

September 2015



Housing Market Analysis

City of Norman, Oklahoma



Prepared by:



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Economic, Planning and Real Estate Consultants

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1 EXECUTIVE SUMMARY

A. POPULATION, ECONOMICS AND EMPLOYMENT

- Norman is projected to add just over 2,600 additional households from 2015 through 2019, at an average of 520 per year.
- Historically, employment has driven population growth in the Oklahoma City MSA. According to the Oklahoma Employment Security Commission, the MSA will add 85,030 net new jobs between 2010 and 2020. Norman added approximately 6,685 net new jobs between 2004 and 2013, and Cleveland County currently enjoys an unemployment rate that is roughly half of the national rate.
- Housing demand in Norman is generated from three key age cohorts: the working age population between the ages of 24 and 64; the retirement age population, ages 65 and up; and, a sizeable contingent of college students who require off-campus housing.
- Barring a severe economic downturn, increases in population and employment should continue to support the addition of housing units in Norman.

B. HOUSING MARKET

- Housing absorption in Norman has averaged approximately 714 units per year for the past ten years.
- Housing development activity was slowed only marginally by the recession, and home values have continued to edge up since 2010.
- In 2014, seventeen preliminary plats were applied for city-wide, comprising 215 lots on 224 acres.
- New single family detached homes are moving up in price closer to the \$200,000 to \$250,000 range, as buyers are demanding more living space and amenities such as 3-car garages, and quality finishes and fixtures.
- Norman's residential development activity, while not robust, has remained steady through and beyond the recession. As developers have invested into the community by constructing quality subdivisions, the value of housing and average unit size have increased since 2000.
- Renter occupied units comprise 43% of the occupied stock, compared to 31% in the county, 32% in the state, and 34% in the nation. This is largely due to the impact of the student population at OU.
- Although the student enrollment at the University of Oklahoma has been fairly static for the past fifteen years and is projected to remain so for the next ten years, the City is currently

experiencing a surge in the development of student-directed housing with over 3,600 net new beds in the pipeline. Each new unit delivered represents oversupply in the student housing market segment.

- The student-directed housing market is just beginning to feel the impact of a potential oversupply, as pre-leases for the 2015-2016 school year are not as robust as last year.
- An analysis of crime offenses in Norman from 2009 through 2014 showed a correlation between lower residential values and higher rates of crime, although a relatively high rate of crimes occur in and near downtown Norman. Public drunkenness was the most common offense near the OU campus.

C. HOUSING AFFORDABILITY

- Norman does not have an evident shortage of homeownership units in the low income ranges at this time, but rising values and redevelopment in older neighborhoods could reverse the situation. At present, 9% of owner occupied units in Norman are valued under \$100,000, and almost 30% of owner occupied units are under \$150,000.
- The number of vacant housing units is estimated at over 5,650, and may comprise uninhabitable units that are accounted for in the *extremely low income* affordability category. If many low end housing units are indeed uninhabitable, there could actually be a real shortage of *extremely low income* housing in Norman for conventional, non-student households.
- A shortage of rental units for households in the *extremely low income* category could likely exist for conventional, non-student households, but the actual demand is obscured by the overwhelming student demand. Based on an assessment of the number of Census counted student households, it is estimated that there is a shortage of between 600 to 700 *extremely low income* rental units;
- The Norman Housing Authority reports that Spring, 2015 applicants on the waiting list for the Public Housing Program totaled 17, applicants on the waiting list for the Housing Choice Voucher Program totaled 370, for a grand total of 387.
- Older apartment complexes in Norman may experience an exodus of student tenants as new student-directed product is brought on line. In some measure, this may present the opportunity to increase housing opportunities for low income households. However, the delivery of 3,900 new student beds could lead to significant vacancies in a relatively short period of time.

D. RECOMMENDATIONS

- The City should conduct a systematic reconnaissance and analysis of targeted neighborhoods to ascertain the degree of blight and the number of vacant, uninhabitable units on a street and block level. Based on the findings of this task, the City can identify pockets of blight that may pose a threat to otherwise stable neighborhoods. The neighborhood inventory should assess, at a minimum: social conditions (i.e., income household composition, tenant status, need for neighborhood associations, etc.); availability and condition of public utilities and drainage; condition of the transportation network (including sidewalks); impact of non-residential uses; appropriateness of zoning classifications; and, housing conditions.
- The City should monitor student housing development activity and its subsequent impact on older rental properties. The City may want to reach out to landlords who may be adversely impacted

by rapid increases in the supply of student-directed housing, and discuss contingency plans on how to deal with changes in the marketplace. Landlords who are prepared to reposition their properties will be best equipped to maintain their viability, and may pursue opportunities to provide low income housing.

- The City should prepare for the possibility that not all student-directed housing projects will be constructed as planned, due to market saturation. Developers may be compelled to alter their plans in response to market conditions.
- The City should consider adopting an annual rental housing registration process to regulate and monitor the provision of rental housing in Norman. The proliferation of single family housing conversions from traditional ownership to rental housing is having negative impacts in some neighborhoods surrounding the university. This process needs to be monitored as it can destabilize neighborhoods over time and result in declining housing conditions.

2 INTRODUCTION

RKG Associates, Inc. was engaged by the City of Norman, Oklahoma in March 2015 to prepare an assessment of the conditions and characteristics of the housing market in the city. Key objectives of the study include: (1) assess the current and projected demographic and economic characteristics of households in the community; (2) assess the nature and extent of short to mid-term housing demand with respect to various market segments; (3) assess the affordability of housing in Norman based on the range of household incomes in the City.

The City of Norman is located in the Oklahoma City metropolitan area and is the third largest city in the state, with an estimated population of 118,000 in 2014. Norman is the home of the University of Oklahoma, the largest university in the state, with between 25,000 to 26,000 students enrolled at the Norman campus. The City has a diverse economic base in addition to the University, with a stable manufacturing sector and rapidly growing health care and professional, scientific and technical services sectors.

In anticipation of receipt of Community Development Block Grant funding, HOME Investment Partnerships funding as well as Continuum of Care funding from the Office of Housing and Urban Development (HUD), the City of Norman is completing an unmet housing needs assessment, of which the Housing Market Analysis will play a large role. The objectives of the Housing Market Analysis are to assess the current and future housing needs, and examine current land use and economic development trends.

In the course of the housing study work program, RKG professionals reviewed relevant plans and documents, and interacted with key stakeholders including City staff, Planning & Community Development Department staff, elected officials, local real estate professionals and developers, property owners and managers, economic development professionals, and others. In addition, a visual inventory of Norman's housing stock was conducted.

The findings of the City of Norman Comprehensive Housing Market Analysis are organized in this report in the following sections:

- Chapter 1 Executive Summary
- Chapter 2 Introduction
- Chapter 3 Demographic Analysis
- Chapter 4 Economic Base Analysis
- Chapter 5 Housing Market Assessment
- Chapter 6 Housing Affordability Analysis
- Chapter 7 Findings and Conclusions

3 DEMOGRAPHIC ANALYSIS

A. INTRODUCTION

The following chapter analyzes demographic trends and projections in areas such as population, households, income, education attainment, and employment data. The analysis focuses on trends and conditions within the City of Norman, but includes comparative data for Cleveland County. The data provides insight into local and regional growth trends as well as projected future growth patterns. These factors provide the framework for understanding the market potential for real estate activity and housing investment in Norman and the surrounding area.

B. METHODOLOGY

Population, household, and income trend data is collected from the U.S. Census Bureau and Alteryx, a private sector supplier of demographic and economic data. Much of the data provided by Alteryx consists of data from the U.S. Census Bureau presented in a summarized form presented for users in the real estate industry. Data in tables is categorized by geographic area, with the City of Norman, Cleveland County and the State of Oklahoma listed separately for comparison purposes.

C. POPULATION TRENDS

1. Population Growth Rates

Information from the U.S. Census indicates that Norman has experienced significant population growth since 2000. The City’s population increased from 96,736 residents in 2000 to 118,118 in 2014 according to estimates. The City’s population increased by over 22% from 2000 to 2014. By comparison, Cleveland County experienced a very robust population increase of approximately 30%, from 2000 to 2014, from 207,917 to 271,166. The State of Oklahoma’s population grew more modestly by approximately 11% during the same period, from approximately 3.5 million to 3.8 million (Table 3-1).

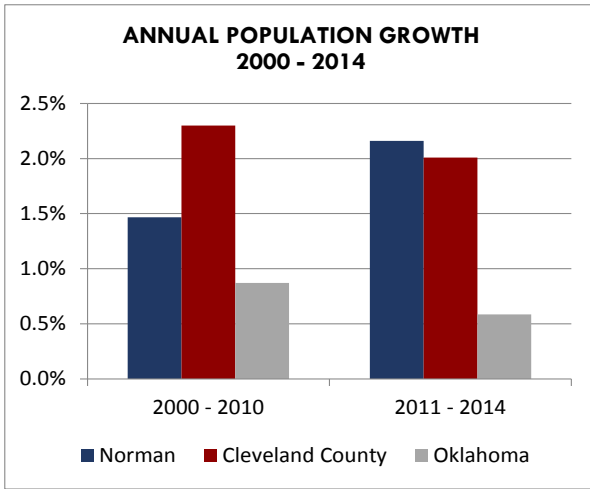
**Table 3-1
Comparative Population Trends, 2000 - 2014**

Geography	2000	2010	2014	Change '00 - '10		Change '00 - '14	
				Count	Percent	Count	Percent
Norman	96,736	110,925	118,118	14,189	14.7%	21,382	22.1%
Cleveland County	207,917	255,754	271,166	47,837	23.0%	63,249	30.4%
Oklahoma	3,450,691	3,751,351	3,817,296	300,660	8.7%	366,605	10.6%

Source: U.S. Census Bureau, Alteryx, 2014

Norman’s population grew at an average rate of 1.5% from 2000 through 2010, which remained consistent from 2011 through 2014. By contrast, Cleveland County’s growth rate slowed in recent years, from an annual average of 2.3% from 2000 to 2010, to 1.3% from 2010 through 2014. The state’s overall population grew at an annual average rate of 0.9% from 2000 to 2010 and 0.6% from 2010 through 2014 (Figure 3-1).

Figure 3-1



Source: US Census Bureau. Altervx 2014

2. Geographic Population Change

Map 3-1 illustrates total population patterns across Norman since the 2000 Census. Of the twenty-seven census tracts comprising Norman, all but four experienced population increases since 2000. Areas with the most significant growth underwent substantial residential real estate development in response to the housing demand over the past fifteen years. They are areas that are within the urban area of Norman, but on the outer edges thereof. Ten tracts posted population gains of over 20%, and tracts 2014.05 and 2015.09 saw population increases of over 100% (Table 3-2). The most notable trend among racial and ethnic groups within Norman is the relatively high rate of population increases and population share among the city’s ethnic groups. From 2000 through 2014, the city’s non-white population increased by 58.1% compared to 17.2% for whites. All minority groups grew in real numbers. In Norman, the most rapidly growing minority group is Hispanics, who grew by 119.8% to represent 6.4% of the city’s population (Table 3-3).

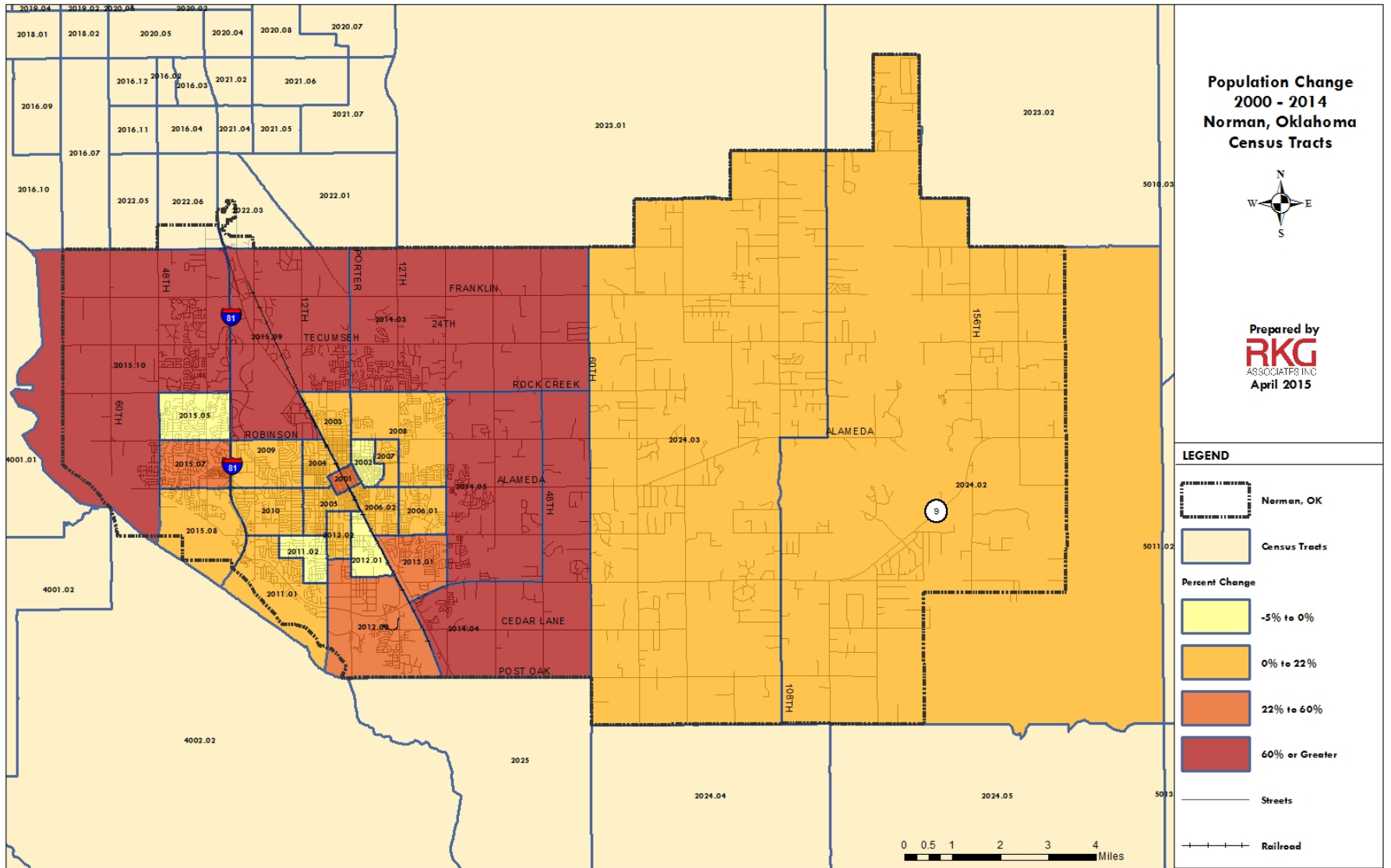
Table 3-2
Population Change, 2000 - 2014
Norman, Oklahoma Census Tracts

