2014 Comprehensive Housing Market Analysis

City of Austin

Final Report

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Prepared for

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Background

In early 2014, BBC Research & Consulting (BBC) was contracted by the City of Austin's Neighborhood Housing and Community Development Department to update the comprehensive housing market study conducted in 2008. The 2014 update grew out of an interest to provide a current assessment of needs in Austin's rapidly changing housing market—as well as to examine needs at a smaller geographic level.

The 2014 Housing Market Study (HMS) and the 2008 study share many elements: an identification of the greatest housing needs in Austin now and in the future; a quantification of needs; and a review of existing and potential policies, programs and strategies. The 2014 HMS also incorporates a ZIP code level housing model that provides indicators of housing supply and affordability.

The 2014 study was informed by a significant amount of work conducted by the city's Community Development Commission (CDC) Affordable Housing Siting Policy Working Group ("Working Group"). The goal of the Working Group—comprised of representatives from neighborhood associations, community housing organizations and the CDC—was to develop recommendations to help achieve the common vision of creating and preserving affordable housing throughout Austin to meet the needs of extremely low and moderate income residents.

Many members of the Working Group recommended that in its next Comprehensive Housing Market Analysis and Analysis of Impediments to Fair Housing Choice (AI), the city establish geographic goals for affordable housing. To that end, the 2014 HMS includes development of a ZIP code level (proxy for neighborhood level) model for the needs analysis.

Relationship to *Imagine Austin*

One of the goals in *Imagine Austin* –the city's recently adopted comprehensive plan for land use and growth—is to develop and maintain household affordability throughout Austin. *Imagine Austin* includes many strategies for implementing this goal, from encouraging compact development to reducing housing barriers for people with special needs to promoting affordable housing.

The 2014 HMS can be used to inform the city's continued land development code reform efforts by providing both a quantitative estimate of housing needs, as well as resident-driven information on housing preferences and challenges. Altogether, this information should be used in future phases of code reform to promote and advance the conversation around affordability.

Methodology

The primary data and information sources used in the 2014 HMS include the following:

- Population and household levels and projections from the city demographer;

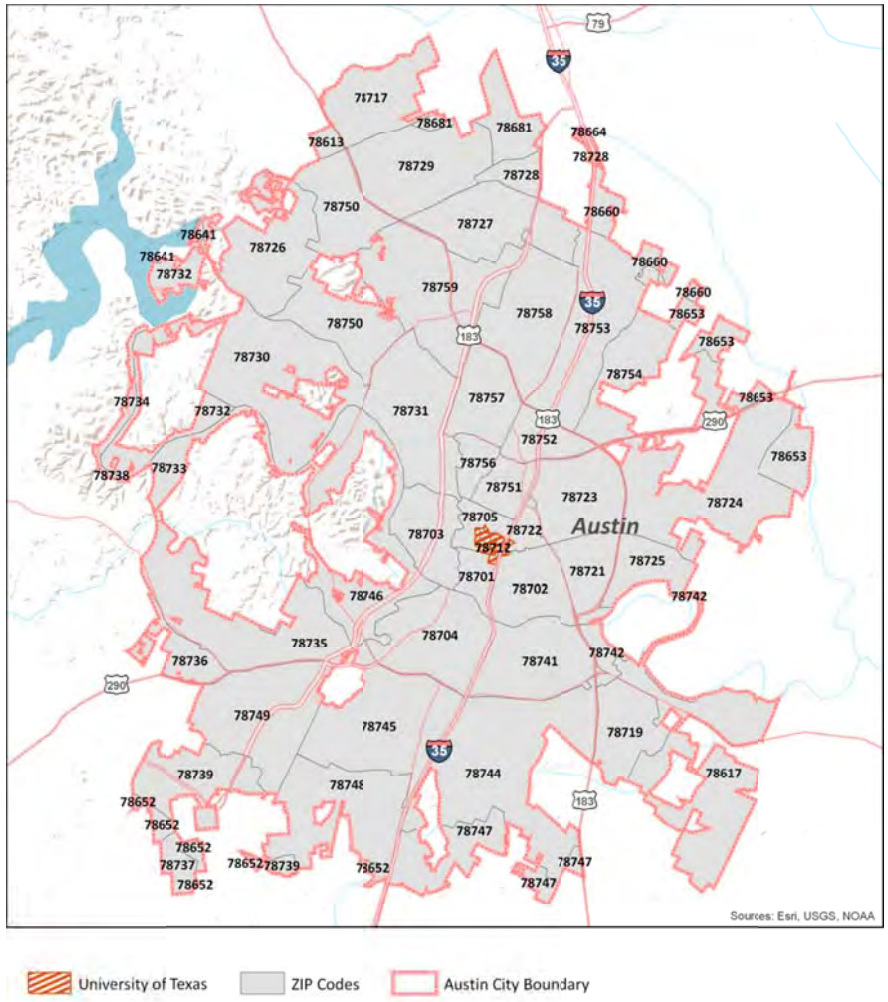
- Social and economic information from the U.S. Bureau of the Census' 2010 decennial survey and 2012 American Community Survey (ACS);
- Employment data from the Bureau of Labor Statistics and Creative Austin report;
- Rental data from Austin Investor Interests;
- Data on subsidized rental units from the City of Austin and the Housing Authority of the City of Austin (HACA);
- Data on home resales—2013 and historical listings—from the Austin Board of Realtors (ABOR); and
- A significant public input process that included a survey of more than 5,000 residents, and in-commuters; focus groups with 57 low income residents; and interviews and meetings with more than 70 stakeholders and residents.

Geographic Level of Analysis

This study focuses on trends and needs within the boundaries of the City of Austin. Where data were readily available, Austin's demographic and housing trends are compared with surrounding communities'.

Demographic and housing market data are presented and analyzed at several geographic levels: 1) For the city overall, 2) by ZIP code, and 3) by Census tract. The housing model developed for this HMS shows data and trends at the ZIP code level.

Figure ES-1.
City of Austin by ZIP Code



Use in Policy Making

A top level goal of the HMS was to provide a quantitatively-sound approach for setting numerical targets for the city, specific geographic areas and for targeted populations. This HMS achieves these goals through:

- An updated rental housing gaps analysis, based on current data that compares the supply and demand of rental housing and identifies the current shortage of affordable rentals. This analysis can be found in Section II, beginning on page 24.

- The ZIP code level housing supply and affordability model in Appendix A shows how well each ZIP code provides housing opportunities for low income renters, low to moderate income homeowners, workers in key professions and housing near transportation. The model uses a combination of current housing market data, surveys of residents and Census data to create a comprehensive picture of housing options by ZIP code.

  The ZIP code level model will be an important tool to inform siting policy strategies and geographic dispersion goals. Both the gaps model and ZIP code level affordability data should be used to inform and monitor affordable housing targets.

- The housing needs of targeted populations were primarily identified through a robust community survey and focus group participation process, the results of which are presented in Section III and IV.

Acknowledgements

BBC would like to thank the following generous contributors to the study, who provided data, information and time toward completion of the study:

- City of Austin Neighborhood Housing and Community Development Department;

- Austin Board of Realtors (ABOR);

- Ryan Robinson, city demographer; and

- The many participants in the focus groups and public meetings held throughout the study (names withheld for privacy) and the more than 5,000 residents who completed the survey.

Report Outline

The next section of the Executive Summary reports the primary findings from the 2014 HMS. The balance of the full report is made up of the following sections:

- **Section I. Demographic Context.** This section provides information on population growth, household characteristics, income and poverty and employment.

- **Section II. Housing Market Gaps.** This section provides an overview of how the city's housing market has changed since 2007. It includes current data on housing prices and a recalculation of the housing gap, or shortage, in affordable units.

- **Section III. Housing Choice.** This section explores the housing choices made by Austin residents and in-commuters. It is based on the results of the resident survey, public meetings and interviews.

- **Section IV. Housing Needs.** This section discusses the needs of resident groups that typically face challenges finding housing or have specific housing needs. These include low income renters and homeowners, seniors, persons with disabilities, persons experiencing homelessness and large families, as well as students.

Summary of Needs: 2014 Housing Market Study

Since 2008, when the last comprehensive housing market study was conducted, Austin has grown by 100,000 residents, experienced a housing market downturn and is in the midst of a housing market revival, particularly for rental housing.

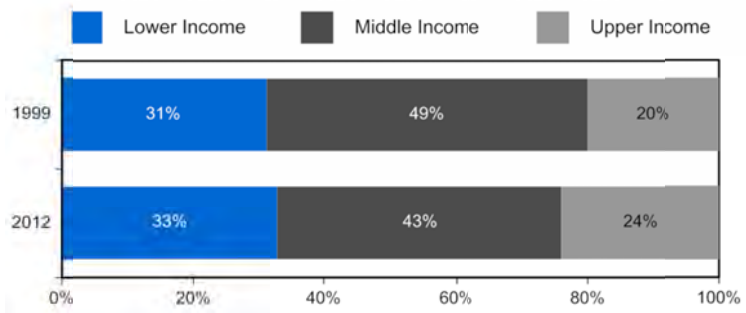
This activity has led to a changed city in many ways—and, somewhat surprisingly, an unchanged city in others.

City residents are older overall, due to the shifting of the Baby Boomers into older age cohorts and growth in Baby Boomers and seniors. There are proportionately fewer married couples with children in the city. And, although Austin became a "majority minority" city due to the growth of Hispanic residents, it experienced a numerical loss of its African American residents.

The most prominent shifts in Austin the past decade have been income-based. The city gained both upper income households and persons living in poverty. Poverty rose overall and for all age groups except for seniors. Child poverty increased substantially, from 17 percent in 2000 to 30 percent in 2012.

As shown in Figure ES-2, the proportion of middle income households declines between 1999 and 2012 by 6 percentage points.

Figure ES-2.
Proportion of Households Lower, Middle and Upper Income, City of Austin, 1999 and 2012



Note: Lower income roughly approximates less than two-thirds of the national median income and upper income roughly approximates twice the national median income. These income thresholds are consistent with the way that Americans self-identify as members of socio-economic classes. (See Pew Research report, "The Rise of Residential Segregation by Income.")

Source: U.S. Census, 2000, 2012 ACS and BBC Research & Consulting.

The increase in poverty has been recently countered by very strong growth in high income renters earning more than $75,000 per year. Between 2007 and 2012, high income renters grew by 15,000—compared to about 1,000 low income renters, earning less than $25,000 per year. The income distribution of Austin's homeowners changed little.

The strongest employment growth during the past decade has mostly occurred in moderate to low paying jobs. Of the 100,000 new jobs in the Austin MSA, 36,000 were in the Education and Health Services industries, which pay about $44,000 per year. Another 26,000 jobs were in the low paying leisure and hospitality industries, paying less than $20,000 per year. Workers in these professions struggle to find homes to buy and rent in Austin, as discussed below.

Demographic impacts on housing demand. The demographic changes experienced since 2000 have had varied impacts on the housing market:

- Homeownership has been unchanged at around 45 percent.
- Housing types have shifted only modestly, toward multifamily/apartment developments (now 39% of all units) and away from single family attached and duplex/triplex/fourplex units (12% of all units).
- The pool of high income renters has invited the development of additional market rate, higher priced rentals.

Figure ES-3.
Type of Housing Units, City of Austin, 2000 and 2012

Source:

U.S. Census, 2000, and 2012 ACS.

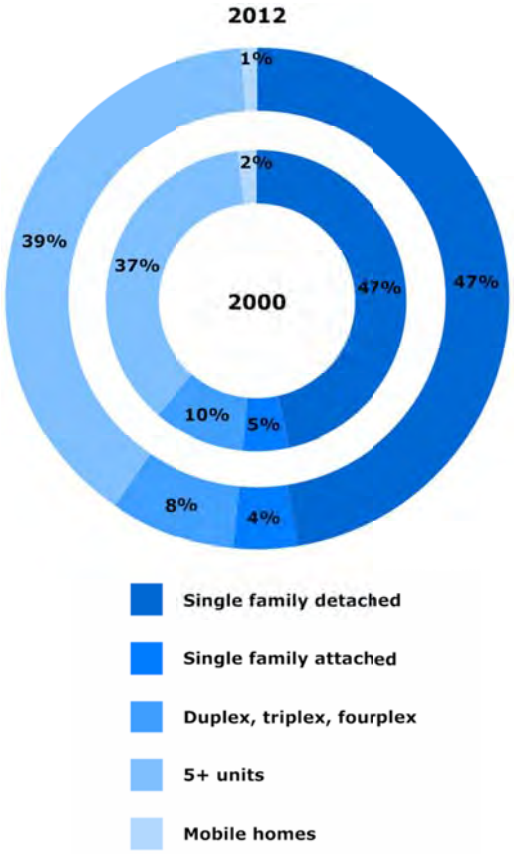
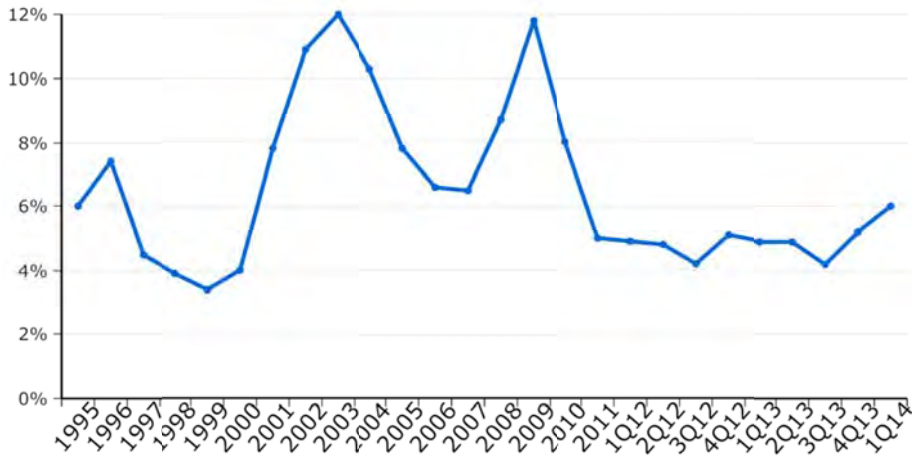
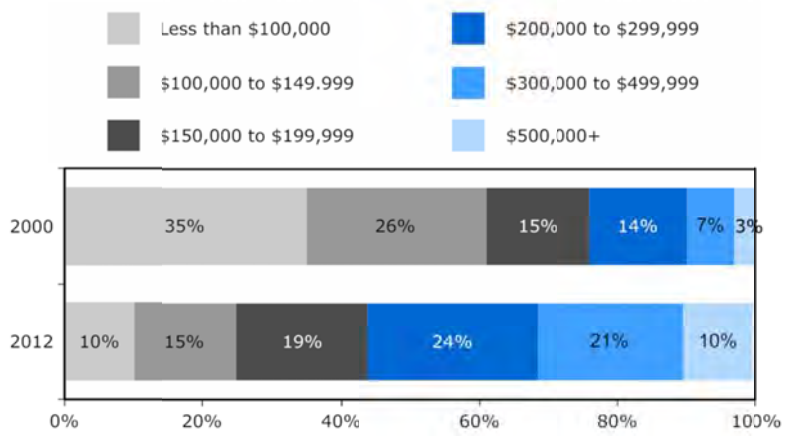


Figure ES-4.
Multifamily Vacancy Rates, Austin MSA, 1995-1Q14



Source: Austin Investor Interests.

Figure ES-5.
Shifts in Home Values, Austin, 2000 and 2012



Source: U.S. Census, 2000, and 2012 ACS.

- Competition among low and moderate income renters for non-luxury rentals has increased, pushing vacancy rates down to record low levels as shown in Figure ES-4.
- As shown in Figure ES-5, home values have shifted toward pricier homes, with 31 percent valued at more than $300,000 in 2012 versus 10 percent in 2000.
- Although counterintuitive, between 2007 and 2013 it became easier for renters to find affordable homes to buy, solely due to drops in mortgage interest rates. Yet affordable, for sale housing became more concentrated geographically. These concentrations are correlated with many of the strongest areas of residential growth, mostly located on the city periphery, away from job centers.
- Affordable housing to buy is also more likely to be in poor condition: 17 percent of homes affordable to renters earning less than $50,000 were in poor or fair condition, compared to just 9 percent of all homes on the market.

Residents' views on market changes. Changes in the housing market as told by Austin residents reveal a dynamic that can get lost in data analysis alone:

- Many Austin residents made economic trade-offs to live in the city: 69 percent of homeowners paid more for their home to live in Austin. Sixty-six percent of renters choose to rent and live in Austin rather than own outside of the city.
- Overall, half of renters and 28 percent of owners pay more than 30 percent of their gross income toward housing costs and are "cost burdened." Cost burden is much higher for low income residents, with 69 percent of renters and 53 percent of owners experiencing cost burden.
- More than one-fourth of Austin residents have sought additional employment to pay for housing costs. Thirty-one percent of renters have gone without health care to afford housing.
- Nineteen percent of low income owners think they may need to move in the next five years, mostly because of increased property taxes. Nearly 60 percent of renters plan to move, mostly to find less expensive housing.

Resulting housing gaps. A gaps analysis—a comparison between the supply of housing at various price points and what households can afford—helps define the extent of housing needs. It also provides a benchmark against which needs can be measured over time.

This "snapshot" is shown in the figure on page 9. As the figure illustrates, the gap in housing supply has widened for renters but not for owners since 2008. Specifically:

Renter gap. There are 60,000 renter households earning less than $25,000 per year—and just 19,000 affordable rental units to serve them. This leaves a shortage of 41,000. This gap is based on 2012 incomes and rental pricing.

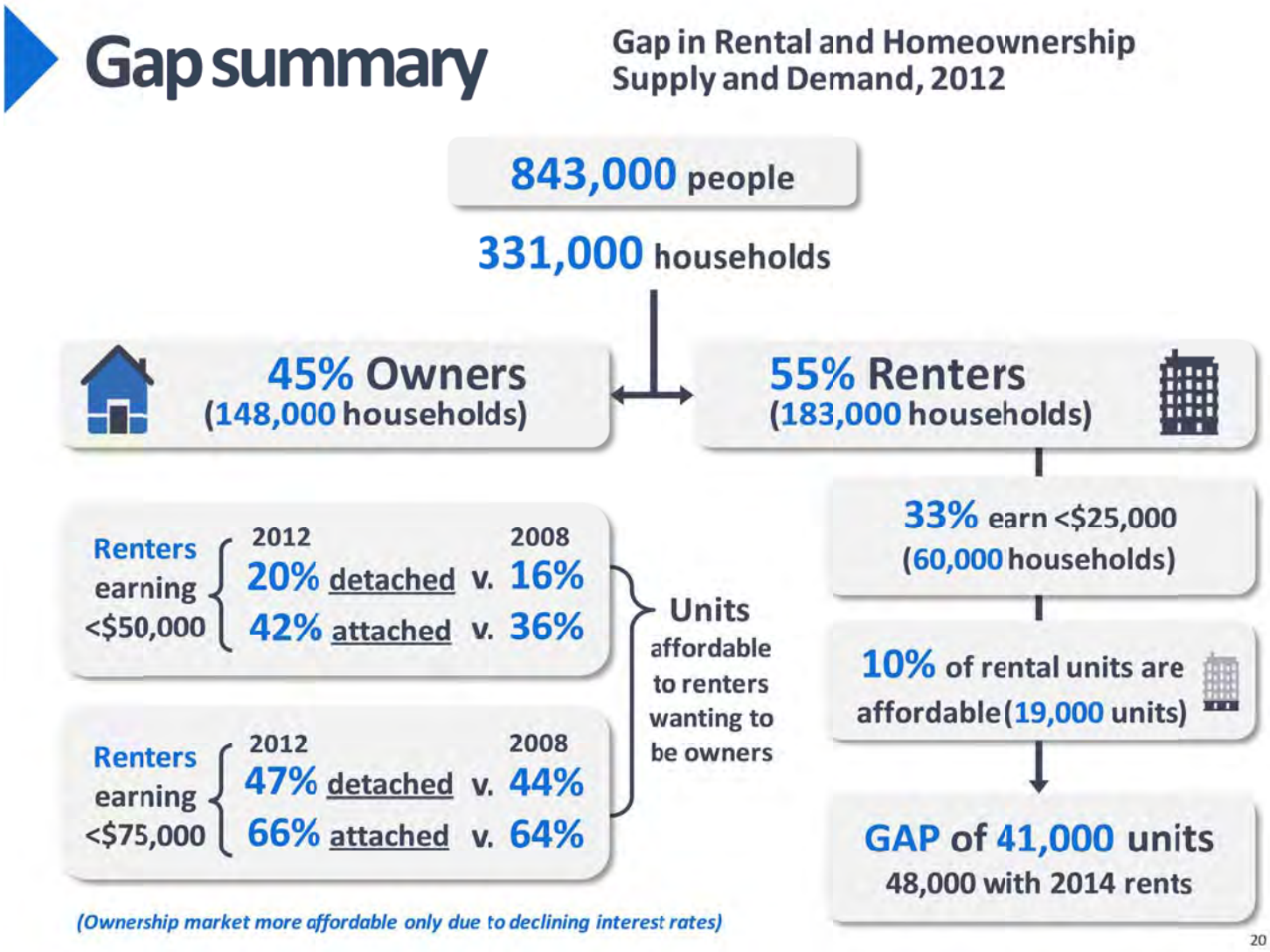
A 2014 gaps based on first quarter rental pricing estimates decreases the supply of affordable rentals by 7,000, putting the rental gaps at around 48,000.

Increase in Rental Gaps based on 2014 Rental Prices

	2012 Gap	2014 Gap	⬆
Renters earning $0-$25,000	40,924	47,698	6,774

Source: BBC Research & Consulting housing gaps modeling.

It is important to note that without the city's investment in creating and preserving affordable rental properties, the rental gap would be larger by as many as 1,000 units.



Source: BBC Research & Consulting housing gaps modeling.

Homeownership gap. The gap in homeownership is measured by comparing the proportion of renters at various income levels with the proportion of affordable units for sale. As shown in the gaps figure on page 9, the proportions of affordable homes have increased for both renter income categories and for both detached and attached housing.

Falling interest rates were the primary reason why ownership opportunities were preserved for renters looking to buy. In 2008, a household earning $50,000 could afford a home priced at $160,000 (with a 5% downpayment and an interest rate of 6.5%). In 2014, the same household, earning $50,000, could afford a home priced at $183,000 (with the same 5% downpayment) because interest rates dropped two percentage points, to 4.5 percent.

What if interest rates hadn't changed? Homeownership opportunities would have declined from 2008 to 16% of units for renters at < $50,000 (v. 21% in 2008) and 43% of for renters at < $75,000 (v. 49% in 2008).

Despite this relative increase in homeownership affordability, renters earning less than $50,000 per year have very limited for-sale options. Among the homes they can afford, more than one-quarter are attached properties (condos, townhomes, etc).

The market is particularly tight for renters earning less than $35,000 per year: 46 percent of all renters in Austin earn less than $35,000 per year but only 9 percent of homes on the market are affordable to them.

As was the case in 2008, renters earning $75,000 are relatively well served by the for-sale market.

Top housing needs. The top housing needs in Austin, identified through the quantitative and qualitative analysis conducted for the 2014 HMS, include:

- A shortage of deeply affordable rental units (primarily those renting for less than $500/month) for renters earning less than $25,000 per year.
- Geographically limited housing opportunities: 1) Affordable rentals are scarce west of I-35, and 2) Homes to buy for $250,000 and less are increasingly concentrated in northeast, far south and southeast Austin.
- Rising housing costs in a handful of neighborhoods that are redeveloping, which could cause long-time residents to seek more affordable housing elsewhere.
- A growing need for affordable housing near transit and services—to enable seniors to age in place, to provide a wider array of housing choices for persons with disabilities and to mitigate the financial impact of rising transportation costs.

Recommendations

Since the 2008 HMS, Austin has worked hard to secure additional funding for affordable housing in the form of a General Obligation (GO) bond to support affordable housing projects. Past funding from a similar GO bond was used to construct new and preserve housing for the city's most vulnerable residents—many with very low incomes, some who were formerly homeless and some with special housing needs. This type of flexible funding, which can be deployed quickly and addresses many of the greatest needs in the city, is an irreplaceable tool in a fast-moving housing market where federal support is diminishing.

The city is also in the process of revisiting its land use regulations as part of CodeNEXT. This effort will examine potential barriers to creating a diverse set of housing opportunities for a mix of residents.

These two very important tools—flexible funding for affordable housing and reduction of regulatory barriers—put Austin far ahead of many cities nationally who are struggling to address affordability needs.

These efforts also put Austin in a unique position of being able to focus on making the best use of other resources to further address housing needs. These "untapped resources" include:

- Public private partnership opportunities, and
- Public assets, particularly land owned by the city that is currently underutilized.

The city should also move quickly to adopt the easiest regulatory fixes recommended by the diagnosis process of CodeNEXT, explore additional property tax relief options for homeowners and market attached units as an affordable housing alternative.

Finally, we recommend that the city establish a target goal for affordable housing and manage all programs and policies to that goal.

Our specific recommendations follow, beginning with the easiest fixes—modifying regulations to remove regulatory barriers.

Adopt quick fixes for regulatory barriers. *Imagine Austin* developed a list of land development code barriers to creating an affordable Austin. Many of the recommendations require substantive changes to regulations—and/or additional study of the impacts—but some could be achieved rather easily. Waiting to adopt all of the changes may mean a missed opportunity to create affordable housing.

> *Regulatory "quick fixes" should be employed now, to take advantage of opportunity to create affordable units.*

In our opinion, these "quick fixes" should include the following.

Modifications to accessory dwelling unit (ADU) regulations.

- Reduce the minimum lot size for homes with ADUs.
- Allow a wider variety of ADU types—attached to or within less than 15 feet of the primary dwelling unit.
- Allow lower parking requirements for ADUs, especially in older neighborhoods built before parking requirements were imposed. Do not impose additional parking requirements for the primary dwelling unit if they do currently exist and were not required at the time of development.
- Allow more flexibility in driveway requirements for ADUs, particularly in older areas where lots cannot accommodate the requirements.

Improvements to the development process.

- Begin the process of strengthening departmental coordination to streamline the development approval process for affordable housing.

One of the strongest developer incentives to build affordable housing—fast track approval—can only be effective with a streamlined development approval process.

- Institute fast track development processes, beyond the SMART housing program, for units that contain a target proportion of affordable units (not cash-in-lieu units).
- Waive impact fees for developed affordable units, beyond SMART Housing units, up to an annual maximum subsidy.

Expand public-private partnerships. The private sector is a very important partner in affordable housing development. The city has a number of development incentives and agreements to encourage the private sector to build affordable housing—yet it could do more, by asking greater contributions from developers when they receive expanded entitlements, for example, through rezoning and density bonuses.

In the current environment, in which housing prices are rising and private sector developers are eager to meet growing demand, it is appropriate to ask them to be a stronger partner in affordable housing creation.

An in-depth review of the various aspects of the development agreements and incentives offered by the city was beyond the scope of this study. Stakeholders frequently mentioned the opportunity to improve these programs to make them more transparent and achieve greater affordable housing contributions. For example, the city could:

- Make the density bonus and developer entitlement programs consistent with current needs. This could involve modifying affordability targets (lower MFI for rental units to match the needs in the gaps analysis), acceptance of Section 8 and other similar vouchers (required), cash in lieu fees (raised) and consistent onsite or offsite options. A proportion of units should also be required address the need for larger,

affordable units to accommodate low income families, who have very limited options in the current rental market.

- Raise cash-in-lieu (CIL) fees. The CIL fee should be comparable to what it costs a developer to build, market and rent or sell an affordable unit.

- Include the option of redeveloping and deed restricting existing housing in more affordable and/or gentrifying areas to satisfy the developer obligation to create units or pay the CIL fee. This helps improve the condition and preserve affordability of housing stock of existing low income owners and renters.

We also recommend the city consider two additional types of public-private partnerships to help address affordable housing needs: Community Development Financial Institutions, or CDFIs, and land banking.

- **CDFI**. A CDFI is an alternative type of bank used nationwide to address lending needs that traditional banks cannot. Austin has CDFIs that serve a variety of needs, but none functions solely as a lender to private and nonprofit affordable housing developers. These institutions, which are partnerships between traditional banks and the public sector, make loans at a subsidized rate with a quick turnaround, enabling developers to better compete with investors. This tool is especially valuable in hot housing markets.

  The Federal Deposit Insurance Corporation (FDIC) recently published an article, geared toward financial institutions, about the value of partnering with CDFIs to satisfy their Community Reinvestment Act (CRA) obligations.[1]

- **Land bank**. Making public land available for residential redevelopment is one form of a land bank (such land is already in a "bank" through city ownership). Another version that is being more commonly used is created through public private partnerships, including through foundations. Seed money and organizational support for the land bank is provided by the private sector. In return, the land bank may prioritize acquisition of land for the development of workforce housing, housing along transit corridors, housing to serve public school teachers and workers, etc.

Utilize public land. Making better use of land—particularly that which is underutilized and ripe for redevelopment—may be one of the most valuable contributions the city can make to addressing affordable housing challenges.

These do not have to be large parcels (i.e., Mueller). City-owned infill parcels, near existing services and in neighborhoods that are at-risk or experiencing gentrification, would be ideal for mixed-income residential developments.

Public land is also a tremendous asset for expanding land trust ownership models, which achieve a greater level of homeownership affordability than any other product.

[1] http://www.fdic.gov/consumers/community/CDFI/index.html

Explore additional property tax relief for low income owners. Rising property taxes citywide and especially in gentrifying areas is a top concern of residents. Low income owners are reluctant to make needed improvements to their homes, fearing that this will lead to increased taxes that they cannot afford to pay.

The city should continue to explore options for property tax relief, including how low income owners can be absolved of rising taxes when needed improvements are made.

Consider preservation initiatives. A study conducted during the HMS, *Taking Action: Preservation of Affordable Housing in the City of Austin,* contains a number of recommendations to preserve existing affordable housing stock in Austin. These initiatives—in addition to many of the above recommendations (e.g., land banking)—could provide the foundation for a more aggressive preservation strategy. Preservation efforts should focus on neighborhoods that have traditionally been home to low income residents and workers, have experienced strong price increases and are in close proximity to low wage jobs.

Encourage a broader use of neighborhood infill and design tools in neighborhood plans. The survey conducted for this study showed that a clear majority of homeowners—and one in four renters—live in single family detached homes. Just 4 percent of homeowners live in duplexes/triplexes/fourplexes and 5 percent live in a condominium. Only half of renters live in apartment buildings.

Creating attached home alternatives for both homeowners and renters would help broaden the choices of affordable products to buy and rent.

CodeNEXT will examine barriers to developing such products in the city; this should include limitations on splitting large lots and rezoning underutilized commercial properties to accommodate "missing middle" housing products (e.g., duplexes). The city can facilitate this process by helping neighborhoods understand the benefits of these alternative products, demonstrating how they are used successfully in peer cities and how design features can be used to integrate these products seamlessly into neighborhoods.

Set a citywide affordable housing goal. Establishing a citywide goal for housing affordability would institute a citywide effort to preserve existing income diversity.

This goal should be targeted to areas of need identified in this market study—that is, rental units affordable to households earning less than $25,000 (addressing the rental gap) and ownership units targeting workforce (earning less than $50,000 per year). The purpose of the goal would be to maintain or improve the current proportion of affordable units for renters earning less than $25,000 (at 10% in 2012) and homes to buy for workforce (priced less than $183,000 and 24%).

