

RECLAIMING AFFORDABILITY IN TODAY'S AUSTIN

2016



ABOUT LIVEABLE CITY

Liveable City works to build a shared and sustainable vision for Austin's future. Dedicated to civic engagement, Liveable City examines public policy, develops best practices and provides strategy support to community building groups.

Liveable City's mission is to safeguard Austin's long-term social, environmental, and economic well-being by focusing on the interconnections among issues while educating, informing and empowering Austin's citizenry to improve the community's quality of life.

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EXECUTIVE SUMMARY

It's no secret that Austin residents are feeling the burden of rising household costs. Prices for many goods and services, both public and private, are escalating even as incomes for most households remain relatively stagnant. Over the last several years housing costs have again taken off following the economic slump of 2008-2011. Health care, taxes, transportation, food and utilities are all becoming increasingly expensive. Rather than a gradual erosion, Austin is now experiencing a phenomenon the city demographer recently termed "collapsing affordability."

The escalating costs of living in Austin must be considered in light of the growing income inequality in our nation and in our city. Cost increases for high income households can be more readily absorbed and these residents continue to have a range of choices about where to live and how to get around.

But for a growing number of middle- and lower-income households whose real wages are stagnant, the rising costs of living in Austin have prompted severe choices, increasingly forcing these residents to move out of the city to make ends meet. Affordability pressures linked to rapid neighborhood change are, furthermore, deepening racial inequalities and fragmenting historic African American and Hispanic neighborhoods that have been essential parts of the economic and cultural fabric of Austin. Austin now risks becoming a high-income enclave surrounded by suburbs of low- and moderate-income households.

What can we do, especially at the local level, to restrain these cost pressures and maintain a city where people from all walks of life can live, work and play? In the absence of a single magic solution, we must use all available means, employing multiple strategies across a range of policy areas to bring increased affordability to Austin residents.

In doing so, it is crucial to understand the connections between policy areas, for example, how the location of housing may in turn reduce or exacerbate transportation costs. Affordability comprises many facets and we must understand the interrelations between these if we hope to rein in our rapidly rising cost of living. In short, Austin can no longer afford the luxury of treating policy areas in isolation. We must attack the issue of affordability as comprehensively as possible.

This report examines the seven basic cost categories that significantly impact household budgets - taxes, housing, transportation, health care, utilities, food, and telecommunications - and identifies steps to improve affordability for each, often involving a connection to one or more additional policy areas.

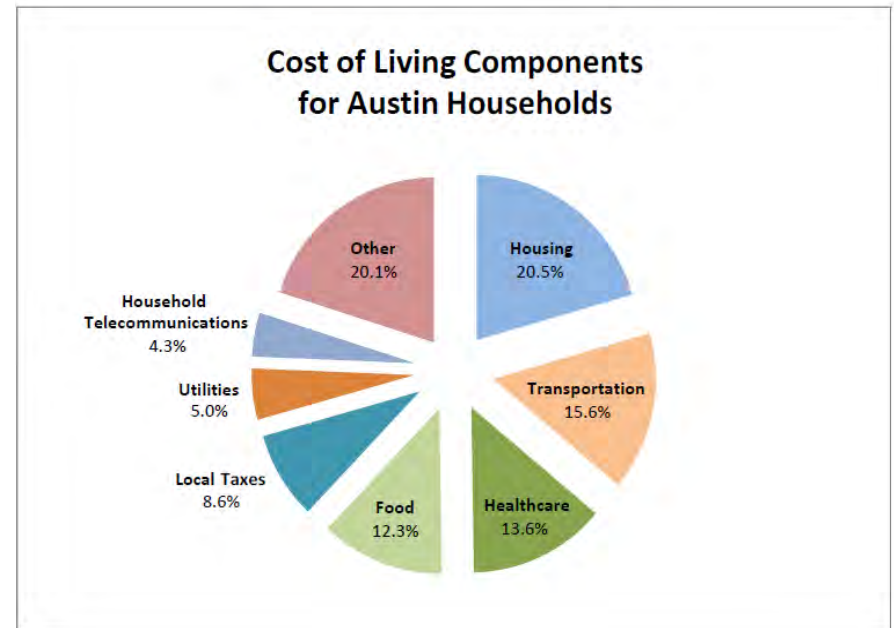
To get a better understanding of the costs of living in Austin we estimate the share of income that the typical Austin household spends on these seven essential budget categories. We use median rather than average household income to reflect the typical Austin household, since averages are pulled upward by very high-income households.

The household cost breakout gives us some understanding about the most significant items in household budgets and their importance for the typical household. For lower income households these living costs constitute a severe burden and force very difficult tradeoffs, especially between spending on items as essential as housing, transportation, health care and food.

In this report we focus on specific local actions that can influence these seven important drivers of living costs. We especially emphasize local policies and initiatives that promise to limit cost pressures across multiple elements of household budgets, especially for middle- and lower-income households.

Unless otherwise indicated, we assume that the lead role in initiating and implementing these recommendations will reside with the City of Austin, though we suggest partnerships with Travis County, Capital Metro and other governmental agencies or nonprofits where applicable. That said, because affordability pressures are tied to many factors, it is important to know that reclaiming affordability requires a community-wide commitment. No single action, government or individual can solve this problem alone.

Liveable City encourages the City of Austin and other relevant entities to undertake the following actions to reclaim an affordable Austin for all. Background and details are provided in the body of the report.



Source: See appendix.

POLICY RECOMMENDATIONS

TAXES AND FEES:

Actions for More Equitable and Sustainable Local Revenue Generation to Secure Our City's Future

1. Partner with local governmental entities and other municipalities to aggressively pursue four key changes in state law as priorities for the 2017 legislative session:

- (a) Require disclosure of current sales prices of residential and commercial properties;
- (b) Amend state law to require that protests of property tax appraisals be based on current market value, as opposed to median values for comparable properties;
- (c) Establish a circuit breaker provision that directs reimbursement for taxpayers if their total property tax bills exceed a specified percentage of their income; and
- (d) Allow a flat dollar-amount homestead exemption for all local taxing entities, rather than the current percentage-based exemption.

2. Continue to aggressively push for equalization of residential and commercial property appraisals locally, including ongoing monitoring of property valuations by the Travis Central Appraisal District (TCAD).

3. Regularly review city tax incentive policies to determine (a) whether a moratorium on incentives is warranted given the area's current booming economic growth, and (b) whether and how public incentives could be targeted to promote living wage jobs for unemployed or underemployed low-income workers.

4. Regularly review impact fees and other city fees and charges to ensure they are helping to pay for the full incremental costs of growth.

HOUSING:

Actions to Maintain and Increase Access to Affordable Housing Citywide

1. Integrate goals from the city's proposed Strategic Housing Plan into the *Imagine Austin* comprehensive plan. The plan should link the numerical goals based on analysis of aggregate needs to specific corridors and centers throughout the city.

2. Consistent with Fair Housing goals, ensure the new Land Development Code fosters a greater range of housing types throughout the city and in future development with an emphasis on affordable units.

3. Identify and commit city resources and entitlements to ensure affordable housing is sited to support strategic goals, such as proximity to transit, employment, schools and basic goods and services.

4. Promote long term affordability by prioritizing the use of land trusts and cooperative housing models.

TRANSPORTATION:

Actions to Prioritize Affordable, Accessible Transportation Options

1. Develop a comprehensive 21st Century Transportation Plan for Austin that prioritizes transportation options and incorporates the full range of strategies to improve mobility, accessibility and affordability
2. Prioritize safe welcoming streets for people walking and biking, and explore cost-sharing programs and other new financial tools to accelerate investment in a functional network of sidewalks and protected bike lanes.
3. Work with area partners to invest in transit for the nation's 11th largest city through increased bus service, dedicated transit lanes, and additional funding options to assist expansion of an integrated bus and rail network.
4. Integrate land use, housing and transportation planning for increased affordability, ensuring that affordable housing is located near transit routes wherever possible.
5. Improve access to recreation, entertainment and community events.

HEALTH:

Actions to Ensure Access to Affordable Care and a Healthful Environment

1. Working with Travis County, Central Health, area school districts and local nonprofits, create a comprehensive partnership plan to set goals, identify barriers and promote access to 100% health insurance coverage throughout Austin.
2. Strengthen, expand and promote accessible preventive care for all residents, including locating safety net clinics on transit routes, expanding services for the aging, and strengthening support for school-based Family Resource Centers.
3. Employ the CodeNEXT process to ensure a healthful built environment for Austin residents to reduce pollution and encourage regular exercise.

UTILITIES:

Actions to Maintain Affordable Utility Costs and Support Conservation

1. To keep utility bills in check, encourage and promote a holistic human scale approach to conservation in all neighborhoods citywide, including appropriate code revisions and programs to encourage solar panels, rainwater harvesting, and green infrastructure to reduce flooding.

2. Facilitate and incentivize reduced water use through reclaimed water systems, mandated drought tolerant landscapes for new construction, permanent one-day-a-week watering limits, an expansion of water-saving rebate programs to serve multifamily residential buildings and other measures.
3. Facilitate energy conservation at all levels of the community via appropriate impact fees and rate structures, while retaining assistance for low-income residents.
4. Develop new business models for utilities aligned with conservation goals.
5. Promote education, outreach and technology to decrease water and energy use for lower utility bills.

FOOD:

Actions to Increase Access to Healthful, Affordable Food for All Residents

1. Create a comprehensive Food Systems Plan for the Austin area, under the leadership of the City of Austin Food Policy Manager, the Austin/Travis County Sustainable Food Policy Board, and other public and private stakeholders including the nonprofit sector.

2. Identify areas experiencing food insecurity due to lack of grocery stores or markets and work with grocery chains, farmers' markets and local lenders to fill gaps.
3. Encourage Capital Metro and other transportation providers to commit to connecting low-income residents with grocery stores.
4. Support efforts by the Sustainable Food Policy Board and the city's Food Policy Manager to engage local stakeholders in the CodeNEXT process to ensure new zoning regulations allow and encourage local food production.
5. Encourage the city and county to commit to designating an annual budget amount of at least \$25,000 each to support programs that match public assistance for low-income residents to purchase fresh produce from local farmers' markets.

TELECOMMUNICATIONS:

Actions for More Equitable and Affordable Access to Quality Communication and Digital Services

1. Continue and expand support for the city's Digital Inclusion Program and Digital Inclusion Strategic Plan.
2. Work with local nonprofits to educate consumers about technology providers and affordable options for telecommunication services.

3. Embed requirements for the build-out of cable conduit in the new Land Development Code.
4. Incentivize the build-out of technology access in development of housing for low-income residents.
5. Explore a partnership with Travis County to provide shared funding for the City of Austin's Grant for Technology Opportunities Program (GTOP) in county areas.



INTRODUCTION

Ideas for a More Affordable Austin

Is Austin facing a problem of “too much of a good thing?” The high quality of life, enduring jobs market, and quirky culture of Austin have made it one of the most desirable locations in the country. Unfortunately, the sheer volume of people and income now streaming into Austin from around the country and the world are pushing the prices of many necessities out of range for a growing number of low- and middle-income residents. As the prices of housing, transportation, utilities, taxes, and other necessities increase under the pressures of rapid growth, concerned Austinites must be more resourceful and creative than ever if we are to have a diverse, egalitarian city open to both long-time residents and newcomers seeking to share in its economic and cultural wealth.

In late 2013, Liveable City and its nonprofit partners brought together community members, policymakers, and activists for an event titled “The Austin Affordability Summit: 100 Ideas for a More Affordable Austin.” Participants met in small working groups to discuss Austin’s rapidly rising cost of living and to brainstorm ways to alleviate costs in specific categories of basic household needs. All ideas were recorded and collected by category.

Since that time, Liveable City has continued to build on those initial affordability ideas. Some recommendations were immediately shared with

policymakers and have already been initiated. Other proposals required more study, or were deemed impractical for a variety of reasons.

With this report Liveable City intends to build on the foundation laid down at that original Affordability Summit in late 2013. With that in mind, we have chosen to focus primarily on viable ideas in policy areas that the City of Austin or other local governmental entities can directly influence. Unless otherwise indicated, we have assumed that the lead role in initiating and implementing these recommendations will reside with the City of Austin, though we have suggested partnerships with Travis County, Capital Metro and other governmental agencies or nonprofits where applicable.

There is no single solution that will return Austin to the low-cost haven of previous decades. But there are actions we can take as a community to help ease the rising costs that now threaten many low- and middle-income Austin families. By brainstorming new approaches, sharing ideas and working together to implement smart policies on as many fronts as possible, we can build a more livable, affordable city for all.

TAXES AND FEES:

Actions for More Equitable and Sustainable Revenue Generation to Secure Our City's Future

BACKGROUND

As population growth pressures continue to drive up property values, many perceive that rising local tax burdens have become a significant contributor to the affordability problem in Austin. The pressure of rising tax bills has been felt directly by homeowners as the appraised values of properties have moved sharply higher over the past three years. Increasing property tax bills are also driving up rents, and are especially burdensome to low- and middle-income residents who struggle to meet high tax bills or rent increases out of their limited incomes. The plight of property-rich, income-poor homeowners is also tied to gentrification pressures and neighborhood transition in many areas of the city.

