BBC RESEARCH & CONSULTING

Final Report

Comprehensive Housing Market Study

City of Austin

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Comprehensive Housing Market Study

Prepared for

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Austin Housing Market Analysis

In fall 2008, BBC Research & Consulting of Denver was contracted by the City of Austin to conduct a comprehensive housing market study. The study's purpose was to identify the existing and future housing needs of residents in Austin and to support the development of a targeted plan for meeting these needs. The study paid particular attention to the needs of three resident groups: low income residents, families and workforce. The study used the most recent data and information on resident demographics, housing prices and future growth trends. It also relied significantly on public input consisting of focus groups with stakeholders, public hearings with residents and three survey efforts.

This executive summary presents the top findings from the study. It also contains our recommendations for better meeting housing needs.

Who Lives in Austin?

Nearly 750,000 people lived in the City of Austin in 2007.[1] These residents lived in a diversity of housing situations typical of medium and large cities similar to Austin, like Denver and Portland. In Austin, in 2007:

- 19 percent of households were married couples with children;
- 18 percent were married couples without children;
- 16 percent lived in family situations other than married couples with/without children—for example, single parents; and
- The remainder (47 percent) lived in non-family households—for example, unrelated adults living together such as students and single persons.

Overall age demographics in Austin are following national trends, with a large population of Baby Boomers approaching retirement age. Unique to Austin is its declining population of recent college graduates, who may be finding employment elsewhere or leaving, as Austin becomes more expensive than other cities in Texas, such as Dallas. For example, according to recent Census estimates, the average rent in Austin was $810 and the average median home value was $178,8000, as compared to a monthly gross rent of $738 and a median home value of $128,200 in Dallas.[2] Per the most recent Quarterly Census of Employment and Wages (QCEW) from the Texas Workforce Commission, the average weekly wage of someone employed in the elementary or secondary school subset of the educational services industry in Travis County is $792 ($41,200 per year), as compared to $876 in

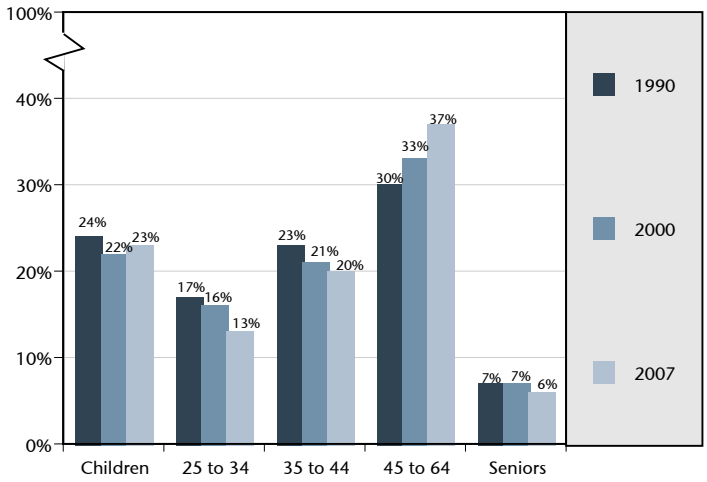
[1] 2007 ACS estimate is 749,659. The 2008 City of Austin Demographer Ryan Robinson and Planning Department's estimate is 750,525. The Texas State Demographer had a January 1, 2008 estimate of 736,172.

[2] Median Home Value and Median Gross Rent taken from 2005-2007 3-year American Community Survey (ACS) estimates. The ACS was used for the median home value instead of the Texas A&M Research Real Estate Center data to reflect place-level home prices, as opposed to regional home prices presented by the Texas A&M Research Real Estate Center,

Dallas County ($45,600 per year).[3] Thus, recent college graduates starting in moderately paying jobs like teaching with relatively homogenous wages may find the higher rents and home prices in Austin difficult to afford. Since 1990, the city's proportion of college age students and young adults has declined relative to the proportion of residents between the ages of 45 and 64, as shown in Exhibit ES-1.

Exhibit ES-1.
Population by Age Cohort, Austin, 2007

Source:
U.S. Census Bureau, 2000 and 2007.



Growth of the Austin MSA

Austin's population growth has been steady since 1990. However, population growth in the communities surrounding Austin has grown more quickly than Austin. Although Austin still comprises a very large portion of the Austin-Round Rock MSA, other cities within the region have absorbed a disproportionate amount of population growth, as shown in Exhibit ES-2. Specifically, Austin represents 47 percent of the MSA population—but 34 percent of the 1990 to 2007 MSA growth.

Exhibit ES-2.
Population Growth for the Austin Round-Rock MSA and Municipalities, 1990 to 2007

	1990	2000	2007	Population Growth 1990-2007	Percent of Population Growth 1990-2007	Compound Average Annual Growth Rate 1990-2007	Percent of MSA Population	Percent of Growth in MSA 1990-2007
Austin MSA	**781,572**	**1,249,763**	**1,565,606**	**784,034**				
Austin	465,577	656,562	728,821	263,244	57%	2%	47%	34%
Round Rock	30,923	61,136	98,105	67,182	217%	4%	6%	9%
Cedar Park	5,161	26,049	51,062	45,901	889%	9%	3%	6%
Georgetown	14,842	28,339	45,565	30,723	207%	4%	3%	4%
Pflugerville	4,444	16,335	32,439	27,995	630%	8%	2%	4%
Kyle	2,108	5,314	23,367	21,259	1008%	9%	1%	3%
Leander	3,398	7,596	22,116	18,718	551%	7%	1%	2%
Bastrop	4,044	5,340	8,261	4,217	104%	3%	1%	1%
Buda	1,795	2,404	5,827	4,032	225%	4%	0%	1%

Note: Population totals for the municipalities will not aggregate to total population of the MSA. 2007 Population number for Austin is from the Texas State Data Center to remain consistent with data for other municipalities. Previous Austin population statistics utilized the Census and the Austin Demographer.

Note: This represents total population, as opposed to daytime population.

Source: U.S. Census and Texas State Data Center

[3] Wage data from the 3rd Quarter 2008 Quarterly Census of Employment and Wages (QCEW) and the Texas Workforce Commission. Data is only provided at the county level. Travis County was used as a proxy for the city of Austin. Yearly wage estimate assumed a 52 week work year.

Changes in Austin's Affordability

Although some individuals may prefer a suburban lifestyle, the growth that has occurred on the outskirts of the city may be driven in some measure by the affordability of housing in the areas outside of Austin's city limits. Housing costs in Austin have risen by 85 percent in the past 10 years. The median value of a single family home in Austin was $129,900 in 1998. By 2008, the median had increased almost 90 percent to $240,000.[4]

The median prices reported by BBC Research and Consulting differ from those reported by the Texas A&M Real Estate Center because of 2 methodological differences: area of geographic analysis and the type of listing analyzed. With data provided directly from the Austin Board of Realtors (ABOR), BBC Research & Consulting analyzed listings within the city of Austin, as opposed to the Austin-Round Rock MSA. Additionally, BBC Research & Consulting methodology includes *all* listings, which includes not only sold listings, but also expired and withdrawn listings.

Austin has a larger renter population. Renters in Austin are divided into three categories: temporary residents of Austin (primarily students), individuals that chose to rent and those that simply can not afford to purchase a home. In 2008, 13 percent of Austin renters could afford the median priced home for sale.

Exhibits ES-3 on the following page shows how housing affordability has changed in the past 10 years for one segment of the market: households earning between 51 and 80 percent of the median family income (MFI). This is equivalent to households with incomes of $34,554 and $55,280 in 2008 dollars[5].

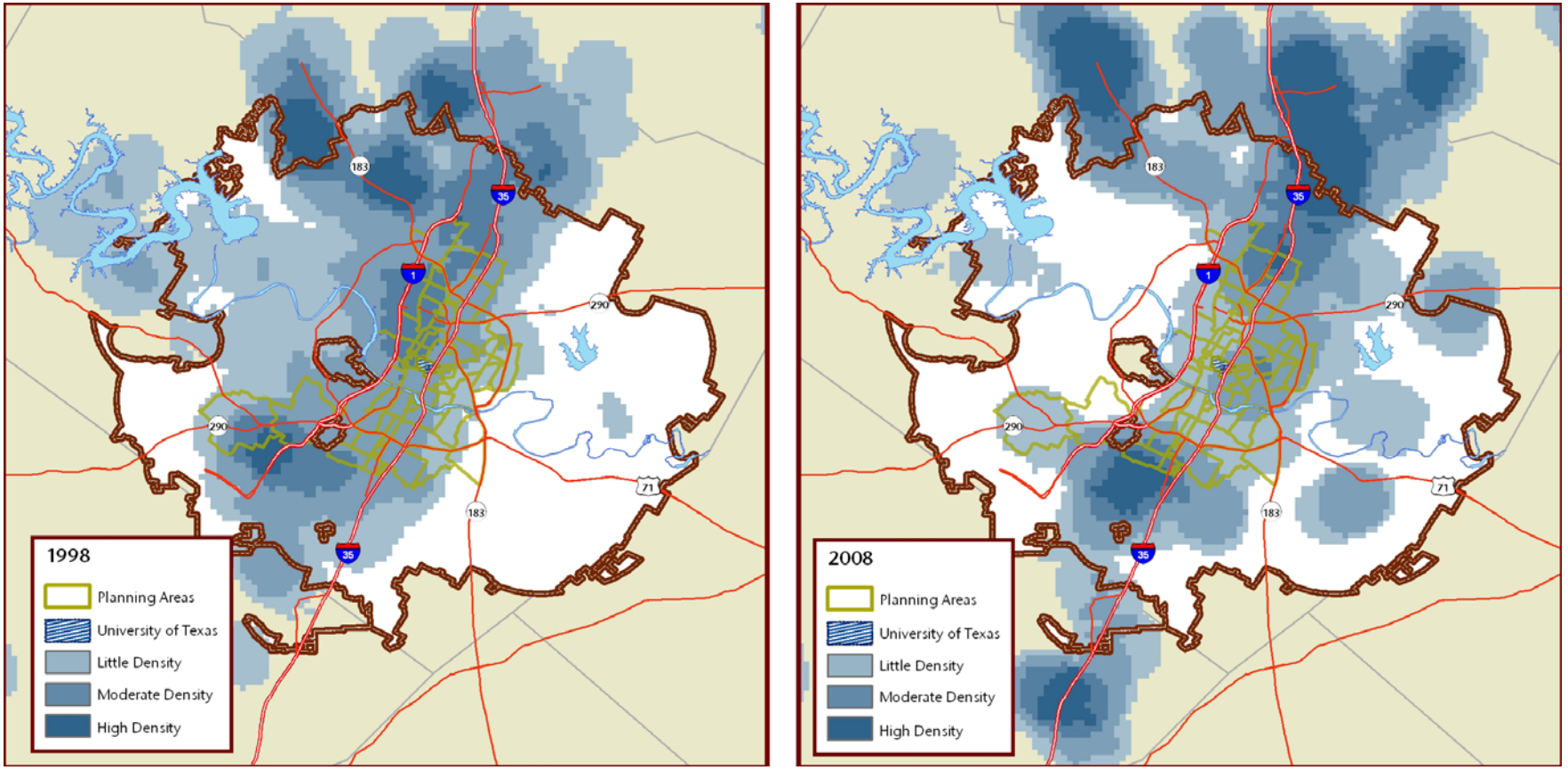
As demonstrated by the exhibit, the supply of affordable housing has increased in the southwest and northern portions of the region, in addition to East Austin. This has occurred as the supply of affordable housing has decreased in central, west and northwest Austin.

In sum, during the last ten years, housing Austin's workforce has become a regional task. And this is likely to continue unless the city takes actions to increase the supply of affordable housing within city boundaries. This begins with addressing current housing needs—and then ensuring that the city's affordability gap does not increase in the future.

[4] 2008 statistics include listings from January 1, 2008 through October 31, 2008.

[5] It should be noted that "density" means more units in a given geographic area. It does not imply density of land use.

Exhibit ES-3.
Location of Detached Single Family Units Affordable to 51% to 80% MFI, Austin Region, 1998 and 2008



Note: 51% to 80% of MFI is the income range of $34,554 to $55,280

Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in these maps are priced between $111,874 and $178,165. "Density" as used in the maps means more units in a given geographic area. It does not imply density of land use.

Source: MLS and BBC Research & Consulting.

2008 Housing Needs

Rental needs. Austin has a very large need for affordable rentals. In 2008, the city's renters earning less than $20,000 per year—44,700 renters—had just 7,150 affordable units in the market from which to choose. This means that there are 37,600 more renters earning less than $20,000 per year than units in the market affordable to them, even after accounting for subsidized units and vouchers. In other words, just 1 in 6 renters earning less than $20,000 can find affordable housing. We estimate that 25 percent of these renters in need (9,400) are students.

The mismatch between renter incomes and the availability of units is most severe for renters earning less than $10,000 per year: These 21,700 renters had just 2,400 units affordable to them in 2008, leaving a shortage of 19,300 units.

Although many of these renters are students, most are not. In addition to students, these renters represent seniors living on fixed incomes; retail, housekeeping and grocery workers; and single parents.

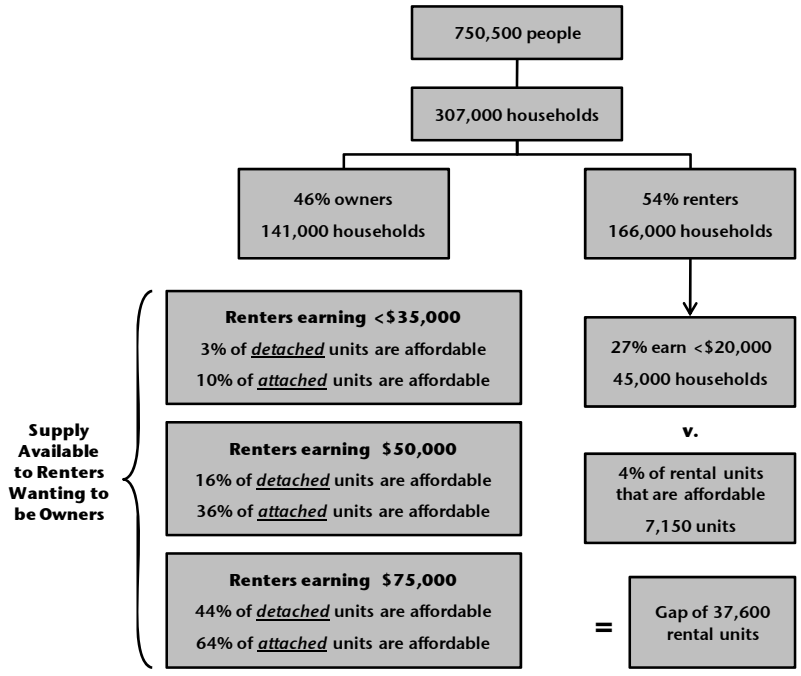
Homeownership needs. To buy in Austin, potential homeowners must earn at least $50,000 before one-third of attached units and just 16 percent of detached units become affordable. Renters earning $75,000 have many more choices—however, just 13 percent of Austin's renters earn this much.

Austin has a need for homes priced between $113,000 and $240,000 to enable its renter population earning between $35,000 and $75,000 per year to become homeowners. In many cities, this demand for affordable homes is partially fulfilled through attached housing; however, in Austin, this ownership product is limited.

Exhibit ES-4 summarizes the city's 2008 affordability gap.

Exhibit ES-4.
Gap in Rental and Homeownership Supply and Demand, 2008

Source:
BBC Research and Consulting.



Property tax increases. The gaps analysis above does not demonstrate the increased burden that property tax increases are placing on some of Austin's current renters and homeowners. In some neighborhoods, rapidly increasing property appraisals are leading to much higher tax bills, which might be unaffordable to some homeowners. For example, one Holly neighborhood property appraised at $77,000 in 2003. In 2008, the property appraised for $158,000. Although tax rates actually decreased, the increase in appraised value caused the tax bill to rise from $700 in 2003 to $3,100 in 2008. Additionally, this property was receiving a homestead exemption, meaning that some taxing units were not taxing on the fully appraised value, thereby lowering the overall tax bill. If the property had not received a Homestead Exemption and had been a rental property, for example, the full tax bill would have been nearly $3,500.

Renters are not immune to these increases, even though they do not pay property taxes directly. Landlords pass on the cost of property taxes to their renters, so as property taxes rise, so does monthly rent. Property taxes are one reason that rents are higher in Austin than in other comparable cities.

Austin relative to Denver. BBC conducted a study very similar to Austin's housing market analysis for the City and County of Denver in 2006. Compared to Denver:

- **Rental gap.** Like Austin, Denver has a large mismatch between supply and demand for its lowest income renters. However, Denver's rental market provides many more affordable units to renters earning less than $20,000 per year (15,600 units compared to Austin's 7,150 units). Denver's rental gap diminishes at the $20,000 income mark, meaning that Denver's lower income renters who have to "rent up" in order to find somewhere to live likely face lower levels of cost burden than in Austin.

- **Homeownership gap.** Denver's detached single family unit price distribution and affordability is similar to Austin's; however, Denver offers more affordable homeownership options because it has a larger attached housing market. In Denver, during 2005, there were 4,200 attached homes for sale affordable to potential buyers earning $50,000 and less. This compares to Austin's 950 homes in 2008. (And, Austin has about 40 percent more renters earning less than $50,000 than Denver does). Overall, Denver had 10,000 attached homes on the market for purchase in 2005. By comparison, Austin had 2,700 in 2008.

Austin's Future and Development Choices

Austin's economy rebounded well from the tech-related recession early in this decade. The city is predicted to be less affected than other cities by the current recession because of the types of industries in Austin. Recruitment efforts of technology-based firms, specializing in semiconductor, clean energy, biomedical and wireless technology, have succeeded in creating a large number of high paying jobs and relatively low levels of unemployment in the city. However, not all residents' jobs reside in such high-paying industries—and within these industries, not all jobs are high paying.

On average, executive jobs and engineering jobs do pay well, averaging between $80,000 and $90,000 per year. However, beginning positions in these occupations earn much less. Retail workers, which comprise the largest occupational category in Austin, earn an average of $22,000 per year. These are some of the residents who make up the low income renters who can't find affordable rentals in Austin.

Although Austin's employment is relatively spread throughout the city, its moderate and high paying jobs are heavily concentrated around Mo-Pac, in the southwest and western portions of the city, and downtown, as well as in north Austin. Housing in central and west Austin serves these employment centers well. However, since these areas have developed into the most expensive parts of the city, other residents are finding more affordable opportunities elsewhere. Essentially, the downtown and west Austin housing markets are currently catering to a small subset of workers, while young professionals and lower-earning workers are moving further away from Austin's employment opportunities, creating increased traffic along major arteries.

During the next 12 years, we predict that:

- By 2020, the city will need to develop 12,000 rental units (1,000 per year) priced at $425 and less to meet the growing needs of low income renters. To only modestly lower the current low income rental gap and meet growing housing needs, as many as 16,500 units (1,370 per year) should be constructed.

- Renters wanting to buy will face greater challenges in Austin's housing market. Renters earning less than $75,000 will have fewer affordable for sale options, in addition to having difficulty saving for a downpayment because of the high rents within Austin.

- Future growth of homeowners will demand a slightly different distribution of price points than the city has now. To accommodate future homeowners:
  - 8 percent of the units must be priced at $113,000 and less (likely small condos);
  - 13 percent at $113,000 to $160,500 (a mix of condos and townhomes);
  - 21 percent at $160,500 to $240,400 (condos, townhomes, cottages and small single family detached units); and
  - 58 percent more than $240,400 (range of housing options).

The city is in a critical juncture of deciding how to address its existing and future housing needs. And, although we can't completely predict how the city will change in the future, two things are very likely:

1. **Austin's growth will continue.** The city is a very desirable place to live by many measures, and both employers and workers will continue to consider the city as their future home.

2. **Growth will put pressure on housing supply.** Unless supply keeps up with demand, prices will increase.

The city has three ways of dealing with this growth:

- **Slow growth.** Austin can intentionally slow down growth and rely on communities outside of Austin to fill the demand for new housing. Boulder, Colorado is a good example of this phenomenon. Its Residential Growth Management System, which limits the number of building permits issued each year, led to an explosion of new development in the communities outside of Boulder. Boulder, a city of about 50,000 housing units has more than 100,000 jobs. This means that many workers must live outside of the city and commute in because there are not enough housing units for them to live in the city.

- **Increased density.** Austin can grow denser to accommodate increased housing demand. Not everyone will choose to live in denser or attached housing; however, the survey conducted for this study revealed that many households, including those with children, would be willing to make the trade-off of living in attached housing to reside in their neighborhood of choice.

  Many people equate increased density with increased traffic congestion. This perception does not consider the alternative that without increased density, people will be forced to locate outside of an area and drive in to work. Density done well, especially density coupled with good public transit, can relieve traffic congestion.

- **Increased sprawl.** Finally, Austin can grow out to accommodate increased housing demand, as long as developable land is available.

Recommendations for Addressing Housing Needs

The City of Austin and Austin community has shown leadership and progressive action in addressing affordable housing needs to date. Some of the major efforts of the city include:

- Passed a $55 million General Obligation (GO) bond dedicated to affordable housing activities;
- Annually dedicate General Fund monies to support affordable housing;
- Established the SMART Housing Program to provide incentives to private sector contribution to affordable housing solutions;
- Require that a portion of additional tax revenues from city-owned redeveloped properties be dedicated to affordable housing.

However, market forces have been stronger in changing the landscape of affordability in Austin. This means that addressing affordable housing needs will need to be a continued effort.

If Austin had not accomplished the above efforts—and if the city's housing continues to become more expensive as demand for living in Austin continues—the following scenarios are likely to occur:

- The city's 38,000 low income renters who cannot afford to pay their rent and utilities will continue being cost burdened. As the city's population grows, demand for housing will rise (without a commensurate increase in supply), prices will go up and so will property taxes. Low income renters will pay more for housing as property taxes rise and landlords pass on these costs, putting the lowest income renters at a greater risk of homelessness. Moderate income renters will have less to save for a downpayment, reducing their likelihood of being homeowners. Property owners may reduce efforts on upkeep to manage increased taxes, reducing the quality of the affordable rental housing stock.

- Many current owners in the city will find their property taxes harder to afford. Lower income owners and those on fixed incomes (seniors and persons with disabilities) may find the tax increases unmanageable. If they decide to sell their homes, they will realize income from the gain in value—however, they will need to move out of the city to afford another home.

- The city's workers will be less likely to be able to afford to live in the city, so more people will buy homes outside of Austin and commute longer distances to work. Those who can afford to buy in the city may be unwilling to make the trade-off because the products they can buy outside the city offer much more in terms of condition and size. They, too, will commute into the city. The city will be at risk of losing its middle class as they leave the city to purchase homes—leaving the wealthy and low income renters.

Therefore, to avoid having an even larger number of low income renters who struggle to meet their monthly rental payments, to avoid having moderate income renters leaving the city to purchase homes, to avoid increased traffic congestion, to avoid a drain on revenues as people leave for more affordable housing—the city should continue addressing needs by making changes to its policies and generate additional revenue to meet housing needs.

As mentioned above, the city has spearheaded many large efforts to address existing affordable housing needs. These efforts have been part of the city's overall goals to ensure that everyone from musicians to high-tech executives can call Austin home. The city has also worked hard to preserve its environmental landscape. All desirable cities and towns struggle to find the balance between environmental preservation, managing growth rates and keeping housing costs at a reasonable level. Austin is no exception.

Market forces are very powerful however, and Austin has a strong national reputation as a desirable city in which to live. Therefore, Austin will grow. The city can grow up (become more dense), or the city can grow out (become more sprawling). Growing up will involve some trade offs, but growing out will cost much more in terms of traffic congestion, potential loss of employment centers, loss of tax revenues and, perhaps more serious, a loss of community identity.

Recommendation No. 1—Reevaluate the zoning and development process. Austin's current process of evaluating applications for residential development is community based. The city's zoning and land use regulations also reflect the city's dedication to environmental preservation and commitment to smart growth.

These principles are part of what makes Austin a great city. However, they can conflict with providing affordable housing for residents and workforce. In desirable areas where there is much demand for housing, anything that constrains the supply leads to increased housing costs.

We have identified several opportunities for the city to modernize its current development process that will reduce the barriers to affordable housing development in Austin. These include:

- Reconsider the role that many neighborhoods groups are playing in development decisions.
- Develop a strong, citywide Comprehensive Plan that guides development and forms the basis for the acceptance or denial of development applications.
- Increase density by approving dense developments that offer opportunities for affordable, attached housing products.
- Educate residents about the need for workforce housing in Austin and the consequences of not meeting current and future needs for housing.

Balance neighborhood-based development. Neighborhood groups are very involved in Austin's residential and commercial land use and development process. Although the city has a citywide Comprehensive Plan that has been existence for more than 30 years, its updates have been modest. Existing neighborhood plans are much more detailed and play a strong role in the development evaluation process. Development is also heavily influenced by the many zoning and land use ordinances that are passed by city council each year. In sum, there is no strong, comprehensive guiding document for development in Austin.

We recognize that this has enabled the neighborhoods to play a significant role in how they develop. It has also created a patchwork planning process. Furthermore, we are unable to identify coordination of the neighborhood plans to ensure an appropriate distribution of community needs such as affordable housing.

Many cities, of comparable size to Austin, rely heavily on the influence and direction of neighborhood groups to guide land-use and development decisions. Many cities like Austin have neighborhood-level planning documents. These neighborhood groups are also very involved in the process through public hearings, written and oral comments, meetings with planning staff, planning commissioners and city council members.

For example, neighborhood groups are relied upon heavily in Santa Fe, particularly when it comes to preserving the historical integrity of architecture and design of its historic buildings. Neighborhood groups are given early notification of proposed projects, which provides them the opportunity to support or challenge projects coming into their neighborhoods. However, Santa Fe's General Plan provides necessary guidelines to determine whether neighborhood group reactions align with city-level growth goals or represent neighborhood sentiments.

Raleigh, North Carolina is another community with very strong neighborhood influence. Currently, 18 CACs participate in development decisions throughout the city and have been very interactive in current efforts to update Raleigh's Comprehensive Plan. In some instances, neighborhood plans have been and will be adopted as part of the city's comprehensive plan to ensure that city-level and neighborhood-level goals align.

Other communities with strong neighborhood influence include San Jose, California, Baltimore, Maryland and Denver. However, all communities are guided by a city-level General or Comprehensive Plan.

The city's current neighborhood-based planning process does very little to facilitate the development of affordable housing *on a citywide basis*. Some of the neighborhood plans have affordable housing as a goal; others do not. We were also told many times in our focus groups with more than 100 stakeholders that Austin has lost many affordable units to neighborhood resistance.

Austin is not unusual in this regard. Residents in every city and town are notoriously resistant to density, and the more affordable the project and the greater the density, the higher the resistance. Neighborhoods often forget that a desirable city will grow; they cannot stop this momentum. Restricting workers from obtaining housing in an area does not mean these workers will go away—they may live farther away, but they still need to drive to work. Growth limits almost always lead to increased traffic congestion and the leapfrog effect of affordable housing being pushed farther and farther from employment centers.

Neighborhoods often use declining property values as successful arguments to fight affordable housing developments. Many academic studies have adeptly demonstrated that the effect of density and affordable developments on property values is not negative.

These arguments should not be construed to imply that neighborhoods should not have an active role in the planning process or that any one neighborhood should provide a disproportionate share of affordable housing. It is imperative that cities have transparent goals, housing policies and a strong citywide planning structure to ensure that affordable housing is a community benefit that is shared equally and evenly distributed throughout a city.

Develop a strong Comprehensive Plan. The city will soon begin the process of updating its Comprehensive, or General Plan. The balance of multifamily and small lot single family zoning needs to be examined in the context of the types of housing needed to serve the city's future workforce to ensure that the city's comprehensive plan contains the proper land uses to meet future housing needs.

The comprehensive planning process must also contain a review and recommendations of model ordinances in other cities that allow greater opportunity for affordable housing development.

Increase density. Until only recently have density standards in Austin been relaxed. Although density in the form of multifamily products has not become common practice within the city, Austin's condominium market has expanded and evolved into a viable product, particularly in the downtown market.

High density projects, which capitalize on economies of scale to provide greater affordability, will be necessary to meet the housing gaps of new workers wanting to buy homes in Austin, which should be priced between $113,000 and $240,400. Density—combined with development and operational subsidies—will also be key to meeting the needs of the many low income renters in Austin who have extremely limited choices in the city.

To meet its current and future housing needs Austin will need to continue adding density to neighborhoods located near major employment areas to house workers and minimize commutes and traffic congestion. The city should also seek out and proactively plan for more new urbanist development opportunities like Mueller to meet the needs of families who desire to live within city boundaries and near places of employment.

It is unclear, based on a review of the city's recent update to its existing Comprehensive Plan and future land use map, how much land is dedicated to high density single family development and multifamily development (e.g., single family detached homes on 3,500 sq. feet lots and multifamily density of 20 units/acre). These uses appear minimal compared to the amount of land dedicated to standard single family residential.

Increased density will need to involve an affordability component that exceeds what the city has in place now—that is, requiring that the affordable units be built and/or raising the fee-in-lieu amount. Recent condominium projects are nowhere near to meeting affordability needs within the city: condos sold in 2008 and constructed in 2006 or later had a median listing price of $299,000.

Educate residents. The city needs a concerted educational effort to demonstrate that density can be attractive, mitigate traffic congestion and be a key solution to a more balanced housing stock. It would be appropriate to begin this effort during the comprehensive planning process since the process is likely to be well attended by neighborhood representatives and residents. In addition, the first few model developments that are affordable and dense must be economically feasible and attractive, as these will be important to get future neighborhood buy-in for these types of products.

Recommendation No. 2—Set affordable housing targets. Without goals for affordable housing and a citywide, strong Comprehensive plan, what is to prevent all neighborhoods from limiting the amount of affordable housing and density they allow and support?

To ensure that affordable housing is a priority in the city and that all neighborhoods share in the provision of this community asset, the city must set affordable housing targets. City leaders need to establish a target proportion of affordable rental and for sale housing in 5, 10 and 12 years (to 2020). The city should also monitor its needs on a regular basis and adjust its target as needed.

Mandates associated with affordable housing production are not legal in Texas. However, establishing goals and providing incentives for developers to help cities reach those goals are legal in the state—and are very important if housing policies are to be effective.

Other cities with established housing goals include:

- Tucson's General Plan (Comprehensive Plan) has a target of 10 percent of units in the city should be affordable. The city monitors this through an annual production report.
- In 1990, the City of Boulder set a target of having 5 percent of its housing stock be permanently affordable. In 1995, the city revised its target of permanently affordable housing stock to 10 percent.
- Massachusetts has a state law (the "anti-snob zoning" law) that requires all towns to have at least 10 percent of their housing stock affordable to households at 80 percent of the MFI to avoid being subject to mandatory housing projects. The law has been in effect since 1969.

For Austin, the rental target should focus on units affordable at 30 percent of the MFI, or for renters earning less than $20,730 per year (about the wage of an average retail worker). We estimate that about 5 percent of the city's rental stock is affordable to households making 30 percent of the MFI and less.

For homeownership, the city should focus on ensuring that at least 10 percent of units in new developments are affordable to households earning 80 percent of the MFI and less (about $55,000). This can be encouraged through more aggressive negotiations with developers and offering fast track approval, density bonuses and increased fee waivers.

Recommendation No. 3—Examine regulatory barriers to housing development. A comprehensive review of the development process in Austin and related barriers to affordable housing development was beyond the scope of this study. That said, regulatory barriers were frequently mentioned in our interviews and focus groups—specifically, that the city has regulations and processes in place that significantly raise development costs, discourage density and, as such, restrict the development of affordable housing.

The city should conduct a study that examines in-depth the specific barriers to affordable housing development. This should be done in conjunction with the comprehensive planning process the city will soon begin. Based on the comments we received during the study process through our focus groups with more than 100 attendees, such a study should:

- Examine how infrastructure requirements raise the cost of housing development.
- Examine the effect of zoning ordinances on development costs and the production of affordable small lot, attached/duplex units.
- Diagram the number of departments that have a role in the approval process and quantify the time it takes from the development application to approval for different types of residential applications, including affordable projects. Recommend how the development process can be streamlined, especially for affordable projects (see fast track approval below).
- Assess the impact the role neighborhood opposition has on the development of affordable and attached housing.
- Examine how the city's waste removal requirements raise the cost of development. Many stakeholders said that costs could be reduced if "there were a cheaper way to tie into the city's sewer system."

Recommendation No. 4—Consider additional development incentives to produce affordable housing. The city should consider two changes to encourage developers to build affordable housing:

- **Raise fee waivers.** The current fee waivers of $2,500 for single family homes and $1,000/unit for multifamily developments are helpful, but not significant enough to make a big difference in affordability. Additional fee waivers would be beneficial.
- **Fast track approval.** Projects that meet city targets for affordability should go directly to the top of the development queue and receive fast track approval. These projects must contain the actual development of affordable housing (i.e., developments receiving density bonuses by paying an in-lieu fee would not receive fast track approval). The city should diagram the fast track approval process and demonstrate the amount of time and cost a developer will save through fast track approval.

  The fast track approval must be carefully constructed and involve developer input. For example, Denver offers such a program but it is seldom used because the developments eligible for fast track approval must wholly comply with existing site plans.

Recommendation No. 5—Supplement existing funding. We think it is wonderful that the city has raised funding for affordable housing through its General Obligation Bond; Austin is one of few cities in the country that has been able to raise money for affordable housing through bonding. The city is also rare in that it annually provides General Fund monies to support affordable housing and a portion of redevelopment funds from city-owned properties are dedicated to affordable housing activities.

However, there is never enough money to meet all affordable housing needs, and the needs of Austin's residents—particularly very low income renters—are very high. The city would benefit from supplementing the bond dollars with other, ongoing revenue sources.

The city should explore alternative revenue sources to supplement affordable housing funding. Many Western cities—e.g., Reno, Nevada and Tucson, Arizona—levy condominium conversion fees and use these fees to fund housing trusts. It is unfortunate that Texas law prohibits such a revenue source, which would be a very reasonable method for generating funds for affordable housing. Currently rental stock is being removed from the inventory and replaced with mostly non-affordable condominiums, which is displacing renters and reducing the overall affordability of housing in Austin.

We also recommend that in the future the city examine the level of the fee-in-lieu amounts that developers pay to receive density bonuses under the S.M.A.R.T. Housing initiative. At $.50 per square foot for rentable floor area in the University Neighborhood Overlay, it is difficult to imagine why developers would not take the in-lieu option.

Given that the city may not mandate affordable housing, downtown developers currently have two choices under the current policy framework: pay a $10 per bonus square foot in the downtown area or seek Central Urban Redevelopment (CURE) Combining District rezoning. Given that, to date, developers have chosen to navigate the rezoning process rather than pay the downtown fee in lieu, one can deduce that the fee in lieu needs further review to ensure that it is tied to the market. The current fee in lieu may require further evaluation as currently, it does not appear to be an attractive option for developers. Recognizing that the Downtown Austin Plan is currently underway, this plan serves as an additional opportunity to evaluate the City's density bonus program.

Recommendation No. 6—Establish a land banking program. Land banking is a program whereby land is acquired by a division of government or nonprofit with the purpose of developing affordable/workforce housing or engaging in revitalization activities. After a holding period, the land is sold to a nonprofit or private developer, often at a price lower than market, who agrees to the land use conditions (e.g., creation of affordable/workforce housing).

Land bank programs can serve dual purposes. While some programs are created solely for the acquisition of land for future affordable housing development, others have broader long-term community planning goals. In distressed communities, land banking programs allow cities to acquire vacant and underperforming parcels, be a catalyst for redevelopment, and to benefit from increased tax revenues from the properties. In communities with rapidly rising land costs, land banking programs promise a long-term savings to taxpayers: for example, when public buildings need to be constructed, they can be built at less than the current market cost due to the earlier acquisition of the property by the land bank.

The City of Austin should establish a land bank to which private property may be donated (with potential tax benefits) and public property may be held for future affordable housing development. The city can also purchase appropriate parcels to add to the land bank as they become available. The city should explore partnerships with the school district, utility companies and other public landowners to donate the land for affordable housing in exchange for a certain proportion of the units that have first right of refusal to public sector employees (e.g., teachers).

Recommendation No. 7—Consider alternative financing sources through CDFIs. Community Development Financial Institutions (CDFIs) are lending institutions with a specific purpose of serving a particular community by increasing the amount of loan capital in an underserved area. The services offered by CDFIs differ—some operate much like a traditional bank or credit union and offer consumer as well as commercial products; others operate only to make loans for creation of affordable housing.

The city has several CDFIs which provide consumer and small business lending. The city should consider establishing or expanding its existing CDFI network to provide below market financing to developers of affordable housing. Such a CDFI would enable nonprofit and private sector developers to acquire property and begin the early stages of the development process before other, more permanent funding sources and federal and state grants are approved. The developers we interviewed for this study agreed that this would be a welcome tool to support affordable housing development.

Recommendation No. 8—Replicate and adapt best practice models for Texas. We recognize that the city is constrained in many ways from using many of the affordable housing tools that exist in other cities because of Texas State Law. For example, Austin cannot adopt the "quick fix" of inclusionary zoning that produces the bulk of affordable units in many cities.

We recommend, however, that the city collaborate with other high cost Texas communities to make state lawmakers aware of the barriers that some state laws create—such as the inability of cities to provide property tax rebates to low income renters.

Property taxes in Texas are higher than in many other areas in the West, since the state does not have an income tax. In more affordable areas, the impact is not as significant as in a community like Austin that has high home prices in addition to relatively high property taxes.

The effect of property taxes on Austin residents is twofold:

1. Rents are relatively high, as landlords pass on the property taxes to renters. Since renters are paying more for rent than in other cities, they have less to save for a downpayment on a home. This makes homeownership even more difficult to attain.

2. Some owners find that their property taxes are increasingly more difficult to pay. As their properties have appreciated, their taxes have risen considerably. Lower income owners and those on fixed incomes (seniors and persons with disabilities) may find the tax increases unmanageable. If they decide to sell their homes, they will realize income from the gain in value—however, they will most likely need to move out of the city to afford another home. In addition, it can be very stressful and difficult for seniors and persons with disabilities to manage a move.

Several cities and states have addressed this issue by providing rebates of property taxes to lower income renters. New York City has such a program, as does the State of Minnesota. Property owners are required to provide renters with an annual statement showing how much of their rent was made up of property taxes; renters then file for a rental rebate once a year.

Austin could provide property tax relief to owners, but the city is prevented by state law from targeting the relief based on income. As such, it would be difficult to provide an adequate benefit to low income owners without realizing a tremendous loss in city revenues. Although we recognize these barriers, we still recommend that the city investigate ways to provide property tax relief under state law and work with other similar communities to bring this barrier to the attention of lawmakers.

SECTION I.
Introduction

SECTION I.
Introduction

In fall 2008, BBC Research & Consulting was contracted by the City of Austin's Neighborhood Housing and Community Development Department to conduct a comprehensive housing market study for the city.

The primary purpose of the study was to identify the greatest housing needs in Austin now and in the future, quantify these needs and assist the city with prioritizing how to address existing and future housing needs. A secondary purpose was to develop a database of current socioeconomic and housing information for the city.

Methodology

The primary data and information sources used in the analysis 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' 2007 American Community Survey (ACS) and 2000 Census;
- Employment data from the Texas Workforce Commission and the Bureau of Labor Statistics;
- Major Employer data from the Austin Chamber of Commerce;
- Wage data from the Bureau of Labor Statistics and Economic Modeling Specialists, Inc. (EMSI) data from Capital Area Council of Governments (CAPCOG);
- Rental data from Austin Investor Interests and M/PF Yieldstar;
- Data on subsidized rental units from the Housing Authority of the City of Austin (HACA), Housing Authority of Travis County (HATC) and City of Austin Consolidated Plan;
- Data on historical building permits from the city planning department;
- Data on home resales—2008 listings and historical—from the Austin Board of Realtors; and
- Data from three survey efforts of residents in Austin: 1) A statistically significant telephone survey of residents representative of the city overall; 2) A statistically significant telephone survey of residents earning less than $55,000 per year; and 3) An online survey of residents earning less than $100,000 per year.

Geographic Level of Analysis

This study was conducted within the boundaries of the City of Austin; it was not a regional study or a study to support development in a particular market area. Where data were readily available, we compared Austin with surrounding communities, particularly in assessing growth trends. We also analyzed and mapped data at the submarket level; these maps appear throughout the report.

Report Outline

The remainder of the report is made up of the following sections:

- **Section II. Socioeconomic Profile.** This section provides information on population growth, household characteristics, income and poverty and employment.
- **Section III. Citizen Surveys.** This section contains the results of the three survey efforts conducted for the study.
- **Section IV. Housing Profile and Cost.** This section provides information on Austin's existing housing stock in terms of tenure (renter/owner), cost and affordability and condition.
- **Section V. Housing Affordability Analysis.** This section examines the affordability of housing in Austin through a model that compares the supply of housing at different price points to demand by household income level. It demonstrates where Austin's housing market is under-serving residents with housing needs.
- **Section VI. Challenges and Opportunities** This section contains feedback from the focus groups and public meetings that were conducted for the study and identifies the many challenges and opportunities before the city.
- **Section V. Recommendations.** This section contains our recommendations for addressing housing needs.

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;
- Ryan Robinson, city demographer; and
- The many participants in the focus groups and public meetings held throughout the study (names withheld for privacy).

SECTION II.
Socioeconomic Profile

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Socioeconomic Profile

Articles abound with recommendations for relocating to Austin, describing the city as "where your money goes the farthest;" "one of America's most livable big cities;" and the "second best big city in America to live."

It is easy to understand why the city generates such positive reviews: Austin has become one of the nation's leading providers of technological innovation, and it has quickly risen to contain one of the largest technology-based industries in the country. It also serves as the state of Texas' capital, which not only creates employment opportunities, but also helps attract a diversity of residents, making Austin a thriving cultural hub. In addition, the city hosts a major university with many top-recognized programs and has historically been well-known for its active music scene.

Austin's socioeconomic fabric is unique, combining the qualities of a large city, state capital, college town and national technology hub into one metropolitan area.

The city is also changing, becoming more diverse, more expensive, older and, despite rising housing costs, increasingly poor. Key socioeconomic characteristics of the city include:

- After a rapid increase in the 1990s, population growth has slowed since 2000, primarily due to a technology-induced recession early in the decade. Growth in central Austin is attributed equally to net migration and natural increase (more births than deaths). In contrast, growth on the outskirts of the city is mostly due to new residents moving in. In fact, despite containing a small portion of the Austin-Round MSA's overall population, cities like Round Rock, Georgetown and Cedar Park have absorbed a disproportionate amount of the MSA's population growth.

- Downtown and central East Austin neighborhoods will continue densification between now and 2020, growing faster than what the city overall has experienced in the last few years. The exterior portions of the city, which currently contain few residents, will evolve to house larger proportions of Austin's population.

- Like many communities across the country, Austin has a large percentage of Baby Boomers. If the aging residents remain in Austin into retirement, they will create a gap in Austin's workforce as they exit the workforce. This may be good news for Austin's population of recent college graduates, which has gradually decreased over time. Residents in this age cohort may be finding employment elsewhere or leaving as Austin becomes more expensive than other cities in Texas.

- Even with a technology-related recession in the early portion of this decade, Austin's economy has remained strong, with continued employment and wage growth. High-paying professional and financial service jobs, located primarily in central Austin, have experienced strong growth in recent years, while manufacturing and information employment opportunities have left Austin. The city appears to be bucking the economic downturn so prevalent in other parts of the nation, at least in the short-run.

- Austin's employment is concentrated in downtown Austin and along the Mo-Pac corridor. Future employment opportunities are expected to continue to locate within these employment centers, while employment growth outside of these areas will primarily be associated with retail and personal services, which often locate near residential growth. Future population growth is projected to be strongest on the outskirts of the city, creating the potential for more congestion within the city.

The remainder of this section contains information on Austin's population and household composition and economic conditions.

Population and Household Composition

Population. Nearly 750,000 people currently reside in the city of Austin.[1] Substantial growth occurred in Austin during the 1990s. However, growth has slowed in the recent decade; the compound average annual growth rate in the 1990s averaged 3 percent, as compared to 2 percent between 2000 and 2008.[2] A technology-induced recession began in Austin in 2001 and continued until 2006, which directly affected population growth.

Exhibit II-1 displays Austin's historic population growth since 1900, as well the compound average annual growth accompanying each interval.

