



PIMA COUNTY
NEIGHBORHOOD
REINVESTMENT
BOND ADVISORY
COMMITTEE

FERNANDO CASTRO, CHAIR

RICHARD M. SMALL, VICE CHAIR

JAN JOHNSON, DISTRICT 1

MARGARET KISH, DISTRICT 2

TRACY TAFT, DISTRICT 3

ELLIE TOWNE, DISTRICT 3

DOROTHY LEWIS, DISTRICT 4

ROSALVA BULLOCK, DISTRICT 5

DAN GARCIA, DISTRICT 5

NEIGHBORHOOD REINVESTMENT

NRBAC TRANSMITTAL TO PCBAC

To: Chair and Members
Pima County Bond Advisory Committee

From: Chair and Members
Neighborhood Reinvestment Bond Advisory Committee

Date: October 7, 2003

Re: Report on the 2004 Neighborhood Reinvestment Bond Program

At their regular meeting on June 17, 2003, the Pima County Board of Supervisors voted to begin preparations for calling a May 2004 Bond Election, with the express provision that the election include a Neighborhood Reinvestment component. Then, at the July 1, 2003 meeting the Board created three committees to provide advice and recommendations on the May 2004 election, including a Pima County Bond Advisory Committee (PCBAC), Conservation Bond Advisory Committee (CBAC), and our committee, the Neighborhood Reinvestment Bond Advisory Committee (NRBAC). The Board and County Administrator asked our committee to make recommendations to the County Bond Advisory Committee on the Neighborhood Reinvestment Program.

Committee Recommendations

The Committee concludes that the 1997 Neighborhood Reinvestment Bond Program was a successful one which demonstrated many characteristics of a larger program. We are pleased to forward to the PCBAC our unanimous recommendations for the 2004 Neighborhood Reinvestment Bond Program:

1. The May 2004 Neighborhood Reinvestment Bond Program should be for an amount not to exceed \$30 million.
2. The Committee supports the expansion of the 2004 Neighborhood Reinvestment Bond Program over the 1997 program, recognizing that it should be a countywide effort addressing stress areas in the urban core, the suburban areas, and rural Pima County. The Committee further recommends that the 2004 program build upon, rather than abandon, the 1997 program. Therefore, the 2004 program should include a "maintenance of effort" provision that directs \$5 million of the \$20 million in bond authority for community reinvestment to the high stress areas in the urban core identified in the 1997 program, and splits the remaining \$15 million

NEIGHBORHOOD REINVESTMENT

NRBAC TRANSMITTAL TO PCBAC

equally between the urban core high stress areas and suburban/rural stress areas. The Committee does not recommend that this allocation of bond authority be included in the ballot language, rather that it be included as targets in the Bond Improvement Plan Ordinance for the May 2004 election.

3. The May 2004 Neighborhood Reinvestment Bond Program should continue to fund community reinvestment projects in an amount not too exceed \$20 million and housing reinvestment projects in an amount not too exceed \$10 million. The Committee does not recommend that this division of funding be included in the actual ballot language. The language should be included as overall targets in the Bond Improvement Plan Ordinance the Board adopts for the May 2004 election.

4. The Committee believes that the \$150,000 funding cap per neighborhood from the 1997 Bond Improvement Plan Ordinance is too low. The Committee does recommend that the ordinance acknowledge the range of costs associated with the categories of projects that could be funded under the 2004 program and stress the importance of leveraging County bond funds with other revenues to accomplish projects, especially higher cost projects. For the purposes of the Bond Improvement Ordinance, specifically the first phase of funds, it is the recommendation of the Committee that the cap for individual projects be set at \$500,000. Thereafter, adjustments may be made during implementation if the Advisory Committee and staff find it necessary. Encouragement will still be given to small projects initiated by neighborhoods.

5. The Committee recommends that Pima County continue to use the processes that were used for the 1997 program to generate projects under the community reinvestment component. The Committee also recommends that the County continue to use the Neighborhood Reinvestment Community Projects Advisory Committee to receive, screen, and recommend projects for funding, but further recommends that the membership be expanded to better reflect the wider geographic spread of eligible areas.

The Housing Bond Advisory Committee found there were several factors, including legal impediments that inhibited the use of the bond funds for housing. These factors created delays that prevented the housing bond funds from being fully implemented. Consequently, the Committee recommends a different ratio of allocation for the 2004 bond funds. In 1997 the bond funds were allocated 50% to Neighborhood Reinvestment and 50% to housing. For the 2004 Bonds, the Committee recommends 2/3 (\$20 million) to Neighborhood Reinvestment and 1/3 (\$10 million) to housing.