The link between tax burdens, city services and the ability of households to continue to live in Austin is most urgent for lower- and middle-income residents. Yet compared to many other U.S. cities, the overall state and local tax burden and level of city services is not especially high in Austin. The key problem is that the incidence of state and local taxes is highly regressive: the lower your income, the higher the share of your income you pay in state and local taxes. For residents of Austin, the less you make, the more of your income you spend in taxes.

In considering the local property tax burden, it is crucial to understand that there can be no substantial relief until and unless the Texas Legislature acts to fix major flaws in the state's tax system, especially in the way we finance public schools. Over half of our local property tax bill now goes to pay for schools here and in other parts of the state and another 30% funds Travis County, Central Health and Austin Community College.

Due to Texas' current school financing scheme, commonly known as "recapture," Austin taxpayers sent \$272 million to the state in 2015 to assist so-called "low wealth" districts (even though over 60% of Austin public school students are from low-income families, Austin is categorized as a "high wealth" district due to its extremely high property values). In fact, Austin is now the single largest payer in the state's school financing system, yet it receives less per-pupil funding than it did before the major education funding cuts of 2011. While it is possible the current school finance lawsuits may bring Austin some relief, this is far from guaranteed. Absent a change directed by the courts, Austin's recapture payments are expected to grow to \$349M in 2016-17 and \$443M by 2018-19.

In fact, the City of Austin portion of our local property tax bill accounts for just under 20% of the total bill. This means that even if all city property taxes were eliminated tomorrow, the average property tax bill for Austin residents would remain high and would continue to escalate with rising property values. Moreover, most of us would not want to live with the results in terms of reduced city services and an even more beleaguered infrastructure.

IS CITY SPENDING OUT OF CONTROL?

In light of these factors, what can the city or other levels of government do to improve affordability for residents who already spend a significant share of their limited incomes on housing costs driven in part by high property taxes?

First, it is important to note that Austin's growing tax burden is not a result of runaway city spending. To understand city spending over time we must first account for inflation. Even if the city repaved the same square footage of roads and streets every year, it would cost a little more each year in materials and labor to do the job. So actual city spending from year to year should be adjusted for inflation to estimate real dollar city budget trends. Second, the city has been growing rapidly. Therefore, even if the city provided a constant level of services for each resident, the budget would still need to increase just to provide the same level of services for new residents arriving in the city every year.

There have been numerous articles suggesting that the Austin city budget has grown by nearly 80% over the past decade. According to published budget figures, total City of Austin spending (including all enterprise funds such as Austin Energy and Austin Water Utility) equaled \$1.822 billion in fiscal year 2003-04 and \$3.193 billion in fiscal year 2013-14, an increase of over 75%. However, there was a modest rate of price inflation over this ten-year period and the Austin population grew from 691,000 in FY 03-04 to 873,000 in FY 13-14. Accounting for inflation and population

increase, *the overall Austin budget increased by only about 1% over the ten-year period* (see Appendix 1).

When we consider the real per capita trends in the general fund, excluding all the enterprise funds and other spending, the trend is similar. There was a slightly larger increase of about 5% in real per-capita general fund spending alone over the period between FY 03-04 and FY 13-14.

From a city tax perspective...it is impossible to cut our way to affordability.

THE PARADOX OF STABLE SPENDING AND INCREASING TAX BURDENS

How then do we explain the reality that increasing tax burdens are a major factor undercutting affordability in Austin for middle- and low-income households? There is one small reason and one big reason for this apparent paradox.

A small part of the tax burden/affordability relationship might be related to the shift in the sources of revenues the city draws upon to finance

Reclaiming Affordability

services. Focusing on the general funds budget (and excluding enterprise funds such as Austin Energy and Water that are funded directly from utility bill revenue) there has been a shift in funding sources toward property taxes. The increased share coming from property taxes has corresponded with decreasing shares from utility transfer revenue and other sources such as fees, fines and service charges. We speculate that: (1) robust property tax revenue growth has allowed the city to reduce its reliance on transfers from Austin Energy and Austin Water; and (2) revenues from fees, fines and other revenue have not quite kept up with growth in other revenues.

But the chief reason that tax burdens have reduced affordability is that the structure of virtually all taxes paid by residents is highly regressive. Sales taxes, gas taxes, so-called sin taxes (cigarettes, alcohol, etc.) and property taxes are the key revenue sources for state and local governments in Texas. For each of these taxes instruments, the higher your income, the lower share of your income you pay toward these taxes. Conversely, the lower your income, the higher the share of your income you pay.

Thus the tax burden hits low- and moderate-income households the hardest, and remains relatively light for the higher-income residents of the city. Combined state and local taxes in Texas are among the lowest in the nation. But while Texas is indeed a low tax state for high-income residents, it is actually a high tax state for low-income residents.

¹ Davis, Carl et al. 2013. Who Pays: A Distributional Analysis of the Tax Systems in All 50 States, Fourth Edition, Washington DC: Institute on Taxation & Economic Policy, January, pp. 34, 68, 112.

A recent study by the Institute on Taxation & Economic Policy reveals the shocking reality that the low and middle rungs of Texas income earners pay a higher share of their income in state and local taxes than in high tax states such as California and Massachusetts.¹ Meanwhile, the upper 1% of family income earners in Texas pays a mere 3.2% of their income in state and local taxes compared to 8.8% in California and 4.9% in Massachusetts.

Therefore, the regressive structure of local taxes (primarily sales and property taxes) mean that as Austin grows, households in the bottom three deciles of income feel the most pain. In this way, increasing taxes to pay for a growing city does translate into affordability problems for the low- and middle-income strata.

CAN TAX BURDENS BE ADJUSTED TO IMPROVE AFFORDABILITY?

Local and state tax burdens do affect the ability of low- and moderate-income households to live and work in Austin. Some suggest solutions focused on reducing the overall tax burden by substantially reducing the level of city services. This approach would reduce burdens somewhat, though it would not result in significantly lower property tax bills as previously noted. Nor would it change the deeply unfair distribution of burdens tied to our regressive tax structure. Moreover, reductions in city

services would reduce the quality of city services for all and limit services that may disproportionately impact lower-income residents.

For these reasons, our recommendations focus on policy changes that would reduce the unfair burdens on the majority of middle- and lower-income residents. Making significant headway on reducing taxes in ways that will substantially improve affordability will require major changes in the unfair structure of state and local taxes in Texas, which can only be enacted by the state legislature. It is important to know that the City of Austin alone is very limited in its ability to significantly address unfair local tax burdens. Meaningful progress can only be made by forcing change in our highly regressive state tax laws.

While Texas is a low tax state for high-income residents, it is actually a high tax state for low-income residents.

RECOMMENDATIONS:

1. The City of Austin and other local governmental entities should aggressively pursue key changes in state law as priorities for future legislative sessions.

The city should play an active role in building both a local coalition and an alliance with other Texas cities to support the legislative measures proposed below, including drafting bill language, enlisting authors and sponsors, and rallying public support. In addition, these proposals should be communicated to the city's lobbying team as top priority issues of the Mayor and City Council.

Support legislation to ensure fair and accurate property tax appraisals for residential and commercial properties.

(1) Require the public disclosure of the current sales prices of residential and commercial properties (only four states including Texas do not require some disclosure of property sale prices).

(2) Amend state law to require that protests of property tax appraisals be based on a property's current market value, as opposed to median values for comparable properties. The current state law provision that bases appraisals on median value of comparable properties enables a continuous devaluing of commercial properties whose owners are generally in a much better position to mount successful appeals to reduce the average appraisal below market value than the average homeowner. Each devaluation, in turn, lowers the median value for comparable commercial properties,

continuing a cycle that has increasingly shifted a disproportionate tax burden from commercial to residential owners.

Support legislation to establish a "circuit breaker" provision for property tax payments. A circuit breaker provision directs the state to reimburse taxpayers if their total property tax bills exceed a specified percentage of their income. Similar provisions currently exist in 21 states. A circuit breaker mechanism is the most powerful tool to substantially reduce property tax pressures and displacement of middle- and low-income homeowners.

Support legislation to allow a flat dollar-amount homestead exemption for all local taxing entities. Current state law only allows cities to offer a homestead exemption equaling a percentage of the appraised value of a property, which disproportionately benefits owners of high value homes while offering little relief to owners of low value homes. A flat dollar-amount homestead exemption will offer more substantial relief to homeowners who are most in need.

2. Continue to push aggressively for equalization of residential and commercial property appraisals locally.

On May 29, 2015, the Austin City council voted 9-0 to file a petition challenging commercial appraisals of the Travis County Appraisal District (TCAD). On June 18, 2015, the city moved its challenge from the Appraisal Review Board to a district court to avoid delays in certification for other jurisdictions in Travis County. While the district court has since

dismissed the suit, the city should continue its appeal through the courts. In addition, the city should continue annual monitoring of property tax valuations by TCAD, while lobbying for changes in state tax laws as described above.

3. Regularly review city tax incentive policies.

The city should conduct regular policy reviews to determine: (1) whether a moratorium on public tax incentives to private firms is warranted given the area's continued rapid economic and population growth; and (2) whether and how public financial incentives might be used to promote living wage jobs for lower income unemployed or underemployed residents.

4. Regularly review impact fees and other city fees and charges to ensure they are helping to pay for the incremental costs of growth.

The city should continue to systematically evaluate whether impact fees (for water, wastewater, roads, etc.) and other fees or charges (such as park set asides and line extension fees) are covering the true incremental cost of growth. When warranted, the city should increase these fees to adequately fund actual costs and reduce the pressure for additional property tax increases. While appropriate development fees may marginally increase the price of new housing, this is a far fairer way to distribute costs, as opposed to placing the burden on longtime residents whose incomes generally have not kept pace with skyrocketing property taxes.



HOUSING:

Actions to Maintain and Increase Access to Affordable Housing Citywide

BACKGROUND

Austin became the fastest growing large city in the country in 2014, gaining 244,139 residents between 2000 and 2015, an increase of 37 percent according to the U.S. Census' American Community Survey (ACS). The area and the city (See Table 1) continue to draw both high- and low-income residents, and remain highly economically segregated at both the municipal and regional scale. Yet between 2000 and 2011, suburban poverty in the Austin metro area grew 143 percent, the second highest increase in the nation and over double the 64 percent average increase for metro areas nationwide.² By 2010, the region's economic segregation was extreme. Wealthy, college-educated professionals and less-educated, blue-collar workers are least likely to share the same

neighborhood, compared to other metropolitan areas in the nation. Isolation by economic class is most pronounced for those without a high school education.³

We are growing in a way that is deepening and widening the income divides in our city and region. This dynamic is rooted in the lack of congruence between the growth and distribution of income across households in the region and the patterns fostered by past planning

practices. These in turn have helped shaped the cost and availability of housing that is affordable to different household incomes and needs.

Overall, three types of problems stand out: (1) the shortage of apartments affordable to very low-income residents; (2) home prices that are increasingly beyond the range of low- to middle-income earners, especially in central neighborhoods; and (3) the deepening economic and

Table 1. Population growth in the Austin area by household income (inflation adjusted)

Household income (2014 \$)	2000	2014	Change (share of growth)
Less than \$25,000	46,889	74,883	27,994 (35.6%)
\$25,000-\$50,000	61,050	82,164	21,114 (26.8%)
\$50,000-\$100,000	85,689	101,490	15,801 (20.1%)
Above \$100,000	71,965	85,752	13,787 (17.5%)
Total households	265,593	344,289	78,696

Notes: 2000 data is from the Decennial census, 2014 data is from the American Community Survey and reflects a 5-year average. In order to use the same income ranges for both periods, data was adjusted so that 2000 household income data was inflated to 2014 values.

² Kneebone, E. and A. Berube. 2013 *Confronting Suburban Poverty in America*. Washington, DC: Brookings Institution Press.

³ Florida, R. and C. Mellander. 2015. *Segregated City*. Toronto: Martin Prosperity Institute.

racial divides reflected in Austin’s housing patterns. We examine each of these issues below.

SEVERE AND GROWING SHORTAGE OF APARTMENTS FOR VERY LOW-INCOME RENTERS

In 2012, 46% of renter households earned less than \$35,000 per year (less than half of median family income for a household of four in our region). Renter households earning less than \$25,000 per year outnumbered the 19,000 subsidized units they can afford by 48,000 in 2014. These residents are thus forced to choose between paying a large share of their gross income for housing and/or living in poor quality housing, or moving outward to areas with poor quality services and long and expensive commutes. More than half of Austin’s renter households—over 91,000 households—paid more than 30% of their gross income for rent and utilities by 2011-13.⁴ For low-income renters, thirty percent of a small monthly income may leave little for other basic needs.

