

# HOUSING DEVELOPMENT TOOLKIT



for Austin

## INTRODUCTION

Growing cities across the world are facing affordable housing crises, and Austin, TX is no exception. Many Austinites are adversely affected by the high cost of housing with low-income families impacted most of all. In 2016, the median family income (MFI) in Austin was \$77,800 for a four person household. As defined by the City of Austin, any household making less than 80% of the MFI (\$62,250 or less) is defined as low-income, and those making less than 30% of the MFI (\$24,300 or less) are defined as extremely low-income.

All households, especially low-income households, in metropolitan areas are likely to be burdened by the high cost of housing. As defined by the US Department of Housing and Urban Development, households are considered "cost-burdened" if more than 30%

of their gross income goes to housing. Overall, half of all renters and 28% of all homeowners in Austin were cost burdened. In the same year, a BBC study found that extremely low-income households were affected by the unaffordable housing market at higher rates: 69% of renters and 53% of homeowners (BBC 2014).

With housing costs only rising, increasing numbers of households becoming cost burdened, and a rapidly growing population projected to reach 1.5 million by 2030, Austin needs policy solutions that make sure working-class Austinites can continue to call the city home. The policy solutions in this report aim to address the affordable housing crisis in Austin and are evaluated in light of five criteria: stakeholder cost, scope of impact, stakeholder burden, political feasibility, and equity.

## I. STATUS QUO

### WHAT IS THIS POLICY ABOUT?

This policy involves **letting present trends continue**, and using current public, private, and nonprofit initiatives to mitigate the effects of high housing costs. Under this option, **housing prices would steadily increase** in accordance with economic trends, projected sustained population growth, and rising demand for centrally located housing. Housing assistance would continue to be provided via the Housing Choice Voucher program, project-based rental assistance, and public housing. Under this system, housing assistance is application-based and non-entitlement. As a result, housing assistance programs have long waitlists, and many Austinites end up relying upon various nonprofit and private organizations for aid.

### HOW MUCH WILL IT COST?

\$96,510,895

### WHO'S PAYING?

Public

### HOW MANY HOUSEHOLDS WILL IT IMPACT?

7,342 households

### LIKELIHOOD OF POLITICAL SUPPORT?

High. This option requires no legal, regulatory, or legislative action on the part of the City of Austin or the Housing Authority of the City of Austin (HACA).

### ACCESSIBILITY OF THIS OPTION?

Low

## II. VOUCHER PROGRAM

### WHAT IS THIS POLICY ABOUT?

The Housing Authority of the City of Austin would transition its public housing assistance from the current application-based unit- and tenant-based subsidy program to **an entitlement program utilizing only housing vouchers**. All individuals with an income of 30% of the median family income (MFI) or lower would automatically qualify to receive assistance. In Austin, renters earning 0-30% MFI experience the largest gap in affordable units and arguably would benefit the most from rental assistance. These individuals could then **use the subsidy on the open market to locate housing** that meets their specific needs in a location of their choice. Voucher programs are very cost-efficient, and for the same amount of money from the status quo, an additional 2,101 families would receive assistance. However, because this is an entitlement program, many more people will be eligible for assistance, and it would cost more.

### HOW MUCH WILL IT COST?

\$233,195,127

### WHO'S PAYING?

Public

### HOW MANY HOUSEHOLDS WILL IT IMPACT?

31,380 households

### LIKELIHOOD OF POLITICAL SUPPORT?

Low. This program would likely face resistance from conservative lawmakers, homeowners who may oppose the idea of Section 8 voucher recipients moving into their neighborhoods, and landlords may refuse to accept vouchers.

### ACCESSIBILITY OF THIS OPTION?

High

## III. COMMUNITY LAND TRUSTS

### WHAT IS THIS POLICY ABOUT?

With this model, **the city will purchase land** and any existing structures at a reduced rate. The City of Austin will then build new homes or renovate existing substandard units. These homes can then be **sold at nominal rates to households meeting specific income qualifications**, typically set at 80% MFI; however, the land on which the home is located is not included in the transaction thereby cutting the overall purchase price and serving as a subsidy. Community land trusts require substantial upfront capital investment and can only easily help a limited number of families.

### HOW MUCH WILL IT COST?

\$2,771,653

### WHO'S PAYING?

Public

### HOW MANY HOUSEHOLDS WILL IT IMPACT?

10 households

### LIKELIHOOD OF POLITICAL SUPPORT?

High. One of the major problems with community land trusts is that they require substantial upfront capital investment while only helping a limited number of families. However, the political feasibility for this option is high as there is precedent in Austin for this type of affordable housing model. The City of Austin already has one established CLT along with several other nonprofit operated CLTs. Additionally, the state has a dedicated Housing Trust Fund that provides financial support for affordable housing.

### ACCESSIBILITY OF THIS OPTION?

Moderate

## IV. RE-REGULATION & ZONING

### WHAT IS THIS POLICY ABOUT?

In a rapidly growing city like Austin, **reducing zoning restrictions** to allow for smaller lot sizes, fewer parking requirements, and more seamless integration of commercial and residential buildings offers new opportunities for affordable housing. This policy option removes current barriers restricting residential development in Austin by **increasing the number of eligible building sites** throughout the city. Developers and construction companies would be permitted to build single and multi-family units on top of retail buildings in a mixed community format. This option also aims to incentivize developers to include affordable housing within new developments through a **franchise tax credit** system. With this new tax credit, developers would be encouraged to integrate reasonably priced units into new buildings.

### HOW MUCH WILL IT COST?

\$60,000,000

### WHO'S PAYING?

Private Developers

### HOW MANY HOUSEHOLDS WILL IT IMPACT?

7,552 households\*

### LIKELIHOOD OF POLITICAL SUPPORT?

Moderate. Ultimately, as a result of the passage of House Bill 1449, linkage fees are no longer a possibility in Texas; however, linkage fees may still be a viable option for other cities looking to address affordability in the housing market. Additionally, CodeNEXT, a City of Austin initiative tasked with revising the Land Development Code by engaging residents, businesses, and civic institutions in the conversation, is currently underway. As a result, there is potential for the development of new regulation policy to address the inadequacies of the current regulation system for land use, zoning, and new construction.

### ACCESSIBILITY OF THIS OPTION?

High

\*Number of additional households, not including those receiving traditional housing assistance, which can be provided with housing vouchers, based on current programs costs.

The information above is adapted from "Affordable Austin: Innovative Solutions to Address the Affordable Housing Crisis" by Caitlin E. Clary. For more information and full citations, please see the full text.



GLASSHOUSE POLICY