Taking Action:
Preservation of Affordable Housing in the City of Austin

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HousingWorks
AUSTIN

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Executive Summary

As demonstrated by the 2014 Comprehensive Housing Market Analysis, completed by BBC Research & Consulting, Austin has an enormous need for affordable housing. The city has approximately 18,500 units of subsidized rental housing but needs an additional 48,000 rental units affordable to people earning $25,000 per year or less. In order to address this gap, the city will need to employ a multi-tiered strategy – one component of which will be preserving existing affordable stock.

Preservation of existing affordable housing stock is important because it is cost efficient, environmentally responsible, and it aligns with local planning initiatives. Preservation is closely tied to the Imagine Austin Comprehensive Plan's call for "complete communities" – inclusion of a wide range of housing types and price points in all parts of town.

Above: Preservation of existing affordable housing stock is important because it is cost efficient, environmentally responsible, and it aligns with local planning initiatives.

In this report, HousingWorks identifies the universe of both subsidized and nonsubsidized affordable rental stock and maps the location of those units. There is a significant amount of affordability that is embedded in private, market rate rental properties that are well-located, with proximity to public transit, in high opportunity areas.

HousingWorks' preservation strategy is closely aligned with University of Texas professor Elizabeth Mueller's "Green and Inclusive Corridors" project. Through her research, Dr. Mueller is narrowing the universe of buildings and corridors that should be prioritized for preservation.

In this report, HousingWorks recommends the following actions:

1. Adopt Homestead Preservation Districts and TIFs
2. Maximize Tax Incentives for Preservation
3. Develop a Preservation Strike Fund
4. Reconvene Stakeholder Group

Because Austin is experiencing the effects of a strong rental market (historically high occupancy coupled with high rental rates), the pressure on market rate affordable housing (in addition to the pressure on subsidized housing with expiring contracts), is enormous. It is critical for the City of Austin to take bold action and implement the detailed recommendations that follow.

Background and Introduction

Rental housing is a critical component of the housing stock. In fact, renters make up a disproportionate share of households in the City of Austin. Nearly 55% of the city's households are renters, compared to approximately 35% for the country as a whole. Austin has a higher proportion of renters than many peer cities, including Phoenix, AZ (47.1%), Denver, CO (52.5%), Charlotte, NC (45.7%), and Portland, OR (46.9%).[1] This makes rental housing a particularly important asset in our community.

While preservation is a term with multiple meanings, affordable housing preservation is typically a strategy to ensure that affordability restrictions (usually the result of some sort of federal, state, or local subsidy) are in place to ensure that units remain affordable over time. Like most major cities, though, Austin does not have a significant amount of federally subsidized housing stock. Rather, the bulk of the city's affordable housing is private, market rate affordable housing. As these properties have aged, sometimes falling into disrepair and/or suffering the consequences of undercapitalization, they have become "affordable."

In April 2007, the University of Texas School of Law Community Development Clinic released *Preserving Austin's Multifamily Rental Housing: A Toolkit*. This report was precipitated by the impending loss of a significant number of affordable apartment properties in central Austin, with major implications for central city schools and racial/ethnic and socio-economic diversity in the city's urban core. Older apartment complexes, many of which provided affordable housing to low-wage workers and low-income families, were being redeveloped into high-end rental complexes.

The 2007 report provided a variety of strategies to counteract this trend. Tools included public funding, private finance, tax tools, zoning and land use policies, and regulatory tools. Some of those recommendations have been implemented (to various degrees). All of the recommended tools and strategies remain relevant options today.

Above: Older complexes, many of which provided affordable housing to low-income families, have been torn down and redeveloped into properties serving higher-income individuals.

In April 2008, a few months before the historic crash of the financial markets, City of Austin Neighborhood Housing and Community Development (NHCD) issued the report, *Preserving Affordable Housing in Austin, A Platform for Action* in order to proactively address the loss of affordable housing stock in the community. The spring 2008 report profiled both subsidized and unsubsidized housing stock, explored "best practices" in preservation, and developed policy recommendations for action.

(1) American Community Survey, DP04 Selected Housing Characteristics, 1 Year Estimates, 2012.

Above: Rental housing is a critical component of Austin's housing stock.

Timing is critical. Because Austin is experiencing the effects of a strong rental market (historically high occupancy coupled with high rental rates), the pressure on market affordable housing (in addition to the pressure on subsidized housing with expiring contracts), is enormous. These pressures underscore the importance of developing and implementing a comprehensive preservation strategy.

In June 2012, City Council adopted the Imagine Austin Comprehensive Plan, which specifically called for a diverse housing stock in all parts of town, to ensure a wide range of household affordability and transportation options near employment centers.

In May 2013, City Council passed Resolution No. 20130509-031, which recognizes the importance of existing affordable multifamily housing stock in addressing affordability challenges throughout the city. The council resolution calls on the city manager to address preservation of existing affordable housing as a component of the city's near-term housing planning efforts. This resolution builds on the momentum of the city's 2008 study, *Preserving Affordable Housing in Austin: A Platform for Action*, among other studies.

With multiple inter-related initiatives underway – including CodeNEXT, the city's first comprehensive land development code rewrite in 30 years, the potential adoption of Homestead Preservation Districts, the 2014-2019 Consolidated Plan, and the 2014 Comprehensive Housing Market Study – this City Council resolution presents a timely opportunity to lay out a clear and comprehensive strategy for preservation of affordable housing.

As a follow up to the 2008 report, Austin Housing Finance Corporation (AHFC) has contracted with HousingWorks Austin to develop a comprehensive preservation strategy. This report lays out a multi-faceted preservation strategy with both quantitative and qualitative goals, as well as financial strategies for implementation.

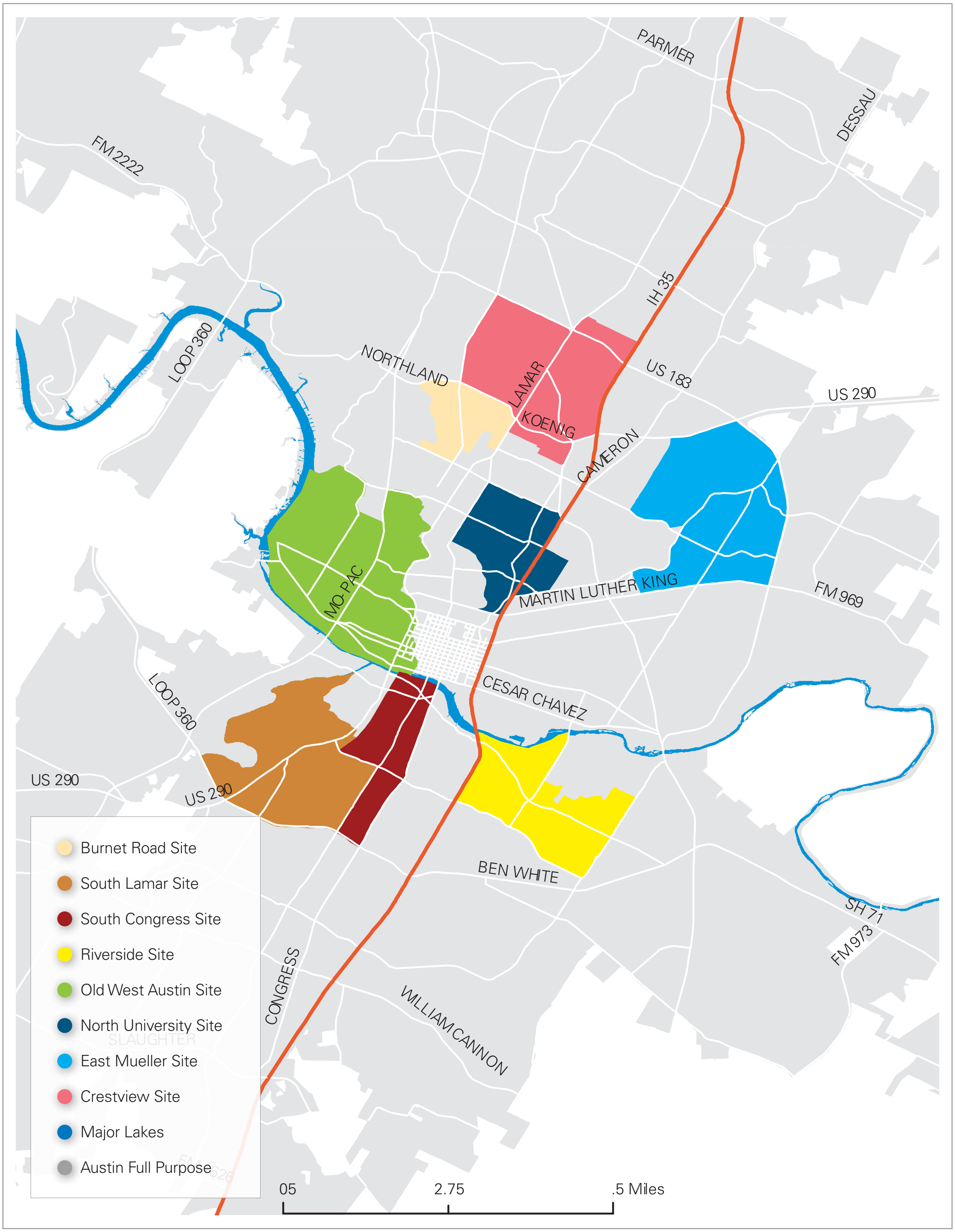
HousingWorks staff is working in concert with University of Texas Community and Regional Planning Professor Elizabeth J. Mueller, who received a HUD Sustainable Housing and Communities grant for her Green and Inclusive Corridors project. Dr. Mueller's work includes (1) developing criteria and measures to identify and prioritize neighborhoods that are both vulnerable to redevelopment and located in areas that offer important benefits to low income renters; (2) developing a library of building typologies of aging multifamily rental stock in these corridors; and, (3) developing scenarios for building rehabilitation. The priority corridors currently being contemplated are shown in the map on the next page (page 4).

Dr. Mueller's work will yield recommendations for criteria to use in selecting buildings for rehabilitation, for adoption of rehab-supportive policies, and for integrated planning for infrastructure, transportation and housing investment in order to support successful transformation of well-located properties into ongoing sources of affordable housing.

Both HousingWorks' research and recommendations and Dr. Mueller's research and recommendations will guide the City of Austin toward an ambitious and progressive preservation strategy.

Preserving Affordable Rental Housing

Selected Case studies | Austin TX



Why Does Preservation Matter?

As a country, we have invested billions of dollars in publicly subsidized affordable housing. Developing new affordable housing, particularly in areas like Austin with extremely high land prices, is an expensive endeavor. Even with modest finish out and fewer amenities than other newly constructed "Class A" complexes, new construction of affordable rental multifamily development (stick form construction) in Austin costs between $125,000 and $175,000 per unit.

National studies have shown preservation and rehabilitation to cost one-half to two-thirds of new construction.[2] This national estimate is corroborated by local experience, including research featured in Professor Elizabeth Mueller's 2012 report "Creating Inclusive Corridors: Austin's Airport Boulevard."[3] In short, preservation is faster, greener, and cheaper than new development.