The meager stock of unsubsidized apartments affordable to those earning \$20,000 - \$25,000 per year as of 2008 has since disappeared. In just two years (2012-2014), close to 7,000 affordable units were lost due to rent increases or redevelopment.⁵ Since these units were primarily concentrated in central neighborhoods, their loss means displaced residents will likely face higher housing and transportation costs.

⁴ BBC Research and Consulting. *2014 Comprehensive Housing Market Analysis*. Prepared for the City of Austin, Texas.

HOMEOWNERSHIP INCREASINGLY OUT OF REACH FOR LOW- AND MODERATE-INCOME BUYERS

Median home values in the region (self-reported) rose 78% between 2000 and 2012—especially in central neighborhoods (ACS). The share of homes citywide valued under \$200,000 in 2012 dollars fell from 61% to 44%. By 2013, the median sales price in the region was \$269,000—a price out of reach to households earning the city’s median household income of \$52,453 (2012).

Households with children are especially unlikely to be able to afford to purchase a home in the city. As shown in Table 2, for such households, childcare and health care costs strain household budgets, reducing the share of income available to spend on housing and still meet these basic needs.

We are growing in a way that is deepening and widening the income divides in our city and region.

https://austintexas.gov/sites/default/files/files/NHCD/2014_Comprehensive_Housing_Market_Analysis_-_Document_reduced_for_web.pdf

⁵ Ibid.

Table 2. Austin Metro Family Budgets, by household composition

Household composition	Biggest budget items	Annual & hourly income	Housing as share of income
1 person	Housing \$791	\$28,656	33.1% (gross income)
	Health \$456	\$14.33/hr	38.6% (take home pay)
	Transport \$359		
		50% of Median income	
		37% of regional jobs pay less	
1 parent 2 kids (preschooler, school age)	Housing \$961	\$50,736	22.8% (gross)
	Childcare \$900	\$25.37/hr	24.6% (take home)
	Health \$799		
		75% of median income	
		75% of jobs pay less	
2 parents 3 kids (infant, preschool, school age)	Childcare \$1527	\$78,204	19.6% (gross)
	Health \$1325	\$39.19/hr (total)	21.7% (take home)
	Housing \$1296		
		95% of median income	
		65% of jobs pay less than \$20/hr	

Sources: Center for Public Policy Priorities, 2012. Median family income data from HUD, 2012. <http://www.huduser.gov/portal/datasets/il/il12/tx.pdf>. Budget items are based on 2011 data. For details on methodology and data sources, see <http://familybudgets.org/downloads/BTFB%20Methodology.pdf>

HOUSING PATTERNS REFLECT ONGOING AND DEEPENING RACIAL AND ECONOMIC DIVIDES

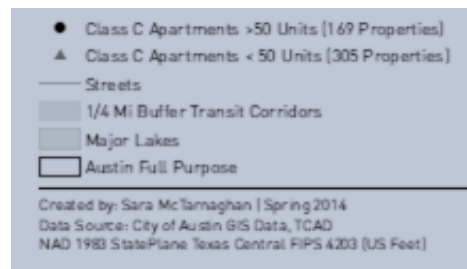
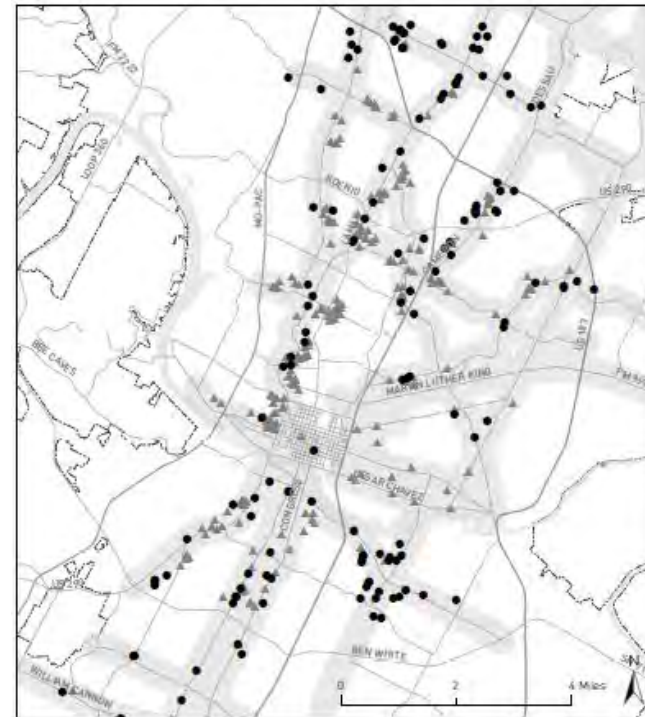
Finally, the spatial separation of affluent and poor residents reflects two opposite but related development patterns. First, our historic exclusion of multifamily and affordable housing from many affluent single-family neighborhoods, rooted in deed restrictions and zoning, is replicated today in suburban style developments. Second, in the historically minority-dominated neighborhoods of Austin’s east side, the haphazard pattern of development with industry and hazardous sites next to homes kept property values low and impeded the ability of minority owners to build wealth, making these areas ripe for gentrification. We are now seeing the fruits of these development patterns and practices, in the form of the suburbanization of poverty, in a racialized pattern, fed by the redevelopment of historically minority central city neighborhoods.

New housing construction is dominated by two housing types: single-family detached homes and clusters of large scale luxury multifamily developments, with only a small segment of “missing middle” housing types such as duplexes and townhomes. Increasingly, housing options affordable to households below median income are to be found on the outer edges of the city or beyond. More affordable attached homes (duplex, fourplex) may be centrally located, but their central location means their prices are rising more quickly than other types. Moreover, some neighborhood plans or existing zoning allow no “attached” options at all. Outlying neighborhoods are dominated by low density single-family housing. There is also a shortage of affordable apartments big enough to

accommodate families with two or more children. As of early 2014, Austin had only 296 3-bedroom apartments affordable to families earning less than 50% of median income, and another 1,689 affordable to households earning up to 60% of median income.⁶

In order to address the ongoing economic and racial segregation of our community, and prevent replication of these patterns as we continue to grow, we offer a few recommended areas for action in the current context. While we present these separately, they are interrelated. These recommendations are intended to foster strategic action to increase options for low-income households, promote new more inclusive residential communities in areas of growth and support the creation of housing options that cultivate community life.

Figure 1. Aging rental housing in transit corridors, 2014



⁶ Austin Investor Interests, 2014.

RECOMMENDATIONS:

1. Integrate specific numeric affordable housing goals for corridors, centers and areas currently excluding affordable housing into the Imagine Austin comprehensive plan and support these goals through the rewrite of the Land Development Code (CodeNEXT).

In June 2015, city staff presented “Affordable Housing Goals and Targets: An Affordable Housing Plan and Community Scorecard” to the City Council’s Housing and Community Development Committee. The plan detailed seven goals for preserving and creating affordable housing and included specific targets for each goal. The city’s Neighborhood Housing and Community Development office is preparing to engage the community in discussion of these goals and to incorporate feedback into a proposed Strategic Housing Implementation Plan that could be adopted as an amendment to Imagine Austin. To further ensure implementation, goals for particular types of areas should be reviewed by the city’s Housing + Jobs + Transit action team and the team rewriting the city’s Land Development Code (CodeNEXT) to ensure coordination between housing, transit and other goals. Finally, the amendment to Imagine Austin should also identify funding sources and policy supports needed to realize these goals. This will require identification of additional city and external resources.

2. Consistent with fair housing goals, ensure the new Land Development Code fosters a greater range of housing types throughout the city and in future development with an emphasis on affordable units.

The current CodeNEXT process offers an important opportunity to ensure that future growth will follow a different pattern, offering greater choices to both owner and renter households, particularly those with low incomes. Our current system for inclusion of affordable housing in new developments relies on piecemeal negotiations over increased density or other entitlements in exchange for various community benefits that include affordable housing. It will be particularly important that the new code provides for a variety of housing types - especially affordable housing - throughout the city, while preserving the option to negotiate for more.

3. Identify and commit city resources and entitlements to ensure affordable housing is sited to support strategic goals.

Many past plans and policy statements have articulated the importance of using publicly owned land to support development of affordable housing. Yet this has not become standard practice. Instead, in each case, the onus falls on housing advocates to fight for the use of public land, often debating other policy goals in the process. We advocate identification of specific sites to prioritize, based on their ability to achieve strategic goals such as

providing greater access to transit and local services and/or providing access to areas currently lacking affordable housing. In addition, the city's nonprofit affiliate, the Austin Housing Finance Corporation, has the ability to purchase and retain ownership of land in order to support affordable housing development. This tool should be used proactively, by specifying the criteria that project sites must meet to qualify for its use.

Such criteria should support the goal of ensuring that affordable housing is available in areas that have previously been off limits or that offer particularly strong benefits to residents, such as transit access or access to good schools. Public land or strategic purchase of sites can also be used to support preservation of affordable housing in gentrifying neighborhoods.

4. Promote and support the development of cooperative housing and other shared resources models.

Cooperative and shared ownership housing models contain untapped potential to create durable, dignified, affordable housing in Austin. As democratically tenant-managed entities, rental housing cooperatives are superior stewards of affordable housing resources when compared to private developers, and unlike traditional housing nonprofits require little to no ongoing subsidy. Community land trusts (CLTs) can offer wealth-building opportunities to low-income families via an arrangement whereby the land rights are retained by a community-based nonprofit while the resident owns the home itself. Shared equity cooperatives and CLTs can help first-time homeowners by lowering the cost of the initial purchase,

allowing them to attain stability while retaining significant control of their home.

At this time cooperative models are not widely understood by city staff or lending institutions and as a result typically remain cut off from mainstream sources of capital. Cooperative non-profits should be recognized in the scoring criteria of the Rental Housing Developer Assistance (RHDA) Program or General Obligation (GO) Housing Bonds by awarding extra points for cooperative ownership or management. People looking to purchase a stake in a shared equity cooperative should have clear access to homeowner incentives and down payment assistance programs managed by the city. Promoting the cooperative model and offering access to development expertise and application assistance through city staff time in the Neighborhood and Community Development Department or other relevant city departments would further bolster the ability of cooperative organizations to form or expand.

TRANSPORTATION:

Actions to Prioritize Transportation Options Are Key to Affordability

BACKGROUND

Growing economic segregation and the lack of transportation options in an auto-dependent region are two factors fueling Austin's current affordability crisis. Of increasing concern is the deterioration of transportation affordability - a household's transportation costs to access jobs and basic services needed for daily life.

Due in part to the ongoing suburbanization of poverty, the absence of transportation options has become a driver of economic inequality. "Conventional [transportation] planning, generally has given little consideration to affordability".⁷ Instead, major transportation decisions in Central Texas have focused on largely unsuccessful efforts to alleviate rush hour congestion, leading to continually higher spending to expand and extend roadways.

Transportation costs burden lower income working families more because they must spend a greater percentage of their incomes to travel greater

distances due to the lack of affordable housing in central locations. For the lower income workforce, as well as the young, the elderly and people with disabilities, the lack of affordable transportation options limits job opportunities, social inclusion and access to basic services including healthy food. A recent study found "[c]ommuting time has emerged as the single strongest factor in the odds of escaping poverty. The longer the commute, the lower the chance of low income families moving up the ladder".⁸

For most residents, transportation is the second highest household expense after housing. The 2014 American Automobile Association's "Your Driving Costs" study finds driving an average sedan 15,000 miles a year costs 59.2 cents per mile or \$8,876 per year.⁹

While fluctuating gas prices receive the lion's share of public attention, a household's full transportation costs are much greater. Total vehicle ownership costs include fixed items such as purchasing and financing the vehicle, maintenance and repair, insurance and registration, along with fuel costs, tolls, and parking fees. Additionally, households may also have to pay for transit, taxi or other transportation services.¹⁰

⁷ Litman, T. 2015. Transportation Affordability: Evaluation and Improvement Strategies. Victoria Transport Policy Institute. <http://www.vtpi.org/affordability.pdf>

⁸ Chetty, R. and N. Hendren. 2015. The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates.

(Executive Summary). http://www.equality-of-opportunity.org/images/nbhds_exec_summary.pdf

⁹ AAA. 2015. Your Driving Costs. <http://newsroom.aaa.com/2015/04/annual-cost-operate-vehicle-falls-8698-finds-aaa/>

¹⁰ Litman, op cit.

State and local governments also play a major role in driving transportation costs through their allocation of funding. Reacting to projected mobility needs, the Capital Area Metropolitan Planning Organization (CAMPO), Central Texas' five county transportation planning organization, recently updated its long-range transportation plan. The five-county plan, estimated to cost \$35.1 billion over the next 25 years, assumes \$11.8 billion from local sources of which \$2.8 billion is expected to come from the City of Austin. [6] High profile projects include the proposal to modify sections of IH-35 through Hays, Travis and Williamson County at the cost of \$4.3 billion dollars. With these plans, the vast majority of funds are directed toward expanding and extending roadways, leaving few dollars available for more affordable transportation options.

