

**HOUSING FOR ALL IN MORGAN
COUNTY** A Framework For *"MOVING THE
NEEDLE"*



Affordable Housing in our Community

Executive Summary

The Better Communities Coalition (BCC) was formed in the months following a June, 2021 community forum, the "COVID Cliff Summit." That forum highlighted community issues that pre-dated the pandemic as well as challenges that had emerged due to the pandemic and the federal funding responses.

Among the issues being addressed by the BCC is housing, with a focus on under-resourced persons and households. A Short Term Housing Task Group was challenged to address emergency sheltering and housing. This report is from the second group, the Long-Term Affordable Housing Task Group.

Key long-term affordable housing findings for Morgan County:

- Growing at a faster rate, as a share of the total population, are persons over the age of 65;
- In excess of 2000 households are in cost-burdened housing;
- The creation of new housing stock has not kept pace with demand nor job growth;
- The unmet demand for affordable housing is the greatest among households with incomes below \$35,000 per year;
- Four of five Comprehensive Plans in the county do not plan housing developments for under-resourced households;
- Some local government planning and zoning regulations present barriers to affordable housing development;
- The creation of new affordable housing stock for low and very low income households will require government subsidies and plans for sustainability;
- Training persons entering the rental housing market can improve the tenant-landlord experience;
- Attention is needed to address unsafe and unhealthy housing, with a focus on:
 - a. deteriorating homes owned and occupied by elderly citizens; and
 - b. rental housing units

Overview of Key Recommendations:

- County and municipal governments should work in concert with housing developers and broad sectors of the public and business community to bring the issue of affordable housing to the forefront with plans to:
 - a. decrease the number of households in unaffordable housing;
 - b. promote the development of one or more Community Housing Development Organizations as a means of focusing attention on sustainable affordable housing development;
 - c. improve existing housing conditions, targeting homes owned and occupied by elderly citizens and unhealthy/unsafe rental housing units; and
 - d. revise and streamline zoning regulations to accommodate infill and new mixed-use developments that integrate affordable and workforce housing with manufacturing and commerce businesses;
- The Rent Smart program is a viable education tool for both government and non-government programs serving under-resourced persons and families. Its use should be encouraged in order to better prepare persons for a successful rental housing experience; and
- Affordable rental housing stock created with state and federal funding support should be affordable for low and very low income households, requiring no more than 30% of the household income for rent plus utilities.

STATUS OF LONG-TERM AFFORDABLE HOUSING IN MORGAN COUNTY

Most of the available data on affordable housing in Morgan County pre-dates the COVID Pandemic. (2010-2019) The Indiana Housing and Community Development Authority (IHCDA) Housing Dashboard data was initially released in January, 2022, and updated in October, with some data from 2020. There are plans to expand the data, drilled down to the municipal or census tract level.

What we know from the initial Housing Dashboard 2019 data is that Morgan County had 2000 of 28840 households (6.9%) in housing that was unaffordable (HUD affordability standard of housing costing no more than 30% of household income). Of that number, 1,130 had household annual incomes under \$20,000, 580 had incomes between 20K and 34K, and 200 between 35K and 49K. (see chart on page 3)

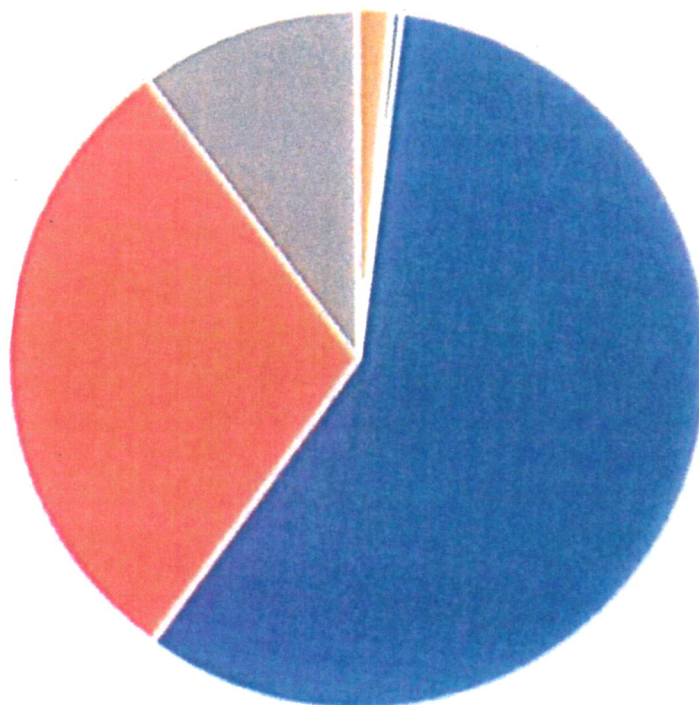
The most vulnerable of our citizens have the highest rates of cost-burdened housing. Moreover, the actual number of cost-burdened households most certainly is larger than reported, as the Dashboard data failed to include utilities as a housing expense. The U. S. Department of Housing and Urban Development defines affordable housing as, "housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities" (www.HUD.com).

