Recommendations for an

AFFORDABLE HOUSING IMPLEMENTATION FRAMEWORK

for

The Franklin County Commissioners

by

The Franklin County Economic Development and Planning Department

May 30, 2019

Franklin County
Board of Commissioners
ECONOMIC DEVELOPMENT
& PLANNING
1803

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These policy recommendations are a product of the Economic Development and Planning Department. All errors, omissions, and miscalculations contained within these recommendations are those solely of the author, Alex Beres.

Franklin County
Affordable Housing Implementation Framework

Introduction and Affordable Housing Needs Statement

In February 2017, the Affordable Housing Alliance of Central Ohio (AHACO) released a report, *The Columbus and Franklin County Affordable Housing Challenge*, identifying the scope of the affordable housing challenges facing the community, including a range of issues from the spatial mismatch between affordable housing and job-growth areas to rents outpacing the growth of incomes. AHACO's subsequent policy proposal, *The Partnership for Housing Investment 3-Year Start-Up Plan*, narrowed the focus to the 54,000 Franklin County households living in poverty that pay more than 50% of their income on housing. In order to match the scope of the challenge, AHACO's ask of the community was both bold and substantial, sparking a robust community wide conversation. Many local governments and institutions, Franklin County included, began exploring how best to contribute the community's varied and complex affordable housing needs.

Since 2010, the Columbus Region has achieved job creation and capital investment goals greater than any other decade in its history[1]. This regional economic development initiative has played a significant role in Columbus becoming the fastest growing region in the state of Ohio. Having added an estimated 177,000 residents from 2010 to 2017, a growth rate of 9.3 percent[2], Central Ohio's development has not come without costs. As more residents have moved to the region in search of education and economic opportunity, existing residents have felt the burden of increased rents, rising property taxes, and the hottest real estate market in the United States[3]. As Central Ohio continues to grow, these issues will only continue to worsen unless appropriate land use, mobility, and housing policy interventions are made.

As MORPC's insight2050 initiative has made well known, Central Ohio is forecasted to add as many as 1 million new residents to the region over the next 30 years, with a majority of that growth to take place in Franklin County[4]. The Building Industry Association of Central Ohio has reported that Central Ohio must build more than 14,000 housing units per year in order to accommodate the projected population growth[5]. However, in recent years, Central Ohio has only added approximately 8,000 housing units each year, leaving an annual deficit of close to 6,000 housing units[6]. Such a deficit in the supply of new housing units will only continue to expand the affordable housing needs of the community.

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[1] Columbus 2020 "Strategic Milestone" https://columbusregion.com/150k/?gclid=EAIaIQobChMIltzcpvzw4QIVEdvACh1U0w1-EAAYASADEgLJlPD_BwE

[2] Columbus Business First, "Fast-growing Columbus Region moves past Cleveland in new population rankings", March 22, 2018, https://www.bizjournals.com/columbus/news/2018/03/22/fast-growing-columbus-region-moves-past-cleveland.html

[3] Columbus Dispatch, "Columbus is nation's hottest real-estate market", April 10, 2019, https://www.dispatch.com/business/20190410/columbus-is-nations-hottest-real-estate-market

[4] Insight 2050 Report https://getinsight2050.org/the-report/

[5] Building Industry Association of Central Ohio, "Housing Needs Assessment," 2018 http://www.biahomebuilders.com/aws/BIA/page_template/show/133918

[6] Ibid.

***GOAL**: to induce the construction of as many new units for low- and moderate-income residents as possible, while also preserving neighborhood affordability, with the most efficient use of County tax dollars.*

Guidelines and Core Considerations for Policy Recommendations

Any local public policy recommendation should recognize the affordable housing challenge as first and foremost a national and macroeconomic issue affecting other growing regions across the United States. The lessons Franklin County learns from local policy actions should be reflected in our continued advocacy to our state and national delegations for larger policy reforms. It is important to note that Franklin County already supports affordable housing on a number of policy fronts. These efforts have been well run and have leveraged preciously scarce federal, state, and local funds, however, those funding sources have not kept pace with the growing affordable housing needs of the community.

We also recognize that not all housing issues can be addressed by a housing policy. Many interrelated issues contribute to the need for affordable housing, including the lack of individual wage growth as well as the lack of mobility options to efficiently and timely transport those looking for employment to job centers. Such issues will be addressed as often as possible in the greater Economic Development Strategic Plan, in which this Affordable Housing Implementation Framework makes up a part.

Finally, EDP acknowledges that any new and reformed policy recommendations work best when coordinated with the efforts of regional public, private, and non-profit stakeholders. There are several regional policy challenges, including affordable housing, in which the County is best situated to advance regional cooperation. By filling gaps in the local community and economic development landscape and focusing on these niche policy areas, the County can strategically leverage and enhance the efforts of other stakeholder initiatives. This philosophy was employed throughout the creation of both the greater Economic Development Strategic Plan as well as the recommendations within this Affordable Housing Implementation Framework, and as a result, these efforts will solidify Franklin County's role as a leader in community and economic development policy.

In June 2018, EDP authored a memo which outlined affordable housing policy areas the department would study for possible recommendations the Franklin County Commissioners might consider to address the growing affordable housing challenge. We now follow that previous outline with these carefully considered and studied recommendations guided by three core considerations and how they each fit a policy niche within an eventual greater regional policy coordination.

Note on Housing Economics

Most of the rules of the basic, “economics 101” supply and demand model fail to accurately describe how the housing market actually works. Below are several reasons why the “market for housing” is unique. These reasons are summarized below to provide a background for the recommendations that will appear in this memo:

The “housing market” is segmented into many “submarkets,” because housing is fundamentally “decomposable” – A unit of housing is “decomposable” in the sense that its qualities (age, size, number of room, lot size, location/proximity to community assets) make an individual housing unit unique and not truly comparable to any other. Because of this, it is not useful to think that a single “housing market” exists in our region. Rather, it is more helpful to conceptualize “the housing market” as a series of “submarkets” broken down into similar characteristics and then examining the market forces that operate in each submarket. We must also recognize that changes in one submarket are not guaranteed to impact another submarket (for example, thinking about a luxury housing submarket and a student housing submarket as separate and only loosely related). Thus, pursuing a public policy goal to “build more housing” will not automatically reduce the median price of housing in a region in the short run, especially in a region where the median price of housing is increasing at a rate much faster than the rate of inflation, as our region is today.

