Rapid Response Evaluation: Oklahoma Housing Finance Agency

Report: 23-922-01

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Legislative Office of Fiscal Transparency

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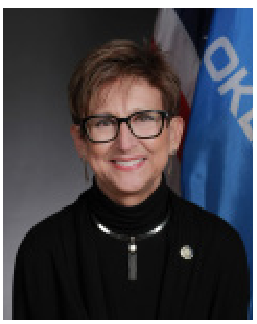
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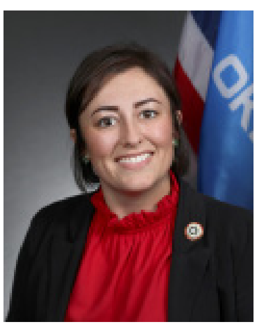
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Key Objectives:

- Identify the operational framework, governance, authority structure, and sources of funding for the Oklahoma Housing Finance Agency.
- Determine the Legislature's authority to direct the Agency's policies and program objectives to accomplish State priorities.
- Assess the agency's role in developing affordable housing.
- Examine OHFA's measures of success for agency programs and assess its effectiveness in addressing affordable housing.

Executive Summary

The Oklahoma Housing Finance Agency (OHFA) finances affordable housing resources for eligible individuals and families. OHFA administers three main programs encompassing two key program types: those which help individuals and families to afford housing - whether through rental or ownership - and those which assist in the development of additional housing, ranging from low income to workforce housing.

Division	Programs
Rental Assistance (Section 8)	Performance Based Contract Administration
	Housing Choice Vouchers
Homeownership Programs	Down payment and closing cost assistance
Housing Development	Subsidies and low interest financing to housing developers for low-income housing

OHFA is not a traditional State agency in that it was not statutorily created, nor does it submit its budget to the Legislature. OHFA was formed without legislative involvement by a Trust Indenture signed by Governor Boren in 1975 and is effectively a public trust with the State as its beneficiary. Despite these anomalies, OHFA functions as a State Agency under the terms of the Oklahoma Public Trusts Act and can promulgate administrative rules and receive appropriations. OHFA is governed by a Board of Trustees appointed by the Governor.

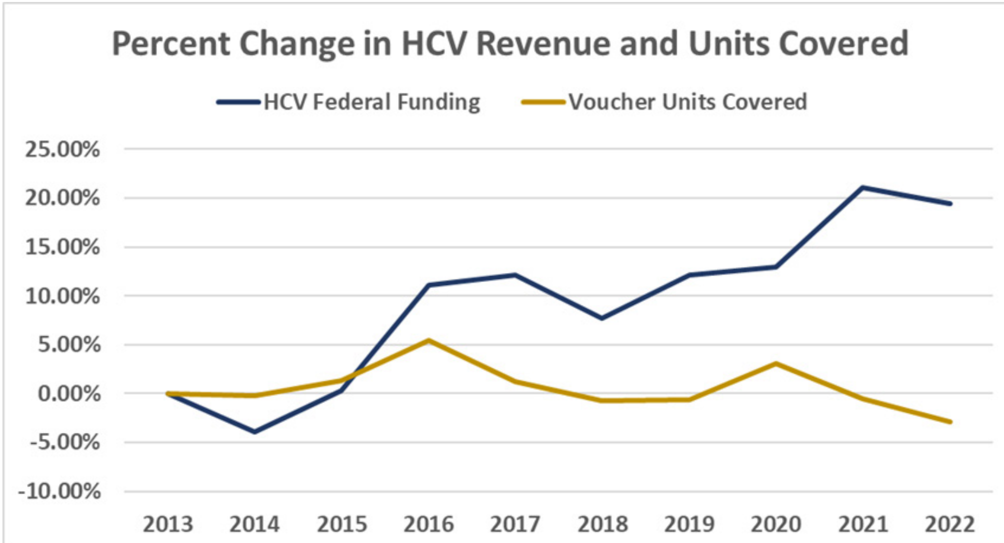
The State does not make regular appropriations to OHFA, as most of its programs are federally funded. In 1998, the agency received a one-time appropriation of $4 million for the Oklahoma Housing Trust Fund program. In 2023, $215 million was appropriated for new programs to increase the supply of affordable housing in Oklahoma. The 2023 funding is more than OHFA receives annually for all other programs combined. The State also supports OHFA's programs through the provision of tax credits, which were established in 2014 to help subsidize the construction of new low-income housing units. This tax credit is paid through the Oklahoma Tax Commission and does not flow through OHFA.

With this evaluation, the Legislative Office of Fiscal Transparency (LOFT) sought to examine OHFA's role and success in addressing the State's housing needs and determine the Legislature's authority to direct OHFA's programs to accomplish State objectives.

This evaluation resulted in three key findings:

Finding 1: Market Conditions are Limiting Impact of OHFA's Housing Assistance Programs

OHFA is primarily an administrative agency responsible for running federal low income housing programs in Oklahoma. LOFT's fieldwork found the agency is considered very effective in this role. However, rising rents and a lack of new low income housing development are blunting the impact of OHFA's programs.



The majority of OHFA's resources are directed at rental assistance programs known as Section 8. OHFA administers two rental assistance programs for those earning less than 50 percent of the Area Median Income: the Housing Choice Voucher (HCV) program and the Performance Based Contract Administration (PBCA) program.

Through the HCV program, in 2022, OHFA distributed approximately $59.8 million in federal funds for 9,847 housing choice vouchers to house an estimated 25,250 residents. With the PBCA program, OHFA provides funding directly to property owners based on occupancy by a qualifying resident. OHFA contracts with 180 properties, providing 12,533 rental units to 31,332 residents. Total program cost is $78.9 million annually. New residents entering PBCA properties have fallen 29 percent since 2013. OHFA attributes this to rising rents, which lead tenants to stay in PBCA housing for longer periods.

The number of families OHFA serves is limited by annual Congressional appropriations to HUD. There are approximately 26,291 people on OHFA's waiting list for rental assistance. In 2022, the average waiting list time was 18 months, six months longer than the average PHA in Oklahoma but less than the national average of 26 months. Currently, OHFA prioritizes those who are disabled or homeless, sending them to the top of the waitlist. OHFA has established partnerships with other government entities and non-profit organizations to help distribute housing vouchers to vulnerable populations. Engagement with stakeholders found OHFA generally administers the housing vouchers programs effectively; demand simply exceeds availability.

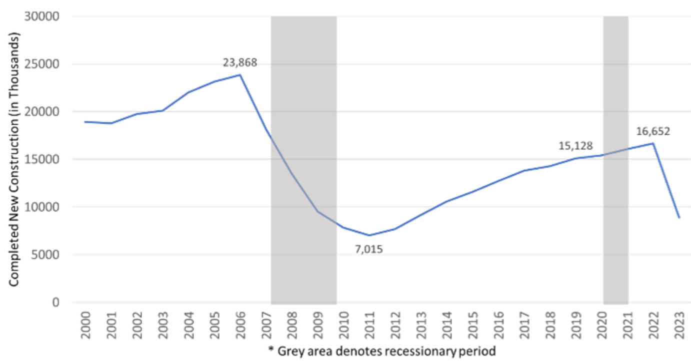
OHFA also administers Homeownership programs which provide downpayment and closing cost assistance to approximately 2,000 Oklahoma borrowers each year. The assistance lowers interest rates and provides a loan for the down payment equal to 3.5 percent of the total loan amount. This assistance must be repaid upon loan maturity, or when the home is sold or refinanced. Because this program is tied to home prices, which are on the rise, it will assist fewer home buyers each year.

Finding 2: OHFA's Development Programs Focus on Low-Income Multi-Family Housing, but Oklahoma Needs Affordable Housing of All Types

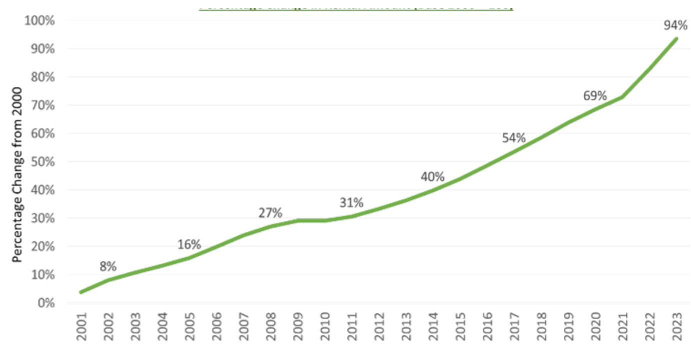
Historically, OHFA has focused primarily on improving the supply of - and access to - low-income housing. This includes a focus on financing the development of low-income housing. However, Oklahoma is also in need of housing that is affordable for its workforce population, whose income exceeds Section 8 income limits but is not sufficient to afford market rate housing.

Oklahoma is feeling the effects of a nationwide decline in housing construction, resulting in the demand for affordable housing outpacing the available stock. Oklahoma needs additional housing stock for both rental and owner-occupied residences. OHFA's most recent housing needs assessment from 2015 projected that Oklahoma would need 43,942 new owner-occupied units and 22,879 rental units by 2020. A new needs assessment is underway, projected to be completed by late 2024.

Number of Homes Built in US



Percent Change in Rental Amount



Administered by the U.S. Treasury Department and locally by OHFA, the Low-Income Housing Tax Credit (LIHTC) program provides an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. The LIHTC is the largest source of affordable housing financing in the United States, subsidizing more than 47,500 projects and 3.13 million housing units nationwide. Oklahoma has its own tax credit program, administered by OHFA, that provides $4 million per year in tax credits which can be used in conjunction with the federal LIHTC. OHFA annually updates the scoring rubric by which it determines which projects receive tax credits, allowing the agency to advance State funding priorities.

Numerous stakeholders, from non-profit organizations to housing developers to local public housing authorities, reported that OHFA was an effective administrator of its programs, as prescribed by HUD. However, the bulk of innovations in housing policy originate with local PHAs and nonprofit organizations, with OHFA serving as an essential partner to support these innovations.

Finding 3: New State Programs Create Opportunities for Innovation in Housing Policy

Between 2021 and 2022, Oklahoma had the tenth-highest net domestic migration and is now the 28th most populous state. However, during that same time frame, housing units increased by just .8 percent. LOFT's review of the current available housing stock across the State found approximately 4,700 move-in ready houses available for purchase with a price between $50,000 and $300,000, a price point that would be considered within the range of affordable housing for those earning the average salary for common occupations like police officers, firefighters, and teachers.

In 2023, the Legislature enacted the Oklahoma Housing Stability Program (OHSP), which created new programs to encourage the construction of affordable homes across the State. The programs are to be administered by OHFA, with a total budget of $215 million. OHFA drafted a white paper to outline its intentions for establishing program guidelines and to solicit public feedback. The current draft proposes three programs: the Homebuilder Subsidy for Homeownership, a zero-interest loan to encourage development of single-family owner-occupied houses; the Consumer Downpayment and Closing Cost Assistance Program, which provides forgivable loans directly to homebuyers; and the Developer Subsidy for Rental Housing, a zero-interest loan for development of rental units.

Oklahoma Housing Stability Programs Created by HB1031X	
Program	**Amount Dedicated**
Oklahoma Homebuilder Program	**$106 Million**
Homebuilder Subsidy for Homeownership	$100.7 Million
Administration	$5.3 Million
Increased Housing Programs	**$109 Million**
Developer Subsidy for Rental Housing	$63.55 Million
Consumer Downpayment and Closing Cost Assistance Program	$40 Million
Administration	$5.45 Million

OHFA's current proposed guidelines substantially increase the program's potential impact over the first iteration proposed. Previously, each developer program offered grants which would have subsidized the building costs for new units. This approach would have depleted the funds after their initial award. The legislation creating the Housing Stability Program authorizes developers to apply for gap financing in building both single-family and multi-family homes across the state. The draft guidelines published by OHFA on August 4, 2023, changed the structure of the program from providing grant funding to providing zero percent interest loans. **With the repayment of these funds, these programs will provide over $164 million for the State of Oklahoma to redeploy in perpetuity.**

Oklahoma has dedicated substantial resources to improving the State's manufacturing capacity, but lack of available housing near potential manufacturing sites is an impediment to growth. Oklahoma needs a formalized connection between its lead economic development agency and the agency with the power to incentivize housing development. Some of the funding for the Housing Stability Program could be dedicated for locations in and around existing shovel-ready industrial sites, or the State's lead economic development agency could be given a say in scoring some portion of proposals to ensure alignment with future workforce housing needs.

In addition to these strategic considerations, Oklahoma needs the ability to be fast and flexible with its housing, especially in the short term. If a State goal is to develop affordable, quality housing quickly and efficiently, State policy ought to leverage new technologies and building practices that enable faster, cost-efficient construction, as long as it meets quality standards. For example, manufactured, or prefabricated housing, can cost half as much per square foot to build, and has a significantly shorter build time. OHFA's early drafts of the proposed guidelines for the OHSP excluded mobile, modular, and other innovative housing options. However, the current draft allows developers to decide whether the increased price of brick or stone is desirable to the market they are trying to serve, while Oklahoma's uniform building code ensures a certain level of quality.

With the newly created programs and accompanying funding, the Legislature has an opportunity to direct program objectives to accomplish the State's priorities of creating more housing that is affordable for its current and future workforce needs, as well as making home ownership attainable for more families. Currently, statute allows OHFA to establish administrative rules for the new housing programs. However, OHFA has chosen to keep administrative rules broad while setting program eligibility through the application phase. OHFA has demonstrated it is an effective program administrator when it receives clear direction, as it does with HUD programs. As the policymaking arm of State government, the Legislature can and should provide more detailed direction to OHFA about the objectives to be accomplished with the new programs. Additionally, the Legislature can determine how flexible the program parameters can be in terms of allowable building methods and materials, types of housing to be developed, and eligibility of participants.

Summary of Policy Considerations and Agency Recommendations

Policy Considerations

The Legislature may consider the following policy changes:

- Requiring OHFA to capture and report annual income assessment data that will assist in developing Key Performance Indicators to assess the long-term effectiveness of housing assistance, including:
    - A family's earned income and unearned income at time of application and upon departing OHFA's assistance.
    - The length of time families stay on housing assistance.
    - The number of families actively enrolled and graduate from the Family Self Sufficiency program.
- Requiring OHFA to report monthly on its public facing website:
    - The total number of individuals receiving housing assistance, the duration of the housing assistance, and the conditions that led to the recipient moving off of housing assistance.
    - Average housing voucher placement rate, as reported to HUD through the OHFA Monthly HCV Utilization Report
    - The current capacity of the Family Self Sufficiency Program and available slots.
    - A list of current grant opportunities from HUD and the status of applications
- Providing OHFA guidance on prioritization of the waiting list for housing vouchers.
- Requiring OHFA to adopt rules for Housing Stability Program to ensure affordability of homes developed.
- Align incentives of the Oklahoma Housing Stability Program to dedicate a portion of new housing to areas where the State has existing investments in "shovel-ready" industrial sites.
- Create a process for the State's lead economic development agency to have input in determining housing development needs that align with workforce needs.
- Define "affordable" housing for the purpose of the Oklahoma Housing Stability Program to ensure that the workforce population is encompassed.
- Reduce the weights of the price per square foot in the Homebuilder Subsidy for Homeownership Program scoring to avoid incentivizing only the lowest quality builds.

Agency Recommendations

The Oklahoma Housing Finance Agency should:

- Measure and report outcomes of the Family Self Sufficiency Program, including capacity of program and current participation level.
- Increase the visibility of the Family Self Sufficiency Program on its website and promote greater awareness of the program to clients.
- Dedicate an employee to reviewing HUD grant opportunities to identify and apply for grants that OHFA is eligible for.
- Consider using Low Income Housing Tax Credits for housing developments that have mixed income levels to decentralize poverty.
- Consider revising the current QAP credit per unit to incentivize unit sizes and quality that are better suited to families.
- Craft rules for the Housing Stability Program that allow for developers to use emerging housing construction technologies.

Introduction

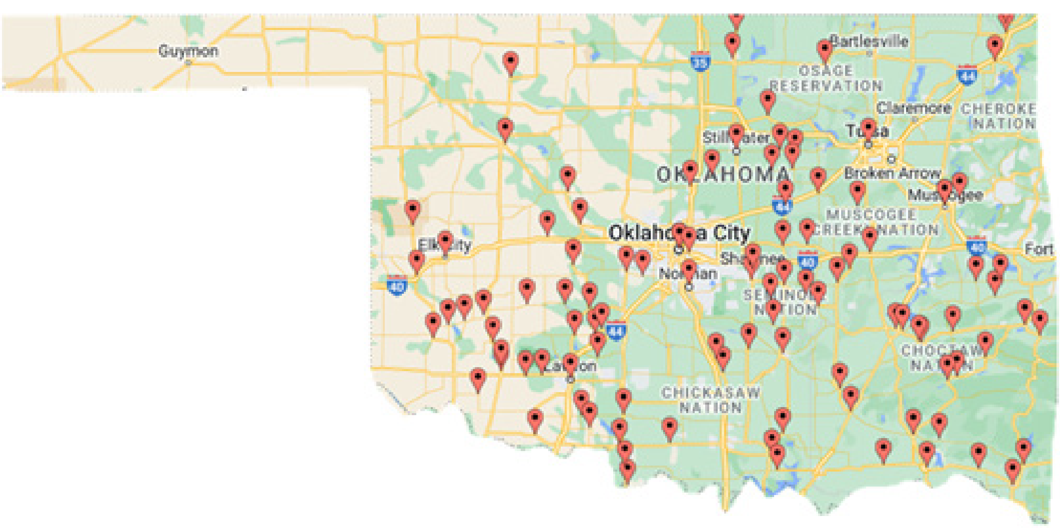
The Oklahoma Housing Finance Agency (OHFA) is a State public trust that finances affordable housing resources to low- and moderate-income families. Utilizing federal funds, OHFA provides financial assistance to eligible individuals through rental assistance programs (commonly referred to as Section 8 Housing) and homeownership programs. Additionally, the Agency may subsidize the acquisition, construction, and rehabilitation of affordable rental housing.

State Public Housing Finance Agencies

In the 1960s, states began establishing housing finance agencies designated as state-chartered authorities to help finance the development of affordable housing for low-income residents.[1]

OHFA is the State's designated housing finance agency, although it is just one of the many Public Housing Authorities (PHA) that operate across the State. PHAs can exist at the state, city, county, or municipal level to administer federal housing programs. However, other PHAs in Oklahoma are limited geographically in their operations, whereas OHFA – as a State entity - has statewide jurisdiction to administer programs. Unlike the other 102 PHAs across Oklahoma, OHFA's emphasis is on financing housing, rather than building or managing housing units.

Exhibit 1: Public Housing Authorities Operating in Oklahoma. *(This map depicts the location of 103 PHAs located in the State, including OHFA in Oklahoma City.)*



Source: U.S. Department of Housing and Urban Development (HUD).

OHFA Mission Statement:

To provide housing resources with an eagerness to serve.

Affordable Housing:

Generally defined as housing where the occupant pays no more than 30 percent of gross income for housing costs, including utilities.

—United States Department of Housing and Urban Development

1. National Council of State Housing Agencies, "At the Center of Affordable Housing Finance of State Housing Finance Agencies."

Governance

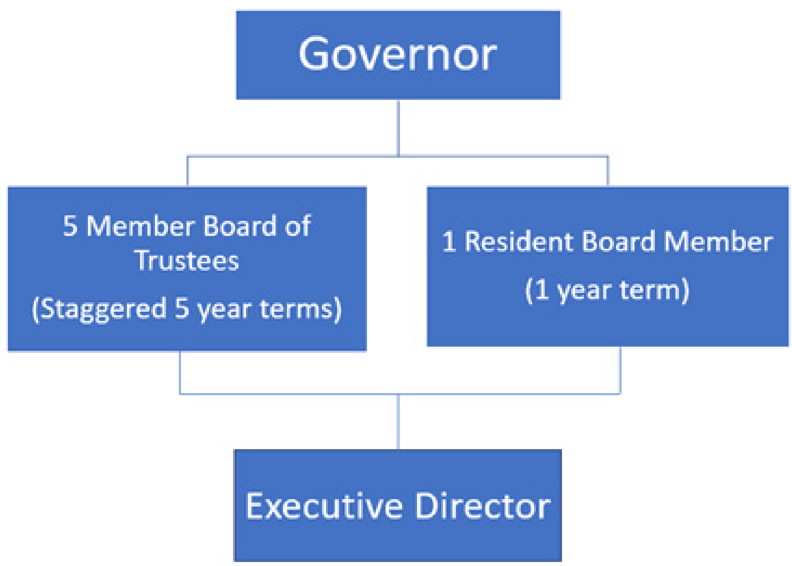
OHFA's governance structure differs from that of a traditional State agency. The State's Comprehensive Annual Financial Report classifies OHFA as a "major component unit" alongside entities such as the Grand River Dam Authority and the Oklahoma Turnpike Authority. This categorization describes "operations that have certain independent qualities but for which the State has financial accountability."[2] It is OHFA's position this categorization is not applicable to it since the State does not have financial accountability for OHFA. A more accurate description of OHFA's status is that it is a public trust with the State of Oklahoma as its beneficiary. The Legislature did not create OHFA; it was formed and operates pursuant to a Trust Indenture signed by Governor Boren in 1975, and most recently amended by Governor Keating in 2002.[3]

Despite the absence of legislation creating a State Housing Finance Agency, OHFA functions as an Agency of the State under the terms of the Oklahoma Public Trusts Act. It is able to promulgate administrative rules within the limits of the trust indenture and receive appropriations.[4] The budget division of the Office of Management and Enterprise Services considers OHFA a "non-budgeted" state agency that is not required to submit an annual budget to the Legislature.

