investors, and renters.			✓		Housing Staff Service Providers	Service Providers
1A4	Arrange for delivery of housing counseling and education services on location at employers of all sizes.		✓			Housing Staff Local Businesses	General Fund Local Businesses Service Providers
Objective B: Encourage the development of employer-assisted housing and housing programs.							
1B1	As a policy, support economic development activities that will create or retain higher-wage employment or will address the housing and supportive services conditions of seniors, the workforce, and very-low-income households.			✓		Town Manager	General Fund
1B2	Explore the creation of a linkage program that would require developers to assist in the development of affordable housing if they are developing			✓		Housing Staff	General Fund

GOAL 1: INCREASE HOUSING OPTIONS FOR PAYSON'S WORKFORCE AND FAMILIES.

	Policy or Action	Ongoing	One-year	Short-term (2 – 5 yrs)	Long-term (6-10 yrs)	Responsibility	Resources
	real estate that could increase the demand for affordable workforce housing, such as hotels, offices or retail centers. ** currently open council discussion					Housing Advisory Commission Town Manager Community Dev. Dept.	
1B3	Explore incentives for employers to participate in the development of affordable housing on currently-owned and/or adjacent parcels. In doing so, examine existing zoning and codes to identify those incentives that would be necessary to encourage such development			✓		Community Dev. Dept.	General Fund
1B4	Evaluate the linking of economic development incentives with the provision of housing for employees.				✓	Housing Staff Town Manager	General Fund
Objective C: Encourage the construction of a variety of workforce housing options – both for buyers and renters - in locations that are accessible to services and employment.							
1C1	Provide incentives that reduce impact of fees assessed for acquisition and/or rehabilitation of existing substandard housing units in identified neighborhoods. Offer additional incentives when rehabilitated units will be sold or leased to households earning less than the area median income.			✓		Community Dev. Dept.	General Fund ADOH Financial Institutions
1C2	Explore the elimination of minimum lot sizes in specific zones to encourage developers to create units within the site and environmental constraints of a property.			✓ GP		Community Dev. Dept.	General Fund
1C3	Promote economic vitality through zoning that accommodates the development of employment and business opportunities located in close proximity to existing housing and neighborhoods.			✓ GP		Community Dev. Dept.	General Fund
1C4	Evaluate and implement expedited and simplified permit and review processes for workforce housing development.			✓		Community Dev. Dept.	General Fund

GOAL 1: INCREASE HOUSING OPTIONS FOR PAYSON'S WORKFORCE AND FAMILIES.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
1C5	Examine residential uses over commercial uses as an opportunity to expand housing choice while providing additional and alternative income to property owners.			✓ GP		Community Dev. Dept.	General Fund
1C6	Encourage adaptive reuse of vacant commercial structures for affordable housing.				✓	Community Dev. Dept.	General Fund
Objective D: Deliver or support community-based programs and projects that will address the housing conditions of Payson's workforce while educating employers and the public of the benefits of and opportunities for homeownership.							
1D1	Continue the owner-occupied housing rehabilitation program. Update the program to reflect types of structures, geographic areas or neighborhoods, and owner income levels consistent with identified conditions. Further ensure that per unit investments are consistent with current property values and funding source limitations.	✓				Housing Staff	CDBG HOME SHF

GOAL 2: INCREASE HOUSING OPTIONS AND SUPPORTIVE SERVICES FOR PAYSON'S AGING HOUSEHOLDERS EXPERIENCING HOUSING QUALITY AND AFFORDABILITY CHALLENGES.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
Objective A: Educate the community regarding demographic, economic and housing conditions of Payson's aging population and create a collaborative environment to address those conditions.							
2A1	Convene local senior and housing service agencies and discuss the delivery and expansion of senior services and housing services.	✓				Housing Advisory Commission Service Providers	General Fund Service Providers

