



# Affordable Housing Preservation Study Focus Group Minutes and Recommendations



# **Focus Group #1**

Service Providers and Community  
Organizations

**Preservation Study Focus Group #1 (Revised 10/31)**  
**Recommendations**  
Focus Group #1 Service Providers and Community Organizations  
Monday, October 29, 2007  
8:30 a.m. - 10:30 a.m.

11 Attendees:

Group 1

1. Carol Martine, Vice President, Martine Properties, Inc.
2. Frances Ferguson, HousingWorks/NeighborWorks America
3. Elizabeth Mueller, University of Texas at Austin's Community and Regional Planning Department
4. Margo Weisz, Executive Director, PeopleFund.
5. Frank Fernandez, Executive Director, Community Partnership for the Homeless

Group 2:

1. Eduardo Magaloni, Director Development and Training, Texas Association of Community Development Corporations
2. Laura Morrison, Austin Neighborhoods Council (ANC)
3. Cathy Echols, HousingWorks, Livable City
4. Karen Paup, Executive Director, Texas Low Income Housing Information Service
5. Susana Almanza, Co-Director, PODER
6. Nancy Cates, Development Director, Mary Lee Foundation

NHCD Staff members: Pamela Rogers, Planner Principal; Kimberly Freeman, NHCD-HUD Compliance Officer; Kate Moore, Senior Research Analyst with welcoming from Margaret Shaw, NHCD Deputy Director

Strategy:

Focus Group members were asked to answer the following questions:

1. How do we preserve affordable housing?
2. What are the greatest obstacles to preserving affordable housing in Austin?
3. What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?

Results:

### **Group 1**

#### Question 1: How do we preserve housing?

Code Enforcement: Must be judicious enforcement of existing (not adding) organizations

Maximum useful life

Transfer to a preservation owner

Make it profitable (trust for public land model? Real estate tax benefits, income tax bases?)

Proactive preservation targeting (inventory; sales process to recognized present owner

Targeted Public resource investment (educate realtors)

(e.g. city prioritize tax credits to TODs)

#### Question 2: Obstacles

Market-fundamentals-growth

Capital gains deferrals is slowing sales (see Judd Levy)

Construction costs

Re Tax

Non-profit/preservation owner capacity

Poor initial construction

Lack of info on rental stock (especially smaller)

Lack of money

Majority of affordable housing is unsubsidized

#### Question 3: Policy

Rehab code vs. new construction code

Dedicated Revenue Source

City-approved appraisal -- w/ + w/p to ID if sales prices are higher upzone in anticipation of the upzone

Land Bank

Preservation Reit? with public/private partnership (Trust for Public Land [TPL] model)

Inventory – Map

Incentives for preservation transfer

Support for new capacity building (salaries) for non-profit housing advocates

(e.g., \$100,000 for multi-year plan)

Right of 1<sup>st</sup> Refusal to ownership of resident

Needs strong support cooperation

Code enforcement (neighborhood planning, code changes, and zoning = preservation logic?)

## **Group 2:**

### Problems:

High land value (speculative nature of current market – city promoting through awarding density bonuses)/high expectations of landowners (public [UT, HACA], private)

Privately owned public housing expiration dates (tax credit federally subsidized)

SMART housing – Short-time limits/other city policies (Condo Conversions – look at other cities' solutions)

High rents that can be obtained – rent control

Myth those 30-40 years is the lifespan of an apartment complex

Zoning limits/neighborhood impacts if adding units to affordable housing

High costs of rehabilitation, especially if adding units

Incentives that allow increased density have potential to incentives loss of affordable housing through redevelopment (CS/MU, VMU)

Difficulty for owner to keep homes in good shape

Property taxes – causing residents to lose home

60% to 80% MFE as affordability goal

Privately owned affordable units not maintained, which leads to pressure to redevelop

Market pressures to demolish smaller houses and rebuild w/larger more expensive homes

### Solutions

Need preservation assessment for every city policy

10-year rental permanent-for sale

Look at other cities' solutions regarding condo conversions

Rent control to address high rent

City could help by investments that reduce impacts (e.g., traffic calming)

Community land trust

Rehabilitation funds

Establishment of “Preservation Owners, “ or a group of nonprofits that would “forever” own, manage and maintain truly affordable housing in partnership with the City of Austin (K. Paup).

# **Focus Group #2**

Lenders

## Preservation Study Focus Group #2

### Recommendations

Monday, November 5, 2007

8:30 a.m. - 10:30 a.m.