Preservation is closely tied to the Imagine Austin call for "complete communities" – inclusion of a wide range of housing types and price points in all parts of town. Preserving affordable housing can enable low-income households to stay in neighborhoods that are quickly gentrifying. The City of Austin is experiencing rapidly increasing property values. Given the lack of sales data on multifamily properties, the rise in residential single-family home values can be used as a proxy. The map on the next page (page 6) shows the change in single-family home value by zip code between 2005 and 2012.

This shift in land values is forcing some long-standing residents from historically low-income and minority areas to move and causing the redevelopment of many older properties. By investing in preservation – both single family and multifamily – the city would be investing in racial/ethnic and socioeconomic diversity.

At the same time housing costs are rising, wages are stagnating and the baby boom is retiring. Therefore an increasing number of individuals and households are living on lower or flat incomes.

As a result, there is increasing demand for affordable rental housing, and the gap between needs and availability is growing. According to The Urban Institute, for every 100 extremely low-income renter households (<30% MFI) in Travis County, there are only 13 affordable and available rental units.[4] That number declined from 18 units in 2000 to 14 units in 2006. While the number of deeply affordable subsidized housing units has increased since 2000 through various forms of public investment, it cannot keep up with the growing demand.

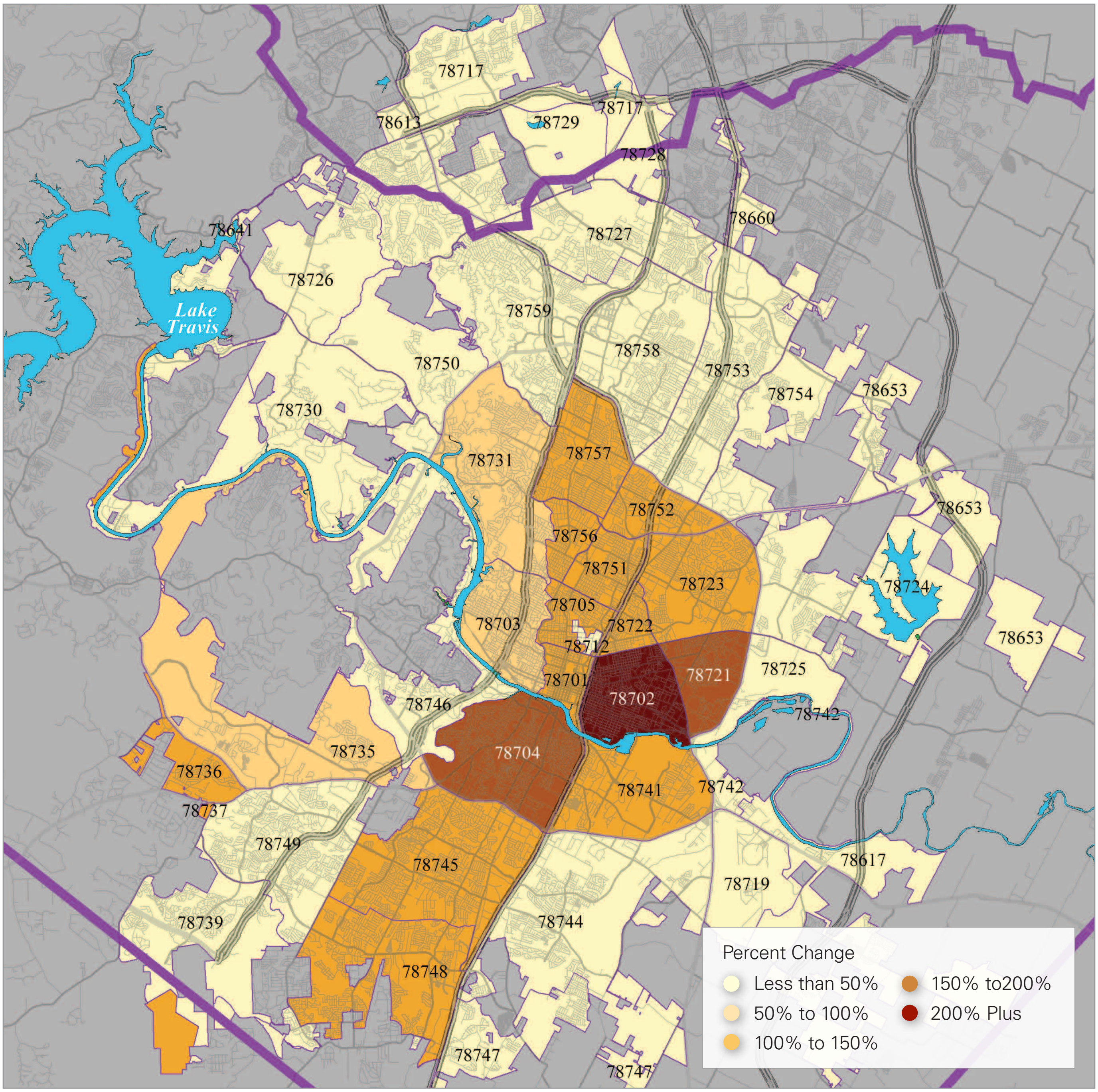
The 2009 Comprehensive Housing Market Study found that only 1 of 6 renters earning less than $20,000 a year could find affordable housing. The result was a gap in affordable rental units of approximately 37,000 units. According to the updated 2014 Comprehensive Housing Market Analysis, the need for low-income units increased from approximately 37,000 to 48,000 rental units. Again, the public investment in affordable housing (via federal, state, and local subsidy) has resulted in an increase in deeply affordable units but cannot fill the widening gap between supply and demand from the growing lower-income population.

(2) *Evidence Matters, "Preserving Affordable Rental Housing: A Snapshot of Growing Need, Current Threats, and Innovative Solutions."* Summer 2013. Page 3.

(3) **http://www.academia.edu/1856564/Creating_Inclusive_Corridors_Austins_Airport_Boulevard**

(4) Mapping America's Rental Housing Crisis, The Urban Institute, 2014. **http://www.urban.org/housingaffordability/**

Median Single-Family Value Change by Zip Code: 2005-2012



Stakeholder Process

City Council Resolution No. 20130509-031 directs the City Manager to work with stakeholders to advance preservation initiatives. On November 13, 2013, Neighborhood Housing and Community Development (NHCD) convened a stakeholder process with representatives from a variety of interests, including the Austin Apartment Association (AAA), Austin Board of Realtors (ABoR), the Real Estate Council of Austin (RECA), the Housing Authority of the City of Austin (HACA), the Community Housing Development Organization (CHDO) Roundtable, and the Community Development Commission (CDC).

The November 2013 conversation included the following major themes:

- Need to target preservation in transit-rich and high opportunity areas
- Need for strategic investment with performance measures
- Need to clearly define affordability and make sure to target those most in need (e.g., less than 30% MFI)
- Need to consider preservation of both single-family and multifamily housing stock

In addition, participants shared their knowledge of best practices, including acquisition and rehabilitation programs in Chicago and New York City; programs that enable private owners to sell multifamily properties to nonprofit organizations; and programs that provide incentives to multifamily property owners to keep units affordable while providing energy efficiency and other upgrades.

The group agreed to a follow up meeting and interim communication, pending the release of the 2014 Comprehensive Housing Market Study. In researching and developing recommendations included in this report, HousingWorks had multiple individual meetings, phone calls, and conversations with stakeholders including (among others) AAA, ABoR, RECA, and HACA. Both ABoR and AAA provided data and/or insight that helped to establish the baseline of the affordable multifamily housing stock.

Below: Preservation of affordable multifamily rental housing in high opportunity areas allows families with children to succeed.

Establishing a Baseline of Multifamily Rental Housing Stock for Preservation

The city's affordable multifamily housing stock consists of both subsidized and unsubsidized rental housing. According to the 2010 census data, the City of Austin has 354,241 housing units, 178,226 of which are renter-occupied. As discussed below, approximately 18,500 units are publicly subsidized. Accordingly, only approximately one in 10 rental units has affordability restrictions.

As part of BBC Research & Consulting's contract with the City of Austin, the 2014 Comprehensive Market Study was scoped to include the following requirements:

- Quantify and locate the privately owned and subsidized aging housing stock throughout the City, including units lost or retired over the past ten years.
- Identify geographic areas where this stock is concentrated. Include factors that reveal substandard housing conditions such as overcrowding or code compliance complaints.
- Analyze the current rents and future rental trends for aging stock, including those subsidized units that will expire in the next 20 years.

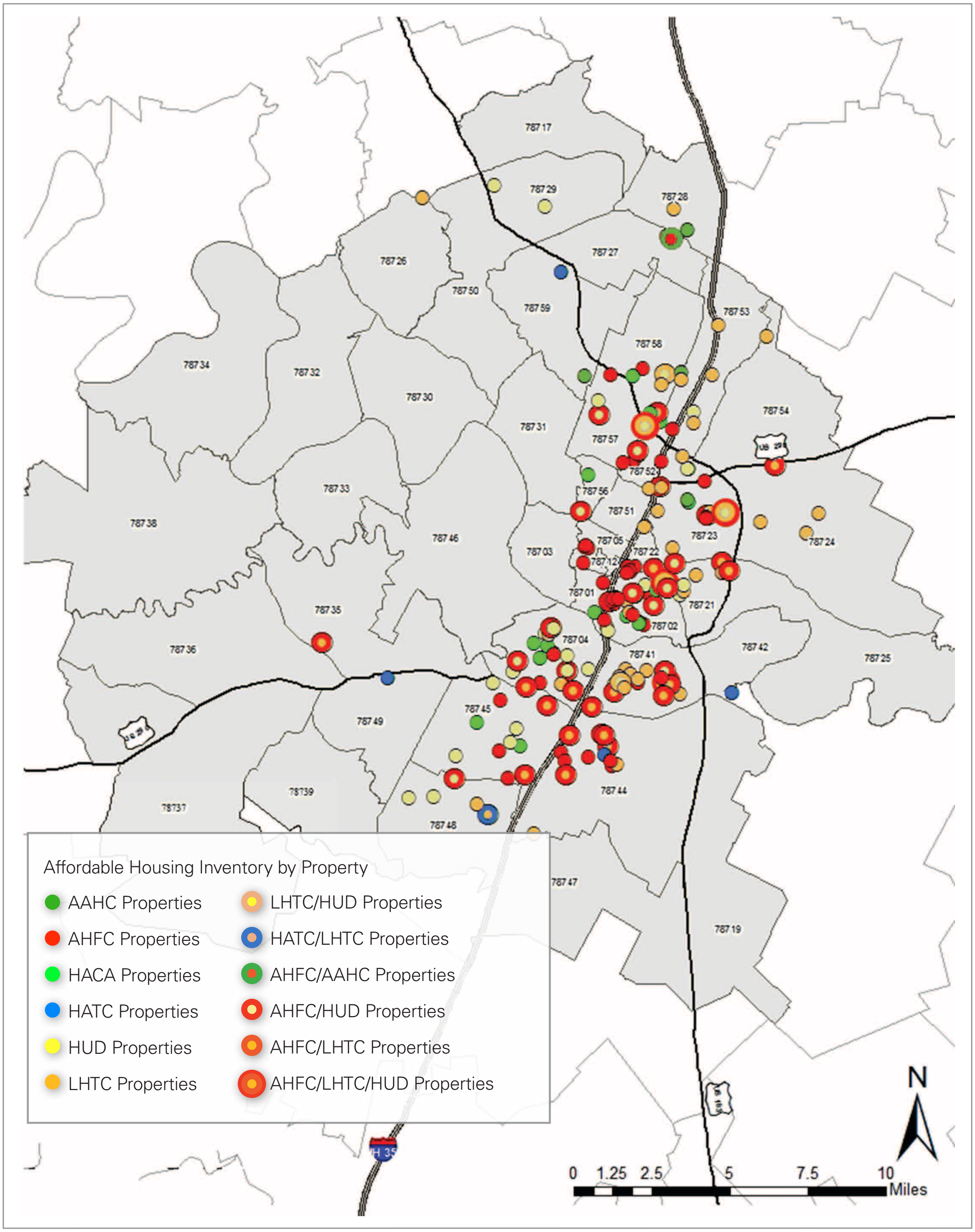
Multifamily Rental Housing Stock: Subsidized

