



HANDBOOK

Ohio County Commissioners

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CHAPTER 83

METROPOLITAN HOUSING AUTHORITIES

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83.01 INTRODUCTION

This chapter will discuss the law and responsibilities of metropolitan housing authorities (MHA). For further information refer to Chapter 3735 of the Ohio Revised Code. County commissioners are usually most directly involved during the initial stages of forming a MHA. After they are organized and functioning, county commissioners are generally not actively involved in daily operations as the MHA is then controlled by a board.

The MHA is a political subdivision, but it does not possess taxing authority (OAG 91-072), and can be an important organization to help provide low and moderate income housing by obtaining federal and other funds to build, rehabilitate, or to manage housing projects in areas that need housing. As a political subdivision (ORC 3735.50), all financial transactions of the MHA are subject to inspection by the State Auditor (ORC 3735.34).

83.02 POWERS AND DUTIES OF A METROPOLITAN HOUSING AUTHORITY

Following are some of the more important powers of a MHA as provided for in Section 3735.31 of the Revised Code:

1. To elect a chair and vice-chair and to appoint employees.
2. To receive grants from the state or federal government and from private sources.
3. To conduct investigations into housing and living conditions and the right to enter property to conduct these investigations.

4. To determine what areas are slum areas and prepare housing project plans for these areas.
5. To buy, sell, lease, exchange, transfer, assign, or mortgage any real or personal property.
6. To acquire property by gift, bequest, or eminent domain following the procedures of Sections 719.01 - 719.05 and 163.01 - 163.22 of the Revised Code.
7. To own, hold, clear, and improve property.
8. To contract for the construction, reconstruction, alteration, or repair of any housing project.
9. To establish rent schedules for housing projects.
10. To borrow money and secure the loan by mortgaging property or by pledging revenues from other projects and to invest funds not immediately needed for disbursement. Any debt of the MHA is not a debt against the county (ORC 3735.38).
11. To take over, lease or manage any housing project constructed or owned by the federal government.
12. To employ a police force to protect the lives and property of residents of housing projects and to preserve the peace. The authority is generally limited to housing project property unless specifically authorized by law.
13. To submit an annual report to the Director of Development.

83.03 TERRITORIAL LIMITS OF HOUSING AUTHORITY

A MHA can cover any portion of any county that contains at least two political subdivisions of a county. In addition, a MHA must exclude some portion of land within the county. Some portion of land (not necessarily an entire political subdivision) must be excluded from the territorial limits of a MHA. The portion of land excluded must be legally describable.

83.04 ESTABLISHMENT OF HOUSING AUTHORITY

A MHA is established by action of the Director of the Department of Development (DOD). Although the DOD requests the submission of a petition by local units of government before creating the MHA, the Director has authority to establish a MHA on his own initiative.

If the Director of Development determines that there is a need for a housing authority based on the fact that unsanitary or unsafe housing accommodations exist or there is a shortage of safe and sanitary housing available to residents of the area without financial assistance, the Director can on his own initiative establish the MHA.

Once established the MHA must file an annual report with the Director of Development (ORC 3735.37). Many of these responsibilities were formerly conducted by the State Board of Housing, however, this agency was abolished in 1986. For information, the Department requests that counties contact the Ohio Housing Finance Agency at (614) 466-7970.

83.05 APPOINTMENT OF MEMBERS AND DUTIES

After creation of MHA, the county commissioners initially appoint a member to serve a two year term. The board can not appoint one of its members as a member of the MHA. Following is a list of the appointing authorities for members of the five member MHA and their terms.

APPOINTING AUTHORITY	INITIAL TERM
County Commissioners	2 yrs.
Mayor of most populous municipality	1 yr.
Mayor of most populous municipality	5 yrs.
Common Pleas Court	3 yrs.
Probate Court	4 yrs.

After the initial appointments, all future appointments are for five year terms. Members serve without pay.

The members of a housing authority in a MHA district with over one million population also includes five members, however, they are appointed as follows:

1. Two by the legislative authority of the most populous municipal corporation. The term for one of the members is for one year and the other term is for three years.
2. Two by the chief executive officer of the largest municipal corporation. The term of one of the members is for one and the other term is for three years.
3. One by the chief executive officer (with the approval of the legislative authority) of the municipal corporation having the second largest number of housing units owned or operated by the housing authority. This appointment is for a period of three years.

In addition, in those MHA districts in counties over one million in population there are requirements that certain members be residents of dwelling units owned or managed by

the housing authority. The term for these members is three years. For more detailed information refer to Section 3735.27(C) of the Revised Code.

