



# AFFORDABLE HOUSING: STRATEGIES FOR A SUSTAINABLE FUTURE

*Presentation by:*

- City of Austin
- Economic & Planning Systems

Austin City Council Presentation: June 18, 2013

# TODAY'S OBJECTIVE

## **Follow up to Resolution No. 201301177-061**

Directs staff to present on a series of topics to address the full spectrum of affordable housing

# PRESENTATION HIGHLIGHTS

- Elements of a sound Affordable Housing Financial Strategy
- Housing Market Data: the need for affordable housing
- Affordable housing regulations and policy outcomes
- Dedicated revenue: funding strategy for affordable housing

# ELEMENTS OF A SOUND AFFORDABLE HOUSING STRATEGY

Best practice strategies to address household affordability  
Three Key Components:



Accurate, Relevant  
Data to Set Local  
Goals



Innovative  
Zoning/Regulations to  
Facilitate Lower-Cost  
Housing



Dedicated Revenue  
Sources

# AFFORDABLE HOUSING STRATEGY



Accurate,  
Relevant Data  
to Set Local  
Goals

- Up-to-date knowledge of needs & inventory
- Define Sub-population and sub-geographic goals and targets through upcoming Housing Market Study (2014)
- Housing – Jobs Balance / Data



Innovative  
Zoning/  
Regulations to  
Facilitate  
Lower-Cost  
Housing

- Create opportunities for affordability through the Land Development Code rewrite:
  - Incentives for inclusion
  - Reduced regulation that impedes affordability
  - Expedited process with single point of contact for dedicated affordable developments



Dedicated  
Revenue  
Sources

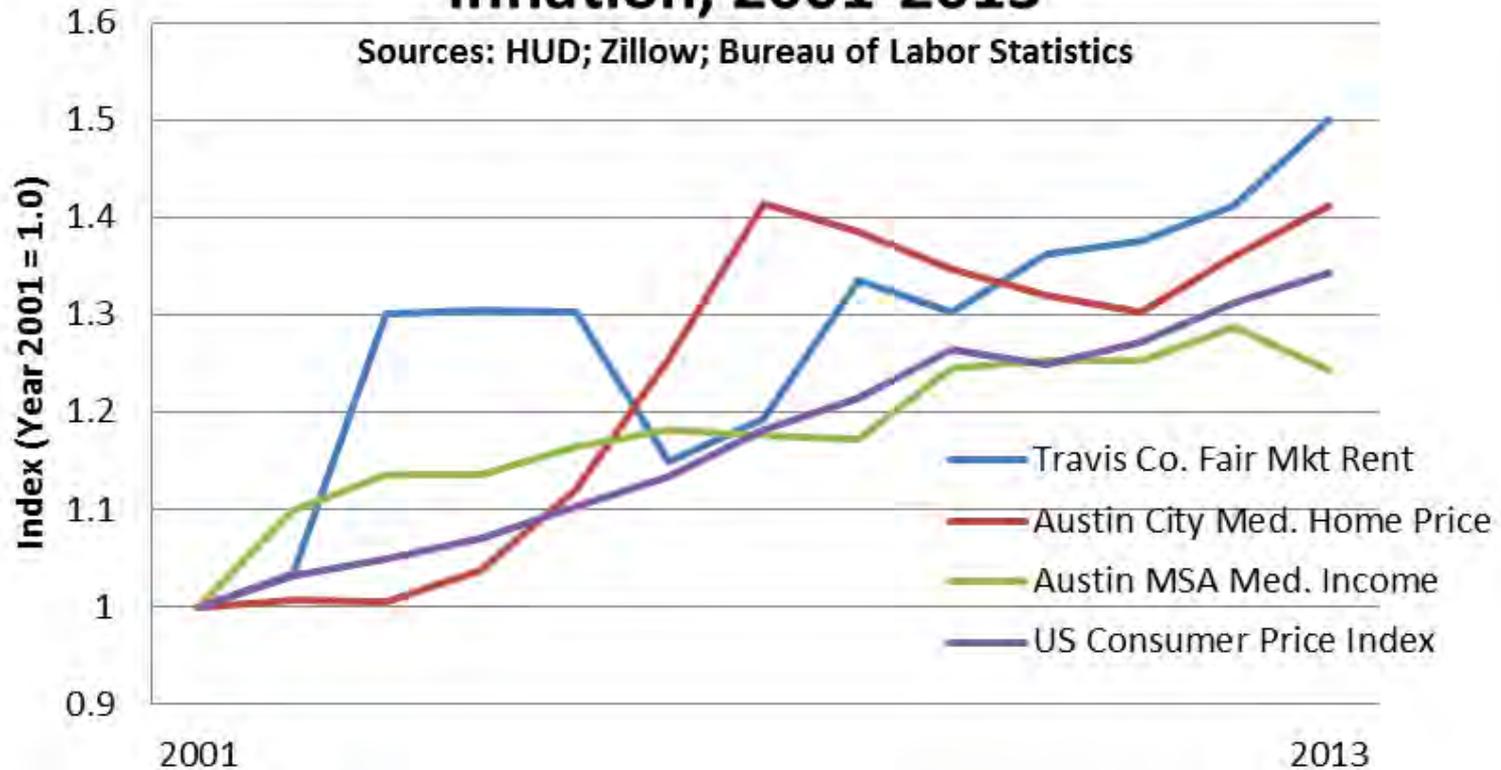
- Increase dedicated revenue for the Housing Trust Fund (HTF)
- Provide Return on Investment data
- Develop a sustained capital funding strategy to support household affordability as infrastructure
- New Dedicated Revenue Sources
- Redevelop public land to prioritize household affordability



