



CITY OF SURPRISE
Regular City Council Work Session
16000 N. Civic Center Plaza
Surprise, AZ 85374
Tuesday, June 20, 2023 @ 4:00 PM
COUNCIL CHAMBERS

- A. Call To Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Proclamation and Community Acknowledgements
- E. City Manager Report
- F. City Clerk Report
- G. Call To The Public

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins. [Download the Call to the Public form](#) (PDF download requires Adobe Acrobat Reader) [Fill out the Call to the Public form online](#) If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.
The Call to the Public form is also available at the front counter.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the City Council. There will be no separate discussion on these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

Please be aware that Council Members may not discuss or respond to matters raised during call to the public that are not specifically identified on the agenda. Council Members may however, in their discretion, discuss or respond to relevant matters raised during a noticed public hearing or agenda item.

H. Regular City Council Work Session Agenda

CONSENT AGENDA:

REGULAR AGENDA ITEM - PUBLIC HEARING:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

- | | | | |
|----|----------|--|---|
| 1. | Citywide | Presentation and discussion regarding general transportation updates. | None

Kristin Tytler
Charles Morin
Public Works |
| 2. | Citywide | Presentation and discussion pertaining to the draft of the Surprise General Plan 2040. | None

Jason Moquin
Community
Development |

- | | | | |
|----|----------|--|--|
| 3. | Citywide | Presentation and discussion pertaining to the results of the Housing Study. | None |
| | | | Adam Lane
Human Svcs and
Comm Vitality |
| 4. | Citywide | Presentation and discussion pertaining to the FY2023 Financial Status Report through March 2023. | None |
| | | | Andrea Davis
Finance |
- I. Other Business and Future Agenda Items
- J. City Council Reports
- K. Executive Session
- For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:
- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
 - discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- L. Adjournment

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED: Thursday June 15, 2023 @ 10:30 AM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



CITY OF SURPRISE
Regular City Council Work Session

Council Meeting Date: June 20, 2023

Contact Person: Kristin Tytler, Department
Director, Charles Morin, Assistant Police Chief
District: Citywide

Submitting Department: Public Works
Staff Recommendations: None

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:

Presentation and discussion regarding general transportation updates.

Motion:

None.

Background:

Presentation and discussion regarding general transportation updates. Updates include an overview of traffic and corridor safety efforts and future projects.

Objective Analysis:

This item is for information and discussion purposes only.

Policy Compliant:

None.

Financial Impact:

None at this time; however topics covered in this presentation could lead to future actions which may have fiscal impact.

Budget Impact:

None at this time; however topics covered in this presentation could lead to future actions which may have budgetary impact.

FTE Impact:

None.

ATTACHMENTS:

1. Transportation Updates
-



Transportation Update

June 20, 2023



TRANSPORTATION

Transportation Update Overview

- Transportation Department Updates
- Traffic and Corridor Safety Overview
- Future Projects



TRANSPORTATION

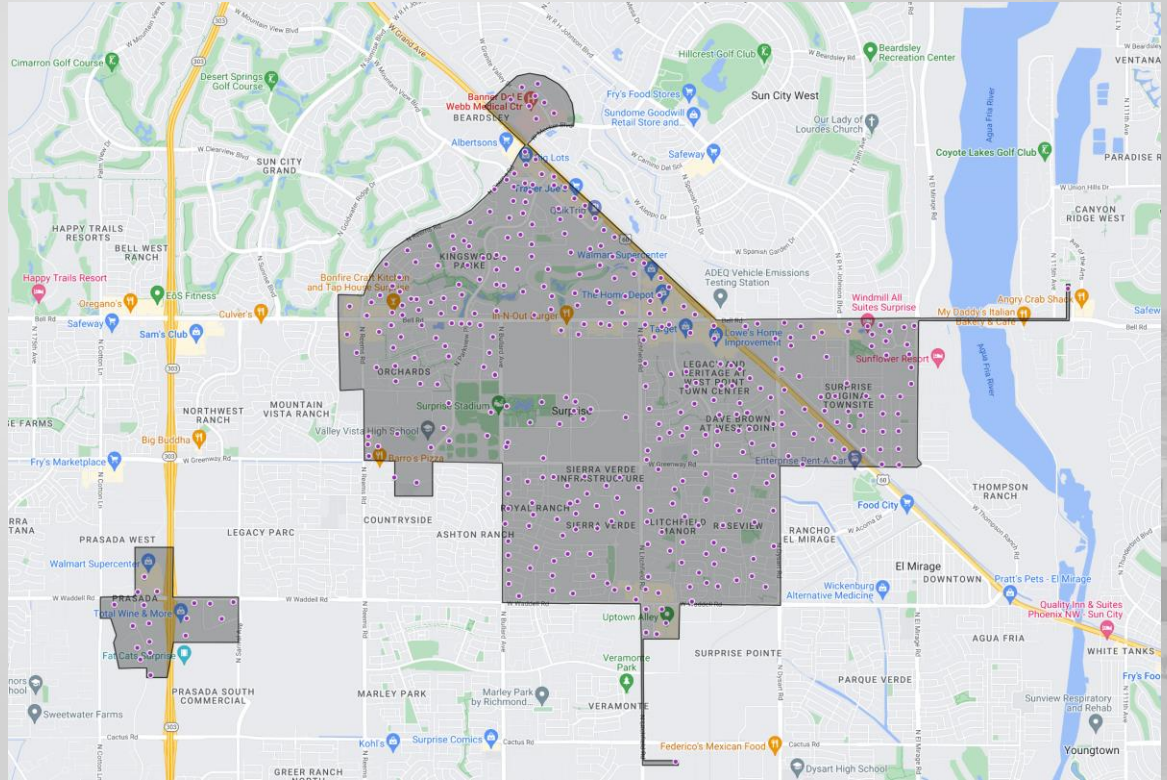
Transportation Department Updates

- New Transportation Division
- New Transit Options
- New Traffic Dashboard

TRANSIT

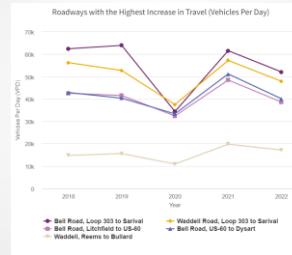
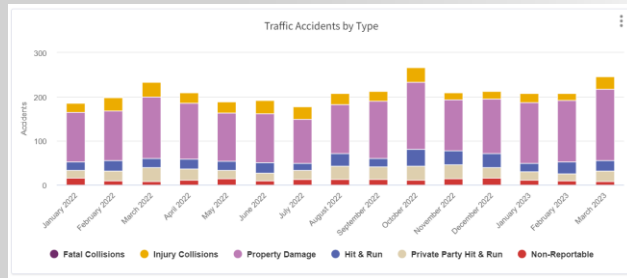
MicroTransit

WeRIDE



DASHBOARDS

Performance Dashboard



Traffic Accidents by Type

Traffic Enforcement

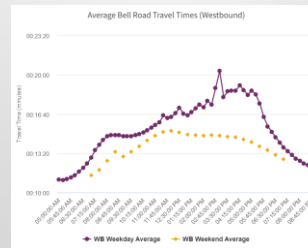
Historical Traffic Counts

Travel Time along Bell

Pavement Condition

Lane Miles Swept

Transit Information





CORRIDOR SAFETY

Current Unit Structure

DAYS: M-TH 0600-1600

- M10 Sergeant
 - 4 Motors
 - 1 Vacancy

SWINGS : M-TH 1000-2000

- M20 Sergeant (Vacancy)
 - 4 Motors
 - 2 Vacancies

CORRIDOR SAFETY

Traffic Unit Mission

- Accident Investigation
- DUI Enforcement
- General Traffic Safety
- Motorcycle Safety
- Pedestrian and Bicycle Safety



CORRIDOR SAFETY

Operation Dwindle Damage

- The operation will focus specifically on the intersection of Litchfield and Bell Road, the intersection with the highest incidents of traffic crashes.
- Through intensive enforcement of speed and distracted driving, we hope to reduce the overall crash rate by 50%.



CORRIDOR SAFETY

Top 10 Traffic Collision Locations

Rank	Location	Injury	No Injury	H/R	Fatal	Total
1	W. Bell Road and N. Litchfield Road		20	2		22
2	W. Bell Road and N. Reems Road	2	11	2		15
3	W. Bell Road and N. El Mirage Road	1	7	5		13
4	W. Waddell Road and N. Litchfield Road		7	2		9
4	W. Greenway Road and N. Cotton Lane	1	7	1		9
4	W. Bell Road and N. Sunrise Blvd.		8	1		9
4	N.W. Grand Ave. and N. 163 Ave.	1	5	3		9
8	W. Bell Road and N.W. Grand Ave.		8			8
9	W. Bell Road and N. West Point Parkway	2	4			6
9	W. Bell Road and N. Cotton Lane	2	4			6
9	W. Deer Valley Road and NW Grand Ave.		6			6

CORRIDOR SAFETY

Top 10 Traffic Collision Causes

Rank	Cause	Injury	No Injury	H/R	Fatal	Total
1	Failure to Control Speed to Avoid Collision	18	164	0	0	182
2	Failure to Yield Left Turn at Intersection	10	35	0	3	48
3	Drive on Road Laned for Traffic	4	30	2	0	36
4	Failure to Yield from Stop Sign	4	14	0	0	18
5	Failure to Yield from a Private Drive	1	13	0	0	14
6	Failure to Yield the Right of Way	3	8	0	0	11
7	Failure to Stop for Red Light	4	4	0	0	8
8	Improper Position for Right Turn	0	6	0	0	6
9	Stop Sign Violation	1	3	0	0	4
9	Speeding	0	4	0	0	4
9	Fail to Drive on Right Side	1	3	0	0	4
9	Turning Movements and Required Signals	2	2	0	0	4
9	Unsafe Backing of Vehicles	1	3	0	0	4



TRAFFIC SAFETY

Signals

- 65 signals
- Potentially 10+ coming in the next 5 years
- Traffic Management Center
- New Programs
 - Bell Road Adaptive Signals
 - Emergency Preemption
 - Flashing Yellow Arrows

Project Updates

US60/SR303

- ADOT Short-term planning
- ADOT Long-term planning
- Future Regional Connections

Project Updates

Capital Improvements - Roadways

- 163rd Avenue
- Cactus Road
- Waddell Road
- Cotton Lane
- Sarival Avenue
- Happy Valley Road



SURPRISE
ARIZONA

QUESTIONS OR COMMENTS?

Thank You



CITY OF SURPRISE Regular City Council Work Session

Council Meeting Date: June 20, 2023

Contact Person: Jason Moquin, Planning Manager

Submitting Department: Community Development District: Citywide

Staff Recommendations: None

Consent: No

Regular: Yes

Public Hearing: No

Report/Discussion: Yes

Agenda Wording:

Presentation and discussion pertaining to the draft of the Surprise General Plan 2040.

Motion:

Presentation and discussion only.

Background:

The General Plan is a comprehensive guide to the city's future growth and development. Arizona State Law requires every city and county in Arizona to prepare a General Plan to address growth. The State Law also requires the General Plan to be updated every 10 years. The current Surprise General Plan 2035 was ratified by the voters in 2013.

Over the course of the past year, staff and the hired consultant, Michael Baker International, have held numerous meetings with the General Plan Advisory Group, citizens, and stakeholder groups to collect input and feedback on the plan. The information received was compiled, analyzed, and incorporated into the draft of the Surprise General Plan 2040, which is now being prepared for formal review.

Objective Analysis:

The General Plan is integral in guiding future development congruent with the vision and values of the City.

Policy Compliant:

No action is being taken at this time. However, if the City Council moves forward to adopt the General Plan, the adoption would be in compliance with A.R.S. §9-461.05.

Financial Impact:

While this item does not have an immediate or direct financial impact, ongoing development activity in the City will inevitably have a future financial impact as additional resources are needed to provide city services.

Budget Impact:

There is no anticipated budget impact related to this item.

FTE Impact:

This item does not have an impact on current staff levels.

ATTACHMENTS:

1. CC Presentation - Worksession 6.20.2023
-



SURPRISE2040

General Plan

City Council Workshop

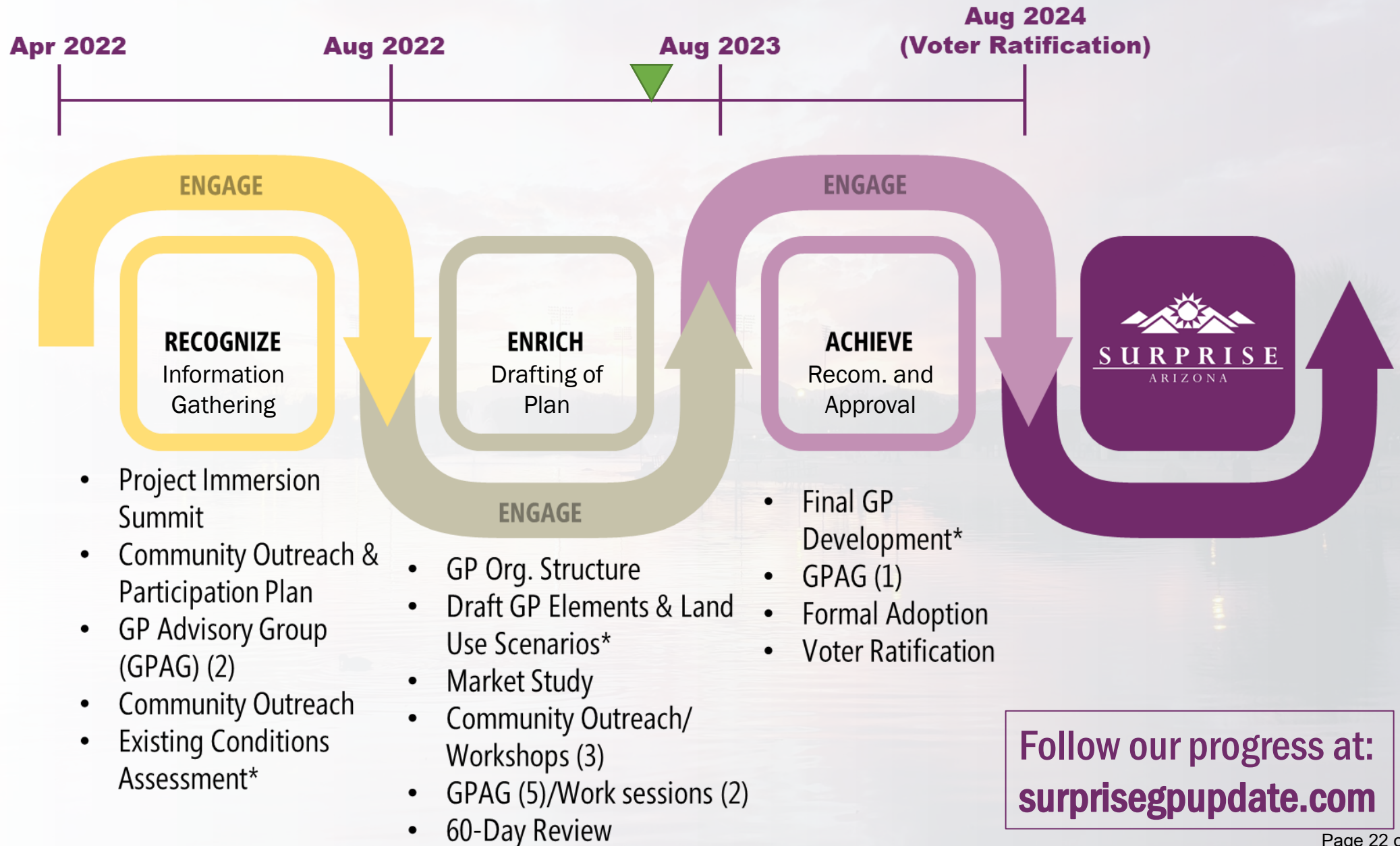


June 20,
2023

Meeting Focus

- 1. Review status of the overall General Plan Update project and process.**
 - Vision & Values
 - Organizational Structure
- 2. Provide broad summary of key topic and discussion areas**
 - Growth Areas
 - Land Use & Open Space
 - Housing
 - Transportation
 - Water Resources

General Plan Process





Vision & Values

General Plan Vision Statement

Existing General Plan 2035 Vision Statement

The City of Surprise strives to uphold the values of its residents, while balancing physical and economic growth, and maintaining a safe community. A high standard of living should be fostered by enhancing neighborhood and community amenities. Vibrant and diverse development is important for a young community, and Surprise should aim to preserve the uniqueness and history of the City.



Proposed General Plan 2040 Vision Statement

Against the picturesque backdrop of the White Tank mountains, Surprise is a distinct community that provides a high-quality life for residents of all ages. A range of rural to urban neighborhoods are safe and aesthetically pleasing. Community-wide mobility and accessibility is balanced with resource conservation to provide abundant greenways and open spaces for people to enjoy. Through responsible growth, the City's historic origins are embraced, while new thriving destinations provide cultural, employment, and shopping opportunities. This is complemented with well-planned infrastructure that creates a lasting foundation for the continued benefit of Surprise residents and visitors.

General Plan Values

Existing General Plan 2035 - Values

A Clean and Safe Community

(Surprise values) Well maintained streets, attractive commercial properties, and clean neighborhoods are vital to creating a safe, healthy, and enjoyable community.

Economic Development

(Surprise values) Support for small business is a community priority, with additional focus needed on downtown growth, attracting both high-end retail and a regional mall, and expanding higher education opportunities.

Sustainability

(Surprise values) Environmentally conscious development standards, water conservation strategies and valuing the preservation of open space, natural terrain and vegetation, will help prepare Surprise for long-term sustainability.

Quality Transportation Systems

(Surprise values) A complete transportation network helps support community connectivity and fosters future growth. Connecting to regional freeway systems is an important priority, as is completing partially built streets. Bike lanes, walking trails and commuter rail should be considered to help enhance the overall network.

Recreation

(Surprise values) Having the opportunity for recreation is a valued asset for all age groups in Surprise. Facilities should be expanded to include regional parks, a centralized community recreation center and other various facilities.

Proposed General Plan 2040 – Core Values

A Welcoming Place

(We value) A strong inclusive culture and commitment to action through embracing continued public engagement and collaboration among residents, government entities, institutions, and the business community.

A Livable Community

(We value) Responsible growth that promotes vibrant neighborhoods with distinct identities, offering a wide variety of attractive housing options for a diverse population.

A Connected City

(We value) Safe and accessible mobility choices for all ages and abilities, including well-maintained road networks, public transit, sidewalks, bike lanes, and trails with an emphasis on embracing new infrastructure technologies and future transportation modes.

A Competing Economy

(We value) Reliable employment supported by small to large businesses spanning multiple sectors, education and vocational training that is responsive to economic fluctuations and market shifts, coupled with enticing destinations attracting, visitors, new employers and innovative workforce talent.

A Healthy Lifestyle

(We value) A safe community with modern amenities, including a wide range of outstanding parks and recreational facilities, access to public and health services, and well-supported arts and cultural events and venues.

A Sustaining Environment

(We value) Thoughtful development, resource conservation, and appropriate infrastructure provisions that take financial, social, and environmental impacts into account to secure a resilient and adaptive future for all.





Organizational Structure

General Plan 2040 Organizational Structure

Introduction: Vision & Values

Value 1: A Welcoming Place*

Value 2: A Livable Community*

Value 3: A Connected City*

Value 4: A Sustaining Environment*

Value 5: A Healthy Lifestyle*

Value 6: A Competing Economy*

*Each chapter includes the following subsections:
Discussion, Goals, Policies

Implementation: Procedures, Plan, Action Matrix & Evaluation Metrics

Appendix: ARS Goal / Element Matrix

		REQUIRED ELEMENTS											
		Land Use & Growth Areas	Circulation	Recreation & Open Space	Revitalization & Redevelopment	Housing & Neighborhood Preservation	Environmental Planning & Conservation	Water Resources	Energy	Public Services & Facilities (Utilities)	Public Buildings	Safety	Cost of Development
Goal 2.1	Maintain a well-managed community form	●			●	●		●					●
Goal 2.2	Be a home for everyone	●	●	●	●	●	●	●	●	●		●	●
Goal 3.1	Develop a complete transportation network to support desirable patterns of development	●	●	●	●	●	●	●			●	●	●
Goal 4.1	Support economic competitiveness	●	●		●			●	●	●			
Goal 4.2	Be a Regional Economic Partner						●	●	●	●			
Goal 5.1	Offer superior recreational amenities and activities	●	●	●			●	●			●		
Goal 5.2	Foster a system of natural opens spaces	●	●	●	●		●	●				●	
Goal 6.1	Protect the health of our diverse environment	●		●			●	●					
Goal 6.2	Utilize a systems approach to sustainability	●		●		●	●	●	●				●
Goal 6.3	Reduce risk and thrive under change		●	●			●	●			●	●	
Goal 6.4	Provide exceptional core utilities					●	●	●	●	●			●

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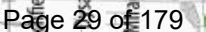
A scenic photograph of a lake at sunset. The sky is filled with soft, pink and orange clouds. In the background, several stadium lights are visible, suggesting a sports field or arena. The water in the foreground is calm, reflecting the colors of the sky and the lights. A small, dark object is visible in the water, possibly a duck or a small boat. The overall mood is peaceful and serene.

Growth Areas

2040 GP GROWTH AREA MAP



- **Expanded Residential Growth Areas 2 & 3**
- **Added Growth Area 7 – BNSF Rail Facility**



A scenic view of a lake at sunset. The sky is filled with soft, colorful clouds in shades of orange, pink, and purple. The sun is low on the horizon, casting a warm glow. In the background, there are mountains and some city lights. The water in the foreground is calm, reflecting the colors of the sky and the lights from the city. The overall atmosphere is peaceful and serene.

Land Use Plan & Open Space

Land Use Plan

2040 GP LAND USE & CHARACTER AREA MAP

- Refined land use plan and text to mitigate growth impacts

 Rural Residential Overlay

Legend

Character Area

-  Neighborhood
Rural, Suburban, Urban
-  Commercial & Office
Mixed Use-Residential, Mixed Use-Commercial, Commercial Office, Regional Commercial
-  Employment
Business Parks, Industrial
-  Open Space

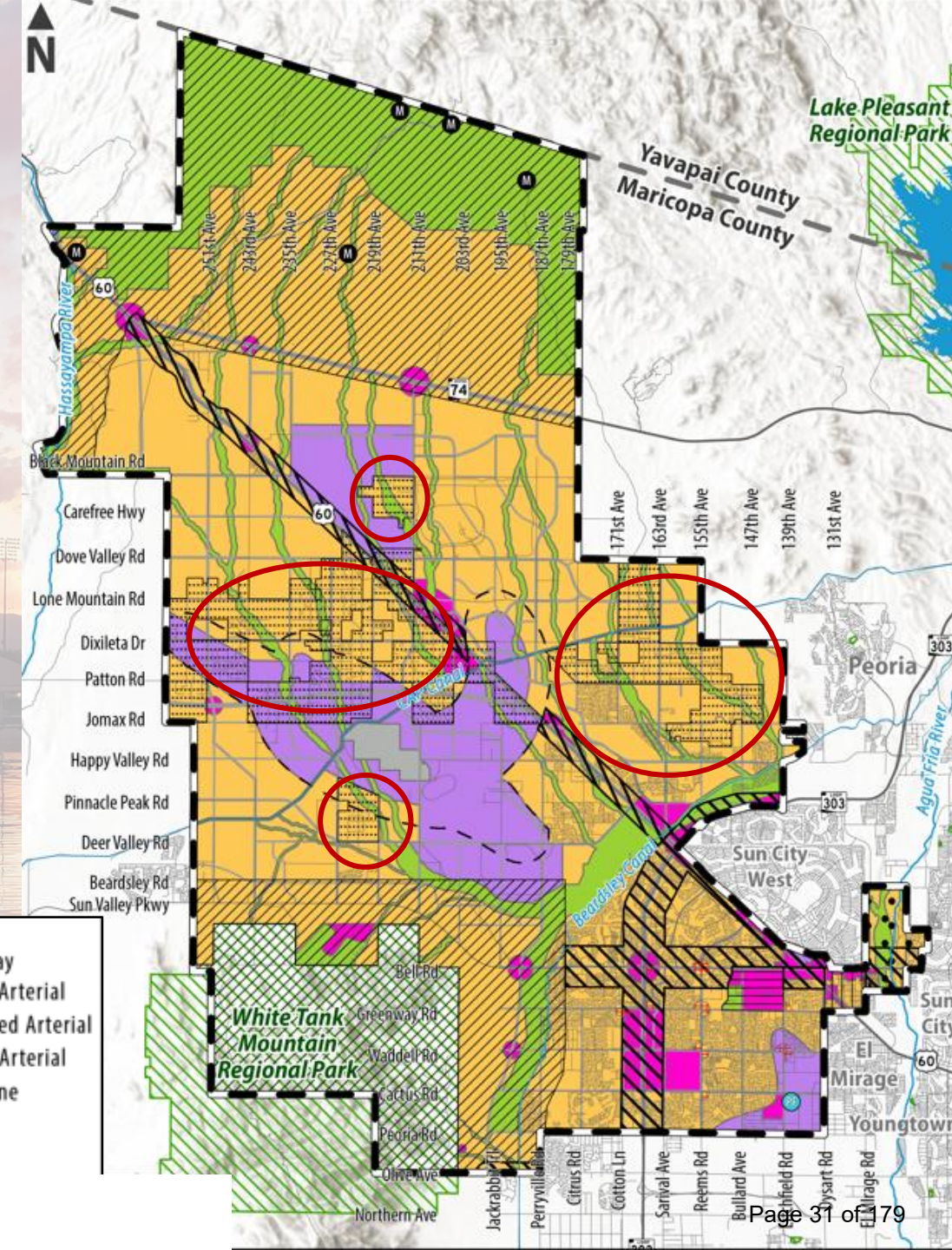


Surprise Planning Area

Sub Area

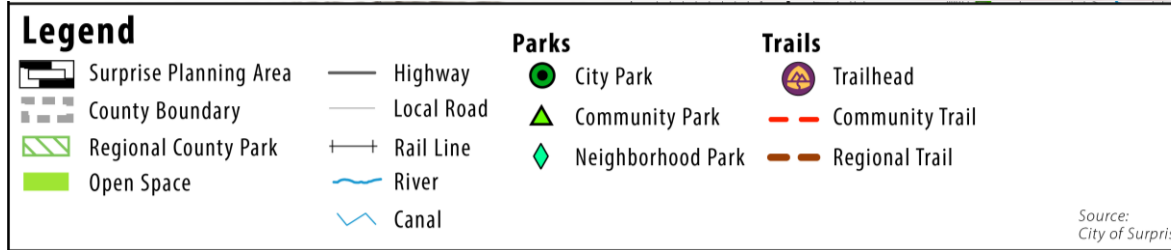
-  Rural Residential Overlay
-  Luke Compatibility District
-  Scenic Lands Development
-  Surprise Center District
-  Surprise Heritage District
-  Transit Oriented Development District
-  Aggregate Resource Area

-  State Trust Land
-  County Boundary
-  Regional County Park
-  Military
-  Aux 1 Noise Contours
-  Luke AFB DNL
-  Existing Community Commercial
-  Public Facility
-  Mining
-  Freeway
-  Major Arterial
-  Modified Arterial
-  Minor Arterial
-  Rail Line
-  Canal

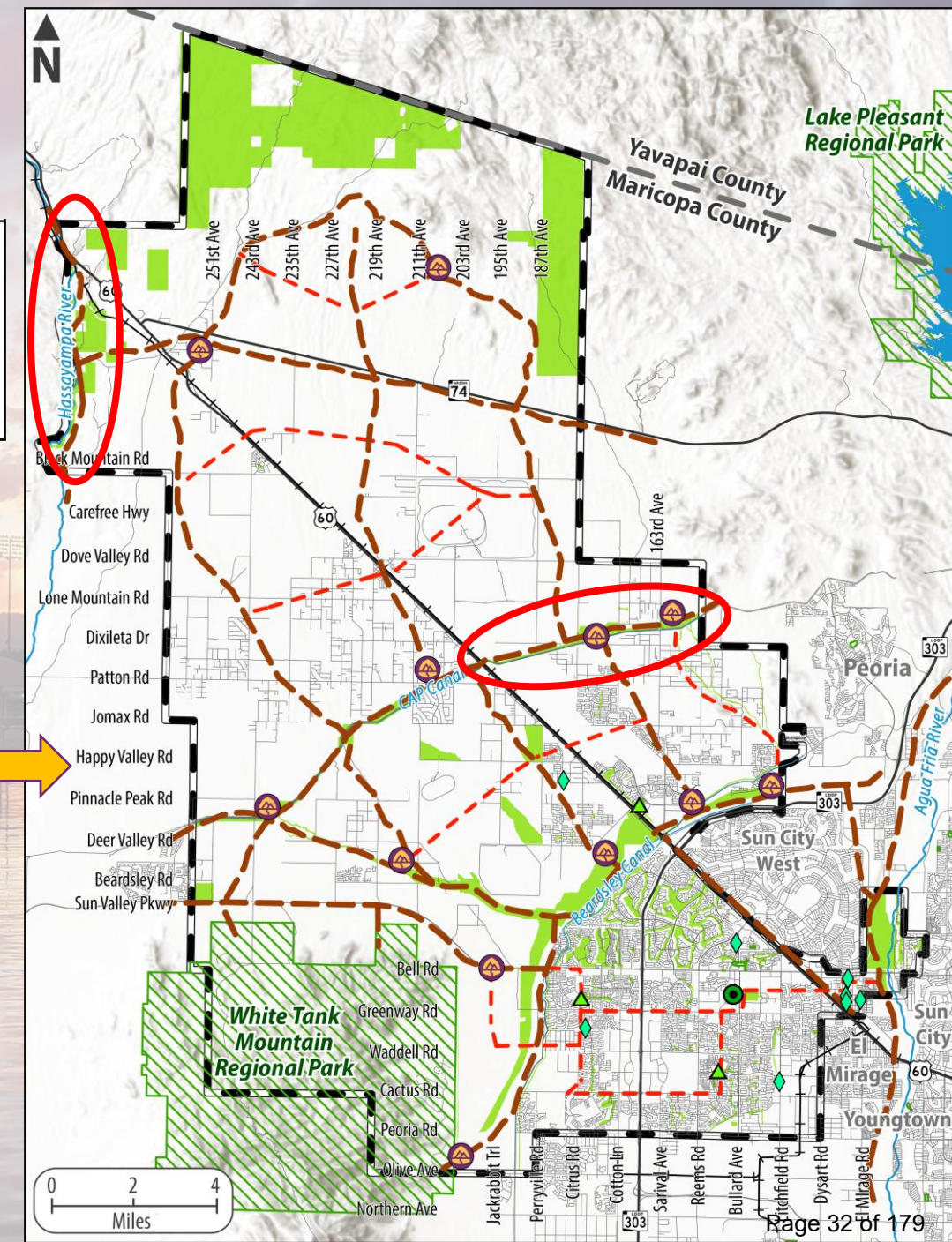
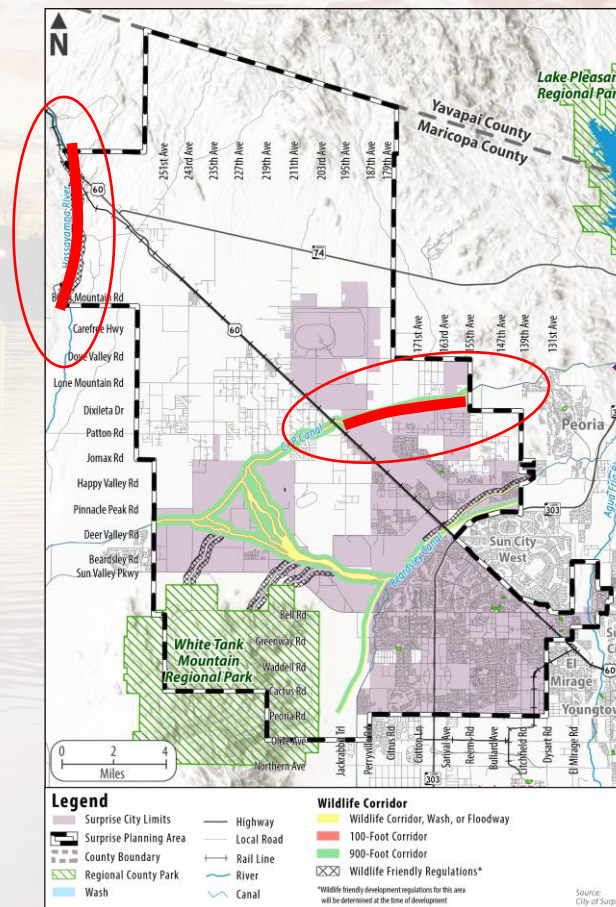


Open Space Plan

2040 GP Parks, Trails, Open Space & Recreation Map



- Maintain wildlife and recreational connectivity through natural and planned Open Space corridors.



A photograph of a lake at sunset. The sky is filled with colorful clouds in shades of orange, pink, and purple. In the background, several tall stadium lights are visible, and their reflections are seen in the water. The water is calm, reflecting the sky and the lights. The word "Housing" is written in a large, bold, purple font in the center of the image.

Housing

Housing

2040 GP Value 2: Livable Community

- **A Balanced Approach to Housing (for All)**

- **Goal 2.2: Be a home for everyone**

Upholding the condition and quality of the city's housing stock is necessary to maintain safe, attractive, and livable neighborhoods for all people who want to live in Surprise. Surprise will also work to preserve housing opportunity through providing more diverse, accessible options within neighborhoods that expand the range of housing types, densities, and price points. (10 supporting policies - excerpts below)

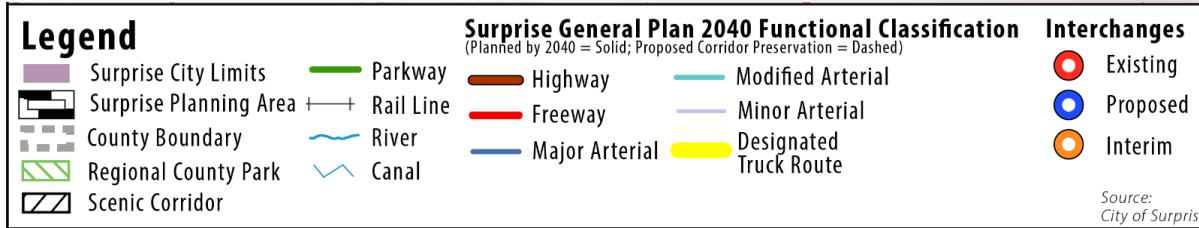
1. The City shall proactively update and implement local studies, ordinances, policies, and building codes to encourage development of residential neighborhoods that broaden the choice of housing type, size, price points, amenities, and conveniences so as to allow for a wide variety of options for all who live or want to live in Surprise.
2. Explore housing opportunities to ensure diversity such as accessory dwelling units, live-work spaces, and residential mixed density communities throughout the City.
3. Establish appropriate incentives and leverage other funding sources for the development of safe and quality housing that accommodates a diversity of housing types to better serve evolving demographic and economic needs of its residents.

A scenic photograph of a lake at sunset. The sky is filled with soft, pink and orange clouds. In the background, several stadium lights are visible, suggesting a sports field or arena. The water in the foreground is calm, reflecting the colors of the sky and the lights. A small, dark object is visible in the water, possibly a duck or a small boat. The overall mood is peaceful and serene.

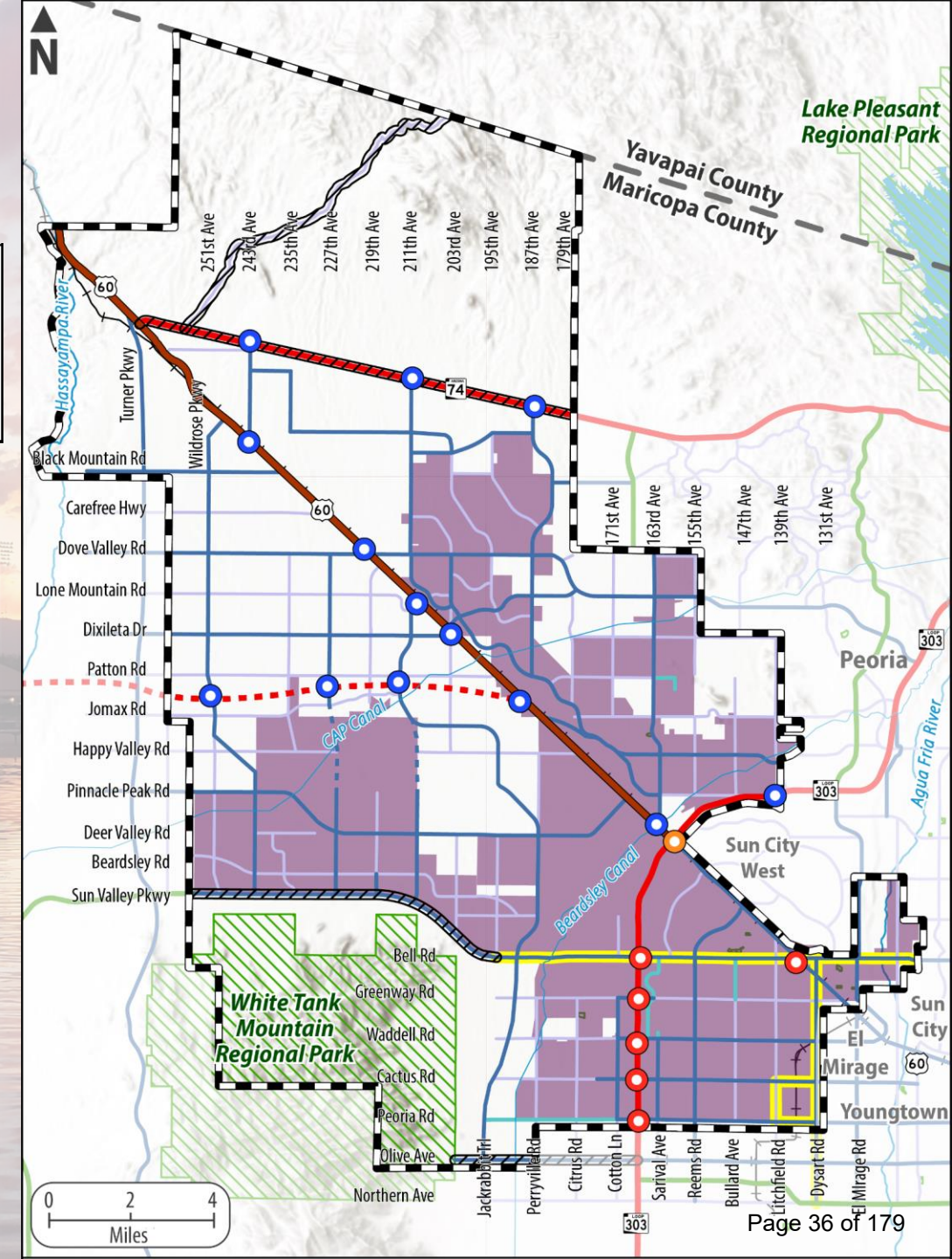
Transportation

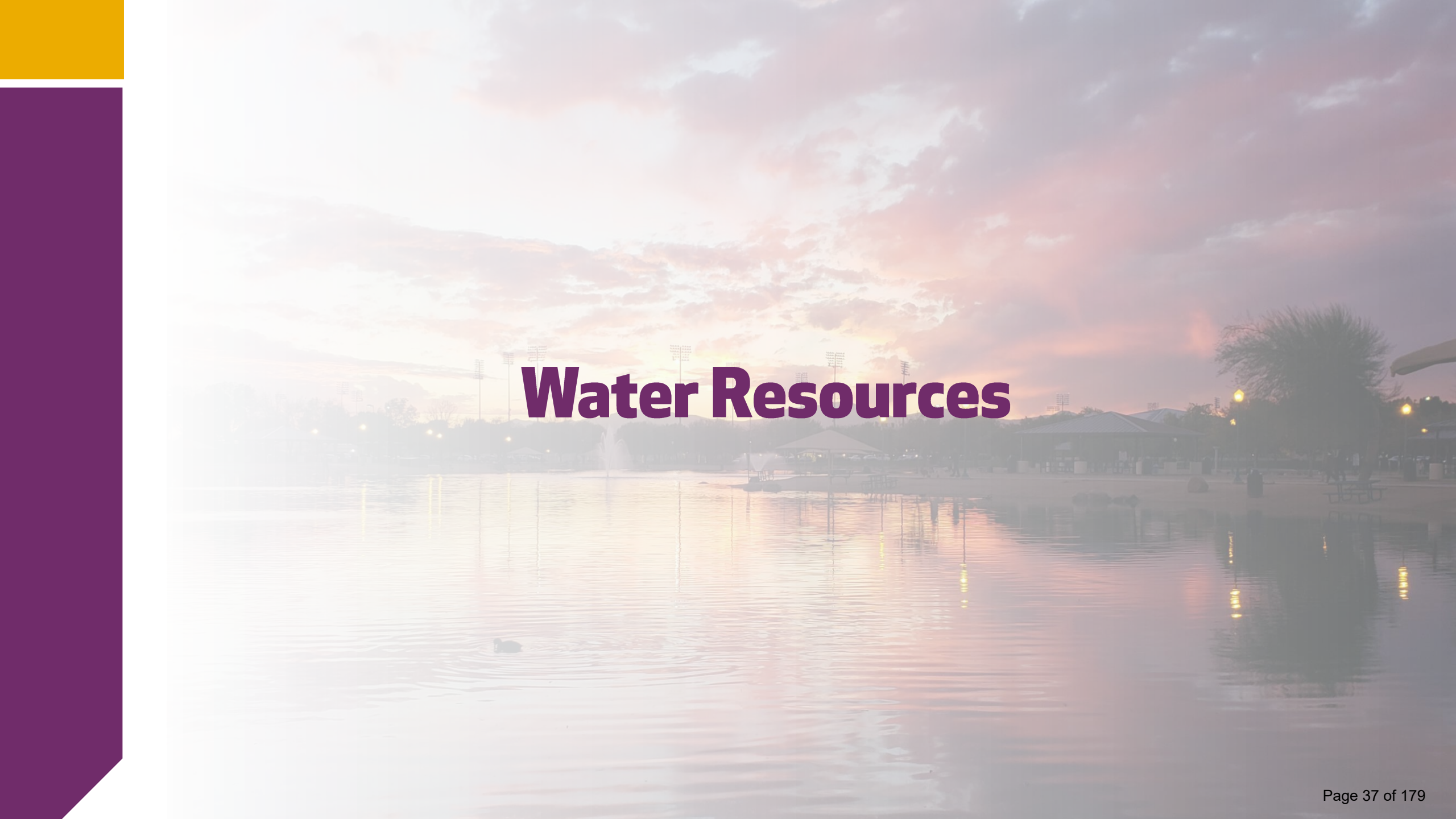
Transportation

2040 GP FUNCTIONAL CLASSIFICATION PLAN



- Updated Functional Classification Plan to align with City and regional transportation planning efforts/priorities.
- Refined supporting transportation goals, policies, and actions to promote partnerships/funding sources that help to mitigate congestion.



A photograph of a lake at sunset. The sky is filled with soft, pink and orange clouds. In the background, several stadium lights are visible, and their reflection is seen in the water. The water is calm, with gentle ripples. The overall scene is peaceful and scenic.

Water Resources

Water Resources

2040 GP Value 6: Sustaining Environment

- **Make Water Management/Conservation more prominent**
 - **Goal 6.5: Continuously and responsibly manage our water resources**

The City will continuously pursue to develop and implement programs that protect and enhance the City's water supply portfolio in accordance with the adopted Water Resource Management Plan. Within this work, the City will monitor and support efforts to improve regional cooperation and communications among appropriate agencies and communities.
 - **Goal 6.6: Bolster water conservation**

In the spirit of bettering the use of water across the City, Surprise will continue to promote water conservation in accordance with the adopted Water Resource Management Plan. The use of reclaimed water will also be encouraged, and there will be further investment into best management practices for the optimal capture of stormwater runoff.
 - **Goal 6.7: Ensure for safe and reliable water delivery**

The City of Surprise will continue to invest in water treatment, storage, and distribution systems to ensure reliable delivery of high-quality water to meet daily and emergency needs.

Water Resources

2040 GP Value 6: Sustaining Environment

- Make Water Management/Conservation more prominent

		REQUIRED ELEMENTS											
		Land Use & Growth Areas	Circulation	Recreation & Open Space	Revitalization & Redevelopment	Housing & Neighborhood Preservation	Environmental Planning & Conservation	Water Resources	Energy	Public Services & Facilities (Utilities)	Public Buildings	Safety	Cost of Development
Goal 2.1	Maintain a well-managed community form	●			●	●		●					●
Goal 2.2	Be a home for everyone	●	●	●	●	●	●	●	●	●		●	●
Goal 2.3	Foster a sense of place through maintenance, reuse, or redevelopment of maturing areas	●		●	●	●	●	●			●	●	●
Goal 4.1	Support economic competitiveness	●	●		●			●	●	●			
Goal 4.2	Be a Regional Economic Partner						●	●	●	●			
Goal 5.1	Offer superior recreational amenities and activities	●	●	●			●	●			●		
Goal 5.2	Foster a system of natural opens spaces	●	●	●	●		●	●				●	
Goal 6.1	Protect the health of our diverse environment	●		●			●	●					
Goal 6.2	Utilize a systems approach to sustainability	●		●		●	●	●	●				●
Goal 6.3	Reduce risk and thrive under change		●	●			●	●			●	●	
Goal 6.4	Provide exceptional core utilities					●	●	●	●	●			●
Goal 6.5	Continuously and responsibly manage our water resources	●		●	●		●	●					
Goal 6.6	Bolster water conservation	●			●		●	●					
Goal 6.7	Ensure for safe and reliable water delivery				●		●	●					●

Next Steps

Remaining Project Milestones

- **60-Day Review Period**
 - June 30, 2023 – August 30, 2023
- **Community Workshop #3**
 - August 10, 2023
- **PZ Commission Public Hearings - Recommendation**
 - October 5 & November 2, 2023 (recommendation)
- **City Council Public Hearing Consideration**
 - December 5, 2023 (consideration)
- **General Plan Ratification**
 - August 6, 2024 (Primary Election)

A photograph of a sunset over a body of water, likely a lake or a large pool. The sky is filled with soft, pinkish-orange clouds. In the background, several tall stadium lights are visible, and their reflections are seen in the water. The water in the foreground is calm, with gentle ripples. The overall mood is peaceful and serene.

Thank You



CITY OF SURPRISE Regular City Council Work Session

Council Meeting Date: June 20, 2023 Contact Person: Adam Lane
Submitting Department: Human Svcs and Comm District: Citywide
Vitality
Staff Recommendations: None

Consent: No Regular: Yes Public Hearing: No Report/Discussion: No

Agenda Wording:

Presentation and discussion pertaining to the results of the Housing Study.

Motion:

Discussion only

Background:

In 2020 the City adopted a Strategic Plan that identified the high priority need to increase access to and support the development of affordable housing. The scope of the study included; analyzing the housing stock and housing market within the City of Surprise, inventory existing housing resources, identifying gaps in the local housing market, identifying trends that may affect the housing market over time, and developing strategies to address the current and future needs of the community, with the overall goal of ensuring that housing opportunities are provided for households of all types, ages, and income levels.

Objective Analysis:

The objective of the housing study is to provide the data and information necessary to help the City achieve a deeper understanding of local housing needs for all types of housing at all price levels, so that it can develop appropriate strategies to address them.

Policy Compliant:

This item is compliant with City and Council policies.

Financial Impact:

None at this time; however topics covered in this presentation could lead to future actions which may have fiscal impact.

Budget Impact:

None at this time; however topics covered in this presentation could lead to future actions which may have budgetary impact.

FTE Impact:

This item does not have an FTE impact.

ATTACHMENTS:

1. CC Staff Report
 2. Surprise Housing Presentation-Matrix
 3. Surprise Housing Study Draft-Matrix 05 22 2023
-



Date: June 20, 2023
To: Mayor and City Council Members
From: Adam Lane, Housing & Community Services Supervisor
Re: City of Surprise Housing Study Review and Presentation

Introduction

The Human Service & Community Vitality Department commissioned a comprehensive housing needs analysis and market demand study, to aid in the development of a comprehensive strategy to address housing needs in the City of Surprise. The results of the housing study are summarized in a written report, and are being presented today by Matrix Design Group, Inc.

Background

In 2020 the City adopted a Strategic Plan that identified the high priority need to increase access to and support the development of affordable housing. The completion of this new housing study is to provide the data and information necessary to help the City achieve a deeper understanding of local housing needs for all types of housing at all price levels, so that it can develop appropriate strategies to address them.

The scope of the study included; analyzing the housing stock and housing market within the City of Surprise, inventory existing housing resources, identifying gaps in the local housing market, identifying trends that may affect the housing market over time, and developing strategies to address the current and future needs of the community, with the overall goal of ensuring that housing opportunities are provided for households of all types, ages, and income levels.

Future Actions

None

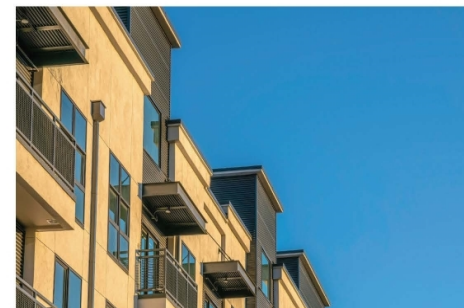


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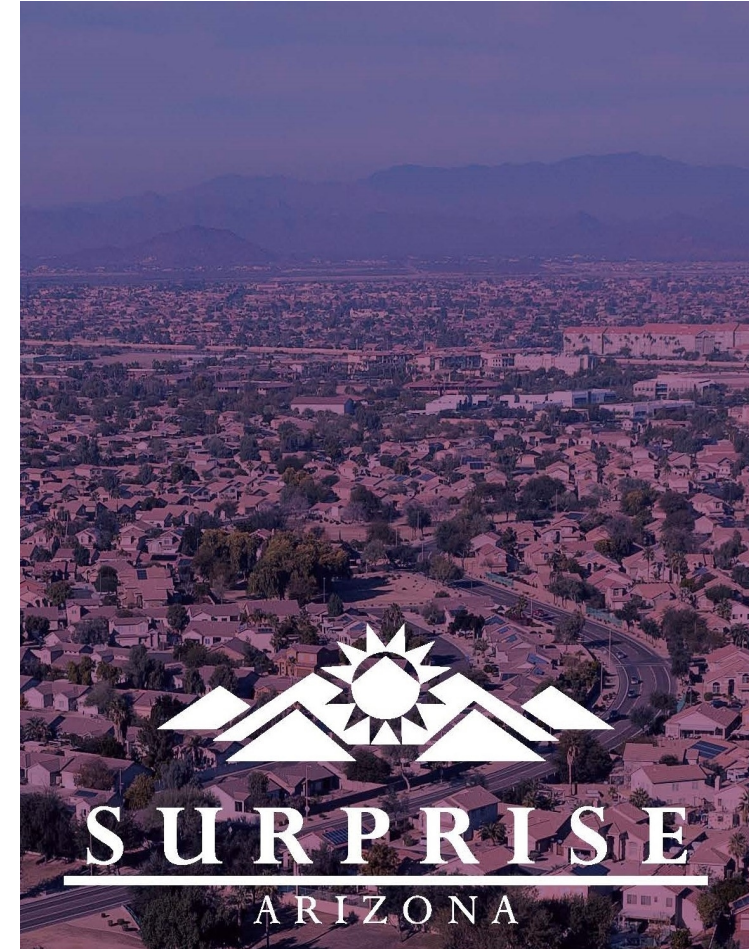
City of Surprise Housing Study

June 20, 2023



Agenda

- Introduction
- Housing Study Findings
- Housing Strategy Overview



Introduction

Joining You Today



Zakary Payne, PE
Director of Government
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Senior Research Analyst



Robert Mansolillo
Planner

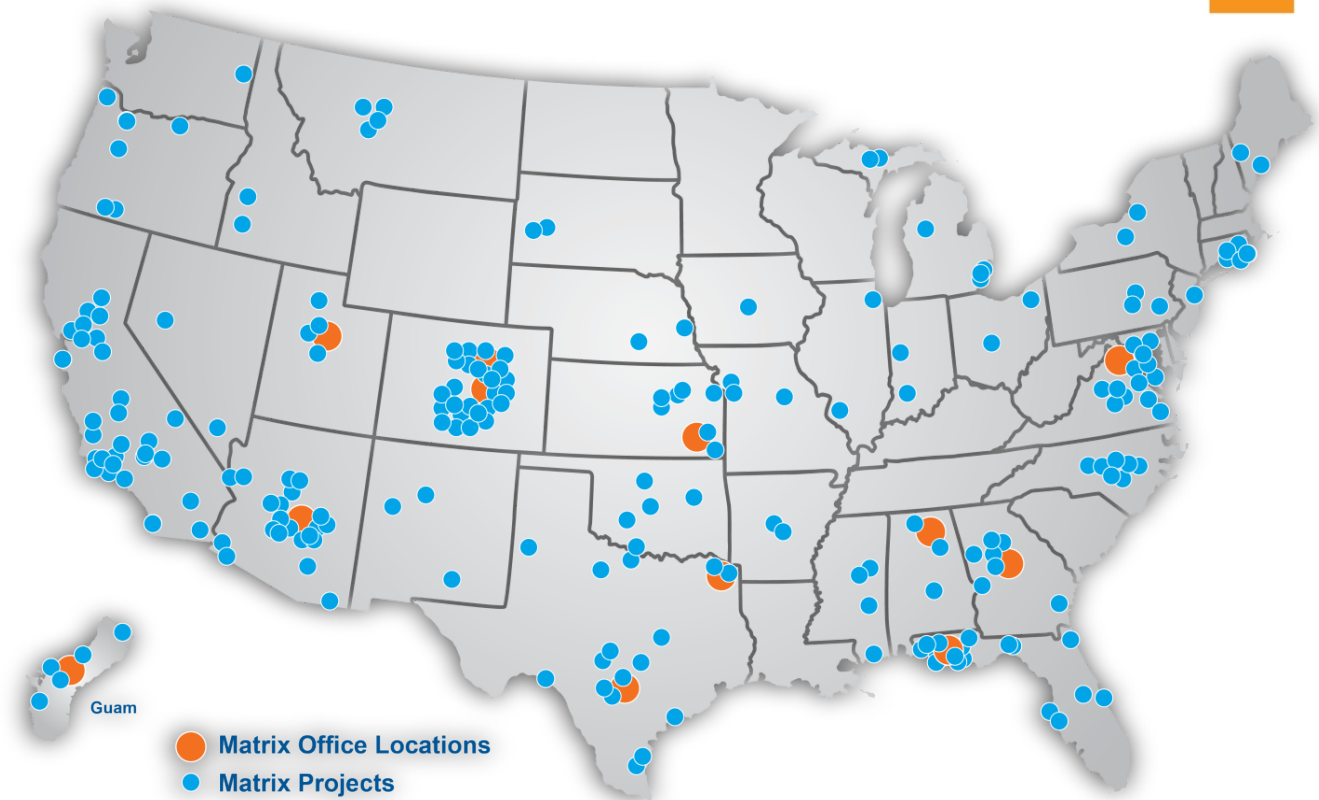
About Us

Matrix Design Group

- Founded in 1999
- Employee-Owned
- 200+ Employees
- 12 offices
- Interdisciplinary

Our Team

- Government Consulting Services
- Nationally recognized military planners, engineers, and economic analysts

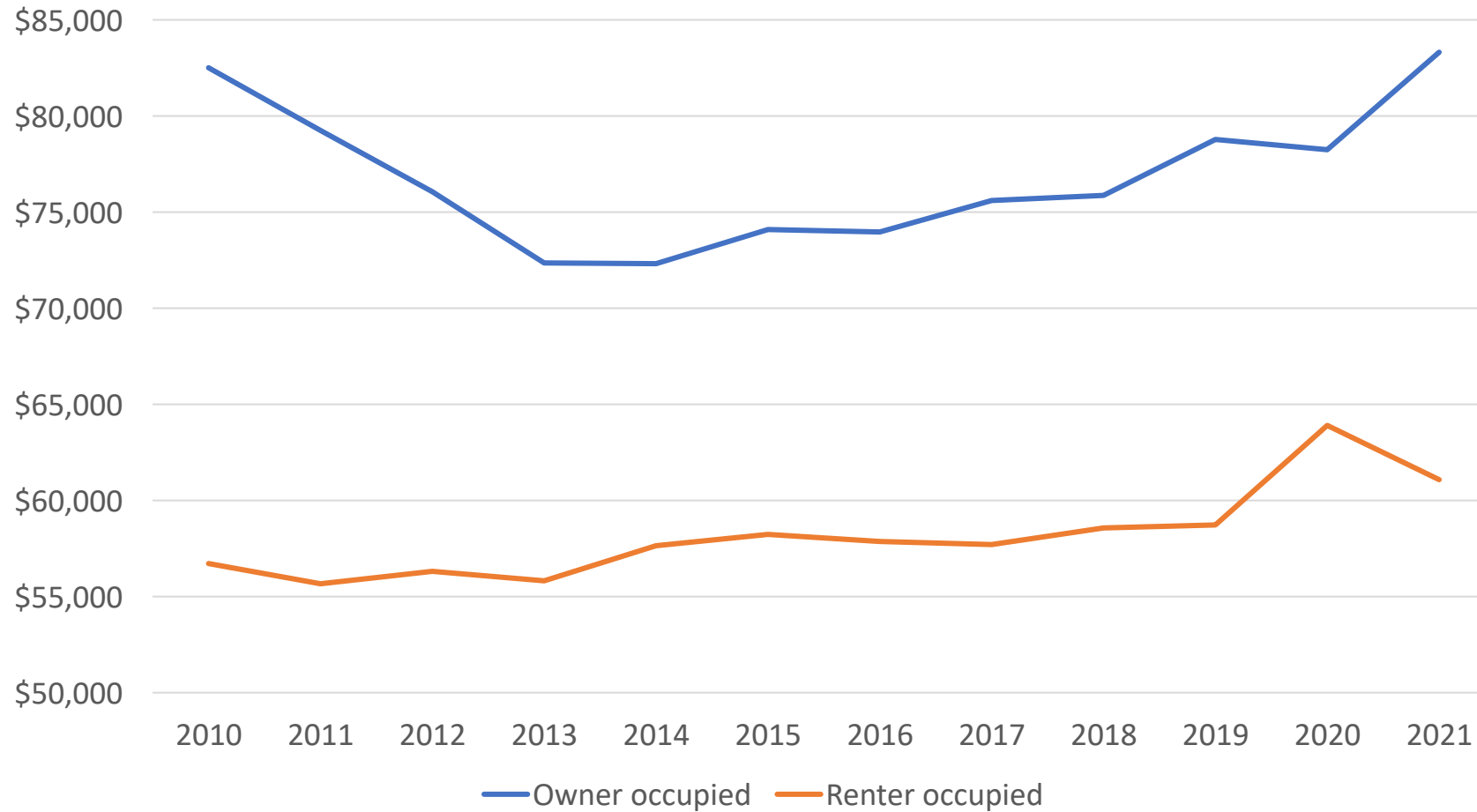


Background

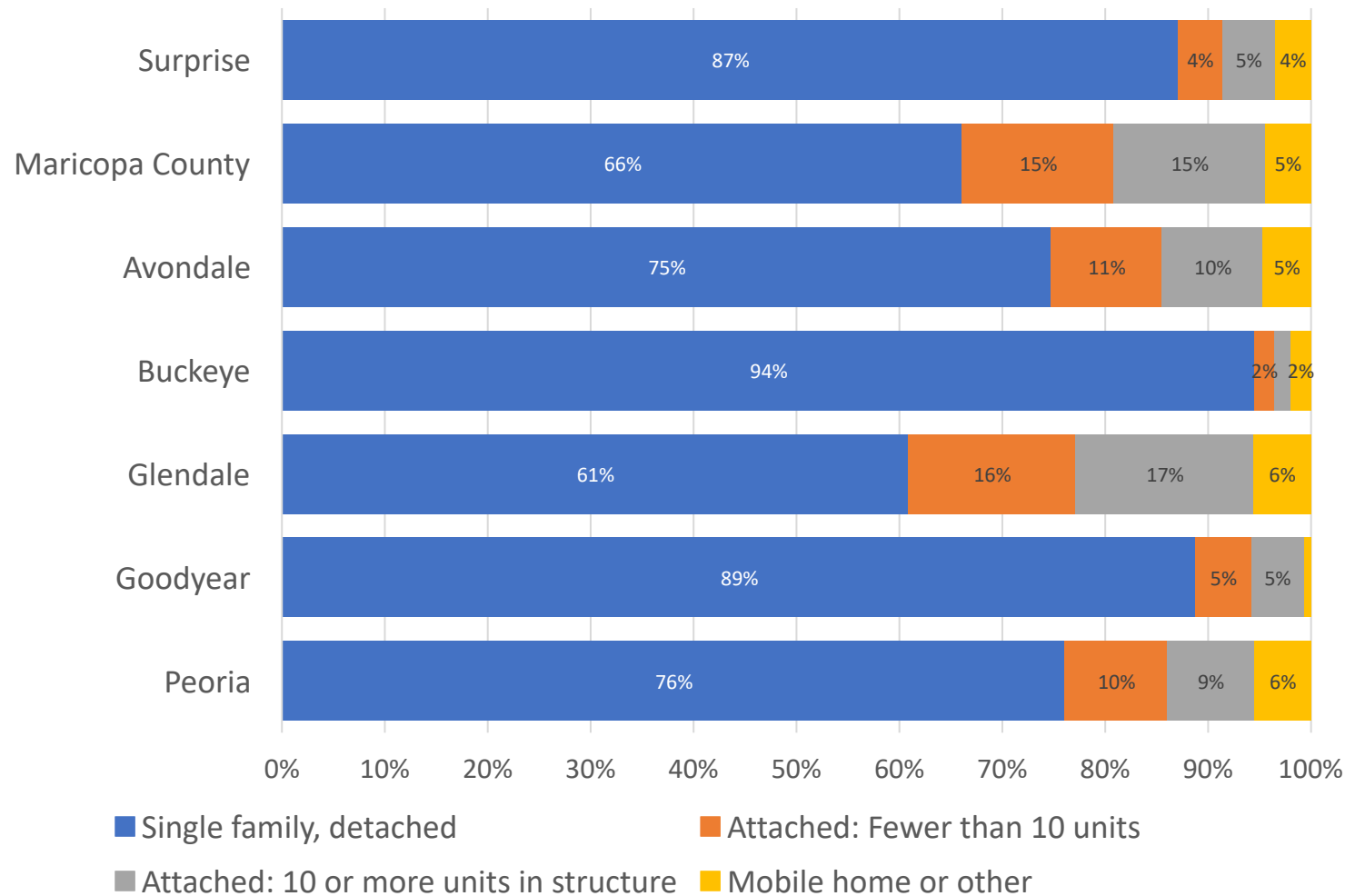
- **Matrix retained in November 2022 to complete the study**
- **Tasks**
 - Produce a report that provides the City a basis for formulating housing priorities, policies, and intervention strategies
 - Population and demographic profile
 - Housing inventory and market demand analysis
 - Housing needs assessment
 - Comprehensive housing strategy
 - Educate and engage the community