The need for pre-development funds for affordable housing in Pima County remains strong. The reduced allocation for this cycle of bond funding does not reflect a reduced need, it reflects the extended time line that housing projects require and the additional time that, during this bond cycle, Pima County will need to perfect systems for protecting Pima County's investment in affordable housing and its bond rating under the new state law.

With this 2004 cycle of bond funding, Pima County will be implementing projects under the Arizona Revised State Statute §11-251.10 that was enacted to better accommodate housing

NEIGHBORHOOD REINVESTMENT

NRBAC TRANSMITTAL TO PCBAC

bond projects. Pima County was instrumental in proposing and promoting this change of law. The state laws governing the 1997 housing bond funds restricted the use of bond funds for housing.

The Committee believes that with the change of the state statute, a greater range of affordable housing projects can be implemented. However, the Committee also believes that the complexity of the housing process warrants limiting the number of housing projects that must be completed within the bond time frame.

The Committee recommends that the 2004 Neighborhood Reinvestment Bond Program be scheduled for completion in 5 years; no more than 7 years at the outside. The Committee sees the 2004 program as a logical extension of the 1997 program, which should in turn grow into a third phase with subsequent phases to follow in relatively orderly progression. The 1997 and 2004 programs are not intended to be the final answers to neighborhood stress.

Work of the Committee

The Pima County Board of Supervisors established our committee on July 1, 2003 and we held our first meeting on the following July 15. We have met once a week over the subsequent eleven weeks, with a quorum for every meeting, except for one meeting devoted to a tour of completed projects. We heard from one Supervisor, a representative of the Pima County Interfaith Council that advocated very strongly for the 1997 reinvestment program, and from the Chairs of the Housing Bond Advisory Committee and the Neighborhood Reinvestment Community Projects Advisory Committee. Pima County staff and bond counsel provided us with a great deal of information on legal and financial issues affecting the bond in general and reinvestment in particular, on the status of the 1997 reinvestment program, how the project selection process was organized and implemented, and on a range of options for defining and locating stressed neighborhoods throughout the County. The Committee also designed and implemented a survey of neighborhoods that received reinvestment grants, as well as neighborhoods whose applications were not funded, to get first hand information from the "clients" of the program, those whose opinions are most important. Finally, over three meetings, the Committee discussed, deliberated, and ultimately adopted this program of recommendations.

Organization of the Committee's Report

This transmittal memorandum is intended to serve as an Executive Summary. The attached report, in Section One, provides a more detailed review of the Committee recommendations and how they were arrived at. Section Two provides the more detailed information and reports generated by the Committee during its deliberations. The Committee believes we have organized this transmittal and report in a manner that is most useful to the Pima County Bond Advisory Committee.

Future of the Committee

In a sense, the Committee has completed its mandate with our transmittal of the report. Our Committee Chair, Mr. Fernando Castro, will present our report and be available to answer questions.

NEIGHBORHOOD REINVESTMENT

NRBAC TRANSMITTAL TO PCBAC

We are prepared to revisit any issue upon which the Pima County Bond Advisory Committee requests further information.

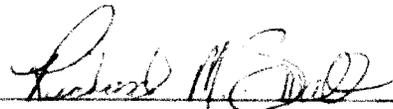
Concluding Remarks

The Neighborhood Reinvestment Bond Advisory Committee thanks the Pima County Board of Supervisors for this opportunity to serve. We all believe in the important benefits that flow to neighborhoods and to the entire community for these reinvestment projects. The 1997 Neighborhood Reinvestment Bond Program was a great start to an on-going program of investments in our most vulnerable neighborhoods throughout the County. The Committee trusts that we have submitted a series of recommendations that will allow the 2004 program to build and expand upon the successes of the 1997 program.

On October 7, 2003, the Neighborhood Reinvestment Bond Advisory Committee unanimously approved these recommendations and the attached report, as testified to by our signatures below.



