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COUNCIL CONSIDERATION REQUEST

TO: Debbie Racca-Sittre, City Clerk
FROM: Councilmember Teri Castillo, Council District 5
COPIES: Erik Walsh, City Manager; Andy Segovia, City Attorney
SUBJECT: Stay SA: Affordable Housing Bonus Programs to Support Equitable Construction
DATE: Friday, June 20, 2024

Issue for Proposed Consideration

After coordinating this Council Consideration Request (CCR) with the City Manager, I respectfully request for your support for the inclusion of the following item on the agenda of the earliest available meeting of the Governance Committee:

Requesting consideration of Stay SA: Affordable Housing Bonus Program to Support Equitable Construction.

Brief Background

Across our districts, we're seeing working families pushed out of their neighborhoods due to the rising costs of living, in large part due to the rising cost of housing. The policy changes and recommendations outlined in this CCR exist within our Unified Development Code; however targeted council direction to amend, create, and better implement these segments of our code can produce much needed affordable housing across San Antonio's working-class communities.

One of the most widespread forms of affordable housing generation is a process known as "Inclusionary Zoning" (IZ). IZ mandates or incentivizes private developers to include affordable housing units through zoning enabling legislation. In the state of Texas, this process of mandated inclusion is preempted by the Legislature. Therefore, builders across San Antonio are more likely to participate in a voluntary program if the factors of the program could be beneficial to both parties. Presently, the Unified Development Code offers "Sec 35-360: Bonus Density" as such an option; however, this provision has been underutilized. "Sec 35-372: Affordable Dwelling Units" also provides a bonus density if there's a dedicated set-aside for affordable or deeply affordable units – this section too is underutilized. We must explore new ways to keep



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costs of housing low, while implementing policies that have shown material results in producing affordable housing.

Cities throughout the country are looking for ways to address the increasing cost of living crisis, primarily through addressing housing affordability. In 2019, in response to the rising unaffordability of home production, Austin, TX introduced an amendment to the City's Land Development Code now known as Affordability Unlocked. In partnership with Habitat for Humanity, Affordability Unlocked sought to reduce prohibitive requirements that impair development while producing affordable units across incomes and geographic boundaries. In particular, Affordability Unlocked targeted an evaluation of the City of Austin's Development Code's minimum parking requirements and compatibility standards and found that such requirements prioritized housing cars over people and demanded separation of uses that further contributes to sprawl and the atomization of our communities. To address these issues while simultaneously providing affordable housing, the Affordability Unlocked density bonus program grants waivers and bonuses on a project-by-project basis to deliver deeper levels of affordable housing.

Projects are split into two tiers which grant bonuses for Type 1) Average of 60 percent MFI for rental and 80 percent MFI for ownership and Type 2) Average of 75 percent MFI for all units affordable at or below 60 percent MFI for rental or below 80 percent MFI for ownership. According to Austin's Affordable Housing Inventory open dataset, AU has been utilized in 89 projects as of May 2024. In total, AU has facilitated the creation of 8606 units with 6663 notated as affordable. Further, since its inception in 2019, AU is responsible for the completion of 151 Permanent Support Housing units, with another 757 units under construction or with executed loans. For reference, San Antonio's Strategic Housing Implementation Plan defines rental development for families between 60-30% AMI as affordable and development for families between 30-0% AMI as deeply affordable. Permanent Supportive Housing developments support those in the lowest AMIs and are often the first step to leading a person out of shelter poverty, and the last barrier to preventing shelter poverty. The City of San Antonio (COSA) and our housing partners have set a PSH goal of 1,000 units across ten years. A 2023 Urban Institute study found that the Affordability Unlocked program resulted in a 69% share of units that were affordable, compared to just 37% of other affordable housing projects.

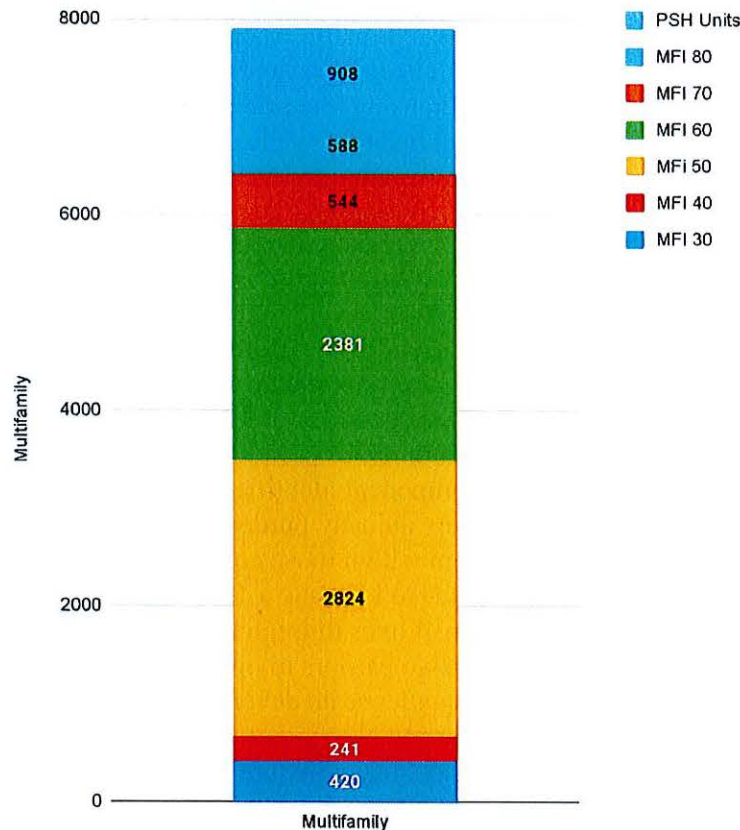
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Multi-Family Units in AU Program by MFI



