TULSA DEVELOPMENT AUTHORITY BOARD MEETING
STAFF REPORT

MEETING DATE: July 9, 2020
TO: Chairman and Board Members
FROM: Office of Tulsa Development Authority
SUBJECT: Downtown Housing Study

Background:
- Owner: Tulsa Development Authority
- Developer: Tulsa Development Authority
- Engineer: N/A
- Location: Downtown Tulsa
- Size of Tract: Varied
- Number of Lots: N/A
- Development Area: Downtown Tulsa and Surrounding Neighborhoods
- Fair Market Value: N/A
- Executive Director: Nancy Lynn Roberts

Relevant Info
This is a request for the TDA Board of Commissioner’s to approve a Resolution to endorse the Downtown Housing Study as produced by Development Strategies as being presented by Travis Hulse of the Tulsa Planning Office.

The goal of the Downtown Housing Study is to reassess the potential for residential development in the Study Area, with a new focus on:

- Engaging communities in and around Downtown;
- Identifying opportunities to align investments with community priorities;
- Identifying tools that address the housing needs of all residents.

Approval of this request would allow the Housing Study to be fully endorsed by the Tulsa Development Authority to be implemented with necessary engagement of the community stakeholders and implementation assistance of surrounding entities.

Attachments: COVID Memorandum

Housing Study Presentation

Recommendations: Staff recommends this item be approved.

Reviewed By: Nancy Lynn Roberts, Executive Director
Memorandum

Understanding the “Downtown & Surrounding Neighborhoods Housing Study and Strategy” in the Context of COVID-19

June 2020
The Housing Study and Strategy for Downtown Tulsa and the Surrounding Neighborhoods was developed through detailed market analysis and close collaboration with the City of Tulsa, its partners, and many stakeholders in the area. This research and engagement, however, was conducted prior to the clear emergence of COVID-19 in the United States. While there remains a great deal of uncertainty about how the current public health and economic crisis will evolve, their impacts are certain to be felt by the Tulsa community in the months—and perhaps years—ahead.

The development and policy strategies outlined in the report represent the needs and priorities for the City and its partners over the long-term, and offer guideposts for planning and decision-making about the community’s future with regard to housing. However, there are several near-term questions and considerations that are important complements to this longer-term study and strategy:

The Importance of Safe, Quality, Affordable Housing

COVID-19 is underscoring the importance of safe, healthy, and affordable housing for everyone in our community, particularly in light of social distancing and quarantine measures. It has also exacerbated housing insecurity across the nation and in Tulsa, further elevating the importance of efforts to ensure access to quality affordable housing. Nationally, we see that many of our communities’ most vulnerable members—workers in low-wage jobs, older adults, and people of color—are also those hit hardest by the crisis. These groups already were already disproportionally burdened by systemic financial and housing challenges; and now, they are disproportionally exposed to the health risks and economic hardships caused by the COVID crisis.

The market analysis summarized in the report clearly highlights the pre-existing need to expand access to quality affordable housing through significant investment and policy supports. The current economic and health crises dramatically heighten the urgency of meeting these needs. Strategies to develop quality affordable housing, expand services to individuals experiencing homelessness, prevent and address eviction, mitigate and avoid foreclosure, and improve the health and condition of the places we call home are needed now more than ever.

Federal Funding & Staying Nimble

Federal relief and stimulus measures may offer new and deeply needed supports for affordable housing and community development initiatives. Signed into law on March 27, the Coronavirus Aid, Relief, and Economic Security (CARES) Act included additional Community Development Block Grant (CDBG) and Emergency Solutions Grants (ESG) funding. While it is unknown what will be included in future relief or stimulus proposals, it is possible that they may include expansions of—or even the creation of new—housing and community development programs. The City of Tulsa and its partners must continue to be nimble, and act swiftly to mobilize these resources in a manner that advances this strategy and the City’s broader affordable housing goals.

The Elevated Need for Partnership

Local governments across the country may see significant reductions in revenues as a result of the temporary closure of parts of our economy. Assembling new local resources for housing investment will require creative solutions, dedicated leadership, and broad-based partnerships.

Like many communities, Tulsa relies on sales taxes to fund important services and programs. Following the drop in local retail and trade spending activity, the City can anticipate that it will see significant shortfalls in revenue.

This likely fiscal reality may make it more difficult to assemble the public resources needed for implementation of the priority actions outlined in this report. This challenge will heighten the importance of leveraging public resources to go even further, and of engaging with local philanthropic and business leaders to advance shared community priorities, including and especially expanding access to quality affordable housing.

