Verde Valley Community Development Organization

Community Forum: Working Together on Housing Issues

Cottonwood Recreation Center

October 2, 2024

Visit Our Website:
vvcdo.com

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Welcome and Acknowledgements

Luke Sefton,

Sefton Engineering Consultants

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Forum Program

- Welcome
- Recognition of Partners: Financial and In-Kind
- Introduction to the VVCDO and its Programs
- The Vital Need for Affordable Housing: You Can Make a Difference
- The Reality of Real Estate in the Verde Valley
- Year End Tax Considerations and the Role of Philanthropy
- Questions and Conclusion

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Thank You Partners

The Verde Valley Community Development Organization (VVCDO) is grateful for the generous financial support and contribution of expertise by the following organizations and individuals.

Arizona Community Foundation of Yavapai County

Cambium Wealth & Legacy Strategies

Gato Community Gives Fund

GivingSMITH

Greater Verde Valley Chamber of Commerce

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Thank You Partners

Ingebritson Family Foundation

Margaret T. Morris Foundation

Momentum Catalysts

Pinnacle Bank

Robyn Prud'homme-Bauer

Sefton Engineering Consultants

Selna Realty

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Thank You Partners

Town of Camp Verde

Town of Clarkdale

Verde Income Partners

Yavapai County

Yavapai Realty

Thanks to Pinnacle Bank for providing refreshments for the Community Forum.

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Introduction to the VVCDO

Mary Chicoine,

Momentum Catalysts

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Vision

The Verde Valley Community Development Organization (VVCDO) shapes resilient communities through regional collaborations and alliances.

Mission

The Verde Valley Community Development Organization (VVCDO) identifies, facilitates, and implements regional programs and projects that ensure sustainable communities through regional engagement.

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Journey Through the Website

Organizational Priorities

- Develop regional resource documents
- Create a Developable Land Database
- Be a regional resource and host educational programs
- Establish a Verde Valley Community Land Trust

https://vvcdo.com

(Note: VVCDO uses ".com" instead of ".org")

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The Vital Need for Affordable Housing: You Can Make a Difference

Robert (Rob) Witt,

Verde Income Partners

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The reality of real estate housing in the Verde Valley

Agenda

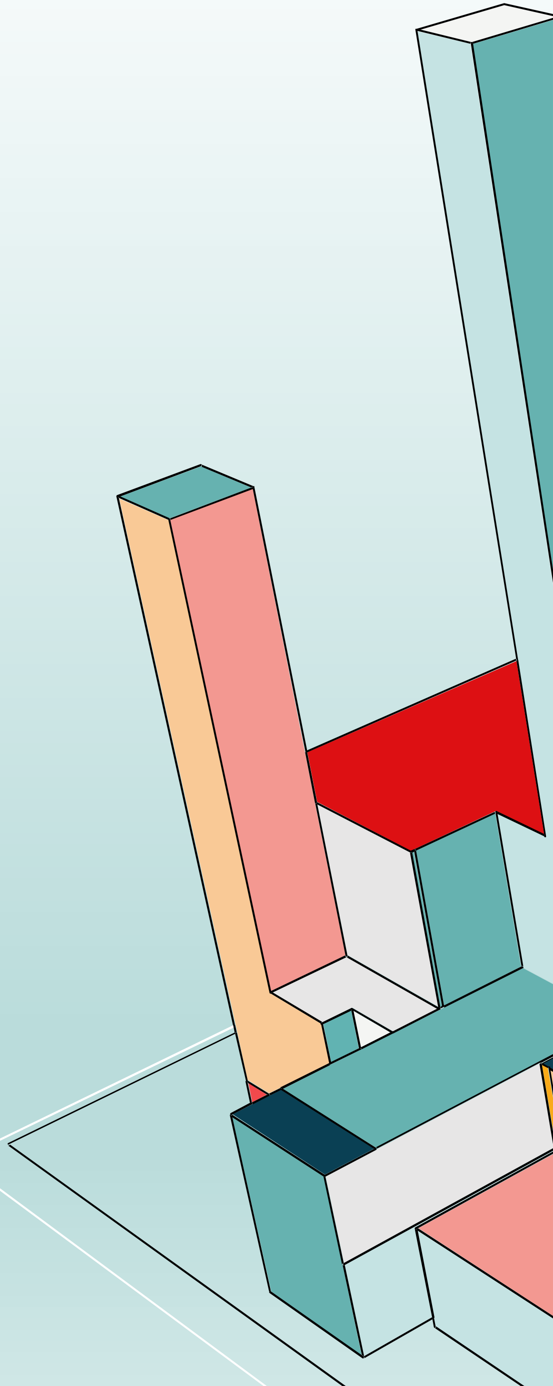
- Creating a Healthy Community
- Yavapai County Growth 2023, 2024
- Verde Valley Growth 2023, 2024
- Median Home Sales
- Median Incomes
- Supply and Demand
- What to do about it!