# HOUSING MARKET DATA

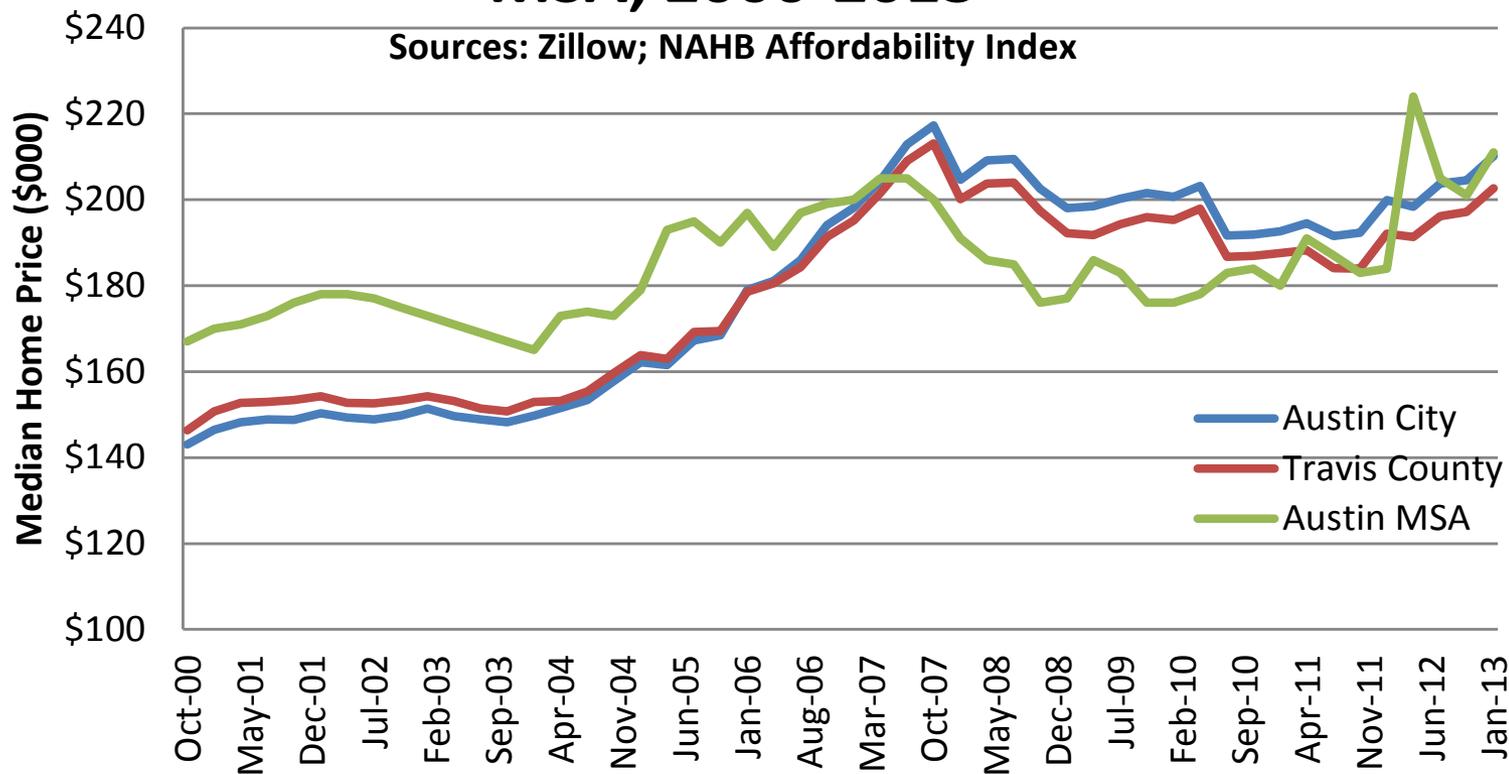
# HOUSING PRICES HAVE RISEN FASTER THAN INCOMES, INCREASING COST BURDENS

## Housing Prices vs. Income Growth and Inflation, 2001-2013



# THE CITY ONCE HAD BELOW-AVERAGE PRICES, BUT NOW IS ABOVE AVERAGE

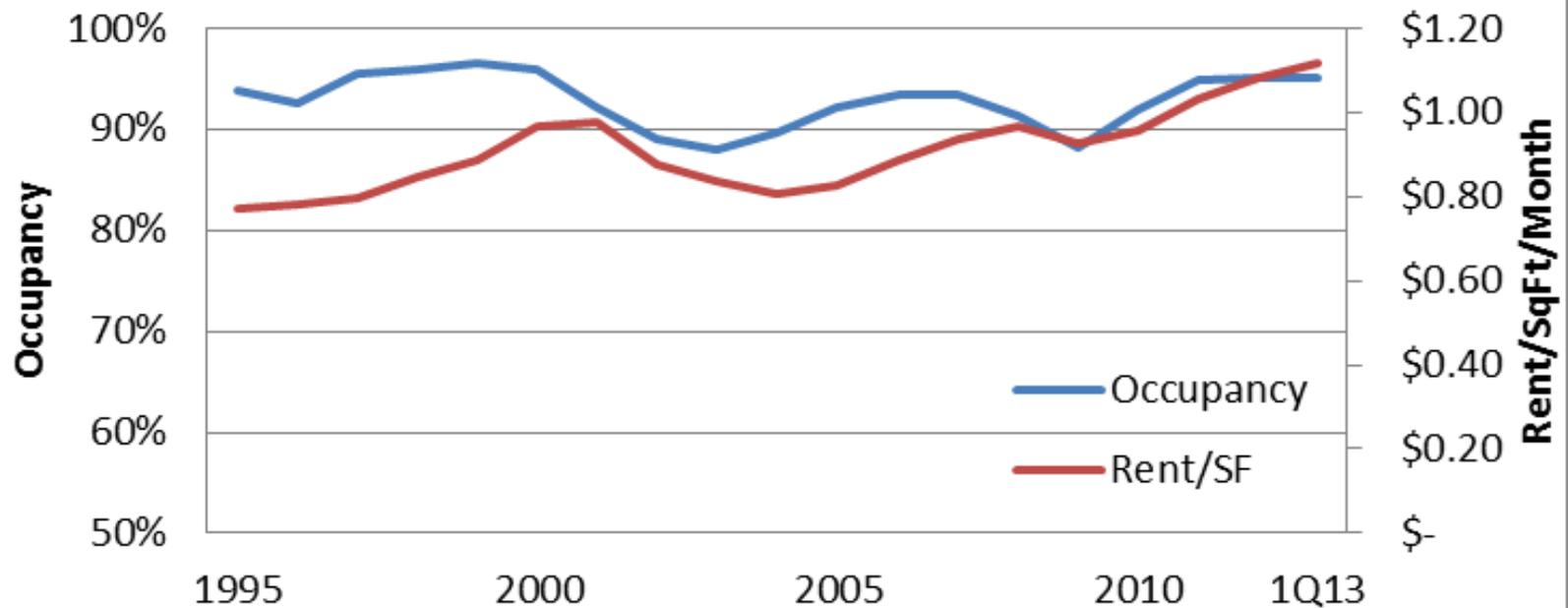
## Median Home Prices in City, County, and MSA, 2000-2013



# THE REGION'S APARTMENT RENTS ARE AT AN ALL-TIME HIGH

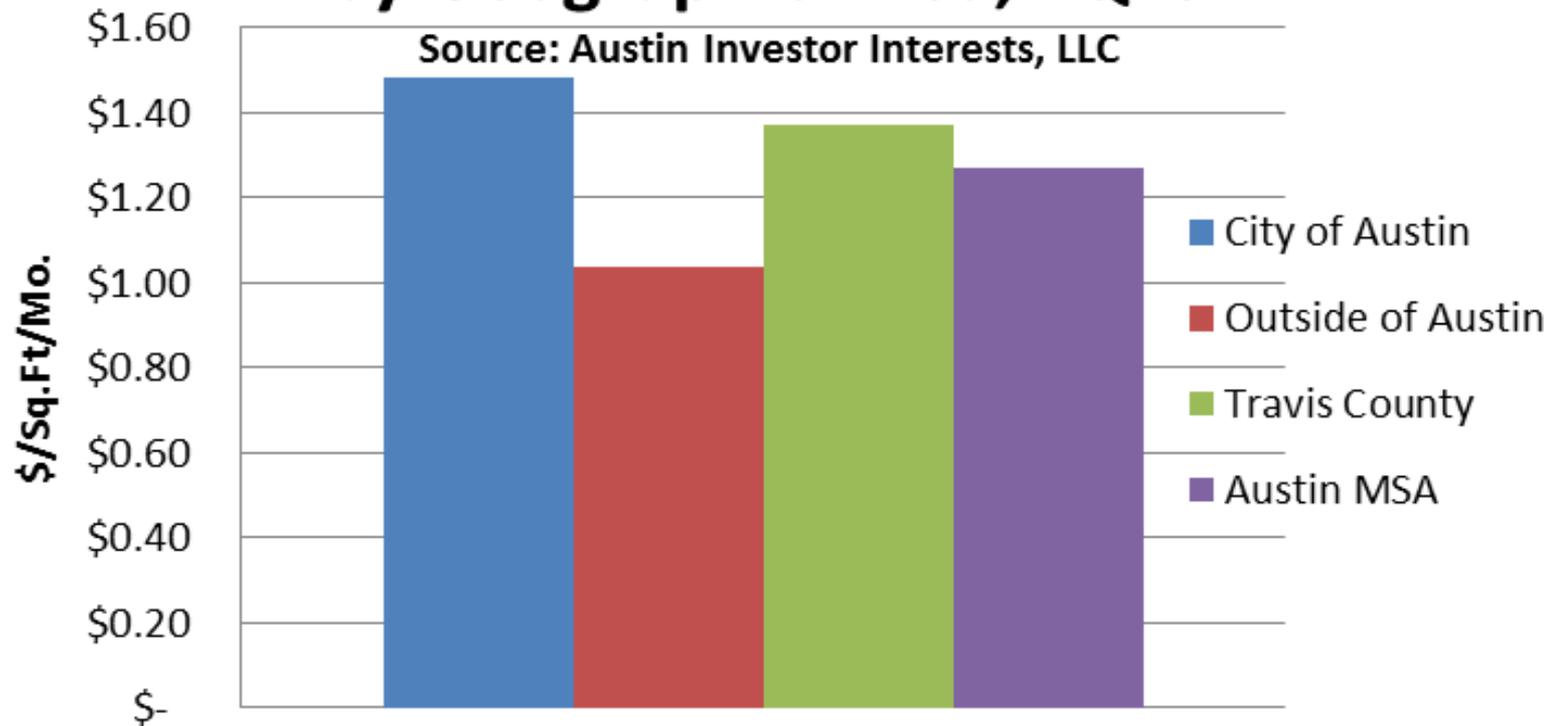
## Austin MSA Apartment Occupancy and Average Rent, 1995-2013

