

Executive Summary - Balanced Housing Plan

This Balanced Housing Plan (“Plan”) is intended to provide Mesa (“City”) information and tools to guide current and future policy decisions, develop strategies and implement recommendations for housing. The City’s guiding principle in the 2050 General Plan, **“Our housing is attainable for all,”** recognizes that housing needs are shaped by a household’s financial and lifestyle needs, as well as influenced by access to jobs, education, and amenities. Therefore, this Plan sets forth the need for the City to comprehensively address housing policy from a balanced approach of increasing wages to boost affordability and creating a conducive environment for housing supply for all residents.

The Plan Making Approach

Stakeholder Input

The Plan uses both primary and secondary data sources to analyze the City’s housing needs and supply, as well as develop recommendations. The major primary sources of information were gathered through various public participation processes. As part of the 2050 General Plan public participation process, staff obtained various comments and recommendations from residents and stakeholders on housing needs and supply. Also, staff held meetings with realtors and nonprofit housing groups to discuss challenges and opportunities for housing provisions in the City. Major themes that emerged from the meetings include the City continuing to find opportunities to increase “missing middle housing” such as townhomes, duplexes, and accessory dwelling units (ADUs), which seems affordable based on the City’s workforce and median income wages. The groups also identified rising housing costs, high interest rates, wages not keeping pace with housing costs, and rising construction costs as major issues for meeting housing needs of residents. The group recommended the City continue exploring more opportunities, such as encouraging ADUs, easing permit entitlement and regulatory processes, expanding housing assistance programs, and working with affordable housing developers to help increase housing supply for those making less than 50 percent of the City’s area median income (AMI). Staff also discussed the Plan’s efforts with the City’s Housing and Community Advisory Board and the Planning and Zoning Board who provided valuable feedback and a wealth of knowledge and experience on the housing needs for the City.

Secondary Data (Needs Assessment)

Several major sources, including the US Census and Arizona State Demographer’s Office were used to gather secondary data, such as population and household growth, median income of residents, and projected housing needs and gaps. From the US Census, the City has historically grown by approximately 2,000 housing units per year and similar growth is projected over the next five years. The City also has a diverse population with a rich mix of ethnicities, educational levels, and incomes, thereby creating demand for a diversity of housing types. Nearly 65 percent of households live in single-family units, 10 percent in mobile homes, and 25 percent in multi-family units, illustrating the varied housing landscape of the City.

According to Zillow, the typical home value in the City increased 58.9 percent from \$263,813 in January 2019 to \$419,138 in January 2022.¹ Rents increased from an average of \$1,093 per month in January 2019 to an average of \$1,597 in 2022.² This represents an increase of 46.1 percent over the three-year period. Over the same period, average earnings for full-time, year-round workers rose from \$56,702 in 2019 to

¹ Zillow Home Value Index- Mesa

² Zillow Observed Rent Index- Mesa

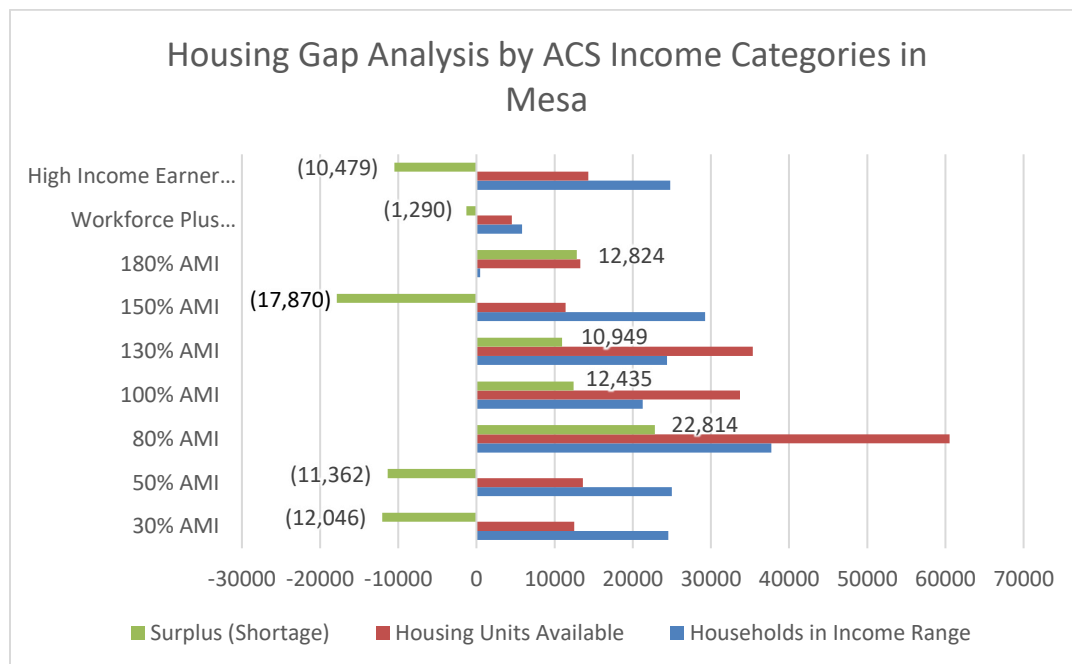
\$68,865 in 2022, an increase of 21.5 percent.³ This information clearly shows that wages have not kept up with housing costs. High interest rates and rising construction costs further compound the issue.

