

**RURAL HOUSING INCENTIVE STUDY
TASK FORCE REPORT**

January 2001

TO: Governor Frank Keating
President Pro Tempore Stratton Taylor
Speaker Larry Adair
Senator Ted Fisher
Representative Dale Turner

FROM: Russell Sossaman, Chairman, Rural Housing Task Force

RE: Rural Housing Task Force Report

On behalf of the Rural Housing Task Force I am pleased to transmit our final report for your consideration.

As you know, HB 2434, authored by Senator Fisher and Representative Turner, called for the appointment of a task force to determine what housing needs exist in rural Oklahoma and to make recommendations which would enhance the development of housing in rural areas.

As you are well aware, the lack of affordable housing in rural Oklahoma is a serious issue in our state and must be addressed if we are to continue the economic growth Oklahoma is now experiencing.

It is obvious to me that the committee did not take the task lightly, and gave strong importance to attempting to solve the housing crisis in rural Oklahoma.

The final recommendations are included in this report. Some will require legislative action and others will require cooperation and coordination among housing providers and developers.

In summary, the recommendations include:

- identifying the number and the type of housing needed in rural Oklahoma
- recommended incentives which will cause the development of needed housing in rural areas
- increasing the assistance available to rural communities and developers in order to create new housing
- Renewable financing for the state Housing Trust Fund

The development of new decent and affordable housing in Oklahoma is a critical issue for every growing community's economic development as well as the health and happiness of Oklahoma's families. We hope that the report will be of assistance in your efforts to help communities and businesses in Oklahoma to prosper.

SUMMARY REPORT

RURAL HOUSING TASK FORCE RECOMMENDATIONS

REQUIRES LEGISLATIVE ACTION:

- Find a permanent source for significant funding for the Housing Trust Fund
- Reallocate the state bond cap allocations with a greater emphasis on housing in rural areas
- Develop targeted programs/funds for housing in rural areas
 1. State tax credit for rural housing developers
 2. Tax credits to employers that participate in down payment programs
 3. Develop incentives for infill housing development in rural towns
 4. Use enterprise zones for incentives to build housing
- Increase the dollars and staff who would be involved in pro-active housing development in rural communities
- State should update definitions of various types of alternative housing structures. These updated definitions can then be used by municipalities to modernize the municipal codes if necessary.

COORDINATION AND/OR POLICY RECOMMENDATIONS:

- Conduct a 77 county market analysis/state housing needs assessment. Supply this information to the sub-state planning districts through the CIP (Capital Improvement Planning) Program. The information should be made available to banks, cities, developers and other relevant parties.
- Encourage municipalities to modernize zoning codes to allow the use of alternative housing methods
- Increase home-buyer education programs and awareness
- Encourage all state agencies with housing resources to examine their allocations and resources for rentals, rehabs and homeownership for maximum impact.

**TECHNICAL ASSISTANCE
RECOMMENDATIONS:**

- Create a pro-active housing development program to assist rural cities/towns in developing housing.
 Increase funding and staff to entities involved in rural housing.
- Simplify the application process for federal housing programs administered by state agencies
- Encourage existing housing programs to focus on infill housing.

TASK FORCE MEMBERS*

Senate Appointees:

Congressional District #1	Owen (Chip) Ard, Tulsa
Congressional District #2	Ron Smith, Sapulpa
Congressional District #3	Greg Massey, Durant
Congressional District #4	Kay Absher, Norman
Congressional District #5	E. Allen Cowen II, Oklahoma City
Congressional District #6	Harold Gleason, Thomas

House of Representatives Appointees:

Congressional District #1	Doug Wilken, Tulsa
Congressional District #2	Bryan Burrows, Wagoner
Congressional District #3	Russell Sossaman, Hugo
Congressional District #4	Leo Fallon, Frederick
Congressional District #5	Steve Harry, Sr., OKC
Congressional District #6	LaVern Phillips, Woodward

Governor's Appointees:

Congressional District #1	Gaylyn Haynes, Tulsa
Congressional District #2	Bill Johnson, Muskogee
Congressional District #3	Chris Harden, Shawnee
Congressional District #4	Linda Price, Norman
Congressional District #5	Rex Smitherman, Oklahoma City
Congressional District #6	Jess Nelson, Guymon

OKLAHOMA HOUSING FINANCE AGENCY
Dennis Shockley – Executive Director of OHFA

* Task Force members were appointed pursuant to the requirements of HB 2423 enacted in May 2000 and codified in the Oklahoma Statutes as Section 2909 of Title 74 which created the Rural Housing Incentive Study Task Force.

Rural Housing Incentive Study Task Force Report

House Bill 2434 enacted in May 2000 and codified in the Oklahoma Statutes as Section 2909 of Title 74, created the Rural Housing Incentive Study Task Force.

Task Force Composition

The Task Force is composed of:

- ↪ Six members appointed by the governor
- ↪ Six members appointed by the Speaker of the Oklahoma House of Representatives
- ↪ Six members appointed by the President Pro Tempore of the Oklahoma Senate
- ↪ One member appointed by a majority of the Board of Trustees of the Oklahoma Housing Finance Agency

Appointees represented all six US Congressional districts within Oklahoma and were selected by the appointing authorities based on their experience in housing such as:

- ↪ Private and public finance
- ↪ Construction of single and multi-family housing
- ↪ Federal or state tax and related incentives
- ↪ Other experience or expertise in housing related enterprises

The listing of Task Force appointees is provided as Exhibit #1.

Task Force Purpose

The charge of the Task Force was to study the existing federal, state and local incentives and programs available to private developers and private sources of capital for the construction or acquisition of single and multifamily dwellings in rural areas. Additionally, the Task Force was to

review county market conditions to determine the need for rural housing units.

Housing Conditions In Oklahoma

In 1998, a joint study, performed by the Oklahoma Department of Commerce and the Oklahoma Housing Finance Agency of fourteen rural Oklahoma counties across the state, revealed the demand for 10,596 single-family units with sales prices mostly below \$70,000 and a demand for 3,849 rental units. Additionally, the study reveals that the rural markets are very active in all price ranges: average listing terms are relatively short and list and sales prices are relatively the same.

From 1990 to 2000, Oklahoma's population has grown by 9.7% according to data from the 2000 U.S. Census. Oklahoma experienced a total population growth of over 300,000 residents, from 3.1 million in 1990, to the current 2000 population of over 3.4 million. Over the same period of time, approximately 240,000 new jobs have also been created throughout the state. As a result, additional housing must be created to accommodate this growth in the state.

Findings

The Task Force held three meetings in the Fall of 2000. These meetings resulted in findings summarized into three core areas:

↳ **The identification of rural housing issues (Exhibit #2):**

- ✓ Lack of Strategic Planning
- ✓ Housing Development Costs Are Problematic
- ✓ There is a Lack of Borrower's Capital
- ✓ There is a Lack of Available Housing Inventory

↳ **A summary of existing resources and resource gaps that inhibit rural housing development (Exhibit #3). Those gaps include:**

- ✓ Policy
- ✓ State incentives
- ✓ Market analysis
- ✓ Increased funding
- ✓ Information clearinghouse

- ✓ Technical assistance
- ✓ Reallocation of the bond cap

↪ **Proposed recommendations for action:**

- ✓ Legislative actions
- ✓ Coordination and/or policy recommendations
- ✓ Technical assistance

Proposed Recommendations

The three core recommendations made by the Task Force are:

- ↪ Take legislative action where necessary.
- ↪ Make coordination and/or policy changes in the state's approach to rural housing development.
- ↪ Provide rural communities with technical assistance.

The details for each recommendation are delineated below along with the Task Force's recommendations regarding the entities that should assume lead roles in the execution of the various actions.

