



Housing Affordability: The Impact of Single-Family Investment Purchases on Neighborhoods in the Latino Crescent

GABRIEL AMARO, PH.D.

The University of Texas at Austin

About The Author

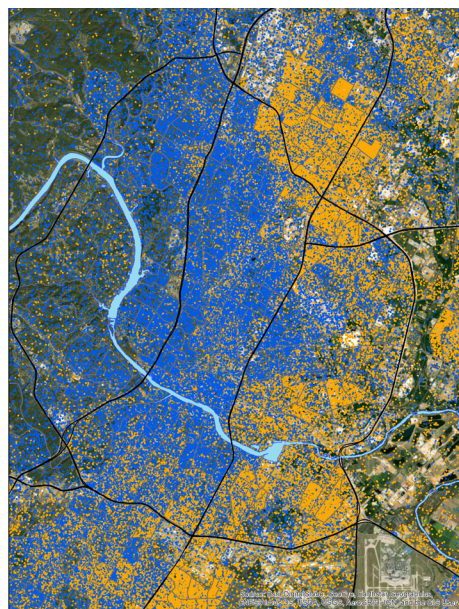
Gabriel Amaro is a Research Associate at the Latino Research Initiative at The University of Texas at Austin. He received his Ph.D. in Sociology from Texas A&M University-College Station. His interests include residential segregation, municipal fragmentation, demography, GIS, and inequality. He has worked on several projects including examining the relationship between political fragmentation and residential segregation, the displacement of Latinos in Austin, and the scope of children affected by parental incarceration and deportation. Dr. Amaro brings with him experience gained while working as a Graduate Research Assistant at the Texas Census Research Data Center, a Statistical Researcher for the City of New York, and as a Demographer for a private demographic firm.

Despite efforts to address housing affordability, the Austin area continues to experience record housing cost increases and the displacement of residents due to these increases. In this brief, the Latino Research Initiative (LRI) examines how cheaper housing stock in the area of Austin known as the Latino crescent may be targeted by real estate investors and how investor attention may foster a cycle of housing cost increases.

Between 1990 and 2018, the Austin area experienced strong population growth: from 846,227 people to an estimated 2,170,951.¹ Over the past few decades, Austin area residents have endured an unbalanced housing

market with low housing inventory. Austin last saw a balanced housing market, with an annual average of at least 6.0 months of inventory, in 1990. Today, the area shows 2.9 months of inventory.² Increases in demand coupled with historically low rates of new construction have resulted in this low inventory and created a seller's market in Austin.³ Austin's population is projected to more than double in size by 2050,¹ suggesting that unless construction rates increase significantly, this trend may continue.

The increase in home prices in Austin is part of a larger national trend. Home prices in the U.S. have continued to increase, with 41 metro



THE LATINO CRESCENT

refers to the shape of the population distribution of Hispanics and Latinos in Austin. Due to the historic restriction of the movement of minorities to certain parts of the city greater proportions of the Latino population are geographically distributed in a crescent shape along the eastern edge of Austin.

areas, including Austin, now exceeding their pre-great recession highs.³ Unlike most of Texas, Austin continues to experience a level of real home price appreciation more frequently seen in the tighter east and west coast

median income between racial/ethnic groups:^a blacks and Latinos have a median family income of \$44,352 and \$45,199, respectively, while the median family income for whites is \$103,262⁴ (Figure 1). In addition, housing

that is not their primary residence. Although home prices have increased significantly since the great recession, investment home purchases have remained stable.⁶ These investment home purchases occur more frequently in the southern U.S., both in the suburbs and central city, with most investors intending to use purchases as rental properties.⁶

“Although the affordability index indicates that the Austin area median income is higher than the amount required to purchase a median-priced home, which on the surface is a good thing, the index does not capture the variability within the Austin area.”

