

1 **RESOLUTION NO.**

2 **WHEREAS**, in 2015, Austin adopted Ordinance 20151119-080, which
3 codified certain changes to allow accessory dwelling units throughout much of the
4 city; and

5 **WHEREAS**, a 2016 analysis conducted by The University of Texas
6 (“Strategies to Help Homeowners Finance Accessory Dwelling Units in Austin”)
7 found that this action addressed land use barriers associated with ADU construction
8 and resulted in a doubling of ADU construction in Austin in 2016 from 2015 levels;
9 and

10 **WHEREAS**, the University of Texas report concluded that the increase in
11 ADU construction in Austin was most likely completed by developers rather than
12 by homeowners; and

13 **WHEREAS**, the report found that “because the construction costs for an 850
14 square foot detached ADU are approximately \$150,000 financing remains a major
15 barrier to low- and middle-income homeowners wishing to build an ADU”; and

16 **WHEREAS**, the report identified three primary problems that exist for
17 individuals seeking private financing: debt to income ratios, equity, and a high
18 enough credit to score to qualify for a loan with a preferable interest rate; and

19 **WHEREAS**, the report also found that in addition to the financial barriers,
20 concerns about potential effects on property taxes could arise due to the ADU's
21 impact on property values; and

22 **WHEREAS**, the report identified public funding streams that could be used
23 to provide income-qualified homeowners with access to low-risk capital for the
24 construction of ADUs; and

25 **WHEREAS**, acknowledging that each of these funding streams have
26 different eligibility requirements and certain restrictions, potential funding sources
27 for such a program could include the Housing Trust Fund, the Tax Increment
28 Reinvestment Zone (TIRZ) in the Homestead Preservation District (HPD) A, the
29 City of Austin's Down Payment Assistance Program, the City of Austin's Rental
30 Housing Development Assistance Program, General Obligation (G.O.) funds, the
31 General Fund, and Community Development Block Grants (CDBG); and

32 **WHEREAS**, the report states that these funds could also be used to populate
33 a Revolving Loan Fund (RLF), which can be regenerated through the payback of
34 previously issued loans; and

35 **WHEREAS**, Resolution No. 20161006-050 created a housing lending
36 advisory group comprised of affordable housing experts, local lending institutions,
37 nonprofit organizations and others that offer or are involved in programs to provide

38 new lending tools for purchasing a home or financing an accessory dwelling unit
39 (ADU) for households between 80% -- 120% MFI; and

40 **WHEREAS**, the housing lending advisory group was directed to:

- 41 • Engage lenders to develop more mechanisms for residents between 80-120%
42 MFI to receive loans for home buying or ADUs;
- 43 • Partner with organizations to host or market home-buying education classes;
- 44 • Compile and assess existing lending resources available to homeowners and
45 buyers;
- 46 • Evaluate how easily homeowners and buyers can access existing lending
47 resources or educational materials;
- 48 • Review creative lending alternatives used in other cities and determine their
49 applicability to Austin; and

50
51 **WHEREAS**, in a presentation made to Council on December 8, 2016, staff
52 affirmed conclusions from The University of Texas report regarding the challenges
53 homeowners face when attempting to construct ADUs; and indicated that loans
54 would likely have to come from public funds since the private market is not meeting
55 this need; and

56 **WHEREAS**, Resolution No. 20171109-048 created the Family Homestead
57 Initiative which, among other actions, directed the creation of processes that would
58 streamline smaller residential projects, including the construction of secondary
59 dwelling units; and

60 **WHEREAS**, while the permitting for ADUs has become more streamlined,
61 financing remains a hurdle for many households; and

62 **WHEREAS**, other cities have funded and created programs to address this
63 need; and

64 **WHEREAS**, for example, the West Denver Single Family Plus ADU Pilot
65 Program helps mid-and low-income homeowners to construct ADUs by providing
66 design, permitting, and financing assistance; and

67 **WHEREAS**, other cities such as Boston have also created programs to help
68 homeowners construct ADUS; and

69 **WHEREAS**, with the support of Neighborhood Housing and Community
70 Development, Austin Community Design & Development Center (ACDDC) has
71 applied for a grant to offer financing mechanisms for households to access
72 mortgages and construction financing for the purposes of constructing ADUs; and

73 **WHEREAS**, the results of that grant process should be released this spring;
74 and

75 **WHEREAS**, acknowledging that ADUs are a critical component of the City's
76 affordable housing supply, the City should analyze funding sources and devise
77 programs that could be used to provide financial capital for low-income and, if an
78 appropriate funding source can be identified, for moderate-income households for
79 the purpose of creating affordable ADUs throughout the City; **NOW,**
80 **THEREFORE,**

81

82 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

83 The City Council directs the City Manager to conduct an analysis of other
84 municipalities' ADU loan programs, explore eligible funding sources that could be
85 used to provide low-interest loans or possibly supplement ACDDC's grant, should
86 it be successful, and, if eligible funding sources are found, devise program and
87 income eligibility guidelines for Council consideration no later than September 30,
88 2020.

89 **BE IT FURTHER RESOLVED:**

90 The City Council further directs the City Manager to explore the viability of
91 a tax abatement or grants for property owners who construct income-restricted
92 ADUs to offset increases in property valuations and, if viable, provide the Council
93 with a budgetary impact analysis, recommendation, and mechanism for enacting
94 such a measure no later than September 30, 2020. The City Council also directs the
95 City Manager to initiate conversations with local taxing authorities to explore the
96 potential to minimize property taxes for property owners who construct income-
97 restricted ADUs and to report back to Council the outcome of those conversations
98 no later than September 30, 2020.

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100 **ADOPTED:** _____, 2020 **ATTEST:** _____

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Jannette S. Goodall
City Clerk

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