Housing Study Results

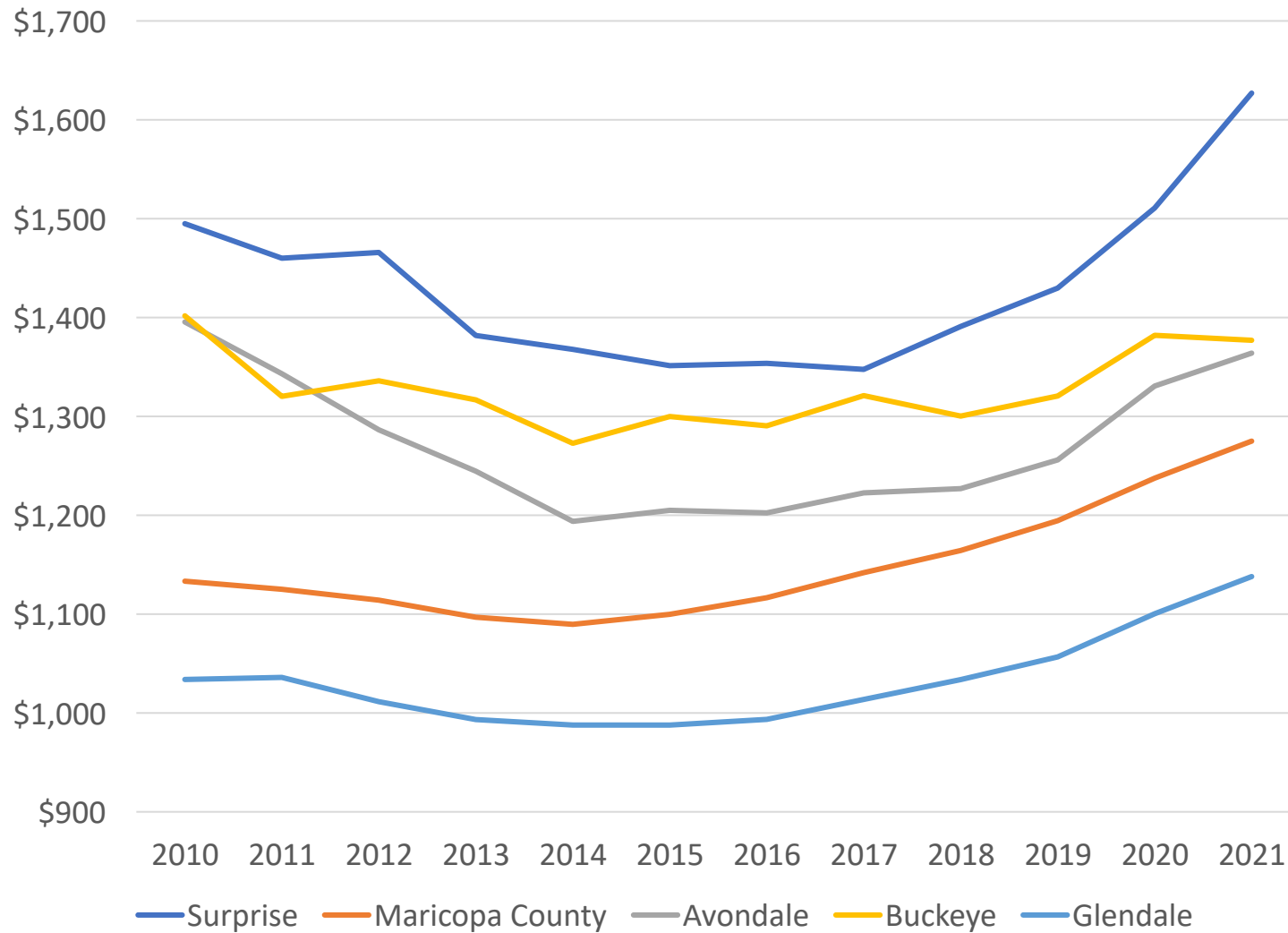
Median Household Income by Tenure, 2010-2021



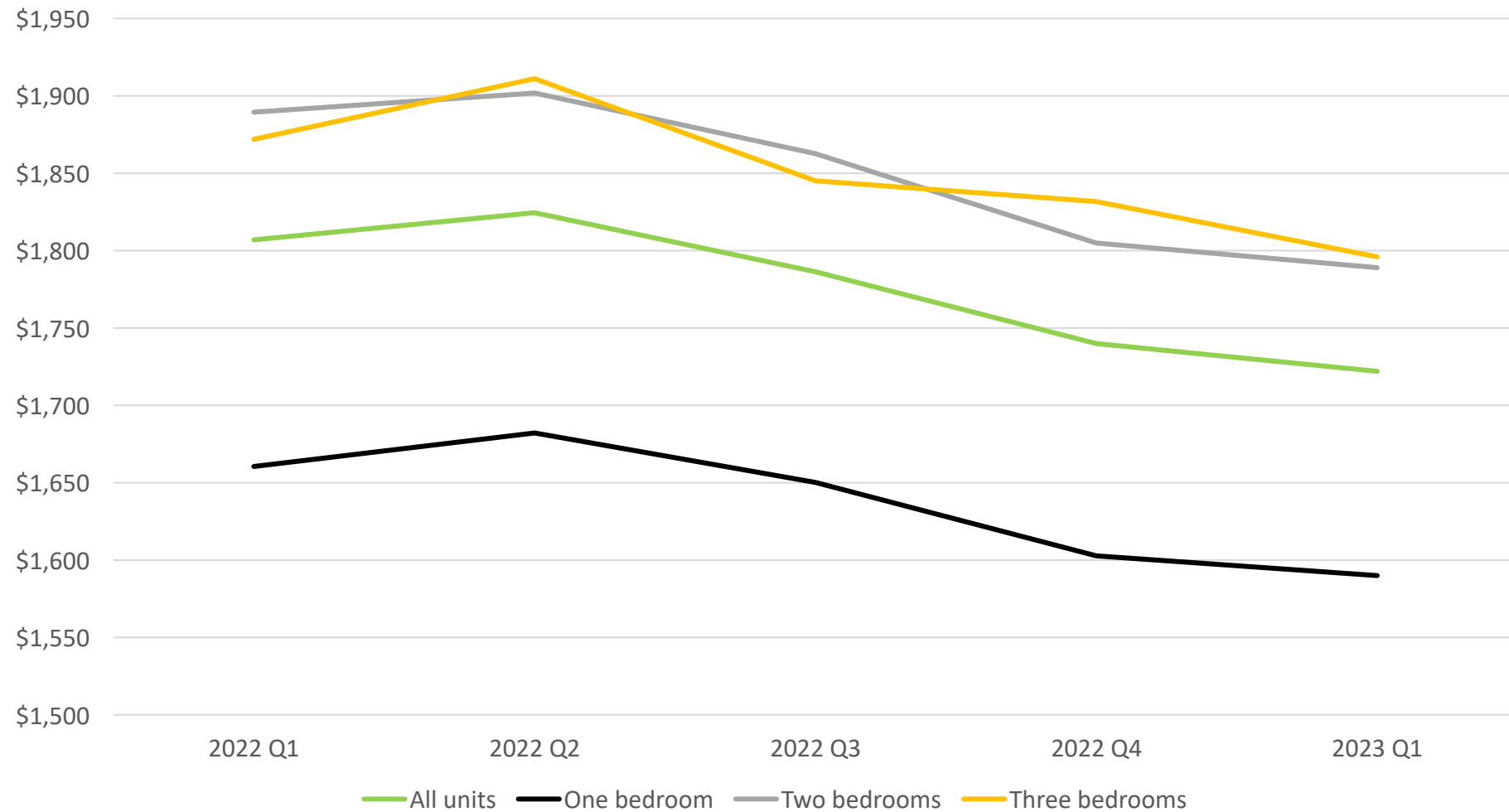
Structural Characteristics of Housing Stock, 2021



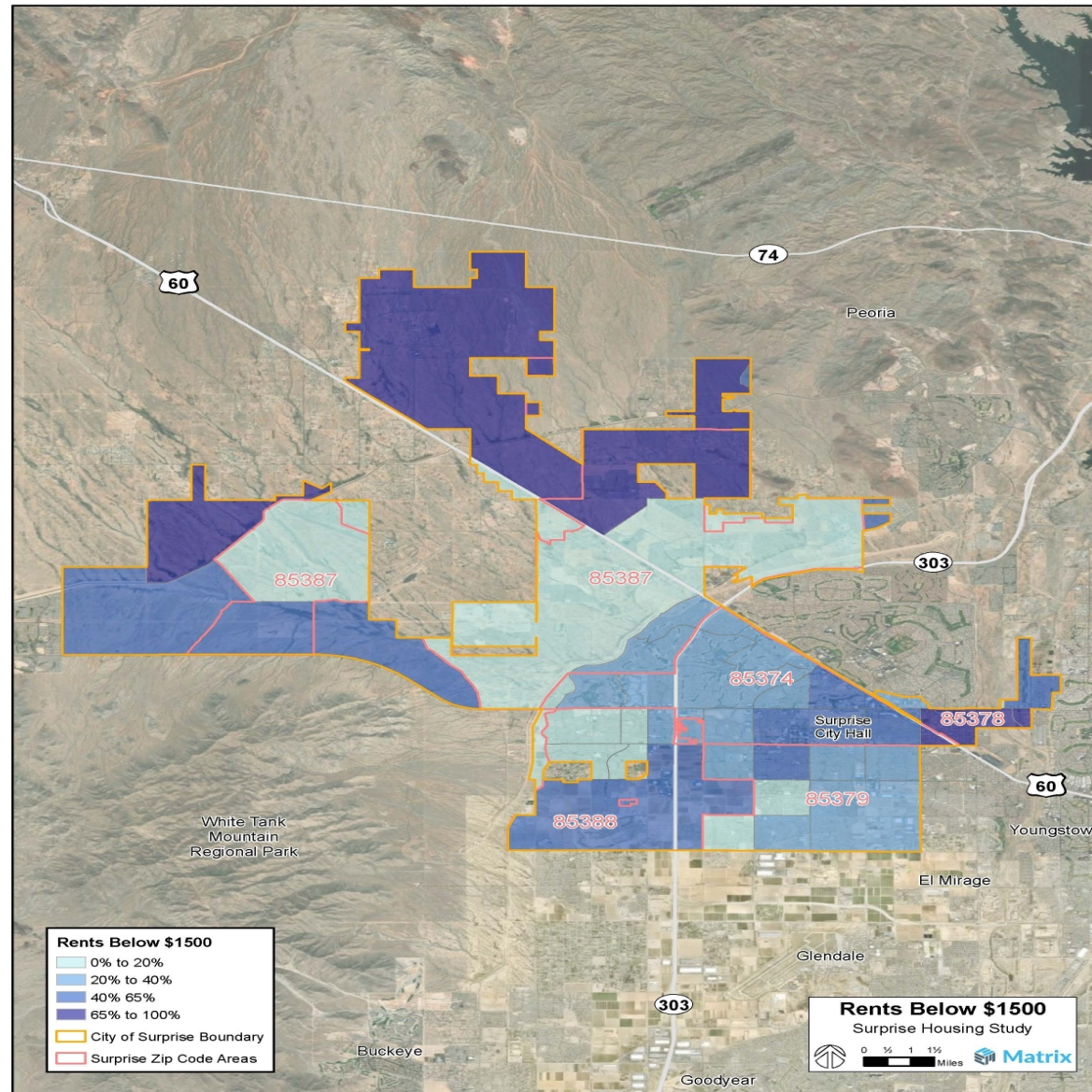
Median Gross Rent, 2010-2021



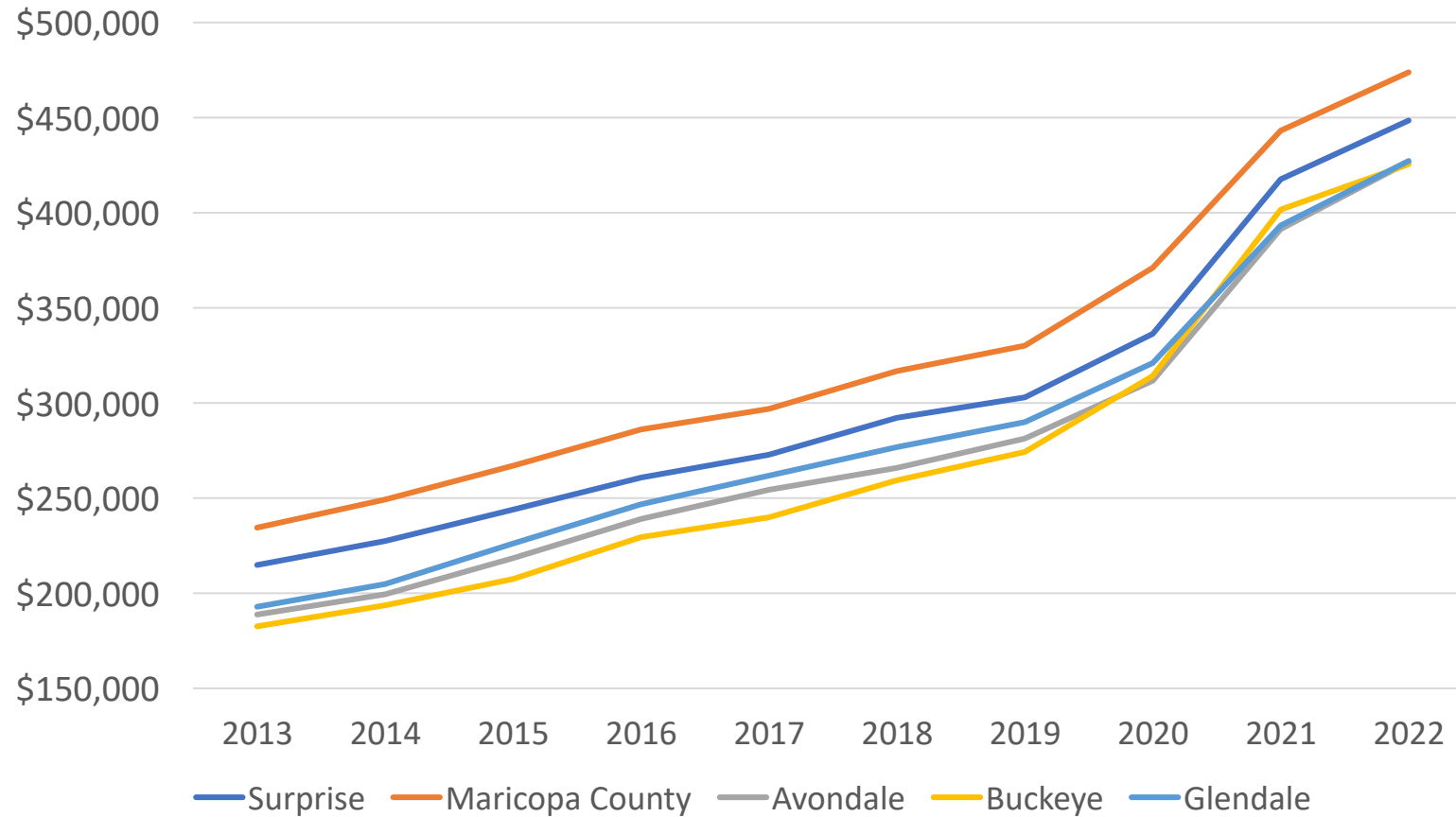
Average Gross Rent, 2022 Q1-2023 Q2



Intracity Variation in Rents, 2021



Median Home Sale Price, 2013-2022

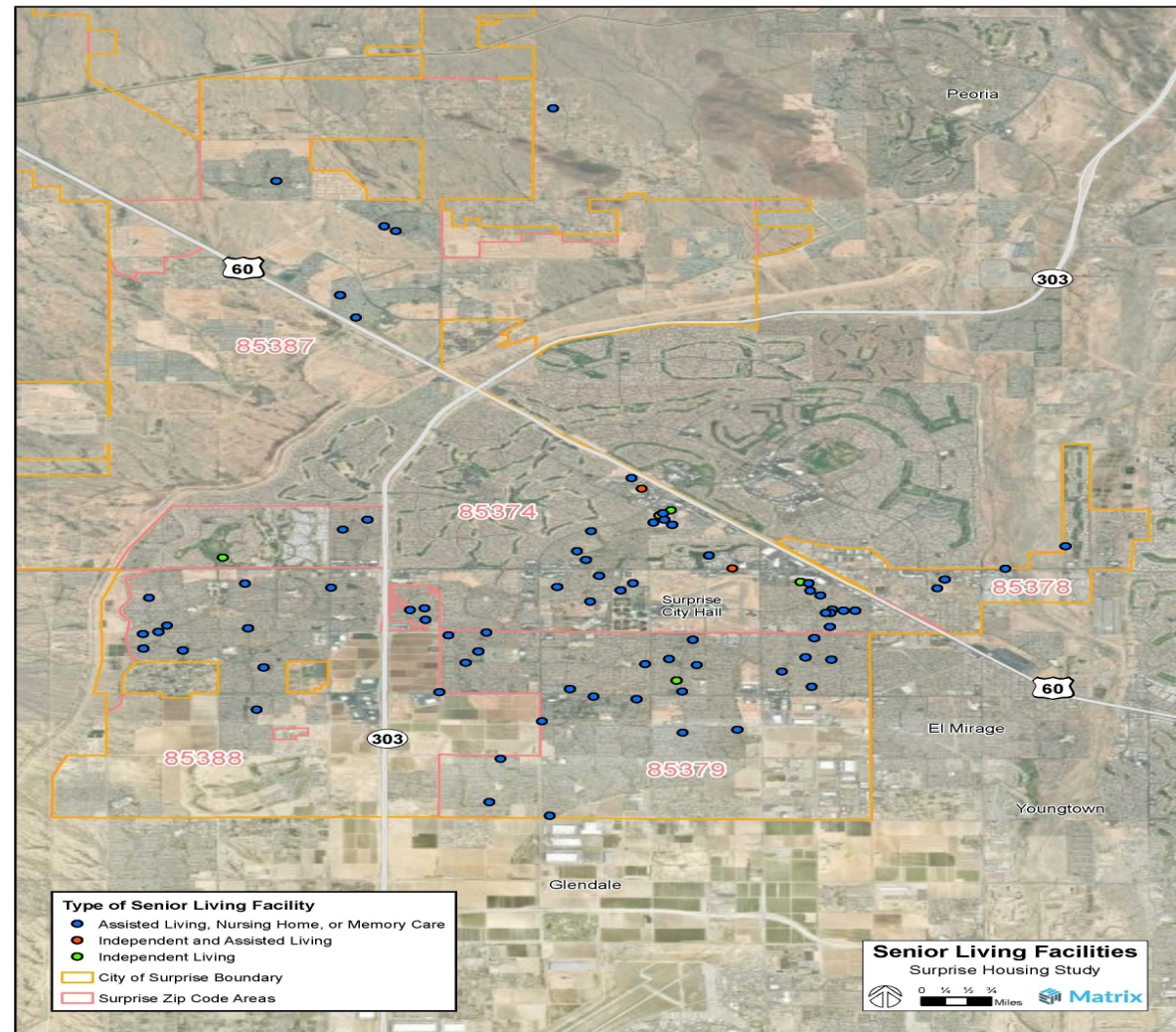


Cost-Burdened Renters and Homeowners

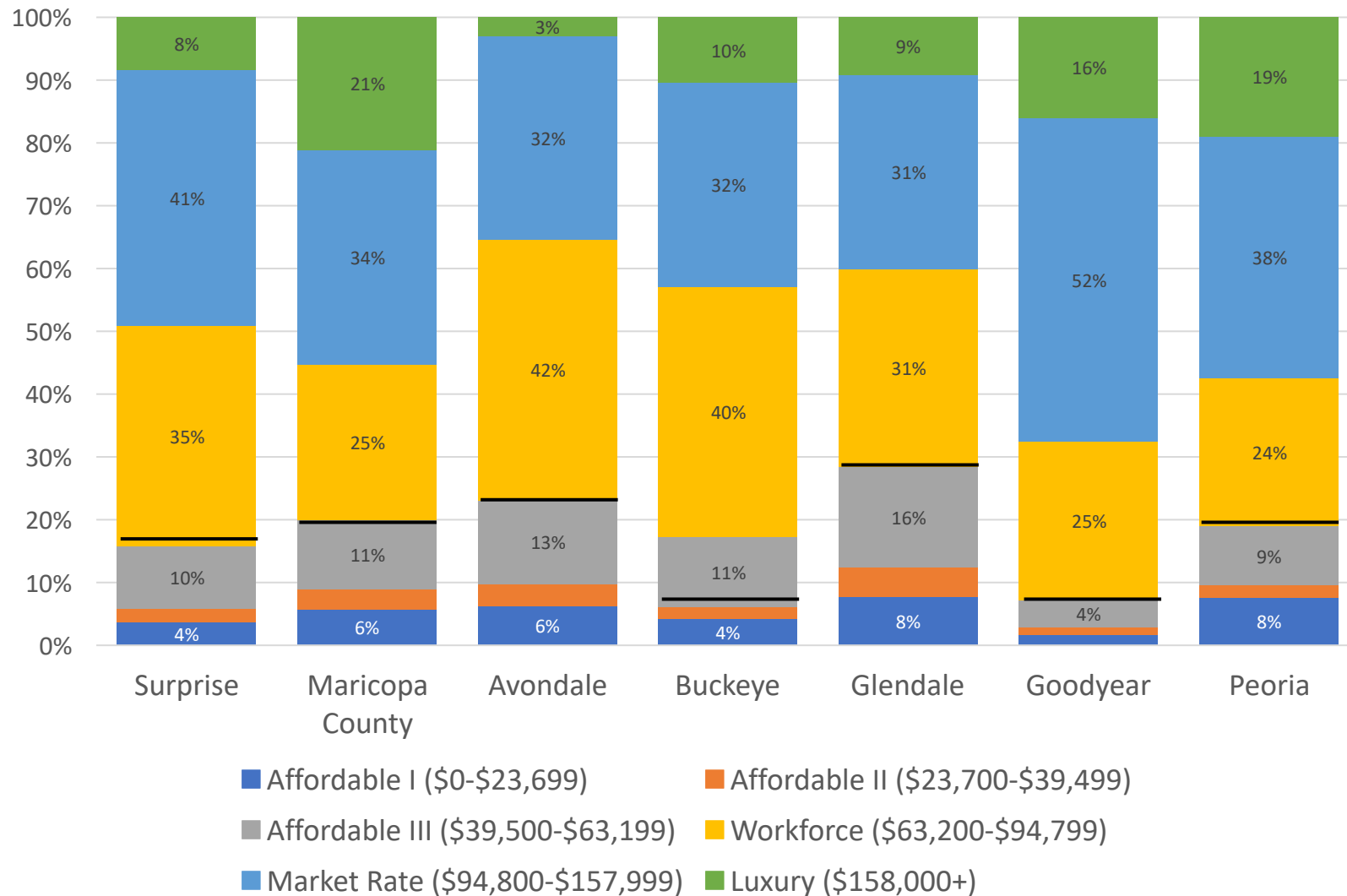
- Households that spend 30% or more of income on housing are considered cost burdened
- 53% of renter households in Surprise are cost burdened, compared to 25% of owner households
- Surprise households dependent upon a single income typically fail to meet the 30% threshold
 - Median earnings in only three industries (utilities; mining, quarrying, and oil and gas extraction; and public administration) are high enough to afford median rent, while only two industries (utilities and mining, quarrying, and oil and gas extraction) typically pay enough to afford median homeownership costs

Senior Housing Overview

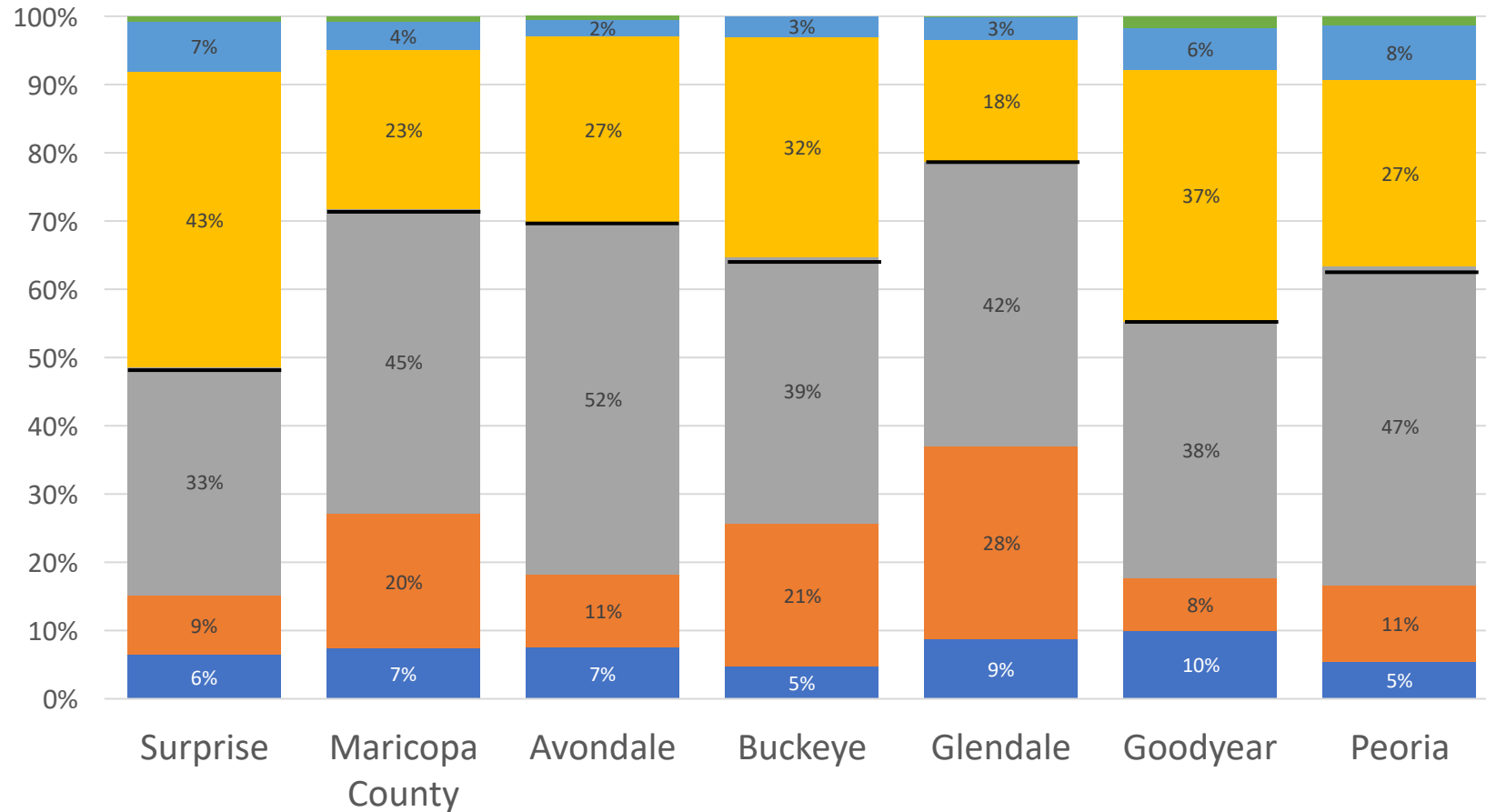
- **23% of population is 65+**
 - 9% of seniors experience an independent living difficulty
- **82 senior living facilities**
- **\$2,089 average gross rent and 12% vacancy rate in independent living communities**
- **Assisted living and memory care cost upwards of \$4,000 per month**



Occupied Owner Stock by Affordability Range, 2021

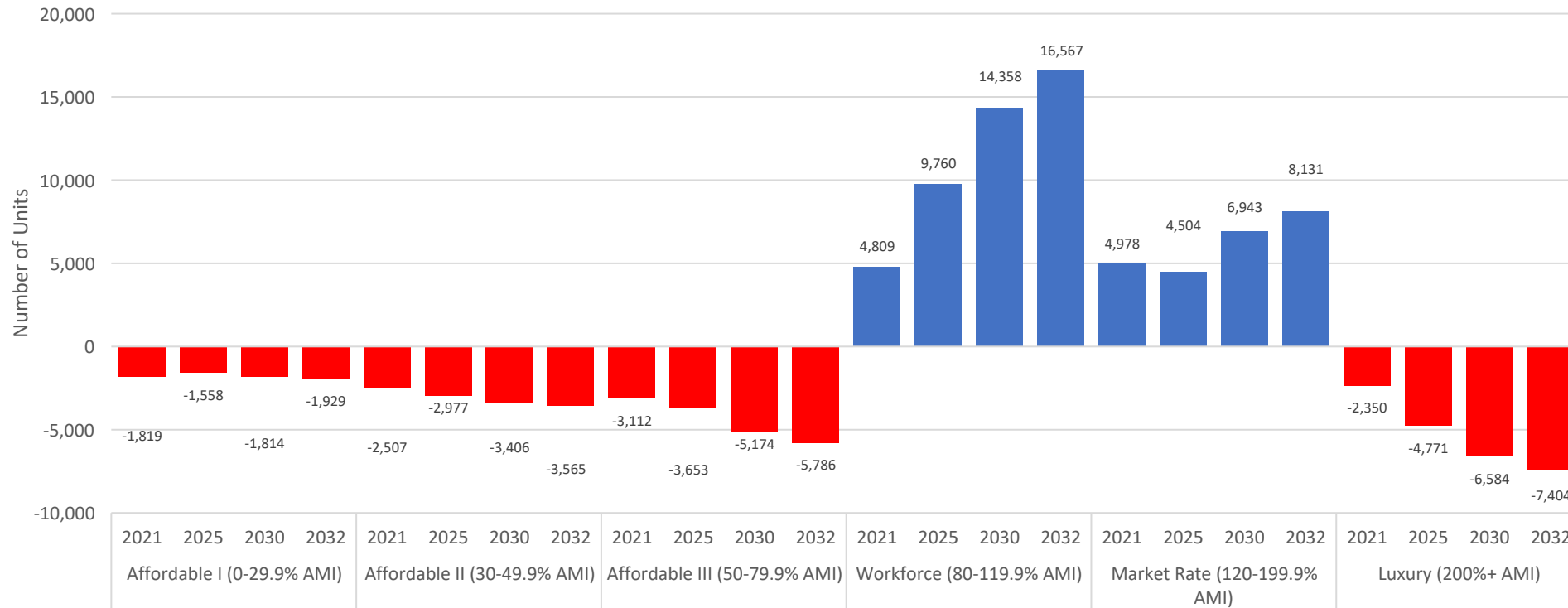


Occupied Rental Stock by Affordability Range, 2021

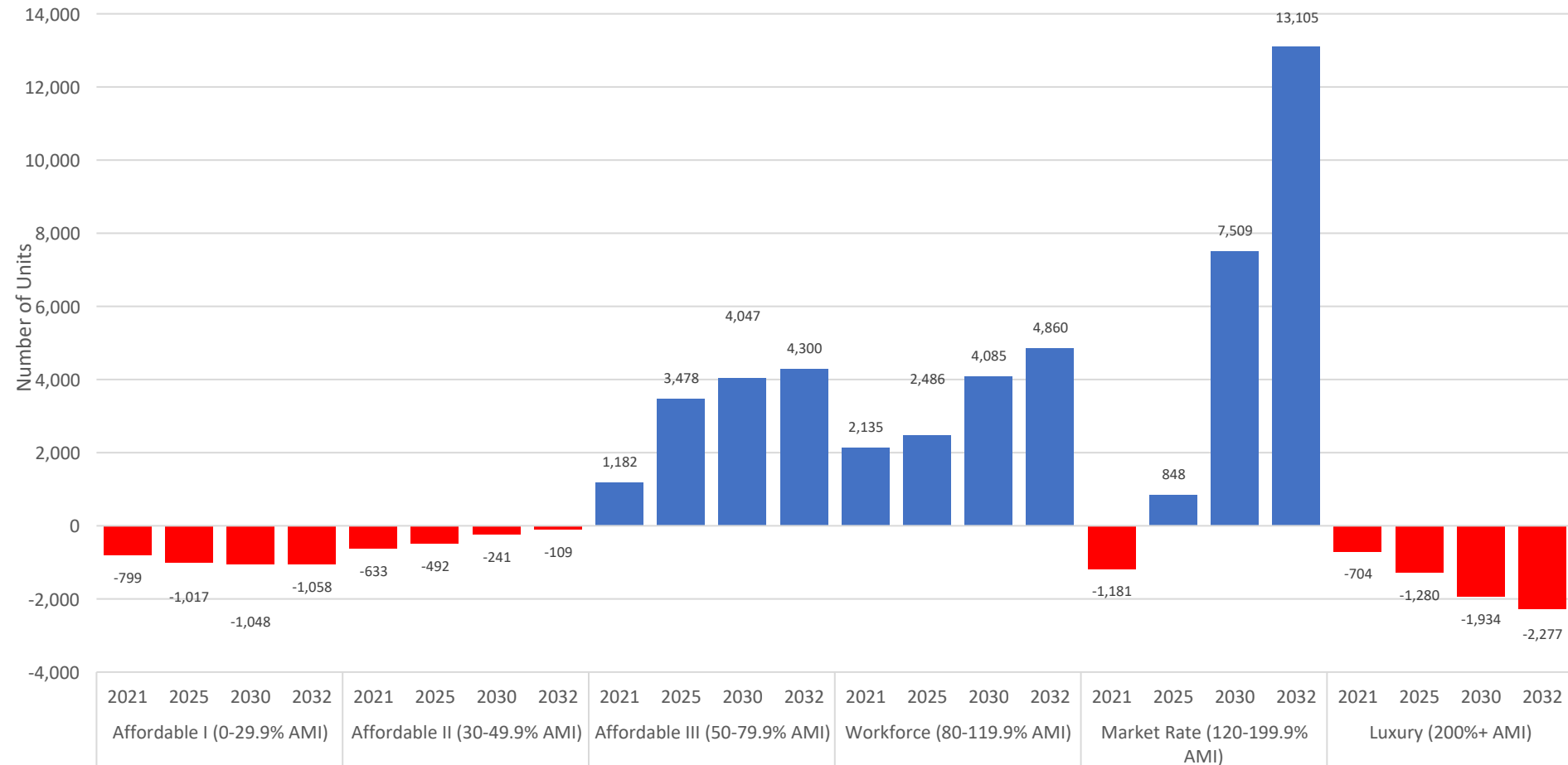


- Affordable I (\$0-\$23,699)
 Affordable II (\$23,700-\$39,499)
- Affordable III (\$39,500-\$63,199)
 Workforce (\$63,200-\$94,799)
- Market Rate (\$94,800-\$157,999)
 Luxury (\$158,000+)

Actual and Projected Gaps in the Owner Market



Actual and Projected Gaps in the Rental Market



Housing Study Conclusions

- **Renter incomes have failed to keep pace with rising rents, leaving most renters cost burdened**
- **Surprise has among the lowest share of affordable rental units in the West Valley**
- **The most affordable rental units are likely to continue to be in short supply as surpluses of workforce and market rate units emerge**
- **Homeownership has become out of reach for many due to rapidly increasing home prices**
- **Deficits of affordable and luxury owner homes are expected to grow in the coming years**

Housing Strategy Overview

Potential Solutions

- **Allow duplexes and triplexes in residential rural (RR) and residential low-density (R-1) districts and reduce off-street parking requirements**
- **Finance accessory dwelling units through zero-interest loans or grants and loosen zoning restrictions**
- **Leverage AZ's new low-income housing tax credit and expanded Housing Trust Fund**
- **Augment the Newtown Community Land Trust**
- **Lobby state leaders to pass legislation empowering local governments to establish land banks and fund housing projects through tax increment financing (TIF)**
- **Offer developer incentives, such as density bonuses, and reduce/waive impact fees and other burdensome regulations**

Thank you!
We welcome any comments or questions



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City of Surprise Housing Study





City of Surprise Housing Study

Prepared for:

City of Surprise
Human Service and Community Vitality Department
Housing and Community Services
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Updated: May 22, 2023



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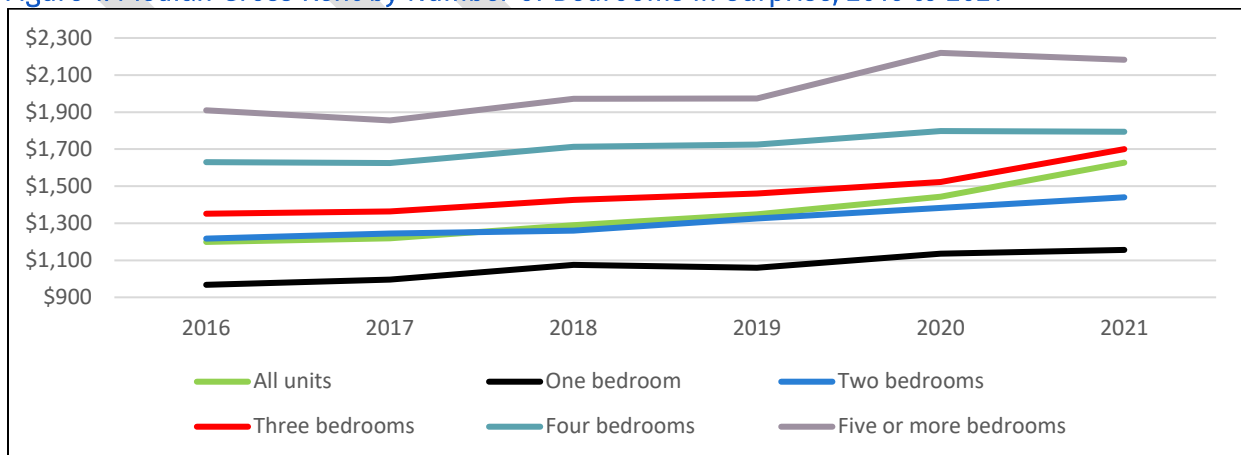
Executive Summary

In November 2022, the City of Surprise retained Matrix Design Group, Inc. (Matrix) to conduct a housing study. The study serves two main purposes. **First, it seeks to enhance policymakers', stakeholders', and the community's understanding of the housing challenges facing the city through detailed, state-of-the-art analytics and robust community engagement.** To that end, Matrix completed an exhaustive demographic, economic, and housing status profile; housing inventory and rental and owner market analyses; and housing needs assessment. **Second, it outlines a comprehensive housing strategy that Matrix developed in consultation with stakeholders, community leaders, and the general public.** The experiences of other communities that have successfully confronted similar challenges suggest that our recommendations, if implemented, will significantly improve existing conditions.

How expensive is it to rent or buy a home in Surprise?

Our findings rely heavily on five-year estimates from the 2021 American Community Survey (ACS), which covers the period from 2017 to 2021. While other data sources employed throughout the study provide more recent data, none can match the ACS's level of detail, rigor, and statistical reliability. **Median gross rent in Surprise during this period reached an all-time high of \$1,627 (see Figure 1). Since then, as Figure 2 shows, rents have failed to return to historical levels.** As of the first quarter of 2023, average gross rent in Surprise was \$1,722, although one-bedroom units were typically available for just under \$1,600. Home sale prices, too, have risen sharply in recent years, even when accounting for inflation. **As Figure 3 demonstrates, from March 2020 to June 2022, the median home sale price increased from \$338,210 to \$498,152.** While prices have since fallen, concurrent increases in mortgage rates have deterred many prospective buyers from purchasing homes. Assuming a 6% interest rate, 30-year loan term, and 20% down payment, the monthly mortgage payment for the median home purchased in March 2023 amounts to \$1,947. Note that this total excludes property taxes, insurance, and other fees.

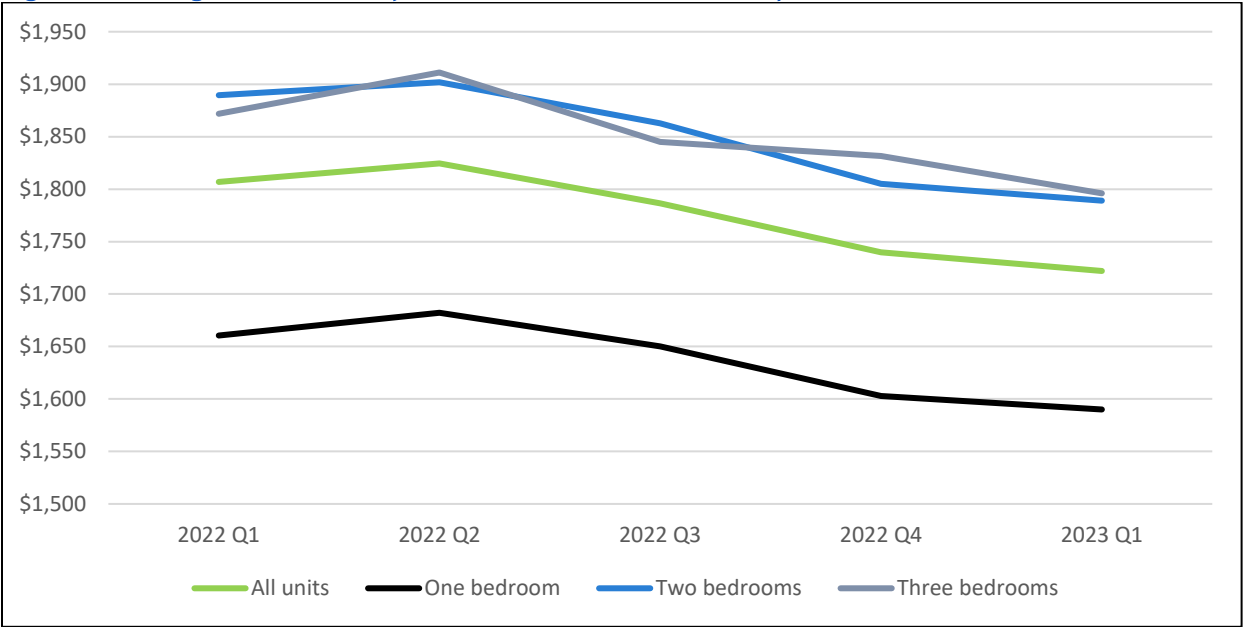
Figure 1. Median Gross Rent by Number of Bedrooms in Surprise, 2016 to 2021



Source: Five-year American Community Survey (2021)

Note: Dollar values adjusted for inflation to constant 2021 dollars.

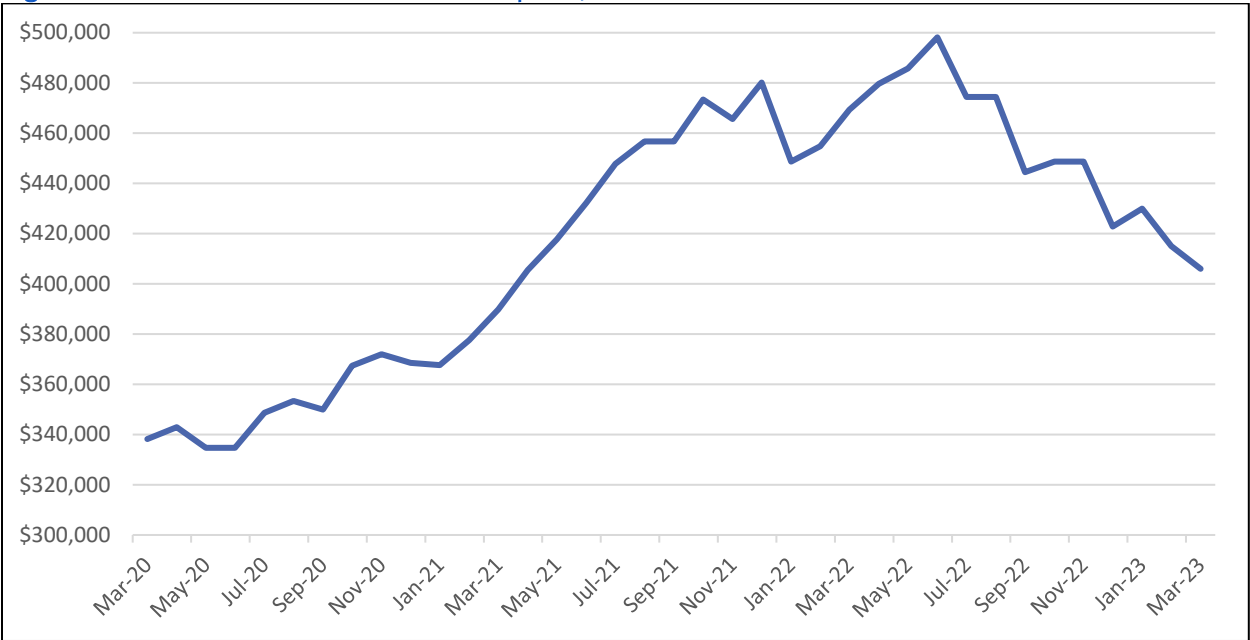
Figure 2. Average Gross Rent by Number of Bedrooms in Surprise, 2022 Q1 to 2023 Q1



Source: CoStar; Matrix Design Group, Inc.

Note: Dollar values adjusted for inflation to constant 2023 dollars.

Figure 3. Median Home Sale Price in Surprise, March 2020 to March 2023



Source: Redfin; Matrix Design Group, Inc.

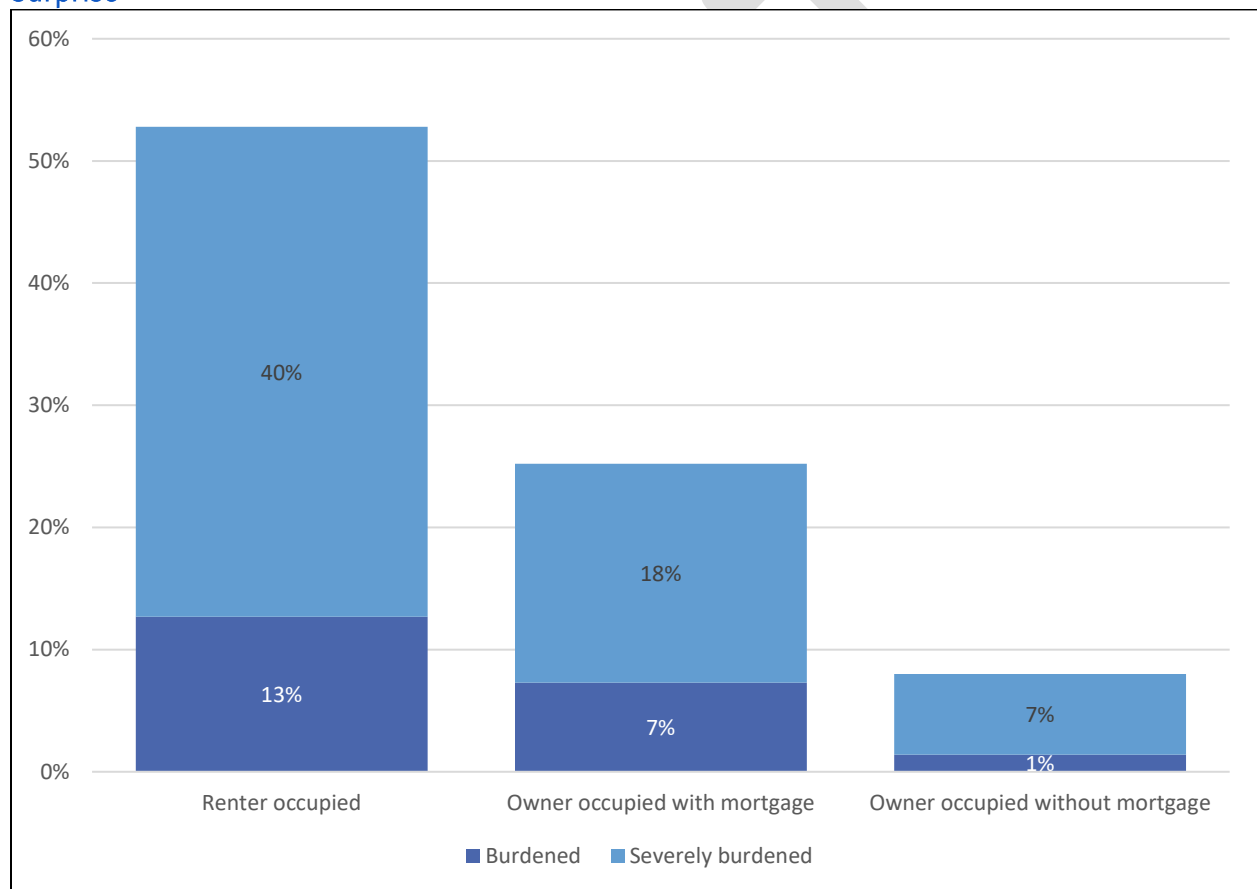
Note: Dollar values adjusted for inflation to constant 2023 dollars.



How widespread are cost-burdened renters and homeowners in Surprise?

As a general rule, housing costs should account for less than 30% of gross household income in order to be considered affordable. **Figure 4 reveals that 13% of renter households qualify as “cost burdened,” spending between 30 and 34.9% of household income on rent. For an additional 40% of households, rent accounts for 35% or more of household income, making them “severely cost burdened.”** While homeowners are in a stronger financial position, the fact that a quarter of them are burdened or severely burdened by housing costs is cause for concern. Furthermore, it is important to recognize that homeowners do not represent a random sample of the population. Rather, higher-income households tend to select into homeownership. This implies that the rate of cost-burdened or severely cost-burdened homeowners would increase markedly if a significant percentage of Surprise’s renters decide to purchase homes in the coming years.

Figure 4. Prevalence of Cost-Burdened and Severely Cost-Burdened Households by Tenure in Surprise



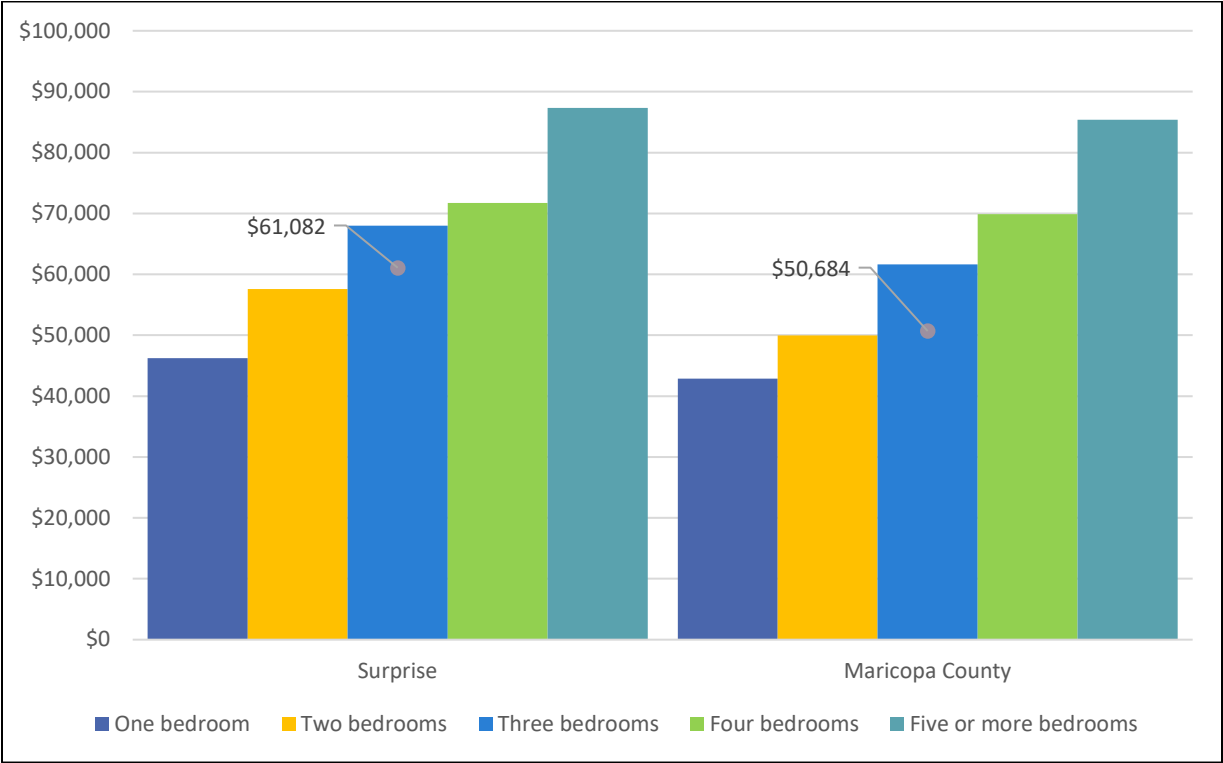
Source: Five-year American Community Survey (2021)

What type of unit can the median renter in Surprise afford?

The prevalence of cost-burdened or severely cost-burdened renter households in Surprise warrants a closer analysis of the challenges they face. Figure 5 compares the minimum income required to afford median rent for units with varying numbers of bedrooms to actual median renter household income, which is represented by the gray dot. **Surprise’s median renter income of \$61,082 is sufficient to contain**

rent for only one- and two-bedroom units to less than 30% of household income. Because rents are less expensive in surrounding communities, the same is true for Maricopa County, despite its significantly lower median renter household income (\$50,684). Units with three or more bedrooms are unaffordable for median renter households in both regions. To afford the typical three bedroom-unit in Surprise, for example, a household needs to earn at least \$68,002.

Figure 5. Minimum Income Required to Afford Median Gross Rent at 30% Threshold by Number of Bedrooms, 2021



Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

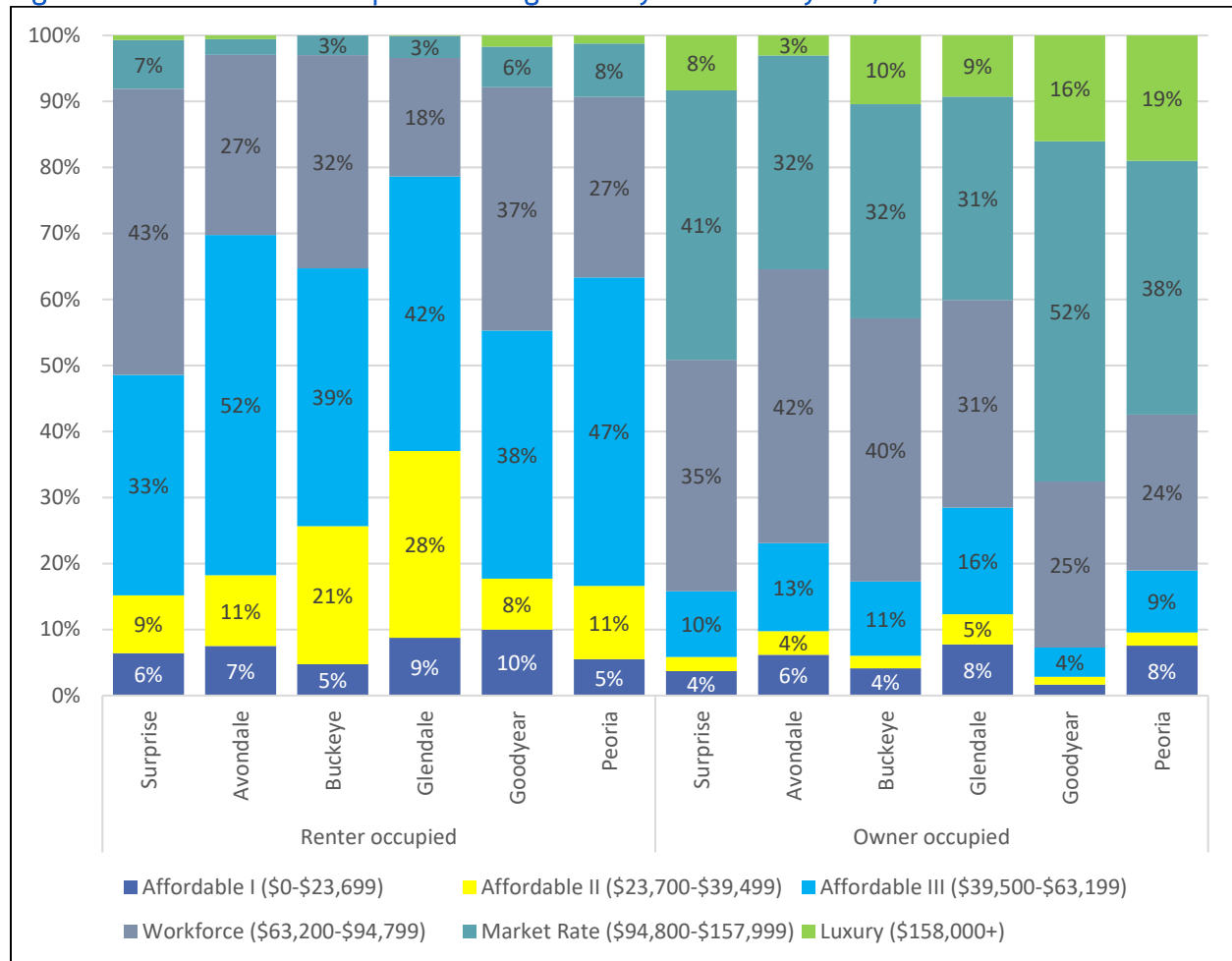
How affordable are renter- and owner-occupied homes in Surprise compared to nearby communities?

