

Panelists:

- Frank Fernandez (moderator), Executive Director of Community Partnership for the Homeless, and Campaign Chair for the HousingWorks Action Affordable Housing Bond campaign.
- State Representative Eddie Rodriguez (District 51)
- Kelly Weiss, Austin Housing Finance Corporation housing development manager
- Rudolph (Rudy) Williams, President of Organization of Central East Austin Neighborhoods (OCEAN).
- Michael Casias, Esperanza Development, serves on affordable housing bond's Oversight Committee, and leads Affordable Housing Visions for TX.

The Neighborhood Affordability breakout session discussed tools, strategies that can be used to expand affordable housing in East Austin. Our diverse group of panelists made it very clear that neighborhood residents, private developers, city officials, and elected leaders all have important contributions to make to secure meaningful affordable housing in an area threatened by gentrification. Neighborhood residents must use their neighborhood plans and collective public voices to advocate for affordable housing. Private developers must think creatively about new ways to supply housing that is inexpensive, high quality, and integrated into neighborhoods. City officials and elected leaders must continue supporting innovative policies and programs that provide great affordable housing options. Although sometimes at odds with each other – and each operating within their own set of constraints – these different types of leaders can make lasting change by creatively working together. There were about 34 people in attendance and – although time for questions was somewhat limited – there was some good discussion.

FRANK FERNANDEZ

Frank Fernandez introduced the panelists and framed the conversation. He talked briefly about his own experience campaigning for the housing affordability bond in the last election. He also noted that this session was more than just looking at affordable housing – it's also really about gentrification. For years, African American and Hispanic residents have pleaded for improved infrastructure, banks, and other services, but for years these requests fell on deaf ears. Fast-forward to the present, now there are lots of investments – public and private – being made in East Austin. The sad irony is that the very things residents had been asking for are now pushing them out. Investment in an disinvested area is a good thing, except when it happens so fast that it results in destabilization or displacement. In East Austin, we've been hit with a tidal wave of investment which has disrupted East Austin neighborhoods. Now longtime residents are flocking to more affordable housing in Pflugerville, Buda and Cedar Park. We can't hit rewind, but we do need to figure out what we want to do to address the problem.

EDDIE RODRIGUEZ

Affordable housing has been Rep. Rodriguez's top issues since he was elected to office in 2002. His concern about this issue developed from personal experience. He used to live

near the Holly Power Plant and around 1999, he started noticing rising prices around him, as well as new neighbors with fancy cars (BMW's, Mercedes). This issue became his focus as a representative, and he worked hard at the state level to convince other elected leaders that this was not just about poor families: overall, housing costs have been rising faster than income in Austin. Yet, what's happening here in Austin is also happening in Houston and Dallas too. There it's sort of the "donut in reverse": white, wealthier people moved out of the inner city for the suburbs, minority communities settled in the center, and now the suburban people are moving back in. Houston's 5th Ward is a great example: this affordable inner city neighborhood is now redeveloped with high end condos and no affordability component.

Rep. Rodriguez introduced (and passed) a bill in the 79th legislative session authorizing creation of a **HOMESTEAD PRESERVATION DISTRICT (HPD)**. Roughly speaking, the HPD in Austin runs from the river to Airport Blvd. to MLK. This area was identified in part because of its close proximity to downtown. The basic idea of the HPD has three parts:

- **Tax Increment Financing (TIF)** that goes to affordable housing (TIFs are used to reinvest tax money that's earned through rising property taxes in a fast-growing district. For instance, property owners in 2007 pay "x" dollars in property taxes today. In 2010, they'll be paying a lot more - let's say "y" is the increased amount of taxes. With the HPD TIF, the "y" part – the increased tax revenue – goes to fund affordable housing within the HPD.
- **Land Trust:** with TIF funding and other sources, the city (or a non-profit established by the city) can buy land and protect it for affordable housing in the future. Generally, the people living in the homes on this land either rent or own the house but not the land.
- **Land Bank:** the city can assemble land for affordable housing from foreclosures, etc.¹

The Homestead Preservation District is new and still developing. Details still need to be worked out with the City of Austin. Dallas recently adopted the HPD tool as well.

MICHAEL CASIAS

Michael Casias is a private developer who believes in building high quality, affordable homes in the urban core. Mr. Casias strives for development that is consistent with the existing neighborhood fabric. However, he also believes that some increased density is the key to expanding affordable housing and that we must start to think creatively about alternative housing strategies that efficiently use space and support human needs. Much of Esperanza's work is focused on mixed use development along major corridors. Casias mentioned East Village Lofts and 1111 East 11th Street as two representative projects.

