

# Building and Retaining an Affordable Austin

A Collaborative Report



Urban Land Institute–Austin

HousingWorks Austin

Real Estate Council of Austin

Austin Area Research Organization

June 2010

## SUMMARY

- This report and subsequent campaign efforts are the product of an innovative collaboration between the Urban Land Institute (“ULI”), HousingWorks (“HW”), Real Estate Council of Austin (“RECA”), and the Austin Area Research Organization (“AARO”). All four groups, representing a diverse cross-section of expertise and perspectives, are committed to working together for the benefit of Austin to ensure we achieve a simple and vital goal:
- To succeed and thrive as Austin continues to grow, the community needs to provide all kinds of homes in all parts of town. The supply and diversity of affordable for-sale and rental homes needs to increase, and it should be distributed throughout the community. Workforce housing is particularly important to the economic and social vitality of the community.<sup>1</sup> This report contains an extensive analysis of how Austin’s current shortage of affordable housing opportunities creates social and economic costs for the community.
- The ULI/HW/RECA/AARO Working Group examined a variety of existing and proposed community strategies, city programs, and data sets illustrating local demographics and market dynamics. To accomplish its work, the group formed three subgroups focusing on the following areas:
  - Planning, especially the city’s new Comprehensive Plan effort
  - Financing and resource strategies for closing the existing housing gap
  - Incentive programs and pilot projects to use density to achieve greater affordability.
- The Working Group offers a number of recommendations in these areas, of which three are the most critical:
  1. *The Comprehensive Plan must incorporate a meaningful focus on housing, including an emphasis on jobs-housing balance and linkages to community services within 8-12 geographic housing planning areas.*
  2. *The city should include additional affordable housing funds in a 2012 bond election and promote public-private partnerships to support projects and strategies that create and preserve citywide affordable housing.*
  3. *Key stakeholders need to build consensus among citizens and neighborhoods about well-designed density and the essential role it plays in community affordability, compatibility and sustainability. The city should also continue its efforts to harmonize, streamline and implement citywide incentive programs that promote affordable homes in exchange for increased density.*

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<sup>1</sup> Workforce housing is generally defined as households earning between 30% and 80% MFI.

## INTRODUCTION

Austin is still growing. Despite the current global economic downturn, the city of Austin continues to post a steady rate of both economic and population growth; it is currently the second-fastest-growing of the country's 20 largest cities.<sup>2</sup> The surrounding communities in the Austin-Round Rock MSA are growing even faster; while Austin contains 47% of the metro area's population, it only accounts for 34% of the growth within the MSA between 1990 and 2007.<sup>3</sup>

As Austin grows, home affordability becomes a greater challenge for more people at more income ranges. Meanwhile, the concentration of poverty has increased over the decades, creating serious challenges for the community. These are phenomena common to cities across the country. Austin is positioned to be a leader in developing creative solutions that can provide affordable homes where needed throughout the community.

One of the top demographic trends in the city of Austin is the “increasingly sharp edge of affluence.”<sup>4</sup> While residential segregation based on race and ethnicity has decreased over the years, socio-economic segregation has increased. Maps showing the median family income by census tract and block group illustrate the line of segregation – higher incomes in the west of the city and lower incomes in the east.<sup>5</sup> Virtually every indicator of opportunity – education, economic, transportation, health, and neighborhood quality – shows a similar trend. Higher opportunity is concentrated to the west of IH-35 and lower opportunity to the east of the highway.<sup>6</sup>

Why does this matter? The concentration of poverty and lack of affordable homes imposes major social and economic costs, not just on individuals but on the whole community.<sup>7</sup> An appropriate diversity of housing opportunities – all kinds of homes in all parts of town – would increase investment opportunities; increase student achievement by decreasing K-12

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<sup>2</sup> The 2009 Annualized Growth Rate is 3.13%; the Annualized Growth Rate for the 1950s through 1990s has been between 3% and 4.2%. Source: Ryan Robinson, City Demographer, Department of Planning, City of Austin, January 2009.

<sup>3</sup> Comprehensive Housing Market Study, March 2009. BBC Research & Consulting. Executive Summary, Page 2.

<sup>4</sup> The Top Ten Big Demographic Trends in Austin, Texas. <http://www.ci.austin.tx.us/demographics>

<sup>5</sup> Ibid.

<sup>6</sup> See *The Geography of Opportunity: The Austin Region*. The Kirwan Institute for the Study of Race and Ethnicity. The Ohio State University.

[http://greendoors.org/docs/opportunity\\_mapping/Austin\\_Opportunity\\_Report.pdf](http://greendoors.org/docs/opportunity_mapping/Austin_Opportunity_Report.pdf)

<sup>7</sup> “Poverty tracts” are defined as census tracts in which at least 20 percent of the population falls below the federal poverty level. “Extreme poverty tracts” are defined as census tracts in which at least 40 percent of the population falls below the federal poverty level. High concentrations of poverty are correlated with deleterious social characteristics, such as high rates of unemployment, low educational attainment, dependency on public assistance, intergenerational poverty, and out-of-wedlock births. *Inner City Concentrated Poverty and Neighborhood Distress: 1970 to 1990*. John D. Kasarda, University of North Carolina. Reprinted in *Housing Policy Debate, Volume 4, Issue 3. Fannie Mae, 1993*. See page 255 and 270.

student mobility rates; support stronger community ties that lead to decreases in crime; allow for a more responsive social service system in areas such as healthcare and ensure a strong jobs-housing balance.<sup>8</sup>

Recognizing the social and economic costs of the lack of affordable housing, several groups joined forces in 2008 to develop strategies for ensuring all types of homes in all parts of town. **HousingWorks Austin (HW)** – a consortium of community leaders and housing industry experts – partnered with the local chapter of the **Urban Land Institute (ULI)**, the **Real Estate Council of Austin (RECA)**, and the **Austin Area Research Organization (AARO)**. Each organization brings a unique perspective on the issue of affordable housing and all share a common commitment to building and retaining an affordable Austin.

Individual members came together in September 2008 to identify the four sponsoring groups' shared priorities for strategic and meaningful policy initiatives, which when implemented, would help to provide the opportunity for a wide range of affordable homes in all parts of town.<sup>9</sup> The Working Group met from September through December 2008 and identified the following three overarching policy areas as priority areas for further exploration:

- **Comprehensive Plan.** To ensure that geographically dispersed affordable housing opportunities are enabled and supported by the City's upcoming Comprehensive Plan.
- **Funding/Acquisition.** To identify the level of ongoing local public funding that needs to be committed to programs that would ensure affordable homes in all parts of town; to identify possible sources for those funds; and to evaluate the options for creating an entity to employ public-private partnerships to develop and preserve affordable housing.
- **Density/Incentives.** To develop a creative, coordinated, and consistent city-wide set of design tools and policy incentives to generate affordable housing opportunities.

