

**Report and Budget Request**  
**By the Development Without Displacement Coalition**  
**August 26, 2019**



*Shown is Anita Quintanilla whose family was displaced through the City of Austin's 1928 Master Plan; and then, City Urban Renewal (60s and 70s); and then, City Land Use Policies (Rainey St. rezoned as CBD); and, now City policies to support the Desired Development Zone that led to the gentrification of East Austin*

# Development Without Displacement (DWD) Budget Request

## By DWD Coalition

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**Development Without Displacement Coalition**  
**City of Austin Budget Request 2019-2020**  
**August 26, 2019**

**EXECUTIVE SUMMARY**

The newly formed coalition, [Development Without Displacement \(DWD\)](#) is focused on ensuring the timely and focused implementation of housing preservation and development combined with displacement interventions and mitigation strategies and tactics. We recommend several budgetary and non-budgetary actions. The attached report is primarily a summary of research previously conducted including noteworthy trends and data points. Our observations and conclusions are as follows:

**A. The City’s funding for gentrification and displacement mitigation is underfunded to support big ideas and bold actions needed.** According to the [City of Austin’s Strategic Housing Blueprint](#), the City has established specific 10-year total affordable housing goals of 60,000 with 15,000 each for: high opportunity areas; for high-frequency transit and Imagine Austin Centers and Corridors; for high displacement risk areas; and, 15,000 for geographic dispersion of affordable housing. The continuing retreat of federal funding dollars means that this is becoming more of a local responsibility. The DWD requests that funding mechanisms and tools for the 60,000 affordable units be expanded to other new funding sources with implementation of current mechanisms such as tax increment financing and expansion of the housing trust fund.

The DWD is proposing the following budget for 2019-2020. This budget will expand funding for targeted uses with potential sources of funding identified:

	<b>SOURCES OF FUNDS</b>	<b>General Fund One-Time</b>
<b>REQUEST</b>	<b>DESCRIPTION</b>	<b>(\$Million)</b>
Corridor Mobility Affordable Housing	Designate \$10 million for Corridor Housing Preservation and to ensure transit access to jobs and preservation of affordable rental units targeted to construction Corridors in the Eastern Crescent that have high vulnerability and development pressure for displacement	\$10.00
Corridor Mobility Small Business Preservation	Designate \$2 million for Corridor Small Business Preservation targeted to construction Corridors in the Eastern Crescent that have high vulnerability and development pressure for displacement	\$2.0
Expand Use of Neighborhood Conservation Combined Districts and Historic Districts	Develop and Implement 20 NCCD plans	\$1.00
	Develop and Implement 20 historic preservation plans	\$1.00
	Support for historic preservation surveying of homes/buildings in low-income gentrifying areas not surveyed yet.	\$1.0
Increase Housing Trust Fund for Very-Low Income Residents	Increase resources and services for very low-income residents in gentrifying areas to stay	\$3.0
Certificates of Obligation (CO)	Issue COs and designate these funds for Gentrification and Displacement targeted at East Crescent Corridors for affordable housing and displacement mitigation activities	(\$18.0)
	<b>TOTAL</b>	\$ -0-

**A call to action is necessary to resist gentrification and displacement with the same urgency as the City Manager’s call to action to tackle homelessness in his proposed budget.** The majority of additional incremental funding found in the proposed City of Austin 2019-2020 budget is focused on homelessness. Overall additional Homelessness housing and programming is budgeted at \$56,245,200 and \$13,500,000 for housing displacement. An equal amount of resources should

be directed to high-risk gentrifying areas.

**The funding source for the Development Without Displacement Coalition budget is the issuance of \$18.0 million in Certificates of Obligation (COs).** The City Council recently voted to approve a \$8.3 million appropriation for a homeless shelter to be funded from the proceeds from the sale of Certificates of Obligation. The DWD Coalition is requesting that the City Council do likewise using COs for affordable housing and related soft costs targeting highly vulnerable areas expecting and experiencing displacement. Certificates of Obligation provide local governments with important flexibility when they need finance projects quickly. COs do not require voter approval and can be used to fund construction, demolition or restoration of structures; purchase materials, supplies, equipment, machinery, buildings, land and rights of way; and pay for related professional services. COs are issues for as long as 40 years and usually are supported by property taxes or other local revenues.

In addition to the issuance of \$18 million in COs, **the DWD Coalition is requesting that City Council implement tax increment financing (TIF) for zones to support affordable housing as a key policy for minimizing the effects of neighborhood revitalization.** A TIF will tap the increase in property values associated with gentrification, and spend that money on building additional affordable housing, and put the TIF funding in exactly the places where development pressure is the greatest. TIF funding is automatically proportional to need: the more property values rise, the more development occurs, the more money TIF generates for housing.

**There is a powerful relationship between housing and health.** Austin's Black and Latino populations are severely burdened by housing costs and research by CommUnityCare shows that these communities particularly with high housing costs, rate their health as lower and are less likely to be able to purchase enough quality and nutritious foods, have higher rates of child poverty, and high un-insurance rates. The City Council needs to enlist Central Health to broaden its

reach in expanding the pilot program it started last year in moving its medical access program members currently at below the federal poverty level into Sendero Health Insurance, Central Health's health insurance program and subsidizing their premiums. Moving more of Central Health's medical access program members from a charity program into health insurance means more federal subsidies for Sendero and expanded health access services for the MAP patient.

**Defining success will consist of the following:**

- Racial and social equity is a central focus, specifically the reduction of direct or economic displacement and the increase in housing choices for households of color and other marginalized groups.
- Existing and new affordable housing resources are prioritized for the corridors.
- The housing strategy and corridor projects support each other to achieve equitable outcomes.
- All public-sector agencies including Central Health are active in the corridor planning process and prioritize equitable corridor-oriented development in their missions and programming.
- Developers and funders have a clear understanding about the development and place-making goals of the corridors.
- A dash board with quantifiable indicators, including housing targets, are established and tracked over time.
- A community-centered organizational structure exists to oversee the strategy over the long term and enabled to negotiate community benefit agreements to bring some of the benefits of development to residents directly affected by large projects.

**B. Austin Affordability continues to be a key challenge.** Austin continues to incur an acceleration of economic activity resulting in a tight housing market thereby putting pressure on rents and property values resulting in

gentrification and displacement of lower income residents including black and Latino residents. In particular a recent housing report from the [Joint Center for Housing Studies of Harvard University](#) found rental markets in Austin lost more than 100,000 apartments with rental rates less than \$800 between 2011 and 2017. Typically, households are considered to be cost burdened if they pay more than 30-percent of their annual income on rent and utilities and severely burdened if more than 50-percent. Austin homeowners in 2017 were found to be 21.3% burdened and renters 45.8% burdened including 23.2% severely burdened.

Another study for the period 2000-2010 by the [National Community Reinvestment Coalition \(NCRC\)](#) found Austin neighborhoods undergoing gentrification with a high rate of neighborhoods being gentrified. amongst metro areas, Austin had one of the highest average decreases in Latino residents in gentrifying tracts resulting in a high level of Latino displacement at over 3,100 moving out of Austin neighborhoods. Austin's Black population had a high average in certain tracts experiencing gentrification and loss almost at 2,100 moving out of Austin neighborhoods. Recently Travis County reported that [zip code 78702 adjacent to downtown Austin had the most tax-delinquencies properties than any other zip code in Austin at 357 properties with the total owed at \\$3.4 million](#). At least 73% are residential properties. Surrounding zip codes also have a high delinquency total.

- C. Home prices are rising faster than income.** Although Austin real median household income rose by 16 percent between 2011 and 2017, real median home prices rose by 33 percent during that time. The price-to-income ratio for Austin is at 4.10, one of the highest in the country. According to [Point2Homes](#), in early 2019, Austin's median home price increased from \$226,000 to \$301,391, a 33 percent jump and an additional cost of \$75,391.
- D. Gentrification it turns out, usually stops at the schoolhouse door.** Declining enrollment in our schools means community schools will close down. Schools

mirror the population changes due to gentrification and displacement. Austin Independent School District (AISD) lost over 6,000 students since its peak enrollment in 2013. Furthermore, the 2019 demographic report projects that AISD will lose another 7,000 students over the next 10 years. The lack of affordable housing has led to families moving further outside the city and families moving into the district have fewer school-aged children. Roughly three-quarters of AISD students reside in single-family homes according to Templeton Demographics, AISD's demographer and Austin's new housing is smaller and more expensive and not family-friendly.

A [study](#) is 2013 looked at whether schools in gentrifying Chicago neighborhoods saw benefits, including improved academics and more economic diversity. They did not. The schools remain uninfluenced by gentrifying families the study concluded. The researchers found that new residents who chose to move into low-income, segregated areas either did not have kids and sent their children to private schools.

- E. Political Leaders just can't blame the market.** Local policies like desired development zones; Opportunity Zones; code changes; Corridor Mobility; and proposed rapid transit improvements create the contours and parameters of the housing market. The target of the resistance to gentrification and displacement needs to incorporate the different determinants of gentrification such as public sector investment in transit, transportation, infrastructure, land use and zoning changes, changes from residential uses from single-family residential to higher density mixed use. Capital investments will also displace small businesses and make changes to the character and culture of a neighborhood which is known as cultural displacement. Although public investments can be positive for neighborhood residents and businesses, they can also lead to significant rent increases, tenant evictions, a loss of affordable housing stock, and ultimately gentrification and displacement of the least well-off. Researchers have determined that many of the factors that make neighborhoods susceptible to gentrification as shaped are layers they categorize as (1) demographics: (resident race-ethnicity, socio-economic

status, social capital, community advocacy capacity); (2) place (housing stock, neighborhood design, access to transit, access to jobs, distance to downtown); and, (3) policy (zoning ordinances, development regulations, tenant protections, economic incentives, infrastructure investment, subsidized housing. These variables within these layers best predict whether a neighborhood will gentrify.

F. **Austin’s recent efforts to mitigate displacement has accelerated from the past through recent studies, reports, and assessments.** The City has prioritized and sorted many of these recommendations resulting in a short-term displacement mitigation plan through the [City Strategic Housing Blueprint](#) page 58 that incorporates 15 actions:

1. Pursue a right to return policy to prioritize City-subsidized affordable units for income-qualified households that have generational ties to the city
2. Increase communities of color in participating in the City’s Neighborhood Housing and Community Development (NHCD) affordable housing investment recommendations and displacement mitigation activities.
3. Incorporate robust tenant protections for all rental properties receiving City support.
4. Recalibrate, streamline and expand density bonus programs to serve renters at or below 60% MFI.
5. Streamline the application process for affordable units.
6. Market NHCD-subsidized affordable units to people of color in gentrifying areas.
7. Conduct outreach to communities vulnerable to displacement and connect eligible community members with services.
8. Assist 600 low-income households per year with home repair programs to preserve housing stock.
9. Strategically acquire and hold land in underdeveloped activity centers and corridors, making it available to private or non-profit developers

- for the construction of affordable housing as these areas develop.
10. Support tenant organizing and engagement and provide legal and other assistance to tenants facing eviction.
  11. Provide tenant relocation assistance and emergency rental assistance.
  12. Focus resources and funding on housing that is affordable to the bracket of 20% and 30% Median Family Income.
  13. Track and target income-restricted unit which are set to expire and preserve the expiring affordable housing units.
  14. Support capacity building for community development corporations.
  15. Implement the Fair Housing Action Plan in its entirety.

The Development Without Displacement Coalition (DWD) supports these actions and requests the city to focus these actions to areas that are in fast gentrifying areas as defined in the various studies that have documented the Eastern Crescent and in particular in the City's Mobility and Imagine Austin Corridors that are targeted for investment and land development code changes. [Affordable housing units totaling 15,000 are allocated for high-frequency transit and Imagine Austin Centers and Mobility Corridors](#). The focus of DWD is the East Austin Crescent and the corridors contained in that area. The staff has analyzed housing pressures near the 2016 Mobility Bond Construction Eligible Corridors as well as Engineering and Design Corridors applying three indicators: (1) transit access to low/medium wage jobs; (2) affordability housing vulnerability; and (3) development pressure.

We have an opportunity to learn from mistakes of the past and write a new story of how corridor investments can benefit all communities. Having good housing policies and intentions are not enough. Early action and bold housing investments are needed. Research from other cities like Portland show that when transit and transportation improvements are introduced "the most predominate pattern is one in which housing becomes more expensive, neighborhood residents become wealthier and vehicle ownership becomes more common." Neighborhood change also had the unintended long-term consequence of reducing transit ridership as

new higher-income households opted out of the transit system.

Funding is needed for community-based organizations to work with low-income households and communities of color to build awareness of projects and develop policy recommendations informed by community-based research. This kind of support is essential to address racial disparities in displacement and fair housing through the proposed investment strategies. The support seeds the model for the type of critical capacity building resources and inclusivity needed to successfully steward this strategy over the long-term. Nationally, communities experiencing high housing costs, intensive gentrification, and displacement have formed or are forming community coalitions focused on protecting their interests and transforming their communities into sustainable communities. These community coalitions are deploying new strategies. They are not fighting to stop economic and social transformation, taking place in their neighborhoods. They want to be “at the table” as equal and valued partners during the planning and development process. These community coalitions are pushing for the implementation of creative place-based community development strategies to require private developers to construct affordable housing, create quality jobs, and invest in community programs and public education. One strategy local residents and advocates are using to preserve affordable housing and mitigate displacement is the community benefits agreement (CBA). A CBA is a legally binding contract setting forth a range of community benefits regarding a development project or projects and resulting from substantial community involvement. The Staples Center development in Los Angeles is one of the best examples of an effective CBA. In exchange for agreeing to support the development of the Staples Center, which was funded in part by public subsidies, the developer agreed to make reasonable efforts to provide affordable housing, to make 70 percent of the 5,500 permanent jobs generated have living wage jobs and first-source hiring from homes or jobs were displaced by the development.

Small business displacement needs to be added as a targeted group for preservation and development as well when property taxes and rent rises or

when their revenue drops as their local client base changes. A mitigation strategy for small business should include a small business mitigation fund with high-touch technical assistance.

**G. A new model of Equitable Growth is needed that reflects the realities of the current housing crisis while also planting the seeds for a future where everyone can reach their true potential.** The City's attempt at this in 2016 with the ["Spirit of East Austin"](#) initiative never took hold because of the lack of funding and city organizational support. Equitable Development requires community partners with shared values that will directly engage neighborhood residents and elevate their needs for earlier investments in the preservation of affordable housing and new anti-displacement services and protections for the most vulnerable populations. In order to achieve equitable growth, the City must address the unique barriers facing low-income households and communities of color. This includes appropriate public and private investment to meet their needs; involuntary economic and cultural displacement pressures; and lack of housing choices in neighborhoods with access to quality jobs, education, and other key determinants of social, physical and economic well-being.

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[--From the letter of transmittal from the Mayor Adler's Anti-Displacement Task Force, November 16, 2018](#)

*The City Council's current focus of displacement and the underlying issues of integration, inclusion and diversity – ethnic, racial, economic and cultural – is appropriate and necessary. For decades, governmental action has been unfocused, poorly coordinated and had limited impact. It is important for city leaders to correct this legacy, particularly considering city government's historical promotion of residential racial segregation. A solution will require the effort of more than just city government. While government was the legal entity responsible for enacting residential segregation, the business and real estate community encouraged segregation, operationalized it and used it to their economic advantage. Gentrification of neighborhoods and the ongoing displacement of Austin's citizens of color is simply the latest stage of the economic exploitation of the homes and neighborhoods of Austin's poor and people of color. While government sowed the seeds of this evil by adopting Jim Crow residential segregation in 1929, it is the real estate community, and indeed the balance of Austin residents, who tended the fields and reaped its economic fruits.*

*Displacement today is not simply the legally and morally neutral workings of Austin's real estate market. Displacement and exclusion are the strange fruit of public policies put in place by city government to disadvantage citizens of color at the behest of and for the economic advantage of the white citizens of Austin. An appropriate solution will require significant public spending and bold policies. Support for these will the widespread acknowledgement that is happening in Austin today is rooted in an ongoing and unaddressed legacy of racism. An equitable solution demands that Austin plant a new crop of inclusive community building practices whose purpose is to cultivate an economically, ethnically and culturally diverse city.*

## **1.0 Purpose**

The Development Without Displacement Coalition requests that the City Council incorporate additional funds into the City of Austin's 2019-2020 Operating Budget to address gentrification and displacement. Currently a majority of the additional funding being added is for homelessness which we fully support. We feel strongly that the City needs to put forward an equally strong commitment to preserve neighborhoods are suffering the drivers of displacement.

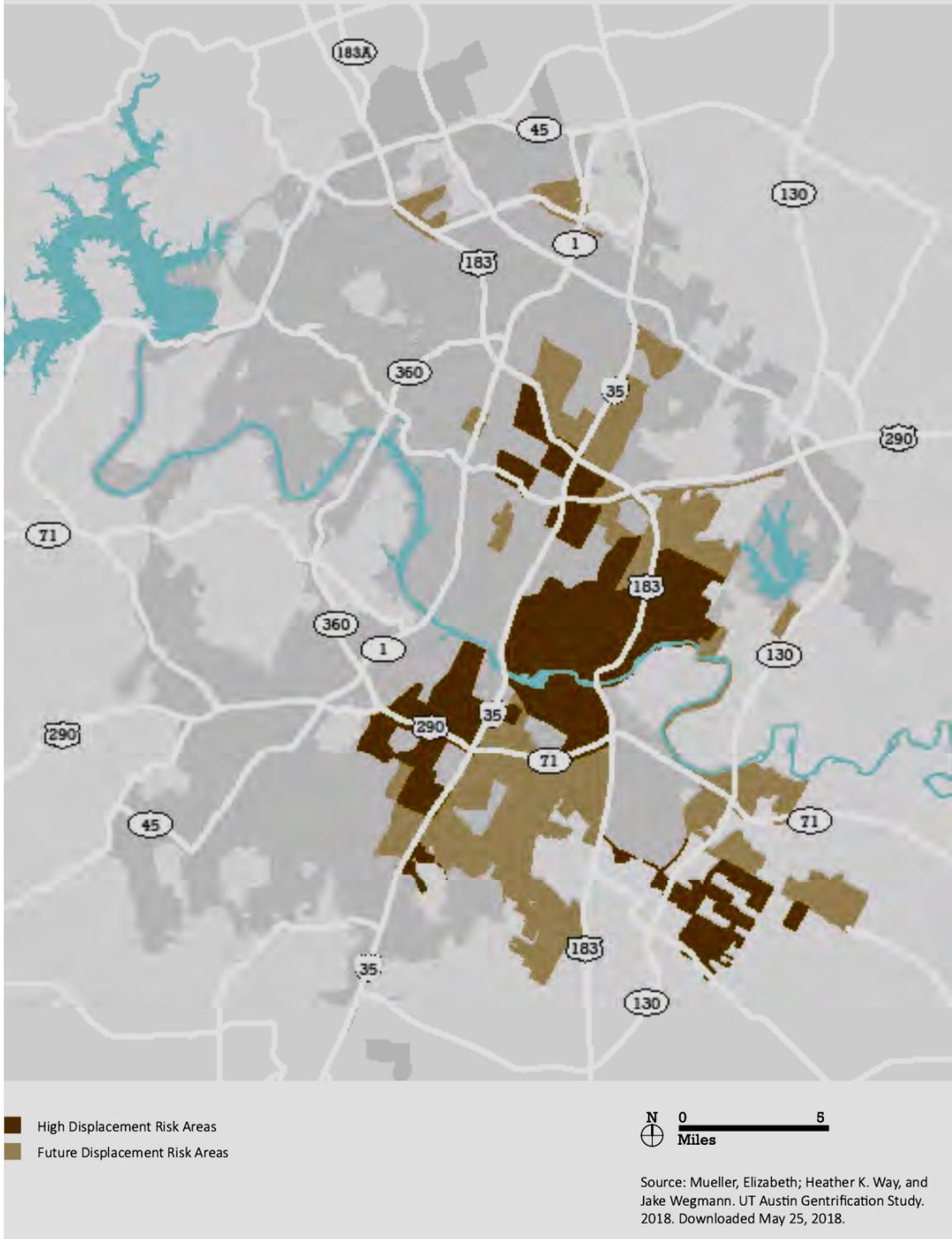
The DWD Coalition is comprised of several organizations who have advocated and been involved in raising concerns and recommendations about the City's gentrification and displacement issues. We commend the City for fostering several important studies and action plans to address gentrification and displacement. Our interest is that there is funding brought about to implement several important affordable housing and anti-displacement programs. Our request is for \$18.0 million for four areas: (1) Corridor Mobility Affordable Housing; (2) Corridor Mobility Small Business Preservation; (3) Expanded use of Neighborhood Combined Conservation Districts and Historic Districts; and, (4) An increase in the Housing Trust Fund reserved either as a new Low-Income Trust Fund or allocation within the Housing Trust Fund. The DWD budget request is funded with a general fund neutral impact.

## **2.0 Austin's Response to Date with Gentrification and Displacement**

The City of Austin continues to incur gentrification and displacement of its residents because of population and economic growth. The City has created an [Austin Strategic Blueprint](#) to draw on data and ideas for solutions from others including the [People's Plan](#); [Uprooted](#): Residential Displacement in Austin's Gentrifying Neighborhoods, and What Can Be Done About It; [the Anti-Displacement Task Force](#) and others.

Displacement prevention strategies include:

- Adding income-restricted housing for low and moderate income residents which can be accomplished through more affordable housing; acquisition and preservation of market-rate housing; and, preservation of expiring income-restricted housing units that will become market-rate without intervention; keeping renters and homeowners in place; providing an adequate supply of housing for all residents at all income levels. While 35% of the city's households earn 60% MFI or below, only 15% of the city's housing stock is affordable to them.
- Strategic investments in gentrifying areas, including affordability preservation near Mobility Bond and Imagine Austin corridors. The rewrite of Austin's Land Development code will further affect affordable housing vulnerability. Altering the land development code has been suggested by city staff to fill the affordable housing ownership gap for 80% to 120% MFI units primarily located in the Imagine Austin corridors by reducing the lot cost per unit with denser housing and lower land costs per unit.
- Growing the financial tools available to the City for affordability preservation; and expanding resources available to homeowners and renters at the risk of being displaced.



The City has recently approved \$250 million in general obligation (G.O. bonds) for affordable housing through the November 2018 bond election. G.O. bonds have been approved three times by Austin voters and have paid for affordable housing with services to support at-risk families. In 2006, \$55 million in affordable bonds created 3,400 affordable units. The 2013 G.O. \$65 million affordable bond program created 2,253 affordable units. It is estimated that 7,000 affordable units could be created through the \$250 million in voter-approved bonds over five years. However, \$250 million will only meet a portion the housing need.

## **2.1 Strategic Housing Blueprint**

The Neighborhood and Community Development Department is the lead City agency that is shepherding the City's actions necessary to affect affordable housing and displacement through their work plan. The Housing Blueprint incorporates the many displacement recommendations and plans and Council resolutions. The NHCD proposes to implement the highest potential actions identified in the Housing Blueprint with the goals of reducing the number of households and businesses displaced from Austin due to unaffordability; advancing equity in the City's programs and policies to ensure affordable housing options throughout Austin; and responding to homelessness to address disparities, prevent homelessness, and support housing stability.

The Blueprint calls for 60,000 affordable units below 80% Median Family Income over the next 10 years as shown below.

## AUSTIN COMMUNITY 10-YEAR AFFORDABLE HOUSING GOALS

135,000 HOUSING UNITS IN 10 YEARS



The Blueprint presents 600 plus displacement mitigation strategies that are reviewed from various sources: U.T.’s Uprooted Study, the anti-displacement study; the BBC Research and Consulting Analysis of [Impediments to Fair Housing Choice](#); the Mayor’s Task Force on Institutional Racism and Systemic Inequities; the People’s Plan; and the City’s Anti-Displacement Task Force. [The attached link](#) provides an overview and detailed information of the NHCD’s actions that are completed or underway; a 1 to 2-year implementation plan for policy/procedure changes, new/expanded programs and services; proposed Displacement Mitigation Strategies; and Code recommendations. Moreover, the Blueprint sets forth 63 total policy and program strategies to implement during the 10 years following adoption of the Blueprint. Two additional directives have been added to the Blueprints that direct the City Manager to develop an implementation plan that includes actions steps, short-term priorities, a process and timeline for reporting; and refining geographic goals for housing production and preservation. Another directive is to set goals for the preservation of affordable housing for corridors throughout Austin, beginning with those corridors that will receive

funding through the 2016 Mobility Bond.