Ten percent is a common goal used by other cities that have embraced affordable housing targets. A 10 percent goal is also consistent with many existing city programs (e.g., density bonuses, PUDs).

The maps and data sheets in Appendix A show how well each ZIP code matches the overall city level of affordability of rental and homeownership units. Fewer than half of the city's ZIP codes match the city's 10 percent rental and/or 24 percent homeownership affordability provisions. The Appendix also provides ZIP code level information on demographics and

socioeconomic diversity; the ability of the ZIP code to house workers in key professions in Austin; and estimates of household transportation costs.

All city programs and policies should be linked to achievement of the citywide target. For example, developers who receive any type of entitlement or funding in a geographic area would be required to move a neighborhood closer toward the affordable housing goal. Neighborhoods that exceed the target and are at risk of gentrification should not be exempt from the requirements, as preservation and creation of affordable units is important to prevent displacement.

The city could use the Housing Model built for this study and available metrics from the Census, ABOR and private rental data, to track progress at meeting the affordable housing goals.

SECTION I.

Demographic Context

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It's no secret that Austin is one of today's most desirable cities. Those looking for the next great place to live will find Austin at the top of the charts:

"The best city in the country for filmmakers."— (moviemaker.com)

"Best performing large cities."— (Milliken Institute)

"The new Brooklyn." — (Bloomberg Businessweek)

The growing interest in Austin is best evidenced in the city's strong population growth. Austin has an estimated 200,000 more residents than it did in 2000. During the last decade, the city increased its size by almost one-third.

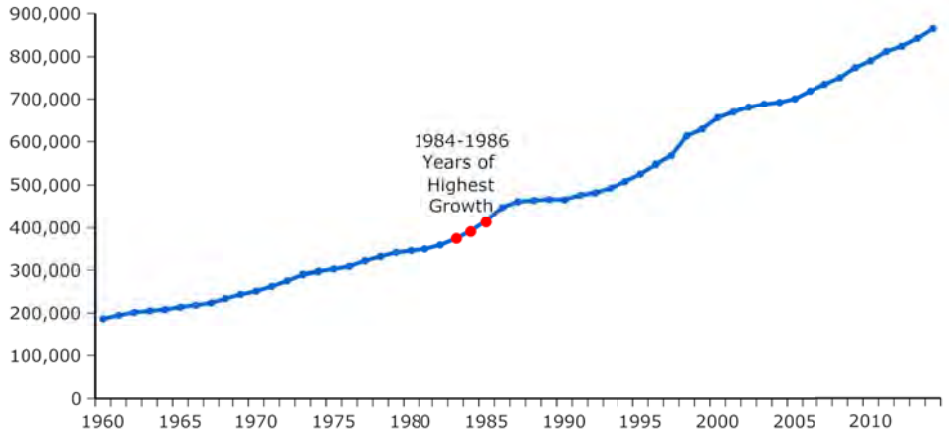
This section of the HMS discusses how the city has changed—and is changing—demographically. It sets the context for the sections that follow, which focus on housing demand and preferences.

Population

The April 2014 population of Austin was 865,504, according to the City Demographer—up 32 percent from a 2000 population of 656,562. At the end of this decade of strong growth, Austin was the 11th largest city in the nation, up from the 16th in 2000.[1]

Figure I-1 shows annual growth trends since 1960. Growth was the strongest during the mid-1980s, when annual rates of growth averaged 6 percent, compared to 3 percent in the past year (2013-2014).

Figure I-1.
Population Growth Trends, City of Austin, 1840 to 2014



Note: According to the City Demographer, about 70% of the annual growth from 1997 to 1998 was largely the result of annexing large tracts of populated land into the city.

Source: City of Austin population estimates.

[1] https://www.census.gov/statab/ccdb/cit1020r.txt

Figure I-2 puts Austin's recent growth in the context of south central Texas and peer cities.[2] Austin's recent growth is significant, especially when compared to peer cities of Portland, Denver, Nashville—and even high tech-dominated San Jose. Between 2000 and 2012, Austin was second only to Charlotte in percent growth, as well as movement among the Census' largest cities ranking. Austin was fourth among the group in numerical growth.

Figure I-2.
Population Growth and Largest City Ranking, 2000 and 2012

City	2012 Population	2012 Largest Cities Rank	2000 Population	2000 Largest Cities Rank	2000-2012 Percent Growth	2000-2012 Numerical Growth
Charlotte, NC	775,208	17	540,828	26	43%	234,380
Austin, TX	842,595	11	656,562	16	28%	186,033
San Antonio, TX	1,383,194	7	1,144,646	9	21%	238,548
Denver, CO	634,265	23	554,636	24	14%	79,629
Nashville, TN	623,255	25	545,524	25	14%	77,731
Portland, OR	603,650	28	529,121	28	14%	74,529
Houston, TX	2,161,686	4	1,953,631	4	11%	208,055
San Jose, CA	982,783	10	894,943	11	10%	87,840

Note: Bold indicates significant change in largest cities rank.

Source: U.S. Census Bureau.

And this growth is not just contained within the City of Austin. The Austin-Round Rock-San Marcos metropolitan statistical area (MSA) posted the highest growth rate of any MSA in the nation from 2000 to 2011.

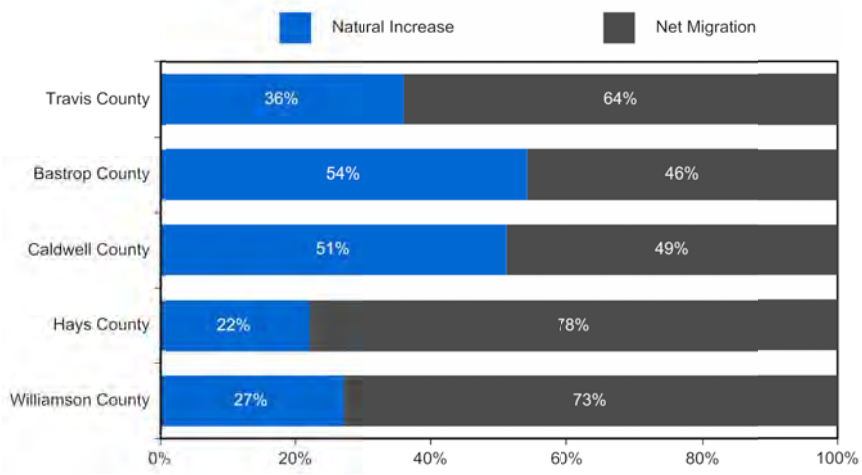
Drivers of population growth. There are two distinct reasons that a community grows. First is "natural increase," which occurs when the number of births exceeds deaths in a given year. In-migration is the second reason for growth.

Figure I-3 shows the drivers of growth between 2010 and 2013 for Travis County and surrounding counties.[3] As the figure demonstrates, in-migration is an important part of growth for Travis County, yet about one-third of the county's recent growth has been driven by natural increase. In-migration was a larger driver of growth for Hays and Williamson counties and less so for Bastrop and Caldwell counties.

[2] "Peer" cities are similar in socioeconomic characteristics, industries and/or level of attractiveness for in-migrants.

[3] The Census reports the drivers of population growth at the county level.

Figure I-3.
Components of Population Change, Travis and Surrounding Counties, 1990-2000, 2000-2007 and 2007-2013



Note: Two additional components of change--net federal movement and a residual--are not included in the numbers above. Thus, natural increase and net migration do not add to total population growth. The differences are minimal.

Source: Census Population Estimates.

Regional growth. Since 1990, the City of Austin's share of the MSA population has been declining, as shown in Figure I-4. Population projections for the city and MSA suggest that the city's share of the MSA population will drop to around 30 percent by 2045.

Figure I-4.
City of Austin Share of Travis County and MSA Population, 2000 to 2045

Source:
City of Austin City Demographer, January 2014.

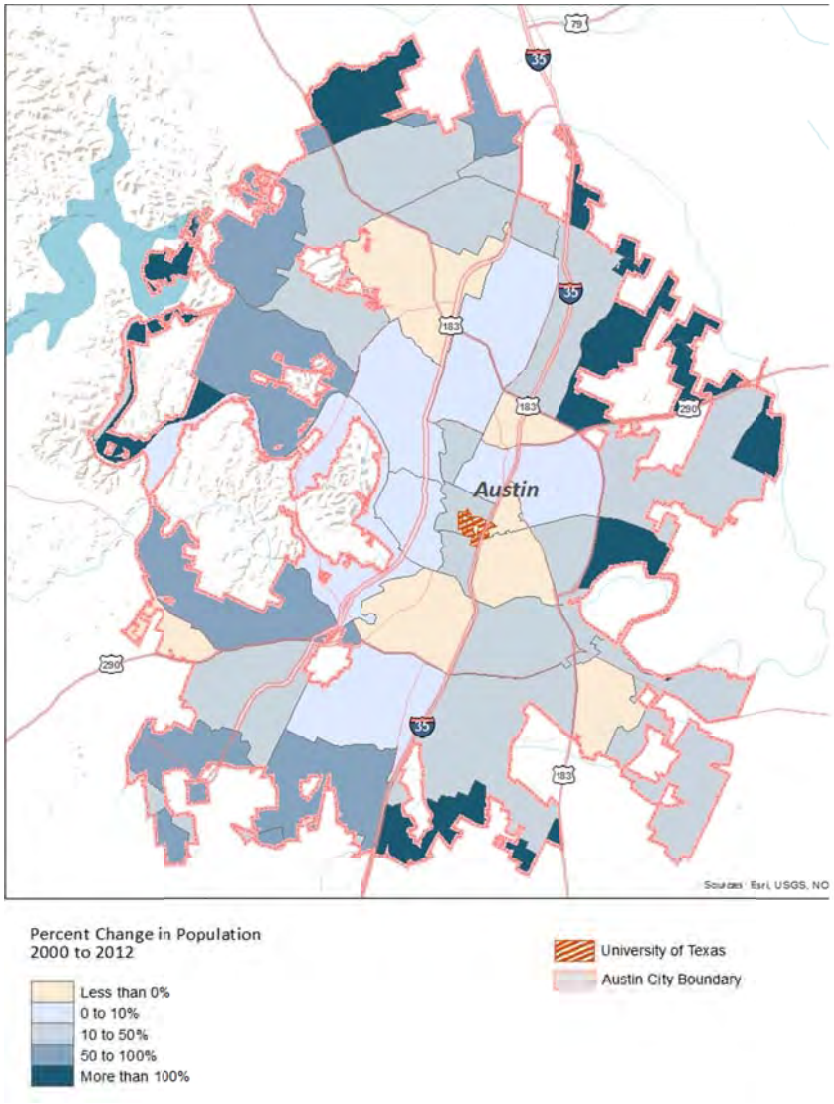
Year	Travis County	MSA
1990	81%	55%
2000	81%	53%
2007	78%	46%
2010	77%	46%
2014	76%	45%
2045	57%	30%

Geographic dispersion of growth. Figure I-5 shows population change between 2000 and 2012 by ZIP code.[4] As the map demonstrates, population growth varied considerably throughout Austin, with many ZIP codes experiencing 100 to 200 percent growth, while a handful of ZIP codes had population losses.

The strongest growth occurred on the periphery of the city. Slow growth areas and population declines occurred in areas between the city core and outlying communities.

[4] The 2012 data by ZIP code are the 5 year, 2008-2012 ACS.

Figure I-5.
Population Change by ZIP Code, 2000 to 2012



Source: U.S. Census.

Household Composition

Austin's demographics are similar to those in 2000, with a few notable exceptions, which are discussed below. Although it may feel to Austinites that the city's demographic changes have occurred recently, most demographics shifts took place in the earlier part of the decade, between 2000 and 2007.

Race and ethnicity. As shown in Figure I-6, the number and proportion of African Americans in the city declined by an estimated 525 people or more than 2 percentage points. This was the only racial category where population was lost. The strongest growth occurred in the White and Hispanic racial/ethnic categories.

Austin is characterized as a "majority minority" city, meaning that no single racial or ethnic group exists as a majority of the city's population. This is mostly due to growth in residents who are of Hispanic descent, many of whom report their race as white. Non-Hispanic white residents represent about 43 percent of the city's population in 2012.

Figure I-6.
Residents by Race and Ethnicity and Change, City of Austin, 2000, 2007 and 2012

Race	2000	2007	2012	2000-2012 Change
American Indian and Alaska Native	3,889	4,810	5,272	1,383
Asian	30,960	42,818	54,084	23,124
Black or African American	65,956	60,971	65,431	(525)
Native Hawaiian and Other Pacific Islander	469	818	776	307
Two or More Races	19,650	16,813	28,642	8,992
White	429,100	471,296	647,851	218,751
Ethnicity				
Hispanic or Latino (of Any Race)	200,579	260,535	286,850	86,271
Non-Hispanic	455,983	489,124	555,745	99,762

Race	2000	2007	2012	2000-2012 Change
American Indian and Alaska Native	1%	1%	1%	0.0%
Asian	5%	6%	6%	1.7%
Black or African American	10%	8%	8%	-2.3%
Native Hawaiian and Other Pacific Islander	0%	0%	0%	0.0%
Two or More Races	3%	2%	3%	0.4%
White	65%	63%	77%	11.5%
Ethnicity				
Hispanic or Latino (of Any Race)	30%	35%	34%	4.0%
Non-Hispanic	70%	65%	66%	-4.0%

Note: The ACS question on Hispanic origin was revised in 2008 to make it consistent with the Census 2010 Hispanic origin question. As such, there are slight differences in how respondents identified their origin in the 2000, 2007 and 2012 surveys.

Excludes "Some Other Race" category, due to inconsistency of reporting between 2000 and 2012 Census surveys.

Source: U.S. Census, 2000, 2007 and 2012 ACS.

Age. The median age of Austin residents increased during the past decade, from 29.6 to 31. This was due to a shift away from college-age residents towards Baby Boomers. As shown in Figure I-7, the proportion of city residents age 18 to 24 dropped from 17 percent to 13 percent in the last decade. Growth of the 45-64 cohort is due to Baby Boomers aging into a higher age group, in addition to new migrants.

Figure I-7.
Residents by Age Cohort and Change, City of Austin, 2000, 2007 and 2012

Population by Age	2000	2007	2012	2000-2012 Change
Total population	656,562	749,389	842,595	186,033
Number of Population				
Children (Under 18)	147,548	173,800	182,530	34,982
College-Aged Adults (18-24)	109,256	99,124	111,596	2,340
Young Adults (25-44)	243,517	272,377	310,684	67,167
Baby Boomers (45-64)	112,336	155,965	176,686	64,350
Seniors (65 and older)	43,905	48,123	61,099	17,194
Percent of Population				
Children (Under 18)	22%	23%	22%	-0.8%
College-Aged Adults (18-24)	17%	13%	13%	-3.4%
Young Adults (25-44)	37%	36%	37%	-0.2%
Baby Boomers (45-64)	17%	21%	21%	3.9%
Seniors (65 and older)	7%	6%	7%	0.6%

Note: Changes among age categories do not always indicate growth, but rather, show differences in the size of age cohorts. For example, the Baby Boomers were roughly between the ages of 35 and 54 in the Census 2000, and mostly captured in the 45 to 64 age cohort in the 2012 ACS.

Source: U.S. Census, 2000, 2007 and 2012 ACS.

Household type. According to the City Demographer, the share of family-with-children households in the urban core has declined since 1970, when the share was about 32 percent. This continued between 2000 and 2012, as shown in Figure I-8. Growth in the city's Hispanic households, which generally have larger families with children, has helped the city maintain a share of family-with-children households, which otherwise would be much smaller.

As shown in Figure I-8, declines in family-with-children household shares have been offset by slight increases in the proportions of residents living alone and in households with alternative composition types.

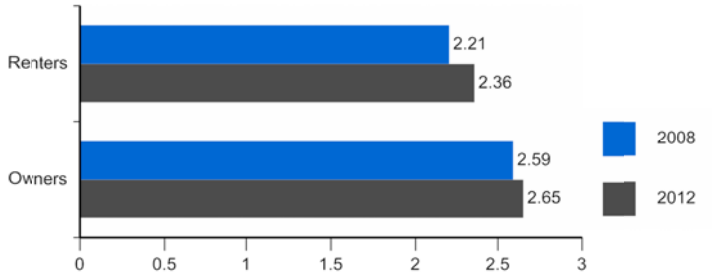
Figure I-8.
Household Type and Change, City of Austin, 2000, 2007 and 2012

Household Type	2000	2007	2012	2000-2012 Change
Total Households	265,649	306,693	330,838	65,189
Number of Households				
Married without Children	51,950	54,712	62,254	10,304
Married with Children	49,148	57,075	53,105	3,957
Single Parent Household	22,132	27,821	30,362	8,230
Living Alone	87,026	110,764	112,092	25,066
Other Household Types	55,393	56,321	73,025	17,632
Percent of Households				
Married without Children	20%	18%	19%	-0.7%
Married with Children	19%	19%	16%	-2.4%
Single Parent Household	8%	9%	9%	0.8%
Living Alone	33%	36%	34%	1.1%
Other Household Types	21%	18%	22%	1.2%

Source: U.S. Census, 2000, 2007 and 2012 ACS.

Household size. According to the ACS, household size has increased since 2008, despite the shift away from family households. As shown in Figure I-9, average household sizes have increased for both renters and owners.

Figure I-9.
Household Size, 2008 and 2012



Source: 2008 and 2012 ACS.

Income and Poverty

Housing programs generally use percentages of "median family income" or MFI as benchmarks for targeting housing assistance and affordability programs.[5] Households earning less than 30 percent of MFI—roughly at the poverty level and below—are characterized as "extremely low income." Households earning between 30 and 50 percent of MFI are considered to be "very low income;" households between 50 and 80 percent MFI, "low income;" and those above 80 percent of MFI "moderate" and "high" income.

[5] Also referred to as Area Median Income or AMI.

Figure I-10 shows the MFI levels for the City of Austin according to household size. It is important to note that these are based on the MFI for the Austin-Round Rock-San Marcos MSA (that is, MFI is not calculated at the city level) and provided to the city by HUD.

Figure I-10.
Median Family Income Categories, Austin-Round Rock-San Marcos MSA, 2014

Percent MFI	Income Limit	Percent MFI	Income Limit
30% MFI		**100% MFI**	
1 person HH	$15,850	1 person HH	$52,800
2 person HH	$18,100	2 person HH	$60,400
3 person HH	$20,350	3 person HH	$67,900
4 person HH	$22,600	4 person HH	$75,400
50% MFI		**120% MFI**	
1 person HH	$26,400	1 person HH	$60,192
2 person HH	$30,200	2 person HH	$68,856
3 person HH	$33,950	3 person HH	$77,406
4 person HH	$37,700	4 person HH	$85,956
80% MFI		**150% MFI**	
1 person HH	$42,250	1 person HH	$79,200
2 person HH	$48,250	2 person HH	$90,600
3 person HH	$54,300	3 person HH	$101,850
4 person HH	$60,300	4 person HH	$113,100
95% MFI			
1 person HH	$50,160	**2014 HUD Median Income Overall:**	
2 person HH	$57,380	$75,400	
3 person HH	$64,505		
4 person HH	$71,630		

Source: www.huduser.org.

Median income for the city overall was $52,453 in 2012, a 23 percent increase from the 1999 median of $42,689.[6] This increase was not enough to keep up with inflation. According to the Consumer Price Index (CPI), the price of consumer goods rose by 38 percent between 1999 and 2012. This suggests that, overall, Austin households lost purchasing power during the past decade. This is also true when examined by family income.[7]

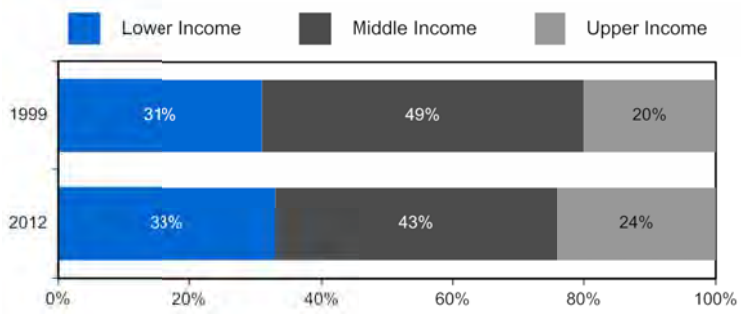
As in much of the U.S., Austin's income distribution is shifting and there are now proportionately more lower and upper income households and fewer middle income households than in 2000, as shown in Figure I-11.[8] The number of middle income households did grow during the decade but not as much as lower and higher income households.

[6] The median income figures in the years 1999 and 2010 are not precisely comparable due to differences in the Census surveys. The 2012 data were collected over a variable period of time and thus represent income levels over a rolling time period, whereas the 2000 Census represents the income earned during a fixed period (1999).

[7] Household income includes single individuals living alone and roommates, which family income does not. Median household income is lower than median family income because it represents more single earners.

[8] This analysis is based on a national measure of middle income recently used in research examining the decline of the middle class. For 2012, middle income is defined as households earning between $35,000 to $100,000. In 1999, the middle income range is $28,000 to $84,000.

Figure I-11.
Lower, Middle and Upper Income Households, City of Austin, 1999 and 2012



Note: Lower income roughly approximates less than two-thirds of the national median income and upper income roughly approximates twice the national median income. These income thresholds are consistent with the way that Americans self-identify as members of socio-economic classes. (See Pew Research report, "The Rise of Residential Segregation by Income.")

Source: U.S. Census, 2000, 2012 ACS and BBC Research & Consulting.

The previous figure (I-11) showed shifts in socioeconomic cohorts, where "middle income" is defined as $28,000 to $84,000 in 1999 and $35,000 to $100,000. The next figure (I-12) displays shifts in nominal income ranges between 1999 and 2012.

As shown in Figure I-12, the greatest shifts in income distribution occurred in the $100,000+ category. The proportion of Austin residents earning more than $100,000 grew by 10 percentage points between 1999 and 2012.

The proportion of households earning between $25,000 and $75,000 dropped by 6 percentage points.

Figure 1-12.
Household Income by Range, City of Austin, 1999 and 2012

Source: U.S. Census, 2000, 2012 ACS.

Renters and owners both experienced income growth, as shown in Figure I-13, but the change was far more significant for renters. The number of renters earning more than $75,000 living in Austin in 2012 rose by more than 15,000 from 2007.

Figure I-13.
Income by Tenure and Change, 2007 and 2012

	2007		2012		2007-2012 change	
Owners	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Less than $10,000	3,862	2%	3,719	2%	-143	0%
$10,000 to $14,999	3,774	2%	2,860	2%	-914	-1%
$15,000 to $19,999	2,774	2%	3,240	2%	466	0%
$20,000 to $24,999	5,089	3%	6,217	3%	1,128	0%
$25,000 to $34,999	9,937	6%	10,068	5%	131	0%
$35,000 to $49,999	15,915	10%	16,424	9%	509	-1%
$50,000 to $74,999	26,090	16%	25,434	14%	-656	-2%
$75,000 to $99,999	21,271	13%	20,757	11%	-514	-2%
$100,000 to $149,999	27,840	17%	28,897	16%	1,057	-1%
$150,000 or more	25,253	15%	30,142	16%	4,889	1%
Total	**141,805**	**86%**	**147,758**	**81%**		
Change in < $25,000					537	-1%
Change in > $75,000					5,432	-1%
Renters						
Less than $10,000	21,719	13%	24,155	13%	2,436	0%
$10,000 to $14,999	12,390	7%	12,024	7%	-366	-1%
$15,000 to $19,999	12,160	7%	12,699	7%	539	0%
$20,000 to $24,999	13,819	8%	12,297	7%	-1,522	-2%
$25,000 to $34,999	26,530	16%	22,757	12%	-3,773	-4%
$35,000 to $49,999	28,103	17%	32,639	18%	4,536	1%
$50,000 to $74,999	29,583	18%	29,338	16%	-245	-2%
$75,000 to $99,999	10,898	7%	17,262	9%	6,364	3%
$100,000 to $149,999	6,335	4%	13,241	7%	6,906	3%
$150,000 or more	4,113	2%	6,668	4%	2,555	1%
Total	**165,650**	**100%**	**183,080**	**100%**		
Change in < $25,000					1,087	-3%
Change in > $75,000					15,825	7%

Source: 2007 income distributions from housing market study and 2012 ACS.

Incomes did not rise for all Austin residents, however. Between 2000 and 2012, the number of Austin residents living in poverty—defined as roughly $23,000 or less for a family of four—increased dramatically. The poverty rate for individuals rose from 14 percent in 1999 to 20 percent in 2012.[9] The rate of family poverty rose from 9 to 14 percent.

Overall, 20 percent of Austin residents lived in poverty in 2012.

[9] Includes all people living in poverty (as opposed to households). For example, if three children live in a household where their parents earn less than the poverty threshold, all five household members would be counted as living in poverty.

As shown in Figure I-14, Austin's children have much higher incidence of poverty than any other age group.

Figure I-14.
Poverty Rate by Age and Change, City of Austin, 1999 and 2012

	1999	2012	1999-2012 Percentage Point Change
Families living in Poverty	9%	14%	5%
People living in Poverty	14%	20%	6%
Under 18 Years	17%	30%	13%
18 to 64 Years	14%	18%	4%
65 Years and Over	9%	9%	0%

	Overall	For Children
City of Austin Poverty Rate	20%	30%
Travis County Poverty Rate	18%	26%
MSA Poverty Rate	16%	21%
Texas Poverty Rate	18%	26%

Source: U.S. Census, 2000, and 2012 ACS.

College students affect the poverty rate because of their relatively low incomes; however, they generally have strong earnings potential and, as such, are only temporarily "poor." The U.S. Census Bureau recently released a report that adjusts the poverty rates of cities with large student populations to account for the low earnings of students. The Census report estimates that Austin's overall poverty rate is 2.5 percentage points lower when students are removed. This puts the city's "real" poverty rate closer to 17 percent, which is similar to that of Travis County, the MSA and the State of Texas. [10]

In addition to age, poverty also varies by race and ethnicity. Figure I-15 reports poverty level by race and ethnicity. As the figure shows, African American and Hispanic residents experienced the greatest—and very significant—increases in poverty between 1999 and 2012.

Figure I-15.
Poverty by Race or Ethnicity and Change, City of Austin, 1999 and 2012

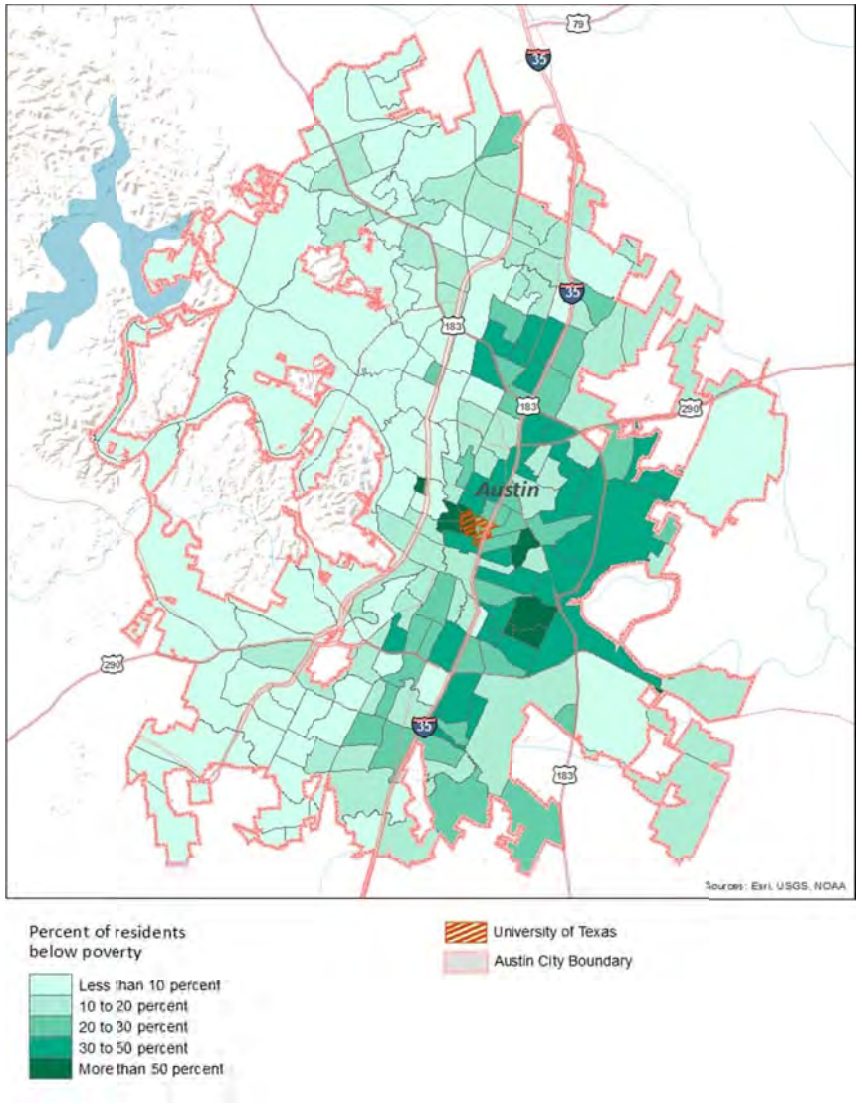
	1999	2012	1999-2012 Percentage Point Change
African American	20%	31%	11%
Asian	20%	16%	-4%
Hispanic	21%	31%	10%
Two or More Races	16%	21%	5%
White, Non-Hispanic	9%	12%	3%

Source: U.S. Census, 2000, and 2012 ACS.

[10] http://www.census.gov/hhes/www/poverty/publications/bishaw.pdf

Figure I-16 shows the poverty rate by ZIP code. High poverty areas are very concentrated in east Austin and, to a lesser extent, along I-35.

Figure I-16.
Poverty Rate by Census Tract, 2008-2012



Source: 2008-2012 ACS.

Education and Employment

Education is an important part of mitigating poverty. And Austin's overall educational attainment increased during the past decade, as discussed below. Yet poverty also increased, primarily due to the rising rate of child poverty. Of the 1999-2012 increase in the number of residents living in poverty, about 40 percent was due to an increase in poor children.

Educational attainment. Austin residents are well educated—and became even better educated during the past decade.

The Census estimates that 30 percent had a Bachelor's degree and 16 percent had graduate or professional degree in 2012 (46% total). This compares to 18 percent of Texans with a Bachelor's degree and 9 percent with a graduate/professional degree (27%). The city's educational attainment has increased since 2000, when 26 percent had a Bachelor's degree and 15 percent had a graduate/professional degree (41%).

As shown in Figure I-17, in 2012, nearly 13 percent of Austin's residents had less than a high school degree and 17 percent had a high school degree but had not attended college—that is, 30 percent of residents had no college. This is slightly improved from 2000, when 17 percent of residents had less than a high school degree and another 17 percent had a high school degree but no college (34%). And although growth has been strongest for highly educated residents, the city has 30,000 more residents with a high school degree and less than in 2000.