Figure 6 groups Surprise's renter- and owner-occupied households into affordability tiers, which are based on the 2021 area median income (AMI) of \$79,000 for the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA). Further, it compares the affordability composition of Surprise's inventories to those of Avondale, Buckeye, Glendale, Goodyear, and Peoria. Note that the dollar values represent the range of household incomes that could afford a home in a given category. For instance, the "affordable III" category encompasses the homes that a household earning between \$39,500 and \$63,199 is able to afford. **The results reveal that Surprise has fewer rental units in the three "affordable" tiers than every other city represented in the figure.** Indeed, just 48% of rental units limit rent to less than 30% of income for households earning less than \$63,200. **Surprise's owner inventory is even more middle- and upper- income-oriented, with 84% of homes falling into the workforce, market rate, and luxury ranges, leaving few options for prospective buyers earning significantly below AMI.** Proportionally



speaking, Glendale boasts almost twice as many “affordable” owner units as Surprise. Moreover, nearly half of Surprise homes are affordable only to households earning at least 120% of AMI, or \$94,800. As exemplified by the cases of Goodyear and Peoria, however, Surprise is not unique in having a large inventory of market rate and luxury homes.

Figure 6. Breakdown of Occupied Housing Stock by Affordability Tier, 2021



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

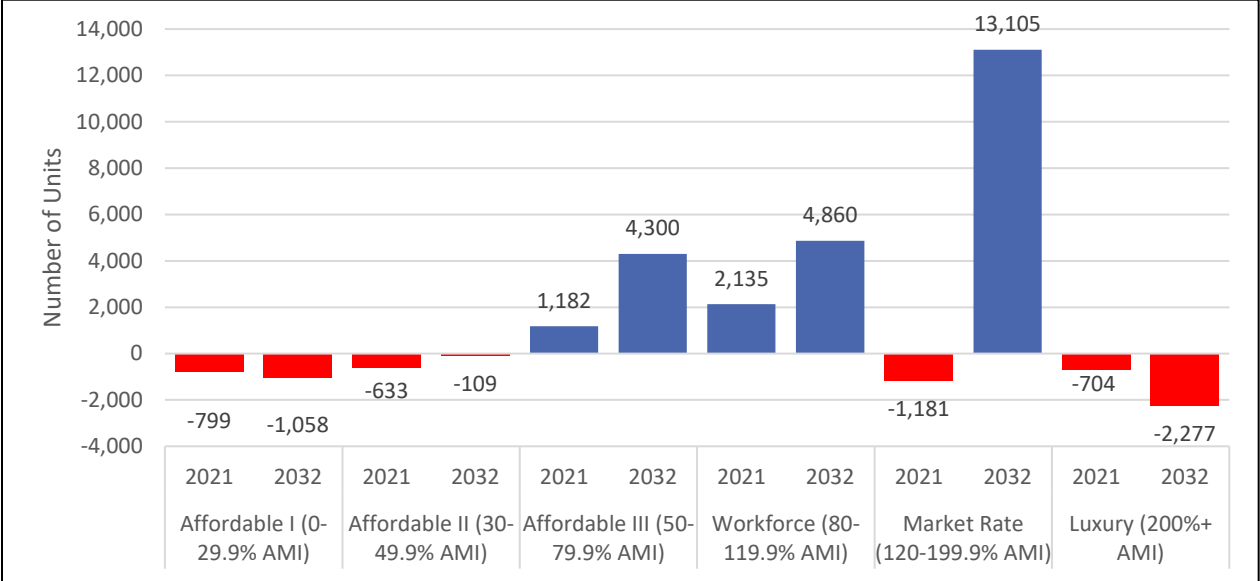
How large are the supply-demand gaps in Surprise’s housing market?

Surprise suffers from severe shortages of affordable homes for renter and owner households earning less than 50% of AMI, or \$39,499 (see Figures 7 and 8). Specifically, the deficits amount to 1,432 rental homes and 4,326 owner homes. In the latter market, an additional deficit of 3,112 homes exists in the top “affordable” tier, which covers households earning between \$39,500 and \$63,199. Surprise’s significant shortage of affordable homes disproportionately impacts younger and senior households, who tend to have low incomes. **Unless the city takes aggressive action to close these gaps, they are projected to reach unmanageable levels by 2032, especially in the owner market. Should our projections become reality, Surprise will inevitably witness increased rates of**



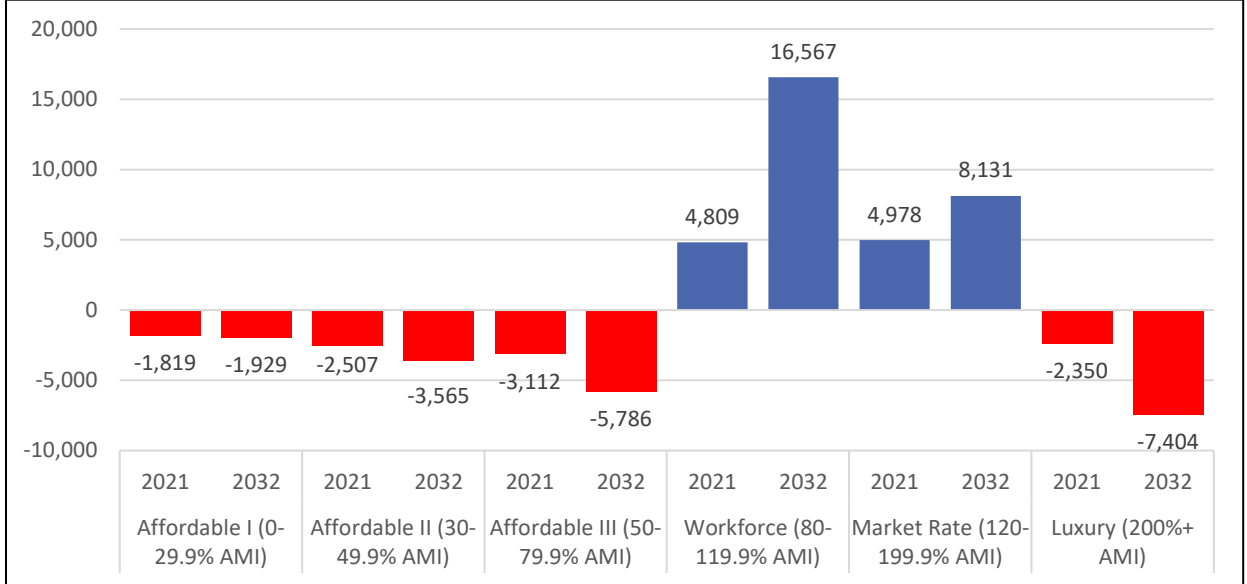
homelessness and overcrowding, among other undesirable consequences, as households struggle to meet their rent and mortgage payments. The results also indicate that Surprise’s deficit of luxury homes is expected to escalate dramatically, meaning high-income earners will be forced to purchase or rent homes that would be more suitable for households in the lower income brackets.

Figure 7. Actual and Projected Supply-Demand Gaps in Surprise's Rental Market, 2021 and 2032



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Figure 8. Actual and Projected Supply-Demand Gaps in Surprise's Owner Market, 2021 and 2032



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.



What can Surprise do to ameliorate existing and future housing shortages?

Surprise is not powerless in the face of growing shortages. We identified six solutions available to city leaders as they work to reverse recent trends.

1. Expand the types of residential districts that permit duplexes and triplexes by right and relaxing off-street parking requirements for these homes, which currently mandate two spaces per unit.
2. Promote accessory dwelling units by creating financing programs with favorable terms for borrowers, such as zero-interest or forgivable loans and grants.
3. Take advantage of the new state low-income housing tax credit and newly expanded Housing Trust Fund.
4. Lobby the Arizona State Legislature to devolve authority over housing policy to local governments, particularly as it relates to tax increment financing and land bank formation.
5. Finance the Newtown Community Land Trust, which creates permanently affordable housing by effectively removing the cost of land from a home's purchase price.
6. Create a density bonus program that allows developers to build more units per acre, provided that a certain percentage of units become affordable housing, and reduce or eliminate regulatory barriers, such as impact fees, that disincentivize affordable development.



Introduction

In November 2022, the City of Surprise selected Matrix Design Group, Inc. (Matrix) to conduct a housing study. The quantitative component of the study consists of a demographic, economic and housing status profile; housing inventory and rental and owner market analyses; and a housing needs assessment that offers insight into the types of housing the city should be prioritizing going forward. To provide additional context to the results, we use a time series cross sectional approach. That is, we examine how conditions have changed over time, as well as how they vary both within the city and across the region. Key to the within-city comparative analyses are a series of map visualizations that illustrate how conditions differ from neighborhood to neighborhood. In addition, we recommend a series of evidence-based steps that the city can take to improve the affordability and availability of housing. Recognizing that public acceptance is vital to the success of any housing plan, Matrix developed its recommendations after conducting a robust community engagement campaign alongside the city, which the study also details.

Methodology

The quantitative analyses utilize the most current and highest quality secondary data. The five-year 2021 American Community Survey (ACS), which covers the period from 2017 to 2021, serves as our main data source. Five-year ACS estimates are preferable to the alternatives because they offer unmatched statistical reliability and are available for small geographic units. In addition, we rely on several supplementary data sources that provide economic and housing data through the present. Below is a comprehensive list of the data sources employed in the study:

- American Community Survey five-year estimates
- 2020 U.S. Census
- Redfin
- US Department of Housing and Urban Development (HUD) Median Family Income Documentation System
- CoStar
- Bureau of Labor Statistics (BLS)
- Maricopa Association of Governments
- Maricopa County Assessor 2023 Parcel Data
- Arizona Department of Commerce's Office of Employment and Population Statistics
- Arizona Office of Economic Opportunity
- AirDNA

Recognizing the utility of a multi-method approach, Matrix validated its quantitative findings through interviews with stakeholders, a community survey, a focus group, and two community meetings. Matrix was able to engage the following organizations:

- Ability360
- Foundation for Senior Living
- Newtown Community Land Trust and Community Development Corporation
- Voice of Surprise



- Arizona Charter Academy
- Dysart Unified School District
- WeSERV

At the core of the housing needs assessment are a series of gap analyses that estimate the difference between supply and demand at tiers based on the 2021 area median income (AMI) of \$79,000 for the Phoenix-Mesa-Scottsdale MSA. By situating the city's housing market within a broader region that includes prospective buyers and renters who are inclined to consider Surprise during their housing search, AMI is better suited for evaluating affordability than Surprise-specific median household income. Table 1 displays the income range associated with each income tier, as well as the corresponding housing type. Homes in the first in the three "affordable" categories do not burden households whose incomes fall between 0 to 29.9%, 30 to 49.9% and 50 to 79.9% of AMI, respectively. The next classification, workforce housing, includes the homes priced appropriately for middle-income households, defined as those earning between 80 and 119.9% of AMI. Market rate and luxury homes are affordable only to households reporting annual incomes of at least 120% and 200% of AMI, respectively.

Table 1. Income and Housing Affordability Tiers for the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area, 2021

Income Tier	Income Range	Corresponding Housing Affordability Tier
Extremely low income (0-29.9% AMI)	\$0-\$23,699	Affordable I
Very low income (30-49.9% AMI)	\$23,700-\$39,499	Affordable II
Tax subsidy limits/low income (50-79.9% AMI)	\$39,500-\$63,199	Affordable III
Middle income (80-119.9% AMI)	\$63,200-\$94,799	Workforce
High income (120-199.9% AMI)	\$94,800-\$157,999	Market Rate
Very high (200%+ AMI)	\$158,000+	Luxury

Source: Department of Housing and Urban Development; Matrix Design Group, Inc.

Demographic, Economic, and Housing Status Profile

This section provides detailed demographic, economic, and housing status data on Surprise's population and households. More specifically, it explores the size and makeup of the population, household income, employment and wages, housing tenure, overcrowding, commuting patterns, and the geographic distribution of the group quarters population. Where appropriate and feasible, the analyses feature projections through 2032.

Population Size

Table 2 documents the population growth in Surprise, neighboring municipalities, and Maricopa County over the twenty-first century's first two decades and presents forecasted population estimates for 2030 and 2040. **At the turn of the twenty-first century, Surprise's population was just 32,667, before reaching 117,720 by the end of the century's first decade—equivalent to a 260% increase.** The city's meteoric growth rate during this 10-year interval (260%) dwarfed the 24% increase experienced by the entirety of Maricopa County and was exceeded only by that of Buckeye (667%). From 2010 to 2020, Surprise's population continued to rise at a faster rate (23%) than those of Maricopa County as a whole and most nearby municipalities, albeit to a lesser extent. Through 2040, Surprise is expected to keep growing at a healthy rate—a trend driven, in part, by the prospect that the city will annex unincorporated land. **Surprise is projected to add approximately 72,000 residents by the end of the current decade, and the 2030s are likely to bring similar relative population growth.** Surprise's anticipated growth rate underscores the need for the city to substantially increase its inventory of homes in the coming years.





Table 2. Actual and Projected Population Growth, 2000 to 2040

Region	Total Population					Aggregate Percent Change			
	2000	2010	2020	2030	2040	2000-2010	2010-2020	2020-2030	2030-2040
Surprise	32,667	117,720	144,246	216,700	307,500	260%	23%	50%	42%
Maricopa County	3,092,927	3,824,083	4,436,704	5,107,700	5,712,200	24%	16%	15%	12%
Avondale	36,400	76,418	89,480	101,800	111,900	110%	17%	14%	10%
Buckeye	6,697	51,377	93,629	186,600	305,400	667%	82%	99%	64%
Chandler	178,398	236,678	277,116	309,100	321,100	33%	17%	12%	4%
Glendale	219,392	226,866	248,686	306,400	323,400	3%	10%	23%	6%
Gilbert	111,250	209,458	268,728	293,500	308,800	88%	28%	9%	5%
Goodyear	19,700	65,566	96,789	140,300	192,200	233%	48%	45%	37%
Mesa	400,491	439,875	505,447	607,500	649,400	10%	15%	20%	7%
Peoria	109,923	155,053	191,849	232,400	273,700	41%	24%	21%	18%
Phoenix	1,324,016	1,448,683	1,611,162	1,881,900	2,019,300	9%	11%	17%	7%
Scottsdale	204,060	217,285	241,718	281,900	299,400	6%	11%	17%	6%
Tempe	158,671	162,010	181,580	217,100	247,000	2%	12%	20%	14%

Source: Arizona Department of Economic Security's Population Statistics Unit, Arizona Department of Commerce's Office of Employment and Population Statistics, and Arizona Office of Economic Opportunity; Maricopa Association of Governments.

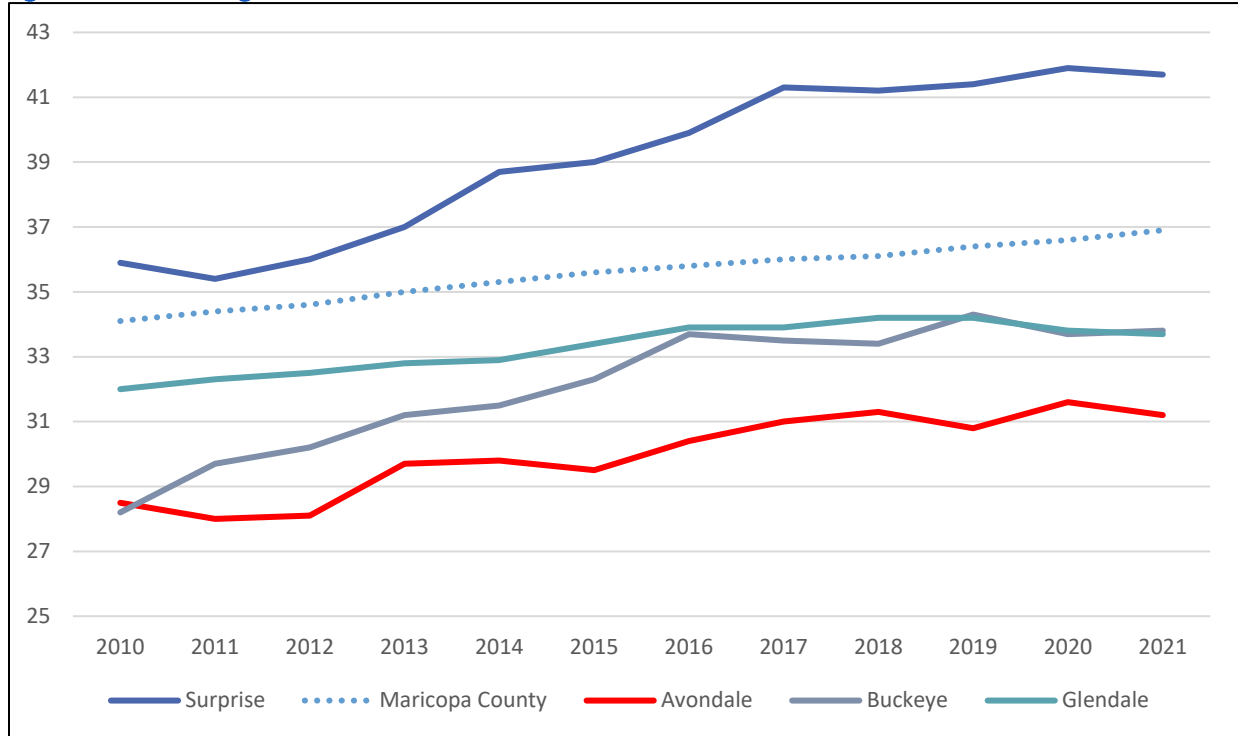
Population Age

Surprise's demographics have evolved markedly in recent years. Most notably, its population has aged at a faster rate than those of virtually all other West Valley municipalities and Maricopa County as a whole.

Figure 9 shows that the median age of Surprise residents increased from 35.9 in 2010 to 41.7 in 2021. By then, nearly five years separated the median Surprise resident from his or her Maricopa County counterpart, who was just shy of 37 years old. Surprise's age gaps with Avondale, Buckeye, and Glendale are even larger. The precipitous rise in Surprise's middle-aged and senior populations has been primarily responsible for its shifting age demographics. Figure 10 highlights the degree to which the age composition of residents varies both within Surprise and between jurisdictions. It shows that Surprise stands apart from other nearby communities in terms of the relative size of its 65-and-over population, who make up 23% of all residents. Nearly half of one zip code's population (85387) belongs to this age

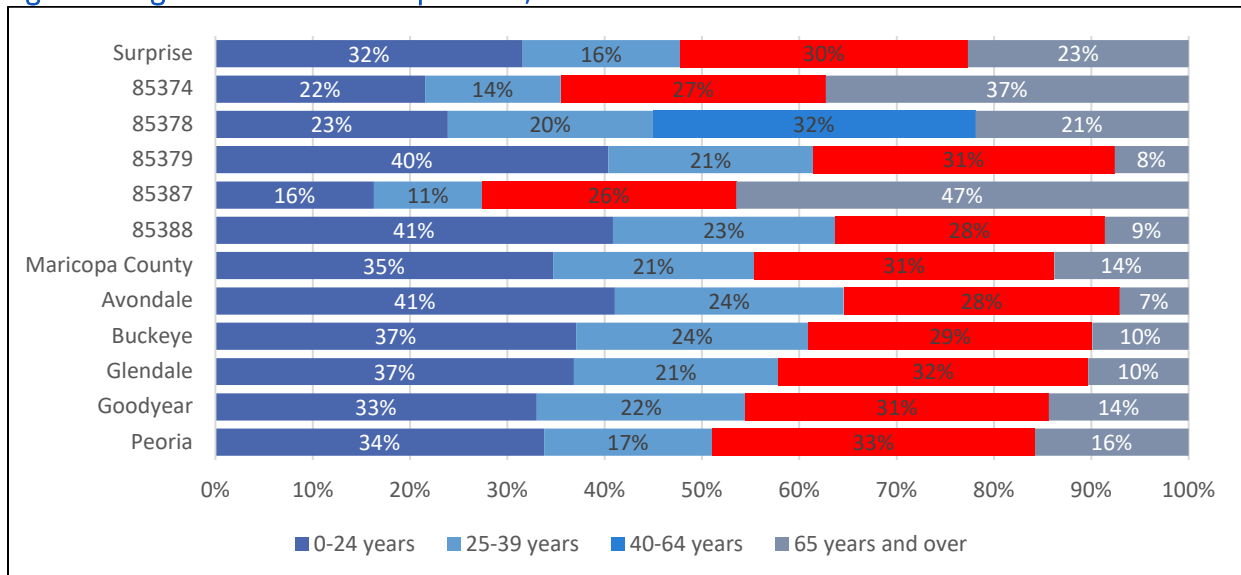
group. It is imperative that the city accommodate its aging population by offering adequate senior housing in the form of independent living, assisted living, and memory care facilities.

Figure 9. Median Age, 2010 to 2021



Source: Five-year American Community Survey (2010 to 2021)

Figure 10. Age Distribution of Population, 2021



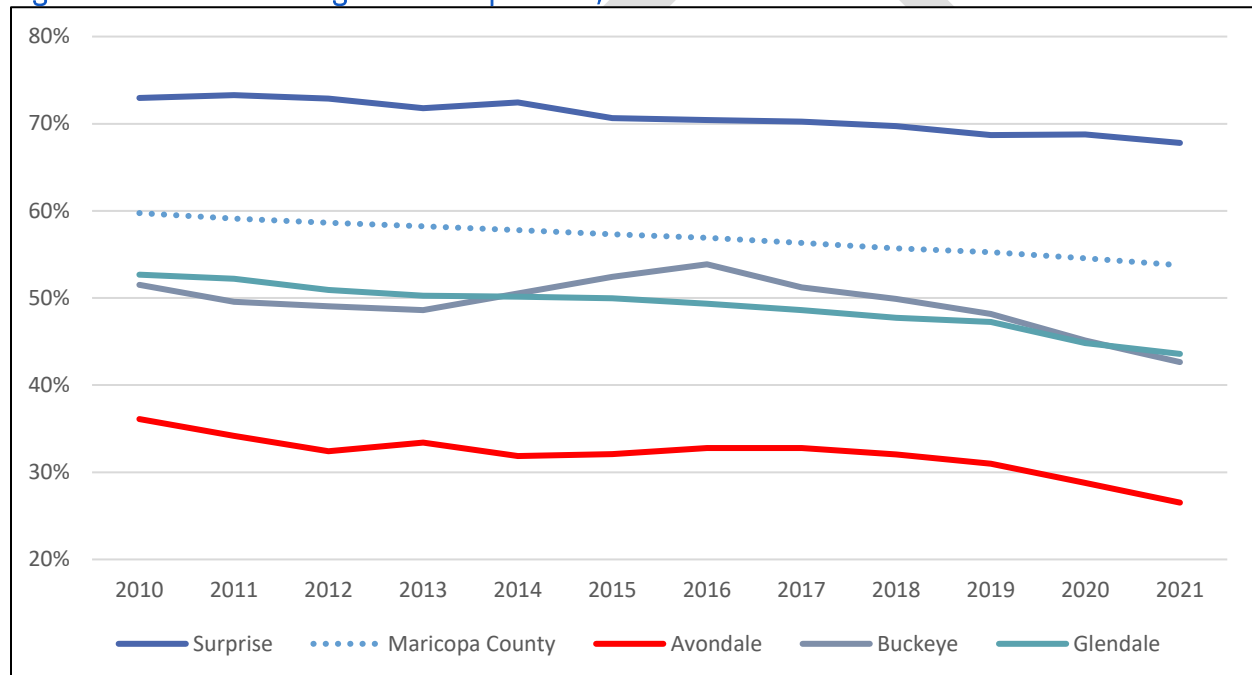
Source: Five-year American Community Survey (2021)



Population Racial/Ethnic Composition

Consistent with broader trends, Surprise became more racially/ethnically diverse from 2010 to 2021. During this period, whites fell from 73% to 68% of Surprise residents (see Figure 11), despite increasing in absolute population size by over 20,000. Surprise's increased diversity, then, has primarily resulted from the fact that Hispanics have outpaced whites in relative population growth. Over the same 11-year interval, the city's Hispanic population grew by 58%, and today, 21% of Surprise residents identify as Hispanic (see Figure 12). **Nevertheless, Surprise ranks among the least diverse communities in the region.** Overall, 54% of Maricopa County residents are white, and in some municipalities, such as Avondale, Buckeye, and Glendale, Hispanics either outnumber or are nearly equal to whites in population. Given the relationship between race/ethnicity and economic status, as Surprise continues to diversify, policymakers and stakeholders will likely need to do more to address housing affordability challenges.

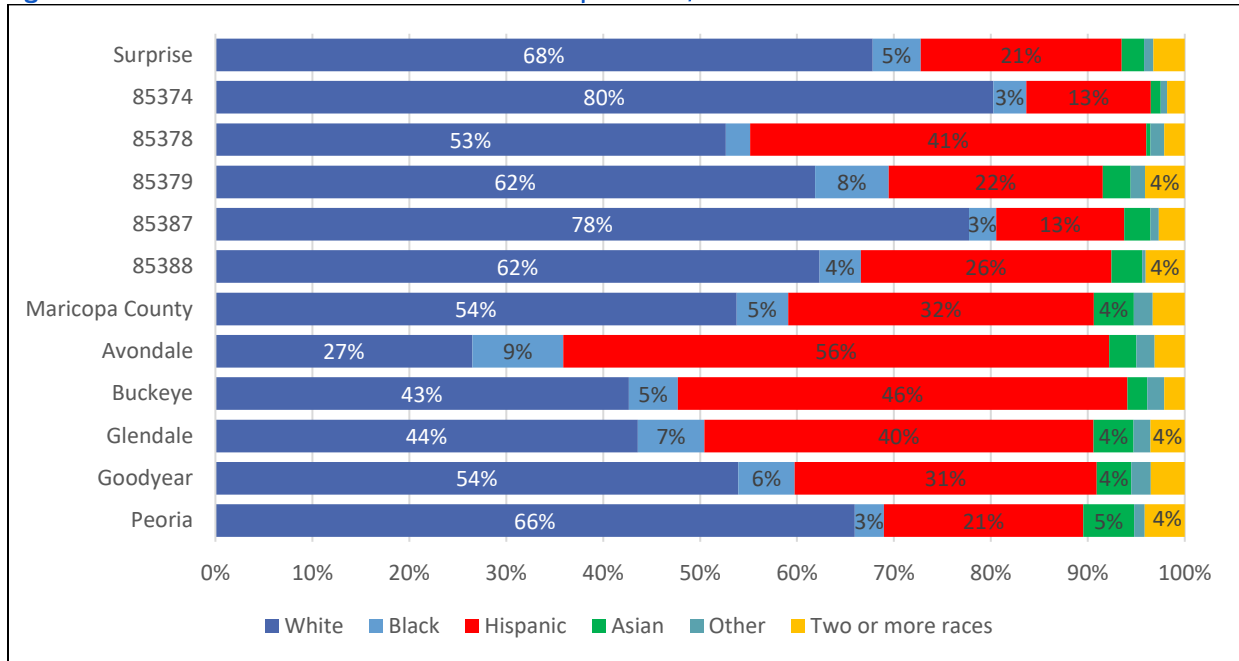
Figure 11. White Percentage of the Population, 2010 to 2021



Source: Five-year American Community Survey (2010 to 2021)

“Given the relationship between race/ethnicity and economic status, as Surprise continues to diversify, policymakers and stakeholders will likely need to do more to address housing affordability challenges.”

Figure 12. Racial/Ethnic Breakdown of the Population, 2021



Source: Five-year American Community Survey (2021)

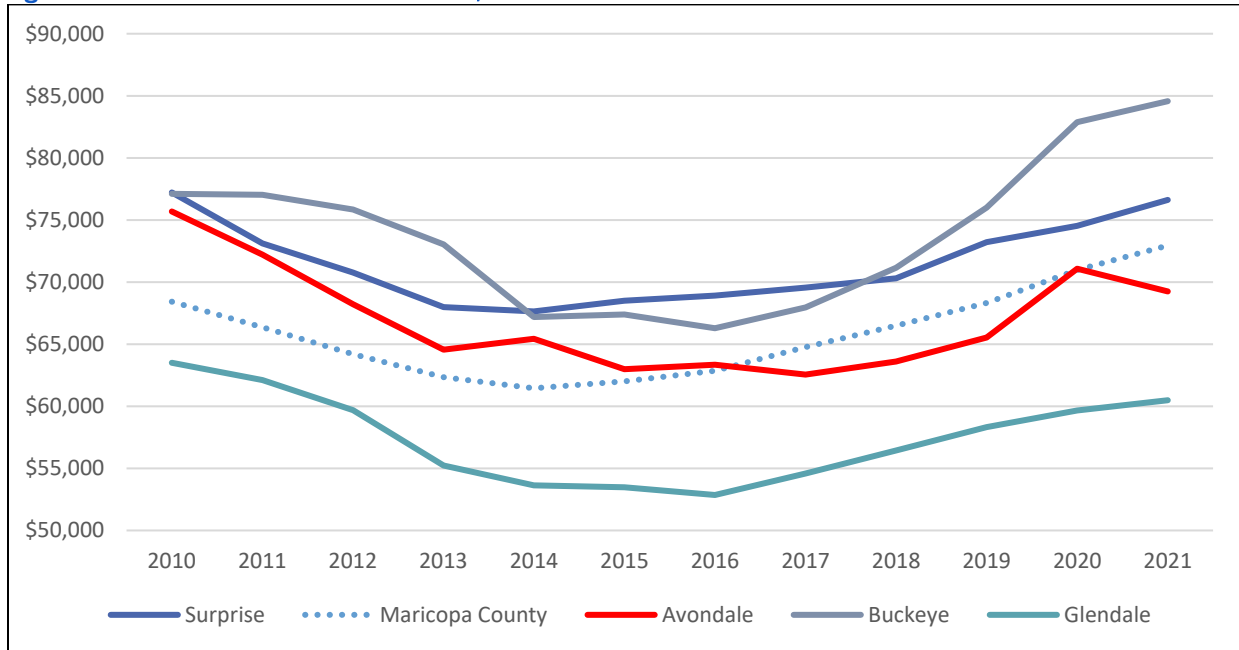
Household Income

A detailed analysis of household income offers preliminary insight into the capacity of residents of varying demographic backgrounds and socioeconomic status to afford housing. Figure 13 displays median household income estimates for Surprise, Maricopa County, and three other West Valley cities. Note that dollar values for 2010 to 2020 were adjusted for inflation to reflect real 2021 dollars. **In 2021, median household income in Surprise climbed to \$76,623, second only to Buckeye, continuing the trend of steady wage growth that began in 2014, when the Great Recession’s lingering effects finally abated.** The typical Surprise household has consistently fared better than its Avondale, Glendale, and Maricopa County counterparts. However, whereas Maricopa County has closed its income gap with Surprise in recent years, the opposite has been true for Avondale and Glendale. **Recent trends indicate that median household income is likely to decline slightly from its 2021 level in the coming years but stay within a narrow range that exceeds the historical average of \$71,533 (see Figure 14).**

“The typical Surprise household has consistently fared better than its Avondale, Glendale, and Maricopa County counterparts. However, whereas Maricopa County has closed its income gap with Surprise in recent years, the opposite has been true for Avondale and Glendale.”



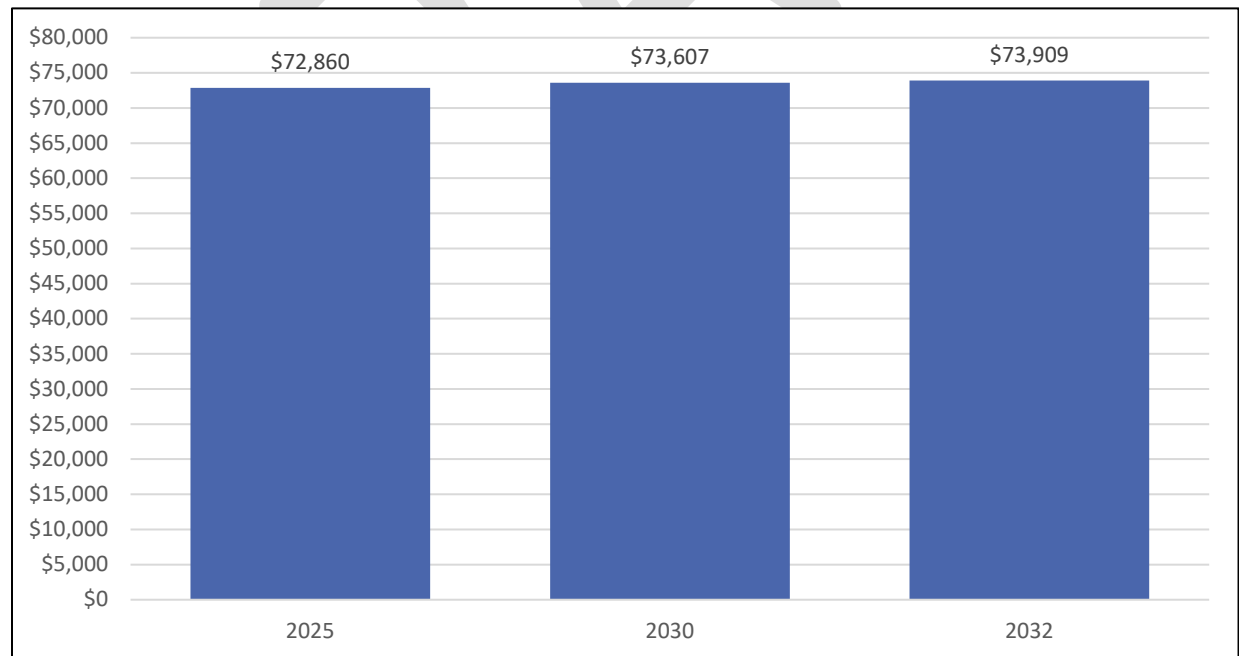
Figure 13. Median Household Income, 2010 to 2021



Source: Five-year American Community Survey (2010-2021); Matrix Design Group, Inc.

Note: Dollar values adjusted for inflation to constant 2021 dollars.

Figure 14. Median Household Income Projections for Surprise, 2025 to 2032

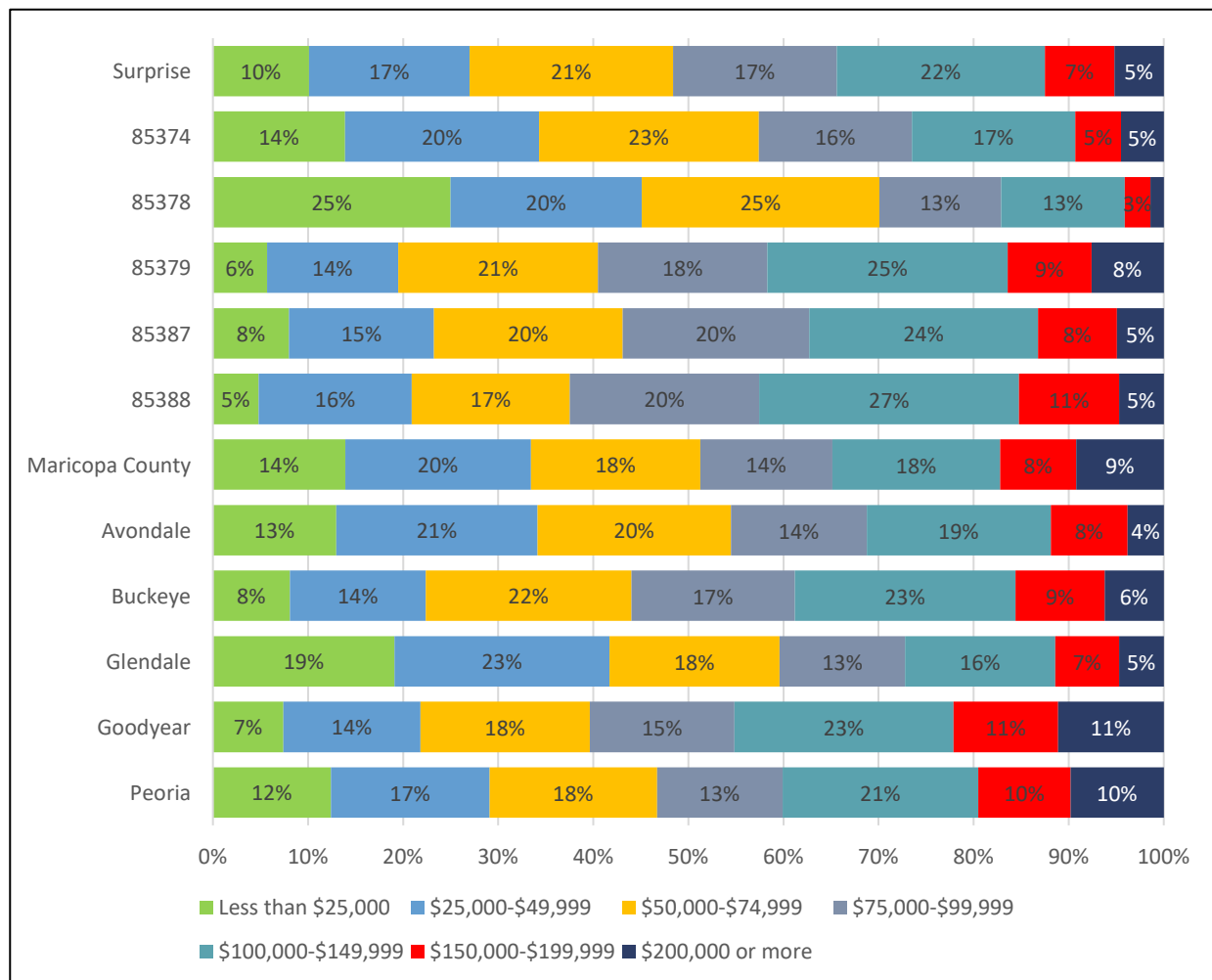


Source: Matrix Design Group, Inc.

Source: Dollar values adjusted for inflation to constant 2021 dollars.

Figure 15 features household income distributions for the regions of interest. For context, the federal poverty line for a family of four was \$26,500 in 2021. 11% of households earn less than \$25,000, compared to 15% for Maricopa County, 14% Avondale, 8% for Buckeye, and 19% for Glendale. Of the four Surprise zip codes, 85378 has the highest share of households with incomes below this critical threshold. Conversely, a mere 5% of households in 85388 earn less than \$25,000. **With 39% of its households earning between \$50,000 and \$99,000, Surprise is more middle class-oriented than most of Maricopa County.** Higher shares of homes in Buckeye and Maricopa County earn \$100,000 or more. Within Surprise, these more affluent households are most prevalent in 85388, where they represent 43% of all households.

Figure 15. Household Income Distribution, 2021



Source: Five-year American Community Survey (2021)

Table 3 classifies Surprise households into one of six income brackets as a percentage of area median income (AMI) for the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area. In 2021, when AMI was \$79,000, 19% of Surprise households were considered either extremely low or very low income, meaning they earned 50% of AMI (\$39,500) or less. This represented a marginal decline from 2016. **The**



percentages of extremely low- and very low-income households will likely remain relatively stagnant through 2032, during which time the city is projected to add over 18,000 households in total. Despite growing as a proportion of all households between 2016 and 2021, households in the tax subsidy limits/low-income and high-income categories, which earned from \$39,500 to \$63,199 and \$94,800 to \$157,999 in 2021, respectively, are expected to follow a similar trend. **Whereas middle-income households are forecasted to drop from 24% to 21% of households between 2021 and 2032, extremely high-income households, which earned at least \$158,000 in 2021, are anticipated to rise to 16% of households in 2032, reversing the decline that occurred over the previous five years.**

Table 3. Actual and Projected Breakdown of Households by Income Tier in Surprise, 2016 to 2032

Income Tier	2016	2021	2025	2030	2032
Number of Households					
Extremely low income (0-29.9% AMI)	4,224	4,880	5,351	6,083	6,403
Very low income (30-49.9% AMI)	5,006	5,082	5,882	6,335	6,526
Tax subsidy limits/low income (50-79.9% AMI)	8,535	10,018	10,970	12,389	13,006
Middle income (80-119.9% AMI)	10,741	12,373	13,043	14,397	14,978
High income (120-199.9% AMI)	11,380	13,382	14,766	17,174	18,244
Very high (200%+ AMI)	6,361	6,471	8,144	10,283	11,288
Total	46,246	52,205	58,156	66,661	70,444
Percent of Households					
Extremely low income (0-29.9% AMI)	9%	9%	9%	9%	9%
Very low income (30-49.9% AMI)	11%	10%	10%	10%	9%
Tax subsidy limits/low income (50-79.9% AMI)	18%	19%	19%	19%	18%
Middle income (80-119.9% AMI)	23%	24%	22%	22%	21%
High income (120-199.9% AMI)	25%	26%	25%	26%	26%
Very high (200%+ AMI)	14%	12%	14%	15%	16%
Total	100%	100%	100%	100%	100%
AMI	\$71,000	\$79,000	\$78,000	\$77,400	\$77,200

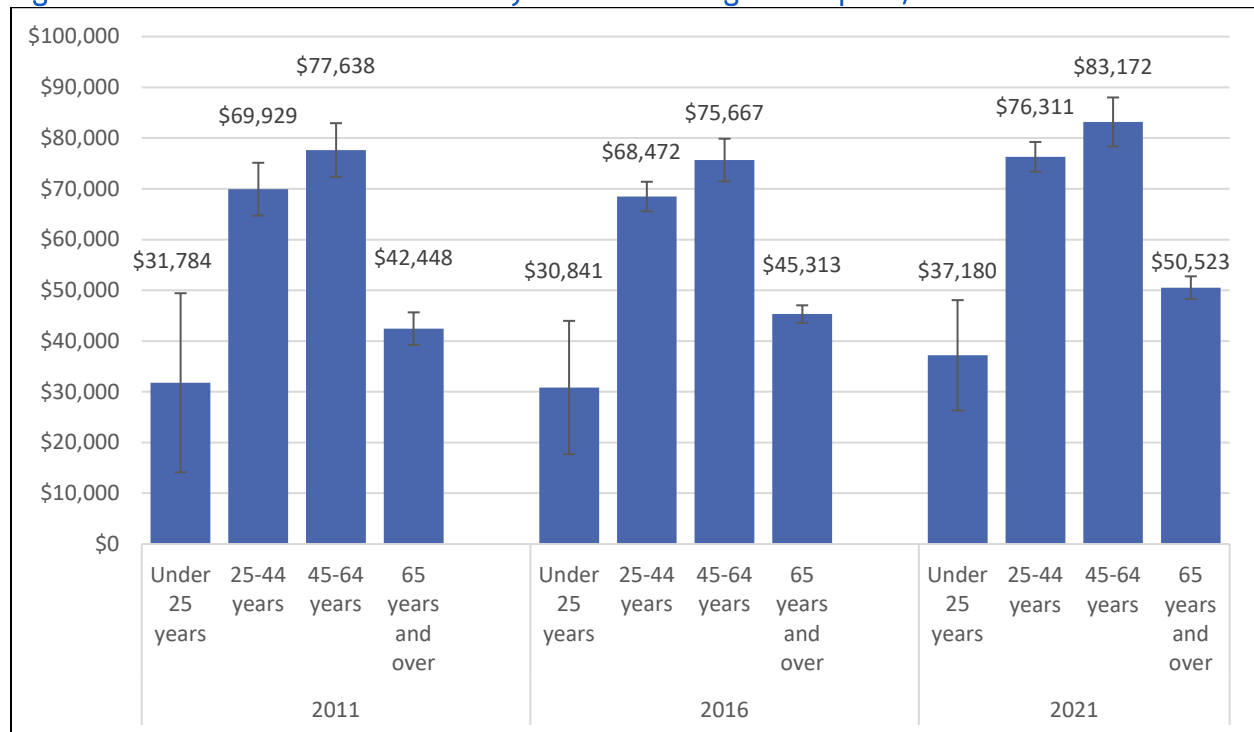
Source: Five-year American Community Survey (2016 and 2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Dollar values adjusted for inflation to constant 2021 dollars.

Household Income by Age

How does household income vary depending on the age of the householder? Figure 16 offers insight into this question by displaying median household income estimates for four age categories over time. Note that because the sample sizes for the under-25 category are small, there is considerable statistical uncertainty surrounding the estimates, as indicated by the large 95% confidence intervals. The data reveal a predictable pattern. Median income is highest among households headed by 45-to-64-year-olds, reaching \$83,172 in 2021, followed closely by those headed by 25-to-44-year-olds. **Incomes tend to be markedly lower among senior-led households, but households headed by individuals below the age of 25, whose earnings barely exceeded \$37,000 in 2021, face an even more dire situation.** From 2011 to 2016, senior-led households were the only age group to experience an increase in median income, but all households regardless of householder age saw their median incomes rise in the years that followed.

Figure 16. Median Household Income by Householder Age in Surprise, 2011 to 2021



Source: Five-year American Community Survey (2011, 2016, and 2021); Matrix Design Group, Inc.

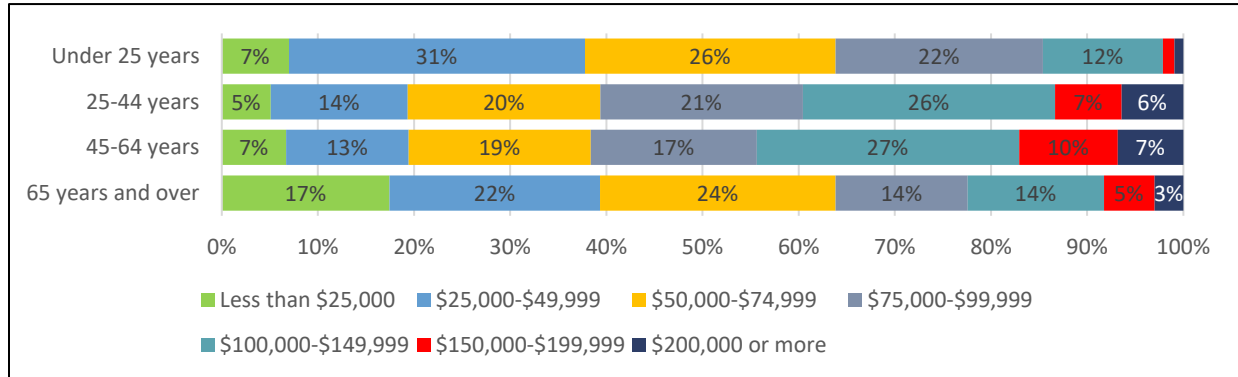
Note: Error bars are 95% confidence intervals. Dollar values adjusted for inflation to constant 2021 dollars.

The income distributions by householder age offer similar takeaways (see Figure 17). Incomes of less than \$50,000 are most prevalent in the under-25 and over-64 age categories, and only 14% and 22% of these households, respectively, report incomes of \$100,000 or more. A plurality of the youngest and oldest households earn between \$50,000 and \$74,999. Unlike their counterparts at either end of the age spectrum, a majority of households led by 25-to-44-year-olds and 45-to-64-year-olds earn over \$75,000. The highest-earning households are concentrated in the two middle age categories. **The limited and,**



often, fixed incomes of seniors and young people suggest that efforts to improve housing affordability should place particular emphasis on aiding these two vulnerable groups.

Figure 17. Household Income Distribution by Householder Age in Surprise, 2021

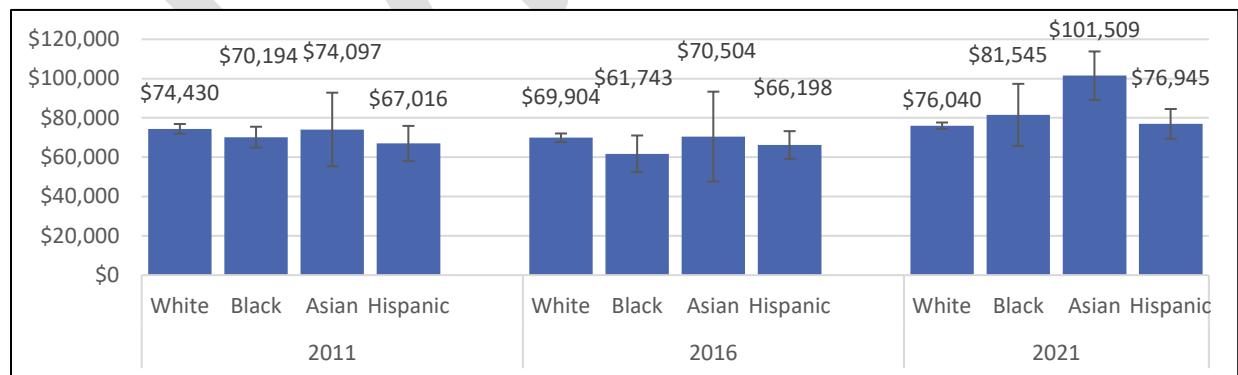


Source: Five-year American Community Survey (2021)

Household Income by Race/Ethnicity

The relationship between householder race/ethnicity and household income is depicted in Figures 18 and 19. Income estimates for minority-led households should be interpreted with caution, as the small sample sizes for Asians, blacks, and Hispanics yielded large confidence intervals. Nonetheless, the data offer useful insight. White median household income dropped from \$74,430 in 2011 to \$69,904 in 2016, before recovering to \$76,040 in 2021. Asians, too, experienced a temporary decline in median household income from 2011 to 2016, when their earnings were comparable to those of whites. But between 2016 and 2021, Asian median household income climbed to \$101,509—a 44% increase that significantly outpaced the rate of white median household income growth. Black- and Hispanic-led households enjoyed increases in earnings over the period as well. In fact, their median incomes surpassed those of white-led households in 2021.

Figure 18. Median Household Income by Householder Race/Ethnicity in Surprise, 2011 to 2021

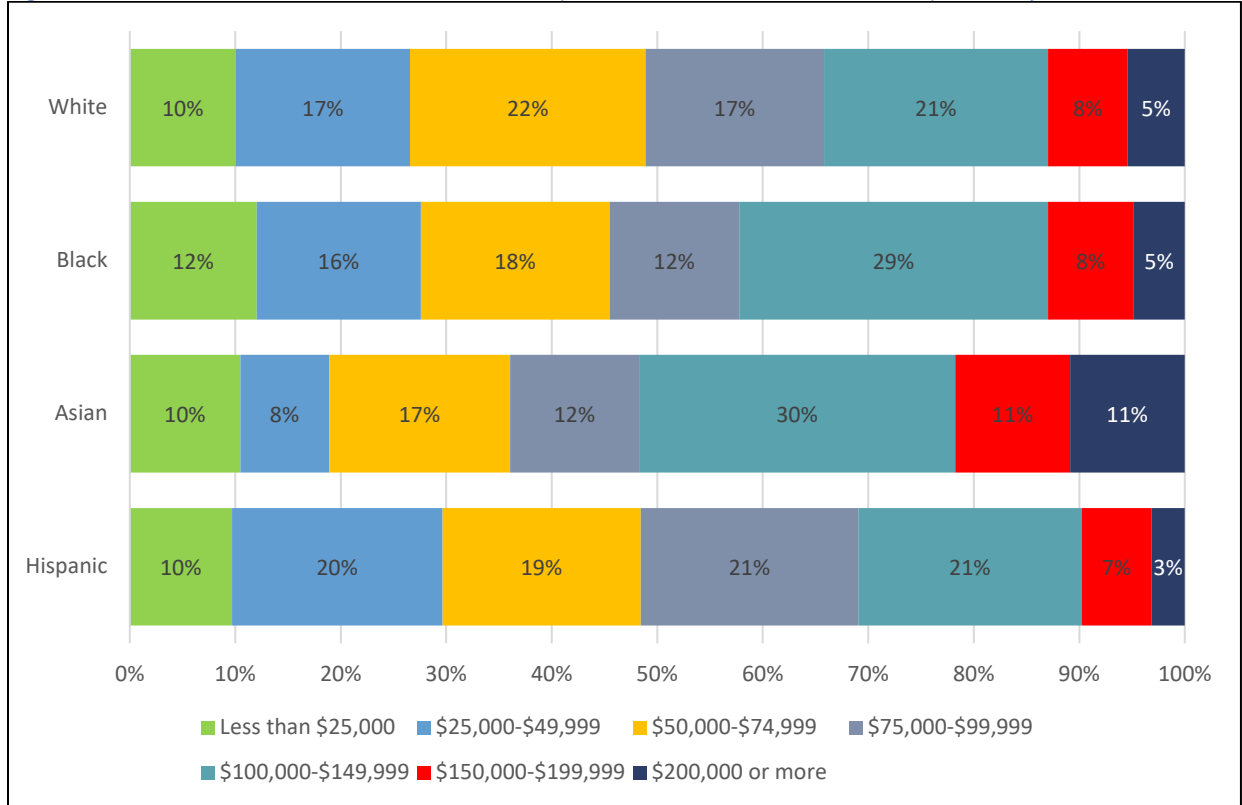


Source: Five-year American Community Survey (2011, 2016, and 2021)

Note: Dollar values adjusted for inflation to constant 2021 dollars. Error bars represent 95% confidence intervals.

Although the economic fortunes of black-led households have improved significantly in recent years, a disproportionate share of them continue to live in extreme poverty. **9% of black-led households earn less than \$15,000, compared to 5% of white- and Hispanic-led households and 2% of Asian-led households.** The income distribution data also reinforce the notion that the most affluent households in Surprise are headed by Asians. Indeed, their incomes are skewed toward the higher end of the spectrum, with 52% of them reporting incomes of \$100,000 or more. Unexpectedly, proportionally fewer whites and Hispanics fall into this income category than blacks.

Figure 19. Household Income Distribution by Householder Race/Ethnicity in Surprise, 2021



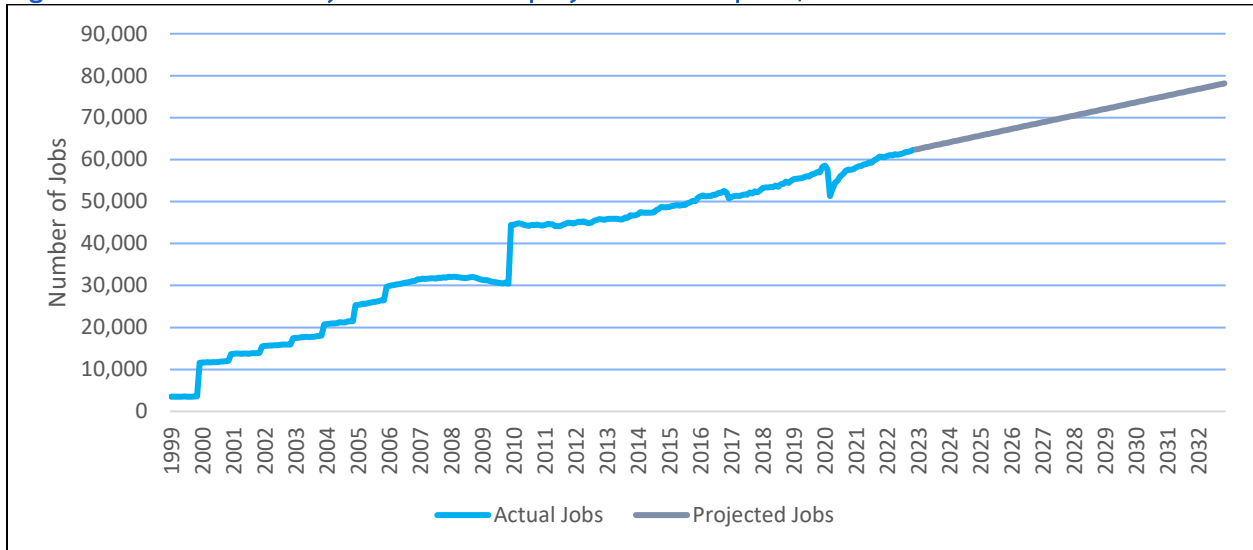
Source: Five-year American Community Survey (2021)

Employment Growth

The dramatic growth that Surprise’s economy has experienced over time is pictured in Figure 20. In 2000, Surprise’s economy supported 11,763 jobs. By 2010, that number had increased by 278%, to 44,485. Surprise continued to experience steady growth in the 2010s, adding just short of 12,000 jobs over the span of a decade. As of 2022, a total of 61,375 jobs existed in Surprise. Naturally, further population growth is anticipated to bring continued job growth. **From 2023 to 2032, employers are expected to create an average of 1,441 new jobs per year, reaching a total of 75,783 by the end of the period.**



Figure 20. Actual and Projected Total Employment in Surprise, 1999 to 2032

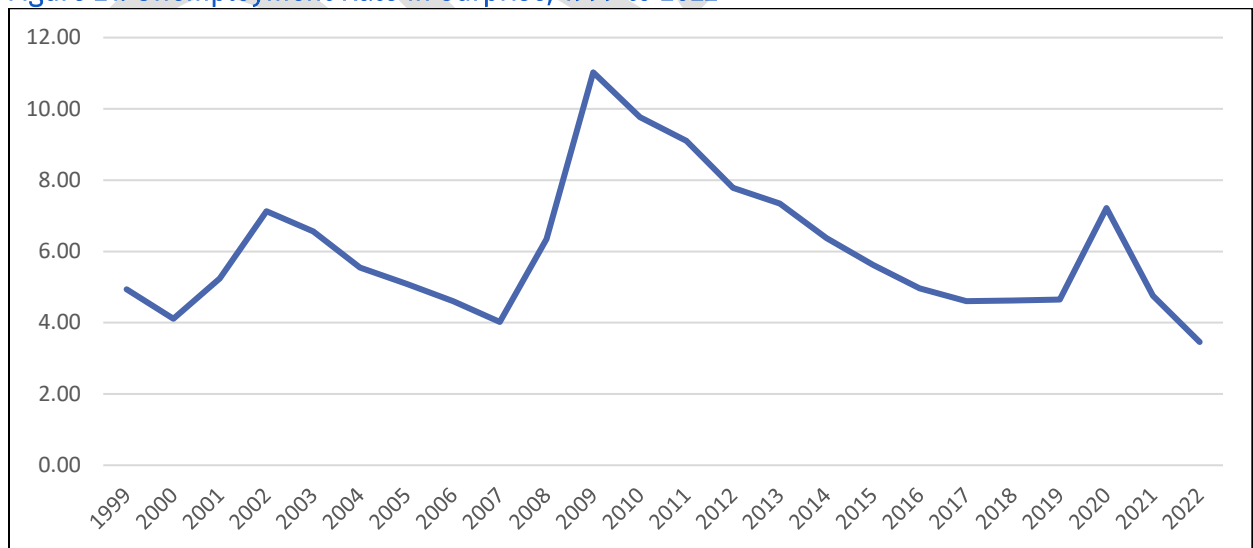


Source: Bureau of Labor Statistics; Matrix Design Group, Inc.

