

LAND OF BROKEN DREAMS AND LAND OF OPPORTUNITY

A Report on Homeownership Trends in the Chestnut, East Cesar Chavez and Holly Neighborhoods & Portions of the Rosewood Neighborhood

April 2012

Executive Summary

The “Land of Broken Dreams” study analyzes housing and economic trends for specific Eastside neighborhoods so that differences between neighborhoods and within neighborhoods being studied may be assessed. The report focuses on two distinct neighborhood areas: Chestnut Neighborhood along with an adjacent part of the Rosewood Neighborhood and the entirety of the East Cesar Chavez and Holly Neighborhoods that are also adjacent to each other.

A principal focus of the study was an assessment of the rate of change in homeownership status for homeowners who met the study criteria for “years of ownership” (i.e., who were long-time homeowners). The study examined the status of 622 “long-time homeowners” and found that 34% of these homeowners who owned their home in 2002 no longer owned their home in 2012. Thus, in the span of 10 years, more than 1/3 of long-time homeowners no longer live in their neighborhood.

Table 1 provides a summary of the statistics for the two study areas for the same period of time (2002-2012). The Chestnut/Rosewood study area experienced a 42.5% rate of change in homeownership (i.e., 42.5% of long-time homeowners no longer live in this neighborhood area). The ECC/Holly study area experienced a 32.2% rate of change in homeownership (i.e., 32.2% of long-time homeowners no longer live in this neighborhood area).

Table 1 - Change in Homeownership in Study Areas 2002 to 2012

Criteria	Chestnut/ Rosewood	ECCN/ Holly
Number of homeowners who owned their property in 1992 & 2002 (baseline group)	134	488
Number of properties with same homeowner in 2002 and 2012 (long-time homeowners)	77	331
Number of properties with a different homeowner in 2002 and 2012	57	157
Percentage of homesteads that had the same owner in 2002 and 2012	57.5%	67.8%
Percentage of homesteads that had a different owner in 2002 and 2012	42.5%	32.2%

Other indicators that were examined for the above described neighborhood areas are increases in market value of land/improvements, increases in tax payments, the incidence of tax delinquencies

and the extent of tax delinquencies. These data are outlined in Section 1 of the report for the Chestnut/Rosewood Study Area and in Section 2 for the East Cesar Chavez/Holly Study Area.

Tables 2 on the attached sheet summarize tax delinquencies in the two study areas. Of the 2/3 of long-time homeowners that still reside in East Austin, 31% (i.e., 125 of 408) currently have tax delinquencies. The East Austin Conservancy has established tax payment assistance and financial coaching programs to assist long-time homeowners in East Austin who are at risk of foreclosure due to tax delinquencies.

Table 2 – Tax Delinquencies of “Long-Time Homeowners” in Study Areas

Criteria	Chestnut/ Rosewood	ECCN/ Holly
Number of long-time homeowners who currently have tax delinquencies	29	96
Average amount owed by 29 homeowners with tax delinquencies	\$3487	\$3224
Number of long-time homeowners who owe \$4000 or less as of February 13, 2012	24	70
Number of long-time homeowners who owe \$4000 or more as of February 13, 2012	5	26

Although it is alarming that 1/3 of long-time homeowners no longer reside in East Austin and that close to 1/3 of the remaining homeowners have outstanding tax delinquencies, the fact remains that hundreds of affordable housing units still exist in East Austin and so a prime opportunity for Austin to make a difference for Eastside families still exists.

In terms of turnover of actual units owned by “long-time homeowners” (defined as persons who owned their homes in 1992, 2002 and in 2012), 57 units experienced a change in ownership in the Chestnut/Rosewood study area and 157 units experienced a change ownership in the ECCN/Holly Neighborhood. In other words, a total of 214 housing units experienced a change in ownership. Since families who owned homes in East Austin prior to 1992 were likely families of low to moderate income, this means that the better part of 214 affordable units were “lost.” Assuming a cost of \$170,000 per unit, the cost to replace 214 Eastside affordable units is on the order of \$36 million.

If the rate of change in homeownership does not change during the next 10 year period, the Austin Community could lose another 33 “affordable” units in the Chestnut/Rosewood study area and another 107 “affordable” units in the ECCN/Holly study area. The value of replacing an additional 140 “affordable” units would likely be upwards of \$24 million (assuming a cost of \$170,000 per unit).

In a 20 year period from 2002 to 2022, this could mean the loss of 354 “affordable” units in East Austin. Once again, this assumes the rate of change remains constant. And it will not be constant (i.e., it may actually increase) unless the Austin community intervenes to alter the trend in some way. Section 3 further details the “cost of doing nothing.”

Section 3 noted that 1/3 of the homeowners (i.e., 214) who were part of the two baseline groups no longer owned their homes; however, the remaining two-thirds (i.e., 408) still reside in East Austin. The neighborhoods in our two study areas have likely experienced a very high rate change in homeownership relative to other Eastside neighborhoods. Because there is a much greater portion of East Austin that has not undergone this type of study and because those neighborhoods will not have been as adversely affected as those in our two study areas, the number of “long-time homeowners” in other parts of East Austin will greatly outnumber those identified through this study. Thus, the impact that our community could have on Eastside affordability is still very significant.

Section 4 outlines how Austin’s creativity and commitment to quality of life is the key to success on this issue. To the extent that one of our short terms solutions may involve tax payment assistance to “long-time homeowners,” the effort would not be able to count on financial support from governmental entities due to constitutional prohibitions. Such an effort would need to rely on the generosity of Austin’s residents as in the case of the Long Center for Performing Arts. If our community could muster merely one-tenth of what was invested in the Long Center, there would be no need to rely on government assistance. Simply having the endowment that was raised for the Long Center would allow for a homeowner assistance program that could last 50 years.

Short Term Action

The information presented in this report greatly supports the need for a program like the East Austin Conservancy’s tax payment assistance program for low-income Eastside homeowners who are at risk of foreclosure due to tax delinquencies. As a way of demonstrating the impact of such a “basic” approach, let’s suggest that the goal for the 10 year period from 2012 to 2022 is to safeguard 100 existing affordable units (10 units per year). If we assume that the current level of assistance is \$3000 per homeowner and that this level of assistance increases by \$250 every year, then in order to help 100 homeowners over 10 years, the cost to assist these owners would be on the order of \$420,000. By way of comparison, if we try to build 100 affordable units in East Austin during that same period of time, the total cost would be approximately \$17 million (assuming a cost of \$170,000 per unit). Preservation is clearly more economically desirable.

Long Term Action

The East Austin Conservancy and PODER strongly feel that calling a Summit on Eastside Affordability is critical at this point in time. The purpose of the summit would be to convene a meeting with a broad range of community leaders to define a vision and develop a plan for maintaining, to the greatest degree possible, the affordability that currently exists in central East Austin neighborhoods. Just as the Austin community has been able to do with Barton Springs, the Balcones Canyonland Preserve, the Long Center for the Performing Arts, and other critical community needs/projects, the Austin community must once again rise to the occasion. By bringing together the right people with the right ideas and the right attitude, our City of Ideas can become a City of Hope for hundreds of Eastside families.

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