2014 Recommendations

The current state of affordability in the City of Austin demands immediate attention and bold action. Public subsidy is accomplishing extraordinary things at the local level. The 2006 affordable housing bonds created or preserved more than 3,400 affordable units – both rental and homeownership. Based on historical development costs and leverage ratios, it is anticipated that the 2013 affordable housing bonds will create in excess of 4,000 affordable units.

However, our low-income population is growing, our affordable housing needs are growing, and we are losing affordable housing units to market-driven, rapid redevelopment. Thus, it is imperative that we move beyond traditional public subsidy and think in more expansive progressive terms. A robust preservation strategy will depend on a combination of public and private financing and rely on diverse entities (nonprofit, cooperatives, the public sector, and private developers) to implement the acquisition, rehabilitation, and long-term preservation. Accordingly, HousingWorks makes the follow recommendations:

1. Adopt the Homestead Preservation Districts and Homestead Preservation District TIFs

Authorized by recent state legislation, the Homestead Preservation Districts (HPD) present an unprecedented opportunity to preserve affordability through Tax Increment Finance (TIF), tax abatement, community land trusts, and land banking.

The City of Austin's November 20, 2013 analysis identified five (one current and four potential) Homestead Preservation Districts. Four of the five Homestead Preservation Districts are currently being considered.[12] Staff has been directed to conduct a market analysis of each of the potential districts and to develop a financing plan. The results of the analysis should be presented to City Council in August 2014. Pending the results, the four Homestead Preservation Districts should be swiftly adopted and implemented.

Among other features, the Homestead Preservation Districts will enable two important tools: Tax Increment Financing districts (TIFs) and tax abatement. Through a TIF, a city designates a specific geographic area as a TIF district and sets a baseline of current appraised values in the district. The taxes on the increase in property values above the baseline (the "tax increment") are then captured and can be used to pay for infrastructure and development in the district. Jurisdictions can also borrow against anticipated TIF revenues.

The City of Austin has authorized several high-profile TIFs, including Waller Creek, Mueller Redevelopment, Seaholm, and City Hall/2nd Street. Although the Mueller Redevelopment is the only local TIF that requires affordability,[13] there are numerous examples of jurisdictions across the United States that require a portion of TIF revenues be set aside for affordable housing.[14]

The Homestead Preservation District legislation gives the City of Austin the power to create a special Homestead

(12) One of the identified HPDs, District E, is comprised of three census tracts surrounding the University of Texas. Because the area is home to a disproportionate number of students, the poverty rate (one of the criteria used to qualify as an HPD) is skewed. Thus, City of Austin staff have not recommended moving forward with this HPD.

(13) The Mueller redevelopment TIF requires that 25% of all residential units will be affordable to households at or below 60% MFI. The Mueller TIF is using the TIF revenue for infrastructure, which is helping to facilitate the 25% affordable housing set-aside, by offsetting the infrastructure costs for all development within the Mueller community.

(14) States requiring that a percentage of TIF funds be dedicated to affordable housing include California, Maine, and Minnesota; cities include Portland, Chicago, and Houston.

Preservation TIF and enables the city to adopt a dedication policy for affordable housing preservation. ***Under state law 100% of the allocated Homestead Preservation District TIF funds will be dedicated to affordable housing preservation within the identified districts.*** These funds can be used to enhance current efforts to develop and preserve affordable single-family and multifamily properties and help to offset the negative impacts of gentrification.

2. Maximize Tax Incentives for Preservation

The city should maximize tax incentives for preservation. Other cities — such as Portland, Seattle, and Chicago — have rehabilitation programs that incentivize owners to update and improve their properties while still maintaining affordable units. These cities utilize tax abatements as a tool for achieving affordability. For example, the City of Chicago participates in a program (Cook County Class 9 Program) that offers a 10-year, reduced tax assessment to owners who complete major property rehabilitation while maintaining a certain level of affordability.

Tax abatement is an economic development tool that is available to local taxing authorities (except school districts) for properties that meet certain criteria, including:

1. Located in a designated "reinvestment zone"
2. Located in a designated enterprise zone
3. Part of an authorized tax increment finance plan

The abatement agreement can exempt all or a portion of the increase in value of a property over the life of the agreement (up to 10 years). The abatement agreement must be conditioned on the property owner making specific improvements or repairs to the property. Thus, the tax abatements could be aligned with NHCD's existing RHDA program (offering zero or low-interest financing for acquisition and rehabilitation) to preserve multifamily rental affordability within the Homestead Preservation Districts.

Detailed information on the local process to create a tax abatement agreement can be found here:
http://texasahead.org/tax_programs/proptax_abatement/

Implementation of the Homestead Preservation Districts will provide an opportunity to develop geographically based tax abatement programs.

In addition, real estate tax exemption can be a powerful tool to enhance affordability. On new rental developments, full property tax exemption is estimated to be worth $1,500 - $2,000/unit per year.[15] When capitalized, the exemption can provide a significant subsidy to dedicate some units to affordability.

Effective local tax exemption is challenging, however, because it requires the coordination and cooperation of five distinct taxing entities, and is governed by state tax legislation. It may be instructive to analyze the impact of property tax exemption on two affordable multifamily developments – Villas on Sixth and Little Texas – that benefited from a partnership with the City of Austin that conferred 100% property tax exemption. A thorough cost benefit analysis will help to determine if this is a model that should be replicated in the future.

3. Develop a Preservation Strike Fund

In order to preserve a large number of affordable housing units, in a meaningful and impactful way, the City of Austin should commit to the development and implementation of a significantly sized Preservation Strike Fund with a goal of preserving a significant number units over the next 20 years.

The Preservation Strike Fund will focus on locally-identified priorities, including housing that is transit-oriented, located in high opportunity areas, located in areas that are at risk of gentrification and displacement, and properties that include family-size units. All of these priorities align with the Imagine Austin Comprehensive Plan.[16]

(15) Tax exemption on existing multifamily units varies but is estimated to be approximately $1,200/unit/year.

(16) Dr. Elizabeth Mueller is in the process of developing Prioritization Criteria for her Green and Inclusive Corridors Project. Those criteria align with the general categories discussed in this paper and will help to direct acquisition and preservation of specific properties. A draft of Corridor Prioritization Criteria is included in the Appendix.

HousingWorks' 2009 *Building and Retaining an Affordable Austin* proposed a quasi-governmental Workforce Housing Development Corporation. The report envisioned an entity that would provide expertise for strategic property acquisition, manage a revolving loan fund for affordable housing, provide real estate underwriting, and provide asset management. HousingWorks' current recommendations are modified slightly, based on recent best practices research.

In 2011, HousingWorks and the UT Opportunity Forum co-sponsored a conference in which four cities – Denver, Minneapolis-St. Paul, Salt Lake City, and Atlanta – provided an overview of their community's approach to linking affordable housing and high capacity transit. Denver employed a unique multi-tiered funding strategy – the Denver TOD Fund – that is widely considered a replicable model.

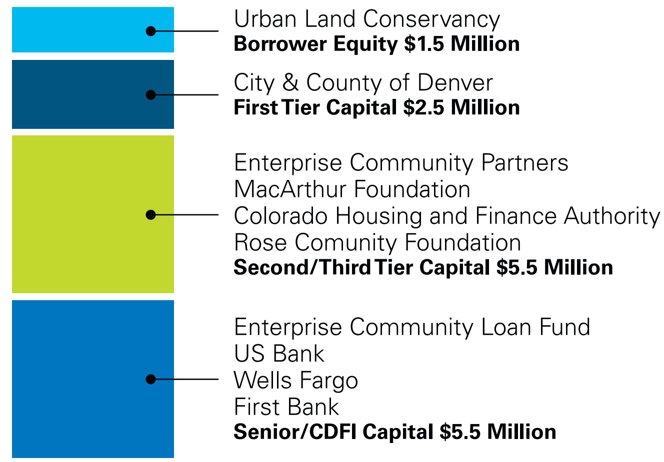
The Denver TOD Fund was launched in 2010 and will create and preserve at least 1,000 affordable homes along current and future transit corridors in the City of Denver. The TOD fund is the result of a unique, collaborative partnership between multiple entities:

- Government
- Quasi-governmental organizations
- Banks
- Nonprofits
- Foundations

Two entities are critical to the TOD fund's success:

- Enterprise Community Partners, a national nonprofit organization with a mission to create opportunity for low- and moderate-income people through affordable housing, spearheaded the local efforts to create the necessary partnerships and layered fund.
- The Urban Land Conservancy (ULC), a local nonprofit organization, leads the real estate acquisition, management and disposition of assets.

The following chart shows the structure of the fund and the multiple entities involved:



The $15 million blended fund provides a critical source of short-term (3- 5 years), low-cost loans (3.4% interest, limited recourse) for acquisition and preservation of affordable housing. Since the first closing in 2010, all $15 million has been deployed (a total of eight loan closings, three of which have already repaid) and more than 600 units preserved or created. The fund is in the process of being enhanced (with an additional $24 million in funding) and expanded to a more regional geographic scope.

The City of Austin should create a Preservation Strike Fund, modeled on the Denver TOD Fund, and develop an ambitious goal for preserving affordable units. The vision behind this recommendation is the provision of a Permanent Preservation Portfolio throughout all parts of Austin that is meaningfully dedicated to affordability. As Austin grows, "affordability" is coming to be recognized as a public asset, much as green space is recognized as a public asset.

The private market, driven by private capital, cannot preserve affordability over time because of inherent demands on investment return. In a growth market, affordability can be protected through permanent mission-driven ownership, much as parkland is protected through permanent mission-driven ownership. If Austin wants to retain housing affordability for its lower income workforce and seniors, the only pathway is developing a portfolio of permanently affordable housing.

HousingWorks recommends that the City of Austin establish a goal of preserving 20,000 units over the next 20 years. According to BBC Research & Consulting's gaps analysis, there are approximately 183,000 renter households in the City of Austin and only 19,000 units affordable to those households. BBC Research & Consulting recommends a citywide goal of 10% affordability targeted to low- and extremely-low income households (at or below 50% MFI). The 10% goal is designed to maintain (rather than expand) the existing affordable housing stock. HousingWorks proposes to expand the affordable housing stock through an aggressive and ambitious preservation plan.

The City of Austin's population is anticipated to double every 20 years. Based on the city's 2014 population, it is estimated that the city will add an additional 865,000 individuals over the next 20 years. Accordingly, it will be necessary to expand the affordable housing stock and to ensure that a wide range of housing options are available for households at a wide range of income levels.

Austin Investor Interests identified 293 Class C properties with 50 units or more (totaling 55,796 units). HousingWorks, utilizing TCAD data, identified 660 Class C properties with five to 49 units (totaling 10,478 units). Therefore, the total universe of Class C multifamily complexes in the City of Austin is 953 complexes (with a total of 66,274 units). *By establishing a preservation goal of 20,000 units, the city will preserve approximately one-third of the current Class C rental housing stock over the next 20 years.*

The proposed Preservation Strike Fund will target a wide range of incomes. The Permanent Preservation Portfolio would be "middle market mix" - serving individuals and households from 30% to 100% MFI. The income mix is critical to the portfolio's success. A portfolio with such broad income diversity can be envisioned over time to be acquired to serve up to 20% of the overall rental market.

The recommendation is to create a publicly incentivized lower-cost capital stack for the acquisition of properties for affordability. The lower cost capital means that, over the long term, the properties do not need to be sold to the highest bidder in order to provide the required rates of return. Instead, the properties can over time be moved into subsidy programs (for example 4% or 9% Low Income Housing Tax Credits) or "agency debt" (e.g., mortgage revenue bonds or FHA insured mortgage) that promote long-term affordability.

The portfolio would serve affordability through the following three financial strategies:

1. House a mix of lower and middle income tenants, who could, on a combined basis, support a revenue (rental) stream that can increase to match inflation.
2. Reduce debt service over time through a combination of paying down mortgage balances and moving properties into lower cost debt (e.g. mortgage revenue bonds and "agency debt" such as FHA).
3. Inject subsidy over time, but not across all the units. Some portion of the units could be moved into tax credit or other subsidy programs to remove debt altogether or increase rental subsidies.

HousingWorks recommends that an economic model of this portfolio be built, to capture the revenue and expense dynamics of inflation in operations, rental revenues and capital replacements over a long-term time horizon. While appreciation can be captured as part of financing capital replacements over time, to ensure long term affordability mix, this equity-capture would need to be limited so that rental rates do not have to be raised dramatically to service higher cost capital structures.

Multiple nonprofit entities would be underwritten and selected to deploy the Preservation Strike Fund to preserve affordable housing throughout the city. As in the Denver TOD Fund model, the nonprofit entities would be underwritten in advance, ensuring that acquisition is smooth and swift. Accountability will be built in to the programs and policies and will be critical to the fund's success. Having pre-approved preservation entities that are accountable through prescribed monitoring and compliance will help to attract investors and build the fund.

These nonprofit partners would be responsible for identifying acquisition opportunities and operating these properties over a very long-term time horizon (99 years). Partners must be selected based on their proven capacity to acquire, operate, refinance, reposition, and compete for federal subsidies and rate-preferred debt that can be layered in over time. Partners must demonstrate the ability to operate a high quality mixed-income-affordable stock, with units renting to households ranging from extremely low-income to 80% and even 100% MFI. The mix of incomes is essential to the plan, because it allows for the financial sustainability of the portfolio over time without continued local subsidies; however, the portfolio as a whole would be dedicated to providing at least 50% of its units to under 60% MFI, with subsets of units targeting lower incomes over time as additional subsidies are obtained.

To act on this plan, HousingWorks recommends a two-step process: First, the City of Austin should take advantage of the fact that, as a recipient of HUD Sustainable Housing and Communities grant, Dr. Elizabeth Mueller's Green and Inclusive Corridors Project is eligible for free technical assistance from Enterprise Community Partners. Because of Enterprise's integral involvement in the development of Denver's TOD fund, this would be an important first step in the creation of the Preservation Strike Fund.

Second, HousingWorks recommends that the City of Austin procure professional services to develop the Preservation Strike Fund with these required elements:

a. To define a capital strategy that uses public finance tools as credit enhancement and increases the liquidity of the investment (e.g. guarantees and saleable paper), so that a lower cost of capital can be brought to this compelling investment need for long-term affordable housing stock.
b. To model a housing portfolio that brings a diversity of locations, housing types, and resident incomes – so that risk is reduced, overall gross potential rental income can increase with time, and upside appreciation is enabled, thus allowing the portfolio to self- finance its ongoing capital needs, while allowing the lower-than-market rate capital cost to be used to allow some internal set-aside of units for lower income residents.
c. To identify high-capacity, public-purpose housing enterprises, with long term asset management, finance, and balance sheet capacity to deploy this funding to build and operate the portfolio. The housing enterprises must retain some of the incentives available from real estate to ensure the necessary reserves and a sophisticated workforce.

4. Reconvene Stakeholder Group

The stakeholder group that was originally convened in November 2013 should be reconvened to review the 2014 Comprehensive Housing Market Study and the recommendations found in this report. It will be critical to get the "buy in" of the represented organizations in order to launch a comprehensive preservation strategy. In addition, several of the organizations represent real estate interests and their participation will be crucial to the success of a multi-tiered strategy with an ambitious preservation goal.

Conclusion

Preservation represents a timely but previously untapped opportunity in the City of Austin. There is a large amount of aging multifamily housing stock, which is ripe for redevelopment and potential displacement of low-income renters. Federal resources are dwindling, and traditional local resources are limited and overcommitted. New strategies, including a privately funded approach with public credit enhancement as proposed in this report, represent an opportunity to address preservation of affordable housing in a substantial and meaningful away.

Appendix

1. Green and Inclusive Corridors Prioritization Criteria
2. City Council Resolutions
   a. Resolution No. 20130509-031 (Preservation)
   b. Resolution No. 20140327-040 (Housing-Transit-Jobs Action Team)

Green + Inclusive Corridors Project

Description of Corridor Prioritization Criteria
June 26, 2014

In order to help cities prioritize the use of scarce resources available for preservation of affordable housing, the University of Texas Green + Inclusive Corridors Project team is developing a methodology that can be implemented with locally available data. The process involves several steps. The first step, described in this memo, involves identifying areas of a city to prioritize. The second step involves further study of the rental housing stock and neighborhood assets in these areas. The third step involves evaluating building level options for rehabilitation, including energy efficiency upgrades.

Step one: Identifying priority corridors

In this process, we use a variety of data in order to gauge:

- *How quickly is this area likely to change?* How strong are the current and coming development pressures faced by each corridor neighborhood?

- *How many low income renters could be displaced by redevelopment?* What is the character of the existing stock of rental housing in the area?

- *How do low income renters benefit from living in this location?* Does this location give them access to good schools and allow them to commute to job centers without relying on a car?

We are currently seeking feedback from planners, housing developers and advocates on these criteria and how they might use them in the Austin context. (We are also seeking feedback from housing experts familiar with other cities in order to determine whether our assumptions regarding data access and housing conditions will hold in other cities.)

In this memo, we describe our strategy for comparing and prioritizing corridors on these three dimensions and discuss how other cities might use this approach. In a separate document, we provide an example of how this methodology can be applied to one corridor neighborhood in Austin for which a corridor plan will soon be developed—Burnet Road. While ranking corridors requires comparison across corridors, this example will demonstrate how we will assess conditions in each corridor.

How quickly is this area likely to change?

These metrics are intended to help reveal differences across corridors or areas of the city based on current development activity and likely future activity in order to help policy makers think about when to acquire properties for preservation. In areas where change is underway, prices will be higher and it will be important to weigh these higher costs against the other two criteria—the potential scale of displacement and the benefit to low income residents of living in this location. In contrast, areas with less current activity but where plans indicate the potential for great future change, acquisition may be more affordable. In such cases, weighting may hinge on ongoing locational benefits.

1. Mapping the likelihood of redevelopment of multifamily parcels.

Building on the Redevelopment/Displacement metric we developed in the Sustainable Places Project, we begin by modeling and mapping the likelihood that multifamily parcels in particular locations will redevelop in the next 5, 10, and 15 years. This model projects change in land value to changes in the value of improvements for multifamily parcels in the city. When the value of land rises above the value of improvements, properties are ripe for redevelopment. Looking at this map gives us an initial sense of areas of the city that are likely to change and that contain a large stock of multifamily housing. To gauge how likely it is that those displaced would be low income, we narrow our focus to census tracts where renter income is below 50 percent of median household income for the region. This tells us which areas house concentrations of properties likely home to low-income renters. We used this map to identify ten zones in the city to compare. (See map of corridor zones).

This measure has several limitations that motivate us to include additional information. First, the measure assumes that the rate of growth in land value is uniform across the city. So it is likely underestimating change in central areas and overestimating it in outlying areas. To correct for this, we need to assess how strong development pressures are in particular locations.

2. Gauging current development activity.

To assess how strong current development pressures are in particular locations, we calculate the aggregate value of development activity in each zone. We do this by relying on the aggregate value of projects that have active permits within the boundaries of our corridor neighborhoods.

3. Gauging the likelihood of future development pressures.

Another factor that is likely to shape redevelopment pressures is whether an area is the focus of planning initiatives that will change its character and/or increase the allowable density of development. To gauge this, we gathered information on all planning designations within our corridors and considered how different the envisioned character of the planning designation (town center, core transit corridor, etc.) is from the current state of the area. For example in Austin, if an area is designated to be a town center in the city's new plan, and it is currently a low density area with little commercial activity, the potential for future change would be high. Similarly, if the planning designations carry with them a increase in allowable density that also would mean that the likelihood of future development would be high.

How many low income renters could be displaced by redevelopment?

The intention here is to document how many rental housing units are currently affordable to low income renters and also to understand if and how many of these offer rents that will remain low because they carry public subsidies. We began with the Redevelopment/Displacement metric mentioned earlier, which gives us a map of the location of aging MF housing in areas that are predominantly low income. A weakness of this measure is that it uses census tract data on renter income as an indicator of who lives in these buildings. As a result, we may be capturing properties that have already been renovated in a fast changing, formerly low income rental area, or we may be missing the few low rent properties in an area dominated by larger scale high end rentals.

In order to more accurately assess how many renters are vulnerable to displacement, we look at two particular types of data. Together, these data indicate the magnitude of potential loss of affordable housing.

1. Counting the stock of class c rental properties with low rents.

For Austin, we rely on two sources of data on the aging rental properties that are the most common source of unsubsidized affordable rental housing. These are proprietary data on class c properties of 50 units or more, available for purchase from Austin Investor Interests (AII), and data collected through a survey of a sample of smaller aging properties (those with 5-49 units) conducted by local housing advocacy organization HousingWorks Austin. The AII data includes detailed information on rents at individual properties. We culled through this data to remove properties that have rents above what is affordable to households earning 60% of regional median income ($696, $853 and $1,074 for efficiency, 1BR and 2BR units, respectively). We will rely on the HousingWorks survey data for the rents offered at smaller aging properties in particular areas, along with maps of the total universe of these smaller units, to gauge the likely stock of these smaller units in each area. (This level of detail may not be possible to achieve in other regions.)

2. Identifying affordable housing with expiring subsidies.

Based on data collected for the city's recent Housing Market Study (combining data available through HUD with data on locally funded housing), we have identified subsidized units in the area and also how many have subsidies that will expire in the next 10 years.

3. Identify loss of rental units with rents below the Housing Choice Voucher rent cap.

Since Austin is moving toward adoption of an ordinance that will prevent discrimination against renters by "source of income" (e.g. vouchers), it is important to note whether areas are losing rental stock where vouchers might be used. This means looking at whether trends in rents of properties in the area to see if the average rent for a two bedroom unit is likely to be within reach or out of reach for a household using a voucher.

How do low income renters benefit from living in this area?

An important factor in prioritizing particular corridor neighborhoods is understanding which areas offer particularly valuable benefits to residents now. We have chosen to focus on two areas where research most strongly backs the value of spatial proximity or location: education and transit. While there are obviously other factors that may benefit local residents, we focus on these because they currently exist and thus displacement would disrupt their use by residents. In addition, in the case of education, a local school that is high performing and serving low income children is a valuable asset to both the families it serves and to the larger community. Disrupting this school by displacing the children that attend it would represent a loss at both levels. The value of future assets is hard to gauge. It is safe to assume that if an area undergoes a significant change in character as it attracts higher income residents, it will add benefits. Here we focus on and describe how we will measure the value of two important assets.

1. The quality of local elementary schools.

For this measure, we analyze data available from the state education agency (TEA) and/or the local school district on a set of measures drawn from the Kirwan Institute's opportunity mapping methodology. The metrics are:
1) the student/teacher ratio- ratio of students to teachers of the three nearest in-district primary schools;
2) share of students achieving reading and math proficiency-both for the three nearest in-district primary schools; and, 3) graduation rate-for the three nearest in-district high schools. Together, these metrics give us a sense of the quality of local schools. School quality is correlated with economic mobility.

2. Ability to rely on public transit for commute to work.

How many of the city's major job centers can be reached by public transit in less than 30 minutes from the corridor street in the area? We delineated the city's major job centers by using the LEHD data system's On The Map feature. We found 5 major employment centers concentrating jobs paying wages between $1,250 and $3,333 per month (roughly $15,000 to $40,000 per year for full time work). We then measured travel time, during rush hour, to each of these centers from a major intersection in the corridor using Capital Metro's online Trip Planner. Each corridor then received a score that is the number of centers that can be reached in 30 minutes.

RESOLUTION NO. 20130509-031

WHEREAS, preservation of existing affordable housing is one element along the spectmm of affordable housing strategies which also include permanent supportive housing, single family and multi-family ownership opportunities, multi-family rental opportunities, rental assistance, and home repair programs; and

WHEREAS, according to a 2007 case study on preserving affordable housing by the University of Texas School of Architecture and the Center for Sustainable Development, "Preserving Affordable Apartments in Austin-Case Study Analysis of the East Riverside/Oltorf Combined Neighborhood Planning Area", states "...existing affordable units represent a key

irreplaceable element of the housing market supply"; and

WHEREAS, a 2007 study, "Preserving Austin's Multifamily Rental Housing- A Toolkit", by the University of Texas School of Law Community Development Clinic, outlines six policy tools and strategies used in U.S. cities and states that could be implemented in Austin as part of a comprehensive preservation policy, the six tools being Public Funding, Private Finance Tools, Tax Tools, Zoning and Land Use Policies, Regulatory Tools and a sixth multi-pronged strategy; and

WHEREAS, a report by Neighborhood Housing and Community Development (NHCD) in April 2008, "Preserving Affordable Housing in Austin; A Platform for Action", provided data and statistics, best practices and recommended strategies, and deemed preservation of affordable housing in Austin "an imminent crisis" due to the aging housing inventory in Austin; and

WHEREAS, the same report found that aging, unsubsidized rental housing constitutes the largest share of the city's affordable housing stock; and

WHEREAS, preservation of Austin's affordable housing stock is interwoven throughout the Imagine Austin Comprehensive Plan, highlighting its critical significance in the plan's Key Challenges for the Future, in the Core Principles for Action, as policies for both Housing and Land Use and Transportation, as a Housing and Neighborhood Priority Action, and as an opportunity in the envisioned Activity Centers and Corridors; and

WHEREAS, preservation of affordable housing promotes environmentally sound redevelopment as well as geographically dispersed and centrally located housing opportunities, touching on key priorities for the City of Austin; and

WHEREAS, the 2011 University of Texas Airport Blvd. Corridor Study developed a methodology for assessing existing affordable units in an area, made recommendations for programs to preserve the units,, and demonstrated the particular importance of preservation in corridors that will be subject to redevelopment in the near future; and

WHEREAS, preservation of affordable housing is becoming increasingly critical as several subsidized project-based housing complexes are reaching the end of their required affordability period; and

WHEREAS, the City's scoring system used by NHCD to evaluate affordable housing proposals includes additional points for projects that preserve affordable housing; and

WHEREAS, there is an opportunity for NHCD to coordinate with Code Compliance's new program for proactive outreach to aging apartment buildings in Austin; and

WHEREAS, near-term affordable housing planning work is scheduled soon or underway, including a Housing Market Study, the Affordable Housing Financial Strategies Report and the 5-year Consolidated Plan; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to specifically address preservation of existing affordable housing as a component of the City's near-term planning efforts in affordable housing, including establishing a baseline of the aging multi-family housing stock, setting goals to support preservation, identifying opportunities to further preservation initiatives, and developing financial strategies for sustainable approaches to achieving preservation of affordable housing.

BE IT FURTHER RESOLVED:

The City Manager is further directed to work with stakeholders including organizations that can support planning and implementation efforts to further advance preservation initiatives, including_the Austin Apartment Association, the Austin Board of Realtors and the Real Estate Council of Austin, HousingWorks Austin, in consultation with the Community Development Commission and the University of Texas, to develop recommendations for additional policies, programs and methodologies to proactively address preservation of affordable housing in Austin, with a report provided to Council by February 28, 2014.

ADOPTED: May 9, 2013

ATTEST: ______________________

Jannette S. Goodall

City Clerk

RESOLUTION NO. 20140327-040

WHEREAS, the Imagine Austin Comprehensive Plan calls out Austin's limited housing choices and rising housing costs, and recognizes the need for a variety of housing types to meet the financial and lifestyle needs of Austin's diverse population; and

WHEREAS, Imagine Austin also identifies the need to retain the character of Austin's neighborhoods by accommodating growth along corridors and major roadways; and

WHEREAS, micro-unit housing is an efficient and cost-effective housing choice developed and utilized in many of Austin's peer cities; and

WHEREAS, micro-unit housing most often appeals to single people, who make up over a third of Austin's population; and

WHEREAS, decoupling parking from housing costs - i.e., renting or selling parking separately, rather than automatically including it in the price of the living space - typically results in a demand reduction of up to 30%; and

WHEREAS, micro-unit development offers the potential of placing more affordable dwelling units within reach of those who want to live an urban lifestyle, often accompanied by reduced car ownership; and

WHEREAS, Council passed Resolution No. 20140123-059 asking the City Manager to identify best practices and code amendments that would encourage micro-unit development; and

WHEREAS, the March 18, 2014 City staff memo identified the primary zoning code constraints that may be inhibiting micro-unit development in Austin as minimum site area requirements and parking requirements; and

WHEREAS, initial staff research suggests that Portland's reduced parking requirements for micro-units has led to tenants parking on the streets of adjacent neighborhoods; and

WHEREAS, site area requirements are waived in the Vertical Mixed Use Combining District under 25-2, Subchapter E, Section 4.3.3 for projects that meet affordabihty requirements, thus providing programs that incentivize affordable housing and an increase in density of dwelling units; and

WHEREAS, because the VMU Combining District is generally available on Core Transit Corridors (CTC) and future CTCs, there is a risk reducing or ehminating site area requirements on CTCs and future CTCs could decrease the effectiveness of VMU as a tool for housing affordability in Austin; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:
The City Council initiates amendments to Title 25 of the City Code and directs the City Manager to develop an ordinance that reduces or eliminates parking requirements and reduces or eliminates site area requirements for dwelling units less than 500 square feet in size and that are located on core transit corridors, future core transit corridors, or within a Transit Oriented Development District.

BE IT FURTHER RESOLVED:
The amendment process should include consideration of how the provisions allowing micro-units should be integrated with current provisions for Vertical Mixed Use and Transit Oriented development, particularly in regard to affordable housing requirements.

BE IT FURTHER RESOLVED:
The City Manager is further directed to compile detailed information and best practices from other cities about the relationship between micro-units and affordability, car ownership, parking, and adjacent neighborhoods.

BE IT FURTHER RESOLVED:
The City Manager is directed to seek input from housing stakeholders and the Community Development Commission; and to include a status on the effort in the Housing/Transit/Jobs Action Team report to the Comprehensive Planning and Transportation Council Committee by June 15, 2014; and to return this ordinance to the City Council within 120 days.

ADOPTED: March 27, 2014 **ATTEST:** Jannette S. Goodall

Jannette S. Goodall
City Clerk

HousingWorks Austin is an affordable housing advocacy organization that aims to increase the supply of affordable housing in Austin by providing research, education, advocacy and thoughtful, workable affordable housing policy recommendations.

