

City Council and Workforce Housing Advisory Committee Workshop

July 25, 2022



What do we hope to accomplish?

- What's the problem?
- Why it matters
- Why the housing problem exists
- The extent of the issue in New Braunfels
- Discuss what steps the community can take to address the problem

Terms to Know

- AMI: Area Median Income
 - \$74,100 for a 4-person household in SA-NB MSA
 - Approximately +/- 50% (~16,000) of NB households earn less than this amount
- Workforce Housing: Housing that does not exceed 30% of a household's income
- Cost-burdened: spending more than 30% of household income on housing

History

- 2018: Workforce Housing Study
- Late 2019: Workforce Housing Advisory Committee appointed by City Council
- Summer 2020-Spring 2022: Education and recommendation development

The Problem

- In New Braunfels, a typical household needs to earn at least \$75,000 annually to not be housing cost burdened
- New Braunfels has an immediate demand for **7,300*** housing units for households earning up to \$50,000 that **live here today**

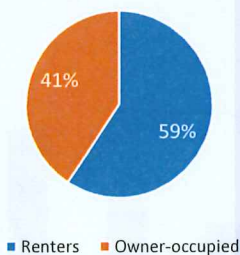
*1 out of every 4 households, out of 31,000 total households

- Projections show affordability issues expanding to 100% AMI and beyond within 5 years
- Significant economic development implications if not addressed

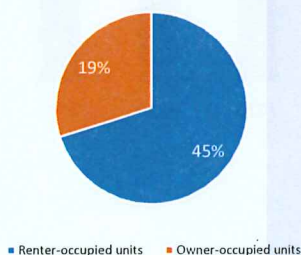
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~8,800 New Braunfels households (29%) are cost-burdened

