

STEVE ADLER FOR AUSTIN MAYOR

MAKING AUSTIN MORE AFFORDABLE FOR FAMILIES

Working Affordability Agenda

September 8, 2014

“We need to ensure that our families can afford to live here and that we manage growth to share its benefits. Austin’s spirit and soul are built upon our diverse ethnicities, seniors, students, and artists, and we are all richer for that. But we are fast becoming a city that is too expensive for many of us that live here. We are at a tipping point. Our unique diversity is at risk due to skyrocketing housing prices, tax and fee increases, wages that have not kept pace with the rising cost of living and a neglected middle class. Too many of our long-time residents are being priced out of their homes. It wasn’t that long ago that Austin was one of the most affordable big cities in Texas. Today we are the most expensive. We must make Austin affordable once again.” -- Steve Adler

As Mayor, my working affordability agenda includes:

- **Property Tax System Reform**
- **Fair Utility Costs**
- **Comprehensive Reform in the Permitting Process**
- **Economic Development Incentives that Serve our Values**
- **Empowerment of the Nonprofit Sector**
- **Increased Workforce Training In Middle Class Jobs**
- **Growth That Pays for Itself**
- **Reinstatement of Free Capital Metro Fares for Seniors and the Disabled**
- **Improved Budget Accountability and Taxation Transparency**

1. **Lead the charge** at city and state levels to lessen the excessive and unfair reliance on property taxes, especially on residential property. We must adopt the 20 percent across-the-board property tax exemption for homesteads. We should further reform the property tax system to make it fairer, by appropriately valuing all classes of property and removing the structural problems.

2. **Fight** for relief on utility bills by addressing the rules that unfairly burden apartment renters by, for example, forcing them to underwrite more than their fair share of drainage fees. Require Austin Energy and the Austin Water Utility to initiate long term changes in their business models that will better accommodate affordability. Innovations such as shifting toward local distributed power generation, accelerating water re-use practices, and placing even greater emphasis on conservation will help us avoid recurrences of the massive expenditures we have seen in recent years for power generation, water supply, and conveyance.

3. **Improve** the development review and approval process by providing computerization and other critical resources, improved training and management, creation of Expedited Review Teams, and a strong emphasis on streamlined and consolidated reviews to improve customer service.
4. **Reform** the policies for granting incentive subsidies to reward creation of middle class jobs, as well as training local residents to qualify for those jobs. These policies should be broadened to provide opportunities for small businesses to participate and to allow the use of City funds to incentivize the growth of small business and the locating of jobs in urban areas outside of downtown.
5. **Convene, rally and focus** the nonprofit sector to maximize and leverage private involvement and philanthropy.
6. **Advance our City's workforce training needs and outcomes by convening a coalition** of Austin Community College, local Chambers of Commerce, workforce training and empowerment organizations, employers, and local, county and state governments.
7. **Encourage growth to pay for itself.** Consider the use of available tools such as the state authorized transportation impact fee and public improvement districts so that Austin can realize a greater growth dividend. We need growth that makes Austin more affordable, healthy, and sustainable.
8. **Advocate greater** transparency and accountability in City finance.

The Challenges:

People often say there are 110 people moving to Austin every day. But that's not the right number. It's a net number and net numbers can often hide the truth. There are, in fact, 150 people moving to the Austin area every day. Importantly, there are also 40 people that are moving away every day.¹ When people talk about Austin's rapid growth they often cite the number of people moving in, but rarely is enough attention paid to the great number of people that are moving away. We cannot have a conversation about Austin's future if we only discuss those moving in. We must also talk about the people that move away. With each of them, part of Austin moves away.

It is getting harder and harder to afford living in Austin. It was not that long ago that Austin was a very affordable place. But today, Austin has become the most expensive city in Texas.^{2,3} As we become less affordable, we become less diverse. And diversity is the core of what makes Austin special – it is woven into the fabric of Austin's spirit and soul. In Central East Austin from 2000-2010 we saw a 27 percent decrease in our African American population and a 9.3 percent decrease in our Hispanic population.⁴ When the people who make a city great can't afford to stay here, when seniors and other long-term residents living on fixed incomes can't afford to live here, when our kids graduating from school can't afford to live in the town they grew up in –we have a serious problem.

Something is seriously wrong in Austin when, as now, 53 percent of African American kids under 18 years old and 44 percent of Hispanic kids under 18 years old live in poverty.^{5,6} We have the second fastest growth of suburban poverty in the nation and Austin's overall poverty rate has gone up by over 100 percent over the last decade.⁷ Even during a time of historic job growth in Austin, nearly 57 percent of the jobs created between 2009-2013 do not pay a living wage for families.⁸ A family of four must make roughly \$65,000 in order to live without serious economic deprivation here in Austin.^{9,10} As of 2012, 23 percent of Austin households earn under \$25,000 and 48 percent earn less than \$50,000.¹¹ These are very troubling statistics.

On the surface, our economy is great. But many struggle to keep pace with the skyrocketing cost of living. And the struggle is not limited to only lower income Austinites. In the last eight years we have seen Austin's housing costs overtake both Dallas and San Antonio.¹² While a \$140,000 home in Houston is comparable to a \$150,000 home in Dallas, the same comparable home in Austin will cost \$250,000.¹³ Home prices are increasing 3.5 times faster than incomes.^{14,15} Austin is known as a city where no one is too good and everyone is good enough, a city where your last name does not determine opportunity. But what about our future? We can't let Austin become a city only for the affluent.

