

# DRAFT

## Chapter 5 – Housing

Taylor Comprehensive Plan - 2004

Housing is the factor that links physical planning with social planning—the City’s landscape with the City’s population. This chapter looks at the physical quality of the housing stock in Taylor and its implications for both the physical and social health of the City. Housing quality impacts affordability and livability in a city. Housing choice is reliant on the quantity and quality of the housing as well as the demographic and economic state of the City. The marketplace, driven by availability, affordability and population change has led to new developments, in-fill housing, housing rehabilitation/reclamation as well as housing deterioration and demolition. The quality of the housing and surrounding neighborhoods play a large role in determining future housing needs. Housing quality also plays a large role in attracting new businesses to Taylor, as the workers will need a decent place to live.

For the most part, land, utility availability and affordability coupled with demand are determinates of new developments. However, the demand for inner-city housing is based on a number of divergent factors. Aging/deteriorating housing units in older neighborhoods either serve the needs of the lower income or become the target of middle- and upper-income gentrification. Substandard and dilapidated housing is more affordable for the low income than newer developments on the fringes of the City. Conversely, major rehabilitation and historic preservation as well as vacant in-fill lots are more costly than new suburban housing. Therefore, the older areas of Taylor are becoming somewhat polarized between low- and upper-income residents.

Taylor is located within a reasonable commute to Austin, Bastrop, Elgin and other larger cities that currently have higher costs for housing. This positions Taylor developers to be able to produce quality suburban housing for the middle- and upper-income households willing to commute from the area to larger employment centers. Development to the far southwest end of Taylor and its ETJ should be encouraged for larger suburban and country club housing. In addition, the area is prime for retirement communities centered around a country club or other amenities. The City should encourage such development on the fringe of the City Limits or in the ETJ.

Conversely, new construction in the entire Austin MSA, which includes Taylor and Williamson County, is currently outpacing housing sales. As in other major Texas markets, 2003 and 2004 is showing the Austin MSA as having significantly more new housing starts than housing sales. According to the Texas A&M Real Estate Center, the inventory of homes – including model homes, finished vacant homes and homes under construction – was 5,352 at the end of the first quarter of 2004, up nearly 23 percent from 2003. New housing starts for the first quarter of 2004 were up over 13 percent from 2003 while closings were up only 4.6 percent. In reviewing the types of housing requested by potential buyers, it appears that retirement housing – smaller, upscale units surrounding

recreational amenities such as private country clubs – and larger homes on more affordable lots are in demand.

### Key Issues

- μ Number of dilapidated and substandard housing in immediate need of demolition or reclamation/renovation.
- μ Number of families/households that will be displaced by demolition or renovation.
- μ Historic housing in need of special building codes to make reclamation and preservation affordable and feasible.
- μ Revitalization of entire neighborhoods.
- μ Land availability for future new developments.
- μ Access of County and State CDBG and HOME funds for housing rehabilitation and code enforcement.
  
- μ Identification of current efforts being undertaken by state, county and private developers in developing new housing and rehabilitating, renovating and restoring older housing.

### Population/Housing Connection

In analyzing the housing conditions, the team used data from the 2000 Census, provided at the Census Block Group Level as the smallest geographic unit available. The housing stock was then surveyed, with housing by condition aggregated to the Census Block as the smallest geographic unit available with total housing unit counts from the 2000 Census. Subareas were then developed based on whole Block Groups with the most homogeneous housing stock.

**Figure 5.1 – Subareas for Housing Analysis in Taylor** on the following page illustrates the Subareas used for analysis and reporting.

It should be noted that the subareas were developed by aggregating Census Block Groups, the smallest geographic units for which all economic and most housing data are reported. Two Block Groups – 21201-2 and 21202-3 straddle Lake Drive and are the least homogeneous in the City. The area north of Lake is significantly more affluent with virtually no substandard or dilapidated housing. When data is reported by subarea or Block Group, the diversity of these two groups, which make up Subarea C must be kept in mind.

The issue of housing cannot be separated from the population. The age, income and family structure of the population helps to dictate housing needs and, thus, housing availability. When comparing the basic housing data over time and across Texas, we see that Taylor is keeping pace with the rest of the state. **Tables 5.1 – Selected Housing/Household Characteristics** and **5.2 – Housing by Type** show basic housing and household information for Taylor. All of the data are from the decennial Censuses.

**TABLE 5.1  
SELECTED HOUSING/HOUSEHOLD CHARACTERISTICS**

Census Year	Total Units	Vacancy Rate	Owner Occupancy Rate	Average Persons per Household	Median Housing Value	Median Rent
1980	4,183	8.4%	64.9%	2.68		
1990	4,727	12.5%	66.2%	2.69	\$42,000	\$395
2000	5,068	6.9%	66.6%	2.74	\$60,500	\$574

**TABLE 5.2  
HOUSING BY TYPE**

Census Year	Single Family	Multi-family	Mobile Home	Other
1990	3,757	832	72	66
2000	4,127	781	160	0

While the multi-family building boom has slowed in most areas of Texas, the state has seen an increase of nearly 200,000 new apartment units between 1990 and 2000. Taylor showed a reverse in this trend by losing 51 multi-family units. However, the number of mobile homes inside the City more than doubled.