The report also revealed that 373 new market-rate and 38 affordable housing units were created between 2014 and 2019. In that same period, 3,055 jobs were created and the number of households in the county grew by 578. The pressure on housing availability contributed to the increases in housing rents.

The cost of developing new affordable housing stock rose considerably during the COVID-19 Pandemic. While some product and services costs have come down, they have not returned to pre-pandemic levels. Market-rate rents have risen dramatically in the past two years, out-pacing growth of income. The increased rent averages have spilled over into the affordable housing sector created with government funding. HUD publishes maximum rents allowed in supported rental developments based on area rental market conditions.

Recent information coming to the attention of the Long Term Affordable Housing Work Group revealed that some existing affordable rental housing units still in their grant affordability periods may have rent rates much beyond the 30% of income affordability standard, though they meet their contractual obligations with the governmental funding sources that supported the creation of the developments.

DISTRIBUTION OF HOUSEHOLDS WITH HOUSING COST BURDENS IN MORGAN COUNTY



■ Under \$20000 ■ \$20000-\$34,000 ■ \$35,000-\$49,000 ■ \$50,000 - \$74,000 ■ \$75,000+

Long Term Affordable Housing Task Group - The Process

Between September 2021 and the end of that year, the Long-term Term Affordable Housing Task Group focused on understanding the task before us and becoming acquainted with one another, sharing beliefs and positions held on the issues. That process was instructive, as we purposely formed the membership to bring a range of positions to the table.

As we ended 2021, we shifted to education through local and county data and positions held by housing experts and researchers. About that time, the Indiana Housing and Community Development Authority (IHCDA) published their 2022 Housing Dashboard, and it provided the opportunity to quantify local Housing issues.

Current Supported Affordable Housing Stock.	# Units	Average Waiting Time
• Housing Choice Voucher units (Section 8)	113 (a)	Undetermined
• Spring Hill Apartments, Mooresville	190	12 months
• Morgan House, Martinsville	185	6-9 months (b)
• Ken-Mar Apartments, Martinsville	101	6 months
• Pines Apartments	32	12 months
• Retreat at Mineral Springs, Martinsville	9 (c)	6-9 months
• Heather Heights, Martinsville	48	12-18 months
• Habitat for Humanity of Morgan County	54 (d)	12-18 months
TOTAL	732	

(a) Includes 13 permanent supportive housing units at WellSpring, Martinsville

(b) Two-bedroom units average wait time is 12-18 months

(c) 38 Units are available, but as many as 29 will become not affordable for the current tenants due increased rates planned for 2023.

(d) 15 current homebuyers with a mortgage.

There are market-rate rental homes and apartment units where an income-to-rent 3-1 ratio is typically used for eligibility. But those kinds of ratios frequently are applied only to income and rent. Utilities would push many of these units over the 30% standard for housing cost affordability, particularly for lower income households

The meetings between March and June of 2022 included the adoption of a program to educate renters, Rent Smart. One of the members took primary responsibility for the development and initial implementation. In November, we were advised that the program would first be offered for residents of the Magdalene House, a Martinsville Women's shelter.

The middle months of 2022 also brought some attention to the issue of poor health/safety concerns with some existing rental housing. Testimony was given by representatives of local human service agencies concerning their experiences in placing their clients in affordable housing that was safe and healthy. County Health Department representatives shared the opinion that analysis, concerning enforcement of existing ordinances.

FINDINGS AND ANALYSIS

The need to expand the availability of affordable, safe and healthy housing in Morgan County is evident from the data. Clearly, the segment of our county most in need of such housing consists of households with incomes under \$35,000. Considerations given to this issue were considerable and not without controversy. Disagreements were voiced respectfully, and there was genuine interest in hearing and considering the opinions of others. We learned from each other.

A fundamental point of contention for some was a perspective that affordable housing for the targeted segment of the population required public funding supports with the accompanying bureaucracies, regulations and control. Proponents of government support held that achieving any significant increase in housing affordability was not likely without such funding. When this issue was presented in a ranking of strategies for increasing affordable housing stock, there was broad support for including public funding.