Tract	2000	2014	Change '00-'14	
			Count	Percent
2001	415	591	176	42.4%
2002	1,877	1,871	(6)	-0.3%
2003	3,342	3,768	426	12.7%
2004	1,945	2,183	238	12.2%
2005	3,821	3,935	114	3.0%
2006.01	5,371	6,425	1,054	19.6%
2006.02	3,323	3,573	250	7.5%
2007	272	274	2	0.7%
2008	5,897	7,173	1,276	21.6%
2009	4,087	4,295	208	5.1%
2010	5,636	5,992	356	6.3%
2011.01	5,709	6,002	293	5.1%
2011.02	2,980	2,927	(53)	-1.8%
2012.01	2,296	2,208	(88)	-3.8%
2012.02	4,473	4,811	338	7.6%
2012.03	4,374	5,831	1,457	33.3%
2013.01	5,502	7,903	2,401	43.6%
2014.03	3,444	5,912	2,468	71.7%
2014.04	1,667	2,716	1,049	62.9%
2014.05	2,745	5,693	2,948	107.4%
2015.05	5,971	5,709	(262)	-4.4%
2015.07	5,182	6,706	1,524	29.4%
2015.08	3,010	3,127	117	3.9%
2015.09	897	2,594	1,697	189.2%
2015.1	4,197	7,052	2,855	68.0%
2024.02	6,008	6,606	598	10.0%
2024.03	5,129	5,488	359	7.0%
Total	99,570	121,365	21,795	21.9%

Source: U.S. Census Bureau, Alteryx, 2014

Note: Total population based on census tracts vary slightly from Norman population totals due to the fact that the census tracts and the city boundary are not the same.

Map 3-1



Source: U.S. Census Bureau, Alteryx 2015

Source: U.S. Census Bureau, Alteryx, Cleveland County, OK, RKG Associates, Inc., 2014

Table 3-3
Racial and Ethnic Population Composition, 2000 - 2014
Norman, Oklahoma

Persons	2000		2010		2014 Estimate		% Change 00 - '14
	Number	Percent	Number	Percent	Number	Percent	
TOTAL	100,392	100.0%	117,983	100.0%	126,154	100.0%	25.7%
White	79,566	79.3%	88,406	74.9%	93,236	73.9%	17.2%
Non-White	20,826	20.7%	29,577	25.1%	32,918	26.1%	58.1%
Black	3,926	3.9%	4,802	4.1%	5,347	4.2%	36.2%
American Indian or Alaska Native	4,011	4.0%	5,259	4.5%	5,655	4.5%	41.0%
Asian/Native Hawaiian/Other Pacific Islander	3,486	3.5%	4,317	3.7%	4,757	3.8%	36.5%
Some Other Race	1,252	1.2%	2,080	1.8%	2,345	1.9%	87.3%
Two or More Races	4,495	4.5%	6,061	5.1%	6,777	5.4%	50.8%
Hispanic Ethnicity	3,656	3.6%	7,058	6.0%	8,037	6.4%	119.8%

Source: U.S. Census Bureau, American Community Survey, Alteryx, 2014

3. Household Formation Trends

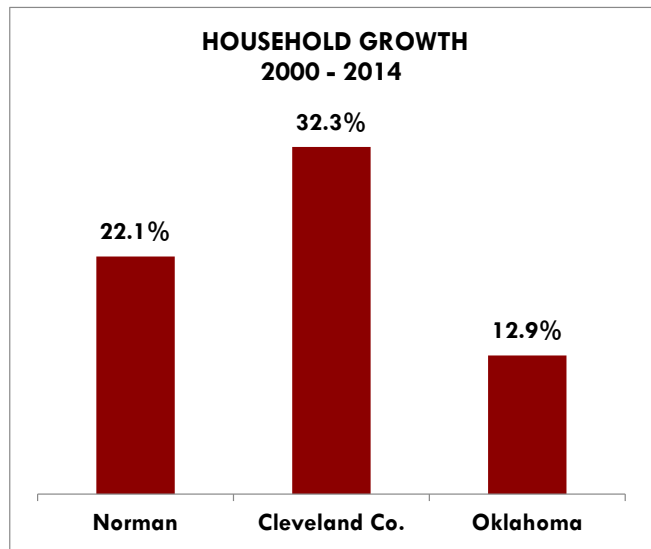
Households drive demand for housing. Norman's households increased from 39,174 to 47,842, or 22.1% during the period 2000 to 2014. Between 2000 and 2014, households increased 32.2% in the County, from 79,145 in 2000 to 104,722 in 2014. In the state, households increased 12.9% during the same period, from 1.34 million to 1.52 million (Figure 3-2).

4. Population by Age

The population of Norman is relatively young by virtue of the large University of Oklahoma student population, which has remained fairly stable for the past 15 years at 25,000 to 27,000. The median age of Norman's population was 29.7 in 2014, compared to 33.0 in the county and 36.2 in the state. Historic trends show the median age of Norman remaining stable since 2000, but with shifts within age cohorts. The proportion of persons ages 0-19 has decreased, while the proportion of persons aged 20 to 34 has increased. With regard to the working age population between 25 and 64 years of age, the 25 to 44 age cohort population increased by 3,544 between 2000 and 2014, and the 45 to 64 age cohort increased by 6,221 in the same period. Norman's retirement age population (65 and older) increased by 3,678 between 2000 and 2014 (Figure 3-3).

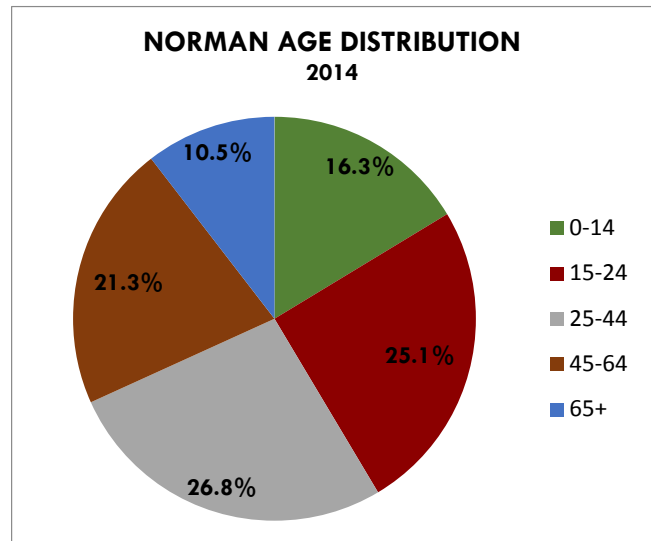
Housing demand in Norman is actually generated from three key age cohorts: the working age population between the ages

Figure 3-2



Source: U.S. Census Bureau, Alteryx 2015

Figure 3-3



Source: U.S. Census Bureau, Alteryx 2015

of 24 and 64; the retirement age population, ages 65 and up; and, the large number of college students who require off-campus housing.

5. Population by Income and Poverty Status

Norman has experienced a 35.6% increase in household incomes from 2000 to 2013, from \$36,713 to \$49,772. Household incomes have increased disproportionately during this period among racial and ethnic groups, however. In real numbers, households comprising people of Two or More Races saw incomes increase the most an average of \$16,446, or 50.5%, followed by White households at \$12,456 or 32.1% and Asian households at \$11,310 or 50.3%. Black households saw the lowest increases in come at \$1,540 or 6.4%, followed by American Indian households at \$9,512 or 33.3% (Table 3-4).

**Table 3-4
Median Household Income by Race/Ethnicity, 2000 - 2013
Norman, Oklahoma**

	2013		Change '00 - '13	
	2000	Estimate		
Norman	\$36,713	\$49,772	\$13,059	35.6%
White	\$38,791	\$51,256	\$12,465	32.1%
Black	\$23,938	\$25,478	\$1,540	6.4%
American Indian/Alaska Native	\$28,571	\$38,083	\$9,512	33.3%
Asian	\$21,207	\$32,517	\$11,310	53.3%
Native Hawaiian/Other Pacific Islander	\$75,044	*	--	--
Some Other Race	\$27,146	N/A	--	--
Two or More Races	\$32,554	\$49,000	\$16,446	50.5%
Hispanic or Latino	\$27,634	\$33,628	\$5,994	21.7%

Source: U.S. Census Bureau, American Community Survey, 2014

*Sample size too small to compute an estimate

N/A - Information not reported at this level.

Following the Office of Management and Budget's (OMB) Statistical Policy Directive 14, the Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically, but they are updated for inflation using Consumer Price Index (CPI-U). The official poverty definition uses money income before taxes and does not include capital gains or noncash benefits (such as public housing, Medicaid, and food stamps).

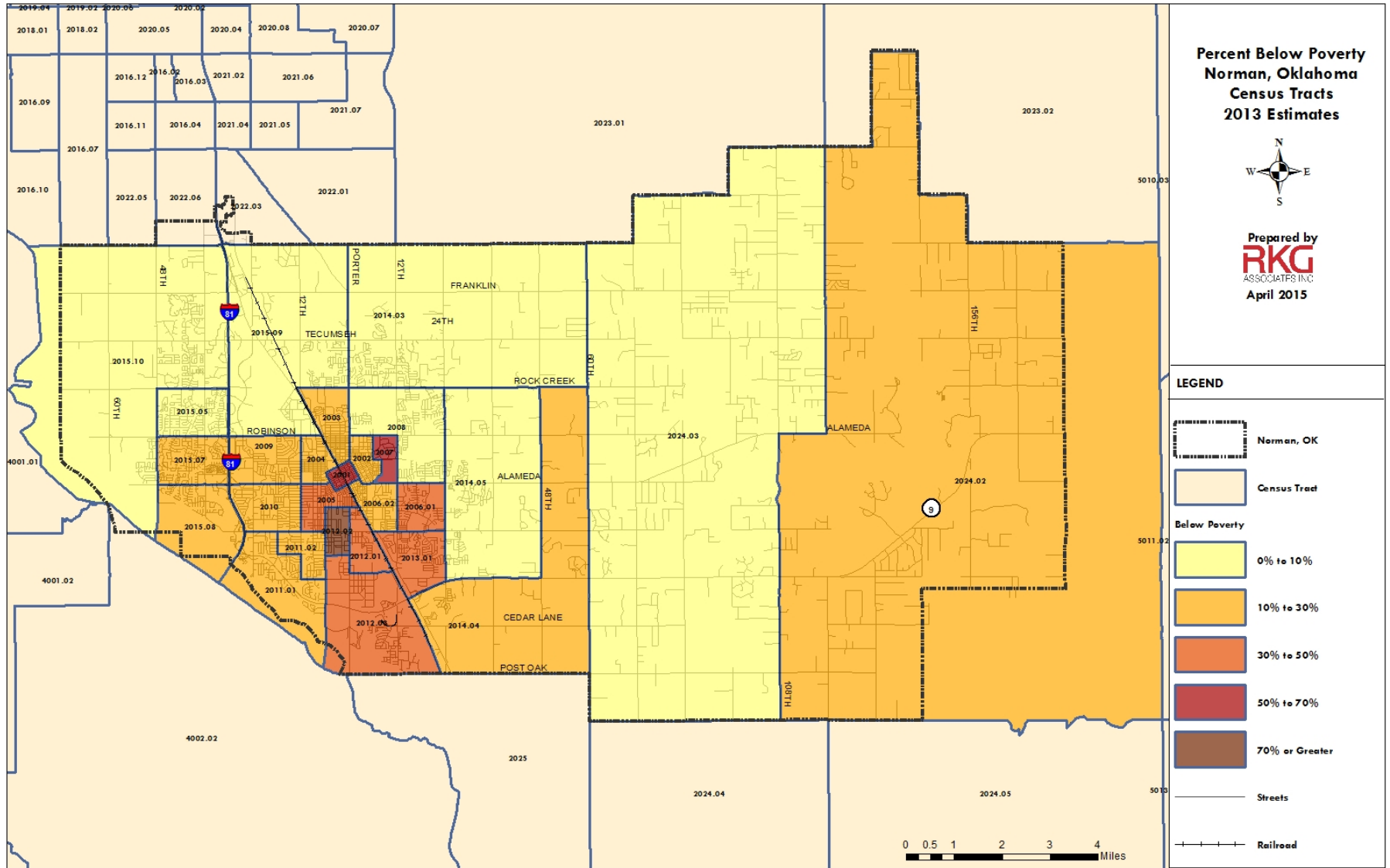
Poverty thresholds range from \$11,173 annual income for an individual 65 years of age and over to \$23,834 for a household of four, all the way to \$48,065 for a household of nine people or more. Although Whites had the lowest rate of poverty in 2013 of 15.9%, that was an increase of 2.9 percentage points over 2000. Poverty rates for Blacks and Asians actually decreased slightly from 2000, but still remained the highest at 32.6% and 29.1%, respectively (Table 3-5). Map 3-4 shows the ranges of households below the poverty level by census tract. The greatest percentage of people living below the poverty line is located in the neighborhoods surrounding the downtown, which is largely influenced by the number of student households near the OU campus.

