Housing and Community Development Committee Meeting Transcript – 3/25/2015

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[5:30:52 PM]

>> Good afternoon, I'm councilman Renteria, a quorum is presents so I will call this meeting of the the housing community development can he to order on March 25th, 2015, at Austin city hall, 301 west second street, Austin, Texas, the time is -- 4:10. Housing community development committee. I also want to remind everyone, if you are parked in the city garage, we have city staff that can validate your parking stub so you don't have to pay when you leave. Okay, the first item of the -- of the agenda is to approve the minutes. This is the first meeting of this committee, there is no minutes to approve. We will now move into the next item, which is citizens communication. The first speaker that we have is Stewart Hirsch. Stewart, you have three minutes.
>> Members of the committee, my name is Stewart harry Hirsch, like most in Austin I rent, like most in Austin we don't give you presentations on housing so we sign up for citizens communication as our one opportunity. I'm asking you to consider on your future agendas, at least six topics that I've prepared for you today. The first is the goals related to replacement housing for floodplain homeowners who are being bought out. The second Rainey street code amendments to -- to promote housing affordability, because I believe the current codis code discourages that.

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Third, setting goals for homelessness, home repair, home ownership. We now have a brand new market study, a brand new impediments to housing study which should provide the data necessary to set those 10 year goals and I think that we should do that. Fourth, private restrictions, neighborhood plan restrictions on access sorry dwelling units, one of the coated changes coming before you is the issue of -- of potentially expanding opportunities for accessory dwelling units, granny flats and there are some impediments, but I don't know that's been part of the conversation. I think we should talk about that. The fifth is a financial issue. Of the triangle, Mueller redevelopment, green water treatment plant should be -- they are not seen to be doing that for the foreseeable future, I think that we should have a conversation about that because it isn't the way that the housing trust fund was conceived now 15 years ago, the anniversary of both smart housing and the housing trust fund will come on April 20th of this year. Finally, impediments to smart housing. We began that discussion last year about the T in smart but we haven't talked about the other impediments. I think it's appropriate to type about this today because it's the 50th anniversary of the marchers from Selma to Montgomery finally reached the capitol steps and Dr. King talked about the long journey and many of the impediments along the way. Many of the issues that you will face in both affordable housing and community development relate to issues of equitable development and how we treat the poorest among us. So I hope you take the opportunity in your future meetings to really get into the weeds on some of those topics. And function as a committee making recommendations to the full council and I hope that you will allow us to participate in a way other than citizens communication in the future. Thank you very much.

[5:35:03 PM]

>> Renteria: Thank you. The next person is Angela Benevides Garza. Hello council men and women, I had an opportunity to be involved with the meeting and homestead opportunity that everybody -- the opportunity that's being put on the table for east Austin and I know we're going to be discussing that. Some ideas came out of that meeting that might help in making up for some of the tax laws or, you know, to bring in more income. Maybe an idea of a luxury tax. Bringing -- being brought to Austin. Another idea is when people do visit our city, our heart city, that if you don't treat it well, then there is a hefty fine, no matter who you are. That's another idea. I'm sorry, I'm nervous, I'm not used to speaking in front of people. There was just additional ideas that came out of that meeting, but we also expressed during that meeting, I believe it was a Thursday meeting, we were very much informed. We expressed in the meeting that the biggest fear in east Austin is that what is said is so much different than what is written. This is why there's such a huge mistrust and we have the sense of, you know, we just don't believe -- we have been told so many different things and what's written is so different. Another idea came about as what have our neighborhood associations bridged in east Austin, got past differences and actually started bridging and talking with 78702 and listened to some of the ideas that they are doing in that area to inform people. And, you know, I just wanted to bring some other additional ideas so we're just not looking at taxing out east Austin and the least [indiscernible] You all are considering things like that, because people are just easily confused.

[5:37:12 PM]

I'm sorry to say that. We can't get to everybody. But I know it's a bad karma, I just don't want to build for a hard city, thank you.
>> Renteria: Okay. There's a number of briefings from staff on the agenda, so if there's no objection, we will begin with the overview of the neighborhood housing and community development office and then next we'll take up the -- the item 5, briefing on the homestead preservation district. This is a big topic and then we also have a consultant from out of town and several other visitors on this topic. So I want to make sure we get to the item. After that, we will return to the agenda order.
>> Good afternoon committee members, we are very excited to be here today.
[Off microphone]
>> Thank you very much. The first thing we're going to do is talk about a department overview. Some of these slides we actually did present in a policy workshop that we did several weeks ago, but I think it's worth repeating and putting in context with the department. That really wasn't a department overview. All right. So we are the neighborhood housing and community development office within the city of Austin. Here we go. So our department mission is to provide housing, community development and small business development services to benefit eligible residents so they can have access to liveable neighborhoods and increase their opportunities for self sufficiency. We do that in a lot of different ways. We also have the Austin housing finance corporation, or we call the ahfc. It was created as a public non-profit corporation to act as the city's housing production arm. The Austin city council serves as the board of directors for the finance corporation.

[5:39:13 PM]

The mission of the finance corporation is to generate and implement strategic housing solutions for the benefit of low and moderate income residents with the city of Austin. The finance corporation's primary functions are to issue single family and multi-family bonds for the financing of reasonably priced housing and to assist the city in the delivery of reasonably priced housing programs using home investment partnership or home funds, community development block grant funds and a variety of other funds. So let's talk a little bit about household affordability. First off we'll talk about affordable housing, sort of the federal definition. We often hear affordable housing, people have lots of different images in their head of what affordable housing means. By definition, through the federal government and since the majority of our federal funds come through the U.S. Department of housing and urban development, affordable housing is defined as housing in which the occupants are paying no more than 30% of his or her income for rent, mortgage payments and utilities and no more than 45% of their income on housing and transportation costs combined. Several years ago, interesting when you just switch those two words, in the order -- when you take it instead of affordable housing you go household affordability, it has a very different connotation for a lot of folks. We actually find it a much better way to describe really what we do. Unfortunately, when you say affordable housing, people get a lot of different images in their head, not always positive ones, but household affordability, it is a priority program within imagine Austin. It is an -- it's an issue that's important to each and every person because it really is an individual's household affordability and that individual or household's cost of housing, utility, taxes and transportation. It is something that affects each and every person. Another thing that you will hear us talk a lot about is median family income. These are actual -- these are what we have got in front of you the definitions by the federal government and this is for the whole msa or the metropolitan

[5:41:21 PM]

[indiscernible] Area, includes Travis county and several other counties. For example, 30% mfi, median family income, that is very low, that's considered very low income, individual or family, for one person that annual salary is 15,850. For a family of 4, it's 22,600. 50% median family income is half of the median family income for the city of Austin and surrounding area, 26,400 for one person, 373,700 for four. And 08% of median family income, 42,000, wonderful for one person, 60,000 for a family of four. So we just introduce that to you because one of the programs we administer, one of the things that we look for is income eligibility and different programs have different eligibility criteria. Affordability requires diverse approaches. This is one of the slides that we showed you during the policy workshop. So just a couple of definitions. Market rate affordable housing is housing built by private developers that is affordable due to its size, location, age, quality and maintenance. If you remember, Terri Mitchell talked a lot about private development and affordable housing, market rate affordable housing. Income restricted affordable housing is what our department often, when we invest funds, we are investing into an income-restricted affordable housing unit because it's housing that is reserved for specifically for a household at a particular income for a specified period of time. It can also be the public housing authority has income restricted units. We restrict units through a variety of different mechanisms. But it is very specific to a family or individual of a certain income for a period of time. Usually with a restrictive covenant. Affordability through regulations or incentives. So when we utilize the code or incentives to encourage development to include affordable units despite market pressures.

[5:43:22 PM]

Density bonus programs are one opportunity, that is one of the later presentations that you will hear from Erica league and Jim Robertson on the density bonus programs. Then subsidized affordable housing, that's housing that is specifically subsidized by federal or local funds to make a development feasible with lower rents or prices, usually has an affordability period. So subsidized housing and income restricted housing often go hand in hand. The need for diverse housing types, I'm pretty sure we showed you this slide as well during the policy workshop. This just gives you a picture of the types of individuals and/or households that fall in different income categories. Again, sometimes an image that folks have when we say affordable housing, they are assuming individuals that don't work. The vast majority or a lot of the folks that we serve are working, what we classify as the working poor or can be several folks who are working in the household. But it isn't always just individuals who are not currently working. Our very low income folks often fall into that category. They also often may have a disability or some other reason why they're not able to work. This is the spectrum of families and households that we serve and then the types of jobs and income levels of the different -- of the different ranges.
>> Betsy, can you put back two slides to the income restricted one?
>> Yes.
>> Casar: Just to be clear, I'm a visual person and I know that you have red boxes around the bottom three. The density bonus, though, is an -- isn't income restricted just market rate set at that level of rent?
>> No the density bonus program for the affordable units are also income restricted.
>> Casar: Right. Okay. So it's produced through the private market, but the units that are provided at lower rates are income restricted to people of those income levels?
>> Correct.
>> Casar: Okay, thanks.
>> You're welcome. So some of our department programs, so -- so this -- we often talk about our work in the form of a continuum.

[5:45:25 PM]

There's a continuum of housing that's offered for folks across a spectrum. So at your far left, supportive housing, this is going to be generally an area where there's high public subsidy, because it's very costly for supportive housing for individuals who are either homeless or near homeless, they are sheltering opportunities, transitional housing, permanent supportive housing for the homeless. So this is the lowest, this is generally for folks that are at the very lowest income bracket and requires the highest level of subsidy often to operate to maintain. They are subsidize rental, public housing, housing choice vouchers, income restricted rental units, still somewhat costly in an investment it's going to be a slightly higher income range for the individuals for recipients, the next step on the continuum, subsidized owner, income restricted ownership, housing or shared equity models, habitat for humanity has an excellent shared equity program, that's a subsidized owner program. We also have down payment assistance where we are able to offer utilize federal funds for down payment assistance for income eligible families for home ownership, then there's market rental, the privately owned rental housing, density bonus programs an example of that. Market owner privately owned or newly constructed for sale housing. You will see we have opportunities for market owner through our puds and m.u.d.es and some of our relationships and agreements like that, then our minor home repair program. This actually is probably per unit, the least costly to the city. On the average it's 10 to 15,000 per household. The return on investment, I think, is very high because we're able to maintain families and individuals in their homes, oftentimes that are paid for, elderly and disabled on a fixed income. For very little money we can maintain someone in their home. This is the continuum of services and programs or opportunities that we provide.

[5:47:27 PM]

In our department, we have an investment plan with seven -- seven different categories, so you will see often one of the things that you will see in the next couple of weeks, we will start our needs assessment planning process for our federal funds. In that process, they have -- we have an annual action plan, we also have a five-year consolidated plan. So we have seven categories where we strategically invest our money. So -- it goes -- similar to the continuum that I showed you on the far left, homeless and special needs. So we have a variety of different services that benefit folks in that category. Our renter assistance buyer, home buyer assistance program, home owner assistance programs. We have our housing developer assistance program. You will become very familiar with that because it's probably the one where we invest the largest sum of money at any given time and it tends to be very high profile. The neighborhood and commercial revitalization program. We currently have one, the east 11th and 12th street revitalization program has been going on for a while. We have recently initiated the colony park sustainable community initiative program. We just are wrapping up the three-year planning process on that and are entering into the long-term phase of that. Then we have small business assistance, small business assistance programming as well. This is just to give you a brief overview of our budget. On the average our annual budget is between 24-26 million, depends, federal allocation, some other things, you can see here this is our current budget right now, 5.3 million comes from the general fund. The 9.7 million in grants are what we call entitlement funds on why would -- entitlement doesn't sound great. Formula funds from the U.S. Department of housing and department, home, community development block grant, esg and housing opportunities for persons with AIDS.