Source: Austin Investor Interests, LLC



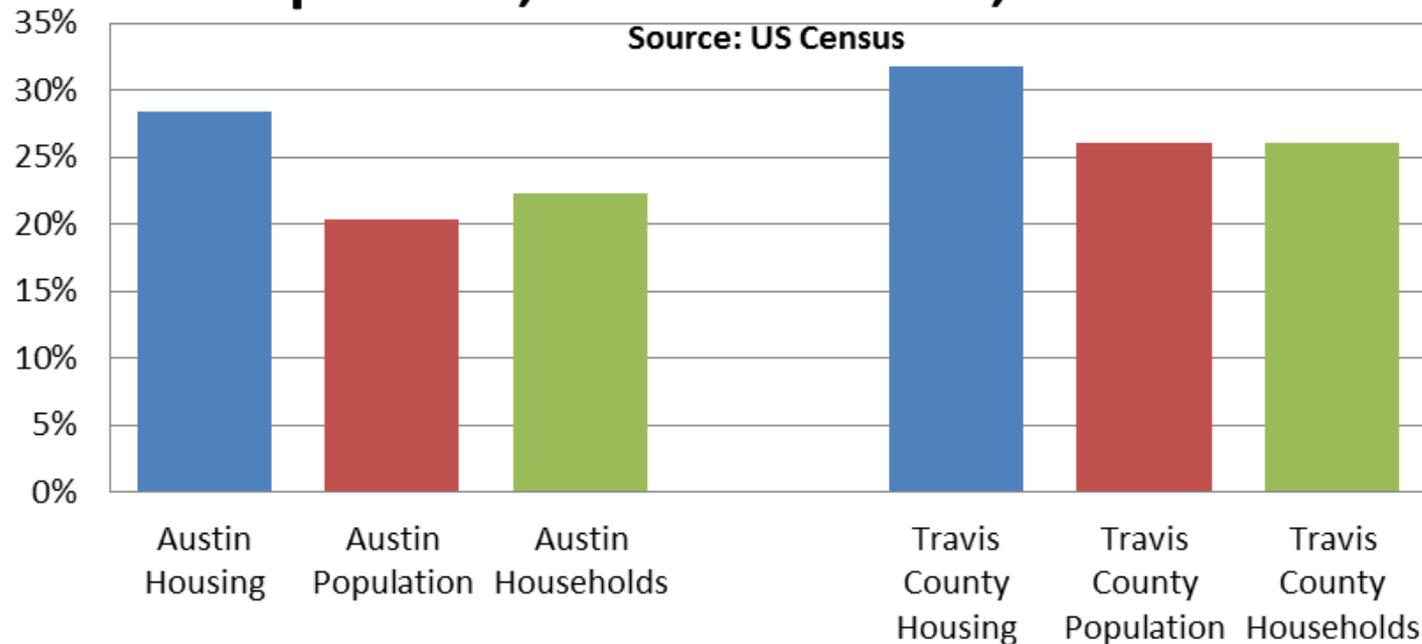
# RENTS WITHIN THE CITY ARE MUCH HIGHER THAN REGIONAL AVERAGE

## Average of Class A Apartment Rents by Geographic Area, 1Q13



# PRICES HAVE RISEN DESPITE GREAT ADDITIONS TO HOUSING SUPPLY

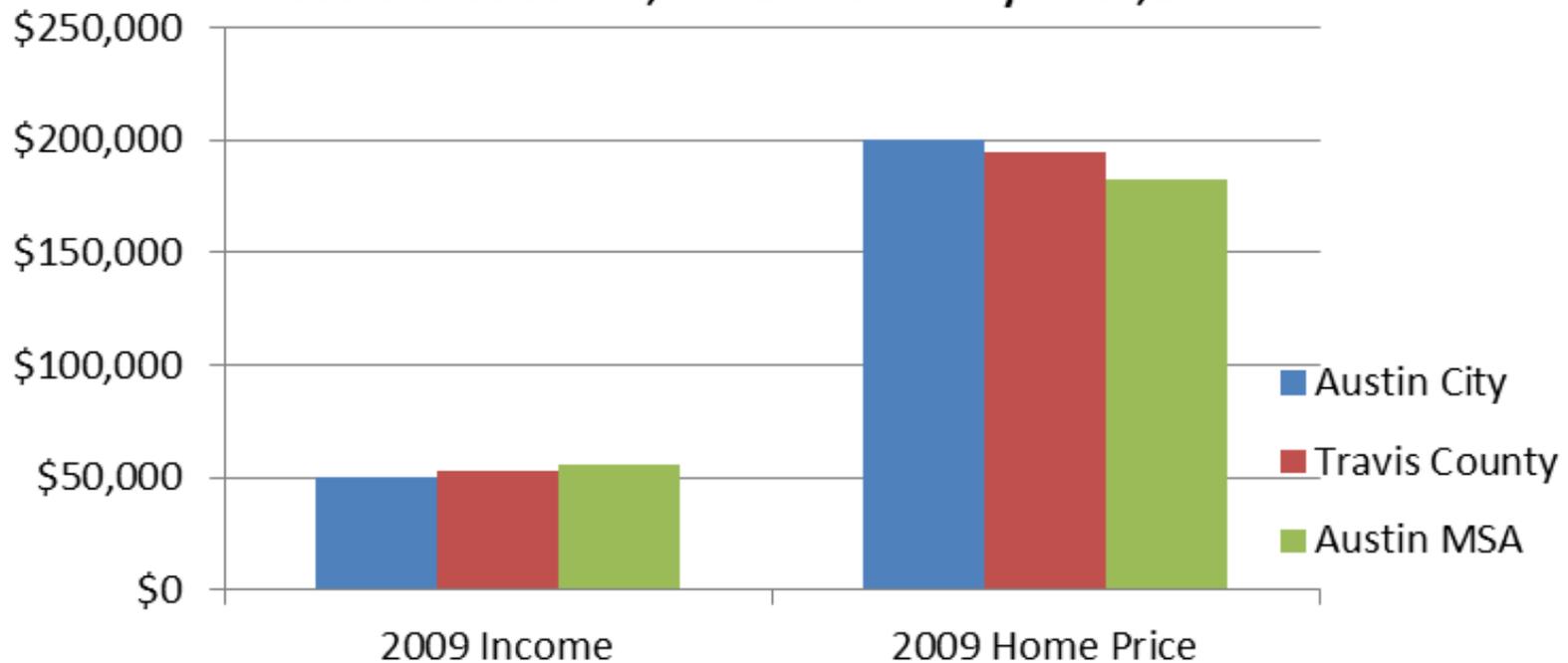
## Change in City and County Housing Units, Population, and Households, 2000-2010