Exhibit II-1.
Historical Population Growth, City of Austin, 1900 to 2008

Year	Population	Compound Annual Growth Rate	Year	Population	Compound Annual Growth Rate
1900	22,258		1995	526,128	3.5%
1910	29,860	3.0%	1996	548,043	4.2%
1920	34,876	1.6%	1997	567,566	3.6%
1930	53,120	4.3%	1998	613,458	8.1%
1940	87,930	5.2%	1999	629,769	2.7%
1950	132,459	4.2%	2000	656,562	4.3%
1960	186,545	3.5%	2001	669,693	2.0%
1970	251,808	3.0%	2002	680,899	1.7%
1980	345,890	3.2%	2003	687,708	1.0%
1990	465,622	3.0%	2004	692,102	0.6%
1991	476,447	2.3%	2005	700,407	1.2%
1992	482,296	1.2%	2006	718,912	2.6%
1993	492,862	2.2%	2007	735,088	2.3%
1994	508,336	3.1%	2008	750,525	2.1%

Source: U.S. Census Bureau and the City of Austin Demographer Ryan Robinson

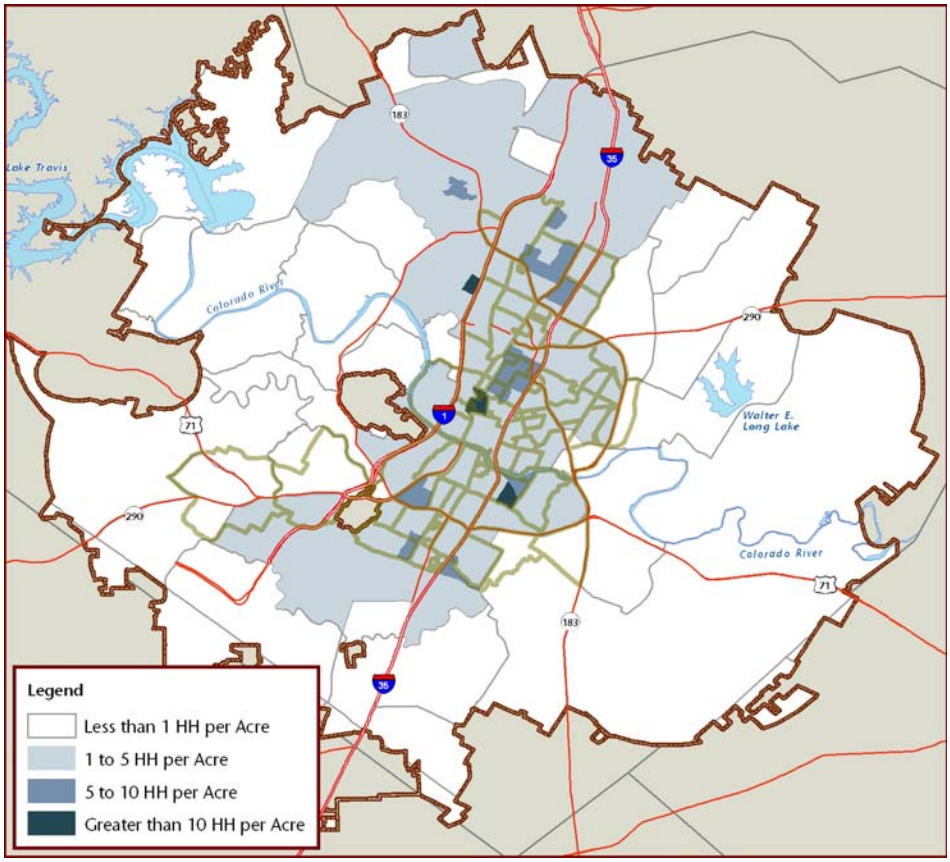
[1] 2007 ACS estimate is 749,659. The 2008 Austin Demographer and Planning Department's estimate is 750,525. The Texas State Demographer had a January 1, 2008 estimate of 736,172.

[2] The annual growth rate between 1997 and 1998 was not included in the calculation, as the city annexed a number of large, populated tracts that artificially inflated population. In other words, the additional population was attributed solely to the addition of land.

Exhibit II-2 shows the number of people that live in each Census Tract in Austin. Austin's West University and Riverside neighborhoods are the most dense neighborhoods within the city, with average densities greater than 10 households per acre. This means that each household lives on a lot averaging 4,400 square feet. The University Neighborhood Overlay (UNO) plan for the West University neighborhood has incited much of the new growth, which currently allows for taller residential and mixed-use structures than what was previously allowed for by the city. According to Austin's Demographer, "long-dormant market demand for an expanded housing stock near the University of Texas has been unleashed under the UNO plan,"[3]

Neighborhoods directly north of the University of Texas campus, South Lamar and north Austin contain the next densest neighborhoods. Despite having high density residential downtown, the downtown Census Tracts lack overall *residential* density because of the extensive commercial development that exists there.

Exhibit II-2.
Population Density by Census Tract, City of Austin, 2008



Note: Density calculated by using total acreage within a Census Tract. There is no consideration for developable land within each Census Tract, which may skew density calculations.

Source: Claritas 2008

[3] "City of Austin Population and Households Forecast by ZIP Code", City of Austin Demographer.

Drivers of growth. The city of Austin's municipal boundaries are contained within four counties. Population growth within the four counties has been attributed to varying proportions of natural increase and net migration. Natural increase indicates that within a given year, births outnumbered deaths. Net migration is the difference between new residents moving into the city and residents moving out.

Since 1990, population growth in Travis County, which contains the largest portion of Austin, was attributed equally to natural increase and net migration. In other words, not only have residents continued moving into Travis County, they have also been having children.

Population growth in the outlying counties of Bastrop, Hays and Williamson Counties has primarily been attributed to net migration—that is, growth on the periphery of Austin is mostly generated from new residents moving into these counties. For example, in Bastrop County, 80 percent of the growth between 2000 and 2007 was due to more people moving into the area than moving out. Exhibit II-3 displays the components of population change for the four counties containing Austin.

Exhibit II-3.
Components of Population Change, Bastrop, Hays, Travis and Williamson Counties, 1990 to 1999 and 2000 to 2007

	1990-2000			2000-2007		
	Total Population Growth	Natural Increase	Net Migration	Total Population Growth	Natural Increase	Net Migration
Bastrop	14,298	2,853	11,396	14,532	3,061	11,613
Hays	27,141	5,996	21,149	43,906	8,024	36,145
Travis	150,615	71,992	78,534	162,081	77,988	87,433
Williamson	101,341	18,570	82,087	123,381	28,285	96,200

Note: Two additional components of demographic change—net federal movement and a residual— are not included in the Census calculation. Thus, natural increase and net migration will not add to total population growth.

Source: Census Population Estimates

The once rural cities outside of Austin have also recently begun absorbing new growth. Although Austin still comprises a very large portion of the Austin-Round Rock MSA, other cities within the region have grown faster than Austin since 1990, absorbing a disproportionate amount of population growth. For example, Round Rock and Georgetown have tripled in population since 1990, while smaller cities like Pflugerville and Leander have grown between 500 and 600 percent in the last 17 years.

Exhibit II-4 presents growth data for the Austin-Round Rock MSA and the communities containing much of the MSA's population.

Exhibit II-4.
Population Growth for the Austin Round-Rock MSA and Municipalities, 1990 to 2007

	1990	2000	2007	Population Growth 1990-2007	Percent of Population Growth 1990-2007	Compound Average Annual Growth Rate 1990-2007	Percent of MSA Population	Percent of Growth in MSA 1990-2007
Austin MSA	**781,572**	**1,249,763**	**1,565,606**	**784,034**				
Austin	465,577	656,562	728,821	263,244	57%	2%	47%	34%
Round Rock	30,923	61,136	98,105	67,182	217%	4%	6%	9%
Cedar Park	5,161	26,049	51,062	45,901	889%	9%	3%	6%
Georgetown	14,842	28,339	45,565	30,723	207%	4%	3%	4%
Pflugerville	4,444	16,335	32,439	27,995	630%	8%	2%	4%
Kyle	2,108	5,314	23,367	21,259	1008%	9%	1%	3%
Leander	3,398	7,596	22,116	18,718	551%	7%	1%	2%
Bastrop	4,044	5,340	8,261	4,217	104%	3%	1%	1%
Buda	1,795	2,404	5,827	4,032	225%	4%	0%	1%

Notes: Population totals for the municipalities will not aggregate to total population of the MSA. The 2007 population number for Austin is from the Texas State Data Center to remain consistent with data for other municipalities. Previous Austin population statistics utilized the Census and the Austin demographer's population estimates.

Source: U.S. Census and Texas State Data Center

Residency and foreign immigration. Limited mobility occurred within Austin between 2006 and 2007, as 72 percent of Austin's residents remained in the same residence. Between 1995 and 2000, just 36 percent of Austin's population remained within the same home. Another 30 percent moved to a different home within the county. The remaining one third moved into Austin from another part of Texas, from a different state or from outside the U.S.

Data suggest that the large student population accounts for most of the movement occurring within Austin. Of the nearly 162,000 residents moving within or to Austin from another residence in the same county, a different county or a different state between 2006 and 2007, 59 percent of those residents have never been married and 48 percent had household incomes less than $25,000.

Exhibit II-5.
City of Austin Residency in 1995 to 2000, and 2006 to 2007

	1995-2000		2006-2007	
	Number	Percent	Number	Percent
Same House	219,521	36%	430,148	72%
Different House within same county	180,509	30%	100,665	17%
Different House in Texas	107,425	18%	41,032	7%
Different House in a different state	61,588	10%	20,086	3%
Abroad	40,730	7%	8,115	1%
Total	**609,773**		**600,046**	

Source: U.S. Census Bureau, 2000 and 2007.

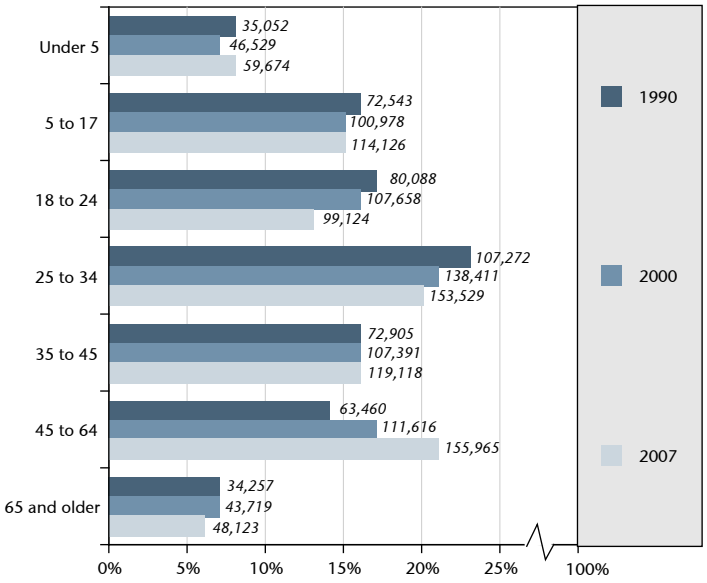
Age. Austin is not alone as it watches its large population of "Baby Boomers" enter into retirement. Between 2000 and 2007, Austin experienced a distributional shift in the overall age composition of its residents, which now includes more residents aged 45 to 64.

Conversely, Austin appears to be losing residents aged 18 to 24, or, at minimum, 18 to 24 years olds are comprising a smaller proportion of Austin's population. Between 2000 and 2007, Austin is estimated to have 8,500 fewer residents aged 18 to 24 years old, decreasing the overall proportion of college-aged and recent graduate residents residing in Austin. In 2000, 18 to 24 years olds comprised 16 percent of Austin's population. In 2007, 18 to 24 year olds comprised 13 percent of the population.

Exhibit II-6 displays how the age distribution had changed in Austin since 1990.

Exhibit II-6.
Age of Residents in Austin, 1990, 2000 and 2007

Source:
U.S. Census Bureau, 2000 and 2007.



Household characteristics. In 2007, the Census estimated that 306,693 households resided in the city of Austin. Household growth has slowed during this decade, as compared to the previous decade. Between 1990 and 2000, Austin added an average of 7,350 households each year. An average of 5,800 households have been added since 2000. In other words, in the 1990s, 20 new households were established each day within Austin. In this decade, 16 new households move into Austin each day.

Household size. The average household size in Austin is 2.39. Owners have slightly larger average household sizes, as shown in Exhibit II-7. In 2000, Austin's average household size was 2.4. Owners had a higher average household size in 2000 of 2.72 and renters had a slightly lower average household size of 2.14.

Exhibit II-7.
Average Household Size by Tenure, City of Austin, 2007

Source:
U.S. Census Bureau 2007.

	Average Household Size
Total	**2.39**
Owner-Occupied Housing Units	2.56
Renter-Occupied Housing Units	2.24

Average household size varies greatly by race and ethnicity. In 2007, the average household size for Austin was 2.39. For households racially defined as Some Other Race, which often includes Hispanic households, the average household size was 3.45. White households in Austin had an average household size of 2.20. By ethnicity, Hispanic households had an average household size of 3.29, as compared to a much lower average household size of 2.07 for non-Hispanic households.

Exhibit II-8.
Average Household Size by Race and Ethnicity, City of Austin, 2007

Source:
U.S. Census Bureau 2007.

	Average Household Size
Total	**2.39**
Race	
American Indian and Alaska Native Alone	2.73
Asian Alone	2.40
Black or African American Alone	2.56
Native Hawaiian and Other Pacific Islander Alone	2.44
White Alone	2.20
Some Other Race Alone	3.45
Two or More Races	2.61
Ethnicity	
Hispanic/Latino	3.29
Non-Hispanic/Latino	2.07

Household type. The Census divides households into two types: family households and nonfamily households. Family households are comprised of two or more *related* people living together.[4] Nonfamily households are made up of people living alone or living with unrelated individuals.

Austin contains a slightly larger family household population (52 percent) than non-family household population (48 percent) as shown in Exhibit II-9.

Exhibit II-9.
City of Austin Household Type, 2007

Source:
U.S. Census Bureau 2007.

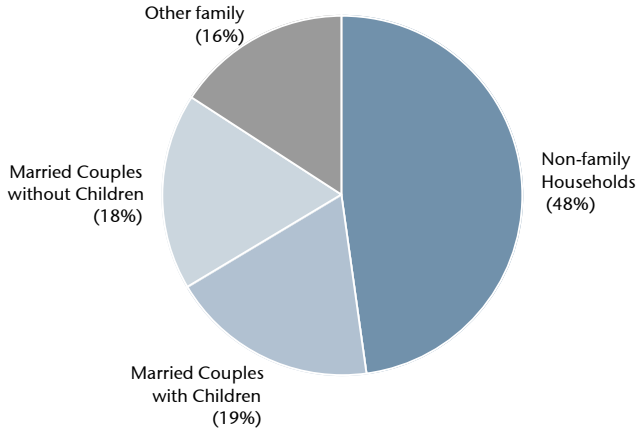


Exhibit II-10 on the following page presents household composition for Austin, as well as for cities with similar demographic and economic characteristics. Austin is similar to Portland, Oregon and Denver in their overall household composition, as the population is divided evenly between family and non-family households.

[4] Families can be related through birth, marriage or adoption.

Exhibit II-10.
City of Austin Household Type, 2007

Household Type	Austin		Albuquerque		Portland, OR		Seattle		Denver		Boulder	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Family Households	**160,543**	**52%**	**121,780**	**58%**	**120,725**	**51%**	**115,236**	**43%**	**120,249**	**49%**	**16,105**	**42%**
Married-Couple Family:	111,787	36%	82,338	39%	88,157	37%	86,194	33%	85,288	35%	12,780	34%
◆ *With Children*	57,075	19%	36,532	17%	37,421	16%	36,114	14%	40,558	16%	5,125	14%
◆ *No Children*	54,712	18%	45,806	22%	50,736	21%	50,080	19%	44,730	18%	7,655	20%
Other Family:	48,756	16%	39,442	19%	32,568	14%	29,042	11%	34,961	14%	3,325	9%
◆ *Male Householder, No Wife Present*	15,975	5%	12,282	6%	8,712	4%	8,693	3%	10,301	4%	1,120	3%
◆ *Female Householder, No Husband Present*	32,781	11%	27,160	13%	23,856	10%	20,349	8%	24,660	10%	2,205	6%
Nonfamily Households	**146,150**	**48%**	**87,740**	**42%**	**117,366**	**49%**	**149,717**	**57%**	**126,086**	**51%**	**21,815**	**58%**
Male householder	80,814	26%	41,085	20%	56,111	24%	77,521	29%	62,523	25%	12,056	32%
Female Householder	65,336	21%	46,655	22%	61,255	26%	72,196	27%	63,563	26%	9,759	26%
Total Households	**306,693**		**209,520**		**238,091**		**264,953**		**246,335**		**37,920**	

Source: U.S. Census Bureau 2007.

Race and ethnicity. Exhibit II-11 presents race and ethnicity data for Austin's residents in 2007. As shown in the Exhibit, the majority of Austin's residents—63 percent—are White. The next largest racial category is Some Other Race at 20 percent.[5] Thirty-five percent of the population is of Hispanic origin.

Exhibit II-11.
Race and Ethnicity,
City of Austin, 2007

Source:
U.S. Census Bureau 2007.

	Number	Percent
Race		
American Indian and Alaska Native Alone	4,810	1%
Asian Alone	42,818	6%
Black or African American Alone	60,971	8%
Native Hawaiian and Other Pacific Islander Alone	818	0%
White Alone	471,296	63%
Some Other Race Alone	152,133	20%
Two or More Races	16,813	2%
Ethnicity		
Hispanic/Latino	260,535	35%
Non-Hispanic/Latino	489,124	65%

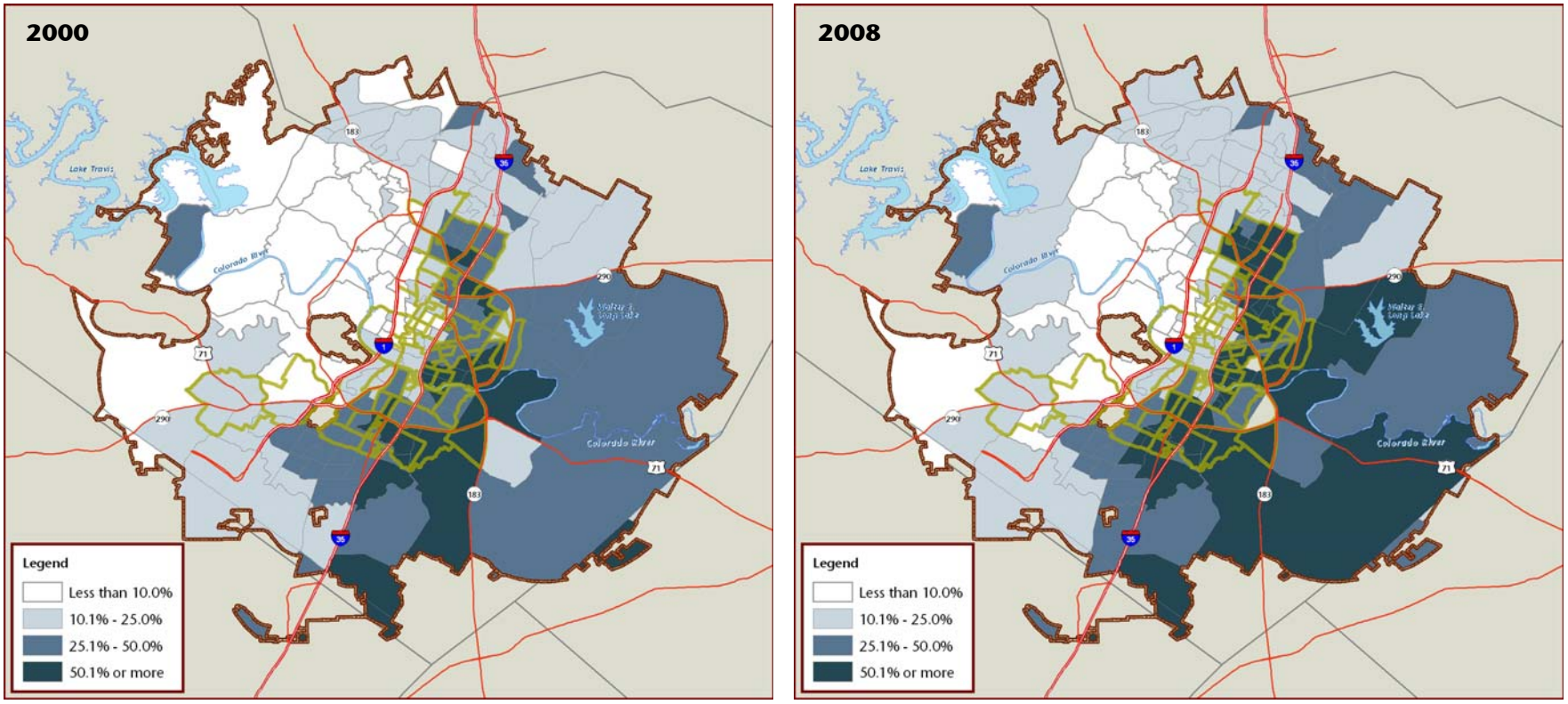
The city of Austin Demographer Ryan Robinson recently identified Austin as a city with "no majority", not because of a lack of "absolute growth in the total number of Anglo households in Austin, but rather because the growth of other ethnic groups has outpaced the growth of Anglo households."[6] This is true, primarily for Austin's Hispanic population, which has seen substantial growth since 1990. Hispanic residents comprised 21 percent of Austin's population in 1990 and 31 percent of the population in 2000. Currently, more than one in three Austin residents are of Hispanic origin, making it Austin's fastest growing population.

The geographical distribution of the Hispanic population has changed between 2000 and 2008. Since this is the city's largest minority group and the fastest growing, the geographic changes are more prominent. Although areas of the city that contained large concentrations of Latino residents in 2000 have not lost these residents, new areas now contain larger concentrations of residents of Hispanic origin, such as east and south Austin, as seen in Exhibit II-12.

[5] The Census considers Hispanic as an ethnic category rather than a racial category. The Some Other Race category includes people who did not indicate a race when completing the Census survey. This category often includes persons of Hispanic descent who do not consider themselves White.

[6] "The Top Ten Big Demographic Trends in Austin, Texas", found on the Austin Demographer's website: http://www.ci.austin.tx.us/demographics/

Exhibit II-12.
Location of Hispanic Residents in Austin, 2000 and 2008



Source: U.S. Census and Claritas, 2008.

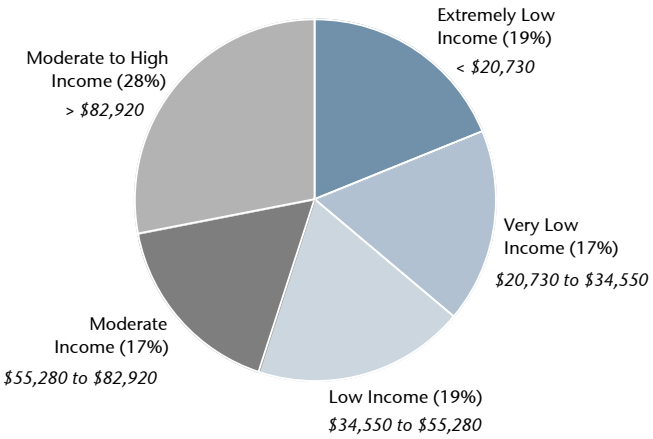
Income

Median Family Income, or MFI, is used by the Department of Housing and Urban Development (HUD) state and local policy makers to qualify households for housing programs. MFI is the same for all communities located within the Austin-Round Rock Metropolitan Statistical Area (MSA). The MFI for the Austin-Round Rock MSA, and subsequently Austin, is $69,100. The following classifications utilize MFI to define income levels: extremely low—less than 30 percent of MFI, very low income—30 to 50 percent of MFI, low —50 to 80 percent of MFI, moderate—80 to 120 percent of MFI, and moderate to high income—greater than 120 percent of MFI.

Low and moderate income breakdown. Austin households are evenly distributed throughout the five income classifications defined by HUD. In 2007, the largest proportion of households—28 percent—was considered "moderate to high income", earning greater than $103,650. Nineteen percent of Austin households were considered extremely low income, earning less than $20,730 per year (30 percent or less of MFI). An additional 36 percent of households were considered either very low or low income.

Exhibit II-13.
Income Distribution by Area Median Income of Households, City of Austin, 2007

Source: HUD and U.S. Census Bureau 2007.



Family and household. The U.S. Census estimates and reports both family median and household median income. Median household income is usually lower than median family income, since household income includes single-person households and unrelated persons living together (e.g., students). That is, the median family income category has a larger proportion of two-earner households, who usually have higher earnings than one-person households.

In 2007, the family median income for the City of Austin was $63,116. This means that in 2007, exactly half of Austin's families earned less than $63,116 and exactly half earned more. The household median income in 2007 was a lower $48,966.

Race/ethnicity and income. Asian households were Austin's highest earners in 2007, with a median household income of $60,797. White households were the next highest earning households with a median household income of $56,277. African American households had the lowest median income of $28,161 in 2007. Earning power also varied greatly by ethnicity; Hispanic households earned 33 percent less than non-Hispanic households.

Exhibit II-14.
Median Income by Race and Ethnicity, City of Austin, 2007

Note:
N/A indicates that there was not enough information available to report median income and preserve confidentiality.

Source:
U.S. Census Bureau 2007.

	Median Household Income
Overall for Austin	**$ 48,966**
Race	
African American	$ 28,161
American Indian and Alaska Native	$ 47,758
Asian	$ 60,797
Native Hawaiian	*N/A*
White	$ 56,277
Some Other Race	$ 36,496
Two or More Races	$ 46,549
Ethnicity	
Not Hispanic	$ 60,285
Hispanic	$ 39,983

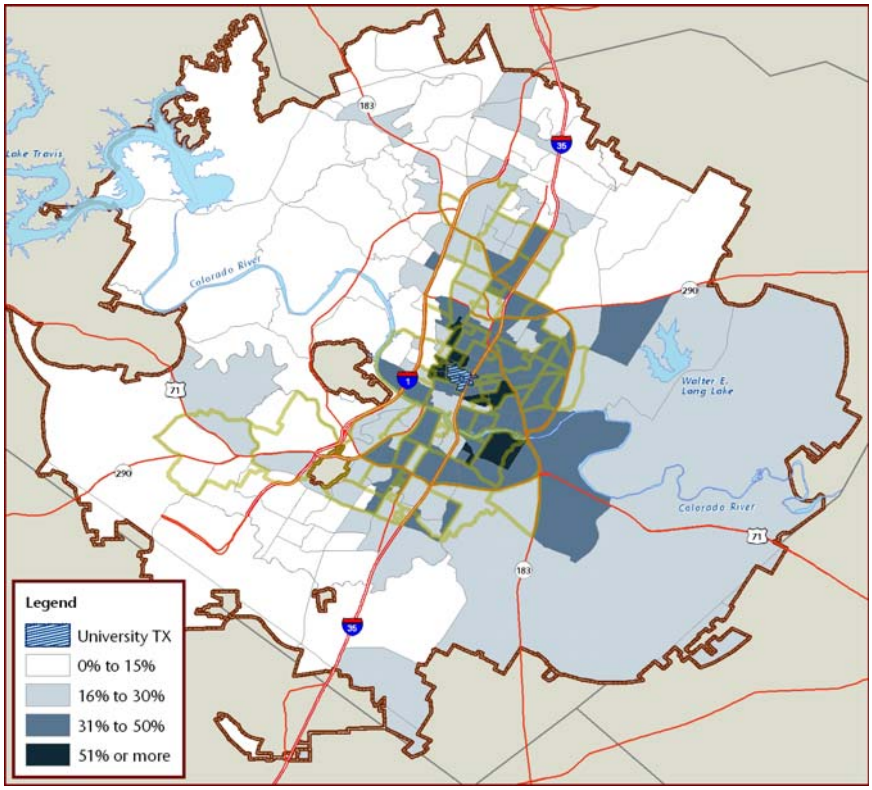
Distribution. Exhibit II-15 displays the geographic distribution of households in Austin earning less than $25,000 in 2000 and in 2008. The map shows the percent of households in each area that earn less than $25,000. Low income households are largely concentrated on the eastern and central portions of the city and around UT, which primarily houses the student population.

Exhibit II-15.
Location of Low Income Households in Austin, 2000 and 2008

Note:

Percentage represents the percent of households earning less than $25,000 of total households within the Census Tract.

Source:
U.S. Census and Claritas, 2008.



Poverty. The poverty threshold is established at the federal level and is updated annually. It is adjusted for household size, but not by geographic area, except for Alaska and Hawaii.[7] In 2007, a family of 3 is considered to be in poverty if the household earns less than $17,170. A family of 4 is considered to be in poverty if the household earns less than $20,650.[8]

In 2007, 18 percent of people in Austin, or about 129,000 people, lived below the poverty threshold. The poverty rate is the highest for 18 to 24 year olds, which includes college-aged residents; more than one in three 18 to 24 year olds were living below the poverty threshold. The second most common age group to be living in poverty are children under the age of 5; nearly 17,000 children, or 28 percent of residents under the age of 5, are living in poverty.

Poverty rates are lowest for the city's residents aged 35 to 64, which includes a number of adults advanced in their careers. Exhibit II-16 shows the percentage of Austin's population living in poverty by age cohort.

Exhibit II-16.
Poverty by Age, City of Austin, 2007

Source:
Census 2000 and American Community Survey, 2007.

	Total Number in Poverty	Percent of Total Poverty	Percent of Age Group
Under 5	16,685	13%	28%
5 to 17	24,360	19%	21%
18 to 24	34,478	27%	35%
25 to 34	24,959	19%	16%
35 to 44	12,401	10%	10%
45 to 64	11,756	9%	8%
65 and older	4,581	4%	10%

Exhibit II-17 shows poverty rates by family type. Female householders with no spouse represent the household type most likely to be living in poverty. Nearly one in three female-headed households are living in poverty. More specifically, 38 percent of female-headed households with children were living in poverty in 2007.

Exhibit II-17.
Poverty by Family Type, City of Austin, 2007

Source:
American Community Survey, 2007.

Family Households	Number	Percent of Families in Poverty	Percent of Family Type
Married Couple	**6,921**	**37.5%**	**6.2%**
With Children	6,187	33.5%	10.8%
Without Children	734	4.0%	1.3%
Male Householder, No Spouse	**2,027**	**11.0%**	**12.7%**
With Children	1,346	7.3%	19.2%
Without Children	681	3.7%	7.6%
Female Householder, No Spouse	**9,520**	**51.5%**	**29.0%**
With Children	7,887	42.7%	37.9%
Without Children	1,633	8.8%	13.6%
Total Families in Poverty	**18,468**		**11.5%**

[7] Therefore, the poverty threshold in Manhattan, New York is the same as in Minot, North Dakota.

[8] 2007 Federal Poverty Guidelines: http://aspe.hhs.gov/POVERTY/07poverty.shtml

Exhibit II-18 examines poverty by race and ethnicity. As shown in the exhibit, most households living below the poverty line in Austin are racially classified as White (47 percent of households earning less than $20,000), which comprise most of Austin's population. African Americans experience a high percentage of poverty within their race; nearly one in three African Americans in Austin are living below the poverty threshold. Individuals of Some Other Race also have a relatively high incidence of poverty; 26 percent of Austin's residents characterized as "Some Other Race" are impoverished.

Exhibit II-18.
Poverty Status for the Population, by Race/Ethnicity, City of Austin, 2007

Note:
The poverty universe is a subset of the total population covered by the ACS. Specifically, the universe excludes unrelated children under 15 years, people living in institutional group quarters, and those living in college dormitories or military barracks. Thus, total race and ethnicity numbers will not equal race and ethnicity statistics provided for the total population.

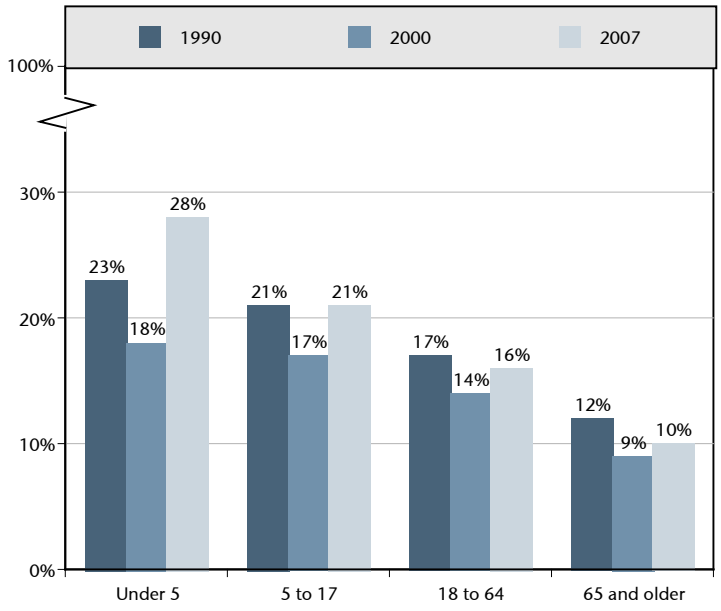
Source:
U.S. Census Bureau 2007.

	Number	Percent of All in Poverty	Percent of Race/ Ethnic Category
Race			
Asian	6,377	5%	15%
Black/African America	19,013	15%	32%
White	60,254	47%	13%
Some Other Race	39,734	31%	26%
Two or More Races	1,854	1%	11%
Total	**127,232**		
Ethnicity			
Hispanic	59,221	58%	23%
Non-Hispanic	42,224	42%	12%
Total	**101,445**		

Poverty among children under the age of 5 has increased in Austin since 1990. In 1990, 23 percent of Austin residents living in poverty were under the age of 5; in 2007, 28 percent of residents living in poverty are less than 5 years old. Exhibit II-19 displays poverty by age.

Exhibit II-19.
Trends in Poverty Rates by Age, City of Austin, 1990, 2000 and 2007

Source:
Census, 2007 and
U.S. Census Bureau, 1990 and 2000.



Educational attainment. According to the Census, 43 percent of Austin's residents have a Bachelor's degree or higher. Austin boasts a population of residents with college degrees or higher similar to cities like Denver (39 percent) and Portland (38 percent). The percentage of Dallas' residents with a college degree or higher trails Austin, as 27 percent of Dallas' residents have obtained a degree from a institution of higher education.

Exhibit II-20.
Educational Attainment for the Population over 25, City of Austin, 2007

Source:
U.S. Census Bureau 2007.

	Number	Percent of Population
Less than 9th grade	46,432	10%
9th to 12th grade, no diploma	36,366	8%
High school graduate (includes equivalency)	80,077	17%
Some college, no degree	85,286	18%
Associate's degree	25,824	5%
Bachelor's degree	123,493	26%
Graduate degree	79,257	17%

Economic Conditions

Current employment. As of September 2008, the city of Austin had 402,638 jobs.[9] This was an increase of approximately 6,600 jobs since 2005.

The Austin-Round Rock MSA and Travis County serve as a geographic proxy for the city of Austin, as detailed employment data is not available at a municipal level.

Per the second quarter of the 2008 (2Q08) Quarterly Census of Employment and Wages (QCEW), Travis County, TX contained 579,540 jobs and 24,629 firms.[10] The average weekly wage for all jobs in Travis County was $928, which equates to an average annual wage of $48,256.[11]

The Austin-Round Rock MSA contained 770,521 jobs and 33,830 firms in the 2Q08 QCEW. The average weekly wage for all jobs in the MSA was $879, or an average annual wage of $45,708.[12] Exhibit II-21 on the following page displays the overall employment distribution for Travis County and the Austin-Round Rock MSA.

[9] Texas Workforce Commission Labor Market Information (LMI) Local Area Unemployment Statistics (LAUS). LAUS data does not contain industry-level data and is mostly intended to estimate unemployment rates.

[10] QCEW estimates and LAUS estimates are not to be compared, as they use very different methodologies. Thus, it is difficult to determine what portion of jobs in Travis County are within the city of Austin by comparing LAUS estimates for Austin and QCEW estimates for Travis County and the Austin-Round Rock MSA.

[11] Assumes a 52 work weeks in a year. As a point of comparison, the average weekly wage for the state of Texas for the 2Q08 was $849, which equates to an annual average wage of $44,148.

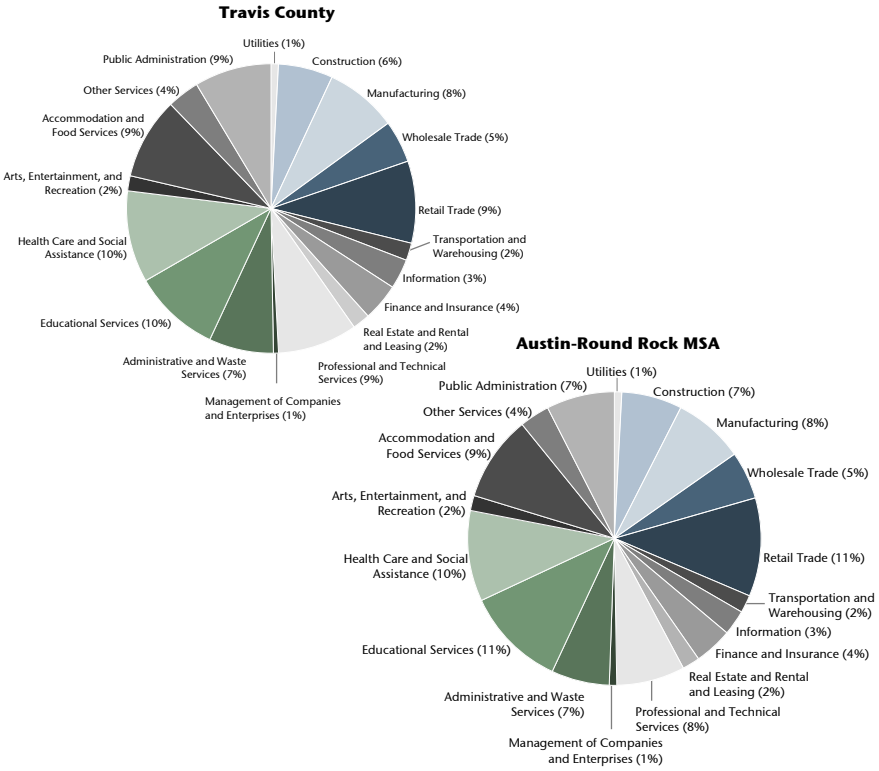
[12] Assumes a 52 week work year.

Exhibit II-21.
Employment Composition, Austin-Round MSA and Travis County, 2008

Note:

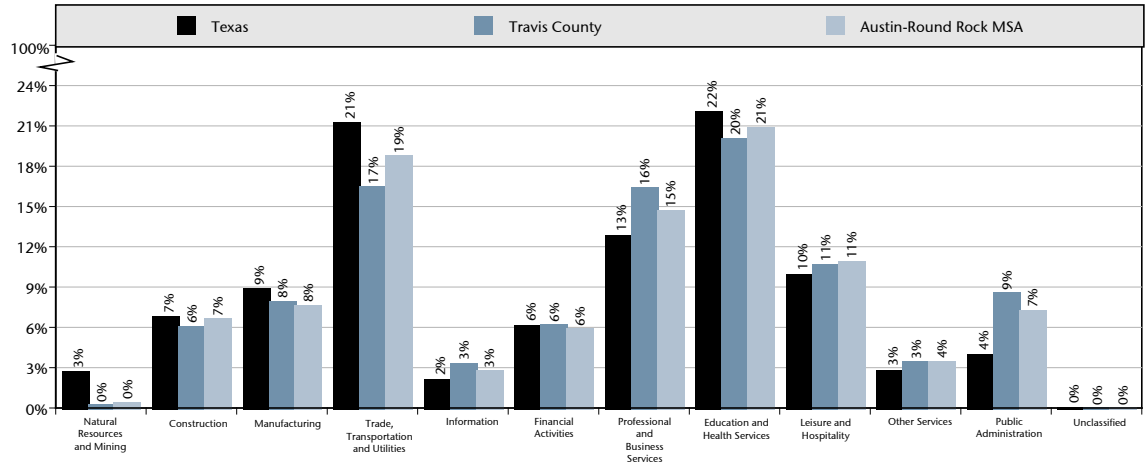
Industries that contain less than .5% of total employment were not included.

Source:
Texas Workforce Commission Quarterly Census of Employment and Wages (QCEW).



Compared with the state of Texas, the Austin region has a larger proportion of public administration jobs, due to Austin's role as the state's capital. The Austin area also has a larger proportion of professional and business service jobs, which includes jobs related to the high-tech industry in Austin. Most jobs related to public administration and professional and business services, which also comprise most of Austin's highest paying jobs, reside in Travis County, indicating that these jobs lie in central Austin, as opposed to one of the fast growing outlying communities.

Exhibit II-22.
Employment Composition, Austin-Round MSA, Travis County and Texas, 2008



Source: Texas Workforce Commission Quarterly Census of Employment and Wages (QCEW).

Exhibit II-23 displays historic employment and wages for the Austin-Round Rock MSA between 2000 and 2008.

Exhibit II-23.
Employment and Average Weekly Wages, Austin-Round MSA, 2000-2008

	Employment									Percent Change
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008
Construction	43,888	45,054	41,023	40,196	40,066	42,597	47,332	51,963	51,636	17.7%
Education and Health Services	125,445	129,381	132,558	135,810	140,148	146,040	149,005	152,272	161,288	28.6%
Financial Activities	36,319	37,263	38,380	39,868	39,013	40,314	42,799	45,112	45,778	26.0%
Information	24,430	23,637	23,907	21,967	21,178	22,271	22,573	23,133	21,691	-11.2%
Leisure and Hospitality	63,330	65,172	65,399	67,061	70,545	74,229	77,071	81,365	84,500	33.4%
Manufacturing	81,897	78,025	63,917	58,450	57,477	57,011	58,762	60,596	59,088	-27.9%
Natural Resources and Mining	2,144	2,330	2,430	2,129	2,236	3,257	3,645	3,739	3,778	76.2%
Other Services	20,865	21,622	21,790	21,713	22,700	24,018	24,979	25,967	27,061	29.7%
Professional and Business Services	92,276	92,185	88,372	86,603	89,938	96,963	101,729	109,550	113,743	23.3%
Public Administration	51,213	52,261	54,156	54,971	51,178	50,421	52,801	54,517	56,471	10.3%
Trade, Transportation and Utilities	120,178	124,184	121,742	118,166	121,022	129,105	132,420	141,649	144,923	20.6%
Unclassified	205	509	563	782	796	1,070	1,096	805	564	175.1%
Total	**662,190**	**671,623**	**654,237**	**647,716**	**656,297**	**687,296**	**714,212**	**750,668**	**770,521**	**16.4%**
	Average Weekly Wages									**Percent Change**
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008
Construction	$672	$688	$707	$719	$723	$768	$814	$844	$855	27.2%
Education and Health Services	$551	$585	$616	$642	$658	$676	$694	$735	$758	37.6%
Financial Activities	$767	$813	$833	$879	$896	$965	$1,023	$1,075	$1,071	39.6%
Information	$1,319	$1,167	$1,136	$1,142	$1,163	$1,147	$1,155	$1,241	$1,271	-3.6%
Leisure and Hospitality	$268	$280	$282	$283	$291	$301	$314	$325	$331	23.5%
Manufacturing	$1,169	$1,209	$1,168	$1,263	$1,269	$1,416	$1,492	$1,470	$1,499	28.2%
Natural Resources and Mining	$683	$763	$748	$883	$890	$1,521	$1,472	$1,752	$1,527	123.6%
Other Services	$497	$529	$538	$557	$570	$595	$624	$632	$656	32.0%
Professional and Business Services	$774	$854	$834	$846	$882	$890	$932	$974	$1,017	31.4%
Public Administration	$712	$733	$799	$814	$823	$866	$911	$940	$979	37.5%
Trade, Transportation and Utilities	$896	$896	$714	$766	$753	$805	$807	$827	$846	-5.6%
Unclassified	$617	$789	$674	$616	$620	$557	$619	$685	$678	9.9%

Source: Texas Workforce Commission Quarterly Census of Employment and Wages (QCEW).