housing markets.³ The price distribution of home sales has also increased. Between 2012 and 2015, the greatest share of home sales prices remained steady at \$150,000–\$199,999. Between 2016 and 2017, the greatest share of home sales prices jumped to \$300,000–\$399,999.²

This jump in prices has exacerbated an already-existing affordability problem in the Austin area. The Texas A&M University Real Estate Center, using an affordability index that compares the area median family income to the costs needed to purchase a median priced home, ranked Austin one of the least affordable cities in Texas. The Center found that the Austin area affordability index dropped from a 2.51 in 2012 to 1.77 in 2017. For comparison, Austin (1.77) remains slightly more affordable than Dallas (1.71) but less affordable than Houston (2.02).

An affordability index of 1.77 means that the median family income is 77% higher than what is needed to afford a median priced home. Although the affordability index indicates that the Austin area median income is higher than the amount required to purchase a median-priced home, which on the surface is a good thing, the index does not capture the variability within the Austin area. For example, the affordability index is calculated using median family income for the population as a whole (\$81,400) to afford a median-priced home of \$295,000.² A closer examination reveals a dramatic difference in

tends to be more expensive closer to the core of the city. The core also happens to be where greater concentrations of poverty are located, with more than 50% of the population of some centrally-located neighborhoods living in poverty.⁵

THE QUESTION

Many factors contribute to rising housing costs in Austin. This brief examines one such factor, specifically, whether real estate investors are driving up the cost of housing in Austin. We go on to ask, if investor interest is linked to rising housing costs are all neighborhoods equally affected?

For the purposes of this study, an investor is defined as any person who owns a home

In Austin, the majority of homes are purchased as primary residences. However, some Austin neighborhoods are seeing the impact of investment home purchases. That impact, coupled with a significant chunk of Austin's population growth coming from out-of-staters,⁷ has resulted in some residents blaming out-of-state investors for driving up the cost of housing.

A recent CNBC article notes that despite some data pointing to a healthy housing market, the market is unfavorable to Americans of low and modest means.⁸ As such, housing affordability issues continue to persist. In that article, Nela Richardson, chief economist at Redfin, notes that prices will continue to increase “as long as there are one or two buyers who can afford [a home]..., and those buyers can be investors, then the sale will go through[.]”

Decades of systemic racism (e.g., redlining, lack of access to bank loans, etc.) have led to lower property values, low homeownership rates among Latinos when compared to whites, and to the overall residential deterioration of neighborhoods east of I-35. Today, with cheaper housing stock attractive for

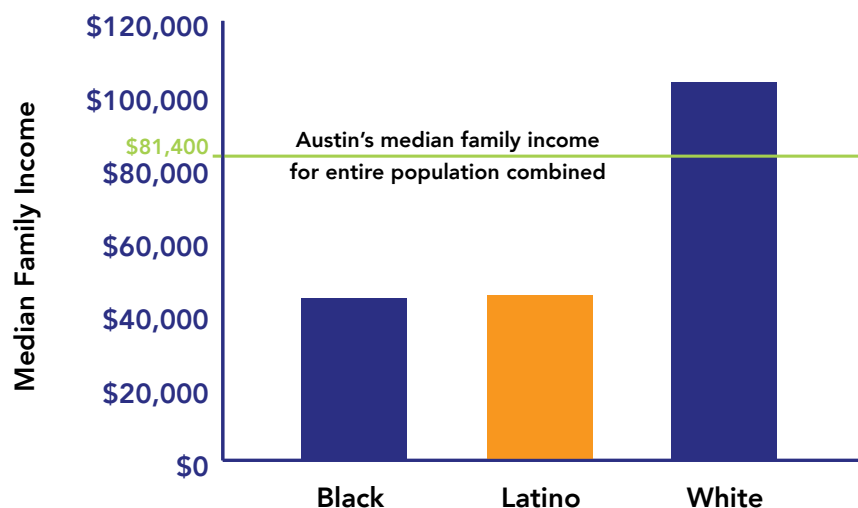


Figure 1. Median Family Income in Austin

a. any reference to blacks or whites means non-Hispanic blacks and non-Hispanic whites

real estate investors, it seems that these high proportion black and Latino neighborhoods will continue to be a target for real estate investment. We are interested in the prevalence of investment properties in the Austin area, where investors are located, and the impact investment properties have on the Latino community.

