

**Neighborhood Housing and Community Development**

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Date: August 1, 2016

To: Mayor and Council

From: Letitia Brown, Acting Assistant Director, Neighborhood Housing and Community Development

Subject: Update on Resolution Nos. 20151112-027 and 20160421-035 regarding the creation of a Tenant Relocation Assistance Program

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The purpose of this memorandum is to provide an update on Council Resolution Nos. 20151112-027 and 20160421-035, which initiated amendments to the Land Development Code to establish tenant relocation assistance requirements where redevelopment of multifamily buildings and mobile home parks is likely to displace existing tenant communities. This memorandum also provides essential information to aid Council in identifying funding for the program, should it be implemented.

Staff has developed draft ordinance amendments in response to these resolutions, as well as recommendations for the creation of a tenant relocation assistance program for which funding would need to be identified in order for the program to be implemented. These staff recommendations are described in the attached report. The proposed ordinance is tentatively scheduled to be heard by Austin City Council on August 18, 2016. Staff is submitting this memorandum and report in advance of that date to provide budgetary information regarding the estimated cost of the proposed program. Staff estimates this program, which includes a fund to provide income-eligible tenants facing displacement with financial assistance for relocation costs, could cost approximately \$1.6 million for its first year of implementation, assuming funding for relocation assistance to approximately 275 households.

Should you have questions, please contact Erica Leak, Policy and Planning Manager, Neighborhood Housing and Community Development, at [erica.leak@austintexas.gov](mailto:erica.leak@austintexas.gov).

cc: Marc A. Ott, City Manager  
Bert Lumbreras, Assistant City Manager

Attachment



## **Staff Recommendations Regarding the Creation of a Tenant Relocation Assistance Program**

This report outlines staff recommendations developed in response to Council Resolution Nos. 20151112-027 and 20160421-035, which initiated amendments to the Land Development Code to establish tenant relocation assistance requirements for displacement of tenants of multifamily properties and mobile home parks, and to provide information regarding the need for Council to identify funding for the program, should it be implemented. Should Council identify and authorize funding for a tenant relocation assistance program, it is recommended that program design and guidelines be developed by staff.

### **Council Initiation and Development of Recommendations**

Resolution 20151112-027 initiated amendments to establish relocation assistance requirements for multifamily demolition and renovation projects likely to displace tenants. Approved a few months later, Resolution 20160421-035 expanded the initiation to include mobile home parks.

Six stakeholder meetings were conducted over several months to identify challenges faced by tenants, potential solutions, and other stakeholder concerns, and to review potential policy concepts and recommendations. Stakeholders included tenants who had been displaced from apartment complexes in Austin; mobile home owners and renters from several mobile home communities; mobile home park owners, operators, and developers; tenant advocates; and representatives of the development community. Simultaneous interpretation for mono-lingual English and Spanish speakers was used at the meetings to ensure all stakeholders could participate. Stakeholders could also comment on the policy at presentations to the Community Development Commission and its Housing Committee, the City Council Housing & Community Development Committee, the Planning Commission's Codes & Ordinances Subcommittee, and the full Planning Commission. Information was shared on the Tenant Relocation Assistance webpage, via email to the stakeholder list, and via written mail to stakeholders who had indicated they did not have email addresses.

Additional research that informed the development of the staff recommendations included a 2013 report from Neighborhood Housing & Community Development to Mayor and Council outlining tenant relocation policy recommendations, several tenant relocation ordinances in place in other cities across the nation, and a 2012 University of Texas School of Law report, "Tenant Displacement in Austin: A Policy Report Analyzing the City of Austin's Tenant Relocation Policy at Shoreline Apartments with Recommendations for a City-Wide Policy Approach."

### **Proposed Ordinance Recommendations**

The proposed ordinance, which is currently scheduled to be heard by City Council on August 4, 2016, would amend Chapter 25-1 of the Land Development Code to include the following provisions:

1. **Notification Requirement – Multifamily:** Applicants seeking to demolish or partially demolish multifamily buildings of 5 or more residential units would be required to provide

notification to tenants at least 120 days before the demolition permit would be received. The notification would also include information on available relocation assistance and other programs and policies relevant to tenant needs. Notices would be posted on-site for the remainder of the notice period.

2. **Notification Requirement – Mobile Home Park:** Applicants seeking a rezone of a parcel with a Mobile Home (MH) designation, or seeking a change of use or site plan approval for a parcel with a mobile home community, would be required to provide notification to tenants at least 270 days before the park would be closed. The notification would also include information on available relocation assistance and other programs and policies relevant to tenant needs. Notices would be posted on-site for the remainder of the notice period.
3. **Relocation Assistance Fees:** Compliance with the tenant relocation program would become a Tier I requirement for Planned Unit Developments (PUDs) within the City’s zoning jurisdiction where the PUD would displace tenants. Applicants seeking PUD zoning approval in these cases would be required to pay a fee into a tenant relocation assistance fund to provide financial assistance to income-eligible displaced tenants. Applicants seeking other discretionary land use approvals, such as rezones or changes of use, could agree to pay into this fund as well.
4. **Creation of Tenant Relocation Assistance Program:** The ordinance would create a tenant relocation assistance program to be administered by Neighborhood Housing & Community Development. This program would include a fund that income-eligible tenants could access if they are displaced due to demolition or redevelopment that occurs by-right, or without any discretionary land use approvals or entitlements, or for displacements due to temporary or emergency relocations.
5. **Timing of Application Review:** The ordinance amendments would include provisions to prohibit approval of applications that require tenant notification prior to the end of the required notification period, and allow for tolling (“stopping the clock”) of deadlines for application approval when notification was not provided prior to application submittal.