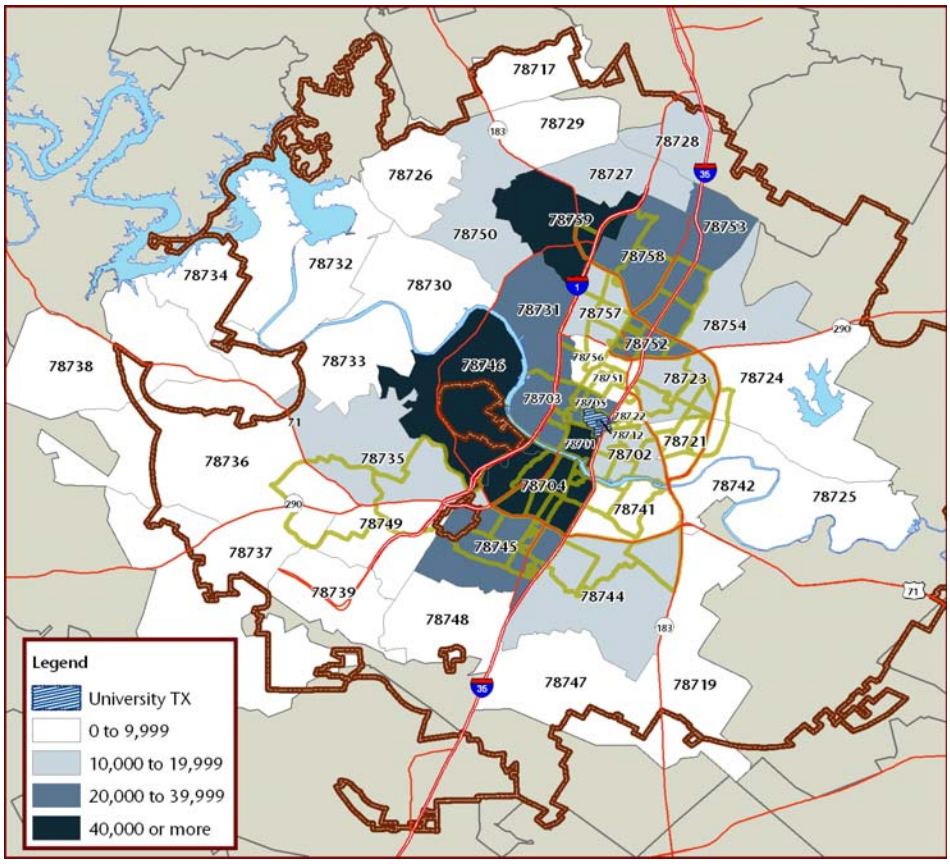
Like many places within the U.S., Austin has lost a large proportion of its jobs in manufacturing since 2000. Some speculate in Austin, and data would also suggest, that Austin is becoming the hub of higher paying research and development jobs related to the high-tech industry. However, manufacturing jobs supporting the high-tech industry are moving elsewhere as companies are restructuring to improve operational efficiency.[13] Jobs related to information have also seen a decline in Austin since 2000, while natural resource jobs (albeit a small number) have increased.

[13] "Austin may have lost thousands of high-tech jobs, but remaining ones pay well" by Kirk Landendorf.

Financial services and professional and businesses service have experienced job growth, despite the recession in the early part of this decade. Additionally, average wages for those industries have increased accordingly with inflation.

Jobs in Austin are primarily located downtown and along Mo-Pac, southwest and north of downtown. Exhibit II-24 displays employment concentration by zip code.

Exhibit II-24.
Employment by Zip Code, 2007



Source: CAPCOG and EMSI

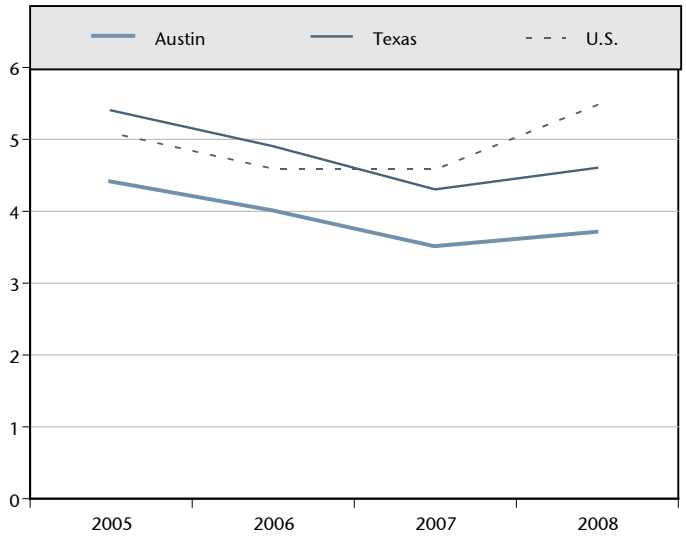
Unemployment. Since the technology-related economic slowdown in the early portion of this decade, Austin's economy has appeared to come "hurtling out of the tech-recession like a runaway freight train".[14]

Since 2005, Austin's unemployment rates have been lower than the state of Texas and the U.S. as a whole. Although Austin is currently dealing with an economic slowdown like the rest of the country, as revealed by increases in unemployment rates, their unemployment rate thus far in 2008 is 1 percent lower than the state of Texas and nearly 2 percentage points lower than the U.S.

Exhibit II-25.
Unemployment Rates, City of Austin, Texas and U.S., 2005–Current

Note:
Unadjusted unemployment rate.
2008 is a straight average of the unemployment rates for January through September.

Source:
Texas Workforce Commission



Occupational Wages

- Roughly 32 percent of jobs are within low-paying industries (less than 80 percent of the average wage). Low-waged industries include the following: agriculture, retail trade, administrative and waste services, arts, entertainment and recreation, food services, and other services.

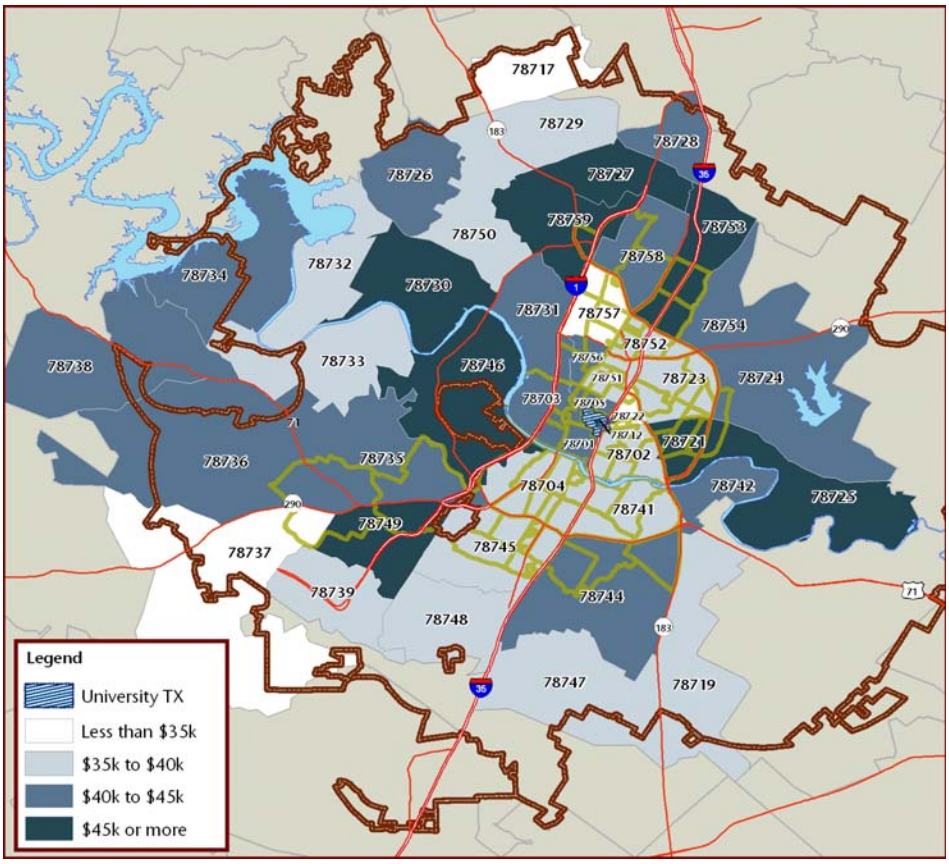
- About 32 percent of jobs are within moderate-paying industries (80 percent to 120 percent of the average wage). Moderate-waged industries include the following: construction, transportation and warehousing, real estate, management of companies, and educational and heath care services.

- About 36 percent of jobs are within high-paying industries (120 percent or more than the average wage). High-waged industries include the following: mining, utilities, manufacturing, wholesale trade, information, finance, professional and technical services and public administration.

[14] "City of Austin Population and Household Forecast by ZIP Code", City of Austin Demographer: http://www.ci.austin.tx.us/demographics/

Exhibit II-26 displays the median annual average salary by zip code. Higher wages geographically align with employment concentrations in Austin, as Austin's high paying industries and occupations, such as professional and financial service industries, are concentrated downtown and along Mo-Pac.

Exhibit II-26.
Median Annual Wage by Zip Code, 2007



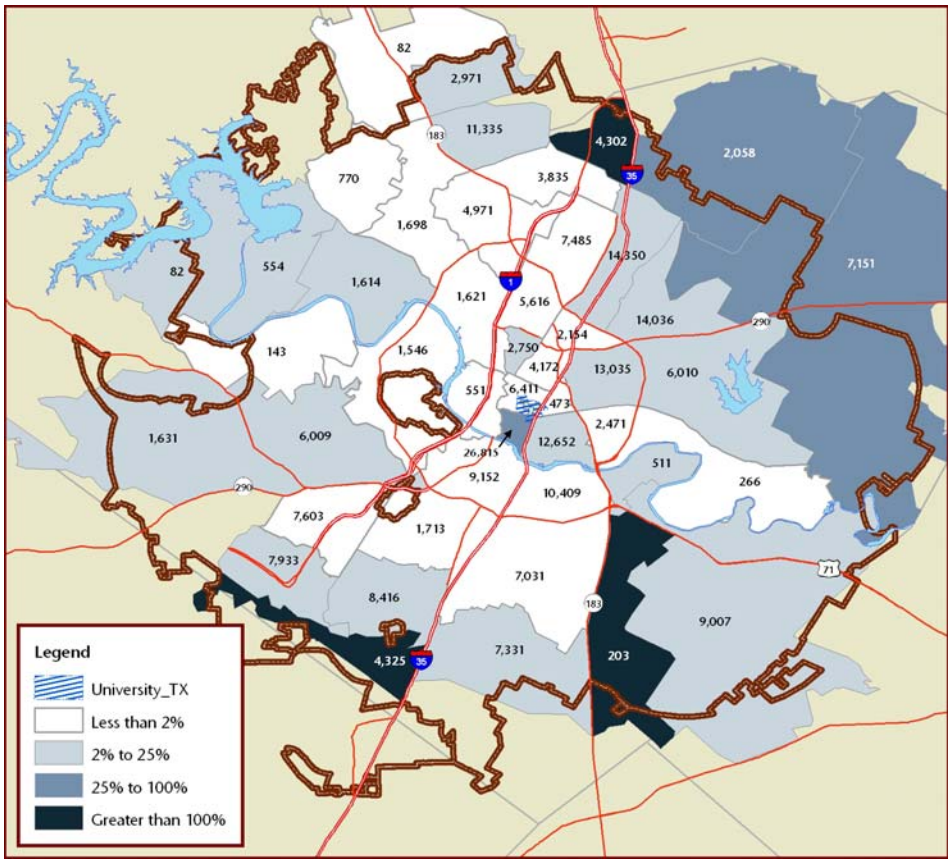
Source: CAPCOG and EMSI

Future Population and Employment Growth

Growth will continue in many parts of the city between now and 2020. Overall, the city is projected to end the decade with a final annualized growth of 2.9 percent per year, below the historical average of a little less than 4 percent, but strong nonetheless. Central neighborhoods are expected to continue to grow, most similar to the rates experienced during this decade. The downtown core and its neighboring central east Austin neighborhoods will continue their densification process in 2020, growing more quickly than other neighborhoods close to downtown.

Another likely growth phenomenon is captured in Exhibit II-27. The peripheral portions of Austin, where little to no population currently exists, will begin adding substantial population. For example, the zip code containing Robinson Ranch in southern Williamson County is expected to add substantial residential and commercial development in the next few years, changing a relatively rural area into a relatively dense urban neighborhood approximately 15 miles from downtown.[15]

Exhibit II-27.
Average Annual Growth Rate (Labeling the Difference Between), by Zip Code, 2005-2020



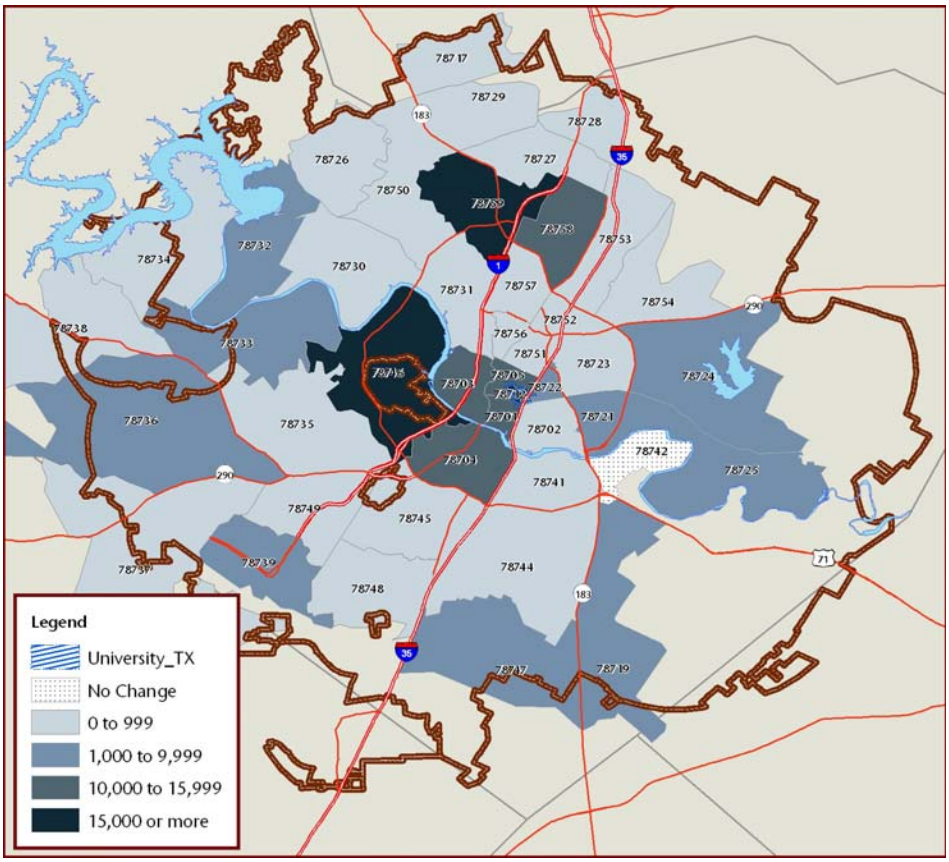
Note: Zip Codes are labeled with expected population growth between 2005 and 2020
Source: City of Austin Demographer Ryan Robinson and BBC Research & Consulting

[15] "City of Austin Population and Household Forecasts by Zip Code", City of Austin Demographer: http://www.ci.austin.tx.us/demographics/

Employment opportunities will continue being adding to portions of the city where employment density already exists, such as downtown, north Austin, along the Mo-Pac and 183 corridors. Austin's high-paying professional and business service jobs currently reside within these corridors. As those industries thrive, other firms will most likely locate within close proximity to capitalize on contracting opportunities.

Job growth in the exterior portions of the city will be associated with population growth, as retail and service opportunities follow residential development.

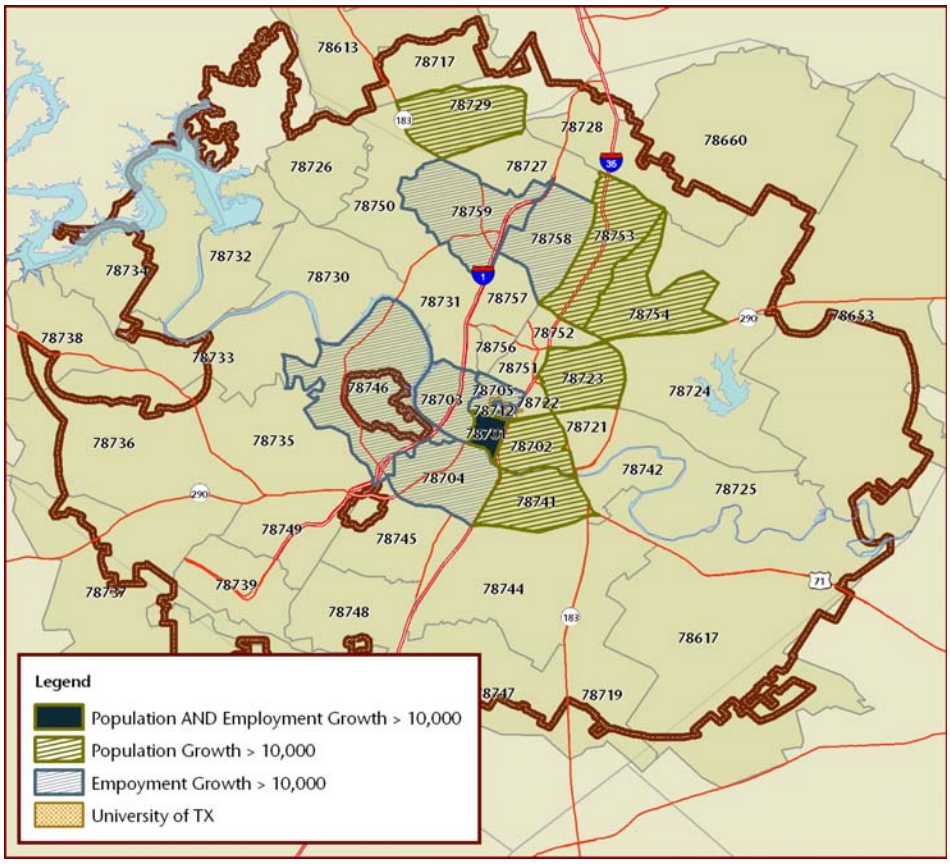
Exhibit II-28.
Employment Growth by Zip Code, 2005-2018



Source: CAPCOG, EMSI, and BBC Research & Consulting.

An intersection of future population and employment growth displays that areas of future population and employment growth occur in different parts of the city. In addition, employment growth is projected to occur in some of the least affordable parts of the city. To avoid increased traffic congestion from workers driving across town to get to their places of work, it will be important for the city to focus on incorporating workforce housing into areas of high employment growth, as well as create more dense development in the city core.

Exhibit II-29.
Future Population and Employment Growth by Zip Code, 2005-2018



Source: City of Austin Demographer Ryan Robinson, CAPCOG, EMSI, and BBC Research & Consulting

SECTION III.
Citizen Surveys

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Citizen Surveys

As part of the Austin Comprehensive Housing Study BBC, with the assistance of Davis Research, conducted two citizen survey efforts to understand more about the housing needs of Austinites:

- **Telephone survey.** Between mid-November and early December, Davis Research interviewed 484 residents in Austin. The interviews were conducted to obtain two samples of Austin residents: 1) Those earning less than $55,000 per year; and 2) All Austin residents. About 7 percent of the surveys were completed in Spanish; the rest were completed in English.

- **Online survey.** Between mid-November and mid-December, an online survey was available on the City of Austin's Neighborhood Housing & Community Development website, which linked to a separate URL (www.cityofaustin.org/housing) that contained the survey. Respondents were able to complete and submit the 10 minute survey completely online. The survey was restricted to residents living within city boundaries and making less than $100,000 per year. 318 people completed the survey; 177 attempted to take the survey but were not allowed to because they made more than $100,000 (104 attempts) or lived outside of Austin (73 attempts). All of the surveys were completed in English.

Compared to demographics for the city overall, the telephone survey captured more seniors and fewer younger households. The online survey captured more households between the ages of 25 and 44 and fewer seniors than live in the city overall.

Except for the low income subsample, both surveys captured more homeowners than renters. Sixty-six percent of the telephone survey respondents were owners. Fifty-nine percent of the online respondents were owners. This compares to a homeownership rate of 46 percent in the city. As such, the survey data were weighted to more accurately reflect tenure in the city.

Summary Findings

This section contains the results of a comprehensive survey effort of Austin residents, conducted through three different surveys. The results of the surveys are compared throughout this section. When comparing the data, the reader should keep in mind that the characteristics of the survey samples differ:

- The full sample of the telephone survey is representative of lower-income individuals, seniors, persons with disabilities and families with children.
- The low income sample of the survey has a more pronounced representation of lower-income seniors and persons with disabilities.
- The online survey has stronger representation of young adults and students, mostly without children.

The surveys found that residents of Austin are quite satisfied with their current housing situation. Those who report problems are mostly renters living in housing in poor condition and/or in neighborhoods they feel are unsafe.

Many owners and renters report that they need to make repairs to their homes or apartments; these repairs mostly involve windows/doors, painting, plumbing and roofing. Many renters needing improvements say that the repairs needed are so significant that they affect their health and safety.

The majority of Austin's renters would prefer to buy a home (less so for lower income renters) but cannot because they do not have enough money for a downpayment or cannot afford the monthly mortgage payments.

Most residents in Austin feel they can manage their current housing costs and few owners are worried about their homes going into foreclosure. Most of the survey respondents purchased their homes when housing costs were much lower than they are now.

A little less than half of the residents who responded to the survey said they were living in their neighborhood of choice. For those who weren't, about one-third to 40 percent would be willing to make the trade-off of living in attached housing to live in their neighborhood of choice, therefore showing somewhat of a preference for traditional detached single family homes.

When asked what services are needed in their communities, residents agreed that employment services and afterschool activities for youth were most needed. The types of housing that are perceived to be needed the most are attached housing units, accessible for seniors and people with disabilities and single family homes.

About 1.5 in 10 people in Austin say they have been discriminated against when trying to find housing, mostly because of their race. Most did nothing about the discrimination. About one-fourth said they or someone in their household had been homeless or near homeless at some point in their lives.

Section organization. This section is organized in the following way:

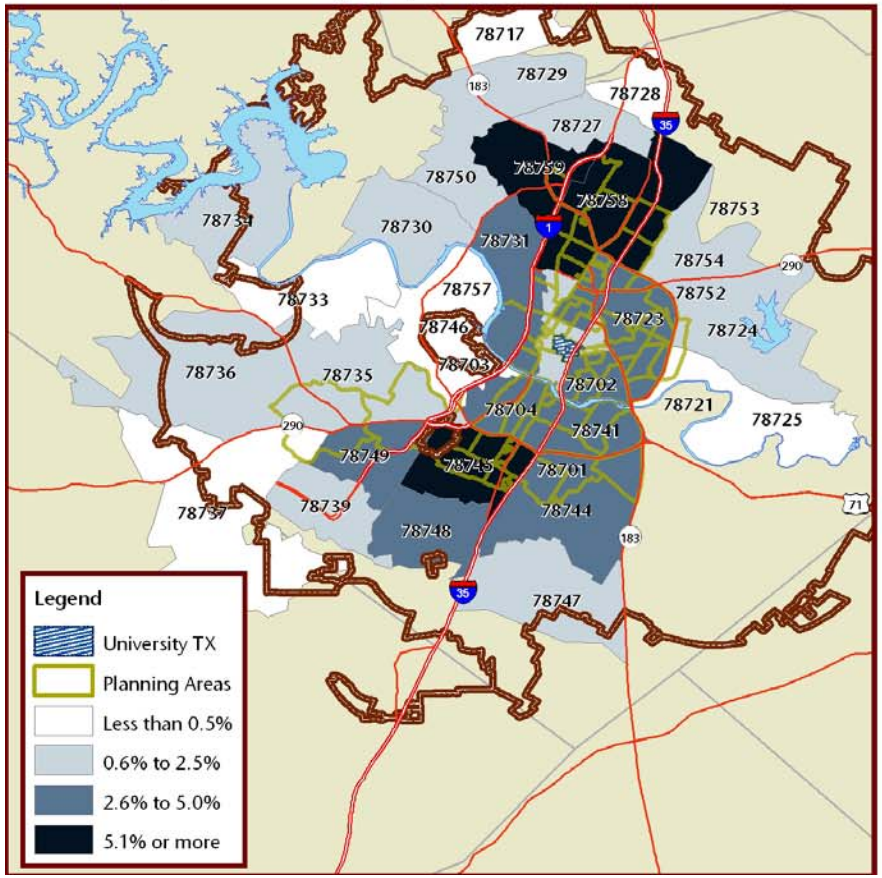
- Demographics are first presented by survey type (telephone and online);
- Differences in the demographics between all telephone respondents and the low income respondents are discussed; and
- The responses to the survey are compared among the different types of respondents (all respondents from the telephone survey, low income respondents from the telephone survey only, online respondents).

Survey Respondent Demographics

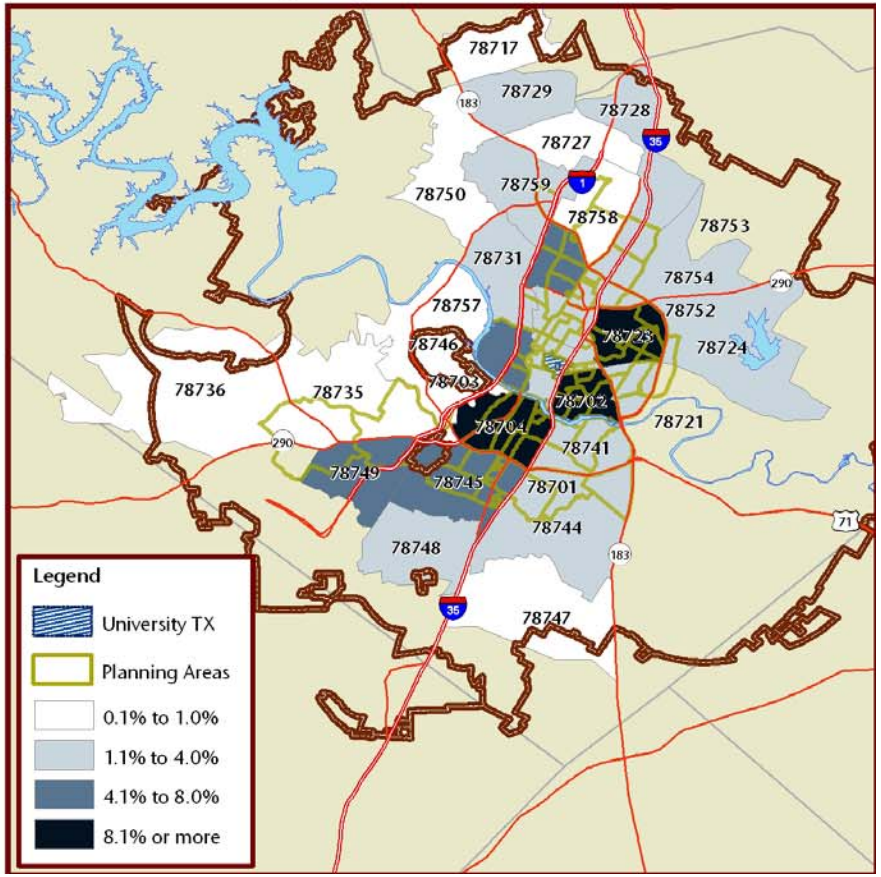
Exhibit III-1 on the following page shows the distribution of survey respondents by zip code. For the telephone survey, the highest representation was Zip Code 78745, where 8 percent of the respondents lived, followed by 78758 with 7 percent. For all other zip codes shaded, the percentage of respondents ranged from less than 1 to 6 percent, with an average representation by Zip Code of 3 percent. The online survey was slightly more concentrated, with 13 percent of respondents from zip code 78702 and 12 percent from 78704. Another 10 percent was from 78723.

Exhibit III-1.

Where Telephone Survey Respondents Live



Where Online Survey Respondents Live



Source: Austin Resident Surveys, 2008.

Household characteristics. Fifty-five percent of the telephone respondents lived in households with two adults. Another 32 percent (38 percent online) lived in households with one adult.

The majority of households—66 percent of telephone and 77 percent of online—did not have children currently living in the home. In the telephone survey, 14 percent had one child; 11 percent had two children. Altogether, 34 percent of the households interviewed in the telephone survey and 13 percent of the online survey had children in the home. This compares to 27 percent of households that had children in 2007according to the U.S. Census.

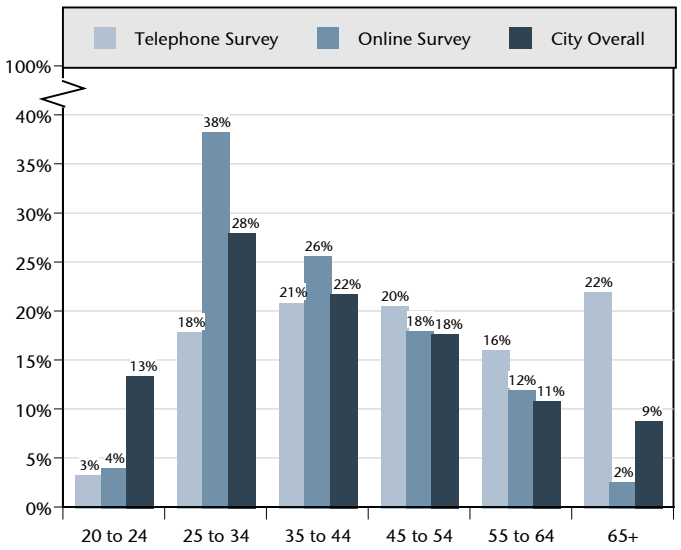
About 6 percent of the participants in the telephone survey were enrolled in a college or graduate program at the time of the survey. Of these students, 40 percent were enrolled part time and 60 percent were enrolled full time. Eighteen percent of the online survey respondents were students, 77 percent of whom were full time students.

Disability status. Twenty-three percent of the telephone survey respondents reported having someone in their household with a disability. Twelve percent of the online respondents were disabled. Overall, about 10 percent of Austin's population is reported to have a disability, according to the U.S. Census. Therefore, the telephone survey over represents persons with disabilities.

Age. Exhibit III-2 shows the age distribution of the survey respondents, compared to 2007 estimates of age from the Census. As shown below, the telephone survey is more representative of seniors and less representative of young adults. In contrast, the online survey is more representative of young adults and less representative of seniors.

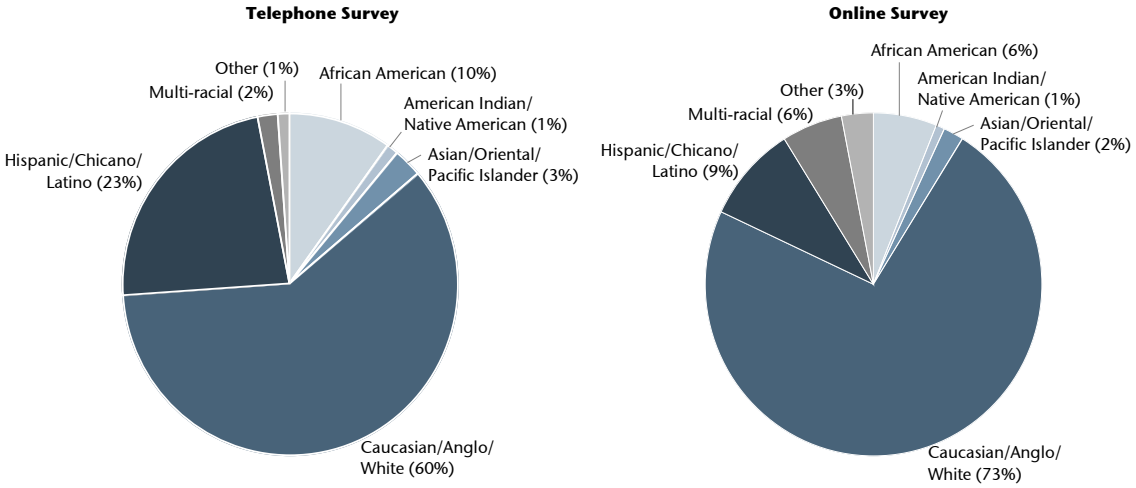
Exhibit III-2.
Age Distribution of Survey Respondents v. Austin Overall

Source:
Austin Resident Surveys, 2008.



Race and ethnicity. Exhibit III-3 shows the racial and ethnic breakdown of the survey respondents. The survey data were collected differently from the Census, which considers Hispanic as a separate category from race. In 2007, the Census estimated that 60 percent of residents were White, similar to the telephone survey data. The online survey was more representative of White respondents and less representative of non-White respondents.

Exhibit III-3.
Ethnicity/Racial Group of Survey Respondents

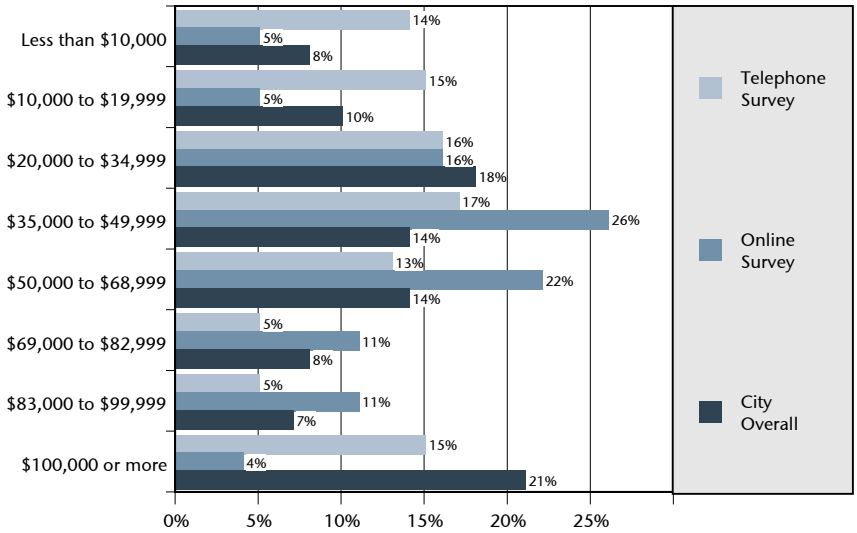


Source: Austin Resident Surveys, 2008.

Income. About 60 percent of the telephone survey respondents and 52 percent of the online respondents made less than $50,000 per year. This compares with 51 percent in the city overall. Twenty-eight percent of telephone respondents and 10 percent of online respondents made less than $20,000 per year, compared with 18 percent in the city overall. The telephone survey is therefore more representative of low to moderate income residents in the city.

Exhibit III-4.
Income Distribution of Survey Respondents

Source:
Austin Resident Surveys, 2008.



Employment and commute. Exhibit III-5 shows the employment status of the survey respondents. For the telephone respondents, the most common employment arrangement was to have one full time worker, followed by no workers (e.g., a retired household) and then two full time workers. For the online respondents, most had one full time worker, then two full time workers, and fewer non-workers (e.g., retirees).

Exhibit III-5.
Employment Status of Survey Respondents

Source:
Austin Resident Surveys, 2008.

	1 full-time, 0 part-time	No workers	2 full-time	1 full-time, 1 part-time
Telephone Survey	30%	25%	21%	10%
Online Survey	36%	9%	25%	15%

	Other Arrangements	1 part-time, 0 full-time	2 part-time	Total
Telephone Survey	7%	7%	0%	**100%**
Online Survey	6%	5%	3%	**100%**

We asked survey respondents to tell us their occupation and the occupations of the other working members of the household. Exhibit III-6 shows the classification of the occupations of workers represented by the telephone survey[1]. The telephone survey had a balanced distribution of workers in higher paying industries (e.g., professional services and information technology) and lower paying industries (services, administration, food and beverage).

Exhibit III-6.
Job Types of Telephone Survey Respondents and Other Workers in Household

Source:
Austin Telephone Survey, 2008.

	Telephone Survey		Telephone Survey
Administrative	11%	Manufacturing	1%
Construction	8%	Professional services	12%
Education	13%	Retail/Services	11%
Food/beverage/grocery	11%	Student	2%
Government	5%	Technician	5%
Health care	10%	Transportation	1%
Information technology	5%		

Although not statistically significant, we examined the tenure of workers by occupation to get a sense of who rents and who owns. Occupations with workers who were mostly owners included Education (largely represented by professors), Health Care (many nurses), Management, Professional Services, and, to a lesser extent, Information Technology and Manufacturing.

Occupations with high proportions of renters included those in Construction, Retail/services Food/beverage/grocery and Transportation.

[1] The online survey had less representation of workers in lower paying industries such as retail and food and beverage, in addition to workers in manufacturing and transportation, and more representation of workers in the nonprofit and government industries.

Exhibit III-7 shows the commute time of the survey respondents. The vast majority commuted less than 30 minutes each way to and from work.

Exhibit III-7. Commute Times of Survey Respondents and Other Workers in Household

Source:
Austin Resident Surveys, 2008.

	Telephone Survey		Online survey
	Commute Time of First Worker	Commute Time of Second Worker	Commute Time of All Workers
Less than 10 minutes	19%	16%	20%
10 to 20 minutes	36%	42%	38%
21 to 30 minutes	24%	22%	21%
31 to 45 minutes	9%	14%	12%
46 minutes to 1 hour	5%	3%	5%
More than 1 hour	4%	2%	1%
Work from home	2%	2%	3%
30 minutes and less	**80%**	**80%**	**82%**
More than 30 minutes	**20%**	**20%**	**18%**

In 2000, about 73 percent of households reported a commute time of less than 30 minutes according to the Census, suggesting that commute distances have not changed much during the current decade.

Telephone Survey Demographics—Low Income Respondents

This section highlights where the answers for low income respondents differed from the data presented above.

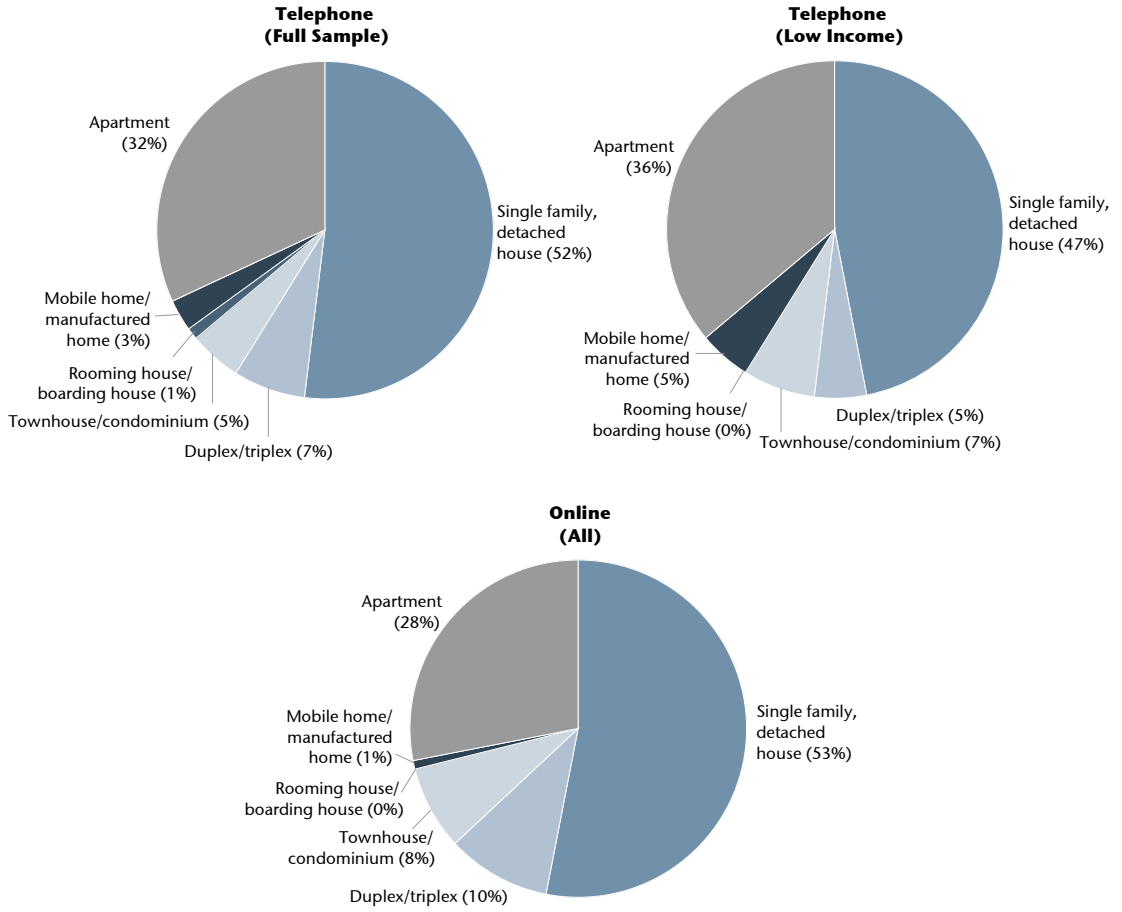
- **Age.** The respondents in the low income sample were slightly more likely to be older, with 28 percent age 65 and older (compared to 22 percent in the overall sample).
- **Employment.** The low income sample had a slightly higher proportion of households with no working adults; hence, the sample contains more retired seniors. The low income sample was also more likely to represent persons who are disabled (30 percent in the low income sample compared to 23 percent for the sample overall)—this could also explain the difference in employment.
- **Discrimination.** The prevalence of discrimination and reasons for discrimination were similar to the full sample. Low income respondents were much more likely to say they would consult an attorney/legal aid and local government source if they felt they had been discriminated against and somewhat less likely to consult the Internet.
- **Homelessness.** The low income respondents were more likely to have someone—mostly a family member—living with them because they had nowhere else to go. They had about the same prior incidence of homelessness as the full sample. Low income respondents were also more likely to say they were students when they did not have housing, and that lack of affordable housing was the primary reason they were homeless.

Housing Situation and Needs—All Surveys

This section discusses what the survey respondents—both telephone and online respondents—told us about their current housing situation and needs. Their responses are compared and contrasted throughout this section.

Housing type. Most of the respondents lived in single family homes (about 50 percent), followed by apartments (about one-third); this was true for both the full and low income telephone survey samples. Seven to 10 percent lived in duplexes/triplexes; 5 to 8 percent in townhomes or condominiums. Few lived in mobile homes. The types of homes occupied by the survey respondents are very similar to the distribution of housing stock in the city overall.

Exhibit III-8.
Housing Types of Survey Respondents



Source: Austin Resident Surveys, 2008.

Most renters had a yearlong lease (46 percent for telephone, 59 percent for online), followed by a month-to-month lease (23 percent and 16 percent). The majority had rented for more than one year (both about 60 percent).

Moving history. Exhibit III-9 shows when the survey respondents last moved. The majority moved since 2000. The low income respondents from the telephone survey—also more likely to be seniors and disabled—have been in their homes the longest. The online survey respondents moved most recently.

Exhibit III-9.
When Respondents Last Moved

Source:
Austin Resident Surveys, 2008

	Telephone Survey		Online Survey
	Full Sample	*Low Income*	
Before 1960	2%	1%	0%
1960-1979	8%	15%	2%
1980-1999	23%	25%	15%
2000+	67%	59%	82%
Moved within Austin	**66%**	**70%**	**75%**
Moved from another city	**34%**	**30%**	**25%**

Most of the respondents who had moved to Austin from another city lived outside of Texas before moving (about 10 percent lived in the State of Texas). It was more common for respondents who moved from within Texas to be from outside of the Austin area. In other words, most respondents did *not* move from outside of city boundaries into the city.

Respondents were asked why they moved. The most common answer was "bought a house" or "wanted a bigger house" (often because of a growing family), followed by moving for jobs, education and personal reasons (e.g., family member was ill and needed help). Renters commonly moved to find cheaper rental units and/or better neighborhood conditions.

Housing needs. Renters and owners were asked separate questions about the condition of their housing, their risk of foreclosure (owners only) and barriers to homeownership (renters only).

Housing satisfaction. Ninety-percent of the telephone respondents (88 percent for the low income and online samples) said they were satisfied or very satisfied with their housing situation in Austin. Of those who didn't, most were renters; just a handful of owners were dissatisfied.

The main reasons for dissatisfaction of all respondents are shown in Exhibit III-10.

Exhibit III-10.
Reasons for Dissatisfaction with Housing Situation

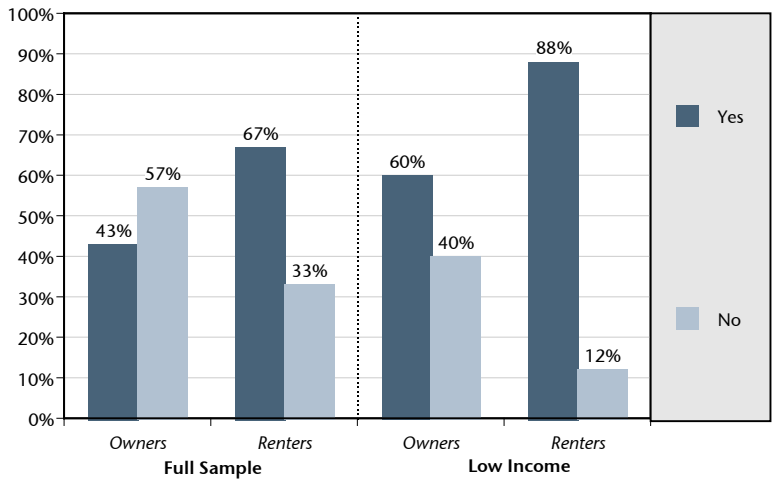
Source:
Austin Resident Surveys, 2008.

