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The Affordable Housing Crisis in Austin: How We Got Here, What it Means, and Recommendations to Fix It

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The Affordable Housing Crisis in Austin: How We Got Here, What it Means, and What We Need to Do

by

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Abstract

The Affordable Housing Crisis in Austin: How We Got Here, What it Means, and What We Need to Do

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Affordable housing availability and cost-burden rates for low-income and middle-income households in Austin, Texas are worse than both the national and state averages. As population growth has outpaced housing development, the subsequent rise in property value has created higher housing costs that impede the ability for households to accrue social safety net savings and meet basic needs such as food, shelter, and medical care. This report aimed to examine the history of public and private policy that impacted non-white residents' ability to accrue wealth and achieve homeownership. In addition, this report examined current affordable housing within the city and its geospatial location in relation to coexisting social service need data within Austin zip codes. The findings of this report show that affordable housing development has primarily occurred in historically African American neighborhoods East of Highway I35. Furthermore, analysis of United Way 2-1-1 caller data of unmet social serviced need indicates high levels of unmet service need existing within these areas. In light of these findings, recommendations to improve affordable housing include: expansion of Pay-for–Success financing for creating Permanent Supportive Housing; push for legislation to create redevelopment zones as well

as tax abatements for low-income home owners; funding towards the affordable housing strike fund; and expansion of wraparound services amongst affordable housing providers.

Table of Content

Introduction

Sociologist Matthew Desmond stated "it is hard to argue that housing is not a fundamental human need. Decent, affordable housing should be a basic right for everybody in this country. The reason is simple: without out stable shelter, everything else falls apart" (Desmond, 2016). Stable housing is crucial to providing both individuals and families the security they need to address barriers to employment, health, and overall success. The country's current affordable housing crisis most drastically impacts urban areas across the country—specifically the renter market within these cities. Amongst the cities facing increasing shortages in affordable housing, Austin, Texas is considered to be one of the worst. Austin is currently ranked as the 9th fastest gentrifying city as well the 9th most economically segregated city in America (Widner, 2017). Spurred by economic development strategies in both the technology and cultural sectors, Austin has experienced rapid population growth, making it one of the fastest growing cities while also creating an undue housing burdens on long-time residents. As defined by the United States Department of Housing and Urban Development (HUD, "housing cost burden" is defined as "paying more than 30 percent of their income for housing and may have difficulty affording necessities such as food, clothing transportation and medical care" (HUD). Furthermore, paying above 30 percent of one's income on housing prevents the ability to accrue savings that can provide a safety-net in the case of unforeseen financial emergencies (i.e. loss of employment, medical emergencies). From 2000 to 2015, Austin's housing burden rates for very low income (VLI) renters increased from 69 to 91 percent, while low to median income (LMI) renters saw cost-burdens increase from approximately 9 percent to 25 percent as the population's rate of growth exceeded housing development (Hedman, Elliott, Srini, & Kooragayala, 2018).

As Austin became one of the fastest growing cities in America, it was the only growing city within the United States the experienced a declining African American population. Stemming from the 1928 Master Plan that shifted the vast majority of the African American population being shifted to east side of the city by making it the only part of the city where African Americans could access public services. Proceeding this, overt city policies backed by Jim Crow laws and private sector discriminatory such as redlining prevent African Americans from accessing quality housing and public services such as education. Lack of access to socioeconomic opportunities overtime created significant divide in wealth accruement between black and white residents, which led to black Austinites unable to afford the rising costs of living as the city began experiencing a boom in higher earning residents.

Austin's recently adopted "Strategic Housing Blueprint" provides a plan for the creation of 135,000 housing units over the next 10 years, with 60 percent planned to be for LMI households with 10 percent specifically for VLI households (Strategic Housing Blueprint, 2017). The plan aims to primarily use private developers for building the new housing, with a small chunk of new affordable housing being provided by area nonprofits. The difference between the two options highlights the need for tiered intervention in meeting the affordable housing needs of households across the extremely low, very low and low to moderate income brackets. For low to moderate income households (LMI), rising housing costs have significantly increased the number of individuals in this bracket experiencing housing costs burden. These households often solely require cost controlled housing that allows them to continue to afford living costs while accruing safety net finances. Households that are low to extremely low income (ELI) includes those who are homeless or at-risk of being homeless, and tend to require additional supports around education, health care and employment in order to achieve socioeconomic overtime. As a result, housing and social service intervention in this income bracket is often more expensive and requires longer-term intervention.

Housing nonprofits, specifically ones that offer wraparound services (i.e. job training, mental health counseling, childcare) have shown to foster socioeconomic advancement across varying income-level brackets. In comparison, private developers often have the capital to create the housing, but their lack of auxiliary social services and higher level income cut off ignores those in dire need. Nonprofits are not able to develop housing at the scale of private developers, yet the services they provide coupled with housing options for lower level incomes is crucial for improving the socioeconomic equity issues that impacts Austin.

In order to analyze current affordable housing efforts in relation to both existing social service need and geographical opportunity, this report utilized multiple data sources. This report uses data from the City of Austin's Affordable Housing Inventory (AHI) data set that breaks down listed affordable housing within Austin by zip code and number of units by percentage of the city's median family income (MFI). The report also utilizes city data on affordable housing location in relation to socioeconomic opportunity, which is measured by the Kirwan Opportunity Index, which indicates housing location to quality transportation, health services and school systems. To measure level of unmet social service (i.e. housing, employment, health) need within Austin, this report utilizes United Way 2-1-1, de-identified caller data on individuals calling 2-1-1 seeking connection to specific social services.

Background

WHAT IS AFFORDABLE HOUSING?

Government agencies and housing programs in the United States have long measured housing affordability in terms of percentage of total household income. Since 1981, affordable housing has been defined as housing in which the household pays less than 30 percent of their total monthly income on said housing (Defining Housing Affordability | HUD USER, 2018).

OVERVIEW OF HOUSING ASSISTANCE

Strategies for creating access to housing through ownership or rental rely on a variety of federal, state and local level government programs. In determining who qualifies for these programs, households are often broken down across the following 4 income levels based on the area median income (AMI): extremely low income (<30%AMI); very low income (30-50% AMI); low-moderate income (50-120% AMI); moderate to upper income (>120%) (Hedman, Elliott, Srini, & Kooragayala, 2018). Those in the moderate to upper income rate often are eligible for various federal, state and local tax incentives to foster home ownership. Regardless of income tier, households paying above 30 percent of their total monthly income on housing costs (i.e. rent, mortgage) are defined as housing cost burden. For ELI, VLI and LMI households, cities experiencing population growth at a rate faster than housing development often have higher levels of housing cost burden across these groups. In the case of Austin, this was further exacerbated by the influx of a higher-earning workforce as seen in the breakdown of household income at each AMI in Chart 1.

Median Income Limit	1 Person Household	2 Person Household	3 Person Household	4 Person Household	5 Person Household	6 Person Household	7 Person Household	8 Person Household
20%	10,900	12,450	14,000	15,560	16,800	18,050	19,300	20,550
30%	16,350	18,700	21,050	24,300	28,440	32,580	36,730	40,890
40%	21,800	24,900	28,000	31,120	33,600	36,100	38,600	41,100
50%	27,250	31,150	35,050	38,900	42,050	45,150	48,250	51,350
60%	32,700	37,350	42,000	46,680	50,400	54,140	57,900	61,600
65%	35,400	40,450	45,000	50,570	54,600	58,650	62,700	66,750
70%	38,100	43,550	49,000	54,460	58,800	63,150	67,550	71,900
80%	43,600	49,800	56,050	62,250	67,250	72,250	77,200	82,200
100%	54,450	62,250	70,000	77,800	84,000	90,250	96,400	102,700
120%	65,350	74,700	84,000	93,360	100,850	108,300	115,750	123,250
140%	76,250	87,150	98,050	108,920	117,650	126,350	135,050	143,750

Figure 1: FY 2016 Area Median Family Income for Travis County

Extremely Low Income

Households that are extremely low-income have a total income below 30 percent of the area's median income and are often homeless or are at risk of becoming homeless. Strategies often include emergency shelters and rapid rehousing, permanent supportive housing, housing for individuals with special needs, public housing, housing vouchers (Section 8) and project-based rental assistance (Hedman, Elliott, Srini, & Kooragayala, 2018).

The National Low Income Housing Coalition shows that the Austin-Round Rock metropolitan area has the 9th lowest availability of affordable housing units amongst all major metropolitan areas in the United States, with only 20 units affordable and available per 100 renters. There is currently no open tracking on vacancy rates for low-income housing availability that can allow for an analysis around declining affordable housing. Two of the most important indicators around the decrease in affordable housing options for this income tier is the declining the usage rates of Section 8 vouchers in Austin as well as projections from HACA that shows vacancy rates in lower income housing are almost nonexistent. According to Nicole Joslin, Chair of the Austin Housing Coalition, population growth has outpaced the development of new housing which has thus allowed landlords of low-income properties to lease their properties at market rate rather than go through the process of accepting a section 8 voucher applicant. (personal communication, Nicole Joslin, 2018). As a result of housing development not keeping pace with the population, Austin has higher housing cost burden rates than the national average for households under $15,000 (ATX=92%; US=84%) as well as households earning between $15,000-$24,999 (ATX=84%; US=65%).