For more information, visit HousingWorks' website:
http://housingworksaustin.org/

HousingWorks wishes to acknowledge the following people who were instrumental in the preparation of this report:

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Photo Credits: *Sallie Burchett, Diva Imaging; H + UO Architects; Austin Habitat for Humanity; Green Doors; Tim Patterson; Austin Affordable Housing Corporation.*

Appendix IC: Community Needs Assessment

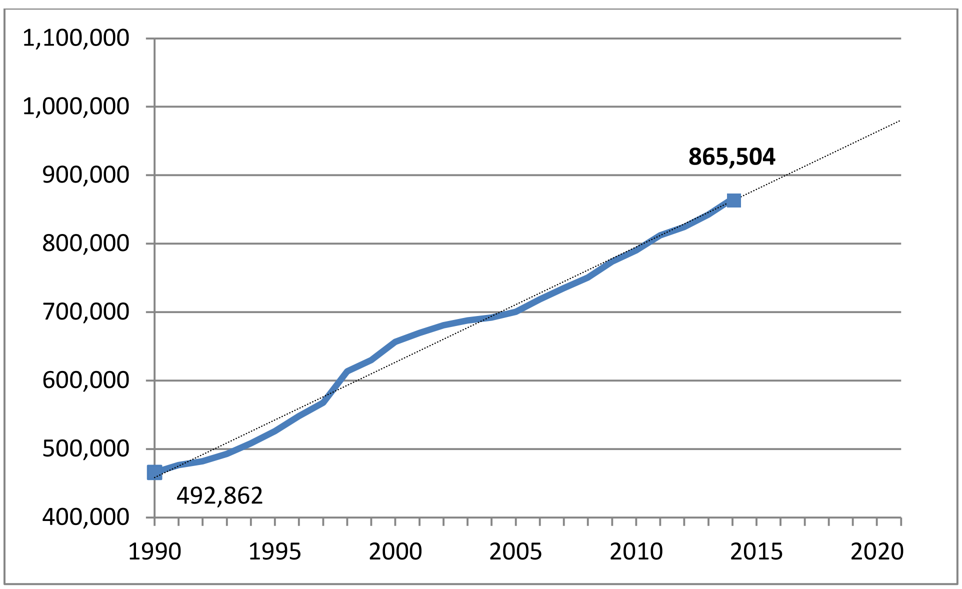
FY 2014-2019 Consolidated Plan and FY 2014-2015 Action Plan

COMMUNITY NEEDS ASSESSMENT

Austin's Citizen Participation Plan directs NHCD staff to gather community input and statistical data to prepare the draft Consolidated Plan and Action Plan. The Community Needs Assessment Phase of the Consolidated Plan and Action Plan development process includes four public hearings, two before organizations working with low- and moderate-income populations, one before the Community Development Commission, one before the Austin City Council in which the City receives citizen input on the community's needs and service gaps. This information coupled with current data is critical to establishing priority needs, funding allocations and geographic priorities among projects and programs within NHCD's Investment Plan.

I. Population

As illustrated in *Graph 1*, the City of Austin's population has continued to grow at a steady and rapid pace. In 1990, Austin's population was 465,622. As of 2014 it is estimated that 865,504 people now reside in Austin.[1] It is noteworthy that Austin has also maintained its strong population growth, even through the course of national economic recessions.[2] Population forecasts show Austin's population exceeding one million residents by 2025.[3]



Graph 1: Austin's Population Growth 1990-2014

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 1990-2014

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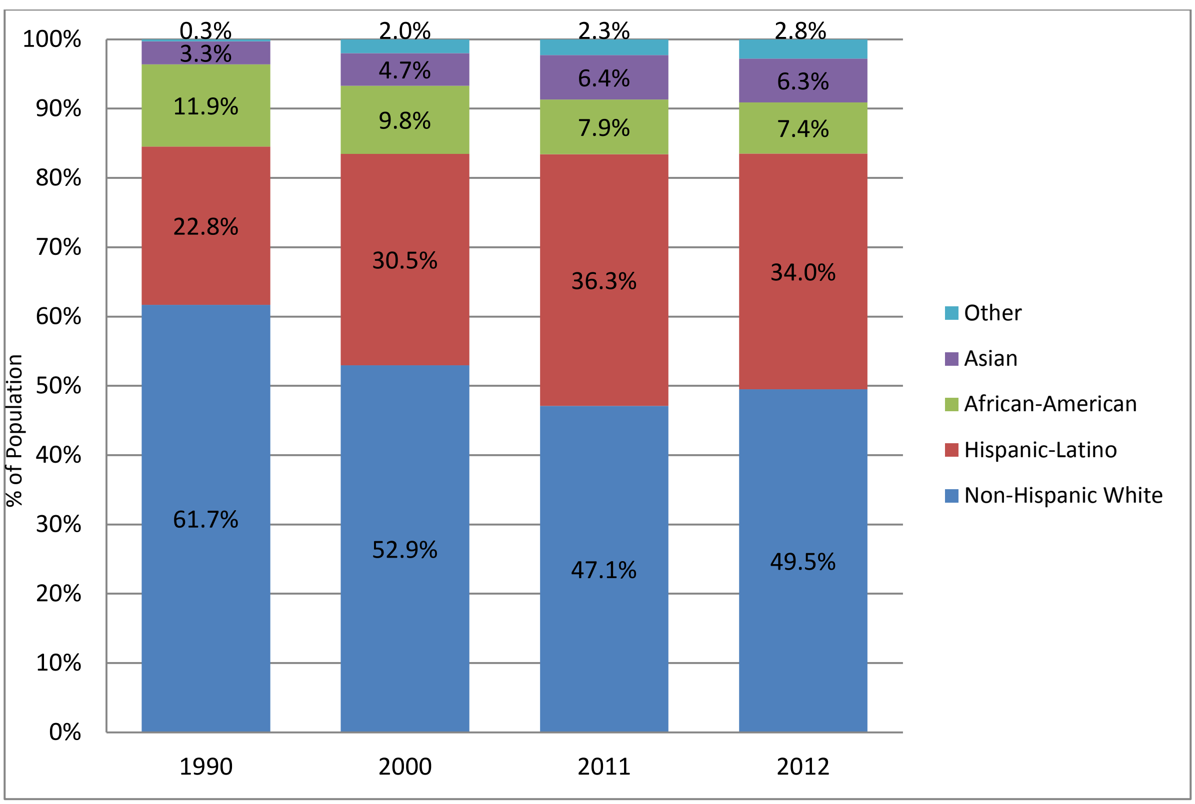
1 City of Austin Planning and Development Review Department. Demographics: Population & Land Area Summary, 2014 URL: http://austintexas.gov/demographics.

2 The National Bureau of Economic Research. U.S. Business Cycle Expansions and Contractions URL: http://www.nber.org/cycles.html

3 Robinson, Ryan, City of Austin Planning and Development Review Department. Austin Area Population Histories and Forecasts URL: http://austintexas.gov/demographics

II. Demographic Trends

As with population, the City of Austin is also changing demographically, as depicted in *Graph 2*. The Anglo (non-Hispanic white) share represents 49.5 percent of the population in 2012, a 19.8 percent decrease from 1990 levels. Meanwhile the Hispanic (Latino) share increased to 34.0 percent of the population in 2012. The Asian community has also grown considerably in the last ten years. In 1990, the Asian community represented about 3.3 percent of the population - in 2012 this share had grown to 6.3 percent of the population. African Americans comprised about 12 percent of Austin's population in 1990, but that percentage has dropped to just 7.4 percent and is expected to continue to decrease as the city continues to increase in population.[4] African Americans as well as other demographic groups have migrated to surrounding areas outside the city limits including suburbs and neighboring communities. The geographical dispersion of affordable housing has also moved into the suburbs as the Austin housing market has become more expensive. This also accounts for the migration of residents to the suburbs.

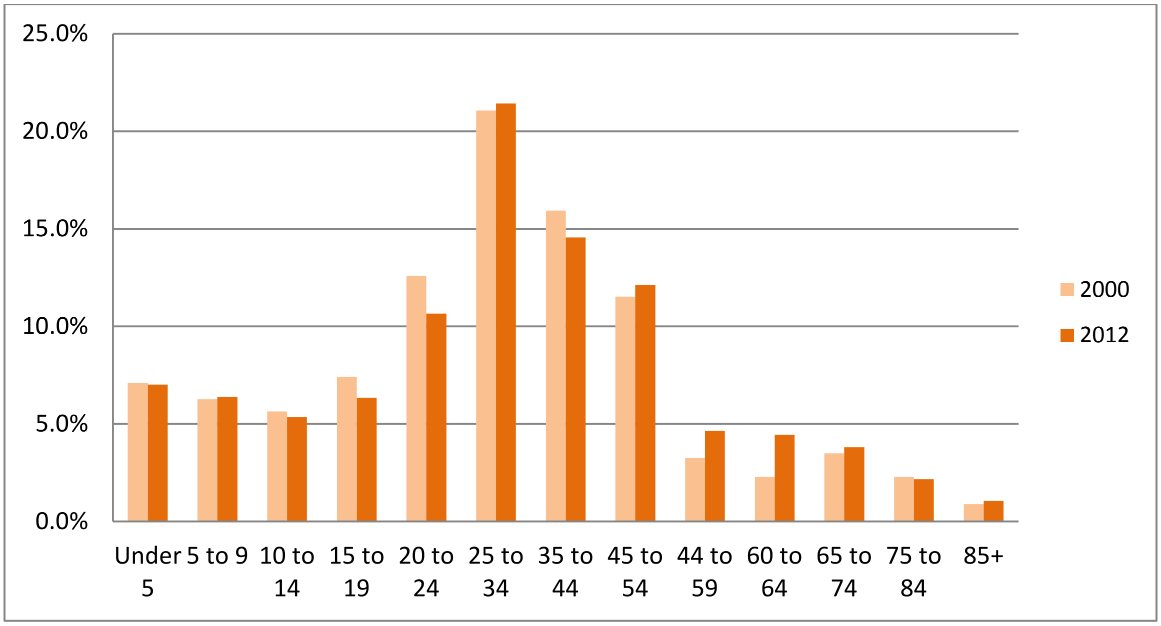


Graph 2: Demographic Profile of Austin over Time

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 1990, 2000, 2011 and 2012 Table DP05

[4] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2011 URL: http://www.census.gov/acs/www/

Population by Age



Graph 3: Change in Percent of Population by Age Group 2000 v. 2012

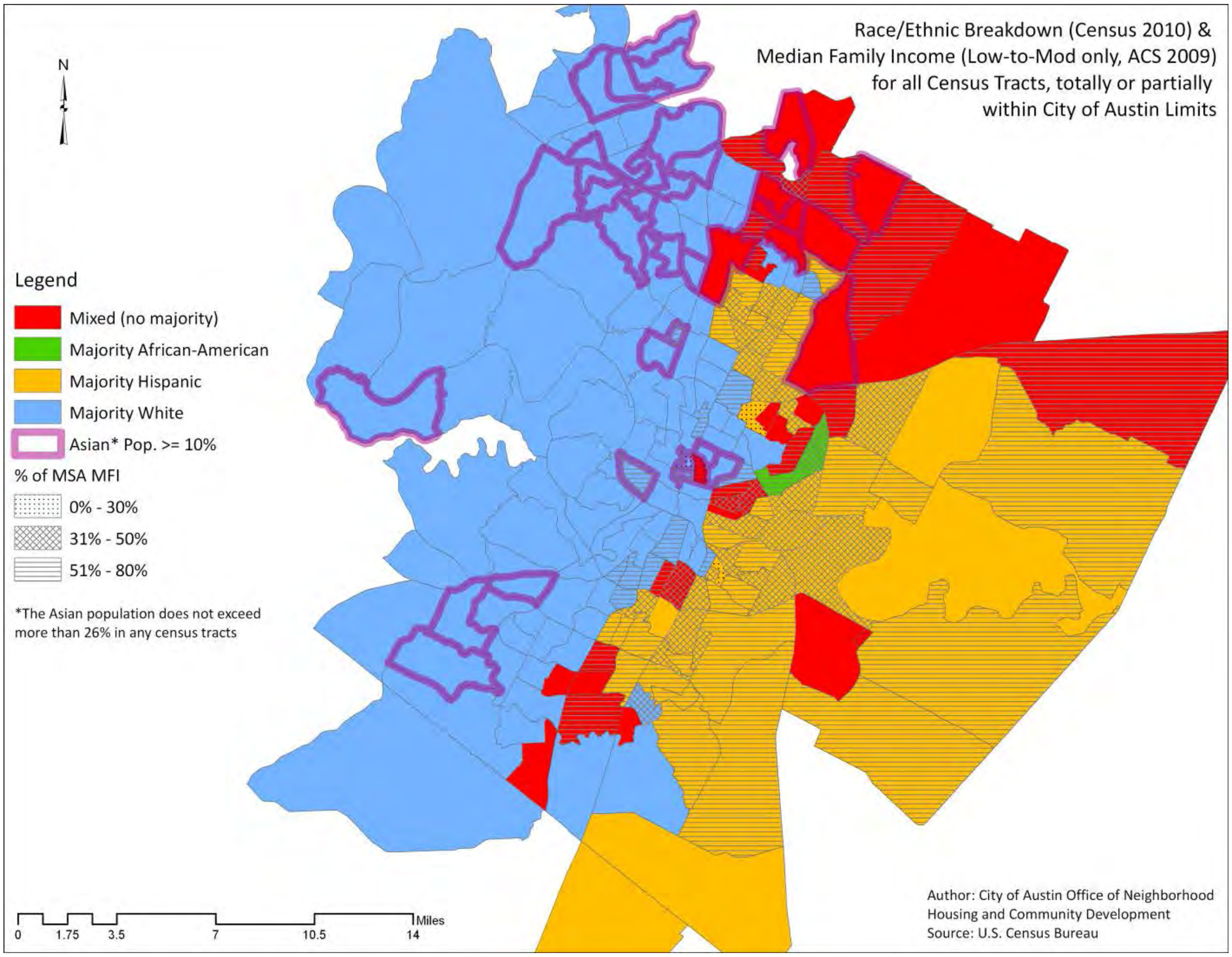
Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2000 and 2012 Table DP05

Data indicates that Austin is aging and while some age groups are seeing reductions in the percent of the city population they comprise, others are growing as seen in *Graph 3*. Between 2000 and 2012, the greatest percent increases among age group were for the 60-64, 44-59, and 45-54 age groups with 2.1 percent, 1.3 percent and 0.7 percent increases, respectively. The greatest percent decreases were among the 20-24, 35-44 and 15-19 age groups with -1.9 percent, -1.4 percent and -1.1 percent decreases, respectively.[5]

Racial and Ethnic Dispersion

The racial and ethnic dispersion throughout the City is illustrated in *Map 1*, which also identifies the concentrations of low- and moderate-income households based on Median Family Income (MFI) for all census tracts entirely or partially within the Austin city limits. The Neighborhood Housing and Community Development (NHCD) Office uses this map to manage the City's CDBG and HOME entitlement grant funding by mapping proposed projects and funding sources.

[5] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2000, 2011 URL: http://www.census.gov/acs/www/

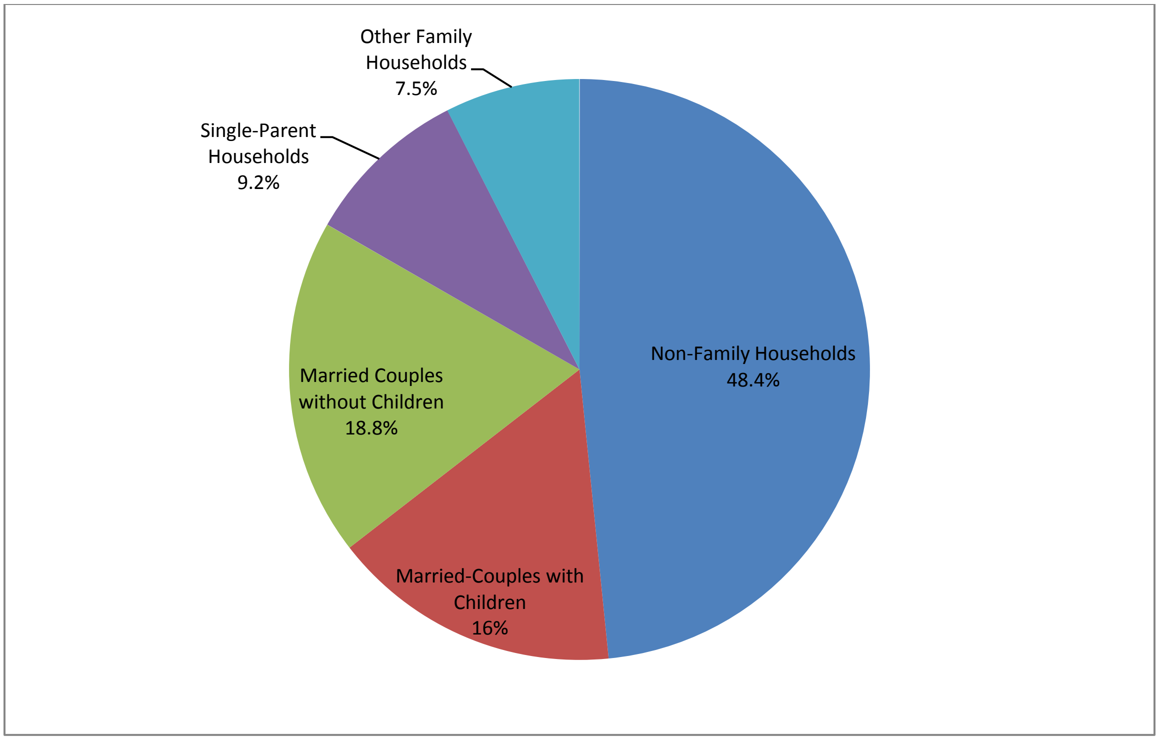


Map 1: Racial, Ethnic and Low-to-Moderate Income Concentration by Census Tract
Source: U.S. Census Bureau

Household Types

47.5 percent of Austin households are considered non-family households. These are persons living together that are un-related - for instance, they may be un-related roommates or other persons who reside together but are not related by blood or marriage. Austin's large student population contributes to the non-family household share. The remaining 52.5 percent of Austin's households are comprised of: married couples without children (19.5 percent); married couples with children (16 percent); single parents (9.4 percent); and 7.8 percent are categorized as other family households.[6] The breakdown of household types in Austin is illustrated in *Graph 4*.

[6] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2011 URL: http://www.census.gov/acs/www/



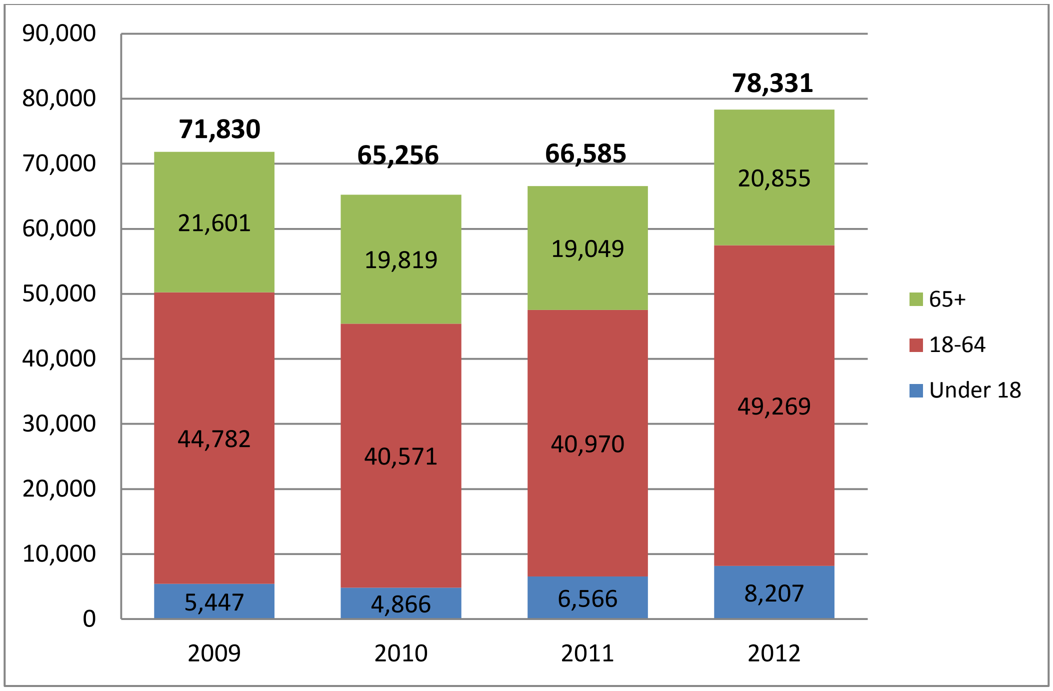
Graph 4: Household Types within the City of Austin, 2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2012 Table DP02

Persons with Disabilities

Data indicates there were 78,331 persons living with disabilities within the City of Austin in 2012. This is a 20 percent increase from 2009. As illustrated in *Graph 5* the breakdown by age reveals that the 18-64 age group has increased by 21.4 percent from 2009 to 2012. Meanwhile, the population of those under 18 years old with disabilities has increased by 68.6 percent over the same period.[7]

[7] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2011 URL: http://www.census.gov/acs/www/



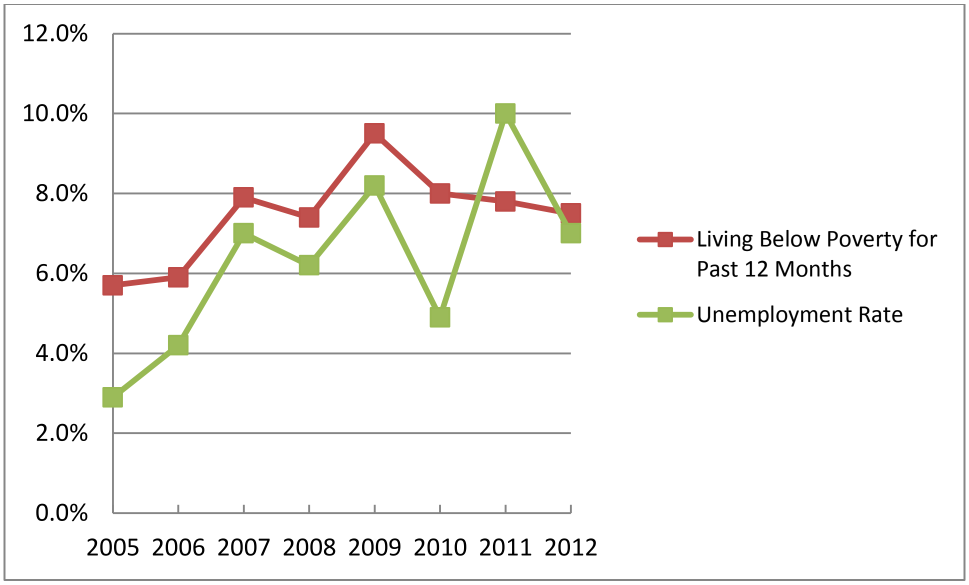
Graph 5: Austin Residents with a Disability by Age Group, 2009-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2009-2012 Table DP02

Veterans

In 2012, there were 39,996 veterans living within the City of Austin, a 6.0 percent increase from a year earlier. The percentage of veterans within Austin living below the poverty level was stable at 7.5 percent as of 2012, about 10 percent lower than for the city as a whole. Concurrently there was a decrease in unemployment among veterans in Austin as the rate was down 3 percentage points to 7.0 percent in 2012 from 2011 as seen in *Graph 6*.[8] This unemployment rate for veterans is still higher than the unemployment rate for the area.

[8] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2011 URL: http://www.census.gov/acs/www/



Graph 6: Unemployment and Poverty Rate of Veterans in Austin, 2005-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2005-2012 Table S2101

III. Economic Profile

Income – Data Sources

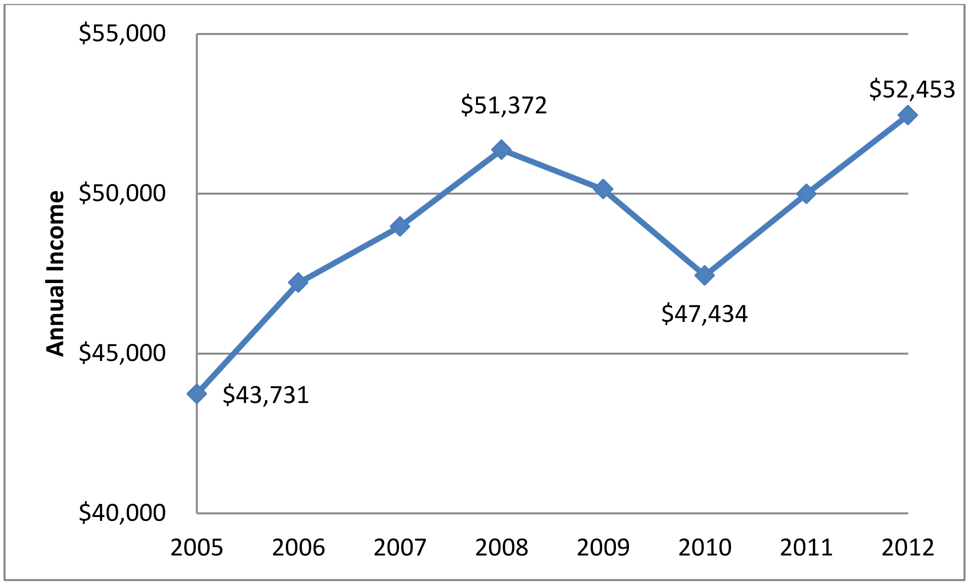
Sources for income data include the U.S. Census Bureau's American Community Survey (ACS) as well as by the U.S. Department of Housing and Urban Development's (HUD) Income Limits documentation system. The ACS defines median household income as including the income of the householder and all other individuals 15 years old and over in the household, whether they are related to the householder or not. Because many households consist of only one person, median household income is usually a smaller value than median family income.

The FY2013 HUD Income Limits Documentation System[9] is the source of median family income (MFI) data which is an annual estimate utilized by HUD to set income limits for a variety of housing programs. HUD uses the ACS median income as a baseline and then factors in the national consumer price index and other variables to establish an area MFI. Thus, MFI is generally a much higher figure than the median household income or median income figure from the ACS.

[9] U.S. Department of Housing and Urban Development FY2013 Income Limits Documentation System, Median Family Income Calculation Methodology for Austin-Round Rock-San Marcos MSA . URL: http://www.huduser.org/portal/datasets/il/il2013/2013MedCalc.odn?inputname=Austin-Round+Rock-San+Marcos%2C+TX+MSA&area_id=METRO12420M12420&fips=%24fips%24&type=hmfa&year=2013&yy=13&stname=%24stname%24&stusps=%24stusps%24&statefp=99&incpath=C%3A\huduser\wwwMain\datasets\il\il2012\.

Median Household Income

The median household income in Austin increased from 2005 through 2008, fell through 2010, and then increased again starting in 2011. The reported 2012 median household income has increased 10.6 percent from the 2010 level. *Graph 7* reflects the change in median household income since 2005.



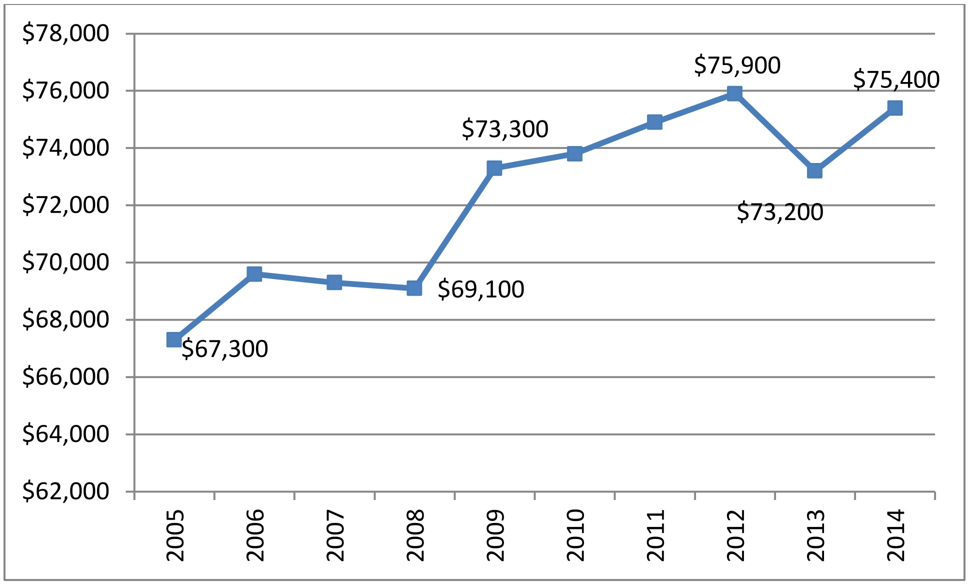
Graph 7: Median Household Income in Austin 2005-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2005-2012 Table B19013

Median Family Income

The median family income, as calculated by HUD, decreased from 2012 to 2014. However, from 2005 to present this figure has increased by 8.8 percent. Overall, *Graph 7 and Graph 8* help to illustrate that incomes have remained relatively static in Austin over the last nine years.[10]

[10] Bureau of Labor Statistics CPI Inflation Calculator URL: www.bls.gov/data/inflation_calculator.htm

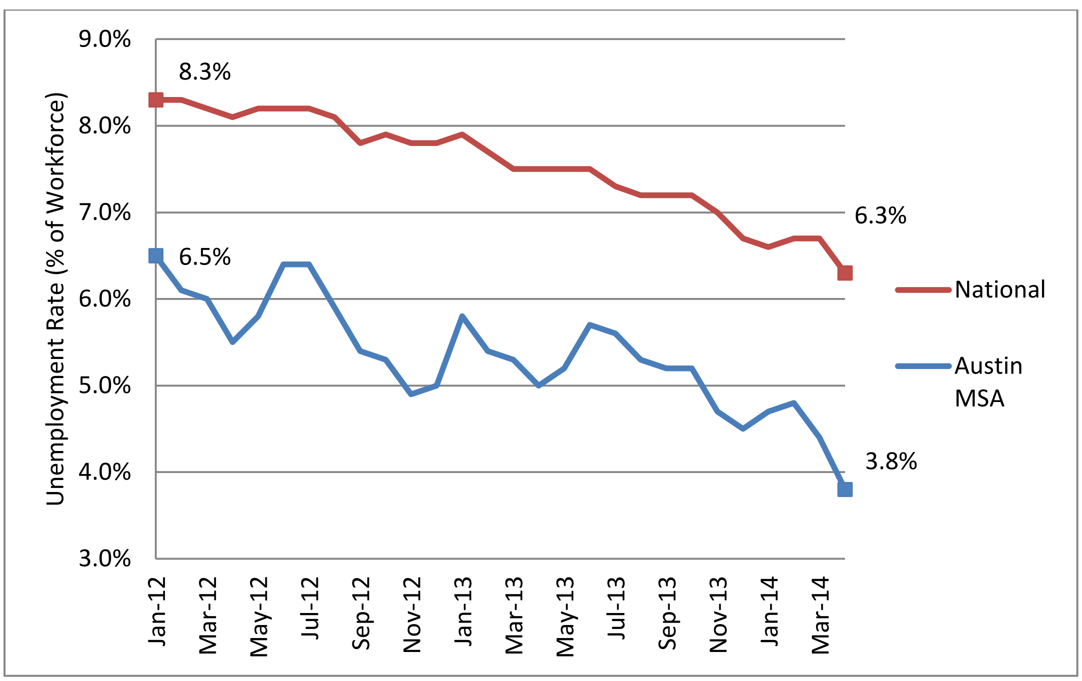


Graph 8: Median Household Income in Austin 2005-2014

Source: U.S. Department of Housing and Urban Development

Unemployment

The Austin-Round-Rock-San Marcos MSA has had a lower unemployment rate than the nation as a whole since 2012 as seen in *Graph 9*. As the national economy continues to improve, the City will continue to monitor economic indicators relating to unemployment.

