

City of Austin Strategic Housing Blueprint Implementation Planning ULI Affordability Strategic Council Comments January 18, 2019

WHO

The Urban Land Institute (ULI) is a member driven organization providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. As the preeminent, interdisciplinary real estate forum, ULI facilitates the open exchange of ideas, information and experience among local, national and international industry leaders and policy makers who are dedicated to creating better places. ULI has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

Established locally in 1994, ULI Austin is a district council of the Urban Land Institute where real estate professionals from across Central Texas exchange ideas and best practices to serve community needs. ULI Austin brings together leaders from both private and public sectors who share a common interest in responsible land use strategies and a commitment to excellence in development practice. In 2017, ULI Austin created Strategic Councils that bring together regional private, public and non-profit stakeholders and experts to address regional issues. ULI Austin does not advocate; we offer fact-based information through research, education and publishing. ULI Austin collaborates with other industry-leading organizations on many land use initiatives, including but not limited to workforce housing, high-capacity transit and roadways, the reuse of existing infrastructure, and planning healthier environments.

WHAT

Members of the ULI Austin Affordability Strategic Counsel (ULI ASC) took time to review the City of Austin Housing Blueprint Implementation Plan (Plan) and offer their comments. The Plan was divided amongst ULI ASC's members to review sections in small groups and reporting to the full council for similarities and themes.

OVERALL RESPONSE TO THE PLAN

Overall, there is a lot to like in the plan; however, many of the goals are too abstract to be achievable. ULI ASC believes the plan would benefit by removing or amending the goals and solutions to focus on concrete, measurable activities. For example, many of the actions proposed are state-level issues that are unlikely to be realized for a meaningful impact at the local level. We would like to see City of Austin staff focus their energy on achievable impactful solutions at the local level.

While not a panacea, it is clear that many of the barriers to implementing the Plan are found in the Land Development Code (LDC) and related processes. More than any other action, the forthcoming reboot of the LDC rewrite process will provide the City with its single largest opportunity to make inroads towards affordability and ultimately address topics from each of the Plan chapters. The cost of “buying” our way out of unaffordability is too high and we must rely on policies and processes to help lift us out of the crisis we are experiencing.

ULI ASC is also concerned that more red tape is often self-defeating, causing well-intentioned programs to impose additional cost and therefore disincentivizing participation. This should be kept in mind as objectives and solutions are considered:

- Is the proposed action likely to increase the difficulty (and therefore cost) of development?
- Will developers, either market or non-profit/affordable, want to participate in these incentives, or are they impractical?
- Will an additional layer of regulation cause decreased compliance or a reduction in housing units created (and a resulting increase in price per unit)?

Finally, there are a wide multitude of topics covered in the Plan, many of them overlapping between chapters. Pushing for all of these objectives to be completed right away would most likely result in partial implementation of only a few. It would be prudent to identify a small number of achievable goals and implement those first, eventually working towards the larger items like the LDC rewrite.

Noted Issues/Concerns

ULI ASC identified three recurring themes. First, there are too many recommendations and a serious effort to prioritize them should be undertaken. Secondly, a large number of suggestions require state level legislative action (linkage fees, property tax rules, etc.), which are unlikely to be realized by City staff. Third, some of the Objectives and Actions are overly vague. ULI ASC’s recommendations offer a suggested prioritization of the various Objectives and Actions as well as identify the various places where state action is suggested and offer alternative solutions. The recommendations also attempt to offer clarity where appropriate or to suggest an item be removed entirely due to vagueness.

Recommendations

The first and primary recommendation is to prioritize each of the Objectives and related Actions. This should include de-prioritizing anything that involves state-level advocacy and focus instead on items directly under the City’s control including building on publicly owned land, spending bond money, and the LDC rewrite. **By focusing on achievable, shorter-term goals, the City can make meaningful progress.** In the appendix, we offer per-chapter suggestions on prioritization.

