



MEMORANDUM

TO: Mayor and City Council

THROUGH: Dr. Eric A. Johnson, Assistant City Manager *Eric A. Johnson*

FROM: Mandy DeMayo, Interim Director, Housing Department *Mandy DeMayo*

DATE: June 18, 2025

SUBJECT: **Staff Response to Accessory Dwelling Unit (ADU) Financing Program
(Resolution No. [20231214-071](#))**

The purpose of this memorandum is to respond to Resolution No. [20231214-071](#) which directed the City Manager to explore financial tools to help low- and moderate-income homeowners build or renovate their homes to add additional housing units.

Over the past five years, City Council has passed multiple resolutions directing staff to identify financial tools that help low- and moderate-income homeowners add housing units to their residential properties. These efforts, including Resolution Nos. [20200409-080](#), [20211209-064](#), and [20240530-115](#), reflect an ongoing interest in accessory dwelling units (ADUs) as a means of addressing affordability and displacement.

In response to Resolution No. 20231214-071, staff examined the feasibility of an ADU financing program. Based on previous findings, peer city models, and updated financial analysis, staff finds that while moderate-income homeowners may benefit from assistance, an ADU financing program is unlikely to effectively serve low-income households or deliver a significant number of deeply affordable units. These findings build on previous analysis, including UT MBA cost modeling and homeowner surveys, which show that low-income households prioritize property tax relief, home repairs, and utility savings over ADU construction.

If City Council were to direct the creation of a publicly funded financial assistance tool, and were to identify the resources necessary, staff would recommend a forgivable loan program equal to 20% or 30% of hard construction costs of the ADU, depending on homeowner need. Considering previous engagement efforts and financial modeling, staff would recommend launching a pilot program to gauge interest and participation. An initial fiscal expenditure of \$1 million could be expected to fund 10-20 loans in the first year. An estimated \$465,810 in additional funding would be required to support administration, outreach, and personnel, as this would be a new program requiring dedicated staff and administrative infrastructure to effectively implement and manage it. For additional details, please see the attachments.

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DATE: June 18, 2025
SUBJECT: Staff Response to Accessory Dwelling Unit (ADU) Financing Program (Resolution No. [20231214-071](#))

This memorandum serves as a final update for Resolution No. [20231214-071](#) by thoroughly evaluating the feasibility of an Accessory Dwelling Unit (ADU) financing program. Staff has identified significant challenges regarding the program's financial viability and potential impact. Staff remains committed to supporting the City Council's housing goals and will work diligently to ensure any future program's success if necessary resources are identified.

Should you have questions or concerns, please contact Mandy DeMayo, Interim Director, Housing Department, at 512-974-1091 or Mandy.DeMayo@austintexas.gov

cc: T.C. Broadnax, City Manager
Erika Brady, City Clerk
Corrie Stokes, City Auditor
Mary Jane Grubb, Municipal Court Clerk
Judge Sherry Statman, Municipal Court
CMO Executive Team
Department Directors

Attachments: Attachment A Staff Response to Accessory Dwelling Unit (ADU) Financing Program
Attachment B Financing Scenarios
Attachment C Proposed Framework for an ADU Assistance Pilot Program

Attachment A: Staff Response to Accessory Dwelling Unit (ADU) Financing Program

This attachment provides more update on the following:

- Updates on Previous Resolutions [20211209-064](#) and [20200409-080](#).
- Financial Assistance for Accessory Dwelling Units (ADUs): Exploring funding options and restrictions for additional units.
- Community Outreach: creating targeted communications for vulnerable homeowners.
- Support for Homeowners: establishing ombudsperson positions in the Development Services Department.
- Infrastructure Capacity: evaluating impacts on utility services and potential grant programs for development fees.

To respond to this resolution, staff analyzed financial models and reviewed previous engagement efforts related to Accessory Dwelling Units (ADUs). While ADUs provide an avenue to expand attainable housing options in the City through moderate increases in density, staff does not recommend financing the construction of ADUs through public funds for the following reasons:

- **Alignment with Strategic Housing Blueprint:** The Blueprint advocates for making ADUs easier to build through land use reforms rather than public financing. Key recommendations include relaxing regulations, streamlining permitting processes, and removing parking requirements, all which have been accomplished through recent land development code changes.
- **Affordable Housing Goals:** As established in the Blueprint, Austin aims to create or preserve 60,000 income-restricted affordable housing units over the next decade. While progress has been made in achieving targets for housing above 80% median family income and affordable housing preservation, production of deeply affordable units is lagging according to the latest [Strategic Housing Blueprint Scorecard](#). ADU financing is not likely to be an effective way to address the need for deeply affordable units due to development costs and the subsidies required to achieve affordable rents.
- **Displacement Mitigation:** The program is unlikely to benefit homeowners most at risk of displacement. Financial requirements for securing a second mortgage, such as a down payment, as well as upfront predevelopment costs, may exclude many low-income property owners. The program would thus serve only a small subset of homeowners who already have some access to capital and might not be at immediate risk of displacement.
- **Financial Risks:** Homeowners would likely incur significant predevelopment costs (estimated between \$20k - \$30k) for feasibility studies, architectural plans, and permitting prior to knowing if they have a viable project or not. These costs, combined with potential risks like cost escalation, project delays, and inadequate infrastructure, could increase financial instability for low- and moderate-income homeowners if projects were determined to be non-viable.

The following sections respond to each item requested of staff by the resolution.

Updates and Progress on Previous Resolutions

Previous City Councils have also directed staff to explore financial tools for additional units on residential homesteads, including Resolution No. [20211209-064](#) and [20200409-080](#). Resolution No. 20200409-080 asked staff to comprehensively address barriers to Accessory Dwelling Unit (ADU) development. In June of 2021, [staff responded](#) by providing a set of recommendations including removing regulatory barriers, partnering with community organizations, prioritizing displacement mitigation, pre-approved building

plans, and exploring a Chapter 380 tax incentive program. Resolution No. 20211209-064 asked staff to estimate the time and resources required to create a menu of pre-approved building plans to expedite the permitting process for additional units. The [staff response](#) on resources required to launch this program was completed, but no direction was given or funding allocated to implement it. Recently, Resolution No. [20240530-115](#) directed the City Manager to develop a HOME Interdepartmental Task Force to identify ways to streamline and cut cost of the permitting process for additional units, which could include revisiting recommendations made in previous resolutions. The Task Force [provided a work plan](#) to City Council on May 8, 2025 and plans to provide findings and recommendations in Summer 2025.