Very Low Income

Households with total earnings between 30 percent to 50 percent do not qualify for public housing assistance or government voucher programs made available to those below 30% of the median income. Strategies to provide affordable housing for this group often include government funded, project-based rental assistance through nonprofits and private development as well as tax credits for the development and subsequent rental of affordable housing units.

Low to Moderate Income

LMI households often earn too much to qualify for federal or state level subsidized rental assistance, yet they do not earn enough to afford market-rate housing. In metropolitan areas with rising costs, such as Austin, these groups often struggle to afford rising housing costs. Municipalities often utilize various strategies to ensure both affordable rental or home ownership options for LMI households. Strategies vary by place and locality, but include: homeownership assistance; down payment assistance; homeownership counseling; tax-credits for developing affordable housing; density bonuses; and inclusionary zoning.

THE HISTORY AND IMPLICATIONS OF CITY POLICY

A History of Segregation

The current state of Austin's deep seated income segregation and housing burden is rooted in the city's 1928 Master Development Plan. After the civil war, Austin's black population experienced dramatic population growth as the city became informally accepted as an identified sanctuary from racial violence present in other Texas localities (Skolp, 2010). From reconstruction to the early 1900s, urban spatial structure was not conducive to segregation by class, race or ethnicity as evidenced by low indices[1] of segregation amongst both income classes and race (Massey & Denton, 2003). This was evident in Austin through the 1920s, as Austin's black population grew to comprise over a third of the total population leading to informal segregation through the establishment of black communities interspersed throughout the community. Lower racial-segregation indices were the result of the rise of neighborhoods of first generation freed blacks, known as

[1] Indices are a measure of hemogany of a specific feature (i.e. wealth, ethnicity) within a specific geographical region.

“freedom towns”, that became established in areas such as Wheatsville, Pleasant Hill and Clarksville that were dispersed across the city.

Around the 1920s, the city experienced a rise in racial indices as both newly arrived and displaced black residents began concentrating in East Austin as a result of various discrete and overt measures (Skolp, 2010). In 1891, Monroe Martin Shipe developed the neighborhood of Hyde Park to serve as a “white only” community within the city (Tretter, Sounny, & Student, 2012). Subtle measures were superseded by Austin’s first Master Plan of Development in 1928 that aimed to deliberately segregate the city by pushing all nonwhite residents to the east side of Austin. Barred by a 1917 Supreme Court ruling that prohibited cities from using zoning laws to segregate by race, Austin leadership relied on Jim Crow laws to create “separate but equal” access to public services (Zehr, 2015). Page 57 of the Master Plan states:

“In our studies in Austin we have found that the negroes are present in small numbers, in practically all sections of the city, excepting the area just east of East Avenue and south of the City Cemetery. This area seems to be all negro population. It is our recommendation that the nearest approach to the solution of the race segregation problem will (be) the recommendation of this district as a negro district; and that all facilities and conveniences be provided the negroes in this district, as an incentive to draw the negro population to this area” (Koch & Fowler, 1928).

The plan did not prohibit blacks or other nonwhites from living in any Austin locality, but implemented policy that made East Austin the only locality in which nonwhite residents could access public utilities, most notably schools (Skolp, 2010).

As a result of the city's plan, by 1940, over 70 percent of Austin's black residents resided within either of one of the two major census tracts within East Austin. Colocation of black residents created a successful black business sector in East Austin as well access to higher education through Tilotson College and Samuel Huston College (now Huston-Tilotson University), but East Austin as a whole experienced public and private policy that created the foundation for longstanding economic segregation (Orum, 2002). The sharp rise in racial indices coupled with inadequate public funding towards municipal projects in East Austin hindered socioeconomic advancement for many non-white residents. The GI benefit aimed to spur educational advancement as well as home ownership through low-cost mortgages to returning WWII vets, yet Jim Crow laws made it nearly impossible for nonwhite veterans to have access to these benefits (Katznelson, 2006). Unequal access to quality education coupled with discriminatory private sector policy such as redlining further impeded the accruement of wealth through either home ownership or educational pathways. Despite this, the plan ultimately led to the development of a strong black business center within East Austin as well as the rise of black home owners from post WWII until the 1970s. This did not occur at the same rate as it did for white Austin residents due to unequal access to unionized skilled labor as well as governmental benefits that spurred home ownership (Turner & Bound, 2003).

From the 1940s to the 1970s, federal policy to dismantle segregation coupled with city policy to bolster economic development created mixed socioeconomic advancement. The 1956 Federal Highway Act led to the construction of Interstate 35 with the goal to improve traffic flows within and through Central Austin in order to stimulate economic growth. Despite city reassurance the plan would cause little disruption to East Austin, the development of I35 in the central part of the city split east and west and reinforced the image that East Austin was on the "wrong side of the tracks" (Villa, 2000). Furthermore, construction created significant negative externalities as land was seized, home values depreciated and economic activity within the area declined. Through the 1940s and 1950s, long term Jim Crow laws alongside discriminatory, private sector practices hindered the ability of African American residents, and subsequently incoming Hispanic residents, to achieve socioeconomic advancement and intergenerational wealth through home ownership and socioeconomic opportunity (Orum, 2002).

As overtly racist policies were removed, attitudes remained, and low-income residents faced continued barriers to affordable housing as the city sought to reshape land development. The Civil Rights Act of 1964 outlawed discriminatory practices, yet the preceding decades of policy that promoted discriminatory, socioeconomic policy created deep levels of economic segregation between whites and nonwhites. Though change in these policies created socioeconomic advancement for nonwhites that allowed many families to move to higher income areas, longstanding policy deteriorated the value of East Austin housing and left it vulnerable to the Urban Revitalization Program of the 1970s. Through eminent domain, the program allowed the city to seize up property with the promise of developing more affordable, higher quality housing—a promise that did not happen (Skolp, 2010). The city allotted federal funds to acquire labeled "slum properties", assemble them into larger parcels, clear them the currently existing development, and mark them for new redevelopment. According to Orum, this primarily occurred in East Austin where the homes of black residents lacked the commercial value to justify home improvement loans (Orum, 2002). As a result, lack of existing home value prevented black residents from possessing the capital to remain in a redeveloped East Austin, subsequently beginning the slow push of poor black residents out of Austin in the 1970s. During this time, Austin began experiencing its initial influx in population growth as city officials sought to create an economy not primarily driven by state government or The University of Texas at Austin.

The Tech Boom

In the 1980s, economic development efforts by the city pushed the city to become a hub for both technology and culture, further exacerbating income segregation and housing disparities. The creation of research and development firm Microelectronics and Computer Technology Corporation (MCC) through a consortium of private sector computer manufacturers, private investors, The University of Texas and federal, state and local government spurred the initial tech boom within Austin. MCC initially received no financial support from the government, but began to receive government level tax abatements in the mid 1980's in order to spur continued growth. These government incentives served as both the foundation of and recruitment pitch for tech corporations such as Dell and Sematech (Giloth, 2008). According to Grodach, this became the main cornerstone of city policy to create "a desired development zone that enhanced cultural amenities specifically as an attraction for new residential and commercial development, particularly in the urban core" (Grodach, 2012). As Austin began to develop and attract larger tech companies, the late 1990s and 2000s saw Austin develop a large sector of start-up tech businesses. Labeled the "Silicon Hills", the lack of state income tax, more affordable housing prices as compared to tech hubs in California and other major cities, tax incentives, and newly developed tech labor pool made Austin a more appealing destination. Austin's initial population rise and attempts to house residents and develop a new business sector resulted in city policy that subsequently deepened economic inequality and housing scarcity.

Austin’s push to create housing centralized near the downtown business district in the 1980s and 1990s bolstered the economy, but was the prelude to the current affordability issues plaguing the city. In 1984, Austin developed a new city land code in an effort to distinguish between residential and nonresidential areas. At the time the land code was implemented, Austin’s population was approximately 350,000. When the land code was implemented, city officials focus on creating more housing downtown and developing a thriving business sector did not predict the impending population boom or need for specific zoning laws to create affordable housing. As a result, the code created a “one size fits all” model towards housing development that would require hundreds of amendments over the following decade and create significant barriers to affordable housing initiatives (Berg, 2016). Furthermore, Austin’s vote in 1990 on the implementation of a light rail was narrowly defeated as most Central Austin voted against the proposal. As a result, the city implemented policy to create incentives for development districts across downtown. The goal of development districts was to consolidate more of the population in the central downtown of the city (Berg, 2016). Private developers were provided government incentives to create high rise apartment complexes across the downtown area to continue to bolster the migration of higher educated individuals (Grodach, 2012). Out of this plan, development in the 1990s moved across to the downtown east side and drove up the low market value of current housing within the area—creating further housing strain on Austin’s historically marginalized low-income black and Hispanic-Latino populations. Sociologist Eric Tang argues this process became one of the key factors in exacerbating further economic divide for black families and subsequently the exodus of this population (Tang & Falola, 2016).