[5:49:28 PM]

This current year we have 9.7 million. The housing trust fund is about 800,000. We had 300,000 expense refunds and then our capital funds, which is the go bonds, generally 10 million. How we use those funds, 18.6, will go into housing programs, programs that directly create, retain or preserve housing. 2.3 invested in community development activities, 4.9 in support services and then 2 million for transfers and other requirements. Our federal formula funds, it's important to understand the city of Austin is a participating jurisdiction. That is a definition by the federal government and as a participating jurisdiction we do receive these formula funds. They are listed up there for you again, cdbg, home is not an acronym. Hopwa and esg. This shows you the trend over the last five years. Apologize, shows you this year, '14-'15, expected for next year. If you go all the way over the five-year difference. We have seen the most dramatic decrease in our home funds, 46%, over the last five years. 14% decrease in the cdgb black grant, tiny increase in hopwa significant increase in the esg. Federal funds, important to understand, federal funds come with relatively restrictive rules and regulations. People may not always appreciate that, but there's quite a bit of detail and there's a lot of regulations that go with it. The home investment partnership program dollars are very specifically for housing for folks at 80% and below. Eligible uses include building, buying, rehabbing affordable housing for rent and ownership or providing direct rental assistance to low income people. And it must be 80% below.

[5:51:29 PM]

Very, very specific. The cdbg are a lot broader in their use. We do, the city of Austin -- there was an ordinance passed in 1982 which actually limits how we have utilized cdbg funds. We do not use them for capital improvement projects. Many cities will use their cdbg funds for streets and drainage and other capital improvements. The ordinance passed in 1982, we don't use our funds that way. So what's listed up there for you is by ordinance, how we currently utilize the community development block grant funds. The housing trust fund. The housing trust fund was established in April of 20, 2000. It was a council resolution that directed the manage at that time to identify funds and resources to invest in expanded affordable housing initiatives. It is a funding mechanism subject to approval by council each year during the annual budget process, currently the housing trust fund is funded by a transfer of 40% property tax revenue, excluding Texas increment financing, tif districts, generated from developments built within the city-owned land within the desired development zone. This current year maybe 856,000. General obligation bond funds overview. In 2013 there was a single proposition of 65 million of general obligation bonds specifically for affordable housing. In 2006 obviously we had a $55 million allocation, which we have committed all of those funds. Up there shows you the spending -- the years in which they were committed and/or spent. The different types of activities that we funded. And/or invested in. And the types -- the populations of folks that benefit. At a high level, where is the unit number? Where is the -- ah.

[5:53:29 PM]

Total. We created -- we created, retained or renovated, preserve 34 -- a little over 3400 units. Almost 2600 of those were affordable units. Some of the projects that we invested in did have market rate housing. None of the go bonds financed the market rate housing, but there are market rate units in some of the developments. And there is no money left. Two years ago, the housing works employed a group called civic economics to do economic study on the return on investment of the $55 million -- the original go bond allocation. This shows you for the $55 million that have been spent, $196 million of private investment was leveraged. 3400 units were created. 648 homes were repaired, sorry, I don't have my glasses, I can't see that far. Almost 1400 new units. 131 new accessible homes. 108 new rental homes. 2900 jobs. At the end of the day, when they look at the 10 year, return on investment of that original allocation, $865 million return on investment to the community at large. We, of course, feel it has a very successful program, economic development, and a tremendous reinvestment to the community. Not to mention the housing units. The current, we're in the current -- currently spending the 2013 general obligation bond funds, passed on November 5th, 2013. We have three main investment areas, these remain the same, the ones we've had for the last -- since the first allocation. We invest in the rental housing development assistance program, home ownership programs and home repair programs.

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And our core values that we have had since the task force in 2007, we always look for deep affordability, really trying to serve folks at 30 and 50% with these funds, long-term affordability, we are looking for a minimum usually a 40 year term and geographic dispersion. We are always looking to be able to provide housing opportunities all across the city of Austin. And the way that we administer the go bond -- there's an allocation process. For applications, we accept applications when it's rental housing developer assistance or acquisition and development, for home ownership opportunities. There's an application process. Those applications scored by staff. They are -- there's a threshold that they have to achieve and then if they achieve that threshold and we recommend them for funding, they are reviewed by the housing bond review committee. They are reviewed by the housing bond review committee. And then when we will bring those forward to the Austin housing finance corporation board for approval, our last item on the agenda today is we've got a list for you, there is a board meeting scheduled for April the 2nd. And we will review for you briefly what items we anticipate bringing forward. And then the go repair program we actually administer through a competitive notice of funding availability or nofa process, in which a variety of non-profit organizations within the city compete for those funds and administer the fund and I have to say that has -- that is a tremendous coalition that has been created out of the offshoot of that process. And this is just our spending plan with the -- with the general obligation bond funds. We always have to have a spending plan and this is the spending plan we projected for the 65 million.

[5:57:34 PM]

Policies. These are -- Rebecca and I will call our homework assignments. These were last year's homework assignments by the previous council that are still -- that we still have. So we want to introduce to you that these are -- these are resolutions that we will be looking to you to let us know what your guidance is. There's one on the planned unit development code amendment regarding a fee in lieu versus onsite affordability. The current code allows for either on site affordability or a fee in lieu. We were charged with reevaluating that, taking a look into that and seeing whether or not we wanted to eliminate the fee in lieu option. So that's the first one. The second one, the good landlord program. I think you've heard -- I think that we've heard mention of this, you guys probably already heard mention of this a couple of times. An incentive based program for landlords to house the hardest to serve. The counter balance to the source of income ordinance which the city passed last year to include source of income as a protected category. This initiative was for two things, one to incentivize the landlords to take the hardest to serve through supportive housing. We were having a hard time getting landlords to take folks who are hard to serve, then also through the source of income conversations, the apartment association wanted a -- an incentive program for folks. So both of those initiatives led to the good landlord program that we're actively working on. Preservation program implementation last year's council approved a resolution with a preservation plan to preserve 20,000 units of affordable housing over the next 20 years. Basically a thousand units a year. Then the last one is setting a target of 400 units of permanent supportive housing with 200 of which will be dedicated to housing first.

[5:59:40 PM]

The 2010, March of 2010, we had gotten our first resolution to create 350 units. Through last year. We achieved that and so because we did such a good job, we got another one for another 400. The need is very great. Really the need is roughly 1900 and so -- so this is -- this is an opportunity for us to -- we have a tremendous, we call the psh leadership committee, a finance leadership committee. So it is not just the burden of the city of Austin, it's all of the funders who and lenders who work towards this initiative to come together every month and figure out how we're going to achieve this collectively.
>> Can I ask you a question? Did I hear you say that the need was 1900? Is that correct.
>> Well, actually, there was a study done in 2009 at that time the identified need was 1900 units.
>> Kitchen: Okay. Just so I'm understanding, how is that defined? What's the population defined as needing this? Generally speaking?
>> These are going to be chronically homeless, chronically homeless, apologize, it is chronically homeless, not enough this is permanent supportive housing, not just having a unit that's affordable, but also the wrap around support services available. So that was the population. And the need, does that answer your question.
>> Kitchen: Yes. The 400, what's the net right now, 1900? Is it still 1900.
>> No, because we were able to achieve the original 350 we were charged with. But what I can't tell you is we've not redone the assessment to see if the need has grown. So we set 350 -- it's 400 in the next four years?
>> Yes, sir.

[6:01:45 PM]

This is informational, boards and commissions and, their purpose is to advise the council in the development and implementation of programs designed to serve the poor and community at large with emphasis on federally funded programs. Currently is a board committee membership of 15. Has seven designated neighborhood representatives. This actually was a requirement, there's another block grant and I think that you have got your health and human services policy workshop coming up. The community service block grant program is administered through the health and human services department. But the community development commission acts as the board for that block grant. Them we also have the urban renewal board. These are the two boards that our department is liaison for. The purpose, in 1959 Austin voters created an urban renewal agency to carry out urban renewal active project powers, the urb oversees the implementation and compliance of approved plans whose purpose is to eliminate slum and blighting within the urban renewal area. It is a seven member board, sovereign board, like the planning commission. All appointed by the mayor, required by the Texas local government code. The map before you is the current boundaries for the urban renewal plan for 11th and 12th street.
>> Casar: Sorry, another question. What is required by the local government code?
>> Gina? You are I think the board, I'm shooting by the hip, I believe that the board is the requirement of the code to be able to have the powers.

[6:03:46 PM]

>> Casar: Then regarding the CDC, is that membership structure for neighborhood representatives set in rules or law somewhere just because there are some very nice need neighborhoods that are now west of I-35 like Georgian acres, north Lamar that don't have an existing seat, I just wonder if there is room to reconfigure that to meet changing demography.
>> Tdcha actually is the one that provides us the guidance on the composition of that board. We had to restructure that board last year. Based on -- they had membership requirements. So we would have to go through them because the block grant funds come to the state and then they go to different cities. So -- so I know last year we had to reconfigure based on two representatives.
>> Correct, Rebecca
[indiscernible] With the department. Also had to do with representation I believe with a certain professional influence as well as certainly the neighborhood appointments and then a couple of at large requirements.
>> So we would have to check with them if we were going to change the composition.
>> Casar: Great, I'll follow up with you all then.
>> Thank you for being here, you are a wealth of information. I have a question on the community development block grants. It obviously is a large portion of the income string that we have to work with on these programs. Two things that I would love to try to get. One kind of the specific areas that it funds, you know, the breakdown in the funding of that money. If you could help us with that. And then the second is just a little bit of discussion about the resolution that exempted capital improvement projects from this source of money and as we I think have all heard on issues in neighborhoods, in communities, are about lack of sidewalks and neighborhood parks that aren't being maintained, has -- I'm just wondering if it's appropriate to begin a dialogue of if there are resources available and these funds with the change in the ordinance could allocate some money to community improvements that perhaps are not getting funded from other sources or if there is such a need for what we're already

spending the money on, that's why I was asking if it would be helpful to kind of see where the money is being spent and it may not be an option.

[6:06:24 PM]

Just your opinion on kind of some additional uses for those funds.
>> Sure. So it is entirely my opinion, because I was not here in 1982, and so it is my understanding that the intention of what is essentially called the acorn ordinance was to ensure that the money was used for housing and public services, that capital improvements should be funded through the city, capital improvement program. So that was the feeling, that was the sentiment at the time that it was that important to keep this money for basically what we -- public services and for housing. So some of the activities that we currently use the money for we have an abr program, our architectural barrier removal program. We spend about a million on the abr program. That's for modifications for individuals who are disabled and/or elderly. So they can have access to their home. A lot of the olders homes in the older -- older homes in the older neighborhoods were not built as visitable. We invest about a million dollars in our abr services. Also public services. That formula grant allows for no more than 15% to be paid for public services. So we do utilize 15% each year for a variety of public services, youth services, childcare, all of those contracts are actually administered through the health department. We also have a contract with the Austin area urban league for minor home repair. That's slightly different than our go repair program, because that is true emergency minor repair, can be as small as $500 if your toilet blows up and you do -- you need something done real quick, the urban league is the agency that does that. The go repair program that we fund through our go repair program, also minor home repair, but up to $15,000 and really is -- there's more systems driven, we're going to replace a roof or a major system if needed.

