Housing Attainability for the FLAGSTAFF WORKFORCE

ECoNA
Economic Collaborative of Northern Arizona

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COMMUNITY DEVELOPMENT CONSULTANTS

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EXECUTIVE SUMMARY

In 2016, a number of private and public employers reached out to the Economic Collaborative of Northern Arizona (ECoNA) expressing concerns about the difficulty attracting and retaining a quality workforce in the Flagstaff community. Werwath & Associates were selected by ECoNA to assist the team with an analysis of the Flagstaff real estate market and make recommendations about steps the public and private sectors can take to improve housing options for the local workforce.

The findings and recommendations of that work are represented in this report. Some of the data in this report varies by year due to its source. As an example, Bureau of Labor Statistics employment data comes out only once per year for the prior year, and the Metropolitan Statistical Area (MSA) comprises the entire County, not just the Flagstaff area.

Recognizing the growing housing challenges facing the Flagstaff community and its corollary impact on workforce and the business climate, in the fall of 2016 ECoNA contracted with the Northern Arizona University W. A. Franke College of Business to conduct a comprehensive workforce survey of 13 of the largest employers in the Flagstaff Metropolitan Planning Area. The goal of this study was to better identify and quantify the complex relationship between housing and workforce. It revealed some striking findings.

Workforce Employee Housing Study

Unsurprisingly, housing and housing affordability were critical issues for the approximately 5900 respondents to the survey. This reinforced the nearly universal agreement among large employer stakeholders that high housing costs negatively impact employee retention and recruitment. Almost four fifths of respondents indicated that affordable workforce housing was a personal concern to them. **The survey also showed a strong concern weighted towards homeownership opportunities with 82.7% of respondents rating homeownership as "very important" and 86.4% of respondents citing the price of housing as the biggest obstacle to ownership.**

Most alarmingly, 54.6% of respondents are considering leaving Flagstaff because of housing costs and only slightly fewer (43.6%) plan to leave in the "next few years." Of the cohort that is considering leaving, a large majority (67.8%) are renter households.

Study results also show a workforce population very much in flux because of housing. When asked if respondents plan to change residences in the future, nearly half (49.6%) plan to change their residence. When asked why they planned to change residences, 17.6% of respondents (1038 households) want to move from rental to homeownership, and an additional 34.7% indicated they will move because of their current cost of housing. Of the households contemplating leaving the community, nearly half (49.6%) plan to leave within the next two years, with a full 70% contemplating leaving in the next three years.

Taken together, these are striking findings which have far ranging implications for the future of the Flagstaff workforce and the community as a whole.

Project Approach

Building on the survey data, in the spring of 2017 Werwath Associates was engaged to explore the challenges and opportunities for both employee assisted housing models, as well as the larger housing crisis facing Flagstaff. What followed was a series of stakeholder interviews, demographic and data analysis, and ultimately, the recommendations included in this report. If there is one succinct way to summarize our findings, it is that Flagstaff is facing an unprecedented and acute housing affordability crisis and is several years behind in finding tangible solutions to address housing affordability issues.

In this crisis, the community faces stark decisions about what they want to be in the future; a resort town, increasingly priced for wealthy newcomers, second homeowners and students, or an economically diverse community with a robust tax base and strong workforce. The lack of workforce housing has two primary negative impacts on workforce: hindering recruitment, which is evidenced by numerous anecdotal accounts from stakeholder interviews, and employee retention issues which can be found in the Workforce Housing Study responses.

Ultimately, Flagstaff faces a multitude of challenges towards creating a broad-based response to the lack of housing affordability. From being physically landlocked, to strong land conservation ethics and Not In My Back Yard (NIMBY) tendencies, to perhaps the most destabilizing impact of fast growth driven by outside wealth that has the practical impact of a divergence between wages and housing costs. These destabilizing mechanics in the housing market are true for the large percentage of second homeowners, retirees, and students alike, whose ability to pay for housing is not based on the local wages.

Despite many challenges, there are also plentiful opportunities for new approaches to increase housing opportunity through increased production, new financial tools, and new collaborations between the private and public sectors towards common well-defined housing goals.

Key Demographic and Housing Market Conditions

At its core, housing affordability is ultimately driven by supply and demand economics, and the supply has not kept up with the population growth and this is creating pressure on land prices and housing availability.

- Flagstaff's population grew by 7.0% between 2010 and 2015, nearly double the national rate of 4.1%
- Enrollment at Northern Arizona University has increased by 58% since 2007
- A 2010 study identified 4,808 unique second homeowners, nearly 25% of the housing market

The impact of this growth, and the failure of housing development to keep pace with this growth, means affordability measures have reached a critical tipping point.

- Flagstaff's cost of living is 14.1% above the national average, driven by housing costs 36% above the national average
- 43% of households (which includes renters) in Flagstaff are cost burdened and

paying more than 30% of their incomes for housing

- 60% of renter households in Flagstaff are cost burdened
- 22% percent of the population in Flagstaff is considered "extremely low income"
- 2016 median sales price for a single-family home was $350,000, requiring an income over $90,000 a year to purchase
- The 45% homeownership rate is strikingly low compared to statewide average of 63% and national average of 64%
- Sales of single-family homes below $250,000 shrunk by more than 50% between 2014 and 2016
- Sales of single-family homes below $200,000 decreased by 60% between 2014 and 2016
- There were only 15 homes listed under $250,000 citywide and only six listings below $200,000 in May of 2017, 1% of all single-family listings
- Only 2.6% of market rate rental units were available to rent and no income restricted units were vacant in February-March 2017
- Reported rental rates exceed what is considered Fair Market Value for HUD by between $200 and $400 a month depending on unit size

The data paints a stark picture of shrinking affordability for all but the wealthiest households. The supply of affordable detached homes has nearly evaporated for households with incomes below approximately 100% of the area median. This means that without attainably priced homeownership opportunities, many higher income households may be stuck in rental situations, which further constrains supply and pushes out the lowest income renters. These current housing issues are impacting a majority of households at all income levels, from the lack of subsidized rental housing through solidly working class income levels who are increasingly being priced out of homeownership. To address these issues, there needs to be urgent and coordinated responses across the range of stakeholders.

Key Recommendations

At the core of all strong workforce housing approaches are diverse strategies implemented through strong partnerships. No one entity, the City, or developers, or large employers, or non-profits can solve the problem alone. The greatest advantage to developing strong public/private/non-profit partnerships is that multiple resources can be leveraged to create comprehensive responses to identified needs. By bringing the public and private sectors together to provide more housing, Flagstaff can maximize one of its most viable economic assets – its employers.

While focused on the role of large public and private sector employers, this report includes a wide range of recommendations that represent new or underutilized strategies and practices to support more housing affordability.

- **Clearly define a framework for addressing workforce housing needs**—income levels, rent levels and price points— and provide strong incentives for developments that meet those criteria through provision of infrastructure and other financial assistance.

- **Continue to convene the ECoNA roundtable of public and private sector stakeholders** to work on a strategic and comprehensive approach to implementing new solutions, and educating the broader community about the acute housing needs.
- **Work to create more access to developable land** for housing development through infrastructure investment and land donation
- **Create dedicated local funding sources**, both public and private, that can support more workforce housing creation and create mechanisms such as a workforce housing trust fund to recapture and recycle this funding.
- **Create locally funded down payment assistance program** that serves a broader range of incomes than current sources.
- **Update land use code** to create more density in appropriate locations, expedited review processes, and new incentive programs for projects meeting defined housing needs.
- **Create the financial infrastructure for employer-funded down payment assistance programs** through the creation of a local Community Development Financial Institution.
- **Promote new mixed income workforce/market rate housing development capacity** that can become self-sustaining.
- **Continue to support student housing developments** at the appropriate scale and in the appropriate parts of the city.
- **Engage the business community to proactively advocate for new housing development** that meets workforce needs, in additional to direct investment of resources.

DEMOGRAPHIC PROFILE AND TRENDS

Household and Population Trends

According to the Census' American Community Survey, Flagstaff's population grew by 7.0% between 2010 and 2015[1], from 63,909 to 68,375—a rate of growth greater than the nation as a whole (4.1%). Of the thirteen Arizona cities with 2015 populations greater than 65,000, only select suburbs of Phoenix (Peoria and Surprise to the northwest; Chandler and Gilbert to the southeast) grew more quickly, while the populations of the nine others grew at approximately the same rate or slower than the national average.

The number of households in Flagstaff grew at a rate of 5.1% during the same time period—more than double the national average—adding more than 1,100 households. This growth equates to approximately one new housing unit for every four new residents over this time period. The reason for this disparity between population and household growth is somewhat unclear, as the average household size in Flagstaff has remained relatively stable since 2010 at approximately 2.6 people per household.

figure 1

Population, households and housing units in Flagstaff and Coconino County: 2015

	FLAGSTAFF	COCONINO
POPULATION	68,375	136,701
HOUSEHOLDS	23,292	46,619
TOTAL HOUSING UNITS	26,501	63,955
SEASONAL HOUSING UNITS	1,402	12,990
YEAR-ROUND HOUSING UNITS	23,292	46,619
PERCENTAGE VACANT, YEAR-ROUND	6.8%	6.8%
PERCENT RENTER OCCUPIED	54.9%	40.2%
PERCENT OWNER OCCUPIED	45.1%	59.8%

Source: 2011-2015 American Community Survey 5-Year Estimates

1 2015 is the most recent year for which comprehensive data is available through the American Community Survey, the mechanism used by the Census Bureau to track demographic changed between the Decennial Census

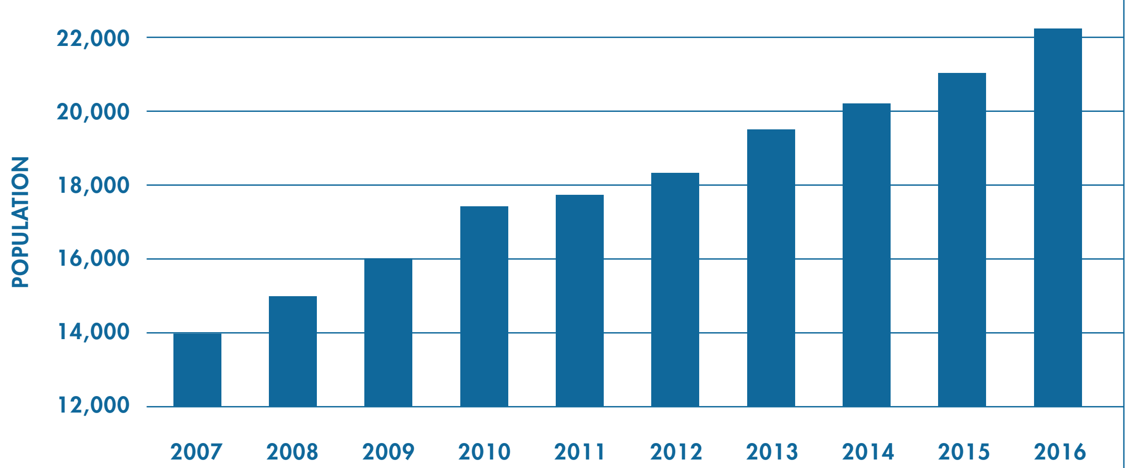
During the same period, there was an increase of housing supply slightly greater than the increase in households. The number of housing units increased from 25,155 to 26,501, an increase of approximately 1,350 housing units. By implication, changes in Flagstaff's population, households, and housing supply indicate a trend towards single-person households. Seasonal housing does not appear to be a major contributing factor, as the number of seasonal housing units (defined as homes used for recreational or occasional use for only one part of the year) has actually decreased by 13% while seasonal housing units have increased by nearly 14% nationwide. The changes may be related to housing trends among Northern Arizona University students, which make up nearly a third of Flagstaff's population.

A 2010 study by Buxton Company identified 4,808 unique second homeowners within the Flagstaff city limits, accounting for a significant portion of the overall housing stock (approximately 25%). A demographic analysis of these second homeowners showed that they had an average household income nearly $56,000 more per year than the general Flagstaff population and a large percentage were married (75%) and over the age of 55 (43.4%).

Driving the large growth in Flagstaff's population has been a rapid increase in the number of students enrolled at Northern Arizona University. Enrollment has increased by 58% since 2007, a net increase of more than 8,100 students. Northern Arizona University had an enrollment of 22,134 students in 2016, the first time the university has had this many students in its history. See Figure 2, below. The Board of Regents has approved a plan to grow total NAU enrollment to 34,909 by 2025. According to the University's Operational and Background report from September 2016, the growth of the Flagstaff on-campus student enrollment will only be 1,669, with the bulk of new growth coming from online students and enrollment at other NAU locations. While slower than the pace of growth over the last 10 years, any growth in student population should be matched with appropriate student housing development. It should also be noted that NAU is among the top 1% for provision of on-campus housing and is ranked 8th nationally for the ratio of on-campus beds to enrollment. Data from the University indicates that they currently have 9,853 beds and will have a total of 10,483 beds by Fall of 2018.

figure 2

Enrollment at Northern Arizona University: 2007-2016



Source: Northern Arizona University

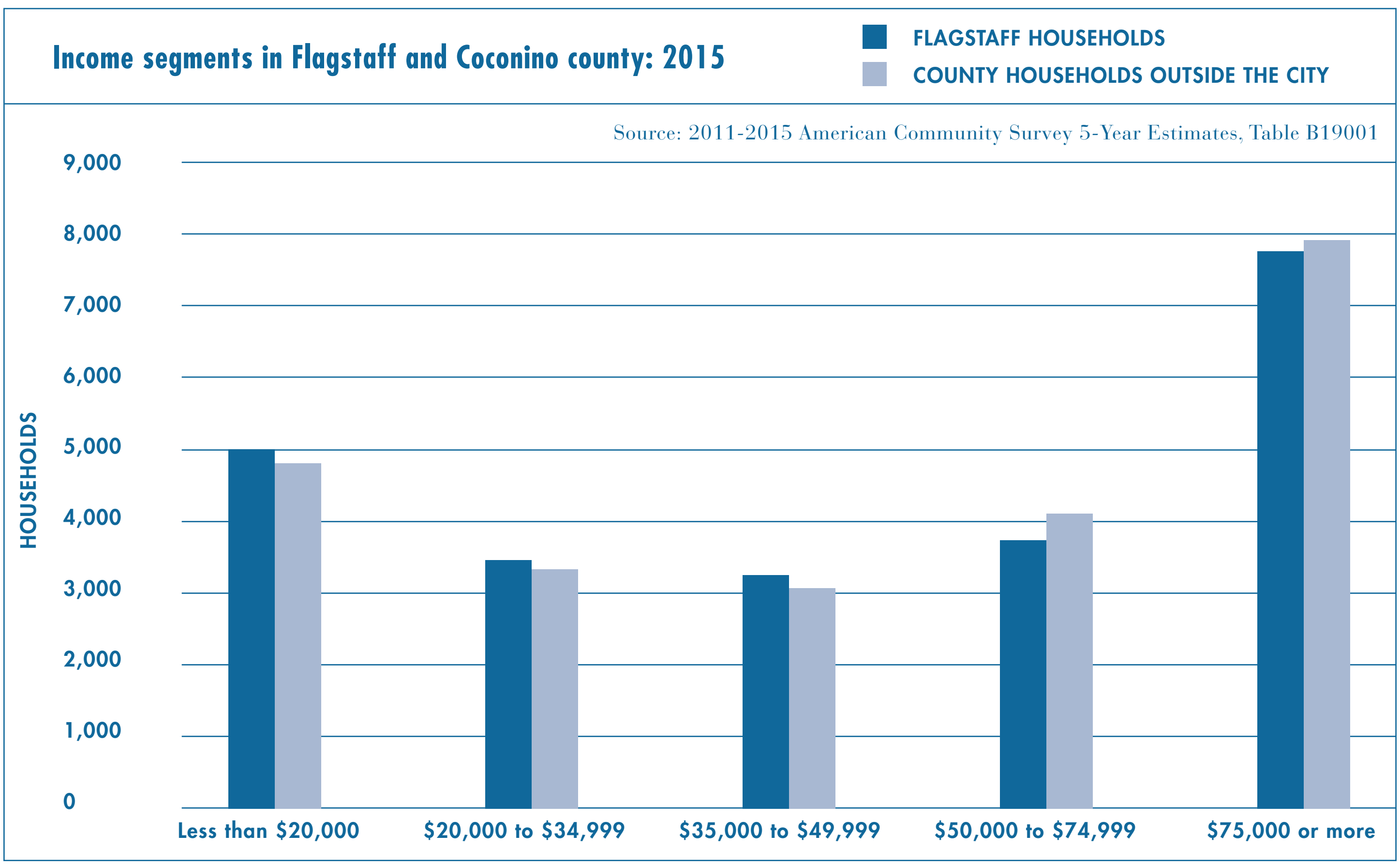
Flagstaff has the same percentage of non-white population as the nation as a whole, although of a different composition. According to 2011-2015 American Community Survey estimates, Flagstaff's population includes 2.5% African Americans, 10.7% Native Americans, 2.6% Asians and 19.4% Hispanics/Latinos of any race. The only significant changes in the minority population over the previous 5 years was an approximately 2,200-person increase in the Hispanic/Latino population and an approximately 600-person decrease in the Native American population.

Age Profile of Population

During the period between 2010 and 2015, Flagstaff experienced a notable change in the age profile of its population likely driven by student population growth. Unlike many other communities around the country, Flagstaff did not experience significant aging of its population during that period, and actually experienced the reverse. The median age of the population dropped from 26.5 to 25.6, as the population under age 18 increased by 13.2% and the population 20 to 34 increased by 6.3%. This occurred even though the relatively smaller number of people aged 60 or older increased by more than 24% (the population under 34 accounts for three-fourths of Flagstaff's population).

Compared to the county outside Flagstaff, households in Flagstaff have a very similar income profile. See Figure 3 below. As defined by the U.S. Department of Housing and Urban Development (HUD), about 51% of Flagstaff households are considered low-income by federal standards—meaning that they have incomes at or below 80% of the area median income (AMI) for a family of three as calculated by HUD and are eligible for federal housing assistance.

figure 3



Exactly 50% of Flagstaff households should have incomes below the median, but Census data does not align with HUD income definitions for several reasons. First, HUD's "area" for calculating median income includes the entire metropolitan statistical area, a geographic range far larger than the City of Flagstaff, and second, a different formulaic methodology is used. The Census tally of households with less than $20,000 annual income closely equates to HUD's "extremely low income" group, defined by HUD as those having incomes at or below 30% of area median income. This group comprises 22% of Flagstaff's households.

It is important to note that HUD's (AMI) standard for Flagstaff is lower than the median household income for both Flagstaff and Coconino County as reported in the latest American Community Survey estimates. The HUD AMI standard is important to consider for planning purposes because 80% of area median income is the typically upper income limit used to determine eligibility of homebuyers for mortgage assistance programs funded by HUD. The HUD AMI level for a three-person household is the closest comparison to the Census median incomes, since the average family size in Coconino County is about 2.6 persons.