The next Mayor and new City Council must confront the rising costs of housing (both homestead and rental), the shortage of affordable housing, and escalating utility rates and fees. We must confront the excessive cost and delay in obtaining the construction permits that allow homeowners to renovate, small businesses to expand, and our economy to effectively deal with the housing supply-demand imbalance. We must provide relief to our residents as we encounter the following challenges:

- Our cost of living is increasing rapidly, and for many families the biggest challenge for many families is the rising cost of rental housing. Austin is now the most expensive rental market in Texas. A full-time worker must earn \$20.65 an hour to afford the average rent for a two-bedroom unit. This is higher than both the Texas and national averages and, disturbingly, 61.8 percent of the employed workers in Greater Austin make less than this amount.^{16,17}
- Austin does not have enough affordable housing for its current and projected population. Citywide occupancy rates are now around 96 percent and the average monthly rent is over \$1,000. With occupancy rates this high, a shortage of affordable housing, and more people moving here every day, unless we act now, rental rates will climb even higher and the housing shortage will become more severe.¹⁸
- Our property tax system is broken. Texas law requires that all taxes be "equal and uniform" and that property be taxed at 100 percent of market value.^{19,20} Yet there is growing public concern that the assessed commercial property values have been below market.²¹
- Austin's development review and permitting process takes too long, costs too much, and is not as predictable and certain as it needs to be. We must bring to bear whatever resources are required to fix this problem.
- Poverty is increasing, particularly for children. From 2006-2012, we added 11,000 more Austin children to the current total of 28,000 kids in poverty.²²

None of these challenges to affordability and to the stability and diversity of our community are new; they are just unsolved. These are problems that existed or were readily identifiable at least eight years ago. It is imperative that the new Mayor and City Council provide effective leadership to find viable solutions to the challenges of affordability. The City needs to stop making mistakes like our multi-billion dollar contract for power from the east-Texas biomass power plant, which barely produces any power, or Water Treatment Plant 4 that provides capacity that won't be needed for many years (as had been predicted by many leading environmental and consumer activists).^{23,24}

We need to make sure that families who want to stay here can afford to do so. We need to leverage Austin's popularity to bring in good-paying jobs and provide for job training opportunities that bolster the middle class. We must streamline our planning and permitting process and provide the resources necessary to cut time and costs. We must hold the line on residential property taxes and utility bills and use economic incentives policies wisely not only to provide a return on our investment but, more

importantly, to give us a return on our values. We need to do a better job of making growth pay for itself. We need to realize the kind of growth dividend that can be shared by everyone.

Working Affordability Agenda.

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- **Fair Utility Costs**
- **Comprehensive Reform in the Permitting Process**
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- **Empowerment of the Nonprofit Sector**
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I. PROPERTY TAX REFORM

Housing costs are too high in Austin and this is due in part to rising property taxes. Since 2005, the median home price in Austin has risen three and a half times faster than median household income.^{25,26,27,28} When property values and other costs of living rise faster than incomes, it forces many long-time residents to sell their homes when they can no longer afford their homestead property taxes. In fact, property taxes in Austin are out of control, and to face this problem squarely, I am proposing a tax reform program centered on two main initiatives: enacting a 20 percent homestead tax exemption, and making changes in Travis County Appraisal District's appraisal process that will result in more accurate and equitable market valuations.

The City's reliance on property taxes, especially on residential property, is excessive and unfair. A good place to start bringing balance and equity to the system is to provide a 20 percent across the board property tax exemption for homesteads. Five of the top ten largest cities in Texas already have a 20 percent general homestead exemption, including Fort Worth, Dallas and Houston.^{29,30,31,32,33} It is time for Austin to have one as well.

Property taxes in Texas are not just excessive, they are also regressive.³⁴ This means that the tax burden for low income families is disproportionately higher than the tax burden for high income families. (The tax burden is measured by dividing a family's tax amount by its total family income.) In fact, the property tax burden on low income families is almost four times greater than the tax burden for the top one percent of families.³⁵ Texas law allows cities to provide tax relief to residential homeowners by exempting up to 20 percent of a homestead's property value. The 20 percent homestead exemption would give immediate relief to roughly 73,000 homes at or below the current median home value (about 180,000 Austinites) while only benefiting 3,500 homes priced at or above \$1 million.^{36,37} Beyond that, since home price rises without regard to income, there are a growing number of people with homes above the median value (about \$196,500) that do not have a corresponding level of income.³⁸

This tool is not perfect. It would be fairer if the exemption was set at a fixed amount rather than a percentage or if any exemption could be capped. But that is not allowed by State law. We should change that State law. But, until we do, we cannot let the perfect be the enemy of the good. We

should provide the relief we are able to give to the greatest number of people in need as possible. Even a percentage cut in property taxes is progressive, in that any uniform cut to a regressive tax is a progressive move. We should join Travis County and the cities of Houston, Dallas, and Fort Worth in offering our citizens a 20 percent homestead exemption from property taxes. We need to make the property tax system fairer, by making sure that all classes of properties are appropriately valued, and removing the structural problems that prevent the system from being fairly applied to all.