GOAL 2: INCREASE HOUSING OPTIONS AND SUPPORTIVE SERVICES FOR PAYSON'S AGING HOUSEHOLDERS EXPERIENCING HOUSING QUALITY AND AFFORDABILITY CHALLENGES.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
2A2	Identify and contact developers of Section 202/811 and USDA RD 515 housing to encourage the development of subsidized rental units with supportive services for senior and disabled individuals and families.			✓		Housing Staff HUD USDA	General Fund
2A3	Work cooperatively with Elder Builders, Christmas in April and similar organizations to facilitate home repairs for seniors.				✓	Housing Advisory Commission	General Fund Service Providers
Objective B: Deliver or support community-based programs and projects that will address the housing and supportive services conditions of Payson's aging population.							
2B1	Perform specific outreach to senior owner-occupants to increase awareness of housing rehabilitation services available through the Town.	✓				Housing Staff Service Providers	General Fund Service Providers
2B2	Implement a modification program to assist seniors and the disabled to remain in their owner-occupied housing units.			✓		Housing Staff Service Providers	CDBG HOME / SHF
2B3	Examine the effectiveness of a program focused on replacement of the oldest manufactured housing units occupied by seniors				✓	Housing Staff	General Fund CDBG

GOAL 3: INCREASE OWNER HOUSING ASSISTANCE AND SUBSIDIZED RENTAL HOUSING OPTIONS FOR SINGLE-PERSON AND VERY LOW-INCOME HOUSEHOLDS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	
Objective A: Encourage the development of single-room-occupancy housing and other projects and programs that will house single-person and very low-income families.							
3A1	Work with the Gila County Housing Authority to ensure their clear understanding of socio-economic and housing conditions in Payson and encourage the pursuit of additional Section 8 and other rental subsidy resources to assist very low-income households.			✓		Housing Staff Gila Co. Housing Dept.	General Fund Gila County Hsg. Dept.
3A2	Encourage the development of mixed-income and mixed-size housing units compatible with existing neighborhood conditions and form.			✓ GP		Community Dev. Dept.	General Fund
3A3	Develop a process for identifying and tracking abandoned, vacant and foreclosed property. Evaluate such property for use as subsidized housing.			✓		Housing Staff	General Fund ADOH/Neighborhood Stabilization $$
3A4	Encourage partnerships among property owners and private or nonprofit developers to expand investment in the development, redevelopment, rehabilitation and adaptive reuse of vacant buildings for housing households earning less than the area median income.			✓		Housing Staff	General Fund
Objective B: Deliver or support community-based programs and projects that will address the housing and supportive services conditions of Payson's single-person and very low-income households.							
3B1	Encourage subsidized housing located close to shopping, employment, schools and community services and in a manner that does not encourage concentrations of low-income households in one geographic area.	✓				Community Dev. Dept.	General Fund

GOAL 3: INCREASE OWNER HOUSING ASSISTANCE AND SUBSIDIZED RENTAL HOUSING OPTIONS FOR SINGLE-PERSON AND VERY LOW-INCOME HOUSEHOLDS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	
3B2	Implement a modification program to assist landlords renting to the disabled to permanently modify existing units to accommodate long-term occupancy.				✓	Housing Staff	CDBG Foundations SHF Service Providers

GOAL 4: INCREASE THE VARIETY OF HOUSING TYPES IN PAYSON, INCLUDING SITE-BUILT, MANUFACTURED AND MULTI-FAMILY HOMEOWNERSHIP AND RENTAL UNITS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
Objective A: Utilize the process of updating the General Plan to investigate and institute zoning and building requirements that encourage the development of a variety of housing types suitable for occupancy by seniors, the workforce and very-low income households.							
4A1	are possible.			✓		Community Dev. Dept.	General Fund
4A2	Ensure that zoning policies recognize and accommodate the needs and preferences of a changing demographic, including single-person households, seniors, and couples without children.			✓		Community Dev. Dept.	General Fund
4A3	Evaluate the rezoning of low-density residential to higher- or mixed density residential to encourage a mix of housing.			✓		Community Dev. Dept.	General Fund
4A4	Ensure that adequate sites are designated for multi-family and manufactured housing to meet expected demand among households at various income levels, including very-low and low-income households.			✓		Community Dev. Dept.	General Fund
4A5	Identify areas in advance where developers can build certain types of residential or commercial structures “as of right” without needing a variance or negotiated process.			✓		Community Dev. Dept.	General Fund
4A6	Encourage mixed-use zoning to allow different types of uses within the same structure. Explore mixed zoning by right as a mechanism to shorten the approval and development process.			✓		Community Dev. Dept.	General Fund
4A7	Examine residential uses over commercial uses as an opportunity to expand housing choice while providing additional and alternative income to property owners.			✓		Community Dev. Dept.	General Fund
4A8	Reevaluate land use recommendations for areas adjacent to major transportation corridors for zoning for higher-density and mixed-use			✓		Community Dev. Dept.	General Fund