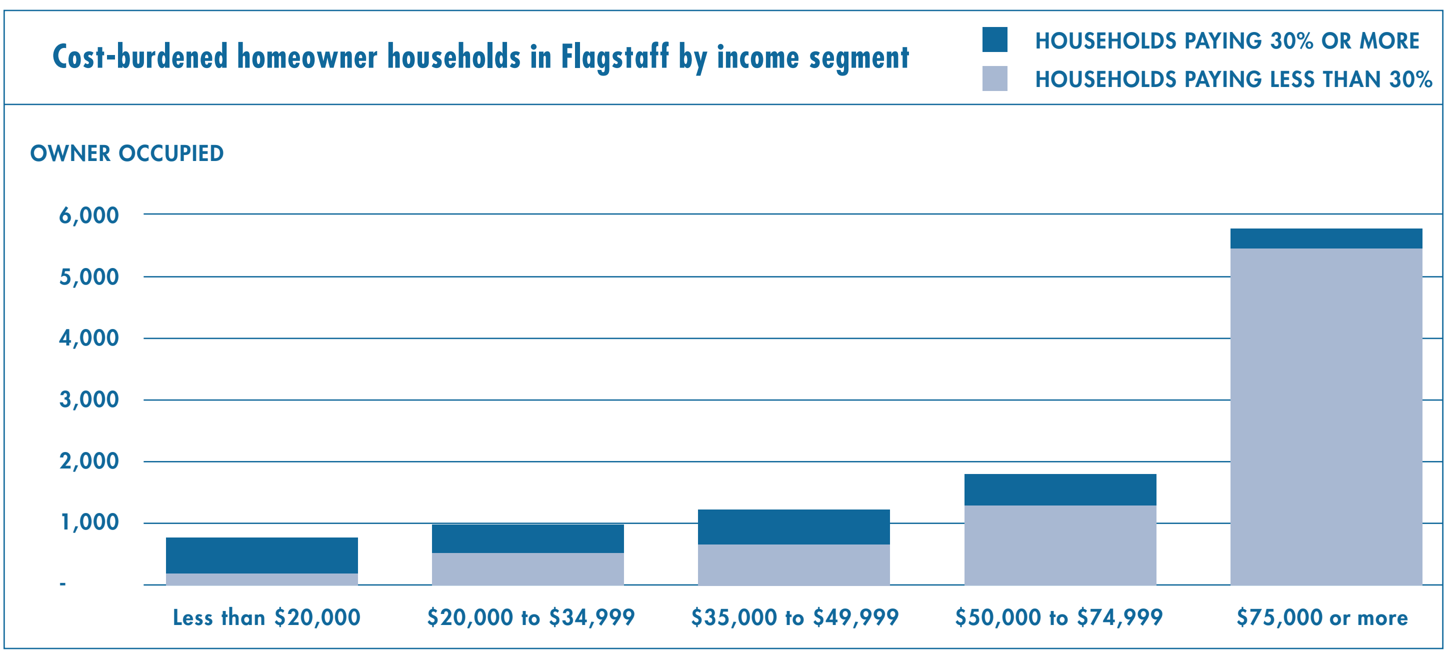
Housing Cost Burdens

The largest single indicator of the lack of housing affordability is the number of households paying over 30% of their incomes for housing costs ("cost burdened")—a widely used standard of housing affordability. This study uses the 30%-of-income standard because it is broadly accepted and available in comparative tables for 2007 and 2015 American Community Survey data for the Flagstaff area.

A total of 9,693, or 43%, of households in Flagstaff paid over 30% of their incomes for housing costs, according to the latest American Community Survey estimates. Of these, three-fourths—or 7,296 households—were renters. Sixty percent of all renter households in Flagstaff were cost burdened, compared to 23% of homeowners.

Cost burdens are concentrated among renters and homeowners with incomes under $35,000—who make up 72% of all households paying over 30% of income for housing. See Figures 4 and 5.

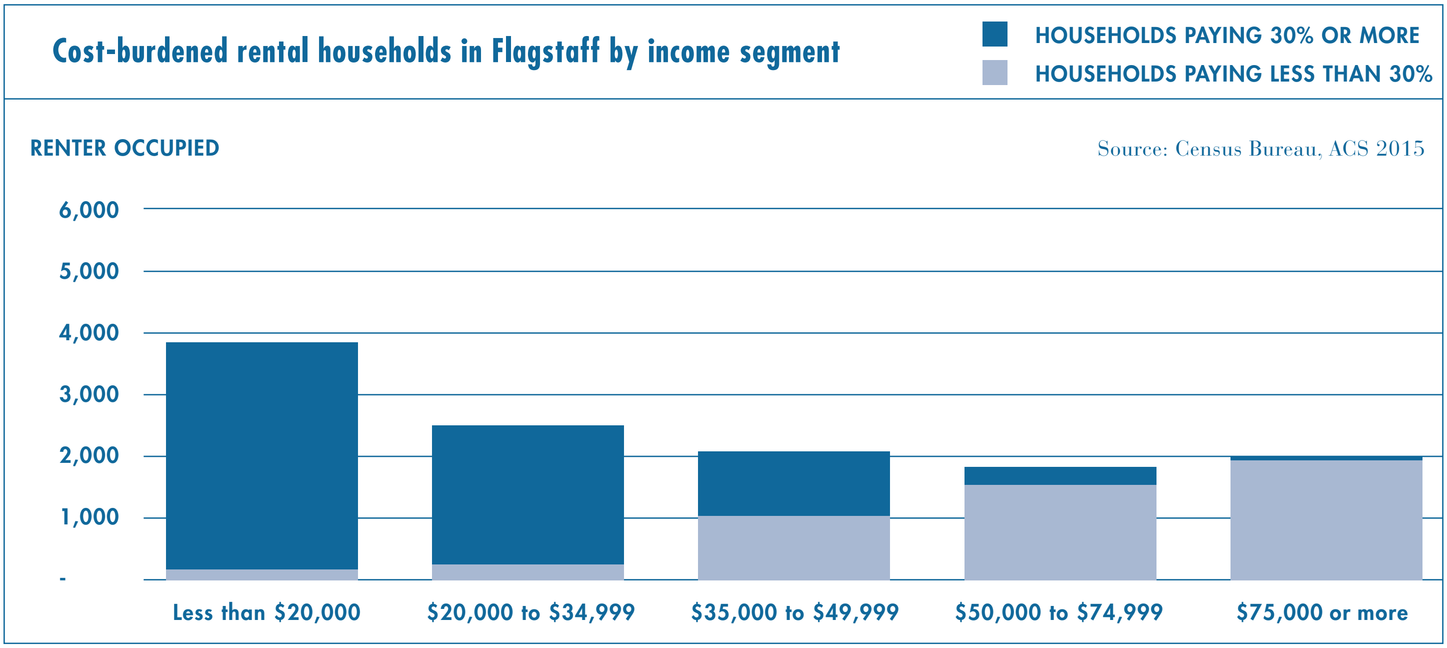
figure 4



Source: Census Bureau, ACS 2015

figure 5

Cost-burdened rental households in Flagstaff by income segment



Despite reductions in housing costs starting in 2007 as a result of the recession, approximately 500 more Flagstaff households were cost burdened in 2015 as compared to 2007, accounting for nearly half of all new household growth during this time period. The median rent has increased dramatically since 2007 (from $891 to $1,050), adding a significant housing cost burden for non-homeowners in Flagstaff.

As indicated by Figure 6, renters as a whole are approximately two times more likely than owners to be cost burdened. Because rents increased while home prices decreased for part of the last decade, cost burdens on renters increased slightly while cost burdens on owners decreased dramatically. This decrease in cost burden could also reflect burdened owners selling or losing their homes to foreclosure during the downturn, as well as more affordable "legacy" homeownership paired with income growth that made existing owners more financially stable.

figure 6

Housing cost burdens for Flagstaff renters and owners: 2007 and 2015

	2007	2015	% CHANGE
OWNER-OCCUPIED HOUSING UNITS	11,483	10,514	-8%
RENTER-OCCUPIED HOUSING UNITS	10,773	12,778	19%
PERCENTAGE OF OWNERS PAYING 30% OR MORE	27.2%	22.8%	-16%
PERCENTAGE OF RENTERS PAYING 30% OR MORE	56.7%	57.1%	1%

Sources: 2005-2007 American Community Survey 3-Year Estimates and 2011-2015 American Community Survey 5-Year Estimates, Table B25106.

EMPLOYMENT AND THE ECONOMY

Employment Trends

Flagstaff MSA, functionally all of Coconino County, experienced large gains in the size of their labor force from 2007 to 2009, despite growing unemployment, which drove an increase in the number of households and helped to fuel real estate development. Then, from 2010 through 2012, there was a steep drop in the number of employed people in the county before the size of the workforce began to increase steadily. Still, there were 3,428 more persons employed countywide in 2015 compared to 2007, according to the U.S. Bureau of Labor Statistics (BLS).

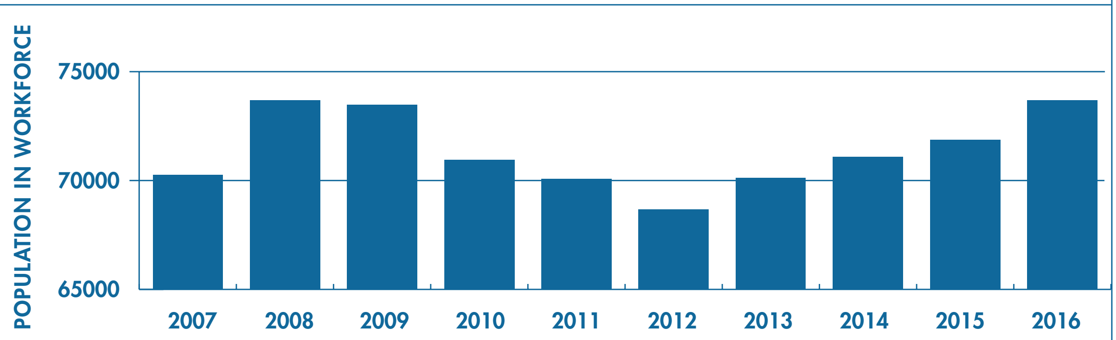
Reliable year-to-year employment data is only available for the Flagstaff MSA through the BLS, not for the city itself. The U.S. Census does collect data on employment for the city, but the data are moving averages and therefore should not be interpreted across single years. The data described below are both BLS and Census statistics.

According to Census data, the number of households, the city's workforce, and the city's population have all increased by approximately 7% since 2007, a healthy trend for the city as a whole. This begs the question as to why housing cost burdens have increased for renters and declined for home owners – a healthy economy should benefit both groups of households. Declines in employment from 2007-2010 coupled with increasing enrollment in Northern Arizona University explain some of the difference—homeowners became unemployed or withdrew from the workforce and sold their homes, while an increasing number of young renters attending the university moved into town. The dramatic rise in unemployment from 2007-2010 likely led some households to leave Flagstaff—although there are no reliable statistics to confirm this.

Countywide, the number of persons in the workforce increased from 70,247 in 2007 to 73,675 in 2016, meanwhile employed persons increased from 68,093 in 2007 to 69,890 in 2016, but not in a steady trend. From 2008 to 2012, the overall workforce declined by 5,017 persons—see Figure 7. In 2013, the decline ended with an upward trend that continues today representing an overall growth in labor force of 3,428 workers or around 5% over that 10-year period.

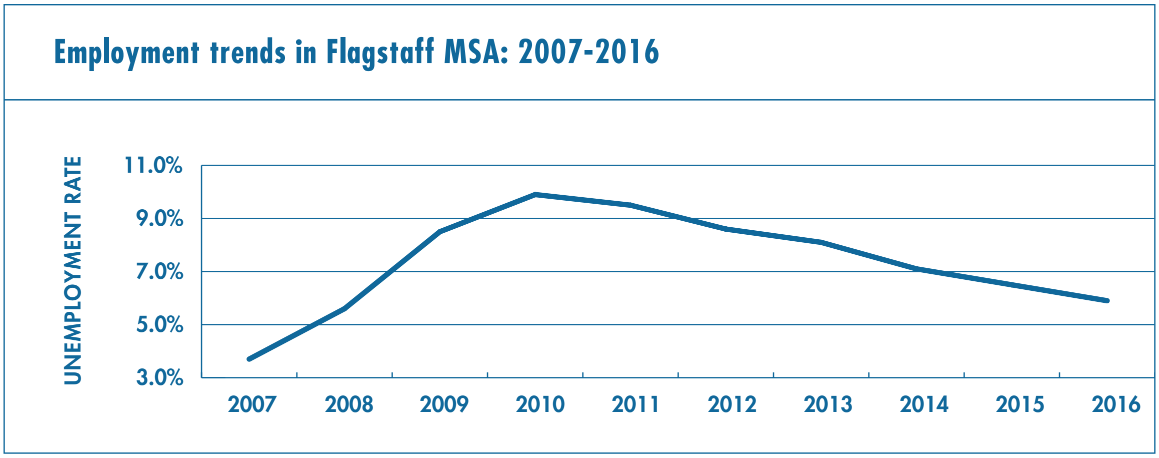
figure 7

Employment trends in Flagstaff MSA: 2007-2016



Source: U.S. Bureau of Labor Statistics

figure 8



Source: U.S. Bureau of Labor Statistics

The countywide unemployment rate for the first half of 2017 was 5.6%, still higher than it was in 2007 at 3.7% after having reached a 10-year peak of 9.9% in 2010. This is higher than the national unemployment rate of 4.5 for the same time period. Loss of employment—as well as the threat of losing jobs—clearly contributed to a dramatic fall-off in demand for homes and rental units during the recession years. With the recession ending, capital to build housing stock was limited, yet the Flagstaff population continued to grow.

Local Economy and Growing Sectors

Aside from the recent recession, Flagstaff has seen a long-term trend of economic growth paired with above average population growth. Primary growth drivers are a major university, a regional hospital, plentiful opportunities for outdoor recreation, tourism, and the overall attractiveness of the community. Northern Arizona University is the largest single employer in Flagstaff. Flagstaff Medical Center is the second largest employer and largest private employer, with more than 2,200 employees as reported at the end of 2015.

figure 9

Largest Employers in Flagstaff 2015	SIZE
NORTHERN ARIZONA UNIVERSITY	2,571
FLAGSTAFF MEDICAL CENTER	2,200
W.L. GORE	1,950
FLAGSTAFF UNIFIED SCHOOL DISTRICT	1,375
COCONINO COUNTY	1,200
CITY OF FLAGSTAFF	657
WAL-MART	630
NESTLE PURINA	255

Within Flagstaff, much of growth during the 2000s is consistent with what is expected in a community that benefits from tourism, a university, and a major regional hospital. Most of the employment increases were in education, health care, restaurants, lodging, and administrative services—with a particularly substantial increase in service jobs. This is paired with a significant decrease in the number of jobs in construction and natural resources. See Figure 10 and Figure 11 for statistics on Flagstaff's workforce by industries and occupations. These statistics describe the number of civilians in Flagstaff over age 16 who are employed either full-time or part-time, some of whom hold down more than one job. The industries and occupations represent the primary jobs that were reported.

figure 10

Occupations in the Flagstaff workforce: 2007 and 2015	# OF EMPLOYED	% OF TOTALS	CHANGE SINCE 2007
CLASSIFICATIONS			
MANAGEMENT, BUSINESS, SCIENCE, ARTS	13,062	36.4%	184
SALES AND OFFICE	8,412	23.4%	740
SERVICE	9,237	25.7%	1,368
PRODUCTION, TRANSPORTATION, MATERIAL MOVING	3,188	8.9%	-295
NATURAL RESOURCES, CONSTRUCTION, MAINTENANCE	2,010	5.6%	-2,195

Sources: 2005-2007 American Community Survey 3-Year Estimates and 2011-2015 American Community Survey 5-Year Estimates, Table S2401.

figure 11

Flagstaff workforce by industry	# OF EMPLOYED	% OF TOTALS	CHANGE SINCE 2007
EDUCATIONAL SERVICES, HEALTH CARE, SOCIAL ASSISTANCE	10,523	29.3%	407
ARTS, ENTERTAINMENT, RECREATION, LODGING, FOOD SERVICES	7,247	20.2%	1,248
RETAIL TRADE	4,878	13.6%	359
MANUFACTURING	2,469	6.9%	-274
PROFESSIONAL, SCIENTIFIC, MGT, ADMINISTRATIVE, WASTE MGT	2,334	6.5%	323
PUBLIC ADMINISTRATION	2,046	5.7%	357
FINANCE, INSURANCE, REAL ESTATE, RENTAL AND LEASING	1,412	3.9%	-127
CONSTRUCTION	1,387	3.9%	-1,016
OTHER SERVICES, EXCEPT PUBLIC ADMINISTRATION	1,158	3.2%	-612
TRANSPORTATION AND WAREHOUSING, AND UTILITIES	1,153	3.2%	96
AGRICULTURE, FORESTRY, FISHING AND HUNTING, AND MINING	462	1.3%	115
INFORMATION	445	1.2%	-21
WHOLESALE TRADE	395	1.1%	-53

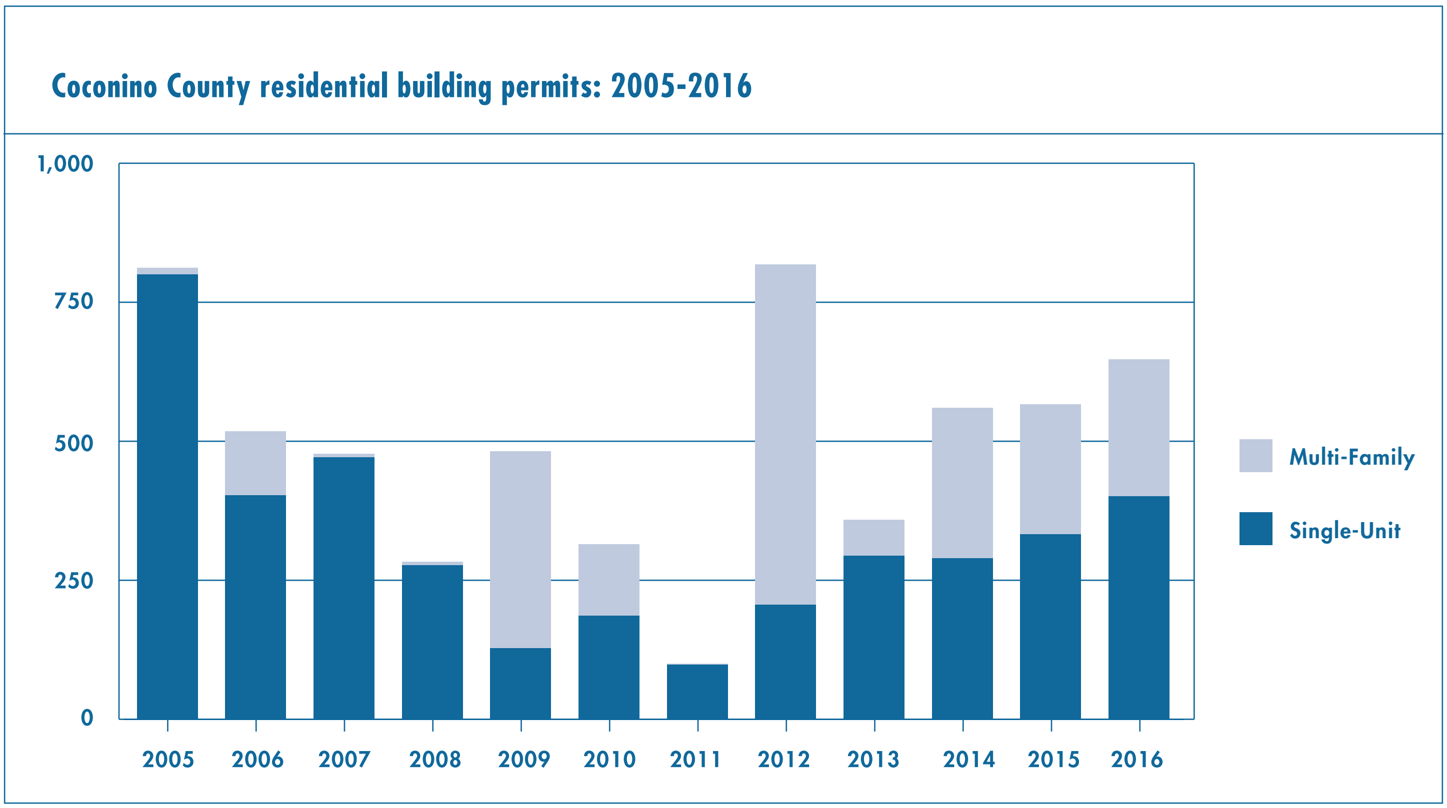
Sources: 2005-2007 American Community Survey 3-Year Estimates and 2011-2015 American Community Survey 5-Year Estimates, Table S2401.