<b>Corridor Goals</b>	
<b>Corridor</b>	<b>Final Goal for Producing and/or Preserving Units at 80% MFI and Below</b>
North Lamar Blvd	1,326
Burnet Rd	1,098
Airport Blvd	1,102
East MLK/FM 969	849
South Lamar Blvd	424
East Riverside Dr	1,144
Guadalupe St	484
William Cannon Dr	1,884
Slaughter Ln	1,706
N Lamar & Guadalupe	1,012
Rundberg	1,001
Colony Loop Dr	940
MLK Blvd	766
South Congress Ave	1,147
Manchaca Rd	1,411
S Pleasant Valley Rd	1,360

### **3.0 Funding Needs for Gentrification and Displacement**

The Neighborhood Housing and Community Development department (NHCD) has been working on a funding plan for the next budget cycle to:

- Provide additional Housing Trust Fund (HTF) appropriations for affordable housing;
- Provide additional funding to monitor Austin’s affordable housing investments;
- Explore the creation of multifamily property tax exemption program;
- Explore the use of Tax Increment Financing (TIFs) for affordable housing; and,
- Housing Trust Fund (HTF) appropriations available to fund short-term displacement mitigation activities

The City’s current funding sources for displacement mitigation and affordable housing include the following:

**Federal U.S. Department of Housing and Urban Development (HUD) Funds**

- Community Development Block Grants (CDBG)
- HOME Partnership

**Local Funds**

- Housing Trust Fund (HTF)
- Housing Assistance Fund
- General Fund
- G.O. Bonds
- Tax Increment Reinvestment Zone (TIRZ)

**Fee Contributions**

- Density Bonus Programs
  - Development Agreements
  - Planned Unit Development (PUD)
  - Municipal Utility District (MUD)
-

The NHCF staff is recommending changes to the HTF methodology to replace the current HTF calculation which is currently determined by calculating the property taxes on former publicly-owned land to replacing this approach with a new policy to set a target amount for annual General Fund transfer with a timeline for achieving a target amount. Housing trust fund allocations have been allocated as follows:

Activity	Allocation
Displacement Mitigation	At least 50% of HTF
Maintenance & Pre-Development Activities (Austin Housing Finance Corporation Owned Properties)	20-25% of HTF
Housing up to 115% MFI	10-15% of HTF
Homelessness Contracts	5-10% of HTF

Additional staff is also requested for affordable housing bond implementation which can be funded and capitalized with bond funding.

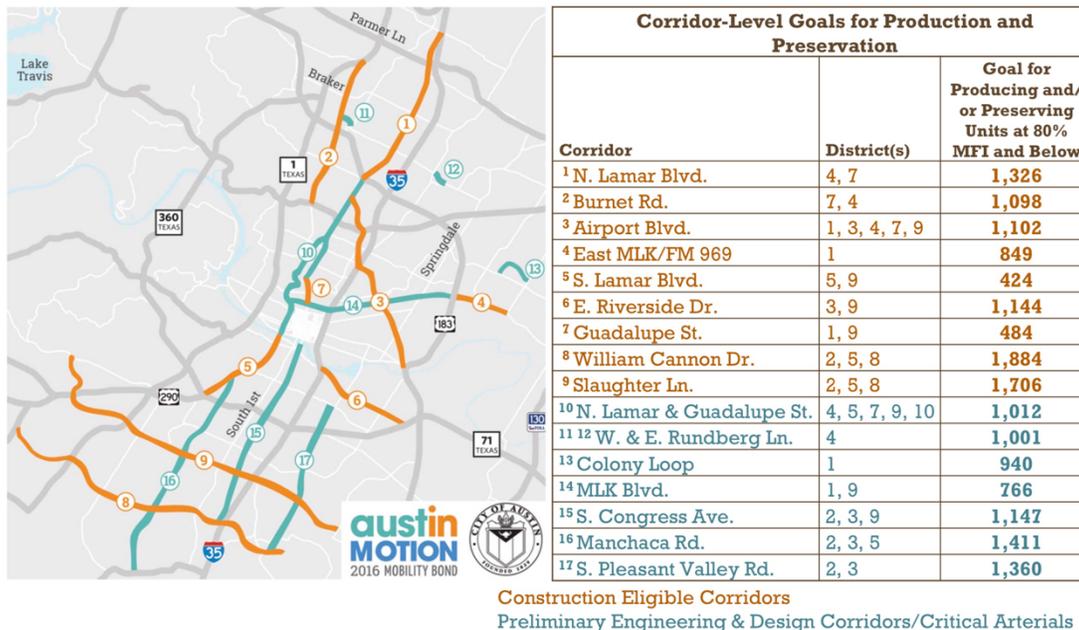
# STAFFING FOR AFFORDABLE HOUSING BOND IMPLEMENTATION

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- Additional staff to deploy affordable housing bond funds:
  - Capital Program Accountant to manage the accounting for \$250 million capital program
  - Financial Analyst for Housing Development Assistance programs to facilitate application and loan processing
  - Partnership Manager to manage developments in which AHFC is a partner through life of project
  - Project Manager to facilitate the process for land to be developed for affordable housing
  - Private Activity Bond (PAB) Administrator to manage PAB program for developments as they progress through construction and leasing

Production and Preservation housing goals for transportation corridors have been set at 80% MFI and below as follows:

# DRAFT CORRIDOR AFFORDABLE HOUSING GOALS



## 4.0 City Manager’s Proposed Budget for FY2019-2020

The proposed [City Manager’s 2019-2020 operating budget for homelessness and displacement](#) page 54 includes:

- \$13,300,000 for **housing displacement prevention** which includes \$5 million in G.O. bonds for home repairs projected for 504 homes;
- \$200,000 for a pilot project to improve **access for affordable housing in Empowerment Zones**;
- \$1,127,000 for staff and studies to **support the Housing Blueprint Plan**;
- \$7,700,000 additional funding to the calculated budgeted amount for the **Housing Trust Fund** primarily for permanent supportive housing; and
- \$48,545,200 million for **initiatives aimed at preventing homelessness**

**Overall additional Homelessness housing and programming is budgeted at \$56,245,200 and \$13,500,000 for housing displacement.**

The breakout is as follows:

*Housing Displacement Prevention*

- \$8.3 million in homeowner assistance, including \$5.0 million in General Obligation bonds and \$3.3 million in federal grants to assist eligible owners with repairs necessary to remain in their homes.
- \$3.4 million in renter assistance programs, including \$2.2 million in one-time funding to provide legal, emergency, rental, and relocation assistance to tenants at risk of displacement or eviction.
- \$1.6 million in one-time funding to temporarily assist tenants who needs to be relocated due to necessary enforcement action against property owners of uninhabitable or dangerous residential units

**Total: \$13,300,000 million for Housing Displacement Prevention**

*Empowerment Zones and a Multi-Family Property Tax Program to improve access to affordable housing*

- \$200,000 each year for a five-year pilot to preserve affordable rental units

**Total: \$200,000 annually for 5 years for a pilot project**

*Housing 2018 Bond Positions and Strategic Housing Blueprint*

- \$627,000 for six positions in the NHCD to support the implementation of the bond program and the Strategic Housing Blueprint
- \$500,000 for studies necessary to implement the Strategic Housing Blueprint

**Total: \$1,127,000 for staff and studies to support the Strategic Housing Blueprint**

*Housing Trust Fund*

- \$7.7 million additional transfer into the fund combined with \$6.7 million calculated to be transferred into the HTF for a total of \$14.4 million in the

HTF. The funds are to increase permanent supportive housing units and enhance displacement mitigation efforts.

- \$500,000 to provide financial relocation assistance allowed under the Tenant Notification and Relocation Assistance Ordinance to tenants displaced from developments.

**Total: \$7.7 million additional for the Housing Trust Fund** bringing the total of \$14.4 million in the Housing Trust Fund

#### *Crisis Mitigation for the Homeless*

- \$4.1 million for homelessness prevention contracts
- \$3.0 million for Rapid Rehousing contracts
- \$7.0 million for emergency shelter including the SAFE Alliance, the ARCH, the Salvation Army, the Austin Shelter for Women and Children, and others
- \$2.3 million for the Homeless Outreach Street Team
- \$1.8 million in one-time federal grant for the acquisition of property to be used to assist the homeless
- \$1.5 million in one-time funding for the opening of the Rathgeber Center
- \$1.5 million in one-time funding for future initiatives to provide temporary residences
- \$1.3 million in one-time funding for improvements to the ARCH
- \$222,000 in planned capital spending for ARCH renovations
- \$182,000 in ongoing funding for ARCH utilities and maintenance
- \$1.3 million in new funding to contract for six months for the operation of the new South Housing Center.
- \$1.2 million to Integral Care and Road to Recovery for mental health and substance use disorder treatment
- \$1.1 million for Integral Care's Expanded Mobile Crisis Outreach Team
- \$1.1 million in federal and state grant funding administered by the Austin Police Department for emergency and temporary shelter services
- \$762,000 for crisis intervention team and contract management staff in the Austin Police Department
- \$700,000 related to the clean-up of highway underpasses

- \$250,000 in the Watershed Protection department for the clean-up of homeless encampments
- \$75,000 in the Parks and Recreation department for the clean-up of homeless encampments
- \$443,000 for Austin Recover and others for recovery support services
- \$250,000 to Austin Police Department to evaluate homelessness-related contracts
- \$178,000 for social workers at Austin Police Department to provide wraparound support services at branch libraries
- \$160,000 to Lifeworks for services to youth experiencing homelessness
- \$155,000 in state grant funding for youth experiencing homelessness
- \$105,000 with Front Steps to provide emergency shelter on-site after-hours case management assistance

**TOTAL: \$29,914,000 for Homeless Crisis Mitigation**

*Re-Empowerment for the Homeless*

- \$6.0 million Pay for Success permanent supportive housing
- \$5.0 million to create new permanent support housing
- \$1.9 million for contracts with providers of permanent supportive housing
- \$1.2 million in funding for vouchers for the homeless to obtain apartment housing
- \$1.2 million for contract services for permanent supportive housing
- \$1.0 million to provide housing subsidies to people experiencing homelessness in ECHO's Pay for Success Program
- \$773,000 for intensive case management services
- \$134,000 for case management and financial assistance
- \$535,000 for contracts with outreach and housing navigation providers
- \$479,000 for contracts with ECHO and the National Alliance to End Homelessness to implement new strategies to end homelessness
- \$160,000 for a contract with ECHO to provide continuum of care services
- \$156,200 for ECHO's Rent Availability Program
- \$94,000 for a contract to provide residential substance use treatment and

transitional housing

**TOTAL: \$18,631,200 for Re-Empowerment for the Homeless**

The proposed City Manager's FY2019-2020 **Capital Budget** includes:

- \$47,176,392 for affordable housing including \$27,179,362 for affordable housing and \$20,000,000 for land acquisition. The project expenditures are related to development of affordable and mixed-income, multi-family rental units and construction of new units for Permanent Supportive Housing to be occupied by chronically homeless persons. These funds are from the approved 2018 Proposition A for \$250 million for affordable housing. The breakout of the \$250 million is:
  - \$100 million for land acquisition. The money would be used to buy and hold land that would be ultimately be used to build new affordable housing.
  - \$94 million for rental housing development assistance. The money would go toward a program that improves and maintains existing rental housing, as well as adding new affordable rental units.
  - \$28 million for the Acquisition and Development Ownership Program. The money would fund a program to help residents who meet certain income requirements find a home they can afford.
  - \$28 million toward a home repair program. The money would go toward completing minor home repairs throughout the city for residents who make below a certain income.
- The number of new affordable units created during FY2019-2020 is projected at 1,500 units.

#### **4.1 Review of NHCD Budget**

The NHCD Department is the primary lead department for implementing key strategies that will prevent households from being priced out of Austin. There are four operating programs: (1) community development that provides financial and

technical assistance to households to improve the personal security and economic revitalization of communities: (2) Housing which provides financial assistance and information to low-moderate income residents through homebuyer and renter assistance; (3) Support services which provides administrative and managerial support to the Department; and, (4) Transfers, debt service, and other requirements. The Department's net **budget is \$25,351,984** of which \$14,447,943 is funded from the Housing Trust Fund (which is funded from the General Fund) and \$10,804, 000 from federal and state grants. The Department is increasing their employees from 31 FTEs to 70 FTEs.

### **5.0 Focus of the Development Without Displacement (DWD) Coalition**

The Development Without Displacement coalition is comprised of representatives of various community advocates for affordable housing and anti-displacement programming in high-risk gentrifying areas and in mobility and Imagine Austin corridors.

The City Council has set goals for affordable housing units to counter-act the displacement that is occurring. The University of Texas study, Uprooted, has identified high displacement risk areas experiencing displacement and the Council has set 15,000 for the High Displacement Risk Areas.

## High Displacement Risk Areas

### 15,000 UNITS

of affordable housing will be placed in High Displacement Risk Areas, as defined in “Uprooted,” a report by researchers at the University of Texas at Austin on gentrification and displacement.

**Methodology Note:** High Displacement Risk Areas in this document are those Census Tracts categorized as Early, Dynamic, Late, and Continued Loss in the UT study. Parks, preserves, and the airport were excluded.

<b>Income Levels</b>	<b>Unit Distribution</b>
<b>0–30% MFI</b>	5000
<b>31–60% MFI</b>	6250
<b>61–80% MFI</b>	3750
	15000

Another 15,000 affordable housing units are allocated for high-frequency transit

## High-Frequency Transit and Imagine Austin Centers and Corridors

### 15,000 UNITS

of affordable housing will be placed in areas which are a quarter-mile within High-Frequency Transit (HFT) routes or a half-mile within Imagine Austin Centers and Corridors, which are future transit-oriented, mixed-use centers of activity connected by walking, bicycling, transit, or automobile.

**Methodology Note:** Parks, preserves, and the airport were excluded Parks, preserves, and the airport were excluded from HFT routes and Imagine Austin Centers and Corridors.

Income Levels	Unit Distribution
0–30% MFI	5000
31–60% MFI	6250
61–80% MFI	3750
	15000

and Imagine Austin Centers and Mobility Corridors. The focus of DWD is the East Austin Crescent and the corridors contained in that area. The staff has analyzed housing pressures near the 2016 Mobility Bond Construction Eligible Corridors as well as Engineering and Design Corridors applying three indicators: (1) transit access to low/medium wage jobs; (2) affordability housing vulnerability; and (3) development pressure. The results of this analysis are shown below. The higher the indicator, the higher the need.

The response by staff is to make investments in new development and affordable housing preservation, as well as coordinating targeted investments in economic development, transit, and education as well as implement a consistent density bonus program for Imagine Austin Centers and Corridors where larger buildings are deemed acceptable.

## **6.0 The Development Without Displacement Approach**

The DWD recognizes that investments, both public and private, can spark and fuel displacement. We all know too well that in spite of good intentions in master plans, corridor investments, land use changes, and most recently the City Council approval of the “Domain on Riverside” project will gentrify areas and cause displacement of existing low-to-moderate income people.

We support change and appropriate investments in our communities but only if the well-being of existing residents is prioritized by getting ahead of the change with a strategy. Investments Displacement policies and programs must be made before the investment is announced and not after. Displacement is about shifting power and asking who pays, who benefits, who’s invested and which systems benefit which people and hurt others. Displacement is a societal cross-sector problem – employers cannot find nearby workers, families lose important networks of caregivers and supports, schools lose teachers, etc. The costs are paid by all of us. Anti-displacement policy strategies must take into account the varied drivers of displacement.

The Development Without Displacement Coalition’s guiding principles are:

- Understanding our community with strategies that are tailored to their needs.
- Engaging the community in the design and implementation of solutions.
- Get ahead of investments and change.
- Consider scale to the solution that is identified compared to the scale of the

issue.

- Strong enforcement mechanisms in anti-displacement policies.
- Community organizing in getting good-fit policies passed.
- Acknowledge and understand the legacies of racist urban policy.

Our recommended set of strategies follow the widely used Three P’s anti-displacement framework: tenant protections, production of affordable housing, and preservation of affordable housing. We have hope and see that the City of Austin has very recently allocated resources and thought to developing data, review of effective policy strategies in other cities, and additional funding for anti-displacement programming and affordable housing but note that this effort needs to substantially needs to increase in funding, scale, and scope.

## 7.0 Development without Displacement Coalition Budget Request

### Budget Rider for Development without Displacement Program

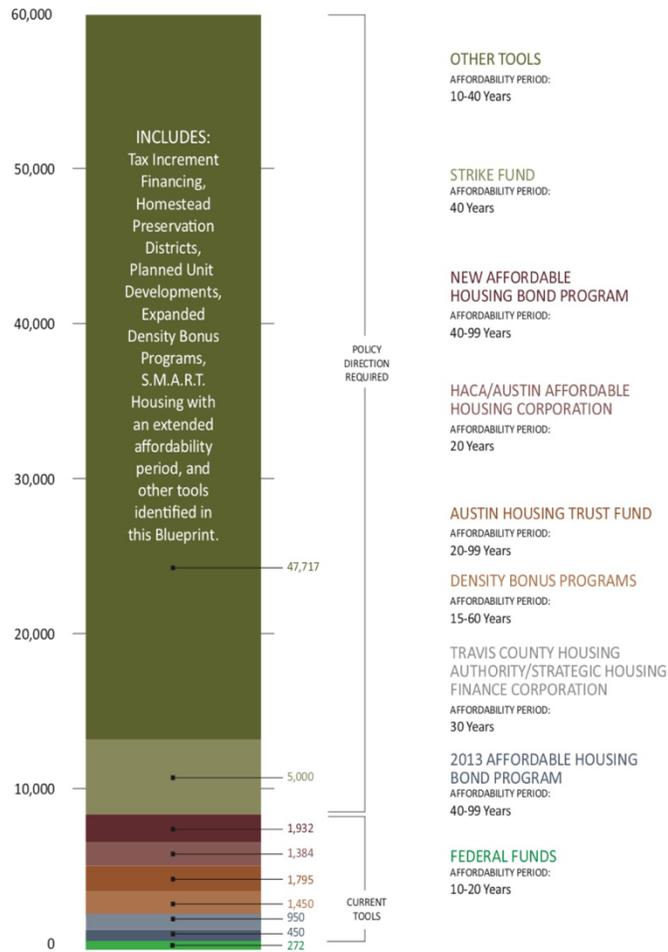
	<b>SOURCES OF FUNDS</b>	<b>General Fund One-Time</b>
<b>REQUEST</b>	<b>DESCRIPTION</b>	<b>(\$Million)</b>
Corridor Mobility Affordable Housing	Designate \$10 million for Corridor Housing Preservation and to ensure transit access to jobs and preservation of affordable rental units targeted to construction Corridors in the Eastern Crescent that have high vulnerability and development pressure for displacement	\$10.00
Corridor Mobility Small Business Preservation	Designate \$2 million for Corridor Small Business Preservation targeted to construction Corridors in the Eastern Crescent that have high vulnerability and development pressure for displacement	\$2.0
Expand Use of Neighborhood Conservation Combined Districts and Historic Districts	Develop and Implement 20 NCCD plans	\$1.00
	Develop and Implement 20 historic preservation plans	\$1.00
	Support for historic preservation surveying of homes/buildings in low-income gentrifying areas not	\$1.0

	surveyed yet.	
Increase Housing Trust Fund	Increase resources and services for very low-income residents in gentrifying areas to stay	\$3.0
Certificates of Obligation (COs)	Issue COs and designate these funds for Gentrification and Displacement targeted at East Crescent Corridors for affordable housing and displacement mitigation activities	(\$18.0)
	<b>TOTAL</b>	\$ -0-

**Budget Rider for Development without Displacement Plan:**

This budget rider is to implement key anti-displacement housing initiatives and programming. This budget rider sets forth specific instructions regarding the expenditure of funds and direction to implement non-budget components of the Development without Displacement (DWD) Anti-Displacement program. It will take a “all hands on the funding deck” to meet the affordability goals so they become another to actionable and not simply aspirational. The following graph from Austin’s Strategy Housing Plan provides the City of Austin’s current funding mechanisms and tools. The goal of our budget request is recognition that Austin’s growth unabated combined with City public investments necessitate additional funding sources. Our proposal relates to the Affordable Bond Program, Austin Housing Trust Fund, Tax Increment Financing and other tools to increase affordability goals.

FUNDING MECHANISMS AND TOOLS FOR 60,000 AFFORDABLE UNITS  
(UP TO 80% MFI) IN 10 YEARS



*Budget Request*

The budget request for the Development Without Displacement Program is composed of four funding components:

1. **\$10.0 Million for Corridor Mobility Affordable Housing.** The NHCD Department has per Austin City Council [Resolution 20170413-025](#), has provided analysis of the need for affordable housing for the 2016 Mobility Bond Construction Eligible Corridors and Preliminary Engineering and Design Corridors/Critical Arterials to set affordable housing goals for the corridors. Indicators for transit access to low/medium wage jobs; for affordable housing vulnerability; and indicators for development pressure have been established. The results of this analysis show priority areas for affordable housing preservation and production and numerical

goals have been set. \$10 million will begin to make target an investment in the preservation and creation of affordable housing within the Mobility Corridors and encourage maximum calibrated density bonuses in those areas.

2. **\$2.0 million for Corridor Small Business Preservation and Development.** Small business is not analyzed as is housing and funding would use the Corridor Analysis Tool with a rapidly developing and gentrifying area to determine small business vulnerability especially for women-owned and minority-owned businesses. Funding would be used for the study and analysis with a portion to implement small business preservation and development strategies and actions. [Austin City Business Journals](#) has ranked Austin as one the best cities to start a small business. The growth in Austin small business has 9.7 percent from 2010-2013 and Austin had 44,163 small businesses in 2013- that's 2,342 for every 100,000 residents. According to the U.S. Census Bureau Survey of Business Owners which conducts the survey every four years, the share of jobs in the private sector labor market provided by small businesses was 35.1 percent in 2012. Unfortunately, the characteristics of small business owners in Austin is that Latino and Black owned small business' average sales severely lag behind White owned small businesses by almost 60%.
  
3. **\$2.0 million is budgeted for the development and implementation of Neighborhood Combining Districts and Historic Districts** as an effective anti-displacement strategy as used in many other cities. Historic district designation has been demonstrated to be an effective tool to stabilize and support property values. Data needs to be acquired to help stabilize property values by retaining current affordable buildings. The staff analysis shows that areas in East Austin have average assessed values for newer single-family houses at 32 to 44% higher than those of historic-age single-family homes. Smaller historic-age houses sit on parcels with sufficient space to construct additional houses at affordable rents – and to provide extra income for homeowners.

There are six Neighborhood Conservation Combining Districts (NCCD) in Austin: (1) Fairview Park; (2) E.11<sup>th</sup> Street; (3) Hyde Park; (4) North University; (5) North Hyde Park; and (6) East 12<sup>th</sup> Street. The UT Uprooted study recommends coupling NCCDs with residential infill and deconstruction polies in order to “disincentivize redevelopment and demolitions of current affordable homes in gentrifying neighborhoods. Council direction was given to staff in May 2019 to create and expand preservation incentives to disincentivize the demolition of market-rate affordable housing units. Funds for this initiative will develop a “Best practice” model and identify possible neighborhood candidates in high risk areas that have yet to be surveyed.

4. **\$3.0 in additional funding for The Housing Trust Fund** is proposed. Current funding is proposed in the City Manager’s budget by \$7.7 million bringing the total to \$14.4 million. It is proposed that the Housing Trust Fund to focus support for 60% MFI rental units.
5. **\$18.0 million to fund the Development Without Displacement Budget.** The DWD budget is proposed to be funded through the issuance of Certificates Of Obligations (COs). The DWD Coalition is requesting that the City Council do likewise using COs for affordable housing and related soft costs targeting highly vulnerable areas expecting and experiencing displacement. Certificates of Obligation provide local governments with important flexibility when they need finance projects quickly. COs do not require voter approval and can be used to fund construction, demolition or restoration of structures; purchase materials, supplies, equipment, machinery, buildings, land and rights of way; and pay for related professional services. COs are bond issues for as long as 40 years and usually are supported by property taxes or other local revenues.
6. **Create Tax Increment Financing Districts (TIFs) as a tool to capture and dedicate a portion of the property tax revenue generated by new development and increases in the value of existing development before that revenue is put in to the general fund.** The City’s Anti-displacement Task Force recommendation 92 is to create TIFs in areas that are experiencing rapid development and along corridors that are slated for transit upgrades or city infrastructure investment. In FY roughly \$52 million more in property taxes is due to property valuations. About \$17 million is from new development. The Task Force also recommended that all TIF districts be required to dedicate 30% of the revenue to housing programs. The DVD coalition supports these recommendations and ask the City Council to place a high priority on the creation of TIFs.

The City of Austin has supported 3 TIFs – Waller Creek, Seaholm, and Second Street Tax Increment Reinvestment Zones primarily for downtown projects and one – Mueller Tax Increment Reinvestment Zone for the redevelopment of the former 700-acre Robert Mueller Airport. The Austin City Council has recently passed a [resolution](#) directing staff to study the idea of using TIF to support affordable housing. The People’s Plan has also supported a version of this idea. There are potential TIF affordable housing policies that require that up to a percentage (like San Antonio) that up to 20% of the proposed housing units in a TIF district be affordable in accordance with city guidelines. Portland enacted a 30% affordable housing set aside of TIF funds citywide. In North/Northeast Portland advocates got the city to redirect \$100 million TIF funding over 6 years addressing displacement and affordable housing.