**Table 3-5
Poverty Rate by Race/Ethnicity, 2000 - 2013
Norman, Oklahoma**

	2000	2013
		Estimate
Norman	15.0%	17.8%
White	13.0%	15.9%
Black	34.1%	29.1%
American Indian/Alaska Native	18.0%	18.8%
Asian	35.8%	32.6%
Native Hawaiian/Other Pacific Islander	0.0%	*
Some Other Race	21.4%	17.3%
Two or More Races	16.4%	24.9%
Hispanic or Latino	18.1%	33.7%

Source: U.S. Census Bureau, American Community Survey, 2014

Map 3-4



Source: U.S. Census Bureau, Alteryx 2015

Source: U.S. Census Bureau, Alteryx, Cleveland County, OK, RKG Associates, Inc., 2014

4 ECONOMIC BASE ANALYSIS

A. INTRODUCTION

Increases in employment drive the need for additional housing. The following chapter analyzes economic factors such as at-place and resident employment trends for the City of Norman, occupational employment levels and wages, and commuting patterns.

B. METHODOLOGY

Employment data is collected from the U.S. Census Bureau Longitudinal Employer Household Dynamics program and the City of Norman. Data in tables are categorized by geographic area, with the City of Norman, Cleveland County, and the Oklahoma City MSA listed separately for comparison purposes in some instances. Data shown for the City of Norman and Cleveland County include the entirety of the area within their boundaries. Any variation or special information is noted with data tables or charts.

C. EMPLOYMENT

1. At-Place Employment

At-place employment measures the number of workers within a specific geography, without regard to place of residence. The U.S. Census reports that 44,166 jobs were supported in Norman in 2013, a net increase in employment of 6,685 from 2004. In 2013, the largest employment sector in Norman was in Health Care and Social Assistance at 8,043. The second highest employment sector was Retail at 6,726, followed by Hotels and Restaurants at 6,093, Administration and Support at 3,033, and Educational Services at 3,078. Educational Services is but one industry classification encompassed by the University of Oklahoma, which also encompasses Administration & Support, Professional, Scientific and Technical Services, and other sectors represented by their estimated 12,000 workers. Professional Scientific and Technical Services is a significant employment sector with 2,968 jobs, and Norman's diverse Manufacturing sector employed 2,633.

Employment sectors experiencing notable gains include Health Care which added 1,883 jobs for a 30.6% increase, Professional Scientific and Technical Services which added 1,098 jobs for a 55.2% increase, and Mining, Oil and Gas Extraction which added 147 jobs for a 113% increase. Norman's Manufacturing sector defied national trends and added 361 new jobs for a 15.9% increase in employment (Table 4-1).

Table 4-1
At-Place Employment by Industry 2004-2013 Trends
City of Norman

NAICS*	DESCRIPTION	2004	2013	Δ 2004 to 2013	% Change
	TOTAL ALL JOBS	37,481	44,166	6,685	17.8%
11	Agriculture, forestry, fishing & hunting	20	23	3	15.0%
21	Mining, oil and gas extraction	130	277	147	113.1%
22	Utilities	334	304	(30)	-9.0%
23	Construction	1,777	1,502	(275)	-15.5%
31-32	Manufacturing	2,272	2,633	361	15.9%
42	Wholesale trade	1,298	1,173	(125)	-9.6%
44-45	Retail trade	6,088	6,726	638	10.5%
48-49	Transportation and warehousing	161	212	51	31.7%
51	Information	947	883	(64)	-6.8%
52	Finance & insurance	1,604	1,447	(157)	-9.8%
53	Real estate & rental & leasing	799	759	(40)	-5.0%
54	Professional, scientific & technical services	1,990	3,088	1,098	55.2%
55	Management of companies & enterprises	220	212	(8)	-3.6%
56	Admin. & support, waste management	2,174	3,033	859	39.5%
61	Educational services	2,761	3,078	317	11.5%
62	Health care & social assistance	6,160	8,043	1,883	30.6%
71	Arts, entertainment & recreation	675	1,460	785	116.3%
72	Hotels and Restaurants	5,514	6,093	579	10.5%
81	Other services	1,222	1,136	(86)	-7.0%
90	Public Administration	1,335	2,084	749	56.1%

¹North American Industry Classification System Code

Source: U.S. Census 2015

2. Major Employers

By far, the University of Oklahoma is Norman's largest employer with an estimated 12,000 workers. With respect to the employment data in Table 4-1, OU's employment falls into various different industry classifications, including approximately 3,000 faculty members and employees of the University of Oklahoma Medical Center, who are physically located in Oklahoma City but are classified under University of Oklahoma employment with Norman as headquarters. The City's other main health care provider and hospital owner, Norman Regional Health, employs 2,825. Two other health care providers, Oklahoma Veterans Center and Griffin Memorial Hospital employ approximately 325 each. Manufacturing companies include Johnson Controls with 1,225 workers, Hitachi Computer Products with 434 workers, and SYSCO Food Services with 275 workers (Table 4-2).

Table 4-2
Major Private Sector Employers 2014
City of Norman

Rank	Company Name	Industry	Specialty	Estimated Employment
1	University of Oklahoma	Public Administration	Government services & health care	11,932
2	Norman Regional Health	Health Care	Hospitals & physician practices	2,835
3	Norman Public Schools	Education	Public schools	1,851
4	Johnson Controls	Manufacturing	HVAC controls manufacturing	1,225
5	Riverwind Casino	Entertainment	Casino gaming	975
6	Walmart Super Centers	Retail Trade	Retail merchandising	795
7	City of Norman	Public Administration	Local government	750
8	U.S. Postal Service	Public Administration	Mail delivery	525
9	Hitachi Computer Products	Manufacturing	Computers manufacturing	434
10	NOAA	Public Administration	Weather and climatology	400
11	Oklahoma Veterans Center	Health Care	Hospitals & physician practices	325
12	Griffin Memorial Hospital	Health Care	Hospitals & physician practices	325
13	SYSCO Food Services	Manufacturing	Food products	275
14	Office Max	Retail Trade	Retail distribution	225
15	AT&T	Information	Wireless and broadband communications	225
16	Moore Norman Technology Center	Education	Education services	225
17	SITEL	Professional	Business services	200
18	MSCI	Finance	Investment analytics	152
19	Astellas Pharma Technologies	Manufacturing	Pharmacology	135

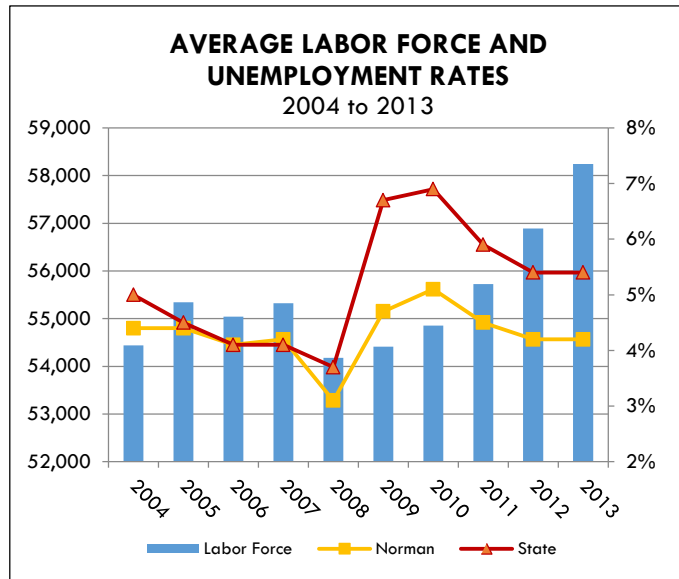
Source: City of Norman; RKG Associates 2015

3. Employment Trends

The Bureau of Labor Statistics reports annual labor force and employment trends by county. Norman’s labor force increased 7% from 2004 to 2013, while enjoying unemployment rates below state averages.

The strong employment trends have contributed to the City’s population growth since 2000, as households follow jobs. Barring another dramatic downturn in the national economy, the local and regional economic dynamics should continue to support population and household growth, keeping continued pressure on residential development.

Figure 4-1

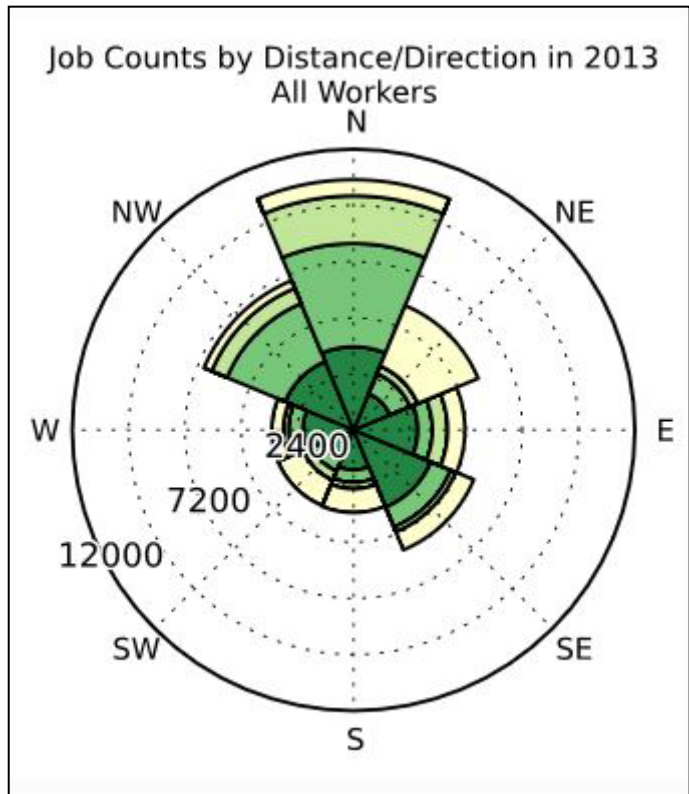


Source: U.S. Bureau of Labor Statistics 2015

D. COMMUTING PATTERNS

Understanding worker’s commuting patterns is key to understanding the size and reach of an employment center. Norman is an employment hub for an area that extends well beyond its City limits, which is borne out by commuting pattern data from the U.S. Census. The U.S. Census estimated that 41,010 people worked in the City of Norman in 2013. Of these, 14,449 or 35% lived in Norman and worked locally and 26,561 or 65% of the at-place workers commuted into Norman. Out-commuters from Norman number 29,772, making Norman a net exporter of jobs as more workers out-commute than in-commute to Norman each day. The region’s largest employment center is located to the north in Oklahoma City, which is the workplace destination of approximately 15,400, or 35% of the workforce residing in Norman (Figure 4-2).

Figure 4-2



Source: U.S. Census Bureau; RKG Associates 2015

F. IMPLICATIONS

The local and regional economies have exhibited stability and growth in the past decade. Employment drives population growth, which increases the demand for housing. As long as Norman serves as a primary employment hub in its area of influence, Cleveland County and the City of Norman should experience continued demand for new housing.

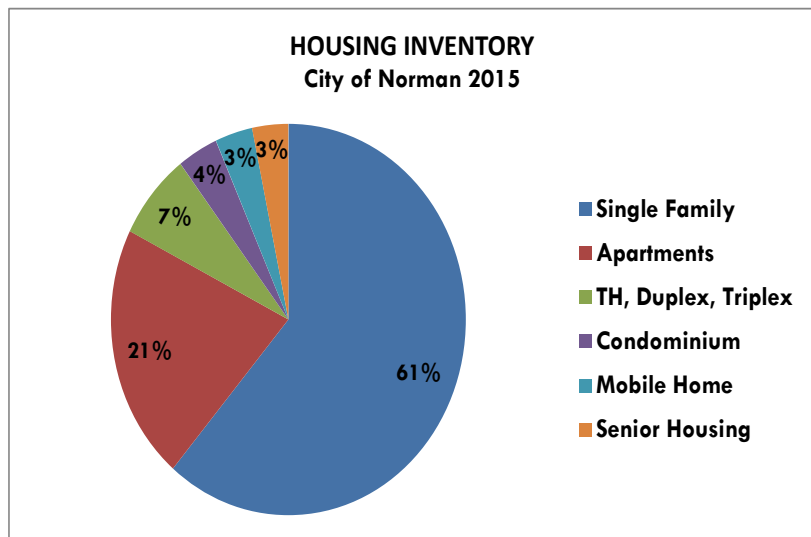
5 HOUSING MARKET ASSESSMENT

A. HOUSING INVENTORY

1. City of Norman

The first step in a housing market analysis is to assess current conditions with regard to the existing housing supply. Based on data obtained from the Cleveland County real property tax assessment database, the City of Norman contains a total of 50,348 residential dwelling units comprising single family detached, apartments, attached units (townhouses, duplexes, and triplexes), condominiums, mobile homes, and senior/assisted living. Of the total, 30,811 units or 61% of the inventory were classified as single family detached dwellings. Apartments account for roughly 10,654 units, (21%), townhouse/duplex/triplex units number 3,603 (7%), condominiums number 1,913 (4%), senior housing units number an estimated 1,654 (3%), and there are an estimated 1,713 mobile homes (3%) (Figure 5-1).