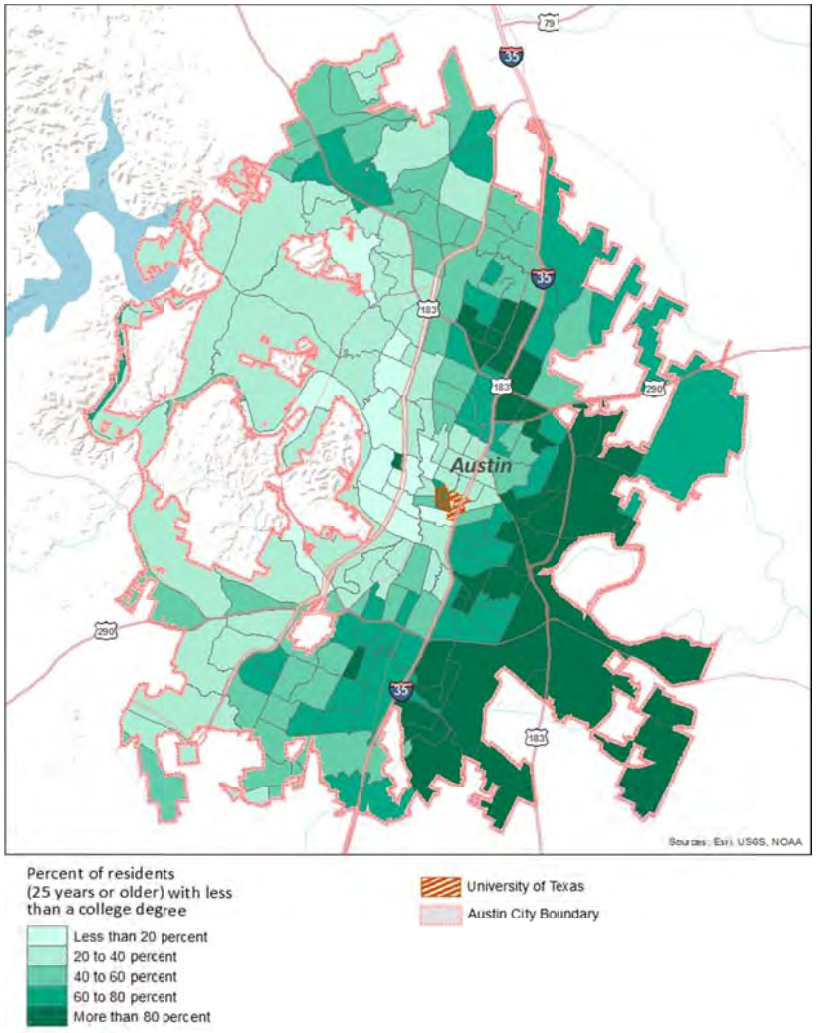
Figure I-17.
Educational Attainment, City of Austin, 2000 and 2012

	2000		2007	
	Number	Percent	Number	Percent
Less than a High School Degree	66,511	17%	82,798	17%
High School Degree or GED	68,316	17%	80,077	17%
Some College, No Degree	84,486	21%	85,286	18%
Associates Degree	19,887	5%	25,824	5%
Bachelor's Degree	103,111	26%	123,493	26%
Graduate or Professional Degree	58,826	15%	79,257	17%

	2012		2000-2012 Change	
	Number	Percent	Number	Percent
Less than a High School Degree	72,823	13%	6,312	-3%
High School Degree or GED	91,797	17%	23,481	0%
Some College, No Degree	108,529	20%	24,043	-1%
Associates Degree	26,084	5%	6,197	0%
Bachelor's Degree	162,033	30%	58,922	4%
Graduate or Professional Degree	87,203	16%	28,377	1%

Source: U.S. Census, 2000, and 2012 ACS.

Figure I-18.
Educational Attainment by Census Tract, 2008-2012



Source: 2008-2012 ACS.

As shown in Figure I-18, educational attainment is correlated with areas of high poverty, although not perfectly. Many areas in north and south central Austin have relatively high levels of residents with less than a college degree—but are not areas of concentrated poverty. Figure I-20, a map of where unemployed residents are located, is more closely aligned with areas of high poverty.

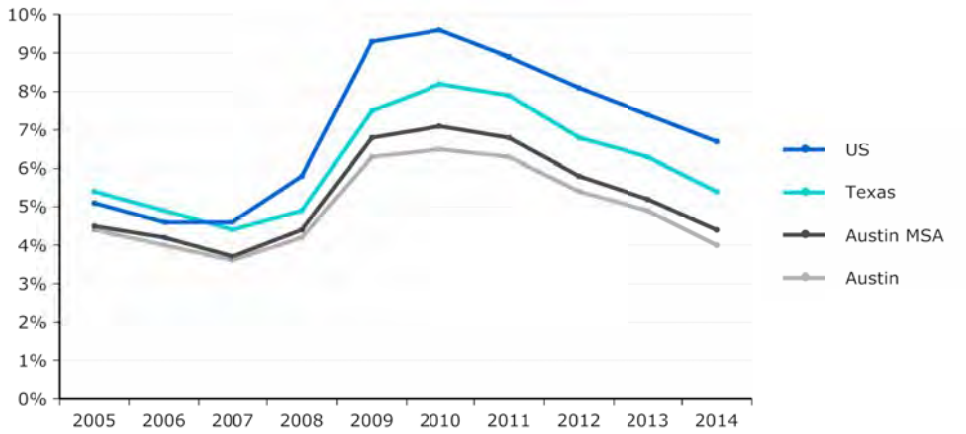
Employment. According to the Census Bureau's Longitudinal Employer-Household Dynamics (LEHD), there are about 608,000 jobs located in the City of Austin, up from 565,000 in 2008 (an 8% increase).

Forty percent of Austin workers both live and work in the city; the other 60 percent are in-commuters, living outside the city but employed in Austin.

In April of 2014, there were about 17,000 Austin residents actively looking for work but unable to find employment. The April unemployment rate was 3.5 percent, the lowest since April of 2008 when unemployment was 3.2 percent. Figure I-19 shows the annual unemployment rates for Austin, the MSA, Texas and the United States. Austin—and the MSA as a whole—have maintained very low unemployment, even though the recent recession.

Yet the city has pockets of very high unemployment rates, as shown in the following map.

Figure I-19.
Unemployment Rate, 2005 through 2014

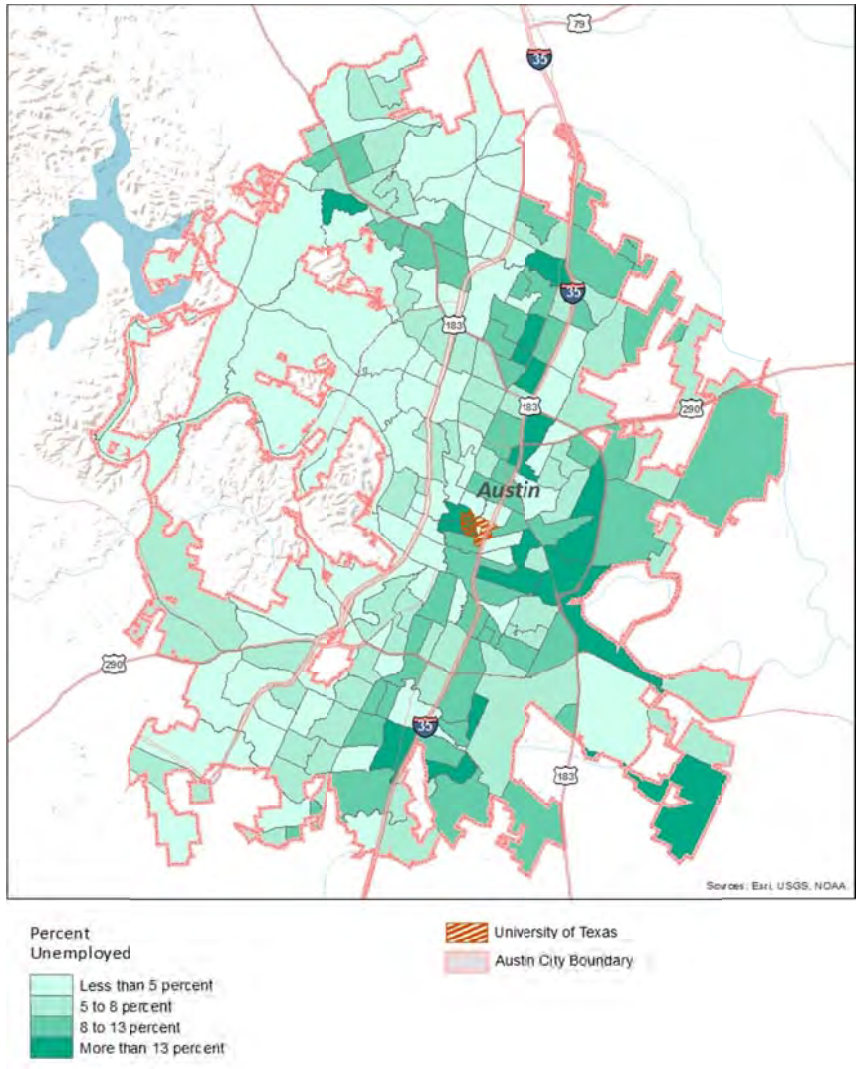


Note: 2014 rate reflects annual average through April.

Source: Labor Market & Career Information, Texas Workforce Commission.

Figure I-20 which shows 2008-2012 unemployment rates by Census tract. Residents living in the north and east portions of the city are more likely to experience high levels unemployment, some more than four times the citywide rate.

Figure I-20.
Unemployment by Census Tract, 2008-2012



Source: 2008-2012 ACS.

The average weekly wage for all Austin-Round Rock workers is $915, or about $47,580 annually.[11] As discussed in Section II. Housing Market Gaps, workers earning $50,000 and less find it difficult to buy homes in much of Austin.

Figure I-21 displays employment and wages by industry for the Austin-Round Rock MSA in 2000, 2007 and 2013. Of the 100,000 new jobs, 36,000 were in the Education and Health Services industries, which pay about $44,000 per year. Another 26,000 jobs were in the low paying leisure and hospitality industries, paying less than $20,000 per year. Both the construction and manufacturing industries, which offer higher paying jobs, declined between 2007 and 2013.

Figure I-21. Employment and Average Weekly Wages, Austin MSA, 2000, 2007 and 2013

Source:
Texas Workforce Commission, QCEW.

	Employment				
	Number of Jobs			Recent Growth: 2007 to 2013	
Industry	2000	2007	2013	Number	Percent
Natural Resources and Mining	2,144	3,739	4,687	948	25%
Construction	43,888	51,963	46,171	-5,792	-11%
Manufacturing	81,897	60,596	52,321	-8,275	-14%
Trade, Transportation and Utilities	120,178	141,649	159,938	18,289	13%
Information	24,430	23,133	24,155	1,022	4%
Financial Activities	36,319	45,112	50,176	5,064	11%
Professional and Business Services	92,276	109,550	135,457	25,907	24%
Education and Health Services	125,445	152,272	187,896	35,624	23%
Leisure and Hospitality	63,330	81,365	102,285	20,920	26%
Other Services	20,865	25,967	30,795	4,828	19%
Public Administration	51,213	54,517	56,763	2,246	4%
Unclassified	205	805	314	-491	-61%
Total	**662,190**	**750,668**	**850,956**	**100,288**	**13%**

	Wages				
	Average Weekly Wages			Recent Growth: 2007 to 2013	
Industry	2000	2007	2013	Dollars	Percent
Natural Resources and Mining	$683	$1,752	$1,989	$237	14%
Construction	$672	$844	$979	$135	16%
Manufacturing	$1,169	$1,470	$1,728	$258	18%
Trade, Transportation and Utilities	$896	$827	$920	$93	11%
Information	$1,319	$1,241	$1,491	$250	20%
Financial Activities	$767	$1,075	$1,411	$336	31%
Professional and Business Services	$774	$974	$1,241	$267	27%
Education and Health Services	$551	$735	$850	$115	16%
Leisure and Hospitality	$268	$325	$379	$54	17%
Other Services	$497	$632	$765	$133	21%
Public Administration	$712	$940	$1,087	$147	16%
Unclassified	$617	$685	$762	$77	11%

[11] Assumes 52 work weeks in a year. As a point of comparison, the weekly wage for the state of Texas is $985 weekly, which equates to an annual average of $51,220. Detailed industry and wage data are not available at the municipal level, but in the Austin-Round Rock MSA as a whole.

SECTION II.

Housing Market Gaps

SECTION II. Housing Market Gaps

The changes in Austin's housing market are visible in the large cranes perched among downtown's skyscrapers. News articles abound about rising housing prices, declining affordability and gentrification. And the voluntary housing survey conducted for this study received more than 5,000 responses—evidence that housing is a topic of interest of Austinites and, for many residents, a concern.

The section begins with an overview of the housing market today, compared to when the last HMS was completed (2008) and the beginning of the decade. It contains an analysis of both rental and homeownership affordability, including an update to the housing gaps model from the earlier study.

The results of the housing survey conducted for this study—including data on residents' needs, housing preferences and experience finding housing in Austin—are detailed in Sections III and IV of this report. This section supplements the chapters on residents' housing needs with quantitative information on the city's housing market.

Trends in Housing Supply

There were 276,600 housing units in the City of Austin in 2000, according to the U.S. Census. By 2007, this had risen to around 333,500—an increase of 57,000 units. The Census estimates the housing inventory at around 360,500 in 2012, or about 84,000 more units than in 2000.

As shown in Figure II-1, the growth rate of residential units was highest during the 1970s, when the city's housing stock increased 70 percent. The past decade has been the strongest in numerical growth.

Figure II-1.
Housing Unit Growth, City of Austin, 1970-2013

Source:
City of Austin and 2012 ACS.

	Number of Units	Numerical Growth per Decade	Percent Growth per Decade
1970	85,456		
1980	146,503	61,047	71%
1990	216,939	70,436	48%
2000	276,611	59,672	28%
2007	333,487		
2010	354,211	77,600	28%
2012	360,518		

Density and land use. Housing unit density—the number of residential units per acre—has fluctuated between 1.5 and 2.0 units per acre since the 1970s, peaking in 1980 following rapid housing growth.

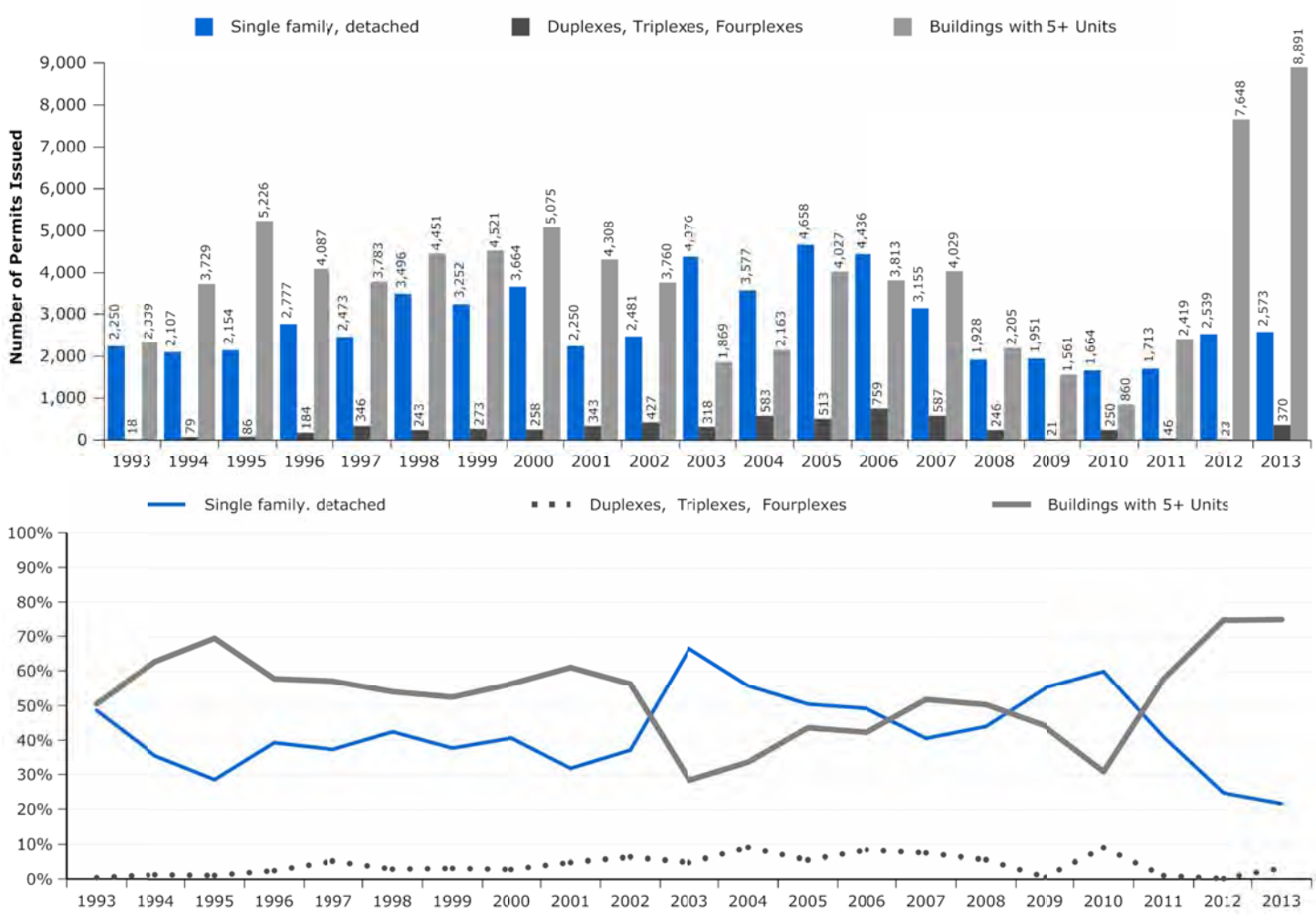
As of 2010, a little more than one-fourth of land acreage in the city was in residential use, according to the City Planning Department's land use statistics report. Overall, 22 percent of acreage in the city is used for single family homes (about 5% of this large lot homes) and just 3 percent is in multifamily (apartment, condos) use. Another 2 percent is used for mobile homes.

The balance of land is undeveloped (29%), or used for open space (18%), streets/roads/utilities (13%) and commercial and other uses (12%).

SECTION II. Housing Market Gaps

Permitted units. Historically, residential growth in Austin has been dominated by single family detached and multifamily units, as shown below.

Figure II-2.
Number and Percentage of Building Permits Issued by Type, City of Austin, 1993 to 2012



Source: City of Austin.

SECTION II. Housing Market Gaps

As demonstrated by Figure II-2, the proportion of single family attached permits is at a historical low, and, conversely, multifamily permits are at a historical high.

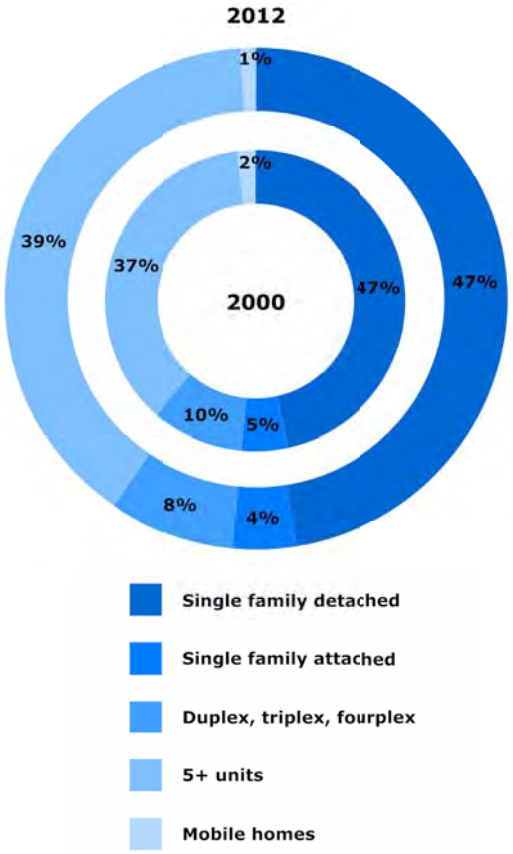
The rise in multifamily development is closely related to declining rental vacancies, discussed below. During 2011, about 800 new multifamily units were completed in the Austin MSA, compared to 2,600 in 2012 and nearly 5,900 in 2013. According to Austin Investor Interests, this addition of multifamily units had minimal impact on the market until recently. Rental vacancy rates have remained low as the supply of rental units caught up with demand. Yet this might be changing: the first quarter 2014 multifamily trend report reported the first quarterly rise in multifamily vacancies since 2010.[1]

Despite the slight uptick in vacancy rates, more apartments are likely to hit the market soon, based on the large number of multifamily units being permitted (Figure II-2) and under construction. As of first quarter 2014, as many as 16,000 multifamily units were identified as under construction in the City Demographer's Multifamily Report.[2]

Unit type. As demonstrated by Figure II-3, the city's housing unit distribution has changed little during the past 12 years. Very modest shifts have occurred between duplexes/triplexes/fourplexes and larger multifamily developments. But, overall, the composition of residential housing in the city is about the same as it was in 2000.

Figure II-3.
Type of Housing Units, City of Austin, 2000 and 2012

Source:
U.S. Census, 2000, and 2012 ACS.



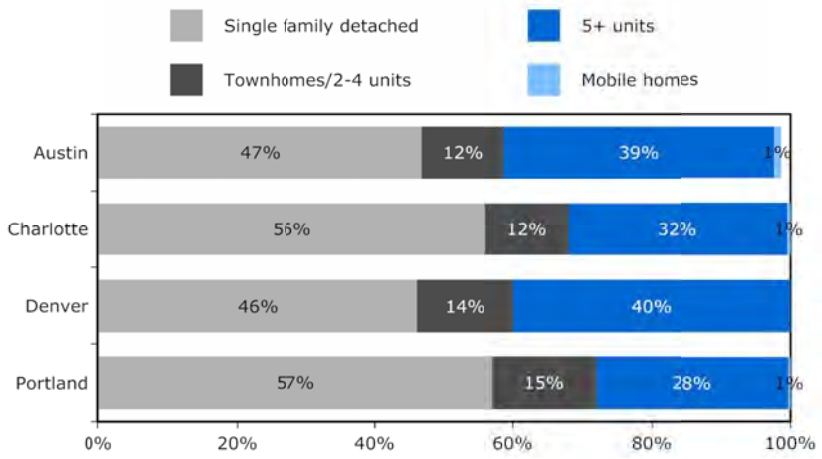
[1] The Austin Multi-Family Trend Report, Austin Investor Interests, 1Q2014.

[2] http://www.austintexas.gov/page/demographic-data

Austin's housing unit composition is similar to peer cities, as shown in Figure II-4. Austin's housing distribution most closely matches that of Denver. Denver and Portland have higher proportions of single family alternative products (townhomes, duplexes, etc.), but Austin is not far behind. Charlotte and Portland have the largest proportions of single family detached housing.

The housing unit composition in Austin is likely to change in the future with the infusion of multifamily units, but it will be modest. Changing the overall distribution of housing units requires a fairly significant infusion of one product type. For example, an addition of 16,000 multifamily units to Austin's market, without any other types of development, would shift the multifamily proportion by just 2 percentage points—up to 41 percent, from 39 percent now.

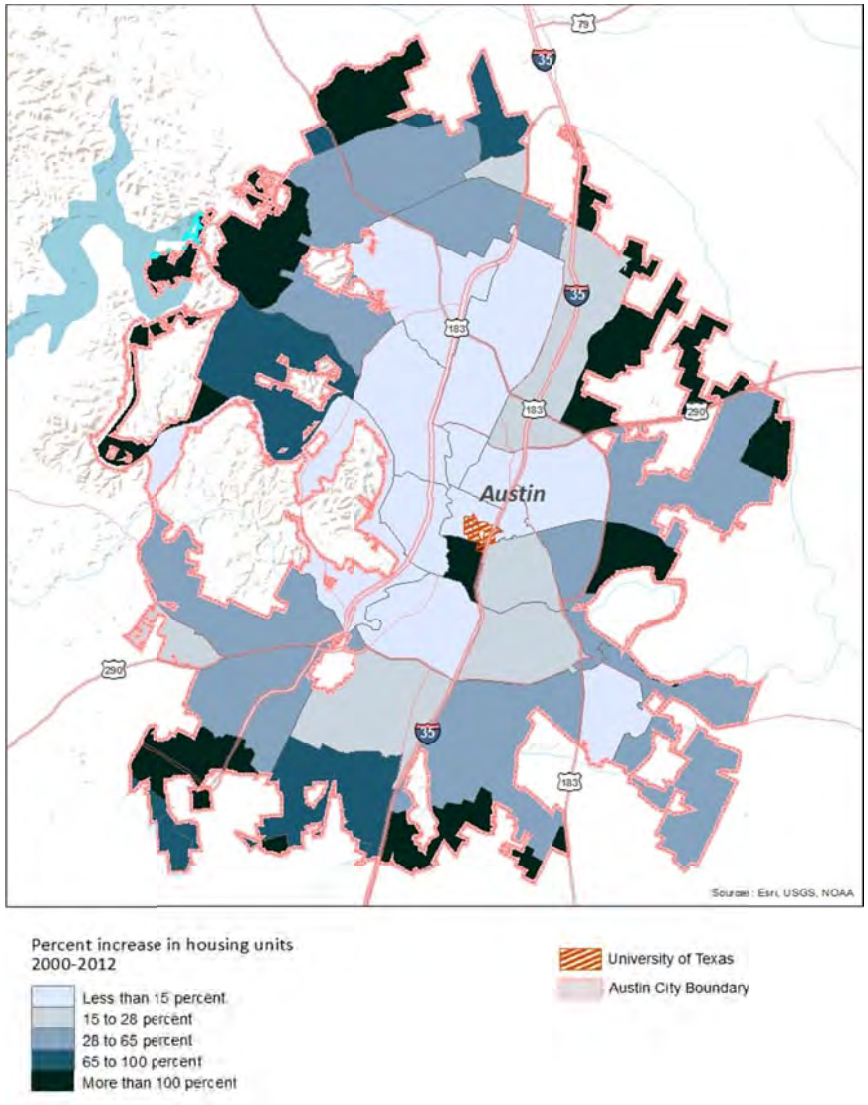
Figure II-4.
Type of Housing Units, Austin, Charlotte, Denver, Portland, 2010



Source: 2012 ACS.

Geographic changes. New residential construction has not been distributed evenly throughout the city, as shown in the following map. Housing unit growth has been most prominent in along the outer border of the city as well as near downtown.

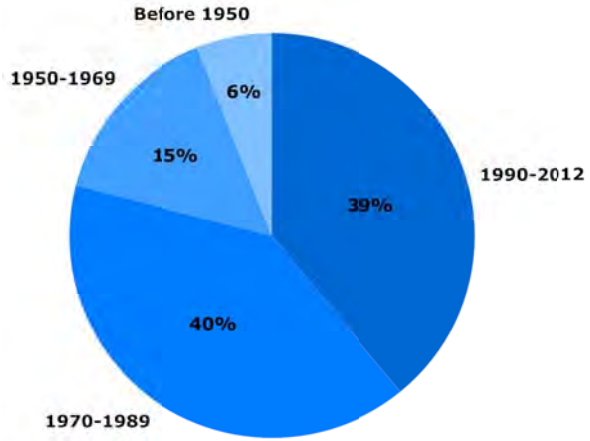
Figure II-5.
Change in Housing Units, ZIP code, 2000-2012



Source: U.S. Census, 2000 and 2012 ACS.

Housing age and condition. Austin is known for its many unique neighborhoods, shaped by historic residential properties. Yet most of the city's housing stock was developed relatively recently, as shown in Figure II-6. About 40 percent of units were built in 1990 and later. Another 40 percent were built in the 1970s and 1980s. Six percent of the city's housing stock was built before 1950.

Figure II-6.
Year Housing Units were Built, City of Austin



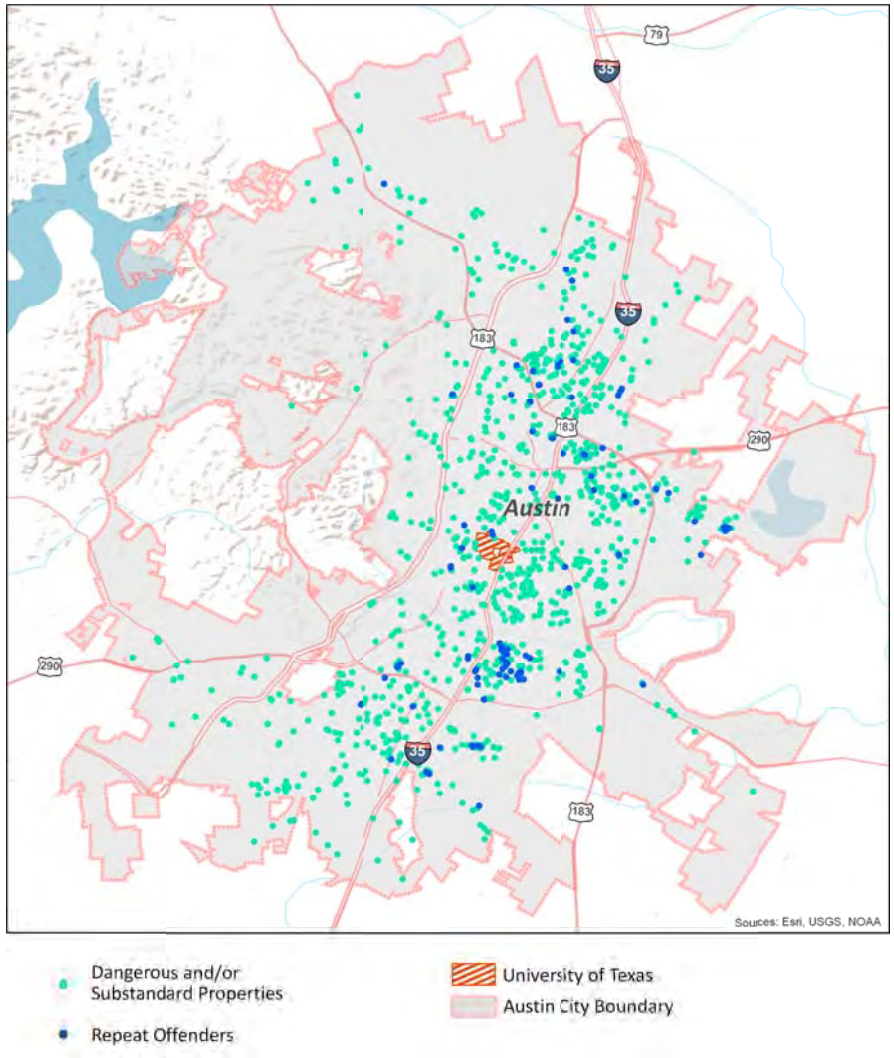
Source: 2012 ACS.

As part of the Housing Market Analysis, the City of Austin conducted a survey of residents about their housing needs, including the condition of their current housing units.

Overall, 5 percent of renters earning less than $25,000 per year—but no low income homeowners—said their housing units are in such poor condition that their units are unlivable. This suggests that as many as 3,000 low income renters in the city occupy units that are in extremely poor condition.

Figure II-7 displays the location of units that were deemed dangerous and/or substandard as a result of a 2013 code complaints. The map also shows repeat offenders of code compliance. As shown in the map, repeat offenders are clustered in east and north Austin, many located in low income and minority neighborhoods. Dangerous and substandard properties appear throughout central Austin, north Austin and in southwest Austin.