The second recommendation is to avoid additional layers of complexity and bureaucracy. Austin is already one of the more difficult cities in which to build, with some of the fastest rising land prices. Adding additional red tape, even if well-intentioned, will only serve to exacerbate the problems we face with respect to land and development costs. Staff must filter each recommendation to discern if its complexity is or is not warranted.

One final general recommendation concerns the data collection for the various City programs. At present, there does not appear to be a common “data dictionary” or set of objective, trackable metrics for City programs. Many programs posit ambiguous conditions such as “increased economic opportunity.” These metrics can perhaps be aligned with data gathered by various other funders, such as Texas Department of Housing and Community Affairs, for ease of collection. Common metrics would also allow for on-going impact information collection, perhaps with the help of staff from NHCD or the City Manager’s office, on affordability programs.

APPENDIX – CHAPTER SPECIFIC COMMENTS

CHAPTER I Prevent Households From Being Priced Out Of Austin

Recommended Prioritization (from high to low):

- Objective I.1: Expand the Use of Community Land Trusts and other forms of Shared Equity Ownership
- Objective I.9: Allow Homeowners to Rent a Portion of their House as a Separate Housing Unit
- Objective I.8: Make Strategic Investments to Minimize Displacement
- Objective I.5: Preserve and Create Ownership Options for Households at 80-120% MFI
- Objective I.4: Prevent Displacement of Low- and Moderate-Income Homeowners
- Objective I.6: Coordinate Preservation Strategies with Infrastructure Investments
- Objective I.7: Use Incentives to Support the Production of Living Wage Jobs
- Objective I.3: Support Legislation or other Mechanisms to Create a Preservation Property Tax Abatement
- Objective I.2: Support Legislation for a Flat Dollar Homestead Exemption for All Taxing Entities

Many of the items in this chapter are contingent on one of two things: a rewritten Land Development Code or state-level advocacy. The City has a great degree of control over the first and nearly no control over the second, other than cutting the tax rate and the commensurate reduction in services. These objectives should be prioritized to focus on what the City can control and not on what the State controls.

Community Land Trusts are a viable way to create permanent affordable housing units with a one-time subsidy. That initial subsidy is the cost of the land as determined by market value as a function of the Land Development Code and zoning regulations. Allowing more units on a parcel of land means that the per-unit subsidy is reduced, allowing the City to get greater return on its initial investment. Expansion of Community Land Trusts dovetails with other objectives in this Chapter, namely promoting preservation, preventing displacement and providing property tax relief.

With respect to Neighborhood Empowerment Zones and related tax abatements, the City should work with a group of stakeholders to ensure that the loss of rents relative to tax savings does not render the program ineffective.

Objective I.4 in this chapter is one of the more difficult ones for the City to address, as property taxes are largely a state-level issue and the City has little control over anything besides the rate. The Neighborhood Stabilization Program Loans are an interesting idea, although that puts the City in the position of functionally being a reverse mortgage lender. This can create future complications for the City, including the potential need to foreclose on the home. It would also be important to determine if the homes that the City would lend against are safe and habitable in any eventual resale, due either to the decision or the death of the current homeowner. Creating affordability restrictions on homes that the City may not want to sell could force the City to put a substantial reinvestment into these properties, which may not be the most prudent or efficient use of City resources now or in the future.

The Austin Energy Weatherization Assistance Program is limited to homes with a value under \$250,000. There may be a time not too far in the future when finding homes under \$250,000 is difficult or impossible. Given the market

conditions in Austin, it would be prudent to eliminate this restriction and have it be solely income-qualified like up to 100% of median family income. On that note, it may be preferable to use median family income for program eligibility as opposed to poverty rate to provide harmony with other housing programs.

Action 1.4.D identifies the Senior Volunteer Tax Break as stated in Texas Tax Code §31.035. One caveat is that the volunteer tax break only awards a credit equal to the federal minimum wage of \$7.25 per hour meaning a senior must volunteers hundreds of hours to get a meaningful tax break. The City should explore if it's feasible to provide a credit equal to its own minimum wage. The City may also encourage the AISD Trustees to implement §31.036 and §31.037, which allow individuals and corporations to receive reduced AISD taxes by virtue of volunteering to teach. This may help individuals and smaller businesses manage their taxes through volunteer efforts in the local community schools.