Figure 5-1



Source: Cleveland County Tax Assessor; RKG Associates 2015

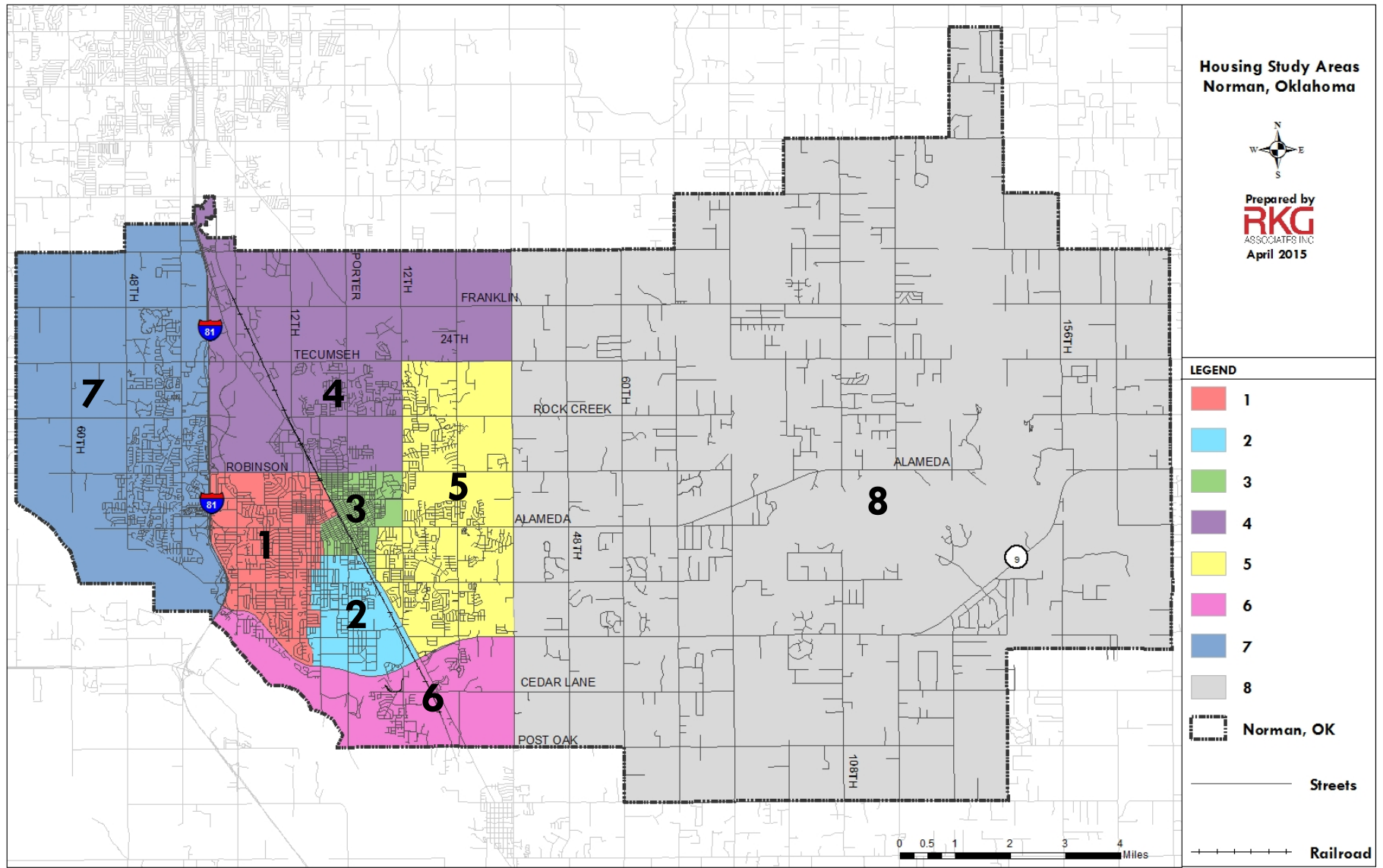
Average unit sizes are approximately 1,820 square feet for single family detached and townhouses, and range from 800 to 1,000 square feet for duplexes and triplexes. Apartments average 894 square feet in size (Table 5-1). Single family homes have the highest average value per square foot, estimated at \$75, followed by townhouses at \$73 and condominiums at \$57. In Cleveland County, property owners have the option of considering mobile homes as real or personal property. As personal property, they are subject to depreciation, so are not valued as part of this analysis (Table 5-1).

Table 5-1
Housing Inventory, City of Norman, OK 2015

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	30,811	\$160,521	1,820	\$75
Townhouse	351	\$151,782	1,823	\$73
Duplex	3,115	\$44,090	812	\$47
Triplex	137	\$43,361	993	\$41
Condominium	1,913	\$108,847	1,033	\$57
Apartment	10,654	N/A	894	\$43
Senior Housing	1,654	N/A	580	\$63
Mobile Home	1,713	N/A	N/A	N/A
TOTAL	50,348			

Source: Cleveland County Tax Assessor 2015

Map 5-1: Housing Submarket Areas



Source: RKG Associates, Inc., 2014

2. Housing Submarket Areas

RKG Associates conducted an analysis of Norman’s historical residential development trends over the years by housing submarket areas. As in most cities and towns, Norman’s development originated in its core and spread out over its history, but not necessarily in an even, radial pattern. For the purposes of this analysis, and in collaboration with the City’s Community Development Office, eight (8) specific housing submarket areas were identified as having distinct housing characteristics (5-1).

Submarket Area 1

Submarket Area 1 is generally bordered by Chautauqua Avenue and University of Oklahoma to the east, Robinson Street to the north, I-35 to the west, and Highway 9 to the south. Area 1 has a broad range of housing typologies dominated by single family detached (75%), but with a sizeable apartment component (16%) as well with 1,393 units (Table 5-2). Area 1 saw the delivery of a total of 41 single family dwelling units and 18 retirement/elderly apartments from 2005 through 2014. Area 1 is older and almost entirely built out.

**Table 5-2
Housing Inventory, Norman Study Area 1**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	6,516	\$130,583	1,611	\$70
Townhouse	0	\$0	0	\$0
Duplex	165	\$43,695	812	\$44
Triplex	18	\$32,998	993	\$28
Condominium	199	\$37,015	904	\$36
Apartment	1,393	N/A	849	\$32
Senior Housing	330	N/A	551	\$52
Mobile Home	48	N/A	N/A	N/A
TOTAL	8,669			

Source: Cleveland County Tax Assessor 2015

Submarket Area 2

Submarket Area 2 encompasses the outer boundaries of the University of Oklahoma (OU) and all of the non-OU properties within adjacent neighborhoods impacted by OU. It is bounded by Boyd Street to the north, Classen Boulevard to the east, Highway 9 to the south, and Chautauqua Avenue to the west. As OU has acquired nearby properties this area has expanded and the university’s influence, either through university-owned buildings or through student housing conversions, has started to change these areas. Naturally, there is a preponderance of apartments (2,019) and single family conversions in Area 2 that largely support the OU student population. Housing values in this area are high, ranking third among the eight study areas for single family at \$80 per square foot. Included in this area, but not documented in the Cleveland Count Tax Assessor’s database, are the accommodations for roughly 6,000 students on the OU campus. Area 2 saw the delivery of a total of 35 single family dwelling units, 138 condos and 210 apartments from 2005 through 2014.

**Table 5-3
Housing Inventory, Norman Study Area 2**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	645	\$159,573	1,530	\$80
Townhouse	15	\$170,971	2,443	\$63
Duplex	165	\$42,769	812	\$44
Triplex	0	\$0	0	\$0
Condominium	376	\$83,157	1,112	\$68
Apartment	2,019	N/A	876	\$46
Senior Housing	84	N/A	888	\$22
Mobile Home	0	N/A	N/A	N/A
TOTAL	3,304			

Source: Cleveland County Tax Assessor 2015

Submarket Area 3

Submarket Area 3 comprises Norman's downtown and central business district, bounded by OU to the south, Oklahoma/Alameda/12th Ave. to the east, Robinson Street to the north, and the railroad tracks/College Ave. to the west. The smallest geography among the eight study areas, this older area has the smallest average dwelling unit sizes and lowest per square foot values with the exception of its 71 recently constructed condominiums, which are valued at \$135 per square foot (Table 5-4). Area 3 saw the delivery of a total of 22 single family dwelling units, 71 condos, 40 duplexes and 24 apartments from 2005 through 2014. Similar to Area 1, Area 3 contains Norman's oldest neighborhoods and is largely built out. In recent years, infill and redevelopment have offered opportunities for new construction.

**Table 5-4
Housing Inventory, Norman Study Area 3**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	1,850	\$107,075	1,309	\$68
Townhouse	0	\$0	0	\$0
Duplex	277	\$46,249	812	\$48
Triplex	36	\$49,593	993	\$43
Condominium	71	\$173,705	1,185	\$135
Apartment	406	N/A	636	\$46
Senior Housing	0	N/A	0	\$0
Mobile Home	0	N/A	N/A	N/A
TOTAL	2,640			

Source: Cleveland County Tax Assessor 2015

Submarket Area 4

Submarket Area 4 is bounded by Robinson to the south, 12th Ave. NE to the east then north to Tecumseh, then east to 36th Ave NE, north to Indian Hills Road, west to I-35. Approximately one-third of the single family units and condos in this area have been developed since 2005. The area is well to the north of OU and is outside of its impact area, as evidenced by the small number of apartments (Table 5-5). Area 4 saw the delivery of a total of 1,055 single family dwelling units, 46 condos and 10 retirement/elderly apartments from 2005 through 2014.

**Table 5-5
Housing Inventory, Norman Study Area 4**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	3,494	\$158,651	1,690	\$73
Townhouse	0	\$0	0	\$0
Duplex	190	\$38,134	812	\$39
Triplex	3	\$45,993	993	\$39
Condominium	46	\$60,418	867	\$70
Apartment	147	N/A	788	\$37
Senior Housing	261	N/A	273	\$31
Mobile Home	329	N/A	N/A	N/A
TOTAL	4,470			

Source: Cleveland County Tax Assessor 2015

Submarket Area 5

Submarket Area 5 is the eastern section of Norman’s urban area, bounded by Highway 9 to the south, 36th Ave. to the east, Tecumseh to the north and generally 12th Avenue SE/NE and OU to the west. The southern portion of this area has been heavily impacted by the presence of OU, and is where much of the privately managed off-campus student housing is located. The area also contains a relatively high concentration of more traditional

**Table 5-6
Housing Inventory, Norman Study Area 5**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	7,177	\$129,138	1,587	\$69
Townhouse	122	\$104,159	1,463	\$63
Duplex	1,190	\$42,611	812	\$45
Triplex	61	\$45,796	993	\$43
Condominium	950	\$47,974	976	\$49
Apartment	3,371	N/A	968	\$46
Senior Housing	187	N/A	806	\$51
Mobile Home	0	N/A	N/A	N/A
TOTAL	13,059			

Source: Cleveland County Tax Assessor 2015

apartments and low- to moderate-income housing. The area has also seen significant development since 2005, with the addition of 1,469 single family homes, 54 townhouses, 147 condos, 448 apartments, and 154 retirement/elderly apartments.

Submarket Area 6

Submarket Area 6 comprises all of the urban area south of Highway 9. This area is also heavily influenced by the presence of OU, and has seen 944 new apartments delivered since 2005, as well as 430 new single family dwellings. The newness of development in the area is reflected in its relatively large unit sizes and values per square foot (Table 5-7). Area 6 saw the delivery of a total of 431 single family dwelling units and 944 apartments from 2005 through 2014.

**Table 5-7
Housing Inventory, Norman Study Area 6**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	1,733	\$160,349	1,896	\$76
Townhouse	12	\$158,109	2,154	\$59
Duplex	217	\$45,735	812	\$51
Triplex	0	\$0	0	\$0
Condominium	80	\$132,863	1,670	\$69
Apartment	1,602	N/A	947	\$50
Senior Housing	185	N/A	600	\$62
Mobile Home	0	N/A	N/A	N/A
TOTAL	3,829			

Source: Cleveland County Tax Assessor 2015

Submarket Area 7

Submarket Area 7 includes all of Norman west of I-35. Area 7 has the highest values per square foot and largest average sizes among all areas for single family dwellings and townhouses. Since 2005, 740 new single family dwellings have been built, as have 420 apartments. Since the area is well beyond the influence of OU, the apartments are oriented to the traditional marketplace, as opposed to the student market (Table 5-8). Area 7 saw the delivery of a total of 735 single family dwelling units, 12 townhouses, 40 duplexes and 667 apartments from 2005 through 2014.

**Table 5-8
Housing Inventory, Norman Study Area 7**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	6,618	\$228,884	2,355	\$85
Townhouse	202	\$178,272	1,971	\$80
Duplex	910	\$47,366	812	\$51
Triplex	19	\$0	0	\$0
Condominium	191	\$63,165	996	\$58
Apartment	1,712	N/A	816	\$47
Senior Housing	607	N/A	611	\$94
Mobile Home	254	N/A	N/A	N/A
TOTAL	10,512			

Source: Cleveland County Tax Assessor 2015

Submarket Area 8

Submarket Area 8 is located east of 36th Ave., Norman’s low density, rural area is comprised primarily of County Residential zoned land, floodplain, and open space. The area contains 2,778 single family and 1,082 mobile homes. Since 2005, 340 single family dwellings have been built in this area.

**Table 5-9
Housing Inventory, Norman Study Area 8**

	Unit Count	Average Property Value	Avg. Unit Size SF	Avg. Bldg. Value/SF
Single Family Detached	2,778	\$181,180	2,147	\$72
Townhouse	0	\$0	0	\$0
Duplex	0	\$0	0	\$0
Triplex	0	\$0	0	\$0
Condominium	0	\$0	0	\$0
Apartment	4	N/A	892	\$95
Senior Housing	0	N/A	0	\$0
Mobile Home	1,082	N/A	N/A	N/A
TOTAL	3,864			

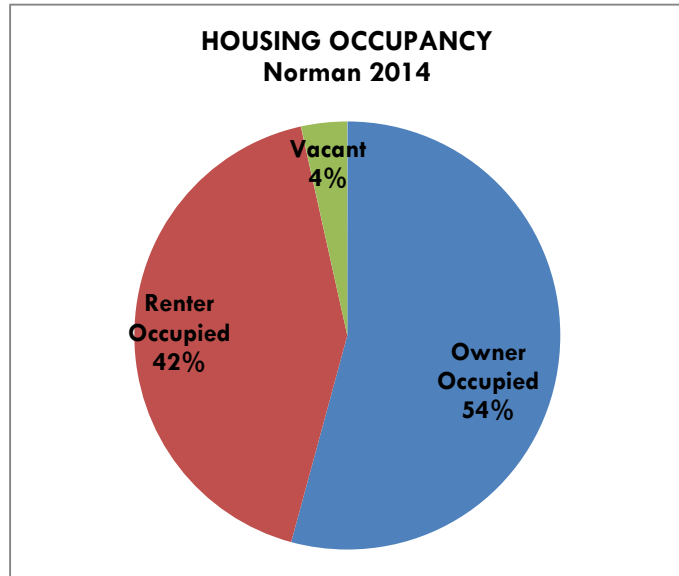
Source: Cleveland County Tax Assessor 2015

B. HOUSING MARKET DYNAMICS

1. Occupancy

In 2014, an estimated 54% of dwelling units were owner occupied, 42% were renter occupied, and 4% were vacant. In Norman, 42% of occupied units were rented, compared to 34% nationwide. This proportion of rented units has not changed significantly since the year 2000, when 44% of the occupied units were rented, suggesting that the dynamics driving the housing market have remained relatively stable. The consistently high proportion of renters is attributable to the large OU student population in Norman. Ten-year enrollment data for OU’s Norman campus show a high of 24,569 in 2004, declining to a low of 23,035 in 2008, and most recent figures show enrollment of 24,044 in 2014., so housing demand from students has remained fairly consistent since 2004. This balance of owner versus renter occupied housing could be changing, as the City is seeing quite a boom in new purpose-built, student housing at the fringes of the OU campus.