Developers both shape and respond to market forces, which determines the type of new housing units that is built in our region – Reflecting national trends, the "developer market" in our region has become increasingly concentrated in past decades. There are very few housing developers active in our region, due in part to consolidation among developers/construction firms in recent decades, but also to the various "barriers of entry" (e.g. industry-knowledge, licensing, financing, working capital, etc.) faced by entrepreneurs aspiring to enter the developer market. Our region's incumbent developers act in economically rational ways and in response to current market forces, many of which they've helped shape. Achieving their desired rate of return to justify investment, without subsidy, is only possible at large scales and in submarket attainable by higher income households. As a result, gaps in the submarkets attainable for lower income and working class households have grown, resulting in less diverse and fewer affordable housing options. If our region's housing markets were more competitive - i.e. there were more private and/or nonprofit housing developers (CDCs) - more diverse and more affordable housing options would be constructed.

Therefore, it falls on the public sector to subsidize housing for low income residents – Because the private market fails to provide enough affordable housing opportunities to satisfy affordable housing needs, the public sector has historically stepped in to incentivize affordable housing options. In the past, governments (through public works programs and then later public housing authorities) built, owned, maintained, and operated housing units for low income individuals. In recent decades government support of affordable housing has shifted to vouchers that help low income individuals afford “market rate” housing, as well as the use of Federal Low-Income Housing Tax Credits to induce new affordable units. However, as affordable housing needs have grown, the number of vouchers has become insufficient. As a result, additional resources and new initiatives are necessary to not only maintain existing affordable housing options but to expand those options to meet the increasing needs of a growing region.

Underlying the affordable housing challenge, a "spatial mismatch" exists between our region's "naturally occurring affordable housing" and where individuals in need of affordable housing options work – The bottom line is that the lack of affordable housing options is substantially due to the inability of a large number of residents to access employment, services, and other community amenities within a reasonable distance of their home. As many regions across the United States grapple with the dramatic increase in low wage jobs, the rise of the gig economy, and the decline of "traditional middle class" jobs, maintaining and increasing the supply of affordable housing options in areas where people can both live and work presents an ongoing challenge. In this respect, our region faces several challenges in alleviating the current spatial mismatch between our region's "job centers" and the neighborhoods our low income residents can currently afford to live in.

In conclusion – The Affordable Housing Alliance cites the lowest income households as that most in need of public support. For this reason, EDP recommends continuing the County's existing and well leveraged affordable housing programs that support those lowest income households. Similarly, existing market forces currently support the supply of new housing units in the submarkets attainable for the highest income households. As presented later in this document, EDP's recommendations for *new* County funded initiatives will focus on the submarkets attainable for lower income and working class households, in part by leveraging underutilized financial resources and affordable housing programs to maximize the number of new affordable housing units constructed.

Without the ability to leverage other financial resources, even a sizeable allocation of new resources from the County will only go so far. Many of the underutilized financial resources and affordable housing programs are targeted toward the submarkets attainable for households with income ranges just above the lowest income range. Thus, EDP's recommendations for *new* County funded initiatives would target these underutilized resources to induce the construction of new affordable housing units in those ranges that would otherwise not be constructed but for the County's investment. Over time, the new units supplied within these income ranges will "filter" to adjacent submarkets, expanding affordable housing options across a broader range of incomes. Depending on the spillover effect between housing submarkets, the ability to amplify new County funding by leveraging underutilized resources, even into to the lower income and working class sub-markets, can balance or even overcome the impact of non-leveraged County investments in the lowest income submarket.

It is for these reasons that this Affordable Housing Implementation Framework seeks to influence the stabilization of existing and the construction of new housing units in the submarkets attainable for lower income and working class households and in targeted areas to reduce the existing "spatial mismatch".

Three Core Considerations, A Summary

Consideration #1 – Preserving Established County Funding for Affordable Housing:
Historically, the Franklin County Commissioners have supported affordable housing on a number of policy fronts. Current County housing policies fund programs such as Fair Housing outreach and enforcement, home repair, homelessness services, and investments in grant and loan programs that leverage the Affordable Housing Trust and 9% Federal Low Income Housing Tax Credits. These programs make up the foundation of the County's affordable housing policy. While continuous evaluation of these programs is important to ensure they reflect changes to affordable housing needs and emerging best practices, these programs should remain fully funded as they are currently addressing several issues along the continuum of affordable housing needs.

> ***Regional Coordination with Other Housing Efforts:*** *These funds focus generally on the balance of the County, the area outside the City of Columbus, while occasionally enhancing joint City/County projects for the most vulnerable and in need of support.*

Consideration #2 – New Housing Incentives and Zoning Updates:
In order to induce the private market to build and maintain more affordable housing units, EDP is proposing the following budget neutral policy interventions. EDP will carefully study and consider the use of property tax abatements and tax increment financing tools for the purpose of preparing the townships for growth and encouraging the development of affordable housing in unincorporated, but strategically located areas of the county. This will combine with an effort over the next 18 months to create and adopt a zoning update for townships to more easily accommodate higher density development as well as smaller accessory dwelling units.

