

US Department of Housing and Urban Development

Community Planning & Development

CITY OF OCALA

Pathways to Removing Obstacles to Housing (PRO Housing)

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10/30/2023

a. NEED

- i. The City of Ocala, a municipality of Marion County, is located in Central Florida and has an estimated population of 65,478 **(1)** residents. While Marion County is the 5<sup>th</sup> largest county in the state of Florida, it has experienced a tremendous influx of new residents. “To put the explosive growth in perspective, new residents in 2021 created a housing demand of 2,251 residential units. Now there are 190 people moving to Marion County every week. If the average household is 2.5 people, that means builders need to construct 76 residential units per week (about 4,000 annually) to keep up in 2022.**(2)** This influx has seriously affected the ability to own a home in the City of Ocala as the demand is greater than the supply, and the challenge of maintaining and producing affordable housing units has risen to a crisis level. The COVID-19 pandemic dramatically increased the cost of homeowner housing while tens of thousands of Floridians, to include City of Ocala residents, fell behind on their rent or mortgage payments. (3)

In July 2023, and as part of the City of Ocala’s ongoing efforts to identify, address, mitigate and remove barriers to affordable housing production and preservation, the Ocala City Council held an Affordable Housing Workshop to identify and address the challenges the City faces in providing decent affordable and available

housing to its citizens. The City of Ocala defines affordable housing units as homes targeted for households earning 80% or less of the Area Median Income (AMI) which is \$71,700. During the Workshop, the identified barriers to affordable housing included: lack of adequate and diverse housing inventory; job wages; socioeconomic factors; current rental rates; construction costs; accessible financing and sentiments of NIMBYism (not in my backyard). Because of these factors, 20% of Marion County homeowners are cost burdened and 41% of cost burdened homeowners are spending over half their income on housing. For renters, the rate is 44% cost burdened, with 54% of cost burdened renters spending over half of their income. (3). From May 2020 – May 2023, the median sale price of a home in Marion County has increased approximately 35% from \$175,000 to \$270,000. **(4)**

The City of Ocala has attempted to address and mitigate the affordable housing crisis while still making Ocala a great place to live, work and prosper, by: 1) identifying surplus lands thru code enforcement violations and tax receipts, and in accordance with Florida Statutes; 2) promoting an Affordable Housing Incentive Fund to address and subsidize building, transportation and infrastructure fees; 3) establishing Community Redevelopment Areas (CRAs); 4) promoting Brownfields' grants; 5) conducting Land Development Code modifications to address land use and zoning restrictions; and 6) promoting a variety of housing types to include single family residences, multi-family residences and senior/age restricted housing.

The City of Ocala has enacted recent policy changes to promote affordable housing: 1) **Surplus Lands** - The City identified over 400 surplus properties, through property taxation and code enforcement liens, of which 61 properties were designated suitable for residential development by the City Council in September 2023; 2) **Affordable Housing Incentive Fund (AHIF)**– The City created

an Affordable Housing Incentive Fund in 2003 through Ordinance 5204 to encourage the rehabilitation and new construction of affordable housing in the City of Ocala by offering a housing incentive to offset city-imposed development charges and allowing the relaxation of certain development requirements for developers of new, affordable housing units. An official AHIF Application was created in August 2023 to provide to local developers/builders the ability to request permitting fees be waived in the construction of eligible low-income households. **3) Affordable Housing Advisory Committee (AHAC)** – This City Committee is comprised by seven (7) active members who oversee all issues related to affordable housing and meets on the last Wednesday of every other month. The Committee has been pivotal in the proposal, review and approval of affordable housing ordinances and housing projects, as well as in the enforcement of local and state statutes. The AHAC has also promoted affordable housing in high opportunity areas and underserved communities. **4) Ocala Community Redevelopment Areas (CRAs)** – The City of Ocala Growth Management Department has created four (4) CRA locations, namely West Ocala, North Magnolia, Downtown and East Ocala. CRA redevelopment activities focus on making improvements to the physical environment within the redevelopment area – buildings and sites, streets and sidewalks, parks, and infrastructure. (5)

- ii. The City of Ocala, as many other communities in the state and the nation, has a serious acute demand for affordable housing. The influx of persons fleeing the big cities post the COVID pandemic, and most recently by South Floridians fleeing from coastal cities due to high insurance premiums, has made Ocala a hot spot for housing, creating a surge in housing prices due to the increased demand. According to Business Insider (August 2023), the City of Ocala's home price is now at \$357,154 and an apartment is \$1,588. (6) When we consider that the average salary in Ocala is approximately \$34,471 per year or that the average hourly salary is approximately \$9.37 per hour (7), it is simply impossible for the

citizens of Ocala to keep up with the influx of more affluent citizens competing for the same goods and services. Also, the Ocala MSA median income at \$71,700, as provided by the US Department of Housing and Urban Development (HUD), the increase in interest rates and construction materials costs, have all added to the market closing out the homeownership dreams of many and have created a burden on those who own homes but pay more than 30% of their income in housing. (Please refer to Florida Housing Data Clearinghouse Cost Burden Table)