[6:08:35 PM]

So there's differences in those programs. We also.
>> One of the most significant sources it helps augment the housing assistance. When we don't have the general obligation bonds and/or other capital improvement funds, we have heavily relied on federal funds really to just have those programs limp along, I think your question is very important. We would be happy to provide the data. I think what you will see is the need is so much greater than the resources. We would certainly want to look at additional funding sources outside of our department to respond to those kinds of infrastructure needs.
>> Thank you.
>> This was about the fees in lieu. I would love as we start this discussion, because I think one of our goals is to make sure that we have affordable housing in all areas of Austin. I would love to see some type of information that shows the projects that have either provided the units on site or have paid the fees in lieu and just kind of get a sense of how often the fees in lieu have been used and what projects and areas they -- that's happening in. And then where that money goes. So just to get a sense of, you know, if it was project driven, on the affordable units had to be provided at that particular location, how much of that is happening or how much of fees in lieu option is happening where those units are being built somewhere else, just to once again kind of get a sense on the geographic disbursement.
>> I can get you an anecdotal answer.

[6:10:42 PM]

The vmu vertical mixed use, we actually have that data available. Those -- that particular bonus program -- I apologize. Thank you. University neighborhood overlay does give bonus program and the vertical

mixed use both require on site. Uno also has a fee contribution. I think Erica and Jim are going to be much smarter about that and the density bonus presentation to you. As a -- as a general observation, when it's not required we most -- we most often get the fee. That's a general observation, but we will go through the exercise and make sure that we can answer very specifically what you have asked for. But by and large we get the fee.
>> Then what happens with the fee?
>> It comes into the department and then we utilize it for additional affordable housing.
>> Casar: I have a follow-up question to that. Is that counted in the revenue of the affordable housing trust fund or is that 800,000 that you saw in this last year only for the city-owned property.
>> The 800,000 is from the city-owned property. That specifically is the housing trust fund. Interesting, if there's other fee contributions by other different projects, it's generally dictated in the ordinance, where the money is going to go. Last year, two Summers ago, for the downtown density bonus program, the ordinance is very specific that those funds, when the fee is -- when there's a fee contribution for development in the downtown density bonus area, those funds must go to -- to contribute towards permanent supportive housing. Each one is different. So we always have to go back to the original ordinance that created whether there's going to be an on site or a fee. If the fees come in, we have to look to that ordinance to see how it's going to be utilized.
>> Casar: In your revenue slide, it would -- that's -- show me where the -- where the bar is that that goes and lives?

[6:13:03 PM]

>> I don't believe you're going to see it on the slide.
>> Because that's not one that we can predict. It's not one of those. Because they come at different times. You are right.
>> Casar: Okay. Yeah, I am sure when you send the information over to Ms. Gallo my questions there would be answered. We heard from Mr. Hirsch that he had concerned on the housing trust fund, but some of these projects made their contributions as expected. I will just shoot you all a follow-up email. I am sure we can try to get him some information.
>> We probably, I know we have almost two years ago. There was a series of analyses and presentations that we did leading up to the 2013 election. There was a very thorough analysis done actually by the finance department on the housing trust fund, the history of it, where the money has come from, how it's been calculated. We can provide that to you, I think that will give you a very good sense of the housing trust fund and how those fees have been calculated.
>> Casar: Sure.
>> I think that's it for the department overview.
>> Renteria: Any other questions? Council? No more questions? Thank you, okay, now we're
-- we're going to take up the briefing on the homestead preservation district.
>> [Indiscernible].
>> [No microphone].
>> Renteria: Are you going to -- you had signed up on citizens communication?
>> [No microphone].
>> Renteria: This is going to be a presentation, we're not taking any action on them. We're just going to learn about the homestead preservation.

[6:15:04 PM]

>> [Indiscernible].

>> Renteria: I'm sorry, I can't hear you. Okay. Can you mail them to us. My aide here will help you out. Is that okay you are our next presentation is the homestead preservation. We have several folks here with us to help with this presentation. I have Gina copic to my right, real estate manager with the department, Darren Smith with eps is to my left. As is Greg Canale with the finance department with the city and Charles heimsath. All of these folks have spent an awful lot of time and effort on this issue. So first I just wanted to provide you with a couple of acronyms, you know we do an awful lot of acronyms in our business, this will help you get oriented with some of the ones really activity. HPD, homestead preservation district. Hprz, homestead preservation reinvestment zone. Similar to tirz, tax increment reinvestment zone. Tif Texas increment financing and community land trust, clt. What is the HPD legislation. First passed in 2015 created chapter 373 a with in the land development code intended -- local government code intended to increase home ownership, providing affordable housing and prevent the involuntary loss of homes by existing low and moderate income homeowners. Some of the tools that were provided to the legislation. The legislation provided for the homestead preservation reinvestment zone that allows for tif or the tax increment financing to finance the preservation and creation of affordable housing within the district.

[6:17:08 PM]

One of the interesting things about the homestead preservation district different all of the proceeds go towards affordable housing in a standard or traditional tif it can be utilized for a variety of different activities. The homestead preservation district also allows for a hand bank program. The land banking program is very specific, allows the city to operate a land bank through which vacant property subject to tax foreclosure is made available for affordable housing. It is not an opportunity for the city to run around and acquire other land -- I mean, we can acquire other land, but the land bank is nothing other than being able to acquire the tax foreclosed property. It's obviously important for talks to understand that. Then there's the homestead land trust. The land trust allows council to designate one or more community land trusts to operate within the district and access the funds. The finance corporation is currently designated land trust. The Travis county housing finance corporation and people trust actually were all designated as eligible land trust back in -- in -- 2008.
>> 2008.
>> 2008.
>> So I apologize here. The land bank, as I said, allows property that is ordered to be sold pursuant to tax foreclosure, sold in private sale for the amount of the judgment to the land bank. So that's the definition of the land bank within the district. A land trust, if you are not familiar with the land trust model. I want to jump to it because I like it. There it is. So this is a nice picture of how the land trust model works. The land is owned by the public entity. The land trust. The improvements are what is sold to an individual, an income eligible family or individual. They will secure a mortgage for the improvements only.

[6:19:09 PM]

There is a ground lease relationship between the land trust, the public entity that owns the land and the individual or family that purchases the structure only. The reason that's incredibly important, this is a tool that works very well in an area where land values are high. Because when you remove the tax liability for the land, valuation of the land, you are removing a big part of someone's monthly mortgage payments. So that's why the land trust model can be very beneficial in an area, again like I said, where the land values are high. So ... Which is what I just explained. These are just -- this is a little bit of a history on the legislation and actions that have occurred. 2005 was when the original legislation was introduced by representative Ernie -- Eddie Rodriguez. 2007 city council for the city of Austin established the original nam homestead preservation district. On the near east side. In 2013 house bill 3350 passed and revised the criteria that establishes current homestead preservation districts. We received a resolution last year, the city manager was directed to analyze the impact of house bill 3350 and present a legal and fiscal analysis, potential boundaries and included property classes along with necessary code amendments in order to align current city code with state law so that homestead preservation districts can be created as soon as possible. Which is why we got all of these smart people sitting next to me to help us with that. Current eligibility criteria, each census track must have an mfi, median family income of less than 80% within the city of Austin limit. The HPD must be composed contiguous census tracts. Must have fewer than 75,000 residents, previous legislation said that was 25,000 residents.

[6:21:10 PM]

And the overall poverty rate for the district must
>> Current poverty rate for city of Austin is a little over 20%. That means within the district, want poverty rate must be twice that or a little over 40%. This is the map of areas eligible for the homestead preservation district under the current criteria. You will notice the dark purple or the original -- it's got the colors there for you. District a. That is the original district. Now, if we were to apply the current standards to this district, it would no longer be eligible, but the legislation allows it to remain because it is grand fathered in, for lack of better words. Five years identified as being eligible. You will see the gray area is conveniently close to unfortunate of Texas. It is eligible, basically because of the high number of students, basically that live within the poverty rate. That is not an area we would recommend to be a preservation district, but by definition, it met the criteria because of the income level of the students. This resolution asked us to look at market strategies, consideration, development of criteria and public land. At this point, I will turn it over to the very smart people next to me, starting with Mr. Darren Smith, to talk about all the hard wor they've done.
>> I'm Darren Smith with economic planning systems. We are retained as well as Charles heimseth to conduct analyses with you beginning last year, regarding a number of factors. There were a number of issues raised by the council that were sought for clarification.

[6:23:18 PM]

We're looking at the eligibility criteria for the different districts, trying to find additional criteria we would recommend. We looked at different ways that the city could contribute local funding sources to affordable housing in addition to or instead of the homestead preservation district, so we have a presentation on that as well, and an inventory of the properties in the district as well. Just to highlight what Mr. Heimseth did with Mr. Canali from finance, they looked at the development and tax increment projections for each of the areas to and what the market was doing in each of the areas and what the likely future would be in terms of revenue generation that could be available through the homestead preservation district, and the impact of dedicating the funds to affordable housing on the overall fiscal state of the city. Combining that information, we have come forward with information today with ideas for your consideration of action. And ultimately, should you choose to proceed with homestead preservation districts, there would have to be the creation of a tif, taxing and financing to create the revenues from the districts to the affordable housing. Interim steps in between there including the establishing of the district in the first place, separate from the financial action. So we looked at each of the districts and Ms. Spencer has already spoken a little bit about the five of them that were identified back in 2013. The first is called district a. Again, this one exists. It was grandfather in. It does not currently meet the requirements for HPD. Primarily because the time it was created poverty has increased.

[6:25:18 PM]

Where it has the poverty rate, it is not that it increased. It is not as much as the rest of the city. It is a technicality. We think it is appropriate for the area that comprised of much of central east Austin, up the river, east of i35 Maynard and airport road and toward Springdale, that that be considered a still viable area for HPD designation. District B is south of the river.
[Audio went silent]
[Audio skipping]
>> Rather it does meet all of the established criteria. And obviously, is a place where future investment is likely to be happening and potential economic displacement is likely to be happening. Again, we think it is a strong priority for HPD designation. District C is a little further east of district a. East of Springdale and out along the river. This area is not as densely developed and currently not under the same kind of economic pressures as the more interior areas are. But we see property values increasing quickly out there. And there is a substantial amount of lower income population that may be at risk of economic displacement as well. District D is the most northerly of the options. North of the Miller project, along I-35 and the juncture of I think 183 and 290 there. And it, too, meets the various criteria but has not yet been suffering the same kind of economic forces in terms of property value escalation that have been seen in the other areas. So we're suggesting that would be perhaps a slightly lower priority. And finally, district E, this is the west campus area.

[6:27:20 PM]

You do have programs in place with the university neighborhood overlay program. But also it technically meets the HPD establishment criteria, primarily because of -- I think some 90-some percent of the people who live there are enrolled in college or graduate school. So the fact that they qualify is something of a technicality. It doesn't necessarily reflect the full amount of resources that they have for their housing costs. Because so many of them are supported by other means. So we are considering that to be the lowest of the five priorities. This slide demonstrates how each of the five districts stack up with respect to the eligibility criteria. They each are qualified for the population as I mentioned earlier. District a, the existing HPD no longer qualifies in terms of the poverty rate, but it is still 32% of its population is living under the poverty level. So still significant affordable housing need there. One of the census tracts within that district a area no longer is under the 80% of median family income level, but the rest are, technically it would not qualify, but in spirit, it still does. And the penultimate column there so -- shows the percentage of students in each area. We're recommending that be the establishment of an HPD, as shown, district E, the west campus area has over 90% of its population is a student population. The final column shows how the -- what percentage of the city's overall tax base is represented in each of these areas. Greg and Charles will speak more about that momentarily. But it is important to understand how that works because we are recommending that the city's financial policy that not more than 5% of the overall tax base be in a tax increment financing district, we are recommending that be a taxing policy for the city.