OHFA is governed by a five-member Board of Trustees and one Resident Board Member who is a current recipient of one of OHFA's Section 8 rental assistance programs. All members are appointed by the Governor. The Trustees appoint an Executive Director who manages the day-to-day operations of the Agency.[5]

In FY 23, the Agency had 126 FTEs.[6] As a public trust entity, agency personnel are not State employees, however, staff may participate in the Oklahoma Public Employees Retirement System.

Exhibit 2: OHFA Governance Structure. *(This organizational chart shows the governance structure of the Oklahoma Housing Finance Agency.)*



Source: OHFA, Third Amended Trust Indenture

2. State of Oklahoma Annual Comprehensive Financial Report 2021.
3. See Appendix B for selected portions of the original and most recent trust indentures. The full versions are available on LOFT's website.
4. 60 O.S. § 179. "The trustee, or trustees, under such an instrument or will shall be an agency of the state and the regularly constituted authority of the beneficiary for the performance of the functions for which the trust shall have been created."
5. Oklahoma Housing Finance Agency Third Amended Trust Indenture.
6. Refer to Appendix C for list of OHFA FTEs by division.

Funding

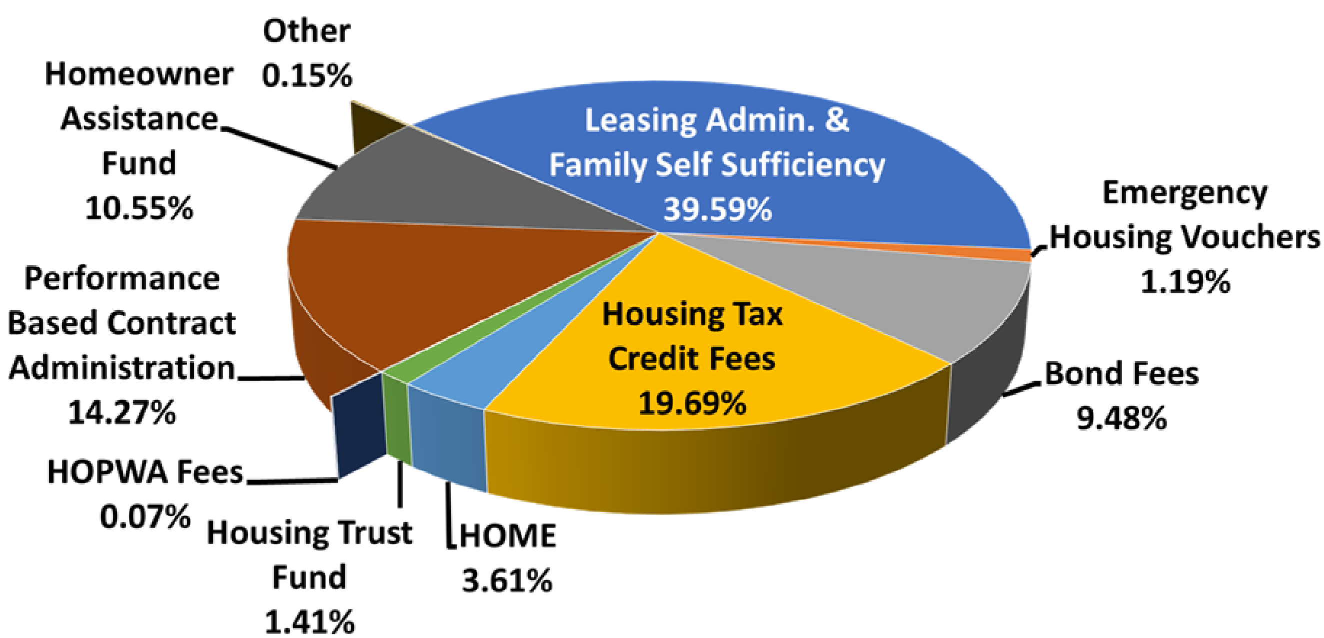
Nearly all of OHFA's funds are from the federal government, with the majority coming from the Department of Housing and Urban Development (HUD) and the U.S. Treasury Department. Federal funds subsidize both Section 8 programs, the mortgage loan programs, and the tax credits for developers.

OHFA does not regularly receive State appropriations. In 1998, the agency received a one-time appropriation of $4 million for the Oklahoma Housing Trust Fund (OHTF) program. In 2023, $215 million was received to fund two new programs designed to increase the supply of affordable housing in Oklahoma.[7]

OHFA's total operating revenue for 2022 was $19.8 million and total expenses were $14.5 million.[8] Total agency revenues for 2022 were $142.1 million, and total expenses $177.4 million, including all pass-through funding.[9] Additionally, OHFA's net position as of 2022 was $161.7 million.[10]

The State also supports OHFA's programs through the provision of tax credits. The Oklahoma Affordable Housing Act of 2014 granted OHFA the authority to establish criteria and grant awards for the Oklahoma Affordable Housing Tax Credits. This tax credit is awarded to developers to help subsidize the construction of new low-income housing units. It can be used in conjunction with federal tax credits but may not exceed them.[11] The tax credit is paid through the Oklahoma Tax Commission and does not flow through OHFA.

Exhibit 3: OHFA Administrative Revenue by Source and Program. *(This pie chart depicts administrative revenue by program. The tax credits are not reflected, as OHFA only approves which projects receive credits but does not disperse any funds.)*



Source: OHFA.

7. Oklahoma Housing Finance Agency Program Guide. HB 1031X (2023) created the Homebuilder Program and the Housing Stability Program. HB 1004X (2023) created and dedicated one-time funds to the programs' respective revolving funds.
8. The Oklahoma Housing Finance Agency, "FY 2022 Cost Center Analysis."
9. The Oklahoma Housing Finance Agency, "OHFA FY22 Audited Financial Statement."
10. The Oklahoma Housing Finance Agency, "Financial Statements and Supplemental Information," Sep. 30, 2022.
11. 68 O.S. § 2357.403 (OSCN 2023).

Expenditures

In May of 2023, OHFA completed renovations to its Oklahoma City office building, which OHFA has owned and operated since 2001.[12] The work totaled roughly $15 million. According to OHFA administration, the work addressed outdated plumbing and electrical systems, brought the facility into ADA compliance, and allowed for an updated floor plan. The renovations were paid for, in part, by a $2.75 million grant from HUD via Cares Act funding, with the balance covered by unrestricted OHFA funds.

Exhibit 4: OHFA's Top 5 Expense Categories. *(This table reflects OHFA's top expense categories for 2023. Administrative expenses are paid from program funds based on federal administrative fee allowances.)*

	OHFA	
Top 5 Expenses	Salaries	$ 9,334,877.00
	Contract Services	$ 820,750.00
	Office Space	$ 785,292.00
	Capital depreciation	$ 733,726.00
	Repairs and Maintenance	$ 728,800.00

Source: OHFA's 2023 Budget.

Exhibit 5: OHFA's Top 5 Expense Categories by Program. *(The tables below depict the top 5 expense categories by each of OHFA's three program areas.)*

Rental Assistance	
Salaries	$ 3,356,191.00
Office Space	$ 314,618.00
Contract Services	$ 240,000.00
Repairs and Maintenance	$ 183,000.00
Postage and Express	$ 176,000.00

Homeownership	
Salaries	$ 1,659,014.00
Contract Services	$ 353,000.00
Bad Debt Expense	$ 262,500.00
Repairs and Maintenance	$ 220,000.00
Financial Services	$ 130,000.00

Development	
Salaries	$ 1,174,262.00
Housing Needs Study	$ 366,575.00
Repairs and Maintenance	$ 108,800.00
Office Space	$ 104,330.00
Training and Related Travel	$ 62,791.00

Source: OHFA's 2023 Budget; Shared Services (IT, HR, and OHFA Administration) not included.

Key Definitions

Throughout the report, LOFT will refer to several key terms as defined in the table below.

Affordable Housing	Housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities.
Area Median Income (AMI)	Household income for the median household in a given region.
Extremely Low-Income	Families earning at or below 30 percent of AMI.
Very Low-Income	Families earning at or below 50 percent of AMI. This figure is used for Section 8 income eligibility limits.
Low Income	Families earning at or below 80 percent of AMI.
Workforce Housing	Housing that is affordable to households earning 60 to 120 percent of AMI. Population may overlap with low-income designation.

Source: HUD; Urban Land Institute.

12. Oklahoma County Clerk Office.

OHFA operations are divided into three main programs: **Rental Assistance, Home Ownership,** and **Housing Development.**

OHFA Programs Overview			
Rental Assistance (Section 8)		**Housing Choice Voucher**	Provides portable housing vouchers to eligible very low-income recipients which subsidizes rental payments made to landlords who accept vouchers.
		Performance Based Contract Administration (PBCA)	Provides rental assistance for specific units at properties (subsidized housing) that participate in the program; financial assistance for the PBCA program is provided directly to the property owners in exchange for reducing the rent.
Homeownership		**Single Family Mortgage Loan Programs**	Provides downpayment and closing cost assistance to eligible potential homebuyers. OHFA offers reduced interest rate for eligible homebuyers that are current schoolteachers, firefighters, police officers, EMT/paramedics, and state employees.
		Oklahoma Homeowner Assistance Fund	Provides mortgage assistance to qualifying homeowners impacted by COVID-19.
Housing Development	**Low-Income Housing Tax Credit (LIHTC)**	**Federal Housing Tax Credits**	Federal credits distributed by OHFA to developers to subsidize either 30 percent or 70 percent of the low-income (in this case at or below 60% AMI) development costs in a project at 4 or 9 percent tax credits respectively.
		Oklahoma Affordable Housing Tax Credits	$4 million in State credits may be utilized to give a tax credit to developers and operators for the rehabilitation and updating of low-income rental properties as well as new construction units.
		National Housing Trust Fund	OHFA receives $3 million in federal funds annually to award builders to develop and maintain extremely low-income housing units.
		Oklahoma Housing Trust Fund	OHFA received $4 million in State funds in 1998 to provide short-term low-interest loans to developers building affordable housing (for tenants or homeowners whose income is at or below 120% AMI). Funds are replenished with repaid loans.
		HOME Investment Partnership	Federal HOME funds may be awarded for the construction or rehabilitation of low-income single family or multifamily homes.

Source: OHFA Program Guide.

Finding 1: Market Conditions are Limiting Impact of OHFA's Housing Assistance Programs

While OHFA divides its programs into three divisions, LOFT chose to group those programs into two types: those which help individuals and families afford housing (whether through rental or ownership) and those which assist in the development of additional housing, ranging from low income to workforce housing. This section examines the Agency's programs to provide direct assistance to homeowners and renters. Finding 2 of this report will examine the Agency's programs designed to encourage housing development.

Homeowner Assistance Programs

Homeownership programs administered by OHFA provide downpayment and closing cost assistance to borrowers who meet the program requirements. The assistance lowers the interest rate and provides a loan for the down payment equal to 3.5 percent of the total loan amount. However, this must be repaid once the loan reaches maturity, the home is sold or refinanced, or if ownership is transferred. The program finances approximately 2,000 mortgages per year.[13] Because this program is tied to home prices, which are on the rise, it will be able to assist fewer home buyers in future years if funding remains consistent with prior years.

Also within the Homeownership program is the Oklahoma Homeowner Assistance Fund (HAF), a recent program authorized by the American Rescue Plan Act that provides mortgage assistance to qualifying homeowners impacted by COVID-19. The fund offers up to $35,000 in assistance to delinquent homeowners. As of July 21st, 2023, the fund has approved 1,853 households at a cost of $28.8 million. The fund has $45.2 million in available federal funds remaining.[14]

Rental Programs

The majority of OHFA's time and resources are directed at rental assistance programs for low-income Oklahoma residents, commonly referred to as **Section 8 housing.** Residents may receive financial assistance through either the Oklahoma Housing Finance Agency or through local Public Housing Authorities (PHAs), but the assistance offered by each cannot be combined.

OHFA administers two rental assistance programs: the Performance Based Contract Administration (PBCA) program and the Housing Choice Voucher (HCV) program. OHFA receives an administrative fee based on the number of people provided rental assistance through these programs.[15] Financial assistance is generally limited to families earning less than 50 percent of the Area Median Income (AMI), as shown in the table on the next page.[16]

13. The Oklahoma Housing Finance Agency.
14. The Oklahoma Housing Finance Agency, Homeowner Assistance Fund, Jul. 21, 2023. Total figures: $28,801,329 approved and $45,197,496 remaining.
15. Some local PHAs such as in Stillwater own rental housing units to rent out to low-income residents. OHFA does not own or hold rental property.
16. See Appendix K for general demographics of Oklahoma Section 8 recipients.

Exhibit 6: Section 8 Income Eligibility Limits. *(This table shows the typical income caps to be eligible for Section 8 housing assistance, depending on the family size and the location of the property. The maximum income limits are based on the Area Median Family Income, shown at the bottom of the table. Families eligible for Section 8 assistance must meet HUD's definition for "Very Low-Income.")*

Fiscal Year 2023		Oklahoma Statewide	Oklahoma County *Metro Example*	Cimarron County *Rural Example*
Very Low-Income Limit Eligibility (50% of Area Median Income)				
	Single person	$ 27,500	$ 30,100	$ 24,000
	2-person household	$ 31,400	$ 34,400	$ 27,400
	4-person family	$ 39,250	$ 43,000	$ 34,250
Area Median Family Income (4 -person family)		$ 78,500	$ 86,000	$ 71,000

Source: FY 2023 limits. All figures from the HUD User Income Limits Documentation System.
Note: Figures may not equal exactly 50% AMI due to calculation corrections and limits set by HUD.

Performance Based Contract Administration

Financial assistance for the PBCA program is provided directly to the property owners by OHFA. Not all states in Oklahoma's region administer a PBCA program through their Housing Finance Agencies. For example, Texas and Arkansas utilize a non-profit entity to serve as the Performance Based Contract Administrator.[17] Residents seeking housing through this program apply directly with a participating property that has a HUD PBCA contract to receive housing assistance. Historically, properties developed under this program were referred to as housing projects, however, in recent years OHFA has referred to it as subsidized housing.

PBCA residents do not directly receive a housing allowance. Instead, OHFA makes monthly payments to 167 multi-family property owners covering 180 HAP contracts, which total $78.9 million annually. OHFA received $2.7 million in administrative fees for coordinating rental housing of approximately 12,533 units to around 31,332 very low-income residents.[18]

Exhibit 7: PBCA Admissions. *(This table reflects the number of new admissions for units at PBCA properties from 2013-2022.)*

Performance Based Contract Administration			
Number of PBCA Units with Move in Date Each Year			
Year	PBCA New Admissions	Total Units as of December 31st	Annual Turnover %
2013	4,420	12,864	34%
2014	4,534	12,864	35%
2015	4,634	12,864	36%
2016	4,194	12,764	33%
2017	4,107	12,764	32%
2018	4,080	12,764	32%
2019	3,760	12,764	29%
2020	3,298	12,761	26%
2021	3,161	12,733	25%
2022	3,182	12,533	25%

Source: OHFA.

17. Southwest Housing Compliance Corporation serves both Texas and Arkansas as the PBCA administrator.
18. OHFA Program Guide, Mar. 2023. Rental properties must adhere to minimum health and safety standards determined by OHFA and HUD Housing Quality Standards.

As shown in exhibit 7 on page 7, the number of new admissions to the PBCA program has fallen by 29 percent since 2013. OHFA stated that the decrease in admissions and turnover rate may be due to general increase in rents that have incentivized tenants to hold onto PBCA rental assistance for longer periods of time.[19]

Housing Choice Voucher

In 2022, OHFA received approximately $59.8 million in federal funds to distribute 9,847 housing choice vouchers to house an estimated 25,250 very low-income residents. It is important to note that OHFA does not capture the total number of Oklahomans served by the HCV program; instead, OHFA assumes that 2.5 people are served per voucher. The housing vouchers are transferrable and can be used at any eligible property. Families have up to 120 days to locate a rental and utilize their voucher. OHFA received $7 million in administrative program fees related to the Housing Choice Voucher.[20] Additionally, OHFA is not the only entity providing HCVs in the State, as Oklahoma has other local Public Housing Authorities that also issue vouchers. The estimate of 25,250 individuals served includes only those vouchers issued by OHFA, or approximately 40 percent of all HCVs issued by PHAs in the State.

Voucher Calculations

HUD, through programs administered by OHFA and Public Housing Authorities, issues rental assistance vouchers to very low-income households. The amount of assistance is based on six key components detailed in the exhibit below.

Exhibit 8: Voucher Calculation Components*. (This table explains the components necessary to calculate a recipient's voucher amount.)*

Voucher Calculation Components	
Household Income	Gross income brought into the household by all income generating streams. This figure will include items like wages, retirement, pensions, gains on investments, and any public assistance benefits.
Household's Monthly-Adjusted Income	Household income minus deductions divided by 12; may include items like alimony or child support.
Bedroom Size Qualification	Square footage and bedroom count of the dwelling that will appropriately meet the needs of individual or family.
Payment Standard Amount	Every year, HUD conducts a survey to determine home valuation according to location. HUD sets the Fair Market Rent (FMR) based upon survey data. Amount varies by county.
Asking Rental Amount	Amount set by landlords who are willing to rent to Section 8 voucher recipients. This amount must fall between 90% and 110% of FMR for that area. Currently, OHFA is operating under a federal waiver to allow the voucher amount to reach 120% of FMR.
Utility Allowance	Amount set by local PHAs that determine the allowable credit for utilities. Varies by county.

Source: OHFA Briefing Documents, Oklahoma Administrative Code 340:50-7-22.

19. OHFA correspondence, Jul. 25, 2023.
20. OHFA correspondence, Jul. 25, 2023.

The example below shows a voucher calculation for a family of four seeking a three-bedroom rental in Oklahoma County. Assuming a gross annual income of $15,000 with no monthly deductions, the family's share in rent and utility costs would be approximately $414 for a three-bedroom rental with an asking rent of $1,475. Generally, a tenant is asked to pay around 30 percent of their monthly-adjusted income. However, it is possible that a tenant could find housing with an asking rent that is less than the voucher assistance amount.

Exhibit 9: Voucher Amount Calculation Example. *(This table shows an estimate of rental assistance and payment to a family of four seeking a three-bedroom rental house in Oklahoma County. The amount of assistance is designed to ensure out-of-pocket housing costs do not exceed 40 percent of the household's monthly-adjusted income.)*

Housing Choice Voucher Calculation				
Inputs:		**Totals:**		
Gross-Annual Income	$ 15,000	Gross Rent	$ 1,662	
Monthly-Adjusted Income	$ 1,250	Estimated Assistance	$ 1,248	
Bedroom Size	3	Total Family Share	$ 414	
Payment Standard	$1,623	Percentage of Monthly-Adjusted Income	33.12%	*Must be less than 40%.*
Asking Rent	$ 1,475			
Utility Allowance	$ 187			

Source: LOFT calculations based upon OHFA policies and briefing documents.

Voucher Waiting List

The number of families OHFA can serve is limited by annual congressional appropriations to HUD. As of July 2023 there are approximately 26,291 individuals on the waiting list for rental assistance in Oklahoma.[21] Engagement with stakeholders found OHFA generally administers the housing vouchers programs effectively; the demand just exceeds availability. HUD regulations stipulate OHFA must assist at least 75 percent of families with incomes at or below 30 percent of AMI before assisting other families on the waiting list. In 2022, the average amount of time spent on OHFA's waiting list was 18 months, six months longer than the average PHA in Oklahoma but considerably shorter than the national average of 26 months.[22]

Under federal law, housing authorities may designate preferences to certain individuals who are waiting for rental assistance.[23] This may include those who are local residents, homeless, elderly, veterans, or those who are employed or participating in a job-training program, among others. Currently, OHFA policy preferences those on the general waiting list that are disabled or homeless.[24] Other PHAs, such as the Arizona Housing Authority, prioritize veterans, the elderly, and those who are employed, among other factors.