Income plays an important role in housing choice as well as a household's ability to maintain its dwelling. Below is a table of median household income ranges in Taylor for 2000. The U.S. Department of Housing and Urban Development has designated incomes near or below the \$20,000 mark as "very low" and those near or below the \$30,000 mark as "low" for Taylor and Williamson County. HUD designated "moderate" income is \$47,600 for 2004. Any Block Group with more than 47% moderate-income or lower qualifies for Williamson County's upcoming Community Development Block Grant funds. Likewise, any household earning less than \$47,600, regardless of the neighborhood/Block Group, is eligible for assistance. These funds can be used for rehabilitation of

individual owner-occupied homes throughout the City, code enforcement for rental property, demolition or major rehabilitation and/or infrastructure improvements in eligible neighborhoods.

**TABLE 5.3**  
**HOUSEHOLDS IN 2000 BY INCOME RANGE**

Subarea	Less Than \$20,000	\$20,000-\$29,999	\$30,000-\$34,999	\$35,000-\$39,999	\$40,000-\$44,999	\$45,000-\$49,999	\$50,000-\$59,999	\$60,000-\$74,999	\$75,000+
<b>A</b>	68	8	0	0	0	13	0	0	33
<b>B</b>	295	56	59	75	63	43	172	183	367
<b>C</b>	122	91	47	44	51	57	98	60	210
<b>D</b>	47	58	15	5	12	26	12	46	26
<b>E</b>	220	158	91	85	63	62	81	110	69
<b>F</b>	97	27	7	27	15	27	34	37	36
<b>G</b>	164	50	52	27	21	0	35	22	22
<b>H</b>	206	114	86	27	31	17	18	44	75

Source: U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 3.

**Figure 5.2 – Block Groups Eligible For Williamson County CDBG Funds** on the following page illustrates the location of the HUD CDBG-eligible Block Groups based on the 47% low-moderate income threshold for household incomes.

### Housing Cost Burden

Affordable housing is defined by HUD as that rental unit or owned home which costs less than 30% of the household's income to support. Any home that costs 30% or more in rent mortgage, insurance, taxes and the like is considered to be a cost burden to the resident. In 1990, the average owner had monthly housing expenses of \$606 compared to \$889 in 2000. Of the 521 owners earning \$20,000 or less in 2000, 47.8% were paying more than 30% of their income for housing. Conversely, of the 697 renters earning \$20,000 or less in 2000, 79.8% were paying more than 20% of their income for housing. While the number of renters paying 30% or more of their income for housing increased between 1990 and 2000—from 502 to 531—the actual percent decreased significantly – from 36.2% to 33.8%. At the state level the percent decreased much less from 34.7% to 34.3%. **Figure 5-3** on the following page illustrates **Housing Cost Burden by Subarea**.

As can be seen in Subareas E, F, G and H half or more of the residents have a housing cost burden. As will be seen later in this chapter, these are also some of the areas with the highest number of dilapidated and substandard housing.

The City of Taylor's Public Housing Agency provides 120 low-income housing units in two developments, 66 Section 8 vouchers for the very low-income renters, 12 Section 8 homeownership vouchers and 64 Section 8 units of new construction for low-income residents of Taylor. Currently, there is approximately a year waiting time for public housing units. **Table 5.4 – Public**

**Housing Units and Waiting List** shows the number of units by size and the waiting list by unit size. All units are occupied and there are 294 waiting for units.

**TABLE 5.4  
PUBLIC HOUSING UNITS AND WAITING LIST**

Unit Size	Available Units	Waiting List
Efficiency	20	24
1-bedroom	29	86
2-bedroom	34	103
3-bedroom	27	61
4-bedroom	8	18
5-bedroom	2	2

The Section 8 Department of the Taylor Public Housing Agency provides three types of assistance. A new 64-unit apartment complex was built by a private developer using HUD funds for Section 8 tenants. These are reserved for families and the elderly earning 40 percent or below the area's median income. The remaining 78 Section 8 vouchers are currently divided between 66 rental and 12 homeowner vouchers. The PHA is authorized to move vouchers from rental to ownership and back within the 78 total. To qualify for these vouchers, the individual or family must earn 30 percent or less of the area's median income. Currently there are 112 on the waiting list for the new construction program and 108 on the waiting list for the rental and homeownership program. The wait for the new construction unit is 3 to 6 months. The wait for a rental voucher or for an ownership voucher for a new applicant is 12 to 18 months. For those currently receiving a rental voucher, the wait to convert it to an ownership voucher is 2 to 4 months.