Unemployment

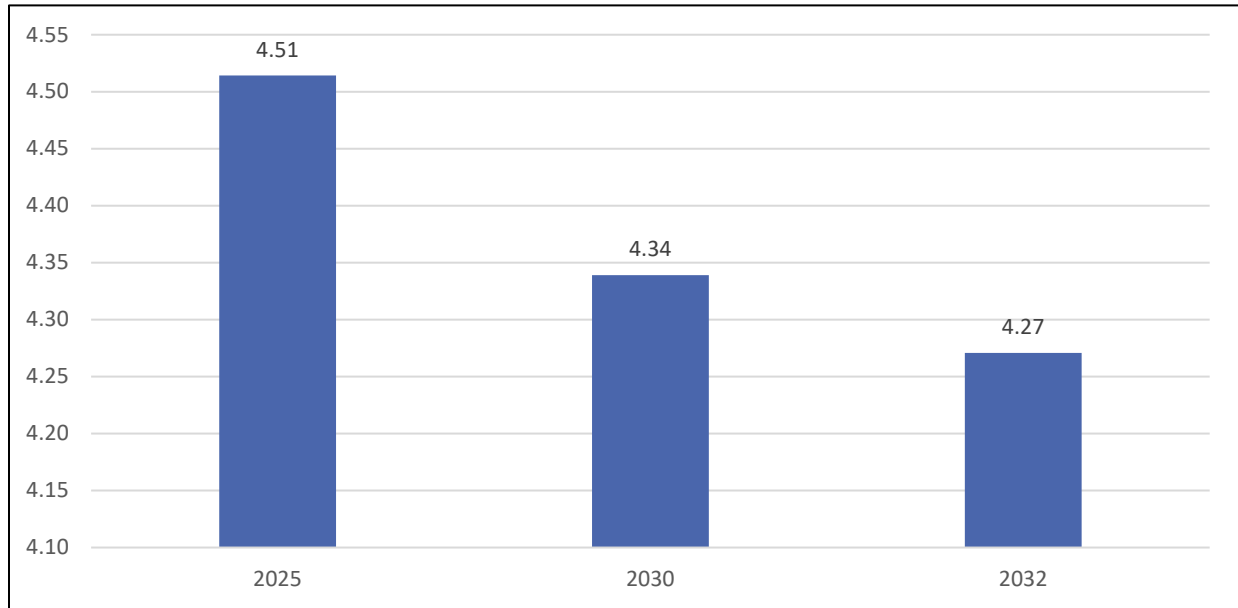
Figures 21 and 22 present unemployment figures for Surprise. From 1999 to 2022, the average unemployment rate was 6.04%. It peaked at 11.03% in 2009, amid the nadir of the Great Recession, before declining each year through 2018. **Subsequently, pandemic-induced lockdowns caused joblessness to sharply rise again, but it has fallen precipitously from its 2020 level of 7.22% since then.** In fact, Surprise recorded its lowest unemployment rate on record in 2022, at 3.46%. The city is projected to continue enjoying unemployment rates below the historical average through 2032.

Figure 21. Unemployment Rate in Surprise, 1999 to 2022



Source: Bureau of Labor Statistics

Figure 22. Projected Unemployment Rate in Surprise, 2025 to 2032



Source: Matrix Design Group, Inc.

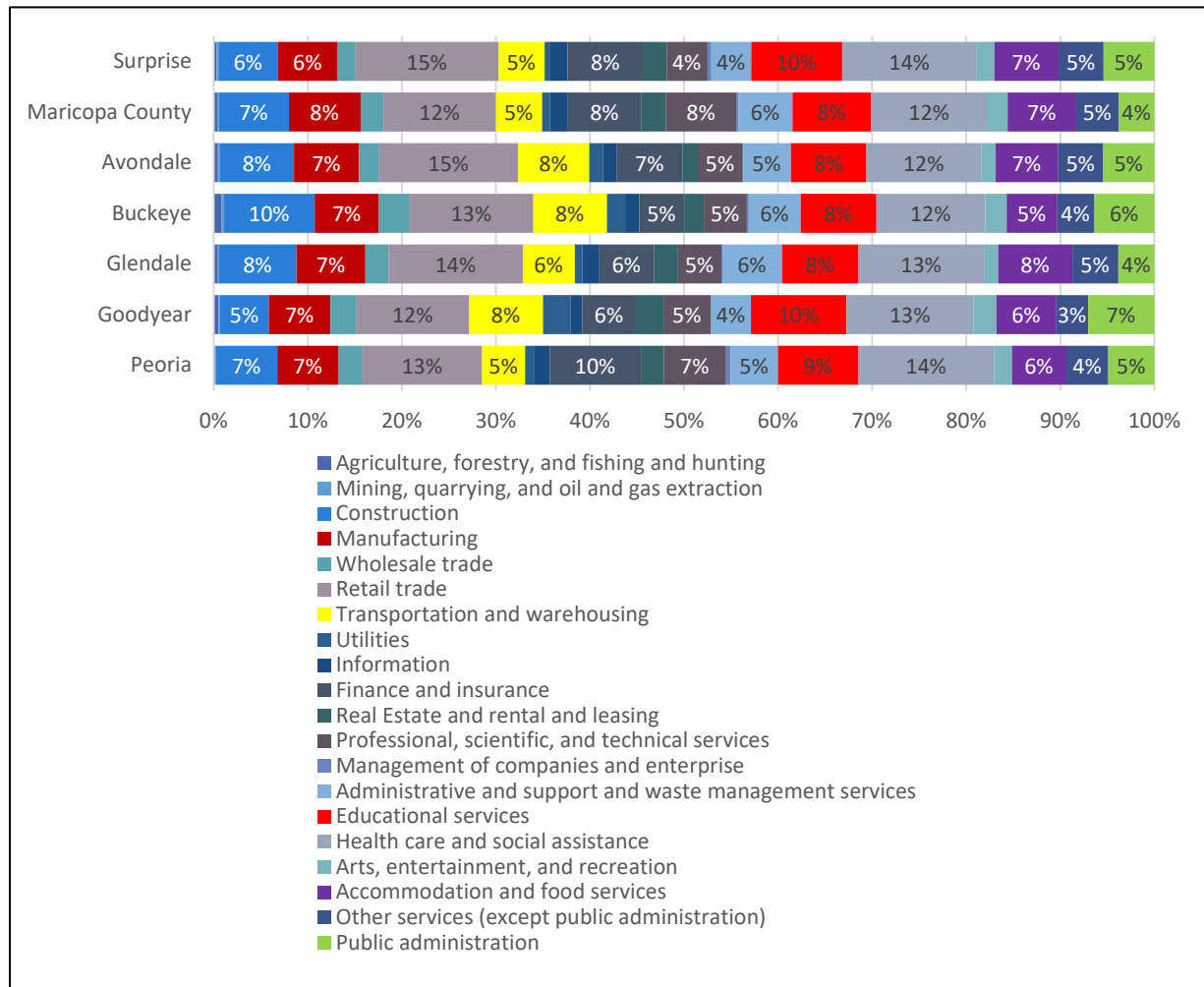
Employed Population by Industry

Figure 23 displays the percentage of residents employed in each industry by community. **Surprise's largest industry is retail trade, followed closely by health care and social assistance.** These industries, which also represent the top two employers among residents of Avondale, Buckeye, Glendale, Goodyear, Peoria, and all of Maricopa County, employ a combined 17,578 Surprise residents, or about 29% of the city's working population. Educational services is another major industry in Surprise, employing 10% of residents. Three industries are virtually nonexistent in Surprise, as well as in the broader region: agriculture, forestry, and fishing and hunting; mining, quarrying, and oil and gas extraction; and management of companies and enterprise. Overall, the industry composition of the employed population does not vary meaningfully from community to community.

"Subsequently, pandemic-induced lockdowns caused joblessness to sharply rise again, but it has fallen precipitously from its 2020 level of 7.22% since then. In fact, Surprise recorded its lowest unemployment rate on record in 2022, at 3.46%."



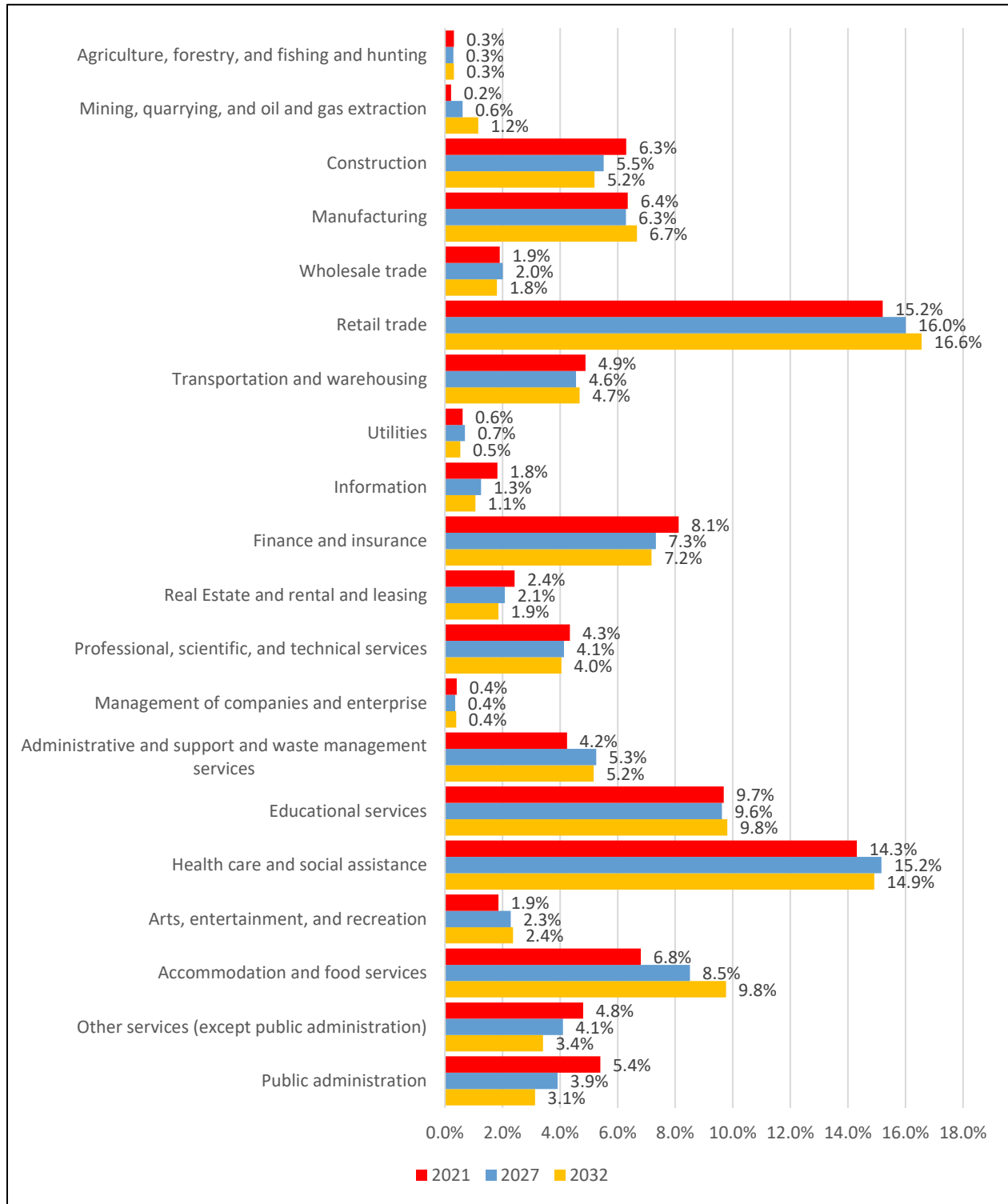
Figure 23. Industry Composition of Employed Population, 2021



Source: Five-year American Community Survey (2021)

Figure 24 reveals how the industry composition of Surprise’s employed population is projected to change over the next decade. Retail trade is expected to cement its status as Surprise’s top industry of employment, accounting for the jobs held by 16.6% of Surprise’s working residents in 2032. Similarly, the share of residents working in health care and social assistance is forecasted to increase to 15.2% in 2027, before dropping to 14.9% five years later. Besides retail trade, four industries will undergo shifts of at least one percentage point: mining, quarrying, and oil and gas extraction; construction; accommodation and food services; and public administration. **In short, the results suggest that Surprise’s economy is likely to change measurably in the coming years.**

Figure 24. Actual and Projected Industry Composition of Surprise's Employed Population, 2021 to 2032



Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

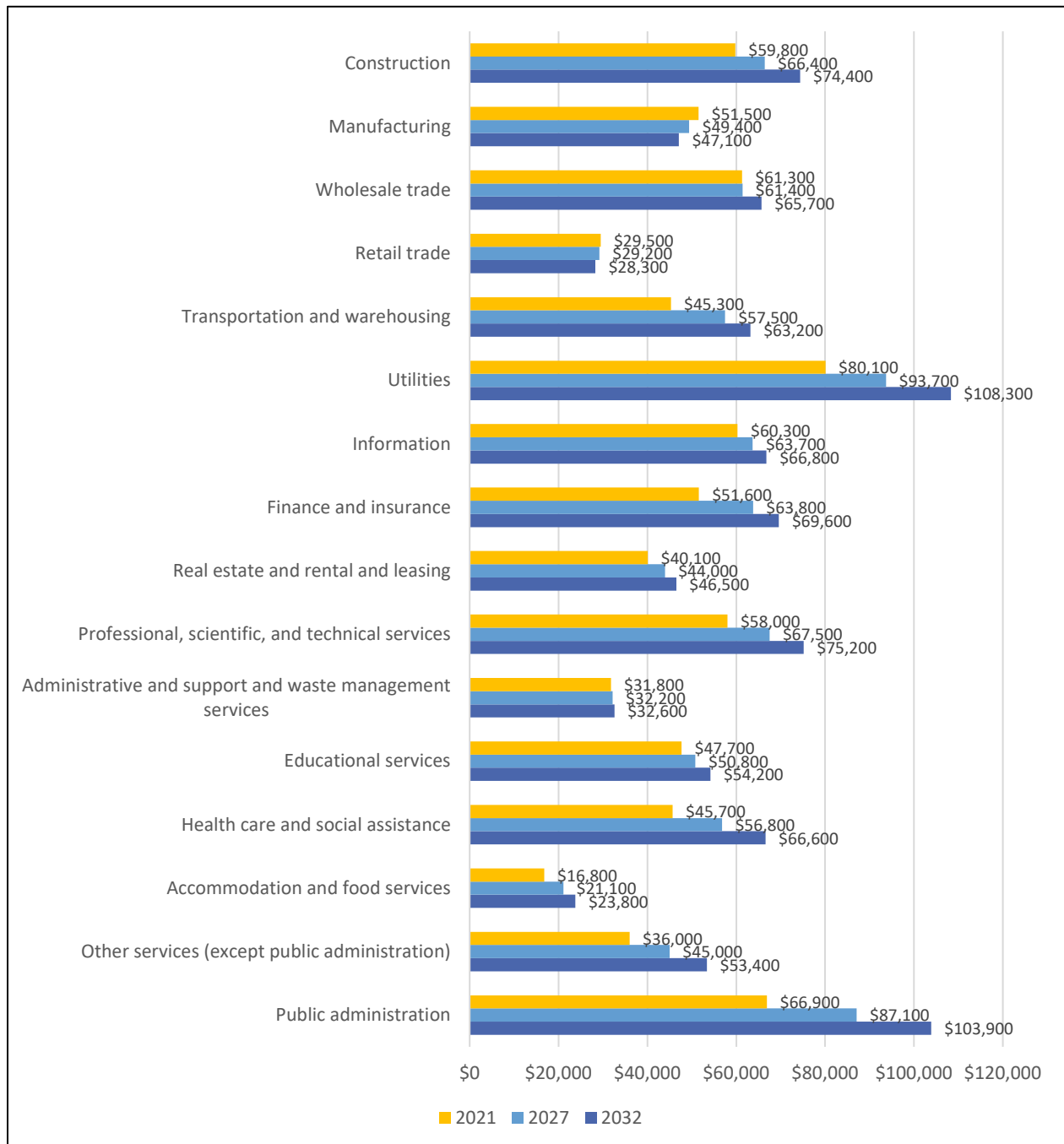


Wages by Industry of Employment

Figure 25 documents the extent to which Surprise residents' median wages by industry of employment are expected to shift from 2021 levels in 2027 and 2032. Note that all earnings estimates are in 2021 real dollars and that unforeseen developments—principally economic downturns—could dramatically alter an industry's outlook. In 2021, residents working in utilities enjoyed the highest median earnings (\$80,100), and recent trends suggest their wages will rise substantially over the short and long term. The median resident employed in this industry is projected to earn \$108,300 by 2032, outpacing most industries in relative wage growth. Residents employed in public administration are predicted to enjoy a pay increase of 55%—the largest of any industry. This trend will be driven by the anticipated decline in their share of the employed population from 5.4% in 2021 to 3.1% in 2032. As a shortage of these workers emerges, they will naturally gain leverage over employers at the negotiating table. Interestingly, despite growing in relative population size, workers in health care and social assistance are likely to see their earnings rise markedly as well. **Just two industries—retail trade and manufacturing—are projected to experience pay cuts over the next decade, but concerningly, they are set to employ approximately 23% of Surprise's working population by the end of the period.**



Figure 25. Actual and Projected Median Annual Earnings by Industry of Employment Among Surprise Residents, 2021 to 2032



Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

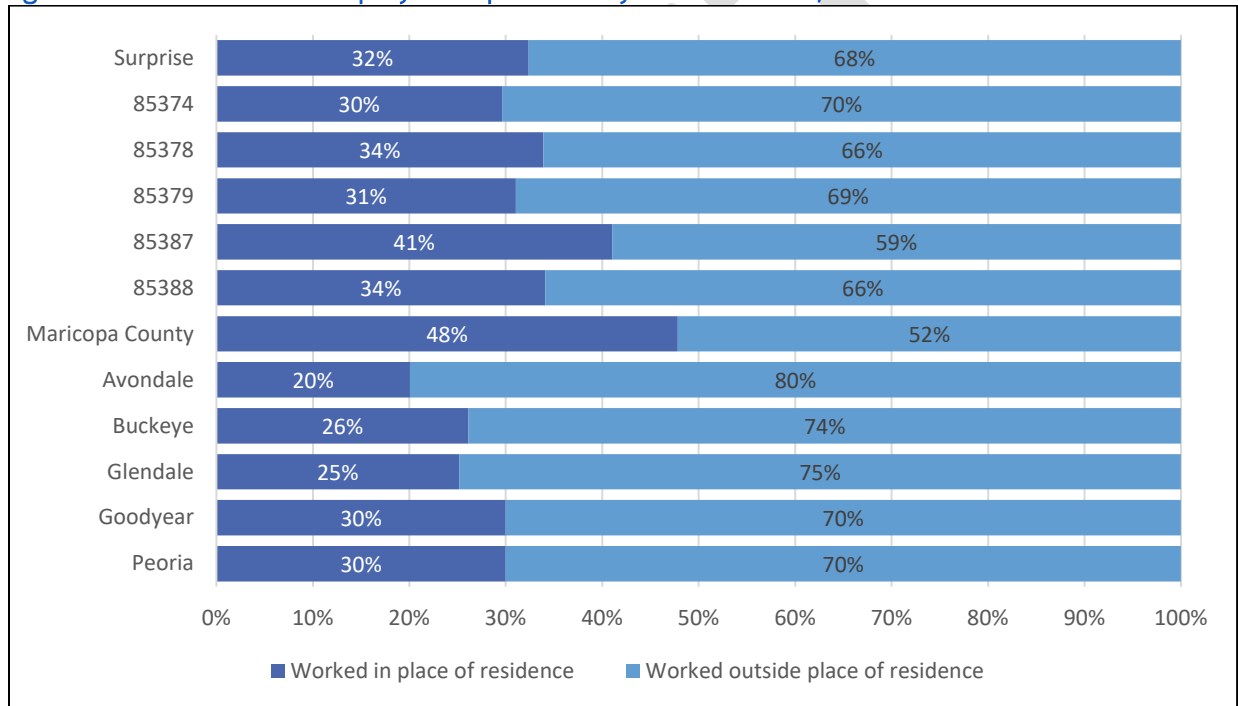
Note: Dollar values adjusted for inflation to constant 2021 dollars. Due to insufficient historical data, median earnings projections are unavailable for agriculture, forestry, and fishing and hunting (2021 median earnings=\$34,625); mining, quarrying, and oil and gas extraction (2021 median earnings=\$74,464); arts, entertainment, and recreation (2021 median earnings=\$25,957); and management of companies and enterprise (2021 median earnings=\$54,185).



Commuting Patterns

An initial comparison of the commuting behaviors of Surprise residents and residents throughout the region appears in Figure 26. It shows that the workplaces of 68% of Surprise residents are located beyond the city's borders. For the most part, there is little variance from zip code to zip code, although 85387, where just 59% of residents work in a city other than Surprise, is a clear outlier. In the rest of Maricopa County, residents are 16 percentage points less likely than Surprise residents to be out-commuters. **Across the West Valley, however, Surprise is not unique in having such a high percentage of out-commuters.** In each of the five other cities represented in the figure, the share of residents who work outside their places of residence is even higher than in Surprise, ranging from 70% to 80%.

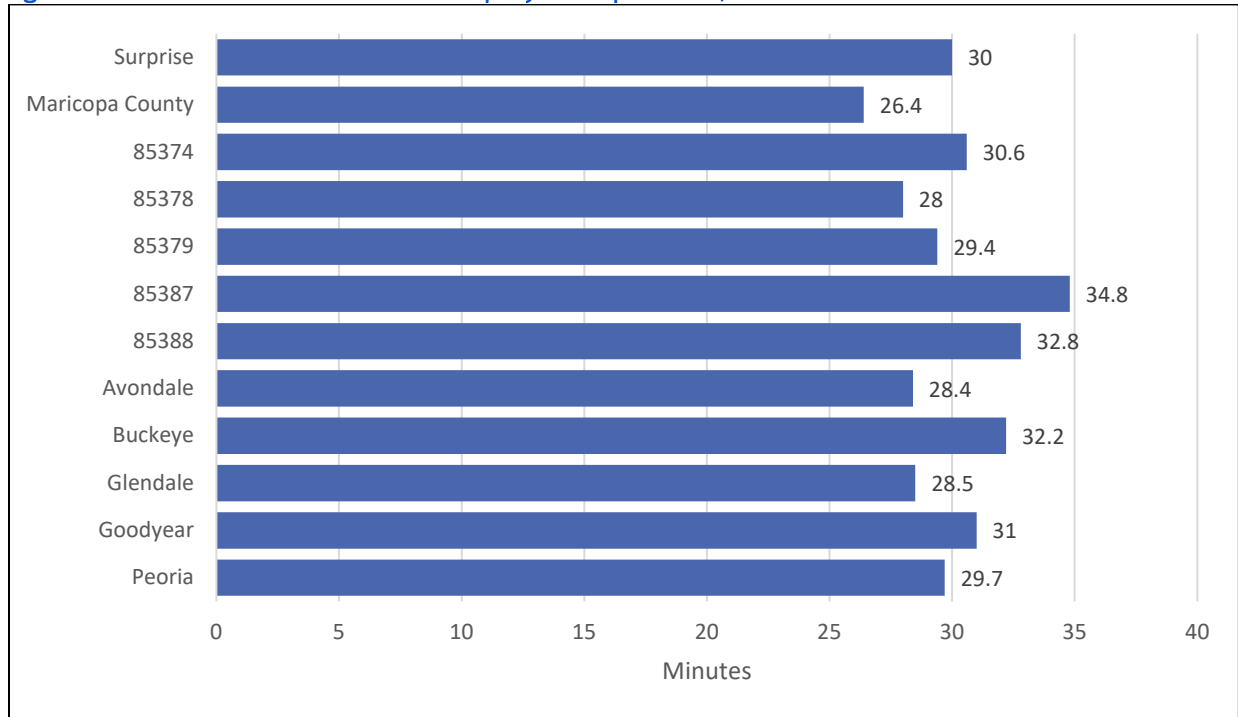
Figure 26. Breakdown of Employed Population by Place of Work, 2021



Source: Five-year American Community Survey (2021)

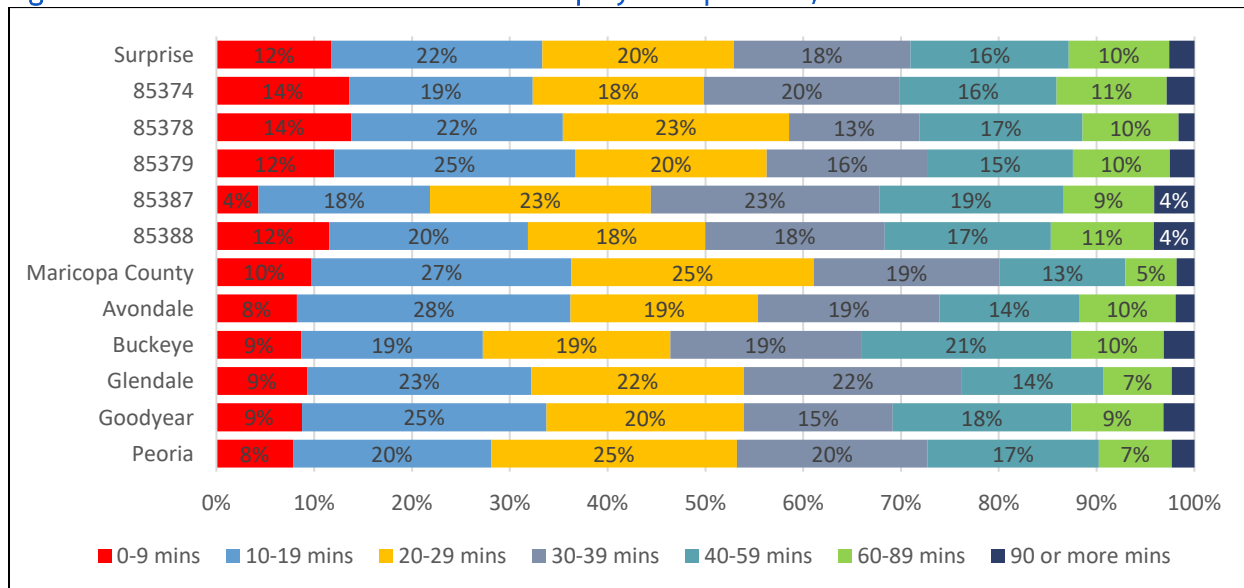
Figures 27 and 28 present commute time data by community. On average, Surprise residents spend 30 minutes traveling to work, but the commutes of those living in two zip (85387 and 85388) tend to be three to five minutes longer. The commute of the average Maricopa County resident (26.4 minutes) is shorter than that of the typical worker living in not just Surprise, but the West Valley more broadly. 47% of Surprise residents report that their commutes take 30 minutes or more, compared to 39% of Maricopa County residents.

Figure 27. Mean Commute Time of Employed Population, 2021



Source: Five-year American Community Survey (2021)

Figure 28. Commute Time Distribution of Employed Population, 2021



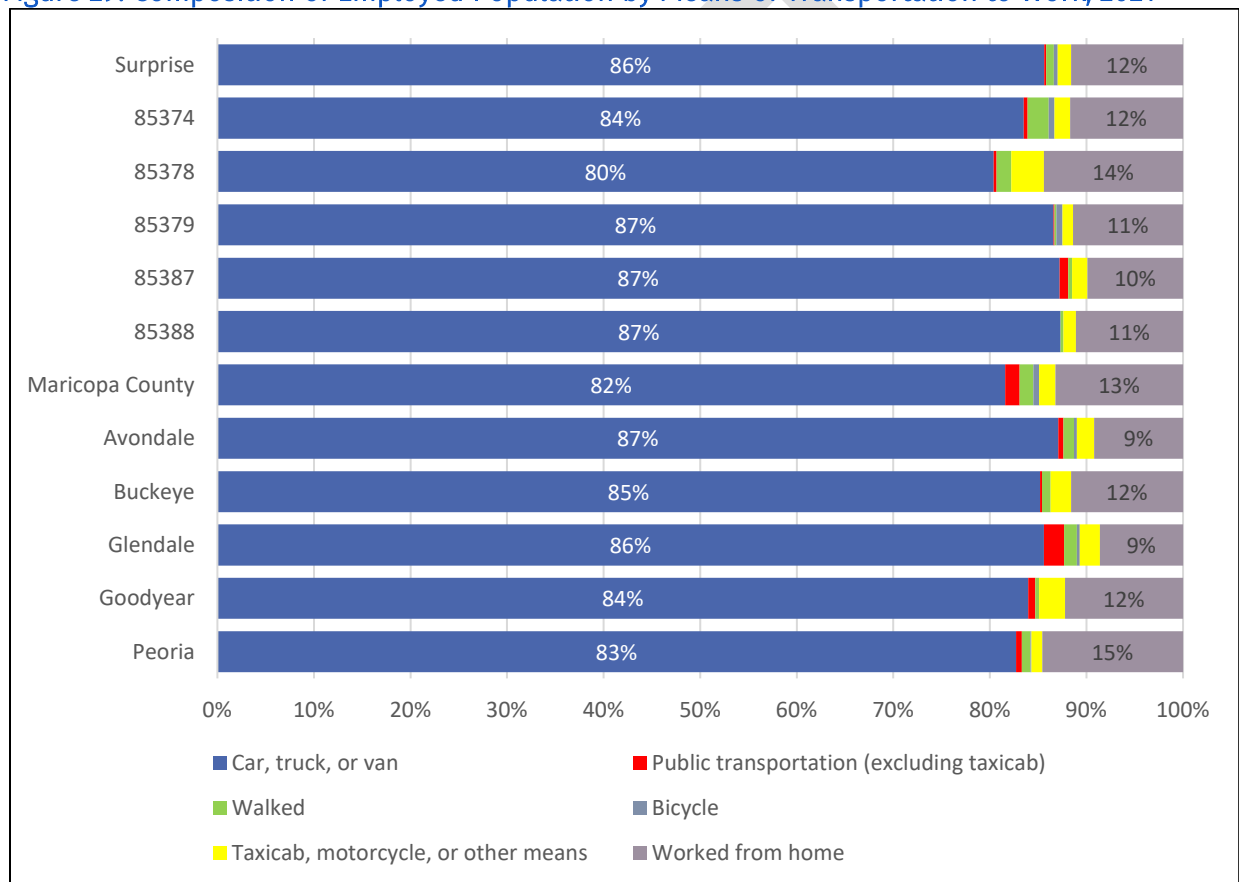
Source: Five-year American Community Survey (2021)

Figure 29 presents data on residents' means of transportation to work by community. Residents of the West Valley in general, but especially Surprise, Avondale, and Glendale, are more dependent on personal automobiles than those of broader Maricopa County. In each of those three cities, between 86%



and 87% of respondents report relying on cars, trucks, or vans to reach work, as opposed to 82% of Maricopa County residents. Surprise's limited public transit options are partly responsible for residents' heavy reliance on personal vehicles. Currently, Surprise lacks a fixed-route bus service allowing residents to travel within the city, but it is directly served by one Valley Metro route (571) featuring stops in El Mirage and Phoenix. **Consequently, while public transit use is low throughout the region, this is especially true in Surprise, where just 0.2% of residents claim to rely on these services for their daily commutes.** Researchers have repeatedly demonstrated that proximity to public transportation with high-frequency service significantly increases property values, with one study finding that homes located within a half mile from rail or bus rapid transit stations are worth between four and twenty-four percent more, on average.¹ As such, the city should strongly consider expanding its public transit offerings.

Figure 29. Composition of Employed Population by Means of Transportation to Work, 2021



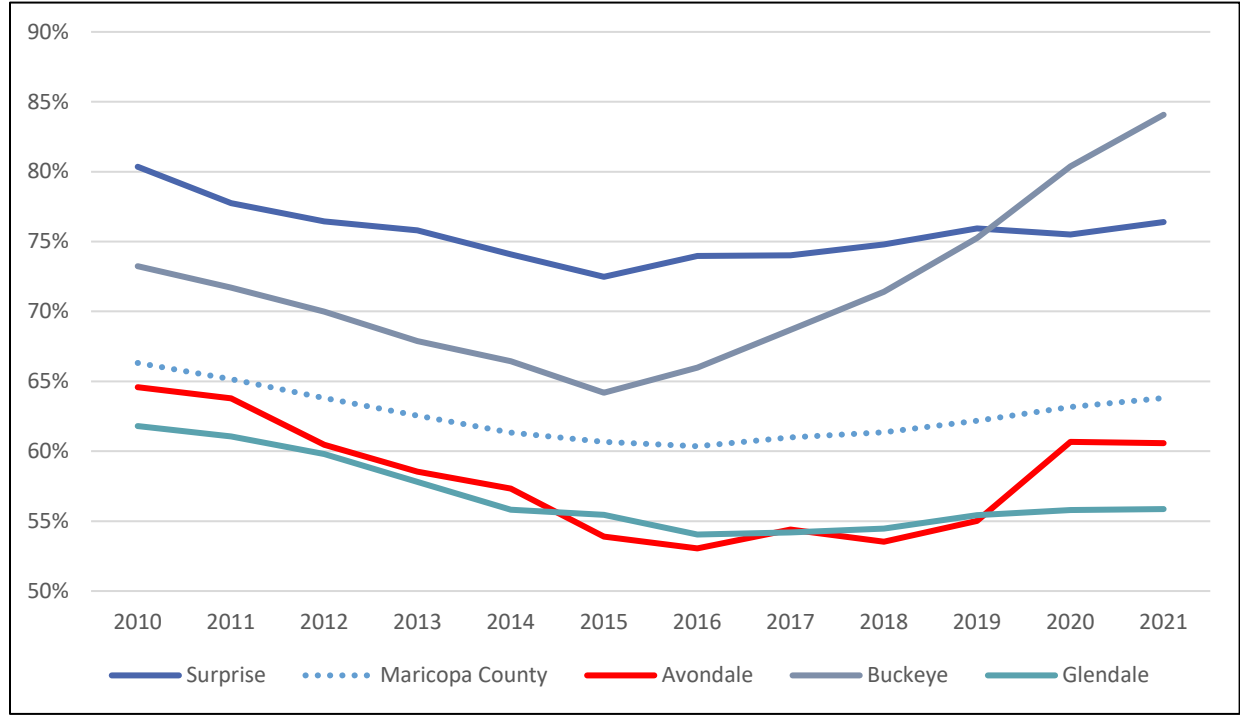
Source: Five-year American Community Survey (2021)

¹ American Public Transportation Association and National Association of Realtors. "The Real Estate Mantra – Locate Near Public Transportation." <https://www.apta.com/wp-content/uploads/The-Real-Estate-Mantra-Locate-Near-Public-Transportation.pdf>.

Housing Tenure

Homeownership is essential to building intergenerational wealth. Fortunately, Surprise has regularly enjoyed one of the higher homeownership rates in Maricopa County (see Figure 30). **Between 2010 and 2015, though, the city’s homeownership rate declined by nearly 10 percentage points, to 72%.** Since then, the homeownership rate has gradually recovered, reaching 76% in 2021. The rest of Maricopa County, including Avondale, Buckeye, and Glendale, witnessed similar trends during this period, although the increase in Avondale’s homeownership rate between 2019 and 2020 was particularly steep. From neighborhood to neighborhood in Surprise, the tenure composition of households varies dramatically. Figure 31 presents Census tract-level estimates of the ownership rate across Surprise. The map shows that homeownership is most common in the city’s northernmost, central, and western neighborhoods.

Figure 30. Homeownership Rate, 2010 to 2021

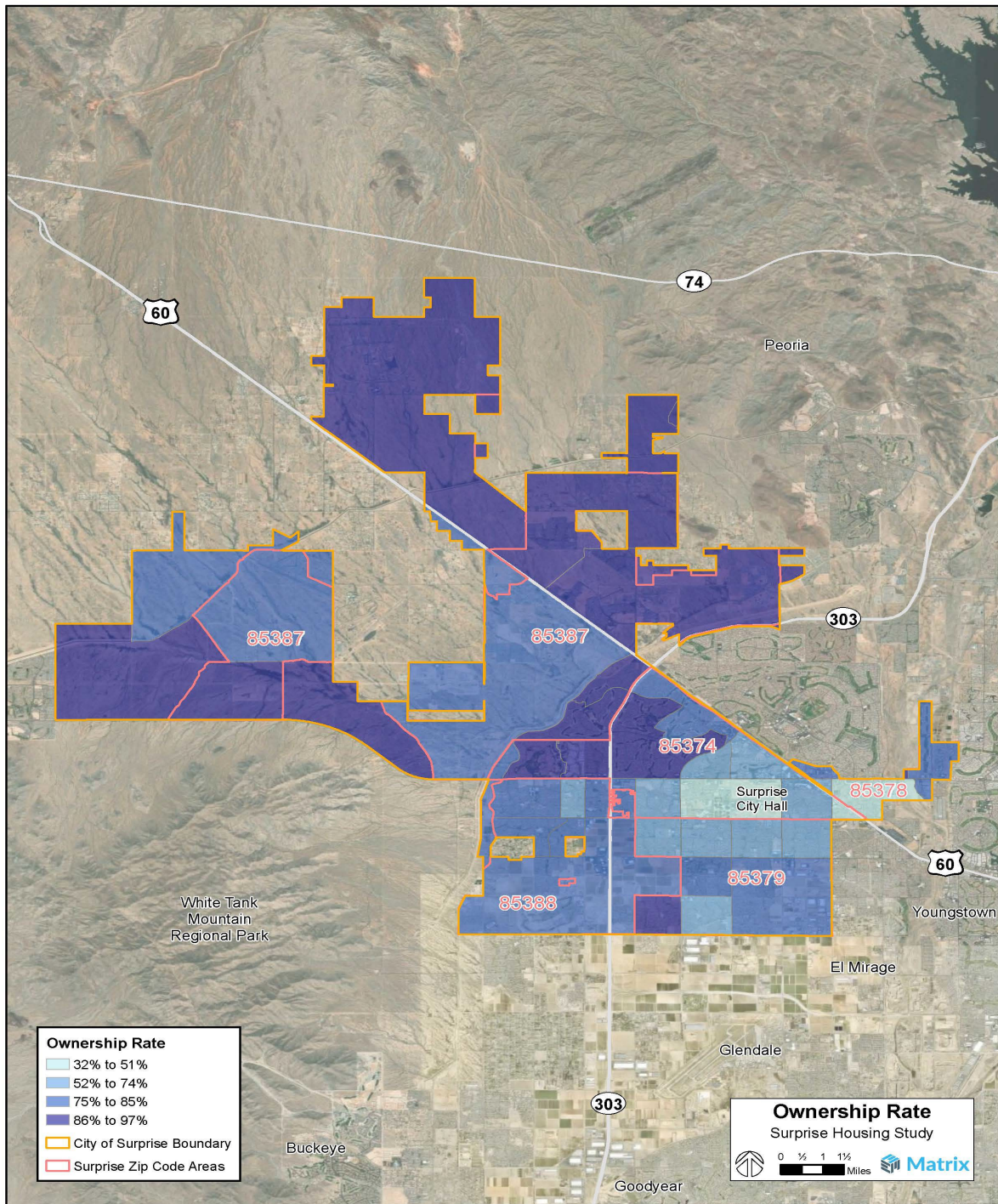


Source: Five-year American Community Survey (2010-2021)

“Researchers have repeatedly demonstrated that proximity to public transportation with high-frequency service significantly increases property values, with one study finding that homes located within a half mile from rail or bus rapid transit stations are worth between four and twenty-four percent more, on average.”



Figure 31. Homeownership Rate by Census Tract in Surprise, 2021

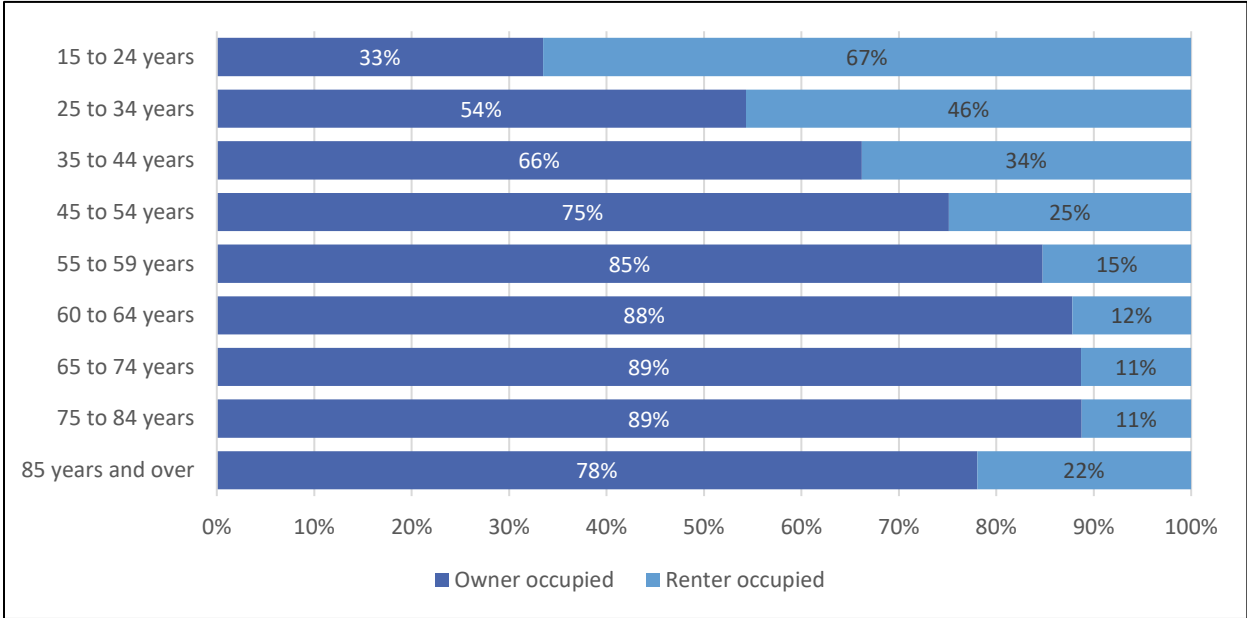


Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

Housing Tenure by Age

Housing tenure decisions are strongly related to householder age, with older residents tending to be far more likely than younger ones to be homeowners (see Figure 32). For example, whereas 89% of units headed by 65-to-74-year-olds are owner occupied, the same is true of only 54% of those with a 25-to-34-year-old householder. The relationship between the two variables, however, is slightly curvilinear in nature, as evidenced by the decline in homeownership that occurs after the age of 84.

Figure 32. Tenure Breakdown of Surprise Households by Householder Age, 2021



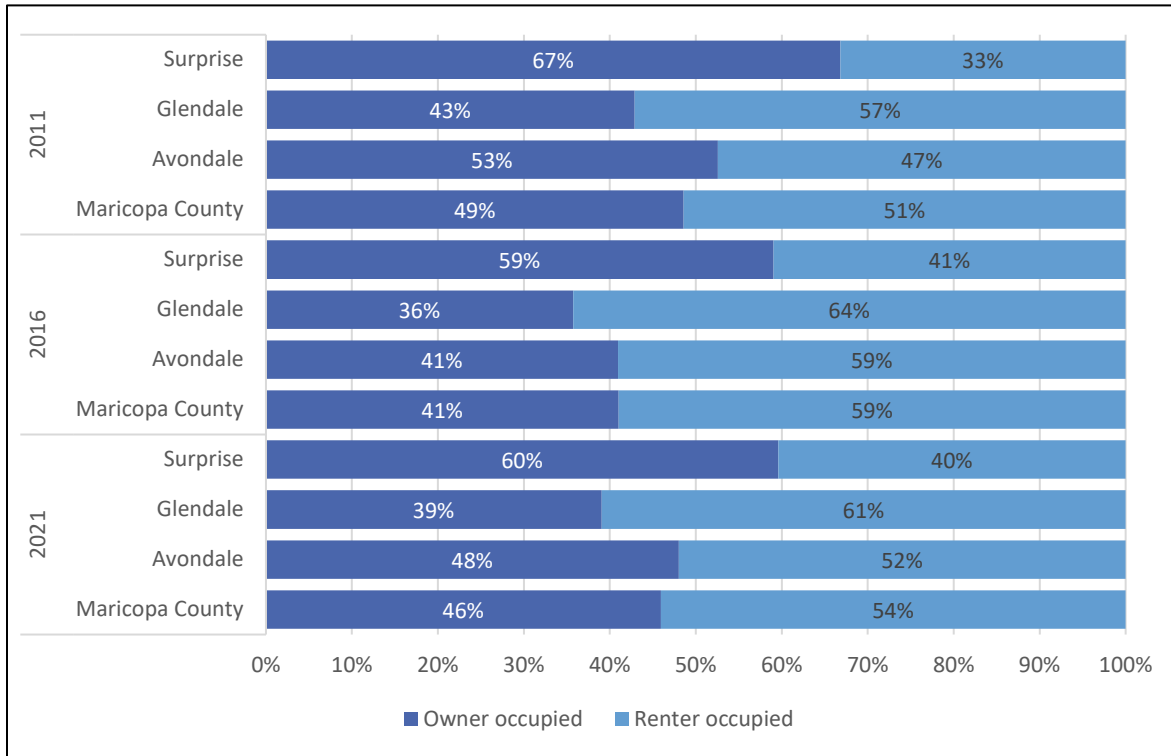
Source: Five-year American Community Survey (2021)

Between 2011 and 2021, the share of householders under the age of 45 who owned their homes fell from 67% to 60% (see Figure 33). **This finding is consistent with research demonstrating that recent developments, including rising home prices (especially in areas with limited supply and rapidly growing populations), burgeoning student debt, and an uncertain labor market, have made homeownership less accessible to millennials and members of Gen Z than it was for previous generations.** Scholars, accordingly, consider these younger householders to be part of “Generation Rent.” The broader region has witnessed a decline in homeownership among younger residents as well, albeit not to the same degree as Surprise. Encouragingly, however, Surprise’s under-45 ownership rate remains substantially higher than the county average.

“The broader region has witnessed a decline in homeownership among younger residents as well, albeit not to the same degree as Surprise.”



Figure 33. Tenure Breakdown of Households Led by Residents Below the Age of 45, 2011 to 2021

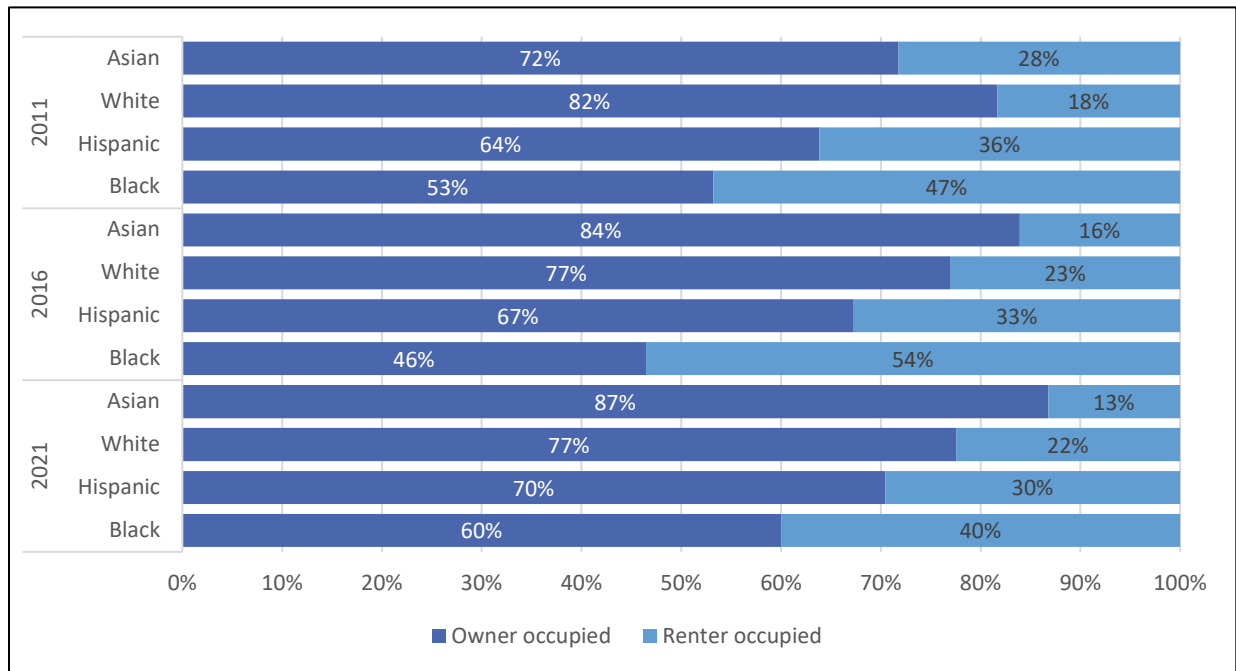


Source: Five-year American Community Survey (2011, 2016, and 2021)

Housing Tenure by Race/Ethnicity

Like practically all U.S. cities, Surprise suffers from racial/ethnic disparities in homeownership, with Asians and whites consistently exhibiting the highest ownership rates (see Figure 34). But with the exception of whites, all groups became more likely to report owning their homes from 2011 to 2021. The white ownership rate, in fact, dropped four percentage points over the period and was nine percentage points lower than the Asian ownership rate by 2021. Although 70% of Hispanic- and 60% of black-led households indicated that they owned their homes that year, the white ownership rate remained substantially higher. Increasing minority ownership rates is integral to closing the racial wealth gap that an abundance of previous research has documented. Indeed, despite making up 60% of the population, whites hold 84% of the nation's wealth. Furthermore, according to the Brookings Institution, the net worth of the median white household is ten times larger than that of the median black household. The nationwide white-black wealth gap, after accounting for the different population sizes of the two racial groups, amounts to a staggering \$10.14 trillion.

Figure 34. Tenure Breakdown by Householder Race/Ethnicity in Surprise, 2011 to 2021



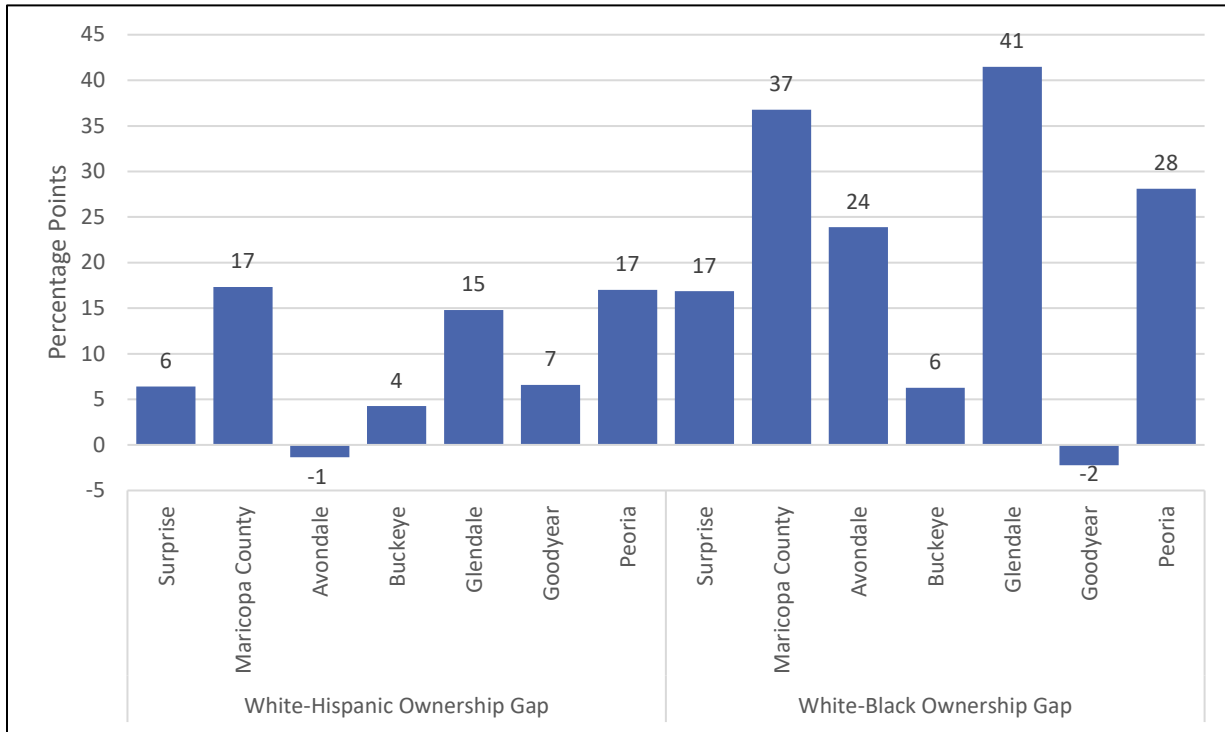
Source: Five-year American Community Survey (2011, 2016, and 2021)

Figure 35 compares the sizes of Surprise’s white-Hispanic and white-black ownership gaps to those of Maricopa County in its entirety and five West Valley municipalities. Positive values indicate that the white ownership rate exceeds the Hispanic or black ownership rates, while negative values indicate the opposite. In Surprise, whites are six percentage points more likely to own their homes than Hispanics. With the exception of Avondale, the remaining regions suffer from disparities of similar or greater magnitude. In general, the white-black ownership gaps are far larger. **White Surprise householders are 17 percentage points more likely than black Surprise householders to own their homes.** Buckeye and Goodyear are the only regions with more equitable black and white ownership rates. Notably, Maricopa County’s gap is an astounding 37 percentage points. In sum, although Surprise’s racial/ethnic ownership disparities are small in comparison to those of many surrounding communities, they are nonetheless sizeable, implying that white Surprise households hold considerably more wealth than their Hispanic and black counterparts.

“In sum, although Surprise’s racial/ethnic ownership disparities are small in comparison to those of many surrounding communities, they are nonetheless sizeable, implying that white Surprise households hold considerably more wealth than their Hispanic and black counterparts.”



Figure 35. White-Hispanic and White-Black Ownership Rate Gaps, 2021



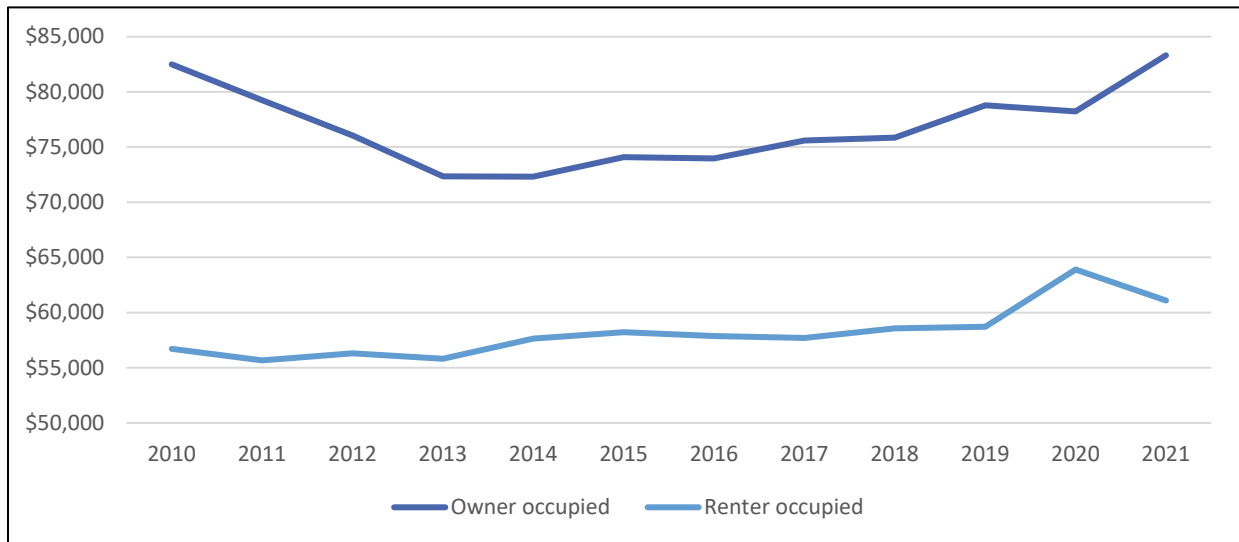
Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

Household Income by Housing Tenure

The relationship between housing tenure and median household income is depicted in Figures 36 and 37. As expected, homeowners' earnings have consistently exceeded those of renters, although the Great Recession impacted the former far more negatively. **From 2020 to 2021, owner and renter incomes further diverged as pandemic-induced shutdowns led to mass layoffs of service workers, who were disproportionately renters. In the absence of government stimulus payments and expanded unemployment insurance, the income drop-off among renters would have been even steeper.**

Meanwhile, in addition to benefitting from government stimulus, white-collar workers were able to transition to remote work. The wide income disparity between owners and renters is by no means unique to Surprise. In fact, 45% of Maricopa County owner households earn at least \$100,000, compared to just 17% of renter households. In Surprise, nearly half as many renters as owners reach this earnings threshold. Although the share of Surprise renters earning less than \$25,000 (14%) is low in comparison to the rest of the region, the city has proportionally more homeowners in this category than Peoria, Goodyear, and Buckeye as a result of its large senior population.

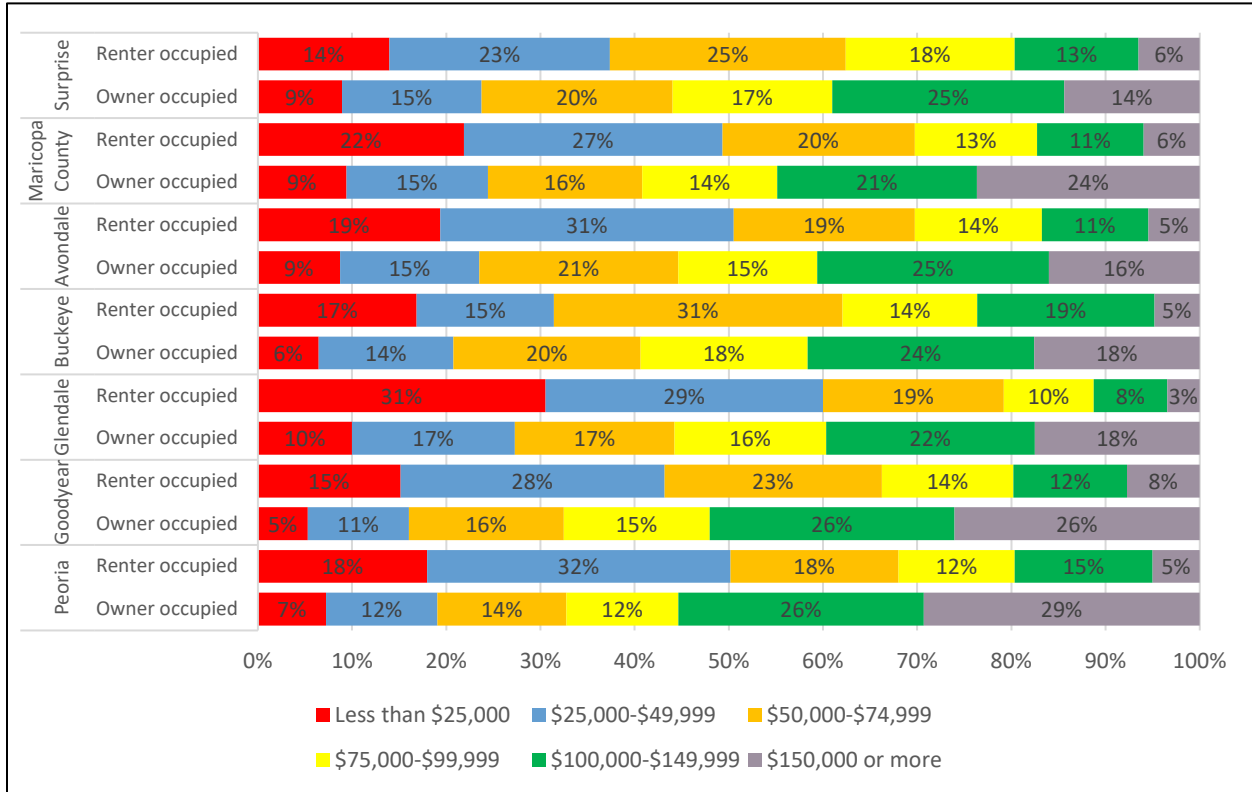
Figure 36. Median Household Income by Tenure in Surprise, 2010 to 2021



Note: Dollar values adjusted for inflation to constant 2021 dollars.