OHFA has established partnerships with other government entities and non-profit organizations to help distribute additional housing vouchers to vulnerable populations. These non-profit and government entities provide OHFA with referrals and help coordinate other services for participants. In the case of the waiting list

21. Figure may include those who are on multiple wait lists from OHFA and a local PHA such as Tulsa Housing Authority.
22. HUD "PHA Info Country Wide" and HUD 2020 report, "Picture of Subsidized Housing."
23. USICH PHA Portal – Wait List Preferences; See Appendix I for comparison on preferences for waiting lists.
24. OHFA Website – Housing Choice Voucher Program.

being closed, OHFA earmarks a minimum number of vouchers (see column 4 in Exhibit 10) to ensure these entities have some vouchers to help distribute. OHFA has closed its waiting list twice in the past decade and stated it may close the list in the near future.[25]

Exhibit 10: Partnership Vouchers for Special Populations. *(This table describes the partnerships OHFA has with other agencies and non-profits to distribute housing vouchers. Current participants are those who have housing while those denoted as "searching" have not moved into their rental unit as of July 2023.)*

Partnership Entity	Population Served:	Utilization:	Minimum # of vouchers:
U.S Veteran's Administration; (VA) Supporting Housing (HUD-VASH) Program	Homeless Oklahoma veterans; Pairs Housing Choice Vouchers with VA case management and supportive services like health care, mental health treatment, and counseling.	202 VASH contracts.* OHFA cannot utilize a VASH voucher without a referral from the U.S. VA and related case management.	**HUD has allocated 305 VASH vouchers** for Oklahoma veterans.
Oklahoma Health Care Authority	Persons with disabilities transition from a nursing home or assisted living facility	27 current participants and 24 searching for housing placement	**50 vouchers** per year
Oklahoma Department of Human Services	Individuals aging out of the foster care system	12 participants and 7 searching for housing placement	**50 vouchers** per year
Oklahoma City Homeless Alliance	Chronically homeless families and individuals	364 current participants and 317 searching for housing placement	**10 vouchers** per month
Mental Health Association Oklahoma	Chronically homeless families with disabilities, those with substance abuse disorders, and very low-income families	51 participants and 41 searching for housing placement	**10 vouchers** per month
ARPA Funds	**Population Served:**	**Utilization:**	**Vouchers Awarded:**
Emergency Housing Voucher Program (EHV)	Helps individuals struggling to cover rent, also the program has expanded assistance available for participants such as housing search assistance, security/utility deposits, and moving expenses among others.	258 current participants with 44 searching for housing placement. Application period has closed.	**301 vouchers**

Source: OHFA Program Guide, March 2023; OHFA Correspondence.
Note: Since 2022, OHFA has expended $2,855,774 in federal ARPA funds for the EHV program including administrative fees and direct distributions to recipients. These funds did not come from Oklahoma ARPA dollars.
See Appendix M for additional details regarding the HUD-VASH program and Appendix J for the EHV program.

OHFA Housing Choice Voucher Placement

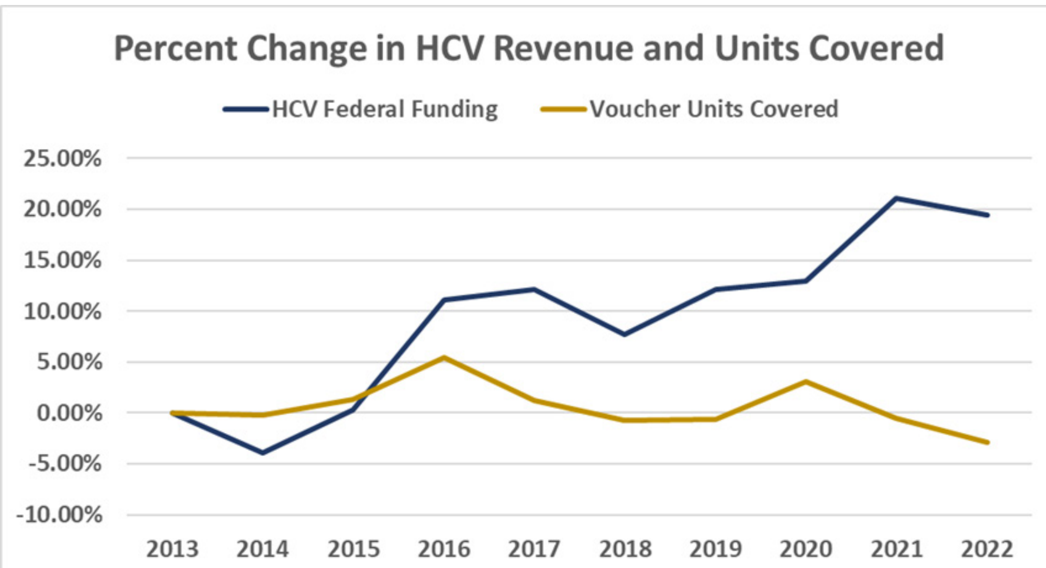
As a condition of receiving a housing voucher, tenants must find suitable housing within 120 days. If they do not, they are rotated off the program and their voucher is given to the next person.[26] Data from OHFA shows that a majority of individuals use their vouchers in the last 30 days of availability. OHFA measures this utilization rate as a success metric. Over the past decade, it has taken tenants longer to find housing. **In 2013,**

25. OHFA closed its waiting list twice for approximately two years in the last decade: Sept. 2013 and May 2016.
26. Families may request an extension; extensions are granted by OHFA on a case-by-case basis.

approximately 62 percent of voucher recipients were able to secure housing within the allotted 120 days; in 2022, that figure fell to 38 percent.[27]

The availability of Section 8 housing is restricted by the market rate for rent, which has risen dramatically in recent years. Increased rental prices reduce the amount of housing units considered by HUD to be affordable. To fill this gap, HUD has increased the amount of funding to OHFA for the HCV program by 19 percent since 2013. However, this increase in funding has not kept pace with the price of rent, as the number of units covered by vouchers has still decreased by nearly three percent.[28] In September of 2022, HUD approved new rules that would allow PHAs the ability to exceed the 110 percent fair market rent requirement up to 120 percent. This would allow voucher holders to expand their search for housing and in turn, increase the usage rate. These new rules affect all PHAs.[29]

Exhibit 11: Percent Change in HCV HUD Funding vs. the Number of Units Covered by OHFA.



(This chart shows the cumulative percent change for both the amount of federal funds OHFA receives from HUD for the HCV program and the total number of units OHFA can cover with those funds. Despite a 19 percent increase in HCV funding from HUD, increased market rent prices have reduced the number of units OHFA distributed annually since 2013.)

Source: OHFA.

When rental units are found by voucher holders, the units must be inspected and approved by OHFA to be eligible for the tenants. Data from OHFA reflects the average time from a tenant requesting an inspection to the execution of the rental housing agreement (HAP) is 35.3 days. OHFA noted a prospective property typically undergoes two to three inspections before it passes inspection. Rental units under the HCV program are required to be inspected on a biennial basis.

As a result, fewer landlords in Oklahoma are accepting housing vouchers because of the regulatory burden that comes with the HCV program. Long inspection waiting times leave units- that would otherwise produce rental income- unoccupied.[30]

Exhibit 12: Rental Inspections *(The table below shows the fail rate for rental unit inspections from the previous decade.)*

Year	Total Inspections	Failed Inspections	Failure Rate
2013	20962	8351	40%
2014	16696	6816	41%
2015	13745	5344	39%
2016	15252	6163	40%
2017	17175	6633	39%
2018	17227	6731	39%
2019	17787	6730	38%
2020	21099	6952	33%
2021	17344	6492	37%
2022	15602	5275	34%
2023	8530	2210	26%

Source: OHFA.

Note: 2023 failures reflect only those through June 2023.

27. OHFA correspondence, Jul. 5, 2023. See Appendix D for additional data.
28. The Oklahoma Housing Finance Agency.
29. U.S. Department of Housing and Urban Development; "Notice PIH 2022-3085."
30. KOCO, "Landlord explains why he and others are moving away from housing choice vouchers in Oklahoma," Jan. 17, 2023.

LOFT did not find any state programs using incentive programs to increase landlord participation in the HCVA program. However, through a grant from the Bill and Melinda Gates Foundation the public housing authorities in Seattle and King County Washington offered additional assistance to voucher recipients and encouraged further landlord participation through the Creating Moves to Opportunity Program. The program sought to help low-income families move to high-opportunity areas by providing $1,000 to select families seeking housing to help with application fees, security deposits, and moving costs. Recipients also received customized housing search assistance from trained family and housing navigators. The program dedicated staff to educate and build relationships with landlords in high-opportunity areas to promote the voucher program and become a housing choice voucher landlord. Additionally, the program created an insurance fund to ease concerns regarding landlords' fears of potential property damage.

Housing Choice Voucher Homeownership Program

In 2000, HUD approved a new rule that allowed Housing Choice Voucher (HCV) recipients to use voucher funds for the payment of homeownership expenses, excluding downpayment and closing costs. The Housing Choice Voucher homeownership program allows families to apply their voucher credit toward a mortgage instead of rent, enabling a family to build equity in a home. The terms of this program must still align with localized payment standards set by HUD, income levels, and availability of housing. Additionally, families using this program must meet the same income and other eligibility requirements as those using the HCV program for rentals. In 2022, 110 HCV participants were actively receiving home ownership assistance through OHFA's Housing Choice Voucher homeownership program.[31]

Lifetime Voucher Participation

HUD does not have a maximum amount of time recipients may utilize a Section 8 voucher. Without such limits, recipients may keep their voucher if they continue to meet the income requirements of the program. In 2022, OHFA voucher holders stayed in the program for an average of 7.4 years compared to an average of 5.5 years for all other PHAs in Oklahoma. The discrepancy between OHFA and local Oklahoma PHAs might be explained by the ease of portability of OHFA vouchers, which can be used across the State, while other vouchers are transferred between local PHAs when moving. Across all PHAs in the nation, recipients remain in the program for an average of 8.2 years.[32] Data from OHFA shows, from 2014 to 2022, on average 109 families (or one percent of HCV recipients) left the HCV Program with OHFA due to increased earnings, which made them ineligible for the program.[33] During a 2020 interim study, OHFA noted there is not a specific directive to connect HCV recipients with other support services and educational programs to help attain self-sufficiency.[34]

Family Self Sufficiency Program

OHFA offers an additional voluntary program for those seeking to increase their mobility in income and transition away from housing assistance and other public assistance programs. The Family Self Sufficiency Program (FSS) is available to families receiving the Housing Choice Voucher; this program incentivizes families to increase their earned income. Information about the program is shared with all clients at the initial briefing with agency staff. With assistance from an FSS coordinator, families create an individualized plan with specific financial, employment, or educational goals. Families generally have up to five years to reach their goals. There is no minimum income requirement for a family to enroll in the program. The FSS program helps coordinate services with other state agencies and non-profits to secure wrap-around services and overcome barriers to employment, such as childcare or employment training.[35] OHFA currently has three full-time FSS coordinators

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31. OHFA correspondence, Jul. 5, 2023; Figure includes those first joining the HCV Homeownership program and participants who signed up in prior years and are still a part of the program.
32. HUD Datasets.
33. OHFA correspondence, Jul. 5, 2023.
34. Oklahoma Legislative Interim Study 2020:20-075.
35. OHFA Program Guide, Mar. 2023; HUD granted approximately $109 million to 682 participating PHAs and providing funding for 1,300 coordinators. Approximately 70,000 families are enrolled in the program nation-wide.

funded by HUD.[36] There are six PHAs in Oklahoma, including OHFA, that have a FSS program.[37]

Families that participate in the program receive an interest-bearing restricted savings account. If a family increases their earned income, the amount of rent that is subsidized on their behalf may be reduced; however, the difference is matched by OHFA and set aside in the family's savings account. At the end of the five-year program, if the family reaches their goals and have not been receiving TANF benefits for 12 months prior to graduation, they may withdraw all funds from the savings account and use them at their discretion. OHFA is not required to track how participants utilize the funds. There are currently 450 families enrolled in the program and OHFA has the capacity to enroll up to 600 families.[38] **Throughout the last decade, an average of 12 participants have graduated each year from the FSS program.[39] OHFA noted the FSS program is the only federal grant the agency has actively applied for in the last five years.[40]**

Exhibit 13: Family Self Sufficiency Program Savings Account. *(The graphic below shows an example of how much a family could receive if they graduate from the FSS Program.)*

Jan. 2022 – Family begins FSS Program - Household earns $700/month

January 2023 – **Monthly earnings increase by $300**

Required contribution to rent and utilities increases: $90 (30 percent of the $300 increase)

OHFA deposits $90 per month in the family's FSS savings account. Assuming no other increases in income than the first year the family may have **$4,320 to withdraw** at the end of the 5-year program.

Source: LOFT calculations; Center on Budget and Policy Priorities.

Success Measures

HUD measures the effectiveness of a PHA's administration of the HCV program with 14 key indicators known as the Section Eight Management Assessment Program (SEMAP). The indicators primarily measure the rules, regulations, and standards required by HUD for Section 8 housing vouchers such as inspections, payment calculations, and compliance.[41] Each year, HUD issues every PHA a percentage score out of 100. However, these scores have been waived by HUD since 2020 due to the Covid-19 pandemic. Between 2013 and 2019, OHFA consistently scored above 90 percent, which is considered a high-performance rating.[42]

Approximately 40 percent of OHFA's voucher recipients are both under 65 years of age and not disabled, resulting in a greater likelihood of attaining self-sufficiency.[43] As the total vouchers available exceeds those awaiting assistance, more voucher recipients attaining independence from the program would allow OHFA to distribute additional vouchers to those in need. However, it is not known to what extent this population is achieving housing stability and self-sufficiency after exiting the voucher program. HUD does not require PHAs to collect information on the long-term outcomes of the program and OHFA does not voluntarily track or collect this information. Without such data, it is not possible to know what effects, if any, the program has had on voucher recipients.

36. OHFA correspondence on Jul. 7, 2023; HUD determines the number of FSS coordinator positions available for each PHA.
37. OHFA correspondence on Jul. 7, 2023; HUD.gov FSS Renewal State Report; OHFA, Tulsa, Muskogee, Shawnee, Norman, and Oklahoma City Housing Authorities have an FSS program.
38. OHFA Program Guide, Mar. 2023.
39. OHFA correspondence on Jul. 12, 2023. Some participants may increase their earnings and no longer receive housing assistance without enrollment in the FSS program.
40. OHFA correspondence, Jul. 20, 2023.
41. HUD SEMAP FAQs.
42. The Oklahoma Housing Finance Agency.
43. The Oklahoma Housing Finance Agency.

Other organizations involved with the placement of individuals into housing have begun to track this type of data. For example, through referrals, OHFA partners with the Oklahoma Homeless Alliance to help distribute housing vouchers to those experiencing homelessness. Last calendar year, the organization placed approximately 835 individuals into housing by using a combination of housing choice vouchers and donor funding. The Homeless Alliance creates an individualized plan for all clients that assesses how the individual or family may work to increase their income and housing stability, whether by securing eligible services or improved job placement. The Homeless Alliance states it has a 90 percent success rate for housing retention of one year after the Homeless Alliance finds placement for an individual or family.[44] The Mental Health Association of Oklahoma also helps place those who are homeless, disabled, or have a substance abuse disorder. Like the Homeless Alliance, the Mental Health Association of Oklahoma states it also has an approximate 90 percent success rate for housing retention when following up with clients one year later.[45]

Through other pilot demonstration programs, other PHAs across the nation have enacted additional self-sufficiency programs aimed at reducing dependency on public housing and public assistance. Some PHAs that have more program flexibility through the Moving to Work designation are able to implement additional requirements and offer additional incentives to those participating in Section 8 housing.[46] For example, Atlanta Public Housing Authority requires all non-disabled adults in all Section 8 programs (including HCV and PBCA) to work 20 hours per week.[47] The Moving to Work Demonstration Program administered by HUD provides PHAs “the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families.”[48]

LOFT’s analysis and engagement with stakeholders finds OHFA generally administers its rental assistance programs effectively compared to other PHAs nationally; however, there are additional opportunities for OHFA to track data that could help assess the long-term impact of programs. If federal funding for housing vouchers remains level and market conditions do not ease, such as through an increase in the statewide housing supply, even fewer vouchers will be available. OHFA may need to consider incentivizing participants to transition from housing assistance more quickly to free up vouchers for those not currently receiving housing assistance.

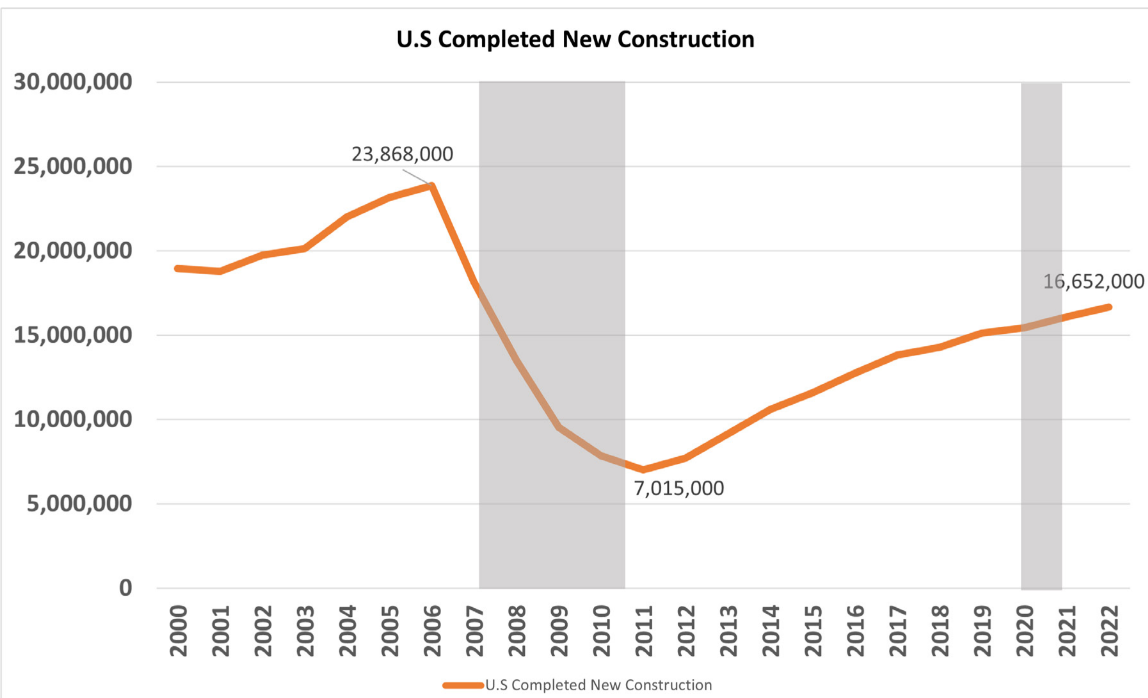
44. Oklahoma Homeless Alliance correspondence, Jul. 13, 3023.
45. Mental Health Association Oklahoma correspondence, Jul. 22, 2023.
46. HUD Moving to Work (MTW) Demonstration Program.
47. City of Atlanta Housing Authority.
48. HUD program description. Nationwide, there are 126 PHAs with MTW status.

Finding 2: OHFA's Development Programs Focus on Low-Income Multi-Family Housing, but Oklahoma Needs Affordable Housing of All Types

Historically, OHFA has focused primarily on improving the supply of - and access to - low-income housing. In particular, its housing development programs are targeted specifically at low-income housing. However, Oklahoma is also in need of housing that is affordable for its workforce population, whose income exceeds section 8 income limits but is not sufficient to afford market rate housing.