Appraisal districts like the Travis County Appraisal District (TCAD) historically have been challenged in gathering accurate and appropriate data in order to make full market property valuations. This is partly because property values in this market are a rapidly moving target. Another contributing factor is the absence of a sales price disclosure requirement that would make market data more available. But, even without disclosure, appraisers can accurately determine the value of property if they have the resources to do the necessary research and analysis.

State law requires that property tax assessments be based on fair market value. However, there is a growing concern in our community that commercial property is being appraised at below market value and that some if not many buildings are appraised for much less than they would sell for on the open market. For example, in Travis County, there are at least some commercial properties that even the appraisal district admits have been undervalued by several million dollars.³⁹ What this could mean is substantial revenue loss to the City of Austin. If commercial property is valued at, say, 90 percent of market value, that missing ten percent of assessed tax base translates into over \$50 million in lost tax revenues – revenues that could have gone towards any number of priorities, such as a homestead exemption, flood plain hazard relief, affordable housing, parks, or transportation infrastructure.^{40,41} Put another way, any missing commercial tax base shifts the tax burden to other classes of property, primarily residential property.

The appraisal district is further hampered by a lack of resources and some procedural rules that make it even harder to do its job of providing fair and accurate market valuations. Currently, 90 percent of all commercial value in the Travis County is protested annually, notwithstanding the County's reported tendency to undervalue properties.⁴² There are about 94,200 total protests among all properties in 2014. About 500 of these cases will be pursued further in court. Considering that the Travis Central Appraisal District has a budget of just over \$1.3 million allocated directly for court appeals of protests and an appeals staff of six, it is clear that they are under resourced to handle this docket.⁴³ Businesses face little risk in protesting their appraisals. They know that the appraisal district may well be forced to seek settlement rather than go to trial, because the district does not have an adequate budget for outside legal counsel and needed expert witnesses and its in-house staff cannot fully prepare for and pursue every litigated case. Property owners have an inappropriate incentive to protest regardless of where their appraised values stand in relation to true market value.

Magnifying this problem, appraisal district rules state that if a property owner takes his or her challenge to court and wins, the appraisal district is obligated to pay the owner's legal fees. In other words, if the court rules that the appraisal district must decrease its assessment by even a single dollar, it still owes 100 percent of the landowner's legal fees. This is true even if court rules that the correct assessment is also millions of dollars above what the landowner has claimed. In fact, this is the most likely outcome in such trials, where the end result is usually somewhere between the claims of either side and very rarely at one end or the other.

Little wonder, then, that the appraisal district might be reluctant to pursue more equitable and accurate valuations in court for substantial commercial properties. In contrast, accurate market

valuations of most residential properties (not including high-end luxury homes) are more readily determined. Residential property owners typically do not have the same financial means to challenge tax assessments as commercial owners. This is an unequal system where the tax burden is shifted more onto residential properties and it contributes to the challenge of housing affordability.

This broken system also causes what could be significant and acknowledged revenue losses for municipalities and school districts. Ultimately, this creates a situation where a city like Austin must decide whether to cut services that many people depend on or raise tax rates just to pay for those services already provided.⁴⁴ Cumulatively, it a significant force for the skyrocketing housing costs our city is experiencing.

We should be ensuring that our appraisal district properly values properties. We need to provide the appraisal district the necessary resources to do their job right. If that isn't enough, it is within the City's powers to take this matter to court if it believes such action is necessary. This tax assessment problem has been going on for years, but our present City Council is only now gearing up to consider tax appraisals for 2015.⁴⁵ Our elected leaders should have been proactive in addressing this problem long ago.

As Mayor, I will take the following actions to address this unfair property tax system.

Local Level Actions: There are steps we can take at the City level to help reform the property tax system without any the need to seek permission or authority from anyone else or from the State. As Mayor, I will work with the Council to implement the following:

- **Twenty Percent Homestead Exemption.** This will provide nearly \$200 a year in tax savings for the average homeowner. It would make our property tax system more progressive since the tax savings would represent a greater proportion of the incomes of low income families than it would for the incomes of high income families. The \$36 million dollar savings for homeowners could be phased in over four years. When available, all or part could be paid for with budget surpluses, like the one we have currently. Projected growth in the short term future could provide those surpluses. In the next five years alone the City of Austin is projecting a growth of roughly \$200 million in additional annual revenue stemming from growth.⁴⁶ Certainly, the Council could pay for the tax relief out of the budget, where it would compete with other discretionary spending or pet projects. However, it is my position that the homestead tax savings should not be covered by cutting any essential services (like public health or safety) or cutting spending that already serves to address affordability issues, such as programs providing low income assistance. Alternatively, the exemption could be funded with an adjustment in tax rates designed to keep the budget revenue neutral. This would shift the tax liability for the exemption to a tax base modified ever so slightly. Over a four year phase-in period, a landlord's property taxes on the average two bedroom apartment renting for \$1,200 would increase each year by about \$1.50/month. Such a small increase is not likely to be passed on to renters by landlords, who determine rent levels on the basis of much more significant and material market forces, such as supply-demand imbalances, labor costs, maintenance costs and operations costs, and inspection and permitting costs. Even if passed on to renters, that burden is less than the greater relief that would be received by low income families facing residential property tax bills that could cost them their home. Not every tool for affordability is designed to help everyone. We need to have additional tools to address affordability for renters. See below. [*For more detailed information on this proposal, [CLICK HERE.](#)*]