City of Austin staff is proposing to increase the cap on the percentage of City taxable value that may be included within reinvestment zones from 5% to 10%. The City currently is at 4.6% of taxable value. State law requires that no more

than 25% of a city's taxable property may fall within the boundaries of reinvestment zones. The use of tax increment financing for affordable housing is limited to pay-as-you-go financing in support of affordable housing projects within tax increment reinvestment zones. Because affordable housing spending in state law is considered economic development it is no permissible to issue non-voter bonds. TIF agreements with developers receiving funding through a TIF can require that any housing constructed maintain a certain number of percentage of units as affordable. City staff is proposing that any housing development related to a TIRZ project plan provide at least 20% of the units at rates affordable to households earning at or below 60% of MFI for rental, 80% for ownership.

Mobility corridors identified in the 2016 Mobility Bond can establish TIRZs along these corridors as long as areas are identified, and project plans developed that meet the criteria necessary for designation as a reinvestment zone. Tax increment financing could fund improvements along corridors and these improvements could encompass an affordable housing element.

#### *Non-Budget Requests*

- A. The City of Austin has taken the tact of making homelessness an emergency and has prioritize funding in the City Manager's proposed budget. The City Manager in his proposed budget transmittal noted that a "[laser focus](#)" was needed to solve Homelessness. The DWD Coalition expects a similar laser focus with respect to gentrification and displacement. Along with that call to action the DWD coalition requests that the City of Austin declare a "affordable housing and displacement state of emergency (SOE)." A local State of Emergency refers to a crisis or disaster in which the City of Austin suspends normal procedures to take urgent action. In the current housing context, this means using funds more flexibly, reducing regulatory barriers, and devoting additional funds to the problem. A City of Austin Affordable Housing and Displacement SOE can have the effect of generating a sense of urgency and creating public and political will to move quickly within the City of Austin. The NHCD Department has not recently in their Housing Blueprint, "A significant number of displacement mitigation and Blueprint recommendations are outside the NHCD's zone of control." The NHCD will require collaboration with a significant number of participants including Planning and Zoning, Economic Development Department, Corridor Program Office, Capital Metro, Equity Office, Intergovernmental Relations, Office of Real Estate Services as well as a host of community organizations and stakeholders.

The Affordable housing and Displacement SOE would:

- Reduce bureaucratic barriers, such as bypassing certain development requirements, which has allowed a quicker ability to use city-owned property for affordable housing;
- Waiving regulations for the purpose of facilitating contracting to produce affordable housing;
- Prioritizing displacement as an issue, redirecting funds and fostering interagency collaboration;
- Determining the amount of funding needed to urgently expand affordable housing for various populations including the homeless; and,
- Highlighting affordable housing issues, the urgent need for additional permanent housing options and resources to expand health and support services.

In January 2018 the City Auditor noted in a special report on [“City Efforts to Address Displacement and Gentrification”](#) that there were “541 [City] recommendations and resolutions issued between 2000 and August 2017 related to displacement and gentrification. After compiling this inventory, we determined that 133 of these recommendations and resolutions have a direct effect on displacement that are actionable” and...“a significant portion of these recommendations were addressed to the City Council... and there is not a system in place to track the status of recommendations to the City Council.” We recognize the efforts of the he City Council, the City Manager and City Departments in making significant progress in defining action steps through recent initiatives such as the Housing Blueprint, Anti-displacement Task Force; UT’s Mapping of gentrification and displacement of vulnerable populations and other studies and efforts.

- B. Currently the City relies primarily on only one nonprofit organization to deliver its affordable housing Low Income Tax Credit program. In a City with 1 million persons, the City should be enabling and empowering multiple nonprofit community-based organizations such as community development corporations (CDCs) in developing affordable housing. A CDC is a not-for-profit organization incorporated to provide programs, offer services, and engage in other activities that promote and support community development.

In 2015, the City of Austin’s Hispanic/Latino Quality of Life Commission recommended that the City embark on supporting the creation of CDCs. This recommendation was never acted on by the Austin City Council. CDCs are located, typically in low-income, underserved neighborhoods that have experienced disinvestment and displacement. CDCs play a critical role in building community wealth for several key reasons:

- They anchor capital in communities by developing affordable housing.

- At least one-third of a CDC's board is typically composed of community residents, allowing for the direct, grass-roots participation in decision-making.
- CDCs' work to enhance community conditions involves community engagement, a process critical for empowering residents.

It is time for the City of Austin to move from a typical government operated process of managing affordable housing programming and displacement mitigation and begin to assist in creating CDCs to carry a major share of the front-line burden of marginalized communities. Studies have shown that CDC-led citizen involvement help create a better neighborhood; it also creates, a new cadre of energetic and skilled leaders, able to seize further opportunities to advance neighborhood interests. The success of geographically targeted investments in creating the conditions for neighborhood turnaround justifies city-and foundation supported efforts to encourage, and even require, CDCs to adopt and carry out neighborhood strategic plans. The new 10-1 single member district structure that begins to decentralize power to districts should move to the next phase and have community-based institutions like CDCs develop in districts to implement key community development initiatives especially affordable housing. The NHCD Department agrees that capacity building is needed for CDCs and it has provided a small budget to do this.

C. High housing costs are harming our Eastern Crescent residents' health. Data shown by [CommUnityCare](#), Central Health's clinic system shows the following population characteristics for the Eastern Crescent

- 171,023 of Travis County residents have family incomes at or below the federal poverty (FPL).
- 355,874 residents have family incomes at or below 200% FPL.
- 59.5% of Travis County's 387,357 Latinos live in Travis County's Eastern Crescent.
- 59.7% of Travis County's 95,335 Blacks live in Travis County's Eastern Crescent.
- 23.15% of the age 5 plus population in the Eastern Crescent have limited English proficiency.
- 110,227 or approximately 60% of Travis County's 183,833 uninsured are Latino.
- 71.5% of the 110,227 uninsured Latinos live in Travis County' Eastern Crescent.
- Only 90 Low Income Housing Tax Credit properties with 9,794 units serve the Eastern Crescent's 412,496 population
- Cost Burdened Households (housing costs exceed 30% of income) is 41.41% in the Eastern Crescent.

D. There is a powerful relationship between housing and health. With high housing

costs, these burdens are not universally shared. Latino and Blacks disproportionately experience those high housing cost burdens. When people pay too much on housing, they must make tough choices between paying their rent or mortgage or paying for food, medicine, and other resources that support their health. Central Health, a taxing jurisdiction was established in 2006 to be responsible in serving the City and County's indigent health population. Last year Central Health at the urging of the community embarked on moving over 200 of its medical access program (MAP) patients to its health insurance program, [Sendero Health Plan](#). MAP is Central Health's primary targeted population that is below 100% of the Federal Poverty Level (FPL). Sendero is one of the County's Affordable Act insurance programs (Obamacare). The addition of 200 of the sickest patients from MAP to Sendero with support from Central Health to subsidize the insurance premiums of the transferred over MAP members to Sendero cost Central Health about \$3 million, but this in turn leveraged federal dollars coming to Sendero to cover the \$3 million and produce additional funds for other healthcare costs. So Sendero was able to expand members' health access from the limited MAP health coverage to an expanded health coverage under the Affordable Care Act. A recommendation is to urge to cover more of its MAP members under this arrangement with Sendero. Central Health should be moving as many of its MAP patients to the Sendero Health Plan especially since Central Health's out of pocket subsidy is covered by federal funds.

## **Development Without Displacement (DWD) Coalition**

### **REPORT APPENDIX**

#### **OVERVIEW**

Austin is poised to grow faster than any other large U.S. city in the next 25 years according to new research by the Austin City Business Journals. Austin's projected population increase of 98.5 percent is far and away the largest for any major market. Austin currently ranks 33<sup>rd</sup> in the metropolitan hierarchy and is expected to be 21<sup>st</sup> by 2040. The U.S. Census Bureau states that for the eighth consecutive year, the Austin metro area was the fastest-growing area in the country among metro areas with at least one million people. In 2018, the Austin-Round Rock metro area gained 53,086 people to bring the population to over 2 million people, a 2.5% increase from 2017. Most of the boom is occurring in suburban counties. According to the census, Pflugerville has the largest percentage black population out of all suburban counties in the Austin metro. The 2000 census showed the black population at 10% of Austin's 656,000 population. By 2017, The Census Bureau reported that that number had dropped to 7.6%. From 2000 to 2017, Pflugerville's black population saw an 80% increase while Austin's black population saw a 24% decrease.

East Austin zip code of 78721 ranked number 4 among the fastest gentrifying neighborhoods in America's major cities in an analysis by Realtor.com. Amid Austin's boom private development have into lower-income areas, particularly east of IH 35. Rising property values have led to higher taxes and increased costs of living, pricing out many local businesses and longtime residents.

This report by Equitable Cities is a collection of displacement work done to date by the City of Austin in addressing gentrification and displacement.

But trying to talk about "gentrification" often leads to polarizing debates. To shed some light on the complexity and wide-ranging implications of the topic, we decided to examine the issue. The goal? To get people to understand why this is something that impacts all of us — and to offer some solutions in the process.

But first, we need to understand what gentrification is.

### **1.0 What is gentrification and displacement?**

There is no universally agreed upon definition of gentrification. The New Oxford American Dictionary defines it innocuously as "the process of renovating and improving a house or district so that it conforms to middle-class taste."

According to [UC's Berkeley's Urban Displacement Project](#), there's much more to gentrification than aesthetic changes: "a process of neighborhood change that includes economic change in a historically disinvested neighborhood — by means of real estate investment and new higher-income residents moving in — as well as demographic change — not only in terms of income level, but also in terms of changes in the education level or racial make-up of residents."

This definition, which accounts for historical disinvestment and demographic changes, paints a fuller picture of the forces at work that transform a neighborhood. Researchers came to their definition by reviewing existing research on gentrification. While acknowledging that the topic is complex, it's important to understand how past policies and practices make certain communities susceptible to change.

A lack of common understanding about gentrification would seem to make it difficult to talk about the issue. The term has its roots in England, where working-class whites were displaced by higher-income whites. The economic implications remain today, but in the U.S., there's also a clear racial dynamic.

Thus, while many people may identify new hipster boutiques as an example of gentrification, displacement is the more significant and harmful characteristic. Some people talk about gentrification as investment ... but if lower-income people aren't displaced, then it's not gentrification.

In other words, when we talk about the harms of gentrification, we're really talking about displacement. To that end, displacement also needs to be defined. The concept should be expanded to include "anytime anyone is forced to move against their will. It's not just eviction but a lot of other ways noting extreme rent increases and landlords pressuring tenants to move by, say, ignoring requests for maintenance. That leads to exclusionary displacement, so neighborhoods are designed as exclusionary to low-income people because rents are so high, people are excluded from moving in.

Equitable Cities is a nonprofit whose interest is to spotlight gentrification and displacement in Austin with the purpose of understanding what has been done; what has not been done, and what is to be done by the City of Austin and other governmental entities. Anti-displacement mitigation strategies must take into account the varied drivers of displacement – changing housing trends, poverty, income inequality, and disinvestment.

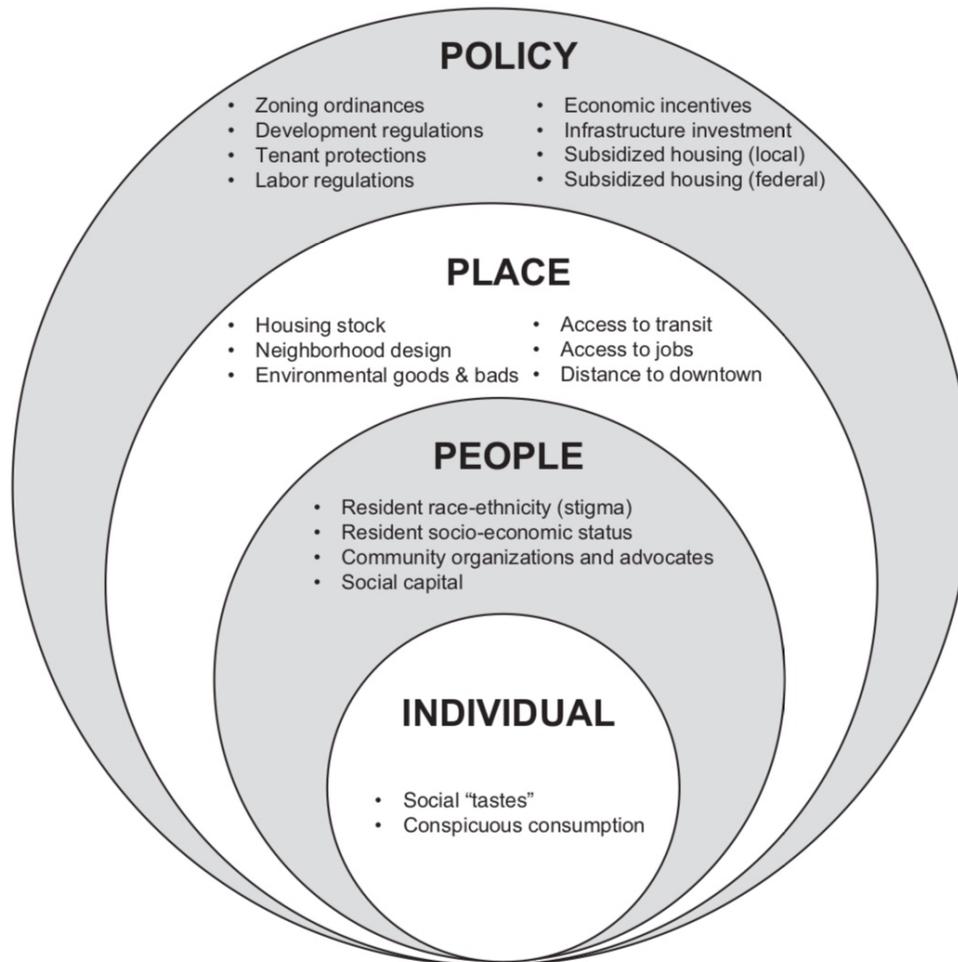
A specific budget request by the Development Without Displacement Coalition is based on the various studies done by the City of Austin and community groups and is proposed in the short term to implement equitable development and anti-displacement policies and actions as government and the private sector plan new investments.

## **2.0 AUSTINITES AND GENTRIFICATION**

For many of Austinites, gentrification is closely associated with racism, neoliberalism, and oligarchic developers. The ever-changing economies, demographics and framework has fostered opportunity for some and hardship for

others. A new research model allows urban planners, community leaders, and policy makers to better focus resources to limit gentrification in vulnerable neighborhoods. By examining the “people, place, and policy” factors that determine whether a neighborhood will gentrify or not, the model offers a better understanding of what fosters gentrification and what limits it. The study debunks the argument that gentrification is an uncontrollable consequence of market forces, and outlines specific strategies where communities have real power to limit it. The study, “Toward a socio-ecological model of gentrification: How people, place, and policy shape neighborhood change, “ is published in the Journal of Urban Affairs. Generally, three dynamic processes can be identified as determinants of neighborhood change: (1) movement of people; (2) public policies and investments; and (3) flows of private capital. The combination of these determinants is mediated by conceptions of race, class, place, and scale. These influences shape the questions asked and proposed interventions. The debate of gentrification is confronting and documenting the differential impacts on current and new residents and questioning who bears the burden and who reaps the benefits of changes.

The researchers tested the model (see below) in the five most populous U.S. regions: Chicago, Los Angeles, New York City, San Francisco, and Washington D.C. Three “place” factors – access to jobs, proximity to transit stations and the quality of housing stock – emerged as strong predictors of a neighborhood’s likelihood to gentrify across all regions. As they heavily influence these place factors, this points to the critical role urban planners play in shaping gentrification forces. The diversity of a neighborhood is the “people” factor with the strongest predictive value, the study found. If a neighborhood has a very high share of Blacks and Latinos, it is much less likely to gentrify than one with a mix of several racial or ethnic groups, i.e., racial/ethnic diversity is a strong predictor of gentrification. Local policies are needed to slow gentrification.



## 2.1 Austin Income and Racial Segregation

In Austin, income segregation is highly correlated with racial/ethnic segregation. Racial segregation persists due to patterns of in-migration, “tipping points” which hold that as the neighborhood proportion of non-white racial and ethnic groups increases past a certain threshold, a rapid out-migration of other (white) groups will ensue.

## 2.2 Segregated City studies

A February 2015 study, "[Segregated City](#)" ranked the Austin metro area as the country's most economically segregated metro area with a population of 1 million or more. The study by Richard Florida for the University of Toronto-based Martin Prosperity Institute evaluated the nation's 350-plus metro areas based on individual and combined measures of income, education and occupational segregation. In Florida's 2017 book, "The New Urban Crisis" Florida relooks at the creative class in cities and notes that creative cities can double as epicenters of economic inequality.

Urban Institute

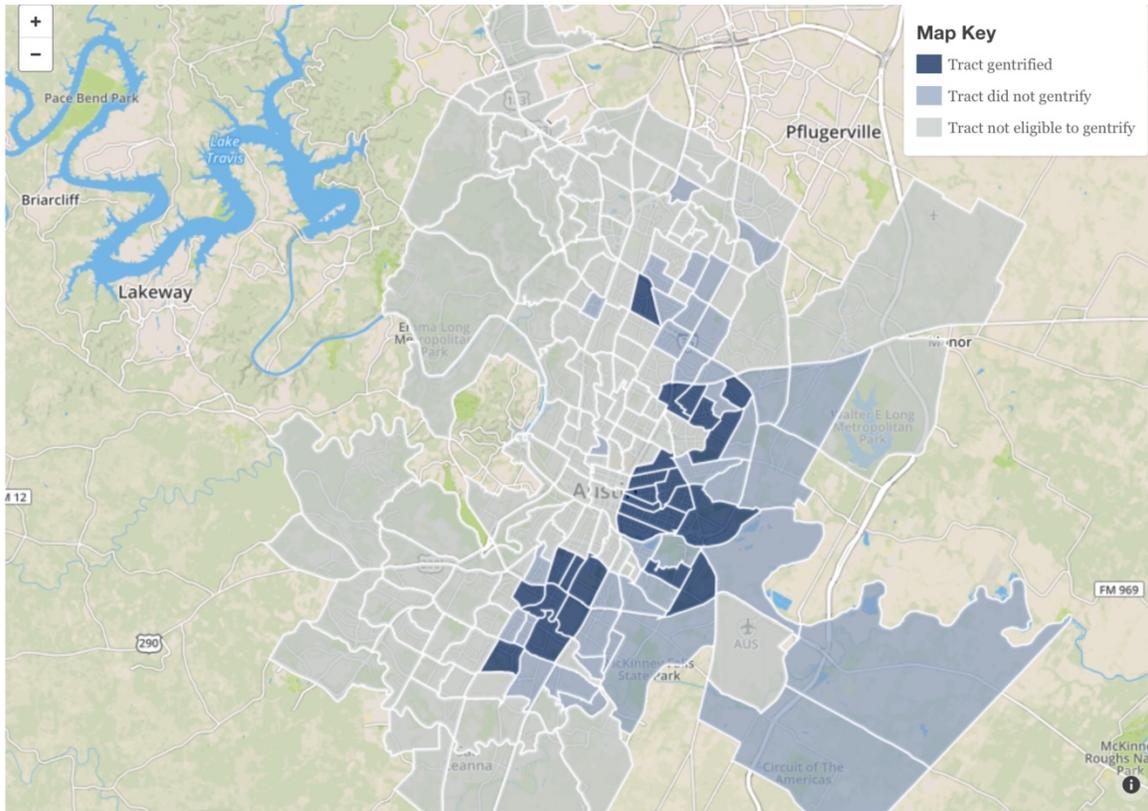
The Urban Institute's [measured segregation](#) in the 100 largest regions for 2010 and ranked Austin 18 out of 100; Black-White segregation 78 out of 100; and, Latino-White segregation 40 out of 100. The lower the rank being the most segregated the region.

In another report, the Urban Institute measured inclusion which reflects the ability of historically excluded populations, i.e., lower-income residents and people of color – to contribute to and benefit from economic prosperity. Economic inclusion reflects the ability of residents with lower incomes to contribute and benefit from economic prosperity. This is measured by looking at income segregation, housing affordability, and other factors. Racial inclusion reflects the ability of residents of color to contribute to and benefit from economic prosperity. This is measured by examining racial segregation, racial gaps in homeownership, poverty, and educational attainment, and the share of the city's population that are people of color. Economic health was also measured to see whether cities could harness growth to improve inclusion. Economic health is measured by the looking at employment growth, the unemployment rate, the housing vacancy rate, and median family income.

In 2013, Austin ranked 173 out of 274 cities on overall inclusion, 159 on economic inclusion, and 164 on racial inclusion. From 2000 to 2013, Austin's economic health stayed the same, at 41 out of 274 cities.

In 2015, [Governing Magazine](#) analyzed census tract data for the nation's 50 largest cities. The main findings were that gentrification had greatly accelerated in several cities. Researchers define gentrification differently. For Governing's report, initial test determined a tract was eligible to gentrify if its median household income and median home value were both in the bottom 40<sup>th</sup> percentile of all tracts within a metro area at the beginning of the decade. To assess gentrification, growth rates were computed for eligible tracts' inflation-adjusted median home values and percentage of adults with bachelor's degrees. Gentrified tracts recorded increases in the top third percentile for both measures when compared to all others in a metro area.

Out of a total of 182 census tracts, Austin was found to have 39.7% share of eligible tracts gentrifying with 25 gentrified tracts; 38 tracts not gentrifying; and, 119 tracts not eligible to gentrify. The rate of eligible tracts gentrifying in the 50 largest U.S. cities increased 20% since 2000 compared to 1990-2000 at 8.6%. Austin's share of tracts gentrifying since 2000 was 39.7% compared to 16.4% from 1990-2000.



NOTE: Data shown correspond to current tract boundaries, which may have changed from prior Census years. Figures are calculations from [2009-2013 American Community Survey](#) estimates.

The Governing study backs up what Austinites already know to be true: Austin is one of most gentrifying cities in the country. “Gentrification in America Report,” an in-depth study conducted by Governing magazine, ranked Austin eighth in the nation in gentrification rate between 2000 and 2010. Gentrification rate was determined through an analysis of Census tract data: tracts that were in their metro areas’ bottom 40 percent of median household income and median home value in 2000, but are now in the area’s top third in home value and percentage of adults with bachelor’s degrees, are considered to be gentrified. The study found the 39.7 percent of Austin’s eligible Census tracts gentrified last decade, a higher percentage than New York City, San Francisco, Chicago and most other American cities. Portland, a city often compared to Austin, tops the list, and Austin is preceded only by Washington, DC, Minneapolis, Seattle, Virginia Beach, Atlanta and Denver. Elsewhere in Texas, Fort Worth cracked the list’s top 20 at number 17, while Houston was listed 22nd and San Antonio 37th.

Austin’s gentrification rate makes the top ten despite the study stopping in 2010, just before the peak of Austin’s current population boom. In the U.S. Census Bureau’s reports for 2010-2011 and 2011-2012, Austin ranked number one in the nation in

growth rate – and remains at number two in the most recent report. Population growth, when coupled with the kind of economic growth Austin has also seen in the past few years, produces the gentrification that Governing analyzed.

Unsurprisingly, Governing’s map of gentrifying neighborhoods highlights mostly Census tracts in East and South Austin. The most striking case is Census Tract 8.03, which is bordered by I-35 to the west, E Martin Luther King Jr. Boulevard to the north, the Metrorail train tracks to the east and E 12th Street to the south – the residential heart of East Austin. Since 2000, home values in this neighborhood have increased by a whopping 205 percent, while the number of adults with bachelor’s degrees jumped from 10 percent to 49 percent. Governing highlights a reality this neighborhood and many others have witnessed as gentrification increases: the displacement of residents of color, and the unequal distribution of economic success. “Neighborhoods gentrifying since 2000 recorded population increases and became whiter,” the report notes, with gentrifying tracts seeing a drop in the poverty rate and the white population increase by an average of 4.3 percent. By contrast, low income neighborhoods outside of gentrification zones lost population, increased in poverty rate by an average of 6.7 percent and became less white.

Gentrification in Austin has followed this pattern. As the Austin American-Statesman highlighted in a recent in-depth look at the city’s racial and economic divides that remain intact from the segregation era, while Austin’s population grew by more than 20 percent during the period covered by the Governing study, its black population fell by more than 5 percent. As home values soar, Austin’s minority populations have been pushed into more concentrated areas further from the city’s core or, often, outside the city entirely, to suburbs like Pflugerville. Austin is ninth out of the 100 largest metro areas in the nation in terms of income segregation.

The University of Texas recently found that of the 10 fastest growing American cities in the last decade, Austin was the only one with a declining black population. This all suggests that Austin is feeling the effects of gentrification as much or more so than any city in the country, and that the city must reckon with how to deal with these effects. That’s difficult in a climate of unprecedented economic growth, where proposals to increase affordability – like a city ordinance to help housing choice voucher holders move into higher opportunity, less segregated neighborhoods – are met with vociferous opposition. If Governing conducts a follow-up study in the next decade, and if Austin continues on its current trajectory, it will not be a surprise to see the city even higher on the list.