The City of Austin is home to 186 publicly subsidized apartment properties, providing approximately 18,500 rental units with affordability requirements. These requirements are triggered by federal, state, and/or local funding sources, including Low Income Housing Tax Credits, Project Based Rental Assistance, HUD Direct Loans (Section 202 or Section 811), and HUD insurance:

Type of Subsidized Housing	2008 Inventory	2014 Inventory	Expiration Date
Housing Authority of City of Austin (HACA)	1,928	1,817	Ongoing, subject to federal authorization
Austin Affordable Housing Corporation (AAHC)	N/A	505	N/A
Housing Authority of Travis County (HATC)	105	325	Ongoing, subject to federal authorization
Austin Housing Finance Corporation (AHFC)	N/A	7,267	Minimum 40 years
Project-Based Section 8	1,347	2,077	Varies, according to HUD contract
Low-Income Housing Tax Credits (LIHTC)	8,122	9,887	15-30 year affordability; earliest will expire in 2020.
Section 202	405	298	40 year affordability
Section 811	103	185	40 year affordability
Total Affordable Housing Inventory	17,706	18,524[5]	
HACA, Housing Choice Vouchers	5,023	5,700	Ongoing, subject to federal authorization
HATC, Housing Choice Vouchers	673	568	Ongoing, subject to federal authorization

(5) *City of Austin Fiscal Year 2014-19 Consolidated Plan, Appendix I: Housing Market Analysis, Community Needs Assessment, Market Trends and Public Comments*, June 2014 Draft, Page 6, Figure 8.

Subsidized Housing Inventory



As illustrated by the inventory map on the previous page (page 7), the city's subsidized housing is distributed throughout the City of Austin, but there are certain areas with a disproportionate amount of these properties. As reported by the 2014 Comprehensive Housing Market Analysis, two zip codes (78741 – east of IH-35 between Riverside and 71 and 78753 – north of Highway 183 spanning IH-35) have a disproportionate amount of subsidized rental housing.[6]

Zip code 78741, located in southeast Austin and encompassing the East Riverside Drive corridor, includes 18% of the total subsidized housing inventory. The vast majority of these units (nearly 80%) were financed through the Low Income Housing Tax Credit (LIHTC) program. Zip code 78753, located in north Austin and spanning a section of the IH-35 corridor, includes 10% of the total subsidized housing inventory. Approximately two-thirds of these units are governed by LIHTC program regulations, which include affordability restrictions at 60% MFI that are generally in place for between 15 and 30 years.

Nearly 13% of subsidized rental units city-wide (2,463 units) are governed by affordability restrictions that will expire within the next 10 years. The vast majority (93%) of these units are located in privately-owned, for-profit developments. Without additional subsidy or other compelling reasons, private for-profit owners are generally not motivated to extend affordability provisions. The remaining seven percent of the 2,463 units are located in properties owned by mission-focused nonprofits, which are likely to continue the affordability provisions.

The City of Austin has demonstrated its ability to garner the political support for preservation and willingness to invest in preservation of affordable housing in recent years. There are multiple successful examples of local public-private collaborations. In 2013, for example, City Council unanimously supported a 9% LIHTC application for Oak Creek Village Apartments in 78704 (central south Austin). The application was part of the Texas Department of Housing and Community Affairs (TDHCA) statewide at-risk set-aside and will preserve 173 units of deeply affordable housing located in a centrally-located and highly-desirable area in the City of Austin. While the property will be completely redeveloped with increased density and market-rate units, the city worked with the private developer to increase zoning entitlements while maintaining the 173 deeply affordable units (governed by a Section 8 contract).

Other examples of collaborative preservation include affordable housing bond-funded acquisition and redevelopment (e.g., Marshall Apartments, Elm Ridge Apartments, Sierra Ridge, and Malibu Apartments), ongoing Rosewood Choice Neighborhood Planning Initiative (which contemplates the redevelopment of the Housing Authority of the City of Austin's (HACA) Rosewood Courts family development) and the upcoming redevelopment of the Rebekah Baines Johnson (RBJ) elderly housing development, which is a Section 236 elderly housing development with a 100-unit Housing Assistance Payments (HAP) contract.

As part of the City of Austin's preservation strategy, it is critical that the status of properties with subsidized units are closely monitored for expiring affordability periods and that the city continues to proactively collaborate with public and private entities seeking to preserving affordability.

(6) *City of Austin Fiscal Year 2014-19 Consolidated Plan, Appendix I: Housing Market Analysis, Community Needs Assessment, Market Trends and Public Comments*, June 2014 Draft, Page 6, Figure 8.

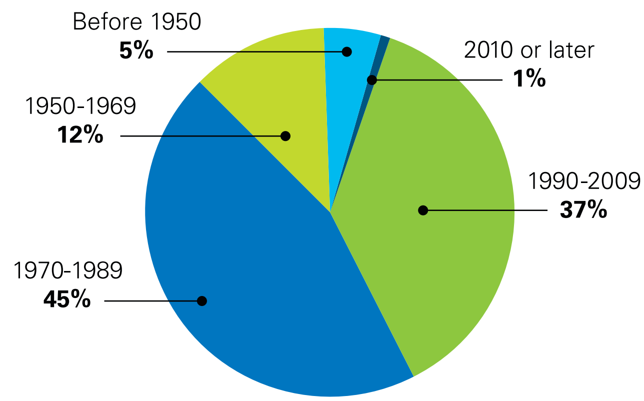
Above: Rental units with three (or more) bedrooms are critical for low-wage working families.

Multifamily Rental Housing Stock: Unsubsidized

Although multifamily development slowed between 2009 and 2011 as a result of the credit crisis, there has been significant increase in development in the past several years. Currently, there are more than 16,000 multifamily units under construction.[7]

It is important to note that a significant amount of rental housing stock is older. Approximately 45% of renter-occupied housing was built in the 1970s and 1980s, making it ripe for redevelopment or significant capital improvements and expenditures (see chart in next column).

Renter Occupied Units by Year Built



The majority of the City of Austin's affordable housing is privately-owned, unsubsidized, "market-rate" housing. Utilizing 2013 Rent Limits from the City's Neighborhood Housing and Community Development Department,[8] Capitol Market Research (CMR) determined that, within larger apartment properties of 50 units or more, there are slightly more than 25,000 efficiency, one-, two-, and three-bedroom rental units that are affordable to households earning at or below 50% MFI. If rent limits are increased to 60% MFI and below, that number increases to slightly more than 62,000 units (see chart below).

	< 30% MFI	30% MFI - 50% MFI	50% MFI - 60% MFI	Total < 60% MFI
Number of Affordable Units	319	24,907	36,829	62,055

Out of more than 62,000 units, there are less than 5,300 three-bedroom units affordable to households at or below 60% MFI. These units provide a critical (and dwindling) supply of affordable housing for low-wage working families.

(7) City of Austin, Austin Multifamily Report, 1Q14.

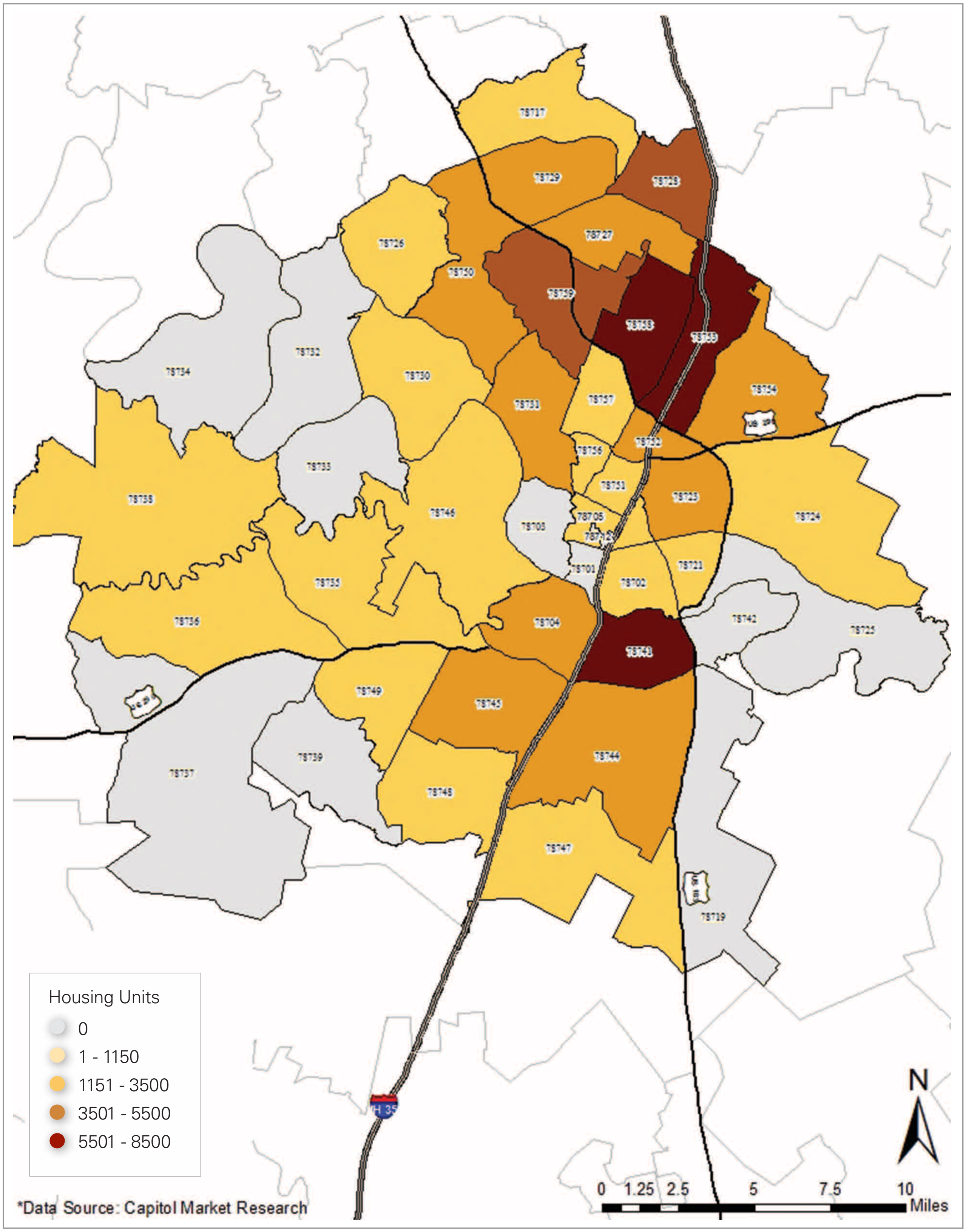
(8) NHCD 2013 Rent and Income Limits, excluding utility allowance: ▶

Rent Limits

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom
30% MFI	$399	$427	$513	$591
50% MFI	$665	$712	$855	$986
60% MFI	$798	$854	$1,026	$1,183

Housing Units at 60% MFI and Below

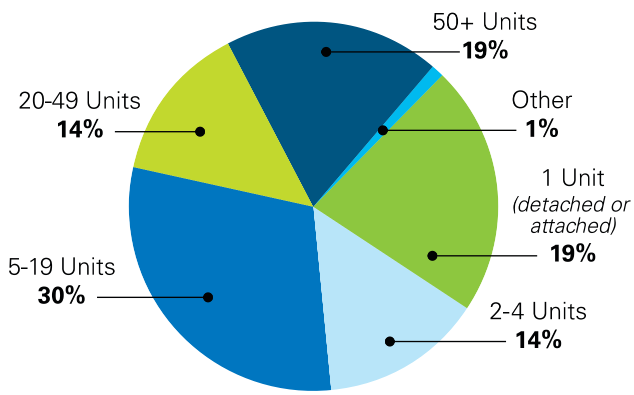
The map below shows the distribution of private market "affordable" units (60% MFI and below):



While it is instructive to look at units by rental rate, another perspective is to look at apartment complexes by "class." The real estate industry divides properties into Class A, B, C/D, based on location, age, amenities, and construction type. Class A complexes are recently developed, well-located, with numerous amenities, and the highest rents. The classifications are fairly subjective but provide insight into the potential for affordability.