THE STUDY

Using data from the Travis County Central Appraisal District, we reviewed the homestead exemption status of residential properties in Travis County. Texas law states that in

order for a residential property to claim the homestead exemption, the property owner must occupy it as their principal residence and not claim a similar exemption within or outside of the state of Texas.⁹ Using the exemption status of single-family residential properties in Travis County, we identified the mailing zip code of non-homestead exempt properties to determine the location of the potential investor. The assumption is that single-family residential properties that are not owner-occupied are owned by an investor. The investor's residence is categorized as the location where mail correspondence is received. We define investors as owners who are not using the property as their primary

residence. We do not distinguish between the more specialized real estate investors such as flippers and speculators.

We also examined ownership differences in what is sometimes referred to in Austin as the Latino crescent. The Latino crescent refers to the shape of the population distribution of Hispanics and Latinos in Austin. Due to the historic restriction of the movement of minorities to certain parts of the city greater proportions of the Latino population are geographically distributed in a crescent shape along the eastern edge of Austin. While there are no defined boundaries to the Latino crescent, we identified all the neighborhoods with



Generations of families are affected by gentrification. Did Elazar and Lupe Tamayo, residents of Montopolis, see it coming?



Bouquet toss at the San Jose Community Center in Montopolis. What community spaces replace the ones lost?

About Latino Studies

Latino Studies at The University of Texas at Austin consists of three interconnected units—the Center for Mexican American Studies, the Latino Research Initiative, and the Department of Mexican American and Latina/o Studies—that are equally committed to supporting students and their communities in the ongoing struggle to realize a **FIERCELY JUST AND AFFIRMATIVE FUTURE**. We take inspiration from the powerful legacies of resistance to white supremacy, settler colonialism, and gender violence that inform our daily work as scholars, teachers, and administrators; as such, we hope that Dr. Amaro's research will help inform and support local organizations, activists, and policy makers whose efforts to protect and preserve Latinx communities in Austin should be acknowledged and applauded.

