



## MEMORANDUM

**TO:** Mayor and Council Members

**FROM:** Paul Hilgers, Director  
Neighborhood Housing and Community Development

**DATE:** May 16, 2007

**SUBJECT:** Staff Response to Affordable Housing Incentives Task Force Recommendations

**XC:** Toby Hammett Futrell, City Manager  
Kristen Vassallo, Chief of Staff  
CMO Team

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At Council direction, the City Manager appointed a task force in July 2006 to recommend incentives to increase the supply of affordable housing in Austin. The Affordable Housing Incentives Task Force (AHITF), which was comprised of a diverse group of 17 stakeholders, issued their report on February 20, 2007 that included recommendations to provide incentives for developing affordable housing in certain geographic areas and housing types as well as general recommendations to increase housing choices for Austin's working families. Detailed information on the Task Force's deliberations and copies of its final recommendations can be found at <http://www.ci.austin.tx.us/council/ahitf.htm>

The AHITF recommendations are ambitious and a reflection of the importance of affordable housing as a community value. Their research noted that incentives alone are not sufficient to create and retain deep affordability anywhere in the City. Additional public subsidies are required. Incentives, however, can help the City to disperse affordable homes and apartments throughout the community and encourage real estate developers to incorporate lower priced units in their developments.

The Task Force worked diligently to reach consensus on their recommendations. Their commitment and passion shows the importance of affordable housing to the Austin community as well as the challenges in creating a housing policy that balances fairly the public and private benefits.

As the lead department, Neighborhood Housing and Community Development (NHCD) sought input from all affected City departments in considering whether and how best to adopt the Task Force's recommendations. This memorandum summarizes the staff recommendations on adoption of the AHITF recommendations. No recommendation is rejected, but many are recommended with modification or expansion. In several areas, staff seeks further direction from Council.

## ADOPT AHITF RECOMMENDATIONS:

### Policy and Planning

- 1 Core Housing Values The most important contribution of the Task Force to Austin's affordable housing debate was the development of core values for affordable housing. The Task Force members -- advocates, developers, and neighborhood representatives -- strongly agreed that it is an essential value of Austin to provide affordable housing for low income residents, to preserve that affordability for the long term, and to spread -- not concentrate -- affordable housing through the City. Staff strongly agrees with this recommendation and has already begun to incorporate these values in scoring criteria for competitive programs and begun to develop systems to track production accordingly.
- 2 Develop Publicly Owned Land More Affordably AHITF recommends the City "be as aggressive as possible" in including affordable housing development on City-owned land, especially with regard to downtown development. Staff concurs. Through the S M A R T Housing Resolution, NHCD currently works closely with Public Works to identify new City-owned parcels suitable for affordable housing development. In addition, NHCD is part of the staff team working on the Green Water Treatment Plant Redevelopment.
- 3 Preservation of Affordable Housing AHITF recommends adopting a city-wide preservation strategy to retain existing affordable housing. This strategy should be adopted no later than March 2008. Staff concurs.
- 4 Homebuyer Counseling Task Force encouraged City to invest in quality, consumer-focused homebuyer education services. The Austin Housing Finance Corporation started its *HousingSmarts* homebuyer counseling program in 2007 and has graduated 71 clients as of March 31, 2007. The program is exceeding its goals.
- 5 Encourage Donations to Community Land Trusts (CLT) The Task Force recommends allowing developers to donate a percentage of their lots/units to a CLT in lieu of meeting S M A R T Housing minimum unit requirements. Staff concurs.
- 6 Multifamily The Task Force recommendations allow for developments on *greenfield sites only* to be developed under more intensive MF-6 site area requirements, as long as compatibility standards are enforced and 10 percent of the units available to people earning at or below 60 percent of median family income. Staff concurs.