Source: Five-year American Community Survey (2010-2021)

Figure 37. Household Income Distribution by Tenure, 2021



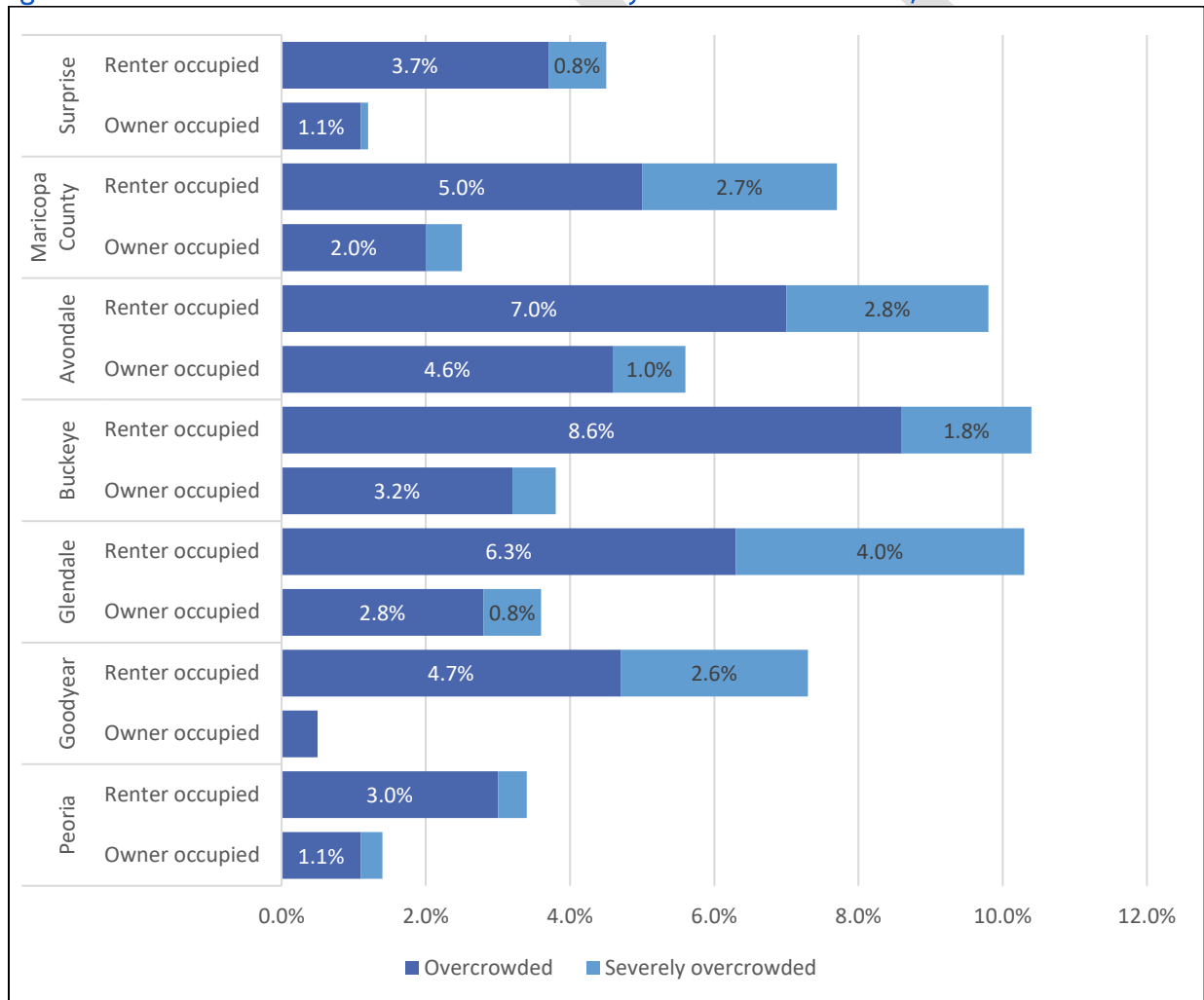
Source: Five-year American Community Survey (2021)



Overcrowding

Fortunately, overcrowding, which has been linked to mental health disorders, poor academic performance, and even an increased risk of contracting infectious diseases, is less common in Surprise than in most of the broader region. 3.7% of renter-occupied units are overcrowded, meaning they have between 1.01 and 1.5 occupants per room. An additional 0.8% of rental units have more than 1.5 occupants per room and thus qualify as severely overcrowded. In contrast, 7.7% of renter-occupied units in Maricopa County as a whole have more than one occupant per room. Renter overcrowding and severe overcrowding occur at even higher rates in Avondale, Buckeye, and Glendale. These findings represent preliminary evidence that rising rents have driven many households throughout the region to live in inadequate homes. Overcrowding is significantly less common in owner-occupied units, including in Surprise, where only 1.2% of owned homes qualify as such. In this regard, only Goodyear fares better. Although encouraging, the results are partly a function of Surprise's age demographics, given that seniors tend to head smaller households.

Figure 38. Prevalence of Overcrowded and Severely Overcrowded Homes, 2021

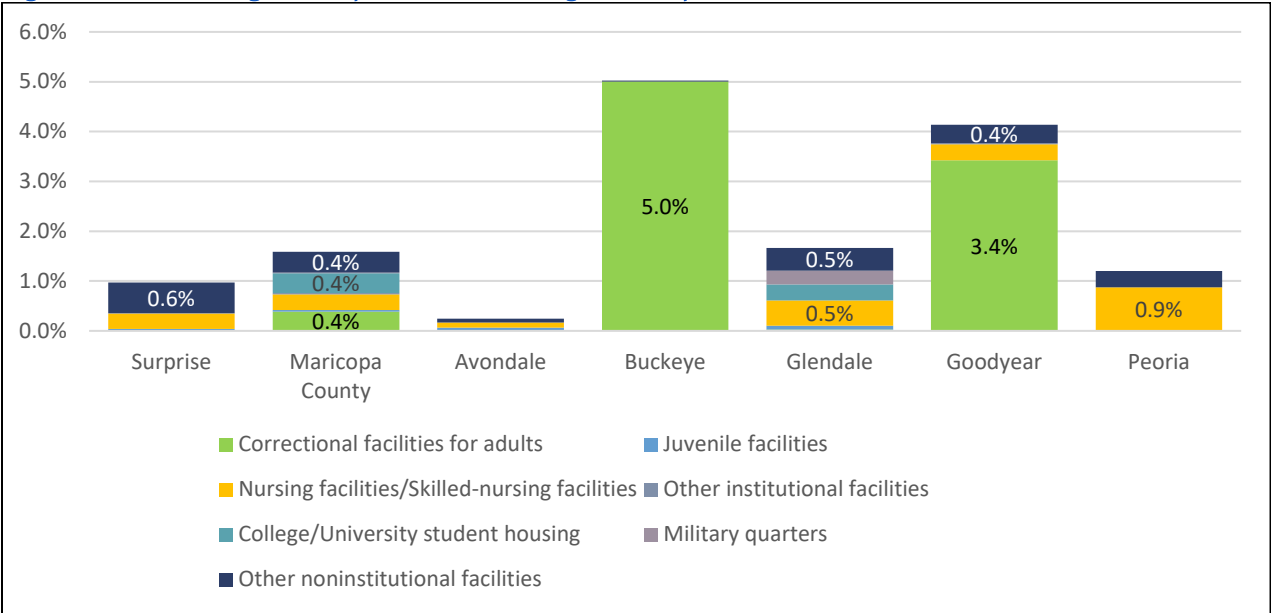


Source: Five-year American Community Survey (2021)

Group Quarters Population

Figure 39 displays the relative size of the group quarters population by community. **Just shy of one percent of Surprise’s population, or 1,390 residents, live in group quarters—a lower rate than those of every jurisdiction except Avondale.** These residents are concentrated in a few neighborhoods located in the central and southern parts of the city (see Figure 40). Due to the presence of state prisons in Buckeye and Goodyear, their group quarters populations dwarf those of Surprise and other nearby communities. Group quarters housing consists of institutionalized and noninstitutionalized facilities, with the primary distinction between the two being that that institutionalized residents are ineligible, unable, or unlikely to participate in the workforce. In Surprise, most of the group quarters population reside in unspecified noninstitutionalized housing, a category that includes emergency/transitional shelters, adult group homes, residential treatment centers, religious group quarters, and domestic violence shelters, among other facilities. Surprise’s institutionalized population includes residents of juvenile facilities and nursing homes.² Despite having the largest relative senior population of the communities of interest, Surprise has fewer nursing home residents as a share of its total population (0.3%) than Peoria and Glendale, implying that alternative forms of senior housing, such as memory care and independent and assisted living communities, are unusually popular in Surprise.

Figure 39. Percentage of Population Residing in Group Quarters, 2020

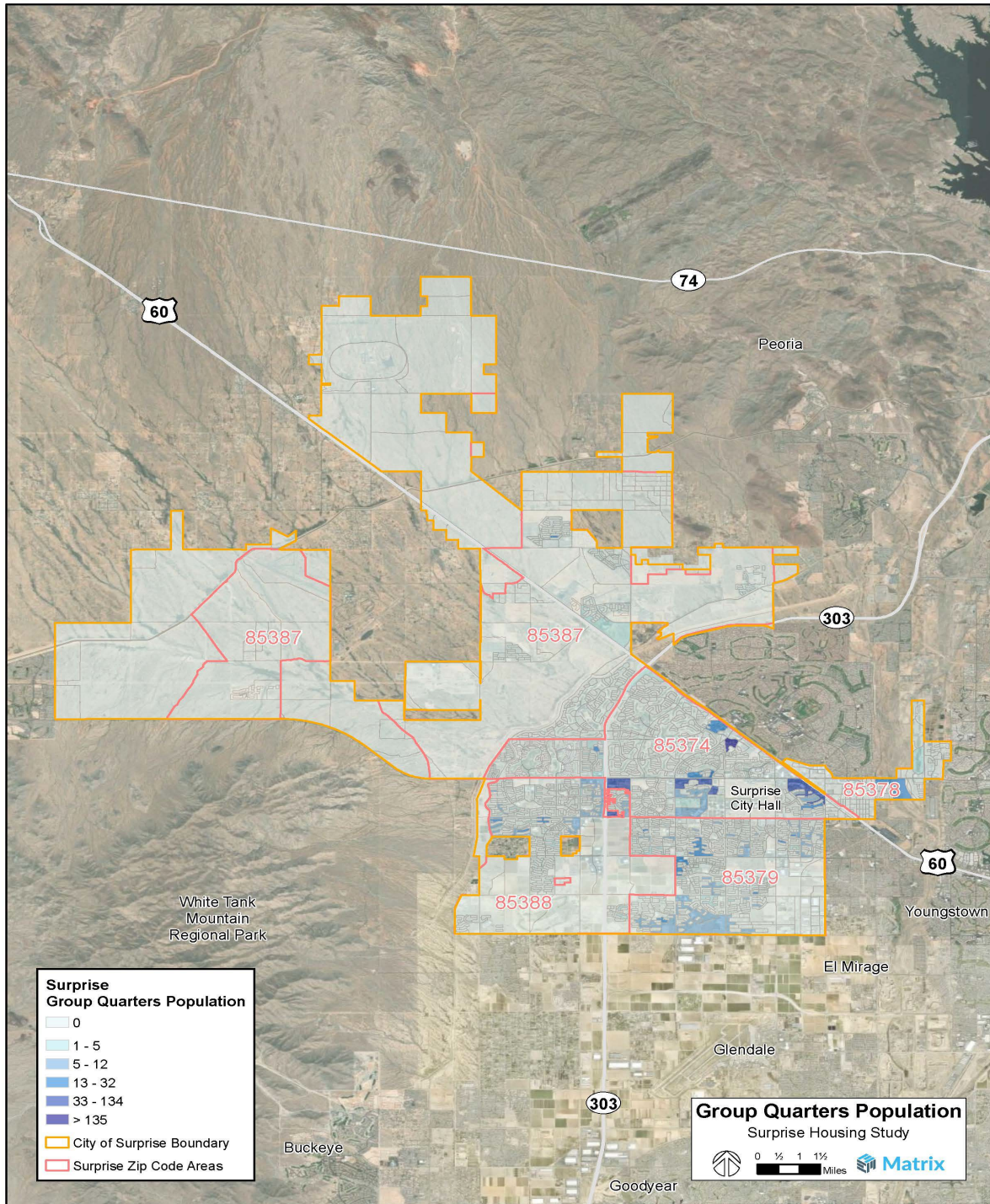


Source: 2020 U.S. Census

² The Appendix. provides information on six juvenile and noninstitutionalized living facilities located in Surprise. More detailed analyses of senior housing appear in later sections of the report.



Figure 40. Geographic Distribution of Group Quarters Population by Census Block in Surprise, 2020



Source: 2020 U.S. Census

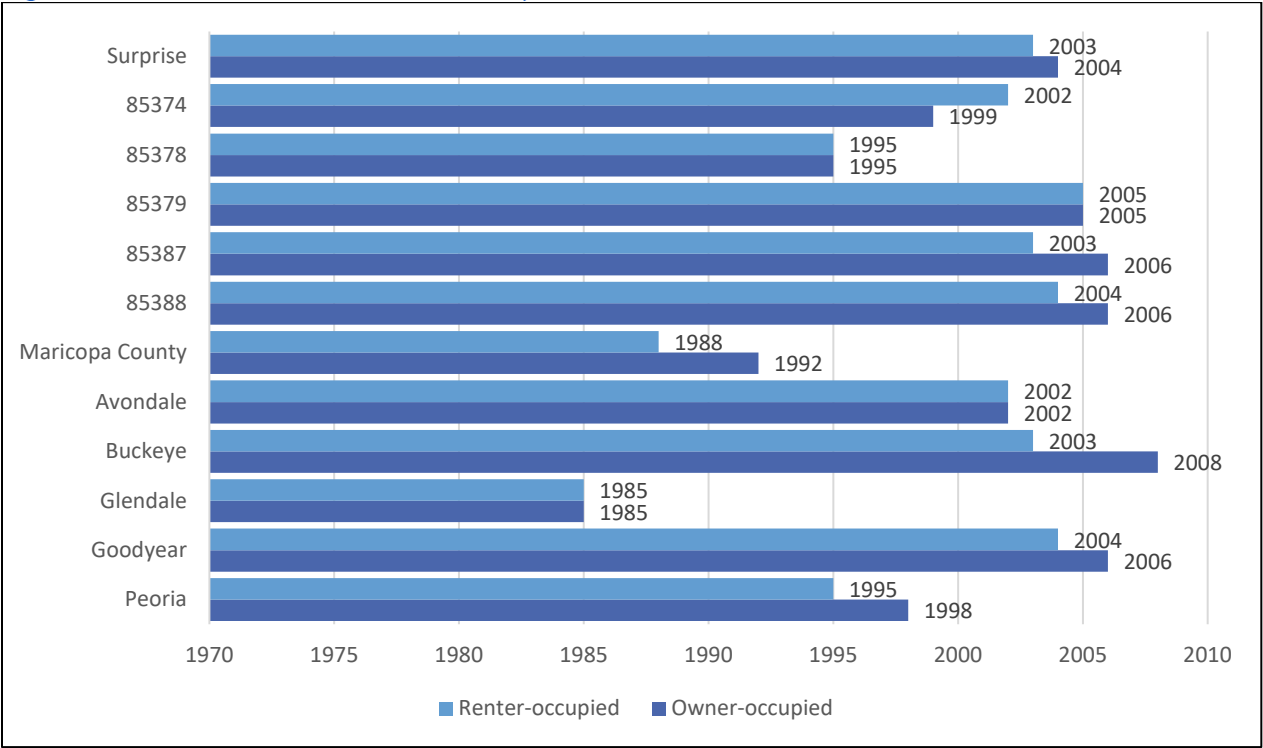
Housing Inventory Analysis

The remaining analyses focus on Surprise’s housing inventory and market. Below, we examine the age, condition, and physical characteristics of the housing stock; vacancies; and housing for underserved populations.

Age of Housing Stock

Consistent with the fact that the bulk of Surprise’s population growth has occurred over the past two decades, the city’s housing inventory is young by any measure. According to Figure 41, the median renter- and owner-occupied units, respectively, were erected in 2003 and 2004. In zip codes 85387 and 85388, the typical owner-occupied homes, at only 16 or 17 years old at the time of this writing, are even younger than the city-wide median. Surprise’s older homes are concentrated in two zip codes: 85374 and 85378. Maricopa County’s median owner- and renter-occupied homes, respectively, are 15 and 12 years older than their Surprise counterparts. Furthermore, only 8% of Surprise homes predate 1990 (see Figure 42). The same is true of 30% of homes in neighboring Peoria, which in turn has fewer homes in this category than Maricopa County (48%) and Glendale (62%).

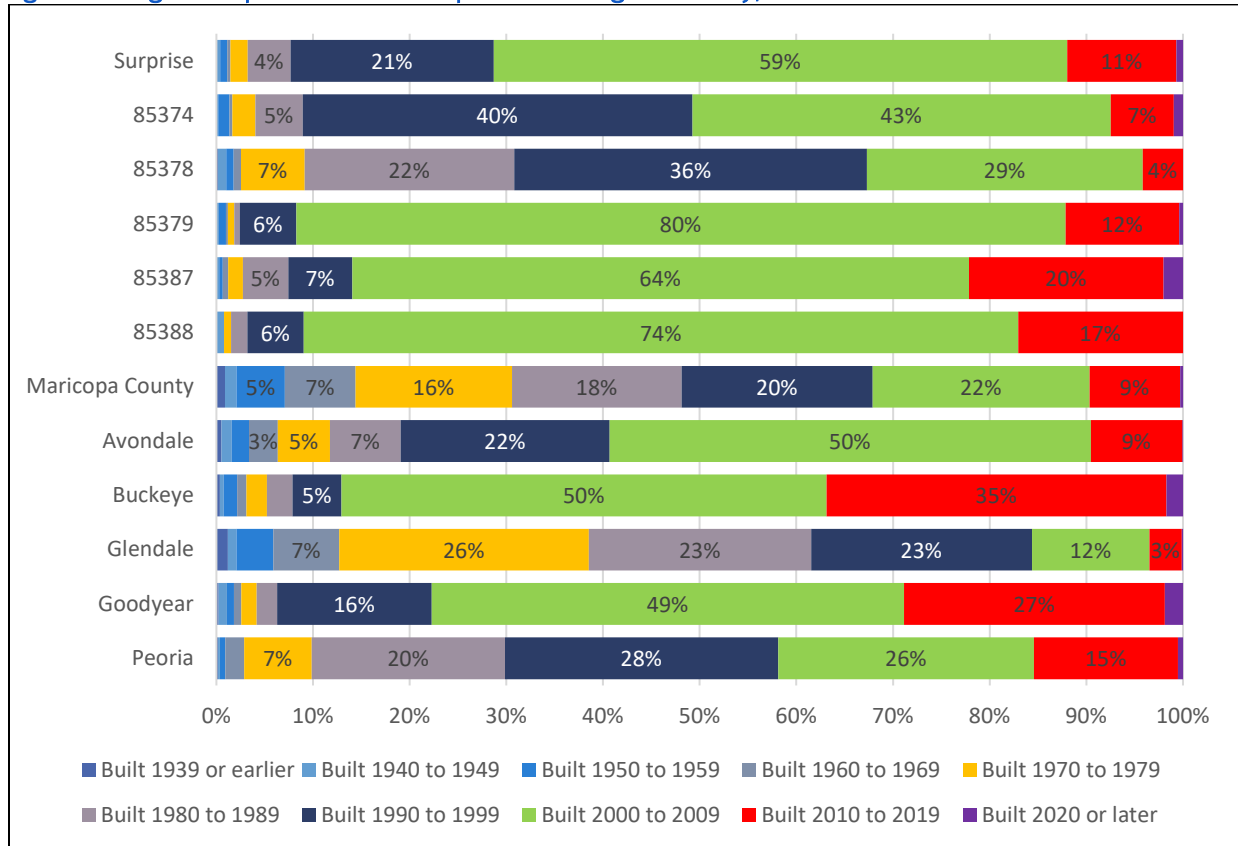
Figure 41. Median Year of Construction by Tenure, 2021



Source: Five-year American Community Survey (2021)



Figure 42. Age Composition of Occupied Housing Inventory, 2021



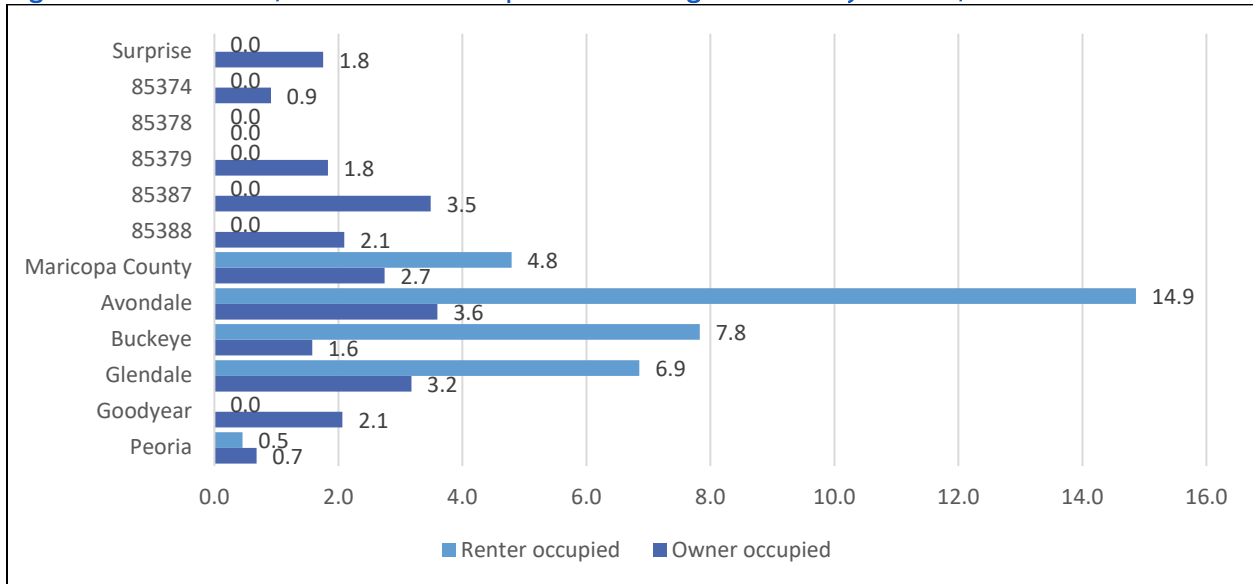
Source: Five-year American Community Survey (2021)

Condition of Housing Stock

The prevalence of units without complete plumbing or kitchen facilities is a reliable proxy for a housing inventory’s condition. Along with Goodyear, Surprise is an anomaly among Maricopa County cities in having virtually no renter-occupied units without complete plumbing facilities. These facilities are absent, however, in 1.8 per 1,000 owner-occupied units. The incidence of incomplete plumbing facilities is nearly twice as high among owner-occupied homes located in zip code 85387, at 3.5 per 1,000 units. Homes in the rest of Maricopa County, including Avondale and Glendale, are far more likely to have incomplete plumbing facilities than those in Surprise.

“Along with Goodyear, Surprise is an anomaly among Maricopa County cities in having virtually no renter-occupied units without complete plumbing facilities.”

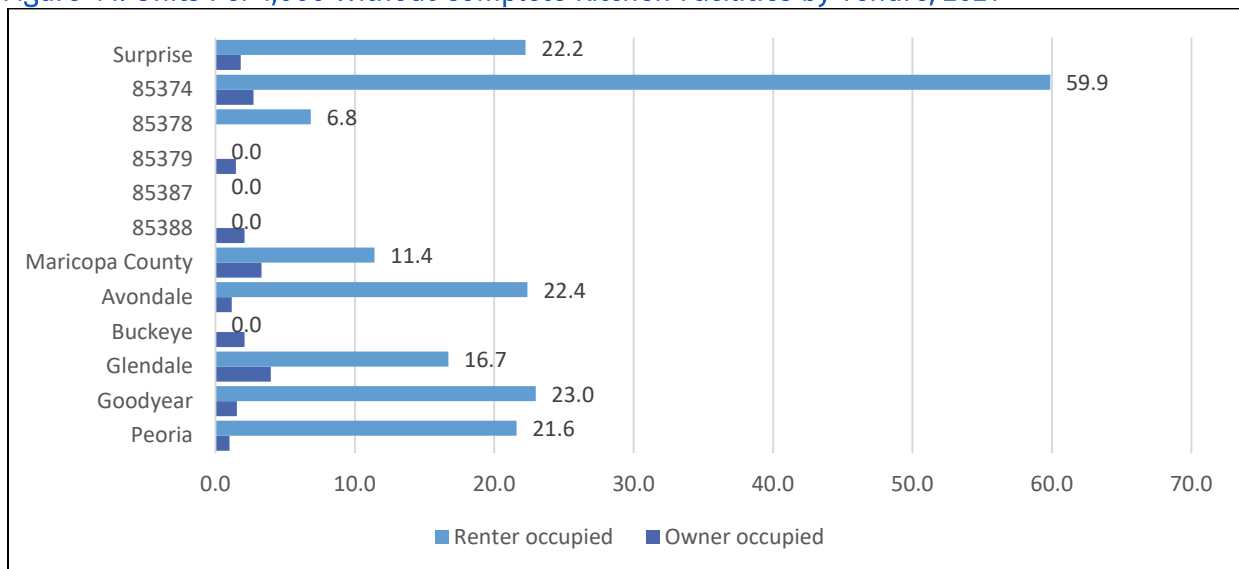
Figure 43. Units Per 1,000 Without Complete Plumbing Facilities by Tenure, 2021



Source: Five-year American Community Survey (2021)

Surprise does not fare quite as well when the condition of its housing stock is measured in terms of the incidence of incomplete kitchen facilities. **22.2 per 1,000 renter-occupied units in the city lack complete kitchen facilities, but such units are concentrated in zip code 85374.** Renter-occupied units without complete kitchen facilities are significantly less common in the rest of Maricopa County and parts of the West Valley. Among Surprise's owner-occupied homes, incomplete kitchen facilities are as rare as incomplete plumbing facilities, impacting 1.8 per 1,000 units. In Glendale, a homeowner is 122% more likely to live in a home lacking complete kitchen facilities.

Figure 44. Units Per 1,000 Without Complete Kitchen Facilities by Tenure, 2021



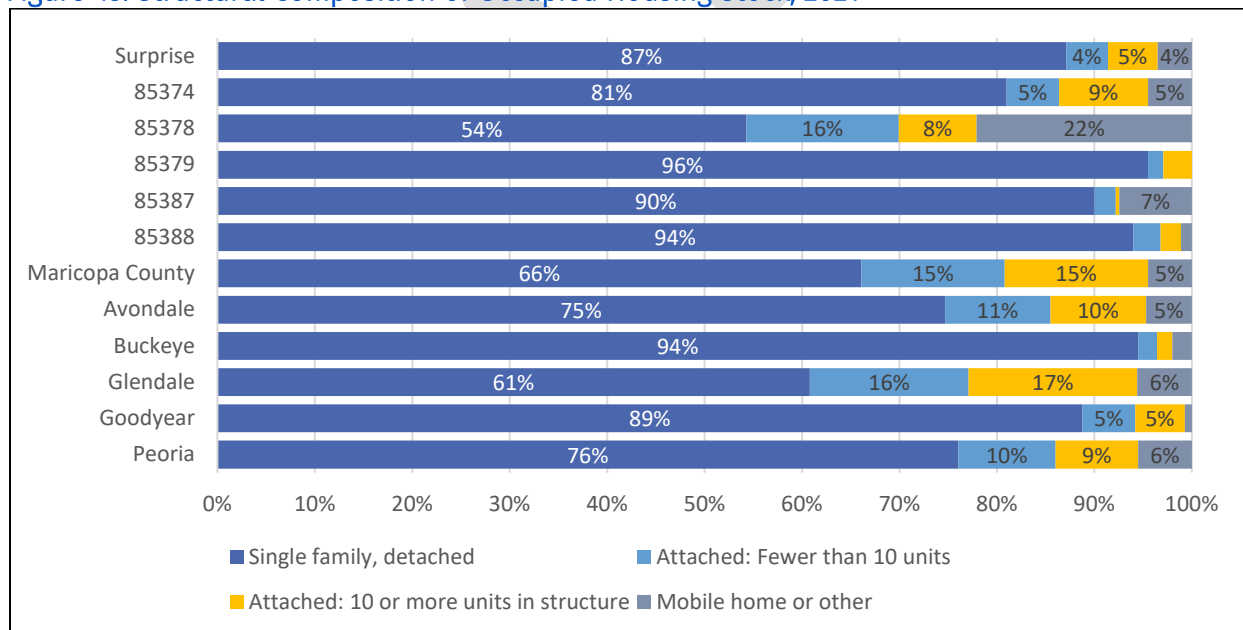
Source: Five-year American Community Survey (2021)



Structural Diversity

Given the strong relationship between a unit's physical characteristics and its price point, cities seeking to attract and retain residents across the income spectrum must offer a wide array of structural options. The structural diversity of each region's occupied housing stock is summarized in Figures 45 through 47. **87% of Surprise's total occupied inventory of 52,205 units are detached single-family homes—a rate exceeded only by that of Buckeye.** Those looking for alternatives to single-family homes in 85379 and 85388 likely need to expand their search to other neighborhoods within the city, given that such homes constitute 96% and 94% of their respective housing stocks. In the coming years, though, Surprise's multi-family inventory is likely to grow considerably; as of 2022, there were 9,910 multi-family units in the pipeline, at various stages of development.³ As expected, housing tenure is a strong predictor of a home's physical characteristics. In Surprise, owner-occupied units are 26 percentage points more likely to be traditional single-family homes than renter-occupied units. **Over time, Surprise has made incremental, but measurable, progress in diversifying its housing stock through increased density, with the share of detached single-family homes falling from 89% in 2010 to 87% in 2021.** Buckeye was the only community whose housing stock trended in the opposite direction during this period.

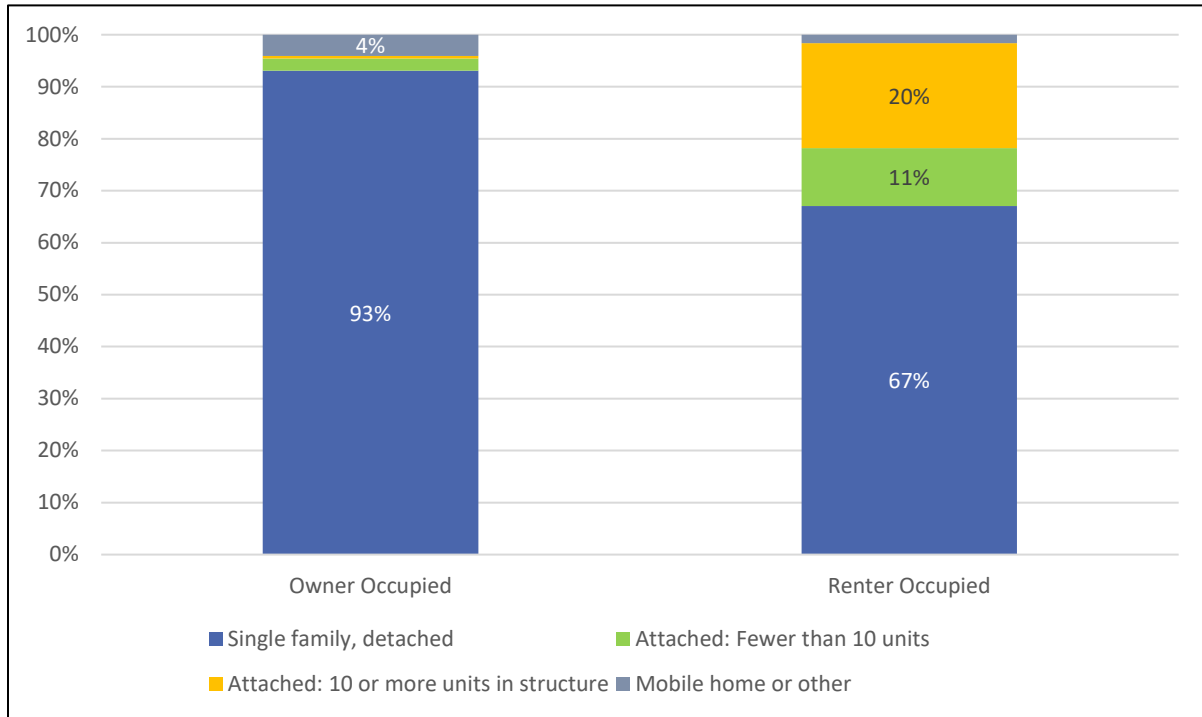
Figure 45. Structural Composition of Occupied Housing Stock, 2021



Source: Five-year American Community Survey (2021)

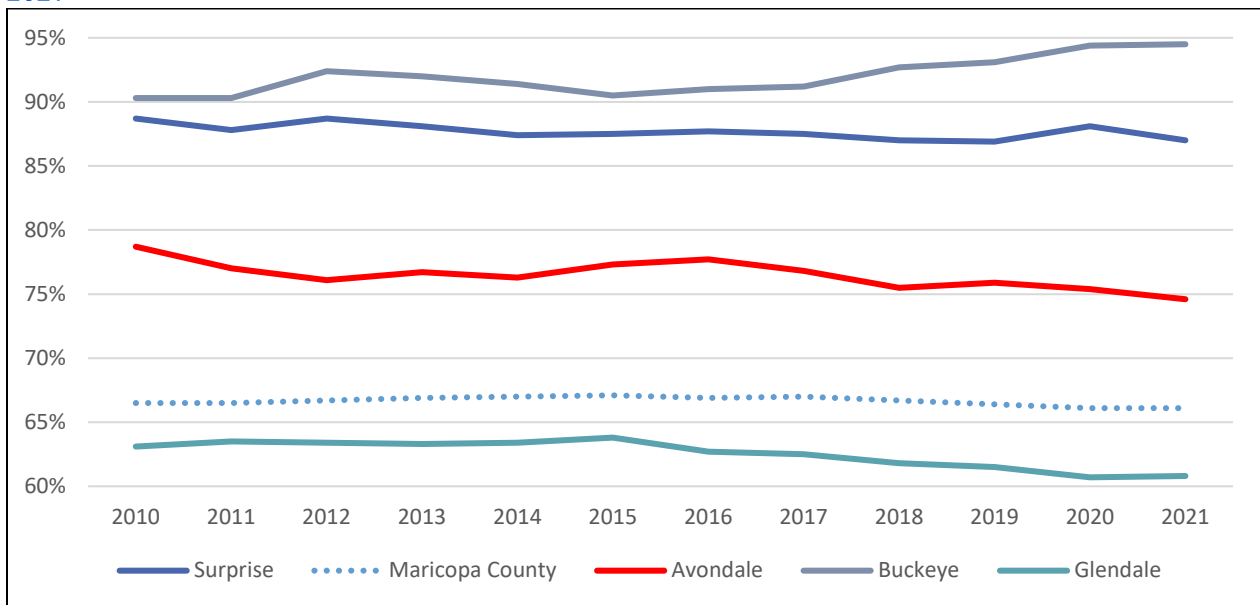
³ The Appendix breaks down these units by phase of development.

Figure 46. Structural Composition of Surprise's Occupied Housing Stock by Tenure, 2021



Source: Five-year American Community Survey (2021)

Figure 47. Detached Single-Family Homes as a Share of the Occupied Housing Stock, 2010 to 2021



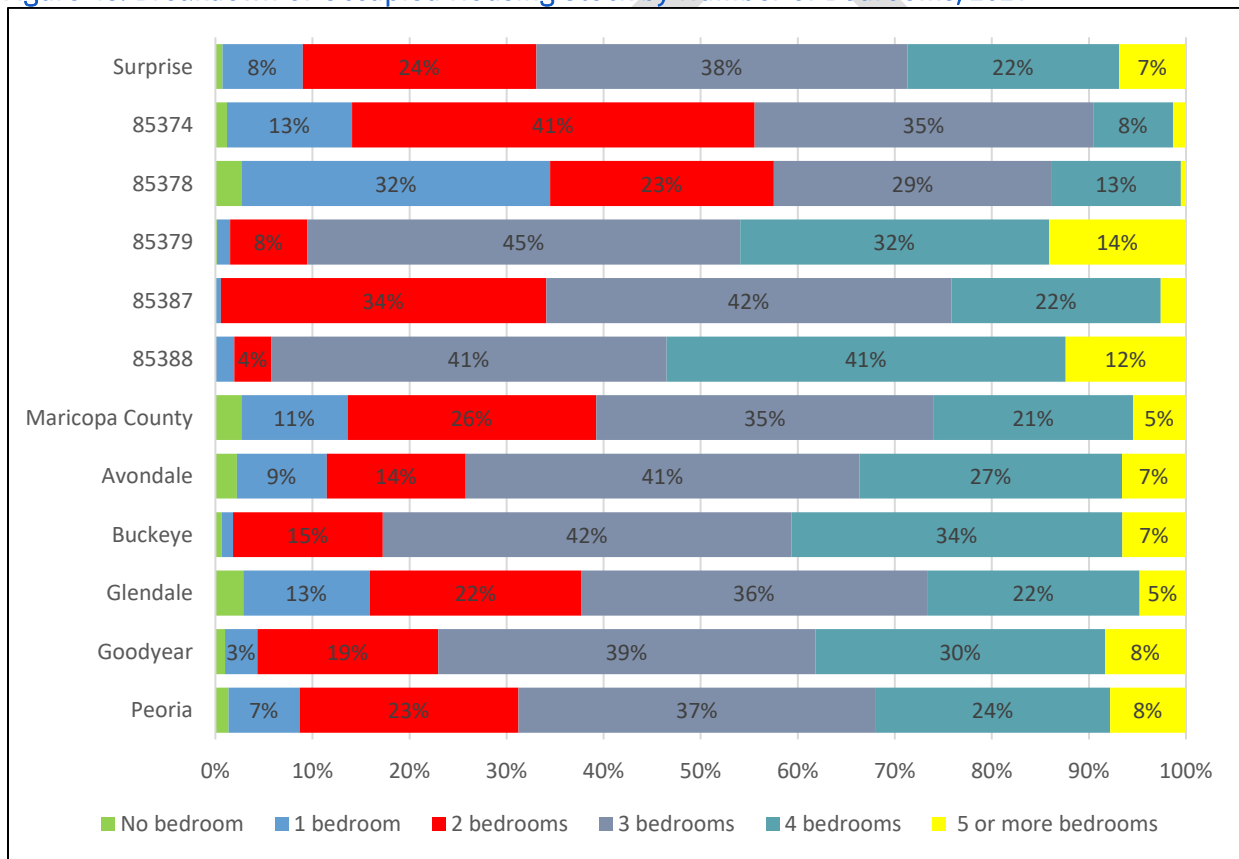
Source: Five-year American Community Survey (2010-2021)



Number of Bedrooms

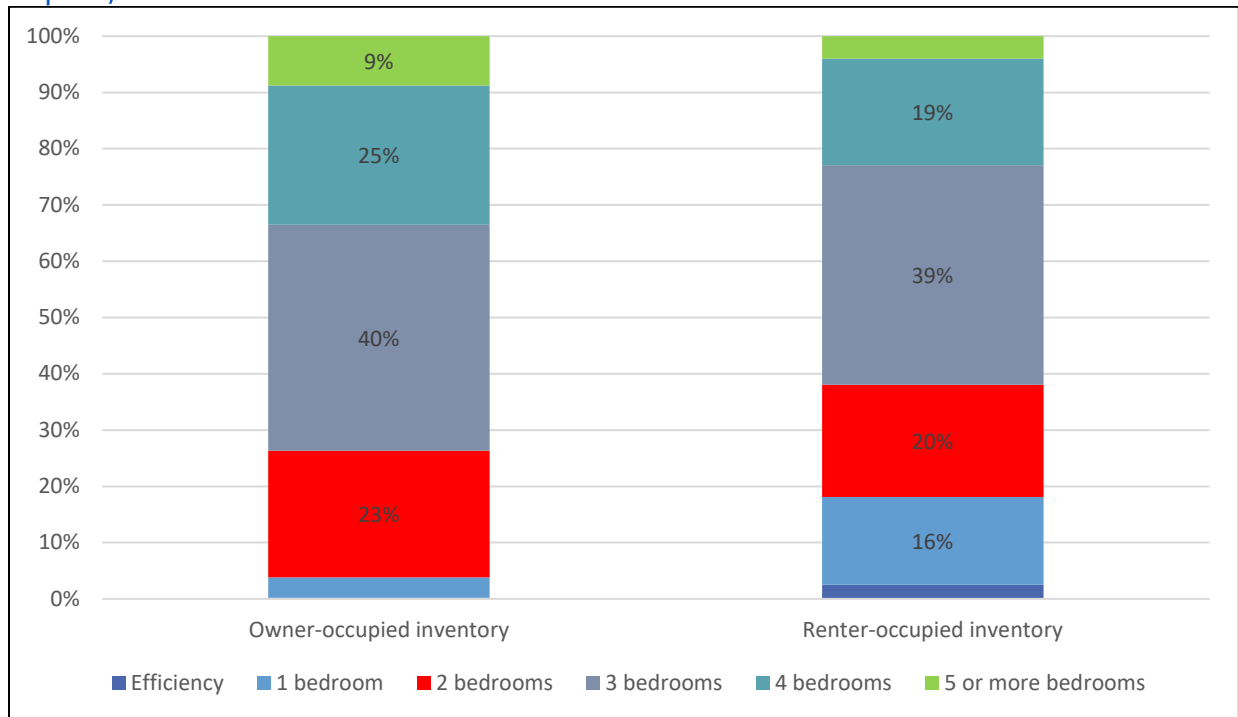
Reflecting its older population, Surprise has fewer homes capable of supporting larger households than much of the West Valley. As Figure 48 demonstrates, 29% of Surprise's total occupied housing stock feature four or more bedrooms. Zip code 85374 has even fewer units with four or more bedrooms as a share of its total occupied inventory (9%), while the richest supplies of these homes exist in zip codes 85379 (46%) and 85388 (54%). Surprise stands in sharp contrast to Buckeye, where the median resident is about eight years younger than his or her Surprise equivalent and, accordingly, 41% of homes contain four or more bedrooms. It is important to recognize, though, that these larger homes are more common in Surprise than in the rest of Maricopa County. Figure 49 reveals that tenure is strongly associated with a unit's number of bedrooms. Indeed, one would be hard-pressed to find an owner-occupied home with fewer than two bedrooms in Surprise.

Figure 48. Breakdown of Occupied Housing Stock by Number of Bedrooms, 2021



Source: Five-year American Community Survey (2021)

Figure 49. Composition of Renter- and Owner-Occupied Stocks by Number of Bedrooms in Surprise, 2021



Source: Five-year American Community Survey (2021)

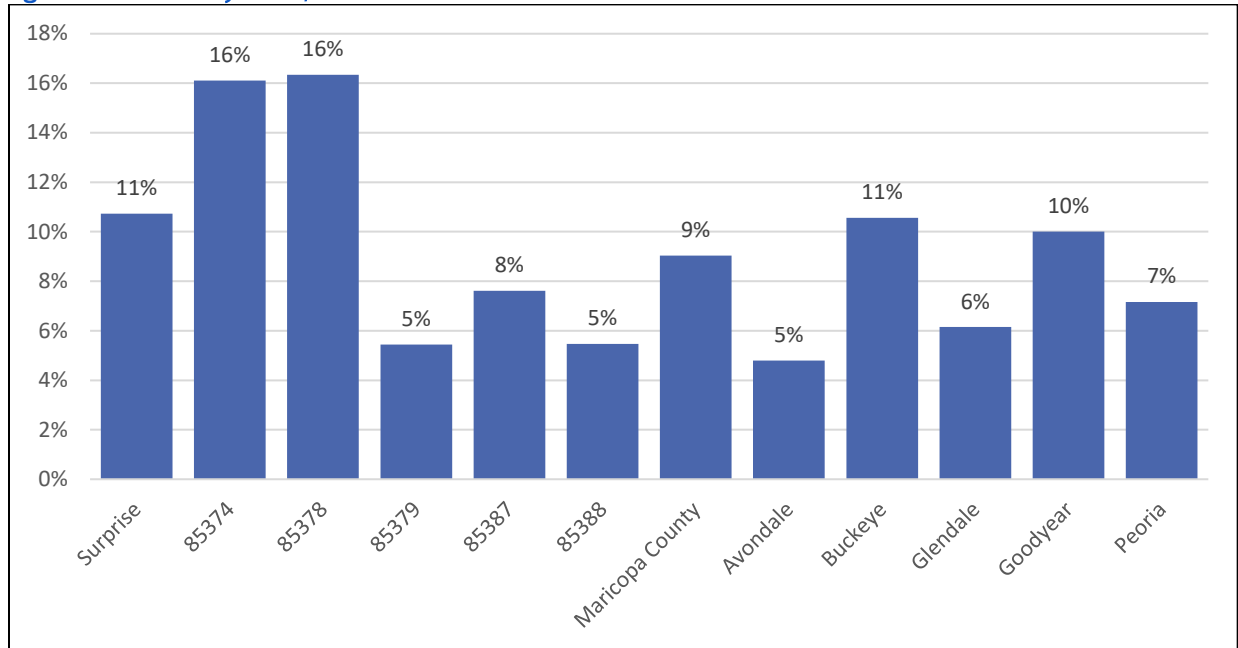
Vacancy Rate

An area's vacancy rate is a key indicator of the health of its housing market. For context, the consensus is that a city such as Surprise should aim for a vacancy rate between five and eight percent. A higher vacancy rate suggests that current properties are too expensive for prospective buyers and renters or that the neighborhood is otherwise undesirable, whereas a lower vacancy rate implies that turnover is rare, creating intense competition for available homes and thus driving up prices. Relatedly, market researchers observe that the vacancy rate can help predict the future direction of a housing market. In an area with an abundance of vacancies, prices are unlikely to face the same upward pressures that they would in one with a small available inventory.

Figure 50 presents the vacancy rate by community. Note that the rates include second homes that were unoccupied at the time of survey administration but whose owners would have been likely to reside in the units at some point in the future. **The data reveal that an unusually high percentage of homes are vacant in Surprise.** 11% of the city's housing units are categorized as such, whereas the rates for Avondale, Glendale, and Peoria range from 5% to 7%. Additionally, the average Maricopa County home is two percentage points less likely than its Surprise counterpart to be vacant. A closer analysis reveals that the culprit of Surprise's high vacancy rate is zip code 85374, where 16% of homes were empty at the time of survey administration. Historically, the rental vacancy rate has exceeded the owner vacancy rate, but the two rates have converged over time (see Figure 51). 6% of owner homes were vacant in 2021, compared to 2% of rental homes.

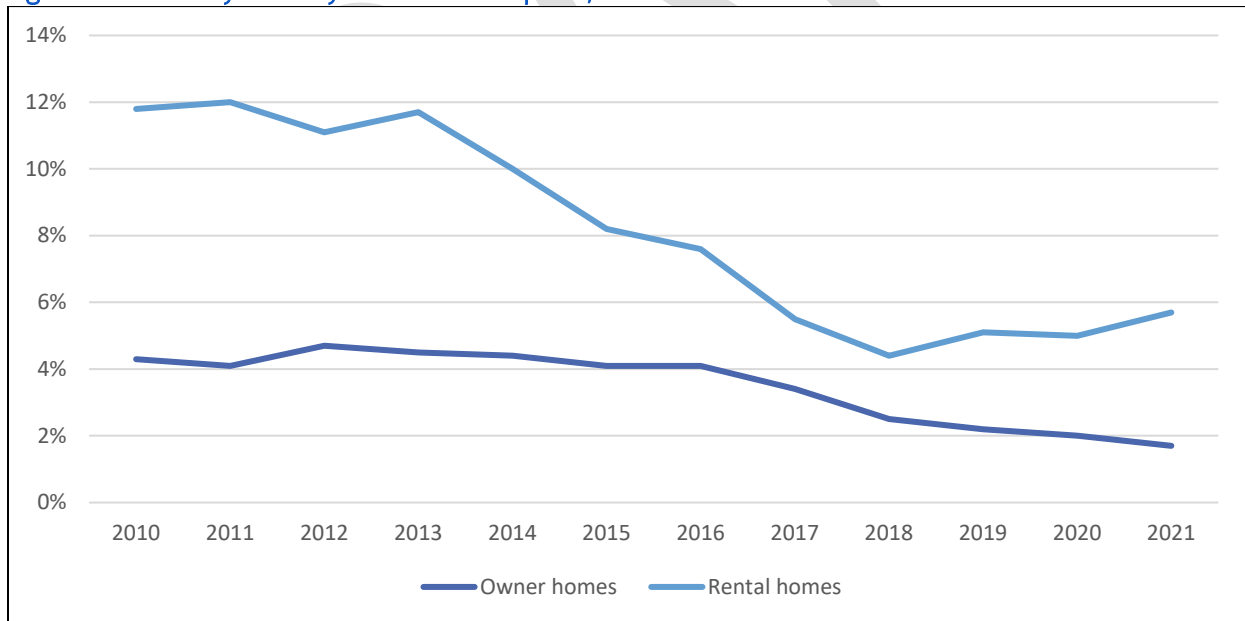


Figure 50. Vacancy Rate, 2021



Source: Five-year American Community Survey (2021)

Figure 51. Vacancy Rate by Tenure in Surprise, 2010 to 2021

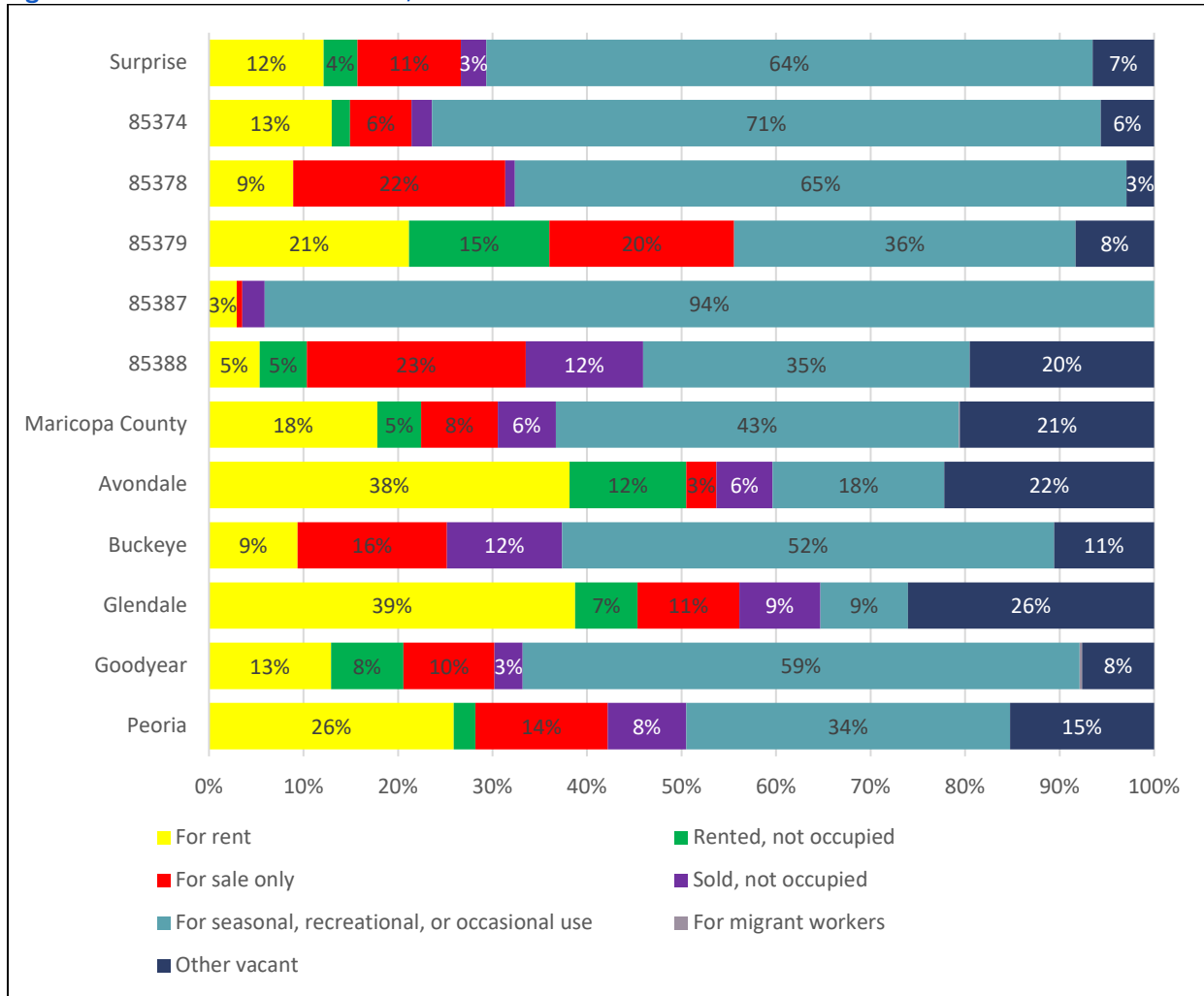


Source: Five-year American Community Survey (2010-2021)

Figure 52 reveals the most common underlying reasons for each region's vacancies. 64% of Surprise's 6,278 empty homes are reserved for seasonal, recreational, or occasional use, indicating a high likelihood that the owners will occupy them in the near future. Apparently, Buckeye and Goodyear are similarly

desirable cities for those in search of these second homes. While not as problematic as other types of vacant homes, second homes have the effect of reducing the available supply for year-round residents, which in turn leads to higher prices. An additional 23% of vacant units are either available for purchase or rent. **Homes that are vacant for other, miscellaneous reasons represent the next largest category, accounting for 7% of vacancies. Concerningly, this category includes abandoned or dilapidated units. In zip code 85388, abandoned or dilapidated homes represent up to 20% of vacancies.**

Figure 52. Status of Vacant Units, 2021



Source: Five-year American Community Survey (2021)

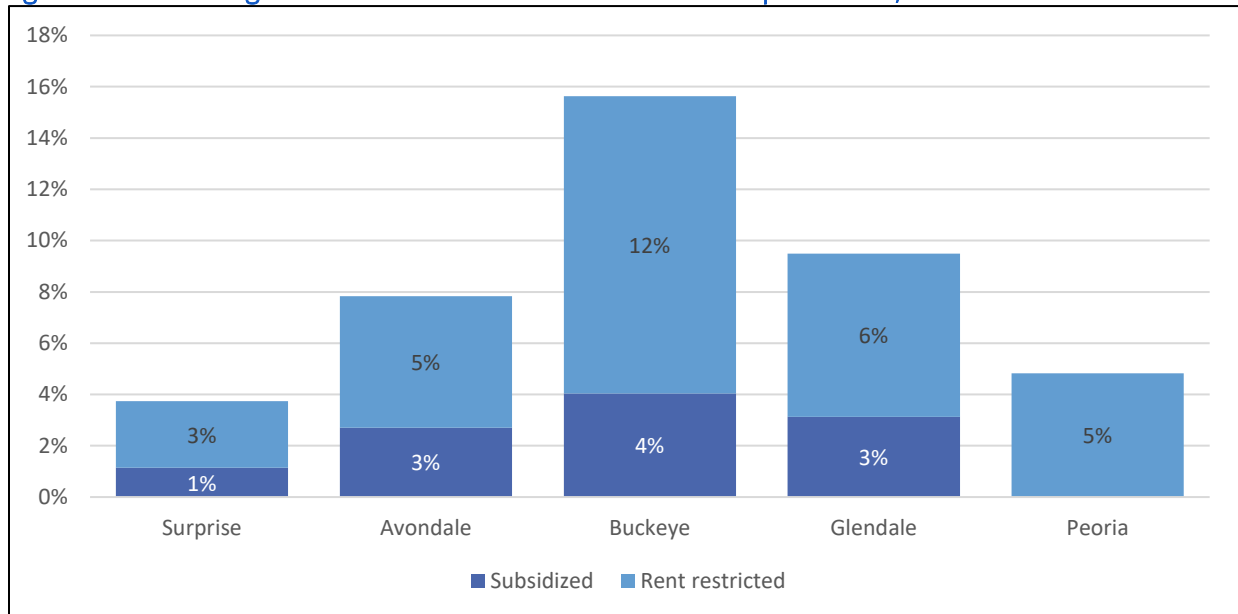
Subsidized and Rent-Restricted Housing

Figures 53 and 54 provide an overview of subsidized and rent-restricted housing. **Subsidized housing is rare across the West Valley, but this is especially the case in Surprise, where just 1% of apartments are subsidized by HUD's Section 8 or other federal programs (see Figure 53).** By contrast, subsidized apartments constitute at least 3% of the inventories of Avondale, Buckeye, and Glendale. Rent-restricted properties, which often benefit from low-income housing tax credits and serve



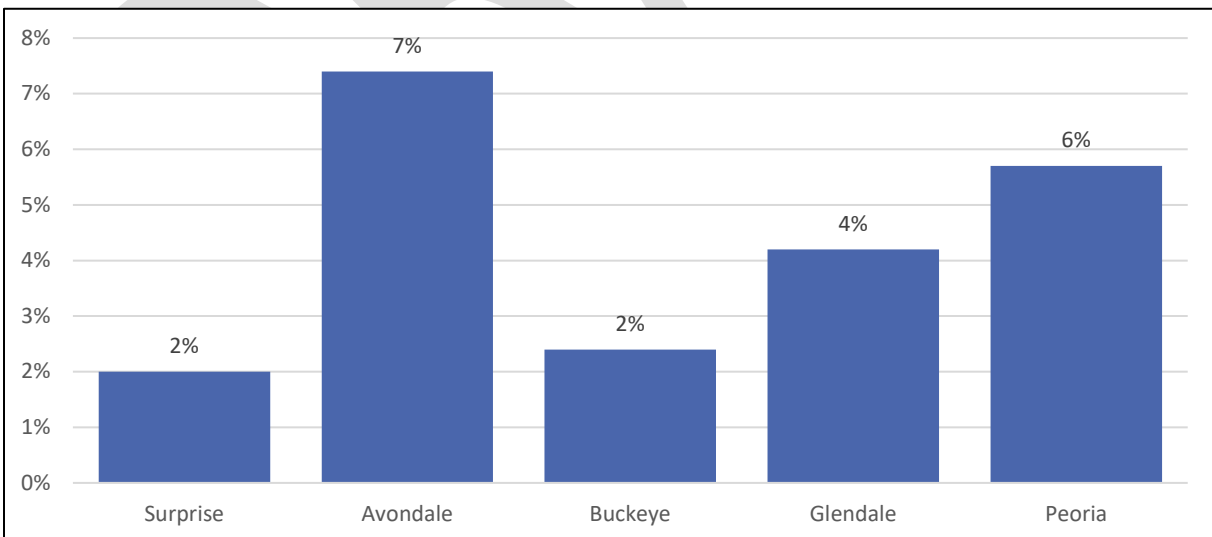
households earning between 30% and 80% of area median income, are more common. In Surprise, rent-restricted units make up 3% of the apartment inventory, but this rate is still lower than those of Avondale, Buckeye, Glendale, and Peoria. Consequently Surprise has the fewest relative unoccupied subsidized or rent-restricted apartments of the five cities (see Figure 54). **Surprise's vacancy rate of 2% suggests that demand for these homes exceeds the existing supply.**

Figure 53. Percentages of Subsidized and Rent-Restricted Apartments, 2023



Source: CoStar; Matrix Design Group, Inc.