Homeownership is the goal of Objective 5.I. ULI ASC recommends exploring adding rental as an option for this income bracket as well. Again, a careful rewrite of the Land Development Code could help reduce prices through allowing development of additional housing inventory. The current LDC limits the number of housing units that can be created, causing developers to only be able to serve the upper end of the market (120%+ MFI). Easing restrictions on development and allowing for a greater type and volume of homes to be created would naturally open more of the market to those making 80-120% MFI.

The measurements in Objective 6 are inconsistent with the city's 2016 Mobility Corridor goals and should be kept at a ½ mile. The City should also explore the usage of TIFs across corridors, allowing tax increments from higher value areas to finance preservation in more at-risk areas. DART and the City of Dallas have utilized this model.

Any requirement for higher-than-market wages and targeting of anti-displacement recommendations should be matched with incentives to ensure these provisions do not price out the use of other incentives within the Plan. Any consideration of cost should include not only actual cost, but the imputed cost of time delays, reporting requirements, and on-going compliance expenses associated with the recommendation and subsequent policy.

Chapter II Foster Equitable, Integrated And Divers Communities

Prioritization (from high to low):

Objective II.1: Develop a Strike Fund

Objective II.3: Undertake Strategic Land Banking

Objective II.7: Add Flexibility to Occupancy Limits

Objective II.8: Fully Utilize Homestead Preservation District Tools

Objective II.9: Develop Programs, Resources, and Guides to Aid with Small Scale Preservation

Objective II.2: Implement the City of Austin's Fair Housing Action Plan and Bolster Enforcement of Existing Fair Housing Requirements

Objective II.6: Implement Recommendations in the Austin/Travis County Reentry Roundtable Report

Objective II.5: Protect Renters from Discrimination Based on Source of Income

Objective II.4: Implement Tenant Relocation Assistance Program

Objective II.11: Pursue Legislation to Allow Inclusionary Zoning

Objective II.10: Pursue Legislation to Allow Rent Control

ULI ASC is broadly in agreement with the Objectives and actions listed in this Chapter with the exception of the Objectives requiring state level action (4, 10, and 11 specifically). Once the latest Fair Housing study is completed in 2019, many of the items here can be reassessed. Also, ULI ASC is concerned that rent control policies (II.10) may create worse living conditions for rent-controlled renters while exacerbating the affordability problem for those without rent controlled apartments. Also, they are illegal in Texas and that is unlikely to change.

With respect to private market barriers to financing, the City could compile data indicating whether or not loan steering is occurring by comparing *delinquency* rates between various demographic groups instead of loan *approval* rates. Comparable delinquency rates would be indicative of comparable lending standards between groups, which would show that there is not any sort of steering or non-financial considerations being used in the underwriting process. For instance, if African Americans are being held to a higher lending standard (and thus declined at a greater rate than the population at-large), then the City should expect to see a lower delinquency rate among African Americans. Testing and research in this manner would be cheaper and easier to replicate and therefore not impose an undue burden on City resources.

Many of the recommendations in this Chapter are focused on state-level advocacy. Given the current state-level focus on property taxes, any Austin-led advocacy for tools such as inclusionary zoning and linkage fees are unlikely to be successful and should not be prioritized over other areas where the City can actually have an impact.

Chapter III Invest In Housing For Those Most In Need

Prioritization (from high to low):

Objective III.5: Maximize Public Property to Build or Include Affordable Housing

Objective III.1: Pursue Future General Obligation Bond Elections for Affordable Housing

Objective III.6: Utilize TIFs for Affordable Housing

Objective III.2: Provide Additional Local Fund Appropriations for Affordable Housing

Objective III.7: Utilize Social Impact Bonds/Pay for Success Models for People Experiencing Homelessness

Objective III.9: Support the Creation of Deeply Affordable Units Serving People at 20% MFI and Below