As part of the response to Resolution No. 20200409-080, a cross-departmental team of City staff worked together to develop a survey to gain additional insights regarding low- and moderate-income households' thoughts and concerns about ADUs and other potential anti-displacement initiatives. Partnering with the Austin Energy Data Analytics team, a survey was distributed to over 7,900 Austin renters and homeowners in nine languages. Though approximately 50% of low- and moderate-income homeowner responses indicated an interest in building an ADU if financing and construction assistance were available, low-income homeowners facing displacement pressures identified property tax reductions, low or no-cost home repairs, and saving money on utilities as more helpful strategies for staying in their homes than assistance financing and constructing an ADU. In addition to income from an ADU, moderate-income households facing displacement pressures also identified property tax reductions, low- or no-cost home repairs, and saving money on utilities as most beneficial to help them stay in their homes.

Also, as part of a coordinated response to Resolution No. 20200409-080, a research partnership with the University of Texas at Austin's Master of Business Administration program worked with a cross-departmental team of City staff and Community Powered Workshop (CPW) to explore ADU affordability and produced detailed cost modeling to understand financial limitations better. The financial modeling highlighted the need to modify the S.M.A.R.T. Housing Program to separate affordability requirements between homeowners and ADU tenants to improve accessibility and participation. To qualify for S.M.A.R.T., a homeowner must agree to cap their ADU rental at 60% of market rent. Modeling conducted in 2020, and then again by staff in 2024, indicate that income-restricting the rental unit is not financially feasible. However, if the S.M.A.R.T. Housing program were amended to extend participation if the homeowner was income-qualified, the program may better assist moderate-income homeowners in reducing ADU development costs. [Resolution No. 20230720-129](#) directed the City Manager to propose amendments needed to improve the operation and functionality of the S.M.A.R.T. Housing Program, and minor amendments to the program were adopted by Council this Spring through Ordinance No. 20250522-063. Staff anticipates proposing an additional phase to conduct a comprehensive review of the program's scope and consider significant programmatic and policy changes, including potential amendments to extend participation to income-qualified homeowners improving their homestead property to add new units. Updating the S.M.A.R.T. Housing ordinance to incentivize the construction of more ADUs was recommended by the Strategic Housing Blueprint.

Financial Assistance and ADU Development

Staff explored financial assistance options as requested by this resolution. To inform this recommendation, staff reviewed best practices from peer cities that offer low-interest and forgivable loan programs including: [Denver, CO](#), [California](#), [Washington, DC](#), and [Boston, MA](#). If City Council were to direct the creation of a publicly funded financial assistance tool, and were to identify the resources necessary, staff would recommend a forgivable loan program equal to 20% or 30% of hard construction costs of the ADU, depending on homeowner need. Considering previous engagement efforts and financial modeling, staff would recommend launching a pilot program to gauge interest and participation. An initial fiscal expenditure of \$1 million could be expected to fund 10-20 loans in the first year. However, because the

Housing Department currently lacks the necessary resources to administer this pilot program, it would require a commitment of additional financial and staff resources to provide these loans and to effectively establish and administer the program. Additional administrative and marketing resources would also be required to support the implementation of any pilot program. While not all homeowners would be able to take on additional debt, this program could serve as a tool for those who meet the eligibility requirements.

Staff analyzed several scenarios (Attachment B - Financing Scenarios) to estimate potential loan amounts for site-built, modest sized ADUs. Based on a variety of assumptions, staff determined an average range of \$50,000 to \$80,000 per recipient would be necessary to serve existing homeowners at or below 80% Median Family Income (MFI). Staff recommends targeting 80% because previous engagement indicated that moderate-income homeowners were more likely to identify income from an ADU rental as a strategy for remaining in their homes, while low-income homeowners (at or below 60% MFI) facing displacement pressures find property tax reductions, low or no-cost home repairs, and utility savings more helpful strategies for allowing them to stay in their homes.

Moderate income homeowners may still face barriers to securing financing for ADUs due to lending limitations such as minimum credit scores and maximum debt-to-income ratios as well as the upfront capital needed for predevelopment considerations. For more details on the proposed framework, refer to Appendix B - Proposed Framework for an ADU Assistance Pilot Program.

Staff have not identified funding for ADU financial assistance in the Housing Department's proposed FY2026 budget. If City Council were to direct the creation of such a program, and were to identify the resources necessary, the following budget would be required to implement the proposal:

| Estimated ADU Assistance Pilot Program Budget | |
|---|--------------------|
| Loan Fund | \$1,000,000 |
| Marketing & Outreach Campaign | \$125,310 |
| Housing Department Staff Support | \$340,500 |
| Total Estimated Pilot Program Cost | \$1,465,810 |

Marketing & Outreach Campaign Staff scoped a targeted year-long campaign for vulnerable homeowners in Districts 1, 2 and 3, which cover zip codes identified as the areas at most risk of displacement in the [Displacement Risk Area Maps and Dashboard](#) (78744, 78741, 78702, 78724), as well as District 4 and the southern portion of District 5. If funding were identified, this campaign would utilize paid and organic promotional channels (digital, print, radio, TV) to disseminate information with the widest reach possible for diverse audiences for a total estimated cost of \$125,310. The dominant languages identified in these displacement risk areas are English and Spanish, as identified in the [Language Access Council Districts Spoken Languages study](#).

Housing Department Staff Support To execute a program for eligible homeowners, the Housing Department would need additional staff to manage the application and loan execution process. Total expenses required to administratively support the pilot program and marketing efforts is estimated to be approximately \$340,500.

Support for Homeowners

The [Development Process Team \(DPT\)](#) currently exists within the Development Services Department (DSD) and as a part of its work program supports homeowners by providing essential information about the

permitting and development process. The DPT offers a single point of contact throughout the duration of a project, ensuring consistent guidance and support. As part of any contemplated ADU Assistance Pilot Program, Staff would ensure that recipients are informed about the valuable services provided by the DPT team within DSD. Similarly, DPT staff would connect customers to staff and the ADU Assistance Pilot Program. Adding staff to help homeowners with financial assistance to utilize the HOME amendments would depend on identifying funding sources and determining associated costs.

DSD has established a HOME Interdepartmental Task Force with subject matter experts from across the city as directed by Resolution No. 20240530-115. A key objective of the Task Force is to explore creating one or more Development Services Department ombudsperson positions to assist residents who want to modify their properties by adding housing units. Currently, DSD employs three ombudspersons in the form of the Development Process Team, originally approved by Council in FY18-19 to assist small business owners and homeowners through the development process. The HOME Interdepartmental Task Force will evaluate whether the roles and responsibilities of these existing ombudspersons need refinement and identify opportunities for enhanced community education and outreach on ombudsperson services. The Task Force [provided a work plan](#) to Council on May 8, 2025 and plans to provide findings and recommendations in Summer 2025.

