

DRAFT - JUNE 6, 2016

# Austin Strategic Housing Plan

DRAFT



Neighborhood Housing  
and Community Development

**Austin Housing Plan  
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## **Austin Strategic Housing Plan**

### **A Comprehensive Approach to Address Austin's Most Pressing Housing Challenges**

#### **Executive Summary**

Austin is rapidly becoming less affordable for many residents, including Austinites who embody the city's character and who provide critical services in the community. Subsidies alone cannot close the growing affordable housing gaps, or provide households with more affordable housing and transportation choices. However, utilizing a multifaceted set of coordinated strategies, the City of Austin can work with community partners to effectively address these challenges and reach our community's affordability goals.

In the broad community outreach undertaken to develop the Austin Housing Plan - including more than a dozen public meetings, a statistically valid survey, and outreach to underrepresented groups - Austinites noted that affordability is not just defined by the price of housing, but also by where one lives and if one has access to daily needs and opportunities. The Austin Housing Plan recommends thoughtful strategies and approaches to prevent displacement and foster equitable communities, invest in housing for those most in need, create new and affordable housing choices, while also helping Austinites reduce their transportation costs and other household expenses. By ensuring that there is coordination with the City's Imagine Austin Comprehensive Plan, and other citywide initiatives to implement Imagine Austin, such as the CodeNEXT revision of the City's land development code, the Austin Strategic Housing Plan seeks to address these interconnected issues comprehensively.

It is important to keep in mind that there are other issues that impact affordability - such as utilities, taxes, transportation, and health care costs - which may be outside of the scope of this plan, and rely on the actions of other governmental, non-profit and private entities. The Austin Housing Plan provides a roadmap for Austin to maximize the most impactful opportunities, sustainably achieve affordability goals and ensure Austin remains a great city for people with different needs, values and incomes. Austin's greatest assets are its diversity and its people, and that is why implementing the Housing Plan to address affordability is so important for all Austinites.

#### **Purpose**

The purpose of the Austin Housing Plan is to help align resources, ensure a unified strategic direction, and facilitate community partnerships to achieve this shared vision. The Plan recommends new funding mechanisms, regulatory changes, and other creative approaches the City of Austin and community partners should utilize to achieve both market rate and affordable housing goals.

The City of Austin's 2014 Comprehensive Housing Market study identified a gap of 48,000 housing units for households earning at or below \$25,000 annually, or approximately 30% of the Median Family Income (MFI). It is estimated that the cost to close that gap today with construction of new units would be \$6.48 billion. By 2025, the cost to close the gap is estimated to grow to \$11.18 billion. Given the magnitude of the challenge, subsidies alone are not a realistic solution. As such, this plan proposes a combination of new funding mechanisms, regulatory changes, and other creative approaches to address specific housing issues the city of Austin and its residents face.



## Affordability Definitions

The U.S. Department of Housing and Urban Development defines **affordable housing** as: “Housing in which the occupant(s) is/are paying no more than 30% of his or her income for gross housing costs, including utilities.” According to Imagine Austin, the City of Austin’s comprehensive plan, **household affordability** includes not only housing costs, but also utilities and transportation costs. **Income-restricted affordable housing** refers to housing for which renters or buyers must meet specific income guidelines to be able to live in the unit. This guideline is generally defined in terms of a percent of median family income, or MFI. In Austin, there is some income-restricted affordable housing available to households with very low median family incomes, and some housing that is available to households with higher median family incomes. **Market rate housing** generally refers to housing that is rented or owned by people who pay market rates to rent the property or paid market value when they bought the property. There is no subsidy for this type of housing, so there is no guarantee that the prices will remain stable over time.

## Community and Stakeholder Engagement Summary



Stakeholder engagement was one of the core components in the creation of the Strategic Housing Plan. Neighborhood Housing and Community Development (NHCD) staff actively solicited input from residents, community leaders, local housing advocates, and board and commission members for this plan. Citizens had multiple opportunities to provide input through a variety of methods. NHCD staff hosted 13 Community Conversation meetings (See Flyer in *Appendix B*), with at least one in each council district, as well as nine additional stakeholder meetings and presentations at multiple board and commission meetings. This outreach provided an opportunity for over 300 stakeholders to discuss the difficult choices the city faces regarding household affordability. In these dialogues, citizens were asked to discuss various funding mechanisms, potential regulations, and other creative approaches the City could utilize to increase housing choices for a range of incomes. The activity was designed to foster constructive communication between community members about issues relating to affordability. Input gathered from this process informed the plan.

Additionally, a Housing Conversation Kit (See *Appendix B*) was created so that individuals could host their own conversation with their neighborhood association, civic group, nonprofit, or faith based organizations to discuss their perspectives on housing.



A majority of participants agreed that affordable housing needs to be distributed as evenly as possible throughout the city to reduce any concentration, and that this housing should also be connected to transit and schools. Another commonly expressed view was that the City should focus affordable housing policy on both income-restricted units and on non-subsidized market rate construction. Some residents were concerned that affordable housing could have a detrimental impact on the neighborhoods in which it is located.



In addition to the outreach meetings and kits, NHCD partnered with Austin Energy's Data Analytics and Business Intelligence unit to design and distribute surveys soliciting citizen input on affordable housing in Austin during April 2016. The surveys were released in four separate methods: email in English,

email in Spanish, online in English, and online in Spanish (See *Appendix B*). The email campaign was sent to approximately 400 citizens in each of the 10 council districts totaling about 4,000 citizens reached. The English email-based survey can be traced back to individual respondents within the Austin area and received over 400 completed responses, making it a statistically valid sample size. The data captured in this survey are representative of Austinites in demographic terms, with a slightly higher response rate of Caucasians, but the attitudes towards affordable housing can be generalized to represent the city as a whole.

The data indicates that a majority of the respondents are in agreement that people who work in Austin should be able to afford to live in Austin. However, they are not all in agreement on the specifics of affordable housing, including how to pay for it and where it should be located, which demonstrates a well-researched observation that citizens may be in support of socially-responsible issues but are not as willing to be financially supportive. In terms of council district differences, it appears that District 4 is statistically more in favor of funding and legislation to support affordability in Austin. Districts 1 and 10 often showed less support for the need of funding and legislation to build affordable housing in Austin. Overall, citizens appear to understand the need for affordable housing in Austin.

## **What is the Need?**

As Austin continues to experience immense economic and population growth, more people are competing for a limited supply of housing than ever before. This, together with fewer federal and state funds dedicated to subsidized housing, and widening income inequalities, has created an affordable housing shortage, especially for households earning less than \$25,000 per year.

The City of Austin's 2014 Comprehensive Housing Market study identified several top housing needs:

