

Don't Approve the Draft Austin Strategic Housing Plan: It Is Not a Completed Plan, Does Not Have a Clear Strategy, and Won't Serve the 35% of Very Low Income Austin Households Well.

(Fred I. Lewis 12/9/2016)

I. The Draft Austin Strategic Housing Plan (hereafter "draft plan) is neither a plan nor a strategy. It does not accomplish what it says its purpose is: to align strategically resources to increase affordable housing. "[T]his Housing Plan marks the first city-wide effort to strategically align resources to increase the supply of affordable units in the city..." Draft plan, p. 13. It does not align needed resources to provide very low income affordable housing, although the plan suggests that this is a high need. The draft plan will not accomplish its purported goal of providing a significant impact on very low income affordable housing in Austin. Therefore, it is inadequate and must be rewritten.

The draft plan is essentially a list of possible options, which is not a plan. It is certainly not a strategy, which entails making policy and program choices to achieve key priorities. Some policy options are incompatible with other policy options. For example, you can't have linkage fees and density bonus programs on the same property and have economic development. There are limited resources and choices have to be made. Since substantial general revenue will be required to subsidize voluntary density bonus programs for low income Austinites (below 80% median family income), then the revenue will not be available for other services that low income and other Austinites may need, such as job training, health services, alcohol and drug treatment, education, mental health, public safety and jobs. Government funds are always scarce for the needs of the very low income. That is why a new fee for low income affordable housing, such as a linkage fee, is preferable to voluntary density bonus programs. A linkage fee does not take money from general revenue, which can go to other high priority needs of Austinites.

Strategic plans require priorities and the resources to be aligned with those priorities. The draft plan's purports that very low income Austinites are a high priority but the resources and programs are not directed there. The programs and resources are directed at housing for the affluent and middle class, with the emphasis on CodeNext changes, strike funds, and voluntary density bonus programs. Neither will significantly help very low income Austinites.

An excellent article in the Harvard Business Review emphasizes the need for a strategic plan to have a few key goals and to make hard choices: "[Actually choosing a strategy entails making decisions that explicitly cut off possibilities and options...True strategy is about placing bets and making hard choices. The objective is not to eliminate risk but to increase the odds of success... [I]t's the result of a simple and quite rough-and-ready process of thinking through what it would take to achieve what you want and then assessing whether it's realistic to try." Martin, "The Big Lie of Strategic Planning", Harvard Business Review (Jan-Feb 2014). The article contains three key rules for effective strategic planning, none of which have been followed in the draft plan: "Rule 1: Keep the strategy statement simple... Rule 2: Recognize that strategy is not about perfection... Rule 3: Make the logic explicit." Id.

Effective strategic plans require selecting a few key goals and focusing on key programs to achieve those goals. It requires aligning specific resources with these programs and goals. A smorgasbord is not a strategic plan.

II. The Draft Plan's Resources for Very Low Income Housing Don't Match Its High Priority

A. The Needs of Very Low Income Austinites. The Draft Strategic Plan notes the critical shortage of affordable housing for very low income Austinites, but the plan does not provide the strategy or resources to significantly address this problem. The draft plan is focused on the housing needs of Austinites that live at 80% or above median family income; there is little funding and few tools identified to address specifically the needs of the 35% of Austin households that make less than \$39,000 a year (Draft plan, p. 9). Today, 48,000 households at \$25,000 income or less lack affordable housing, and that doesn't include large families at less than 50% MFI with greater income than \$25,000. 2014 City of Austin Comprehensive Market Analysis, p. 9. In addition, according to the draft plan, we will need in the next 10 years 48,000 additional affordable units for those making less than 60% MFI (There is no draft plan figure for 50% MFI). Draft plan, p. 14. **In short, it appears we will need around 90,000-100,000 affordable housing units for households at 50% or less MFI.**

B. The Draft Plan's Resources Directed to Very Low Income Austinites Will Not Even Come Close to Meeting the City's Goal of 45,000 Very Low Income Units. The draft plan has the goal of providing 20,000 affordable units for households at 30% MFI and below and 25,000 affordable units for households between 31-60% MFI. Draft plan, p. 16

The listed resources on the diagram and the methodological appendix for these two categories of low income housing are paltry and will not come close to the goal of providing 45,000 units.

The suggested sources for 20,000 units of 30% MFI housing is federal and local funds, and the sources suggested for 25,00 units of 31-60% MFI housing is federal, local and density bonus programs. There are no specific amounts from the funding sources directed specifically to the housing needs of very low income Austinites. The methodology chart in the appendix just lists some funding sources; it is not clear where exactly these funds are going or how much is going specifically to verylow income housing as opposed to other housing income levels.