From January through June 2009, the original Working Group expanded, adding additional experts to a sub-group for each priority policy area, investigated each of the three policy areas, and developed a thorough set of achievable policy recommendations. The report

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<sup>8</sup> The link between housing and jobs is well-established. In fact, many communities have tied development and transportation funding to the adequate provision of diversified housing. As an example, recognizing the importance of affordable housing to the social and economic fabric of the community at large, the State of Washington instituted the Growth Management Act in 1990. The GMA requires all communities receiving state funding to incorporate an affordable housing component into their 20-year local comprehensive plans. The affordable housing component is required to address local policy initiatives that will increase the supply of housing to serve all income levels. Compliant communities are able to tap into state-wide property tax exemptions for affordable housing. Noncompliant communities risk access to community development and transportation funding.

<sup>9</sup> Initial group members include Steve LeBlanc (co-chair), Frances Ferguson (co-chair), Jay Hailey, Ashton Cumberbatch, Brett Denton, Terry Mitchell, Cathy Echols, Bob Sleet, and Kelly Weiss.

details those recommendations and establishes next steps in an implementation plan to bring Austin closer to the ultimate goal of providing all kinds of housing in all parts of town.

### GRASPING THE COST OF HOUSING — AND THE CONSEQUENCES

Nationally, Austin used to be very affordable compared to many of its peer cities, which helped to earn it recognition as one of the most livable cities in the country. As evidenced on the chart in Appendix 1, *Price Distribution of MLS Homes Sold in Austin*, there has been a distinct shift in the past 10 years. In 1998, the price distribution for home sales peaked around \$100,000. By 2003, that number increased to \$120,000. By 2008, there were few homes sold for less than \$120,000, and the price distribution range peaked around \$200,000.<sup>10</sup> In ten years, home prices had doubled, far outstripping the increase in incomes during the same period.

Austin is now one of the most expensive places to live in Texas, and its housing costs are rising rapidly. The Texas Housing Affordability Index (THAI) measures the ability of the median-income family to purchase the median-priced home in a given area. The THAI for Austin reflects steadily decreasing affordability for homebuyers since 2007. Currently, only Collin County (outside of Dallas) has a higher median home price than Austin.<sup>11</sup> And in a national comparison of 200 communities, between 2007 and 2008, Austin's median home price became less affordable. Austin remained in the middle third of these 200 communities, but moved from the 96th to the 83<sup>rd</sup> most expensive.<sup>12</sup>

In rental homes, data shows another challenge. The affordable housing supply for renters earning between \$20,000 and \$50,000 per year is strong. However, 27% of the city's renters earn less than \$20,000 per year.<sup>13</sup> This subpopulation is seriously under-housed. Economic trends, such as income stagnation at lower levels of income, the growth of the low-wage service industry, and the increasing number of fixed-income retirees and persons with disabilities as the population ages, all suggest the need for rental housing for lower-income workers will only increase in Austin as elsewhere in the country.

As the data demonstrates, Austin is losing a valuable and vital community asset — affordable homes. Many families in search of affordability are looking toward suburban communities for more reasonably priced options.

Housing is integrally tied to employment, education outcomes, economic development, neighborhood stability, and security. Where one lives impacts one's access to high-performing schools, sustainable jobs, comprehensive healthcare, and ultimately success.

<sup>10</sup> Texas Real Estate Center. June 2009. <http://recenter.tamu.edu/data/dataaffd.html>

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Comprehensive Housing Market Study. March 2009. BBC Research & Consulting. Section V, Page 5.

When poverty is concentrated, the result is social, economic, linguistic, and political isolation. And when an adequate and diverse supply of affordable homes is not available in all parts of town, concentrated poverty is the inevitable consequence.<sup>14</sup>

### Housing, Poverty and the Austin Schools

Recognizing the critical link between affordable housing and education, HousingWorks partnered with the Austin Independent School District (AISD) to highlight the local challenges and to develop an action plan for positive change. In November 2008, HousingWorks hosted its annual summit, *A Place to do Homework: (Housing + Schools) x Planning = Community Success*.

With the exception of the Del Valle school district, AISD serves the highest percentage of economically disadvantaged students<sup>15</sup> in the Austin Metropolitan Statistical Area (MSA).<sup>16</sup> In the 2000-2001 school year, 48% of AISD students were eligible for free or reduced price lunch. By the 2006-2007 school year, that number had increased to 61% of all AISD students.<sup>17</sup> More than 40% of AISD's campuses have a student population that is greater than 90% low-income. Generally, those schools are clustered around IH-35 or to the east of that dividing line.<sup>18</sup>

High-poverty schools matter for a variety of reasons. Because the local school system is funded by the property tax base, it is critical to have both school and neighborhood stability. Schools with higher concentrations of poverty have higher rates of student mobility, student health problems, and student absenteeism, and lower rates of academic readiness. All of these phenomena are intricately tied with student achievement. High-poverty schools also have higher rates of teacher turnover and higher percentages of less-experienced teachers, and thus have lessened capability to educate and adequately reach and retain this high-need population.<sup>19</sup>

### Housing, Poverty and Healthy Neighborhoods

In 2008, the Federal Reserve System completed a two-year study of the effects of concentrated poverty – *The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S.* This study looked at diverse neighborhoods all over the country that had one unifying theme – poverty levels of at least 40%. East Austin was one of the sixteen communities studied.

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<sup>14</sup> *The Impact of Housing on Community: A Review of Scholarly Theories and Empirical Research*. Joint Center for Housing Studies. Harvard University. March 2006. See Chart 1: Housing and Community Outcomes, page 4.

<sup>15</sup> Economically disadvantaged students include those students at or below poverty level and eligible for free or reduced price lunch.

<sup>16</sup> The Austin MSA consists of five counties – Travis, Williamson, Bastrop, Hays, and Caldwell.

<sup>17</sup> *Poverty Concentration in Austin Area Schools*. Presentation by Jennifer Jellison Holme, Ph.D. November 15, 2008.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

The report found that the neighborhoods' common concerns were schools, job skills, housing, and lack of mainstream investment. All of the issues are interrelated. Students in the high-poverty neighborhoods underperform in reading and math. Families move frequently, exacerbating already high levels of absenteeism and dropout rates. Students are inadequately prepared for the workforce, and thus unemployment and underemployment are rampant in high-poverty neighborhoods.<sup>20</sup>

Housing in the communities that were studied was unattainable, substandard, or vacant. Public housing tends to be concentrated in these communities, thereby increasing the isolation of extremely low-income populations. In the East Austin case study, the unique effects of gentrification were highlighted. While gentrification benefited those who chose to relocate elsewhere (increased home values means more money for those who choose to sell), families who want to stay in their communities find it increasingly difficult to afford.

Lack of business investment also impacts the communities that were studied. Typically, these high poverty communities do not have traditional grocery stores, banks, medical services and other businesses which provide jobs and services integral to middle-income, thriving neighborhoods. Instead of grocery stores, there are abundant convenience stores, with limited healthful choices and higher prices. Instead of traditional banks, there are abundant pawn shops and payday loan stores, with high interest rates and exorbitant fees.

Two of the East Austin neighborhoods included in the case study are designated by the U.S. Department of Health and Human Services as “medically underserved.” This special designation reflects a combination of the lack of primary care physicians, high levels of poverty, and infant mortality rates.

With all of these negative attributes, high poverty neighborhoods experience a common trend – people who can move do so. The middle-income population, which is vital to sustaining any community, chooses to leave for areas that have better schools, job opportunities, and healthcare, and more affordable housing. The people who remain tend to be the lower-income populations who have limited choices. Thus, the cycle continues.