A thorny issue was zoning. Morgan County and its municipal jurisdictions use a historic model of establishing boundaries with targeted zoning classifications. Developers of affordable housing, particularly multi-family rental projects, struggle to find available space in the limited areas that allow such developments. Zoning classification changes and variances are difficult to obtain. Negative neighborhood responses to proposed affordable housing developments are common. The issues most frequently cited by individuals, associations, and organizations are traffic and parking congestion, negative impact on property values, crime, and noise. Hanging around are memories of the 1960's-70's public housing "projects." Today, government-supported affordable housing developments deliver attractive and well-maintained housing, with no increases in crime or negative impacts on neighboring property values. This is true for both affordable home ownership and rental housing developments.

The acknowledgment of an inadequate supply of affordable housing at the local government planning level is mixed among the local government planning jurisdictions. In the current approved versions of comprehensive plans, only the City of Martinsville has a plan that addresses this issue in detail, with proposed measures to add affordable housing, primarily through mixed-used developments. Most of the other plans either ignore the issue or dismiss it with decisions like, "we don't need more of these (multi-family) developments." The absence of planning for low-income affordable housing is understandable, as voices representing low income citizens are missing from the planning and zoning advisory and administrative boards and commissions.

People prefer to live in close proximity to jobs, where land is more expensive. For extremely low-income households, the total cost of building new housing means that it will simply not be affordable without a subsidy. For this group, it is not just that market rate rent is too high, but it is also that incomes are too low and jobs are not nearby. The COVID pandemic may be affecting new job development in the county, but the county has not yet experienced the growth of business development anticipated with the opening of the I-69 route through the southern part of the county. Increased attention to Economic Development alone can produce housing affordability gains, but a coordination of the full range of the housing continuum and economic development activities is preferred.

Housing affordability is a long-term issue. Sustainability of government-supported affordable housing has been mostly ignored in local government planning. Many government subsidies for affordable housing development are time limited. Once the affordability periods expire, owners can convert the affordable housing units to market-rate. That presents a big financial incentive to leave a housing subsidy program, resulting in the displacement of income-eligible households. Needed is a structure in which government can interact with affordable housing-focused NGOs, such as IHCD's Community Housing Development Organizations (CHDOs) to foster long-term sustainability. State funding is available for such organizations and there are some funding priorities for housing developments in conjunction with them.

As the LTAH Task Group worked through these issues, a related issue surfaced, health and safety conditions in the current housing stock. Deteriorating owner-occupied homes tend to be owned by elderly citizens on fixed incomes. Currently, there is no data on the extent of this problem, but testimony from Habitat for Humanity of Morgan County confirmed the problem with on-going requests from homeowners for help with critical repairs. Further, this problem is going to increase, as the housing stock continues to age and the percentage of the population that is growing the fastest are those over the age of 65. See Appendix D.

The issue of substandard rental properties captured much attention, as this sector of housing most seriously impacts households with limited incomes. We heard testimony from tenant placement advocates and health officials concerning poor living conditions in some rental properties. The County has an ordinance (4-2-4) that addresses health and safety conditions of rental housing. The ordinance was described as "weak and with little enforcement."

With regard to potential development of additional affordable housing stock, the consensus was that affordable housing should not be condensed into designated locations. Mixed-use developments, in which affordable housing can exist among market-rate housing and small businesses, received broad support. Inclusionary zoning strategies can be used, perhaps in concert with financial incentives and planned use development zoning to facilitate integrated housing.

Finding land for affordable housing development was given much attention. The highest marks were given to the expansion of local jurisdictional boundaries and making use of underutilized public properties and facilities. Outward growth presents financial infrastructure challenges for municipalities, and some public facilities may not be suitable for conversion into housing. Nevertheless, these two strategies offer the best opportunities for space to build new affordable housing stock. In-fill properties could come more into play if some of the zoning barriers are addressed.

The major work of the LTAH Task Group going forward will depend upon public, proprietary and governmental responses to these recommendations. We would hope to continue being an advocate for affordable housing, in partnership with other initiatives of the Better Communities Coalition.