No member of a housing authority may have either a direct or indirect interest in any contract for property, materials, or services that might be acquired by the authority (ORC 3735.29). In addition, the Ohio Housing Authorities Conference, the association representing housing authorities, considers the following characteristics important to members appointed to serve on the board of a MHA:

1. To regularly attend board meetings.
2. To maintain an ongoing familiarity with the local housing programs by studying and learning the field of housing, including federal subsidized housing.
3. To make policies for the operation of the MHA. The Director, however, has responsibility for the day to day operations.
4. To hire and supervise the Director.
5. Members should not have any special interests in or conflicts with housing programs.

83.06 CONTENTS OF PETITION TO THE DEPARTMENT OF DEVELOPMENT

When petitioning the Director of Development, county commissioners may take the lead in submitting the petition to create or expand the MHA. Following is a list of the items to submit:

1. Those interested in establishing a MHA are encouraged to contact DOD to be advised of the department's policies and to obtain the appropriate forms.
2. Petitioners must submit a petition to the Director of Development requesting that the Director create a MHA. Two copies of all materials must be submitted. A sample petition is available from DOD. Any petition to create a MHA must be submitted by, or endorsed by, one or more of the governing bodies within the jurisdictional boundaries of the proposed authority.
3. Petitions must determine the territorial limits of the proposed authority. The limits must include two or more political subdivisions, or portions thereof, but less than the entire territory of the county. Include maps showing proposed jurisdictional limits, and written description of all political subdivisions and/or portions thereof to be included and excluded.

4. Petitioners must document evidence that a MHA is needed. The Director of Development must issue a determination in a letter form declaring the limits of the authority if either of the following is found:
 - a. Unsanitary or unsafe inhabited housing accommodations exist in such area, or
 - b. There is a shortage of safe and sanitary housing accommodations available to persons who lack the amount of income which is necessary, to enable them, without financial assistance, to live in decent, safe, and sanitary dwellings without congestion.
5. Resolutions or letters of support from the governing body of political subdivisions within the proposed jurisdictional limits of the MHA may be included in the petition. This is in addition to step 2. Letters substantiating need may be obtained from civic groups, county human services Directors, fire chiefs, etc., if petitioners choose to submit them.
6. Upon creation of the authority DOD advises the appointing authority that the members of the MHA board should be appointed.

83.07 FINANCIAL CONTRIBUTIONS FROM THE COUNTY

County commissioners are permitted to appropriate in the form of a loan up to \$20,000 to a MHA after it is created. This loan is to pay expenses of organization and administration during the period of the initial start up. The resolution appropriating this loan must establish the terms of the loan and a time for repayment. This appropriation may be made out of the public assistance fund (ORC 3735.30). A county or municipality also is authorized to donate money to a MHA (ORC 3735.54).

83.08 TAX SUBSTITUTION EFFECTS

Both real and personal property owned by the MHA is public property within the meaning of Article XII, Section 2 of the Ohio Constitution and is thus exempt from taxation (ORC 3735.32). In lieu of these taxes, however, the MHA must make annual "payments" (ORC 3735.35) to the county treasurer in an amount consistent with the Housing Act of 1937, as amended. When such payments are made, they are deposited in the undivided public housing fund and distributed to political subdivisions as if they were taxes. Although the payments are made, they usually do not equal the amount of taxes that would be collected if the property were privately owned except when the land is undeveloped. These payments in lieu of taxes equal 10 percent of shelter rent (shelter rent = gross rent - utilities paid by the MHA), and have been mandatory since 1962.

83.09 RELATION TO PLANNING AND ZONING

All projects undertaken by the MHA must comply with "planning, zoning, and sanitary laws..." to the same extent as if said projects were planned, constructed, owned or operated by private persons" (ORC 3735.44). In addition, the MHA must submit the proposed location, extent, and general features of the project to the county or regional planning commission for advice. This should be done before the MHA makes a final decision on any project and before any land is acquired or any agreement for its eventual acquisition is made.

83.10 TAX INCENTIVES FOR HOUSING

County commissioners may grant property tax abatements for the remodeling of existing or construction of new housing within community reinvestment areas (CRA) that they designate by resolution. Before designating these areas, the county must make a housing survey of the area in question finding that the area "is one in which housing facilities or structures of historical significance are located and new housing construction and repair of existing facilities or structures are discouraged" (ORC 3735.66).

To administer the law, the commissioners must then appoint a housing officer and a CRA housing council. Any property owner may apply to the housing officer for an exemption from property taxation. After verification of the application by the housing officer, the application is certified to the county auditor who applies the exemption in the year following the calendar year when the housing officer certifies the application. The law establishes minimum dollar amounts of remodeling that must be expended by type of structure before a property owner can qualify for a tax abatement and also sets a maximum tax abatement period by type of structure. This law can also be used to encourage the expansion and retention of existing commercial and industrial structures and as an incentive to new commercial and industrial development. Refer to Sections 3735.65 - 3735.70 of the Revised Code, and chapter 17 of this handbook.