The middle-income population in Austin, including in East Austin, has expanded outward to suburban and outlying communities. This population sprawl has numerous negative consequences, including increased commute times, increased pollution emissions, and loss of open space. If the trend is not contained, the fear is that the city of Austin will become home to only the very wealthy and the very poor. In order to maintain healthy diversity of population within the city, it is imperative to have a diversity of housing options.

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<sup>20</sup> The Federal Reserve study found that unemployment in the East Austin area was three times higher than the Austin MSA as a whole, and only half of the adults were in the labor force in 2000. Federal Reserve Bank of Dallas, Community Affairs Office. e-Perspectives, Volume 8, Issue 3, 2008.

Healthy neighborhoods include access to diverse employment and housing. While achieving complete parity between jobs and housing is neither achievable nor typically desirable, a closer housing-jobs balance can lead to reduced car travel, a stable employment base, decreased student mobility, and enhanced community vitality. The concepts of sustainable growth and housing-jobs balance go hand in hand.

### DEFINING THE NEED

In 2006, with overwhelming support (67%), voters in the city of Austin approved a seven-year, \$55 million general obligation (tax-supported) bond program for affordable housing. While the bonds have been a critical component of addressing the community's affordable housing needs, more tools are needed.

Clearly, people in the city of Austin are concerned about housing affordability. In spring 2008, HousingWorks commissioned a poll of a representative sample of registered likely voters in Austin. The results reveal a pervasive concern regarding housing affordability. Sixty-three percent of respondents were concerned that they or someone they care about will be unable to afford a home in Austin. Seventy percent of respondents would like the city of Austin to have a diversity of home types within its neighborhoods to accommodate people with a range of income levels. Seventy percent of respondents also felt that the local government should play an active role in ensuring that housing is affordable for people with a wide range of incomes throughout the city.<sup>21</sup>

A variety of city-sponsored community efforts, including the Affordable Housing Incentives Task Force, the 2006 Bond Program Oversight Committee, and the African-American Quality of Life Initiative identified the need for a community-wide housing market study. In March 2009, the City of Austin Neighborhood Housing and Community Development (NHCD) released this much-anticipated Comprehensive Market Study. The study, prepared by BBC Research & Consulting of Denver, Colorado, sought to identify existing and future affordable housing needs in Austin, with particular attention to three sub-populations: low-income, workforce, and families.

The study's major findings include:

- Housing costs in Austin have risen by 85 percent in the past 10 years.
- There are 37,600 more renters earning less than \$20,000 per year than there are units in the market affordable to them. Only one in six renters earning less than \$20,000 can find affordable housing.
- The vast majority of these renters are members of the workforce in retail and service jobs. Many of these people are single parents, retired, or disabled. It is estimated that up to 25% of those renters may be students.

<sup>21</sup> <http://housingworksaustin.org/docs/Housing-Poll-2008.pdf>



- Austin has a need for for-sale homes priced between \$113,000 and \$240,000 that would enable renters earning between \$35,000 and \$75,000 per year to become homeowners. In other cities, such as Denver, this demand for affordable homes is partially fulfilled through attached housing; however, in Austin, this type of ownership product is limited.
- The workforce earning between \$35,000 and \$75,000 per year includes teachers, police officers, firefighters and many levels of professionals.

BBC Research & Consulting's predictions include:

- By 2020, the City will need to develop 12,000 rental units priced at \$425 or less/month simply to house new low-income renters as that population grows.
- In order to do more than simply keep up with growth, by reducing the current low-income renter gap, as many as 16,500 units (1,370 per year) should be constructed by 2020.
- Renters wanting to buy will face greater challenges in Austin's housing market. Renters earning less than \$75,000 will have fewer affordable for-sale options, in addition to having difficulty saving for a down payment because of the high rents within Austin.
- Future homeowners will demand a different distribution of price points than the City has now. To accommodate future homeowners:
  - 8% of homes priced at \$113,000 and less (likely small condos);
  - 13% at \$113,000 to \$160,500 (a mix of condos and townhomes);
  - 21% at \$160,500 to \$240,400 (condos, townhomes, cottages and small single-family detached units); and
  - 58% over \$240,400 (range of housing options).

In order to close the affordability gap, BBC made the following recommendations:

- Develop a strong Comprehensive Plan
- Develop affordable housing targets (focused on 30% MFI for rental and 80% MFI for homeownership)
- Increase density
- Educate residents about the need for workforce housing
- Make SMART Housing "smarter" by increasing fee waivers and expediting fast track approval
- Explore alternative revenue sources to supplement existing affordable housing funding

The City's Comprehensive Market Study was timely for the ULI/HW/RECA/AARO Working Group's research and recommendations. The market study helped to quantify the need for affordable homes and strengthened the Working Group's commitment to ensuring that the city-wide Comprehensive Plan recognized the significance of affordable housing as a critical component of the community's fabric and infrastructure.

## *Policy Recommendations* COMPREHENSIVE PLAN

The Working Group recommends that the Comprehensive Plan incorporate a meaningful focus on home affordability throughout town, including numerical goals for affordable homes within each of 8-12 geographic housing planning areas, based on the principles of jobs-housing balance and linkages to opportunity (high quality schools and community services).

Historical facts and future projections indicate that Austin will continue to grow. One of the major challenges facing the community is how to grow sustainably. Where will today's and tomorrow's Austinites live that will have the least negative impact on infrastructure, transportation, and the environment?

Austin's last Council-adopted comprehensive plan was 1979's *Austin Tomorrow Comprehensive Plan*. While the plan is continually updated as a result of neighborhood-level plans and ongoing land-use cases, the 30-year old document is outdated and not a useful planning tool for meeting the City's current needs. The City began the complicated and lengthy process to develop a new comprehensive plan, which ultimately resulted in selecting a consultant in spring 2009. The City held its official kickoff for the planning effort in October 2009.

Amidst the debate about the initiation of the Comprehensive Plan, the Working Group's Comprehensive Plan subgroup formed. It was charged with both ensuring that the planning process occurs in a timely manner and that the planning process incorporates affordable housing in a meaningful way.

The subgroup members met with individual City Council members to discuss the importance of the planning process, with affordable housing as an integral component. Subgroup members advocated diverse homes for all income levels throughout the city be facilitated by the Comprehensive Plan. While Austin has undertaken many creative and successful initiatives to promote new housing in certain locations and price ranges, as shown by the March 2009 Comprehensive Market Study the City is not meeting its current or anticipated needs for affordable homes. This can only be done by ensuring the availability of sufficient housing choices for all citizens in all parts of town.

Currently, the City of Austin has neighborhood-based planning, which was envisioned by the Austin Tomorrow Plan. In 1996, the City began the process of neighborhood planning, in which neighborhood teams – comprised of residents, business owners, and other stakeholders – would help to determine the future growth of their neighborhoods. The city

is divided into 49 neighborhood planning areas. While the vast majority of the central core of the city has completed its neighborhood plans, the majority of neighborhoods have not yet adopted a plan. The neighborhood planning process includes only limited provisions to encourage that plans address housing affordability.