GOAL 4: INCREASE THE VARIETY OF HOUSING TYPES IN PAYSON, INCLUDING SITE-BUILT, MANUFACTURED AND MULTI-FAMILY HOMEOWNERSHIP AND RENTAL UNITS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
	development that includes affordable housing.						
4A9	Identify areas along commercial corridors that would benefit from a mix of commercial and residential uses.			✓		Community Dev. Dept.	General Fund
4A10	Evaluate how adjoining zoning districts might be consolidated to promote a greater diversity of allowable uses, or how overlay districts might be introduced to supplement the existing code to promote housing variety and affordability.			✓		Community Dev. Dept.	General Fund
4A11	Establish policies and standards that encourage the development of higher-density and multi-family housing opportunities adjacent to and within existing employment and other commercial areas.			✓		Community Dev. Dept.	General Fund
4A12	Involve Housing Advisory Commission members and housing staff in the General Planning process as advisors or committee members.			✓		Housing Staff Housing Advisory Commission Community Dev. Dept.	General Fund
Objective B: Utilize zoning and building requirements to encourage the development of a variety of housing types suitable for occupancy by seniors, the workforce and very-low income households.							
4B1	Ensure that new housing units are designed to respect the mass, scale, siting and form of other buildings in a neighborhood or area.	✓				Community Dev. Dept.	General Fund
4B2	Explore areas where Accessory Dwelling Units may be built and incorporate such units into zoning.			✓		Community Dev. Dept.	General Fund
Objective C: Utilize incentives to encourage the development of a variety of housing types suitable for occupancy by seniors, the workforce and very-low income households.							
4C1	Explore the waiver of permit fees and paying or deferring impact fees as			✓		Housing Staff	General Fund

GOAL 4: INCREASE THE VARIETY OF HOUSING TYPES IN PAYSON, INCLUDING SITE-BUILT, MANUFACTURED AND MULTI-FAMILY HOMEOWNERSHIP AND RENTAL UNITS.

	Policy or Action	Ongoing	One-year	Short-term (2 – 5 yrs)	Long-term (6-10 yrs)	Responsibility	Resources
	incentives to encourage affordable residential development or neighborhood revitalization. Ensure that specific guidelines regarding income, rent or purchase prices and occupancy requirements are developed and met to secure waivers and payments.					Community Dev. Dept. Legal Dept.	
4C2	Explore a variety of methods to reduce up-front costs and minimize developer risk in affordable housing by: a. Deferring fees and exactions until occupancy or sale. b. Developing neighborhood or specific-area plans that provide for a variety of overlay zoning.			✓		Housing Staff Community Dev. Dept.	General Fund
4C3	Explore density bonuses as a method for increasing the supply of affordable housing, with greater densities provided for units set aside for the lowest-income households.			✓		Community Dev. Dept.	General Fund
4C4	Use buffering, screening and design standards to mitigate impacts of higher-density residential development on neighboring lower-density residential development.	✓				Community Dev. Dept.	General Fund
4C5	Explore the waiver of or reduction of setbacks, parking or landscaping requirements when affordable housing will be provided.			✓		Community Dev. Dept.	General Fund
4C6	Provide for zoning incentives that encourage the development of diverse housing types, including smaller, more affordable units for singles and couples, and three, four, and five-bedroom units for large families.			✓		Community Dev. Dept.	General Fund
4C7	Examine alternative construction methods and materials as methods to lower housing production costs.			✓		Community Dev. Dept.	General Fund
4C8	Explore the possible use of Community Development Block Grant funding as a source for land acquisition and near-term affordable housing development.			✓		Housing Staff Town Manager	CDBG

GOAL 4: INCREASE THE VARIETY OF HOUSING TYPES IN PAYSON, INCLUDING SITE-BUILT, MANUFACTURED AND MULTI-FAMILY HOMEOWNERSHIP AND RENTAL UNITS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
4C9	Establish design criteria for manufactured and modular housing to promote placement in a wider array of zoning districts.				✓	Community Dev. Dept.	General Fund