Figure 5-3

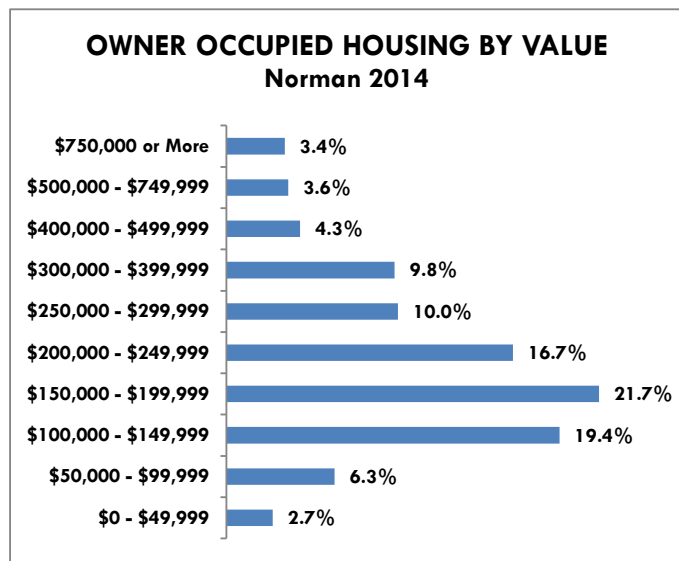


Source: Alteryx 2015

2. Owner Occupied Housing By Value

An examination of the range of values for owner occupied housing is useful to understanding market preferences. In Norman, the largest proportion of owner occupied homes fall in the \$150,000 to \$199,999 range at 21.7%, an increase from just 9.4% in the year 2000. The second highest range is \$100,000 to \$149,999 range, which dropped from 25.7% in 2000 to 19.4% in 2014. Houses valued between \$200,000 and \$249,999 account for 16.7% of the owner occupied inventory. Fully 67.8% of owner occupied houses in Norman fall in the \$100,000 to \$299,999 range. In 2000, the proportion of houses in this range was 41.2% (Figure 5-4).

Figure 5-4



Source: Site To Do Business 2014

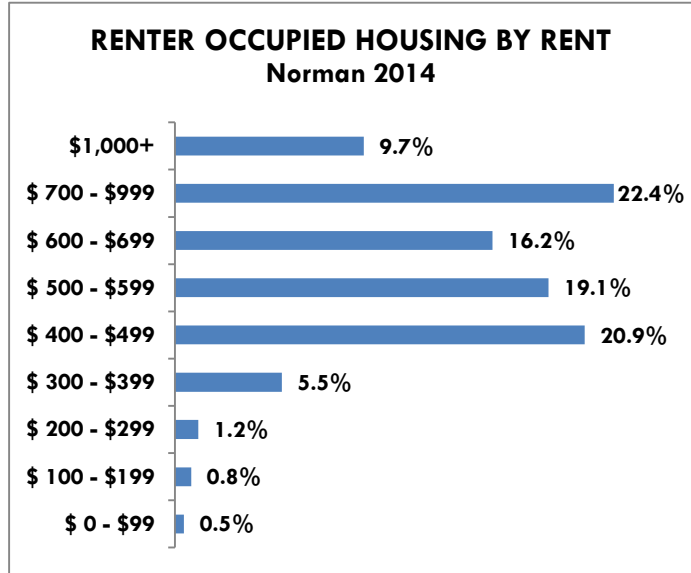
range of 4,518, from 588 in 2000 to 5,106 in 2014. The median home value increased from \$93,704 in 2000 to \$154,985 in 2014, an increase of 65.4%.

3. Renter Occupied Units by Rent

Rents have escalated in Norman at a slower rate than housing values. In 2014, Norman’s median cash rent was \$601 per month compared to \$433 in 2000, an increase of 38.9% (Figure 5-5). The largest share (22.4%) of rental units are priced in the \$700 to \$999 range, followed by those priced between \$400 to \$499 (20.9%) (Figure 5.5).

As is common in many college towns, there is a financial incentive for many owners of traditional owner-occupied housing (e.g. single family, condominiums and townhomes) to rent their homes to students or other seeking rental housing. In Norman, RKG Associates estimates that a sizable percentage of owner-occupied housing is being rented in traditional ownership neighborhoods.

Figure 5-5



Source: Site to Business 2014

Based on data obtained from the Cleveland County Tax Assessor, an estimated total of 50,348 residential dwelling units were located within the City of Norman in 2015. Norman’s residential units consist of:

- 30,811 single family detached,
 - 351 townhomes,
 - 3,115 duplex units,
 - 137 triplex units,
 - 1,913 condominiums,
 - 10,654 apartments,
 - 1,654 senior housing units, and
 - 1,713 mobile homes
- 50,348 Total Units

In 2014, an estimated 42% of Norman’s occupied dwelling units were renter occupied, totaling 20,300 units, after adjusting for a 4% vacancy rate. Assuming that all apartments and senior housing units, and duplex and triplex units are purpose built rental housing (14,938 units adjusted for vacancy); RKG estimates that roughly 5,362 units or 19.1% of all owner-occupied housing units in Norman are being rented. This change in tenure can create unwanted impacts that can destabilize these areas and effect property values. This situation can be observed in those single family neighborhoods adjacent to the university. Many of these homes are now being rented to student households. Over time, this change can negatively impact the condition of these neighborhoods unless property owners reinvest in their properties.

4. Residential Development Trends

Residential development trends were examined for the five-year period from 2005 to 2009, and then for the period following the last economic recession (2010 to 2014). The analysis was constructed in this manner in order to assess the impact, if any, of the economic downturn on Norman's housing development activity. From 2005 to 2009, Norman added an annual average of 496 single family detached homes, followed by 195 apartments, 67 condos and a small number of townhouse, duplexes and triplexes. The average single family detached dwelling delivered during this period averaged 2,212 square feet in gross floor area and has an assessed value of \$238,740. A total of 3,864 residential units were delivered during this 5-year period, at an annual average of 773 units.

Table 5-10
Development Trends
Norman, Oklahoma, Residential Property

	Units	SF/ Unit	Value/Unit	Annual Units
2005 - 2009				
Single Family	2,479	2,229	\$238,740	496
Townhouse	42	1,847	\$177,950	8
Condo	336	1,171	\$94,596	67
Duplex	20	812	\$58,258	4
Triplex	10	993	\$67,970	2
Multi Unit	976	0	\$0	195
TOTAL	3,864			773
2010 - 2014				
Single Family	1,649	2,212	\$244,644	330
Townhouse	24	1,600	\$117,269	5
Condo	71	1,185	\$173,705	14
Duplex	50	812	\$63,241	10
Triplex	0	0	\$0	0
Multi Unit	1,487	0	\$0	297
TOTAL	3,281			656

Source: Cleveland County Tax Assessor, RKG Associates, Inc., 2014

However, following the recession, housing production dropped roughly 15% during the 2010 to 2014 period. Norman added an annual average of 330 single family detached homes, 297 apartments, and a small number of condos, townhouse, duplexes and triplexes. The average single family detached dwelling delivered during this period is 2,212 square feet in size and has an assessed value of \$244,644. A total of 3,281 residential units were delivered during this period, at an annual average of 656 units.

During this latter period, single family home deliveries tailed off while apartment deliveries picked up, but there was no significant downturn in total units delivered. Assessed values for single family dwellings and condominiums increased. Total dwelling unit deliveries fell by only 580 units from the forward to the latter period while values increased, indicating a very resilient market through and beyond the recession (Table 5-10).

5. Residential Sales Trends

An analysis of the most recent 3-year sales period in the Norman housing market provides some indication of consumer preferences. From 2012 through 2014, 6,524 detached homes and townhouses with an average sale price of \$170,222 were sold. During the same period, 498 condominiums were sold with an average sale price of \$87,912.

The highest number of units were sold in Area 5 at 1,666, with an average sales price of \$143,300. Area 7 had the highest average sale price at \$236,639, and the second highest number of sales at 1,349 (Table 5-11). Submarket Area 7 is where much of Norman higher end housing development has been occurring.

Table 5-11
Residential Sales Trends
City of Norman, 2012-2014

Area	SFD/Townhouses		Condominiums	
	Units Sold	Avg. Sale Price	Units Sold	Avg. Sale Price
Area 1	935	\$148,802	86	\$72,703
Area 2	96	\$193,332	136	\$93,764
Area 3	251	\$128,113	21	\$218,719
Area 4	1,191	\$142,154	12	\$69,333
Area 5	1,666	\$143,300	177	\$73,324
Area 6	640	\$179,467	20	\$167,675
Area 7	1,349	\$236,639	46	\$65,630
Area 8	396	\$198,367	0	\$0
	6,524	\$170,222	498	\$87,912

Source; Cleveland County Tax Assessor 2015

6. Apartment Market Trends

Norman has a rather robust apartment market, driven by both the student population at OU and conventional households. According to Reis Reports, a national real estate reporting service, the Norman market had 10,552 apartments (within about 100 units of the Cleveland County Tax Assessor's inventory) in February of 2015. At that time, Norman was estimated to have 232 vacant units, for a 2.2% vacancy rate.

According to the Reis Reports [February 2015 Apartment Submarket Analysis for Norman](#), 528 new apartment units have been added to the inventory since 2009. The [City of Norman Annual 2014 Status Report on Development](#) shows a total of 152 permits for multi-family units (3 and above), which suggests additional deliveries in the near future. A visual reconnaissance of Norman by the consultant confirms this, as several projects under construction were identified.

C. STUDENT HOUSING INFLUENCE

1. Student Housing Demand

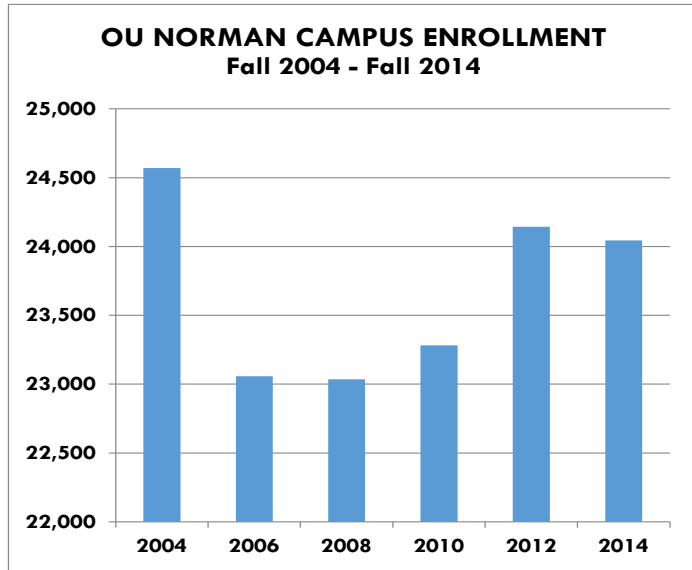
Students attending OU have several options with regard to on- and off-campus housing. They can choose to live in an on-campus residence hall, off-campus, university-owned housing, or a wide variety of privately owned and operated off campus rental housing, as well as fraternity and sorority houses (an estimated 4,500 students are active members). According to information obtained from OU representatives, an estimated 95% of OU students live away from their traditional home, and require housing on, or within reasonable proximity, to the Norman campus.

The enrollment at OU's Norman campus has remained relatively steady over the past 10 years, according to sources at the University, with an average annual enrollment of 23,656 between 2004 and 2014 (Figure 5-5). Since student housing demand is typically quantified by beds rather than dwelling units, it is estimated that OU generates an annual demand for approximately 22,473 beds on average.

2. Student Housing Supply

The University of Oklahoma has residential accommodations for almost 6,000 students in its housing facilities. Freshmen are required to live in OU residence halls their first year, with few exceptions. Current residence halls have the capacity to house 4,200 students. The University also offers student apartments to upperclassmen in their Traditions Square complexes, which are distinguished by their amenities such as in-unit kitchens and laundry, and workout centers. Traditions Square East and West have the capacity to house another 1,100 students. The Kraettli apartments offer an additional 694 beds in 347 two-bedroom apartments, available to students, faculty and staff.

Figure 5-5



Source: Site to Business 2014

Off-campus housing includes all apartments available for rent by students, including both older “conventional” inventory and more contemporary, purpose-built student apartments that are configured for, and targeted directly to, the resident student population. A market scan conducted by the RKG Associates identified eight “purpose built” student apartment complexes totaling 4,832 beds. Student housing is rapidly replacing conventional housing as the preferred alternative for students. Apartments are typically configured in one- to four-bedroom suites with a relatively small common living area that includes a kitchen. They are not easily adapted for conventional households, which typically desire better equipped kitchens and larger common areas such as living and dining rooms. Student oriented apartment complexes offer amenities such as clubhouses, pools, basketball and tennis courts, workout rooms, and van shuttle service to campus. In addition to these housing options, several traditional single family neighborhoods surrounding the OU campus have converted over time to student rentals, which has changed the character of these areas.

By identifying on-campus housing and off-campus student apartments, private sector housing, an assessment can be made on the impact of OU students on Norman’s housing market. The combined capacity in both on-campus housing and purpose built student apartment is estimated at roughly 13,162 beds in 2015 (Table 5-12). Based on a ten-year average annual number of students requiring housing of 22,473, it can be reasonably assumed that an additional 9,311 students reside in various other housing types throughout the City of Norman.