Increased Density and Infrastructure Capacity

The HOME Interdepartmental Task Force is currently reviewing programs and processes that could assist low- and moderate-income homeowners in expanding or modifying their properties. The Task Force will make recommendations responsive to Resolution [20240530-115](#) in Summer 2025. As Austin Water and Austin Energy were specifically identified in Resolution [20231214-071](#), details of their infrastructure planning are provided below.

Austin Water conducts a variety of review, planning, and analysis functions to determine water, wastewater and reclaimed water infrastructure needed to accommodate growth throughout the City, including impacts of increased density. These planning efforts include Water Forward, various City planning initiatives, Austin Water Long Range Plans, 5-year and 10-year Capital Improvement Plans, the Service Extension Request (SER) process, and site and subdivision plan reviews. This work is conducted in partnership with other departments and integrated with the City of Austin's land development processes, primarily through the Austin Water teams located at the Permitting and Development Center, the City's one-stop-shop.

Austin Water uses growth projections to develop long range water, wastewater, and reclaimed water infrastructure plans, which inform annual updates to our Capital Improvement Plans. Austin Water also implements SER and plan review processes to evaluate site-specific water, wastewater and reclaimed water service needs of developments and identifies further infrastructure improvements, if needed. System-wide costs related to growth are generally recovered by Austin Water's Capital Recovery Fees (also called Impact Fees), which are updated every five years in accordance with State Law. These fees are paid by new connections to city systems. Utility improvements for specific developments that are necessary to accommodate utility needs are largely borne by the development. The HOME Amendments may result in a gradual increase in utility demands on a lot-by-lot basis in certain areas of the City.

Austin Energy completes annual system studies, as well as ongoing reviews of design projects, to identify any areas where growth may be forecast to impact load and, in response, prioritizes infrastructure and system improvements to mitigate any such impact. For Austin Energy, increased densification could lead to a need for additional resources and infrastructure; the costs and number of needed resources would ultimately be determined by several factors including area and the percent uptake of densification. Another consideration of note is the impact of densification related to the required safety clearances for overhead

and underground electric infrastructure (equipment and lines). In response to extreme weather impacts, Austin Energy is also increasing resiliency of our electric system, including leveraging self-healing grid technologies and equipment (e.g., covered conductors), so both efforts will ultimately run in parallel.

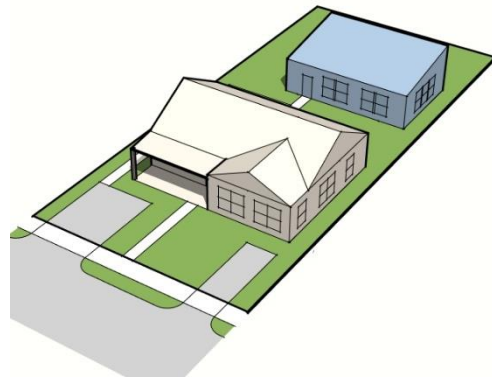
Attachment B Financing Scenarios

Staff modeled several financing scenarios to determine the appropriate amount for a forgivable loan program. The analysis focused on two sizes of Accessory Dwelling Units (ADUs) (850 square feet (sqft) and a 600 sqft) and evaluated the feasibility of offering income-restricted affordable units, while still generating sufficient rental income to make the project viable for the homeowner. Four different scenarios were considered for each ADU size, each with increasing percentages of financial support. Through this modeling, staff determined that income-restricting the unit would likely not generate enough rental income to provide relief to moderate- or low-income homeowners, which was the primary focus of Resolution 20231214-071.

Assumptions for Scenario 1, an 850sqft ADU

The following are the assumptions staff made for the 850 sqft ADU: the construction cost is based on a per-square-foot rate, annual property taxes are estimated, and insurance costs are calculated as a percentage of the total construction cost.

- Size of ADU: 850sqft
- Construction cost: \$340/sqft
- Total Construction Cost: \$289,000
- Estimated taxes (assuming 2023 rates):
 - Travis County: 0.304655
 - Travis Central Health: 0.100692
 - ACC: 0.0986
 - COA: 0.4458
 - AISD: 0.8595
- Estimated insurance:
 - You should expect to pay on your Texas private mortgage insurance between 0.5 and 1% of the total loan amount per month. This estimate uses 1%.



Scenario 1a: Homeowner financed (100%)

In Scenario 1a, the homeowner finances the entire construction cost of an 850sqft ADU. This would involve taking a loan for the full amount. The monthly mortgage payment would include principal, interest, taxes, and insurance (PITI). Given the total construction cost and estimated insurance, the homeowner's monthly payments will be relatively high, as they bear the full financial responsibility.

Housing department staff then looked at whether the rental income generated from the ADU would be sufficient to cover the total loan payments if the unit was income restricted at different median family income (MFI) levels. In Scenario 1, the rental income generated from the ADUs is insufficient to cover the total loan payments, even if the renter was earning 100% MFI, with an estimated rent payment of \$2,058 for a 1-bedroom and \$2,352 for a 2-bedroom.

| First Mortgage (Calculator) | |
|------------------------------------|-------------------|
| Loan Amount | \$ 289,000.00 |
| Annual Interest Rate | 7% |
| Life Loan (yrs) | 30 |
| Number of Payments/Yr | 12 |
| Total Number of Payments | 360 |
| Principal & interest | \$1,922.72 |
| Estimated taxes | \$436 |
| Estimated insurance | \$240.83 |
| Monthly payment | \$2,599.28 |
| Sum of Payments | \$692,181 |
| Interest Cost | \$403,181 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|----------------------------------|----------------|----------------|-----------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$2,599.28 | \$2,599.28 | \$2,599.28 | \$2,599.28 |
| Second mortgage | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total Loan Payment | \$2,599.28 | \$2,599.28 | \$2,599.28 | \$2,599.28 |
| Total (Forgivable Loan) | \$2,599.28 | \$2,599.28 | \$2,599.28 | \$2,599.28 |
| ADU income | \$ (1,570.28) | \$ (1,365.28) | \$ (1,001.28) | \$ (541.28) |
| ADU income (FL) | \$ (1,570.28) | \$ (1,365.28) | \$ (1,001.28) | \$ (541.28) |
| | | | | |
| | Rental Options: 2 bedroom | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$2,599.28 | \$2,599.28 | \$2,599.28 | \$2,599.28 |
| Second mortgage | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total Loan Payment | \$2,599.28 | \$2,599.28 | \$2,599.28 | \$2,599.28 |
| Total (Forgivable Loan) | \$2,599.28 | \$2,599.28 | \$2,599.28 | \$2,599.28 |
| ADU income | \$ (1,423.28) | \$ (1,188.28) | \$ (774.28) | \$ (247.28) |
| ADU income (FL) | \$ (1,423.28) | \$ (1,188.28) | \$ (774.28) | \$ (247.28) |

Scenario 1b: Homeowner + Finance Support (90/10)

In Scenario 1b, the homeowner finances 90% of the construction cost (\$260,100) of an 850sqft ADU, with the remaining 10% (\$28,900) covered by a finance support program. The reduced loan amount leads to slightly lower monthly payments compared to Scenario 1. The homeowner still covers the bulk of the cost but gets some relief through the support program.