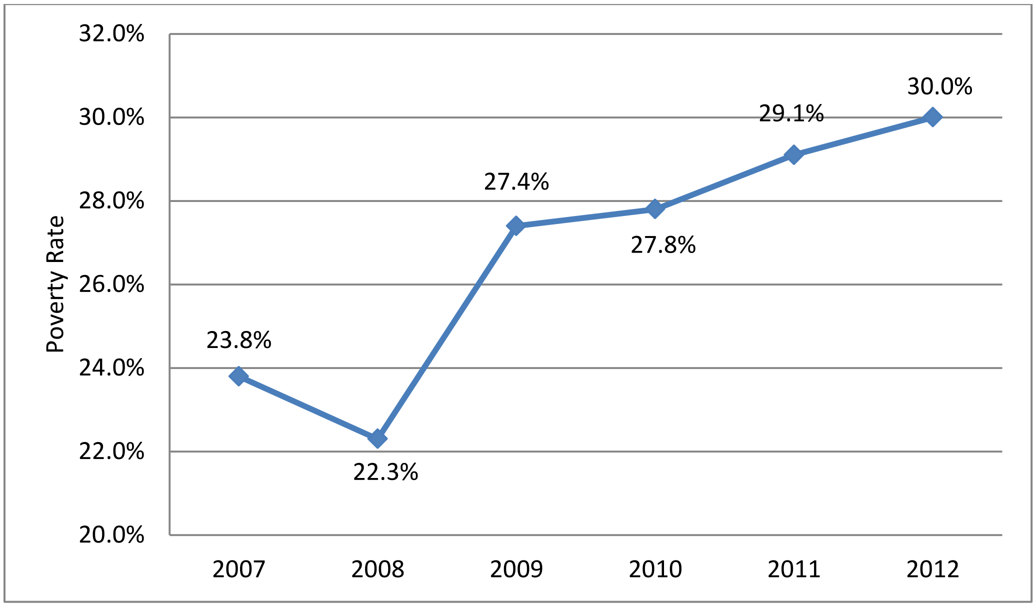


Graph 9: Austin-Round Rock-San Marcos MSA Unemployment Rate

Source: U.S. Bureau of Labor Statistics

Poverty

Poverty levels for persons under 18 years old in Austin increased from 2008 to 2012 as seen in *Graph 10*. In 2005, the poverty rate for individuals was 23.8 percent. There was a decrease of 1.5 percent in 2008 that followed with an increase of 5.1 percent in 2009. If this rate of increase were to continue, one in three persons under the age of 18 could be living below the poverty rate in Austin as early as 2014.

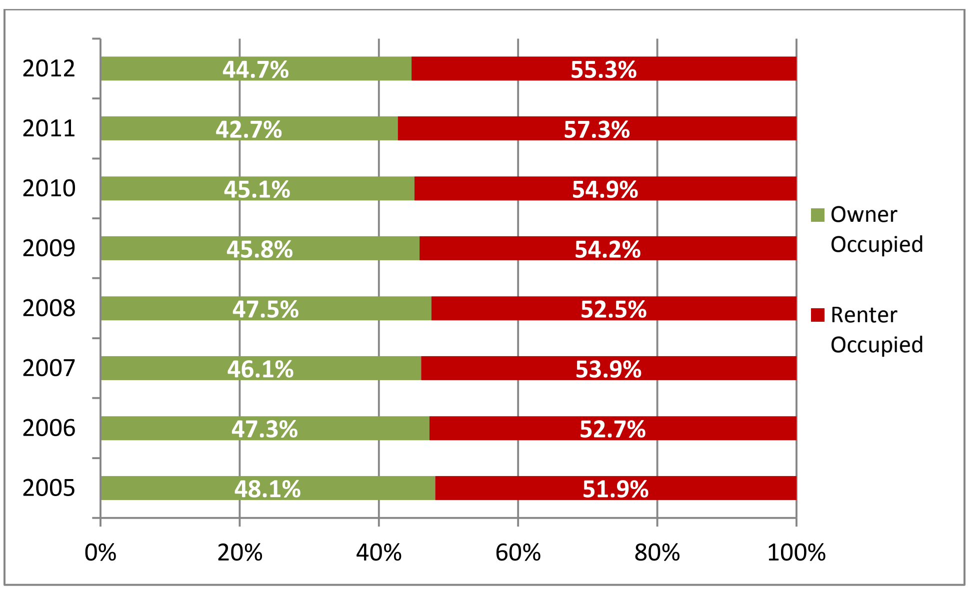


Graph 10: Poverty Rate for Individuals under 18 Years Old

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2007-2012 Table S1701

IV. Housing

Tenure

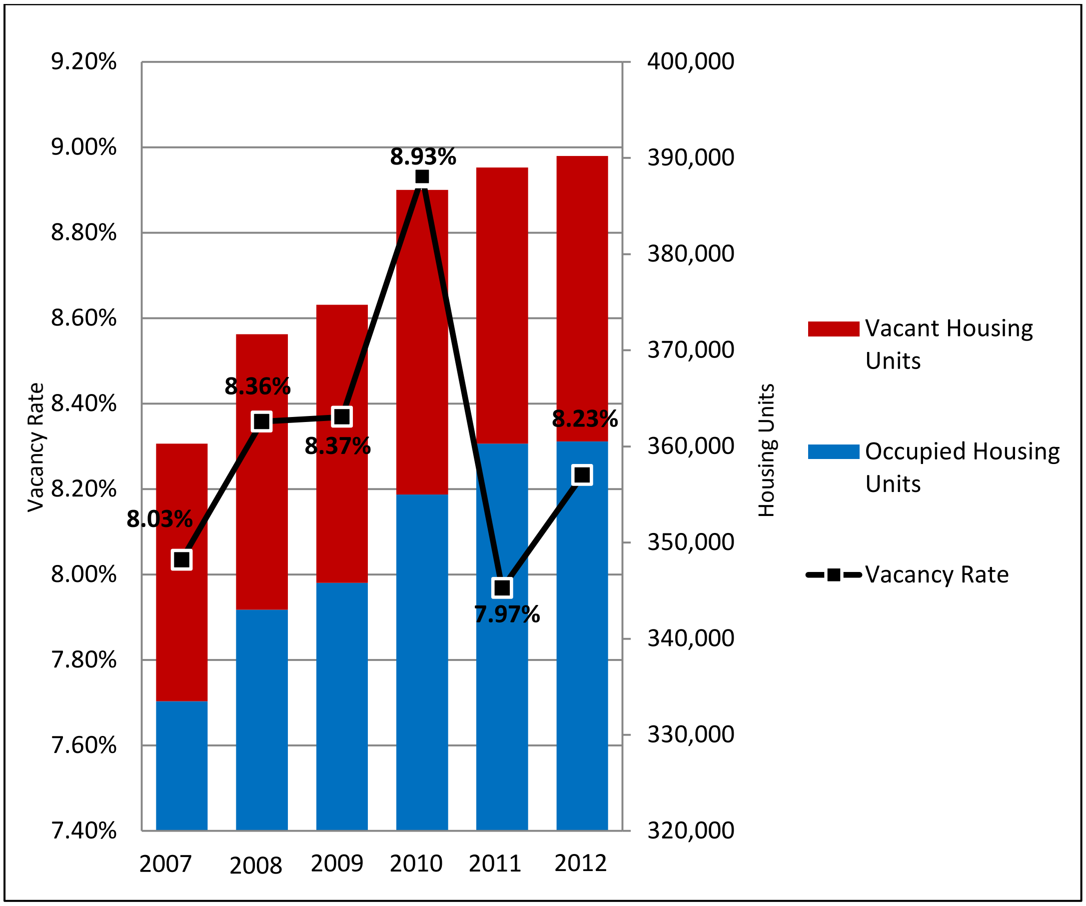


Graph 11: Housing Tenure in Austin 2005-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2005-2012 Table B25003

As a result of the housing bubble that began in 2006 and the following credit crunch that continues to present challenges, homeownership continues to decrease across the country. This trend is pronounced in Austin as well as seen in *Graph 11*. Since 2005, the proportion of households that are renter-occupied has grown from 51.9 percent to 55.3 percent.[11]

Vacancy



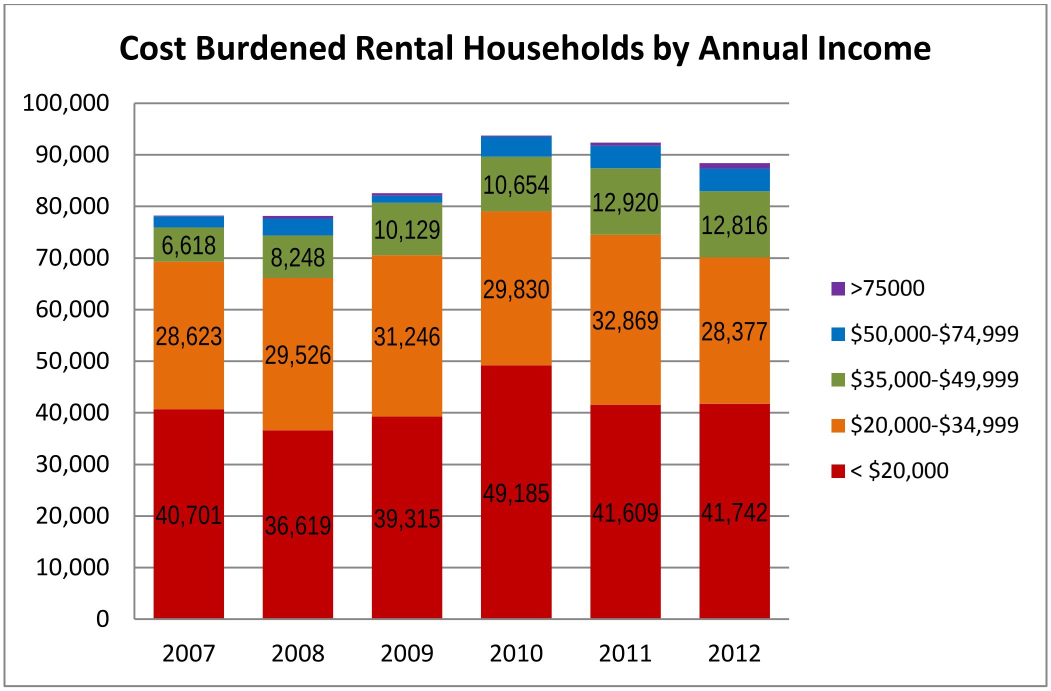
Graph 12: Vacant and Occupied Housing Units in the City of Austin, 2007-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2007-2012 Table B25001 and B25003

Housing vacancy in the City of Austin rose just above 8 percent in 2012. As *Graph 12* illustrates, there was a 0.1 percent increase in the number of housing units from 2011 to 2012 as only 227 units were added. The vacancy rate rose just over a quarter of a percent to 8.23 percent.

[11] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2011 URL: http://www.census.gov/acs/www/

Cost Burdened Households

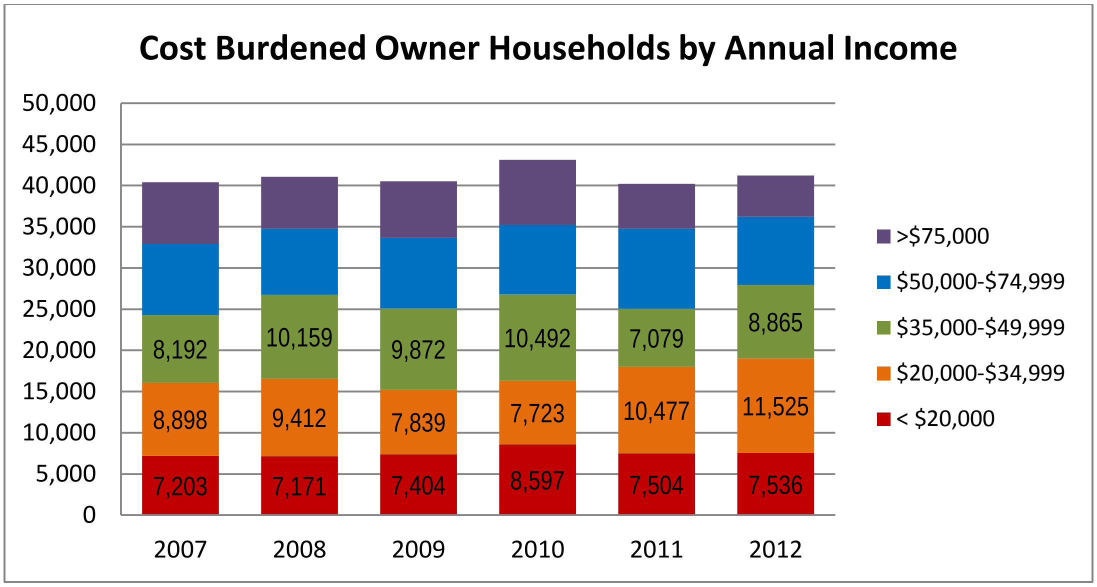


Graph 13: Cost Burdened Rental Households by Annual Income in Austin, 2007-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2007-2012 Table S2503

The number of rental households in Austin that are cost burdened defined as expending more than 30 percent of their income on housing costs - was 88,428 in 2012, representing 48.3 percent of all occupied rental households. The number of cost burdened rental households decreased by about 4,000 from 2011 to 2012, however the number of cost burdened rental households making less than $20,000 actually increased slightly, as seen in *Graph 13*.[12]

[12] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2007-2012 URL: http://www.census.gov/acs/www/



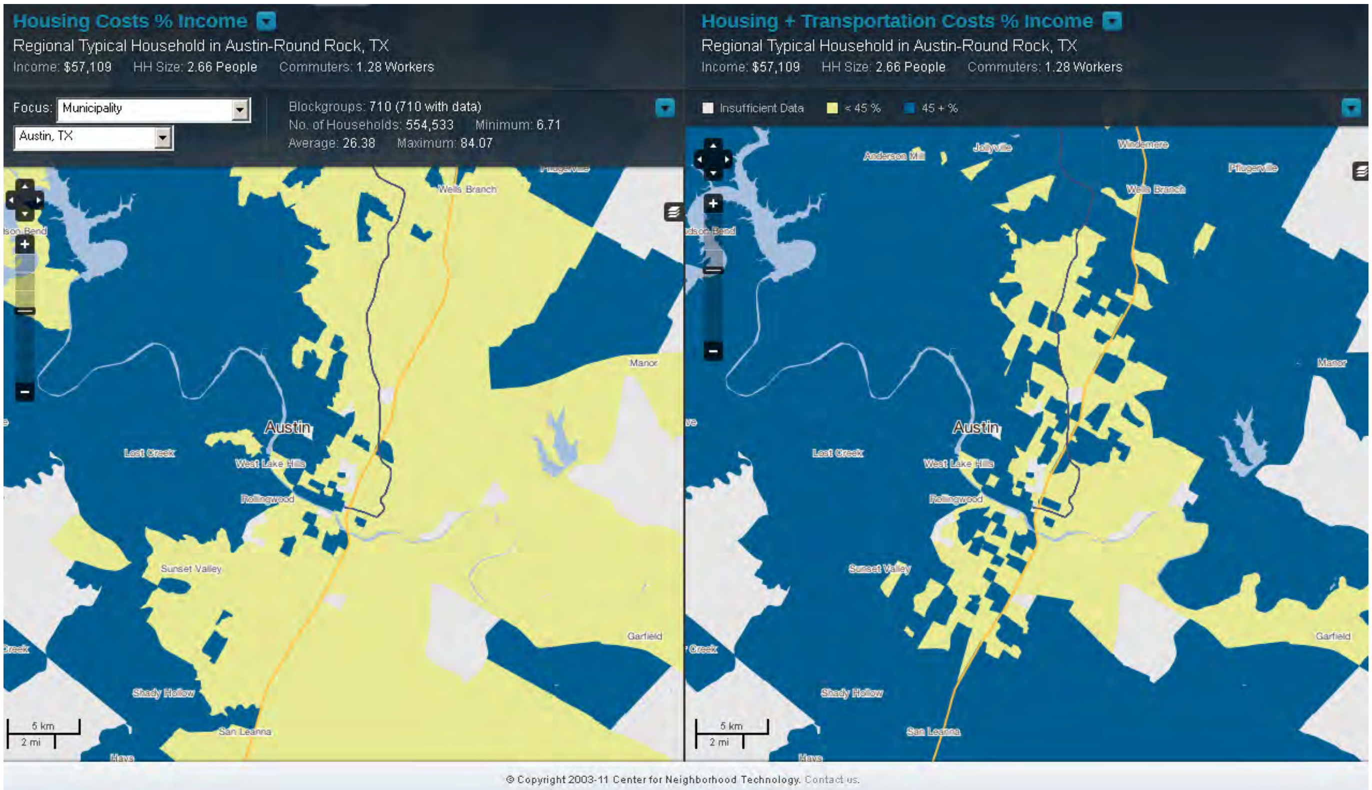
Graph 14: Cost Burdened Owner Households by Annual Income in Austin, 2007-2012

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2007-2012 Table 2503

The number of owner households in Austin that are cost burdened – defined as expending more than 30 percent of their household income on housing costs - was 41,224 in 2012, representing 27.9 percent of all occupied owner households.[13] These figures are illustrated in *Graph 14*.

[13] U.S. Census Bureau, American Community Survey 1-Year Estimates, 2007-2011 URL: http://www.census.gov/acs/www/

IV. Transportation



Map 2: Housing Costs as a % of Income and Housing + Transportation Costs as a % of Income

Source: Center for Neighborhood Technology

The Imagine Austin Priority Program on Household Affordability (Priority Program #6) defines Household Affordability as being about the costs of housing, utilities, taxes and transportation. Transportation is an important consideration when evaluating housing's true cost to a household. Map 2 illustrates areas of the City of Austin in which combined housing and transportation costs exceed 45% (blue), as well as areas in which those combined costs are less than 45% (yellow) of annual household income. The City of Austin will begin to evaluate transportation costs as a component of household affordability.

Appendix ID: Market Trends and Issues for Affordable Housing in Austin

Market Trends and Issues for Affordable Housing in Austin

June 2013

The City of Austin's Neighborhood Housing and Community Development Department (NHCD) has retained Economic & Planning Systems (EPS) to provide observations regarding market dynamics and their implications for affordable housing needs and policies in Austin. This memorandum represents an overview of major trends in housing pricing, income and job growth, and housing supply characteristics, as well as an assessment of the need for and prospective benefits of a robust and multi-faceted housing strategy for the City.

The Economics of Land Use

CELEBRATING 30 YEARS

Market Dynamics

1. **Housing prices in the Austin region have grown more quickly than income levels or general inflation, placing many housing options out of reach for lower-income households.**

The figure below indicates that, since 2001, nominal median household incomes in the Austin area have increased by only about 25 percent in while general inflation (represented by the Consumer Price Index) has increased by roughly 35 percent. During the same period, median home prices have increased by 40 percent, and median rents have increased by 50 percent. The housing bubble and subsequent recession are evident in this figure (seen in the volatile median home price trendline), but the longer-term, multi-cycle trend clearly indicates that income growth has not kept pace with housing prices, particularly for rental housing. Rent price growth was somewhat opposite of for-sale home pricing – when one rose, the other fell – but very recent trends indicate strong growth in both sectors concurrently.

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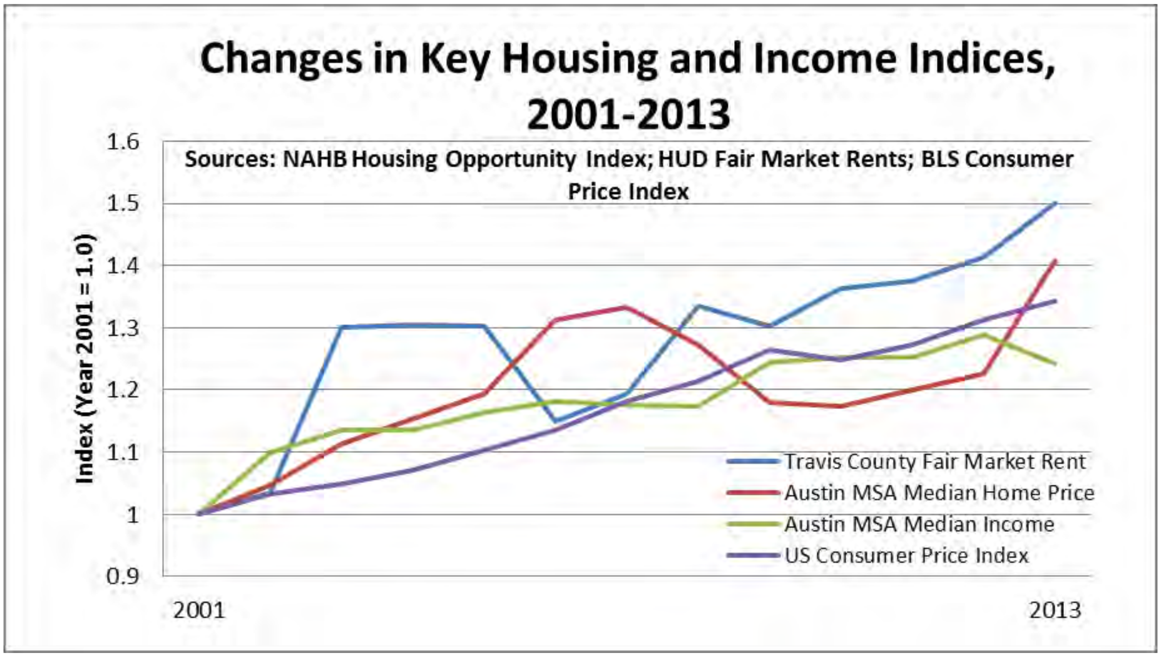
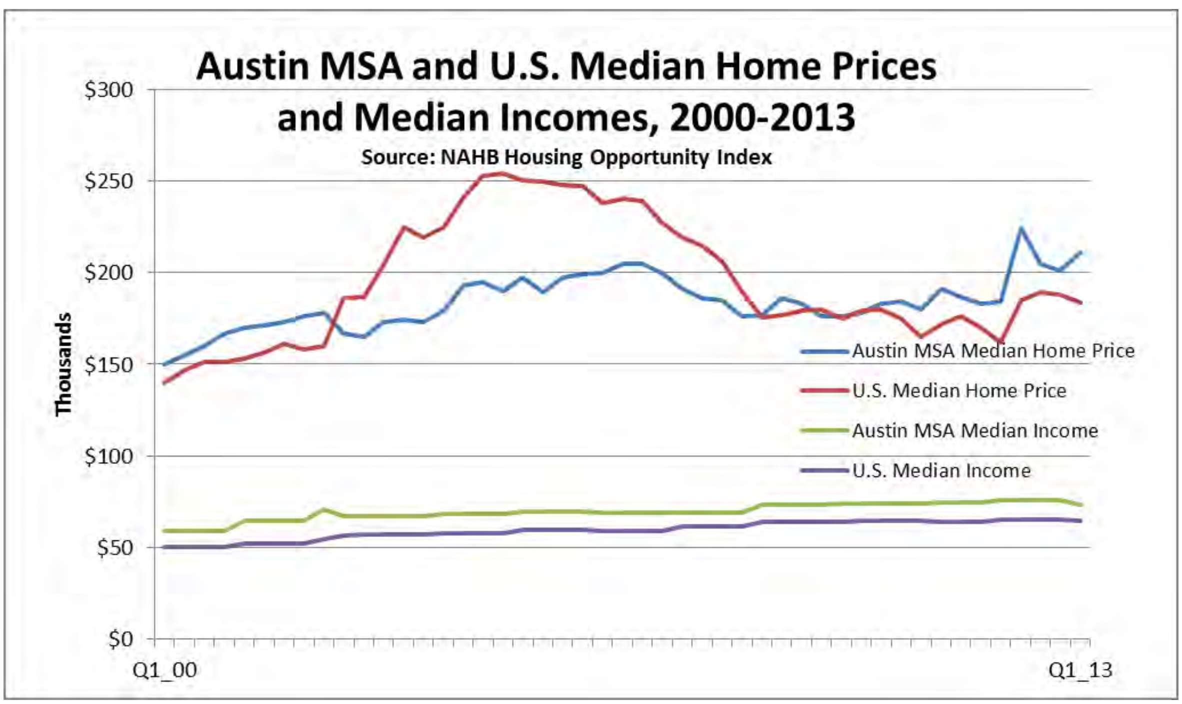


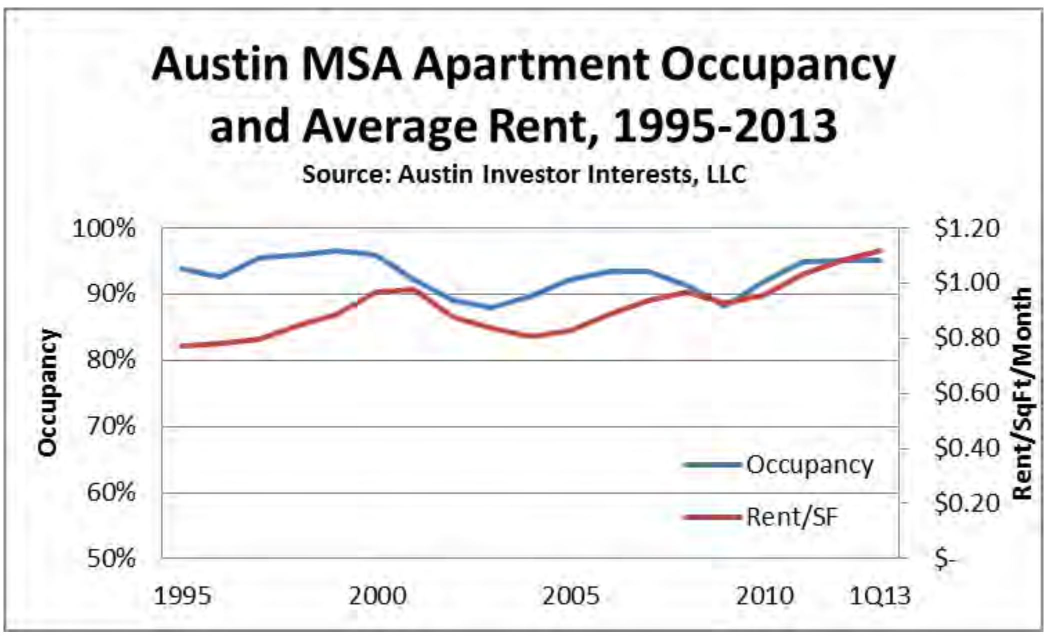
Austin area home prices have been less volatile than national trends. The following figure compares the median home prices (for-sale) in the Austin Metropolitan Statistical Area[1] (MSA) versus the United States from 2000-2013, and indicates much more steady growth in Austin area prices. Nationally, median home prices are more than 25 percent below the peaks reached in 2005-2006, while the Austin area's home prices are higher now than in its 2007 local peak. The figure also indicates that national income levels have risen slowly, as they have in Austin.



[1] The Austin MSA is comprised of Bastrop, Caldwell, Hays, Travis, and Williamson Counties.

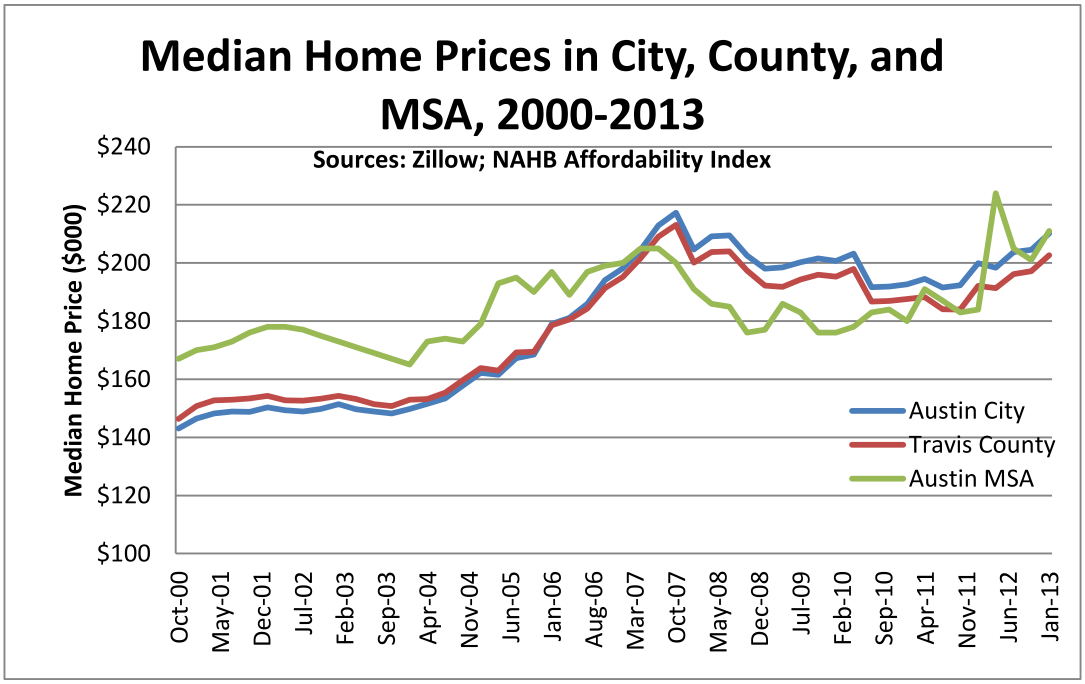
Part of the reason for the divergence of housing prices and incomes is that financing terms – particularly very low mortgage interest rates – have made higher housing prices affordable at the same level of income. A household earning $50,000 can qualify for a $300,000 home under current financing terms (4.0 percent interest on a 30-year mortgage with 20 percent down payment), whereas the same household could afford only a $200,000 home with interest rates closer to historical norms of 7.5 percent.