The development and attraction of new tech businesses has created favorable labor market conditions since the 1990s and spurred significant population growth that made

Austin among the fastest growing cities in the country from 2000-2010. Tech sector employment in Austin grew by 125 percent during the 1990s, but the recession of 2001 saw the sector decline by 5 percent (Federal Reserve Bank of Dallas, 2006). Despite this, from 2000 to 2010, Austin's population grew 20 percent as a result of both immigration and natural expansion (Hedman, Elliott, Srini, & Kooragayala, 2018). During this time, Austin was ranked as one of the fastest growing cities within the United States. This trend is continuing at the same rate though, as Austin's population grew from 727,688 in 2010 to 870,815 in 2015. Austin's high rate of expansion during this time runs counter to the fact that the city's employment sectors experienced decline due to both the 2001 and 2009 recessions. As speculated by the 2006 report from Dallas Federal Reserve, Austin's preexisting tech sector, cheaper costs of living compared to other cities, and reputation as a cool city made it a continued destination for individuals with higher educational attainment. A similar trend was seen after the 2009 recession, and the influx of population and income in the area made Austin a city not only more resilient to economic decline during these recessions, but a city that recovered at a quicker rate than the rest of the country (Austin Business Journal, 2015). The tech sector and population influx provided Austin a quicker recovery from both recessions, but possibly deepened Austin's state of economic inequality.

ECONOMIC SEGREGATION

Austin's rise in the tech industry and corresponding population growth has created significantly rising rates of economic inequality, particularly for the city's historically marginalized, non-white residents. A 2015 study by Richard Florida and Charlotta Mellander identifies Austin as having one of the highest rates of economic segregation amongst major cities in the United States. Florida and Mellander measured economic segregation through indices that factor in income as well as occupation and education—two measures often associated with socioeconomic status (Florida & Mellander, 2015). The study highlights that an influx of more educated residents has created wider discrepancies between more wealthy zip codes and ones such as East Austin where minority residents still feel the impact of historical, non-equitable economic policy. Indices are often a reflection of locational choices of wealthier households, and in the case of Austin, the city's rising popularity has raised economic inequality measures (Florida & Mellander, 2015). Though longstanding policy created a foundation for these findings, the 2009 recession and housing crisis created significant negative externalities for longstanding, low-income Austin residents. Hurt by a decline in employment as well as the collapse of the housing market and the influx of higher-earning residents, recovery and socio-economic advancement has been further complicated by a subsequent higher cost of living.

Research has shown the rise in housing prices in Austin due to population increases has subsequently increased the calculated rate for a living wage. The term "living wage" is defined as the minimum salary a worker needs to meet their basic needs (Deviney, et al. Better Texas Family Budgets: Methodology). This is different than the mandatory federal minimum wage that an employer must pay, which in Texas, has remained at $7.25 an hour since 2009 (Florida & Mellander, 2015). Calculations from the Center for Public Policy Priorities (CPPP) Better Texas Family Budgets calculator indicates a living wage for a parent with two children in the Austin metro area ranges from $18.25 to $38.27 per hour, or $36,504 or $54,288 annually (Deviney, et al. Better Texas Family Budgets: Methodology). Calculated costs include housing and utilities, food, medical care, transportation, and other miscellaneous necessities. The living wage thresholds cover the minimum amount for a family to maintain a safe and decent standard of living that allows a family to accrue safety-net finances that can allow for housing stability.

As indicated by Florida and Mellander's study, the areas in Austin experiencing socioeconomic inequality are a result of barriers that prevent obtaining higher wage employment. Many individuals and families located in the areas experiencing the highest level of housing need face significant barriers to achieving an income at the minimum threshold of $18.25. Analysis of 2-1-1 United Way caller data indicates higher levels of social services need within these areas (United Way 2-1-1 data, 2017). Barriers included and are not limited to: educational attainment of a high school diploma or higher, language barriers, access to childcare, transportation, and professional licensure. An analysis of the Bureau of Labor Statistics (BLS) occupational projections for Austin-Round Rock Metropolis for 2012-2022 on jobs earning above $18 an hour with qualification no higher than an associates' degree shows there are limited options for those without a high school diploma (May 2016 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates, 2017).

The Current State of Housing in Austin

Austin, like many fast-growing cities, has experienced rising housing costs as the population increased. From 2000 to 2015, Austin's population grew a total of 20 percent while the housing market grew at a relative pace, as over 69,000 units (19 percent) were added to the city during this time (Hedman, Elliott, Srini, & Kooragayala, 2018). The influx of more skilled, higher educated residents coupled with uneven growth in housing has created a more expensive housing market that has exacerbated current housing prices. The city's population is projected to maintain a fast rate of growth, with projections of an additional 750,000 residents by 2039 (Imagine Austin, 2012). Furthermore, the city's population growth has been met by increased land annexation—as the city has incorporated most of Travis county as well as parts of both Williamson County and Hays County (Hedman, Elliott, Srini, & Kooragayala, 2018).

The City of Austin conducted two housing market studies in 2008 and 2014 respectively to inform the city around current housing needs and guide the city's response. The most recent 2014 assessed housing needs in relation to both demographic and economic trends across the city's zip codes. Despite an influx in higher income residents, the city found there was significantly increased competition for non-luxury rental units (2014 Comprehensive Housing Market Analysis - Austin, Texas). At a neighborhood level, the study found there was incredibly limited affordable housing west of I-35 and that this subsequently created pressure on East Austin residents who were being priced out due to increased competition for affordable housing options and the rise in property taxes within these zip codes.

Direct support from the federal, state and local level has been able to address some of the gaps in affordable housing, but not enough to reduce the large number of individuals experiencing housing cost burden. HACA has 18 public and subsidized housing programs totaling 1,839 apartment units throughout the city, while also allotting section 8 vouchers made available through HUD funding (Draft 2018 Public Housing Authority Annual Plan, 2018). As of 2018, HACA has a waiting list of 28,592 residents for public housing and a waiting list of 1,210 residents for a housing choice voucher (HCV). As seen in the breakout on chart 1, the Public Housing Authority projects over 53,000 households are experiencing housing cost burden greater than 50 percent of their income (Draft 2018 Public Housing Authority Annual Plan, 2018).

Renter					
	0-30% AMI	>30-50% AMI	>50-80% AMI	>80-100% AMI	Total
Housing cost burden greater than 50% of income	27,590	8,565	1,945	110	38,210
Housing cost burden greater than 30% of income	2,570	12,865	14,875	2,105	32,415
Zero/Negative income	3,645	0	0	0	3,645

Owner					
	0-30% AMI	>30-50% AMI	>50-80% AMI	>80-100% AMI	Total
Housing cost burden greater than 50% of income	4,730	3,700	2,990	1,170	15,200
Housing cost burden greater than 30% of income	1,010	2,100	6,140	4,390	33,325
Zero/Negative income	554	0	0	0	3,645

Figure 2: Housing Cost Burden by AMI

For longtime residents, the flux in Austin's population is creating challenges specifically for low-income residents who own homes due the impact it has on property tax rates. As Austin's property value has simultaneously increased with the population, the rising property tax has created undue burden on longtime residents—specifically older residents on fixed-incomes and low-income residents (Hedman, Elliott, Srini, & Kooragayala, 2018). Property value reassessments have proven to be a challenge for these residents living in highly gentrifying neighborhoods. Travis county offers both a homestead credit and supplemental credit for residents 65 and older that allows them to pay for a permanent deferral of their property taxes while residing in the home. Utilizers of the credit are charged an 8 percent interest rate on the bill for every deferred year—unfortunately creating years of back taxes and interest on the home if the resident decides to move (Hedman, Elliott, Srini, & Kooragayala, 2018). There are no governmental assistance programs for low-income residents who are not senior citizens. Lack of tax abatements for non-senior residents has slowly pushed LMI homeowners to sell their homes and move out of the city (Hedman, Elliott, Srini, & Kooragayala, 2018).

The state of Texas is considered to have the third most regressive tax system in part due to its lack of income tax and reliance on both property and sales tax for state revenue (A Distributional Analysis of the Tax Systems in All 50 States, 2015). Texas' reliance on property taxes makes those taxes among the highest in the country and creates major strain on homeowners and landlords. Though gentrification in Travis County should in fact offer additional revenue to target socioeconomic issues through surplus property tax revenue, it does not. At the state level, Texas redistributes property taxes from wealthier school districts to lesser-funded ones, with funds allocated by per-capita school enrollment (Hedman, Elliott, Srini, & Kooragayala, 2018). Austin, which has declining school enrollment, sees its property tax dollars continually redistributed to other municipalities.

Analysis of Current Affordable Housing

To develop a better understanding of affordable housing in relation to both housing and other social service needs, this report analyzed data from Austin's Affordable Housing Index as well as United Way 2-1-1 call center data from 2016 and 2017. The Affordable Housing Inventory is a dataset regularly maintained by the City of Austin that includes all the income-restricted affordable units in developments funded through the Rental Housing Development Assistance Program, as well as other development incentive programs. Affordable housing units are broken down by total number of units within each household income range.

Utilizing the Austin Affordable Housing Indicator, Figure 1 below shows affordable housing has primarily been located in Austin's East side and Austin's South east side. Furthermore, as seen in Figure 2, we see affordable housing has primarily focused on individuals within 50-60 percent of Austin's AMI (approximately 70%)—which marks an approximate income of $42,000 annually for a 3-person household (City of Austin, Neighborhood Housing and Community Development Office, 2016).

