

PRODUCING, PROTECTING AND PRESERVING

# Housing Affordability

IN CENTRAL TEXAS

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Philanthropic  
Opportunities

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2022



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# Executive Summary

Having a place to call home is essential not only for the wellbeing of individual families and community members, but also to ensure Central Texas' continued economic growth and success. The effectiveness of Austin's response to its housing affordability crisis will determine its future – and there is still time to prevent it from experiencing the woes of other regions and provide the platform for vibrant, diverse, and economically healthy communities. In recognition of this, the Austin Community Foundation commissioned this report with funding from JPMorgan Chase, National Instruments, and St. David's Foundation to increase funders' understanding of housing-related issues and present ideas for consideration.

## How Housing Matters

Our homes and neighborhoods set the stage for our lives. Research has shown that housing problems have ripple effects on health, education, economic mobility, child welfare, racial equity, criminal justice, and more. Affordable, stable, and quality housing options for all types of households and income levels support better outcomes.<sup>1</sup> Specifically, safe, stable housing means:

- children do better in school
- seniors are healthier and more socially connected
- parents and children experience better mental health
- workers are more productive
- trips to emergency rooms are reduced
- families have more disposable income to strengthen their financial security and boost local economies.<sup>2</sup>

## Affordable Housing Overview

### The Demand

Compared to other metropolitan areas in the country, the Austin-Round Rock metro is the 7th least affordable region with only 23 affordable and available homes for every 100 renter households — and half of Austin residents are renters. With housing costs outpacing wage growth, 49% of Austin’s renters are “cost-burdened,” spending more than 30% or even 50% of their income on housing. These families are disproportionately people of color, with Black and Latinx families experiencing cost burdens at higher rates than white households.<sup>3</sup>

### The Supply Gap

High rates of housing cost burdens not only affect individual families — they also limit Central Texas’s growth and economic potential. The lack of “job-housing fit” — the alignment between earning levels associated with jobs in the region and the cost of available housing — promises to constrain future growth and economic activity. Looking to the region’s future, the lack of protection and preservation of current housing and production of future housing portends badly for transportation systems, public services, economic vitality, and quality of life.

To begin to address the significant housing supply gap, the City of Austin’s Strategic Housing Blueprint calls for building 60,000 homes that are affordable for families earning less than 80% of the Median Family Income (\$75,500 for a family of four), including:

- 20,000 housing units affordable to 30% MFI households
- 25,000 housing units affordable to 31-60% MFI households
- 15,000 housing units affordable to 61-80% MFI households

In addition to the complexities of housing development and finance, key stakeholders identified five primary obstacles:

- 1 Tax Policy** — A regressive tax structure lacking income tax combined with property taxes having to fund schools alongside limited ability for local jurisdictions to enact taxes.
- 2 Other State Policies** — State law forbids inclusionary zoning, impact fees and rent control.
- 3 Development Capacity** — Lack of key players include housing-focused Community Development Financial Institutions; for-profit, national, and regional affordable developers; and few large local nonprofit housing developers.
- 4 Hot Housing Market** — As the number of tech and tech-adjacent companies moving to Austin continues to grow, costs rise, inventory is strained, and affordable units become even more scarce.
- 5 Rapid Growth** — The Austin metro area has grown exponentially over the last two decades, and mindsets, capacity, and funding levels have not been able to keep pace, leaving systems in place that work better for a smaller city than a booming metro area.

Leaders also cited a number of **opportunities to build from including the passage of the 2018 \$250M affordable housing bond and the 2020 Property Tax Designation for Project Connect** which includes funds for transit-oriented development, affordable housing, and anti-displacement initiatives. Other assets included growing political and public awareness and support, land development code revisions, and nonprofit affordable housing leadership, data, research, planning and advocacy.

# Philanthropic Investment

## Changing Role of Philanthropy

Over the last five years, philanthropic interest has grown tremendously due to the increased awareness that without safe, stable housing, individuals and communities are unable to meet their health, education, workforce, or economic goals. The COVID-19 pandemic and increased attention to systemic racism further underscore the importance of housing stability and affordability, particularly for communities of color and under-resourced populations. Foundations that had not previously funded in the housing arena have provided grants for rental assistance, publicly advocated for eviction moratoria, and supported housing developers in bringing more housing online more quickly. Corporate foundations have become increasingly engaged in high-cost housing areas such as the San Francisco Bay Area and Seattle, and new funder collaboratives focused on housing and homelessness have been launched.

## Philanthropic Approach

Three common themes emerged for foundations in developing housing-related strategies:

- **Mutual reinforcement strategies** — There is no single solution or one-size-fits-all approach to our housing challenges. Cross-sector collaboration and sustained investment with a variety of approaches are needed.
- **Strategic support at both program and systems level** is essential with emphasis on capacity building and general operating support that allow nonprofit partners the flexibility not often available from government sources.
- **Systems change focus is critical** — philanthropy needs to partner with and leverage government, as it is the primary funder, policy maker, and regulator — including building public will and directly advocating for changes to increase housing equity.

In evaluating the potential efficacy of specific philanthropic opportunities and investments to increase housing affordability, the following criteria are recommended:

- **Equitable Impact** — Demonstrate significant and enduring positive impact for priority populations with an emphasis on Black, Latinx, and other communities of color whose housing outcomes have been severely impacted by systemic racial discrimination and segregation
- **Scale** — Contribute to the development of a large number of units, benefitting a large number of people, and/or have a clear pathway to reaching significant scale; this includes efforts to create a more housing friendly culture and enabling environment
- **Innovation** — Develop or implement new solutions to the affordable housing crisis, particularly those with clear learning and evaluation plans and pathways to using that learning for greater adaptation/scale
- **Partnership** — Include the private, public, nonprofit, and/or philanthropic sectors needed to achieve significant and sustainable outcomes
- **Leverage** — Directly leverage and/or have the potential to leverage public and private sector financial resources and funding streams

## Investment Framework

In order to ensure “all kinds of homes for all kinds of people in all parts of town,”<sup>4</sup> communities need to protect, preserve, and produce affordable housing in concert.

	<b>PROTECT</b> Keep tenants and homeowners in their existing housing and existing communities together with a particular emphasis upon lower-income renters and neighborhoods most at-risk for gentrification.
	<b>PRESERVE</b> Ensure that existing affordable units remain affordable and are in good physical shape, safe, and well-maintained, considering both publicly subsidized and privately owned units in both higher- and lower-cost communities.
	<b>PRODUCE</b> Increase the supply of affordable homes, particularly units affordable for extremely- and very-low-income households (at 50% or below of MFI) in opportunity-rich neighborhoods.

# Examples of Philanthropic Investment



## PUBLIC WILL

- Publish editorial by foundation leaders emphasizing need to help long-term residents stay in the community with specific policy recommendations
- Support community organizing and resident leadership training to ensure that vulnerable residents have a meaningful and robust voice in their neighborhoods



## PLACE

- Support development of Community Land Trusts for neighborhoods most susceptible to gentrification
- Identify multi-family properties that are behind on property taxes and could be converted to permanently affordable housing



## PEOPLE

- Fund eviction prevention legal services and emergency financial assistance
- Support development of home sharing services that allow homeowners to be matched with home seekers, sometimes at a reduced rent in exchange for services

Protection

Preservation

Production

- Funding research to identify most at-risk units and then develop specific strategies to help prioritize them for investment
- Commission and publish comparison of costs of preservation vs. new construction of affordable units for housing advocates and policy makers to use

- Fund technical assistance and connection to financing for resident cooperatives to purchase of the land beneath mobile home parks.
- Mission-Related investment in fund that purchases and preserves non-publicly entitled affordable apartment complexes

- Home maintenance, repair and energy efficiency grants for low-income homeowners
- Program expansion and general operating grants to organizations providing housing counseling and financial inclusion services to homeowners at risk of foreclosure

- Offer general operating support for housing policy groups and advocacy coalitions
- Convene influential foundation and business leaders to use their influence to advocate for higher density, in-fill development

- Provide recoverable grants and Program-Related Investments to a Pre-Development or Acquisition Loan Fund
- Fund technical assistance to public and mission-based entities (i.e. schools, places of worship, cities) to explore development of affordable housing on their properties

- Support for the development of funding streams for provision of services in permanent supportive housing
- Grants to organizations to help lower-income homeowners design, build, and lease Accessory Dwelling Units



## **PUBLIC WILL**

Building political and community will through housing education, research, messaging, and advocacy.



## **PLACE**

Securing land and financing, developing, and building homes in communities with access to the amenities that families need to thrive.



## **PEOPLE**

Helping people afford, obtain and retain quality housing, from those who are experiencing homelessness to homeowners.

## **Specific Recommendations**

### **PUBLIC WILL**

- 1 Provide general operating support for affordable housing education, research, and policy change groups.
- 2 Support community organizing, leadership training, and coalition building, particularly in neighborhoods most at risk of displacement.
- 3 Provide public leadership on strategies for protecting, preserving, and producing affordable housing at the city, county, regional, and state level.
- 4 Fund research and technical assistance to help develop zoning and policies that incentivize the diversity of needed housing types. Capacity building support is particularly needed to help with policy and practice in the less populous counties and cities in Central Texas.

### **PLACE**

- 1 Increase capacity of existing and help to attract new affordable housing developers.
- 2 Support acquisition and preservation of at-risk multi-family housing through recoverable grants and program-related investments.
- 3 In collaboration with the public and private sectors, support housing development and production efforts, especially homes that will be affordable for very- and extremely low-income households.
- 4 Support community ownership models such as mobile home co-ops and community land trusts.
- 5 Fund technical assistance and support for housing development exploring a variety of housing types as well as development on public- and mission-owned lands.

### **PEOPLE**

- 1 Support renter eviction prevention and housing-related financial assistance services.
- 2 Develop a homesharing program for the Austin area that matches older adult homeowners with lower-income renters, providing financial and social support benefits for both.
- 3 Support services that support access to housing as well as development of services and funding streams for permanent supportive housing.
- 4 Support financial counseling, home repair, and rehabilitation for low-income homeowners.