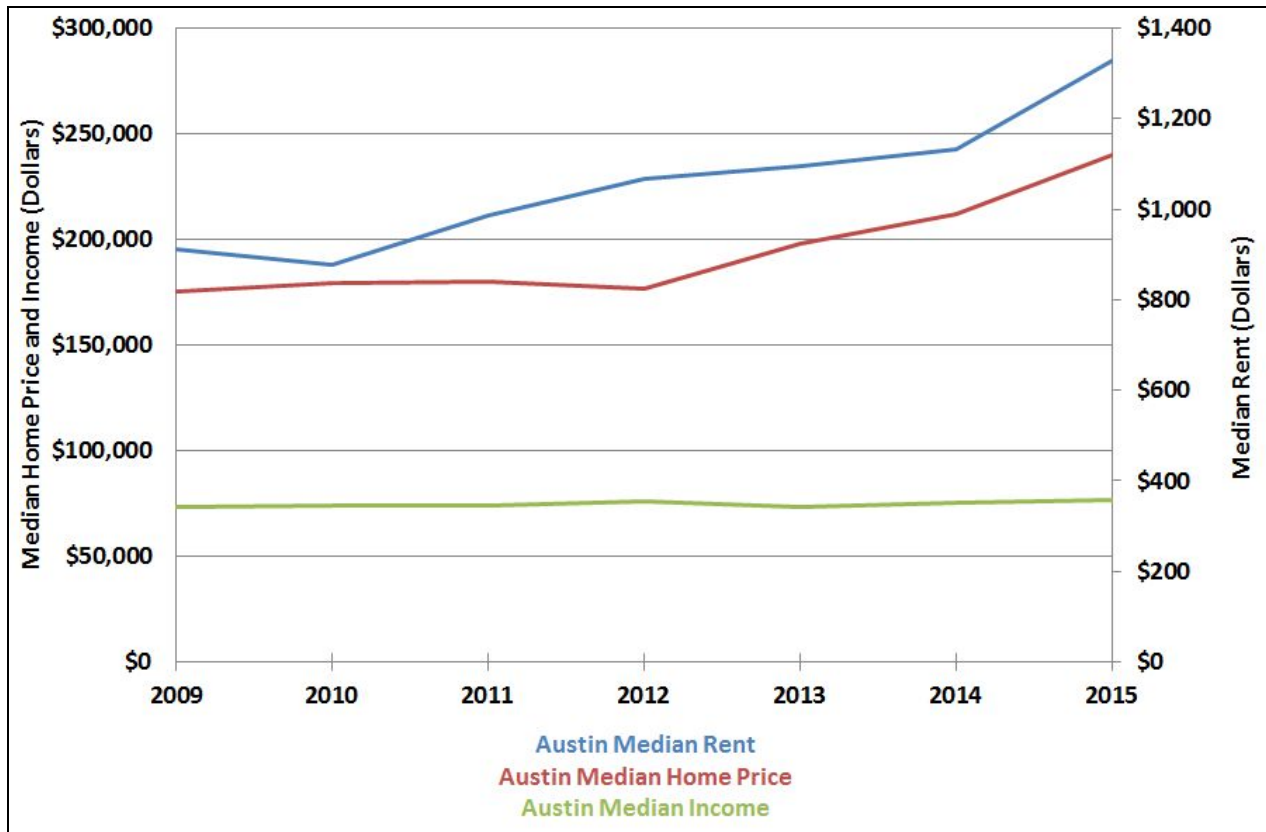
- A shortage of deeply affordable rental units (primarily those renting for less than \$500/month) for renters earning less than \$25,000 per year.
- Geographically limited housing opportunities:
  - Affordable rentals are scarce west of I-35
  - Homes to buy for \$250,000 or less are increasingly concentrated in northeast, far south and southeast Austin.
- Rising housing costs in a handful of redeveloping neighborhoods, which could cause long-time residents to seek more affordable housing elsewhere.
- A growing need for affordable housing near transit and services—to enable seniors to age in place, to provide a wider array of housing choices for persons with disabilities and to mitigate the financial impact of rising transportation costs.

In addition, wages have not kept pace with rising housing costs (see *Figure 1* below), increasing the likelihood of displacement of low- and middle-income households without significant intervention. Austinites want to be able to afford to stay in Austin; they are concerned that they will no longer be able to afford to live in the city in the future, and that they would be unable to afford a home in today's market.



## Job Growth in Low to Moderate Paying Jobs

The strongest employment growth during the past decade has mostly occurred in low- to moderate-paying jobs. Of the 100,000 new jobs in the Austin Metropolitan Statistical Area (MSA), 36,000 are in the Education and Health Services industries, which pay about \$40,000 per year on average. Another 26,000 jobs are in the low paying Leisure and Hospitality industries, paying less than \$20,000 per year on average. Workers in these and other low- and moderate-paying professions struggle to find homes to buy and rent in Austin. Austin's job growth is forecast to continue adding disproportionately more low- to moderate-paying jobs.<sup>1</sup>



**Figure 1: Austin Median Home Prices and Rents v. Median Income**

**Sources:** National Association of Homebuilders (NAHB), Austin Opportunity Index, and Austin Investor Interests Data (2009-2015)

## Future Housing Demand

Austin's population is projected to continue to increase at a rate of nearly 3% per year, with 400,000 additional people expected to live in Austin by 2045, necessitating the production of 200,000 housing units for those households over the next thirty years to meet demand.<sup>2</sup> At the same time, the demographics in our community are changing, with an increased percentage of young people, retirees, and single people.<sup>3</sup> These households generally have fewer people, spurring an increased demand for smaller housing options. Arthur C. Nelson, urban planning professor at the University of Arizona,

<sup>1</sup> Economic Modeling Specialists International (EMSI) Analyst Data, 2013.3.

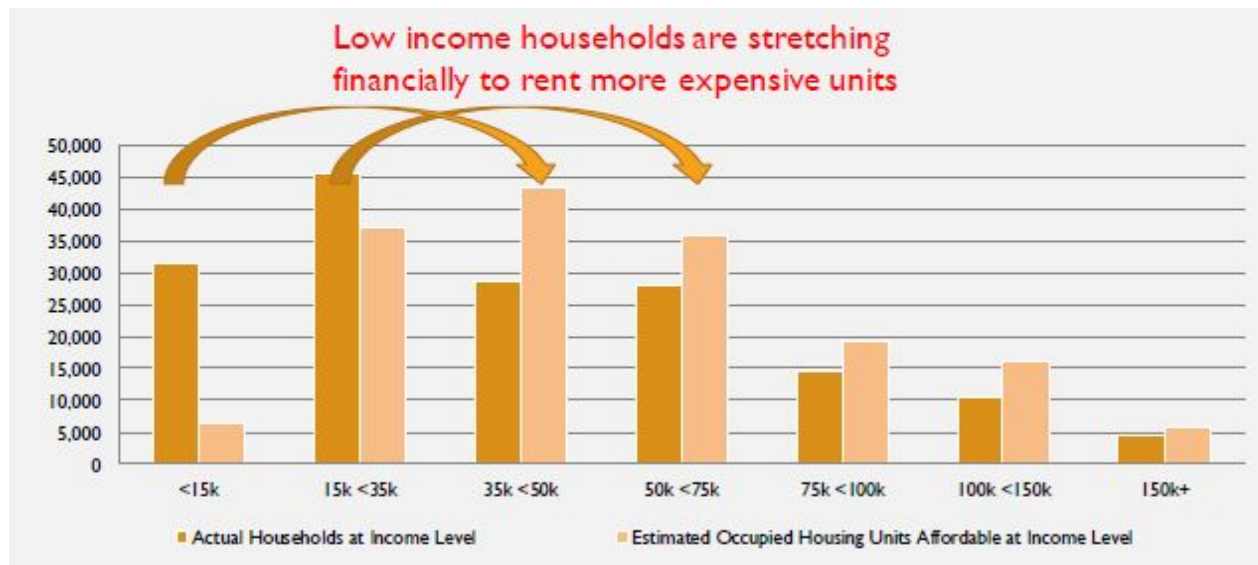
<sup>2</sup> Housing Units - U.S. Census Data; Population Projection - City of Austin Demographer.

<sup>3</sup> Austin Balanced Housing Model, Fregonese & Associates, 2016.



estimates that “half of all new housing demand will be for attached homes and the other half for small lot homes. Demand for large-lot homes will decline below 2011 levels.”<sup>4</sup>

16% of Austin’s households earn under \$25,000 (roughly 30% of MFI) per year, 19% earn between \$20,000 and \$39,000 per year (roughly 31% to 60% MFI), 12% earn between \$39,000 and \$52,000 per year (roughly 61% to 80% MFI), 27% earn between \$52,000 and \$78,000 per year (roughly 81% to 120% MFI), and 27% earn \$78,000 per year or more (roughly 121% MFI and above). While 25% of the city’s households earn 60% MFI or below, only 15% of the city’s housing stock is affordable to them, forcing those households to compete with higher income households for a limited supply of housing (see *Figure 2*). Lower income households are also renting more expensive housing units as they are unable to compete for the small pool of rental units that are affordable to them.