The following story extract written by Daniel C. Vock for Governing is an excellent article that provides a good account of the suburbanization of poverty.

*An even bigger problem is the neighborhoods that are untouched by gentrification and where concentrated poverty persists and deepens. A 2014 study found that for every gentrified neighborhood across 51 U.S. metro areas, 10 others remained poor and 12 remained poor and 12 formerly stable neighborhoods fell into concentrated disadvantage.*

[http://dillonm.io/articles/Cortright Mahmoudi 2014 Neighborhood-Change.pdf](http://dillonm.io/articles/Cortright_Mahmoudi_2014_Neighborhood-Change.pdf)

*Poverty has existed in American suburbs for decades, but not to the extent it exists today. A study by the Brookings Institution published in 2013 reported that the number of Americans living in poverty jumped from 33.9 million to 46.2 million between 2000 and 2010. The biggest growth took place in the suburbs. "With this dramatic expansion in suburban poverty during the 2000s, metropolitan America crossed an economic Rubicon," Brookings researchers Elizabeth Kneebone and Alan Berube wrote. More poor Americans now live in suburbs than in cities.*

*Poverty has been growing in vastly different kinds of suburban territory. Inner-ring suburbs, abandoned by wealthier residents who pulled up stakes in pursuit of more modern and spacious housing, are now attracting low-income families looking for more affordable places to live. Farther out from city borders, the housing market collapse and job losses of the Great Recession have taken a huge toll on communities where growth was fueled by cheap credit and residents' optimistic planning. Even predominantly wealthy suburbs have seen an influx of lower-income families trying to live close to new jobs.*

*The geographic shift in poverty has put a major strain on public services. Nonprofit agencies are usually structured and located to deal with urban poverty. Outreach efforts -- from health clinics and food pantries to legal services and subsidized housing -- are still clustered in city neighborhoods. Providers are trying to figure out how to make those services available to a population scattered throughout sprawling metropolitan regions.*

*The growth in suburban poverty has been especially rapid in the Austin area. The number of poor people living in Austin's suburbs more than doubled between 2000 and 2012, while the poor population within the city limits actually decreased. In fact, according to Brookings, the Austin area saw a bigger percentage growth of poor suburbanites than any other U.S. metropolitan area except Boise, Idaho.*

*Since that analysis, the pace of change in the Austin area seems to have accelerated. U.S. Census estimates show that, from 2012 to 2013, the poverty rate in the city of Austin dropped from 20.3 percent to 17.8 percent. In the same year, the poverty rate in nearby Bastrop County -- where much of the Elgin school district is located -- is reported to have jumped from 10.7 percent in 2012 to 22.8 percent in 2013. Those figures are still preliminary and may be hard to believe. But they are well beyond the survey's margin of error, and they correspond to the very rapid changes local leaders report seeing every day.*

*The demographic rearrangement around Austin has been driven by the tremendous economic boom and resulting population growth the city has experienced in recent years. In the last decade, Austin has added nearly 200,000 residents. At last count, its population was 885,000.*

*The affluent newcomers drawn by technology jobs have driven up the price of housing near downtown. The tallest building dotting the skyline, in fact, is a five-year-old 56-story residential building half a mile from the Texas Capitol. Prices of condominiums in the building start at \$1.5 million. The demand for housing has also pushed up prices in East Austin, traditionally the center of the city's poorer African-American population. As cheaper areas become gentrified, many longtime residents are*

*moving to the suburbs.*

*The growth in suburban poverty in the Austin area is visible on the city's eastern outskirts, in a neighborhood known as Del Valle. The area straddles the city's border, but it is cut off from the rest of Austin by the airport and a new toll road.*

*A subdivision of double-wide mobile homes, with signs advertising "Homes in the \$30s," is sprouting up behind the local middle school. The homes are modest, but they feature familiar elements of quiet suburban life: freshly planted trees, green lawns and a car parked on every concrete driveway. A little farther from the city, though, in the older Stony Point subdivision, run-down cars line muddy driveways. Children play in cluttered yards. Crowing roosters roam and barking dogs sprint along wire fences.*

*With no grocery stores or restaurants nearby, residents of Del Valle crowd nearby gas stations at noon to buy food. A Texaco includes a "Bread Basket" convenience store. A new Exxon includes a "Tienda Mexicana" selling fresh fruit, sweetbreads, bulk cans of beans and meat from a butcher, alongside gas station staples like candy, cigarettes and fast food.*

*But poverty in the Austin suburbs is not limited to isolated enclaves. It continues to grow rapidly in more than one direction. In Pflugerville, a prosperous suburb north of the city, the number of low-income residents has doubled since 2007. "We are growing at all income levels," says Jeremy Martin of the Greater Austin Chamber of Commerce. Citing a Forbes magazine analysis of cities nationwide, he adds, "We have the highest growth of low-income jobs, the highest growth of middle-income jobs and the highest growth of high-income jobs."*

*Those jobs often are located in the same places. Restaurants and retail outlets open locations to cater to prosperous office workers, creating jobs for servers, cooks and clerks as well. So, the dispersal of low-income workers affects places where few residents are poor.*

*Take Cedar Park, a city of 61,000 people to the north of Austin. It is the fourth-fastest growing suburb in the country and has a median household income of more than \$77,000. More than two-thirds of its residents have at least some college education, and nearly half hold a four-year degree or better.*

*But Cedar Park Councilman Don Tracy says significant changes are afoot. Federal data show that the vast majority of new residents in Williamson County, where Cedar Park is located, come from Travis County, which includes Austin. These new households earn average incomes of \$46,000. Meanwhile, Cedar Park is attracting jobs, but not the kind of high-paying jobs needed to live in the suburb's richer neighborhoods. City studies show that 94 percent of the residents with jobs work outside of Cedar Park, while 89 percent of the people who work there live elsewhere. "Our community essentially flips every single day," Tracy says.*

*Cedar Park opted out of the Austin area's transit system in the 1990s, so the only practical way for most people to get around is by car. Some of its main thoroughfares carry 50,000 vehicles a day. The city is trying to expand those roadways, but Tracy expects that the transportation headaches will only get worse as Cedar Park and surrounding communities continue to grow.*

*Capital Metro, the area's main transit agency, only serves Austin and other municipalities that voted to pay a 1-cent sales tax to support it. To provide some transit to the unincorporated areas, the local community college is helping pay for a bus to connect its Cedar Park campus to a Capital Metro station. Still, service to outlying areas is very limited. The bus that serves Elgin, for example, makes three trips into Austin before 8 a.m. and three return trips in the early evening. For the rest of the day,*

*there is no service.*

*Transportation issues are having an impact on other problems that Austin and its suburbs are trying hard to solve. "We tend to take the position that Austin doesn't have as much of an affordable housing problem as it has a transportation problem," says Chris Schreck, the economic development manager for the Capital Area Council of Governments. "There's lots of affordable housing not that far from downtown Austin." But traffic and limited public transit options, he says, have an "isolating effect." To make his point, he pulls out a map showing median prices of homes in the Austin area. To the west of Interstate 35, including downtown, prices are indeed high. East of the notoriously traffic-choked artery, prices remain low.*

*Getting to those areas with affordable housing, though, is no easy task. The eastern suburbs of Austin, such as Elgin, are small towns now absorbing big population increases. (Elgin was portrayed as the iconic rural town of West Canaan in the movie Varsity Blues.) They are connected to Austin and to each other by divided highways that, between population centers, stretch past miles of cattle ranches, billboards and low-slung corrugated steel buildings.*

*Many of these communities are just beginning to deal with the challenges of increased poverty and the difficulty of addressing the needs of new residents and workers. Population change is putting a financial strain on local governments. While the city of Austin and its school districts are seeing their revenues grow because their property values are shooting up, outlying local governments with growing needs generated by increased poverty are not getting the benefit of the new tax money. Suburban public officials also worry about image problems. On the one hand, they need to respond to the needs of their own citizens, especially those with low incomes. On the other hand, in order to attract jobs and services for those citizens, they want to put their best foot forward. That often means not drawing too much attention to growing poverty and related problems in the areas they represent.*

*To cope with their sometimes-bewildering set of challenges, local governments are leaning as much as possible on local nonprofit groups. Cedar Park's leadership, for example, is asking its nonprofits to help the city identify emerging needs. "People don't tend to turn to government first when they're in trouble," Tracy says. "They go to their friends, they go to their churches, they go to nonprofits first. Government is a last resort for many of them."*

*But Debbie Bresette, the president of the United Way for Greater Austin, says it can be difficult for nonprofits and their donors to adjust to the rapid changes. "People have spent so much [time] being focused on crisis where the majority of people have congregated, like downtown Austin and the homeless," she says. Many area nonprofits are starting to realize how quickly poverty is growing in the suburbs but refocusing their efforts there will take time.*

*One natural place for them to start has been with school districts. Schools have the physical facilities and the organization that nonprofits need to reach their communities. In Elgin and the nearby town of Manor, nonprofits are working with schools to provide students and their families with scholarships, health and behavioral counseling, food, clothing, school supplies and emergency relief.*

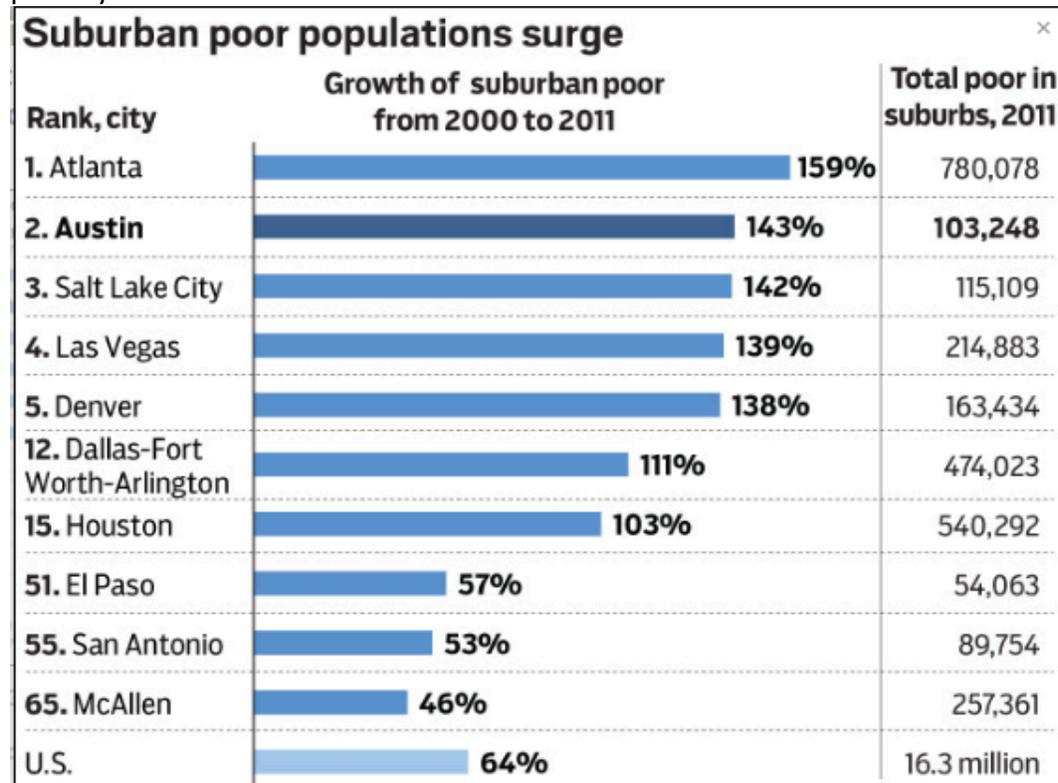
*The schools are facing new kinds of challenges in their classrooms as well, largely as a result of the burgeoning population of residents from foreign countries. In the Manor Independent School District, more than a third of the students have limited English proficiency -- nearly double the percentage from a decade ago. They speak 35 different languages. Recruiting teachers for those students is a major challenge for districts in central Texas, and districts like Manor are offering incentives for them and*

expanding teacher recruitment beyond the state.

Under Superintendent Kevin Brackmeyer, the Manor district, now up to 8,600 students, is stressing the importance of attendance -- even going so far as to put up a billboard on a local highway to remind students that attendance matters. One day, Brackmeyer found himself dealing with a new kind of problem for his suburban district: a frequently absent student who was married and had two children. He was skipping school to work because he had to pay the bills. In all likelihood, Brackmeyer says, that student won't end up going to college, but he would benefit from a better paying job. To help students like him, Brackmeyer hopes to take advantage of a 2013 Texas law that clears the way for schools to offer graduating students' professional certificates to become HVAC specialists, certified nursing assistants, dental assistants or other specialized occupations. The district could work with Austin Community College or local employers like Samsung to train students for those jobs. If students walked out of high school able to earn \$18 an hour, it would help narrow the poverty gap, Brackmeyer says. "It pays much more than working at Sonic for the minimum wage."

### 2.3 The Implications of Suburban Poverty

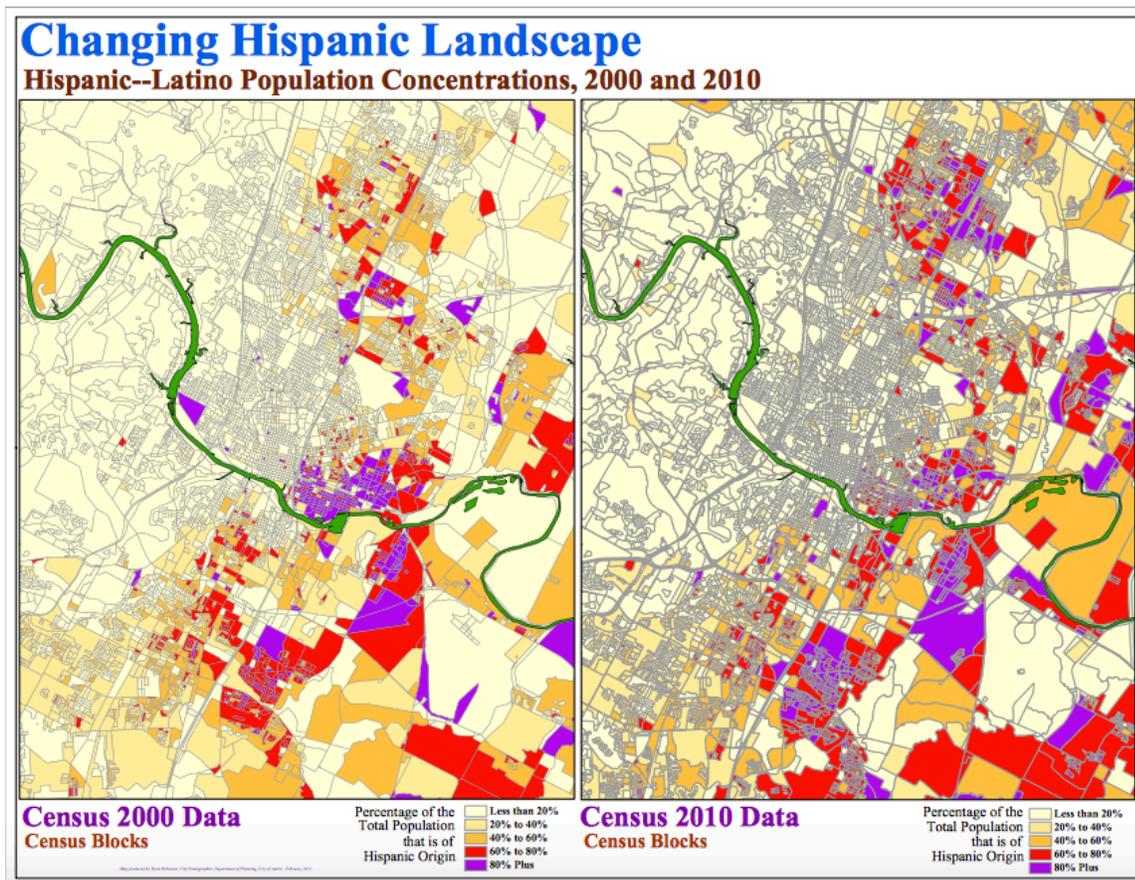
The Austin metro area is experiencing one of the fastest growing increases in the number of poor people living in the suburbs. According to the Brookings Institute among the nation's 95 largest metro areas, only Atlanta saw fastest growth in the number of poor living in the suburbs. Suburbs are defined as areas outside of cities in metro areas. Brookings says that with suburban poverty growth, the systems, services, and programs needed to provide a path out of poverty in the suburbs are ill-suited and insufficient.

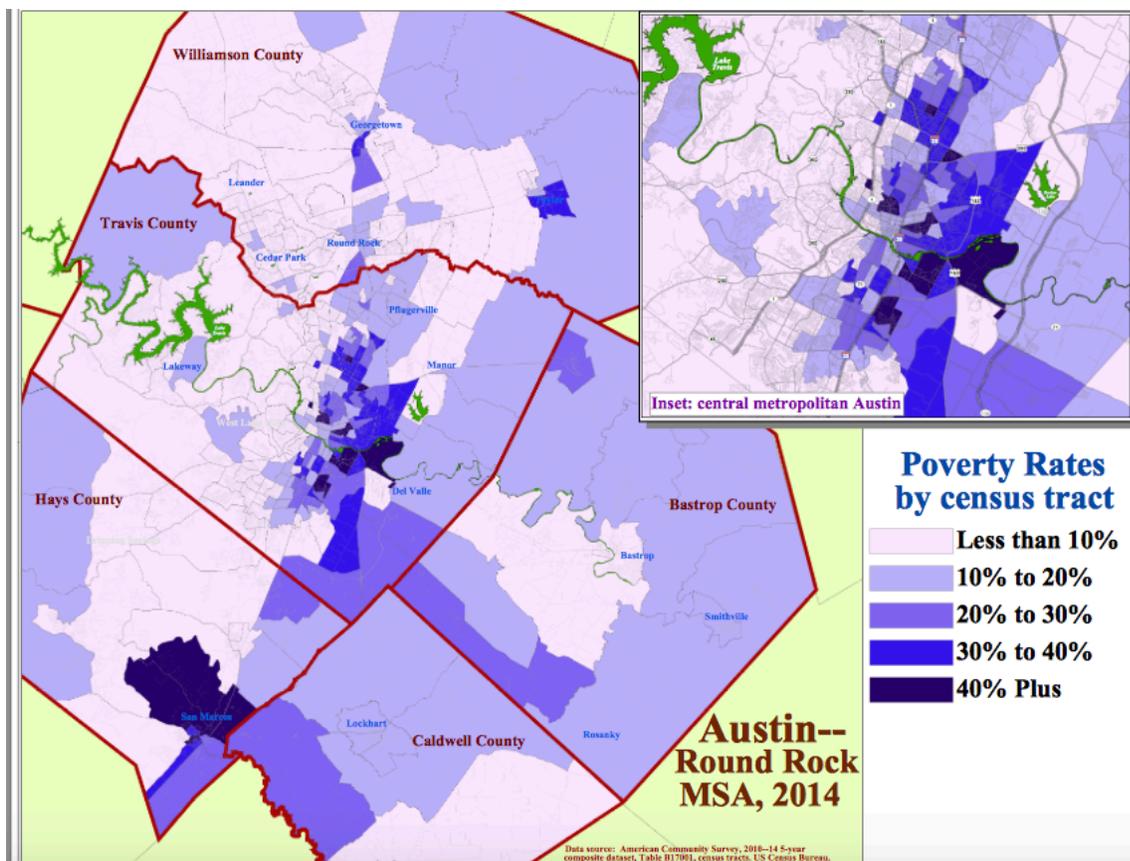


Source: "Confronting Suburban Poverty in America," Brookings Institution; Percent Growth in Suburban Poor Population, 2000-2011 for 95 of Largest Metropolitan Areas

## Growth in the Suburbs

Increases in suburban poverty are the result of growth in population, lack of affordable housing, immigration, and lack of income opportunities. Austin's overall suburban population increased 57 percent from 2000 to 2010. Latinos represent 27.5% of the suburban population according to Brookings and 10.5% of Austin metro area's suburban population. There are 266,000 people who lived in poverty in the Austin metro area in 2011. Latinos have noticeably moved into suburban areas.





Shifting poverty within metro areas has affected families’ access to many of the ingredients of successful communities, and how suburbs themselves confront different challenges in their efforts to promote opportunity for their low-income residents.

As it battles growing economic divides, Austin is trending in the wrong direction when it comes to the concentration of poor residents in high-poverty neighborhoods, a new Brookings Institution analysis finds. The share of poor residents living in high-poverty neighborhoods has grown faster in Austin than in the country’s top 100 metro areas as a whole, according to the study – a finding that raises fresh concerns about local socioeconomic divides and the threat they could pose to the region’s future vitality.

In a typical year from 2010 to 2014, 54.6 percent of poor residents in the Austin metro area lived in neighborhoods with poverty levels of at least 20 percent, according to the Brookings Institution analysis of Census Bureau data. About 13 percent of Austin’s low-income residents lived in extremely poor neighborhoods – census tracts with poverty rates of 40 percent or higher, the report said.

<http://www.brookings.edu/research/reports2/2016/03/31-concentrated-poverty-recession-knee-bone-holme>

Current data and trends suggest that Central Texas could see sharper increases in economic divides in the near future, especially in the suburbs.

In previous research, the Brookings researchers found that the Austin metro area has one of the fastest rates of suburban poverty growth in the country. Other researchers have found that the metro area ranks among the worst in the country for income and economic segregation.

The Brookings report doesn't show a sharp increase in the share of poor residents living in high-poverty neighborhoods across Austin's suburbs, but underlying data mapped by the authors revealed increasing poverty levels across dozens of suburban neighborhoods — most of them east of the urban core. The report found that 14 of the 41 census tracts that form a crescent around the east side of the city and metro area posted poverty levels of 20 percent or more during the 2010-2014 time period, up from five in 2000. Four of them had poverty levels of 40 percent or more, up from two in 2000.

As concentrations of poverty spread into suburban areas efforts to alleviate the harmful impacts of growing up in disadvantaged communities have to take on a more regional focus. The need for anti-poverty efforts in urban areas will remain, but suburban communities are increasingly facing similar challenges. According to the Brookings researchers It can't be an either-or approach and cities and suburbs should be working together on these challenges become they really are shared issues.

High-poverty neighborhoods regularly suffer worse outcomes — less educational attainment, higher crime rates, smaller business and social networks, and poorer health care. But a growing body of research suggests that the negative effects of such sharper socioeconomic divides limit economic vitality across the entire region.

#### Issues:

- Jobs mismatch – Because most of the jobs are located in the “desired development zone” adjacent and close to downtown, there is a lack of access to employment opportunities for the growing number of low-income residents in suburbia.
- Transportation challenge – There will considerable distance between the suburban poor and job opportunities and this place added importance on the availability, reliability, and cost of transportation in their communities. Transportation costs have taken up an increasing share of household budgets as working families balance access to affordable housing with access to jobs, which means moving further into the suburbs as families “drive ‘til they qualify.” The Center for Housing Policy and Center for Neighborhood Technology found that households earning 50 to 100 percent of the median income in their region spent an average of 27 percent of their income on transportation costs and another 32 percent on housing, leaving limited room in their modest budgets for other necessities. Even though cars are the most frequent mode of commuting for low-income suburban residents they pose real financial burdens on those households. Financing costs are higher and according to the Consumer Federation of America, low-income households paid 40 percent more on average for insurance than more educated, higher income households.

Many working age residents in low-income suburban neighborhoods do not have access to

transit services. In the Austin metro Capital Metro does not serve areas outside its service area into the County as its sales tax funding doesn't paid for services in these areas.

- Safety Net Services- Many of Austin's safety net services are delivered through nonprofits. Much of the scope and strength of the safety net available to poor people and families depends on what kinds of resources and nonprofit infrastructure exist in and around the communities in which they live. The suburban poor may be isolated from organizations that could help them because many of the nonprofits focus on urban core populations.
- Access to Quality Schools – Schools being on the front lines are often the first to cope with suburban poverty. They experience increased enrollment in school meal programs, increased rates of mobility among their students' families, and accept the first waves of new immigrant populations into their schools. The

The many programs that alleviate poverty and promote economic opportunity do not exist for the suburban poor. Suburban poverty poses considerable challenges to the city-oriented delivery model on which those approaches rely. The prerequisites for success – concentrated target populations; high-capacity; financially stable local government and nonprofits; market-based momentum; and the ability to orchestrate investment across dozens of siloed programs and policies – simply do not exist in most suburban communities.

So, the question to ask is if not us, then who? Who is stepping forward to confront suburban poverty and finding ways to meet the needs of the diverse array of suburbs dealing with these challenges?

