



Waco Strategic Housing Plan

Final Presentation
to City Council
January 10, 2022





Agenda

- Purpose of the Plan
- What drives housing affordability in Waco?
- How well does Waco's housing market meet demand?
- Waco's Housing Market Types
- Recommendations



PURPOSE

Recommend policies and strategies based on Waco's housing market types that:

- Address displacement in gentrifying neighborhoods
- Focus on equity and inclusion
- Focus on preservation of existing affordable housing stock
- Identify resources (financial, land, structures) that could be used to expand affordable housing
- Address infill development needs
- Identify State and local legislation to assist in implementation
- Utilize and incorporate best practices

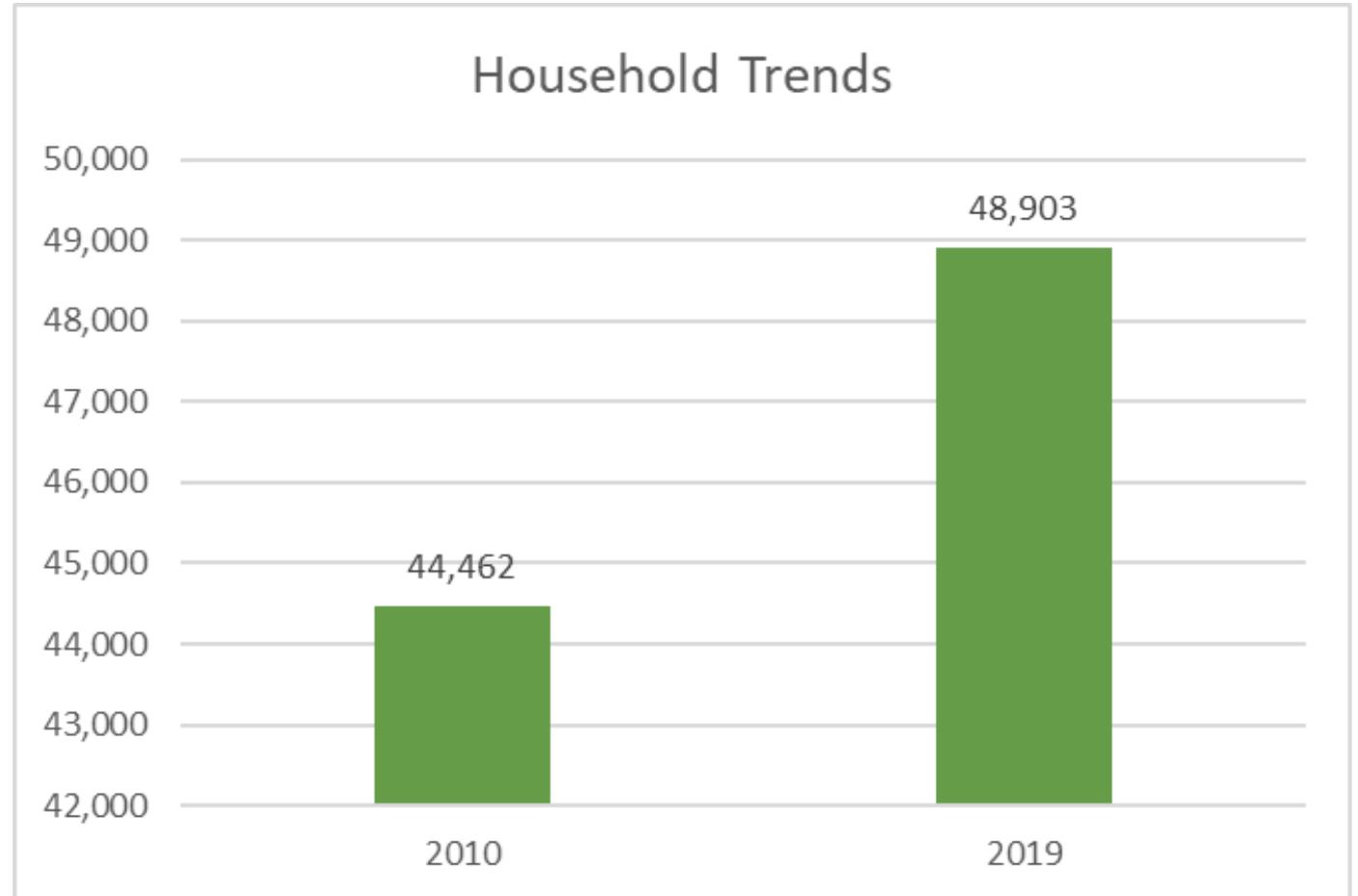
ABOUT THE DATA USED IN THE STUDY

- **January 2021:** Research began using 2015-2019 American Community Survey and 2013-2017 CHAS
- **July 2021:** 2020 Redistricting Data made available; limited to total population by race / ethnicity / age (18 and older) and total housing units by occupancy status
- **Late September 2021:** 2014-2018 CHAS data set released
- **March 2022:** tentative release date for 2020 Census data for places and minor civil divisions (MCDs)
- **March 2022:** 2016-2020 American Community Survey data tentatively set for release
- **TDB:** Detailed Demographic and Housing Characteristics by Census tract