- **Ensure TCAD Has Sufficient Resources:** It is imperative that the Travis County Appraisal District is provided with the sufficient resources to obtain accurate data on properties, conduct appraisals, and defend appraisals against tens of thousands of annual protests. It is important to bolster TCAD's capabilities to defend its assessments against appeals—particularly those of high commercial market values where an appeal without solid footing might be tempting because it could exploit TCAD's staffing deficiencies. I will work with all local taxing authorities to ensure that a needs assessment is conducted and that collectively we provide the needed budgetary resources.
- **Demand All Appraisals to be at 100 Percent of Market Value:** I will also work with other local taxing authorities in the area to demand that all property is assessed fairly and at 100 percent of full market value as prescribed by State law. I will also stand prepared to initiate legal action, if necessary, to ensure this statutory requirement is met in Austin. If ad valorem property values are assessed at fair market value, then the potential increased property tax revenue to Austin could be substantial. But even if handled on a revenue neutral basis the allocation of the tax burden would be fairer than what may be occurring now.

State Level Actions: Some actions to reform the property tax system require State legislative authority. I will work with our legislative delegation to get additional tools for the City for greater affordability.

- **Work with the Big City Mayor's Council:** It is unfair to expect our legislative delegation to make this fight by themselves. I would seek to further strengthen the Big City Mayor's Council to intensify and focus the efforts of this the bi-partisan and potentially powerful political coalition at the State legislature. Working with the legislative delegation and the Big City Mayor's Council, we should push for the following changes to the state law:
- **Eliminate Legal Fee Obligation for Appraisal District:** Our appraisal district is clearly at an unfair disadvantage when property owners can go to court with little to no financial risk for legal costs. While I would not seek to limit anyone's ability to protest, there must be a level playing field with both parties bearing equal risk in going to court. I would propose a solution in which the appraisal district offers a pre-trial settlement to the property owner. If the property owner rejects this settlement, then the case could proceed to court. If the eventual verdict sets the property value higher than the rejected settlement, then the landowner would pay the district's attorneys fees. If the court sets the value lower than the rejected settlement, then the appraisal district would pay the fees. In such a mutual-risk scenario, only those protests with legitimate merit will likely proceed as property owners more carefully assess their costs and benefits. Under this proposal, litigation would not always represent a certain cost to the district, but could also possibly generate revenue to help pay for the district's overall litigation expenses.
- **Provide a Flat Dollar Homestead Exemption:** Texas law at present does not allow cities to adopt a flat dollar homestead exemption and allows only a flat percentage exemption. A flat dollar exemption would be more progressive and fairer. We should continue to press for this tool and, if successful, the City could adopt it to replace the percentage exemption.

II. FAIR UTILITY COSTS

Affordability is about more than property taxes, home prices or rising rental costs. The cost of living also is strongly affected by the size of our utility bills. Utility rates continue to rise due in part to business and operating models that are out of sync with our long term strategic goals regarding renewables, energy efficiency and water conservation.

The drainage fee is part of the utility bills we receive from the City of Austin. It generates roughly \$71.3 million a year.⁴⁷ For all single-family home residents and most residents in multi-family buildings, it is a flat charge of \$9.20 a month, regardless of the amount of impervious cover on the property.⁴⁸ The drainage fees charged by the City of Austin to multi-family residential users is neither equitable nor reasonable compared to the fees charged to non-residential and single family users, a finding recently confirmed by a Travis County District Court.⁴⁹ The attorneys representing the plaintiffs in that case suggest that multi-family households might well be paying fees that are five times higher than what would be considered a fair and legal amount. This matter has been before the City of Austin for at least eight years. We need to reassess the way we set those fees for different classes of properties. We need to make sure that apartment building tenants are not paying more than their fair share of drainage costs.

As Mayor, I will ask our utility agencies to investigate and invest in new technologies that could save millions in long term operating costs. Their operating models must also be revised to reflect the reality that customer-generated sources of energy and water, such as rooftop solar panels and rainwater harvesting, are desired and increasingly common practices. It is not sustainable when utilities must raise rates to compensate for lost revenue because their customers are conserving more and using less power and water. As Mayor, I will seek to direct Austin Energy and the Austin Water Utility to build more diversified portfolios that include increased re-use, conservation, and customer-generated renewable supplies while increasing affordability both now and in the future. We need to work toward a future when we rely less on revenue from the sale of water and energy as the commodities more on distribution and the lease/sale of efficient, renewable, and sustainable distributive equipment.

Our utilities need to embrace and lead the country in the transition to the future. I will ask the City of Austin Innovation Office, Austin Energy and the Austin Water Utility to report with regular state-of-the-art reviews of research and development as well as scalable applications that are proving practicable in other cities around the country. We can take better advantage of the wealth of creative entrepreneurship in Austin's own high technology industries to help us drive down utility bills and increase sustainability. We need forward thinking incorporated into long-range operating and business plans.