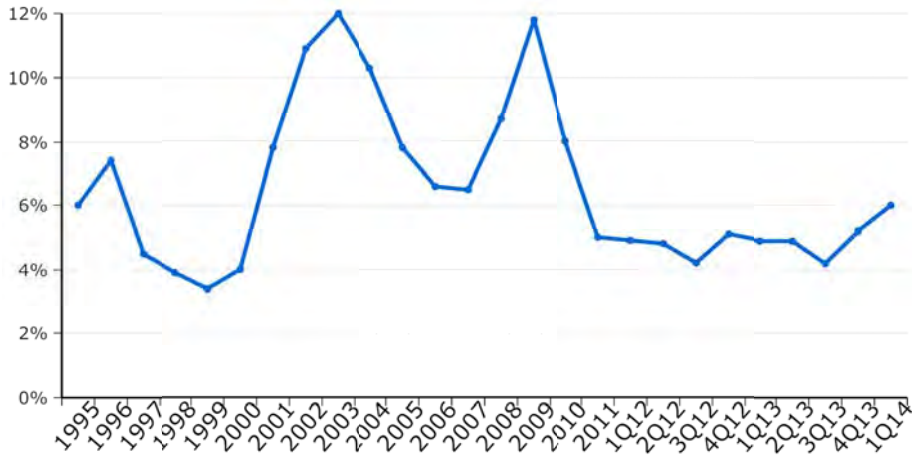
Figure II-7.
Code Compliance, City of Austin, 2013



Source: City of Austin.

Rental vacancy rates. Figure II-8 shows trends in rental vacancies for Austin MSA tracked by Austin Investor Interests. After peaking in 2009, vacancies dropped and have hovered around 5 percent since 2011.

Figure II-8.
Multifamily Vacancy Rates, Austin MSA, 1995-1Q14



Source: Austin Investor Interests.

Vacancy rates differ, however, by property "class." According to Austin Investor Interests, vacancies are lowest for non-luxury units (Class B and C properties). Rents differ little between the two, both averaging $1.15/square foot—e.g., $920 per month for an 800 square foot unit.

There is usually a difference in the rental costs of B and C properties, based on unit age and condition—but not in the current market. According to Austin Investor Interests, this narrowing of price differential is due to unit upgrades in both property types, as well as a limited supply of each, relative to the supply of Class A units. Renters in B and C properties may be paying as much as $300 more per month for upgraded B and C units.[3]

Class A— luxury rentals—average $1.36/square foot ($1,088/month for 800 square feet) and have a much higher vacancy rate of 12 percent. B and C class properties are the primary reason that rental vacancy rates have remained low overall.

Class A rents may drop over time as more Class A units are added to the market. Yet a drop in such rents is unlikely to be low enough to make a difference in the shortage of affordable rental units (discussed below). Instead, Austin Investor Interests argues that the dominance of Class A apartments in high-demand neighborhoods—e.g., downtown Austin—could raise demand, and rents, of Class B units in surrounding areas. Affordability and need for these types of rental units is addressed in the following section.

[33] The Austin Multi-Family Trend Report, Austin Investor Interests, 1Q2014.

Housing Affordability

The 2008 HMS identified two primary areas of need in Austin's housing market:

- A shortage of rental units for renters earning $20,000 and less, and
- A shortage of units to buy, as well as affordable product types, for to-be-owners earning less than $75,000 per year.

Rental needs. The 2008 study concluded that the city had a large need for affordable rentals. At that time, the rental market was undersupplying affordable rentals for renters earning less than $20,000 per year. These 44,700 renters, needing rents of less than $425 per month, had just 7,150 affordable units in the market, leaving a shortage of 37,600 units.

The 2008 study also projected future rental needs based on household growth. These projections found the need for the city to develop 12,500 rental units priced less than $425 per month to accommodate additional low income renters through 2020.

Homeownership needs. The 2008 HMS also found a need for homeownership product affordable for renters earning between $35,000 and $75,000 per year. The study recommended broadening the inventory of alternatives to single family detached homes which could be priced between $113,000 and $240,000, depending on subsidies and product type.

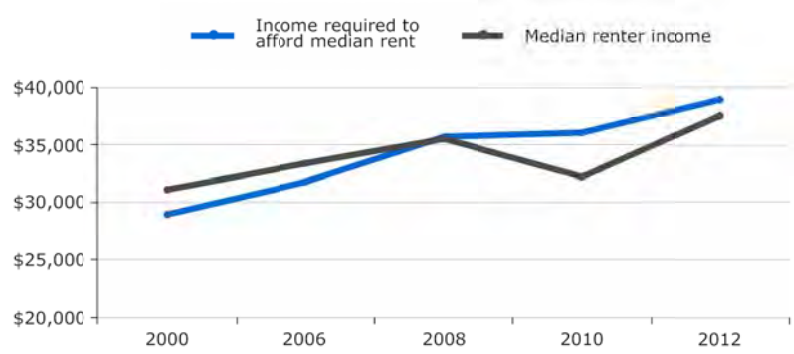
Since the 2008 study, Austin's market has become less affordable for low income renters and more affordable for owners. The increase in ownership affordability is solely due to the large decline in mortgage interest rates after 2008.

Rental affordability. Fifty-five percent of Austin's households are renters. This proportion has shifted little since 2008 (54%) and 2000 (55%).

Between 2000 and 2010, median rents in Austin increased from $724 to $924. This means Austin renters were paying an additional $200 per month for rents in 2010 than in 2000.

As shown in the figure below, renter incomes did not keep up with the increases in rents.

Figure II-9.
Change in Median Income versus Median Rent, 2000 to 2012



Source: 2000 Census and 2012 ACS.

Rental subsidies. Increases in rents are particularly challenging for low income households who have limited options in the rental market. As discussed in the rental gaps analysis below, maintaining an inventory of publicly subsidized rentals has been key for preserving rental opportunities for the city's lowest income households. Without these units, the rental gap would be much larger—and many more low income residents would be cost burdened or leave the city for more affordable housing.

An estimated 18,500 affordable rental units have been created with local, state and federal funds, according to the city's 2013 affordable housing inventory database. These include housing authority units, developments built with rental tax credits, developments funded by General Obligation (GO) bonds, SMART Housing developments and others. Of these units, almost 2,500—or 13 percent of all units—have affordability contracts that expire in the next 10 years. As such, these units are at risk of being lost from the affordable rental inventory.

Figure II-10 shows the distribution of these publicly subsidized rentals by ZIP code. The highest proportion of units are located in ZIP code 78741 (18%), followed by 78753 (10%). These ZIP codes also have the highest proportions of affordable rentals with affordability contracts that are set to expire in the next 10 years.

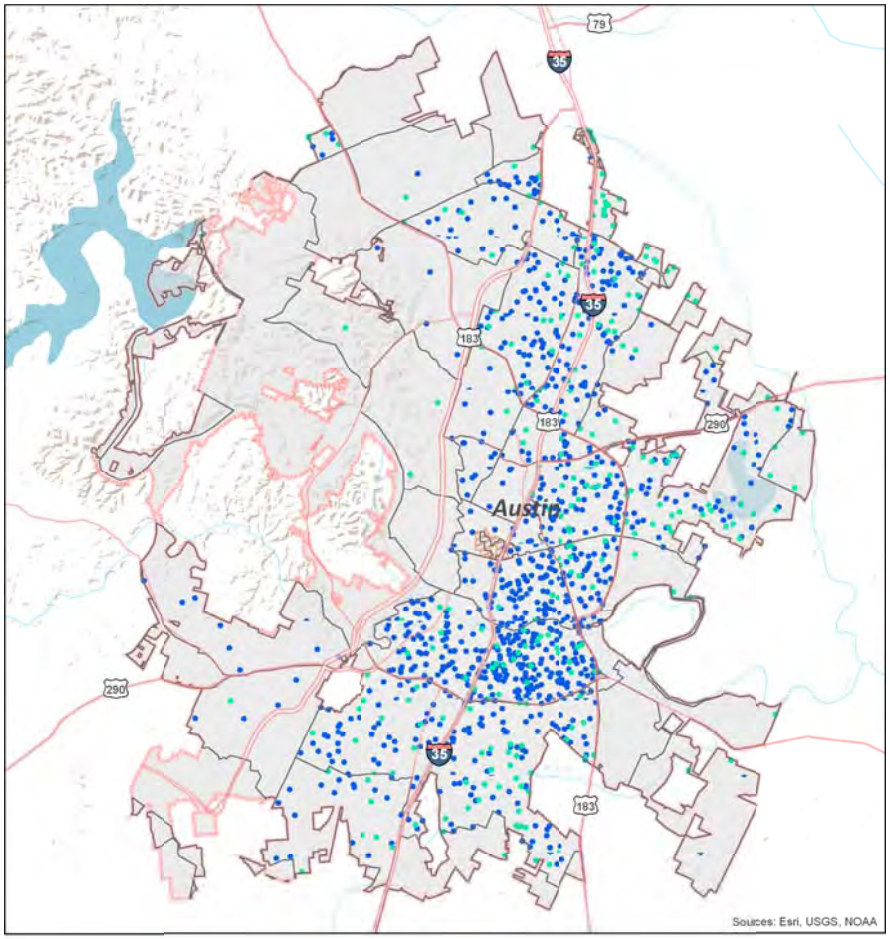
Figure II-11 maps the location of place-based subsidized rentals along with locations where housing choice vouchers are being used. Both are predominantly located in the eastern portion of the city and to a lesser extent, north and south Austin.

Figure II-10. Distribution of Subsidized Rentals and Rentals with Expiring Contracts by ZIP Code, 2012

Source:
City of Austin.

ZIP code	Distribution of Subsidized Rentals by ZIP Code	Distribution of Units with Expiring Contracts
78613	0%	
78617	0%	
78660	0%	
78701	1%	
78702	9%	3%
78704	9%	8%
78705	1%	2%
78721	5%	
78722	1%	
78723	7%	14%
78724	5%	
78727	3%	
78728	2%	
78729	0%	
78735	1%	
78741	18%	17%
78744	9%	12%
78745	5%	9%
78748	2%	3%
78749	0%	
78751	0%	
78752	2%	1%
78753	10%	19%
78754	1%	
78756	1%	1%
78757	1%	
78758	6%	12%
78759	1%	
78702	0%	
	100%	100%

Figure II-11.
Subsidized Rentals and Housing Choice Voucher Locations, 2012



Source: City of Austin.

The Housing Choice Voucher program, also known as Section 8, provides subsidies to low income renters based on their monthly incomes. The federal program is managed locally by the Housing Authority of the City of Austin, or HACA. Approximately 6,300 vouchers are available to eligible low income renters in Austin, although funding is subject to federal authorization.

Housing choice voucher holders rent market rate units that meet quality standards. Voucher holders are reimbursed based on a "fair market rent" (FMR) standard that is set at the federal level for each market area.

The FMR is set for the MSA, which can affect where voucher holders can find affordable units.[4] A recent demonstration program by HUD that allowed the use of ZIP code level FMRs broadens the market area in which voucher holders can find units by providing higher subsidies in higher priced ZIP codes.[5]

[4] Voucher holders can rent units that are priced higher than the FMR, but they must make up the difference in rent, which is usually difficult for low income households.

[5] The downside is that fewer voucher holders may be served by the program (without an increase in overall funding for vouchers) because the cost per voucher is higher.

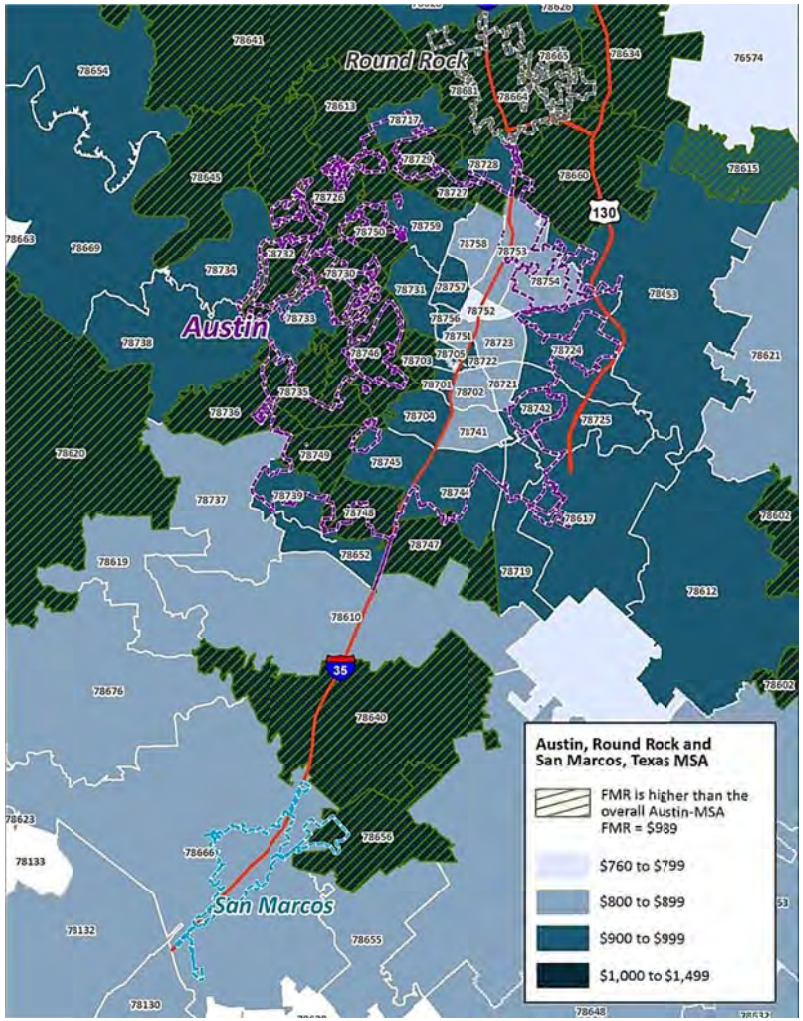
Figure II-12 shows how the ZIP code level, "hypothetical" FMRs would expand the options of voucher holders in Austin. The crosshatch shows the additional ZIP codes available to voucher holders under a ZIP code FMR reimbursement model.

Rental preservation. A 2014 study conducted by Housing Works in Austin found that a significant amount of affordable housing (rents affordable to renters earning 50% and 60% of AMI) existed in smaller, older, multifamily properties. The study also found that these properties had twice the Section 8 acceptance rate of larger rental complexes.

The affordable units provided by these properties, however, are mostly small (efficiencies and 1-bedroom) and not always affordable to large families needing 2-plus bedroom units.

Still, the study highlights the role of privately-provided, affordable rental units in helping to meet the need of affordable rentals across the low income spectrum—and suggests a broader role for the city in helping to preserve the affordability of existing properties.

Figure II-12.
Hypothetical Small Area FMRs for the Austin, Round Rock and San Marcos, Texas Metropolitan Statistical Area (MSA), 2012



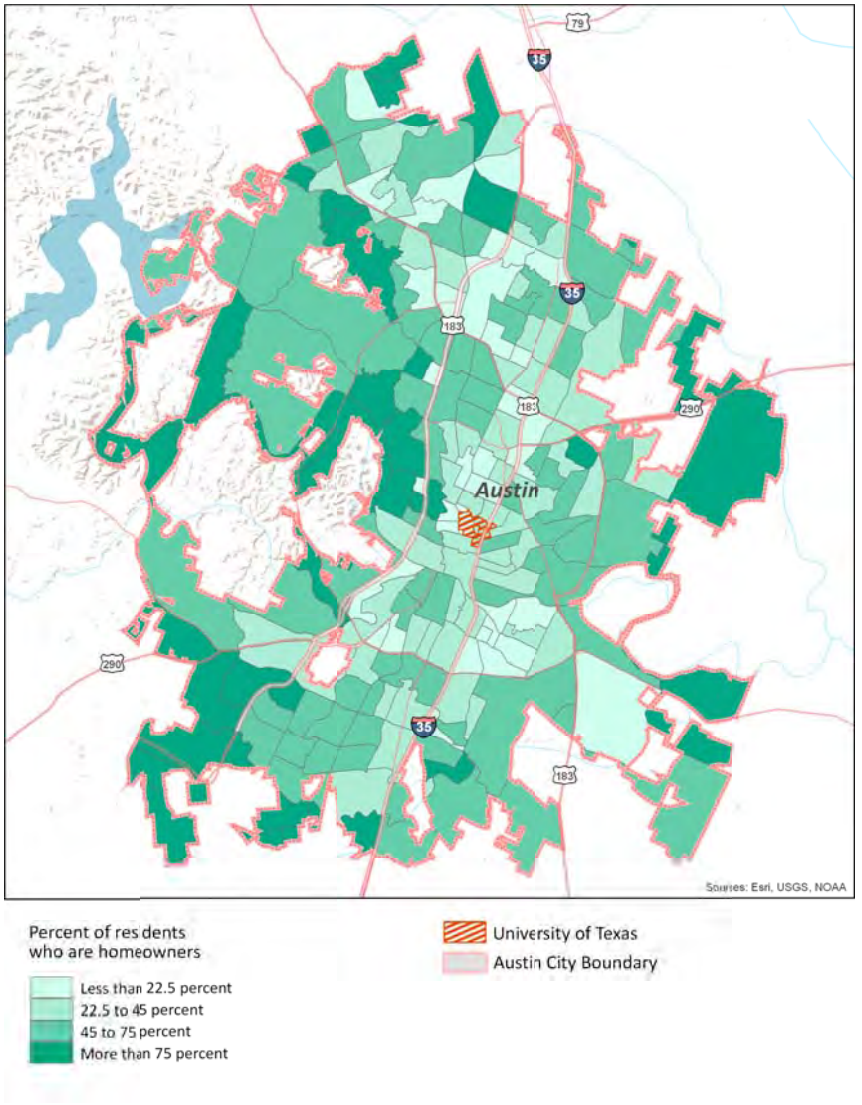
Note: The 2012 2-bedroom FMR for the Austin-Round Rock-San Marcos area is $989. The crosshatch indicates a ZIP code where the ZIP code FMR is higher than the overall FMR.

Source: www.huduser.org; Fair Market Rent database.

Homeownership affordability. Since 2000, the homeownership rate in Austin has been unchanged at 45 percent. Homeownership in Austin has been about this level for more than a decade, after rising from 41 percent in 1990.

Homeownership varies geographically, as shown in the following map. Ownership is highest in the outer boundaries of the city and lowest in the city core and north Austin.

Figure II-13.
Homeownership Rate by Census Tract, City of Austin, 2012



Source: 2008-2012 ACS and BBC Research & Consulting.

Home values. According to the Census, the median value of a home in Austin was $222,100 in 2012—up 78 percent from the 2000 value of $124,700. As shown in the figure below, home value increases in Austin have exceeded those in Travis County and Texas overall.[6] Austin's median value surpassed that of Travis County after 2000.

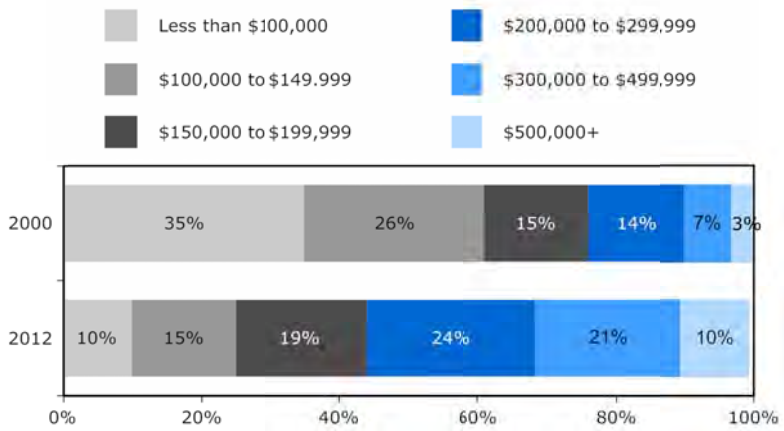
Figure II-14.
Home Values and Increases, Austin, Travis County and State of Texas, 2000 to 2012

	Austin	Travis County	State of Texas
2000 Median	$124,700	$134,700	$82,500
2012 Median	$222,100	$217,600	$129,200
% change	78%	62%	57%

Source: U.S. Census, 2000, and 2012 ACS

Figure II-15 shows how values have shifted among value categories. In 2000, more than one-third of homes in Austin had values of less than $100,000; by 2012, just 10 percent of units were valued at less than $100,000. The figure shows a significant movement away from moderately priced homes toward higher priced units.

Figure II-15.
Shifts in Home Values, Austin, 2000 and 2012



Source: U.S. Census, 2000, and 2012 ACS.

Homes to buy. Data on homes listed for sale or sold are used to determine how easily renters can buy in a market and how prices have changed. The 2008 HMS compared home prices in 2005 and 1997; this section updates that analysis with a comparison of prices from 1997, 2000, 2005, 2010 and 2013 (the last full year of sales at the time this report was prepared).

[6] Home values are self-reported on the Census long form survey. They do not necessarily reflect units that are available for purchase. Values are a general indicator of the distribution of home prices.

Figure II-16 compares the median prices of attached and detached homes over the past 16 years. Percentage-wise, price increases were strongest for attached units. Numerically, price increases were largest for detached units. For all units, prices rose the most between1997 and 2000. The average increase in prices during this period was about twice that of growth between 2010 and 2013.

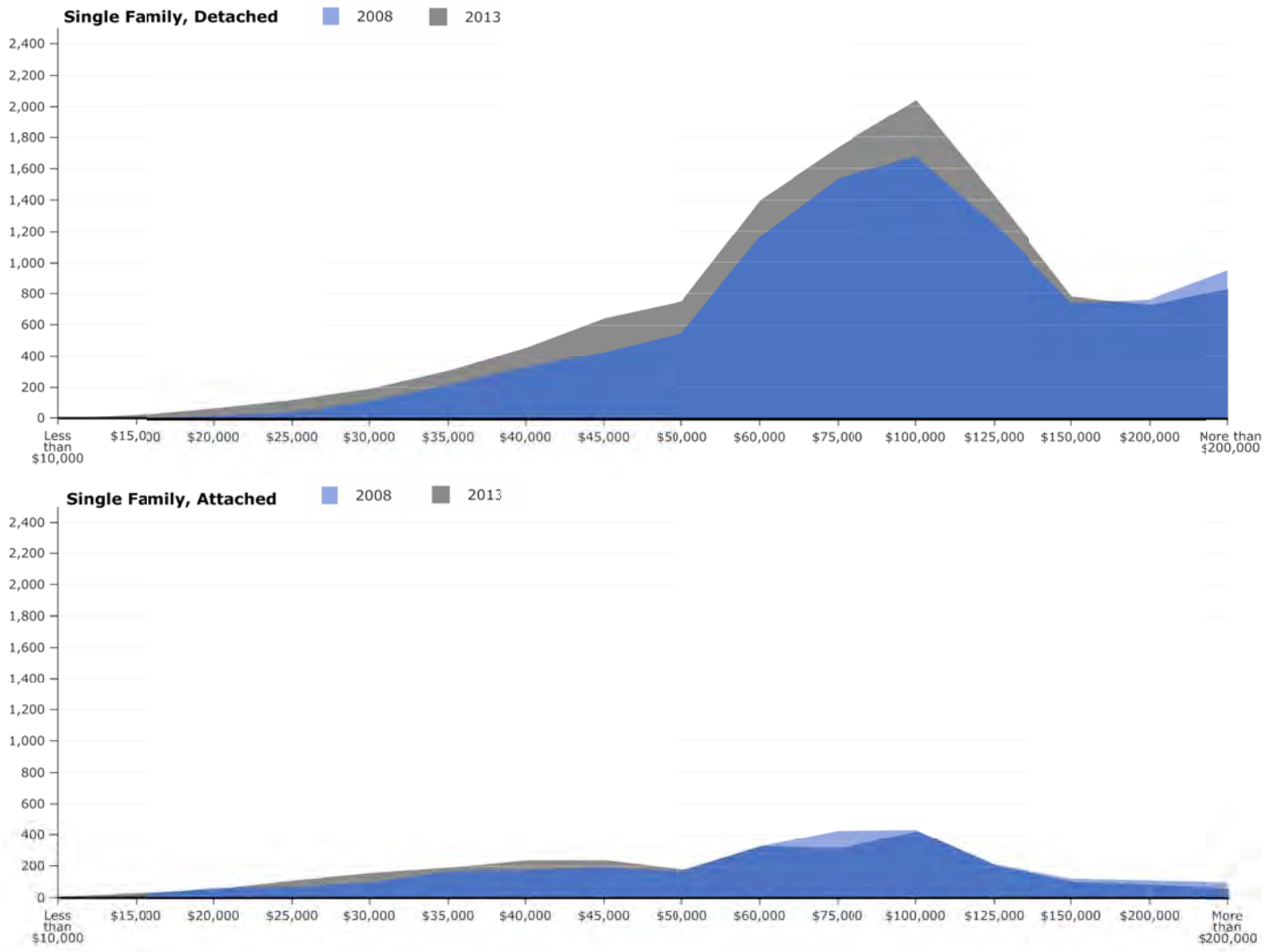
Figure II-16.
Median Sale Price, Austin, 1997-2013

	Attached	Equivalent Annual Increase	Detached	Equivalent Annual Increase	All Homes	Equivalent Annual Increase
1997	$78,000		$125,000		$118,990	
2000	$115,000	16%	$169,000	12%	$159,900	11%
2005	$142,000	5%	$193,000	3%	$181,500	3%
2010	$164,000	3%	$245,000	5%	$229,000	5%
2013	$205,000	8%	$285,100	5%	$269,000	6%
1997-2013 change	$127,000	163%	$160,100	128%	$150,010	126%

Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Figure II-17 demonstrates where peaks and valleys exist in the 2013 for-sale market—it charts the number of single family detached and attached homes by the incomes at which they are affordable. The distribution of detached homes for sale in 2013 is similar to 2008 with the market primarily serving households earning between $60,000 and $125,000. There have been some affordability gains in the attached market since 2008, though the market overall still primarily serves households earning between $50,000 and $100,000 per year.

Figure II-17.
Distribution of Housing Units Available to Buy by Income and Housing Type, 2013



Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Figures II-18 and II-19 illustrate the geographic variation in median sale price across Austin ZIP codes. Among Austin ZIP codes that had at least 10 home sales in 2013, the lowest median sale price was $127,000 (in ZIP code 78724) and the highest was $770,000 (in ZIP code 78746). As displayed in the map, sale prices were highest in West Austin.

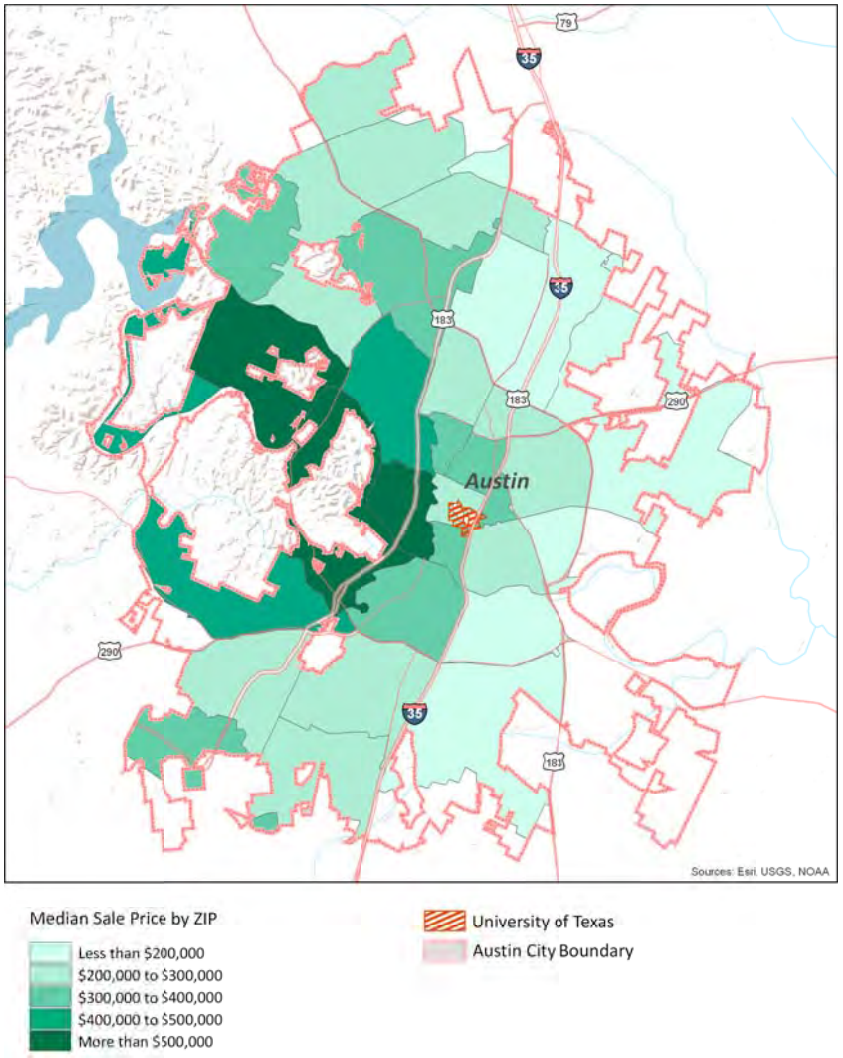
Figure II-18.
Median Sale Price by ZIP Code, Austin, 2013

ZIP code	Median Price - All For-Sale	Median Price - Attached	Median Price - Detached	ZIP code	Median Price - All For-Sale	Median Price - Attached	Median Price - Detached
CITY OF AUSTIN	**$269,000**	**$205,000**	**$285,100**				
78617	N/A	N/A	N/A	78735	$420,000	$205,750	$440,000
78701	$380,000	$375,500	N/A	78739	$385,000	N/A	$385,000
78702	$263,000	$230,750	$280,000	78741	$137,500	$119,500	$166,300
78703	$622,500	$365,050	$801,500	78742	N/A	N/A	N/A
78704	$366,750	$300,000	$449,000	78744	$132,000	N/A	$133,000
78705	$210,000	$195,000	$535,000	78745	$205,500	$174,500	$206,000
78717	$263,000	$200,653	$272,000	78746	$770,000	$389,000	$850,000
78721	$161,250	N/A	$163,950	78748	$205,000	$192,250	$208,400
78722	$339,500	N/A	$340,000	78749	$275,000	$189,750	$280,000
78723	$215,000	$278,000	$212,000	78750	$298,250	$195,000	$375,000
78724	$127,000	N/A	$127,705	78751	$345,000	$185,000	$354,700
78726	$357,250	N/A	$357,750	78752	$207,250	$127,250	$228,250
78727	$225,000	$162,500	$235,900	78753	$145,000	$108,500	$149,950
78728	$185,900	N/A	$186,200	78754	$170,000	N/A	$170,208
78729	$212,375	$151,500	$216,250	78756	$365,000	$174,900	$440,000
78730	$540,000	$176,150	$710,000	78757	$290,000	$119,900	$324,000
78731	$479,600	$191,000	$555,000	78758	$151,486	$107,000	$167,000
78732	$419,000	N/A	$419,000	78759	$330,000	$185,000	$389,900

Note: Medians are not shown for ZIP codes with fewer than 10 sales in 2013.

Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Figure II-19.
Median Sale Price for All Homes by ZIP Code, Austin, 2013



Note: Medians are not shown for ZIP codes with fewer than 10 sales in 2013.

Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Some markets appear affordable but only because the housing affordable to buy is in poor condition. According to the 2013 MLS, 17 percent of homes affordable to renters earning less than $50,000 are in poor or fair condition, compared to just 9 percent of all homes on the market.

