OHIO HOUSING FINANCE AGENCY UPDATE

Winter 2016

LETTER FROM THE EXECUTIVE DIRECTOR

We are beginning the New Year with renewed optimism for the future of the Ohio Housing Finance agency's role as the state's affordable housing leader. We are up 112 percent over last year's reservations, as we introduced the Your Choice! Down Payment Assistance products in the last quarter, which helps make the dream of homeownership attainable for many more Ohioans. allows the borrower to choose either 2.5 percent and 5 percent assistance. Our lenders have been supportive and excited to offer this product and our rate has been more competitive in comparison to the market rate, also increasing our average purchase price.

The Office of Planning, Preservation and Development is eagerly anticipating an announcement of how much funding states will be eligible to receive from the National Housing Trust Fund and release of the Notice of Funding Availability. Read about this exciting development on page 4.

2015 marked the first full year that our DevCo system was fully implemented by our Office of Program Compliance and utilized for the annual owner certification process and tenant data submissions. In addition to getting fully op-to-speed with DevCo, this past year marked a very busy time due to significant regulatory and internal policy changes, which are detailed on page 7.

The 17th annual Ohio Housing Conference was a huge success, exceeding expectations and bringing in a record attendance of over 1,700. OHFA and our partners at the Ohio Capital Corporation for Housing presented Susan Weaver, executive director and founder of Community Housing Network, with the 2015 William J. Graves Ohio Housing Excellence Award. Highlighting the conference was a keynote address from urban revitalization strategy consultant, real estate developer and Peabody Award-winning broadcaster Majora Carter, who spoke passionately about the need to lift up our communities. Mark your calendar for the 2016 year event, which will be held November 8-10 at the Greater Columbus Convention Center.

And finally, the 2016 OHFA advertising campaign will kick off in March with millennials and other first-time homebuyers in mind. In addition to various digital components, the 2016 campaign will combine the use traditional marketing outlets such as print, radio and community events to help establish brand identity and familiarize first time homebuyers with OHFA. Learn more about it on page 6.

Respectfully submitted,

Doug Garver

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WAYS TO KEEP IN TOUCH:

JOIN OUR EMAIL LIST:

IS THE 30 PERCENT RULE OUT OF DATE?

BRYAN GRADY — RESEARCH ANALYST

The generally accepted threshold for whether housing is "affordable" is whether total housing costs, including utilities, are less than 30 percent of gross income. It is used extensively in research done on housing affordability, such as reports by Harvard's Joint Center for Housing Studies. The federal government has prohibited owners from charging rents above this level in nearly all subsidized housing for 35 years. By this standard, according to the American Community Survey, almost half of Ohio renters and about a quarter of homeowners with a mortgage are housing cost-burdened (see OHFA's Housing Needs Assessment, pages 110 and 118).

That being said, the past couple years have seen conventional wisdom questioned from many sources, from popular financial media like Bloomberg and Fortune, to public policy blogs like Better Institutions, to industry sources like the National Housing Conference and PD&R EDGE, published by the U.S. Department of Housing and Urban Development (HUD). The question stands whether a better measure of housing affordability should be adopted, even if rent subsidies are based on the 30 percent rule.

In the Bloomberg piece, David Bieri, professor at the University of Michigan, considers the 30 percent rule to be "essentially an arbitrary number," arguing that housing costs include not just shelter but access to labor markets and geographic and cultural amenities. Therefore, federal policy over-subsidizes housing in very expensive metropolitan areas like New York City and San Francisco and under-subsidizes less expensive locales, such as Ohio.

More broadly, it can be said that looking at housing costs alone misses half the picture, because where one lives directly affects spending on transportation. Moving farther away from the city may reduce housing costs, but could mean a costlier commute. The Location Affordability Portal, developed by HUD and the U.S. Department of Transportation, and the H+T Affordability Index, created by the Center for Neighborhood Technology, combine housing and transportation costs and consider their impact on household budgets jointly.

A more comprehensive alternative is the "residual income" model, developed in large measure by Michael Stone, professor at the University of Massachusetts at Boston. The model hinges on the knowledge that not all costs are scalable to income, that there is a minimum amount of spending that is required for some essentials (food, clothing, etc.). Therefore, housing is only affordable if a household can pay for it with what remains from their after-tax income without compromising any other necessary categories of spending.

The federal government, however, no longer collects such expenditure data. A similar analysis was conducted by Nanindee Kutty, a housing policy author and consultant, using the federal poverty line as a proxy for detailed household expenditure data. Another option, however, is to use the recently computed Self-Sufficiency Standard for Ohio, published by the University of Washington.

OHFA's Office of Affordable Housing Research and Strategic Planning continues to investigate new ways of quantifying Ohioans' housing needs and ensuring that our program offices have the information to craft policies to best serve low- and moderate-income households and inform the affordable housing community at large.