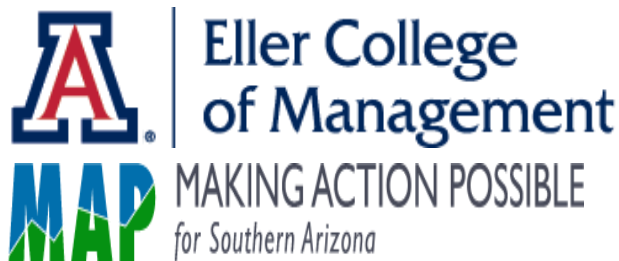


University of Arizona, School of Government and Public Policy
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Housing Affordability Issues in Southern Arizona: Recommendations based on Lessons from Peer Cities

Prepared for the Making Action Possible (MAP) Advisory Board &
The University of Arizona Eller College of Management

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MEMORANDUM

TO: Jennifer Pullen, Executive Director, Economic and Business Research Center & MAP Dashboard Advisory Board, Eller College of Management

FROM: Lucy Ingram & Ryan Melendez, MPA Graduate Students, Capstone Project

DATE: May 19, 2026

RE: Housing Affordability in Southern Arizona: Analysis and Policy Recommendations

Executive Summary

The current state of affordable housing has become an increasingly pressing challenge in Southern Arizona, particularly in the City of Tucson, as home prices and population growth outpace local income gains. Affordable housing challenges affect households across income levels, including both low-income and median-income households. Lower-income residents rely on assistance programs, while the median-income homes are priced out of the market in the area.

This report finds that the primary drivers of Tucson's affordability crisis are constrained housing supply, in-migration from higher-cost states, and neighborhood-level demand. Overall, housing supply has not kept pace with demand, while desirable neighborhoods see rising demand, and median-income residents are priced out, further restricting access to affordable options.

A review of peer cities illustrates how Tucson lags in some key policy areas, including zoning, permitting flexibility, homeownership, and outsourced collaboration. Cities such as Albuquerque, San Antonio, El Paso, and Las Vegas, Nevada, coordinate efforts and implement aggressive measures to increase housing supply and reduce barriers to affordable housing development.

For Tucson to address these challenges, this report wraps up by recommending three primary strategies: strengthening cross-sector collaboration, advancing zoning reform, and expanding the use of low-income housing tax credits. These changes would strive to align public, private, and nonprofit sectors, increase housing supply and reduce development constraints, and better support the workforce and middle-income housing. In an effort to provide a targeted and scalable approach to improving housing affordability in Southern Arizona, these strategies together will help improve stability.

These recommended strategies dive into several different options that Tucson could implement as a way to seek positive change in its housing affordability landscape:

- *Cross-Sector Collaboration*: Coordinated cross-sector collaboration, where public, private, and nonprofit actors each play complementary roles in reducing regulatory, financing, and development barriers while ensuring community needs are met. Expanding this approach to include mission-driven financial institutions such as credit unions. Through targeted lending programs for middle-income households, this effort can further close homeownership gaps and create scalable, inclusive housing solutions.
- *Zoning Reform*: Pursuing state and local zoning reforms that expand development flexibility, including enabling inclusionary zoning, increasing density, and reducing

costly regulations like parking mandates. Together, these changes would boost housing supply, support “missing middle” households, and promote more equitable, mixed-income communities.

- *Targeted Low-Income Housing Tax Credit (LIHTC) Application and Usage*: Strategically using LIHTC allocations to support not only low-income housing but also workforce housing for middle-income households who are increasingly displaced by higher-income in-migrants. By prioritizing developments serving 80–120% average median income (AMI) in competitive areas, the state can expand housing access, stabilize the local workforce, and fill critical gaps the market alone cannot address (average median income, AMI, defined as a metric used in housing to determine affordability based on the middle income of a specific region).