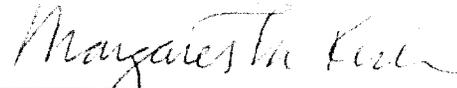
Fernando Castro, Chair



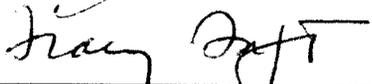
Richard M. Small, Vice Chair



Jan Johnson, District 1



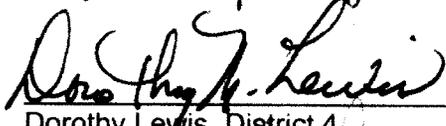
Margaret Kish, District 2



Tracy Taft, District 3



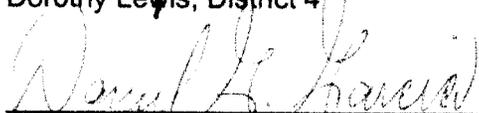
Ellie Towne, District 3



Dorothy Lewis, District 4



Rosalva Bullock, District 5



Dan Garcia, District 5



PIMA COUNTY
NEIGHBORHOOD
REINVESTMENT
BOND ADVISORY
COMMITTEE

FERNANDO CASTRO, CHAIR

RICHARD M. SMALL, VICE CHAIR

JAN JOHNSON, DISTRICT 1

MARGARET KISH, DISTRICT 2

TRACY TAFT, DISTRICT 3

ELLIE TOWNE, DISTRICT 3

DOROTHY LEWIS, DISTRICT 4

ROSALVA BULLOCK, DISTRICT 5

DAN GARCIA, DISTRICT 5

NEIGHBORHOOD REINVESTMENT

NEIGHBORHOOD REINVESTMENT BOND ADVISORY COMMITTEE

Report to Pima County
Bond Advisory Committee
October 7, 2003

BACKGROUND

On July 1, 2003, the Pima County Board of Supervisors established a County Bond Advisory Committee for the 2004 Special Bond Election and appointed Members to the Committee. In the approved motion for a May 2004 Special Bond Election; the Board of Supervisors included a provision for Neighborhood Reinvestment. This was in response to several speakers at the June 17, 2003, Board of Supervisors meeting addressing the need for investments in a plan to protect the people of the Sonoran Desert to complement our natural resource conservation efforts. Neighborhood Reinvestment targets communities experiencing high stress as measured by many indicators of social dependency and housing need.

The Neighborhood Reinvestment concept was first introduced through the May 20, 1997 Bond Election that included a \$10 million authorization for neighborhood and housing reinvestment. Through the end of fiscal year 2002/03, this 1997 authorized bond program has proven to be successful in the timely expenditure of the bond money, in providing needed infrastructure to the targeted neighborhoods, and in empowering neighborhood residents through effective partnering with appropriate County entities and staff. Consequently, the members of the Board of Supervisors chose to continue this Neighborhood Reinvestment Program and to expand it for the May 2004 Bond Election. To prepare for the May 2004 Bond Election, a separate Neighborhood Reinvestment Bond Advisory Committee of 10 members was established to develop recommendations on the substance, structure, and process of reinvestment. These recommendations are then to be passed to the larger County Bond Advisory Committee for their review and evaluation. All or part of the recommendations from the Neighborhood Reinvestment Committee will be taken into consideration for inclusion in the report that will be written by the County Bond Advisory Committee and that, subsequently, will be submitted for approval to the Board of Supervisors.

NEIGHBORHOOD REINVESTMENT

HISTORY

By Board of Supervisors' action on April 21, 1998, a Pima County Neighborhood Reinvestment Bond Advisory Committee was established to guide the implementation of the Neighborhood Reinvestment portion of bond funds. The Neighborhood Reinvestment Bond Advisory Committee established effective outreach to neighborhoods, procedures, and evaluation criteria that made the reinvestment program successful. This money was expended through government entities with Intergovernmental Agreements (IGAs) when the government entity was not Pima County. As of this date, almost the entire amount originally authorized has been expended or is committed to neighborhood improvement projects.

At this time, 39 Neighborhood Reinvestment projects have been or will soon be accomplished. For implementation purposes, a cap was set at \$150,000 as the County's portion of the cost. Almost every project had matching funds greater than or equal to the amount contributed by Pima County. Parks, street medians, streetlights, sidewalks, and playground equipment are only a few of the amenities accomplished with Neighborhood Reinvestment monies.

Perhaps the most important aspect of the Neighborhood Reinvestment projects is their focus of origination. All of the projects originated in the neighborhoods and were the result of neighbors coming together and deciding what amenity would best benefit the residents in the neighborhood. Once the neighbors decided on a project, the staff worked with the neighbors to accomplish the project.

On that same date, April 21, 1998, by Board of Supervisor's action, a Pima County Community Housing Bond Oversight and Advisory Committee was established to guide the implementation of the housing portion of the Neighborhood Reinvestment bond monies. This Committee established its own outreach, procedures, and evaluation criteria. However, housing projects must be accomplished under strict governmental control established by law at the local, state, and federal level. In addition, there are several layers of regulations at each of those levels: 1) mortgaging standards and controls 2) banking approved practices and regulations 3) legal requirements for the use of bond money.