## **ADOPT RECOMMENDATIONS WITH MODIFICATIONS**

- 1 Central Business District/Downtown Mixed Use Staff proposes that the recommendations for CBD and DMU be referred to the staff and consultants in the Downtown Planning process for consideration. In addition staff recommends increasing the number of accessible units provided in the development to 5 percent instead of 2 percent required by the International Building Code. The Task Force recommends extensive fee waivers and expedited permits for including affordability in downtown developments. To be consistent with the City's current affordable housing incentive program, S M A R T Housing, an increase in the overall number of accessible units is desirable. Given the aging population and the nature of high-rise development, it is not unreasonable to expect more units that meet accessibility standards. In addition, all development would be required to meet a minimum 1-Star Green Building Rating.
- 2 Single-Family The AHITF made broad recommendations to enhance S M A R T Housing by adding new fee waivers and expanding expedited review and inspection processes to accommodate market increases in construction. In addition, the AHITF recommended the following:
  - a Alternative building standards, including small-lot standards on unsubdivided tracts of three acres or more and reduced street widths to 24 feet for new subdivisions,
  - b For developments that provide at least twenty-year affordability to households at or below 60 percent of median family income (MFI), allow more flexible development standards. These standards can be considered for adoption as a design tool by Neighborhood Planning Areas:
    - i Allow a duplex or a detached second unit on a lot smaller than 7,000 sq ft, provided it meets other requirements,
    - ii Allow 50% impervious cover rather than 45 percent, provided there is no negative impact on neighboring properties,
    - iii Allow secondary units (garage apartments), as under pre-2004 regulations, to include up to 850 sq ft on the second story
    - iv Allow two detached houses of any size on lots of 7,000 sq feet or greater, provided impervious cover, parking, Residential Development Standards, and other requirements are met,
    - v Allow up to eight bedrooms in a duplex as under pre-2003 regulations, restoring previous standards for lot width, parking, wall articulation, and measurement of square footage, and
    - vi Allow replacement of a legal, non-complying structure, using previous non-complying setbacks
  - c Alternative compliance for Single Family Standards:
    - i Establish 2,400 square feet as the minimum threshold for wall articulation,
    - ii Exempt new subdivisions of at least 1 acre with five or more houses from wall articulation, and
    - iii Offer alternate compliance for topographic survey

Staff supports these recommendations. Staff recommends that the City Council direct the Residential Development Regulation Task Force to consider the recommendations pertaining to the Residential Development Standards. Further, Neighborhood Planning & Zoning (NPZD) is working with neighborhoods through the neighborhood planning process to review the AHITF recommendations concerning more flexible building and development standards.

### **ADDITIONAL RECOMMENDATIONS**

- 1 Housing Market Study While the Task Force did not reach consensus on whether to recommend that the City develop a comprehensive housing market study, staff plans to complete such a study by early 2008. Federal law requires that the City of Austin conduct a housing market study that analyzes in detail community housing needs – both supply and demand – for residents earning less than 80 percent of MFI as part of its five-year Consolidated Plan process. The City's next Consolidated Plan is due in 2009. Thus, staff recommends this effort begin one year earlier and the scope be expanded to include housing needs of middle-class residents earning up to 120 percent of median family income.
- 2 Strategic Plan for Housing The 2009 Consolidated Plan must also include goals and strategies to address housing needs. The 2008 market study will be used to develop a comprehensive strategic financial plan for investing public funds to create more affordable housing in Austin. This effort was also encouraged in meetings with General Obligation Bond Oversight Committee and the African-American Quality of Life Neighborhood Sustainability Subcommittee.

### **AREAS FOR COUNCIL GUIDANCE**

- 1 Fiscal Impact The AHITF recommendations do not address overall fiscal impacts of the incentives. There are several ways to manage and budget for the fiscal impact of this program.
  - a First, Council could limit the incentives on a per unit basis and limit the total amount of incentives per project. These ceilings could vary based on core values -- the location, the length, and the level of affordability. The Task Force did consider these two options but did not recommend limiting the incentive by project or by unit.
  - b Second, staff recommends an overall program cap for budgeting purposes and performance measures for the program in the first year of implementation. As is the case with any new program, it is difficult to predict the impact of fee waivers to the anticipated revenue of the General Fund based on the number and the type of projects that may participate in the program. In addition, as in the Stoneridge case, staff recommends the fees be reimbursed to the developer rather than waived at the beginning of the process. This will provide more certainty in the budgeting process for the General Fund. NHCD staff will continue to work with the Budget Office to present a cost scenario for consideration as part of the Retreat follow-up on Council Initiatives.

- c Finally, there will be an impact to the Watershed Protection and Development Review Department as the demand for "expedited review" increases. This service has been a proven benefit to the S M A R T Housing program, however, most of the projects went through the Residential Review of the department. The Task Force recommendations call for Expedited Review for commercial projects (Multi-Family and VMU). We are working with Watershed Protection and Development Review on finalizing FTE needs to ensure this review.

We will bring back to Council full time equivalent (FTE) employee and cost projections as part of the policy discussion on the budget on June 7 which will include Council initiatives from the Retreat.