Affordability Unlocked may be the City of Austin's most efficient use of incentives for affordable housing production, however their other density bonus programs have also produced considerable amounts of housing, both market and affordable, in targeted high growth areas. One such overlay, the University Neighborhood Overlay (UNO), has been successful in ensuring that housing production keeps up with the area's growing university system. According to Austin's Affordable Housing Inventory Dataset, the UNO density bonus program has been utilized to create nearly 2200 affordable units. A similar classification of density bonus could be utilized to create affordable

housing around the University of Texas San Antonio campuses, University of Texas Health campuses, Our Lady of the Lake University, St. Mary's University, Trinity University, the University of the Incarnate Word, Texas A&M University San Antonio, Hallmark University and the number of Alamo Colleges campuses that form the foundation of San Antonio's education system. A targeted and distributive approach to the affordable housing component of this density bonus program will ensure that housing costs do not burden students striving for an education, while simultaneously ensuring adjunct professors, part-time faculty, and campus support personnel are able to live and work in close proximity, further driving down costs of living for travel through a reduction in commuting.

San Antonio's growth has followed a development pattern leading to expansive urban sprawl beyond 1604. As a result, economic segregation in San Antonio that is historically rooted in 1930s redlining housing regulations has been exacerbated, furthering the economic and social



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effects of disinvestment of inner-city neighborhoods today. For the past decade, San Antonio ISD, Edgewood ISD, South San ISD, and Harlandale ISD have struggled to keep schools open due to low enrollment and low state funding, ultimately coming to a head in 2023 when each listed inner city school district shuttered a total of 25 schools. Finally, incomes in the inner city of San Antonio have remained stagnant for generations. As housing costs for all of our residents have risen due to a lack of sufficient supply of affordable housing, the price shock has been especially difficult on current inner city residents' personal budgets, while simultaneously making housing more expensive to obtain for new families wanting to live in the inner city.

In order to address issues created by urban sprawl development patterns, COSA and VIA have begun development on a Transit Oriented Development plan for the proposed Green and Silver Advanced Rapid Transit routes. An Equitable Transit Oriented Development (eTOD) Density Bonus would help assist in the development of affordable and deeply affordable units along these two proposed corridors to ensure residents of all incomes can enjoy the benefits of rapid transit and walkable corridors. In 2020, the City of Chicago published its comprehensive Equitable Transit-Oriented Development Policy Plan which created numerous policy proposals through a comprehensive 18-month community outreach plan. A component identified through the outreach plan was the ways in which administrative barriers unjustly burden divested communities, particularly on people who are applying from within those communities. Similarly, the Indianapolis Neighborhood Housing Partnership intends to leverage a 15m fund to preserve or cause the development of affordable housing along transit lines through a land banking partnership. The innovative loan fund removes administrative barriers to investment and through targeted outreach encourages financial opportunities for smaller scale developments. To that end, the eTOD Density Bonus program must prioritize a simple and clear process for bonus incentives. As a best practice, a simple proposed height and housing tenure process could suffice for both rental and home ownership production. These programs must be equally as legible to a longtime community member as they are to predatory developers.

The introduction of such a density bonus overlay with requirements for affordable and deeply affordable units will increase COSA, and other local agencies, chances of receiving federal infrastructure grants. Federal Transit Administration guidelines for Capital Investment Grants note that applications for these grants are prioritized if rapid transit corridors and station areas have public housing or affordable housing that provides units at or below 60% of the area median income within ½ mile of station areas. The explicit reasoning for this is so that "neighborhoods surrounding proposed transit stations have the fundamentals in place to ensure that as service is improved over time there is a mix of housing options for existing and future residents... and avoid significant gentrification that can occur over time." This kind of investment in deeply affordable housing is needed for communities along VIA's Rapid Transit corridors to ensure current residents can stay in their neighborhoods, new residents have an affordable place to live, and residents on the ever-growing Opportunity Home waitlist can receive housing.



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As federal interest rates and home vacancy rates across San Antonio have risen, private market housing production has slowed. Meanwhile, there remains a considerable supply gap in housing units of the deepest levels of affordability, despite the growing need of such units in our city. In order to effectively produce deeply affordable housing and keep our residents' rents low, I am proposing utilizing Fees-in-Lieu funds received from these Density Bonus Programs in our highest growth areas to fund the San Antonio Housing Trust Fund and/or the Opportunity Home Accessibility and Modernization Fund. Through this, COSA can lead the way in directly producing permanent, deeply affordable housing units across the city.

Request

City Staff and the Removing Barriers to Affordable Housing Subcommittee of the Housing Commission to evaluate and introduce recommendations for changes to:

- UDC Article III, Division 6, Sec 35-360: Bonus Density
- UDC Article III, Division 7, Sec 35-372: Affordable Dwelling Units

City Staff and the Removing Barriers to Affordable Housing Subcommittee of the Housing Commission to evaluate and introduce recommendations for changes to:

- Creation of three density bonus programs: Affordability Unlocked Density Bonus, Equitable Transit Oriented Development Density Bonus, University Neighborhood Density Bonus.
- Explore potential creation of additional density bonus programs to include the boundaries of the PID, the Downtown Business District as defined by Sec. 35-310-11 of the UDC, and SA Tomorrow Regional Center Plan Areas.
- Explore feasibility of Fees in Lieu of Production for density bonus program zones in PID, Downtown Business Districts, and SA Tomorrow Regional Center Plan Areas.
- Explore feasibility of Fees in Lieu of Production funding to San Antonio Housing Trust Fund and/or the Opportunity Home Accessibility and Modernization Fund.



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Submitted for Council consideration by:

Councilmember Teri Castillo

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Supporting Councilmembers' Signatures (exactly 4)

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