[6:29:38 PM]

As is mentioned, we have looked at additional criteria beyond those that are established in the HPD legislation. We are recommending that -- again, to revisit those, they are that the population be under 75,000 people. That the poverty rate be more than twice the city's overall rate, and that the income of the -- the median income of each census tract to be under 80% of the median income for the city. So in addition to those, we are recommending that the criteria be not more than half of the population in the area be enrolled in college, because that does tend to skew the results demographically. We are, again, recommending your continuation of the city's policy that not more than 5% of the total tax base in the city be under tif regimes of one sort or another. We were asked to look at other criteria that the HPD legislation requires that you make some findings regarding blight or unproductive land. There is precedent for that in the standard tif legislation. We're recommending that you basically hold the line on that and continue consistently with theative -- the tif legislation as it exists. You would need to find tax delinquency or substandard infrastructure or any number of things that are physical and economic conditions happening in these places that are frankly not a very high bar to clear. Ad finding that private investment is not meeting the affordability needs, that is fairly clear that market rate developers are not coming and providing on their own nickel housing for very low and extremely low income populations in these areas. And finally, that there be a finding of underdeveloped property. That is properties that are able to be developed at much higher density or much higher value uses than currently exists because that represents a threat of displacement.

[6:31:43 PM]

For example, if you are allowed to build housing up to 80 units to the acre, but your property is built at seven units to the acre, it is very likely that eventually you would turn that property over because the 80 unit to the acre development would yield higher value to you than retaining the existing use. That would mean that the individuals living in the lower density project may be displaced as a result of that transformation. Regarding the HPD districts again, not coincidentally, they're in alphabetical order based on prioritization. We think it is important to maintain the HPD in the existing area. We absolutely see gender, economic displacement happening there. And transformation of the demographics. And we think it is an important place to continue to have this type of resource available. District B is, again, kind of the second most threatened area. And on and on. But again, we are not recommending that district E, the west campus area be established as a homestead preservation district.
>> Moving on to the second subject of our analysis was looking at different ways -- aside from homestead preservation districts that the city might be able to contribute to locally funded affordable housing. There are any number as Ms. Spencer was speaking of, any number of federal programs that contribute to this and the city, of course, has been very active in establishing local funding sources as well, including general obligation bonds, $65 million obligation the past two years ago. The housing trust fund that you have been accruing. Uno zoning, other density bonus programs, smart housing programs. Many other ways the city has been contributing to this. In addition, we looked around the country at what other places are doing. And many cities around the country have inclusionary zoning that requires all development, not just development on publicly owned property, but all development to include some affordable -- some percentage of affordable using within the prejudice or pay an in-lieu fee.

[6:34:02 PM]

That is determined not to be an option in Austin, Texas, at the moment, based on state legislation. Some communities have impact fees that require either commercial development or residential development to pay a fee that goes toward affordable housing based on the relationship between demand created for that affordable housing and the new construction. That also does not appear to be a viable option under your legislative regime. Some communes use sales tax regulation or hotel taxes or other taxes that go directly toward affordable housing. The law department has determined that they're at the existing limit in the case of the sales tax or not able to be legally repurposed for affordable housing. So ultimately, what this means is that in addition to the programs that you do have, there are not many options for

you, other than the creation of homestead preservation districts and their associated tax increment financing districts. Mr. Canali.
>> Thank you, Darren. I'm Greg CANALI with the city finance department. Mice and Charles heimsath will conclude this part of the presentation and walk you through the finance reports, market studies and talk about tifs in general. That's where I'll start, actually. The legislation, chapter 373-a does allow for the implementation of a taxing zone to provide a dedicated stream to be reinvested in any homestead preservation district. As Betsy said to be solely directed at preservation of affordable housing. It must be reinvested in the zone it is created in. So what I would like to do here is do a sidestep and provide context to tax increment financing. It is a large topic in itself.

[6:36:02 PM]

We have discussed this with the previous full council and we actually are planned to come to the finance committee to do an in-depth report on tax increment financing and over all value capture. Tax increment financing is started off around the country as a popular financing tool to encourage economic development within designated geographic areas or Zones. Currently, under various Texas codes, allow for reinvestment Zones including the homestead preservation chapter. The way it works is typically, you set aside a property tax revenue as you see assessed valuation grow above and beyond a Normal growth rate that are associated with the economic development project. Typically, in the way the city has done this in the past is we have stimulated economic development through public investments and infrastructure. A classic term associated with tax increment financing is the but-for analysis. This is a general term used in all financing around the country. But for the subsidy provided with the increment, the economic development project would not have occurred solely as from a market condition. Ness what is essential in typical classic use of tax increment financing Zones is property values rise at the typical level higher than the market growth so you can capture that to pay off debt for the infrastructure that you issued. This is looking at the broad based, how tax increment financing works. This just looks at a graphical representation of how this works. You set a base av. Assessed valuation. Tifs are typically set up for a long period of time, 20 years, sometimes 30 years. You look at an incremental growth and assessed valuation. You freeze the underlying base assessed valuation in a specific year and anything above and beyond that bottoms -- goes into the tax increment financing fund that you are used to fund in the case of the city has done so far, to fund debt service payments on infrastructure debt that we have issued.

[6:38:17 PM]

At the end of that term, what you have is new growth that would not have occurred otherwise once debt is paid off or the project ends, that entire revenue flows back to the general fund, in the case of the city of Austin. Just a conceptual idea of how tifs work for long-term over a period of time. It is also important as we talk about tax increment financing to talk about tax rates. Tax rates are embedded in -- when we calculate tax rates each year as part of the proposed budget, as the city council approves the tax rate each year each September for the upcoming budget, the calculations allow and account for existing tax increment financing Zones that are established. The methodology for creating the tax rates is described and prescribed by the state in terms of the calculation. What in essence happens is the tax is not free. It is it coming from somewhere. It would have gone somewhere else had it not set up the tax incorrect financing name. For example, they would have been otherwise available to pay for typical fund requirements. And we also look at other issues about the tax rate themselves. Which is why in the past the city has looked at -- we have been judicious in the tax finance using them in infrastructure related projects. Again, just another graphic to get across the intersection of tax incrementation and tax rates, weaving into the concept of the but-for analysis. The but-for in a pure economic development scenario is but for the development in the infrastructure or the project, the project would not have occurred.

[6:40:17 PM]

If you look at it from the perspective of the but-for, it wouldn't have occurred at all, there is little impact on the tax rate. The assessment would not have been there had we not invested in the land. The classic example of that in this city around around the country is the Mueller project. That created new assessed valuation. We used that value to invest in the infrastructure. The infrastructure then supported many thing, retail, companies, affordable housing, I think there is over --
>> 25%.
>> 25% affordable housing within the residential at Mueller. It was an indirect way to support affordable housing. You go down this range, in the but-for calculation. It is not a call calculation, it is really a concept to understand market projections. Charles helps us as much as he can in trying to formulate those. The closer you get to where you are taking tax revenue that would have normally gone to the property -- to the general fund, you are having a greater impact on the tax rate. In essence the state law dictates if we lose property tax revenue, the calculation increases the tax rate to make up for that lost revenue. With that, that is a very quick primer on tifs and tax rates. I will turn it over to Charles to talk about his reports and I think Betsy and I will kind of wrap it up.
>> My name is -- hello. My name is Charles heimsath. President of capital research. We were asked to do an evaluation of the five potential hpk -- HPD districts.

[6:42:21 PM]

I will hit these at a high level. Darren has described the districts and I will discuss briefly how they differ. From my perspective, it was very interesting because the character of all of these districts is very different, each one of them has some unique characteristics. And just to highlight [audio silent] [Audio skipping] Interest in size. And had 6500 residential records. And -- this is a 2014 estimated value at one point. Nine million. That's billion. $1.9 billion of assessed value. B, the Riverside drive corridor. It is a little bit larger. 3600 acres. Quite a large area. But a lot of large residential properties, you know, big apartment complexes fewer single-family homes. About 3,000 residential records. C, which is on the eastern edge of east Austin, call it far east Austin. I think some people refer to it as the valley and other neighborhoods in that area. Anyway. You can read the Numbers, just kind of highlighting the fact that there is a dramatic difference in the size. And area.

[6:44:21 PM]

The annual growth rate -- this is an annual growth rate over the last 10 years from 2004 through 2013 in district a was 10%. B, half of that, five and a half percent. C, 7.4%. D, 3.6 and E, the greatest growth, 11%. And that is due substantially to the development of all the towers in west campus submarket. And --
>> Sorry Mr. Heimsath can you explain if the growth rate is population or value to land.
>> Value. Sorry.
>> Thank you.
>> Yes. It's -- the it's a compound interest rate based on the annual assessed value of the properties. 10% growth rate is, you know, a dramatic rate of growth. In comparison, the city of Austin as a whole, all property values increased on average 5% per year over the same 10-year time frame. The growth rate of 10% is twice that.

>> Sorry --
>> I think the slides -- in essence there are two charts we're toggling between. We have one that shows the historical here.
>> Yeah.
>> And then just jumping ahead it how we got to our projections about growth rate and property tax. As Charles said, I don't think we'll read you all the Numbers, but it gets you to a bottom -- here's the trends I think Charles was kind of going through.
>> Yeah, I apologize. Our slides --
>> Our slides were --
>> They're reversed.
>> Yeah.
>> Anyway, at a high level -- will answer questions later, if you have some specific ones you want to drill down on.

[6:46:25 PM]

In 2013, 6. 6% of the total city's tangible taxable property value is located in this, you know, area of 9,960 acres. And in the aggregate, all properties had an annual property growth rate of 8.4% versus the city of Austin's 5.1. And residential properties were growing a lot faster in the aggregate than commercial properties due substantially to new construction of multifamily projects at both Riverside and east Austin locations. And I think I will just stop there and turn it back over to Greg.
>> And again -- there is a slide, one slide forward. So I won't go back over this. I think Charles touched on it a little bit on the growth rate. In essence what we do, Charles and his staff was able to look at historical trends in growth and also project what was the future growth in the area. Unlike a classic market -- project market analysis, there was no project that was going to create an above the board growth above our Normal growth, although as you can see here this Normal growth is extraordinary growth. Certainly in some of the districts. So we take those Numbers and we look at what our overall assessed valuation or property tax valuations would be in about 10 years. Apply a tax rate to look at what property tax revenue would be generated in each of these districts. Regardless of the full increment would be above just basically current tax revenue. So from that, having done the work that Darren did and Charles did and then all of the staff, we were going back to the original resolution that the previous council had us work on.

[6:48:28 PM]

We were tasked with coming back with the series not only about the findings of the work in the area and coming up with criteria for districts but also to look at a series of considerations for council to look at. First and foremost was certainly to establish the HPD, the homestead preservation eligibility criteria that Darren outlined that reflect the city's goals. And also consider establishing the homestead preservation districts per the priority order. I will leave those details. I think Darren went through those.
>> Actually, if I could jump in for one second. One of the things that is stated here directly is there is a distinction between establishing the district and committing the funds. I mentioned that earlier on. In the case of the existing HPD you established the district back in 2008, never did commit the funds, but that district is now eligible for HPD designation, should you choose to utilize those funds, because you created it back then. So one of the actions that you might take is to establish the districts even in the absence of committing the funds, knowing that there are any other number of city priorities you want to weigh this against, but taking action to establish the district in the near term would enable that action of actually committing the funds in the future.

>> And I think that is a great point. There is a bit of a nuance to these considerations that we put forward. And there is an overall discussion that has occurred about how tax incorrect financing is used, when it is used. Future uses of it. For example, we started a dialogue that the community has, really as the county park area is under consideration for development. That tax increment financing should be appropriate out there to get the enormous amount of infrastructure needed to make that project a reality. There are always these considerations about our existing tifs, existing use of tifs, the evaluation under a tif regime and a future look.