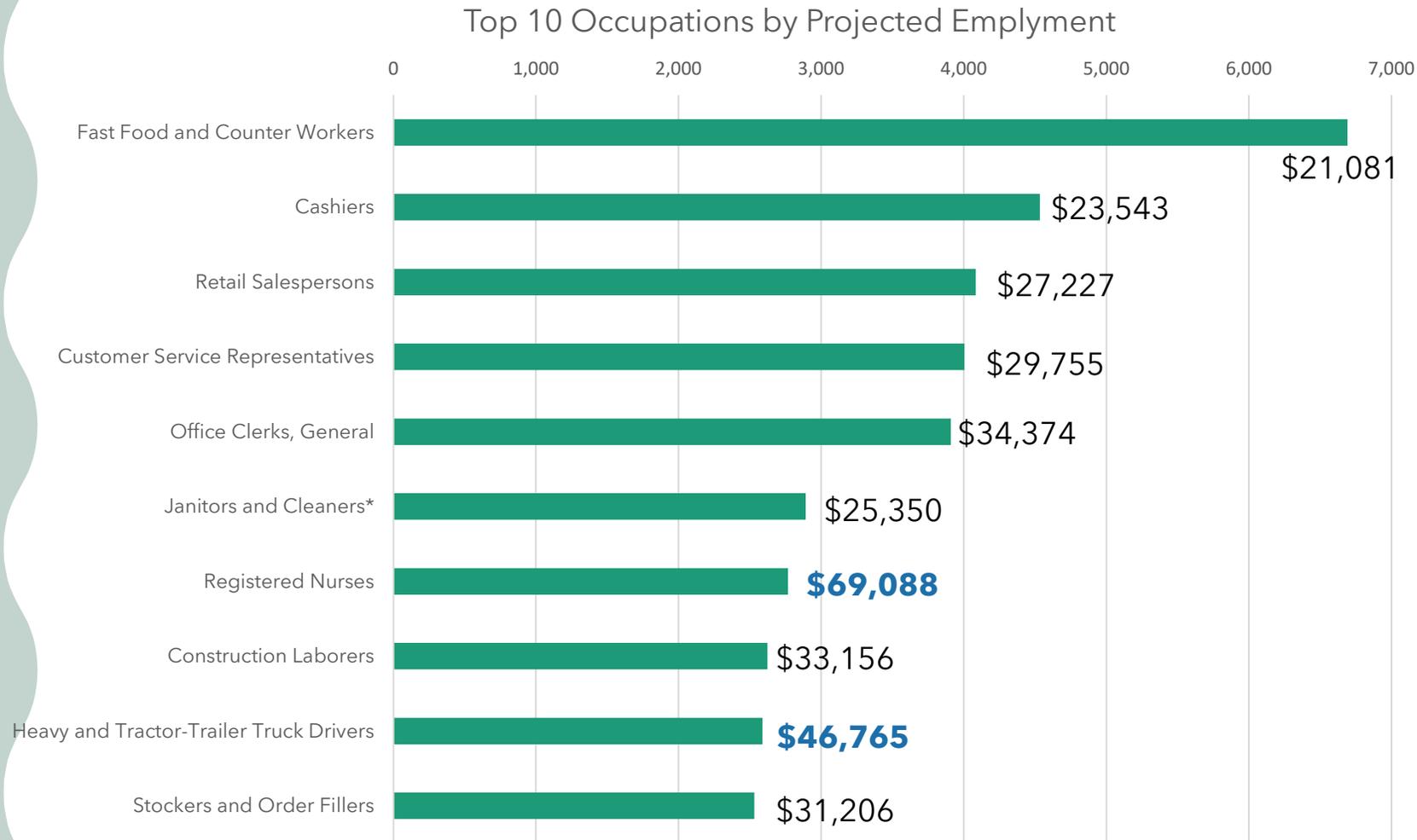


What drives housing
affordability in Waco?

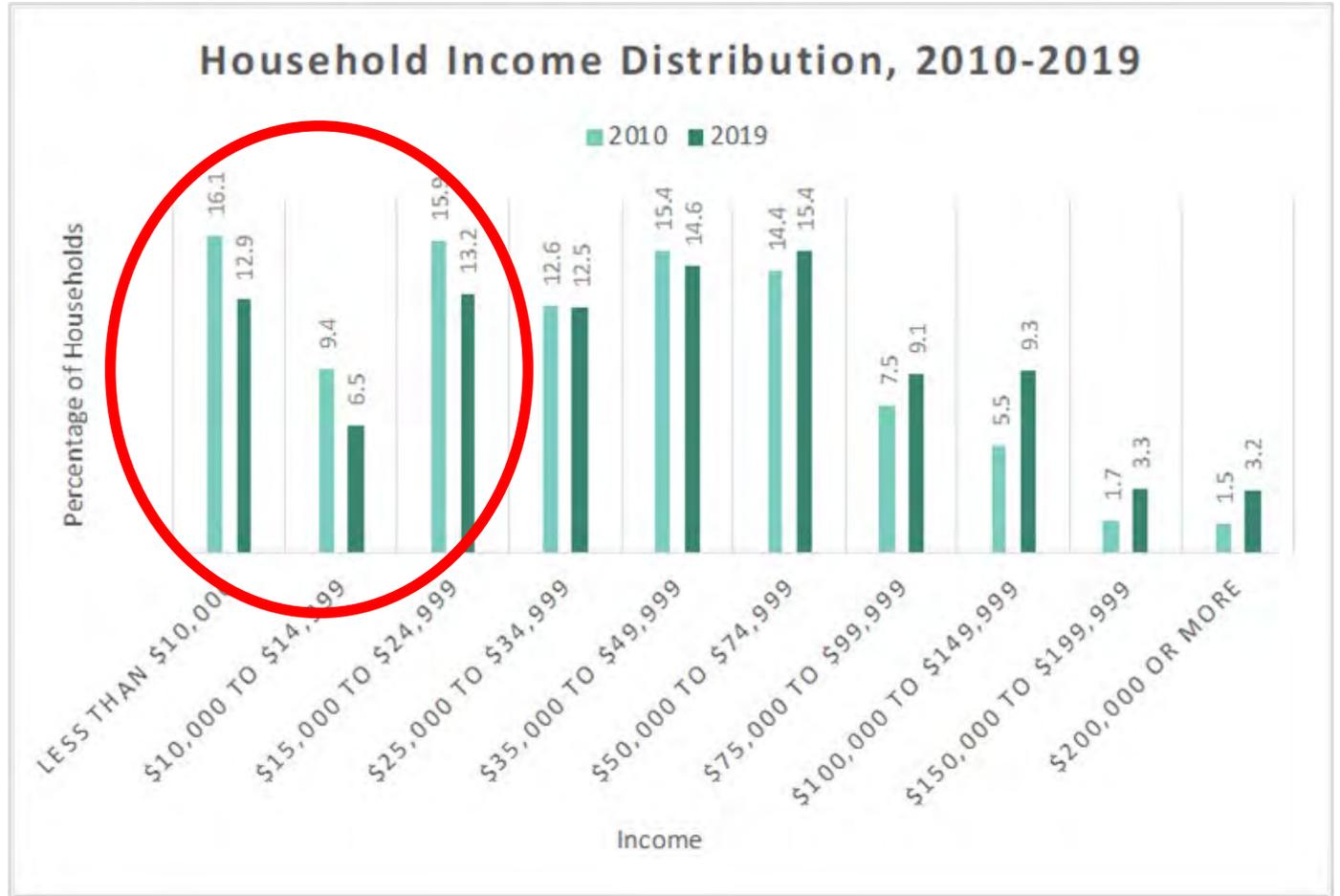
Household growth increased 10.3% between 2010 and 2019, meaning an additional 4,441 households needed housing units