Figure 3: Affordable Housing By Zip Code

Affordable Housing Across Austin By AMI							
Zip Code	**Total**	**<= 30%**	**<= 40%**	**<= 50%**	**<= 60%**	**<= 65%**	**<= 80%**
78758	535	20	0	3	311	42	159
78705	902	0	0	124	333	24	421
78702	1,246	97	29	667	220	3	229
78610	175	0	0	0	175	0	0
78617	3	0	0	0	0	0	3
78641	106	0	0	0	106	0	0
78652	198	0	0	0	43	0	155
78660	240	0	0	58	0	0	182
78701	211	27	27	81	0	0	76
78703	1	0	0	1	0	0	0
78704	1,449	109	21	472	680	0	163
78717	269	27	0	120	122	0	0
78721	578	25	0	34	480	0	39
78722	175	28	0	86	48	0	13
78723	1,963	97	0	537	1,064	0	265
78724	952	8	0	13	648	0	283
78726	114	11	0	44	55	0	4
78727	408	16	0	38	354	0	0
78728	104	13	0	50	41	0	0

Figure 4: Affordable Housing Across Austin by Zip Code and AMI

78730	153	12	0	60	48	0	33
78731	144	0	0	0	77	0	67
78735	218	12	12	115	79	0	0
78741	862	7	0	134	284	0	437
78744	718	21	0	135	261	0	301
78745	1,317	32	0	182	561	0	542
78747	504	0	0	0	304	0	200
78748	211	25	0	104	82	0	0
78749	51	0	0	0	51	0	0
78750	1	0	0	1	0	0	0
78751	189	9	0	30	107	0	43
78752	196	0	0	142	1	0	53
78753	695	22	0	193	480	0	0
78754	996	0	8	6	981	0	1
78756	81	0	0	0	31	0	50
78757	150	14	0	47	39	0	48
78759	51	0	0	0	51	0	0
Total	16,166	632	97	**3,477**	**8,117**	69	3,767

Figure 4 Continued: Affordable Housing Across Austin by Zip Code and AMI

CURRENT CITY APPROACHES TO HOUSING CRISIS

Austin city leaders had termed 2017 as the "Year of Affordability", as the city seeks to address the affordable housing crisis through a multifaceted approach. In April 2017, the

City of Austin adopted its' "Strategic Housing Blueprint", a 39-page plan that has a goal to develop an additional 135,000 units of housing. The Blueprint aims to "align resources, ensure a unified strategic direction, and facilitate community partnerships to achieve a shared vision of housing affordability" (Austin Strategic Housing Blueprint, 2017). Out of the planned 135,000 units, an estimated 60,000 units will be targeted at families making less than 80 percent of Austin's median income (Austin Strategic Housing Blueprint, 2017). Furthermore, the blueprint also calls for establishing a goal for 10 percent of all apartments in each City Council district to be affordable for families making under 30 percent of Austin's median income.[2]

The "Strategic Housing Blueprint" outlines a multipronged approach to create and preserve affordable housing within the city. To preserve affordable housing, the plan promotes strategic recommendations around acquiring and rehabilitating affordable at-risk homes, creating an environment that is financially supportive to prospective affordable housing developers, and advancing new home ownership models. For the development of new affordable units, the plan includes strategies for using available public land for affordable housing, simplifying regulations, and expanding funding across multiple levels. To accomplish this, the plan's recommendations include the development of a "strike fund" to buy and preserve up to 20,000 affordable units, restructuring of the city's permitting process, and the purchase and subsequent "banking" of affordable land to utilize for future development (Strategic Housing Blueprint, 2017).

The affordable housing strike fund is a private equity fund managed by the nonprofit Affordable Central Texas with the goal of purchasing existing market-affordable multifamily developments. The nonprofit aims to serve families earning 60-120 percent of

[2] approximately $24,300 for a family of four in 2016

the AMI and will manage the purchased properties and preserve affordability through limiting rent growth to the Consumer Price Index (Hedman, Elliott, Srini, & Kooragayala, 2018). The fund was created through an Austin City Council resolution in 2014, but there are no direct investments from the city. The strike fund recently received initial investment from its first 20 investors and plans to begin plans to preserve the first 1,000 units of affordable housing (Swiatecki, 2018). The plan is to preserve approximately 20,000 units of affordable housing over the next 20 through private investment that returns small, overtime returns to the investors.

Preceding the strike fund, the city created the Austin Housing Trust Fund in 1999 to support the creation and preservation of both owner-occupied and renter-occupied housing. The trust fund has relied on funding from property tax revenues from developments that were built on city owned land. As of 2017, the trust fund has supported the preservation and creation of almost 1,500 units of affordable housing (Hedman, Elliott, Srini, & Kooragayala, 2018). This falls significantly short of the Strategic Blueprints estimate that 60,000 additional units of affordable housing are needed by 2027.

The main financial efforts by the city to combat the affordable housing crisis has come in the form of the 2008 and 2013 general obligation housing bonds to help fund the development of affordable housing. The two bonds total $120 million dollars and were designated for the development of housing for the city's most vulnerable populations, for assisting home repairs, and for home ownership programs (Hedman, Elliott, Srini, & Kooragayala, 2018). The 2013 bond funding is still being expended, but the $55 million from the 2008 bond has helped build or preserve 2,653 units of affordable housing—70 percent of which is affordable to families earning 50 percent or below Austin's AMI. According to the Urban Institute, the 2008 funds yielded a high return of investment, as for every $1 of city investment, $4 of other funding was leveraged (Hedman, Elliott, Srini, & Kooragayala, 2018).

Austin's history of mixed development of collocated businesses, homes, and apartment complexes gives the city unique characteristics, but potentially poses challenges for efforts to create more planned zoning that allows for the development of affordable housing. The unique, atypical mix of business, nature and residence that define Austin's central core is due to its development before the first zoning codes in the 1930s. CodeNext is the city council's first major rewrite of Austin's zoning code in 30 years in order to shape the future development of housing and transportation corridors within the city. CodeNext represents Austin's plan to rewrite the city's 1987 land code, created when the city was 500,000 fewer people and faced fewer affordability obstacles due to its unique development. The city's goal for CodeNext is to embody the following pillars: Austin is Livable; Austin is Natural and Sustainable; Austin is Mobile and Interconnected; Austin is Prosperous; Austin Values and Respects its People; Austin is Creative; Austin is Educated (Imagine Austin, 2012). As the plan seeks to mitigate the challenge around creating both affordable housing and new housing, many residents, particularly higher income residents, are resistant due to the belief it will diminish Austin's unique culture. Proponents of affordable housing are also resistant to the code as they feel the code will not limit the current challenges around zoning that make it difficult to implement affordable housing projects.

For areas such as East Austin, the plan's goals may be too long term. Recent American Community Survey(ACS) projections for 2016 show approximately 14 percent of families are currently under the $24,999 total income level (U.S. Census Bureau, 2016). Furthermore, the long-term focus on private developers ignores the specific wraparound needs that many lower income residents require to create socioeconomic advancement, which are often provided by housing nonprofits. Currently, nonprofits such as Foundation Communities that offer co-located social services, provide a large faction of the cities affordable housing, but the current need is significantly outpacing the availability.

The Austin nonprofit sector has primarily aimed to fill the void for housing assistance needed for residents in the LMI bracket that make too much to qualify for government subsidies, but too little to afford the rising housing prices. The city's most predominant nonprofit housing organization, Foundation Communities, built their first project in 1989. The nonprofit has since expanded to 16 family and six efficiency units—making up a total of over 2,000 affordable rental units and approximately 12 percent of the cities estimated low-income housing (Caterine, 2017). As of 2016, non-profit housing agencies who are members of Austin's Housing Coalition have provided affordable housing to 5,005 households with 796 units to be added for 2016-2017 (Austin Housing Coalition Membership Profile, 2017). The current level of available low-income rentals in Austin has dramatically decreased over the last decade. In 2006, local housing nonprofit, Guadalupe Neighborhood Development Corporation, had a waitlist of approximately 250 people, but that number had risen to over 700 people by 2015. From 2000 to 2015, Austin's median home prices has increased by over 96 percent, jumping from $152,600 to $299,300 (Widner, 2017). Austin's housing nonprofits do not have the capital to address the current housing deficits facing Austin, yet their intervention is crucial to creating socioeconomic advancement across multiple income tiers.

Overview of Nonprofit Housing Funding

Housing nonprofits in the United States, including Community Development Corporations (CDC), as well as both regional and national housing non-profits have produced over one-third of the 4.6 million units that make up the social housing sector (Iglesias, T., & Lento, R. E., 2011). Since the 1960s, housing nonprofits have benefitted from multiple federal programs in order to create affordable housing options for low-income individuals. The first of these initiatives occurred in 1959 through the federal Section 202 program which aimed to develop subsidized housing for both the elderly and handicapped (Bratt, 2006). The 1960's marked the most significant push towards the development of housing nonprofits. The creation of Section 221 (d) (3) and Section 236 created below market-interest rate programs that allowed nonprofits to play a major role as development sponsors (Iglesias, T., & Lento, R. E., 2011). Alongside this, Congress created the Section 515 program to provide the same interest subsidy to direct loans made by the Farmers Home Administration (now the Rural Housing Services) to better target rural areas. Respectively, both programs were successful in creating more affordable housing options. Section 236 produced approximately 544,000 units of housing while Section 515 currently accounts for approximately 450,000 units (Bratt, 2006).