### RECOMMENDATION 1:

#### Identify Intermediate Planning Areas with Numerical Goals

There have been many beneficial aspects of neighborhood plans. However, neighborhood plans do not cover a large enough geography for the planning of a number of key elements for a high quality community. Affordable housing, medical facilities, grocery, major transit, social services, and utilities are but a few of the key elements for community health that require larger geographic/demographic areas for planning. To ensure that each “part of town” – each geography of say 100,000 people (a small city in its own right) – has a complete community, an intermediate planning area is needed.

The subgroup explored the variety of ways in which entities – including AISD, the Austin Police Department, the U.S. Postal Service, and the Austin Board of Realtors – geographically divide the city of Austin in order to provide effective services. The subgroup also researched other comparable cities – including Raleigh, NC; Columbus, OH; Boise, ID; Salt Lake City, UT; and Tuscon, AZ – with comprehensive plans to determine their planning levels.

Ultimately, the subgroup agreed that the City’s Comprehensive Plan should include between eight and 12 geographic planning areas. This would enable informed goals and planning that acknowledge the linkages between housing, employment centers, schools, health care and social services, transportation, public safety, parks and libraries, grocery and retail. Integrated planning solutions will help to ensure healthy neighborhoods in all parts of the City.

Within each of the eight to 12 intermediate planning levels, the Working Group is calling for reasonable numerical goals for affordable homes, including for-sale, rental and supportive housing options. Using data on employment locations, wage distributions, rent ranges, and housing prices within each of the intermediate housing planning levels, the Comprehensive Plan can facilitate a balance between jobs and housing. Each part of town has a wide range of employment opportunities. The goal would be to correlate those wage ranges with a corresponding range of housing opportunities, through both land use planning and the allocation of public and private resources to support the creation of needed housing. When homes affordable to those employees are nearby, the goals of “smart growth” are achieved.

**RECOMMENDATION 2:****Establish Goals that Improve Jobs-Housing Balance**

Once the Comprehensive Plan establishes a baseline jobs-housing balance, the City can compare the ideal balance with the existing housing opportunities to establish a numerical goal for new development and preservation within the geographic housing planning area. The goal will not be complete parity. It is important to recognize that existing data cannot accurately capture the complexity of jobs (e.g., multiple wage earners traveling to multiple employment centers) and housing (e.g., single worker households and “doubled up” families). However, the data available can provide general guidance and serve as an indicator of jobs-housing balance within various submarkets. The City’s incentive programs and planning tools can then be aligned with the established goals to help achieve diverse and dispersed housing options.

The subgroup worked with the Capital Area Council of Governments (CAPCOG) to analyze wage and employment information for a given area of Austin. With access to both census data and proprietary employment data, CAPCOG was able to map both the home locations and the work locations of people living within a selected geographic area.

The subgroup chose to explore sample data on northwest Austin, which is a relatively affluent area with diverse employment opportunities. The sample area includes five zip codes – 78726, 78730, 78731, 78750, and 78759. The idea was to learn more about job opportunities, wage ranges, and commuting patterns in that area. How many people live and work in that area? What types of jobs are available in that area? What are the average earnings? How many people come from far away to work in that area? How many people travel from that area to get to work? What type of housing – and at what price range – is available in the test area?

Fifty percent of the median income for a one-person household in Travis County is \$25,650, representing an hourly wage of \$12.33. In the five-zip code test area, there are a total of 17,605 jobs with wages at or below \$12.33/hour. This represents approximately 24% of all jobs in the test area. Jobs that fall into this wage range include healthcare support positions, food preparation and serving occupations, and building and grounds cleaning and maintenance.

The U.S. Department of Housing and Urban Development utilizes a standard rent burden of 30%. According to HUD, a household should not pay more than 30% of income toward housing costs, including rent and utilities. Utilizing this standard, affordable housing for households earning \$12.33/hour should pay no more than \$641 in rent and utilities. Deducting the cost of utilities (water, gas, electricity, telephone, etc.), results in an affordable rent at or below \$550 per month. In the test area, there are only 7,703 apartments at or below \$550 per month. All of these units are efficiencies or 1 bedroom

apartments. This represents a gap of almost 10,000 apartment units, and provides no housing options for any of these employees who are supporting a household in need of more than one bedroom.

The Comprehensive Plan presents an opportunity for the city to examine the distribution of both jobs and housing across the city. Recognizing that every part of Austin includes jobs with a wide range of wages, the city can begin to ensure that the range of housing opportunities corresponds with the range of jobs in all parts of town.

*Policy Recommendations*  
**FUNDING AND ACQUISITION**

The Working Group recommends that the city include additional affordable housing funds in a 2012 bond election. We should also develop and/or increase public sector capacity to support a variety of public/private projects and strategies to create and retain citywide affordable housing.

The ULI/HW/RECA/AARO Funding/Acquisition subgroup recognized that additional public funding will be essential to ensuring affordable housing opportunities in all parts of town; the subgroup also considered the options for creating new structures to administer those funds.

**RECOMMENDATION 1:**  
**Issue More GO Housing Bonds**

The 2006 \$55 million General Obligation bond program for affordable housing has provided an enormous boost in affordable housing funding. However, GO bonds should not be viewed as a one-time cash infusion. Rather, the community needs to look at the GO bonds as an ongoing investment. Accordingly, the Funding/Acquisition subgroup is looking toward a 2012 election and subsequent bond cycles for additional GO bonds for affordable housing.

**RECOMMENDATION 2:**  
**Expand Public-Private Partnership For Inclusionary Preservation  
And Development**

Subgroup members looked at potential partners and administrative vehicles for affordable housing funding. The goal was to identify a partner for the strategic acquisition and development of affordable properties. The ideal partner would provide real estate underwriting, asset management, long-term preservation, and partner management. The subgroup agreed that one option that would achieve these objectives would be a public-private partnership, responsive and responsible to the public for ensuring public benefit, but incorporating the expertise and financial flexibility of the private sector, so that real estate opportunities can be acquired quickly when available. .

Whatever model is best suited to the needs of the community and market, the city of Austin and other public sector entities must develop greater capacity for effective partnerships to

develop and preserve affordable housing. This capacity must be geared to take advantage of the particular strengths of each sector. Private sector developers are especially well-positioned to take construction risks. Nonprofits are especially well-positioned to provide long-term asset management. Public entities are positioned to manage millions of dollars in public investment and to oversee the long-term public interest.

In such a partnership, the public partner's purview must include knowledgeable underwriting, monitoring, and asset management, including the ability to act in the case of default. Such action could include replacing managers or partners with others who have more capacity to continue to deliver the desired public benefit of affordable housing. Alternatively, action in the case of default occasionally requires a total takeover of the partnership and restructuring the financing before moving the property back out into private hands. Thus, a combination of legal, asset management and financing capacity is needed for risk management.

The capacity for underwriting should meet the following four criteria: (1) comparable to investor or lender capacity; (2) available routinely; (3) up-to-date on current market data and comparables; and (4) delivered in a timely manner. Considering current staffing constraints, this could be a contracted function.

