Austin is experiencing rapid population growth, gentrification, and racial change. A culture- and technology-based economic development strategy has attracted businesses and spurred a major population influx and has left the city's stock of affordable housing in increasingly short supply. This is especially the case for low- and middle-income (LMI) households—families who make between 50 and 120 percent of the local area median income—who make too much for subsidies and too little to pay market prices. This report examines the state of LMI housing in Austin through a data-rich analysis of the population and housing market changes in the past 15 years. We identify through a typology which neighborhoods are changing the most for LMI residents and need to have LMI housing preserved or created. Finally, we met with stakeholders to understand the policy context and potential programmatic solutions that could be implemented to ensure that LMI households can continue to live in Austin.

Reviewing population and housing stock trends, we find that Austin’s population has exploded over the past 15 years. The following findings provide the scope of where Austin’s LMI families live and how their housing has changed:

- Austin experienced tremendous growth between 2000 and 2015. The city added over 69,000 housing units (19 percent growth), which largely kept pace with the city’s population growth (20 percent). Although most neighborhoods added new units, the growth was not uniform across the city. Several
neighborhoods at the periphery of the city—such as Four Points, Robert Mueller Municipal Airport, Samsung–Pioneer Crossing, and Slaughter Creek—saw increases in units of over 300 percent.

- Rental cost burdens—households paying 30 percent or more of their income on housing costs—have increased from 2000 to 2015 from 41 to 48 percent of all Austin’s renters. For very low-income (VLI) and LMI renters, the change was more pronounced. Cost burden rates for VLI renters increased from 69 to 91 percent. Low- and middle-income renter households, whose cost burden rates were around 9 percent in 2000, had cost burden rates increase to 25 percent by 2015.

- Two neighborhoods that were ranked low in 2000 improved considerably and are in the top tier in 2015. Onion Creek was number 61 on the list in 2000 and is now number 29. Although the neighborhood experienced gains in its resident economic success, this surge in performance is primarily driven by improved housing indicators and could be related to recent annexation that expanded and changed the neighborhood. The Chestnut neighborhood experienced even more striking changes, moving from 90th to 31st in our overall rankings. This improvement is driven equally by gains in resident economic success and housing market health. Chestnut is in the central-east region of the city and surrounded by mid- and low-performing neighborhoods, indicating a trend of neighborhood change that, without intervention, is likely to affect the entire central-east area.

- Conversations with stakeholders suggest that the Montopolis neighborhood may be gentrifying rapidly. Given its low housing costs and current LMI population, preserving LMI affordable housing in this neighborhood may be a priority.

In meetings with housing stakeholders in Austin, we heard about barriers to LMI affordable housing, as well as tremendous opportunities for programmatic and policy solutions. Key points include the following:

- Austin’s tremendous growth is changing who can continue to reside in the city. East Austin—an area of the city that was the product of historic policies of racial segregation and was home to much of the city’s black population—has been rapidly gentrifying in recent years. Housing prices there have escalated, and the city continues to lose black residents to nearby suburbs. Stakeholders report that property tax burdens weigh heavily on longtime homeowners in East Austin, including Montopolis, where property values and tax assessments continue to rise.
Reevaluating the county’s homestead exemptions and tax assessment processes could ease the burden on LMI homeowners and prevent displacement.

- One of the reasons property tax burdens are challenging for Austin’s residents is because Texas has no income tax and funds most schools through locally generated property taxes. Austin is limited in how it can generate revenue to support affordable housing and is further limited by Texas state legislative and gubernatorial decisions to overrule local policy and programmatic innovations on housing. Austin’s newly introduced affordable housing strike fund could be an important innovation because it is intended to be funded primarily with private capital. If the strike fund can martial enough funding, quickly target naturally occurring affordable housing near transit, purchase it, and preserve it as permanently affordable, the fund will be an important development for the city.

- Neighborhood groups in Austin are vocal about potential affordable housing projects and may have too much sway over final decisions. It will be increasingly important for affordable housing stakeholders to promote greater awareness of why such housing projects keep the people, places, music, and culture that make Austin unique—an important source of identity for Austinites. Through engagement with the city’s more affluent and outspoken residents about the benefits of housing for people of all income levels, the momentum for strategic and smart development can build in a way that is perceived as coherent with existing neighborhoods, rather than in conflict.

These findings suggest that Austin—a city that is aware of its affordable housing issues for LMI families and is seeking ways to help these residents—is facing many challenges because of tremendous economic success and rapid population growth. In the coming years, Austin’s creativity and dedication to these issues will help all residents, regardless of income, remain there and continue to contribute to its success.
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