According to Austin Investor Interests 4th Quarter 2013 data, there are 293 Class C properties (containing 55,796 units) in the City of Austin. The average rental rate for these properties varies from $.70/sf to $1.92/sf. The affordability varies widely and appears closely linked to location. A map showing the location of the Class C properties is on the next page (page 14).

Both Capitol Market Research (CMR) and Austin Investor Interests data provide critical insight into market affordable units. But, it is important to remember that these market research firms only survey properties with 50 or more units. There are a significant number of complexes – many of which may provide affordable units – that are smaller than 50 units. In fact, as shown in the chart below, rental units in larger multifamily complexes (50+ units) only represent 19% of the city's rental housing stock:[9]



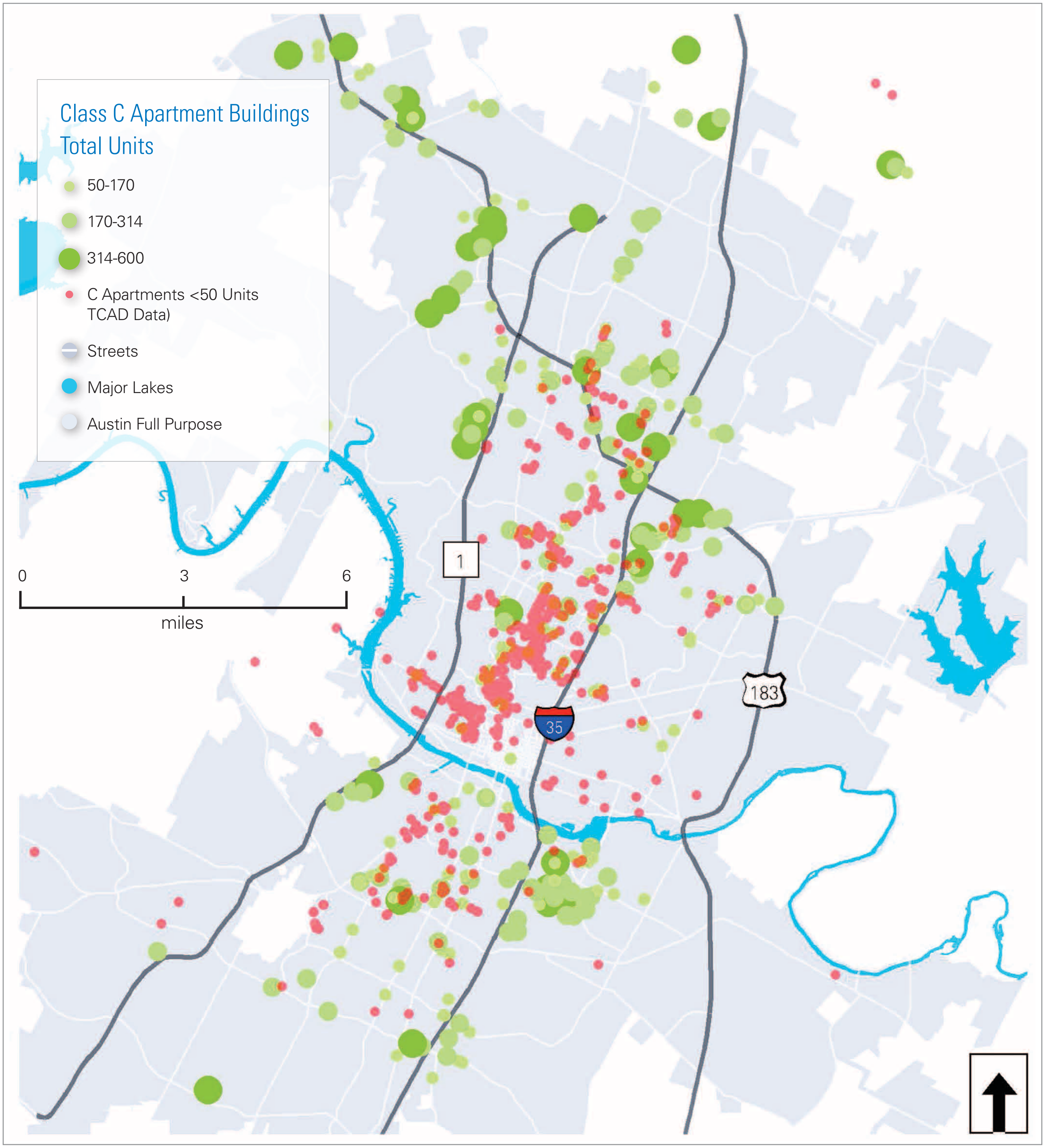
According to U.S. census data, 44% of renter-occupied housing units are in complexes that contain between 5 and 50 units. The remaining 37% of housing units are single-family, attached, duplex, triplex and four-plex structures. Smaller rental properties (one to four units) could potentially provide a significant amount of affordability; however, data gathering for such a large group of individually owned properties proved prohibitive given this project's resource constraints. It may be beneficial to survey smaller properties as part of future research. For the purposes of this report, however, HousingWorks focused on multifamily rental properties that contain at least five units.

HousingWorks sought to gain greater perspective on the housing stock in smaller complexes that could potentially provide affordability. With the intent of exploring smaller, older, "Class C" complexes, HousingWorks requested Travis Central Appraisal District (TCAD) data for properties that met the following criteria: (1) multifamily residential; (2) between 5 and 49 units, inclusive; and (3) built in 1984 or earlier (e.g., 30+ years old).

The TCAD data yielded a total of 660 properties with nearly 10,500 units. However, TCAD data only provides minimal information regarding each property (e.g., ownership name and address, size of structure, size of land, and assessed value). To better understand the current distribution and characteristics of housing stock for older, smaller-unit rental properties in Austin, it was necessary to obtain additional information on the properties, such as unit size and distribution, occupancy rate, rental price per square foot, and whether the property accepted Section 8 vouchers.

(9) 2012 ACS, B25032, Tenure by Units in Structure.

Class C Apartments



HousingWorks first created a randomized sample of the 660 properties. The sample set (50 properties) was reflective (in terms of size and location) of the overall universe of 660 properties. HousingWorks then designed a survey to collect variable information about the sample that was not already contained in the TCAD dataset. The survey included the following questions:

- What unit types are included in the property (e.g., number of bedrooms/bathrooms)?
- What is the rent by unit type?
- What is the average rent per square foot?
- Does the property accept Section 8 vouchers?
- What is the current occupancy rate?

The survey was administered for most properties via field collection, real estate database, and telephone. To ensure a 100% collection rate, properties were substituted randomly when data was unavailable.

Findings

There is a significant amount of affordability contained within these smaller, older multifamily properties. In addition, these properties have a Section 8 acceptance rate that is more than twice the rate in larger properties.

Using the same 2013 Rent and Income Limits that were utilized on the Capitol Market Research data (privately-owned market rate properties), HousingWorks analyzed the affordability levels within the 50-property sample.

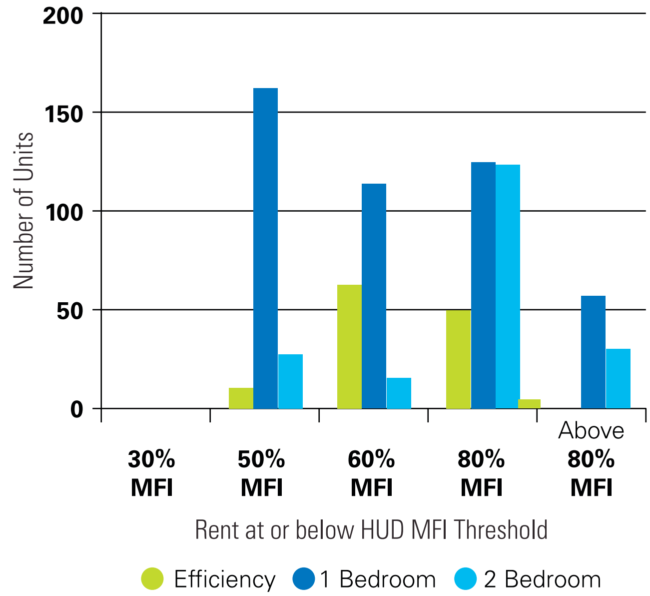
The sample properties included a total of 785 units. As shown in the chart below, none of these properties had a single unit for rent at or below HUD 30% of Median Family Income (MFI):

	30% MFI	50% MFI	60% MFI	80% MFI	Above 80% MFI	Totals
Efficiency	0	12	63	49	4	128
1 bedroom	0	163	114	125	57	459
2 bedroom	0	28	16	124	30	198
Total	0	203	193	298	91	785

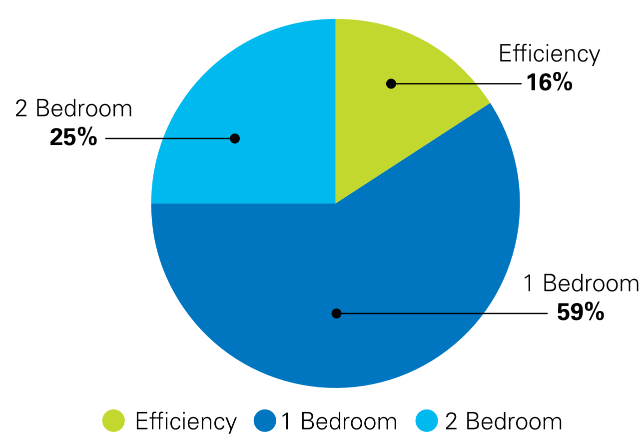
However, more than half of the total units (396 units/785 units), were affordable at or below 60% MFI.