Legislative Actions

- Find a permanent significant source of funding for the Housing Trust Fund.
- Reallocate the state bond cap allocations with a greater emphasis on housing in rural areas.
- Develop targeted programs/funds for housing in rural areas:
 - ✓ State tax credit for rural housing developers
 - ✓ Tax credits to employers that participate in down payment programs
 - ✓ Develop incentives for infill housing development in rural towns
 - ✓ Use enterprise zones for incentives to build housing
- Increase the dollars and staff who would be involved in pro-active housing development in rural communities.

- State should update definitions of various types of alternative housing structures. Updated definitions can then be used by municipalities to modernize the municipal codes if necessary.

Coordination and/or Policy

Recommendations

Responsible Entity

- | | |
|---|--------------------|
| <ul style="list-style-type: none"> ➤ Conduct a 77 county market analysis/state housing needs assessment. Supply this information to the sub-state planning districts through the CIP (Capital Improvement Planning) Program. The information should be made available to banks, cities, developers and other relevant parties. | OHFA/ODOC |
| <ul style="list-style-type: none"> ➤ Encourage municipalities to modernize zoning codes to allow the use of alternative housing methods | OML |
| <ul style="list-style-type: none"> ➤ Increase home-buyer education programs and awareness | OAACAA, OML |
| <ul style="list-style-type: none"> ➤ Encourage all state agencies with housing resources to examine their allocations and resources for rental, rehab and homeowner for maximum impact | OHFA, ODOC,
DHS |

Technical Assistance

Recommendations:

Responsible Entity

- | | |
|--|---|
| ➤ Create a pro-active housing development program to assist rural cities/towns in developing housing. Increase funding and staff to entities involved in rural housing | OHFA,ODOC,
FHLB, SSPD's,
CHDOs, OML |
| ➤ Simplify the application process for federal housing programs administered by state agencies | OHFA, ODOC |
| ➤ Encourage existing housing programs to focus on infill housing | OHFA, OML, HUD,
CHDOs, FHLB |

EXHIBITS

Exhibit #1

TASK FORCE MEMBERS*

Senate Appointees:

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Exhibit #2

To: Russell Sossamon, Chair; Jess Nelson, Vice Chair;
Senator Ted Fisher; Representative Dale Turner;
Rural Housing Incentive Study Task Force Members

From: Byron DeBruler, OHFA facilitator

Subject: Facilitation Results from First Task Force Meeting

Date: 9/21/00

Agenda item two resulted in the identification of the rural housing issues below. The general consensus of the Task Force is that the issues are present in some combination in all Congressional Districts of our state.

Lack of Strategic Planning

- Cities and towns are often not involved in the development of housing solutions.
- There are limited personnel resources at the local level.
- There is a need to identify and educate community teams in order to establish dreams of homeownership.
- There needs to be an appropriate identification of communities with need.

Housing Development Costs Are Problematic

- Infrastructure development costs are high.
- The cost of development is higher in rural areas.
- There is a lack of ready to build platted lots with infrastructure.
- There are up-front costs associated with development.
- There are volumes of substandard rental and ownership units.

There is a Lack of Borrower's Capital

- Acceptable financing is a struggle for some older homes that are available for starter units due to their age and condition.
- The financing of suitable units is not always available in cities of less than 2,000 population particularly for young families.
- Families are not able to afford "front monies" to buy homes.
- Cost vs. ability to pay is a problem.
- The up-front cost of home purchase is a problem for low-and-moderate income homebuyers.

There is a Lack of Available Housing Inventory

- There is a lack of availability of affordable housing.
- There is a lack of quality housing in rural Oklahoma.
- There is a need for more housing in order to attract industrial development.
- There is a need for in-fill housing.
- The existing housing stock is old.

There is a Need for Synergy Between Housing Resources

- There is a lack of state funding.
- Production of housing units.
- There is a lack of developers/builders.
- There is a lack of development.
- There is not enough affordable units being built.
- There needs to be a critical mass.
- There needs to be tandem development between employment and the availability of housing.