Bolstering Neighborhood & Downtown Quality of Life

The COVID crisis is also impacting the retailers, restaurants, and other small businesses that are part of what makes Tulsa’s Downtown and its surrounding neighborhoods attractive and dynamic places to live. As the City of Tulsa continues to reinvest in its core as a resilient and vibrant economic and population center for the
region, the economic impact on small businesses heightens the need for investments in amenities, services, and the broader quality of life in Downtown and throughout the Study Area.

**Uncertainty in the Real Estate Market**

The current crisis and its economic impacts introduce uncertainty into the real estate market, especially in the near-term. It is unknown how and when the current economic crisis will impact the decisions of buyers, sellers, renters, developers, lenders, and investors. However, current trends sparked by the current COVID crisis indicate several challenges that the City and its partners should monitor in the months and years ahead.

Early indications suggest that the highest end of the rental market—which has fueled multifamily production for the past several years across the nation—may be approaching a slowdown. Upscale and luxury renters who previously would have paid a premium for high-finish, high-amenity units may now be interested in lower-cost options. This trend may make it more difficult to include workforce-affordable units in new construction without additional public assistance. A slowdown in the high-end rental market may also create greater competition for moderate and workforce units, which are difficult to build new without significant incentives. Taken together, these possibilities emphasize the importance of expanding the supply of quality affordable and workforce housing in the Study Area.

With so many facing unemployment or reduced hours, we can anticipate that would-be homebuyers may not have the same savings or assets they were working to build. On top of the pre-existing inequities in household wealth, many households are being forced to tap what savings they did have, and others may take on credit card debt to pay for their basic needs. Without other financial supports, this reality will delay households’ ability to pursue homeownership. This challenge heightens the need for homeownership supports, such as downpayment assistance, credit repair, flexible loan terms, and financial counseling.

While current homeowners facing unemployment or reduced hours may have access to mortgage forbearance, they could still face the prospect of foreclosure or forced sale to an investor. This dynamic may create the potential for the further entry of investors into the single-family rental market, aggravating the challenge of neglectful absentee owners. This potential only heightens the urgency of supporting low- and moderate-income homeowners to help them stay in their homes, and stresses the importance of a land bank entity that can reposition vacant properties in a transparent manner that advances community interests.

Without sufficient rental assistance and other efforts to keep renters safely in their homes, a spate of nonpayment and evictions will also have consequences for landlords’ rental income and their capacity to maintain their properties. This challenge would exacerbate the health, safety, and condition issues in rental property in the Study Area. Supporting renters through this crisis is critical for their wellbeing, and is also an investment in the stability and marketability of the Study Area into the future.

**Community Development Ecosystem**

The crisis is likely to strain the community’s ecosystem of housing support organizations; it will be critical to bolster their financial stability in order to achieve the community’s long-term housing goals. Without mission-aligned partners in housing development and service delivery, the City will struggle to fully realize the potential of its investments and policies. It will be critical that the broader community bolsters and expands these organizations’ capacity.

The COVID crisis is creating new challenges for Tulsa and for communities across the world; some of the greatest challenges many of us have faced in our lifetime. Fortunately, Tulsa has invested in thoughtful and comprehensive strategies for housing in the city, and is well-positioned to respond to this crisis with care and determination. But this will require the persistence, commitment, and leadership from the City and its broad base of partners in the years ahead.
PROCESS & SCHEDULE

1. **STEP 0**
   - **GETTING STARTED**
   - Who should we speak with? What information do we need?

2. **STEP 1**
   - **UNDERSTAND**
   - What are the conditions? What are the needs?

3. **STEP 2**
   - **QUANTIFY**
   - What will housing investments cost?

4. **STEP 3**
   - **STRATEGIZE**
   - What needs to be done? Where?

5. **STEP 4**
   - **ALIGN**
   - What resources and partners can be aligned?

6. **STEP 5**
   - **REPORT**
   - Pulling it all together

**PROCESS & SCHEDULE**

**1 MONTH**
- **JUNE**

**3 MONTHS**
- **JULY – SEPTEMBER**

**4 MONTHS**
- **OCTOBER – JANUARY**

**GETTING STARTED**
- Analysis

**ANALYSIS**
- Feasibility testing

**FEASIBILITY TESTING**
- Strategy

**STRATEGY**
- Refine and align

**REFINE AND ALIGN**
- Document
The goal of the current effort is to reassess the potential for residential development in the Study Area, with a new focus on:

- Engaging communities in and around Downtown;
- Identifying opportunities to align investments with community priorities; and
- Identifying tools that address the housing needs of all residents.
What have we heard are the key housing priorities in this area?