The most important federal initiative of the 1960's was in the form of the 1966 Special Impact to the Economic Opportunity Act which created the initial development of CDCs. Directly following this, the 1974 addition of Title VII of the Community Services Act authorized additional funding. From 1966 to 1981, these two acts provided over $500 million in federal funds to 63 CDCs across the country and established the role of CDCs in providing larger-scale, affordable housing.

In 1973, President Nixon declared a moratorium on all federally assisted housing programs—specifically targeting the heavily used Section 236 program. Out of the moratorium, Nixon's housing task force developed Section 8 housing to provide low-income families vouchers to rent private housing. Based on the backbone of Section 23 in the Housing and Urban Development Act of 1965 that created a voucher program to utilize preexisting, private housing, Section 8 by 1974 allowed for government subsidies for new, privately developed housing for families with section 8 vouchers (Iglesias, T., & Lento, R. E., 2011). HUD, through a state housing agency or local housing finance agency, would subsidize the approved contract rent to 30 percent (25% from 1974-1981) of the tenant's income (Iglesias, T., & Lento, R. E., 2011). The program was a large success, and through the Carter administration, Congress annually funded the creation of 200,000 units—totaling 850,000 units of affordable housing until 1983 when Congress terminated the new construction incentive within the program.

More recently, federal incentives for the creation of affordable housing for those between 50-60 percent of the median income has been through the HOME Investment Partnership Program (HOME) started in 1990 and the Low-Income Housing Tax Credit (LIHTC). Patterned after the popular Community Development Block Grant (CDBG), HOME allowed HUD to allocate 60 percent of funding to housing projects with states providing the remaining 40 percent. As the CDBG could only allocate funds to housing on a limited basis, HOME has provided over $30 billion in funding through 2010 and has assisted over 1.2 million families.

THEORETICAL FRAMEWORKS FOR HOUSING INTERVENTION

Affordable housing at its core is the belief that government or outside charitable institutions should provide welfare to assist the more economically disadvantaged population. Private and public intervention towards this varies depending on the specific targeted income-bracket (Bratt, 2006). Despite this, variables such as income bracket, housing market, political climate, historical policy and the population make it difficult to create overarching theoretical frameworks around affordable housing. In the specific case of Austin, nonprofit housing developers have primarily applied two different theoretical frameworks depending on their targeted population: a Housing First approach for ELI households and the Wraparound Housing Framework for LMI households.

Wraparound Housing

The philosophy behind the wraparound service theory is that social assistance does not exist within a vacuum. The wraparound theory was initially developed in the 1980s as a method for maintaining youth with emotional and behavioral problems in their homes and communities (Farmer, Dorsey, & Mustillo, 2004). Wraparound theory now represents the approach to attempt to mitigate the fragmentation of services that exist within health and human services systems in order to assist individuals or families in meeting coexisting needs (Rossman, 2001). Wraparound theory often consists of the following principles:

1. Identifying gaps in service delivery and assigning organizational responsibility for implementing needed services
2. Reducing barriers to accessing services (Colocation of services, streamlined application process, reducing service wait times)
3. Utilizing institutional resources by cross system coordination and/or reducing unnecessary duplication of efforts (Rossman, 2001).

Research has shown the wraparound method has been an incredibly effective tool for particularly vulnerable families. In September 2012, the U.S. Department of Health and Human Services awarded five-year grants to Broward County, FL, Cedar Rapids IA, San Francisco, CA, Memphis, TN, and the State of Connecticut to determine the effectiveness of providing supportive housing for low-income families with child-welfare system involvement (Bratt, Rosenthal & Wiener, 2016). Analysis from CSH and the Urban Institute found reduced rates of out-of-home placements, rates of child maltreatment and overall levels of intersection with the child welfare system. Qualitative analysis of the program shows overarching challenges around the length of time it takes for families to stabilize and transition from affordable housing, showing the high costs and challenges in implementing wraparound housing at a larger scale. Specifically, in San Francisco, where the housing market spiked between the planning process and implementation, the process faced challenges around scalability.

In Austin, housing nonprofits have implemented programs based on the wraparound approach to the overall success of clients. Foundation Communities, the preeminent housing nonprofit, has utilized an approach that integrates affordable housing alongside daycare/after school programming, English as a second language (ESL) classes for parents, job coaching, financial assistance/coaching, and access to health care (Caterine, 2017). Foundation's wraparound approach has seen quantifiable, positive impacts in the areas where the organization has located their services. In South Austin, Foundation's established learning centers and communities have helped nearby St. Elmo Elementary School see its state-test-passing percentage improve from 71 percent in 2006 to 81 percent in 2016 despite 85.6 percent of the student population being classified as economically disadvantaged (Caterine, 2017). Furthermore, the nonprofit helped prepare over 20,000 tax returns and register more than 5,000 people for health care plans in 2016. These programs see education, health care and other needed service as part of the overall strategy that works with affordable housing to stabilize families and break the cycle of generational poverty. The approach is logical when examining the level of unmet social service need within Austin.

Housing First

The theory of Housing First is a relatively recent approach to affordable housing that specifically addresses the needs of ELI households. At its core, Housing First is based on the concept that homeless individuals or families first and primarily need stable housing and that other social service needs are secondary and can be addressed once housing is obtained (National Alliance to End Homelessness, 2016). Shifting from the system of emergency shelters/transitional housing, the theory is based in the idea that stabilization occurs more rapidly through a process of moving individuals or families from the street to a public shelter to a transitional housing program and finally to their own apartment through a Section 8 voucher. The evidence base for Housing First is growing, as multiple studies have shown that between 75 percent and 91 percent of households remain housed a year after being rapidly rehoused (Byrne, Treglia, Culhane, Kuhn & Kane, 2015). Furthermore, clients in Housing First programs are found to participate in supportive services such as job training programs, financial assistance programs, and educational programs as compared to homeless individuals not in housing first type programs (Tsemberis & Stefancic, 2007). Alongside positive life outcomes, the program has shown to be cost effective in comparison to short-term stabilization efforts, as participants use taxpayer funded emergency services such as emergency rooms, jails or emergency shelters less when they participate in Housing First programs. One study showed there was an average cost savings on emergency services of $31,545 per participant over the course of two years (Perlman & Parvensky, 2006). Another study showed that a Housing First program is up to $23,000 less per participant per year than a shelter program (Tsemberis & Stefancic, 2007).

Positive outcomes coupled with cost savings has made Housing First approaches a viable option for Pay For Success (PFS) model funding. The PFS approach is one in which contracting ties payment for service delivery to the achievement of measurable outcomes. According to Nirav Shah, Vice President at Social Finance, a PFS non-profit, an intermediary agency such as Social Finance would attract initial private capital to finance the initial stages of a social service intervention delivered by a service provider. Service providers often lack the capital to implement the initial stages of a social service program while Government Agencies, who often serve as the payer, are more risk averse or lack willingness for initial upfront funding (Nirav Shah, Personal Communication, June 2018). As seen in the figure below, PFS financing agreements involve the private investor providing the upfront capital for the delivery of the service and receive a return on investment at the end of the project if the target outcomes are met. In the case of affordable housing, PFS has allowed for quicker implementation of programming and provides an untraditional approach to service delivery.

Figure 5: Pay for Success Model Theory of Change

The Housing First model has begun to be utilized by Austin in order to address its rising homelessness population. According to the Ending Homelessness Coalition (ECHO), there are approximately 2,063 homeless individuals with 36 percent of these individuals being chronically homeless (Housing First Oak Springs, 2018). Many of these individuals live with multiple health conditions including mental illness, substance use disorder and chronic disease. Austin Travis County Integral Care's (ATCIC) Housing First Oak Springs is a 50-unit complex that will provide housing to chronically homeless individuals with a disabling condition. Though small, the model will target the heaviest users of emergency services, those with an average $50,000 annual cost of clinical and emergency medical services. The program projects to be successful, as ATCIC's previous use of the housing first model has managed an 85 percent retention rate (Housing First Oak Springs, 2018). Furthermore, current projections expect an estimated cost savings of $20,000 per resident annually—at least 1 million dollars in savings per year.

Community First Village, the first "Housing First" model in Central Texas, has shown the effectiveness of the model as well as the limitations within the city. Consisting of 27 acres with 120 micro-homes, 100 RVs, and 20 canvas-sided cottages, Community First provides permanent supportive housing alongside behavioral health care and vocational skill training (Case Study: Community! First Village, 2017). Raised by over $60 million in nongovernmental capital, the project struggled to find land to develop within Austin due to strict zoning policy and is accepted as not being able to be replicated because of this (N. Joslin, personal communication, February 2017).

AUSTIN'S NONPROFIT SCENE AND SERVICE NEEDS

Until the mid 1980's, Austin was considered one of the most affordable cities within the country. As city policy to bolster economic development diminished the availability of affordable housing, the cities' nonprofit housing scene began establishing. The city's largest housing nonprofit, Foundation Communities, developed their first housing unit in 1989. Foundation Communities has since expanded to 16 family and six efficiency communities—accounting for approximately 3,000 affordable rental units (12% of the estimated low-income affordable housing). Foundation Communities primary focus is families that earn between 50 to 60 percent of the AMI (Caterine, 2017). Alongside housing, the organization links clients to on-site services such as after school programming, English-as-a-second-language classes (ESL), financial coaching for parents, and both primary and mental health care. Since its inception, the approach has shown to be effective in creating socioeconomic advancement. Specifically, in the Montopolis neighborhood of Austin, Foundation Communities has children living in their affordable housing who increased their scores on state testing while their parents have simultaneously moved toward higher paying employment (Caterine, 2017).