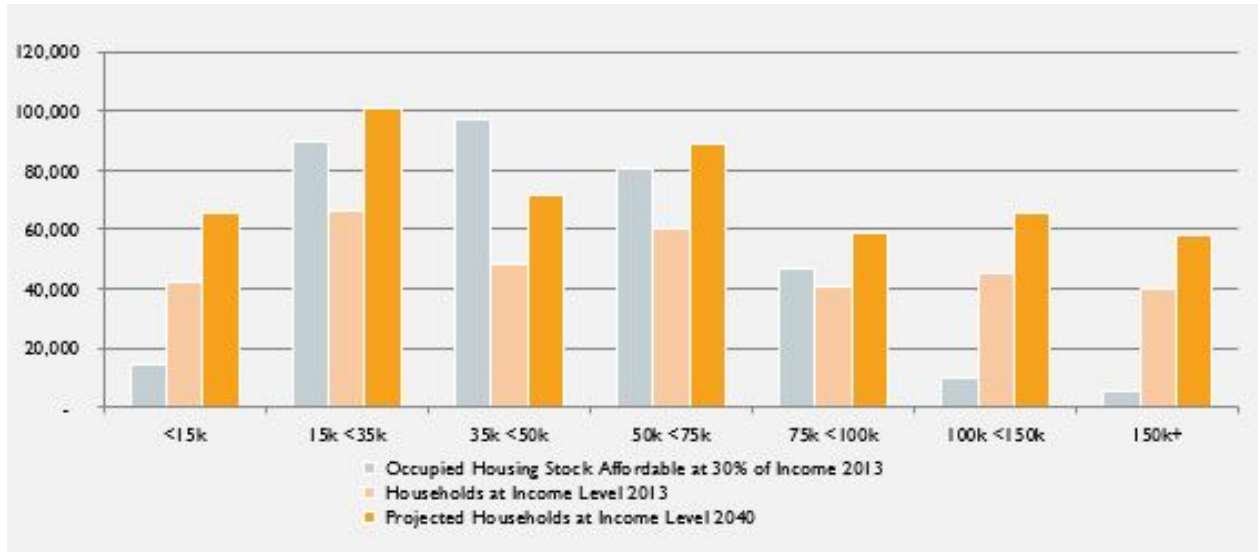


**Figure 2: Comparing Rental Household Incomes with Occupied Units Affordable at Each Income Level**

**Source:** 2014 ACS Census; Austin Balanced Housing Model, Fregonese & Associates, 2016.

<sup>4</sup> Nelson, Arthur C., The Mass Market for Suburban Low-Density Development is Over, The Urban Lawyer, 2012.

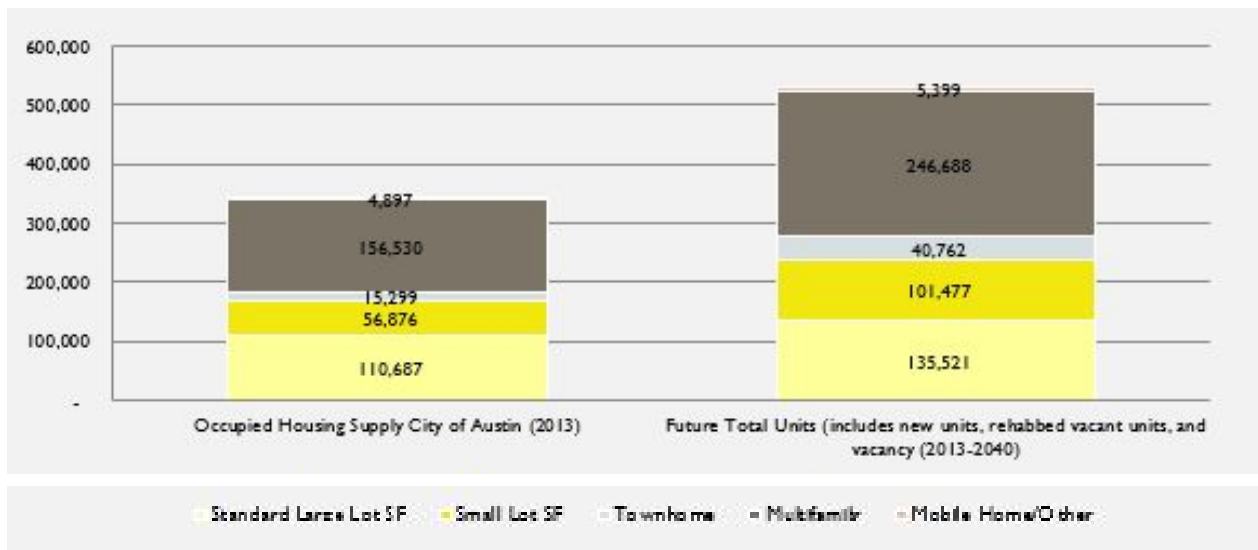




**Figure 3: Current Households and Housing Stock Compared with Future Demand**

**Source:** Austin Balanced Housing Model, Fregonese & Associates, 2016 utilizing American Community Survey 2014 Data

Figure 3 illustrates that growth is expected at all income levels; however, there is not sufficient housing product for people with both very low and very high incomes. These households are being forced to compete for limited housing supply in the middle. New luxury product has been added in the last few years, but new housing affordable to low-income households has been limited to a few thousand subsidized units, while market rate units that used to be affordable have become more expensive.



**Figure 4: Current vs. Future Housing Mix**

**Source:** Austin Balanced Housing Model, Fregonese & Associates, 2016.

When considering Austin's future housing demand, as seen in Figure 4, it is clear that much of new housing demand will be for multifamily units; however, there are also large increases in demand for small lot single family and townhomes.





**Figure 5: Household Income by Percent of Household Income Spent on Housing**

**Source:** 2014 American Community Survey (ACS) Census; Austin Balanced Housing Model, Fregonese & Associates, 2016.

Figure 5 illustrates that households earning below \$35,000 annually, and especially those earning below \$15,000, are housing cost-burdened, which means they spend more than 30% of their incomes on housing costs. This impacts many Austinites in the broader community, including households living at or below the poverty level, seniors, persons with disabilities, and low wage workers such as childcare providers, nurses aides, bus drivers, retail salespeople, cashiers, cooks, custodians, and artists.

## Equity and Inclusion

In February, 2015 the Martin Prosperity Institute named the Austin metro area the most economically segregated area in the United States, stating that “[i]t is not so much the size of the gap between the rich and poor that drives segregation as the ability of the super-wealthy to isolate and wall themselves off from the less well-to-do.”<sup>5</sup> An adequate supply of housing affordable to people working all types of jobs is necessary to maintain a culturally rich, diverse, and livable city. Without this, people who work here will be forced to move out of the city, with negative impacts not only on individuals, but also on the region: more traffic congestion, increased environmental degradation, and fragmentation of communities. Housing affordability must remain a cornerstone of our city’s commitment to a more equitable future to ensure fairness for each individual and community that calls Austin home. Without sufficient housing for Austinites at a range of incomes, we risk becoming a city accessible only to the affluent and privileged.

Studies have found that the odds of rising to another income level are notably low in certain cities with concentrated poverty, extensive traffic, and weak public transit systems, which make it difficult to get to a job.<sup>6</sup> Therefore, policy makers need to address other issues relating to affordability as they address inequality, including access to transportation and the cost of utilities, taxes, and health care costs.

<sup>5</sup> [http://www.martinprosperity.org/media/Segregated City.pdf](http://www.martinprosperity.org/media/Segregated%20City.pdf)

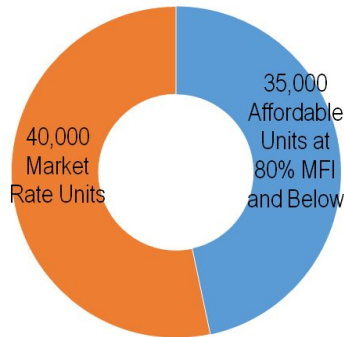
<sup>6</sup> <http://www.nytimes.com/2013/07/22/business/in-climbing-income-ladder-location-matters.html>



## **Austin Community 10-Year Affordable Housing Goals & Targets**

### **Community Goals**

**75,000 Housing Units in 10 Years:  
35,000 Affordable Units (80% MFI and below); and  
40,000 Market Rate Units**



- At least \_\_\_\_%\* of new housing units should be within Imagine Austin Centers and Corridors

#### **Each zip code 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).

### **Neighborhood Housing and Community Development Targets**

#### **Housing for All**

- Serve at least 20 unduplicated people under 20% MFI without a voucher each year
- 50% of new affordable housing units created to be adaptable and 25% to be accessible -
- Support the production of 50 Permanent Supportive Housing (PSH) units each year, with half of those being Housing First

#### **Family Friendly Housing**

- 25% of affordable housing units that are created or preserved should have two or more bedrooms

#### **Linking Housing with Transportation**

- 25% of affordable housing created or preserved to be within ¼ mile of high frequency transit

\*In development.