The distribution of rental prices and unit sizes is shown below:

Distribution of Units, by MFI Threshold and Unit Size



The below charts further analyze the composition of the various unit sizes and their respective rent prices:



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(10) NHCD 2013 Rent and Income Limits, excluding utility allowance: ▶

Figure A: All Units

As shown in Figure A, none of the 785 units had a rental price at or below the HUD 30% MFI threshold. The largest percentage of units were those with a rental price at 80% MFI but greater than 60% MFI. Rental prices at 50% MFI and 60% MFI threshold were nearly evenly distributed, and a small number of units fell above the 80% MFI threshold.

Figure A: MFI Threshold, All Units

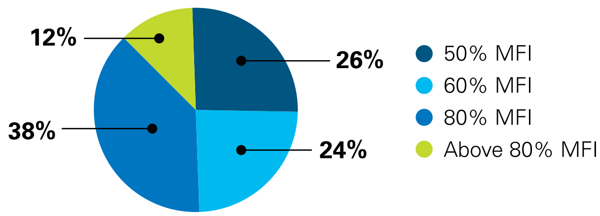


Figure B: Efficiency Units

The unit size chart shows efficiency units were the smallest size category at 16%. The relative rent prices for these units were also the least affordable; only 10% of these properties had rent prices of 50% MFI or lower. Compared to the overall MFI distribution (Figure A), efficiency units had a much smaller percentage of 50% MFI units and a much larger percentage of 60% MFI units. These numbers suggest that efficiencies in the sample were marginally less affordable than the average distribution.

Figure B: Efficiency

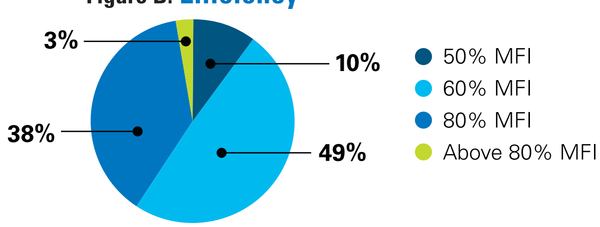


Figure C: One-Bedroom Units

One-bedroom units comprised 59% of the total units and essentially shared the same relationship in rent prices to their relative overall proportion. The only exception here was the number of units with rents at the 50% MFI threshold; compared to the average, one-bedrooms in the sample have 10% more units at 50% MFI rent. These figures suggest a significantly higher rate of affordability than the overall distribution.

Figure C: 1 Bedroom

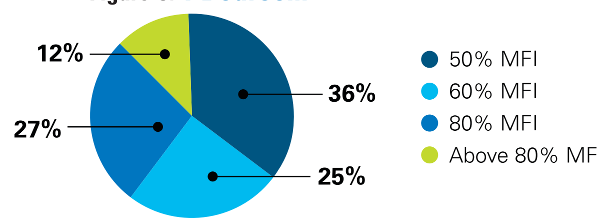
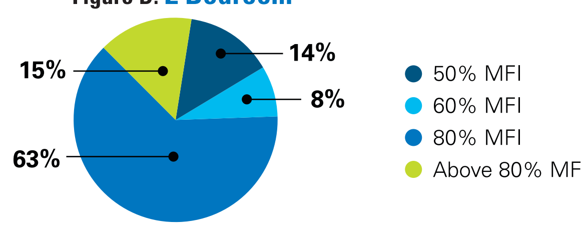
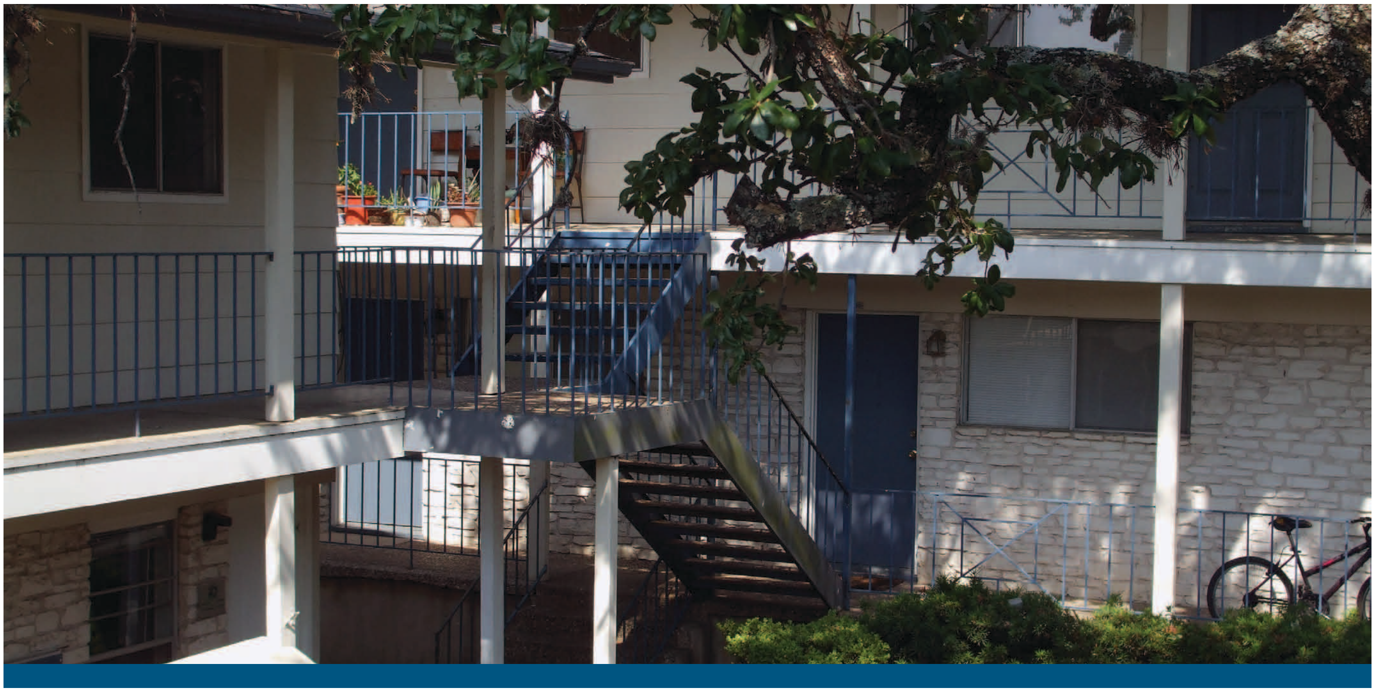


Figure D: Two-Bedroom Units

Two-bedroom units had a 25% share of total unit sizes but a very disproportionate percentage of affordable rent prices, making the subgroup the least affordable of all unit sizes in the sample. 63% of two-bedroom units had rents at 80% MFI threshold, compared to an overall average of 38%. Likewise, the relative share of units at 50% MFI and 60% MFI rents was much lower for two bedrooms, at 22% compared to the overall 50% average.

Figure D: 2 Bedroom





Above: The majority of smaller, aging multifamily rental housing stock is centrally-located and well-served by public transportation.

The above findings suggest that one-bedroom units have a much higher concentration of affordability compared to the overall average. Two bedroom units in the sample had much less affordability and efficiency units proved to be marginally less affordable than other unit sizes. While there is a breadth of affordability among all sizes, two-bedroom units are most accommodating for families. With very little affordability in these units, this subset of rental stock will likely have a greater impact on single-person households and less so for families.

Despite this finding, it is important to note that the instances of affordability are much higher for the subset population than the overall rental market in the Austin area.

Section 8 Housing Choice Vouchers

The descriptive statistical analysis showed that 14% of the sample properties accepted Section 8 Housing Choice Vouchers. *This acceptance rate is more than double the rate for larger multifamily rental complexes in the Austin metro area.*[11]

This suggests that, despite a growing reluctance among property managers to accept Section 8, the smaller, older property subset showed a much higher rate of acceptance than the citywide rental population. Further research should be conducted to analyze the overall impact of this higher acceptance rate on affordable housing stock.

Conclusion

Existing apartment properties providing rents affordable to households with incomes under 60% MFI are a critical asset to the housing stock of Austin – and essential to the Imagine Austin vision of a mix of price points in all parts of town. The majority of the smaller, aging multifamily housing stock identified through the TCAD data is centrally-located and well-served by public transportation options. These attributes make it ideal for affordable housing for low-income households but also make it ripe for redevelopment and displacement of low-income households. This confluence of factors makes it critical to proactively and intentionally address preservation.

(11) Austin Tenants' Council's 2013 survey of multifamily properties (50+ units) showed that only 6% of these properties accepted Section 8 Housing Choice Vouchers.

Recent Accomplishments

The City of Austin has made enormous strides since the 2008 release of *Preserving Affordable Housing in Austin: A Platform for Action*. For example, data collection and monitoring has vastly improved over the past five years. The data on existing subsidized affordable housing is publicly available, current, and detailed.

The Sustainable Places Project (funded by a $3 million U.S. Department of Housing and Urban Development grant) has advanced our understanding of the impact of data sharing and coordinated planning by creating various analytics tools to enhance scenario planning at the regional level. As part of the Sustainable Places Project, The University of Texas at Austin, Community and Regional Planning, Professor Elizabeth Mueller developed a redevelopment/displacement metric, which is essentially a model for predicting redevelopment based on the ratio of the value of improvements to land, combined with census tract level data on the presence of low-income renter households.

As part of her current Green and Inclusive Corridors Project, Dr. Mueller is expanding this metric into a tool to help prioritize corridors and properties for preservation efforts. The tool will be able to identify multifamily parcels that are likely to redevelop within the next 10 years that are currently home to low-income renters. This tool will be critical as the City of Austin implements the Imagine Austin vision and tries to balance encouraging redevelopment in transit-rich corridors while minimizing the impacts of displacement and gentrification. The tool will help the City of Austin identify which properties should be acquired, rehabbed, and preserved for long-term affordability. The Green and Inclusive Corridors Project will be completed in summer 2015.

As mentioned previously, the city has developed multiple successful collaborations with public and private entities. In the past several years, the city intervened to preserve affordability at several private apartment complexes, including Malibu Apartments, Elm Ridge Apartments, and Marshall Apartments. Without proactive intervention, the likelihood of redevelopment and low-income tenant displacement was high.

The chart below highlights several of the city's recent preservation projects:

Property	# Affordable Units	AHFC Subsidy	Affordability Period	Per Unit Average Subsidy
Elm Ridge Apartments	130	$2,500,000	99 years	$19,230
Marshall Apartments	100	$2,500,000	99 years	$25,000
Palms Apartments	215	$3,000,000	99 years	$13,953
Oak Creek Village Apartments	170	$2,000,000	99 years	$11,764
Total	615	$10,000,000		$16,260

Three of the four projects preserved and extended expiring Project Based Section 8 contracts. All of the properties provide deeply affordable units, as well as opportunities for Permanent Supportive Housing. The average city subsidy for all four projects is $16,260 per unit. The Land Use Restriction Agreements (LURAs) in place ensure that the properties maintain the affordability restrictions – regardless of ownership - for 99 years.

The most recent preservation example is Oak Creek Village Apartments. In 2013 City Council unanimously supported a 9% LIHTC application for Oak Creek Village Apartments in central south Austin. The application was part of the Texas Department of Housing and Community Affairs (TDHCA) statewide at-risk set-aside and will preserve 173 units of deeply affordable housing located in a centrally-located and highly-desirable area in the City of Austin. The apartment complex includes a large number of family-size units, and preservation of the affordability is critical to both family stability and the success of the neighborhood elementary school.