Owners	Renters
■ Don't like neighbors ■ House is poorly built ■ Lack of accessibility	■ Neighborhood condition is poor/unsafe ■ Rent is too high ■ Landlord won't make repairs ■ Lack of accessibility

Repair needs. The slight majority of owners said that their home does not need any repairs in the full telephone survey and online samples; this was reversed in the low income sample. The majority of renters (two-thirds) said they needed to have repairs made. Most renters (70 to 85 percent) said their landlords make improvements when they are needed.

Exhibit III-11.
Do You Need Repairs Made to Your House/Apartment?

Source:
Austin Telephone Survey, 2008.



Of those owners who did say they needed repairs, most were painting and windows/doors, followed by roofing and flooring as shown in Exhibit III-12.

Renters needed similar or more serious repairs, such as plumbing. Low income renters also noted a greater need for accessibility improvements.

Exhibit III-12.
What Repairs/ Improvements Do You Most Need to Make?

	Telephone Survey				Online Survey	
	Full Sample		*Low Income*			
	Owners	*Renters*	*Owners*	*Renters*	*Owners*	*Renters*
Accessibility modifications	1%	10%	2%	N/A	1%	0%
Air conditioning	3%	10%	2%	N/A	5%	6%
Appliances	1%	10%	2%	N/A	3%	10%
Bathroom	2%		2%	N/A	0%	0%
Electric	6%	10%	7%	N/A	7%	11%
Energy efficiency	1%		2%	N/A	11%	0%
Flooring	11%	6%	7%	N/A	8%	11%
Foundation	9%		11%	N/A	0%	3%
Insulation	5%	3%	0%	N/A	8%	5%
Painting	19%	7%	23%	N/A	11%	16%
Plumbing	9%	28%	9%	N/A	12%	9%
Roofing	11%	3%	9%	N/A	11%	5%
Siding	9%		7%	N/A	5%	4%
Water conservation	0%	0%	0%	N/A	2%	0%
Windows/doors	13%	13%	16%	N/A	15%	18%

Note: The low income renters did not provide enough information on needed improvements for the data to be presented.
Source: Austin Resident Surveys, 2008.

When asked why they haven't made the repairs, most owners said it was because they couldn't afford them (60 percent).

Of the respondents who needed to make repairs, the minority of owners but the majority of renters in the telephone samples said they were so serious that they affect the respondents' health and safety, as shown in Exhibit III-13.

Exhibit III-13.
Are the repairs so serious they impact your health and safety?

Source:
Austin Resident Surveys, 2008.

	Telephone Survey				Online Survey	
	Full Sample		Low Income			
	Owners	Renters	Owners	Renters	Owners	Renters
Yes	13%	58%	20%	57%	16%	39%
No	88%	42%	80%	43%	84%	61%

The online respondents were asked to rank the condition of interior and exterior features of their homes. Exhibit III-14 shows the results of these rankings. The rankings show that owners have the greatest needs for repairs to windows/doors, electrical, garages, exterior and roofs, and renters, windows/doors, air conditioning, plumbing, refrigerators and garages.

Exhibit III-14.
Ranking of Interior and Exterior Condition

	Owners				Renters			
	Like New	Good	Poor	Very Poor	Like New	Good	Poor	Very Poor
Electrical system	17%	63%	18%	2%	1%	73%	15%	5%
Windows/doors	19%	47%	26%	8%	3%	59%	30%	2%
Roof	33%	47%	16%	4%	1%	64%	11%	1%
Air conditioning	30%	54%	11%	5%	2%	65%	19%	2%
Heating system	31%	55%	10%	4%	6%	70%	11%	3%
Refrigerator	43%	46%	10%	2%	1%	61%	17%	5%
Oven/stove	43%	45%	10%	2%	11%	62%	15%	3%
Microwave	42%	53%	5%	1%	9%	66%	6%	3%
Toilet	31%	56%	12%	1%	5%	71%	15%	2%
Plumbing	16%	64%	16%	3%	19%	68%	18%	8%
Garage	21%	60%	11%	8%	9%	65%	17%	5%
Exterior structure	18%	57%	18%	6%	11%	74%	15%	5%

Source: Austin Online Survey, 2008.

Housing cost. Survey respondents were asked a question to determine how much of a burden their housing costs are. Exhibit III-15 shows that most respondents feel that they can manage their payments.

Exhibit III-15.
Burden of Housing Cost

	Telephone Survey		Online Survey
	Full Sample	*Low Income*	
My rent/mortgage payment does not put a strain on my overall monthly expenditures.	34%	27%	20%
■ My rent/mortgage payment is a big expense for me; however, I'm still able to make it from month to month without too many sacrifices.	35%	27%	49%
■ My rent/mortgage payment is a significant part of my monthly expenses and I currently have to sacrifice many things in my life and/or go into some debt in order to get by.	12%	16%	21%
■ My rent/mortgage payment is a significant part of my monthly expenses and I will likely need to move in the near future because I can no longer afford my payments.	5%	7%	4%
■ I do not have a mortgage.	15%	22%	5%
Percent Cost Burdened	**17%**	**23%**	**25%**

Source: Austin Resident Surveys, 2008.

Few homeowners were worried about their home going into foreclosure—just 2 percent for the telephone survey and 7 percent for the online survey.

The majority of renters pay between $775 and $1,725 in rent and utilities per month. The distribution of rental costs is shown in Exhibit III-16. The renters captured in the survey pay slightly more for rent per month than what we have estimated is available in the rental market. (The distribution for low income renters was slightly more affordable, with more rents in the $550 to $775 range).

Exhibit III-16.
Average Monthly Rent and Utilities

Source:
Austin Resident Surveys, 2008.

Rent Range	Telephone Survey	Online Survey
Less than $300	8%	11%
$301 to $550	8%	7%
$551 to $775	15%	15%
$776 to $1,150	44%	47%
$1,151 to $1,725	20%	17%
$1,726 or more	5%	3%
Total	**100%**	**100%**

Most homeowners reported that their homes were valued between $100,000 and $200,000 (40 to 50 percent), as shown in Exhibit III-17. This is a more affordable distribution than that of the homes for sale in 2008.

The exhibit also shows what the homeowners paid for their homes when they purchased them. As shown in the exhibit, the vast majority paid less than $200,000, with one-third to one-half paying less than $100,000 (depending upon when they purchased the home).

Exhibit III-17.
Estimated Market Values of Homes

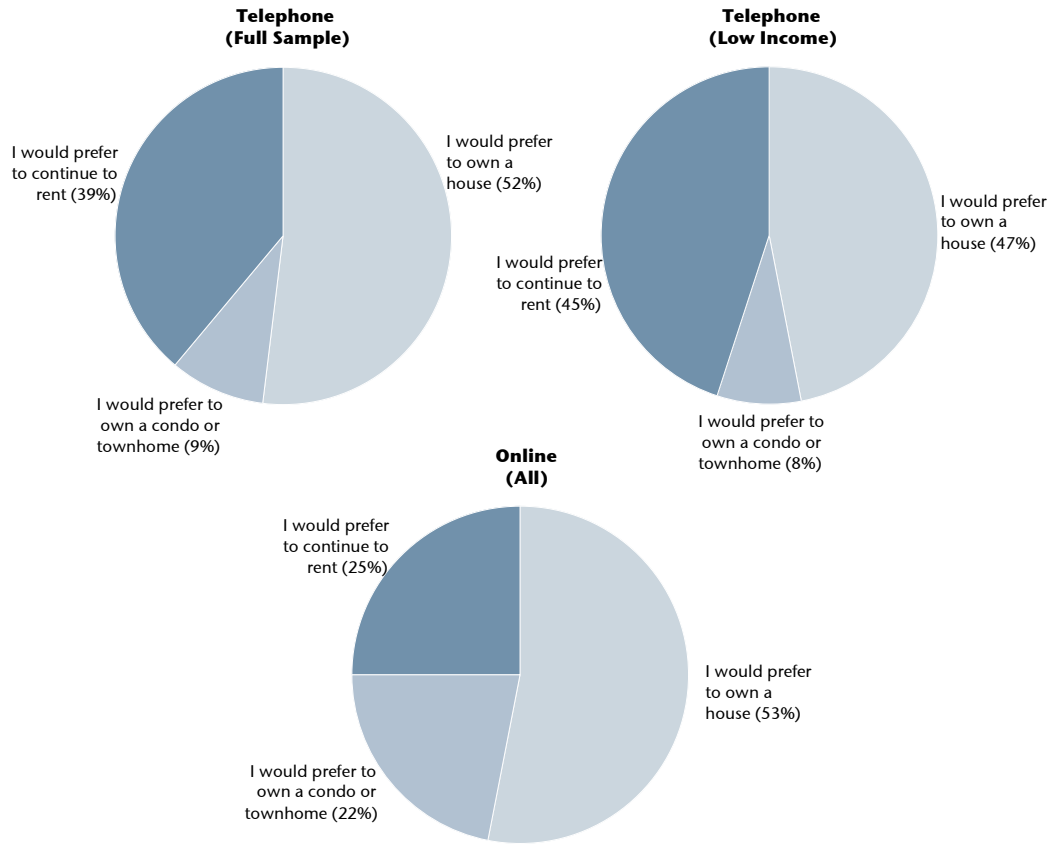
	Telephone Survey			Online Survey			v. For Sale Distribution 2008
	Home Value Today	*What Paid For Home*	*Difference*	*Home Value Today*	*What Paid For Home*	*Difference*	
Less than $100,000	13%	51%	-38%	3%	34%	-31%	2%
$101,000 to $200,000	40%	29%	11%	52%	46%	5%	31%
$201,000 to $250,000	12%	7%	5%	18%	10%	9%	15%
$251,000 to $300,000	11%	4%	7%	15%	7%	9%	12%
$301,000 to $400,000	10%	6%	5%	10%	2%	8%	16%
$401,000 to $500,000	9%	2%	7%	0%	0%	0%	9%
$501,000 or more	5%	2%	3%	1%	1%	0%	16%

Source: Austin Resident Surveys, 2008.

Preferences. Despite renters' needs for improvements, a large percentage of renters would prefer to continue to rent. Thirty-nine percent of the telephone respondents overall, 25 percent of the online respondents and 45 percent of the low income respondents, said they would prefer to rent rather than buy a house, condo or townhome, as shown in Exhibit III-18.

The exhibit also demonstrates that attached housing is much more appealing to the younger online survey respondents.

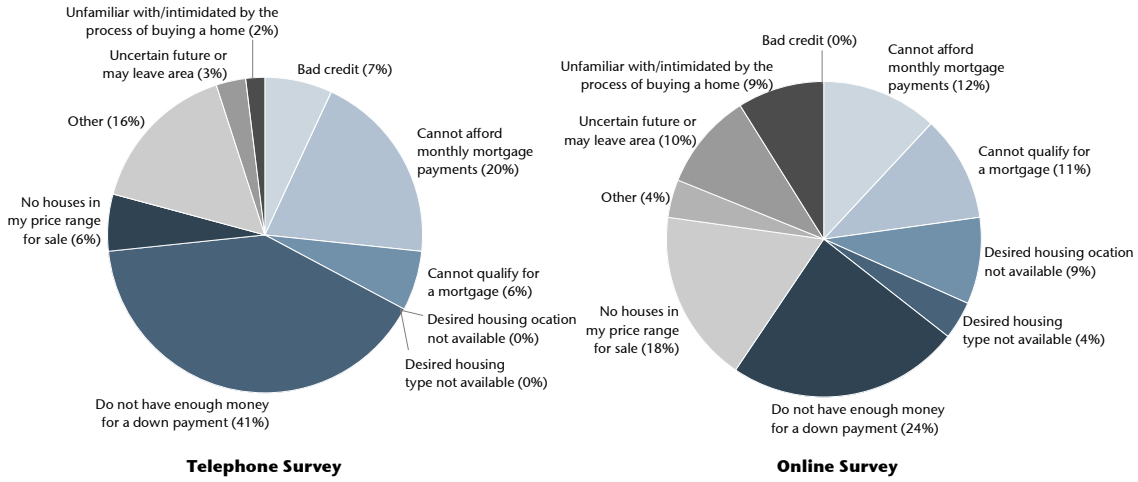
Exhibit III-18.
Would you prefer to continue renting or to own a house, condo or townhome?



Source: Austin Resident Surveys, 2008.

Renters were asked what their primary barriers to buying were. The most common responses were "do not have enough for a downpayment", "cannot afford monthly mortgage payments" and "no houses in my price range for sale" as shown in Exhibit III-19.

Exhibit III-19.
Renters' Barriers to Homeownership



Source: Austin Resident Surveys, 2008.

Respondents were also asked a series of questions about their preferences for neighborhood services, housing types and social services. This section reports their answers to these questions.

If you could add one more of the following services to your neighborhood, which would you choose? As shown below, low income residents were, not surprisingly, most likely to choose "services for low income residents" and "health care services." The online survey respondents were much more likely to show preferences for local businesses and grocery stores.

Exhibit III-20.
If you could add one more of the following services to your neighborhood, which would you choose?

Source:
Austin Resident Surveys, 2008.

	Telephone Survey		Online Survey
	Full Sample	*Low Income*	
Childcare providers	6%	7%	4%
Grocery stores	11%	10%	23%
Healthcare services	14%	20%	6%
Local businesses	11%	10%	29%
None of these	10%	10%	0%
Parks/recreation opportunities	28%	17%	24%
Social services for low-income residents	20%	25%	13%

Which housing types are most needed in your community? Online respondents were most favorable to attached housing. Low income respondents ranked the needs of formerly homeless persons higher.

Exhibit III-21. Which housing types are most needed in your community?

Source: Austin Resident Surveys, 2008.

	Telephone Survey		Online Survey
	Full Sample	*Low Income*	
Accessible housing for disabled/elderly	18%	13%	16%
Apartments	6%	7%	8%
Assisted living for seniors	14%	13%	12%
Attached housing units (condos, townhomes)	17%	21%	31%
Homeless shelters	7%	9%	4%
Housing for people with HIV/AIDS	5%	4%	2%
Housing for previously homeless people	12%	20%	10%
None of these	7%	0%	0%
Single family detached homes	14%	13%	17%

Which social services are most needed in your community? The top needs were similar among the survey samples, mostly after school activities for youth and employment services.

Exhibit III-22. Which social services are most needed in your community?

Source: Austin Resident Surveys, 2008.

	Telephone Survey		Online Survey
	Full Sample	*Low Income*	
Afterschool care/youth activities	13%	11%	12%
Childcare	8%	7%	6%
Community workshops/neighborhood activities	8%	8%	10%
Emergency rent/mortgage and utility assistance	8%	11%	8%
Employment services/job training	10%	10%	10%
ESL training	4%	4%	4%
Food bank	5%	6%	2%
Home repair	6%	8%	10%
Homebuyer education	6%	3%	7%
Homeless services	5%	5%	5%
Legal services	6%	7%	2%
None of these	4%	3%	0%
Personal financial training	7%	4%	8%
Services that help certain populations	7%	8%	8%
Tenants' rights assistance	3%	4%	8%

Which community development activities are most needed in your community? Respondents ranked these needs very similarly—the top needs, in their opinions, are clearly employment-related services and community centers/libraries.

Exhibit III-23. Which community development activities are most needed in your community?

Source: Austin Resident Surveys, 2008.

	Telephone Survey		Online Survey
	Full Sample	*Low Income*	
Community centers/libraries	35%	27%	37%
Job creation and training	30%	32%	24%
Neighborhood commercial revitalization	11%	14%	22%
None of these	8%	5%	0%
Small/minority business loans and training	16%	22%	18%

If you could live in your neighborhood of choice, but you had to make a trade off to afford it, would you... As demonstrated by Exhibit III-24, many respondents who are not living in their neighborhood of choice would be willing to make the trade off and live in attached housing.

Exhibit III-24.
If you could live in your neighborhood of choice, but you had to make a trade off to afford it, would you be willing to...

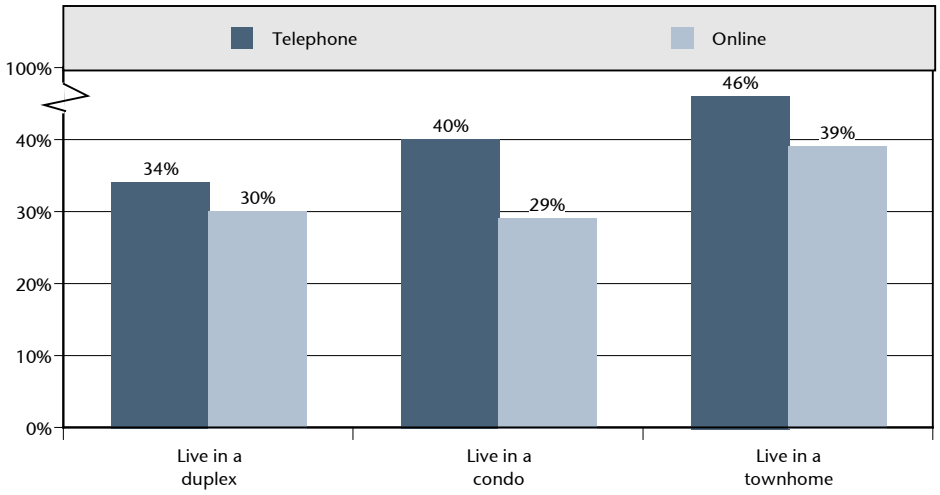
Source:
Austin Resident Surveys, 2008.

	Telephone Survey	Online Survey
Live in a duplex	35%	41%
Live in a condo	30%	40%
Live in a townhome	35%	46%
Percent of sample living in neighborhood of choice	45%	46%

Recall that the majority of the respondents to the survey currently lived in single family detached housing. Exhibit III-25 shows that many of those currently living in single family detached units would be willing to move into attached housing if it were located in their neighborhood of choice, and that townhomes are preferred over other types of attached housing[2].

Exhibit III-25.
If you could live in your neighborhood of choice, but you had to make a trade off to afford it, would you be willing to...

Persons living in single family detached units



Source: Austin Resident Surveys, 2008.

We also examined this question for respondents with children separately. About half of the respondents with children would be willing to live in a duplex. Condominiums and townhome were less desirable options for families.

[2] This crosstab was not performed for respondents living in other housing types because the number of observations was too small for a meaningful comparison.

Homelessness and Discrimination

The survey also asked respondents if they had ever faced housing discrimination or needed to live with friends or family because they could not afford to live on their own. Finally, the survey asked if the respondents currently had anyone living with them because they could not afford to live on their own.

Ten percent of the telephone respondents said they currently had someone—a non-student—living with them because they could not afford to be live on their own. In two-thirds of the cases, the person was a family member and most planned on having the person live in their household for an extended period of time (6 months to 5 years).

Eighteen percent of the online survey respondents said someone was living with them who could not afford to live on their own. In about half of the cases, this person was a family member.

The reasons the person came to be living with the respondent varied widely. In 29 percent of the telephone respondent cases, it was directly due to lack of affordable housing. This was true in *50 percent* of the online cases.

One fourth of telephone respondents and one-third of online respondents said they or someone in their household had lived in a car, a motel or with family and friends because they had nowhere else to go in the past. Most lived in this situation for less than one year. Just one-fourth of the respondents were students at the time they were without housing.

Exhibit III-26 shows the main reasons the respondents did not have anywhere to live. In almost half of the cases, the reason was due to lack of affordability of housing.

Exhibit III-26.
Why were you/they without housing?

Source:
Austin Resident Surveys, 2008.

	Telephone Survey	Online Survey
Bad credit		2%
Became sick and couldn't work or afford health care		10%
Couldn't afford the place I/they was/were living	39%	15%
Couldn't find a place to afford	10%	26%
Got divorced or separated	2%	10%
Got fired	4%	2%
Laid off/lost job	10%	5%
Left spouse or parents because of abuse	3%	3%
Lost government assistance for housing		5%
Moved to seek work	3%	15%
Other	26%	10%
Quit job	3%	1%

Thirteen percent of respondents to the telephone survey and 17 percent of online survey respondents said they had experienced discrimination in trying to find housing. Exhibit III-27 shows the main reasons respondents felt they had been discriminated against. It should be noted that not all of the reasons include protected classes under the Fair Housing Act—e.g., people cannot bring a case of discrimination based on income level or credit issues in most areas.

Exhibit III-27.
What was/were the reason(s) you feel you were discriminated against?

Source:
Austin Resident Surveys, 2008

	Telephone Survey	Online Survey
Age	4%	0%
I have a low income	6%	20%
I have bad credit/bankruptcy/debts	26%	3%
I have children	2%	7%
I'm gay/lesbian/bisexual/transgendered	2%	3%
I'm not a United States citizen	2%	0%
I'm physically disabled	5%	12%
My gender/sex	1%	8%
My religion	2%	3%
Not married (to partner)	0%	7%
Other	18%	7%
Race	33%	24%
Student	0%	8%

The majority of respondents who felt they had been discriminated against did nothing about it. Six to 10 percent filed a complaint.

Respondents were also asked what they would do if they wanted to know more about their fair housing rights. Most would look for information on the Internet, as shown in Exhibit III-28. This was less true of low income respondents, who preferred to call a lawyer/consult legal aid or find information through local government sources.

Exhibit III-28.
If you wanted to know more about your fair housing rights, how would you get information?

Source:
Austin Resident Surveys, 2008

	Telephone Survey	Online Survey
Call a lawyer/ ACLU/ Legal Aid/ Attorney General's office	7%	14%
HUD website		12%
Internet search	37%	32%
Library	10%	4%
Local government information source/officials	13%	18%
Other	23%	10%
Public housing authority	7%	9%
TV	3%	1%

SECTION IV.
Housing Profile and Cost

SECTION IV.
Housing Profile and Cost

Housing costs in Austin have risen substantially during the past 10 years. The median value of a single family home in Austin in 1998 was $129,900. By 2008, the median had increased almost 90 percent to $240,000. Such price increases are good news for sellers who benefit from the increase—however, homeowners with rapidly rising property tax bills and low to moderate income households wanting to buy in the city face much greater challenges than they did 10 years ago.

As such, the supply of moderately priced housing stock has increased in cities and towns outside of Austin, which have grown within the last few years. As employment within the core of Austin grows, the city will face worsening road congestion if housing prices continue to rise. Workers in low to moderately paying jobs are likely to find more affordable housing opportunities in the growing northern and southern portions of the region. As it currently stands, just 10 percent of Austin's occupations pay, on average, enough to afford the median priced home in Austin of $240,000. The vast majority of workers need homes priced under $200,000 to afford to buy unless they live in two-earner households—in which case, 42 percent still need homes priced under $200,000.

This section presents an overview of the housing supply in Austin, in terms of number of units, type of units, condition and cost. A complete analysis of affordability appears in Section V.

The analysis in the section revealed several notable characteristics of the city's housing market:

- Fifty-four percent of Austin households rent and 46 percent of households own the home in which they reside. The city's homeownership rate is likely to stabilize and possibly decrease modestly with the current slowdown in mortgage lending. Even if the rate picks up, Austin is unlikely to reach a 50 percent homeownership rate in the near future: 85 percent of new households would need to be homeowners for the city to reach a 50/50 tenure in the next 10 years. Thus, rental property will continue to play a large part in housing Austin's residents.
- The regional housing market has changed drastically during the past decade. Housing stock available for households earning 150 percent or more of the median family income has become increasingly more abundant, particularly in west Austin. Overall, despite rapidly increasing home prices within the last ten years, the median family income has either decreased or remained relatively stagnant. In other words, increases in household income have not provided the necessary buying power for increased home prices.
- The condo market has expanded and evolved in the last 10 years to include a newer and more expensive product. Urban condo markets often serve as an affordable ownership alternative; however, in Austin, condo products are located in high cost portions of the cities and rival costs of single family detached products. Condominiums sold in 2008 and constructed in 2006 or later had a median listing price of $299,000 and a median square footage of 1,540 square feet. `

Housing Supply

There are several estimates of the number of residential units in Austin. The U.S. Census American Community Survey, 2007 estimates that there were 333,487 housing units within the city of Austin in 2007. The City of Austin Planning Department estimates a much lower number of housing units at 296,649 as of 2008. Both the Census and the Planning Department estimate the city's housing units at 276,800 in 2000.

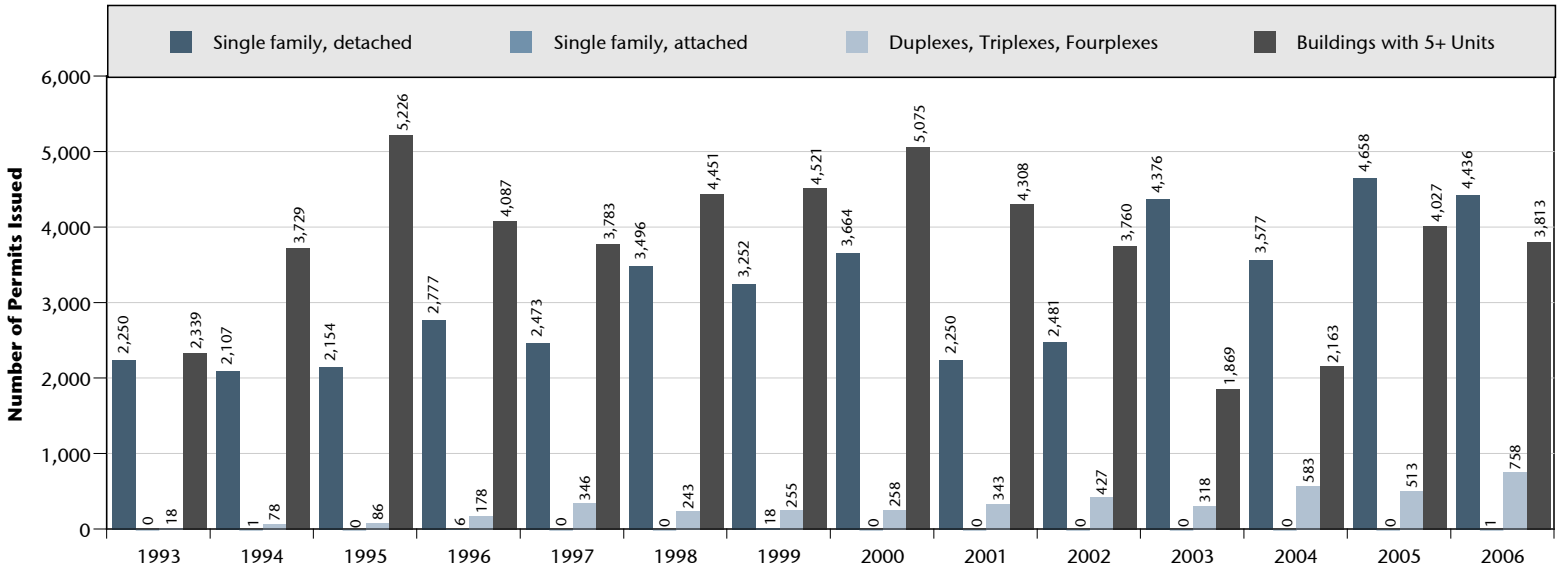
Between 2000 and 2006, the city issued 45,000 residential building permits, or an average of 7,500 permits per year. If all of the units permitted up to 2006 were constructed and demolitions were considered, an upper bound estimate of the city's residential housing stock is 321,700 units. This assumes that none of the units permitted in 2007 were constructed.

For the purposes of this report, we assume there are 307,000 occupied housing units in the city as of 2008. We derived this number from the city demographer's estimate of occupied housing units in 2005 and 2010. It is lower than the upper bound estimate using building permit data, and it assumes that about half of the units permitted ended up as completed units.

Historical production. Exhibits IV-1 and IV-2 on the following page show the number and proportion of residential housing units that have been permitted in Austin between 1993 and 2006, by type of unit.

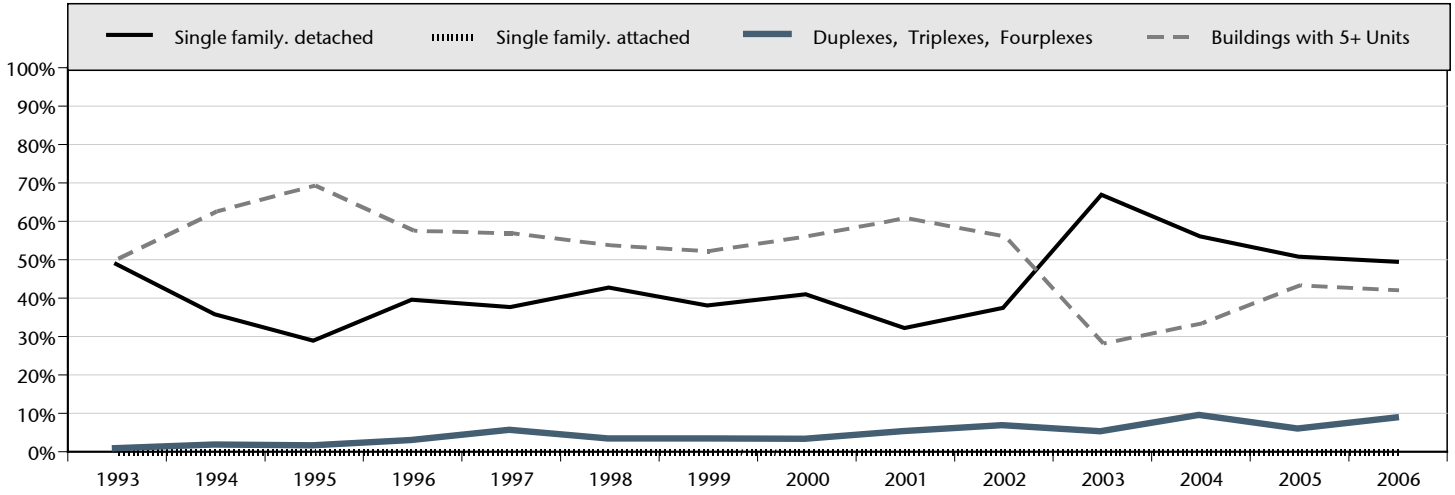
As demonstrated by the exhibit, the dominant types of structures permitted are single family detached homes and multifamily (apartment and condo) units. Very few townhomes and duplexes/triplexes/fourplexes are being permitted in Austin.

Exhibit IV-1.
Building Permits Issued, Number of Units, City of Austin, 1993 to 2006



Source: City of Austin Planning Department.

Exhibit IV-2.
Building Permits Issued, Percentage of Units, City of Austin, 1993 to 2006



Source: City of Austin Planning Department.

The permit data show a shift in multifamily permits consistent with vacancies in the rental market. The number of permits for multifamily units dropped in 2002 and 2003, as vacancies reached decade-high levels. This corresponded with a peak in single family permits. Multifamily permits have increased in recent years, along with a relatively high volume of single family detached units.

Residential development has slowed in Austin in 2008, consistent with the economic downturn and depressed housing market across the United States. The Austin Business Journal recently reported that housing starts were down 37 percent in third quarter 2008 compared to 2007. The number of home closings shows a similar trend, dropping about one-third from 2007. Despite this slowdown, Austin is expected to weather the storm better than most cities. Experts believe that the city has reached a "stabilizing volume" of building and that builders have been careful not to build up excess inventory.

Condo conversions. A growing trend in Austin is the conversion of multifamily apartments into condominiums. More than 2,000 rental units were converted to condominiums in 2007and 2008.

The condo market has expanded and evolved in the last 10 years to include a newer and more expensive product. In 2008, over 2,700 condos were on the for sale market, as compared to 1,300 listings in 1998. The expansion in the market is evident in the age of the condo supply. In 1998, over 80 percent of the condos that were on the for sale market were 20 years or older. In 2008, nearly half of the condos on the for sale market were 10 years old or less, and, more specifically, one quarter of all for sale condos were constructed within the last 2 years.

Exhibit IV-3 displays the price distribution of for sale condos in 1998 and 2008. In 1998, condos were an affordable housing option, as 92 percent of for sale condos were less than $200,000. In 2008, 50 percent of for sale condos were less than $200,000; an additional 26 percent of condos were priced between $200,000 and $300,000.

Exhibit IV-3.
Price Distribution of For Sale Condos, Austin, 1998 and 2008

Source:
Multiple Listing Service (MLS).

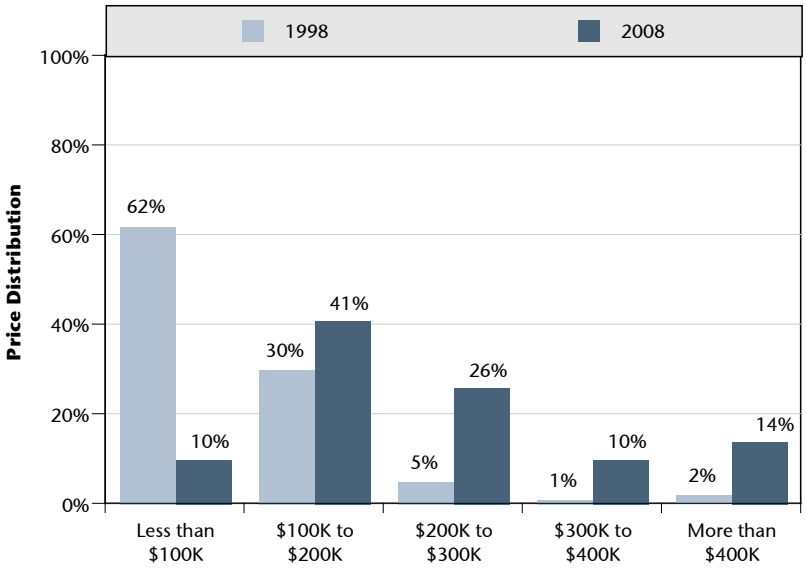
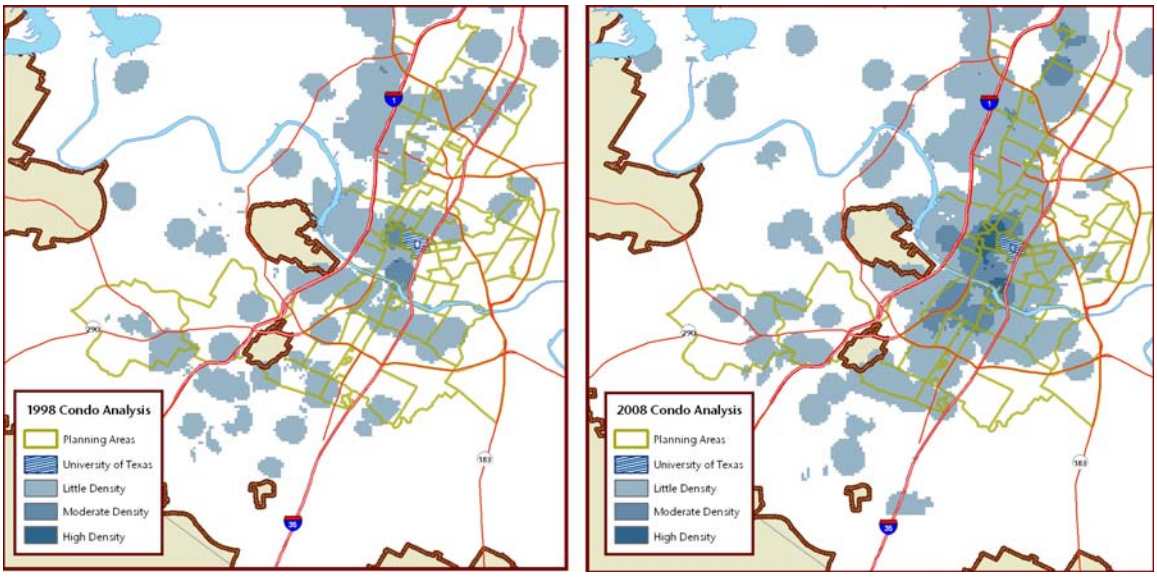


Exhibit IV-4 geographically displays the for sale condo market in 1998 and 2008. In 2008, condo sales became more active in the West University and Downtown neighborhoods. Additionally, between 1998 and 2008, the condo market expanded into east Austin neighborhoods. Despite this increased activity, condos still represent a small part of Austin's overall housing market.

Exhibit IV-4.
Condo Analysis, Austin, 1998 and 2008



Source: MLS and BBC Research & Consulting.

Tenure. Exhibit IV-5 shows the proportional change in tenure (renter/owner breakdown) in Austin since 1990. In 1990, Austin's homeownership rate was 40.6 percent. By 2000, it had increased by about 4 percentage points to 44.8 percent. In 2008, the homeownership rate is estimated at 46 percent.

Between 1990 and 2008, Austin added 52,750 new homeowners, an increase of 68 percent. This compares with 39,289 new renters, or an increase of 34 percent. Of the 92,000 new housing units added to the city between 1990 and 2008, 57 percent were occupied by homeowners.

The city's homeownership rate is likely to stabilize and possibly decrease modestly with the current slowdown in mortgage lending. Even if the rate picks up, Austin is unlikely to reach a 50 percent homeownership rate in the near future: 85 percent of new households would need to be homeowners for the city to reach a 50/50 tenure in the next 10 years.

Exhibit IV-5.
Homeownership Rate, City of Austin, 1990, 2000 and 2007

Source:
Census, 2000 and 2007, and City of Austin

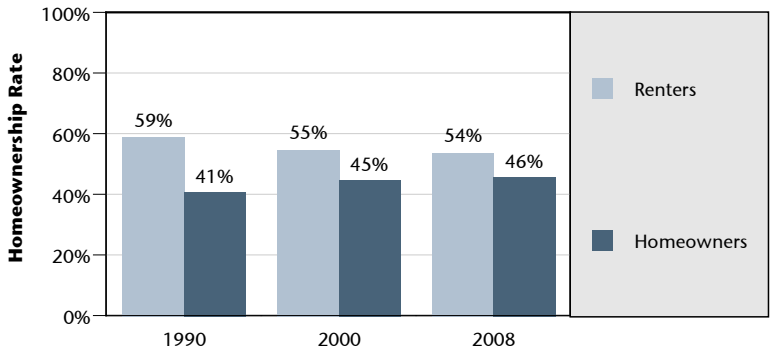
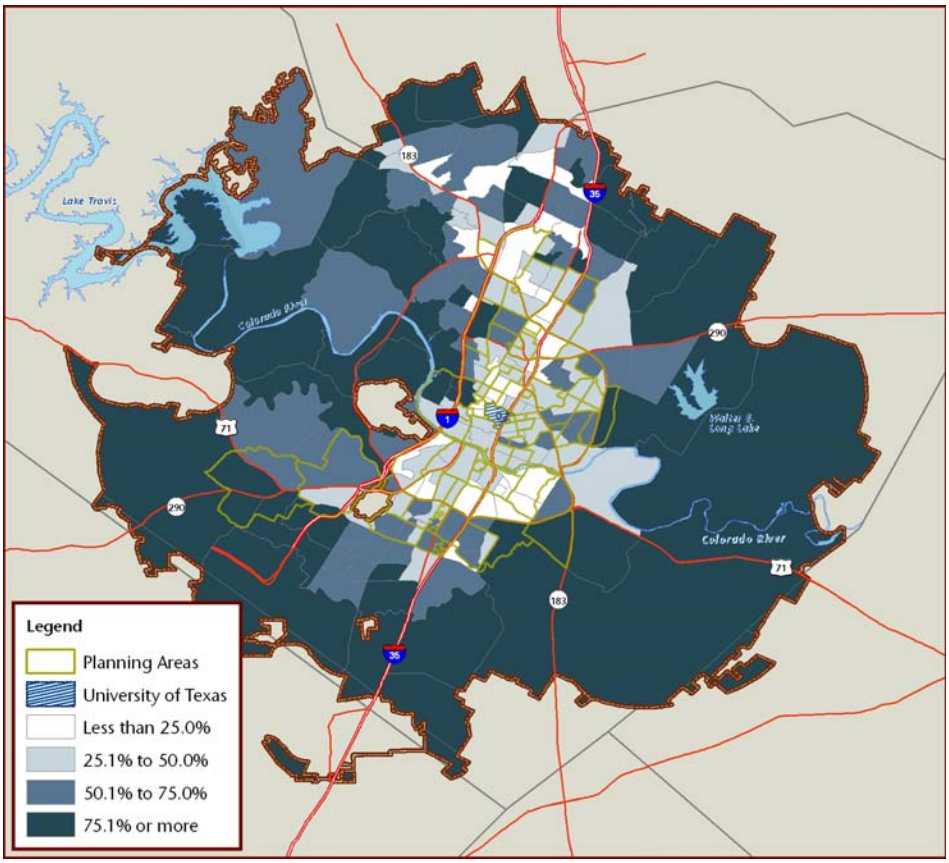


Exhibit IV-6 shows the homeownership rate in Austin, overlaid with neighborhood boundaries. Renting is prevalent in the urban core, particularly in the university neighborhoods and downtown. Neighborhoods further from downtown are much more likely to contain homeowners.

Exhibit IV-6.
Homeownership Rate by Austin Neighborhood in 2008

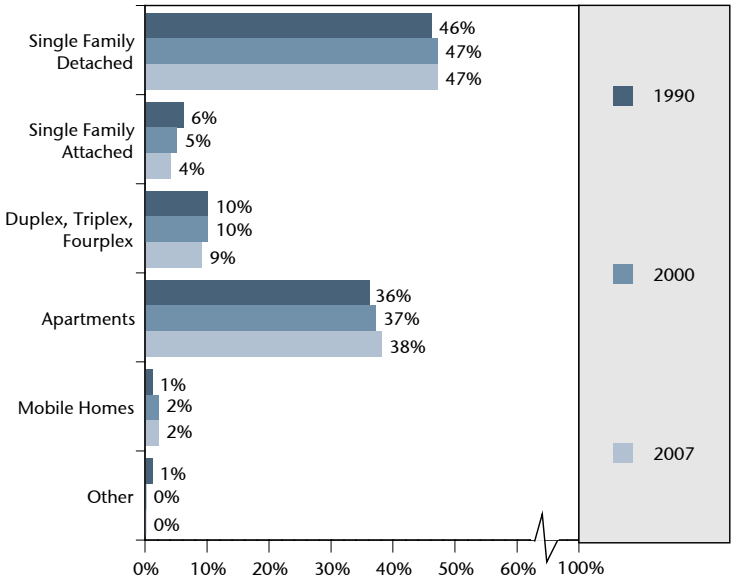


Source: Claritas 2008.

Type and size of units. Austin's housing stock primarily consists of single family detached units and apartments, defined as structures with 5 to 50 units. The distribution of housing units has changed very little since 1990, as seen in Exhibit IV-7 on the following page. In other words, the housing units added to Austin since 1990 have resembled the existing housing stock. Although multifamily permits have been a larger proportion of the overall permits in the past 15 years—sometimes as high as 60 to 70 percent of all permits—the overall number of multifamily units is still smaller than the overall number of single family detached homes.

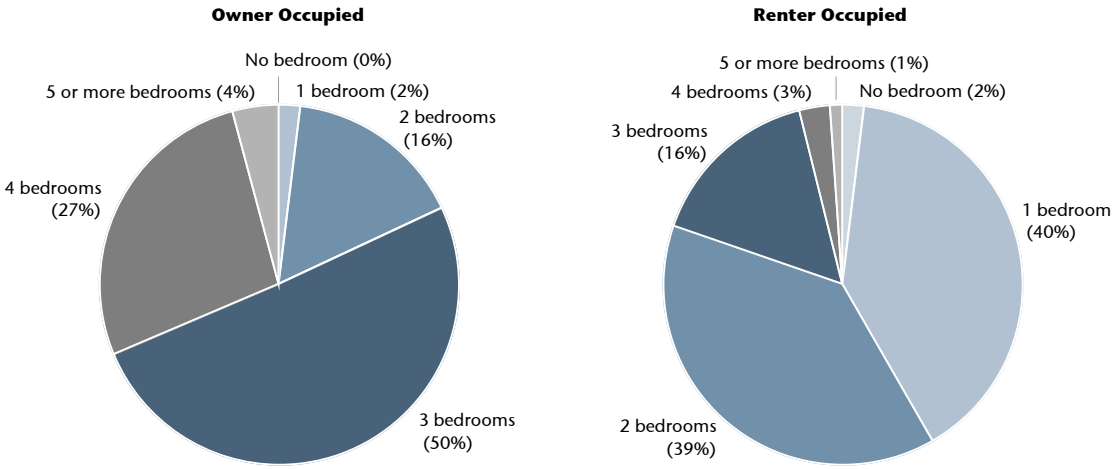
Exhibit IV-7.
Housing Units by Type, Austin, 1990-2007

Source:
U.S. Census Bureau 2007.



