

My Neighborhood...



Housing Element

OUR COMMUNITIES AND NEIGHBORHOODS

Housing Element

Introduction

The Housing Element provides for the improvement of housing quality, variety, and affordability. It also is designed to provide for the housing needs of all segments of the community regardless of race, color, creed, or economic level. The Housing Element complements the residential component of the Land Use Element by addressing these important community needs. This element also strives to improve and preserve older neighborhoods, and reduce substandard environmental conditions.

Current Situation

Housing Inventory

Chandler has predominantly developed as a suburban, single family residential community over the past three decades. According to the 2000 Census, the City's housing stock consists of 66,592 units. Detailed data on the composition of the housing stock is not currently available from the 2000 Census. However, it is estimated that over 70% of the 2000 housing inventory are single family homes and 19% are apartment units. About 6% of the remaining units are townhomes and condominiums and less than 3% are mobile homes.

Jurisdiction	Single Family	Townhomes/ Condominiums	Multi-Family	Mobile Homes	Total
Chandler	48,033	4,167	12,854	1,538	66,592
% of Total Units	72.1%	6.3%	19.3%	2.3%	100.0%

Note: Includes building ;permits through the 4th Quarter of 2000
Sources: 1995 Maricopa County Special Census, 2000 U.S. Census, Phoenix Metro Housing Study, ASU

Single family homes are financially feasible for many households. The median price of single family homes in east valley has increased, on average, about 5% per year over the past decade, reaching \$147,200 in 2000. Prices have risen for a variety of reasons, including market demand, the increasing cost of land and the rising cost of materials.

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New single family housing in Chandler had a median price of \$172,200 in 2000, 6% higher than the median price of major East Valley cities. However, the median price of resale single family units in Chandler is \$136,600, which is nearly 6% below that of most neighboring cities. The large difference between new and resale housing in Chandler is reflective of some of the older housing stock in some portions of the City. Overall, the median price for all units in Chandler – new and resale – is \$146,500 which is just slightly less than the \$147,200 median for other East Valley cities.

City/Town	New	Resale	All Units
Chandler	\$172,200	\$136,600	\$146,500
Gilbert	\$166,260	\$147,900	\$156,000
Mesa	\$140,950	\$119,900	\$128,000
Scottsdale	\$362,280	\$250,000	\$275,000
Tempe	\$261,440	\$141,000	\$146,700
Median for East Valley Cities	\$162,400	\$144,400	\$147,200

Source: Arizona Real Estate Center, ASU.

In the last five years, the median sale price of both new and resale housing in Chandler increased by 36% from approximately \$108,000 to \$146,500. This represents an annual compounded rate of increase of 6.3%.

Year	New	Resale	All Units
1995	\$121,700	\$99,800	\$108,000
1996	\$126,800	\$107,400	\$114,500
1997	\$139,200	\$111,500	\$120,300
1998	\$153,000	\$119,800	\$129,600
1999	\$168,000	\$128,300	\$142,500
2000	\$172,200	\$136,600	\$146,500

Source: Maricopa County Assessor; First American Real Estate Solutions, Marketron; Elliott D. Pollack & Co.

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In addition to the single family housing market, other housing opportunities are available in the City. Chandler has a significant inventory of condominium units. In 1998 and 1999, 566 and 409 condo sales respectively were recorded in the City. The median price of a condo unit in 2000 was \$89,100.

Sale Date	Number of Sales	Average Size (sf)	Median Sale Price
1995	624	1,319	\$66,900
1996	332	1,086	\$68,400
1997	390	1,125	\$81,500
1998	566	1,137	\$89,000
1999	409	1,130	\$88,900
2000	250	1,162	\$89,100

Source: Maricopa County Assessor; First American Real Estate Solutions; Elliott D. Pollack & Co.

At the end of 2000, the median apartment rent in Chandler was \$780 per month, about 9% higher than the median for East Valley cities. Older apartment complexes have significantly lower rents than newer ones. The median rent for those units built in Chandler before 1995 is \$680 per month, about 25% lower than the median rent of units built after 1995.

City	Built Before 1995	Built Since 1995	All Units
Chandler	\$680	\$850	\$780
Gilbert	\$590	\$840	\$690
Mesa	\$590	\$770	\$620
Scottsdale	\$750	\$910	\$800
Tempe	\$640	\$900	\$660
Median for East Valley Cities	\$668	\$867	\$707

Note: Rents are for complexes with more than 50 units.