### **Housing Conditions**

A windshield survey of all housing in Taylor was conducted during January and February of 2004 in order to assess the condition of housing units and determine key areas for redevelopment or stabilization. The housing conditions were clustered into four categories:

**Very Good/Excellent:** Needing no repair. The housing in this category is less than 5 years old or has been rehabilitated or maintained in excellent condition.

**Good:** Needing very minor repairs, primarily minor exterior painting or having other minor maintenance needs. The houses in this category may need new gutters, minor exterior painting, minor work on the porch or the flashings around the piers. Normally, one would think of a good house as that which needs less than \$2,500 in total exterior repairs/maintenance.

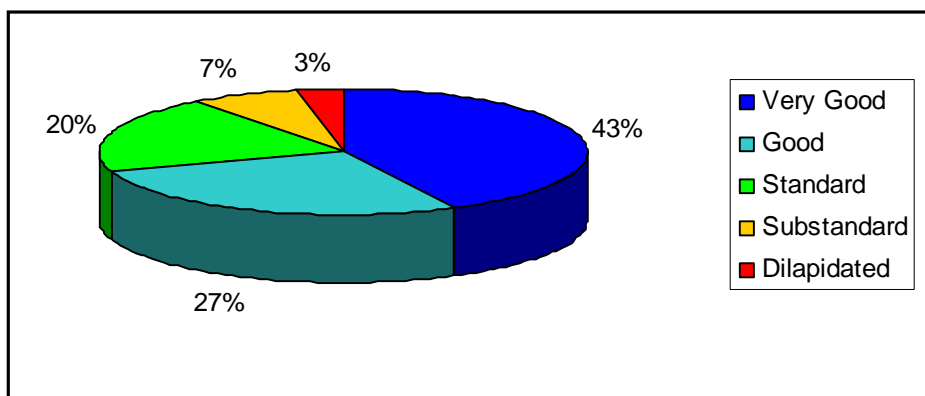
**Standard:** Needing significant non-structural repairs, such as a new roof, new siding, new porch, very minor leveling and the like. The housing in this category is certainly livable, but has not been well maintained and needs immediate stabilization in the way of repairing or replacing window/door frames and/or siding and doing minor repairs on the roof and/or porch. Minor leveling of pier and beam houses might be needed in this category. However, the deficiencies are not such as to have caused interior damage or irreparable exterior damage. Most standard houses will require \$2,500 - \$10,000 in exterior repairs.

**Substandard:** Needing significant structural repairs and rehabilitation. However, these houses are worth repairing rather than demolishing. Minor roof collapses, major foundation problems, broken windows or holes in the siding letting in the elements. Most substandard houses need major leveling, however the basic structure can be salvaged. Significant interior damage may be assumed due to exposure to the elements. Most substandard houses will require more than \$10,000 to repair.

**Dilapidated:** Needing to be demolished. These houses are in such disrepair that rehabilitation is not recommended. Most are abandoned and are too small for habitation, some have been gutted by fire and others are housing the very poorest of Taylor.

The following graph, **Figure 5.4 – Housing Conditions**, shows the distribution of housing by condition for the City of Taylor. As can be seen, 70% of the housing stock is in good or better condition. However, the 10% in substandard or dilapidated condition needs immediate attention.

**FIGURE 5.4  
HOUSING CONDITIONS IN TAYLOR**



The majority of the very good/excellent housing is north of Lake Drive in the newer subdivisions and scattered throughout the areas west of Main that are seeing some revitalization with major rehabilitation and historic preservation. Substandard and dilapidated housing is intermingled with the rehabilitated units in Subareas D and E particularly. Areas G and H have the highest proportion of substandard and dilapidated housing. Below is a map of the general location of the dilapidated units. Each dot represents a unit and is positioned on the map within the Census Block in which the house is situated. As would be expected, the areas with the oldest housing are the ones with the greatest number of substandard units. Unfortunately, the areas of highest housing cost burden are also the areas of highest rates of dilapidated units. **Figures 5.5 through 5.9** on the following pages illustrate the locations of substandard and dilapidated units by percent of housing built before 1960 and by cost burden. The third map shows the location of the substandard and dilapidated housing by the percent of renter occupancy. This map indicates that the distribution of poor-quality housing is rather uniform between owner-occupied and renter-occupied units.

### Analysis and Conclusions

The City of Taylor is growing along with the rest of the Austin/San Marcos Metropolitan Area. With growth come the issues of housing. The majority of the housing stock in Taylor is more than 25 years old and, while many units are still in good condition, remediation is needed to stem the deterioration and stabilize the neighborhoods. Subareas **A and B** have only seven substandard units and no dilapidated units. The substandard are older rural homes that have been abutted by new subdivisions and on the southern edge of the areas. Nearly all of Areas A and B are in very good/excellent or good condition – 95%. The ETJ areas adjacent to Subareas **A, B and H** are prime for new higher-cost development, particularly with future annexation in mind. The two primary types of development would be larger homes for commuters and smaller but upscale homes – possibly patio homes – as part of a retirement community. The developments should include park space and, for the retirement community, a recreational center such as a country club or golf course.