Problem Background

Affordable Housing has become increasingly important for public entities, private partners, and the support communities need to keep individuals and families off the street, maintain jobs, and ensure a functioning community and economy (Freeman & Schuetz, 2017; Makarewicz et al., 2020). While this issue spreads across the U.S., Southern Arizona, particularly the City of Tucson, falls behind comparable cities in the development, opportunities, and functionality of affordable housing. Lower-income individuals and families struggle to find affordable housing options and are often left with few options as they wait on the city’s overflowing 40,000-person Section-8 assistance waiting list (Housing Affordability Strategy for Tucson, n.d.; HUD USER, 2024). While there are many municipal efforts for affordable construction, as well as Tucson-based non-profit organizations working to provide affordable options, the number of Tucson residents facing these challenges continues to increase, while the supply of options grows more slowly (Legette, 2022; Lopez, 2025).

While efforts are made to create opportunities for lower-income households through affordable housing, median-income households become particularly vulnerable due to the limited availability of affordable options. Median household incomes are most affected when housing prices increase without income growing at the same rate. They are also sensitive to economic factors such as mortgage rates and lending conditions, which increase monthly payments and long-term financial burdens even if home prices remain stagnant (Makarewicz et al., 2020). While local efforts, such as the City of Tucson’s Housing Affordability Strategy, have helped create affordable units through programs like Low-Income Housing Tax Credits, affordability challenges linger in our community. A key issue remains that housing availability is shaped by economic class and inhibited by underdeveloped infrastructure, meaning that even when housing exists, it may not meet needs in terms of quality, access, or location (Makarewicz et al., 2020). As a direct result, median-income households have to make trade-offs among these factors. This allows us to determine that while housing may be classified as “affordable” under certain policies, many median-income households continue to face challenges, as they often fall into a gap where they earn too much to receive assistance but not enough to effectively compete in the

current market (Makarewicz et al., 2020).