## **Working Together to Maximize Impact**

The severity of the housing affordability crisis in Austin calls for a collective response with public, private, and philanthropic alignment, action, and investment. Now is the time for Austin area foundations to join together to ensure lower-income families and individuals can continue to contribute to their communities. Collective investment in housing stability and affordability will improve health, education, workforce, and economic mobility and provide the platform for an inclusive, equitable, and thriving region.

# Introduction

Having a place to call home is essential not only for the wellbeing of individual families and community members, but also to ensure Central Texas' continued economic growth and success. The effectiveness of Austin's response to its housing affordability crisis will determine its future — and there is still time to prevent it from experiencing the woes of other regions where workers commute more than two hours each way, business is stymied by a lack of workers, and parents are unable to spend time with their children. Safe and affordable homes provide the platform for the vibrant, diverse, and economically healthy communities that Central Texas needs.





## Purpose

Austin's philanthropic community, like its foundation colleagues around the country, has not widely funded the protection, preservation, and production of affordable housing, viewing housing as more of a responsibility of the government and private sector. For those funders that have engaged, finding pathways for impact has been daunting given the levels of complexity, need, and cost.

At the same time, foundations working on diverse issue areas find that, faced with unaffordable housing markets and rising inequity, they cannot advance their other goals and missions. **In Central Texas, philanthropy faces a growing need to integrate housing affordability into their strategies around education, health, and workforce and economic development.** Success in these areas is contingent upon everyone in the community having access to safe and affordable housing — particularly extremely low-income households and communities of color.

This report was commissioned by Austin Community Foundation with funding from JPMorgan Chase, National Instruments, and St. David's Foundation in support of conversations amongst stakeholders in Central Texas concerned by the escalating impact of the affordable housing crisis on the region.

As a review of current and potential philanthropic work around affordable housing, it is designed to increase understanding of housing-related issues and present ideas for consideration by funders working in the region, particularly those new to this area of investment. It is not intended to be an all-encompassing view of the broad topic of housing affordability, nor even the entirety of philanthropy's role, but rather a working paper to advance conversation, generate thinking, and foster a dialogue that can give rise to multiple pathways to action.

## Methodology

Information was collected on the intersection of philanthropy and housing affordability via review of numerous websites and reports, including locally focused reports by the City of Austin, HousingWorks Austin, and the Urban Institute as well as other national resources and reports. Interviews were conducted with housing experts in the Central Texas region and beyond to explore strategies for creating more affordable housing and ways that philanthropy can support this work. Interviews and meetings with regional and national philanthropic leaders were conducted to identify, test and vet potential findings and recommendations. Please note that the majority of interviews and meetings were held in late 2019/early 2020, prior to the COVID-19 pandemic, economic fallout, and growing national awareness of the importance of racial equity and justice. See Appendix A for a list of key stakeholders.

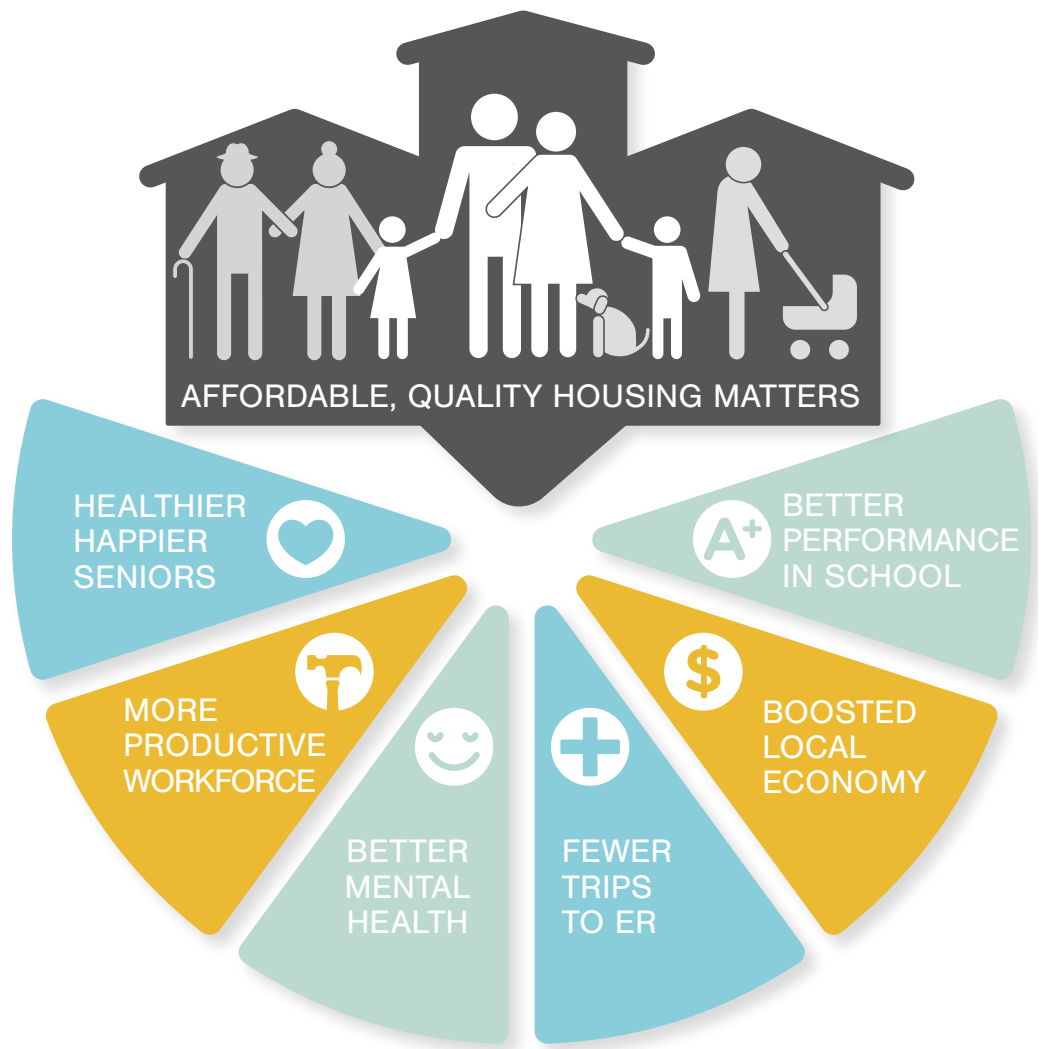


### USEFUL TERMS

Useful housing-specific terms are defined throughout the report where indicated with a dictionary symbol. These definitions are drawn directly from the City of Austin's Department of Planning and Zoning's Planning Terms Glossary<sup>5</sup>, the City of Austin's Strategic Plan Glossary<sup>6</sup>, HousingWorks Austin, and the City of Austin's Strategic Housing Blueprint<sup>7</sup>.

*“There is an urgent need to tackle the affordability crisis in Central Texas. When hardworking families have access to safe, affordable housing, one less barrier exists for those seeking economic stability and success.”*

Yvette Ruiz,  
Vice President  
of Community  
Engagement,  
JPMorgan Chase



## How Housing Matters

Our homes and neighborhoods set the stage for our lives. Research has shown that housing problems have ripple effects on health, education, economic mobility, child welfare, racial equity, criminal justice, and more. Affordable, stable, and quality housing options for all types of households and income levels support better outcomes.<sup>8</sup>

Specifically, safe, stable housing means:

- children do better in school
- seniors are healthier and more socially connected
- parents and children experience better mental health
- workers are more productive
- trips to emergency rooms are reduced
- families have more disposable income to strengthen their financial security and boost local economies.<sup>9</sup>



## Health and Well-Being

Health outcomes are intricately tied with housing stability and costs. When neighborhoods gentrify, those who are displaced typically move to communities that are generally lower income with fewer opportunities. Studies show an increase in emergency department visits, hospitalizations, and mental health-related visits for about five years after displacement compared to families who were not displaced from their communities. Moreover, being behind in rent or moving several times can lead to adverse health issues, especially if families end up experiencing homelessness.

One specific health impact of poor housing quality is asthma-related issues. Low quality housing can lead to 50% percent higher odds of an emergency room visit in the past year, while families who rent are more likely to have conditions in their homes that trigger asthma attacks than homeowners. They are also more likely to have a child with asthma. In addition, single-parent households living in neighborhoods with above average crime rates report higher incidences of severe depression symptoms and higher stress levels due to constant worry and concern about their children's safety and well-being.<sup>10</sup>

For many low-income families, the question of whether to pay for food must be weighed against the monthly rent. The situation is further exacerbated when there is a drop in income, such as “job changes, job loss, or disability, and a lack of social services to fill the gap.”<sup>11</sup> Families are unable to afford (or even have access to) healthy foods, which directly affects the health of family members. They also must consider the cost of housing compared to transportation and childcare needs, making daily decisions on the well-being of family members a troubling concern.

**All of these issues disproportionately affect communities of color, directly contributing to significant racial disparities in life expectancy.** Recent research by the Episcopal Health Foundation found that Texans who live in low-income neighborhoods with high rates of poverty, low education levels, and large minority populations live significantly shorter lives compared to those who live in communities with high incomes, low poverty rates, high education levels, and large White populations. In Austin, this translated to life expectancies as high as 88.9 years in predominately white neighborhoods in Western Travis County and as low as 71.5 in neighborhoods of color in East Austin — nearly a twenty-year gap.<sup>12</sup>



## Educational Success

Housing and economic success are integrally linked, starting with pre-kindergarten education, through elementary and high school, and on to college and beyond. Research indicates that children living in what is deemed as poor-quality housing or disadvantaged neighborhoods tend to be less prepared for kindergarten, with lower readiness scores than other children. And if a child lives in an over-crowded home at any point in their life before the age of 19, they are less likely to obtain a high school diploma and usually have a lower level of educational attainment by the age of 25.