RECOMMENDATIONS FOR MOVING THE NEEDLE

The LTAH group aims to educate, empower and suggest. But ,without support from municipal planning and zoning bodies, significant progress will NOT be made. If we support housing for all, then it is incumbent upon appointed and elected leaders to help champion this cause. To that end:

Municipal and County Government planning and zoning officials should:

- conduct a county-wide housing study that drills down to the municipal level and identifies the full range of supported affordable, workforce and market-rate housing needs;
- draft Comprehensive Plans that utilize the housing study data to acknowledge and encourage the development of an adequate supply of housing units for all;
- utilize pro-active zoning for affordable housing developments, including the expanded use of planned use development (PUD) zoning in concert with market-rate housing and small businesses;
- apply Inclusionary zoning strategies for new congregate housing developments, requiring that a percentage of units be designated for income-eligible households;
- plan for boundary expansions, while giving thoughtful consideration and support to infill development projects as a means of integrating affordable housing into the community;
- coordinate affordable housing and economic development to encourage close proximity of affordable and workforce housing to existing and proposed new businesses; and
- promote the development of one or more Community Housing Development Organizations (CHDOs) as a means of focusing attention on affordable housing development and long-range planning for sustainability;

Morgan County County Commissioners should:

- strengthen County Ordinance 4-2-4 and staff capacity in the Morgan County Health Department to enforce the ordinance; and
- fund the County Plan Commission to conduct a county-wide housing study that drills down to the municipal level and includes housing needs for all citizens.

Local Non-Government Organizations should:

- work together to establish and support critical home repair projects that target deteriorated owner-occupied homes.
- utilize the Rent Smart education program as a viable tool to better prepare persons for successful rental housing experience.

Indiana State government should:

- ensure that low and very low income tenants in housing supported by state and federal dollars, including low income housing tax credits, are in housing requiring no more than 30% of their income for rent plus utilities.

Appendix A

Members of Long-Term Affordable Housing (LTAH) Task Group

Following the COVID Cliff Summit, the Better Communities Coalition moved swiftly to capture interest by forming a task group to study the status & needs of affordable housing in Morgan County.

The members who have participated during these 14 months to date are:

Bonnie Arnold, Home Bank

Mary Asher, Tenant, Retreat at Mineral Springs

Christina Brummett-Bumgartner, Habitat for Humanity homeowner

Matt Crouch – Developer, Invest Sequoia

Mike Dellinger, Morgan County Economic Development Director

Kristi Dunnigan, Manager, Retreat at Mineral Springs

Meagan Heber, IHCD, Placemaking and Environmental Review Manager

Wendi Holden, Broker, Business Owner

Jennifer Jenkins, SCCAP Housing Choice Voucher Program Manager

Pam McDaniel, Rental Landlord

Joe Mills, Habitat for Humanity Administrator

Gary Oakes, City of Martinsville Planning Director

Laura Parker, Morgan County Plan Commission Director of Planning and Zoning

Samantha Spergel, IHCD, Director of Real Estate Strategic Initiatives & Engagement

Shane Williams, Mooresville Town Council

Melody Zempel, Stability First, Magdalene House

Appendix B

The member survey of a range of action strategies was divided into the following sections, and responses are ranked highest to lowest in priority:

Incentives for Affordable Housing Developments:

1. Inclusionary Zoning (requirement that new developments plan a percentage of new housing units to be affordable) Formulas and criteria to be explored;
2. reduced parking requirements for qualifying developments;
3. tax abatements or exemptions; and
4. density bonuses (build up instead of out).

Generating Revenue for Affordable Housing:

1. IHEDA HOME funds;
2. USDA Rural Housing Funds;
3. Low Income Housing Tax Credits;
4. CDBG Grants - Office of Rural and Community Affairs;
5. tax Increment financing (TIF);
6. general Obligation Bonds; and
7. employer-assisted housing programs.

Identification of Land for Affordable Housing:

1. expand local jurisdiction growth boundaries;
2. target under-utilized publicly owned properties;
3. make tax-delinquent properties available for affordable housing;
4. reclaim Brownfields; and
5. establish and fund a Land Bank.

Reducing Barriers to Development:

1. expanded use of Mixed-Use Developments;
2. zoning changes to allow for higher residential density.
3. increased use of Planned Use Developments (PUD) zoning;

Dealing with Unsafe and Unhealthy Housing:

1. strengthen & enforce Rental Ordinance 4-2-4;
2. apply for State funding to make critical home repairs; and
3. create housing agencies in local governmental units.