Austin's rental units are most likely to be one-bedroom units (40 percent of rental units have one bedroom), followed by two-bedroom units (39 percent). Austin's owner occupied units most commonly have three bedrooms (50 percent), followed by four bedrooms (27 percent), as shown in Exhibit IV-8.

Exhibit IV-8.
Housing Units by Size, Austin, 2007



Source: U.S. Census Bureau, 2007.

Age and condition. The age distribution of renter and owner occupied units in Austin closely resembles one another. Nearly 50 percent of renter occupied units were built in the 1970s and 1980s. An additional one third of the units were built between 1990 and today.

A study of housing preservation in Austin early in 2008 found that more than 55 percent of duplexes and 79 percent of small and medium-sized apartment buildings were built before 1980. Of these, 22 percent are more than 20 years old and have high occupancy rates.[1]

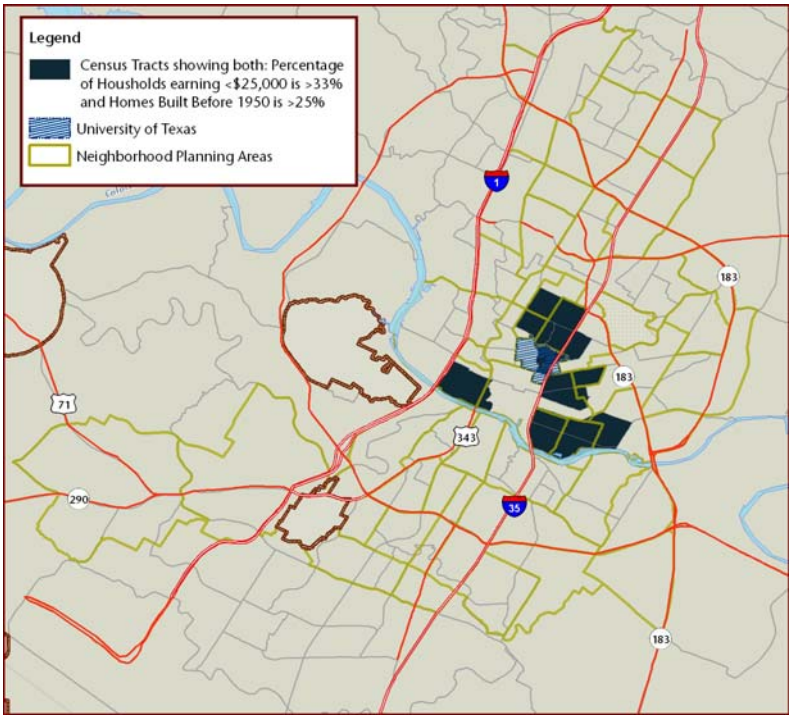
Austin's owner occupied housing stock contains a larger proportion of units built before 1970 (21 percent). Fewer owner occupied homes than renter occupied units were built in the 1970s and 1980s; however, a slightly higher proportion of owner occupied units were built in 2005 or later, most likely to meet the residential demand.

One method of locating housing units that are at risk of disrepair and/or areas within a city that have housing condition problems is to overlay high poverty areas with older housing stock. Lower income households are the least likely to be able to afford to maintain their homes and are more likely to occupy rental units in disrepair because of their need for low-cost units. Exhibit IV-9 displays areas of Austin that have a high prevalence of low income residents (more than one-third of households earn less than $25,000) and housing stock built in 1950 or earlier. Areas around the university and along I-35 contain large concentrations of both. It should be noted, however, that the university areas are unlikely to have the same level of need as other areas since they are dominated by students who show lower incomes but may have more resources (e.g. parents, student loans) to help pay for housing.

Exhibit IV-9.
Relationship between Low income Households and Age of Housing Stock, 2008

Note:
Low income households represented by percentage of households earning less than $25,000. This is roughly the definition of poverty for a family of four.

Source:
Claritas 2008.



[1] "Preserving Affordable Housing in Austin: A Platform for Action", April 2008, City of Austin Neighborhood Housing and Community Development.

In general, Austin's housing stock is in good condition: Few housing units in Austin lack complete plumbing (1,570 units); a little over 1 percent of units lack complete kitchens (3,833 units).

Overcrowded units are defined as units with an occupant to room ratio of one or more.[2] Two percent of owner occupied units in Austin were considered overcrowded in 2007. Rental units are more likely to be overcrowded; 6 percent of units in Austin have a ratio of occupants per room of one or more.

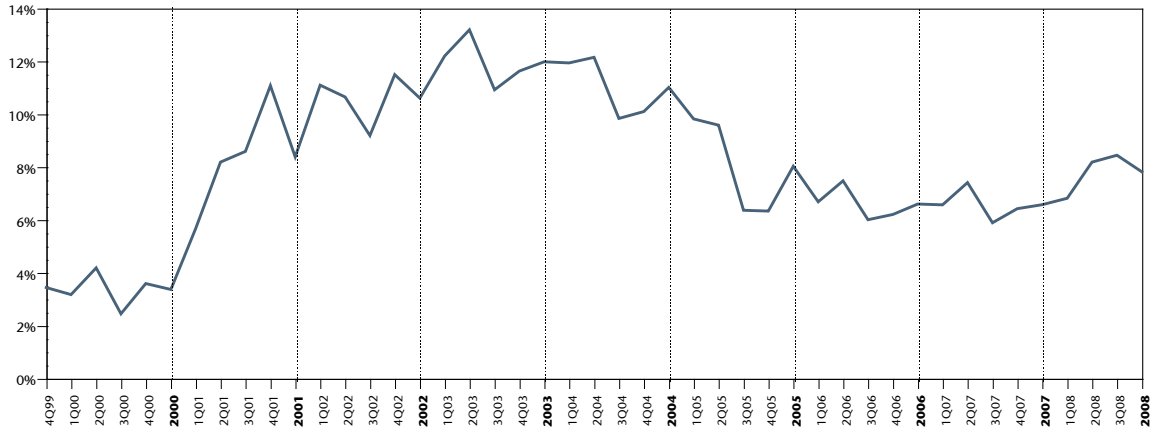
Overall vacancy rates. The Census estimated a 2007 vacancy rate of 7.7 percent for rental properties and 3.4 percent for ownership units in Austin. Of the nearly 27,000 unoccupied units, most were for rent (11,078) or for sale (4,171). An additional 6,540 of the units were considered "other vacant", which includes seasonal homes or homes held off the market because of rehabilitation work, lack of market demand, etc.

Vacancy rates have risen since 2000, when the Census estimated very low rates of 3.6 percent for rentals and 1.5 percent for ownership units.

Rental market vacancies. Austin's rental market has strengthened recently after a downturn in 2002 and 2003. As of the third quarter 2008 (3Q2008), the vacancy rate for rentals was 8.45 percent. This compares to 13.19 percent in the second quarter 2003, when the market was at one of its weakest points of the decade.

Exhibit IV-10 shows vacancy rates since fourth quarter 1999 by quarter[3].

Exhibit IV-10.
Rental Vacancy Rates, Austin, 4Q99 to 3Q08



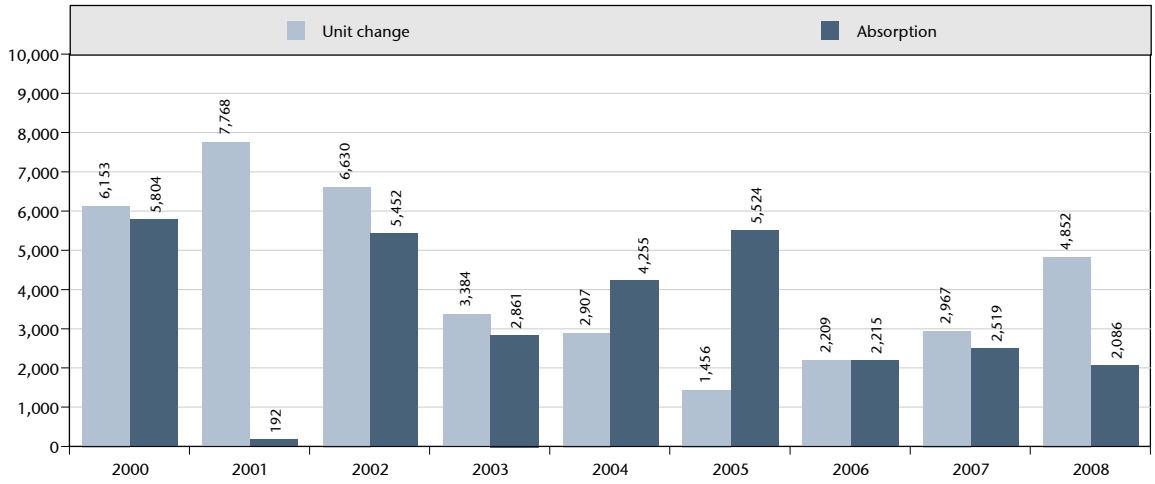
Source: Austin Investor Interests.

[2] A person per room ratio is the most common measure for defining overcrowding. "Measuring Overcrowding in Housing", 2007, http://www.huduser.org/Publications/pdf/Measuring_Overcrowding_in_Hsg.pdf

[3] These data represent buildings with 50 units or more.

Unit absorption. Exhibit IV-11 shows the historical absorption of rental units from 2000 through 3Q2008. The exhibit demonstrates that it took until 2004 to absorb the excess supply of units from 2001. In 2001, 7,768 units were added to the market, but only 192 of them were absorbed.

Exhibit IV-11.
Rental Absorption, Austin, 4Q99 to 3Q08



Note: 2008 is through third quarter.
Source: Austin Investor Interests.

Absorption relative to new units is down in 2008, suggesting that vacancies will rise if development does not slow or absorption increases. M/PF Yieldstar, a real estate firm that tracks multifamily market conditions, characterized Austin's apartment market in mid-2008 as "struggling considerably" with "demand notably negative" during the first part of the year. M/PF also reports that the new supply in Austin in 2008 was at its highest level since first quarter 2004.

Condo conversions are helping with absorption and tempering vacancy rates: Between June 2007 and 2008, about 1,400 apartment units were removed from the apartment inventory due to conversions.

Vacancies by location and class. Vacancy rates vary by apartment class. Class B and C apartments—generally moderate to lower cost rentals except in Central Austin—had the lowest vacancy rates at 6.5 and 7.4 percent, respectively[4]. This compares to 12.8 percent for higher priced Class A apartments.

[4] Austin Investors Interest defines apartment class based on age of building. Class A are built after 1997; B built between 1984 and 1997; and C built before 1984.

Rental vacancy rates also vary within Austin depending on location and apartment class. During 3Q08:

- For Class A apartments, vacancies were very high (between 17 and 18 percent) in central and downtown Austin. Vacancies were also very high for apartments located in the northeast and south. Vacancies were lowest in the southwest and far northeast—however, these "low" vacancy rates for Class A apartments appear high relative to the vacancies for Class B and C apartments.

- Vacancies for Class B apartments are very low (4 percent) for apartments in Central, South and Southwest Austin—areas within relatively close proximity to UT.

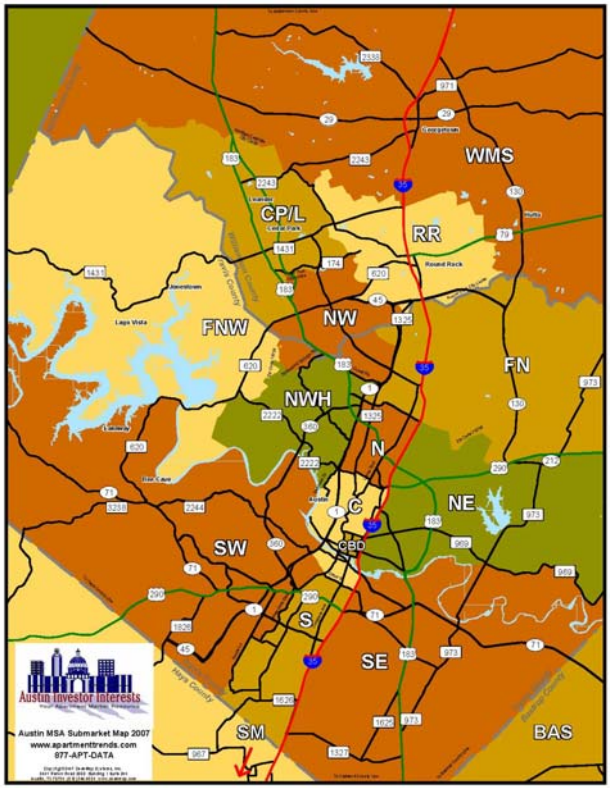
- Class C apartment vacancies in the central part of Austin are extremely low at less than 3 percent. There appears to be much demand for rentals in this area that rent for less than $1.50 per square foot. Vacancies for Class C units are highest in the southern and southwestern portion of the city.

Exhibit IV-12 summarizes these data, along with a map that shows the submarkets.

Exhibit IV-12.
Vacancy Rates by Apartment Class and Location, City of Austin, 3Q2008

Location	Class A	Class B	Class C
Central	17.4%	**4.3%**	**2.7%**
Central Business District	18.6%	N/A	
Far North	15.4%	5.5%	8.4%
Far Northwest	7.9%	5.2%	N/A
North	N/A	6.6%	8.2%
Northeast	18.8%	10.6%	9.1%
Northwest	10.3%	5.6%	4.9%
Northwest Hills	8.3%	8.3%	6.6%
South	18.1%	**4.6%**	5.3%
Southeast	10.8%	8.5%	11.0%
Southwest	7.3%	**3.9%**	14.1%

Note: Areas with the lowest vacancies are shaded.



Source: Austin Investor Interests.

Vacancies by location and price. Exhibit IV-13 presents vacancy rates by market area with rent per square foot. The exhibit shows that location is a strong determinant of vacancy rates—up to a point. Vacancy rates are very low in Central Austin for Class B and C apartments, which have an average rent per square foot of between $1.15 and $1.40. Demand falls for more expensive Class A units, with rents averaging $1.75 to $1.90 per square foot.

Exhibit IV-13.
Vacancy Rates by Rent/Square Foot and Location, 3Q2008

Location	Class A		Class B		Class C	
	Rent greater than $1/sq. ft.	Rent less than $1/sq. ft.	Rent greater than $1/sq. ft.	Rent less than $1/sq. ft.	Rent greater than $1/sq. ft.	Rent less than $1/sq. ft.
Central	17.4%		4.3%		2.7%	
Central Business District	18.6%		N/A	N/A	2.0%	
Far North		15.4%		5.5%	8.4%	
Far Northwest		7.9%		5.2%	N/A	N/A
North	N/A	N/A		6.6%		8.2%
Northeast		18.8%		10.6%		9.1%
Northwest		10.3%		5.6%		4.9%
Northwest Hills	8.3%		8.3%			6.6%
South		18.1%	4.6%			5.3%
Southeast		10.8%	8.5%			11.0%
Southwest	7.3%			3.9%	14.1%	
Average	**12.9%**	**13.6%**	**6.4%**	**6.2%**	**6.8%**	**7.5%**

Source: Austin Investor Interests.

Housing Cost

In the housing industry, housing affordability is commonly defined in terms of the proportion of household income that is used to pay housing costs. Housing is "affordable" if no more than 30 percent of a household's monthly income is needed for rent, mortgage payments and utilities. When the proportion of household income needed to pay housing costs exceeds 30 percent, a household is considered "cost burdened." Cost burden is discussed further in the Housing Affordability section of the report (Section V., which follows this section).

Housing costs are also examined in the context of the Median Family Income or MFI. HUD divides low and moderate income households into categories, based on their relationship to the median family income (MFI): extremely low income (earning 30 percent or less of the MFI), very low income (earning between 31 and 50 percent of the MFI), low income (earning between 51 and 80 percent of the MFI) and moderate income (earning between 81 and 95 percent of the MFI). The current MFI for the Austin area is $69,100.

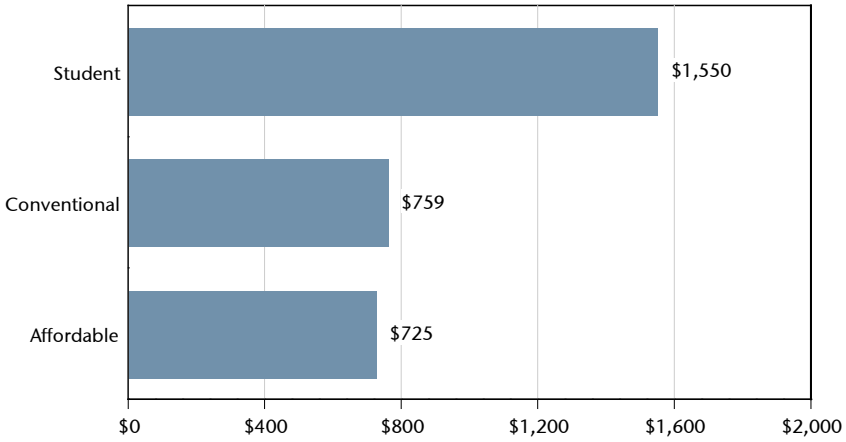
Rental market. The average rent for apartments in Austin was $843 as of 3Q08, according to Austin Investor Interests. M/PF reports a second quarter 2008 average rent for the Austin metro area of $839.

Medians are usually a better measure of actual cost than averages, because averages are affected by extreme highs and lows, where medians are not. Using the Austin Investor's data, we calculated the median rent for conventional (market) units, "affordable" units and student housing[5].

Exhibit IV-14 shows the median rents for conventional, affordable and student housing units as of 3Q08. It is interesting to note how close the medians for conventional and affordable rentals are. Units that are identified as "student" housing carry much higher medians, likely because they are constructed as and shared by several students in one "unit."

Exhibit IV-14.
Median Rents, 3Q08

Source:
Austin Investor Interests and BBC Research & Consulting



Historical increases. The U.S. Census estimates that the median rent in Austin in 2007 was $829. This compares to $724 in 2000. Renters are paying $105 more per month for their units than they were in 2007. This is equivalent to an average annual increase of $15 per year, or about a 2 percent average annual increase.

Austin's median rent in 2007 was the second highest of the peer cities of Dallas, Denver, Portland and Seattle. In 2000, Austin had the highest median rent. Between 2000 and 2007, Austin's median rent increased less than all of the peer cities except for Denver, as shown below.

Exhibit IV-15.
Comparative Rent Levels, 2000 and 2007

Source:
U.S. Census Bureau 2000 and 2007.

	Median Rent 2000	Median Rent 2007	Numerical Change 2000-2007	Percent Change 2000-2007
Austin	**$724**	**$829**	**$105**	**15%**
Dallas	$ 623	$ 737	$ 114	18%
Denver	$ 631	$ 726	$ 95	15%
Portland	$ 622	$ 762	$ 140	23%
Seattle	$ 721	$ 881	$ 160	22%

Rents per square foot. As of 3Q08, rental units in Austin averaged $.99 per square feet. This means that a 500 square foot apartment would rent for $495/month; a 1,000 square foot apartment would rent for $990/month. Price per square foot varies by apartment class, with A-class apartments averaging $1.08 per square foot; B at $.99 per square foot and C at $.92 per square foot. More than half of apartments offered concessions as of 3Q08.

[5] Austin Investor Interests' affordable database is mostly comprised of Low Income Housing Tax Credit properties. We believe it represents the majority of the affordable inventory in Austin (but not Section 8 vouchers).

Exhibit IV-16 shows the average per square foot and average price per month by apartment type as of 3Q08.

Exhibit IV-16.
Apartment Pricing by Class, 3Q08

Source:
Austin Investor Interests.

	Average price per square foot	Average rent per month	Percent of Developments offering Concessions
Class A	$ 1.08	$ 1,054	70%
Class B	$ 0.99	$ 843	57%
Class C	$ 0.92	$ 689	40%
All	**$ 0.99**	**$ 843**	**52%**

Rent by unit size. Exhibit IV-17 shows the average rent levels in 3Q08 by unit size (number of bedrooms), in addition to the average rent per square feet. As demonstrated by the exhibit, efficiencies have the lowest rents, but they also have the highest price per square foot. Renters would get the most value for their money by sharing a larger unit and paying a much lower price per square foot if they could afford to.

Exhibit IV-17.
Average Rent by Type, Austin, 3Q2008

Source:
Austin Investor Interests.

Type of unit	Average Rent per month	Average Rent per square foot
Efficiency	$ 546	$ 1.27
1 bedroom	$ 728	$ 1.05
2 bedroom	$ 935	$ 0.93
3 bedroom	$ 1,160	$ 0.93
4 bedroom	$ 1,700	$ 1.22
5 bedroom	$ 2,727	$ 1.37

Rents by location. Exhibit IV-18 shows rent costs in Austin by location. Rents were highest in central Austin, followed by the northwest and west.

Exhibit IV-18.
Average Rent, Austin Market Areas, 3Q2008

Source:
Austin Investor Interests.

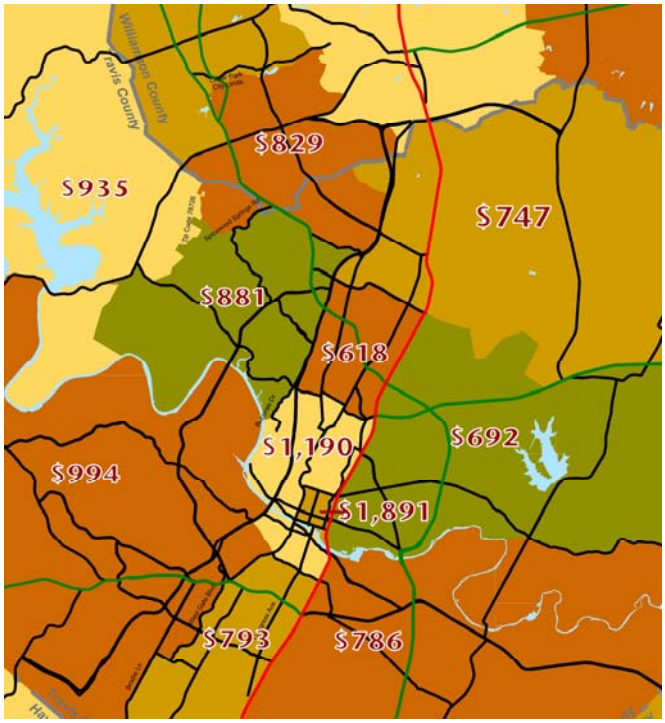


Exhibit IV-19 shows average rents by type and averages by apartment size and the number and proportion of renter households in Austin who could afford such rents without being cost burdened[6]. It also shows what renters can afford based on the MFI. The exhibit shows the following:

- An estimated 69 percent of Austin's renters could afford the average-priced efficiency (studio) unit without being cost burdened in 3Q08, leaving 31 percent of renters unable to afford the average-priced efficiency.
- A little more than half of renters could afford the average-priced one-bedroom unit, 45 percent could afford two-bedroom units and 35 percent could afford the average-priced three-bedroom unit.
- Overall, 49 percent of Austin's renters could afford the average-priced rental unit in 3Q08.

Exhibit IV-19. Income Needed to Afford Average Rent, by Unit Size, 3Q08

Source:
Austin Investor Interests and BBC Research & Consulting.

	Average Rent	Income Needed to to Afford	Percent of MFI	Percent of renter households who can afford
Efficiency	$ 546	$ 21,840	32%	69%
1 bedroom	$ 728	$ 29,120	42%	57%
2 bedroom	$ 935	$ 37,400	54%	45%
3 bedroom	$ 1,160	$ 46,400	67%	35%
4 bedroom	$ 1,700	$ 68,000	98%	18%
5 bedroom	$ 2,727	$ 109,080	158%	6%
All	$ 843	$ 33,720	35%	49%

Exhibit IV-20 shows what households would need to earn to afford the average rent by area. The Central Business District is clearly the least affordable rental area in the city. In most of the city, renters earning 50 percent of the MFI could afford the median rent. Renters earning less than 40 percent of the MFI have fewer options—mostly only the north and northeast.

Exhibit IV-20. Income Needed to Afford Average Rent, by Area, 3Q08

Source:
Austin Investor Interests.

	Income Needed to Afford	Percent of MFI	Percent of renter households who can afford
Central	$ 47,600	69%	33%
Central Business District	$ 75,640	109%	13%
Far North	$ 29,880	43%	56%
Far Northwest	$ 37,400	54%	45%
North	$ 24,720	36%	64%
Northeast	$ 27,680	40%	59%
Northwest	$ 33,160	48%	51%
Northwest Hills	$ 35,240	51%	48%
South	$ 31,720	46%	53%
Southeast	$ 31,440	45%	53%
Southwest	$ 39,760	58%	42%

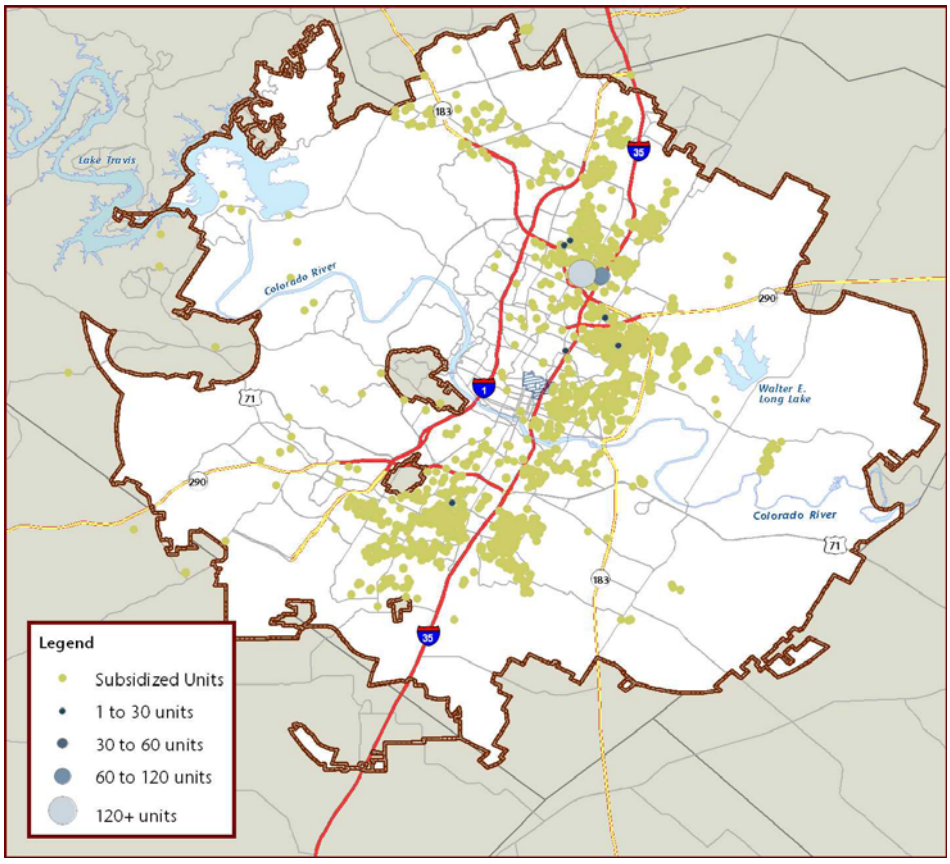
[6] Based on the Census' 2007 American Community Survey (ACS) income by tenure.

Exhibit IV-21 shows the location of conventional rental complexes that offer rents affordable to renters earning less than 30 percent of the MFI, or about $20,700 per year. The Housing Authority of the City of Austin (HACA) communities and Section 8 choice voucher locations are also mapped in Exhibit IV-21, making the assumption that these units are affordable to renters earning less than 30 percent of the MFI. These households need rents of no more than $425 per month to afford rent and utilities and not be cost burdened. There are just 565 units in 9 developments provided by the private market in Austin affordable to these households.

Exhibit IV-22 on the following page shows affordable rentals for 50 percent of the MFI and less, or about $35,000 per year. There are 58,000 of these units provided by the private market. The private market units have an average square footage of 697. HACA communities and Section 8 choice vouchers are also mapped in Exhibit IV-22.

Overall, HACA has 1,928 units in 19 developments in Austin. Those units are presented in the maps below. HACA also administers 5,127 vouchers. Approximately 3,000 addresses of voucher recipients are mapped below.[7]

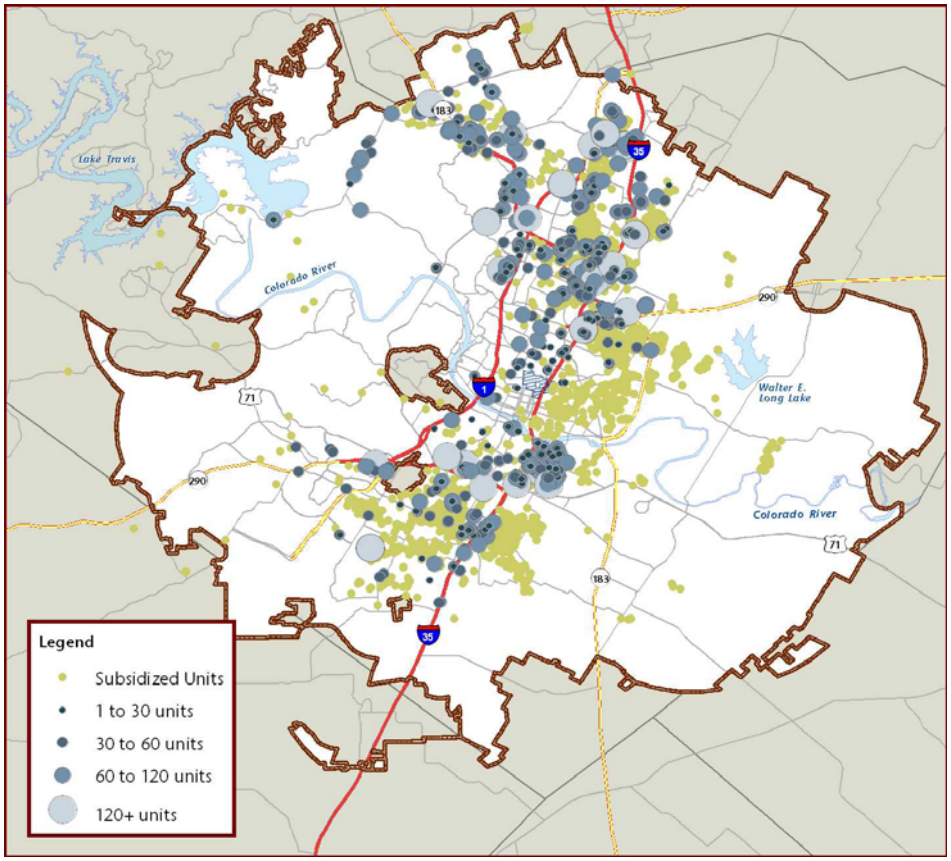
Exhibit IV-21.
Location of Developments with Units Affordable to Households Earning 0% to 30% MFI



Note: Subsidized units include both HACA communities and the location of Section 8 choice vouchers.
Source: Austin Investor Interests, HACA, and BBC Research & Consulting.

[7] Housing Authority of the City of Austin (HACA): http://www.hacanet.org/

Exhibit IV-22.
Location of Developments with Units Affordable to Households Earning 0% to 50% MFI



Note: Subsidized units include HACA communities and the location of Section 8 choice vouchers.
Source: Austin Investor Interests, HACA and BBC Research & Consulting.

Future development. Austin Investor Interests reports that about 8,100 apartment units were under construction as of 3Q2008. Ninety-four percent are "conventional" (private market) units; 5 percent are affordable. An additional 1,700 units have been approved for development, with 62 percent conventional, 30 percent affordable and 7 percent student housing.

In addition, developments with 4,500 units have been submitted for approval (100 percent conventional) and 3,870 are proposed (94 percent conventional, 6.5 percent affordable). Barring any unforeseen circumstances, Austin is unlikely to see any shortage of apartment construction in the near future.

Exhibit IV-23 shows the location of the apartments under construction and approved by type and location. The most activity will occur in Central Austin, where rents are high and vacancies are low, followed by far north and south Austin. Affordable development is highly concentrated in Southeast Austin.

Exhibit IV-23.
Location of Future Development

	Conventional		Affordable		Student		All	
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*	*Number*	*Percent*
Central	1,858	21.8%		0.0%	187	100.0%	2,045	21.3%
Central Business District	553	6.5%		0.0%		0.0%	553	5.7%
Far North	1,562	18.3%		0.0%		0.0%	1,562	16.2%
Far Northwest	0	0.0%		0.0%		0.0%	0	0.0%
North	516	6.1%		0.0%		0.0%	516	5.4%
Northeast	509	6.0%	76	8.4%		0.0%	585	6.1%
Northwest	664	7.8%		0.0%		0.0%	664	6.9%
Northwest Hills	684	8.0%		0.0%		0.0%	684	7.1%
South	1,050	12.3%		0.0%		0.0%	1,050	10.9%
Southeast	415	4.9%	832	91.6%		0.0%	1,247	13.0%
Southwest	712	8.4%		0.0%		0.0%	712	7.4%
Total	**8,523**	**100%**	**908**	**100%**	**187**	**100%**	**9,618**	**100%**

Source: Austin Investor Interests

M/PF reports that as of July 2008, 12,800 apartments were under construction in the broader Austin area. This is the third highest apartment construction activity nationally (Dallas and Houston are first).

During 2009, M/PF expects occupancy to fall by 1.5 percentage points and rents to stabilize. Yet despite signs that in the short-term the multifamily market may weaken, M/PF paints a rosy scenario for the future in Austin, mostly due to anticipated employment growth.

Homeownership in Austin. The median prices reported in this report will differ from those reported by the Texas A&M Real Estate Center because of 2 methodological differences: area of geographic analysis and the type of listing analyzed. With data provided directly from the Austin Board of Realtors (ABOR), BBC Research & Consulting analyzed listings within the city of Austin, as opposed to the Austin-Round Rock MSA. Additionally, BBC methodology includes *all* listings, which includes not only sold listings, but also expired and withdrawn listings.

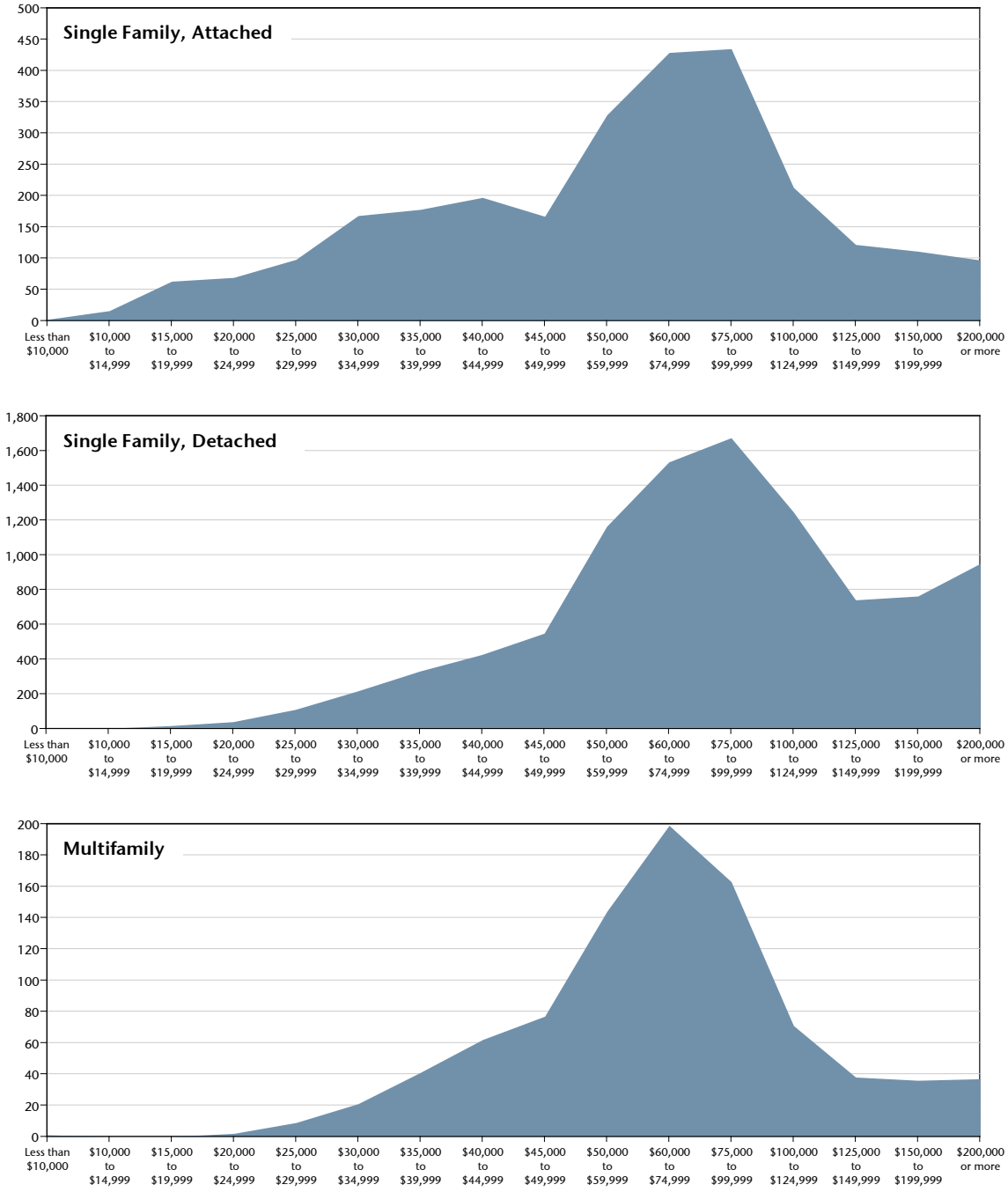
Statistics presented for 1998 includes listings for the entire year. Statistics presented 2008 includes listings from January 1, 2008 through October 31, 2008.

As of October 2008, the median price of all homes in Austin on the for sale housing market was $240,000. More specifically, the median price for *detached* single family homes, which includes houses and detached condominiums, was $260,000. The median price for a single family *attached* home, which includes condominiums, attached ½ duplexes and garden homes, was $199,000. Multifamily homes, which include duplexes, triplexes and fourplexes, had a median sales price of $214,900 in 2008[8].

[8] The detached, attached and multifamily classifications in this section are based on the classification of the data in the Multiple Listing Service (MLS).

Exhibits IV-24 show the number of detached single family, attached single family and multifamily units for sale in Austin in 2008 by the incomes at which they are affordable. It is important to note that households can afford homes in their affordability price range *in addition* to homes priced below that range.

Exhibit IV-24.
Distribution of Housing Units Available to Buy by Income Range and Housing Type, 2008



Note: Income levels chosen for dividing lines are arbitrary and intended to point out obvious break points

Source: MLS and BBC Research & Consulting

The graphs demonstrate where the peak and valleys exist in housing supply. For example, households in Austin earning between $75,000 and $100,000 had the most options in 2008 for purchasing homes; households earning less than $25,000 had the fewest choices.

An estimated 13 percent of renters and 53 percent of owners in Austin could afford the median priced for sale unit in 2008[9]. Affordability increases for the less expensive single family attached and multifamily products and decreases for the more expensive single family detached units. Exhibit IV-25 displays the percentage of renter and owner households that could afford median priced units in Austin.

Exhibit IV-25.
Affordability of Median Priced Units to Renter and Owner Households, Austin, 2008

Source:
MLS and BBC Research & Consulting.

	All Units	Single Family Detached	Single Family Attached	Multifamily
Median Price	**$240,000**	**$260,000**	**$199,000**	**$214,900**
Renters	21,463	18,631	36,620	30,742
Percent	*13%*	*11%*	*22%*	*19%*
Owners	74,405	69,029	87,772	82,588
Percent	*53%*	*49%*	*62%*	*58%*

Exhibit IV-26 presents similar affordability data, but by income ranges based on median family income (MFI).

Exhibit IV-26.
Affordability of Single family and Multifamily Housing Stock For-Sale by MFI, Austin, 2008

	Single Family Attached			Single Family Detached			Multifamily		
	Number	*Percent*	*Cumulative Percent*	*Number*	*Percent*	*Cumulative Percent*	*Number*	*Percent*	*Cumulative Percent*
Extremely Low Income <30% MFI or $20,730 or less	87	3.2%	3.2%	22	0.2%	0.2%	2	0.2%	0.2%
Very Low Income 31%-50% MFI or $20,731 to $34,550	316	11.7%	15%	352	3.6%	4%	30	3.3%	4%
Low Income 51%-80% MFI or $34,551-$55,280	729	27.1%	42%	1909	19.5%	23%	258	28.6%	32%
Moderate Income 81%-95% MFI or $55,281 to $65,645	363	13.5%	55%	1180	12.1%	35%	152	16.9%	49%

Note: Percent will not add up to 100%, as not all income levels are included in this table
Source: MLS and BBC Research & Consulting.

According to Exhibit IV-26, extremely low and very low income households would have extreme difficulty purchasing a home in Austin; very little single family detached (4 percent) and multifamily (4 percent) product would be available to them. Although 15 percent of single family attached units, which primarily includes condominiums, are affordable to very low income households, the affordable condo products are older units, which may have maintenance needs and homeowner association fees that make the units more difficult to afford than they appear to be.

[9] Based on the Census' 2007 American Community Survey (ACS) income by tenure and 2008 MLS data.

Low income households would find one-third to 40 percent of attached and multifamily units affordable. Moderate income households find about one half units affordable. In contrast, most detached single family units are difficult to afford even at the moderate income level.

Location of housing by affordability for single family units. Exhibits IV-27 through IV-30 on the pages 22 and 23 show where housing is located that is affordable to two distinct income categories:

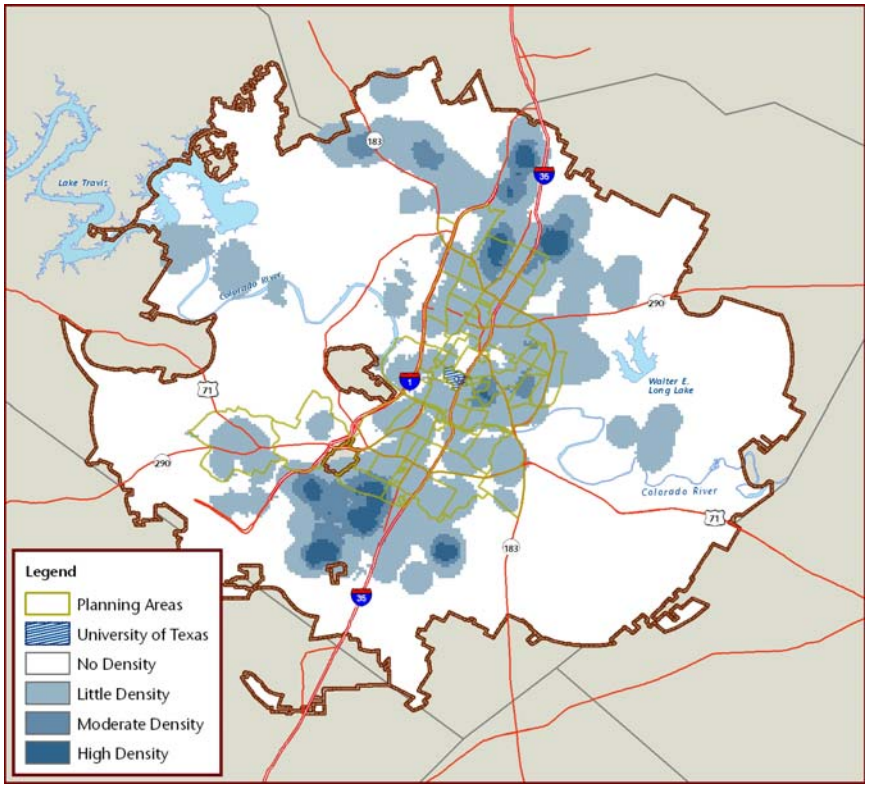
1. Low income households, earning between 51 and 80 percent of MFI, or between $34,551 and $55,280; and

2. Moderate income households, earning between 81 and 95 percent of MFI, or between $55,281 and $65,645.

Detached units that were for sale in 2008 and affordable to the lowest income households in Austin were mostly located on the far west and east sides of the city. Attached units affordable to this income segment were mostly located in the central, southeast and western portion of the city. The darker the shading, the higher the number of affordable units.