The housing bond money was expended through state licensed, private, non-profit contractors. Because the money was being released to the private sector, there was close scrutiny required of the contractor's qualifications, capacities, and financial history. In the process of expending the housing portion of the Neighborhood Reinvestment money, it was discovered that certain state laws needed to be modified so that the counties would have greater latitude in effectively using housing bond money. These modifications were accomplished. As the above information indicates, the timeline for accomplishing housing projects is greatly expanded over the time required to accomplish Neighborhood Reinvestment projects. Consequently, some money still remains in the housing fund although several applicants with strong credentials and excellent affordable housing projects are vying for access to these bond dollars through a newly modified procurement process. It is anticipated that the full \$5 million will be committed before

NEIGHBORHOOD REINVESTMENT

the end of the bond period.

At this time, the expended portion of the housing funds under Neighborhood Reinvestment has underwritten 126 units of affordable housing. It is important to emphasize that the influx of Pima County dollars on the front end of these affordable housing subdivisions made it possible for these housing projects to go forward. Without Pima County money as matching funds, none of the other funds could have been leveraged. Subsequently, the subdivisions could not have been accomplished.

This expended money will leverage approximately \$11,340,000 from private mortgage sources or grant programs. This constitutes a direct leverage ratio of 1:11 and also indicates the direct dollar input to Pima County's economy and job market. Consequently, the Neighborhood Reinvestment dollars for housing have been a major benefit to Pima county in 2 ways: 1) It provides new units of affordable housing; and 2) It leverages new money into the Pima County economy and job market.

PURPOSE

The purpose of Neighborhood Reinvestment is to foster healthy communities throughout Pima County. "A community is only as healthy as its most stressed neighborhood, and likewise, a neighborhood is only as healthy as its most vulnerable resident." Consequently, it is believed that reinvesting in our most stressed neighborhoods with new housing, community amenities, and public infrastructure will have many benefits for its residents and will reduce the negative social impacts—poverty, crime, violence, and drug & alcohol abuse—that stressed areas spawn and which affect all residents of the greater community either directly or through increased costs for protection.

The purpose of the Neighborhood Reinvestment Bond Advisory Committee is to fulfill its mission while focusing on the overall purpose of Neighborhood Reinvestment. Its mission is as follows:

Neighborhood Reinvestment Bond Committee MISSION STATEMENT

The Neighborhood Reinvestment Committee will develop and present to the 2004 Pima County Bond Advisory Committee recommendations for the May 18, 2004, bond election for Neighborhood Reinvestment. The Committee's recommendations will address the policies and procedures for how the 2004 reinvestment would be implemented, the purpose, the amount of the bond authorization to be sought from voters, and recommend the number of years within which the 2004 Neighborhood Reinvestment Program should be completed. The goal of the 2004 Neighborhood Reinvestment program will be to strengthen family and community bonds and lead to more healthful, safe and productive lives. The 2004 Neighborhood Reinvestment program will continue to target communities experiencing high stress. *

*This mission statement paraphrases the directives of C.H. Huckelberry, County Administrator; in his "Board of Supervisors Memorandum" dated July 1, 2003.

NEIGHBORHOOD REINVESTMENT

ISSUES FOR DISCUSSION, EVALUATION, AND RECOMMENDATION

The following items are the issues with which the Neighborhood Reinvestment Bond Committee has been charged. Many of these issues were identified in a July 7, 2003 memorandum from the County Administrator's Office and have been refined by the Committee. The Committee has worked with these issues and the Committees recommendations and findings are hereby summarized:

Recommendation 1: A \$30 Million Bond Program

Recommendation 2: Allocation of Bonds Between Geographical Areas

Question: What is an appropriate amount of Neighborhood Reinvestment Bonds to seek in the upcoming bond election? How should the funding be allocated?

Committee recommendations 1 and 2 would set the total bond authorization for the 2004 Neighborhood Reinvestment Bond program at \$30 million, with an allocation of funding between stress areas in the urban core, the focus of the 1997 program, and suburban and rural stress areas. These recommendations are based upon the following considerations.

There are two driving factors when considering the basic question of how much money should be allocated to neighborhood reinvestment: need and ability to spend the money. The members of the Committee clearly agree that the need for the money is far greater than the County's capacity to expend the dollars in a five to seven year time period. The Committee also recognizes that by expanding the program to the more rural stressed areas of the County, more resources will be demanded and more complications arise.

In implementing the 1997 Neighborhood Reinvestment Program, the County learned a great deal about the strength in neighborhoods and the ability of these groups to help formulate strategies to improve their community. Areas with high degrees of stress were able to unify and plan for capital improvements to enhance their quality of place. The County staff gained valuable insight into implementing these programs and assisting empowered neighborhoods. The County also found how valuable these programs were in preserving the fabric of the community.