Healthy economies mean healthy communities!

Housing is a vital part of every community and provides quality of life! The nation is experiencing a major housing shortage coupled with a crisis of housing affordability. "New housing supply is not keeping pace with rising demand," warns Sam Khater, Freddie Mac's chief economist, citing a shortage of about 300,000 units a year.

Stanford Social Innovation Review – Informing and inspiring leaders of social change.

Solutions for the Housing Crisis. 1. Removing Regulatory Barriers at the Local, State, and Federal Level to Allow More Homes and Apartments to Be Built and Reduce the Time and Cost of Building. 2. Innovation to Build Faster, Increase Productivity, and Lower Costs. 3. Assist Renters to Improve Their Financial Position and Credit Scores to Help Them Achieve Homeownership. 4. Using Existing Housing and Land to Provide Greater Housing Opportunities. 5. Focus on the Solutions, Not the Problem.



Housing affordability is a primary issue for many non-urban communities.

The Verde Valley is no different and its success as a tourist destination and retirement enclave.

Several factors has placed pressure on the housing market to maintain affordability.

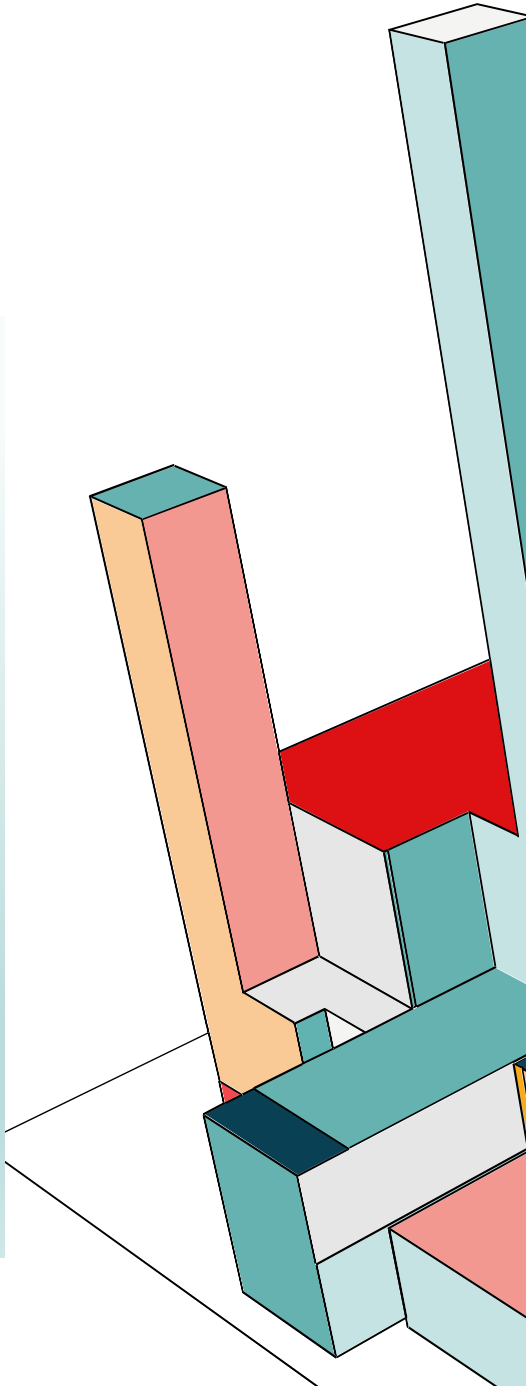
According to the ASU research report, Arizona is short 270,000 housing units, and there are only 26 rentals available for every 100 extremely low-income households. Cook-Davis said the main challenges the developers cited were **building costs, zoning issues and opposition from neighbors. Jan 19, 2024**