Since 2003, Austin's Affordable Housing Coalition has served as one of the main lobbying forces for affordable, nonprofit housing within the city. The Austin Housing Coalition is made up of nonprofit housing developers, housing and policy experts, and other interested organizations. Members include Foundation Communities, HousingWorks Austin, Guadalupe Neighborhood Development Corporation, Lifeworks, and Habitat for Humanity. As of 2017, the coalition as a whole has provided affordable housing to over 13,00 households and currently have 15,554 rental units in production (Austin Housing Coalition Membership Profile, 2017).

ANALYSIS OF UNMET SOCIAL SERVICE NEED IN AUSTIN

To develop a measure of social service need across Austin neighborhoods, this study utilized de-identified United Way caller data. The United Way for Greater Austin helps individuals connect to social services through its' 2-1-1 Navigation Center. The free, 24/7, 2-1-1 hotline helps connect individuals to over 30,000 nonprofit and government resources within the 10 counties surrounding Austin. The call center curates a de-identified data set of 2-1-1 calls in order to best analyze trends around social service need within the greater Austin area. The United Way gathers information around demographics (age, race, etc.), zip code location, and requested social service need. Social service need is categorized in groupings labeled "Taxonomies" with social service need categorized by one of the over 600 taxonomy labels. For this analysis, social service needs were grouped into larger buckets labeled “housing need”, “health need” and “utilities assistance” through a developed excel formula in order to provide an overall analysis of general need within the groupings (See Appendix B for breakdown of buckets).

According to the United Way, the service received over 1,056,000 calls in 2017, with basic needs like food, utilities and health care topping the list, followed by rental assistance (United Way, 2018). An analysis of need by zip code within the Austin area shows that social service need primarily exists in the zip codes that were historically impacted by segregated policy as well as where affordable housing is primarily located.

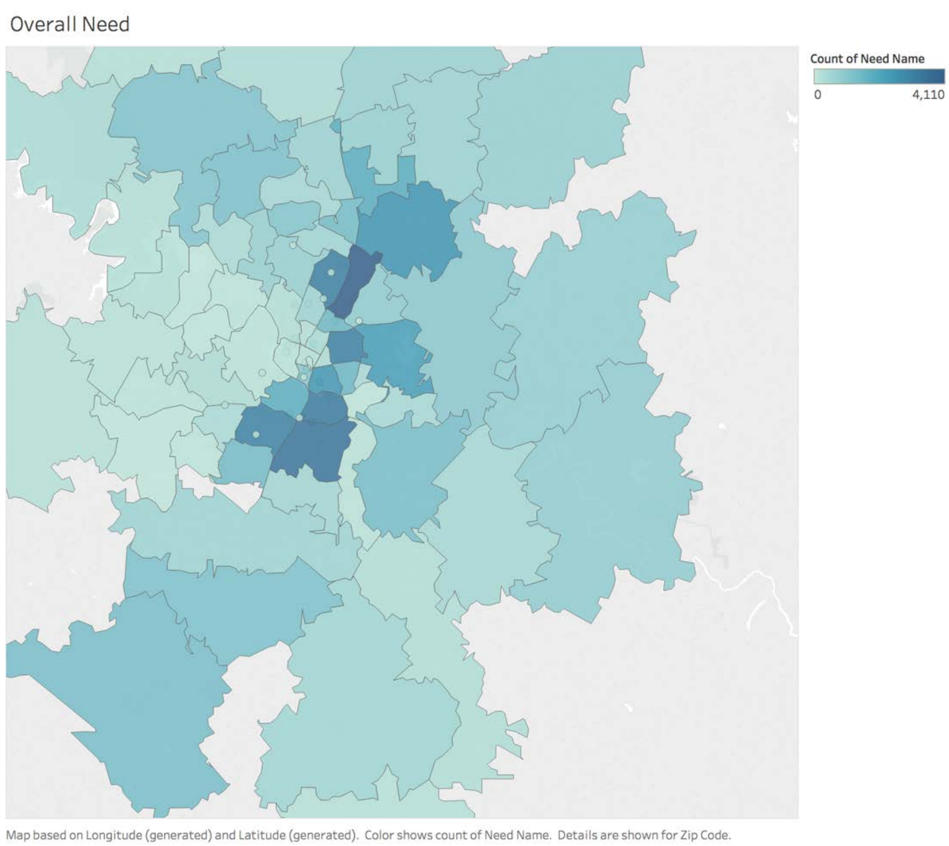

Figure 6: Social Service Need by Austin Zip Code

Further examination at an overall and zip code level shows that housing need remains the most crucial need within Austin—specifically in the areas where affordable housing is located. At a neighborhood level, social service need is high in east Austin, which has been a main focus of affordable housing projects, but also in areas of South East Austin and North Austin in the Rundberg neighborhood. In line with the need for wraparound housing, specific need around health and utilities assistance are also high in these areas. As seen in a breakdown of Austin's zip code and the surrounding area—211 data shows that zip codes facing the highest levels of housing need are also experiencing high levels of other social service need.

Zip codes with Highest Social Service Need				
Zip Code	**Total**	**Housing**	**Utilities**	**Health**
78753	4,110	988	617	497
78744	3,465	653	603	405
78741	3,273	767	529	375
78758	3,174	743	448	345
78723	3,137	803	522	330
78745	3,096	596	496	428

Figure 7: Zip Codes with Highest Level of Social Service Need

Wraparound’s multidimensional focus is crucial to creating socioeconomic advancement for families, yet it faces challenges that limit its scalability. As seen in the Health and Human Services’ (HHS) 5-year grant program, the process of planning projects, acquiring land, developing the units and finally housing individuals or families requires significant upfront capital (Bratt, Rosenthal & Wiener, 2016). Furthermore, the length of time from planning to purchasing to development can see higher costs than project if the housing market prices are increasing in the area. The high costs of housing coupled with other social services forces housing nonprofits to rely heavily on rent payments to cover operating costs, which can leave little leeway for families experiencing unexpected financial hardships. Families receiving affordable housing often take years to accrue enough wealth to transition out of affordable housing, thus requiring the development of more affordable housing (Quigley & Raphael, 2004). To maintain a sustainable model of service, Community Development Corporations (CDC) operating costs depend heavily on the affordable rents that residents pay. In the case of Foundation Communities, approximately 80% of their operation budget is from rents paid by their residents (Foundation Communities, 2018). This model requires CDCs and other housing nonprofits to primarily target individuals and households making 40-60% AMI (primarily VLI to LMI brackets). For ELI individuals and families, most nonprofit housing models cannot address the more intensive needs of this population.

Barriers to Affordable Housing

Austin's "Strategic Housing Blueprint" offers a lofty goal towards affordability that stems from the "Imagine Austin" strategic plan, yet it faces numerous hurdles towards creating the over 60,000 units of affordable housing it aims to build: from lack of approval for CodeNext, state legislation that prohibits diverting funding to affordable housing, federal cuts to HUD, and the strength of Austin's neighborhood coalitions.

LACK OF APPROVAL FOR CODENEXT

The third draft of the CodeNext plan has faced criticism on both sides, as neighborhood preservationists believe it will lead to the destruction of single family homes while both urbanists and housing advocates believe it doesn't do enough to encourage affordability. As the code currently stands, CodeNext's density bonus program will only produce a maximum of 6,000 units—nowhere near the Strategic Housing Blueprint's projected need of 60,000 units over 10 years (Jankowski, 2017). In contrast, many CodeNext supporters have argued the passage of the code will allow for the creation of more housing, thus creating a "trickle down" effect that the increased supply will lower prices (Pritchard, 2017).

The mayor of the City of Austin, Steve Adler, initial plan was to pass the code by April 2018 depending on the projected timeline for the third draft. As the vote by City Council was pushed off due to delays in the draft and criticisms towards it, there has been mounting pressure to push CodeNext to a public vote (Jankowski, 2017). Local citizens have grown frustrated with the exceeding costs and delays in the plan. In October 2017, City Council voted to spend an additional $2.75 million on Opticos, the consulting firm that is implementing the plan—raising the total cost of the consultants' services to over $8 million dollars (Pritchard, 2017). The debate around CodeNext has become the next battle between Austin City officials and politically engaged neighborhood coalitions.

NEIGHBORHOOD CHALLENGES

Austin is considered a very politically engaged city in which neighborhood groups actively participate in local politics. According to the Urban Institute's report, national consultants reported they have never seen a city with higher levels of resident engagement (Hedman, Elliott, Srini, & Kooragayala, 2018). Vocal neighborhood groups are a positive sign in that it shows high levels of civic engagement, but it poses concerns over the power of neighborhood groups in decisions towards creating affordable housing. Austin's tendency to organize through neighborhood coalitions dates back to the early 1920's and neighborhoods such as the central neighborhood of Hyde Park pushing for segregated policy. Recently, this was seen in a resident petition against the creation of a 90-unit complex in Elysium Park located in Council District 7 that designated half of the units for low-income families making 30-50 percent of the AMI (Hedman, Elliott, Srini, & Kooragayala, 2018). Residents against this, as is the case with other development projects, cited concerns around infrastructure and poor access to transportation corridors. Despite their vocal concerns, stakeholders believe that as awareness around the affordable housing crisis rises, the prevalence of progressive residents will limit barriers around city policy towards affordable housing.