[6:50:35 PM]

It is not an exact science. Obviously, it is a policy decision for the city council. But given that, we did look at -- we do believe that a tactical use of tax incorrect financing within individual areas and potentially within subareas of HPD districts, if they're established could be -- could be incredibly beneficial to increasing funding for overall affordable housing programs including preservation. We listed out some here under the guise of the conversation that occurred -- really been occurring now over the last year, the idea of housing and transit and jobs kind of being coordinated and considered together, so we can make an investment that would actually be able to -- to satisfy those many needs. Particularly perhaps in one funding source. So for example, we looked at looking at the transit oriented development area, the red line stations in district a. That would be in saltillo or mlk station or also along Riverside corridor. Although the previous bond on the urban rail failed, I think that is still designated as a transit corridor for others, and that is a potential used for this financing mechanism for directly in affordable housing and infrastructure that would then directly support affordable housing if we can buy down infrastructure costs for developers, that would help us work with developers to get additional affordable housing units. As kind of a subset to that would be to identify specific target areas to encourage development and work with the city and to look at these districts. That would include investments that would include -- require to include affordable housing. We also look for any other tax increment financing Zones that get created outside of homestead preservation. But there might be another project that comes in that we would want a policy that a set aside percentage would be for affordable housing.

[6:52:41 PM]

I come back to the Mueller examine. There was a set aside of 25% not of the tax revenue itself but of the units, 25% of the units in Mueller were deemed to be -- had to be affordable. The way the developer was to accomplish that was because of the investment in infrastructure, the 50 million in debt to put up the infrastructure across the acres. The previous discussion from the previous meeting, the big picture that Betsy talked on, the housing trust fund was prior -- not on the tax roll and now is on the tax roll. It is typically city-owned land. We're surrounded by it here on either side of this morning and north of this building as those developments have been built, the property tax revenue that comes into the city now, we take 40% of that and it goes directly to the housing trust fund for the Hughes of the neighborhood community development department. It is fairly flexible funds. Very flexible funds, which is great because it allows the staff and ultimately the council to see -- we see that growing over time as the developments occur, as we see the former green water treatment plant, as that development comes on, we anticipate that revenue to increase. That being said, we do believe that there is opportunities as we hook at other developments that may occur, as land switches from being on the public side to the tax side, the private side. But there is an opportunity to revisit that 40%, perhaps increase it to 60% that would increase more property -- again, free flexible funds to go into the housing trust fund that would be available. And even specifically designate it to be in a homestead district that would be created. I think with that, I think I will turn it over to Betsy, you maybe want to bring it all together for us?

[6:54:43 PM]

We have talked about a lot today.
>> I think you did an excellent job and you came over to our side. I appreciate that. Greg and I don't always agree on everything. So I appreciate your -- your contribution. So in summary, there is a lot for us to think about, right? I mean, this is a very complicated process. I think it's important to realize -- the city has a really great conservative approach to tifs and I think that is one of the things that speaks so well to the economy. And so how we create tifs, where we use them and how the city decides to dedicate that revenue, it is a big, important decision. But obviously, it is definitely a tremendous tool that can be utilized for a lot of different things. Is a big initiative of ours, in a later meeting you will hear a presentation on the housing job transit action team that was created last year. And I think it is exceptionally important for us going forward to marry those initiatives as often as possible. Way back in the beginning of my first presentation, we talked about household affordability. Those are the three -- the three biggest components. Obviously how much money a family brings in, and transportation and housing are the two biggest expenses, often. So when we can leverage our dollars together to achieve all three goals, I think we are making a big impact. Funding. The general obligation bond funds, we get calls all the time. The city has been very generous in its contribution toward the general obligation bond funds. It is not always the most predictable source of fund. We did the exercise with the general housing trust fund, it was because of that. The bond funds are subject to general election. And because of that, it is hard to predict over the long haul, the sentiment behind the funds. Long-term, sustainable financing is one of the most important things, I think our department faces.

[6:56:45 PM]

The density bonus program we talked about this in the policy work session. You will hear it again. That is a tremendous opportunity to get private development to pay for affordable housing. That is an area, I think we need to continue to devote a lot of time and effort to. And obviously, the ability to increase the general fund toward affordable housing and where that comes from. We're looking at a preservation strike fund specifically for the preservation goal that we have up to 20,000 units. There are a lot of different initiatives we're looking at. Because I said in the initial policy presentation, we're always looking to create new units, preserve existing units and renovate anything we can. We look at all the decisions are based on those types of activities. And I believe that's it. We're all available for questions. Have we worn you out yet?
>> I have lots of them, but I will limit myself to maybe just two or so. And sorry, sir, I have forgotten your name.
>> Darren Smith.
>> Thanks for providing me with that, Mr. Smith. Is this all one powerpoint? Can we go back to the map of the proposed HPDs? . There we are. Thank you. So is it in the legislation that it has -- it looks to me like these are cut by census tract, is it in the required in the legislation that it has to be formed by census tract, because I know in my district, which is proposed HPD number D is mostly in my district. I can imagine myself drawing boundaries that would still easily meet all that criteria and it wouldn't fit as easily in census tracts, that's the reason I'm asking the question.
>> That is correct. The criteria are based on census tract data. So therefore, is de facto defined by the census tract boundaries.

[6:58:49 PM]

>> Ok. That is helpful to know. And then as far as the prioritization I understand with the intended use of HPDs it seems like we should prioritize using or funding those that are gentifying the most now. But what, for example, with HPD there is certainly probably in the nearifying going to be much more displacement, growth in values. Could you talk to us more about the time line y'all might see council taking on those that are already, you know, largely gentified versus those that are gentifying in the more future, versus those we might see gentifying. How would those impact the HPDs.
>> I think district a provides a good example of what can happen if you don't establish an HPD. Right now -- when it was adopted in 2008, it qualified under every then present criteria. It no longer does because there has been demographic change. So if you were to take action to adopt all four of the recommended prioritized HPDs, I think it is fair to say that that wouldn't cost you anything, but it would give you the option of in the future of actually dedicating the funds from the tax incorrect in those areas, should you make that a priority. So if you were to adopt one of these including the -- again, you would not be required to set aside the tax increment in there, until you found that there was a demographic change happening or other concerns that you felt warrant understand the actual dedication of the funds.
>> Ok. That is very helpful.
>> Greg may have a different opinion.
>> No --

[7:00:50 PM]

>> I appreciate such a concease answer after a -- concise answer after a rambling question.
>> I was going to say exactly, embedded in the recommendations, the way it was written, in essence there are -- there are -- the homestead -- the law, the statute is prescriptive about how it would occur in building it by census tract. That is why we, in terms of purely financing was recommended we have other mechanisms to set up tifs not under this legislation, to set it up under chapter 311. It is a more flexible tool. In fact, it can be used anywhere around the city. If there is an area that the affordable housing is an allowed use for tifs and we have done it elsewhere. That is a way, I think, of thinking about, you know, the issue but the legislation says it has to occur this way. However the tool, the tax incorrect financing tool can theoretically be used around the city for a variety of uses.
>> Thanks.
>> So basically, your recommendation is that we should designate these areas as tif so that for the feature we can generate so that we can capture some of the funding that comes with the gentification that goes on in this area?
>> Council member?
>> Gina copic with government housing. It is actually designation of the ordinance by district. And the terms is a different action. By designating the district, you preserve the opportunity in the future, if you choose to to designate and go through the process of establishing the ters.

[7:03:04 PM]

But I hear some concern about the area that is the university student area. Would this be the time to have the discussion to not designate that?
>> [Indiscernible]
>> Ok. Thank you.
>> Any other questions?

>> This is a theoretical questions that popped in my head. It was on the list of questions not to ask if there were other questions. But I will ask it now. If we can establish a tif anywhere, can we establish it anywhere and designate affordable housing?
>> I will try to briefly answer that and perhaps we can follow-up. There is -- the main state statute that we have used to create tax increment financing is chapter 311. It is a broad statute. We used it to create the Mueller tax increment finance zone. The waller creek tif and another tif as well. It is an underused area, it is blighted, and once you do that, you have resources to put in place to create the tif. Once you come up with the financing plan. One of the requirements of the tax increment financing zone, it is to put up a financing plan. Determine a finance and project plan, affordable housing is a part of that. Mueller is an example of the project plan and financing plan -- the financing plan was directly financed infrastructure by directly financing that infrastructure indirectly created affordable housing units. So inasmuch as there are other areas that would warrant in essence an economic development project or a -- that is a broad term. Economic development project that could in itself contain affordable housing, that is very much a doable thing.

[7:05:08 PM]

>> That answered my question, thanks. That being that you can't put a tif in a very expensive area --
>> There are concerns --
>> To generate more revenue.
>> There are limits about how much residential properties can be in a tax increment financing zone. There are restrictions and again, I think we have it on our books to come to the audit and finance committee to do a kind of full-blown discussion about tax increment financing in the Zones.
>> One more question. If we do -- if we send a resolution to form a tif for like district a, what would you do -- what would the city come back with? Is there anyone that can answer that?
>> Can you say that again?
>> Say we wanted -- is district a already established as a tif --
>> It is an established as a district.
>> As a district?
>> Correct.
>> So we instruct the city to come back to us about establishing a tif for it, so would you also come back and would y'all do the financial part of it where you see what kind of recaptured money we would have for that?
>> You're asking what are the next steps.
>> Yes.
>> If you were to charge us -- what were the next steps if you wanted to create the tif; is that correct?
>> Correct.
>> You would direct us to I assume analyze that information. We have a lot of the information here. I believe there is a public hearing process that is required in establishing the zone. And so -- because I think what you are establishing is the zone. The zone then also creates the finance. The fund.
>> Correct. I mean, I think the way that Gina has laid it out, you would view it in a two-step process, whether those steps are concurrent or not is, again, entirely a policy discussion.

[7:07:15 PM]

But you would have a -- you would have created a district. Designate a district with the criteria. Subsequently or concurrently look at establishing a tax increment financing zone or tax increment investment zone with a project plan and financing plan.

>> Any other questions?
>> Thank you. We'll continue with the agenda.
>> And sir, if I could let you know. We have the full report. We have available and we can send that link to you or it is on our website. All of our reports we put out -- we have a report section on our website. But if you would like us to we can forward the link. It is an extensive report and it will also help answer a lot of some of the other questions you may have.
>> Yeah, that would be helpful, if you can do that.
>> Oh, apparently, you have it in your minder.
>> Oh, well --
>> That is even better.
>> Is that presentation you just showed us in here, too.
>> It is.
>> Is the presentation also there?
>> Yes, the presentation and the full report.
>> Ok. We're going to go back to the original agenda, which is next is the briefing on the 2014 comprehensive market study.
>> Ok. Rebecca gielo, our assistant director is going to provide this presentation to you.

[7:09:27 PM]

>> I'm sorry, maybe I haven't flipped through this whole binder. The first set of slides, the second with the recommendations, I don't see it. Maybe we can touch base at the end to make sure I have a copy of that.
>> Ok. If you want to go forward?
>> I do. My name is Rebecca gielo, the assistant director of neighborhood housing and development. I will review what you can see online from the consultant, bbc research -- bbc research and consulting from Colorado actually had been with us for a period of about six months. And had conducted a very comprehensive review of the analysis and we did a lot of the different formats. We have a presentation and video online. I will go through some of the highlights today. I will start with the study methodology. Just real quickly. We are also -- yeah, we're going to get the right presentation up here. We have so many presentations. One of the things we will do so I can walk you through the format of this particular presentation, I will go through the highlights of the study itself, the study is in your binder, and we made colored copies, because a lot of the maps are in color. Midway through this presentation, we're going to stop and pause. I will hand it over to Jonathan tomco, a senior planner in our department. We want to walk you through the housing model, which is a request for proposal that the consultant did respond to. This is a really interesting housing tool that we want you all and your office staff to be aware of. We will segue into that and then I will finish it up. A little bit about the methodology. The 2014 study includes a full decade of data to assess the changes. And there were numerous data sources. We did some data acquisition and bbc brought a wealth of data knowledge to the table as well. The consultant like I said, bbc research and consulting was the successful firm in 2008 as well.