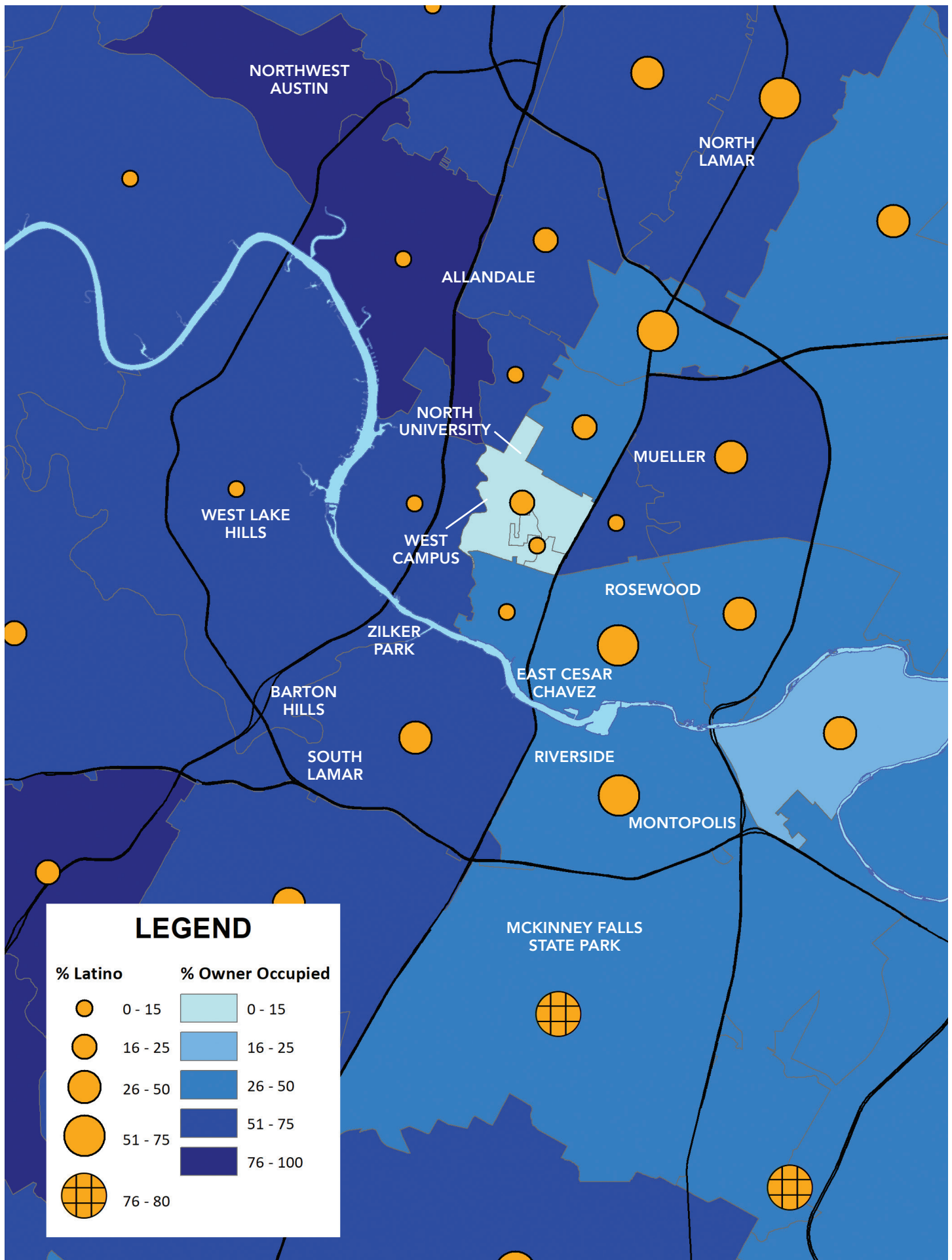


Figure 2. Percentage of owner-occupied housing vs. Latino composition in Austin, Texas

at least a 50% Latino population in order to capture the bulk of the area. We review the Latino crescent because it has experienced some of the greatest changes relative to the rest of the city, including some of the greatest increases in home sales prices.¹⁰ For example, the East Cesar Chavez and East Riverside-Montopolis neighborhoods, both in the Latino crescent, experienced a 99% and 104% increase in median home sales price between 2010 and 2015, respectively. This increase is far higher than that experienced in any other neighborhood in Austin.

THE FINDINGS

About 55% of the residential properties in Travis County are owner-occupied. West Campus and North University (78705) have the lowest percentage (15%) of owner-occupied residences (Figure 2). Northwest Austin (78750) has the highest percentage (85%) of owner-occupied residences. The neighborhood where the greatest share of investors in Austin reside is West Lake Hills (78746). For an interactive map showing investor zip codes mapped to neighborhoods, visit goo.gl/PwNjpy.

In comparison with Travis County, the Latino crescent has a lower percentage of owner-occupied residential properties (45% on average, ranging from 35–56% within neighborhoods). Overall, owner-occupancy is on the lower half of that distribution, indicating that residential homes in the Latino crescent are mostly owned by investors. The greatest share of in-

vestors who own property in the Latino crescent come from northwest Austin (78750). For one Latino crescent neighborhood, south of McKinney Falls State Park (78747), the greatest share of investors are from Newport Beach, California.

“...residential homes in the Latino crescent are mostly owned by investors.”