It is apparent that **Subareas C and D** are seeing some new in-fill housing, some historic preservation/renovation and some rehabilitation of older brick and stone homes. These new and renovated units are, for the most part, owner occupied and valued higher than the majority of Taylor's housing. Subarea C encompasses two Block Groups that straddle Lake Drive. The areas north of Lake are virtually 100% very good/excellent or good. There are only a few standard homes in Subarea C north of Lake and no substandard or dilapidated. Within Subarea C as a whole, however, there are 18 houses in need of major repair. Likewise, in Subarea D, there are 17 houses in need of major repair. There are 168 in C and D that are Standard and need maintenance and repair to stabilize them before they fall to the substandard category. These are the homes that could benefit from a volunteer repair program.

**Subareas C and D** are also seeing a number of new small apartment complexes. 4 to 12 units, and some subsidized multi-family units. The rents seem to be aimed at the moderate-income families. These areas have a mixture of owner and renter occupancy. The housing in disrepair is occupied by owners and renters almost equally. It appears that the elderly owners are not able to maintain their older homes while some of the substandard housing is being rented. The rehabilitated housing appears to be almost exclusively owner-occupied or used for commercial purposes, such as bed and breakfasts and the like.

**Subarea E**, south of C and D, north of Second and west of Main, has a great mix of homes than A, B, C or D. While there are a number of very good/excellent homes – again, predominately rehabilitated historic homes or new brick/stone homes on in-fill lots – only half of the housing is very good/excellent or good. Within Subarea E there are 119 houses that are either substandard or dilapidated. A number of these are between Second and Third and could be either demolished or rehabilitated for conversion to commercial properties. One third, 384, of the units are categorized as “standard” and are in need of remediation before they become substandard.

**Subarea F**, east of Main and north of Thorndale is a large geographic area with few houses. None of the housing is dilapidated, only two are substandard and 85% are very good/excellent or good. This is the area with subdivisions built in the 1960s. The majority of the subdivision tract homes are small starter homes. These houses are, for the most part, in good or standard condition though half of the houses are renter-occupied. There are a number of vacant houses in the area also – some for rent, some for sale and some with no signs in the yard. While the houses are in standard-to-good condition, many of the yards are in disrepair, indicating that general maintenance is being neglected in the area. More than one-fourth of the renters and more than one-fifth of the owners earned less than \$20,000 as reported in the 2000 Census. Virtually all of the renters and two-thirds of the owners earning less than \$20,000 have a housing cost burden in Subarea F. This will hinder their ability to maintain their homes.

**Subarea G**, east of Main and south of Thorndale, is a very mixed area. Slightly fewer than half of the units are very good/excellent or good, but more than 27% are substandard or dilapidated. The area between Main and the railroad tracks is in the greatest need for major rehabilitation. The highest concentration of the worst dilapidated and substandard housing in the City is in this area. The area is predominately renter-occupied and many of the rental units are not fit for habitation. Others are deteriorated but could be rehabilitated. Overall, Subarea G has 28 dilapidated and 52 substandard houses. These are in need of demolition or major renovation. With two-thirds of the area being renter-occupied, it can be assumed that the majority of the substandard and dilapidated units are renter-occupied. More than half of both renters and owners reported incomes of less than \$20,000 in the 2000 Census. Of those with very low incomes, 95% of the renters and 67% of the owners have a housing cost burden, paying over 30% of

their incomes in housing. Any demolition or major renovation of the substandard and dilapidated rental housing will result in the displacement of the tenants and likely increased rents for the rehabilitated housing. As a result, those renters in Subarea G with a housing cost burden will find their housing costs even greater as they are either forced to move to better housing or return to the rehabilitated/higher cost units in which they now live.

**Subarea H** is experiencing the development of new low- to moderate-income homes that can serve to stabilize and revitalize the area. The new development in Area H is making first-time homebuyers assistance available and is assisting the low-income in purchasing their first home. On the other hand, one third of the housing is substandard or dilapidated in Subarea H. This area, west of Main and south of Second, has some of the worst housing in Taylor, including one-room shacks that are dilapidated but occupied. Though, strides are being made to introduce affordable in-fill housing and new single-family housing on the southwest edge of the area, the 87 dilapidated units need immediate attention. Another 143 units are substandard and in need of major repair. While the new housing in the areas north of Second are, for the most part, valued above the City average, the new units south of Second are affordable for first-time homebuyers. This type of development, along with some of the newer affordable multi-family rental units in Subareas C and D are stabilizing influences in Taylor.