Analysis

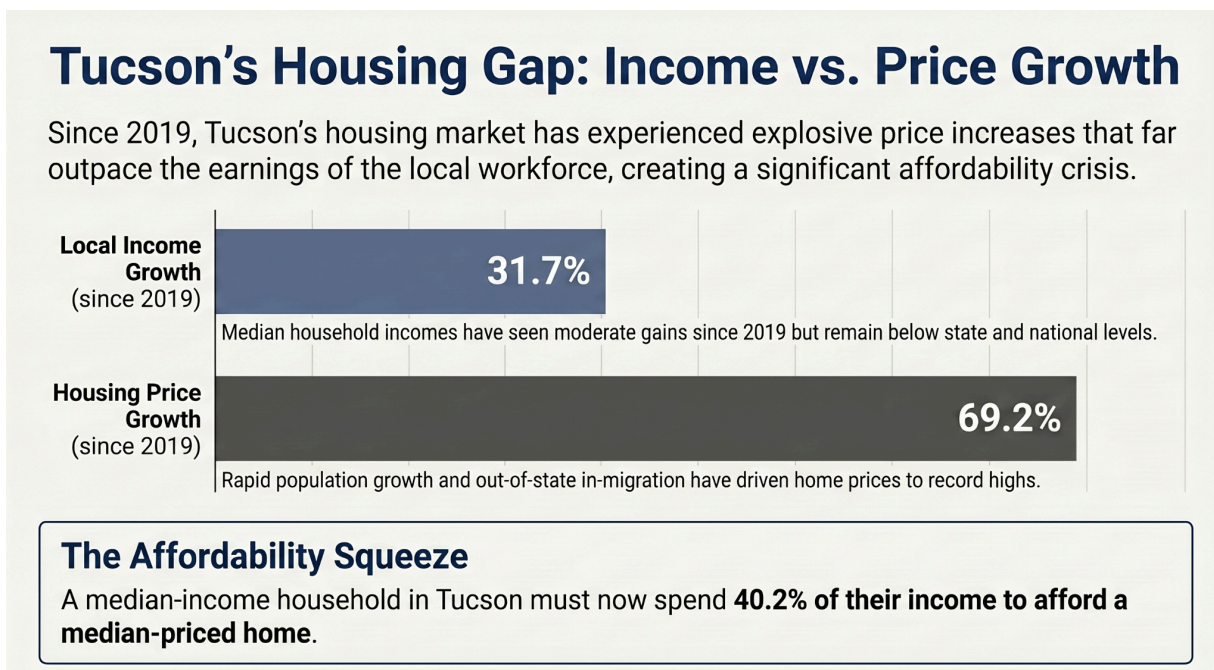
Median Income Housing Affordability

Our research, examining neighborhood-level dynamics, provides a different perspective on the housing affordability crisis in Tucson, particularly on how it affects outcomes for median-income households. Higher-income households tend to cluster in neighborhoods with stronger school districts and greater amenities, which drives up prices in these areas. At the same time, the city's relatively inelastic housing supply limits new development's ability to respond to rising demand (Holland, 2008). As demand increases in these desirable neighborhoods, prices increase rather than actual supply, enhancing cost pressures across the market. At the same time, housing is divided into submarkets in which higher-income buyers are willing to pay premiums for specific locations, increasing competition not only within those neighborhoods but also spilling over into adjacent neighborhoods (Holland, 2008). This creates a “filtering effect” in which higher-income households move into mid-tier neighborhoods, displacing median-income households into lower-quality or less desirable areas (Holland, 2008). Viewed through this neighborhood lens, the affordability crisis is not just about rising prices, but about how localized competition pushes median-income households out.

Building on this neighborhood perspective, it is also important to consider how in-migration (particularly from higher-cost states like California) is restructuring housing demand and further provoking affordability challenges in Tucson. Incoming households often bring greater purchasing power or equity, enabling them to pay higher prices and compete more aggressively for housing, thereby increasing overall market values (Legette, 2022). This influx of higher-income buyers is further reinforced by rapid population growth, where increases in residents far outweigh the expansion of housing supply, driving prices higher even as new units are developed (Legette, 2022). Environmental factors, such as wildfires in California, have further accelerated migration into Arizona, adding a layer of housing demand beyond typical population growth patterns (Legette, 2022).

If we bring all of these factors together, the MAP Dashboard allows us to draw clearer conclusions about the nature of Tucson's housing affordability crisis. With a median household income of \$70,315 (below both state and national levels), Tucson residents are increasingly unable to compete in a market accompanied by higher-income in-migrants from places like San Diego and Denver, where median incomes exceed \$100,000. While local incomes have grown by 31.7% since 2019, this growth has not kept pace with housing price increases, with housing prices increasing 69.2% since 2019. Leaving a household in Tucson earning the median income would need to spend 40.2% of its income to afford a median-priced home. This shift in housing is driven by factors such as migration, population growth, and neighborhood-level competition. The data also highlights significant income disparities, with hispanic households and female-headed households earning substantially less than married households, placing many in the \$37K–\$63K range where cost burdens are most severe. As a result, housing prices are

increasingly influenced by external income levels rather than local earning capacity, leading to declining affordability, reduced access to homeownership, and greater reliance on renting among median-income households in Tucson.



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Low Income Housing Affordability

These problems of unequal growth in income relative to prices remain an issue for lower-wage earners as well. Tucson's affordable housing requirements for low-income households are based on Federal Housing and Urban Development (HUD) requirements. Tucson's affordable housing thresholds are based on Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD). From 2022 to 2025, Tucson's median household income increased from \$81,000 to \$96,100. Over the same period, the HUD-defined income limit for a family of four at 50% of AMI rose from \$38,350 to \$48,050. While both measures have increased, these figures are not directly comparable, as median household income reflects all households, whereas AMI thresholds are adjusted by household size and used specifically to determine program eligibility. While Median Household Income provides a snapshot of what the average local family actually earns, Area Median Income (AMI) is a specialized benchmark used by HUD to set income ceilings for aid; because AMI is adjusted for family size and based on broader regional data, a household can earn a 'median' local salary but still be disqualified from assistance programs designed only for those falling below specific AMI percentages. More importantly, both income growth and eligibility thresholds have lagged behind increases in housing costs, limiting the effectiveness of affordability programs. As a result, more households

are cost-burdened, even if they do not qualify for assistance, while those who do qualify face increasing competition for a limited supply of affordable units.