While the change in home financing terms can explain some of the housing price escalation, it does not explain it all. Renters do not benefit from such low interest rates, yet are also paying more for their housing. According to Austin Investor Interests, LLC, the Austin region's apartment rent rates reached an all-time high in the first quarter of 2013, and occupancy rates exceeded 95 percent – also near the highest point since 1995. Still, the MSA's average remains relatively affordable, with the average rent of $958 per month for all apartments being affordable to households earning about $40,000 per year, or less than 60 percent of Area Median Income. It is worth noting that rent price drops have followed periods of decreasing apartment occupancy rates – typically the result of a major increase in apartment supply rather than an actual decrease in the number of renting households. Those cyclical rent reductions have been temporary, however, as the overall trend continued to push rents upward.

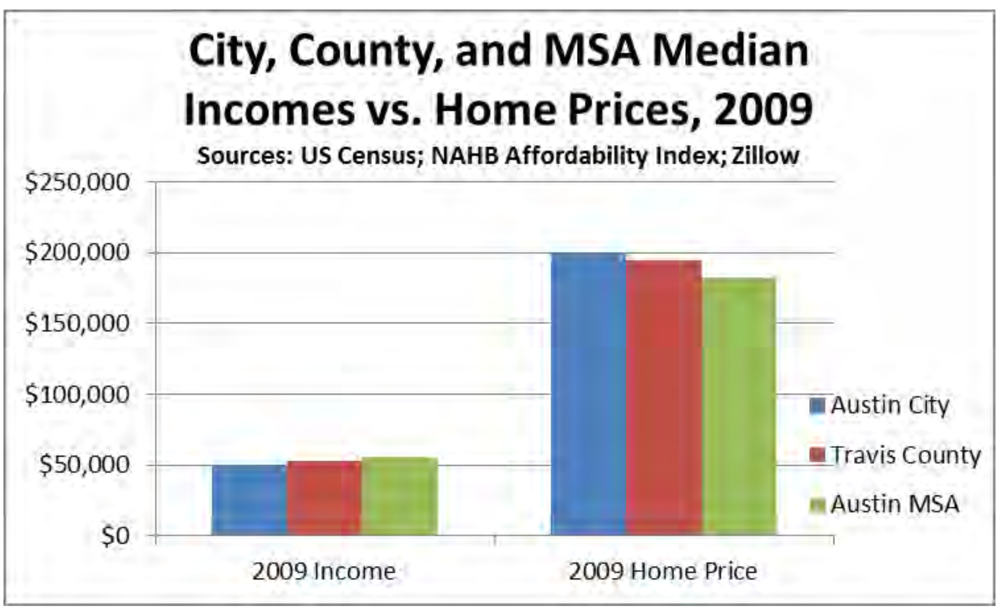


2. The City of Austin has greater issues with housing affordability than the region generally, with higher housing prices and lower income levels.

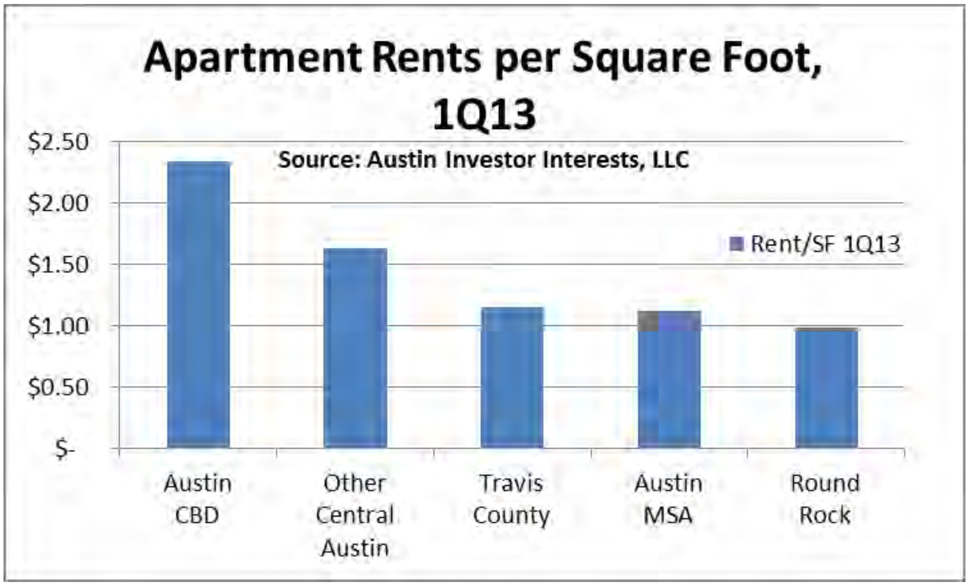
Within the City limits, the region's housing trends have been somewhat more pronounced. The figure below indicates that in 2000, for-sale home prices in Austin were lower than average for the County and greater region. However, starting around 2007, prices within the City surpassed those of the larger areas, and remain higher today.



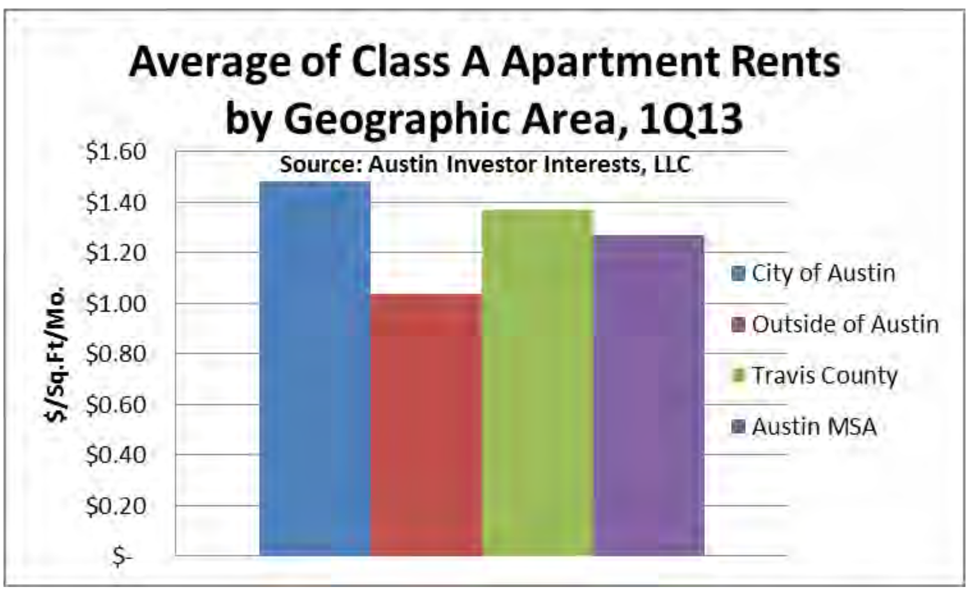
Even as home prices became higher within the City than in the greater region, the City's income levels remained lower. The figure below shows the most recent (2009) data available from the US Census American Community Survey regarding median household income, and indicates that the City's income levels were roughly 6 percent lower than the County's and 11 percent lower than the MSA overall. These relationships are the opposite of those shown on the figure above, in which the MSA's housing prices were the lowest and the City's were highest.



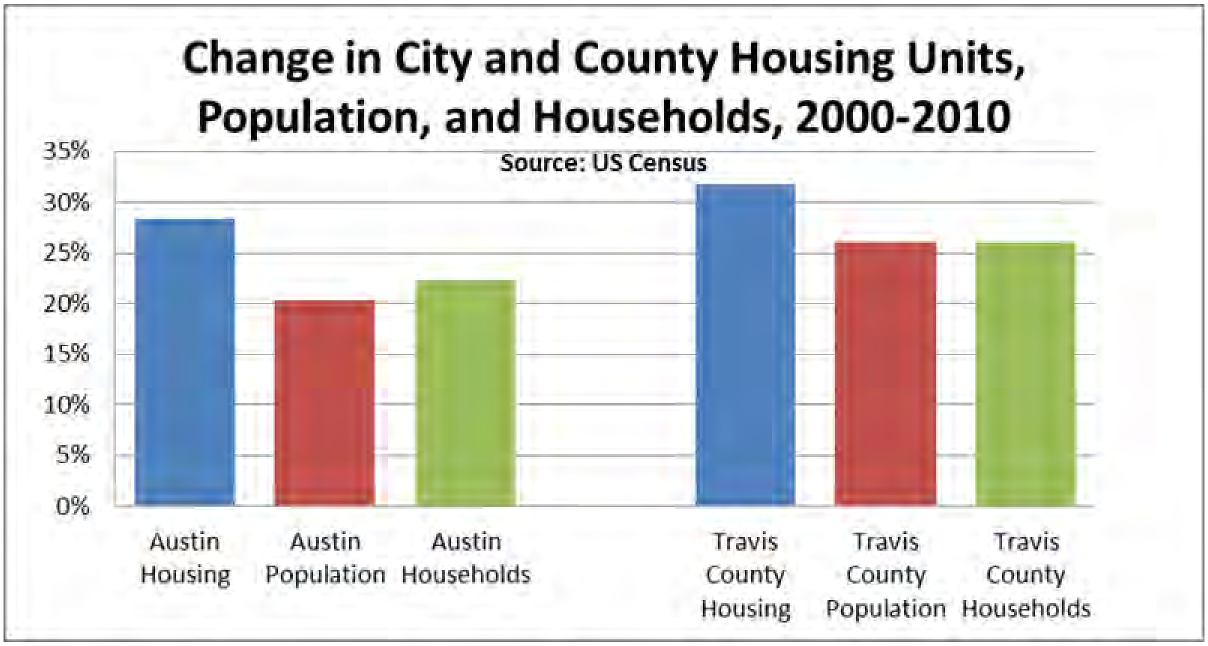
As with for-sale housing prices, apartment rents in Austin are also higher than in the greater region. As shown below, current market-rate apartment rents in downtown Austin are roughly $2.40 per square foot, and over $1.60 in the rest of the Central Austin market. These rents are roughly 50 to 100 percent higher per-square foot than are found in the County and MSA overall, and a sharp contrast to the neighboring city of Round Rock, where average rents are under $1.00 per square foot. While there are neighborhoods of Austin where rents are less expensive than in the CBD and Central area, this chart illustrates the comparatively high cost of rental housing in the City to its surrounding market context.



The chart below further illustrates the rent differences between geographic areas. As shown, the average rent for "Class A" apartments (typically, recent construction with attractive amenities) among submarkets within the City of Austin is nearly 50 percent higher than in submarkets outside the City, and the City's high rents drive the overall averages for the County and MSA.

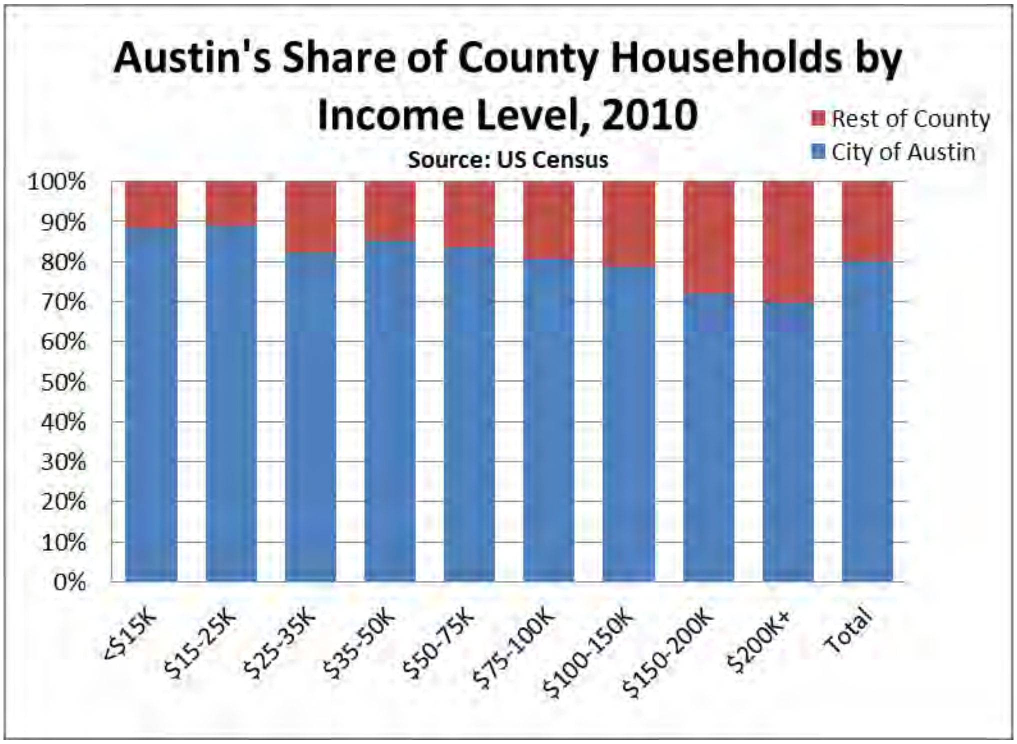


Importantly, the increase in local housing prices cannot be wholly attributed to a constrained housing supply. As shown on the figure below, the City and County both added housing units more quickly than they added population or households from 2000 to 2010. This rapid housing growth resulted in significantly more vacant units at the end of the decade than at the beginning, yet housing prices – particularly rent rates – grew faster than incomes. This fact suggests that dynamics other than simple supply and demand (housing growth vs. household growth) were affecting housing prices, such as the City and region's considerable cachet among technology companies as well as the "creative class" of young workers willing to pay high housing prices for high quality of life. This fact further suggests that housing prices are unlikely to be reduced for the long-term through substantial additions to the housing supply. Indeed, profit-driven housing developers are likely to reduce production of new units if prices or occupancy rates diminish, making it very difficult to plan for and implement enough housing to make a lasting effect on housing prices.

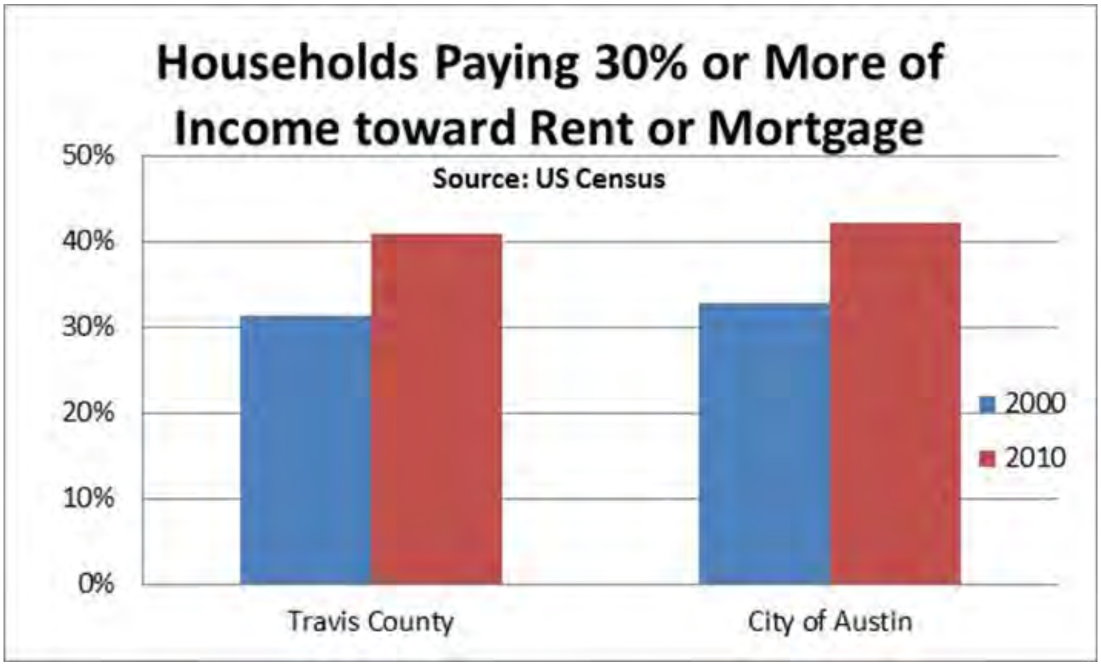


Along with higher than average housing prices, the City of Austin also has a high proportion and number of households at the lowest income levels. According to the Census, between 2000 and 2010 the City gained nearly 10,000 households earning less than $15,000 per year – a 24 percent increase, compared to the overall number of households growing by only 22 percent. Importantly, these income figures are not adjusted for inflation, meaning that the households at this extremely-low income level have significantly less spending potential in 2010 than they did in 2000.

Moreover, the City has a significantly higher proportion of the lowest-income households than does the County overall. As shown below, the City comprises roughly 80 percent of all households in the County, but nearly 90 percent of the lowest-income households and only 70 percent of the highest-income households. This income distribution, combined with the City having higher housing costs than the County or region, illustrates the challenge of creating and maintaining housing affordability in the City of Austin.

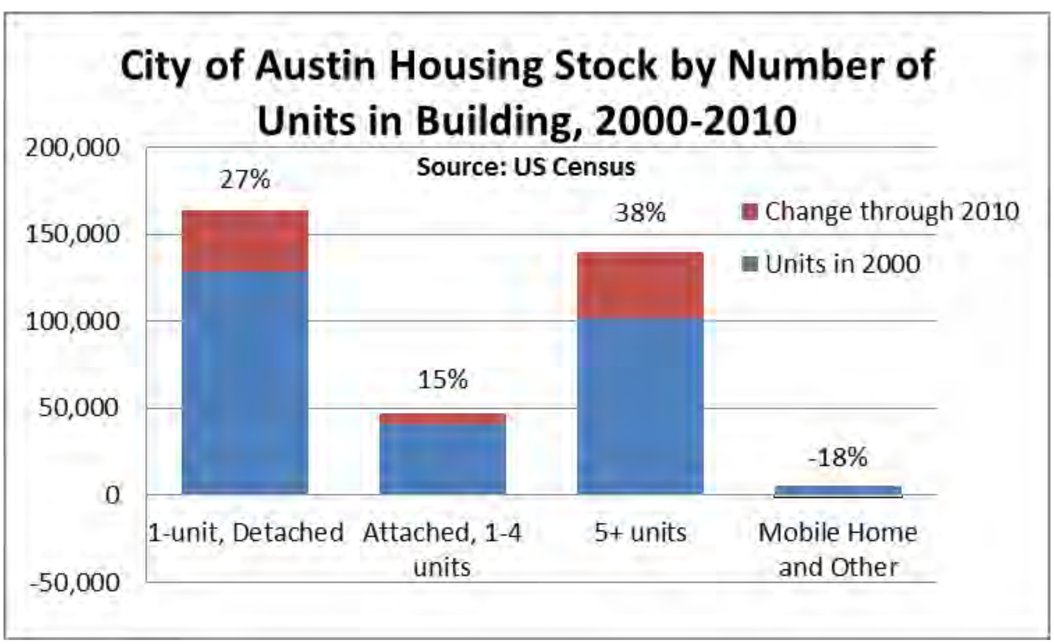


Overall, 26 percent of all households in the City of Austin earned less than $25,000 in 2010, which was not sufficient income to be able to afford the average "Class C" apartment in the City at that time (assuming 30 percent of household income used for rent, per HUD standards). With rent levels having escalating rapidly since 2010 while incomes remained flat, this disconnect is sure to be greater today. Indeed, the problem of housing cost burdens has increased dramatically in the City and region in recent years. The figure below shows that in 2000, just over 30 percent of households in the City and County were paying more than 30 percent of household income toward housing costs. By 2010, over 40 percent of households in each area faced cost burdens. Again, with housing prices rising quickly since 2010 while income levels remained flat, the City certainly has an even greater proportion of cost-burdened households today.

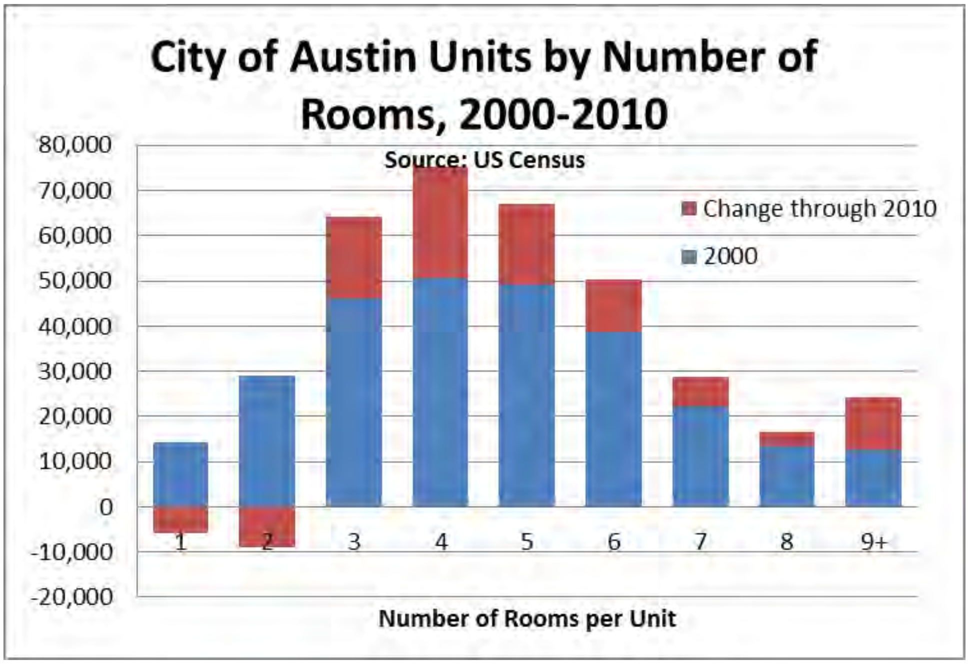


3. Austin's housing stock is changing, with larger units and more multifamily housing than in the past but a loss of many *de facto* affordable units.

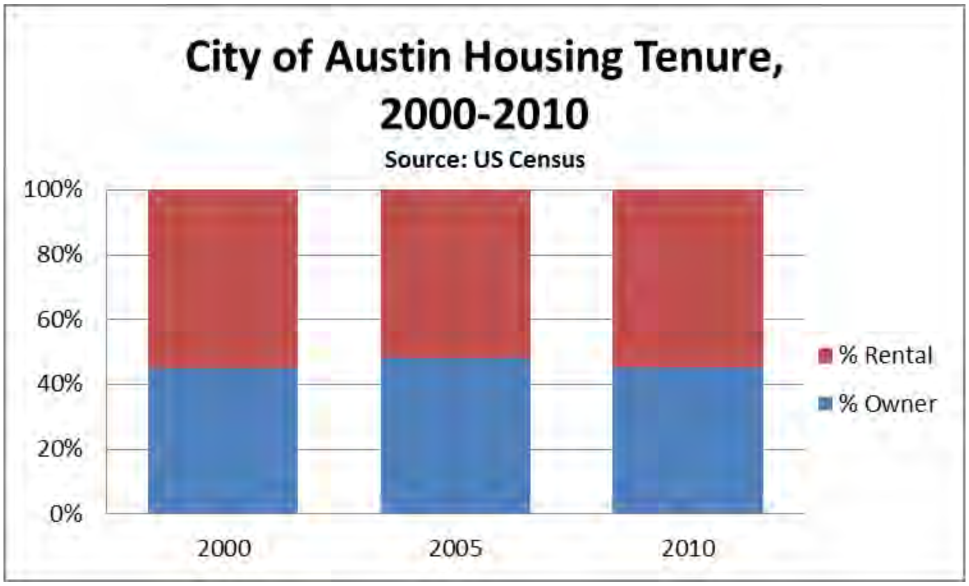
Between 2000 and 2010, the City of Austin's housing stock grew by 28 percent overall, adding nearly 80,000 units. However, the figure below shows that the composition of the housing stock shifted, with major additions in multifamily units but actual unit reductions in some categories – including mobile homes. Overall, multifamily developments with 5 or more units increased from 37 to 40 percent of the total housing supply from 2000 to 2010, indicating a growing interest in multifamily housing by consumers and developers. But the reduction in mobile homes and other non-traditional housing options likely represents a reduction in the number of lower-priced units in the City.



Another notable shift is the increasingly large size of housing units. The figure below indicates that the number of units with only one or two rooms (total rooms, excluding bathrooms) has diminished since 2000, while the number of units with nine or more rooms nearly doubled. Units with three to five total rooms (typically, one- and two-bedroom units) also grew faster than average for the period. Overall, the average number of rooms per unit increased from 4.6 to 4.9, even as the typical household size was slightly diminishing – from 2.40 in 2000 to 2.37 in 2010. This fact suggests the market has embraced larger units, which are likely to have and retain high prices, while losing a substantial number of likely *de facto* "affordable" one- and two-room units.

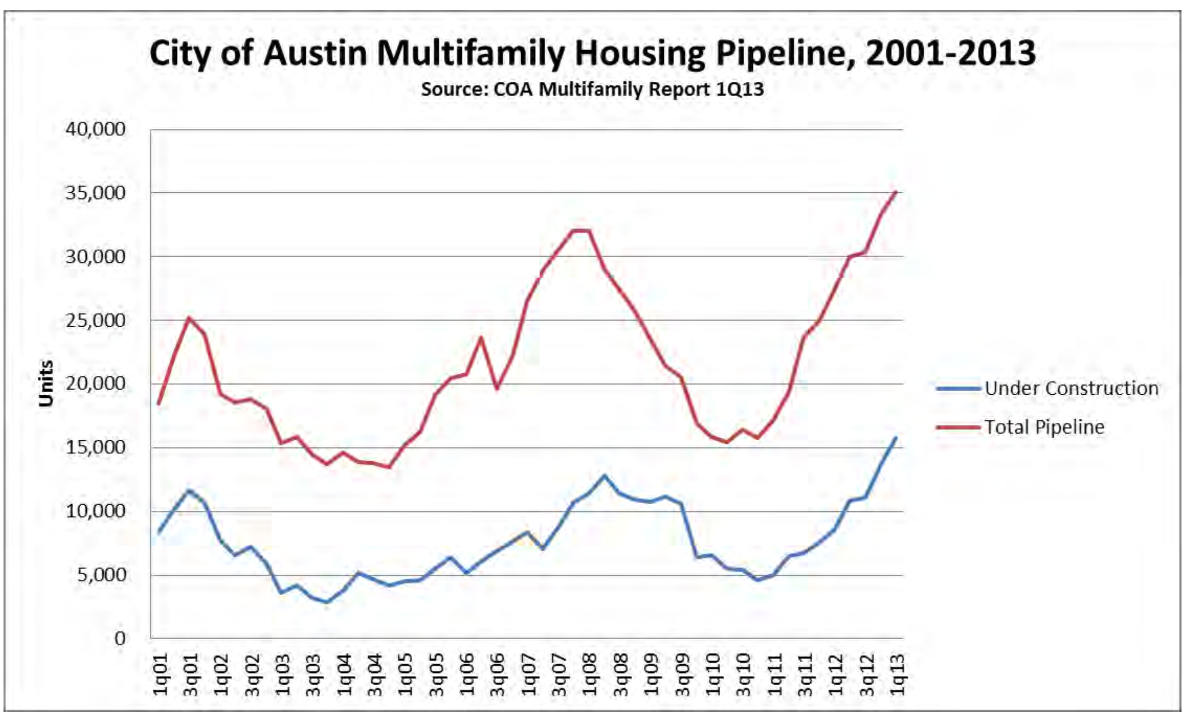


There has *not* been a dramatic shift in the rate of homeownership in Austin. In both 2000 and 2010, 55 percent of occupied units in Austin were rentals, and 45 percent owner-occupied. These proportions shifted slightly during the housing bubble, with owner-occupancy reaching as high as 48 percent in 2005. Though Census data suggests that owner-occupancy declined to 43 percent in 2011, the long-term trend does not suggest a major change in Austin's homeownership rate.



4. Current development activity in the City indicates a continued focus on multifamily housing, including many high-density and large-scale projects.

The City's development pipeline indicates that the housing market has rebounded well following the national recession. Following a severe dip in the number of multifamily units proposed and under construction that "bottomed out" in late 2010, there are currently more multifamily units in planning and construction than at any time since 2001, and over 15,000 multifamily units currently under construction in Austin. This data clearly demonstrates that the development industry is responding to strong near-term market opportunities, although it should also be noted that past cycles of high housing growth have been followed by periods of temporarily declining housing prices, occupancy rates, and new construction.



The types of multifamily projects in the pipeline are very diverse. Five projects completed construction in the first quarter of 2013, and ranged from 18 to 73 units per acre with an average of 25. Meanwhile, 12 projects initiated construction during the same quarter, and had an average density of 27 units per acre but ranged from 7 to 381. Four of the 12 projects that commenced construction had densities in excess of 100 units per acre. The 12 new projects had an average size of over 260 units, indicating that large projects are dominating the current multifamily development activity.

5. The Austin area has gained many jobs in lower-wage industries whose workers struggle to afford market-rate housing.

Between 2003 and 2011, the Austin MSA gained 108,000 jobs, growing by a total of 20 percent, while the national employment base was virtually unchanged as the figure below indicates. This difference reflects the City and region's great success at attracting and retaining employment through very challenging economic times. However, in both the Austin region and the nation, industries with average wages under $30,000 per year (retail, restaurants, hotels, and recreation) grew substantially faster than average while the group of industries paying average wages over $50,000 (finance, manufacturing, professional services, management, etc.) grew slower than average. The growth in these high-wage industries is a very positive indicator for the Austin area, as employment in those industries contracted as a group at the national level. As the City of Austin has the vast majority (over 70 percent) of jobs in the MSA, trends in the City generally reflect those in the broader region.