Table 5-12
OU and Private Sector Student-Directed Housing 2015

Name	Address	Units	Beds	Rent per Bed			
				1-Bed	2-Bed	3-Bed	4-Bed
UNIVERSITY OF OKLAHOMA							
Residence Halls	Campus		4,200	\$0	\$0	\$0	\$0
Traditions East & West	Campus		1,100	—	\$625	—	\$534
Kraetli	Campus	347	694	—	\$665	—	—
Subtotal			5,994				
STUDENT-DIRECTED HOUSING							
Varsity House	1301 13th Pl.	224	600	—	\$615	\$570	—
Cottages	1601 E. Imhoff	215	644	—	\$775	\$680	\$599
The Edge	2200 Classen Blvd.	30	120	—	—	—	\$515
Crimson Park	2657 Classen Blvd.	268	792	\$1,009	\$659	\$594	—
Reserve on Stinson	730 Stinson St.	204	612	—	\$624	\$534	\$530
University Greens	2900 Oak Tree Ave.	156	516	—	—	\$489	\$399
Commons	1111 Oak Tree Ave.	256	780	—	\$575	\$500	—
The Avenue	3301 12th Ave.	304	904	\$819	\$675	\$589	\$525
Aspen Heights	Classen Blvd.	194	648	—	\$709	\$599	\$579
Millenium	Lindsey & Classen	197	705	\$869	\$894	—	\$544
Vue	Imhoff & Chatauqua	24	79	\$920	—	—	\$720
Campus Lodge	1800 Beaumont Dr.	192	768	—	—	—	\$464
Subtotal		2,264	7,168				
TOTAL			13,162				

Source: University of Oklahoma; RKG Associates 2015

There are current proposals by the University and private sector to develop new, purpose-built student housing in the near future. The University also has plans for an additional 1,244 beds in two “Residential Colleges” that will have their own dining rooms, study areas, seminar rooms, intramural teams, crests and mottos. They will also have faculty fellows who will have offices in the colleges. These units are currently under development, and planned for completion by 2020.

There is one significant project currently in the development pipeline comprising 340 units and 1,027 beds. The project, University House Norman, is a redevelopment of the 260-unit Bishops Landing apartment complex on East Brooks Street. Located just east of the university, Bishop’s Landing was not originally a purpose-built student housing complex, and only about half of its units are currently occupied by students (Table 5-13). If all of

Table 5-13
Student Housing Pipeline, Spring 2015

Name	Address	Units	Beds
Residential Colleges 1-4	OU Campus	—	1,244
University House Norman	333 E Brooks	340	1,027
SUBTOTAL			2,271
Old Bishops Landing*	333 E Brooks	130	-260
NET NEW BEDS IN PIPELINE			2,011

*To be redeveloped as University House Norman. Total units = 260, management estimates 50% current student occupancy.

Source: Norman Dept. of Planning; University of Oklahoma; RKG Associates 2015

the units in the development pipeline are delivered by 2020, the OU and private sector student-directed housing will have the combined capacity to house 14,468 students, or approximately 64% of the ten-year average annual demand of 22,473.

Other private housing options include fraternity and sorority houses, single family detached, townhouses, and condos. Although the population of students residing in Greek housing is not readily

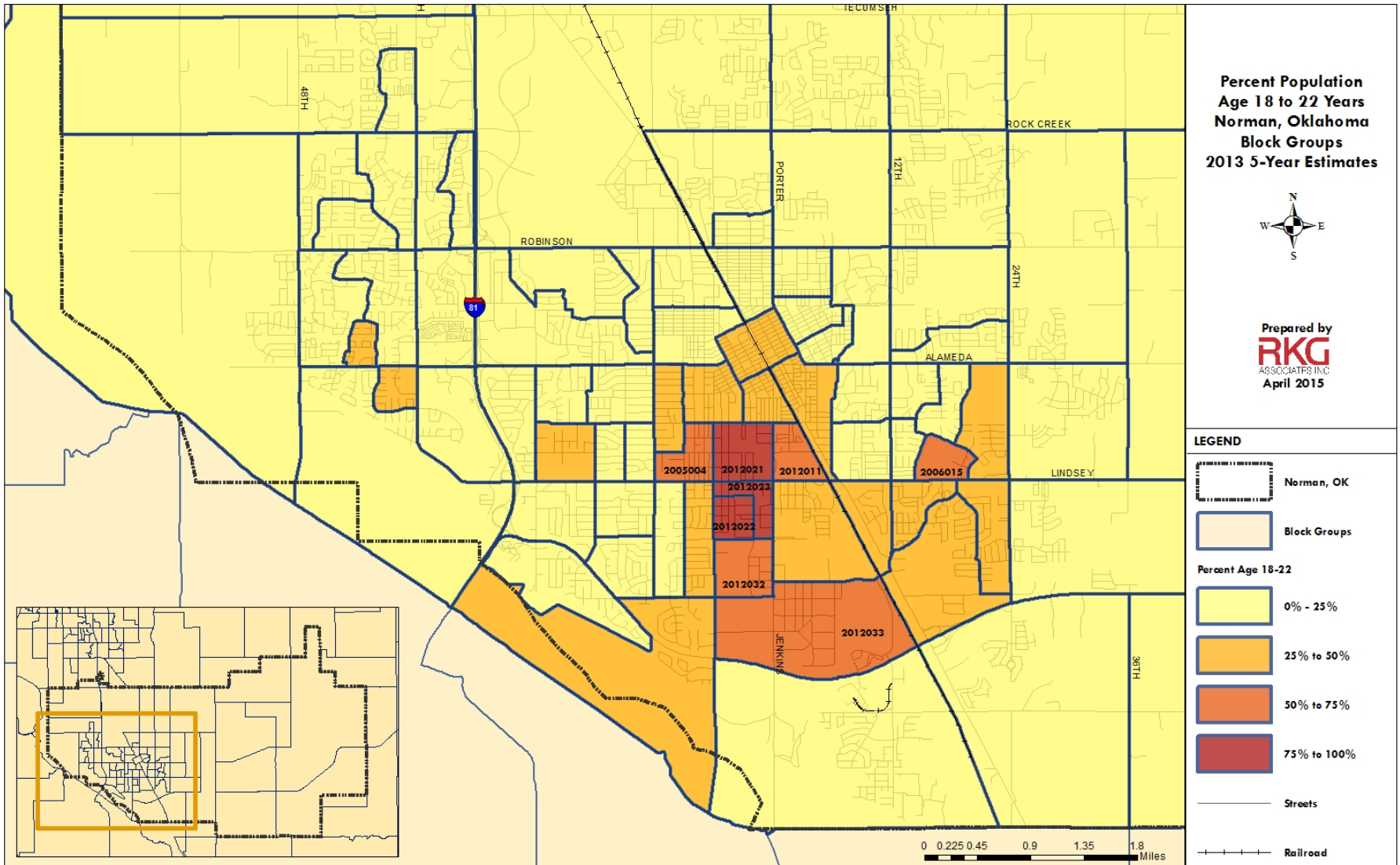
available, a reasonable estimate can be derived by analyzing U.S. Census Group Quarters populations in the census tracts adjacent to the university, where fraternity and sorority houses are located. The U.S. Census includes university recognized Greek housing in its definition of “College/University Student Housing”, which is a category of Group Quarters. Using this methodology, an estimated 932 students resided in Greek housing in 2013.

A survey of internet advertising found 24 apartment complexes marketed to students on one website, several of which were well outside a two-mile radius from campus. An inspection of floor plans and interviews with property managers revealed that their units have conventional configurations and cater to the population at large, as well as students. Another website clearly markets single family houses to students, and listed 105 properties comprising 313 beds. The pattern of dispersion of these houses throughout the city suggested that the most popular houses in close proximity to the campus do not participate in this particular marketing platform. Indeed, anecdotal evidence indicates that these high demand houses are passed down to acquaintances, friends and relatives, and most likely avoid advertising altogether.

An estimated 11,758 students reside in a combination of OU residence halls, the twelve purpose-built student apartment communities identified in Table 5-12, and Greek houses. Based on the ten-year average annual OU demand of 22,473 beds, the remaining 10,715 students satisfy their housing need in other private sector off-campus housing. This housing is most likely comprised of single family dwellings and conventionally configured apartments. Enrollment at OU has been and is projected to remain stable into the foreseeable future. Therefore, the 2,011 net new beds in the student housing development pipeline will be competing for a fixed market segment that currently occupies existing housing in Norman. The delivery of these new student complexes over a relatively in a relatively short period of time could result in an oversupply of student housing in the Norman market, which could have impacts to vacancy rates and monthly rents.

RKG Associates examined where in the City of Norman there are concentrations of college aged (18-22) populations to identify where students are currently residing. Of course, the highest concentration (75% to 100%) of this age cohort resides on the OU campus. The next highest concentrations of 50% to 75% are also located in the neighborhoods directly adjacent to the OU campus. A notable exception is the area encompassed by Census Block Group 2006.015, which is east of the Campus fronting Lindsey Street (Map 5-2). This area has a high concentration of apartments, including the 768-bed Campus Lodge. Areas with 25% to 50% concentrations also have substantial apartment nodes within them as well, including the three separated census block groups to the west of campus (Map 5-2). One of the census block groups is located in Study Area 1, which has 1,393 apartment units, and two are located in Study Area 7, which has 1,712 apartment units. All of the apartments that are identified as student-directed are located in Study Areas 2, 3 and 5, so it can be reasonably concluded that the apartments in Areas 1 and 7 are more likely of the conventional configuration. As new student apartments are constructed in the future, competition may cause many students to move to the newer communities with the best amenities and located closest to campus. This would suggest that older apartment complexes or single family home owners renting to students, may have a difficult time competing. The impact of higher vacancies in these areas could have long-term implications.

Map 5-2: Age 18-21 Population Concentrations



Source: U.S. Census Bureau, American Community Survey 2010 5-Year Estimates, FY2014 Adjustments, RKG Associates, Inc., 2014

D. NEIGHBORHOOD CRIME IMPACTS

1. Crime by Housing Submarket Area

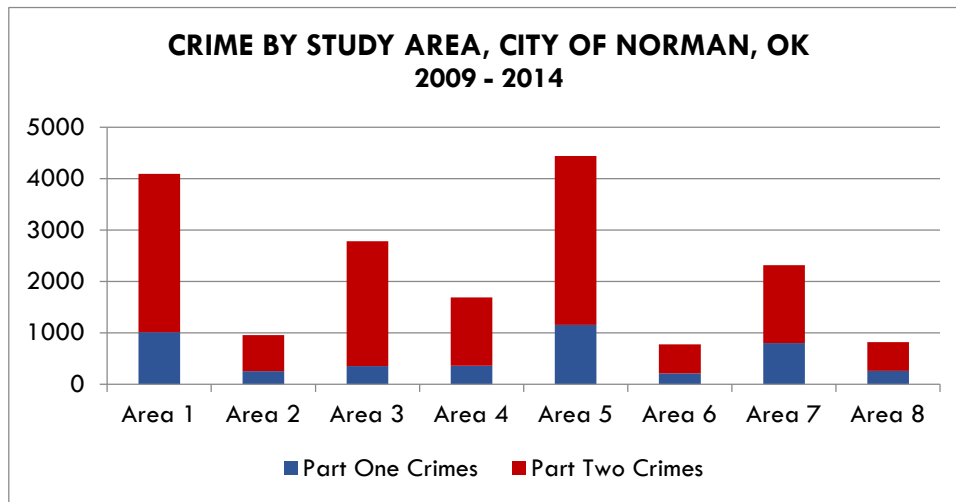
RKG Associates analyzed local crime statistics in order to determine if there was a relationship between certain housing submarkets and the incidence of crime. Areas impacted by crime, even nuisance crimes like public drunkenness or loud parties, can impact the stability of neighborhoods. RKG Associates obtained crime statistics from the Norman Police Department to discern if there are relationships to housing age and value. Crimes are classified into two major categories, Part One and Part Two offenses. Part 1 offenses include:

- Aggravated assault;
- Arson;
- Burglary;
- Forcible rape
- Larceny-theft, shoplifting, all other;
- Motor vehicle theft;
- Murder and non-negligent manslaughter;
- Robbery.

Part Two offenses include all other offenses such as bad checks, bribery, disorderly conduct, drug offenses, prostitution, weapons violations, etc. Traffic violations (including driving under the influence) are not included as part of the analysis since they typically have no geographical relationship to where the offense is committed.

Figure 5-6 shows the incidences of crime from 2009 through 2014 by Housing Submarket Area as identified in Map 5-3. The highest number of reported crimes (4,443) occurred in Area 5, followed by Area 1 at 4,096. Area 5 has the second lowest average value per square foot for single family detached dwellings at \$69, and Area 1 has the third lowest average value per square foot for single family detached dwellings at \$70. Of course, Area 5 has the largest number of residential dwelling units at over 13,000, and Area 1 has the second highest number of dwelling units at approximately 8,670. Although the downtown Area 3 has the smallest geography of all Housing Study Areas, it has a very high incidence of reported crime at 2,783 offenses, the lowest average value per square foot for single family detached dwellings at \$68, and the lowest number of dwelling units at 2,640. By comparison, Area 2 has the highest average value per square foot for single family detached dwellings at \$80, a low incidence of reported crimes at 958, and just over 3,300 dwelling units.

The most common offense citywide is theft from a motor vehicle (not to be confused with theft of an automobile), which accounts for almost 27% of Part One offenses and 6.7% of all offenses. Destruction/damage/vandalism of property is the second most common offense, accounting for 5.5% of all crimes reported. Larcenies include all types of theft (with the exception of motor vehicle) and account for 18% of all reported crimes. Health safety infractions such as dumping garbage, hazardous material, littered yard and pollution accounted for only 229 reported crimes, or 0.002% of total crimes.