Figure II-20.
Condition of For Sale Homes, Austin, 2013

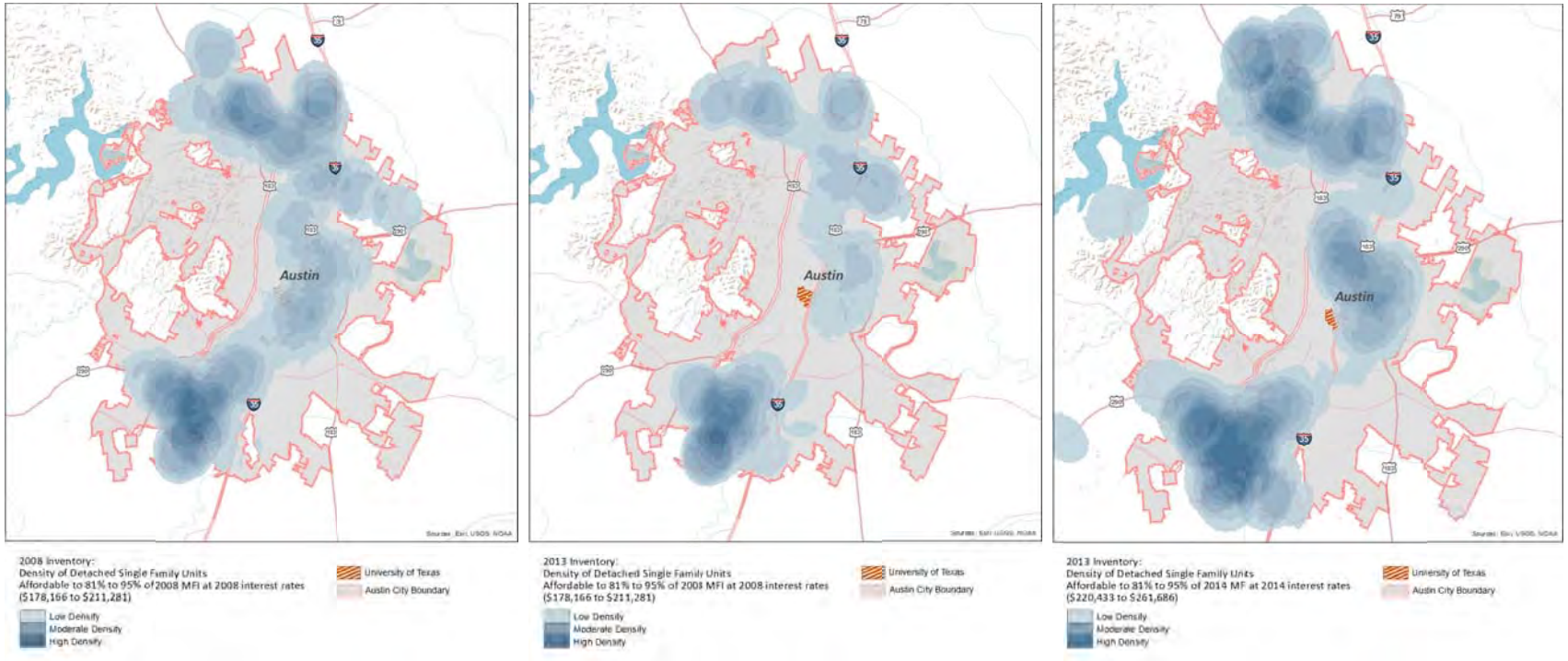
Condition at time of Sale	Number of Homes Available	Average Year Built	Average Square Footage	Percent Attached
Excellent	1,059	1994	1,314	39%
Good	1,572	1986	1,277	36%
Average	575	1983	1,314	30%
Fair	445	1980	1,321	19%
Poor	224	1968	1,286	6%

Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Figures II-21 and II-22 demonstrate how affordability has changed *geographically.* As discussed previously, affordability in the ownership market did increase between 2008 and 2013 but only due to falling mortgage interest rates. The first map in each figure shows affordability in 2008; the second map shows properties available in 2013 that meet the 2008 criteria (2008 MFI threshold and 6.5% interest); and the third map shows affordability in 2013 using 2013 MFI thresholds and a 4.5 percent interest rate.

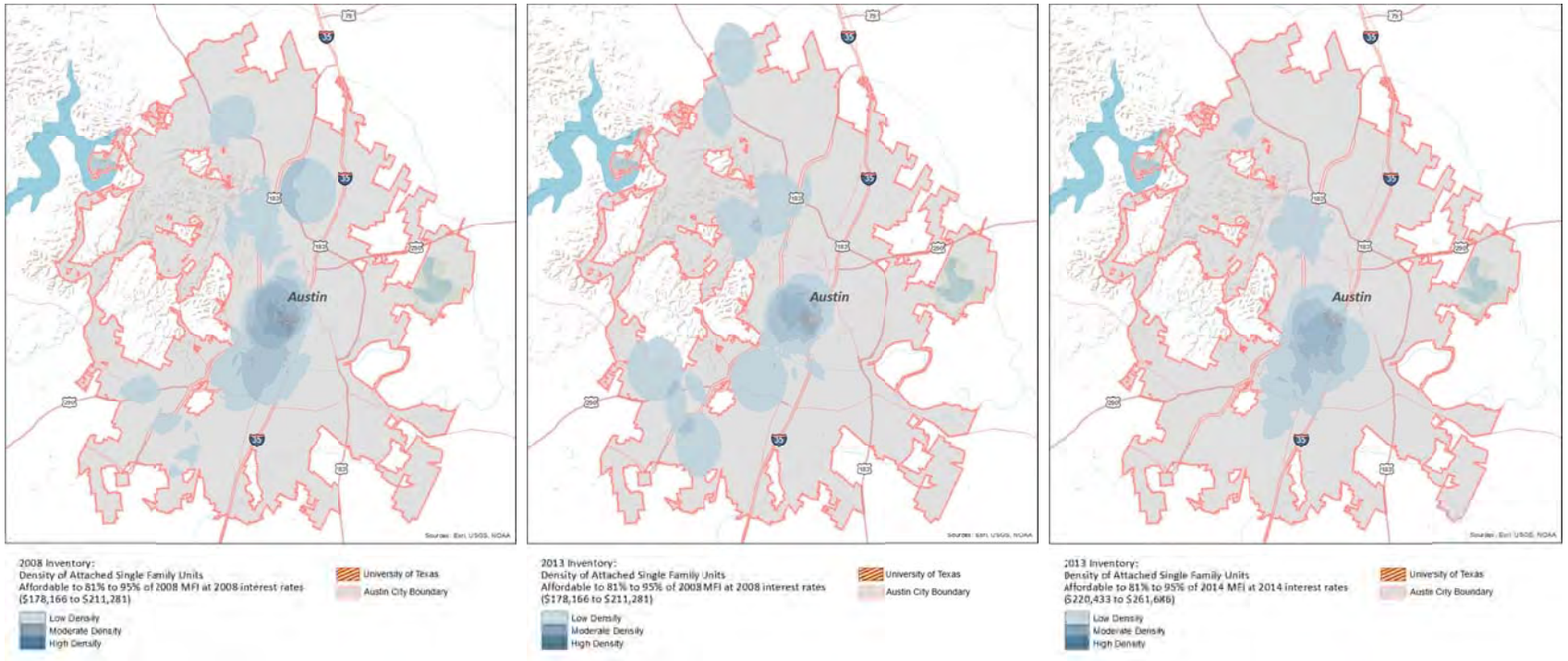
The availability of single family detached homes affordable to those earning 81 to 95 percent MFI increased but also became more concentrated in northern and southern portions of the city. There are fewer affordable options in the city center.

Figure II-21.
Single Family Detached Homes Affordable to Households Earning 81% to 95% MFI, 2008 and 2013



Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Figure II-22.
Attached Homes Affordable to Households Earning 81% to 95% MFI, 2008 and 2013



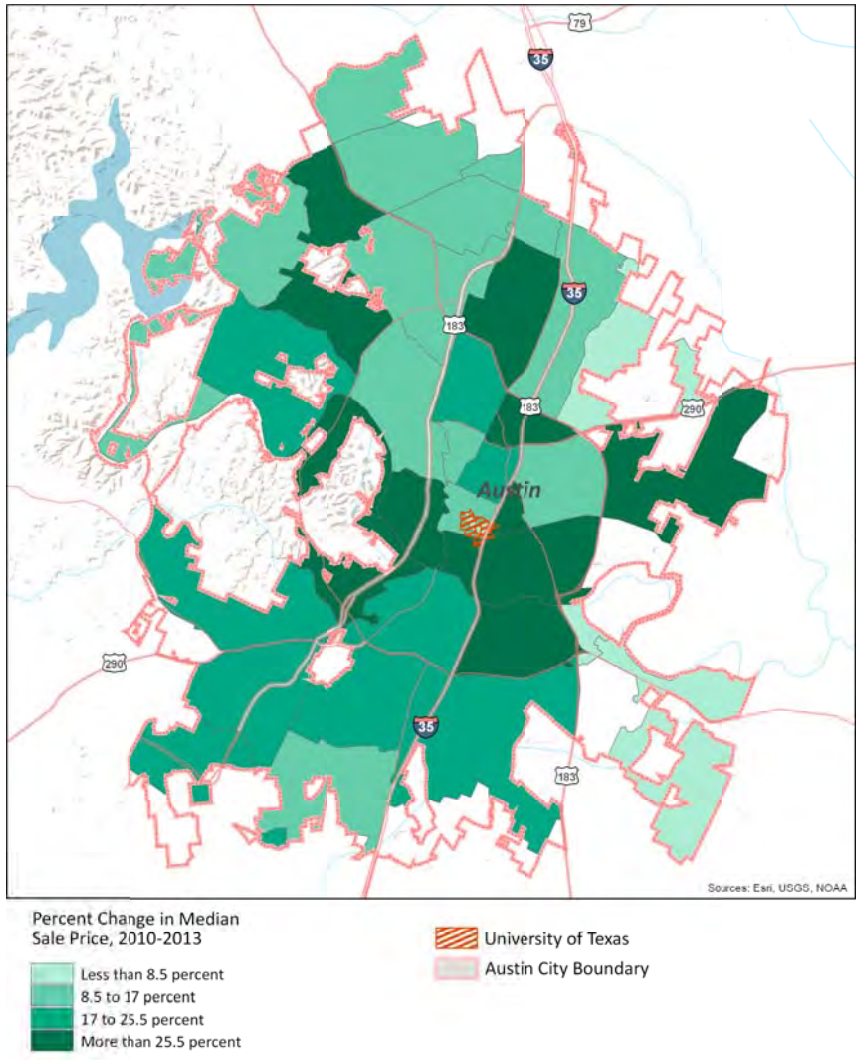
Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Over the past few years, median home prices in Austin (for all homes including attached and detached) increased by 17 percent (from $229,000 in 2010 to $269,000 in 2013). Figure II-23 maps the change in home price by ZIP code. Rapid increases in home price are a typical indicator of gentrification.

ZIP codes 78702, 78752, 78721, 78701 and 78722 all experienced price increases that were twice that of the city overall. ZIP codes 78704 and 78723 had substantial price increases between 2000 and 2010, but since 2010 that growth has slowed somewhat.

As demonstrated by the map, neighborhoods in close proximity to downtown are experiencing some of the most dramatic price increases within the Austin for-sale market.

Figure II-23.
Percent Change in Median Sale Price by ZIP Code, 2010-2013



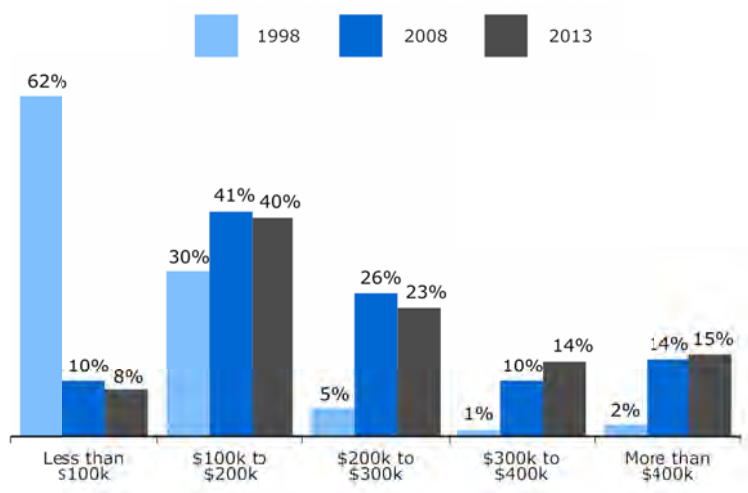
Source: U.S. Census, 2000, and 2012 ACS

Rapidly increasing home prices are not just a concern for residents looking to purchase a home. Current homeowners in neighborhoods with dramatic valuation increases are subject to substantial increases in their property tax burden. For low income owners and those on a fixed income such increases can be an impediment to keeping their homes.

Consider, for example, a senior resident of ZIP code 78702 (where the home prices increased by 46% between 2010 and 2013). Even with the senior tax exemption, that resident's property taxes are likely to have doubled, rising from $1,860 to $3,600.

Condo affordability. Although condos are more affordable than single family detached homes, Austin's recent condo development has not alleviated unmet demand for affordable for-sale homes. Condos sold in 2013 and constructed in 2010 or later had a median listing price of $309,000.

Figure II-24.
Price Distribution of For-Sale Condos, Austin, 1998, 2008 and 2013



Source: Austin Board of Realtors and BBC Research & Consulting analysis of ABOR data.

Cost burden. Cost burden is a useful way to compare how affordability has shifted over time. Households are considered to be "cost burdened" when they pay more than 30 percent of their gross household income in housing costs—this includes rent, mortgage payment, basic utilities, property taxes and homeowners insurance. This is an industry standard, and ideal, for affordability.[7]

The proportion of households who are cost burdened generally worsens when housing prices increase. Cost burden can also occur when household incomes decline but home prices do not.

Between 2000 and 2012, cost burden increased for both renters and owners in Austin, as shown in Figure II-25.

Figure II-25.
Cost Burden, Austin, Travis County and State of Texas, 2000 and 2012

	Austin	Travis County	State of Texas
Owners			
2000 owners cost burdened	21%	21%	19%
2012 owners cost burdened	28%	28%	27%
Percentage point increase	7%	7%	23%
Renters			
2000 renters cost burdened	44%	43%	37%
2012 renters cost burdened	50%	51%	48%
Percentage point increase	6%	8%	11%

Source: U.S. Census, 2000, and 2012 ACS

Interestingly, cost burden is about the same in Austin as in Travis County and the State of Texas—even though housing prices in Austin are higher. Cost burden has also increased less in Austin. This suggests that Austin renters and owners have been better able to manage housing price increases through increases in income relative to renters and owners in the county and state overall. It may also demonstrate the effect of Austin's investment in affordable rental units.

[7] http://www.huduser.org/portal/datasets/cp/CHAS/bg_chas.html

Housing Gaps

This section updates the 2008 housing gaps analysis, which compared rental and ownership supply to demand to identify housing needs. This updated analysis incorporates the following data:

- Population estimates from the City Demographer,
- Housing unit estimates and rent distribution from the U.S. Census,
- Subsidized rental units from the city's affordable housing database and the Housing Authority of the City of Austin (HACA),
- Austin Investor Interests' Multi-family Trend Report from first quarter 2014, and
- For sale listings from the Austin Board of Realtors (ABOR).

For the purposes of this analysis, affordability is determined by the criteria that a household should pay no more than 30 percent of gross monthly income toward housing costs. This includes utilities, homeowners insurance and property taxes.

Figure II-26 shows how much households can afford to both buy and rent by income level. The figure incorporates two different assumptions for downpayments—a downpayment equivalent to 5 percent of the home price, which was used in the 2008 gaps model, as well as 10 percent, which has become more customary with changes in housing finance. A 10 percent downpayment appears to make the market slightly more affordable since buyers are able to afford a higher home price. This is only possible if buyers have saved for a downpayment or are provided with downpayment assistance.

Figure II-26.
Affordable Home Price and Rents and Utilities by Income Range

Income Category	Affordable Home Price - 10% Downpayment	Affordable Home Price - 5% Downpayment	Affordable Monthly Rent & Utilities
Less than $10,000	$39,661	$38,196	$250
$10,000 to $14,999	$58,559	$56,398	$375
$15,000 to $19,999	$77,463	$74,601	$500
$20,000 to $24,999	$96,367	$92,809	$625
$25,000 to $29,999	$115,266	$111,012	$750
$30,000 to $34,999	$133,857	$128,914	$875
$35,000 to $39,999	$152,756	$147,122	$1,000
$40,000 to $44,999	$171,660	$165,325	$1,125
$45,000 to $49,999	$189,934	$182,923	$1,250
$50,000 to $59,999	$227,737	$219,337	$1,500
$60,000 to $74,999	$284,449	$273,951	$1,875
$75,000 to $99,999	$378,329	$364,370	$2,500
$100,000 to $124,999	$472,843	$455,398	$3,125
$125,000 to $149,999	$567,358	$546,422	$3,750
$150,000 to $199,999	$756,382	$728,475	$5,000

Note: Assumes an interest rate of 4.5% and a 30-year payment term.

Source: BBC Research & Consulting affordability calculations.

Rental gaps. Two updates from the 2008 HMS are provided for the rental gaps: 1) A 2012 gaps using 2012 Census data, and 2) A 2014 update using rents collected during first quarter 2014.

The first is based on 2012 household and rental market data available from the 2012 ACS. Because the ACS uses self-reported rental data, it can be a better measure of what a household actually pays in rent. This is important because households with Housing Choice Vouchers pay less in monthly rent than the market rents of the units they occupy. The ACS also contains a broader inventory of rental units (units in smaller complexes and subsidized developments) than are available in market surveys.

The primary weakness of the rental data in the ACS is that it is from 2012—and the rental market has changed quite dramatically since then. For example, according to Austin Investor Interests, rental rates per square foot for Class B and C units rose from about $1.00/square foot (Class C) and $1.10/square foot (Class B) in mid-2012 to $1.15/square foot for both types of properties in first quarter 2014. This is equivalent to a $120 rent increase on a Class C 800 square foot unit.

Therefore, two gaps analyses are provided: a comprehensive comparison of the 2008 gaps using 2012 data, and an update to the 2012 gaps to reflect early 2014 rental prices.

2012 rental gaps. In 2012, 27 percent of the city's renters earned less than $20,000 per year. This is the same proportion as in 2008. Although the number of renter households grew between 2008 and 2012, the growth was concentrated among higher income renters. For example, as discussed in Section I, the number of renters earning less than $20,000 increased by 1,575, while renters earning more than $75,000 grew by more than 15,000.

In 2008, just 4 percent of rental units were estimated to be affordable to renters earning less than $20,000. This proportion remained the same in 2012 but the actual number of units increased, from 7,150 to 8,410. This increase in affordable units does not entirely make up for the increase in renters earning less than $20,000. As such, the rental gap for renters earning less than $20,000 increased, but only very modestly.

It is important to note that renters earning less than $20,000 find the vast majority of units they can afford in publicly subsidized housing, not market rate units. The rents on publicly subsidized units are generally more stable. These units made up the bulk of units renters earning less than $20,000 could find in 2008—and that appears to be the case in 2012.

The impact of rising rents is evident in the $20,000 to $25,000 income range. The 2012 gaps found a shortage of units for renters earning $20,000 to $25,000—about 1,500 units—which was not found in 2008. This is not due to an increase in renters in this income range, but to a decrease in affordable, some privately provided, units.

Figure II-27 shows the results of the 2012 rental gap. Figure II-28 summarizes the changes in the gap since 2008.

Figure II-27.
Rental Gaps Analysis, Income Level and AMI, 2012

Gaps by Income Range							
Income Range	Number and % of Renters		Maximum Affordable Rent+Utilities	Number of rental units, 2012 ACS	% of rental units	Rental Gap	Cumulative Gap
Less than $5,000	12,677	7%	$125	635	0%	(12,042)	(12,042)
$5,000 to $9,999	10,967	6%	$250	2,774	1%	(8,193)	(20,235)
$10,000 to $14,999	11,770	7%	$375	1,947	1%	(9,822)	(30,057)
$15,000 to $19,999	12,430	7%	$500	3,054	2%	(9,376)	(39,433)
$20,000 to $24,999	12,037	7%	$625	10,546	6%	(1,491)	(40,924)
$25,000 to $34,999	22,275	12%	$875	52,540	28%	30,264	(10,660)
$35,000 to $49,999	31,948	18%	$1,250	67,815	36%	35,867	25,207
$50,000 to $74,999	28,717	16%	$1,875	37,497	20%	8,780	33,988
$75,000 to $99,999	16,897	9%	$2,500	11,802	6%	(5,095)	28,893
$100,000 to $149,999	12,961	7%	$3,750	-	0%	(12,961)	15,932
$150,000 or more	6,527	4%		-	0%	(6,527)	9,406
Total	**179,205**	**100%**		**188,611**	**100%**	**9,406**	

Gaps by AMI (2014 income limits for 4-person hh)								
AMI maximums	income upper bound	Number and % of Renters		Maximum Affordable Rent+Utilities	Number of rental units, 2012 ACS	% of rental units	Rental Gap	Cumulative Gap
0-30% AMI	$22,600	54,104	30%	$565	13,895	7%	(40,208)	(40,208)
31-50% AMI	$37,700	33,803	19%	$943	69,808	37%	36,005	(4,203)
51-80% AMI	$60,300	38,029	21%	$1,508	71,057	38%	33,028	28,825
81-95% AMI	$71,630	13,015	7%	$1,791	16,995	9%	3,979	32,805
96-120% AMI	$85,956	11,275	6%	$2,149	10,226	5%	(1,049)	31,755
121-150% AMI	$113,100	12,887	7%	$2,828	6,630	4%	(6,258)	25,497
More than 150% of AMI	$113,101	16,092	9%		-	0%	(16,092)	9,406
Total		**179,205**	**100%**		**188,611**	**100%**	**49,614**	

Note: The model excludes renters who do not pay rent but instead receive boarding for exchange of goods or services.

Source: BBC Research & Consulting.

Figure II-28.
Change in Rental Gaps, 2008 to 2012

	2008	2012	Difference	
Renters earning <$20,000	46,269	47,843	1,574	
Renters earning <$25,000	60,088	59,880	(208)	
Units affordable to <$20,000	7,151	8,410	1,259	
Units affordable to <$25,000	22,597	18,956	(3,641)	
Gap for <$20,000	39,118	39,433	315	*< 1% increase from 2008*
Gap for <$25,000	37,491	40,924	3,433	*9% increase from 2008*

Source: BBC Research & Consulting.

The modest increase in the gap is a bit counterintuitive given increases in poverty. Yet much of the change in poverty occurred prior to 2008, between 2000 and 2007. There is also some evidence that low income residents may be living with others to manage housing costs: The average size of renter households was 2.36 in 2012 compared to 2.21 in 2008. These data suggest that the 2012 "gap renter households" are more likely than in 2008 to be "doubling up" to make ends meet.

2014 gaps. To adjust the 2012 gaps to 2014 prices, the rents of units priced between $500 and $1,000 in 2012 were raised to reflect the changes in price per square foot documented by Austin Investor Interests. This update assumes that units priced less than $500 per month are publicly subsidized and that the 2012 inventory was maintained.

The 2014 increase in rental shortages shows up for renters earning $20,000 to $25,000. 2014 pricing increases this gap by about 6,800 units, putting the cumulative gap at nearly 47,700 versus 40,924 using the 2012 rent distribution.

Figure II-29.
Increase in Rental Gaps Based on 2014 Rental Prices

	2012 Gap	2014 Gap	⬆
Renters earning $0-$25,000	40,924	47,698	6,774

Source: BBC Research & Consulting.

Impact on Housing Choice Voucher holders. Residents most affected by a tight rental market are Housing Choice Voucher holders, most of whom rent privately provided market rate units. As demonstrated by the 2014 gaps update, voucher holders earning between $20,000 and $25,000 have increasingly fewer market units to choose from. The housing authority in Austin reports that voucher holders are taking longer amounts of time to find affordable housing due to the lack of rentable units. This was supported by participants in the focus groups who described extreme challenges finding units that accept Section 8, especially for those who need units in particular areas because they cannot drive.

Homeownership gaps. The 2008 HMS examined how easy it was for renters of various income levels to purchase homes in Austin. This section updates the 2008 analysis with new data on homes for sale during 2013.

Market and financing changes. Housing prices increased between 2008 and 2013 but falling interest rates helped preserve ownership opportunities for residents looking to purchase a home. In 2008, a household earning $50,000 could afford a home priced at $160,000 (with a 5% downpayment and an interest rate of 6.5%). In 2014, the same household, earning $50,000, could afford a home priced at $183,000 (with the same 5% downpayment) because interest rates dropped two percentage points, to 4.5 percent.

Figure II-30 displays available affordable homes based on 2008 and 2013 market conditions. The figure also shows what the 2013 market might look like if interest rates had **not** declined. In 2008, 21 percent of for-sale homes were affordable to households earning less than $50,000. In 2013, that proportion increased to 24 percent. However, if interest rates had remained at 6.5 percent, only 16 percent of homes for-sale in 2013 would be affordable to households earning less than $50,000. Similar affordability impacts are apparent across all income levels.

Figure II-30.
Affordable and Available For-Sale Homes in Austin, 2008 and 2013

	Affordability in 2008 (5% down and 6.5% int rate)			Affordability in 2013 (5% down and 4.5% int rate)			What if interest rates hadn't changed?	Possible Affordability in 2013 (5% down and 6.5% int rate)		
	Affordable Home Price	Affordable Homes in the Market (No. and %)		Affordable Home Price	Affordable Homes in the Market (No. and %)			*Affordable Home Price*	*Affordable Homes in the Market (No. and %)*	
Households earning less than $35,000	$113,000	803	6%	$129,000	1,189	8%		*$113,000*	*752*	*5%*
Households earning less than $50,000	$160,000	2,651	21%	$183,000	3,515	24%		*$160,000*	*2,357*	*16%*
Households earning less than $75,000	$240,000	6,107	49%	$274,000	7,366	51%		*$240,000*	*6,163*	*43%*

Notes: Affordable home price incorporates utilities, insurance and property taxes and assumes a 30-year fixed rate mortgage.

Source: MLS data from ABOR and BBC Research & Consulting.

Current gaps. Even with the affordability improvements displayed in the previous figure, the ownership market in Austin remains out-of-reach for many renters who wish to purchase their first home. The 2008 gaps analysis found a mismatch between supply and demand for renters earning less than $50,000. The 2013 gaps analysis confirms that there is still a shortage of affordable for-sale options for those renters.

Figure II-31 displays the 2013 ownership market gaps using two different downpayment options—a 5 percent downpayment, which was used in the 2008 gaps model, as well as 10 percent, which has become more customary. Similar to the rental gap figure, the ownership model compares renters, renter income levels, the maximum monthly housing payment they could afford, and the proportion of units in the market that were affordable to them. The maximum affordable home prices assume a 30-year mortgage with either a 5 or 10 percent downpayment and an interest rate of 4.5 percent. The estimates also incorporate property taxes, insurance and utilities. The "Renter Purchase Gap" column shows the difference between the proportion of renter households and the proportion of homes listed or sold in 2013 that were affordable to them. Negative numbers (in parentheses) indicate a shortage of units at the specific income level; positive units indicate an excess of units. The figure displays renters' income by dollar amount and as a percent of MFI.

The gaps analysis shows that renters earning less than $50,000 per year have very limited for-sale options, even if they have savings for a 10 percent downpayment. Among the homes they can afford, more than one-quarter are attached properties (condos, townhomes, etc). The market is particularly tight for renters earning less than $35,000 per year: forty-six percent of all renters in Austin earn less than $35,000 per year but only 9 percent of homes on the market are affordable to them, even with a 10 percent downpayment. As was the case in 2008, renters earning $75,000 are relatively well served by the for-sale market.[8]

[8] Current owners are not included in the gaps analysis because it is assumed they are able to leverage their current equity for the purchase of a new home and thus have wider array of options. However, it should be noted that low income owners may different concerns related to rising home values and the related property tax implications.

Figure II-31.
Affordability of For-Sale Housing to Austin's Renters, 2013

	Number and Percent of Renters		5% Downpayment						10% Downpayment					
			Maximum Affordable Home Price	Affordable Homes for Sale in 2013		% of Affordable Homes that are Attached	Renter Purchase Gap	Cumulative Gap	Maximum Affordable Home Price	Affordable Homes for Sale in 2013		% of Affordable Homes that are Attached	Renter Purchase Gap	Cumulative Gap
Income Range														
Less than $10,000	23,644	13%	$38,196	9	0%	89%	(13%)	(13%)	$39,661	12	0%	92%	(13%)	(13%)
$10,000 to $14,999	11,770	7%	$56,398	57	0%	58%	(6%)	(19%)	$58,559	61	0%	56%	(6%)	(19%)
$15,000 to $19,999	12,430	7%	$74,601	111	1%	44%	(6%)	(25%)	$77,463	136	1%	43%	(6%)	(25%)
$20,000 to $24,999	12,037	7%	$92,809	217	2%	49%	(5%)	(31%)	$96,367	245	2%	47%	(5%)	(30%)
$25,000 to $34,999	22,275	12%	$128,914	795	6%	45%	(7%)	(38%)	$133,857	878	6%	41%	(6%)	(37%)
$35,000 to $49,999	31,948	18%	$182,923	2,326	16%	27%	(2%)	(39%)	$189,934	2,544	18%	26%	(0%)	(37%)
$50,000 to $74,999	28,717	16%	$273,951	3,851	27%	17%	11%	(29%)	$284,449	3,804	26%	17%	10%	(26%)
$75,000 to $99,999	16,897	9%	$364,370	2,507	17%	18%	8%	(21%)	$378,329	2,476	17%	17%	8%	(19%)
$100,000 to $149,999	12,961	7%	$546,422	2,677	19%	13%	11%	(9%)	$567,358	2,530	18%	12%	10%	(8%)
$150,000 or more	6,527	4%	$546422+	1,859	13%	9%	9%		$567,358+	1,723	12%	9%	8%	
Total	**179,205**	**100%**		**14,409**	**100%**	**19%**				**14,409**	**100%**	**19%**		
Income by MFI (Income Max)														
0-30% MFI ($22,600)	54,104	30%	$84,076	285	2%	51%	(28%)	(28%)	$87,298	333	2%	50%	(28%)	(28%)
31-50% MFI ($37,700)	33,803	19%	$138,751	1,216	8%	41%	(10%)	(39%)	$144,064	1,348	9%	40%	(10%)	(37%)
51-80% MFI ($60,300)	38,029	21%	$220,432	3,854	27%	23%	6%	(33%)	$228,874	3,972	28%	22%	6%	(31%)
81-95% MFI ($71,630)	13,015	7%	$261,686	1,594	11%	15%	4%	(29%)	$271,709	1,658	12%	15%	4%	(27%)
96-120% MFI ($85,956)	11,275	6%	$313,848	1,592	11%	19%	5%	(25%)	$325,869	1,624	11%	20%	5%	(22%)
121-150% MFI ($113,100)	12,887	7%	$412,071	2,312	16%	14%	9%	(16%)	$427,857	2,221	15%	13%	8%	(14%)
More than 150% of MFI	16,092	9%	$412,071+	3,556	25%	11%	16%		$427,857+	3,253	23%	11%	14%	
Total	**179,205**	**100%**		**14,409**	**98%**	**19%**				**14,409**	**98%**	**19%**		

Notes: MFI thresholds are based on 2014 HUD income limits for four-person households in the Austin-Round Rock-San Marcos MSA. Max affordable home price incorporates utilities, insurance, and property taxes and assumes a 30-year fixed rate mortgage with a 4.5 percent interest rate.

