

RESOLUTION NO. 20200409-080

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

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

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

WHEREAS, the report found that financing remained a major barrier to “low- and middle-income homeowners wishing to build an ADU”; and

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

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

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

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

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

WHEREAS, in May of 2016, the Austin Community Design and Development Center (now Community Powered Workshop) and the University of Texas Center for Sustainable Development released the "Alley Flat Financing Strategies," report, which affirmed that conventional loans fail to serve lower-income homeowners for the reasons stated above; and

WHEREAS, Resolution No. 20161006-050 created a housing lending advisory group comprised of affordable housing experts, local lending institutions, nonprofit organizations and others that offer or are involved in programs to provide new lending tools for purchasing a home or financing an accessory dwelling unit (ADU) for households between 80% - 120% MFI; and

WHEREAS, the housing lending advisory group was directed to:

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

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

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

WHEREAS, a permitting process that offers the efficiency of a menu of pre-approved ADU models would streamline design and permitting processes, which also reduces costs; and

WHEREAS, organizations like Community Powered Workshop have the expertise, as evidenced by their Alley Flat Initiative, to produce such a menu of pre-approved ADU models for use by homeowners seeking to build an ADU; and

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

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

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

WHEREAS, Community Powered Workshop has extensively researched other municipalities' programs and is seen as a national resource as cities and nonprofits advance ADU construction as a means of assisting low and moderate-income homeowners in increasing household income and enabling them to remain in their communities; and

WHEREAS, other cities have also created programs to help homeowners construct ADUS, such as Los Angeles' LA-Más Backyard Homes Project, an incentive program that offers homeowners optional financing, design, permitting, construction, and leasing support to build and rent a new ADU to a Section 8 voucher holder for a minimum of five years; and

WHEREAS, Community Powered Workshop has executed memorandums of understanding with Austin Housing Finance Corporation with the intent to help homeowners finance ADUs, but it has yet to be funded; and

WHEREAS, with the support of Neighborhood Housing and Community Development and in partnership with the Business and Community Lenders of Texas and Guadalupe Neighborhood Development Corporation, Community Powered Workshop

applied for a grant to enable households to access mortgages and construction financing for the purposes of constructing ADUs; and

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

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

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

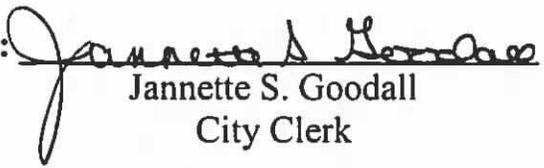
The City Council directs the City Manager to explore eligible funding sources that could be used to provide low-interest loans or possibly supplement Community Powered Workshop's grant, should it be successful, and, if eligible funding sources are found, devise program and income eligibility guidelines for Council consideration no later than September 30, 2020.

BE IT FURTHER RESOLVED:

The City Council directs the City Manager to explore partnerships with organizations such as Community Powered Workshop that can provide a menu of pre-approved ADU models as part of a streamlined permitting process and to report back to Council no later than August 30, 2020.

BE IT FURTHER RESOLVED:

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

ADOPTED: April 9, 2020 ATTEST: 
Jannette S. Goodall
City Clerk