Figure 5-6

Source: Norman Police Department 2015

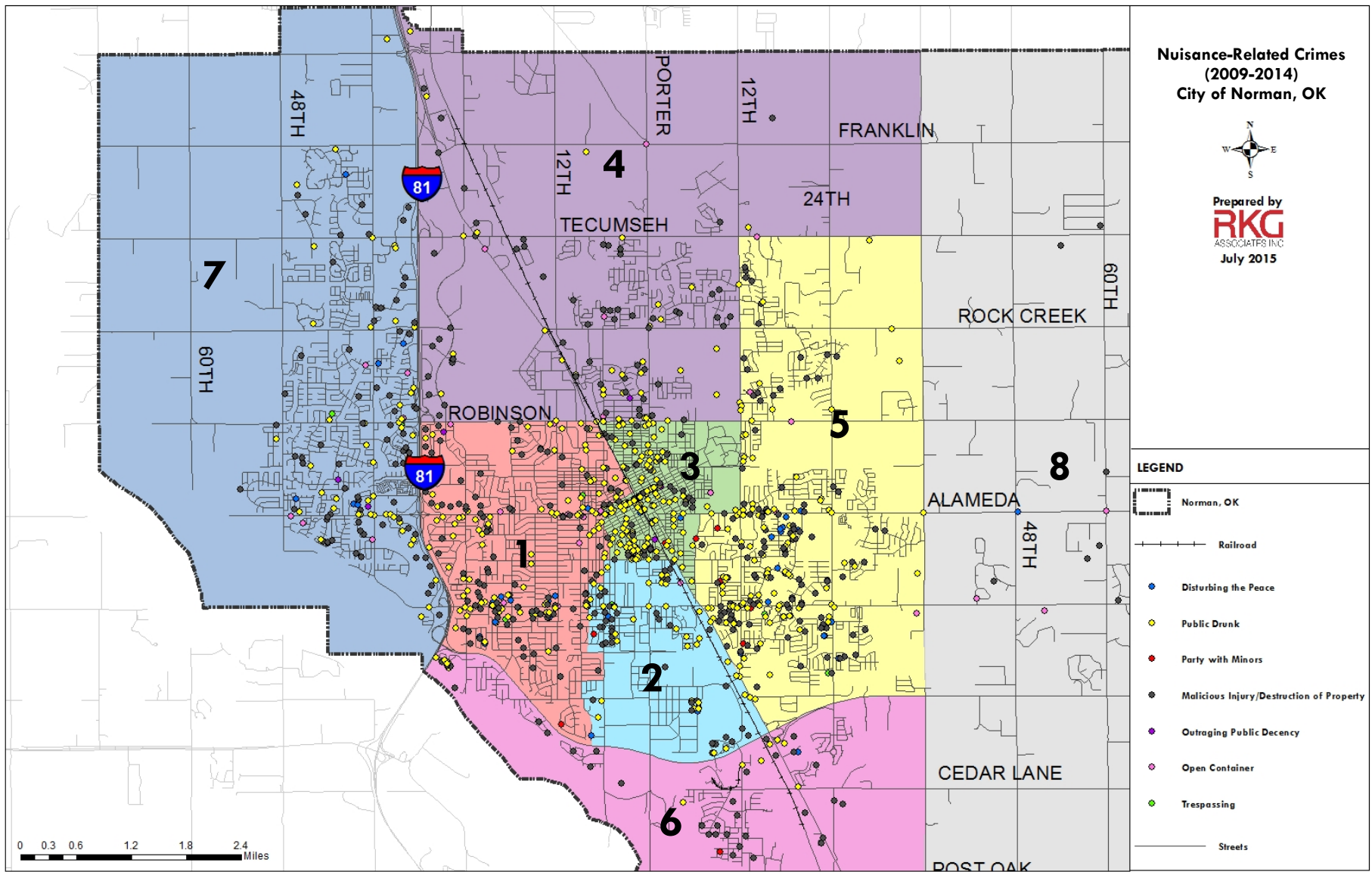
2. Student Associated Crime

The majority of OU students live in off-campus housing in any given year. Much of this housing is distributed throughout the city, most of which is located within a mile of the University, and consists of University-owned properties, Greek housing, conventional apartments, student directed apartments, and single family dwellings. An analysis was conducted to map selected offenses that are common to towns with large college-age student population like Norman. RKG examined where the areas nearest to the OU campus were experiencing crime rates greater than the city as a whole. The analysis examined the location of the following crime incidences over the study period.

- Disturbing the peace;
- Public drunkenness;
- Party with minors;
- Malicious injury/destruction of property;
- Outraging public decency;
- Open alcohol container; and
- Trespassing.

The crime statistics for the offenses listed above were applied to a map of the City to discern what, if any, patterns emerged. An examination of Map 5-3 shows public drunkenness and malicious injury/destruction of property as the most common offenses. The highest concentration of public drunkenness incidences are within Area 3, in downtown Norman and just north of the campus. The downtown has a concentration of bars and restaurants and popular student gathering areas. Higher concentrations of public drunkenness also appear in Areas 1 and 5 to the west and east of the campus, respectively. Incidences of malicious injury/destruction of property appear to be more evenly distributed, and more closely associated with the general population than students per se. The few incidences of partying with minors (hosting, permitting, or allowing an event where minors are consuming alcohol) are located close to the campus. The low incidence of crime in Area 2 reflects the fact that the OU campus is patrolled by campus security and not the City of Norman Police Department. Accordingly, the incidence of crime on campus is not represented in the data.

Map 5-3



Source: Norman Police Department 2015

E. IMPLICATIONS

If the proposed student housing pipeline projects are developed as planned, an estimated 2,011 new beds will be added to the student housing inventory. Several concurrent impact scenarios are likely, given the static enrollment at OU's Norman campus:

- The student-directed housing market will become over-saturated in a relatively short period of time, contributing to higher vacancies and declining rent levels in existing apartment communities, particularly older communities or neighborhoods with fewer amenities.
- Older, conventional apartments that house students but are some distance from the campus, as well as rental houses throughout the City, could experience increased vacancy as newer, more desirable housing is constructed closer in to campus. Amenities and availability of transportation will be key factors in where students decide to live.
- Student-directed housing projects in the pipeline could be put on hold or repositioned as a different product in reaction to market forces. Discussions with student housing developers indicate that the market is already feeling the effects of oversupply, as leasing activity for the 2015-2016 school year has declined for some products. Nonetheless, investors in these properties should have a sound understanding of the student housing market dynamics in play in Norman, and are betting that a newer, better product will draw from older, inferior inventory.
- One potential positive consequence of overbuilding in the student housing market could be the opportunity for some student-oriented residential properties to reposition themselves for the non-student market. Where appropriate, certain properties could be repositioned to provide affordably-priced rental housing as student demand shifts to new. The alternative would be for these older facilities to renovate their properties to improve their ability to attract students on the lower end of the rent scale. This is discussed in greater detail in the following Affordability Analysis section.

An examination of census tracts with concentrations of college aged (18-22) populations reveals, several older, apartment properties with relatively low values and limited amenities could be impacted by the proposed new student housing. For example Area 5 (see Map 5-1) has four properties within a single census tract (2006.013) comprising 192 apartment units with an average assessed value per square foot of \$27.70, compared to \$46 per square foot for the area overall. This suggests that these properties have not been maintained and many are over 40 years old. Elsewhere within Area 5 are three more properties comprising 324 units with an average assessed value of \$21.37 per square foot and ranging in age from 43 to 56 years. As new student-directed housing projects are delivered and students vacate these properties for more attractive housing options, they could potentially suffer significant vacancy.

6 HOUSING AFFORDABILITY ANALYSIS

A. INTRODUCTION

This chapter addresses the existing market climate for affordable housing within the City of Norman. It is generally understood that market affordability for housing within the city is not a pressing issue. However, it is imperative to quantify and qualify the supply and demand of housing at various income levels in an effort to assist the city in future planning efforts. To this end, this chapter assesses current and projected supply and demand factors defining affordability to better identify those needs that will require consideration from the City of Norman.

The information and data used in this analysis comes largely from the Cleveland County property assessment database and the U.S. Census 2013 American Community Survey. RKG Associates conducted interviews with real estate professionals, community leaders, housing specialists, and key stakeholders in order to understand the nuances of the greater Norman market and to gain an “in the field” perspective on the current housing market as it relates to affordability. The results of the housing affordability analysis will inform whether and how the city may address issues associated with its housing dynamic.

The presence of a large student population that rents its housing in the private market and outside of the University, can distort the findings of the housing affordability analysis in two ways. First, undergraduate and many graduate students typically have lower incomes since few are employed full-time, which has the effect of lowering the City’s median household income levels as reported by the Census. Secondly, the private sector practice of renting to students “by-the-bed” rather than by the unit has the effect of driving up median base rents citywide. The rent for a 2 bedroom apartment with a den will be considerably higher if rented to three students paying on a per bed basis than a couple with a child renting the same apartment. This rental structure drives up rents and makes it difficult for non-student households to compete for rental housing in certain parts of Norman, particularly in areas considered desirable by students.

B. METHODOLOGY

Affordability is calculated based on an individual household’s reasonable ability to pay for housing. HUD defines affordability for rental housing as 30% of a household’s gross monthly income, including taxes and insurance for ownership housing and utilities for rental housing. Ownership affordability is based on current, local lending practices for Federal Housing Administration (FHA) and conventional mortgage loans (e.g., 20% down payment) and the requirements related to those loan packages. The term “housing affordability” refers to the ability of households at all income levels within a specific geography to pay for housing, within the general parameters outlined above. This should not be confused with “affordable housing”, which is the overarching term used to describe all housing priced to persons earning at or below affordable housing income thresholds. This includes income ranges from 0% to 80% of Area Median Income (AMI) for rental and 0% to 120% of the AMI for ownership units.

Housing affordability thresholds are defined as the maximum amount of rent or mortgage payment a household should pay per month. HUD has established a standard for determining the

appropriateness of rent compared to the occupants' income level. Simply put, households paying more than 30% of their gross income for rent are considered to be "cost burdened." The calculations of affordability thresholds for ownership units are more complex. Unlike rental housing, where cost burden is a direct relationship to one's income level, ownership affordability is influenced by a series of individual and market factors including:

INDIVIDUAL VARIABLES

- Household Income level
- Personal credit rating
- Down payment amount

MARKET VARIABLES

- Unit type
- Purchase price
- Lending institution

The first step in the calculations was to examine ownership housing under two different mortgage lending assumptions: [1] a conventional fee simple buyer, and [2] a FHA fee simple buyer. Federal Housing Administration, or FHA, standards were used because it provides the most conservative findings and it more accurately reflects how households at the lower income spectrum likely will finance a new home. Data from local lending and insurance entities was used to determine current market costs for acquiring home loans for fee simple properties. To estimate a range of affordability, calculations were made of the affordability thresholds assuming all buyers had the minimum means and resources to purchase a home required by current market conditions (defined as FHA buyers) and then performed the same calculations as if all potential buyers met the requirements for the most advantageous loan vehicles (defined as conventional buyers). Based on RKG Associates' research, current FHA lending standards allow a maximum payment of 31% of gross annual income. Monthly payments include mortgage cost, Private Mortgage Insurance (PMI), real estate taxes, and insurance.

The most noticeable difference between the two lending programs is the down payment requirement, which currently is 20% for conventional loans and 3.5% for a Federal Housing Administration (FHA) loan. RKG Associates also assumed that prospective homebuyers would be seeking 30-year fixed interest mortgages. While there are other mortgage programs (e.g. adjustable rate mortgages, etc.) that can help home buyers reduce the monthly cost of owning a home, the 30-year fixed mortgage is the most commonly used loan instrument. Using these two approaches, the Consultant then applied "real world" values for other payment factors such as the interest rate, homeowners' insurance costs, and Private Mortgage Insurance costs (for FHA loans).

C. HOUSING AFFORDABILITY THRESHOLDS

In order to conduct a housing affordability analysis for the Norman marketplace, the housing inventory must be categorized by income/affordability threshold. The basis of this analysis is data contained in the 2013 American Community Survey 3-Year estimates. Affordability thresholds amounts are calculated based on the Cleveland County area median income (AMI) for 3-person households, and the five household income thresholds defined by HUD include:

- Extremely Low - (30% of AMI);
- Very Low - (50% of AMI);
- Low - (80% of AMI);
- 100% of AMI;
- 120% of AMI; and,
- Over 120% of AMI.

The AMI for Cleveland County as defined by HUD is currently \$58,100 for a 3-person household. A 3-person household at 100% of the Cleveland County AMI can afford to purchase a \$221,057 home with a conventional mortgage and an \$188,729 home with an FHA mortgage (Table 6-1). The conventional mortgage with its larger down payment allows an individual to purchase a more expensive house and maximize their “ability-to-pay” without exceeding 30% of their gross monthly income.

Table 6-1
Ownership Housing Supply Thresholds [1]
Norman, Oklahoma

Threshold	Household Income		Housing Value	
	Threshold Minimum	Threshold Maximum	Minimum Value	Maximum Value
CONVENTIONAL LENDING				
Extremely Low Income	\$0	\$20,090	\$0	\$77,358
Very Low Income	\$20,091	\$29,050	\$77,359	\$111,231
Low Income	\$29,051	\$46,450	\$111,232	\$177,013
100% AMI	\$46,451	\$58,100	\$177,014	\$221,057
120% AMI	\$58,101	\$69,720	\$221,058	\$264,987
> 120% AMI	\$69,721		\$264,988	
FHA LENDING				
Extremely Low Income	\$0	\$20,090	\$0	\$66,020
Very Low Income	\$20,091	\$29,050	\$66,021	\$94,946
Low Income	\$29,051	\$46,450	\$94,947	\$151,119
100% AMI	\$46,451	\$58,100	\$151,120	\$188,729
120% AMI	\$58,101	\$69,720	\$188,730	\$226,243
> 120% AMI	\$69,721		\$226,244	

Source: RKG Associates, Inc., 2015

[1] Based on 3-Person HUD Income Limits

Rental affordability thresholds are calculated for a 2-person household, since rental households are typically smaller than ownership households. The AMI for Cleveland County as defined by HUD is currently \$51,600 for a 2-person household. A 2-person household at 100% of the Cleveland County AMI can afford to pay \$1,290 in monthly rent, inclusive of utilities (Table 6-2).

Table 6-2
Rental Unit Supply Thresholds [1]
Norman, Oklahoma

Threshold	Household Income		Gross Rent	
	Threshold Minimum	Threshold Maximum	Min. Rent	Max. Rent
Extremely Low Income	\$0	\$15,930	\$0	\$398
Very Low Income	\$15,931	\$25,800	\$399	\$645
Low Income	\$25,801	\$41,300	\$646	\$1,033
100% AMI	\$41,301	\$51,600	\$1,034	\$1,290
120% AMI	\$51,601	\$61,920	\$1,291	\$1,548
> 120% AMI	\$61,921		\$1,549	

Source: RKG Associates, Inc., 2015

[1] Based on 2-Person HUD Income Limits

D. HOUSING SUPPLY

The supply of homeownership units within Norman was determined using owner-occupied housing unit by housing value estimates based on U.S. Census data taken from the 2013 American Community Survey 3-Year Estimates (ACS). Ownership units were distributed across the affordability thresholds described above based on the maximum price that households within income limits at 30%, 50%, 80% 100% and 120% of AMI can afford when housing costs such as mortgage payments, insurance and property taxes were included.