For moderate income households, affordable detached units were located in the north central and western part of the city. Affordable attached units were distributed throughout the city, with some clustering in the central, northwest and southeast part of the city.

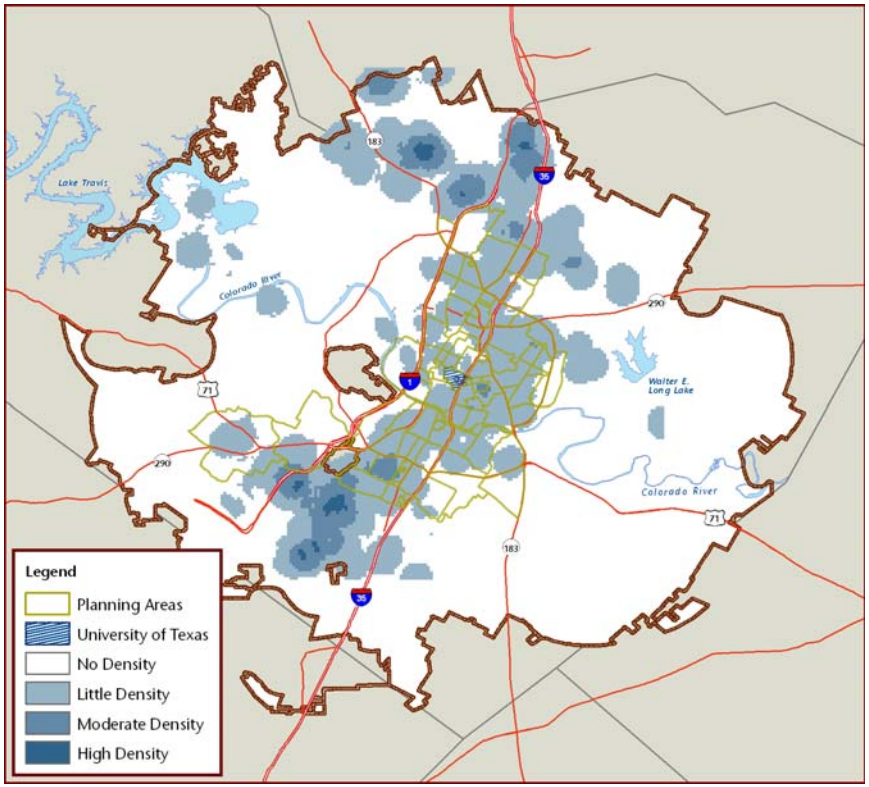
Exhibit IV-27.
Location of *Detached* Single Family Units
Affordable to 51% to 80% MFI ($34,554 to $55,280)



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $111,874 and $178,165

Source: MLS and BBC Research & Consulting.

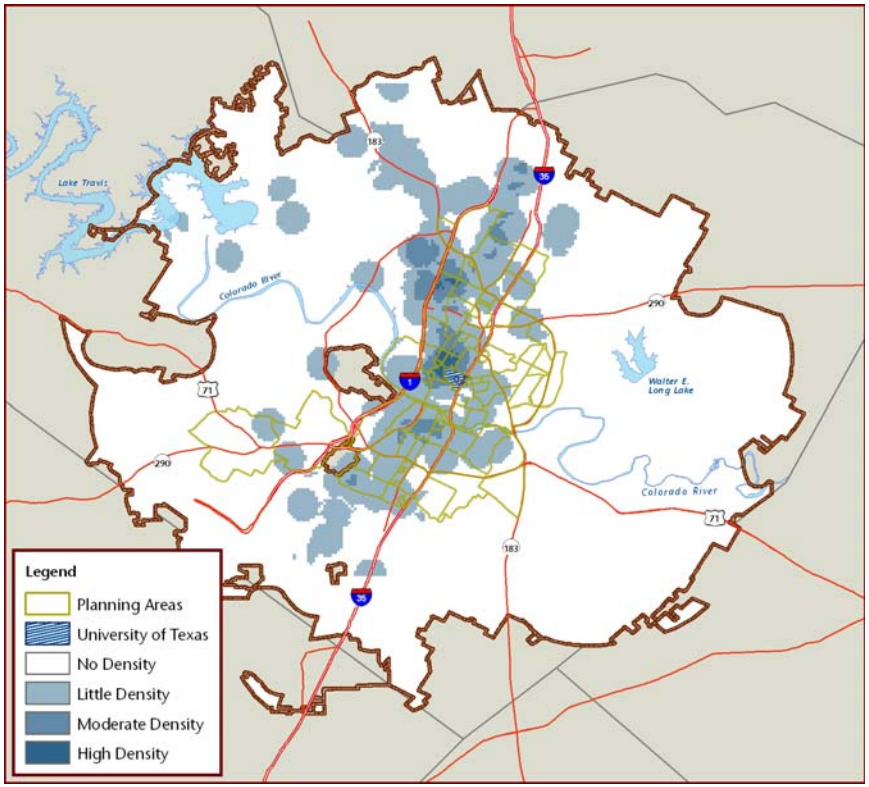
Exhibit IV-28.
Location of *Detached* Single Family Units
Affordable to 81% to 95% MFI ($55,281 to $65,645)



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $178,166 and $211,281.

Source: MLS and BBC Research & Consulting.

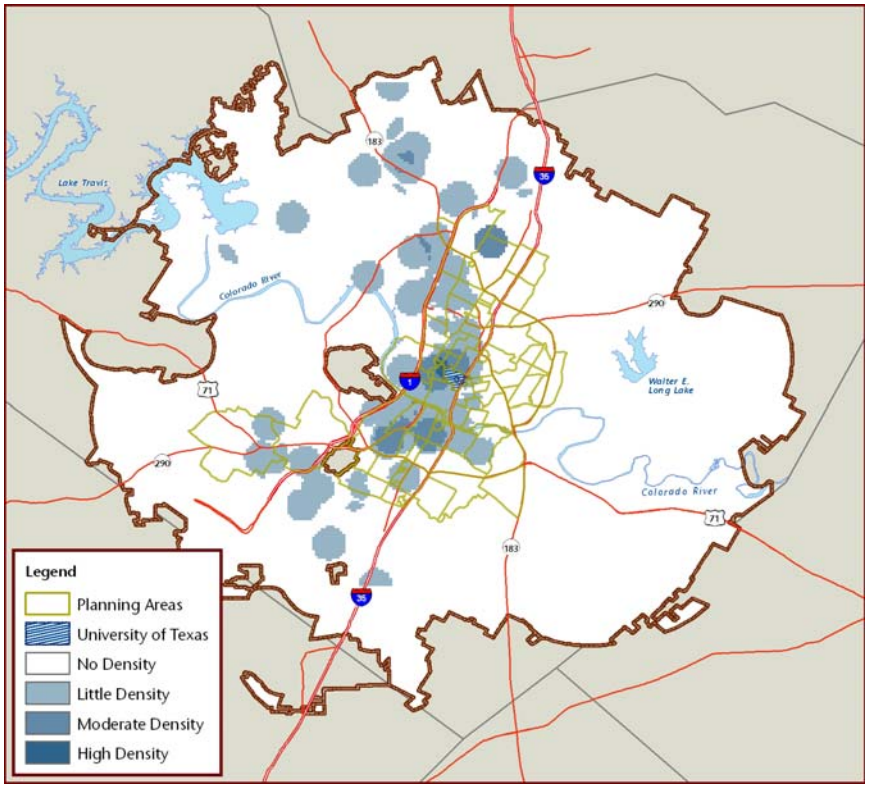
Exhibit IV-29.
Location of *Attached* Single Family Units
Affordable to 51% to 80% MFI ($34,554 to $55,280)



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $111,874 and $178,165

Source: MLS and BBC Research & Consulting.

Exhibit IV-30.
Location of *Attached* Single Family Units
Affordable to 81% to 95% MFI ($55,281 to $65,645)

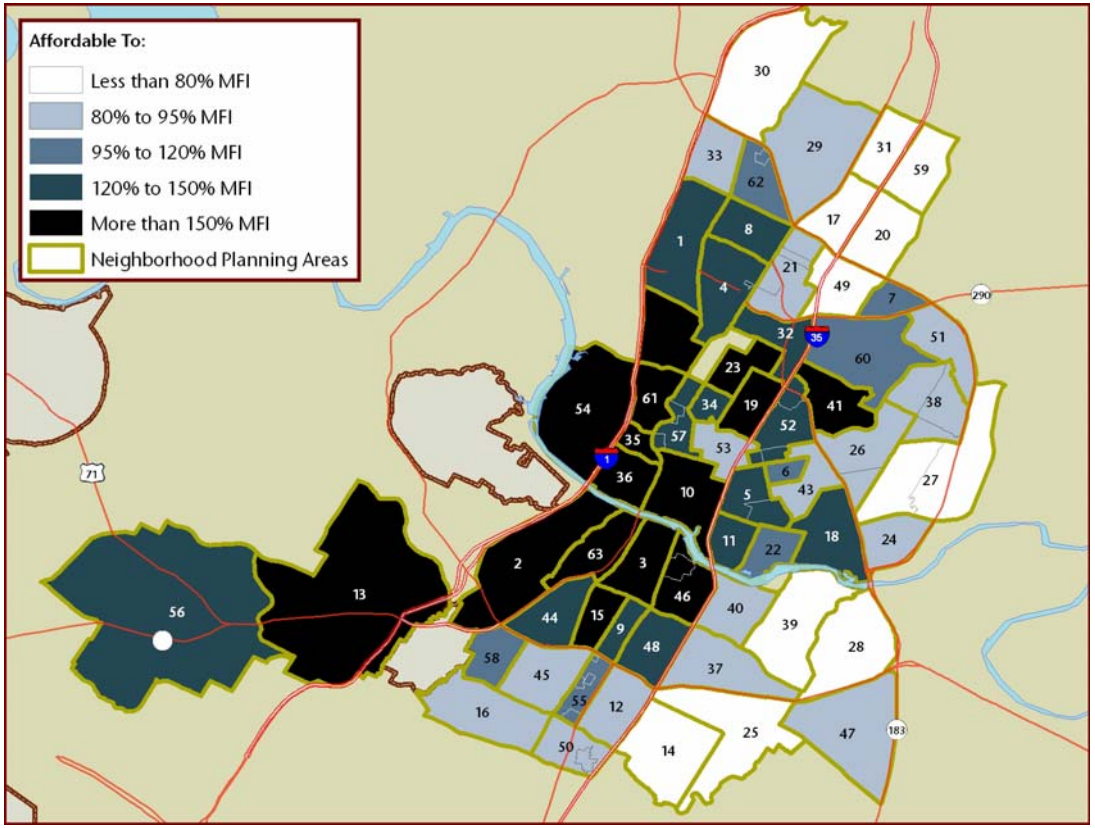


Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $178,166 and $211,281.

Source: MLS and BBC Research & Consulting.

Affordability by neighborhood. Affordability varies greatly by neighborhoods within Austin. Exhibit IV-31 displays average listing price by neighborhood, as well as the MFI needed to afford an averaged priced listing within each neighborhood. Exhibit IV-32 on page 25 geographically displays the MFI required to afford the average priced home for sale in 2008 by neighborhood.

Exhibit IV-31.
Average Listings Prices by Austin Neighborhood, 2008



Map ID No.	Neighborhood Planning Area	Average Housing Price	Map ID No.	Neighborhood Planning Area	Average Housing Price
1	Allandale	$323,115	33	North Shoal Creek	$205,095
2	Barton Hills	$385,984	34	North University	$302,315
3	Bouldin Creek	$341,477	35	Old Enfield	$905,924
4	Brentwood	$298,056	36	Old West Austin	$429,445
5	Central East Austin	$298,544	37	Parker Lane	$188,245
6	Chestnut	$211,838	38	Pecan Springs-Springdale	$194,746
7	Coronado Hills	$230,711	39	Pleasant Valley	$152,559
8	Crestview	$275,786	40	Riverside	$177,820
9	Dawson	$289,517	41	RMMA	$454,208
10	Downtown	$463,156	42	Rosedale	$374,033
11	East Cesar Chavez	$294,585	43	Rosewood	$207,877
12	East Congress	$192,226	44	South Lamar	$278,507
13	East Oak Hill	$362,735	45	South Manchaca	$203,421
14	Franklin Park	$141,748	46	South River City	$425,873
15	Galindo	$346,542	47	Southeast	$182,475
16	Garrison Park	$198,172	48	St. Edwards	$302,824
17	Georgian Acres	$156,312	49	St. Johns	$177,413
18	Govalle	$291,055	50	Sweetbriar	$205,102
19	Hancock	$371,000	51	University Hills	$205,886
20	Heritage Hills	$170,349	52	Upper Boggy Creek	$291,739
21	Highland	$209,430	53	University of Texas	$182,980
22	Holly	$256,504	54	West Austin Neighborhood Group	$620,062
23	Hyde Park	$354,046	55	West Congress	$224,908
24	Johnston Terrace	$180,875	56	West Oak Hill	$307,841
25	Mckinney	$154,822	57	West University	$279,113
26	Mlk	$192,664	58	Westgate	$258,327
27	Mlk-183	$162,475	59	Windsor Hills	$152,244
28	Montopolis	$153,525	60	Windsor Park	$239,059
29	North Austin Civic Assoc.	$190,614	61	Windsor Road	$675,084
30	North Burnet	$128,223	62	Wooten	$214,047
31	North Lamar	$138,626	63	Zilker	$400,731
32	North Loop	$329,230			

Note: Weighted averages are weighted by number of listings by type. The average housing price is dependent on the homes that came on the market during 2008 and may vary greatly from year to year for neighborhoods with diverse housing stock, depending on what homes are put on the for sale market.

Source: MLS and BBC Research & Consulting.

Exhibit IV-32.
Average Listings Prices by Austin Neighborhood, 2008

Neighborhood	Average For Sale Price 2008			Weighted Average Home Price	MFI Target
	Multifamily	*Single Family Attached*	*Single Family Detached*		
Franklin Park	$ 167,182	$ 238,575	$ 119,548	$ 141,748	50% to 80%
Georgian Acres	$ 189,428	$ 125,500	$ 142,989	$ 156,312	50% to 80%
Heritage Hills	–	$ 128,783	$ 182,819	$ 170,349	50% to 80%
Mckinney	$ 157,688	$ 72,200	$ 158,568	$ 154,822	50% to 80%
MLK-183	$ 189,032	$ 160,560	$ 158,405	$ 162,475	50% to 80%
Montopolis	$ 158,844	$ 162,157	$ 148,598	$ 153,525	50% to 80%
North Burnet	–	$ 98,548	$ 272,035	$ 128,223	50% to 80%
North Lamar	$ 208,129	$ 88,000	$ 118,813	$ 138,626	50% to 80%
Pleasant Valley	$ 204,975	$ 115,234	$ 222,018	$ 152,559	50% to 80%
St. Johns	$ 200,895		$ 132,582	$ 177,413	50% to 80%
Windsor Hills	$ 147,350	$ 164,900	$ 153,428	$ 152,244	50% to 80%
East Congress	$ 242,450	$ 211,461	$ 165,816	$ 192,226	80% to 95%
Garrison Park	$ 230,117	$ 162,624	$ 203,999	$ 198,172	80% to 95%
Highland	$ 190,789	$ 170,814	$ 217,112	$ 209,430	80% to 95%
Johnston Terrace	$ 122,450	$ 229,000	$ 185,784	$ 180,875	80% to 95%
MLK	$ 177,270	$ 268,450	$ 185,115	$ 192,664	80% to 95%
North Austin Civic Association	$ 194,276	$ 197,130	$ 182,261	$ 190,614	80% to 95%
North Shoal Creek	$ 175,477	$ 116,772	$ 277,437	$ 205,095	80% to 95%
Parker Lane	$ 229,794	$ 110,358	$ 240,157	$ 188,245	80% to 95%
Pecan Springs-Springdale	$ 233,975	$ 150,000	$ 178,992	$ 194,746	80% to 95%
Riverside	$ 198,089	$ 102,172	$ 322,444	$ 177,820	80% to 95%
Rosewood	$ 194,667	$ 262,381	$ 194,003	$ 207,877	80% to 95%
South Manchaca	$ 248,122	$ 176,067	$ 199,866	$ 203,421	80% to 95%
Southeast	–	$ 239,000	$ 163,633	$ 182,475	80% to 95%
Sweetbriar	$ 216,117	$ 154,408	$ 226,791	$ 205,102	80% to 95%
University Hills	$ 220,543	$ 140,900	$ 206,351	$ 205,886	80% to 95%
University of Texas	–	$ 182,980		$ 182,980	80% to 95%
Chestnut	$ 198,000	$ 203,287	$ 217,645	$ 211,838	95% to 120%
Coronado Hills	$ 315,500	$ 133,283	$ 171,200	$ 230,711	95% to 120%
Holly	$ 337,450	$ 246,531	$ 259,111	$ 256,504	95% to 120%
West Congress	–	$ 298,433	$ 210,203	$ 224,908	95% to 120%
Westgate	$ 230,080	$ 216,675	$ 277,851	$ 258,327	95% to 120%
Windsor Park	$ 198,118	$ 248,040	$ 246,359	$ 239,059	95% to 120%
Wooten	$ 227,820	$ 141,528	$ 225,825	$ 214,047	95% to 120%
Allandale	$ 315,000	$ 156,843	$ 363,948	$ 323,115	120% to 150%
Brentwood	$ 306,690	$ 294,372	$ 299,454	$ 298,056	120% to 150%
Central East Austin	$ 213,780	$ 296,055	$ 305,594	$ 298,544	120% to 150%
Crestview	$ 228,820	$ 242,588	$ 292,628	$ 275,786	120% to 150%
Dawson	$ 244,900	$ 219,413	$ 322,444	$ 289,517	120% to 150%
East Cesar Chavez	$ 364,950	$ 286,953	$ 296,333	$ 294,585	120% to 150%
Govalle	$ 482,474	$ 235,200	$ 277,151	$ 291,055	120% to 150%
North Loop	$ 371,391	$ 353,853	$ 310,864	$ 329,230	120% to 150%
North University	$ 444,800	$ 213,147	$ 453,011	$ 302,315	120% to 150%
South Lamar	$ 256,805	$ 236,596	$ 346,175	$ 278,507	120% to 150%
St. Edwards	$ 274,986	$ 247,438	$ 404,478	$ 302,824	120% to 150%
Upper Boggy Creek	$ 309,037	$ 174,636	$ 298,413	$ 291,739	120% to 150%
West Oak Hill	$ 239,583	$ 216,084	$ 324,009	$ 307,841	120% to 150%
West University	$ 541,150	$ 218,562	$ 397,084	$ 279,113	120% to 150%
Barton Hills	$ 295,360	$ 212,733	$ 459,379	$ 385,984	More than 150%
Bouldin Creek	$ 478,852	$ 210,953	$ 438,530	$ 341,477	More than 150%
Downtown		$ 464,575	$ 457,769	$ 463,156	More than 150%
East Oak Hill	$ 223,200	$ 286,792	$ 376,968	$ 362,735	More than 150%
Galindo	$ 256,133	$ 255,821	$ 400,285	$ 346,542	More than 150%
Hancock	$ 450,323	$ 207,224	$ 446,351	$ 371,000	More than 150%
Hyde Park	$ 384,577	$ 193,614	$ 429,535	$ 354,046	More than 150%
Old Enfield	$ 799,986	$ 404,950	$ 1,068,855	$ 905,924	More than 150%
Old West Austin	$ 590,575	$ 293,832	$ 573,320	$ 429,445	More than 150%
RMMA	–	–	$ 454,208	$ 454,208	More than 150%
Rosedale	$ 262,767	$ 273,812	$ 406,064	$ 374,033	More than 150%
South River City	$ 164,750	$ 256,674	$ 537,328	$ 425,873	More than 150%
West Austin Neighborhood Group	$ 509,879	$ 368,546	$ 760,602	$ 620,062	More than 150%
Windsor Road	$ 450,000	$ 373,771	$ 717,525	$ 675,084	More than 150%
Zilker	$ 333,320	$ 382,662	$ 432,430	$ 400,731	More than 150%

Note: Weighted averages are weighted by number of listings by type.
No data present indicates no 2008 listings by property type for that neighborhood

Source: MLS and BBC Research & Consulting.

What do households get for their money? As mentioned above, households earning less than $34,550 (50 percent or less of MFI) looking for a detached single family home in Austin could afford a home priced at $111,873 or less. Low to moderate income households earning between 50 percent and 95 percent of MFI ($35,551 to $65,645) could afford a home priced at $211,281 or less. Exhibit IV-33 shows, on average, what households can purchase in Austin by these affordability levels.

Exhibit IV-33.
Characteristics of Affordable Single Family For-Sale Housing, 2008

		Single Family Detached			
	Maximum Affordable Price	*Average Square Footage*	*Average Number of Bedrooms*	*Average Number of Bathrooms*	*Average Year Built*
Extremely and very low income <50% MFI or $34,550 or less	$ 111,873	792	1.4	1.4	1982
Low to moderate income 51 to 95% MFI or $34,551 to $65,645	$ 211,281	1,000	1.8	1.8	1986
		Single Family Attached			
	Maximum Affordable Price	*Average Square Footage*	*Average Number of Bedrooms*	*Average Number of Bathrooms*	*Average Year Built*
Extremely and very low income <50% MFI or $34,550 or less	$ 111,873	792	1.4	1.4	1982
Low to moderate income 51 to 95% MFI or $34,551 to $65,645	$ 211,281	1,000	1.8	1.8	1986

Source: MLS and BBC Research & Consulting

Affordable units are not only geographically isolated, as displayed above, but they are also notably smaller. For example, the average square footage for all for sale single family units in Austin in 2008 was 2,005 square feet. More specifically, the average house for sale in Austin was 2,230 square feet, built in 1984, with 3.4 bedrooms and 2.6 bathrooms.

How Has The Regional Housing Market Changed?

As the Austin housing market has become notably more expensive, the geographic distribution of units affordable to households earning 80 percent or less of the MFI has changed. Housing options for moderate and low income households have become more abundant outside of Austin.

Single family home prices have risen drastically in the last ten years, while the MFI has not. Based on income increases, over the last 10 years, the average family in Austin can afford to spend an additional $18,000 to purchase a home; however, the median price for a single family home in Austin has increased by $115,000. Exhibit IV-34 displays how the MFI and home prices have changed in the last 10 years.

Exhibit IV-34.
Median Family Income and Single Family Home Affordability, Austin, 1998-2008

Note:
Affordability calculations for 1998 included same property tax and utility values as 2008.

Source:
MLS, HUD and BBC Research & Consulting.

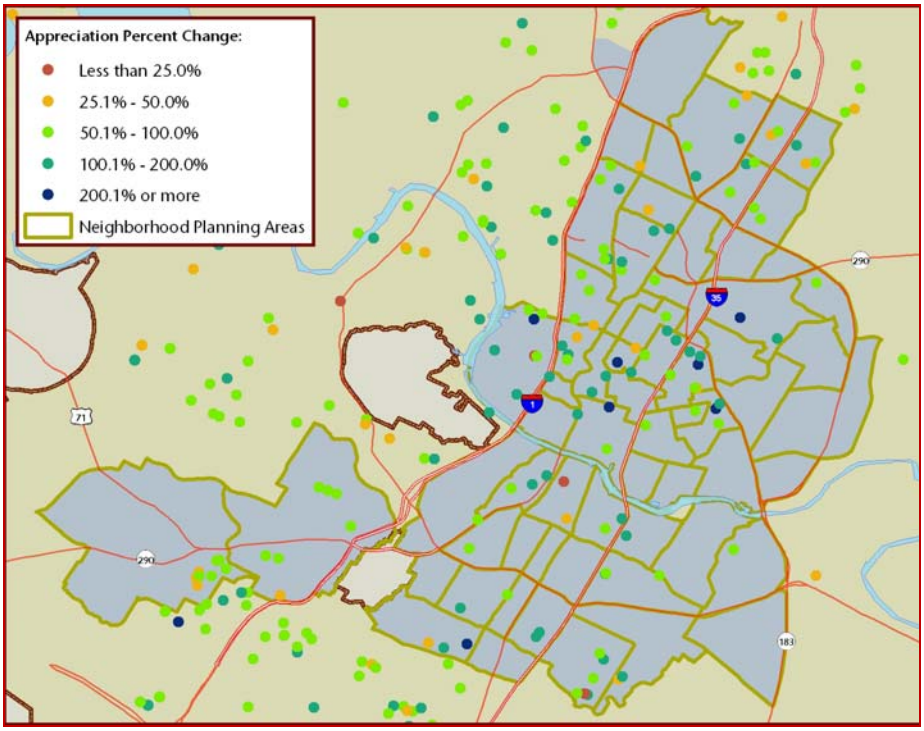
	HUD MFI	Single Family Median Home Price	80% MFI Affordability	Percent of For Sale Single Family Units Available to 80% MFI
1998	$ 50,800	$ 129,900	$ 117,212	42%
1999	$ 55,400	$ 140,000	$ 132,534	46%
2000	$ 58,900	$ 172,000	$ 144,191	39%
2001	$ 64,700	$ 189,900	$ 163,510	39%
2002	$ 71,100	$ 182,500	$ 184,826	50%
2003	$ 66,900	$ 179,900	$ 170,837	47%
2004	$ 66,900	$ 179,900	$ 170,837	47%
2005	$ 67,300	$ 190,000	$ 172,170	43%
2006	$ 69,600	$ 214,900	$ 179,830	40%
2007	$ 69,300	$ 242,993	$ 178,831	30%
2008	$ 69,100	$ 245,000	$ 178,165	28%

Moreover, homes for sale in 1998 that reappeared on the market in 2008 have appreciated significantly. Exhibit IV-35 shows the percentage of appreciation by location. Although homes in west Austin are appreciating less than homes in the other parts of the city, far more resale activity is occurring in this portion of Austin. Price appreciation is more apparent in communities with less activity, like central east Austin, where only recently has sale activity increased.

Exhibit IV-35.
Price Appreciation of Homes For Sale in 1998 and 2008, Austin

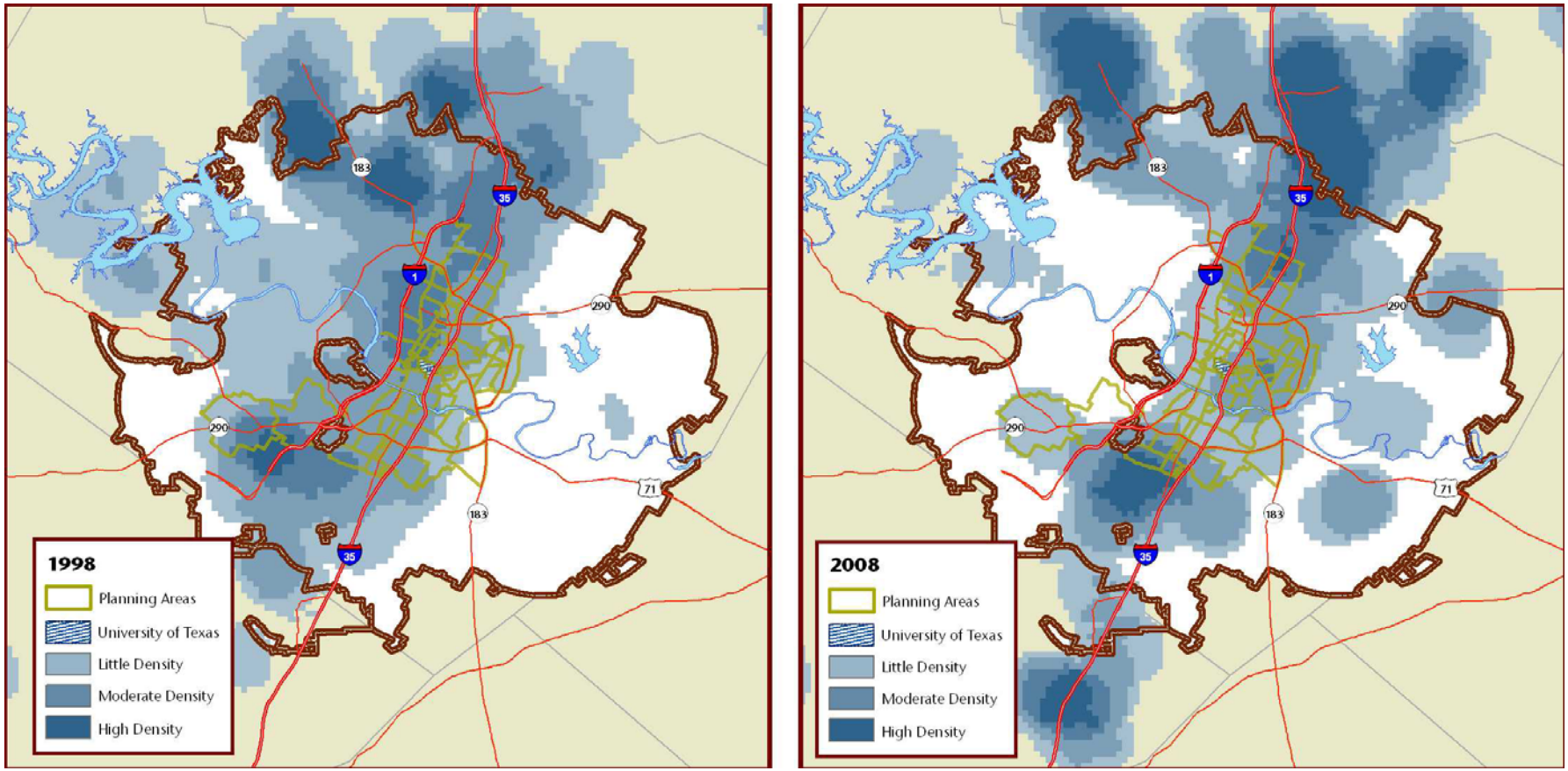
Note:
Homes on the market in both 1998 and 2008 with considerable increases in square footage were not included, as it was assumed that price increases were also due to home improvements.

Source:
MLS and BBC Research & Consulting



As home prices have become increasingly more expensive, particularly in neighborhoods once considered affordable and stable, less expensive housing choices have begun moving outside of Austin. Exhibits IV-36 and IV-37 display the geographical shift in single family detached units affordable to households earnings between 50 and 95 percent of MFI in the last ten years.

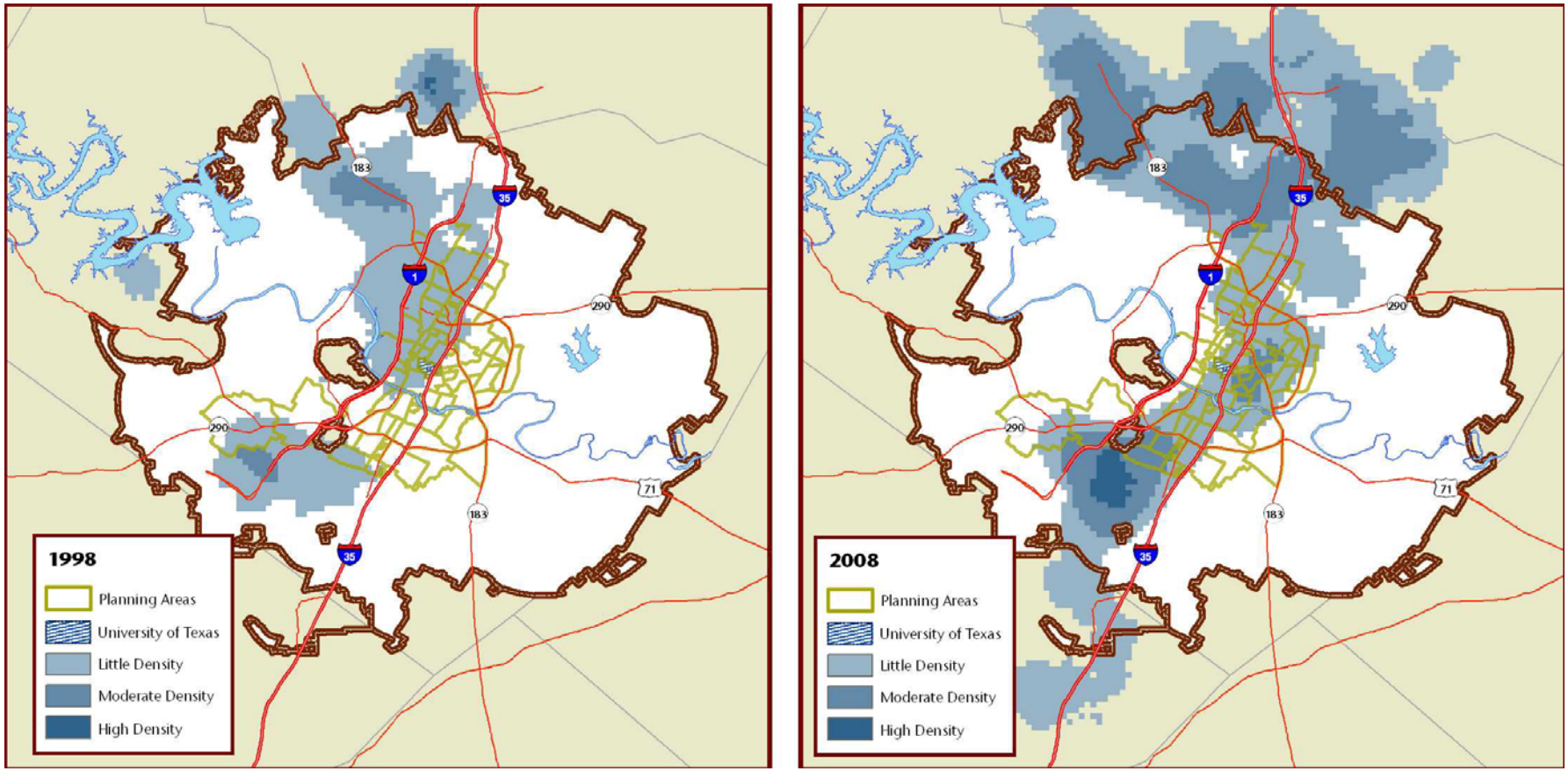
Exhibit IV-36.
Location of *Detached* Single Family Units Affordable to 51% to 80% MFI ($34,554 to $55,280), Austin Region, 1998 and 2008



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $111,874 and $178,165

Source: MLS and BBC Research & Consulting

Exhibit IV-37.
Location of *Detached* Single Family Units Affordable to 81% to 95% MFI ($55,281 to $65,645), Austin Region, 1998 and 2008



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $178,166 and $211,281.

Source: MLS and BBC Research & Consulting.

Households earning less than 95 percent of the median would generally find newer and larger affordable housing stock outside of Austin, in surrounding communities that have recently begun absorbing regional growth. For example, in 2008, the average home in Austin affordable to households earning 80 to 95 percent of the MFI was built in 1986 and had 1,970 square feet. The same household could find a home in Pflugerville built in 2001 with 2,320 square feet. Exhibit IV-38 displays what households earning between 80 percent and 95 percent of MFI could get for their money within the region. Size and age are the biggest differences in housing types in and outside of Austin.

Exhibit IV-38.
Housing Characteristics of *Detached* Single Family Units Affordable to 81% to 95% MFI ($55,281 to $65,645), Austin Region, 1998 and 2008

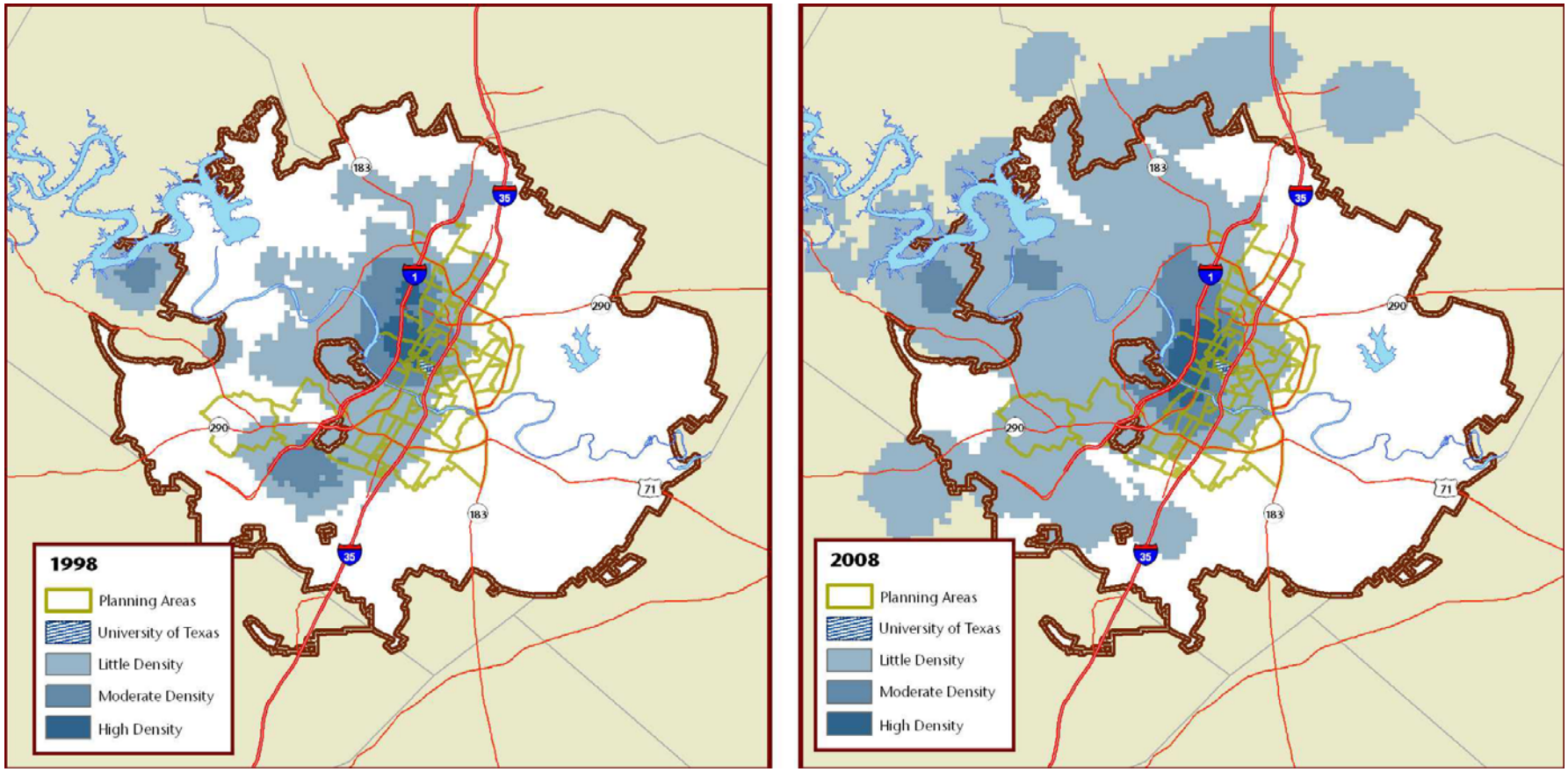
	1998				2008			
City	*Year Built*	*Square Feet*	*Number of Bedrooms*	*Number of Bathrooms*	*Year Built*	*Square Feet*	*Number of Bedrooms*	*Number of Bathrooms*
Austin	**1981**	**1,681**	**3.6**	**2.7**	**1986**	**1,971**	**3.3**	**2.5**
Bastrop	1980	2,806	3.7	2.8	1988	2,073	3.3	2.4
Buda	1990	1,304	3.9	2.6	2001	2,272	3.6	2.6
Cedar Park	1996	732	3.9	2.9	1998	2,120	3.4	2.5
Dripping Springs	1993	782	3.4	2.6	2003	1,897	3.1	2.5
Elgin	1993	785	3.3	2.7	1989	2,131	3.3	2.5
Hutto	1996	2,339	3.5	3.0	2005	2,437	3.9	2.6
Kyle	1995	2,135	4.0	4.0	2005	2,464	3.9	2.7
Leander	1990	1,766	3.6	2.8	2004	2,288	3.7	2.5
Manor	1985	2,934	4.0	3.0	2003	2,310	3.5	2.5
Round Rock	1992	1,163	3.9	2.9	1998	2,282	3.6	2.5

Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between $178,166 and $211,281.

Source: MLS and BBC Research & Consulting.

Housing stock affordable to household earning 150 percent or more of the MFI ($103,650) has also become more abundant within Austin and the region. However, density has primarily increased in west Austin. Exhibit IV-39 displays how housing stock affordable to households earning $103,650 or more has evolved in the last 10 years.

Exhibit IV-39.
Location of *Detached* Single Family Units Affordable to 150% or more of MFI ($103,650 or more), Austin Region, 1998 and 2008



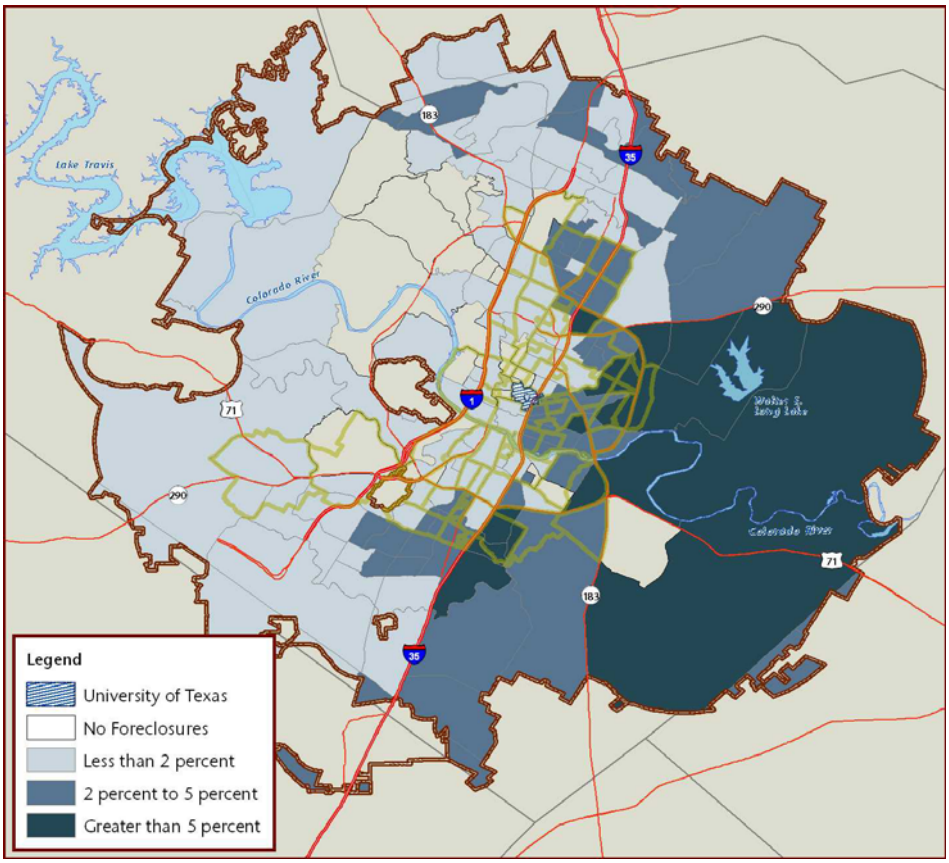
Note: Units shown in this map are priced at $332,783

Source: MLS and BBC Research & Consulting.

Mortgage Foreclosures

Overall, Austin has not been plagued with the volume of foreclosures that cities like Denver, Las Vegas and Phoenix have experienced. Rather, foreclosures in Austin have been very geographically specific. Far east and south Austin neighborhoods contain the highest levels of foreclosures within the city, indicating the correlation in Austin between low income households and foreclosures. Exhibit IV-40 displays the percentage of foreclosures by Census Tract.

Exhibit IV-40.
Percentage of Foreclosures by Census Tract, Austin, 2008



Note: Number of foreclosures divided by the total number of mortgages.
Source: Department of Housing & Urban Development HUD User website.

Relationship Between Housing and Employment

Lengthy commutes and excessive traffic in metropolitan areas can be the effect of a geographical mismatch of employment and housing opportunities. Although some employees simply prefer living far away from work, others are forced to live far away from their places of employment to find housing that meets their affordability criteria.