For individuals who receive housing assistance, such as Section 8 and the Housing Choice Voucher program, eligibility is determined by income thresholds tied to Area Median Income (AMI). As the overall median household income in Tucson rises, these eligibility thresholds also increase. However, housing benefits and aid have grown at a slower rate. As a result, it becomes increasingly difficult for lower-income individuals to qualify for and secure affordable housing (Makarewicz et al., 2020). Additionally, while eligibility baselines have increased, Tucson's job growth has slowed, further limiting households' ability to meet rising income thresholds.

Over the past 20 years, Tucson has seen a rotation of change in job growth, with current growth rates for the City of Tucson experiencing little to no change, at approximately 0.1% in 2024 (MAP). The change in the job market and the stagnation in growth rate may be due to compositional shifts in Tucson's labor market. Common causes of a compositional shift in a labor market may include demographic changes, such as significant population shifts or in-migration patterns (Makarewicz et al., 2020). A good example of this type of change Tucson is currently experiencing is the in-migration of higher-income individuals, particularly remote workers and those relocating from more expensive areas. These individuals may be taking up the remaining available housing and jobs, and in turn, driving up the median household income without contributing to substantial local job growth. Because of the current in-migration of California residents, Tucson takes on this function and experiences the consequences of a compositional shift (Lopez, 2025).

Best Practices

Median Income Housing Affordability

Through our research, it is evident that both state and local governments have struggled to develop actionable and sustainable solutions to address the housing affordability crisis, particularly for middle-income families. There are very few programs that directly target this group, the working class, who often earn too much to qualify for traditional housing assistance but still cannot afford homes at market rates. As a result, these households have become increasingly vulnerable, effectively falling through the cracks of existing housing policy.

A case that encapsulates a shift in approach can be seen in Las Vegas, New Mexico, where city officials are actively developing a workforce housing initiative specifically targeting this "missing middle." Rather than relying on traditional low-income programs, the City is directing efforts toward homeownership opportunities to promote long-term stability and help families build equity within the community. Their plan leverages funding from the New Mexico Mortgage Finance Authority, including access to low- and zero-interest loans. It uses publicly owned land to reduce development costs and accelerate the production of affordable units. By implementing price controls through land-use restriction agreements and focusing on simple, attainable home designs, the City is attempting to maintain long-term affordability while

preventing resale of the units in question. In addition, Las Vegas is exploring strategies such as auditing vacant housing stock and coordinating with regional partners to expand total housing supply. While it is a fairly new initiative, this approach reflects a more direct effort to address the structural gap facing middle-income households by targeting their specific needs, emphasizing steady housing production, and placing greater importance on accessibility and sustainability. This differs from similar affordable housing programs, which tend to be rigid and often fail to adequately address these needs (City of Las Vegas, n.d.).

Low Income Housing Affordability

The City of Tucson's efforts to maintain affordable housing options are heavily implemented through the City's affordable housing strategic plan. However, the success of affordable housing programs in other cities highlights some of Tucson's shortcomings in policy areas such as zoning reform, permitting & development flexibility, and homeownership support.

The city of Albuquerque, NM, demonstrates how zoning reform can create pathways to increase housing affordability. Inclusionary zoning, which requires or incentivizes developers to include a share of affordable units in new housing developments, is permitted under New Mexico law, meaning its use is authorized and structured at the state level but implemented by local governments. While Albuquerque allows inclusionary zoning, the city has also adopted a transit-oriented development approach. Albuquerque apartments, duplexes, and townhomes are now allowed in all residential zones within ¼ mile of Main Streets (City of Albuquerque).

As of 2026, Tucson has adopted a middle housing structure through its zoning changes. While Tucson's approach is broader and less transit development-oriented, this may, in turn, limit its effectiveness in reducing transportation costs and maximizing land-use efficiency (Makarewicz et al., 2020). These are important factors to consider when designing the most affordable housing developments, which will also affect populations that often rely on public transportation.