Mr. Casias's presentation focuses largely on the untapped potential of "co-housing." Part of his argument rests on the benefits that can be achieved through co-housing: less

¹ Note: Rep. Rodriguez did not have time to talk about the individual components much. If you want more information, you should contact him directly. I think I reported the Land Bank and Land Trust correctly, but it would be good to confirm details with him.

isolation, opportunities for shared child care, greater affordability. The other part rests on the impossibility of the “American Dream” of a single family largish house by itself on a lot with a big backyard: not only is this too land intensive and expensive to sustain itself, it doesn’t actually meet the needs of most Americans! He said that 25% of American adults are single, and the majority of families have two bread-winners. Unfortunately, Mr. Casias explained, most building development codes reinforce the American Dream model and significantly limit affordable housing options.

The co-housing model really began in Denmark around 1972. The basic idea is to build smaller homes, closer to each other, with some shared spaces, and near transportation lines. This approach fosters community, brings down housing and transportation costs, and can put families in greater control. While the Denmark model focuses more on some form of ownership, Casias’ model is more geared towards rental units. Recently, the Govalle neighborhood approved a rezoning change from single family (SF-3) to multi-family (MF-3) that would allow Esperanza to begin a new development along the co-housing model. This project is geared towards including affordable rental housing for *families*: less than 30% will be efficiencies.

Mr. Casias had a long powerpoint presentation with him, but he didn’t get to go through most of it.

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KELLY WEISS

Kelly Weiss had just returned from the National Community Land Trust meeting in Minnesota where she had met with community/city leaders across the nation all struggling to increase affordable housing in their own unique contexts. She noted that there is not any silver bullet to provide affordable housing: there must be a commitment to think outside the box about ownership types, partner widely, and work to mitigate the problem.

She shared a very interesting email/essay from a woman at this conference that challenges us to see even greater connections about affordable housing throughout the U.S., and puts debates about affordable housing v. green space preservation in a bigger context. The author of the essay has worked with a Land Trust in Appalachia since 1977. This woman talked about their problem where the coal mining industry is topping off the mountains and piling waste into the valley, in the process displacing many residents. Then, they cover up the filled in debris in the valley and sell it back as “developable land,” eventhough it is largely toxic. The author asks, “why is it that urban communities are so distant and unaware of their rural impact.” The example made it clear that our work on affordable housing in East Austin must also recognize our social justice impact throughout the country. The issues are incredibly complex and there aren’t any easy answers.

In Austin, affordable housing needs are increasing dramatically. Median home sale prices have been increasing much faster than income in Austin, overall (1990-2006). In 2006, median sale price was around \$180,000, but median income was around \$70,000.

In 1990, median sale price was around \$80,000 and median income was around \$43,000. In 2005, less than 30% of house sales were affordable to those families earning 80% of median family income. This is expected to decrease to around 20% in 2010. These numbers reflect city-level changes, but they are felt especially strongly in East Austin. She included a chart showing sale price appreciation in East Austin from 1999-2006. Central East Austin, Chestnut, East Cesar Chavez, Govalle, and Holly neighborhoods all had their sales prices go up over 100%.

Ms. Weiss emphasized that we must focus on meeting the needs of **long term residents**, **long term affordability**, and **long term community investment** if we really want to protect and stabilize neighborhoods. Unfortunately, some attempts to promote affordable housing are too focused on the short term – a low income family can buy a house through the city at an affordable rate and then sell the house later at a market price that is no longer affordable. In contrast, Community Land Trusts and Shared Equity Models are strategies that focus on long term affordability. In these cases, people generally own the home but not the land. This type of ownership can work well for some people, but may not be the best for others.

Other long-term affordability programs at the City include:

- Incentive programs
 - S.M.A.R.T. Housing Permanent Affordability Option
 - VMU Ordinance
 - Owner occupied: 99 years, 5% of units reserved for 80% MFI, another 5% reserved for 100% MFI)
 - Rental: 10% of unites reserved for 80% for 40 years, and Opt-in/Opt-Out allows affordability down to 60%.
 - City has right of first refusal to purchase additional 10% of units at market value to create more affordable housing.
- Direct Client Assistance Programs
 - Housing Reconstruction programs (HRLP, Holly Good Neighbor)
 - Down Payment Assistance Program (up to \$40,000)
 - Housing Smart (housing counseling).
- Housing Production Programs
 - Funding for private and non-profit developers to produce/preserve affordable housing (GO Bonds, AHFC Lending Programs, HPD TIF)
 - Austin Housing Finance Corporation (AHFC) Developments and Community Land Trust Program.