Federal funds are scarce and likely to get more scarce under the Trump Administration. Local funds listed are the following: remaining bond funds, new potential bond funds, current density bonus programs, Austin Housing Trust Fund, HACA, and other tools. It is problematic that these sources will provide significant amounts to very low income housing because:

- **Many of these local funds have been used in the past for housing needs other than for those at 50% MFI or less, and there is no assurance in this plan where these resources will be allocated.**
- **Past density bonus programs have produced primarily 80% MFI units and have been mostly small efficiencies at near market rate that don't serve families' needs.**
- **Voluntary density bonus programs along corridors and at centers are unlikely to serve very low income Austinites because:**
 - 1) **Mandatory density bonus programs are usually ineffective at below 80% MFI, much less voluntary programs**
 - 2) **To attempt to make voluntary density bonus programs effective below 80% MFI, it will take massive tax subsidies, draining general revenue that is needed for other high priorities.**
 - 3) **The density bonus program will raise much less units and money for very low income housing than a linkage fee, because it is voluntary and not mandatory and it is planned to apply to only limited areas, such as corridors and centers and missing middle, not to all new construction.**

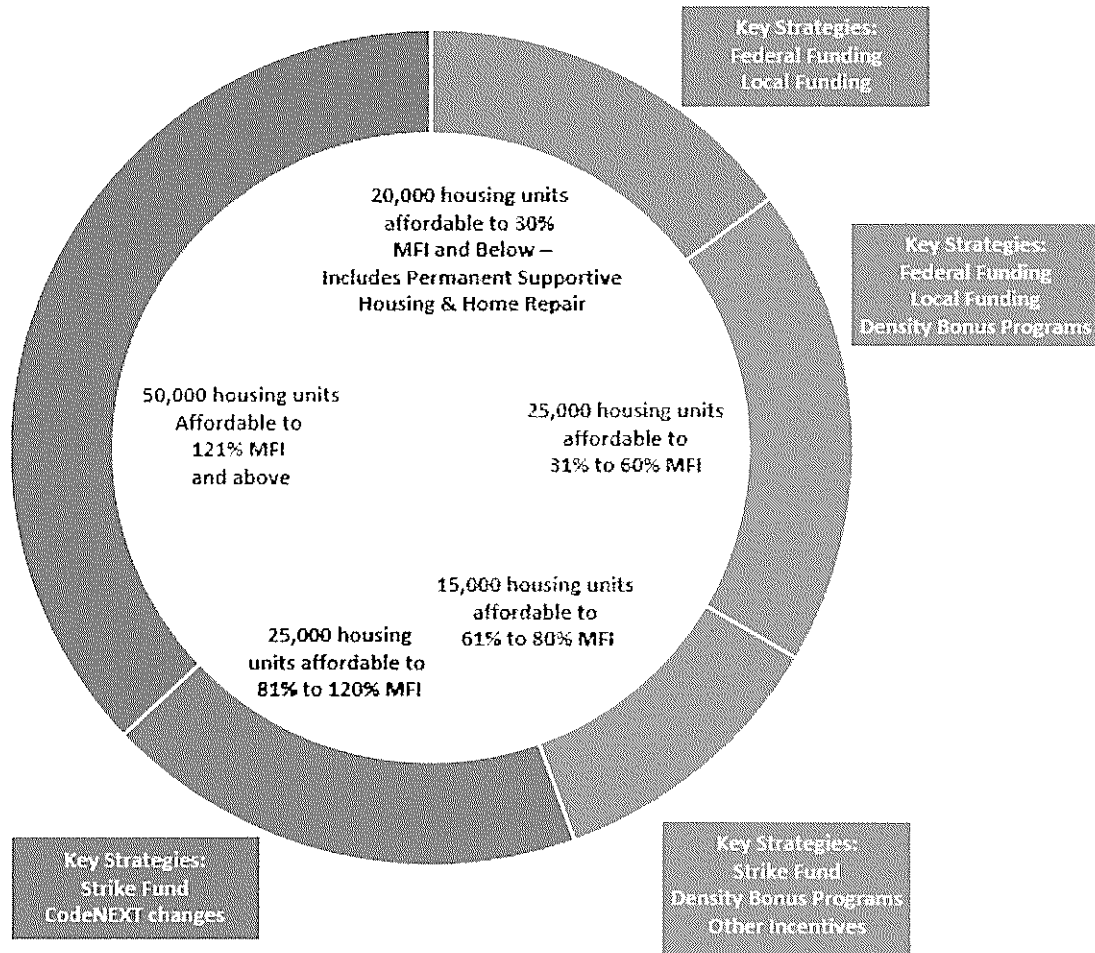
Strike funds, even assuming sufficient funds are available, are not designed for housing below 80% MFI, but housing between 80-120% MFI.

Even assuming all federal funds, remaining bond funds, future bond funds, HACA and Housing Trust funds went to very low income housing—which is not likely—this according to the draft plan would produce only 5834 units of very low income housing

In short, this draft plan has no plan or strategy for addressing realistically very low income affordable housing. Its concern is really with housing for middle class and affluent Austinites.

Austin Community 10-Year Affordable Housing Goals

135,000 Housing Units in 10 Years:



- At least 75% of new housing units should be within ½ mile of Imagine Austin Centers and Corridors
- Preserve 10,000 affordable housing units over 10 years
- Produce 50 Permanent Supportive Housing (PSH) units each year through 2018, with half of those units (25) being Housing First

Each City Council District should contain:

- At least 10% of **rental housing** units that are affordable to households earning at or below 30% MFI (or \$24,300 or less for a 4-person household in 2016); and
- At least 25% of **ownership housing** units that are affordable to households earning at or below 120% MFI (or \$93,360 or less for a 4-person household in 2016).