The City of Austin is also preserving affordable home-ownership through programs such as the Homeowner Rehabilitation Loan Program (administered by the City of Austin and funded with federal funds) and the G.O. Repair! Program (administered by five local nonprofit organizations and funded with local general obligation bond funding).

While both programs serve households up to 80% MFI, the G.O. Repair! Program primarily serves very low-income households (up to 50% MFI). G.O. Repair! Funding averages approximately $7,500 per household. Because of the program priorities (e.g., serving extremely low- and low-income households and providing basic repairs without long-term affordability restrictions), the city should consider transitioning this program to the general fund. The G.O. Repair! Program is an incredibly successful and effective program but does not incorporate long-term, restricted affordability (as with other bond-funded projects) and, thus, would be better served through the general fund budget.

A second home repair program, NHCD's Homeowner Rehabilitation Loan Program (HRLP), provides zero interest, deferred-forgivable loans (ranging from $5,000 - $100,000) to qualified homeowners (at or below 80% MFI) throughout the City of Austin. The program has limited funding (approximately $900,000 in FY2014-2015) and, thus, is only able to serve a small number of households (averaging 10 households per year). Adoption of the Homestead Preservation Districts (and subsequent Tax Increment Financing within those districts) represents an opportunity for increased and targeted funding to low-income homeowners.

In addition, the city is working toward aligning policy initiatives and funding through strategic partnerships such as the Housing-Transit-Jobs Action Team. While the Action Team is in its early stages, the interdepartmental team is a unique partnership between city departments and affiliated entities like Capital Metro and Austin Energy. The Action Team has reviewed the Federal Transit Administration (FTA) New Starts Guidance Criteria, identified a variety of policies (including preservation of existing affordability) that could enhance the affordability provisions of the New Starts application, and created a preliminary work plan. The Action Team's efforts could continue to be enhanced through inclusion of additional private, nonprofit partners and subject-area experts.

The 2008 report recommended two new strategies: (1) the implementation of tax abatement programs for preservation of affordable housing; and (2) a community land trust. Neither of these initiatives has been actively pursued, although both of them are related to the implementation of the Homestead Preservation Districts. The city's budget office is currently completing the required financial impact analysis of the proposed Homestead Preservation Districts. The final analysis is anticipated in August 2014, at which point the City Council will have all the information necessary to officially designate one – or all – of the districts. The Homestead Preservation District is discussed in more detail below.

The 2008 report recommended a variety of initiatives around tenants' rights and notification procedures. While these have not been implemented, the city is in the process of adopting an Emergency Tenant Response Plan that will help the city with relocation of tenants during emergency situations. But the development of a city-wide tenant displacement and relocation policy has been stalled.

In May 2013, staff provided recommendations to council for the implementation of a tenant relocation policy. However, the recommendations did not include specific program design and implementation details. The city should initiate the public process (that reaches out to a diversity of stakeholders, including housing advocates, tenants' rights organizations, and the real estate community) to create a comprehensive and implementable relocation ordinance, recognizing that there may be both legal constraints and a lack of precedence in similarly situated municipalities.

Below: Homestead Preservation Districts (HPD) present an unprecedented opportunity to preserve affordability through Tax Increment Finance (TIF), tax abatement, community land trusts, and land banking.

2014 Recommendations

The current state of affordability in the City of Austin demands immediate attention and bold action. Public subsidy is accomplishing extraordinary things at the local level. The 2006 affordable housing bonds created or preserved more than 3,400 affordable units – both rental and homeownership. Based on historical development costs and leverage ratios, it is anticipated that the 2013 affordable housing bonds will create in excess of 4,000 affordable units.

However, our low-income population is growing, our affordable housing needs are growing, and we are losing affordable housing units to market-driven, rapid redevelopment. Thus, it is imperative that we move beyond traditional public subsidy and think in more expansive progressive terms. A robust preservation strategy will depend on a combination of public and private financing and rely on diverse entities (nonprofit, cooperatives, the public sector, and private developers) to implement the acquisition, rehabilitation, and long-term preservation. Accordingly, HousingWorks makes the follow recommendations:

1. Adopt the Homestead Preservation Districts and Homestead Preservation District TIFs

Authorized by recent state legislation, the Homestead Preservation Districts (HPD) present an unprecedented opportunity to preserve affordability through Tax Increment Finance (TIF), tax abatement, community land trusts, and land banking.

The City of Austin's November 20, 2013 analysis identified five (one current and four potential) Homestead Preservation Districts. Four of the five Homestead Preservation Districts are currently being considered.[12] Staff has been directed to conduct a market analysis of each of the potential districts and to develop a financing plan. The results of the analysis should be presented to City Council in August 2014. Pending the results, the four Homestead Preservation Districts should be swiftly adopted and implemented.

Among other features, the Homestead Preservation Districts will enable two important tools: Tax Increment Financing districts (TIFs) and tax abatement. Through a TIF, a city designates a specific geographic area as a TIF district and sets a baseline of current appraised values in the district. The taxes on the increase in property values above the baseline (the "tax increment") are then captured and can be used to pay for infrastructure and development in the district. Jurisdictions can also borrow against anticipated TIF revenues.

The City of Austin has authorized several high-profile TIFs, including Waller Creek, Mueller Redevelopment, Seaholm, and City Hall/2nd Street. Although the Mueller Redevelopment is the only local TIF that requires affordability,[13] there are numerous examples of jurisdictions across the United States that require a portion of TIF revenues be set aside for affordable housing.[14]

The Homestead Preservation District legislation gives the City of Austin the power to create a special Homestead

(12) One of the identified HPDs, District E, is comprised of three census tracts surrounding the University of Texas. Because the area is home to a disproportionate number of students, the poverty rate (one of the criteria used to qualify as an HPD) is skewed. Thus, City of Austin staff have not recommended moving forward with this HPD.

(13) The Mueller redevelopment TIF requires that 25% of all residential units will be affordable to households at or below 60% MFI. The Mueller TIF is using the TIF revenue for infrastructure, which is helping to facilitate the 25% affordable housing set-aside, by offsetting the infrastructure costs for all development within the Mueller community.

(14) States requiring that a percentage of TIF funds be dedicated to affordable housing include California, Maine, and Minnesota; cities include Portland, Chicago, and Houston.

Preservation TIF and enables the city to adopt a dedication policy for affordable housing preservation. ***Under state law 100% of the allocated Homestead Preservation District TIF funds will be dedicated to affordable housing preservation within the identified districts.*** These funds can be used to enhance current efforts to develop and preserve affordable single-family and multifamily properties and help to offset the negative impacts of gentrification.

2. Maximize Tax Incentives for Preservation

The city should maximize tax incentives for preservation. Other cities — such as Portland, Seattle, and Chicago — have rehabilitation programs that incentivize owners to update and improve their properties while still maintaining affordable units. These cities utilize tax abatements as a tool for achieving affordability. For example, the City of Chicago participates in a program (Cook County Class 9 Program) that offers a 10-year, reduced tax assessment to owners who complete major property rehabilitation while maintaining a certain level of affordability.

Tax abatement is an economic development tool that is available to local taxing authorities (except school districts) for properties that meet certain criteria, including:

1. Located in a designated "reinvestment zone"
2. Located in a designated enterprise zone
3. Part of an authorized tax increment finance plan

The abatement agreement can exempt all or a portion of the increase in value of a property over the life of the agreement (up to 10 years). The abatement agreement must be conditioned on the property owner making specific improvements or repairs to the property. Thus, the tax abatements could be aligned with NHCD's existing RHDA program (offering zero or low-interest financing for acquisition and rehabilitation) to preserve multifamily rental affordability within the Homestead Preservation Districts.

Detailed information on the local process to create a tax abatement agreement can be found here:
http://texasahead.org/tax_programs/proptax_abatement/

Implementation of the Homestead Preservation Districts will provide an opportunity to develop geographically based tax abatement programs.

In addition, real estate tax exemption can be a powerful tool to enhance affordability. On new rental developments, full property tax exemption is estimated to be worth $1,500 - $2,000/unit per year.[15] When capitalized, the exemption can provide a significant subsidy to dedicate some units to affordability.

Effective local tax exemption is challenging, however, because it requires the coordination and cooperation of five distinct taxing entities, and is governed by state tax legislation. It may be instructive to analyze the impact of property tax exemption on two affordable multifamily developments – Villas on Sixth and Little Texas – that benefited from a partnership with the City of Austin that conferred 100% property tax exemption. A thorough cost benefit analysis will help to determine if this is a model that should be replicated in the future.

3. Develop a Preservation Strike Fund

In order to preserve a large number of affordable housing units, in a meaningful and impactful way, the City of Austin should commit to the development and implementation of a significantly sized Preservation Strike Fund with a goal of preserving a significant number units over the next 20 years.

The Preservation Strike Fund will focus on locally-identified priorities, including housing that is transit-oriented, located in high opportunity areas, located in areas that are at risk of gentrification and displacement, and properties that include family-size units. All of these priorities align with the Imagine Austin Comprehensive Plan.[16]

(15) Tax exemption on existing multifamily units varies but is estimated to be approximately $1,200/unit/year.

(16) Dr. Elizabeth Mueller is in the process of developing Prioritization Criteria for her Green and Inclusive Corridors Project. Those criteria align with the general categories discussed in this paper and will help to direct acquisition and preservation of specific properties. A draft of Corridor Prioritization Criteria is included in the Appendix.

HousingWorks' 2009 *Building and Retaining an Affordable Austin* proposed a quasi-governmental Workforce Housing Development Corporation. The report envisioned an entity that would provide expertise for strategic property acquisition, manage a revolving loan fund for affordable housing, provide real estate underwriting, and provide asset management. HousingWorks' current recommendations are modified slightly, based on recent best practices research.

In 2011, HousingWorks and the UT Opportunity Forum co-sponsored a conference in which four cities – Denver, Minneapolis-St. Paul, Salt Lake City, and Atlanta – provided an overview of their community's approach to linking affordable housing and high capacity transit. Denver employed a unique multi-tiered funding strategy – the Denver TOD Fund – that is widely considered a replicable model.

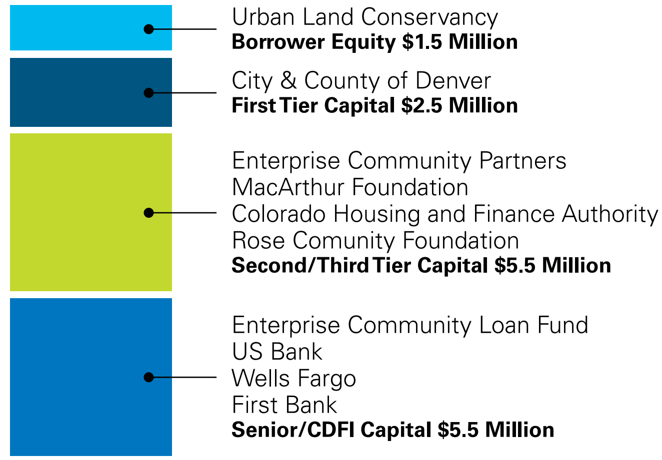
The Denver TOD Fund was launched in 2010 and will create and preserve at least 1,000 affordable homes along current and future transit corridors in the City of Denver. The TOD fund is the result of a unique, collaborative partnership between multiple entities:

- Government
- Quasi-governmental organizations
- Banks
- Nonprofits
- Foundations

Two entities are critical to the TOD fund's success:

- Enterprise Community Partners, a national nonprofit organization with a mission to create opportunity for low- and moderate-income people through affordable housing, spearheaded the local efforts to create the necessary partnerships and layered fund.
- The Urban Land Conservancy (ULC), a local nonprofit organization, leads the real estate acquisition, management and disposition of assets.