Source: RealData, Inc.; Elliot D. Pollack & Company

Overall, Chandler has a diversified housing stock that appears to provide opportunities for most income segments of the population. Its rate of homeownership is high. The price of resale homes is consistent with County-wide trends. Some parts of the City offer single family housing that is in reach of many moderate-income families. Townhouse and condominium units, which are priced very reasonably in Chandler, provide additional opportunities for moderate-income households to enter the ownership market.

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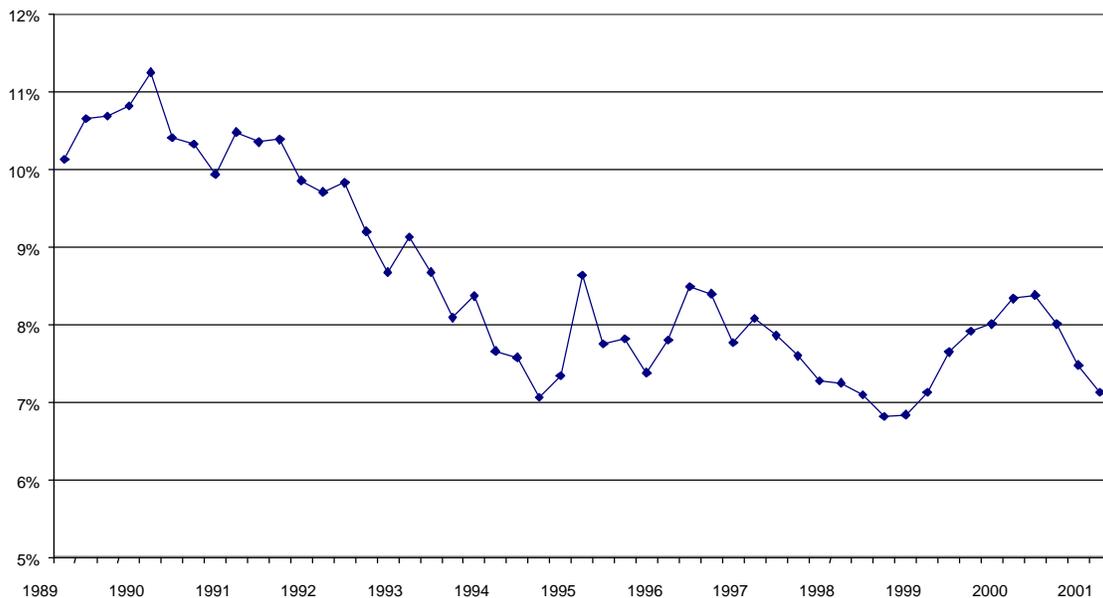
Affordability

The most common method of determining housing affordability is to compare the income required to support the monthly mortgage cost of the median priced single family house to the median income of City or metro area residents. This relationship, known as an affordability index, is expressed as a percentage. An index of 100 indicates that a median income household is able to qualify for a median priced home under certain assumptions. An index of 90, for example, suggests that the typical household earns 90 percent of the median income to afford the typical single family home.

The two most important variables that affect affordability are the current interest rate for home loans and the down payment. Higher interest rates reduce the affordability of housing. Higher down payments by homebuyers increase affordability by reducing the amount of the mortgage. A number of affordability indices were researched for this analysis. Authors of the indices include ASU, the National Association of Homebuilders, the State of Arizona, and private research organizations. Down payment assumptions for these indices ranged from 5% to 20%. For this analysis, a mid-range figure of 10% was used.

Moderate home loan interest rates in the last five years have assisted in creating a boom in housing construction, not only in Phoenix, but also across the County. Rates reached below 7% in late 1998 and early 1999, only to rise above 8% during 2000. Rates have since declined to 7.1% in June 2001, see Table 8 below.

Table 8
Effective 30 Year Fixed Mortgage Interest Rates
Source: Freddie Mac



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A home loan interest rate of 8.15% was assumed for the Chandler affordability index. This interest rate represents the annual average during 2000 according to Federal National Mortgage Corporation. Other monthly housing costs that are added to the loan payment include property taxes, home insurance and mortgage insurance.