Nationwide indicators show that housing has never fully recovered from the 2008 recession, when historically low revenues forced many builders to exit the market. This event disrupted the cyclical nature of the housing market, forcing small operators out of the market permanently. Before the recession, the number of new units completed peaked in 2006, with 23.9 million homes being constructed across the country. The following five years saw a 74 percent decline in housing production. Since then, the housing market has made steady increases. In 2022, 16.7 million houses were constructed across the United States.[49] However, just as the country was beginning to see enough new units built to keep up with demand, economic circumstances following the Covid-19 pandemic caused a precipitous fall in total housing inventory. Additionally, rising interest rates have made people reluctant to leave their current home.[50]

Exhibit 14: Number of New Construction Homes in the United States. *(This chart shows the total number of completed new homes in the United States.)*

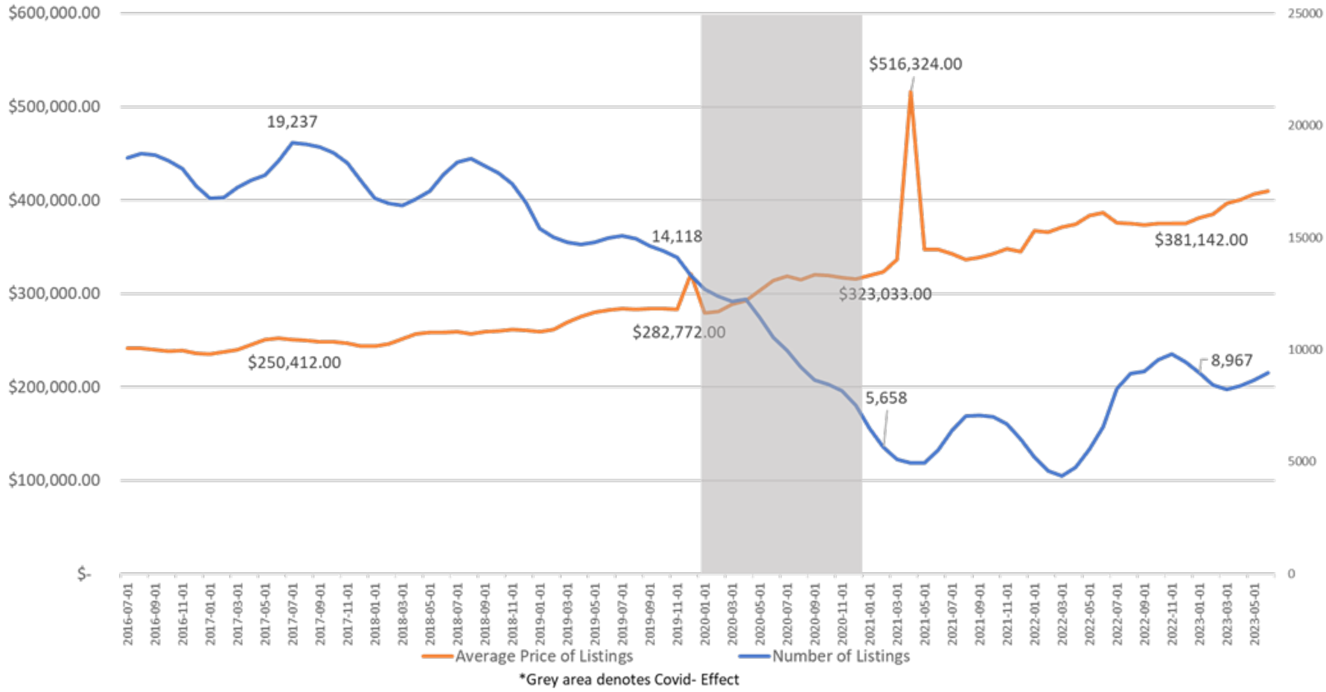


Source: Federal Reserve Economic Data.
Note: Gray areas denote recessionary periods.

These trends have held in Oklahoma, where active listing counts have plummeted since 2019 with only a partial recovery in recent months; however the average listing price has continued to climb.[51]

49. Bureau of Labor and Statistics Data.
50. New Construction Remains Robust in June Despite Pullback, Danielle Hale, Jul 19, 2023, Realtor.com.
51. FRED Data.

Exhibit 15: Average Price of Listings and the Average Number of Listing. *(This chart shows that as the availability of housing has become scarcer, the price of the available home has steadily increased.)*

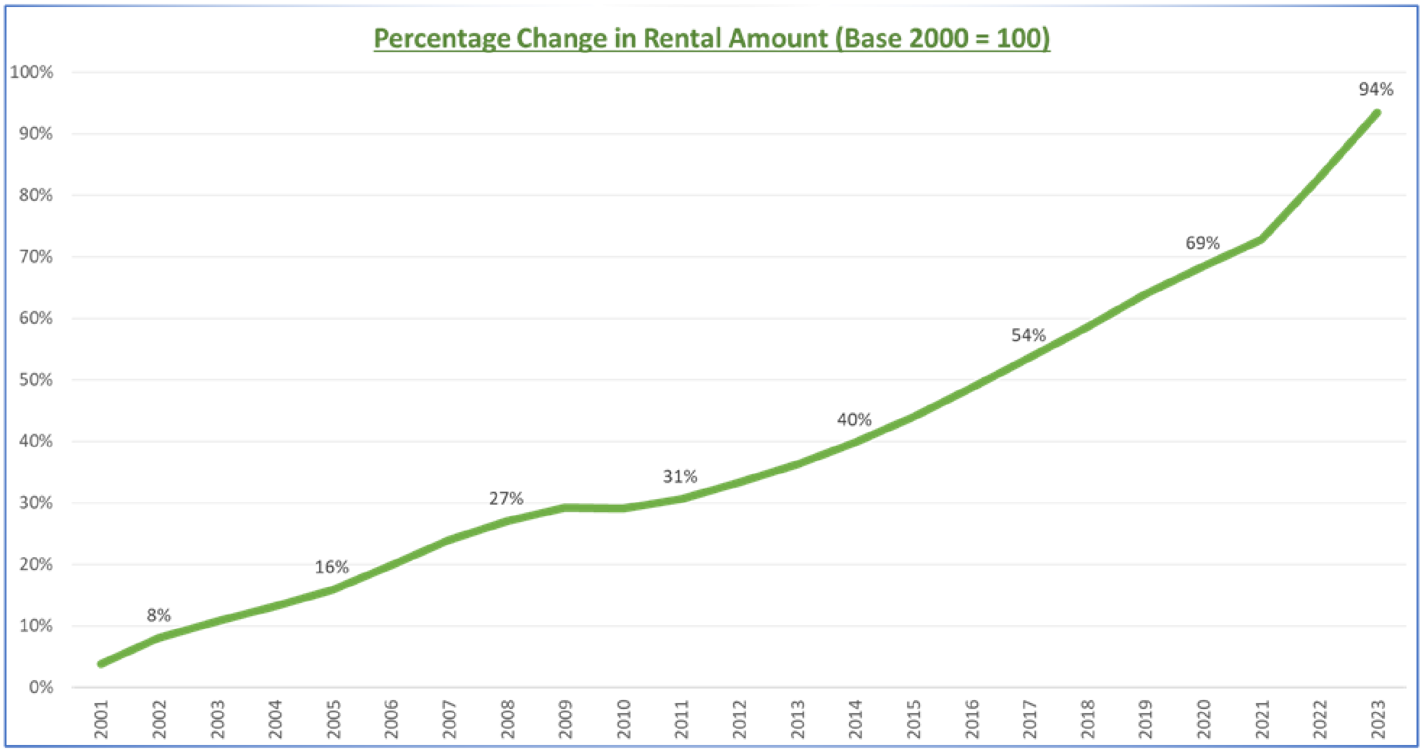


Source: Federal Reserve Economic Data.
Note: Gray area denotes recessionary period.

"Affordable housing" is a term relative to the specific individual or family living in the unit and is generally defined as no more than 30 percent of total household income being spent on housing costs. "Low-income housing" refers to housing affordable to households at or below 80 percent of the area median income. In recent years, the term "workforce housing" has gained traction as communities seek to meet the housing needs of those who generally hold essential jobs in the community, such as healthcare workers, teachers, police officers, firefighters, and construction workers. The Urban Land Institute (ULI) defines workforce housing as housing that is affordable to households earning 60 to 120 percent of the area median income.[52] This definition overlaps with the low-income segment.

52. Uli.org; "Affordable & Workforce Housing Council."

***Exhibit 16: Percentage change in the average rental amount**. (This chart shows the nationwide increase in rental home pricing since 2001, using 2000 as a baseline.)*



Source: National Consumer Price Index data from Bureau of Labor Statistics. CPI data is inflation adjusted.

Needs Assessment – Housing Development

Demand for affordable housing is outpacing the available stock of homes. The Public and Affordable Housing Research Corporation (PAHRC) estimates that, based on 2022 numbers, Oklahoma has a shortage of approximately 71,000 homes with another 2,758 homes in danger of being lost due to lack of improvement or rehabilitation needs.[53] If the demand for affordable homes continues to increase, increased rental rates are likely to follow.

Affordable housing is created primarily in two ways: filtering and subsidized development.[54] Filtering is the most natural way to obtain affordable housing. House filtering is the notion that houses that are in good condition but have aged over time become desirable homes for low-income and workforce families. These homes have years of usability at lower costs than new builds. Filtering naturally happens on its own until there is a market shock that halts the process, such as a global pandemic like the Coronavirus pandemic in 2020. During the pandemic, homeowners were focused on improving their homes instead of moving to newer homes. This led to fewer homeowners moving up to more expensive homes, decreasing supply. The renovations increased the value of the few houses that did go on the market, cutting off the supply of affordable houses that was filtering down the market. Now that the nation is recovering and returning markets to normal standards, there is still a gap in affordable housing due to increased rehabilitation cost which has raised the value of previously low-end properties. This forces potential buyers out of the market. The second way affordable housing can be obtained is by subsidizing developers to create new housing. When the filtering method lags, there is more pressure for new construction.

53. PAHRC Infographic Sheet.
54. Econsult.

Oklahoma Housing Needs

Exhibit 17: Income levels at incremental Area Median Income Levels: *(This table shows the income for Oklahomans of different family sizes and income categories.)*

FY 2023 Income Area	Median Income	Income Category	Persons in Family 1	2	4
Oklahoma City Metro	$86,000.00	60% AMI	$ 36,150	$ 41,300	**$ 51,600**
		80% AMI	$ 48,200	$ 55,050	**$ 68,800**
		100% AMI	$ 60,200	$ 68,800	**$ 86,000**
		120% AMI	$ 72,250	$ 82,600	**$ 103,200**
Tulsa Metro	$85,400.00	60% AMI	$ 35,900	$ 41,000	**$ 51,240**
		80% AMI	$ 47,850	$ 54,700	**$ 68,320**
		100% AMI	$ 59,800	$ 68,350	**$ 85,400**
		120% AMI	$ 71,750	$ 82,000	**$ 102,480**
State-Wide Oklahoma	$76,000.00	60% AMI	$ 31,950	$ 36,500	**$ 45,600**
		80% AMI	$ 42,600	$ 48,650	**$ 60,800**
		100% AMI	$ 53,200	$ 60,800	**$ 76,000**
		120% AMI	$ 63,850	$ 73,000	**$ 91,200**

Source: HUD data.

Oklahoma needs additional housing stock for both rental and owner-occupied residences. OHFA's most recent housing needs assessment from 2015 projected that Oklahoma would need a total of 66,821 housing units by 2020. Of that, 43,942 units would be needed for ownership and 22,879 would be needed for rent. Of the housing units needed for ownership, 7,454 (or 16.96%) were projected to be needed by households earning less than 60% of Area Median Income. Of the 22,879 housing units needed for rent, 11,630 (or 50.83%) were projected to be needed by households earning less than 60 percent of the Area Median Income.[55]

OHFA is currently developing a new housing needs assessment tool in concert with the University of Oklahoma College of Architecture. OHFA reports that the new tool will be an interactive search engine which is regularly updated, rather than a static report. The tool relies on data such as poverty, population, and income statistics, the number of housing units currently available in rural and urban areas, the size of available housing units across the state, as well as the age of those housing units, and the occupancy levels of subsidized and unsubsidized housing units.[56] Total cost for the project is expected to be approximately $933,000.[57] OHFA expects the tool to be operational in late 2024.

55. Housing Needs Assessment, 2015 Executive Summary.
56. Email from OHFA, 7/13/23.
57. Scope of Work and Budget for Oklahoma State Housing Assessment 2022.

Low-Income Housing Tax Credit (LIHTC)

The LIHTC program provides developers the incentive of financing the construction and rehabilitation of low-income affordable rental housing with tax credits to reduce their annual tax liability.

OHFA is the only governmental entity in Oklahoma authorized to provide tax credits and subsidies to help in the creation of additional housing. Most of these programs are directed at low-income housing. If the Legislature desires new workforce housing, new programs- such as those created by the Oklahoma Housing Stability Program- must be leveraged.[58] Finding 3 will provide more details and recommendations for these programs.

Rental housing developments that are affordable for low-income households typically do not generate sufficient profit for private developers. To address this, Congress created the Low-Income Housing Tax Credit (LIHTC) program, part of the Tax Reform Act of 1986. Administered by the U.S. Treasury Department and locally by OHFA, the program contains an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. The developers build the housing and agree to rent at a rate that is usually below market. Developers have a choice of two use restrictions: at least 20 percent of the units are to be occupied by tenants whose income is at or below 50 percent AMI, or at least 40 percent of units are to be occupied by tenants whose income is at or below 60 percent AMI. The intent of the tax credit incentive is to increase the supply of new affordable rental units and rehabilitate existing low-income rental housing through acquisition, substantial rehabilitation, and new construction.[59]

The LIHTC is designed to subsidize either 30 percent or 70 percent of the low-income unit development costs in a project via the 4 percent or 9 percent tax credits.[60] The 4 percent credit is typically used for the acquisition of existing buildings for rehabilitation and new construction financed by tax-exempt bonds. The 9 percent credit is generally reserved for new construction and substantial rehabilitation projects not utilizing additional federal subsidies.[61] Non-depreciable costs (land, interest payable on permanent loans, insurance and property tax expenses incurred following construction completion, application fees, and deposits to reserves) are excluded from the tax credit calculations.

58. HB 1031X, 2023 Special Session created both programs. OHFA is in the early stages of implementation.
59. OHFA Housing Tax Credit Compliance Manual.
60. The subsidized rates are calculated by backing into the present value of 10 years of tax credits so that the present value of the tax credits is equal to 30% of a project's eligible basis for the 4% credits or 70% of the project's eligible basis for the 9% credits. Adventures in CRE.com
61. Congressional Research Service, "An Introduction to the Low-Income Housing Tax Credit."

Exhibit 18: Oklahoma Housing Tax Credits. *(This table illustrates the main differences between the two federal tax credits and one State tax credit available to developers.)*

TYPES OF LOW-INCOME HOUSING TAX CREDITS

Federal – 9%	Federal – 4%	State
• Competitive application process • Avg $11 million awarded yearly • Maximum award is $900,000* • Two allocation cycles per year; May and November • New construction and substantial rehab & acquisition projects • Financed by private mortgage lender • Targeted for low-income communities	• Non-competitive application process • No maximum award • Can be awarded any time of the year • New construction and substantial rehab & acquisition projects • Financed by tax-exempt bonds • Targeted for low-income communities	• Contingent upon securing one of the federal tax credits • Can be awarded any time of the year • State tax credits are awarded in an amount up to $4 million, but not more than federal tax credit amount

*Choice Neighborhood award maximum $1M

Source: LOFT analysis of IRS Section 42: tax credit requirements.

Once the developer secures the tax credit, they must leverage the financing (typically a conventional loan from a private mortgage lender) for the development. Developers may keep these tax credits to reduce their annual federal tax burden, or they may sell them off to private investors seeking to lower their tax burden. Upon the completion of the project, the State must ensure the project meets the LIHTC eligibility requirements. The State must also perform a triennial audit on the LIHTC property to ensure compliance throughout the 15-year period. Owners/investors are at risk of the recapture of some of the tax credits if found out of compliance.

The LIHTC is the largest source of affordable housing financing in the United States, subsidizing more than 47,500 projects and 3.13 million housing units, using an average of $8 billion in annual revenue to subsidize the costs of building more than 107,000 units across 1,411 projects each year.[62] Since the introduction of the federal program, many states developed their own version of the affordable housing tax credit program to increase the impact of the federal funds. These state housing tax credit programs, including Oklahoma's, can be used in addition to the federal tax credit.

Oklahoma Affordable Housing Tax Credit

In 2014, Oklahoma created the Oklahoma Affordable Housing Tax Credit (AHTC), providing up to $4 million per year in tax credits which can be used in conjunction with the federal LIHTC. From inception to 2022, the State credit for each approved project was equal to the federal low-income housing tax credit (LIHTC) allocation for the same project.[63] However, in 2022, SB 1685 eliminated the one-for-one state-federal matching requirement. Instead, the State credit allocated to a project cannot exceed the federal credit allocation for the same project.[64] Developers may still use State tax credits in conjunction with either the 4 percent or 9 percent federal tax credits with some funding period stipulations. Of the units created by the LIHTC and OAHTC programs, 98 percent were to provide housing for low-income families.

62. Tax Foundation.org; "An Overview of the Low-Income Housing Tax Credit."
63. SB2128 (2014) Oklahoma Affordable Housing Tax Credit.
64. Oklahoma Incentive Evaluation Commission; Oklahoma Affordable Housing Tax Credit Evaluation Nov. 2022.

Exhibit 19: Oklahoma Affordable Housing Tax Credits. *(The chart below denotes the number of units added to the housing stock over the past ten years, and more interestingly, at an increased pace from the onset of the state tax credit program in 2015. Combining both federal and state housing tax credits, all but one percent were specifically designated for low-income households.)*

4% and 9% Federal and State LIHTC Units Per Year

	Year	4%	9%	Total
	2012	192	818	**1,010**
	2013	532	874	**1,406**
	2014	0	922	**922**
Oklahoma Tax Credit Program Enacted →	2015	236	891	**1,127**
	2016	952	1,075	**2,027**
	2017	1,097	1,027	**2,124**
	2018	609	1,189	**1,798**
	2019	318	1,349	**1,667**
	2020	998	1,014	**2,012**
	2021	1,053	1,206	**2,259**
	2022	1,584	863	**2,447**
	2012-2022 Total New Units		**18,799**	

Source: OHFA tax credit data.

99%

of all new housing developments subsidized with tax credits were designated for **low-income households.**

Exhibit 20: State Tax Credits Issued and Related Development Activity 2015-2021 *(The table below illustrates the development of projects with the assistance of state tax credits. Since 2015, Oklahoma developers have used $27.9 million in state tax credits toward 57 low-income housing developments, creating 3,723 housing units at an average cost of $7,482 per unit.)*

	2015	2016	2017	2018	2019	2020	2021	Total
State Credits Issued $M	$3.90	$3.80	$4.00	$3.70	$3.80	$4.20	$4.50	**$27.9M**
Projects	9	7	5	15	11	3	7	**57**
Units	460	374	352	821	527	650	539	**3,723**
Cost Per Project	$432,477	$536,505	$800,000	$245,620	$343,101	$1,408,630	$646,214	**$488,695**
Cost Per Unit	$8,462	$10,042	$11,364	$4,488	$7,162	$6,501	$8,392	**$7,482**

Source: Oklahoma Affordable Housing Tax Credit Evaluation Nov. 2022.

According to the Oklahoma Incentive Evaluation Commission, from 2015-21, the tax credits funded nearly 7,600 jobs and spurred $1.7 billion in economic activity.[65]

65. Incentive Evaluation Commission, Oklahoma Affordable Housing Tax Credit Evaluation, Nov. 16, 2022.

Peers in Comparison

LOFT compared the impact of Oklahoma's low-income tax credit to Kansas and Arkansas, the two states most like Oklahoma in the number of homes developed and low-income households served. As shown below, Oklahoma's economic activity related to the LIHTC program exceeded these peer states in jobs supported or created, tax revenue generated, and business income generated.

Exhibit 21: Peer State Comparisons of the Low-Income Housing Tax Credit's Impact. ***(****This chart compares outcomes of Oklahoma's use of the LIHTC to two neighboring states.)*

Comparison of Oklahoma to Peer States: Impact of Low-Income Housing Tax Credits

Oklahoma	Kansas	Arkansas
39,624 homes developed or preserved in OK	38,391 homes developed or preserved in KS	35,188 homes developed or preserved in AR
85,328 low-income households served	82,673 low-income households served	75,776 low-income households served
65,503 jobs supported for one year	60,264 jobs supported for one year	57,519 jobs supported for one year
$2.579 billion in tax revenue generated	$2.361 billion in tax revenue generated	$2.262 billion in tax revenue generated
$7.425 billion in wages & business income generated	$6.813 billion in wages & business income generated	$6.516 billion in wages & business income generated

Source: RentalHousingAction.org

Qualified Allocation Plan

The Low-Income Housing Tax Credit program requires each state housing finance agency that receives and allocates these tax credits to have a Qualified Allocation Plan (QAP). The QAP outlines the applicant eligibility requirements to receive federal tax credits for the development of housing properties. The QAP also sets priorities and criteria for state agencies to follow for noncompetitive 4 percent tax credits and State low-income housing tax credits.

OHFA develops the QAP based on their priorities of tax credits through point preferences, set-asides, and thresholds. They can target mixed-income developments that could include workforce housing, specify projects in rural or urban areas, or revitalize the existing stock of affordable housing, based on how they choose to score each section of the plan. However, the IRS requires that states must include – at a minimum – the following selection criteria:[66]

- ❑ Location
- ❑ Housing needs
- ❑ Public housing waiting lists
- ❑ Individuals with children
- ❑ Energy efficiency
- ❑ Historic nature
- ❑ Special needs populations
- ❑ Project sponsor characteristics
- ❑ Community revitalization using existing housing
- ❑ Projects intended for eventual tenant ownership

66. OHFA website: QAP Application Materials and Program Resources.

In addition to the minimum selection criteria, there are also specific projects all states must give preference to, such as projects for extremely low-income (ELI) residents and projects located in qualified census tracts (QCTs) or difficult development areas (DDAs).

Once drafted, OHFA generally holds public input sessions to determine how the housing developers and investors will receive the new QAP priorities. After collecting and considering feedback from the input sessions, OHFA then creates the new QAP priorities for the year.