We next examine the assessed values of residential properties. Assessed value is what a central appraisal district will use to tax a property. The method by which the assessed value is determined is usually set by state law. In Texas, the assessed value must, by law, reflect the market value of a home, that is, the price a home would sell for regularly on the market. However, some people argue that assessed values still tend to be lower than market value.¹¹

Median assessed values are significantly lower for neighborhoods with low owner-occupancy rates compared to neighborhoods with higher owner-occupancy rates. A disparity between mean and median assessed values is not uncommon when discussing home values, but the interesting trend in Austin is that the disparity decreases as the percentage of owner-occupied properties increases in a neighborhood. This trend is apparent in the Latino crescent, where we see lower assessed values

and a greater disparity between the mean and median. Although a disparity between the mean and median values are typical, a larger disparity between the two suggests a greater contrast between home values in the neighborhood, and thus a greater level of economic inequality.

DISCUSSION

This brief began with the premise that investment purchases of single-family residential homes may contribute, in some part, to housing affordability issues including rising home prices. Although we do not assess the statistical impact that investor-owned homes have on housing prices, we do identify several patterns.

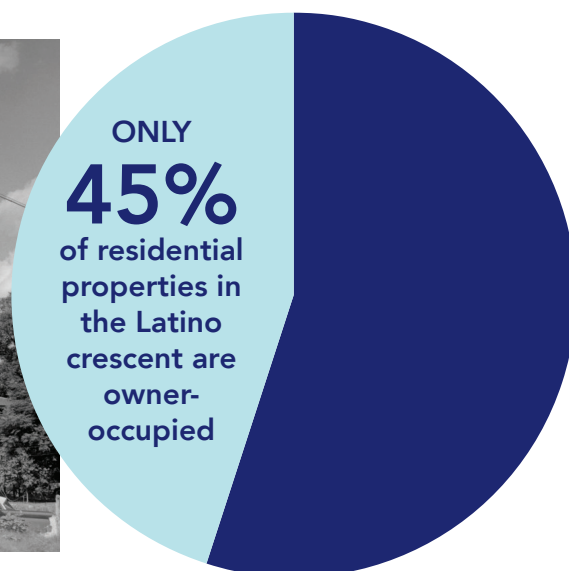
First, about half of all residential properties in Austin are owner-occupied and, contrary to popular belief, the greatest share of investor-owners reside in West Austin.

Second, neighborhoods with greater proportions of Latinos see lower owner-occupancy rates and lower assessed values. This suggests several things:

- Historical discrimination has made a lasting impact by reducing homeownership of Latinos due, in part, to such factors as economic exclusion.
- Local investors are seeking out the cheaper housing stock in the area to



La Fiesta Mexican Food, 1962. How many Latinx businesses come and gone?

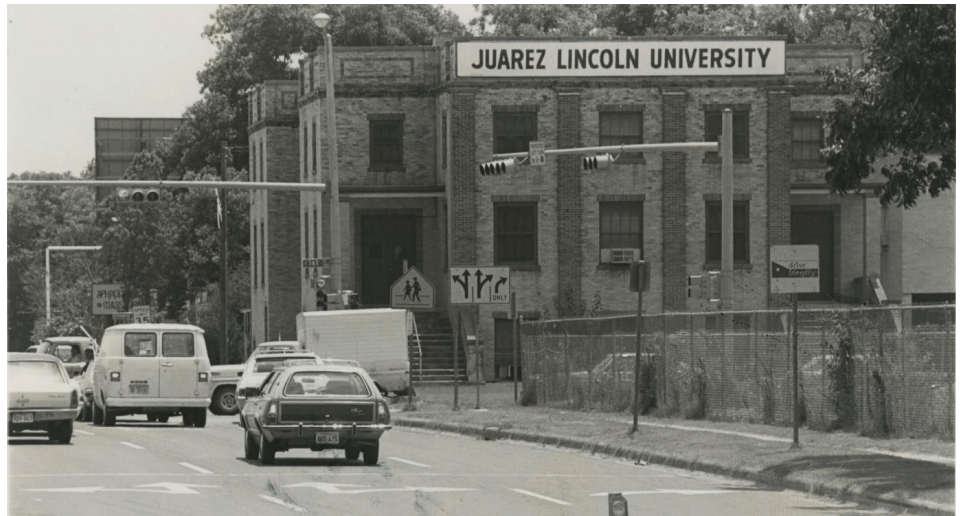


invest in, and this stock happens to be largely in Latino communities.