In 2004, the University of Texas's Chandra Bhat, a well-known transportation modeler, surveyed 699 commuters who work and reside within Hays, Williamson and Travis Counties.[10] The responses were weighted by race, income, gender, household size, household type and commute travel mode choice to best represent the population of Austin's commuters. He found the following:

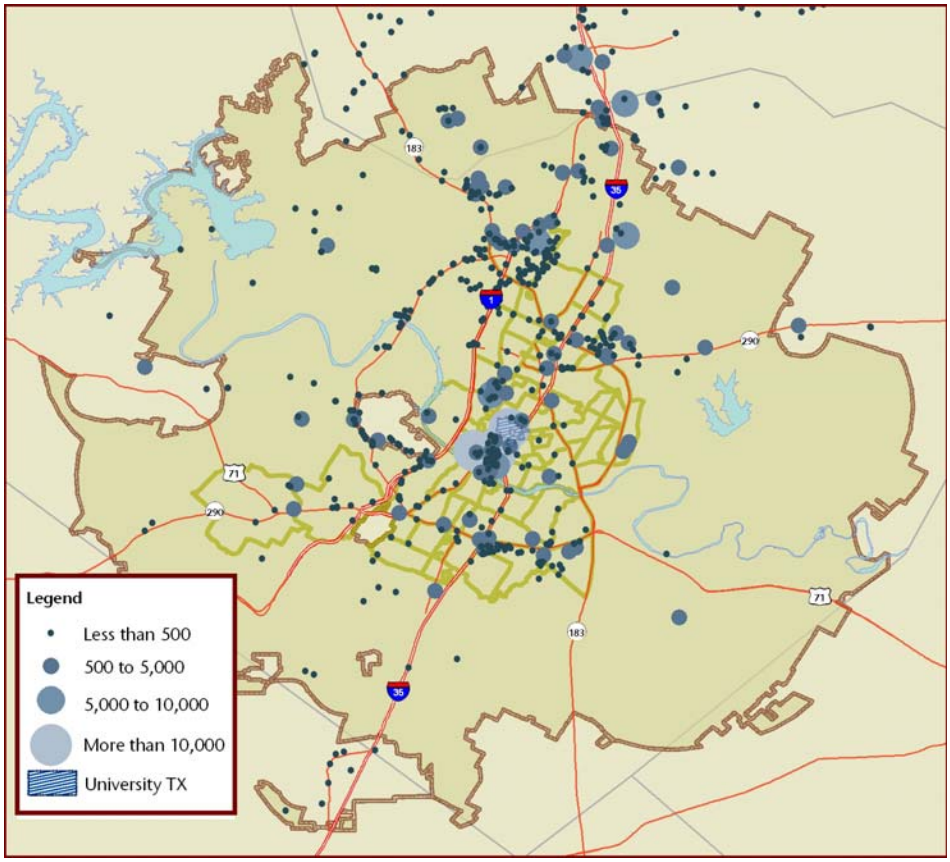
- Commuters were primarily employed full-time;
- Fifty-seven percent of the commuters completed an undergraduate degree and another 23 percent completed a Master's degree;
- They earned, on average, $44,650 a year, which is close to the average annual wage of both Travis County and the Austin-Round Rock MSA. Despite the high level of education of survey respondents, the distribution of personal income favored moderate levels of income; 22 percent of respondents earned less than $25,000 a year and an additional 50 percent of respondents earned between $25,000 and $55,000;
- Most commuters commute between 10 and 15 miles (22 percent) or 15 to 25 miles (21 percent) one way, and drive alone (85 percent); and
- Many commuters felt the trip was either extremely or very congested (55 percent), and 63 percent of Austin's commuters felt the commute was either very or somewhat stressful.

In summary, many commuters in Austin resemble typical low to moderate income households who have most likely moved out of Austin to find affordable housing opportunities.

Austin's economic development and recruitment efforts have focused on attracting high tech firms, specializing in products and markets such as semiconductor, clean energy, biomedical and wireless technology. As a result, Austin has an abundance of high paying jobs. In addition, because technology firms work closely with one another, as well as with smaller contractors, these firms have a tendency to locate in close proximity with one another. Austin's largest employers, as identified by the Austin Chamber of Commerce, are heavily concentrated along the Mo-Pac, downtown, which includes the University of Texas campus and north Austin. Exhibit IV-41 displays geographically some of Austin's largest employers. The exhibit demonstrates the diversity of wages in the high employment zip codes: For example, while most of the largest employment occupations are relatively high paying, many are not. Eight percent of the jobs are in sales occupations with a median annual wage of less than $30,000.

[10] Full report can be found here: www.ce.utexas.edu/prof/bhat/REPORTS/Commuter_survey.ppt

Exhibit IV-41.
Location of Austin's Largest Employers



Note: This is not an exhaustive list of Austin's employers. Rather, these firms represent industries of interest to the Austin Chamber of Commerce. Retailers are not included.

Source: Austin Chamber of Commerce and BBC Research & Consulting.

Zip codes 78735 and 78746 house some of Austin's largest employers, including Advanced Micro Devices (AMD), Freescale Semiconductors and Barton Creek Resort and Spa. Although these zip codes contain many high paying jobs in the tech industries, there are also a large number of low to moderate paying jobs in service sectors like food and beverage preparation. Thus, the weighted average of jobs located within these zip codes is just under $45,000.[11] Exhibit IV-42 displays he overall employment and wage distribution within these two zip codes.

[11] Average of median wages weighted on the number of jobs within the zip codes.

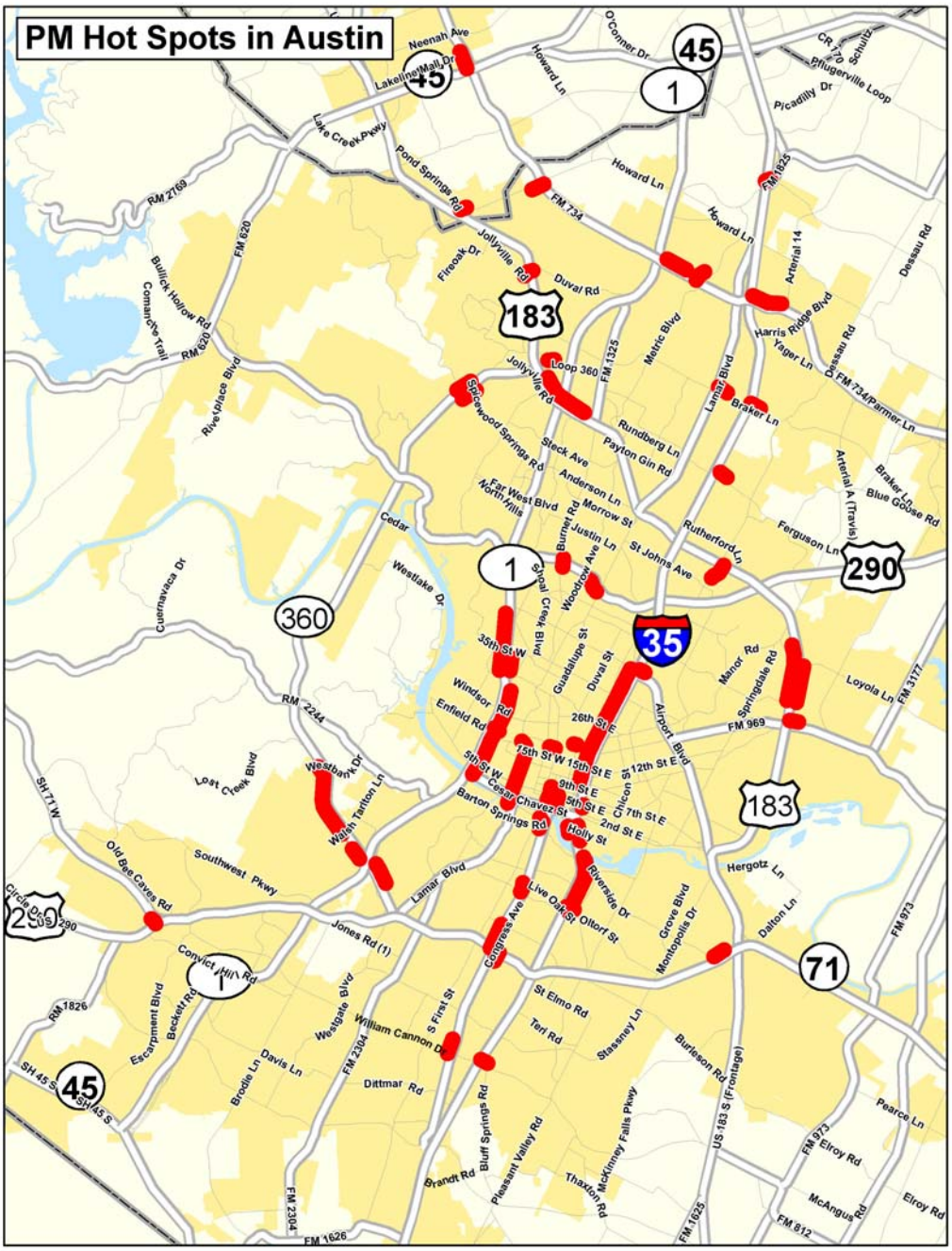
Exhibit IV-42.
Employment and Median Annual Wages for Zip Codes 78735 and 78746, Austin 2008

Occupation	Employment	Percent	Annual Median Wage	Occupation (cont'd)	Employment	Percent	Annual Median Wage
Other sales & related workers	5,310	8%	$29,682	Other healthcare support occupations	372	1%	$30,784
Computer specialists	4,642	7%	$75,546	Health technologists & technicians	371	1%	$46,488
Retail sales workers	3,715	5%	$22,110	Physical scientists	365	1%	$60,278
Other management occupations	3,364	5%	$59,654	Supervisors, construction & extraction workers	349	1%	$58,115
Business operations specialists	3,229	5%	$48,568	Electrical & electronic equipment mechanics, installers, & repairers	347	1%	$44,637
Financial specialists	2,969	4%	$50,918	Supervisors, food preparation & serving workers	316	0%	$29,578
Information & record clerks	2,498	4%	$30,888	Textile, apparel, & furnishings occupations	285	0%	$15,538
Secretaries & administrative assistants	2,349	3%	$35,110	Vehicle & mobile equipment mechanics, installers, & repairers	277	0%	$33,093
Sales representatives, services	1,954	3%	$49,067	Legal support workers	276	0%	$50,752
Food & beverage serving workers	1,904	3%	$15,621	Personal appearance workers	274	0%	$23,941
Engineers	1,898	3%	$81,723	Nursing, psychiatric, & home health aides	268	0%	$24,066
Top executives	1,757	3%	$96,595	Postsecondary teachers	266	0%	$109,408
Construction trades & related workers	1,598	2%	$40,539	Other education, training, & library occupations	265	0%	$31,387
Other office & administrative support workers	1,516	2%	$27,310	Metal workers & plastic workers	263	0%	$33,862
Financial clerks	1,384	2%	$32,822	Extraction workers	258	0%	$52,978
Supervisors, sales workers	1,199	2%	$54,163	Counselors, social workers, & other community & social service specialists	239	0%	$33,613
Drafters, engineering, & mapping technicians	1,111	2%	$44,117	Life, physical, & social science technicians	202	0%	$43,534
Material recording, scheduling, dispatching, & distributing occupations	1,100	2%	$28,122	Supervisors, production workers	175	0%	$55,994
Other installation, maintenance, & repair occupations	1,064	2%	$40,518	Entertainment attendants & related workers	172	0%	$16,266
Assemblers & fabricators	1,021	1%	$27,893	Mathematical science occupations	168	0%	$71,926
Other production occupations	1,016	1%	$30,410	Military Occupations	147	0%	$23,878
Material moving occupations	955	1%	$38,875	Supervisors of installation, maintenance, & repair workers	119	0%	$53,165
Media & communication occupations	917	1%	$34,715	Other construction & related workers	110	0%	$47,944
Operations specialties managers	913	1%	$88,275	Law enforcement workers	94	0%	$37,690
Building cleaning & pest control workers	873	1%	$21,174	Animal care & service workers	93	0%	$13,728
Other protective service workers	857	1%	$25,563	Life scientists	92	0%	$61,006
Health diagnosing & treating practitioners	856	1%	$106,891	Supervisors, building & grounds cleaning & maintenance workers	92	0%	$26,957
Primary, secondary, & special education teachers	814	1%	$52,437	Supervisors, personal care & service workers	92	0%	$22,755
Art & design occupations	782	1%	$28,558	Religious workers	85	0%	$15,746
Media & communication equipment occupations	777	1%	$28,746	Other transportation workers	76	0%	$17,555
Supervisors, office & administrative support workers	752	1%	$50,752	Occupational & physical therapist assistants & aides	61	0%	$32,760
Social scientists & related occupations	676	1%	$62,275	Helpers, construction trades	54	0%	$25,542
Other personal care & service workers	665	1%	$20,446	Food processing occupations	54	0%	$27,602
Entertainers & performers, sports & related occupations	657	1%	$23,525	Fire fighting & prevention workers	45	0%	$42,869
Cooks & food preparation workers	596	1%	$20,322	Supervisors, transportation & material moving workers	42	0%	$40,518
Sales representatives, wholesale & manufacturing	513	1%	$75,213	Transportation, tourism, & lodging attendants	41	0%	$25,293
Lawyers, judges, & related workers	501	1%	$85,883	Printing occupations	40	0%	$33,322
Other food preparation & serving related workers	479	1%	$15,662	First-line supervisors/managers, protective service workers	32	0%	$61,630
Motor vehicle operators	434	1%	$26,874	Communications equipment operators	32	0%	$26,582
Advertising, marketing, promotions, public relations, & sales managers	392	1%	$92,248	Plant & system operators	27	0%	$64,854
Other teachers & instructors	388	1%	$24,003	Librarians, curators, & archivists	25	0%	$42,432
Grounds maintenance workers	386	1%	$21,632	Woodworkers	24	0%	$22,277
Architects, surveyors, & cartographers	372	1%	$65,458	Other healthcare practitioners & technical occupations	16	0%	$57,304

Source: EMSI and CAPCOG

Because the housing market in this part of town has developed in a way to appeal to high earning households, many workers have to commute from more affordable parts of town. For example, within a 5 mile radius of the 78735 and 78746 zip codes, the median price for sale single family homes in 2008 was $325,000. Thus, many workers commute into the southern portion of the city from the south, east and the north. As such, major downtown arteries become congested. Exhibit IV-43 displays areas of high traffic concentrations during the peak afternoon commute hours.

Exhibit IV-43.
PM Hot Spots in Austin



Source: CAMPO

Although Austin has succeeded in securing high wage jobs, a large portion of the city's economy is still comprised of low and moderate waged employment opportunities. As the city's housing market continues to become more expensive, households may be forced to find affordable housing options further away from the areas of employment density in downtown Austin, north Austin, and southwest Austin, along Mo-Pac.

Future employment growth. The overall job composition in Austin will most likely change very little in the next 10 years. As it currently stands, 10 percent of Austin's occupations pay, on average, enough to afford the median priced home in Austin of $240,000. However, if a household has a second earner who makes an equal or greater amount of money per year, that percentage increases to about 50 percent. In other words, households will most likely be dependent on second earners to afford homeownership. And, even with a second earner, many of the wages paid within Austin are not high enough to afford current home prices.

Exhibit IV-44 shows the distribution of 2008 and 2018 jobs, their median wages and the maximum home price that could be afforded by one- and two-earner households. The vast majority of workers need homes priced under $200,000 to afford to buy unless they live in two-earner households—in which case, 42 percent still need homes priced under $200,000.

Exhibit IV-44.
Current and Future Employment and Wages, 2008 and 2018

Description	2008 Jobs	Percent of Employment	2018 Jobs	Percent of Employment	Median Annual Salary	One Worker Household Affordability	Two Worker Household Affordability
Computer specialists	35,252	4.7%	44,512	4.9%	$ 73,341	$ 236,891	$ 473,782
Retail sales workers	34,333	4.6%	40,365	4.4%	$ 21,819	$ 70,476	$ 140,952
Business operations specialists	30,507	4.1%	37,834	4.2%	$ 49,816	$ 160,906	$ 321,811
Other sales and related workers	29,703	4.0%	38,718	4.3%	$ 27,789	$ 89,758	$ 179,516
Food and beverage serving workers	28,381	3.8%	37,230	4.1%	$ 15,538	$ 50,186	$ 100,373
Information and record clerks	28,121	3.8%	34,295	3.8%	$ 29,952	$ 96,745	$ 193,490
Secretaries and administrative assistants	27,721	3.7%	32,564	3.6%	$ 34,549	$ 111,593	$ 223,185
Other management occupations	26,321	3.5%	32,224	3.5%	$ 66,810	$ 215,795	$ 431,590
Financial specialists	23,783	3.2%	29,530	3.2%	$ 50,586	$ 163,391	$ 326,783
Construction trades and related workers	22,493	3.0%	26,256	2.9%	$ 40,414	$ 130,539	$ 261,077
Other office and administrative support workers	21,405	2.9%	24,680	2.7%	$ 26,603	$ 85,928	$ 171,857
Primary, secondary, and special education teachers	17,971	2.4%	24,103	2.7%	$ 51,667	$ 166,885	$ 333,770
Building cleaning and pest control workers	16,752	2.2%	20,259	2.2%	$ 20,030	$ 64,698	$ 129,396
Financial clerks	16,453	2.2%	20,447	2.2%	$ 32,864	$ 106,151	$ 212,301
Top executives	15,739	2.1%	17,784	2.0%	$ 91,666	$ 296,080	$ 592,160
Health diagnosing and treating practitioners	15,715	2.1%	21,463	2.4%	$ 97,115	$ 313,682	$ 627,364
Material recording, scheduling, dispatching, and distributing occupations	15,324	2.1%	16,598	1.8%	$ 28,704	$ 92,714	$ 185,428
Material moving occupations	14,870	2.0%	16,840	1.9%	$ 27,518	$ 88,884	$ 177,769
Engineers	13,693	1.8%	15,877	1.7%	$ 84,552	$ 273,103	$ 546,206
Sales representatives, services	13,264	1.8%	16,079	1.8%	$ 46,717	$ 150,895	$ 301,791
Motor vehicle operators	12,666	1.7%	14,995	1.6%	$ 27,622	$ 89,220	$ 178,441
Other personal care and service workers	12,630	1.7%	15,789	1.7%	$ 19,490	$ 62,951	$ 125,903
Other installation, maintenance, and repair occupations	12,280	1.6%	14,816	1.6%	$ 34,798	$ 112,399	$ 224,798
Supervisors, sales workers	12,238	1.6%	14,232	1.6%	$ 54,392	$ 175,686	$ 351,372
Postsecondary teachers	10,567	1.4%	15,344	1.7%	$ 109,387	$ 353,321	$ 706,641
Cooks and food preparation workers	9,329	1.2%	11,810	1.3%	$ 20,280	$ 65,504	$ 131,009
Health technologists and technicians	9,136	1.2%	12,212	1.3%	$ 42,162	$ 136,182	$ 272,364
Sales representatives, wholesale and manufacturing	9,079	1.2%	10,877	1.2%	$ 72,571	$ 234,405	$ 468,810
Operations specialties managers	8,938	1.2%	10,763	1.2%	$ 88,296	$ 285,196	$ 570,392
Supervisors, office and administrative support workers	8,844	1.2%	10,124	1.1%	$ 50,648	$ 163,593	$ 327,186
Media and communication occupations	8,282	1.1%	9,746	1.1%	$ 35,568	$ 114,885	$ 229,769
Other production occupations	8,224	1.1%	8,994	1.0%	$ 32,490	$ 104,941	$ 209,883
Art and design occupations	8,208	1.1%	9,907	1.1%	$ 29,515	$ 95,334	$ 190,668
Assemblers and fabricators	8,168	1.1%	8,417	0.9%	$ 29,494	$ 95,267	$ 190,534
Drafters, engineering, and mapping technicians	7,549	1.0%	8,302	0.9%	$ 46,842	$ 151,298	$ 302,597
Other food preparation and serving related workers	7,042	0.9%	8,797	1.0%	$ 15,683	$ 50,657	$ 101,313

Source: EMSI and CAPCOG

Exhibit IV-44. (cont'd)
Current and Future Employment and Wages, 2008 and 2018

Description	2008 Jobs	Percent of Employment	2018 Jobs	Percent of Employment	Median Annual Salary	One Worker Household Affordability	Two Worker Household Affordability
Counselors, social workers, and other community and social service specialists	6,854	0.9%	8,727	1.0%	$ 33,405	$ 107,898	$ 215,795
Other protective service workers	6,730	0.9%	7,933	0.9%	$ 24,690	$ 79,747	$ 159,495
Nursing, psychiatric, and home health aides	6,420	0.9%	8,655	1.0%	$ 24,586	$ 79,411	$ 158,823
Lawyers, judges, and related workers	6,014	0.8%	6,972	0.8%	$ 85,384	$ 275,790	$ 551,581
Vehicle and mobile equipment mechanics, installers, and repairers	5,756	0.8%	6,868	0.8%	$ 35,547	$ 114,817	$ 229,635
Social scientists and related occupations	5,677	0.8%	6,789	0.7%	$ 62,130	$ 200,679	$ 401,357
Entertainers and performers, sports and related occupations	5,623	0.8%	6,963	0.8%	$ 20,696	$ 66,848	$ 133,696
Other teachers and instructors	5,570	0.7%	7,217	0.8%	$ 24,066	$ 77,732	$ 155,464
Electrical and electronic equipment mechanics, installers, and repairers	5,348	0.7%	6,402	0.7%	$ 46,488	$ 150,156	$ 300,312
Other education, training, and library occupations	5,338	0.7%	6,944	0.8%	$ 31,450	$ 101,582	$ 203,164
Media and communication equipment occupations	5,311	0.7%	5,964	0.7%	$ 28,787	$ 92,983	$ 185,965
Grounds maintenance workers	5,039	0.7%	6,047	0.7%	$ 22,152	$ 71,551	$ 143,102
Supervisors, food preparation and serving workers	4,932	0.7%	6,278	0.7%	$ 29,390	$ 94,931	$ 189,862
Other healthcare support occupations	4,871	0.7%	6,683	0.7%	$ 30,784	$ 99,432	$ 198,865
Law enforcement workers	4,736	0.6%	6,441	0.7%	$ 37,690	$ 121,737	$ 243,475
Supervisors, construction and extraction workers	3,714	0.5%	4,278	0.5%	$ 57,616	$ 186,100	$ 372,199
Advertising, marketing, promotions, public relations, and sales managers	3,487	0.5%	4,069	0.4%	$ 91,312	$ 294,938	$ 589,876
Metal workers and plastic workers	3,469	0.5%	3,914	0.4%	$ 33,342	$ 107,696	$ 215,392
Physical scientists	3,265	0.4%	3,862	0.4%	$ 56,909	$ 183,815	$ 367,631
Legal support workers	3,098	0.4%	3,646	0.4%	$ 50,357	$ 162,652	$ 325,305
Textile, apparel, and furnishings occupations	2,830	0.4%	3,052	0.3%	$ 17,659	$ 57,039	$ 114,078
Personal appearance workers	2,779	0.4%	2,767	0.3%	$ 24,003	$ 77,530	$ 155,061
Life, physical, and social science technicians	2,508	0.3%	3,186	0.4%	$ 42,869	$ 138,466	$ 276,932
Military Occupations	2,322	0.3%	2,175	0.2%	$ 23,795	$ 76,858	$ 153,717
Fire fighting and prevention workers	2,239	0.3%	3,129	0.3%	$ 42,890	$ 138,533	$ 277,067
Supervisors, building and grounds cleaning and maintenance workers	2,041	0.3%	2,398	0.3%	$ 25,730	$ 83,107	$ 166,213
Supervisors, production workers	2,014	0.3%	2,233	0.2%	$ 55,744	$ 180,053	$ 360,106
Entertainment attendants and related workers	1,973	0.3%	2,502	0.3%	$ 16,141	$ 52,135	$ 104,270
Supervisors of installation, maintenance, and repair workers	1,864	0.2%	2,218	0.2%	$ 53,102	$ 171,521	$ 343,042
Architects, surveyors, and cartographers	1,761	0.2%	1,888	0.2%	$ 65,083	$ 210,219	$ 420,437
Mathematical science occupations	1,730	0.2%	2,000	0.2%	$ 71,219	$ 230,038	$ 460,076
Other transportation workers	1,657	0.2%	1,931	0.2%	$ 18,075	$ 58,383	$ 116,766
Life scientists	1,529	0.2%	2,040	0.2%	$ 60,299	$ 194,766	$ 389,533
Animal care and service workers	1,493	0.2%	1,044	0.1%	$ 13,894	$ 44,879	$ 89,758
Helpers, construction trades	1,452	0.2%	1,742	0.2%	$ 24,606	$ 79,479	$ 158,957
Printing occupations	1,292	0.2%	1,365	0.2%	$ 32,635	$ 105,412	$ 210,823

Source: EMSI and CAPCOG

Exhibit IV-44. (cont'd)
Current and Future Employment and Wages, 2008 and 2018

Description	2008 Jobs	Percent of Employment	2018 Jobs	Percent of Employment	Median Annual Salary	One Worker Household Affordability	Two Worker Household Affordability
Religious workers	1,276	0.2%	1,378	0.2%	$ 15,704	$ 50,724	$ 101,448
Extraction workers	1,220	0.2%	1,533	0.2%	$ 53,290	$ 172,125	$ 344,251
Other construction and related workers	1,192	0.2%	1,456	0.2%	$ 45,531	$ 147,066	$ 294,132
Food processing occupations	1,121	0.2%	1,309	0.1%	$ 27,747	$ 89,623	$ 179,247
Supervisors, personal care and service workers	1,119	0.1%	1,227	0.1%	$ 23,067	$ 74,507	$ 149,014
Librarians, curators, and archivists	1,043	0.1%	1,323	0.1%	$ 41,954	$ 135,510	$ 271,020
Supervisors, transportation and material moving workers	1,019	0.1%	1,246	0.1%	$ 42,099	$ 135,980	$ 271,961
Transportation, tourism, and lodging attendants	837	0.1%	748	0.1%	$ 21,424	$ 69,200	$ 138,399
Plant and system operators	792	0.1%	989	0.1%	$ 50,045	$ 161,645	$ 323,289
Woodworkers	741	0.1%	878	0.1%	$ 29,203	$ 94,326	$ 188,653
Communications equipment operators	736	0.1%	719	0.1%	$ 29,786	$ 96,207	$ 192,415
First-line supervisors/managers, protective service workers	591	0.1%	748	0.1%	$ 62,067	$ 200,477	$ 400,954
Occupational and physical therapist assistants and aides	559	0.1%	791	0.1%	$ 34,258	$ 110,652	$ 221,304
Other healthcare practitioners and technical occupations	459	0.1%	594	0.1%	$ 56,597	$ 182,808	$ 365,615
Air transportation occupations	422	0.1%	425	0.0%	$ 95,784	$ 309,382	$ 618,765
Agricultural workers	152	0.0%	191	0.0%	$ 20,072	$ 64,833	$ 129,665
Water transportation occupations	96	0.0%	116	0.0%	$ 42,557	$ 137,458	$ 274,917
Fishing and hunting workers	82	0.0%	97	0.0%	$ 12,230	$ 39,504	$ 79,008
Rail transportation occupations	62	0.0%	72	0.0%	$ 56,347	$ 182,001	$ 364,003
Funeral service workers	46	0.0%	60	0.0%	$ 19,926	$ 64,362	$ 128,725
Forest, conservation, and logging workers	21	0.0%	20	0.0%	$ 45,552	$ 147,133	$ 294,266
Supervisors, farming, fishing, and forestry workers	14	0.0%	15	0.0%	$ 34,507	$ 111,458	$ 222,917
Total	**747,316**	**100.0%**	**909,040**	**100.0%**	**$ 43,139**	**$ 43,139**	$ 278,679

Source: EMSI and CAPCOG

SECTION V.
Housing Affordability Analysis

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Housing Affordability Analysis

This section compares Austin's availability of rental and for-sale housing at different prices with households by affordability range. This exercise was conducted to examine:

- If rents are appropriate to meet the affordability needs of the city's renters;
- If renters can find housing to buy that is affordable to them; and
- The choices current owners have if they were to move within Austin.

The analysis found the following:

Rental needs. Austin has a very strong need for affordable rentals. The city's rental market is narrowly priced, with 79 percent of units priced between $550 and $1,150 per month (specifically, 44 percent rent between $550 and $775 and 35 percent between $775 and $1,150). These units are affordable to households earning between $25,000 and $50,000.

The city's renters earning less than $20,000 per year—44,700 renters—had just 7,150 affordable units in the market from which to choose. This means that there are 37,600 more renters earning less than $20,000 per year than units in the market affordable to them, even after accounting for subsidized units and vouchers. In other words, just 1 in 6 renters earning less than $20,000 can find affordable housing.

The mismatch between renter income and availability of units is most severe for renters earning less than $10,000 per year: These 21,700 renters have just 2,400 units affordable to them, leaving a shortage of 19,300 units.

By 2020, the city will need to develop 12,500 rental units priced at $425 and less to meet the growing needs of low income renters. To only modestly lower the current low income rental gap and meet the growing needs, as many as 16,500 units should be constructed.

Homeownership needs. To buy in Austin, potential homeowners must earn at least $50,000 before one-third of attached units and 16 percent of detached units become affordable. About one-third of the city's renters earn enough to have these choices in Austin's home purchase market. Renters earning $75,000 have many more choices—however, just 13 percent of Austin's renters earn this much.

Austin has a need for homes priced between $113,000 and $240,000 to enable its renter population earning between $35,000 and $75,000 per year to become homeowners. In many cities, this demand for affordable homes is partially fulfilled through attached housing; however, in Austin, this ownership product is currently limited.

Future growth of homeowners will demand a slightly different distribution of price points than the city has now. To accommodate future homeowners:

- 8 percent of the units must be priced at $113,000 and less (likely small condos);
- 13 percent at $113,000 to $160,500 (a mix of condos and townhomes);
- 21 percent at $160,500 to $240,400 (condos, townhomes, cottages and small single family detached units); and
- 58 percent more than $240,400 (range of housing options).

This distribution is not much different than what Austin's market currently offers, except for a slightly higher proportions at the most affordable levels.

Austin relative to Denver. BBC conducted a study very similar to Austin's comprehensive market analysis for the City and County of Denver in 2006. Compared to Denver:

- **Rental gap.** Austin has a much greater need for affordable rentals. Like Austin, Denver has a large mismatch between supply and demand for its lowest income renters. However, Denver's rental market provides many more affordable units to renters earning less than $20,000 per year (15,600 units compared to Austin's 7,150 units). Denver's rental gap diminishes at the $20,000 income mark, meaning that Denver's lower income renters who have to "rent up" in order to find somewhere to live likely face lower levels of cost burden than in Austin.

- **Homeownership gap.** Denver's detached single family unit price distribution and affordability is similar to Austin's; however, Denver offers more affordable homeownership options because it has a larger attached market. In Denver, during 2005, there were 4,200 attached homes for sale affordable to potential buyers earning $50,000 and less. This compares to Austin's 950 homes in 2008. (And, Austin has about 40 percent more renters earning less than $50,000 than Denver does). In addition, Denver had 10,000 attached homes on the market for purchase in 2005. By comparison, Austin had 2,700 in 2008.

Methodology

The analysis in this section examines housing need across all income levels, to identify mismatches in supply and demand for all households in Austin. It reports the results of a modeling effort called a gaps analysis, which compares housing affordability for households at different income levels to the supply of housing units affordable at these income levels.

The analysis used the most recent data gathered in 2008, which includes the following:

- Household projections from the city's demographer, the American Community Survey (ACS) and household income ranges from ACS;
- Austin Investor Interests' third quarter 2008 (3Q08) rental data with pricing, location, number of units and affordability components;
- Broad rental market conditions (overall and submarket vacancy rates, average rents) from M/PF Yieldstar;

- Data on subsidized rental units from the Austin Housing Authority, the Travis County Housing Authority and the City of Austin Consolidated Plan;
- Data on potential build out from the city's planning department; and
- Data on multifamily developments under construction and approved from Austin Investor Interests.

Rental data note. Our distribution of rental data is based on data purchased from Austin Investor Interests. These data represent apartments in buildings with 50 units and more. There is no comparable source of data for apartments with less than 50 units.

The data are adjusted to account for Section 8 voucher subsidies and affordable units that were not captured in the Austin Investors data.

To ensure that our distribution was not significantly affected by the lack of small apartment buildings, we compared the rental distribution estimated by the U.S. Census for Austin in 2007 with our distribution.

Defining affordability. Housing is "affordable" if no more than 30 percent of a household's monthly income is needed for rent, mortgage payments and utilities. When the proportion of household income needed to pay housing costs exceeds 30 percent, a household is considered "cost burdened."

Housing programs generally focus on assisting lower income populations. HUD divides low and moderate income households into categories, based on their relationship to the median family income (MFI): extremely low income (earning 30 percent or less of the MFI), very low income (earning between 31 and 50 percent of the MFI), low income (earning between 51 and 80 percent of the MFI) and moderate income (earning between 81 and 100 percent of the MFI).

Rental Affordability

The distribution of rental units by price for Austin was based on 3Q08 data from Austin Investor Interests, which captured about 122,000 units in the City of Austin. Because the data do not capture all of the rental subsidies or affordable units in the city (e.g., Section 8 vouchers), we obtained data on the affordability of public housing units and affordable units from housing authorities and the city and adjusted our rental distribution for these affordable units.

Private market units that were not captured by the Austin Investor Interests data were assumed to have the same price distribution as the sample of the 122,000 units.

A few assumptions were necessary to complete the rental distribution:

- The rental data do not include detached single family homes that are rented. For the purpose of this analysis, it is assumed that rental rates for these single family homes are similar to the rates represented by the survey sample. Single family home rents are likely to be slightly higher than rents for an apartment of the same size. If the gaps analysis is affected by this assumption, it would occur at the higher end of the rent scale. Hence, the gaps analysis may have overestimated the mismatch between rental units and higher-income renter households.

- Market-rate units rented to tenants with Section 8 vouchers were adjusted to reflect the Section 8 subsidy making these units more affordable. We assume that Section 8 vouchers are predominantly held by households earning less than $25,000.
- The vacancy rate for all rental units—market-rate and subsidized—was assumed to be 7.9 percent, which is consistent with the vacancy rate reported by Austin Investor Interests for 3Q08. M/PF Yieldstar, another commercial provider of rental data, reported a second quarter 2008 vacancy of 6.6 percent, with an increase anticipated during the balance of 2008.

What can households afford? Exhibit V-1 shows the affordability of rental housing by price range. Units are affordable if no more than 30 percent of a household's income is required to pay both rent and utilities. For example, households earning less than $10,000 per year could afford to pay a maximum of $175 in rent each month (accounting for utility costs) to avoid being cost burdened.

Exhibit V-1.
Affordable Rents by Household Income Range, 2008

Source:
BBC Research & Consulting.

2008 Income Ranges	Maximum Affordable Rent + Utilities
Less than $10,000	$175
$10,000 to $14,999	$300
$15,000 to $19,999	$425
$20,000 to $24,999	$550
$25,000 to $34,999	$775
$35,000 to $49,999	$1,150
$50,000 to $74,999	$1,725
$75,000 to $99,999	$2,300
$100,000 to $149,999	$3,550
$150,000 or more	$3,550 +

Exhibit V-2 shows the estimated number of renter households in each income category in 2008, along with the number and proportion of rental units affordable to them.

Exhibit V-2.
Renter Households Compared to Rental Units, 3Q2008

2008 Income Ranges	Maximum Affordable Rent + Utilities	Renters		Rental Units, 3Q08	
		Number	*Percent*	*Number*	*Percent*
Less than $10,000	$175	21,719	1%	2,397	13%
$10,000 to $14,999	$300	12,390	1%	1,932	7%
$15,000 to $19,999	$425	12,160	2%	2,822	7%
$20,000 to $24,999	$550	13,819	9%	15,446	8%
$25,000 to $34,999	$775	26,530	48%	79,034	16%
$35,000 to $49,999	$1,150	28,103	38%	63,186	17%
$50,000 to $74,999	$1,725	29,583	8%	13,366	18%
$75,000 to $99,999	$2,300	10,898	1%	1,476	7%
$100,000 to $149,999	$3,550	6,335	0%	292	4%
$150,000 or more	$3,550 +	4,113	0%	55	2%
Total		**165,650**		**180,006**	

Source: BBC Research & Consulting.

Rental mismatch summary. Exhibit V-3 compares the supply of rental units to the number of renter households in each category. The Rental Gap column identifies the shortages and excesses in the market—this is the rental unit mismatch. The rental gaps analysis shows the following:

- In 2008, 21,700 renter households—13 percent of all renter households in Austin—earned less than $10,000. These households could only afford to pay a maximum $175 per month in rent without being cost burdened. Austin has approximately 2,400 units and rental assistance vouchers for these households—leaving a gap of 19,300 underserved households.
- Another 24,500 renter households—14 percent of all renters—need apartments with rents of between $175 and $425 to avoid being cost burdened. These households earn between $10,000 and $20,000 per year. In 2008, these renters had approximately 4,750 affordable units and vouchers available to them, leaving a gap of 19,800 underserved households.
- For renters to have a range of affordable choices in Austin, they must earn at least $25,000 per year. For renters with incomes of $25,000 and more, affordable rental units abound: Austin's rental market is narrowly priced, with most rents between $550 and $1,150 per month. Seventy-nine percent of rental units fall within this price band.
- Sixty-four percent of Austin's renters earn more than $25,000 and, as such, are adequately served by the rental market. For the other 36 percent, it can be difficult to find an affordable rental, and many find themselves paying more than 30 percent of their incomes for housing. This can constrain their ability to save for the downpayment needed to purchase a home.

Exhibit V-3.
Rental Gaps Analysis, 2008

2005 Income Ranges	Maximum Affordable Rent	Renters		Rental Units 3Q08		Rental Gap
		Number	*Percent*	*Number*	*Percent*	
Less than $10,000	$175	21,719	13%	2,397	1%	**(19,322)**
$10,000 to $14,999	$300	12,390	7%	1,932	1%	**(10,458)**
$15,000 to $19,999	$425	12,160	7%	2,822	2%	**(9,339)**
$20,000 to $24,999	$550	13,819	8%	15,446	9%	1,627
$25,000 to $34,999	$775	26,530	16%	79,034	44%	52,504
$35,000 to $49,999	$1,150	28,103	17%	63,186	35%	35,083
$50,000 to $74,999	$1,725	29,583	18%	13,366	7%	(16,217)
$75,000 to $99,999	$2,300	10,898	7%	1,476	1%	(9,422)
$100,000 to $149,999	$3,550	6,335	4%	292	0%	(6,043)
$150,000 or more	$3,550 +	4,113	2%	55	0%	(4,057)
Total		**165,650**	**100%**	**180,006**	**100%**	

Source: BBC Research & Consulting.

Section IV discusses future development, including the number of apartment complexes that are in the pipeline for construction. As mentioned in the section, Austin's rental market is projected to be very active in the near future. It is unlikely, however, that the new units constructed will alleviate the unmet demand for affordable rentals demonstrated by the gaps analysis (i.e., rent less than $425 per month). However, to the extent that the market cannot absorb the construction activity, prices may drop, concessions may increase, and renters—even the lowest income renters—may find the market more affordable.

This occurred in Denver in 2003 and 2004. The phenomenon was a double-edged sword for affordable housing. Rents dropped so much that the market was flooded with affordable rentals, which was good news for renters. However, nonprofit housing providers found themselves competing with market rate providers offering unparalleled amenities, which led to very high vacancies and cash flow challenges for the nonprofits.

Single Family Affordability

This gaps analysis for the affordability of homes for sale was conducted to examine two facets of the for-sale market:

- How easily renters at different income levels can afford to buy a home; and
- How easily current owners could afford to sell their current home and buy another home in Austin.

The distribution of for-sale units by price for Austin was based on 2008 listings and sales of homes on the market in Austin.

What can households afford? Exhibit V-4 shows what households at different income levels could afford to buy by price range[1]. Units are affordable if no more than 30 percent of a household's income is required to pay both the mortgage payment (including taxes and insurance) and utilities. For example, households earning less than $10,000 per year could afford a home costing no more than $33,396 (a tough price range within which to find a home).

Exhibit V-4. Affordable Home Prices by Household Income Range, 2008

Source: BBC Research & Consulting.

2008 Income Ranges	Maximum Affordable Home Purchase Price	2008 Income Ranges (cont'd)	Maximum Affordable Home Purchase Price
Less than $10,000	$33,396	$35,000 to $49,999	$160,459
$10,000 to $14,999	$49,371	$50,000 to $74,999	$240,386
$15,000 to $19,999	$65,351	$75,000 to $99,999	$319,770
$20,000 to $24,999	$81,360	$100,000 to $149,999	$479,625
$25,000 to $34,999	$113,063	$150,000 or more	$639,449 +

Renter/for-sale mismatch. Exhibit V-5 on the following page shows the estimated number of renter households in each income category in 2008, along with the number and proportion of homes affordable to them as of 2008. This shows how well the for sale market is able to serve Austin's renters households looking to buy.

[1] Mortgage loan terms are assumed as 30-year fixed, 6.5 percent, 5 percent downpayment. The mortgage payment is also adjusted to incorporate hazard insurance, property taxes and utilities.

Exhibit V-5.
Affordability of For-Sale Housing to Austin's Renters, 2008

2008 Income Ranges	Maximum Affordable Home Price	Renters		Affordable *Attached* Homes		Cumulative Percent	Affordable *Detached* Homes		Cumulative Percent
		Number	*Percent*	*Number*	*Percent*		*Number*	*Percent*	
Less than $10,000	$33,396	21,719	13%	2	0%	0%	2	0%	0%
$10,000 to $14,999	$49,371	12,390	7%	16	1%	1%	2	0%	0%
$15,000 to $19,999	$65,351	12,160	7%	63	2%	3%	17	0%	0%
$20,000 to $24,999	$81,360	13,819	8%	69	3%	6%	40	0%	0%
$25,000 to $34,999	$113,063	26,530	16%	98	4%	9%	326	3%	3%
$35,000 to $49,999	$160,459	28,103	17%	710	26%	36%	1,306	13%	16%
$50,000 to $74,999	$240,386	29,583	18%	756	28%	64%	2,698	28%	44%
$75,000 to $99,999	$319,770	10,898	7%	435	16%	80%	1,675	17%	61%
$100,000 to $149,999	$479,625	6,335	4%	335	12%	92%	1,990	20%	81%
$150,000 or more	$639,449 +	4,113	2%	208	8%	100%	1,714	18%	99%
Total		**165,650**	**100%**	**2,692**	**100%**	**100%**	**9,770**	**100%**	**100%**

Source: BBC Research & Consulting.

Renters who want to buy in Austin must earn $50,000 before one-third of attached units on the market become affordable. The city's 115,000 renters earning less than $50,000 would have had 950 attached units to choose from if they were house shopping during 2008.

Renters looking for affordable detached homes would have found just 16 percent of the market affordable to them unless they earn more than $50,000. Renters earning $75,000 fare better in the market, with 44 percent of detached units affordable in 2008.

In general, renters earning less than $50,000 per year have limited choices in Austin's market for purchasing a detached single family home. Attached homes are more affordable but still in limited supply until potential buyers reach the $75,000 income mark.

Homeownership mismatch. Exhibit V-6 shows how Austin's owner population matches up with the units in Austin's owner-occupied housing market. This analysis examines how easily current owners could move within Austin. In markets with rapid appreciation, some owners find themselves in a situation where they "could not afford to buy the house they are living in." Although this usually means owners have built equity, it can also mean that it is cost prohibitive for current owners to move within a market.

The homeownership mismatch shows that current owners need to earn at least $50,000 before they could move in Austin's market easily, unless they have a fair amount of equity in their existing home.

Exhibit V-6.
Homeownership Gaps Analysis, 2008

2005 Income Ranges	Maximum Affordable Home Price	Owners		Homeownership Units		Home-ownerhip Gap
		Number	*Percent*	*Number*	*Percent*	
Less than $10,000	$33,396	3,862	3%	47	0%	**(3,815)**
$10,000 to $14,999	$49,371	3,374	2%	211	0%	**(3,163)**
$15,000 to $19,999	$65,351	2,774	2%	939	1%	**(1,836)**
$20,000 to $24,999	$81,360	5,089	4%	1,279	1%	**(3,810)**
$25,000 to $34,999	$113,063	9,937	7%	4,974	3%	**(4,962)**
$35,000 to $49,999	$160,459	15,915	11%	23,652	16%	7,737
$50,000 to $74,999	$240,386	26,090	18%	40,523	28%	14,433
$75,000 to $99,999	$319,770	21,271	15%	24,755	17%	3,481
$100,000 to $149,999	$479,625	27,840	20%	27,277	19%	(563)
$150,000 or more	$639,449 +	25,253	18%	22,549	15%	(2,704)
Total		**141,405**	**100%**	**146,206**	**100%**	

Source: BBC Research & Consulting.

