Shelby Housing Needs Assessment

Shelby/Mansfield KOA Resort
Shelby, OH

Contents

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Introduction

This document provides a Housing Needs Assessment for the City of Shelby. The Housing Needs Assessment reviews information presented in other portions of the *Richland County Housing Needs Assessment and Action Plan*, as well as presenting analysis unique to Shelby regarding its housing market, land uses, zoning, and site suitability. The report concludes by identifying recommendations to strengthen Shelby's housing market and encourage development of affordable, attainable, and market-rate housing.

Throughout the broader *Richland County Housing Needs Assessment and Action Plan*, we have divided the housing market into three tiers: affordable, attainable, and market-rate.

- **Market-rate housing** comprises housing for households earning above 120 percent of area median income, or over $62,280 for a single-person household or $88,920 for a family of four. Households in this income category are seeking a higher-end housing product with amenities like more square footage, a larger yard, pool, finished basement, or other comforts. For Richland County, we define market-rate homeownership as homes selling for over $200,000. For market-rate rental housing, we define it as rental properties with rents that exceed $1.00 per square foot.
- **Attainable housing** comprises housing for households earning between 80–120 percent of Area Median Income. Per HUD's 2022 income limits, this comprises single person households earning between $41,550–$62,280 a year and four-person households earning between $59,300–$88,920 a year. Households in this income category earn too much to qualify for federal rental assistance, and they are often in the market for 'starter' or entry-level homes. For Richland County, we define 'attainable' homeownership as houses in good condition that are available for $100,000-$200,000, and attainable rental housing as unsubsidized units that rent for between $0.70 and $0.99 per square foot.
- **Affordable housing** comprises housing for households earning below 80 percent of the Area Media Income (AMI). For 2022, this amount is $41,550 for a single-person household and $59,300 for a family of four in Richland County. While not all households earning below those amounts reside in subsidized housing—in fact, the vast majority do not—80% AMI is typically

the limit for most subsidized housing programs. For this study, we define affordable homeownership as houses in good condition that are available for under $100,000, and affordable rental housing as either subsidized rentals or any unit that rents for under $450 per month.

We have created a Richland County Housing Needs Assessment map at this link (this link is customized to Shelby and the map automatically opens to Shelby, but the user can pan and zoom to other portions of the county). All of the mapped data collected through this project will be mapped at that link. We have created a short 'how to' video of how to use the map here.

Housing Data Review

This first section reviews key data points related to Shelby's housing market. It first summarizes the node's demographic data before discussing housing tenure, cost burdens, and the node's affordable housing inventory. Note that the data presented here are sourced from the American Community Survey 2016–2020 estimates, and that we have interpolated Census tract data to Shelby. We discuss this method in more detail in the Housing Inventory Report.

Demographics. Compared to Richland County as a whole, Shelby's population is more likely to consider itself non-Hispanic White (96% vs. 85% of the county's population) and is somewhat more likely to have *not* attended any college (57% of the population vs. 51% for all of Richland County). In terms of age distribution, Shelby's population tracks Richland County closely, with approximately 20 percent of its population over the age of 65, 30 percent of its population between the ages of 45–64, and a quarter of its population in the age cohorts of under 19 and 20–44 each, respectively.

In terms of special housing populations, Shelby's poverty rate of 14 percent is in line with the overall county figure, though it is the highest of the non-Mansfield nodes in the county. Additionally, 15 percent of Shelby's population has at least one disability, and the most common disabilities among residents include ambulatory (7% of the population), independent living (6% of the population), and hearing and cognitive disabilities (5% of the population, respectively).

Housing tenure and demographics. Per the most recent U.S. Census, about 60 percent of housing units in Shelby are owned while another 42 percent are rented. This means that Shelby has a lower homeownership rate than the county overall (which is 67%) and has the second-lowest homeownership rate among the nodes, after Mansfield. Postal service vacancy data indicates that slightly over 6 percent of residential units in Shelby are vacant, and that there has been little change in the number of vacant units in Shelby since 2012.

In terms of the demographics of both owners and renters, a majority of both owners and renters in Shelby are in the 35–64 age range (52% of owners and 54% of renters). However, over one third (37%) of homeowners in Shelby are over the age of 65. This suggests a substantial proportion of the population is either currently or will soon be looking for senior housing units that will allow them to age in place.