HOUSING MARKET PROFILE AND TRENDS

Housing Construction Activity

Housing construction in Flagstaff was high in 2005, and then fell off sharply until 2011, indicative of larger conditions related to the Great Recession and subsequent housing market collapse. The peak year for construction starts between 2005 and 2016 was in 2012, when permits were issued for 818 housing units. This is about the same as those that were built in 2005 and about one-fourth more than were built in 2016. See details of these construction trends in Figure 12 below.

figure 12



Source: U.S. Census Bureau, Building Permits Survey

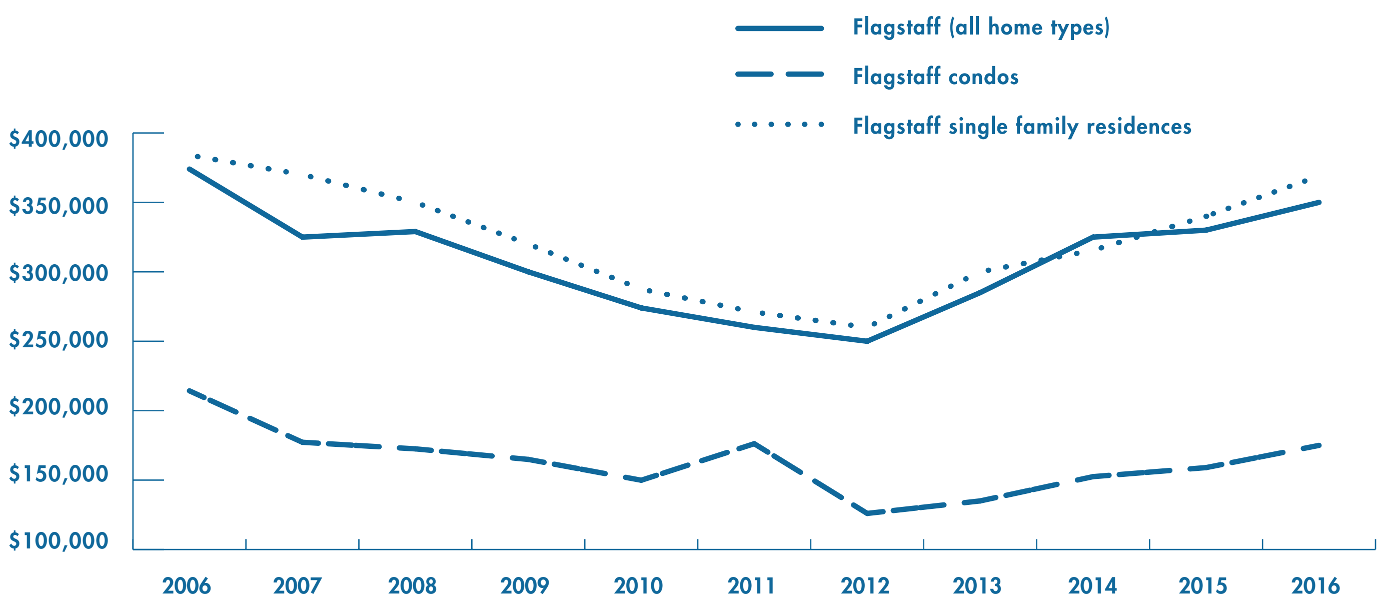
Construction starts of residential buildings with three or more units show a different trend. While these units made up less than 1% of new units in 2005, they made up nearly three-fourths of units in 2012 and continue to remain at relatively high levels. This reflects a high demand for multi-unit for-sale and rental housing.

Home Sales Activity and Prices

Home sales activity was strong in the mid-2000s and then declined, but not to the same degree as construction starts. The Northern Arizona Association of REALTORS® provided sales volume data in various price categories for 2014-2016 from its Multiple Listing Service, and data on median sale prices for 2006-2016—shown in Figures 13 and 14 below. While a reliable indicator of sales trends, it should be noted that these statistics do not include homes sold privately and some homes sold directly by builders.

figure 13

Median residential sale prices for Flagstaff: 2006-2016



Source: Northern Arizona Association of REALTORS

Figure 13 depicts median sales price trends over the last 10 years, for single-family homes, condos and the combination of all home types. The median sale price of all residential homes peaked in 2006 at $374,000, compared to the low in 2012 of $250,000—a dramatic 33% decrease in sales price. The nearly $124,000 decrease in median sales price indicates that the housing market in Flagstaff experienced a significant shift towards lower-cost homes during the market collapse, which likely fueled home purchase by many of those represented in the Employee Survey data that showed a 62% homeownership rate, considerably higher than the community as a whole. At 45%, the homeownership rate still remains strikingly low compared to statewide and national averages which are nearly 20% higher at 63% and 64% respectively.

The robust recovery in the single-family housing market is evidenced by the 2016 median sales price for single-family homes of $350,000, 6.5% shy of the pre-recession peak median sales price. The trend in median price also shows a shift to lower cost condominium and townhome housing, which is accompanied by a significant increase in volume of sales for this price segment, presumably offering more affordable purchase options for those increasingly priced out of single-family homes. While complete sales data for 2017 is not available, quarterly sales data indicates that the 2017 median sales price will meet or exceed the previous peak median price from 2006.

figure 14

Number of Flagstaff residential sales (ALL TYPES) by price point

	2014	2015	2016
SALE PRICE			
UNDER $200,000	191	229	196
$200,000-$249,000	221	244	181
$250,000-$350,000	456	484	584
$350,000+	391	403	549
TOTAL	**1,259**	**1,360**	**1,510**

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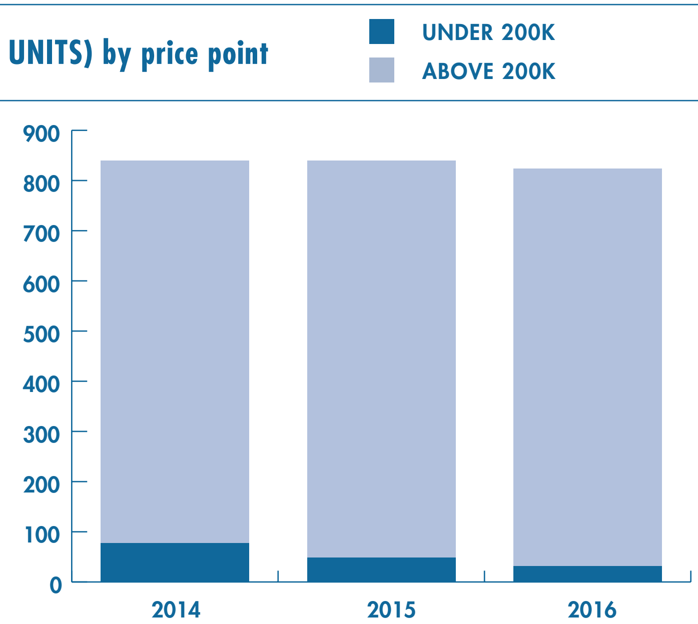
Similar to other communities demonstrating a robust housing recovery from the economic downturn, the MLS home sales data shows a robust 1,360 home sales in 2015 and 1,510 sales in 2016—a sign that the Flagstaff housing market has been enjoying a strong recovery.

figure 15

Number of Flagstaff residential sales (SINGLE-FAMILY UNITS) by price point

	2014	2015	2016
SALE PRICE			
UNDER $200,000	77	48	31
$200,000-$249,000	121	125	62
$250,000-$350,000	298	324	295
$350,000+	344	343	436
TOTAL	**840**	**840**	**824**



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More detailed data by type of unit is also available for this time period. Sales of detached homes experienced a slight 2% decrease between 2014 and 2016, while condo sales increased by 78% and townhomes increased 46%. At the same time, there was a marked change in single-family detached dwellings and condos sold in the entry level categories. Figure 15 indicates that sales of single-family homes below $250,000 shrunk by more than 50% between 2014 and 2016. At the same time, more dramatic increases were observed in the condo and townhome markets, with sales increasing by nearly two-thirds in the same time period (see Figure 16 and 17).

figure 16

Number of Flagstaff residential sales (TOWNHOME UNITS) by price point

	2014	2015	2016
SALE PRICE			
UNDER $200,000	39	32	24
$200,000-$249,000	49	57	53
$250,000-$350,000	78	78	141
$350,000+	21	28	55
TOTAL	**187**	**195**	**273**

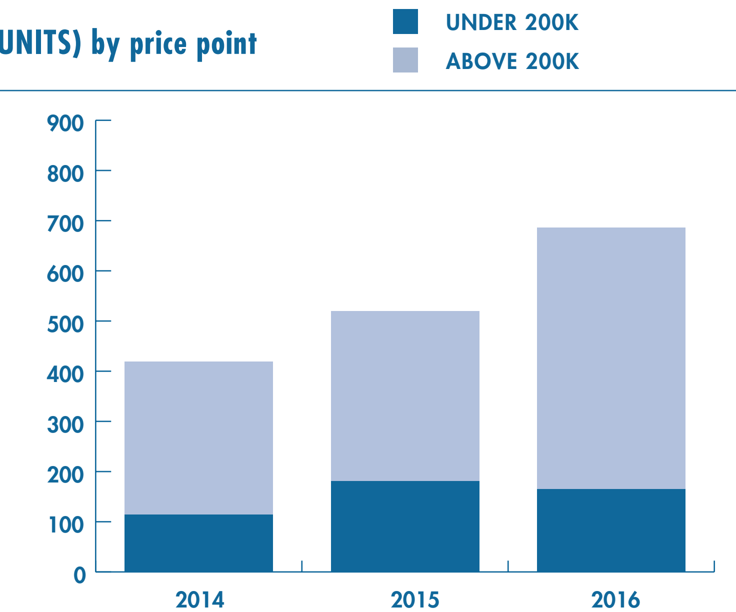

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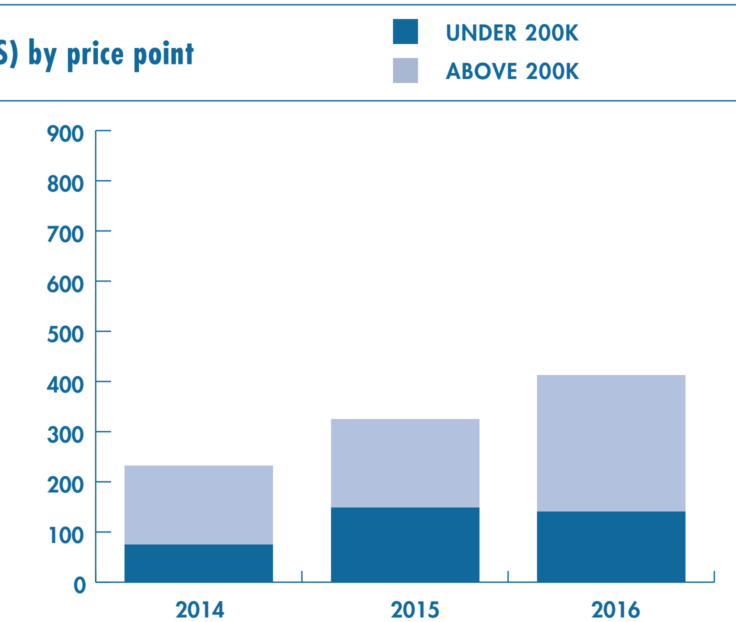
figure 17

Number of Flagstaff residential sales (CONDO UNITS) by price point

	2014	2015	2016
SALE PRICE			
UNDER $200,000	75	149	141
$200,000-$249,000	51	62	66
$250,000-$350,000	80	82	148
$350,000+	26	32	58
TOTAL	**232**	**325**	**413**



Northern Arizona Association of Realtors

These figures further break down the number of sales into single-family units, townhomes and condos at various price points. In 2016, 141 condos, 31 townhomes, and 31 single-family units were sold for under $200,000. In the condo segment, this represents a significant increase in sales of 88%, while single-family homes showed a decrease of 60% and townhomes a 39% decrease in that price segment over the three-year period. It is safe to assume from this data that condos are likely taking the place of many of the sub-$200,000 single-family homes and townhomes which are disappearing from the market.

Current For-Sale Inventory

To better understand the current market conditions for homeownership opportunities, we analyzed a point-in-time snapshot of current real estate listings for Flagstaff. Figures 18, 19 and 20 depict the current MLS listings as of May 31st, 2017.

figure 18

Current MLS Listings SINGLE FAMILY	
LISTING PRICE	
UNDER $200,000	6
$200,000-$249,000	9
$250,000-$350,000	56
$350,000+	341
TOTAL	412

figure 19

Current MLS Listings CONDO or TOWNHOME	
LISTING PRICE	
UNDER $200,000	13
$200,000-$249,000	10
$250,000-$350,000	28
$350,000+	39
TOTAL	90

figure 20

Current MLS Listings ALL UNITS	
LISTING PRICE	
UNDER $200,000	19
$200,000-$249,000	19
$250,000-$350,000	84
$350,000+	380
TOTAL	502

Northern Arizona Association of Realtors

As might be expected based on recent sales trends, current listing data reflects an extreme tightening of single-family home availability with only 15 units under $250,000 citywide, 4% of single-family listings. Only six housing units were currently below $200,000, representing a strikingly small 1% of all single-family listings.

Also in line with recent trends of growth in the condo sector, the majority of affordably priced listings were of this housing type. Thirteen units priced below $200,000 and an additional 10 priced between $200,000 and $250,000 were available at the time of the MLS survey.

Taken together, this signals a strong need to support the development of entry-level housing, as many working-class families are being priced out of homeownership and limited to condo and townhome ownership. It is also important to note that additional condo association fees are included in mortgage calculation and lower the buying power of consumers when compared to homes without association dues, which functionally make their sales prices higher than they appear. Many new condo developments are not eligible for conventional mortgage financing which can suppress sales prices. Condo projects must also be able to demonstrate a minimum 50% owner occupancy rate to be eligible for FHA financing, and higher ratios for other mortgage backers. This presents a significant obstacle for purchase for most households that do not have very large down payments.

Rental Housing

There are a number of factors creating pressure on the Flagstaff rental market. Population increases, largely a function of job growth and the rapid growth of student population at Northern Arizona University over the last decade, have created growing demand for rental housing. This, combined with a growing trend of short-term rental enabled through internet services such as AirBNB and VRBO create a perfect storm of demand pressure on rental housing. As entry-level ownership opportunities decrease, many higher income households may also be stuck in rental situations without attainably priced homeownership opportunities, which further constrains supply.

Unfortunately, comprehensive rental market data is not available for the Flagstaff metropolitan area, so data must be inferred from multiple sources. The strongest indicator of rental housing demand is rental vacancy rates. Multi-year data for the larger Metropolitan Statistical Area (Coconino County) shows that combined vacancy rates have consistently been around a 6% average in the period analyzed since 2000, but because of the much larger geographic area, these numbers do not accurately characterize the Flagstaff rental market. But it is safe to assume that the overall .5% decrease in the MSA is likely driven by Flagstaff's tightening rental market.

figure 21

Rental vacancies in Flagstaff MSA (Coconino County) 2000, 2010, and 2016 estimated

	2000	2010	2016
RENTAL VACANCY RATES			
FLAGSTAFF	6.5%	6.5%	6.0%

HUD PD&R Comp Housing Analysis 11/1/16

More accurate local data is available from Housing Solutions of Northern Arizona, which surveyed 46 market rate apartment complexes (6,639 units) and 10 income restricted complexes (730 units) between February and March 2017. These data were compared to HUD estimates of Fair Market Rents (FMR) to provide a glimpse of current housing attainability in Flagstaff (see Figure 22). Fair Market Value is also an important number to consider because HUD rental subsidy housing vouchers, sometime referred to as "Section 8" or Housing Choice Vouchers, cannot be used in market rate rentals that exceed FMR's.

figure 22

Fair Market Rent and actual rental averages for Flagstaff, 2017

	FMR	ACTUAL	GAP
AVERAGE RENT			
STUDIO	$704	$937	$233
ONE-BEDROOM	$835	$1,161	$326
TWO-BEDROOM	$1,037	$1,427	$390
THREE-BEDROOM	$1,309	$1,717	$408

Housing Solutions of Northern Arizona

A comparison of these data show that average rental prices in Flagstaff are far more expensive than what HUD considers Fair Market Rent. An average studio apartment in Flagstaff is listed for more than $200 above that which is considered fair rent ($937 versus $704, respectively), while an average three-bedroom apartment is listed for more than $400 above what is considered fair rent ($1,717 versus $1,309 respectively).

Most dramatically, this survey by Housing Solutions of Northern Arizona shows that only 2.6% of market rate units were available to rent when the survey was conducted, and no income restricted units were available. Anything below a vacancy rate of 5% is considered an extremely tight market, with rates below 3% signaling an urgent lack of rental housing inventory.

In order to afford an average two-bedroom apartment - without paying more than 30% of income on housing - a household must earn approximately $4,756 monthly, $57,072 annually, more than the HUD Area Median Income for a family of three. More details about income and rental rates are discussed below in the Affordability Gap Analysis section.

AFFORDABILITY GAP ANALYSIS

Income and Pricing Definitions

In this section of the report we analyzed income, demographic and housing market data as well as information gleaned from ECoNA's Workforce Employee Housing Study to approximate the current needs and gaps in affordability for both renters and future homeowners.

Generally, for renters, industry standard-setters such as HUD consider a rental housing payment as affordable if it is at or below 30% of a household's income, the same standard used by the Census to determine Cost Burden. For low and moderate-income homebuyers, there is no such "official" standard. However, nonprofit and local government programs assisting homebuyers have set various affordability benchmarks for housing payments—typically at or near 30% of income. For the purpose of this report we have used the standard of 31% of gross income which is used by FHA for their mortgage programs. The definition of "housing payment" comes from the underwriting rules of mortgage lenders. It typically includes mortgage principal and interest payments, taxes, insurance, and condo/homeowner association fees.

Using these guidelines, affordable rents and home prices can be determined for any income level. HUD and most housing agencies use percentages of the "area median income" (AMI) for the purposes of designing, operating, and qualifying households for housing assistance programs, and as such it is a critical measure to use for analysis within the larger context of federal and local housing programs in Flagstaff. For the purpose of this report and its unique focus on workforce housing issues, we will also cross reference those numbers with real world Census median income as well as data from the Employee Survey to create a more comprehensive understanding of access to affordably-priced housing.

figure 23

HUD 2016 Area Median Income for Flagstaff MSA by Household Size

NUMBER OF PERSONS IN HOUSEHOLD:						
% OF MEDIAN	1	2	3	4	5	6
30%	$13,200	$15,090	$16,980	$18,840	$20,370	$21,870
50%	$17,600	$20,120	$22,640	$25,120	$27,160	$29,160
65%	$28,600	$32,695	$36,790	$40,820	$44,135	$47,385
80%	$35,200	$40,450	$45,250	$50,250	$54,300	$58,300
100%	$44,000	$50,300	$56,600	$62,800	$67,900	$72,900
120%	$52,800	$60,360	$67,920	$75,360	$81,480	$87,480

HUD AMI numbers adjust income levels to compensate for household size. Consequently, larger households have higher income limits. The City of Flagstaff and its affordable and workforce housing partners, along with most other communities receiving federal housing funding, use these income standards. By comparison, an analysis of median income numbers as reported by the Census and the ECoNA Workforce Employee Housing Study (Figure 24) can show how these number interact and compare to existing housing programs and income restricted housing resources.

figure 24

Household Income Benchmarks	
FLAGSTAFF FAMILY CENSUS MEDIAN INCOME, 2015	$66,796
COCONINO COUNTY FAMILY CENSUS MEDIAN INCOME, 2015	$61,083
HUD MEDIAN INCOME, FAMILY OF THREE, 2016	$56,875
WORKFORCE STUDY MEDIAN NET INCOME	$51,000

HUD, American Community Survey

When these numbers are compared, the HUD definition of median income for a family of three is approximately $10,000 lower than the actual median reported by the Census for 2015. It is also important to note that incomes reported as part of the ECoNA Workforce Employee Housing Study were net incomes after taxes, while the other sources are reporting gross income. If you assume a 25% deduction for income and other taxes, this puts the workforce median income at $68,000 a year, very close to the census median wage.

Rental Housing Affordability

As mentioned in the housing market analysis section of the report, comprehensive market data is not available for review for the Flagstaff rental market. What data does exist suggests there is a very tight rental market, which is driven by a number of factors including population growth, growth in short term rentals, and diminishing homeownership opportunities for lower income households.

Rapid growth in student population (58% growth in the last 10 years) has created a higher demand for housing that is often not based on the economic conditions present in the local community, which can inflate rents. Student populations are also generally willing to co-house with multiple roommates, which makes their total payment capacity significantly higher than that of a single-parent or even a two-income household with children. A review of rental listings showed single room rentals in the $400-$900 range, which when considering a four-bedroom house, would represent more buying power than a professional household earning the median income. However the pipeline of new student housing suggests that both NAU and private developers are responding to the demand imbalance.

Figure 25 analyzes the most feasible housing strategies for renter households at income tiers, along with the estimated number of Flagstaff renter households in those income groups. It should be noted that Census demographics do not perfectly align with median income categories so characterizations based on AMI income ranges are not possible.

figure 25

Analysis of Housing Opportunities for Renters in Flagstaff

American Community Survey 2011-2015 5-Year Estimates

INCOME RANGE	# OF HOUSEHOLDS	KEY HOUSING STRATEGIES
$0-$14,999	3,185	The upper end of this income range roughly equates to the 30% AMI limit for a family of three and includes a large percentage of renter households. With few options on the open market. The priority for this group is building new subsidized rental units, but requires substantial grants, rent subsidies, and below-market-rate investments to achieve affordable rent levels.
$15,000-$34,999	3,570	Renter households in this income range roughly equate to 60% AMI on the upper end, and can be feasibly assisted through federal rental housing development programs such as the Low-Income Housing Tax Credit program, and have limited homeownership opportunities through construction and deep subsidization of low-cost homes by non-profits.
$35,000-$49,999	2,097	Market rents are beginning to be affordable to this group. Many would-be homeowners in this group have few affordable options. The upper income range is approximately 90% AMI for a family of three.
$50,000-$74,999	1,916	Would-be homeowners have limited options for condos or townhomes on the open market. More market rate rental housing is affordable.
$75,000 or more	2,010	The upper end of this range roughly equates to 130% AMI for a family of three. Would-be homeowners in this group have limited options for detached homes, and more options for condos and townhomes. Virtually all rental housing is affordable to this income group, if available on the market. However, this affordability could be eroded in the future if home prices rise faster than incomes or mortgage interest rates increase significantly.

Rental housing is critical for lower income community members as well as newly recruited workforce just moving to town. Households below 65% of AMI generally do not make enough to create a sustainable homeownership situation—with some notable exceptions, including the Habitat for Humanity program, which targets household at or below 50% AMI. Households below 60% AMI qualify for subsidized rental housing created through the Low-Income Housing Tax Credit program, which is one of the few sources for below market rate rental housing construction and is highly competitive. Figure 26 below shows affordable rents at 30% of gross income for various household sizes and income levels.

figure 26

Affordable Rent Levels By AMI and Household Size

	NUMBER OF PERSONS IN HOUSEHOLD:					
% Median	1	2	3	4	5	6
30%	$330	$377	$424	$471	$509	$547
50%	$550	$629	$708	$785	$849	$911
80%	$880	$1,011	$1,131	$1,256	$1,358	$1,458
100%	$1,210	$1,383	$1,557	$1,727	$1,867	$2,005

When compared to the Census median income, this would yield a maximum affordable rent of $1,669 a month. Respondents to the ECoNA Workforce Employee Housing Study were asked to report their rental payment capacity, which revealed a median affordable monthly rent of $1,000 among those planning to move in the next few years. Among those surveyed the current median rent paid was only slightly higher at $1,175 a month.

Even though there is no comprehensive source of current rental data available, there are several resources that can give a snapshot of current housing availability. An analysis of current listings on Craigslist found only 15 units for rent below $1,000, seven of those being studio apartments, and there were no units larger than a two bedroom. Interestingly, there were a total of 65 listings in that price range, but the vast majority were advertisements, for fall waitlists as well as people renting individual rooms in larger houses or apartments.

These findings, while anecdotal, do reinforce findings of the Housing Solutions rental survey that found a zero vacancy in subsidized rental housing projects, and a 2.6% vacancy in market-rate multi-family projects. Looking at the data provided by Housing Solutions, only shared rooms and studio apartments have average rents in the affordable workforce price ranges. And this data only includes apartment complexes, so finding an affordable single-family home is almost certainly out of reach for most households.

The pipeline of multi-family projects, particularly those targeting student populations will help address the growing rental housing needs. However, to address long-term needs, a variety of strategies need to be developed to address continued rental housing development that includes large-scale high-density strategies in appropriate areas, distributed smaller-scale development approaches, as well as targeted investments in subsidized rental for very low and moderate-income households.

Homeownership Affordability

As discussed in the housing market analysis, homeownership opportunities under $200,000 have rapidly shrunk in recent years. Over 4,000 respondents (68.7%) to the ECoNA Workforce Employee Housing Study that currently rent and plan on moving in the near future, indicated that they desired to purchase a home in Flagstaff. From this data, a general demand number from the larger population can be imputed that can help better define the overall demand for new for-sale housing and at what target price points.

Using HUD AMI levels, and assumptions based on the current Federal Housing Administration mortgage loans at current interest rates, taxes and insurance for Flagstaff, affordable home prices were calculated for households of various sizes at four key income levels in Figure 27 below.

figure 27

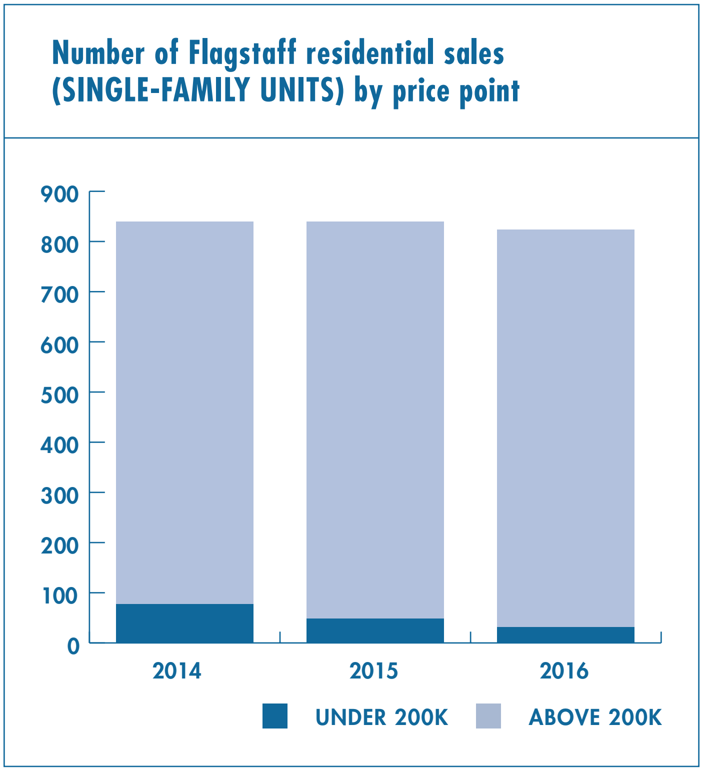
Home Prices Affordable at AMI Levels						
Number of Persons in Household:						
% Median	**1**	**2**	**3**	**4**	**5**	**6**
65%	$89,768	$115,827	$119,747	$137,136	$143,022	$156,829
80%	$118,089	$144,437	$156,170	$177,518	$186,559	$203,598
100%	$160,094	$194,657	$205,001	$233,116	$249,090	$274,582
120%	$204,961	$245,948	$262,715	$297,153	$318,327	$348,918

From these calculations, we can see that it is not until you get into the larger family sizes in the 100% and 120% ranges that you start to see pricing that is currently available in the open market. By comparison, the mortgage capacity of a household earning the Census median income is approximately $257,000, a level at which there are also few options currently on the market. Among ECoNA Workforce Employee Housing Study respondents, the median affordable mortgage was reported to be $1,212 per month, which imputes to a FHA mortgage amount of around $165,000, far below anything available in the current market.

When home sales data are divided into price segments, it becomes clear that the supply of attainable homes is shrinking. There has been no relative parity between detached homes priced under $200,000 and those priced over $200,000, with those under $200,000 making up approximately 7% of all homes sold on average during that three-year period. See Figure 28 below. This segment declined 60% between 2014 and 2016, further diminishing a small market of affordably priced homes. This implies that the supply of affordable detached homes has nearly evaporated for households with incomes below approximately 100% of the area median.

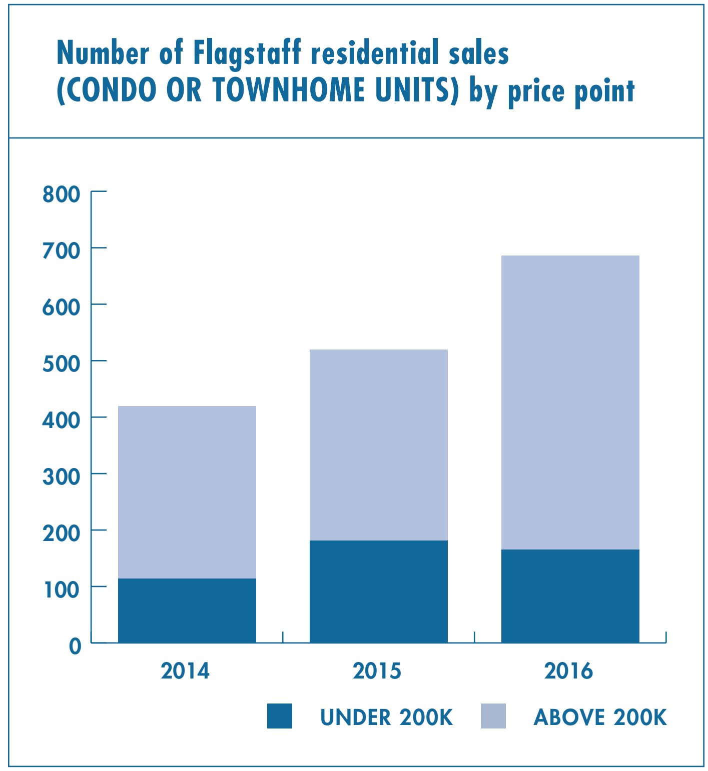
The price and sales increases for condominiums and townhomes also reveal an interesting trend. In 2014, condominium and townhome sales below $200,000 constituted 27% of all condominium/townhome sales. This increased slightly to 35% in 2015, but dropped rapidly to 24% in 2016 sales. Through this trend, we see a massive growth in the townhome and condo segment, paired with a proportionally greater expansion in the higher end of the condo and townhome market.

figure 28



Northern Arizona Association of Realtors

figure 29



Northern Arizona Association of Realtors

Taken together there is a clear and dramatic trend: **homes affordable to low and moderate-income buyers are dwindling at an alarming rate and this decline is particularly acute for detached homes**.

Another strong indicator of decreasing affordability is that median sales prices in Flagstaff are among the highest for similar peer communities, and rising at a rapid rate. Figure 30 depicts the median sales price of single-family homes in five communities and the change over the last two years. Flagstaff is second only to Durango in total median single-family home price. It would take an income of nearly $90,000 a year to afford a mortgage for the current median priced home which is strongly trending upward.

figure 30

Comparable 2014 and 2016 Median Sales Prices

	2014	2016	% Increase
Flagstaff, Arizona	$315,900	$369,000	16.8%
Missoula, Montana	$225,000	$255,000	13.3%
Bozeman, Montana	$287,000	$335,000	16.7%
Durango, Colorado	$365,000	$415,000	13.7%
Santa Fe, New Mexico	$299,150	$312,588	4.5%

Source: Gallatin Association of REALTORS, Santa Fe Association of REALTORS, Greater Durango Association of REALTORS Missoula Organization of REALTORS

These income numbers suggest a need to aggressively pursue strategies to produce lower-cost housing in the open market while working to greatly expand the amount of homeownership opportunities created through programs like the Flagstaff Land Trust and potentially through new models.

Homeownership Demand

At the core of questions about future housing for Flagstaff's workforce is how many people want to purchase homes and what can they afford. The best demand data available is from the ECoNA Workforce Employee Housing Study, which identified that 49.6% of respondents planned to move within the community. An estimation of the total homeownership demand among the 13 largest employers can be calculated based on responses to the workforce survey (see Firgure 31). Over 4,000 respondents (68.7%). If you take the portion of total respondents, of which 68.7% planned on purchasing a home, this yields a total number of homebuyer prospects among the survey pool of 1,853, 1,038 of which are presumably new homeowners based on survey findings. Assuming that the statistics represented in the respondent group are an accurate representation of the total group of employees represented in the survey, this would suggest there are approximately 3,400 households currently wanting to purchase homes, just among the 13 largest employers in the city.

Looking at the macro level, we can also make more broad demand assumptions based on the homeownership rate. Figure 32 shows a comparison of homeownership rates among various peer communities.

figure 31

Housing Need Among 13 Largest Employers	
Total Employees in 13 Surveyed Employers	12,598
Percentage that live in FMPO	91.9%
Total Survey Household in FMPO	11,578
Percentage Planning to Move	49.6%
Number of Households Moving	5742
Percentage Moving Planning to Purchase	68.7%
Housingholds Planning to Purchase	3,945

figure 32

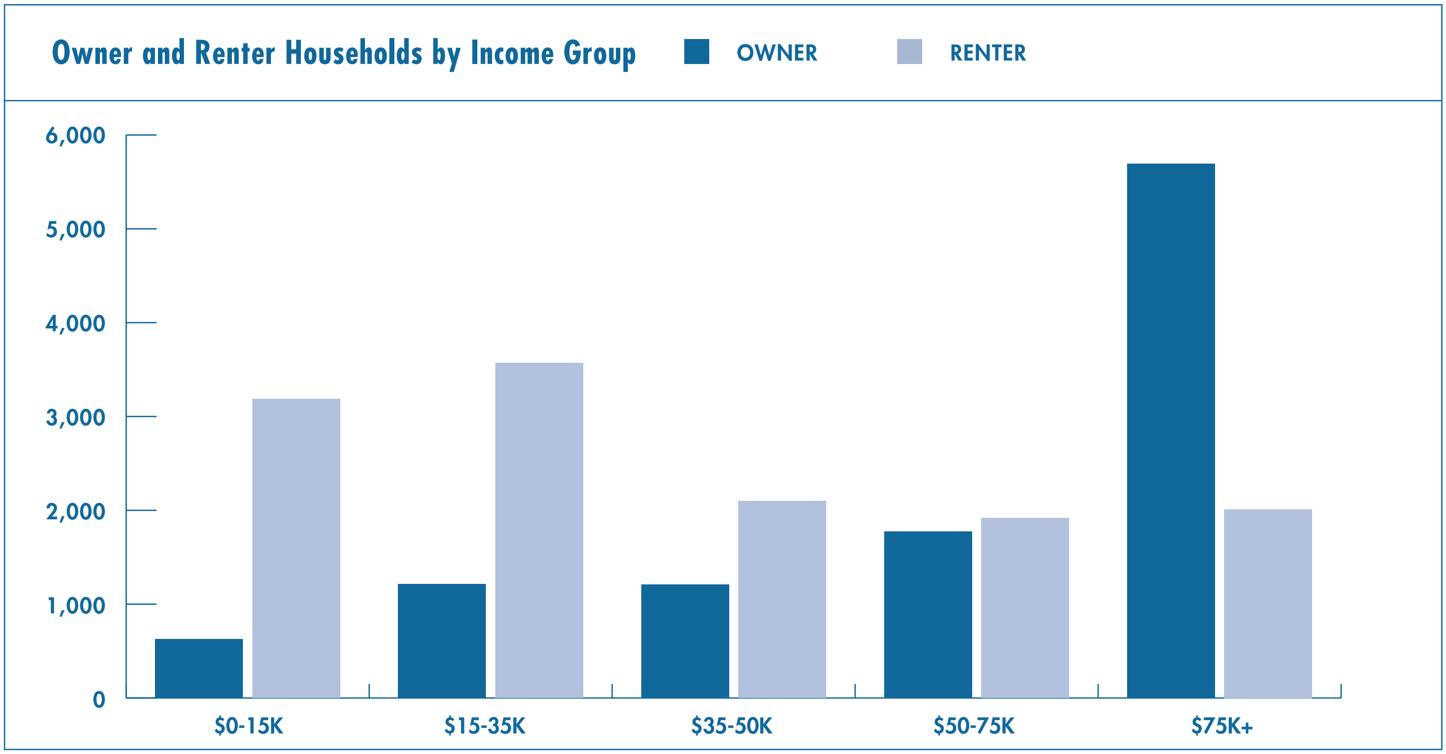
Homeownership Rates	
Flagstaff, Arizona	45%
Missoula, Montana	48%
Bozeman, Montana	44%
Durango, Colorado	49%
Santa Fe, New Mexico	61%
Bend, Oregon	58%
Arizona	63%
United States	64%

2015 American Community Survey

Flagstaff has an exceptionally low homeownership rate as shown above. At 45% this rate is 18% lower than the statewide average and 19% below the national homeownership rate. Among the five peer communities, only Bozeman, Montana has a lower rate of ownership than Flagstaff.

To better understand income distribution in Flagstaff, we compiled the most recent American Community Survey data and interpolated the income data into segments based on Census-defined income ranges. Figure 33 shows the comparative numbers of home-owners and renters in different income groups.

figure 33



There are some 8,852 renter households earning below $50,000 a year. Using the same assumptions from the 2007 Nexus Study that 1/3 of renter households aspire to own a home, this would imply an unmet homeownership demand of around 3,000 households. This strongly suggests a need for housing below $200,000 to address this need.

It is important to note that a lack of affordable ownership opportunities can have a significant impact on the rental market as well. The lack of reasonably priced homes can lead to a significant portion of households who desire to be homeowners being involuntarily limited to rental housing situations. As renter populations in the community grow, and the supply of rental housing correspondently shrinks, the higher income wage earners are able to pay increasingly higher rents that drive up overall rental costs and price out the lowest-wage earners in the community.

WORKFORCE INTERVIEWS AND EMPLOYEE SURVEY FINDINGS

In fall of 2016, the Economic Collaborative of Northern Arizona (ECoNA) undertook a study and contracted with Northern Arizona University's W. A Franke College of Business to survey the 13 largest employers to gain a better understanding of the housing needs of the Flagstaff workforce (Appendix I). This survey was eventually distributed to the 13 of the largest employers and garnered 5,900 usable responses, a response rate of just under 47%. This massive amount of very current data reveals interesting patterns which can be compared to community-wide demographics.

The Flagstaff Workforce

Among the respondents to ECoNA's Workforce Employee Housing Study were families representing nearly 20,000 people in the Flagstaff Metro area. In general, the respondents varied from the larger community-wide demographic in a number of ways, including being older, higher income, having larger households and a significantly higher rate of homeownership.

The average age of respondents was 40.5, as compared to 25.6 for the community as a whole and the average reported family size was 3.2, significantly larger than the overall household size of 2.6 for the larger community. Among this group is a rate of homeownership 17% higher than the community as a whole at 62%.

The average net income of respondents was $61,700, but the much lower median of $51,000 reveals a significant weighting that occurred because of higher income respondents within the survey pool. Altogether, 75% of respondents had a net income of less than $69,000 a year. It is difficult to compare these number to Census statistics since they rely on gross income numbers, but the median net income of respondents is almost analogous to the median gross income of the larger community. Assuming that a given household pays between 15-40% in deductions from gross pay, this suggests that the median wage of respondents is considerably above the community-wide median in terms of gross income.

Workforce Survey Results Snapshot

Average Age: 40.5

Average Family Size: 3.2

Average Net Income: $61,740

Median Net Income: $51,000

Homeownership Rate: 62%

Average Length of Ownership: 8.9 years

Average Mortgage Payment: $1,541

Average Monthly Rent: $1,148

Living with Roommates: 8.7%

Average Length of Residency: 7.8 years

Average Commute Time: 15.8 Minutes

The vast majority of respondents were full time employees (94.2%) and the average length of employment at the current employer was 6 years. Nearly 78% of respondents have worked at their current place of employment for more than 2 years. The average length of residency in Flagstaff was 7.8 years with 9.2% living in Flagstaff for under 2 years and just under one-third having lived in the community for between 2 and 10 years.

Among this population, housing affordability is a critical concern. Respondents were asked to rate the importance of homeownership, which 82.7% rated as "very important" or "extremely important". Slightly lesser so for affordable rental housing, with only 66.5% rating it as "very important" or "extremely important" to them personally, which is not surprising given the large portion of homeowners within the sample.

Perhaps most telling are the perceived barriers to homeownership, with 86.4% relating that home price was the most significant barrier and an additional 52.7% citing the need for down payment and 27.8% also citing mortgage qualification. More than three quarters of respondents (78.6%) indicated that affordable housing was a concern for them personally.

Potentially the most striking statistic to come out of the survey results was that 54.6% of respondents indicated that they are contemplating leaving Flagstaff due to affordability concerns, and a majority (67.8%) of those contemplating leaving are renters.

The Employer's Perspective

As part of this study, interviews were conducted with a wide range of housing and workforce stakeholders and leadership or human resources staff representing approximately half of the major employers that participated in the study (See Appendix II for a complete list of interviews). The purpose of these interviews was to collect subjective observations about the obstacles for workforce retention and recruitment posed by housing, as well as to identify current housing programs deployed among Flagstaff's larger employers and identify potential assets to support housing programs.

Nearly universal among the stakeholders was the acknowledgement that housing and cost of living are critical issues that impact both hiring and retention, and increasing housing costs appear to be strongly impacting recruitment.

Anecdotal observations revealed through interviews included stories of out-of-town candidates who are hired, but fail to find reasonably priced housing and choose to leave the community before ever commencing their employment. Another interviewee spoke of new hires declining positions once candidates begin searching for housing locally and not finding acceptable housing in their price range. It appears that high housing costs suppresses the number of qualified candidates for many professional positions.

Several large employers related that, due to the higher cost of living in Flagstaff, many previously one-income households would typically need two incomes to sustain the higher cost of living in Flagstaff. This contributes to the "trailing spouse" situation, where the other person in the couple cannot find adequate employment in their field due to the community's smaller pool of available employers, thus, remains in their previous community until employment is found.

Current Employer-Based Housing Programs

Nearly all employers indicated that they have some sort of employee housing program. These varied in scope from the most basic educational programs working to connect out-of-town hires with local housing information and resources, through several employers who offer relocation assistance and short-term housing stipends. Programs that offered direct financial assistance to new hires were typically targeted at higher wage jobs and/or hard to fill positions and were certainly not uniformly available to all new employees of those institutions.

Among the large employers interviewed, only the City of Flagstaff operated a direct financial assistance model for homeownership: a down payment assistance program targeting police officers. Several of the large employers interviewed expressed interest in this type of program structure, which they saw as both a hiring perk and powerful employee retention tool.

None of the large employers interviewed, with the exception of the local government entities, expressed capacity or expertise for participating directly in housing development activities targeted at employees.

Employer Assisted Housing Program Opportunities

By bringing the public and private sectors together to provide housing, Flagstaff can maximize one of its most viable economic assets – its employers. Conditions in Flagstaff are optimal for the creation of an Employer Assisted Housing (EAH) program infrastructure. The lack of reasonably priced housing presents a high-level threat to both the quality and size of the skilled workforce. This should create a natural incentive for larger employers to find ways to invest in housing meeting the needs of their employees. Investment in employer assisted housing program infrastructure now will deliver benefits well into the future and will help accommodate future growth in the Flagstaff area.

Employer Assisted Housing programs provide extensive benefits for businesses that undertake them and can be tailored to work in almost any housing market. Housing is a critical component of the overall business environment and employer investments in housing not only benefit their bottom line (see examples later in this report), but the larger community as well. Housing programs can help increase recruitment and retention of employees, and in many cases the associated savings, such as reduced training costs, more than cover the costs of the program. This form of non-cash benefit can also offset modest wages, helping lower income employees attain homeownership, or in the case of rental programs, achieve a housing expense proportional to their income.

EAH's represent a private sector investment that has multiple community-scale benefits as well. Successful EAH programs can contribute to neighborhood revitalization, improve community-wide housing conditions, increase economic activity, create a better balance between workforce size and available housing, and increase the tax base for municipalities. Proximity of employees to their place of employment is another key benefit, as reduced commute times directly improve employee morale and can improve response times for workers in critical fields such as health care.

A comprehensive overview of various types of EAH programs is included as Appendix III to this report. This document provides detailed descriptions of various approaches for structuring programs.

Collaboration

At the core of all successful EAH programs, and any housing program, are strong collaborative relationships between private businesses, nonprofit and public sector entities. While the businesses may have the capital to invest in an EAH program, they typically do not have the expertise to manage or administer many aspects of an EAH program. Likewise, it is attractive for prospective employee participants to have a third party, rather than their employer, review their personal financial information confidentially. In many instances, municipalities and states contribute additional funding or incentives while a nonprofit housing provider assumes many of the program related components including administration and delivery.

Employers. Typically, employers provide capital for the program and manage outreach and marketing to their employees. While typically adept at business management, most businesses lack the capacity to deliver housing services such as financial counseling, education and qualification of applicants for third party funding sources. These core program components are essential for success and ensure that all program participants are accessing prime financing and sustainable post-purchase financial situations. Employers can also be key advocates for new housing development that meets workforce housing needs.

Nonprofit Housing Providers. In most programs, nonprofits deliver critical housing counseling and education services to complement an EAH program. Properly trained and educated buyers can help ensure a pipeline of qualified buyers. Furthermore, nonprofits have the track record and infrastructure for monitoring, assessment and delivery of housing programs and services, as well as access to capital only available to nonprofits. They likewise have skills to perform income certification and documentation, which is critical if private funds are to be matched with public monies. Housing nonprofits also possess intimate knowledge of local real estate conditions which can be particularly helpful at the program design stage, as well as in assisting individual homebuyers as they seek housing.

Local, State and Federal Government. There are a variety of ways that governments at all levels support employer assisted housing models. EAH programs are typically seen as a benefit to the larger community as they generally address community housing and economic development goals. The type of assistance can range from direct subsidy, streamlining of regulations, and provision of infrastructure depending on the resources available in a given area.

- **Infrastructure Development.** In recent years, municipalities have increasingly shifted the cost burden of new infrastructure (water and sewer lines, roads, utilities) to property developers. Public financing of infrastructure can substantially reduce the initial costs of development and lessen the financial burden on developers. Infrastructure financing can be accomplished through the municipality's regular capital improvement budget, CDBG funds, special assessments or tax increment financing.

- **Financial Assistance.** Direct financial assistance to support EAH programs can be found at multiple levels of government. This can include state and federal level matching funds that are available for down payment or IDA programs.

- **Simplified Permitting.** Obtaining planning permissions for new developments can add substantially to the cost of new developments, negatively effecting affordability. Housing development projects that include affordable workforce housing can be allowed an expedited review process as well as a reduced fee schedule which both contribute to affordability and the expeditious construction of new housing.

Third Party Assistance. There are numerous other third-party groups that can be of value to an EAH program. For instance, charitable foundations can be approached to underwrite the creation of an EAH plan, or match employer funds for down payment assistance. Real estate professionals often represent a value-added addition to EAH programs. Realtors can be engaged to offer services to homebuyers to assist in locating a home and completing the purchase transaction as well as assisting with homebuyer education activities. Other housing professionals such as closing agents or insurance providers can also contribute through their participation in homeownership education classes and discounted fees for program participants. Industry groups such as Chambers of Commerce are also viable partners and can assist with outreach and program development.

"Best Practices" Case Studies of Employer Assisted Housing Models

Underlying all successful EAH's are strong public/private partnerships that leverage the capacity and strength of private employers, local housing nonprofits, as well as local governmental jurisdictions. In many cases, states and municipalities provide matching funds for homebuyers that qualify for other housing programs, thus magnifying the impact of employer investments. The following case studies exemplify some of the diversity of EAH programs.

REACH. One of the most successful employer assisted housing programs in the nation is the Regional Employer-Assisted Collaboration for Housing (REACH) that serves the greater Chicago area. Designed through a collaboration between the Metropolitan Planning Council, a non-profit planning and policy group, and Housing Action Illinois, a statewide coalition of housing providers, the program has grown exponentially since its founding in 2000. In the last 11 years REACH assisted over 1,800 homeowners and now represents a coalition of over 100 employers and dozens of housing nonprofit partners located regionally within the project area.

The REACH program is one of the most successful models of a private/public partnership. Public funds are leveraged 5:1 with private sector dollars, while employer contributions are leveraged 2:1 with equal investments from the County and State for qualified purchasers.

The core of this program's success lies in its systematic approach and flexibility to work with a variety of employers of different sizes, needs and locations. When engaging a new employer partner, REACH undertakes a systematic process of program assessment that includes comprehensive internal analysis of employer needs, employee surveys, and cost benefit analysis of the program. REACH then undertakes a facilitated program design process, followed by execution of written agreements, program marketing and launch, as well as ongoing implementation, evaluation and administration.

Employers contribute $1,000-$15,000 per participating household with a committed minimum program investment of $10,000. One of the most attractive aspects of this program is the availability of Illinois State Tax Credits specifically designed for employer assisted housing. To qualify for the state tax credit, Illinois employers can offer down payment and closing cost assistance, reduced interest mortgages, mortgage guarantee programs, rent subsidies, or individual development savings account plans to their employees. Investments in counseling and program administration are also eligible costs.

REACH partners with nonprofit, community-based organizations with expertise in the local real estate market, as well as experience or training in administering housing assistance programs. They work with employees individually, keeping their personal financial situations completely confidential, which relieves employers of potential intrusions into employee privacy. REACH partners also help employees leverage any available financial resources, including public and private programs. They are the approved nonprofit intermediaries who can access the state matching funds and tax credit programs.

Aurora Healthcare. The Aurora Healthcare EAH program represents a very successful single employer model that includes 13 hospitals and 100 clinics with over 26,000 employees in Milwaukee, Wisconsin. This model is of particular interest because it's been subjected to systematic quantitative assessment of bottom line benefits to the employer.

The program is structured so that any employee in good standing who has been with the organization for one year, is eligible to receive a $3,000 5-year forgivable loan towards down payment and closing costs coupled with homeownership education and counseling services. In 2008, the Center for Housing Policy conducted a systematic assessment of program outcomes across a variety of quantitative measurements. The results show significantly higher levels of employee performance as indicated by annual reviews from participating employees. Additionally, employees participating in the EAH demonstrate approximately half the turnover rate of the larger employee population.

By making a modest investment to provide these benefits, employees greatly benefit from direct financial assistance, housing counseling and training and the realization of homeownership. In return, Aurora clearly receives a quantifiable bottom line benefit. EAH participants prove to be better performing employees who stay with the organization longer. Aside from the direct benefits of reduced training and recruitment costs, the reduction in turnover also correlates to increased workplace stability, productivity, and morale.

St. Vincent's Hospital Employer Assisted Housing. St. Vincent's Hospital is a large regional hospital located in Santa Fe, New Mexico. Facing issues with workforce recruitment and retention, they work with local partners to develop an entrepreneurial employee down payment assistance program that would be sustainable into the future. The hospital worked with a workforce housing partner non-profit, Homewise Inc., to design and implement the program. Homewise is a highly successful and innovative non-profit affordable housing provider and is a Community Development Financial Institution (CDFI), a designation by the U.S Treasury that allows them to originate loans and access special grant funding pools only available to CDFI's. The program is structured to reach the 20% down payment threshold and eliminate mortgage insurance, while also making it much easier for buyers to qualify for a mortgage and often access more favorable first mortgage terms. The loan is structured very similarly to the first mortgage, requiring monthly payments at a market interest rate. The benefit of this program design is that it recycles funding on a regular basis through monthly payments, while also growing the down payment assistance funding pool through time. The non-profit partner is able to pay for its overhead and administration of the loan through taking a portion of the interest recovered on the loan.

RECOMMENDATIONS FOR EXPANDED AFFORDABILITY

The following table reviews a range of constraints and opportunities expressed in a matrix that divides affordability into five key areas: funding, capacity building, program development, real estate development and regulatory environment. These recommendations endeavor to lay out next steps for working towards a more comprehensive approach to addressing the critical housing affordability issues facing the Flagstaff community.

At its core, issues of housing affordability are a function of supply and demand as well as land availability pressures. With little opportunity to impact the demand side of the problem, we are left with few options but turning to increased supply to help increase affordability for housing within the community. The matrix is followed by short narrative descriptions of recommended action steps.

Constraints and Recommendations Matrix

	CONSTRAINTS	RECOMMENDATIONS
FUNDING	• No reoccurring local source of funding for housing construction • No immediate bonding capacity • Potential threats to CDBG funding • Transfer tax not allowed under state law	1.1 Explore options for recurring local public and private funding source 1.2 Pursue bond issue for affordable and workforce housing 1.3 Create structures to recapture and recycle public investments in housing
CAPACITY BUILDING	• No means of communication among real estate industry, banking, non-profit, and public sector • Only one model of affordable homeownership being pursued • Collaboration between public/private/non-profit sectors not being fully leveraged	2.1 Develop partnerships, collaboration and coordination between public and private sector 2.2 Work to develop a local CDFI who could administer employer based DPA programs 2.3 Work with local non-profit partners to expand the approaches to affordable housing development
PROGRAM DEVELOPMENT	• Lack of community level understanding of type and incomes ranges served by various affordable workforce housing types • Non-governmental organizations need additional financial support to expand into new areas	3.1 Clearly define a framework for addressing community housing needs by convening public and private sectors 3.2 Create locally funded down payment assistance program that targets broader income ranges than allowed through CDBG 3.3 Educate the wider community about local housing needs 3.4 Develop infrastructure for employer-based housing assistance programs with broad participation from the employer community

	CONSTRAINTS	RECOMMENDATIONS
HOUSING DEVELOPMENT	• High up-front infrastructure costs to begin development • Neighborhood push-back to infill development • Housing development and in-town land conservation at odds • Only one model of affordable homeownership being deployed • No clear performative standard for meeting workforce housing needs • Deregulation alone has failed to produce lower cost housing • City and County land is restricted due infrastructure challenge	4.1 Provide infrastructure assistance in exchange for meeting income and pricing targets 4.2 Use City and private land assets to leverage housing development meeting income and pricing goals 4.3 Support high density student housing development in the right areas that do not disrupt existing neighborhood patterns 4.4 Improvement districts and scaled infrastructure
REGULATORY ENVIRONMENT	• No performative standards for developers to meet community housing needs • No ability to implement inclusionary zoning • Many workforce housing tools precluded by state law • Other code incentives (mixed use, sustainability) make affordable incentives less effective	5.1 Update code to allow for denser housing in appropriate locations 5.2 Create expedited review process for projects meeting key housing needs 5.3 Redesign and strengthen affordable housing development incentives

Funding Recommendations

The most effective approaches to addressing community housing needs require direct investment. While identifying new funding sources and mustering the political will to make public investments in housing is never easy, direct financial contribution to affordable housing activities generally leverage extremely high returns. For example, the City of Albuquerque New Mexico's Workforce Housing Trust Fund is supported by a reoccurring bi-annual bond issue and has leveraged nearly $200 million in activity from $30 million in investment, returning $2.5 million in tax revenue to the City and generating nearly 1,200 jobs.

1.1 Explore options for recurring local funding source

One of the most versatile and effective tools for the ongoing support of workforce housing is the creation of a dedicated municipal fund, often referred to as a housing trust fund. This mechanism is vested with a municipality and is regulated by a set of specific policies and procedures that both defines the uses of the fund (such as down payment assistance programs, energy efficiency retrofits and infrastructure assistance for workforce housing development) and the solicitation, application and allocation process through which the funds are managed.

This mechanism can also serve as a repository for funds generated from workforce housing activities. For instance, program income from the sale of public land and/or the repayment of a homebuyer subsidy (such as when an assisted buyer sells their home), is repaid into the fund and recycled to the next qualified grantee. With proper structuring, the fund can become a portfolio asset that builds over time and allows the leveraging of other outside resources.

The public sector can create this fund through an ordinance that describes the range of eligible uses and a procedure soliciting potential projects. A competitive solicitation process ensures that only the highest performing activities will be funded, increasing the leverage of public resources, as well as the efficiency and innovation of new programs. The fund can also be used to address the gap in third-party funding sources.

Similar funds could be created by private entities to support EAH programs similar to the St. Vincent's Hospital Case Study example. One of the key aspects of this type of program will be investment in the creation of a CDFI to manage the fund and originate loans, which is discussed in detail in Recommendation 2.2.

1.2 Pursue bond issue for affordable and workforce housing

One of the primary ways the City of Flagstaff can support the access to more affordable housing is through the direct provision of funding for housing development and down payment assistance. The City is unable to bond until November 2018, but elected officials, housing staff and key community stakeholders should begin working now to design bond that includes truly diverse and effective funding mechanisms that can be a long-term asset for the community.

Potential uses of bond funding could be provision of infrastructure for income and price-restricted new development by both non-profit and for-profit partners. Another important investment would be down payment assistance for low and moderate-income households that is designed to meet Flagstaff unique demographic and housing market needs, potentially targeting incomes up to 120% AMI. Locally funding down payment assistance would also insulate against the potential loss of Community Development Block Grant funds currently used for this purpose.

1.3 Create structures to recapture and recycle housing investments

All investments made through new and existing funding programs should focus on recycling and reusing funds. Using structures such as second mortgages to secure investment mean that funding can grow year on year as investments are paid back. Critical to this process is having a secure mechanism for recycling funding, such as the trust fund model described above.

Capacity Building Recommendations

To address the growing needs for housing services, both public and private stakeholders should work to expand the capacity of existing service providers and identify gaps to be addressed with new service models.