Exhibit #3

Report of Data from Rural Housing Incentive Study Task Force October 5, 2000---Second Meeting

Task Force Mandated Output:

By December 31, 2000 produce a written report of findings and conclusion regarding incentives or programs available for the construction or acquisition of dwellings in rural areas. Recommend changes in existing State or political subdivision policies or programs affecting the availability of affordability of rural housing.

Forced Field Analysis of Problem							
Goal:	Available & affordable housing in rural OK						
Present Situation:	Lack of Strategic planning	Problematic housing dev. costs	Lack of borrower's capital	Lack of available inventory	Need for synergy between housing resources		
Unavailable & unaffordable housing in rural OK	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Policy	State incentives	Market analysis	Increased funding	Info. clearing house	Technical assistance	Reallocation of bond cap

Vision of the goal realized

<ul style="list-style-type: none"> *Repository—central spot for information locally *Stabilized rural economy—stable communities; people living where work *Less haphazard funding system supports “dream” *Seeing no vacant, sub-standard housing; boarded-up houses *Neighborhoods *Rental housing procedures different *People realize they can be home owners *Housing & education assists to those who have a dream of a home *Aging homes are available that are maintained & rehabilitated *Those who want a home not hampered anymore by \$/cost *Owners educated on upkeep 	<ul style="list-style-type: none"> *Increased # of one-stop centers *Contractors building in response to demand *OK state law modeled after FL’s that makes a funded trust fund *Everyone who wants a home has one *Employers can find housing for prospective employees *Everyone housed to own satisfaction *Employees will be able to afford housing on their incomes *People renting—safe, affordable rentals *Housing costs don’t exceed 30% of personal (adjusted?) income *See no vacant lots in communities; in-filled homes *Starter units/local source/office
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What resources already exist in part or in whole that address the five issues?

[# indicates the “votes” each item received]

Lack of strategic planning	Lack of strategic planning, continued
<ul style="list-style-type: none"> *Sub-state planning districts—12 *OHFA—11 *OK Municipal League—10 *CHDOs/CAAs—9 *State data center (at Commerce)—6 *Local banks—6 *Chambers of Commerce—6 *OHEA—5 *Cities' condemnation process—4 *Capital Improvement Planning (CIP)—4 *OSU/OU & other colleges (evaluate housing construction options)—3 *COGs; Substate Planning District--2 *FHLB—2 *HUD Community Builders—1 *Private consultants—1 *OCI—1 *City CD departments—1 *Home buyer education (central grant at Community Action Agency)—1 *Citizen participation—1 *HUD technical assistance (Allan Borut)—1 	<ul style="list-style-type: none"> *Council of Governments *Local comm groups *Tribes *USDA—RD Council *USDA—Self-help housing *OSU extension offices *Certified Cities committees *Main Street organizations *SSPD/COA *Local Ed groups *CDBG T/A planning grants *Enterprise Foundation *ODOC—ROT *Utility CD groups

Lack of Available Housing Inventory	Lack of Available Housing Inventory, cont.
<ul style="list-style-type: none"> *Vacant lots (infill)—15 *Existing public/private development resources—14 *Modular home builders(manufactured houses; evaluate best system)—13 *Existing affordable builders/developers—11 *2nd Floor of Main Street buildings—9 *Expand CIP inventory to include houses—5 *Existing substandard housing stock (rehab)—5 *Vacant existing downtown buildings & schools—5 *Manufactured housing suppliers—5 	<ul style="list-style-type: none"> *Vacant hospitals/motels—1 *FHA 203K--1 *Volunteers to rehab & rebuild—1 *Empty or underused college dormitories