5 Attendees:

1. Elsa Decker, Director of Residential Business Development, Heritage Title of Austin, Member of Affordable Housing Task Force, Real Estate Council of Austin
2. Julia Kelderman, Director of Governmental Affairs, Member of Affordable Housing Task Force, Real Estate Council of Austin
3. Ashley McNabb, Land Planner, Drenner and Golden Stuart Wolff.
4. Madge Vásquez, Vice President, Community Development Officer, Wachovia Bank
5. Gloria Hastings, Sr. Loan Officer, Amerinet Mortgage

NHCD Staff members: Pamela Rogers, Planner Principal, and Kim Freeman, Senior Research Analyst; welcoming by Margaret Shaw

Strategy:

Focus Group members were asked to answer the following questions:

1. How do you define “affordable”?
2. What are the greatest obstacles to preserving affordable housing in Austin?
3. What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?

Results:

#### **Question 1: How do you define “affordable”?**

- Monthly housing costs as calculated by 30-38% of income (incl. taxes, insurance, and mortgage payment)
- 80% or below of MFI
- Term of affordability -- \$130,000 is not affordable
  - Most low- to moderate-income families cannot afford to buy a \$130,000 home and only qualify for \$70,000 - \$80,000

#### **Question 2: What are the greatest obstacles to preserving affordable housing in Austin?**

Property values and taxes

- False impressions of incentives as new buyers are convinced by some that they will only receive certain incentives if they shop with a particular agent or builder.
- Lenders only produce affordable housing through subsidies or code restrictions

#### Financial Practices

- Lack of designated “affordable” lenders; lenders earn commissions on properties valued at \$150,000 or \$250,000—the advantage is to opt for more expensive properties
- Takes more time to complete an “affordable” housing deal
- Implementation of the Credit Reinvestment Act (CRA)<sup>1</sup> was unsatisfactory only Bank of America and perhaps Wells Fargo and Countrywide have “affordable” lenders
- Closing Costs

#### Lack of education

- Need for both professional and consumer education
- Professionals are not always aware of the many services or programs available
- Educating people for homeownership
  - No education on taxes by builders; many new buyers don’t realize that they will have to pay taxes and that these will increase over time

### **Question 3: What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?**

Down Payment Assistance is not available outside Austin ETJ (extra territorial jurisdiction)

- Not available for duplexes or mobile homes

Lack of county housing policies

- Need for partnership agreements with Travis County
- No down-payment assistance offered through the county

Low production of affordable housing by non-profit organizations

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<sup>1</sup> The CRA was enacted in 1977 to prevent redlining and to encourage banks and thrifts to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods. It extends and clarifies the longstanding expectation that banks will serve the convenience and needs of their local communities. The CRA and its implementing regulations require federal financial institution regulators to assess the record of each bank and thrift in helping to fulfill their obligations to the community and to consider that record in evaluating applications for charters or for approval of bank mergers, acquisitions, and branch openings. The federal financial institution regulators are: Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; and Office of Thrift Supervision. The law provides a framework for depository institutions and community organizations to work together to promote the availability of credit and other banking services to underserved communities. Under its impetus, banks and thrifts have opened new branches, provided expanded services, adopted more flexible credit underwriting standards, and made substantial commitments to state and local governments or community development organizations to increase lending to underserved segments of local economies and populations. See <http://www.occ.treas.gov/crainfo.htm>.

- Build financial capacity of non-profit organizations to educate the public
- Build production capacity of non-profit organizations—majority tend to operate in confined geographic areas or targeted neighborhoods
- Coalitions did work to pass bond election but not a whole lot of money
- Experience lack of subsidies
- San Antonio non-profits produce more (partially because of the lower cost of land and housing)

Need for a website to serve as a resource for professionals

- Inventory of properties to expire

Density bonuses do not have requirements for square footage or type of unit

- Apartments tended to be small and disadvantageous to households
- May be too late to take advantage of building boom

Parkland ordinance

- Need for requirements at site-plan stage

Need for inclusionary zones

- See experiences of Portland and Los Angeles
- Portland has an affordable housing code: 1<sup>st</sup> Right of Refusal

Community Land Trust

- Homestead Preservation Act

Shared equity

**Other topics:**

The majority of downtown residents are young couples with small children or elderly. Child care is not available downtown.

## **Focus Group #3**

## **Preservation Study Focus Group #3**

### **Recommendations**

Wednesday, November 7, 2007

8:30 a.m. - 10:30 a.m.

