Hemisfair Mixed-Income Residential Policy

Approved by HPARC Board on October 10, 2014

Purpose
The goal of Hemisfair's Mixed-Income Residential Policy is to create housing opportunities for a diverse population and a mix of incomes. This policy sets goals for Hemisfair residential developments so that housing unit prices are affordable to a broad set of residents.

Background
Hemisfair Park Area Redevelopment Corporation (HPARC) was founded with seven Guiding Principles:

1. Open Space
2. Mixed Use Development
3. Historic Preservation
4. Connectivity
5. Balance
6. Sustainability
7. Leadership

To support ongoing maintenance, operations and activation expenses of the public *open spaces*, Hemisfair must secure revenues from *Mixed Use Development* projects on developable parcels. The projected primary source of revenue is from Public-Private Partnerships (P3s) largely consisting of multi-family residential projects. To ensure financial *sustainability* of the district, revenues must offset on-going expenses. Therefore, *balance* is required to attain these financial goals while ensuring that residential projects remain affordable to a broad population with a mix of incomes.

Providing affordable housing opportunities across the spectrum of income levels is an issue for American cities, especially in the urban core where the cost of housing has outpaced salaries.

Hemisfair desires to ensure "workforce" housing which may include such tenants as teachers, civic and government employees, service workers, restaurant staff, retail clerks, cashiers, daycare workers, hairdressers, maintenance, technicians and security guards, especially those who do not currently have affordable housing opportunities near their place of employment.

Successful Mixed-Income Housing Strategies
Mixed-income housing has primarily been achieved by including a percentage of units for lower income levels in a project with primarily market-rate units. The successful combination of residents with differing income levels in the same project depends on certain conditions, including desirability of location, design and condition of the development, management and maintenance, and financial viability of the project.

Market-rate apartment rents downtown exceed the average of suburban apartments due to higher costs of downtown development, which costs are driven up by elements such as structured parking, design requirements and land prices. There are many ways to provide incentives for developers to include affordable units in market-rate projects, as shown in Appendix 1 (below).

Recommendations for Hemisfair

San Antonio is already using many of the incentive programs outlined in Appendix 1 (including TIRZ, tax abatements, fee waivers, and low-interest and forgivable loans) for market-rate rentals in the center city, thus these tools are not available to supplement affordable housing. Additionally, the Hemisfair sites will likely be within a TIRZ, encourage increased density, and use land equity to accelerate residential development. However, these tools are not sufficient to support the development of workforce housing units.

It is recommended that Hemisfair encourage a range of housing opportunities made available from developers through conventional financing and without a significant impact on project feasibility. The following policies would help achieve those goals through the two following ways:

1. Set a floor for development of 10% of the units per residential project to be priced as "workforce housing" for households earning between 50% and 110% of Bexar County AMI[1] adjusted for household size[2]. Establish a way to evenly distribute rental prices for this range of income[3].
2. For the purposes of diversity, the maximum allowable percentage of workforce housing will be capped at 50% of units per residential project.
3. Encourage developers to provide a variety of configurations for a range of affordability. Inclusion of smaller one-bedroom (600-700 SF) and studio "micro-units" (300-550 SF) in the mix of market rate housing will allow more accessible price points.

Hemisfair encourages the City, its development partners, and others to create additional incentives and economic benefits to deliver additional workforce housing units. This policy is subject to change if additional programs are available.

Conclusion

Hemisfair promotes mixed-income living to give locals a chance to take advantage of the public and private investment in our downtown. Our desire is to encourage workforce housing, and to provide various unit types and ranges of rent that appeal to center city workers. Given the existing incentives for downtown market-rate residential development, expanded financial tools will be needed to deliver workforce housing at Hemisfair.

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[1] Annual Median Income as defined by U.S. Department of Housing and Urban Development (HUD)

[2] "Affordability" is commonly defined as a household paying no more than 30% of its annual income on housing, including utility costs.

[3] An example is an even distribution of affordable units for each segment of AMI level such that 16.7% of units are offered at each 10% interval (such as between 50-60% of AMI up to 100-110% of AMI).

Appendix 1: Existing Affordable Housing Programs

The U.S. Department of Housing and Urban Development (HUD) defines three levels of household income:

- Low income households earn 80 percent or less of the Area Median Income (AMI)
- Very low income households earn 50 percent or less of the AMI
- Extremely low income households earn 30 percent or less of the AMI

Federal rental housing policy supports three programs for subsidized rental assistance:

1. Public housing, owned and operated by a local housing authority
2. Section 8 vouchers, which provide a monthly allowance for renting an existing unit calculated as the difference between 30% of the household's income and the "fair market rent" in the area
3. Low income Housing Tax Credits (LIHTC), a program created in 1986 to increase the supply of affordable rental housing. Private and nonprofit developers can raise equity for affordable housing construction by selling tax credits to private corporations. It requires a significant percentage of units to be affordable to households earning 60% or less of the AMI.