## Funding Mechanisms and Tools for 35,000 Affordable Units (Up to 80% MFI) in 10 Years

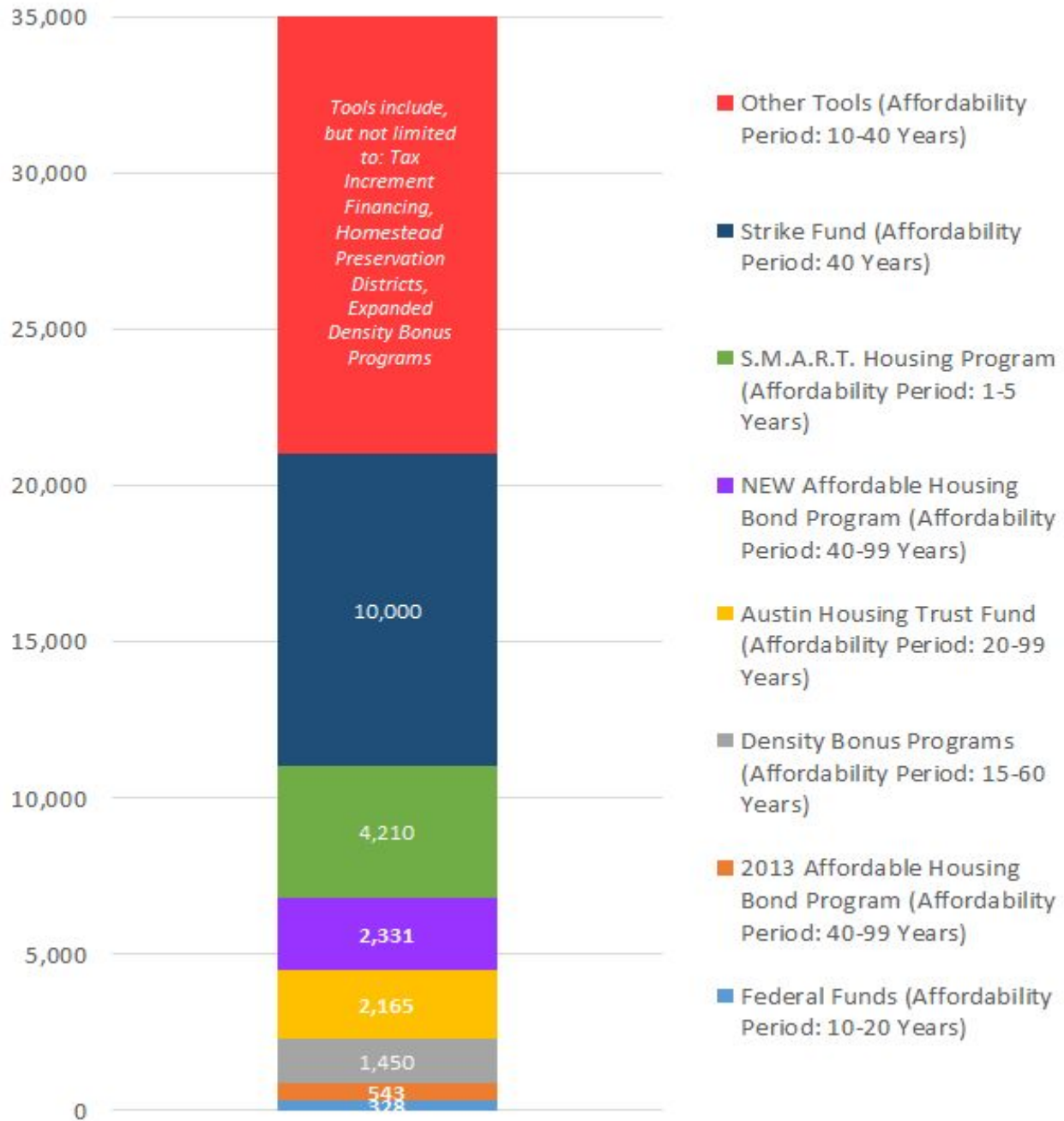


Figure 7: Funding Mechanisms and Tools for 35,000 Affordable Units (Up to 80% MFI) in 10 Years

\*Estimate methodology is featured in the Appendix A.



## Key Policies and Programs

Achieving the aggressive community goals outlined above will require the continuation of existing funding, as well as significant new funding, new regulations, new programs, legislative changes, land development code changes, and participation from the private sector at a level not previously experienced in Austin. To make significant progress in altering the current trajectory of Austin becoming a city that only the rich can afford, policy makers will have to make difficult decisions including redirecting funds from other uses toward affordable housing and changing city policies to ensure that the needs of the city's most vulnerable populations are addressed when considering all the factors impacting affordability.

Analysis by University of California researchers about the relationship between housing production, affordability, and displacement in the San Francisco Bay Area found that both market-rate and subsidized housing reduce displacement pressures at the regional level, but subsidized housing has over double the impact of market-rate units. The findings support the need for the production of more housing at all levels of affordability in strong-market regions to ease housing pressures. The research also notes the importance of increasing spending on subsidized housing to ensure both neighborhood stability and income diversity into the future.<sup>7</sup> Continuation of level funding for affordable housing in Austin (including new General Obligation Bonds when the funds from the current bonds are expended) would result in the production of approximately 11,000 income-restricted affordable units over the next ten years; however, the need for both income-restricted affordable housing and market-rate housing over those ten years is estimated to be approximately 75,000 units. Aggressive implementation of the policies, programs and tools described below will be necessary to move the needle toward making Austin a more equitable and inclusive city.

### Prevent Households From Being Priced Out of Austin:

**Preserve communities through legislative changes, local policies, programs and targeted investments.**

**Prevent Displacement of Low-Income Homeowners:** Buying a home in Austin during a time of rising home prices is out of reach for most low-income families, and being able to continue to afford property taxes, especially in central Austin, has become very challenging for many. That means it is even more critical to prevent displacement of existing low-income homeowners. The City will explore ways to help stabilize low-income homeowners, build on the success of existing repair and weatherization programs, and pursue policies to provide assistance to homeowners with financial hardships that threaten their housing.

**Preserve and Create Ownership Options for Households at 80% to 120% MFI:** [Resolution No. 20160407-024](#) directs the city manager to provide recommendations regarding options that would create more homeownership options throughout the city for households earning between 80% and 120% of MFI. The City should explore the following potential strategies identified by stakeholders to support households in this income range.

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<sup>7</sup> Zuk M., Chapple K. (2016). [Housing Production, Filtering and Displacement: Untangling the Relationships](#). University of California, Berkeley, Institute of Governmental Studies Research Brief.



Potential strategies identified by stakeholders to assist with the preservation and creation of *income-restricted* units for this income group include:

- shared equity and Community Land Trusts (CLT) ownership models;
- modifying Homestead Preservation District CLT Legislation to work for 80%-120% MFI;
- expanding partnerships with both private and non-profit developers, and land conservancies to create mixed-income developments;
- engaging lending establishment to support the production of affordable housing;
- exploring the creation of Tax Increment Financing District(s) with focus on 80%-120% homeownership uses;
- using sales of public land as a means to fund housing for households at 80%-120% MFI;
- creating mixed income housing using public resources;
- creating a policy that all rezonings with increased residential entitlements include income-restricted units;
- creating a small scale density bonus program designed for residential lots;
- expanding S.M.A.R.T. Housing Program for higher incomes; and
- expanding and refining density bonus programs for higher incomes.