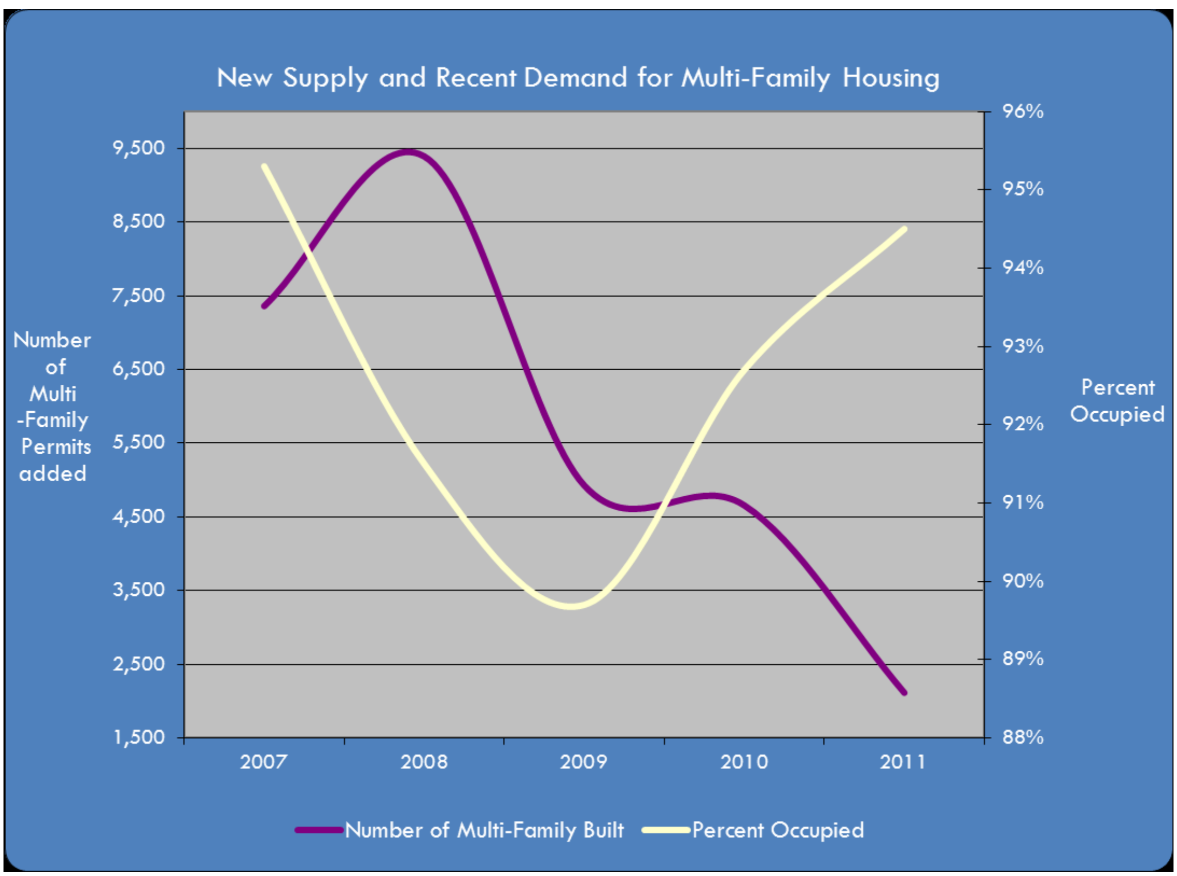
Policy Considerations

The market dynamics described above point to several policy considerations for the City of Austin.

1. The City must continue to build housing at a fast pace to meet current and future demand, or face even more rapid escalation of housing prices.

According to the City of Austin's demographer, the City of Austin population is expected to grow from 842,750 today to 1.3 million by 2045, adding an average of roughly 6,000 households per year during that period (at roughly 2.5 people per household). The Census indicates that the City added 7,838 units per year from 2000 to 2010, and CAMPO indicates that the City of Austin has issued 5,917 housing permits per year between 2007 and 2011. The City will need to continue to permit similar levels of housing growth to accommodate an increasing population in the future.

Building more housing overall is likely to help keep market-rate prices relatively affordable. As demonstrated by the figure below from CAMPO's Growth Monitoring Report from January 2013, there is an inverse relationship between housing production and the occupancy rates of the housing supply. As lower occupancy rates cause housing producers to offer units at lower price points, it would be expected that facilitating housing production will keep prices in check. However, these production/occupancy/rent relationships are cyclical, and the long-term trends show increasing housing costs and increasing cost burdens even through periods when housing production has been very high.



2. The demand for affordable housing in the City of Austin is great and growing.

Since 2000, housing prices have risen more rapidly than income levels, and more households than ever are paying high cost burdens for their housing, particularly within the City of Austin. While jobs have grown impressively in the Austin area, a high proportion of those jobs are at lower-income levels and the workers have difficulty affording market-rate housing prices. Austin also has a very high proportion of households earning extremely low income levels, and has seen its poverty rate increase in recent years to points significantly above the County, regional, State, and national levels. Some of these market-based trends appear to have gotten worse since the 2009 release of the City's Comprehensive Housing Market Study – a document that recommended constructing 1,000 or more affordable units per year to meet future demand and potentially start to address existing "gaps" between available supply and affordability needs. An updated comprehensive assessment of affordable housing needs is expected to be conducted starting in 2014, which can address affordability needs by demographic group, income level, and geographic area more specifically than has been attempted here.

3. A robust affordable housing program can be an important part of a City and region's environmental justice, economic development, and transportation planning initiatives.

Numerous studies have linked the improvement of local and regional transportation systems to increased property values. The City's consideration of urban rail service has acknowledged those links as a potential (though not certain) source of funding for some of the system. Similarly, the attraction of jobs to a City or region brings opportunity and prosperity for many, but also creates additional demand for housing in an innately finite supply of units and developable land. The paradox of urban investment and improvement is that it can result in the economic displacement of previous residents, if those residents cannot pay the rents, taxes, or other costs required to enjoy the improvements. Austin has grappled with this issue for many years, as it is recognized as a national model for economic development and quality of life but also faces concerns over "gentrification" of its lower-income communities. Affordable housing programs can help to keep economically at-risk families in their homes or neighborhoods, and can be a key component of an economically and demographically diverse, growing, and ever-improving community.

Moreover, affordable housing can be a key component of attracting and retaining businesses. Austin has obvious links to the technology companies that have driven the economy of Silicon Valley. The Silicon Valley Leadership Group is a consortium of companies – such as Apple, Cisco, eBay, IBM, etc. – that work together to advance various policy initiatives, including promoting affordable housing throughout the region. The group's website states:

> "On an annual basis, the Silicon Valley Leadership Group surveys its members in order to highlight the good and bad elements of doing business in Silicon Valley. Each year, housing is cited as a top impediment. Housing affordability along with cost of living issues serve as a choke point for recruiting and retaining top talent to Silicon Valley."

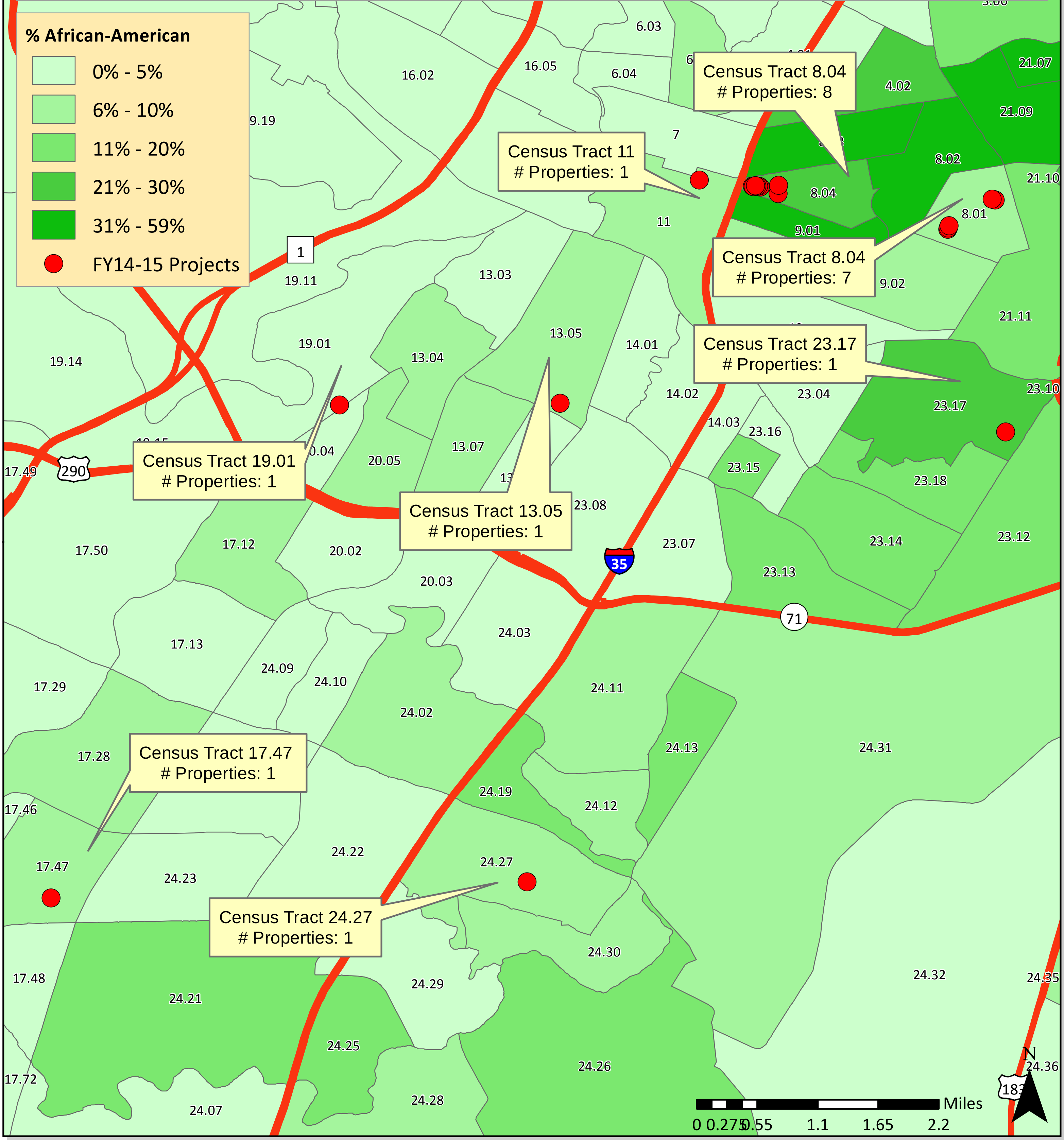
To maintain its successes in economic development, the City of Austin may benefit from continuing its dedication to providing housing for a wide spectrum of workers and income levels.

Relatedly, the City and region can benefit from the transportation benefits associated with having affordable housing near jobs. As previously noted, the City gained proportionately more jobs than employed workers during recent years, resulting in an increased jobs/housing imbalance – the City has over 70 percent of the region's jobs, but less than half of the region's employed residents. These trends have resulted in increased in-commuting that contributes to regional traffic congestion and related externalities (air quality, safety, etc.). Providing housing that is affordable to the City's diverse workforce can help to alleviate these transportation issues, while also reducing the overall housing/ transportation cost burden on lower income households. Data from the Center for Neighborhood Technology indicate that residents in several neighborhoods near downtown Austin spend as little as 16 percent of their income on transportation costs, while residents of Pflugerville and Cedar Park pay roughly 26 percent, and Buda residents pay 28 percent. Clearly, financial trade-offs are being made, with lower-priced housing in the region's suburbs being offset by higher transportation costs. Compared to those choices, affordable housing within Austin can represent a net gain for its lower-income residents, providing similarly-priced housing *and* lower transportation costs.

Each of these relationships speak to the value of having an affordable housing program in the City of Austin that responds to evolving needs and capitalizes on dynamic opportunities. The program will need to expand along with the overall population and employment base, and can meet the community's needs in a variety of ways ranging from new construction or preservation of units to workforce development and financial literacy programs that enhance families' ability to generate, retain, and utilize their own earnings. The ultimate benefits of such programs and investments can be enjoyed not only by the residents of the affordable units, but by their employers and fellow community members.

Appendix II: Maps

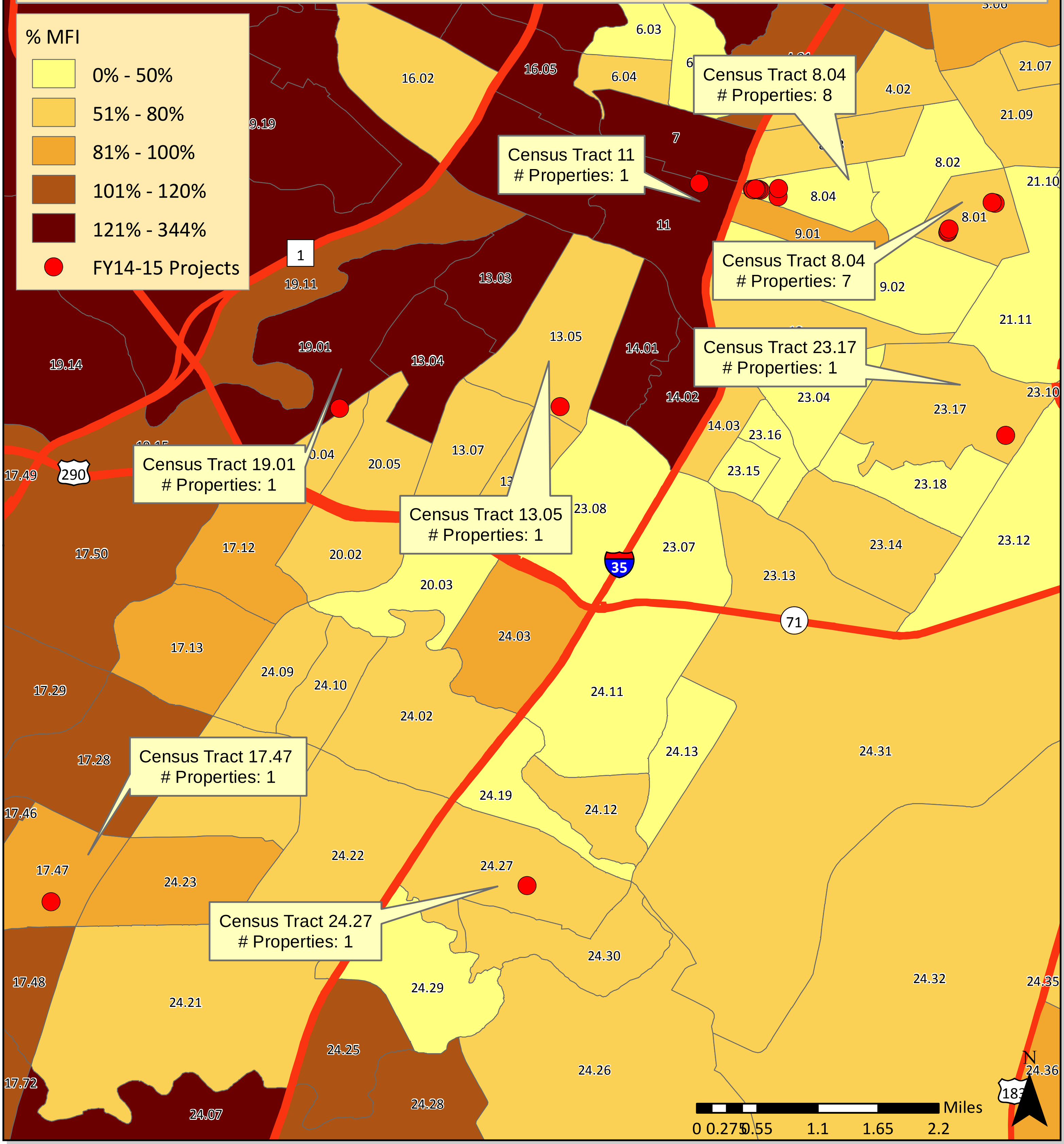
Geographic Distribution of African-American Population and FY 2014-15 Proposed Projects, by Census Tract



Author: City of Austin, NHCD
Source: 2010 U.S. Census
This map has been produced by the City of Austin for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness.
Date: May 2014.

Projects identified on this map:
-Are or will be federally-funded; and
-Will likely be completed or at least reported on in the next fiscal year.

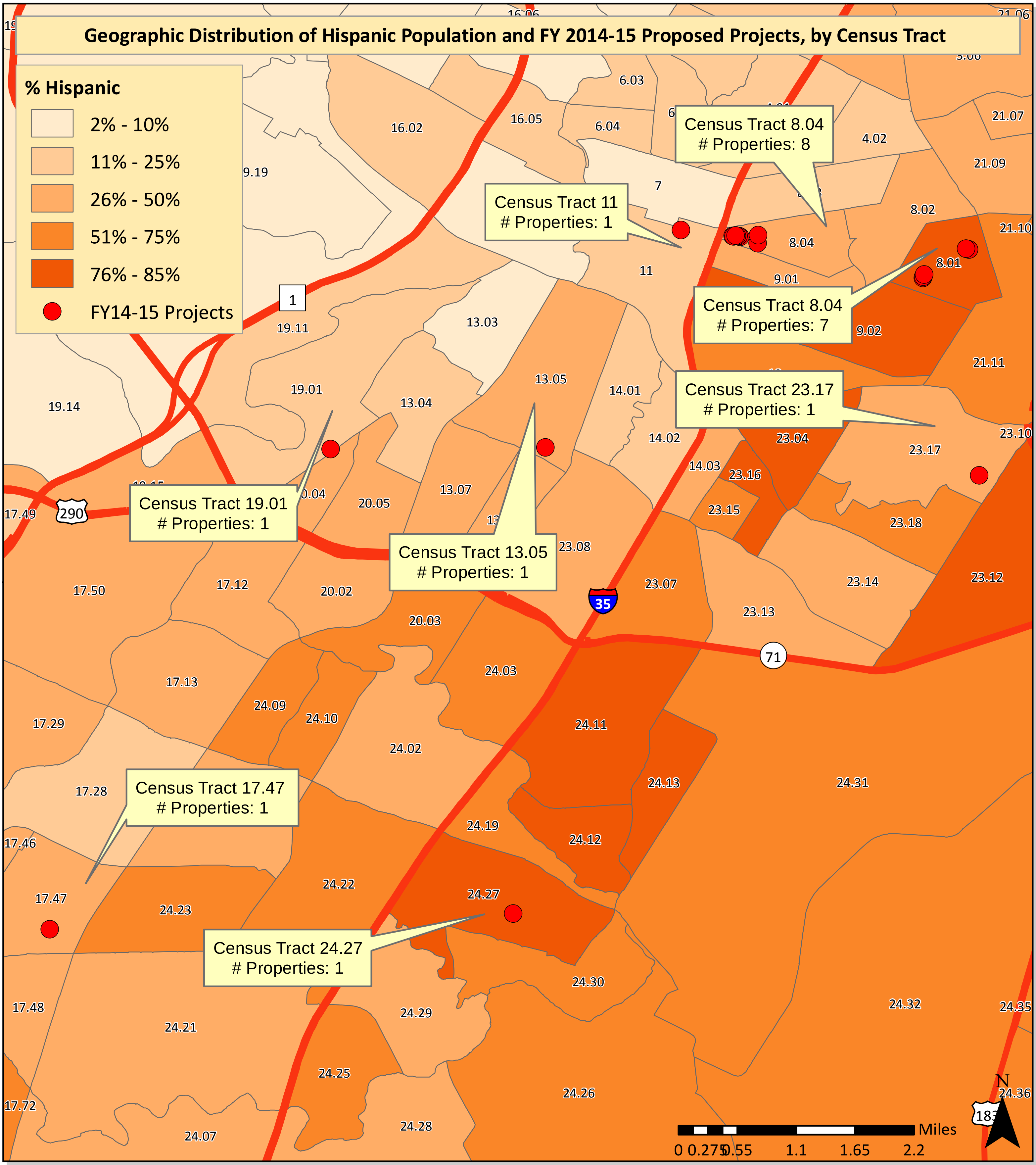
Geographic Distribution of Median Family Income and FY 2014-15 Proposed Projects, by Census Tract



Author: City of Austin, NHCD
Source: 2010 U.S. Census
This map has been produced by the City of Austin for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness.
Date: May 2014.

Projects identified on this map:
-Are or will be federally-funded; and
-Will likely be completed or at least reported on in the next fiscal year.

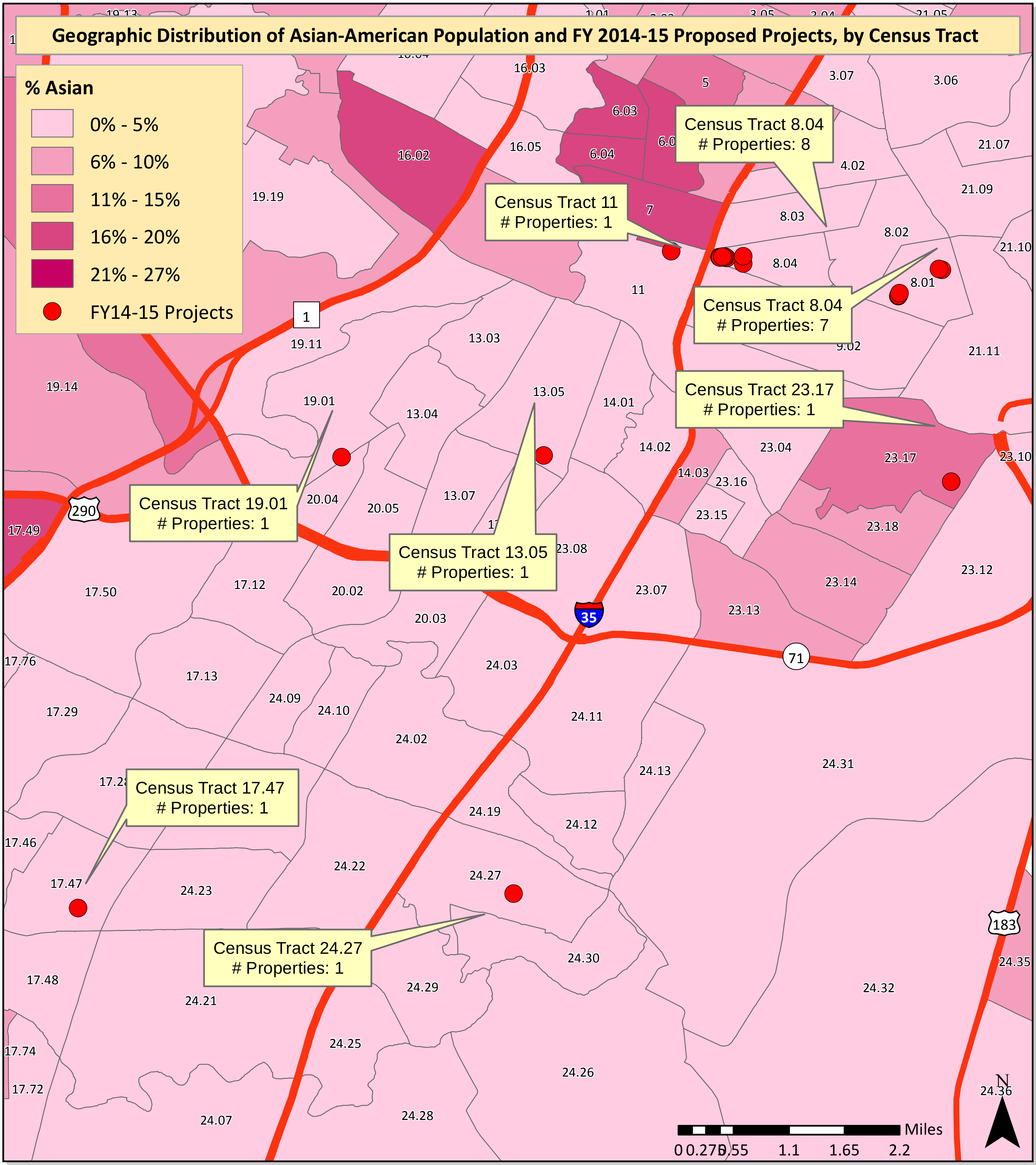
Geographic Distribution of Hispanic Population and FY 2014-15 Proposed Projects, by Census Tract



Author: City of Austin, NHCD
Source: 2010 U.S. Census
This map has been produced by the City of Austin for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness.
Date: May 2014.

Projects identified on this map:
-Are or will be federally-funded; and
-Will likely be completed or at least reported on in the next fiscal year.

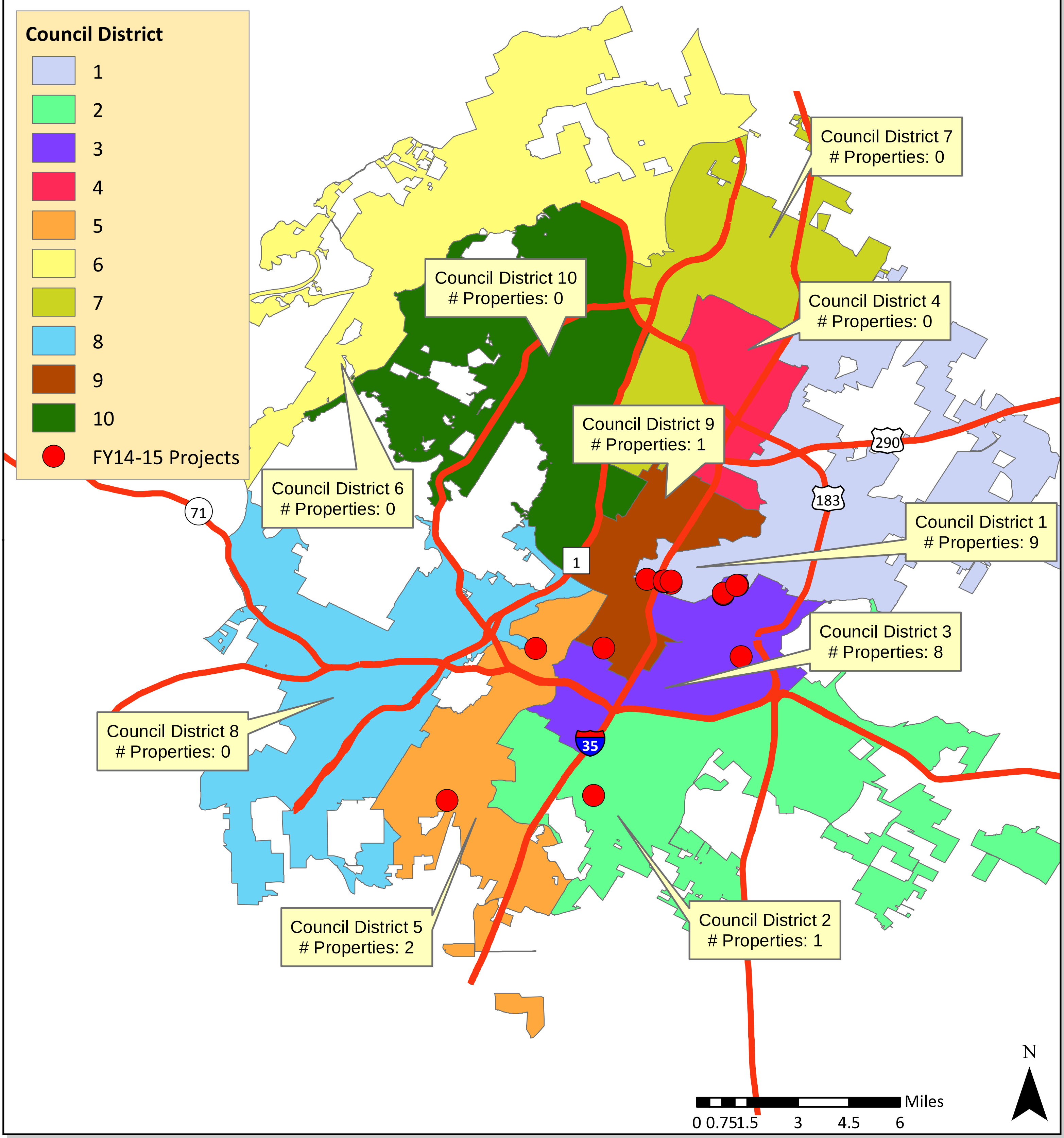
Geographic Distribution of Asian-American Population and FY 2014-15 Proposed Projects, by Census Tract



Author: City of Austin, NHCD
Source: 2010 U.S. Census
This map has been produced by the City of Austin for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness.
Date: May 2014.

Projects identified on this map:
-Are or will be federally-funded; and
-Will likely be completed or at least reported on in the next fiscal year.

