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AFFORDABLE HOUSING

According to HUD, families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. About 12 million renters and homeowners in the United States pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the country.¹⁴

Below provides some key demographic information about OKC:

Oklahoma City Census Quick Facts (July 1, 2018)¹⁵

Population	649,021
Median Household Income	\$54,034
Per Capita Income in past 12 months	\$29,581
Persons in Poverty	16.8%
Owner-occupied housing unit rate	58.6%
Median value of owner-occupied housing units	\$153,700
Median selected monthly owner costs -with a mortgage	\$1,362
Median selected monthly owner costs -without a mortgage	\$475
Median gross rent	\$849

The Oklahoma Department of Commerce and the Oklahoma Housing Finance Agency commissioned the 2015 Oklahoma Housing Needs Assessment that determined the state needed 66,879 housing units by 2020. Of these, the state needed 43,942 housing units for ownership and 22,879 housing units for rent. Of the 43,942 housing units needed for ownership, 7,454 (or 16.96%) were estimated to be needed by households earning less than 60% of Area Median Income (AMI). Of the 22,879 housing units needed for rent, 11,630 (or 50.83%) were estimated to be needed by households earning less than 60% of AMI.

The 2015 Oklahoma Housing Needs Assessment reported that almost 20% of Oklahoma homeowners are cost overburdened and 40% of renters are cost overburdened. The assessment further reported that 70% of affordable housing units in Oklahoma are located in census tracts marked by poverty and 62% of affordable housing is in census tracts where a majority of the residents are not white. Affordable housing units also lack access to community resources. Indeed, 13% of affordable housing units have no access to transit services and 56% have access to limited service, on-demand transit; 6%

¹⁴ https://www.hud.gov/program_offices/comm_planning/affordablehousing/

¹⁵ <https://www.census.gov/quickfacts/oklahomacitycityoklahoma>

of affordable housing units have limited access to a hospital and 7.8% of affordable housing units are in food deserts.

Specifically, in Oklahoma County, the 2015 Oklahoma Housing Needs Assessment projected a total of 12,169 housing units for ownership and 8,132 housing units for rent would be needed by 2020. The assessment reported that approximately 45.48% of renters and 21.3% of homeowners are housing cost overburdened. The assessment stated that 3,920 units are at risk for poverty. It further reported that 3,518 units are located in mostly non-white enclaves, 2,445 units in a community of immigrants, 2,641 units in limited English neighborhoods and 1,202 units located in a food desert.

The Oklahoma 2015 Housing Needs Assessment reported that the absence of affordable housing alternatives is the largest cause of homelessness in the state. The Assessment recommended that community zoning regulations must work to promote the development of housing at all income levels.

Planning groups acknowledged the need for more affordable housing options in OKC and proposed the following strategies:

- 2.A Zoning, Ordinance and Development Policy Changes
- 2.B Land Bank 501c3
- 2.C Lien Forgiveness Program
- 2.D Follow the Recommendations of the Affordable Housing Study

2.A) ZONING, ORDINANCE AND DEVELOPMENT POLICY CHANGES

Zoning pertains to the rules that govern how cities can use their land. Across the United States, exclusionary zoning practices, or zoning rules that limit development to single-family detached houses, have contributed to the increased number of cost-burdened households and the lack of affordable housing in many communities. Inclusionary zoning practices have helped some communities expand their housing stock and housing affordability for their residents. Under inclusionary zoning policies, developers may set aside a percentage of the units in a building at target income levels or pay a fee to a fund that will create affordable units at another location.

However, changing zoning laws present challenges for many communities. A recent study of community participation regarding housing development at planning and zoning board meetings found that residents who are older, male, longtime residents, voters in local elections and homeowners are

significantly more likely to participate in these meetings. These residents overwhelmingly oppose new housing construction compared to the general public.

As cities struggle with housing affordability for their residents, leaders are beginning to look at zoning laws and ways to increase density despite vocal opposition by those residents that tend to participate more in meetings. For example, Minneapolis introduced a plan in December 2018 to address the city's history of racial segregation and housing affordability by eliminating single-family zoning. The city council eliminated this category and began allowing all neighborhoods to establish residential structures with up to three dwelling units, such as duplexes and triplexes.

Density bonuses are a zoning tool that permits developers to build more housing units, taller buildings, or allow more floor space than normal in exchange for providing a defined public benefit, such as a specified percentage of affordable units included in the development.

This past year Austin's city council approved an ordinance that allows more homes to be built on single-family zoned plots if a certain percentage of development is affordable. The Affordability Unlocked bonus program loosens restrictions and promotes construction of more units in affordable and mixed-income housing developments. To participate, developers must meet several baseline affordability criteria including allocating at least 50 percent of all units as income-restricted (defined as 60 percent median family income or below for rental units and 80 percent MFI for ownership developments). If the baseline criteria are met and the developer offers more units below 60 or 80 percent, then the developer can earn additional site privileges.

Most city zoning codes require a minimum number of off-street parking spaces that must be created for each unit in a new residential development, such as 0.5 parking spaces per bedroom. Parking requirements ensure that residents have a dedicated place for their vehicles and avoids negative spillover effects on public parking in the surrounding area. But parking requirements also impact affordable housing in many communities. They impose economic and environmental costs on low-income households who tend to own fewer vehicles and live in higher-density neighborhoods where they can access public transit to meet their transportation needs.

Parking costs also increase rent costs. Typically, one parking space per unit increases costs approximately 12.5%, and two parking spaces can increase costs by up to 25%. By reducing parking requirements for qualifying affordable developments, the City could ensure that parking meets the actual need. A reduction can free up resources that can be used to lower home prices and rents as well as space for additional units and/or amenities.

Strategy Description

The 2015 Oklahoma Housing Needs Assessment projected that Oklahoma County, home to OKC, needed a total of 12,169 housing units for ownership and 8,132 housing units for rent by 2020. The assessment reported that approximately 45.48% of renters and 21.3% of homeowners are housing cost overburdened. The assessment stated that 3,920 units are at risk for poverty. The need for affordable housing may increase significantly as the economic impacts of COVID-19 become more prevalent.

CHICAGO, ILLINOIS THE AFFORDABLE REQUIREMENTS ORDINANCE (ARO)

The ARO was established in 2003 and applies to new or rehabilitated housing developments with 10 or more units that involve a zoning increase or downtown Planned Development designation, City-owned land, or City financial assistance. Residential projects that use a zoning increase or City land are required to set aside 10% of total units as affordable to low- to moderate-income families. Residential projects that receive City financial assistance, such as Tax Increment Financing, are required to set aside 20% of total units as affordable. The ARO also offers real estate developers the option to pay a fee-in-lieu of \$100,000 per required unit into the Affordable Housing Opportunity Fund (AHOF).

Chicago was one of the first large cities in the country to pass an inclusionary housing ordinance like the ARO. With its companion ordinance, the Downtown Density Bonus, the ARO has led to nearly 1,800 homes for very-low and moderate-income households, including 189 units within new, market rate housing developments and 1,600 units financed, in part, by in-lieu funds. While the ARO has proved useful, the Mayor identified an update to the ARO as a top priority in the City's "Five-Year Housing Plan". Adopted by City Council in February 2014, the housing plan sought to coordinate \$1.3 billion in spending to create, improve, and preserve more than 41,000 units of housing citywide over the next five years.

Challenges exist as developers indicate that the ARO restricts development. The high cost of construction materials and labor have resulted in lower profit margins for developers who argue that the ARO depresses profits by decreasing the rental revenue a building can generate. In some gentrifying neighborhoods, the city has created ARO Pilot zones, where 20% of the units in a project must be affordable. In many cases, the apartments or condos must be affordable to a household that makes 60% of AMI, currently \$53,460 for a family of four.

Housing advocates also criticize the ARO saying big loopholes exist since developers can reduce the number of required affordable units in their projects by paying into the city's housing fund or building some of the units at a different location. Housing advocates also say the ARO does not go far enough to provide low-cost housing in high-cost neighborhoods with good schools, low crime and a higher quality of life.

Developers have adapted to the ARO by attempting to find sites that already have zoning in place, so they do not have to request a zoning change that triggers the ARO. Some developers have moved into lower-rent neighborhoods where there is a narrower disparity between market rents and affordable rents. Downtown development under the ARO continues to grow with many downtown developers agreeing to the ARO's affordability requirements in exchange for more generous zoning. One forecast said developers will complete about 13,000 apartments downtown between 2018 and 2022.

https://www.chicago.gov/content/dam/city/depts/dcd/general/housing/ARO_Proposed_Enhancements_Dec_2014_Web_Final.pdf;
<https://www.chicagobusiness.com/commercial-real-estate/why-developers-grumble-about-affordable-housing-rules>



The Oklahoma 2015 Housing Needs Assessment also reported that the absence of affordable housing alternatives is the largest cause of homelessness in the state. The Assessment recommended that community zoning regulations must work to promote the development of housing at all income levels.

Planning participants agreed that zoning regulations need to be evaluated by the City to enhance affordable housing and, as it would turn out, such an evaluation is currently underway. Planning participants discussed ways in which this evaluation could encourage “Affordable by Design” development. Some of the specific recommendations that planning participants discussed included:

- ❖ Explore and develop inclusionary zoning practices such as requiring developers to set-aside a designated percentage of low-income units or contribute to a housing trust fund.
- ❖ Utilize incentives such as density bonuses, reduced lot sizes and others to encourage “affordable by design” development such as micro-units.
- ❖ Change R1 zoning requirements to allow accessory dwelling units (e.g., garage apartments) and explore streamlining permitting/reducing permitting requirements and costs to facilitate the construction of these units.