Source: ABOR, 2012 ACS and BBC Research & Consulting.

SECTION III.

Housing Choice

SECTION III. Housing Choice

This section explores the housing choices made by Austin residents and in-commuters. It is informed by an online survey, paper surveys distributed to more than 30 locations in the community, focus groups with targeted populations, interviews and public forums. Figure III-1 maps the home ZIP codes of survey respondents and the locations of focus groups and public forums.

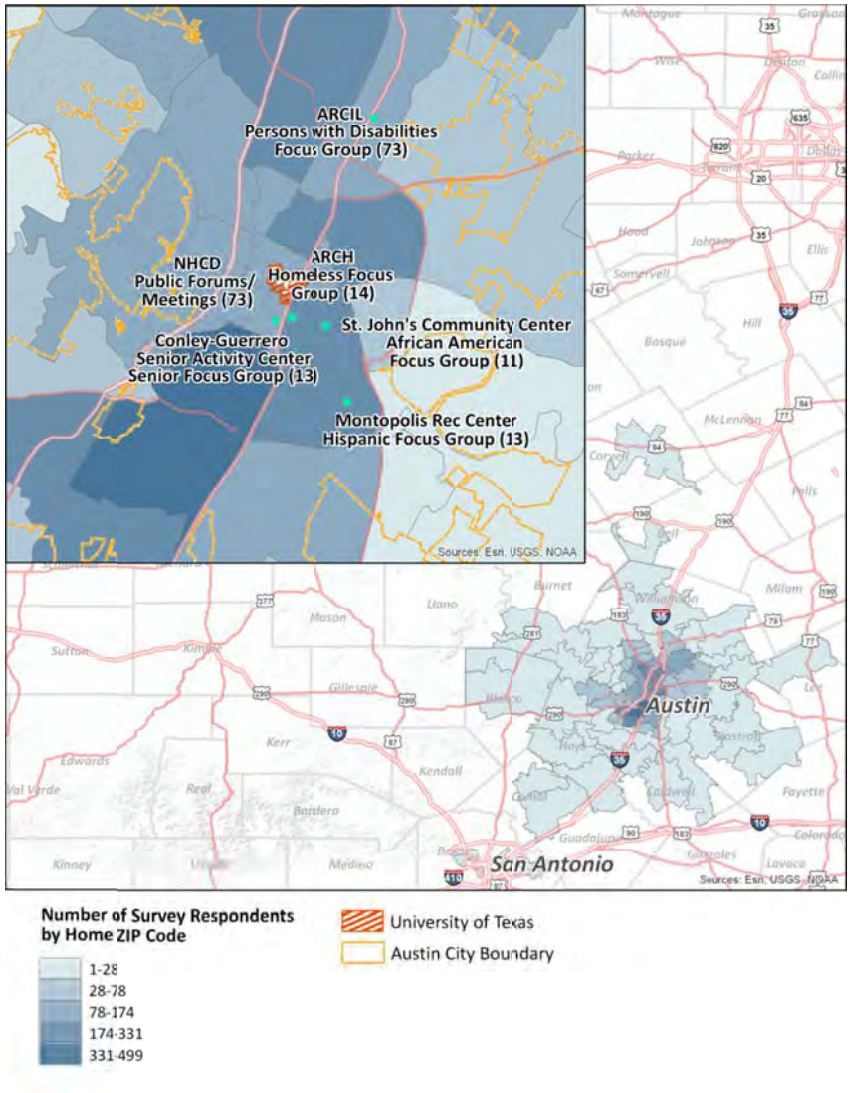
Since students have different housing opportunities and experiences than non-students, the results in this section do not include students. The housing experience of students is profiled in Section IV.

Methodological Note

The online survey—available in English and Spanish—was open to all Austin residents, including students, and those who work in Austin and live elsewhere (hereafter in-commuters). The opportunity to participate in the survey was promoted through the City of Austin's website, social media channels, local news media, an Austin Energy bill insert, and through local e-newsletters (NHCD Austin Notes, CitySource, CAN, Imagine Austin, Austin Mobility, Project Connect). A total of 5,315 residents, 922 in-commuters, and 398 students participated in the online survey.

That the survey was open to anyone interested in participating means that the results are based on non-probability sampling methods. Unlike a statistically valid, random probability sample, the results from this survey are not necessarily representative of all Austin residents. However, the very large number of responses yields a

Figure III-1.
Home ZIP Code of Survey Respondents and Focus Group/Public Forum Locations



Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

robustness to the results that minimizes error around the estimates. Compared to Austin's demographic characteristics, the survey data over-represent homeowners, whites and skew slightly higher in income. That said, there are sufficient numbers of responses from renters (1,522), low income residents—household income of $25,000 or less (325), Hispanics (423), African American (124) and Asian (78) residents to produce estimates for these populations.

Because the data are based on a non-probability sample, they are not weighted to match Austin's demographic profile. Findings are presented based on the responses received. While the results should not necessarily be projected to Austin's population, they provide insights into how more than 5,000 Austinites and more than 900 in-commuters make complex housing decisions, their preferences and attitudes, and can inform policy development. No other source of data provides the opinions, perspectives and stories found in the survey results and echoed by the stories shared in focus groups and interviews.

Desire to Live in Austin

Choosing where to live is a complex decision based on myriad preferences that include access to job or educational opportunities, proximity to family or friends, cost of housing, type of housing desired, housing quality, school quality, access to highways, airports, transit, shopping, entertainment, church, weather, size of yard, acceptance of pets or certain dog breeds, degree of walkability, crime and safety, traffic and more. Nearly all people make some sort of tradeoff when choosing to live in a community or in choosing a place to live. Rising housing and transportation costs, low vacancy rates and the overall desirability of a community increase the magnitude and number of tradeoffs residents must make to locate or remain in a community. One of the primary objectives of the survey and focus groups is to understand the factors residents consider when deciding to live, or to continue to live, in Austin.

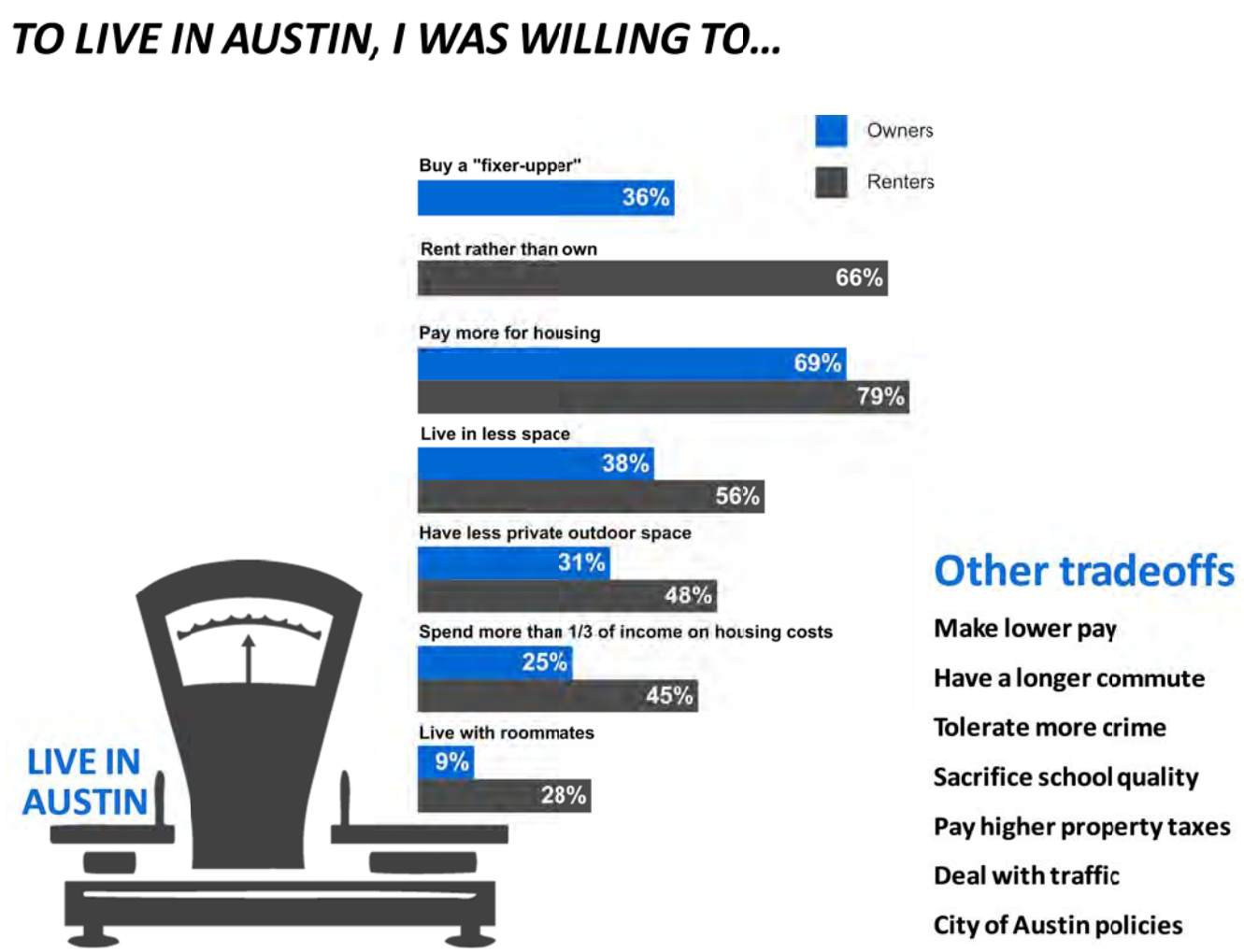
To live in Austin I was willing to…. About half of Austin homeowners (54%) and 62 percent of renters made tradeoffs in order live in Austin. A smaller proportion of Hispanic renters (53%) and African Americans (41% of renters and 41% of homeowners) made tradeoffs to live in Austin. By far, paying more for housing costs was a tradeoff made by the majority of renters and homeowners. Other tradeoffs include compromising on square footage, yard size, longer commutes, higher property taxes, proximity to work, school quality, transit access and preferred neighborhood.

Overall, 71 percent of Austin homeowners have lived in Austin for 10 years or more, compared to 38 percent of renters. Nearly 90 percent of African American homeowners and 80 percent of Hispanic homeowners have lived in the city for 10 years or more. One in five renters has lived in Austin for less than five years.

I considered living in Austin. About three in four in-commuters used to live in Austin. One in four in-commuter homeowners and 53 percent of in-commuter renters moved out of the City of Austin since 2010. Despite leaving the city about 74 percent of in-commuters considered living in Austin when they last looked for housing.

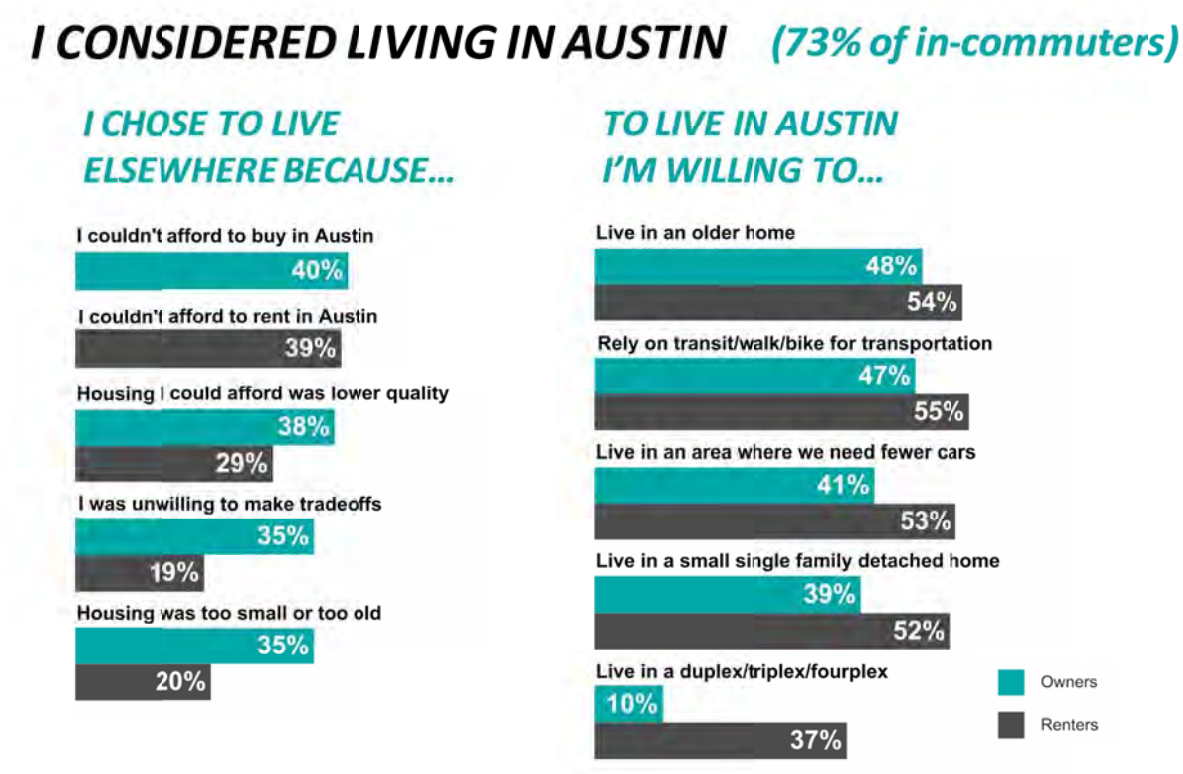
SECTION III. Housing Choice

Two in five in-commuter homeowners and renters chose to live outside Austin because they either couldn't afford to buy in Austin or couldn't afford to rent. Housing quality, size and age of Austin homes also influenced the decision to live elsewhere. Some in-commuters are willing to consider living in Austin in the future, and would be willing to tradeoff their current situation for a smaller, older single family home in Austin. In-commuter renters are more willing to make tradeoffs than homeowners.



Note: n=1,809 Austin homeowners and n=946 renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.



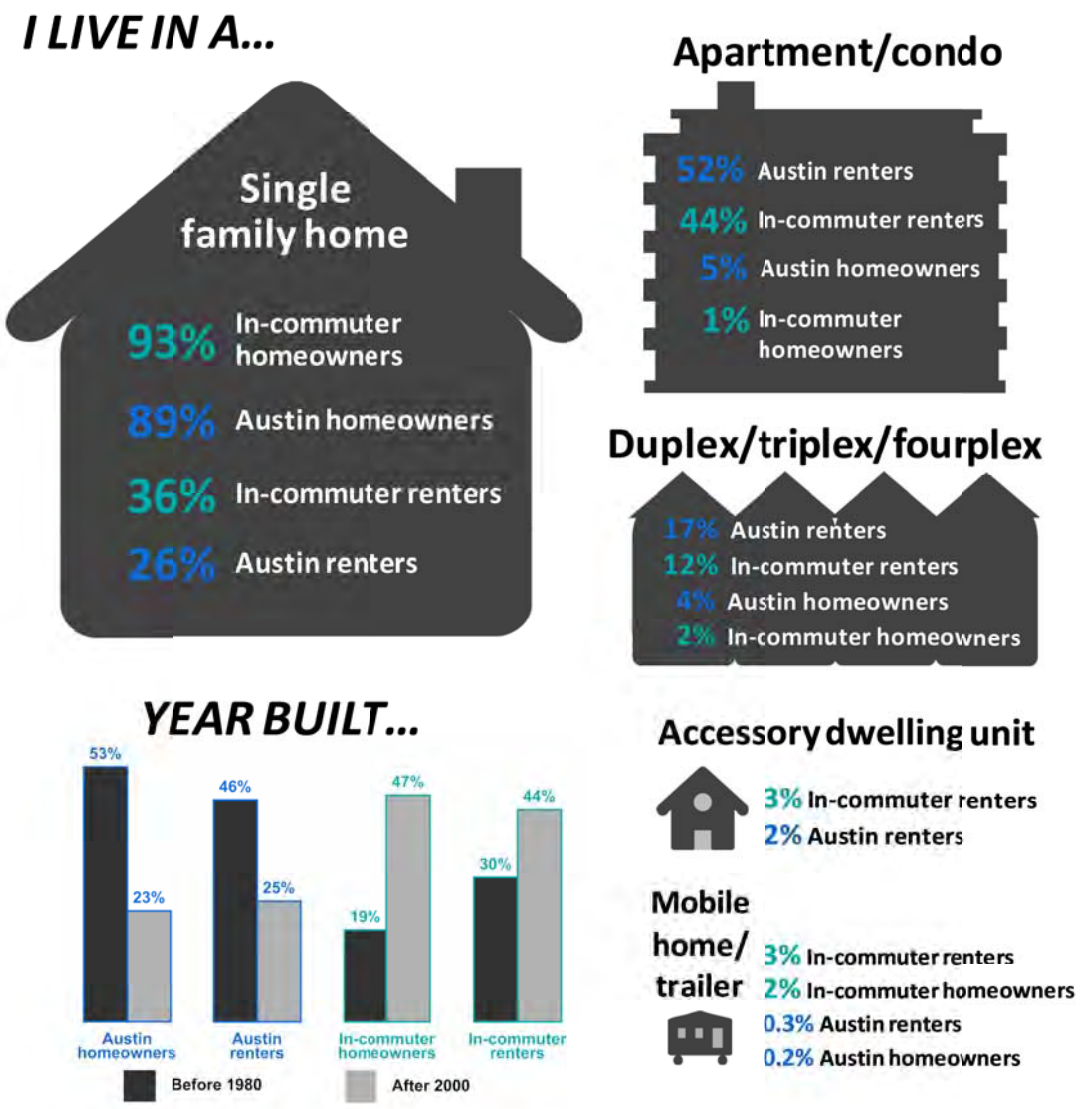
Note: n=642 in-commuter homeowners and n=141 in-commuter renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

SECTION III. Housing Choice

Housing Preferences

Housing Choice Survey respondents shared the type of housing in which they currently live and the factors that were most important to them when choosing a place to live. The majority of both City of Austin and in-commuter homeowners live in single family homes, compared to one in four Austin renters and 36 percent of in-commuter renters. Not surprisingly, a greater proportion of Austin residents live in homes built prior to 1980 when compared to in-commuters. Accessory Dwelling Units (ADUs) such as garage apartments can be a source of affordable housing. About one in 50 Austin renters lives in an ADU.



Note: n=3,565 Austin homeowners, n=1,528 Austin renters, n=715 in-commuter homeowners and n=181 in-commuter renters.

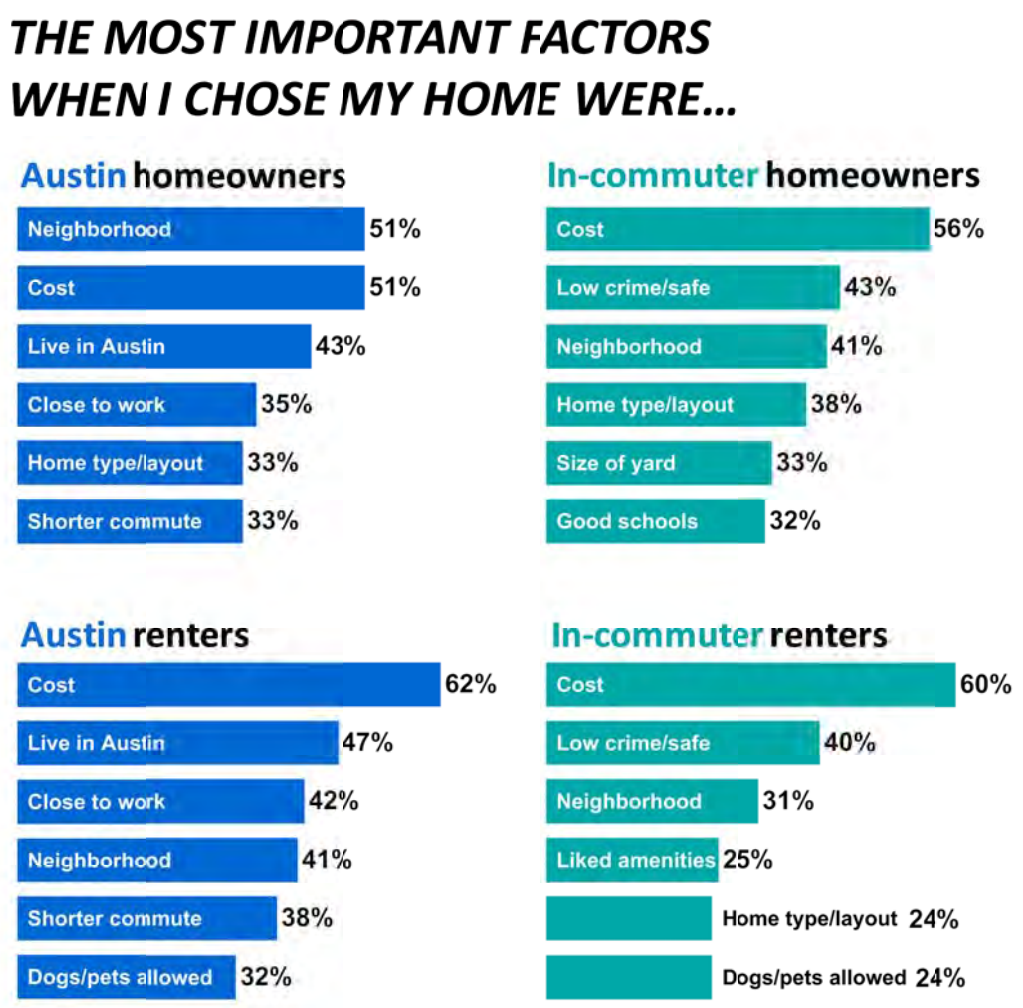
Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

SECTION III. Housing Choice

The most important factors when I chose my home were…

When considering a home to purchase or rent, Austin residents and in-commuters weighed different factors differently. While cost is either the first or second most important factor for all, Austin residents valued that the property was located in Austin, while in-commuters valued that the property was located in a neighborhood that was safe or had a low crime rate. Proximity to work and a shorter commute were also top considerations for both Austin homeowners and renters, while neither factor was included in the top five factors for in-commuters.

The preferences of Austin owners and renters are consistent with those documented in a recent survey of low-wage commuters (*Coming Home,* by Elizabeth Mueller and Clifford Kaplan). That study, which focused exclusively on low-wage workers commuting at least 10 miles, found the majority of low income households interested in moving to closer to work. The HMS in-commuter survey suggests that housing costs could be preventing such a move.

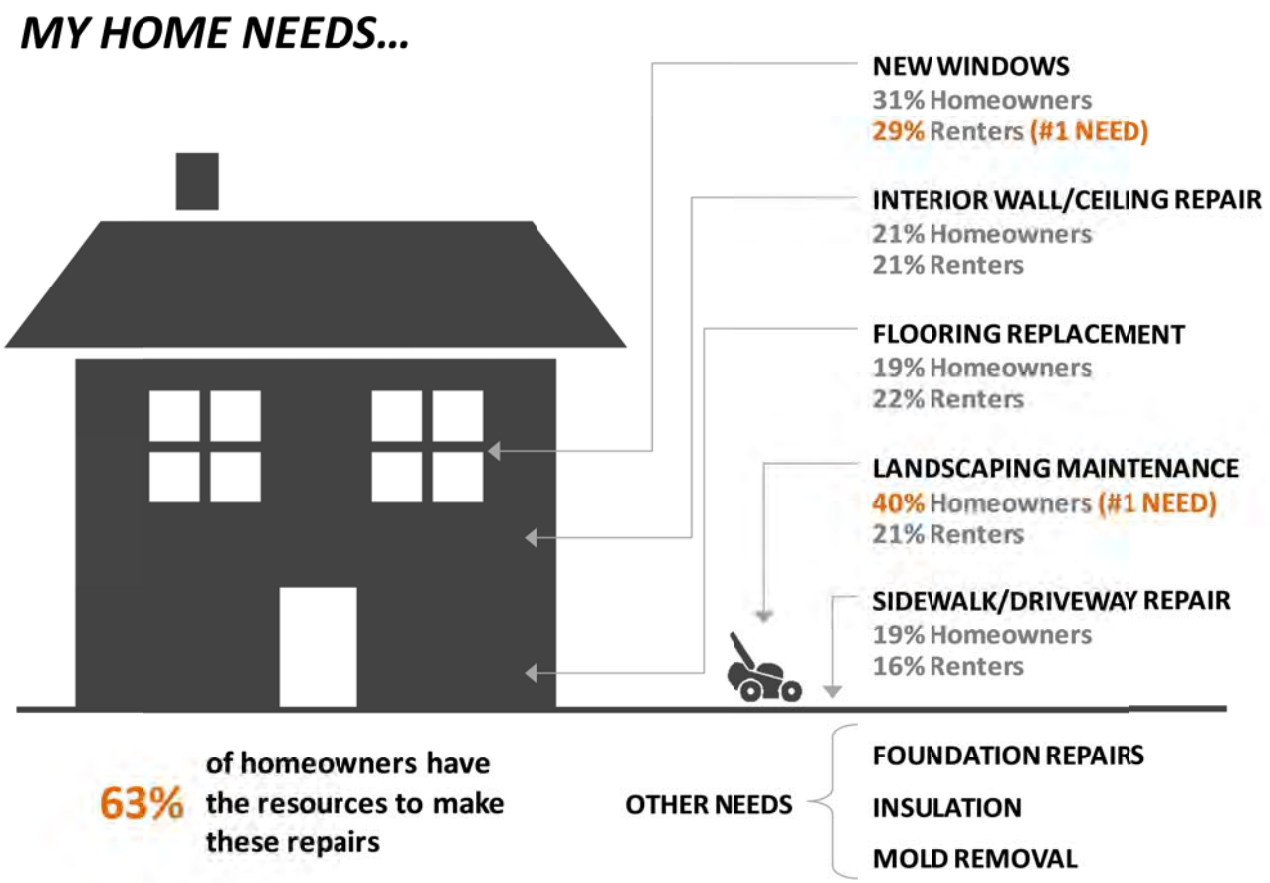


Note: n=3,521 Austin homeowners, n=1,521 Austin renters, n=642 in-commuter homeowners and n=141 in-commuter renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Housing Condition

It is difficult to find a source for data on housing condition other than a few questions included in the American Community Survey. To attempt to measure the need for home repairs, the Housing Choice Survey asked residents to self-evaluate the need for repairs in their home. Overall, 72 percent of Austin homeowners and 66 percent of renters report that their home needs some type of repair. Among homeowners, 40 percent report that their landscaping needs maintenance and 31 percent need new windows. Like homeowners, 29 percent of renters need new windows and 23 percent have bathroom plumbing repair needs. Of those with homes needing repair, one percent of homeowners and two percent of renters believe that their maintenance needs make their home unlivable.



Note: n=2,028 Austin homeowners and n=1,009 renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Most homeowners (63%) have the resources—financial, physical abilities, know-how—to make the repairs needed on their home.

SECTION III. Housing Choice

Housing and Transportation Costs

On average, an Austin homeowner with a car payment spends $2,614 per month on housing costs (mortgage, insurance, taxes, utilities), and transportation costs, compared to $2,582 for an average in-commuter homeowner. Austin renters with car payments spend $1,886 on housing and transportation costs, compared to $2,084 for the average in-commuter renter. A greater share of Austin residents does not have a car payment than in-commuters. About 15 percent of Austin homeowners and one in four renters spends money on non-personal vehicle expenses each month (transit, taxi, Car2Go, etc.).

EACH MONTH I SPEND…*

Housing & Transportation Costs	Austin Residents		In-Commuters	
	Homeowners	Renters	Homeowners	Renters
Mortgage/rent	$1,589	$1,098	$1,408	$1,057
Utilities	$258	$192	$295	$240
Car payment	$456	$355	$478	$434
Insurance	$149	$107	$129	$122
Gas	$162	$134	$272	$231
Non-personal vehicle (transit, taxi, Car2Go, etc.)	$39	$45	~Insufficient data~	
No car payment	44%	56%	37%	36%
Spends money on transit, taxi, Car2Go	15%	26%	~4% total~	

Average

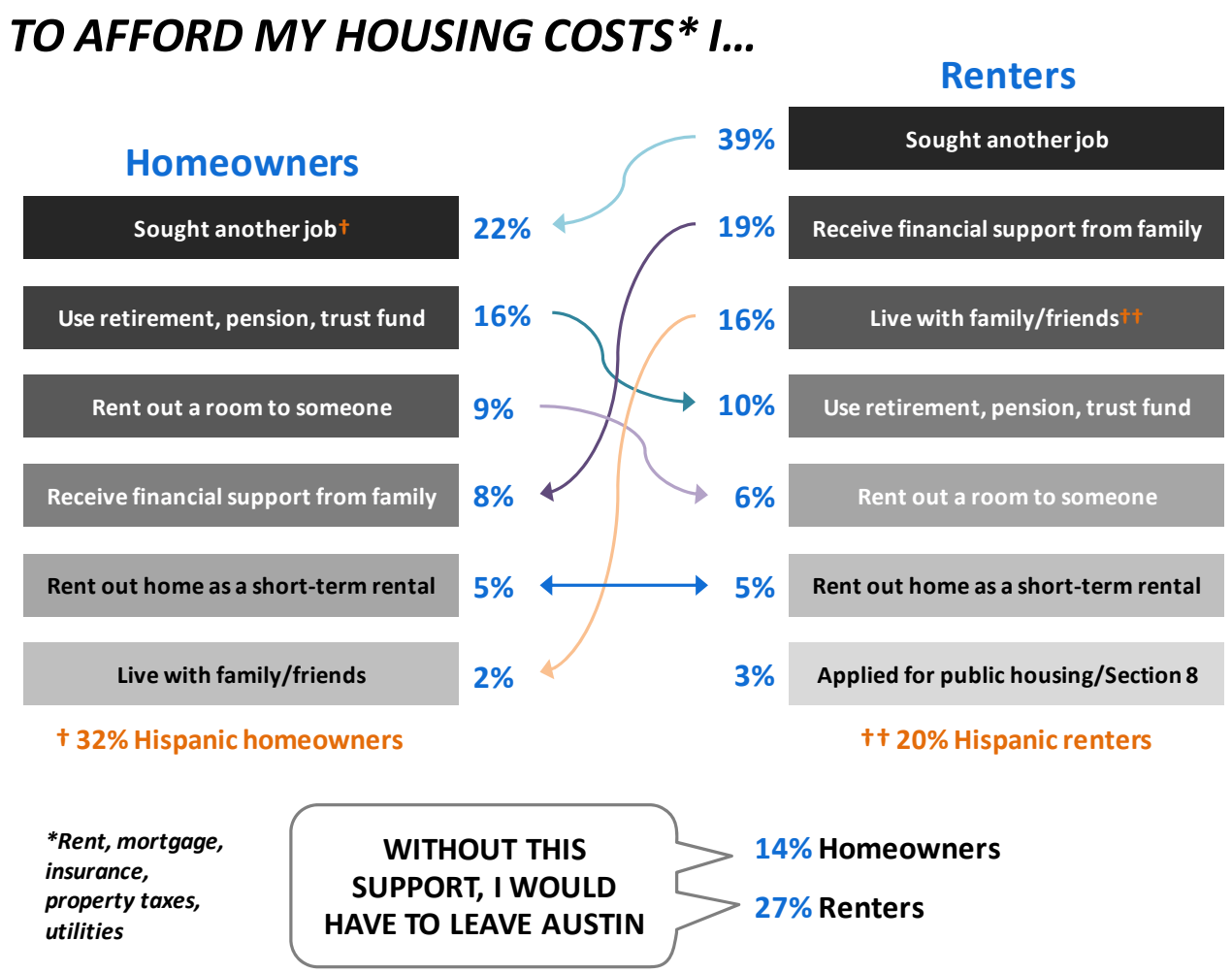
Note: n=2,659 Austin homeowners, n=1,292 Austin renters, n=463 in-commuter homeowners and n=101 in-commuter renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

SECTION III. Housing Choice

Affordability

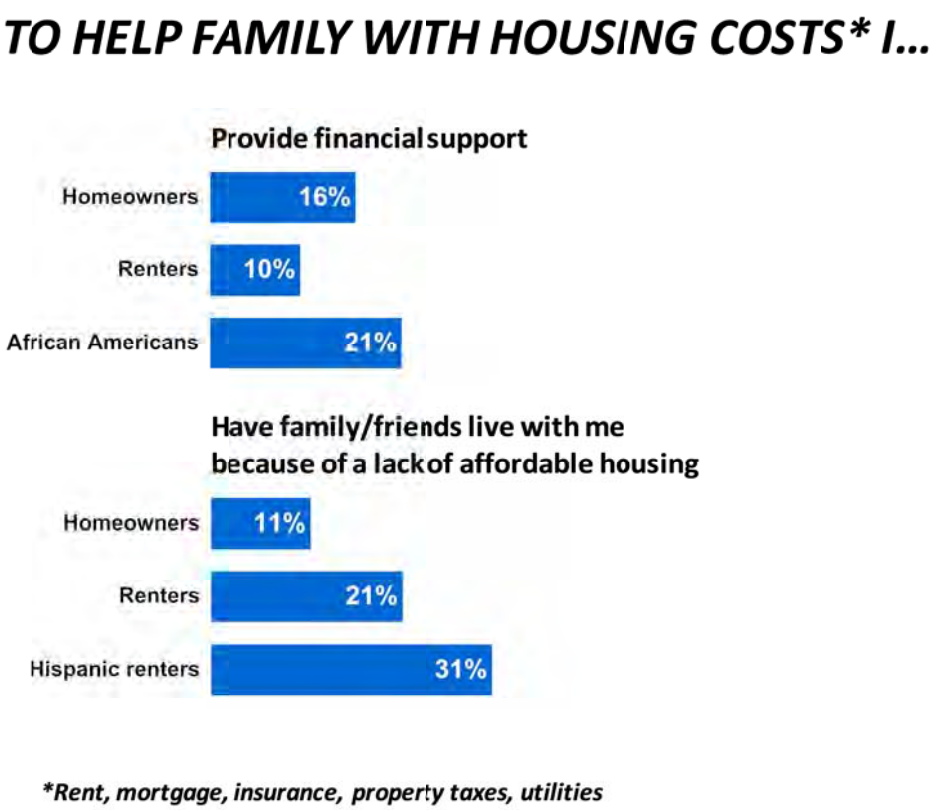
Rising housing costs were a concern to many residents and stakeholders who participated in the survey, focus groups, interviews and public forums. Participants shared stories of rent increases outpacing income growth, increased competition for vacant units, rising costs of homes for sale and the strategies they employ in order to continue living in Austin.