Objective III.10: Support Efforts to Prevent and End Homelessness

Objective III.4: Challenge the Private Sector to Participate in a Fund for Affordable and/or Workforce Housing

Objective III.13: Expand the Supply of Housing for People with Disabilities

Objective III.11: Focus Federal Funds in Housing Investments

Objective III.3: Leverage Low Income Housing Tax Credits and Seek Legislative Changes

Objective III.12: Incentive Programs

Objective III.8: Utilize the National Housing Trust Fund

ULI ASC broadly supports the Objectives and Actions in this chapter, with few exceptions. One item causing significant discussion and some confusion was the suggestion that private sector employers should voluntarily

contribute to an affordable housing fund. Ultimately, these employers (via property taxes) are helping to pay for the affordable housing bonds, and any additional money they put towards affordable housing specifically may be better spent by simply raising the wages of their lowest-earning employees. In addition, any costs imposed by the City on private employers may cause them to locate outside of city limits, ultimately defeating the initial goal. Moreover, as Opportunity Zones come into focus, there will be a strong incentive for individuals and funds to invest in these zones, which should help.

There was also strong consensus around using public property to build affordable housing, whether partially or in full. The ULI ASC has identified building affordable housing on public land as a key initiative to impact affordability. We recommend inventorying all public land, including school district, county, and state, within the various districts and analyzing them for affordable housing development opportunity.

ULI ASC also encourages the city to increase the use of TIFs as included in this chapter. Unfortunately, this tool is not very affective for infill developments and the city should have a variety of tools identified and available to promote affordable housing development in all areas of the city.

We are also very interested in employers participating in housing programs similar to objective III.4. ULI ASC did preliminary research with Housingworks on Employer Assisted Housing and found there are only a few successful examples nationally and very limited interest by employers at this time. While this objective is worthwhile, success of this objective may be very limited at this time. By working with chambers of commerce this objective may become more viable in the future.

Chapter IV Create New And Affordable Housing Choices For All Austinites In All Parts of Austin

Prioritization (from high to low):

Objective IV.1: Adopt Affordable Housing Goals to Guide Policy

Objective IV.2: Implement Consistent Density Bonus Programs for Centers and Corridors

Objective IV.5: Better Utilize Land for Affordable Housing

Objective IV.6: Revise S.M.A.R.T. Housing Program

Objective IV.7: Implement Density Bonus Program for Mid-Density Housing

Objective IV.8: Allow the Development of Smaller Houses on Smaller Lots

Objective IV.10: Relax Regulations on Internal and External Accessory Dwelling Units

Objective IV.11: Relax Regulations on More Affordable Housing Products

Objective IV.13: Utilize Planned Unit Developments (PUDs) to Provide a Range of Affordability

Objective IV.14: Increase Housing Diversity in New Subdivisions

Objective IV.9: Create Pre-Approved Standard Plans for Infill Development

Objective IV.12: Relax Regulations on Housing Cooperatives

Objective IV.3: Streamline City Codes and Permit Processes

Objective IV.17: Consider Building and Fire Code Modifications to Allow Six Stories of Wood Frame Construction

Objective IV.4: Provide Additional Funding to Monitor Austin's Affordable Housing Investments

Objective IV.18: Develop Real-Time Database of Housing

Objective IV.15: Support Legislation to Create a Multifamily Property Tax Exemption Program

Objective IV.16: Complete an Affordable Housing Nexus Study

This chapter has a surplus of Objectives- eighteen, many with multiple actions suggested. ULI ASC suggests focusing on a smaller subset of these Objectives is preferable to attempting all of them simultaneously. This particular chapter is also the most impacted by the Land Development Code, with the majority of the items having some level of dependence on or interaction with the LDC. A strong rewrite of the LDC, based on the Imagine Austin Comprehensive Plan (and the vast degree to which there was public participation in that process), is instrumental to achieving the Objectives here.

There are achievable LDC changes the City could pursue immediately and independent of a comprehensive LDC rewrite that will address affordability. These include but are not limited to a density bonus program, revised S.M.A.R.T. housing program, flexible parking requirements, relaxed regulations on ADUs and allowing for more housing units and product types across the City.