Potential strategies identified by stakeholders to maintain affordability for existing owners or create more affordable (but *not income-restricted*) ownership options include:

- making it possible for owners to convert existing interior residential space into a rentable apartment to help pay mortgage/taxes; simplifying/expediting remodeling processes;
- focusing on increasing wages for low-income Austinites; considering infrastructure costs of increased density;
- de-incentivizing the construction of new big, expensive houses through fees;
- distributing housing and jobs throughout the Imagine Austin Activity Centers and Corridors to try to lessen the pressure on prices in central Austin;
- adjusting lot size minimums and maximums to accommodate a diversity of housing options including missing middle housing types (*missing middle housing is a range of multi-unit or clustered housing types compatible in scale with single-family homes that help meet the growing demand for walkable urban living. Examples include bungalow courts, side by side duplexes, stacked duplexes, triplex, fourplex, live/work and small multiplex*);
- simplifying the permitting process for missing middle projects between three and ten units when they adhere to the form-based standards in the land development code;
- providing additional opportunities for flexible housing: cooperatives, prefabricated housing, group homes, mobile and manufactured homes, RVs, tiny homes, temporary and permanent shelters;
- providing a more diverse set of housing options within most form-based code districts - some will include a range of missing middle types that correspond with building forms appropriate for the walkable context;
- allowing homeowners in a designated part of town (perhaps on a city-owned infill lot), to build minimal starter houses that can be easily added onto over time with their own sweat equity; and
- working with design professionals to develop a catalog of “pre-approved” missing-middle product types than can receive expedited approval.



All of these potential tools and strategies should be further explored during the review of the draft Housing Plan.

**Support Legislation to Allow a Flat Dollar-Amount Homestead Exemption for all Local Taxing**

**Entities:** Current state law only allows cities to offer a homestead exemption equaling a percentage of the appraised value of a property, which disproportionately benefits owners of high value homes while offering little relief to owners of low value homes. A flat dollar-amount homestead exemption would offer more substantial relief to homeowners who are most in need.

**Ensure that New Development Covers the Cost of Growth:** Unless a development is providing income-restricted affordable housing, new development should be paying the actual costs of growth through direct investment, impact fees, or other fees, to reduce the pressure for additional property tax increases, which are regressive and impact lower-income households more than higher-income households.

**Use Incentives to Support the Production of Jobs for Lower-Income Residents:** Incentives should be focused on improving the economic conditions of current lower income unemployed or underemployed residents to spur opportunities that enable them to better afford to live in Austin.

**Target a Preservation Property Tax Exemption to Communities at Risk of Displacement:** Austin needs a tool that can mitigate the pressure on its existing housing stock, which is causing rent increases and displacing low-income renters to outside the city. A Preservation Property Tax Exemption would provide a City of Austin tax exemption in exchange for guaranteeing continued affordability. The City will develop a strategy to implement this tool in areas most at risk of displacement of low-income renters.

**Make Strategic Investments to Minimize Displacement:** Displacement is happening throughout Austin, and low-income communities in particular are at high risk of displacement. Austin will make robust investments to anchor and strengthen these communities, including investments in new development and affordable housing preservation, and coordinated, targeted investments in economic development, transit, and education.

**Expand the use of Community Land Trusts (CLT):** Community land trusts enable eligible households to purchase a home and lease the land underneath it (*Figure 8*). By taking the cost of the land out of the real estate transaction, homes in the community land trust are much more affordable than houses on the open real estate market. Dedicated additional resources to the program could help expand it. Currently there are only single family homes in the City of Austin land trust program. Combining the land trust tool with regulatory changes through CodeNEXT that allow for a range of multifamily housing types and/or missing middle housing could result in greater homeownership opportunities at an even lower cost to prospective income-eligible buyers.





Figure 8: Community Land Trusts - How do they Work?

**Allow Homeowners to Rent Part of Their Houses:** Pursue code changes to allow homeowners to convert existing interior residential space into accessory dwelling units to help them afford to stay in place.

### Foster Equitable Communities:

**Promote strategic investments and create protections for low-income renters.**

**Develop a Strike or Preservation Fund:** In 2014, as part of [Resolution No. 20141016-034](#), City Council recommended implementation of a strike fund or preservation fund as a strategy to achieve a goal of preserving 20,000 affordable housing units over 20 years. A collaborative is working on the development of a sustainable economic model for the fund, a determination of a fund structure, a framework for the housing portfolio, and options for seeding the fund. The fund would strategically acquire, renovate, and manage existing multi-family buildings to make them affordable for the long term. *It is estimated that 10,000 affordable housing units could be preserved through the development of a strike or preservation fund over the next 10 years.*

**Implement Tenant Relocation Assistance Program:** Austin City Council will consider the creation of a [relocation assistance](#) program for low-income renters and mobile home park tenants who are displaced by new development. The City will need to identify funding for this program to provide education and tenant assistance to vulnerable populations, particularly those with language or other barriers to gaining the assistance they need.





**Protect Renters from Discrimination Based on Source of Income:** Renters who receive income from Social Security, veteran's benefits, child support, Supplemental Security Income (SSI) and Section 8 vouchers should not face barriers to housing based on their income type. Austin City Council unanimously passed an ordinance in 2014 prohibiting landlords from discriminating against renters based on their use of Housing Choice Vouchers, Veterans Affairs Supportive Housing vouchers, or other vouchers; however, state law now prohibits this protection, except for veterans. The City will continue to support legislation to expand anti-discrimination laws that include verifiable sources of income for all people, and modify voluntary developer incentive programs, including the S.M.A.R.T. Housing Program and density bonus programs to include that requirement.

**Implement the City of Austin's Fair Housing Action Plan:** The City of Austin's [Analysis of Impediments to Fair Housing Choice](#) includes a [Fair Housing Action Plan](#) with specific actions to affirmatively further fair housing choice. These actions include several opportunities through the city's zoning code. It is recommended that the City of Austin pursue implementation of the Fair Housing Action Plan in its entirety.

**Add Flexibility to Occupancy Limits:** On March 20, 2014, the City of Austin [amended its city code regarding dwelling unit occupancy](#) to reduce the maximum occupancy limits for single family homes in certain zoning districts and for duplexes from six unrelated adults to four. The ordinance has a provision excluding group home-type settings from the limit. This occupancy change could raise the cost of housing for unrelated roommates since housing costs will be split among fewer occupants. The limits are most likely to affect the city's student population and co-ops but could also have implications for persons with disabilities who reside together in a group setting that is not a licensed group home. In this case, the city would need to make a reasonable accommodation to the ordinance to avoid fair housing violations.

**Pursue Legislation to Allow Inclusionary Zoning:** Inclusionary zoning allows local governments to require developers to dedicate a certain portion of new housing units as affordable to low income residents. [Texas state law](#) limits municipalities' abilities to implement mandatory inclusionary zoning policies. However, the law does make exceptions for sales that are part of homestead preservation districts and for a requirement in an optional density bonus program. The City of Austin should implement inclusionary zoning as allowed and seek to expand inclusionary zoning powers as a means to increase the affordable housing supply in Austin.

**Pursue Legislation to Allow Rent Control:** The State of Texas has laws limiting municipalities' abilities to enact rent control policies. Rents are determined by property owners and are typically market-driven. By pursuing legislation that allows rent control, rent price ceilings could be established for specific apartments, providing a greater inventory of affordable housing for those in need.

**Undertake Strategic Land Banking:** Land banks and other real estate acquisition initiatives help affordable housing developers meet one of their greatest challenges: securing properties and sites on which to build affordable and/or mixed income housing. The City of Austin should strategically acquire and hold land in underdeveloped activity centers and corridors for the purpose of including affordable housing once the property is developed.

**Fully Utilize Homestead Preservation District Tools:** Homestead Preservation Districts (HPDs), in combination with Homestead Preservation Reinvestment Zones, can provide a dedicated funding



stream to reinvest in affordability within the most impoverished areas of Austin. Tax Increment Reinvestment Zones or Tax Increment Financing (TIFs) can be set up under the state's [Homestead Preservation District law](#) to ensure property tax dollars from economic development are reinvested in affordability for that area. The Homestead Preservation Districts and Reinvestment Zones do not establish new taxes or increase existing taxes on residents.

**Develop Programs, Resources, and Guides to Aid with Small Scale Preservation:** Cities like Seattle [offer guides, tools, and programs](#) specifically geared toward helping small landlords preserve the affordability and safety of their rental housing, without selling the property to be redeveloped, resulting in a loss of affordability. The City of Austin should identify funding sources and programs to help retain this small scale multifamily rental housing stock. Many of these owners are long term Austinites that care deeply about the housing they own and the opportunity to both preserve the character of the structure and to serve Austinites who help Austin retain its character.