Note: n=3,122 Austin homeowners and n=1,307 Austin renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

To afford housing costs… The majority of homeowners and renters do not have outside support for housing costs or financially support other family members. About one in three Austin homeowners and two in five renters either pursue strategies to defray their monthly housings costs *or* provide financial or other supports to help family with housing costs. Without these outside supports, 15 percent of homeowners and 27 percent of renters say they would have to leave Austin.

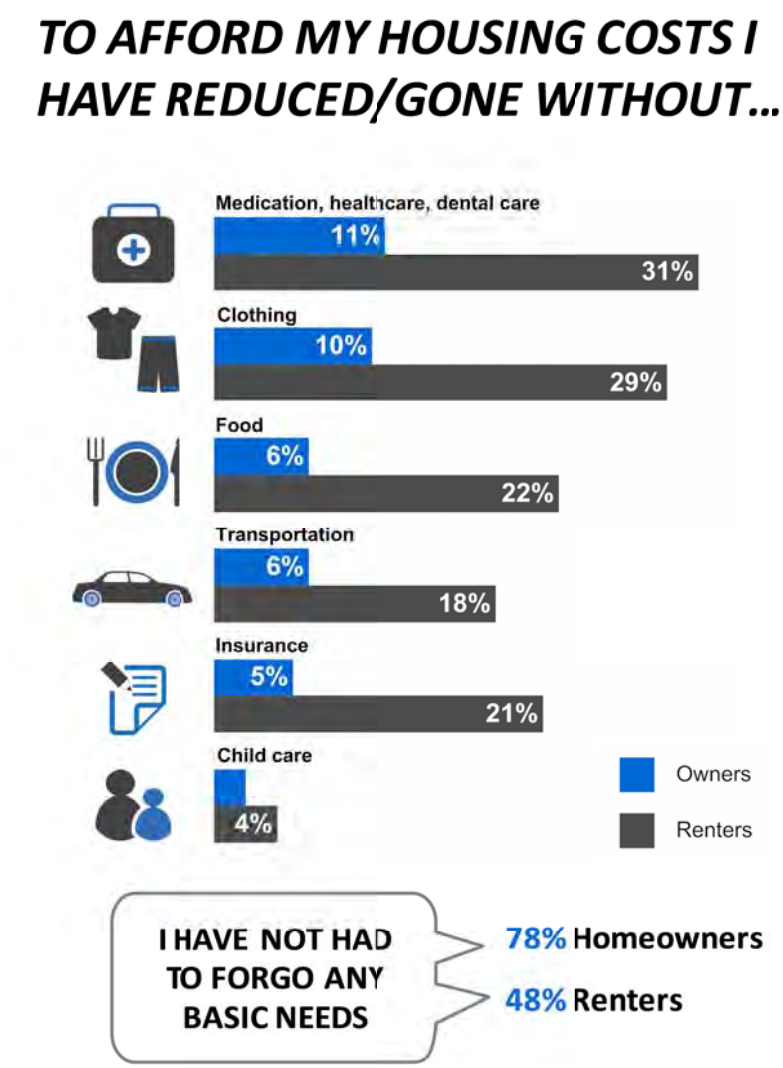


Note: n=3,122 Austin homeowners and n=1,307 Austin renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

SECTION III. Housing Choice

Most Austin homeowners (78%) and 48 percent of renters have not had to reduce spending on basic needs in the past year. Overall, 22 percent of Austin homeowners and 52 percent of renters have reduced their spending on one or more basic needs in order to pay their housing costs. Greater proportions of renters than homeowners report reducing or foregoing basic needs at some point in the past year.

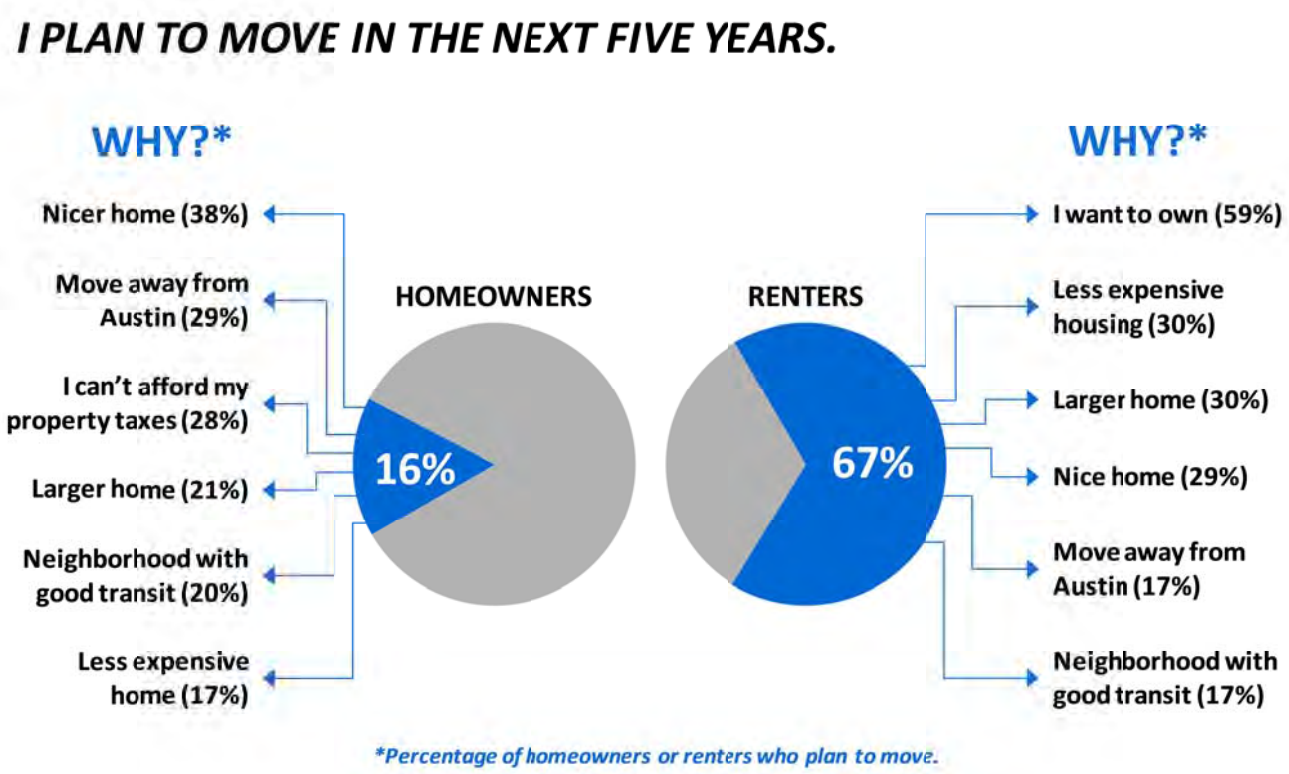


Note: n=3,122 Austin homeowners and n=1,307 Austin renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

I plan to move in the next five years.

Stretching budgets and findings ways to defray housing costs are not the only option available to homeowners and renters. Some will move into different housing in Austin or will leave Austin for other communities. In the next five years, 16 percent of homeowners and 67 percent of renters plan to move. Reasons for moving varied widely. The greatest proportion of renters planning to move wants to buy a home. Three in 10 renters want less expensive housing and 17 percent want to leave Austin—compared to 29 percent of homeowners who plan to move. Among homeowners planning to move, 28 percent report that they cannot afford their property taxes.

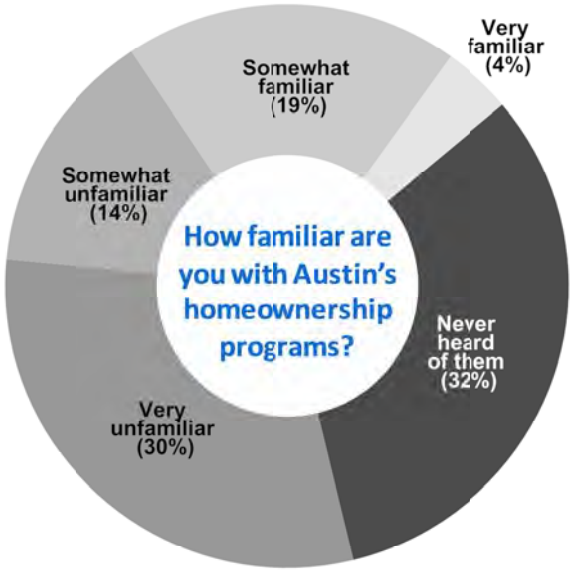


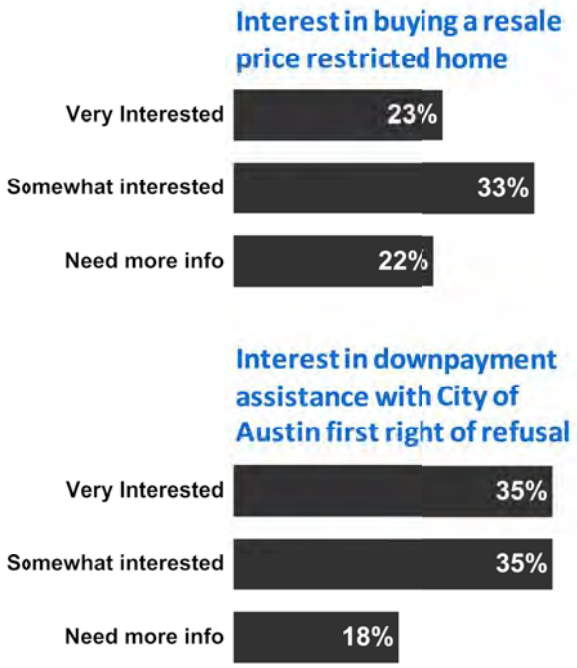
Note: n=3,380 Austin homeowners and n=1,439 Austin renters. Numbers for why a resident plans to move add to greater than 100 percent because respondents were able to select more than one response.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

City of Austin Homeownership Programs. About one in four Austin renters are very or somewhat familiar with the city's programs to help low and moderate income residents become homeowners, and at least half of renters expressed interest in the programs. Those residents who were not interested in the programs described their lack of interest, including questioning the city's involvement in the for sale housing market, concerns about whether or not equity built in the home could be accrued to the homeowner and concerns that participation in the program would be similar to renting, since resale is capped.

AUSTIN'S HOMEOWNERSHIP PROGRAMS: RENTERS' AWARENESS & INTEREST

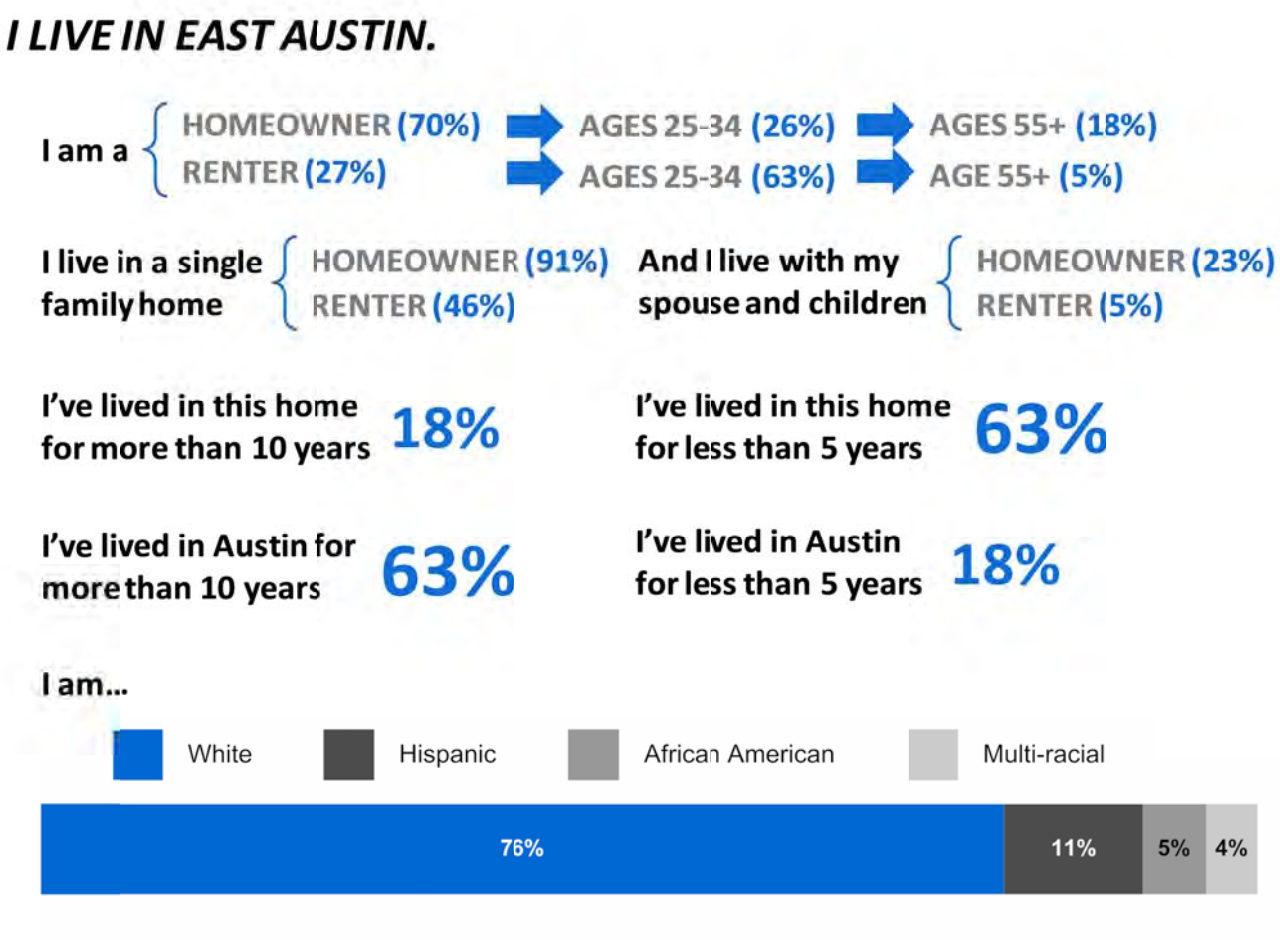




Note: n=1,405 Austin renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

I live in East Austin.
Survey respondents living in East Austin include a mix of new residents and long-time homeowners. The majority of respondents from these ZIP codes are white homeowners. Renters are much younger than homeowners—on average homeowners are 43 while renters are age 34. Renters are also more likely to have recently moved into their current home and into Austin.



Note: n=423 East Austin homeowners and n=163 East Austin renters. ZIP codes included in the analysis are 78702, 78722, 78721 and 78723.

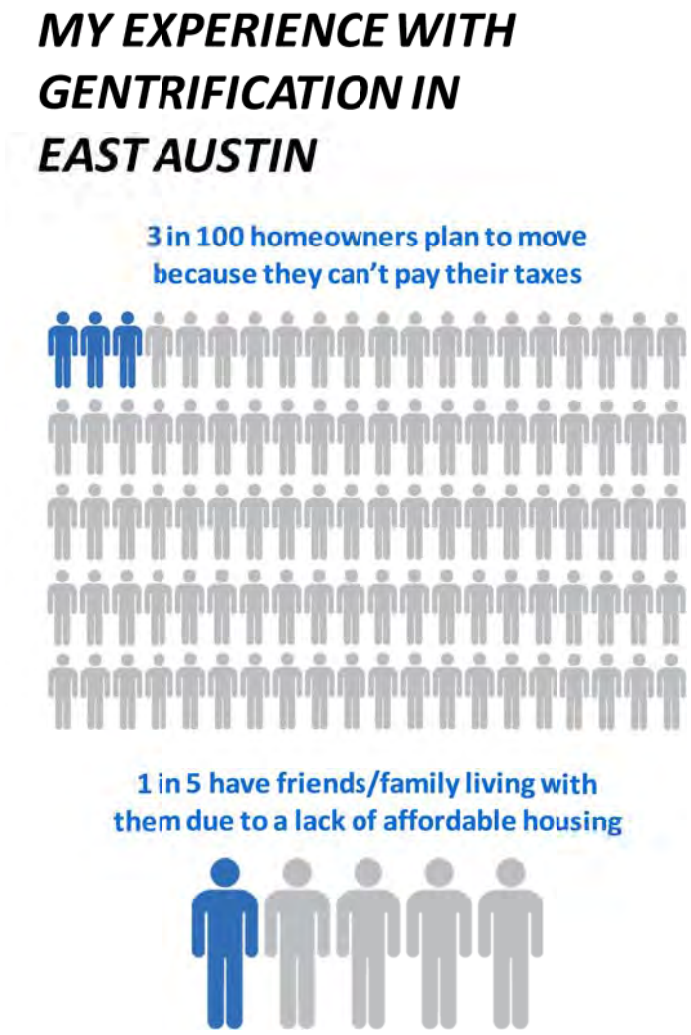
Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Impact of Gentrification

Gentrification can loosely be defined as increasing property values and changing resident demographic and socioeconomic characteristics associated with renewal of historically low income neighborhoods in a community. It can be spurred by public or private investment in a neighborhood or increased interest in neighborhood qualities valued by a new generation of residents—historic homes, proximity to a vibrant downtown core, affordable homes to purchase or rent, access to public transit and more. Gentrification in Austin, particularly in East Austin, was a topic of concern to residents who participated in the African American and Hispanic focus groups, survey respondents from gentrifying neighborhoods and participants in public meetings.

To explore the experiences, perspectives and housing choices of survey respondents in gentrifying neighborhoods in East Austin, BBC analyzed responses from residents living in 78702, 78722, 78721 and 78723 ZIP codes. These saw the highest growth in property values between 2000 and 2012; median values in 78702 increased by 207 percent.

Longtime East Austin residents, particularly aging homeowners on fixed incomes and low income residents, are feeling increased financial pressure due to rising property taxes and rents in East Austin. Many longtime East Austin residents are also experiencing cultural changes in their neighborhood as their neighborhood demographics change. In focus groups and open-ended survey comments, longtime residents used the Mueller redevelopment as an example of gentrification that impacted nearby property values and sped up the cultural change in the community.



Note: n=601 East Austin survey respondents.

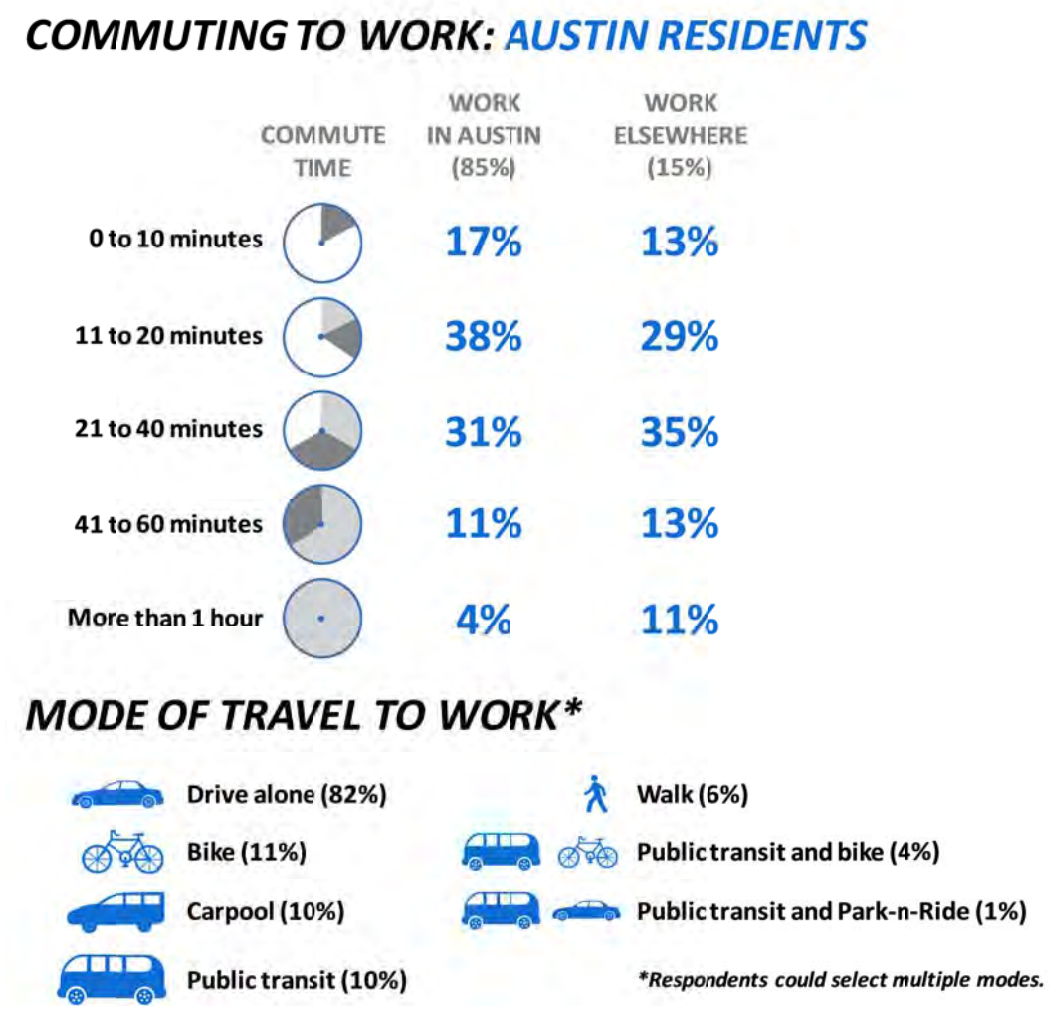
Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey, African American and Hispanic focus groups.

Participants in the East Austin African American focus group shared their perspective that gentrification is causing longtime residents to sell their homes because they can't pay their property taxes. Others felt that investments in public infrastructure, particularly the addition of bike lanes, are meant to benefit the new white residents and are not for them. Hispanic focus group participants echoed these sentiments. The affordability impacts of increased property values and rents as well as the change in culture in East Austin seem to be the most top-of-mind impacts of gentrification to residents who participated in the study.

Traffic and Commuting

Austin's traffic and increasingly congested roads and highways were a common topic of conversation in focus groups, interviews and meetings. Survey respondents often wrote about traffic or congestion concerns in open-ended responses to questions.

The majority of residents represented in the survey lives and works in Austin (85%) and has a median commute time of 11 to 20 minutes. Most (82%) drive alone, but about one in 10 resident workers bike, carpool or take public transit. Austin residents who commute out of the city have a median commute of 21 to 40 minutes and one in 10 commute for more than one hour.



Note: n=3,344 Austin resident survey respondents representing 5,724 workers.
Mode of travel to work adds to greater than 100 percent due to multiple response.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

SECTION IV.

Housing Needs

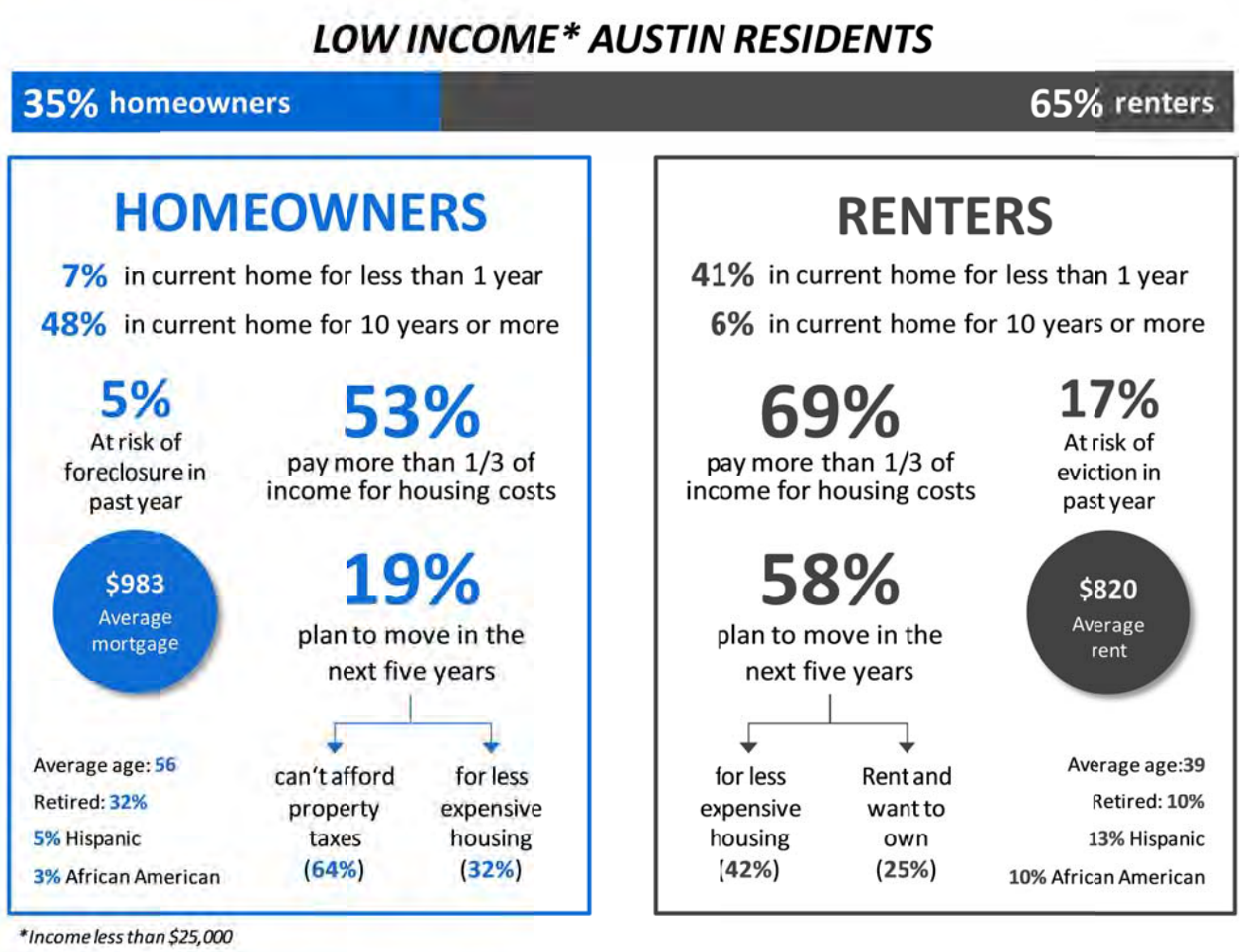
SECTION IV. Housing Needs

This section examines housing choice and needs for selected populations of Austin residents. As with the previous section, findings are based on the online survey, paper survey, focus groups and interviews. The section begins with the housing needs reported by low income residents overall.

Low Income Residents (<$25,000)

The majority of low income households represented in the survey are renters (65%), who tend to be younger and more racially and ethnically diverse than low income owners. These figures exclude students.

Renters pay almost as much as owners for their housing: $820 in monthly rent, compared to the average mortgage of $983.



Note: n=114 low income Austin homeowners and n=210 low income Austin renters. These figures exclude students.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Cost burden is very high for both low income renters and owners. To avoid being cost burdened, low income renters and owners should pay no more than $625 per month in housing costs. Instead, the average low income owner is paying $983 per month in housing costs; the average renter is paying $820 per month. These costs are 30 to 50 percent more than what is affordable. Households with very high levels of cost burden must compromise on other household goods in order to pay their mortgage and rent; those who cannot are evicted or lose their homes. Nearly one in five renters reported being at risk for eviction in the past year. One in 20 homeowners were at risk of foreclosure.

As shown in the following table, no one household typifies Austin's low income owners and renters, although many are single householders.