INCREASING TRANSPORTATION OPTIONS CAN REDUCE HOUSEHOLD COSTS

Retaining transportation affordability means limiting the overall cost households bear for transportation to access basic goods and activities such as medical care, shopping, education, work and recreation. Households are considered transportation burdened when they spend more than 20% of their income on transportation, and they are considered extremely cost burdened when they spend more than 45% on transportation and housing combined.¹¹

One answer to growing unaffordability is to increase the availability of other transportation options, such as walking, transit, bicycling, and a range of other strategies to reduce automobile dependency and decrease the cost of travel (See Appendix 3). In communities with a wide variety of transportation options and connected land uses (such as housing near transit and jobs), transportation costs can be as low as 10% of household income. In automobile dependent communities, such as Austin and Central Texas, transportation costs can run to 25% or more.¹² The Community Advancement Network (CAN) Dashboard reported that in 2013 over one-third of Travis County households paid more than 30% of their income for housing.¹³ The lack of transportation options in Central Texas raises the likelihood that a significant number of these families are also transportation burdened.

The longer the commute,
the lower the chance of low
income families moving up
the ladder.

¹¹ Litman, op cit.

¹² Ibid.

¹³ CAN Dashboard. <http://www.cancommunitydashboard.org/drilldowns/housing-cost-burdened.php>

PUBLIC AND PRIVATE INITIATIVES ADVANCE TRANSPORTATION AFFORDABILITY GOALS

As the transportation affordability discussion grows, planning, research and private and public initiatives are moving to meet the challenge. New transportation plans such as Go Boston, Move Seattle and Los Angeles Mobility 2035 aim to promote affordability by reducing mobility costs to expand job opportunities and improve residents' quality of life. Recent studies by the Victoria Transport Policy Institute, The Public Policy Institute of California and the Los Angeles Equity Atlas are examining how low-income residents are impacted by lack of transportation options. The Center for Neighborhood Technology continues to develop strategies such as the Housing + Transportation Affordability Index to provide a more comprehensive view of the relationship between land use and affordability.

Locally, the City of Austin's Housing + Jobs + Transit Working Group is coordinating affordability, transportation and economic development programs and advancing planning for Equitable Transit Oriented Developments. Promising Central Texas initiatives to reduce barriers to travel include Capital Metro's rapid buses, Austin's Active Transportation Program, Movability Austin's commuter programs, the Rocky Mountain Institute's Mobility Project and B-Cycle, among others.

Austin needs a new vision of mobility focused on creating more affordable transportation options. Addressing transportation affordability offers the hope of expanding economic opportunity and social inclusion, while improving the quality of life for our entire community. The future of

mobility is moving people, not vehicles, in a more cost effective and equitable manner. Making this transition calls for new leadership that understands that planning for a successful future transportation system means planning for people first.



RECOMMENDATIONS:

1. Develop a comprehensive 21st century transportation plan for Austin that prioritizes transportation options and incorporates a full range of tools to improve mobility, accessibility and affordability.

The City of Austin should create a new transportation vision and plan that integrates the full range of mobility options with land use and housing. The plan should prioritize transportation options for every part of the city, emphasize access to the urban core, and include all modes of transportation, such as transit, car sharing, ride booking and vanpooling, as well as walking and biking. The plan should also establish clear goals and measures for equity and affordability, such as reducing transportation cost burdens for low-income residents.

Austin's transportation network should incorporate innovative new technology, such as a "smart card" for a single point of access and payment including transit, car share, parking and B-cycle to lower costs and expand opportunities for Austin residents. However, it should be noted that it is important to retain cash payment options for transportation services to ensure continued access for lower wage Austinites without credit cards or smart phones.

In addition, the City of Austin should partner with Capital Metro and other local governments and nonprofits to introduce lower-income

residents to transportation options that include transit, car sharing, and biking, and to emphasize cost-saving options by way of financial literacy counseling. Increasing access to transportation options can expand opportunities for Austin residents, save money, and promote a more inclusive community. In the short term, local governments and employers should also consider incentivizing alternative peak hour travel to reduce congestion.

2. Prioritize safe welcoming streets for people walking and biking.

The City of Austin should explore innovative cost sharing programs and other financial mechanisms to accelerate investment in its sidewalks and protected bicycle lane networks, with a focus on reducing isolated sections of the network. It is also crucial that Austin continue supporting its nationally recognized Complete Streets program, which includes planting shade trees, burying utility lines and making other improvements so that walking and biking are safe, comfortable and viable modes of transportation.

3. Invest in transit for the nation's 11th largest city through improved bus service and explore additional funding options to accelerate build out of an integrated bus and rail network.

Actions should include expanding Austin’s frequent transit network by improving bus service, dedicating transit lanes for buses on major roadways and providing bus stops that allow buses to pull out of traffic if roadways are too narrow for fully dedicated lanes. In addition, local governments should consider a broader array of funding options including toll revenues, parking fees, tax increment financing and additional bond financing to accelerate the expansion of Austin’s bus and rail network.

4. Integrate land use, housing and transportation planning for increased affordability.

Wherever possible, affordable housing should be located near existing or future transit stops. In addition, landlords should be encouraged to separate the cost of parking from residential and commercial rents to reduce costs for tenants and support the use of transportation options for residents and business patrons.

The City of Austin should continue to strongly support the Housing + Transit + Jobs Action Team to promote business opportunities near high capacity transit corridors and proposed transit stops with targeted incentives, code changes and other tools to expand opportunities for affordable housing and jobs. Large employers should be encouraged to locate near existing or future transit oriented developments. For smaller businesses, the city should create a transit oriented development small business economic fund to promote their location at these sites.

In addition, the Travis County Commissioners should seek legislative changes to provide greater land use authority for county governments to improve regional transportation planning and connect the centers across our region. Travis County should also create a county land-banking program to reserve land for future affordable housing near transit stations, stops and corridors. Reserving land will allow for greater geographic dispersion of affordable housing across the region.

Finally, the city and state should review state roadways within the city to determine which governmental entity can best maintain and improve these roadways to support local planning efforts and realize maximum cost efficiency. Please note that the cost of long-term maintenance should be considered in any decision to transfer responsibility for a roadway.

5. Improve access to recreation, entertainment and community events for residents.

Austin is cherished for its many entertainment and recreational opportunities. Access to these constitutes one of the city’s chief charms for many residents and, best of all, many such opportunities are free: using the hike-and-bike trail, enjoying neighborhood parks and pools, flying a home-made creation at the Zilker Kite Festival, or enjoying the many free concerts and events during South By Southwest and other music festivals.

The transportation challenges related to these opportunities are twofold. For those who choose to participate, this means being able to get to an

event quickly and at a reasonable cost. For others, it means being able to engage in regular life activities despite the disruption in traffic patterns and conditions during a major event.

To address both issues, the City of Austin (and Travis County, where applicable) should work with Capital Metro to increase transit access to Lady Bird Lake and other major parks and festivals, including expanding late night and weekend service to and from central city entertainment areas. Additionally, the city should pursue partnerships to expand the use of city, county and state parking facilities for safe after-hours parking in entertainment and cultural districts, and during SXSW, ACL and other major events.



HEALTH:

Actions to Ensure Access to Affordable Care and a Healthful Environment

BACKGROUND

Health care is not only expensive in its own right, but health difficulties can have a devastating impact on the economic well-being of an individual or family. Health problems or injuries may lead to a reduction or loss of income from employment, which can have a cascading effect on a household's economic stability.

This devastating combination of health care costs and lost income is a frequent reason for bankruptcies, home foreclosures and evictions. Studies suggest that medical costs are responsible for more than half of all bankruptcies¹⁴ and the percentage is even greater when the effects of lost income are included.¹⁵ For many additional households, medical costs result in other adverse effects, such as spending down most or all of a family's savings or forcing a family member to take on a second job.¹⁶ Often these cascading costs are passed on to the broader community in the form of increased public assistance or other types of expensive remediation

¹⁴ Lamontagne, C. (2013). NerdWallet Health finds medical bankruptcy accounts for majority of personal bankruptcies. <http://www.nerdwallet.com/blog/health/managing-medical-bills/nerdwallet-health-study-estimates-56-million-americans-65-struggle-medical-bills-2013/#.VpwtgxY8jVs>

for issues that might have been averted or mitigated had affordable care been available initially. Clearly, it is more cost effective for all to ensure access to decent health care on the front end.

Health insurance can help to protect against the medical expenses associated with catastrophic illness or injury, though the cost of health insurance may also pose a substantial financial burden on a family. Similarly, preventive care can reduce the risk of expensive health problems. However, costs may discourage uninsured families from maintaining preventive care, and - even for those families who have insurance - transportation considerations, co-payments and work schedules may make access difficult. Additionally, limited access to healthy food and safe areas for physical activity makes maintaining a healthy lifestyle difficult for many

Health problems or injuries...can have a cascading effect on a household's economic stability.

¹⁵ Himmelstein, D. U., Thorne, D., Warren, E., & Woolhandler, St. (2009). Medical bankruptcy in the United States, 2007: Results of a national study. The American Journal of Medicine, 122, 741-746.

http://www.pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf

¹⁶ The Henry J. Kaiser Family Foundation (2016). Health Costs. <http://kff.org/health-costs/>

Austin residents, further increasing the likelihood of potential health problems and related expenses.

Although most discussions of health care costs focus on physical health, the costs of mental health care and the costs of failing to meet mental health needs can also be enormous, both for individuals and for the community as a whole. While most insurance plans now provide mental health coverage, these may include restrictive time limits for psychiatric hospitalization and substance abuse rehabilitation programs. For people without insurance, public clinics and hospitals are generally the only financially viable options, and these programs typically involve long waits for services. Untreated mental health needs can lead to substance abuse, family instability, job loss, and injury to self or others.

The Affordable Care Act has made health insurance more affordable for many people. However, the State of Texas did not accept the Medicaid extension that was offered to states to support health coverage for individuals with too little income to qualify for the federal health care subsidies, but too much to qualify for the standard Medicaid program. That decision has left about one million low-income Texans in a health insurance gap, resulting in an acute need for affordable health care options for this population.

Travis county residents have greater access to affordable health services than those in many other parts of Texas as a result of a voter-approved health care taxing district, now known as Central Health. Central Health allocates resources to programs and providers serving low-income and

uninsured populations and it is a key partner in the Dell Medical School at the University of Texas, which is dedicated to expanding health care access for the underserved. To address the interconnectedness between physical and mental health, some of Central Health's affiliated clinics now collaborate to co-locate clinics with Austin Travis County Integral Care, which provides behavioral health and disability services. Central Health also provides access to low-cost health insurance through the Medical Assistance Program. On a smaller scale, programs such as the Health Alliance for Austin Musicians (HAAM) and SIMS are helping to fill gaps in the areas of health care and mental health resources, respectively, for musicians.



Despite these resources, sizable gaps in the health care safety net remain. In a 2014 report, the Community Advancement Network (CAN) highlighted as safety net gaps the lack of health services in suburban areas and the long wait lists for mental health and substance abuse services.¹⁷ The City of Austin and its local partners must create a comprehensive plan to address prevailing gaps to ensure affordable and accessible health care for all residents and to promote a built environment that encourages regular activity and reduces pollution.



A PROGRAM OF FOUNDATION COMMUNITIES

¹⁷ Community Advancement Network (2014). Our community is changing – are we ready? The state of the safety net for the Austin metro area.

RECOMMENDATIONS:

1. Create a comprehensive partnership plan to achieve 100 percent health insurance coverage throughout Austin.

The City of Austin should partner with Central Health, Travis County, area school districts, and local nonprofits to set a goal of 100% health insurance coverage for Austin residents and commit to developing a plan to achieve this. At a minimum, the plan should include the following elements:

- a.* Expand the health insurance outreach and enrollment assistance programs currently provided through Central Health and local nonprofits to increase the number of people obtaining insurance through the National Health Insurance Marketplace, often called “the exchange.”
- b.* Identify barriers to coverage, such as cost, and develop strategies to overcome these.
- c.* Develop programs in the public schools to ensure that all children eligible for the Children’s Health Insurance Program (CHIP) are enrolled and maintain their enrollment. Enrolling children also helps to bring adult family members into contact with health care resources.
- d.* Provide proactive application and follow-up assistance to ensure that all City of Austin and Travis County contract and part-time workers have purchased health insurance on the exchange.

- e.* Evaluate the cost of providing health care coverage for city and county part-time workers through existing city and county insurance programs vs. paying part of the premium on the exchange.
- f.* Explore the impact of requiring city and county contractors to contribute towards health insurance for their sub-contractors and all employees.
- g.* Provide subsidy funding to small businesses employing lower wage workers to enable them to purchase health coverage on the exchange.
- h.* Explore opportunities for collective membership health care (e.g., for the arts community) and expand creative solutions, such as those developed by HAAM and SIMS, to other populations.

2. Strengthen, expand and promote access to affordable preventive care for all residents.

The City of Austin should work with Central Health, other local governments, school districts, nonprofits and Capital Metro to strengthen and promote access to preventive care for all residents. This effort could build on the Austin/Travis County Community Health Improvement Plan.¹⁸ One component should be a partnership with local safety net clinics to ensure that preventive care is readily accessible through location on transit lines.