For both 1-bedroom and 2-bedroom options under the 90/10 financing support scenario, the homeowner receives financial support to cover 10% of the construction costs. However, the ADU income is still insufficient to cover the total loan payments, leading to a negative cash flow.

| First Mortgage (Calculator) | | Second-lien Mortgage (Calculator) | |
|------------------------------------|---------------|--|--------------|
| Loan Amount | \$ 260,100.00 | Loan Amount | \$ 28,900.00 |
| Annual Interest Rate | 7% | Second-lien % | 10% |
| Life Loan (yrs) | 30 | Annual Interest Rate | 0% |
| Number of Payments/Yr | 12 | Life Loan (yrs) | 30 |
| Total Number of Payments | 360 | Number of Payments/Yr | 12 |
| Principal & interest | \$1,730.45 | Total Number of Payments | 360 |
| Estimated taxes | \$436 | Principal & interest | \$80.28 |
| Estimated insurance | \$240.83 | | |
| Monthly payment | \$2,407.01 | Monthly payment | \$80.28 |
| Sum of Payments | \$622,963 | Sum of Payments | \$28,900 |
| Interest Cost | \$362,863 | Interest Cost | \$0 |

| Rental Options: 1 bedroom | | | | |
|----------------------------------|----------------|----------------|----------------|-----------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$2,407.01 | \$2,407.01 | \$2,407.01 | \$2,407.01 |
| Second mortgage | \$80.28 | \$80.28 | \$80.28 | \$80.28 |
| Total Loan Payment | \$2,487.29 | \$2,487.29 | \$2,487.29 | \$2,487.29 |
| Total (Forgivable Loan) | \$2,407.01 | \$2,407.01 | \$2,407.01 | \$2,407.01 |
| ADU income | \$ (1,458.29) | \$ (1,253.29) | \$ (889.29) | \$ (429.29) |
| ADU income (FL) | \$ (1,378.01) | \$ (1,173.01) | \$ (809.01) | \$ (349.01) |
| | | | | |
| Rental Options: 2 bedroom | | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$2,407.01 | \$2,407.01 | \$2,407.01 | \$2,407.01 |
| Second mortgage | \$80.28 | \$80.28 | \$80.28 | \$80.28 |
| Total Loan Payment | \$2,487.29 | \$2,487.29 | \$2,487.29 | \$2,487.29 |
| Total (Forgivable Loan) | \$2,407.01 | \$2,407.01 | \$2,407.01 | \$2,407.01 |
| ADU income | \$ (1,311.29) | \$ (1,076.29) | \$ (662.29) | \$ (135.29) |
| ADU income (FL) | \$ (1,231.01) | \$ (996.01) | \$ (582.01) | \$ (55.01) |

Scenario 1c: Homeowner + Finance Support (80/20)

In this scenario, the homeowner finances 80% of the construction cost (\$163,200) of an 850sqft ADU, with 20% (\$40,800) covered by the finance support program. This further decreases the loan amount and monthly payments, easing the financial burden on the homeowner.

In the 80/20 financing support scenario, where the homeowner receives financial support to cover 20% of the construction costs, the ADU income still results in a negative cash flow for most MFI levels. The financial gap is smaller compared to the previous scenarios, particularly at higher MFI levels, with the 2-bedroom option at 100% MFI approaching a break-even point. This indicates that while the 80/20 support improves financial viability, additional measures may still be needed to result in sufficient income for the homeowner.

| First Mortgage (Calculator) | | Second-lien Mortgage (Calculator) | |
|-----------------------------|---------------|-----------------------------------|--------------|
| Loan Amount | \$ 231,200.00 | Loan Amount | \$ 57,800.00 |
| Annual Interest Rate | 7% | Second-lien % | 20% |
| Life Loan (yrs) | 30 | Annual Interest Rate | 0% |
| Number of Payments/Yr | 12 | Life Loan (yrs) | 30 |
| Total Number of Payments | 360 | Number of Payments/Yr | 12 |
| Principal & interest | \$1,538.18 | Total Number of Payments | 360 |
| Estimated taxes | \$436 | Principal & interest | \$160.56 |
| Estimated insurance | \$240.83 | | |
| Monthly payment | \$2,214.74 | Monthly payment | \$160.56 |
| Sum of Payments | \$553,745 | Sum of Payments | \$57,800 |
| Interest Cost | \$322,545 | Interest Cost | \$0 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|---------------------------|---------------|-------------|-------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$2,214.74 | \$2,214.74 | \$2,214.74 | \$2,214.74 |
| Second mortgage | \$160.56 | \$160.56 | \$160.56 | \$160.56 |
| Total Loan Payment | \$2,375.30 | \$2,375.30 | \$2,375.30 | \$2,375.30 |
| Total (Forgivable Loan) | \$2,214.74 | \$2,214.74 | \$2,214.74 | \$2,214.74 |
| ADU income | \$ (1,346.30) | \$ (1,141.30) | \$ (777.30) | \$ (317.30) |
| ADU income (FL) | \$ (1,185.74) | \$ (980.74) | \$ (616.74) | \$ (156.74) |
| | | | | |
| | Rental Options: 2 bedroom | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$2,214.74 | \$2,214.74 | \$2,214.74 | \$2,214.74 |
| Second mortgage | \$160.56 | \$160.56 | \$160.56 | \$160.56 |
| Total Loan Payment | \$2,375.30 | \$2,375.30 | \$2,375.30 | \$2,375.30 |
| Total (Forgivable Loan) | \$2,214.74 | \$2,214.74 | \$2,214.74 | \$2,214.74 |
| ADU income | \$ (1,199.30) | \$ (964.30) | \$ (550.30) | \$ (23.30) |
| ADU income (FL) | \$ (1,038.74) | \$ (803.74) | \$ (389.74) | \$ 137.26 |

Scenario 1d: Homeowner + Finance Support (70/30)

In Scenario 1d, the homeowner finances 70% of the construction cost (\$202,300) of an 850sqft ADU, with 30% (\$86,700) covered by the finance support program. This scenario offers the greatest financial support, leading to the lowest monthly payments among the four scenarios. The homeowner benefits significantly from the support, easing the financial burden.