At the same time, we need to avoid future high-cost capital expenditures — such as for the recent Council-approved contract that funded the \$2.2 billion Biomass Power Plant that we hardly use but yet pay on every month. Or like the \$1 billion Water Treatment Plant 4 which provides for capacity that is not currently needed and some predict may not be needed for a long time. These are among the wrong decisions by most of the current Council that are now driving up our utility rates.

III. COMPREHENSIVE REFORM IN THE PERMITTING PROCESS

Another important element of Austin's affordability challenge is the method by which we process, review, and approve permits for remodel, renovation and other construction projects. Delays in review and approval hinder homeowners' ability to add a room or upgrade a bathroom in their homes. Given the importance of time sensitive financing in the housing industry, permitting delays can alter the types and availability of housing by fundamentally changing the risk profile, especially for smaller projects that have smaller margins. This dynamic ripples through the housing market and can lead to increases in rents and home purchase prices.⁵⁰

We need to simplify the regulations, permitting requirements and processing time for homeowners and existing small businesses that seek to remodel or expand. Austin's cumbersome permitting process and complicated land use code are culpable not only for our worsening shortage of affordable housing, they frequently cause small business owners to decide against expanding their business. The permit process and code navigation are slow-moving and sometimes contradictory and negotiating both is expensive. Our current system gives a decided advantage to well-financed developers of large scale and luxury projects whose profit margins and economic depth allow them to weather the risks of lost time and the cost of expensive lawyers and consultants. We need a process and a code that allow for quicker and more predictable resolutions and which do not require the special guidance of private "facilitators" along the way. Reform of the permitting process and simplification of the land development code are critical prerequisites to the job of overcoming our affordability crisis.

Cities throughout the country have updated and digitalized their systems several years ago. Computer-based permitting processes are routinely employed by other cities including our neighbors in Cedar Park, Georgetown and San Marcos (where many builders describe the process as being far more advanced and far less painful.)⁵¹ We need to give these tools to our city's planning and review staff so they are better equipped to facilitate and support applications.

The challenges in the permitting and development review process not only affect professional real estate developers but also homeowners who wish to make changes to their homes and small business owners wanting to expand. Whether concerning the building of a large office building, apartment complex or the remodel of a home or business, many in the permitting process have suffered delay and unanticipated costs. So, the permit process often takes too long and costs too much. Part of the challenge of fixing it deals with staff resources and its capacity and "bandwidth." Part of the challenge follows from the complexity and layering of the development code itself, a thirty year old document with numerous amendment and changes over time. We need to insure that city staff has the resources and tools to do their job well.

It is clear that business as usual cannot continue. When a property owner or developer submits plans to the City, it must be processed and reviewed efficiently and in a timely manner. The typical review time in Austin is eight months, which is far longer than national standards. In contrast, the typical wait time in neighboring Round Rock is only four months.^{52,53} In Dallas it is only four weeks.⁵⁴ This problem is not only a significant inconvenience for those who must navigate through the permitting process, but it impacts Austin's cost of living and quality of life.

As Mayor I will seek to reform the development review and permitting process.

Computerization: Our entire system should be paperless. Round Rock, along with most cities around the county, went electronic and their processing and review times are far shorter. The City

actually has started this transition, but we need progress. Some frequent users have found that Austin's interim paperless system actually takes longer than paper filings. All relevant staff should be fully trained, adequate computer and other equipment deployed, and applicants must be given a user-friendly and efficient system. Fees must be accurately calculated early on and payments allowed online using credit cards.

Creation of Expedited Review Team: A key element of the reform initiative will be the creation of a team of highly trained staff representing all relevant review departments to provide an expedited review service. This team would largely serve those repeat customers who are already familiar with the submission process and who will pay a premium for faster service. Given the needs to address the housing supply, multifamily housing could be prioritized. Funding for this team would come directly from the fees charged. Dallas put this kind of a program into place on a \$1,000 per hour charge. Customer satisfaction was so high with the resulting two week review period, the city had to create a second team to meet demand.^{55,56} As this funding would not be taken from the rest of the department's operations, staffing that provides service to smaller developers and homeowners would not be impacted. In fact, it could be partially underwritten.

Improved Customer Service: We need to provide city staff with more resources and better tools so they have the bandwidth and authority to give citizens the same attention, support and positive experience available from the best private market service providers who are dependent on customer satisfaction to be competitive. The Land Development Code rewrite process now underway, CodeNext, must provide us with a code that is predictable and more easily and consistently applied. With increased resources and a new and simplified development code, city staff should be in a better position to be able to help citizens accomplish what they're trying to do. There should be effective incentives for staff to achieve excellent quality and speed of review. Management policies should address ways to recognize their efficiency and dedication, including career advancement opportunities.

IV. ECONOMIC DEVELOPMENT INCENTIVES THAT SERVE OUR VALUES

Making Austin affordable has two parts. As discussed elsewhere in this paper, we need to help lower what it costs to live in our city. But the other part of affordability is to help raise incomes so that more people have more to spend. Addressing affordability in Austin means bringing in and creating more middle class jobs, doing a better job of training existing residents to fill those middle class jobs, making opportunities for wealth creation, and encouraging hundreds of new business startups which create new jobs.