### **Invest in Housing for Those Most in Need:**

**Adopt a balanced approach to provide affordable housing resources for low-income workers, seniors, people with disabilities and the thousands of people experiencing homelessness.**

**Pursue Future General Obligation Bond Elections for Affordable Housing:** Seeking new voter approved General Obligation (G.O.) Bonds in the future will build and preserve thousands of quality, affordable homes for the most vulnerable families and individuals and for low wage workers in our community. G.O. Bonds for affordable housing have been approved twice by Austin voters and have created affordable housing with services to support at-risk families, seniors, and people with disabilities; provided rental assistance to prevent homelessness; and preserved housing to prevent displacement of long-term residents. ***It is estimated that over 2,300 affordable housing units could be created through additional voter approved G.O. Bonds over the course of the next 10 years.***

**Challenge the Private Sector to Participate in a Fund for Affordable Housing and/or Workforce Housing:** It is essential for our regional economy and good for business when workers of all incomes can afford to live near their jobs. Employers can be part of the solution. The City should partner with local employers to contribute to a revolving housing fund to help finance the construction and preservation of rental workforce housing. This model has proven successful in other high cost areas, including in Silicon Valley, where scores of employers, employer foundations, state and federal housing agencies and private citizens have voluntarily donated to a trust fund for over a decade to address the community's full range of affordable housing needs, including but not limited to the needs of their employees. Building on successful models in other cities, the City should also explore partnering with major local employers and institutions to collaborate on innovative co-developments or social investment platforms.

**Maximize Public Property to Build or Include Affordable Housing:** Intense competition for limited land drives up cost and makes it challenging to build affordable homes for low-income residents. Publicly owned land is a public asset that must be used strategically to achieve multiple public benefits, including the creation of affordable homes in our community. Building affordable housing on developable public land in key locations near transit and job centers is invaluable in helping low-income workers and families live close to jobs and schools, while decreasing congestion and



pollution. The City should also consider co-locating affordable housing with other public facilities including fire stations, libraries, community centers, offices, etc.

**Utilize Tax Increment Financing (TIFs) for Affordable Housing:** Austin is limited in the range of tools it can legally use to achieve affordable housing. Tax Increment Financing (TIF) for affordable housing is allowed by state law, but the law restricts the amount of property that can be included within TIF districts to 10% of a city's assessed value. City of Austin policy further limits this to 5%. Until recently, the City was not even reaching 2% of assessed property value in TIF districts. Many cities have maintained a high credit rating while using TIF districts to achieve policy objectives, such as affordable housing. The City should consider increasing the self-imposed limit of 5% of assessed value within TIF districts. The potential of a responsibly employed TIF program could outweigh the potential risk to the City's credit rating. This is a critical tool the City of Austin has in its toolbox that it needs to start utilizing effectively to address affordability.

**Utilize Social Impact Bonds/Pay for Success Models for Services for People Experiencing Homelessness:** The use of social impact bonds, also known as social impact finance or Pay for Success, is a method of funding the provision of social services in which private investors provide upfront funding to high-performing service providers delivering effective services to targeted populations, with reimbursement by governments when cost reductions are evidenced. A coalition of community partners is implementing a pilot project that will target the highest utilizers of the criminal justice and emergency medical systems who are also experiencing homelessness, with the desired outcome of cost reductions of millions of dollars across the health care, criminal justice, and social service systems over the five-year life of the project.

**Utilize the National Housing Trust Fund:** The [National Housing Trust Fund \(NHTF\)](#) is a dedicated fund intended to provide revenue to build, preserve, and rehabilitate housing for people with the lowest incomes. The NHTF will provide communities with funds to build, preserve, and rehabilitate rental homes that are affordable for very low and extremely low income households. It is recommended that the City of Austin work with the Texas Department of Housing and Community Affairs (TDHCA) to ensure that state priority needs and target populations are more narrowly and clearly defined in the Five Year State Consolidated Plan.

**Leverage Low Income Housing Tax Credits (LIHTC) and Seek Legislative Changes for the City of Austin:** The LIHTC program directs private capital toward the development and preservation of affordable rental housing for low-income households. Tax credits are awarded to eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing. Both the 9% and 4% credits can be pursued for affordable housing. The City of Austin should continue to leverage these funds, and also seek legislative changes to have a portion of the state's LIHTC allocation dedicated to the City of Austin to focus the funding to meet local goals.

**Support the Creation of Deeply Affordable Units Serving People at 20% MFI and Below:** The term "deep affordability" refers to the level of affordability needed to serve extremely low income households. Focusing resources and funding on housing that is affordable to this income bracket would ensure that the most vulnerable receive assistance in obtaining housing. However, in order to achieve rents affordable to households in this extremely low income bracket, more funding is required per household than for assistance targeted to higher income households.



**Support Housing for the Chronically Homeless through Housing First/Permanent Supportive Housing (PSH) and Landlord Participation:** Permanent Supportive Housing (PSH) is housing for extremely low-income people at or below 30% MFI (\$24,300 or less for a 4-person household in 2016) with voluntary supportive services available, and often targets individuals experiencing chronic homelessness and have multiple barriers to housing stability (such as substance abuse issues, no income, medical or mental health issues, etc). Housing First PSH focuses on quickly housing people who are experiencing homelessness first, and then providing supportive services as needed. Core elements of the model include lower screening criteria regarding sobriety, criminal history, credit history, or other behaviors generally held to indicate a lack of “housing readiness.” Working with private landlords to accept chronically homeless residents is another way to increase the supply of PSH.

**Expand the Rental Assistance Program:** In Fiscal Year 2016-2017, the Austin/Travis County Health and Human Services Department launched a program to provide rental assistance to tenant households at or below 200% of the federal poverty level who need short term assistance to cover rent, utilities, and other expenses. The program was seeded with an initial appropriation of \$740,000. Funding will need to be allocated in future budget cycles to ensure this program continues to help Austin’s low-income renters.

## **Create New and Affordable Housing Choices for All Austinites in All Parts of Austin:**

**Harness new development to create affordable homes and diversify housing choices for current and future residents.**

**Adopt Affordable Housing Goals to Guide Policy.** These goals should guide decisions to reach the goal of having each zip code contain at least 10% of **rental housing** units that are affordable to households earning at or below 30% MFI (\$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 (\$93,360 or less for a 4-person household in 2016).

**Better Utilize Land for Affordable Housing:** The City should continue to offer density bonuses as well as reduced parking and lot width and setback requirements for developments that include units that are required to be affordable to very low-, low- or moderate-income households for 40 years or more.

**Revise S.M.A.R.T.<sup>TM</sup> Housing Program:** The City should revise the S.M.A.R.T.<sup>TM</sup> Housing Program to both offer greater incentives to developers and lengthen the affordability period. This program is producing positive results; however, it needs modification in order to help the City of Austin achieve affordability goals.

**Implement Consistent Density Bonus Programs for Centers and Corridors:** Several of Austin’s existing density bonus programs (University Neighborhood Overlay, Vertical Mixed Use, and Downtown Density Bonus Program) have successfully leveraged new development to produce benefits for affordable housing (see *Figure 9*). The revised Land Development Code could carry these programs forward, and potentially implement new programs targeting Imagine Austin Activity Centers and Corridors where larger buildings are deemed acceptable. Economic modeling has confirmed that such





programs would be financially feasible while also producing affordable housing benefits in a number of corridor and center settings around Austin. Any increase in development capacity will be tied to an affordability requirement. The City should incentivize and provide additional opportunities for housing units with two bedrooms or more, particularly in high opportunity areas. The existing density bonus programs have resulted in income-restricted affordable units in high opportunity areas along transit corridors with no subsidy by the City of Austin.