Composition of Cost Burdened Households



Percent of All Households Cost Burdened

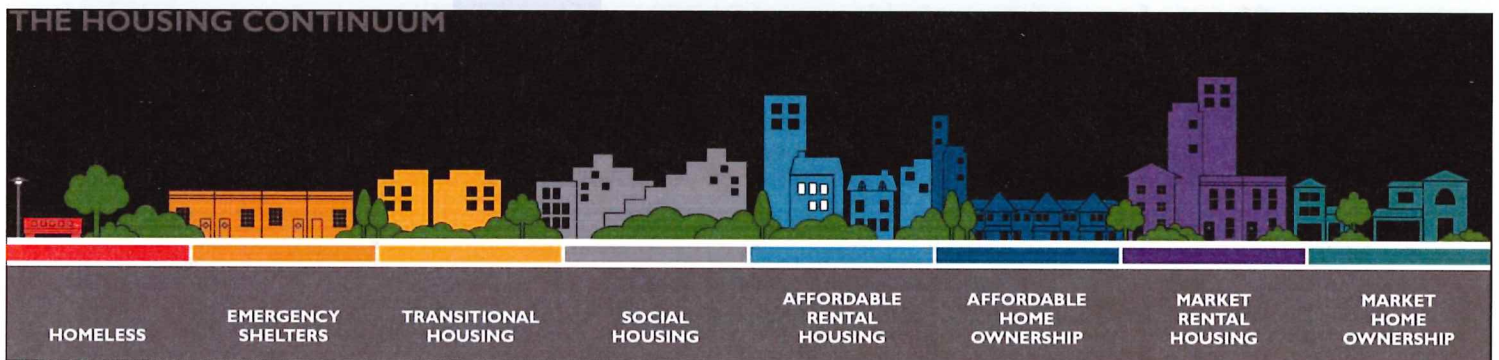


Housing Cost Burdened Households by Income - 2020



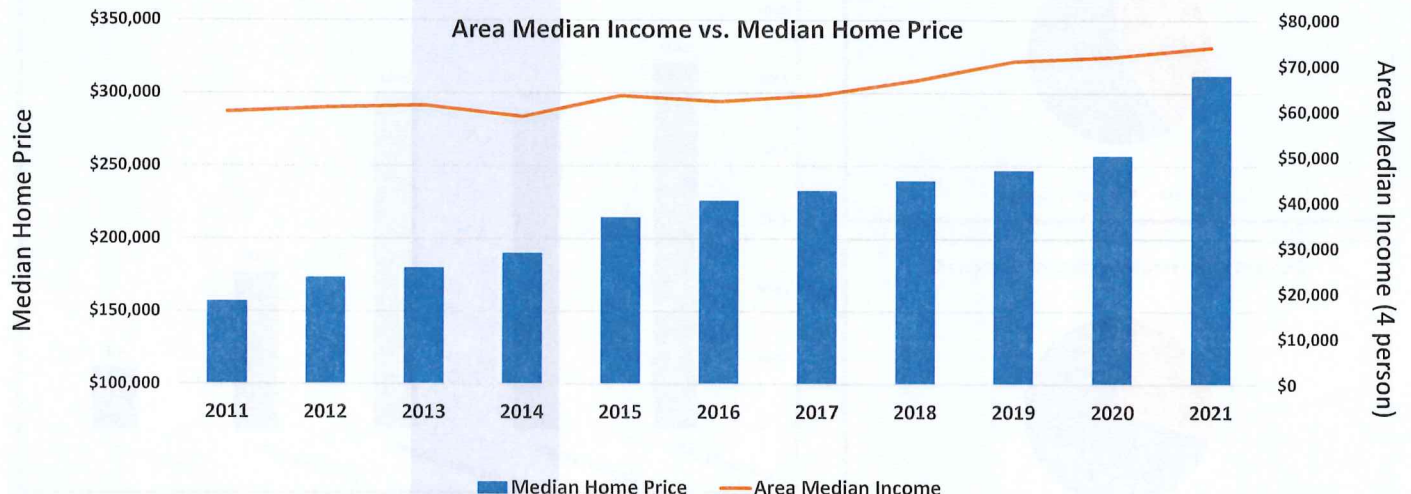
Why Housing Matters Locally

- Supports Our Citizens
 - Contributes to the well-being of parents and children and increases economic mobility and opportunity
- Improves our Neighborhoods
 - Promoting stability and diversity, assuring the quality of the built environment and neighborhood character and reinforcing efficient transportation and land use policies
- Strengthens our Economy
 - Enhances competitiveness, assures employers access to workers for a variety of jobs, connects businesses with a stable customer base, allows citizens flexibility to spend less of their income on housing