#### Attendees:

1. Amy Word, Director of Government Relations, Austin Apartment Association
2. Roger Arriaga, Governmental Affairs Director, KB Home
3. Adrian Iglesias, Senior Development Manager, Realtex Development Corporation
4. Doug Opalka, Principal, Texas Realty Capital, Member of Real Estate Council of Austin
5. Chris Risher, Momark Development, Member of Real Estate Council of Austin
6. Julia Kelderman, Director of Governmental Affairs, Member of Affordable Housing Task Force, Real Estate Council of Austin
7. Diana McIver, President, Diana McIver and Associates
8. Mark Rogers, Executive Director, Guadalupe Neighborhood Development Corporation
9. Mandy De Mayo, Consultant, UCP Texas
10. Isabelle Headrick, Director of Programs, Blackland CDC
11. Steve Metcalfe, Partner, Drenner and Golden Stuart Wolff L.L.P.
12. Michael Willard, Executive Director, Austin Habitat for Humanity
13. Fei Dai, Senior Development Analyst, Catellus Development Corporation
14. Lynn Ann Carley, Land Development Consultant, Armbrust and Brown, L.L.P.
15. David Cox, Cypress Run Estate Advisors
16. John Boyd, Vice President, Realtex Development Corporation
17. Eduardo Magaloni, Director of Development and Training, Texas Association of Community Development Corporations (TACDC)

NHCD Staff members: Pamela Rogers, Planner Principal, and Kim Freeman, Senior Research Analyst; welcoming by Paul Hilgers, Executive Director

#### Strategy:

Focus Group members were asked to answer the following questions:

1. How do you define “affordable”?
2. What are the greatest obstacles to preserving affordable housing in Austin?
3. What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?

Results:

**Question 1: How do you define “affordable”?**

Calculated by rent and utilities burden

Affordability depends upon the type of group and income level.

- For low income persons, affordable is 25-50% MFI—where the greatest need is for 3-4 bedrooms.
- 30-50% would be low, 50-60% would be high end of low-to-moderate, and 25% would be for seniors
- For example for someone working at Wall-Mart their income would fall into the 30% category

For most developers, affordable housing is priced at 120% of MFI.

**Question 2: What are the greatest obstacles to preserving affordable housing in Austin?**

First, should we preserve the stock of 1980s which was poorly constructed?

Incentives do not exist to preserve affordable housing

Lack of access to funding and bureaucratic hurdles

Replacement high costs are at an all-time high.

- How do you replace units and keep affordability? For example, Park Terrace on Lamar and Barton Springs will be \$0.80 sq. ft. rehabilitated vs. \$0.60 sq.ft.
- Replacing 10 units at \$0.80 sq. ft. are possible, but 10 units at \$0.60 sq.ft are not.
- At \$0.80 sq. ft. the units are small and non-subsidized (Riverside Dr.)

Change in tax exemptions from 0 to 50% by TCAD.

**Question 3: What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?**

City-created Homestead Land Trust for the development of affordable housing within the East Austin Homestead Preservation District—needs to be implemented—as well as inclusionary zoning within homestead preservation districts.

New technologies and better tools in the tool box: better design plans and sustainability

- Legislature has not been fair to Austin in terms of low-income housing tax credits (LIHTC)
- Revision of property taxes: Tax abatements or exemptions for affordable housing similar to historic exemption or agricultural exemption
- General Obligation bonds: TIF, CLT, Community Land Banks

Clear streamlined policies that are not determined on a project-by-project basis.

- Fees in lieu of Green space requirements
- Need additional fee waivers
- This was one of the recommendations of the Affordable Housing Incentives Task Force (AHITF) report.

Right-of-First Refusal

Displacement is a public policy issue

**Other topics:**

A demographic study of 500 residents in the CBD found only 1 family among residents: the majority was single.

Relationship with owners of properties: How do you tell owners what to do with their properties?

Suggestions for preservation and/or housing market study:

Chart the properties at risk, under renovation/redevelopment, net community gain, and projected growth out 20-50 years.

Ratio of affordable vs. market rate properties

Need to chart new production and supply of affordable housing

Rising rental rates

Comparison with other metropolitan areas, such as Portland

Overbuilding of 1980s

60% rent/non-subsidized

Chart 2000 project-based.