Housing cost burden. Nearly half (48 percent) of renters in Shelby are cost-burdened, meaning they pay over 30 percent of their income toward housing costs (including rent and utilities). This figure is the highest among all the nodes, tied with Mansfield. Furthermore, nearly a quarter (24%) of renters in Shelby are severely cost-burdened, meaning they pay over 50% of their income toward rent. While not considered severely cost-burdened, another 18 percent of renters in Shelby pay between 40–50 percent of their income toward rent, which certainly places them in a precarious financial position. This suggests that there is a strong need for additional affordable housing in Shelby. In addition, 16 percent of Shelby's homeowners are cost-burdened, meaning they pay over 30 percent of their income toward mortgages and other housing costs (such as property insurance, taxes, and maintenance).

Affordable housing inventory. We have mapped affordable housing developments across Richland County at this link. As of Summer 2022, there are 318 affordable units in Shelby. The majority of those units are funded through the U.S. Department of Agriculture's Rural Housing Program (Section 515), at 189 units. Other substantial numbers of affordable units are funded through the Low-Income Housing Tax Credit program (71 units) and the Project-based Section 8 program (50 units). The affordability limits for these programs are 80 percent of area median income for Section 515, 60 percent of area median income for LIHTC, and 50 percent of area median income for Project-based Section 8.

Metro Housing has issued approximately 1,900 Housing Choice Vouchers (HCV) to tenants in Richland County, and we have mapped the location of those voucher holders at the Census tract level at this link. In general, there are relatively few HCV tenants in the Census tracts that overlap Shelby. In Census tract 26, there are 39 HCV households comprising 82 household members, while in Tract 25 there are 21 HCVs comprising 44 household members.

Summing it up. Overall, Shelby's current housing and demographic conditions suggest a housing market facing some challenges but also with many opportunities. In terms of challenges, nearly half of the city's renters are cost-burdened, and nearly a quarter are severely cost-burdened—meaning they pay over 50 percent of their income toward rent. This suggests that there is substantial demand for additional affordable and subsidized housing in the node.

However, as discussed in the following sections, there are numerous opportunities for housing investments in Shelby. The supply of low-cost housing in the node presents an opportunity to promote affordable homeownership among low-income households. Existing revitalization efforts in downtown Shelby also present opportunities to encourage additional housing investments near downtown. In addition, the rising number of residential sales and permitting in recent years suggests that interest in housing in Shelby is increasing.

Housing Market Analysis

This next section provides an overview of Shelby's housing market. It first reviews residential permitting in the node over the past twenty years before reviewing home sales in the node over the last 10 years.

Permitting data

In general, new housing permits in Shelby have lagged substantially behind other nodes in the county in the last 10 years. We have visualized single-family, 2- to 4-unit, and multifamily (4+ unit) permits here for all of the nodes in Richland County and have mapped permits here.

Since 2001, only 38 residential permits have been filed in Shelby. Among those, 31 are single-family dwelling units, two are two-unit dwelling units, and five are multifamily (apartment) buildings. However, it does appear that permitting has increased in Shelby in recent years, with six permits filed in 2021 (the most filed in *any* year since 2001). All of these permits filed in 2021 were for single family dwellings; in fact, all permits filed in Shelby since 2010 have been for single family dwellings.

Sales data

We have created a data visualization of home sales by quarter in Shelby going back to January 2012 at this link. In analyzing these sales, a few things are apparent about Shelby's housing market.

First, the sales volume in the city has increased substantially over time. Prior to 2017, there were no quarters in which over 30 home sales occurred in Shelby. However, beginning in the 3rd quarter of 2020, there were at least 30 home sales in each quarter in Shelby, and in one quarter, there were 50 home sales in the city. The increased number of home sales indicates rising demand, though it's unclear whether that demand was purchases for homeownership or purchases for rentals.

Second, the number of very low-priced home sales—those between $10,000 and $50,000—decreases dramatically over the time span presented. Prior to 2020, in most quarters there were at least 6–7 home sales in this price range in Shelby; in 2020 and beyond, there have typically only been 3–4 sales in this price range. This trend coincides with an increase in sales in the $50,000–$100,000 price range, likely due to appreciation of properties from the lowest price range.

Third, there has also been an increase in sales in higher price tiers (those exceeding $100,000) since mid-2019. In 2021, sales in the $100,000–$150,000 range became the most popular in the node, outpacing the immediately lower sales tier consistently for the first time. In addition, the node has also started to see more home sales in even higher price ranges (but especially the $150,000–$200,000 sales tiers) in recent quarters.