Exhibit 22: OHFA's QAP Selection Criteria *(The table below illustrates OHFA's selection criteria and scores associated with each set of criteria.)*

OHFA's 2023 Qualified Allocation Plan (QAP) Selection Criteria

Income Targeting	Points Possible: 5	Preservation of Affordable Housing	Points Possible: 3
Term of Affordability/Tenant Ownership	Points Possible: 10	Home Energy Efficiency Rating System	Points Possible: 10
Development Location	Points Possible: 10	Historic Nature	Points Possible: 3
Tenant Targeted Populations	Points Possible: 8	Development Amenities	Points Possible: 10
Tenant Populations w/Children	Points Possible: 3	Development Cost Efficiency	Points Possible: 29

Source: OHFA's website: QAP Application Materials and Program Resources.

Each state creates its QAP as a tool to advocate their housing development priorities by assigning points to specific criteria it will use to select projects competing for tax credits. OHFA uses a "credit per unit" score, which incentivizes the cheapest and smallest units. While this does create the most units possible, these units are not always conducive for struggling families, and not always beneficial to the towns and neighborhoods in which they are developed. OHFA identified several factors considered in the QAP that could incentivize larger units for families. However, the weights favor building individual units.

State Action: Rental Housing Development

Oklahoma is one of many states currently working to address the lack of supply for affordable housing to those who have extremely low to low incomes. The table below details the recent efforts of state legislatures to increase the supply of housing for this population segment.

Exhibit 23: Recent State Legislation Addressing Housing Supply. *(The table below details the recent actions by states to address the availability of extremely low to low-income housing.)*

State	Action
Washington	Allocated $62 million in grants to support the building, maintenance, and service costs of permanent extremely low-income housing projects. (SB 5187, 2023)
Maine	$70 million in one-time funding allocated to build more housing for Maine workers and their families through the Rural Affordable Rental Housing Program and the Low-Income Housing Tax Credit program. (LD 58, 2023)
Florida	Live Local Act 100% ad valorem tax exemption for projects that provide at least 70 units dedicated to low-income tenants. (SB 102, 2023)

Source: NCSL, Washington Legislature, Maine Legislature, and Florida Legislature.

National and State Housing Trust Funds

OHFA uses the National Housing Trust Fund (NHTF), a federal block grant governed by HUD, to help serve extremely low income (ELI) individuals (those making 30 percent or less of the Area Median Income). Recipients use the funds to create housing developments which are affordable to ELI individuals and families, either through new construction or rehabilitation. Often these beneficiaries would be homeless if not for the NHTF. OHFA receives $3 million annually, financing an average of 42 rental units and benefiting an average of 83 residents.[67] Between 2015 and 2021, the program has helped to fund a total of 57 projects.[68]

Exhibit 24: National Housing Trust Fund Program Awards. *(The table below shows the number of urban and rural units in Oklahoma that have been created with the NHTF awards.)*

National Housing Trust Fund (NHFT) Program Awards

Year	Rural	Urban	Multi-family	Single Family	New Construction	Rehab	# of Units	Total Award	Award Per Unit	Individuals Served
2016	0	2	2	0	2	0	19	$2,000,000	$105,263	38
2017	2	3	5	0	2	3	88	$2,984,157	$33,911	176
2018	1	1	1	1	2	0	9	$954,143	$106,016	18
2019	0	2	1	1	2	0	27	$2,684,000	$99,407	54
2020	0	0	0	0	0	0	0	$0	$0	0
2021	1	2	3	0	2	1	30	$4,813,071	$160,436	60
2022	1	6	7	0	3	4	118	$9,852,075	$83,492	236
Total	5	16	19	2	13	8	291	$23,287,446	$80,026	582

Source: OHFA.

OHFA also administers approximately $4 million in the Oklahoma Housing Trust Fund (OHTF). The money came from State appropriations in the late 1990's and is used to provide low interest loans for new construction, rehabilitation, or conversion of non-residential buildings to housing for either rent or owner-occupied residences. Between 65 and 75 percent of the money must be used in counties with a population less than 490,000. Buyers or renters must have an income of less than 120 percent AMI. An average of roughly 25 new housing units is funded by the OHTF each year.

Performance Evaluation

LOFT interviewed numerous stakeholders, from non-profit organizations to housing developers to local public housing authorities. Each reported that OHFA was well-managed and an integral partner to the creation of low-income housing development. LOFT also observed that OHFA seems to be a very effective administrator of its programs, as prescribed by HUD. However, the bulk of innovations in housing policy originate with local PHAs and nonprofit organizations. For example, OHFA has provided funding to support initiatives such as Pivot's construction of homes for youth and setting aside tax credits for a Choice Neighborhood project being undertaken by Tulsa (described below).[69]

67. OHFA response to RFI #2.
68. Oklahoma Incentive Evaluation Commission; Oklahoma Affordable Housing Tax Credit Evaluation Nov. 2022.
69. In 2022, OHFA provided $1.3 million from the National Housing Trust Fund to Pivot, Inc. for the construction of 20 tiny homes.

For instance, the Tulsa Housing Authority (THA) recently completed the final phase of a project based on mixed-income workforce housing – a project that includes a mix of market-rate and dedicated affordable units in the same building or development. This was the largest LIHTC funding project and first Choice Housing award in OHFA's history and Tulsa's largest investment in affordable housing to date. With the collaboration of the City of Tulsa, private foundation grants, OHFA, and federal grants, THA developed the construction of mixed-income apartments, a renovated community park, and extensive public infrastructure and stormwater improvements. The 435-unit project includes 229 fully subsidized units, 92 partially subsidized units, and 114 market-rate units. This was a major effort to revitalize a section of Tulsa as well as adding much needed low-income housing in that area. THA identified OHFA as a critical partner in making the project happen.

Exhibit 25: Tulsa Housing Authority Mixed-Income Housing Community. *(The River West Transformation Plan includes the construction of 435 mixed-income apartments, a renovated West Tulsa Park and extensive public infrastructure and stormwater improvements.)*

Type of Unit	Number of Units
Fully Subsidized	229
Partially Subsidized	92
Market Rate	114

Source: Tulsa Housing Authority website.

Other innovations include Central Oklahoma Habitat for Humanity's new workforce housing neighborhood development in Oklahoma City, which will eventually contain 450 affordable homes for qualifying families.[70] Additionally, Catholic Charities is developing a pocket neighborhood of modern mobile homes. The Boxabl "accessory dwelling units" purchased by Catholic Charities are capable of being towed by an ordinary car but unfold to a comfortable efficiency with the potential for joining multiple units to form a larger living space. While most of the 20 units purchased by Catholic Charities will be affixed to a foundation, the additional units could quickly address a housing need in any part of the State; rural or urban.

70. Oklahoma's Habitat for Humanity cites an average monthly mortgage payment of $1200 for a Habitat home. Eligible families must be within income limitations, help in the homebuilding process, and attend homeownership classes.

Finding 3: New State Programs Create Opportunities for Innovation in Housing Policy

In 2023, the Legislature enacted the Oklahoma Housing Stability Program (OHSP), which created two new programs to encourage the construction of affordable homes across the State.[71] Both programs are to be administered by OHFA. The Legislature appropriated $215 million, which was deposited among the programs' revolving funds.

The first program is the Oklahoma Homebuilder Program, the purpose of which is to create more single-family housing units across the State by providing low- or no-interest loans to housing developers. A second program, the Oklahoma Increased Housing Program, is designed to help both developers and homebuyers. Under this program, developers may apply for gap financing for building either single-family or multi-family rental homes. Homebuyers may apply for a grant to assist in making a down payment on a home purchase.

Both programs will operate statewide in rural and urban areas and give preference to applicants in federally declared disaster areas. OHFA was given broad discretion to make rules for administering the programs and may use up to 5 percent of the funds for administrative costs.

Proposed OHFA Programs

The provisions of the Housing Stability Program took effect July 1, 2023. In response to its creation, OHFA drafted a white paper to outline its intentions for establishing program guidelines and to solicit public feedback. As of August 4, 2023, this document has been revised four times after OHFA received public input. The current draft proposes three programs, with two falling under the Increased Housing Program and the other comprising the Oklahoma Homebuilder Program.[72]

Exhibit 26: Housing Stability Programs and Funds. *(This table shows the programs created by the Housing Stability Program and the funds dedicated to each. The total funding for all programs is $215 million.)*

Oklahoma Housing Stability Programs Created by HB1031X

Program	Amount Dedicated
Oklahoma Homebuilder Program	**$106 Million**
Homebuilder Subsidy for Homeownership	$100.7 Million
Administration	$5.3 Million
Increased Housing Programs	**$109 Million**
Developer Subsidy for Rental Housing	$63.55 Million
Consumer Downpayment and Closing Cost Assistance Program	$40 Million
Administration	$5.45 Million

Source: HB1031X (2023); HB1004X; and OHFA proposed guidelines.
Note: Administrative fees total $10.75 million, reflecting the maximum allowable under statute.

71. HB1031X (2023); funding provided in HB1004X.
72. See Appendix L for OHFA's white paper.

Homebuilder Program

The first of these programs, the Homebuilder Subsidy for Homeownership, is intended to incentivize builders and developers to build new, single-family housing at affordable rates. Currently, this program sets aside 75 percent of its funding for rural developments and 25 percent of funding for urban developments.

OHFA's current plan is to allocate $100.7 million to this program, which would allow builders of single-family homes to apply for a 90 percent recourse loan, enabling a builder to start construction with just 10 percent of the total building cost. OHFA's proposal sets both build and sale cost restrictions, such as a maximum sale price of $160 per square foot. The program guidelines were revised on August 4, 2023 so that there are not any subsidies or loan forgiveness provided to developers. With this change, once the initial loans are repaid, OHFA will be able to lend the funds in perpetuity for housing development.

Increased Housing Programs

The second program proposal is the Developer Subsidy for Rental Housing, which is slated to receive an allocation of $63.55 million. This program is intended to encourage developers to build rental properties across the state, with an emphasis on rural development. This program sets aside 75 percent of funding for rural developments and 25 percent of funding for urban developments. This Developer Subsidy for Rental Housing cannot be combined with the already existing Oklahoma tax credit program.

Originally proposed as a direct subsidy based on square footage, the current guidelines now provide a zero percent interest loan program to developers. The financing will cover the lesser of three million dollars or 25 percent of the total development costs. The debt financing can cover no more than 85 percent during the construction period. Additionally, any property built using the Developer Subsidy for Rental Housing must keep rent at or below 150 percent of Fair Market Rent (FMR) for the first three years, allowing for an annual increase of up to five percent or the annual increase in the FMR, whichever is lower.

The third program proposed by OHFA is the Consumer Downpayment and Closing Cost Assistance Program, which would provide 5 percent down payment and closing cost assistance to potential buyers. This program must be coupled with the existing 3.5 percent down payment assistance program already administered by OHFA, which has a household income cap of $150,000. The combined programs would enable home buyers to potentially receive a total of 8.5 percent of the purchase price in down payment assistance. The program operates as a forgivable loan upon three years of mortgage payments. If a buyer sells, refinances, or transfers the title to the home before that time, they are responsible for repaying the loan.

Stakeholders LOFT met with expressed several concerns regarding OHFA's first and second drafts of proposed development program guidelines. Foremost among these was that the proposed incentives were not enough for developers to use in rural areas, where development often has higher labor costs due to being outside of population centers. In particular, the initial proposed guidelines for the Homebuilder Program limited building costs per square foot to a lower price in rural areas than the price set for urban areas. While construction in more populated centers may need to account for higher land costs (but more readily available labor and less transportation costs), construction in less populated areas may need to balance more affordable land with higher labor and transportation costs. In response to public input received, OHFA revised its guidelines to apply the maximum of $160 per square foot price equally to both rural and urban developments. Instead, OHFA's proposed scoring for the homebuilder program, which will determine which proposals are funded, incentivizes developers to target a price of $135 per square foot, while allowing a price of up to $160.

OHFA's current proposed guidelines for the Oklahoma Housing Stability Program substantially increases the program's potential impact over the first iteration of the proposed guidelines. Previously, both developer programs offered grants which would have subsidized the building costs for new units. This approach would have depleted the funds after their initial award. The legislation creating the Housing Stability Program authorizes developers to apply for gap financing in building both single-family and multi-family homes across the state. The draft guidelines published by OHFA on August 4, 2023, changed the structure of the program from providing grant funding to providing zero percent interest loans. Under the current draft, both developer programs offer only financing and require all funds to be paid back by developers. **With the repayment of these funds, these programs will provide over $164 million for the State of Oklahoma to redeploy or revise program incentives to meet future goals.**

Exhibit 27: Selection Criteria for Oklahoma Housing Stability Program Developer Incentives. *(This chart details scoring criteria for the Homebuilder Subsidy for Homeownership and Developer Subsidy for Rental Housing programs. Qualifying proposals with the highest scores will receive funding first.)*

Comparison of Selection Criteria for Development Proposals

Scoring Criteria	Homebuilder Subsidy for Homeownership 80 Possible Points	Developer Subsidy for Rental Housing 50 Possible Points
Federally-Declared Disaster Area	10 points	10 points
Proximity to Amenities (schools, hospitals, grocery stores)	10 points	10 points
Visitability (Wheelchair Accessible)	10 points	10 points
Home Energy Efficiency Rating	Between 3 – 10 points	Between 3 – 10 points
Amenities (playgrounds, pool, garage, EV charging stations)	15 points	10 points
Sale Price (Per Square Foot)	25 point maximum; 1 point for every $ per sq ft under cost of $160 per sq ft.	0 points

Source: OHFA Oklahoma Homebuilder Program Application Packet and Oklahoma Increased Housing Program Application Packet, Published 08/02/23.

Oklahoma Needs More Flexible Workforce Housing

Over the past decade, Oklahoma's population increased by more than five percent.[73] However, housing production increased by less than 5 percent over that same time.[74] Recent data from the U.S. Census Bureau shows that Oklahoma has the tenth-highest net domestic migration between 2021 and 2022 and is now the 28th-largest state in the nation by population.[75] Between 2021 and 2022, it is estimated that housing units increased by just .8 percent.[76] With the influx of new residents, Oklahoma needs additional housing. If the State were to successfully attract a large new employer, those needs would be compounded.

LOFT estimated the currently available housing stock as of July 13, 2023, using Zillow. LOFT found approximately 4,700 properties available for purchase within the following parameters:

1) a purchase price between $50,000 and $300,000;

2) at least a bedroom and full bath (to eliminate lots, store-fronts, and workshop properties); and

3) move-in ready, or move-in ready with minor improvements.[77]

Of those 4,700 available properties, approximately 2,700 were located outside of the metropolitan areas surrounding Oklahoma City, Tulsa, and Lawton. LOFT evaluated the prices of available properties under seven property types: homes and houses, auctions, condos, foreclosures, multi-family, townhouses, and new constructions. The chart below breaks down each type with the average price, price per square foot, and average size of the properties.

Exhibit 28: Property Type Comparison. *(This table shows a comparison in price, price per square foot, and size for all housing available for purchase across the State with a purchase price between $50,000 and $300,000).*

Property Type	Average Price	Square Feet	Price/Square Feet	Inventory Count
Homes and Houses	$ 206,179.00	1,602	$ 128.70	3459
Auction	$ 92,046.15	1,505	$ 61.16	13
Condos	$ 153,748.57	1,135	$ 135.46	87
Foreclosure	$ 136,852.02	1,506	$ 90.89	90
Multifamily	$ 188,687.88	2,028	$ 93.05	66
Townhouses	$ 194,435.81	1,602	$ 121.37	32
New Construction	$ 251,521.17	1,506	$ 167.01	953

Source: LOFT calculations based on Zillow data as of July 17, 2023.

In rural areas the availability of housing greatly diminishes. In terms of raw numbers there are more properties available in rural Oklahoma than in the metros. However, within a given community the options are limited and may be unsuitable to potential buyers, whether due to size, cost, property condition, or parcel size.

In urban areas the housing market tends to move faster and more aggressively. The price of these properties isn't very different from the rural housing market. However, these properties tend to be located closer to resources like schools, grocery stores, and jobs, making them have an intrinsically higher value to the buyer. Additionally, there are more buyers in populated areas. This drives the price of housing up and accelerates the buyers in the market to purchase.

73. U.S. Census Bureau: 2010 – 2020.
74. U.S. Census Bureau: Change in Housing Units by State: 2010-2020.
75. U.S. Census Bureau: State-to-State Migration Flows, 2021.
76. U.S. Census Bureau, National, State, and County Housing Unit Totals: 2020-2022.
77. Data Collected from Zillow.com.

Case Study: The Standard Workforce

LOFT analyzed average wages for four occupations that are common in rural areas: Computer Numerical Control (CNC) machinist, police officer, firefighter, and teacher. Each of these occupations has an average annual wage of about $54,000.[78] On average, Americans spend about 9.5 percent of their income on debt payments. Using the average annual wage of $54,000, LOFT assumed a single-earner household with an average debt level would make $427.50 in monthly debt payments.[79] As of July 31, the average interest rate to buy a home is 7.34 percent. Based on current rates, an individual making $54,000 with an average credit score is likely to qualify for a home priced at $150,000.

From the 4,700 homes available to purchase, LOFT isolated available units between $100,000 and $150,000, which leaves only 572 available houses across all of rural Oklahoma. Depending what town someone is moving to, they might have the opportunity to choose among as many as 8 houses using the parameters above, but that is a best-case scenario.[80] A dual-income family, assuming both are making $54,000, should be able to afford a house around $273,000. Filtering the above results for listings between $200,000 to $275,000 finds approximately 530 houses across the State.

Not everyone in need of housing is seeking home ownership; some residents may prefer to rent. In Oklahoma, available rentals are similarly dispersed: the same data from Zillow found 1,000 properties available to rent statewide. However, 74 percent of these properties fall inside the metro areas, leaving a gap in rural areas for rental housing. For individuals and families looking to move to rural areas, purchasing from limited stock available is often the only option.

Exhibit 29: Required Income for Rural and Urban Houses *(This chart shows the income needed to afford homes being built and sold at various square footages – including the smallest and largest sizes within OHFA's proposed range – based on OHFA's proposed sale price limits of $160/ sq. ft.)*

Rural and Urban House with a Max Selling Price of $160/SQ. Foot						
Home Square Feet	**Loan Amount**	**Monthly Principle and Interest**	**Insurance**	**Property Tax**	**Total Monthly Payment**	**Affordable Income**
1,000	$ 154,569.60	$ 991.14	$ 133.33	$ 106.67	$ 1,231.14	**$ 49,245.58**
1,200	$ 185,483.52	$ 1,189.37	$ 160.00	$ 128.00	$ 1,477.37	**$ 59,094.70**
1,400	$ 216,397.44	$ 1,387.60	$ 186.67	$ 149.33	$ 1,723.60	**$ 68,943.81**
1,600	$ 247,311.36	$ 1,585.82	$ 213.33	$ 170.67	$ 1,969.82	**$ 78,792.93**
1,800	$ 278,225.28	$ 1,784.05	$ 240.00	$ 192.00	$ 2,216.05	**$ 88,642.05**
2,000	$ 309,139.20	$ 1,982.28	$ 266.67	$ 213.33	$ 2,462.28	**$ 98,491.16**

Source: OHFA Whitepaper, Bankrate Mortgage Calculator, LOFT Analysis.
Note: See Appendix A for cost calculations. Home size limitations based on OHFA's third-revised program draft white paper, published August 1, 2023.

78. U.S. Census Bureau.
79. NASDAQ.
80. See Appendix A for computation.

Growing Workforce

Oklahoma has dedicated substantial resources in recent years to improving the State's manufacturing capacity. One impediment to the continued growth of manufacturing is the lack of available housing near potential manufacturing sites. This creates problems during the initial build of a manufacturing facility and continues during its long-term operations. Oklahoma needs a formalized connection between its lead economic development agency and the agency with the power to incentivize housing development. Some of the funding for the Housing Stability Program could be dedicated for locations in and around existing shovel-ready industrial sites, or the State's lead economic development agency could be given a say in scoring some portion of proposals to ensure alignment with future workforce housing needs.

In addition to these strategic considerations, Oklahoma needs the ability to be fast and flexible with its housing, especially in the short term. OHFA's first and second draft of the proposed guidelines for the Housing Stability Programs excluded mobile, modular, and other innovative housing options. For instance, one of the proposed guidelines would have required houses built under the program to be not less than 60 percent brick. However, this requirement would have eliminated any of the most affordable options for building housing. OHFA's third draft of guidelines, current as of August 2, removed this requirement and replaced it with a scoring metric for homes with a facade that has at least 50 percent brick, stone, or stucco. This factor now only accounts for 1 of 60 possible points. The new scoring will allow developers to decide whether the increased price of brick, stone, or stucco is desirable to the market they are trying to serve.