Figure 54. Vacancy Rate of Subsidized or Rent-Restricted Apartments, 2023 Q1



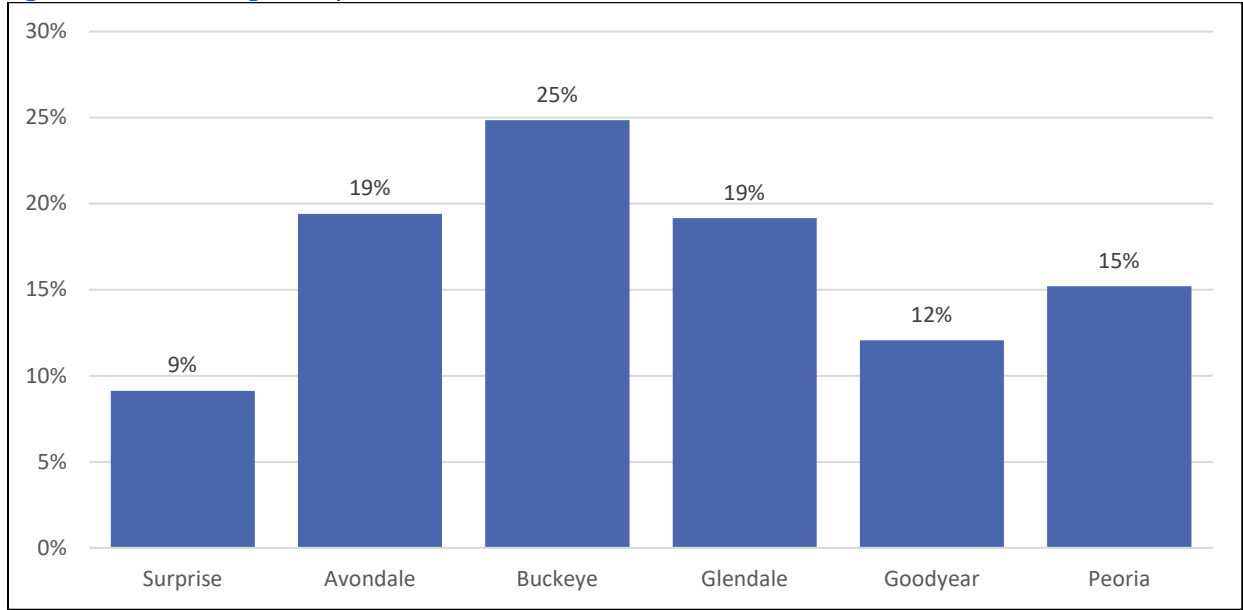
Source: CoStar; Matrix Design Group, Inc.

Accessible Housing

According to the ACS, approximately 6% of Surprise’s noninstitutionalized residents live with an ambulatory disability. Contrary to popular belief, dwelling units are exempt from Americans with Disabilities Act (ADA) accessibility standards since they do not qualify as public accommodations. It is therefore up to developers and landlords to ensure their dwelling units are accessible to people with disabilities. Unfortunately, the U.S. has a paucity of wheelchair-accessible homes, with the UD Project estimating that just 0.15% of homes meet accessibility standards nationwide. The challenges that people with disabilities face in securing accessible housing have prompted activists and advocacy organizations, including the central Arizona-based Ability 360, to take up the cause.

How does the availability of wheelchair-accessible housing vary across the West Valley? **According to Figure 55, 9% of apartments in Surprise feature wheelchair-accessible rooms.** While this figure is higher than the share of noninstitutionalized residents reporting an ambulatory disability, wheelchair-accessible apartments are more common in Avondale, Buckeye, Glendale, Goodyear, and Peoria. **The gap between Surprise and Buckeye, where 25% apartments are considered wheelchair accessible, is particularly large.** Despite its small inventory, however, Surprise has more vacant wheelchair-accessible apartments than every city except Goodyear. Indeed, Figure 56 shows that 8% of such apartments in Surprise are unoccupied, compared to 5% in Buckeye and Peoria and 6% in Avondale and Glendale.

Figure 55. Percentage of Apartments with Wheelchair-Accessible Rooms, 2023

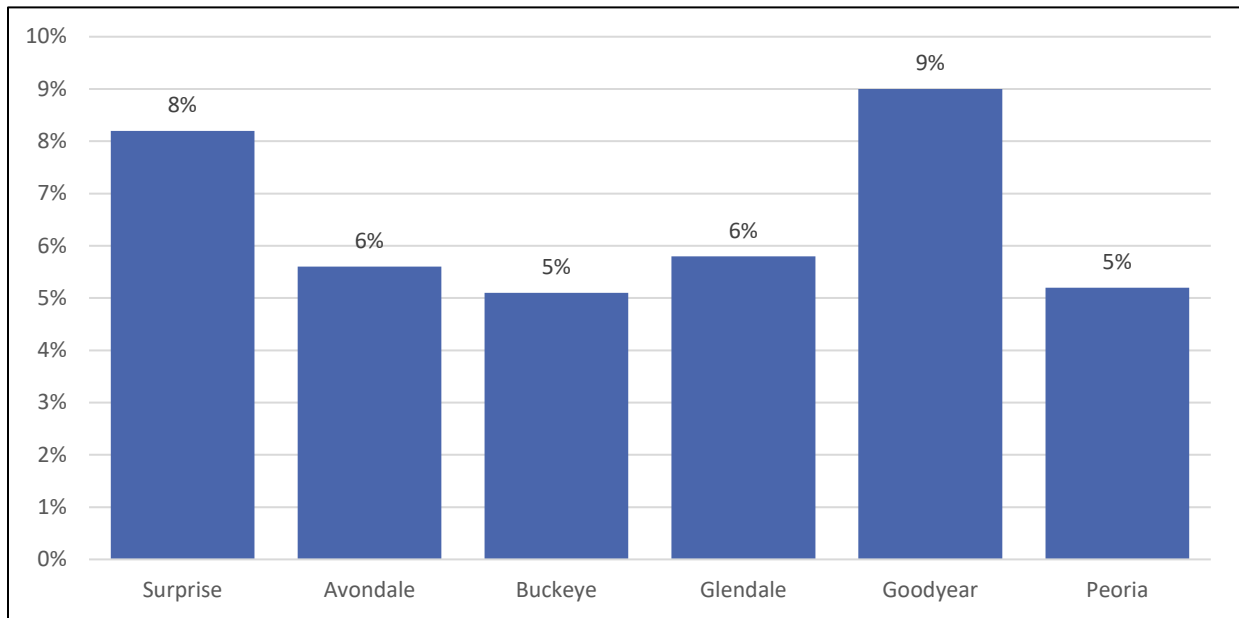


Source: CoStar; Matrix Design Group, Inc.

Note: Includes only properties with four or more units.



Figure 56. Vacancy Rate of Apartments with Wheelchair-Accessible Rooms, 2023 Q1



Source: CoStar; Matrix Design Group, Inc.

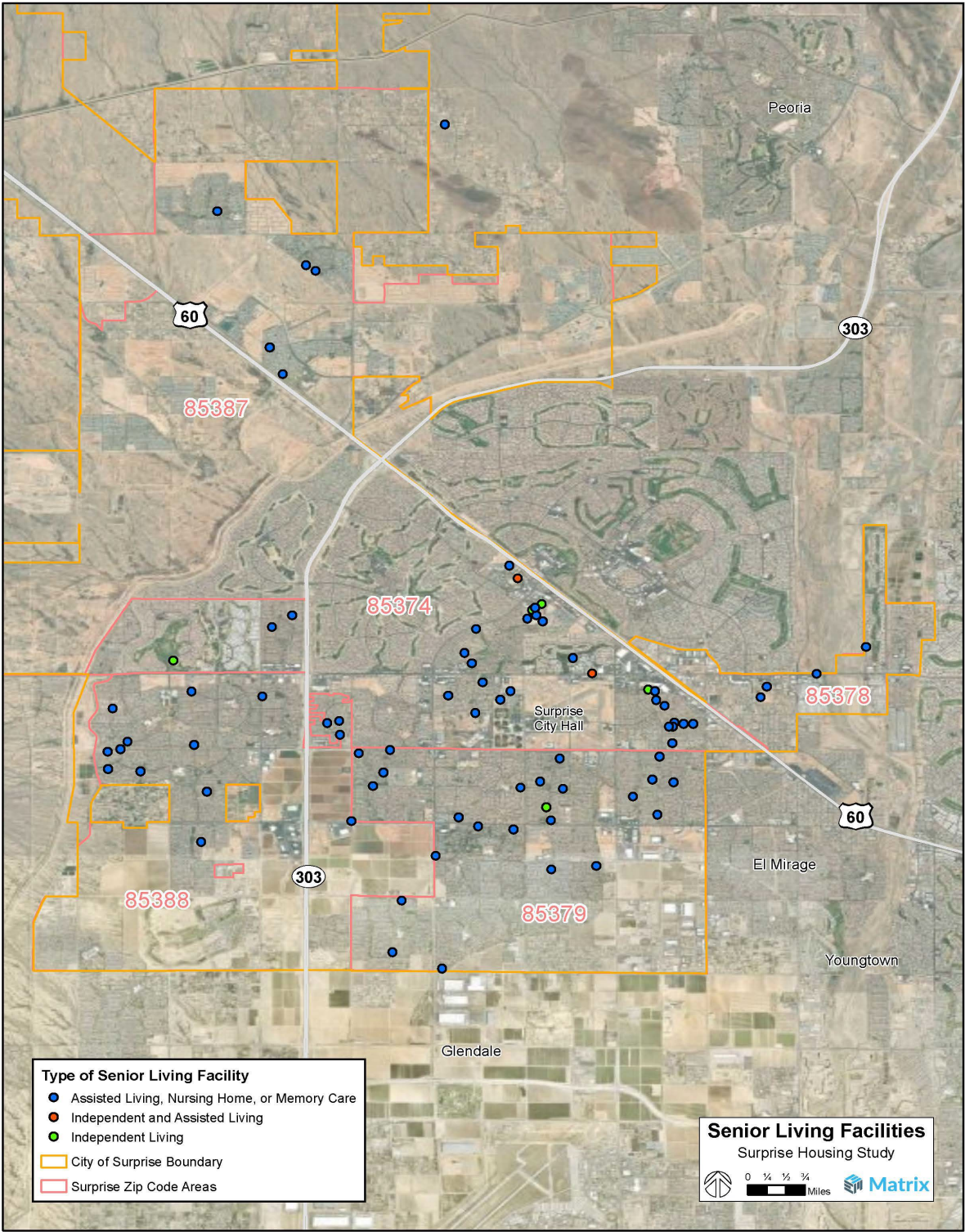
Note: Includes only properties with four or more units.

Senior Housing

It is critical that Surprise offer its substantial senior population a wide array of housing options. Figure 57 pinpoints the locations of Surprise's 82 senior living facilities. The city features five independent living communities, which are indicated by the green dots. An additional two properties, represented by the red dots, offer both independent and assisted living options. Overall, senior independent living units make up 6% of the city's apartment inventory (see Figure 58). Only Peoria, whose age demographics are similar to those of Surprise, has a higher percentage of senior independent living apartments. At 12%, the vacancy rate in Surprise's independent living communities is high in an absolute sense, but not compared to Goodyear, where an astonishing 35% of independent living units are empty (see Figure 59).

The remaining 75 properties denoted in Figure 57 are nursing homes or specialize in assisted living or memory care. These properties, represented by the blue dots, are scattered throughout the city but tend to be concentrated in the streets surrounding City Hall. **Considering that 9% of seniors living in Surprise, including 13% of those 75 years old and over, experience an independent living difficulty, nursing homes, memory care, and assisted living facilities play a vital role in the community.**

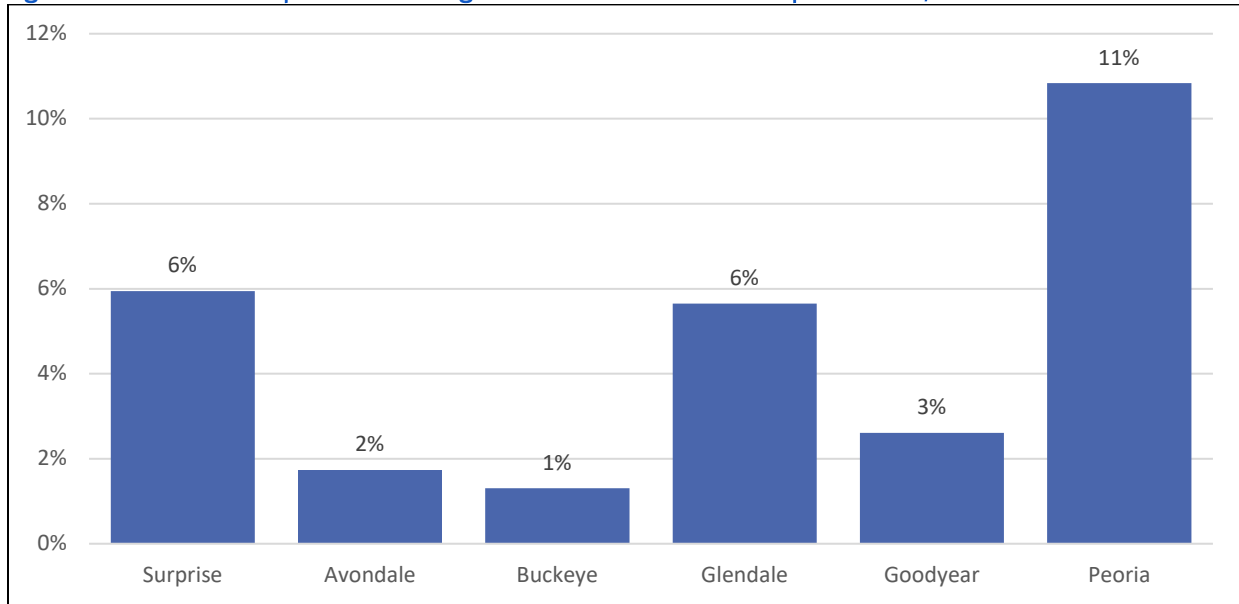
Figure 57. Senior Living Facilities in Surprise



Source: Matrix Design Group, Inc.



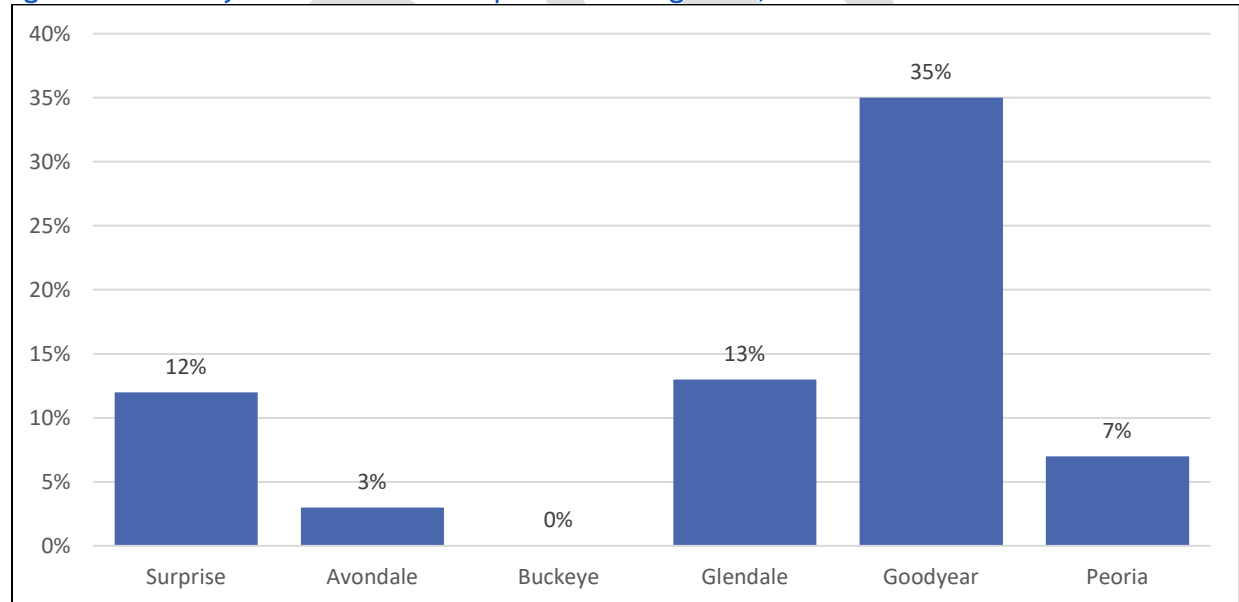
Figure 58. Senior Independent Living Units as a Share of All Apartments, 2023 Q1



Source: CoStar; Matrix Design Group, Inc.

Note: Includes only properties with four or more units.

Figure 59. Vacancy Rate in Senior Independent Living Units, 2023 Q1



Source: CoStar; Matrix Design Group, Inc.

Note: Includes only properties with four or more units.

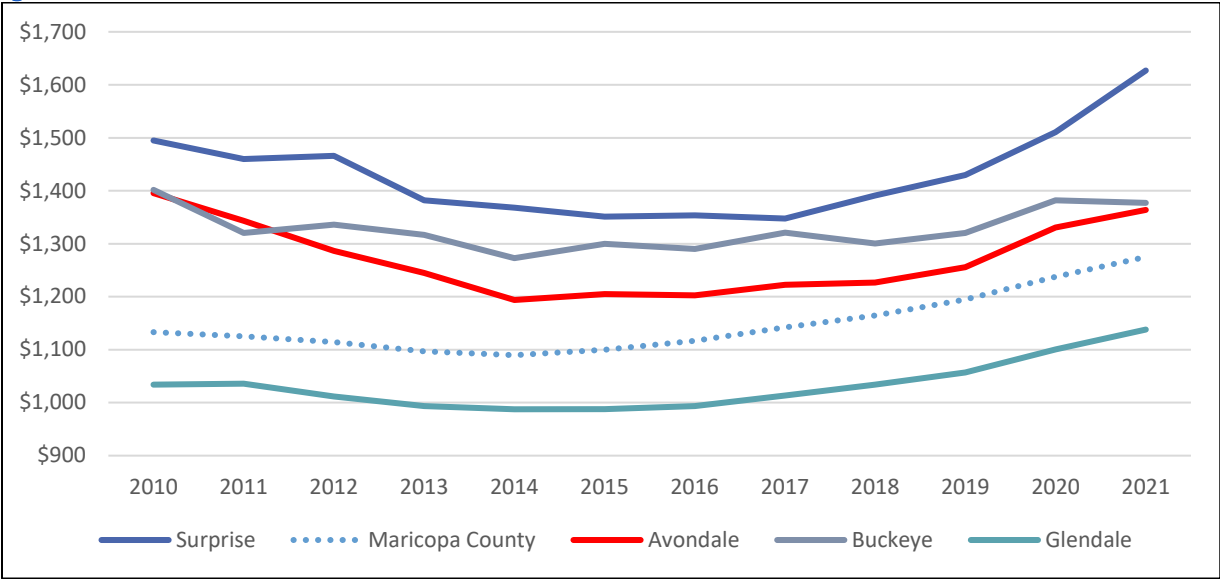
Rental Market Analysis

This section features a thorough analysis of Surprise’s rental market. It presents the most current available data on rental rates, including their relationship with commute times; rental affordability; the prevalence of cost-burdened renters; and short-term rentals.

Gross Rent

Figures 60 and 61 illustrate the extent to which typical rental costs have changed over time. Since at least 2010, Surprise has ranked among the most expensive cities for renters in Maricopa County and the West Valley. Moreover, the rental cost gap between Surprise and other communities has only widened in more recent years. **Between 2018 and 2021, median gross rent rose by 17% in Surprise, compared to between 6% and 10% in the other regions represented in the figure.** By 2021, median rent in Surprise had climbed to \$1,627. Average gross rents through the first quarter of 2023 appear in Figure 61. Although rents fell between the second and third quarters of 2022, they remain well above historical levels. The typical apartment in Surprise costs \$1,785—\$183 more than the Maricopa County average. Surprise’s rapidly rising rents have likely forced much of its low- or middle-income workforce to live outside the city.

Figure 60. Median Gross Rent, 2010 to 2021

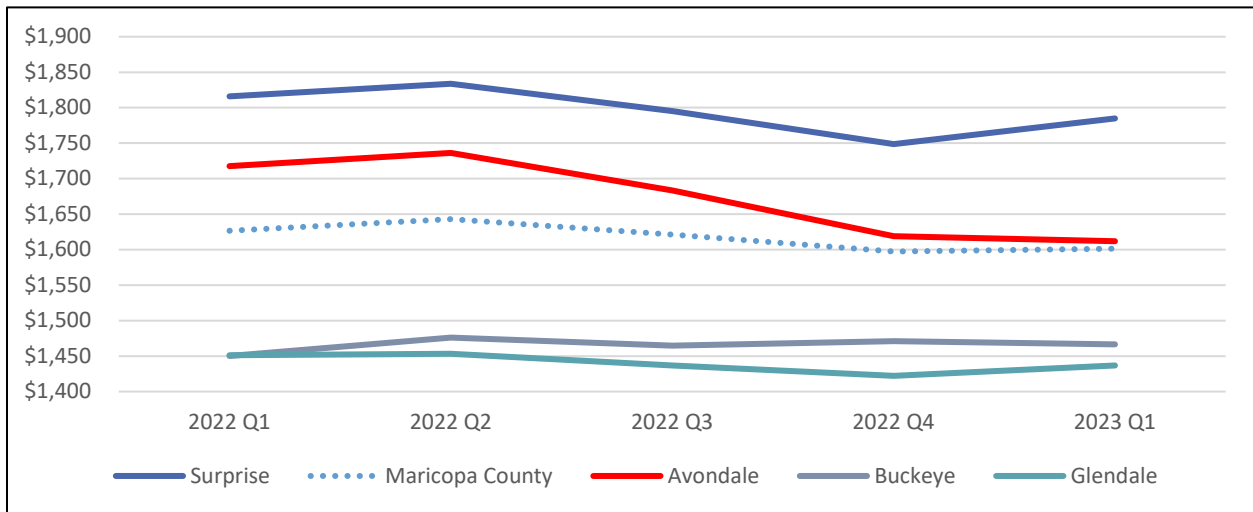


Source: Five-year American Community Survey (2010-2021)

Note: Dollar values adjusted for inflation to constant 2021 dollars.



Figure 61. Average Gross Rent, 2022 Q1 to 2023 Q1

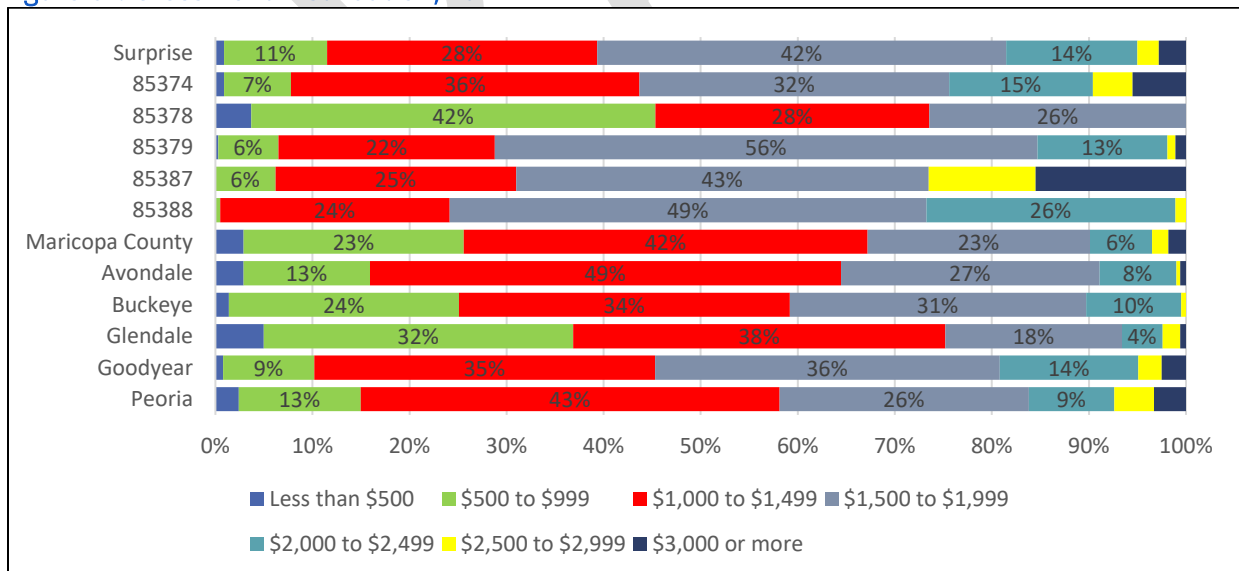


Source: Five-year American Community Survey (2021)

Note: Includes only properties with four or more units. Dollar values adjusted for inflation to constant 2023 dollars.

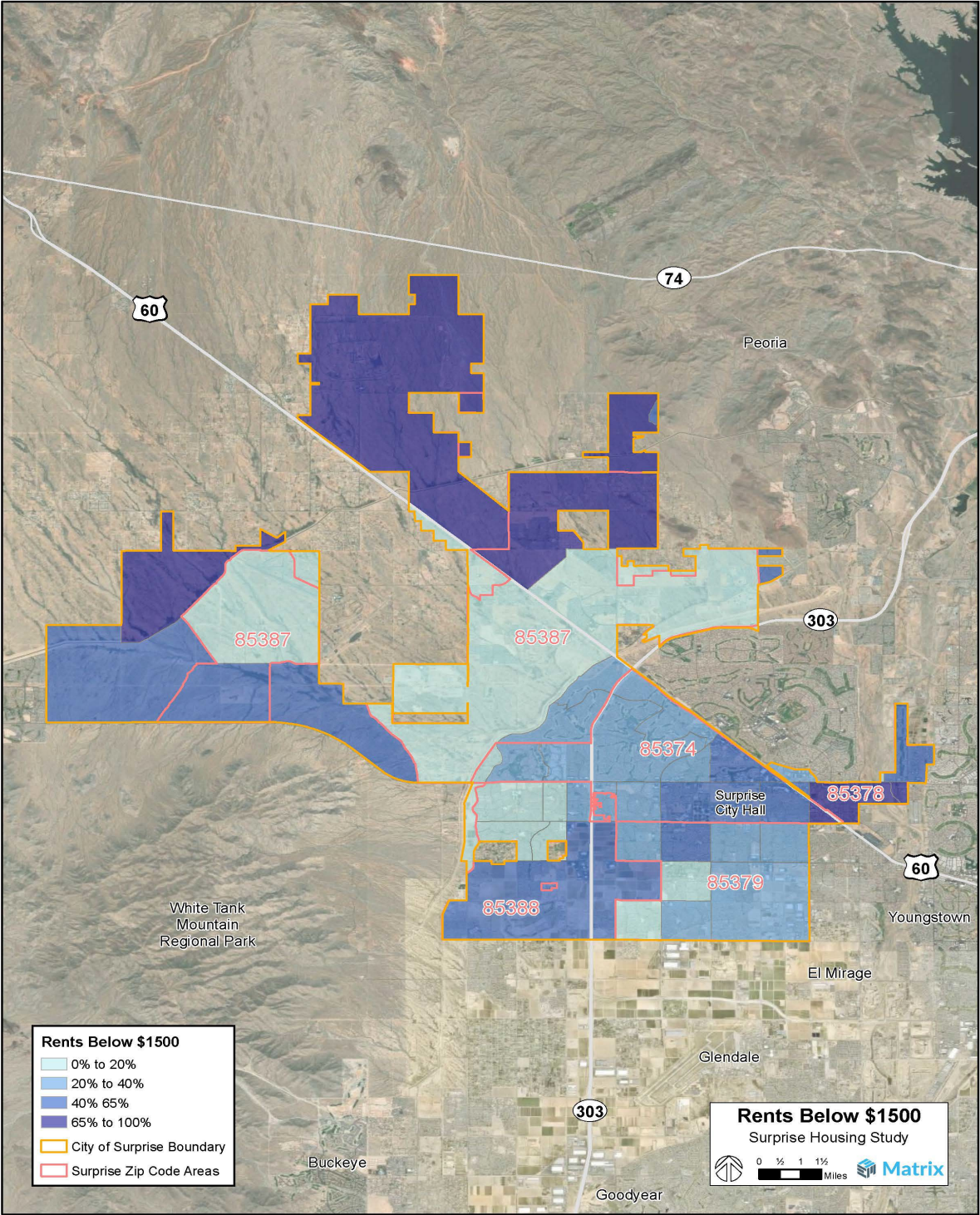
Within Surprise, there is significant variation in rental costs from neighborhood to neighborhood. Rents of \$1,500 or more are most common in zip code 85388, while less expensive rental units are disproportionately located in 85374 and 85378. The map displaying the percentage of units with rents below \$1,500 by Census tract reinforces these findings (see Figure 63).

Figure 62. Gross Rent Distribution, 2021



Source: Five-year American Community Survey (2021)

Figure 63. Percentage of Renter-Occupied Units with Gross Rents Below \$1,500 by Census Tract in Surprise, 2021



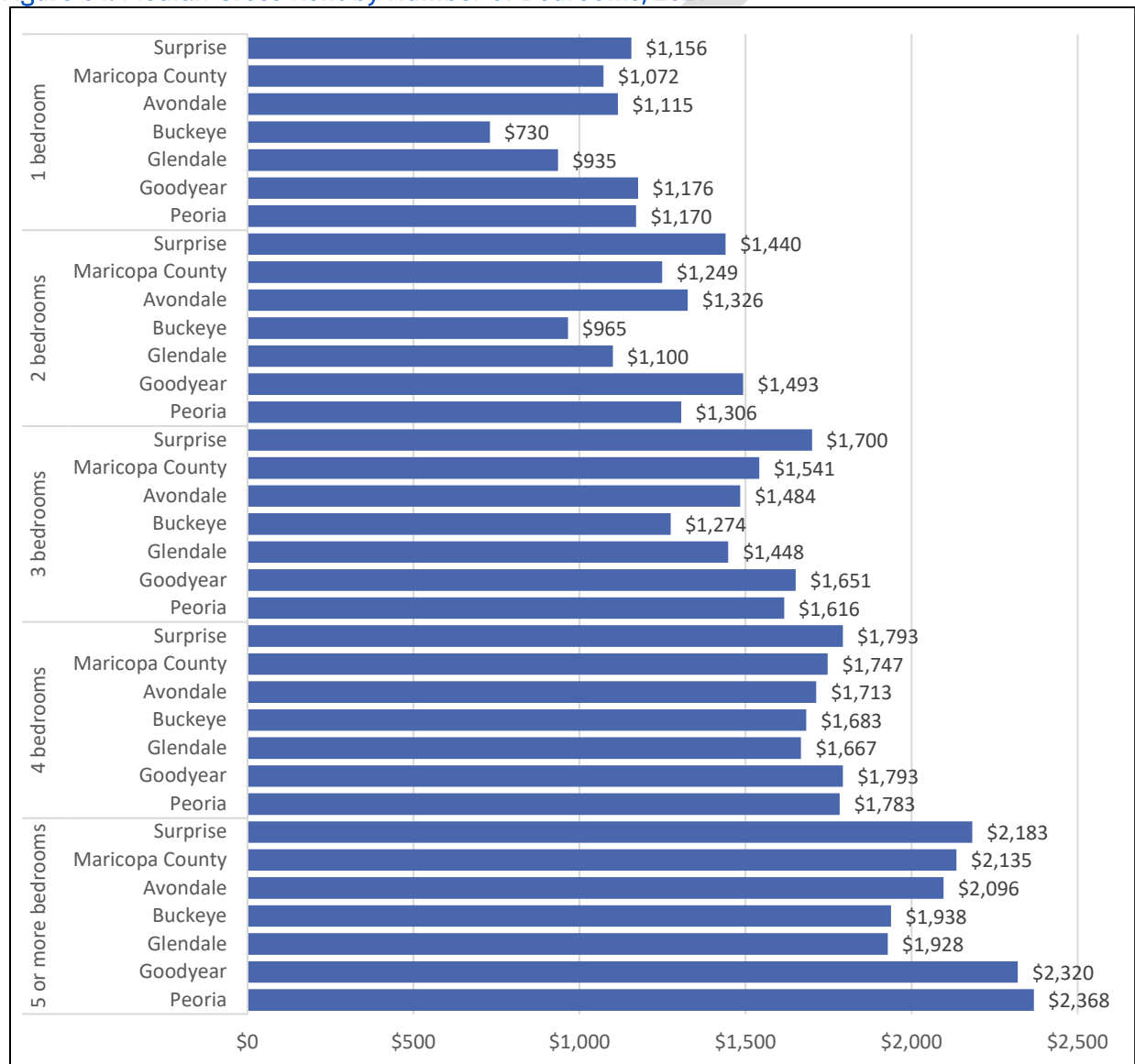
Source: Five-year American Community Survey (2021)



Gross Rent by Number of Bedrooms

How do rents across the region vary by the number of bedrooms in a unit? Figure 64 reveals that gross rent for the median one-bedroom apartment in Surprise is \$1,156. Although Glendale and, especially, Buckeye are significantly cheaper, one-bedroom units in the remaining regions rent out at similar rates. In Surprise, the price gap between a two- and one-bedroom unit is particularly large, at \$284. **Units with at least three bedrooms, which are required by families with multiple children, carry median rents starting at \$1,700.** Units with five or more bedrooms are considerably less expensive in Surprise than in Goodyear and Peoria, possibly because they are in low demand from Surprise's aging population.

Figure 64. Median Gross Rent by Number of Bedrooms, 2021

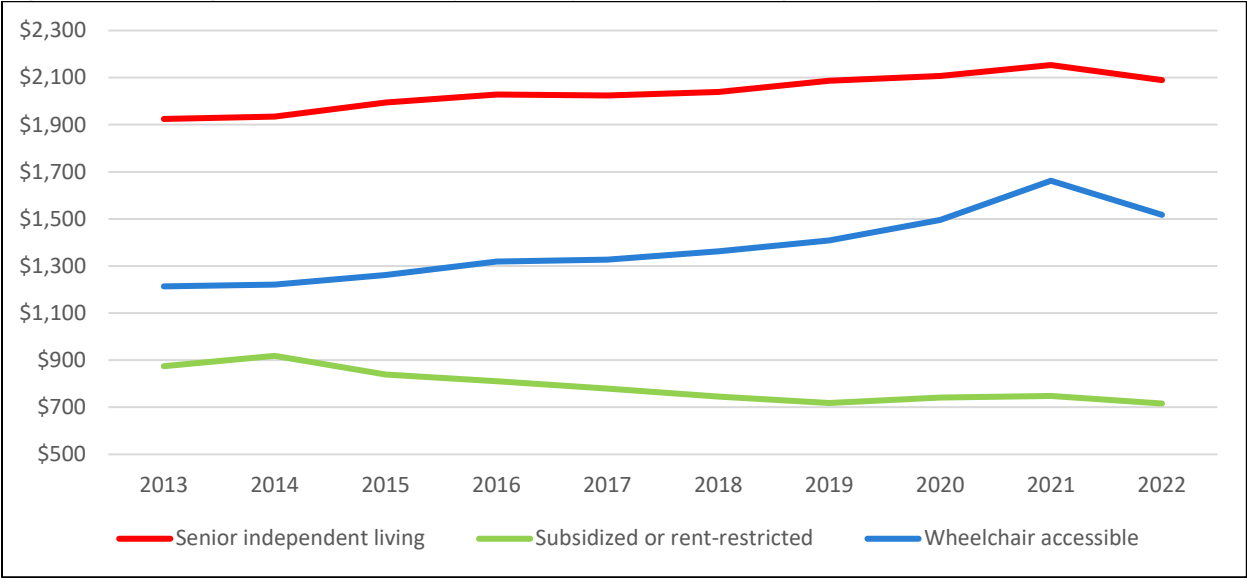


Source: Five-year American Community Survey (2021)

Gross Rent for Special Population Housing

Figure 65 presents average gross rents for apartments designed or intended for three special populations: seniors, low-income residents, and residents with ambulatory disabilities. Since 2013, inflation-adjusted rent for the average senior independent living unit has increased by \$164, reaching \$2,089 in 2022. Senior independent living units are considerably more expensive than other types of rentals, but residents requiring assisted living or memory care can expect to pay upwards of \$4,000 for a private room. Rents for wheelchair-accessible units have risen steadily over time, and they now cost an average of \$1,517 per month. Interestingly, it turns out that tenants of subsidized or rent-restricted apartments pay slightly less today than they did in 2013 once inflation is factored in.

Figure 65. Average Gross Rent for Special Population Housing in Surprise, 2013 to 2022



Source: CoStar; Matrix Design Group, Inc.

Note: Dollar values adjusted for inflation to constant 2022 dollars.

Rental Affordability Trends

A general rule is that rent should account for less than 30% of gross income in order to be considered affordable. Table 4 compares median renter income in both Surprise and the Phoenix Metropolitan Statistical Area (MSA) to median gross rent in Surprise from 2011 to 2021. Despite the \$5,416 increase in median renter household income over the period, rent was most unaffordable in 2021. That year, median gross rent rose to \$1,627, meaning a household would have needed to earn \$65,080 to contain rent to less than 30% of income. In reality, the median Surprise household earned \$61,082. In other words, it became the norm for renters to exceed the recommended affordability threshold. The comparison of median gross rent in Surprise to median renter household income in the Phoenix MSA is arguably more illuminating. It shows that, as of 2021, the median renter household in the Phoenix MSA earned \$50,470—over \$14,000 less than the amount needed to comfortably afford median rent in Surprise.

These findings strongly suggest that low or moderate-income households who may have



preferred to live in Surprise, and undoubtedly make up a substantial share of the city's workforce, have been forced to find rental housing elsewhere.

Table 4. Rental Affordability Trends in Surprise for Renter Households Earning Median Surprise Income and Median Phoenix Metropolitan Statistical Area Income

Year	Median Gross Monthly Rent in Surprise	Household Income Required to Afford Median Gross Rent in Surprise	Actual Median Renter Household Income in Surprise	Actual Median Renter Household Income in Surprise Relative to Required Income	Actual Median Renter Household Income in Phoenix MSA	Actual Median Renter Household Income in Phoenix MSA Relative to Required Income
2011	\$1,460	\$58,399	\$55,666	95%	\$43,091	74%
2016	\$1,354	\$54,159	\$57,866	107%	\$43,592	80%
2021	\$1,627	\$65,079	\$61,082	94%	\$50,470	78%

Source: Five-year American Community Survey (2010-2021)

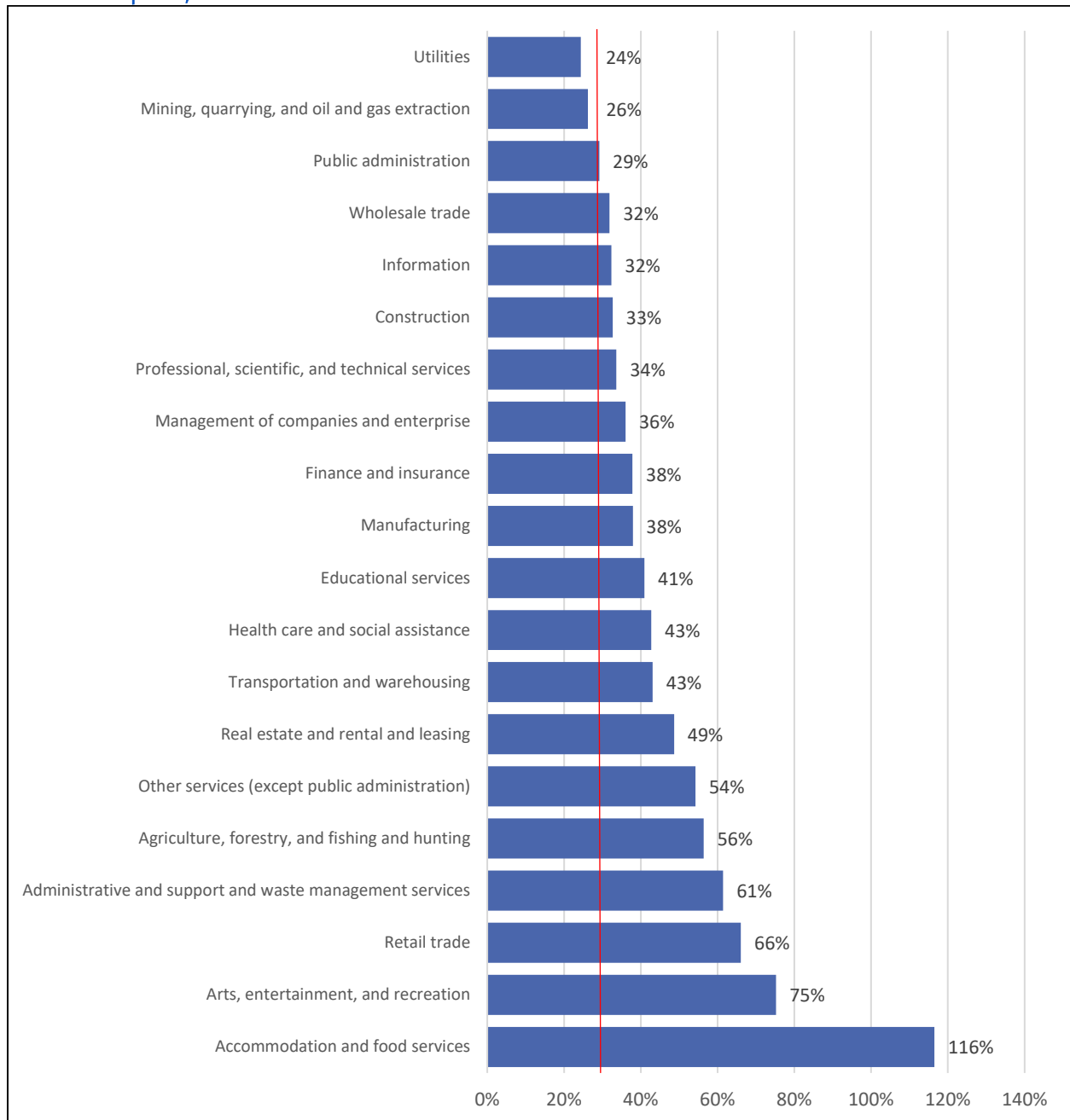
Note: Dollar values adjusted for inflation to constant 2021 dollars.

Rental Affordability by Industry of Employment

The percentage of median earnings accounted for by median gross rent in each industry of employment is presented in Figure 66, where the 30% affordability threshold is indicated by the red line. In all but three industries (utilities; mining, quarrying, and oil and gas extraction; and public administration), median gross rent represents 30% or more of median earnings. **Moreover, these high-paying industries account for the jobs held by just 6% of the city's employed population, meaning that all but a small proportion of the city's residents require a second income in order to contain rent to less than 30% of household income.** In the city's three largest industries (retail trade, health care and social assistance, and educational services), median gross rent accounts for between 41% and 66% of median earnings. **Even more concerning, rental costs exceed median earnings in accommodations and food services.**

"In all but three industries . . . median gross rent represents 30% or more of median earnings."

Figure 66. Percentage of Median Individual Earnings by Industry Accounted for by Median Gross Rent in Surprise, 2021



Source: Five-year American Community Survey (2021)

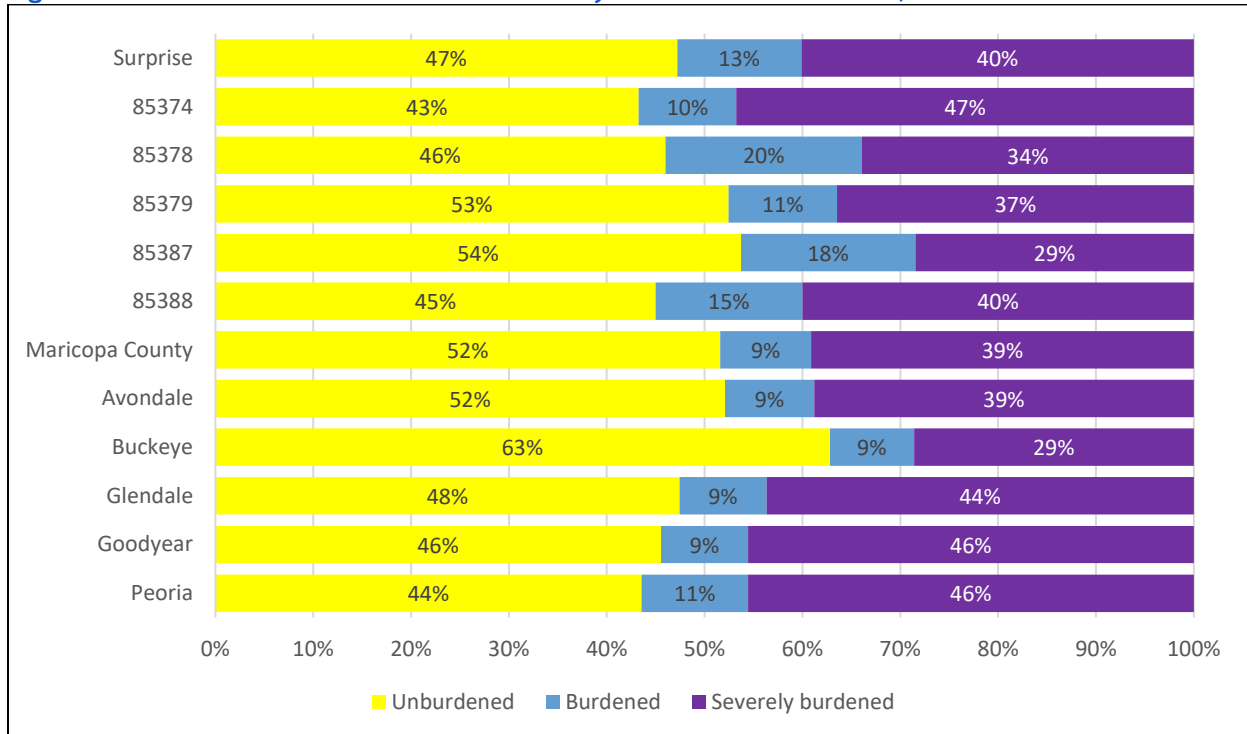
Cost-Burdened Renters

Cost-burdened renter households are widespread in Surprise, as well as in the broader region. As Figure 67 shows, 13% of renter households in Surprise are burdened by housing costs, meaning they spend between 30% and 34.9% of their incomes on rent. Rent accounts for 35% or more of the incomes of



another 40% of renter households, qualifying them as severely cost burdened. **From 2020 to 2021, Surprise renters became, on average, seven percentage points more likely to spend at least 30% of their incomes on rent—a remarkable increase not observed elsewhere in the West Valley (see Figure 68).** Rates of cost-burdened or severely cost-burdened renters are highest in zip codes 85388 and 85374. Renters in Buckeye did not struggle to nearly the same extent as those in the rest of the West Valley to meet their monthly housing costs.

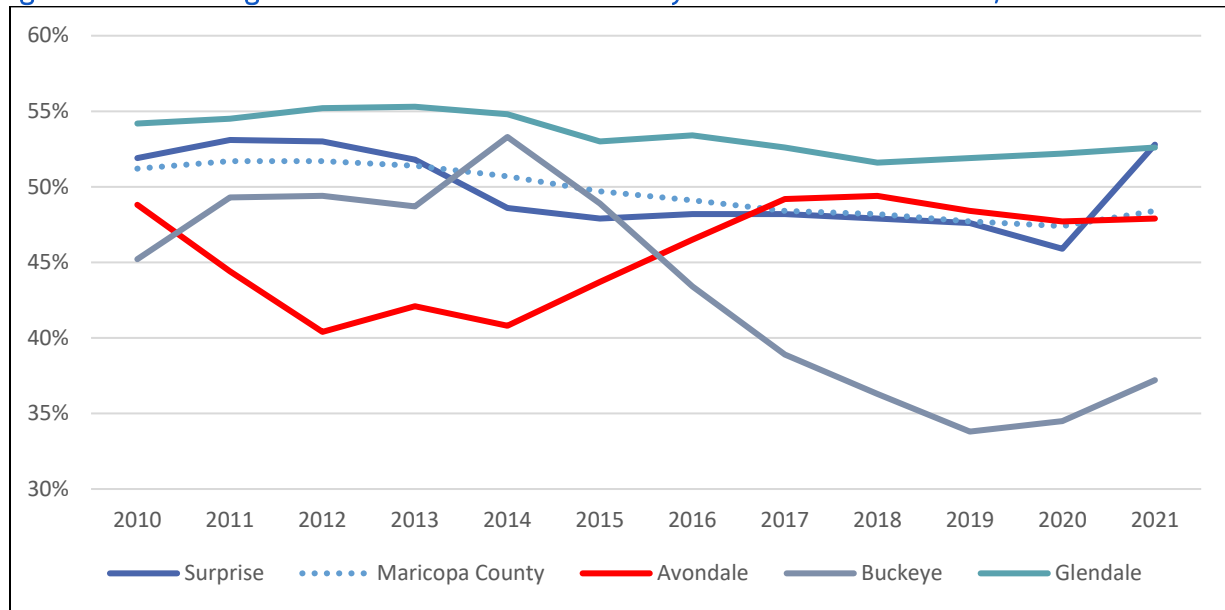
Figure 67. Breakdown of Renter Households by Cost-Burdened Status, 2021



Source: Five-year American Community Survey (2021)

“13% of renter households in Surprise are burdened by housing costs, meaning they spend between 30% and 34.9% of their incomes on rent. Rent accounts for 35% or more of the incomes of another 40% of renter households, qualifying them as severely cost burdened.”

Figure 68. Percentage of Cost-Burdened and Severely Cost-Burdened Renters, 2010 to 2021



Source: Five-year American Community Survey (2010-2021)

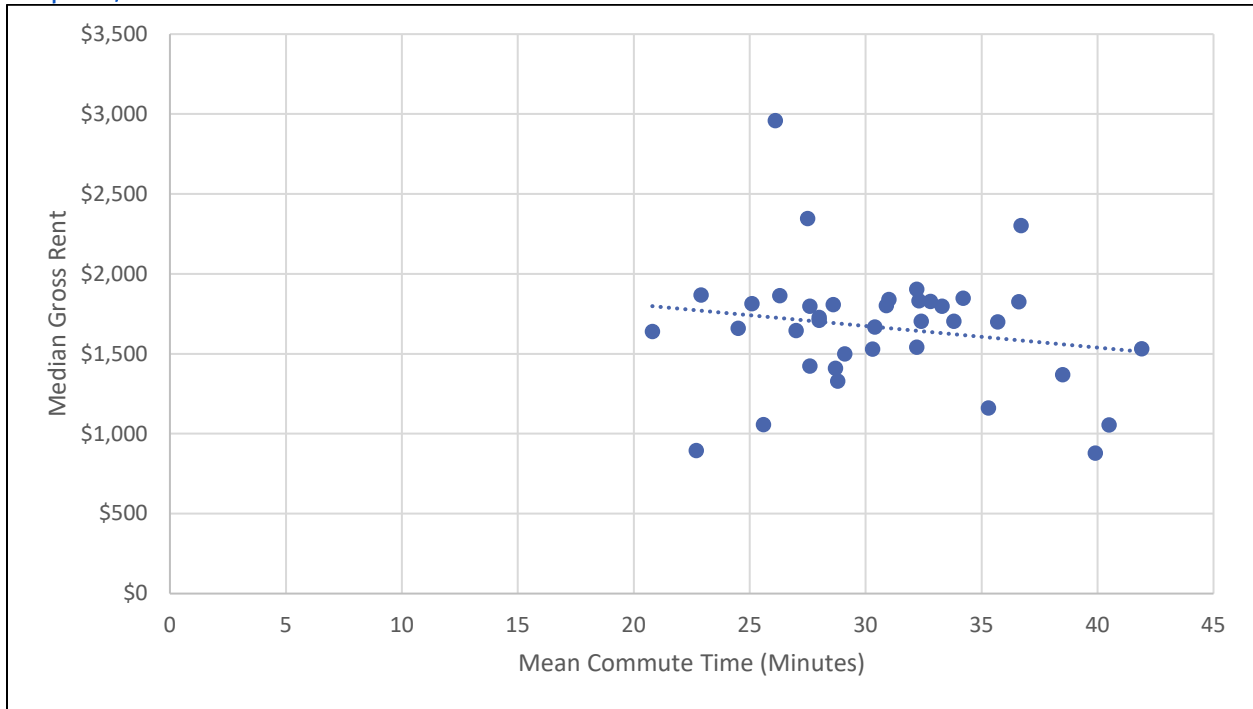
Relationship Between Commute Times and Rents

There is strong reason to believe that neighborhood-level commute times and rents are related. It is not immediately obvious, however, what the nature of that relationship should be. On the one hand, renters may be willing to pay more to live closer to their workplaces. On the other, workplaces tend to be located in a city's busier parts, and residents may place higher value on tranquility than shorter commute times. Figure 69 plots each Census tract's median gross rent against its mean commute time. **The results demonstrate that the two variables share a negative, but weak, relationship, indicating that residents who live in neighborhoods that typically entail longer commutes tend to pay less in rent.** At the very least, then, it is safe to say that renters are generally not willing to compromise on price in order to live farther from areas reserved for commercial or mixed use.

"At the very least, then, it is safe to say that renters are generally not willing to compromise on price in order to live farther from areas reserved for commercial or mixed use."



Figure 69. Relationship Between Mean Commute Time and Median Gross Rent by Census Tract in Surprise, 2021

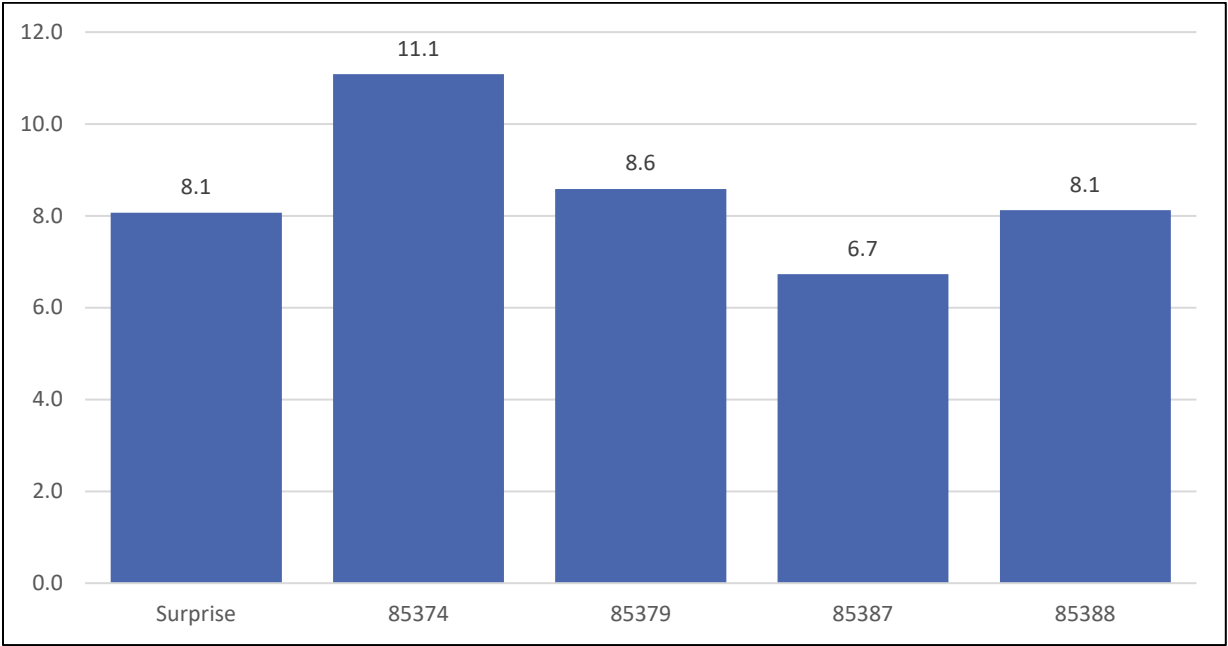


Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

Short-Term Rentals

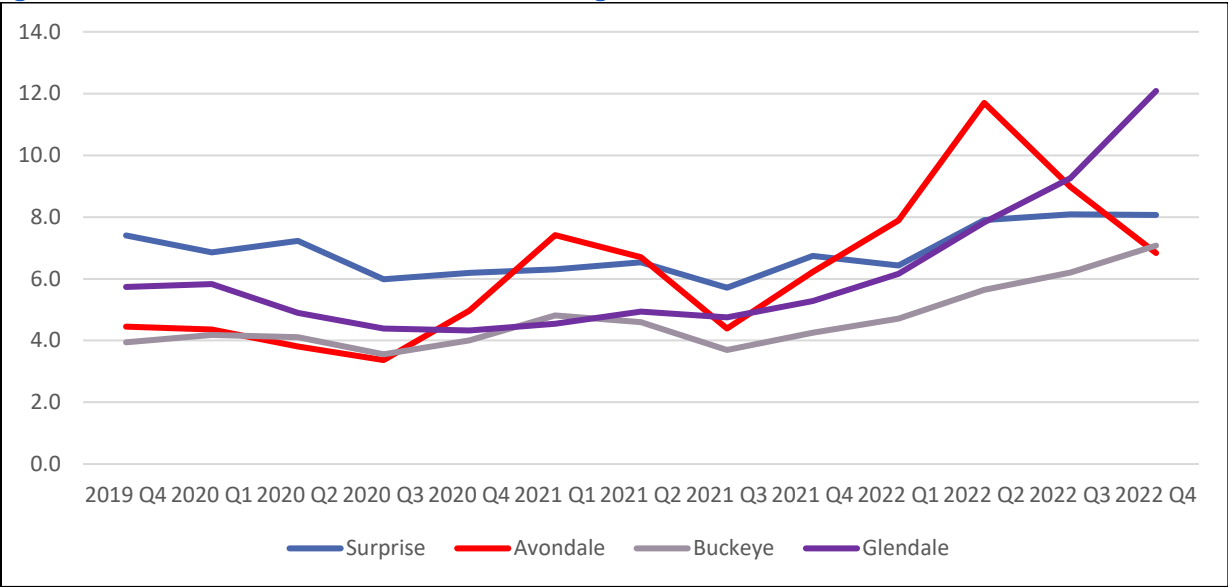
The growing popularity of platforms such as Airbnb and Vrbo has caused Maricopa County's short-term rental market (STR) to explode in recent years, thereby generating significant controversy. Opponents of STRs argue that STR operators have contributed to soaring rents by reducing the supply of long-term rentals available to residents, while proponents contend that the economic benefits of the additional tourism generated by STRs outweighs their costs. Figure 70 presents the number of STRs per 1,000 housing units in Surprise and its major zip codes. **It shows that Surprise has 8.1 STRs per 1,000 homes.** STRs are most common in zip code 85374, where they account for 11.1 of every 1,000 housing units. **As a share of the total housing stock, STRs have not increased to nearly the same degree in Surprise as they have elsewhere in the West Valley (see Figure 71).** For example, the STR market in Glendale more than doubled in size from the fourth quarter of 2021 to the fourth quarter of 2022, when STRs represented 12.1 of every 1,000 housing units in the city.