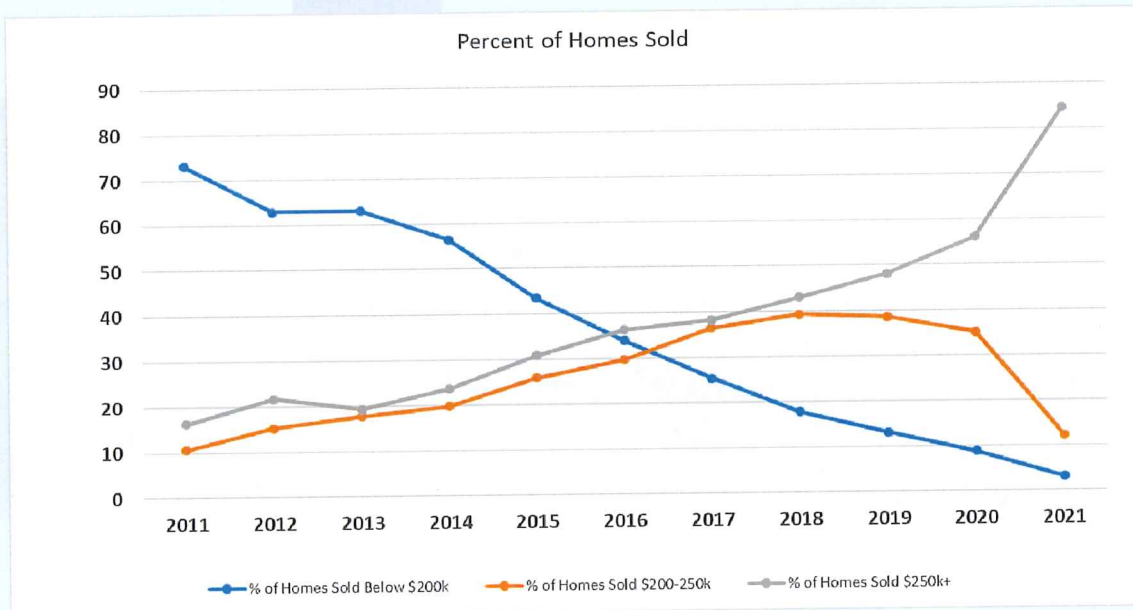


The Housing Market: For-Sale Home Data

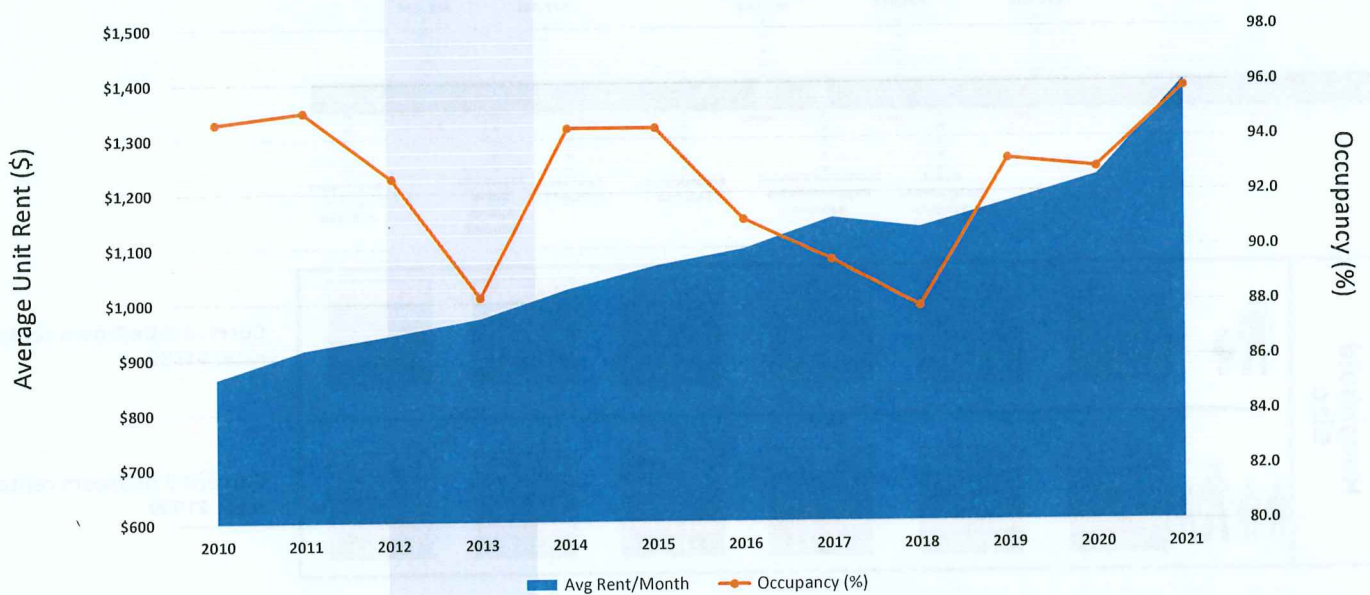
- Trends in for-sale home prices and local wages show that the ability for median-income families to own a home in New Braunfels is steadily decreasing.