83.11 DISSOLUTION OF A MHA

A MHA that wishes to discontinue its operation may apply to DOD. The department, if it approves the application, then takes possession of the property and disposes of it. The proceeds from the disposal are used to pay the debts of the MHA and to pay administrative expenses connected with the disposal of the property. Any funds that remain are then paid into the sinking fund of the county. If a sinking fund does not exist, the procedures of Sections 5705.14 - 5705.16 of the Revised Code govern.

83.12 OHIO HOUSING FINANCE AGENCY

This section will discuss the programs of the Ohio Housing Finance Agency (OHFA). For further information refer to Chapter 175 of the Ohio Revised Code or contact the agency located at 77 South High Street, 26th Floor, Columbus, OH 43215 614/466-7970.

The OHFA board consists of nine members. Seven of the members are appointed by the Governor. The Director of Commerce and the Director of Development are also voting members of the agency. The Director of Development is the chairman of the agency.

The OHFA has eight major programs. Following are brief descriptions of each:

1. **LOW INTEREST HOME LOAN PROGRAM** - The OHFA issues mortgage revenue bonds. MRBs are tax-exempt bonds that are sold in the municipal bond market. Because the interest earned on these bonds by the investor is exempt from taxation, OHFA can pay the investor a lower interest rate for use of their funds. This enables OHFA to offer 30 year, fixed rate mortgages at lower rates (usually 1.5 - 2 percent) than the conventional mortgage or traditional FHA mortgages. This helps lower income Ohioans become homeowners.
2. **DOWNPAYMENT ASSISTANCE PROGRAM (DAP)** - DAP can provide a homebuyer up to \$2,500 for downpayment and closing costs. The loan works as a silent second mortgage and carries a zero percent interest rate. A portion (11.1 percent) of the DAP loan is forgiven each year, and the entire loan is forgiven at the end of year nine. If the homebuyer sells, refinances, or transfers the property within a nine year period, then the remaining balance on the DAP loan is due. Another exceptional benefit to the DAP recipient is that he/she does not have to make monthly payments. A DAP recipient's income cannot exceed 50 percent of the area median income, adjusted for family size.
3. **LOW-INCOME HOUSING TAX CREDIT PROGRAM** - This program was created by the Tax Reform Act of 1986 and allows owners of qualified rental housing projects to take a direct federal tax credit each year for 10 years. The program provides funds for the development of affordable rental housing. Tenant income cannot exceed 60 percent of the area median income, and rents cannot exceed 30 percent of the tenants maximum qualifying income. OHFA does all the financial underwriting of the applications for tax credits and annually reports specifics to the Internal Revenue Service.
4. **DEVELOPMENT LOAN PROGRAM** - This program provides low-interest construction and interim development financing for new construction and rehabilitation of rental and homeownership housing. The loans are available to non-profit applicants. There are three loan types within this program:
 - a. **Compensating Balance** - Zero interest for 24 months. The range of loans has been from \$100,000 to \$2.1 million.
 - b. **Interim Loan** - Interest is one-half prime and the term can be up to 72 months. The range of loans has been from \$36,000 to \$2 million.

- c. **Direct Loan** - Three percent interest for 18 months. The range of loans is up to \$555,000.

- 5. **SEED MONEY LOAN PROGRAM** - Seed money loans are non-interest bearing loans made to non-profit applicants for low and moderate income housing development. The term of these loans is 12 months, and the range of loans has been \$29,000 to \$356,000. These loans are used for property acquisition and pre-development costs.

- 6. **MULTI-FAMILY RENTAL DEVELOPMENT PROGRAM** - This program began in 1983 and was focused on the financing of multi-family elderly housing through the issuing and sale of tax-exempt development bonds. Since the passage of Issue I in November of 1990, these bonds can be used to finance both elderly rental housing and family rental housing.

- 7. **HOUSING MANAGEMENT** - The Agency's Office of Housing Management oversees Ohio's Section 8 Rental Assistance Program which includes nearly 120 housing projects containing more than 8,900 units. The program is funded by the Department of Housing and Urban Development (HUD), and provides rental assistance for low-income Ohio renters. Tenants pay 30 percent of their monthly income for rent while the remainder is paid by HUD. OHFA, the contract administrator, is responsible for making monthly housing assistance payments to owners on behalf of tenants; ensures that the project owners comply with HUD regulations; and makes sure the units are kept in good condition.

- 8. **PLANNING ACTIVITIES** - Since 1984, OHFA published an annual housing needs plan. The plan analyzed and defined housing needs facing Ohioans in their search for decent, affordable shelter. OHFA's housing plan focused on a broad spectrum of housing needs from homelessness and special needs housing to first-time homeownership. The housing-related activities of eight other state agencies and departments were included in the plan.

OHFA's housing plan has been expanded to incorporate the five-year comprehensive housing affordability strategy (CHAS) required under new federal housing legislation passed in 1990. OHFA coordinates the CHAS with the Community Development Division of the Department of Development.