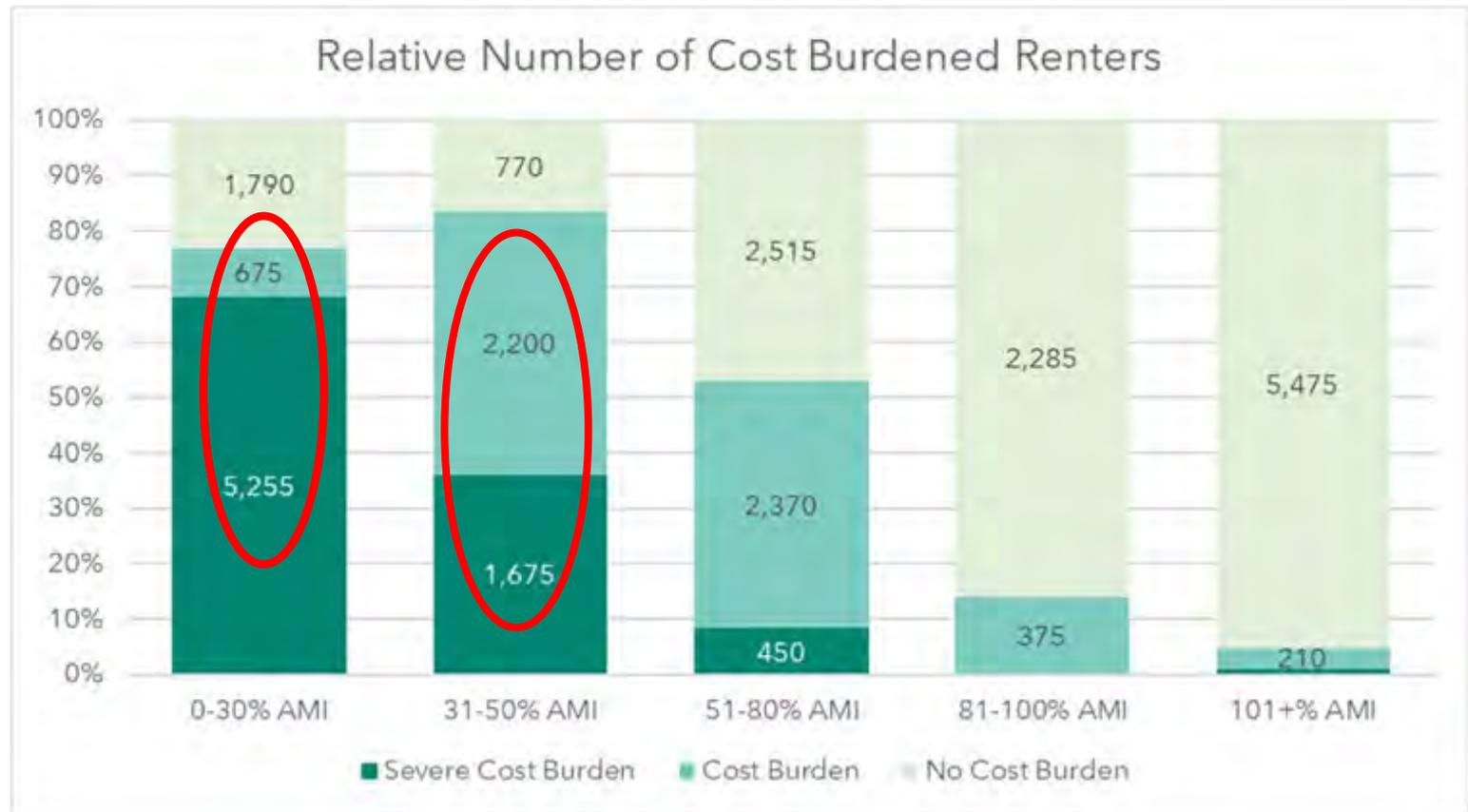
Mirroring national trends, some of the most common jobs in Waco are low-paying and have been vulnerable to economic instability due to the pandemic over the last 18 months