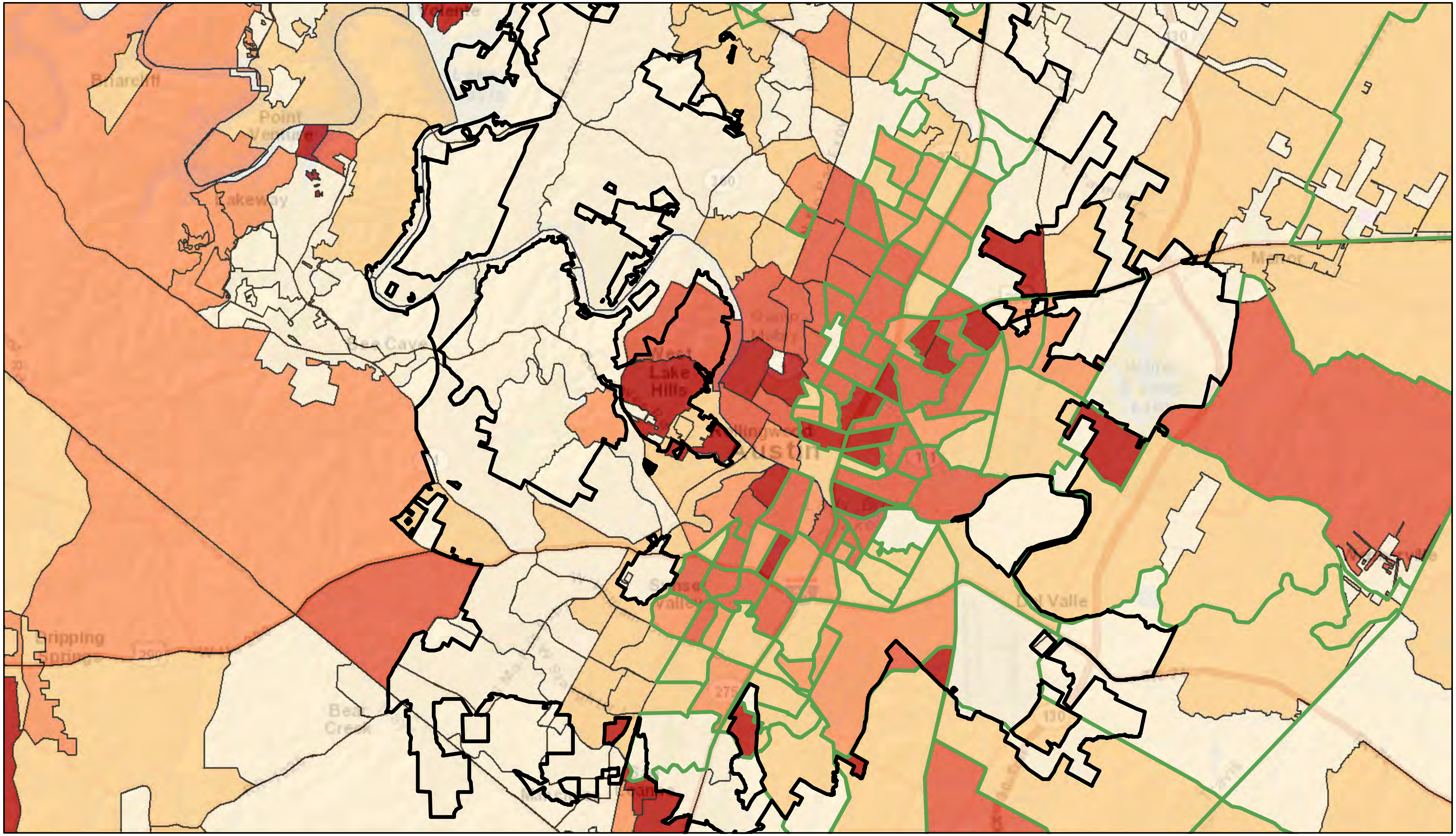
Geographic Distribution of FY 2014-15 Proposed Projects, by Austin City Council District



Author: City of Austin, NHCD
Source: 2010 U.S. Census
This map has been produced by the City of Austin for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness.
Date: May 2014.

Projects identified on this map:
-Are or will be federally-funded; and
-Will likely be completed or at least reported on in the next fiscal year.

CPD Maps - Need for Rehabilitation: Rental



June 3, 2014

Override 1

RentalHousingBuiltBefore1980

Low Mod Tract

B25036_RENT_80MINUS_PCT

<15.6%

15.6-42.66%

42.66-65.75%

65.75-86.85%

>86.85%

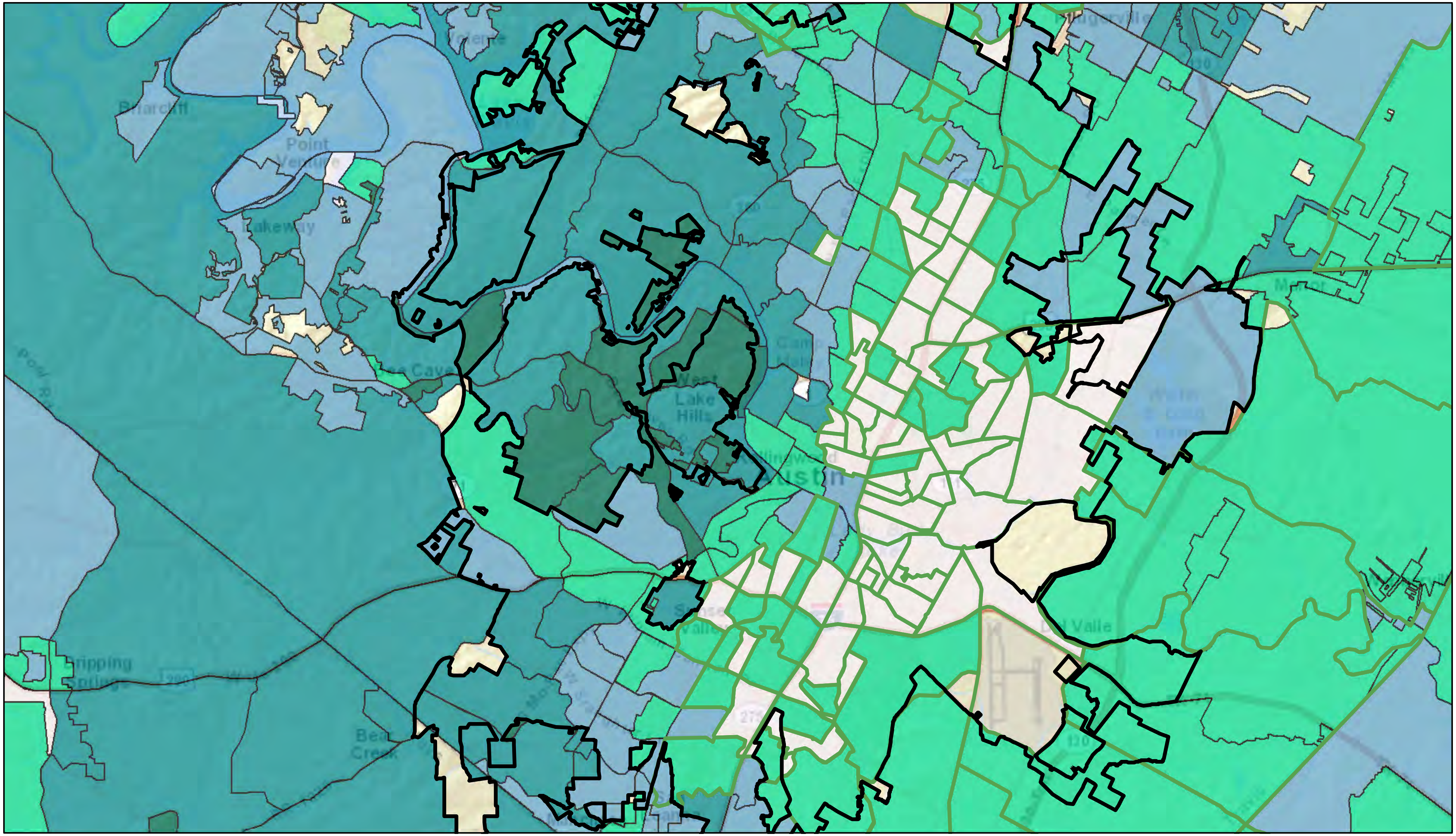
1:251,289

0 2 4 8 mi

0 3.25 6.5 13 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Median Household Income



June 3, 2014

Override 1

Low Mod Tract

MedianHouseholdIncome

B19013EST1

<$38,459

$38,459-$61,745

$61,745-$93,641

$93,641-$154,474

>$154,474

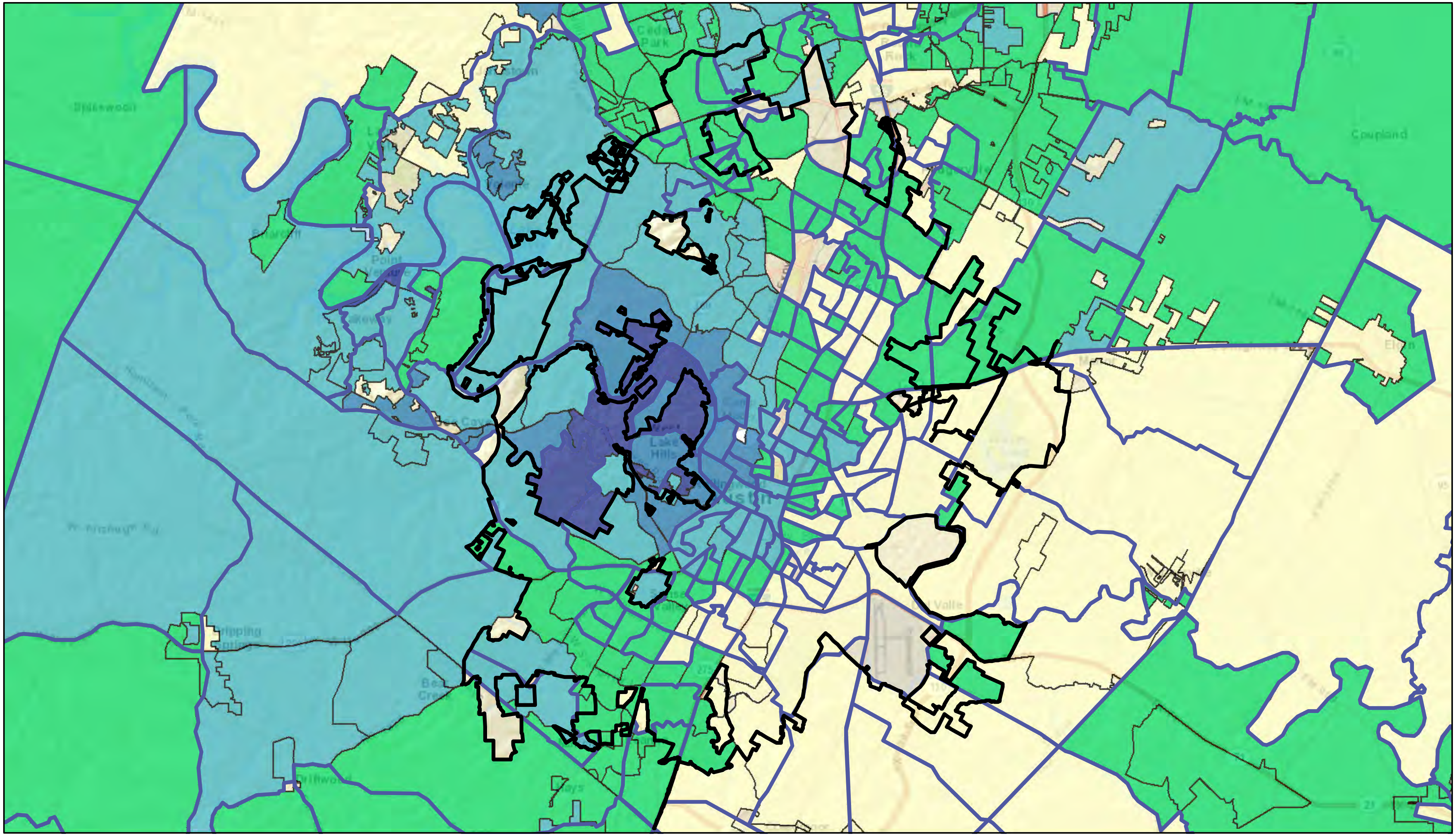
1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Homebuyer Zones



June 3, 2014

Override 1

Vacancy Rate >7%

MedianHomeValue

B25097EST1

<$140,400

$140,400-$272,900

$272,900-$463,100

$463,100-$740,800

>$740,800

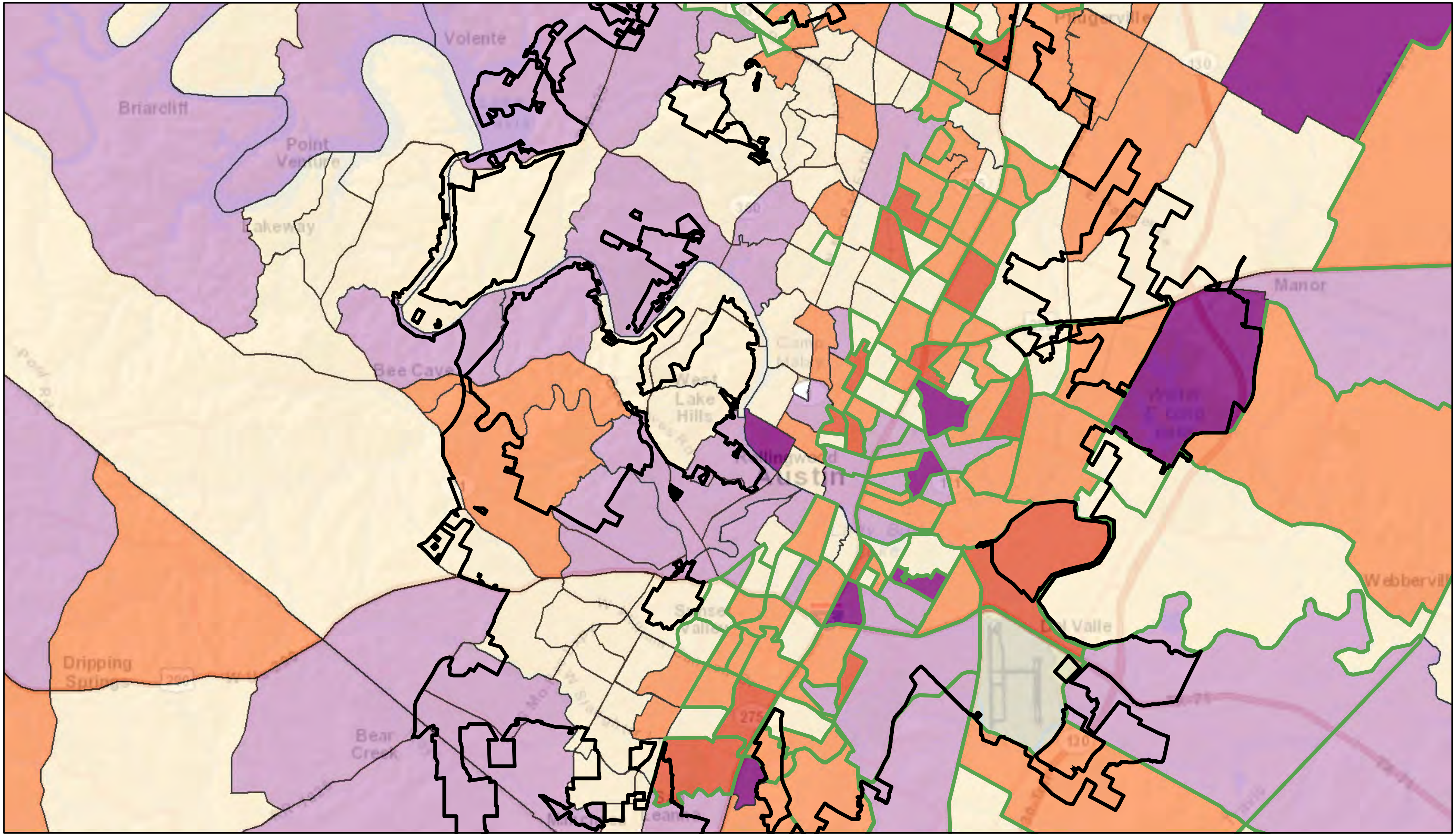
1:352,493

0 3 6 12 mi

0 4.75 9.5 19 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Change in Poverty Rate



June 3, 2014

Override 1

Low Mod Tract

PercentPointChangeInPovertyRate

PPT_POV_RATE

- <-7.54
- -7.54-0.06
- 0.06-5.99
- 5.99-15.23
- >15.23

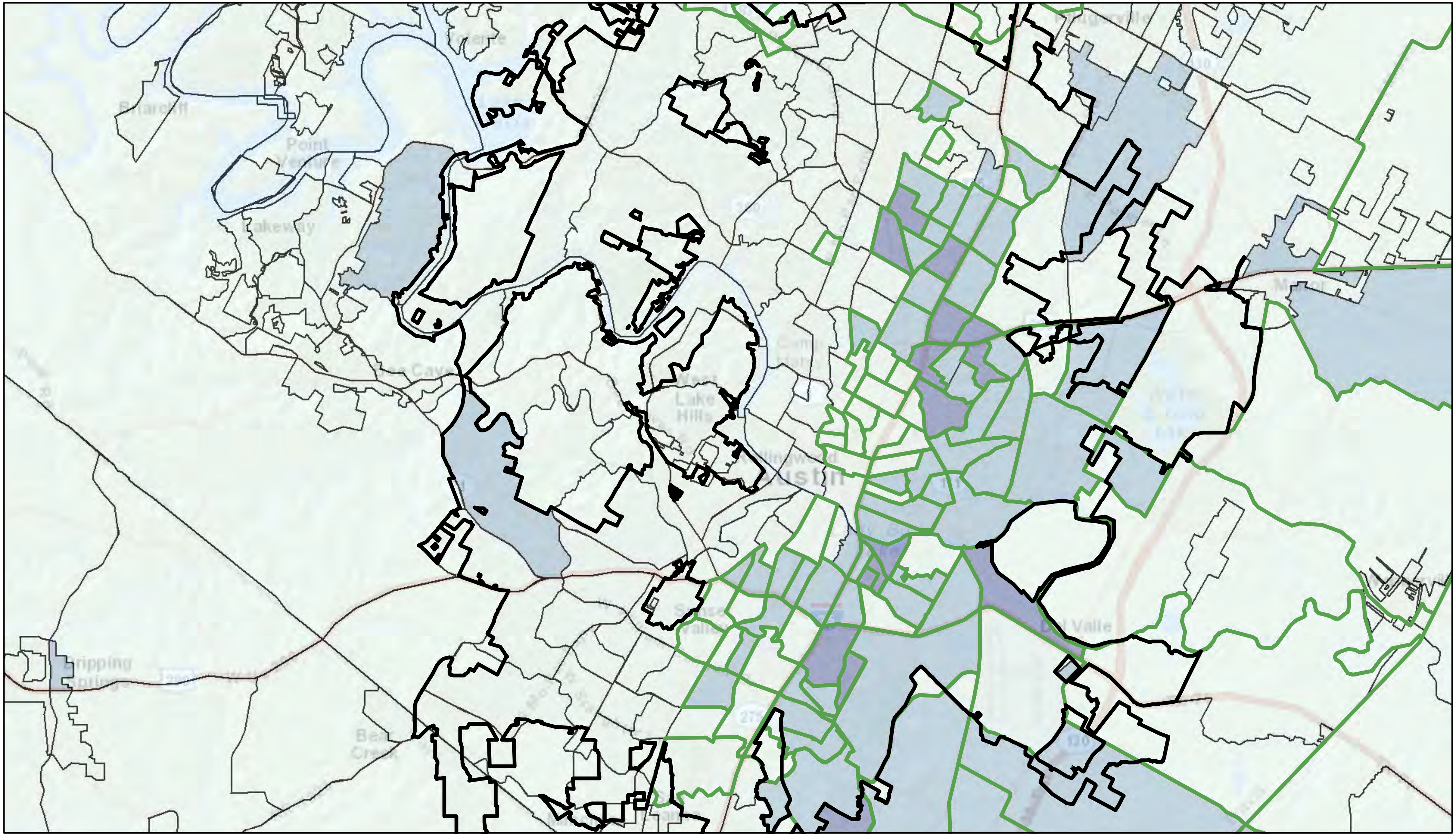
1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Change in % Non-English Speaking



June 3, 2014

Override 1

Low Mod Tract

NonEnglishSpeaking

B16005NE_PCT

<3.5%

3.5-13.56%

13.56-34.35%

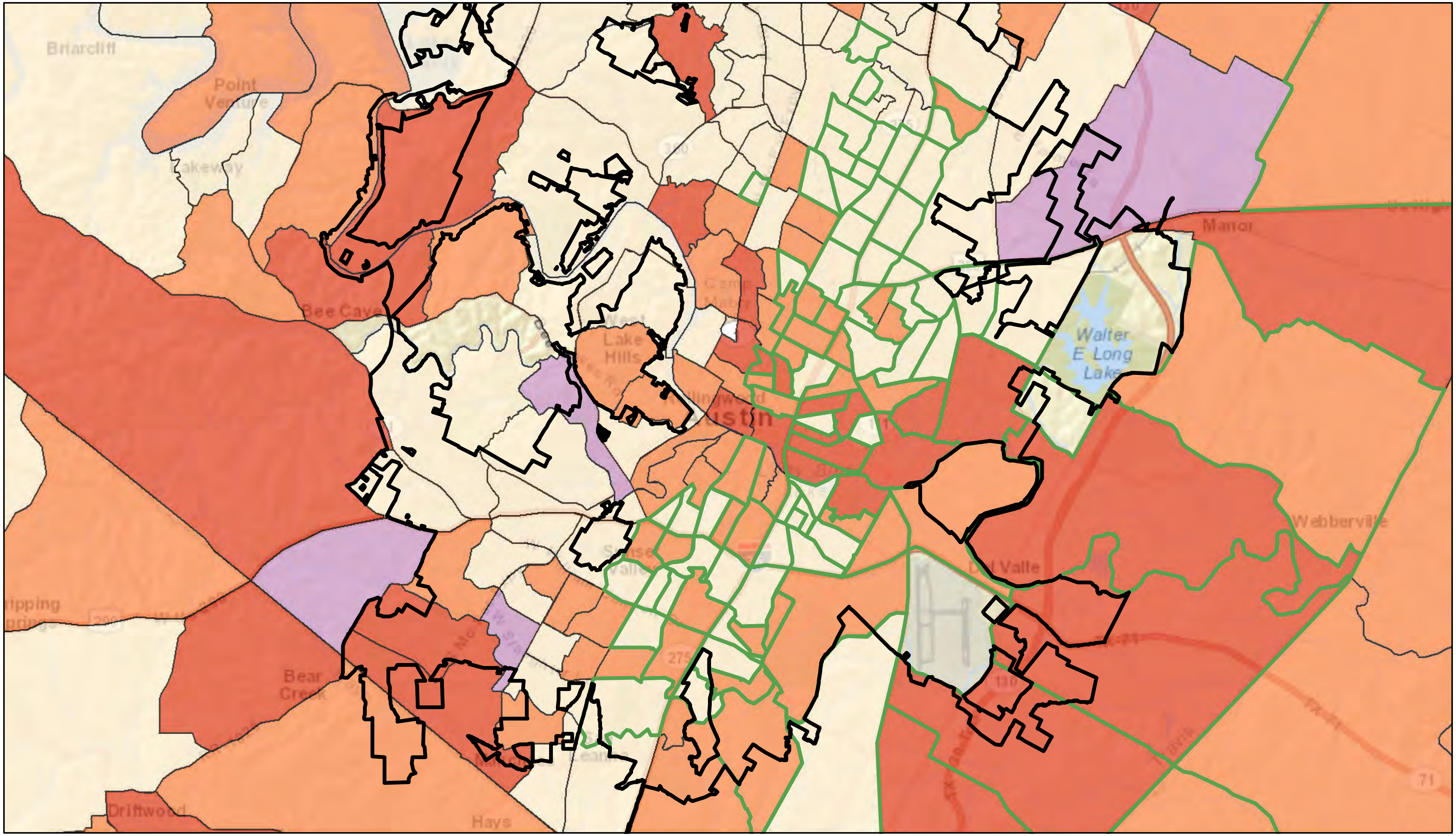
1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Change in Median Rent



June 3, 2014

Override 1

Low Mod Tract

ChangeInMedianRent

PCT_MED_CONTRACT_RENT

-193.9--27.58%

-27.58-16.62%

16.62-35.42%

>35.42%

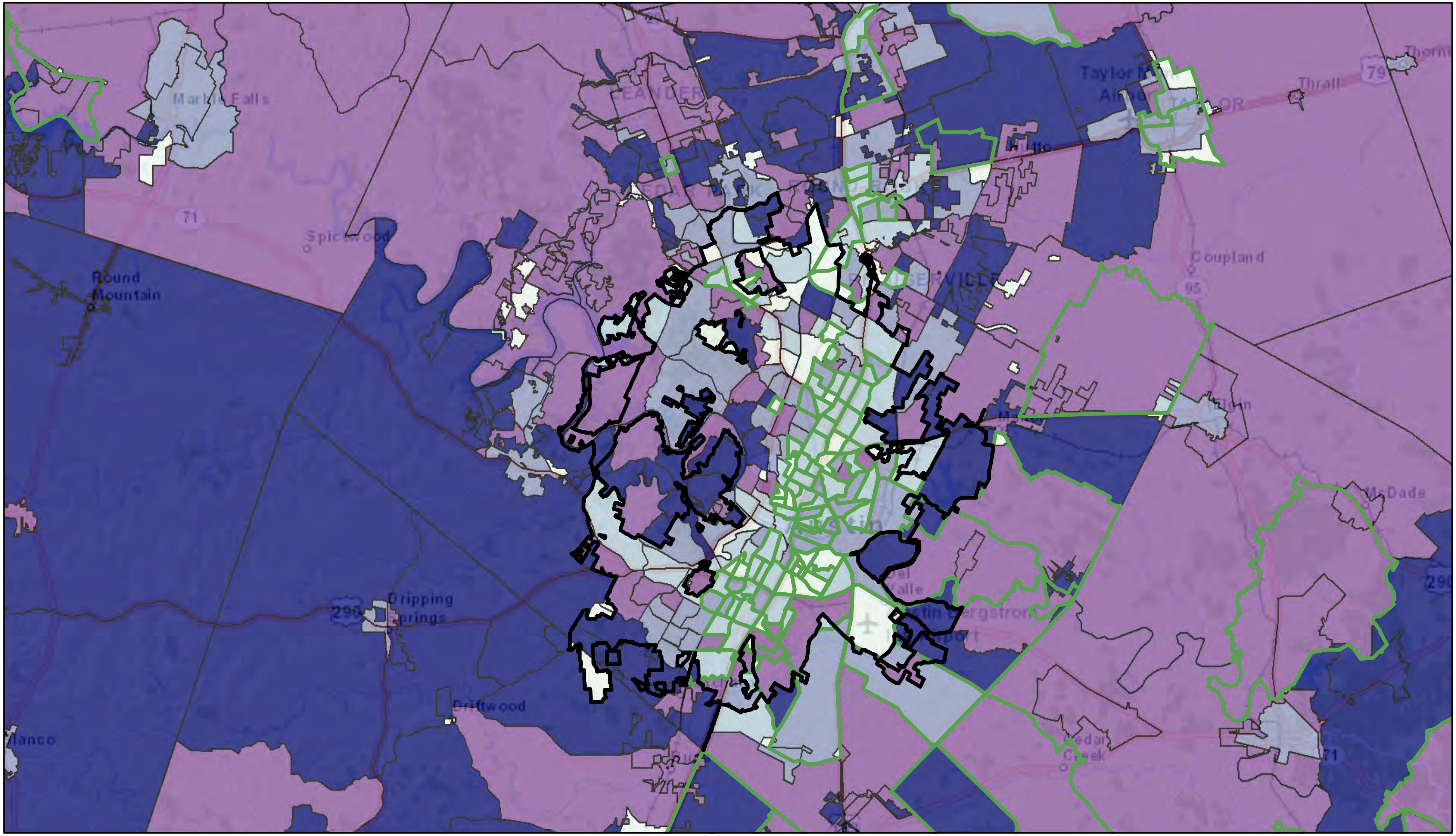
1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - % Owner Occupied Housing



June 3, 2014

Override 1

Low Mod Tract

OwnerOccupiedHousing

B25009EST2_PCT

<18.58% Owner Occupied

18.58-47.9% Owner Occupied

47.9-69.59% Owner Occupied

69.59-87.34% Owner Occupied

>87.34% Owner Occupied

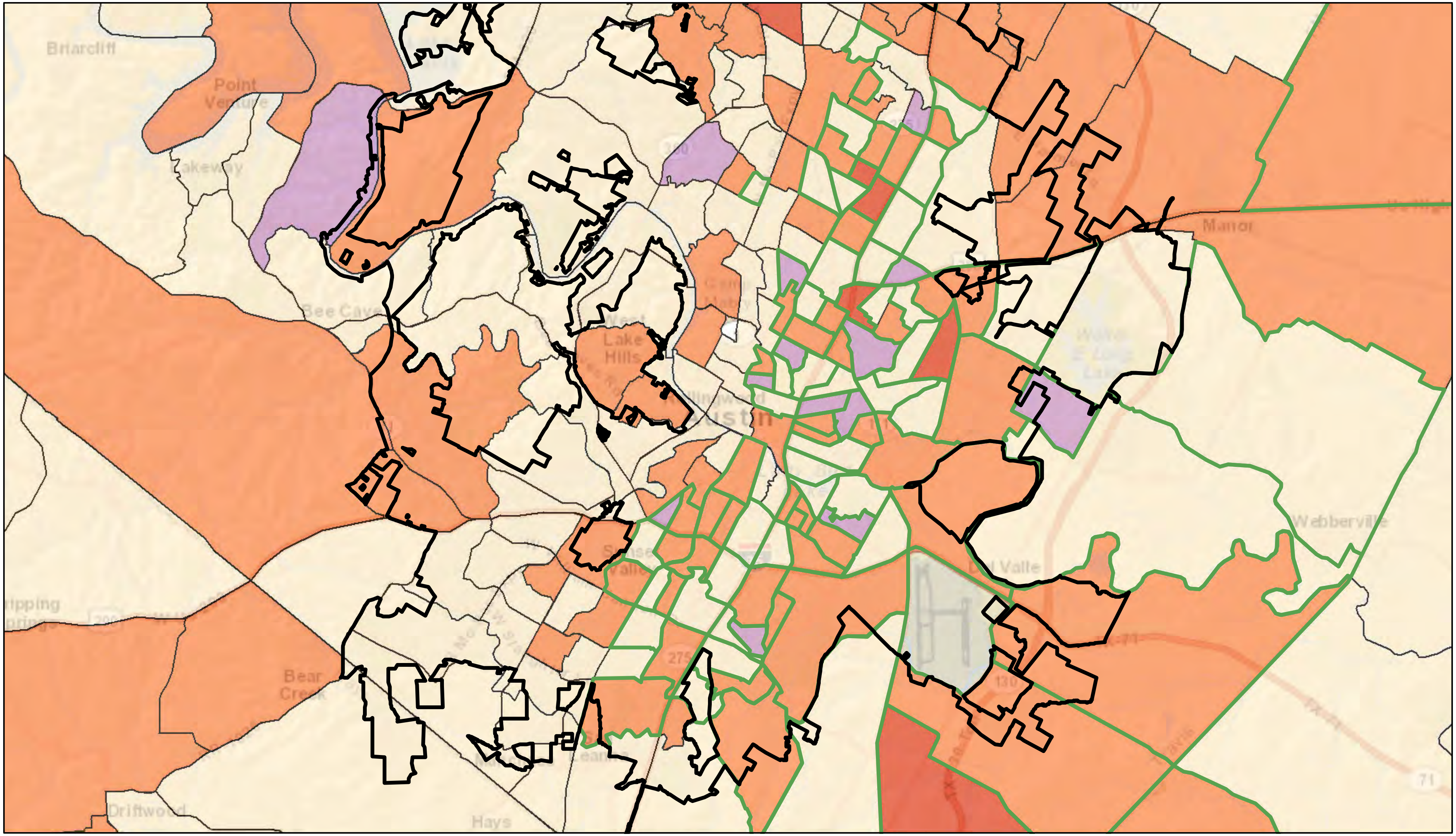
1:504,505

0 4.25 8.5 17 mi

0 5 10 20 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Workforce Development Opportunities