STATE POLICY

To successfully follow the blueprint's plan to create affordable housing in Austin, the goal is to create reinvestment zones through diverting property tax revenue in wealthier areas into the creation of more affordable housing. House Bill 3281, proposed by State

Rep. Eddie Rodriquez in 2017, sought to establish homestead preservation districts and reinvestment zones (Homestead Preservation District Policy and Program Overview, 2016) The goal of the bill was to protect long time, lower income homeowners within East Austin against rising property taxes stemming from rising property values within East Austin. Though the bill passed, it was ultimately vetoed by Governor Greg Abbott, stating “We should not empower cities to spend taxpayer money in a futile effort to hold back the free market” (Wear & Jankowski, 2017).

The vetoing of HB 3281 by Governor Abbott not only blocks one of the major needed recommendations for preventing gentrification, but highlights the overarching challenges of implementing affordable housing policy in Austin. Legislation passed in 2005 allowed property tax surpluses in wealthier areas to be applied towards preserving affordability in areas across the city. The bill specifies this must be including an area with a population under 75,000 people, having a poverty rate that is at least double that of the larger municipality, and have a median income that is 80 percent below the municipality as a whole (Wear & Jankowski, 2017). In Austin, only one homestead preservation district was established out the four proposed—District A, located in East Austin neighborhoods that were impacted by systemically racist policy and subsequently gentrification. District A encompasses the neighborhoods of Central East Austin, Chestnut, East Cesar Chavez, Govalle, Holly, Rosewood, and Upper Boggy Creek.

According to the Urban Institute, stake holders report that tax incremental financing, such as the approach in the Homestead Preservation Districts is an incredibly effective solution, yet it faces challenges at the state level (Hedman, Elliott, Srini, & Kooragayala, 2018). The initial 2005 legislation required county participation, which Travis County refused to do and required the City of Austin to wait until 2007 when policy amendments allowed for city control. By the time Austin sought to implement three more

Homestead Preservation Districts in 2017, the legislation was vetoed by Governor Abbott—subsequently creating a 2 year moratorium on using this approach (Wear & Jankowski, 2017). Lack of approval at the county and state level highlights the need for Austin to pursue affordable housing strategy at the local level through potential partnership with private and philanthropic funders. Though the legislation was not passed, the special session during the 45th Legislative session included proposed legislation to cap the city's ability to raise the property tax rates. The proposed legislation poses serious risk to not only the function of city and state level government programming, but for available tax revenue that can be used for specialized affordable housing process. Even though this legislation was not passed, it is believed to be pushed again during the 46th Texas Legislature in 2019.

FEDERAL CUTS

The potential federal budget cuts to HUD will not only be disruptive towards the goals of the strategic blueprint, but will exacerbate access to current affordable housing. The proposed FY2019 budget of $39.2 billion for HUD would mark a cut of $8.8 billion (18.3 percent) from the departments current level of funding (Rodas, 2017). Though cuts are not expected to be that high, the proposal seeks to eliminate the Community Development Block Grant as well as the HOME Investment Partnership Program, both vital to efforts to aid affordable housing. The cuts are a part of the Trump/Carson administration's desire to see affordable housing programs and projects less reliant on federal funds. Analysis of the projected budget cut's impact on Austin shows the city may lose approximately $23 million dollars in HUD funding (Impact of FY 19 Proposed HUD Budget Cuts on Austin, Texas, 2018). These projections show the budgets will impact the following 5 programs: Community Development Block Grant, HOME Investment

Partnerships Program, Public Housing Operating Fund, Pubic Housing Capital Fund, and Housing Choice Vouchers.

For housing nonprofits and developers, the projected cuts will significantly jeopardize their ability to both expand and operate affordable housing. For nonprofits such as Foundation Communities and Austin Habitat for Humanity, funding for the development of new housing would be severely impacted. According to Foundation Communities' executive director Walter Moreau, "Eighty percent of that comes from federal funds. We can't grow without support from federal funding" (Rodas, 2017). At a national level, Habit for Humanity is projected to lose between $200-$300 million dollars, which will significantly impact the organization's scope in Austin.

The federal cuts also serve to significantly impact HUD's Section 8 program, which already faces challenges around utilization in Austin. In 2015, Austin passed a city mandate that forced landlords to accept low-income residents who utilized section 8 vouchers as part of their payment if they were able to meet all tenancy requirements (Hedman, Elliott, Srini, & Kooragayala, 2018). Before this could be put into order, the Texas Legislature passed a bill that protected private property rights and thus allowed landlords to refuse section 8 vouchers. According to data from the city demographer's office, the number of section 8 housing units dropped from 4,084 in 2011 to 3,011in 2015, an overall reduction of over 25 percent (Hedman, Elliott, Srini, & Kooragayala, 2018). As the current demand for housing outpaces the city's availability, private landlords and housing developers are not incentivized to complete the associated paperwork for the voucher program and can just rent their units at market rate. The city's inability to pass the mandate will only further diminish the use of the voucher as the growing population outpaces the availability of housing.

Recommendations

The affordable housing crisis in Austin will only worsen as the city continues to face extraordinary population growth and widening economic divide as a result. As demand for housing outpaces development, the increasing costs of land and will outpace income for middle to low-income households. Going forward, the City will need to examine a multi-sector approach to expedite the development of affordable housing within Austin.

EXPANSION OF PAY FOR SUCCESS FINANCING FOR AUSTIN'S ELI HOUSEHOLDS

Individuals and families that are chronically homeless face multiple challenges that often result in intersections with the criminal justice system, emergency medical services or inpatient services. The frequent utilization of these services is costly and the cost projections for Austin's highest utilizing population is approximately $50,000 of public dollars per individual annually (National Alliance To End Homelessness, 2016). Pay for Success (PFS) models bring in private investors to provide the upfront costs for the implementation of evidence-based programs. Government and the investors will decide upon pre-intervention metrics to determine the effectiveness and cost savings of the intervention and bring in an outside evaluator to determine the effectiveness of the program (Austin Pay for Success Project, 2017). If the program is successful, the public partner will pay the private investors for their initial investment as well as previously agreed upon additional profit. Since 2010, PFS funding has shown to be effective within the housing first model, creating cost savings to government and sustained interest from private investors.

Austin's Housing First Oak Springs model is expected to serve over 250 chronically homeless individuals while creating cost savings of over $1 million dollars. According to Ann Howard, the Executive Director of ECHO, the 250 individuals served by the Oak

Springs project is a sizable dent of the approximately 1,000 homeless individuals who heavily utilize costly, emergency public services (Austin's Action Plan to End Homelessness, 2017). Furthermore, ECHO projects approximately 7,000 individuals a year experience homelessness in Austin/Travis County. The "Austin Strategic Housing Blueprint" identifies the goal of producing 100 permanent supportive housing units each year, 50 which use the Housing First model.

The heavy presence of tech, finance/investment, and banking sectors within Austin coupled with the progressive citizen values makes Austin a viable location for public-private partnerships. As evidence by the city's ability to draw in funding for the Oak Springs PFS, housing-first project, nonprofit agencies in collaboration with public and private entities must focus on expansion of the program before rising property costs hamper private investment. Backed by a national average of 70-85 percent retention, partnering agencies need to expand the Housing First model to the additional 750 chronically homeless individuals who heavily utilize emergency public services.

IMMEDIATE PUSH FOR INVESTMENT IN THE STRIKE FUND

The Mayor of Austin, Steve Adler, recently stated that without intervention, Austin's housing pricing will rival that of San Francisco, making Austin housing prices too high for those who are not upper income or receiving subsidies (Egan, 2017). Despite these claims, little action has been taken around attracting private investment in Strike Fund to purchase affordable land to be utilized for development later. As seen in the HHS 5-year grant program, scalability was limited in the San Francisco site due to the significant rise in housing prices between the planning and implementation stage (Bratt, Rosenthal & Wiener, 2016). The research done by the Urban Institute indicates that Austin's continued median housing price by neighborhood will continue not only to rise, but will outpace median income (Hedman, Elliott, Srini, & Kooragayala, 2018).

The Strike Fund, managed by nonprofit Affordable Central Texas, recently received commitments from its first 20 investors. According to Executive Director, David Steinwedell, the funds will be used to purchase 1,000 units of housing that will serve those that fall into the LMI bracket. The nonprofit is one of the first privately funded efforts looking to maintain housing for the middle class and which can serve the current spike in LMI cost burden (Swiatecki, 2018). As the strike fund attempts to grow to 10,000 units, the fund will need not only continued private capital funding, but city investment that specifically targets lower-income tiers and PFS models for ELI households and individuals.

MODIFICATION TO TRAVIS COUNTY TAX POLICY

The rising value of Austin's housing market and the subsequent rise in property taxes has been a driving force in pushing out Austin's homeowners who are low income or on a fixed income and landlords of small properties who provide affordable housing. Other cities facing similar increases in housing costs have implemented varying tax policies that limit reassessments of the tax rate. In the case of Austin/Travis County, and Texas as a whole, this is complicated as there are no income taxes and property tax revenue is redistributed to school districts based off enrollment.