The ULI/HW/RECA/AARO Working Group discussed the possibility of a quasi-governmental entity with the capacity to spearhead public-private partnerships for increasing affordable housing in Austin. This entity would provide the expertise for strategic property acquisition, manage a revolving loan fund for affordable housing, provide real estate underwriting and asset management. ROMA's recent *Downtown Affordable Housing Strategy* recommends the creation of a Downtown Workforce Housing Corporation that would administer downtown's housing programs and act as a centralized funding source for affordable housing. Other cities have used such a mechanism successfully.<sup>22</sup>

The Working Group has a broader vision for the use of such partnerships. Rather than restricting the focus to the central business district, the effort should be city-wide. The program would be responsible for identifying acquisition opportunities and underutilized publicly-owned land. The goal would be to establish development requirements on acquired tracts to increase affordable housing throughout the city and help to meet the needs identified in the Comprehensive Market Study.

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The March 2009 Comprehensive Market Study quantified the affordable housing gap in both rental and homeownership markets in the City of Austin. The market study determined that the City will need to develop 12,000 rental units by 2020 priced at or below \$425 per month to keep up with the growing population of low-income renters. With

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<sup>22</sup> *Downtown Affordable Housing Strategy*, Revised Draft, July 6, 2009. HR&A Advisors and ROMA Austin, page 43.

respect to homeownership, 42% of the City’s for-sale product would need to be priced between \$113,000 and \$240,000 to meet the needs of homeowners. In order to meet these ambitious goals, the City will need to pursue a range of policies.

### Closing the Housing Gap: Density

The subgroup found that well-designed, more dense housing types could make a significant difference in homeownership affordability in the targeted price range. With the cost of land constituting a major component of development costs, as density increases (and more units are developed on the same parcel of land), the cost per unit decreases.

Utilizing a theoretical 10 acre parcel of land (with a value of \$5 million), the table below<sup>23</sup> illustrates the impact of density on housing costs given current construction costs:

Product Type <sup>24</sup>	SF-3 Single Family	SF-3 Duplex	SF-6 Townhome or Condo/Apt.	MF-1/MF-2 Townhome or Condo/Apt.	MF-6 Condo/Apt.
Units	54 (5.4 units/acre)	88 (8.8 units/acre)	123 (12.3 units/acre)	145 (14.5 units/acre)	300 (30 units/acre)
Sales Price	\$475,000	\$360,000	\$240,000	\$225,000	\$166,000
Minimum Qualifying Annual Income	\$173,249	\$133,579	\$89,529	\$84,156	\$63,025
<p>This table is provided for illustration purposes only and is based on one market rate developer’s experience in 2008. The purpose is simply to illustrate the relationship of density to affordability in for sale homes. Specific home price and income levels will vary dramatically based upon ownership structure, land cost, availability of subsidy, cost of capital, home mortgage interest rates, etc.</p>					

As the product type changes from the traditional single-family detached home to a denser housing product, it can become more affordable, especially when the density level can still be “stick built” (wood instead of cement and steel construction).

The Comprehensive Market Study recommends a focus on for-sale housing at or below \$240,000. Housing that is developed under the condominium model (SF-6, MF-1 and -2, and MF-6 condominium) can achieve that type of affordability.<sup>25</sup> However, as pointed out in the study, the city of Austin has limited offerings in this type of housing product. Unlike other urban communities with similar population demographics, such as Denver, Austin’s single-family product is dominated by detached housing.

<sup>23</sup> Data provided by Terry Mitchell, Momark Development. June 2009.

<sup>24</sup> Refers to the city’s existing zoning classification.

<sup>25</sup> As of March 19, 2009, Austin’s Median Family Income for a family of four is \$73,300.



In addition, the Working Group is advocating for a community-wide effort to develop a stronger shared understanding of how to design density in ways that support existing neighborhoods (see Recommendation #3 below). Some of the existing compatibility standards may need to be adjusted to allow for some intermediate forms of development. A deliberate shared effort, involving architects, neighborhood leaders, and developers could focus on identifying new design forms that could allow for greater affordability while protecting important neighborhood character. As a preliminary step, HousingWorks is building a more active relationship with AIA Austin, and opening a discussion about how to explore new design concepts to increase quality affordable home options in Austin.

It is worth noting that high density construction is also important to the overall supply formula that underlies Austin's home affordability. While high density construction is not a "direct route" to the targeted affordability gaps, because structured parking and steel construction result in costs that are typically above the city's affordability gaps, it is also important to identify locations for this kind of construction. As Austin grows, the demand for market rate housing will grow. A meaningful portion of that demand will be from demographic groups who want "urban lifestyles," such as young professionals and empty nesters. While these properties often do not directly serve the affordability targets where Austin has the biggest gaps, it is this new supply of housing that keeps the overall "supply/demand" formula in balance. These properties are therefore an important part of the future of Austin's overall home affordability.

With respect to closing Austin's specific rental housing gap (rental homes affordable to the 25% of the workforce in low wage employment), density as a driver of affordability has more limited efficacy. Increased density increases development costs, and the required subsidy increases. The following table<sup>26</sup> shows estimated development costs as a project transitions from a suburban model (garden-style apartment with surface parking) to a high-rise apartment with structured parking:

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<sup>26</sup> Data provided by Brett Denton, Ardent Residential. June 2009.

Product Type	Suburban Surface Parking	4-Story Wood with adjacent Garage	4-Story Wood Above a Garage	Mid-Rise with adjacent Garage	High-Rise With adjacent Garage
Units	300	300	300	300	300
Cost/NRSF	\$100	\$145	\$195	\$240	\$375
Cost/Unit	\$90,000	\$130,500	\$175,500	\$216,000	\$337,500
Rent/Month	\$810	\$1,440	\$1,575	\$1,800	\$2,025
Qualifying Annual Income	\$32,400	\$57,600	\$63,000	\$72,000	\$81,000
Per-Unit Subsidy (10% @ 80% MFI)	\$0	\$81,680	\$103,280	\$144,083	\$187,800
Per-Unit Subsidy (10% @ 60% MFI)	\$17,025	\$118,960	\$140,560	\$182,648	\$227,743

This table is provided for illustration purposes only and is based on one market rate developer's experience from 2008. The purpose is simply to illustrate the relationship of construction cost to increased density in apartments, within the context of a privately capitalized project. Specific subsidy amounts required will vary significantly with ownership structure, land cost, cost of capital, new construction or preserving existing properties. Subsidy can come from a range of sources such as federal sources, public land, rental supports, or city provided funds.

As the product type changes to a denser, urban model, the construction costs increase. A suburban, garden-style apartment complex often provides primarily affordable units (80% MFI) into the development with no subsidy required. In order to achieve a reasonable target return on cost, a developer of more dense urban product would need a per-unit subsidy ranging from \$81,680 to \$187,800 (depending on the product type) to incorporate 80% MFI units into the rental development. The per-unit subsidy increases as the affordability is deepened from 80% MFI to 60% MFI. Therefore, again, production of rental housing is essential to retain the overall supply/demand balance, but additional tools will be needed to address the biggest gap in the local supply – rental homes for under \$425/month.

Therefore, to really close the gap of deeply affordable rentals, The Working Group considered both short-term and long-term potential strategies.

