




## MEMORANDUM

**TO:** Mayor and Council Members 

**FROM:** Rosie Truelove, Director, Neighborhood Housing and Community Development Department / Treasurer, Austin Housing Finance Corporation

**DATE:** November 6, 2019

**SUBJECT:** Response to Resolution No. 20180308-010 regarding proposal of a preference policy for affordable housing focused on generational ties to the city and household size

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This memorandum and attached document describing a preference policy pilot are provided in response to [Resolution No. 20180308-010 \(Resolution\)](#), which directed the City Manager to propose a preference policy that relates to the distribution of affordable housing units for low- and moderate-income households based on generational ties to the city and a policy that relates to the distribution of units based on household size. Additionally, Council directed the City Manager to design the policies to further the City's obligation to affirmatively further fair housing and to include a method to prioritize applicants on a waitlist or interest pool for programs and resources. This could include homeownership and rental assistance programs, for low- and moderate-income households who are displaced.

The preference policy pilot would be implemented on rental and ownership units owned and administered by the Austin Housing Finance Corporation (AHFC). AHFC staff will gain valuable information from this pilot, including what further resources would be required should this program be expanded to other affordable housing initiatives in the future. Piloting the preference policy on AHFC units will enable AHFC to identify appropriate procedures and address implementation issues before expanding to other affordable units. Once AHFC has created a policy that is clear, streamlined, and effective, it could potentially be implemented on other types of income-restricted affordable units that are not within AHFC's sole sphere of control, including density bonus units or units created with AHFC funding.

The preference policy pilot described in the attachment includes preferences for household size, disability, and three types of preferences related to generational ties and displacement:

1. households that currently reside or did reside (back to 2000) in census tracts identified as gentrifying in the University of Texas study, *Uprooted*;
2. households that have been displaced since 2000 due to natural disaster, government action, or from properties triggering the City's Tenant Notification and Relocation Assistance Ordinance or the federal Uniform Relocation Act; and

*The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.*

3. households that have immediate family residing in the city.

To implement this pilot, AHFC staff time will be needed to process applications, and AHFC will need a software platform to house applications and documentation and funding for an affirmative marketing campaign to ensure that AHFC units are marketed and advertised to historically underserved groups. Funding for these short-term needs will likely come from the Housing Trust Fund. Staff will provide an update to Council prior to the beginning of the budget process for FY 2020-2021, including any recommendations for expanding the program and additional resources required to do so.

Should you have questions, please contact Rosie Truelove, Director, at (512) 974-3064 or [rosie.truelove@austintexas.gov](mailto:rosie.truelove@austintexas.gov)

cc: Spencer Cronk, City Manager  
Rodney Gonzales, Assistant City Manager

Attachment

## Proposed Preference Policy Pilot

### Austin Housing Finance Corporation Community Land Trust and Rental Units

This pilot preference policy responds to [Council Resolution No. 20180308-010](#), which directed the City Manager to propose a preference policy that focused on generational ties to the city and household size, and included a method of prioritizing low- to moderate-income (LMI) households who are displaced. The pilot is intended to be applied to ownership and rental units owned by the Austin Housing Finance Corporation (AHFC), with the potential to expand to other types of affordable housing in the future.

#### **Application of Preferences**

The household size preference would be applied to all income-restricted affordable units. The disability preference would be applied to all accessible affordable units. Due to fair housing considerations, the generational ties and displacement preferences would be applied to 50% of the affordable units when two or fewer units are available at a time and 40% of the affordable units when three or more units are available at a time.

For ownership units, the preferences would be applied each time a unit is available for sale. Due to administrative capacity, the preferences would be applied to rental units at initial lease-up, and until the property's waitlist or interest pool is exhausted. If the waitlist or interest pool for a property is reopened, preferences can be applied to applications received while the waitlist is open.