[7:11:35 PM]

That was important because it allowed us to leverage the knowledge of the community stakeholders, knowledge of the comprehensive plan and knowledge of community issues. It also provides efficiency in comparing and contrasting data between the two studies when analyzing change, which you will see that in the report. There was a rich engagement process. It, too, is in the report. I won't go through it in detail, but as far as the survey methodology, exactly how all of that was designed, that is in there. I can say there were three public meetings, focus groups with the Austin residents. Interviews, small group meetings, online paper survey. The responses to the survey were extremely well received. 5,315 responses. Bbc notes that they were highly impressed with this community's response to the survey, which greatly informed the study. Some of the primary demographic changes included young adults and baby boomers actually comprised 70% of Austin's growth from a period of 2000 to 2012. This is a significant reduction. There was a significant reduction in the percentage of families in Austin, down from 32 in 1970 to 25 in 2014. As we all know, usa sin a majority, minority city due to the increase in African-American -- hispanic residents and decline of African-American residents. We will talk more about poverty on the following slide. Austin's poverty rate has risen, but most notably is has risen within the range of our youth, 18 years and below.

[7:13:35 PM]

Today it is nearly 1 in three individuals are in poverty, compared to 17% in 2000. Just so we're all aware of the contest of that childhood poverty -- or poverty is -- so for a family of four with two children, that household would earn about $23,000. There has also been a shift in middle income households and this is more polarized. Losing middle income households. The study has referenced it as hollowing out the middle class. 43% of Austin's households are middle income. In 2008, this was actually 49%. A little bit about the demographic changes affecting housing demand. There has been a growth in the number of wealthier households in Austin. This number of renters earning near than $75,000 annually is up 74% since 2007. This represents 15,000 high-income renters. While the number of renters earning less than 25,000 annually is up only 1%. This has driven demand for luxury homes and amenity rich rental properties and has tightened the rental market for low-income renters. The report also notes a growth in nonfamily households, poverty, as we have just described as well as an increase in cost burdened households. A little bit about what residents told the consultants which informed the report. There is actually a desire by individuals who are cost burdened to really stretch and reach and make great strides to stay in Austin. They are willing to pay more for housing.

[7:15:37 PM]

They're willing to live in less space and they're willing to have less outdoor space. This is very important because a previous research survey that we took in the previous housing market study, we asked the question: If you could live in a neighborhood of your choice, would you make the concession if you have not before, to share walls. And what we saw was more than half of the respondents indicated they would. This is a promising note, simply as we are proaching the code next rewrit to really look at opportunities to diversify our housing product type and get an increase in that type of product so we can really capture, maintain the middle income that we are hearing through the code next process that we're losing to the suburbs. When we take a look at the housing market affordability in specific areas, we recognize that there is a concentrated publicly subsidized units overall in the eastern area of the -- of this map. This map actually shows that publicly subsidized rentals -- and that's designated by one blue dot. So each of the blue dots is a publicly sup -- subsidized rental unit. There is a concentration in the eastern portion of Austin, additional four zip codes noted. 41, 53, 02, 04, contain a high percentage of publicly subsidized units. 50% roughly are concentrated in this zip code -- in these four zip codes. In fact, these are highlighted in yellow, although it may look green because there is such a concentration in that particular area. I'm going to skip this slide, because I'm going to address these issues on a following slide.

[7:17:40 PM]

This graph shows the breakdown of home values in Austin from 2000 to 2012. As you can see only 10% of homes were produced under 100,000 in 2012, compared with 35% in 2000. There has been a significant loss of housing options priced at achievable price points for many aspiring homeowners. These maps are a great visual to show that change in density of detached single-family units, affordable from 0 to 80% median family income and we have distributed what we call an mfi chart so you can see quickly what the Numbers look like. From 2008 to 2013. As you can see from the color coding, the lighter blue have disappeared from central Austin and concentrations have begun to erode and northeast Austin, far east Austin and south Austin. These units would have price points at about $180,000. When we take a look at what that looks like from 81% to 95% mfi, what we can see -- from 2008 to 2013, what you can see is the color coding is the lighter blue and has disappeared from central and east Austin. Concentrations have begun to erode in far southwest, far northwest and far south west Austin. These price points 180,000 and 210. How the study actually arrives at the gap. So 55% of Austin households are renters. That's about 183,000 households. 33% earn less than $25,000 annually, which is about 60,000 households.

[7:19:46 PM]

10% of the rental units are affordable. 1819 -- only 19,000 homes are affordable. This leads us to the information in the report, the gap is about 40,000 units. When you take into account 214,000 rents, you get a gap of 48,000 units that essentially would be price points of roughly -- price points for rental units of 500 to $625 a month is the need for this particular population.
>> I'm sorry. One quick question about that. So this is calculating the gap in units that are affordable -- the assumption is those representers are cost burdened, and living in Austin, but not taking into account how many of those are living in far-flung suburbs. So the gap for msa may be greater for the gap of Austin, for those that may desire to live in Austin city limits.
>> This
>> Correct, you are absolutely correct. These are rental units in need for roughly 30%mfi.
>> The idea if we got to those 50,000, cost renters that currently live in Austin, but not those that have to live outside of Austin because they choose not to be cost burdened inside of it because --
>> That is a valid point, yes, that is correct.
>> Okay, thank you. The consultants arrive at the ownership gap a little bit differently. The 2014 comprehensive market study concluded that renters who want to become owners can only afford a small portion of the housing in Austin today.

[7:21:47 PM]

Households earning less than 50,000 can only afford 20% of detached units and 42% of attached. Households earning less than 75,000 can afford 57% of detached units and 66% of attached. The specific point here, there is a recurring theme throughout the study, there is a need to diversify housing types throughout Austin and thus could impact some of these Numbers. Particularly for individuals who are interested in becoming homeowners but don't have a lot of housing options available to them. In the attached product similar has been signaled as a potential solution. I'm going to pause here, hand it over to Jonathan, so you can walk you through the housing model. Just so you know, I think this is the coolest part about the study. We were very excited about this tool. Is that though is an appear pen -- so this is an appendix to the report, also available of the reports and publications section of the website. It explains where the different data came from that constitutes each page and there's one page for each zip code within the city of Austin.

[7:23:51 PM]

It breaks down socio-economic makeup, looks at poverty rates, median income, racial diversity, ethnic diversity, disability, unemployment and large households. It also looks at the balance of the zip code, whether it has a healthy MIX of incomes. Relative to the average within the city. It looks at whether the zip code is at risk for gentrification. The median home value and the median rent. What percentage of housing units are affordable for different income levels, those making less than 50,000 and those earning less than 25,000. And different -- different workers. So it looks at retail workers, artists, teachers and tech workers on what percentage of the housing units within each zip code they can buy or rent. And then it also makes comparisons between each zip code and other zip codes and transportation figures, as Rebecca noted, transportation costs are a households' second largest expense after housing costs, so it looks at what percentage of residents live within a quarter of a mile of a transit stop, the average monthly transportation costs and the combined housing and transportation costs for each zip code. So this kind of goes through each zip code and has a map of where each zip code is, so you can type in 78701 for example here and get that information or 78702 and onward and get that information compared to the baseline and every other zip code in the city of Austin.
>> This was responsive to a component of the request for proposal that really called for a tool such that if we wanted to bring policy conversations forward and we have and the community has for a while, about setting targets and goals throughout the entire community to really aspire to the imagine Austin's charge for household affordability throughout the community, we wanted a tool to be able to gauge a barometer essentially to gauge, where we can see areas that are achieving targets that could potentially be set by council.

[7:26:13 PM]

We're going to switch back to the presentation, we just have a few more slides to follow up with. Chair, I'm going to leave it up to you for your direction. I can walk through the remaining slides, so that we're not -- I'm highly aware that we've got dead air here on channel 6. I'm happy to do that. Or -- oh, it's back up.
>> Yeah.
>> Very good. We've been rescued. So the housing market study does indicate and reminds and informs the community of the housing goals in imagine Austin. I'll just go over a few of the pertinent ones, specifically. Which are to encourage compact development that is close to services, job centers, transportation options and retail nodes. And revise the land development code to support more affordable development practices. The studyings into great length about how that could be done through key recommendations. Some of the barriers noted in recommendations are adopt early wins, regulatory fixes now. We had the ability, it was quite wonderful, the codenext diagnosis was occurring at exactly the same type times our study was.

[7:28:25 PM]

There was a lot of cross pollination within those conversations were able to occur. Some of those conversations really allowed for the report to information on specific action that's can be taken. I will bring -- that can be taken. The final one on this slide is to pursue public/private partnerships. This is actually one of the carryover resolutions that Betsy mentioned in her presentation, which is the exploration of a strike fund and those conversations and actually a steering committee has been convened by housing works and the university of Texas, among others. There's a lot of really interesting steering committee individuals who are going to be taking a look at the viability of a strike fund and exactly how we would go about designing that for a place based model. The other thing that I want to just take pause on, because this is something that our stakeholders have actually talked quite a bit about in this community, I want to be sure that you all are aware of this. There has been a call for a potential overall affordability goal. And where -- where we have made strides in this conversation and where the report actually informs some recommendations, bbc recommended an affordability goal has could be managed and that is a key attribute that's noted in the study. At the time of the release of this particular study, 10% of all rental housing units and -- in the city were affordable to households earning 50% mfi and less. And 24% of all owner occupied housing units in the city are affordable to households earning less than 80%. So the framework could help us manage a goal and promote the city of Austin and other partnerships to include neighborhoods to stay disciplined toward that goal. So really setting up a baseline, a barometer almost really of a household affordability and an affordability target that could register the health of a commune.

[7:30:34 PM]

We have set goals in other aspects like permanent supportive housing which was noted earlier, the preservation goal. It is something that would bring it to the forefront. Certainly a baseline that we're going to measure regardless of whether it is codified policy. But it is something that's noted in the study. I won't go too much into the codenext regulatory challenges because I think you all have had a policy intensive on that and certainly are looking at that in other arenas of your policy forums. It is however a component in the study and we're happy to answer any questions that you may have today.
>> Renteria: Questions? Okay. I have a question. You mentioned a minute ago, I forget the term that you used, I think you said strike fund. Could you speak to that a little bit more? Just tell me more about that effort?
>> Sure. The actual recommendation in the housing market study is to potentially utilize a -- a cdfi. I want to be sure that I'm telling you exactly what that is. Cdfi.
>> Community development financial institution.
>> Financial institution. To serve as a third party to help manage that fund.
>> Okay.
>> It's not necessarily the way that the fund has to be set up. A strike fund is essentially easy access to resources for a development community to have easy access and quick access to react to the market when there are opportunities. If you look at other areas that have had successful strike funds, they have done in-depth analysis as to the assets and multiple different key indicators in a community to figure out how best to layer the fund, who should be involved. There's multiple parties involved to include obviously the banking industry, foundations, any entities that would bring capital to the table for the purposes to achieve affordable housing or the goals of the fund.

[7:32:46 PM]

So some of the areas that have had success, utilizing a strike fund in transit oriented districts or to achieve preservation goals. I'll certainly turn to Betsy if she has any reactions to your question.
>> Sure, a strike fund is an opportunity, I think the way we're looking at it now, perhaps we would seed a strike fund, we would utilize some of our funds to seed one. Really, though, to leverage a lot of other private investments, other banks, it's an opportunity for banks to contribute, foundations to contribute and we would hope for something between 25 to $50 million. It really is designed for rapid acquisition for -- we are not necessarily the swiftest entity. Would not be something that the city would administer. So community development financial institution or cdfi is well positioned to deploy the funds quickly.