Figure 70. Short-Term Rentals Per 1,000 Housing Units in Surprise and Its Major Zip Codes, 2022 Q4



Source: AirDNA

Figure 71. Short-Term Rentals Per 1,000 Housing Units, 2019 Q4 to 2022 Q4



Source: AirDNA



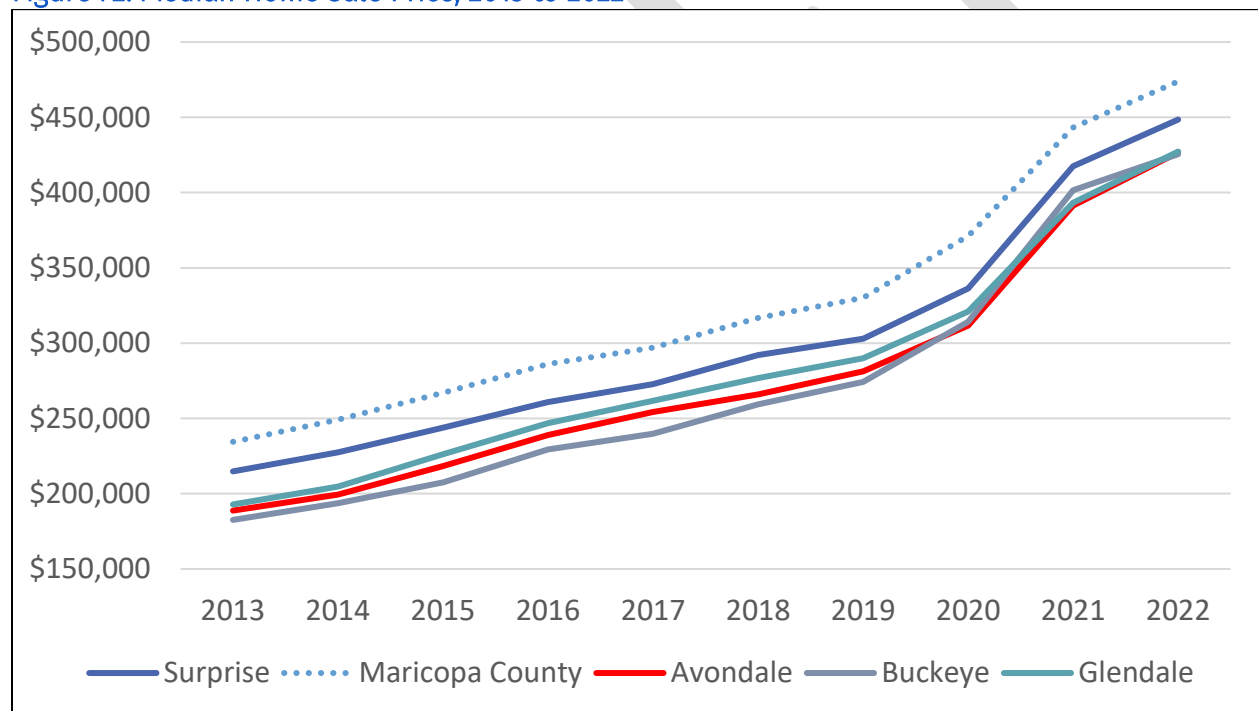
Owner Market Analysis

This section shifts the emphasis to Surprise's owner market. We comprehensively examine sale price trends, home sales and turnover rates, market demand dynamics, home values, owner affordability, and the prevalence of cost-burdened homeowners.

Median Home Sale Price

Home sale price trends across the region are depicted in Figure 72. In 2022, the median home in Surprise sold for \$448,500. **Prices have increased steeply over time even when accounting for inflation.** In 2013, for example, a comparable home sold for \$214,830. The rest of the West Valley and Maricopa County have witnessed similarly drastic price increases, driven by the high rate of migration into the region. However, the median home in Surprise is substantially more expensive than its equivalents in Avondale, Buckeye, and Glendale.

Figure 72. Median Home Sale Price, 2013 to 2022



Source: Redfin; Matrix Design Group, Inc.

Note: Dollar values adjusted for inflation to constant 2022 dollars.

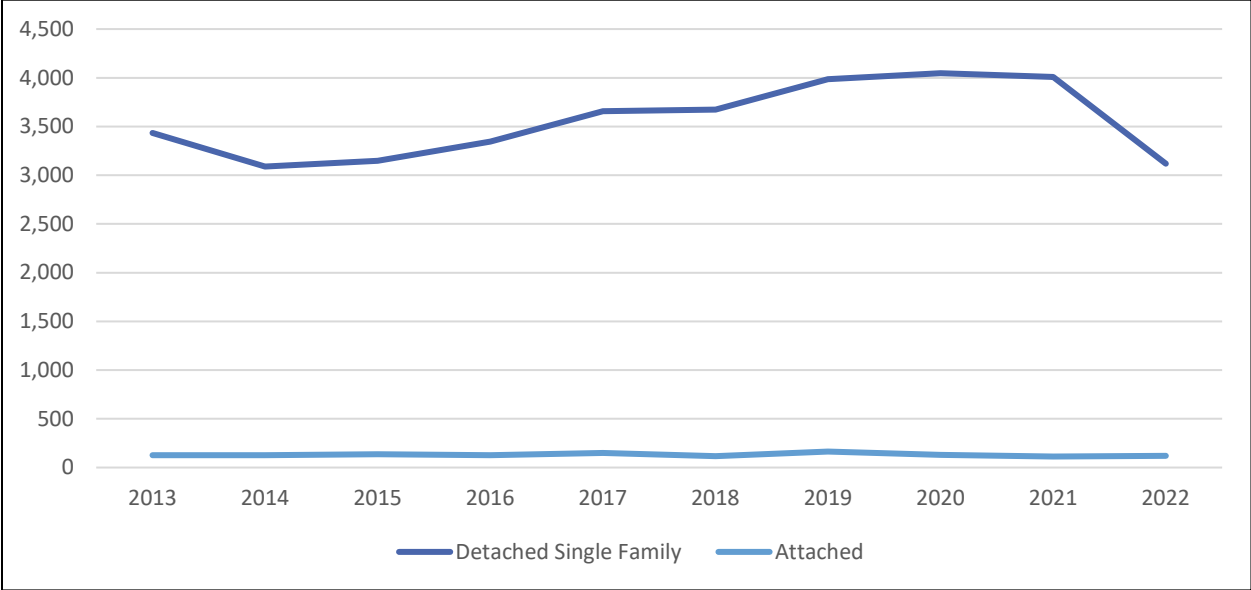
Home Sales and Turnover

Home sales and turnover data appear in Figures 73 and 74. In most years, between 3,000 and 4,000 detached single-family homes sold in Surprise (see Figure 73). **The number of sales steadily rose from 2014 to 2021, before sharply dropping off in 2022.** Consistent with the aforementioned observation



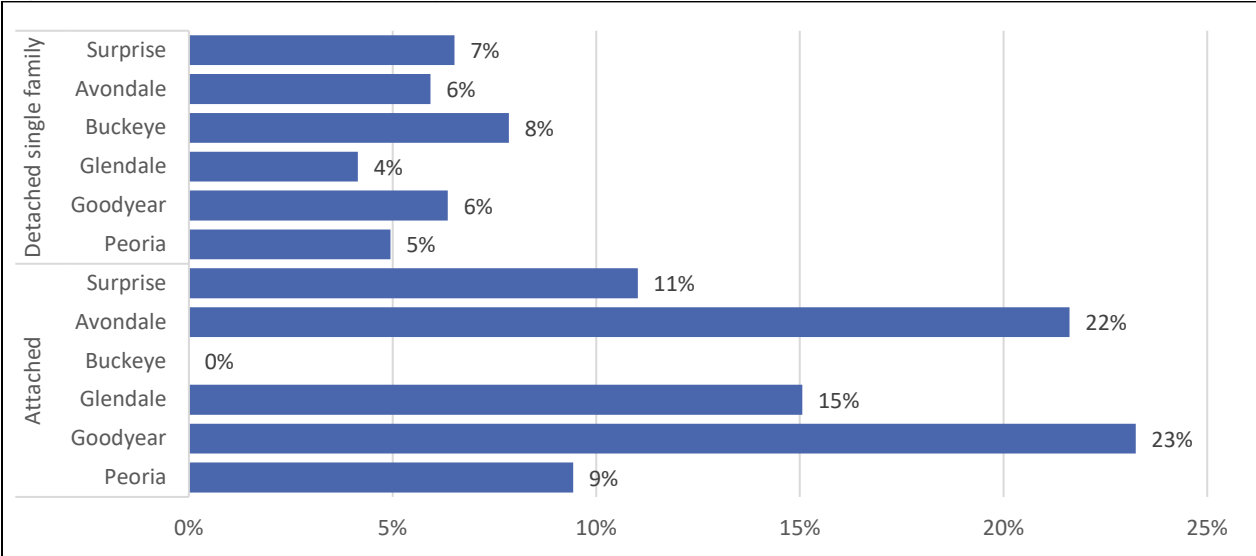
that Surprise’s housing stock lacks structural diversity, dramatically fewer attached homes were sold over the period. Figure 74 presents turnover rates for each unit type in Surprise and five other West Valley cities. Formally defined as the share of the sellable inventory sold in a given time period, the turnover rate indicates how “hot” or “cold” a real estate market is. **In Surprise, about 7% of detached single-family homes turned over in 2022.** Turnover occurred nearly as often in Avondale, Buckeye, and Goodyear. Across the region, turnover was far more likely to occur in attached homes than detached single-family homes. In Surprise, for instance, 11% of the former units had new owners by year’s end.

Figure 73. Home Sales by Unit Type in Surprise, 2013 to 2022



Source: Redfin; Matrix Design Group, Inc.

Figure 74. Turnover Rate by Unit Type, 2022



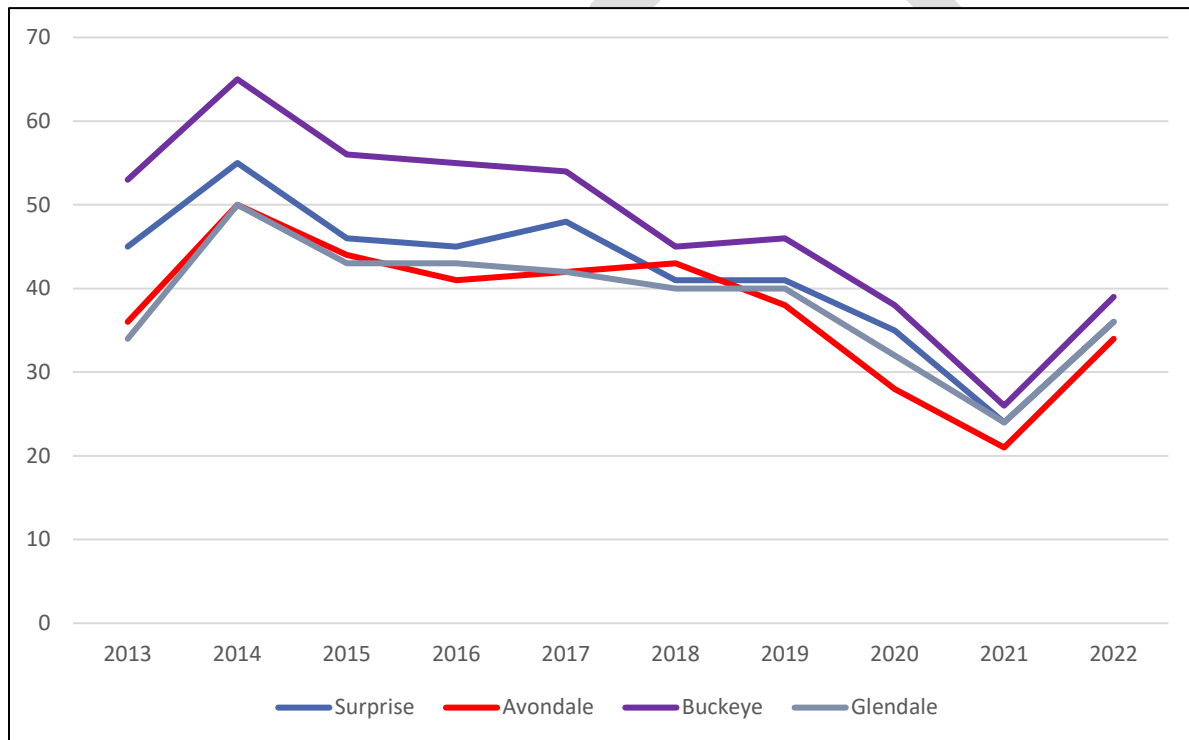
Source: Redfin; Maricopa County Assessor Parcel Data; Matrix Design Group, Inc.



Market Demand

Figures 75 and 76 reveal the extent to which the market has favored buyers or sellers over time. Demand for homes in Surprise reached unprecedented levels, at least in recent memory, amid the COVID-19 pandemic. **In 2021, the median home in Surprise took a record-low 24 days to sell after reaching the market—down from 35 days in 2020.** In the years leading up to the pandemic, it was atypical for a home to take less than six weeks to sell. As evidenced by the 12-day increase in median days on the market from 2021 to 2022, supply and demand have begun to return to historical levels. Data on the percentage of homes sold above list price buttress this view. **In 2021, 56% of Surprise homes ended up selling above the initially advertised price, but by 2022, the same was true of just 37% of sold homes.** Still, this figure is significantly higher than the historical average, which, prior to 2020, ranged from 13% to 20%. Other West Valley markets exhibited similar trends, further suggesting that pandemic-related factors have primarily been responsible for the volatility in Surprise's market.

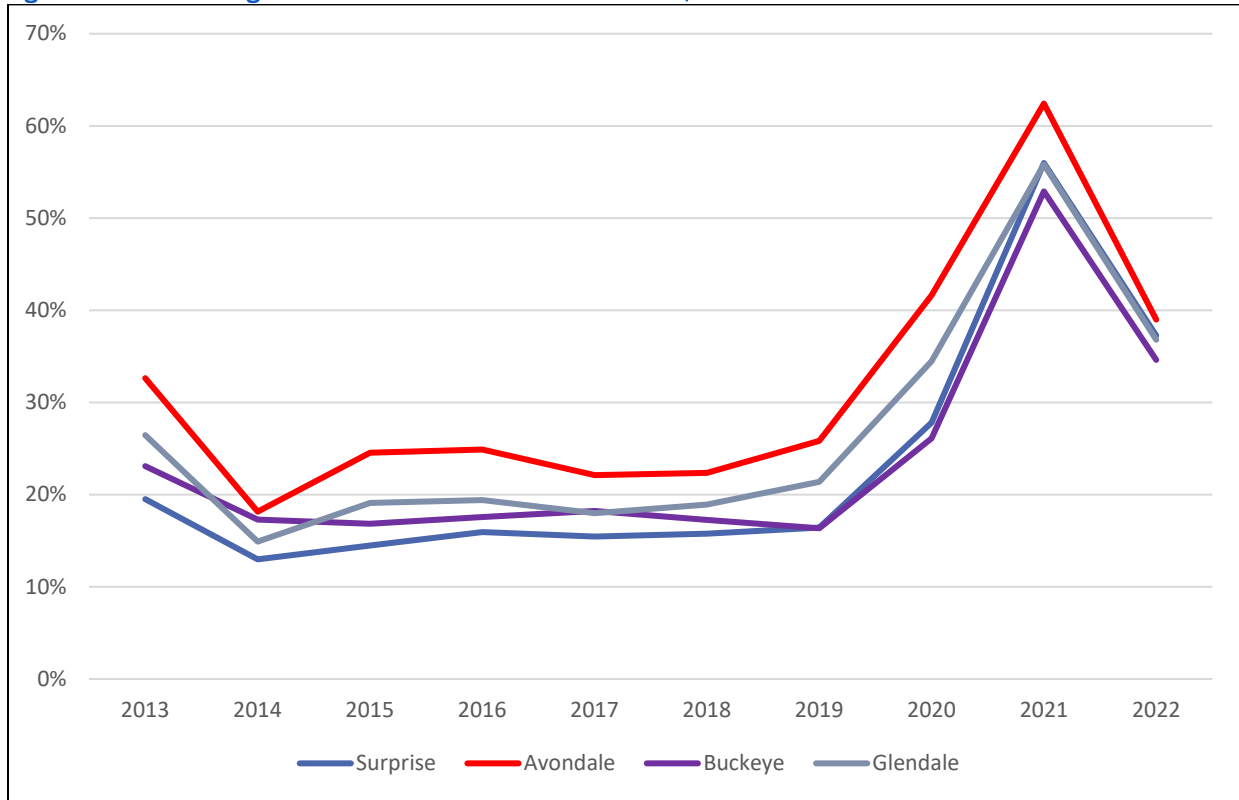
Figure 75. Median Days on the Market, 2013 to 2022



Source: Redfin

“As evidenced by the 12-day increase in median days on the market from 2021 to 2022, supply and demand have begun to return to historical levels.”

Figure 76. Percentage of Homes Sold Above List Price, 2013 to 2022



Source: Redfin

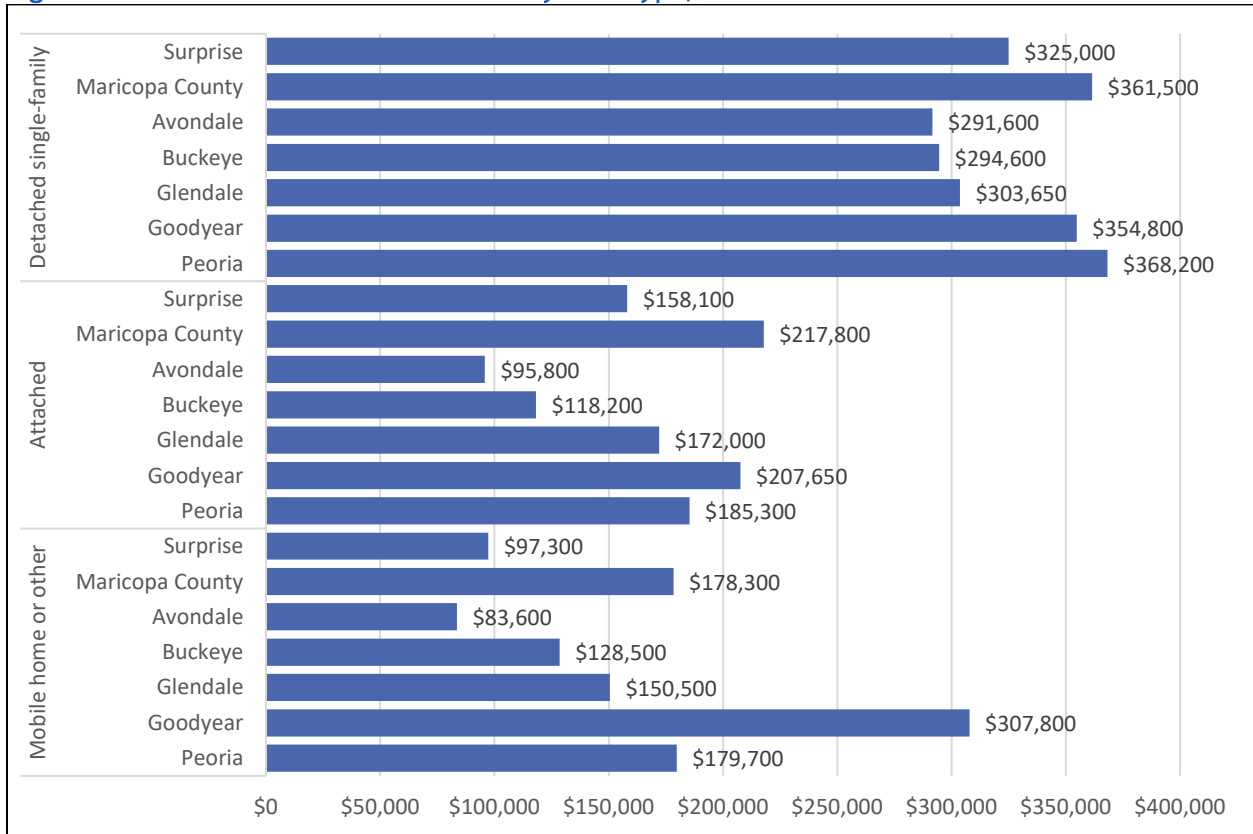
Home Values

Home value data for each community's entire assessed inventory appear in Figure 77. **The 2023 full cash value of the median Surprise detached single-family home, which approximates its market value, is \$325,000.** Across the five major zip codes, estimated median values for such homes range from \$262,800 to \$347,000 (see Figure 78). The typical detached single-family home in Surprise is worth between \$21,350 and \$33,400 more than its equivalents in Avondale, Buckeye, and Glendale. Homeowners in Peoria, Goodyear, and the rest of Maricopa County can generally expect to receive more substantially for their homes than those in Surprise. As expected, other forms of owner units, including townhomes, condos, and mobile homes, tend to be far less expensive than traditional detached single-family homes. In Surprise, for example, the median attached home is valued at about half the price of its detached counterpart.

"The typical detached single-family home in Surprise is worth between \$21,350 and \$33,400 more than its equivalents in Avondale, Buckeye, and Glendale."

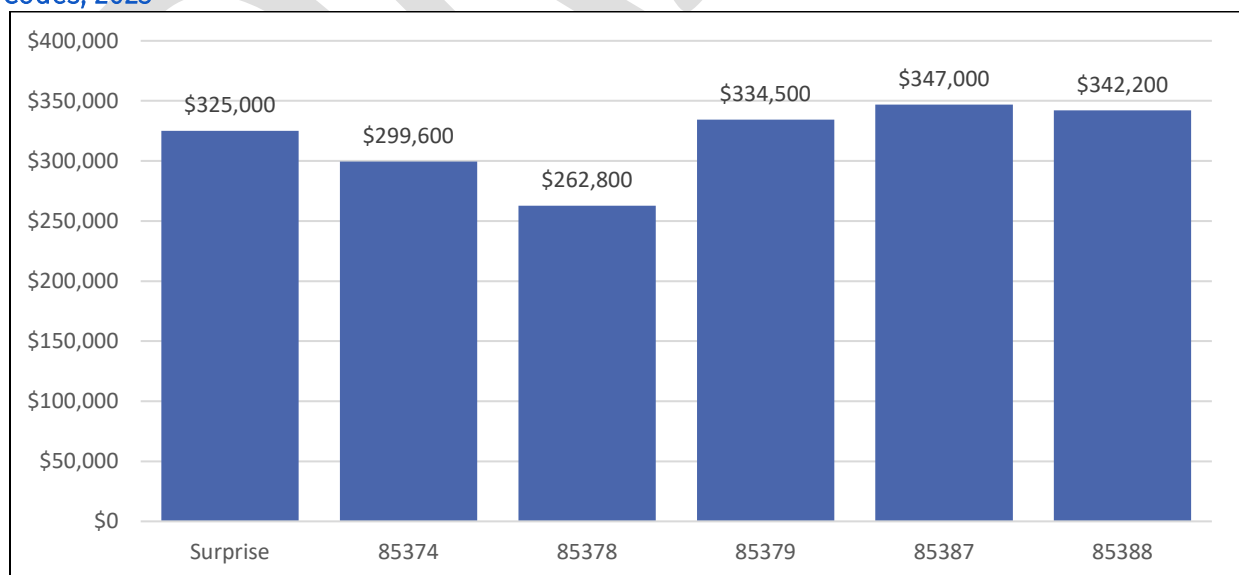


Figure 77. Median Full Cash Home Value by Unit Type, 2023



Source: Maricopa County Assessor Parcel Data

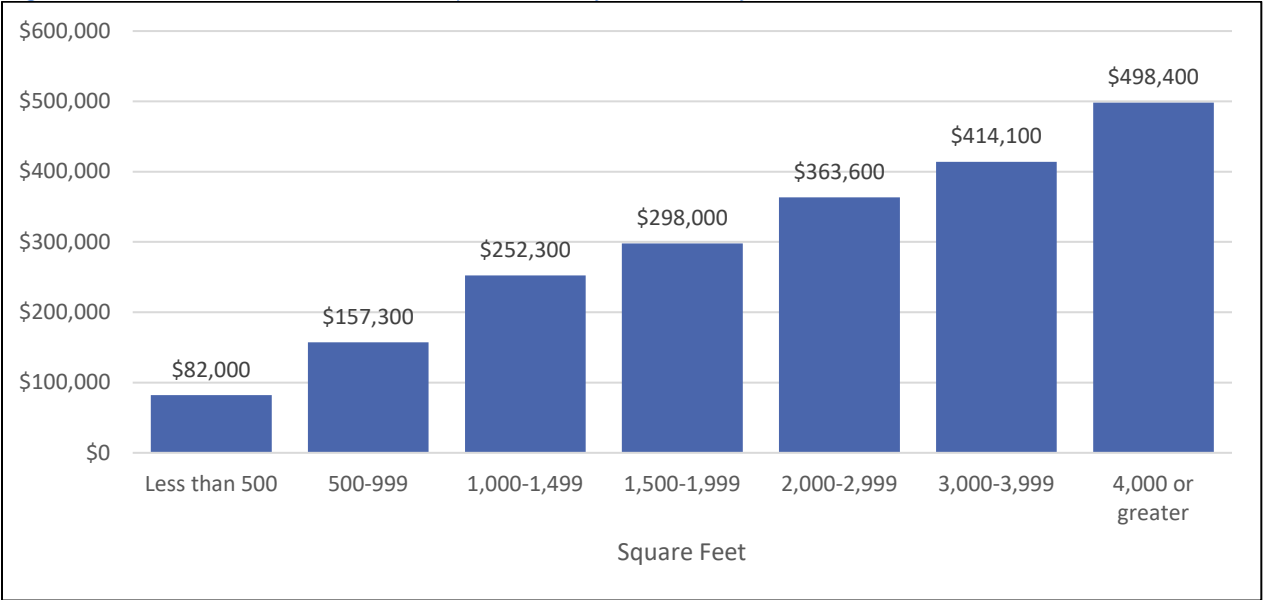
Figure 78. Median Detached Single-Family Home Full Cash Value in Surprise and Its Major Zip Codes, 2023



Source: Maricopa County Assessor Parcel Data

The relationship between home size and full cash value is depicted in Figure 79. The median home with between 500 and 999 square feet of livable space, which includes bathrooms, living rooms, bedrooms, and similar rooms but not basements or attics, has an estimated value of \$157,300. An increase in livable space to between 1,000 and 1,499 square feet raises the typical home's value by \$95,000. After that point, subsequent increases in floor area generally yield smaller increases in value. **The median home with a livable floor area ranging from 3,000 to 3,999 square feet, which will usually have at least four bedrooms, has a median assessed value of \$414,100.**

Figure 79. Median Full Cash Value by Livable Space in Surprise, 2023



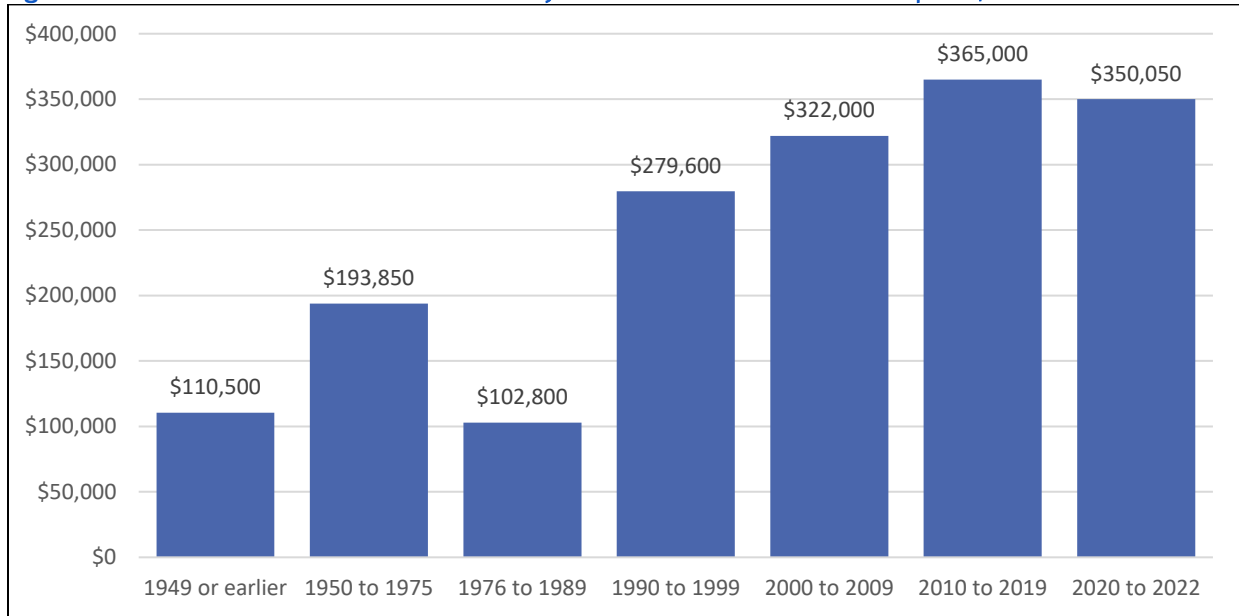
Source: Maricopa County Assessor Parcel Data

Figure 80 presents median home values by year of construction in Surprise. **In general, homes built before the beginning of Surprise's period of sustained, rapid population growth are worth significantly less than newer homes.** The median home built between 1976 and 1989 is valued at just \$102,800, compared to \$279,600 for one built between 1990 and 1999. Homes constructed since the turn of the century would generally sell for over \$300,000. The median unit constructed between 2020 and 2022 is worth about \$15,000 less than one constructed in the prior decade, suggesting, contrary to the home sale price data presented previously, that Surprise may be on a path to becoming more affordable for moderate-income households. Of the approximately 5,000 units added to Surprise's inventory in 2022 alone, over 1,500 are valued at less than \$250,000.

"Of the approximately 5,000 units added to Surprise's inventory in 2022 alone, over 1,500 are valued at less than \$250,000."



Figure 80. Median Full Cash Home Value by Year of Construction in Surprise, 2023



Source: Maricopa County Assessor Parcel Data

Owner Affordability Trends

How affordable is Surprise for new or prospective home buyers living not just in Surprise, but in the broader Phoenix MSA? **As Table 5 shows, the typical monthly mortgage payment for someone who purchased a home in 2021 is \$1,500.** To contain these costs to less than 30% of household income, a family needs to earn at least \$59,999. In 2021, the median family living in Surprise earned over \$24,000 more than this threshold. While median family income in the broader Phoenix metro area was lower, it was more than sufficient to cover the typical mortgage payment.

At first glance, these findings seem encouraging, but they are subject to multiple limitations. First, they are conditional on two assumptions: a 3.5% mortgage rate and 20% down payment, which is equivalent to \$83,520. A 3.5% mortgage rate is a reasonable estimate for a home purchased in 2021, but since then, rates have climbed to over 6%, which is more in line with the historical average, as part of an effort by the Federal Reserve to reduce inflationary pressures. Similarly, an \$83,520 down payment is unrealistic for many families, particularly those seeking to become first-time homebuyers, who also tend to have lower household incomes. Second, there are additional costs associated with homeownership beyond the mortgage payment, including property taxes, insurance, and HOA fees.

“As Table 5 shows, the typical monthly mortgage payment for someone who purchased a home in 2021 is \$1,500. To contain these costs to less than 30% of household income, a family needs to earn at least \$59,999.”

Table 5. Affordability of the Median Surprise Home Purchased in 2021

Variable	Value
Mortgage Rate	3.5%
Median Sale Price (2021)	\$417,600
Loan-to-Value	80%
Monthly Mortgage Payment (30-year term)	\$1,500
Required Annual Income to Afford Surprise Median Home Sale Price	\$59,999
Median Family Income - Phoenix Metro Area	\$79,000
Affordability for Median Family Earning Phoenix Metro Area MFI	132%
Median Family Income – Surprise	\$84,420
Affordability for Median Family Earning Surprise MFI	141%

Source: Department of Housing and Urban Development; Five-Year American Community Survey (2021); Redfin; Matrix Design Group, Inc.

How affordable are housing costs for existing Surprise homeowners, regardless of when they purchased their homes? Table 6 offers initial insight into this question, showing that the median owner household with a mortgage earns \$92,511, over \$30,000 more than the amount required to contain median monthly ownership costs of \$1,529 to less than 30% of income. **Buoyed by recent sharp rises in income, mortgagor households were in a stronger position in 2021 than in 2016 or 2011.** Although these findings are encouraging, it is important to recognize that, in addition to having a significantly lower income than the median Surprise homeowner, the typical family in the Phoenix MSA seeking to buy a house in Surprise today will usually face significantly higher ownership costs due to increased sale prices and interest rates. For owner households without mortgages, who have a median income of \$63,798, affording property taxes, insurance, HOA fees, and other expenses is rarely a challenge (see Table 7).

“Although these findings are encouraging, it is important to recognize that, in addition to having a significantly lower income than the median Surprise homeowner, the typical family in the Phoenix MSA seeking to buy a house in Surprise today will usually face significantly higher ownership costs due to increased sale prices and interest rates.”



Table 6. Ownership Cost Affordability for Median Mortgagor Household in Surprise, 2011 to 2021

Year	Ownership Costs for Median Mortgagor Household in Surprise	Household Income Required to Afford Median Surprise Mortgagor Household	Actual Median Mortgagor Household Income in Surprise	Actual Median Mortgagor Household Income in Surprise Relative to Required Income
2011	\$1,819	\$72,752	\$81,782	112%
2016	\$1,615	\$64,616	\$89,649	139%
2021	\$1,529	\$61,159	\$92,511	151%

Source: Five-year American Community Survey (2011, 2016, and 2021); Matrix Design Group, Inc.

Table 7. Ownership Cost Affordability for Median Non-Mortgagor Household in Surprise, 2011 to 2021

Year	Ownership Costs for Median Non-Mortgagor Household in Surprise	Household Income Required to Afford Median Surprise Non-Mortgagor Household	Actual Median Non-Mortgagor Household Income in Surprise	Actual Median Non-Mortgagor Household Income in Surprise Relative to Required Income
2011	\$449	\$17,973	\$54,688	304%
2016	\$494	\$19,755	\$59,585	302%
2021	\$448	\$17,919	\$63,798	356%

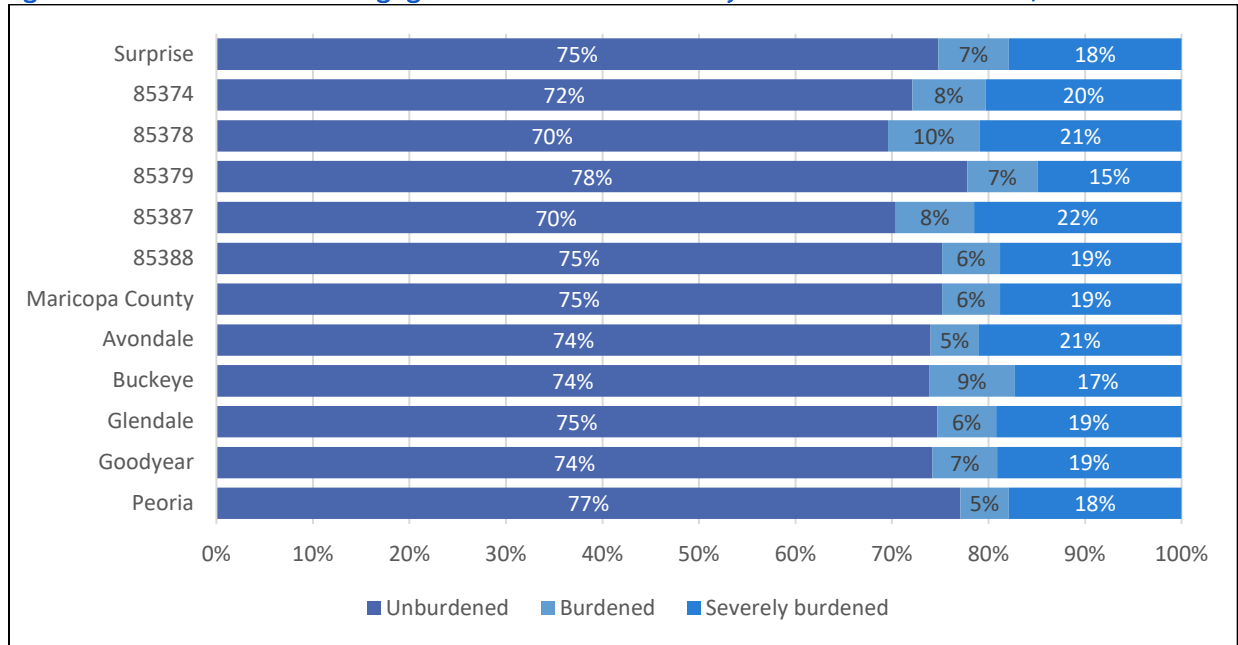
Source: Five-year American Community Survey (2011, 2016, and 2021); Matrix Design Group, Inc.

Cost-Burdened Homeowners

Figures 81 and 82 reinforce the notion that Surprise homeowners are generally secure in their homes. **25% of mortgagor households are considered cost burdened or severely cost burdened.** This rate is in line with the regional average. In certain pockets of Surprise, though, a higher share of households struggle to meet ownership costs. Specifically, in zip codes 85378 and 85387, 30% and 31% of

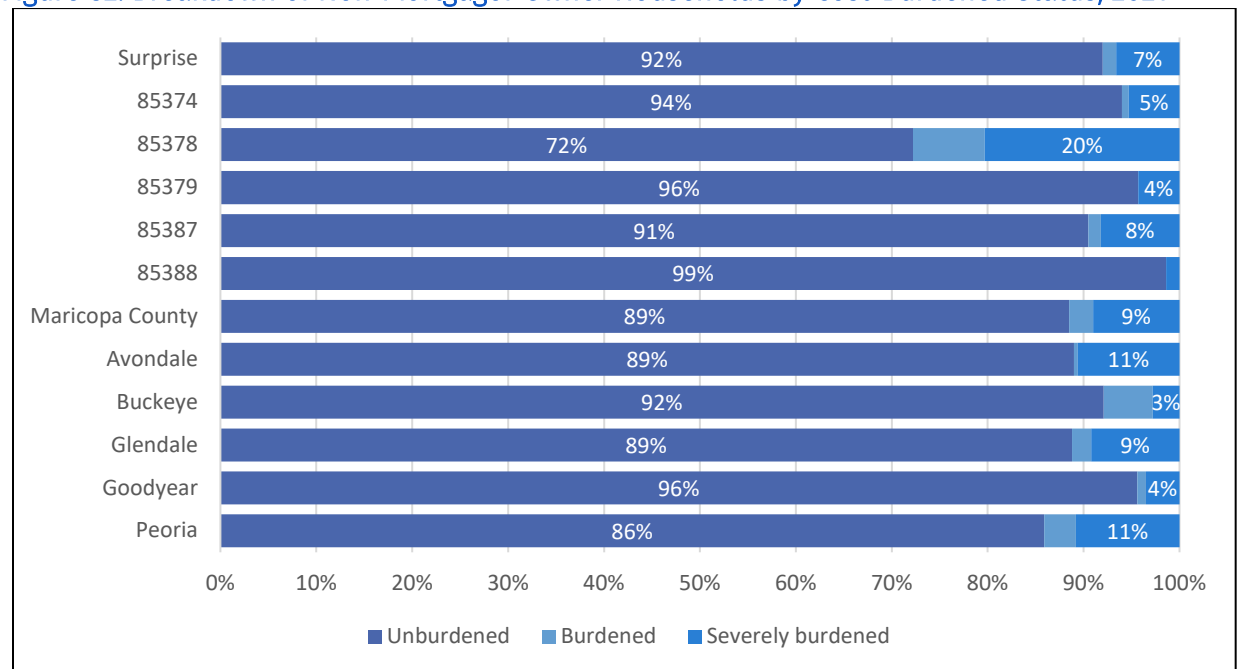
households, respectively, spend more than the recommended amount on housing. For owner households without mortgages, it is highly abnormal for housing costs to account for 30% or more of income. Just 8% of these households in Surprise qualify as burdened or severely burdened.

Figure 81. Breakdown of Mortgagor Owner Households by Cost-Burdened Status, 2021



Source: Five-year American Community Survey (2021)

Figure 82. Breakdown of Non-Mortgagor Owner Households by Cost-Burdened Status, 2021



Source: Five-year American Community Survey (2021)



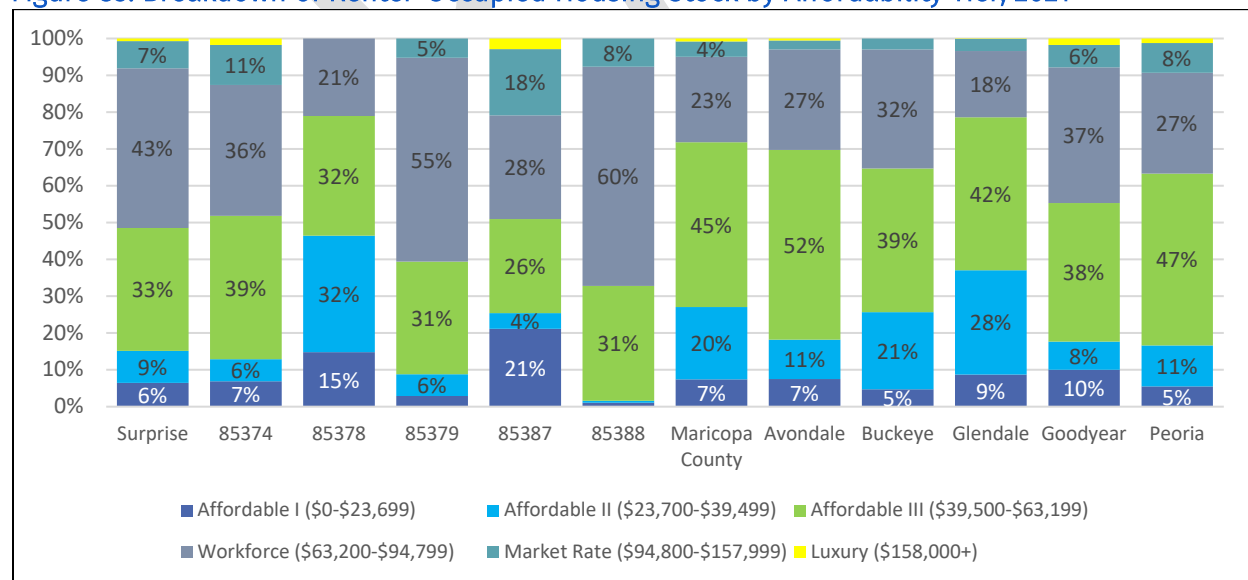
Housing Needs Assessment

The analyses presented in this section primarily measure the magnitude of Surprise's housing gaps. The rental and owner market gap analyses illustrate the extent of Surprise's deficits and surpluses at various price points. Employing a similar approach, we then focus specifically on the needs of senior-led households. Finally, we examine whether and to what extent homes with different numbers of bedrooms are in oversupply or undersupply.

Rental Housing Gap Analysis

Figure 83 categorizes Surprise's renter-occupied units based on their affordability for households earning different levels of area median income (AMI). In order to be sorted into an affordability tier, a unit must not force a household in the corresponding income range to spend 30% or more of its income on rent. **Units in the three "affordable" tiers, which do not burden households earning \$63,199 or less, account for 48% of Surprise's rental inventory. But of the 5,983 affordable rental units, only 1,869 are suitable for households earning below \$39,500.** These low-income households tend to be led by seniors dependent upon Social Security or individuals working in retail trade, accommodation and food services, and similar industries. **Significantly, Surprise has a lower percentage of units in the "affordable" tiers than Avondale, Buckeye, Glendale, Goodyear, Peoria, and Maricopa County as a whole.** A plurality (43%) of Surprise's rental units are considered workforce housing, meaning a household needs to earn at least \$63,200 to afford rent. Market rate and luxury rental units are rare across the city, representing just 8% of the occupied stock. For those in search of a higher-end unit, zip codes 85374 and 85388 offer the most options.

Figure 83. Breakdown of Renter-Occupied Housing Stock by Affordability Tier, 2021



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Dollar values represent income range needed to afford housing at each tier.



Table 8 compares the unit supply to the level of consumer demand at each affordability tier in Surprise. The estimated difference between supply and demand is referred to as the housing gap. A red value enclosed in parentheses indicates a housing deficit, while a black value denotes a housing surplus. In part because price is only one consideration on prospective homebuyers’ minds, it is unrealistic for supply and demand to be in perfect equilibrium at each price point. Still, the results can be a valuable asset to local leaders and stakeholders as they plan future developments. **The results indicate that Surprise has sizeable deficits of homes at the two lower “affordable” levels.** In total, Surprise has a shortage of 1,432 rental homes at appropriate price points for households earning less than 50% of AMI, or \$39,500. While luxury and market rate rentals are, too, in short supply, higher-income renters do not struggle to locate adequate housing. **As such, the city should place more emphasis on closing the housing gap that exists at the lower end of the price spectrum.** This is not to say, however, that the deficits of market rate and luxury rentals have no ramifications. Indeed, when more expensive rentals are in short supply, high-income residents resort to renting out units that could otherwise be occupied by low-to-moderate income households. The gap analysis also reveals that sizeable surpluses exist at the highest affordable and workforce tiers, suggesting that low-income households are commonly forced to stretch their budgets in order to rent in Surprise.

Table 8. Supply-Demand Gap by Affordability Tier in Surprise’s Rental Market, 2021

Affordability Tier	Renter Demand	Unit Supply	Gap
Affordable I (\$0-\$23,699)	1,592	793	(799)
Affordable (\$23,700-\$39,499)	1,709	1,076	(633)
Affordable (\$39,500-\$63,199)	2,932	4,114	1182
Workforce (\$63,200-\$94,799)	3,204	5,339	2,135
Market Rate (\$94,800-\$157,999)	2,089	908	(1,181)
Luxury (\$158,000+)	792	88	(704)

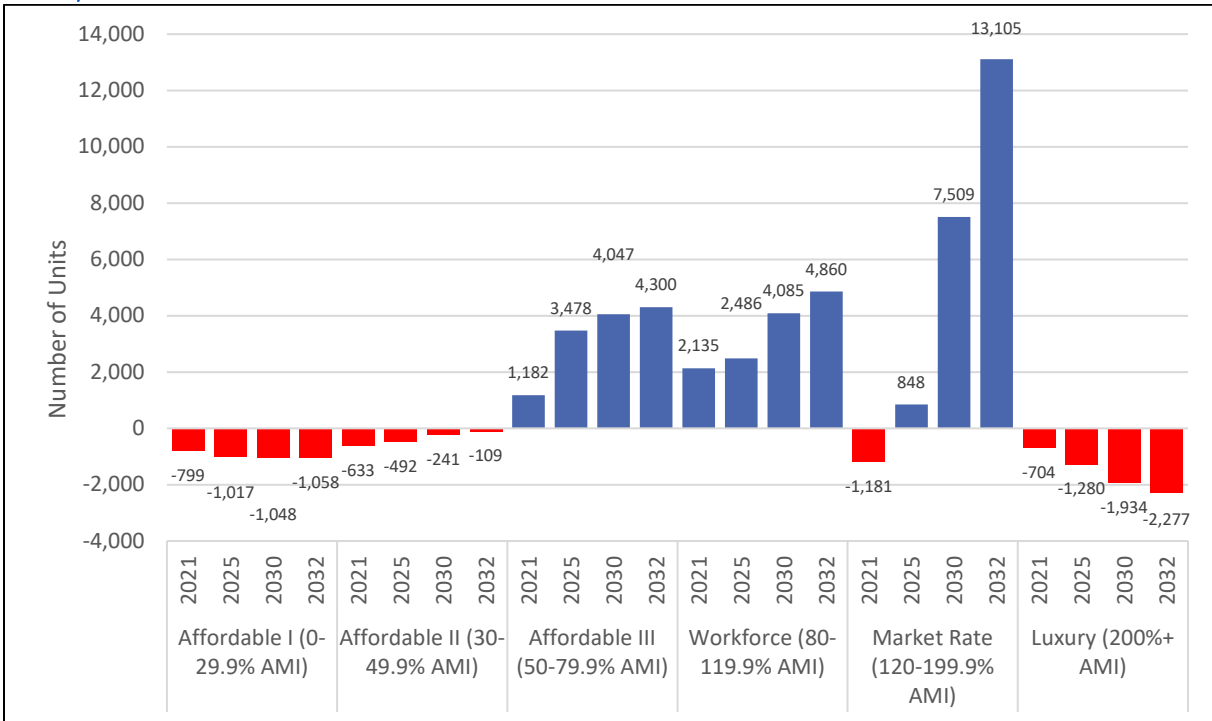
Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Dollar values represent income range needed to afford housing at each tier.

Are existing shortages expected to exacerbate or improve over time? Figure 84 plots the actual or projected housing gap at each affordability tier from 2021 to 2032. A surplus of market rate homes is expected to emerge by 2025, and it will only continue to grow in subsequent years. **In the event no action is taken, Surprise is projected to have a surplus of over 13,000 market rate rentals in 2032.** Similarly, the city will continue to have an excess of rentals suitable for households with incomes between 50% and 119.9% of AMI. While it is encouraging that the shortage of homes in the second “affordable” tier will all but close, the deficits at the extreme ends of the price spectrum are anticipated to reach unmanageable levels. **In as soon as 2025, over 1,000 households with incomes below 30% of AMI will be cost burdened.**



Figure 84. Actual and Projected Supply-Demand Gap by Affordability Tier in Surprise's Rental Market, 2021 to 2032



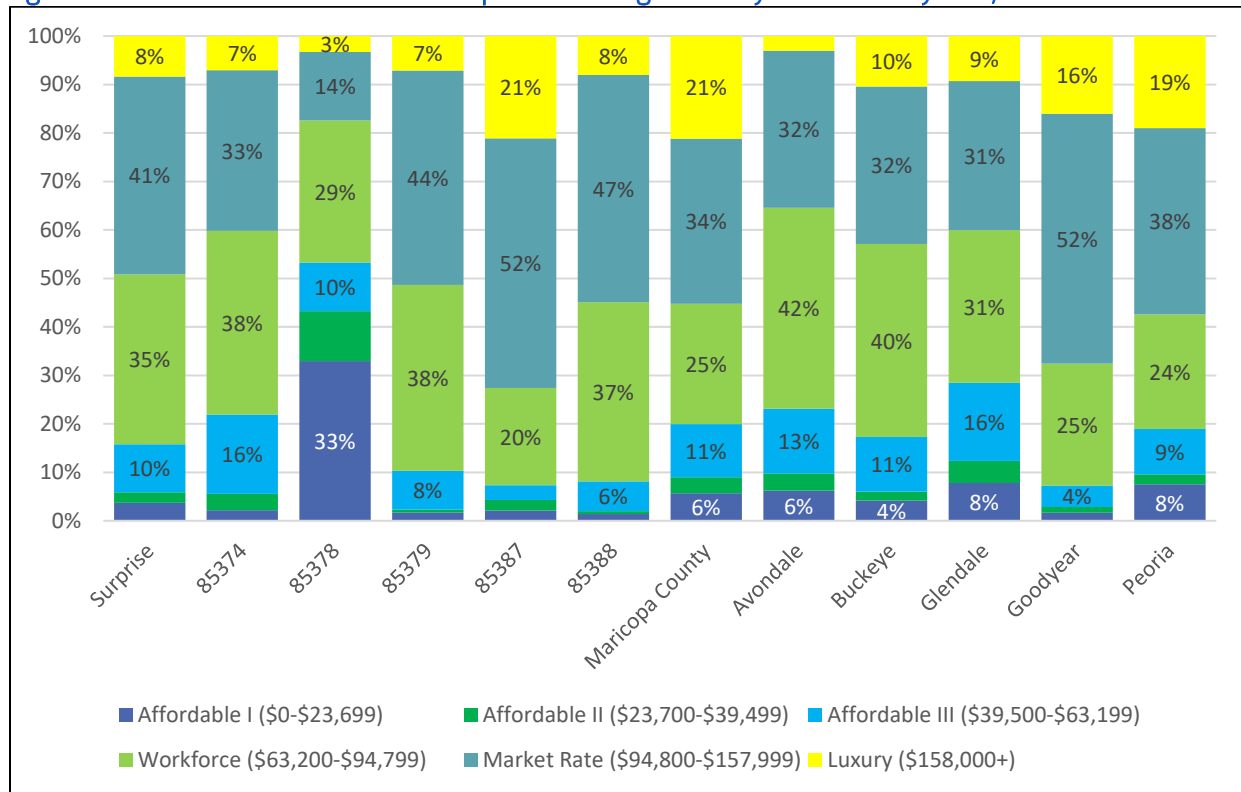
Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Area median income was \$79,000 in 2021.

Owner Housing Gap Analysis

Figure 85 sorts Surprise's owner-occupied homes into the various affordability tiers. In order to replicate the rental market gap analysis as closely as possible, estimated home values, rather than monthly ownership costs, were used as the basis for the analysis. The widely accepted rule that a home's value should not exceed three times annual gross household income informed the categorization of owner-occupied homes into the six tiers. The results reveal that Surprise's owner inventory is significantly more upper class-oriented than its rental inventory. **Only 16% of homes are affordable to households earning less than \$63,200, or 80% of AMI.** In this regard, Surprise is not too dissimilar from most of the West Valley and Maricopa County. Outlier communities include Glendale and Avondale, where over 20% of homes are affordable to households earning substantially less than AMI. **Surprise's owner inventory is concentrated in the workforce and market rate ranges, with 76% of owner-occupied homes being priced appropriately for households with incomes between \$63,200 and \$157,999.** In comparison to Maricopa County, Goodyear, and Peoria, Surprise has few luxury homes, defined as those that are affordable only to those households earning at least \$158,000, which is equivalent to 200% of AMI.

Figure 85. Breakdown of Owner-Occupied Housing Stock by Affordability Tier, 2021



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Dollar values represent income range needed to afford housing at each tier.

The supply-demand gap analysis suggests that the income composition of Surprise’s households and the price breakdown of its owner-occupied homes are severely mismatched. **Surprise has a nearly 10,000-unit surplus of workforce and market rate homes, leaving little room in the inventory for affordable and luxury homes alike. In total, there exists a deficit of 7,483 homes in the three “affordable” tiers.** This finding suggests that a significant share of homeowners with incomes below \$63,200, or 80% of AMI, are either cost burdened or would be unable to afford their homes were they to purchase them today. The luxury home shortage is significantly smaller, at 2,350 units.

“The supply-demand gap analysis suggests that the income composition of Surprise’s households and the price breakdown of its owner-occupied homes are severely mismatched.”



Table 9. Supply-Demand Gap by Affordability Tier in Surprise's Owner Market, 2021

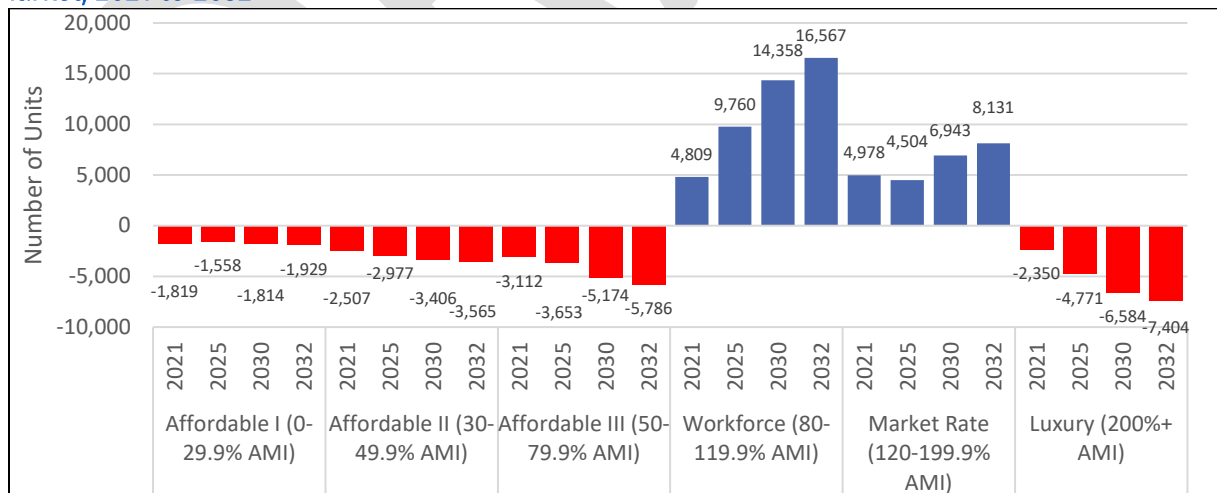
Affordability Tier	Owner Demand	Unit Supply	Gap
Affordable I (\$0-\$23,699)	3,287	1,468	(1,819)
Affordable (\$23,700-\$39,499)	3,374	867	(2,507)
Affordable (\$39,500-\$63,199)	7,085	3,973	(3,112)
Workforce (\$63,200-\$94,799)	9,169	13,978	4,809
Market Rate (\$94,800-\$157,999)	11,294	16,272	4,978
Luxury (\$158,000+)	5,678	3,328	(2,350)

Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Dollar values represent income range needed to afford housing at each tier.

Assuming recent trends continue, existing gaps in the owner market are expected to widen through 2032. **The surplus of workforce and market rate homes is projected to reach 24,698 units by the end of the period.** Meanwhile, the combined shortage at the three "affordable" levels will increase to 11,280 units. More than half of that deficit will occur in the 50% to 79.9% of AMI range. Likewise, the luxury home shortage is anticipated to grow by approximately 5,000 units. **Unless the city recalibrates its housing strategy or some unforeseen event causes the housing market to change course, existing shortages will reach unmanageable levels, severely hampering Surprise's growth potential and residents' quality of life.**

Figure 86. Actual and Projected Supply-Demand Gap by Affordability Tier in Surprise's Owner Market, 2021 to 2032



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Area median income was \$79,000 in 2021.



Senior Housing Gap Analysis

Surprise’s substantial senior population underscores the importance of understanding whether and to what extent this particular demographic faces housing shortages. Table 10 presents estimated differences between supply and demand by affordability tier. **The results demonstrate that 3,008 senior households earn less than \$23,700 annually, but only 816 units in the renter- and owner-occupied inventories are affordable to them.** It is also difficult for the 6,842 senior households with incomes between \$23,700 and \$63,199 to find appropriately priced housing, considering that just 3,619 units fall into the corresponding affordability tiers. **For seniors alone, then, Surprise faces a 5,414-unit shortfall in the three “affordable” tiers.** Collectively, these findings indicate that seniors are disproportionately impacted by Surprise’s deficit of homes at the lower end of the price spectrum. Only senior-led households with workforce- or market rate-level incomes are unaffected by shortages.

Table 10. Supply-Demand Gap by Affordability Tier in Surprise's Senior Housing Market, 2021

Affordability Tier	Senior Demand	Rental and Owner Unit Supply	Gap
Affordable I (\$0-\$23,699)	3,008	816	(2,192)
Affordable (\$23,700-\$39,499)	2,517	701	(1,815)
Affordable (\$39,500-\$63,199)	4,325	2,918	(1,407)
Workforce (\$63,200-\$94,799)	4,227	6,972	2,744
Market Rate (\$94,800-\$157,999)	3,222	6,200	2,978
Luxury (\$158,000+)	1,541	1,233	(309)

Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Note: Dollar values represent income range needed to afford housing at each tier.

Home Size Gap Analysis

Because home size and its price are inextricably linked, it is important to compare the supply of differently sized homes, as measured by number of bedrooms, to the level of demand. We estimated demand separately for rental and owner homes with varying numbers of bedrooms using data on household size. **Table 11 shows that there exists demand for 669 efficiency rental units, but Surprise has a mere 313 such units, leaving the city with a deficit of 356 units.** Similarly, although 5,922 renter households require one or two bedrooms, the current inventory features just 4,376 one-bedroom units. These households, which consist of between one and three people, commonly resort to renting out three- or four-bedroom units, which are in oversupply. Surprise also has insufficient five-or-more-bedroom rentals, with demand exceeding supply by 1,204 units.



Table 11. Supply-Demand Gap by Number of Bedrooms in Surprise's Rental Market, 2021

Number of Bedrooms	Renter Demand	Unit Supply	Gap
0	669	313	(356)
1	2,856	1,913	(943)
2	3,066	2,463	(603)
3	2,106	4,806	2,700
4	1,926	2,332	406
5 or more	1,695	491	(1,204)

Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

As Table 12 demonstrates, the dynamics are similar in Surprise's owner market. **Surprise has 10,517 owner homes with two or fewer bedrooms, but based on the fact that between one and three people compose 75% of owner households, we estimate that there exists demand for 25,572 such homes.** This over 15,000-unit gap leaves smaller households with no choice but to purchase three-or-more-bedroom homes, which represent a majority of the inventory. Given that increases in livable space substantially raise ownership costs, it is therefore not a coincidence that so many Surprise households find themselves cost burdened. The results also demonstrate that the city has a deficit of five-or-more-bedroom homes.