Recommended Actions

1. As part of the City’s ongoing Development Codes Update project, the CoC Lead should work with other Planning staff and the consultant to evaluate inclusionary zoning practices and options to allow more “affordable by design” development as well as other methods that will allow for easier development of affordable units.
2. Evaluate whether and where permitting costs can be reduced.
3. Obtain approval of Zoning and/or fee changes by City Council.
4. Track outcomes.

Implementation Group

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|----------------------------|----------------------------------|
| • OKC Planning Department | • CoC Lead Agency (Oklahoma City |
| • OKC Development Services | Homeless Services) |

Possible Performance Measures

1. Number of Zoning Ordinance changes related to affordable housing development
2. Number/percent of affordable units created at 60% AMI and below
3. Number/percent of affordable units created at 30% AMI and below
4. Percent reduction in permitting costs
5. Percent reduction in impact fees

2.B) LAND BANK 501c3

Land banks acquire, manage and dispose of neglected or underutilized properties to help stabilize neighborhoods and encourage re-use or development of city property. They can be a public or nonprofit entity and can be used to replace antiquated systems of tax foreclosure and property disposition. They can also aid in the development of affordable housing or community development.

HUD describes four critical elements necessary for successful land bank initiatives:

1. Connect the land bank to the tax collection and foreclosure system. Local governments typically interact with abandoned properties through tax collection. Owners of abandoned properties often are delinquent or do not pay their taxes, requiring the city to institute a tax lien on the property. Land banks capture profits to manage the abandoned property through penalties and interest earned by the tax lien or the equity from valuable foreclosed property.
2. Scale the land bank at the city level, or around the most diverse real estate market possible. This ensures that land banks do not only obtain the worst foreclosed or abandoned properties, also known as “junk” property. By scaling the land bank around a diverse market, land banks can use the earnings from more valuable land sales to rehabilitate, clean or demolish other properties in worse condition.
3. Ensure the land bank is policy driven, as well as transparent in policies and transactions. This ensures that wary residents distrustful of government intervention in the real estate market have access to information about the policies and priorities on how properties are sold or transferred, to whom and for what purpose.
4. Emphasize community engagement and participation. Land held by land banks are often scattered throughout the community in various neighborhoods. It is important that land banks engage with their property neighbors to inform them of the policies and practices of the land bank, as well as help determine the appropriate outcomes for the held property. Land banks can form a Community Advisory Council or hold regular neighborhood meetings to gain public feedback and input. Land banks should also engage and develop partnerships with other nonprofits, community organizations, lenders and the city.

Land banks vary significantly in staff size, inventory, budgets and programs. The Genesee County Land Bank Authority (GCLBA) in Michigan is one of the largest land banks in the country. It sells, develops and manages property, as well as engages in land-use planning and demolition. GCLBA clears blight properties from neighborhoods, which allows for new opportunities in investments, recreation and neighborhood improvements. The cleared lots are often transformed into side yards and gardens. In 2019, GCLBA demolished 936 blighted and abandoned structures, completed almost 60,000 vacant property mows in partnership with community groups, removed 400 tons of debris and trash from lots, renovated 9 houses, and sold 251 structures and 293 vacant lots. The Fulton County/Atlanta Land Bank can waive back taxes, clear titles and facilitates the transfer of ownership in a tax-delinquent property for redevelopment purposes.

A summary report prepared for the City of OKC’s Abandoned Building Coalition in June 2016 noted that land banking requires state legislative authority. Oklahoma’s current laws allow certain land bank functions, but enabling legislation would be needed to implement certain, other land banking functions if the City were to decide to pursue them.



This is a strategy that is also strongly supported and recommended by the Housing Affordability Study that is currently being conducted by the City of Oklahoma City.

Strategy Description

The City and other relevant stakeholders should establish a nonprofit land bank in OKC to support affordable housing development in the city. The land bank could encourage and accept land donations, as well as reduce transfer fees.

The City and other entities may need to lobby the state legislature to expand land banking functions in the state if currently allowed land banking functions are determined by the City to be inadequate.

Recommended Actions

1. Evaluate the creation of a nonprofit land bank and the functions it can engage in under current Oklahoma statute. The City and other groups such as the Oklahoma Coalition for Affordable Housing may need to lobby the state legislature to expand land banking functions through legislative changes if current allowable functions are deemed to be inadequate. Until those changes can be made, the City should make use of current, allowable land bank functions with the possibility of expanding them later.
2. Establish the mission, vision and goals of the land bank.
3. Create Articles of Incorporation, a Board of Directors and other needed documents to establish the land bank nonprofit entity.
4. Explore and secure all possible funding sources to establish and sustain the land bank.
5. Fold lien forgiveness program into land bank functions (see following strategy)
6. Establish the land bank, begin operations and track outcomes.