Especially in the market like we have here in Austin where -- where acquisitions happen so fast. As soon as something is put on the market it's under contract. So non-profits and housing developers who specialize in affordable housing, have a hard time competing with larger -- for profit entities that have access to quick capital and can scoop that stuff up, for lack of better words. So the strike fund allows an opportunity for a non-profit developer to access the capital, quickly acquire, do the bridge financing, possibly even do some of the repairs until they are able to transition into permanent financing. So it's like a revolving loan account and that some of it, if not all of it, gets paid back. It's relatively patient capital. But the biggest, I think the biggest attribute are that it leverages a lot of private financing and it -- it can act quickly and nimblely for the folks interesting in doing affordable housing.
>> Okay.
>> Technical difficulties here. You mentioned housing works was a participant in that. I see Mindy out in the audience, I don't know if there's something she might want to share with us over and above.

[7:34:51 PM]

>> Come on down.
>> I think it would be a great opportunity to just kind of discuss very briefly the conversations going on around the steering committee.
>> Sure. Mapdy Demayo, housing works, Austin.
[Multiple voices]
>> Short notice.
>> I wasn't prepared to speak. You all did beautiful. I think the description of the strike fund it's something that we have contemplated it feels like for years within the community, another resource for housing developers. Both public -- both private and non-profit and also private developers. As Betsy mentioned it would be relatively
[indiscernible] Capital. We've had ongun conversations with financial institutions, some foundations, we're also working with the low-income investment fund out of the bay area, they put together a lot of these strike funds across the country, including one in Denver that has been successful and in the bay wear, T.O.D. Fund, transit oriented development fund, which is a $50 million fund. We earlier this month had kind of a pulmonary conversation with a -- preliminary conversation with a really diverse group of folks, about 50 different people from foundations, from banking, from private developers, public entities, the housing authority, around creating healthy communities and how we could make our community more -- more friendly to investment capital. So really Al lining some of our policies across the spectrum so that we can create -- aligning, so that we can create just an opportunity for a layered financing to come into this -- to come into our community. So I think it's just another resource, but I think it's an important resource because as Betsy mentioned, you know, especially an incredibly hot market, we can't compete with -- with real estate investment trusts, we can't compete with private developers. We are losing a lot of our market affordable housing, we have in excess of 60,000 units, class C, D apartment complexes that provide a lot of built in affordability, they are not subsidized, they are not required to maintain -- I think they estimated about 7,000 units over -- over a couple of years.

[7:37:07 PM]

I can't remember the time period that they look at. But we are losing those class C and D apartment complexes and it's a lost opportunity for our community because where are those people going who are living in those units? They're not able to stay in the city. They are not able to stay close to jobs, transportation, those sorts of things. So our conversation is continuing as Rebecca mentioned, we've got a steering committee. It is 14 people from really a diverse group of folks with a diverse group of

interests. And experiences. And we're meeting next week to figure out our concrete next steps, but we are working toward the creation of a fund that will be hopefully operationalized. Operationalized in the near future.
>> Okay, thank you.
>> Renteria: You know, could you later on could we put you on our agenda to give us a full report?
>> Absolutely, I'm happy to. Especially after April 2nd, which is our steering committee meeting where we're going to really gel in terms of our next steps. Yeah, I would love to.
>> Renteria: I would like to, if you could get with staff so you can work with them so they can give us a presentation, but sounds like an exciting program that we could really benefit here because, you know, we have such a great need in Austin and I, you know, I've seen where we've been losing those kind of class type of apartments and I've seen them done in my neighborhood where we just lost it to be condominiums, so thank you.
>> Absolutely. It's just another tool. I mean, we want to create just a variety of tools that work in different sets of circumstances. And we need as many tools in our toolbox as possible, because what we have learned the bonds aren't the silver bullet, preservation isn't, land use isn't, public land. It's all of these things together because it's a huge, complex problem.
>> Renteria: Thank you.
>> I'll take this opportunity to mention, since Mandy is here, I see Walter out in the audience, also.

[7:39:12 PM]

We are doing a district 10 town hall meeting next Wednesday on inapril --able it's April already. On April the 1st. It is specifically about housing affordability. You know, people think district 10 because it's one of the wallettier areas doesn't have the issue of affordable housing, but it does. Thank you for participating. I think it will be a really good conversation and hopefully we will have a great attendance and be able to educate a lot of the population about what affordable housing is. As you talked about earlier the concept of what that name means is often misunderstood. So ...
>> Renteria: Thank you. Any other questions? Thank you. The next item on the agenda is overview of the city of Austin developer incentive program.
>> Yes. The -- this evening, Erica leak and Jim Robinson is going to be doing this presentation, Jim is from the pdr department.
>> Good evening, councilmembers, my name is Erica leak, I'm with neighborhood housing. And this evening we're going to give you a -- a quick primer on a number of different developer incentive programs that we have within the city and we will be focusing on the ways that they help support affordable housing, but do realize that some of them have multiple community benefits that are achieved through these programs, though that's not the focus of this particular presentation. So to begin with, we just want to make sure that everyone has the same understanding of a developer incentive.

[7:41:18 PM]

These are generally programs where there's some sort of incentive offered to developers to provide some measure of community benefits. And so that incentive could be in the form of additional density as we'll see with our density bonus programs. It could also be in the form of fee waivers or expedited review in -- as we see in our smart housing program. Or a number of other different entitlements. And as I mentioned, the community benefits often include affordable housing, but they could also and some of our programs do include things like public open space, green building, space for artists, a whole variety of public benefits. And one of the really important things to realize about the developer incentive programs is just how important they are in the city because they are one of the ways that -- that we are able to obtain some of these community benefits that are necessary in the community without having to specifically subsidize them. This is obviously very important when we have such limitations on ways to create affordable housing. It's also a way to support mean Austin concepts to allow additional density where it's appropriate. And so we'll be showing some maps in a moment to show where some of that additional density is allowed. So -- so for the purposes of this presentation, we have grouped our developer incentive program into three different categories. One category, which is the development agreement category. Another, which is smart housing, our smart housing program and another category of deposition community bonuses.

[7:43:23 PM]

So the development agreements you've actually heard about some of those today, they are -- oh, good. They are agreements that are created generally for a very -- very specific sites, but that do have affordability requirements that go along with those. So those include places like Mueller, Seaholm, the green water treatment plant. Another program that we have that's -- that's somewhat different from both development agreements and density bonuses is our smart housing program. So smart stands for safety, mixed income, accessible, reasonably priced and transit oriented. It actually a program that's available throughout the city and the main incentives that go along with that program are fee waivers and there is at least theoretically expedited development review, though that's something we could certainly talk about if you'd like. And in exchange for those incentives, we are able to get more affordable homes and multi-family throughout the city and we'll show some maps with those. And Jim Robertson is going to go through some of the city's density bonus program goals.
>> Good late afternoon, early evening, I suppose, councilmembers. I'm Jim Robertson, I'm the outlier here. I think Betsy pointed that out. I actually don't work in the neighborhood housing and community development department. I'm head of what's called the urban design division within the planning department. The reason I'm here, why it made some sense for me to be included is first of all, we work a lot with the neighborhood housing and community development and have for years.

[7:45:24 PM]

The planning department, specifically the urban design division, were charged with a number of special planning area projects. In areas around the city where there either was a high rate of change or anticipation of a high rate of change or some cases even a desire for change. Like the station areas around the metro rail stations, like north burnet, east corridor drive and downtown. Our group focused on those types of areas, one of the conclusions that we reached during the process of those we need to expand our toolkit, if you will, of the ways you can provide community -- we can provide community benefits including affordable housing. So in this list that you see in front of you right here, you have downtown density program, tod, north burnet gateway, so forth. These density bonus programs were put in place via these planning processes and regulations that came from them as a result of expanding our toolkit, community benefits in general and affordable housing, either affordable housing or affordable housing funding. In particular. I think it was councilmember Casar earlier mentioned he's a visual thinker, as am I. I drew this diagram. For a long time I would hand draw a diagram of how does a density bonus program work and eventually committed it to something like this. This is a diagram we extracted from the downtown plan. In much of downtown the base entitlement in terms of floor to area ratio is 8 to one. You can build a building that has eight times as many square feet as your parcel has square feet. That's cbd zoning. How does the density bonus work in that setting. Somebody can build an 8 to 1 far they don't have to come and ask us to do that. But if they want to build a larger building, let's say they wanted to have a building with twice as many square feet, 16 to 1 far, it used to be they would go through a process called cure zoning.

[7:47:32 PM]

That no longer exists. It's through the downtown density bonus program, but this works similar to other density bonus programs. The first thing that you ask is does building more density actually improve the revenue stream or the return of that project? What we found, we hired economists to look at this, was that sometimes it does and sometimes it doesn't. So there's a great -- there's a temptation to think just because a building or project gets bigger, it's automatically more lucrative. We found that not to be the case downtown. For example, hotels if they go from 500 rooms to a thousand rooms, don't necessarily produce a higher rate of return. So the first thing that you have to do whether you set these programs up is understand the economics of the area. If it does produce money, if that additional square footage does produce additional revenue, then a density bonus program basically puts in place a system by which that additional value is split between the developer and the owner and community benefits for our community at large. If you set up a program as this slide illustrates, where you take all of that money and you extract it in the form of community benefits and leave zero additional revenue for the owner, the owner is going to say sorry I'm not going to undergo the brain damage to build twice as big of a building when I have no incentive to do that, if I make the same amount of money that I'm entitled to do up right. So a carefully calibrated program, that's the word we tend to use in these, is basically set up so that it splits the additional benefit between the community and the developer. And that's why there's an X there. If you extract all of the value, you essentially eliminate the incentive for density for additional growth. Sometimes it just doesn't produce much or any in which case, you know, you're not going to get much in the way of community benefits and the developer is not going to have a significant incentive to do it.

[7:49:38 PM]

So ... Um ... These are the areas where we have density bonus programs in place. I think that represents about three percent of the city's area. Roughly. More or less. It's not throughout the city. They are the areas that I have largely mentioned earlier. So -- so one of the things that has -- that we've always tried to make clear in our discussions and we were in the downtown for example in the context of downtown, we were frequently reminded by our colleagues at the downtown Austin alliance, isn't density a community benefit in and of itself? Well, of course that question is place specific. Some places it is, some places it isn't. But deposition community is oftentimes a good thing. Density is oftentimes a good thing. Take downtown, it increases the tax base, it allows more people to live in perhaps a more environmentally sustainable way where they are not relying on single cars for moving around, they can walk, take transit, take bikes. It increases the housing supply. And it's in some ways a more sustainable use of our land resources. So, yes, it is a benefit. I suppose in a non-fiscally constrained nirvana, where the city has unlimited supplies of money, we will say okay but we don't live in that world and so we have set up these programs in in essence split the value, split the additional revenue that is achieved through granting additional density. These programs have strengths and weaknesses. One of the things I wanted to point out here is first of all, a, what I've already said. They have to be highly calibrated. They need to look at the economics of a particular area. Second thing I would point out is there's they're only one tool in toolkit. It would be a mistake to think that these programs are going to solve our affordable housing problem. That's why Betsy and her colleagues today have laid out this whole array of tools that they use.