Higher scoring public schools also impact the cost of housing that feeds students into those schools, in some cases increasing housing cost by over two times compared to a lower-scoring school. This results in parents essentially paying school tuition fees in the form of high rents or mortgage payments to ensure a better education for their kids. Or worse being displaced from the neighborhood, due to the high cost of housing, which usually results in a move to a lower performing school.<sup>13</sup>

## Employment Opportunities

Beyond schools and educational attainment, ensuring people are in living in healthy homes and neighborhoods will lead to the best economic outcomes for individuals and households. For example, Black per capita income tends to be higher in regions that are less segregated economically and racially. Inclusion has helped cities perform better economically overall compared to less successful cities, which tend to have more economic and racial segregation.<sup>14</sup>

**Overall, affordable housing can create jobs, temporary as well as long-term, by providing construction employment during the development of housing as well as long-term benefits such as new residents spending money at local businesses.** Some examples of economic gains for cities include: “sales taxes on building materials, corporate taxes on builders’ profits, income taxes on construction workers, and fees for zoning, inspections” and more.<sup>15</sup>



## Economic Development

Employees are not the only ones affected by a lack of affordable housing; employers have to consider nearby housing costs as part of their overall business plans and selection of office locations. Higher housing costs for employees result in higher wage requirements for employers to recruit and retain a viable and skilled workforce. Employers are also burdened by higher turnover rates when housing costs rise. This phenomenon is especially true for employers that operate on a regional, national or global scale as lower-cost regions are able to pay their employees less for the same jobs if the cost of living (especially housing) is lower.

Workers on the other hand, may not be able to access certain jobs or may spend the entirety of any increased salary on housing costs in regions with a higher cost of living. Wage and housing cost imbalances impact lower-income workers the most, as they often lose their jobs if they are displaced from their existing, affordable rental housing. They usually have inflexible work schedules without any options to leave work to deal with typical household emergencies such as a trip to an emergency room, sudden home or car repair, or an eviction court case. Low-income workers who move farther away to find housing that matches their incomes are then

subject to longer commutes. These workers are more likely to face issues such as “depression, financial concern, and stress,” with overall productivity costs (loss of hours at home or at work) in the billions for some regions.<sup>16</sup>

According to a study of employers, more than 50% of companies without affordable housing located nearby have reported that their employees listed their long commute time as the reason for quitting their jobs.<sup>17</sup> **In the long-term, as demographic trends are leading to a more mobile workforce, employers will need to compete for employees who will pass over regions with high-cost housing in favor of “opportunity-rich regions with lower housing costs.”**<sup>18</sup> Cities can compete for these employees by providing lower cost housing opportunities, which will eventually lead to increased local spending on goods and services at local businesses, such as restaurants and neighborhood stores. Creating an overall inclusive community with affordable housing opportunities could potentially lead to a more active local economy “in the form of local consumer activity, employment opportunities, and private-market investment.”<sup>19</sup>

# Affordable Housing Overview

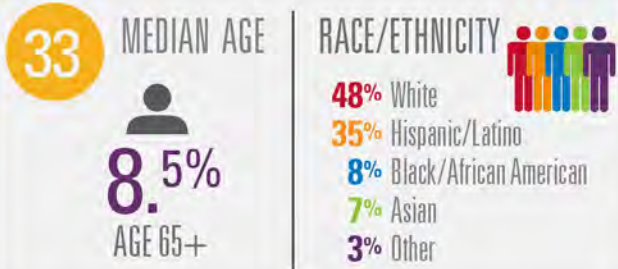
The country today faces a critical housing crisis. With almost half of renter populations across the U.S. paying more than they can afford in rent, housing shortages are taking a serious toll on economic growth, driving increased inequality, and crippling social, economic, and community potential and progress. Limitations on access to quality, affordable, well-located housing create a formidable barrier to job opportunities, access to healthy food and activities, education, and culture for a large swath of the residents of high housing cost areas. And Central Texas<sup>20</sup> is no exception to this national problem – with one of the highest proportions of renters and lowest housing affordability in the state.



# AUSTIN AT A GLANCE

AFFORDABLE HOUSING 2020

## DEMOGRAPHICS



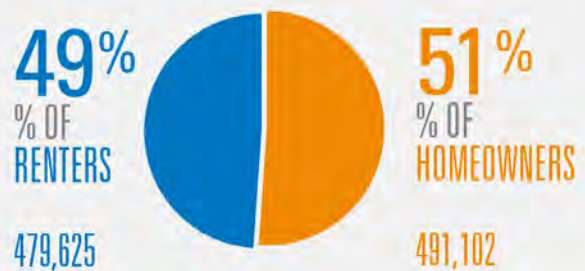
## SUBSIDIZED HOUSING



## COST OF LIVING



## RENTER VS. OWNER



## HOMELESSNESS



## POVERTY RATE



## COST BURDENED



## TRANSIT CHOICES



Published 05/2021



Sources: Austin Board of Realtors, Austin Investor Interests, Austin Tenants' Council, Center for Neighborhood Technology, Ending Community Homelessness Coalition, National Low Income Housing Coalition, Neighborhood Housing and Community Development City of Austin, Public and Affordable Housing Research Corporation, Texas Department of Housing & Community Affairs, United States Census Bureau, United States



### COST-BURDENED HOUSEHOLDS

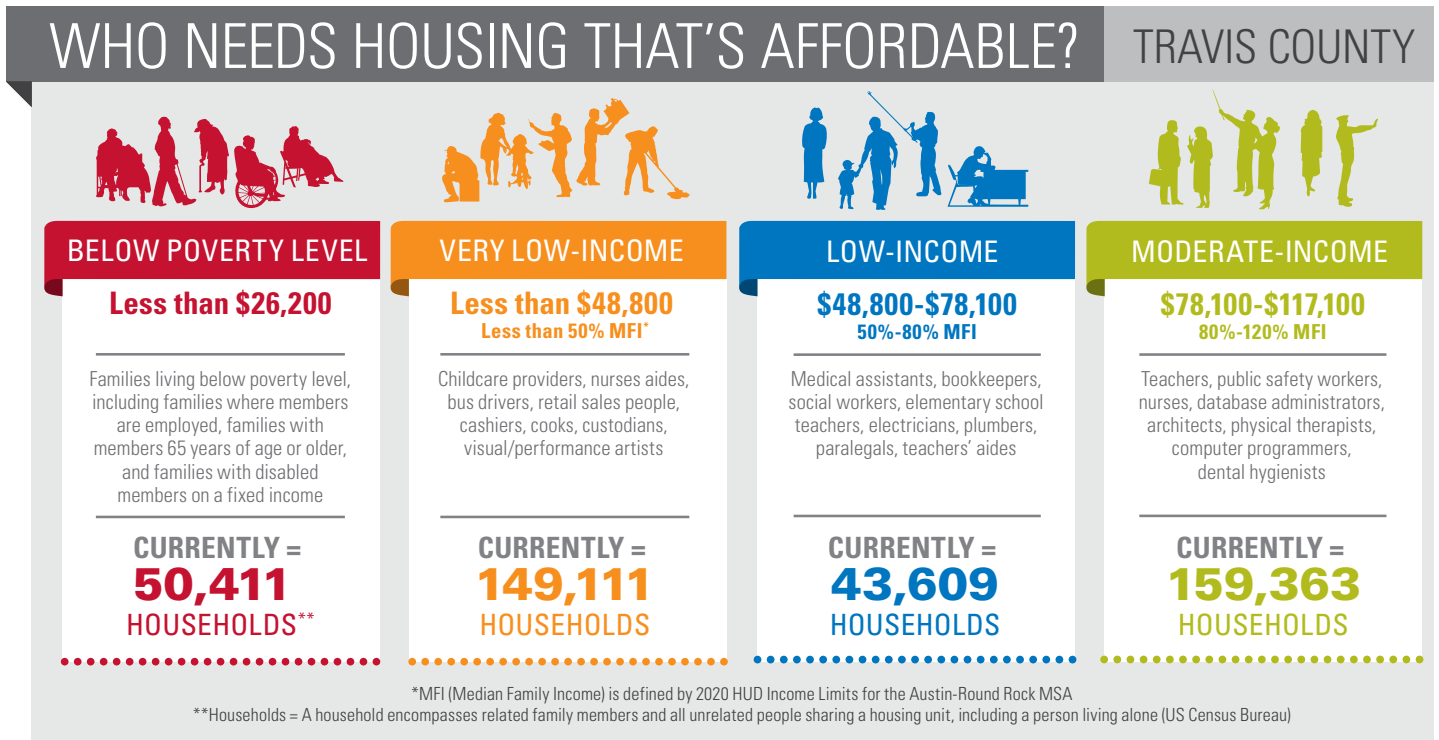
Households whose costs of housing, transportation, and utilities reduces their ability to afford other necessities, such as food, medical care, or childcare. Typically, households are considered cost burdened if their housing costs exceed 30% of their income or if their combined housing and transportation costs exceeds 45% of their income. Severe Housing Cost Burden applies when 50% or more of a household's income is spent on housing costs.

## Housing Affordability – The Demand

Housing affordability is determined by the percentage of household income required to cover the cost of housing, including rent or mortgage payments, insurance, taxes, and utilities. A household that is able to cover housing costs with 30% or less of gross income is considered to have a “reasonable housing cost burden.” Housing that receives government subsidies and places income restrictions on the occupant(s) in order to maintain a reasonable housing cost burden is known as “affordable housing.”

Income restrictions for housing units designated as affordable are determined based on the prevailing earnings level for the community in which the housing is located – typically a percent of Median Family Income – allowing for affordable housing to be targeted to specific households based on their earnings relative to the local economy.

Approximately half (49%) of Austin residents are renters.<sup>21</sup> Though rent prices fell at the height of the pandemic, they have soared back up at a historic rate. In September 2021, the average rent was \$1,647, a 21% increase compared to pre-pandemic rents in March 2020.<sup>22</sup> Based on those averages, **the majority of workers living in Austin will not be able to afford their monthly rents.** This means that the percentage of families who are cost burdened spending more than 30% or even 50% of their income on housing will continue to grow, putting them at risk of displacement and homelessness. These families are disproportionately people of color with Black and Latinx families experiencing cost burdens at higher rates than white households.<sup>23</sup> And Black people are even more over-represented in terms of those experiencing homelessness, comprising 35% of Austin/Travis County’s homeless population yet only 8% of its overall population.<sup>24</sup>



Source: HousingWorks Austin.