Housing Development Costs Are Problematic	Need for Synergy Between Housing Resources
<ul style="list-style-type: none"> *Infill lots—15 *Resources available in OK Housing Resources Guide--11 *Employer contributions—10 *City resources—7 *Community Action Agencies—7 *OHFA—6 *CHDO—5 *State CDBG—4 *Financial institutions—4 *Housing authorities--3 *Universities—3 *Lease paybacks to developers—2 *HUD—2 *Cost beneficial partnerships—2 *Assessment dist—2 *FHLB—1 *OK Rural Development Council--1 *Prisons *Volunteers *Technical training *HAC *OWRB *TIFD *RWDs 	<ul style="list-style-type: none"> *State agency guidance (OHFA, Commerce)—12 *HUD technical assistance—9 *Community Housing Development Organizations (CHDOs)—7 *OHFA/Chambers of Commerce—7 *Towns have affordable lots with infrastructure in place—6 *Tax credits (State?)—6 *State Housing Trust Fund—5 *Central source for housing option information (OHFA)—3 *Town's local resources for cash match—3 *HUD community builders—3 *OK Association of Community Action Agencies—2 *HOME funds—2 *FNMA—2 *Local employers want to participate in housing—2 *Partnership facilitation—2 *Banks—1 *OK Home of Your Own—1 *Board of Realtors *NOAH *Technology *Local employers

Lack of Borrower's Capital	Lack of Borrower's Capital (continued)
<ul style="list-style-type: none"> *Grant and loan programs for first time home buyers—19 *City + housing authority subsidies/land contribution—17 *Employer Assistance Programs (EAP)—7 *Fannie, Freddie, Ginnie—7 *OK Housing Resource Guide—6 *Local banks & CRA—5 *Vo-Techs (Career & Tech. Ed. Centers) home owner education—4 *Local bond issues—3 	<ul style="list-style-type: none"> *FHLB—3 *CHDO proceeds—2 *CAAs' programs—2 *Lease purchase programs—2 *FHA/VA&RD—2 *IDAs—2 *Section 8—1 *CDCs—1 *HUD—1 *Local & OHFA MRB/DPA—1 *SBA *Meta Fund

What solutions do you propose to fill the gap between the existing situation and your vision of the goal realized (e.g., propose enhanced use of existing resources, new incentives, new ideas, best practices, changes, etc.) ?

Policy	State Incentives	Market Analysis	Increased Funding
<ul style="list-style-type: none"> *Eliminate State centralized procurement/purchasing procedures *Lesson standards for slow payers *De-politicize funding selection process *Analyze distribution of funds between ownership vs rentals *Home buyer education on home up-keep & home ownership *[State to allow] Flexibility on all federal income limits for rural areas *Modernize zoning codes to allow modular homes 	<ul style="list-style-type: none"> *State tax credit for rural developers *State tax credits *Tax credits to employers that participate in down payment programs *Incentives for infill housing development *Seed \$ for modular housing plants *State loan guarantees (take-outs) *Use Enterprise Zones 	<ul style="list-style-type: none"> *Coordination of supply and demand *State housing needs assessment *Conduct 77-county market analysis using CIP process *Market analysis involving local communities to OHFA *Listing of vacancies within Housing Authorities *Study of alternative housing methods 	<ul style="list-style-type: none"> *Fund the Housing Trust Fund *Infuse major \$ into State Housing Trust Fund--\$25million *Expand OHFA mandate/programs *Communities develop matching funds for grants *Reserve & target State programs/funds for rural areas

Information Clearing House	Technical Assistance	Reallocation of Bond Cap
<ul style="list-style-type: none"> *Create a statewide centralized agency or department for a source of assistance for rural housing needs *Simplify application process *One stop shop *Create more user friendly programs for business *Develop unfinished subdivisions 	<ul style="list-style-type: none"> *Housing circuit rider (regional, local, district) *Use Substate Planning Districts to initiate local housing planning *Free up money so expertise can be linked *State provide technical assistance to Housing Authorities to create non-profit housing development agencies 	<ul style="list-style-type: none"> *Dedication of larger bond cap to housing *Bond cap dedicated to rural *More MRBs (rural) *Use mortgage credit certificates