The dilemma facing the City of Taylor with regards to its rental housing is two-fold: the City could exercise code enforcement ordinances to force improvements on the rental units in need of major repair or demolition. However, in complying with ordinances, the owners will most assuredly (1) have to relocate their tenants during renovation and (2) raise the rents to a level that is not affordable by current tenants. The owner occupied housing poses a different set of issues. Without active deed restrictions it is not easy to require owners to maintain and/or repair their homes. The majority of the substandard owner-occupied homes are owned by the elderly who are no longer able to do the repairs themselves and are not financially able to hire contractors. Those opting to purchase historic homes are faced with rehabilitation costs which often exceed the value of the property.

As stated above, the area outside of Subarea **H** within the ETJ would be prime for upscale development – either larger homes for commuters or smaller homes for retirees.

### **Goal, Objectives and Actions**

A goal with its associated objectives and actions will guide Taylor's growth and direct all future housing initiatives. Affordability, based on the U.S. Department of Housing and Urban Development, is a housing cost of no more than 30% of the household's income. Sound housing is that which needs only minor repairs and is classified as "standard" or above in this chapter. Attractive housing is that which encourages new buyers and renters to move to Taylor because of the quality and affordability of the housing. In addition, attractiveness should

include the ability to bring new housing developers to the area to provide subdivisions and support amenities to prospective new residents.

***Housing Goal: Attractive, affordable and sound housing available to all residents.***

**Objective H1:** Stabilize neighborhoods with sound, but aging housing through requiring and assisting in the rehabilitation of substandard housing and the demolition of dilapidated housing throughout Taylor.

**Action H1.1:** Work with Williamson County in the development of their 5-Year HUD Consolidated Plan for use of CDBG funds. This will help ensure that the City will get its fair share of CDBG funds for housing rehabilitation and infrastructure repairs.

**Action H1.2:** Invest in road repairs in the declining residential areas, particularly Subareas C, D and G. The poor street conditions lead to lowered property values, poor navigation, poor drainage and general decay of the neighborhoods.

**Action H1.3:** Work to assist non-profits in acquiring a state CHDO (Community Housing Development Organization) status and apply for state HOME funds for new low-income housing and housing rehabilitation.

**Action H1.4:** Revisit the housing code regarding historic preservation and rehabilitation. Investigate the use of alternative or sub codes for rehabilitation of older buildings. Currently the cost to bring historic homes up to the current building code and to the codes of historic preservation make the investment too costly.

**Action H1.5:** Seek partnerships with public and private entities to eliminated dilapidated housing.

**Objective H2:** Assist in the relocation of displaced tenants due to the demolition or renovation of rental housing.

**Action H2.1:** Work with non-profits, church and community groups to help provide assistance to displaced tenants by providing temporary shelter

**Objective H3:** Assist in the provision of new low-income rental and ownership units, and a variety of housing to meet the needs of Taylor's growing and changing population.

**Action H3.1:** Provide appropriate land use designations, zoning if applicable, and development guidelines for a senior

housing complex with independent living, assisted living and nursing home care for the aging population who are no longer able to care for their homes.

**Action H3.2:** Support the development of a volunteer home repair service for the elderly and disabled.

**Action H3.3:** Investigate mechanisms to stem the tide of mobile homes moving into residential neighborhoods and to ensure that those already in on residential lots are safe.

**Objective H4:** Assist in the preservation and rehabilitation of historic housing units.

**Action H4.1:** Revisit the housing code regarding historic preservation and rehabilitation. Investigate the use of alternative or sub codes for rehabilitation of older buildings. Currently the cost to bring historic homes up to the current building code and to the codes of historic preservation make the investment too costly.

**Objective H5:** Encourage the development of new larger homes and high-end retirement developments in Taylor and its ETJ.

**Action H5.1:** Provide appropriate land use designations, zoning if applicable, and development guidelines for a new community for retirees, centered around a recreational facility. (Such a development is not dependent on the employment climate and could be sustained in the ETJ, while bringing more retail and support dollars to City businesses).

**Action H5.2:** Provide appropriate land use designations, zoning if applicable, and development guidelines for new subdivisions of larger homes for professionals commuting to surrounding employment centers. (Currently, the entire Austin MSA is overbuilt with single-family houses, however the lower cost of land and assistance in lowering fees and development costs can mean attractive developments in the Taylor area).

## Potential Strategies for Funding Housing Programs in Taylor

The City of Taylor is in need of funds to assist in the rehabilitation of dilapidated housing, the development of new housing and financial housing assistance to low-income residents. There are a variety of funding programs that could benefit the City of Taylor, however a number of them are complex and require a sophisticated developer. Below is a list of some of the potential funding mechanisms for providing sound, safe and affordable housing to residents of Taylor.