### Closing the Housing Gap: Preserving Our Existing Affordable Housing

While some creative development incentives can encourage affordable units within market-rate housing, preservation of existing rental housing is the most economical way to obtain affordability. The city of Austin has a significant amount of older housing stock that is ripe for either redevelopment or preservation. Seventy-nine percent of Austin's small- and

medium-size apartment complexes were built before 1980.<sup>27</sup> With a relatively small number of publicly subsidized housing units, the bulk of the city's affordable units are located in privately owned Class C and D complexes.<sup>28</sup> Many of these older complexes are positioned for redevelopment into higher-rent properties (or condominiums) because of their proximity to the central city. At the same time, these older apartments currently rent in the \$550 - \$750 range and include a meaningful number of two- and even three-bedroom apartments. The City's Comprehensive Market Study indicated there is even an over-supply of these apartments. Therefore, finding a way to achieve and maintain affordable rents on existing apartments would be an efficient means to address the gap of very low cost rental homes.

The Working Group recommends further work be done to identify specific ways to encourage rehabilitation of these Class C and D communities while preserving the affordability inherent in the projects. Public-private ownership strategies could be used very strategically to preserve properties in high-opportunity areas and incentivizing both affordability and capital investment.

Alternatively, other communities 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. A good example of how such programs are structured can be found at the City of Chicago, which administers a program that offers a 10-year, 50 percent reduction in tax assessment to owners who complete major property rehabilitation while maintaining a certain level of affordability.<sup>29</sup> Supported by a \$5 million MacArthur Foundation *Window of Opportunity Initiative*, the State of Ohio recently launched a preservation loan fund for acquisition and preservation of affordable housing, as well as predevelopment funds for nonprofit and for-profit investors.

Real estate tax abatement can be a powerful tool to enhance affordability. On new rental developments in Austin, full property tax exemption is estimated to be worth \$1,500 - \$2,000/unit/year.<sup>30</sup> When factored into the value of the community, the abatement can provide a significant incentive to dedicate some units to affordability. Effective tax exemption in Austin, however, requires the coordination and cooperation of five distinct taxing entities. The City of Austin represents about 17% of the local property tax bill; AISD and other school districts account for 50% or more. The school districts rely on local property taxes for the lion's share of their operating budgets and, justifiably, are conservative with respect to property tax exemption.

AISD, Travis County, and the City have recently begun a cooperative effort to reduce K-12 student mobility. Recognizing their mutual interests in affordable housing for families with

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<sup>27</sup> *Preserving Affordable Housing in Austin: A Platform for Action*. City of Austin Neighborhood Housing and Community Development: April 2008, page 2.

<sup>28</sup> *Ibid*, page 13.

<sup>29</sup> *Ibid*, page 20 and <http://www.cityofchicago.org/city/webportal/home.do>.

<sup>30</sup> Tax exemption on existing multifamily units varies but is estimated to be approximately \$1,200/unit/year.

children and its impact on family stability, the three taxing entities could consider developing a coordinated policy on tax abatements. Modeling could be used to target very low-income units that would house families with children – thus speaking to the shortage in the Comprehensive Housing Market Study and meeting AISD’s need for stable housing for low-income families to reduce student mobility.

A public-private ownership program could be used to incentivize either preservation or creation of affordable multifamily housing. It could be modeled on other successful programs and embrace the following components: (a) a limited amount of subsidy/exemption per year; (b) a competitive and transparent selection process; (c) an allocation program that targets certain clear priorities to close the gaps identified in the market study and to disperse affordability; (d) clear rules for underwriting, income certification, and rent levels for affordable units; (e) an appropriately staffed – with the asset management, legal and financial expertise – public or quasi-governmental entity with sufficient revenues from the projects to support that staff; (f) a board structure that includes members appointed for their real estate expertise; (g) the rights to enforce affordability and positive management performance; and, (h) renewability of resources through repayment provisions.

## Closing the Housing Gap: Public Funds and Land

The subgroup also explored more traditional methods of raising sufficient funds to increase affordable housing production in Austin. Specifically, the group looked at the Low-Income Housing Tax Credit (LIHTC) program, which is a major producer of affordable housing units across the country. Administered by the Texas Department of Housing and Community Affairs (TDHCA), the highly competitive program typically funds only one or two affordable housing developments in the city of Austin each year. Generally, the program creates apartments that serve families at or below 60% MFI. Reaching deeper affordability levels requires increased resources and layering of multiple subsidies, including local funding from the City’s various affordable housing programs.

The subgroup reviewed the performance of the General Obligation bonds, which have been utilized in various types of projects and in various parts of the City. The next bond issue is anticipated in 2012. Since the program was instituted in 2007, 75% of the funds have been awarded. These awards have been made to properties that will provide homes to more than 3,000 Austin households.

Noteworthy is the geographic dispersion of these properties:

East of I-35	422 homes
West of I-35, north of river:	452 homes
West of I-35, south of river:	453 homes
West of Lamar (and not on Lamar)	64 homes

These properties are often mixed income properties. Therefore, the bonds in these projects are specifically supporting 1,790 units that target lower income households.

- Within rental properties, 1,194 apartments restricted to renters under 50% MFI are supported by bonds. Of these, 184 are supportive housing.
- Within ownership projects, 197 homes being sold to households with incomes at or below 80% MFI are bond funded.
- In addition, bond funding will allow for the emergency repairs of 400 homeowners facing particular hardship (elderly, fixed income, disabled, etc.)

The Bonds undisputed success will help to generate support for additional funding in 2012.

The subgroup also examined the use of publicly owned land and its role in increasing affordability in Austin. Publicly owned land represents a unique opportunity for the City of Austin to require affordability. While inclusionary zoning requirements are currently prohibited by state law, nothing prevents a landowner from mandating affordability. Therefore publicly owned land presents an existing opportunity for requiring inclusion of affordability in its development. As an example, the city's redevelopment agreement for the former Mueller airport requires the developer to ensure that 25% of Mueller's approximately 4,500 rental and for-sale homes will be affordable at 80% (for-sale) or 60% (rental) of MFI. These homes are dispersed throughout Mueller, adjacent to market rate housing by the same builders. Through this program, Mueller's builders have become familiar with the design and marketing mechanisms that make mixed income projects successful. Applying similar inclusionary requirements to other redevelopments of public land will likewise create more models that increase the market's familiarity and success with inclusionary practices.

Developing legal means to require inclusion on privately held property will require full study, extensive stakeholder input, and difficult decisions by policymakers. Public sites help to "prove the market" for inclusionary housing, for both the supply side (developers, homebuilders, realtors, etc.) and the demand side (renters and owners). This experience will contribute great value to ongoing consideration of broader-based inclusionary zoning.

Therefore, The Working Group recommends that the City, County and AISD identify vacant or underutilized publicly owned land and either lease or sell that land with inclusionary requirements for affordable units attached to the transaction. Multiple task forces and consultants – including the Affordable Housing Incentives Task Force, Diana McIver & Associates, Inc. (*Affordable Housing in the City of Austin's Transit-Oriented Development Districts*), and ROMA (*Downtown Affordable Housing Strategy*) – have also recommended this strategy.