## **2.4 GENTRIFICATION FOR ECONOMIC AND SOCIAL JUSTICE?**

A recent study by the [Federal Reserve Bank of Philadelphia](#) suggests that displacement due to gentrification is less widespread than is typically understood. It also suggests that people who are displaced by gentrification are not materially worse off after they move, and that many people who remain in gentrifying neighborhoods see some benefit as neighborhood poverty rates decrease. The research includes the 100 largest metropolitan areas in the U.S. Overall the authors conclude, “we find gentrification creates some important benefits for original residents’ adults and children and few observable harms.” The study defines gentrification as “an increase in college-educated individuals’ demand for housing in initially low-income, central city neighborhoods.” Gentrification does cause some “out-migration” of residents relative to non-gentrifying neighborhoods, but the effect is fairly small according to the study. In other words, even though more than half of the “less educated renters” in gentrifying neighborhoods

moved, most were going to do so anyway. The authors assert that “gentrification is obviously real...it’s a process. Neighborhoods change and they’re changing very quickly...(but), there’s this implicit assumption that if not for gentrification, no one would ever move, our research is showing that’s just way off-base. Even though the study concludes that outmigration effects of gentrification are smaller than might have been assumed, it confirms that gentrification does cause displacement, especially for low-income people. The study does not show the impacts of displacement sorted by race and doesn’t examine the psycho-social impacts on people who leave gentrifying neighborhoods. Moreover, the study has a very limited definition of gentrification based on education and leaves out the impact of “place gentrification, measured by the influx of capital, rather than just an influx of highly educated people. Karen Chapple, faculty director of the Center for Community Innovation/Urban Displacement Project at the University of California, says that “because the authors don’t look at this, the policy recommendations are suspect – they advocate building new housing but don’t analyze the effects of that.”

## **2.5 How Did Austin Begin to Gentrify?**

This information comes from the *“Shadows of a Sunbelt City”* written by Eliot M. Tretter published in 2016. It is an extraordinary book that focuses on Austin’s “shadows” – aspects of the city’s history and transformations that have been hidden by the “dynamic” city reputation. The summary on Austin’s gentrification hopefully is based on Tretter’s book. The lessons learned are that Austin’s growth has come at a high cost, at least to communities of color; and, that Austin’s center-left liberals have adopted a conventional planning role to generate growth promoting activities where the market is the heart of economic life under which capital is able to operate and profit seeking with the “liberalization” of conditions.

Following years of public and private initiatives to regenerate the inner city, neighborhood revitalization minority urban neighborhoods are experiencing some form of upgrading including other types of neighborhood. Revitalization by neighborhoods comes about with existing residents improving the condition of their neighborhood,

catalyzed by the cost of housing, the rise of neighborhood consciousness, demographic pressure and reduced pressures from migrants to the city. Gentrification on the other hand draws middle-class residents to the city, attracted by job and recreational opportunities, low and appreciating housing prices, stabilization of negative social conditions like crime, reduced commuter costs, and lifestyle or aesthetic considerations. Displacement is a negative outcome of gentrification.

From the supply-side perspective, private capital investment, public policies, and public investments are the main mechanisms of gentrification. The return of capital drives gentrification; the change in neighborhoods is the manifestation of the restructuring of capital through shifting land values and housing development. Gentrification occurs in disinvested neighborhoods where there is the greatest “rent” gap between the cost of purchasing property and the price at which gentrifiers can rent or sell. There is a broader grouping of players that make up the full political economy of capital flows into the central city – developers, builders, mortgage lenders, government agencies, and real estate agents.

The City of Austin has been an active “supply-side” actor which has set the conditions for and catalyzing the gentrification process. The City of Austin has been a large part of the political economy by accumulating capital through land use management and city development acting as a “growth machine.”

As we begin the process of creating a policy and political infrastructure to manage gentrification and displacement with value with certain policies it is useful to provide some observations on Austin’s politics and possible intersections to further the anti-displacement agenda. These observations relate to how Austin has changed and where its governance lies. In particular the story of Austin’s growth is the story of how Austin has emerged as a significant regional center of growth within the global economy. The observations noted below are from Tretter's book and his research and interpretations of events and some based on others’ research. As the prime writer on this report my observations are based on living in Austin since 1978 working inside government as a City Budget Director and Administrator and later as a Senior Policy Advisor to the Mayor and then working outside government as an advocate and activist on economic social justice issues.

There are several important seminal timeframes and events that involved pro-growth and antigrowth coalitions and their influence on the development of the City of Austin.

1. *Growth Coalition – the State of Texas, the Austin Chamber of Commerce, and UT.*

Austin's growth initially emerged because of the presence of UT University and its vital role as the backbone of regionally innovation networks. UT University has had this remarkable role in producing lots of skilled labor and helping encourage the development of spin-off firms that raised Austin's reputation, and created a desirable cultural sensibility. But also, more importantly the university's role as a land developer working in conjunction with the City of Austin and the State of Texas created quite an industrial landscape.

Since the 1960s State government and UT university dominated the local market. The urban growth coalitions at that time in the 1970s 1980s and early 90s depended on economic activities that secured a steady stream of revenues to this growth coalition. In a way UT altered our understanding of urban development and in turn urban governance as they reworked Austin's spatial form.

Austin has unique patterns of residential segregation, which have remained relatively fixed despite the city's population growth. In the 1980s Austin underwent a land-development boom and a later bust both driven by a lax lending market and in part by the development of an infrastructure of high-technology firms. In the 1990s, a boom dynamic returned, this time fueled by the so-called tech or dotcom bubble, which significantly propelled Austin's industrial development and its fast ascent into a leading position in the global economy. In the 1990s Austin was also able to attract larger amounts of investments from venture capitalists.

The increasingly significant role played by high-technology firms in Austin since the 1970s has been accompanied by the increasingly significant role of UT (with backing of the state) in supporting the region's industrialization. Technology firms backed by UT and the State included: MCC, Sematech and for-profit spinoffs. Moreover, a strong growth coalition led by key actors in the local business community took advantage of local factors as well as federal spending and policy to growth the region., primarily by promoting the expansion of the university's role in the local economy as an employer, producer of skill workers, knowledge, and products, and a land developer. Furthermore, UT has been a leader in commercializing its research discoveries with patents and attracting venture capital.

During the 1980s the "Austin model of development" was for the most part just about bringing the state of Texas, through the university, into the local growth coalition as a leading actor. This changing political-economic dynamic helps explain why local power-brokers from the business community moved toward the state and away from local government. Local government was never really part of the Austin model of development. This gave rise to the shift of antigrowth forces in the local government and their unwillingness to support the business community. Local businesses bypassed their opponents in local government by collaborating with actors at the state level. The Austin model of development success was in capturing the investment of key technology companies as a result of concerted state industrial strategy and the increasingly willingness of government leaders to leverage state resources in a demand-side fashion to

promote regional growth.

## *2. Development of Save Our Springs*

Austin politics in the 1980s and 1990s was dominated by the antagonism between local activists and the business community. However, a temporary institutional compromise that favored the business community was reached between the pro-growth and antigrowth coalitions. In 1985, the Chamber of Commerce published a report that became the long-range competitive plan for the City. The report focused on ways to expand Austin's technology sector by stressing the importance of maintaining a high quality of life including the work force, education and training as physical infrastructure. In 1998, the Chamber's next report was more explicit about the role of social and environmental infrastructure in the city's competitiveness.

With the growth of the high-tech sector and significant environmental degradation with highly educated and wealthy employees beginning to move near these firms, the city's urban footprint expanded drastically. In many cases, firms and employees prefer to locate in the karst environment of the Edwards Plateau.

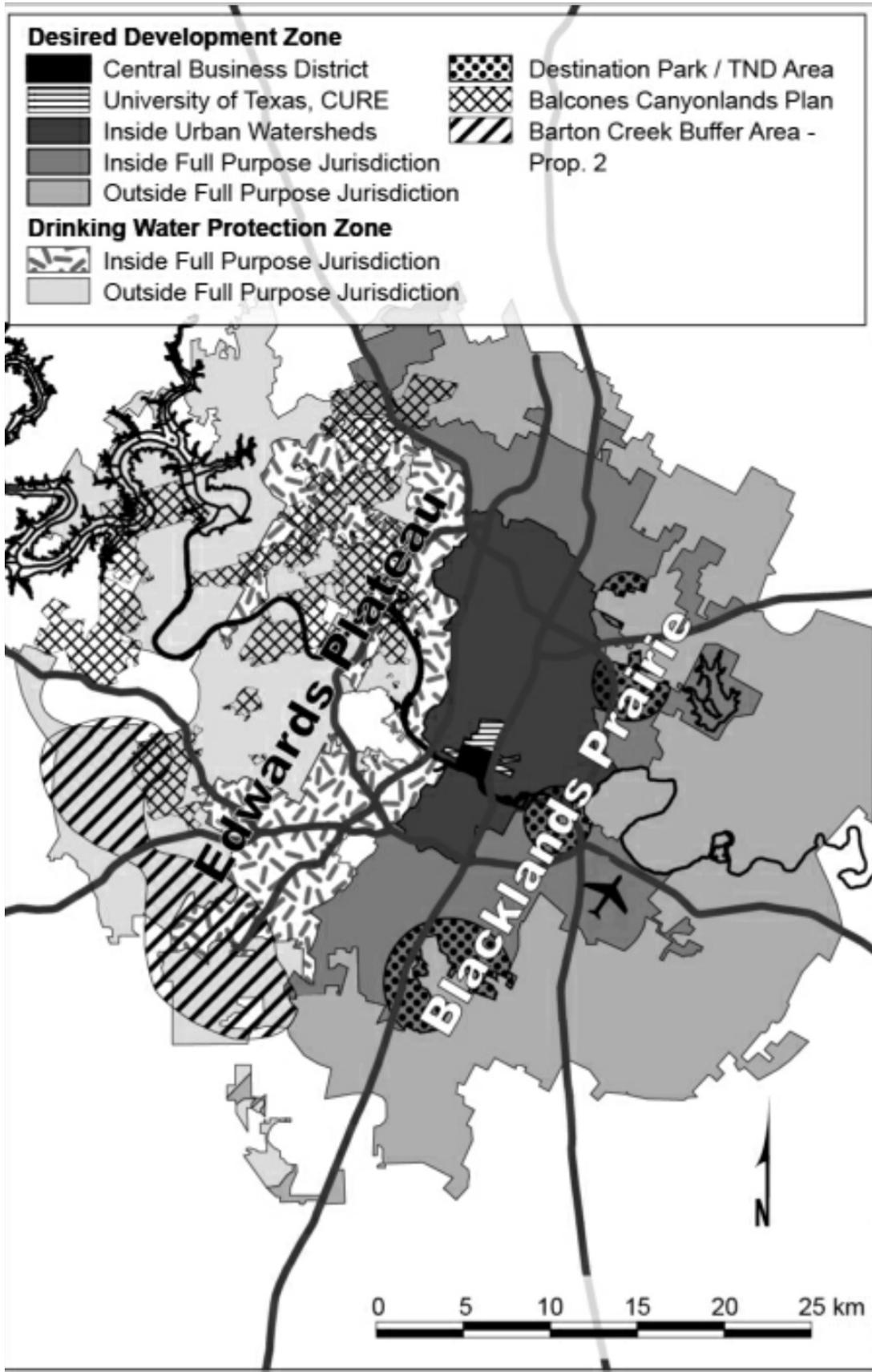
Austin's sprawl and the costs of growth were affecting the commercial viability of downtown. By the mid-1980s pro-growth and antigrowth coalitions formed the two primary political factions in the city. The main battle was over restrictions on impervious surface cover over the Edwards Plateau., not over suburban growth. The antigrowth coalition won its first substantial legislative victory in 1985 when it took control of the City Council. Eventually the City passed a local water ordinance which was deemed too weak by many environmentalists. In 1988, the antigrowth coalition suffered electoral losses and a new mayor who was the former chief executive for the Chamber of Commerce and several other more growth-coalition friendly won seats on the council. The issue of developing over the Edwards Aquifer came to a head again when a land speculator bought land along one of the aquifer's main tributaries. The council surprisingly failed to approve the developer's proposal and passed a short-term moratorium on new development. In response, pro-growth forces led by the Chamber financed a slate of candidates that won in 1990 City Council elections. In 1991, an antigrowth coalition decided in 1991 to organize a petition drive to put its own water quality ordinance (SOS ordinance) on the ballot that stronger than the City's previous water ordinance. The ballot measure passed by a margin of about 2 to 1. In 1997 the antigrowth coalition successfully got nearly all their preferred candidates elected to the City Council, which became known as the Green Council. The Green Council embraced "smart growth", The major proponent of smart growth was Austin's newly elected mayor, Kirk Watson. He was able to unite the Chamber of Commerce, the Real Estate Council, and Save Our Springs into uniting behind "Smart Growth" an idea that had been adopted in Portland, Minneapolis, and a dozen other cities. The City put the basic rationale for Smart Growth this way..."our current patterns of growth, sometimes known as sprawl, has a number of negative cultural, economic, environmental, and social consequences..."to address these problems, Smart Growth emphasizes the concept of developing "livable" cities and towns. Smart Growth calls for the investment of time, attention, and resources in central cities to restore community and vitality. Watson's argument was

persuasive: Austin will continue growing, and without Smart Growth, there will only be Dumb Growth – more suburban sprawl at the expense of the inner city. With Smart Growth he argued that the City of Austin could more actively influence the City's future form. To green activists Smart Growth provided a way to shield Barton Springs and federally protected species from further West Side development. To some political progressives Smart Growth had appeal because it offered tax equity where central city taxes should not subsidize sprawl development taking money from a tax-producing area to places less efficient. Watson's legacy is claimed by both pro-and-antigrowth coalition members.

### *3. The Making of Downtown*

The compromise offered by Watson to resolve the conflicts between the two coalitions included construction of a homeless shelter in the Central Business District, and importantly, to steer growth off the Edwards Plateau and closer to the CBD. Watson's map showed the city divided into three different development zones; a drinking water zone, urban desired development zones (DZZ), a development zone. Infill and higher densities would be pushed into the desired development zone, particularly the urban desired development zone, which covered the Central Business Districts. Most of the north-south and east-west thoroughfares were designated as Smart Growth Corridors. As these zones were not legally enforceable the Council offered tax incentives or subsidies as enticements to support the plan. The City's Smart Growth Matrix allowed the City to waive and rebate infrastructure costs and taxes in the DDZs.

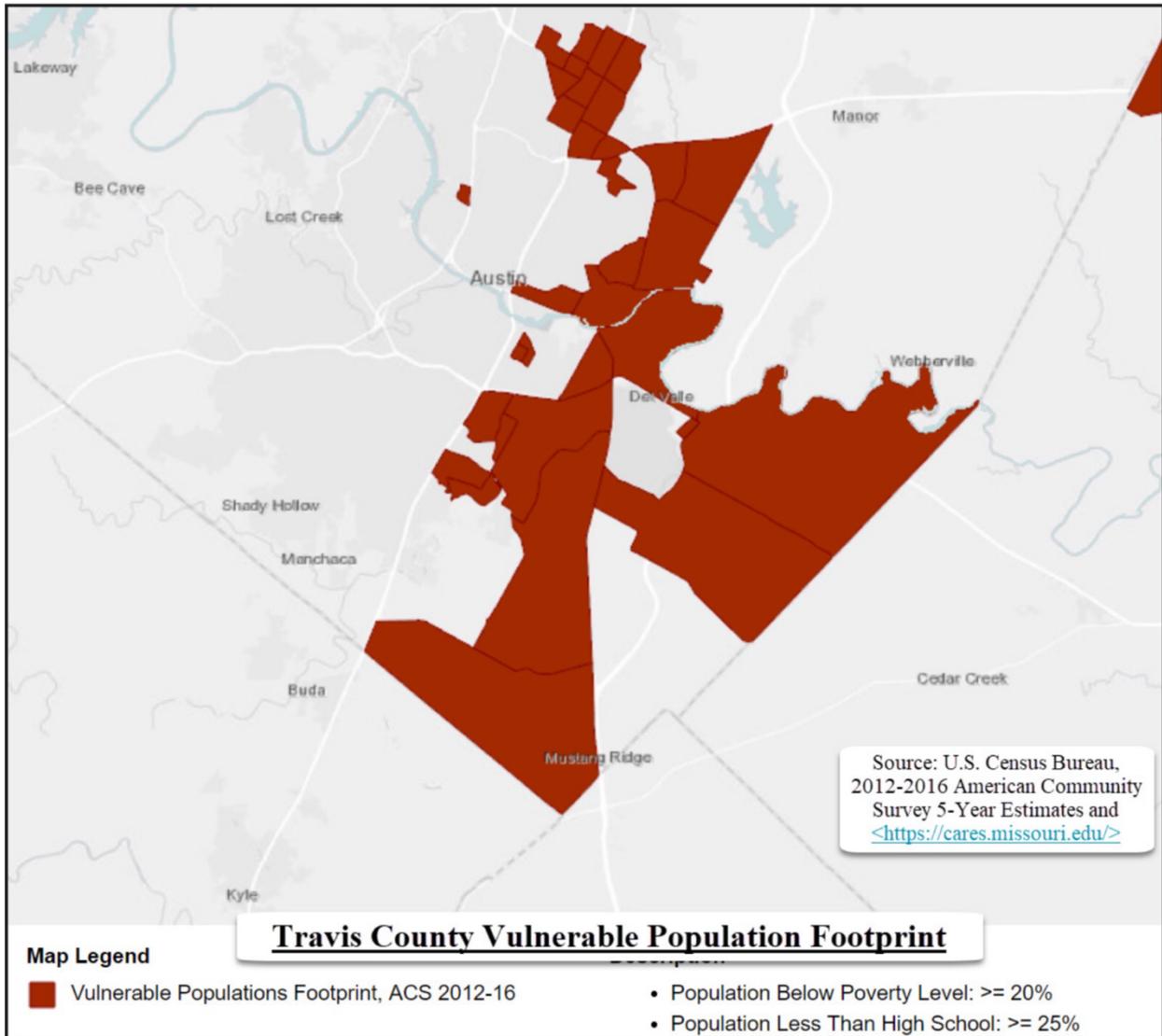
Two bonds, presented in a package in 1997, became the hallmark of the city's smart growth strategy to revitalize the downtown. The first bond authorized raising the hotel/motel tax to 15 percent to finance the Austin Convention Center and the construction of a flood remediation project, which was designed to reclaim a large portion of land for redevelopment. The other bond authorized \$65 million to buy 15,000 acres of undeveloped land over the Edwards Aquifer through a water/wastewater utility surcharge. Both bonds passed and were strongly supported by pro-and antigrowth coalitions. The SOS Alliance campaigned for the first bond, and in return the Chamber of Commerce backed the land-acquisition proposal which barely passed. The compromise that was forged helped sustain the growth coalition's agenda as it made significant contributions to creating the conditions for new rounds of profitable capital accumulation. East Austin was now a preferred growth area where economic stimulation would induce higher values, rents, and potential displacement and gentrification absent government intervention.



The City of Austin recognized that some communities might suffer in directing investment to existing communities especially in East Austin and since 2002 has developed numerous proposals, resolutions to address gentrification and displacement. However, there has been little collaboration with community residents in development decisions. The stakeholders normally involved with Austin Smart Growth included environmentalists, developers, and government officials primarily focused on persuading community members that development in their areas would be beneficial.

### **3.0 Eastern Crescent Data**

The Central Texas Community Health Centers dba CommUnityCare (CUC) annually reviews its federally approved service area. In order to fulfill its federal requirements, CommUnityCare reviews its service area to ensure that services provided through their sites are available and accessible to the residents of the service area. The [CUC's 2018 Community Health Needs Assessment \(CHNA\)](#) demonstrates that Austin and Travis County's rapid population growth continue to change the community at large. The rapid gentrification occurring around Austin's urban core continues to drive demographic shifts within Travis County at large. Overall, lower resourced populations are being displaced beyond Austin's historical urban core with the majority of CUC's target population (i.e., those with incomes below 200% of the federal poverty level) now residing further east of IH 35 than ever before. This eastern area of Travis County is referred to the "Eastern Crescent" abbreviated as TC: EC. The CUC also identified a vulnerable footprint area with the Eastern Crescent representative of the highest need areas of Travis County known as the Vulnerable Population Footprint Area abbreviated as TC:VPFA.



Below is the map of the 77 census tracts in the demographer’s initial report which have subsequently been referred to as Austin’s “Eastern Crescent.”

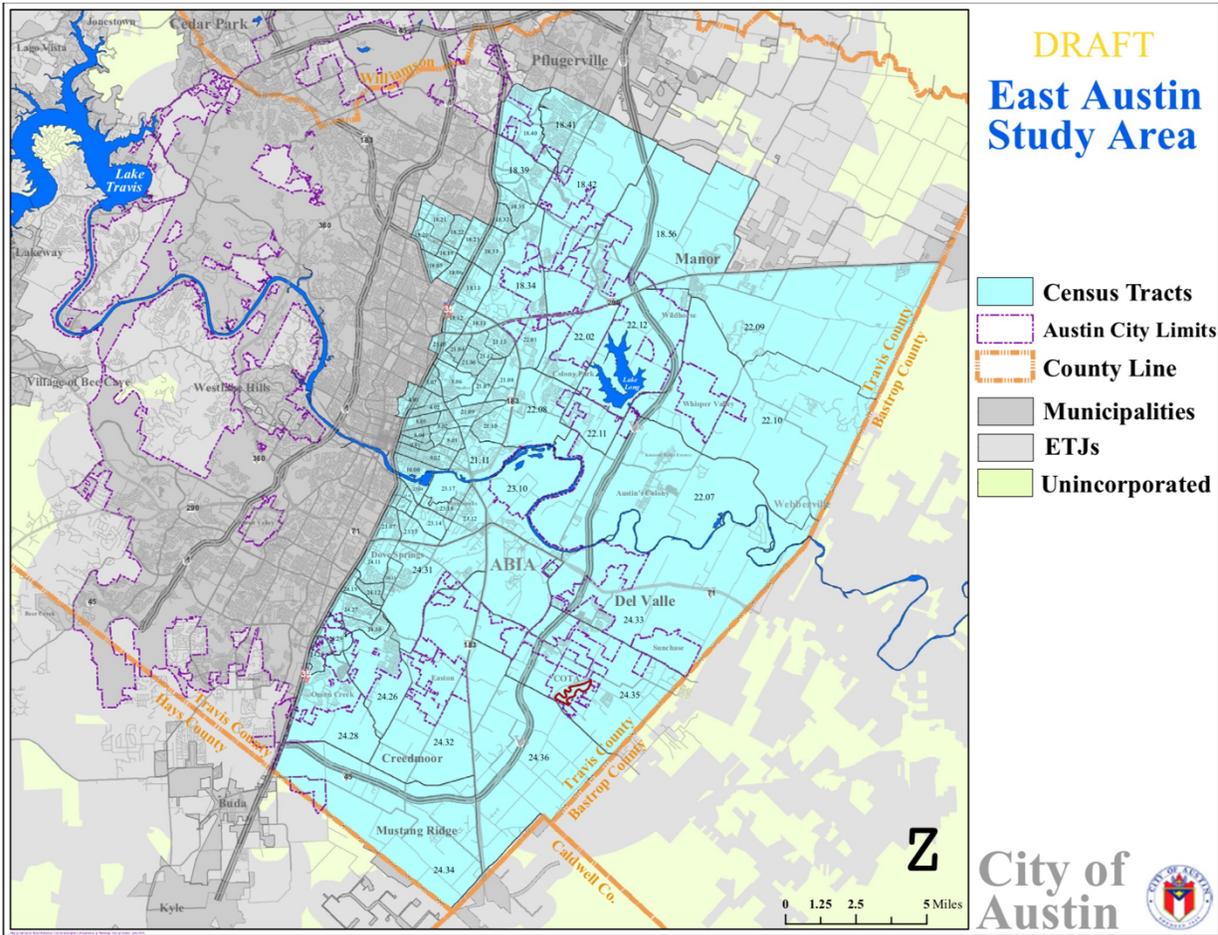


Image Source: [http://austintexas.gov/sites/default/files/files/Planning/Demographics/East\\_Austin\\_Study\\_Area\\_census\\_tracts.pdf](http://austintexas.gov/sites/default/files/files/Planning/Demographics/East_Austin_Study_Area_census_tracts.pdf)

A vulnerable population footprint (VPF) is an assessment of a geographic area for high rates of poverty and low educational attainment with both of these indicators, when coupled together, predictive of a population that is “vulnerable.” Using these parameters, a Footprint area is made up of thirty-three (33) of Travis County’s 217 census tracts.