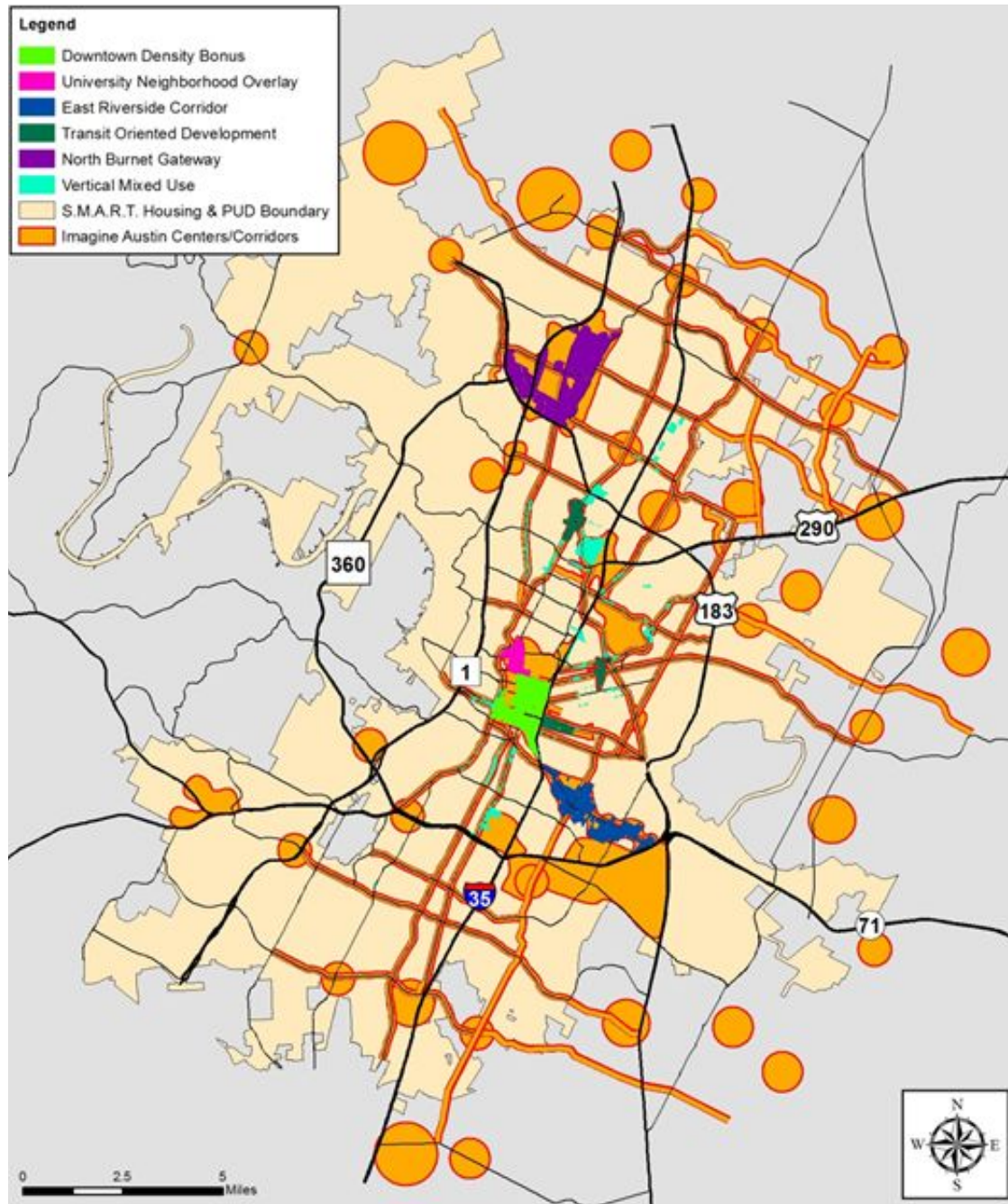


Figure 9: Existing Density Bonus Programs with Imagine Austin Activity Centers and Corridors

**Implement Density Bonus Program for Missing Middle Housing:** A second type of density bonus program might be more appropriate at the edges of centers and corridors or on collector streets where residents are more sensitive to building height and building size. In this type of bonus program, the “density” could take the form of units (rather than height or bulk), allowing more units within the same size building. This program could effectively provide missing middle affordable units. Relaxation of parking requirements could promote affordability and potentially maintain neighborhood character. Economic modeling has confirmed that such programs would be financially feasible while also producing affordable housing benefits. Any increase in development capacity will be tied to an affordability requirement. Incentivize and provide additional opportunities for housing units with two bedrooms or more, particularly in high opportunity areas.

**Allow the Development of Smaller Houses on Smaller Lots:** Land values are increasing in Austin, particularly in neighborhoods near Austin’s core. This is due to a number of factors, but most notably to more households valuing reduced distances between their work, home, and other destinations, which minimizes time spent in traffic. With increased demand for housing in central locations, land prices are likely to continue to rise. One potential way to enable more people to be able to afford to live in these location-efficient areas is to make it easier to build smaller houses on smaller lots. This would help produce more housing choices that are more likely to be affordable than houses built on larger lots. Small lot regulations can be revised utilizing a context sensitive approach to require a higher level of design and improved compatibility with neighboring properties.

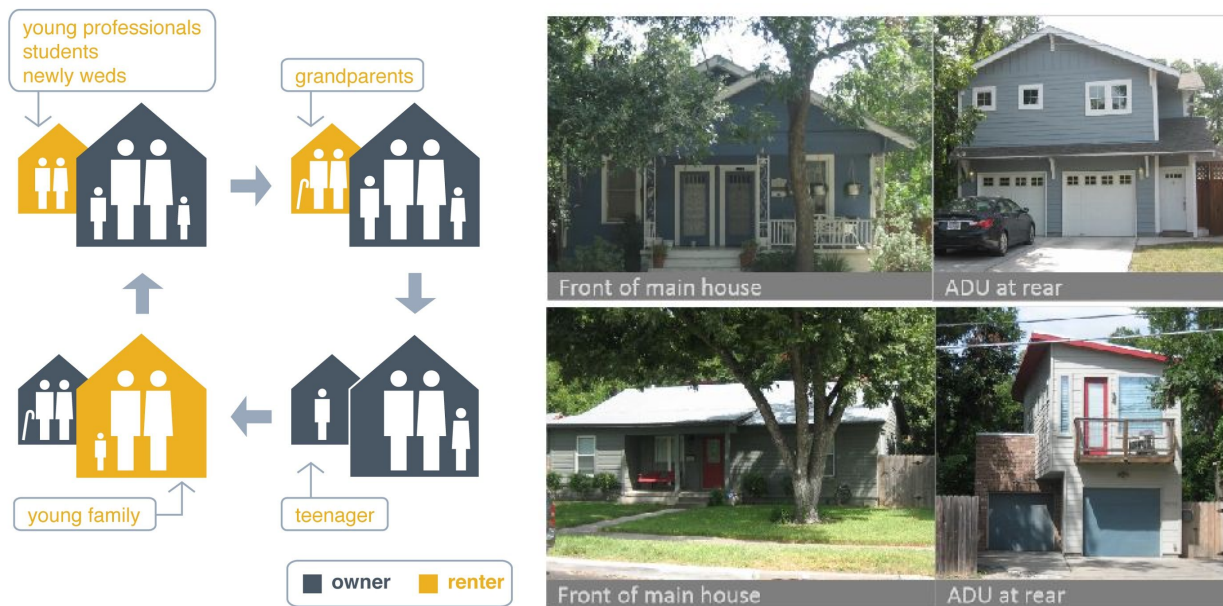


**Figure 10: Smaller Houses on Smaller Lots**

**Relax Regulations on both Internal and External Accessory Dwelling Units (ADUs):** Accessory dwelling units are a way to increase the supply of smaller housing units while also providing homeowners with a way to increase their income by renting out the unit. Reducing restrictions in more parts of Austin to allow internal and external ADUs to be built could provide more affordable housing options relative to other larger housing choices in particular areas or neighborhoods. Regulations should be relaxed for both internal ADUs, which are created by converting interior residential space into a separate unit, and external ADUs, which are separate structures.







**Figure 11: Accessory Dwelling Unit: For Family and Housing Needs**

**Relax Regulations on Housing Cooperatives (Co-ops):** Zoning barriers, density restrictions and mandatory parking requirements can be a barrier to shared housing communities, and cooperatives. Collaborative living arrangements where residents actively participate in the design and operation of everyday living provide another affordable housing choice in Austin. By relaxing these standards or providing a specific zoning designation for cooperatives, we can ensure this remains a viable option for those wishing to live together in Austin.

**Utilize Planned Unit Developments (PUDs) to Provide a Range of Affordability:** PUDs present a unique opportunity to provide a range of affordability through increased housing diversity and improved transportation choices. Programs and regulations should provide incentives to developments that help address affordability goals in PUDs.