**1. Community Development Block Grant (CDBG):** Beginning in 2004, Williamson County will get approximately \$1,250,000 each year in Community Development Block Grant funds to provide a variety of programs within the county, including Taylor. CDBG is U.S. Department of Housing and Urban Development's funding programs for all states, cities with more than 50,000 population and counties with more than 200,000. Williamson County became eligible in 2004 and will begin receiving the funds in October. Prior to Williamson becoming an Entitlement Community, the county and cities could apply to the State of Texas' CDBG program for project grants. The City of Taylor and other jurisdictions in Williamson County are no longer eligible for State of Texas CDBG funds, but can now compete for Williamson County's allocated funds. The application is a competitive one and the applicants must be seeking funding for projects the County has determined to be of high priority. These funds can be used for public/social services (15% maximum), infrastructure, public facilities, program administration (20% maximum) and housing – rehabilitation, code enforcement, new construction.

HUD allows CDBG dollars to be spent on any housing unit owned and occupied by low- to moderate-income residents and in any neighborhood where the percent low-mod is 47 or greater. Based on the percent of residents living in census block groups that qualify under HUD CDBG allocations and who are low- to moderate-income, 13.75% of the low- to moderate-income households or of Williamson County live in Taylor. In addition, of the block groups that qualify for neighborhood revitalization or new housing, 31.2% of the low-mod residents live in Taylor.

Therefore, the City of Taylor should make every effort to ensure that 14% of all CDBG money allocated by Williamson County for housing be spent in Taylor and 31% of all CDBG money allocated by Williamson County for public facilities, infrastructure, new housing, neighborhood revitalization be spent in eligible Taylor block groups. Assuming Williamson County allocates the maximum to public services and administration, there would be \$812,500 in CDBG funds that could be allocated to housing and/or neighborhood revitalization. Taylor's share of that amount would be \$111,718 for housing rehabilitation or \$253,500 for neighborhood revitalization efforts. The City should ensure that they are well represented on the County's community

development advisory committees and enlist the Mayor and Council in advocating for the City's fair share of CDBG dollars.

**2. HOME Investment Partnership Program (HOME):** Williamson County does not receive HUD HOME funds as of yet, however, the State of Texas does and the State funds are available to projects in the City of Taylor. The State of Texas will receive approximately \$45,261,052 in HOME funds for Project Year 2004 (October 2004-September 2005). The HOME Investment Partnerships Program (HOME) provides grants and loans to help local governments, nonprofit agencies, for-profit entities, and public housing agencies provide safe, decent, affordable housing to extremely low-, very low- and low-income families. HOME allocates funds through four basic activities: Homebuyer Assistance, Rental Housing Development, Owner-Occupied Housing Assistance, and Tenant-Based Rental Assistance. The program has a 15 percent set-aside for Community Housing Development Organizations (CHDOs) and a 10 percent set-aside for special needs, including the homeless, the elderly, persons with disabilities, and persons with AIDS. This is a competitive program and the PY 2004 funds have been allocated, however, the City of Taylor can qualify for the funds or assist nonprofits or for-profit developers in accessing the funds for PY 2005. The development of owner-occupied housing or rental housing for low- to moderate-income households along with application to the State for HOME funds should be encouraged. Local nonprofit organizations will need assistance in applying for recognition by the State as a Community Housing Development Organization (CHDO). This gives the organizations access to the competitive process for the 15% set-aside. Likewise, any nonprofit or for-profit entity with a plan to house the homeless, elderly, persons with disabilities or persons with AIDS can apply for the 10% set-aside. The HOME program is similar to the CDBG program, and while it is a State allocation, access to the funds is not complex or overwhelming for cities or private entities.

**3. Housing Trust Fund Program:** The State of Texas manages the Housing Trust Fund dedicated to increasing the state's supply of affordable housing. The program awards funds on a competitive basis to nonprofit and for-profit organizations, local governments, public housing authorities, CHDOs (Community Housing Development Organizations), and income eligible individuals and families for the acquisition, rehabilitation, and new construction of affordable housing. The Housing Trust Fund also sets aside 10 percent of each annual allocation for Capacity Building Activities, including technical assistance to nonprofits and CHDOs engaged in developing affordable housing. In addition, another 10 percent is set aside for the Pre-development Revolving Loan Program to assist with the pre-development costs for housing construction. The Housing Trust Fund Program is a rather competitive and sophisticated program that requires significant technical resources to be successful. This program is best used by regional developers or nonprofits who have had prior success in accessing the funds.

**4. Housing Tax Credit Program:** The Housing Tax Credit Program is the primary means of directing private capital towards the creation of affordable rental housing. Developers of low-income rental housing use the tax credit to offset a portion of their federal tax liability in exchange for the production of affordable rental housing. The Housing Tax Credit (HTC) Program was created by the Tax Reform Act of 1986, and was first utilized by the real estate development community during calendar year 1987. Section 42 of the Internal Revenue Code of 1986, as amended (the Code), is the federal law that governs the HTC program. Effective 2002, it authorizes tax credits in the amount of \$1.75 per capita for each state. This amount equates to an annual award of approximately \$36 million in tax credits. The Texas Department of Housing and Community Affairs (TDHCA) is the only entity in the state of Texas with the authority to allocate tax credits under this program.