Innovations in Building Technology and Materials

If a State goal is to develop affordable, quality housing quickly and efficiently, OHFA ought to also leverage new technologies and building practices that enable faster, cost-efficient construction, as long as it meets quality standards. For example, manufactured, or prefabricated housing, already provides housing for 22 million people; there are 8.2 million manufactured homes across the United States. Prefab construction is a process modeled off modern manufacturing best practices. It involves fabricating much of a structure in an offsite factory, and then shipping those pieces to be easily assembled on site.

Manufactured homes can cost half as much per square foot to build than site-built houses, according to U.S. Census data. Nationally, the cost to buy a manufactured home averages about $158,600, compared with $430,808 for a single-family site-built home, not including land costs.[81]

New building technology has the potential to decrease costs and increase production through use of pre-fabricated building processes and use of non-traditional materials and applications. Some options include:

- **Manufactured homes** are fully factory-built homes. These homes are transported to the site in one piece and anchored to a permanent foundation.
- **Modular homes** are factory-built homes transported in sections and constructed on a permanent foundation site. These can be built to the same standards as site-built homes, but for less money due to a significant portion of the work being done in a centralized, climate-controlled location. Modular homes are built to comply with local building codes.
- **3D printed homes** are generally on-site built homes, employing a variety of technologies to "print" a physical structure. The materials can be concrete, metal, or resin, and are used to build entire houses. 3D printed homes are built to comply with local building codes. While the technology is still being proven, it seems likely that 3D printing, or similar technology, will help reduce the cost of housing, if it is encouraged. OHFA's initial drafts would have barred the use of this technology in OHSP programs, however as of August 4, 2023, the guidelines have been amended to allow for its use.

81. U.S. Census.gov. Data on new manufactured homes average sales price and size 2014-2022.

Modular homes take less time to build because the house is already manufactured at another location. It's possible to assemble, ship, and construct a house in under four months if you choose the modular option. Modular homes are required to follow all the same codes and building criteria as stick-built homes. This type of construction is required to have the same quality roof, HVAC, plumbing, and electrical systems as any traditionally-built home in the area. Oklahoma statutes already ensures minimum standards of quality with the statewide Uniform Building Code.[82]

Federal authorities view modular and manufactured homes as a priority solution to the nation's affordable housing challenges. Manufactured or factory-built housing has figured prominently in recent efforts to increase the supply of affordable housing and can be a helpful avenue for those seeking to achieve the wealth-building potential of homeownership.[83] HUD has recently changed regulatory language addressing multi-unit occupants by adding benchmarks and guidelines that meet Manufacturing Housing Construction and Safety standards. OHFA's adoption of these guidelines for the Housing Stability Programs would help in addressing affordable housing needs.

Case Study: Modular Multi-family Affordable Housing Projects

A recent example of a successful housing development using modular building technology is the Blumberg 83, a multi-family neighborhood consisting of various-sized townhomes and apartments. The development is the center of the Sharswood Transformation Plan being overseen by the Philadelphia Housing Authority, which owns Blumberg 83. The housing development features sustainable design elements guided by two green rating programs: Enterprise Green Communities and Energy Star Certified Homes and was recognized with the National Association of Housing and Redevelopment Officials' Award of Merit in 2021. The modular manufacturing process significantly reduces the amount of construction waste and energy use.[84]

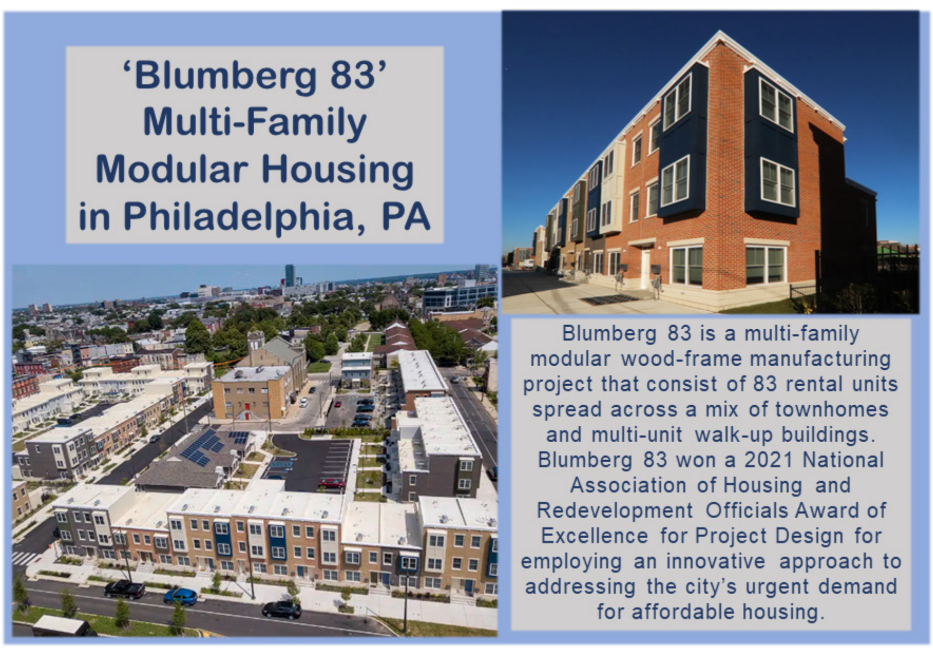


Exhibit 30: Modular Multi-Family Projects. *(This image is of a multi-family modular project owned by the Philadelphia Housing Authority consisting of a mix of rental apartments and family town-homes. Construction started in May 2019 and occupants moved in January 2020.)*

Source: HUDuser.gov case study; "Philadelphia: Former Public Housing Superblock Transformed into Modern and Affordable Housing" and the National Association of Housing and Redevelopment Officials.

82. 59 O.S. § 1000.24.
83. Hud.gov HUD press release no. 22-133.
84. HUDuser.gov case study; "Philadelphia: Former Public Housing Superblock Transformed into Modern and Affordable Housing."

LOFT's research finds other states have recently invested additional state funds and enacted targeted initiatives to increase the supply of workforce housing, as shown in the table below.

Exhibit 31: State Actions on Workforce Housing. *(The table below summarizes recent actions by states to increase investment in workforce housing.)*

State	Legislation	Action
Nebraska	Financial incentives to non-profit developers – (LB866, 2020)	Allocates $7.5 million in matching funds to non-profit development organizations that create workforce housing. Projects include new construction that has an after-construction appraised value of at least $125k-$330k.
Colorado	Financial incentives to developers – (Prop. 123, 2022)	Dedicates $61 million in loans for projects that qualify for affordable housing tax credits and modular/factory-based home builders.
Florida	State-local partnerships – (Live Local Act, SB102, 2023)	Allocates $252 million to State Housing Initiatives Partnership (SHIP) Program, which provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. Includes housing developments for those making up to 140% AMI.
	Financial incentives to developers – (SB102, 2023)	Provides up to $5,000 refund for sales tax on building materials for housing units funded through Florida Housing Finance Corporation.
		Creates a 75% ad valorem tax exemption for projects that provide at least 70 housing units dedicated to low to moderate income families.

Source: NCSL, Seattle Times, Colorado General Assembly, and Florida Office of the Governor.

In addition to financial incentives, some states have recently passed statewide zoning reforms to allow for more development of workforce and low-income housing. For example, Oregon recently passed legislation to require municipalities to update their zoning codes to allow the development of middle housing types, including duplexes, in all residential areas.[85]

85. NCSL; Oregon State Legislature, HB 2001, 2019. Oregon Legislature defined middle housing as duplexes, row houses, cottage clusters, stacked flats, and accessory dwelling units.

Legislative Opportunities

With the newly created programs and accompanying funding, the Legislature has an opportunity to direct program objectives to accomplish the State's priorities of creating more housing that is affordable for its current and future workforce needs, as well as making home ownership attainable for more families.

Currently, statute allows OHFA to establish administrative rules for the new housing programs. However, OHFA has chosen to keep administrative rules broad, instead setting program eligibility through the application phase. OHFA has demonstrated it is an effective program administrator when it receives clear guidance, direction, and accountability, as it does with HUD programs. As the policymaking arm of State government, the Legislature can and should provide more detailed direction to OHFA about the objectives to be accomplished with the new programs. Additionally, the Legislature can determine how flexible the program parameters can be in terms of allowable building methods and materials, types of housing to be developed, and eligibility of participants.

About the Legislative Office of Fiscal Transparency

Mission

To assist the Oklahoma Legislature in making informed, data-driven decisions that will serve the citizens of Oklahoma by ensuring accountability in state government, efficient use of resources, and effective programs and services.

Vision

LOFT will provide timely, objective, factual, non-partisan, and easily understood information to facilitate informed decision-making and to ensure government spending is efficient and transparent, adds value, and delivers intended outcomes. LOFT will analyze performance outcomes, identify programmatic and operational improvements, identify duplications of services across state entities, and examine the efficacy of expenditures to an entity's mission. LOFT strives to become a foundational resource to assist the State Legislature's work, serving as a partner to both state governmental entities and lawmakers, with a shared goal of improving state government.

Authority

With the passage of SB 1 during the 2019 legislative session, LOFT has statutory authority to examine and evaluate the finances and operations of all departments, agencies, and institutions of Oklahoma and all of its political subdivisions. Created to assist the Legislature in performing its duties, LOFT's operations are overseen by a legislative committee. The 14-member Legislative Oversight Committee (LOC) is appointed by the Speaker of the House and Senate Pro Tempore, and receives LOFT's reports of findings. The LOC may identify specific agency programs, activities, or functions for LOFT to evaluate. LOFT may further submit recommendations for statutory changes identified as having the ability to improve government effectiveness and efficiency.

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Appendix A. Methodology

Oklahoma Constitution, Statutes and Agency Policies

LOFT reviewed State Statute and Administrative Code pertaining to the Oklahoma Housing Finance Agency.

Methodology

Determining Available Housing

LOFT used a data scraping tool that captured all information from Zillow.com in reference to the available houses for purchase between $50,000 and $300,000. This range was selected because anything above $300,000 would not be affordable for a dual-income family in the “workforce housing” targeted demographic.

Income Required to Achieve Homeownership

To determine the income required to afford different levels of housing, LOFT determined a few key constants. First, LOFT took the national average for interest rates and held it constant at all price levels. This interest rate was set to 7.34% which was defined as a good interest rate for person(s) with a good credit score. Second, LOFT determined the Loan Amount to be the size (1,000 – 2,000 square feet) multiplied by the maximum build cost of $160/square foot. Then the price was reduced by 10% as a downpayment reduction from other OHFA products. Third, LOFT evaluated that property taxes are roughly .8% of the home’s value and insurance is approximately 1% of the home’s value. Adding the monthly taxes, with the monthly insurance, to the monthly principle and interest, arrives at the monthly payment amount. Taking the monthly payment amount and dividing it by the rate at which is affordable (30% in our case) arrives at the monthly income needed to afford that house. Multiply that by 12 and that is the annual wage required.

Stakeholders

- Oklahoma Housing Finance Agency
- Oklahoma City Housing Authority
- Tulsa Housing Authority
- Oklahoma Homeless Alliance
- Central Oklahoma Habitat for Humanity
- Oklahoma Home Builders Association
- Mental Health Association of Oklahoma
- National Conference of State Legislators
- Oklahoma Association of REALTORS
- Gorman Management Company
- Chesapeake Community Advisors
- Catholic Charities of the Archdiocese of Oklahoma City

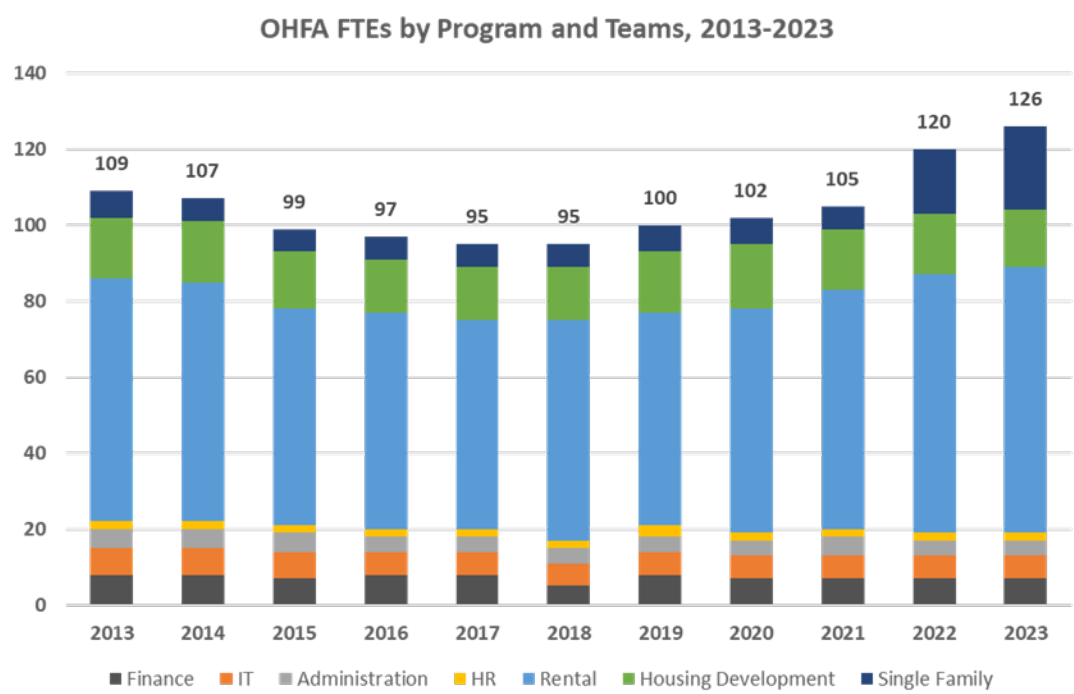
Appendix B: OHFA Trust Indentures, Original and Current

Please see the following pages which include relevant excerpts from both the original OHFA Trust Indenture, signed in 1975, and the current amended Trust Indenture from 2002.

Appendix C: Number of FTEs by Team and Ten Year Trends

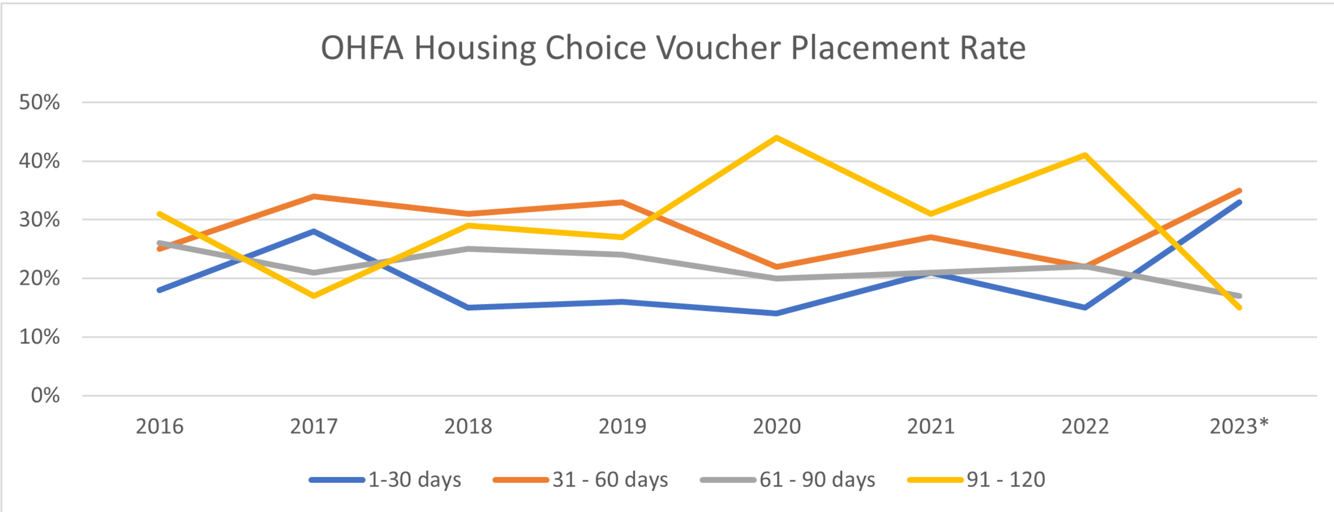
Team	FTEs
Finance	7
IT	6
Administration	4
HR	2
Rental	70
Housing Development	15
Single Family	22
Total Employees	**126**

Source: The Oklahoma Housing Finance Agency (OHFA)
Note: Data accurate as of September 2022



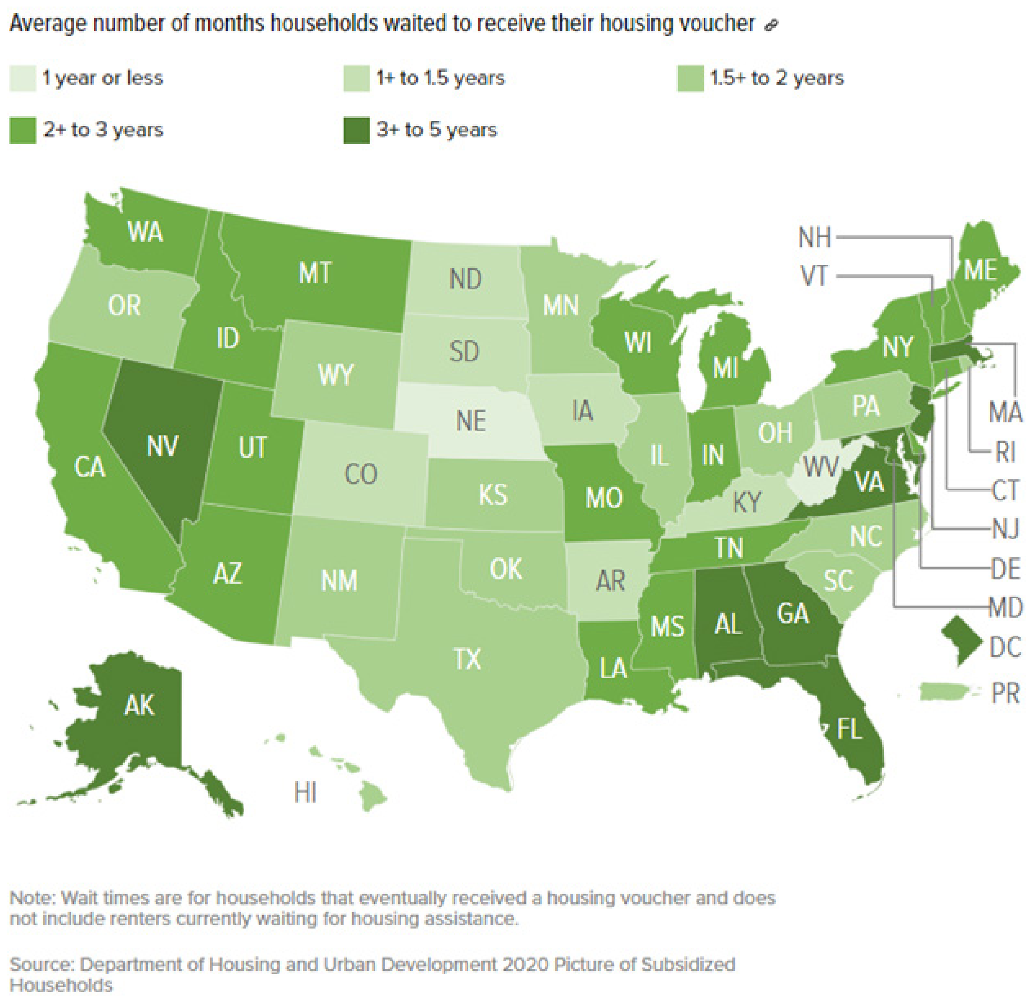
Source: OHFA
Note: FTE counts are based on September snapshot except for 2023, which is based on the April snapshot.