[7:51:44 PM]

This is one tool in that toolkit.
>> Casar: Sir, I have a quick question. I hate to break your train of thought. I know that the density bounce program downtown, the -- bonus program the way it got put together after cure is relatively new and I understand the importance of calibration. In the ordinance that we passed, how -- is it self-recalibrating based on anything or is it something that we'll have to revise as a council as the market changes because obviously right now one might feel like we can ask for anything. And maybe a few years from now things could change. Is that already contemplated in the ordinance?
>> Yes, it is. The ordinance by which the program was adopted for downtown specifically said that the program should be recalibrated at a minimum every three years. I think three years was the number we ended up on. Obviously if there was a strong sense that three years was not frequent enough, that the market was changing so rapidly, we could do it in advance, but the ordinance specifically calls upon, directs the city manager to look at the recalibration issue at a minimum every three years.
>> Casar: Then the recalibrated ordinance would have to be passed by council.
>> Right. What you would be doing hopefully, this is me saying hopefully, would be in essence leaving the structure in place, but recalibrating the change of value that occurs. Let's say that instead of paying a five dollar per square foot fee in lieu for affordable housing, that could go up to seven dollars a square foot. The market has changed and it's a fair exchange of value to say that the city should get a little more. That's the kind of thing that should happen while leaving the basic structure in place.
>> But Jim, is it accurate to state not each and every one of them has that recalibration built into the ordinance.
>> That is correct. And one of the -- bullet number one under challenges is limited standardization makes implementation difficult for developers and city staff. And I guess I'm to blame as much as anybody for that because most of these were put in place under sort of my umbrella, if you were.

[7:53:49 PM]

And they do differ. We were learning on the fly as we did these. They do differ. And one of the differences is the requirement or not for calibration. But in -- I do want to emphasize that the lack of standardization is not inherently a bad thing. There are a few things that you would expect would be different for a program, say, on east Riverside drive as compared to a density bonus program in downtown. First of all the economics are very different there. You can rent an apartment for -- of a comparable quality somewhere on east Riverside for X, but that same unit perhaps could be rented for two X or three X downtown. So you wouldn't expect everything would be exactly the same. Another thing is even your selection of the community benefit that can be gained through the program might vary from one area to the other. In downtown there's a requirement that 50% of the additional bonus area, that 50% has to be earned through affordable housing benefits. That reflected the priority that council placed upon either creating affordable housing units or creating resources for affordable housing via the development downtown. That wouldn't necessarily be the priorities that the council would place upon a program in other places. Maybe open space is a high priority in another place. So you would expect there to be some variation. I think as we move forward and perhaps codenext can be a mechanism for this or via for this we can be looking towards standardizing these programs. The fee in lieu structure does not always reflect a cost of development. The downtown density bonus program we tried to do the best we could to calibrate it to the economics of downtown. But there are some in place where the fee in %-@lieu program, the structure was not as let's say highly refined as downtown. That's something we can work at and will work on over time to make sure the programs are suitable and calibrated to the place they operate and the time in which they operate. With that I will turn it back to Erika to continue on.

[7:56:01 PM]

>> We'll hopefully move forward. This is sort of the fun part, the part where we get to see what the various density bonus programs have created or not in some cases. As Jim at least alluded to, we have had a number of different density bonus programs in place or put in place at really over the last 15 years or so. And so on this chart you have the year that the different programs were put into place, the units created are pending, and then as you see with a few of the programs, the fees in lieu that are coming out of those programs. So since these programs started around 2000, over 21,000 units have either been created or are pending. And we have approximately three million dollars in fee in lieu. I do want to note that a number of these programs overlap. In some cases such as the west campus university neighborhood overlay area they will participate in the U.N.O., the university neighborhood overlay program. They also have to make those units are smart housing units. And so the total reflects the number -- so basically some of the units are double counted because they are in different programs, but we'll get to the total in a moment.
>> Casar: Can you explain to me what completed units is -- is that completed affordable housing units?
>> Yes. That means there are actually -- they're actually done and affordability period is -- the affordability is being monitored.

[7:58:07 PM]

>> Casar: So under, for example, the P.U.D. Ordinance there's 2,606 total affordable units in the pipeline?
>> Correct. So generally we know if a developer is planning to participate in a program early in the process. And so they have indicated that there would be 2,606 units coming out of puds, but they're not.
>> Casar: They're not existing now.
>> Right. Potentially because they're either in the planning process or the construction process basically.
>> Casar: Okay.
>> All right. So I'm going to go through a series of maps, and the purpose of these maps is actually just to show the -- one of the real benefits of the density bonus programs, which is that we're able to get affordable units in areas of town that we might not otherwise be able to place subsidized units or that it might be harder for us to get subsidized units. So the first map shows multi-family developments that are subsidized. So in some way or another the city has paid to have affordable units in those locations. Preyful to look carefully. The next addition is units that are coming from p.u.d.'s and these do include both planned and completed. So in the case of pud's these would be planned units since they aren't completed yet. So look for small brown dots there. Now we're layering on vmu or vertical mixed use units. And developers are able to take advantage of the vertical mixed use density bonus program along the city's core Tran at this time corridors. These are located in great locations for people to be able to use transit.

[8:00:17 PM]

Now we're layering on developer agreements and again those are usually very specific to a place where the city has negotiated affordability related to some particular development. I think many of those that are shown in here in pink there Mueller. Now we've added on units from the transit oriented development areas. There are three transit oriented developments in the city, and those are along the capital metro red line. Now we're adding in the university neighborhood overlay so that those are all in west campus. Look for the green dots. And now on top of that we're adding smart housing and these are just multi-family smart housing developments and the Rainey area developments. As you can see from this map, having the density bonus programs in place is a way to really diversify our affordable housing inventory. So as I mentioned earlier, the total number of units that have come through these various density bonus programs is over 21,000 over the course of the approximately 15 years that the density bonus programs have been in place. So if you remember nothing else from this presentation what I would really like you to remember is that as we move forward with -- with the codenext process, as we move forward with code amendments and thinking about how this ties in with our land development code, we need to ensure that we continue to maintain our developer incentives and density bonus programs as one of those potential tools to get affordability that we don't have to subsidize because as you've heard earlier today, the city spends a fair butt of money trying to make sure that we can have a more inclusive community.

[8:02:45 PM]

And density bonuses or developer incentives are one of the ways we can do that that we don't specifically have to pay for. People will be coming forward many times coming before council, talking about various changes. And we would just like to make sure that you keep density bonuses in mind.
>> Renteria: I want to ask you a question on the Rainey. Which development on Rainey? Do you know which unit?
>> There are actually four developments, but I don't think we have a detailed list.
>> Renteria: Is it where they have retail on the bottom?
>> We don't really have total Numbers because in Rainey up until recently when we changed the ordinance it's been one day of affordability. So we've done an initial income verification at the beginning and the files, they go away.
>> Renteria: Because of the zoning change that went on?
>> Yes.
>> Renteria: Thank you.
>> But just -- for those of you who weren't watching channel 6 a year or so ago, we did go through as we adopted the downtown density bonus program we made amendments to the Rainey density bonus program that did include a longer affordability period.
>> Renteria: There's still something that needs to be done in order to recapture something in that in the future and future development?
>> So the amendments are now in place that require longer term affordability.
>> Renteria: Thank you.

[8:04:58 PM]

The only reason I was talking to you about the Rainey street was because here -- Stewart Hersh had said something about the Rainey street code amendment. Do you know what he was actually discussing about? I guess I just --
>> I apologize. I don't know if any of us can speak on Stewart's behalf.
>> Renteria: That's fine. I just wanted to run it by. Any other questions? Thank you. Next? The housing authority.
>> And thank you so much for being here late after the workday ends. You're still going to be here, so never mind. But the presentations were great and we really do appreciate the information as we try to increase our learning curve here.
>> We have just one last item on the agenda that we wanted to share with you and then we can probably talk about future items that you want. This is as I mentioned before, the city council is the

board of directors for the Austin housing finance corporation. We had a finance corporation board meeting early in February. We've not had one since. We are scheduled to have one on April the 2nd. Before you is the list of items that we intend to bring forward. And so we wanted to make sure that you saw ahead of time what it is we intend to propose that the board take action on on April second. I don't know if you want me to read them to you, if you want to look at them, ask me questions. This is the first opportunity that we've had to be able to present items to a committee of members of the board of directors.

[8:07:08 PM]

>> Renteria: Let me take a minute here.
>> I can read them to you if you want. It's entirely up to you. I don't know how much more reading you want me to do to you.
>> Would you like me to summarize a little bit? The first item is setting a public hearing for our action plan process. We've mentioned it several times. As a participating jurisdiction with the department of housing and urban development in order to receive the formula funds, there is a needs assessment that we go through each year and there is an action plan that we will prepare in that there are several public hearings. So there's a lot of community engagement that goes on in the needs assessment process. So this item is setting the first of two public hearings that will occur with the city council. This one is during the needs assessment process. We will come back to you at the end. The action plan must be approved by the city council before we can submit it to hud and that has to occur before April 15th of every year. So that's that first item. There's two items -- I'm sorry, August. I apologize, I said April. August 15th is when the action plan is due. There are several items on here where they approve an inducement resolution for private activity bond financing. The finance corporation has the ability to issue private activity bonds. One of the requirements whenever the finance corporation is going to issue activity bonds is the inducement resolution. That starts the process. And so there are two items on here that we'll have an inducement resolution. After that assuming that those items get approved, the next step that we'll bring forward to you is what's called a tefra hearing. There are two items on here in regards to the private activity bond financing authorization, the finance corporation has.

[8:09:14 PM]

There's also an item on here for -- actually, there are several -- the rest of the items are all items where we're proposing to invest money into a variety of different projects. So any time we are proposing a project that exceeds $300,000, we're going to bring it forward to the finance corporation for approval. Normally those actions will be in the term of either providing us with the opportunity to negotiate and execute loan agreements, all the documents that are required. That's the action that we'll bring forward. Or sometimes you will see amendments. There are times where we will have invested in a property and there is -- there are a lot of different reasons why we might reinvest. So you might see an amendment to a previously authorized action or just the ability to authorize us to negotiate and execute. Those -- that's pretty much the type of items that you're going to see on April 2nd. Every one of those when we -- when those items are posted they are very detailed and they are called -- there's rca's request for council action. For the board we have rba's, request for board action. In the request for board actions you will have relatively detailed information regarding each transaction. If it's -- we're investing in an affordable housing project, you're going to know the location, amount of money, the people who are served. You will know the other source of funds that are in that transaction. So there's a lot of project detail that you will see in there. You are always pleased -- we would expect and hope that if you have questions for us

ahead of time, send them to us. The agenda process allows for that. So that's a great opportunity for us to provide you whatever information you need prior to action so you feel well informed.
>> The other thing I would note is our applications are also online. So we have had calls from some of the council staff that are wanting to see the entire application. As they come in we do post them online and you may see the status as recommended, funded or pending, meaning we haven't taken them through the process of recommending or funding them.

[8:11:37 PM]

>> Just to put the process in my head a little bit, for example, the foundation community loans, are those projects that have come to the council before? Because I know several weeks ago we did the support letters for the tax credits. So is this -- is this kind of the continuation of a process that starts with that and hopefully they're awarded? , Is this totally separate?
>> These are totally separate. These did come to the previous council before. These are projects where we need to invest additional funds. We will be bringing later, though, all of the projects that we brought forward in February, assuming they make it to the end zone, and receive tax credits, we will then bring back for firm commitment. What you authorized in February was the ability for us to commit funds, conditional upon the tax credits. So any of those that are successful we will bring those back for firm commitments most likely in August.
>> Kitchen: So something similar to what we're seeing here.
>> Absolutely, yes.
>> Kitchen: Thank you.
>> Renteria: Any other questions? Thank you, and this is our last item. We also passed other items in the future that we'll be bringing up and putting in the agenda. I just want the members to look it over and see if there's any item on that list for y'all to make a recommendation. And while we're at it, do I hear -- I want to really thank y'all for coming by and giving us this presentation. It was very rewarding. You know, even though I served time on the community development commission, it's been over eight years so I lost a lot of -- track of what actually has been going on, but I really want to thank y'all for spending this afternoon with us.

[8:13:39 PM]

And I want to say once again thank you to all the staff.
>> Kitchen: We need a motion? So moved.
>> Renteria: There's a motion to adjourn. Do I hear a second? All right. The first housing meeting -- housing meeting is adjourned. Thank you.