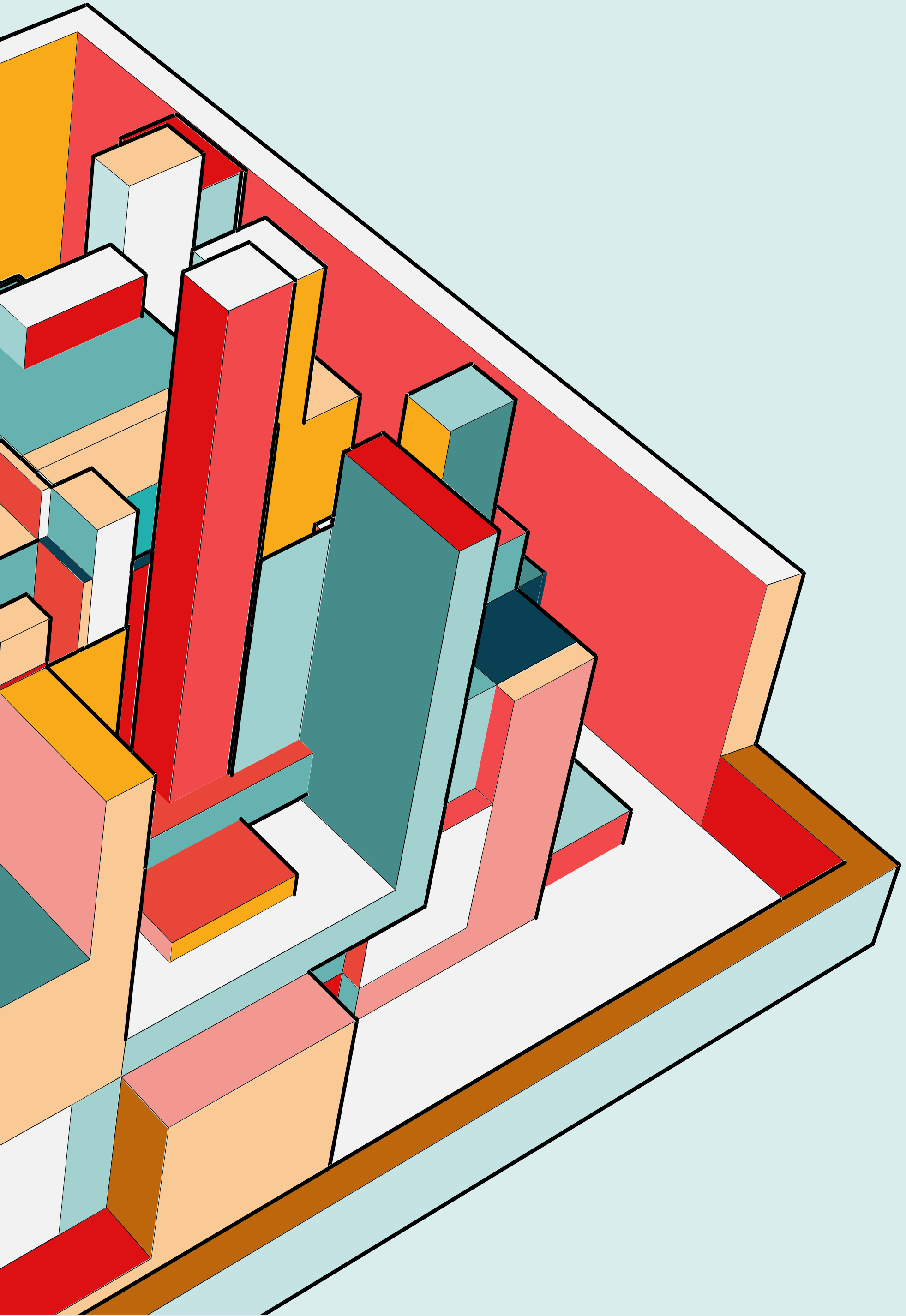
https://news.asu.edu/20240123-national-and-global-affairs-housing-crisis-affecting-phoenix-area-asu-reports

Verde Valley household income

The Verde Valley median household income is $52,083, with the highest figure coming from Cornville, which is $67,848, and the lowest is Yavapai-Apache Nation at $21,042.

Around 17.3% of people who live in the Valley are under the poverty, which is about 4% higher than the state average.





Healthy goals for a vibrant community

Providing housing solutions that are affordable to households at a variety of Income levels.