Appendix D: OHFA Housing Choice Voucher Placement Rate (2016 – June 2023)



Source: OHFA

Appendix E: National Index of Housing Voucher Wait Time



Source: HUD 2020 Picture of Subsidized Households

Appendix F: State Comparison of Section 8 Administration

Oklahoma	**Oklahoma Housing Finance Agency**	Coordinates housing through vouchers for the general population of very-low to low income and other vulnerable populations. Waitlist preferences the homeless and disabled.
Texas	Texas Department of Housing and Community Affairs	Provides housing through vouchers for low-income persons with disabilities
Kansas	Kansas Housing Resources Corporation	Participants are guided to local PHA for Section 8 Application
Arkansas	Arkansas Development Finance Authority	State has regional PHAs; Participants are instructed to local PHA for Section 8 Application
Colorado	Colorado Department of Local Affairs, Division of Housing; Colorado Housing and Finance Authority	Provides housing through vouchers for households involved in child welfare, veterans (VASH program), homeless individuals, extremely-low income persons with disabilities
Missouri	Missouri Housing Development Commission	- Participants are guided to local PHA for Section 8 Application -Section 811 Program - Provides housing for only extremely-low income persons with disabilities
New Mexico	New Mexico Mortgage Finance Authority	- Participants are guided to local PHA for Section 8 Application

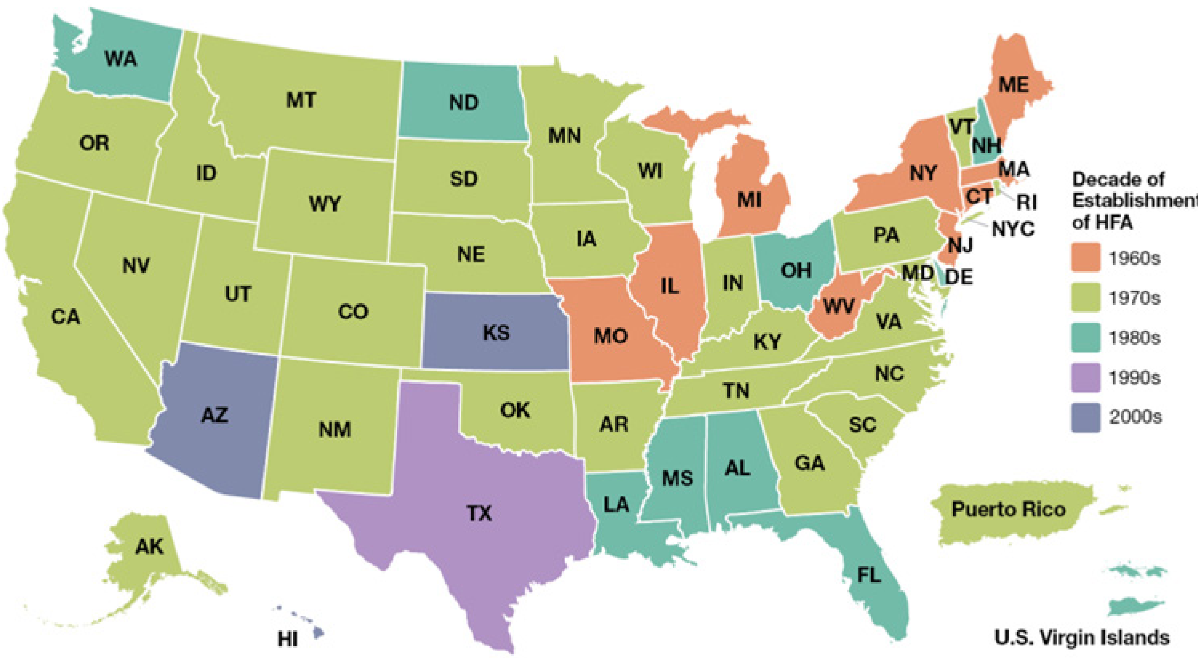
Source: Respective State Housing Finance Agencies and Authorities
Note: LOFT attempted to contact additional State Housing Authorities in farther regions but received little to no responses from other states.

Appendix G: State Index of Housing Finance Agencies/Authorities Adminsitrative Structure

Alabama	Self-Supporting Public Corporation	Nebraska	Quasi-Government
Alaska	Self-Supporting Public	Nevada	State Agency
Arizona	Cabinet Level Agency of State Government	New Hampshire	Self-Supporting Public Corporation
Arkansas	Public Body Politic and Corporate	New Jersey	Independent Agency in the Executive Branch of State Government
California	Report to a board, whose members are appointed by the Governor and the	New Mexico	Quasi-governmental
Colorado	Self-funded	New York	Under direction of Governor
Connecticut	Quasi-Public Agency	North Carolina	Self-supporting Public Agency
Delaware	Independent Authority with Supervision	North Dakota	Under ND Industrial Commission
Florida	Self-Supporting Public Corporation	Ohio	Quasi-Independent
Georgia	State agency	Oklahoma	State Trust
Hawaii	Appointed Board Picks Executive Director	Oregon	Under Governor's Supervision & Budget
Idaho	Self-Supporting Organization	Pennsylvania	Independent State Agency and a Public Corporation
Illinois	Independent Authority with Supervision	Rhode Island	Self-Supporting Quasi-Public Entity
Indiana	Independent, self-supporting bonding authority	South Carolina	9-Member Board Nominated by Governor
Iowa	Self-supporting public instrumentality and agency of the state	South Dakota	Independent Public Instrumentality
Kansas	Self-supporting public corporation	Tennessee	State Agency
Kentucky	Self-supporting public corporation	Texas	State Agency
Louisiana	Self-supporting, quasi-government	Utah	Independent State Entity
Maine	Independent Authority	Vermont	State Chartered Nonprofit Organization
Maryland	Cabinet Level Agency Under the Governor	Virginia	Independent Authority
Massachusetts	Independent Authority	Washington	Self-Supporting State Agency
Michigan	Autonomous Public Body Corporate	West Virginia	The WV Housing Development Fund is a governmental instrumentality of the State of West Virginia and a public body corporate.
Minnesota	Public Body Corporate and Politic	Wisconsin	Self-Supporting Public Corporation
Mississippi	Self Supporting Public Corporation	Wyoming	Instrumentality of the State
Missouri	Instrumentality of the state		
Montana	Under Governor's Direct Supervision		

Source: National Council of State Housing Finance Agencies

Appendix H: Date of Establishment of State Housing Finance Authority



Source: National Council of State Housing Agencies

Appendix I: Housing Choice Voucher Waitlist Preference Background

Federal regulations allow state and local authorities to give preference to certain groups if it does not violate federal regulations and applicable civil rights requirements. These groups may include working families, those with a disability, victims of domestic violence, the elderly, or the homeless.

PHA Waiting List Preferences Example:

Arizona Department of Housing

- Preference 1: Located (any length of time) in Yavapai County.
- Preference 2: Homeless/VAWA (see APHA Administrative Plan).
- Preference 3: Sixty-two (62) years of age or older and/or disabled.
- Preference 4: Veteran(s) of the United States military.
- Preference 5: Are participating in a state-funded job training program.
- Preference 6: Who are employed for wages.

"All PHAs have significant flexibility in establishing procedures and priorities for waiting lists and tenant selection, within the overall framework provided by federal law. Each PHA is required to establish an Annual Plan that describes the PHA's approach to meeting local housing needs among low- and very low-income people. The PHA Plan describes eligibility for housing assistance and tenant screening and selection criteria. PHAs must ensure that 75 percent of households admitted into the voucher program and 40 percent of households admitted into public housing each year are extremely low income.

Beyond those requirements, PHAs can establish policies for managing their waiting lists: for example, PHAs can select households on their waiting-list on a first-come, first-served basis or through a lottery. Many PHAs establish priorities or "preferences" for households with particular needs, including USICH PHA Portal – Wait List Preferences households experiencing homelessness, who are applying for or are on waiting lists for public housing or voucher assistance or both.

Changes to local preferences must be based on local housing needs and priorities as identified by generally accepted data sources, such as the Point in Time count and Census data, and information gathered through the PHA Plan public comment process. PHAs are encouraged to work with local organizations to establish a system of preferences that are informed by goals established through a collaborative planning process, such as a community's Plan to End Homelessness or the Continuum of Care planning. Federal law places some constraints on such local preferences; for example, they may not conflict with fair housing law."

Source: US HHS, Office of the Assistant Secretary for Planning and Evaluation

Public Housing Agencies and Permanent Supportive Housing for Chronically Homeless People

Appendix J: ARPA Emergency Housing Voucher Data – Oklahoma (as of July 25, 2023)

Oklahoma received 463 EHV awards in total. OHFA received 301 awards as shown below.

Emergency Housing Voucher Dashboard

State: OK | PHA Code & Name: All | MTW: All | Clear All Filters

Data current as of: 7/25/2023
Source: IMS/PIC System and HUDCAPS

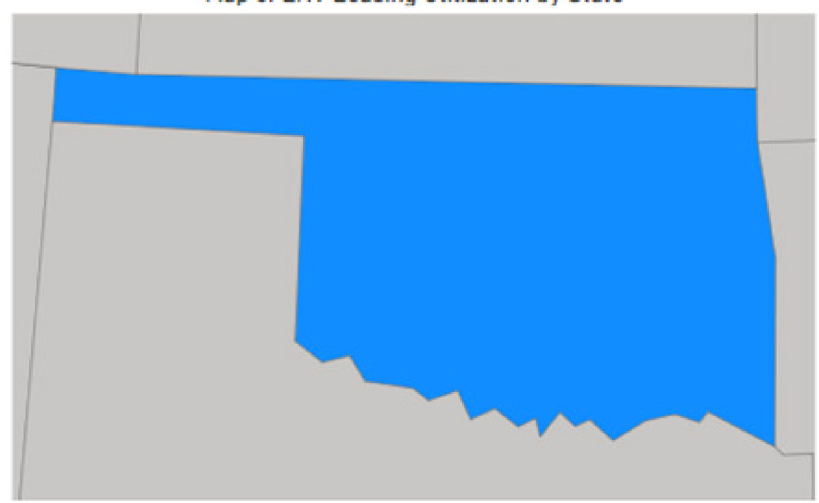
Total EHV Awards*	Total Households Served by EHV Program	Current EHV Units Leased	Current EHV Leasing Utilization
301	318	260	86.38%

Summary of EHV Award, Current Issuances and Leased Vouchers

PHA Code	PHA Name	Total Awards	Active Issuances	Current Leased Vouchers	Unit Utilization
OK002	Housing Authority of the City of Oklahoma City	36	9	43	119.44%
OK139	Housing Authority of the City of Norman	30	2	29	96.67%
OK146	Housing Authority of the City of Stillwater	28	1	27	96.43%
OK027	Housing Authority of the City of Miami,oklaho	15	2	13	86.67%
OK901	Oklahoma Housing Finance Agency	301	16	260	86.38%
OK073	Housing Authority of the City of Tulsa	53	17	37	69.81%
Total		463	47	409	88.34%

* Note: 70,000 EHVs were awarded to PHAs across the United States. The reduction in Total Award Amount is due to PHAs that have returned their EHV awards.

Map of EHV Leasing Utilization by State



Source: HUD

Appendix K: Oklahoma OHFA Housing Choice Voucher Participants

Housing Choice Voucher and Rental Program Statistics as of July 23, 2023

Average number of Years Current Active Participants Have Been on Rental Assistance as of 7/23/2023

28,792,870	total number of days of all active participants on rental assistance as of 7/23/23
10,571	number of active participants on rental assistance as of 7/23/23
2,724	average number of days of current active participants on rental assistance as of 7/23/23
365	days in a year
7.46	average number of years current active participants have been on rental assistance (7/23/23 minus admission date, averaged)

Number of Rental Assistance Families Admitted During Each Time Period	Admission Date of Rental Assistance Families
12	1980 - 1989
325	1990 - 1999
1,505	2000 - 2009
4,889	2010 - 2019
3,840	2020 - July 23, 2023
10,571	Total Active Participants July 23, 2023 (excluding pending)

Percentage of Rental Participant Households in Each Category	Number of Rental Participant Households in Each Category	
56.05%	5,925	Rental program - Head of Household Disabled (active and not pending)
3.69%	390	Rental program - Head of Household older than 65 years old and not disabled (active and not pending)
59.74%	6,315	Rental program - Head of Household disabled or older than 65 years old or both
40.26%	4,256	Remaining Head of Households as of July 2023 (not disabled or greater than 65 years old)
100.00%	10,571	total active vouchers July 23, 2023

Note: 59.74% of households on rental assistance (6,315 households out of 10,571 households as of July 2023) are either disabled or older than 65 years old. It is unlikely that most of the participants in these demographics will attain self-sufficiency without significant wrap-around, non-housing services from other sources.

Source: OHFA

Appendix L: OHFA Proposed Program Guidelines for Oklahoma Housing Stability Program

Please see the following pages which include the most recent OHFA white paper describing the proposed guidelines for each of the Oklahoma Housing Stability Programs, current as of 8/10/23.

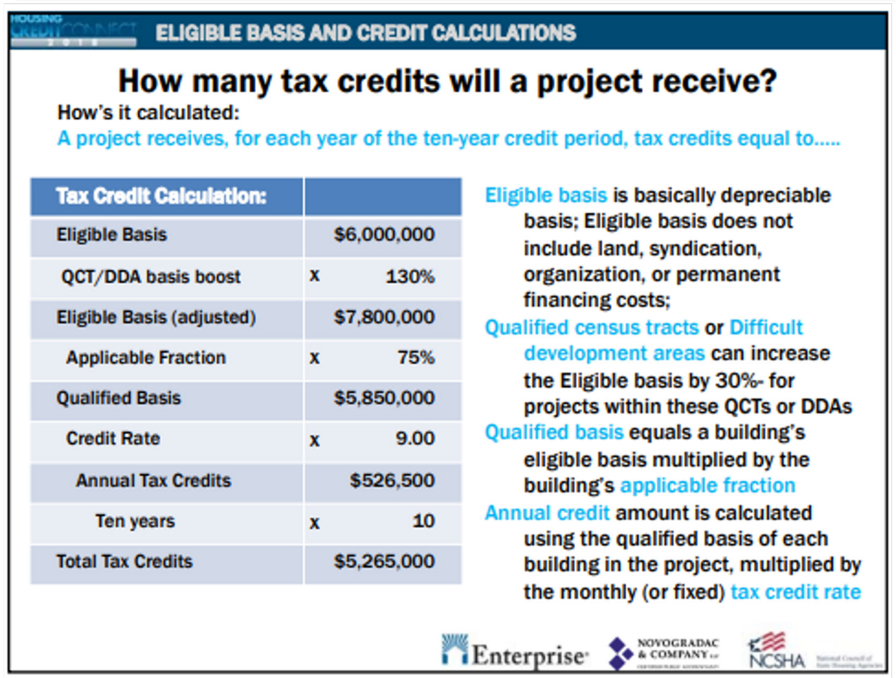
Appendix M: HUD-VASH Vouchers Placement 2008-2020

PHA #	PHA Name	FY 2008	FY 2009	FY 2010	FY 2010 PBV Set-Aside Awards	FY 2011	FY 2012	FY 2013	FY2013-2014 PBV Set-Aside Award	FY 2014	FY2015	FY2015 PBV Set-Aside Awards	FY2016	FY2016 PBV Set-Aside Awards	FY2017	FY2018 (rounds 1&2)	FY2019	FY2020	FY2021	FY2022	Total
OK002	Housing Authority of the City of Oklahoma City	35	35	25	0	50	40	25	0	43	15	0	0	0	8	0	5	0	30	0	311
OK005	Housing Authority of the City of Lawton	0	0	0	0	0	0	0	0	0	0	0	0	0	8	5	0	0	0	0	13
OK073	Tulsa Housing Authority	0	0	0	0	0	0	0	0	21	30	0	0	0	9	10	5	35	0	0	110
OK099	Housing Authority of the City of Muskogee	35	0	0	0	0	25	25	0	0	5	0	0	0	4	0	0	0	0	0	94
OK139	Norman Housing Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	8	5	5	8	0	0	26
OK901	Oklahoma Housing Finance Agency	0	0	25	0	50	25	15	0	13	22	0	49	0	15	15	25	51	0	0	305

Source: US HUD

Appendix N: Low-Income Housing Tax Credit Calculation

Low-Income Housing Tax Credit Calculation



ELIGIBLE BASIS AND CREDIT CALCULATIONS

How many tax credits will a project receive?

How's it calculated:

A project receives, for each year of the ten-year credit period, tax credits equal to.....

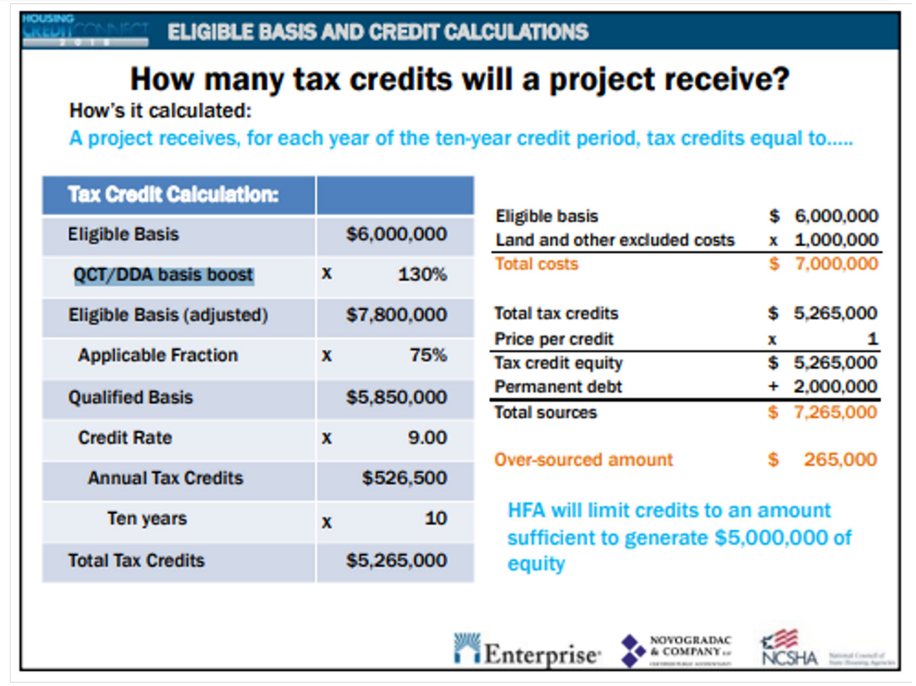
Tax Credit Calculation:		
Eligible Basis		$6,000,000
QCT/DDA basis boost	x	130%
Eligible Basis (adjusted)		$7,800,000
Applicable Fraction	x	75%
Qualified Basis		$5,850,000
Credit Rate	x	9.00
Annual Tax Credits		$526,500
Ten years	x	10
Total Tax Credits		$5,265,000

Eligible basis is basically depreciable basis; Eligible basis does not include land, syndication, organization, or permanent financing costs;

Qualified census tracts or Difficult development areas can increase the Eligible basis by 30%- for projects within these QCTs or DDAs

Qualified basis equals a building's eligible basis multiplied by the building's applicable fraction

Annual credit amount is calculated using the qualified basis of each building in the project, multiplied by the monthly (or fixed) tax credit rate



ELIGIBLE BASIS AND CREDIT CALCULATIONS

How many tax credits will a project receive?

How's it calculated:

A project receives, for each year of the ten-year credit period, tax credits equal to.....