Albuquerque also made zoning changes to building height. The city of Albuquerque now has greater flexibility in building height, as there are no height limits on apartments within the same ¼-mile radius, allowing for more housing near transit. Tucson does have some flexibility in height, but zoning districts still control it. Albuquerque's zoning reform also now allows for easier parking requirements in key areas: parking requirements have been reduced by 50% in Urban Centers, Activity Centers, Main Streets, and Major Transit Corridors. In Premium Transit areas, the reduction increases to 60% (City of Albuquerque). While Tucson does have some reduced parking in areas such as downtown, the zoning changes are more limited and less aggressive than those of Albuquerque.

Changes to zoning, such as transit-oriented development, building height limitations, and parking requirements, are important because zoning reform can often increase housing affordability (Freeman & Schuetz, 2017). Increasing building and lowering developmental costs, reducing transportation costs, and expanding access and reducing exclusion. While public information with regards to the outcomes of Albuquerque's housing first initiative is not

available, the city's research behind their plan was conducted through a Bloomberg Harvard City Fellowship in Spring 2025, where city leaders from the Economic Development Department and the Metropolitan Redevelopment Agency participated in research. Linking the research to a peer city of theirs, Milwaukee, comparing 'Albuquerque's zoning does not allow enough density citywide, limiting housing supply, types of housing, and growth potential' (City of Albuquerque). Albuquerque also mentions this research mirrors work conducted by Gregg Colburn on key drivers in homelessness. Albuquerque is aggressive and driven in its zoning reform to advance affordable housing, and it is a comparable best practice for Tucson to follow.

Albuquerque is also a leader in permitting and development flexibility, contributing to the city's affordable housing, alongside San Antonio and El Paso. Similar to Albuquerque, El Paso is also exploring (proposed) changes to zoning codes, including reducing parking mandates, to make it easier to build affordable options. Similarly, San Antonio has developed an Office of Urban Redevelopment (OUR SA) to combat community deterioration and promote affordable housing. OUR SA redevelops blighted areas, rehabilitates existing housing, and manages land banking, operating under City Council approval to create sustainable, energy-efficient homes (City of San Antonio). Tucson, in terms of permitting and general development flexibility, is comprehensive but not as strong a leader as others. Tucson offers some fee reductions or waivers, as well as pre-application meetings; these are not consistently targeted toward affordable housing. Tucson would benefit from an expedited permitting process for affordable housing developers, making affordable projects feasible and reducing permitting and financing costs.

Tucson also falls behind institutionally in developing support for homeownership. Albuquerque, San Antonio, and El Paso strive toward standard programs within their municipalities to support homeowners. Albuquerque, as part of their housing now program, provides their PATCH Program (Preserving Albuquerque Through Critical Housing). This is a 0% interest, forgivable loan initiative that helps low-income homeowners make critical health and safety repairs - such as replacing a failing roof or fixing broken plumbing so that they can remain in their homes. San Antonio, under the city's affordable housing bond program, has \$45 million dedicated to help homeowners fix their homes, with an additional \$40 million to help improve rental homes. Lastly, El Paso offers down payment assistance through its El Paso Housing Finance Corporation (HFC), which offers assistance and competitive rates for eligible homebuyers to encourage homeownership and combat rising housing costs. These are all good examples of centralized support for homeownership in other cities. Tucson does have down payment assistance programs, counseling, and home repair programs. Still, these are less centralized under a single branded city program, making them less large-scale and more reactive or funding-dependent, as they're administered through nonprofits or partnerships (Housing Affordability Strategy).