Many of the jobs available to Austin workers do not pay enough to cover the cost of rent with enough surplus to cover the other necessities that a family needs to not only survive, but also thrive. Although Austin’s economic growth has been strong for more than a decade, the majority of the jobs that have been created are low- to moderate-income jobs. These include those in the health and education fields, with yearly incomes about \$40,000 and others in the service, retail, and hospitality sectors, with yearly incomes averaging less than \$20,000. According to the Austin Strategic Housing Blueprint, “Austin is expected to continue adding disproportionately more low- to moderate-paying jobs”.<sup>25</sup>

The graph on this page is a comparison of incomes across selected professions compared to the income needed to afford rent for one, two, and three-bedroom apartments in the Austin-Round Rock area. Unfortunately, none earns enough to support a three-bedroom and seven cannot even afford a typical one-bedroom unit.

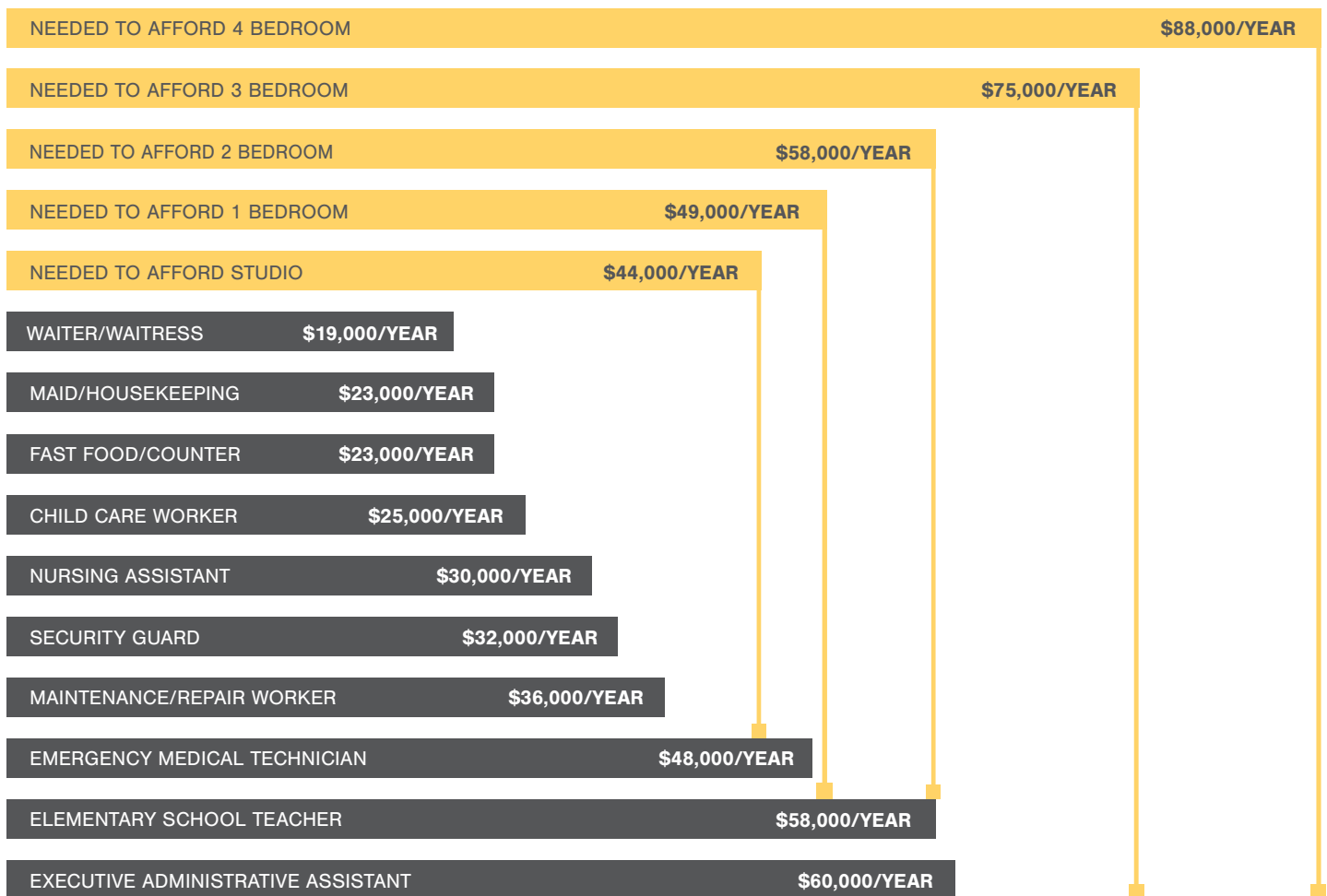
**The lack of “job-housing fit” – the alignment between earning levels associated with jobs in the region and the cost of available housing – promises to constrain future growth and economic activity.** As long-term residents are forced out, and the region’s workforce faces longer and longer commutes to participate in the economy, the housing crisis is becoming a significant driver of rising inequity.



**MEDIAN FAMILY INCOME (MFI)**

The amount of money earned by a family in a metropolitan statistical area that divides the income distribution of all families in that area into two equal parts – half having incomes above that amount and half below.

**WHO EARNS ENOUGH TO AFFORD AN APARTMENT IN THE AUSTIN-ROUND ROCK MSA?**



Source: National Housing Conference 2021 Paycheck to Paycheck.

Looking to the region's future, the lack of protection and preservation of current housing and production of future housing portends badly for transportation systems, public services, economic vitality, and quality of life.

## Housing Affordability – The Supply Gap



In 2022, Austin is expected to become the least-affordable metropolitan area outside California due to the rising cost of houses and rents.<sup>26</sup> The metro area has a deficit of 69,833 affordable units and only 23 affordable and available homes for every 100 low-income renter households.<sup>27</sup> The gap between the price for homes and rent and the slowgrowing paychecks of lower-income, Latinx, and Black residents means there are fewer options for stable, affordable housing.

As summarized by the Urban Land Institute, **“Affordable housing in Austin is in short and shrinking supply. Austin is in a housing crisis, with a demand for affordable properties that far outstrips the supply of units affordable to low and median-income households.”** This mismatch between demand and supply is shown in growing housing costs for renters and homebuyers alike, and for all income levels. Between 2008 and 2018, monthly rent grew by 51.7% (according to Yardi) while median income only grew by 23% during this same time period.<sup>28</sup>

With housing costs outpacing wage growth, 49% of Austin’s renters are classified by the Department of Housing and Urban Development (HUD) as “cost-burdened.”<sup>29</sup> Austinites are more likely to be cost burdened than Texans overall. Mirroring national data, Latinx and Black households are more likely to be cost-burdened than White households.<sup>30</sup>

The pandemic has exacerbated this problem according to the new State of the Nation’s Housing 2020 Report, “COVID-19’s economic impacts have hit renters particularly hard. Forty-nine percent of renters reported income loss between March and September, compared with 36 percent of homeowners. And Latinx and Black households report income losses, difficulty making rent, and difficulty making mortgage payments at higher rates than White households.”<sup>31</sup>

For households facing Covid-related income loss, the City of Austin launched the Relief of Emergency Needs for Tenants (RENT) Assistance Program. As of November 2021, they deployed all available \$35 million of local and federal rental relief funding to over 8,298 Austin households.<sup>32</sup> However, advocates warn that there are many more people, including undocumented residents, who were unable to receive rental assistance and are at risk of eviction.<sup>33</sup>

High rates of housing cost burdens not only affect individual families – they also limit Central Texas’ growth and economic potential. In Austin, 65% of renters surveyed recently planned to leave the region due to their cost of housing (35%), job (32%), or commute (12%). The respondents were planning a move to another city, listing in order of popularity: Denver, Seattle or Miami.<sup>34</sup>

And it is not only renters who are struggling – the housing crisis affects homebuyers as well. While the median sale price for a home in the city of Austin was \$179,250 in 2010, the average home sale price hit an all-time record at \$536,331 in December 2021, representing a 300% increase.<sup>35</sup> In the Austin metro area, median home prices grew 31% between 2020 and 2021, reaching \$450,000 in December 2021. Increasing home prices mean home buyers are more likely to be cost-burdened from mortgage payments and put affordable home ownership out of reach for many households.

## Housing Affordability – Displacement

Since the late 1990s, the dramatic rise in housing costs has shifted Austin from among the most affordable cities in the country to one where a growing share of residents can no longer afford to live. There has been an inversion of previous demographic trends, as affluent residents increasingly move into central neighborhoods and low-income residents are pushed to the outskirts or out of the city altogether.

**Austin now has the highest levels of Black and Latinx segregation in the region, and the greatest poverty gaps with Black and Latinx families averaging 17% percentage points greater than White households.**<sup>36</sup> The impacts have been particularly dramatic in the city’s “eastern crescent,” where historically low housing costs, produced in part through the city’s history of publicly-supported racial and ethnic segregation, now combine with broader social and economic trends to make these neighborhoods more desirable to higher-income households.

Despite the overturning of legally-sanctioned racial segregation in the mid-twentieth century, low-income residents of color living in predominantly non-white neighborhoods are particularly vulnerable to displacement. First, the value of their neighborhoods has been depressed by past discriminatory actions, making them lucrative sites for residential investment associated with gentrification and displacement. Second, they continue to face barriers to living in more affluent, historically white neighborhoods. Once displaced, their housing choices remain limited.

**There are five key indicators that make certain Austinites more at risk for displacement:** people of color, people 25 and older without a bachelor’s degree, people making at or below 80% Median Family Income, households below the poverty line with children, and renters. Families with multiple indicators are even more vulnerable to displacement. For example, Black Central Texans are more likely to have other characteristics that increase their vulnerability, such as living in poverty or being renters. Latinx residents are also more likely to be renters, or have lower levels of education, or both.<sup>37</sup>

The economic fallout of the Covid-19 pandemic puts low-income, Latinx, and Black Austinites at greater risk of displacement. Pandemic-related income and job losses disproportionately impacted communities of color, leaving many unable to pay their rent.<sup>38</sup> As a result of citywide rising housing prices, it is challenging for residents who slip behind on rent and mortgage payments to find affordable places to live in an increasingly gentrifying city.