Family Resource Centers (FRCs) on public school campuses provide another way help to connect families to preventive care. The city and

¹⁸] Austin/Travis County Health and Human Services Department (2012). Together We Thrive: Austin/Travis County Community Health Plan.

county should continue their respective commitments to support, and if possible expand, these centers, with greater efforts to publicize their availability and services to families in need.

Efforts to increase preventive and behavioral health services in locations where people already are, such schools and the workplace, should be expanded. Austin ISD's school nurse program could be expanded into the community, through Family Resource Centers and other community interfaces, and could incorporate a greater focus on prevention and wellness. Campus-based Counseling Referral Centers, which provide mental health services to students and families at some Austin ISD campuses, should be expanded to a larger number of campuses.

In addition, services for aging in place should be enhanced, with a focus on identifying and promoting access to health care, transportation and other basic support services. Expanding neighborhood living arrangements, such as Wildflower Terrace and Capital City Village, as well as co-housing and cooperative arrangements, could advance the provision of these kinds of services for older residents.

The partnership should actively promote and publicize resources for healthy living, including technology tools that may help form and monitor healthful habits for exercise and eating. The Choose Healthier website, app and coach helpline is an example of this type of resource.

Finally, because informed planning and decision-making requires up-to-date, accurate and thorough information, resources should be allocated for

systematic data collection and analysis to identify remaining health care gaps and barriers, gauge program results and ensure maximum effectiveness of programs and policies over time.

3. Ensure a healthful environment for Austin residents.

A well-designed built environment can increase the opportunities for regular exercise, while reducing pollution and providing low cost transportation options by decreasing reliance on vehicles for daily errands. This results in improved overall health for residents, as well lower health care costs for individuals and the community as a whole.

With these goals in mind, the City of Austin should use the CodeNEXT process to encourage active transit by ensuring that future building projects promote access to safe walking and biking routes citywide. In addition, the city, and other governmental entities as appropriate, should commit to maintaining and expanding Austin's existing sidewalks, bike lanes, trails, paths and parks into a cohesive bike and pedestrian network.

The CodeNEXT rewrite should also include a firm commitment to providing effective green infrastructure citywide to reduce flood risks and water pollution. Green infrastructure refers to a city's natural areas that offer flood protection, habitat for wildlife, and cleaner air and water, and also includes storm water management systems that soak up and store storm runoff. Given Austin's recent increase in flooding episodes and the impacts of ongoing climate change, sufficient green infrastructure will be a key element in ensuring a healthy environment moving forward.

UTILITIES:

Actions to Maintain Affordable Utilities While Strengthening Conservation

BACKGROUND

Along with increasing housing and transportation costs, rising water and energy bills pose an affordability challenge for many Austin households. Water rates increased 13% last year alone. Electric rates saw a 7% hike beginning in 2012¹⁹ and, while slightly decreased at present due to the current low cost of natural gas, remain well above their pre-2012 levels.²⁰ Today, utility bills amount to about 5% of cost of living expenses for the average household, and for low-income households that percentage can be much higher (Appendix 2, Table A-2.1).

The City of Austin owns both its electric utility (Austin Energy) and water utility (Austin Water). This gives it the ability to create direct assistance programs for low-income households having difficulty paying their bills. It also enables Austin to fashion programs to meet other community goals and values, such as protecting the environment through energy efficiency and solar programs, and protecting water supply and habitat through the purchase of water quality protection lands.

Along with providing reliable water and electricity to Austin residents, proceeds from these publicly owned utilities benefit local ratepayers by helping cover the costs of vital city services. In Fiscal Year 2015, Austin Energy transferred \$105 million into the city's general fund and Austin Water another \$38.8 million.²¹ Without these annual transfers, the city would be forced to scale back public services, such as libraries and public pools, or pay for them by other means, such as higher property taxes.

Naturally, care must also be taken to assure that revenues are sufficient to cover the costs of operating the utilities themselves. The challenge for Austin is to strike a balance between generating sufficient funds to support utility operations and valued programs, while ensuring that utility bills do not exacerbate the affordability crisis for both residential and commercial customers.

Cities and their utilities can do much to keep rates under control, and continuing to invest in conservation of both energy and water is a prime example. Countless studies in both sectors have demonstrated that these are the most cost-effective methods of meeting future needs. Because there are somewhat different affordability issues related to water and energy, respectively, we discuss these in separate sections below.

¹⁹ New Electric Rates Take Effect With October 2012 Utility Bills. <http://austinenergy.blogspot.com/2012/06/austin-energy-customer-assistance.html>

²⁰ City of Austin, Electric Rate Schedules, Effective November 1, 2015.

²¹ City of Austin, 2015-16 Proposed Budget Overview, p. 32. <http://www.austintexas.gov/edims/document.cfm?id=235522>

WATER AND AFFORDABILITY

Without an affordable, sustainable supply of potable water, Austin would quickly become unlivable. Yet Austin is one of the largest cities in the



nation dependent on a single source of water: the Colorado River with its drinking water supply reservoirs. This makes the city extremely vulnerable to droughts that afflict the Colorado River watershed. While recent rainfall has lifted the watershed out of drought for now, climate models project extended periods of deep drought punctuated by occasional heavy storm events in the coming decades, a scenario entirely consistent with recent experience.

The cost of water is to an extent subject to the law of supply and demand. As population grows, and as climate change and recurrent drought diminish supplies throughout Central Texas and beyond, water will likely become more expensive. Some experts even predict that its price will soon outstrip the price of energy.

The terms under which Austin can withdraw water from the Colorado River are set by its contract with the Lower Colorado River Authority, and these terms have enormous financial implications for ratepayers and for conservation programs. In 1999, Austin made a single payment of \$100 million for the right to withdraw up to 325,000 acre feet from the river each year through 2050 (later extended to 2100). Austin currently withdraws around 140,000 acre-feet per year.²²

The contract further states that if Austin withdraws 201,000 acre feet or more for two years in a row, it must from that point forward pay for all the water it withdraws at the going market rate. According to Austin

²² Austin Water. Understanding the Drought. 2015

https://www.austintexas.gov/sites/default/files/files/Water/Drought/Understanding_the_Drought_Feb2015.pdf

Water, ratepayers would have to pay an extra \$10-\$15 million per year at current rates. This trigger cannot be avoided by bringing in water from another surface water or a groundwater source, as the contract stipulates that this additional water would also count towards the trigger. Contracting for additional water sources could thus in effect force ratepayers to pay twice: once for the cost of the new water and again for the cost of Colorado River water at current rates, if the combined volume from both sources reaches 201,000 acre feet.

However, certain other water supply options do not count towards the trigger, and this is very much to Austin's advantage. These include reclaimed water, household graywater, harvested rainwater, air conditioning condensate and, of course, water saved via conservation. Austin's conservation programs have already delayed the trigger for several years. The city thus has every incentive to maximize conservation and exploit these other water supply options in order to forestall the trigger for as long as possible.

Recognizing Austin's vulnerability due to reliance on the Colorado River alone, the Austin City Council convened the Integrated Water Resource Task Force and tasked it with exploring options for meeting future demand and evaluating the costs and environmental impacts of these options. Options under consideration include using growth itself as a water source;

for example, by designing new buildings, streets, and subdivisions in a way that captures vast amounts of storm water for later use. The Task Force has also called for increased investments in proven conservation programs, such as making once-a-week lawn watering permanent. Fortunately, recent experience suggests that Austinites are more than willing to embrace conservation strategies; per capita consumption has fallen by 22% since 2006, suggesting that a 'culture of water conservation' has taken hold.²³

ENERGY AND AFFORDABILITY

The city owns Austin Energy (AE) and the City Council serves as AE's governing board, giving Austin voters a more direct voice over energy policies than they would otherwise enjoy. Current city policy calls for electric rates to remain among the lower 50% of rates charged by other utilities in Texas, and to increase by no more than 2% a year, even as Austin pursues ambitious goals for climate protection, renewable energy, and energy efficiency.²⁴

Austin's rates now hover slightly above the established 50% threshold, even with rates projected to drop by \$3.33 per customer in 2016 due to the current low price of frack gas.²⁵ However, the average AE residential bill (as opposed to rate) is lower than average bills for all but one of the other ten largest utilities operating within the Electrical Reliability Council of Texas (ERCOT) service area, which covers 90% of the state and includes

²³ Austin Water. Understanding the Drought, 2015. p.16
<http://www.austintexas.gov/edims/document.cfm?id=225679>

²⁴ Austin Energy. Investing in a Clean Future: Austin Energy's Resource, Generation and Climate Protection Update to 2020 Plan.

<https://austinenergy.com/wps/wcm/connect/c0ef5620-bbb0-42ba-aa8f-eb8fadf7eb05/GenerationResourcePlanloresF0214+%282%29.pdf?MOD=AJPERES>

²⁵ Austin Energy Press Release. Austin Energy Decreases Monthly Bill. September 11, 2015

every large city except El Paso.²⁶ This is due to lower average energy usage in Austin, which can largely be attributed to the substantial investments in energy efficiency that Austin has made over the past 40 years, such as rebate programs for weatherization, modern HVAC equipment and more. As with the water utility, Austin Energy employs a tiered rate structure with steeper prices for higher consumption levels. This provides ratepayers an incentive to conserve, which has also contributed to declining energy usage. These programs have clearly benefitted AE customers, keeping bills lower than they otherwise would be and reducing pollution at the same time.

However, the direct economic benefits of these programs have not extended to every sector of the city. Some 43% of all AE residential customers have income levels between 0 and 300% of the federal poverty guideline.²⁷ At least half of renters in Austin are of low- or moderate-income, and often live in aging, poorly insulated buildings whose owners have no incentive to upgrade them; the resulting higher energy costs are typically passed on to tenants either in monthly bills or, in the case of master-metered apartments, higher monthly rents. Additionally, many customers who have fixed or low incomes live in single-family houses with inadequate weatherization and outdated air conditioning units. These problems tend to be much more pronounced among minority communities.

Austin does have a suite of programs designed to address many of these issues. AE's Customer Assistance Program (CAP) offers discounts and waives some fees for qualifying, low- or fixed-income customers. The program is indexed to food stamps, Medicaid, or similar programs. AE also offers free or discounted weatherization for qualifying households, and provides assistance for those in arrears in paying their utility bills.

Utility bills amount to about 5% of living expenses for the average household -- for low-income households that percentage can be much higher.

²⁶ Austin Energy. "Residential Electric Rates & Line Items: Rates for Customers Who Live Inside the City of Austin." <http://austinenergy.com>

²⁷ Austin Low Income Consumer Advisory Task Force Recommendations. September 2015.

RECOMMENDATIONS:

1. Encourage and promote a holistic human scale approach to conservation in all neighborhoods citywide through a variety of means.

Actions should include:

- a. Revising city code as necessary to allow condominiums and other multifamily structures to share solar arrays and rainwater harvesting, and to encourage solar panel installations for all types of housing and commercial buildings;
- b. Exploring the feasibility of creating neighborhood-scale utility systems;
- c. Promoting distributed, neighborhood-level community solar and rainwater harvesting systems;
- d. Establishing neighborhood ratings for energy, sustainability and climate impacts;
- e. Distributing green infrastructure, such as pocket parks, throughout the city, and planting more trees in public places to retain water locally.

2. Facilitate and incentivize reduced water use through code revisions, reclaimed water systems and common sense policies.

The city should accelerate the buildout of the reclaimed water system, and use the CodeNEXT rewrite to foster a built environment that encourages

or requires rainwater capture and the use of graywater and air conditioner condensate. In addition, the new code should actively promote the use of green infrastructure including permeable surfaces, rain gardens, green roofs, and other features in new commercial and residential developments. Irrigation systems in new developments should be an option rather than a standard feature, and the code should require any new systems to be sub-surface (drip) irrigation. The code should also clearly mandate drought-tolerant landscapes in all new developments.

Successful city programs and policies should be strengthened and expanded. Once -a-week lawn watering restrictions should be made permanent, and the city's low-flow toilet rebate program should be expanded to include multifamily residential buildings. Fixing leaky pipes should be made a priority, both for the city and for individual property owners. The city should also avoid bringing in water from distant sources, such as the Carrizo-Wilcox Aquifer, which would move Austin closer to the costly LCRA trigger, risk damaging the local environment, and require higher energy use for transportation.

3. Facilitate energy conservation at all levels of the community via appropriate impact fees and rate structures, while retaining assistance for low-income residents.

Austin Energy and Austin Water should continue to employ tiered rate structures for both water and energy. These systems reward conservation and charge excessive users more money as high electric and water use become increasingly discretionary. Both utilities should preserve a low

'lifeline rate' for the first tier of water and electricity necessary for basic human needs.

Utilities should also consider incentives for multifamily developments, which have often been left out of conservation efforts to date. In addition, the utilities and the city should work together with major lenders to identify appropriate financing tools to promote construction of zero-energy and zero-water homes and neighborhoods. Both utilities, as well as the city and county, should continue and expand proven conservation programs.

