

September 3, 2017



**Three Flawed CodeNext Numbers:
135,000, 300,000, 10,000**

The Strategic Housing Blueprint, a non-legally binding document prepared by Austin’s Housing and Community Development Department, was adopted by the City Council on April 12, 2017. The Blueprint (“SHB”) was developed to provide guidance to the City Council and others focusing on affordable housing. The Blueprint includes wage and income data, rental and housing prices, and demographics. It offers an assessment of Austin’s current affordable housing programs and makes recommendations for affordable housing initiatives and funding.

The accuracy of the Blueprint’s data is important not only to those making affordable housing policies, but also for those specifically guiding and recommending content for the City’s new land development code, CodeNEXT. The Blueprint contains two numbers which are unsupported: first, the number of new housing units the City of Austin needs in the next 10 years, and second, forecasted population of the City over the next 10 years. A third number relates to the size of lots with homes at risk of demolition under CodeNEXT. The first two are cornerstone numbers on which the density engine of CodeNEXT is built. The third goes to the credibility of the forecasts of the future impacts of CodeNEXT.

135,000

The Strategic Housing Blueprint claims, “More than 135,000 housing units—both market-rate and below market-rate—may be needed to reduce Austin’s overall share of housing cost-burdened households....” (*SHB, April, 14, 2017 pg. 8*) What is extremely troubling about this estimate is that it was based on regional housing needs, that is, the housing needs of the five counties in Austin’s Metropolitan Statistical Area – Travis, Williamson, Bastrop, Caldwell and Hays. Unless the City of Austin plans to successfully annex four counties, this Blueprint number of housing units needed is **grossly inflated**. According to the analysis by City Demographer Ryan Robinson, in his attached April 11th memo to former Assistant City Manager Bert Lumbreras, 80,000 is the more accurate need for new housing units in the City over a 10-year period. Robinson criticized the SHB’s use of a *regional* growth rate of 34% rather than *Austin’s* growth rate of 20%. But

City staff countered that the use of regional numbers makes sense: “We had heard through our housing market study that there are people who would like to live in the city of Austin if they could, but because they can’t afford to, they have to live in surrounding areas,” said Erica Leak, who works for the City’s Neighborhood Housing and Community Development Department. That reasoning suggests that the City is seeking to increase Austin’s percentage of the existing regional population. As noted below, the City’s demographer says that this is unrealistic and that planning for it unwise. The 135,000 number is a regional number, and its use reflects either a policy change to drive an increase in our percentage of the regional population or a rejection of empirical data.

Apart from its inaccuracy, the 135,000 figure is totally unrealistic. University of Texas professor Jake Wegmann says, “To even achieve what the plan lays out would be an incredible, Herculean undertaking that no other large American city’s been able to pull off”. (*The Austin Monitor, April 4, 2017*)

A plan (or “blueprint”) without realistic goals is not a plan. Attempting to implement a plan with unrealistic goals and lacking an empirical basis will do more harm than good.

300,000

Another troubling number found in the SHB is its estimate that Austin’s population will increase by 300,000 people in 10 years. City Demographer Robinson, who was not given the opportunity to vet the Blueprint before it was made public, pointed out the inaccuracies of this figure. Before the City Council’s March 21, 2017 deliberation on the SHB, Robinson said, “The SHB seems to treat housing issues and challenges within the City of Austin as existing outside the regional context and scope that truly represent the dynamics of an extremely active housing market.” Robinson’s analysis indicates that the City will gain 180,000 people, not 300,000, over the next 10-year period. Robinson says it is “unrealistic” for Austin to assume it will take a bigger share of regional growth. He further says it is not wise to ignore that the City of Austin’s “piece of the regional housing market will continue to diminish over time, following a trajectory much like that of the City’s share of total regional population.”

During the Council’s April 12, 2017 Blueprint deliberations, council members questioned Robinson about his memo. He warned that using a projected growth rate over the next 10 years to determine the City’s housing goals could end up having unintended repercussions. “My fear is that we will accelerate the removal of our organic, older affordable stock,” he said.

Several citizens argued against accepting the Blueprint, with its misleading new housing unit and population estimations. Yet, the City Council unanimously voted to adopt the it.

At the current pace of new unit construction, the City already is on pace to build 90,000 units in 10 years. The Zoning Capacity Study by the Planning Department's Paul Frank in 2011 and 2012 indicates that current available entitlements allow for a potential 224,530 additional dwelling units, not even taking into consideration additional units that could be added on areas currently zoned non-residential, which could be an additional 166,460 to 332,918 units – units that can be located where the growth plan directs them.

The City Council made a mistake in accepting the Blueprint's estimates of the City's population growth and housing needs – estimates provided by an outside consultant and not by our expert City Demographer on whom the City has relied since 1995 when he became the director of Austin's city's demographic program. We should not compound the mistake by acting upon them.

10,000

The CodeNext team includes a firm from Portland, Oregon headed up by John Fregonese. Mr. Fregonese has been engaged to forecast some, but not all, of the potential impacts that CodeNext might have on the City. He uses his self-described "redevelopment tool", *Envision Tomorrow*, to apply business methodology to areas in the City which have been targeted by the Planning Department for denser housing. This tool will be the subject of another paper, but suffice it to say that its application to date under CodeNext is inconsistent with and a violation of, our comprehensive plan, *Imagine Austin*.