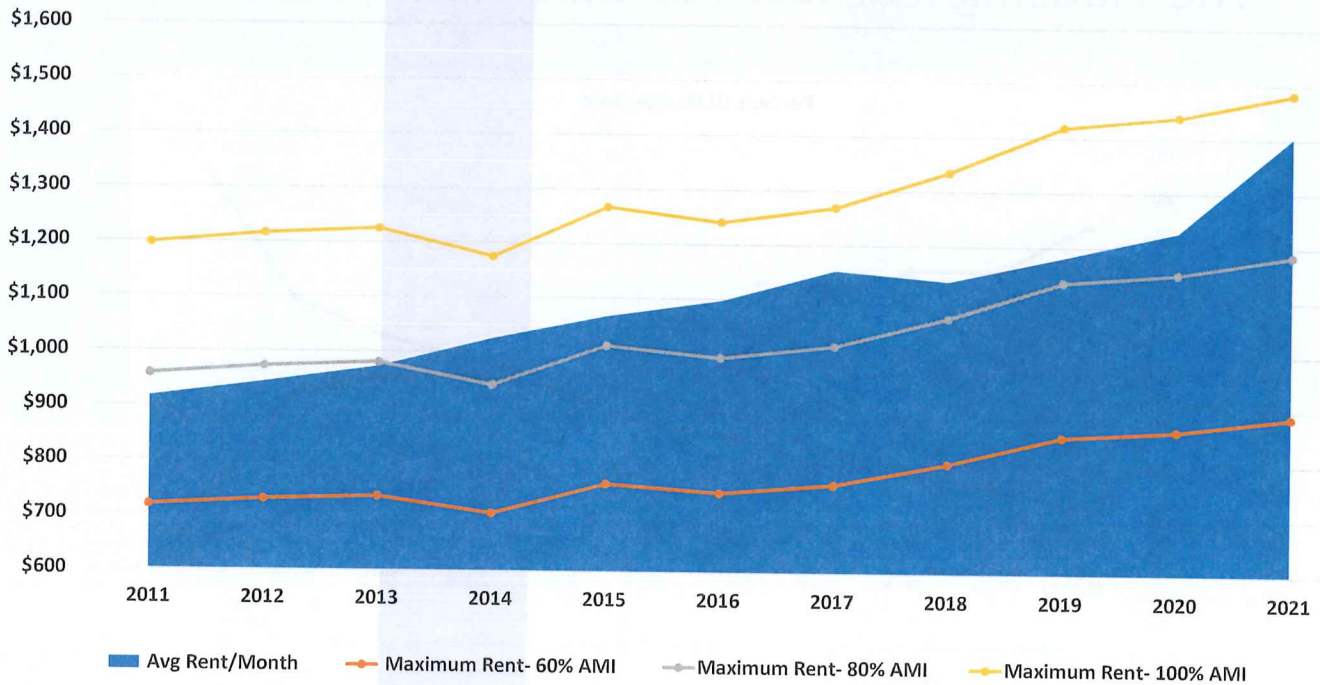
The Housing Market: For-Sale Home Data- 2021



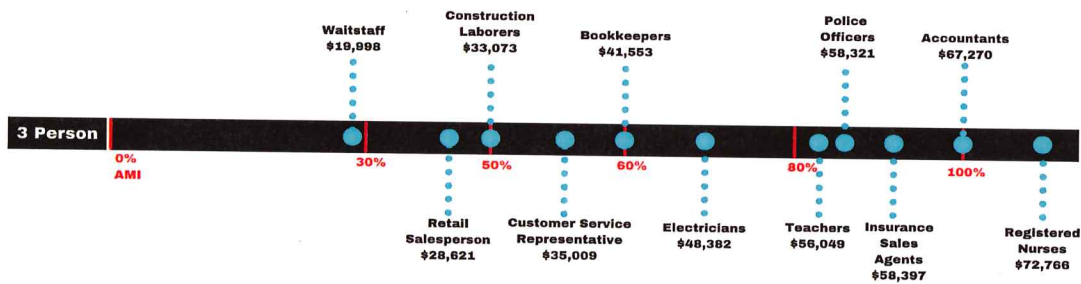
Historical Average Multifamily Rents and Occupancy