Overall, then, we find that the sales data in Shelby indicates:

- Increasing demand overall for housing in the node
- Appreciation of the lowest-priced housing (under $50,000) in the node into relatively higher sales bands
- The vast majority of housing sales in the node remain in the 'affordable' and 'attainable' tiers
- There is not substantial demand for higher-priced (market-rate) housing in the node at this time, though the demand for this type of housing will likely increase as property values continue to rise.

We have also mapped home sales from 2021 on the Housing Needs Assessment online map (link here).

Tax Delinquencies and Demolitions

Tax delinquencies and demolitions can signal either neighborhoods at risk of decline (tax delinquencies) or neighborhoods in significant decline but with land available for redevelopment (demolitions).

Tax delinquencies

As of summer 2022, there are 129 tax delinquent properties in Shelby (see map here). Here, tax delinquent properties are at least two years delinquent on their taxes. While these properties are spread throughout the node, there do appear to be certain concentrations in neighborhoods immediately south of downtown Shelby (the neighborhood immediately west of Gamble Street) as well as north parts of Shelby (off Broadway and 2nd Sts.). These are areas where the city may consider conducting targeting outreach to avoid negative effects from potential upcoming tax foreclosures.

Demolitions

According to the Richland County Land Bank, as of Summer 2022, they have conducted demolitions on seven properties in the city (see map here). These properties are spread throughout the City of Shelby, though several are on or within a block of Main Street.

Zoning Analysis

This next section provides an overview of zoning in the City of Shelby. It first reviews the city's zoning map before moving to an analysis of the city's zoning codes.

Zoning

We have mapped Shelby's residential zoning here. In general, very little of the city is zoned R1, with most of the neighborhoods surrounding downtown Shelby either zoned R2 or R1A (Shelby's small lot zoning). There is a smattering of areas in Shelby zoned R3 (multifamily), and one tract zoned for mobile home parks in the northeastern part of the city.

Zoning codes

We have summarized Shelby's zoning code at this link and have summarized all residential zoning codes in the county (except for those in the rural townships) at this link. Unique among the nodes, Shelby has two R1 (single family) zoning districts—a standard R1 district and an R1A district. The primary distinction between the two is that R1A allows for smaller lots—minimum lot size of 7200 sq. ft. for R1A vs. 11,000 sq. ft. for R1; minimum lot width of 60′ for R1A and 80′ for R1. Both R1 and R1A districts allow for manufactured homes as a conditional use.

Similarly, Shelby also has R2 and R2A zoning districts for single and multifamily homes. The primary distinction between these two districts is that R2A allows for single- and two-family dwellings in addition to townhouses by right, while R2 districts only allows for one- and two-family dwellings. Lot size restrictions are similar for both districts, but townhouse dwellings in R2A districts have unique lot size restrictions. For single-family dwellings in these districts, lot size restrictions are similar to those found in the R1A zoning district. Both R2 and R2A districts also allow manufactured housing as a conditional use.

Shelby's R3 Multifamily District allows for one- and two-family dwellings, townhouses, and multifamily dwellings by-right. For one-/two-family and townhouse dwellings, lot size and floor area restrictions are similar to the R2A zoning district. For multifamily properties, the zoning code restricts them to a 35′ height limit and has unique setback restrictions, including for when they abut a R1/R1A or R2/R2A zoning district.

Finally, Shelby has several additional zoning districts that also allow for housing. These include:

- Shelby allows for residential uses (similar to those found in the R3 zoning district) in its B1 (Neighborhood Business District), B2 (Central Business District), and OS1 (Office Service District) zoning districts.
- MHP (Manufactured Home Park District) allows for manufactured housing by-right. This is the only zoning district that allows for manufactured housing by-right.

- CD (Conservation District) allows for one-family dwellings on very large lots (1 unit per five acres)
- The PUD (Planned Unit Development) District allows for "residential dwelling types developed in a unified manner in accordance with an approved plan.")

As noted in the Richland County *Housing Needs Assessment*, Shelby's small lot zoning codes could serve as examples to other nodes where we have highlighted that larger lot size mandates prevent the development of attainable housing. This is discussed in greater detail in that document.