**Increase Housing Diversity in New Subdivisions:** New subdivisions in and around Imagine Austin Activity Centers and Corridors also present an opportunity to increase housing diversity. Subdivision regulations should incentivize the development of a range of housing types (including missing middle) and a connected street grid, and promote a range of more affordable transportation choices.

**Create a Multifamily Property Tax Exemption Program:** Multifamily Property Tax Exemption Programs are effective incentive programs used in other cities that ensure a percentage of housing in participating new developments is affordable for low-and moderate-income people. In exchange for on-site affordability, the city provides a partial property tax exemption for a number of years. The new program should allow all unit types to participate and should incorporate an incentive for building larger units so that families have more affordable housing choices throughout the city. Multifamily Property Tax Exemption housing can provide housing to retail and service workers, entry level professionals, and retirees on fixed incomes.



**Streamline City Codes and Permitting Processes:** The time and complexity involved in obtaining the necessary City approvals to build new housing can be a significant cost driver for development. To make meaningful progress toward a more efficient system, the City will be proactive and persistent in its efforts to integrate and coordinate permitting processes across all departments. Developments including income-restricted affordable units should have expedited review.

## **Help Austinites Reduce their Transportation Costs:**

**Encourage development in a compact and connected manner so households of all incomes have access to a range of affordable housing and transportation choices and can easily access jobs, basic needs, educational opportunities, and public services, all while travelling shorter distances.**

**Strengthen Scoring Criteria and Develop Policies to Prioritize Affordable Housing Near Current and Future Transit Service:** The City of Austin Neighborhood Housing and Community Development Office (NHCD) awards Rental Housing Developer Assistance (RHDA) and other programs through a scoring criteria with points awarded according to various community values and objectives. These scoring criteria and other policies should be amended to prioritize a greater percentage of assistance in areas currently serviced by public transportation. Changes like this would help NHCD reach its goal of 25% of affordable housing units created or preserved within ¼ mile of a transit stop. The Capital Metropolitan Transportation Authority's Connections 2025 Plan and new TOD Tool (an assessment of built form and market readiness for all MetroRapid and MetroRail Stations) present new opportunities to align housing programs with transportation choices, thereby encouraging a mix of housing at all income levels near station areas.

**Minimize the Displacement of Core Transit Riders:** Redevelopment and major rehabilitation threaten the stock of market rate affordable rental housing (housing built by private developers that is affordable due to size, location, age, quality, maintenance, or other factors without a subsidy), where many residents may depend on transit. When developing in transit corridors and nodes, every attempt should be made to ensure that development does not reduce transit ridership. A common pattern is that as transit is added, housing becomes more expensive. Wealthier residents move into the neighborhood, often pricing out existing core transit riders, while vehicle ownership becomes more common and transit ridership is actually reduced despite increases in density. Policies should encourage the preservation of affordable housing near transit corridors.

**Link Housing Choices with Transportation Choices:** There are several strategies that can be undertaken to better align regulations/entitlements, infrastructure, and policies.

- Support CodeNEXT in amending regulations and entitlements to ensure density is supported around transit stations.
- Support CodeNEXT in utilizing tools such as density bonuses and parking reductions when income-restricted affordable housing is provided in and around transit stops.
- Strengthen policies to direct public subsidies for the preservation and creation of income-restricted affordable housing within a ¼ mile of a transit stop.
- Prioritize infrastructure investments in activity centers and along activity corridors. Infrastructure is critical to developing a transit supportive environment and thus ridership.





**Comprehensive Parking Reform:** High parking standards increase impervious cover due to parking lots or parking garages, increasing the area on a site that cannot absorb rainfall. By right-sizing parking requirements based on a project's location, walkability, and transit service, the City of Austin can address several important City goals such as lower construction costs, reduced dependence on automobiles, mitigation of flood and erosion, and water quality protection. Requirements that new development include significant off-street parking add to the cost of constructing a unit and limit the number of units possible on a site – indirectly limiting the density of housing and precluding opportunities to develop more affordable housing. The City should reform its parking policies to support housing affordability and access by: (1) clarifying the definition of frequent transit service to reduce parking requirements in transit areas; (2) reducing parking requirements for multifamily housing that are within ¼ mile of frequent transit service; and (3) minimizing parking requirements for accessory dwelling units and other small-scale housing types in single family areas. Parking reductions for multifamily or mixed-use developments could be tied to the creation of income-restricted affordable housing units.

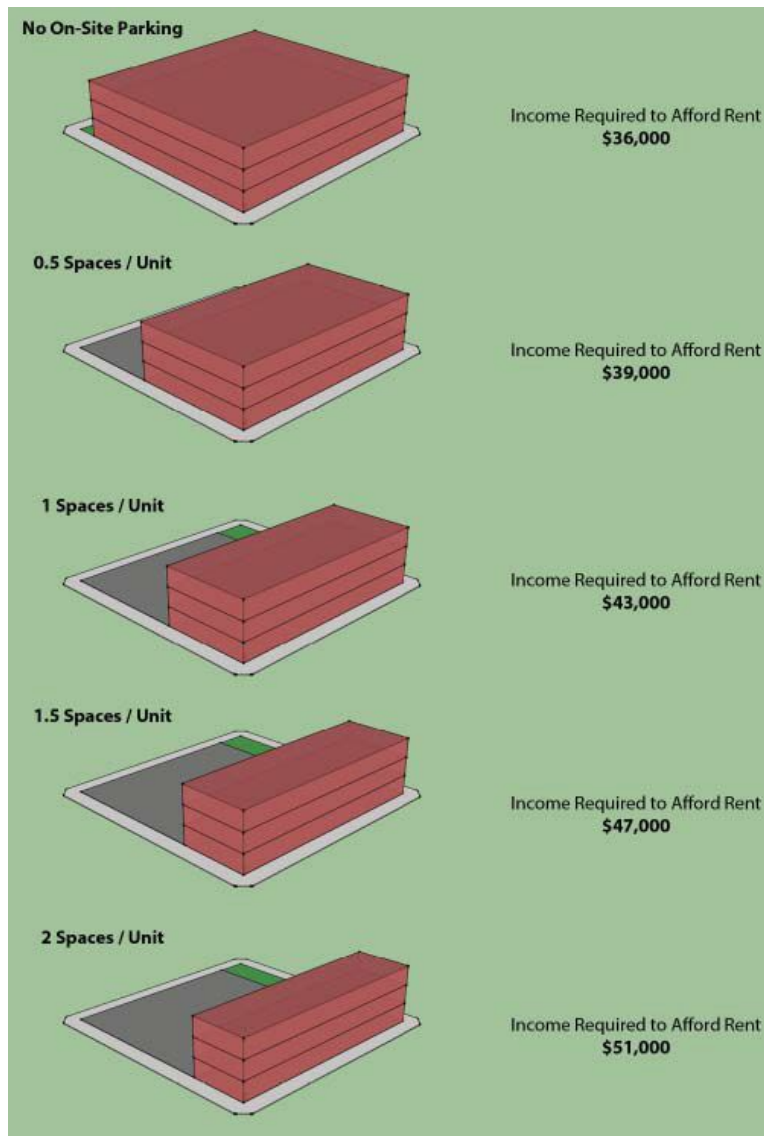


Figure 12: Relationship Between Parking Requirements and Affordability

**Increase Bikeability:** Increasing bicycle infrastructure, bike lanes, and bike share facilities near affordable housing developments and end-of-the-line transit stops can provide critical first-mile and last-mile connections for households dependent on public transit.

**Increase Walkability:** Funding should be increased for sidewalks, and/or the Sidewalk Master Plan scoring criteria should be amended to award points for filling in gaps in sidewalks between affordable housing developments and transit.

**Align Sidewalk Master Plan with Imagine Austin:** Currently, points are not awarded in the Sidewalk Master Plan for the repair or construction of sidewalks in Imagine Austin Activity Centers and Corridors. The scoring criteria should be amended to ensure points are awarded to direct investment in sidewalks within these centers and corridors where there is (or is likely to be) higher frequency transit service. This will help ensure riders who depend on transit can get safely to their destinations anywhere along a route. Highest frequency routes should be prioritized to increase potential ridership.