Estimated Average Rents (2 bedroom) & Estimated Affordable Rent by AMI %



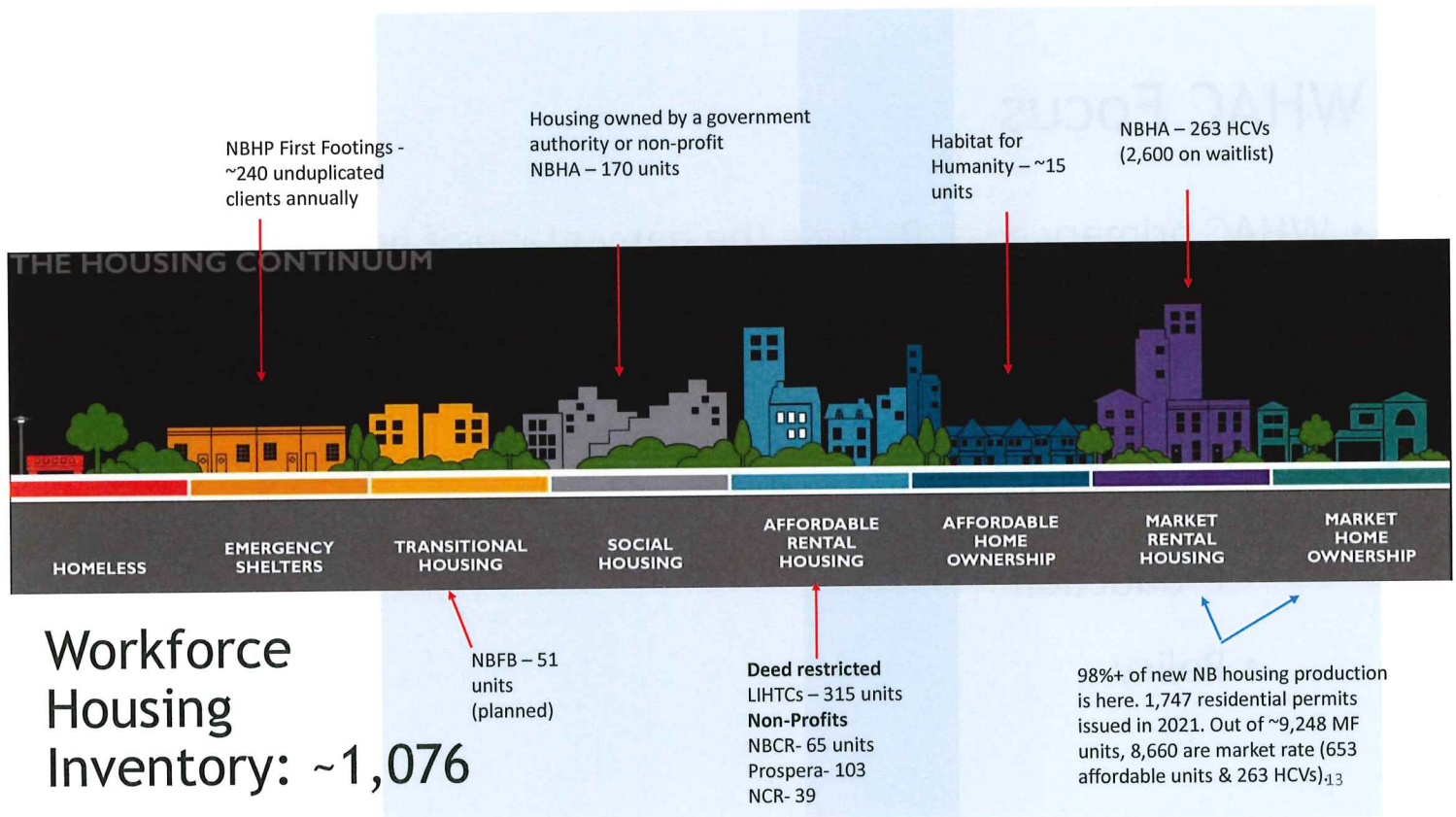
Rental Affordability



Household Size	3 Person					
	30% AMI	50% AMI	60% AMI	80% AMI	100% AMI	120% AMI
	Income \$17,790 Max. Rent \$448	Income \$29,650 Max. Rent \$741	Income \$35,580 Max. Rent \$890	Income \$47,440 Max. Rent \$1,186	Income \$59,300 Max. Rent \$1,483	Income \$71,160 Max. Rent \$1,779
	Income \$22,230 Max. Rent \$556	Income \$37,050 Max. Rent \$926	Income \$44,460 Max. Rent \$1,111	Income \$59,280 Max. Rent \$1,485	Income \$74,100 Max. Rent \$1,852	Income \$88,920 Max. Rent \$2,223

Current 2-bedroom rental rate: \$1539

Current 3-bedroom rental rate: \$1999



Affordable Housing Does Not Pencil

- The private sector generally cannot provide affordable, decent, safe, and sanitary housing for the low/moderate income without public assistance
- Low/Moderate income housing provides marginal ROI
 - Rents lower, vacancy/collection losses higher, debt harder to get, little appreciation
- Developers rely on loans and equity sources
 - Can only get those sources if they can demonstrate they will produce enough revenue to repay loans and pay returns to investors
- The gap between what a housing development is expected to produce (rents or sale income) stops affordable housing development before it even begins

WHAC Focus

- WHAC primary goal: Reduce the percentage of housing cost-burdened families in New Braunfels with the following strategies:
 - Preservation
 - Production
 - Policy

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Recommendations and Considerations

- Affordable rental housing and homeownership are important goals
- Cost of promoting new homeownership climbs exponentially once household falls below 80% AMI
 - More efficient to rehabilitate and keep working families in existing homes (preservation)
- More local non-profit, public and private ownership of workforce housing solutions keeps dollars local
- Rentals fulfill the needs of many families and are often the most financially realistic option
 - Affordable rental housing is a stepping stone to accumulate savings and prepare for homeownership
 - Rental housing development and preservation are more efficient
- Allocation of state and federal funding is very competitive