Chart B & C properties

Chart duplexes and condo conversions

Chart future condo conversions: Monarch and Whole Foods

Class A trades

## **Focus Group #4**

# **Real Estate and Property Management**

**Preservation Study Focus Group #4**  
**Property Management and Realty**  
**Recommendations**

Tuesday, November 13, 2007

8:30 a.m. - 10:30 a.m.

Attendees:

1. Julia Kelderman, Director of Governmental Affairs, Member of Affordable Housing Task Force, Real Estate Council of Austin
2. Brett Denton, Ardent Residential, Member of Executive Committee of Real Estate Council of Austin
3. Tom Terkel, Cencor Urban, Vice President of Real Estate Council of Austin
4. Michael Willard, Executive Director Habitat for Humanity
5. Brooke Mahoney, Regional Property Manager, Baron Properties
6. Amy Word-Michalowski, Director of Governmental Relations, Austin Apartment Association
7. Rich Ellmer, R.W.E. Investments

NHCD Staff members: Pamela Rogers, Planner Principal, and Kim Freeman, Senior Research Analyst; with welcoming by Margaret Shaw, Deputy Director

Strategy:

Focus Group members were asked to answer the following questions:

1. How do you define “affordable”?
2. What are the greatest obstacles to preserving affordable housing in Austin?
3. What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?

Results:

**Question 1: How do you define “affordable”?**

- Need to examine the term “affordable” and its relationship to socioeconomic, average home costs, or compared to other areas such as Seattle and compare and contrast neighborhoods within Austin
- A safe and decent place to live, generally taking up 30% of income

- Affordability differs by group: for the homeless and others it's a safe shelter; for those escaping domestic violence, it's often means no transportation to food pantries from where they live in Del Valle;
- "Affordability" is in the eyes of the beholder: we all want something better although we can't afford it
- Norms and measuring techniques are income stratification and 60-80% of Median Family Income (MFI)
- For a developer working without sizeable public subsidies, the challenge is to hit the numbers and get below 80% of MFI.

**Question 2: What are the greatest obstacles to preserving affordable housing in Austin?**

- 65% of privately owned unsubsidized housing in Austin is made up of Class C apartments
- Income is not keeping pace
  - There is a perceived downward swing in single-family homes available for renters
  - A lack of housing options for families; no place for families to live
  - Most Class B and C apartments have 2 bedrooms and greater occupancy problems
- Zoning issues in the past affected the availability of affordable housing
  - When the city council wouldn't approve a 200-unit multifamily development in Westgate twenty years ago, 54 duplexes were built
    - Today those have multiple or absentee owners, extreme code violations, and crime-ridden environments
    - These same problems plague the 500-800 duplexes clustered in the city.
    - Need public investment (housing trust money) to buy some of these duplexes and redevelop.
- Go bonds-housing tax credits
- Transportation is a major issue for households living in more affordable areas such as Pflugerville-Round Rock-Cedar Park
  - Need rail lines linking other areas in Lockhart and Wimberley
  - Transportation in five counties and 40 organizations are doing very good work
  - The CAPMETRO-Speed train will be an option with limitations
  - Usually need 3 buses to get to a job
- How do we make Austin affordable?
  - Transportation costs make living in Austin more costly every year

- The CBD is not attractive to families because it only offers affordable apartments with 1-2 bedrooms and with 600-700 square feet
- The lack of financial subsidies prevent developing affordable housing
  - Public policies increasingly challenge developers who are loosely subsidized and their return-on-investment.
  - For example, incentives such as Parkland dedication and Green Builders (1 Star to 2 Star ratings) make it more expensive to build affordable housing; Austin Energy's goal of zero-energy sufficiency by 2015 is costing \$1500 per unit—driving up costs for developers
  - The costs of providing 10% affordable rents are carried over to renters of market-rate apartments.
- Austin for-profit and non-profit developers and builders are also seeking increasing competition from out-of-state investors
  - The market is seeing a lot of commercial buyers in from California
  - Owners of multifamily units currently receiving federal assistance for providing affordable housing will bump up to market rate when the period of affordability ends
- With land costs and greater density, can we as part of the process create enough affordable housing?
  - What are the expectations? A 600-square foot apartment or what?
  - Density but not in my backyard
  - Should we study developing alternative housing, such as old divagated hotels along IH-35?

