



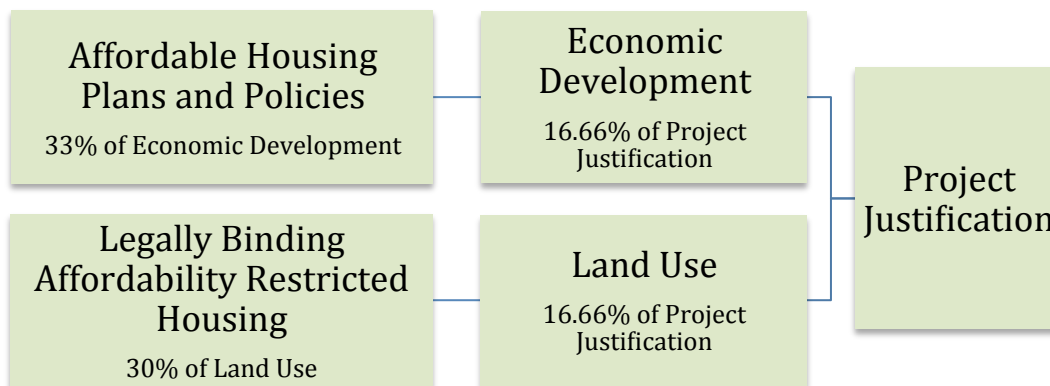
HousingWorks
AUSTIN

The Importance of Affordable Housing in Competing for Federal New Starts Funding

Austin's plans for building a new rail line through the central corridor are contingent upon securing federal funding through the Federal Transit Administration's New Starts program. New Starts is a highly competitive grant. Projects are selected after undergoing a rigorous evaluation by the FTA that scores and ranks each application based on a set of published criteria. These criteria place a heavy emphasis on whether an applicant has implemented plans and policies to preserve and increase affordable housing along the transit corridor.

➤ A Breakdown of Affordable Housing's Importance in New Starts

One half of an applicant's score in New Starts comes from a Project Justification Score. The inclusion and preservation of affordable housing along the proposed transit corridor directly impact one-fifth of the total Project Justification Score, under two of the following five criteria evaluated by FTA: "land use" and "economic development."



➤ Austin needs to act quickly to increase the proportion of housing that is rent restricted around Project Connect's transit station areas

Thirty percent of an applicant's New Starts rating under the Land Use criteria is based on the proportion of housing within ½-mile of the station areas that is subject to legally binding restrictions, compared to the proportion of restricted affordable housing units in the county at large. The FTA only counts units restricted to households with incomes below 60% of the area median income.

Currently, very few rent-restricted units below 60% MFI exist along the Highland and Core corridors. The Riverside corridor has a high concentration of affordable housing, but most of it is market rate housing without legally binding restrictions, and the market rate housing is quickly disappearing. With only two years before the submission of Project Connect's New Starts application, local government entities must act quickly to create more rent-restricted housing around the transit stops in all three corridors.

➤ Austin needs to act quickly to adopt plans and policies that preserve and increase affordable housing along Project Connect's transit corridor.

One-third of an applicant’s New Starts rating under the Economic Development criterion is focused exclusively on affordable housing. Under this criterion, the FTA will scrutinize whether Austin has implemented tools to successfully maintain or increase affordable housing in the project corridor. FTA materials state that applicants should have policies in place “before the transit project is built, when it may be possible to acquire property or apply protections at a lower cost.”

The FTA’s suggestions of affordable housing policies include:

- Inclusionary zoning
- Density bonuses
- Employer-assisted housing policies
- Affordability covenants
- Rent controls or condominium conversion controls
- Tenant right of first refusal laws
- Zoning to promote housing diversity

Applicants should also have a range of affordable housing financing tools and strategies in place. FTA application materials list specific examples, including:

- Funding for targeted acquisition, rehabilitation, and development of housing, including direct funding for public and nonprofit organizations
- Land banking programs
- Weatherization and utilities support programs
- Housing trust funds
- Targeted tax increment financing and other value capture strategies
- Mortgage or other home ownership assistance for lower income and senior households
- Tax abatements

In addition to examining affordable housing policies, FTA looks for evidence of the actual provision of housing by private and public developers in the corridor. Finally, FTA considers the extent to which plans and policies account for long-term affordability, and the extent to which plans explicitly address the housing affordability and quality needs of very- and extremely low-income households.

➤ **Requirements to Receive a High Rating for Affordable Housing Plans and Policies**

FTA assigns applicants a rating of High, Medium, or Low for each criterion. To earn a High rating for maintaining and increasing affordable housing in the project corridor, Project Connect will need to establish the following:

- Funding sources, commitments, and “robust financial incentives” that support affordable housing should be identified and secured.
- Local policies and zoning codes that support and encourage “significant” affordable housing development in the transit corridor should be in place.
- Developers should be actively working in the corridor to secure priority development sites and/or maintaining affordability levels in existing housing units.
- Comprehensive affordable housing plans that include efforts to preserve rent restricted and market-rate affordable housing should have been developed. The plans should address the housing affordability and quality needs of very- and extremely-low income households.

If FTA does not find evidence of this activity—if there is little or no development or preservation activity in the corridor; if plans and policies are merely in development, or fail to address key elements; if financing has not been secured—Project Connect will earn a Low rating. With only two years remaining before Project Connect files its application, the City of Austin and Cap Metro need to start putting these policies in place immediately.