> ***Regional Coordination with Other Housing Efforts:*** *These new budget neutral policies are focused in and will be coordinated with the unincorporated township areas of Franklin County where EDP has jurisdiction.*

Consideration #3 – New County Funded Initiatives:
In order to induce the creation of affordable housing units on the scale necessary to both address our current affordable housing needs and to prepare for the future needs of a growing region, the County must strongly consider the commitment of new funds. EDP would recommend that any new funds be committed to the creation of programs that both leverage underutilized resource and meet affordable housing needs. These new programs include the development of a competitive grant-equity program to leverage 4% Federal Low Income Housing Tax Credits, as well as financial support for the newly formed, joint Franklin County and City of Columbus community land trust – the Central Ohio Community Land Trust.

> ***Regional Coordination with Other Housing Efforts:*** *A proposal for new funding, either from the County General Fund or a new revenue source such as an increase in the Conveyance Fee, to support new affordable housing programs. Additional County funds are the least constrained and have the farthest reach because they can be invested throughout the County and in coordination with the townships, suburban municipalities, and the City of Columbus, as well as across multiple jurisdictions.*

Three Core Considerations, In Greater Detail

Consideration #1 – Preserving Established County Funding for Affordable Housing:
Historically, the Franklin County Commissioners have supported affordable housing on a number of policy fronts. Current County housing policies fund programs such as Fair Housing outreach and enforcement, home repair, homelessness services, and investments in grant and loan programs that leverage the Affordable Housing Trust and 9% Federal Low Income Housing Tax Credits. These programs make up the foundation of the County's housing policy solutions. While continuous evaluation of these programs is important to ensure they reflect changes to affordable housing needs and emerging best practices, these programs should remain fully funded as they are currently addressing various needs along the continuum of affordable housing needs.

Below is a summary of the almost $17 million the County annually invests into housing services:

Affordable Housing Investments	Administrative Entity	Funding Source	Budget	Timeframe
FINANCE & FUNDING				
- HOME Partnership Projects (Grant-Equity for 9% LIHTC)	EDP – Comm. Dev.	HOME	$500,000	Ongoing
- Down Payment Assistance	EDP – Comm. Dev.	HOME	$100,000	Ongoing
- Affordable Housing Trust (Loans)	Comm. Partnerships	Conveyance Fee	$3,400,000	Ongoing
- Housing Subsidies (Developmental Disabilities)	Dev. Disabilities	Levy	$5,000,000	Ongoing
SUPPORTIVE SERVICES				
- Fair Housing Services (Urban League)	EDP – Comm. Dev.	CDBG	$100,000	Ongoing
- Home Repair (MORPC & LifeCare Alliance)	EDP – Comm. Dev.	CDBG	$850,000	Ongoing
- Tool Library (Rebuilding Together)	EDP – Comm. Dev.	CDBG	$50,000	Ongoing
- Household Hearing Enhancement Equipment	EDP – Comm. Dev.	CDBG	$25,000	Ongoing
- Housing Retention Specialist (Community Housing Network)	EDP – Comm. Dev.	CDBG	$60,000	Ongoing
- Homelessness Outreach (Community Shelter Board)	EDP – Comm. Dev.	CDBG	$75,000	Ongoing
- Housing Counseling (Homes on the Hill)	EDP – Comm. Dev.	CDBG	$15,000	Ongoing
- Homelessness Prevention (Community Shelter Board)	EDP – Comm. Dev.	ESG	$160,000	Ongoing
- Supportive, Transitional, Recovery Housing	ADAMH	Levy	$580,000	Ongoing
- Community Shelter Board	Shelter Board	Conveyance Fee	$3,000,000	Ongoing
- Community Shelter Board	Shelter Board	General Fund	$2,000,000	Ongoing
- Safe Housing Repairs / Modifications (Senior Citizens)	Office on Aging	Levy	$1,000,000	Ongoing
LAND USE & REGULATORY AUTHORITY				
- Smart Growth Overlay (Major Unincorporated Thoroughfares)	EDP – Planning	N/A	N/A	Ongoing

EDP's review of the County's current programs – at least those administered by EDP and Community Partnerships – found that many of these programs are quite successful matching funds from various federal, state, and local sources to address particular issues along the continuum of affordable housing needs. But at the root of Central Ohio's affordable housing challenge is the growing deficit in the supply of new affordable housing units.

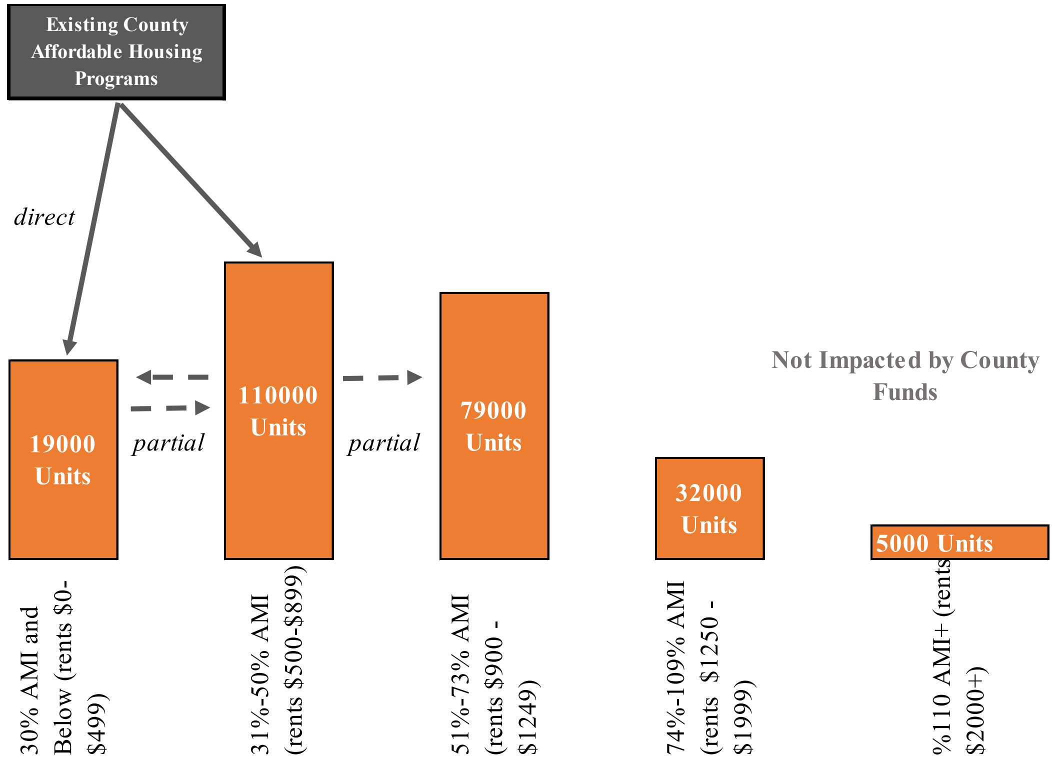
For example, the County's investment of a portion of its federal HOME allocation in 9% LIHTC projects has placed it in the 100th percentile of matching funds nationwide. The 9% LIHTC program is highly competitive and the State continuously exhausts its allocation of 9% tax credits each year. Because there is a limited amount of federal HOME funds allocated to the County and due to the particular challenges presented by the federal requirements associated with this funding source, the current use of HOME funds in support of the 9% LIHTC program is a logical and effective use of the County's HOME allocation. However, any additional funding the County might consider putting towards the 9% LIHTC program would likely only boost returns for those developing the units rather than leverage additional funds and induce the construction of new affordable housing units.