Given the above criteria, the monthly housing payment required to support the median priced new and resale home in Chandler in 2000 was converted to an annual income and then compared to the median household income for Chandler (see Table 9). Since median income data is not available from the 2000 Census as of the date of preparation of this element, data was obtained from a national demographics firm, CACI, Inc. The affordability index, as outlined in this element, will change depending on the final income figures from the Census. Based on research by this firm, the CACI income estimates appear conservative.

The median priced new home in Chandler with a value of \$172,200 would require a \$1,429 per month housing payment at 10% down. The annual income needed to support such a home is approximately \$57,200. The income required to support the median priced \$136,600 resale home is \$45,300. Comparing these two incomes to the median household income for Chandler of \$52,100 produces an affordability index of 91 for new homes and 115 for resale homes.

Table 9 also illustrates the impact of interest rates on affordability. When the average interest rate for June 2001 of 7.10% is applied to the home values for Chandler, the affordability index increases significantly. The index for newly constructed homes reaches nearly 100 while the resale index increases to 125. The monthly housing payment for both new and resale homes declines by approximately \$100 per month due to the decline in the interest rate.

	2000 Average Interest Rate		Interest Rate as of June 2001	
	New Home	Resale Home	New Home	Resale Home
Median house price	\$172,200	\$136,600	\$172,200	\$136,600
Down payment (10%)	\$17,220	\$13,660	\$17,220	\$13,660
Interest rate	8.15%	8.15%	7.10%	7.10%
Loan amount	\$154,980	\$122,940	\$154,980	\$122,940
Monthly loan payment	\$1,153	\$915	\$1,042	\$826
Taxes, insurance, mortgage insurance	\$276	\$219	\$274	\$217
Total monthly housing payment	\$1,429	\$1,134	\$1,315	\$1,043
Annual required income	\$57,161	\$45,344	\$52,618	\$41,740
Chandler – median household income	\$52,100	\$52,100	\$52,100	\$52,100
Affordability index	91	115	99	125

Source: Elliot D. Pollack & Co.; Arizona Real Estate Center, ASU, CACI

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Interpretation of Housing Affordability Measurement

While the above affordability methodology is used across the country to compare single family housing prices with household incomes, it does not provide a complete picture of the residential real estate market. The median house price represents the midpoint of all the sales in the community. Therefore, half of the sales are below the median and will provide lower priced housing for moderate-income households. Also, the affordability measurement concentrates on the single family housing market. There are other types of housing in Chandler that provide opportunities for homeownership.

To illustrate, the median priced single family house in North Chandler in 2000 was \$123,500, well below the \$146,500 Citywide median price. Housing prices actually ranged from a low of \$60,000 to a high of over \$300,000. With more than 1,300 sales in North Chandler in 2000, this means that more than 600 units were priced below \$120,000. Clearly, this represents significant opportunities for moderate-income families to obtain a home.

Likewise, condominium and townhome sales in 2000 in Chandler had a median price of \$89,000. Units ranged in price from \$30,000 to \$200,000. With a 5% down payment of \$4,450, the monthly loan payment on an \$89,000 unit at today's 7.10% interest rate is \$712, allowing a person with a \$29,000 income to qualify for homeownership.

The conventional housing affordability indices are only one part of the story and must be interpreted with some caution. More detailed analysis, as provided later in this element, will focus on the actual difference between the supply and demand of affordable housing units.

Low and Moderate-Income Housing Opportunities

Through its Housing and Redevelopment Division, Chandler operates an extensive housing program designed to provide for the needs of low and moderate-income families. As one of the few cities in the Valley that operates its own housing authority, Chandler's public housing program currently consists of 319 units, see Table 10 below. 202 of those units are found in five apartment sites while the remaining 117 units are in scattered single family homes owned by the City. In addition, the City has been allocated 481 Section 8 vouchers that have been issued by HUD for qualified families. These vouchers can be used in conventional apartment complexes where rent levels permit.

Type of Housing	Units
Public Housing	319
Section 8 Vouchers	481
Private Section 8 Units	198
LIHTC	332
Non-Profit Housing Organizations	44
Total	1,374

Sources: City of Chandler; Elliott D. Pollack & Co.

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In addition to the public housing activity, three apartment complexes have been built in Chandler under Arizona's Low Income Housing Tax Credit (LIHTC) Program and a fourth is currently under consideration. In total, the LIHTC projects add another 332 units of affordable housing to Chandler's inventory. Private Section 8 housing totals 198 units and non-profit organizations support another 44 units. Total affordable, subsidized housing in Chandler totals nearly 1,400 units. Chandler has done an excellent job of using federal and state resources to provide for the housing needs of low and moderate-income families.