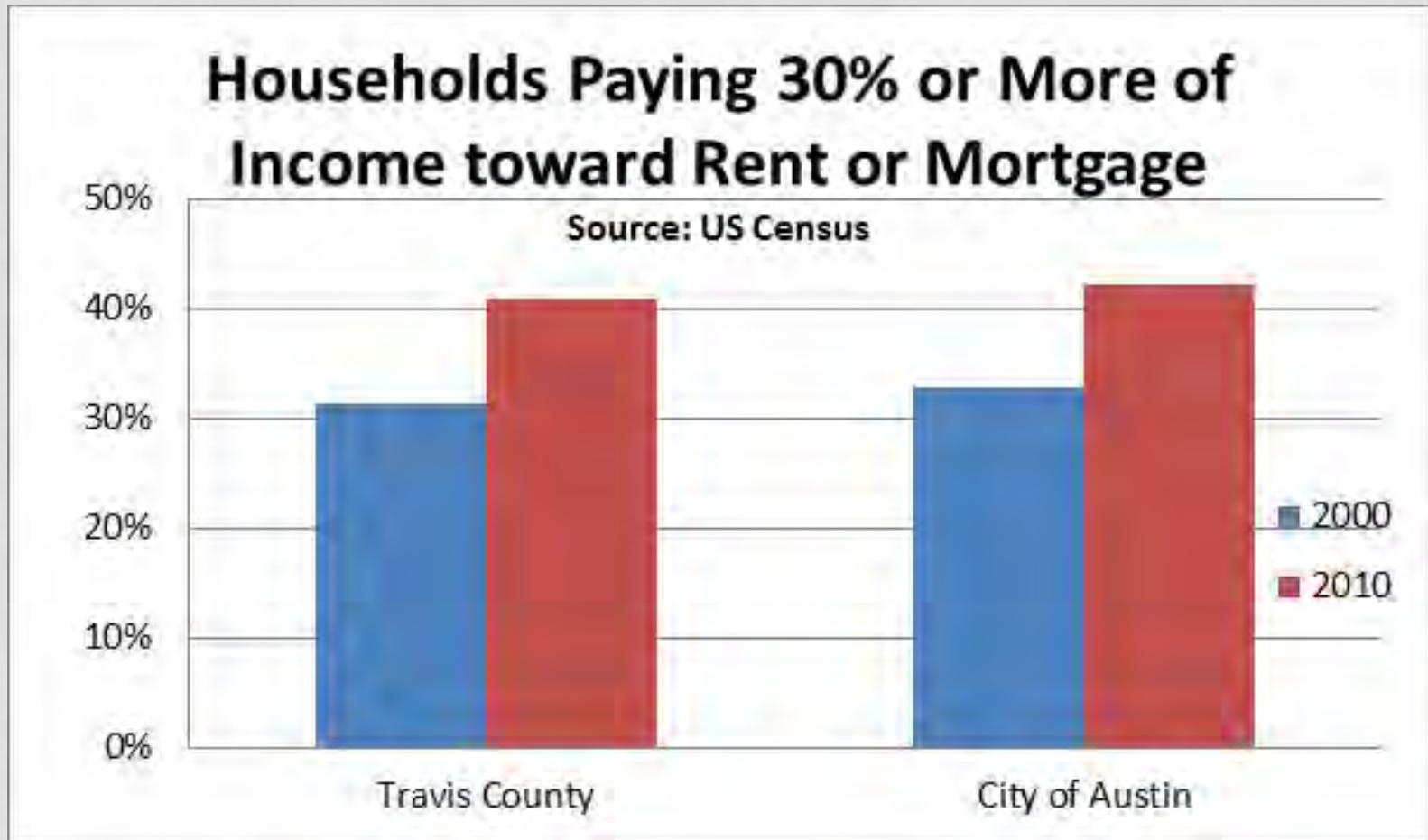
# THE CITY HAS LOWER INCOMES THAN REGION BUT HIGHER HOME PRICES

## City, County, and MSA Median Incomes vs. Home Prices, 2009

Sources: US Census; NAHB Affordability Index; Zillow



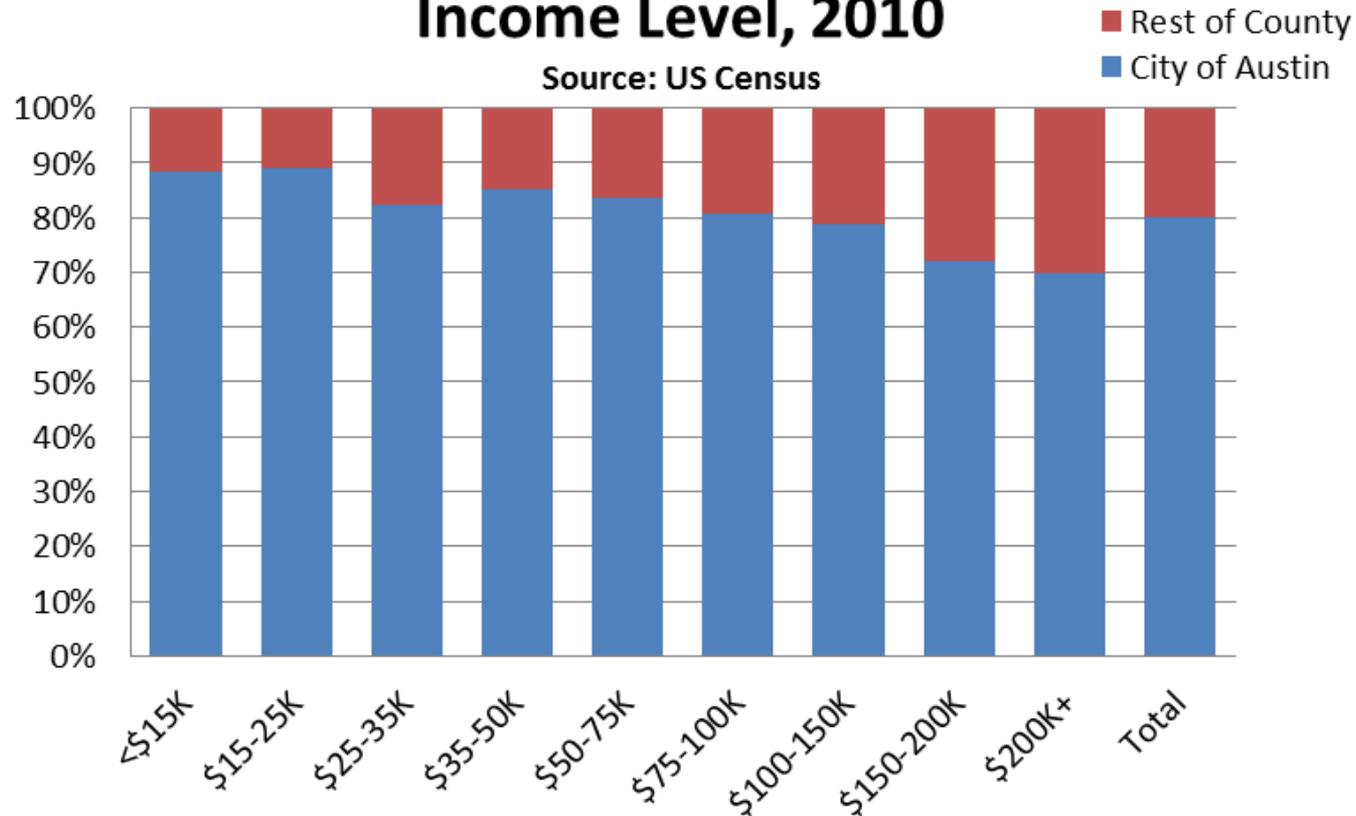
# HOUSEHOLDS WITH HOUSING COST BURDENS HAVE INCREASED GREATLY



# THE CITY HAS A HIGHER PROPORTION OF VERY-LOW INCOME HOUSEHOLDS

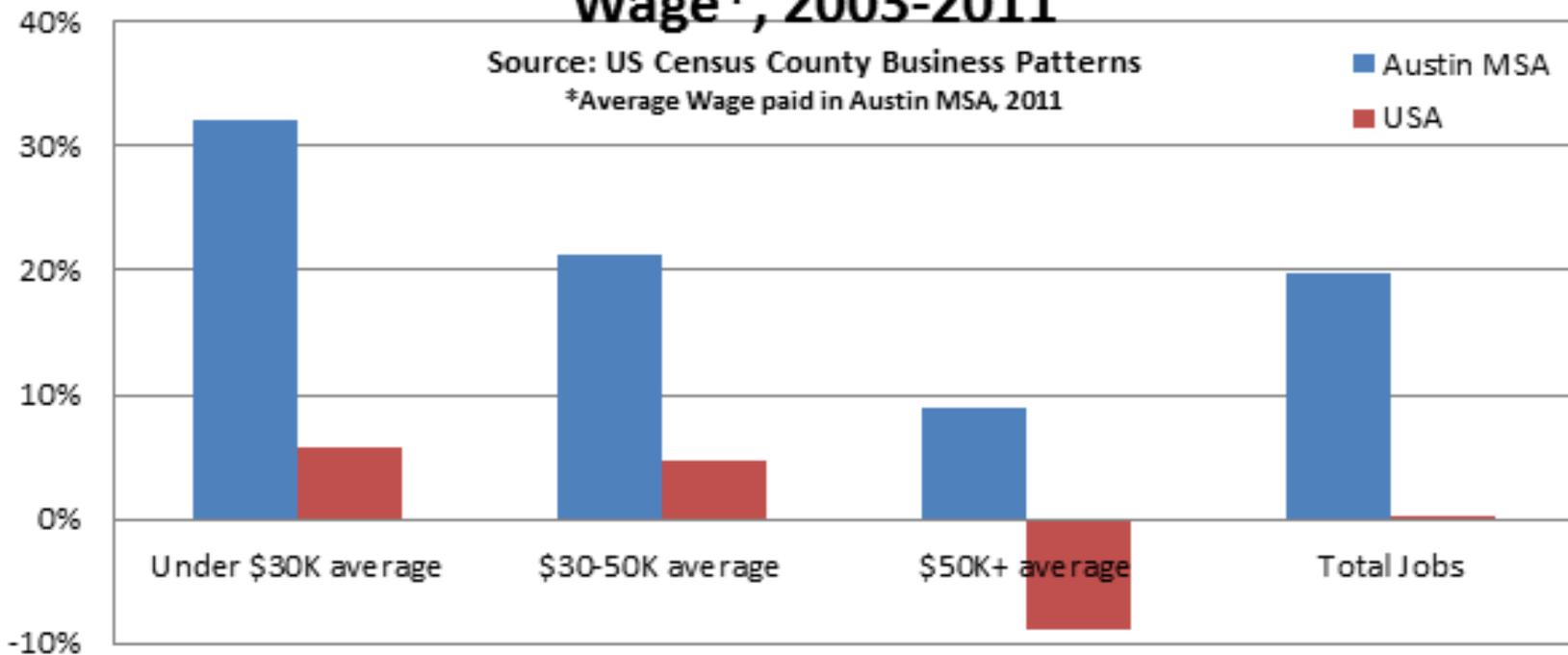
## Austin's Share of County Households by Income Level, 2010