Since 1987, the HTC Program has provided for the construction or renovation of over 96,000 units of affordable multifamily housing throughout Texas, and is generally recognized as the single most effective incentive for the development of new and affordable multifamily housing. tax credit program is the primary means of directing private capital towards the creation of affordable rental housing. The tax credits provide developers of low income rental housing with a benefit that is used to offset a portion of their federal tax liability in exchange for the production of affordable rental housing. The value associated with the tax credits allows residences in HTC developments to be leased to qualified families at below market rate rents.

To qualify for tax credits, the proposed development must involve new construction or substantial rehabilitation of existing residential units (at least \$6,000/unit in direct hard costs). The amount of tax credits that may be applied for depends on: the amount and type of additional funding sources, the total amount of qualified development costs to be incurred, and the percentage of units set aside in the development for eligible low income tenants.

Each qualified tax credit development must include a minimum percentage of units to be set aside for eligible low income tenants. The rent charged for these set-aside units must be restricted.

Tax credits may only be claimed on the units that have been set-aside for participation under this program. It is possible for development owners to set aside one-hundred percent (100%) of any development for consideration under the tax credit program and in doing so claim the maximum amount of tax credits eligible for the development.

Tax credits are very complex and require a developer who is an expert in applying and administering them. However, there are some good developers in Texas who are looking for new markets and might be interested in Taylor.

**5. Multifamily Bond Program:** The Texas Department of Housing and Community Affairs issues tax-exempt and taxable multifamily revenue bonds to

fund loans to for-profit and qualifying nonprofit 501(c)(3) organizations for the acquisition or development of affordable rental units. Applications for financing may be submitted to the Multifamily Finance section of the Housing Finance Division for review. A recommendation is made to the TDHCA governing board and, if approved, additional approval is required by the Texas Bond Review Board. Properties financed through the programs are subject to unit set aside restrictions for lower income tenants and persons with special needs, tenant program initiatives, maximum rent limitations, and other requirements as determined by TDHCA and its board.

As with the tax credit program, this program is for the more sophisticated developer. However, the City of Taylor is in a prime position to identify and solicit developers to come to the City and build housing using these programs.

**6. Federal Home Loan Bank Grants:** The Dallas Federal Home Loan Bank has a number of grants that it awards to member banks on behalf of developers of affordable housing projects. This year \$2,723,000 for 589 units was awarded in Texas. The Affordable Housing Program (AHP) was designed to help member institutions and housing developers (usually nonprofit CHDOs) develop affordable owner-occupied and rental housing for very low- to moderate-income families and individuals. The program provides direct grants and subsidized loans to assist member banks in meeting their community's affordable housing needs. Members partner with local housing organizations (project sponsors) to develop AHP projects.

The funds are intended for gap financing, such as pre-development costs. FHLB encourages the innovative use of other funds to leverage AHP subsidies.

AHP funds are intended to assist members in financing the purchase, construction, and/or rehabilitation of single-family, rental, transitional, and single-room housing in their community. Funds must be used to benefit households with incomes at or below 80 percent of the median income for the area.

- W AHP funds may also be used to:
- W pay closing costs or down payments
- W buy down principal amounts or interest rates
- W refinance an existing loan (provided that the equity proceeds are used for the development of AHP-eligible housing)
- W assist with rehabilitation or construction costs
- W homebuyer education and counseling

**7. Community Investment Program (CIP):** The CIP funds are another vehicle through the Federal Home Loan Bank and are available throughout the year to support lending for housing related programs targeted to households earning up to 115 percent of the area median income. These programs include single family housing and multi-family or rental projects. The CIP advance (loan) program is a

specialty priced advance program established to help member institutions finance community oriented mortgage lending. The funds are loans that can be used for:

- W** for single family housing purposes (rental or home ownership). To qualify, the single family project must benefit low to moderate income households whose incomes are at or below 115 percent of the area median. Housing construction projects as well as refinancing of existing homes are eligible.
- W** for the purchase, construction or rehabilitation of multi-family or rental projects, where at least 51 percent of all tenants have incomes at or below 115 percent of the area median. Such projects may include assisted living facilities.
- W** for refinancing multi-family housing (provided equity proceeds are used to rehabilitate the units or maintain affordability for current residents).
- W** in conjunction with HUD, FHA, state and local governments, and secondary market agency programs.
- W** to purchase state housing finance agency bonds or mortgage-backed securities representing pools of loans that could be funded directly with CIP advances.
- W** to fund investments in lender consortia or low-income housing tax credits as long as the underlying mortgages could be funded directly with CIP advances.
- W** to make loans to entities that in turn lend for eligible housing projects.