4. Develop new business models for utilities aligned with conservation.

Utility rate structures for both Austin Energy and Austin Water are based on a mixture of fixed fees, which remain the same for each billing cycle, and actual usage costs, which vary depending on how much energy or water an individual customer actually uses each month. In recent years, both utilities raised fixed fees substantially and increased the differences between their tiers for usage costs. While recognizing that a successful utility business model requires a mix of fees and usage rates, we recommend that the rate structures should be based more on actual usage than fixed fees to reward and encourage conservation. In addition, the current rate structures, particularly for Austin Water, may be unnecessarily complicated and we encourage department leaders to look for ways to further simplify rate structures where possible. Moving forward, we encourage both utilities to explore new business models that better are aligned with conservation

goals, while still providing sufficient revenue to maintain operations and valued programs.

5. Use education, outreach and technology to encourage decreased water and energy use.

Austin Energy, Austin Water and the City of Austin should engage in an ongoing public education campaign about how and why to conserve energy and water via bill inserts, social media, and other communications. This partnership should include a strong outreach program to local schools, featuring engaging speakers and age-appropriate conservation materials and projects. A similar outreach campaign should be created to educate realtors, developers, property management companies, and landscaping companies about how to work with native plants, soil, rain barrels, graywater systems and other innovative conservation techniques. Finally, the city and the utilities should continue to promote smart meters and other technologies that empower ratepayers to conserve.

FOOD:

Actions to Increase Access to Healthful Affordable Food for All Residents

BACKGROUND

Every Austin resident deserves “food security,” defined as access to fresh, healthy, affordable food. Yet Feeding America, a national hunger-relief organization, estimated that nearly 18 percent of Travis County residents suffered from food insecurity in 2013, the most recent year for which data was available. Children fared even worse. Over a quarter of all Travis County kids – 63,790 children – experienced food insecurity that year.²⁸

Not surprisingly, food insecurity is most prevalent in Austin’s low-income areas, particularly east of I-35. A 2011 assessment by the Sustainable Food Center found five Travis County zip codes did not have a full service grocery store,²⁹ and the 2014 update of the Austin/Travis County Community Health Improvement Plan found 8 percent of low-income residents still lived over a mile from the nearest supermarket.³⁰ For these residents, the closest food source is likely to be a fast food chain or convenience store offering highly processed, overpriced products with little

nutritional value.

For reliable access to fresh fruits and vegetables, lean meats, whole grains and low-fat milks and cheeses – the healthy staples that many middle-class families take for granted – most area residents need a vehicle and a decent-sized grocery budget. Those without cars face long travel times on public transportation, assuming they can even find a bus route to connect them. Too many Austinites find themselves waiting at hot bus stops after a hard day’s work, sometimes with hungry children in tow, hoping their groceries don’t spoil before they can get home to start cooking dinner. And that’s assuming they can afford to buy healthful foods in the first place.

Food insecurity is increasingly linked with obesity and other chronic diet-related diseases, and again, these impacts fall disproportionately on low-income children. Feeding America’s website reports that 84 percent of their client households with children buy the cheapest food available, even if they know it’s unhealthful, because it is what they can afford.³¹ Inadequate nutrition impacts a child’s mental and physical development – and later his or her academic achievement – meaning children who lack access to healthy foods may face lifelong obstacles. Unfortunately, it is undeniably cheaper to fill up a hungry child with low-cost sugars and carbohydrates than with pricey fresh fruits and vegetables.

²⁸ Feeding America. Map the Meal Gap 2015: Child Food Insecurity in Texas by County in 2013. http://www.feedingamerica.org/hunger-in-america/our-research/map-the-meal-gap/2013/TX_AllCounties_CDs_CFI_2013.pdf

²⁹ Imagine Austin blog. <https://www.austintexas.gov/blog/overweight-and-hungry-food-insecurity-and-obesity-travis-county>

³⁰ Together We Thrive: Austin/Travis County. Community Health Plan. Community Improvement Plan, Annual Update Year 1.

[http://www.austintexas.gov/sites/default/files/files/Health/Info to Post/CHIP Annual Update_10-2014.pdf](http://www.austintexas.gov/sites/default/files/files/Health/Info%20to%20Post/CHIP_Annual_Update_10-2014.pdf)

³¹ <http://www.feedingamerica.org/hunger-in-america/impact-of-hunger/child-hunger/>

Lack of access to fresh healthy foods has a twofold impact on affordability. Clearly, it is an immediate concern for the families who struggle to find wholesome groceries within their budget and neighborhood. But ultimately, we all bear increased public costs for health care, education and other programs to address the long-term impacts of inadequate nutrition.

In recent decades, city planners have recognized the important role that food systems play in the physical, environmental and economic health of communities. Austin and Travis County have already taken solid steps toward a more functional food system through the creation of the Sustainable Food Policy Board (SFPB) and the appointment of a Food Policy Manager within the city's Sustainability Department. The Imagine Austin plan contains more than a dozen food-related policy recommendations and a score of action items spread across multiple city departments. Austin also benefits from a host of local nonprofit organizations that offer vision, leadership and groundbreaking programs to feed and engage our community.

Ensuring food security calls for a multipronged approach that encompasses all levels of our food system, including well-located grocery stores, increased nutritional education, more community gardens and farmer's markets, and programs that make healthy diets more affordable to low-income residents.³² Moving forward, the challenge will be to synthesize

these elements into a coherent comprehensive food system plan for Austin, one that guarantees access to fresh, healthy, affordable food for all area residents.

Lack of access to fresh healthy foods means higher costs for families and higher public costs to address long-term impacts of inadequate nutrition.

³²Evans, A. et al. Increasing Access to Healthful foods: A qualitative study with residents of low-income communities.

RECOMMENDATIONS:

1. Create a comprehensive Food Systems Plan for the Austin area, under the leadership of the City of Austin Food Policy Manager, the Austin/Travis County Sustainable Food Policy Board, and other public and private stakeholders including the nonprofit sector.

At a minimum, a successful Food Systems Plan^[7] process should: provide context demonstrating the need for a Food Systems Plan; identify community stakeholders and engage them in creating the plan; clearly communicate community values, such as equity, and goals for the plan; establish the scale of plan, whether by neighborhood, city or county; recommend strategies, action items and timelines to achieve specific plan goals; formulate an implementation strategy that identifies entities responsible for implementing each aspect of the plan; establish benchmarks or other elements to track progress and measure success; provide an ongoing monitoring/reporting system to adjust the plan as needed; and provide regular updates for policymakers.

2. Identify areas experiencing food insecurity due to lack of grocery stores or markets and work with grocery chains, farmer's markets and local lenders to fill gaps.

Such efforts may include exploring alternative financing programs such as the Pennsylvania Fresh Food Financing Initiative (FFFI), a six-year publicly funded initiative that leveraged significant investments of additional private and foundation capital. Between 2004 and 2010, the initiative helped finance 88 new and expanded grocery stores statewide, creating an estimated 5,000 jobs and serving approximately 50,000 more people.³³The FFFI has since provided a model for similar state programs in New York, New Jersey, Illinois, Louisiana and Colorado.

3. Encourage Capital Metro and other local transportation providers to commit to connecting low-income residents with grocery stores.

In 1996, Austin and Travis County worked with Cap Metro to start a "grocery bus" line with the goal of improving access to grocery stores for low-income neighborhoods.³⁴ We recommend revisiting and expanding this program to identify and address gaps in transit service, possibly to include late night service to accommodate working families. Taxi companies and transit network companies should also be encouraged to

³³ Budget Briefing, Pennsylvania House Democratic Appropriations Committee, 2010. http://www.ncsl.org/documents/labor/workingfamilies/PA_FFFI.pdf

³⁴ "Roadmap for Encouraging Grocery Development in Houston and Texas." Houston Grocery Access Task Force, 2012. http://www.greenhoustontx.gov/Houston_Grocery_Access_Task_Force.pdf

donate a regular percentage of free “grocery rides” to low-income residents who lack transportation.

4. Support efforts by the Sustainable Food Policy Board and the city’s Food Policy Manager to engage local stakeholders in the Land Development Code rewrite process.

Farmers and food-focused nonprofit organizations may bring vital expertise and insight to the drafting process, ensuring the new Land Development Code allows and encourages appropriate growth and diversity of area farms, including small-scale urban farms and community gardens.

5. The city and county should commit to designating an annual budget amount of at least \$25,000 each to support programs that match public assistance for low-income residents to purchase healthy produce from local farmers' markets.

As an example, the Sustainable Food Center's Double Dollar Incentive Program matches purchases of fresh fruits or vegetables dollar for dollar up to \$20 per week for eligible residents.³⁵ Regular support from the city and county will enable low-income residents to stretch their healthy food dollars further, while keeping our public investment in the local economy.



³⁵ <http://sustainablefoodcenter.org/programs/sfc-farmers-market/food-access>

TELECOMMUNICATIONS:

Actions for Equitable and Affordable Access to Quality Services

BACKGROUND

Telecommunication services connect Austin residents to their communities and to the world. They ensure critical access to fire and police protection and other important government, employment and consumer services and programs. Quality telecommunication services are also increasingly vital to educational activities, such as completing homework assignments, monitoring student progress or filing applications for college admissions or scholarships. Internet access and cellular or hardline telephone service have become necessities for most households, especially those with school age children.

This “bundle” of telecommunications services currently costs roughly 4.3% of median household income for Austin residents (Appendix 2, Table A-2). The costs vary across households depending on the mix and quality of services purchased, but, as with other basic services, these are likely to consume a far larger percentage of the monthly budget for lower-income households. While Austin prides itself on its technology culture, many low-income households have difficulty affording ongoing reliable telecommunication services and hence have poorer access to work, educational opportunities, community activities and other basic needs.

Large private companies dominate the telecom market, both locally and nationally. However, local government can play a role in spurring completion of telecommunications infrastructure and in helping to provide access for those excluded by cost or location.

What specifically can the city or other local governments do to increase access and manage the costs of quality information and telecommunications services? To identify leverage points, it is helpful to know who the players are.

Austin’s Telecommunications and Regulatory Affairs (TARA) department is responsible for the licensing of telecommunications services that use public rights-of-way, and for several community media programs and initiatives, such as the Digital Inclusion Strategic Plan. In addition, TARA is responsible for the administration of electric and gas utility franchises and for monitoring credit access businesses.

The City of Austin has also an appointed advisory body, the Community Technology and Telecommunications Commission. This volunteer group advises the City Council on community technology, telecommunications services, and related projects, and may make recommendations to Council members on issues related to these areas.

TARA has organized and implemented a number of initiatives to help bridge the digital divide and improve access to information and telecommunications services for all Austin residents. Chief among these is the city’s award-winning Digital Inclusion Program, which serves as an

umbrella for a variety of digital inclusion initiatives, including the Grant for Technology Opportunities Program (GTOP) that leverages city funding and other funding sources to support digital inclusion programs throughout the community. While these programs are modest in terms of current funding and resources, they have successfully supported community technology centers and initiatives like Austin Free-Net and targeted computer training for underserved populations. Many of these initiatives are laid out in greater detail in the City of Austin's 2015 Digital Inclusion Report.³⁶

The City of Austin has set a worthy goal of ensuring that every Austin resident has the opportunity to be fully engaged in digital society. While Austin's digital inclusion efforts are making a difference, more support is needed to close the digital divide. We recommend expanding and complementing current programs to improve access to, and affordability of, modern information and telecommunications services for all Austin residents.

...many low-income households have difficulty affording telecommunication services and hence have poorer access to work, educational opportunities, community activities and other basic needs.

³⁶ City of Austin. Digital Inclusion. Austin: A Case Study in Connecting What's Available to What's Needed.

RECOMMENDATIONS:

1. Continue and expand support for the City of Austin’s Digital Inclusion Program with a focus on implementing recommendations of the Digital Inclusion Strategic Plan.

In 2014, the Austin City Council approved the Digital Inclusion Strategic Plan³⁷, which provides a framework for closing the digital divide, including a timeline and specific performance measures. We recommend the city continue and expand support for these Plan initiatives, including ongoing monitoring to identify “access deserts” and to target infrastructure improvements to the areas of greatest need.

2. Work with local nonprofits and service providers to better educate consumers about technology providers and affordable options.

TARA should work directly with local nonprofit organizations, campus-based Family Resource Centers and service providers to provide low-income residents with accurate information about technology providers, including information about discounts or other low-cost options for which they may qualify. Because many low-income residents are dependent on cell phones for basic communications, the city should also work with

nonprofits or local providers to develop a mobile-app based source of information about available options, special offers and discount options (such as for military members, retirees, or people with disabilities), possibly with funding support from grants or foundations.

3. Embed requirements for the build-out of cable conduit in the new Land Development Code.

The current CodeNEXT rewrite provides an opportunity to standardize build-out requirements for cable conduit to improve and expand infrastructure across the city. Technology infrastructure should be a required element for all new construction or major reconstruction under city code.