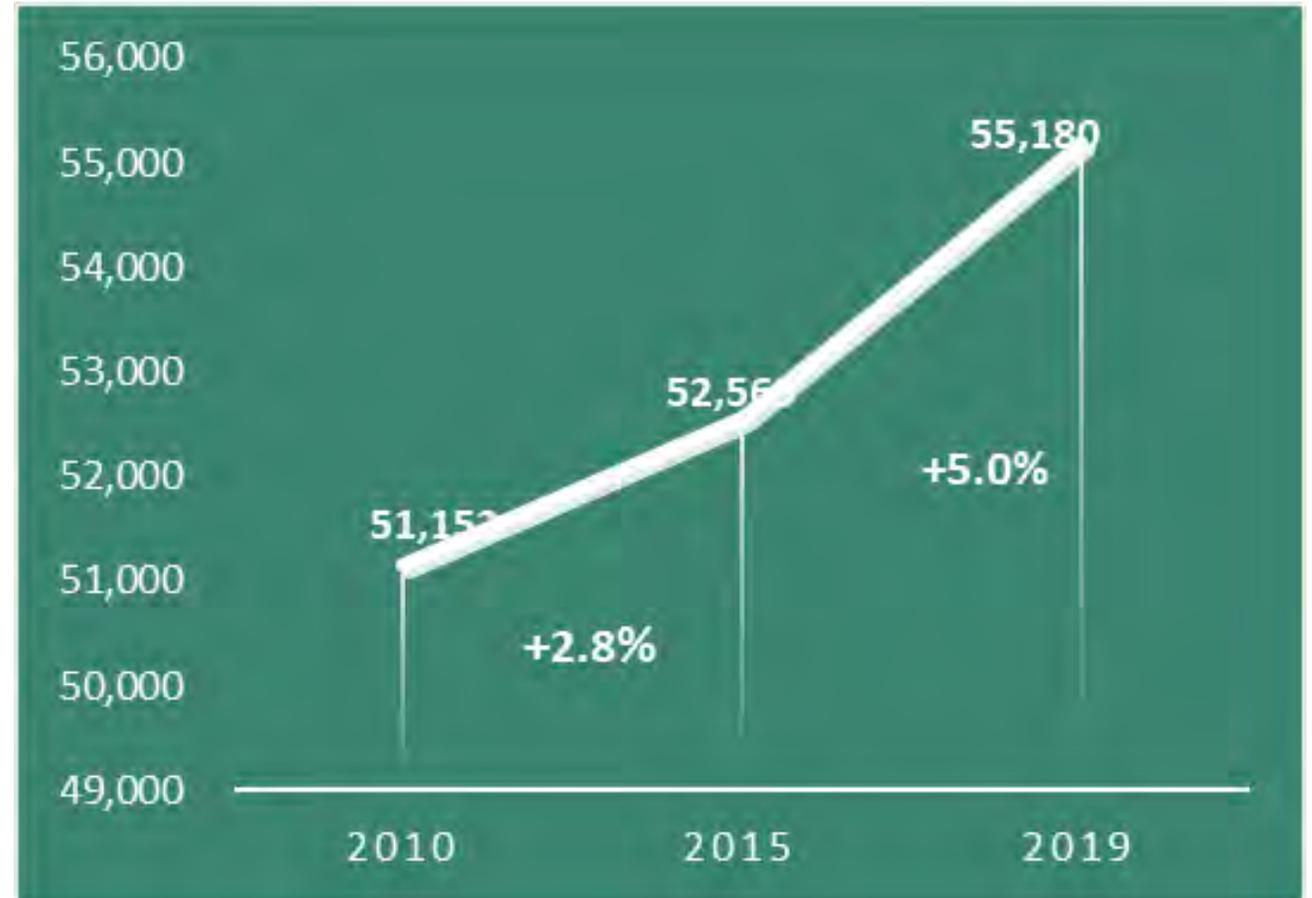
One-third of all Waco households had incomes below \$25,000 in 2019