Housing Development and Site Suitability Analysis

This section presents a housing development and site suitability analysis for the City of Shelby. It first details opportunities to encourage the development of market-rate housing and highlights a parcel in downtown Shelby that could be developed into multifamily housing that complements existing downtown revitalization efforts in Shelby. The section then discusses the suitability of developing affordable housing either through the competitive tax credit program or through other programs.

Market-rate housing

In terms of expanding housing production in Shelby, many of the elements of a strong housing market are in place. The city's zoning code appears to be appropriate for its specific neighborhood contexts, and Shelby is unique in having 'small lot' versions of its R1 and R2 zoning codes. This small lot zoning promotes neighborhood-appropriate development in the context of Shelby's older neighborhoods and makes it easier for developers to build much-needed attainable housing.

Current investments in Shelby, particularly in its downtown and surrounding areas, can be leveraged to promote housing development in the area. In particular, if the city has site control on any properties near the downtown area, they could leverage that site control for a development RFP, perhaps for a mixed-use development (commercial on first floor and condos above). This development could provide much-needed new attainable housing in Shelby and could lead to further investments in the city. They city could also partner with local employers in developing this housing for their own employees, which could make financing of the deal easier and the development more palatable to developers.

In the Strategy Guide and Action Plan, we have identified successful strategies that other communities in Ohio have utilized to revitalize their downtowns. Given the specialized development skills that downtown redevelopment requires, Shelby may consider soliciting an outside developer to develop residential units. Shelby may also consider ways to encourage the development of surface parking lots downtown. We have highlighted one such lot below (see Exhibit 1). While not an especially large site, it could house potentially 10 residential units, either owner-occupied (i.e., condos) or rented out, with the possibility of office or commercial space on the first floor. With a sharing agreement for the adjacent parking lot, the site itself would not have to provide parking. Shelby could also seek to meet its affordable housing needs through a partnership with Metro Housing to project-base one or two Housing Choice Vouchers on the site.

Exhibit 1: Potential downtown revitalization site in Shelby

Like Mansfield, Shelby has a substantial stock of older homes, with approximately two-thirds (64%) of its housing stock constructed before 1960 and nearly one-third (30%) built before 1939; this latter figure is actually the highest of any node in Richland County . While the city has a home rehabilitation program, in interviews with stakeholders, it appears that there has not been substantial take-up off this program. We have highlighted a successful home rehabilitation program in the Strategy Guide, and the city may take lessons-learned from that program to 'fine tune' Shelby's existing program.

Affordable housing

The largest affordable housing program in the U.S. is the Low-Income Housing Tax Credit program, or LIHTC. LIHTC programs are administered by the Ohio Housing Finance Agency (OHFA). There are two types of tax credits available through LIHTC—competitive (9%) tax credits and non-competitive (4%) tax credits. The allocation process for both types of tax credits is governed by a Qualified Action Plan (QAP), which OHFA produces once every two years.

As expected given their name, there is strong demand for receiving competitive tax credits, and the QAP sets out the criteria by which OHFA will award those tax credits to developments. To minimize the amount of discretionary review of tax credits, OHFA has adopted (in both its current QAP and in prior ones) strict geographic criteria that award 'points' to tax credit proposals under the title of 'New Affordability Pool Priorities." Given the incredibly competitive nature of these proposals, it's crucial that proposed developments be located in the highest-scoring areas. In fact, missing out on even a single point means that projects may not be funded.

One unique aspect of how OHFA awards tax credits is that it has classified every Census tract in the state as central city, metro/suburban, and rural. OHFA then awards tax credits to developments in each of these 'pools,' so that a disproportionate number of tax credit developments are not awarded to, say, central city tracts. For competitive tax credits, OHFA has adopted (in both its current QAP and in prior ones) geographic criteria that award 'points' to tax credit proposals under the title of 'New Affordability Pool Priorities." Given the incredibly competitive nature of these proposals, it's crucial that proposed developments be located in the highest-scoring areas.