4. Incentivize the build-out of technology access in development of low-income housing.

The City of Austin and Travis County should establish a joint fund to incentivize and support cable conduit build-out in current and future housing for low-income residents. As noted above, technology infrastructure should be a required element in all new residential development, with particular focus on housing targeted for populations that are currently underserved.

³⁷ City of Austin. Digital Inclusion Strategy. 2014 Strategy.
http://austintexas.gov/sites/default/files/files/Telecommunications/Digital_Inclusion_Strategy_ADOPTED.pdf

CONCLUSION

There is no single solution to Austin's current affordability crisis. In fact, it is likely impossible to return to the free and easy days of previous decades when Austin was a mecca of low rents and any discussion of "traffic" was more apt to refer to Steve Winwood's band than to conditions on Mopac.

The most obvious causes of our present dilemma are an overheated real estate market that shows no signs of cooling off, coupled with a highly regressive state taxation structure. This ill-fated combination has produced skyrocketing housing costs and property taxes, resulting in growing costs for both homeowners and renters, while wages for most Austin workers remain relatively stagnant.

Unfortunately, neither of these major cost drivers is under the direct control of local policymakers or residents. In particular, the regressive tax structure is likely to remain unaddressed unless and until a majority of Texans finally see the wisdom of major reforms in the state tax laws, including a switch to an income-based tax system. While such a change would require a constitutional election, it would apportion the tax burden based on an individual's actual earnings - a far fairer system than our current one - and would allow property taxes to recede to a reasonable, affordable level as is true in the vast majority of states. Given the political realities of Texas, however, such a rational move is not expected any time soon.

That said, we are not entirely powerless. To reclaim affordability in today's Austin will take a concerted effort by residents and leaders, across many policy areas, using all available means. There are countless pieces to the affordability puzzle, some large, some small. Only by connecting them can we hope to solve our current crisis and keep Austin a place where those of all backgrounds, abilities and income levels can live.

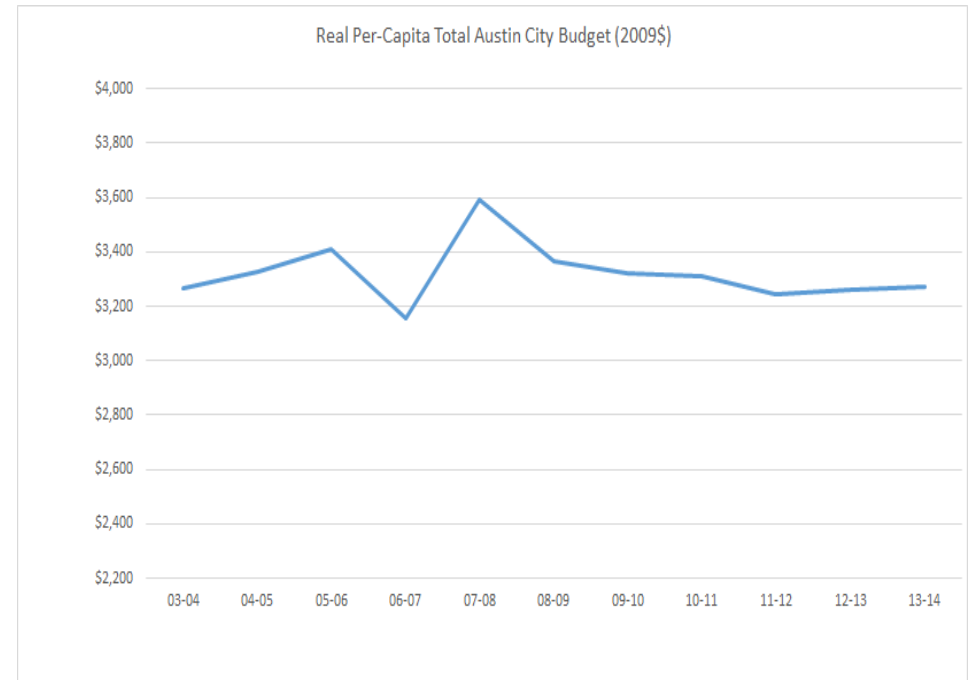
This report does not claim to be all-inclusive, but we hope it provides the spark for continuing thought and conversation that will ultimately generate new ideas, just as this document builds on the work begun in 2013. Only by continuing to work together as a community across a broad range of policy issues can we reclaim an Austin that is welcoming and affordable for everyone who calls it home.



Appendix 1: City Budget and Tax Trends

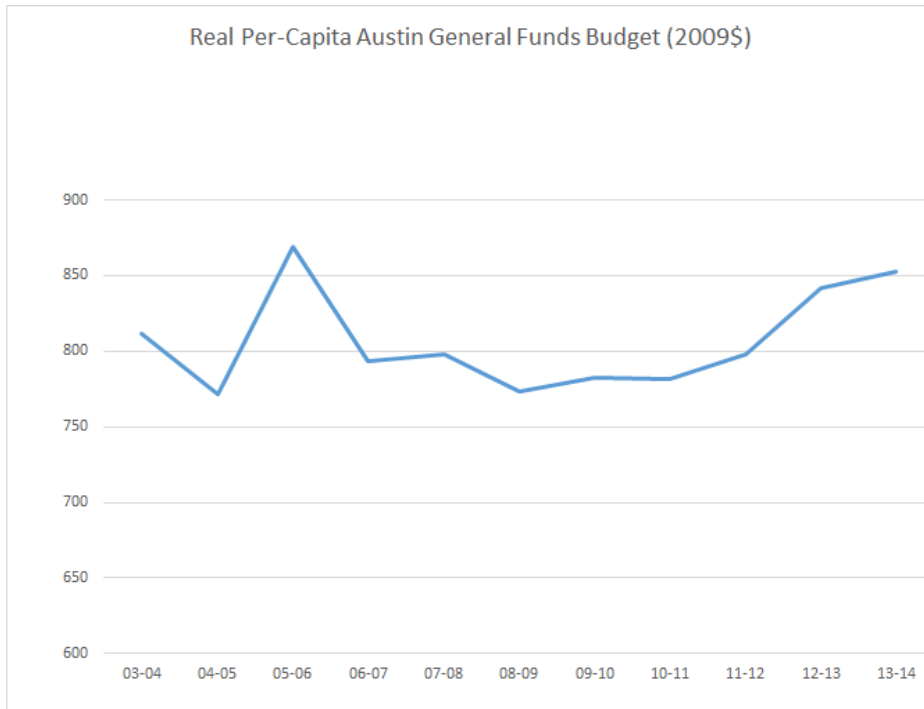
There have been numerous articles suggesting that the Austin city budget has grown by nearly 80% over the past decade. But this is only correct if we limit our examination to the nominal budget numbers and do not account for inflation or the rapid increase in city population. According to published Austin city budget figures, total City of Austin spending (including all enterprise funds such as Austin Energy and Austin Water) equaled \$1.822 billion in fiscal year 2003-04 and \$3.193 billion in fiscal year 2012-14, an increase of over 75% over this ten-year period (City of Austin, Approved Budget, Executive Summaries, FY 2004-05 through FY 2015-2016). However, there was a relatively modest rate of price inflation over this ten-year period, during which the Austin population also grew from 691,000 to 879,000. Accounting for inflation and population increase, the overall Austin budget has barely grown at all over the past decade. In real dollar terms the City of Austin spent roughly \$3,266 per capita FY 2004 and \$3,274 per capita in 2014, an increase of less than 1%. (US. Bureau of Economic Analysis, Government consumption expenditures and gross investment: State and Local Government implicit price deflator, September 6, 2015; City of Austin Population History 1840 to 2015, US Census Bureau and the City of Austin).

Figure A-1.1



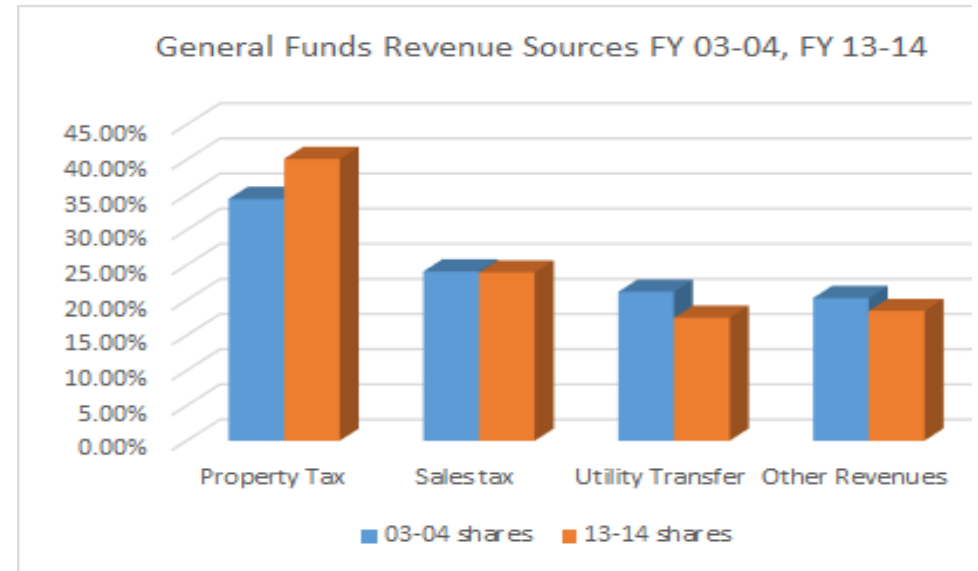
When we consider the real per capita trends in the general fund, excluding all the enterprise funds and other spending, the trend is similar (City of Austin, Approved Budget, Executive Summaries, FY 2004-05 through FY 2015-2016). There was a slightly larger increase of about 5% in real per-capita spending from the general fund alone, which went from \$812 per-capita in FY 2004 to \$853 in FY 2014 - a small increase, but hardly runaway spending on new or expanded levels of public services.

Figure A-1.2



A small part of the tax burden/affordability relationship might be related to the shift in the sources of revenues that the City draws upon to finance City services. Focusing again on the general funds budget (and excluding enterprise funds such as Austin Energy and Austin Water that are funded directly from utility bill revenue) there has been a shift in funding sources toward property taxes.

Figure A-1.3



Due perhaps to robust growth in the value of taxable property, the city has relied more on property taxes in recent years. The increased share coming from property taxes has corresponded with decreasing shares from utility transfer revenue and other sources such as fees, fines and service charges. We could speculate that (1) robust property tax revenue growth has allowed the city to reduce its reliance on transfers from Austin Energy and Austin Water, and (2) revenues from fees and fines have not quite kept up with growth of other revenues.

Appendix 2: What Does It Cost to Live in Austin?

To gain a better understanding of the costs of living in Austin we estimated the share of income that the typical household spent on seven essential budget categories. We focused on the average household (not just family households) because Austin has a higher than average number of residents who live alone or with unrelated roommates. We used median rather than average household income to reflect the typical Austin household, since averages are pulled upward by very high income households.

The household cost breakout gives us some understanding about the most important items in household budgets and their relative importance for the typical household. It is important to understand that for lower-income households these living costs constitute a severe burden and force very difficult tradeoffs, especially between spending on items as essential as housing, transportation, health care and food. The escalating costs of living in Austin must also be considered in light of the growing income inequality in our nation and in our city. Cost increases for high-income households can be more readily absorbed and these residents continue to have a range of choices about where to live and how to get around. For a growing number of middle and lower-income households, the rising costs of living in Austin severely limit their choices, forcing some to move out of the city. The City of Austin risks slowly evolving into a high-income enclave surrounded by suburbs of low- and moderate-income households.

Table A-2.1

Components of Household Costs, Austin

Median Household Income, Austin	\$51,600	
Average Household Size	2.4	
		Share of Income
Housing	\$10,600	20.5%
Transportation	\$ 8,036	15.6%
Healthcare	\$ 7,037	13.6%
Food	\$ 6,350	12.3%
Local Taxes	\$ 4,427	8.6%
Utilities	\$ 2,580	5.0%
Household Telecommunications	\$ 2,211	4.3%
Other	\$10,359	20.1%
Total	\$51,600	100.0%

To maintain a vibrant and dynamic city with a high degree of economic and cultural diversity, we must find new and innovative ways to limit increases in the local costs of living. We also need to find ways to consider these costs in a more holistic manner and identify connections between different types of costs. For example, could higher housing costs in a more central location be offset by lower transportation and utility costs? Can better nutrition and more active lifestyles reduce household healthcare bills?

Austin continues to have tremendous assets, including a creative, knowledgeable and engaged citizenry. People from all over the nation and the world continue to move here and enjoy our unique city. Our challenge

is to find new ways to ensure that people of all ages, cultures and walks of life can continue to make Austin their home.

Methods and Sources for Estimating Median Household Costs

There are numerous ways to estimate the costs of living. Different categories of households (singles, families, families of different sizes and income levels) are used in available studies. We chose to use the U.S. Census category of “households” as our basic category, which includes all families (people that are related living in a given residence) and also people living alone or with individuals who are not relatives. According to the U.S. Census, about 52% of Austin households are made up of families and 48% are non-family households (see <http://factfinder2.census.gov/faces/tableservices/jsf/pages>). Because we wanted to capture living costs for all household types, we used the broader household category as our basic unit. On average, Austin households contain 2.4 persons.