#### **Preferences**

1. **Disability:** applies to accessible units. Households with disabled members will receive priority for units with disability modifications
2. **Household size:** a household whose square footage requirements for sleeping areas based on the Property Maintenance Code are equal to or are less than the size of the available housing unit
  - a. A one-person household may not occupy a unit with more than one bedroom unless as a reasonable accommodation or an appropriately sized unit is not available
  - b. Use the Property Maintenance Code standard (404.4.1) to calculate the amount of square footage available for sleeping (in each unit size) and the amount of square footage required based on the household size
3. **Generational Ties & Displacement<sup>1</sup>:** the following preferences address the topics of generational ties and displacement of LMI households:

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<sup>1</sup> The purpose of this preference policy is to mitigate the displacement of low-income households that results from gentrification and its effects on property values and rents.

- a. **Eligible Census Tracts:** households that reside in census tracts identified as being any gentrification type in maps created as part of *Uprooted*. The following households would be covered:
  - i. Households that currently reside in an applicable census tract
  - ii. Households that used to reside in an applicable census tract, back to the year 2000
- b. **Displacement:** households that have been displaced since 2000 due to the following:
  - i. Natural disaster
  - ii. Government action (i.e., eminent domain)
  - iii. Households displaced from properties that triggered the City of Austin’s Tenant Notification & Relocation Assistance Ordinance or federal Uniform Relocation Act
- c. **Immediate family reside in the city:** Immediate family is parent/guardian, or grandparent. To address adult or elderly residents, an applicant’s immediate family could have resided in the city at the time of their death.

**Process for AHFC Pilot Units (Ownership and Rental)**

1. **Marketing & Application Period:** There will be a separate lottery process for each development. **This procedure is under design at the advisement and consultation of Grounded Solutions, currently under contract with the Austin Housing Finance Corporation.** AHFC creates a marketing plan to affirmatively market available units. During the 30-day “marketing & application period,” people can submit applications for the unit to AHFC. However, if accessible units or multiple-bedroom units are offered, but AHFC does not receive applications from households with disabilities or households meeting household size preferences, AHFC reserves the option to extend the application period by 30 days.
2. **Application Screening:** After the close of the marketing & application period, applications are screened for program eligibility requirements by AHFC staff for ownership units and AHFC’s property manager for rental units. Applications must meet the eligibility criteria established by the program (including income eligibility requirements).
3. **Preference Filtering:** AHFC staff or AHFC’s property manager will sort applications that meet eligibility requirements into the following lists:
  - a. **Disability Preference:** If any units with disability modifications are available, applications from disabled households are given first priority for those units.
  - b. **Household Size Preference:** Applications from households that are not appropriately sized to available units (or do not meet the preference through reasonable accommodation) are set aside and will be considered only after applications meeting preferences are exhausted. Applications that are appropriately sized to available units (or meet this preference through reasonable accommodation) move forward in the process, as described below.

- c. **Generational Ties & Displacement Preferences:** The list filtered by household size is further refined based on the number of generational ties and displacement preferences each application meets. Applications that meet all three preferences are filtered into Preference List A, applications that meet 2 preferences are filtered into Preference List B, and so on. Applications that do not meet any generational ties or displacement preferences are sorted into the last list (List D).
4. **Selecting Applicants:** Applications in each preference list are assigned a random order. AHFC or its property manager moves down each list, starting with Preference List A, to fill the available units. AHFC staff or the property manager contacts each applicant to obtain the required documentation. If an applicant cannot provide documentation for a preference, he/she is removed from that preference list. Once the applicants' documentation has been verified, lease agreements can be signed with the applicants.
- If AHFC runs out of applications in the preference lists, they will move on to the non-preference application pool, where households did not meet the household size preference or any other preferences. These applications are also placed in random order.
5. **Appeals Process:** If an applicant feels he/she has received a rejection letter or waitlist/interest pool letter in error, the applicant can appeal the decision to AHFC. The AHFC Treasurer will review the appeal and make a final determination.

**Resource Needs for Pilot**

To implement this pilot policy on AHFC units, the following resources will be needed:

**Immediate Needs:**

Need	Amount
Online application portal to allow applicants to submit their applications electronically - Update NHCD website with fillable application and create new email address to which applications will be sent	\$0 (use current staff time)
Staff resources to process preference policy applications and documentation	<ul style="list-style-type: none"> <li>• Rental unit applications would continue to be processed by AHFC's property management contractor; this added layer of documentation may require additional time and funding (paid for from rental revenues).</li> <li>• Ownership unit applications would continue to be processed by AHFC staff.<sup>2</sup></li> </ul>

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<sup>2</sup> Even in the absence of this pilot, staff capacity is limited and the ability of staff to process the additional documentation associated with the preference policy will be similarly constrained.