### Three primary types of displacement are occurring in Austin:

#### DIRECT DISPLACEMENT

This occurs when current residents can no longer afford to remain in their homes due to rising housing bills (rents or property taxes), or they are forced out due to eminent domain, lease non-renewals, and evictions to make way for new development, or physical conditions that render their homes uninhabitable.

#### INDIRECT DISPLACEMENT

Indirect or exclusionary displacement occurs when units being vacated by low-income residents are no longer affordable to other low-income households. The current residents move out of a neighborhood and are replaced with higher-income residents over time. Such changes can occur due to discrimination against low-income residents (for example, those using vouchers) or changes in land use or zoning that change the character of residential development.

#### CULTURAL DISPLACEMENT

Changes to the aspects of a neighborhood that provided long-time residents, often communities of color, with a sense of belonging. As shops and services shift to focus on new residents, remaining residents may feel a sense of dislocation despite physically remaining in the neighborhood. This may also reflect the changing racial or ethnic, not just class, composition of the neighborhood.

### WHO IS MOST AT RISK FOR DISPLACEMENT?



**Communities of color**



**People 25 and older without a Bachelor's Degree**



**Renters**



**People making at or below 80% Median Family Income**



**Households with children in poverty**



### MARKET-RATE HOUSING

Housing in which the price or rent is determined by market price.

### AFFORDABLE HOUSING

Housing in which the household pays no more than 30 percent of its income for gross housing costs, including utilities. Housing deemed “affordable” generally falls into two primary categories:

- **Market-rate Housing (unsubsidized)** – the price one must pay to purchase or rent a home on the open real-estate market; sometimes referred to as Naturally Occurring Affordable Housing (NOAH) or ‘little a’ affordable
- **Subsidized Housing** – housing assisted with public funding for low-to-moderate-income persons and families; sometimes referred to as ‘big A’ Affordable

In addition to income restrictions, affordable housing can be restricted to specific populations with additional need for assistance in accessing or retaining housing, such as seniors or households with individuals living with HIV/AIDS, disabilities, or a history of homelessness.


## Affordable Housing – Protection, Preservation & Production

To begin to address the significant housing supply gap, the City of Austin’s Strategic Housing Blueprint calls for building 60,000 homes that are affordable for families earning less than 80% of the Median Family Income, including:

- 20,000 housing units affordable to 30% MFI households
- 25,000 housing units affordable to 31-60% MFI households
- 15,000 housing units affordable to 61-80% MFI households


The Plan also finds that **25,000 housing units affordable at 81-120% MFI and more than 45,000 market rate housing units for 121% MFI and above<sup>39</sup> are needed for a total of 130,000 new housing units.** Additional strategies are recommended to protect existing residents from displacement and preserve the affordability of existing units as production efforts alone cannot ensure an inclusive, equitable, and thriving region.

As of 2020, three years into the plan, Austin has made some progress – particularly in the construction of homes affordable to families at 31-60% MFI (where government subsidies are available) and for middle and higher income families at 80% MFI and above. It is woefully behind in terms of housing its extremely low-income residents – those most at-risk for or already experiencing homelessness – with only 238 units produced toward its ten-year 20,000-unit goal. The City has made progress on its preservation efforts, with 2,313 affordable housing units protected toward the ten-year goal of 10,000.<sup>40</sup>




### PROTECT

Keep tenants and homeowners in their existing housing and existing communities together with a particular emphasis upon lower-income renters and neighborhoods most at-risk for gentrification.



### PRESERVE

Ensure that existing affordable units remain affordable and are in good physical shape, safe, and well-maintained, considering both publicly subsidized and privately owned units in both higher- and lower-cost communities.



### PRODUCE

Increase the supply of affordable homes, particularly units affordable for extremely- and very-low-income households (at 50% or below of MFI) in opportunity-rich neighborhoods.

20 Austin Community Foundation Housing Report

## Affordable Housing – Financing

There is ample evidence that affordable housing is a key driver of the health, sustainability, and well-being of communities. The current system by which affordable housing is financed, however, draws equally ample criticism for its faults. The sheer scope of resources essential to the construction, rehabilitation, and maintenance of physical property requires a significant investment at the level of public funds and technical capacity to navigate them.

- **Resource requirements are significant:** In Austin, the cost of constructing a new housing unit is \$175-200,000 in the suburbs and more than \$300,000 in downtown Austin.<sup>41</sup> Assuming a range of \$175-300,000 per home, the total funding gap to meet the current goal of 60,000 homes for low-income families is between \$10.5 and \$18 billion.
- **Public funds** comprise the only feasible source for affordable housing development, with local commitments playing a key part. The very nature of affordable housing presents a significant structural barrier. Allowable rents limit the revenue potential to the point that a project cannot break even, much less present an attractive development opportunity for a for-profit developer. Without government subsidy or incentive, there is not a rational market opportunity that can attract private sector developers to meet demand.

- Navigating the complexities of affordable housing funding requires **significant technical capacity**. The array of funding sources that housing developers must combine in order to finance their development and preservation work is substantial, typically ranging from federal, local and state sources to private lending, donations, and grants. With specific and targeted requirements for each source of funds, developers must navigate a complex array of applications and approval processes, interweaving compatible funding sources to finance each housing project.

**Ultimately, the construction, rehabilitation, and maintenance of affordable housing requires multiple sources of funding**, both for development costs and to fill the gap between resident rents and the actual cost of operating affordable rental housing developments.

Despite the existence of multiple sources for financing of affordable housing construction or preservation, the dramatic reductions seen in nearly all major sources over the past decade has forced development to a crawl. Furthermore, the decline in dollar amount of individual financing sources has led to affordable housing development requiring numerous, complex, restricted revenue streams, driving up the cost of producing an affordable unit while slowing the pace of production.

In the current affordable housing system, a myriad of financing sources are required to create the spectrum of housing needed in our communities, as shown in the graphic below.



Source: Texas Affiliation of Affordable Housing Providers.

## Primary Funding Sources for the Austin-Round Rock MSA

### Federal Rental Housing Programs

Today's federal rental housing programs grew out of economic, social, cultural, and political circumstances, evolving over the years in response to changing circumstances. After periods of significant investment in the nation's affordable housing stock, particularly during the late depression and post-war eras of the prior century, federal support decreased dramatically in recent decades.

**Beginning with the 1974 Housing and Community Development Act, federal programs have seen massive reductions in funding, have initiated no major investments in new housing for the lowest income people, and have largely left the responsibility for addressing the nation's housing concerns to states, regions, and local governments to contend with.**

In the same period, there has been limited production of unsubsidized housing – rental units that are affordable to low- and moderate-income households, as private developers could realize higher profits with market rate construction.

### Low-Income Housing Tax Credit Program (LIHTC)

Created by the Tax Reform Act of 1986 to provide incentives for private sector production of low-income housing, LIHTC replaced traditional housing tax incentives with a tax credit that enables developers of affordable housing to raise equity through the “sale” of tax benefits to investors (corporations and individuals). Investors receive 10 years of tax credits in exchange for their investment. The program requires a certain percentage of homes built be restricted for occupancy to households earning 60% or less of Median Family Income and the rents on these units be restricted accordingly.

### Housing Choice Voucher and Section 8 Program

Federal rent-subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater).

There are two public housing authorities in Austin, the Housing Authority of the City of Austin (HACA) and the Housing Authority of Travis County (HATC). HACA includes a portfolio of 18 public housing properties (1,838 low-income affordable units) with a wait list of over 8,000 families.<sup>42</sup> HACA also maintains programs such as rental voucher programs (Veteran Affairs Supportive Housing - VASH, Homeless Program Grant, Family Unification, Mainstream, and Non-Elderly with Disabilities), the Housing Choice Voucher program (over 5,350 rental vouchers supporting 14,500 people with another 2,000 families on waiting lists), and the Tenant Based Rental Assistance voucher program (101 households).<sup>43</sup>

The Housing Authority of Travis County (which also includes parts of Austin) manages 154 affordable housing units across five housing properties and also administers eight housing services programs including the Housing Choice Voucher program (568 vouchers with 800 households on the wait list) and a Shelter Plus Care grant (95 homeless supporting housing units).

### Austin Housing Bonds

**2006:** Austin voters approved an affordable housing general obligation bond that provided \$55 million to create and preserve housing opportunities for low-income Austin residents, resulting in over 2,500 rental and ownership units. These opportunities included building and retaining rental housing, ownership housing options, and home repair programs.<sup>44</sup>

**2013:** Austin voters approved a \$65 million affordable housing bond that was estimated to have nearly \$400 million in construction impact and almost \$900 million in overall economic impact by 2023. This led to the creation of almost 1,300 affordable housing units (of which over 700 are deeply affordable).<sup>45</sup>

**2018:** Proposition A, a \$250 million affordable housing bond, was overwhelmingly supported by Austin voters by over 73%. The proposition allocated \$100 million into land acquisition, \$98 million into rental housing development assistance, \$28 million into a homeownership program and \$28 million for home repairs/rehabilitation.<sup>46</sup>



## Austin Area Specific Challenges & Opportunities

In addition to the general complexities of housing development and finance, key stakeholders identified specific challenges and opportunities related to increasing housing affordability in the Austin area. The five primary obstacles identified are:

- 1 Tax Policy** – A regressive tax structure lacking income tax combined with property taxes having to fund schools alongside limited ability for local jurisdictions to enact taxes.
- 2 Other State Policies** – State law forbids inclusionary zoning and impact fees used elsewhere to generate more affordable housing. It also forbids rent control. Priorities around LIHTC favor other parts of the state and mean only one to two projects from Austin per year can likely access them.
- 3 Development Capacity** – Lack of key players often found in other markets including housing-focused Community Development Financial Institutions; for-profit, national, and regional affordable developers; and few large local nonprofit housing developers. This is due to in large part to the lack of funding streams for them to access.
- 4 Hot Housing Market** – As reported by *HousingWire*, “Tech heats up the already hot Austin Housing market.”<sup>47</sup> High paying jobs in tech rose nearly 62% in the last ten years, with average salaries nearly 90% higher than the average salaries of other industries.<sup>48</sup> This has led to higher housing costs and lower inventory. These high land costs, rising rents, and increased displacement make it even more difficult for affordable housing developers to secure land and ensure projects are financially feasible and for long-term residents to remain and continue to make the case for affordable housing. The vast majority of those forced out are lower-income, families of color, many of whom have lived in Austin for generations.
- 5 Rapid Growth** – Austin ranks first among the largest metro areas for new residents as a percent of total population.<sup>49</sup> The Austin metro area has grown exponentially over the last two decades – from about 500,000 to over 2,000,000 – and the mindsets, capacity, and funding levels of residents, elected officials, government staff, business leaders, and philanthropists have not been able to keep pace, leaving systems in place that work better for a smaller city than a booming metro area.