- If neighborhoods with low owner-occupancy also experience lower assessed values, it is quite possible that investors are enjoying lower assessed property tax bills.
- If greater proportions of owner-occupancy in a neighborhood increases home values, then increasing owner-occupied housing in neighborhoods with a greater proportion of Latinos will not only increase housing stability due to homeowners having less “turnover”, it can also increase the wealth that Latinos accumulate from homeownership – assuming, of course, that the owner-occupiers are Latino. Homeownership can be a driving force that stabilizes neighborhoods and prevents neighborhood deterioration, benefiting stakeholders across the board.

To be clear, this brief does not mean to suggest that real estate investment is a negative force overall. We note, rather, that when combined with other factors such as a lack of measures to protect vulnerable residents, high housing demand, and stagnant incomes for Latinos, real estate investment may exacerbate the affordable housing crisis in Austin. First, monthly rents may increase to ensure maximum profit and account for investment expenses such as property management fees. Second, the home is no longer homestead eligible, which leaves the new investment owner subject to unrestricted property tax increases.¹¹ Again, these increases in investment expenses, in the form of property tax increases, are then passed onto the tenant in the form of rent increases. Third, as housing

“Homeownership can be a driving force that stabilizes neighborhoods and prevents neighborhood deterioration, benefiting stakeholders across the board.”



An IHOP now stands where Juárez Lincoln University, a Mexican-American Institution of higher learning, once did.

demand continues to be high in Austin, more affordable options, such as those in the Latino crescent, are more attractive to investors, thus leading to increased property values, increased property taxes, and ultimately increases in rent. These rising costs, coupled with Austin's already rising median gross rents and wages that cannot keep up with housing costs, combine to make a home that was once affordable for Latinos and other lower-income residents now unaffordable.⁴

STRATEGIES FOR PRESERVING AFFORDABILITY

Many efforts have been made by the City of Austin to understand the extent to which housing is increasingly becoming unaffordable for minorities and other residents with low to moderate family incomes, as well as the policies which can stem the impact of rising housing costs. The City of Austin may have options when tackling the issue of residential real estate investment purchases. For example, other cities such as San Francisco and Philadelphia have considered such tools as an “anti-speculation tax” which discourages investors from buying and rapidly selling properties. Proponents of such laws argue that when real estate investors target certain communities, this investment abnormally inflates market demand, which then forces families and other homebuyers to compete by paying higher prices. This investment makes it

more difficult for low- and moderate-income families to buy or rent a home and, in many cases, increases rents and evictions.¹² Adoption of such policies can reduce the displacement of low-income households and increase the inventory of affordable homes available to buyers searching for a primary residence.

Although strategies for preserving affordability are often centered around local efforts, this is not to suggest that the burden of policy adoption and enforcement lies solely with the City. Much of the responsibility comes from the state level, where local efforts to address housing affordability are currently outlawed.¹³⁻¹⁷ In 2015, the State of Texas passed a law that forbids cities from requiring landlords to accept federal housing vouchers. This action not only disproportionately targets people of color, but it reduces the amount of quality housing available to low-income renters. Additionally, as of 2016, Texas is the only state in the U.S. to ban most forms of inclusionary zoning. Inclusionary zoning is a powerful tool in the housing affordability fight as, at the very least, it encourages affordable housing in all new housing construction. Finally, in 2017, the State of Texas passed a law that forbids cities from requiring new housing builders from paying a fee that will go to support affordable housing options.