**HISTORY**
We need to make sure that what is left is preserved and what once was is honored.

**BALANCE**
We need a strategy that stimulates growth while preventing displacement.

**CHOICE**
We need a diversity of housing price points and housing types in the area.

**OPPORTUNITY**
Housing access and stability are foundational to child and family wellbeing, including schools.

**HOMEOWNERSHIP**
Reducing barriers to homebuying would support neighborhood and household stability.

**INVESTMENT**
This study can help inform which types of projects do and don’t need subsidy to work.
Seven Strategies

1. Support and expand attainable homeownership opportunities
2. Address vacant and abandoned properties
3. Support quality, diverse infill development
4. Improve the quality and availability of affordable & workforce rental housing
5. Encourage housing stability
6. Sustain Downtown development momentum
7. Expand financial and organizational capacity for advancing housing priorities

HOUSING STRATEGIES TO ADVANCE THE GOALS
## DEMAND SUMMARY

### STUDY AREA

<table>
<thead>
<tr>
<th>AMI Level</th>
<th>Income Level</th>
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<tr>
<td>&lt; 60%</td>
<td>&lt; $34k/yr</td>
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<tr>
<td>60-120%</td>
<td>$34k-67k/yr</td>
</tr>
<tr>
<td>120-150%</td>
<td>$67k-84k/yr</td>
</tr>
<tr>
<td>150-200%</td>
<td>$84k-112k/yr</td>
</tr>
<tr>
<td>&gt; 200%</td>
<td>&gt; $112k/yr</td>
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</table>

### Rental Demand Summary

#### For-Sale Demand

- **< $160k**
  - 150-250 units
  - $160k-$250k
  - 300-400 units
  - $250k-$320k
- **$1,000-2,000 units**
  - < $840/mo
  - $840 - $1,700/mo
- **$840k**
  - 800-1,000 units
  - $1,700 - $2,100/mo
- **> $2,800/mo**
  - 100 units
  - > $400k

#### Total Rental Demand: 2,500 to 3,200 units

(Rental Under Construction and Proposed: 1,200 units)

- **$840k**
  - 100 units
  - $2,100 - $2,800/mo
- **$320k-$400k**
  - 200-300 units
  - 100-200 units
  - 100 units
- **> $400k**
  - 400-600 units
  - > $2,100-$2,800/mo

### Net Rental Demand: 1,300 to 2,000 units

- **< $160k**
  - 150-250 units
  - $250k-$320k
  - 300-400 units
  - $320k-$400k
- **$840k**
  - 800-1,000 units
  - $1,700 - $2,100/mo
- **> $2,800/mo**
  - 100 units
  - > $400k

### Downtown Share: 640-1000 units

- **0 units**
  - 160-250 units
  - 200-300 units
- **70-135 units**
  - 140-260 units
  - 100-150 units
- **40 units**
  - 40-40 units

### Total For-Sale Demand: 800 to 1,250 units

- **< $160k**
  - 150-250 units
  - $250k-$320k
  - 300-400 units
  - $320k-$400k
- **$840k**
  - 800-1,000 units
  - $1,700 - $2,100/mo
- **> $2,800/mo**
  - 100 units
  - > $400k

### Downtown Share: 200-345 units

Source: Development Strategies
What strategies stand out as priorities for action?
1. Missing Middle Infill
2. Affordable Housing Trust Fund
3. Downtown Master TIF
4. Revolving Loan Fund
POLICY CHANGES
PRIORITY ACTION

- **Examine existing regulations** to determine if they support infill development that is similar in design to existing housing.
- Create one or more policies that **encourage the development of Missing Middle housing** in the Study Area.
- Option 1: In appropriate locations in the neighborhoods surrounding Downtown (e.g., along the BRT corridor, at the seams with Downtown), consider **an infill development overlay** that allows for reduced setbacks, additional building types, accessory dwelling units, etc.
- Option 2: Allow and encourage property owners to participate in a **voluntary zoning map amendment (rezoning) program**
- Option 3: Create **pre-approved development typologies**—that satisfy neighborhood aspirations while balancing feasibility constraints—which can be developed as-of-right in appropriate locations within the Study Area.
Goal 1: robust mix of housing types and sizes are developed and provided in all parts of the city. Policies to support this goal include:
1.1 Establish land use and zoning designations that permit the creation of single-family homes on small and medium sized lots, attached townhomes, and cottage or courtyard style housing. These housing types should be permitted in new and existing residential neighborhoods where appropriate.