Under the 70/30 financing support scenario, the homeowner sees improvements in cash flow compared to the previous scenarios. While the ADU income still results in a negative cash flow at lower MFI levels, the 100% MFI level for both 1-bedroom and 2-bedroom options achieves a positive cash flow, indicating financial viability with this level of support.

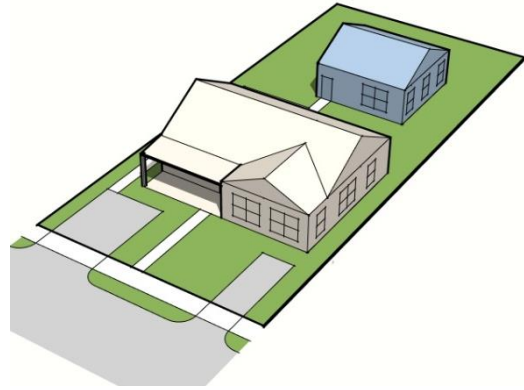
| First Mortgage (Calculator) | | Second-lien Mortgage (Calculator) | |
|------------------------------------|---------------|--|--------------|
| Loan Amount | \$ 202,300.00 | Loan Amount | \$ 86,700.00 |
| Annual Interest Rate | 7% | Second-lien % | 30% |
| Life Loan (yrs) | 30 | Annual Interest Rate | 0% |
| Number of Payments/Yr | 12 | Life Loan (yrs) | 30 |
| Total Number of Payments | 360 | Number of Payments/Yr | 12 |
| Principal & interest | \$1,345.91 | Total Number of Payments | 360 |
| Estimated taxes | \$436 | Principal & interest | \$240.83 |
| Estimated insurance | \$240.83 | | |
| Monthly payment | \$2,022.47 | Monthly payment | \$240.83 |
| Sum of Payments | \$484,527 | Sum of Payments | \$86,700 |
| Interest Cost | \$282,227 | Interest Cost | \$0 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|----------------------------------|----------------|----------------|-----------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$2,022.47 | \$2,022.47 | \$2,022.47 | \$2,022.47 |
| Second mortgage | \$240.83 | \$240.83 | \$240.83 | \$240.83 |
| Total Loan Payment | \$2,263.30 | \$2,263.30 | \$2,263.30 | \$2,263.30 |
| Total (Forgivable Loan) | \$2,022.47 | \$2,022.47 | \$2,022.47 | \$2,022.47 |
| ADU income | \$ (1,234.30) | \$ (1,029.30) | \$ (665.30) | \$ (205.30) |
| ADU income (FL) | \$ (993.47) | \$ (788.47) | \$ (424.47) | \$ 35.53 |
| | | | | |
| | Rental Options: 2 bedroom | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$2,022.47 | \$2,022.47 | \$2,022.47 | \$2,022.47 |
| Second mortgage | \$240.83 | \$240.83 | \$240.83 | \$240.83 |
| Total Loan Payment | \$2,263.30 | \$2,263.30 | \$2,263.30 | \$2,263.30 |
| Total (Forgivable Loan) | \$2,022.47 | \$2,022.47 | \$2,022.47 | \$2,022.47 |
| ADU income | \$ (1,087.30) | \$ (852.30) | \$ (438.30) | \$ 88.70 |
| ADU income (FL) | \$ (846.47) | \$ (611.47) | \$ (197.47) | \$ 329.53 |

Assumptions for Scenario 2, a 600 sq. ft ADU

The following are the assumptions staff made for the 600 sqft ADU: the construction cost is based on a per-square-foot rate, annual property taxes are estimated, and insurance costs are calculated as a percentage of the total construction cost.

- Construction cost: \$340/sqft
- Total construction cost: \$204,000
- Estimated taxes (assuming 2023 rates):
 - Travis County: 0.304655
 - Travis Central Health: 0.100692
 - ACC: 0.0986
 - COA: 0.4458
 - AISD: 0.8595
- Estimated insurance:
 - You should expect to pay on your Texas private mortgage insurance between 0.5 and 1% of the total loan amount per month. This estimate uses 1%.



The stakeholder engagement survey completed in 2021, found that all respondents preferred housing between 800 to 1,000 square feet, so even though the 600 sq ft ADU may be more financially feasible, it may be too small for the Austin market, particularly for a 2-bedroom unit.

Scenario 2a: Homeowner financed (100%)

In Scenario 2a, the homeowner finances the entire construction cost of a 600sqft Accessory Dwelling Unit (ADU). This would involve taking a loan for the full amount.

Under the 100% homeowner financed scenario for a 600 sqft ADU, the homeowner sees negative cash flow at lower MFI levels but achieves positive cash flow at 100% MFI levels for both 1-bedroom and 2-bedroom options. However, it is important to note that even though there is a positive cash flow at the 100% MFI level for the 1-bedroom option, it does not result in a substantial amount of income for the property owner. The 2-bedroom option at 100% MFI level, however, yields a more significant positive cash flow, indicating better financial viability, but may be too small for the Austin market.

| First Mortgage (Calculator) | |
|------------------------------------|---------------|
| Loan Amount | \$ 204,000.00 |
| Annual Interest Rate | 7% |
| Life Loan (yrs) | 30 |
| Number of Payments/Yr | 12 |
| Total Number of Payments | 360 |
| Principal & interest | \$1,357.22 |
| Estimated taxes | \$308 |
| Estimated insurance | \$170.00 |
| Monthly payment | \$1,834.79 |
| Sum of Payments | \$488,598 |
| Interest Cost | \$284,598 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|----------------------------------|----------------|----------------|-----------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$1,834.79 | \$1,834.79 | \$1,834.79 | \$1,834.79 |
| Second mortgage | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total Loan Payment | \$1,834.79 | \$1,834.79 | \$1,834.79 | \$1,834.79 |
| Total (Forgivable Loan) | \$1,834.79 | \$1,834.79 | \$1,834.79 | \$1,834.79 |
| ADU income | \$ (805.79) | \$ (600.79) | \$ (236.79) | \$ 223.21 |
| ADU income (FL) | \$ (805.79) | \$ (600.79) | \$ (236.79) | \$ 223.21 |
| | | | | |
| | Rental Options: 2 bedroom | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$1,834.79 | \$1,834.79 | \$1,834.79 | \$1,834.79 |
| Second mortgage | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total Loan Payment | \$1,834.79 | \$1,834.79 | \$1,834.79 | \$1,834.79 |
| Total (Forgivable Loan) | \$1,834.79 | \$1,834.79 | \$1,834.79 | \$1,834.79 |
| ADU income | \$ (658.79) | \$ (423.79) | \$ (9.79) | \$ 517.21 |
| ADU income (FL) | \$ (658.79) | \$ (423.79) | \$ (9.79) | \$ 517.21 |

Scenario 2b: Homeowner + Finance Support (90/10)

In Scenario 2b, the homeowner finances 90% of the construction cost (\$183,600) of a 600sqft ADU, with the remaining 10% (\$20,400) covered by a finance support program.

