

Inquiry:

The City of Austin Neighborhood and Community Development Office has been tasked by the City Council with researching and analyzing strategies to promote geographic dispersion of subsidized affordable housing citywide. What are some best practices of local affordable housing siting policies?

Response:

Carefully constructed siting policies consider multiple factors for determining where to promote affordable housing. Median neighborhood income and existing affordable housing stock are weighed alongside other factors such as: where new growth is occurring, transit proximity, proximity to other assets such as schools, and neighborhood-defined housing needs. These siting policies vary considerably based on the type of housing being proposed (ex: new construction vs. rehabilitation; affordable homeownership vs. senior or special needs; mixed-income vs. 100% affordable). Some siting policies are implemented through local affordable housing funding decisions. Others provide guidance to permitting decisions, or in how publicly owned land will be used.

But requiring dispersion is not the same as enabling or achieving it. Ultimately, dispersion strategies are most effective when matched with policies that help reduce the challenges and costs of creating affordable housing in more exclusive neighborhoods. Many of the jurisdictions we encountered take this two-pronged approach.

Accordingly, this memo is divided into two parts:

- 1) Developing siting policies that promote dispersion, and
- 2) Creating effective tools for overcoming barriers in opportunity-rich areas.

We conclude with other considerations that draw inspiration from state and federal policies.

1) Local Siting Policies that Promote Dispersion

Most local, affordable housing dispersion strategies operate through inclusionary zoning to promote affordable housing wherever new market-rate development is occurring. However, our scan also identified dispersion strategies that are not tied to inclusionary housing, which is illegal in Texas.

A common thread among the non-inclusionary housing policies we reviewed is that *multiple factors* enter into jurisdictional decisions about where to promote new affordable housing. These factors may include – but rarely are they limited to – avoiding areas where lower-income households are concentrated.

- [Raleigh](#) (North Carolina) – Raleigh uses various policies to encourage dispersed affordable housing. At the core of these is its *Scattered Site Policy*. [See Appendix H of the *Raleigh Consolidated Plan*] This policy establishes six criteria of roughly equal weight for rating housing proposals seeking city financial assistance. Among these criteria are:

- 1) Proximity to existing subsidized affordable housing.

- 2) Proximity to transit.
- 3) Location either in "First Priority Areas" (areas continuing to experience growth, near retail and offices, with low percentages of minority populations and low-income residents), or in "Second Priority Areas" (similar to First Priority Areas but more racially mixed).
- 4) The need to rezone the site (these sites score less well than sites already zoned appropriately.)
- 5) Degree of on-site management.
- 6) Project design and appearance.

Assisted housing developments are not permitted in census tracts where more than 50% of the population earns less than 60% of area median income, and concentrations of minority populations exceed 60%.

Redevelopment areas are exempt from the scattered site policy. New development proposals in these areas must instead conform to approved, local redevelopment plans.

To learn other ways that Raleigh is seeking to promote affordable housing dispersion, see [Raleigh 2030: Housing](#).

- [Charlotte](#) (North Carolina) – Charlotte's *Housing Locational Policy* has changed over time. Between 2001 and 2010, the policy discouraged affordable housing in neighborhoods with low median incomes while encouraging it in areas with high levels of homeownership. Its new policy, adopted in 2011, channels new affordable development toward neighborhoods that are both "Stable" and have no more than 15% subsidized housing. Rehabilitation is allowed anywhere in the city – including "Challenged" and "Transitioning" neighborhoods – so long as it does not add to the local subsidized unit count. Conversions of market-rate housing to affordable housing are allowed in the same neighborhoods as new affordable housing, and under certain circumstances in "Transitioning" or "Challenged" areas. A policy [map](#) summarizes the city's "Permissible" areas for multifamily development. Senior housing and housing for disabled populations are exempt. City Council also has the authority to grant waivers on a case-by-case basis.
- [Portland](#) (Oregon) – Portland's *Location Policy* discourages "unnecessary" concentration of poverty for developments seeking CDBG, HOME, tax increment financing, or other local subsidies. The focus of the policy is the city's "impact areas," where more than half of households earn less than 50% of median income, or more than 20% of housing units are publicly assisted. Funding requests for very-low-income affordable housing in these areas are generally denied, though not always. One exception is made for housing for victims of domestic violence. Additionally, a developer can retain funding eligibility by meeting two of the following exception criteria:
 - rehab of substandard housing
 - housing to meet local need
 - housing that meets objectives of a local plan
 - support from all neighborhood associations within 400 feet, or
 - fulfills shelter reconfiguration.