Tucson's efforts in zoning reform, permitting & development flexibility, and homeownership support are visible and operational; however, they are not clearly linked to achieving affordable housing outcomes. Comparing cities such as Albuquerque, San Antonio,

and El Paso highlights the need for direct domino work toward affordability goals. The success of these cities' implementation of increased housing affordability follows with quantifiable housing production and preservation goals. For example, San Antonio has produced 3,438 housing units and preserved 4,286 additional units, totaling more than 7,700 units under its strategic housing plan. This level of tracked production illustrates a direct relationship between policy implementation and housing outcomes, emphasizing the value of measurable targets in addressing affordability. Currently, Albuquerque's housing investment tracking shows a decentralized portfolio of LIHTC-financed projects concentrated near transit corridors, but unlike San Antonio's SHIP dashboard, it does not provide a single consolidated production total, making system-wide outcome evaluation less transparent. These comparisons highlight that housing policy is most effective when tied to clear, measurable production outcomes. San Antonio's tracked unit production demonstrates a direct policy-to-impact relationship, while Albuquerque's decentralized reporting limits system-wide evaluation. For Tucson, working to align zoning and permitting reforms with explicit housing production targets would strengthen the outcome relationship between policy design and affordability outcomes.

Policy Recommendations

Cross-Sector Collaboration

To tackle a complex, multifaceted issue like housing affordability, there is a clear need for collaboration across sectors, including public, private, and nonprofit organizations. A collaborative approach requires each sector to play a distinct yet complementary role through meaningful, intentional coordination. From a public-sector perspective, this involves passing policies that address the needs of the entire community, actively engaging with residents to understand those needs better, advocating for funding that supports equitable housing outcomes, and ensuring that existing policies and regulations do not restrict access to housing. The private sector contributes through innovative development practices, the capacity to build at scale, and access to capital, allowing for the creation of projects that are both financially viable and responsive to community needs. Meanwhile, the nonprofit sector plays a critical role in supporting more targeted, mission-driven housing development, ensuring that projects remain focused on affordability and are designed to serve individuals and address current displacement challenges. A clear example of this type of collaboration can be seen in Nevada's Housing and Neighborhood Development (HAND) project, where Las Vegas, Nevada, has fostered partnerships with nonprofit developers, enabling Nevada HAND to become the state's largest affordable housing developer and to expand its focus to include mixed-income developments that better serve low- and median-income families.

Beyond traditional actors, nonprofit credit unions are financial institutions that have often been overlooked or underutilized in addressing housing affordability. Unlike large commercial banks, credit unions do not have shareholders; they are member-owned, meaning that when they generate profits, those returns are reinvested into lower fees, better interest rates, and more affordable financial services. Because of this structure, credit unions tend to be more

mission-driven, focusing on investing in people and communities and helping members achieve long-term financial stability. This positions them as a strong partner in addressing the gap faced by median-income households, particularly in access to homeownership. Credit unions could develop specialized mortgage products tailored to middle-income individuals, similar to programs offered through the U.S. Department of Veterans Affairs, that provide lower interest rates and reduced down payment requirements, easing one of the most significant barriers for this group. For example, Vantage West Credit Union already offers specialized loan programs, such as physician and “Heroes” loans, as well as zero-down options for first-time buyers, demonstrating the feasibility of targeted lending models. Building on this, a proposed “Middle-Income Leveling Up” program could offer discounted interest rates and smaller down payments specifically for median-income families. This type of program would also counter limitations on lower-income homeownership support and expand access for a wider range of individuals.

As part of a coordinated, cross-sector approach, the public sector would play a central role by implementing zoning reforms, offering incentives, and launching pilot programs that make this type of development feasible. At the same time, nonprofit organizations ensure that projects remain mission-driven and aligned with community needs. The private and for-profit sectors, including developers, builders, and lenders, would contribute construction capacity, innovation, and capital, while also incorporating cost-reducing features such as baseline appliances, flooring, or other essential finishes that lower upfront costs for first-time buyers. When these sectors operate in coordination, each reduces a different layer of cost, financing, development, and regulatory barriers, creating a more scalable solution that expands access to homeownership for median-income households currently falling through the cracks.

Zoning Reform

To move in the right direction to effectively address Tucson's housing affordability crisis, Tucson can advocate for and work to change laws that allow the continued construction of affordable housing. Zoning laws are effective ways to do so. Specific zoning changes that would help address Tucson's affordable housing dilemma include state-level reform through the adoption of inclusionary zoning (IZ) laws, as well as local-level zoning reform and development.