June 3, 2014

Override 1

Low Mod Tract

PercentPointChangeUnempRate

PPT_UNEMPLY_RATE

-16.38--2.55

-2.55-2.94

2.94-9.17

>9.17

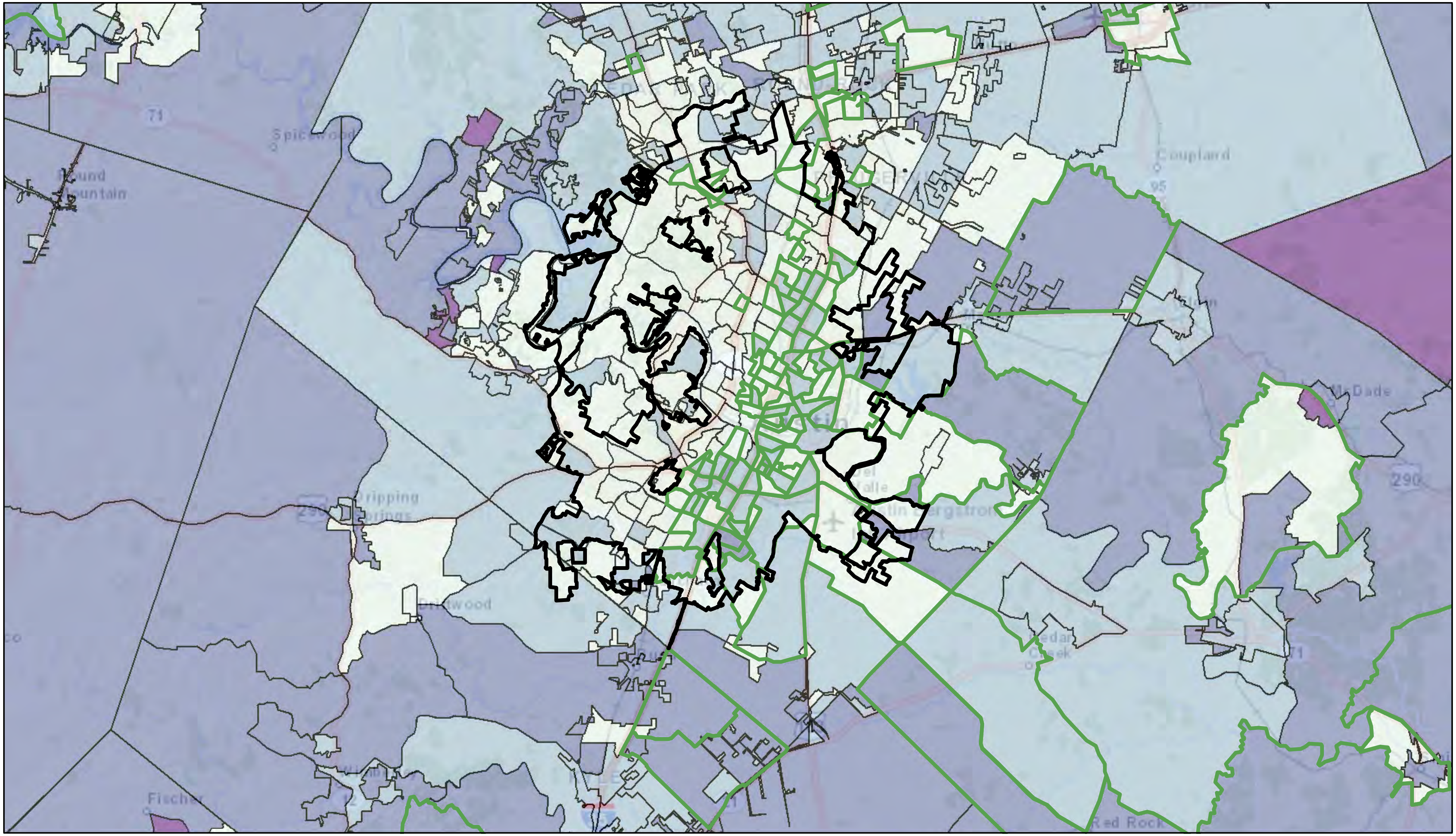
1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Workers with Long Commutes



June 3, 2014

Override 1 | **CommuteTimeGT60Min**

Low Mod Tract | **B08303_60PLUS_TTW_PCT**

<4.75%

4.75-13.8%

13.8-28.79%

28.79-64.1%

>64.1%

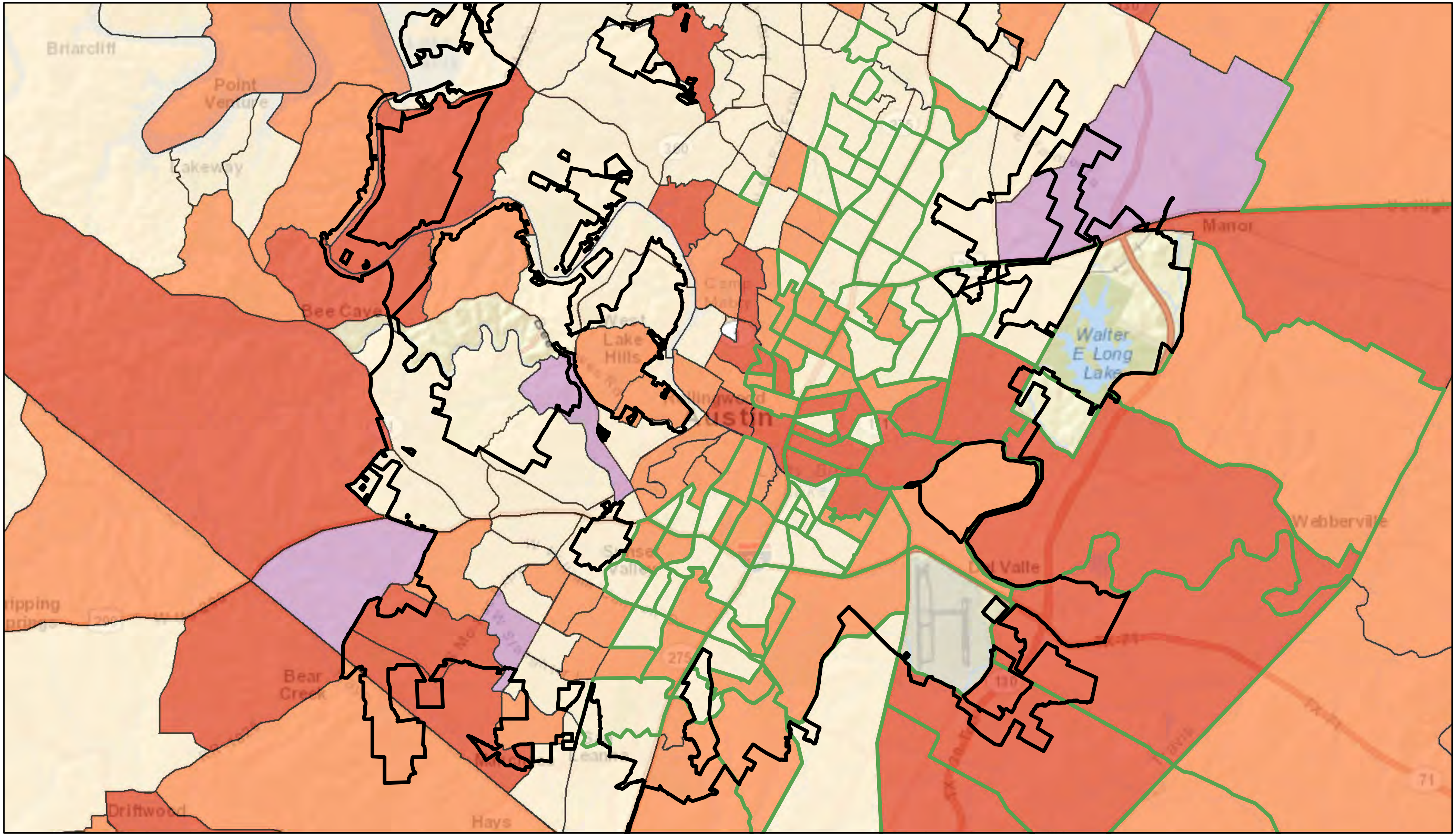
1:504,505

0 4.25 8.5 17 mi

0 5 10 20 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Risk of Homelessness from Increased Rent



June 3, 2014

Override 1

ChangeInMedianRent

Low Mod Tract

PCT_MED_CONTRACT_RENT

-193.9--27.58%

-27.58-16.62%

16.62-35.42%

>35.42%

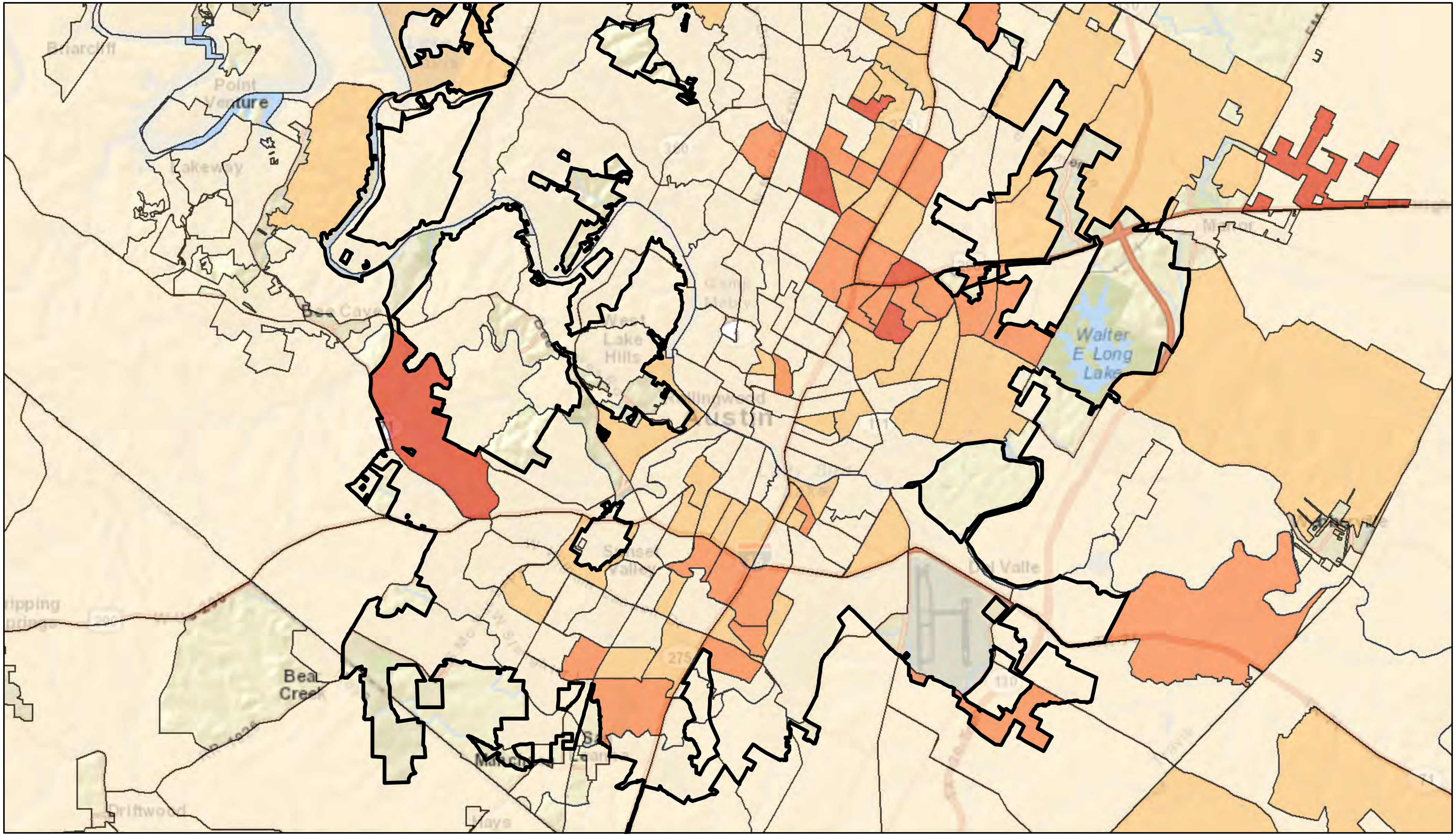
1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

CPD Maps - Risk of Homelessness from Housing Instability



June 3, 2014

Override 1 **ELIHHWithOvercrowding**

T10_LE30_OC_PCT

<5.49%	
5.49-17.91%	
17.91-35.9%	
35.9-70.69%	

1:252,252

0 2 4 8 mi

0 3.5 7 14 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

Appendix III: Program Guidelines and Supporting Documents

Appendix IIIA: Resale and Recapture Policies

RESALE AND RECAPTURE POLICIES

Participating Jurisdictions (PJs) undertaking HOME-assisted homebuyer activities, including any projects funded with HOME Program Income (PI), must establish written resale and/or recapture provisions that comply with HOME statutory and regulatory requirements. These provisions must also be set forth in the PJ's Consolidated Plan. The written resale and/or recapture provisions that a PJ submits in its annual Action Plan must clearly describe the terms of the resale and/or recapture provisions, the specific circumstances under which these provisions will be used (if more than one set of provisions is described), and how the PJ will enforce the provisions for HOME-funded ownership projects. HUD reviews and approves the provisions as part of the annual Action Plan process.

The purpose of this section is to provide the "resale" and "recapture" policies of the City of Austin's Neighborhood Housing and Community Development Department (NHCD) and its subrecipient, the Austin Housing Finance Corporation (AHFC). As stated above, HOME requires that PJs utilize resale and/or recapture provisions to ensure continued affordability for low- to moderate-income homeowners and as a benefit to the public through the wise stewardship of federal funds.

NHCD has three programs which use HOME funds to assist homeowners or homebuyers:

1. Down Payment Assistance (DPA) - new homebuyers;
2. Acquisition and Development (A&D) - developers of new ownership housing, and;
3. Homeowner Rehabilitation Loan Program (HRLP) - owners of existing homes.

Resale

This option ensures that the HOME-assisted units remain affordable over the entire affordability period. The Resale method is used in cases where HOME funding is provided directly to a developer to reduce development costs, thereby, making the price of the home affordable to the buyer. Referred to as a "Development Subsidy," these funds are not repaid by the developer to the PJ, but remain with the property for the length of the affordability period.

Specific examples where the City of Austin would use the resale method include:

1. providing funds for the developer to acquire property to be developed or to acquire affordable ownership units;
2. providing funds for site preparation or improvement, including demolition; and
3. providing funds for construction materials and labor.

The City of Austin Resale Policy

Notification to Prospective Buyers. The resale policy is explained to the prospective homebuyer(s) prior to signing a contract to purchase the HOME-assisted unit. The prospective homebuyer(s) sign an acknowledgement that they understand the terms and conditions applicable to the resale policy as they have been explained. This document is included with the executed sales contract. (*See attached Notification for Prospective Buyers on Page IV-11*.)

Enforcement of Resale Provisions. The resale policy is enforced through the use of a Restrictive Covenant signed by the homebuyer at closing. The Restrictive Covenant will specify:

1. the length of the affordability period (based on the dollar amount of HOME funds invested in the unit; either 5, 10, or 15 years);
2. that the home remain the Buyer's principal residence throughout the affordability period; and
3. the conditions and obligations of the Owner should the Owner wish to sell before the end of the affordability period, including;

    a. the Owner must contact the Austin Housing Finance Corporation in writing if intending to sell the home prior to the end of the affordability period;
    b. The subsequent purchaser must be low-income as defined by HOME, and occupy the home as his/her new purchaser's primary residence for the remaining years of the affordability period. (However, if the new purchaser receives direct assistance through a HOME-funded program, the affordability period will be re-set according to the amount of assistance provided); and
    c. The sales price must be affordable to the subsequent purchaser; affordable is defined as limiting the Principal, Interest, Taxes and Insurance (PITI) amount to no more than 30% of the new purchaser's monthly income.

Fair Return on Investment. The City of Austin will administer its resale provisions by ensuring that the Owner receives a fair return on his/her investment and that the home will continue to be affordable to a specific range of incomes. Fair Return on Investment means the total homeowner investment which includes the total cash contribution plus the approved capital improvements credits as described below:

1. The amount of the down payment;
2. The cost of any capital improvements, documented with receipts provided by the homeowner, including but not limited to:

    a. Any additions to the home such as a bedroom, bathroom, or garage;
    b. Replacement of heating, ventilation, and air conditioning systems;
    c. Accessibility improvements such as bathroom modifications for disabled or elderly, installation of wheel chair ramps and grab bars, any and all of which must have been paid for directly by the Owner and

which were not installed through a federal, state, or locally-funded grant program; and

d. Outdoor improvements such as a new driveway, walkway, retaining wall, or fence.

Note: All capital improvements will be visually inspected to verify their existence.

3. The percentage of change as calculated by the Housing Price Index (HPI) Calculator of the Federal Housing Finance Agency. The HPI Calculator is currently located at www.fhfa.gov/Default.aspx?Page=86 and projects what a given house purchased at a point in time would be worth today if it appreciated at the average appreciation rate of all homes in the area. The calculation shall be performed for the Austin-Round Rock-San Marcos, TX Metropolitan Statistical Area.

Affordability to a Range of Buyers. The City will ensure continued affordability to a range of buyers, particularly those whose total household incomes range from 65 percent to no greater than 80 percent MFI. If the City of Austin or the Austin Housing Finance Corporation implements a Community Land Trust, the range of incomes will be broadened considerably.

Sales prices shall be set such that the amount of Principal, Interest, Taxes, and Insurance does not exceed 30 percent of the new Buyer's annual income. For FY 2012-13, the affordable sales price shall not exceed $175,000, which would be affordable to a 4-person household at 80 percent MFI at today's lower home mortgage interest rates.

Example: A home with a 10-year affordability period was purchased six years ago by a person (the "original homeowner") who now wishes to sell. The original homeowner's mortgage was $52,250 at 6.75% interest for 30 years, and has made payments for 72 months. The current mortgage balance is $48,270. The principal amount paid down so far is $3,980.

Calculating Fair Return on Investment.

Down payment: The original homeowner was required to put down $1,000 earnest money at the signing of the sales contract.

Cost of Capital Improvements: The original homeowner had a privacy fence installed four years ago at the cost of $1,500 and has receipts to document the improvement. A visual inspection confirmed the fence is still in place.

Percentage of Change. The original purchase price for the home was $55,000 and the amount of developer subsidy was $25,000, thus requiring the 10-year affordability period.

For the purposes of using the Federal Housing Finance Agency's Housing Price Index calculator, the home was purchased in the 3rd Quarter of 2006, and will be calculated using the most current quarter available, 1st Quarter 2012. Using the Housing Price Index calculator, the house would be worth approximately $61,112.

Calculating the Fair Return to the Original Owner:	
Down payment:	$1,000
Capital Improvements:	$1,500
Principal Paid:	$3,980
Increase in value per HPI:	$<u>6,112</u>
	$12,592 Fair Return on Investment

In order to realize a fair return to the original homeowner, the sales price must be set at roughly $61,000 (i.e., $55,000 [$3,980 in principal payments made plus remaining mortgage balance of $48,270] +$1,000 down payment + $1,500 capital improvements + $6,112 HPI increase = $60,862)

Affordability for a Range of Buyers. If the original homeowner sets the sales price at $61,000 to get a fair return on investment, and if current (2012) assumptions are used for front/back ratios, interest rates, insurance, taxes, an 80% Loan-to-Value (LTV) Ratio, etc., the monthly PITI would be approximately $483.

The PITI of $483 could, in theory, be supported by an annual household income of $19,500 and not exceed 30% of the subsequent homeowner’s monthly income. The housing costs could be supported more realistically by households with incomes between 50% and 80% MFI. <u>However, with an 80% LTV ratio, most buyers will require down payment assistance which, if HOME funds are used, would create a new affordability period based on the level of the new HOME investment</u>.

If the subsequent homeowner does not require any HOME subsidy to purchase the home, the affordability period would end in 4 years at which time the subsequent homeowner could sell to any buyer at any price.

Recapture

Under HOME recapture provisions financial assistance must be repaid if it is provided directly to the buyer or the homeowner. Upon resale the seller may sell to any willing buyer at any price. The written agreement and promissory note will disclose the net proceeds percentage if any that will be allotted to the homebuyer and what proceeds will return to the PJ. Once the HOME funds are repaid to the PJ, the property is no longer subject to any HOME restrictions. The funds returned to the PJ may then be used for other HOME-eligible activities.

The City of Austin Recapture Policy

The City of Austin and Neighborhood Housing and Community Development (NHCD) HOME funded program under the recapture provisions is the Down Payment Assistance Program (DPA). The Austin Housing Finance Corporation's (AHFC) HOME funded program under recapture provisions is the Homeowner Rehabilitation Loan Program (HRLP).

The (HOME) federal assistance will be provided in the form of a 0% interest, deferred payment loan. The fully executed (by all applicable parties) and dated Written Agreement, Promissory Note and Deed of Trust will serve as the security for these loans. The Deed of Trust will also be recorded in the land records of Travis County or Williamson County.

The payment of the DPA or HRLP Promissory Note is made solely from the net proceeds of sale of the Property (except in the event of fraud or misrepresentation by the Borrower described in the Promissory Note).

The City of Austin and/or AHFC/NHCD may share any resale equity appreciation of HOME-assisted DPA or HRLP loans with the Borrower/Seller according to the following two recapture models:

Standard Down Payment Assistance. The City of Austin will calculate the recapture amount and add this to the existing payoff balance of the DPA loan. The entire payoff balance must be paid to AHFC/NHCD before the homebuyer receives a return. The recapture amount is limited to the net proceeds available from the sale. However, the amount of standard Down Payment Assistance will be forgivable at the end of maturity date if the borrower met all of the program requirements.

Appraised Value of Property or Sales Price (whichever is less)		$
Original Senior Lien Note Amount	(-)	$
Any reasonable and customary sales expenses paid by the Borrower in connection with the sale (Closing costs)	(-)	$
Net proceeds		$
DPA Original Note Amount	(-)	$
Equity to Borrower/Seller	=	$

Shared Equity Down Payment Assistance (DPA). The City of Austin and AHFC/NHCD will permit the Borrower/Seller to recover their entire investment (down payment and capital improvements made by them since purchase) before recapturing the HOME investment. The recapture amount is limited to the net proceeds available from the sale.

Down Payment Formula. Equity to be shared: The Appraised Value of the Property at time of resale less original senior lien Note, less borrower's cash contribution, less capital improvement recapture credit, less the Original Principal Amount of Mortgage Assistance under the DPA Mortgage, calculated as follows:

Appraised Value of Property or Sales Price (whichever is less)		
Original Senior Lien Note Amount	(-)	$
Any reasonable and customary sales expenses paid by the Borrower in connection with the sale (Closing costs)	(-)	$
Net proceeds		$
Borrower's Cash Contribution	(-)	$
Capital Improvement Recapture Credit	(-)	$
DPA Mortgage Assistance Amount	(-)	$
Equity to be Shared	=	

The homebuyer's entire investment (cash contribution and capital improvements) must be repaid in full before any HOME funds are recaptured. The capital improvement recapture credit will be subject to:

1. The borrower having obtained NHCD approval prior to his/her investment; and
2. The borrower providing proof of costs of capital improvements with paid receipts for parts and labor.

Calculation of Shared Equity Percentage. Percentage shall remain the same as calculated at initial purchase (as set forth above).

Shared Equity Payment Due to NHCD or the City of Austin. Shall be (Equity to be shared) x (Shared Equity Percentage), calculated as follows:

Equity to be shared		$
Shared Equity Percentage	X	%
Shared Equity Payment Due to NHCD/City of Austin	=	$

Total Due to NHCD or City of Austin. Shall be the total of all amounts due to NHCD or the City of Austin calculated as follows:

Mortgage Assistance Amount		$
Interest and Penalties	+	$
Shared Equity Payment	+	$
Total Due to NHCD/City of Austin	=	$

HRLP Homeowner Reconstruction Formula. Upon executing and dating the Promissory Note, Written Agreement and the Deed of Trust the parties agree that the Mortgage Assistance Amount provided to Borrower by AHFC is to be 25% of the Borrower's/Sellers equity in the Property.

Equity to be Shared. The Appraised Value of the Property at time of resale, less closing costs, homeowner's cash contribution (if any), capital improvement recapture credit, AHFC original assistance amount, calculated as follows:

Appraised Value of Property or Sales Price (whichever is less)		
Any reasonable and customary sales expenses paid by the Borrower/Seller in connection with the sale (Closing costs)	(-)	$
Homeowner's Cash Contribution	(-)	$
Capital Improvement Recapture Credit	(-)	$
AHFC or the City of Austin Original HRLP Assistance Amount	(-)	$
Equity to be Shared	=	

Calculation of Shared Equity Percentage: Percentage shall remain the same as initially determined (as set forth above). Shared Equity Payment Due to AHFC or the City of Austin: Shall be (Equity to be shared) x (Shared Equity Percentage), calculated as follows:

Equity to be shared	$
Shared Equity Percentage	25%
Shared Equity Payment Due to AHFC or the City of Austin	= $

Total Due to AHFC or the City of Austin: Shall be the total of all amounts due to AHFC or the City of Austin calculated as follows:

Existing Owing HRLP Mortgage Assistance Amount	$
Shared Equity Percentage Payment	+ $
Sum Total Due to AHFC or the City of Austin	$

HRLP Homeowner Rehabilitation Formula. Equity to be shared: The Appraised Value of the Property at time of resale, less closing costs, homeowner's cash contribution (if any), capital improvement recapture credit, AHFC or the City of Austin's original assistance amount, calculated as follows:

Appraised Value of Property or Sales Price (whichever is less)		
Any reasonable and customary sales expenses paid by the homeowner in connection with the sale (Closing costs)	(-)	$
Homeowner's Cash Contribution	(-)	$
Capital Improvement Recapture Credit	(-)	$
AHFC and/or the City of Austin's Original HRLP Assistance Amount	(-)	$
Equity to Borrower/Seller	=	

Net proceeds consist of the sales prices minus loan repayment, other than HOME funds, and closing costs. If the net proceeds of the sale are insufficient to fully satisfy the amounts owed on the HRLP Note the AHFC or the City of Austin may not personally seek or obtain a deficiency judgment or any other recovery from the Borrower/Seller. The amount due to Lender is limited to the net proceeds, if any, if the net proceeds are not sufficient to recapture the full amount of HOME funds invested plus allow Borrower to recover the amount of Borrower's down-payment and capital improvement investment, including in, but not limited to, cases of foreclosure or deed-in-lieu of foreclosure,. If there are no net proceeds AHFC or the City of Austin will receive no share of net proceeds.

However, in the event of an uncured Default, AHFC or the City of Austin may, at its option, seek and obtain a personal judgment for all amounts payable under the Note. This right shall be in addition to any other remedies available to AHFC and/or the City of Austin. If there are insufficient funds remaining from the sale of the property and the City of Austin or the Austin Housing Finance Corporation (AHFC) recaptures less than or none of the recapture amount due, the City of Austin and/or AHFC must maintain data in each individual HRLP file that documents the amount of the sale and the distribution of the funds.

This will document that:

1. There were no net sales proceeds; or
2. The amount of the net sales proceeds was insufficient to cover the full amount due; and
3. No proceeds were distributed to the homebuyer/homeowner.

Under "Recapture" provisions, if the home is SOLD prior to the end of the required affordability period, the net sales proceeds from the sale, if any, will be returned to the City of Austin and/or AHFC to be used for other HOME-eligible activities. Other than the actual sale of the property, if the homebuyer or homeowner breaches the terms and conditions for any other reason, e.g. no longer occupies the property as his/her/their principal residence, the full amount of the subsidy is immediately due and payable.

If Borrower/Seller is in Default, AHFC and/or the City of Austin may send the Borrower/Seller a written notice stating the reason Borrower/Seller is in Default and telling Borrower/Seller to pay immediately:

(i) the full amount of Principal then due on this Note,
(ii) all of the interest that Borrower/Seller owes, and that will accrue until paid, on that amount, and
(iii) all of AHFC/or the City of Austin's costs and expenses reimbursable Recovery against the Borrower/Seller responsible for the fraud or

misrepresentation is not limited to the proceeds of sale of the Property, but may include personal judgment and execution thereon to the full extent authorized by law.

Affordability Periods

HOME Program Assistance Amount	Affordability Period in Years
$1,000 - $14,999.99	5
$15,000 – $40,000	10
Over $40,000	15
Reconstruction Projects*	20

*City of Austin policy

A HOME Written Agreement, Note and Deed of Trust will be executed by the Borrower and the City of Austin and/or the Austin Housing Finance Corporation (AHFC) that accurately reflects the resale or recapture provisions before or at the time of sale.

References: [HOMEfires Vol 5 No 2, June 2003 – Repayment of HOME Investment; Homebuyer Housing with a 'Recapture' Agreement; Section 219(b) of the HOME Statute; and §92.503(b)(1)-(3) and (c)]

City of Austin Refinancing Policy

In order for new executed subordination agreement to be provided to the senior first lien holder, the senior first lien refinance must meet the following conditions:

1. The new senior first lien will reduce the monthly payments to the homeowner, thereby making the monthly payments more affordable; or
2. Reduce the loan term;
3. The new senior lien interest rate must be fixed for the life of the loan (Balloon or ARM loans are ineligible);
4. No cash equity is withdrawn by the homeowner as a result of the refinancing actions;
5. AHFC/NHCD and/or the City will, at its discretion, agree to accept net proceeds in the event of a short sale to avoid foreclosure; and
6. Only if the borrower meets the minimum requirements to refinance, the City can re-subordinate to the first lien holder.