Implementation Group

- Oklahoma City Planning Department – Community Development Division
- Oklahoma City Planning Department – Plan Development & Implementation Division
- Oklahoma City Manager’s Office
- CoC Lead Agency (Oklahoma City Homeless Services)

Possible Performance Measures

1. Number of property acquisitions
2. Number of properties demolished, constructed or rehabilitated
3. Number/percent of affordable housing units created at 30% AMI
4. Number/percent of affordable housing units created at 60% AMI

2.C) LIEN FORGIVENESS PROGRAM

Some cities are working with developers to create affordable housing by using the value of public land to subsidize new housing for low-to moderate-income households. Cities may own properties that include vacant or underutilized buildings, or those no longer used for their original purpose such as a school or community center. Cities could offer these properties to developers at no or reduced cost if the developer commits to including affordable housing.

Cities have also begun to address and reduce “lienfields,” which are properties with accumulated unpaid taxes or liens over many years. Cities can address these lienfields through actions that reduce or remove back taxes. Some cities have allowed property owners to deed their vacant or abandoned property to the city. The city accepts the property as a donation and waives all back taxes. This newly acquired public land can then be offered to developers at no or reduced cost if the developer commits to including affordable housing in the development.

PHILADELPHIA, PENNSYLVANIA THE DONOR-TAKER PROGRAM

The Donor-Taker Program in Philadelphia allows property owners to deed their vacant or abandoned property to the city, which accepts it as a donation and waives all tax liens. The Redevelopment Authority (RDA) then takes ownership of the property and can transfer it to individuals, community organizations, or city agencies under the city’s “Gift Property” program.

The Donor-Taker and Gift Property Programs receive applications where staff check to see if other applicants exist and if there are any public plans for the property. The applicant (Taker) submits a rehabilitation plan and is deeded the property at no cost if approved.

https://www.huduser.gov/portal/publications/pdf/BarriersVol1_part2.pdf

Strategy Description

Planning participants discussed the need to create a lien forgiveness program that would allow property owners to gift land to the City in exchange for reducing or removing back taxes. The City could offer these properties to developers at no or reduced cost if the developer commits to including affordable housing in their project. If a land bank can be established in some form, planning participants also indicated that the lien forgiveness program should then be folded into that program. This strategy will require collaboration with government offices/organizations at the County level.

Recommended Actions

1. The City should work with the County to establish a lien forgiveness program and help create or determine the mission, goals and vision of the lien forgiveness program, program eligibility requirements and operating procedures, and application process for property owners and developers.
2. Establish the lien forgiveness program and track outcomes.



Implementation Group

- Oklahoma City Planning Department, Housing and Community Development Division
- Oklahoma County Assessor's Office
- Oklahoma County Commissioner (Carrie Blumert recommended)
- CoC Lead Agency (Oklahoma City Homeless Services)

Possible Performance Measures

1. Number of property owner applications
2. Number of properties gifted to the city
3. Amount of back taxes reduced or waived
4. Number/percent of affordable units created at 60% AMI and below
5. Number/percent of affordable units created at 30% AMI and below

2.D) FOLLOW THE RECOMMENDATIONS OF THE AFFORDABLE HOUSING STUDY

As previously mentioned, Oklahoma City has been undertaking a Housing Affordability Study (HAS) during the same period that this Homeless Strategy has been in development. While the HAS has not been released yet, many of its recommendations will support the affordable housing recommendations made in this document. However, the HAS also features a full analysis of impediments to affordable housing and goes much farther in its recommendations to remove barriers to housing for residents of low to moderate income.

According to the National Low Income Housing Coalition, five years ago, Oklahoma City did not even rank as one of the top 5 most expensive areas in the state. In 2020 it was ranked first. In 2020, a person making minimum wage had to work 69 hours a week to afford an apartment at fair market rent. That is up two hours from the previous year and three from 2018.¹⁶ With nearly half of Oklahoma City's population making less than the median income, this would appear to indicate a large affordability gap that is growing at rate that many would find alarming.¹⁷

The City of Oklahoma City should take all measures necessary to reverse this trend and prevent a significant increase in homelessness by ensuring all who need housing can afford it. Following these recommendations and the recommendations of the Housing Affordability Study are two significant steps it can take in that direction.

¹⁶ https://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf;
https://nlihc.org/sites/default/files/oor/OOR_2018.pdf;
https://reports.nlihc.org/sites/default/files/oor/OOR_2020.pdf

¹⁷ Housing Affordability Study. Prepared for OKC Planning Department by Economic & Planning Systems, Inc. RRC Associates; February 8, 2021.