2.1 Develop partnerships, collaboration and coordination between public and private sector

The Flagstaff community is in a crisis moment for housing attainability and should convene a diverse group of public and private sector stakeholders to help develop an approach for addressing the City's goal of producing 1,000 new units of affordable and workforce housing. Addressing these needs will require new forms of collaboration between the City, County, land use staff, non-profits, lenders, REALTORS®, developers and private employers. Bringing all these entities together around a clear set of strategic goals will leverage their various talents, and can help create robust and long-term solutions to housing issues. Vesting the ECoNA Housing Roundtable with resources will leverage further investment and incentivize participation of stakeholders.

At the core of all strong workforce housing approaches are strong partnerships. Probably the greatest advantage to developing strong public/private/non-profit partnerships is that multiple resources can be leveraged to create comprehensive responses to identified needs.

Non-profit organizations are uniquely positioned to bridge the differences between the public and private sectors by offering services that aren't profitable enough for the private sector to pursue while being less encumbered by regulation than the public sector. Non-profits can also mimic many for-profit housing development activities, using mixed income housing development of higher quality homes to support the subsidization of homes serving low and moderate-income households.

Private sector businesses also play a significant role in leveraging additional services and funding and may be able to carry out certain activities more cost effectively than nonprofits. For instance, private developers may be able to develop homes more quickly and less expensively than nonprofits due to their asset base, economies of scale and inherent efficiency. Lenders, realtors, insurance agents, and title officers are all critical for making sure homes that are built through programs, can be accessed by consumers.

Coordination among public/private/nonprofit entities can also provide access to larger funding sources, and those not available to individual nonprofits, or risk sharing among several financial entities to enable larger scale projects than any one institution would typically undertake.

2.2 Work to develop a local CDFI who could administer employer based DPA programs

Community Development Financial Institutions (CDFI) are a special type of financial organization that can play a critical role in promoting access to housing. CDFI's are regulated by the Department of the Treasury and can access special funding sources to undertake regulated lending activities with the goal of providing services not provided by traditional financial institutions at more flexible rates and terms. The stated mission of the CDFI program is "to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States." A CDFI can originate home mortgages as well as other types of loan products such as an amortizing down payment assistance programs. CDFI's can be non-profit organizations, credit unions, or even a stand-alone investment or loan fund. The process of applying for CDFI designation can be costly and time consuming, but the benefits to the community are certainly worth the investment.

A strong CDFI could play a critical role in assisting large employers investing in down payment assistance programs by managing programs for employers.

2.3 Work with local non-profit partners and the development community to expand the approaches to affordable housing development

Currently the primary structure for affordable for-purchase housing is the creation of Community Land Trusts and limited non-profit development work. While this type of long-term, equity restricted housing is a very successful model, there are other models that could be deployed to meet gaps in the current housing market and provide more flexibility to future housing programs. The primary goal of the Land Trust is to create "Permanently Affordable" housing and is generally best for addressing the needs of lower-income households that need significant subsidy to be able to afford a house. The main drawback to this program model is that it invests a significant amount of resources into a given home, that cannot be reinvested in more flexible ways in the future. It is also dependent on considerable investment from the public sector or through private agreements with developers.

Non-profit mixed-income housing development can provide a very important contribution to community wide workforce housing benefits with an entrepreneurial approach that needs little ongoing investment once an initial critical mass of operations has been attained. This development model typically functions by developing mixed-income housing with a majority of units being priced at levels affordable to low and moderate-income households, and the remaining development priced as entry-level market rate homes. The profit from the market rate homes is used to cross-subsidize the homes sold at discount prices. The discounts offered to low and moderate-income homebuyers are secured through second mortgages, which can be used to recapture funds, or exercise a right of first refusal and purchase back the unit when the initial buyer sells. The main challenge of creating this type of model is that it takes significant up-front investment to catalyze this model if not undertaken by an asset rich organization. Donation of City land or leveraging the donation of a 25-35-unit tract within a private subdivision could be enough to leverage private capital to construct the housing. The benefit of this model is that it is able to leverage public sector investment, but is not dependent on ongoing support for the model. As long as there is demand in the entry-level market rate housing sector, this type of model, once underway, can support itself regardless of outside investment.

Program Development Recommendations

3.1 Clearly define a framework for addressing housing needs

A critical first step for expanding housing programs and impacts is to have a very clearly defined set of housing needs as well as defined benchmarks for housing production goals. These should include rental and home pricing targets that are tied to various incomes and housing sizes, across housing types that are updated annually. The public and private sector partners should also define target numbers for production of housing at various income levels and price points that can be used as a way of analyzing progress towards goals, and assessing various investments and program models. This should be coupled with the collection of key housing statistical data on an annual basis to further measure progress against goals.

3.2 Create locally funded down payment assistance program that targets broader income ranges than allowed through CDBG

A critical obstacle for any potential homeowner are the down payment and closing costs needed to fund a mortgage loan. The City currently provides down payment assistance funded through the federal Community Development Block Grant (CDBG) Program and employee down payment assistance program through local funds. The main limitation is that CDBG funding cannot be used to assist households above 80% AMI. With major obstacles for homeowners up to approximately 120% AMI, a more flexible local funding source is badly needed. A local source for down payment assistance would also help ensure this type of program continues even if the CDBG program was cut or terminated at the federal level. The program should be structured to be funded at a fixed level annually with repayments of past assistance recaptured at sale and recycled into a trust fund mechanism. This way there is a steadily growing pool of down payment assistance funding perpetually into the future.

Likewise, employers can also elect to fund a down payment assistance revolving loan pool that meets their particular employee housing needs. In many cases, public assistance and private assistance through EAH programs can be stacked to extend affordability or help even lower income households.

3.3 Educate the wider community about local housing needs

Community opposition to new development is common in the Mountain West. But intelligent growth is necessary if communities are to maintain housing opportunities for a diversity of incomes. Many long-time residents, and particularly existing homeowners, can be disconnected from the challenges of rapidly increasing rents and entry level home prices that are out of reach for large portions of the population. This disconnect from the realities of current community housing conditions can lead to a lack of community support for housing investments and hinder growth and development targeted at meeting critical housing needs. To address this, the City should consider working with partners to develop an education campaign designed to raise the level of awareness in the community about the realities of the current housing challenges in the community, clearly defining the community needs and priorities for creating affordable housing that serves workforce needs, and the real world negative impacts that the loss of economic diversity in the community would mean. This is also an important component of supporting intelligent community dialogue about any future civic investments in housing such as a housing bond.

3.4 Develop infrastructure for employer-based housing assistance programs

This recommendation ties tightly to the recommendation to create a CDFI. One of the main themes from speaking with large employers was that even if they are willing and able to invest in employee housing, they lack the infrastructure and desire to manage housing programs. Creating successful structures for collaboration between large organizations with organizations currently providing housing services or financial services can be critical for unlocking potential employer investments in housing programs. These can often be piggybacked on existing housing services such as housing counseling and homebuyer training to further increase the success rate of programs.

Housing Development Recommendations

At its core, affordability challenges arise from a higher demand for housing than is being supplied. There are at least several thousand potential homebuyer households in Flagstaff that have few to no options for affordable home purchases. Likewise, rapidly growing student populations will continue to put pressure on the rental housing market. Aggressive strategies are needed to support new housing development from the public and private sectors which would include for-profit and non-profit entities.

4.1 Provide infrastructure assistance in exchange for meeting income and pricing targets

One of the largest obstacles to new housing development is the provision of infrastructure. High upfront costs, incurred before any housing development takes place, can be risky investments that are hard to secure for developers. This appears to be one of the main obstacles to unlocking some of the nearly 5,000 platted lots not currently being developed, despite extremely tight housing inventory and robust demand. The City should explore a formalized program that provides financial assistance on a per-unit basis to any developers, for-profit or not-for-profit, that is willing to meet certain pricing and income restrictions. This type of investment can be used to lower risk for developers at the outset of a project and help them meet total infrastructure funding goals, with the community benefitting from below-market rate housing in return. If structured correctly, the initial infrastructure investment can then convert over and be counted towards the down payment for the buyer making it easier for them to qualify for mortgages. These infrastructure investments can then be secured through a second mortgage and recaptured at sale, then be recycled into a trust fund mechanism and be reinvested in future affordable development.

4.2 Use City and private sector land assets to leverage housing development meeting income and pricing goals

There are multiple land assets that could be invested in the creation of workforce housing. The City is in the process of soliciting proposal for such development, but has also passed up several prime developable parcels that could have created significant investment in workforce housing, or been used to leverage the development of new mixed-income self-sustaining development models. All land assets should continue to be used at the highest level possible for creating affordable workforce housing, and models should be explored to circumvent the issues created by the State's Gift Clause, within the public sector. In situations where the main conflict of development municipal land is the community desire for land conservation, new approaches that blend conservation and affordable housing should be explored. In many ways, investments in long-term workforce housing are a type of conservation that can be just as important as natural resource conservation, especially in a community with so many adjacent public land assets.

To facilitate the development of employer-owned land, it is imperative to clearly define the goals and benefits of such activities, while matching up employers with the right technical assistance to undertake housing development activity. Most large employers with land assets were clear that they did not want to undertake housing development as it was out of their area of expertise. Energy should be invested to match development professionals from both the private and non-profit sectors as potential partners in meeting the employee housing needs.

4.3 Support high density student housing development in the right areas that do not disrupt existing neighborhood patterns

Large students housing complexes have become controversial for their impact on existing neighborhoods. Yet the creation of large-scale multifamily housing is essential to help mitigate the pressure that rapid growth of student population places on the rental house market. Stakeholders should work through a community process to structure land use codes to direct this type of development to areas near that university, that have appropriate infrastructure, where it does not disrupt current neighborhood scale and use, or displace existing residents, especially low-income residents.

4.4 Improvement districts and scaled infrastructure

Again, one of the major obstacles to new housing development at scale is the up-front cost, particularly of transportation infrastructure. The stakeholders should explore the idea of improvement districts, tax increment financing, or other models of scaled infrastructure provisions to assist with lowering the up-front costs borne by developers. These approaches and investments should be leveraged to ensure the private sector produce housing meeting key community needs.

Regulatory Environment Recommendations

5.1 Update code to allow for denser housing in appropriate locations

In high cost market, increasing density is one of the main ways of spreading high land and infrastructure costs across as many housing units as possible, thus enhancing affordability the denser housing becomes. There are many successful models for designing elegant housing that has significant housing density, without creating large impacts on existing neighborhoods. Along with traditional attached housing product, models such as co-housing, more liberal creation of accessory dwelling units and dense infill in existing neighborhoods should all be part of a comprehensive approach to enhancing housing affordability.

5.2 Create expedited review process for projects meeting key housing needs

For large developments, the length of time it takes to undergo the development review process for a large master planned community can be extremely costly, with holding costs continually increasing until approval. This increases the general project overhead, and creates unnecessary costs that eventually get passed on to buyers. Much like directly incentivizing housing creation, creation of a streamlined review process for developments that address clearly defined community housing goals could be another tool to help the private sector better meet housing needs. It is critical that any expedited process be designed in a way so as not to drastically undercut the quality of future development or its impacts on existing nearby residents.

5.3 Redesign and strengthen affordable workforce housing incentives

The City currently has a number of types of development incentives that can work at cross purposes. Incentives for mixed-use, or sustainable building practices may undercut the value and effectiveness of incentives provided for creating housing affordability. The City land use department should collaborate with the housing division to analyze current development incentives and clearly align them to prioritize affordable workforce housing creation. This must be coupled with creating clearly defined pricing and income targeting goals to which incentives are structured. Significant incentives should be provided to both for-profit and non-profit developers willing to produce housing that meets community needs.

APPENDIX I

NORTHERN ARIZONA UNIVERSITY

ECoNA Employee Housing Study

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The Alliance Bank Business Outreach Center (ABBOC) is an Economic Development Administration (EDA) University Center. ABBOC receives support from the EDA, Coconino County, Alliance Bank of Arizona, and the Office of the President of Northern Arizona.

Alliance Bank
Business Outreach Center

Economic Collaborative of Northern Arizona (ECoNA)
Employee Housing Study

It is widely believed that the high cost of living, especially affordable housing, has a negative impact on the Flagstaff workforce. However, much of the evidence for this has been anecdotal. In order to gain more precise information, the Economic Collaborative of Northern Arizona (ECoNA) commissioned a data collection project to learn about employees' attitudes, beliefs, current status, and future plans. ECoNA contracted with the Alliance Bank Business Outreach Center (ABBOC) to conduct the survey. ABBOC is in an EDA University Center and a US Census State Data Center affiliate. It is housed in The W. A. Franke College of Business at Northern Arizona University.

There is a local saying that living in Flagstaff is "poverty with a view." The cost of living index for Flagstaff (114.1) is 14.1% above the national average, and is considerably higher when compared to the cost of living in Phoenix which is 3.2% below the national average, with an index of 96.8 (Council for Community and Economic Research (C2ER) 2016).

The cost of living index reflects pricing in six categories:

1. Housing;
2. Groceries;
3. Utilities;
4. Transportation;
5. Health care;
6. Miscellaneous goods and services.

In Flagstaff, the high cost of housing is the biggest factor in its overall high cost of living index. When comparing the cost of housing, Flagstaff (136.0) is 36% greater than the national average, whereas Phoenix (98.5) is 1.5% below. Employers understand that the Flagstaff workforce must face the challenge of securing affordable housing, and that the lack of it can have both short- and long-term effects on the workforce. Employers have reported difficulty in retaining qualified employees because of housing costs.

In this survey, respondents reported that barriers to home ownership included the average home price, the cost of a down payment, qualifying for a mortgage and other reasons. However, the average home price was by far the most common barrier reported, with 86.4% citing this reason.

Methods

The study originally started with 15 of the largest employers in the community agreeing to participate. The employers in the survey were:

1. City of Flagstaff
2. Coconino Community College
3. Coconino County
4. Flagstaff Medical Center
5. Flagstaff Unified School District
6. Guidance Center
7. Little America
8. Nestle Purina
9. North County Healthcare
10. Northern Arizona University
11. SCA Tissue
12. W. L. Gore & Associates
13. *Nackard Pepsi*

14. Navajo Nation Gaming Enterprises
15. *Walmart*

Two employers, Nackard Pepsi and Walmart, did not participate in the survey reducing the total number of employer participants from 15 to 13.

Two survey methods were used to obtain employee attitudes about housing. The majority of surveys were obtained by using a web-based survey developed in Qualtrics™. Employees were provided a link to the survey in an email from their employer inviting them to participate. For those organizations that did not have email distribution for their employees, a duplicate paper survey was developed and distributed to employees. The paper form was developed in TeleForm™ software and returned surveys were scanned into the survey database. The survey was distributed by the employers in mid-October and survey collection was ended on November 13. A total of 5,900 useable surveys were returned out of a potential 12,598 surveys for an outstanding response rate of 46.8%.

The geographic focus of the employee housing survey is the Flagstaff Metropolitan Planning area (commonly referred to as the FMPO), which includes the Flagstaff City boundaries, Fernwood, Timberline, Doney Park, Kachina Village, Mountainaire, Bellemont and Fort Valley. Survey respondents were asked to indicate their home zip code so that their residence could be assigned or excluded from the FMPO. Initially, 2,017 (34%) respondents did not provide a zip code. In order to correct for missing zip codes, respondents who had valid responses for the question, "How long have you lived in Flagstaff area, including Doney Park, Kachina Village and Mountainaire?" were included in the FMPO count. An extra 1,856 respondents were added to the FMPO total, increasing the FMPO count to 5,422 (92%) of all respondents. Finally, 478 respondents (8%) live outside off the FMPO. The analysis in this document is carried out on respondents who live in the FMPO, and the 8% outside the area are not included.

Please tell us about yourself

2a. How old are you?

The Flagstaff area workforce was relatively young, and the average age of workers was 40.5. This average was calculated by using the mid-points of age ranges included in the survey. Of the sample:

- 73.1% are between 31 and 60.
    - 39.1% were between 31 and 45.
    - 34% were between 46 and 60.
- 18.6% are between the ages of 18 and 30.
- 8.3% are 61 or older.

2b. What is your monthly household net income (take-home pay) from all sources?

The average and median net incomes were calculated from mid points.

- Average **monthly** net income was **$5,145**.
- Average **annual** income was **$61,740**.
- **Median annual** income was **$51,000**.

The average annual net income is driven up by high earners, with 8.3% having net household incomes in excess of $144,000, and another 8.8% earning between $105,000 and $133,999. So while the average income is over $60,000, it is worth noting that just 14.4% of households are in the average range, with net incomes between $51,000 and $69,000. Fully three-quarters (75%) of all respondents have a net household income of $69,000 or less, and one-third (36.4%) of respondents have a net household income of $33,000 or less, while 10.5% of households have net incomes of just $18,000 or less.

2c. Besides yourself, how many people live in your household?

Fully 91.3% of respondents lived in single-member or family households. The remaining 8.7% of respondents lived with roommates who were not family members. However, 4.2% of families also took in non-family member roommates.

Family-Based Households

- **10.3%** were **single-member** households.
- **28.5%** were **two-member** families.
  - 26.7% were just family members.
  - 1.8% had roommates.
- **24.5%** had **three-member** families.
  - 23% were just family members.
  - 1.5% had roommates.
- **20%** had **four-member** families.
  - 19.5% were just family members.
  - 0.5% had roommates.
- **16.7%** had **5-7 person** families,
  - 9.5% were 5-person families only.
  - 4.1% were 6-person families only.
  - 2.7% were 7-person families only.
  - Collectively 0.5% of 5-7 person families had roommates.

Roommate-Based Households

- **59.4%** have **two** roommates.
- **25.5%** have **three** roommates.
- **8.8%** have **four** roommates.
- **3.6%** have **five** roommates.
- **1.8** have **six** roommates.
- **.8%** have **7** roommates.

2d. How long have you have you worked for your current employer in Flagstaff?

On average, a Flagstaff worker has been employed by their current employer for 6 years. Three-fourths (77.9%) of the workforce have worked for their current employer for more than 2 years, while one-third (32.9%) have worked at their current employers for 10 or more years. Respondents who have been with their current employer less than 6 months account for just 6.9% of the respondents.
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2e. Are you a full-time or part-time employee?

The vast majority (94.2%) of the respondents were full-time employees, and just 5.8% of respondents were part-time workers.

2f. How many minutes do you travel to work each day?

On average, respondents traveled 15.8 minutes from home to work, and this average was close to the median, which was 15 minutes. Just 2.8% traveled 31 minutes or more.

2g. How do you travel to work?

The great majority of respondents (88.3%) used a personal vehicle to get to work. Bicycle was the second most popular choice, but only 3.3% of respondents chose this option.

2h. How long have you lived in Flagstaff?

A majority (59.2%) of respondents have lived in Flagstaff for 10 years or more, with a further 31.6% living here for 2–10 years. Based on mid-points the average length of time lived in the community is 7.8 years.

Please tell us about your housing situation

3a. Do you currently own or rent?

A majority (62%) of respondents in the survey were homeowners, while about one-third (35%) rent, and a small number (3.1%) live with family. Home ownership appears to increase with length of residency, since just 3.7% of respondents who lived in Flagstaff for less than two years owned homes.

3b. How long have you lived in your current residence?

Homeowners have had their homes for 8.9 years on average, and the median length was 7 years.

- About one-fourth (25.2%) have owned their homes for 2 years or less.
- Almost two-fifths (39.2%) have owned their homes between 2 and 10 years.
- One-fourth (26.2%) have owned between 10 and 20 years.
- One-tenth (9.3%) have owned their houses for more than 20 years.