Goal 7: Low-income and workforce affordable housing is available in neighborhoods across the city. Policies to support this goal include:
7.2 Ensure that land use and zoning regulations allow a mix of housing types, including single family homes, cottage homes, townhomes, condominiums and apartments that serve people at a variety of income levels.
ZONING CODE AMENDMENTS
CITY IMPLEMENTATION ACTION

Remove barriers to **Missing Middle infill** development

**Zoning Barriers**
- Permitted Use?
- Lot Area?
- Lot Width?
- Nonconformities?

Source: Incremental Development Alliance
Table 2: Residential Project Demand, Types, and Eligibility

<table>
<thead>
<tr>
<th>Type</th>
<th>% AMI</th>
<th>Rental Rates</th>
<th>Number of Units</th>
<th>Development Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable</td>
<td>&lt; 60%</td>
<td>&lt; $840</td>
<td>800 – 1,200 Units</td>
<td>Yes</td>
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<tr>
<td>Workforce</td>
<td>60 – 120%</td>
<td>$840 – $1,700</td>
<td>1,000 – 1,200 Units</td>
<td>Yes</td>
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<tr>
<td>Moderate</td>
<td>120 – 150%</td>
<td>$1,700 – $2,100</td>
<td>400 – 600 Units</td>
<td>Yes</td>
</tr>
<tr>
<td>Upscale</td>
<td>150 – 200%</td>
<td>$2,100 – $2,800</td>
<td>200 – 300 Units</td>
<td>Streetscaping</td>
</tr>
<tr>
<td>Luxury</td>
<td>&gt; 200%</td>
<td>&gt; $2,800</td>
<td>100 Units</td>
<td>Streetscaping</td>
</tr>
</tbody>
</table>

Strategically deploy TIF to enhance the quality of market-rate housing, and to support the inclusion of a workforce and/or affordable housing set-aside.

- Development Assistance for Workforce Housing
- Development Assistance for Market Rate Housing
- Downtown Housing Priorities
What is the best use?

$19.9m
returning to the City

$5.7m  2019

$5.3m  2020

$4m  2021

$2m  2022

$1.3m  2024

$1.7m  2029
Redeploy **revolving loan fund capital** Downtown

- Redeploy $15.9m of $19.9m **revolving loan fund capital** to advance housing and development goals Downtown.
- Update loan fund policy to encourage projects that:
  - Include public benefits (e.g., community space, quality open space, unique amenities, high-quality exterior design, LEED certification, infrastructure improvement)
  - Utilize Project-Based Vouchers
  - Include workforce-affordable units
- Maintain focus Downtown, but consider opening up eligibility to projects within the broader Study Area (e.g., catalyst mixed-use development along the BRT; demonstration “missing middle” project).
- Maintain as current structure (zero-interest, 6-year loan)
- If interest rates in the market rise, consider charging interest to sustain this capital pool into future
REVOLVING LOAN FUND
CITY IMPLEMENTATION ACTION

Redeploy *revolving loan fund capital* Downtown

- Researching ballot language, programmatic agreements, and requirements for use of funds:
  - 1996 Third Penny Sales Tax Package
  - 2001 Third Penny Sales Tax Package/2006 Third Penny Extension Program
  - Vision 2025
  - 2013 Improve Our Tulsa

- Draft policy currently under development and review by City of Tulsa staff

- Actions in-progress:
  - Amend Capital Improvements Agreement between City of Tulsa and Tulsa County to allow for redeployment of funds to support continued revolving loan funds in support of downtown housing, as well as to support seed funding for the Affordable Housing Trust Fund
  - Draft Service Agreement between City of Tulsa and Tulsa Development authority to govern requirements and expectations for administration of the funds
  - Release of updated loan fund policy and request for proposals expected in Q3 2020
TOOLS & RESOURCES

PRIORITY ACTION

Seed first phase of a citywide affordable housing trust fund

- Use $4m of revolving loan fund capital returning in 2019 and 2020 to seed a citywide affordable housing trust fund.
- Assemble other public and philanthropic commitments to hit $20m initial target for 2020.
- Identify a pipeline of quality projects for the first round(s) of funding including a mix of:
  - Gap financing for affordable housing development and preservation
  - Neighborhood / housing stabilization (e.g., home repair and renovation)
  - Ensuring that the experience of homelessness is rare, brief, and non-recurring
- Once track record of success is established, consider including a major expansion of the trust fund in a future City of Tulsa Capital Improvement Program.
  - Precedent: Charlotte ($50m), Durham ($95m)

Avg. Investment per unit
estimated average cost of affordable housing new construction or preservation

Avg. Trust Fund contribution per unit

400 units
Assumes 50% of units are created or preserved in the Study Area
AFFORDABLE HOUSING TRUST FUND (AHTF)

CITY IMPLEMENTATION ACTION

Seed first phase of a citywide affordable housing trust fund (AHTF)

- $20M in 2020
  - $4M from the revolving loan funds
  - $2.5M from the Schusterman Family Foundation
- AHTF will not contain federal dollars, to preserve flexibility
- Prioritized for projects outside of IDL

- (1%) for administrative processing and oversight costs
- (15%) for landlord incentives
- (14%) for direct rental assistance;
- (70%) for competitive proposals proposing the preservation and development of affordable housing