I support using all the tools in our tool box to achieve our economic development goals, including the use of incentives. But we need to change the metric by which we measure economic development success. We should be joining with companies to jointly invest in middle class job creation and in training for our existing residents. We should also be using incentives to encourage businesses to locate or expand where we have supporting infrastructure. In the long-term, this will help create conditions that encourage a dense urban area along with other scaled activity centers that provide people and businesses with options to live and work in locations other than downtown. (This would help with our traffic and affordability challenges, as people could choose to drive shorter distances to and from new residential areas that would be as desirable and less expensive than downtown.) The Capital Area Metropolitan Planning Organization's 2035 Plan and the Imagine Austin Comprehensive Plan both state clearly that such centers are crucial for our long term congestion relief and sustainability.^{57,58,59} Economic development incentives could encourage commercial development

and commercial activities in satellite urban centers and the kinds of development in those areas that serve Austin values and community needs. Such land planning ties to economic development activities should contribute to providing Austin with more desirable choices about where many of us live.

Incorporating these land use or locational incentives should result in a greater supply of housing proximate to where people will work and play. It would give people a real opportunity to avoid downtown traffic and escalating housing costs. We should also be using incentives to seek a return on our values, not just a return on investment. We should be judicious about our use of such incentives and avoid incentives or subsidies for companies that would otherwise come to Austin or which do not further our values. But effectively used, incentives could help drive desired economic development in our city that would help us sustain, protect, enhance, and grow our middle class.

We need middle class jobs, jobs for existing local residents, and businesses locating in environmentally sustainable ways in areas of preferred growth. These are jobs that require more than a high-school education but less than a four-year degree, including those in construction, light manufacturing, health care, technology, etc. Other states have implemented programs to stimulate the creation of such jobs. Supporting the expansion of already existing small businesses, attracting middle class jobs, and training our local labor force to fill them must be a priority for Austin. This is particularly important in our city where 60 percent of the people employed in the greater Austin area do not earn enough to live without experiencing economic hardship.^{60,61}

As Mayor I will seek to change the metric by which we measure success in economic development success by focusing on a return on our values and not just a return on investment:

Focus on middle class jobs and training and on business location: We need to focus on metrics for incentives other than how many high-paying jobs are created and amount of capital investment being brought to Austin. We should focus incentives on creating, bringing in or supporting middle-class job growth, especially in satellite urban areas. We need to focus on small and locally-owned businesses that have already invested in Austin but could add employees (albeit in smaller numbers) if it would not otherwise occur. As Mayor, I will advocate for an incentive policy with the following goals in mind: (1) ensure that employers who create living wage jobs for existing residents are the ones rewarded – including both existing and new businesses. Exceptions might be necessary for programs that are especially important to those who find it most difficult to find jobs (such as those with criminal records that need to re-establish a constructive work history); (2) support desired locations for jobs as a significant factor; (3) index our living wage to inflation so it keeps pace with rising cost of living in Austin; and (4) to the extent that incentives are granted based on an agreed set of expectations (e.g., a certain level of ad valorem tax revenue coming to the City), the incentives actually delivered should be adjusted to the degree these expectations are actually met.

Bonus Subsidies for Hiring Existing Austin Residents: Hiring locally benefits existing residents in many ways and should be reflected in any incentive agreements with companies. Bonus subsidies should be made available for hiring existing residents. A good example would be incentives for hiring under a cooperative agreement in which job training is included. For those positions that require specialized training, the City of Austin, Austin Community College, Workforce Solutions Capital Area, organizations such as Capital Idea and the subsidy recipient could partner together to ensure that local workers receive the transition training they need to hold positions where on-the-job training will

be provided. Not only will the companies hire employees they can specially train for the specific jobs, but local Austin residents will gain life-long skills and jobs befitting their qualifications.

Locally Owned Business Support: We should at every turn be encouraging and supporting local products and services which keep most of our dollars here, locally.

V. EMPOWERMENT OF THE NONPROFIT SECTOR

The nonprofit sector is a cornerstone of Austin and its economy. Austin has many nonprofits working on some of our city's biggest challenges. Many of our nonprofits are models of private sector efficiency and independence, while simultaneously tackling the toughest issues pertaining to poverty and affordability. The City of Austin must take a more coordinated approach to working with and supporting the needs of the region's booming nonprofit sector. The City should reach out to offer technical assistance in improving the efficient delivery of services to their clientele and integrating their capabilities with those of public agencies and other nonprofit organizations. This outreach might take the form of a case management-based system designed to assist all agencies in finding everyone who needs their help and all those needing help in finding the available services they could use. Other large cities have succeeded in this area through the creation of strategic partnership offices at the City and County level to maximize best practices between local government and the nonprofit sector.⁶² Austin is stronger if its nonprofits are stronger, too.

In order to ensure we are making the best use of nonprofits, I will encourage the City to directly liaise with the nonprofit sector in order to achieve these objectives:

- Work to lower barriers for nonprofits in working with City and other governmental entities.
- Investigate the feasibility of working with nonprofits to integrate their services in a case-management based system that helps people more holistically by bringing together all agencies to identify more of those in need and providing those needing help with greater access to services that are best suited to their individual circumstances. Emphasize best practices approaches to ensure efficiency and collective impact based on proven results.
- Promote partnerships and support grant/contracting applications that would increase state and federal investments in Austin.
- Develop policies to promote growth of social enterprise organizations and micro-credit funds to help nonprofits or their constituents open businesses.
- Promote volunteerism and service learning opportunities that have measurable social and economic impact in the community.
- Help nonprofits identify their programs that are susceptible to objective evaluation and then to help facilitate third-party evaluations as a tool for identifying and documenting their best practices. These evaluations will be very useful in seeking additional foundation and philanthropic funding for their work.