Renters with the lowest incomes are most frequently cost burdened and most severely cost-burdened

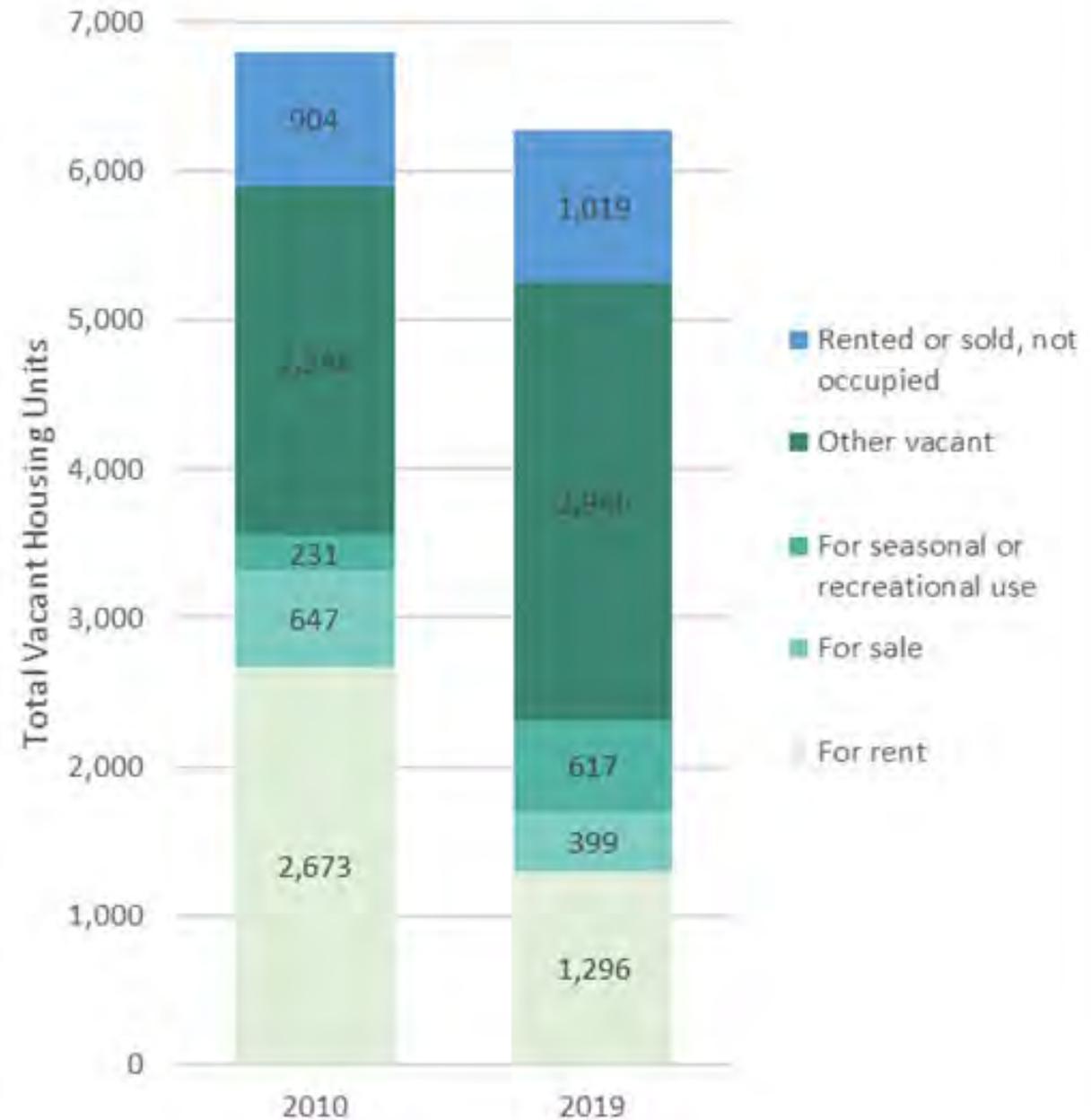


Housing inventory increased by 4,028 new units between 2010-2019. Multi-family structures with 5+ units represented only 540 new units.



Waco had a high vacancy rate of 11.3% in 2019 with nearly half of the 6,277 vacancies off-market and unavailable for occupancy.