In regards to the supportive housing services funded by the County's federal CDBG allocation, EDP also generally finds these funds to be effectively allocated and to match other funding sources well. When it comes to supportive housing services, EDP subscribes to the 'housing first' model, of which the goal is to provide stability in housing to seniors, low-income residents, and other vulnerable populations. Whether it be through County support of housing rehabilitation programs, homelessness prevention and outreach, or housing counseling, supportive housing services provide our residents with the stability to overcome barriers or challenges they might face. Stability in housing serves as a preventative bulwark against the societal and financial costs incurred when an individual is displaced from their home.

Finally, one major service funded by the County's federal CDBG allocation that not only helps to preserve affordable housing opportunities, but is also integral to the civil rights of our residents, is the County's investment in Fair Housing outreach and enforcement. The County has partnered with the City of Columbus on these services for the purpose of achieving a more efficient service model. However, the recently drafted Joint Analysis of Impediments to Fair Housing Choice, prepared by the City of Columbus and Franklin County, has identified some areas for improvement[7]. For example, fewer than 48% of survey respondents reported knowing where to file a complaint of housing discrimination. EDP will continue to evaluate current County housing programs to ensure the best services for our residents possible, and our investment in Fair Housing outreach and enforcement will be monitored moving forward.

[7] City of Columbus and Franklin County "Join Analysis of Impediments to Fair Housing Choice", Draft – October 2018, https://development.franklincountyohio.gov/EDP-website/media/Documents/Community/Plans/Draft-AI-1025.pdf

Targeted Sub-Markets of Existing County Affordable Housing Programs



***Recommendation**: Continue to allocate federal HOME and CDBG allocations for affordable housing at the same level.*

Consideration #2 – New Housing Incentives and Zoning Updates:

In order to induce the private market to build and maintain more affordable housing units, EDP is proposing the following budget neutral policy interventions. EDP will carefully study and consider the use of property tax abatements and tax increment financing tools for the purpose of preparing the townships for growth and encouraging the development of affordable housing in unincorporated, but strategically located areas of the county. This will combine with an effort over the next 18 months to create and adopt a zoning update for the 10 of the 17 townships in which Franklin County administers the zoning to more easily accommodate higher density development and smaller accessory dwelling units. Below are descriptions of new budget neutral policy recommendations to be implemented by EDP:

Community Reinvestment Area Tax Abatements

Ohio's Community Reinvestment Area (CRA) tax abatement program was originally established for the purpose of encouraging the rehabilitation and/or new construction of housing and building stock in areas of blight and where investment has proven difficult. Over time this program has evolved into primarily an economic development tool to induce the rehabilitation and/or new construction of commercial and industrial facilities. EDP administers several CRA zones in the unincorporated areas of the County almost exclusively for the purpose of encouraging commercial and industrial development. The City of Columbus, on the other hand, has often used CRAs for incentivizing residential development, most successfully Downtown and the Short North. Recently, because the Short North market has changed from one of disinvestment to one of viable investment, the City has adopted a revised incentive policy to either reduce the level of incentive or to require residential units be set-aside for low- and moderate-income renters.

In 2018, the Board of Commissioners approved a CRA Agreement for the redevelopment of the Olentangy Valley Shopping Center, which included a senior assisted/independent living facility and a requirement that 12% of the beds be set aside as affordable housing units. This project served as a pilot program for how the County might utilize the CRA program to further its affordable housing goals and the lessons learned will be incorporated in the implementation of a broader tax incentive policy.

As the County is only able to offer residential CRA tax abatements in unincorporated areas, EDP recommends the following residential CRA tax abatement guidelines for these township areas:

1) For residential housing projects taking advantage of the 4% Federal Low Income Housing Tax Credit, EDP proposes making those investments eligible to directly apply for a full 100%, 15 year CRA tax abatement on the increase in real property value.
2) For large multifamily residential and/or mix-use projects within the unincorporated areas that are proximate to an employment center and/or at least partially located within ½ mile of one of the MORPC Concept Corridors, EDP proposes making those potential investments eligible to apply and negotiate for CRA abatements at a rate and term proportionate with the financial need to achieve project completion.