**All Households, Cost Burden by Income, 2021 Estimate (Summary)**

Geography	Household Income	30% or less	30.1-50%	More than 50%
Marion	30% AMI or less	2330	1590	9513
Marion	30.01-50% AMI	7837	5655	5728
Marion	50.01-80% AMI	20,585	7636	2447
Marion	80.01-100% AMI	14,600	3525	623
Totals		45,352	<b>17,328</b>	<b>18,311</b>

The City of Ocala, through its Community Development Services (CDS) Department, administers federal and state grants and qualifies low-to-moderate income persons within the City limits, in an effort to maintain safe and affordable housing. CDS provides housing rehabilitation and purchase assistance, through CDBG, HOME and SHIP grants. In Fiscal Year 2021-2022, most assisted projects were located mostly in Census Tracts 14.01, 15, 16, 17, 18, and 20.01. Census Tracts 15, 17, and 18, located in West Ocala, are the ones with the highest Black/African American populations. A great portion of the housing stock in these areas is substandard and/or in severe disrepair, presenting an acute demand for affordable housing. (Please refer to Property Appraiser Substandard Properties Map within the City of Ocala limits). The housing inventory in these tracts, as well as portions of Tract 16, present an irrefutable picture of insufficient affordable housing and severe substandard housing. While the City has tried to address the

housing repair demand and the numerous code and health violations, the grant monies are simply not sufficient to address the widespread need for safe and decent housing. While the City of Ocala may not be listed among the priority geographies in the HUD spreadsheet associated with this PRO Housing grant, these sections of the City as well as areas citywide, present a clear and present need for additional affordable housing funding.

- iii. Key barriers that still exist and need to be addressed in the City of Ocala in an effort to produce and preserve more affordable and accessible housing are: infrastructure needs, land use and zoning restrictions, lot size/configuration; code enforcement actions and liens; better wages; and new construction impacts on schools.

“Infrastructure and its associated costs are a barrier to affordable development. Several stakeholders throughout the process indicated the public sector have “shirked” its responsibility of paying for infrastructure like roads, sewer, utilities, and water connection to new development, pushing these costs onto developers and driving up the cost of new housing.”(8)

Land use and zoning restrictions identified in the City of Ocala includes residentially zoned land for single family development only, without accessory dwelling units, and building and architectural requirements in higher density zoned properties. Lot size/configuration is an additional barrier as many lots, even those identified as surplus properties are either too small or don’t have a large enough buildable area due to either manmade or natural circumstances, in an effort to comply with zoning setbacks. Code enforcement actions and liens, are another barrier, since many of the properties in the City are in serious disrepair, and associated costs with cleaning and demolishing plus administrative costs incurred by a lack of prompt action, also constitute a challenge to developing affordable properties.

Wages are a major barrier to affordable housing. According to the Florida Housing Action Plan, the working-age population in Marion County is

concentrated within the City of Ocala limits and adjacent areas. “Almost all of the county’s African American residents live in the low-income, high cost burden, low homeownership rate Census tracts in and around West Ocala. This suggests a need for low-cost family housing for these working-age and disenfranchised populations located near the city center and to the west including those that make up the labor force for many of the county’s low-wage, service jobs.” The area’s most common occupations do not pay enough for a single wage earner to afford median rent or a mortgage. Overall, working-age households have lower incomes than older households, suggesting wealthier retirees are competing for housing with lower-and middle-income workers. (9) Lastly, the City and County are currently in discussion with the Marion County School Board in an effort to reinstate impact fees, which were suspended in 2011, another possible barrier to the production of affordable housing. “A new estimate shows the Marion County school district will need to spend about \$459.4 million over the course of the next 15 years to build new schools and expand existing schools to accommodate the projected growth in the county’s student population.”(10) Reinstating impact fees will affect the profits of builders and developers, including those who work on affordable housing projects creating yet another financial constraint.

b. SOUNDNESS OF APPROACH

The City of Ocala’s vision is to make Ocala “a great place to live, play and prosper!”, and in doing so, one of the major intents is to encourage increased production and preservation of affordable housing for low-and-moderate income persons to include working families, elders and people with disabilities.

The City of Ocala’s proposed funding activities include:

- 1) Develop a revolving loan program and/or other new incentive programs to develop affordable housing;
- 2) Facilitate the conversion of commercial properties to new housing;

- 3) Install new utilities and/or infrastructure improvements to develop affordable housing
- 4) Acquire or dispose land or real property for the development of affordable housing, and
- 5) Finance the construction or rehabilitation of affordable housing

Our proposal aligns with existing Growth Management initiatives as they pertain to demographic changes, community visioning and planning (local community redevelopment areas (CRAs), transit development plans, economic development opportunities; incentive funds for affordable housing and brownfields.