3c. What is your monthly mortgage payment (including taxes and insurance)?

The average mortgage in the FMPO was $1,541, which is close to the median of $1,500. The lowest reported mortgages were in the $300 range, while the largest individual mortgage was $7,333.

3d. If you rent, what do you rent?

The largest single group of respondents who rented (40.5%) were in apartments, while one-third (37.4%) rent houses. Condos accounted for (11.0%), mobile homes (6.3%), and rooms in a house or apartment (4.9%). The average monthly rentals were as follows: apartments were $1,110; houses were $1,298; condos were $1,225; mobile homes were $793; and rooms in an apartment/house were $667.

3e. What is your monthly rent payment?

Overall, the average rent in the FMPO was $1,148 a month, with a median of $1,175. The lowest rent was $350 per month, while the highest rent $3,100.

3f. Does your rent include any utilities?

A majority of the rentals in Flagstaff (69.9%) did not include utilities, while 30.1% do. Water alone was the most common utility provided with rent, followed by water in combination with sewer, trash, gas and electric.

3g. How long have you lived in your current residence?

The average renter had been in their residence for 3.4 years, with a 2-year median. More than half of all renters (53.9%) have lived less than 2 years in their current residence.

Please tell us about your future housing plans

4a. If you are planning to change residence, please indicate when?

The FMPO is split almost evenly among those who did (49.6%) and did not (49.4%) plan to change their residence. Of those residents that were planning to move, the largest cohort (20.9%) were planning to move within 1 year, followed by 13.1 percent who intended to move within two years. A majority of respondents who intended to move in one year one are planning to rent (69.2%) while 28.2% intended to own.

4b. If you are planning to move to a new residence, do you plan to rent or own?

A majority (68.7%) of respondents in the FMPO intended to own, while the remaining 31.3% planned to rent.

4c. If you plan to move residence in the next few years, what is the price range that is affordable for your family to either rent or own?

The average affordable rent was $998, with a median affordable rent of $1,000. The average affordable mortgage was $1,341, while the median affordable mortgage was $1,212. Respondents who are now renting but intend to own indicate that their affordable mortgages was $1,235.

4d. What size residence are you looking for?

The majority of respondents who wanted to relocate (56.8%) would like to move to a residence with 3–4 bedrooms, while 41.1% preferred 3 or fewer bedrooms. A minority (2.0%) would have liked 5 or more bedrooms. The affordable mortgage for new owners by number of bedrooms was as follows: fewer than 3 bedrooms ($1,141); 3–4 bedrooms ($1,413); and 5 or more bedrooms ($1,917).

4e. If you are planning to move to change residence in the future, please tell us why?

Respondents were asked to write in why they would be changing residence in the future. Open-ended responses were coded according to their content revealing five major themes.

1. Changes in home ownership patterns (41.5%).
    - Wanted to own (build or to buy) (17.6%).
    - Current housing was too small (17.3%).
    - Current housing was too big (4.6%).
    - Wanted more privacy, specifically, no roommates (2.0%).

2. Cost of housing (34.7%).
    - Flagstaff housing was too expensive (32.5%).
    - Roommates moving or lease termination (2.3%).

3. Miscellaneous (10.1%).
    - Children moving out, divorce, wanted to move to a different area of Flagstaff (unspecified), bad neighborhood, landlord conflicts, moving into family home elsewhere (4%).
    - Moving out of FMPO for unstated reasons (3.9%).
    - Flagstaff was too crowded (2.2%).

4. Moving because of jobs, school, or retirement (9.0%).
    - Retiring and moving to a different location (5.6%).
    - Moving for job or school opportunities (3.4%).

5. Moving closer to or further from the city (4.7%).
    - Wanted to be closer to work, NAU, or town (3.7%).
    - Wanted to be farther away from town, college students, and NAU, because respondents felt these influences were changing the character of Flagstaff (0.6%).

4f. What is the maximum acceptable commute time to work from your new residence?

Respondents were asked what the maximum acceptable commute time to work would be from their new residence. The average maximum acceptable commute time was 23.6 minutes. Since the current average commute time to work was 15.8 minutes, this means respondents are willing to accept an increase of 7.8 minutes to their commute, on average. The median acceptable time (20 minutes) was also greater than the current median commute time (15.0 minutes). This suggested that respondents were willing to have longer commutes if they can get more affordable housing. Almost three-fourths (72.5%) of respondents who were intending to move anticipated a commute of 16 or minutes or more.

Please tell us your perceptions of housing in Flagstaff

For several of the following questions participants were asked to rank issues on a scale of scale of 1–5, where 1 is "Not at all important," and 5 is "Extremely important."

5. Please tell us how important these housing issues are to you?

The importance of owning my own house?

The average rating was 4.3, between "Very important," and "Extremely important." Four-fifths (82.7%) of all respondents rated owning their own home as either "Very important" (27.6%) or "Extremely important" (55.1%).

The affordability of home ownership in Flagstaff?

The affordability of Flagstaff was widely considered an issue, and this is borne out by the responses, with a mean score of 4.5. Almost 9 out of every 10 respondents (88.5%) judged the affordability of home ownership to be either "Very important" (25.8%) or "Extremely important" (62.7%) considering it extremely important.

The affordability of rental housing in Flagstaff?

The affordability of rental housing in Flagstaff is seen as somewhat less important than the affordability of home ownership. The importance of rental affordability had a score of 3.9. Two-thirds of all respondents (66.5%) rated the affordability of rental housing as a personal issue, with 22.8% judging it "Very important," and two-fifths (43.7%) considering it "Extremely important."

6. What, if any, do you see as barriers to home ownership in the future?

The average home price was seen as the most significant barrier to home ownership, with four-fifths (86.4%) of respondents giving this reason. Additionally, the amount needed for a down payment was seen as barrier by over half of respondents (52.4%), while qualifying for a mortgage was seen as a barrier by about one-fourth of respondents (27.8%). Finally, other barriers (16.4%) and personal reasons (11.6%) were also cited by respondents. The totals for this question do not sum to 100% as respondents could (and did) check more than one response.

Other barriers to home ownership in the future?

Survey respondents were asked to identify other barriers to home ownership. The responses to this question mirrored other open-ended housing questions.

1. Lack of affordable housing was number the most common response.
    a. There were too few available houses for sale (20.7%).
    b. Houses for sale were two expensive (7.8%).
    c. Workforce housing is needed (7.6%).

7a. Is affordable housing a concern for you personally?

More than three-fourths (78.6%) of respondents indicated that affordable housing was a concern for them personally, while 21.4% did not feel that affordable housing was a concern for them personally.

7b. How much of a concern is affordable housing?

When asked to rate their level of concern about affordable housing, respondents gave it a score of 4.7. Flagstaff renters were slightly more concerned about housing affordability (4.8 mean score) than were current homeowners (4.6 mean score).

7c. What would help most to address this concern?

While there were 2,080 responses to this question, there were relatively few concrete suggestions as to what could be done to address concerns about affordable housing. The largest block of responses (34.7%) focused on the high cost of living in Flagstaff, especially compared to Phoenix. Exacerbating the high cost of living, 13.8% of respondents mentioned that wages and salaries in Flagstaff are below market norms. Another important theme was rapidly rising home values, and 21.8% of respondents felt the average price of home in Flagstaff was out of reach and those homes that were available were sub-par.

In addition to home ownership, rents were also mentioned as a problem, and some (8%) felt that rent rates were spiraling out of reach (8.0%). About one-tenth (9.4%) of respondents thought rising rents were due to the growing student population at NAU.

8a. Are you contemplating leaving Flagstaff because of concerns about affordable housing?

Slightly more than half (54.6%) of respondents were contemplating leaving. The remaining (45.4%) indicated that they did not intend to leave due to affordable housing concerns. Homeownership appears to be related to this propensity, with homeowners comprising 68% of those who plan to stay, and renters comprising 67.8% of those who plan to leave due to a lack of affordable housing.

8b. If yes, what is the likelihood you would leave Flagstaff?

Respondents who were predisposed to leave rated their likelihood to do so at 4.0.

9a. Are you likely to relocate in the next few years?

Almost half of all respondents (43.6%) indicated that they were likely to relocate in the next few years, while slightly more than one-half (56.4%) indicated that they were not likely to relocate.

9b. If yes, when do you plan to relocate?

Of those who plan to leave Flagstaff, the average length of time, derived from midpoints, was 3. More respondents indicate that they will leave sooner than later.

- 19.7% plan to leave in one year.
- 29.6% plan to leave in two years.
- 20.6% plan to leave in three years.
- 30.5% 4 years or more.
-

9c. If you plan to relocate, to what city and state do you hope to move?

There were 327 respondents who planned to relocate and they were asked where they hoped to move. The information is organized by location, with those areas closest to Flagstaff in Coconino County being considered first, followed by Yavapai and other Arizona counties, and finally other states. The greatest number of respondents (18.3%) indicated that they wanted to move to anywhere that was cheaper than Flagstaff. A small number (6.7%) planned to move within Coconino County, with Winslow as the most popular choice, followed by Williams and Bellemont/Parks. Just 2.1% planned to move to either the Hopi or Navajo reservations. Just over one-tenth (11.3%) of respondents planned to move to Yavapai County. The majority of these did not specify a place within Yavapai County, however Sedona and the Prescott were mentioned, along with the Verde Valley, Cottonwood, and Camp Verde. The largest single cohort (21.7%) of respondents intended to move to Maricopa County, followed by Pima County (8.3%), Mohave County (1.2%), and other Arizona counties (4.9%). The Pacific Northwest (Oregon/Washington/California) was seen as the most desirable location by 11.9% of these respondents, and was followed by Colorado/Utah/New Mexico (5.2%) and other US states (8.3%).

10. Do you have any final comments about housing in Flagstaff?

Finally, respondents were asked if they had any final comments about housing in Flagstaff. There were 1,855 comments of various lengths about the topic of housing in Flagstaff. The open ended responses were categorized into broad themes to provide clarity and then summarized. Consistent with earlier responses, a majority of respondents (81.3%) said that the Flagstaff cost of living relative to income is too expensive.

Appendix A – Survey

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Employee Housing Survey

We are participating with the Economic Collaborative of Northern Arizona (ECONA), the WA Franke College of Business (FCB) and other major employers in the region to obtain data and a better understanding of our employees' attitudes, current status, and future plans regarding housing in the region, including Flagstaff and the surrounding region. *The FCB will compile the responses. The surveys are completely confidential and individual responders will never be identified.*

We appreciate your participation in this survey.

1. What is your home zip code? ☐☐☐☐☐

Please tell us about yourself

2a. How old are you?

- O 18 - 30 years old
- O 31 - 45 years
- O 46 - 60 years
- O 61+ years

2b. What is your monthly household net (take-home pay) income form all sources?

- O $1,000 - $2,000
- O $2,001 - $3,500
- O $3,5001 - $5,000
- O $5,001 - $6,500
- O $6,501 - $8,000
- O $8,001 - $9,500
- O $9,501 - $10,000
- O $10,001 - $12,000
- O $12,001+

2c. Besides yourself, how many other people live in your household?

	Family Members	Roommates
1 person	O	O
2 persons	O	O
3 persons	O	O
4 persons	O	O
5 persons	O	O
6 or more persons	O	O

2d. How long have you worked with your current employer in Flagstaff?

- O Less than 6 months
- O 6 months to 2 years
- O 2 - 5 years
- O 6 - 10 years
- O 10+ years

2e. Are you a full-time or part-time employee?

- O Part-time
- O Full-time

2f. How many minutes does it take you to travel to work each day? ☐☐☐ minutes

2g. How do you travel to work?

- O Personal vehicle
- O Car pool
- O Bus
- O Bicycle
- O Walk
- O Other (please specify) ☐

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2h. How long have you lived in Flagstaff?
- O Less than 2 years
- O 2 - 5 years
- O 6 - 10 years
- O 10+ years
- O I don't live in Flagstaff

Please tell us about your housing situation

3a. Do you currently own or rent?
- O Own
- O Rent ***(skip to Q# 3d)***
- O Live with family ***(skip to Q# 4a)***

3b. How many years have you owned the home that you live in now? [ ][ ]

3c. What is your monthly mortgage payment (including taxes and insurance)? $ [ ][ ][ ][ ][ ]
(skip to Q# 4a)

3d. If you rent, what do you rent?
- O House
- O Condo
- O Apartment
- O Mobile Home
- O Room in a house/apartment

3e. What is your monthly rent payment? $ [ ][ ][ ][ ][ ]

3f. Does your rent include any utilities?
- O No
- O Yes, if yes what utilities are included? [ ]

3g. How long have you lived in your current residence? [ ][ ] years

Please tell us about your future housing plans

4a. If you are planning to change residence, indicate when:
- O 1 year
- O 2 years
- O 3 years
- O 4+ years
- O I am not leaving ***(skip to Q#5)***

4b. If you are planning to move to a new residence, do you plan to rent or own?
- O Own
- O Rent

4c. If you plan to move residence in the next few years, what is the price range that is affordable for your family to either rent or own?

Monthly rent $ [ ][ ][ ][ ][ ]

Monthly mortgage $ [ ][ ][ ][ ][ ]

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4d. What size residence will you be looking for?
- O Less than 3 bedrooms
- O 3 - 4 bedrooms
- O 5+ bedrooms

4e. If you are planning to move to change residence in the future, please tell us why?

4f. What is the maximum acceptable commute time to work from your new residence? ☐☐☐ minutes

Please tell us your perceptions of housing in Flagstaff

5. Please tell us how important these housing issues are to you?

	Not at all Important	Slightly Important	Moderately Important	Very Important	Extremely Important
The importance of owning my own house	O	O	O	O	O
The afford ability of housing ownership in Flagstaff	O	O	O	O	O
The afford ability of rental housing in Flagstaff	O	O	O	O	O

6. What, if any, do you see as barriers to home ownership in the future? (check all that apply)

- Personal reasons O
- Down payment O
- Average home price O
- Qualifying for a mortgage O
- Other (please explain)

7a. Is affordable housing a concern for you personally?
- O Yes
- O No ***(skip to Q#8a)***

7b. How much of a concern is affordable housing?

	Not a concern	Somewhat less of a concern	Neither	Somewhat of a concern	A great concern
What is your level of concern?	O	O	O	O	O

7c. What would help most to address this concern?

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8a. Are you contemplating leaving Flagstaff because of concerns about affordable housing?
O Yes
O No *(skip to Q#9a)*

8b. If yes, what is the likelihood you would leave Flagstaff?

	Not at all likely	Somewhat less likely	Neither	Somewhat more likely	Extremely likely
Your likelihood of leaving Flagstaff?	O	O	O	O	O

9a. Are you likely to relocate in the next few years?
O Yes
O No *(skip to Q#10)*

9b. If yes, when do you plan to relocate?
O 1 year
O 2 years
O 3 years
O 4 years
O 5 years

9c. If you plan to relocate, to what city and state do you hope to move?

10. Do you have any final comments about housing in Flagstaff?

Thank you for completing this survey

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Appendix B – Tables

ECoNA Employee Housing Survey 2016
Organizations participating in the survey?

	Count	Column N %
City of Flagstaff	261	4.4%
Coconinio Community College	121	2.1%
Coconino County	1451	24.6%
Flagstaff Medical Center	581	9.8%
Flagstaff Unified School District	362	6.1%
Guidance Center	105	1.8%
Little America	19	0.3%
Navajo Nation Gaming Enterprises	110	1.9%
Nestle Purina	248	4.2%
North Country Healthcare	105	1.8%
Northern Arizona University	1411	23.9%
SCA Tissue	81	1.4%
WL Gore	1045	17.7%
Total	5900	100.0%

Overall response rate 46.8 percent

Flagstaff FMPO

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	FMPO Region	5422	100.0	100.0	100.0

Survey Questions: ECoNA Employee Housing Survey 2016

2a. How old are you?

	Count	Percent (%)
18 - 30 years old	1006	18.6%
31 - 45 years old	2117	39.1%
46 - 60 years old	1842	34.0%
61+ years old	452	8.3%
Total	5417	100.0%

Average age from mid-points 40.5 years

2b. What is your monthly household net income from all sources?

	Count	Percent (%)
$1,000 - $2,000	564	10.5%
$2,001 - $3,500	1391	25.9%
$3,501 - $5,000	1303	24.2%
$5,001 - $6,500	773	14.4%
$6,501 - $8,000	423	7.9%
$8,001 - $9,500	244	4.5%
$9,501 - $10,000	98	1.8%
$10,001 - $12,000	137	2.5%
$12,001+	447	8.3%
Total	5380	100.0%

Average monthly income from mid-points $5,145

Average annual income from mid-points $61,750

Median annual income from mid-points $51,000

Average annualized income from mid-points

	Count	Percent (%)
$18,000	564	10.5%
$33,000	1391	25.9%
$51,000	1303	24.2%
$69,000	773	14.4%
$87,000	423	7.9%
$105,000	244	4.5%
$117,000	98	1.8%
$132,000	137	2.5%
$144,010	447	8.3%
Total	5380	100.0%

Average monthly income from mid-points $5,145

Average annual income from mid-points $61,750

Median annual income from mid-points $51,000

2d. How long have you worked for your current employer in the Flagstaff region?

	Count	Percent (%)
Less than 6 months	373	6.9%
6 months - 2 years	823	15.2%
2 - 5 years	1455	26.9%
6 - 10 years	982	18.1%
10+ years	1779	32.9%
Total	5412	100.0%

Average length of employment from mid-points 6 years

2e. Are you a full time or part time employee?

	Count	Percent (%)
Part-time	315	5.8%
Full-time	5086	94.2%
Total	5401	100.0%

2f. How many minutes does it take you to travel to work?

	Count	Column N %
5 minutes or less	479	9.2%
5 - 10 minutes	1308	25.1%
11 - 15 minutes	1611	30.9%
16 - 20 minutes	1007	19.3%
21 - 25 minutes	368	7.1%
26 - 30 minutes	288	5.5%
31 or more minutes	148	2.8%
Total	5209	100.0%

Mean = 15.8 minutes

Median = 15.0 minutes

2g. How do you travel to work?

	Count	Column N %
Personal vehicle	5141	88.3%
Bicycle	190	3.3%
Other (please specify)	167	2.9%
Walk	147	2.5%
Car pool	112	1.9%
Bus	66	1.1%
Total	5823	100.0%

Other ways you travel to work?

	Frequency	Percent	Valid Percent	Cumulative Percent
Bike	3	.1	2.0	2.0
Bike, Bus	1	.0	.7	2.7
Bike, Drive	10	.2	6.7	9.3
Bike, Drive, Bus	10	.2	6.7	16.0
Bike, Drive, Walk	1	.0	.7	16.7
Bike, Morotcycle	1	.0	.7	17.3
Bus	4	.1	2.7	20.0
Carpool	3	.1	2.0	22.0
Carpool,	1	.0	.7	22.7
Carpool, Bike	1	.0	.7	23.3
Carpool, Bus	3	.1	2.0	25.3
Drive	2	.0	1.3	26.7
Drive, Bike	8	.1	5.3	32.0
Drive, Bike, Bus	10	.2	6.7	38.7
Drive, Bike, Walk	10	.2	6.7	45.3
Drive, Bus	11	.2	7.3	52.7
Drive, Motorbike	2	.0	1.3	54.0
Drive, Walk	9	.2	6.0	60.0
Motorcycle	1	.0	.7	60.7
Rainbow unicorn on a unicycle	1	.0	.7	61.3
Rental car	1	.0	.7	62.0
Telecommute	2	.0	1.3	63.3
Vanpool	1	.0	.7	64.0
Walk	2	.0	1.3	65.3
Walk, Bike	1	.0	.7	66.0
Walk, Bike, Drive	6	.1	4.0	70.0
Walk, Bus	1	.0	.7	70.7
Walk, Cab	1	.0	.7	71.3
Walk, Drive	10	.2	6.7	78.0
Work from home	7	.1	4.7	82.7
Work vehicle	25	.5	16.7	99.3
Work vehicle, Drive	1	.0	.7	100.0
Total	150	2.8	100.0	

2h. How long have you lived in Flagstaff?