> ***Recommendation:*** *allow residential CRA tax abatements for LIHTC awarded projects and, on a case-by-case basis, for non-LIHTC projects near employment centers or within ½ mile of MORPC Concept Corridors*

Tax Increment Financing

Ohio's Tax Increment Financing (TIF) law allows for municipalities, townships, and counties to designate certain investments as public improvements and allows for a "payment-in-lieu-of-taxes" to be made for the incremental increase in value from new and/or rehabilitated real property improvements. These payments-in-lieu-of-taxes will then be diverted into a fund that can be used to pay for public infrastructure improvements, as well as the acquisition and demolition of private structures that directly or indirectly benefit the parcels subject to TIF.

Because the residents of new single-family residential developments are likely to rely on the services provided by County Social Service Levy Agencies, the County has not been fully receptive to TIF District proposals from our municipal and township partners. The County will continue the policy of negotiating for a portion of the incremental increase in value from new single-family residential development to continue supporting County Social Service Levy Agencies in the future. However, on a case-by-case basis, EDP will consider the use of TIF for certain developments, such as subsidized-affordable housing, naturally occurring affordable housing, and mixed-use and/or multifamily projects in areas of historic underinvestment in public infrastructure.

> ***Recommendation:*** *consider TIF on a case-by-case basis for affordable housing projects*

Sales Tax Exemption

EDP will also continue to work with the Columbus-Franklin County Finance Authority to explore and consider the use of capital-lease sales tax exemptions for 4% LIHTC, new construction projects. EDP's internal affordable housing financial modeling shows that this incentive should be used judiciously. Projects that include 9% LIHTC, 4% LIHTC rehabilitation projects, as well as projects receiving tax abatement from the City of Columbus in exchange for set-aside affordable housing units, generally do not require additional sales tax exemption subsidy to be able to generate an internal rate of return to justify investment. Due to the nature of new construction projects relying on 4% LIHTC, EDP recommends offering the capital-lease sales tax exemption on a case-by-case basis.

> ***Recommendation:*** *consider and allow the use of sales tax exemption through the Columbus-Franklin County Finance Authority for only new construction 4% LIHTC projects.*

Zoning Update to Limit Barriers to Affordable Housing

Zoning regulations often include land use limitations and development standards that unintentionally create barriers to development patterns that are more conducive to housing affordability. EDP has already implemented the Smart Growth Overlay along major thoroughfares in unincorporated areas of the county to reduce these barriers. To continue these efforts, EDP will review the broader County Zoning Resolution to identify any additional barriers that exist and propose amendments as appropriate and in line with national best practices. This review will cover items such as parking requirements, unit sizes, accessory dwelling units, and applicable related development standards.

Preliminary research has shown immediate steps can be taken to improve Accessory Dwelling Unit (ADU) regulations, sometimes called "Granny Flats," to facilitate the supply of additional housing units. The *Affordable Housing Toolkit*, published as a White House report in 2015, supports amendments to local regulations that make the development of these units simpler and easier.

Changes to the County Zoning Resolution will impact the 10 of 17 Townships in Franklin County for which the Economic Development and Planning Department provides Zoning services. Any changes will have a limited impact in the short-term as they will only affect approximately four percent of the total Franklin County population. However, this process can serve as a model for other communities who may want to conduct a similar review of their zoning regulations, and as a result, may have a significant long-term impact. Review and implementation will take likely 9-to-12 months in total.[8]

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[8] **Process for Inclusionary Zoning Code Update Adoption:**

The steps for adopting changes to the Zoning Resolution include: A motion to initiate an from the Franklin County Rural Zoning Commission, a recommendation from the Franklin County Planning Commission, a recommendation from Rural Zoning Commission on the proposed amendment, and finally, consideration by the Board of County Commissioners.

Project Timeline:

Phase	*Timeframe*
Review Current County Regulations	June-July
Best Practices Research	August
Summarize Research & Draft Changes	September - October
Finalize Recommendations/Amendments	October - November
Adoption by County Commissioners	January 2020

Recommendation: *immediately begin research and an implementation strategy for a zoning update.*
Impact: *the impact of a zoning update will be limited initially because only 4% of the total County population resides in areas where the County has jurisdiction – however, the long-term impact is potentially significant as Franklin County could become a model for other communities.*

Consideration #3 – New County Funded Initiatives:
In order to induce the creation of affordable housing units on the scale necessary to both address our current affordable housing needs and to prepare for the future needs of a growing region, the County must strongly consider the commitment of new funds. EDP would recommend that any new funds be committed to the creation of programs that would both leverage underutilized resources and meet affordable housing needs that current County housing policies are not addressing. These programs include the development of a competitive grant-equity program to leverage 4% Federal Low Income Housing Tax Credits, as well as financial support for the newly formed, joint Franklin County and City of Columbus community land trust – the Central Ohio Community Land Trust.

When considering any new commitment of funds, it is best consider the impact and leverage of those funds within the context of the policy topic. Several recent studies, as well as EDP's own analysis, estimates the development cost of a new unit of affordable housing to be between $180,000 and $235,000 per unit. When it comes to ensuring the affordability of these new units, EDP estimates between $70,000 and $100,000 of the development cost must be subsidized, for both rental and homeownership opportunities.[9] The primary goal of EDP's recommendation to commit new funds to the following affordable housing programs is to induce the development of as many new affordable housing units as possible.

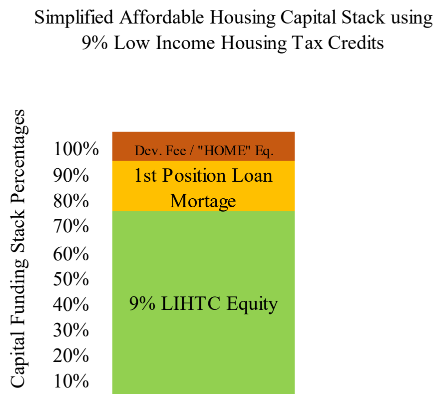
In order to ensure the most effective and efficient use of County funds, EDP is proposing affordable housing programs that will either leverage underutilized resources or invest in land on behalf of the community to provide permanent affordable housing opportunities. EDP understands that any new commitment of funds for affordable housing programs must either come from a reduction in another use of County General Fund dollars or from a new revenue source. EDP is a policy and program implementation agency of the Commissioners and not involved directly in budgetary strategy. However, a number of potential resources are available to the Commissioners to generate new revenue, such as an increase of the Conveyance Fee. EDP is cognizant that any new revenue generated from an increased tax or fee might adversely affect those residents which the County desires to help the most. Please see Appendix A for an example of the effect of a $1 increase of the Conveyance Fee would have on a renter of a naturally occurring affordable housing unit recently subject to an increased Conveyance Fee.