Source: US Census

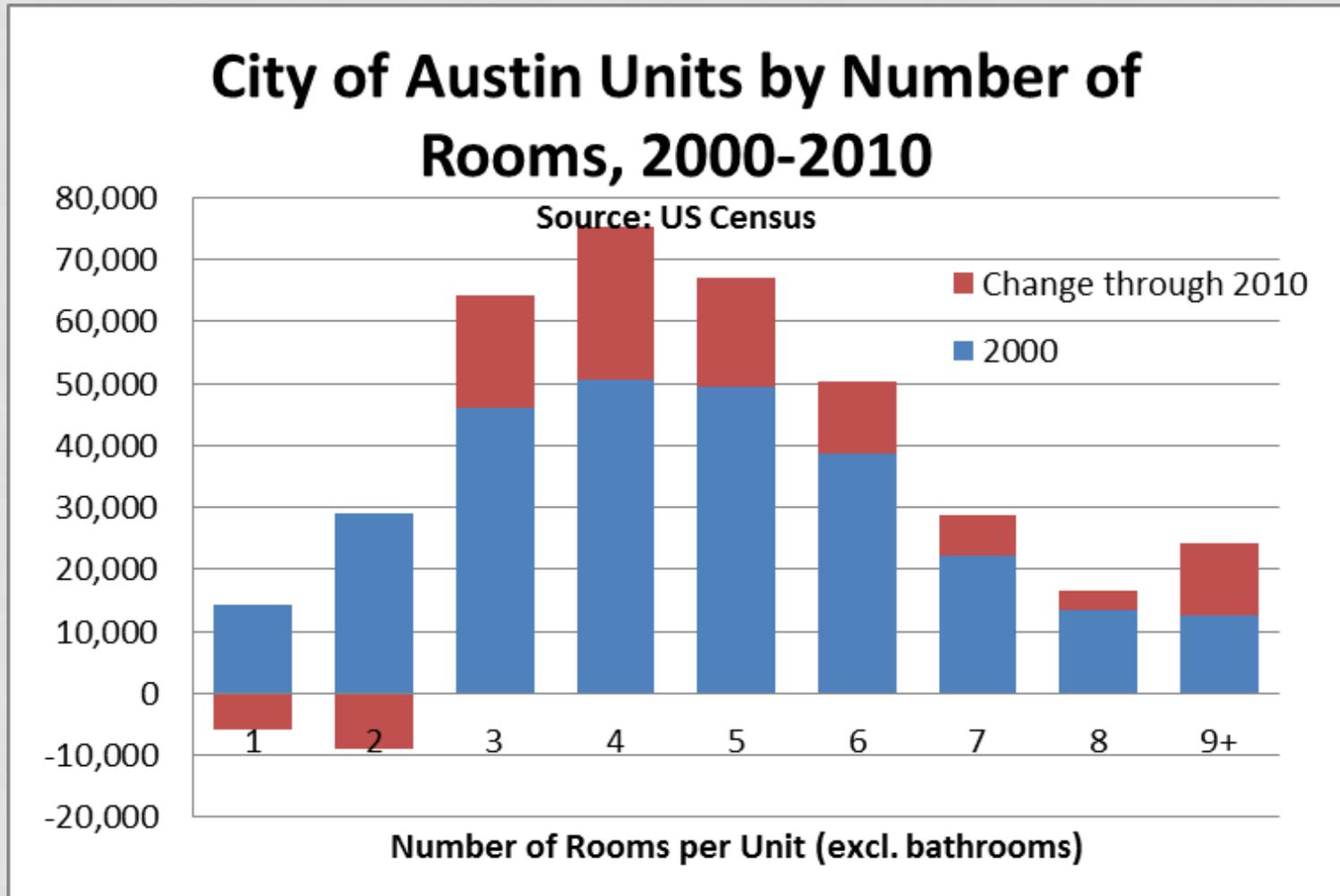


# THE REGION'S JOB GROWTH HAS LARGELY BEEN AT LOWER-INCOME LEVELS

## Austin MSA and US Industry Growth by Average Wage\*, 2003-2011



# THE CITY HAS LOST MANY SMALLER, *DE FACTO* AFFORDABLE UNITS



# IMPLICATIONS OF MARKET TRENDS

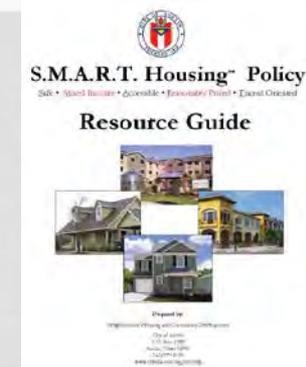
- NEED FOR MORE AFFORDABLE UNITS:
  - Increasing housing cost burden among existing residents
  - Growing population of lower-income workers
  - Surplus market-rate unit production has not improved overall affordability
- WITHOUT MORE AFFORDABLE UNITS:
  - Less household income available for other uses
  - Potential economic displacement of lower-income households and workers
  - Increased jobs/housing imbalance, in-commuting



# REGULATIONS TO FACILITATE LOWER COST HOUSING

# REGULATORY & POLICY HIGHLIGHTS

- S.M.A.R.T.<sup>TM</sup> Housing Policy
  - Uses expedited review and fee waivers to stimulate production of affordable homes.
  - Program develops: **S**afe, **M**ixed-Income, **A**ccessible, **R**easonably-Priced, **T**ransit-Oriented
- Imagine Austin Comprehensive Plan
  - Further opportunities through the Land Development Code Revision



# DEVELOPER INCENTIVE PROGRAMS

| Program                               | Number of Affordable Units Created or in Pipeline | Fees in Lieu Generated |
|---------------------------------------|---|------------------------|
| S.M.A.R.T. Housing                    | 6,150 (estimated)                                 | N/A                    |
| Interim Downtown Density Bonus        | 0   | 0                      |
| UNO (University Neighborhood Overlay) | 574   | \$1,242,991            |
| VMU (Vertical Mixed Use)              | 247   | N/A                    |
| TOD (Transit Oriented Development)    | 139   | 0                      |
| North Burnet Gateway                  | 0   | 0                      |

# DEVELOPMENT AGREEMENTS: OCCUPIED/CONTRACTED

| Project                     | Number of Affordable Units Created or in Pipeline | Fees in Lieu Generated  |
|-----------------------------|---|---|
| Mueller Redevelopment       | 567 contracted and/or occupied                    | -   |
| Gables West Avenue          | 12 occupied                                       | -   |
| AMLI on 2 <sup>nd</sup> St. | 12 occupied                                       |   |
| Gables Park Plaza – Phase 1 | -   | \$200,000   |
| The Domain                  | 42 occupied                                       | 5% of annual sales tax generated from development (\$169,716 to date) |
| Robertson Hill Apartments   | 29 occupied                                       | -   |

# DEVELOPMENT AGREEMENTS: PROPOSED

| Project  | Number of Affordable Units Proposed | Fees in Lieu Anticipated |
|--|-------------------------------------|--------------------------|
| Mueller Redevelopment  | 853 proposed                        | -                        |
| Green Water Treatment Plant /Seaholm/Energy Control Center Redevelopment | 95 proposed                         | \$2.7M                   |
| Municipal Utility Districts/Public Improvement Districts                 | 2,808 proposed                      | \$9.8M (maximum)         |
| Planned Unit Developments  | 13 proposed                         | \$2,073,890              |