Recommended Three Year Timeline

- **Year 1**

- Establish and capitalize a dedicated Housing Trust Fund (HTF) and Housing Finance Corporation (HFC)
 - Public capital to be combined with private investment for housing production and finance
 - Establish a local HFC under TX LGC Chapter 394
 - Public, non-profit corporation to finance the cost of residential ownership and development
 - Estimated budget of \$50,000
 - Capitalize HTF with seed capital (amount TBD)
- Support and grow non-profit housing providers
- Align City and Utility Fee Waiver policies to provide deeper subsidy to workforce housing projects
- Circulate Notice of Funding Availability for proposals to preserve existing properties with affordable set-asides and development of new rental or ownership units
- Establish program administration structure

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Committee Recommended

- **Year 2**

- Partner with existing public entities (City, NBU, ISDs, NBHA) to identify land for pilot projects
- Expand and fund homebuyer assistance and down payment assistance programs
- Adjust NOFA based on first solicitation and reissue
- **Policy Adoption**
 - Utilize non-financial (regulatory) and financial (TIRZ, Type B and PFC) incentives in exchange for the provision of affordable units
 - In rapidly appreciating areas- or areas that will likely see appreciation- provide blanket incentives to ensure existing homeowners can absorb rising values
 - In developments where public funds are being utilized, require affordable unit set-asides

- **Year 3**

- Evaluate progress and reassess

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Committee Recommended by Category

- **Regulatory**
 - Adopt recommended changes from Land Development Ordinance to diversify and expand allowed housing types:
 - Accessory Dwelling Units
 - Parking minimum reductions
 - Reclassification of building types and greater support for duplexes, townhomes and three- and four-unit buildings
 - Reclassify multifamily to be buildings with 5 or more units
 - Support other emerging housing types
 - Other incentives include density bonuses, parking minimum reductions and processes to streamlined permitting

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Funding Opportunities

- HFC creates revenue opportunities to finance broader housing solutions
 - Access private activity bond cap, receive development/ownership fees, and leverage sales and property tax exemptions
- Community Development Block Program
- American Rescue Plan Allocation allows for affordable housing development
- Economic Development Corporation is statutorily authorized to finance affordable housing
- HUD (via State of Texas for San Antonio Urban Region)
 - **Total funding available in region (February 2022): \$321,188**
 - Homebuyer Assistance with New Construction
 - **Total funding available in region (February 2022): \$26,831**
 - Tenant-Based Rental Assistance (TBRA)
 - **Total funding available in region (February 2022): \$187,294**
 - Multifamily Housing Development
 - **\$774,024**

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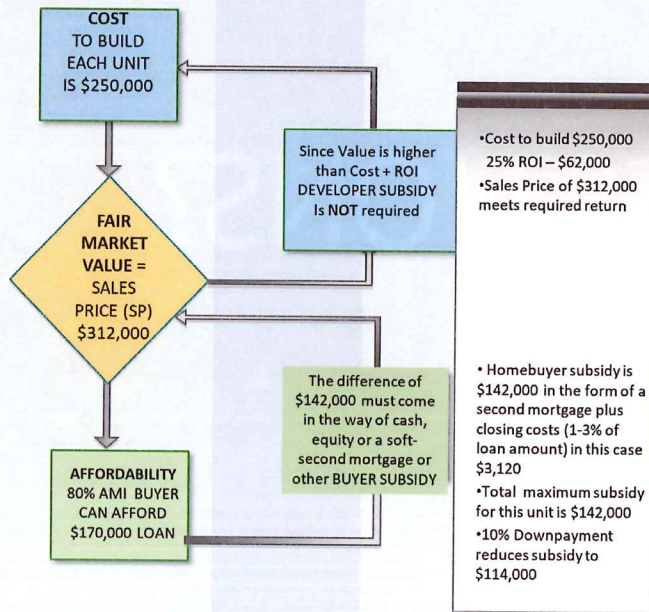
QUESTIONS?



