

An aerial photograph of Austin, Texas, showing the city's layout and the Colorado River winding through the landscape. The image is overlaid with a semi-transparent green filter. The text is centered in the upper half of the image.

Austin Housing for All: A Better Approach to Austin's Low-Income Housing Crisis

Austin Has Huge Low-Income Housing Needs

- Austin is short 60,000 affordable units for low-income households (at 50% MFI or less).
- This shortage will be exacerbated in the future with the loss of 40,000 affordable apartment units along redeveloping transit corridors.
- Fast-growing cities with affordable housing crises, such as Denver and Seattle, are moving to linkage fees and away from density bonus programs.

2014 Comprehensive Housing Market Analysis (City of Austin), Ex. Summary, p. 5; McGlinchy (KUT Radio, June 8, 2016); Cornerstone Partnership, Policy Options for Refining Seattle's Incentive Zoning Program (July 2014), p.21

Austin's Voluntary Density Bonus Programs Have Provided Little Affordable Housing

Austin's Voluntary Program has produced the following in the last 10 years:

- 1166 total “affordable” apartment units and \$4.8 million in fees
- Only 232 of these units are 50% MFI or less
- Most units (702) are at 80% MFI
- Many of the 80% MFI units are efficiencies that rent at or near market rate for a single person.
- More than half the units (593) are under the University Neighborhood Overlay Program(UNO)

Studies show that voluntary programs in other locations also have been ineffective

- Massachusetts' voluntary programs of the 80s and 90s were ineffective. For example, no affordable units were built in Cambridge in ten years.
- California's prior voluntary programs, such as Long Beach's, were much less effective than their mandatory programs.
- Seattle's voluntary program produced only 714 units over 12 years and most would have been produced without the program.
- Denver's mandatory program produced only 1100 units since 2002.

Inclusionary Zoning: Lessons Learned in Massachusetts (NHC 2002), pp.22-23; Brunick, Voluntary or Mandatory Inclusionary Zoning? (Bus. and Prof. People for the Public Interest 2003); Cornerstone Partnership, Seattle Inclusionary Zoning (Feb. 2014, pp. 1,5) ; Draft City of Austin Density Bonus Policy (Neighborhood Housing and Community Development Dept. (June 2016), p. 42

Density Bonus Programs Cannot Produce A Significant Number of Affordable Units

- Inside Austin's city limits,, roughly 38,800 rental apartment units were constructed from 2005 through 2015.
- Assuming the 10% bonus requirement applied to every new project, the program would have created only 3,800 affordable apartment units over 11 years.
- In 2015, the best market, only 6,909 total units were added inside the City. Assuming universal application of the 10% requirement, only 691 affordable units would have been built.

Intensifying Austin's Voluntary Density Bonus Programs Won't Work

- Requiring more affordable units at deeper affordable levels pushes developers to refuse the bonus density since the program is voluntary.
- Bonus units are not free revenue. They cost the same to construct, operate, and maintain. Land is priced assuming the added density is a given.
- The value of an apartment project and whether it can be financed is determined by total rent revenue.
- A requirement of 10% at 60% MFI reduces the sales price of a 280 unit apartment by roughly \$3 million, about \$13 a square foot, or \$10,714 per unit.

Cornerstone Partnership, Policy Options for Refining Seattle's Incentive Zoning Program (July 2014) , pp. 9-18; Johnson, et. al., Selling Zoning: Do Density Bonus Incentives for Moderate-Cost Housing Work?, 36 Wash. Univ. Law J. Urb. & Contemp. (1989)

What are Affordable Housing Linkage Fees?

- A linkage fee is a mandatory, broad-based, low-rate fee per square foot of new construction applied at building permitting.
- The fee is legally justified based on the link between the need for additional affordable housing for the new employee residents caused by the new retail, commercial, and service-related businesses.
- Courts have upheld linkage fees against legal challenges (“takings challenges”) when there have been expert nexus studies showing the fee is reasonably related to the costs to provide additional affordable housing to the new lower-income employee residents.
- Dozens of high-growth cities have gone or are going to linkage fees, including cities such as Denver and Seattle.

Overview of Commercial and Residential Linkage Fee Programs in US and Colorado (Denver Office of Economic Opportunity 2016)

Broad-Based, Low Cost, and Effective: Linkage Fees Can Raise Large Sums in Austin for Low-Income Housing Without Impeding Development

- A \$2.00 per sq. ft. linkage fee on all new residential and commercial construction in Austin in 2015 would have raised \$60 million. More than half a billion over 10 years.
- These fees would be placed in a dedicated trust fund and could be directed to where the greatest needs are: low-income housing, multi-bedroom housing, rehabbing older units, and buying older apartments subject to gentrification.
- Since the fees are broad-based and low, they do not impede economic development.
- The programs are much simpler to administer than density bonus programs and provide developers with certainty.