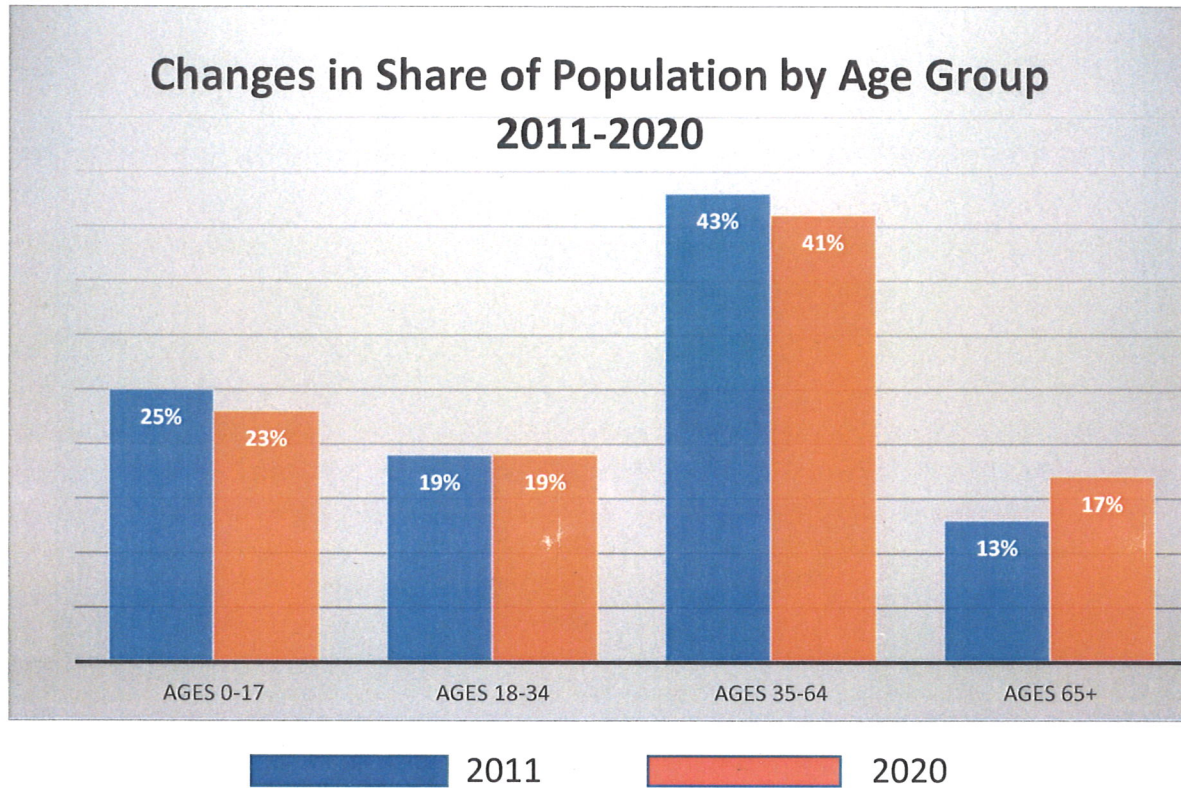
Appendix C

Member Survey - Commentary

LTAH members gave the following comments, suggestions & recommendations and comments/questions on the survey items (Appendix B), not in order of importance or strength:

- A. Development incentives all sound great, but unless zoning is addressed, the recommendations will be moot;
- B. Reclaiming Brownfields depends on the scope of the pollution and the mitigations that have or will take place;
- C. Dealing with unsafe and unhealthy housing is important, but if enough affordable housing were to be developed, the need for actions to bring existing units of housing into regulated standards would become unnecessary (implying that those unhealthy and unsafe units would be priced out of existence unless they were improved)
- D. Help for people who own a substandard home. Critical repair is a start. Look into re-finance assistance.
- E. Land Bank is a good idea, but if the properties in that bank were zoning-challenged, they could become a liability.
- F. Look into abandoned warehouses, schools, hotels and other buildings that could be converted to affordable housing units.
- G. If parking requirements are lowered, people may start parking in yards.
- H. Who would be the granting sources for financial incentives to reduce development costs?
- I. Higher density would result in too many homes per acre.
- J. Mixed use Developments are already occurring (example downtown Martinsville)
- K. Eliminate zoning requirements and let the market decide what the market wants.
- L. We need to know the status of Brownfields remediations.
- M. Transfer tax delinquent properties to a Land Bank.
- N. Move the County Fairgrounds to a more rural location, then develop the present site for mixed income residential housing.
- O. Financial assistance for developers may not be necessary if density standards are eliminated.
- P. The city of Martinsville could invest in running utilities, resulting in more land available for development.
- Q. Simplify the process for developers to get through re-zoning.
- R. Regarding the strengthening of rental housing standards: "Yes. Hold landlords accountable! Huge importance."
- S. In addition to state and federal funding, developers of affordable housing should integrate philanthropic resources such as the Federal Home Loan Bank of Indianapolis AHP Program.
- T. Residential Tax Increment Financing (TIF) should be used to fund infrastructure

Appendix D



APPENDIX E

COMMUTER INFLOW/OUTFLOW