Highlights from CUC’s 2018 CHNA include:

- 1,148,176 individuals live in Travis County, with 412,496 or 35.9% of these individuals living in the Eastern Crescent (TC:EC) and 186,034 or 16.2% of these individuals living in the Travis County Vulnerable Footprint Area (TC:VPFA)
- 171,023 of Travis County residents have family incomes at or below the federal poverty (FPL). Of these 171,023 impoverished residents, 97,994 (with a poverty rate of 24%) or 57.3% live in Travis County’s Eastern Crescent and 54,634 or 31.2% live in Travis County’s Vulnerable Population Footprint Area (with a poverty rate of 30%).
- 355,874 residents have family incomes at or below 200% FPL. Of these 355,874 lower income Travis County residents, 200,352 or 56.3% live in Travis County’s Eastern Crescent and 107,883 or 30.3% live in Travis County’s Vulnerable Population Footprint Area
- 59.5% of Travis County’s 387,357 Latinos live in Travis County’s Eastern Crescent and 23.3% live in Travis County’s Vulnerable Population Footprint Area
- 59.7% of Travis County’s 95,335 Blacks live in Travis County’s Eastern Crescent and 23.3% live in Travis County’s Vulnerable Population Footprint Area
- 23.15% of the age 5 plus population in the Eastern Crescent have limited English proficiency and 21.27% of the age 5 plus population in the vulnerable footprint area have limited English proficiency.
- 110,227 or approximately 60% of Travis County’s 183,833 uninsured are Latino.
- 71.5% of the 110,227 uninsured Latinos live in Travis County’ Eastern Crescent and 45.0% live in Travis County’s Vulnerable Population Footprint area.
- Only 90 Low Income Housing Tax Credit properties with 9,794 units serve the

Eastern Crescent's 412,496 population

- Only 38 Low Income Housing Tax Credit properties with 5,343 units serve the Vulnerable Population Footprint area of 186,034 population
- Cost Burdened Households (housing costs exceed 30% of income) was 41.41% in the Eastern Crescent and 44.95% in the Vulnerable Population Footprint Area. County wide was 35.63%

Overall, CUC's 2018 CHNA demonstrates that residents in Travis County's Eastern Crescent and Vulnerable Population Footprint area have greater income, resource, and health disparities compared to Travis County as a whole and especially compared to Travis County residents who live outside the Eastern Crescent. The CHNA demonstrates the need for continued economic and resource investment within Austin and Travis County's underserved communities with these communities disproportionately residing in Travis County's Eastern Crescent and Vulnerable Population Footprint area.

#### **4.0 Review of City of Austin's Efforts to Address Displacement and Gentrification**

##### **4.1 City Auditor report**

In January 2018 the City of Austin's Office of the Auditor conducted a review of the [City's efforts to address displacement and gentrification](#). The Auditor identified 541 recommendations and resolutions issued between 2000 and 2017 related to displacement and resolution. They determined that 133 of these recommendations and resolutions have a direct effect on displacement and gentrification and are actionable. In 2018, 56 of these 133 recommendations and resolutions are presumed implemented or reported as implemented. The City Auditor found that many recommendations (x) did not have specific, measurable, and actionable metrics and many recommendations were not tracked. Exhibit 1 from the report shows the recommendations and resolutions by source.

Of the recommendations and resolutions categorized as having direct effect, the 56 that are presumed implemented in the chart below are assigned to the following:

- Preserving the Supply of Affordable Housing – 13%  
The majority of actions are for purchases of parcels, waivers of the land development code, creation of homestead preservation districts.
- Financing – 61%  
The majority of actions are for bond financing.
- Controlling Land For Community Development – 14%  
The majority of actions are for: identifying City owned real property suitable for affordable housing development, purchases of parcels, renovation costs for historical houses, tenant relocation, information for displaced families on the City website, payments into the housing assistance fund in lieu of providing affordable housing,
- Preserving and Growing Small Businesses and Cultural Assets – 2%  
The action is to provide financial assistance to small businesses and small commercial development project, educating residents about their legal rights regarding ownership, donation of subdivision lots to a community land trust,
- Recommendations for Planning and Approach – 10%  
The actions are relocation assistance to tenants as they are displaced as buildings are vacated and demolished, evaluate the HealthSouth building for affordable housing potential.

Though these 56 actions are important they are not scalable to slow or mitigate the process to diminish the disruption of current residents.

#### **4.2 Uprooted: Residential Displacement in Austin’s Gentrifying Neighborhoods and What Can Be Done About it**

In 2018, the University of Texas for Sustainable Development and the Entrepreneurship and Community Development Clinic in the School of Law produced a [report](#) that identifies and prioritizes gentrifying neighborhoods that have the highest risk of displacement and associated strategies to the needs of vulnerable residents in those neighborhoods. The report stemmed from a 2017 Austin City Council resolution to focus on the “ongoing displacement of the city’s low-and moderate-income residents, the destabilization of

existing communities, and the loss of diversity and sense of place for Austin communities.”

The study identifies neighborhoods and residents that are especially vulnerable to displacement as a result of rising housing costs and to identify strategies and policies to address their displacement. The focus is on vulnerable populations and to facilitate early interventions at the highest risk areas of displacement; and, to identify target policies strategically to those areas. The study does not address small business displacement. Moreover, it does not address land use solutions associated with increasing housing types and choices.

The mapping involves a three-part analysis:

#### SNAP SHOT 3-PART PROCESS

## Snapshot: 3-Part Gentrification Analysis



Vulnerability is identifying the neighborhoods that are most vulnerable to displacement. Demographic change is identifying where displacement from gentrification is occurring and the points of intervention. Housing market change identifies whether these changes are connected to a particular stage of gentrification.

The study findings show that the vulnerable areas are known as the “eastern crescent”, a an area shaped like a backward “C” that begins north of downtown Austin just outside of U.S. 183, and follows the highway as it heads southeast and then due south before bending to the southwest and mostly ending south of downtown. The urban core is well underway in the gentrification process and the next furthest ring of census tracts will experience such change.

The study produces a gentrification map that brings together vulnerability, demographic change, and housing market to assess which neighborhoods are gentrifying and which stage of gentrification they are in. The typology is shown below.

## Of 200 Austin neighborhoods . . .

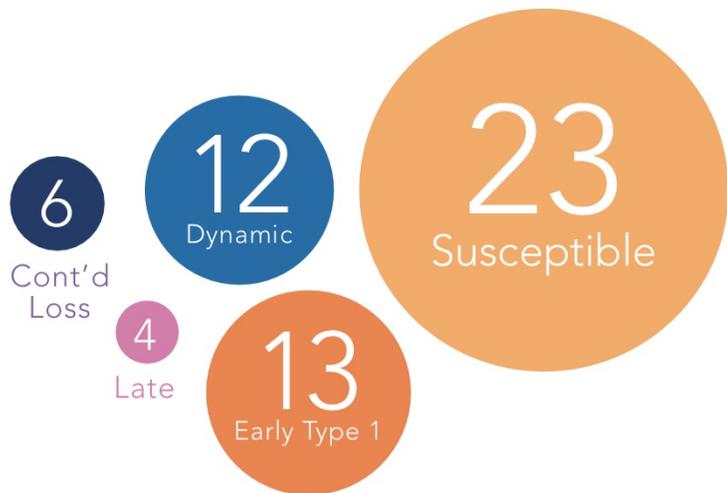
**Susceptible** Near high value/  
high appreciation areas. Not yet  
experiencing demographic change.

**Early Type 1**  
Experiencing appreciation, still  
with low/moderate home values.

**Dynamic**  
Exhibit demographic change  
indicative of gentrification.

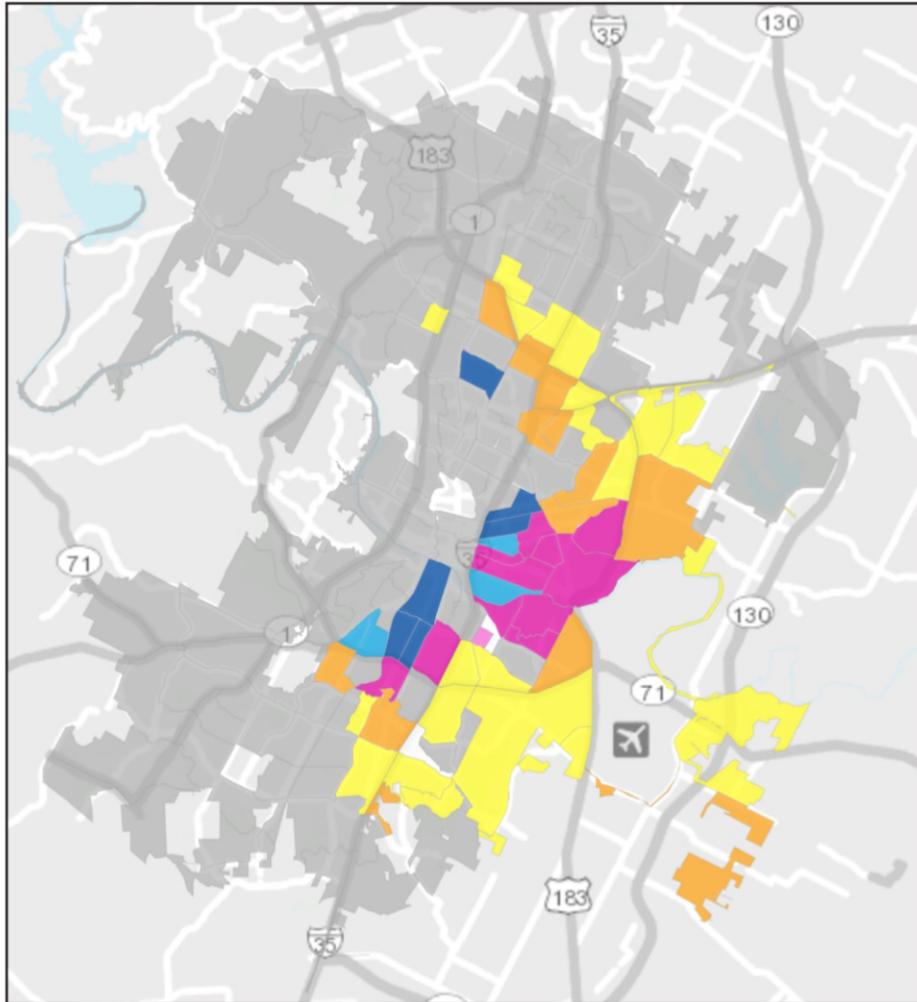
**Late**  
Newly high value areas,  
still with vulnerable populations

**Continued Loss**  
High value areas that have experienced  
demographic change





# Neighborhood Typology (2016) Austin, Texas



The study drills down into three Austin neighborhoods and finds the following lessons.

## Cross-cutting lessons from the UT Study

Strategies and policies around six goals and 52 tools with the majority of tools (48) not included in the City of Austin Strategic Housing Blueprint:

### **1. Vulnerable renters in gentrifying neighborhoods are not displaced from their current homes and neighborhoods**

- a. Direct financial relief – funding for emergency rental assistance; stabilization voucher program
- b. City legal protections for renters to reduce evictions – mandatory city tenant protections; expansion of legal and mediation support for tenants facing evictions; improvements in anti-retaliation ordinance and anti-harassment protections for tenants; eviction notification ordinance required notices.
- c. Assist renters who have been displaced with relocating in their neighborhoods- city expansion and funding for tenant relocation assistance and counseling; relocation assistance requirements tied to increases in rents
- d. Support tenant acquisitions of their apartment units – tenant right to purchase program ordinance
- e. Support tenants to be active participants in advocating for and implementing displacement mitigation strategies – financial support for tenant organizing and tenant engagement; tenant right to organize ordinance

### **2. Vulnerable homeowners in gentrifying neighborhoods are not displaced from their current homes and neighborhoods**

- a. Lower the property tax burdens for vulnerable homeowners – homestead preservation center; homestead exemption enrollment program; partnership with county tax assessor to expand notice of property tax deferrals; emergency homestead stabilization fund; neighborhood

stabilization loan program; tax abatement program for homeowners; freeze on property taxes for homeowners who are seniors or disabled; increase in the city's senior homestead exemption; senior volunteer tax break coupled with a senior volunteer program

- b. Assist vulnerable homeowners in gentrifying neighborhoods with repairs to their homes – expand home repair assistance programs in gentrifying neighborhoods
- c. Assist low-income homeowners with accessing the equity in their home through non-predatory products – enhanced fair lending education and enforcement; community ownership loan fund
- d. Increase ability of vulnerable homeowners to cover housing costs by generating income from their homes and lots - allow for creation of internal accessory dwelling units; support ability of low-income homeowners to build an external accessory dwelling unit; allow homeowners to subdivide and sell a portion of their lots while remaining in place
- e. Support mobile home residents' acquisition of mobile residents' acquisition of mobile home parks and ability to stay in their communities – comprehensive resident mobile home resident acquisition program; relocation fee for mobile housing parks; designate new sites for mobile home zoning; enhanced legal protections and organizing support for mobile home park residents

**3. The existing affordable housing stock (subsidized and non-subsidized) in gentrifying neighborhoods is preserved so that the units are in good condition and remain affordable to low-income residents**

- a. Create programs and policies for proactively identifying, monitoring, and preserving at-risk affordable multifamily rental properties in gentrifying neighborhoods – affordable housing preservation officer; affordable housing affordable network; database to track at-risk properties; notice requirements; city right of first refusal/right to purchase for rent-restricted properties being sold; rental registration and proactive inspection program; small site acquisition program

- b. Create infrastructure, programs, and land use policies for proactively identifying, monitoring, and preserving mobile home parks in gentrifying neighborhoods – comprehensive mobile home preservation program; extend mobile home zoning to all mobile home parks and include mobile home preservation prioritization in Austin’s comprehensive plan
- c. Enact land use restrictions that disincentivize redevelopment and demolitions of current affordable homes in gentrifying neighborhoods – neighborhood stabilization overlay; residential infill project; deconstruction ordinance
- d. Create preservation funds to provide private and public capital targeted towards acquiring and rehabilitating at-risk apartments – private preservation investment funds; public-private below market debt funds
- e. Utilize property tax relief to preserve rental properties – property tax abatement program for existing affordable multifamily rental properties; property tax exemptions via conversions to publicly-owned land

**4. City planning and land-use decisions incorporate inclusive and equitable anti-displacement strategies, and low-income persons and communities of color are empowered to participate early and meaningfully in land use decisions that shape their homes, neighborhoods, and communities**

- a. Create and support planning processes that incorporate a focus on mitigating displacement, with on-going input and oversight by impacted residents – community driven neighborhood-scale displacement mitigation plans with dedicated funding and oversight infrastructure; community impact analysis
- b. Strengthen vulnerable residents’ ability to have a voice and active role in the development of their neighborhoods – invest in community organizing and legal support to assist tenants and other communities with forming and operating associations, building inclusive neighborhood organizations, and actively participating in redevelopment decisions, including through negotiated agreements
- c. Increase resident and community ownership of land – capacity building

support and incubation of neighborhood-centered community development corporations

- d. Reduce barriers to participating in planning and land use decisions impacting gentrifying neighborhoods and utilize effective community engagement tools to elevate community voices – comprehensive community engagement strategy; city ordinance requiring mandatory community engagement plans for development project applicants in vulnerable communities

**5. Vulnerable residents are able to remain in or return to their communities by accessing the affordable housing opportunities in their neighborhoods**

- a. Give displaced residents and residents at risk of displacement higher priority on waiting lists for affordable housing programs in their community – community preference policy; single-entry, online affordable housing application portal

**6. New affordable housing options are created to serve current and future vulnerable households in gentrifying neighborhoods**

- a. Intervene early to acquire control of land in strategic locations of gentrifying neighborhoods; acquisition of land banking of property for future affordable housing development; land acquisition fund
- b. Dedicate surplus public land to affordable housing development – public land for affordable housing policy
- c. Leverage the power of hot real estate markets in middle-and late stage gentrifying areas to include affordable housing in market-rate development – expansion and modifications to Austin’s density bonus programs; adoption of inclusionary zoning in Austin’s Homestead Preservation District
- d. Retain city or community ownership of land or require long-term resale restrictions to ensure permanent affordability of housing units for future generations of residents – community land trusts; shared equity appreciation with resale restrictions and rights of first refusal
- e. Require longer affordability terms in new affordable multifamily properties

- require developers of LIHTC properties to commit to a 55-year affordability term as a condition of receiving city approval

### **4.3 Austin Displacement Task Force**

The City has endeavored to stem the tide on the effects of gentrification. The Mayor’s Austin Displacement Task Force issued a [report](#) that conclude that a solution “is within reach.” It involves seven major initiatives:

1. Expanding public expenditures for housing affordability dedicated to low-income households, coupled with carefully crafted density increases that expand low-and moderate-income housing affordability.
2. Adopting government incentives to produce more low-and moderate-income homes and provide housing access across the city linked to affordability goals and incentives for all Austin neighborhoods.
3. Placing an equal emphasis on the preservation of affordable housing as is given to new construction of affordable units.
4. Engaging the local business community and philanthropic institutions in developing resources to stop or mitigate displacement.
5. Challenging and overturning the unlawful usurpation by the Texas Legislature of the city’s home rule powers to promote housing affordability and inclusion.
6. Taking intentional efforts to preserve the diverse cultural legacy of small businesses and community assets.
7. Engaging, persuading and empowering Austin citizens, neighborhoods, developers, businesses, and philanthropic organizations to act to increase the city’s economic, ethnic and cultural diversity.

The report lays out 107 recommendations grouped into the following objectives:

#### ***Preserving and Expanding Affordable Housing for Homeowners***

- 1) Adopt and implement programs to support the implementation of a “Right to Remain and Right to Return” policy

- 2) Increase public understanding, awareness and support to address displacement
- 3) Consider new or expanded tax exemptions/abatements to assist long-term and/or low-income homeowners in neighborhoods experiencing displacements
- 4) Develop initiatives and expand funding sources to support affordable housing production and preservation and ensure that adequate resident protections are in place.
- 5) Prioritize City owned-land for the development of affordable housing, particularly large tracts and tracts located within three-miles of the central business district.
- 6) Maximize the impact that established and future Homestead Preservation Districts can have by increasing the percentage of City tax revenues that will be deposited in the tax increment fund.
- 7) Work to ensure the regulations that govern new developments do not create an environment that is ripe for or exacerbates displacement.
- 8) Assist homeowners to avoid displacement from predatory mortgage financing

#### ***Expanding and Preserving Affordable Housing for Renters***

- 1) Increase public understanding, awareness and support to address displacement
- 2) Adopt initiatives to support affordable housing production and preservation with adequate resident protections
- 3) Adopt initiatives to support integration, diversity, and inclusion in housing
- 4) Adopt initiatives to mitigate displacement's effects on Austinites

#### ***Preserving and Growing Small Businesses and Cultural Assets***

- 1) Provide dedicated bond funds to establish a cultural land trust
- 2) Use the disposition of surplus city-owned land to establish a cultural land trust
- 3) Create a cultural land trust to be operated as a joint venture as a public-private partnership
- 4) Expand the use of Neighborhood Conservation Combining Districts and Historic Districts
- 5) Provide a complete analysis of economic development incentives
- 6) Create a legacy business registry
- 7) Complete a third-party analysis of current fees and ordinances

- 8) Provide funding for two permanent full-time employees to assist small businesses
- 9) Complete an analysis of city owned cultural and recreational facilities

***Financing Strategies to Provide Community-Specific Ways to Fund the Other Categories of Action***

- 1) Allocate local sources of revenue including tax revenue from the general fund
- 2) Redirect tax revenue for housing before the taxes are deposited in the general fund
- 3) Waive or reduce property taxes before they are collected
- 4) Sell bonds to bring future tax revenue forward for investment today
- 5) Developer incentives should be maximized to create affordable housing
- 6) Work to secure additional tools and sources of revenue to fund affordable housing production and anti-displacement initiatives

***Address Income and Asset Creation (the report notes that the Taskforce did not have the capacity to address this topic)***

- 1) Establish an Office of Housing Stability to help individuals and families at risk of displacement to access program and resources that can help stabilize their housing situation such as child care, transportation, a basic retail sector, access to health care and employment opportunities.

#### **4.4 Peoples Plan**

The Anti-Displacement Task Force recommended also that the City Council consider and take action on the "[Peoples Plan](#)," a series of resolutions drafted by certain community members aimed at preventing displacement. The Neighborhood Housing and Community Development (NHCD) is taking the lead in analyzing and responding to the People's Plan. The NHCD [staff response](#) to the People's Plan proposed actions are shown below.

*Peoples Plan Resolution I: Housing Trust*

Action 1: Establish a separate, dedicated Low Income Housing Trust Fund (LIHTF) into which all City housing funds, including those specified below, are placed.

Action 2: Establish a Low-Income Housing Fund Management Agent to administer the LIHTF. The Agent shall have diverse membership and shall include lower income residents, both

homeowners and renters, and community representatives.

Action 3: Begin each annual budget process by first allocating \$16 million to the LIHTF to preserve, construct or subsidize housing for low income families, defined as households making 60% of less of median income, this being the amount the City of Austin spent in fiscal year 2015 – 2016 on fee waivers.

Action 4: Establish a policy that all future general obligation bond elections include at least 20% of the bonds for low income housing.

Action 5: Establish a policy similar to the City of Houston's that all new Tax Increment Zones or other quasi-governmental entities created by the City be required to dedicate at least 1/3 of their revenue to the LIHTF for both preservation and construction of low-income housing.

Action 6: Amend all density bonus programs so that developers have the mandatory option to pay a fee in lieu equal in an amount to the economic value of the required on-site affordable units.

Action 7: Require that all City public employee pension funds investigate and consider investing in low income housing within the Austin city limits.

*Staff recommendations to the People's Plan Trust Fund requests:*

- Action 1: Staff agrees to refocus the use of Housing Trust Fund. The Trust Fund is currently funded at 100% per Council resolutions. Staff salaries are no longer funded from the HTF and general fund funding has been provided to the NHCD for studies previously funded by the HTF. .
- Action 2: Staff will include more community members who are directly affected in the Housing Investment Review Committee activities
- Action 3: Staff agrees that the median family income limitations for a majority of the HTF at 60% MFI, but notes that most households earning 60% MFI or less are not able to qualify for mortgages
- Action 4: Staff is recommending that the City Council explore that all future general obligation bond elections include at least 20% of the bonds for low income housing
- Action 5: Staff has conducted an overall assessment of the City's existing TIF policy, general revenue requirements, and how TIFs impact future general fund needs, TIF supported debt for housing, use of TIF funds for infrastructure to support housing, how TIF funds supports housing that stimulates economic development, and other uses for TIFs.
- Action 6: Staff is recalibrating the density bonus program affordability requirements and fee-in-lie requirements to more accurately reflect market conditions.
- Action 7: Staff cannot direct the City of Austin Employees' Retirement System (COAERS) to invest in low income housing.

*Peoples Plan Resolution II: Right to Stay/Right to Return Policies*

Action 1: The City Council directs the City Manager to develop within 60 days a comprehensive plan, budget, and ordinance for the Council’s consideration to adopt and fund an effective, robust Right to Return and Right to Stay Program for East Austin.

*Staff Response:* Staff is in the process of developing a preference policy to be piloted on the community land trust ownership housing units that are anticipated to become available in the next two years.

**Peoples Plan Resolution III: Use of City Owned Land for Low Income Housing**

Action 1: The City Council directs the City Manager to identify no less than four properties owned by the City of Austin that can be quickly made available for building by March 2018.

Action 2: The City Council directs the City Manager to release a Request for Proposals (RFP) to local non-profits to place manufactured and/or construct single family homes on those properties adequate to house no less than 100 low income families by May 2018.

Action 3: The City Council directs the City Manager to release four additional properties through the same process by August 2018.

*Staff Response:* Staff is conducting a market feasibility analysis of properties in preparation for a Request for Proposals (RFP) process for the construction of affordable housing on these properties.

*The People’s Plan Drainage Proposal*

The People’s Plan Resolution to Establish Interim Development Regulations in Areas with Inadequate Drainage includes the following provisions:

1. Within four designated watersheds (see next), requires that all redevelopment or remodeling of Commercial or Residential structures be limited to a maximum of 115% of the existing gross floor area.
2. Applies to all development within four “Flood Prone” areas: all lands within the Boggy, Onion, Walnut, and Williamson Creek watersheds.
3. Provides a process by which Council can waive the “moratoria” (115% limitation) with a three-fourths vote (supermajority) if it makes detailed findings that:
  - a. Implementation of the ordinance imposes an undue hardship on the applicant;
  - b. The proposed development will not adversely affect, directly or indirectly, the
  - c. public health, safety, and welfare; and
  - d. The Directors of Watershed Protection and Development Services Departments determine that the development proposed by the applicant will reduce the flowing impact to other properties, as compared to pre-development conditions
4. Requires that applications for all demolition or relocation permits for Commercial and Residential buildings be filed concurrently with an application for a Site Plan or Building Permit.

5. Requires City Council to direct the City Manager to prepare administrative rules in support of the above provisions.
6. Waives the requirement that Planning Commission review the ordinance adopting the People's Plan resolution.
7. States that the City Council finds that the flooding impacts resulting from development in the Flood Prone Zone constitutes an emergency. Because of the emergency, the City Council would direct the City Manager to prepare the ordinance for City Council to adopt immediately for the immediate preservation of the public peace, health, and safety.