We used median household income to calculate costs of living in Austin. This figure, \$51,600 (rounded), reflects the annual income of the typical Austin household. This value comes from the Census Department’s American Community Survey (ACS, 2007-2011 five year estimates - Table DP03, Selected Economic Characteristics). The median reflects the middle value for all Austin households. This is different from the average household income, which is simply the total income of all Austin households divided by the total number of households. The average value is strongly influenced by the very high incomes of a small group of households. As a result, the average household income for Austin is over

\$74,000, much higher than the median household income used in the charts above.

We estimated the total costs associated with each of the seven cost categories above, drawing upon national and local sources. Because we covered only a limited number of topics in depth, we omitted a number of additional cost elements that are also important. Critical cost areas such as child care, federal and state tax payments, savings, and more discretionary spending such as entertainment are included in the “Other” category (about 20 percent of median household income).

The sources used to estimate these seven cost components are outlined below. One could use other sources, methods and assumptions and arrive at different share estimates. We believe these estimates are useful to understand the relative magnitude and relationships of costs for the typical household in Austin.

Housing Costs: Housing costs were estimated from the Census Department’s American Community Survey (ACS, 2007-2011 five year estimates - Table DP04, Selected Housing Characteristics). We used selected monthly owner costs for housing units with and without a mortgage. We adjusted these costs for owner-occupied housing by subtracting an estimate of average property tax payments to all local taxing entities paid by owners with and without a mortgage (this was done because we wanted to consider local tax burdens as a separate category). We then estimated housing costs for households that rented by taking the median gross monthly rent and adjusting this by subtracting an estimate

of monthly utilities cost for households that rent (this was because we wanted to consider utility costs as a separate category). Our estimate that households spent 20.5% of median income on housing costs is lower than some estimates because we took out property tax payments and utility costs and created separate categories for these expenditures.

Transportation Costs: There are various ways to estimate household transportation costs, and these costs obviously vary depending on where you live in the city, your mode of travel, gas mileage, etc. To get a basic estimate for an average Austin household, we obtained an estimate of daily Vehicle Miles Traveled (VMT) in Travis County from the Texas Department of Transportation (9/1/2011 thru 8/31/2012) (<http://www.txdot.gov>). We divided this by the Travis County population to get a per capita VMT estimate, and then multiplied by the average household size in Austin (2.4) to get an estimate of average household VMT. We then used the \$0.55 cost per mile traveled estimate from the IRS (2012) and multiplied this by the average vehicle miles traveled per year by the average Austin household to estimate costs of auto transit. We then added the .02 percent of personal income that the average U.S. resident spent on public transit (U.S. Bureau of Economic Analysis, 2012, Section 2 Personal Income and Outlays) to estimate the total transportation spending for the average Austin household at \$8,037 per year.

Health Care Costs: We could find no definitive source that estimated health care costs for Austin households. We hence used a national consumer spending estimate to derive a basic estimate for Austin households and checked this estimate against other national sources. Our

health care cost estimate included employee contributions for medical insurance and out-of-pocket spending for health care, but did not include employer contributions, Medicare or Medicaid reimbursements and so on. It should be emphasized that different kinds of households (elderly, uninsured, those with chronic illnesses) have different health care cost burdens, and that a national average may not capture different costs for the Austin region. To estimate the health care share of household budgets, we used the average share of personal income U.S. residents spent on health care plus insurance (U.S. Bureau of Economic Analysis, 2012, Section 2 Personal Income and Outlays). According to this source, U.S. residents spent about 13.6% of their personal income on health care. We used this percentage to calculate the health care burden for Austin households.

Food Costs: To estimate the food cost share of median household income, we again relied on national data from the U.S. Bureau of Economic Analysis. According to this source, on average U.S. residents spent about 12.3% of their personal income on food and beverages purchased for household consumption, off-premises consumption and on food services (restaurants and other non-household businesses). We used this national average to estimate the share of median household income that went to food purchases. Again, food consumption patterns in Austin may differ from the nation and individual households would have significantly different food purchasing patterns.

Local Tax Costs: To estimate the share of median income that Austin households spent on local taxes, we used a variety of sources but relied heavily on the Real Estate Council of Austin's Combined Cost of

Government Index (<http://www.recaonline.com>). This source estimates the cost of Travis County property taxes, property taxes for the Austin Independent School District (AISD), City of Austin property taxes, the city share of sales taxes, some charges and fees related to utility transfers, sales taxes going to Cap Metro, and property taxes going to Austin Community College and the Central Health Hospital District. This is a fairly comprehensive estimate of the local tax burden. We averaged their estimate of the share of family income that goes to pay these local taxes over the 2007-2011 period (equal to the estimating period for median household income from the ACS). This estimate may be somewhat high because RECA assumes that all city and Cap Metro sales taxes are paid by Austin residents. In fact, some share of these local sales taxes are paid by non-resident commuters to Austin and tourists who make purchases from businesses located in the City of Austin.

Utility Costs: We used various sources to estimate the costs of electricity, gas, water and wastewater and solid waste. The primary source was Austin Energy's, "Residential Electricity Burden", November 2010, Table 3, p. 12 (<http://www.austinenergy.com>). These estimates were adjusted upward somewhat to account for the increased costs of solid waste bills. It is important to note that these estimates do not account for utility rate increases that are just now going into effect.

Household Telecommunications Costs: Telecommunications costs vary dramatically by household based on their preferences and use of phones, cable TV, and the internet. Increasingly, telecommunications access is essential for access to educational activities, to government services and to

work and commercial activities. We therefore wanted to estimate the cost of having a "bundle" of such services that would provide quality access for households. To estimate this cost component, we averaged the published charges of three local telecom providers (Time Warner, Comcast and Grande) for cable TV, Internet Access and landline phone service only. We then added an estimate of average household spending on cell phones and services from the Bureau of Labor Statistics, Beyond the Numbers, Vol. 1, No 15. Oct 2012 (<http://www.bls.gov/opub/btn/volume-1/pdf/a-comparison-of-25-years-of-consumer-expenditures-by-homeowners-and-renters.pdf>). We then calculated what share of median household income would be spent to acquire this set of telecom services. There are, of course, a number of households that do not purchase this full range of services.

Appendix 3: Transportation Affordability

From Transportation Affordability, Evaluation and Improvement Strategies, Todd Litman, Victoria Transport Policy Institute, 27 January 2015, <http://www.vtpi.org/affordability.pdf>

Transportation Affordability Improvement Strategies

The following strategies increase transportation affordability by improving the quality of lower-cost modes. For more information, see the Online TDM Encyclopedia (www.vtpi.org/tdm).

Nonmotorized Transportation Improvements - Nonmotorized transportation (walking, cycling, handcars, etc.) are affordable forms of transportation used by themselves as a primary or secondary means of transportation or as access modes to transit. There are many ways to improve pedestrian and cycling transportation.

Ridesharing - Informal ridesharing is a particularly important option for non-drivers and lower-income residents.

School Trip Management - Improving mobility options (walking routes, bicycle safety education, ridesharing, transit services) for students and parents can benefit lower-income households.

Telework - Telecommunications can often substitute for physical travel. Telework programs can help people obtain internet connections and skills, particularly those who are lower-income.

Taxi Service Improvements - Taxi service is an important transportation option in many situations. Establishing formal taxi service can improve transportation options in many rural communities.

Transit Improvements - Transit services provide affordable mobility. Lower-income people tend to rely heavily on transit. Shifting travel from automobile to transit can provide vehicle operating cost savings, and may allow households to reduce vehicle ownership and associated costs.

Bike/Transit Integration - Bicycling integrates well with public transit (bus, train, ferry, and air transport). Transit is most effective for moderate- and long-distance trips on busy corridors, while cycling is effective for shorter-distance trips with multiple stops. Combining transit and cycling can provide a high level of affordable mobility.

Mobility Management Marketing - Many lower income people would like to use alternative transportation modes, but they feel stigmatized doing so. Mobility management marketing programs that raise the status of walking, cycling, public transit travel and car sharing can help increase transportation affordability.

Address Security Concerns - Many lower income people would like to use alternative transportation modes, but they feel unsafe doing so. Programs that address security concerns of walkers, cyclists and transit users, can help increase transportation affordability.

Increase the Affordability of Transport Services

The following strategies reduce the financial costs of transport services.

Commuter Financial Incentives - Commuter Financial Incentives such as Parking Cash Out and Transit Benefits reward people who use alternative commute modes. This provides financial benefits to lower-income workers, who tend to use alternative modes more than the average worker.

Commute Trip Reduction Programs - Commute Trip Reduction programs (CTR, also called Employee Trip Reduction or Vehicle Trip Reduction) give commuters resources and incentives to reduce their number of automobile trips. Such programs can provide services that improve commuter affordability, including rideshare matching, guaranteed ride home, alternative scheduling, and walking and cycling improvements.

Transit Affordability - Increase the affordability of public transit travel through targeted discounts and subsidies that reduce transit fares relative to wages (Toronto Public Health 2013).

Location Efficient Development - Location Efficient Development consists of residential and commercial development located and designed to maximize accessibility. This improves affordable transportation options, such as walking, cycling and transit, and tends to significantly reduce household transportation costs. If implemented with parking management, it can increase housing affordability by reducing parking costs.

Improve Land Use Accessibility

These strategies improve transportation affordability by improving land use accessibility, which reduces the amount of physical travel needed to reach goods and activities.

Smart Growth - Smart Growth includes various land use management strategies that reduce automobile dependency by increasing transportation options and accessibility. It can increase overall household affordability by reducing transportation costs and increasing housing options in more accessible neighborhoods. Specific Smart Growth strategies include: Access

Management, Clustering, Location Efficient Development, New Urbanism and Transit Oriented Development.

Address Security Concerns - Many lower-income people would like to live in more accessible neighborhoods or use alternative transportation modes, but they feel unsafe doing so. Programs that address the security concerns of urban neighborhoods, can help increase transportation affordability.

Make Automobile Use More Affordable

The following strategies improve transportation affordability by reducing the cost of using an automobile.

Carsharing - Carsharing refers to automobile rental services intended to substitute for private vehicle ownership. It makes occasional use of a vehicle affordable, even for low-income households.

Pay-As-You-Drive Pricing - Pay-As-You-Drive vehicle insurance and registration fees convert these into variable costs: the less you drive the less you pay. This makes vehicle ownership more affordable if motorists limit their driving.

Vehicle Fees - A common strategy proposed for increasing transportation affordability is to minimize motor vehicle user fees such as fuel taxes, road tolls and parking fees. However, these strategies can have undesirable overall economic and transportation impacts, and their ability to increase affordability is limited. Low vehicle user fees require increases in other fees and taxes, such as rents and property taxes. The affordability impacts depend on exactly how these costs are distributed.

Only about two-thirds of low-income households own a motor vehicle and lower-income households drive relatively few annual miles, particularly on

congested urban highways (the roads that are most often tolled) so general fuel tax and toll reductions are an inefficient way to increase low-income household affordability. Higher income consumers capture most of the benefits. Targeted discounts and exemptions are far more efficient.

Also, low vehicle fees tend to increase total vehicle travel, which increases traffic congestion, accident risk and pollution emissions. Economically and physically disadvantaged people often bear these costs, including increased congestion delays when they travel by automobile or bus; increased accident risk when they walk, bicycle or drive; and increased exposure to air and noise pollution.

Housing Affordability

Policies that stimulate more dispersed, automobile-dependent home location by lower-income households puts them at financial risk (Dodson and Sipe 2006). To the degree that lower current fuel prices encourage sprawl development patterns and sprawled housing choices by lower-income households it reduces their future affordability.

More affordable transportation tends to improve households' economic resilience. That is, they are better able to respond to unexpected financial burdens such as fuel price increases, vehicle failures or income losses, thus reducing the likelihood of housing foreclosures. According to the Location Efficiency and Mortgage Default study, the probability of mortgage foreclosure increases as neighborhood vehicle ownership levels rise, after controlling for income (NRDC 2010; Pivo 2013). These results suggest that public policies that support location efficiency can help to reduce

mortgage foreclosures, and that loans are safer for housing in more multi-modal locations.

Several strategies can increase affordable-accessible housing, (Tompkins County 2009; Obrinsky and Stein 2007; Pollack, Bluestone and Billingham 2010) including:

- Reduced parking requirements (Litman 2003; San Diego 2011).
- Unbundling parking (i.e., renting parking separately from housing).
- Reduced restrictions on density, land use mix and secondary suites.
- Location Efficient Mortgages, which means that lenders recognize the potential savings of a more accessible housing location when assessing a household's borrowing ability.
- Smart growth reforms that reduce development and utility costs for infill development.
- Urban service improvements (such as better local schools, traffic calming, and street maintenance) can make urban neighborhoods more attractive and suitable for lower-income residents.