With specific fucus on those households that are cost-burdened and earning less than the Yavapai County area median Income of $67,245 2023. US Census Bureau

Yavapai County Population

2024	251,932	Increase	1.4%	YoY
2023	249,081	Increase	1.16%	YoY

World Pupolationreview.com

Verde Valley Population 2024

2024	The entire Verde Valley has a population of **69,393**
	A 3,000-person increase since 2010
	Adults make up a large portion of the population.
	While children only make up 14% of the figure
	Contrary to the rest of Arizona, the median age is 50.1 years old as opposed to the state average of 38.3. Source YC Records

Affordable Housing Demand 2021-2026

Affordable Housing Demand From Employment Growth

Community	5-Year Demand	Annual Demand
Camp Verde	160	32
Clarkdale	15	3
Cottonwood	241	48
Jerome	12	2
Sedona	362	72
Unincorporated Area	151	30
Total	**943**	**189**

Source: EMSI

Median home prices

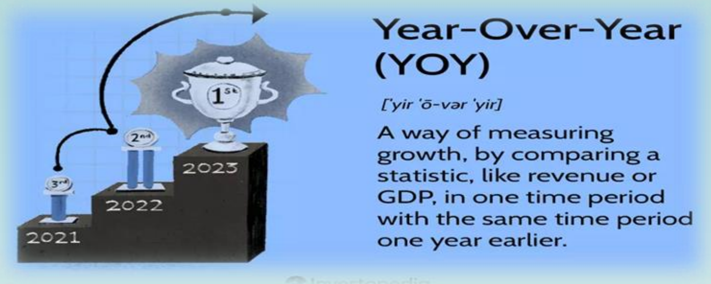
The median home price in Arizona is $443,800.

But, it is expected to decrease due to a rise in inventory in the latter half of 2024. The sale-to-list price ratio is 98.20%, dropping by 0.4 pt YoY.

Home Sales: As per July 2024 data, home sales increased by 4.7% Year-Over-Year! Sep 9, 2024

Median Home Prices in the Verde Valley List 389,000 Sold 380,000. Jan 1 to Sept 23,2024 MLS

Median Home Prices in Yavapai County List 685,959. Sold 616,610. Flex MLS



What is a healthy housing economy?

A healthy economy and housing market must address all the following demand sectors.

Affordable is often associated with housing for the lowest income households. Workforce or Attainable housing is often associated with the demand from critical service providers and other service workers.

Affordable applies to all households that are burdened by housing costs or those that can't find housing due to its cost relative to household income. Affordable housing refers to a continuum of housing demand that affects persons from the lowest income levels to those earning above the area median income.

A healthy ratio of housing costs is 30% of a person or families monthly income. Ownership is a more stable vs rental properties because of the inability to stabilize the ratio.

Sedona Verde Valley current housing statistics

Jan 1, 2024/Sept 23, 2024 SVVAR MLS – Residential Properties

Cottonwood	Clarkdale	Camp Verde	Cornville	Sedona	Rimrock
Sold 272 Active 114	Sold 83 Active 42	Sold 112 Active 71	Sold 69 Active 54	Sold 366 Active 292	Sold 49 Active 31
Median List 365,000.	Median List 600,000.	Median List 365,000.	Median List 515,000	Median List 940,000.	Median List 334,900.
Median Sold 360,000	Median Sold 481,695.	Median Sold 335,000.	Median Sold 490,000	Median Sold 908,500	Median Sold 325,000
SP/LP 97.73	SP/LP 97.74	SP/LP 95.44	SP/LP 97.42	SP/LP 96.72	SP/LP 97.74
Sold Volume 105,398,489.	Sold Volume 39,433,253	Sold Volume 43,963,257.	Sold Volume 36,974,375	Sold Volume 410,123,375.	Sold Volume 17,134,660

Verde Valley Housing Cost Burden Summary

	Camp Verde	Clarkdale	Cottonwood	Jerome	Sedona	Yavapai County	Total Verde Valley
Total Households	3,956	2,226	5,253	227	5,348	11,414	28,424
Cost Burdened Households	1,144	1,034	2,135	62	2,275	3,686	10,336
% Cost Burdened Households	**28.9%**	**46.5%**	**40.6%**	**27.3%**	**42.5%**	**32.3%**	**36.4%**
Paying 30%-50% of Income	554	882	1,174	14	1,060	2,024	5,708
Paying More Than 50% of Income	590	152	961	48	1,215	1,662	4,628
% Paying More Than 50% of Income	**14.9%**	**6.8%**	**18.3%**	**21.1%**	**22.7%**	**14.6%**	**16.3%**

Source: 2018 American Community Survey 5-Year Estimates

The affordable housing gap for the Sedona-Verde Valley is comprised of the following:

Sedona: 1,258 units - Remainder of Verde Valley: 1,538 - Total: 2,796 units

Verde Valley housing needs

The Verde Valley housing inventory is similar in several ways to the statewide inventory. Overall, the percentage of single-family homes in the **Verde Valley at 64.6%** is about equal to the **statewide 64.0%** figure.