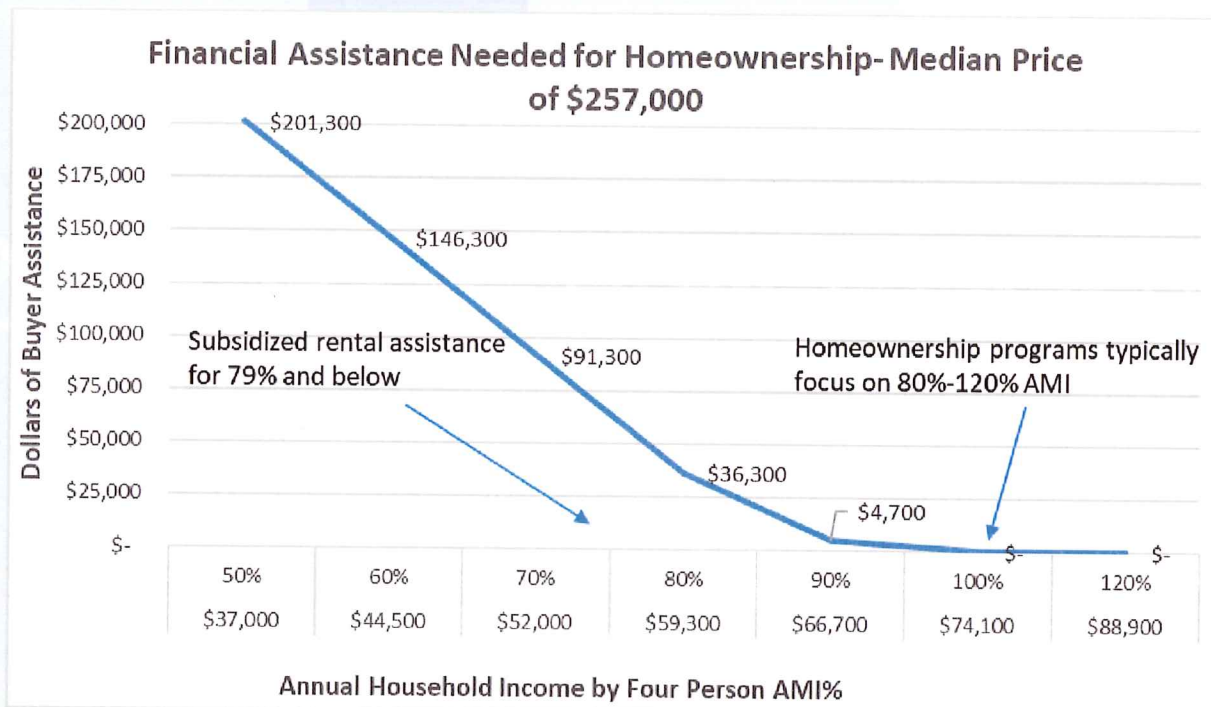
ADDITIONAL EXHIBITS



For-Sale Housing



- For-sale housing meets the same challenges to provide housing at cost + profit
- Builders are profit maximizers
- Homeownership programs typically focus on 80%-120% AMI households
- Amount of assistance needed for homebuyers increases or decreases exponentially as one moves up or down the income spectrum
- 100% AMI household would need \$35,000 homebuyer subsidy
- 60% AMI household would need \$215,000 of assistance



Rental Housing Pro Forma Income and Expense Statement

Cash In

Gross Rent

Other Income

- Vacancy Factor

= Effective Gross Rents

Cash Out

- Operating Expenses

For Taxes, Maintenance,

Insurance, Utilities, Mgmt. Fee

= **Net Operating Income**

- Debt Service

= Cash Flow

No. Units	Total	45% Low-income	55% Mkt
1BR	36	17	19
2BR	88	41	47
3BR	16	5	11
	140	63	77
Rents			
		Low-income	Mkt
1BR		\$688	\$1,320
2BR		\$826	\$1,620
3BR		\$954	\$2,170
Income			
		All Market	Mixed Income
Low-Income Rent		0	603,984
Mkt Rent		2,697,600	1,501,080
		2,697,600	2,105,064
Vacancy		-134,880	-105,253
Effective Gross Income		2,562,720	1,999,811
Expenses (taxes, maintenance, reserves, insurance, management, etc)		-532,000	-532,000
NOI		2,030,720	1,467,811
÷ DCR		1.2	1.2
Max debt service		1,692,267	1,223,176
Cash Flow		338,453	244,635
Max Loan		24,072,072	20,420,295
Investor Equity		3,367,928	2,446,350
Total funds		27,440,000	22,866,645
Total Development Cost		\$27,440,000	\$27,440,000
GAP		\$0	(\$4,573,355)
10% Cash on Cash Return in both instances			