As Austin continues to grow, we believe that it is in the best interests of the City to seek opportunities aimed at helping low-income and Latino households: 1) afford to purchase homes in the Latino crescent, and 2)

stabilize housing for low-income and Latino households through subsidies such as rental subsidies, incentives for landlords to accept housing choice vouchers, and new affordable rental housing construction.

While we may not expect to see state-level support for affordable housing initiatives any time soon, Austin does not have to go at it alone in the housing affordability fight. Texans all across the state have experienced rising housing costs. Dallas, Houston, and San Antonio, along with Austin, have all acknowledged housing issues and have adopted policies to address affordability.

SUMMARY

This brief demonstrates that there is in fact a relationship between investor purchases and lack of affordable housing in the Latino crescent of Austin. As Austin's population continues to grow, we can expect to see greater investor interest in more affordable neighborhoods like those in the Latino crescent. Increasing the number of affordable housing units will not only protect the City's most vulnerable residents, but will also translate to greater cultural diversity by giving households

“Austin has the opportunity to lead and collaborate with other major cities across Texas to develop pilot programs aimed at addressing housing affordability issues.”

with lower median incomes the opportunity to reside in neighborhoods and communities largely considered out of reach. Accordingly, we call on the City of Austin to implement strategies to maintain affordability and cultural diversity in our neighborhoods.

Although affordability is a statewide issue, Austin may not have to rely on the support of state representatives when it comes to addressing this issue. Right now, Austin has the opportunity to lead and collaborate with other major cities across Texas to develop pilot programs aimed at addressing housing affordability issues. Such a proactive response is necessary when the needed state legislation is unlikely to pass. Without a proactive response, the rapid increase in housing costs that Austin residents are experiencing may be felt throughout the state, negatively affecting the lives of millions of Texans. ●

The photographs in this document are pulled from two digital collections entitled “Austin History Center General Collection Photographs” and “Rescuing Texas History, 2006.” They were provided by the Austin History Center and the Austin Public Library to The Portal to Texas History, a digital repository hosted by the UNT Libraries. To learn more, view the digital version of this document online and click on each photograph.

COPYRIGHT 2019 BY LATINO STUDIES

SPECIAL THANKS TO OUR COLLEAGUES AT THE NATIONAL ASSOCIATION FOR
LATINO COMMUNITY ASSET BUILDERS (NALCAB) FOR THEIR FEEDBACK ON THIS BRIEF.