The following chart shows the structure of the fund and the multiple entities involved:



The $15 million blended fund provides a critical source of short-term (3- 5 years), low-cost loans (3.4% interest, limited recourse) for acquisition and preservation of affordable housing. Since the first closing in 2010, all $15 million has been deployed (a total of eight loan closings, three of which have already repaid) and more than 600 units preserved or created. The fund is in the process of being enhanced (with an additional $24 million in funding) and expanded to a more regional geographic scope.

The City of Austin should create a Preservation Strike Fund, modeled on the Denver TOD Fund, and develop an ambitious goal for preserving affordable units. The vision behind this recommendation is the provision of a Permanent Preservation Portfolio throughout all parts of Austin that is meaningfully dedicated to affordability. As Austin grows, "affordability" is coming to be recognized as a public asset, much as green space is recognized as a public asset.

The private market, driven by private capital, cannot preserve affordability over time because of inherent demands on investment return. In a growth market, affordability can be protected through permanent mission-driven ownership, much as parkland is protected through permanent mission-driven ownership. If Austin wants to retain housing affordability for its lower income workforce and seniors, the only pathway is developing a portfolio of permanently affordable housing.

HousingWorks recommends that the City of Austin establish a goal of preserving 20,000 units over the next 20 years. According to BBC Research & Consulting's gaps analysis, there are approximately 183,000 renter households in the City of Austin and only 19,000 units affordable to those households. BBC Research & Consulting recommends a citywide goal of 10% affordability targeted to low- and extremely-low income households (at or below 50% MFI). The 10% goal is designed to maintain (rather than expand) the existing affordable housing stock. HousingWorks proposes to expand the affordable housing stock through an aggressive and ambitious preservation plan.

The City of Austin's population is anticipated to double every 20 years. Based on the city's 2014 population, it is estimated that the city will add an additional 865,000 individuals over the next 20 years. Accordingly, it will be necessary to expand the affordable housing stock and to ensure that a wide range of housing options are available for households at a wide range of income levels.

Austin Investor Interests identified 293 Class C properties with 50 units or more (totaling 55,796 units). HousingWorks, utilizing TCAD data, identified 660 Class C properties with five to 49 units (totaling 10,478 units). Therefore, the total universe of Class C multifamily complexes in the City of Austin is 953 complexes (with a total of 66,274 units). *By establishing a preservation goal of 20,000 units, the city will preserve approximately one-third of the current Class C rental housing stock over the next 20 years.*

The proposed Preservation Strike Fund will target a wide range of incomes. The Permanent Preservation Portfolio would be "middle market mix" - serving individuals and households from 30% to 100% MFI. The income mix is critical to the portfolio's success. A portfolio with such broad income diversity can be envisioned over time to be acquired to serve up to 20% of the overall rental market.

The recommendation is to create a publicly incentivized lower-cost capital stack for the acquisition of properties for affordability. The lower cost capital means that, over the long term, the properties do not need to be sold to the highest bidder in order to provide the required rates of return. Instead, the properties can over time be moved into subsidy programs (for example 4% or 9% Low Income Housing Tax Credits) or "agency debt" (e.g., mortgage revenue bonds or FHA insured mortgage) that promote long-term affordability.

The portfolio would serve affordability through the following three financial strategies:

1. House a mix of lower and middle income tenants, who could, on a combined basis, support a revenue (rental) stream that can increase to match inflation.
2. Reduce debt service over time through a combination of paying down mortgage balances and moving properties into lower cost debt (e.g. mortgage revenue bonds and "agency debt" such as FHA).
3. Inject subsidy over time, but not across all the units. Some portion of the units could be moved into tax credit or other subsidy programs to remove debt altogether or increase rental subsidies.

HousingWorks recommends that an economic model of this portfolio be built, to capture the revenue and expense dynamics of inflation in operations, rental revenues and capital replacements over a long-term time horizon. While appreciation can be captured as part of financing capital replacements over time, to ensure long term affordability mix, this equity-capture would need to be limited so that rental rates do not have to be raised dramatically to service higher cost capital structures.

Multiple nonprofit entities would be underwritten and selected to deploy the Preservation Strike Fund to preserve affordable housing throughout the city. As in the Denver TOD Fund model, the nonprofit entities would be underwritten in advance, ensuring that acquisition is smooth and swift. Accountability will be built in to the programs and policies and will be critical to the fund's success. Having pre-approved preservation entities that are accountable through prescribed monitoring and compliance will help to attract investors and build the fund.

These nonprofit partners would be responsible for identifying acquisition opportunities and operating these properties over a very long-term time horizon (99 years). Partners must be selected based on their proven capacity to acquire, operate, refinance, reposition, and compete for federal subsidies and rate-preferred debt that can be layered in over time. Partners must demonstrate the ability to operate a high quality mixed-income-affordable stock, with units renting to households ranging from extremely low-income to 80% and even 100% MFI. The mix of incomes is essential to the plan, because it allows for the financial sustainability of the portfolio over time without continued local subsidies; however, the portfolio as a whole would be dedicated to providing at least 50% of its units to under 60% MFI, with subsets of units targeting lower incomes over time as additional subsidies are obtained.

To act on this plan, HousingWorks recommends a two-step process: First, the City of Austin should take advantage of the fact that, as a recipient of HUD Sustainable Housing and Communities grant, Dr. Elizabeth Mueller's Green and Inclusive Corridors Project is eligible for free technical assistance from Enterprise Community Partners. Because of Enterprise's integral involvement in the development of Denver's TOD fund, this would be an important first step in the creation of the Preservation Strike Fund.

Second, HousingWorks recommends that the City of Austin procure professional services to develop the Preservation Strike Fund with these required elements:

a. To define a capital strategy that uses public finance tools as credit enhancement and increases the liquidity of the investment (e.g. guarantees and saleable paper), so that a lower cost of capital can be brought to this compelling investment need for long-term affordable housing stock.
b. To model a housing portfolio that brings a diversity of locations, housing types, and resident incomes – so that risk is reduced, overall gross potential rental income can increase with time, and upside appreciation is enabled, thus allowing the portfolio to self- finance its ongoing capital needs, while allowing the lower-than-market rate capital cost to be used to allow some internal set-aside of units for lower income residents.
c. To identify high-capacity, public-purpose housing enterprises, with long term asset management, finance, and balance sheet capacity to deploy this funding to build and operate the portfolio. The housing enterprises must retain some of the incentives available from real estate to ensure the necessary reserves and a sophisticated workforce.

4. Reconvene Stakeholder Group

The stakeholder group that was originally convened in November 2013 should be reconvened to review the 2014 Comprehensive Housing Market Study and the recommendations found in this report. It will be critical to get the "buy in" of the represented organizations in order to launch a comprehensive preservation strategy. In addition, several of the organizations represent real estate interests and their participation will be crucial to the success of a multi-tiered strategy with an ambitious preservation goal.

Conclusion

Preservation represents a timely but previously untapped opportunity in the City of Austin. There is a large amount of aging multifamily housing stock, which is ripe for redevelopment and potential displacement of low-income renters. Federal resources are dwindling, and traditional local resources are limited and overcommitted. New strategies, including a privately funded approach with public credit enhancement as proposed in this report, represent an opportunity to address preservation of affordable housing in a substantial and meaningful away.

Appendix

1. Green and Inclusive Corridors Prioritization Criteria
2. City Council Resolutions
   a. Resolution No. 20130509-031 (Preservation)
   b. Resolution No. 20140327-040 (Housing-Transit-Jobs Action Team)

Green + Inclusive Corridors Project

Description of Corridor Prioritization Criteria

June 26, 2014

In order to help cities prioritize the use of scarce resources available for preservation of affordable housing, the University of Texas Green + Inclusive Corridors Project team is developing a methodology that can be implemented with locally available data. The process involves several steps. The first step, described in this memo, involves identifying areas of a city to prioritize. The second step involves further study of the rental housing stock and neighborhood assets in these areas. The third step involves evaluating building level options for rehabilitation, including energy efficiency upgrades.

Step one: Identifying priority corridors

In this process, we use a variety of data in order to gauge:

- *How quickly is this area likely to change?* How strong are the current and coming development pressures faced by each corridor neighborhood?

- *How many low income renters could be displaced by redevelopment?* What is the character of the existing stock of rental housing in the area?

- *How do low income renters benefit from living in this location?* Does this location give them access to good schools and allow them to commute to job centers without relying on a car?

We are currently seeking feedback from planners, housing developers and advocates on these criteria and how they might use them in the Austin context. (We are also seeking feedback from housing experts familiar with other cities in order to determine whether our assumptions regarding data access and housing conditions will hold in other cities.)

In this memo, we describe our strategy for comparing and prioritizing corridors on these three dimensions and discuss how other cities might use this approach. In a separate document, we provide an example of how this methodology can be applied to one corridor neighborhood in Austin for which a corridor plan will soon be developed—Burnet Road. While ranking corridors requires comparison across corridors, this example will demonstrate how we will assess conditions in each corridor.

Appendix

How quickly is this area likely to change?

These metrics are intended to help reveal differences across corridors or areas of the city based on current development activity and likely future activity in order to help policy makers think about when to acquire properties for preservation. In areas where change is underway, prices will be higher and it will be important to weigh these higher costs against the other two criteria—the potential scale of displacement and the benefit to low income residents of living in this location. In contrast, areas with less current activity but where plans indicate the potential for great future change, acquisition may be more affordable. In such cases, weighting may hinge on ongoing locational benefits.

1. Mapping the likelihood of redevelopment of multifamily parcels.

Building on the Redevelopment/Displacement metric we developed in the Sustainable Places Project, we begin by modeling and mapping the likelihood that multifamily parcels in particular locations will redevelop in the next 5, 10, and 15 years. This model projects change in land value to changes in the value of improvements for multifamily parcels in the city. When the value of land rises above the value of improvements, properties are ripe for redevelopment. Looking at this map gives us an initial sense of areas of the city that are likely to change and that contain a large stock of multifamily housing. To gauge how likely it is that those displaced would be low income, we narrow our focus to census tracts where renter income is below 50 percent of median household income for the region. This tells us which areas house concentrations of properties likely home to low-income renters. We used this map to identify ten zones in the city to compare. (See map of corridor zones).

This measure has several limitations that motivate us to include additional information. First, the measure assumes that the rate of growth in land value is uniform across the city. So it is likely underestimating change in central areas and overestimating it in outlying areas. To correct for this, we need to assess how strong development pressures are in particular locations.

2. Gauging current development activity.

To assess how strong current development pressures are in particular locations, we calculate the aggregate value of development activity in each zone. We do this by relying on the aggregate value of projects that have active permits within the boundaries of our corridor neighborhoods.