- [Falmouth](#) (Massachusetts) – Falmouth has established “Guidelines for Siting Multi-Family Housing” that influence its permitting decisions. Siting criteria include:
 - the percentage of affordable housing that already exists within the planning district,
 - proximity to various “assets” (including schools),
 - avoidance of various “constraints” (such as isolated locations, major road intersections, industrial areas, and critical wildlife or wetland areas), and
 - reuse or redevelopment of an existing site or structure.
- [San Jose](#) (California) – San Jose’s policy is framed by a positive rationale for dispersion. It applies only to new affordable housing developments financed by the City. Rehabilitation and housing for moderate-income households are exempt.

While stating that no area of the city should be arbitrarily excluded from consideration as a site for affordable housing, the City requires “careful consideration” of any project proposed in a census tract where over 50% of households earn less than 80% of median income. The same consideration is required for areas adjacent to these tracts.¹

Additionally, the policy directs the Council to consider on a case-by-case basis the project’s proximity to other City-financed affordable housing developments; the project’s relationship to Council-adopted development plans and strategies; the project’s contribution to neighborhood improvement or revitalization; and the existing income mix of the local census tract.

City staff must also evaluate and report annually on how well the policy is performing toward its dispersion goals.

- [Tallahassee](#) (Florida). Tallahassee’s inclusionary policy directs affordable housing requirements to census tracts where family income is above the county-wide median, and to various targeted planning areas.

2) Tools for Overcoming Barriers in Opportunity-Rich Areas

Austin may find it useful to provide additional incentives and financial assistance in priority areas for new affordable housing development. These tools can provide incentives for market-rate developments to include affordable housing at the same time that they help make 100% affordable housing developments more feasible in expensive areas. They can also be used to help steer new affordable development toward certain locations.

Helpful tools include:

- Greater zoning flexibility for developments with affordable housing . (For example: density bonuses, reduced parking requirements, and flexible setback allowances).
 - [Density Bonuses in California](#). Per state law, California jurisdictions grant density bonuses of 20-35 percent for projects that make a certain percentage of their units affordable to lower-income households. Additionally, developers are allowed a certain number of development “concessions” or “incentives”

¹ City staff has recently raised questions about whether 80% of median income is too high a threshold.

depending on affordability level, such as parking space reductions, height limit adjustments, etc.

- [Streamlined permitting.](#)
 - [Massachusetts 40R](#) – Massachusetts encourages towns and cities to create Smart Growth Districts: zoning overlays that provide minimum densities *as-of-right* along with expedited review, in exchange for at least 20% affordability. Permits can only be denied for non-compliance with “bylaw” or design standards, to reduce developer risk and costs.
 - [City of Anaheim](#) – Anaheim allows multifamily housing “by-right” in three of its four multifamily residential zones. Uses permitted by-right do not require discretionary review and undergo only staff-level (ministerial) review by the Planning Division during the plan check process.
- [Tax abatements.](#)
 - [Portland](#) has a tax abatement program to provide incentives for affordable housing in certain locations. The program is being revised to better target opportunity-rich areas.
- [Impact fee waivers.](#)

3) Concluding Thoughts

- Local housing needs clearly vary by location. A sensible alternative to the siting policies above could be to identify priority housing needs on a neighborhood-by-neighborhood basis, and then prioritize funding for proposals that meet these local priorities. For example, in areas with older housing stock and predominantly lower incomes, the City might identify its top housing needs as rehabilitation and market-rate housing. For other areas with limited affordable homes, the priority might instead be new affordable rental or homeownership construction. The City could then give first priority for funding to applications that propose to meet the highest priority needs in each neighborhood. This neighborhood-by-neighborhood needs assessment could also identify local opportunities and barriers to inform more comprehensive policy tools for facilitating affordable housing in opportunity-rich areas.
- The City should regularly evaluate the performance of whichever dispersion policy it adopts. State and regional fair share policies (ex: Portland Metro, California, New Jersey, Massachusetts) could be adapted locally to help set benchmarks for this evaluation. For example, goals could be specific on income and tenure for each major sub-area of the city.
- HUD will be coming out with a new rule on Affirmatively Furthering Fair Housing (anticipated in the Spring of 2012). This new rule is expected to provide more guidance on the requirements that local communities have to develop housing in opportunity areas. Among other things, HUD will be providing data that might help inform this policy conversation. The City should consider using the data that becomes available and the new proposed rule as a framework for revisiting its siting policies.