### Opportunities

**Stakeholders also identified a number of opportunities to build from including the passage of the 2018 \$250M affordable housing bond and the 2020 Property Tax Designation for Project Connect which includes funds for transit-oriented development, affordable housing, and anti-displacement initiatives.** Other assets cited included growing political and public awareness and support, land development code revisions, and nonprofit affordable housing leadership, research, planning and advocacy.



### DENSITY

A standard measure of homes per area (typically reported in dwelling units per acre or du/ac). High-density areas have more dwelling units (homes) per area of land than low-density areas. A typical lower-density development in Austin’s older neighborhoods (with 6,000 sq ft lots) may have a housing density of 8 units per acre, while a typical townhouse development (higher density) may have a housing density of 16 units per acre, and a typical apartment complex may have a housing density of 40 units per acre. The common means to measure and regulate density of development is by maximum units/acre.



# Philanthropic Investment

## **Changing Role of Philanthropy**

Over the last five years, philanthropic interest has grown tremendously due to the increased awareness that without safe, stable housing, individuals and communities are unable to their meet health, education, workforce, or economic goals. The COVID-19 pandemic disproportionately affected communities of color and put Black and Latinx residents at increased risk of housing instability. At the same time, increased attention to systemic racism has shed light on the policies and practices that led to racial inequities in housing. This presents an opportunity for philanthropy to play a role in addressing the deep inequities embedded in our systems and exacerbated by the pandemic.





Historically, many foundations perceived affordable housing as too daunting of an issue to focus on, and one that is the responsibility of markets and government. The primary funders active in this area tended to be large bank foundations, motivated in part by Community Re-Investment Act (CRA) requirements, several major national foundations, and a few community foundations. But more recently, foundations that had not funded much in the housing arena have provided grants for rental assistance, publicly advocated for eviction moratoria, and supported housing developers in bringing more housing online more quickly. Corporate foundations have become increasingly engaged in high-cost housing areas such as the San Francisco Bay Area and Seattle, and new funder collaboratives focused on housing and homelessness have emerged.

Nationally, **Funders for Housing and Opportunity**<sup>50</sup> represents this growing interest, forming in 2018 as a cross-sector collaborative to catalyze a movement that fundamentally changes the way we think about, talk about and provide housing in our country. It is now supported by 15 national foundations pooling funds and aligning investments through a shared theory of change that articulates some of the most important ways that foundations can have a strong impact in partnership with the nonprofit, public, and private sectors.

At the regional level, a number of foundations and banks have pooled funding to create **Affordable Housing Loan Funds**, also referred to as “structured” or “layered” funds. These funds combine multiple sources of capital — public subsidy, private capital, and/or philanthropic investment and grants — into a single revolving loan fund for nonprofit or private affordable housing developers to access. The most common type of affordable housing loan fund provides flexible capital at the early stages of a project, and the combination of different sources of funding can help overcome the limitations of each.

The general goal of the aggregate affordable housing funds is to provide nimble, patient financing that would not otherwise be available for the purpose of acquiring property. Funds can also help kickstart affordable housing preservation and development by closing the gap in early-stage funding. Although dozens of funds exist, the funds that are cited as most effective are providing dollars in a streamlined enough manner, at reasonable enough terms, with openness to some level of risk, and aligned with permanent funding streams. The **San Francisco Housing Accelerator Fund**<sup>51</sup> with its close partnership with the City of San Francisco for permanent financing stands out as an exemplar in this regard.

## Philanthropic Tools & Approaches

Whether seeking to build community and political will to advance housing-friendly policies and local land-use decisions, or to increase the capacity of housing development organizations active in the area, grantmakers cite three key categories of tools to employ:

- **Grantmaking** in support of organizations, policies, and projects that advance one or more strategies to protect, preserve, or produce affordable housing.
- **Program-related (or mission-related) investments** for direct support of projects, as financing to increase the capacity of housing-related organizations, such as loans for predevelopment working capital, or into pooled funds.
- **Exercising the influence** afforded by philanthropy's position and relationships through research, convening, messaging, and advocacy.






Philanthropy has applied these tools toward a variety of approaches. In some cases, the foundation identifies housing as a crosscutting concern to be addressed in conjunction with the primary portfolio areas within the overarching foundation strategy. In other cases, foundations have focused

primarily on one geography, a specific strategy relevant to other program priorities, or one particular area of need, such as the requirement for stronger community acceptance of affordable housing development in a target region.

Regardless of the approach, three common themes emerged for foundations in developing their housing-related strategy:

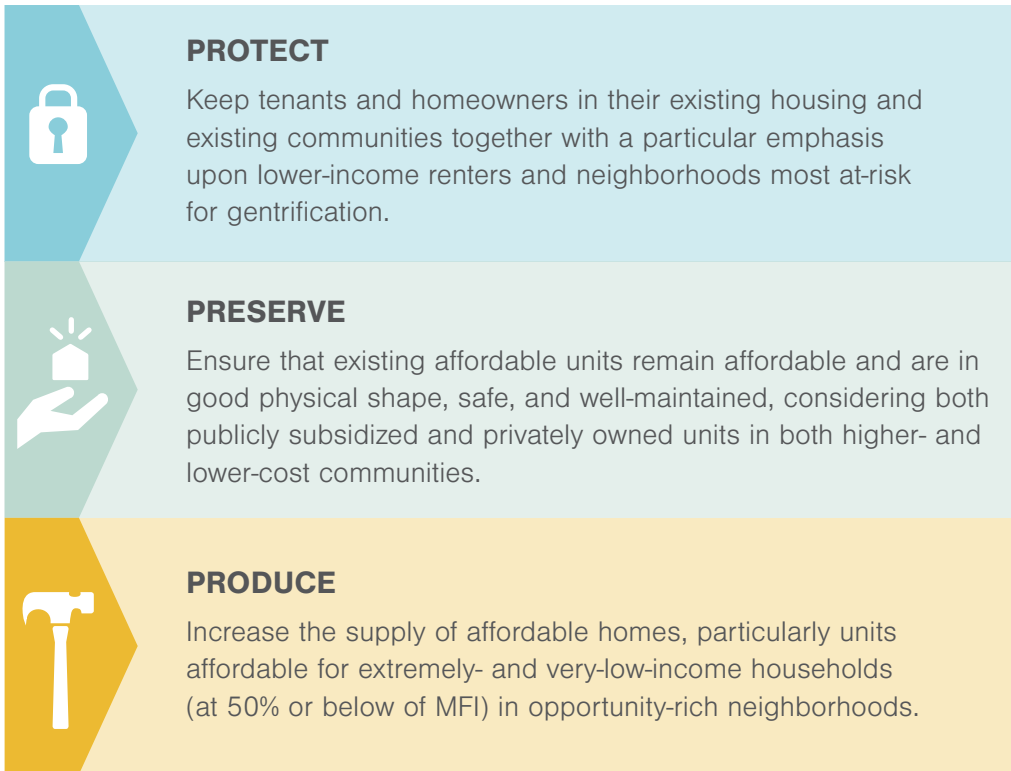
- **Mutually-reinforcing strategies** – There is no single solution or one-size-fits-all approach to our housing challenges. Cross-sector collaboration and sustained investment with a variety of approaches are needed.
- **Strategic focus** at both program and systems level is essential with emphasis on capacity building and general operating support that allow nonprofit partners the flexibility not often available from government sources.
- **Systems change focus is critical** – philanthropy needs to partner with and leverage government, as it is the primary funder, policy maker, and regulator – including building public will and directly advocating for changes to increase equity.

## Criteria for evaluating potential philanthropic opportunities

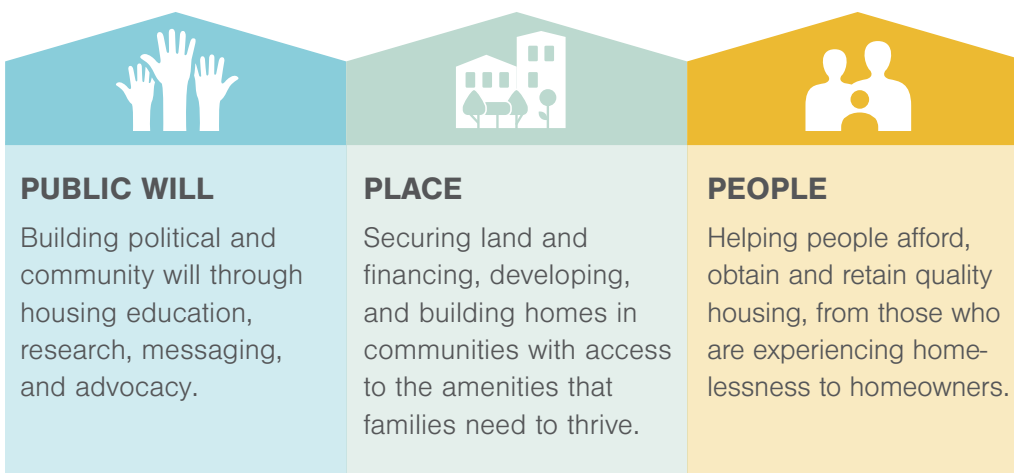
	<b>EQUITABLE IMPACT</b> Demonstrate significant and enduring positive impact for priority populations with an emphasis on Black, Indigenous, and other communities of color whose housing outcomes have been severely impacted by systemic racial discrimination and segregation.
	<b>SCALE</b> Contribute to the development of a large number of units, benefitting a large number of people, and/or have a clear pathway to reaching significant scale; this includes efforts to create a more housing friendly culture and enabling environment.
	<b>INNOVATION</b> Develop or implement new solutions to the affordable housing crisis, particularly those with clear learning and evaluation plans and pathways to using that learning for greater adaptation/scale.
	<b>PARTNERSHIP</b> Include the private, public, nonprofit, and/or philanthropic sectors needed to achieve significant and sustainable outcomes.
	<b>LEVERAGE</b> Directly leverage and/or have the potential to leverage public and private sector financial resources and funding streams.