"Workforce housing" targeted at people earning 80 to 110 percent of AMI is the most difficult category of affordable housing to finance because it does not qualify for tax credits. Workforce housing programs typically attempt to provide housing for residents who are gainfully employed in "essential services" positions such as police officers, firefighters, medical personnel and teachers. Some communities define "essential" more broadly to include service workers, especially in areas with strong tourism trade.

Since affordability is a function of the relationship between income and housing costs, there is a variation in the percentage of AMI that may be used to describe people who might need workforce housing. One of the key components to workforce housing is its location in proximity to employment centers to reduce the cost of commuting.

Other programs are highlighted below:

- **General Obligation Bonds**
  For example, Austin voters approved $55M in 2006 General Obligation bonds used to supplement private sector lending for affordable housing. M Station, a LEED Platinum project serving families with low to moderate income, was one of the projects to receive partial funding from the bond program. The 150-unit complex, which was built next to the MLK Metrorail station in East Austin, also used LIHTC for financing.

- **Incentives**
  To increase the opportunities for workforce housing, some municipalities offer low-interest financing, cash subsidies, grants and/or free or low-cost land. Other incentives can include approval for increased density, lot size reductions, reduced setbacks, reduced parking requirements, reduced open space or landscaping requirements, fee waivers or reductions,

fee deferrals and fast track permitting.

The City of San Antonio, through its Center City Housing Incentive Policy (CCHIP) currently offers incentives for multi-family housing in the urban core, including waiver of permitting and water impact fees, tax reimbursement grants, and low-interest loans (LIBOR plus 75 basis points). Additional incentives are available for mixed-use properties including a forgivable loan equal to $10 per square foot of commercial office space and $20 per square feet of first floor retail space. The current incentive policy does not have any requirements for workforce housing.

- **TIF (Tax Increment Financing) - locally referred to as TIRZ (Tax Increment Refinance Zone)**
  TIRZ funds can be disbursed directly from collections or bonds can be issued by the municipality and repaid from the anticipated TIF collections. This approach is most useful in rapidly growing areas where rising property values can reduce affordable housing options. Programs funded by a percentage set-aside of TIF funds have been used successfully in some cities, including Portland, Oregon; Dallas, Texas; and Madison, Wisconsin. Portland's program, which began in 2006, requires 30% of TIF funds be dedicated to different levels of affordable rental and for-sale housing, while Madison's program requires a 10% set-aside. The State of Utah requires 20% of collections from TIFs to be set aside for affordable housing.

  San Antonio has a goal for affordable housing in its 2008 Tax Increment Financing Program Policy and Implementation Manual, which specifies that any city-instituted TIRZ that includes residential projects should have 20% of rental units that meet Affordable Housing standards (120% of AMI). However, the Manual guidelines do not apply to a TIRZ if its Finance Plan was accepted before 2008; and the Manual expired on October 16, 2012 (it is currently being updated).

- **Revolving equity funds**
  The Montgomery County, MD Affordable Housing Policy includes revolving equity funds supplemented through the issuance of long-term taxable revenue bonds to provide long-term or permanent gap financing for affordable units;

- **Tax Abatements**
  The San Antonio CCHIP includes up to a 15-year Real Property Tax Rebate (City ad valorem taxes only).

- **Development agreements**
  Cities can use Master Development agreements to specify affordability. For example, the City of Austin contracted with Catellus for redevelopment of Mueller Airport and required a minimum of 25% of all rental units set aside for residents earning 60 percent or less of Austin's median family income. The requirement is applied to the total units built at the development, not to each individual housing project.

Appendix 2 – AMI Calculations

2013 AMI / Household	50%	60%	70%	80%	90%	100%	110%
One Person	21,800	26,160	30,520	34,880	39,240	43,600	47,960
Two Person	24,550	29,460	34,370	39,280	44,190	49,100	54,010

2013 San Antonio AMI	Rent based on 25% of income		Utilities (5% of Income)		Monthly Rent		Monthly Utilities	
	1 Person	2 Persons	1 Person	2 Persons	1 Person	2 Persons	1 Person	2 Persons
50%	5,450	6,138	1,090	1,228	454	512	91	102
60%	6,540	7,365	1,308	1,473	545	614	109	123
70%	7,630	8,593	1,526	1,719	636	716	127	143
80%	8,720	9,820	1,744	1,964	727	818	145	164
90%	9,810	11,048	1,962	2,210	818	921	164	184
100%	10,900	12,275	2,180	2,455	908	1,023	182	205
110%	11,990	13,503	2,398	2,701	999	1,125	200	225