# \$ DEDICATED REVENUE STRATEGIES

# Affordable Housing

Short and Long-term  
Funding Strategies



June 18, 2013





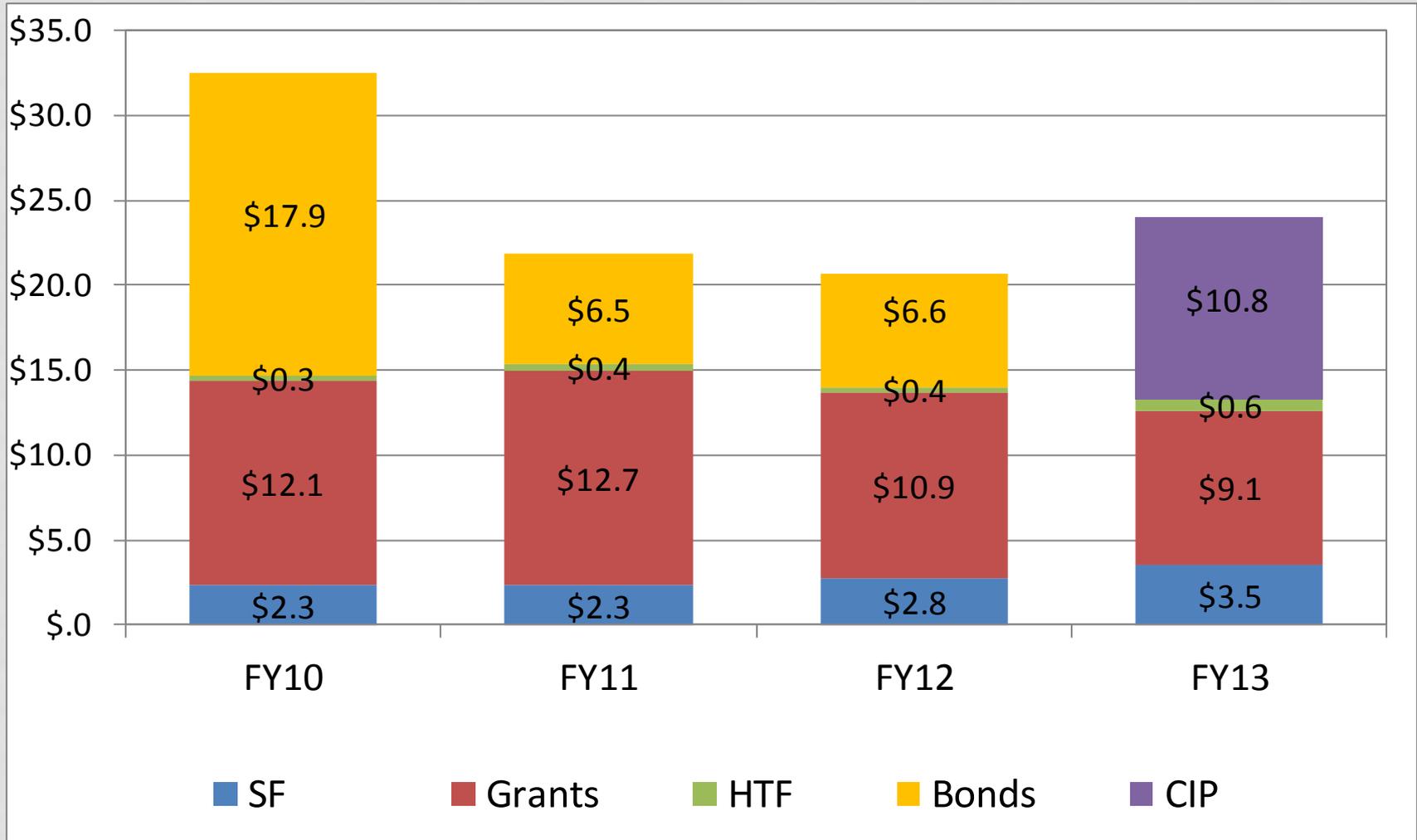
# Presentation Overview

- Funding need by service area
- Short and long-term funding goals
- Overview of CDBG and HOME grant funding
- Sustainability Fund and General Fund
- Housing Trust Fund background and summary
- Debt
- 5-year funding projection



# NHCD Funding

## Sources of NHCD Funding (FY10-FY13)





# Funding Need by Service

## FY 2014 Projected Funding Need by Service

| Description of Services  | Operating     | CIP           | Source           |
|--|---------------|---------------|------------------|
| Tenant Based Renter Assistance, Tenant Rights Assistance   | \$0.9         |               | SF/GF, Grants    |
| Housing Smarts, Down Payment Assistance  | \$0.7         |               | SF/GF, Grants    |
| Architectural Barrier Removal, Emergency Home Repair, Home Rehabilitation Loan Program, GO Repair! | \$3.5         | \$1.0         | Grants, CIP      |
| S.M.A.R.T. Housing, Community Housing Development  | \$0.2         |               | SF/GF            |
| Rental Housing Developer Assistance, Acquisition & Development, Permanent Supportive Housing       | \$1.3         | \$9.0         | Grants, HTF, CIP |
| Community Development  | \$0.8         |               | SF/GF, Grants    |
| Child, Youth and Senior Services   | \$1.0         |               | SF/GF, Grants    |
| Debt Service   | \$0.6         |               | Grants           |
| Grant Administration and Support Services  | \$4.6         |               | SF/GF, Grants    |
| <b>Total Projected Funding Need</b>  | <b>\$13.6</b> | <b>\$10.0</b> |                  |

In millions



# Funding Goals

- Provide stable source of operating funds for “recurring” programs of \$13.6 million
- Provide dedicated, sustainable CIP funding of \$10 million annually
- Reduce reliance on cyclical bond elections, thereby reducing interest and debt issuance costs
- Transition from Sustainability Fund to General Fund over 5-year period
- Provide Grant Support for CDBG / HOME as needed



# Federal Funding

- 6.5% increase in CDBG and HOME grants for FY14 recently reported by HUD

| Funding Source                    | FY10 Actual   | FY11 Actual   | FY12 Actual   | FY13 Amd     | FY14 Proj    | FY15 Proj    | FY16 Proj    | FY17 Proj    | FY18 Proj    |
|-----------------------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| CDBG                              | \$7.5         | \$8.2         | \$6.9         | \$6.7        | \$7.2        | \$7.2        | \$7.2        | \$7.2        | \$7.2        |
| HOME                              | \$4.6         | \$4.5         | \$4.0         | \$2.4        | \$2.5        | \$2.5        | \$2.5        | \$2.5        | \$2.5        |
| <b>Total</b>                      | <b>\$12.1</b> | <b>\$12.7</b> | <b>\$10.9</b> | <b>\$9.1</b> | <b>\$9.7</b> | <b>\$9.7</b> | <b>\$9.7</b> | <b>\$9.7</b> | <b>\$9.7</b> |
| <i>Projected GF Grant Support</i> |               |               |               |              | \$0.0        | \$0.1        | \$0.2        | \$0.3        | \$0.4        |

In millions

- Uses:
  - Grant Administration
  - Small Business Assistance
  - Architectural Barrier Removal
  - Emergency Home Repair
  - Homeowner Rehabilitation Loan Program



# Sustainability & General Fund

- Proposed 4-year transition from Sustainability Fund to General Fund

| Funding Source      | FY10 Actual  | FY11 Actual  | FY12 Actual  | FY13 Amd     | FY14 Proj    | FY15 Proj    | FY16 Proj    | FY17 Proj    | FY18 Proj    |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sustainability Fund | \$2.3        | \$2.3        | \$3.0        | \$3.5        | \$3.6        | \$2.2        | \$1.0        | \$0.0        | \$0.0        |
| General Fund        | \$0.0        | \$0.0        | \$0.0        | \$0.0        | \$0.2        | \$1.8        | \$3.2        | \$4.4        | \$4.7        |
| <b>Total</b>        | <b>\$2.3</b> | <b>\$2.3</b> | <b>\$3.0</b> | <b>\$3.5</b> | <b>\$3.8</b> | <b>\$4.0</b> | <b>\$4.2</b> | <b>\$4.4</b> | <b>\$4.7</b> |

In millions

- Uses:
  - Administration/Support Services
  - Community Development
  - Tenant Based Rental Assistance
  - Housing Smarts
  - S.M.A.R.T. Housing
  - Grant Support for CDBG / HOME



# Housing Trust Fund History

- The Housing Trust Fund (HTF) was established April 20, 2000
- Council Resolution directed the City Manager to identify funds and resources to invest in an expanded Affordable Housing Initiative
- Funding mechanism is subject to Council approval during annual Budget process
- HTF is funded through 40% of incremental tax revenues derived from developments built on City-owned lands within the defined Desired Development Zone



# HTF Options

- Option 1: Current Method
  - 40% Property Tax Increment for City-owned properties
  - 3% growth in existing AV assumed
  - Includes impact of Green Water Treatment Plant and Energy Control Center
- Option 2: Expanded Property Base
  - Option 1 plus non-City owned properties
- Option 3: Set Percentage of O&M Tax Revenue
  - Phased in over 6 years
  - 0.25% starting in FY14; leveling off to 2% in FY18
  - Cap annual transfer at \$10 million



# HTF Revenue by Option

## 6 Year Comparison of Funding Options

| Funding Option             | FY13<br>Amd | FY14<br>Proj | FY15<br>Proj | FY16<br>Proj | FY17<br>Proj | FY18<br>Proj |
|----------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Current Method             | \$0.6       | \$0.8        | \$0.8        | \$1.0        | \$1.3        | \$1.6        |
| Expanded Property Base     |             | \$1.4        | \$1.4        | \$1.7        | \$2.0        | \$2.3        |
| Fixed % of O&M Tax Revenue |             | \$0.9        | \$1.9        | \$4.0        | \$6.6        | \$9.5        |
| % of O&M Tax Revenue       |             | 0.25%        | 0.50%        | 1.00%        | 1.5%         | 2.0%         |

In millions

- Uses:
  - Administration/Support Services
  - Rental Housing Developer Assistance
  - Acquisition and Development