- 2 Update S M A R T Housing Policy The Task Force recognizes that the City's S M A R T Housing incentive policy has created thousands of affordable homes for Austin residents and should be used as a baseline for further programs. However, the current level of incentives is not balanced with the program's requirements. Thus, staff recommends enhancements to the S M A R T Housing resolution that would

- a Allow incentives to be provided to new construction and redevelopment of existing multifamily developments so that at least 10 percent of the rehabilitated units, whether rental or homeownership, are affordable. Currently, no incentives are available to developers who would include affordable units in rehabilitated multi-family units. Given the tremendous conversion of properties underway, it is in the City's best interest to grant incentives on a voluntary basis to developers who include affordability. The Task Force did not reach consensus on incentives for redevelopment of multifamily sites.
- b For multi-family development, modify accessibility requirements from 10 percent to 5 percent of units. The 10 percent requirement is a significant barrier for market-rate multifamily developers to participate in the program. Due to the concerted efforts of the City and the recently adopted International Building Code, more accessible units are available in the market. There is, however, tremendous demand for accessible homes affordable to very low incomes, the City will continue to address this challenge through developments with significant public subsidies. (Note S M A R T Housing Visitability requirements for single-family development will not change.)
- c Relax the requirement that a homebuyer may only pay 28 percent of their income for housing. The Task Force recommended increasing the limit to 35 percent of income and recommended no limit on the percent of income for buyers who graduate from a City-approved homebuyer education course. Staff recommends increasing the requirement to 35 percent of a homebuyer's income if the prospective homebuyer completes a City-approved homebuyer education program.

## Next Steps

With guidance from Council, staff will finalize recommendations for an enhanced affordable housing policy that includes incentives as well as updates to current programs to meet market conditions. Many of the recommendations can be implemented immediately, and others will be presented to Council in 120 days. Staff will bring forth items for consideration on June 7, 2007 for immediate implementation.

### A Recommendations to City Council for Action on June 7<sup>th</sup>

- a Direct staff to enhance S M A R T Housing by
  - i amending requirements for developments with fewer than four units,
  - ii allowing donation of units/lots to Community Land Trusts,
  - iii modifying requirements to allow up to 35 percent of income on housing with housing counseling,
  - iv modifying accessibility requirements to 5 percent for CBD-DMU and VMU developments,
  - v increasing income limits to accommodate VMU and AHITF recommendations for CBD-DMU developments, and
  - vi Maintaining consistency in application of affordable housing policy, staff recommends that developers participating in VMU also be allowed to apply for S M A R T Housing benefits – fee waivers and expedited review – in exchange for meeting Green Building standards and providing increased accessibility (5 percent of units). These additional building standards are currently being met by developers in the University Neighborhood Overlay and at Mueller. No further changes are needed to VMU Ordinance, the S M A R T Housing regulations would be modified to allow a developer to apply to both incentive programs.
- b Direct staff and the consultants for the Downtown Plan to include the planning process an evaluation of CBD and DMU recommendations and to make an inventory of all publicly owned land in the downtown area and to consider ways to incorporate affordable housing on those sites.
- c Direct the Residential Development Regulation Task Force to consider the AHITF recommendations related to the Residential Development Regulations in reviewing the results of the ordinance.
- d Direct staff to develop a housing market study and strategic plan that addresses the supply, demand, and financial planning of housing for Austin residents earning up to 120 percent of median family income by various geographic areas, markets, and sub-markets.
- e Direct staff to develop with input from stakeholders a city-wide preservation policy to retain affordable housing throughout Austin.

B Direct Staff to Research and Make Recommendations for Council Consideration within 120 Days with input from appropriate City Boards/Commissions and stakeholders regarding

a Further S M A R T Housing Enhancements

- i Modifying accessibility requirements for multi-family development from 10% to 5%,
- ii Allowing certification and fee waivers for multifamily rehabilitation, condominium conversions, change of use for other residential uses,
- iii Increased penalties for failure to meet S M A R T Housing goals,
- iv Increase the fee waivers available for single-family developments and those developments meeting core values

- b Commercial/Light Industrial Sites A majority of Task Force members support allowing low-density, multifamily residential development on CS-LI zoned parcels, provided there is not a concentration of affordable units and adequate setbacks are provided. Given the tremendous need for land to develop affordable housing, staff seeks approval to develop reasonable building standards to address the real risks to public health and safety associated with co-locating residential and industrial uses and to ensure that environmental justice is not compromised by allowing the development of the development of low-income housing in undesirable locations