Under the 90% homeowner financed scenario for a 600 sqft ADU, the homeowner sees negative cash flow at lower MFI levels but achieves positive cash flow at 100% MFI levels for both 1-bedroom and 2-bedroom options. However, it is important to note that even though there is a positive cash flow at the 100% MFI level for the 1-bedroom option, it does not result in a substantial amount of income for the property owner. The 2-bedroom option at 100% MFI level, however, yields a more significant positive cash flow, indicating better financial viability. The stakeholder engagement survey completed in 2021, found that all respondents preferred housing between 800 to 1,000 square feet, so even though the 600 sqft ADU may be more financially feasible, it may be too small for the Austin market, particularly for a 2-bedroom unit.

| First Mortgage (Calculator) | | Second-lien Mortgage (Calculator) | |
|-----------------------------|---------------|-----------------------------------|--------------|
| Loan Amount | \$ 183,600.00 | Loan Amount | \$ 20,400.00 |
| Annual Interest Rate | 7% | Second-lien % | 10% |
| Life Loan (yrs) | 30 | Annual Interest Rate | 0% |
| Number of Payments/Yr | 12 | Life Loan (yrs) | 30 |
| Total Number of Payments | 360 | Number of Payments/Yr | 12 |
| Principal & interest | \$1,221.50 | Total Number of Payments | 360 |
| Estimated taxes | \$308 | Principal & interest | \$56.67 |
| Estimated insurance | \$170.00 | | |
| Monthly payment | \$1,699.07 | Monthly payment | \$56.67 |
| Sum of Payments | \$439,738 | Sum of Payments | \$20,400 |
| Interest Cost | \$256,138 | Interest Cost | \$0 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|---------------------------|-------------|-------------|-------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$1,699.07 | \$1,699.07 | \$1,699.07 | \$1,699.07 |
| Second mortgage | \$56.67 | \$56.67 | \$56.67 | \$56.67 |
| Total Loan Payment | \$1,755.73 | \$1,755.73 | \$1,755.73 | \$1,755.73 |
| Total (Forgivable Loan) | \$1,699.07 | \$1,699.07 | \$1,699.07 | \$1,699.07 |
| ADU income | \$ (726.73) | \$ (521.73) | \$ (157.73) | \$ 302.27 |
| ADU income (FL) | \$ (670.07) | \$ (465.07) | \$ (101.07) | \$ 358.93 |
| | | | | |
| | Rental Options: 2 bedroom | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$1,699.07 | \$1,699.07 | \$1,699.07 | \$1,699.07 |
| Second mortgage | \$56.67 | \$56.67 | \$56.67 | \$56.67 |
| Total Loan Payment | \$1,755.73 | \$1,755.73 | \$1,755.73 | \$1,755.73 |
| Total (Forgivable Loan) | \$1,699.07 | \$1,699.07 | \$1,699.07 | \$1,699.07 |
| ADU income | \$ (579.73) | \$ (344.73) | \$ 69.27 | \$ 596.27 |
| ADU income (FL) | \$ (523.07) | \$ (288.07) | \$ 125.93 | \$ 652.93 |

Scenario 2c: Homeowner + Finance Support (80/20)

In Scenario 2c, the homeowner finances 80% of the construction cost (\$163,200) of an 600sqft ADU, with 20% (\$40,800) covered by a finance support program.

In this scenario, the homeowner sees negative cash flow at lower MFI levels but begins to see a positive cash flow at 80% MFI and higher for both 1-bedroom and 2-bedroom options. The 2-bedroom option at 100% MFI yields a significant positive cash flow, approaching \$800 per month, however a 600 sqft ADU may be too small for the Austin market, particularly for a 2-bedroom unit.

| First Mortgage (Calculator) | | Second-lien Mortgage (Calculator) | |
|-----------------------------|---------------|-----------------------------------|--------------|
| Loan Amount | \$ 163,200.00 | Loan Amount | \$ 40,800.00 |
| Annual Interest Rate | 7% | Second-lien % | 20% |
| Life Loan (yrs) | 30 | Annual Interest Rate | 0% |
| Number of Payments/Yr | 12 | Life Loan (yrs) | 30 |
| Total Number of Payments | 360 | Number of Payments/Yr | 12 |
| Principal & interest | \$1,085.77 | Total Number of Payments | 360 |
| Estimated taxes | \$308 | Principal & interest | \$113.33 |
| Estimated insurance | \$170.00 | | |
| Monthly payment | \$1,563.35 | Monthly payment | \$113.33 |
| Sum of Payments | \$390,879 | Sum of Payments | \$40,800 |
| Interest Cost | \$227,679 | Interest Cost | \$0 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|---------------------------|-------------|-------------|-------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$1,563.35 | \$1,563.35 | \$1,563.35 | \$1,563.35 |
| Second mortgage | \$113.33 | \$113.33 | \$113.33 | \$113.33 |
| Total Loan Payment | \$1,676.68 | \$1,676.68 | \$1,676.68 | \$1,676.68 |
| Total (Forgivable Loan) | \$1,563.35 | \$1,563.35 | \$1,563.35 | \$1,563.35 |
| ADU income | \$ (647.68) | \$ (442.68) | \$ (78.68) | \$ 381.32 |
| ADU income (FL) | \$ (534.35) | \$ (329.35) | \$ 34.65 | \$ 494.65 |
| | | | | |
| | Rental Options: 2 bedroom | | | |
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$1,563.35 | \$1,563.35 | \$1,563.35 | \$1,563.35 |
| Second mortgage | \$113.33 | \$113.33 | \$113.33 | \$113.33 |
| Total Loan Payment | \$1,676.68 | \$1,676.68 | \$1,676.68 | \$1,676.68 |
| Total (Forgivable Loan) | \$1,563.35 | \$1,563.35 | \$1,563.35 | \$1,563.35 |
| ADU income | \$ (500.68) | \$ (265.68) | \$ 148.32 | \$ 675.32 |
| ADU income (FL) | \$ (387.35) | \$ (152.35) | \$ 261.65 | \$ 788.65 |

Scenario 2d: Homeowner + Finance Support (70/30)

In Scenario 2c, the homeowner finances 70% of the construction cost (\$142,800) of an 600sqft ADU, with 20% (\$61,200) covered by a finance support program.