Homestead exemptions are available to property owners who reside in their primary residence and additional exemptions are available for homeowners above the age of 65. In addition to this, any taxing entity (i.e. city, county, school district) has the option to offer a separate resident homestead exemption for individuals 65 or older in an amount that is no less than $3,000 dollars (Hegar, 2016). The exemption in Travis County is frozen in the year that a person qualifies, which offers a generous reduction to those who have aged into the policy before the housing boom of the past fifteen years, but is less generous to those who more recently qualified. In comparison, Harris County, and the city of Houston, older residents are able to receive an additional exemption of 20 percent of their home's appraised value (Hedman, Elliott, Srini, & Kooragayala, 2018). The city of Austin and Travis County need to develop an appropriate blending of their current homestead tax abatement policy and the practices of Harris County to maintain homeownership for older adults who have either recently qualified or been qualified for the exemption.

Furthermore, the rising property values and subsequent property taxes have negatively impacted landlords of small unsubsidized properties and NOAH properties. Rising rates and property tax reassessments triggered by home repairs have forced small landlords to sell their properties and thus eliminates independent options for affordable rental units. This poses incredible risk to affordable housing in Austin, as small-scale landlords in Austin hold as many as 10,500 affordable units as of 2014 (HousingWorks Austin, 2014). As suggested by HousingWorks Austin, the Cook County Class 9 Program in Chicago is a potentially effective solution for maintaining these affordable units. The Cook County 9 program cuts assessments and taxes in half under the stipulation that small landlords keep a share of the newly affordable housing for low-income families (HousingWorks Austin, 2014). Considering the continued rise of Austin's housing market, property tax increases pose increased threat of pushing out small landlords. This policy encourages to preservation of LMI affordability within Austin zip codes facing significant capital investment for newer, higher income, housing development.

Expansion Wraparound Provisions for Housing Nonprofits

As evidenced by the analysis of United Way 211 caller need data, social assistance need does not in fact live in a vacuum. National research around the coexistence of affordable housing and social assistance services has shown to help transition clients out of affordable housing sooner (Assessing the social and economic impact of affordable housing investment, 2014). Considering the success of Foundation Communities, further analysis is needed around the effectiveness and potential cost saving in coupling affordable housing with other social services. Furthermore, affordable housing developers needs to understand the coexistence of social service needs and appropriately prepare to have these coexisting services if they expect to see more successful outcomes. As highlighted by the location of social service need data, the areas significantly impacted by historically discriminatory policy face coexisting social service needs beyond housing. Though research shows wraparound housing takes years to create stability and does not ensure higher wage employment, there was overarching improvement in overall housing and employment (Bassuk et. al, 2014).

Appendices

APPENDIX A. SORT FORMULA AND BREAKDOWN OF TAXONOMY GROUPINGS

Formula

=IF(J2= Rent Payment Assistance ,Housing,IF(J2=Low Income/Subsidized Private Rental Housing ,Housing, IF(J2= Homeless Shelter,Housing,IF(J2=Low Cost Home Rental Listings ,Housing,IF(J2=Homeless Shelter,Housing,IF(J2= Housing Authorities,Housing,IF(J2=Tenants Rights Information/Counseling,Housing,IF(J2=Rental Deposit Assistance,Housing,IF(J2=Section 8 Housing Choice Vouchers,Housing,IF(J2=Transitional Housing/Shelter,Housing,IF(J2= Transitional Housing/Shelter * Single Mothers,Housing,IF(J2=Mortgage Payment Assistance,Housing,IF(J2=Public Housing,Housing,IF(J2= Homeless Shelter * Homeless Families,Housing,IF(J2= Landlord/Tenant Dispute Resolution,Housing,IF(J2= Homeless Shelter * Homeless Women,Housing,IF(J2= At Risk/Homeless Housing Related Assistance Programs,Housing,IF(J2= Homeless Shelter * Homeless Men,Housing,IF(J2= Assisted Living Facilities,Housing,IF(J2= Homeless Shelter * Men,Housing,IF(J2= Low Income/Subsidized Private * Older Adults,Housing))))))))))))))))

Housing

Rent Payment Assistance

Low Income/Subsidized Private Rental Housing

Low Cost Home Rental Listings

Homeless Shelter

Housing Authorities

Tenant Rights Information/Counseling

Rental Deposit Assistance

Section 8 Housing Choice Vouchers

Transitional Housing/Shelter

Transitional Housing/Shelter * Single Mothers

Mortgage Payment Assistance

Public Housing

Homeless Shelter * Homeless Families

Landlord/Tenant Dispute Resolution

Homeless Shelter * Homeless Women

At Risk/Homeless Housing Related Assistance Programs

Homeless Shelter * Homeless Men

Assisted Living Facilities

Homeless Shelter * Men

Low Income/Subsidized Private * Older Adults

Transitional Housing/Shelter * Homeless Women

Bills/Utilities

Electric Service Payment Assistance

Online Tax Preparation/E-Filing Sites

Water Service Payment Assistance

Gas Money
Gas Service Payment Assistance
Bus Fare
Diapers

Home Maintenance and Minor Repair Services
Furniture
Utility Disconnection Protection
Electric Service Providers
Electric Service Payment Assis * Veterans
Home Rehabilitation Services
Clothing Vouchers
Discounted Utility Services
Work Clothing
Telephone Service Payment Assistance

Health

Adult State/Local Health Insurance Programs

Medical Appointments Transportation

Prescription Expense Assistance

General Dentistry

Community Clinics

Central Intake/Assessment for Mental Health Services

Central Intake/Assessment for Drug Use Disorders

Social Security Disability Insurance

Medicaid Applications

Medical Care Expense Assistance

Medicare Information/Counseling

Individual Counseling

State Medicaid Managed Care Enrollment Programs

Childhood Immunizations

WIC

Health Insurance Marketplaces

Specialized Information and Re * Disabilities Issues

Adolescent/Adult Immunizations

Prescription Drug Patient Assistance Programs

Community Mental Health Agencies

General Acute Care Hospitals

Prescription Drug Discount Cards

Appendix B. Breakdown of Social Service Need by Zipcode

Social Assistance Need by Zip Code				
Zip Code	**Total**	**Housing**	**Utilities**	**Health**
78753	4,110	988	617	497
78744	3,465	653	603	405
78741	3,273	767	529	375
78758	3,174	743	448	345
78723	3,137	803	522	330
78745	3,096	596	496	428
78660	2,558	592	364	362
78702	2,488	482	374	293
78724	2,321	415	493	248
78664	1,848	459	252	249
78704	1,796	373	235	210
78721	1,529	245	307	155
78752	1,500	409	209	170
78748	1,411	315	233	183
78728	1,379	450	187	148
78617	1,325	212	212	178
78666	1,310	318	166	202
78613	1,237	323	158	154

78640	1,196	206	148	222
78641	1,148	247	126	186
78729	1,086	259	159	142
78701	970	279	69	97
78653	968	166	145	147
78754	884	190	127	118
78602	833	153	101	150
78621	801	136	149	118
76574	741	150	188	109
78665	730	189	89	112
78759	725	163	112	110
78750	710	168	113	71
78626	662	163	68	100
78681	658	166	86	104
78634	624	140	76	106
78757	594	139	84	76
78610	591	121	60	104
78727	573	130	99	62
78644	539	121	66	91
78747	532	92	86	80
78717	479	127	73	75

78612	457	67	40	68
78725	432	68	79	50
78726	386	120	46	47
78749	367	49	72	61
78751	367	76	55	39
78654	364	61	42	79
78628	326	72	46	54
78611	323	58	56	57
78735	310	63	36	44
78722	307	90	33	19
78616	262	22	27	53
78731	251	59	32	48
78645	242	41	25	40
76541	234	73	47	21
78639	230	42	25	53
78734	228	31	27	45
78756	220	55	25	33
78642	191	31	25	35
78648	168	25	24	22
78705	164	39	20	17
78620	154	19	10	35

78738	140	23	22	17
78643	124	25	18	19
78736	109	26	5	19
78719	108	26	14	20
78746	107	25	11	16
78703	101	14	15	17
78730	93	28	15	11
78733	60	11	5	13
78739	59	9	9	19
78742	56	14	10	4
78732	49	13	8	6
78767	32	6	4	2
78714	31	5	4	1
78765	23	8	1	4
78768	14	3	1	1
73301	13	1	0	3
78737	11	0	0	6
78761	11	2	0	0
	10	2	3	1
78720	10	4	2	2
78760	9	1	0	3

78766	8	4	1	0
78715	6	1	0	1
78708	5	1	0	3
78709	5	0	0	1
78716	5	0	0	2
78718	5	0	0	1
73344	3	1	0	0
78713	3	0	1	2
78755	3	0	1	1
78762	3	2	0	0
78778	3	1	0	0
78783	3	1	1	1
78710	2	0	0	0
78711	2	0	0	1
78763	2	1	0	0
78712	1	0	0	0
78764	1	1	0	0
78772	1	0	0	0
78773	1	1	0	0
78774	1	0	0	0
78779	1	0	0	1

78781	1	0	0	0
78769	0	0	0	0
78780	0	0	0	0
78785	0	0	0	0
78786	0	0	0	0

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