GOAL 5: DEVELOP LOCAL CAPACITY TO COORDINATE ACTIVITIES THAT ADDRESS IDENTIFIED HOUSING CONDITIONS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
Objective A: Establish processes to incorporate housing quality, variety and affordability into existing policy, planning, and zoning decisions and processes.							
5A1	Adopt a local housing policy to ensure that maintaining and increasing a range of quality housing for all economic and demographic segments of the population is considered as a primary goal in other local policy.		✓			Housing Staff Town Manager	General Fund
5A2	Involve housing staff in development review and negotiations to ensure a clear and mutual understanding of housing variety and affordability conditions.	✓				Community Dev. Dept.	General Fund
5A3	Examine how zoning provisions and building codes individually and collectively add to the cost of production of all units, including affordable units.			✓		Housing Staff	General Fund
Objective B: Establish processes to ensure that data and information are current in support of community education and technical review.							
5B1	Develop a methodology and process to periodically reassess the impact			✓		Housing Staff	General Fund

GOAL 5: DEVELOP LOCAL CAPACITY TO COORDINATE ACTIVITIES THAT ADDRESS IDENTIFIED HOUSING CONDITIONS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
	of updating regulatory policy and land use on housing affordability and affordable housing development.					Community Dev. Dept.	
5B2	Identify and involve other agencies and organizations in the housing availability and affordability discussion, including the National Forest, Gila County, and Tonto Apache Tribal Government.	✓				Housing Advisory Commission Other Agencies	General Fund Other Agencies
5B3	At least annually, update: a. Housing sales volume and median price data to ensure that current policies, programs and projects are targeted appropriately and are achieving the desired balance of availability and affordability. b. Apartment rental information including median rent and vacancy rates by bedroom size to ensure that current policies, programs and projects are appropriately targeted.	✓				Housing Staff	General Fund
5B4	Ensure that zoning policies, and housing programs, policies and actions incorporate an analysis of current and projected economic, social and political forces and the potential for displacement or loss of existing affordable units.			✓		Housing Staff Community Dev. Dept.	General Fund
Objective C: Create formal and informal leadership and organizational structures to support housing policies and activities							
5C1	Examine a variety of organizational structures and the fiscal resources necessary to provide secure, affordable access to land and housing, including housing rehabilitation activities, project financing, development and management. Include: a. Community Land Trust (CLT). b. Community Development Corporation (CDC). c. Municipal Property Corporation (MPC). d. Gila County Housing Department.		✓			Housing Staff Housing Advisory Commission	General Fund ICE

GOAL 5: DEVELOP LOCAL CAPACITY TO COORDINATE ACTIVITIES THAT ADDRESS IDENTIFIED HOUSING CONDITIONS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
	e. Expansion of existing nonprofit organizations. f. Continuation or expansion of the Town's role. Include in the examination, the Town resources necessary to support the creation and on-going operations of an organization, either internal or external to the Town. Prepare and present a final report and report of the fiscal and organizational impacts, both positive and negative, of each organizational type.						
5C2	Identify a primary role for the Housing Advisory Commission. Consider regulation, advocacy, facilitation /intermediary, lender or equity investor, and developer.		✓			Housing Advisory Commission	General Fund
5C3	Prior to developing new programs or expanding existing programs or resources, develop a methodology to assess: a. Organizational capacity of the Town and/or partner organizations to successfully deliver; b. The relationship to existing plans, strategies and policies.	✓				Housing Staff Town Manager Community Dev. Dept.	General Fund
Objective D: Identify and pursue resources and structure incentives and financing to ensure housing regulation and incentives are efficiently funded.							
5D1	Provide letters of support for projects applying for funding from governmental and private sources, when those projects are in alignment with the conditions identified in the Housing Needs Assessment. a. Define criteria by which projects will be determined in alignment with the Housing Needs Assessment. b. Establish a process whereby project developers or sponsors provide consistent information to evidence alignment with the Housing Needs Assessment.	✓	✓			Housing Staff Housing Advisory Commission	General Fund
5D2	Support housing staff to gain housing education and counseling		✓			Housing Staff	General Fund