OHFA has created an interactive map [here] with the various geographic criteria it considers when awarding competitive tax credits for new construction. In terms of the two Census tracts which comprise Shelby (Tracts 25 and 26), developments would receive points for the following criteria:

- Transit access: no points *unless* the development provided transportation (3 points), or an on-demand service (coordinated by the property) was available (5 points)
- Number of bedrooms: developments can receive 5 points if 15 percent or more of units are three or more bedrooms
- Amenity proximity: developments in both tracts would receive points for proximity to the following amenities
    - Supermarket: 3 points
    - Pharmacy: 2 points
    - Medical clinic: no points
    - Public park: 1 point
    - Public library: 1 point

    - Public school: 1 point
- Low poverty area: developments in Tract 25 would receive 5 points, developments in Tract 26 would receive no points
- Job access: any development in Shelby would receive the maximum of 5 points
- Neighborhood revitalization: These points are available to only family (i.e., non-senior) developments. There are three ways to earn points under this category.
    - Nearby real estate investment: developments can earn 5 points if they're located within "two miles of real estate and/or community development investments of at least $10,000,000" completed in 2019–2021 or planned for 2022–2024
    - Revitalization plan: developments can earn 5 points if they are is in the area of a revitalization plan dated within the past 10 years,
    - Neighborhood opportunity: developments in tract 25 would earn 4 points, developments in tract 26 would earn 0 points
- Senior center (senior developments only): The Shelby Community and Senior Center would allow any developments in Shelby to earn 5 points

In conclusion, while developments in Shelby would earn points from most of the geographic criteria that OHFA has outlined, because they wouldn't receive the maximum number of points, it's unlikely that any competitive LIHTC developments in Shelby would be awarded tax credits under the current QAP.

Beyond the tax credit program, there are opportunities for affordable developments in Shelby using non-competitive tax credits or through other affordable housing programs. The land on which many properties were demolished could serve as land on which to develop affordable housing and, for many programs, this land could count as local leverage and thus make the development more attractive to funders.

Separately, the supply of low-cost housing in Shelby could provide ample opportunities for programs to move low-income households—including renters—into affordable homeownership opportunities. Such programs would allow households to earn equity in their homes, thus building wealth. To encourage such programs, the city could partner with housing specialists who have developed successful programs in other cities. We discuss this type of development in greater detail in the Strategy Guide and Action Plan.

Identifying Housing Needs and Recommendations

This document has provided a Housing Needs Assessment for the City of Shelby. Based on the findings presented in this document, we make the following recommendations to address Shelby's housing needs and to strengthen its housing market.

Consider additional uses by-right in R1 and R1A zones. As noted in this project's market analysis, in today's cost environment, it is very difficult to develop single-family homes profitably in Richland County. However, smaller multifamily dwellings (including two-, three-, and four-unit dwellings, as well as townhouses) are much easier to develop profitably given Richland County's prevailing housing prices. To encourage the development of this type of housing, Shelby should consider allowing for small multifamily dwellings, including two, three-, and four-unit dwellings, as a by-right use in its R1 and R1A zoning codes.

Study how to build on existing revitalization efforts in downtown Shelby. There are currently many investments occurring in downtown Shelby, including the construction of additional greenspace. In addition, conversations with Shelby stakeholders have identified that there is increasing demand for residential housing in downtown Shelby above commercial uses. The city and stakeholders should explore ways to build upon this momentum, perhaps by supporting the development of a new residential building (either condos or apartments). Such a building could potentially be mixed-income through, e.g., the project-basing of vouchers within the building (should it be a rental building). Project-basing vouchers could also contribute equity to the development deal, thus making development more feasible.

Investigate ways to prevent the negative effects of displacement for mobile home park residents. While Shelby has relatively few mobile homes compared to some of the larger nodes in the county, still 5 percent of the city's housing stock are mobile homes. Given the current development pressures on mobile home parks across the country, it is likely that many of these properties will be redeveloped in the coming years either as other types of housing or to a higher standard, thus raising lot rents. Regardless, development will frequently lead to the displacement of existing residents. Many cities across the country are exploring ways to protect mobile home park residents, and the recommendations section of the Housing Needs Assessment will explore these strategies.

Explore ways to develop affordable housing through means other than the competitive tax credit program. As noted earlier, Ohio's QAP changes every two years, and the criteria against which proposals are judged change with that QAP. Under the rules of the current QAP, any competitive tax credit development in Shelby would not score particularly highly. However, there are a number of other affordable housing programs that could be used to develop affordable housing, including the non-competitive tax credit program and the Sections 202 (elderly) and 811 (disabled) housing programs.

In conversations with Shelby stakeholders, we understand that several programs exist to promote the rehabilitation of older homes in the city. However, it appears that uptake of these programs is rather low, either due to them not providing a sufficient incentive or due to general lack of knowledge about the programs. In thinking about the future of these programs, the city could identify how they could best be modified to encourage additional investment in older housing.