This land re-development strategy has some limitations. The City is only one of many public landowners (e.g., the State of Texas, the University of Texas, Travis County, and AISD). Each of these entities has multiple demands on its resources, and the need for affordable housing is only one of those demands. Identifying suitable sites and prioritizing appropriate inventory for affordable housing is a large and complex task. However, the City of Austin

owns some strategically located sites that could serve as a model for inclusionary development.

The subgroup also recommends that the City return attention to opportunities for publicly administered parking districts. Parking – particularly structured parking in the urban core – constitutes a significant portion of the development costs associated with affordable housing. Structured parking is also essential for the higher density urban development needed over the coming decades, in order to protect existing neighborhoods. Parking that is separately financed and administered by a centralized governmental entity could potentially buy down the cost of housing development. It is an idea that should be explored further.

## *Policy Recommendations*

### DENSITY AND INCENTIVES

The Working Group calls on leadership groups in the community to commit to a focused effort to work with architects, developers, citizens and neighborhoods about well-designed density and the essential role it will play in supporting citywide home affordability. The City should also continue its efforts to harmonize, streamline and implement citywide its several incentive programs that promote affordable homes in exchange for increased density.

The Density/Incentives subgroup analyzed a variety of existing local reports and policies related to density and incentives for affordable housing. First, the subgroup members reviewed the City's March 2009 Comprehensive Market Study and identified a variety of unanswered questions. While the Comprehensive Market Study was a detailed and useful analysis of current demographics and future housing projections and needs, the study leaves the following questions unanswered:

- Where do people *want* to live?
- What types of housing do people *want* (size, location, attached, single-family, etc.)?
- Given various constraints, what are people willing to live in and/or buy?
- What are the needs of submarkets (accessible housing, supportive housing, etc.)?
- What is the number of affordable *homeownership* units needed, broken down by income and/or MFI level?
- How do the dynamics in the local housing market vary beyond the city limits and across the region?
- Where are the housing-jobs mismatches?

The subgroup recommends that future updates to the Comprehensive Market Study – which should be conducted every two years – incorporate these considerations.

The Comprehensive Market Study raised the issue of density as a potential tool for increasing affordability and acknowledges the city's preponderance of low-density housing. Consequently, the Working Group's funding subcommittee examined density as an element of financial strategies for closing Austin's housing gaps. However, the question of density informs a discussion broader than simply how to *finance* needed affordable housing. As Austin shifts toward a more urban form in its built environment, the resulting changes in character and functionality of its neighborhoods will continue to be resisted by many, even though a more dense city brings desired community benefits in both affordability and sustainability.

This means that the market needs to be engaged to help shape, embrace, and even *demand* the types of housing Austin needs to ensure affordability. To this end, the Working Group recommends a comprehensive engagement effort on density and affordability. The starting

point would be to bring architects and homebuilders into direct design experimentation with Austin residents, to foster a greater understanding of more dense housing designs and of features that could attract families to choose homeownership inside Austin. The ultimate goal is to increase the community's acceptance of and desire for a broader range of housing types.

This effort should add important value to the ongoing Comprehensive Plan process, which should model for both growth and density and answer the question of “where are we all going to fit”? Other organizations and efforts are also making strides in educating and building awareness among Austinites of the advantages of a more diverse urban form and range of product types. The Working Group feels these efforts are of vital importance and should be pursued on a variety of fronts with a coordinated set of messages.

### Current and Proposed Incentive Programs for Density and Affordability

As a policy matter, the City encourages density and urban form through a variety of incentive programs, including those associated with its VMU (Vertical Mixed-Use) overlay on core transit corridors; the UNO (University Neighborhood Overlay) in the neighborhoods adjoining the UT campus; the redevelopment of the former municipal airport into the Mueller community; citywide applications of the SMART Housing incentive program; and various PUD (Planned Unit Development) projects throughout town. Each of these programs has unique requirements and incentives and is designed to achieve somewhat different results, based on local needs and conditions. While it would be simpler to have one incentive program for the entire city, this will be difficult to achieve, considering the unique history and geography of each program. Even if each program has unique criteria, there should be an overriding consistent commitment to the City's identified core values.

#### RECOMMENDATION 1:

#### Harmonize And Expand Affordability Incentive Programs

Specifically, the subgroup recommends a strong and consistent commitment to *long-term* affordability in the application of these incentive programs. In keeping with the City's core values identified as a result of the Affordable Housing Incentives Task Force, affordability periods for projects receiving City incentives should be 40 years for rental projects and 99 years for homeownership.

The subgroup also looked at the affordable housing recommendations being developed, pursuant to the work of the Incentives Task Force, in the Downtown Austin Plan, and makes the following assessments:



1. CURE zoning has not generally resulted in affordability. The Incentive Task Force has recommended a density incentive program that does include a fee to support affordable housing, the amount of which may require reevaluation over time. CURE should remain as a tool to be approved by Council, but it should be modified to include requirements that match the density incentive program but also have provisions allowing City Council to alter those requirements in its discretion.
2. When a fee-in-lieu is a component of an incentive program, it should be required on residential, commercial (e.g., office, hotel, etc.), and mixed-use developments receiving density bonuses. Residential development should not bear the burden alone.
3. When fee-in-lieu funds are collected for downtown development, they should be prioritized for (1) downtown affordability; (2) affordable housing within a two-mile radius of downtown; (3) Transit-Oriented Developments (TODs); and, finally, (4) Vertical Mixed-Use developments on Core Transit Corridors.
4. In addition, the Incentives Task Force should be reconvened to address multifamily incentives outside of downtown and should explore recommendations that have yet to be included in the city's relevant ordinances. It should also consider gaps and contradictions in existing density bonus ordinances, resolving those in accordance with the core values.

Additional issues that should be considered include:

- the viability of reduced street widths as part of affordable subdivisions;
- after the establishment of a multifamily affordability incentives program beyond downtown, the language currently adopted for “Greenfield upzoning” could be revisited
- the viability of rezoning commercial and light-industrial parcels for multifamily development;
- a thorough fee-in-lieu analysis in the context of properties outside the urban core;
- the viability of a shift in the development review process so that changes are implemented once or twice per year, rather than the constant change that now occurs.

### Accessory Dwelling Units

Affordability in all parts of town needs to be a guiding principle of the upcoming Comprehensive Plan. The subgroup feels the City Council should acknowledge that the community cannot achieve this citywide affordability without significant public subsidy or a paradigm shift with respect to density. To that end, the subgroup envisioned a City Accessory Dwelling Unit (ADU) pilot project to increase affordability and density within the urban core, without a significant amount of public subsidy. Based on the work of the Alley Flat Initiative, which is a collaboration of the Austin Community Design and Development Center and the University of Texas Center for Sustainable Development, the subgroup developed a preliminary feasibility analysis of an ADU Pilot Project.

It is estimated that there are 42,900 lots with ADU potential within central Austin.<sup>31</sup> The ADU Pilot Project would incentive private owners to develop a modest ADU (approximately 600 square feet) on eligible lots and rent to income-qualified tenants. The City could provide either a portion of the equity required to develop the ADU or provide low-cost financing for the ADU. The advantages would be numerous: additional affordable homes within the urban core, increased property tax revenues for the City, financial return to homeowner, consistent monthly income to homeowner, job creation for the construction industry, and decrease in sprawl. The preliminary feasibility analysis indicates that a homeowner could realize a 28% return on the investment in an ADU, and the City could increase affordable housing in the urban core by 2,145 units per year.