Software platform that can house applications & associated documentation, and conduct a lottery on applications	~\$20,000 (year 1 cost for HomeKeeper, off-the-shelf product)
<b>Immediate Needs Total</b>	<b>~\$20,000</b>

Staff will provide an update to Council prior to the beginning of the budget process for FY 2020-2021 with recommendations for expanding the program and additional resources required to do so.

To ensure that all affordable units administered by AHFC, including the units offered through the preference policy, are properly marketed and advertised to historically underserved groups, AHFC must also craft and launch an affirmative marketing campaign. AHFC is considering different methods of obtaining a consultant with marketing experience to help develop this campaign. As AHFC develops goals and strategies for creating an affirmative marketing campaign, staff will provide an update on any additional resources required to hire a marketing consultant and execute those strategies through the budget process.

**Potential Universe of Properties for Pilot**

The following properties are potential candidates for implementing the preference policy pilot (unit numbers are estimated):

Rental:

- Heritage Heights (25 units as available)
- E. 10<sup>th</sup> Street House & Accessory Dwelling Unit (2 units)
- Doris Drive duplex units (4 units)
- Anderson Village (24 units as available)
- 7212 Providence (1 unit)
- 2008 E. 10<sup>th</sup> Street Accessory Dwelling Unit

Ownership:

- Waller Street townhomes (2 units)
- 3000 Funston Street (1 unit)
- Doris Drive single family (4 units)
- E. 7<sup>th</sup> Street Condos (2 units)
- 1018 Linden Street (1 unit)

**Timeline for Pilot**

AHFC will implement this pilot in late 2019. The pilot can continue to 2020 to ensure that the units listed above (including Doris Drive, E. 10<sup>th</sup> Street, and Funston Street) can be constructed and ready for rental or ownership. During the development of the FY 2020-2021 budget, AHFC will assess whether there is adequate staff capacity to continue to implement the preference policy for AHFC properties.

## **Expanding the Policy**

Piloting the preference policy on AHFC Community Land Trust and rental units will enable AHFC to identify refined or appropriate procedures and resolve issues in a controlled environment. Once AHFC has created a policy that is clear, streamlined, and effective, it can potentially be implemented on other types of affordable units that are not within AHFC's sole sphere of control, including density bonus units or units created with AHFC funding. Implementing a preference policy and lottery system on these types of units will be more complex due to other subsidy requirements, priorities, and practices of these units' developers and managers. Therefore, it is important to identify and resolve issues on a pilot basis before imposing an untested policy across all types of affordable units in the Affordable Housing Inventory.

Preference policy expansion should begin with outreach and input from stakeholders like Austin's housing authorities, affordable housing developers, and property managers to determine how the policy might interact with Low Income Housing Tax Credit or federal subsidy requirements. Before expanding the policy to incentivized affordable units, AHFC will also need to work with density bonus developers and property managers to identify potential challenges and determine the appropriate methods of implementation (including needed technological and staff resources).

Staff will provide an update to Council prior to the beginning of the budget process for FY 2020-2021 that includes recommendations on additional resources needed to expand the preference policy to units beyond those in the AHFC portfolio.

**Example of how list of applications gets filtered by preference**

**Right after lottery**

Unfiltered lottery list	
1	Julia
2	Lee
3	George
4	Shawn
5	Maria
6	Tyler
7	Shondra
8	Robert
9	Stephanie
10	Dan



**After filtering**

	Preference List A	Preference List B	Remaining lottery list
1	Maria	George	Julia
2	Robert	Shondra	Lee
3		Dan	Shawn
4			Tyler
5			Stephanie

**1**

**2**

**3**

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Application process order

Source: San Francisco Mayor’s Office of Housing & Community Development, <https://sfmohcd.org/lottery-preference-programs>