	Count	Percent (%)
Less than 2 years	493	9.1%
2 - 5 years	894	16.5%
6 - 10 years	817	15.1%
10+ years	3202	59.2%
Total	5406	100.0%

Average length you have lived in Flagstaff = 7.8 years

3a. Do you own or rent?

	Count	Percent (%)
Own	3350	62.0%
Rent	1890	35.0%
Live with family	165	3.1%
Total	5405	100.0%

3b. How long have you lived in your current residence?

	Count	Column N %
Less than a year	196	5.9%
1 to 2 years	643	19.3%
2.1 to 5 years	651	19.5%
5.1 to 10 years	655	19.7%
10.1 to 15 years	554	16.6%
15.1 to 20 years	321	9.6%
20.1 to 25 years	160	4.8%
25+ years	150	4.5%
Total	3330	100.0%

Average length of ownership = 8.9 years

Median length of ownership = 7.0 years

	Mean	Median
3c. What is your monthly mortgage payment (including taxes and insurance)?	$1,541	$1,500

	Mean	Median	Minimum	Maximum
3c. What is your monthly mortgage payment (including taxes and insurance)?	$1,541	$1,500	$200	$7,333

3d. If you rent, what do you rent?

	Count	Percent (%)
House	711	37.4%
Condo	209	11.0%
Apartment	769	40.5%
Mobile home	119	6.3%
Room in a house/apartment	93	4.9%
Total	1901	100.0%

What is your monthly rent payment?

	Mean	Median	Minimum	Maximum
3e. What is your monthly rent payment?	$1,148	$1,175	$200	$3,100

3f. Does your rent include any utilities?

	Count	Percent (%)
No	1320	69.9%
Yes, if yes what utilities are included?	569	30.1%
Total	1889	100.0%

3g. How long have you lived in your current residence?

	Mean	Median
How long have you lived in your current residence?	3.4	2.0

3b. How long have you lived in your current residence?

	Count	Column N %
Less than a year	387	20.1%
1 to 2 years	650	33.8%
2.1 to 5 years	566	29.4%
5.1 to 10 years	216	11.2%
10.1 to 15 years	56	2.9%
15.1 to 20 years	32	1.7%
20.1 to 25 years	10	0.5%
25+ years	6	0.3%
Total	1923	100.0%

Average length of rental = 3.4 years

Median length of rental = 2.0 years

4a. If you are planning to change residence tell us when?

	Count	Percent (%)
1 year	1118	20.9%
2 years	702	13.1%
3 years	299	5.6%
4+ years	591	11.0%
I do not plan to move	2645	49.4%
Total	5355	100.0%

4b. If you are planning to move to a new residence, do you plan to rent or own?

	Count	Percent (%)
Own	1866	68.7%
Rent	852	31.3%
Total	2718	100.0%

4c. What is the affordable price range for your families monthly rent?

	Mean	Median	Minimum	Maximum
What is the price range for your monthly rent?	$998	$1,000	$350	$4,000

4c. What is the affordable price range for your families monthly mortgage?

	Mean	Median	Minimum	Maximum
What is the price range for your monthly mortgage?	$1,341	$1,212	$450	$4,970

4c. What is the affordable price range for your families monthly rent?

	Mean	Median	Minimum	Maximum
What is your monthly rent payment?	$1,165	$1,200	$220	$3,100
What is the price range for your monthly rent?	$998	$1,000	$300	$4,000

4c. What is your monthly mortgage payment (including taxes and insurance)?

	Mean	Median	Minimum	Maximum
What is your monthly mortgage payment (including taxes and insurance)?	$1,507	$1,400	$200	$4,950
What is the price range for your monthly mortgage?	$1,341	$1,212	$200	$4,970

4d. What size residence are you looking for?

	Count	Percent (%)
Less than 3 bedrooms	1107	41.1%
3 - 4 bedrooms	1530	56.8%
5+ bedrooms	55	2.0%
Total	2692	100.0%

4f. What is the maximum acceptable commute time to work from your new residence?

	Count	Column N %
5 minutes or less	25	1.0%
5 - 10 minutes	155	6.2%
11 - 15 minutes	510	20.3%
16 - 20 minutes	784	31.1%
21 - 25 minutes	162	6.4%
26 - 30 minutes	672	26.7%
31 or more minutes	210	8.3%

Mean = 23.0 minutes

Median = 20.0 minutes

	Mean	Median
4f. How many minutes does it take you to travel to work each day?	15.8	15.0
4f. What is the maximum acceptable commute time to work from your new residence?	23.65	20.00

5. Please tell us how important these housing issues are for you?

	Not at all important (1)	Slightly important (2)	Moderately important (3)	Very important (4)	Extremely important (5)	Mean
The importance of owning my own house	2.8%	4.3%	10.2%	27.6%	55.1%	4.3
The affordability of housing ownership in Flagstaff	1.6%	2.3%	7.6%	25.8%	62.7%	4.5
The affordability of rental housing in Flagstaff	8.2%	8.5%	16.9%	22.8%	43.7%	3.9

1 = Not at all important

3 = Moderately Important

5=Extremely Important

6. What, if any, do you see as barriers to home ownership in the future?

	Count	Column N %
Average home price	4303	86.4%
Down payment	2611	52.4%
Qualifying for a mortgage	1384	27.8%
Other barriers	815	16.4%
Personal reasons	577	11.6%

Does not sum to 100% because of multiple responses

7a. Is affordable housing a concern for you personally?

	Count	Percent (%)
Yes	4184	78.6%
No	1141	21.4%
Total	5325	100.0%

7b. How much of a concern is affordable housing to you?

	Not a concern (1)	Somewhat less of a concern (2)	Neither (3)	Somewhat of a concern (4)	A great concern (5)	Mean
How much of a concern is affordable housing?	0.0%	0.6%	0.9%	26.4%	72.0%	4.7

1 = Not a concern

3 = Neither

5= A great concern

8a. Are you contemplating leaving Flagstaff because of concerns about affordable housing?

	Count	Percent (%)
Yes	2398	45.4%
No	2885	54.6%
Total	5283	100.0%

		Do you currently own or rent?	
		Own	Rent
		Column N %	Column N %
8a. Are you contemplating leaving Flagstaff because of concerns about affordable housing?	Yes	32.0%	67.8%
	No	68.0%	32.2%

8b. If yes, what is the likelihood you would leave Flagstaff?

	Not at all likely (1)	Somewhat less likely (2)	Neither likely/Nor unlikely (3)	Somewhat more likely (4)	Extremely likely (5)	Mean
If yes, what is the likelihood you would leave Flagstaff?	1.1%	7.0%	14.9%	49.6%	27.4%	4.0

1 = Not at all likely

3 = Neither

5= Extremely likely

9a. Are you likely to relocate in the next few years?

	Count	Percent (%)
Yes	2293	43.6%
No	2971	56.4%
Total	5264	100.0%

9b. If yes, when do you plan to relocate?

	Count	Percent (%)
1 year	444	19.7%
2 years	668	29.6%
3 years	456	20.2%
4 years	276	12.2%
5 years	189	8.4%
5+ years	226	10.0%
Total	2259	100.0%

Average length of time before relocation = 3 years

9c. If you plan to relocate, to what city and state do you hope to move?

	Sub Totals	Frequency	Percent (%)
Maricopa County		71	21.7%
Pima County		27	8.3%
Coconino County			
Winslow	10		
Williams	7		
Parks/Bellemont	5	22	6.7%
Yavapai County			
Yavapai/Prescott/Sedona	19		
Verde Valley/Cottonwood/Camp Verde	18	37	11.3%
Hopi/Navajo Reservation		7	2.1%
Mohave County		4	1.2%
Other Arizona		16	4.9%
Pacific Northwest (Oregon/Washington/California)		39	11.9%
Colorado/Utah/New Mexico		17	5.2%
Other States		27	8.3%
Anywhere that is cheaper than Flagstaff		60	18.3%
Total		327	100.0%

APPENDIX II. INTERVIEW LIST

Shannon Anderson	Human Resources Director, City of Flagstaff
Art Babbott	Coconino County Commissioner
Celia Barotz	City Councilor, City of Flagstaff
Josh Copley	City Manager, City of Flagstaff
Justyna Costa	Housing Program Manager, City of Flagstaff
Walter Crutchfield	Developer, Timber Sky
Sarah Darr	Housing Director, City of Flagstaff
Coral Evans	Mayor, City of Flagstaff
Dan Folke	Planning Director, City of Flagstaff
Ron Haase	Vice President of Human Resource, Northern Arizona Health Care
Joanne Keene	Executive Vice President and Chief of Staff, Northern Arizona Uniersity
Devonna McLaughlin	CEO, Housing Solutions of Northern Arizona
Mike Naifeh	Developer, Juniper Point
Julie Patrick	President/CEO Flagstaff, Chamber of Commerce
Eva Putzova	City Councilor, City of Flagstaff
Fred Reese	General Manager, Little America Hotel
Janet Regner	Coconino County Communty Services
Cynthia Seelhammer	Coconino County Manager
Colleen Smith	President, Coconino Community College
Jami Van Ess	Executive Vice President, Coconino Community College
Diane Verkest	Vice President of Human Resources, Northern Arizona University

APPENDIX III. OVERVIEW OF EMPLOYER ASSISTANCE HOUSING PROGRAM

Types of EAH Assistance

EAH programs can include both rental and homeownership assistance, with rental generally being focused towards lower wage-earning employees or new hires, while homeownership programs typically target moderate-income households. The most successful models integrate assistance for a range of housing options from rental through homeownership. All programs should be paired with appropriate financial counseling and education to ensure that there is a viable pool of qualified buyers to take full advantage of program investments, and that expert assistance is provided throughout the home buying process.

Homeownership Programs

Counseling and Education. Virtually all employee housing programs include some level of homeownership counseling and education, whether they are rental or homeownership based. Some of the most minimal employee housing models simply provide this service to employees with no other direct cash assistance from the employer. This critical program component ensures that participating employees receive proper support for saving a down payment, repairing their credit, increasing overall financial literacy and to establish a basic level of understanding about the home buying process. By participating in a HUD-approved counseling and training program, participating employees also become eligible for other homebuyer assistance available through third party sources. Often employers may offer financial support to local housing counseling providers in exchange for special outreach to employee populations.

Financing Tools. Lowering direct costs for homebuyers is frequently the most effective way to address housing affordability. Assistance can be customized to meet the needs of the particular community, participating employers, and sources of third party funds. One of the most critical steps in designing an effective down payment or closing costs assistance is determining the level of subsidy and the mechanism for securing that assistance. Availability of third party sources often determines the amount of assistance an employer needs to provide. The primary options for this kind of assistance include federal HOME funds, Community Development Block Grant Funds and state or local down payment assistance programs, which often can be combined with foundation, or non-profit resources to increase the total assistance amount.

There are essentially two levels of assistance to consider when designing a program: meeting minimum down payment requirements and reducing the principle amount of the employee's mortgage, often targeting 20% contributions which eliminates mortgage insurance and greatly increases buying power. The amount of assistance is determined first by the size of contribution by the employer and the total number of employees targeted for participation in the program. While this presents the ultimate limiting factor for the scope of the program, there are multiple factors to consider when determining how much assistance is needed to be effective in a given market and also be a significant incentive to employees. Underwriting standards, housing market conditions, availability of third party subsidy, as well as the gap between the income level of participating employees and housing costs are all important aspects of assessment prior to program design.

- **Down Payment and Closing Costs Assistance.** One of the challenges facing potential homeowners are stringent underwriting standards used for mortgage qualification, resulting in requirements for larger down payments and increasing closing costs associated with mandatory mortgage insurance requirements. Providing cash assistance to homebuyers is the most effective way to overcome this primary barrier to home purchase and remains the most common form of employer housing assistance. Likewise, this type of direct cash assistance is a very attractive option to employees, incentivizing them towards homeownership while also serving as a compelling component of a larger benefit package, which can aid recruitment efforts. In many cases, employer contributions can also be combined with other sources of assistance to maximize the investment from the employer and the benefit to the employee.

  In markets where the cost of housing is commensurate with average wages, assisting with the minimum down payment or closing costs, or portion thereof, can be an effective tool to assist potential homeowners. This model is desirable because it represents a relatively small investment on the part of the employer and also requires cash investment on the part of program participants. This is likely only an option for people at the higher end of the workforce income spectrum in Flagstaff, those earning between 100-120% AMI. Having some portion of the down payment and closing costs required from the purchaser has been statistically shown to increase the sustainability of homeownership with far fewer foreclosures than in home purchases where the buyer has made no up-front investment in the purchase. Likewise, many mortgage products now require that the buyer provide a portion of the down payment and closing costs, even if there is sufficient third-party assistance to cover the entire required down payment and closing costs.

- **Principle Reduction.** In high cost markets where there is a large gap between wages and housing costs, an employer may elect to contribute a sum greater than the minimum down payment with the goal of reducing the principle amount of the loan, making housing that is otherwise too expensive, attainable. These higher levels of assistance are often secured by some form of financial instrument and require either monthly payments or eventual payback at the time of sale or refinance. In scenarios where this higher level of assistance is contemplated, it is advisable to target the assistance level to reach a minimum 20% down payment, which eliminates the need for Private Mortgage Insurance (PMI) and significantly decreases monthly payment amount while increasing buying power.

Financial Structures for Assistance

Grants. The simplest way to structure assistance is through a one-time payment to qualified employees at the time of purchase with no ongoing financial instrument securing that contribution. This model is most often used when the contribution from the employer is of a modest size that isn't significant enough to justify ongoing administrative burdens associated with securing the assistance through financial mechanisms. This is also attractive to employees in that the benefit is "no strings attached".

Deferred Payment Mortgages. In situations where there are higher levels of subsidy, there are a number of ways to secure the contribution for future recapture and leverage employee retention. Often these higher levels of assistance are secured with a financial instrument such as a lien, which can be formatted in several different ways to meet specific program goals. The simplest mechanism is a soft second mortgage. These mortgages require no monthly payments and occupy a subordinate lien position behind the first mortgage, only requiring payback at time of sale or cash out refinance of the home. This allows for the recapture of funds for a new homebuyer and the steady accumulation of program assets over time.

One option to consider in this scenario is whether to structure the mortgage as perpetual, meaning it is there until the home is sold, or forgivable, meaning the amount owed on the second mortgage would be released at the end of a set term or decrease incrementally on an annual basis until the loan is released. Forgivable loans are an approach that is particularly attractive for employees and can also aid the employer in employee retention efforts by combining loan forgiveness with employment term. Overall, soft second mortgages, both perpetual and forgivable, require relatively little administration, usually only at the time of mortgage subordinations and payoffs.

Low Interest Loans. The primary objective for a loan program is to help a prospective homebuyer assemble a 20% down payment in order to eliminate PMI, thus increasing borrowing capacity or lowering monthly payments. This approach is most compatible with higher income buyers who may not have a down payment saved, or who may have average credit. The major challenge of this type of program is the collection and tracking of monthly payment, which represents a significant administrative burden that is often beyond the capacity of both employers. That is why this type of program is best administered by a strong CDFI or local bank partner.

Individual Development Accounts. Individual Development Accounts (IDA) are assisted savings programs typically targeted for home purchase, educational expenses and business investments. IDA's can be formatted specifically as down payment savings accounts and represent a relatively common model for assisting low and moderate-income homebuyers. In this model, an employee makes a regular contribution to a savings plan, which is matched by the employer (and potentially public sources) either incrementally or at the end of a term. These programs are often combined with financial literacy counseling and education to ensure that the buyer is mortgage ready when their contributions come to maturity. IDA's can be particularly attractive when combined with other sources of funds available from public entities, which can greatly leverage employer investments two or even three times over.

Loan Guarantee. In some models, employers elect to provide a mortgage guarantee for the employee, eliminating the risk for the lender. Additionally, this guarantee would also eliminate the need for the buyer to carry private mortgage insurance, lowering the monthly mortgage payment significantly. Eliminating risk for the lender also may lead to more flexible underwriting for the prospective buyer as well.

Direct Mortgage Provision. Very large employers may also directly provide mortgages for employees electing to create their own underwriting guidelines. This allows the employer to create underwriting standards and interest rates that offer more extensive benefits than mortgages generally available in the open market.

Rental Assistance Programs

Rental assistance programs are particularly important for assisting lower income employees for whom homeownership may not be an immediate and/or realistic option. This type of assistance can be structured as an ongoing stipend, one-time payment tied to relocation or even the provision of housing through master leases or employer developed rental housing.

Stipend Model. This type of program can be formatted in multiple ways to serve the specific needs of employees as well as the capacity of the employer. A common structure is to provide a one-time payment to cover some of the costs of relocating closer to the place of employment. This type of assistance may pay for a security deposit, one month's rent, moving expenses or a combination of the three. As a one-time investment, this is a particularly attractive model for employers and is relatively low cost, requires little administrative capacity and provides ongoing benefits to the employer.

In higher cost areas or when assisting lower wage employees, it may be necessary to create an ongoing rental subsidy that can be formatted as a monthly stipend to help offset the costs of high rent. This assistance is designed to eliminate the gaps between market rent and the housing budget of employees. The negative aspect of this program is that it creates an ongoing financial responsibility for the employer as well as an increased administrative burden over a one-time payment model. When using this model, employers often elect to include both time limits for program participation as well as requiring homebuyer training and education that prepares renters for eventual homeownership.

Employer Provided Rentals. Employers may also elect to create employee rental programs through the direct provision of rental housing. This may include the construction, purchase, or master lease of rental units. This type of program takes significant amounts of resources and requires considerable administrative oversight, but if structured correctly reduces the ongoing need for cash outlay by the employer significantly.

Supply Side Assistance

Supply side assistance generally refers to support from employers for the development of housing. Like direct consumer assistance, there are multiple types of assistance that can be tailored to the capacity of the employer and the specific needs of their employees. These models typically require partnership with a development entity or nonprofit housing provider. There are several ways to structure this type of partnership.

Direct Cash or Land Contributions. One of the most straightforward forms of employer assistance, this model includes the direct provision of developable land or capital for housing development. This assistance is coupled with agreements that detail predetermined levels of affordability and secures a minimum number of units for employees.

Gap Financing. With this form of development assistance, the employer provides credit or capital for the gap between the developers existing equity, capital and borrowing capacity to assist with the realization of a development project. In exchange, the developer agrees to provide housing at a certain price point and include a specific number of units for the employer.

Leveraging Credit. In this model, similar to an individual mortgage loan guarantee, the employer uses its financial resources to guarantee the construction financing for a developer or directly provide construction financing to a developer in exchange for affordable employee housing. This is particularly important as construction lenders are under considerably more strict underwriting standards that typically now require a pre-sold unit and minimum 20% equity in the project to fund.

Purchase Guarantees. This type of developer agreement is a commitment to purchase a certain number of units in a development. This would be carried out by an employer executing an agreement for a certain number of homes at a specified price point. The homes would then be made available for employee purchase. Through the agreement, the employer assumes the risk if there is no employee available to purchase the home. This will allow for the developer to more easily acquire construction financing as having a home presold is an increasingly common requirement for construction financing underwriting.