Where the inventory differs is in mobile homes and apartments. Approximately 18.5% of all housing units in the Verde Valley are mobile homes compared to the Arizona average of 10.5%.

Mobile homes comprise a high percentage of units in Camp Verde, Cottonwood, and the unincorporated areas of the Verde Valley. Sedona has 902 mobile homes or approximately 13.3% of all housing units.

The housing gap is the difference between the demand for housing units available at different income levels and the supply of those units. The gap affects both homeowners as well as renters.

Champions for the Cause

- ✓ Creating housing for the core job households that make up a vital part of the community.
- ✓ Creating a place to live that is affordable to the different incomes that make up the entire Sedona-Verde Valley population.
- ✓ Making a difference for quality of life.
- ✓ Serving to fill in the gap of the vital need of housing.
- ✓ A non-profit 501(c)(3) organization
- ✓ Shaping resilient Communities

Is the housing market in Az going to crash?

A housing market crash in Arizona is unlikely. Arizona's cost of living is 6% lower than the national average. The average cost of living in Arizona is $44,875, significantly lower than the national average of $61,334.

Additionally, Arizona has a high median household income of $69,056. The unemployment rate was 3.4% in July, lower than the national rate of 4.3%.

This affordability, combined with strong economic fundamentals, makes a housing market crash in Arizona unlikely.

2024: Is It a Buyers' or Sellers' Market Now? The housing market is expected to lean more in favor of the buyers in the latter half of 2024. Home prices are rising slowly, and the number of homes for sale has increased by **32.1% YoY**. Buyers now have more choices.

With mortgage rates around 5.70%, buyers also have more purchasing power. Consequently, more homeowners are likely to list their homes on Arizona MLS. The 5.3% increase in new active home listings in Arizona has brought back home shoppers.

Whether you are looking for a condo or a single-family home in the Verde Valley you will find your dream home in the coming months.

Expanding housing supply & ensure access to professional representation.

REALTORS® are committed to ensuring everyone has the opportunity to reap the wealth-building benefits of homeownership, knowing **homeowners accrue 40 times the net worth of renters.** 88% of REALTORS® are small business owners and 65% are women, using their expertise to help consumers navigate the intricacies of real estate transactions. Bound by a Code of Ethics, REALTORS® are committed to upholding fair housing laws and removing barriers to homeownership.