*Staff Response to People's Plan Drainage Proposal*

- Staff recommends meaningful engagement with communities to increase awareness of and reduce barriers to use of 3-1-1 as a resource for reporting. This action will reduce potential underreporting of drainage problems.
- Staff recommends the development of a method to consider equity when prioritizing both small and large drainage projects.
- Staff recommends seeking ways to reduce overall flood risk through revisions to the Land Development Code. For example, consider requiring that redevelopment projects help projects address existing drainage issues.
- Seek an approach to manage lot-to-lot drainage from single-family, duplex, and missing middle housing as part of the Land Development Code Revisions

*People's Plan Resolution V: Expand use of Neighborhood Conservation Combined Districts and Historic Districts*

Action 1: To support vigorously and apply through specific requirements these two tools to help conserve and preserve our neighborhoods and prevent gentrification and displacement;

Action 2: To provide immediately before it is too late the financial resources and professional assistance needed to neighborhoods, to create historic districts and NCCDs by no later than the end of calendar year 2018 to prevent further displacement and demolition, particularly in East Austin

Action 3: To apply through the Equity Office a comprehensive equity analysis and tools by July 2018 to East Austin to alleviate gentrification and displacement, while protecting the people who live there now through additional affordability, conservation, and preservation programs.

*Staff Response:*

- Historic Districts recommendation – staff does not currently have data on if and how historic district designation prevents gentrification and displacement in Austin, though quantitative analysis is being completed through the preservation equity framework. Potential actions include:
  - With Travis County and AISD, explore the potential benefits and impacts of expanding the City tax abatement for rehabilitation work in local historic

- districts to the County and school district portions of property taxes.
  - Allocate staff time to work with community members on historic district and landmark designation, especially in low-income areas that are underrepresented in locally designated historic properties.
  - Continue to allocate funds for historic resource surveys to facilitate the identification of potential historic districts.
- Neighborhood Conservation Combining Districts recommendation – staff recommends the use of zoning tools that can both preserve existing housing to slow down demolitions and displacements and enable additional supply of market-rate and income-restricted affordable housing options for residents who are displaced and want to remain in their neighborhoods.
  - Council direction has been given to staff to create and expand preservation incentives to disincentivize the demolition of market-rate affordable housing units, while expanding the city’s housing capacity through by-right and income-restricted units. Existing NCCDs are recommended to stay in place, with possible updates regarding parking, preservation and affordability bonuses, accessory dwelling units, and new transition areas.

*People’s Plan Resolution VI: Implement Environmental Quality Review*

Action 1: Establish an environmental quality review program.

Action 2: Develop an environmental quality review technical manual.

Action 3. Establish an environmental quality subcommittee of the Environmental Commission or the Joint Sustainability Committee

*Staff Response:*

- Staff recognizes that the People’s Plan desires a quality review program to examine the impacts (both site-specific and cumulative) of development on the natural and cultural environment with specific impacts related to environmental justice, public health, air quality, displacement, and neighborhood character. A comprehensive environmental quality review would create a substantial new requirement for applicants as well as an additional review burden for staff and policymakers. Staff recognizes the Plan’s intention to improve public transparency of environmental data and impacts related to development, including data potentially relevant to decisions of board, commissions, and

city staff. Staff recommends exploring process improvements to improve transparency for data and publicize the availability of online tools to view this data.

*Staff additional actions related to the People's Plan related to People's Plan*

In addition to these recommendations the NHCD has identified additional actions related to the People's Plan. Examples of these are:

- NHCD has appropriated more than half of the 2018/2019 Housing Trust Fund to support displacement mitigation efforts. The proposed 2019/2020 budget contains \$14.4 million for the Housing Trust Fund for permanent supportive housing, housing rehabilitation, land acquisition for affordable housing, and other policy priorities including displacement mitigation. Median Family Income (MFI) limits for displacement mitigation efforts will be at or below 60% for renters and NHCDF will explore limiting the maximum for MFI for programs serving existing homeowners.
- It is estimated that that the 2018 Affordable Housing Bonds will create a total of 3,700 rental units to serve households at or below 50% MRI, more than 500 ownership units for households at or below 80% MFI, and more than 1,300 home repairs.
- NHCD's production goals for 2018-2019 include providing 586 tenants' right assistance services, serving 20 households with down payment assistance, providing 521 home repairs for homeowners at or below 80% MRFI; 74 rental units below 50% MFI: and, 21 home ownership units for households at or below 80% MFI.

Key Actions proposed for City Council consideration:

- Set aside a specific amount for the Housing Trust Fund each year, rather than having that amount be determined by the tax revenue from specific properties. The People's Plan request that the City invest \$16 million annually into the fund.
- Request that other taxing jurisdictions participate in tax abatements for historic district rehabilitations.
- Allocate additional resources for staff to work with community members on historic district and landmark designation, especially in low-income areas that are underrepresented in locally designated historic properties; and for, historic resource surveys.
- Approve revisions to the Land Development Code that seek to reduce overall flood

risk. For example, consider requiring that redevelopment projects help address existing drainage projects.

#### **4.5 State of Latinos Report 2016**

The League of Latin American Citizens (LULAC) District VII sponsored the first annual report on the State of Latinos for Austin in 2016. LULAC founded in 1929, is the oldest and most widely respected Hispanic civil rights organization in the United States of America. LULAC was created at a time in our country's history when Hispanics were denied basic civil and human rights, despite contributions to American society. The founders of LULAC created an organization that empowers its members to create and develop opportunities where they are needed most.

LULAC felt the report was necessary because racism is embedded in our institutions and culture and continues to exert great influence on how social benefits and burdens are distributed. Much has changed with election of a new City Council, but the playing field of opportunities still tilts away from many Latinos and people of color. Austin is attempting to be a far more just and equitable city than ever before. Its election of three Latinos and one African American to the Austin City Council signals a tremendous leap forward for racial equity. However, the continuing racial incidence of disadvantage in our city strongly calls for a community change approach firmly grounded in a structural race analysis.

Structural racism is a shorthand term for the many systemic factors that produce and sustain racial inequities in Austin. These are aspects of Austin's history and culture that allow the privileges associated with "white-ness" and the disadvantages associated with "color" to remain deeply embedded within the institutions, systems and norms that shape our political and social economy, culture and residential patterns. When LULAC looked closely at each of these areas they saw that race, privilege and disadvantage remain very clearly linked.

LULAC believes that three stand out as strategic levers for social change:

- **Public Policies:** The budget and ordinances that directly allocate public resources and indirectly influence the distribution of private resources in ways that have greater negative impact on Latinos.
- **Social and Institutional Practices:** The City's regulations and standard operating procedures that generate racially biased outcomes.
- **Cultural Representations:** The lack of culturally based language, images, narratives, frames and cognitive cues in City government that support racial equity. The absences of these representations generate white privilege and dismiss racial disparities. Cultural representations contribute to a common sense about race and can powerfully influence public policies and social and institutional practices.

Racial equity is the substantive alternative to structural racism. It is a social outcomes "picture" in which race is not consistently associated with privilege and disadvantage. The goal of racial

equity is to produce fairness and social justice—race would no longer be a factor in the assessment of merit, or in the distribution of opportunity.

LULAC states that the City of Austin has not come close to this equity ideal and will not do so unless leaders adopt a problem-solving perspective that is historical, political, comparative and systemic. Leaders, at all levels, need to acknowledge the totality of social and political factors behind the outcomes experienced in Latino and communities of color. And, those outcomes need to be evaluated in relation to the experiences of neighboring white communities and regions and not in isolation.

Serious change-making efforts must be race- and power-conscious whenever disadvantage and color clearly overlap. Development strategies that disregard or minimize race garner public, political and philanthropic support more easily. When race is treated as the elephant in the room, interventions that underplay or ignore race and promise to “lift all boats” have rarely closed chronic Latino outcomes gaps or changed underlying conditions.

Policies and practices at multiple levels heavily determine racial winners and losers. Even further, dealing with race requires coming to grips with the cognitive, cultural and political environments that give inequitable policies and practices their public legitimacy. To be truly race conscious in the field of community change, we must make the principle of racial equity operational.

### **LULAC’s Recommendation: Fast track increases in Affordable Housing Supply**

***Policy Recommendation: Create a “Special Advisor for Affordable Housing” reporting directly to the Council. This advisor can start evaluating the work of all the City agencies and programs that are developing strategic housing plans and programs in combination with the work of the City Auditor who is conducting an affordability audit at this time. The Special Advisor will assist the Council with housing policy evaluation and formulation.***

In Austin, Latinos and other people of color are having a hard time finding housing they can afford. Even people with middle-class jobs face an affordability crisis. The reason is simple: we stopped building affordable housing. Supply and demand are out of whack. The reasons behind this are complicated. The repercussions are severe. Latinos are moving back in with their parents or relatives, a lot of are living in garages or doubling up – some are moving further out, and some are becoming homeless. There is no conflict between maximizing production of market-rate housing and maximizing production of affordable housing. We must do both.

The affordable housing issue is playing out in many other cities and regions in the U.S., but LULAC feels that they must find examples where the housing market functions better.

The City of Austin has used numerous approaches to provide local funding and incentives for affordable housing production and retention.

General Obligation Bonds – Voter approved housing using bonds to be repaid with property tax revenues

Housing Trust Fund and City land development – property tax revenues from developments built on city owned lands

University Overlay Zoning and Trust Fund – funding generated through density bonus and entitlements provided to developers for affordable housing for a targeted area near the University of Texas

Austin Energy/Holly Good Neighbor – funding for repairs to properties surrounding the former Holly Power Plant area

Density Bonus – densities for various areas including downtown, North Burnet, East Riverside where developers make payments on a square foot basis to be sent to a housing assistance fund or for rental or for owner occupied housing

Planned Unit Development – fees for affordable housing for development based on City Council approval

Transit Oriented Development – goals established through individual station-area plans for areas within a half-mile of the Capital Metro commuter rail stations. The overall goal is for 25 percent of all new housing units in the transit-oriented development areas to be occupied by families.

S.M.A.R.T. Housing – fees waivers for developers and builders of single-family, multi-family, and mixed-use developments that meet SMART (Safe, Mixed-Income, Accessible, Reasonably-priced, Transit Oriented)

The City of Austin has put much effort into affordable housing. Last year, it produced 5,300 units of affordable housing, most of which were funded with low income housing tax credits (LIHTC). The LIHTC program effectively uses tax policy to help develop affordable rental housing for low and very low-income families. Originally part of the Tax Reform Act of 1986, the LIHTC program leverages private capital and investor equity to support the development of new and rehabilitated affordable rental housing. The credits are competitively priced. In general, state governments can adapt the LIHTC program to meet their housing needs under broad federal guidelines. In addition, the private sector carries all development and marketing risk and enforces strong oversight and accountability.

HousingWorks reports a need of 48,000 rental units affordable to people earning \$25,000 per year or less. The City's housing strategy to date has targeted the preservation of housing through a multi-tiered preservation strategy, including the use of Homestead Preservation Districts and associated tax increment districts (TIFs); maximizing tax incentives for preservation, and the development of a preservation "strike fund" to purchase Class C apartments in order to preserve affordable rents. The Mayor has also spoken publicly at both of his State of the City addresses to create a private sector-initiated strike fund that will raise private capital to acquire Class C apartments.

Another strategy is the use of affordable housing bonds with \$55 million approved in 2006 that produced 3,400 affordable housing units and another \$65 million in affordable housing bonds

in 2013. Also, the City is rewriting the land development code that offers opportunities to promote affordability through density locations streamlined development reviews, and a simple and predictable development process. The City is also exploring onsite, inclusionary affordable housing policies that will provide development incentives such as increased density and relaxed development standards in exchange for onsite affordability.

When it comes to generating affordable housing opportunities for families, inclusionary zoning has been an important and effective local tool, utilized in more than 400 local jurisdictions around the country. Inclusionary zoning requires the inclusion of a certain percentage of affordable housing units (typically 10-15%) in new market rate developments.

Whenever inclusionary zoning is brought up in Austin at the City Council or other policy forums, the discussion is shut down on the grounds that all inclusionary zoning is illegal in Texas. According to housing experts such as Elizabeth Mueller at the University of Texas this is a misconception. In fact, the only type of inclusionary zoning that the Texas Legislature has banned is for homeownership units, and even this ban has several notable exceptions.

With Austin's growing affordable housing crisis, LULAC thinks we should be using all of the tools at our disposal to preserve and create affordable housing opportunities for low- and middle-income families. Inclusionary zoning is one of those tools we should be using now.

The City of Austin is implementing several approaches and tools, including creation of Homestead Preservation Districts. Created to serve the most impoverished areas of the city, Homestead Preservation Districts, in combination with Homestead Preservation Reinvestment Zones, can provide a dedicated funding stream to reinvest in the area's housing affordability.

Until recently the Austin City Council was dedicating 40% of City property tax revenues from the developments built on City-owned land towards affordable housing. The Austin Housing Trust Fund supports the development and rehabilitation of owner-occupied homes, rental housing development, and acquisition of property for use as affordable housing. The fund was established in 1999, and the City Council seeded the fund with \$1 million annually for three years to jumpstart it. In fiscal year 2011-12, approximately \$530,000 was appropriated through the Trust fund.

In late 2015, the City Council voted to dedicate 100 percent of tax revenues being generated by property previously owned by the city to the Trust Fund. This change will more than double over 10 years the cumulative total for the 40 percent transfer estimated to be \$27.3 million to \$68.2 million at 100 percent of tax revenues. A portion (40 percent) will go to rehab housing and build new housing stock within the homestead preservation districts. Another 20 percent will be used to provide affordable housing development in what are called "high opportunity area" which are generally in higher-income neighborhoods and mostly on the west side. The final 40 percent will maintain the existing funding stream into the housing trust fund.

Council Member Tovo has been a champion and has led the effort to expand the Housing Trust

Fund to attach all tax proceeds for the conversion of public government owned land to private own.

Other ideas discussed by LULAC include:

- Increasing density in corridors and enacting policies to acquire and preserve apartments
- Allow for more housing choices through development standards to support “middle housing”
- Provide public funding into a strike fund to preserve affordable rental housing units
- Support the use of 4 percent low-income housing tax credits with matching local funds to preserve rental developments
- Implement a Fair Housing goal to increase access to affordable housing to all Council districts

Most recently the City is planning for the “Next CodeNEXT” affordable housing. CodeNEXT is the city’s effort to operationalize the City’s master plan, Image Austin, into new land development code. CodeNEXT’s previously suggested that density located in high activity centers and corridors combined with a predictable development process will increase affordability in a broad sense. However, to make this equitable, onsite, inclusionary zoning or development incentives will be needed to produce affordable housing in exchange for onsite affordability.

LULAC writes that it is disturbing that Austin cannot seem to get ahead of the housing curve. The city of Austin names affordability as one of its top priorities and biggest challenges but an audit from the City Auditor confronts that challenge, finding the city does not meet affordable housing needs and more than half of the units reported as affordable housing were *not* affordable.

The audit revealed significant shortcomings from 2012 to 2014 in Austin’s Neighborhood Housing and Community Development Department (NHCD), the primary agency responsible for housing, especially when it comes to the oversight of developer incentive programs. These are programs where the city waives developer fees in exchange for providing affordable housing.

The audit found that although the Neighborhood Housing and Community Development Department has created some goals, there is no timeline. “In the absence of clear goals and targets, it is difficult to evaluate the city’s effectiveness in providing affordable housing, and any outcome can be seen as a success,” the audit stated. The audit went on to detail how “Key information needed to evaluate program effectiveness was incomplete, inaccurate, or unavailable. We found flaws in how NHCD counts its affordable housing production, which resulted in NHCD significantly overstating its accomplishments in creating affordable housing; NHCD has incomplete information on affordability restrictions for a large portion of affordable housing units produced; and NHCD has incomplete information on the full costs of affordable housing production.”

Roughly 3,000 units reported as affordable housing were NOT, stemming from errors in developer incentive program data. In NHCD's response, it agreed it inaccurately reflected the overall units achieved through the S.M.A.R.T. Housing Program as "affordable."

The last major finding pointed out NHCD's gaps in their monitoring process for affordable units. "We reviewed documentation for a sample of affordable housing projects that were completed in our scope period. We found that monitoring was not performed timely and not all affordability restrictions were enforced for the sampled projects," the audit read.

In the legal arena, a "Special Master" is appointed by a judge to oversee one or more aspects of litigation. These "Special Masters" have temporary assignments and they are asked to problem-solve issues and disputes. LULAC believes that the City of Austin deserves to place the highest attention to affordable housing and it can't do that by putting all its eggs in one basket – in this case – a department that is struggling with meeting their performance expectations within a significant workload and Council members having to develop policy recommendations without the benefit of support. The first way to fast-track affordable housing is to make this the highest

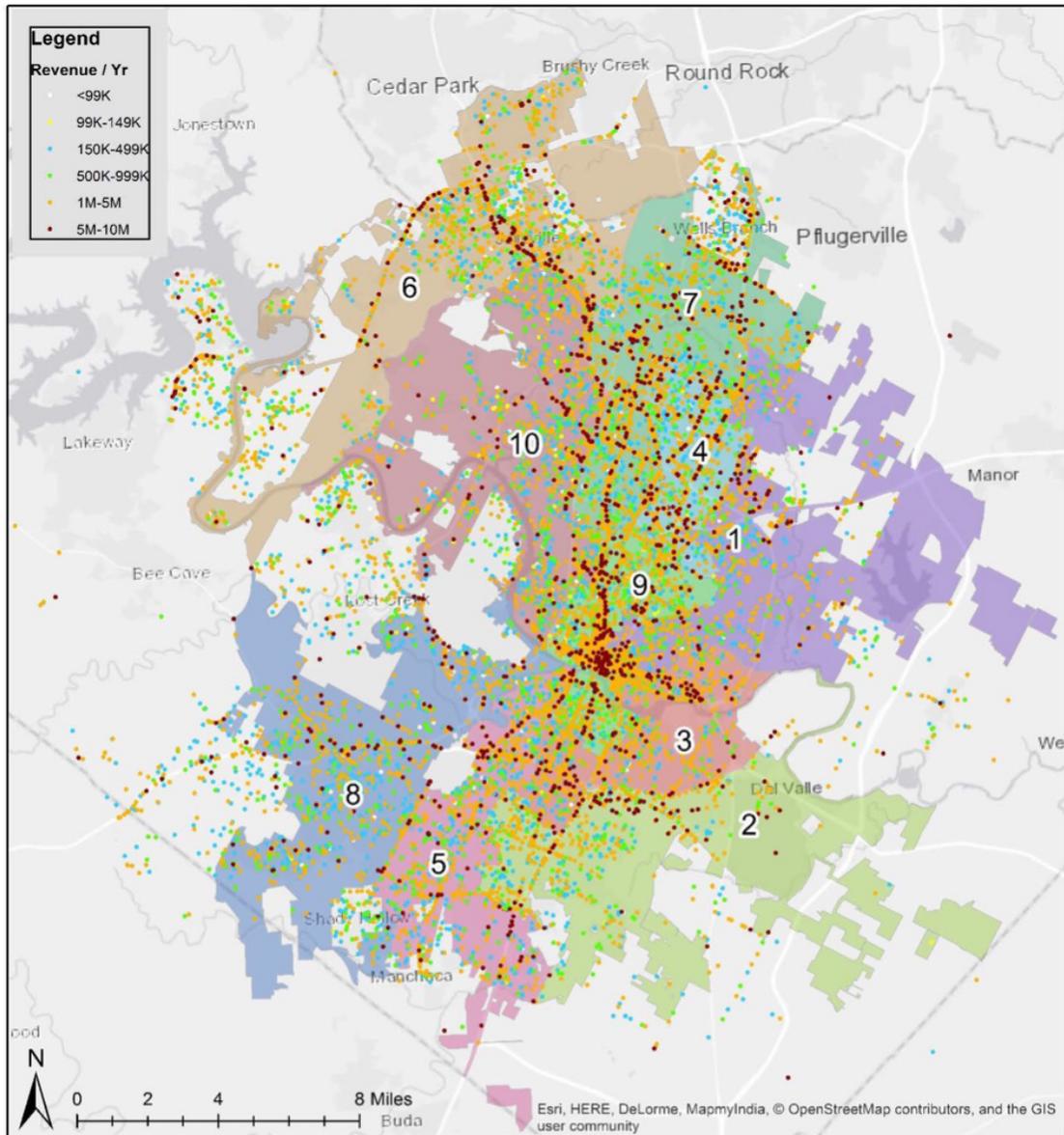
LULAC calls on the City to engage a "Special Master" or as we will name a "Special Advisor for Affordable Housing" reporting directly to the Council. This advisor can start evaluating the work of all the City agencies and programs that are developing strategic housing plans and programs in combination with the work of the City Auditor conducted an affordability audit. The Special Advisor will assist the Council with housing policy evaluation and formulation and can work out of the City Auditor who reports to the City Council.

## **5.0 Small Business Displacement**

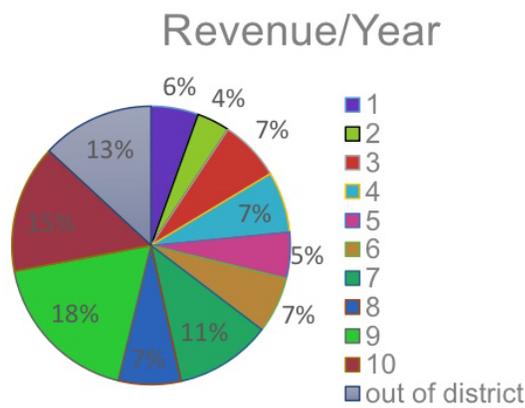
In Austin there has not been much study nor deep dive discussion about small business displacement. Austin's recent economic success has not yet mean prosperity for all. The market forces that accompany an economic boom and rapid population have exacerbated the issue of affordability for businesses in Austin. Austin has consistently ranked high in the largest metro areas according to the Kauffman Foundation rankings for [startup activity](#) ranking second in 2017 down from number 1 in 2016; startup growth in the first five years of operation ranking second; and, ninth in business survival rate after five years of operation. The American City Business Journals put Austin at number five nationwide, with 2,354 small businesses (one to 99 employees) per 100,000 residents. There is a total of 45,747 small businesses with 1 to 99 employees. The share of private-sector jobs provided by small businesses is 35%. with private sector pay percentage generated by small businesses at 30%. The characteristics of business owners according

to the last small business survey by the U.S. Census of Small Business Owners is shown below. The disparity in sales for small business owners for women, Hispanics, and Blacks is striking.

<b>Characteristics of Business Owners in Austin, 2012</b>			
<b>Ownership</b>	<b>Average Sales</b>	<b>With Employees</b>	<b>Average Pay</b>
Asian	\$398,063	29%	\$35,171
Male	\$673,168	23%	\$44,219
White	\$501,880	20%	\$42,141
Female	\$150,694	12%	\$31,600
Hispanic	\$103,386	8%	\$34,105
Black	\$111,324	7%	\$25,813
All Firms*	\$456,346	19%	\$25,813
*Source: U.S. Census Bureau, 2012 Survey of Business Owners			



	Total revenue/yr	Average Revenue/yr
1	5,387,153,287	2,428,833
2	3,762,225,903	2,562,824
3	6,950,682,202	2,341,874
4	6,928,321,294	2,382,503
5	5,276,962,304	1,750,816
6	6,423,217,739	2,142,500
7	10,983,034,144	2,130,972
8	7,143,629,499	2,000,456
9	17,905,672,577	2,175,658
10	14,611,093,827	2,309,689
Out of district	12,875,045,834	2,123,193



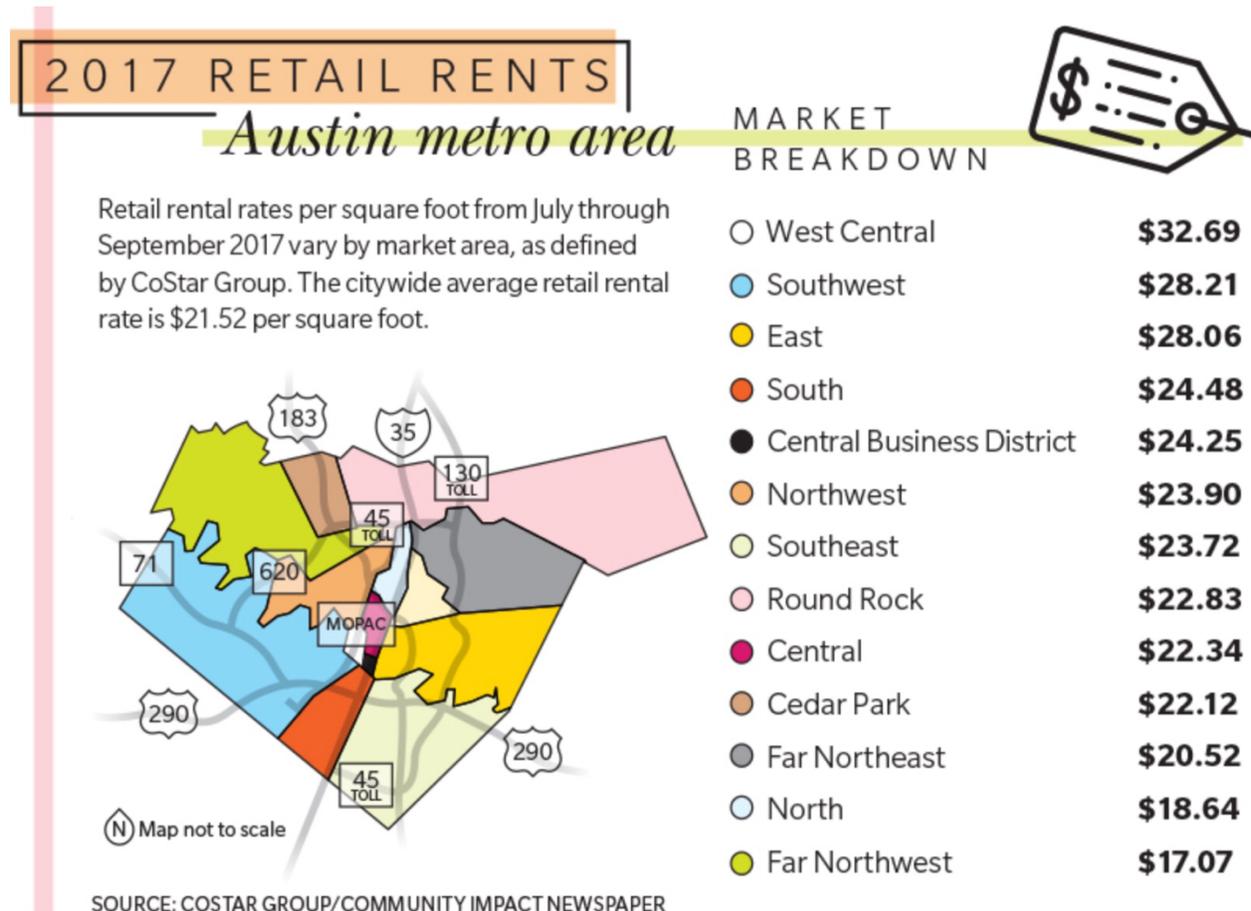
This product is for information purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on the ground survey and represents only the approximate relative location of property boundaries.  
 Projection: Texas Central State Plan (NAD83, survey feet)  
 Sources: City of Austin Economic Development Department

The cost of leasing commercial space is soaring in Austin, threatening the future of independent in Austin. In Austin, the retail market in Q2 2019 saw overall asking rate rise to \$22.22 per sq. ft. on a triple-net basis according to a report from commercial real estate company NAI Partners. Most commercial leases include a triple net clause from fixed rental rates so that even if a business owner agrees to a fixed rent, the triple net clause stipulates that property tax, insurance and maintenance costs are subject to change. Property taxes appear to be causing the most increase in triple net rates. East and Southeast Austin have a total average asking triple-net rent of \$23.73 per square foot.