REFERENCES

1. Robinson R. Austin Area Population Histories and Forecasts. In: Division DoPaZD, ed. Austin, TX: City of Austin; 2018.
2. Housing Activity for Austin-Round Rock. 2018. https://www.recenter.tamu.edu/data/housing-activity/#/activity/MSA/Austin-Round_Rock. Accessed July 25, 2018.
3. The State of Nation's Housing. Cambridge, MA: Joint Center for Housing Studies; 2017.
4. Household Affordability Indicators Summary. In: Division DoPaZD, ed. Austin, TX: City of Austin; 2018.
5. Ramser C. Poverty, Income, and Health Insurance. Central Texas Economy in Perspective. 2017. <https://www.austinchamber.com/blog/02-21-2017-poverty-income>.
6. 2017 NAR Investment and Vacation Home Buyer's Survey. Washington, DC: National Association of REALTORS; 2017.
7. 2012–2016 American Community Survey 5-year Estimates Table B07001. In: Bureau USC, ed. Washington, DC: U.S. Department of Commerce; 2016.
8. Olick D. Stop sugarcoating the housing market: Economist warns that buyers face increasing troubles. CNBC. September 26, 2017, 2017.
9. Hegar G. Complete and Partial Property Tax Code Exemptions Available to Property Owners Who Qualify. In: Accounts CoP, ed. Austin, TX: State of Texas; 2018.
10. Robinson R. Percentage Change in Median Sales Price of Homes by Zip Code: 2010–2015. In: Division DoPaZD, ed. Austin, TX: City of Austin; 2016.
11. Hegar G. Texas Property Tax. In: Accounts CoP, ed. Austin, TX: State of Texas; 2018.
12. Anti-Speculation Tax: Preservation and Protection. Berkley, CA: Haas Institute.
13. Title 12. Planning and Development, Subtitle A. Municipal Planning and Development, Chapter 373A. Homestead Preservation Districts and Reinvestment Zones, Subchapter A. General Provisions. In: Legislature TS, ed. Austin, TX: State of Texas.
14. Title 7. Regulation of Land Use, Structures, Business, and Related Activities, Subtitle A. Municipal Regulator Authority, Chapter 214. Municipal Regulation of Housing and Other Structures, Subchapter A. Dangerous Structures. In: Legislature TS, ed. Austin, TX: State of Texas.
15. Title 7. Regulation of Land Use, Structures, Businesses and Related Activities, Subtitle C. Regulatory Authority Applying to More than One Type of Local Government, Chapter 250. Miscellaneous Regulatory Authority of Municipalities and Counties. In: Legislature TS, ed. Austin, TX: State of Texas.
16. Henneberger J. Suit Filed to Overturn Texas Prohibition on Source of Income Protection for Voucher Holders. 2017. <https://texashousers.net/2017/02/17/suit-filed-to-overturn-tx-statute-outlawing-municipal-ordinances-to-prohibit-discrimination-against-recipients-of-federal-housing-vouchers/>.
17. Livesley-O'Neill W. State Bans Another Local Affordable Housing Tool with Anti-Linkage Fees Legislation. 2017. <https://texashousers.net/2017/05/24/state-bans-another-local-affordable-housing-tool-with-anti-linkage-fees-legislation/>.

GET INVOLVED!

Want to do something but don't know how? Reach out to these local organizations that have spent decades on the front lines of this community fight to increase affordable housing and decrease the displacement of low-income households in Austin.

PEOPLE ORGANIZED IN THE DEFENSE OF EARTH AND HER RESOURCES (PODER)

is a grassroots environmental justice group committed to redefining environmental issues as social and economic justice issues, and collectively setting an agenda to address these concerns as basic human rights. They seek to empower communities through education, advocacy and action, and to increase the participation of communities of color in corporate and government decision-making related to toxic pollution, economic development and their impact on our neighborhoods.

www.poder-texas.org

GUADALUPE COMMUNITY DEVELOPMENT CORPORATION (GNDC)

is a non-profit that for over 35 years has served the East Austin community as an affordable housing provider. By rehabilitating homes, helping community members purchase homes, and developing family housing, the GNDC has proven its commitment to helping current residents remain, past residents return, and for the entire neighborhood to thrive.

www.guadalupendc.org

LA RAZA ROUNDTABLE

is a weekly community forum that advances open democratic discussions around Hispanic/Latino issues in Austin. For more info on their weekly meeting times and location, follow them on Facebook.

[@larazaroundtableaustin](https://www.facebook.com/larazaroundtableaustin)

The Austin branch of the **NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE (NAACP)** is a civil rights organization dedicated to the political, educational, social, and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination.

www.naacpaustin.com

The LEAGUE OF UNITED LATIN AMERICAN CITIZENS (LULAC) is

an organization of Hispanic Americans dedicated to advancing the economic condition, educational attainment, political influence, housing, health and civil rights of the Hispanic population of the United States. Visit their website for more info on the Austin and central Texas chapter of LULAC.

www.texaslulacdistrict12.org

CONTACT US

Your voice is a tool for change. By providing feedback, you can inform our work and help us serve our community better. Feel free to email us at lri@austin.utexas.edu. We look forward to hearing from you!



[@LatinoStudiesUT](https://www.instagram.com/LatinoStudiesUT)