GOAL 5: DEVELOP LOCAL CAPACITY TO COORDINATE ACTIVITIES THAT ADDRESS IDENTIFIED HOUSING CONDITIONS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
	certification and provide such services to households utilizing housing rehabilitation and home purchase assistance programs.					Housing Advisory Commission Town Manager	ADOH HUD Foundations
5D3	Pursue federal and state funding to expand the supply of financial resources available for affordable housing programs and projects.	✓				Housing Staff Grant writing Staff	General Fund
5D4	Secure all resources through legal mechanisms that provide for a return of investment in the event that property is sold or transferred or occupancy and affordability guidelines are not met. Reinvest returned resources into additional affordable housing projects and programs.	✓				Housing Staff Legal Dept. Finance Dept.	General Fund
5D5	Encourage partnerships with financial institutions to develop a local loan pool targeted to the development of housing for direct benefit of households earning less than the area median income.			✓		Housing Advisory Commission Financial Institutions	Financial Institutions Foundations
5D6	Explore the development of standards and policies that reduce or rebate fees for housing that is available for rent or purchase by targeted households.				✓	Housing Staff Community Dev. Dept.	General Fund
5D7	Ensure that targeted loan pools examine the benefits of a reduced interest rate in exchange for shared equity with optional 30 year mortgage plans.				✓	Housing Staff Legal Dept.	General Fund
Objective E: Develop Education Materials and Outreach Activities to Support Housing Policies and Actions							
5E1	Set specific community education goals and educate the public, key staff and elected and appointed officials regarding housing variety and affordability. Repeat selected themes often. Include: a. Factual information on specific information such as density, crime, design, traffic, and parking; b. The range of employment and income opportunities and how these	✓				Housing Advisory Commission	Foundations General Fund

GOAL 5: DEVELOP LOCAL CAPACITY TO COORDINATE ACTIVITIES THAT ADDRESS IDENTIFIED HOUSING CONDITIONS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
	relate to the cost of renting or owning.						
5E2	Develop a portfolio of successful affordable housing projects and programs. Include photos; describe appearance, design, and impact on individuals, neighbors and neighboring properties, employers, sales tax revenues, traffic reduction, and other visual/statistical data.			✓		Housing Staff Housing Advisory Commission	Foundations General Fund
5E3	Ensure that residents have access to financial and housing counseling to support housing decisions and investments.			✓		Housing Staff	General Fund ADOH
5E4	Ensure that a public input process is utilized for all key housing programs, projects and policies.			✓		Housing Staff Community Dev. Dept.	General Fund
5E5	Sponsor home maintenance and repair clinics to assist property owners in making their own repairs.				✓	Housing Advisory Commission	General Fund
Objective F: Develop a neighborhood-based approach to housing planning, projects and programs.							
5F1	Utilize a systematic approach to identify the needs of specific neighborhoods where: 1) residents are primarily of low- and moderate-income, 2) more than fifty percent of housing units were built prior to 1980, 3) concentrations of pre-1980 manufactured housing exist, or 4) mixed residential and commercial zoning exist. Involve neighborhood residents in the planning process and develop action plans to meet identified needs including social and community services, infrastructure, transportation, economic development, law enforcement and affordable housing.			✓		Housing Staff Community Dev. Dept.	CDBG ADOH General Fund
5F2	Undertake a housing conditions inventory in areas consisting primarily of housing stock built prior to 1980. Identify and map substandard units into four categories: 1) minor and cosmetic repair and removal of code violations; 2) moderate rehabilitation including at least one major system failure; 3) substantial rehabilitation including more than one major			✓		Housing Staff Community Dev. Dept.	CDBG ADOH General Fund

GOAL 5: DEVELOP LOCAL CAPACITY TO COORDINATE ACTIVITIES THAT ADDRESS IDENTIFIED HOUSING CONDITIONS.							
	Policy or Action	**Ongoing**	**One-year**	**Short-term (2 – 5 yrs)**	**Long-term (6-10 yrs)**	**Responsibility**	**Resources**
	system failure; and 4) not suitable for rehabilitation.						
5F3	Undertake a systematic housing inspection program in areas with a high volume of substandard dwellings and/or code violations. Seek resources from federal, state and local sources to create neighborhood clean-up, tool sharing, and beautification programs.			✓			CDBG General Fund
5F4	Explore neighborhood district zoning in which a variety of housing types, including multi-family, single-family as well as commercial and retail space are included "as of right".			✓ GP		Community Dev. Dept.	General Fund
5F5	Explore the elimination of minimum lot sizes in specific zones to encourage developers to create units within the site and environmental constraints of a property.			✓ GP		Community Dev. Dept.	General Fund
5F6	Explore a variety of zoning districts to encourage housing variety, such as traditional neighborhood or cluster housing districts.			✓ GP		Community Dev. Dept.	General Fund
5F7	Develop reasonable standards for manufactured homes within appropriate areas to ensure housing is affordable to households at a range of income levels.			✓		Housing Staff Community Dev. Dept.	General Fund
5F8	Implement rehabilitation codes in defined areas as a method to rehabilitate older buildings, provide mixed-income or mixed-use housing and spark redevelopment or revitalization.				✓	Community Dev. Dept.	General Fund