According to the Weitzman commercial real estate firm, Austin area's retail occupancy rate was 95.4 percent making it the strongest major-metro retail market in Texas and one of the strongest in Texas. Rents are expected to rise with annual rates for small-shop space in top-tier Class A projects ranging from about \$35 per square foot per year to \$40 per square foot or higher. Rents in Class B centers are between \$20 to \$30 per square foot and rates in Class C centers typically range from the teens to the low \$20s on a per square foot, per-year basis.

As the cost of space rises, local businesses that have been serving the everyday needs of their communities, sometimes for generations, are being forced out and replaced by national chains that can negotiate better rents or afford to subsidize a high-visibility location. Small independent, often family-run stores not only knit neighborhoods together, they provide a sense of place and uniqueness. Small businesses are being squeezed on the supply and demand side according to The Institute for Local Self-Reliance. On the demand side, cities are booming, with increased demand for walkable storefronts, and national chains moving in to make the space crunch even worse. And on the supply side, the built environment is also changing. Newer developments often have larger retail spaces meant for national brands with large footprints. New space for smaller businesses is increasingly rare. Independent businesses are often the canaries in the coal mine of gentrification, and successful urban development has driven out many

classic stores and businesses with commercial lenders and banks seeking the stability that chain stores offer over mom-and-pops.



The recent City of Austin Small Business [needs assessment](#) noted that affordability and ability to survive high rents was a big concern of the small businesses surveyed. Just as there is a public stake in the availability of affordable housing, so too is there a public

interest in the commercial side of the built environment. Having a healthy business sector is closely tied to city policy priorities, including expanding jobs, lessening economic inequality, and strengthening the social fabric of neighborhoods. Austin has been conscious of supporting home-grown businesses as in the City policy for Austin-Bergstrom International Airport which promotes local restaurants and businesses inside its concourses with 80 percent of its shops to local or regional brands. Other cities have recognized that policy interventions are necessary to keep space affordable and ensuring that small businesses are not displaced. The Institute for Local Self-Reliance (ILSR) has laid out a range of ideas.

1. **Broaden Ownership.** Owning rather than leasing is one the best ways to ensure stable occupancy costs. Cities are exploring programs to increase that share by helping businesses buy their buildings or buy their spaces as commercial condominiums. Another approach involves expanding community ownership of commercial buildings.
2. **Reduce the Power Imbalance in Landlord-Tenant Negotiations.** This would give businesses certain rights when it comes time to renew their leases. These protections might include an established timeline for negotiations, an option for a long-term lease, and recourse to arbitration. Cities are looking at ways to provide property tax credits to landlords who provide affordable leases to locally owned businesses.
3. **Zone for a Local Business Environment.** Key strategies include protecting the varied fabric of established commercial districts, ensuring an ample supply of small spaces, and adopting business diversity ordinances that encourage a mix of different type of businesses.
4. **Set Aside Space for Local Businesses in New Development.** Several cities have required that a portion of the space in select new development projects be set aside for locally owned businesses. These requirements could be codified and applied across all development projects that meet certain size or location thresholds.
5. **Recognize Businesses as Cultural Landmarks.** Rome, Paris, London, and San Francisco have established a program to recognize and support longstanding, culturally significant businesses. The program provides incentives to landlords who agree to 10-year leases and it could also evolve to help businesses buy their spaces. San Francisco's Legacy Business Registry and Preservation Fund established by public vote

two years ago. General funds are set aside to aid historic small businesses with an employment subsidy as well as a rent subsidy for their landlord if they agree to a 10-year lease.

## **6.0 Development without Displacement**

The City of Austin has struggled in balancing its community development investments and land use decisions in ways without displacing residents and businesses. When low-income people and small minority-owned businesses are displaced from communities with rising housing prices, patterns of re-segregation emerge. Black and Latino families as displacement pressures push them into higher poverty, lower-resource neighborhoods where the odds are stacked against them.

The City of Austin is awash in anti-displacement strategies, policies, and toolkits. As noted earlier of the Auditor identified 541 recommendations and resolutions issued between 2000 and 2017 related to displacement and resolution only 56 of these recommendations and resolutions are presumed implemented or reported as implemented. The City Auditor found that many recommendations (x) did not have specific, measurable, and actionable metrics and many recommendations were not tracked. The City has at times not explored in detail how investments – both public and private can spark and fuel displacement and can transform not only the built environment, but also determine who is able to live in the area.

### **Development Pressures**

Recently several investments have been made that will affect the potential for displacement.

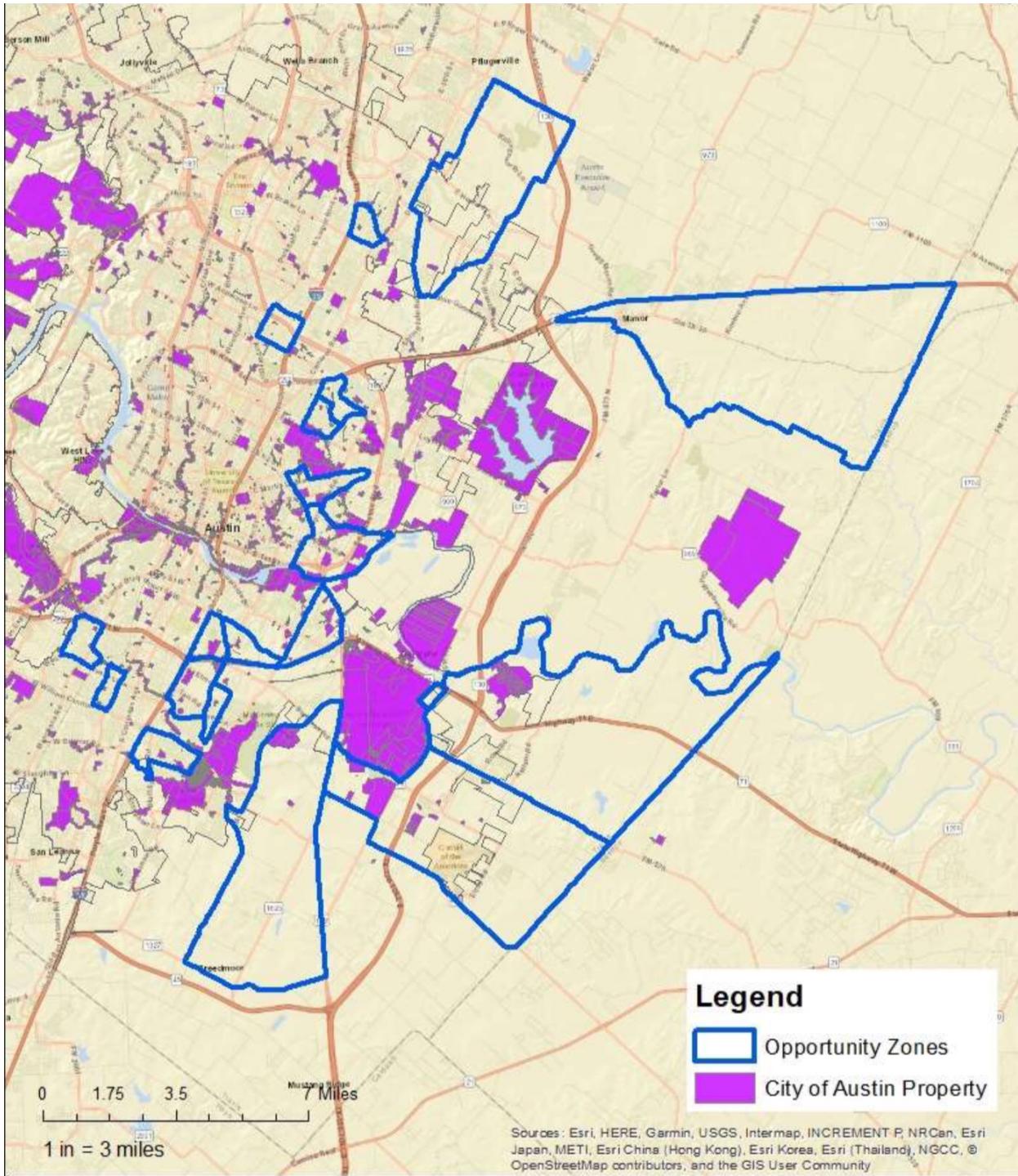
## **6.1 Opportunity Zones**

Federal Opportunity Zones were created as part of the Tax Cuts and Jobs Act passed at the end of 2017. The legislation provided governors to recommend census tracts for

Opportunity Zone designation to the U.S. Treasury. To be considered eligible, census tracts needed to have a poverty rate of at least 20 percent, or a median family income less than 80 percent of the area median income, or one of a few other obscure qualifications. Governors could choose up to 25 percent of eligible census tracts in their states for Opportunity Zone designation.

Out of some 43,000 eligible census tracts around the country, some 8,700 census tracts received designation as Opportunity Zones. The designated opportunity zones census tracts are home to an estimated 35 million people, a majority of whom are people of color. That fact has some fearing a repeat of the decimation of black and brown communities under the Interstate Highway Act and the era of Urban Renewal a.k.a, Negro and Latino removal.

The City of Austin contains 21 census tracts designated as Opportunity Zones, mostly east of IH 35 in the Eastern Crescent that is already showing signs of gentrification.



# Opportunity Zones City of Austin Property



By design, there is no centralized process for Opportunity Zones; and there are no requirements that these investments create affordable housing; homeownership; living wage jobs or anything of benefit to current Opportunity Zone residents and businesses. The current legislation includes no federal requirements to disclose who's using it and where. Nor is there any dollar limit on how much investment the tax break can support. Opportunity Zones do nothing to facilitate more engagement, more voice of the community, more of the community setting its own destiny. Instead the incentive happens regardless of whether or not there's a plan in place, regardless of whether or not the community even knows that it's happening.

So far in studies funded by the Kresge Foundation, cities fostered policies to work with Opportunity Zones along a spectrum. In Fresno California, the city underwent a rezoning initiative and the Governor designated Opportunity Zones in areas intended to spur rezoning; Washington D.C. was at the other end of the spectrum and their Opportunity Zones included significant land zoned for institutional use and significant public ownership of the property and significant public engagement on the future use of that property. Cleveland Ohio was somewhere in-between Fresno and D.C. along the spectrum and was able to align its Opportunity Zone designations with previous plans for economic development in historically disinvested areas.

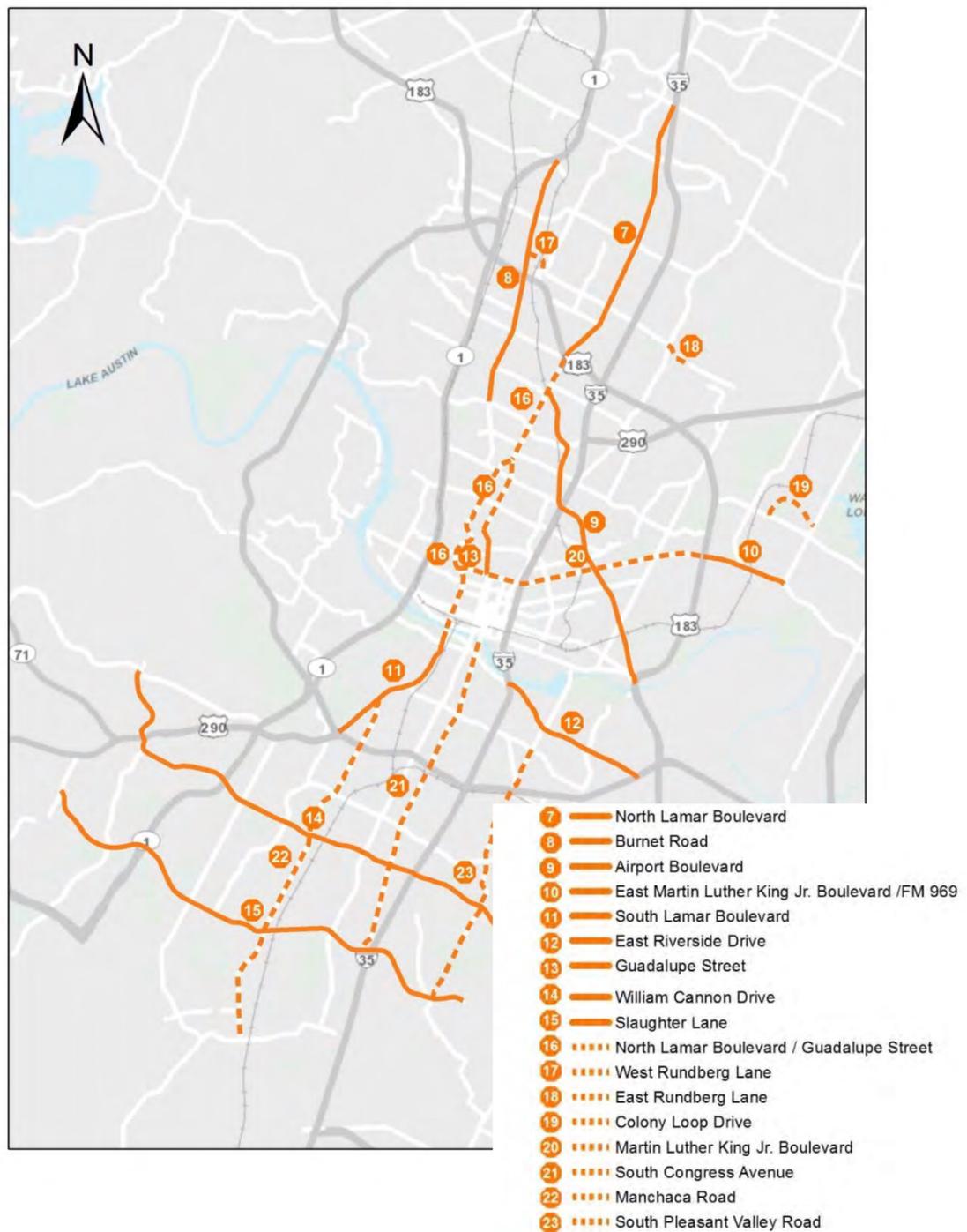
The City of Austin has recognized that there is a need for "municipal interventions" and development of engagement strategies and plans that include community benefits. The question is whether they will assert local control over development in Opportunity Zones. The prime example of that is the temporary moratorium on construction and demolition permits in its Opportunity Zone in Boulder, Colorado.

## **6.2 Mobility Bond 2016**

Voters approved \$720 million in bonds in 2016 for transportation and mobility improvements throughout the City. Of the \$720 million, there was designated \$482 million for corridor improvements. The corridors include: Airport Blvd., Burnet Road, Colony Loop Drive, East Riverside, MLK Jr. Blvd., Guadalupe Street, Manchaca Road,

North Lamar, Slaughter Lane, South Lamar Blvd., South Pleasant Valley Road, West Rundberg Lane, and William Canon Dr.

## Corridor Improvement Projects



The “Council’s Contract with Voters” is the guiding document for implementation of the

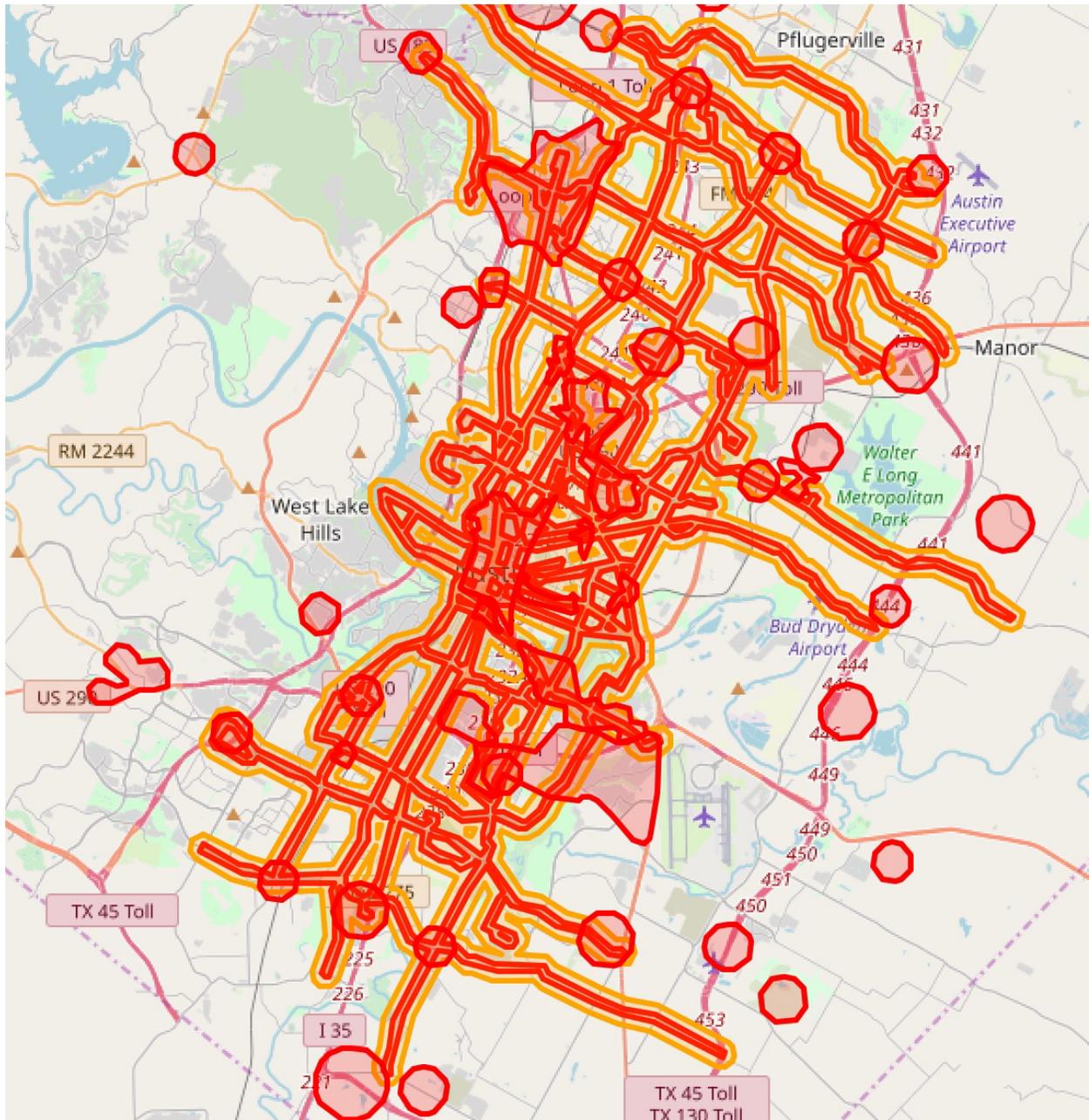
Corridor Improvement Projects. The Council Contract with Voters articulates a desired eight-year implementation timeframe and describes criteria to be used for project selection. The Council resolution directs staff to make allowances for: (1) the preservation of existing affordable housing and local businesses on the corridors, and opportunities for development of new affordable housing along the corridors, including but not limited to, the use of community land trusts, tax increment finance zones along the corridors, homestead preservation zone tools, revisions to the S.M.A.R.T. Housing Program, and targeted investments on the corridors utilizing affordable housing bonds and the Housing Trust Fund; and, (2) geographic dispersion of funding; and (3) opportunities to facilitate increased supply of mixed-income housing.

These provisions are important as concentrating density on a few major corridors as these corridors will be upzoned and distort land prices. Many of the city's commercial corridors are dominated by low-rise buildings. If the City is targeting mixed-use and funneling in new housing into these limited areas, then land prices will increase and upzoning will occur. All of this translates to unaffordable housing and unaffordable rents.

### **6.3 Land Development and Gentrification**

The subject matter of this paper is not to delve into land use solutions associated with increasing housing types and choices. Austin added 200,294 new residents between 2005 and 2015. The Strategic Housing Plan sets a target of 135,000 new units in ten years, including a tripling of the share of the housing market comprised of subsidized units for lower-income households. The City is assuming that without keeping up this pace, there is displacement of residents. Austin's grand bargain solution is to have a land development code rewrite and stack density on the corridors with proposals to leave neighborhood interiors as is. East side community members claim that the change in the development code will replace residents of color as there has already been significant displacement in East Austin with residents of lower-incomes. With the rewrite of the CodeNEXT land development proposal Community Not Commodity has identified transition zones in growth corridors will increase property values and property taxes with home sales resulting in demolition for increased density and potential displacement. The

transition zones proposed are areas within existing neighborhoods, where single-family zoning will potentially change to allow increased density with more intense development including multi-story buildings, condominium four-plexes, and mixed-use developments. The transition zones proposed surround most of the major roadways and transit corridors in Austin and may extend up to five (or more) residential lots into adjacent neighborhoods. The map below was compiled by the Community Not Commodity who has been advocating for measures to combat gentrification and displacement. The map shows areas shaded in red that represent transition zones extending to a depth of 400 feet. Those shaded in orange represent a depth of 1,500 feet.



#### 6.4 High Capacity Transit

The Austin City Council is in discussions and planning and political consultants have already been hired to bring about a bond program for a high-capacity transit system to voters in November 2020. Recently the Council visited other cities to observe their high capacity transit systems. Capital Metro’s Project Connect provides transit lines populated by light rail and rapid transit buses. There are several options for rail routes including a

downtown line running to Manor; a commuter rail line from Leander to downtown Austin; a rail line down North Lamar and Guadalupe to the University of Texas; and, a rail line south from Austin Community College's Highland campus along IH 35 before heading east on Riverside Drive and eventually to Austin-Bergstrom Airport.



Project Connect previously failed at the ballot box with 57 percent of voters saying no. If the referendum had passed, it would have included \$600 million into a 9.5-mile light rail line with matching funds from the Federal Transit Authority.

Access to high-quality public transportation can Austin more inclusive by increasing mobility and opportunity for people with low incomes and people of color. The role of the community is essential to fair and just transportation planning and decision-making to meet their day-to-day needs. Transit planning should account for housing affordability and improving access to and from affordable housing. Housing displacement risk should be identified and accounted for in planning. The forms of transportation equity are regional; it is modal funding equity; it is ridership equity; and it is social equity. Reports from Boston (A Better City) noted high housing costs associated with transit growth clusters. A quantitative analysis of San Francisco and Los Angeles found a clear correlation between transit investment and gentrification with the loss of low-income households. Rapid transit investments require planners and advocates to collaborate to maintain housing affordability in underserved neighborhoods and communities where transit improvements are being proposed and dealing with displacement issues head-on. There should be a thorough analysis of the potential impacts on housing, and recommendations for action that will have the tendency to stabilize costs. Such an analysis would outline historic and contemporary housing trends and conditions within one-third mile radius of the transit improvement. It would also require, at a minimum, identifying potential opportunities to build new housing in the designated areas.