### **Programmatic Recommendations**

The purpose of the Tenant Relocation Assistance Program would be to provide vulnerable tenant households facing displacement with adequate notice and access to financial assistance to minimize the destabilizing impacts of displacement. These impacts have been thoroughly documented in the University of Texas “Tenant Displacement in Austin” report and include dislocation of social networks, severe cost burden on low-income households, a dearth of available comparable housing, disruption of children’s education as they change schools, negative impacts on neighborhood schools, and transportation issues. As Austin’s housing market continues to experience record high occupancy rates and prices, and as more older, affordable market rate apartments and mobile home parks are redeveloped, low-income tenants will find it increasingly difficult to locate affordable, comparable housing in the city. Furthermore, establishing a city-wide policy regarding tenant relocation assistance would provide consistent and clear expectations for all property owners and developers looking to redevelop existing multifamily and mobile home park communities.

### ***Tenant Relocation Assistance Fund***

In order to fulfill the program's purpose, staff recommends that the City create and identify and allocate money to a fund designed for income-eligible tenants who are being displaced due to redevelopment that occurs by-right under a property's current zoning designation and for which no discretionary land use approvals or additional entitlements are sought. Staff recommends that the household income eligibility threshold for multifamily/apartment tenant households be 70 percent of the median family income (MFI) for the Austin-Round Rock-San Marcos Metropolitan Statistical Area (MSA) as calculated by the US Department of Housing and Urban Development (HUD). For 2016, this threshold is approximately \$54,460 for a four-person household. For households residing in mobile home parks, staff recommends this threshold be 80 percent MFI, or approximately \$62,250 for a four-person household.

Income-eligible tenants could apply to the fund for assistance by providing income information that would be verified by a third party agency contracted through the City of Austin. Claim forms for tenants to provide this income eligibility information and apply for funding would be provided to all tenants along with the required notification described in the **Ordinance Recommendations** section. If a tenant household's income qualifies, they would be able to access financial assistance for relocation and moving expenses, such as application fees or deposits, a new security deposit, first months' rent, and truck rental. The payments would be processed by the third party agency and payments or reimbursements would be paid directly to the appropriate property manager, moving company, or other entity. Tenants who are displaced due to emergency notices to vacate due to health and safety concerns, or due to substantial repairs or renovations may also apply to the fund for relocation assistance.

Based on a review of other ordinances across the nation, staff recommends utilizing the US Department of Housing and Urban Development (HUD) Fair Market Rents for the Austin Metropolitan Statistical Area as a basis for the maximum amounts qualified households could access when displaced from multifamily buildings. Income-eligible tenant households would be able to apply for up to three times the fair market rent for the type of unit they currently occupy. If that eligible household also contained a member who is elderly, disabled, or a child, the household could be eligible for up to four times the fair market rent for the type of unit they currently occupy. The table below shows Austin area fair market rents for 2016, along with the maximum amounts that qualified households could access for reasonable relocation and moving expenses.

**Maximum Relocation Assistance Amounts for Tenants of Multifamily Buildings**

|   | <b>Efficiency</b> | <b>One-Bedroom</b> | <b>Two-Bedroom</b> | <b>Three-Bedroom</b> | <b>Four-Bedroom</b> |
|---|-------------------|--------------------|--------------------|----------------------|---------------------|
| <b>HUD Fair Market Rent</b>                             | \$740             | \$902              | \$1,126            | \$1,523              | \$1,845             |
| <b>Income-Eligible Household Maximum (3x FMR)</b>       | \$2,220           | \$2,706            | \$3,378            | \$4,569              | \$5,535             |
| <b>Special Circumstances Household Maximum (4x FMR)</b> | \$2,960           | \$3,608            | \$4,504            | \$6,092              | \$7,380             |

People living in mobile home communities often fall into one of three groups: they may rent both the mobile home and the land on which it sits; they may be in a lease-purchase or rent-to-own agreement for the mobile home, while renting the land; or they may own the mobile home and rent the land on which it sits. Staff recommends different financial assistance options for each of these types:

1. **Mobile Home Renters:** financial assistance for relocation equal to the amounts available for tenants displaced from multifamily buildings
2. **Mobile Home Owners:** reimbursement of relocation costs to cover the relocation of the home within a specified distance of the mobile home park site, up to a maximum amount of \$5,000 for a single-section and \$10,000 for a multi-section mobile home. If the home is not able to be relocated, the owner may access the fund to move into another mobile home or another type of rental unit.
3. **Mobile Home Lease-Purchase/Rent-to-Own:** Under Texas state law, until a person has received the title of a mobile or manufactured home and has applied for a Statement of Ownership and Location from the Texas Department of Housing and Community Affairs, the person is not considered to own the home. People in lease-purchase or rent-to-own agreements that are able to work with the owner of the mobile home in which they live to relocate the mobile home can receive up to \$5,000 to cover relocation expenses for a single-section home and up to \$10,000 for a multi-section home. For tenants of mobile homes in lease-purchase agreements that do not permit the mobile home to be moved, people can apply for financial assistance equal to the amounts available for tenants displaced from multifamily properties.