## Investment Framework

In order to ensure “all kinds of homes for all kinds of people in all parts of town,”<sup>52</sup> communities need to protect, preserve, and produce affordable housing in concert. Pursuing only one or two of these strategies will not solve the affordability crisis and can unintendedly lead to less housing affordability – for instance a focus on production without protecting current tenants often leads to gentrification, displacement, and less affordability.



Philanthropic support for protecting, preserving, and producing affordable housing cuts across three primary domains:



*“In order to close the widening economic wealth gap in Central Texas, philanthropists and other funders must mobilize resources and leverage convening power across sectors to support affordable and stable housing. The wellbeing of our community is at stake if we don’t take action.”*

Mike Nellis, CEO,  
Austin Community  
Foundation

## Specific Recommendations



### PUBLIC WILL

Building political and community will through housing education, research, messaging, and advocacy.

PROTECT  
PRESERVE  
PRODUCE

PROTECT  
PRESERVE

### Public Will

**Given that the public sector is by far the largest source of funds in affordable housing and controls regulations (including policies that can incentivize the private sector), advancing systems changes efforts is the top priority for philanthropy.**

The affordable housing system needs both political and community will for policies and programs that lead to the creation of an adequate supply of quality, well-located affordable housing. Advocacy for land use policy, capital and operating funding, and project siting is essential to increasing the supply of affordable housing and ensuring that current residents can remain housed.

Community acceptance of affordable housing and political support are prerequisites to successfully sustaining a regulatory and tax policy environment in which affordable housing developers can find land, navigate approvals processes, secure financing and commence construction. Resistance to zoning changes, density increases and other policy actions that can lead to increases in housing supply must be overcome. Community leaders, organizers, and advocates play a critical role in communicating housing needs and building the support required for housing friendly policies, particularly for homes that are affordable to the lowest-income community members.

**The top public will-related recommendations for Austin philanthropy are:**

- 1 General operating support for affordable housing education, research, and policy change groups.** Providing funds for research, message framing, and communications, including public opinion research on potential policy and measures, is also quite valuable. **HousingWorks Austin**<sup>53</sup> is the largest nonprofit working in this arena, with the **Austin Housing Coalition**<sup>54</sup> and **Community Powered Workshops**<sup>55</sup> also providing advocacy and research support. Nationally, a number of housing advocacy and research groups provide valuable data and perspectives. For instance, in 2017, JP MorganChase funded the Urban Institute to author a report on the state of low- and middle-income housing in Austin that offered a number of helpful strategies for preserving affordability.
- 2 Support community organizing, leadership training, and coalition building,** particularly in neighborhoods most at risk of displacement, helps to protect and preserve housing. Community-based organizations, housing counselors, and advocates who know their communities best can reach the most vulnerable renters, defend their rights, and connect them with resources. In Austin, groups such as **BASTA**<sup>56</sup> (Building and Strengthening Tenant Action) help Austin renters work together to improve conditions in their homes and communities. Funding for anti-displacement policy work around affordable housing preservation, business and cultural stabilization, community ownership, equitable development, and tenant protection is also needed. Advocacy to extend eviction moratoria, extend pandemic rental assistance, and help both renters and smaller landlords weather the economic fallout from the pandemic is also particularly needed.



### SPOTLIGHT ON PLACER COMMUNITY FOUNDATION

**Placer Community Foundation** is located east of Sacramento in Northern California and includes high wealth areas around Lake Tahoe as well as many smaller communities. They developed the **Placer Housing Matters**<sup>57</sup> project with the goal of educating the public and shining the light on the need for attainable housing for our workforce in Placer County. They are building a constituency of private and public sector actors, government officials, private developers, local employers, and nonprofit developers, to coalesce and mobilize around the need for affordable housing. The CEO regularly published Op-Eds<sup>58</sup> in the local newspaper, advocating for particular affordable housing sites, funding streams, and policies. Their website details the economic benefits of housing, features community member's stories, and helps to provide positive messaging and framing around housing affordability providing a mix of data, human faces, and project examples to help advocate's make the case.

PROTECT  
PRESERVE  
PRODUCE

**3 Provide public leadership on strategies for protecting, preserving, and producing** affordable housing at the city, county, regional, and state level. Foundation leaders — both Board and Staff — have tremendous influence and connections that they can bring to bear. They can convene groups, build coalitions, publish Op-Eds, meet with elected officials and provide support for all types of housing.

PRESERVE  
PRODUCE

**4 Fund research and technical assistance** to help develop zoning and policies that incentivize the diversity of needed housing types. Capacity building support is particularly needed to help with policy and practice in the less populous counties and cities in Central Texas. They have less infrastructure and funding to work with, resulting in far fewer subsidized affordable housing units. Foundations can provide funding for housing technical assistance experts to work with these jurisdictions in partnership with the government staff and elected officials.



## PLACE

Securing land and financing, developing, and building homes in communities with access to the amenities that families need to thrive.

## Place

In high-density urban settings such as downtown Austin, the absence of available land presents a significant barrier to sustaining housing affordability. To address this, infill development can accommodate growth and prevent sprawl by increasing density within existing urban boundaries. Unfortunately, the barriers to infill development such as zoning, parking requirements, and regulatory hurdles can quickly throttle any possibility of housing growth on par with the need driven by economic growth.

Strategies to increase affordable housing within the existing urban environment such as infill development, Missing Middle housing (the range of homes between single family and mid-rise apartments such as bungalow courts, duplexes, fourplexes, and live/work spaces), accessory dwelling units (in-law units), or increases to density zoning present the means to address land needs within such an environment.



Missing Middle Housing term created by Daniel Parolek/Image © Opticos Design, Inc. For more info visit [www.missingmiddlehousing.com](http://www.missingmiddlehousing.com)

In addition to addressing the lack of available land on which to build, the housing needs of lower-income households are also usually better met by neighborhoods of greater density, a more varied mix of housing types and mixed land use. Finally, developing denser, affordable housing alongside transit hubs creates health, climate, and economic benefits for the region as a whole.

### The top place-related recommendations for Austin philanthropy are:

## PRODUCE

- 1 Increase capacity of existing and help to attract new affordable housing developers**, including statewide and national, nonprofit and for-profit, developers. Improvements in the funding and policy arena will create a more attractive environment, and philanthropy can further boost capacity and incentivize development by providing grants for general operating support for community development nonprofits, grants enabling technical assistance providers and intermediaries to expand offerings in the region, and capacity-building projects to enable local and regional organizations experiencing growth and increased demand to keep pace without becoming overextended.



### SPOTLIGHT ON THE AUSTIN HOUSING CONSERVANCY (AHC)

**The Austin Housing Conservancy**<sup>59</sup> (AHC) is a unique and innovative collaboration between investors, nonprofit, and community partners to preserve middle-income housing units for Austin’s workforce. It provides an open-ended social impact private equity fund for high-net-worth individuals, family offices, private foundations, institutional investors, Bank CRA programs, larger foundations and others. Local funders include Austin Community Foundation, Michael and Susan Dell Foundation, St. David’s Foundation, and Wells Fargo. Unlike other impact investment funds, the AHC Fund invests its long-term equity directly in the problem it endeavors to solve moderate and middle-income housing affordability.

The Austin Housing Conservancy addresses housing affordability by preserving a portion of existing housing stock from redevelopment before it is too late. To date, it has purchased three market affordable multifamily properties in geographically diverse, transit-rich areas throughout Austin, preserving homes for more than 1,200 residents. By securing private investment and offering a steady, low-risk financial return, AHC stabilizes housing for Austin’s workforce, who provide vital services to the community – from teachers and baristas to musicians and bus drivers.

#### PROTECT PRESERVE

- 2 Funders can support acquisition and preservation** of at-risk multi-family housing through recoverable grants and program-related investments. Low- or no-interest loans are needed to quickly acquire housing that is at-risk of losing its affordability, either due to the expiration of government subsidies or rising market values, and to rehabilitate properties to ensure quality housing that is habitable and affordable for many years to come. Housing preservation also helps to prevent lower-income families from being displaced and ensure they type of inclusive, mixed-income communities that promote economic growth.



### SPOTLIGHT ON FUNDATX IMPACT INVESTMENTS

Austin Community Foundation's (ACF) FundATX impact investment program recently awarded low-interest loans that accelerated two important new housing developments:

ACF and the National Instruments Fund provided \$1M to **Habitat for Humanity**'s<sup>60</sup> East Austin affordable housing development. The eleven row homes in the Mueller mixed-income neighborhood (with both market rate and affordable homes in the same development) will serve individuals and families earning less than 80% median family income, or \$75,500 (and below) for a family of four.

In collaboration with the Shield-Ayres Foundation, ACF made a \$900,000 impact investment to **Foundation Communities**<sup>61</sup> for an affordable housing development in North Austin. The investment supports financing on a 5-acre tract of land adjacent to its new Laurel Creek Apartments, which will allow for construction of more than 100 new affordable housing units. Additionally, St David's Foundation provided a \$1M grant for the community center at Laurel Creek, as government financing was not available for the non-housing portion of the project.

PRESERVE  
PRODUCE

- 3 In collaboration with the public and private sectors, philanthropy can support housing development and production efforts**, especially homes that will be affordable for very- and extremely low-income households. The need for homes affordable to households at 30% MFI and below is particularly acute with more than 20,000 projected as needed in the City's Housing Plan yet only 238 units developed in 2020. Grants can support feasibility assessments, pre-development costs, and other forms of technical assistance that help affordable housing developers assess viability and leverage larger capital sources. Program-Related Investments, ideally at 0-2% interest rates and terms of five years or more, can increase the feasibility and affordability of particular projects.