thank you

Esther Talbert, Designated Broker, Yavapai Realty

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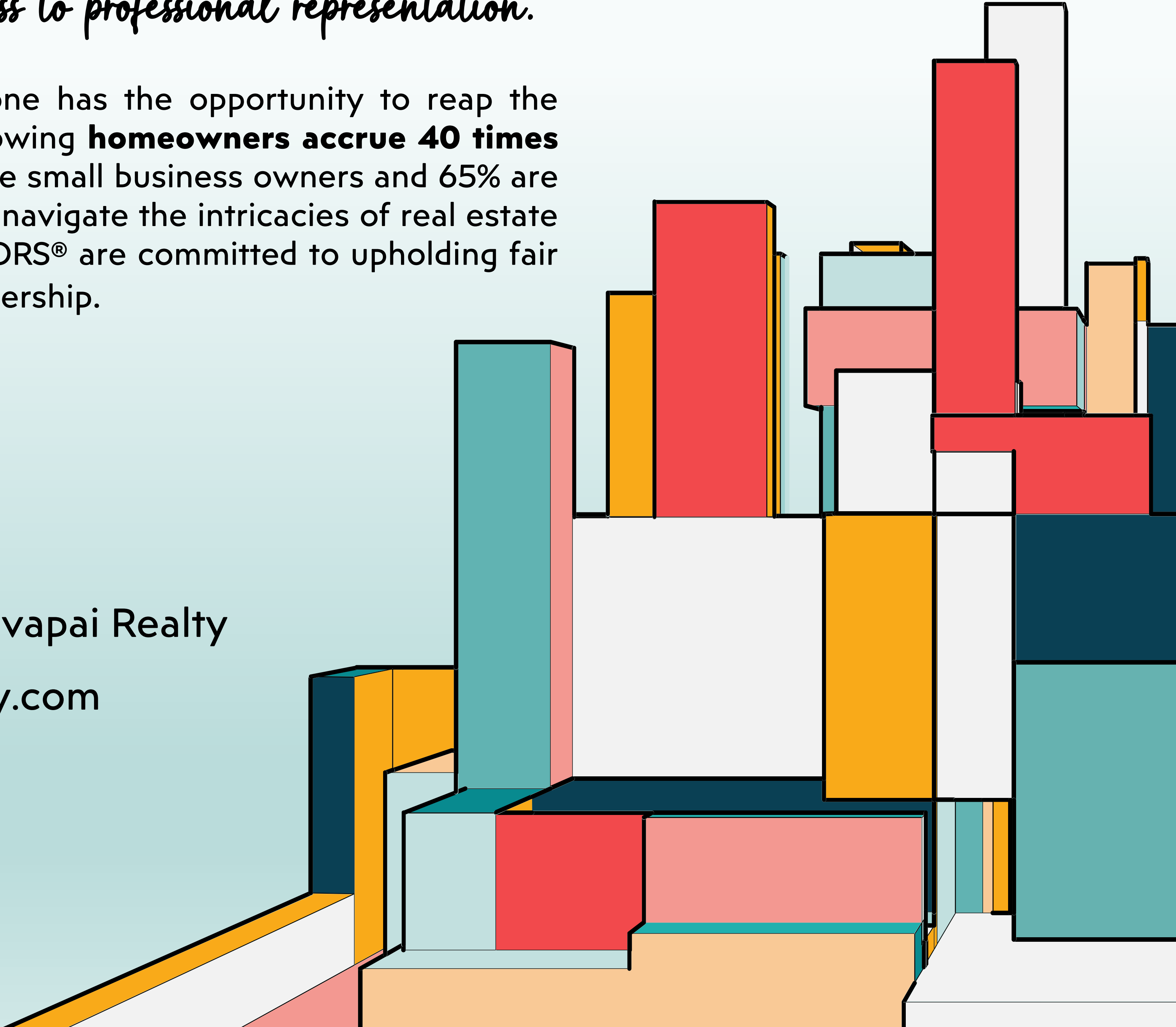
www.yavapairealty.com

Serving Sedona-Verde Valley since 73



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Banks Support of Affordable Housing

Mark Tufte,

Pinnacle Bank

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Banks Want To Help

- The Community Reinvestment Act(CRA) 1977 – Encourages financial institutions to help meet the credit needs of the communities in which they do business.
- The CRA Program
  - Home Grant Program
  - Low Down Payment
  - FHA Backed Loans

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The Challenge: Even with great programs and benefits, high home prices make it difficult to qualify.

- Median household income per 2023 American Community Survey is $67,245. Site did not clarify if gross or net. We will assume net for this. $67,245 / 12 months = $5,603.75/month
- Realtor.com says the median listing home price for Cottonwood is $470,000.
- Let's assume a purchase price of $400,000 less $15,000 assistance (can qualify for up to $40,000 from the city of Cottonwood. Amount to borrow is $385,000.
- $385,000 @ 6% on a 30-year mortgage is $2,329. Add $200 for taxes and insurance and the monthly payment is $2529, $2529/$5604 = 45% D/I (this leaves no room for any other debt like credit cards, student loans, car loans)
- $5604 - $2529 leaves $3075 to live on

Average Household Information

- per the U.S. census bureau 2023, pays $1088 per month on groceries, ARIZONA
- per SOFI 2024, pays $408 per month for utilities, ARIZONA
- per Bankrate 2024, pays $227 per month for car insurance (full coverage), ARIZONA
- per JD Power 2024, pays $141 per month for cell phone, NATIONAL
- per Simply Insurance 2024, pays $354 per month for a used car, ARIZONA
- per Financebuzz.com, pays 3.66% ($205) of their monthly income on gas for their vehicles, ARIZONA

Total $2423

$3075 less $2423 leaves $652 a month to cover any other debt, repairs and maintenance, grooming, clothing, entertainment, memberships, medical/dental/vision costs, TV subscriptions, sports equipment and…… emergency and regular savings. Not to mention, absorb any increases in costs.

