

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

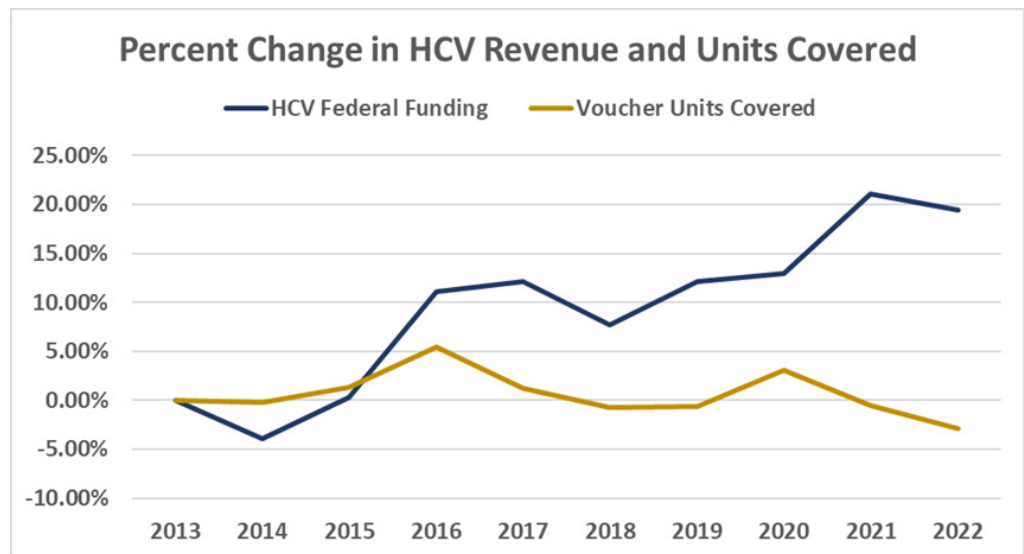
house an estimated 25,250 residents. With the PBCA program, OHFA provides funding directly to property owners based on occupancy by a qualifying resident. OHFA contracts with 180 properties, providing 12,533 rental units to 31,332 residents. Total program cost is \$78.9 million annually. New residents 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.

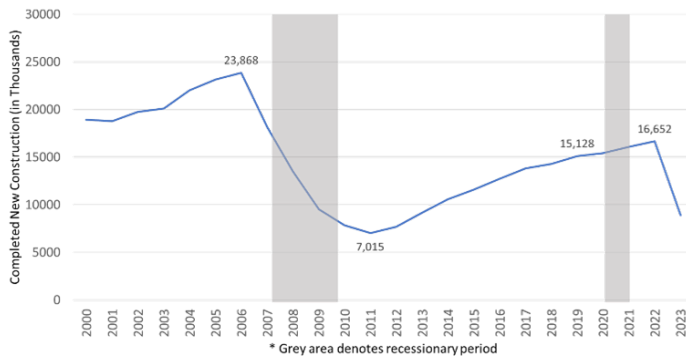
Finding 2: OHFA's Development Programs Focus on Low-Income Multi-Family Housing, but Oklahoma Needs Affordable Housing of All Types

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.

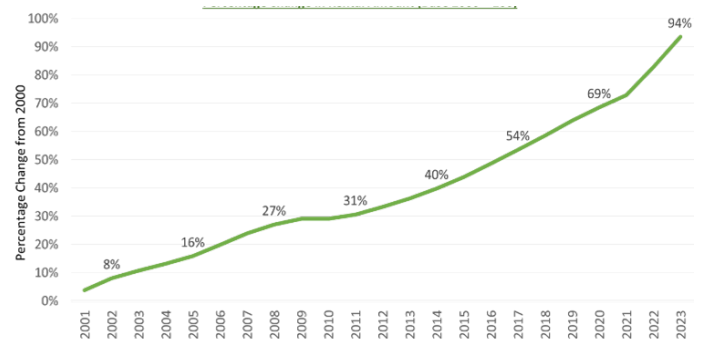


Oklahoma is feeling the effects of a nationwide decline in housing construction, resulting in the demand for affordable housing outpacing the available stock. Oklahoma needs additional housing stock for both rental and owner-occupied residences. OHFA's most recent housing needs assessment from 2015 projected 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.