The median household income in the City, as of 2023, is \$73,766, which is lower than the national median income (\$75,149) and Maricopa County’s median income (\$80,675). This means that affordable thresholds in the City are somewhat lower than in surrounding areas. Based on the Department of Housing and Urban Development’s affordability standard of households not spending more than 30 percent of income on housing and utilities, a household making the median income in the City is able to afford \$1,855 rent or mortgage payment per month.

The US Census data shows a large number of residents commute outside the City limits for employment. Approximately 166,000 residents leave the City daily for employment, while 116,380 commute into the City. Only 55,385 live and work in the City. These commute trends add additional costs and thereby impact housing affordability. According to the US Census 2018–2022 American Community Survey (ACS) 5-Year Estimates, the City has a lower number of jobs per capita compared with other regional cities. Currently, the City has 0.41 jobs per capita compared to 0.54 in Gilbert and 0.56 in Chandler. Overall, the jobs per capita ratio in Maricopa County is 0.53.

Housing Gap Analysis

Based on analysis of the City’s population and projected growth, coupled with housing supply, the City has inadequate affordable housing units and a choice of housing products for lower income households (i.e. households making 50 percent of AMI or less) and higher income households (i.e. those making 150 percent of AMI, 200 percent or more). However, the City has a robust supply of housing for middle-income households (i.e. those households making 80 to 130 percent of AMI). This housing gap analysis is based on HUD affordability thresholds as described previously.



³ US Census Bureau ACS 5 Year Estimates, 2019 – 2022, Table S2001

Policies and Recommendations and Strategies

Five main areas of policy recommendations were identified in the Plan. These are: (1) Evaluate development standards and requirements to ease entitlement and housing plan approval processes; (2) Expand successful, existing housing assistance programs; (3) Continue support for the homeless; and (4) Attract higher-wage employment to improve housing affordability; (5) Explore Opportunities to Encourage Homeownership. The summary of each of the identified recommendations are found below and expanded in the Plan:

1) Evaluate Development Standards and Requirements:

- Review current parking standards to ensure appropriate and suited standards used for various housing types
- Encourage use of form-based codes in appropriate areas
- Encourage mixed-use developments
- Review and reduce setback standards to make infill more feasible
- Reduce or waive fees for affordable housing development
- Increase administrative approval processes to reduce review timeframes
- Review zoning districts to allow:
 - Diversification of permissible housing types
 - Middle housing types
- Promote the use of ADUs

2) Expand Successful, Existing Programs

- Consider expansion of or revisions to the City's existing voucher programs where allowed by HUD
- Consider expansion of or revisions to the City's existing down payment assistance programs when market conditions and HUD program requirements allow
- Support programs to rehabilitate older neighborhoods
- Provide supportive programs for the aging and elderly

3) Care for the Homeless

- Continue to support Mesa's Housing Path
- Continue to support and grow workforce development programs
- Facilitate co-location of essential services to support housing