Under this scenario, the homeowner still sees a negative cash flow at 50% and 60% MFI levels but achieves positive cash flow at 80% MFI levels and higher for both 1-bedroom and 2-bedroom options. For the 1-bedroom option, a positive cash flow is observed at 100% MFI, yielding approximately \$630 per month. The 2-bedroom option at 100% MFI level yields a more significant positive cash flow, though a 2-bedroom, 600sqft ADU may be too small for the Austin market.

| First Mortgage (Calculator) | | Second-lien Mortgage (Calculator) | |
|-----------------------------|---------------|-----------------------------------|--------------|
| Loan Amount | \$ 142,800.00 | Loan Amount | \$ 61,200.00 |
| Annual Interest Rate | 7% | Second-lien % | 30% |
| Life Loan (yrs) | 30 | Annual Interest Rate | 0% |
| Number of Payments/Yr | 12 | Life Loan (yrs) | 30 |
| Total Number of Payments | 360 | Number of Payments/Yr | 12 |
| Principal & interest | \$950.05 | Total Number of Payments | 360 |
| Estimated taxes | \$308 | Principal & interest | \$170.00 |
| Estimated insurance | \$170.00 | | |
| Monthly payment | \$1,427.62 | Monthly payment | \$170.00 |
| Sum of Payments | \$342,019 | Sum of Payments | \$61,200 |
| Interest Cost | \$199,219 | Interest Cost | \$0 |

| | Rental Options: 1 bedroom | | | |
|-------------------------|---------------------------|-------------|-------------|-------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,029.00 | \$ 1,234.00 | \$ 1,598.00 | \$ 2,058.00 |
| First mortgage | \$1,427.62 | \$1,427.62 | \$1,427.62 | \$1,427.62 |
| Second mortgage | \$170.00 | \$170.00 | \$170.00 | \$170.00 |
| Total Loan Payment | \$1,597.62 | \$1,597.62 | \$1,597.62 | \$1,597.62 |
| Total (Forgivable Loan) | \$1,427.62 | \$1,427.62 | \$1,427.62 | \$1,427.62 |
| ADU income | \$ (568.62) | \$ (363.62) | \$ 0.38 | \$ 460.38 |
| ADU income (FL) | \$ (398.62) | \$ (193.62) | \$ 170.38 | \$ 630.38 |

| | Rental Options: 2 bedroom | | | |
|-------------------------|---------------------------|-------------|-------------|-------------|
| | 50% MFI | 60% MFI | 80% MFI | 100% MFI |
| Monthly rent | \$ 1,176.00 | \$ 1,411.00 | \$ 1,825.00 | \$ 2,352.00 |
| First mortgage | \$1,427.62 | \$1,427.62 | \$1,427.62 | \$1,427.62 |
| Second mortgage | \$170.00 | \$170.00 | \$170.00 | \$170.00 |
| Total Loan Payment | \$1,597.62 | \$1,597.62 | \$1,597.62 | \$1,597.62 |
| Total (Forgivable Loan) | \$1,427.62 | \$1,427.62 | \$1,427.62 | \$1,427.62 |
| ADU income | \$ (421.62) | \$ (186.62) | \$ 227.38 | \$ 754.38 |
| ADU income (FL) | \$ (251.62) | \$ (16.62) | \$ 397.38 | \$ 924.38 |

Income Limits (2024) and Rental income (SMART Housing)

The following charts display the 2024 income and rent limits for the Austin-Round Rock area, set annually by the U.S. Department of Housing and Urban Development (HUD). These limits are adjusted for household size, with larger households having higher limits.

The Rent Limits are calculated annually by the City of Austin Housing Department and vary by affordable housing incentive program. The chart below shows the 2024 Rent Limit for the SMART Housing program, which grants fee waivers for development permits in exchange for onsite income-restricted units rented or sold to families who earn no more than 80% of median family income.

| HUD Income Limits Austin-Round Rock MSA (2024) | | | |
|--|------------|---------------|--------------|
| MFI | One person | Two person | Three person |
| 50% | \$ 44,100 | \$ 50,400.00 | \$ 56,700 |
| 60% | \$ 53,150 | \$ 60,480.00 | \$ 68,040 |
| 80% | \$ 68,500 | \$ 78,250.00 | \$ 88,050 |
| 100% | \$ 88,200 | \$ 100,800.00 | \$ 113,400 |

| Rent Limit (2024) - SMART | | | |
|---------------------------|-------------|-------------|---------------|
| MFI | One bedroom | Two bedroom | Three bedroom |
| 50% | \$ 1,029.00 | \$ 1,176.00 | \$ 1,323.00 |
| 60% | \$ 1,234.00 | \$ 1,411.00 | \$ 1,587.00 |
| 80% | \$ 1,598.00 | \$ 1,825.00 | \$ 2,054.00 |
| 100% | \$ 2,058.00 | \$ 2,352.00 | \$ 2,646.00 |

Attachment C Proposed Framework for an ADU Assistance Pilot Program

The proposed objective of an Accessory Dwelling Unit (ADU) Assistance Pilot Program supported through the Housing Department would be to create more housing units in the City of Austin by providing an interest-free deferred loan for hard construction costs and non-recurring closing costs associated with ADU construction. This Pilot Program is currently not funded through City of Austin resources and thus would require both financial and staff resources allocated in order to establish and administer the program.

Purpose

Homeowners are increasingly discovering that ADUs help families age in place, and promote sustainable development, creating long-term stability and economic opportunity for residents. In response to Resolution No. [20231214-07](#), Housing Department staff is proposing the following framework for an ADU pilot program that may provide up to 20% or 30% of hard construction costs (depending on homeowner need).

The goals include:

- Stabilize homeownership through an income-generating rental unit
- Create smaller, infill units that increase housing supply
- Promote equitable access to recent zoning changes

Financial Assistance

Housing Department staff research suggests that a low- or no-interest loan would be most beneficial to homeowners struggling to finance the construction of an ADU. Additionally, financial modeling done by staff shows that a typical moderate-income homeowner can access traditional loan products for about 70%-80% of their project cost, leaving a gap of about 20%-30% of the project cost. Staff also modeled income restricting the new ADU but found that the reduced rent rate did not generate enough income to cover a typical monthly loan payment. Staff does not recommend this approach because it is likely to further financially burden the homeowner.

Implementation of this pilot program would require the allocation of funds to enable the Austin Housing Finance Corporation to provide a 20% or 30% interest-free deferred loan, which can be coupled with a financing product available through the private market or used as principal reduction on a construction or home equity loan to finance the full cost of building an ADU.