**Question 3: What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?**

- Long-range goals: homeownership and case model management

**Other topics:**

- The assumption is that 65% of affordable housing is found in multifamily units, which carries the burden of affordable housing
- Family income: losing the definition of family
  - Who am I renting to? What size or type of family?
  - The trend is toward 6 persons in every 2-bedroom unit, which is not acceptable in Fair Housing Laws—which limits the number of individuals per room

## **Focus Group #5**

### **Community Stakeholders**

## Preservation Study Focus Group #5

### Recommendations

Wednesday, November 14, 2007

8:30 a.m. - 10:30 a.m.

#### Attendees:

1. Myron D. Smith, Realtor/Vice President, Capitol Area Realty
2. Brooke Mahoney, Regional Property Manager, AAA
3. Rory O'Malley, Director of Housing Development, Frameworks Community Development Corporation (CDC)
4. Julia Kelderman, Director of Governmental Affairs, Member of Affordable Housing Task Force, Real Estate Council of Austin
5. Donald Degollado, Business Development Manager, Frameworks CDC
6. Joyce McDonald, Executive Director, Frameworks CDC
7. Amy Arquilla, Associate Director, Community Action Network (CAN)
8. Kara Garst, District Manager, United Dominion Realty (UDR)
9. Rich Ellmer, Owner, Member of Austin Apartment Association (AAA)
10. Amy Word, Director of Governmental Relations, AAA

NHCD Staff members: Pamela Rogers, Planner Principal, and Kim Freeman, Senior Research Analyst;

#### Strategy:

Focus group members were asked to answer the following questions:

1. How do you define “affordable”?
2. What are the greatest obstacles to preserving affordable housing in Austin?
3. What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?

#### Results:

##### **Question 1: How do you define “affordable”?**

- “Affordable” housing implies long-term affordability
  - For families this means 3-bedroom, 4-bedroom units where typically 7 individuals live in a 2-bedroom unit
  - No more than 30% rent or mortgage burden

- “Affordable Housing” has different meanings for different groups of individuals
  - For the very low-income or those households earning 25% to 50% of Median Family Income (MFI), salaries average \$17,700 to \$35,500 a year
- “Affordable Housing”
  - 65% of affordable housing is multifamily housing

**Question 2: What are the greatest obstacles to preserving affordable housing in Austin?**

- City fees have increased, rather than decreased, the costs of housing
  - While more affordable units are expected to be built, many of the Affordable Housing Incentive Task Force’s proposed incentives have been taken off the table
  - Additional fees are driving up housing costs and making it difficult to produce affordable housing and/or passing costs along to renters
    - Increasing environmental codes to 1-star to 2-star rate has driven up development costs by thousands of dollars
- Economics (land costs, building expenses, cost of financing) do not allow for developers to deliver a product available to 30% to 80% of MFI under current market conditions
  - although the majority of what’s being built is probably affordable at 80% of MFI
- What influences the building of affordable housing is the particular product type over four stories, which requires more expensive costs
  - Drive costs upwards from \$1 sq.ft. to \$1.55 sq.ft.
  - Currently there are more renovations and repositioning than demolitions
    - Condo conversions are not the majority of what’s happening in the market
    - Return-on-investment considerations are persuading builders/developers to produce by redevelop Class C affordable housing into Class A—totally bypassing Class B
    - The majority of affordable housing are available for 60% to 80% of MFI but the real challenge is for those 30-50%
    - Have to go outside Austin to afford to live here: Density vs. Sprawl.
      - Need alternatives closer in.
      - Guadalupe CDC chose to develop multifamily units instead of duplexes
      - Many neighborhoods are opting for density vs. sprawl as noted by the preference of 60% compared to 80% for VMU

**Question 3: What key policies towards preserving affordable housing – new ones or changes to existing ones – should be pursued?**

- Affordable housing policies should include incentives for developers
- Additional financing options by the City
- Housing policies for re-entry populations
- Neighborhood zoning regulations need to reconsider avenues to increase density
  - Zone duplexes for higher density housing to eliminate slum and blight occurring in some areas (particularly Westgate neighborhood)
  - Need to consider housing policies for re-entry populations
- Need to more detail on rents and the availability of affordable housing—possible linking to Housing Market Study
  - How much housing is available at 30-50%, 60%, and 80% of MFI?
  - Need to consider housing policies for re-entry populations
- While 65% of affordable housing is found in multifamily apartment buildings, need to consider alternative policies for housing
  - Any property 30 minutes travel time to the downtown area is priced outside of <80% or below of MFI range.
  - Residents are living in outlying areas such as Kyle, Buda, and Pflugerville and paying high prices for gasoline to commute to jobs—spatial mismatch