4) Attract Higher-Wage Employment Opportunities to Improve Affordability

- Attract, retain, and grow employment opportunities for high-wage earners
- Continue to support current workforce development programs
- Encourage development of higher-priced homes and more middle housing types to minimize migration of residents to other cities
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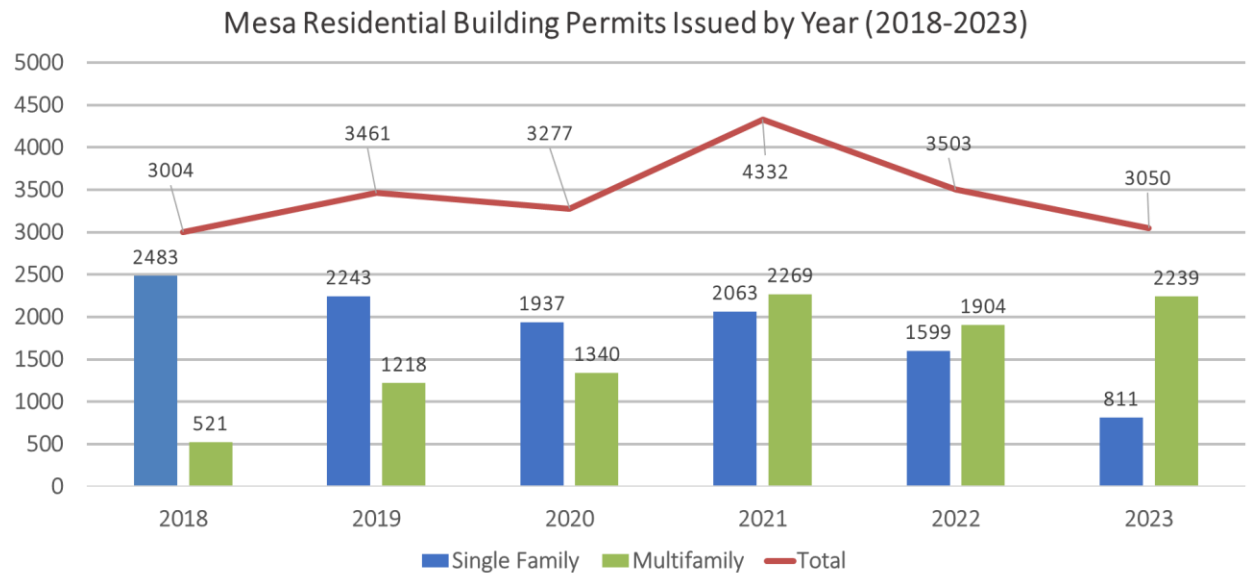
5) Explore Opportunities to Encourage Homeownership

- Facilitate a planning or land division process that support the division of lots for ownership
- Explore opportunities to provide no cost pre-approved single-family home designs, including middle-housing.

Tracking Housing Needs and Performance

Based on the projected housing needs, the City will benefit from a Plan that accommodates the addition of 2,000 new housing units per year. Currently, the City has been issuing, on average, 3,000 new building permits per year. See figure below:

Figure 1. Mesa Building Permits Issued by Year



Source: Home Builder’s Association of Central Arizona, 2023; City of Mesa, 2024

Figure 2. Housing Needs Table (this table shows overall yearly cumulative housing needs for the next seven years)

Year	Population	Households	Annual Citywide Single Residence Housing Need	Annual Citywide Multiple Residence Housing Need	Total Housing Need
2024	525,936	193,316	1,359	806	203,623
2025	528,888	195,416	1,359	806	205,788
2026	531,857	197,516	1,359	806	207,953
2027	534,842	199,616	1,359	806	210,118
2028	537,845	201,716	1,359	806	212,282
2029	540,864	203,816	1,359	806	214,448
2030	543,900	205,916	1,359	806	216,612

- Yearly estimated housing need=2165
- Average housing supply/permit issued=3000

Summary

Overall, there has been a significant increase in housing prices. Incomes in the City have not kept pace with rising housing costs. However, the City has continued to maintain a significant housing supply for

households making 80 percent to 130 percent of AMI. There is a significant housing shortage for residents making below 50 percent AMI and those above 150 percent AMI. The City also has limited “missing middle housing.” From discussions with the development community and findings on the current cost of housing, it is imperative the City continue to find opportunities to increase its housing supply for residents making below 50 percent of AMI such as through working with nonprofit groups or expanding housing assistance programs. It is also critical for the City to find opportunities to facilitate development of housing for residents making above 150 percent of AMI, and 200 percent of AMI or more to help minimize migration of this segment of the City’s population out of the City to other surrounding cities, as has historically been identified. Retaining residents within the high-income category is essential for the City’s economic development efforts and attracting some of the missing retail and restaurants desired by residents.