So, why does the number 10,000 matter? It's because Mr. Fregonese told the joint land use commissions on August 8, 2017 that his forthcoming forecast of the impact of CodeNext on single-family homes at risk of demolition because of infill will remove from consideration any developed parcel less than 10,000 square feet. The reason he cited to the commissioners is that if a demolition were to occur on such parcel, a single house would likely be replaced by another single house, and thus, the increase in density would be net-zero. But that contradicts the intent of the first draft of CodeNext, as reflected in its land use zones, to facilitate the transformation of Austin's single-family neighborhoods into multi--family/commercial neighborhoods.

Draft 1 of CodeNext, for example, proposes that lots having minimum square footage of 5,000, 7,200, and 8,400 square feet, respectively, may contain up to three dwelling units, and a corner lot of minimum 6,250 square feet may contain up to four dwelling units. It is a grossly false assumption that the demolition of an existing house on all of

these lots will result in the construction of a single house to replace it. Draft 1 is replete with provisions intended to incentivize demolition and densification on 10,000 square foot and smaller lots.

And guess what is Mr. Fregonese's target number for needed housing units? You guessed it – the same flawed number from the Strategic Housing Blueprint, 135,000.

So there you have it. The City is using incorrect numbers rejected by its own demographer as the basis for a code which if implemented will accelerate growth and incentivize demolitions and displacement through the “the removal of our organic, older affordable stock.”

Conclusion

It is disturbing that a City that prides itself on innovation and excellence is building a land use code based on flawed data and unsupported assumptions. It doesn't have to be that way. Let's slow down, return to the facts and get it right.

<http://www.communitynotcommodity.com>

ATTACHMENT



TO: Bert Lumbreras, Assistant City Manager **FROM:** Ryan Robinson, City Demographer

Planning and Zoning **DATE:** April 11, 2017

SUBJECT: DRAFT STRATEGIC HOUSING PLAN ASSESSMENT

I have examined the December 5, 2016 Draft Austin Strategic Housing Plan (SHP) from a demographic perspective and offer an objective assessment that is provided in the following discussion points. Although I did enjoy some collaboration with my colleagues in Neighborhood Housing and Community Development in the creation of a few parts of the SHP, this is the first time I have had the chance to give the document detailed scrutiny.

Austin's Housing Market is a Regional Market

The vibrant housing market that exists within Austin operates at the metropolitan-level and not at the municipal-level. The SHP seems to treat housing issues and challenges within the City of Austin as existing outside the regional context and scope that truly represent the dynamics of an extremely active housing market. The City of Austin's piece of the regional housing market will continue to diminish over time, following a trajectory much like that of the City's [share of total regional population](#).

Calculation of the Future Housing Goal

Using the urban region's projected population [growth rate from 2015 to 2025](#) to calculate the number of future housing units needed for the City of Austin could lead to unintended consequences. Metropolitan Austin is expected to experience a net population gain of almost 700,000 persons during this period, a percentage increase of just over 34%; while the City of Austin is projected to grow by about 20% during that same period of time. The expected regional population gain of 34% is then used to grow the City's total number of housing units from almost 398,000 (circa 2015) total units to roughly 533,000 units by 2025—a net gain of just over 135,000 units in ten years. If these new units were occupied at a percent similar to the 2015 overall housing occupancy of 92%, and then these units populated with about 2.4 persons per unit, the City's total 2025 population will have increased by almost 300,000 persons as opposed to the projected increase of

almost 180,000 persons for the City.

Given the strength of current regional demographic dynamics, it seems unrealistic to assume that the City of Austin could somehow reverse these macro trends and gain an increased share of future regional growth that will more than likely occur within the

metropolitan area's suburban realm. This is basically a level of population growth that would be demographically improbable to achieve.

Council District Goals

The SHP seems to take a one-size-fits-all approach to prescriptive future housing goals for Council Districts not only by housing unit type and tenure but also by income eligibility. Each Council District should be given its own customized set of prescriptive housing goals that are ambitious and yet are within the scope of what is truly possible given the demographic realities of each Council District.

What strategies might work?

Market forces are why housing in Austin has become less affordable—and significantly influencing broad market forces is a difficult task for the public sector to accomplish. While the Austin housing market is indeed more expensive than it used to be it is still affordable relative to the much more expensive coastal housing markets where many of Austin's in-migrants continue to come from. As the region's transportation system becomes more congested, residential locations closer to major employment clusters and centers become that much more important. And although the overall distribution of jobs with the region will continue to decentralize, the value placed on central city residence will continue to grow as the region continues to grow.

As a demographer, here is a short list of development code and transportation system strategies I think might work:

- a flexible and nimble Land Development Code (LDC) that supports and enables the creation of a wide diversity of housing types and unit densities,
- a LDC that promotes the preservation of core, anchor single family neighborhoods but gives home owners the chance to create infill stock like Accessary Dwelling Units thereby generating new revenue streams and interstitial housing stock.
- a LDC that puts the importance of the preservation of organic, market-rate affordable housing over the creation of new housing stock,

□ development review fees and plan review time and review complexity all add costs that are within the realm of what the City can actually influence,

□ and finally, a truly high-capacity regional transit system that can move significant numbers of workers efficiently across metropolitan space. Overall, the SHP is extremely well-done and presents a thoughtful approach to mitigating affordability issues as housing in Austin becomes more expensive.

CC: Mayor and Council Elaine Hart, Interim City Manager Greg Guernsey, Director, Planning and Zoning Rosie Truelove, Interim Director, Neighborhood Housing and Community Development