Members of the Committee expressed a desire to recognize that the targeted areas of stress in the urban core identified in the 1997 bonds must remain a central emphasis. Specifically, concentrating resources in the urban areas provide benefit on several levels. First, they are familiar with the program and it will not take as long to generate applications. Second, they are recognizable entities. As the program expands eligibility to the rural areas, it will take time to cultivate eligible projects from the communities as some of these areas may be sparsely

NEIGHBORHOOD REINVESTMENT

occupied and lack formal designation as neighborhood associations or fail to possess a formal organizational structure. Finally, it is impossible to ignore the need in the urban areas, and with the decline in funding from the City of Tucson's Back to Basics Program; even more resources will be required to continue the successes of the past.

As has been explained in another section of this submittal, the housing component of the Neighborhood Reinvestment Program is unique. It will take more time to develop and cultivate eligible projects, and will certainly take more time to complete the efforts. It is also unique in that the prospect for rural projects is quite high when looking for ways to provide County assistance in the form of infrastructure.

Given the points listed above, the Committee recommends the following breakdown for funding in the 2004 Pima County Bond Issue relating to Community Reinvestment:

Total Amount	\$30 Million
Reinvestment	\$20 Million
Housing	\$10 Million

Reinvestment breakdown:

Identified ('97) Urban Stressed Neighborhoods	\$5 Million
Rural Areas @ 50% of residual	\$7.5 Million
Urban Areas @ 50% of residual	\$7.5 Million

This breakdown in the reinvestment portion allows for recognition of the need and merit of projects in the existing core area. The neighborhoods identified by the stress indicators used from the City of Tucson in the 1997 Pima County Bond Issue are provided a total of \$12.5 million. The rural areas are then provided \$7.5 million recognizing their importance in fostering a healthy community and a well Pima County. It is recommended that the housing component not be sub-allocated between rural and urban at this time.

Recommendation 2: Allocation of Bonds Between Geographical Areas

Question: Should the County direct resources using maps based upon the 2000 Census and the same criteria used in the 1997 bond issue? And, should the County look at "multi-neighborhood" impacts?

This question also addresses the Committee's second recommendation, on the allocation of bond funding between stress areas in the urban core, suburban metropolitan area, and rural areas.

The Committee agreed that Pima County should target funds to the most stressed areas of the County. The Committee will work to frame rational choice options so that the Board of

NEIGHBORHOOD REINVESTMENT

Supervisors may adopt a system to follow for awarding money that is transparent to outside audiences. The Board of Supervisors must ultimately make all decisions. However, it was conceded that the targeted communities in the 1997 program should be given fair apportionment of new bond monies in recognition of their level of need as a reflection of a maintenance of effort.

As of this date, maps are currently available for review by the Committee. As shown, several layers of data are provided. These layers include the Stress Index, the Empowerment Zone, the Youth Opportunity (YO) Grant Area, and the Under-performing Schools as determined by the Arizona State Department of Education. Specifically, the stress index for the entire county is presented using the same methodology for determining stressed areas used in 1997 for the incorporated Tucson area.

The Committee believes it is important to target areas with the highest degree of stress according to the study. These communities have been well identified in the past and are consistently urban in nature and densely populated. The Committee also believes that it is important to expand the program and recognize the stress zones in some of the established rural neighborhoods. These unincorporated rural areas, although much more sparsely populated and in some cases not as high stressed as the urban core, contain a certain degree of need based on Community Development target information, under-performing schools in those areas, and Colonia designation (from the US Department of Housing and Urban Development).

It is the recommendation of this committee that though the available stress index be used as the primary foundation for determining target areas, other factors be taken into consideration during the selection process; factors that should not be used to discourage communities from pursuing funding in the more medium stress areas but rather supplement stress data. It should also be noted that a certain amount of distortion might exist in rural stress information as a result of the methodology of the study, but that this data is still relevant and statistically significant. Despite these considerations, it still remains an item of consensus that the primary base for targeting areas of the greatest need be the stress index as indicated by the study.

In regard to the question as to whether or not projects with "multi-neighborhood" impacts should be considered, the Committee strongly suggests that they should. Clearly, the goal of the program is to help residents in neighborhoods and members of communities identify, articulate and implement capital improvement projects that enhance their quality of place. There will be times when projects overlap geographic boundaries and impact more than one neighborhood. Staff should be directed to build consensus on these types of projects and foster collaborative working environments to help facilitate such projects. The Committee also recognizes that these projects may require more resources, but in return may favorably impact more residents.

NEIGHBORHOOD REINVESTMENT

Recommendation 3: Allocation of Bonds Between Community Reinvestment and Housing

Question: What is the role of housing and its relationship to Neighborhood Reinvestment?