3. Gauging the likelihood of future development pressures.

Another factor that is likely to shape redevelopment pressures is whether an area is the focus of planning initiatives that will change its character and/or increase the allowable density of development. To gauge this, we gathered information on all planning designations within our corridors and considered how different the envisioned character of the planning designation (town center, core transit corridor, etc.) is from the current state of the area. For example in Austin, if an area is designated to be a town center in the city's new plan, and it is currently a low density area with little commercial activity, the potential for future change would be high. Similarly, if the planning designations carry with them a increase in allowable density that also would mean that the likelihood of future development would be high.

Appendix

How many low income renters could be displaced by redevelopment?

The intention here is to document how many rental housing units are currently affordable to low income renters and also to understand if and how many of these offer rents that will remain low because they carry public subsidies. We began with the Redevelopment/Displacement metric mentioned earlier, which gives us a map of the location of aging MF housing in areas that are predominantly low income. A weakness of this measure is that it uses census tract data on renter income as an indicator of who lives in these buildings. As a result, we may be capturing properties that have already been renovated in a fast changing, formerly low income rental area, or we may be missing the few low rent properties in an area dominated by larger scale high end rentals.

In order to more accurately assess how many renters are vulnerable to displacement, we look at two particular types of data. Together, these data indicate the magnitude of potential loss of affordable housing.

1. Counting the stock of class c rental properties with low rents.

For Austin, we rely on two sources of data on the aging rental properties that are the most common source of unsubsidized affordable rental housing. These are proprietary data on class c properties of 50 units or more, available for purchase from Austin Investor Interests (AII), and data collected through a survey of a sample of smaller aging properties (those with 5-49 units) conducted by local housing advocacy organization HousingWorks Austin. The AII data includes detailed information on rents at individual properties. We culled through this data to remove properties that have rents above what is affordable to households earning 60% of regional median income ($696, $853 and $1,074 for efficiency, 1BR and 2BR units, respectively). We will rely on the HousingWorks survey data for the rents offered at smaller aging properties in particular areas, along with maps of the total universe of these smaller units, to gauge the likely stock of these smaller units in each area. (This level of detail may not be possible to achieve in other regions.)

2. Identifying affordable housing with expiring subsidies.

Based on data collected for the city's recent Housing Market Study (combining data available through HUD with data on locally funded housing), we have identified subsidized units in the area and also how many have subsidies that will expire in the next 10 years.

3. Identify loss of rental units with rents below the Housing Choice Voucher rent cap.

Since Austin is moving toward adoption of an ordinance that will prevent discrimination against renters by "source of income" (e.g. vouchers), it is important to note whether areas are losing rental stock where vouchers might be used. This means looking at whether trends in rents of properties in the area to see if the average rent for a two bedroom unit is likely to be within reach or out of reach for a household using a voucher.

How do low income renters benefit from living in this area?

An important factor in prioritizing particular corridor neighborhoods is understanding which areas offer particularly valuable benefits to residents now. We have chosen to focus on two areas where research most strongly backs the value of spatial proximity or location: education and transit. While there are obviously other factors that may benefit local residents, we focus on these because they currently exist and thus displacement would disrupt their use by residents. In addition, in the case of education, a local school that is high performing and serving low income children is a valuable asset to both the families it serves and to the larger community. Disrupting this school by displacing the children that attend it would represent a loss at both levels. The value of future assets is hard to gauge. It is safe to assume that if an area undergoes a significant change in character as it attracts higher income residents, it will add benefits. Here we focus on and describe how we will measure the value of two important assets.

1. The quality of local elementary schools.

For this measure, we analyze data available from the state education agency (TEA) and/or the local school district on a set of measures drawn from the Kirwan Institute's opportunity mapping methodology. The metrics are:
1) the student/teacher ratio- ratio of students to teachers of the three nearest in-district primary schools;
2) share of students achieving reading and math proficiency-both for the three nearest in-district primary schools; and, 3) graduation rate-for the three nearest in-district high schools. Together, these metrics give us a sense of the quality of local schools. School quality is correlated with economic mobility.

2. Ability to rely on public transit for commute to work.

How many of the city's major job centers can be reached by public transit in less than 30 minutes from the corridor street in the area? We delineated the city's major job centers by using the LEHD data system's On The Map feature. We found 5 major employment centers concentrating jobs paying wages between $1,250 and $3,333 per month (roughly $15,000 to $40,000 per year for full time work). We then measured travel time, during rush hour, to each of these centers from a major intersection in the corridor using Capital Metro's online Trip Planner. Each corridor then received a score that is the number of centers that can be reached in 30 minutes.

RESOLUTION NO. 20130509-031

WHEREAS, preservation of existing affordable housing is one element along the spectmm of affordable housing strategies which also include permanent supportive housing, single family and multi-family ownership opportunities, multi-family rental opportunities, rental assistance, and home repair programs; and

WHEREAS, according to a 2007 case study on preserving affordable housing by the University of Texas School of Architecture and the Center for Sustainable Development, "Preserving Affordable Apartments in Austin-Case Study Analysis of the East Riverside/Oltorf Combined Neighborhood Planning Area", states "...existing affordable units represent a key

irreplaceable element of the housing market supply"; and

WHEREAS, a 2007 study, "Preserving Austin's Multifamily Rental Housing- A Toolkit", by the University of Texas School of Law Community Development Clinic, outlines six policy tools and strategies used in U.S. cities and states that could be implemented in Austin as part of a comprehensive preservation policy, the six tools being Public Funding, Private Finance Tools, Tax Tools, Zoning and Land Use Policies, Regulatory Tools and a sixth multi-pronged strategy; and

WHEREAS, a report by Neighborhood Housing and Community Development (NHCD) in April 2008, "Preserving Affordable Housing in Austin; A Platform for Action", provided data and statistics, best practices and recommended strategies, and deemed preservation of affordable housing in Austin "an imminent crisis" due to the aging housing inventory in Austin; and

WHEREAS, the same report found that aging, unsubsidized rental housing constitutes the largest share of the city's affordable housing stock; and

WHEREAS, preservation of Austin's affordable housing stock is interwoven throughout the Imagine Austin Comprehensive Plan, highlighting its critical significance in the plan's Key Challenges for the Future, in the Core Principles for Action, as policies for both Housing and Land Use and Transportation, as a Housing and Neighborhood Priority Action, and as an opportunity in the envisioned Activity Centers and Corridors; and

WHEREAS, preservation of affordable housing promotes environmentally sound redevelopment as well as geographically dispersed and centrally located housing opportunities, touching on key priorities for the City of Austin; and

WHEREAS, the 2011 University of Texas Airport Blvd. Corridor Study developed a methodology for assessing existing affordable units in an area, made recommendations for programs to preserve the units,, and demonstrated the particular importance of preservation in corridors that will be subject to redevelopment in the near future; and

WHEREAS, preservation of affordable housing is becoming increasingly critical as several subsidized project-based housing complexes are reaching the end of their required affordability period; and

WHEREAS, the City's scoring system used by NHCD to evaluate affordable housing proposals includes additional points for projects that preserve affordable housing; and

WHEREAS, there is an opportunity for NHCD to coordinate with Code Compliance's new program for proactive outreach to aging apartment buildings in Austin; and

WHEREAS, near-term affordable housing planning work is scheduled soon or underway, including a Housing Market Study, the Affordable Housing Financial Strategies Report and the 5-year Consolidated Plan; **NOW, THEREFORE,**

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

The City Manager is directed to specifically address preservation of existing affordable housing as a component of the City's near-term planning efforts in affordable housing, including establishing a baseline of the aging multi-family housing stock, setting goals to support preservation, identifying opportunities to further preservation initiatives, and developing financial strategies for sustainable approaches to achieving preservation of affordable housing.

BE IT FURTHER RESOLVED:

The City Manager is further directed to work with stakeholders including organizations that can support planning and implementation efforts to further advance preservation initiatives, including_the Austin Apartment Association, the Austin Board of Realtors and the Real Estate Council of Austin, HousingWorks Austin, in consultation with the Community Development Commission and the University of Texas, to develop recommendations for additional policies, programs and methodologies to proactively address preservation of affordable housing in Austin, with a report provided to Council by February 28, 2014.

ADOPTED: May 9, 2013

ATTEST: ______________________

Jannette S. Goodall

City Clerk

RESOLUTION NO. 20140327-040

WHEREAS, the Imagine Austin Comprehensive Plan calls out Austin's limited housing choices and rising housing costs, and recognizes the need for a variety of housing types to meet the financial and lifestyle needs of Austin's diverse population; and

WHEREAS, Imagine Austin also identifies the need to retain the character of Austin's neighborhoods by accommodating growth along corridors and major roadways; and

WHEREAS, micro-unit housing is an efficient and cost-effective housing choice developed and utilized in many of Austin's peer cities; and

WHEREAS, micro-unit housing most often appeals to single people, who make up over a third of Austin's population; and

WHEREAS, decoupling parking from housing costs - i.e., renting or selling parking separately, rather than automatically including it in the price of the living space - typically results in a demand reduction of up to 30%; and

WHEREAS, micro-unit development offers the potential of placing more affordable dwelling units within reach of those who want to live an urban lifestyle, often accompanied by reduced car ownership; and

WHEREAS, Council passed Resolution No. 20140123-059 asking the City Manager to identify best practices and code amendments that would encourage micro-unit development; and

WHEREAS, the March 18, 2014 City staff memo identified the primary zoning code constraints that may be inhibiting micro-unit development in Austin as minimum site area requirements and parking requirements; and

WHEREAS, initial staff research suggests that Portland's reduced parking requirements for micro-units has led to tenants parking on the streets of adjacent neighborhoods; and

WHEREAS, site area requirements are waived in the Vertical Mixed Use Combining District under 25-2, Subchapter E, Section 4.3.3 for projects that meet affordabihty requirements, thus providing programs that incentivize affordable housing and an increase in density of dwelling units; and

WHEREAS, because the VMU Combining District is generally available on Core Transit Corridors (CTC) and future CTCs, there is a risk reducing or ehminating site area requirements on CTCs and future CTCs could decrease the effectiveness of VMU as a tool for housing affordability in Austin; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:
The City Council initiates amendments to Title 25 of the City Code and directs the City Manager to develop an ordinance that reduces or eliminates parking requirements and reduces or eliminates site area requirements for dwelling units less than 500 square feet in size and that are located on core transit corridors, future core transit corridors, or within a Transit Oriented Development District.

BE IT FURTHER RESOLVED:
The amendment process should include consideration of how the provisions allowing micro-units should be integrated with current provisions for Vertical Mixed Use and Transit Oriented development, particularly in regard to affordable housing requirements.

BE IT FURTHER RESOLVED:
The City Manager is further directed to compile detailed information and best practices from other cities about the relationship between micro-units and affordability, car ownership, parking, and adjacent neighborhoods.

BE IT FURTHER RESOLVED:
The City Manager is directed to seek input from housing stakeholders and the Community Development Commission; and to include a status on the effort in the Housing/Transit/Jobs Action Team report to the Comprehensive Planning and Transportation Council Committee by June 15, 2014; and to return this ordinance to the City Council within 120 days.

ADOPTED: March 27, 2014

ATTEST: Jannette S. Goodall
Jannette S. Goodall
City Clerk

HousingWorks Austin is an affordable housing advocacy organization that aims to increase the supply of affordable housing in Austin by providing research, education, advocacy and thoughtful, workable affordable housing policy recommendations.

For more information, visit HousingWorks' website:
http://housingworksaustin.org/

HousingWorks wishes to acknowledge the following people who were instrumental in the preparation of this report:

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