Table 12. Supply-Demand Gap by Number of Bedrooms in Surprise's Owner Market, 2021

Number of Bedrooms	Owner Demand	Unit Supply	Gap
0	740	83	(657)
1	8,428	1,450	(6,978)
2	16,405	8,984	(7,421)
3	4,734	15,999	11,266
4	5,240	9,864	4,624
5 or more	4,341	3,507	(834)

Source: Five-year American Community Survey (2021); Matrix Design Group, Inc.

Summary of Community Engagement Campaign

This section provides an overview of the community engagement campaign that Matrix conducted in coordination with the city. Matrix held two public meetings in which residents were given an opportunity to voice their concerns about the housing situation, interviewed stakeholders with unique insight into the city’s housing challenges, and created a community survey.

Community Survey

Matrix designed a 12-question survey intended primarily to measure Surprise residents’ attitudes toward housing. Full question wording and results can be found in the Appendix. The city then disseminated the survey, which ran from March 15, 2023, to March 31, 2023. 285 residents participated in the survey; their age breakdown appears in Table 13. Due to cost and time constraints, the survey employed non-probability sampling methods, including voluntary response sampling and convenience sampling. Because respondents were not selected at random, they may not be representative of the population as a whole. Consequently, the results, while informative, should be interpreted with caution.

Table 13. Age Breakdown of Resident Survey Respondents

Age Range	Percentage of Respondents
18-24	1%
25-34	7%
35-44	18%
45-54	25%
55-64	21%
65 and over	28%

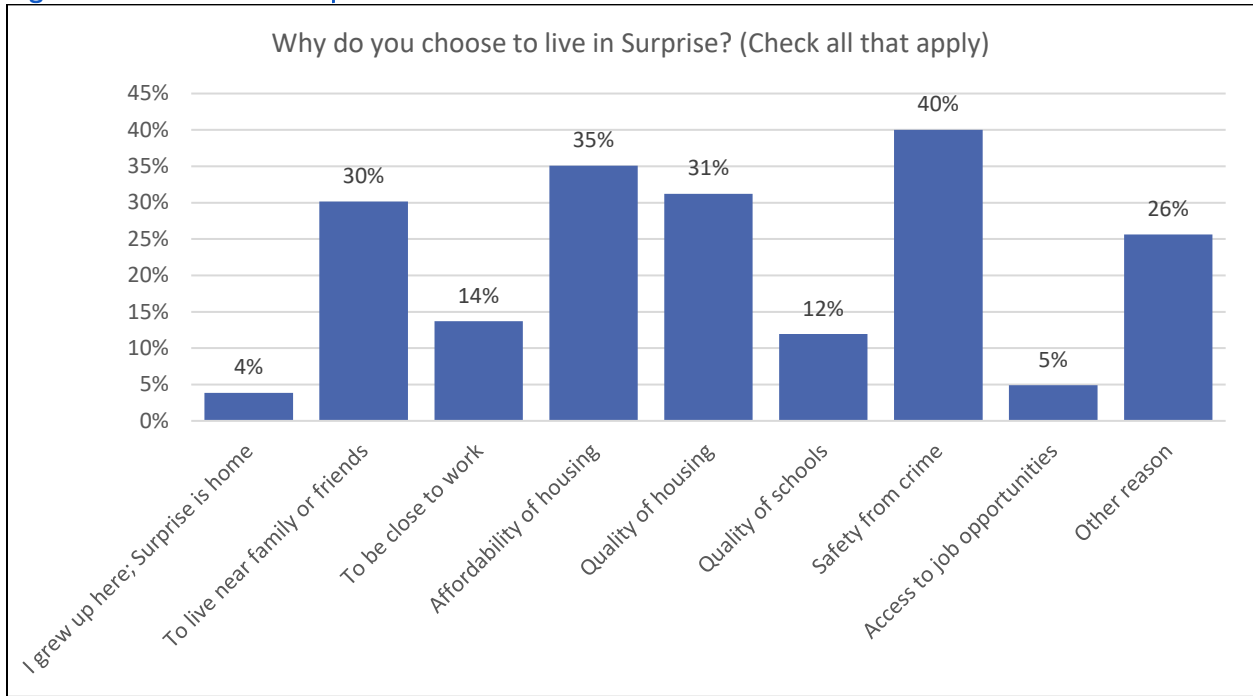
Source: Matrix Design Group, Inc.

Note: N = 285

Figure 87 reveals the most common reasons for living in Surprise. “Safety from crime” was cited by the highest percentage of residents (40%), followed by “affordability of housing” (35%) and “quality of housing” (31%). Relatedly, as Figure 88 shows, 37% of participants indicated they were “very satisfied” with their current housing, and an additional 43% claimed to be “satisfied.” Similarly, most respondents indicated it was “not difficult at all” to locate housing in the city. **At first glance, then, the results seem to suggest that residents are satisfied with housing conditions as they currently exist.**



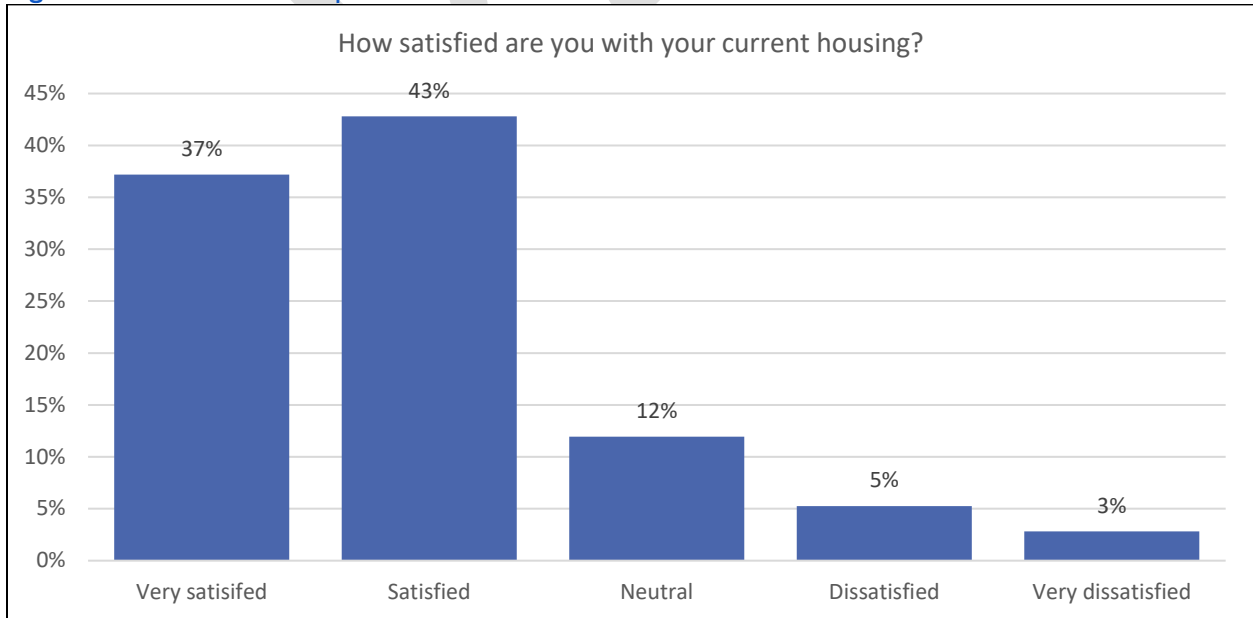
Figure 87. Question 2 Responses



Source: Matrix Design Group, Inc.

Note: N = 285

Figure 88. Question 4 Responses

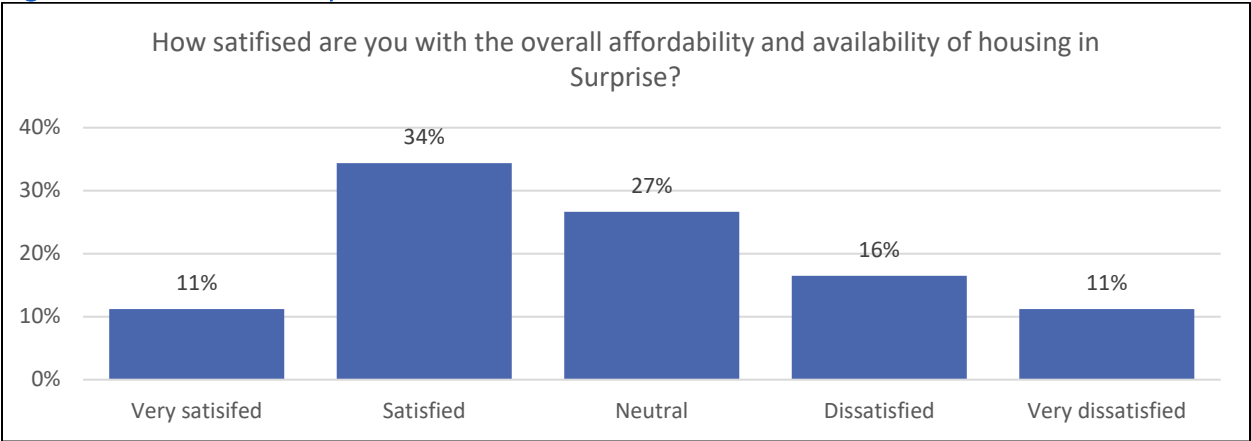


Source: Matrix Design Group, Inc.

Note: N = 285

Further interrogation of residents’ attitudes yields a more nuanced picture. **While residents are generally pleased with their own housing situations, they are less enthusiastic about conditions in their community, with fewer than half of respondents (45%) claiming to be “very satisfied” or “satisfied” with the overall affordability and availability of housing in Surprise (see Figure 89).** Moreover, a plurality of renters (39%) intend to buy a home outside of Surprise (see Figure 90), and when asked to identify Surprise’s most pressing housing issues, the most popular responses were that “younger people cannot afford to buy homes” (48%) and that “rent is unaffordable” (45%) (see Figure 91). There also exists widespread concern about homelessness (see Figure 92). Contrary to conventional wisdom, Figure 93 suggests that residents are open to options other than large single-family homes, with 52% indicating it is “important” or “very important” for Surprise to offer a wider variety of housing products.

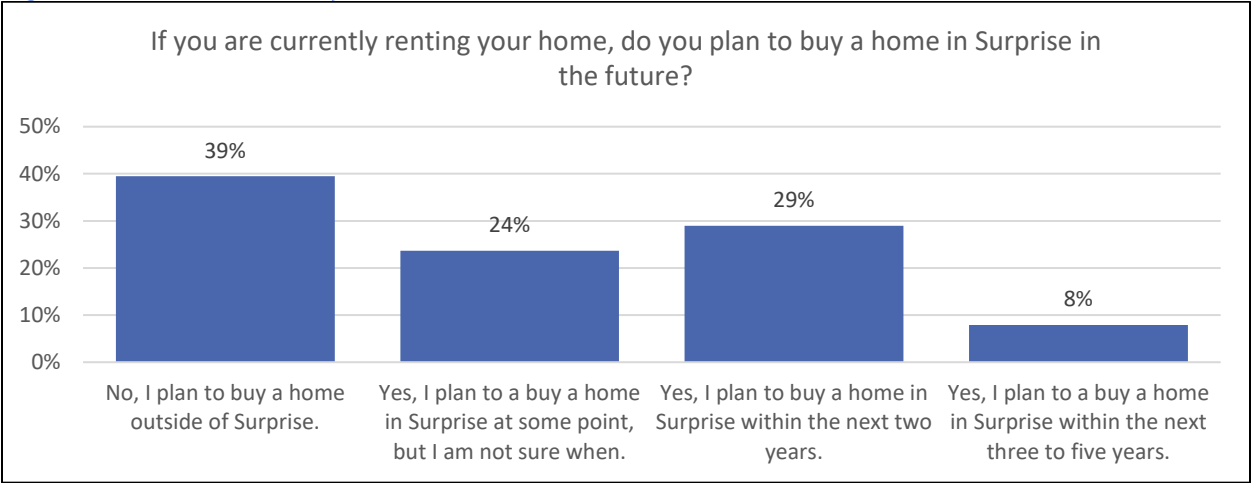
Figure 89. Question 5 Responses



Source: Matrix Design Group, Inc.

Note: N = 285

Figure 90. Question 8 Responses

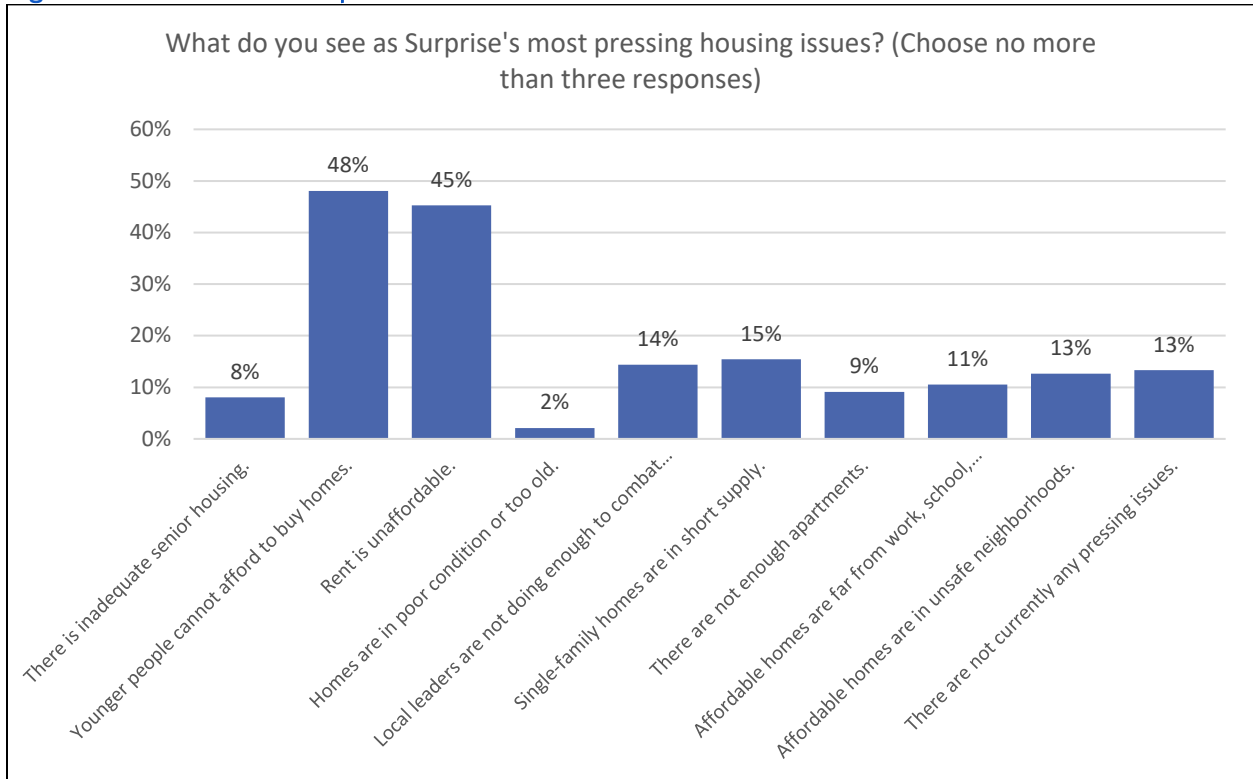


Source: Matrix Design Group, Inc.

Note: N = 38



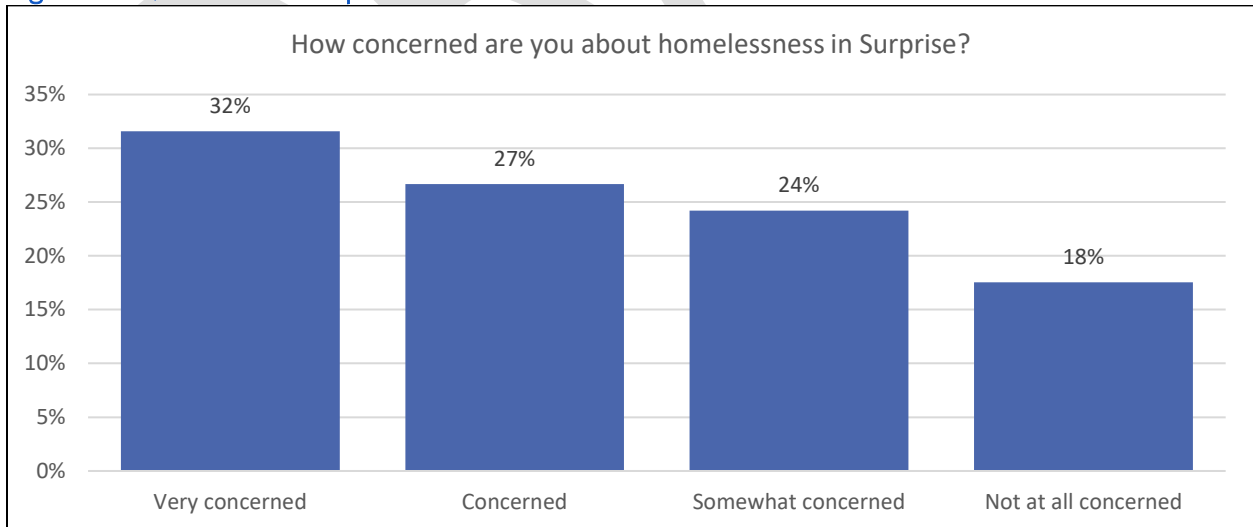
Figure 91. Question 11 Responses



Source: Matrix Design Group, Inc.

Note: N = 285

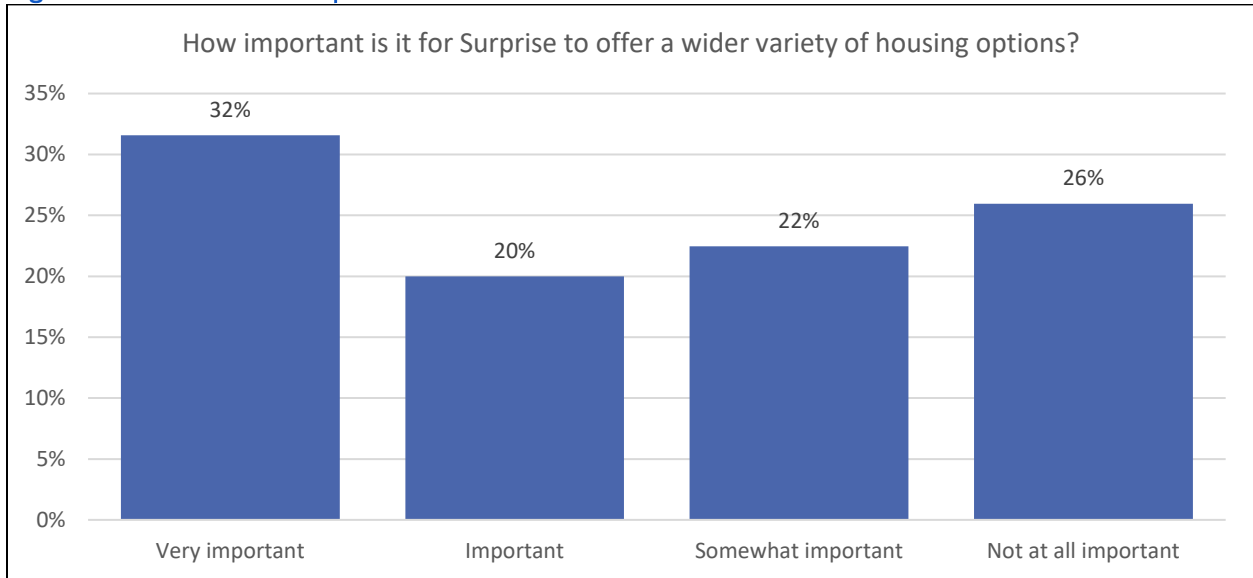
Figure 92. Question 10 Responses



Source: Matrix Design Group, Inc.

Note: N = 285

Figure 93. Question 9 Responses



Source: Matrix Design Group, Inc.

Note: N = 285

Stakeholder and Resident Input

As part of its community engagement campaign, Matrix engaged the following stakeholders, either in one-on-one interviews or in a focus group setting: Ability360, Foundation for Senior Living, Newtown Community Land Trust and Community Development Corporation, Arizona Charter Academy, Dysart Unified School District, and WeSERV. Stakeholders generally noted that the study’s empirical findings were consistent with their real-world observations. Representatives of the Arizona Charter Academy and Dysart Unified School District remarked, for example, that teachers and staff are struggling to afford housing in Surprise. **It is not uncommon, according to these stakeholders, for teachers to have to work second jobs or live with multiple roommates in order to meet their rent payments.** The financial difficulties facing Surprise teachers have led many to leave the profession or the area. Surprise’s struggle to attract and retain high-quality teachers has far-reaching negative ramifications, given that education is a major driver of economic development. Relatedly, an increasing number of families have reportedly been priced out of the area, and many of those who have opted to stay have had to apply for housing assistance. Research demonstrates that housing insecurity has negative impacts on student achievement, a finding validated by our stakeholder interviews.

Matrix also learned about the vital roles played by Ability360 and Newtown Community Land Trust (Newtown) in promoting housing accessibility and affordability, respectively. **Led by people with disabilities, Ability360 works to improve housing accessibility through its Community Block Grant-funded Home Modification program.** As its name implies, the program finances door widenings, the installation of ramps and grab bars, and other modifications that increase the ability of someone with a disability to live independently. The service is available to low-to-moderate income Arizona residents. Newtown makes homeownership more attainable to families earning significantly less than AMI by



retaining ownership of the land that sits beneath the homes it sells. In addition, the organization offers homebuyer education and financial coaching, among other resources, that help keep families in their homes.

In partnership with the city, Matrix hosted a pair of community meetings on April 10, 2023. A significant number of attendees were part of Voice for Surprise, a group ardently opposed to further multi-family development. Recognizing that continued population growth is all but inevitable due, in part, to the planned semiconductor plant, Voice of Surprise members emphasized that they were not anti-growth but, rather, pro-responsible growth. They expressed concern about the impacts of rapid population growth on traffic, class sizes, and the availability of water, with some arguing that Surprise risked losing the small-town charm that had attracted them to the city in the first place. Still, there was widespread acknowledgement that housing costs had increased dramatically in recent years. One attendee suggested that individual decisions, rather than policy changes, are the solution to Surprise's housing challenges, arguing that young people who cannot afford homes should live with their parents until they can afford a down payment and mortgage. **Residents also noted that Surprise has vast amounts of developable land, suggesting it is within the capacity of the city to meet the increased demand for housing that it is likely to experience in the coming years.**

In the absence of a scientific survey with a representative sample, it is difficult to estimate exactly how widely the Voice of Surprise's views are shared by residents at large. Indeed, scholars have long observed that those who feel most intensely about an issue and have higher socioeconomic status disproportionately participate in local government and politics. **However, we have reason to believe that a sizeable number of Surprise residents are steadfastly opposed to any measure that would, in their view, dramatically alter the character of the city. The strategies that local leaders and stakeholders pursue must account for this reality.**





Comprehensive Housing Strategy

This section outlines a comprehensive housing strategy that, if implemented, will ultimately increase the affordability and availability of housing in Surprise. We recommend that the city work to expand duplexes and triplexes; finance accessory dwelling units; take advantage of state-level funding sources, principally the new low-income housing tax credit and expanded Housing Trust Fund; lobby for the passage of legislation that devolves authority over housing policy to local governments; support the Newtown Community Land Trust; and facilitate and incentivize affordable development. **While any one of these recommendations is unlikely to be a panacea, the available evidence suggests a multi-pronged approach is likely to have a measurable positive impact.**

Expand Duplexes and Triplexes

Duplexes and triplexes are an appealing compromise for low- or moderate-income households who desire both more privacy than is offered by large multifamily complexes and the ambiance of a suburban or rural neighborhood. Along with accessory dwelling units (ADUs) and townhomes, duplexes and triplexes are among the most popular types of “missing middle housing.” Historically, attached single-family homes, small multifamily homes, and similar housing types were relatively common in the U.S., but the advent of single-family zoning in the mid-twentieth century rendered them all but obsolete. Although they remain “missing” in housing inventories across the country, they have made a comeback in recent years as demand for a wider array of housing products has increased. Proponents of “gentle density,” who recognize the practical and political unfeasibility of constructing high-rise apartments or condos in single-family districts, have been integral to the proliferation of alternative housing types. **Critically, duplexes and triplexes can be built in such a way that makes them nearly indistinguishable from single-family homes, thus preserving the character of a neighborhood.**

Unfortunately, Surprise has been slow to embrace gentle density. According to the 2021 American Community Survey, less than 3% of the city’s homes meet the definition of “missing middle” housing. The spread of duplexes and triplexes, in particular, has been thwarted by restrictions found in Article II, Section 106-1.8 of Surprise’s Zoning and Use Standards. Currently, these housing types are prohibited in residential rural (RR) and residential low-density (R-1) districts. **We propose permitting duplexes and triplexes by right in all residential districts.**

In significantly increasing development costs, the requirement that each individual unit in a duplex or triplex have two dedicated off-street parking spaces has, too, stymied the construction of these homes. **Our experience in the implementation of zoning reforms elsewhere leads us to conclude that the two parking spaces per unit requirement is excessive, even when accounting for Surprise’s limited public transportation options.** Given that ADUs and small multifamily homes attract similarly sized households, we recommend that they be governed by the same parking space requirements. Currently, ADUs are mandated to have only one parking space per unit.

Finance Accessory Dwelling Units

Also referred to as mother-in-law suites, granny flats, or carriage houses, ADUs are small units (typically between 600 and 1,000 square feet) that share a lot with a larger residence. Like duplexes and triplexes,



ADUs have gained popularity in recent years as an alternative to traditional single-family homes. Although residents are free to not only build but also rent out ADUs throughout Surprise's single-family residential districts, residents report that ADUs are rare. ADU expansion would provide significant benefits to the city. **In addition to being an affordable alternative to traditional single-family homes, ADUs can help homeowners meet their mortgage payments by generating rental income. Furthermore, contrary to popular belief, ADUs do not negatively impact property values.⁴**

The cost prohibitive nature of ADU construction is among the primary reasons these homes have failed to gain traction in Surprise. Construction of a 600-square foot ADU is estimated to start at \$90,000, and conventional financing options suffer from severe shortcomings. In particular, cash-out refinancing and home equity loans and lines of credit fail to cover the costs of construction for homeowners who have failed to accumulate sufficient equity, limit the amount of equity borrowers can extract, and do not account for the future rental income that the ADU will generate. **In recent years, municipalities have begun experimenting with grants, zero-interest loans, and deferred interest-free loans, which usually range from \$10,000 to \$30,000, to fill funding gaps.** At least one city (Montpelier, Vermont) has leveraged Community Development Block Grants to fund ADUs. Similarly, an innovative program in Napa, California provides forgivable loans amounting to as much as \$50,000. Under this program, homeowners who rent out their ADUs to low-income tenants are eligible to have their debts reduced by five percent per year. In addition to establishing one or more of these financing programs, the city should partner with nonprofit groups, and potentially other lenders, to ensure that projected rental income, at least up to a certain threshold, counts as qualifying income for the purpose of credit approval.

Leverage State-Level Funding Sources

In a bipartisan effort to promote the development of affordable housing, state lawmakers established a low-income housing tax credit (LIHTC) as part of 2021's SB 1124. In doing so, Arizona joined 16 other states in supplementing the federal LIHTC program, which finances 30% or 70% of low-income unit construction costs through 4% or 9% credits, respectively, to be redeemed annually over a 10-year period. Since its creation as part of the Tax Reform Act of 1986, the federal LIHTC program has proven itself to be the single most effective affordable housing intervention in Arizona, subsidizing construction costs for 97% of the state's affordable units.

Arizona's new state-level LIHTC program, which represented the state's most significant investment ever in affordable housing at the time of its creation, seeks to further close the profitability gap between affordable and market rate projects by providing \$4 million annually in tax credits through 2025. Intended to be paired with the federal LIHTC program, these state credits are projected to generate an estimated \$160 million worth of investments over the program's lifespan. While

⁴ Gnagey, Jenny, Matt Gnagey, and Christopher Yench. "The Impact of Legalizing Accessory Dwelling Unit Rentals on Property Values: Evidence from Ogden, Utah." *Journal of Housing Research*, 2022. <https://www.tandfonline.com/doi/abs/10.1080/10527001.2022.2106039>



the state-level funding is allocated equally between rural and metro projects, the 9% federal credits are reserved for the former. In March 2023, construction of the first state LIHTC-funded apartment complex commenced in Glendale, following an announcement that Globe and Prescott Valley would be the sites of the first rural projects to receive state tax credit funding. **Given LIHTC's indisputable record of spurring development, we strongly recommend that Surprise similarly work to attract developers who would be inclined to leverage this funding source.** At the time of this writing, one credit allocation cycle remains, but there is a possibility the program will be extended or strengthened in the future.

Arizona's expanded Housing Trust Fund (HTF) represents an additional opportunity for the city as it confronts growing housing shortages and rising rates of homelessness. **In addition to financing affordable housing developments, the HTF supports rental assistance, foreclosure and eviction prevention, and emergency and transitional housing programs, among others.** It works in tandem with federal programs, providing match and leverage resources. Historically, the HTF had been funded exclusively through the sale of unclaimed property, but in 2022, lawmakers injected \$60 million into it as part of the state's \$18 billion annual budget. The investment came three years after the state, following a period of Great Recession-induced cutbacks, recommitted to the HTF by providing \$15 million in funding. **The rapid rate at which this funding was consumed suggests that city leaders and stakeholders must act promptly in order to benefit from the state's most recent investment in the HTF.** In a positive development, the Senate-approved state budget for fiscal year 2024 is set to inject an additional \$150 million to the HTF, provided it can pass the House in its current form.

Lobby State Leaders to Pass Municipality-Empowering Legislation

Land banks are widely recognized as an effective tool for reducing vacancies and, by extension, the imbalance between supply and demand. **These public or nonprofit organizations acquire properties that have been rejected by the private market—usually because they are tax delinquent or carry other significant liabilities.** After clearing the property's title, the land bank will typically sell it to an affordable housing developer or help arrange its demolition. The benefits of land banks are well documented, with one study finding that the value they recover far exceeds operating costs.⁵ **Furthermore, it is likely not a coincidence that land banks tend to operate within cities known for their affordable rents and home sale prices, such as Houston and San Antonio.**

Yet, according to the Center for Community Progress, Arizona is not the site of any of the approximately 250 land bank or land banking programs that exist in the U.S. The likely culprit is that the legislature has not explicitly authorized local and county governments to establish public land banks. **We therefore propose that Surprise, in partnership with other localities, lobby state leaders to enact land-bank enabling legislation and then begin the process of forming countywide or municipal land banks.**

⁵ Whitaker, Stephan and Thomas J. Fitzpatrick IV. "Land Bank 2.0: An Empirical Evaluation." *Journal of Regional Science*, vol. 56, no. 1, 2016, pp 156-175. <https://onlinelibrary.wiley.com/doi/full/10.1111/jors.12206>.



While states across the political spectrum, including Georgia, Tennessee, and New York, have adopted similar legislation, the election of Governor Hobbs, a steadfast supporter of affordable housing initiatives, suggests land bank advocates likely have an ally in the state's highest office.

Additionally, the city should attempt to persuade state leaders to reverse the 1999 repeal of legislation authorizing the use of tax increment financing (TIF). A powerful stimulator of (re)development in blighted areas, TIF funds affordable housing and commercial improvements by earmarking the resulting future property and sales tax revenues. TIF was first utilized in California in 1952, before rapidly diffusing throughout the U.S. Today, Arizona is the only state that does not allow communities to fund affordable housing projects through this innovative public financing mechanism. The favorable political conditions created by widespread concern over housing affordability and the shift in partisan control of the governorship raise the possibility that state leaders will be open to revisiting existing policy. In the event Surprise is authorized to resume using TIF in the future, the city would likely be prohibited by a myriad of state statutes, including the Private Properties Rights Protection Act, from specifying the minimum percentage of revenues that must be devoted to affordable housing or mandating that a certain share of units within a TIF district be affordable to low- or moderate-income households. **As such, the city should instead offer voluntary incentives that serve to increase the profitability of affordable housing projects in TIF districts—namely, density bonuses.**

Finally, we suggest that the city urge the Arizona State Legislature to create an expedited development review process for affordable housing projects. HB 2536, which passed the House unanimously in March 2023 but remains stalled in the Senate at the time of this writing, would achieve this end by allowing city administrators to review and approve development plans without public meetings or hearings in limited circumstances. The project delays that result from an unnecessarily lengthy development review process raise costs for developers, and it is likely the case that these delays disproportionately impact affordable housing projects, given their reduced profitability. Should HB 2536 become law, it would be in the interest of the city to waive public hearing or meeting requirements for housing projects that dedicate a significant share of units to households earning less than 80% of AMI.

Augment the Newtown Community Land Trust

Community land trusts (CLTs) strive to create permanently affordable housing through unique means. These nonprofit entities use private and public funds to acquire land, which remains under their ownership for the foreseeable future. Depending on the land's level of development and the condition of its structural improvements, the CLT will typically proceed to build a new home or renovate an existing one. Next, the home, excluding the underlying land, is sold to an income-eligible household. **The effective removal of the land from the purchase price allows the home to be sold below market rate.** Moreover, via restrictive covenants, ground leases, and other means, the CLT is able to ensure the home's subsequent buyer(s) will belong to a similar income tier. Scholarly research attests to the benefits



of CLTs.⁶ In addition to reducing a home's sale price to as low as 74% of its assessed value, CLTs have been found to reduce rates of delinquency and foreclosure while simultaneously allowing homeowners to build wealth and, eventually, transition to market rate housing.⁷

Surprise is served by the Newtown Community Land Trust (Newtown), a Tempe-based nonprofit founded in 2001. In 2022, Newtown sold a Surprise home to a family earning significantly below AMI for \$315,000—\$54,000 less than its appraised unrestricted market value. Maricopa County, but not the city, helped fund the project. **We recommend that the city join other nearby municipalities in allocating funding to Newtown, as well as educate low-income families on the organization's activities. Based on our public engagements, we have reason to believe that CLT efforts will encounter less public opposition than other affordable housing initiatives.**

Reduce Burdensome Regulations and Incentivize Affordable Development

Our research uncovered two additional regulations the city should reconsider. First, the requirement that each two-bedroom apartment in properties with four or more units have two parking spaces undoubtedly hinders the construction of affordable housing by significantly raising development costs. This regulation is also needlessly burdensome given the lower rates of car ownership among low-income residents. **We therefore recommend that Surprise reduce this requirement to either 1.5 or 1.75 off-street parking spaces per two-bedroom unit.** Second, the city currently imposes hefty impact fees on multi-family developments, with the cost per dwelling unit amounting to \$1,384. **In order to spur the construction of affordable housing, we propose that Surprise follow the example of Glendale in waiving or reducing impact fees for projects that receive LIHTC funding or meet other eligibility criteria.**

Statewide restrictions on inclusionary zoning and rent control are among the laws that further limit the development of affordable housing. However, while Surprise is forbidden from *requiring* that properties meet certain affordability criteria, it is free to *incentivize* developers to build affordable housing. **Density bonuses are the most attractive incentive Surprise can offer to developers.** These programs typically increase the maximum allowable units per acre on the condition that a certain percentage of those units be affordable to low-income households. While Surprise does not impose limits on the number of units per acre that a developer can build in high-density residential districts, stringent restrictions exist in residential low-density, residential medium-density, and mixed-use medium-density districts. The city should leverage these restrictions to entice developers to include affordable units in their project plans.

⁶ Temkin, Kenneth, Brett Theodos, and David Price. "Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-Term Affordability Controls." The Urban Institute, 2010. <https://www.urban.org/sites/default/files/publication/29291/412244-Balancing-Affordability-and-Opportunity-An-Evaluation-of-Affordable-Homeownership-Programs-with-Long-term-Affordability-Controls.PDF>.

⁷ Thaden, Emily. "Making Sense of the Low Rates of Delinquencies and Foreclosures in Community Land Trusts." Lincoln Institute of Land Policy, 2010. <https://www.jstor.org/stable/pdf/resrep18338.1.pdf>.



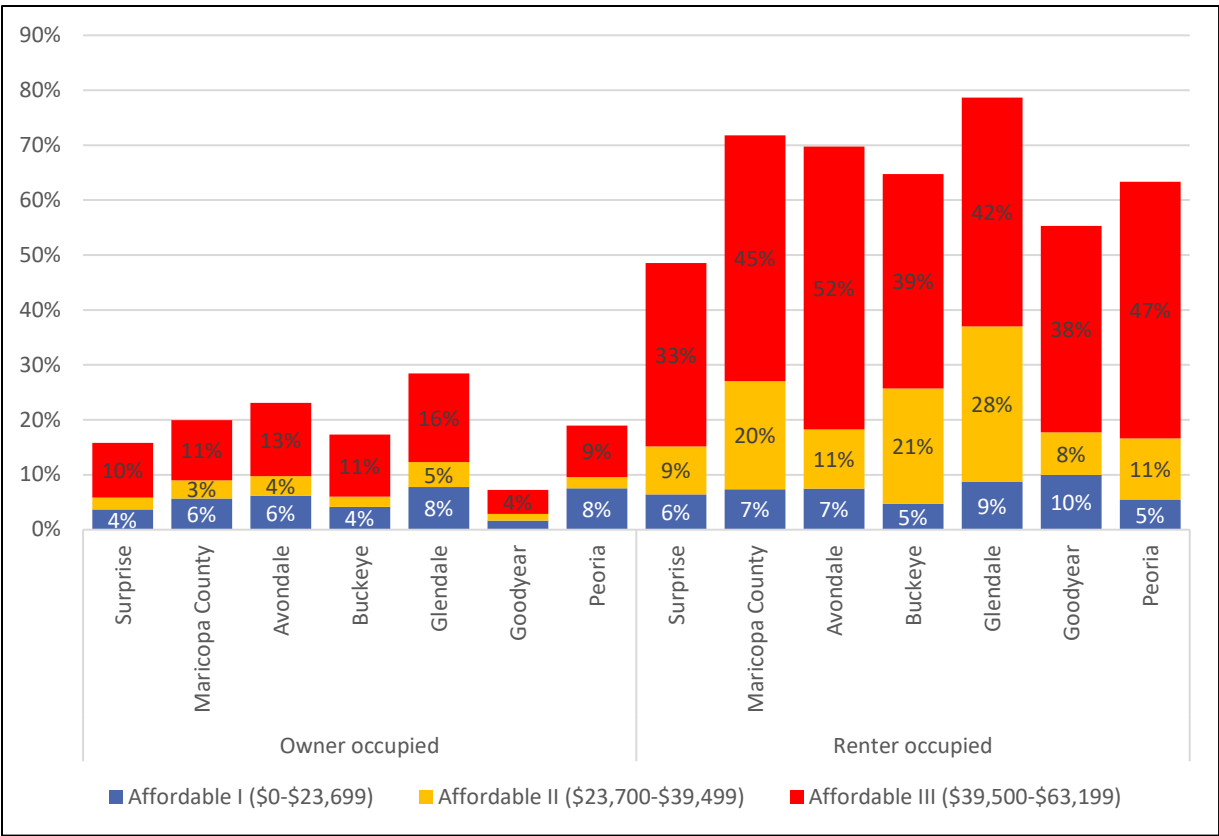
Moreover, because density shares a positive relationship with a property's value, any such program would not run afoul of the Private Property Rights Protection Act.



Key Findings and Implications

- Surprise has experienced astounding growth in recent decades, but its housing inventory has struggled to adapt accordingly. **Proportionally speaking, Surprise has fewer “affordable” renter-occupied units than Maricopa County as a whole and at least five other West Valley cities (see Figure 94). Further, by a substantial margin, it trails Avondale and Glendale in the percentage of “affordable” owner-occupied homes.** While such homes make up similar shares of Surprise’s and Buckeye’s inventories, the latter city boasts a richer supply of workforce owner housing. The greater availability of lower- and middle-income-oriented housing in surrounding communities likely hinders Surprise’s ability to attract and retain younger families in particular.

Figure 94. Affordable Homes as a Share of Occupied Housing Stock by Tenure



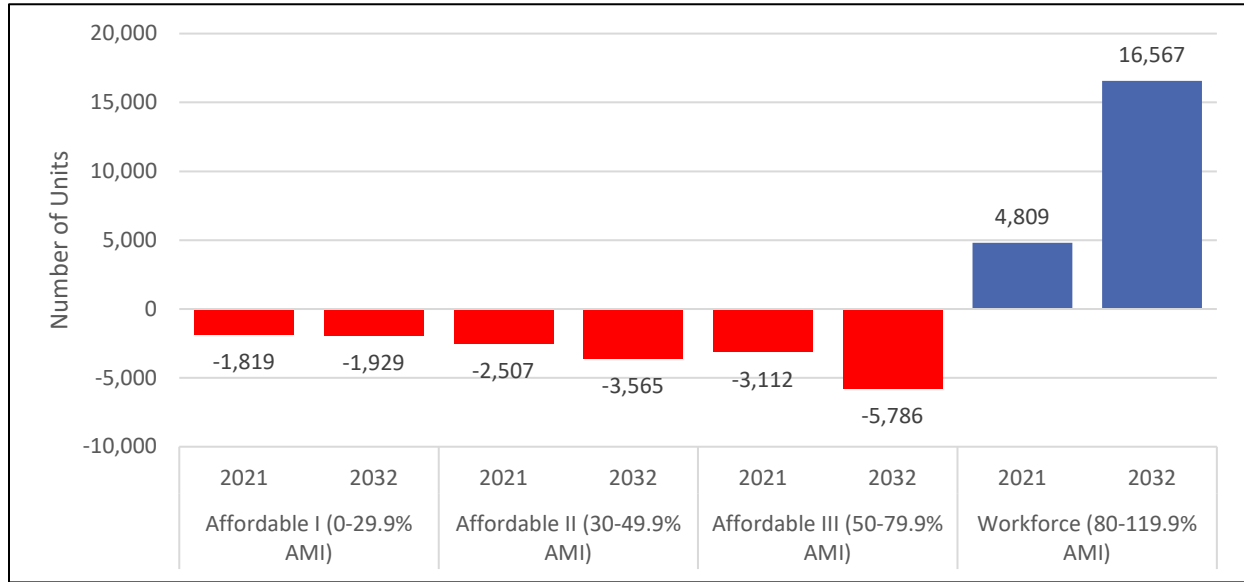
Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

- Incomes have failed to keep pace with rapidly escalating home sale prices and rents, leaving the city with a shortage of affordable homes for low-income households (see Figure 95). Prospective low-income home buyers commonly find themselves forced into workforce housing, which carries excessive costs for households earning below 80% of AMI, or \$63,200, despite being in oversupply. Similarly, Surprise suffers from a deficit of affordable rental units for households



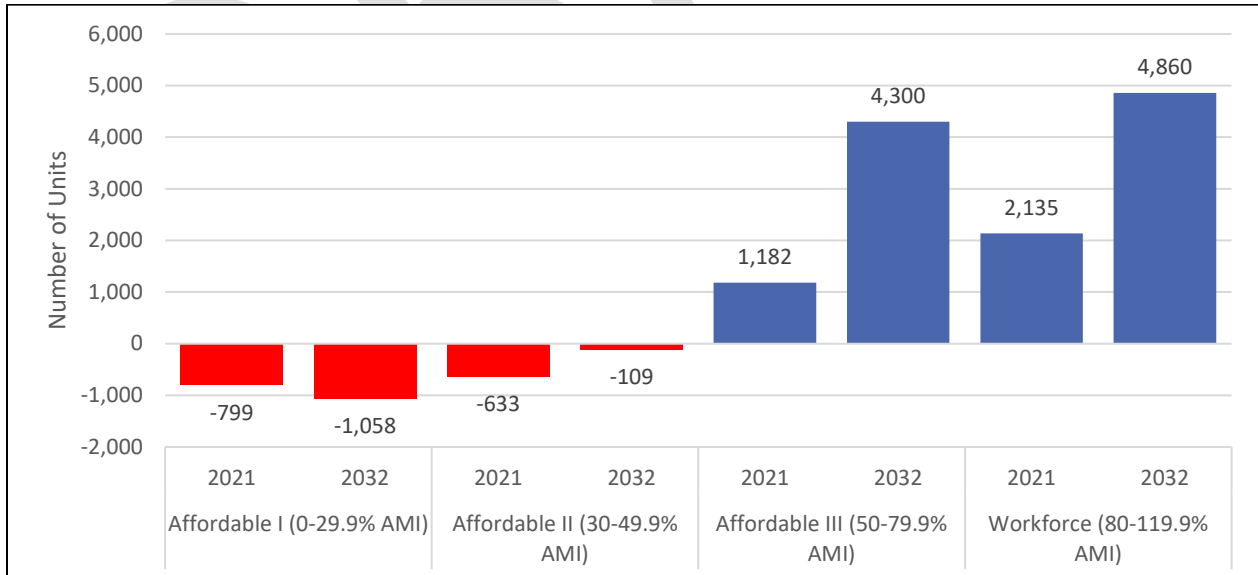
earning below 50% of AMI, or \$39,499 (see Figure 96). Due to their lower incomes, younger and senior households bear the brunt of these shortages. **Deficits are forecasted to grow through 2032, exposing Surprise to increased rates of homelessness and overcrowding.**

Figure 95. Supply-Demand Gaps in the Affordable and Workforce Segments of Surprise's Owner Market



Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.

Figure 96. Supply-Demand Gaps in the Affordable and Workforce Segments of Surprise's Rental Market

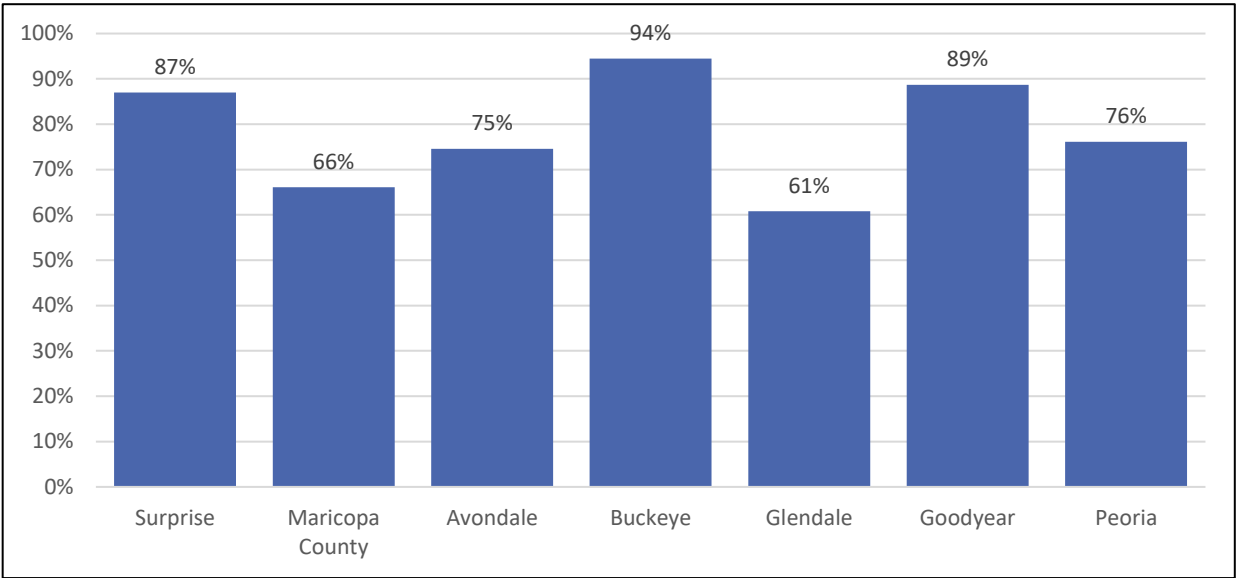


Source: Five-year American Community Survey (2021); Department of Housing and Urban Development; Matrix Design Group, Inc.



- **Surprise’s shortage of affordable rental housing has resulted in a sharp increase in the rate of cost-burdened or severely cost-burdened renters since 2020, with 53% of these households now spending 30% or more of their incomes on rent.** Housing costs generally do not place the same strain on homeowners, yet approximately a quarter of those with mortgages qualify as cost burdened or severely cost burdened. Surprise’s high rate of cost-burdened or severely cost-burdened households threatens its prospects for future economic growth, as residents with reduced disposable incomes are less inclined to dine out, consume entertainment, and participate in recreational activities.
- Detached single-family homes represent 87% of Surprise’s housing stock, making it less structurally diverse than those of Peoria and a number of other neighboring communities (see Figure 97). **The predominance of detached single-family homes, which tend to be more expensive than attached or multi-family alternatives, contributes to Surprise’s affordability challenges.** Surprise residents have an appetite for increased product type diversity, with 74% of survey respondents indicating it is at least somewhat important for Surprise to offer a wider array of housing options.

Figure 97. Detached Single-Family Homes as a Share of Occupied Housing Stock, 2021

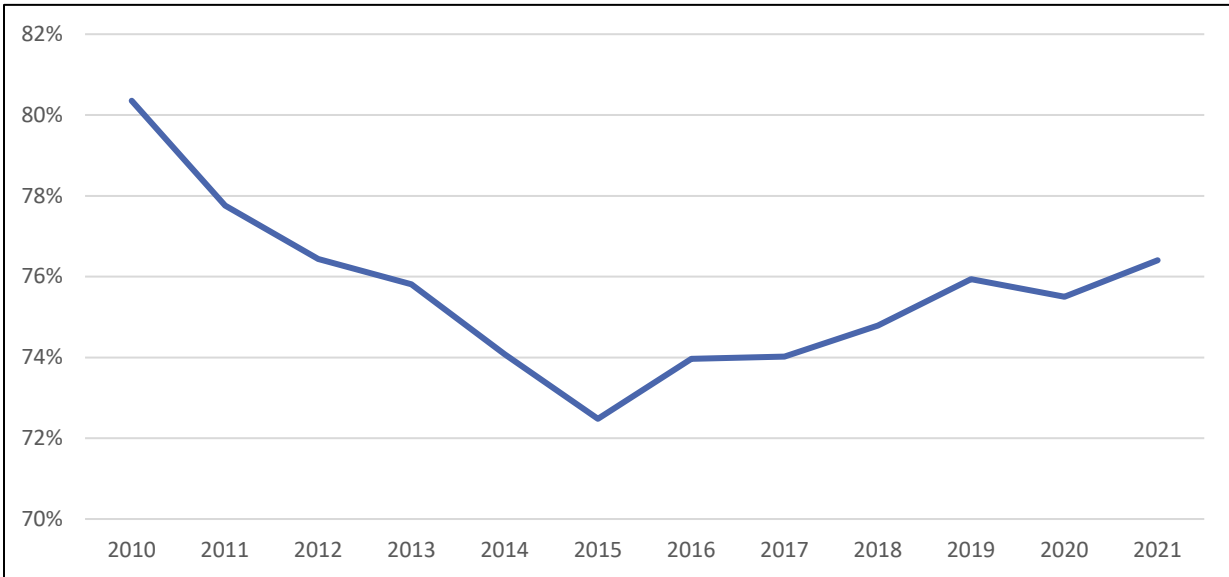


Source: Five-year American Community Survey (2021)

- While residents are generally content with their own housing situations, they acknowledge that the existing inventory is failing to accommodate the needs of the city’s growing population. There exists widespread concern that Surprise is unaffordable for young prospective home buyers, and a significant share of those currently renting in Surprise intend to buy their homes elsewhere. **The data bear out the notion that owning a home in Surprise is becoming increasingly unfeasible: Since 2010, Surprise’s overall homeownership rate has by fallen four percentage points (see Figure 98).** The decline has been even sharper among households led by residents below the age of 45, whose ownership rate now stands at only 60%. The growing inaccessibility of homeownership in Surprise severely limits the ability of young families to build intergenerational wealth.



Figure 98. Homeownership Rate in Surprise, 2010 to 2021



Source: Five-year American Community Survey (2010-2021)

- In order to meet these challenges, Surprise should implement a comprehensive housing strategy.** We recommend that public officials promote duplexes, triplexes, and accessory dwelling units through zoning changes, reductions in parking requirements, and financing programs. In addition to reducing or eliminating other burdensome regulations, the city should also implement voluntary incentive programs, such as density bonuses, that stimulate development. Other solutions exist at the state level. In particular, we recommend that Surprise stakeholders, developers, and leaders leverage the new state low-income housing tax credit and expanded Housing Trust Fund, as well as lobby for the passage of legislation that empowers localities to make their own housing policy decisions. Finally, we urge the city to support the admirable work of the Newtown Community Land Trust.

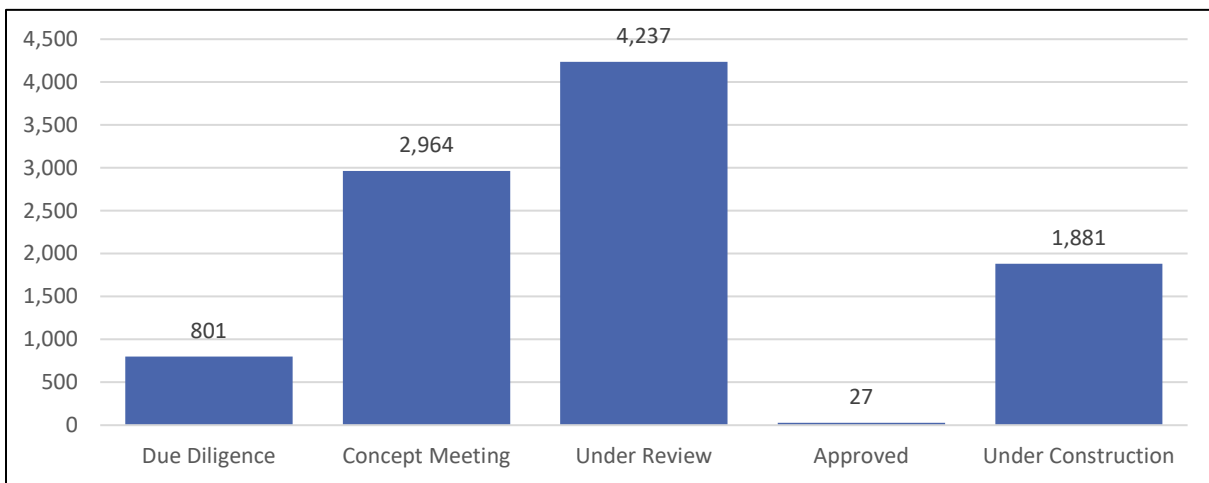
Appendix

Table 14. Examples of Group Quarters Facilities in Surprise

Facility Name	Address	Facility Type
Second Chance Group Homes	12129 West Bell Rd, Surprise, AZ 85378	Juvenile and adult group homes
A New Leaf West Valley Housing Assistance Center	12779 West Grand Ave, Surprise, AZ 85374	General emergency/transitional housing
St Vincent de Paul Society St Clare of Assisi Conference	17211 West Bell Rd, Surprise, AZ 85374	General emergency/transitional housing
RISE Services, Inc.	12129 West Bell Rd, Surprise, AZ 85378	Adult group homes
Surprise Homebase Youth Services	12215 West Bell Rd, Surprise, AZ 85374	Juvenile emergency/transitional housing
Hope House of Arizona Aging Out of Foster Care	16291 West Yucatan Dr, Surprise, AZ 85379	Young adult emergency/transitional housing

Source: Matrix Design Group, Inc.

Figure 99. Multi-Family Units in the Pipeline by Phase of Development, 2022



Source: City of Surprise



Table 15. Community Survey Questions and Responses

Question Text	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9	Option 10	Option 11
What is your age?	Under 18 (0%)	18-24 (1%)	25-34 (7%)	35-44 (18%)	45-54 (25%)	55-64 (21%)	65+ (28%)	—	—	—	—
Why do you choose to live in Surprise (Check all that apply)	I grew up here and consider Surprise to be home (4%)	To live near family or friends (30%)	To be close to work (14%)	Affordability of housing (35%)	Quality of housing (31%)	Access to job opportunities (5%)	Quality of schools (12%)	Safety from crime (40%)	Other (26%)	—	—
How long have you lived in your current housing?	Less than one year (10%)	1 to 3 years (20%)	3 to 5 years (18%)	5 to 10 years (18%)	More than 10 years (35%)	—	—	—	—	—	—
How satisfied are you with your current housing?	Very satisfied (37%)	Satisfied (43%)	Neutral (12%)	Dissatisfied (5%)	Very dissatisfied (3%)	—	—	—	—	—	—
How satisfied are you with the overall affordability and availability of	Very satisfied (11%)	Satisfied (34%)	Neutral (27%)	Dissatisfied (16%)	Very dissatisfied (11%)	—	—	—	—	—	—

housing in Surprise?											
How difficult was it for you to locate housing in Surprise?	Very difficult (5%)	Difficult (9%)	Somewhat difficult (26%)	Not difficult at all (60%)	—	—	—	—	—	—	—
Do you own or rent your home?	I rent my home or live in a home rented by someone else. (12%)	I own my home or live in a home owned by someone else. (86%)	None of the above. (2%)	—	—	—	—	—	—	—	—
If you are currently renting your home, do you plan to buy a home in Surprise in the future?	Yes, I plan to buy a home in Surprise within the next two years. (4%)	Yes, I plan to buy a home in Surprise within the next three to five years. (3%)	Yes, I plan to buy a home in Surprise at some point, but I am not sure when. (3%)	No, I plan to continue to rent in Surprise indefinitely. (3%)	No, I plan to buy a home outside of Surprise. (2%)	I am not a renter. (87%)	—	—	—	—	—
How important is it for Surprise to offer a wider	Very important (32%)	Important (20%)	Somewhat important (22%)	Not at all important (26%)	—	—	—	—	—	—	—



variety of housing options?											
How concerned are you about homelessness in Surprise?	Very concerned (32%)	Concerned (27%)	Somewhat concerned (24%)	Not concerned at all (18%)	—	—	—	—	—	—	—
What do you see as Surprise's most pressing housing issues? (Choose no more than three responses)	There is inadequate senior housing. (8%)	Younger people cannot afford to buy homes. (48%)	Rent is unaffordable. (45%)	Homes are in poor condition or too old. (2%)	Local leaders are not doing enough to combat homelessness. (14%)	Single-family homes are in short supply. (15%)	There are not enough apartments. (9%)	Affordable homes are far from work, school, or retail centers. (11%)	Affordable homes are in unsafe neighborhoods. (13%)	There are not currently any pressing issues. (13%)	Other (30%)
Thank you for taking the time to share your feedback. If you have any additional comments about housing in Surprise, please	Available upon request.	—	—	—	—	—	—	—	—	—	—

provide them below.											
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Source: Matrix Design Group, Inc.

Note: N = 285.



SURPRISE

ARIZONA

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Matrix

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CITY OF SURPRISE
Regular City Council Work Session

Council Meeting Date: June 20, 2023

Contact Person: Andrea Davis, DIRECTOR -
FINANCE

Submitting Department: Finance

District: Citywide

Staff Recommendations: None

Consent: No

Regular: Yes

Public Hearing: No

Report/Discussion: No

Agenda Wording:

Presentation and discussion pertaining to the FY2023 Financial Status Report through March 2023.

Motion:

Discussion only.

Background:

This update will review the financial activity through the month of March 2023.

Objective Analysis:

The comparison of the current financial activity to the plan laid out in the budget helps the city to determine its current financial position. This will allow for better short and long term financial planning as the current fiscal year is underway and the planning for the next budget begins.

Policy Compliant:

This item is compliant with the city's Comprehensive Financial Management Policies.

Financial Impact:

The attached presentation provides an update of the unaudited revenue and expenditures for the General Fund for Fiscal Year 2023, through March 2023.

Budget Impact:

This item does not amend the current fiscal year budget. There will be discussion of the city's financial performance to-date.

FTE Impact:

This item does not change the full-time equivalent position count.

ATTACHMENTS:
