



MEMORANDUM

TO: Mayor and Council Members

FROM: Rosie Truelove, Director, Neighborhood Housing and Community Development Department

DATE: May 18, 2018

SUBJECT: Information on Nexus Study for Residential Demolition Fees as requested in Resolution 20171214-067

This memorandum provides information responsive to Resolution 20171214-067, which directed the City Manager, in part, to recommend an analytic process to determine an appropriate fee that property owners must pay to the City to demolish single-family and multi-family residential structures and provide recommendations for initiating a nexus study.

The analytic process requested by the resolution "should explore the loss of affordable housing that occurs when older residential structures are demolished and replaced with new market-rate residential structures" and determine whether there is "a relationship between demolitions and the loss of affordable housing." This process would be accomplished through a nexus study, an approach which has been utilized in many other cities to 1) determine whether a relationship exists between a particular activity and a public cost or impact, and 2) if such a relationship does exist, ensure that any recommended fees are proportionate to the impacts caused by a particular activity.

In 2016, the Neighborhood Housing and Community Development (NHCD) and Law Departments recommended that a nexus study be conducted to implement the relocation fee authorized by the Tenant Notification and Relocation Assistance Ordinance (Ordinance No. 20160901-050). Because much of the same data on housing costs and costs to the community would need to be collected for both the tenant relocation fee nexus study and the residential demolition fee nexus study, staff recommend that a single Request for Proposals be released that incorporates analyses for both fees. The estimated cost of such a combined study would be approximately \$165,000, based on similar studies for affordable housing fees in other states.

In March of 2018, NHCD submitted a request for funding the combined nexus study as part of the department's budget forecast for Fiscal Year 2018-2019. NHCD could release the Request for Proposals in October of 2018 if the funding is approved as part of the budget.

If you have additional questions, please contact Erica Leak, Acting Assistant Director, at (512) 974-9375.

cc: Spencer Cronk, City Manager
Joe Pantalion, Interim Assistant City Manager

RESOLUTION NO. 20171214-067

WHEREAS, Austin is experiencing high rates of development and growth as well as diminishing housing stock and affordable housing options; and

WHEREAS, the loss of affordable housing for low-and moderate-income families and residents is one of the biggest challenges facing Austin today; and

WHEREAS, the 2012 Imagine Austin Comprehensive Plan identifies the development and maintenance of affordability through Austin as a top priority and states that a key challenge is "encouraging the preservation of affordable housing in neighborhoods across the city and in activity centers and corridors"; and

WHEREAS, the University of Texas School of Law's Community Development Clinic's Preserving Austin Multifamily Rental Housing Toolkit 2007 stated that in appreciating neighborhoods like Austin's, market pressures lead to the disappearance of affordable housing from the city through demolition, conversion to other uses, and increases in rents, resulting in the displacement of low-income tenants; and

WHEREAS, the 2017 City of Austin's Office of the City Auditor's Demolition Permits Audit Report shows an average 13% increase per year since 2010 of approved demolition permits; and

WHEREAS, in fiscal years 2015 and 2016, most of these demolitions permits (77%) were approved for residential single-family homes, with more than half of all approved permits occurring in City Council Districts 3, 9, and 10; and

WHEREAS, data indicates that the almost 1,800 residential demolitions in the urban core between 2000 and 2010 nearly equal the amount of residential demolitions from 1980 to 2009; and

WHEREAS, other residential structures are virtually demolished under the City's allowances for "remodels"; and

WHEREAS, the 2014 report by HousingWorks, "Taking Action: Preservation of Affordable Housing in the City of Austin," shows that the vast majority of Austin's existing affordable housing – 62,000 units, defined as renting at or below 60% median family income (MFI) – is in the form of privately-owned, unsubsidized, older housing, compared to 18,500 publicly subsidized affordable units; and

WHEREAS, the 2014 HousingWorks report also noted that the City has made strides in the preservation of the city's affordable housing stock through programs such as the Homeowner Rehabilitation Loan Program and the G.O. Repair! Program and by aligning policy initiatives and funding through strategic partnerships such as the Housing-Transit-Jobs Action Team; and

WHEREAS, through Resolution No. 20141016-034, City Council recommended the implementation of a strike fund as a strategy to preserve 20,000 affordable housing units over 20 years; and

WHEREAS, through Resolution No. 20141016-034, City Council also endorsed the remaining recommendations from the 2014 HousingWorks report, "Taking Action: Preservation of Affordable Housing in the City of Austin," including exploring the adoption of Homestead Preservation Districts and Homestead Preservation District TIFs and examining the possibility of maximizing

Tax Incentives for Preservation, as additional strategies to achieve the 20,000 unit preservation goal; and

WHEREAS, the Housing Strategic Housing Blueprint states a goal of preserving 10,000 affordable housing units over 10 years; and

WHEREAS, Resolution No. 20170817-053 creates an Anti-Displacement Task Force to review and recommend strategies in preserving and expanding the supply of affordable housing, including assessing housing losses due to demolition; and

WHEREAS, many cities and states around the country have developed and implemented strategies to tackle the challenge of preserving affordable housing; and

WHEREAS, one strategy recently adopted by the City of Flower Mound, Texas and patterned after similar programs in Arlington and Richardson, Texas, is a home improvement incentive program established to reinvest in residential neighborhoods and aimed at improving the appearance of neighborhoods, increasing the stock and value of homes, and lessening the burden of homeowners who want to implement improvement projects involving the reconstruction or remodeling of homes by offering homeowners a one-time incentive payment, equal to 10 times the amount of the town property tax increase; and

WHEREAS, retaining this housing stock supports the city goal of minimizing waste flowing to our landfill; and **NOW, THEREFORE**,

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

The City Council directs the City Manager to explore the feasibility of establishing a fee that property owners would pay to the City to demolish single-family and multi-family residential structures.

BE IT FURTHER RESOLVED:

The City Council directs the City Manager to recommend an analytic process to determine an appropriate fee that property owners must pay to the City to demolish single-family and multi-family residential structures. The process to potentially create an appropriate fee should explore the loss of affordable housing that occurs when older residential structures are demolished and replaced with new market-rate residential structures. If such a study establishes a relationship between demolitions and the loss of affordable housing, the City Manager would then recommend levels of appropriate fees and a method to direct that revenue to the City's Housing Trust Fund to create affordable housing opportunities in the same geographic area.

BE IT FURTHER RESOLVED:

The City Manager is directed to report back with recommendations for initiating a nexus study no later than April 1, 2018.

BE IT FURTHER RESOLVED:

The City Manager is directed to create definitions for the demolition of both single-family and multi-family structures that would encompass virtual demolitions that currently fall under the "remodel" definition.

ADOPTED: December 14, 2017 **ATTEST:**


Jannette S. Goodall
City Clerk