Thinking About Taxes in 2024

(And The Role of Philanthropy)

Judi Smith, GivingSMITH

Elizabeth McFarland, Attorney at Law

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If You Do Not Itemize
Income Tax

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Qualified Charitable Distribution From an IRA

- Traditional, not Roth
- OK at 70.5; Required at 73
- No income tax on distribution so no income tax deduction
- Send direct to charity
- $105,000 maximum
- Anything beyond RMD should be done in consultation with personal tax advisor.
- Gift date is critical – date funds come out of IRA
- If income is desired, one-time $53K CGA allowed

Arizona Tax Credits

- VVCDO does not qualify for AZ tax credits, but it is an important year-end tax planning strategy for those who don’t itemize.
- Donate to qualifying charities INSTEAD of paying state income tax (if you itemize, get a federal income tax charitable deduction too)
- Credits may be paid up to April 15 for the PRIOR year.
- If you don’t use the entire credit in lieu of paying tax in the current year, credit carries forward for five years.

Arizona Tax Credits

Kiddie Tax Credit (Public School Credit) – 2024 Single $200/Married $400

School Tuition Organizations – 2024 Single $1,459/Married $2,910

Qualifying Charitable Organization (QCO) - 2024 Single $470/Married $938

AZ Foster Care Credit (QCFO)- 2024 Single $587/Married $1,173

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Income Tax Itemized Deductions Desired

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Appreciated Assets

Stock and Real Estate

- Bypass capital gains by donating to charity
- Full appraised value deductible
- 5-year carry forward if needed
- If one has been thinking about selling an appreciated asset, one may want to do it before 2025 because capital gains tax rates may increase.
- If one sells an appreciated asset, one can offset capital gains taxes with a charitable donation.

Give Equities

<u>Appreciated Stock</u>

- Have owned for a year or more
- Worth more than you paid
- Avoids capital gains tax
- Deduction for full FMV on date of gift (date it transfers to charity)
- Deduction is average of high and low on transfer date
- May allow donors to make a bigger gift than if giving cash

Give Real Estate

- Appreciation of real property may allow for making a large gift.
- Because of need for appraisal and likely environmental study, these gifts take more time than many others.
  - Appraisal requirements are very specific.
- Tax advantages of gifting real estate.
  - Bypass capital gains
  - Charitable income tax deduction
  - Removes asset from estate for estate tax planning

Tired of Being a Landlord?

- Give a house a workforce worker can live in.
- Benefits the local economy as that worker consumes goods and services in the community and pays taxes.

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No longer need the vacation home?

- You find yourself traveling here less and less.
- The kids don’t come here often.
- You tried VRBO or AirB&B and it was too much trouble.
- Give that second home and get an income tax deduction.

Live in Your Home.
Deed it to us.

<u>Retained Life Estate</u>

- Works well for single or couple in 80’s
- Determined to stay in home
- Have resources for care in home if needed
- Needs an income tax deduction
- Requires homeowner to continue to maintain, insure, and pay taxes on the home.

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Don’t need the income tax deduction?

. . . . But could use an estate tax deduction? Or want to support charity

- Gift home through a beneficiary deed/ or will / or trust so it transfer to charity on your death
- Estate gets tax deduction

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Cash is always an option

$10,000 Matching Gift Opportunity
from

Robyn Prud'homme-Bauer

$7,100 Received

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For those concerned with estate tax

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For 2024 estate tax thresholds

- $13.61 million single
- x2 married
- End of 2025, estate tax sunsets
- In 2010, it took Congress a year to act.
- Estimates are that after the TCJA sunsets 2025, estate tax will be somewhere in the $5-$7 million range.
- Estates larger than that need to be meeting with their advisors to consider ways to remove assets from their estates. One way to reduce estate subject to tax is to gift during one's lifetime.

Recap

- Anyone can always give cash
- AZ tax credit gifts
- If you don't itemize income tax
  - Qualified Charitable Distribution from IRA
  - If income is welcome, consider IRA funded w/QCD up to $53,000
- If you itemize taxes
  - Stock   *Real Estate   *DAF
- If you have estate tax concerns, meet with your advisors!

VERDE VALLEY Community Development Organization

Available Later for Questions

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Questions

Closing Comments

Thank You for Attending

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