# HTF Option 4: GF Transfer

- Prior year transfers over and above 40% calculation
  - \$7.2 million made between FY 2002-2005
  - \$10.8 million in FY13 funded through mid-year budget amendment
- EXAMPLE:

| <b>Funding Source</b>         | <b>FY14<br/>Proj</b> | <b>FY15<br/>Proj</b> | <b>FY16<br/>Proj</b> | <b>FY17<br/>Proj</b> | <b>FY18<br/>Proj</b> |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Current HTF Method            | \$0.8                | \$0.8                | \$1.0                | \$1.3                | \$1.6                |
| Additional GF Transfer to HTF | \$0.1                | \$1.1                | \$3.0                | \$5.3                | \$7.9                |
| <b>Total</b>                  | <b>\$0.9</b>         | <b>\$1.9</b>         | <b>\$4.0</b>         | <b>\$6.6</b>         | <b>\$9.5</b>         |

In millions

- Uses:
  - Architectural Barrier Removal
  - Rental Housing Developer Assistance
  - GO Repair!
  - Permanent Supportive Housing



# Debt

- Goal: Combine with HTF or CIP to generate \$10 million annually
- \$27.1 million needed over next 5 years

| Funding Source             | FY14 Proj | FY15 Proj | FY16 Proj | FY17 Proj | FY18 Proj | Totals        |
|----------------------------|-----------|-----------|-----------|-----------|-----------|---------------|
| Projected HTF Contribution | \$0.9     | \$1.9     | \$4.0     | \$6.6     | \$9.5     | <b>\$22.9</b> |
| Bond Proceeds              | \$9.1     | \$8.1     | \$6.0     | \$3.4     | \$0.5     | <b>\$27.1</b> |
| Total Available for CIP    | \$10.0    | \$10.0    | \$10.0    | \$10.0    | \$10.0    | <b>\$50.0</b> |

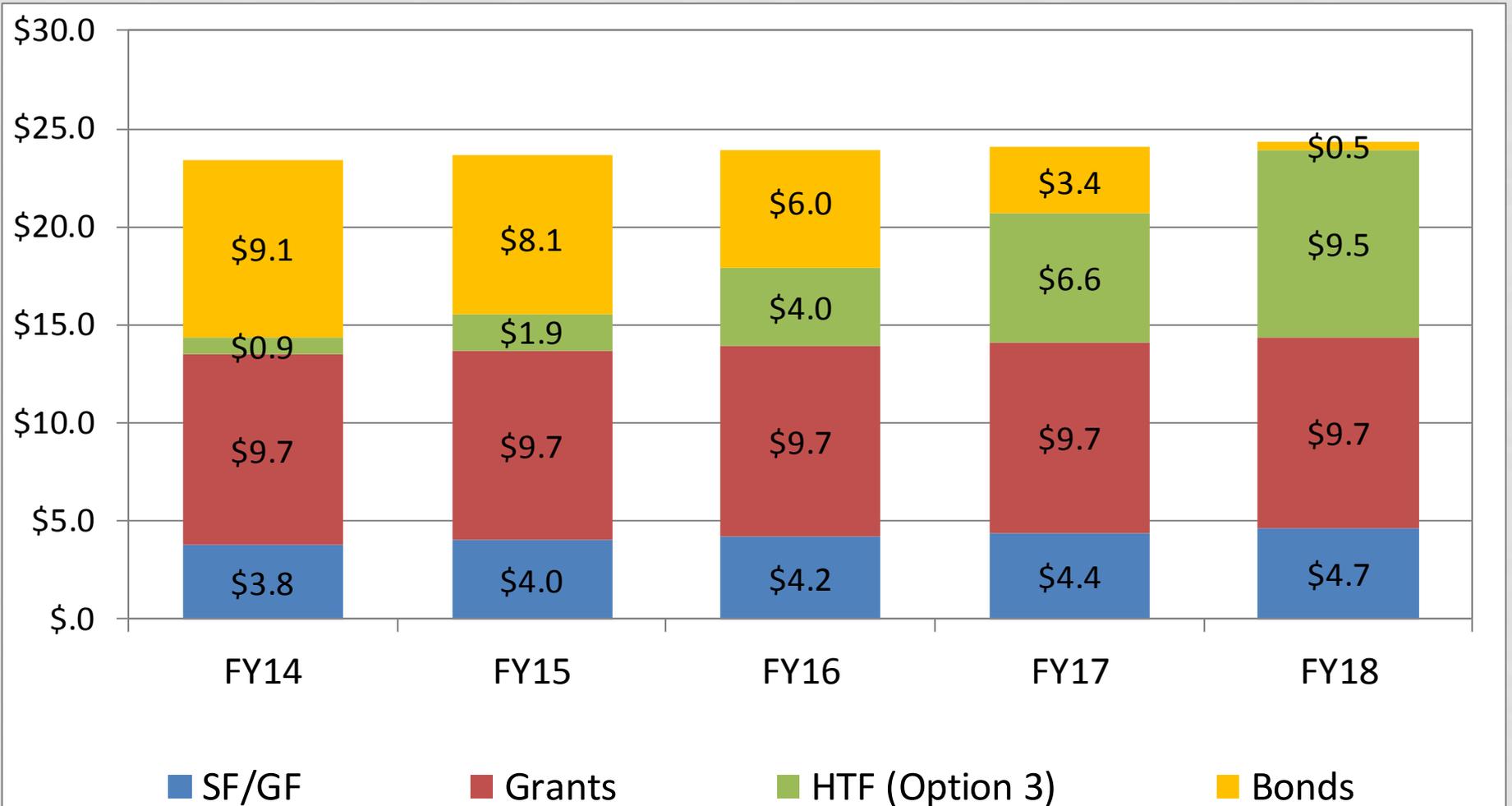
In millions

- Uses:
  - Acquisition and Development
  - Permanent Supportive Housing
  - Rental Housing Developer Assistance



# Funding Strategy

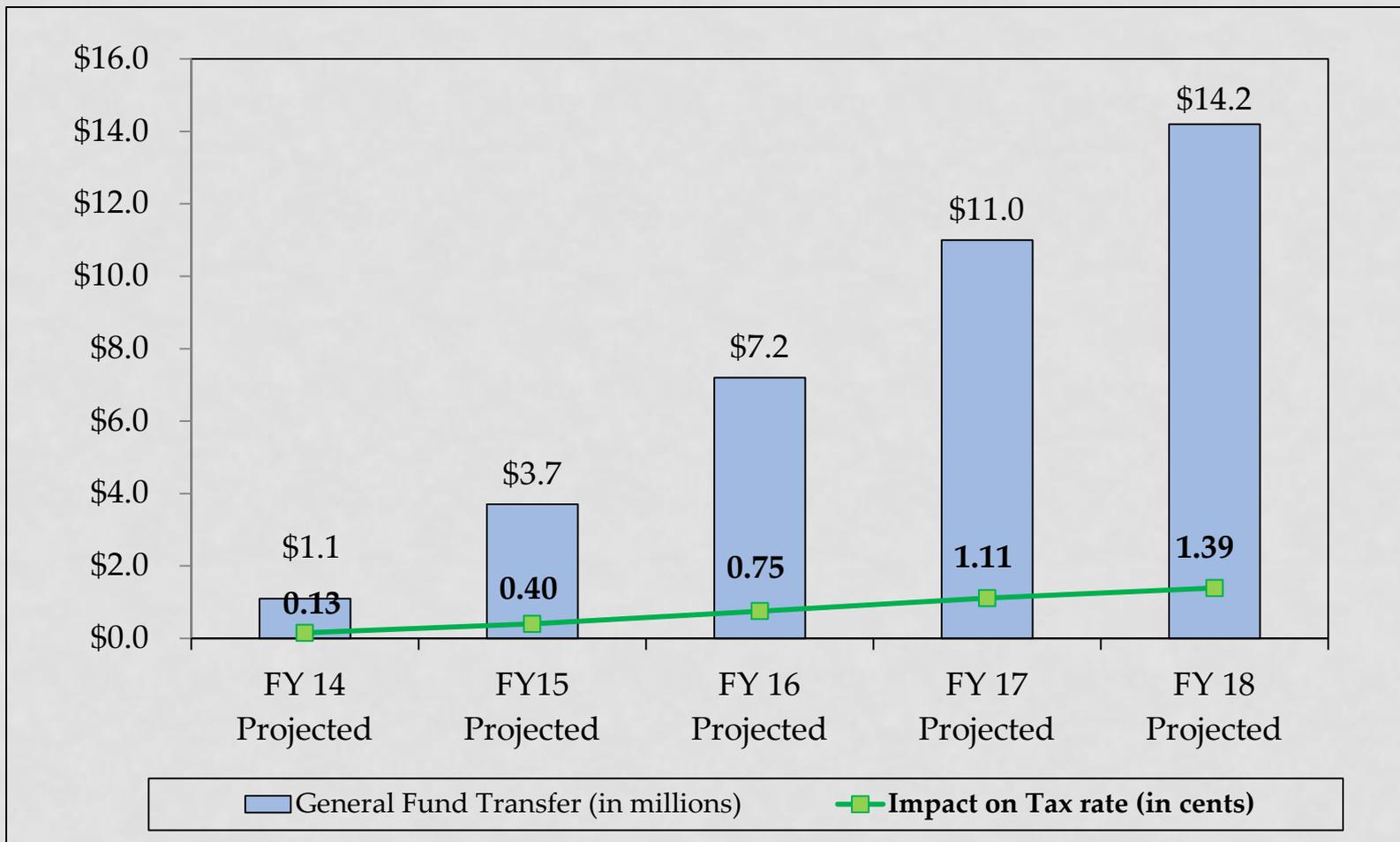
## NHCD Projected Funding (HTF Option 3)