The Committee recommends that \$10 million of the \$30 million authorization be allocated to housing programs, based upon the following considerations:

Homeownership is a proven effective tool for strengthening and revitalizing distressed areas. In addition to creating jobs in the housing sector, homeownership enhances the lives of individual households, and remains the main, and many times, the only source of asset building for low and moderate-income households. Owning a home also promotes security, stability and self-sufficiency, which are all ingredients to creating neighborhood reinvestment. More specifically, a recent nationwide study (conducted by professor Donald Haurin, research scientist R. Jean Haurin, and sociology professor Toby Parcel and is in the February 2003 issue of Real Estate Economics) found that homeownership helps children's educational achievement as well as reduce behavior problems. The study found that owning a home compared with renting leads to a 13 to 23 percent higher-quality home environment. Many homeowners tend to start taking greater pride in their homes, by cleaning and landscaping their yards, painting, generally improved maintenance and upgrades.

Building new affordable housing units, including rental-housing units, in stressed areas improves the existing neighborhood housing stock. Such units are essential housing resources for low-income seniors and other low-income residents.

Recommendation 4: Limits on Reinvestment Grants

Question: Should individual reinvestment projects be limited to a maximum of \$150,000 as was done in implementing the 1997 bond funding, and should emphasis and priority be placed on projects that leverage other funding?

The Neighborhood Reinvestment Bond Advisory Committee believes that funding limits need to be increased. Currently, projects are not to exceed \$150,000 in any one neighborhood. The original intention of the Neighborhood Reinvestment Advisory Committee was to use the 1997 bond money as "seed" money for leveraging larger-scale projects or for small-scale infrastructure improvements and construction projects. The purpose was to encourage neighborhood-driven applications that would promote the following: 1) Active research by neighborhood residents for a financial match to complete larger scale projects; and 2) Greater neighborhood participation and empowerment. The evaluation criteria used by the Neighborhood Reinvestment Advisory Committee gives most importance to three areas as follows:

NEIGHBORHOOD REINVESTMENT

- Need – neighborhoods presently experiencing physical and socio-economic stress
- Impact to Neighborhood – The proposal must show a clear benefit to the entire neighborhood
- Matching Funds – Projects that identify a financial leverage

The costs of construction projects include several costs that are necessary that many times neighborhoods do not take into account. These are design, engineering and project administration costs. Overhead costs for these necessary services consume an average of thirty percent (30%) of the total budget. For example, if a project budget is \$150,000 – thirty percent of the budget, or \$45,000 will be used for design, engineering and project administration, leaving \$105,000 available for actual construction. Since the establishment of the procedures used to fund neighborhoods in 1998, the original \$150,000 funding limit set by the Neighborhood Reinvestment Advisory Committee has proved to be not enough. Construction costs have dramatically increased and in turn, \$150,000 buys fewer improvements. It is the recommendation that the \$150,000 funding limit be increased to reflect current costs. Members requested project types and costs and they are incorporated in this report as an attachment.

Pima County Ordinance No. 1997-35 established caps on Neighborhood Reinvestment grants of \$150,000 per neighborhood. The cap ensured a wide availability of bond funding, avoiding the possibility that a few large, well-organized neighborhoods could monopolize the funds.

As the 1997 program advanced, the County determined that the original cap language was too restrictive, appearing to not provide the Board of Supervisors with discretion to waive the cap in granting larger awards when it was in the best interest of the County to do so. The County discovered this complication when projects that exceeded the grant cap were sought by neighborhoods. Cooperative funding arrangements, matching County bond funds with City of Tucson Back to Basics grants or County bond funds with Tucson improvement district funding, enabled many projects that would not have been possible with County bond funds alone. (The benefits of cooperative funding worked both ways. County bond funds enabled many projects that the City might not have funded with only their funds.)

The County crafted a partial solution to the overly restrictive caps. Ordinance No. 2001-111 clarified the Board's discretion to waive the caps when warranted. The Committee believes a more realistic policy on grant limits is preferable for the 2004 Neighborhood Reinvestment Bond Program. The Committee recognizes that a cap of \$150,000 per neighborhood is too low and too restrictive. Neighborhood Reinvestment grants should be made in an amount that is appropriate to the scale of the approved project. For example, speed bumps, sidewalks, and street lighting all involve different costs. Similarly, speed bumps over a course of one mile are less expensive than speed bumps over five miles of roadway. Neighborhood Reinvestment grants should be awarded to be commensurate with the scope of the approved project.