County Housing Magnet Fund
EDP proposes the creation of a new County Housing Magnet Fund (aka, the 4% Soft Loan Fund) to serve as the primary catalyst of new affordable housing units. This program opens prior to the Ohio Housing Finance Agency's (OHFA's) application deadline for the 4% Low Income Housing Tax Credit program each year. EDP would award strictly conditional commitment letters to the highest ranked projects, allowing those projects to leverage the County's commitment as they go forward in applying for OHFA's 4% LIHTC program. County funds would never be officially awarded unless these projects are successful in their application for 4% LIHTC. County funds are not

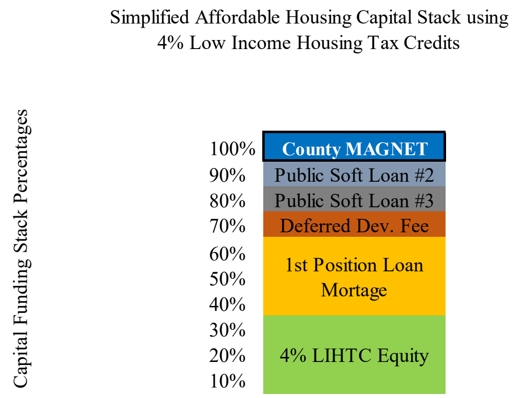
[9] Affordable Housing Alliance, "The… Housing Challenge."

eligible for projects pursuing the competitive 9% LIHTC program. This is to ensure County funds leverage resources that would not be used and induce new affordable housing units that would otherwise not be constructed, but for the County Housing Magnet Fund. Once the 4% credits have been secured, the developer would be able to proceed seeking additional sources. See *Funding Example #1 for a traditional 9% LIHTC deal and our Example #2 and #3* shown below for a projected capital stack for a new County Magnet Fund:

Funding Example #1



Funding Example #2



Funding Example #3

			50 Units		
Step	**Funding Source**		**Amount**	**Stack %**	**Per Unit**
1	**County MAGNET**	**$**	**1,150,000.00**	10%	$ 23,000.00
2	4% Tax Credity Equity	$	3,525,000.00	30%	$ 70,500.00
3	OHFA HDAP "Soft"	$	1,000,000.00	9%	$ 20,000.00
4	1st Perm Hard Soft	$	3,850,000.00	33%	$ 77,000.00
5	Deferred Dev. Fee	$	1,375,000.00	12%	$ 27,500.00
6	Other Public Soft Loan	$	850,000.00	7%	$ 17,000.00
	TOTAL =	**$**	**11,750,000.00**	100%	$235,000.00

Recommendation*: fund the County Housing Magnet Fund at $4,125,000 a year.*
Impact*: $4,125,000 / $23,000 per unit = <u>180 minimum new affordable units per year</u>*

<u>The County Housing Magnet Fund Program Process Explained</u>

A new equity program (soft loan) offered by the County would be competitively advertised and applications ranked according to various criteria. The main criteria in the proposed County 4% Soft Loan Fund is for transit oriented development in order to address the mobility challenges of low- and-moderate income residents and reducing the spatial mismatch of affordable housing opportunities and employment opportunities. After being evaluated for transit corridor and employment center access, projects will be evaluated on several other criteria. A potential ranking criteria is detailed below:

1.) Highest rank will go to projects proposed at least partially contained within ½ mile distance of a MORPC Concept Corridor (or main transit corridor) – within the balance of the County, outside of the City of Columbus;

2.) Second highest rank will go to projects proposed at least partially contained within ½ mile distance of a MORPC Concept Corridor (or main transit corridor) – within the City of Columbus;

3.) Third highest rank will go to projects proposed that are proximate to employment centers – throughout the entire County;

If multiple projects exist within one of the top three rankings listed above, in order to prioritize projects, a subset of ranking criteria will be used including but not limited to criteria such as: school district ratings; walkability; food access; park access; special job centers; sustainable design; leverage funds; etc.

If there is still an allocation of new County Housing Magnet Fund available and projects have been proposed that do not fall within the top three ranking criteria listed above, then projects will be ranked on the subset of ranking criteria examples listed directly above.

Project funding will be capped at $1,150,000 of County Housing Magnet Funding per project. Awards will be further capped at $12,000 per efficiency unit; $15,000 per one bedroom unit; $19,000 per two bedroom unit; and $23,000 per three bedroom unit.

Community Land Trust

One of the main recommendations to come from EDP's initial Housing Memo[10] was to continue efforts to establish a joint Franklin County and City of Columbus community land trust. Since the writing of this June 2018 Housing Memo, the Central Ohio Community Land Trust, operating as a subsidiary of the Central Ohio Community Improvement Corporation (the Franklin County Land Bank), has been jointly founded by the County and the City of Columbus. The City has already committed to a multi-million dollar allocation to the Land Trust for an initial pilot development project.

Land trusts achieve permanent affordability by placing the land under a residential property within a community trust, while selling or renting the actual housing structure that sits atop the land to an income eligible buyer or renter. In the case of homeownership, the income eligible buyer executes a 99-year ground lease. As a condition of the lease, subsequent sales of the home are restricted to other income eligible buyers, and a restricted resale formula limits future sale prices in order to ensure affordability while allowing for modest appreciation (wealth generation).