Proposed Borrower Eligibility

- Homeowners at 80% MFI or below
- Existing homeowners in the City of Austin with zoning that allows ADU construction
- Homestead exemption in place on owner-occupied property for at least 2 years
- Must be able to provide an approval for a construction or equity loan or show evidence of access to appropriate capital necessary to finance the remaining 80%-70% of the cost of construction of ADU

Proposed Loan Conditions

The applicant must occupy the property as their owner-occupied primary residence, and the ADU must be built as a full residential unit for long-term rental (31 days or more) or to provide permanent housing for a family member or other resident. Short term rental of the ADU is prohibited.

Repayment

The loan will be due and payable upon the sale, refinancing, home equity loan, vacating, lease or transfer of title, or violation of ADU usage (e.g., STR rental) before the end of the loan term. The loan term shall be 10 years for loans at or below \$40,000 and 15 years for loans over \$40,000.

Marketing and Community Outreach

The marketing and outreach effort for this program will require a targeted year-long campaign for vulnerable homeowners in Districts 1, 2 and 3, which cover zip codes identified as the areas at most risk of displacement in the [Displacement Risk Area Maps and Dashboard](#) (78744, 78741, 78702, 78724), as well as District 4 and the southern portion of District 5. This campaign will utilize paid and organic promotional channels (digital, print, radio, TV) to disseminate information with the widest reach possible for diverse audiences for a total estimated cost of \$125,310. The dominant languages identified in these displacement risk areas are English and Spanish, as identified in the [City's Language Access Policy](#). The proposed schedule and budget breakdown of the marketing plan is provided below.

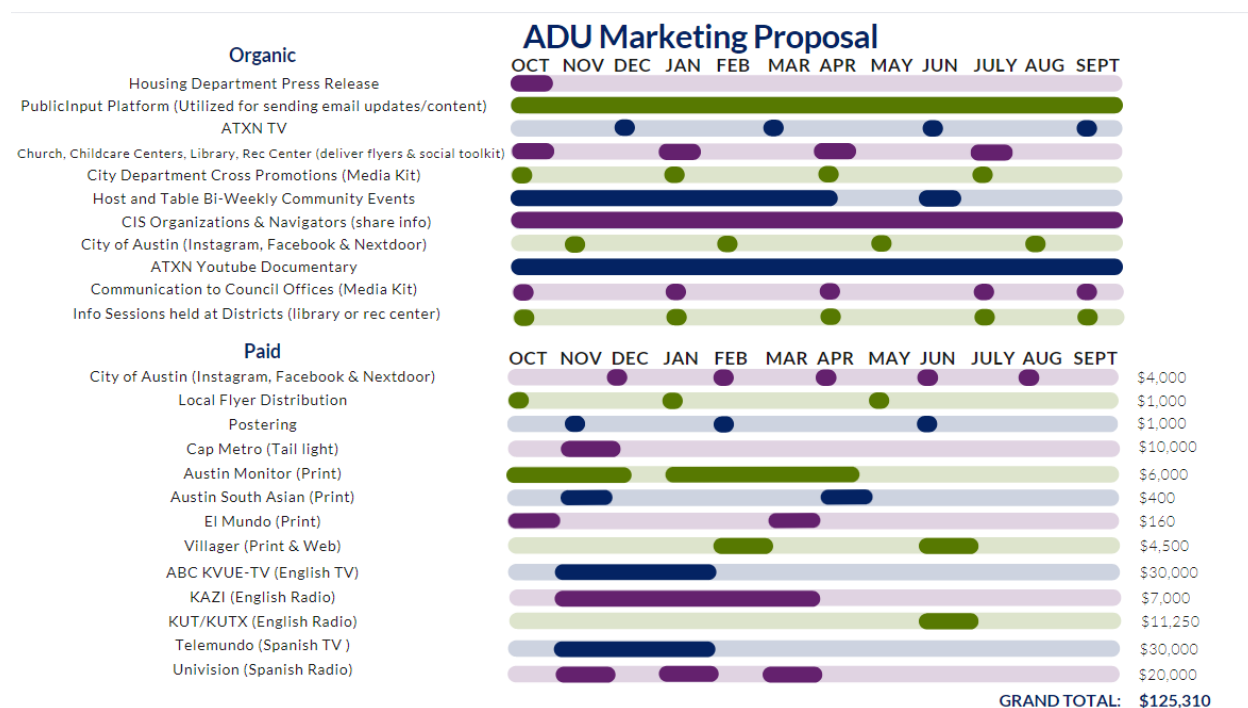


Figure 1 ADU Marketing Campaign Expenditures

Housing Department Staff Support

To execute a program for eligible homeowners, the Housing Department will need to hire a full-time employee to manage the application and loan execution process. This position will also be supported by existing Housing Department program staff—a Program Manager and a Housing Division Manager – each

allocating approximately 10% of their annual capacity. Total labor expenses required to support the pilot program is estimated to be approximately \$200,000. Execution of a successful marketing strategy for eligible homeowners will require hiring a new employee dedicated to community outreach and education – Community Engagement Specialist. This position will also be supported by existing City communications staff – a Public Information Specialist, a Marketing Representative B, and a Public Information & Marketing Manager – each allocating approximately 10% of their annual capacity. Total labor expenses required to support the pilot program and marketing efforts is \$140,500. The total estimated cost for additional Housing Department staff capacity to support this pilot program is \$240,500.

Fiscal Expenditure Anticipated

Staff analyzed several scenarios ([Appendix A- Financing Scenarios](#)) to estimate potential loan amounts, determining an average range of \$50,000 to \$80,000 per recipient would be necessary to serve existing homeowners at or below 80% MFI. Staff recommends an initial fiscal expenditure of \$1 million, which is expected to fund 10-20 loans in the first year. Staff anticipates an additional \$340,500 in administrative and marketing resources would also be needed to support the implementation of the program.

| Estimated ADU Assistance Pilot Program Budget | |
|--|--------------------|
| Loan Fund | \$1,000,000 |
| Marketing & Outreach Campaign | \$125,310 |
| Housing Department Staff Support | \$340,500 |
| Total Estimated Pilot Program Cost | \$1,465,810 |

Predevelopment Considerations

This program requires applicants to take out a principal construction loan or mortgage for the construction of an ADU. However, a homeowner is likely to incur predevelopment expenses in exploring the project's feasibility and securing a permit to build an ADU. This includes architectural plans, plan reviews and permitting, and other third-party evaluations and or assessments. These costs could total between \$20,000 - \$30,000 before construction begins and access to the pilot program is secured. It is also critical that homeowners understand the full scope of work necessary to construct their ADU, including any infrastructure improvements that may be required. Homeowners considering building an ADU should engage in discussions with Austin Energy (AE), Austin Water (AW), and DSD to minimize unforeseen costs at the time they apply for a building permit. AW requires that all customers have a consultation with the AW permitting office as a pre-requisite to submitting a building permit application. Austin Energy offers consultations upon request to any potential applicants.