Low Income Household Composition by Type of Housing

	Homeowners	Renters		
Household Composition	Single Family Home*	Apartment	Duplex/Triplex/ Fourplex/Townhome	Single Family Home
Single, living alone	42%	55%	31%	15%
Spouse/partner and children	13%	5%	5%	2%
Single, living with roommates/friends	12%	19%	19%	49%
Spouse/partner	8%	12%	14%	12%
Single, living with children	6%	5%	14%	5%
Other adult family living in the home	11%	4%	7%	4%

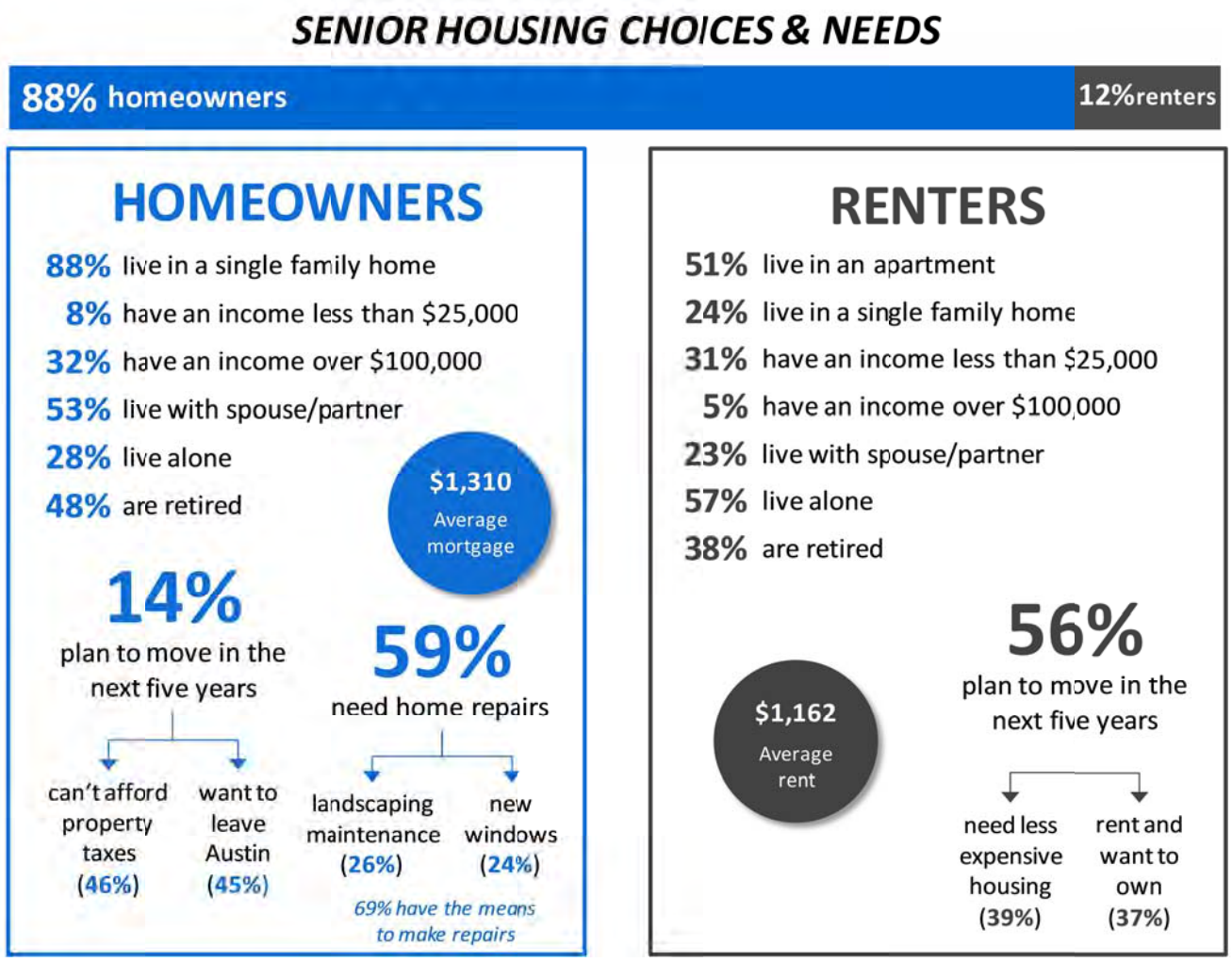
Note: *Insufficient data to report other housing types for homeowners.
n=98 low income Austin homeowners and n=189 low income Austin renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey

Seniors

The more than 700 respondents to the Housing Choice Survey age 60 or older (seniors) shared their current housing situation and their future housing plans. The majority of seniors (88%) are homeowners. Senior homeowners had relatively low average mortgages and high incomes and most had to the means to make repairs to their homes. About 14 percent of senior homeowners plan to move in the next five years; 46 percent of these homeowners say they will move because they can't afford to pay their property taxes. This equates to 6 percent of all senior homeowners overall (not just those planning to move).

Senior renters are different: they are much more likely to be low income and to live alone. More than half of senior renters plan to move in the next five years—39 percent want to move to less expensive housing and 37 percent want to own a home. Senior renters pay almost as much as their owner counterparts in housing costs.



Note: n=741 senior homeowners and n=101 senior renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

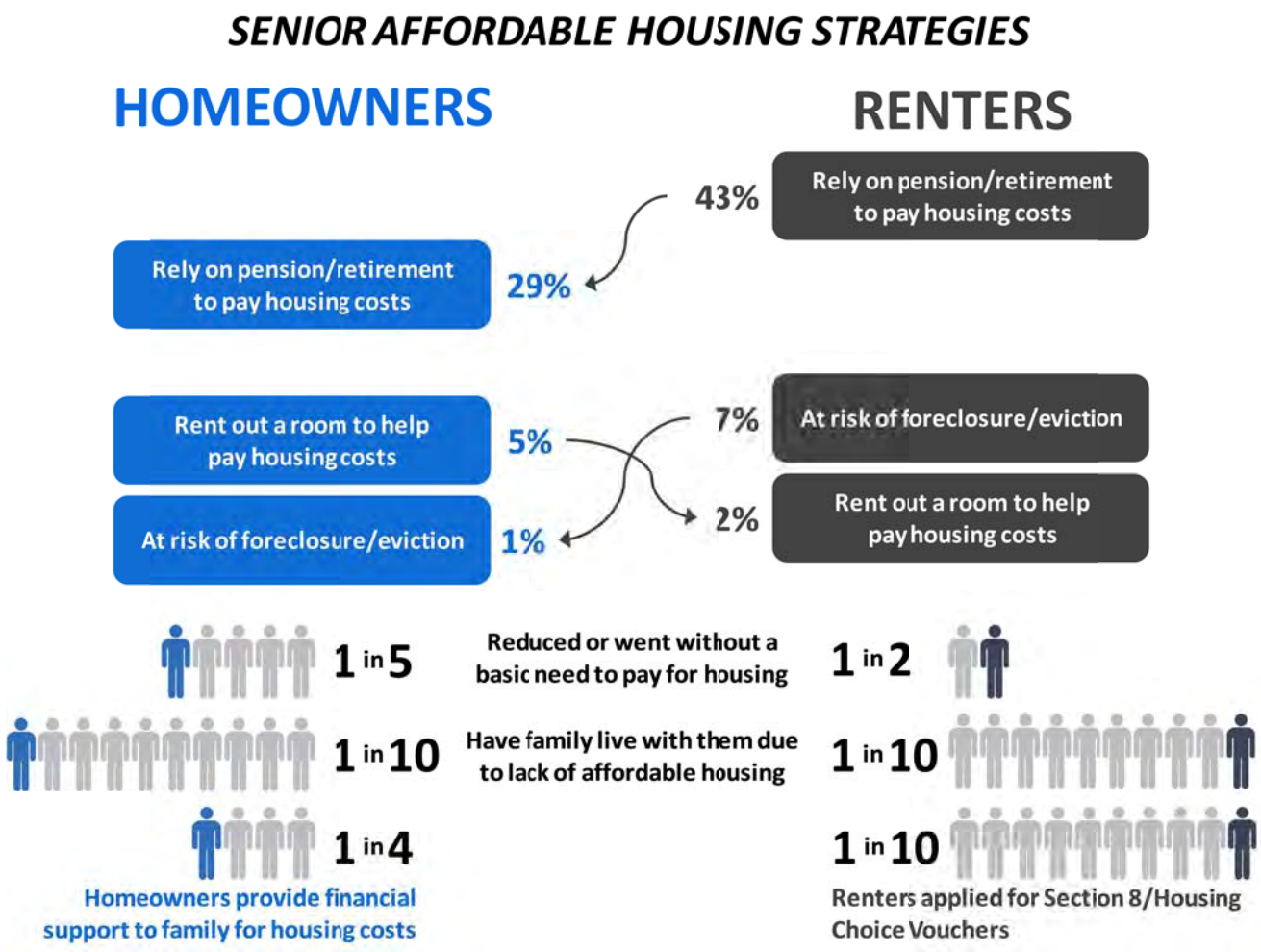
In a focus group with seniors, participants expressed their desire to stay in their homes for as long as they can. Their concerns about staying in their home related to affordability (ability to pay property taxes) and their physical ability to maintain their yard and home exterior. This was mostly a concern for seniors who do not have family living in the community to help with these tasks.

Those who would like to downsize from a single family home have trouble finding alternatives: few senior-only developments exist and wait lists for affordable senior housing are long (18 months).

SECTION IV. Housing Needs

Many seniors use their pension/retirement to pay housing costs. About one in 20 senior homeowners rent out a room in their home or apartment to help pay for their housing. One in 10 senior renters applied for public housing assistance (e.g., Section 8/Housing Choice Voucher) in the past year. Half of renters cut back on other household needs to afford their housing.

A sizeable proportion of senior homeowners (24%) provide financial support to other family members to help pay their housing costs.

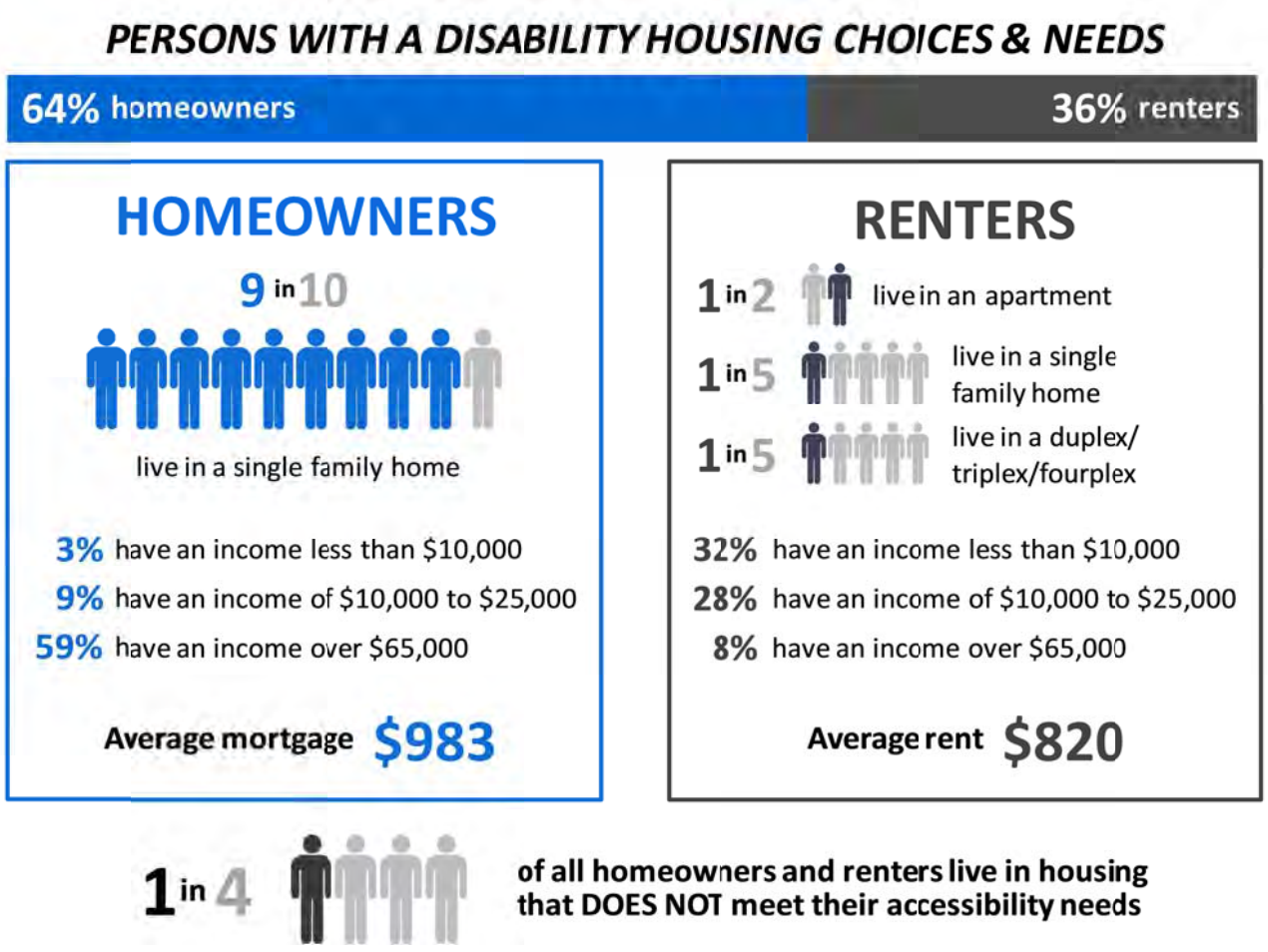


Note: n=741 senior homeowners and n=101 senior renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Persons with Disabilities

Persons with disabilities participated through the online Housing Choice Survey, a paper survey distributed to service providers and community centers and in a focus group hosted by ARCIL. In both surveys, respondents were asked whether they or any person in their household have a disability of any type—physical, mental, or developmental.[1] A total of 574 households that include a member with a disability are represented in this analysis (473 from the online survey and 101 from the paper survey).



Note: n=337 homeowners and n=190 renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

[1] In some cases, the person responding to the survey may be representing the housing situation and needs of a child or spouse or other household member, so the age and employment data presented do not necessarily reflect those of the individual with a disability.

Overall, most homeowners with disabilities (90%) live in single family homes, while 50 percent of renter households live in apartment buildings and 20 percent live in single family homes. One in four of the households that include a member with a disability live in housing that does not meet their accessibility needs. Many of the needed modifications include improvements to bathrooms (e.g., grab bars, higher toilets, replacing tubs with showers), wheelchair access to entrances, and modifying fire alarm systems for deaf household members. Renter households with a member with a disability are much more likely to have very low incomes than homeowner households—one in three renters have household incomes less than $10,000.

In focus groups and open-ended responses to the survey, participants emphasized that finding housing that is both affordable on very low incomes *and* accessible is very difficult in Austin, akin to finding a needle in a haystack. The limited availability of affordable *and* accessible housing results in some people with disabilities sacrificing needed accessibility features in order to simply afford housing. For others, finding affordable housing close to fixed route bus stops was challenging. Focus group participants emphasized that there is no "one size fits all" approach to housing, due to the diverse needs of persons with disabilities. For some, having supportive services provided by the landlord distorts the landlord/tenant relationship into an intrusive and paternalistic situation. These participants urged that supportive services not be provided by landlords, but rather by a separate agency.

Based on the survey analysis and focus group discussion, renter households that include a member with a disability are more likely to need housing assistance and experience worry and concerns about maintaining housing. One in five cannot afford housing that has the features they need for their disability.

Note: n=232 renters.

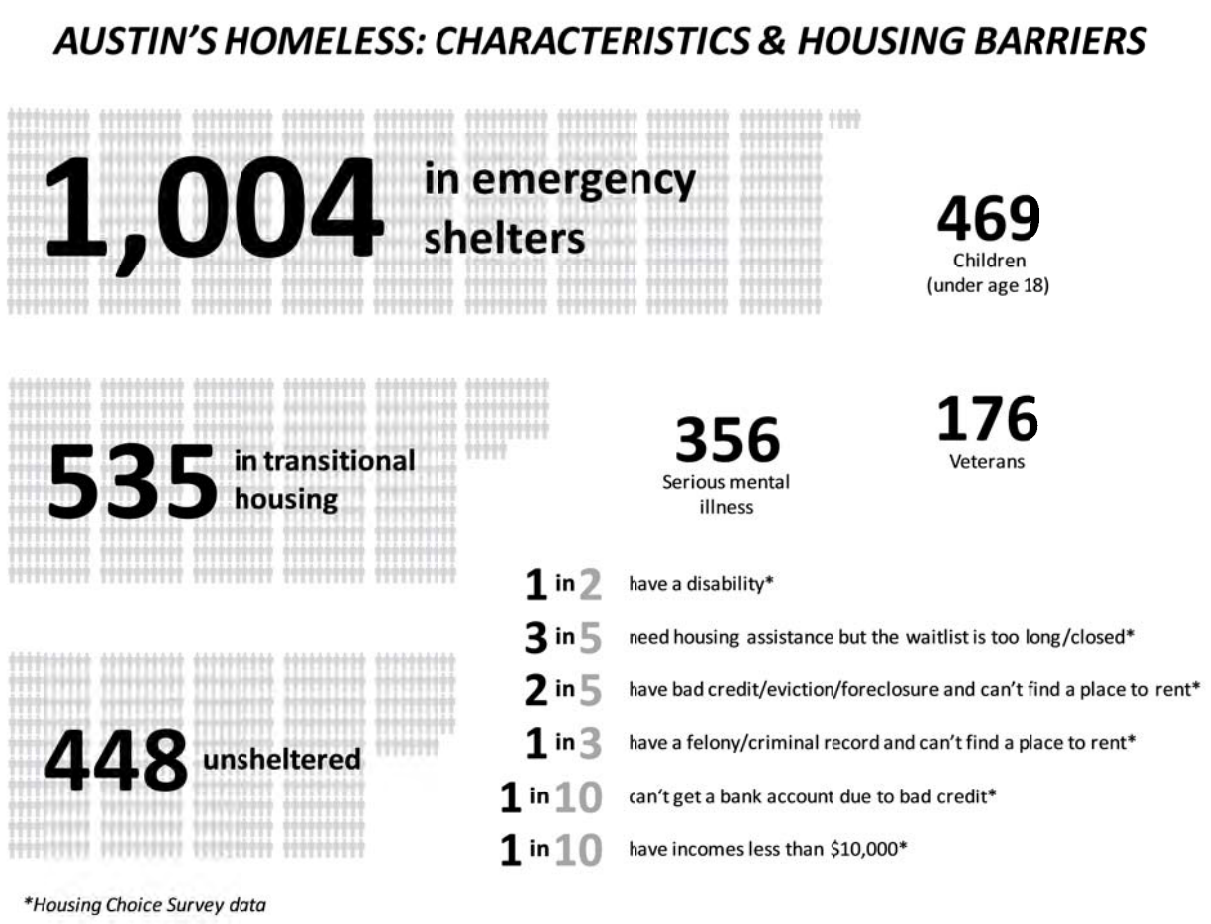
Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

SECTION IV. Housing Needs

Persons Experiencing Homelessness

A total of 43 men and women experiencing homelessness participated in the paper survey and 14 participated in a focus group held at ARCH. The 2014 Austin Point-in-Time (PIT) count estimates that 1,004 residents are staying in emergency shelters, 535 in transitional housing and 448 are unsheltered. Many are children, have serious mental illnesses and/or are disabled.

Barriers to housing include criminal records, lack of bank accounts, bad credit and very low incomes (less than $10,000). In focus groups, participants described how past mistakes (criminal convictions, evictions, poor credit) create a near impassible barrier to becoming housed, particularly in Austin's tight rental market where landlords can be choosy. Some suggested that a program similar to those that incentivize employers to hire ex-cons be created to incentivize landlords to provide housing to renters who are perceived as high risk.

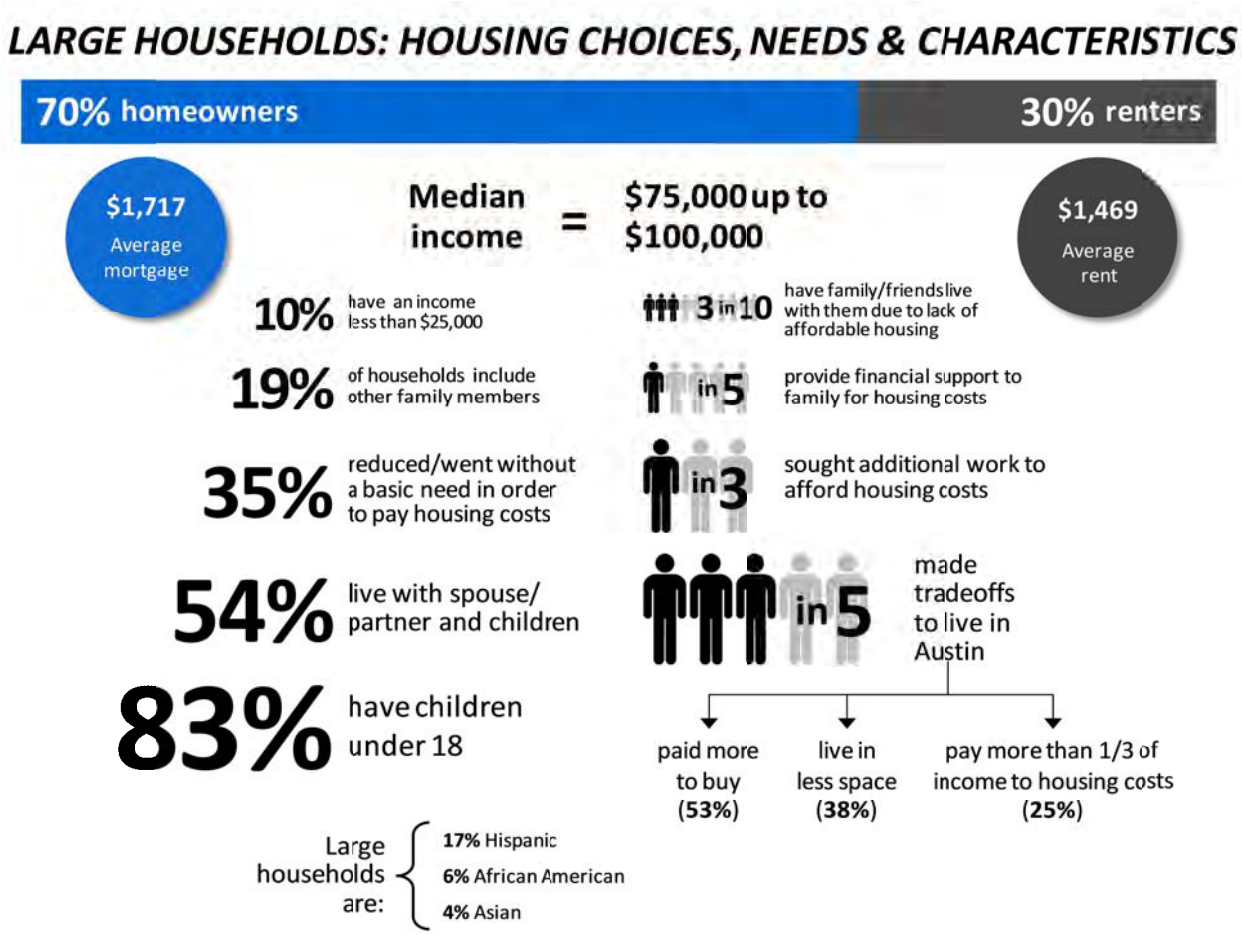


Note: n=43 homeless residents.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey and the 2014 Austin Point-In-Time Count.

Large Households (5 or More Members)

In interviews and focus groups, some participants reported that larger households (with 5 or more members) can have difficulty finding suitable affordable housing to purchase or rent in Austin. Most of these households (83%) include children under the age of 18 and one in five has other adult family members. The majority of large households that responded to the survey are homeowners (70%). The majority made tradeoffs to live in Austin, including paying more to purchase a home, living in less space than preferred and paying more than one-third of their income to housing costs.



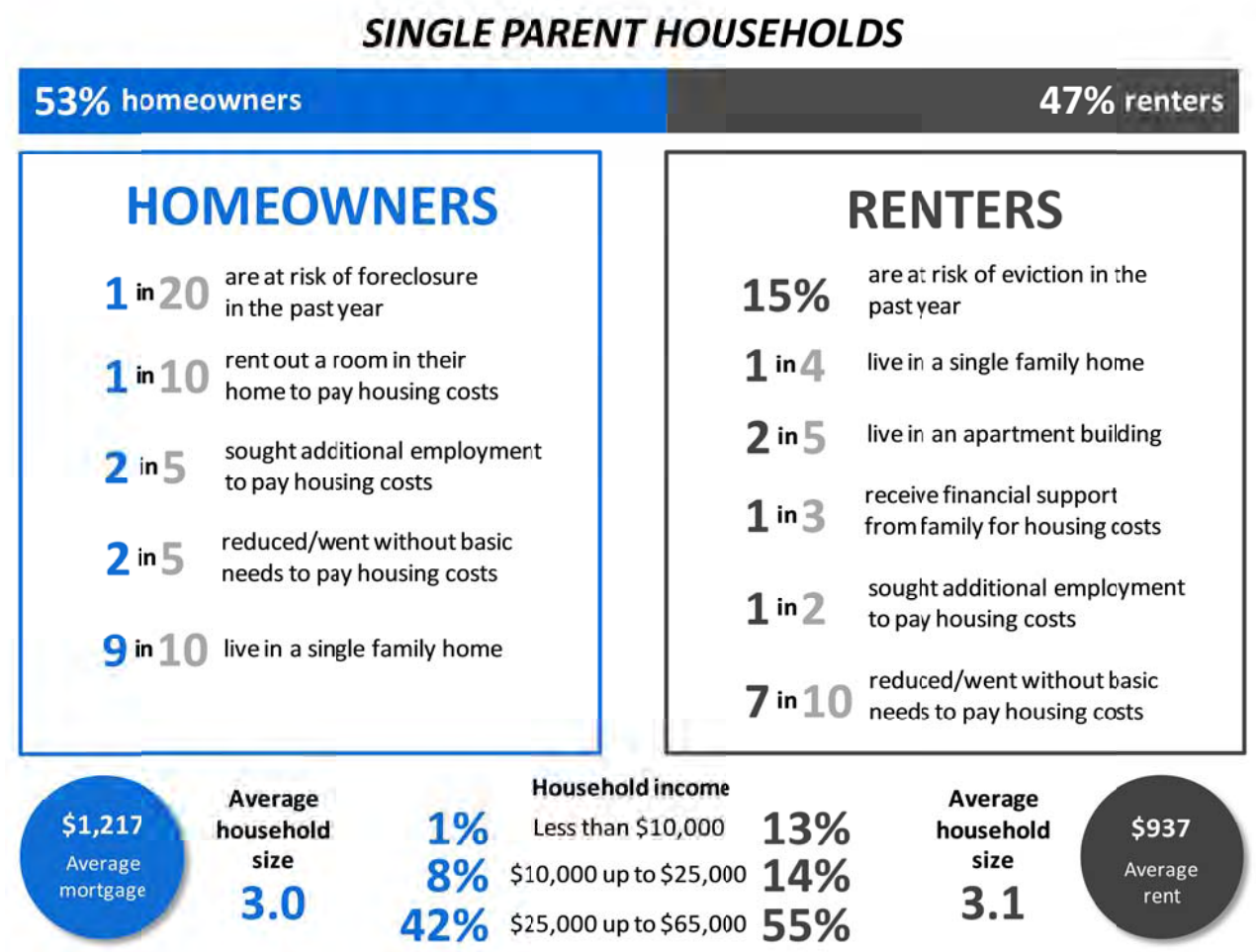
Note: n=213 large households.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Single Parents

Like their neighbors, many of Austin's single parent households adopt various strategies to manage the cost of housing. Half of single parent renters sought additional employment to help pay for housing costs. Seventy percent had to forgo basic needs to pay housing costs.

Single parent owners are much higher income than single parent renters and far fewer have relied on economic strategies to pay housing costs. Single parent renters are 2.5 times more likely than homeowners to have household incomes of less than $25,000.

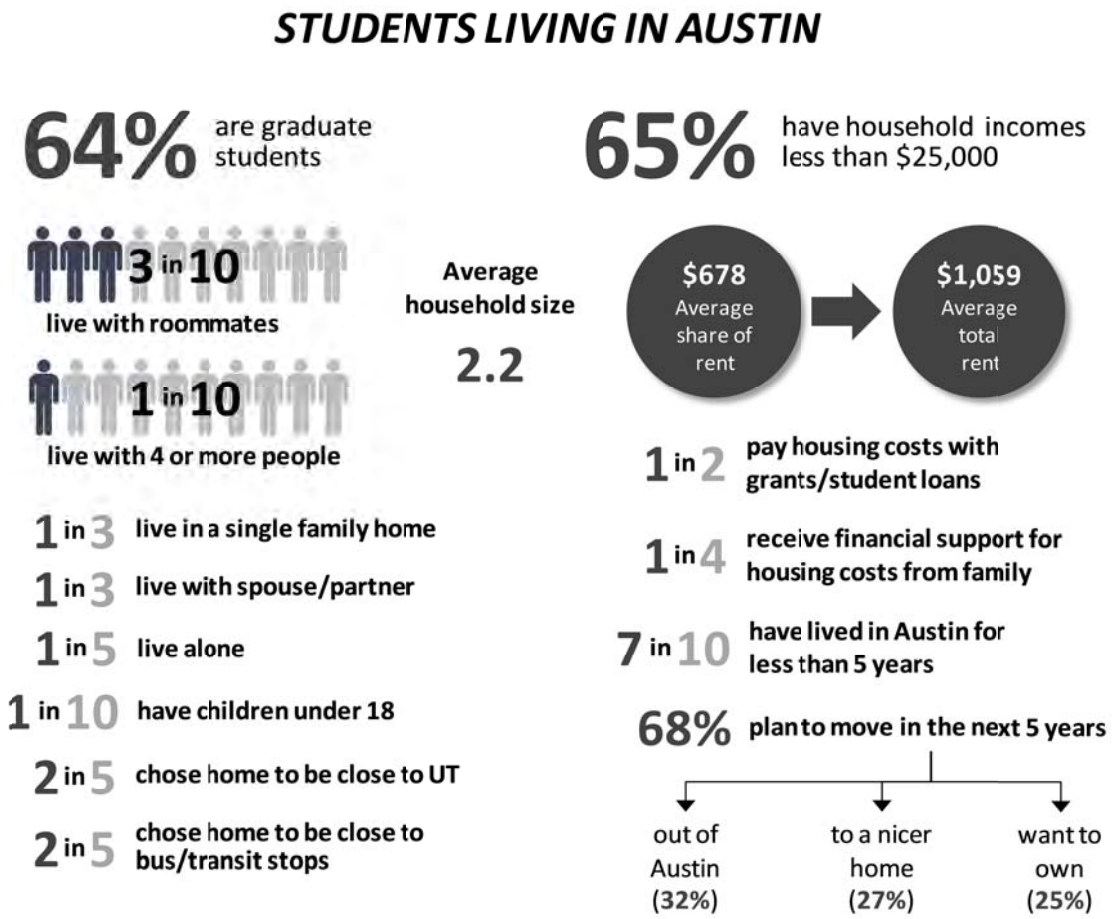


Note: n=105 single parent homeowners and n=85 single parent renters.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.

Students

In many respects, Austin is a university town. Students who choose to live off campus add additional pressure to the housing market. Those students who responded to the Housing Choice Survey tend to be graduate students (64%). Half use student loans or grants to pay their share of the rent or mortgage. Nearly all are renters, and the average share of the rent per student is $678. Most are new to Austin, having moved to the city within the last five years. Proximity to UT and bus and transit stops are important factors in choosing a home for two in five students respectively.



Note: n=240 students.

Source: BBC Research & Consulting from the 2014 Austin Housing Choice Survey.