Currently, under Arizona state laws prohibiting IZ, Tucson faces a structural constraint on its ability to mandate or incentivize the inclusion of affordable housing units in new developments. Rather, state legislation should allow for cross-subsidization, in which the market-rate unit offsets the cost of affordable units, thereby aligning private developers with the same equity goals. Inclusionary zoning could be used as a supplementary tool rather than a primary one, and as an additional aid to zoning reform rather than a low-public-investment proposal. The use of an intermediate inclusive zoning approach would also limit hardship for median-income households resulting from the policy's implementation. The legislative reform on IZ would benefit Tucson's building use, as the city continues to develop. Tucson would see

partnerships in development working toward affordable-housing-friendly spaces.

Local-level zoning also needs serious consideration for reform. Tucson needs to consider similar reforms, such as Albuquerque's 'Housing Forward' model, eliminating building height limits, and expanding all residential zones to allow duplexes and townhomes. As well as the work to create zoning reform that reduces development costs and follows the lead of Albuquerque and El Paso by reducing or eliminating parking mandates, lowering construction costs, and maximizing land use effectively.

Zoning reform would help target Tucson's missing middle to address the current inelastic supply as the city faces affordability challenges from an in-migration increase, pushing median-income families into lower-tier housing. Zoning reform in Arizona and Tucson would also work to reduce socioeconomic segregation by allowing higher-density, lower-cost housing in high-opportunity areas near schools and transit. By removing state-level barriers such as IZ and adopting aggressive local reforms, Tucson can create a more flexible, scalable, and equitable housing market that serves both low-income and missing-middle residents.

Targeted Low-Income Housing Tax Credit (LIHTC) Application and Usage

To continue mitigating the current displacement of Tucson's missing-middle housing, Arizona should leverage its discretionary authority over Low-income Housing Tax Credit (LIHTC) allocations to prioritize workforce housing developments that protect residents from being outbid by high-equity in-migrants, while continuing to develop housing for the lower-income sector.

Currently, the purchasing power disparity among in-migration residents from high-cost states such as California results in outside buyers in Tucson having significantly more purchasing power. Because of this, there is market displacement, with higher-income households moving into middle-tier housing, pushing local median-income earners out of the Tucson housing market and into less affordable or lower-quality housing options. So Tucson needs to turn to LIHTC to help create affordable housing for middle-tier housing, in addition to its current applications for lower-income housing. LIHTC for affordable housing has become a dominant production mechanism, providing federal tax incentives that enable housing production regardless of fluctuating market conditions. The current gap in the city's use of LIHTC is that it primarily targets low-income housing, leaving middle-income or moderate-income households to fall through the cracks. This happens because these households earn too much for Section 8 housing but not enough to compete with in-migration buyers in Tucson's current market.

Arizona should exercise its discretion in the LIHTC allocation process to prioritize projects that specifically include workforce households (often at the 80% to 120% AMI tier). Using this allocation criterion could align with incentivizing desirable locations, such as rewarding developers who build middle-income units in high-opportunity areas where competition is more intense. Models like these would also align with cross-sector collaboration, as seen with Nevada HAND. With Tucson's current inelastic supply, targeted LIHTC subsidies are necessary to force the production of new units that the market alone will not provide. Transitioning LIHTC from a strictly low-income tool to one that also targets middle-income

households will provide a buffer for the Tucson workforce. This will ensure that local families can secure stable housing despite the pressure of regional migration.