Unfortunately, this Chapter also puts forth Objectives that are at odds with state-level policy, such as linkage fees. ULI ASC suggests de-prioritizing these Objectives in order to focus on alternative, more readily-achievable items.

The Objectives appearing most ready for implementation are: 1, 2, 5, 6, 7, 10, 11, 12, 13, and 14. While many of these particular items could be achieved through the Land Development Code rewrite, they can also be achieved outside of that process and more quickly. The City should continue to pursue these ends, perhaps along with Objective 3, while the code rewrite process plays out.

Moreover, while Objectives 4 and 18 are ranked low, they can be easily implemented. It's our understanding that Objective 18 is already well underway, and Objective 4 can be easily accomplished if the City contracts with a third party that performs monitoring and compliance.

The remaining Objectives, while of some value, rely explicitly on the LDC re-write process or should not be prioritized at the same level as the aforementioned Objectives. For instance, there is not much to be done concerning the increased height limit of wood-framed structures, as that appears to be a function of the 2021 IBC process.

While it is commendable to balance the distribution of affordable housing geographically, we recommend studying and identifying the goal of each type of housing from an equity perspective. For the "eastern crescent", there may be unintended consequences if the methodology discourages higher % MFI housing. We also need to be careful not to assume that high opportunity areas will never be located in the eastern crescent, and take proactive steps to make that a possibility.

Chapter V Help Austinites Reduce Their Household Costs

Prioritization (from high to low):

Objective V.1: Strengthen Scoring Criteria and Develop Policies for Housing Near Current and Future Transit Service

- Objective V.3: Link Housing Choices with Transportation Choices
- Objective V.4: Comprehensive Parking Reform
- Objective V.8: Increase Opportunities for Households to Reduce Utility Costs
- Objective V.2: Minimize the Displacement of Core Transit Riders
- Objective V.6: Align Sidewalk Master Plan with Imagine Austin
- Objective V.7: Ensure Access to Affordable Care and a Healthful Environment
- Objective V.9: Increase Access to Healthy, Affordable Food for All Residents
- Objective V.5: Increase Bikeability and Walkability
- Objective V.10: Improve Access to Affordable, Quality Communications and Digital Services

While rent and mortgage payments are the primary drivers of household costs, there are certainly other factors at play. Again, many of the Objectives put forth are able to be addressed through a bold, thoughtful rewrite of the Land Development Code in line with the Imagine Austin Comprehensive Plan. This Chapter also points to a variety of Objectives, with varying degrees of impact on the actual finances of those living here. Given the finite nature of City resources, a focus on the more realistic and impactful Objectives is recommended.

Members of the ULI ASC were generally in favor of loosening development restrictions near transit (train and major bus routes), even going further than what was presented in the Implementation Plan. For instance, a greater number of homes would be possible near transit if compatibility was waived entirely in key areas. This has the cascading effect of reducing car usage/vehicle miles travelled by allowing families that desire to do so to relocate nearer to their jobs.

There may also be an opportunity for greater understanding of transit usage as it relates to household incomes in Austin. Who (by income level) is using public transit? Bikes? Cars? Does it make sense to require that developments serving 60-120% MFI families have extensive facilities (parking, pathways, etc.) for bicycles if those same families are generally choosing not to use bicycles? An emphasis on bicycles may not be effective, and it may in fact be at loggerheads with the interests of many of those living in the homes.

Again, it is important to consider the costs and burdens that the various Actions will put on future developments, affordable and otherwise. It is certainly prudent to put affordable housing in the best areas possible- near food, healthcare, and digital services- but it is more pressing to simply have the affordable housing built. As indicated by HEB in their proactive acquisition of land at 973/Hwy 71, they are willing to build a store once there are sufficient homes in an area to support a full-fledged grocery store. If the City focuses on getting the housing built- both subsidized and otherwise- it appears clear that local businesses will prioritize serving those citizens once there is sufficient population density. The City need not manage every detail of a housing development for it to be worth developing.