How Workforce Housing Doesn't Pencil

Less rents for project
with low-income units

Same basic costs to
operate property

Used to repay loans

Used for repayment
to investors

Note difference in loan sizes
(\$3.6M more for market)

More cash flow = more available to repay
investors = higher equity levels

\$4.5M shortfall- affordable
housing doesn't pencil

Regional Multifamily Development Costs

County	Units	TDC	Cost/Unit	Construction Co	Land/unit	Off-site/site	Construction/unit	Contingency	Dev. Fee/Unit
Bexar	64	\$ 18,271,267	\$ 285,489	\$ 4,688,320	\$ 50,000	\$ 32,799	\$ 73,255	\$ 7,423	\$ 27,731
Bexar	64	\$ 18,016,227	\$ 281,504	\$ 4,678,720	\$ 47,644	\$ 33,448	\$ 73,105	\$ 7,459	\$ 26,745
Bexar	74	\$ 19,392,114	\$ 262,056	\$ 5,823,430	\$ 51,284	\$ 36,806	\$ 78,695	\$ 6,775	\$ 23,622
McLennan	82	\$ 19,551,506	\$ 238,433	\$ 7,291,686	\$ 28,366	\$ 24,100	\$ 88,923	\$ 7,912	\$ 25,774
Bexar	239	\$ 40,497,523	\$ 169,446	\$ 21,524,818	\$ 6,381	\$ 23,268	\$ 90,062	\$ -	\$ 9,104
Bexar	212	\$ 38,947,153	\$ 183,713	\$ 19,004,316	\$ 6,604	\$ 19,227	\$ 89,643	\$ 7,621	\$ 20,825
Bexar	312	\$ 72,239,225	\$ 231,536	\$ 29,965,416	\$ 17,181	\$ 29,167	\$ 96,043	\$ 6,260	\$ 25,899
Bexar	234	\$ 51,812,057	\$ 221,419	\$ 16,465,410	\$ 42,949	\$ 16,715	\$ 70,365	\$ 8,708	\$ 23,973
	160	34,840,884	234,199	13,680,265	31,301	26,941	82,511	6,520	22,959

Source: TDHCA underwriting reports for LIHTC allocations

HOME BUYER MORTGAGE ANALYSIS

Project: 80% AMI Buyer
Buyer: 80% AMI

Key

White spaces indicate data entry

House Information

Purchase Price \$257,000
Appraised Value \$257,000

Bank Requirements

Bank Ratio Front End 29%
Back End 40%
Annual Interest Rate 4.00%
Loan Term (Years) 30
Constant Annual Percent 0.0573
Loan to Value 90%
Closing Costs \$2,570

Family Information

Annual Income \$59,280 \$4,940.00 Monthly Income
Annual Taxes \$4,587 \$382.29 Monthly Taxes
Annual Insurance \$1,200 \$100.00 Monthly Insurance
Total Credit Card Debt \$0

Debt Capacity

Monthly Income x Front Ratio \$1,432.60
- Taxes \$382.29
- Insurance \$100.00
- Other Monthly Housing Cost \$100.00
= Max. Monthly Debt Service-Front \$850.31

Debt Service for Loan Using LVR \$1,104.26
+ Monthly Taxes \$382.29
+ Monthly Insurance \$100.00
= Monthly Mortgage Payment \$1,586.55

Monthly Income x Back Ratio \$1,976.00
- Taxes \$382.29
- Insurance \$100.00
- Other Monthly Housing Cost \$100.00
- Loan Payments \$500.00
- Credit Card Payments \$-
- Other Monthly Obligation \$-
= Max. Monthly Debt Service-Back \$893.71

<--- all recurring debt obligations do NOT exceed \$500 for the purposes of calculating mortgage (cars, student loans, credit cards, etc.)

Maximum Monthly Debt Service \$850.31
Maximum Loan Using Front/Back \$178,108
Maximum Loan Using LVR \$231,300
Maximum Loan \$178,108

Permanent Mortgage

Purchase Price \$257,000
Loan Amount \$178,108
Equity Needed \$78,892
Closing Costs \$2,570
Cash Available from Buyer \$25,700 <----- 10% down

Home Buyer Subsidy

\$55,762 <----- additional assistance needed to get household into housing unit