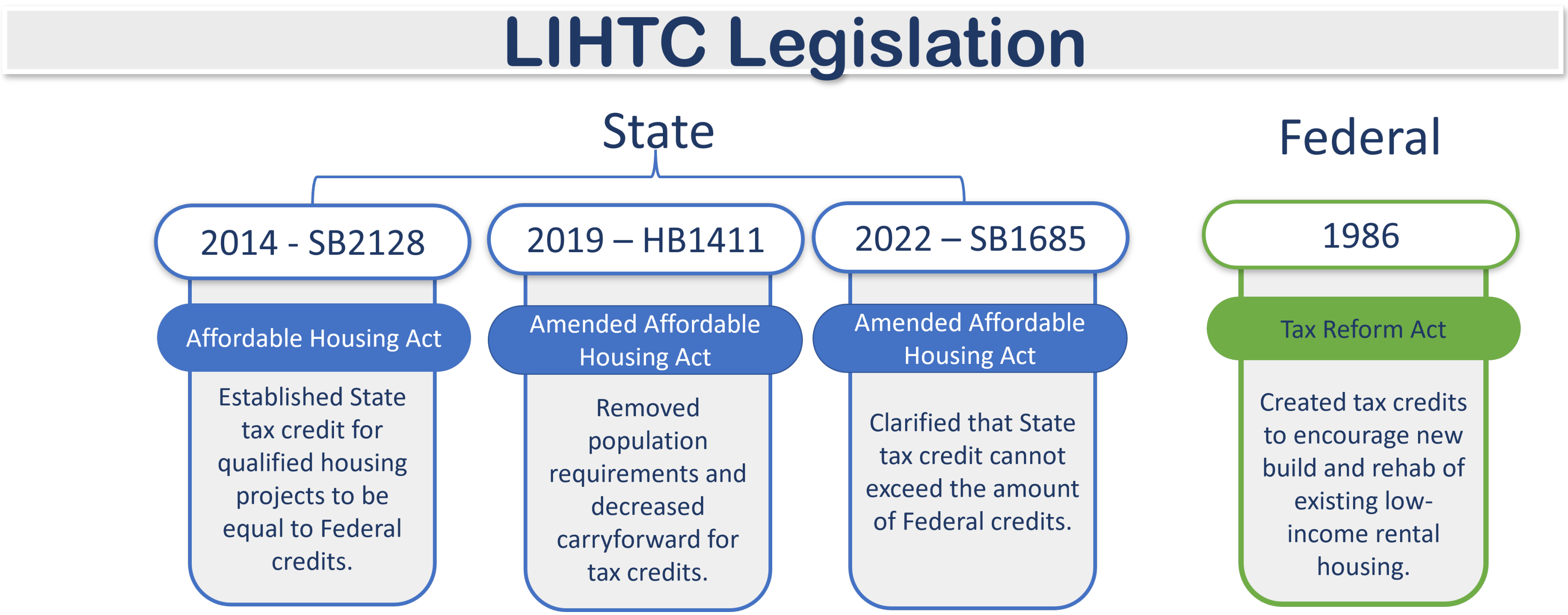
Tax Credit Calculation:		
Eligible Basis		$6,000,000
QCT/DDA basis boost	x	130%
Eligible Basis (adjusted)		$7,800,000
Applicable Fraction	x	75%
Qualified Basis		$5,850,000
Credit Rate	x	9.00
Annual Tax Credits		$526,500
Ten years	x	10
Total Tax Credits		$5,265,000

Eligible basis	$	6,000,000
Land and other excluded costs	x	1,000,000
Total costs	$	7,000,000
Total tax credits	$	5,265,000
Price per credit	x	1
Tax credit equity	$	5,265,000
Permanent debt	+	2,000,000
Total sources	$	7,265,000
Over-sourced amount	$	265,000

HFA will limit credits to an amount sufficient to generate $5,000,000 of equity

Source: National Council State Housing Agencies; Housing Credit 101

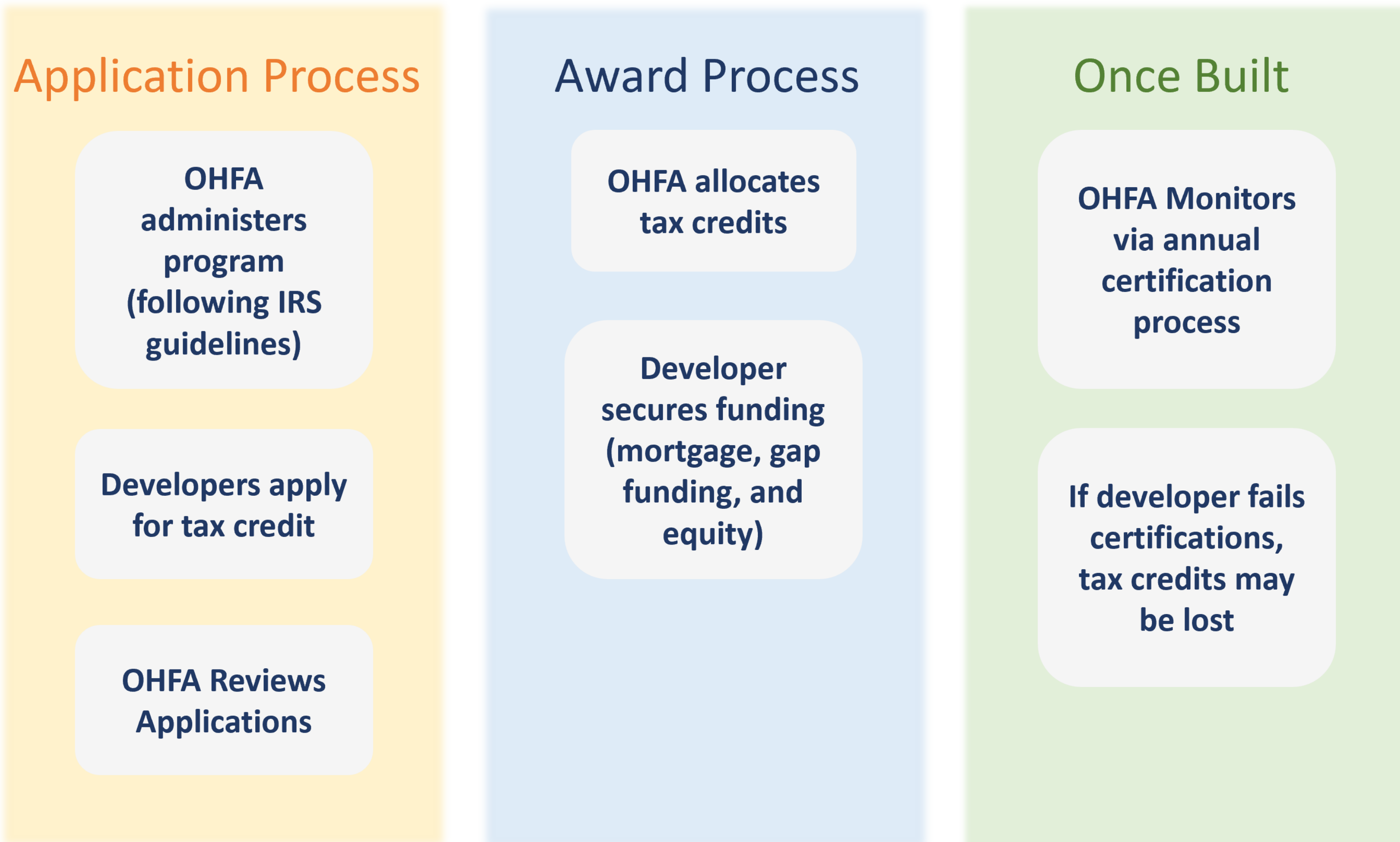
Appendix O: LIHTC Legislation



Source: Statutory review;IRS Code 42.

Appendix P: LIHTC Program Administration

Low Income Housing Tax Credit (LIHTC) Program Administration



Source: Congressional Research Service, "An Introduction to the Low-Income Housing Tax Credit.

Appendix Q: Cities Where Homeowners Spend the Most on Housing Relative to Income

Cities Where Homeowners Spend the Most on Housing Relative to Income

Rank	City	Median monthly housing costs as a share of income	Median monthly housing costs	Median monthly household income	Current median home price	Overall cost of living (compared to average)
1	Los Angeles, CA	25.0%	$2,286	$9,160	$898,692	+18.8%
2	Miami, FL	23.9%	$1,313	$5,488	$414,625	+11.7%
3	Anaheim, CA	22.7%	$2,095	$9,218	$777,598	+18.8%
4	San Diego, CA	22.0%	$2,149	$9,755	$849,192	+17.9%
5	Oakland, CA	21.6%	$2,253	$10,425	$959,760	+34.5%
6	Long Beach, CA	21.5%	$1,933	$8,976	$751,012	+18.8%
7	San Francisco, CA	21.4%	$2,701	$12,638	$1,502,029	+34.5%
8	Fresno, CA	21.0%	$1,347	$6,400	$326,544	-2.5%
9	New Orleans, LA	20.6%	$1,164	$5,645	$259,398	-6.9%
10	Aurora, CO	20.5%	$1,498	$7,322	$447,686	+4.2%
11	New York, NY	20.3%	$1,812	$8,909	$660,230	+25.7%
12	Portland, OR	19.9%	$1,746	$8,783	$552,071	+5.0%
13	San Jose, CA	19.8%	$2,509	$12,659	$1,286,076	+26.7%
14	Chicago, IL	19.7%	$1,528	$7,775	$299,929	+2.8%
15	Sacramento, CA	19.6%	$1,526	$7,774	$449,788	+5.2%
16	Virginia Beach, VA	19.5%	$1,535	$7,858	$334,369	-3.6%
17	Denver, CO	19.3%	$1,660	$8,589	$555,410	+4.2%
18	Seattle, WA	19.2%	$2,401	$12,530	$871,286	+14.5%
19	Fort Worth, TX	19.0%	$1,352	$7,106	$260,859	+1.2%
20	Boston, MA	18.9%	$2,096	$11,064	$693,096	+15.5%
21	Tampa, FL	18.8%	$1,209	$6,416	$323,316	-1.2%
22	Atlanta, GA	18.7%	$1,640	$8,791	$342,700	-2.1%
23	Bakersfield, CA	18.7%	$1,414	$7,555	$321,495	-3.0%
24	Baltimore, MD	18.6%	$1,200	$6,452	$183,677	+5.8%
25	Minneapolis, MN	18.5%	$1,470	$7,963	$329,763	+2.9%
50	Kansas City, MO	15.3%	$1,024	$6,672	$201,278	-7.2%
51	Oklahoma City, OK	15.3%	$979	$6,381	$169,592	-10.2%
52	Detroit, MI	15.3%	$542	$3,549	$54,878	-4.7%
53	Wichita, KS	15.1%	$916	$6,057	$159,767	-12.1%
54	Tulsa, OK	14.9%	$920	$6,192	$155,130	-11.4%

Source: Filterbuy.com

Agency Response

- *Oklahoma Housing Finance Agency, August 7, 2023*

OKLAHOMA HOUSING FINANCE AGENCY
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Evaluation Report: Oklahoma Housing Finance Agency (OHFA)

I. Introductory Comments from Agency regarding the subject of evaluation
II. Technical response to findings and/or recommendations
III. Policy response to findings and/or recommendations

I. Introduction

OHFA would like to thank the Legislative Office of Fiscal Transparency (LOFT) for their time, dedication, and professionalism over the last several months reviewing OHFA and its housing programs for the purpose of educating our State Legislators about OHFA's mission, which is to provide housing resources to Oklahomans statewide.

OHFA values the insight provided by the review and looks forward to implementing many of the recommendations. OHFA historically does not receive any state appropriations. OHFA appreciates the confidence shown by the state legislature by selecting OHFA to create and administer a new $215 million Housing Stability Program, which we believe is the State's largest investment in housing to date.

OHFA is a public trust with the State of Oklahoma as its Beneficiary. OHFA was established in 1975 by trust indenture pursuant to Title 60 §176.1 and was created to improve the housing stock and living conditions of Oklahomans statewide. Under Title 60 §176.1, OHFA exists as a legal entity separate and distinct from its Beneficiary in all matters or activities authorized by its Trust Indenture including but not limited to, its budget, expenditures, revenues and general operation and management of its facilities or functions.

OHFA operates in all 77 Oklahoma counties, providing financial assistance to help Oklahoma families pay their rent or purchase a home. OHFA partners with nonprofit organizations, developers, municipalities, federal agencies, and various state agencies to provide financial resources that support the development or rehabilitation of affordable housing in Oklahoma.

OHFA provides affordable housing resources to address the needs of all Oklahomans, including seniors, veterans, people with disabilities, and individuals and families experiencing homelessness. OHFA subsidizes the rent for over 23,000 low-income Oklahoma families each month, and since the year 2000 has been designated as a "High Performer" by the U. S. Department of Housing and Urban Development. Over the past decade, OHFA has assisted approximately 14,000 families to achieve the dream of home ownership through OHFA's down payment and closing cost assistance programs. OHFA has financed just under 19,000 affordable housing units through the Low Income Housing Tax Credit (LIHTC) program since 2013. OHFA administers several other affordable housing programs (e.g., National Housing Trust Fund, Oklahoma Housing Trust Fund, HOME Investment Partnerships program, Housing Opportunities for Persons with Aids, Multifamily Bond program, etc.) that assist thousands of families throughout the State.

Since 1976, OHFA employees have proudly served the citizens of Oklahoma and are committed to continuing their valuable service in the years to come.

Executive Director — Deputy Executive Director/CFO

II. Technical response to findings and/or recommendations

Finding I: Market Conditions are Limiting Impact of OHFA's Housing Assistance Programs.

Does the agency agree with the facts as presented? **Yes, OHFA substantially agrees with the facts as presented.**	Does the agency agree with the recommendations related to this finding? **Yes, OHFA substantially agrees with the recommendations related to the finding.**

Agency Comments and Clarifications (Technical response)

Agency Recommendations

The Oklahoma Housing Finance Agency should:

1. Measure and report outcomes of the Family Self Sufficiency Program (FSS), including capacity of program and current participation level.

   <u>OHFA's Response</u>

   The overall goal of the FSS program is to reduce poverty by providing a mechanism for low-income families to increase their earned income within a 5-year period. OHFA will report quarterly on its public facing website the current number of active participants and the number of FSS slots available.

2. Increase the visibility of the Family Self Sufficiency Program on its website and promote greater awareness of the program to clients.

   <u>OHFA's Response</u>

   OHFA will include detailed information about the FSS program on OHFA's public facing website. In addition, OHFA will continue to do the following: (1) Recognize FSS graduates at OHFA's Board of Trustees meetings; (2) Highlight FSS graduates (with permission) in OHFA's Housing Choice Voucher program newsletter (News on 8) which is distributed to more than 12,000 households; (3) Provide FSS program information during initial and recertification appointments to encourage participation by Housing Choice Voucher program participants.

3. Dedicate an employee to reviewing HUD grant opportunities to identify and apply for grants that OHFA is eligible for.

   <u>OHFA's Response</u>

   OHFA plans to employ a full-time Business Process Analyst within the next 12 months whose responsibility will include reviewing HUD and other grant opportunities.

Finding II: OHFA'S Development Programs Focus on Low-Income Multi-Family Housing, but Oklahoma Needs Affordable Housing of All Types.

Does the agency agree with the facts as presented? **Yes, OHFA substantially agrees with the facts as presented.**	Does the agency agree with the recommendations related to this finding? **Yes, OHFA substantially agrees with the recommendations related to the finding.**

Agency Comments and Clarifications (Technical response)

Agency Recommendations

The Oklahoma Housing Finance Agency should:

1. Consider using Low Income Housing Tax Credits for housing developments that have mixed income levels to decentralize poverty.

   <u>OHFA's Response</u>

   OHFA's Qualified Allocation Plan (QAP) for both 9% and 4% tax credit programs allow for housing developments with mixed income levels. OHFA is currently crafting its 2024 QAP and receiving public input. OHFA will consider providing additional points to further incentivize mixed income developments.

2. Consider revising the current QAP credit per unit to incentivize unit sizes and quality that are better suited to families.

   <u>OHFA's Response</u>

   OHFA is currently crafting its 2024 QAP and receiving public input. OHFA will consider providing additional points to further incentivize larger units better suited for families. For informational purposes, between 2012 and 2022, OHFA's Low Income Housing Tax Credit (LIHTC) financing provided 4,367 three- and four-bedroom units out of a total of 18,799 units or 23.2% of units built. Of LIHTC units constructed between 2012 and 2022, 11,720 of 18,799 or 62.3% of units built have two or more bedrooms. Based on the numbers above, OHFA's LIHTC programs already benefit a significant number of families.

Finding III: New State Programs Create Opportunities for Innovation in Housing Policy.

Does the agency agree with the facts as presented? **Yes, OHFA substantially agrees with the facts as presented.**	Does the agency agree with the recommendations related to this finding? **Yes, OHFA substantially agrees with the recommendations related to the finding.**

Agency Comments and Clarifications (Technical response)

Agency Recommendations

The Oklahoma Housing Finance Agency should:

1. Craft rules for the Housing Stability Program that allow for developers to use emerging housing construction technologies.

   <u>**OHFA's Response**</u>

   OHFA's proposed Housing Stability Program application currently allows for emerging housing construction technologies.

III. Policy response to findings and/or recommendations

Finding I: Market Conditions are Limiting Impact of OHFA's Housing Assistance Programs.

Does the agency agree with the facts as presented? **Yes, OHFA substantially agrees with the facts as presented.**	Does the agency agree with the recommendations related to this finding? **Yes, OHFA substantially agrees with the recommendations related to the finding.**

Agency Comments and Clarifications (Policy response)

Policy Considerations

The Legislature may consider the following policy changes:

1. Requiring OHFA to capture and report annual income assessment data that will assist in developing Key Performance Indicators to assess the long-term effectiveness of housing assistance, including:
   a. A family's earned income and unearned income at time of application and upon departing OHFA's assistance.
   b. The length of time families stay on housing assistance.
   c. The number of families actively enrolled and graduate from the Family Self Sufficiency program.

OHFA's Response

OHFA will capture and report (a) annual income data for participants who exit OHFA's Housing Choice Voucher program compared to when they began receiving rental assistance with OHFA; (b) the length of time families remain on housing assistance; and (c) the number of families actively enrolled in the Family Self Sufficiency program, and the number of families that graduate from the Family Self Sufficiency program.

2. Requiring OHFA to report monthly on its public facing website:
   a. The total number of individuals receiving housing assistance, the duration of the housing assistance, and the conditions that led to the recipient moving off of housing assistance.
   b. Average housing voucher placement rate, as reported to HUD through the OHFA Monthly HCV Utilization Report
   c. The current capacity of the Family Self Sufficiency Program and available slots.
   d. A list of current grant opportunities from HUD and the status of applications

OHFA's Response

OHFA will report the items listed above on its public facing website. We believe quarterly (vs monthly) would be a reasonable posting interval to balance the administrative burden of this activity with the value of the information provided.

3. Providing OHFA guidance on prioritization of the waiting list for housing vouchers.

OHFA's Response

OHFA currently provides two wait list preferences for applicants: homeless and disabled, which allows OHFA to serve these applicants more timely than non-preference applicants. These applicants are among the most vulnerable Oklahomans and OHFA believes these are the appropriate groups to receive rental assistance preferences. If additional groups are added to the preference list, preference applicants would have much longer wait times than they currently experience under our existing two-preference system for homeless and disabled applicants.

Finding II: OHFA'S Development Programs Focus on Low-Income Multi-Family Housing, but Oklahoma Needs Affordable Housing of All Types.

Does the agency agree with the facts as presented?	Does the agency agree with the recommendations related to this finding?
Yes, OHFA substantially agrees with the facts as presented.	**Yes, OHFA substantially agrees with the recommendations related to the finding.**

Agency Comments and Clarifications (Policy response)

Policy Considerations

NONE

Finding III: New State Programs Create Opportunities for Innovation in Housing Policy.

Does the agency agree with the facts as presented?	Does the agency agree with the recommendations related to this finding?
Yes, OHFA substantially agrees with the facts as presented.	**Yes, OHFA substantially agrees with the recommendations related to the finding.**

Agency Comments and Clarifications (Policy response)

Policy Considerations

The Legislature may consider the following policy changes:

1. Requiring OHFA to adopt rules for Housing Stability Program to ensure affordability of homes developed.

   <u>OHFA's Response</u>

   OHFA is in the process of promulgating administrative rules for the Housing Stability Program (HSP). Due to the extensive length of time that any necessary changes to the administrative rules take, OHFA has chosen to keep the rules broad, and set program affordability and eligibility through the application process, which is approved by the OHFA Board of Trustees, after public input. This will allow OHFA and the State to pivot the program much faster to meet opportunities in the fast-changing housing markets and housing needs of Oklahomans.

2. Align incentives of the Oklahoma Housing Stability Program to dedicate a portion of new housing to areas where the State has existing investments in "shovel-ready" industrial sites.

   <u>OHFA's Response</u>

   OHFA could align incentives of the Housing Stability Program to bring new housing to areas where the State has existing investments in "shovel-ready" industrial sites. This could be accomplished in a number of ways. Two possibilities to accomplish this would be 1. creating a set-aside for these State backed projects or 2. providing points in the builder/developer application process for applications which include a letter of support from the Oklahoma Department of Commerce. OHFA is open to including either of these mechanisms, or other mechanisms the Legislature deems appropriate, in the application process.

3. Create a process for the State's lead economic development agency to have input in determining housing development needs that align with workforce needs.

   <u>OHFA's Response</u>

   See OHFA's response to number 2 above. In addition, OHFA has partnered with the University of Oklahoma College of Architecture to fund and develop a housing needs assessment tool that will be an interactive search engine which is regularly updated, rather than a static report. OHFA believes this tool will be invaluable in helping to assess the housing needs across Oklahoma. We expect the tool to be operational by mid-summer 2024.

4. Define “affordable” housing for the purpose of the Oklahoma Housing Stability Program to ensure that the workforce population is encompassed.

   <u>**OHFA’s Response**</u>

   OHFA administers many federal programs that address “low-income” families across the state (National Housing Trust Fund – up to 30% of Area Median Income (AMI), Low Income Housing Tax Credits – up to 60% of AMI, HOME Investment Partnerships Program – up to 80% of AMI, Section 8 Housing Choice Voucher rental assistance – generally up to 50% of AMI, etc.). It is our understanding that the Housing Stability Program is not intended to be restricted to strictly low-income families, but is also to address “workforce housing” families with higher incomes and to also provide economic development across the state. In developing the program, OHFA has tried to create a balancing act between low-income, workforce housing and economic development. OHFA welcomes any guidance on the Housing Stability Program.

5. Reduce the weights of the price per square foot in the Homebuilder Subsidy for Homeownership Program scoring to avoid incentivizing only the lowest quality builds.

   <u>**OHFA’s Response**</u>

   OHFA has set $160 per square foot as the initial maximum sales price per square foot under the Homebuilder Subsidy program and does provide points for builders who commit to sell at less than the maximum sales price per foot. Housing costs have climbed extensively and keeping costs per square foot reasonable and affordable to Oklahomans is of a primary concern. It is always a delicate balancing act when allocating a scarce resource, like the Homebuilder Subsidy for Homeownership program, between price and quality. An 1800 square foot home at the maximum $160 per square foot results in a sales price of $288,000, which is out of the reach of a number of Oklahoma families. We have conducted several public input sessions and keeping the houses affordable (lower costs per square foot) is a theme OHFA hears over and over. We believe the current proposed application is the sweet spot between balancing quality with an affordable price, but OHFA is open to and welcomes any input the legislature may have.