Affordable Housing Need

An estimate of the affordability of housing in Chandler has been developed based on household income estimates from CACI, Inc. and housing sale and rent information presented in previous sections. The purpose of the analysis is to identify the affordability gap between the cost of housing in Chandler and the incomes of residents. This analysis provides an indication of the number of households in the City that may have difficulty affording adequate housing.

Table 11 shows methodology for determining the affordability gap in Chandler. The left side of the table identifies the distribution of households in Chandler by income in 2000 according to CACI, Inc. Under the "Affordable Values/Rents" columns, the income ranges are translated into the home value or apartment rent that can be afforded by those households based on a 5% down payment; an 8.15% home loan interest rate (the average interest rate for 2000); a monthly escrow for property taxes, home insurance and mortgage insurance; and 30% of income devoted to housing or rent payments. Based on the above assumptions, a household can typically afford a house that costs three times its income. The chart also shows the range within which the median income (\$52,100) of Chandler falls, 80% of median income and 50% of median income. These income categories are typically used by HUD and other agencies to target affordable housing programs. Eighty percent (80%) of median income is considered "low-income" households and 50% of median income is "very low-income" households.

The right side of the table shows the number and type of units available within each of the value or rent ranges. The estimated value of single family homes, townhomes, condominiums and mobile homes in Chandler was determined by using the 2000 housing sales data as a proxy or sample of City-wide housing prices.

In order to calculate the affordability gap, the number of households in each income group is subtracted from the number of available, affordable units. The affordability gap – a negative number – occurs where there are more residents than affordable housing units within each of the income ranges.

The affordability gap analysis shows that households with annual incomes below \$22,500 (43% of Chandler's median household income) are most in need of affordable housing. In order to obtain housing, these households will live in substandard conditions and/or pay substantially more than 30% of their income for shelter. An estimated 8,323 households have annual incomes below \$22,500. The number of housing units in the private market in Chandler that are affordable to these households is approximately 2,185, creating a demand for an additional 6,138 units. Chandler and local non-profit agencies (excluding Low Income Housing Tax Credit (LIHTC) units which are included in the private market supply) provide 1,042 subsidized units, reducing the affordable housing demand or "gap" to under 5,100 households.

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Table 11
Affordability Gap Calculation – 2000
City of Chandler