If a household is residing in a Recreational Vehicle in a mobile home park, as its primary residence, and the RV cannot be driven, the household could apply for financial assistance to cover the cost of relocating the RV within a specified distance of the original mobile home park site.

#### *Developer/Property Owner Payments into the Relocation Assistance Fund*

As discussed in the **Ordinance Recommendations** section, staff recommends that developers/property owners be required to provide financial assistance to income-eligible tenants when applying for Planned Unit Development zoning for a project that would displace tenants. Staff also recommends that applicants be given the option to pay into a tenant relocation fund when they are seeking a discretionary land use approval as part of the redevelopment of a mobile home park or multifamily property that would result in tenant displacement.

Staff recommends that the City conduct an impact or nexus study to determine the costs to tenants, developers, and the wider community that accrue from displacement caused by the redevelopment of multifamily or mobile home properties. The results of this study would be used to calculate the fees developers or property owners would pay.

#### *Housing Location Assistance*

Staff recommends that in addition to access to financial assistance, income-eligible tenant households also receive assistance locating new housing that meets their needs. Based on stakeholder feedback, staff recommends that this housing location assistance be provided by a third party agency. This third party would be contracted through the City and would process

income certifications for financial assistance as well as disburse payments on behalf of eligible households. Upon tenants' receipt of the required notification, the agency would hold an informational meeting for tenants to discuss the notice, the assistance available, and the relocation assistance process. Property manager, property owner, and/or developer representation should also be present to answer tenants' questions. Interpretation services and translation of materials would be provided for tenants when needed.

### ***Information Packets***

Staff recommends that an information packet be created by the City that includes contact information for the current property owner/developer, a description of the application(s) filed and general time frame for the project, information on relocation assistance available, contact information for the third party agency that will be assisting with the relocation process, information on tenant rights and descriptions and contact information for other relevant programs and policies. These packets will also contain the applications that income-eligible tenants will use to apply for financial assistance. These packets would be distributed by the applicant or applicant's representative along with the required notice to tenants. The applicant would supply the relevant information regarding the current project and contact information of the property owner/developer.

### ***Program Guidelines***

Should Council approve the Tenant Relocation Assistance Program, the director of Neighborhood Housing and Community Development would adopt guidelines or create a Request for Proposals to aid in implementing the program.

### **Cost Estimates**

Because the City of Austin has not collected information on displacement due to demolition or redevelopment in the past, and due to the project-specific nature of displacements, it is difficult to estimate how many households are displaced in a given year. These estimates represent a scenario in which 275 income-eligible households are displaced and no relocation fees are obtained from developers or property owners to fund relocation assistance at their developments.

Given the above ordinance and program recommendations, staff estimates the cost of the first year of program implementation could be approximately \$1.6 million, assuming 275 multifamily and mobile home households are displaced. This amount reflects the following components:

- Program Administration: including the staffing and administration costs for Neighborhood Housing & Community Development, Development Services, and Planning and Zoning; as well as changes to the AMANDA electronic development system to flag and track projects that must comply with the relocation requirements;
- Nexus study;
- Relocation Assistance Fund: assumes a year in which 200 households living in multifamily structures and 75 households in a mobile home park are displaced and eligible for relocation assistance; and
- Contract with third party agency to provide relocation services to these 275 households.

### **Other Ideas for Addressing Tenant Displacement**

During the policy development process, other ideas were discussed that are outside the scope of this program but are still responsive to the problem of tenant displacement. These ideas include:

- The need for more land to be zoned or set aside for mobile home communities in city limits: there is a dwindling inventory of land for mobile home communities in Austin, making it very difficult for mobile home owners or tenants to find new places to rent if their mobile home park is closed.
- The need for education or disclosure of risks to prospective buyers (especially those entering into lease-purchase or rent-to-own agreements) of mobile homes.
- The need to streamline and formalize the notification process for Austin Energy when displacements are occurring so that fees can be waived for households that are required to relocate.

### **Conclusion**

Staff has developed proposed ordinance provisions and recommendations for establishing a program to provide relocation assistance for income-eligible tenants who are facing displacement from multifamily properties or mobile home parks. In order to implement the program as staff has proposed, City Council would need to identify funding of approximately \$1.6 million for the first year of the program. This estimate assumes 275 income-eligible households would need assistance during the first year and that no funding is provided by private developers or property owners. Cost estimates for subsequent years could vary if the number of income-eligible households facing displacement changes, and due to the fact that the impact study and AMANDA system changes represent up-front costs that would not need to be factored in every year.