**8. Other HUD programs for Special Populations:** HUD has a number of other nationally competitive programs to provide affordable supportive housing to special populations. These include:

- W McKinney-Vento Continuum of Care for the Homeless:** An area must submit a consolidated application of all applicant projects to provide supportive transitional housing, supportive services or permanent housing to the homeless. In order to apply, the area must have an established coalition for the homeless that meets regularly, conducts an enumeration of the homeless, conducts a needs assessment and determines area priorities for funding. Then each agency applies to the coalition and the group ranks the applications and sends a single package to HUD. The coalition does not need to be a formal organization, but can be a group of agency directors or board members.
- W Section 202:** HUD provides competitive funds for housing and supportive services for the elderly. Only private nonprofits can apply for funds. These funds provide interest-free capital advances to private nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are

approved initially for 5 years and are renewable based on the availability of funds.

- W Section 811:** Similar to Section 202, the Section 811 program provides funds to private nonprofits for the development of housing and supportive services for the disabled.
- W HOPE VI:** Public Housing Authorities are eligible to apply and compete for funding under the HOPE VI program. The program is very flexible, but key elements that HUD funds include:
  - Revitalization grants to cover:
    - § Capital costs of major rehabilitation, new construction and other physical improvements
    - § Demolition of severely distressed public housing
    - § Acquisition of sites for off-site construction
    - § Community and supportive service programs for residents, including those relocated as a result of revitalization efforts
  - Demolition grants to fund the demolition of severely distressed public housing, relocation of residents and supportive services for the relocated residents.

The City of Taylor's Public Housing Authority would most likely be eligible only for new construction as their projects are in decent condition. However, another element of HOPE VI is family self sufficiency and grants to provide job training, education, parenting classes, and the like to move residents into self sufficiency are areas that could benefit the economic climate and thus the level of affordability for housing.

**9. Historic Preservation Funding:** There are a number of programs that provide assistance in restoring historic homes. Among these are:

**National Park Service's Historic Preservation Fund:** This fund is small and is awarded to states and the money is administered by the State. It provides dollars for historic preservation of housing owned and occupied by low- to moderate-income residents. Texas receives about \$900,000 which it then matches with about \$450,000.

**National Trust for Historic Preservation:** Grants from the NTHP include the **Preservation Services Fund** to nonprofit organizations and public agencies (typically from \$1,000 to \$1,500) for preservation planning and education efforts. There is a 1:1 match requirement. Funds may be used to obtain professional expertise in areas such as architecture, archeology, engineering, preservation planning, land-use planning, fund raising, organizational development and law as well as preservation education activities to educate the public. In addition, the **Johanna Favrot Fund for Historic Preservation** provides nonprofit organizations and public agencies grants ranging from \$2,500 to \$10,000 for projects that contribute to the preservation or the recapture of an authentic sense of place. Individuals and for-profit businesses may apply

only if the project for which funding is requested involves a National Historic Landmark. The **Cynthia Woods Mitchell Fund for Historic Interiors** provides nonprofit organizations and public agencies grants ranging from \$2,500 to \$10,000 to assist in the preservation, restoration, and interpretation of historic interiors. Individuals and for-profit businesses may apply only if the project for which funding is requested involves a National Historic Landmark.

In addition, the NTHP provides a number of loans. The National Trust's **Community Partners** administers the loan programs described below. Eligible applicants are tax-exempt nonprofit organizations and local governments; organizations may enter into partnerships or joint ventures, provided the applicant is pivotal to project execution. Eligible properties are certified local, state, or nationally designated historic resources, a contributing resources certified local, state, or national historic district, or resources eligible for listing in local, state, or national historic district. Eligible projects involve the stabilization of historic properties in conformance with the Secretary of Interior's Standards.

- The **National Preservation Loan Fund** provides loans to establish or expand local and statewide preservation revolving funds; to acquire and/or rehabilitate historic buildings, sites, structures and districts; to purchase easements; and to preserve National Historic Landmarks.
- **The Inner-City Ventures Fund** finances the rehabilitation of historic buildings that serve the economic and community development needs of low-, moderate-, or mixed-income neighborhoods.

**Federal Government Tax Credits for Historic Buildings:** The Federal Government provides up to a 20% tax credit for historic buildings. The tax credit is for income-producing properties, including bed & breakfasts, rental housing units, hotels and the like. The program is for properties requiring substantial rehabilitation/restoration.

**Mortgage Program Tailored for Rehabilitation:** The Department of Housing and Urban Development's Federal Housing Administration (FHA) has a flexible loan program that helps developers, investors, and families at all income levels to buy and restore properties in urban and rural historic districts. The program operates through FHA approved lending institutions, and the loans are insured by FHA. The 203(k) Mortgage Rehabilitation Insurance Program helps preservationists deal with problems such as appraisal barriers, the high cost of second mortgages, and prohibitive down payment and closing costs. Unlike most mortgage programs, the 203(k) is available to potential homeowners before restorations are completed.

Recommended Funding Strategies for Development and  
Rehabilitation of  
Affordable Housing in Taylor