Ms. Weiss emphasized that solutions and improvements demand efforts from public officials, private developers (including non-profits), and citizens (neighborhood associations, and US).

RUDY WILLIAMS

Mr. Williams began his presentation emphasizing that he thinks HOMES are what's important. Apartments and condos, he explained, are just "transitional living from

wealthy people” and do not stick around the community at times of economic downturn. If we want stable communities, we want homeowners. He also doesn’t think the word “gentrification” holds much meaning anymore – people use it but are detached from the social values and suffering behind it. He says it’s good to have people moving in to East Austin, but people must build within the neighborhood’s character. The .4 Floor to Area Ratio (FAR) is useful. Generally opposed to secondary apartments since they have been built to big aren’t consistent with the neighborhood.

Mr. Williams’ primary concern is about the deeply flawed tax system. He calls for some sort of tax system that recognizes the foundation of neighborhoods. People should be able to pay a fair amount of taxes and live in homes. The Homestead Preservation should be all over the city. There should also be tax relief all across the city, and ideally the state needs to shift to an income tax to be less regressive. You could also give property tax incentives to property owners to offer rents at affordable prices. He passed out many handouts which describe more of efforts working with other neighborhood associations to encourage:

- Education
 - Inform older residents of their eligible exemptions and protest rights
 - Provide assistance and tax rollbacks for elderly people who have been eligible but have not filed for exemption,
- Provide automatic exemption upon 65th birthday
- Adopt 5% cap on appraisals
- People over 65 get a higher tax/disability exemption and homestead protection.
- Freeze appraisals on older homesteads in economically depressed and previously segregated areas.
- Tax lofts, condos, high-end developments at a higher rate than single family homes
- Provide tax incentives for rental properties that provide affordable housing
- Increase homestead exemption and make it uniform between City, County, and AISD.
- Review and limit historical home exemptions
- Provide the same tax rate applied to historical homes to elderly and disabled.
- Do not privatize the tax collection system.
- Provide administrative hearings or negotiations by telephone.
- Homes taken through foreclosure should not be sold at courthouse. Instead:
 - Sell or give to CDCs and non-profits at nominal prices
 - Sell to low to medium income residents in need of affordable housing
 - Reintroduce the \$1 housing purchase program.

Other handouts included:

- USA Today article, Monday August 27, 2007, “San Francisco hopes to reverse black flight.”
- The Austin Chronicle, September 7, 2007, “The Dead End at Olive and Juniper” which describes some problems with the Austin Redevelopment Authorities housing programs in East Austin,

- “The Recommendations of the Atlanta Infill Development Panel.”, draft version, issued June 1, 2006
- “Proposition 13: Protecting New Homeowners.” Published on the Howard Jarvis Taxpayers Association website.
- A sheet of “Current and Proposed Small Lot Development Alternatives” January 25, 2007, along with some articles about neighborhood concerns about increased density.

DISCUSSION

After the presentations, there was some brief discussion about best practices in other cities facing similar problems, the challenge of doing such work in Texas (where it's often illegal), the programs that have worked in Austin, and the debate over density v. single family homes.

Kelly Weiss discussed the Affordability Task Force's work. The Task Force reviewed best practices in several cities. Some included requiring developers to make a 1 for 1 replacement (or fee to fund replacement) when they take away affordable housing units. Other cities can require that anything a developer can build must include 10% affordable housing. Unfortunately, this is illegal in Texas overall. HOWEVER, the Homestead Preservation District allows some of these tools to be used within the district. Before they can do that, they need to complete a nexus study demonstrating the critical need for affordable housing in the area. The City is working on this now.

Ms. Weiss also emphasized that many cities look to Austin because of its success with the SMART Growth program, which is one of the best in the country. 8500 affordable units have been produced through this program. She also mentioned that unfortunately, the more regulations there are, the more costly and time consuming building development becomes.

Michael Casias also pointed to the success of several projects of the Congress for New Urbanism (CNU) and efforts in Baltimore. He also noted that at his mixed-use 1111 project, Esperanza actively recruited minorities. 60% of the businesses there are minority or women-owned businesses.