Interest Rate: 8.15%
Down Payment: 5.00%

Percent of Median Income	Income Range		Number of Households	Affordable Values/Rents				Units Available				Total Units	Gap*	Total Gap
				Home Value		Rent		Single Family	Townhouse /Condos	Multi-Family	Mobile Homes			
	Low	High		Minimum	Maximum	Minimum	Maximum							
	\$0	\$4,999	781	\$0	\$14,000	\$0	\$120	-	-	-	5	5	(776)	(776)
	\$5,000	\$9,999	1,441	\$14,000	\$29,000	\$130	\$250	13	-	-	46	59	(1,382)	(2,158)
	\$10,000	\$12,499	1,054	\$29,000	\$36,000	\$250	\$310	31	-	-	20	51	(1,003)	(3,161)
	\$12,500	\$14,999	840	\$36,000	\$43,000	\$310	\$370	38	67	-	41	146	(694)	(3,855)
	\$15,000	\$17,499	1,254	\$43,000	\$50,000	\$380	\$440	82	33	-	76	191	(1,063)	(4,918)
	\$17,500	\$19,999	1,271	\$50,000	\$57,000	\$440	\$500	119	117	384	244	864	(407)	(5,325)
	\$20,000	\$22,499	1,682	\$57,000	\$65,000	\$500	\$560	226	283	-	360	869	(813)	(6,138)
	\$22,500	\$24,999	1,326	\$65,000	\$72,000	\$560	\$620	440	200	653	289	1,582	256	
50%	\$25,000	\$27,499	1,864	\$72,000	\$79,000	\$630	\$690	402	467	2,233	310	3,412	1,547	
	\$27,500	\$29,999	1,433	\$79,000	\$86,000	\$690	\$750	823	617	1,607	107	3,154	1,721	
	\$30,000	\$32,499	1,972	\$86,000	\$93,000	\$750	\$810	930	550	3,200	10	4,690	2,718	
	\$32,500	\$34,999	1,467	\$93,000	\$101,000	\$810	\$870	1,282	517	2,095	5	3,899	2,432	
	\$35,000	\$37,499	2,255	\$101,000	\$108,000	\$880	\$940	1,609	417	2,045	-	4,071	1,816	
	\$37,500	\$39,999	1,970	\$108,000	\$115,000	\$940	\$1,000	2,444	200	637	-	3,281	1,311	
80%	\$40,000	\$42,499	2,742	\$115,000	\$122,000	\$1,000	\$1,060	3,594	200	-	5	3,799	1,058	
	\$42,500	\$44,999	2,151	\$122,000	\$129,000	\$1,060	\$1,120	3,638	100	-	-	3,738	1,587	
	\$45,000	\$47,499	2,240	\$129,000	\$137,000	\$1,130	\$1,190	4,028	150	-	5	4,183	1,943	
	\$47,500	\$49,999	1,787	\$137,000	\$144,000	\$1,190	\$1,250	3,324	17	-	10	3,351	1,564	
100%	\$50,000	\$54,999	3,696	\$144,000	\$158,000	\$1,250	\$1,370	4,587	33	-	5	4,625	929	
	\$55,000	\$59,999	3,781	\$158,000	\$172,000	\$1,380	\$1,500	3,896	-	-	-	3,896		
	\$60,000	\$74,999	9,443	\$172,000	\$216,000	\$1,500	\$1,870	8,012	100	-	-	8,112		
	\$75,000	\$99,999	9,037	\$216,000	\$287,000	\$1,880	\$2,500	8,514	100	-	-	8,614		
	\$100,000	\$124,999	3,865	\$287,000	\$359,000	\$2,500	\$3,120	-	-	-	-	-		
	\$125,000	\$149,999	1,631	\$359,000	\$431,000	\$3,130	\$3,750	-	-	-	-	-		
	\$150,000	\$249,999	1,167	\$431,000	\$719,000	\$3,750	\$6,250	-	-	-	-	-		
	\$250,000	\$499,999	156	\$719,000	\$1,437,000	\$6,250	\$12,500	-	-	-	-	-		
	\$500,000 +		69	\$1,437,000 +		\$12,500 +		-	-	-	-	-		
Total			62,377					48,033	4,167	12,854	1,538	66,592		

*The "gap" is calculated by subtracting the number of households in each income group from the number of affordable units. The gap is not calculated for incomes over 100% of the median income.

Sources: CACI, Elliott D. Pollack & Co.

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Table 12	
Affordable Housing Demand *	
Chandler, Arizona	
	Households
Households in need of affordable housing	8,323
Affordable units available in private market	2,185
Unfulfilled demand	(6,138)
City subsidized or non-profit units	1,042
Affordability gap	(5,096)
Source: Elliott D. Pollack & Co.	

* This table does not include non-subsidized affordable rental and ownership units and unfulfilled demand is likely lower than figure provided.

It should be noted that affordable housing is available in Chandler for most income groups, either through the private market or public sources. The affordability gap occurs only for the lowest income households of the community – those with incomes below 43% of the City median income. In fact, the gap analysis shows that 5,200 units are available in the private market for households with incomes below 50% of median income. Another 23,627 units are available in Chandler for households with incomes between 50% and 80% of median income (from \$26,050 to \$41,680 annual household income). Clearly, housing opportunities exist for most moderate-income households, either through older single family or multi-family units, condo or townhouse units, or mobile homes.

To state the above figures another way, approximately 43% of the housing units in the City are affordable to households making no more than 80% of the City’s median income. About 69% of the units in Chandler are affordable to households having incomes equal to or less than the City’s median income. Assuming that households are not constrained in their ability to afford housing due to poor or excessive credit history, most residents, except for the very low income, should be able to find housing in Chandler that meets their income limitations.

Future Trends:

Chandler is expected to grow from 176,581 in 2000 to 266,500 by 2020. This growth will require the addition of at least 34,500 new occupied housing units (at a 5% vacancy rate, 36,300 units will need to be constructed to provide shelter for the growing population).

The mix of housing units constructed in Chandler over the next 20 years will be an important element in addressing affordable housing needs.

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	1995	2000	2005	2010	2015	2020	Total
Population	132,360	176,581	215,500	239,500	254,500	266,500	
Households	45,799	61,917	76,556	85,505	90,942	96,400	
Persons/Household	2.89	2.85	2.81	2.80	2.80	2.76	
Housing Demand			14,640	8,948	5,437	5,458	34,483

Source: U.S. Census, MAG, Elliot D. Pollack & Co.