To make the gap between an affordable purchase and the actual cost of the home-building for a land trust affordable, an initial equity grant is needed to buy-down the affordability gap. To also provide additional wrap-around services to prevent eviction and foreclosure, initial operating subsidies will also be needed until a land trust can achieve sustainable operating cash flows.

[10] Affordable Housing Memo to Franklin County Board of Commissioners, by Josh Roth, Senior Program Coordinator

In order to address affordable housing needs not satisfied by the County's current affordable housing programs, should the Commissioner's commit to new affordable housing funds, EDP recommends an allocation be made to the Central Ohio Community Land Trust. These funds would be used to both "buy-down" the cost of homeownership in neighborhoods experiencing gentrification and displacement as well as provide initial operating cash flows. Despite the sizeable upfront contribution, these subsidies actually last through multiple generations by way of the renewable 99-year ground lease. As long as the land and improvement remain under the control of the Land Trust, the initial subsidy is retained and will grow as the properties appreciate in value. In addition to providing affordable housing opportunities, the Land Trust will have the added benefit of serving as an anti-displacement tool in rapidly appreciating neighborhoods.

Recommendation*: fund the Land Trust at $2,375,000 a year.*
Impact*: $2,375,000 / $95,000 per unit[11] = 25 minimum new affordable units per year*

Quick Strike Acquisition Fund

An additional long-term strategy to address affordable housing EDP recommends would be another collaboration between the County and the Land Trust. This strategy would consist of a quick strike land acquisition fund. The ability to purchase and hold land in quickly appreciating and gentrifying neighborhoods will allow for a long-term and more deliberate affordable housing strategy to be implemented on the land acquired. This program can also be used as a trade-off between affordable housing developers and the Land Trust's desire to keep housing permanently affordable. In exchange for a nominal cost of land to the developer, the developer would sign a renewable 99-year ground lease to keep the property permanently affordable beyond the typical 15 to 30 year compliance period for housing units that receive low-income housing tax credits.

[11] Per estimate per Land Trust pilot unit in https://www.dispatch.com/news/20190211/columbus-to-subsidize-home-sales-on-some-land-bank-properties

SUMMARY

It is EDP's hope that these recommendations for an expanded affordable housing policy assist the Board of Commissioners as they weigh various options and investment decisions. EDP's analysis shows that preserving the already established County affordable housing programs (Consideration #1) and the implementation of the budget-neutral recommendations in this Affordable Housing Implementation Framework (Consideration #2) will not be enough to induce the creation of affordable housing units on the scale necessary to both address our current affordable housing needs and to prepare for the future needs of a growing region. Only the commitment of new funds will guarantee new unit construction. Should the Board of Commissioners choose to commit additional revenue to the creation of new affordable housing programs, EDP hopes this carefully considered policy research has set out an implementable strategy to efficiently execute and leverage those new funds to the greatest extent possible, enhance existing and create new successful partnerships, and to provide a noticeable improvement to the affordable housing opportunities and quality of life for Franklin County residents.

Accumulative New Units and New Funding

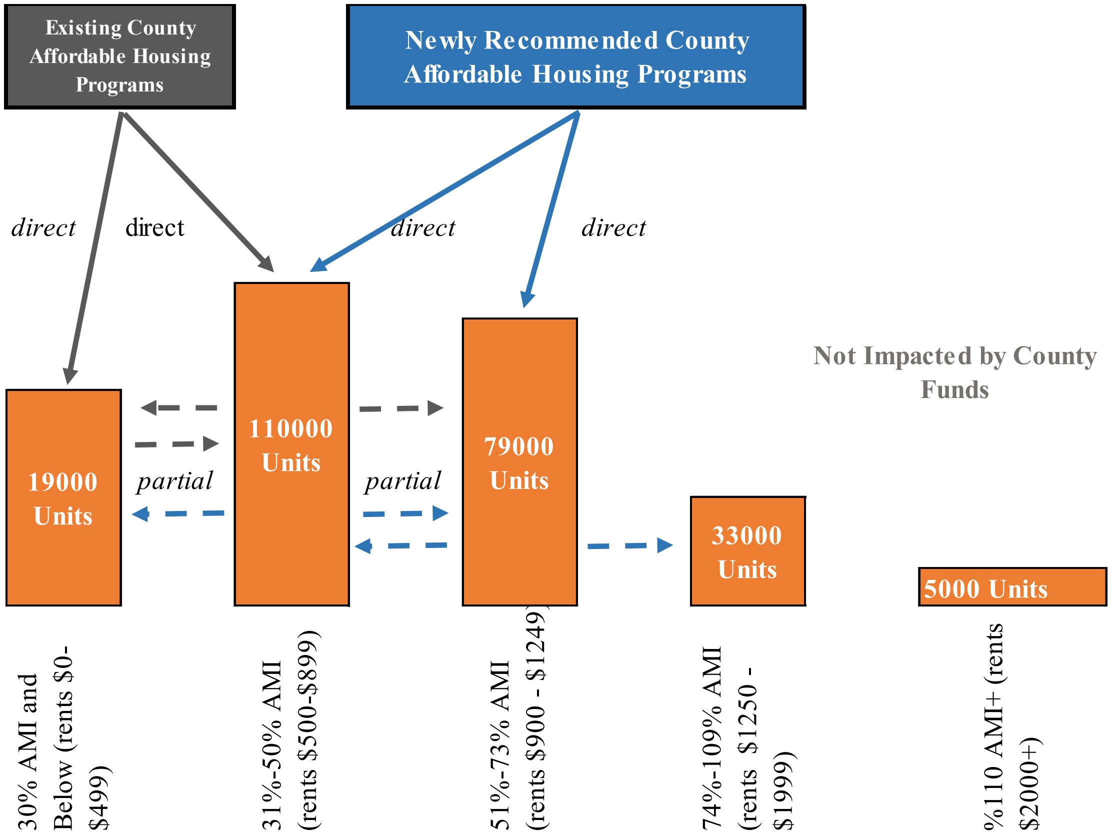
The recommended new programs (Consideration #3) would induce the construction of approximately 2,050 new affordable units over the next decade. The benefits of these affordable housing investments would continue well beyond the initial decade of programming, with Community Land Trust units maintaining permanent affordability. Should the County commit $6,500,000 annually and keep its investment stable, over the course of a decade this would result in a total of $65,000,000 of net new funding to address the affordable housing challenge.