The City's geographic scope includes the entire City of Ocala city limits with greater emphasis of areas identified as low-to moderate income areas.

c. CAPACITY

The City of Ocala will be the lead agency in implementing the proposed PRO Housing activities. As an entitlement community, the City has extensive experience in managing federal, state, and local funding related to housing programs. The City receives an annual allotment of CDBG funding and receives HOME funding as part of a Consortium with the Marion County Board of Commissioners. The City also operates as Marion County's Homeless Management Information Systems (HMIS) lead agency and manages grant funding from HUD and the Department of Children and Families (DCF) to operate Marion County's HMIS activities. In addition, the City receives Emergency Shelter Grant (ESG) funding from Marion County for activities that it carries out in its efforts to house the homeless residents of the County.

The City currently directs most of the above-mentioned funding, into housing solutions. On a shoe-string budget, the City performs approximately 20 extensive rehabilitation projects annually, that bring older, deteriorating homes, owned by low-income residents, completely up to current building codes. The rehabilitation projects often include replacing roofs, windows, and HVAC systems; upgrading plumbing and electrical systems, remodeling kitchens and bathrooms, replacing flooring, and making the homes handicap

accessible. The City also performs an average of 2-3 demolition rebuild projects annually for qualified citizens whose homes are so dilapidated that they are beyond the point of being able to rehabilitate them. The City manages these extensive construction projects through its Community Programs Division led by its Director who has 24 years of experience with residential and commercial housing projects and its Rehabilitation Specialist who has 35 years of experience. These projects are also heavily supported by an admin staff with a combination of 55 years of experience; the City's Procurement Department, which handles all of the solicitations of projects and the preparation of the contracts; the Growth Management Department, which pre-screens all of the work write ups used in the housing projects, expedites the permitting on affordable housing projects, and inspects that the projects have met all local and state building requirements; the City's Budget Department, which tracks and monitors the expenditures of the grant; and the City's Finance Department, which prepares and tracks all of the grant reimbursement requests and periodically audits the divisions daily procedures to ensure the proper internal controls. The City's current procedures and capacity allows for the ability to quickly launch and implement activities associated with the PRO Housing grant.

Florida Statute F.S. 166.04151(7) provides municipalities with land use provisions to develop affordable housing units. In addition, the State recently passed a Live Local Act to facilitate the redevelopment of underutilized commercial or industrial centers and to facilitate urban infill centers. Under the direction of its City Council, City staff has taken on the task of partnering with for profit and not for profit developers to address the City's affordable housing crisis. In the last six months, Council has hosted two public workshops specifically designed with addressing this crisis.

Part of the City of Ocala's approach includes the partnering with other companies and organizations that share in the City's vision for addressing its affordable housing crisis. The City has been successful in working with developers. In the past 12 months, 300 affordable units have been produced in Ocala/Marion County. The City has another 283



affordable units under contract, as well as a developer's agreement for another project that will produce an additional 430 units.

The plan for this grant also entails partnering with three local nonprofit providers of affordable housing which the City currently has great working relationships with. The City plans to partner with Habitat for Humanity of Marion County, the Housing Finance Authority of Marion County, the Ocala Housing Authority, and the United Way of Marion County. Though our plan is not sole dependent upon the capacity of these partners, their participation will greatly increase the opportunity of success. With their long running success rate in developing affordable housing, coupled with the City's success and capacity, we will be able to make immediate, sizeable, and lasting impacts on households in need of affordable housing options. The City has worked with each of these not-for-profit partners in past projects that are in the same vein as the ones that are currently proposed. The City has also partnered with for profit contractors to produce quality affordable housing activities like those planned for the PRO Housing grant.

Of the planned partners for this project, the Ocala Housing Authority has extensive experience working with civil rights and fair housing issues. In addition, the City of Ocala's Director of Community Development Services also has 6 years of experience with civil rights and fair housing issues from serving as the former Deputy Director of the housing authority.

This grant was prepared by City staff primarily, Natalia Cox (Community Programs Administrative Coordinator) and James Haynes (Director, Community Development Services).

#### References

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- 5) <https://www.ocalafl.gov/home/showpublisheddocument/23607/638261268530400000>
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- 7) <https://www.indeed.com/cmp/City-of-Ocala,-Fl/salaries?location=US%2FFL>
- 8) Workforce Housing Action Plan, Florida Housing Coalition, May 2022
- 9) Workforce Housing Action Plan, Florida Housing Coalition, May 2022
- 10) <https://www.ocalagazette.com/impact-fees-may-return-to-help-fund-schools/>

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