<u>The refinancing request will be processed according to the following procedure:</u>

1. Submit a written request to Compliance Division to verify the minimum refinancing requirements with one month in advance from the expected closing;
2. NHCD/AHFC will review the final HUD-1 Settlement Statement two weeks prior to closing the refinance.
3. If applicable, NHCD/AHFC or the City of Austin will issue written approval a week prior to the closing date.

4. NHCD/AHFC will be provided with a copy of the final, executed HUD-1 Settlement Statement, Promissory Note, and recorded Deed of Trust three days in advance of the closing date.
5. If written permission is not granted by AHFC/NHCD or the City of Austin allowing the refinance of the Senior Lien, the DPA OR HRLP Loan will become immediately due and payable prior to closing the refinance.
6. If written permission is granted by AHFC/NHCD and/or the City of Austin and it is determined that the refinancing action does not meet the conditions as stated above, the DPA OR HRLP Loan will become immediately due and payable prior to closing the refinance.
7. Home Equity loans will trigger the repayment requirements of the DPA OR HRLP Programs loans. The DPA or HRLP Notes must be paid off no later than when the Home Equity Loan is closed and funded.
8. The DPA OR HRLP Notes must be paid-in-full in order for AHFC/NHCD and/or the City of Austin to execute a release of lien.

Basic Terminology

Affordable Housing*:* The City of Austin follows the provisions established on 24 CFR 92.254, and consider that in order for homeownership housing to qualify as *affordable housing* it must:

- Be single-family, modest housing,
- Be acquired by a low-income family as its principal residence, and
- Meet affordability requirements for a specific period of time as determined by the amount of assistance provided.

The City: means the City of Austin's Neighborhood Housing and Community Development Office (NHCD) or its sub recipient, the Austin Housing Finance Corporation (AHFC).

Fair Return on Investment: means the total homeowner investment which includes the total cash contribution plus the approved capital improvements credits.

Capital Improvement: means additions to the property that increases its value or upgrades the facilities. These include upgrading the heating and air conditioning system, upgrading kitchen or bathroom facilities, adding universal access improvements, or any other permanent improvement that would add to the value and useful life of the property. The costs for routine maintenance are excluded.

Capital Improvement Credit: means credits for verified expenditures for Capital Improvements.

Direct HOME subsidy: is the amount of HOME assistance, including any program income that enabled the homebuyer to buy the unit. The direct subsidy includes down payment, closing costs, interest subsidies, or other HOME assistance provided directly to the homebuyer. In addition, direct subsidy includes any assistance that reduced the purchase price from fair market value to an affordable price.

Direct HOME subsidy for Homeowner Rehabilitation Loan Program: is the amount of HOME assistance, including any program income that enabled the homebuyer to repair or reconstruct the unit. The direct subsidy includes hard costs and soft cost according to 24 CFR 92.206

Net proceeds: are defined as the sales price minus superior loan repayment (other than HOME funds) and any closing costs.

Recapture: The recapture provisions are established at §92.253(a)(5)(ii), permit the original homebuyer to sell the property to any willing buyer during the period of affordability while the PJ is able to recapture all or a portion of the HOME-assistance provided to the original homebuyer.

Source: Notice: CPD 12-003 http://www.hud.gov/offices/cpd/lawsregs/notices/2012/12-003.pdf

INFORMATION FOR PROSPECTIVE BUYERS

The [Five] [Ten] [Fifteen]-Year Affordability Period
&
The Restrictive Covenant Running With the Land

I understand that because a certain amount of federal funds were used by [Developer Name] to develop the property at ____, the federal government requires that certain restrictions apply to the occupancy or re-sale of this home for a period of [five (5) ten (10) fifteen (15)] years. I understand that during that [five] [ten] [fifteen]-year period, those requirements will be enforced through a legally-enforceable document called a "Restrictive Covenant Running with the Land."

Please Initial Below

If I choose to purchase this home, at the time the home is sold to me, I will sign a Restrictive Covenant Running with the Land, and it will be filed in the Official Public Records of the Travis County Clerk's Office. The requirements of the Restrictive Covenant Running with the Land are:

________ • That **I must occupy the home as my principal residence** during the [5] [10] [15]-year period in which the Restrictive Covenant is in effect;

________ • If I wish to sell the Property before the end of that period, I am required to sell it to a subsequent buyer whose total household income is **at or below 80% of the Austin area Median Family Income** in effect for the year I wish to sell the home.

________ • The sales price must be set such that I receive a **fair return** which shall be defined as:

1. The amount of any cash contributions including the down payment and principal payments made;
2. The cost of any capital improvements, documented with receipts, and including but not limited to:
    a. Any additions to the home such as a bedroom, bathroom, or garage;
    b. Replacement of heating, ventilation, and air conditioning systems;
    c. Accessibility improvements such as bathroom modifications for disabled or elderly, installation of wheel chair ramps and grab bars, any and all of which must have been paid for directly by the Owner and which were not installed through a federal, state, or locally-funded grant program; and
    d. Outdoor improvements such as a new driveway, walkway, retaining wall, or fence.

________ • The sales price must be set so that the monthly principal, interest, taxes and insurance to be paid by the subsequent buyer **will not exceed 30% of that subsequent buyer's monthly household income.**

________ • **I will notify the Austin Housing Finance Corporation (AHFC) in writing** so that AHFC can assist with the compliance of this federal regulation.

I/We acknowledge having received this information about the federal requirements involved if I/we decide to purchase this home.

____ ____
Signature Date Signature Date

MONITORING PLAN

The goal of the City of Austin's monitoring process is to assess subrecipient/contractor performance in the areas of program, financial and administrative compliance with applicable federal, state and municipal regulations and current program guidelines. Under this plan, select programs and project activities are monitored through one or more of the following components. The City of Austin's monitoring plan consists of active contract monitoring and long-term monitoring for closed projects.

Active Contract Monitoring

Prior to executing any agreement or obligation, monitoring takes the form of a compliance review. Verification is obtained to ensure that the proposed activity to be funded has received the proper authorization through venues such as the annual Action Plan, environmental review and fund release, and identification in the Integrated Disbursement and Information System (IDIS). A contract begins with written program guidelines, documentation and tracking mechanisms that will be used to demonstrate compliance with applicable federal, state and local requirements.

For activities implemented through external programs or third-party contracts with non-profit, for-profit and community-based organizations, a solicitation may be required in the form of a comprehensive Notice of Fund Availability (NOFA or Request for Proposals (RFP) which details performance, financial and regulatory responsibilities.

1. Compliance Review prior to obligation of funds. Prior to entering into any agreement or to the obligation of entitlement funds, the City conducts a compliance review to verify that the program activity has been duly authorized. The compliance review consists of verifying and documenting that:

- The program activity has been approved as part of the Action Plan for the specified funding source and year;
- The availability of applicable funds for the specific activity;

- The activity has received environmental review and determination and fund release, as applicable;
  - The service provider is not listed in the System for Award Management (SAM);
  - The activity has been set up and identified in IDIS;
  - The scope of work defined in the contract has adequately addressed performance, financial and tracking responsibilities necessary to report and document accomplishments; and
  - The service provider has the required insurance in place.

After this information has been verified and documented, staff may proceed in obtaining authorization and utilization of entitlement funds for the activity.

2. Desk Review. Before processing an invoice for payment, staff reviews the invoice to verify that the item or service is an eligible expense and it is part of the contract budget. Staff also reviews performance reports and supporting documentation submitted with the invoice to ensure that the contractor is performing in accordance with the terms of the contract and the scope of work. This level of monitoring is performed on an ongoing basis throughout the duration of the contract.

3. Records Audit. The review at this level includes a review of all file documents as needed. A file checklist is used to determine if the required documents are present. Through the review of performance reports and other documentation submitted by the contractor, staff is able to identify areas of concern and facilitate corrections and/or improvements. Should problems be identified, a contractor or recipient of funds may then be provided technical assistance as necessary to reach a resolution. However, if no resolution of identified problems occurs or the contractor fails to perform in accordance with the terms and conditions of the contract, the City of Austin has the authority to suspend further payments to the contractor or recipient of funds until such time that issues have been satisfactorily resolved.

4. Selected On-Site Monitoring. A risk assessment is conducted internally and is used to determine the priority of site reviews to be conducted. Based on the results of the risk assessment, a selected number of projects may be subject to an on-site review. The performance of contractors is reviewed for compliance with the program guidelines and the terms and conditions of the contract. In particular, staff verifies program administration and regulatory compliance in the following areas:

- Performance (*e.g.* meeting a national objective, conducting eligible activities, achieving contract objectives, performing scope of work activities, maintaining contract schedule, abiding by the contract budget);
- Record keeping;
- Reporting practices; and
- Compliance with applicable anti-discrimination regulations.

There will be follow-up, as necessary, to verify regulatory and program administration compliance has been achieved.

5. Contract Closeout. Once a project activity has been completed and all eligible project funds expended, the staff will require the contractor to submit a project closeout package. The contract closeout will provide documentation to confirm whether the contractor was successful in completing all performance and financial objectives of the contractor. Staff will review and ask the contractor, if necessary, to reconcile any conflicting information previously submitted. The project closeout will constitute the final report for the project. Successful completion of a project means that all project activities, requirements, and responsibilities of the contractor have been adequately addressed and completed.

Long-term Monitoring

Acceptance of funds from Neighborhood Housing and Community Development (NHCD) Office of the City of Austin, or its sub-recipient Austin Housing Finance Corporation (AHFC) obligates beneficiaries/borrowers to adhere to conditions for the term of the affordability period. NHCD is responsible for the compliance oversight and enforcement of long- or extended-term projects and financial obligations created through City-sponsored or -funded housing and community development projects. In this capacity, NHCD performs the following long-term monitoring duties:

- Performs compliance monitoring in accordance with regulatory requirements specified in the agreement;
- Reviews and verifies required information and documentation submitted by borrowers for compliance with applicable legal obligations and/or regulatory requirements; and
- Enforces and takes corrective action with nonperforming loans and/or projects deemed to be out of compliance in accordance with legal and/or regulatory terms and conditions.

Monitoring may be in the form of a desk review, on-site visit, visual or Housing Quality Standard (HQS) inspection. Technical assistance is available to assist beneficiaries/ borrowers in understanding any aspect of the contractual obligation so that performance goals are met with minimal deficiencies.

Appendix IIIB: ESG Program Standards

CITY OF AUSTIN
Health and Human Services Department

EMERGENCY SOLUTIONS GRANT PROGRAM (ESG)
PROGRAM STANDARDS AND GUIDELINES
FY 2014-2015

TABLE OF CONTENTS

A. ESG PROGRAM DESCRIPTION

I. General The Emergency Solutions Grant Program (ESG), formerly known as the Emergency Shelter Grant Program, is funded through the City's Neighborhood Housing and Community Development Office (NHCD), which is made available by the U.S. Department of Housing and Urban Development (HUD). The City utilizes ESG funds to provide an array of services to assist homeless persons and persons at-risk of homelessness.

The ESG program is designed to be the first step in a continuum of assistance to help clients quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.

The City's Health and Human Services Department is responsible for the implementation of ESG in compliance with the governing regulations of the ESG program. The City's Neighborhood Housing and Community Development Office (NHCD) is responsible for the planning and administration of the ESG program. The Community Development Officer (CDO) of NHCD has the authority to establish processes, procedures, and criteria for the implementation and operation of the program, and to waive compliance with any provision of these guidelines if s/he determines that to do so does not violate any Federal, state, or local law or regulation, and is in the best interest of the City. Nothing contained, stated, or implied in this document shall be construed to limit the authority of the City to administer and carry out the program by whatever means and in whatever manner it deems appropriate.

II. Allocations **The City of Austin has been allocated the following amounts for the Emergency Solutions Grant FY 2014-2016.**

ESG Category	COA Amount
Emergency Shelter Operations and Maintenance	$313,922
Rapid Rehousing – Housing Stabilization and Location	$248,130
HMIS – Scan Card Project	$21,654
Administration	$0
TOTAL	$583,706

III. Eligible Organizations The subrecipient must be a unit of local government or a private, non-profit organization, as defined by the Internal Revenue Service tax code, evidenced by having a Federal identification number, filed articles of incorporation, and written organizational by-laws.

IV. **Ineligible Organizations** An organization will not be eligible to apply for ESG funds if it meets the following conditions:

A. Outstanding audit or monitoring findings, unless appropriately addressed by a corrective action plan;
B. Current appearance on the List of Suspended and Debarred Contractors;
C. Terms and conditions of existing contract are not in full compliance;
D. History of non-performance with contracts.

V. **Matching Funds** Subrecipient organizations that receive ESG funds must provide a dollar for dollar (or 100%) match to their ESG award amount.

A. Sources of matching funds include:
   i. Cash Contributions- Cash expended for allowable costs identified in OMB Circular A-87 and A-122. *Program Income* for the ESG program can also be used as match funds.
   ii. Non-Cash Contributions- The value of any real property, equipment, goods, or services.
B. Funds used to match a previous ESG grant may not be used to match a subsequent award.

VI. **Eligible Activities** The following is a list of eligible activities for the ESG Program:

A. *Street Outreach*- Support services limited to providing emergency care on the streets, including engagement, case management, emergency health and mental health services, and transportation;

B. *Emergency Shelter*- Includes essential services, case management, child care, education, employment, outpatient health services legal services, life skills training, mental health and substance abuse services, transportation, shelter operations, and funding for hotel/motel stays under certain conditions;

C. *Homeless Prevention*- Includes housing relocation and stabilization services and short/medium-term rental assistance for individuals/families who are at risk of homelessness;

D. *Rapid Re-Housing*- Includes housing relocation and stabilization services and short/medium-term rental assistance to help individuals/families move quickly into permanent housing and achieve stability;

E. *Homeless Management Information System* (HMIS) costs; and

F. *ESG Administration* costs.

VII. Client Eligibility

A. Consultation: Evaluating individuals' and families' eligibility for H-ESG assistance in order to receive financial assistance or services funded by H-ESG, individuals and families must at least meet the minimum criteria of consultation with a case manager or eligibility specialists who can determine the appropriate type of assistance to meet their needs. Agencies must have a process in place to refer persons ineligible for H-ESG to the appropriate resources or service provider that can assist them.

B. Homeless Categories: In order to be eligible for services under the ESG Rapid Rehousing and Shelter programs, clients must meet HUD's definition of homelessness in one of the following categories:

Category (1) An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:

a. An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;

b. An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or

c. An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;

Category (4) Any individual or family who:

a. Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;
b. Has no other residence; and
c. Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing

C. ESG Eligibility Documentation

i. *Homelessness Prevention: This program will not provide Homelessness Prevention Services.*

ii. *Rapid Re-Housing:*

a. Please refer to the *Homeless Eligibility Form* (Attachment B).
b. <u>Subrecipient agencies must collect the required supporting documentation requested in the *Homeless Eligibility Form* in order for clients to be considered eligible for services</u>.
c. All eligibility and supporting documentation for Rapid Re-Housing clients must be maintained in each client's file for each agency providing a service.

B. Confidentiality of Client Information

a. Subrecipients must have written client confidentiality procedures in their program policies and procedures that conform to items *b – d* below:
b. All records containing personally identifying information of any individual or family who applies for and/or receives ESG assistance must be kept secure and confidential.
c. The address or location of any domestic violence project assisted under ESG shall not be made public.
d. The address or location of any housing for a program participant shall not be made public.

VIII. Rapid Rehousing Program

There are three programs that will provide housing relocation and stabilization services: Front Steps, Downtown Austin Community Court and City of Austin Communicable Disease Unit. There is no funding available in 14-16 allocation for financial assistance so all programs will work with other resources available in the community to find financial assistance when needed for the Rapid Rehousing clients.

IX. Coordination Between Service Providers

The following list gives the types of service coordination activities to be undertaken for the ESG Program: Case management, permanent supportive housing, rapid re-housing and housing location and financial assistance.

Services will be coordinated between the downtown Austin Resource Center for the Homeless (ARCH), Downtown Austin Community Court, and in consultation with the local Continuum of Care as well as other service providers such as Austin Travis County Integral Care, Caritas of Austin, Salvation Army, Veterans Administration, Continuum of

Care Permanent Supportive Housing programs and other appropriate federal, state and local service providers.

Agency	Case Management/ Supportive Services	Permanent Supportive Housing	Rapid Rehousing/ Housing Location	Direct Financial Assistance
ESG FY 13-15 Funded Programs	X		X	
Front Steps	X	X		
Downtown Austin Community Court	X	X	X	
Other Continuum of Care programs	X	X		
City-funded Social Service Agencies	X	X	X	X

X. **Homeless Management Information System (HMIS)** Organizations receiving funding from the City of Austin for homelessness prevention and homeless intervention services are required to utilize the Local Homeless Management Information System (HMIS) to track and report client information for individuals who are at risk of homelessness or who are homeless. A high level of data quality is required.

REQUIREMENTS INCLUDE:

A. "Open settings" for Uniform Data Elements (UDE) will be used for all of the program's client records in order to reduce duplication of records and improve cross-agency collaboration around client services;
B. Data quality report(s) submitted monthly (report and minimum standards to be specified);
C. HMIS user licenses must be purchased for staff entering data into City-funded programs (may use City funds for licenses);
D. Participation in Annual Homeless Count, Annual Homeless Assessment Report (AHAR), and other required HUD reporting;
E. Participation in a minimum of 6 hours of annual training for each licensed user as well as attendance at required City-sponsored training(s) regarding HMIS and CTK ODM System.

The HMIS Annual Report must identify compliance levels with all of the requirements listed above as well as any feedback regarding the HMIS system.

If HMIS data quality reports consistently fall below minimum standards, the City of Austin reserves the right to withhold payments until reporting improves to at least minimum standards.

D. ESG PROGRAM MANAGEMENT

Management and operation of approved projects is the responsibility of the Subrecipient. The Subrecipient is the entity that will receive the City contract. Therefore, the subrecipient has the overall responsibility of the project's successful completion.

I. **Grant Subaward Process** At its discretion, the City may use a competitive Request for Application and comprehensive review process to award ESG funding to providers of services to homeless persons and persons at-risk of homelessness. Activities will be consistent with the City's Consolidated Plan, in compliance with local, state, and Federal requirements and the governing regulations for use of ESG funds, and in conformance with program standards. The City will enter into written agreements with selected subrecipients, and will work with subrecipients to ensure that project costs are reasonable, appropriate, and necessary to accomplish the goals and objectives of the City's overall ESG Program. The subrecipient must be able to clearly demonstrate the benefits to be derived by the services provided to homeless individuals, and to low-to-moderate income families. Performance measures will be established in the contract. All ESG award decisions of the City are final.

II. **Contracting** Subrecipients must enter into a written contract with the City for performance of the project activities. Once a contract is signed, the subrecipient will be held to all agreements therein.

A. Members of the Subrecipient organization, volunteers, residents, or subcontractors hired by the organization may carry out activities. Subrecipients must enter into a written contract with the subcontractors carrying out all or any part of an ESG project. All subcontractors must comply with the City and Federal procurement and contracting requirements.

B. All contracts are severable and may be canceled by the City for convenience. Project funding is subject to the availability of ESG funds and, if applicable, City Council approval.

C. Amendments - Any amendments to a contract must be mutually agreed upon by the Subrecipient and the City, *in writing*. Amendment requests initiated by the Subrecipient must clearly state the effective date of the amendment, in writing. HHSD staff will determine if an amendment request is allowable. HHSD reserves the right to initiate amendments to the contract.

D. Liability - Subrecipients shall forward Certificates of Insurance to the Health and Human Services Department within 30 calendar days after notification of the award, unless otherwise specified. The City's Risk Management Department will review and approve the liability insurance requirements for each contract. Subrecipients must maintain current insurance coverage throughout the entire contract period, as well as for any subsequent amendments or contract extensions.

IV. Recordkeeping Requirements

A. Project Records- The Subrecipient must manage their contract and maintain records in accordance with City and Federal policies, and must be in accordance with sound business and financial management practices, which will be determined by the City. Record retention for all ESG records, including client information, is five years after the expenditure of contract funds.
B. Client Records- The Subrecipient must maintain the following types of client records to show evidence of services provided under the ESG program:
   i. Client Eligibility records, including documentation of Homelessness, or At-Risk of Homelessness plus income eligibility and support documentation.
   ii. Documentation of Continuum of Care centralized or coordinated assessment (for client intake)

iii. Rental assistance agreements and payments, including security deposits
iv. Utility allowances (excludes telephone)

V. Reporting Requirements

A. Monthly Payment Requests and Expenditure Reports shall be submitted, in a format prescribed by the City, by the 15th calendar day of the month after the reporting month's end, which identify the allowable expenditures incurred under this contract.

B. Monthly Matching Funds Reports shall be submitted, in a format prescribed by the City, by the 15th calendar day of the month after the reporting month's end, which identify the allowable matching funds used by the Subrecipient under this contract.

C. Quarterly performance reports shall be submitted, in a format prescribed by the City, by the 15th calendar day of the month after the quarter end, which identify the activities accomplished under this contract.

D. The Federal ESG program year ends on September 30th. At completion of all activities, a Contract Closeout Report must be submitted within 30 days of the end of the contract. The subrecipient is required to supply such information, in such form and format as the City may require. All records and reports must be made available to any authorized City representative upon request and without prior notice.

E. All ESG Subrecipients must use HMIS to report on clients served by the ESG program.

VI. Program Limitations

A. *ESG Administration* costs are limited to 7.5% of the total ESG allocation.

B. ESG Street Outreach and Emergency Shelter costs are limited to the greater of: 60% of the City's 2011-12 ESG grant -or- the amount committed to emergency shelter for the City's 2010-11 ESG allocation.

C. Program Income - Income derived from any ESG activity must be recorded and reported to HHSD as program income. Such income may not be retained or disbursed by the subrecipient without written approval from HHSD and is subject to the same controls and conditions as the subrecipient's grant allocation.

D. ESG funds may not be used for lobbying or for any activities designed to influence legislation at any government level.

E. A church or religious affiliated organization must show secularism when submitting an ESG application.

F. Any ESG funds that are unallocated after the funding cycle will be reprogrammed by HHSD. Contracts that show three (3) consecutive months of inactivity (as documented by monthly reports or non-submission of required reports) will be reviewed on a case-by-case basis, and may be irrevocably canceled.

VII. Performance Standards ESG-funded programs will report into HMIS and have a high level of data quality specified in Section A. X. Homeless Management Information Systems. HMIS data quality is reviewed quarterly by City staff. All data quality is reviewed by the ECHO HMIS Administrator.

Performance measures will be reviewed quarterly by the City of Austin Health and Human Services Department. Measures will also be reviewed annually by the local Continuum of Care decision-making body, ECHO, during the annual Consolidated Evaluation and Performance Report process.

VIII. Accessibility In order to demonstrate compliance with the Americans with Disabilities Act (ADA) and Section 504 requirements, the following statements must be added to all public notices, advertisements, program applications, program guidelines, program information brochures or packages, and any other material containing general information that is made available to participants, beneficiaries, applicants, or employees:

ATTACHMENT A. DEFINITIONS

XI. Definitions Terms used herein will have the following meanings:

At Risk of Homelessness-

(1) An individual or family who: (i) Has an annual income below 30% of median family income for the area; AND (ii) Does not have sufficient resources or support networks immediately available to prevent them from moving to an emergency shelter or another place defined in Category 1 of the "homeless" definition; AND (iii) Meets one of the following conditions: (A) Has moved because of economic reasons 2 or more times during the 60 days immediately preceding the application for assistance; OR (B)Is living in the home of another because of economic hardship; OR (C) Has been notified that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance; OR (D) Lives in a hotel or motel and the cost is not paid for by charitable organizations or by Federal, State, or local government programs for low-income individuals; OR (E) Lives in an SRO or efficiency apartment unit in which there reside more than 2 persons or lives in a larger housing unit in which there reside more than one and a half persons per room; OR (F) Is exiting a publicly funded institution or system of care; OR (G) Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the recipient's approved Consolidated Plan;

(2) A child or youth who does not qualify as homeless under the homeless definition, but qualifies as homeless under another Federal statute;

(3) An unaccompanied youth who does not qualify as homeless under the homeless definition, but qualifies as homeless under section 725(2) of the McKinney-Vento Homeless Assistance Act, and the parent(s) or guardian(s) or that child or youth if living with him or her.

CDO- Community Development Officer;

Chronic Homeless Person- An individual who:

(i) Is homeless and lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and

(ii) Has been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter continuously for at least one year or on at least four separate occasions in the last 3 years, where each homeless occasion was at least 15 days; and

(iii) Can be diagnosed with one or more of the following conditions: substance use disorder, serious mental illness, developmental disability (as defined in section 102 of the Developmental Disabilities Assistance Bill of Rights Act of 2000 (42 U.S.C. 15002)), post-traumatic stress disorder, cognitive impairments resulting from brain injury, or chronic physical illness or disability;

City- City of Austin;

ESG- Emergency Solutions Grant program;

HHSD- Health and Human Services Department;

Homeless Person(s)-

(1) An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:

(i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;

(ii) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or

(iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;

(2) An individual or family who will imminently lose their primary nighttime residence provided that:

(i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;

(ii) No subsequent residence has been identified; and

(iii) The individual or family lacks the resources or support networks, e.g., family, friends, faith-based or other social networks needed to obtain other permanent housing;

(3) Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:

(i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), section 17(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)), or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a);

(ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing at any time during the 60 days immediately preceding the date of application for homeless assistance;

(iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and

(iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education Development (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or

(4) Any individual or family who:

(i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;

(ii) Has no other residence; and

(iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing;

HUD- U.S. Department of Housing and Urban Development;

NHCD- Neighborhood Housing and Community Development Office;

Subrecipient- An organization receiving ESG funds from the City to undertake eligible ESG activities.

Appendix IIIC: Monitoring Plan

MONITORING PLAN

The goal of the City of Austin's monitoring process is to assess subrecipient/contractor performance in the areas of program, financial and administrative compliance with applicable federal, state and municipal regulations and current program guidelines. Under this plan, select programs and project activities are monitored through one or more of the following components. The City of Austin's monitoring plan consists of active contract monitoring and long-term monitoring for closed projects.

Active Contract Monitoring

Prior to executing any agreement or obligation, monitoring takes the form of a compliance review. Verification is obtained to ensure that the proposed activity to be funded has received the proper authorization through venues such as the annual Action Plan, environmental review and fund release, and identification in the Integrated Disbursement & Information System (IDIS). A contract begins with written program guidelines, documentation and tracking mechanisms that will be used to demonstrate compliance with applicable federal, state and local requirements.

For activities implemented through external programs or third-party contracts with non-profit, for-profit and community-based organizations, a solicitation may be required in the form of a comprehensive Notice of Fund Availability (NOFA or Request for Proposals (RFP) which details performance, financial and regulatory responsibilities.

1. Compliance Review prior to obligation of funds. Prior to entering into any agreement or to the obligation of entitlement funds, the City conducts a compliance review to verify that the program activity has been duly authorized. The compliance review consists of verifying and documenting that:

- The program activity has been approved as part of the Action Plan for the specified funding source and year;
- The availability of applicable funds for the specific activity;
- The activity has received environmental review and determination and fund release, as applicable;
- The service provider is not listed in the System for Award Management (SAM);
- The activity has been set up and identified in IDIS;
- The scope of work defined in the contract has adequately addressed performance, financial and tracking responsibilities necessary to report and document accomplishments; and
- The service provider has the required insurance in place.

After this information has been verified and documented, staff may proceed in obtaining authorization and utilization of entitlement funds for the activity.

2. Desk Review. Before processing an invoice for payment, staff reviews the invoice to verify that the item or service is an eligible expense and it is part of the contract budget. Staff also reviews performance reports and supporting documentation submitted with the invoice to ensure that the contractor is performing in accordance with the terms of the contract and the scope of work. This level of monitoring is performed on an ongoing basis throughout the duration of the contract.

3. Records Audit. The review at this level includes a review of all file documents as needed. A file checklist is used to determine if the required documents are present. Through the review of performance reports and other documentation submitted by the

contractor, staff is able to identify areas of concern and facilitate corrections and/or improvements. Should problems be identified, a contractor or recipient of funds may then be provided technical assistance as necessary to reach a resolution. However, if no resolution of identified problems occurs or the contractor fails to perform in accordance with the terms and conditions of the contract, the City of Austin has the authority to suspend further payments to the contractor or recipient of funds until such time that issues have been satisfactorily resolved.

4. Selected On-Site Monitoring. A risk assessment is conducted internally and is used to determine the priority of site reviews to be conducted. Based on the results of the risk assessment, a selected number of projects may be subject to an on-site review. The performance of contractors is reviewed for compliance with the program guidelines and the terms and conditions of the contract. In particular, staff verifies program administration and regulatory compliance in the following areas:

- Performance (*e.g.* meeting a national objective, conducting eligible activities, achieving contract objectives, performing scope of work activities, maintaining contract schedule, abiding by the contract budget);
- Record keeping;
- Reporting practices; and
- Compliance with applicable anti-discrimination regulations.

There will be follow-up, as necessary, to verify regulatory and program administration compliance has been achieved.

5. Contract Closeout. Once a project activity has been completed and all eligible project funds expended, the staff will require the contractor to submit a project closeout package. The contract closeout will provide documentation to confirm whether the contractor was successful in completing all performance and financial objectives of the contractor. Staff will review and ask the contractor, if necessary, to reconcile any conflicting information previously submitted. The project closeout will constitute the final report for the project. Successful completion of a project means that all project activities, requirements, and responsibilities of the contractor have been adequately addressed and completed.

Long-term Monitoring

Acceptance of funds from Neighborhood Housing and Community Development (NHCD) Office of the City of Austin, or its sub-recipient Austin Housing Finance Corporation (AHFC) obligates beneficiaries/borrowers to adhere to conditions for the term of the affordability period. NHCD is responsible for the compliance oversight and enforcement of long- or extended-term projects and financial obligations created through City-sponsored or -funded housing and community development projects. In this capacity, NHCD performs the following long-term monitoring duties:

- Performs compliance monitoring in accordance with regulatory requirements specified in the agreement;
- Reviews and verifies required information and documentation submitted by borrowers for compliance with applicable legal obligations and/or regulatory requirements; and
- Enforces and takes corrective action with nonperforming loans and/or projects deemed to be out of compliance in accordance with legal and/or regulatory terms and conditions.

Monitoring may be in the form of a desk review, on-site visit, visual or Housing Quality Standard (HQS) inspection. Technical assistance is available to assist beneficiaries/ borrowers in understanding any aspect of the contractual obligation so that performance goals are met with minimal deficiencies.