Property tax increases. The gaps analysis above does not demonstrate the increased burden that property tax increases are placing on some of Austin's current homeowners. In some neighborhoods, rapidly increasing property appraisals are leading to much higher tax bills, which might be unaffordable to some homeowners. For example, one Holly neighborhood property appraised at $77,000 in 2003. In 2008, the property appraised for $158,000. Although tax rates actually decreased, the increase in appraised value caused the tax bill to rise from $700 in 2003 to $3,100 in 2008. Additionally, this property was receiving a homestead exemption, meaning that some taxing units were not taxing on the fully appraised value, thereby lowering the overall tax bill. If the property had not received a Homestead Exemption and had been a rental property, for example, the full tax bill would have been nearly $3,500.

Mismatch by MFI. Exhibit V-7 on the following page presents the gaps/mismatch analysis using the median family income (MFI) categories for income ranges. It shows data for both rental and homeownership housing.

Exhibit V-7.
Gaps Analysis by MFI Level, 2008

Income Range	Renters		Rental Units			Owners		Ownership Units		
	Number	*Percent*	*Number*	*Percent*	Gap	*Number*	*Percent*	*Number*	*Percent*	Gap
0% to 30% MFI *($0 to $20,730)*	48,287	29%	9,375	5%	(38,912)	10,753	8%	1,484	1%	(9,269)
31% to 50% MFI *($20,731 to $34,550)*	37,140	22%	88,392	49%	51,252	13,837	10%	8,084	6%	(5,752)
51% to 80% MFI *($34,551 to $55,280)*	35,543	21%	68,956	38%	33,413	21,872	15%	30,877	21%	9,005
81% to 95% MFI *($55,281 to $65,645)*	12,266	7%	6,021	3%	(6,245)	10,817	8%	18,050	12%	7,232
96% to 120% MFI *($65,646 to $82,920)*	14,522	9%	5,819	3%	(8,703)	16,502	12%	22,162	15%	5,660
121% to 150% MFI *($82,921 to $103,650)*	7,908	5%	1,117	1%	(6,791)	16,567	12%	19,533	13%	2,966
More Than 150% MFI *($103,651+)*	9,985	6%	326	0%	(9,659)	51,061	36%	46,018	31%	(5,043)

Source: BBC Research & Consulting.

Questions about the Gaps Analysis Findings

How many of the low income renters with needs are students?

We examined our resident survey data to determine how much of the gap in rental units for low income households is affected by the Austin's full-time student population. Although these students still have housing needs, these needs, as well as their housing preferences, can differ from the needs of other low income renters.

Estimates differ on the student population in Austin. The Census estimates that 81,500 people living in Austin are enrolled in college or graduate school. Other estimates have been as high as 130,000. The income distribution of these students is not available. However, we can use poverty data by school enrollment to suggest how many of the city's low income renters are students.

In 2008, 25 percent of Austin's residents living in poverty were college or graduate students. College studies commonly live together to pool their resources to pay for housing. As such, there would be three poor students but just one poor household. The gaps analysis presents needs by household. Therefore, 25 percent is an upper bound estimate of the percentage of households in the low income categories of the gaps analysis represented by students. These renters are the minority of the renters who have housing needs as estimated by the rental gaps analysis.

How does Austin's gaps analysis compare with other cities? BBC conducted a very similar study to Austin's comprehensive market analysis for the City and County of Denver in 2006.

Compared to Denver, Austin has a far greater need for affordable rentals. Denver, despite having a much smaller renter population, has three times as many deeply subsidized rentals[2]. Denver's rental market is also more affordable overall, meaning that Denver's lower income renters who have to "rent up" in order to find somewhere to live potentially face lower levels of cost burden than in Austin.

One explanation for the disparity in rental prices between Denver and Austin is property taxes. The State of Colorado has an income tax and relatively low residential property taxes; Austin has relatively high residential property taxes that are passed on to renters.

Denver and Austin have similar median home prices. Denver's detached single family home price distribution is also similar to Austin's. However, Denver has more affordable homeownership options because it has a larger attached market. In Denver, during 2005, there were 4,200 attached homes for sale that were affordable to potential buyers earning $50,000 and less. This compares to Austin's 950 homes in 2008. Denver had 10,000 attached homes on the market for purchase in 2005. By comparison, Austin had 2,700 in 2008.

[2] However, Denver has a much higher proportion of renters earning less than $20,000 per year than does Austin: 41 percent of all renters in Denver are poor compared to 27 percent in Austin. This high proportion of poor renters in Denver may explain why Denver has more aggressively addressed affordable housing needs at this income level.

How would the gaps change if 15 percent of all of Austin's rental units were affordable to renters earning less than $20,000?

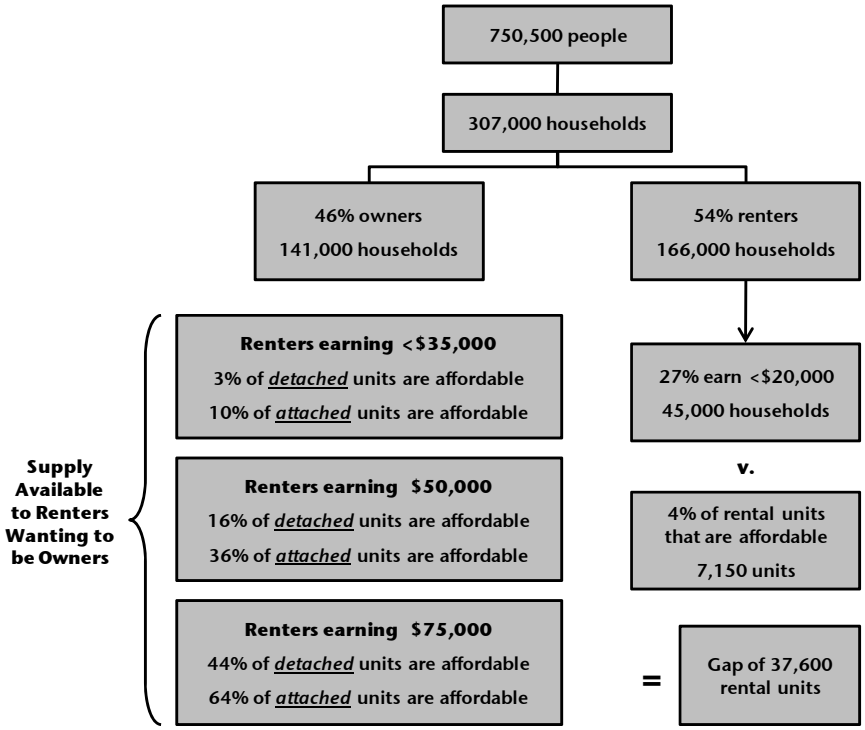
To see how much the rental gap would be reduced under an alternative affordability scenario, we assumed that 15 percent of Austin's rental market was affordable to renters earning less than $20,000. This assumption raised the inventory of units affordable at this income level by 19,850, reducing the gap from 39,000 units to 19,000 units. This makes a considerable difference in affordability for the city's lowest income renters.

Future Needs

Exhibit V-8 visually illustrates the market mismatches described in this section for 2008. The flowchart begins with Austin's population and number of households, divides the households by current tenure (owners/renters), and, through comparing key indicators of supply in the market with renter and owner incomes, points out the key areas of need in Austin's current housing market.

Exhibit V-8.
Austin Market Mismatches, 2008

Source:
BBC Research and Consulting.



Exhibits V-9, V-10 and V-11 project these needs 12 years from 2008, in 2020. These exhibits estimate needs under a variety of scenarios:

- **Exhibit V-9.** The first scenario is based on the city's forecasted population and household growth and assumes the same tenure as in 2008.
- **Exhibit V-10.** This second scenario is the same as Exhibit V-9 except that it assumes a slower growth rate, ¾ the pace as in the first scenario.
- **Exhibit V-11.** This scenario assumes the same level of growth as in Exhibit V-9, plus a shift in homeownership to 50 percent owners and 50 percent renters.

Exhibit V-9. Under the city's forecasted population and household growth for 2020 scenario, holding tenure at 46 percent homeownership and 54 percent rental:

- On the rental side, 12,000 new deeply subsidized units (renting for $425 and less) will be needed to serve the growth of Austin renters earning less than $20,000 per year. During the next 12 years, development of such units must average 1,000 units per year to adequately meet the need. To meet the growing need *and* reduce the existing gap of low cost rental units (priced at $425 and less) by 10 percent, 16,500 units should be built or 1,370 units per year.

- Almost 40,0000 homeownership units will be needed to accommodate the projected growth of homeowners. Based on existing income distributions of homeowners earning $35,000 and more, the units should be priced as:

  - 8 percent at $113,000 and less (likely small condos);

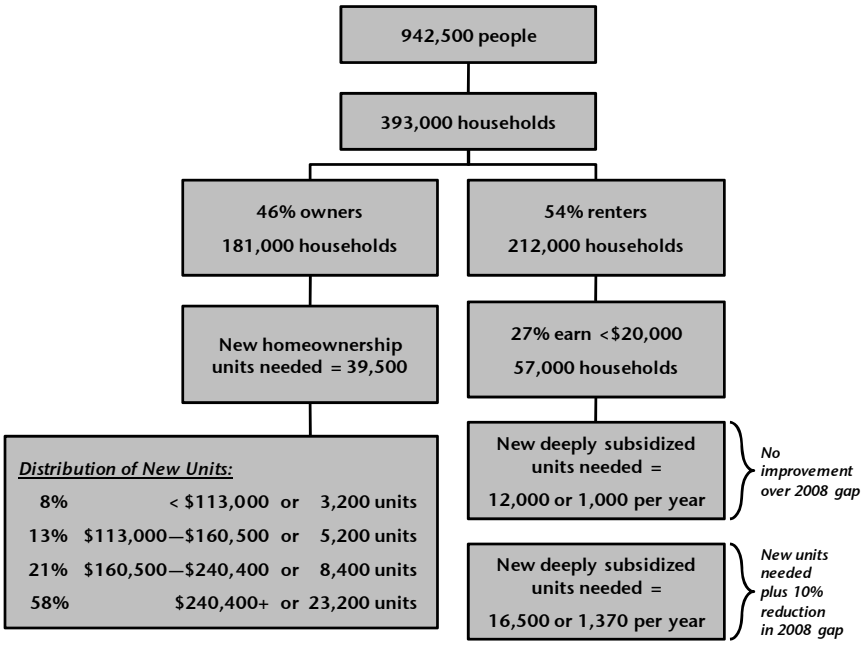
  - 13 percent at $113,000 to $160,500 (mix of condos and townhomes);

  - 21 percent at $160,500 to $240,400 (condos, townhomes, cottages and small single family detached units); and

  - 58 percent more than $240,400 (range of housing options).

This is only slightly different than the city's existing distribution of prices. This occurs largely because we do not assume that renters are converted to homeowners or that households earning less than $35,000 are homeowners.

Exhibit V-9.
Austin Market Mismatches, 2020 Projected Growth

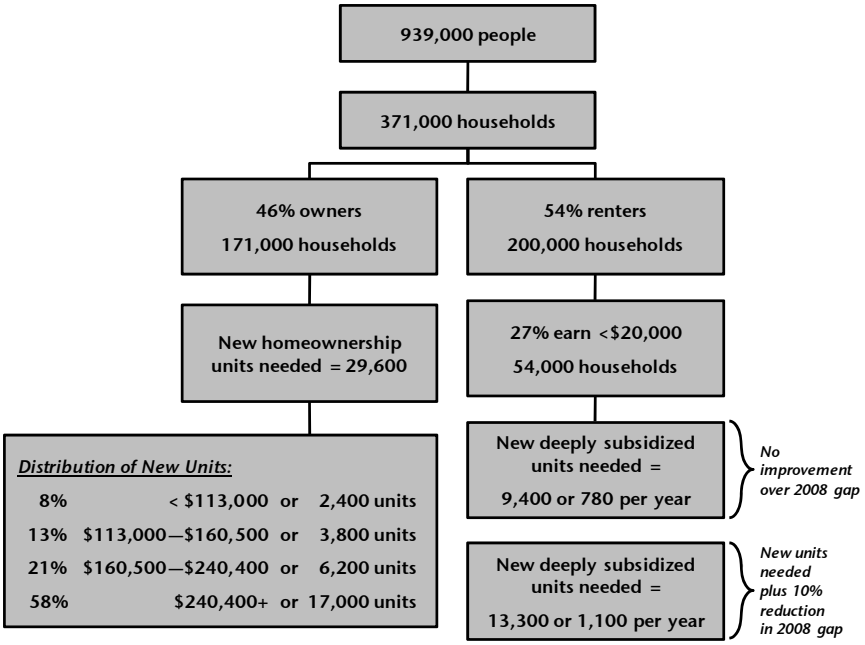


Source: BBC Research & Consulting.

Exhibit V-10. This scenario reduces the city's forecasted population and household growth for 2020 by one-fourth, holding tenure at 46 percent homeownership and 54 percent rental. As demonstrated by Exhibit V-10, this reduces the overall demand for both rentals and homeownership units.

The need for deeply subsidized rentals falls by 2,600 units. The need for homeownership units falls by 10,400.

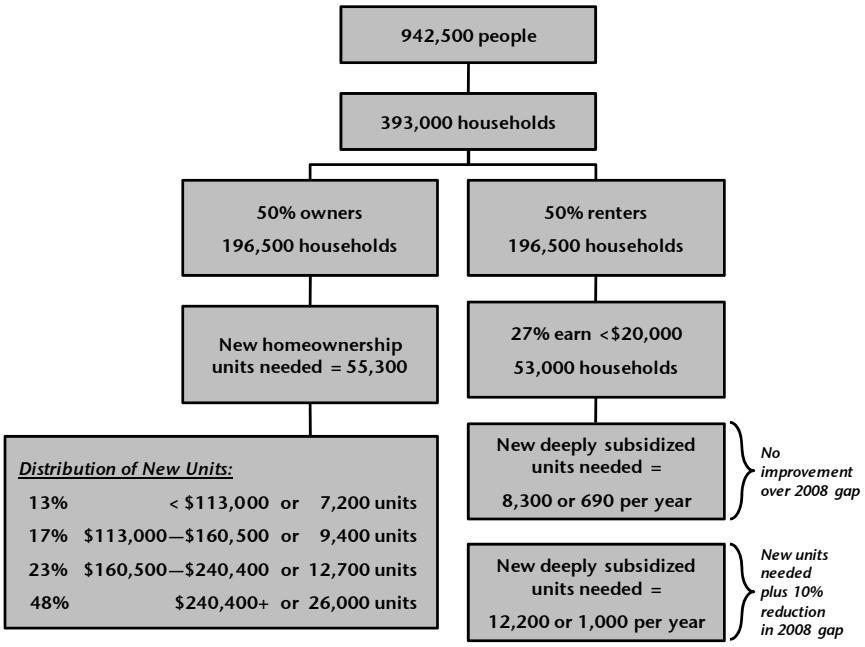
Exhibit V-10.
Austin Market Mismatches, 2020 Three-Quarters of Projected Growth



Source: BBC Research & Consulting.

Exhibit V-11. This scenario maintains the city's forecasted population and household growth for 2020, but changes tenure to achieve a 50 percent homeownership rate. Under this last scenario, the need for deeply subsidized rentals is reduced by 3,700. The need for homeownership units increases by 15,300. The price points of the needed homeownership units is redistributed towards more affordable units, since under this scenario, renters earning more than $35,000 per year are converted to homeowners. These renters earning $35,000 and more have a relatively lower incomes distribution than owners.

Exhibit V-11.
Austin Market Mismatches, 2020 Projected Growth, 50% Homeownership



Source: BBC Research & Consulting.

Exhibit V-12 summarizes the scenarios and compares Austin's price distribution today with what is needed in 2020.

Exhibit V-12.
Current conditions compared to Future Scenarios, 2020

	City's Projected Growth	Three-Quarters of City's Projected Growth	City's Projected Growth + 50% Homeownership	Existing Conditions
New rental units needed	**46,429**	**34,795**	**30,760**	
Units renting at $425 and less	**12,536**	**9,395**	**8,293**	**7,138**
Per year/12 years of development	1,045	783	691	
Plus 10% reduction in current gap	3,912	3,912	3,912	
Total units renting at $425 and less	16,448	13,307	12,205	
Per year/12 years of development	1,371	1,109	1,017	
Units in pipeline or under construction				**18,242**
Number affordable (not necessarily < $425)	1,155	1,155	1,155	1,155
v. affordable units needed = Gap	(11,381)	(8,240)	(7,138)	
Homeownership units needed	**39,531**	**29,620**	**55,300**	
Per year/12 years of development	3,294	2,468	4,608	
Price distribution:				
Under $113,000	8%	8%	13%	5%
$113,000 to $160,500	13%	13%	17%	16%
$160,500 to $240,400	21%	21%	23%	28%
$240,400+	58%	58%	47%	51%
Total	100%	100%	100%	100%

Source: BBC Research & Consulting.

SECTION VI.
Challenges and Opportunities

SECTION VI.
Challenges and Opportunities

As part of the comprehensive housing market study for Austin, BBC conducted a series of focus groups and key person interviews with individuals from organizations representing a diverse set of interests. Focus group attendees primarily fell into one of the following categories: affordable housing advocates and policy advisors, City of Austin Neighborhood Housing and Community Development staff, neighborhood association leaders, affordable housing developers and business community and real estate professionals. Exhibit VI-1 at the end of this section displays the organizations represented during the focus groups and interview process.

Group discussions and interviews primarily focused on identifying housing needs, barriers to affordable housing, preferred location of affordable housing, current programs and procedures in place to provide affordable housing and recommendations for increasing the provision of affordable housing to Austin residents.

This section discusses the input from these meetings and interviews and is organized around two themes:

1. Challenges to developing more affordable housing stock in Austin, and
2. Opportunities to develop more affordable housing stock in Austin.

This section begins with a discussion of the top housing needs identified in Austin by focus group attendees and interviewees.

Housing Needs Identified

Overall, the following were identified as the greatest housing needs within the city of Austin:

Needs of persons who are homeless and at-risk of homelessness

- Need for more diversity of housing (beyond homeless shelters). For example, low cost hotels/SRO units where people can stay for a short period of time are almost nonexistent; they have all been redeveloped. Such housing needs to cost around $10/day or $300/month.
  - ➢ This need is consistent with the market need identified by BBC's gaps analysis, which found a shortage of 29,000 rental units for households earning less than $15,000 per year.
- Provision of services with housing is important. For persons who are homeless, job training/skills are needed to help them end the cycle of homelessness.

- A prominent and contrasting view is that the city focuses too much on service provision and too little on housing. To paraphrase many: "Austin needs to work toward a Housing First model, getting persons who are homeless into housing units first and then address their social service and health care needs."
- The ideal housing/services model would be scattered site housing with a central landlord who deals with case management.

Housing for special needs populations

- There is a lack of housing for citizens who have completed rehab and stayed at a half-way house;
- Better services are needed for returning veterans;
- More Section 8 vouchers (also consistent with BBC's gaps analysis);
- There is a great need for assisted housing for seniors and persons with disabilities;
- Group home laws can make developing housing for special needs populations difficult. Developers must get permission from property owners within 200 feet of the proposed group home; this is hard to do. Also, group homes cannot be within ½ mile of each other.

Homeownership needs

- A less expensive downtown condominium market is needed to serve moderate income households.
- Other cities, like Portland, seem to offer more generous downpayment assistance programs. To buy in Austin, people are finding "private equity" loans from people they know and buying with others to make the economics work. They are also picking up extra work—e.g., taking on a part time job—to afford to save for a downpayment or make their mortgage payment.
- Residents in Austin are not used to the idea of attached housing; people are reluctant to share walls—but this is starting to change. Small lot single family detached housing is a more appealing product.
- There is a market for a land trust but the city cannot get lenders to finance the mortgages.

Other general needs

- The city needs to build support for the idea that everyone should be able to live in Austin. The Not in My Backyard Syndrome is an image issue. We need to show those who are opposed to affordable housing the types of people who need the housing.
- Housing needs should be described in economic development terms. This resonates better with those opposed to affordable housing.

Location of affordable housing

- Many worry that as Austin becomes less affordable, and affordable housing moves further away from the urban core and employment opportunities, many families will begin spending more and more on transportation costs.
- There is concern that affordable housing options will be concentrated in certain parts of the city. Such housing should be dispersed throughout the city.

Challenges

When asked about community barriers to providing housing that is affordable to residents at lower income levels, a variety of problems were identified:

Regulatory barriers

- There is too little zoning for multifamily development.
- Site development costs are prohibitive because of the city's sewer requirements. There needs to be a cheaper way to tie into the city's sewer system.
- Stricter building requirements aimed at environmental preservation have increased building costs substantially, directly affecting housing affordability.
- The 23 separate ordinances related to development in the past 18 months demonstrate the regulatory burden that raises development costs.
- The development process requires working with multiple departments and individuals. It is tough to find anyone in the city who is willing to make a decision. The common response is "this isn't my area of expertise."
- Neighborhood planning is inconsistent.
- Overall, developers feel that the SMART Housing program is not as streamlined as it should be, given that one of the incentives is staff assistance. Developers feel that no one city department took ownership of the program.
- Many affordable housing developers would like to see a streamlined city approval process, which would in turn lessen their carrying costs on projects.
- Overall, many feel that the incentives programs offered by the city are not working and should be restructured.

Financial barriers

- Even with the subsidies the city has received through its new General Obligation Bond, housing affordable to less than 30 percent MFI is very difficult to make work (e.g., the rents at this level cover only half of the operating costs). Cash flow is very tight; it is difficult to pay property taxes. Partnerships with the city are necessary to reduce the tax burden.
- Overall carrying costs, such as land costs and property taxes, are increasing rapidly, making the economics of affordable housing difficult to achieve.

- Property taxes make both renting and homeownership vastly more expensive. Property owners pass on the property taxes to renters leading to higher rents, making affordable rentals difficult to find.
- The price of land has rocketed in the past few years. Lots are difficult to find that are less than $130,000.
- Homes priced under $175,000 in the city have significant repair needs. Homes have become too valuable to qualify for rehab loans, yet residents don't have the money to fix it up themselves.

Community barriers

- Powerful neighborhood associations make affordable projects very difficult.
- City neighborhoods don't have the same sort of resources as private sector developers. The city should give the neighborhoods full time advocates to negotiate development specifications (Portland has such a program).
- The lack of a overall planning vision constrains the amount of development that occurs.
- The city has a lack of altruistic developers and community commitment.
- Condominium conversions remove low income rental properties from the market through conversion processes.

Opportunities

Despite the many challenges that were discussed, the focus group attendees and interviewees had many ideas for solutions to affordable housing problems in Austin. These included the following:

- **Increase density and broaden housing products.** Middle income families would benefit from greater density and more diverse housing products (mostly attached housing) in the city so they could afford to live in Austin. This needs to be density that improves the quality of life of residents. In Austin, people think of density as an office building with a parking structure. We need a few good examples on 4,500 square foot lots for people to stop saying "those houses are too close together." In addition, Austin should broaden more creative products such as co-ops.
- **More New Urbanism.** Mueller is model most people like, except it is too pricey for the folks who want to buy housing in the city. Affordable, small lot, single family housing units is a product looked upon favorably by the market.
- **Affordable TOD.** Affordable housing along transit lines has been overlooked. For example, housing over commercial development would have been ideal for the location where the Wal-Mart was built in Allandale.
- **Continued support from leadership.** The Planning Commission and City Council have mostly supported some very difficult projects that have faced significant neighborhood opposition (e.g., Manor Road SRO and Mobile Loaves and Fishes mobile home development). However, city officials could use more education, e.g., on the benefits of density.

- **The right development incentives.**
  - Deeper incentives for developers to build affordable housing.
  - The city should require that private sector developers use a nonprofit partner to get development incentives.
  - Dismiss additional fees to developers committed to affordable housing to lessen project costs.
  - The city should start covering infrastructure costs so builders don't have to absorb those costs.

- **Explicit change in city zoning:**
  - No more cumulative zoning
  - Stop neighborhood backlash against multi-use zoning
  - Need a more "big picture" land use code/Overall Zoning
  - A streamlined development process. It can't continue to take years to get a development approved.

- **Low-cost land needs to be made available.**
  - City owned vacant land should be donated for affordable housing.
  - The city should start a land banking program.
  - Could the city or school district donate land (or closed school buildings) for workforce housing development where they could provide housing for their workers?

Exhibit VI-1.
Organizations Participating in Focus Groups and Stakeholder Interviews

Organization	Organization (cont'd)	Organization (cont'd)
ADAPT	East Cesar Chavez Neighborhood Association	Neighborhood Housing Services of Austin
Mayor's Committee for Disabled Persons	Ending Community Homelessness Coalition (ECHO)	NHCD/AHFC
Ardent Residential	Foundation Communities	Organization of Central East Austin Neighborhoods (OCEAN)
Austin Apartment Association	FrontSteps/ARCH	Passages-Salvation Army
Austin Community Design and Development Center	Frost Bank	Peopletrust
Austin Independent School District (AISD)	Guadalupe Neighborhood Development Corporation (GNDC)	Personal Attendant Coalition of Texas (PACT)
Austin Neighborhoods Council	Habitat for Humanity	Planning Commission
Austin Tenants Council	Homebuilders Association of Greater Austin	PNC Bank
Blackland CDC	House the Homeless	Poss Consulting
Capstone Management	Housing Authority of the City of Austin (HACA)	Real Estate Council of Austin (RECA)
Caritas	Housing Authority of Travis County (HATCTX)	Realtex Development
Catellus	HousingWorks	Residential Strategies
Chesnut Neighborhood Planning Team	Human Rights Commission	River Bluff N.A
Community Action Network (CAN)	Hurt Partners Architects	Saltillo District Advisory Group
Community Development Commission (CDC)	Inter-Cooperative Council	Seton Family of Hospitals
Community Partnership for the Homeless	JJ Seabrook N.A.	Tekoa Partners
Constructive Ventures	KB Homes	United Cerebral Palsy of Texas (UCP)
Corporation for Supportive Housing	KRDB	University of Texas Department of Architecture
CRA Roundtable	Legal Aid	UT Housing
De Mayo & Associates	Lifeworks	Vacri Development
Design Commission	Mary Lee Foundation	Wachovia
Diana McIver & Associates (DMA)	Mayor's Committee for People with Disabilities	Washington Housing Consultants
Downtown Austin Alliance (DAA)	Momark Development	

Source: BBC Research & Consulting.

SECTION VII.
Recommendations

SECTION VII. Recommendations

This section contains BBC's recommendations on how Austin should better address its housing needs. It begins with a discussion of the consequences of letting the current and future needs go unaddressed.

Why Address Needs?

The City of Austin and Austin community has shown leadership and progressive action in addressing affordable housing needs to date. Some of the major efforts of the city include:

- Passed a $55 million General Obligation (GO) bond dedicated to affordable housing activities;
- Annually dedicate General Fund monies to support affordable housing;
- Established the SMART Housing Program to provide incentives to private sector contribution to affordable housing solutions;
- Require that a portion of additional tax revenues from city-owned redeveloped properties be dedicated to affordable housing.

However, market forces have been stronger in changing the landscape of affordability in Austin. This means that addressing affordable housing needs will need to be a continued effort.

If Austin had not accomplished the above efforts—and if the city's housing continues to become more expensive as demand for living in Austin continues—the following scenarios are likely to occur:

- The city's 38,000 low income renters who cannot afford to pay their rent and utilities will continue being cost burdened. As the city's population grows, demand for housing will rise (without a commensurate increase in supply), prices will go up and so will property taxes. Low income renters will pay more for housing as property taxes rise and landlords pass on these costs, putting the lowest income renters at a greater risk of homelessness. Moderate income renters will have less to save for a downpayment, reducing their likelihood of being homeowners. Property owners may reduce efforts on upkeep to manage increased taxes, reducing the quality of the affordable rental housing stock.
- Many current owners in the city will find their property taxes harder to afford. Lower income owners and those on fixed incomes (seniors and persons with disabilities) may find the tax increases unmanageable. If they decide to sell their homes, they will realize income from the gain in value—however, they will need to move out of the city to afford another home.

- The city's workers will be less likely to be able to afford to live in the city, so more people will buy homes outside of Austin and commute longer distances to work. Those who can afford to buy in the city may be unwilling to make the trade-off because the products they can buy outside the city offer much more in terms of condition and size. They, too, will commute into the city. The city will be at risk of losing its middle class as they leave the city to purchase homes—leaving the wealthy and low income renters.

Therefore, to avoid having an even larger number of low income renters who struggle to meet their monthly rental payments, to avoid having moderate income renters leaving the city to purchase homes, to avoid increased traffic congestion, to avoid a drain on revenues as people leave for more affordable housing—the city should continue addressing needs by making changes to its policies and generate additional revenue to meet housing needs.

As mentioned above, the city has spearheaded many large efforts to address existing affordable housing needs. These efforts have been part of the city's overall goals to ensure that everyone from musicians to high-tech executives can call Austin home. The city has also worked hard to preserve its environmental landscape. All desirable cities and towns struggle to find the balance between environmental preservation, managing growth rates and keeping housing costs at a reasonable level. Austin is no exception.

Market forces are very powerful however, and Austin has a strong national reputation as a desirable city in which to live. Therefore, Austin will grow. The city can grow up (become more dense), or the city can grow out (become more sprawling). Growing up will involve some trade offs, but growing out will cost much more in terms of traffic congestion, potential loss of employment centers, loss of tax revenues and, perhaps more serious, a loss of community identity.

Recommendation No. 1—Reevaluate the zoning and development process. Austin's current process of evaluating applications for residential development is community based. The city's zoning and land use regulations also reflect the city's dedication to environmental preservation and commitment to smart growth.

These principles are part of what makes Austin a great city. However, they can conflict with providing affordable housing for residents and workforce. In desirable areas where there is much demand for housing, anything that constrains the supply leads to increased housing costs.

We have identified several opportunities for the city to modernize its current development process that will reduce the barriers to affordable housing development in Austin. These include:

- Reconsider the role that many neighborhoods groups are playing in development decisions.

- Develop a strong, citywide Comprehensive Plan that guides development and forms the basis for the acceptance or denial of development applications.

- Increase density by approving dense developments that offer opportunities for affordable, attached housing products.

- Educate residents about the need for workforce housing in Austin and the consequences of not meeting current and future needs for housing.

Balance neighborhood-based development. Neighborhood groups are very involved in Austin's residential and commercial land use and development process. Although the city has a citywide Comprehensive Plan that has been existence for more than 30 years, its updates have been modest. Existing neighborhood plans are much more detailed and play a strong role in the development evaluation process. Development is also heavily influenced by the many zoning and land use ordinances that are passed by city council each year. In sum, there is no strong, comprehensive guiding document for development in Austin.

We recognize that this has enabled the neighborhoods to play a significant role in how they develop. It has also created a patchwork planning process. Furthermore, we are unable to identify coordination of the neighborhood plans to ensure an appropriate distribution of community needs such as affordable housing.

Many cities, of comparable size to Austin, rely heavily on the influence and direction of neighborhood groups to guide land-use and development decisions. Many cities like Austin have neighborhood-level planning documents. These neighborhood groups are also very involved in the process through public hearings, written and oral comments, meetings with planning staff, planning commissioners and city council members.

For example, neighborhood groups are relied upon heavily in Santa Fe, particularly when it comes to preserving the historical integrity of architecture and design of its historic buildings. Neighborhood groups are given early notification of proposed projects, which provides them the opportunity to support or challenge projects coming into their neighborhoods. However, Santa Fe's General Plan provides necessary guidelines to determine whether neighborhood group reactions align with city-level growth goals or represent neighborhood sentiments.

Raleigh, North Carolina is another community with very strong neighborhood influence. Currently, 18 CACs participate in development decisions throughout the city and have been very interactive in current efforts to update Raleigh's Comprehensive Plan. In some instances, neighborhood plans have been and will be adopted as part of the city's comprehensive plan to ensure that city-level and neighborhood-level goals align.

Other communities with strong neighborhood influence include San Jose, California, Baltimore, Maryland and Denver. However, all communities are guided by a city-level General or Comprehensive Plan.

The city's current neighborhood-based planning process does very little to facilitate the development of affordable housing *on a citywide basis*. Some of the neighborhood plans have affordable housing as a goal; others do not. We were also told many times in our focus groups with more than 100 stakeholders that Austin has lost many affordable units to neighborhood resistance.

Austin is not unusual in this regard. Residents in every city and town are notoriously resistant to density, and the more affordable the project and the greater the density, the higher the resistance. Neighborhoods often forget that a desirable city will grow; they cannot stop this momentum. Restricting workers from obtaining housing in an area does not mean these workers will go away—they may live farther away, but they still need to drive to work. Growth limits almost always lead to increased traffic congestion and the leapfrog effect of affordable housing being pushed farther and farther from employment centers.

Neighborhoods often use declining property values as successful arguments to fight affordable housing developments. Many academic studies have adeptly demonstrated that the effect of density and affordable developments on property values is not negative.

These arguments should not be construed to imply that neighborhoods should not have an active role in the planning process or that any one neighborhood should provide a disproportionate share of affordable housing. It is imperative that cities have transparent goals, housing policies and a strong citywide planning structure to ensure that affordable housing is a community benefit that is shared equally and evenly distributed throughout a city.

Develop a strong Comprehensive Plan. The city will soon begin the process of updating its Comprehensive, or General Plan. The balance of multifamily and small lot single family zoning needs to be examined in the context of the types of housing needed to serve the city's future workforce to ensure that the city's comprehensive plan contains the proper land uses to meet future housing needs.

The comprehensive planning process must also contain a review and recommendations of model ordinances in other cities that allow greater opportunity for affordable housing development.

Increase density. Until only recently have density standards in Austin been relaxed. Although density in the form of multifamily products has not become common practice within the city, Austin's condominium market has expanded and evolved into a viable product, particularly in the downtown market.

High density projects, which capitalize on economies of scale to provide greater affordability, will be necessary to meet the housing gaps of new workers wanting to buy homes in Austin, which should be priced between $113,000 and $240,400. Density—combined with development and operational subsidies—will also be key to meeting the needs of the many low income renters in Austin who have extremely limited choices in the city.

To meet its current and future housing needs Austin will need to continue adding density to neighborhoods located near major employment areas to house workers and minimize commutes and traffic congestion. The city should also seek out and proactively plan for more new urbanist development opportunities like Mueller to meet the needs of families who desire to live within city boundaries and near places of employment.

It is unclear, based on a review of the city's recent update to its existing Comprehensive Plan and future land use map, how much land is dedicated to high density single family development and multifamily development (e.g., single family detached homes on 3,500 sq. feet lots and multifamily density of 20 units/acre). These uses appear minimal compared to the amount of land dedicated to standard single family residential.

Increased density will need to involve an affordability component that exceeds what the city has in place now—that is, requiring that the affordable units be built and/or raising the fee-in-lieu amount. Recent condominium projects are nowhere near to meeting affordability needs within the city: condos sold in 2008 and constructed in 2006 or later had a median listing price of $299,000.

Educate residents. The city needs a concerted educational effort to demonstrate that density can be attractive, mitigate traffic congestion and be a key solution to a more balanced housing stock. It would be appropriate to begin this effort during the comprehensive planning process since the process is likely to be well attended by neighborhood representatives and residents. In addition, the first few model developments that are affordable and dense must be economically feasible and attractive, as these will be important to get future neighborhood buy-in for these types of products.

Recommendation No. 2—Set affordable housing targets. Without goals for affordable housing and a citywide, strong Comprehensive plan, what is to prevent all neighborhoods from limiting the amount of affordable housing and density they allow and support?

To ensure that affordable housing is a priority in the city and that all neighborhoods share in the provision of this community asset, the city must set affordable housing targets. City leaders need to establish a target proportion of affordable rental and for sale housing in 5, 10 and 12 years (to 2020). The city should also monitor its needs on a regular basis and adjust its target as needed.

Mandates associated with affordable housing production are not legal in Texas. However, establishing goals and providing incentives for developers to help cities reach those goals are legal in the state—and are very important if housing policies are to be effective.

Other cities with established housing goals include:

- Tucson's General Plan (Comprehensive Plan) has a target of 10 percent of units in the city should be affordable. The city monitors this through an annual production report.
- In 1990, the City of Boulder set a target of having 5 percent of its housing stock be permanently affordable. In 1995, the city revised its target of permanently affordable housing stock to 10 percent.
- Massachusetts has a state law (the "anti-snob zoning" law) that requires all towns to have at least 10 percent of their housing stock affordable to households at 80 percent of the MFI to avoid being subject to mandatory housing projects. The law has been in effect since 1969.

For Austin, the rental target should focus on units affordable at 30 percent of the MFI, or for renters earning less than $20,730 per year (about the wage of an average retail worker). We estimate that about 5 percent of the city's rental stock is affordable to households making 30 percent of the MFI and less.

For homeownership, the city should focus on ensuring that at least 10 percent of units in new developments are affordable to households earning 80 percent of the MFI and less (about $55,000). This can be encouraged through more aggressive negotiations with developers and offering fast track approval, density bonuses and increased fee waivers.

Recommendation No. 3—Examine regulatory barriers to housing development. A comprehensive review of the development process in Austin and related barriers to affordable housing development was beyond the scope of this study. That said, regulatory barriers were frequently mentioned in our interviews and focus groups—specifically, that the city has regulations and processes in place that significantly raise development costs, discourage density and, as such, restrict the development of affordable housing.

The city should conduct a study that examines in-depth the specific barriers to affordable housing development. This should be done in conjunction with the comprehensive planning process the city will soon begin. Based on the comments we received during the study process through our focus groups with more than 100 attendees, such a study should:

- Examine how infrastructure requirements raise the cost of housing development.
- Examine the effect of zoning ordinances on development costs and the production of affordable small lot, attached/duplex units.
- Diagram the number of departments that have a role in the approval process and quantify the time it takes from the development application to approval for different types of residential applications, including affordable projects. Recommend how the development process can be streamlined, especially for affordable projects (see fast track approval below).
- Assess the impact the role neighborhood opposition has on the development of affordable and attached housing.
- Examine how the city's waste removal requirements raise the cost of development. Many stakeholders said that costs could be reduced if "there were a cheaper way to tie into the city's sewer system."

Recommendation No. 4—Consider additional development incentives to produce affordable housing. The city should consider two changes to encourage developers to build affordable housing:

- **Raise fee waivers.** The current fee waivers of $2,500 for single family homes and $1,000/unit for multifamily developments are helpful, but not significant enough to make a big difference in affordability. Additional fee waivers would be beneficial.
- **Fast track approval.** Projects that meet city targets for affordability should go directly to the top of the development queue and receive fast track approval. These projects must contain the actual development of affordable housing (i.e., developments receiving density bonuses by paying an in-lieu fee would not receive fast track approval). The city should diagram the fast track approval process and demonstrate the amount of time and cost a developer will save through fast track approval.

  The fast track approval must be carefully constructed and involve developer input. For example, Denver offers such a program but it is seldom used because the developments eligible for fast track approval must wholly comply with existing site plans.

Recommendation No. 5—Supplement existing funding. We think it is wonderful that the city has raised funding for affordable housing through its General Obligation Bond; Austin is one of few cities in the country that has been able to raise money for affordable housing through bonding. The city is also rare in that it annually provides General Fund monies to support affordable housing and a portion of redevelopment funds from city-owned properties are dedicated to affordable housing activities.

However, there is never enough money to meet all affordable housing needs, and the needs of Austin's residents—particularly very low income renters—are very high. The city would benefit from supplementing the bond dollars with other, ongoing revenue sources.

The city should explore alternative revenue sources to supplement affordable housing funding. Many Western cities—e.g., Reno, Nevada and Tucson, Arizona—levy condominium conversion fees and use these fees to fund housing trusts. It is unfortunate that Texas law prohibits such a revenue source, which would be a very reasonable method for generating funds for affordable housing. Currently rental stock is being removed from the inventory and replaced with mostly non-affordable condominiums, which is displacing renters and reducing the overall affordability of housing in Austin.

We also recommend that in the future the city examine the level of the fee-in-lieu amounts that developers pay to receive density bonuses under the S.M.A.R.T. Housing initiative. At $.50 per square foot for rentable floor area in the University Neighborhood Overlay, it is difficult to imagine why developers would not take the in-lieu option.

Given that the city may not mandate affordable housing, downtown developers currently have two choices under the current policy framework: pay a $10 per bonus square foot in the downtown area or seek Central Urban Redevelopment (CURE) Combining District rezoning. Given that, to date, developers have chosen to navigate the rezoning process rather than pay the downtown fee in lieu, one can deduce that the fee in lieu needs further review to ensure that it is tied to the market. The current fee in lieu may require further evaluation as currently, it does not appear to be an attractive option for developers. Recognizing that the Downtown Austin Plan is currently underway, this plan serves as an additional opportunity to evaluate the City's density bonus program.

Recommendation No. 6—Establish a land banking program. Land banking is a program whereby land is acquired by a division of government or nonprofit with the purpose of developing affordable/workforce housing or engaging in revitalization activities. After a holding period, the land is sold to a nonprofit or private developer, often at a price lower than market, who agrees to the land use conditions (e.g., creation of affordable/workforce housing).

Land bank programs can serve dual purposes. While some programs are created solely for the acquisition of land for future affordable housing development, others have broader long-term community planning goals. In distressed communities, land banking programs allow cities to acquire vacant and underperforming parcels, be a catalyst for redevelopment, and to benefit from increased tax revenues from the properties. In communities with rapidly rising land costs, land banking programs promise a long-term savings to taxpayers: for example, when public buildings need to be constructed, they can be built at less than the current market cost due to the earlier acquisition of the property by the land bank.

The City of Austin should establish a land bank to which private property may be donated (with potential tax benefits) and public property may be held for future affordable housing development. The city can also purchase appropriate parcels to add to the land bank as they become available. The city should explore partnerships with the school district, utility companies and other public landowners to donate the land for affordable housing in exchange for a certain proportion of the units that have first right of refusal to public sector employees (e.g., teachers).

Recommendation No. 7—Consider alternative financing sources through CDFIs. Community Development Financial Institutions (CDFIs) are lending institutions with a specific purpose of serving a particular community by increasing the amount of loan capital in an underserved area. The services offered by CDFIs differ—some operate much like a traditional bank or credit union and offer consumer as well as commercial products; others operate only to make loans for creation of affordable housing.

The city has several CDFIs which provide consumer and small business lending. The city should consider establishing or expanding its existing CDFI network to provide below market financing to developers of affordable housing. Such a CDFI would enable nonprofit and private sector developers to acquire property and begin the early stages of the development process before other, more permanent funding sources and federal and state grants are approved. The developers we interviewed for this study agreed that this would be a welcome tool to support affordable housing development.

Recommendation No. 8—Replicate and adapt best practice models for Texas. We recognize that the city is constrained in many ways from using many of the affordable housing tools that exist in other cities because of Texas State Law. For example, Austin cannot adopt the "quick fix" of inclusionary zoning that produces the bulk of affordable units in many cities.

We recommend, however, that the city collaborate with other high cost Texas communities to make state lawmakers aware of the barriers that some state laws create—such as the inability of cities to provide property tax rebates to low income renters.

Property taxes in Texas are higher than in many other areas in the West, since the state does not have an income tax. In more affordable areas, the impact is not as significant as in a community like Austin that has high home prices in addition to relatively high property taxes.

The effect of property taxes on Austin residents is twofold:

1. Rents are relatively high, as landlords pass on the property taxes to renters. Since renters are paying more for rent than in other cities, they have less to save for a downpayment on a home. This makes homeownership even more difficult to attain.

2. Some owners find that their property taxes are increasingly more difficult to pay. As their properties have appreciated, their taxes have risen considerably. Lower income owners and those on fixed incomes (seniors and persons with disabilities) may find the tax increases unmanageable. If they decide to sell their homes, they will realize income from the gain in value—however, they will most likely need to move out of the city to afford another home. In addition, it can be very stressful and difficult for seniors and persons with disabilities to manage a move.

Several cities and states have addressed this issue by providing rebates of property taxes to lower income renters. New York City has such a program, as does the State of Minnesota. Property owners are required to provide renters with an annual statement showing how much of their rent was made up of property taxes; renters then file for a rental rebate once a year.

Austin could provide property tax relief to owners, but the city is prevented by state law from targeting the relief based on income. As such, it would be difficult to provide an adequate benefit to low income owners without realizing a tremendous loss in city revenues. Although we recognize these barriers, we still recommend that the city investigate ways to provide property tax relief under state law and work with other similar communities to bring this barrier to the attention of lawmakers.