Similar to ownership supply, the rental housing unit supply was determined using the rental housing unit estimates based on U.S. Census Data from ACS. Rental units were distributed across the affordability thresholds based on maximum rent for each affordability threshold. The maximum rent for each threshold was determined by dividing 30% of the HUD 2-Person Income Limit by 12. The final maximum and minimum monthly gross rent for each threshold is detailed in Table 6-2.

Housing supply in the Norman marketplace is estimated based on the affordability thresholds described above. Under both the Conventional Mortgage supply category, 61.3% of units fall into the *low income* range or below (those households at 80% AMI or below), compared to the FHA Mortgage category, where only 47.7% of the units fall into the *low income* range or below (Table 6-3). An even higher proportion of rentals fall in or below *low income*, at 77.2%. Relatively high proportions of homeownership units fall into the *over 120% of AMI* range, with 17.3% in the Conventional Mortgage supply category and 25.2% in the FHA Mortgage category.

Table 6-3
Housing Supply by Affordability Thresholds
Norman, Oklahoma

Affordability Thresholds	Conv.		FHA		Rentals	
	Number	Percent	Number	Percent	Number	Percent
Extremely Low Income	3,465	11.2%	2,560	8.2%	696	3.6%
Very Low Income	4,564	14.7%	3,234	10.4%	5,537	28.8%
Low Income	11,021	35.5%	9,020	29.0%	8,596	44.7%
100% AMI	3,793	12.2%	5,386	17.3%	2,397	12.5%
120% AMI	2,842	9.2%	3,021	9.7%	1,000	5.2%
> 120% AMI	5,367	17.3%	7,831	25.2%	994	5.2%
Total	31,052	100.0%	31,052	100.0%	19,220	100.0%

Source: 2013 American Community Survey 3-Year Estimates; RKG Associates, Inc., 2015

E. HOUSING DEMAND

Housing demand by income affordability thresholds is the estimated number of households within the affordability thresholds described above. For this analysis, the income limits used for homeownership corresponded to the 3-Person income limits listed in Table 6-1. Demand metrics are the same for conventional and FHA mortgage categories, since they are derived from the same number of owner occupied households. By far, the largest proportion of ownership demand comes from households in the *over 120% of AMI* range at 51.1%. Nearly 30% of ownership demand falls into or below the *low income* range (Table 6-4).

For rental demand, the portion of all households identified as renters were distributed across the 2-Person income limits outlined in Table 6-2. A smaller household size was used for this affordability analysis due the smaller household a typical one or two bedroom apartment unit can accommodate. For rentals, just fewer than 69% fall into or below the *low income* range and 30% fall into the

extremely low income range. As previously stated, the OU student population most likely has its most significant impact on the housing demand by affordability because they account for a substantial number of households classified as very low incomes. Despite this income classification, students often have the financial support of their parents and that additional buying power is not accounted for in the Census' median household income data.

Table 6-4
Housing Demand by Affordability Thresholds
Norman, Oklahoma

Affordability Thresholds	Conv.		FHA		Rentals	
	Number	Percent	Number	Percent	Number	Percent
Extremely Low Income	2,468	9.3%	2,468	9.3%	6,350	30.0%
Very Low Income	1,765	6.6%	1,765	6.6%	3,860	18.2%
Low Income	3,679	13.8%	3,679	13.8%	4,346	20.5%
100% AMI	2,640	9.9%	2,640	9.9%	2,191	10.3%
120% AMI	2,479	9.3%	2,479	9.3%	1,148	5.4%
> 120% AMI	13,629	51.1%	13,629	51.1%	3,288	15.5%
Total	26,660	100.0%	26,660	100.0%	21,183	100.0%

Source: 2013 American Community Survey 3-Year Estimates; RKG Associates, Inc., 2015

F. HOUSING AFFORDABILITY

To understand affordability of housing in Norman, existing housing supply and existing housing demand are compared. This comparison identifies where the supply of housing is either in shortage or surplus at each level of affordability. The housing affordability analysis essentially matches demand to supply in order to estimate the number of rent burdened or mortgage burdened households within a specific geography.

Norman has a significant over-supply of residential units below the 120% AMI threshold, and a significant under-supply of units in the 120% AMI range on up under both conventional and FHA mortgage standards (Table 6-5).

Given the considerable demand from Norman's undergraduate student population, the shortage of *extremely low income* units shown in Table 6-6 is overstated. Nonetheless, the actual non-student shortage could still be relatively high, since the student demand masks the non-student demand.

An approximation of unmet demand *extremely low income* rental units for non-student households can be derived by first estimating student households that are counted by the Census. The U.S. Census counts

Table 6-5
Ownership Units by Income/Affordability Thresholds [1]
Norman, Oklahoma

Threshold	Supply	Demand	Surplus/ (Shortage)
CONVENTIONAL LENDING			
Extremely Low Income	3,465	2,468	997
Very Low Income	4,564	1,765	2,799
Low Income	11,021	3,679	7,342
100% AMI	3,793	2,640	1,153
120% AMI	2,842	2,479	363
> 120% AMI	5,367	13,629	(8,262)
FHA LENDING			
Extremely Low Income	2,560	2,468	92
Very Low Income	3,234	1,765	1,469
Low Income	9,020	3,679	5,341
100% AMI	5,386	2,640	2,746
120% AMI	3,021	2,479	542
> 120% AMI	7,831	13,629	(5,798)

Source: RKG Associates, Inc., 2015

[1] Based on 3-Person HUD Income Limits

student-occupied units as households, with the exceptions of residence halls and Greek houses, which are considered group quarters. HUD defines the maximum threshold for *extremely low income* households of three persons in the Oklahoma City MSA as \$20,090. It can be fairly reasonably assumed that student household expenses are largely covered by sources other than student incomes. Since it is unlikely that full-time students or households of students exceed \$20,090 in income annually (or they would accurately report it on the Census form), it is reasonable to assume that the large majority of student households fall into the *extremely low income* category.

Table 6-6
Rental Units by Income/Affordability Thresholds [1]
Norman, Oklahoma

Threshold	Supply	Demand	Surplus/ (Shortage)
Extremely Low Income	696	6,350	(5,654)
Very Low Income	5,537	3,860	1,677
Low Income	8,596	4,346	4,250
100% AMI	2,397	2,191	206
120% AMI	1,000	1,148	(148)
> 120% AMI	994	3,288	(2,294)

Source: RKG Associates, Inc., 2015

[1] Based on 2-Person HUD Income Limits

The estimated number of OU students not housed in group quarters is 15,547 (22,473 avg. resident students – 5,994 in residence halls – 932 in Greek houses = 15,547 students). A statistical sampling of eight student-directed housing complexes and 306 student-advertised houses yielded an average of 3.11 bedrooms per unit. Therefore, it is estimated that there could be as many as 4,992 Census-counted student households in Norman (15,547 students ÷ 3.11 beds/unit = 4,992 households). When 4,992 student households are subtracted from the deficit of 5,654 extremely low income units shown in Table 6-6, 662 units emerges as a more accurate estimate of unmet demand from conventional, non-student households (5,654 shortage - 4,992 student households = 662 non-student households).

G. IMPLICATIONS

Housing shortages for the *extremely low income* category are common for many, if not most, urban jurisdictions, since the provision of housing for this income cohort often requires public subsidies which have been steadily declining. Although Norman’s student population probably accounts for most on the City’s extremely low income households, non-student households in this category in need of rental housing could range between 600 and 700 households. These households are likely living in homes and apartments requiring greater than 30% of their gross monthly income.

An influx of new student-directed housing units into the Norman marketplace is likely to have the effect of drawing tenants from older housing inventory in the City. The new student complexes that are being delivered are positioned to compete with older stock by offering very attractive amenities such as shuttle service to classes, common areas and recreational facilities. As students migrate from older housing to newer and better offerings, a negative consequence may be the creation of blight if vacancies reach unsustainable levels. A positive consequence may be the creation of opportunities for properties to reposition to house lower income households, with the assistance of City agencies and organizations dedicated to the provision of affordable housing. If this opportunity is indeed capitalized upon, it could potentially alleviate the rent burden on extremely low income households.

Based on the data presented above, it can be concluded that householders in the upper income ranges are somewhat less than rent or mortgage burdened, which may indicate that homeowners are not necessarily compelled to move up to more expensive housing as incomes rise. Therefore, these households may occupy much of the housing stock that is otherwise affordable to the lower income spectrum. Nonetheless, analysis shows a surplus of homeownership housing in the low income categories. However, low values may indicate some abandoned or dilapidated properties among the estimated 5,740 vacant dwelling units in Norman.

Real estate professionals interviewed in the course of the work program characterized local homeowners as conservative when making home purchase decisions, and that they do indeed buy less than what they could otherwise afford. Nonetheless, new residential construction continues to trend upward in home sizes and values, while a sufficient supply of value oriented housing is already in place.

7 FINDINGS AND CONCLUSIONS

A. SHORT- TO MID-TERM HOUSING DEMAND

The findings and conclusions of the housing market analysis are summarized below:

- Housing absorption in Norman has averaged approximately 714 units per year for the past ten years.
- Housing development activity was slowed only marginally by the most recent recession, and home values have continued to edge up since 2010.
- Sales activity since 2012 shows strong activity in housing submarket areas 1, 4, 5 and 7, with the highest sales prices in Area 7 on the City's west side. Area 5, on the east side of the City's urban service area, has experienced the greatest level of new construction activity among the eight study areas selected for analysis.
- In 2014, seventeen preliminary plats were applied for city-wide, comprising 215 lots on 224 acres.
- New single family detached homes are moving up in price closer to the \$200,000 to \$250,000 range, as buyers are demanding more living space and amenities such as 3-car garages, and quality finishes and fixtures.

Conclusion: Norman's residential development activity, while not robust, has remained steady during and after the most recent recession. As developers have invested into the community by constructing quality subdivisions, the value of housing and average unit size have increased over the past 15 years.

- Renter occupied units comprise 43% of the City's occupied housing stock, compared to 31% in the county, 32% in the state, and 34% in the nation. This is largely due to the impact of the student population at University of Oklahoma.
- The demand for housing from students at OU has a significant influence on Norman's housing market dynamics. The student housing cohort is distinct from traditional households in several ways, including their transient nature and their sources of income. Rents are often paid by parents and guardians and their need to live in unrelated, non-family households drives demand for beds rather than units. Student households are a dominant and dependable demand sector in Norman and student tend to be more sensitive to location and proximity to campus.
- Although the student enrollment at OU has been fairly static for the past fifteen years, the City is currently experiencing a surge in the development of purpose built student housing with over 2,000 beds in the pipeline. New additions to the student housing supply could result in an overbuilding of this market segment in the short term.

- According to sources interviewed in the course of this analysis, student-directed housing is just beginning to feel the impact of a potential oversupply, as pre-leases for the 2015-2016 school year are not as robust as last year.

Conclusion: The delivery of new purpose-built student housing to the Norman housing market in a relatively short timeframe may potentially have two key impacts: (1) an increase in the student-directed apartment vacancy rate which could push down rent levels and put future proposed projects on hold, (2) increased vacancy rates at older, conventional apartments that have traditionally housed students, as well as single family homes surrounding the university. Representatives from OU have confirmed that they intend to move forward with their Residential Colleges, which will add an additional 1,244 beds to the student-directed inventory. Due to the unique nature and configuration of student-directed housing, the feasibility of current pipeline projects could be questionable if the market becomes over-built.

B. HOUSING AFFORDABILITY

The findings and conclusions of the housing market analysis are summarized below:

- Norman does not have a significant shortage of homeownership units in the low income ranges at this time, but rising values and redevelopment in older neighborhoods could reverse the situation. At present, 9% of owner occupied units in Norman are valued under \$100,000, and almost 30% of owner occupied units are under \$150,000.
- It is estimated that the shortage of rental units for non-student households in the *extremely low income* category is between 600 and 700 units. The Norman Housing Authority reports that Spring, 2015 applicants on the waiting list for the Public Housing Program totaled 17, and applicants on the waiting list for the Housing Choice Voucher Program totaled 370, for a grand total of 387, which confirms a level of unmet demand for low income housing.

Conclusion: The older apartment complexes as described in Chapter 5 may experience an exodus of student tenants as new student-directed product is brought on line. In some measure, this may present the opportunity to increase housing opportunities for low income households. However, the delivery of 3,600 new student beds could lead to significant vacancies in a relatively short period of time.

C. RECOMMENDATIONS

- The City should conduct a systematic reconnaissance and analysis of targeted neighborhoods to ascertain the degree of blight and the number of vacant or declining units on a street and block level. Based on the findings of this report, the City can identify pockets of blight that may pose a threat to otherwise stable neighborhoods. The neighborhood inventory should assess, at a minimum: social conditions (i.e., income household composition, tenant status, need for neighborhood associations, etc.); availability and condition of public utilities and drainage; condition of the transportation network (including sidewalks); impact of non-residential uses; appropriateness of zoning classifications; and, housing conditions.
- The City should monitor student housing development activity and its subsequent impact on older rental properties. The City may want to reach out to landlords who may be adversely impacted by rapid increases in the supply of student-directed housing, and discuss contingency plans on how to respond to changes in the marketplace. Landlords who are prepared to reposition their properties will be best equipped to maintain their viability, and may pursue opportunities to provide low income housing.

- The City should prepare for the possibility that not all student-directed housing projects will be constructed as planned, due to market saturation. Developers may be compelled to alter their plans in response to market conditions.
- The City should consider adopting an annual rental housing registration process to regulate and monitor the provision of rental housing in Norman. The proliferation of single family housing conversions from traditional ownership to rental housing is having negative impacts in some neighborhoods surrounding the university. This process needs to be monitored as it can destabilize neighborhoods over time and result in declining housing conditions.