

## **A More Effective, Efficient Solution to Lower Income Affordable Housing in Austin**

Affordable Housing Linkage Fees are applied per square foot of new construction or remodeling and paid at building permit. They are an effective, efficient approach to provide funding for affordable housing used in many cities in the country. They are generally paid into a dedicated trust fund. These fees can raise the large sums needed to really address the crisis of lower and modest income affordable housing, unlike the city's current piecemeal approach. It also is much simpler to administer than ad hoc density bonus programs and other approaches. Moreover, since the city controls the funds, it can control the affordable housing developments. The City can dictate a deeper income level, permanent affordability and can control the unit size and configuration so families with children can be targeted.

Linkage fees are used by dozens of cities to raise substantial funds for affordable housing. The amount of the fee is based on an in-depth study, a nexus study, of the cost to the city and the housing gap generated by the additional jobs and residents. Courts have upheld these fees when there is a reasonable nexus between the fees and the costs incurred by the city. Fees typically range from \$1 to \$6 per square foot on commercial and/or residential new construction. In some high cost cities, the fees are as high as \$20 per square foot.

A reasonable, comprehensive linkage fee in Austin would generate substantial annual funding for lower to modest income affordable housing. In 2015, a \$2 per square foot fee on new commercial and residential housing would generate \$60 million a year. (There was approximately 30 million in new construction in Austin in 2015: 15 million in commercial new construction and 15 million in residential). Some cities put a fee on both sectors, other cities on one or the other. The fees are placed in a trust fund for the city to develop affordable housing. This allows the city to target lower income residents as well as underserved areas. In short, the city can direct affordable housing towards the needs of lower income Austinites who the market and government aren't serving. The city would demand the housing remain affordable into perpetuity.

In addition to raising the substantial sums needed to seriously address Austin's affordability crisis for low and modest income residents, this approach has seven other advantages:

- 1) Developers have certainty on the cost to them of providing affordable housing, as opposed to the uncertainty of ad hoc, one-off negotiations with city staff.
- 2) The fee spreads the cost of affordable housing fairly across all types of new construction, as opposed to generally being applied to apartments piecemeal through negotiations on each particular development project.
- 3) The fee base is spread widely which allows a small fee to generate large sums of money.
- 4) New businesses and new residents pay for the costs of affordable housing caused by their moving to the city. The cost is shifted from rate or property tax payers.
- 5) The program is much simpler and easier to monitor than the city's density bonus and other ad hoc deals as part of the land development process.
- 6) The City has much greater control over the housing product, the depth of affordability, and the length of affordability.
- 7) Planning decisions on development projects can be based on best planning principles and not distorted by the city's need for affordability.