**4 In order to preserve and produce affordable housing, philanthropic support for the development of community ownership models such as mobile home co-ops and community land trusts is needed.** In terms of manufactured homes, **ROC USA**<sup>62</sup> provides social venture scaling and capital for resident ownership of manufactured home communities, working with more than 260 resident-owned communities in 17 states. It recently assisted the Asociación de Residentes North Lamar<sup>63</sup> in purchasing its land, giving 68 homeowners control of their own site with technical assistance from Community Housing Expansion of Austin and funding from the *JP MorganChase Foundation* and the *City of Austin*.

On the community land trust front, **Grounded Solutions Network**<sup>64</sup> provides technical assistance and support particularly in the development of trusts focused upon affordable housing that promotes equity and inclusion.



Source: Austin Strategic Housing Plan

A Community Land Trust (CLT) is when a public entity or non-profit sells the improvement (the actual house) but not the land beneath it. The land is owned by the CLT and is then leased to the homeowner for a small fee. The homeowner's property taxes reflect the value of the home itself, and the property taxes for the land are very low because of the small lease fee.

The home increases in value, but at a set rate, usually 1.5% to 2% each year, so that the sales price is fixed and known at any given time. When the homeowner decides to sell the home, the nonprofit will be the likely buyer and the homeowner will recoup the mortgage principal they paid overtime as well as the fixed amount of increased value. This system keeps the property taxes low and manageable and ensures that the home will be affordable to the next buyer.<sup>65</sup>



### SPOTLIGHT ON GUADALUPE NEIGHBORHOOD DEVELOPMENT CORPORATION

The **Guadalupe Neighborhood Development Corporation**<sup>66</sup> (GNDC) builds Community Land Trust (CLT) homes<sup>67</sup> that are sold at affordable prices to income-eligible households, while continuing to own the land and ensure its permanent affordability. Its new Guadalupe-Saldaña Net Zero Subdivision merges sustainable design and supportive social services with GNDC's affordable rental and home ownership programs. The Subdivision will ultimately provide one hundred and twenty-five units of "super-green," long-term affordable housing to the East Austin community.

Fifty-eight units have been designated for home ownership, thirty-two units will be rental units and thirty-five units have been developed as supportive and transitional rental housing in partnership with **Jeremiah Program Austin**.<sup>68</sup> The 11-acre project is on a former brownfield that required environmental remediation and includes open spaces with a bio-filtration pond, walking trails, and green space. It involves extensive collaboration with non-profits, public and private funders, Austin Energy, and support from the surrounding neighborhood residents and churches. Local funders include *Austin Community Foundation*, *The Meadows Foundation*, and *JP MorganChase*.

## PRODUCE

- 5 Fund technical assistance and support** for housing development exploring a variety of housing types that are more cost- and time-efficient as well as development on public- and mission-owned lands. A diversity of housing types is needed to ensure a thriving region – from small lot single-family homes and townhomes to multi-family buildings and denser neighborhoods – and smaller, alternative housing types can often be developed more cost-effectively. In 2021, Austin's City Council voted on changes to allow accessory dwelling units in more neighborhoods and to make them easier to build.<sup>69</sup> Grants can support expansion of Accessory Dwelling Units through the **Alley Flat Initiative**,<sup>70</sup> research and support for developers exploring alternative development models such as off-site prefabricated construction; and technical assistance and early exploration of affordable housing development on publicly held or faith-based-institution owned land.



## PEOPLE

Helping people afford, obtain and retain quality housing, from those who are experiencing homelessness to homeowners.

## People

Ultimately, affordable housing is intended to ensure continued housing for households that otherwise would be vulnerable to exclusion from the housing market, or who could be at risk of losing their housing. These programs provide a first line of defense against the erosion of affordability by maximizing access to and retention of a region’s existing affordable housing. Stabilizing and assisting households still residing in affordable homes, particularly unsubsidized affordable housing, is highly efficient as compared to the cost of development and preservation, and yields much quicker return/impact than the equally important long-term systems change work.

Lower-income families and individuals, even those residing in subsidized or unsubsidized affordable housing, rarely have assets or savings to draw on during times of hardship. Effective programs may offer financial assistance to bring rent payments current, with or without case management or other support services to assist in addressing the causes of financial hardship. In cases where a household faces imminent homelessness, rapid rehousing programs are a proven means to enable continued housing and stability. Providing housing first, with follow-up services to ensure housing retention, is a proven method for ensuring housing stability for families and individuals facing economic, physical, and/or behavioral health challenges.

### The top people-related recommendations for Austin philanthropy are:

#### PROTECT

**1 Support renter eviction prevention and housing-related financial assistance services** such as those offered by the **Austin Tenants Council**.<sup>71</sup> Grants for legal assistance helps renters when landlords pursue unlawful evictions or seek to increase rents, particularly in housing markets where rents are rapidly increasing due to undersupply and gentrification.. Short to mid-term subsidies or financial support programs can make the difference between a family remaining in their homes or risk becoming homeless due to an unexpected medical bill, auto repair or temporary gap in income. Legal assistance is especially needed in this moment to support tenants who are at risk of eviction due to pandemic-related income and job loss.

#### PROTECT PRESERVE

**2 Fund development of a homesharing program** for the Austin area. Homesharing enables two or more unrelated people to share housing for their mutual benefit. A person offers a private bedroom and shared common area in exchange for rent, help around the house or a combination of the two. It is one of the most cost-effective and efficient ways to increase the supply of affordable housing and often matches older adult homeowners with lower-income renters, providing financial and social support benefits for both. The **National Shared Housing Resource Center**<sup>72</sup> (NSHRC) is a network of independent non-profit homesharing programs that encourages best practices and cross learning among programs and helps to foster the development of new homesharing programs.



### SPOTLIGHT ON A WAY HOME HOUSING ENDOWMENT

**A Way Home Housing Endowment**<sup>73</sup> is a \$26M public-private partnership between the Foundation for the Carolinas and the City of Charlotte that helps families experiencing or at high-risk for homelessness move toward housing and financial independence by providing housing subsidies and supportive services. By helping families move directly into rental units throughout the community, the program frees up critical shelter space and resources for others in need. Housing a family through A Way Home costs the community less than half of a comparable stay in a homeless shelter, with far better outcomes. A Way Home selects nonprofit agencies to work with families for up to two years. By subsidizing rent in market-rate apartments, families are moved quickly into homes scattered across more than 18 zip codes. The City of Charlotte committed \$10 million toward the endowment, and Foundation for The Carolinas raised \$16 million from nearly a dozen family and bank foundations. Mecklenburg County then provides funding toward support services for families receiving housing assistance.

#### PROTECT PRESERVE

**3 Support services that support access to housing** as well as development of services and funding streams for permanent supportive housing. Households that may qualify for affordable housing will often benefit from services that support access to housing such as matched savings programs or assistance programs that can help to meet deposit costs or ongoing rental subsidies. Many low-income households will increase their likelihood of not only obtaining, but also retaining, affordable housing through services supports prior to and during the transition into housing. This is particularly true for individuals and families who have experienced longer-term homelessness and are struggling with physical and mental health challenges.

#### PRESERVE

**4 Support financial counseling, home repair, and rehabilitation** for low-income homeowners. Financial counseling coupled with financial assistance for homeowners at risk of foreclosure is a highly cost-effective means to ensuring continued affordability. During the recession following the housing market crash of 2008, low-income and minority homeowners saw disproportionate levels of negative equity as compared to more affluent counterparts. And in communities where rapid job and income growth may lead to rapid increases in the cost of living, lower-earning homeowners experience greater financial instability as their home equity accounts for a greater portion of total wealth.

# Conclusion

## Maximizing Impact through Cross-Sector Collaboration

The severity of the housing affordability crisis in Austin calls for a collective response with public, private, and philanthropic alignment, action, and investment. Philanthropy is well positioned to play a significant role in this effort – working with the many potential partners who are currently implementing affordable housing solutions, building deeper capacity and connections, and forging new ground together.

Corporate, private, and community foundations can develop an aligned framework for their investments, identifying ways to bring their individual and combined assets to bear. The risk some foundations may encounter can be mitigated by a shared commitment with peers to learning from the community, experimenting at smaller scales initially, investing resources jointly, and identifying the levers most likely to achieve lasting change. Philanthropy can partner with regional public sector leaders, build off existing strategies such as those in the City of Austin’s Strategic Housing Blueprint, and use their collective voices to advocate for the resources necessary to ensure housing equity and affordability.

**Now is the time for Austin area foundations to join together to help reverse the region’s negative housing trends, ensuring existing lower-income families and individuals can continue to contribute to their communities and remain part of a thriving region.** Their collective investment in housing stability and affordability will improve health, education, workforce, and economic mobility incomes for community members and provide the platform for an inclusive, equitable, and thriving region.



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## Key Stakeholders (Interviewees & Meeting Participants)

1. Neeraj Aggarwal, Program Director, Michael & Susan Dell Foundation
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4. Amy Bell, Principal in Business Development, Whole Foods
5. Philip Berber, Chair & Co-Founder, A Glimmer of Hope Foundation
6. Marti Bier, Chief of Staff, Austin Council Member Jimmy Flannigan
7. William Buster, Executive Vice President, Community Investments, St. David's Foundation
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14. Kendra Garrett, Director of Housing & Community Development, Austin Justice Coalition
15. Nikki Graham, Austin Market President, Bank of America
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18. Julian Huerta, Deputy Executive Director, Foundation Communities
19. Nicole Joslin, Executive Director, Community Powered Workshop & Chair, Austin Housing Coalition
20. Julijs Liepins, Vice President, Forsyth Street
21. Nora Linares-Moeller, Executive Director, HousingWorks
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31. Olivia Speck, Senior Associate, Forsyth Street
32. David Steinwedell, President & CEO, Affordable Central Texas
33. Rachel Stone, Assistant Executive Director, Guadalupe Neighborhood Development Corporation
34. Jessica Weaver, Consultant, National Instruments
35. Michelle Whetten, Vice President & Gulf Coast Market Leader, Enterprise Community Partners
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## PHOTO CREDITS

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