



City of Austin

Neighborhood Housing and Community Development

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DATE: October 11, 2017

TO: Mayor and City Council

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

SUBJECT: Response to Resolution 20160616-035 related to promotion of racial and economic integration and the minimization of displacement

This memorandum responds in part to Resolution No. 20160616-035, which, among other items, directs the City Manager to create goals to increase economic and racial integration in “high opportunity” areas and to slow displacement in more vulnerable neighborhoods. The resolution requests policy recommendations to achieve these goals, such as smaller housing and lot sizes that support affordability in CodeNEXT, especially in less vulnerable areas, and setting aggressive targets for economic integration as part of our *Strategic Housing Blueprint*.

Several goals and strategies in the City of Austin’s Fair Housing Action Plan and the adopted *Austin Strategic Housing Blueprint* speak to these community values. The Neighborhood Housing and Community Development Department comments on CodeNEXT Draft 1.0 (released in January of 2017) are also related to the goals of increasing integration in high opportunity areas and slowing displacement. This memorandum offers these goals, strategies, and CodeNEXT comments for consideration as policy recommendations to help achieve economic and racial integration in high opportunity areas and slow displacement in vulnerable neighborhoods. The goals and recommendations would help the City affirmatively further fair housing by utilizing both geographic dispersion and place-based initiatives to create and/or strengthen racial and economic integration.

These goals, strategies, and comments are organized in the attached document into four main categories:

- 1) Increase economic and racial integration in high opportunity areas;
- 2) Slow displacement in vulnerable communities;
- 3) Increase funding and pursue more progressive policies to further affordable housing development and reduce barriers to housing; and
- 4) Recommendations on CodeNEXT to increase affordability.

cc: Elaine Hart, Interim City Manager
Joe Pantalione, Interim Assistant City Manager

Attachment

Attachment: Response to Resolution No. 20160616-035 related to Promotion of Racial and Economic Integration and the Minimization of Displacement

Increase Economic & Racial Integration in High Opportunity Areas: Create Affordable Housing (Strategies as Outlined in the *Strategic Housing Blueprint* and Fair Housing Action Plan)

1. The *Austin Strategic Housing Blueprint* sets the goal that at least 25% of new income-restricted affordable housing units be in high opportunity areas.
2. Per the *Blueprint* goal, ensure that at least 25% of affordable housing units created or preserved through funding from the City of Austin have two or more bedrooms and a system to provide opportunities to families with children.
3. Direct private capital toward the development of affordable housing in high opportunity areas using Low Income Housing Tax Credits to bridge the developer's funding gap.
4. Identify areas that will be high opportunity in the near future for affordable housing development or land banking now while land is more affordable.
5. Zone for and encourage the construction of more multi-family housing in high opportunity areas. Multi-family zoning is particularly important for the production of affordable housing in high opportunity areas where land costs are generally higher.
6. Support zoning changes in higher opportunity areas in West Austin, which would allow more land for multi-family zoning so as to achieve the *Blueprint* goal that at least 10% of units in each council district be affordable to households earning at or below 30% of the Median Family Income (\$22,000 for a 3-person household in 2017). The table at the right indicates the percentage and number of subsidized affordable units in each council district at present.

Percentage and Number of Subsidized Affordable Units in Each Council District		
Council District	Percentage of City's Subsidized Rental Units	Number of Subsidized Rental Units
1	20%	5,523
2	14%	4,090
3	23%	6,567
4	13%	3,592
5	7%	1,942
6	2%	644
7	8%	2,170
8	2%	497
9	10%	2,838
10	1%	175
Source: HousingWorks Austin, 2017		

Slow Displacement in Vulnerable Communities: Preserve Affordable Housing (Strategies as Outlined in the *Strategic Housing Blueprint*)

1. Land Banking: The City of Austin should acquire and hold land in underdeveloped activity centers and corridors and make it available to private and non-profit developers for the construction of affordable housing.
2. Community Land Trusts (CLTs): Expand the use of CLTs, a model of affordable ownership housing in which the land is owned by a Community Land Trust governed by a non-profit board, while the home itself is owned by an individual, removing the

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cost of land and taxes on the land from the homeowner's bill. The homeowner pays a nominal ground lease to the trust, which keep homes affordable for the current owners and subsequent buyers.

3. **Strike Fund:** Establish a strike fund to strategically acquire, renovate, and manage existing market-rate affordable multi-family buildings to preserve them as affordable housing over the long term.
4. **Homestead Preservation Districts (HPD):** Continue to utilize the dedicated funding stream created through HPDs to reinvest in affordable housing within HPD A. Continue to pursue legislation at the state level to expand the City's ability to utilize this tool to further affordable housing creation.
5. **Homestead Tax Exemption:** Explore legislation to create a flat dollar-amount homestead exemption for local taxing entities to offer more substantial relief to owners of lower value homes than is the case with homestead exemptions that are based on a percentage of appraised value.
6. **Preservation Property Tax Exemption:** Create property tax abatements for communities at risk of displacement, such as those allowed under Neighborhood Empowerment Zone legislation.

Increase Funding and Pursue More Progressive Policies to Further Affordable Housing Development and Reduce Barriers to Housing (Strategies as Outlined in the *Strategic Housing Blueprint*)

1. Pursue future General Obligation (G.O) bond elections for affordable housing to build and preserve thousands of quality, affordable homes for the most vulnerable families and individuals and for low wage workers in our community.
2. Provide additional local fund appropriations for affordable housing to help the City create much-needed income-restricted units for people at deeper levels of affordability.
3. Utilize Tax Increment Financing (TIFs) for affordable housing, as allowed by state law. Many cities (including other cities in Texas) have maintained a high credit rating while using TIFs to achieve policy objectives including affordable housing.
4. Create a multifamily property tax exemption program as an incentive for participating developments to provide a percentage of housing that is affordable for low-and moderate-income people. In exchange for on-site affordability, the city provides a partial property tax exemption for a number of years.
5. Pursue legislation to protect renters from discrimination based on source of income so that renters who receive income from Housing Choice Vouchers, Supplemental Social Security Income, or child support will have fewer barriers to housing.
6. Pursue legislation to allow inclusionary zoning, currently prohibited under state law, which enables local governments to require developers to dedicate a certain portion of new housing units as affordable to low-income residents.

Recommendations on CodeNEXT to Increase Affordability

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1. Ensure that a broad range of housing types, including Accessory Dwelling Units (ADUs), missing middle housing, and multifamily housing, are mapped equitably across the city to create housing choices at a range of prices.
2. Ensure setback and lot size requirements do not place further limitations on affordable housing creation. Smaller lot sizes are particularly important for the production of more affordable housing in high opportunity areas in where land costs are substantial.
3. Ensure that there is sufficient incentive above base zoning entitlements to increase the likelihood that developers use the proposed Citywide Affordable Housing Bonus Program.
4. Provide meaningful incentives and streamline the development process for developments with a significant percentage of affordable units.