VI. INCREASED WORKFORCE TRAINING IN MIDDLE CLASS JOBS

The need for creation of middle-skills jobs was discussed in a previous section in connection with incentives provided to employers. To achieve this goal, we need greater focus on and support for creation of training programs for Austin residents to enable them to move into manufacturing, construction and other trades as well as other middle skills jobs such health care technicians. Better paying jobs will also help our residents to keep up with the rising cost of living.

When we think about manufacturing, we often picture images of massive factories or warehouse floors with hundreds of employees working on machines, welding metals, or assembling products of different shapes and sizes. Austin's high land value relative to the rest of the state may make this type of business growth more challenging and sometimes there might not be a fit due to environmental implications and our Austin values. We have seen manufacturing jobs decline year after year. We have gone from roughly 76,000 such manufacturing jobs during the dot-com era of 2001 to roughly 52,000 for the Greater Austin area today.^{63,64,65} But, there are other paths forward for Austin.

For those manufacturing jobs that have survived the Great Recession, 53 percent are classified as high-tech and 49 percent are in computers and electronics.⁶⁶ Austin is now a leader in semiconductor and electronics design where many of the top firms, such as Advanced Micro Devices, Apple, Dell, Oracle, Flextronics and Samsung, have become major employers for the Greater Austin region.⁶⁷ However, according to many locally-based manufacturing companies, due to the high level of skill required for these jobs they often find it very difficult to find local residents to fill the positions. This means more people must be recruited from throughout the country. Austin would be better off if we were to train some of the thousands of local low-wage workers to advance their careers.⁶⁸

Another industry that has experienced a shortage is skilled construction and building development trades, such as framers, electricians and operating engineers. During the economic downturn of 2008-2009, construction slowed to a crawl and many developers had to cancel or place long-term holds on projects. As work dried up for these skilled workers, many left the city in search of work while others retrained to find steadier employment prospects. Now, Austin's economy is booming and people are moving here in droves. Construction has recovered but, largely due to a shortage of locally-based skilled labor, the available construction workforce is not keeping pace with the large demand for new housing.

As Mayor, I will call for greater focus on workforce training programs. To this end, I will convene a coalition of local Chambers of Commerce, Austin Community College and other workforce empowerment organizations together with employers and local, county and state governments to advance our City's workforce training capabilities for middle-skills jobs.

Convene a Critical Mass for Workforce Training. I would urgently seek to bring together various community partners, including but not limited to: the Austin Community College, Austin Chamber, Hispanic Chamber, Black Chamber, Asian American Chamber, Women's Chamber of Commerce of Texas, Austin Regional Manufacturers Association, Workforce Solutions Capital Area, and the University of Texas. In conjunction with these partners, I will invite the region's employers in high-tech manufacturing, construction and other industries that seek a skilled workforce that may not necessarily require college degrees. We must partner not only with our principal trade school, Austin Community College, but we must also bring in AISD and the other regional school districts to participate in this initiative. We want to help ensure that students not only receive the training that is in greatest demand, but that there are employers offering placements for both full-time employment as well as apprenticeship programs where they can gain marketable skills in high-skill areas as they complete their training. Austin already has a great many of these organizations providing such programs, and some are already working together. My objective is to include all the key stakeholders in order to ensure that collaborative workforce training creates a self-sustaining ecosystem in which the supply of skilled middle-class workers is in equilibrium with the top employers' requirements. A lot of people have successfully graduated from existing successful programs. Now we want to be sure there are a whole lot more.

VII. GROWTH THAT PAYS FOR ITSELF

Growth should pay for itself to the fullest extent possible and our community should realize a “Growth Dividend” that can be shared by all. We must consider using available tools such as the State-authorized transportation impact fee and Public Improvement Districts (PIDs) so the City can maximize its opportunities to invest jointly with the private sector to deliver capital improvements that might otherwise not be achievable.

The City of Austin currently provides for the collection of impact fees, such as the water and wastewater impact fee.⁶⁹ However, Austin does not fully utilize the available transportation impact fees created by the State Legislature in 1987. Other Texas cities, including Fort Worth, have adopted this financing and revenue tool.⁷⁰ The City of Austin is growing faster than other Texas cities and increasingly needs such a tool to ensure that new or expanding developments requiring greater infrastructure have a way to participate in the cost of that infrastructure.

The transportation impact fee could also be used as a tool to encourage development in a manner consistent with city’s vision. These fees can help in our endeavor to increase our housing supply, particularly in dense, compact and connected centers. Fort Worth has provided discounts to their fee in cases where a project reduces trip generation, or located in the vicinity of public transportation facilities, or results in large capital investment and quality job creation in close proximity to homes.⁷¹ A city growing as fast as we are must find ways to encourage growth to pay for itself.

Another opportunity available under State law is the creation of Public Improvement Districts (PIDs), which allow the City to effectively joint venture with the private market to fund capital improvements that benefit both parties. This is a State-authorized vehicle enabling developments that will especially benefit from a public improvement to bring such an improvement on line earlier than might otherwise happen by participating in the financing of the project. Such a partnership could include joint planning and commitments to agreed-upon goals.