New Affordable Housing Program	Annual Number of New Units
4% LIHTC Soft Loan Fund	180
Community Land Trust	25

10 Year Total – New Units	**2,050**
10 Year Total – New Funding	**$65,000,000**

Affordable Housing Investments	Administrative Entity	Funding Source	Budget	Timeframe
FINANCE & FUNDING				
- HOME Partnership Projects (Grant-Equity for 9% LIHTC)	EDP – Comm. Dev.	HOME	$500,000	Ongoing
- Down Payment Assistance	EDP – Comm. Dev.	HOME	$100,000	Ongoing
- Affordable Housing Trust (Loans)	Comm. Partnerships	Conveyance Fee	$3,400,000	Ongoing
- Housing Subsidies (Developmental Disabilities)	Dev. Disabilities	Levy	$5,000,000	Ongoing
- Community Land Trust (Homeownership and Land Acquisition)	**COCLT**	**NEW**	**$2,375,000**	**Short Term**
- Housing Magnet Fund (Grant-Equity for 4% LIHTC)	**EDP – Econ. Dev.**	**NEW**	**$4,125,000**	**Short Term**
- Quick Strike Land Acquisition Fund	**EDP / COCLT**	**NEW**	**Excess**	**Long Term**
INCENTIVES				
- CRA Tax Abatement – 100% (Unincorporated 4% and 9% LIHTC)	**EDP – Econ. Dev.**	**N/A**	**N/A**	**Short Term**
- CRA Tax Abatement – Negotiated (Unincorporated Naturally Affordable)	**EDP – Econ. Dev.**	**N/A**	**N/A**	**Ongoing**
- Tax Increment Financing – Negotiated (Unincorporated Naturally Affordable)	**EDP – Econ Dev.**	**N/A**	**N/A**	**Ongoing**
- Capital-Lease Sales Tax Exemption (4% LIHTC)	**CFCFA**	**N/A**	**N/A**	**Medium Term**
SUPPORTIVE SERVICES				
- Fair Housing Services (Urban League)	EDP – Comm. Dev.	CDBG	$100,000	Ongoing
- Home Repair (MORPC & LifeCare Alliance)	EDP – Comm. Dev.	CDBG	$850,000	Ongoing
- Tool Library (Rebuilding Together)	EDP – Comm. Dev.	CDBG	$50,000	Ongoing
- Household Hearing Enhancement Equipment	EDP – Comm. Dev.	CDBG	$25,000	Ongoing
- Housing Retention Specialist (Community Housing Network)	EDP – Comm. Dev.	CDBG	$60,000	Ongoing
- Homelessness Outreach (Community Shelter Board)	EDP – Comm. Dev.	CDBG	$75,000	Ongoing
- Housing Counseling (Homes on the Hill)	EDP – Comm. Dev.	CDBG	$15,000	Ongoing
- Homelessness Prevention (Community Shelter Board)	EDP – Comm. Dev.	ESG	$160,000	Ongoing
- Supportive, Transitional, Recovery Housing	ADAMH	Levy	$580,000	Ongoing
- Community Shelter Board	Shelter Board	Conveyance Fee	$3,000,000	Ongoing
- Community Shelter Board	Shelter Board	General Fund	$2,000,000	Ongoing
- Safe Housing Repairs / Modifications (Senior Citizens)	Office on Aging	Levy	$1,000,000	Ongoing
LAND USE & REGULATORY AUTHORITY				
- Smart Growth Overlay (Unincorporated Major Thoroughfares)	EDP – Planning	N/A	N/A	Ongoing
- County Zoning Resolution Review (10 of 17 Townships)	**EDP – Planning**	**N/A**	**N/A**	**Medium Term**

Existing and New Program Targeting Sub-Markets



APPENDIX A

Effect of a $1.00 Conveyance Fee Increase to the Average Renter

To use a real world example, the Havenwood property in Franklin Township is top of mind. We know from conversations with the Franklin County Auditor that the Havenwood property was recently reappraised using an income approach to valuation (i.e. that the value of the property is based on the potential income it produces).

1) The entire property consists of 820 apartment units (912,071 square feet or approximately 1,112 square feet per unit) upon 43.55 acres. The current market value is estimated to be $25,000,000.00 according to the Franklin County Auditor website.
2) If this property were sold, an increase of 1 mil (i.e. $1 per $1,000 of value) would generate $25,000 in additional proceeds.
3) If we assume the investor wants to recoup the cost of this fee in the first year of their ownership, the $25,000 fee would be spread across all rented units.
4) The complex is currently 20% vacant, meaning only 656 units of the total 820 units are currently rented.
5) $25,000 across 656 units means that these 656 units would see an increase in their annual rent by an average of $38.11, or <u>$3.18 per month</u>.

It is important to note that there is a market for rental housing and only a small percentage of rental properties are sold each year and therefore subject to the conveyance fee. This means that any investor's ability to pass the cost of an increased conveyance fee along to their tenants is moderated by the amount of rent they can charge for a given unit. Because the investor is competing against other landlords who have not recently incurred a conveyance fee, the investor's ability to advance the recovery of the conveyance fee costs is limited. Should the investor charge too much for rent, their property would likely go unrented until they reduce the cost. If the investor is capable of finding a tenant for the higher rent, this is an indication that demand is outpacing supply within this particular submarket and the investor's profit seeking motive would lead them to seek higher rents regardless of an increased conveyance fee.