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WHEREAS, a 2016 analysis conducted by The University of Texas (“Strategies to Help Homeowners Finance Accessory Dwelling Units in Austin”) found that this action addressed land use barriers associated with ADU construction and resulted in a doubling of ADU construction in Austin in 2016 from 2015 levels; and

WHEREAS, the report found that financing remained a major barrier to “low- and middle-income homeowners wishing to build an ADU”; and

WHEREAS, the report also found that in addition to the financial barriers, concerns about potential effects on property taxes could arise due to the ADU's impact on property values; and

Page 1 of 6

22 **WHEREAS**, acknowledging that each of these funding streams have different
23 eligibility requirements and certain restrictions, potential funding sources for such a
24 program could include the Housing Trust Fund, the Tax Increment Reinvestment Zone
25 (TIRZ) in the Homestead Preservation District (HPD) A, the City of Austin’s Down
26 Payment Assistance Program, the City of Austin’s Rental Housing Development
27 Assistance Program, General Obligation (G.O.) funds, the General Fund, and
28 Community Development Block Grants (CDBG); and

29 **WHEREAS**, the report states that these funds could also be used to populate a
30 Revolving Loan Fund (RLF), which can be regenerated through the payback of
31 previously issued loans; and

32 **WHEREAS**, in May of 2016, the Austin Community Design and Development
33 Center (now Community Powered Workshop) and the University of Texas Center for
34 Sustainable Development released the “Alley Flat Financing Strategies,” report, which
35 affirmed that conventional loans fail to serve lower-income homeowners for the reasons
36 stated above; and

37 **WHEREAS**, Resolution No. 20161006-050 created a housing lending advisory
38 group comprised of affordable housing experts, local lending institutions, nonprofit
39 organizations and others that offer or are involved in programs to provide new lending
40 tools for purchasing a home or financing an accessory dwelling unit (ADU) for
41 households between 80% - 120% MFI; and

42 **WHEREAS**, the housing lending advisory group was directed to:

- Engage lenders to develop more mechanisms for residents between 80-120% MFI to receive loans for home buying or ADUs;
- Partner with organizations to host or market home-buying education classes;
- Compile and assess existing lending resources available to homeowners and buyers;
- Evaluate how easily homeowners and buyers can access existing lending resources or educational materials;
- Review creative lending alternatives used in other cities and determine their applicability to Austin; and

WHEREAS, in a presentation made to Council on December 8, 2016, staff affirmed conclusions from The University of Texas report regarding the challenges homeowners face when attempting to construct ADUs and indicated that loans would likely have to come from public funds since the private market is not meeting this need; and

WHEREAS, Resolution No. 20171109-048 created the Family Homestead Initiative which, among other actions, directed the creation of processes that would streamline smaller residential projects, including the construction of secondary dwelling units; and

WHEREAS, a permitting process that offers the efficiency of a menu of pre-approved ADU models would streamline design and permitting processes, which also reduces costs; and

65 **WHEREAS**, organizations like Community Powered Workshop have the
66 expertise, as evidenced by their Alley Flat Initiative, to produce such a menu of pre-
67 approved ADU models for use by homeowners seeking to build an ADU; and

68 **WHEREAS**, while the permitting for ADUs has become more streamlined,
69 financing remains a hurdle for many households; and

70 **WHEREAS**, other cities have funded and created programs to address this need;
71 and

72 **WHEREAS**, for example, the West Denver Single Family Plus ADU Pilot
73 Program helps mid-and low-income homeowners to construct ADUs by providing
74 design, permitting, and financing assistance; and

75 **WHEREAS**, Community Powered Workshop has extensively researched other
76 municipalities' programs and is seen as a national resource as cities and nonprofits
77 advance ADU construction as a means of assisting low and moderate-income
78 homeowners in increasing household income and enabling them to remain in their
79 communities; and

80 **WHEREAS**, other cities have also created programs to help homeowners
81 construct ADUS, such as Los Angeles' LA-Más Backyard Homes Project, an incentive
82 program that offers homeowners optional financing, design, permitting, construction,
83 and leasing support to build and rent a new ADU to a Section 8 voucher holder for a
84 minimum of five years; and

85 **WHEREAS**, Community Powered Workshop has executed memorandums of
86 understanding with Austin Housing Finance Corporation with the intent to help
87 homeowners finance ADUs, but it has yet to be funded; and

88 **WHEREAS**, with the support of Neighborhood Housing and Community
89 Development and in partnership with the Business and Community Lenders of Texas
90 and Guadalupe Neighborhood Development Corporation, Community Powered
91 Workshop applied for a grant to enable households to access mortgages and
92 construction financing for the purposes of constructing ADUs; and

93 **WHEREAS**, the results of that grant process should be released this spring; and

94 **WHEREAS**, acknowledging that ADUs are a critical component of the City's
95 affordable housing supply, the City should analyze funding sources and devise
96 programs that could be used to provide financial capital for low-income homeowners
97 and, if an appropriate funding source can be identified, for moderate-income households
98 for the purpose of creating affordable ADUs throughout the City; **NOW,**
99 **THEREFORE,**

100 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

101 The City Council directs the City Manager to explore eligible funding sources
102 that could be used to provide low-interest loans or possibly supplement Community
103 Powered Workshop's grant, should it be successful, and, if eligible funding sources are
104 found, devise program and income eligibility guidelines for Council consideration no
105 later than September 30, 2020.

106 **BE IT FURTHER RESOLVED:**

107 The City Council directs the City Manager to explore partnerships with
108 organizations such as Community Powered Workshop that can provide a menu of pre-
109 approved ADU models as part of a streamlined permitting process and to report back to
110 Council no later than August 30, 2020.

111 **BE IT FURTHER RESOLVED:**

112 The City Council further directs the City Manager to explore the viability of a tax
113 abatement or grants for property owners who construct income-restricted ADUs to
114 offset increases in property valuations and, if viable, provide the Council with a
115 budgetary impact analysis, recommendation, and mechanism for enacting such a
116 measure no later than September 30, 2020. The City Council also directs the City
117 Manager to initiate conversations with local taxing authorities to explore the potential
118 to minimize property taxes for property owners who construct income-restricted ADUs
119 and to report back to Council the outcome of those conversations no later than
120 September 30, 2020.

121
122 **ADOPTED:** _____, 2020 **ATTEST:** _____

123 Jannette S. Goodall
124 City Clerk
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