VIII. REINSTATEMENT OF FREE CAPITAL METRO FARES FOR SENIORS AND THE DISABLED

The State Sunset Commission was asked to review Capital Metro back in 2009 because its financial situation was bleak. One of the reasons Capital Metro’s financial condition was in such bad shape, as addressed by the Commission’s recommendations, was the spending of almost all the agency’s reserves (for various items including the Red Line rail, the biggest ticket item). The Commission recommended the agency cut expenses, stop the 22-year Austin tradition of free fares on fixed bus lines for seniors and the disabled, and build back reserves to about \$27 million.

The Commission specifically noted that Capital Metro could reinstate the special accommodation for seniors and the disabled once the reserves were built back to that required two month operating reserve. Capital Metro reserves are now over \$100 million and in FY 2015 the agency is anticipating a \$21 million surplus.⁷² This free bus service could help more than 12,000 Austinites. The Austin American Statesman had reported that agency officials estimated that Capital Metro was collecting around \$1.8 million annually from bus fares from seniors and the disabled.⁷³ The historic accommodation could and should come back.

I understand the need for solvency and for increasing the percentage of costs covered by fares. But ridership today is down from where it was in 2006 and 2008 and the public wants to see a greater

critical mass on board. Even seniors and the disabled will not really be getting a "free" ride because they pay for their rides with their sales tax (fares only cover 10% of the cost).⁷⁴ Capital Metro gets the same sales tax revenue from City of Austin taxpayers as does the entire City government itself (one full penny of sales tax revenue for each). Capital Metro also gets additional sales tax revenue because it covers a greater service area. In a time of critical affordability issues, and given the slight impact on revenues and reserves this move would have, I think this is something we can afford to do for some of the most challenged of our fellow Austinites. The government can be lean without being mean.

IX. IMPROVED BUDGET ACCOUNTABILITY AND TAXATION TRANSPARENCY

I believe that there should be greater accountability in our budget and truth in taxation. Voters should have far greater ability to understand where their tax dollars are going. We should require a policy that provides full disclosure on the current budget surplus at regular intervals so that it is available to reduce the overall budget, or be applied to tax relief, or be assigned to another priority. I support transparency and will advocate for the following to improve our budgetary process:

- Politicians should be honest when they talk to taxpayers about "not raising taxes" without mentioning what they do with the tax rates. City Council members may tell residents that they have dropped the tax rate, while overall taxes have gone up because of increased property values. The City Council should tell residents about this, too, and be careful to talk about the effective tax rate, which combines the established percentage rate with current valuation of the overall tax base. We need expanded use and distribution of a Taxpayer Impact Statement that would specify the amount of revenue needed to generate a zero increase in the effective tax rate, the amount of revenue required to fund the proposed or adopted budget, and the true percentage of a property tax increase above the effective rate that would be required to fund the budget. A Taxpayer Impact Statement will help our government be more transparent when reporting whether and how much taxes and tax rates are being raised or lowered. In a city that is experiencing rapid growth and concerns over the future of affordability continue to mount, it is imperative that taxpayers are given the full story.⁷⁵
- Staff vacancies that are funded in the budget should be limited to no more than five percent of staffing. Funding for these vacancies should be held in a centralized provisional account.
- Conduct a comprehensive audit to look for inefficiencies in City operations with benchmark comparisons to other cities.
- Conduct a review of all City holdings to see if any could or should be sold. Consider using the potential revenue to pay other one-time expenses that might be incurred.
- Identify ways to consolidate more City, County and school district services and joint use of facilities. Greater use of schools as facilities for City administered social services ("wraparound services") for the entire families of students would help to make schools better community centers.
- There should be transparency of all fee waivers granted by the City, including the public posting of summarized dollar amounts as part of the City Council agenda notices. There should be a specific justification or rationale for all fee waivers that would include the tradeoffs or benefits to be received by the City.
- We must have a more formally established protocol in place to govern our budgetary decision-making concerning the spending of budget surpluses.

CONCLUSIONS

While the current City Council has governed over the past eight years, our affordability problems have gone from bad to worse. Austin used to be a very affordable city and now we are one of the most expensive. When Austin voted for the new 10-1 system, this city declared that it was time for a change. That change comes now.

It is imperative that we decide what kind of future we want as a community and how we will overcome the affordability challenges that might prevent us from getting there. As the next Mayor, I will work to change the path we're on so that our challenges to affordability do not grow to be like those of New York or San Francisco, where median home prices are in the area of one million dollars and the average two-bedroom apartment rents for around \$4,000 a month.^{76,77,78} It may seem hard to imagine now, but with our growth, housing shortage, and increasing land values, we are well on our way. We need action now. We need a new way of thinking and a new style of governing where we tackle the big issues with policies and programs like those I have presented above.

We cannot continue making numerous small decisions that detrimentally impact affordability without being aware of their cumulative impact. We must look at everything we do with an initial filter evaluating impacts on the cost to live in Austin. We need to affirmatively provide relief for those who live here and are in need. We need big ideas with bold leadership. The proposals in this paper address some of the concerns affecting our city's affordability. However, they are just the start and together we will find the path to making Austin affordable once again.

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