Planning Issues

- Most of the new residential development occurring in Chandler over the next 20 years will occur south of Pecos Road where new infrastructure (roads, water, sewer, and reclaimed water) must be developed.
- The combination of low densities and infrastructure requirements are among the factors that will impact the cost of housing in Southeast Chandler.
- A mix of housing types and densities will continue to be necessary to provide housing opportunities for wide range of income levels.
- Employment opportunities and housing affordability are interrelated.
- Some of the housing stock in Chandler is more than 20 years old while other portions are new.
- Maintaining safe and viable neighborhoods over the next two decades is a priority for the City.
- Underused and vacant parcels exist throughout the developed areas of the City.

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Goals, Objectives and Policies

GOAL: TAKE STEPS TO PROVIDE AN ADEQUATE SUPPLY OF SAFE AND AFFORDABLE HOUSING FOR ALL HOUSEHOLD INCOME LEVELS.

OBJECTIVE: Promote diversity in housing types in the City.

Policy: Encourage the creation of public-private ventures for the development of low and moderate income “for sale” and rental housing using local, state and federal resources.

Policy: Draft programs that may include inducements to promote the development of diverse housing, including affordable housing on vacant, underused in-fill parcels where residential development is appropriate and compatible with the surrounding area.

Policy: Encourage the diversity of housing types throughout the community.

Policy: Continue to promote the creation of high-wage jobs that are consistent with Chandler’s housing stock profile.

OBJECTIVE: Maintain and expand programs to provide housing for low and moderate-income households.

Policy: Continue to maintain and expand its affordable housing programs including the dispersion of housing units throughout the community.

Policy: Continue and expand existing City programs to provide financial assistance to low and moderate-income households for the rehabilitation of substandard units.

Policy: Use federal, state, and local resources to promote first-time home buying.

Policy: Monitor state and federal housing initiatives that may provide additional funding or incentives for new affordable housing units.

Policy: Monitor the housing market and household income levels of residents to determine the need for additional affordable units and to evaluate progress in the City’s housing programs.

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GOAL: PROMOTE HIGH STANDARDS FOR RESIDENTIAL DEVELOPMENT.

OBJECTIVE: Maintain Chandler’s quality standards for all housing and residential neighborhoods as outlined in its Residential Design Standards and Specific Area Plans.

Policy: Maintain and review standards needed to achieve greater diversity and creativity within new residential developments relative to lot sizes, subdivision layout, and single family and multi-family architecture.

Policy: Evaluate Chandler’s residential development standards for integration of techniques designed to promote housing affordability and diversity.

Policy: Provide for the possibility of departure from the City’s housing standards, without sacrificing quality, in the situations involving development of vacant in-fill parcels.

Policy: Incorporate adequate provisions for functional parks and open space for all future residential developments as an integral part of neighborhood design.

GOAL: MAINTAIN THE QUALITY OF CHANDLER’S EXISTING HOUSING STOCK AND NEIGHBORHOODS.

OBJECTIVE: Identify and recognize the changing needs of the City’s mature neighborhoods and take steps to stabilize and upgrade these areas.

Policy: Identify and work with neighborhoods that are showing signs of distress or exhibit characteristics that may lead to destabilization.

Policy: Continue to implement housing programs that maintain and enhance housing standards.

Policy: Plan for streetscape improvements in older mature neighborhoods where landscaping or streets have deteriorated.

Policy: Allow for development regulations, financial incentives and loan programs that encourage the remodeling or rehabilitation of older multi-family buildings or single family residences.

Policy: Continue and expand programs for low and moderate-income residents to assist in the redevelopment or rehabilitation of older and vacant housing stock, where feasible.

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OBJECTIVE: Promote proper maintenance of both private and public properties and educate and assist those property owners who do not meet existing standards.

Policy: Develop neighborhood programs that stress education, compliance measures, and the formation of neighborhood programs that enable residents to assist themselves in maintenance issues.

Policy: Continue to educate and work with the community to maintain quality standards of existing neighborhoods.

Policy: Support programs that promote the quality management and maintenance of rental properties, especially single family rental units.

Policy: Look for the opportunity to develop partnerships with private lenders who will provide financing for improvement of dwellings in need of renovation.