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<sup>31</sup> The Central Austin area is loosely bordered by MoPAC (west), 183 (north and east), and Ben White (south). The potential was determined using the following factors: SF-3 zoning, 7,000 s.f. minimum lot size; 5,750 s.f. minimum lot size in Neighborhood Plan Area; impervious cover limitations, FAR; undeveloped lots; existing of garage apartment; existence of multiple buildings on a lot.

## *Parallel Recommendation* DEVELOPMENT REVIEW PROCESS

The Working Group would also like to support the work of a simultaneous effort on the City's development review process.

Concurrent with the ULI/HW/RECA/AARO Working Group's efforts, the Austin CHDO Roundtable and RECA joined forces to explore issues with the City's development review process. The Austin CHDO Roundtable is a consortium of CHDOs (Community Housing Development Organizations) that provides idea-sharing, information, representation, and advocacy for nonprofit housing developers in Austin. Both the CHDO Roundtable and RECA have a shared interest in improving the City's development review process in order to decrease permit approval delays and, thereby, increase housing affordability.

The CHDO Roundtable and RECA facilitated its first focus group in June 2009. Participants included architects, developers, and builders, each of whom has extensive experience with the City's development guidelines and review processes. The meeting resulted in a significant number of individual recommendations for change, within the context of the following guiding principles:

1. Transparency
2. Consistency (values and staff)
3. Expediency
4. Predictability
5. Values-based process (instead of reactionary)
6. Incentivizing desired outcomes (time for plan review; staff performance and satisfaction; costs to city minimized; good final projects)
7. Comprehensive/overarching goals for city
8. Educated staff with practitioner backgrounds
9. Strong case managers
10. Staff/public/council understanding of cost impacts on affordability

The discussion was focused on the development of guiding principles rather than concrete recommendations for change. However, a recurring theme throughout ongoing discussions with stakeholder groups has been the negative consequences of the current code and rule change system. Frequent (sometimes weekly) and inconsistent changes to the Land Development Code result in frustration, misinformation, and development delays. In addition, code and rule changes do not take into consideration their impact on housing affordability. For these reasons, many stakeholders are advocating a new policy of limiting the implementation of code and rule changes to either semi-annually or annually and also encouraging the City to assess the aggregate impact of regulatory change on affordability in Austin. . Before formal recommendation, this idea is being vetted by various stakeholder groups.

The CHDO Roundtable and RECA have planned additional focus group discussions with other stakeholders, including city staff and neighborhood groups. The discussions will take place during 2010. Ultimately, the goal is to reach a consensus regarding positive change to the development review process that will result in a more transparent, consistent, and expedient process.

## NEXT STEPS

The Working Group plans to move forward to refine, advocate for and assist in implementation of measures that achieve the policy recommendations found in this report. We anticipate that these activities will take place along several tracks:

- Each of the four sponsoring organizations – ULI-Austin, HousingWorks, RECA and AARO – will consider the best ways to integrate support for the policy recommendations into its ongoing work plans and programs. For example, HousingWorks will use such events as its fall housing summit and June housing tour to highlight best practices and innovative approaches that specifically address issues like preservation of existing affordable housing stock, integrating density into established neighborhoods, or leveraging available funding.
- The Working Group will also continue to find opportunities to align the proposals and recommendations here with ongoing programs and efforts by the city and in the community. The Comprehensive Plan is the largest such example, but there are others, such as proposals currently under consideration for a housing preservation strategy.
- The Working Group will continue its engagement efforts with other stakeholders whose issues and areas of expertise dovetail with the goal of providing all kinds of housing in all parts of town. This would include, for example, advocates and groups working on education issues and student achievement, which is highly influenced by the availability of affordable family housing. It also, naturally, will include neighborhood groups, but also transportation advocates, environmental advocates, business and economic development stakeholders, and social service providers. The intent is to take the recommendations and the message beyond the confines of the housing and real estate communities and demonstrate how important widely available and affordable housing is to the city’s sustainability and livability in all areas and across a range of issues.
- The Working Group will also agree on key elements for a community-wide campaign to develop design tools to help Austin citizens understand the problem and the range of possible solutions, with special focus on how density and urban form will help Austin achieve its established core community values of affordability and sustainability. We realize the need to build awareness, support and consensus-based coalitions that will help the city and community make potentially difficult choices and pursue ambitious and innovative responses. Part of this effort will include ongoing measures of the community’s performance in closing the gaps identified by the Comprehensive Market Study – a “dashboard” showing what’s working and where we as a community need to focus and redouble our efforts.

## ACKNOWLEDGEMENTS

We gratefully acknowledge the contributions organizations and individuals who contributed time, expertise, experience and insight into developing the recommendations for this report.

The report is a collaborative effort, made possible by resources generously contributed by HousingWorks Austin, Urban Land Institute–Austin, Real Estate Council of Austin, and Austin Area Research Organization.

Our consulting team provided expert services essential to the project:

- Mandy De Mayo, as lead author, brought her professional talents and knowledge, and her mission-driven commitment to write (and patiently re-write as edits came in).
- Mike Clark-Madison and Brian Dolezal of Hahn, Texas provided valuable communications expertise.
- University of Texas, School of Law, Community Development Clinic, established through the visionary leadership of Heather Way, provided research on options from other parts of the United States.

The members of the core Working Group represented the sponsor organizations as well as employers, for-profit and developers, neighborhoods, and the faith community:

- Ashton Cumberbatch, Austin Area Research Organization and HousingWorks Austin
- Brett Denton, Real Estate Council of Austin
- Cathy Echols, Liveable City and HousingWorks Austin
- Frances Ferguson, HousingWorks Austin
- Jay Hailey, Austin Area Research Organization and Urban Land Institute
- Steve LeBlanc, Urban Land Institute
- Terry Mitchell, Momark Development; Real Estate Council of Austin; HousingWorks Austin
- Bob Sleet, Austin Bridge Builders' Alliance
- Kelly Weiss, PeopleTrust and CHDO Roundtable

In addition, subgroups for each focus area included participation from additional volunteers:

- Frank Fernandez, Green Doors; CHDO Roundtable; HousingWorks Austin
- Alice Glasco, Alice Glasco Consulting
- Brian Kelsey, Capital Area Council of Governments
- Charles Heimsath, Capitol Market Research and Urban Land Institute
- Elizabeth Mueller, University of Texas, School of Architecture, Community and Regional Planning Program
- Kathie Tovo, Austin Neighborhoods Council
- Richard Weiss, Weiss Architecture and Austin Chapter of American Institute of Architects
- Michael Wilt, Real Estate Council of Austin

Presentations on strategic options were presented by:

- Garner Stoll, City of Austin Planning & Development Review Department;
- Sherri Greenberg, University of Texas, Lyndon B. Johnson School of Public Affairs; and
- Ron Kowal, Housing Authority of the City of Austin