At the same time, the Committee believes there should be a limit to the size of grants that the

NEIGHBORHOOD REINVESTMENT

Board would make, which the Committee would set at \$500,000. The Committee believes that the Board should have the discretion to make awards in amounts higher than \$500,000, but only on the basis of strong and compelling evidence that such a larger grant is in the best interest of the County.

The Committee also believes that the cap of \$500,000 should apply to individual projects or to the amount that any one neighborhood could receive in a given year, or to some combination of the two factors. The Committee strongly recommends that the \$500,000 cap be flexible over the course of the 2004 Neighborhood Reinvestment Bond Program as costs increase through inflation. The Flowing Wells neighborhood has developed a comprehensive, multi-year plan of improvements, and it would make good policy for this program to be able to help them phase in parts of that plan. It would also make good policy sense to encourage other neighborhoods to think in long-term, comprehensive-planning perspectives.

The Committee also recognizes that, even at \$500,000, County bonds will often not be sufficient enough to fund projects as requested by neighborhoods. The Committee believes that this program must stress identifying multiple sources of funding for projects and not slipping into a mind set of expecting the County bond program to "do it all."

It is the opinion of the Neighborhood Reinvestment Bond Advisory Committee of 2004 that leveraging funds should be strongly emphasized. In the past, projects that have leveraged funds provided the greatest benefit to the neighborhoods. When the bond dollars leverage other funds, the County bond funds expand the impact of the initial investment. Matching funds that have been used before for Neighborhood Reinvestment projects are Back to Basics, Pima Association of Governments – Transportation Enhancement Grants, Community Development Block Grants (CDBG) and smaller scale grants with PRO Neighborhoods.

Recommendation 5: Continue With Current Project Selection System

Question: What are some of the current selection procedures and are they adequate?

It is the opinion of this committee that the current selection procedure is efficient enough at present to warrant no drastic changes. All of the 1997 Neighborhood Reinvestment Bond funds have been allocated within the original designated time frame. With the exception of one neighborhood, all selected projects have been implemented or are in the process of being implemented. The one project that has not been implemented was complicated more by lack of follow-through by the neighborhood and not from the selection process itself. This project was approved for funding in May of 2000, but the neighborhood was unable to attain Improvement District status because it failed to generate the necessary signatures required to do so. This was a result of the large number of renter-occupied housing in the neighborhood, and landlords unwilling to assume an obligation for improving the neighborhood.

NEIGHBORHOOD REINVESTMENT

The selection procedure that is currently in place can be summarized as follows:

- Representatives of a neighborhood group submit a proposal to the Neighborhood Reinvestment Office
- Neighborhood Reinvestment Staff reviews proposal
- If application deemed complete, staff refers proposal to the Bond Oversight Committee
- Bond Oversight Committee conducts a site visit, and deliberates need and appropriateness of proposed project
- Bond Oversight Committee makes recommendations to the Board of Supervisors
- The Board of Supervisors makes final project approval decision

Because it is the recommendation of this committee that the Neighborhood Reinvestment Program be implemented on a broader, countywide scale, it is also recommended that the Bond Oversight Committee be expanded to include members from those areas currently not being supported by Neighborhood Reinvestment.

It is the opinion of this committee that the current time frame for the implementation of projects is lengthy, but is beyond the control of the Bond Advisory Committee to alter significantly. Many factors play into the length of this implementation procedure. Typically, the average Neighborhood Reinvestment Project takes anywhere from 12 to 24 months to complete, from conception, application, and approval to design, construction, and conclusion.

The factors that contribute to this lengthy process are summarized as follows:

- When applicable, the Intergovernmental Agreement (IGA) process takes 3 to 6 months, but can take as long as 1 year to complete
- Since all monies are expended through a governmental entity, projects are cued to accommodate that body's construction schedule. Factor's that contribute to the length of time in processing includes, but is not limited to, design, procurement procedures, and inspection requirements.

It is the recommendation of this committee that Neighborhood Reinvestment Staff continue to keep neighborhoods apprised of the implementation procedure as projects progress so there is a clear understanding of the time frame.

There were two other important questions addressed by the Committee that contributed to our recommendations in a general, rather than specific, fashion.

NEIGHBORHOOD REINVESTMENT

Question: What are some of the legal issues framing the 2004 Bond Issue?

The Committee was briefed by Pima County's bond counsel and by the Pima County Attorney's Office on state and federal legal issues that impact the use of general obligation bonds to fund the Neighborhood/Housing Reinvestment Program. The Committee believes these laws provide ample opportunity for Pima County to continue and expand upon the 1997 neighborhood reinvestment program. For example, many of the thirty-two neighborhoods that participated in the 1997 program favored expenditures on neighborhood safety, such as street lighting, sidewalks, and traffic mitigation improvements, all of which are fully consistent with state and federal laws. Some neighborhoods requested improvements to public parks, which expenditures are also fully consistent with the applicable laws.