Implementation Considerations

While our recommendations highlight changes to zoning and the LIHTC proposal, focusing on how the two efforts together contribute to the most effective positive change, we find it important to note their comparison and relationship. From a state and local Municipality perspective, it is critical to compare the effectiveness of tools such as LIHTC versus Inclusionary Zoning (IZ) policies. A study by Freeman & Schwartz compiles data from over 150 local municipalities, examining IZ programs across five regions in California, Massachusetts, New Jersey, New York, and Washington, D.C., and directly compares them to Low-Income Housing Tax Credit (LIHTC) subsidies from both a local and statewide perspective. The researchers standardize output by calculating average annual housing production, then compare IZ to LIHTC total production within the same jurisdiction, expressed as a share of the total housing stock, to ensure scalability. This allows for a more consistent, apples-to-apples comparison across different regions. It is one of the few studies that directly compares these tools using real output data collected from the HUD LIHTC database, local policy reports and memos, and other empirical studies. Rather than approaching the issue theoretically, the study bases its analysis on observed production outcomes, combining multiple data sources to provide a more accurate and comprehensive assessment of these tools' performance.

It is important to observe that both IZ and LIHTC are structurally different. IZ heavily relies on “cross-subsidization,” meaning that market-rate units in a development project offset the cost of affordable housing units (Freeman & Schuetz, 2017). This differs from the Low-Income Housing Tax Credit (LIHTC), as it relies on federal tax incentives to subsidize the construction of these large development projects. We can conclude that IZ policies are more subject to market conditions. In contrast, LIHTC provides federal funding that is less market-dependent, an important caveat to keep in mind in this comparison. This structural difference may help explain why IZ produces significantly fewer units, particularly in weaker or slower-developing markets.

The study found that, from a local government perspective, IZ policies across all five regions produced significantly fewer affordable housing units than their counterpart, LIHTC. This finding is further magnified when examining the New York City region, where IZ produced roughly 178 units per year, compared to approximately 4,500 units annually under LIHTC, meaning IZ accounted for only about 4% of total affordable housing production relative to LIHTC (Freeman & Schuetz, 2017). Additionally, the study concluded that IZ production accounts for less than 0.1% of the total housing stock annually across all regions at the municipal level (Freeman & Schuetz, 2017). This demonstrates that, at the local level, IZ policies are not operating at a scale that directly addresses the housing affordability crisis.

The same disparity is readily apparent when looking at the state level as well. Using average annual production as the primary measure, the study finds that statewide programs in

California, Massachusetts, and New Jersey still produce relatively modest numbers of affordable housing units compared with overall need and the total housing stock (Freeman & Schuetz, 2017). For example, California's Community Redevelopment Agencies produced approximately 9,000 affordable units per year, compared to about 16,300 units annually under LIHTC, demonstrating that even one of the more productive statewide programs still falls short of LIHTC output (Freeman & Schuetz, 2017). Across all three states, affordable housing production accounts for only a small share of the total housing stock, indicating that, even at the state level, these programs are not operating at a scale sufficient to address the housing affordability crisis alone. This is why we suggest these be used in a hand-in-hand system to help develop as many units as possible across the two programs, rather than focusing on just one to grow affordable housing.

Conclusion

Southern Arizona's housing affordability continues to present significant challenges for both lower-income and median-income households. Constraints on housing supply, increases in in-migration, and gaps in current housing policy approaches have led to affordability pressures. Although current efforts have expanded housing options, they have fallen short in keeping pace with demand and adequately addressing households' needs.

Comparisons to peer cities highlight that a more coordinated approach can lead to improved affordable housing outcomes. Advancing zoning reform, strengthening cross-sector collaboration, and reworking tools such as LIHTC will give Tucson the opportunity to adopt a more proactive, scalable approach. Moving forward, aligning these strategies with long-term affordability goals will be critical to improving housing stability and promoting affordable housing within our communities.

Ultimately, the challenges facing Tucson's workforce reveal a broader, more systemic shift in the definition of the "middle class" within today's housing market. As this report demonstrates, housing prices are increasingly decoupled from local earning capacity and instead influenced by external income levels driven by regional migration. When a median-income household (\$70,315) must spend over 40% of its income just to afford a median-priced home, the traditional middle-class milestone of homeownership is no longer a given, but a point of significant financial vulnerability. Without aggressive implementation change, Tucson risks a permanent erosion of its middle class. Moving forward, housing policy must evolve to recognize that stability for the "working class" is no longer self-sustaining through the market alone; it requires intentional, scaled intervention to effect change in the community.

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