# Funding Strategy

## Projected General Fund O&M Impact





# Staff Recommendations

- Reduce long-term reliance on cyclical bond programs, thereby lowering costs
- Increase General Fund transfer to the HTF to \$10 million annually by FY 19
- Between FY14 – FY 18, supplement HTF funding with \$27.1 million in bond funds to achieve \$10 million of CIP funding annually
- Transition Sustainability Fund programs to the General Fund over a 4 year period

# AFFORDABLE HOUSING STRATEGY: RECOMMENDATIONS/ACTIONS

## **Accurate / relevant data to set targets & goals**

- Define sub-area goals/targets through upcoming Housing Market Study (2014) & the City's future Consolidated Plan – 5 year planning document.

## **Innovative zoning/regulations to facilitate low cost housing**

- Create opportunities for affordability through Land Development Code rewrite:
  - Incentives to increase affordable housing
  - Reduce regulation that impedes affordability
  - Expedited processing with single point of contact for dedicated affordable projects
- Redevelop public lands to prioritize affordable housing

## **Dedicated Revenue & Financial Plan**

- Seek Return on Investment -\$55M GO bonds leveraged \$196M
- Develop rental preservation program
- Expand Shared Appreciation Model & Community Land Trust
- Funding strategy for affordable housing
- General Obligation Bond Election – (Nov 5 2013 Scenario)
  - Aug 26<sup>th</sup>: Last day to call for the Nov. 5, 2013 ballot



# Conclusion

Questions



# GENERAL OBLIGATION DEBT ANALYSIS

FINANCIAL SERVICES DEPARTMENT  
JUNE 18<sup>TH</sup>, 2013

# OVERVIEW OF DEBT

- Tax Rate has two components: O&M and Debt Service



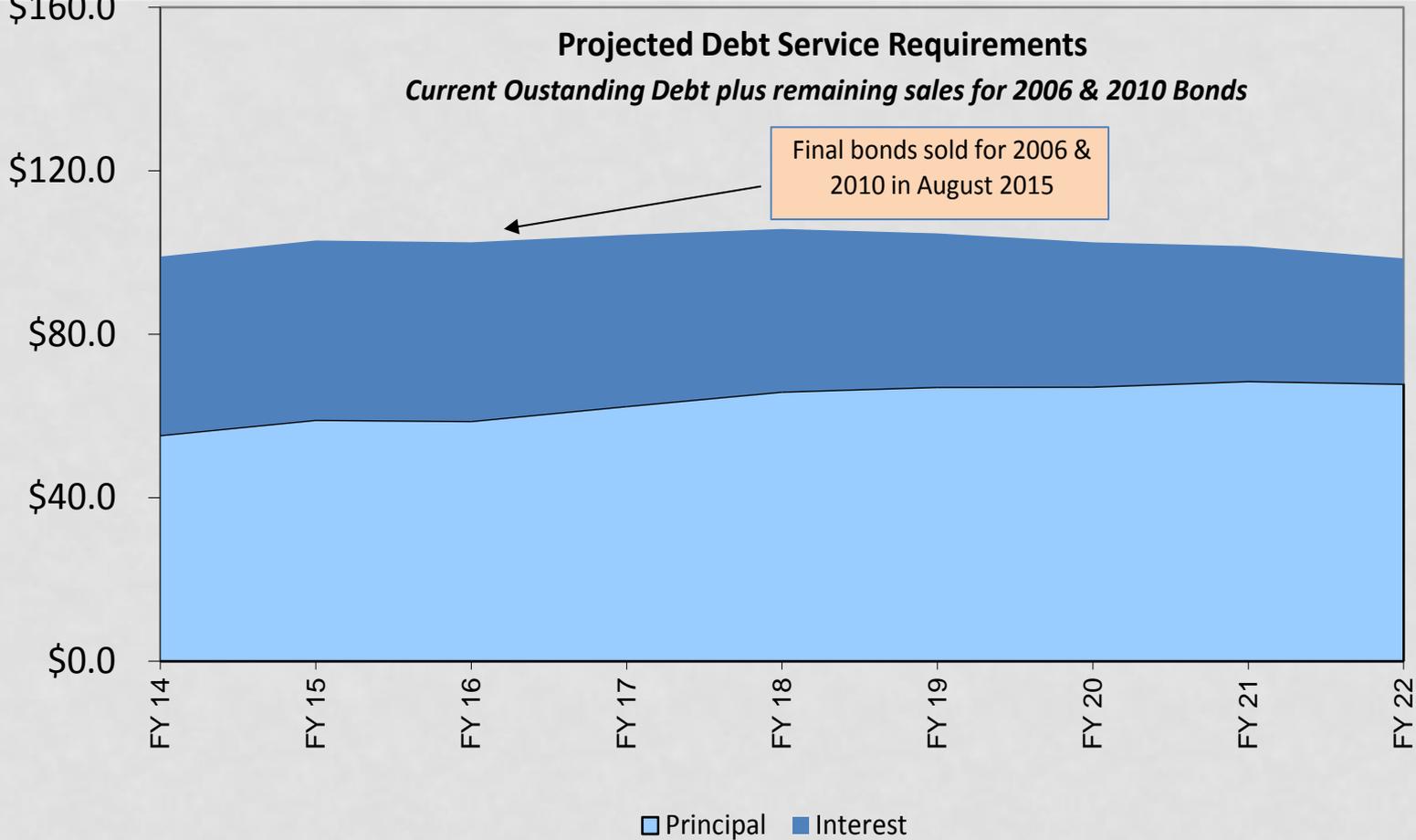
- Debt service tax rate set each year at level necessary to fund principal and interest payment on debt that has been issued and pledged with property tax

# ASSUMPTIONS

- Current debt service tax rate is 12.08 cents
- Projected FY14 debt service tax rate of 11.70 cents
  - lower than current year debt service tax rate
  - starting point for analysis – i.e., “nominal” debt tax rate
- Revenue from projected tax rate over the next 6 years will all be dedicated to:
  - servicing debt on current outstanding debt, and;
  - \$473 million to be issued for 2006/2010/2012 bond programs
- Bond sales for 2012 bond program complete by 2018/2019
- Bond sales for a November 2013 or May 2014 bond election program could begin no earlier than August 2014, which impacts FY15 tax rate
  - assumes a 6 year bond issuance schedule

# DEBT SERVICE - PRE-2012 BONDS

\$ millions  
\$160.0



# DEBT SERVICE - WITH 2012 BONDS

\$ millions  
\$160.0

## Projected Debt Service Revenue & Requirements

*Current Outstanding Debt plus remaining sales for 2006/2010/2012 Bonds*

\$120.0

Final bonds sold for 2012  
Bond Program August 2018

\$80.0

Projected Revenue at  
Constant Debt Service Tax  
Rate of 11.70 cents

Final bonds sold for 2006 & 2010  
Bond Programs in August 2015

\$40.0

\$0.0

FY 14

FY 15

FY 16

FY 17

FY 18

FY 19

FY 20

FY 21

FY 22

■ Current/2006/2010 Debt Service

■ 2012 Debt Service

□ Tax Revenue

# SCENARIOS

- Any new bond election will require a debt service tax rate higher than the projected 11.70 cents needed to cover our existing bond programs

| Scenario   | Debt Service Tax Rate | New Bonds     |
|------------|-----------------------|---------------|
| Scenario 1 | constant + ½ cent     | \$95 million  |
| Scenario 2 | constant + 1-cent     | \$155 million |
| Scenario 3 | constant + 2-cents    | \$315 million |
| Scenario 4 | constant + 3-cents    | \$455 million |

- Current year debt service tax rate of 12.08 cents is slightly lower than Scenario 1

# *Questions / Discussion*