Under the 1997 program, Pima County also used general obligation bonds to partner with non-profits to develop affordable housing ownership programs. In these two instances, Pima County used 1997 general obligation bonds to provide public infrastructure improvements for the developments, thereby allowing for a significant buy down on the cost of the housing. With the 2004 general obligation bonds, under current law, Pima County could partner with others on an affordable home ownership program for low income families, first by acquiring the land to be developed and selling it to a non-profit developer at below the market rate, with deed restrictions limiting resale of the property to other low income families and then also by constructing the public infrastructure improvements. Under this scenario, Pima County could use general obligation bonds to make an even more sizable buy down to make housing affordable to low-income families. Pima County could also structure a program to acquire existing housing with general obligation bonds, make improvements to the housing, and then contract the properties in a block to a non-profit organization that would market the properties for home ownership to low income families, with deed restrictions on resales. Pima County also has legal authority to use general obligation bonds in programs to provide rental properties at affordable rates and to provide housing opportunities for the elderly and disabled.

On the community reinvestment side, Pima County also has the authority, under the proper circumstances, to use general obligation bonds for capital improvements to structures owned by non-profits when those agencies are then enabled by these improvements to provide services to the public that Pima County is required to provide or has the statutory authority to provide.

In summary, the Committee notes that the County has ample legal authority to use general obligation bonds in a wide variety of public infrastructure improvements that can make substantial contributions to the revitalization of neighborhoods. The Committee also notes, on an equally important or perhaps even more important note, that the County also has ample legal authority to creatively partner with other entities and funding sources to package expenditures of general obligation bonds to further the goals of neighborhood reinvestment and affordable home ownership. Creating these partnerships will take ingenuity and time, but the payoffs would be substantial.

NEIGHBORHOOD REINVESTMENT

Question: Should a time limit be set for a neighborhood to use the money, i.e. if the money has not been used within 2 years should it be returned to the general investment fund?

It is the opinion of this committee that an absolute time limit should not be set for approved neighborhood projects, but that it should clearly be stated in the brochure and/or application verbiage that, at the discretion of the Board of Supervisors, the allocated funds may be recaptured if a neighborhood group does not fulfill its responsibilities in a timely manner. It must also be noted that in the event bonds for a particular project that has been approved but whose implementation may be impeded have been sold, then a potential problem arises due to arbitrage, and steps to avoid this should be taken at all costs.

CONCLUSION

The Neighborhood Reinvestment Bond Advisory Committee has been diligent and committed in its efforts to follow the directives of Pima County Administrator C.H. Huckelberry to develop and present recommendations for the Neighborhood Reinvestment Program to the 2004 Pima County Bond Advisory Committee. The Neighborhood Reinvestment Bond Advisory Committee has studied, reviewed, discussed, and analyzed all aspects of the policies and procedures that will affect the bond authorization for Neighborhood Reinvestment being sought from voters in 2004. Most of the Committee's recommendations were achieved through consensus.

Cooperation and focus on the benefits for the community have been the hallmark of this Committee's process. The Committee members have worked hard, asked tough questions, and been unflinching in fulfilling the task given to them by the Pima County Board of Supervisors. The members of the Committee have been outstanding stewards of the interests of Pima County residents, voters, taxpayers, and elected officials.

The recommendations achieved through the Neighborhood Reinvestment Bond Advisory Committee's process can be summarized as follows:

- Continue with and increase the bond authorization for Neighborhood Reinvestment to \$30 million
- Include housing as an important component of Neighborhood Reinvestment
- Allocate \$20 million to Community Reinvestment and \$10 million to Housing
- Allocate Community Reinvestment funding between stress areas in the urban core, the suburban stress areas, and the rural stress areas via the suggested breakdown:
 - Identified (1997) Urban Stressed Neighborhoods \$5 million
 - Rural Stressed Areas @ 50% of Residual Funds \$7.5 million
 - Urban Stressed Areas @ 50% of Residual Funds \$7.5 million
- Set the Neighborhood Reinvestment Program for 5 years

NEIGHBORHOOD REINVESTMENT

- Consider projects with “multi-neighborhood” impacts
- Increase funding limits to \$500,000 per project
- Encourage financial matches and neighborhood driven applications
- Continue to use the current project selection procedure

These recommendations as well as the full the report from the Neighborhood Reinvestment Bond Advisory Committee are respectfully submitted to the Pima County Bond Advisory Committee for inclusion in its report to the Pima County Board of Supervisors.