Total Vacant Housing Units by Category, 2010-2019

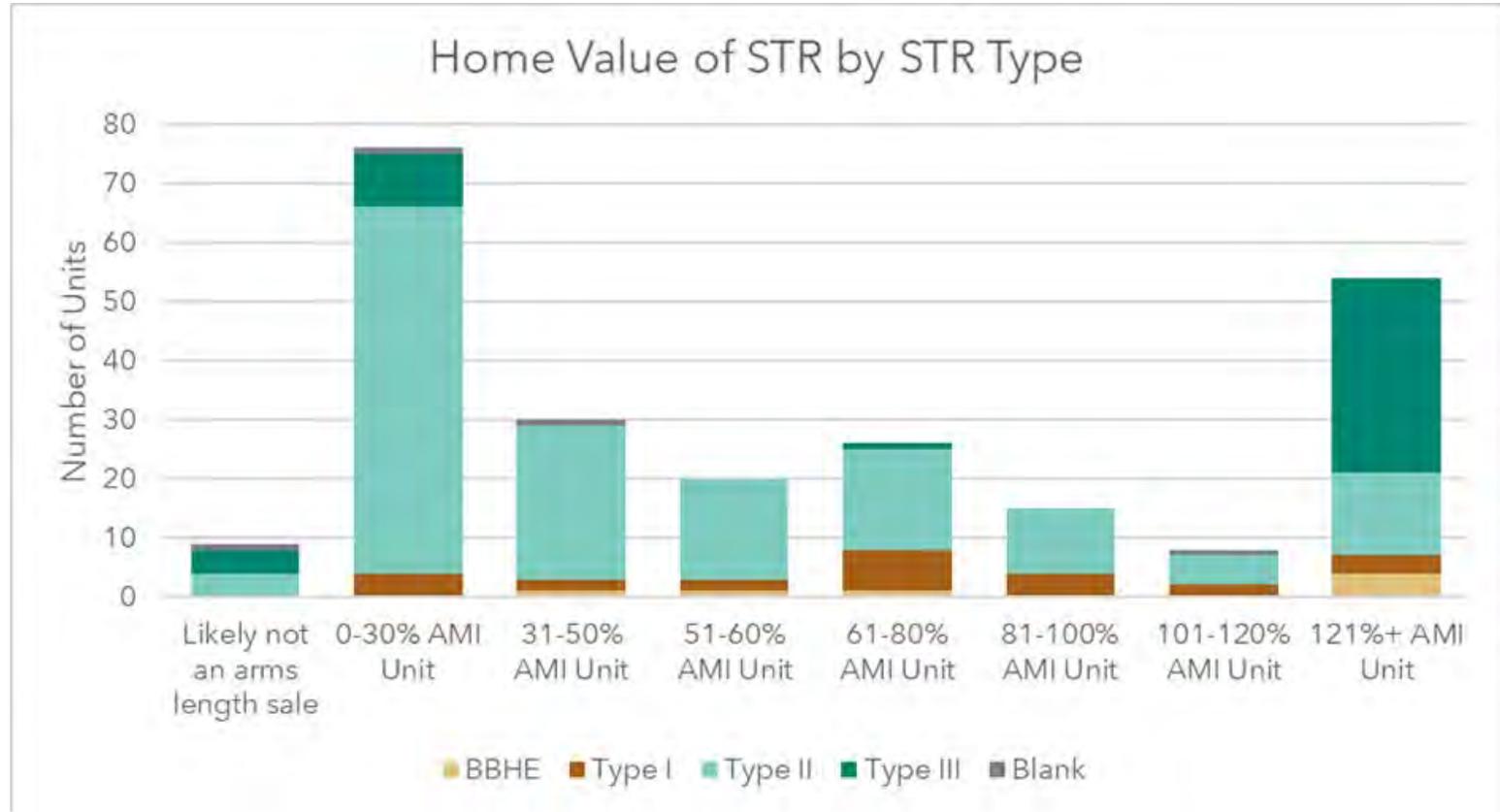


Black households represent 78% of current HCV households but only 23% of all households in Waco.* They also account for more than two-thirds of all PHA and HCV waiting list applicants.

**The rate is 75% in the County.*

Race and Ethnicity	County		HCV and PH Households	
	Number	Percent	Number	Percent
All Households	251,089	100%	3,223	100%
White	201,916	80%	726	23%
Black or African American	38,842	15%	2,409	75%
American Indian/Alaska Native	2,930	1%	19	1%
Asian	5,220	2%	2	0%
Native Hawaiian/Other Pacific Islander	389	0%	6	0%
Some other race	7,629	3%	6	0%
Ethnicity	251,089	100%	3,175	100%
Hispanic	66,148	26%	471	15%
Non-Hispanic	184,941	74%	2,704	85%

Units converted to STRs were primarily priced in the 0-30% median income and 121%+ median income tiers with smaller numbers of units priced in other tiers





How well does Waco's housing market meet demand?

Waco has a substantial inventory of naturally occurring affordable housing (NOAHs) with a majority of rental units affordable to households between 51-80% of median income

Rental Units by Size	0-30% AMI	31-50% AMI	51-80% AMI	81+% AMI	Total	Percentage of All Units
0 - 1 bedroom	830	1,380	3,845	1,160	7,215	28%
2 bedrooms	885	1,990	5,985	1,250	10,110	40%
3 or more bedrooms	910	1,465	3,895	1,875	8,145	32%
Total	2,625	4,835	13,725	4,285	25,470	100%
Percentage of All Units	10%	19%	54%	17%	100%	---

More than 8 out of every 10 existing owner units are affordable to households between 0-80% of median income

Owner Units by Size	0-50% AMI	51-80% AMI	81-100% AMI	101+% AMI	Total	Percentage of All Units
0 - 1 bedroom	179	38	4	50	271	1%
2 bedrooms	3,195	745	200	179	4,319	20%
3 or more bedrooms	7,180	4,715	1,954	2,984	16,833	79%
Total	10,554	5,498	2,158	3,213	21,423	100%
Percentage of All Units	49%	26%	10%	15%	100%	---

7,185 households
represent the most
precariously housed
in Waco

5,255 Extremely Low-Income **Renters** Paying
More than **30%** for Housing

+

675 Extremely Low-Income **Renters** Paying More
than **50%** for Housing

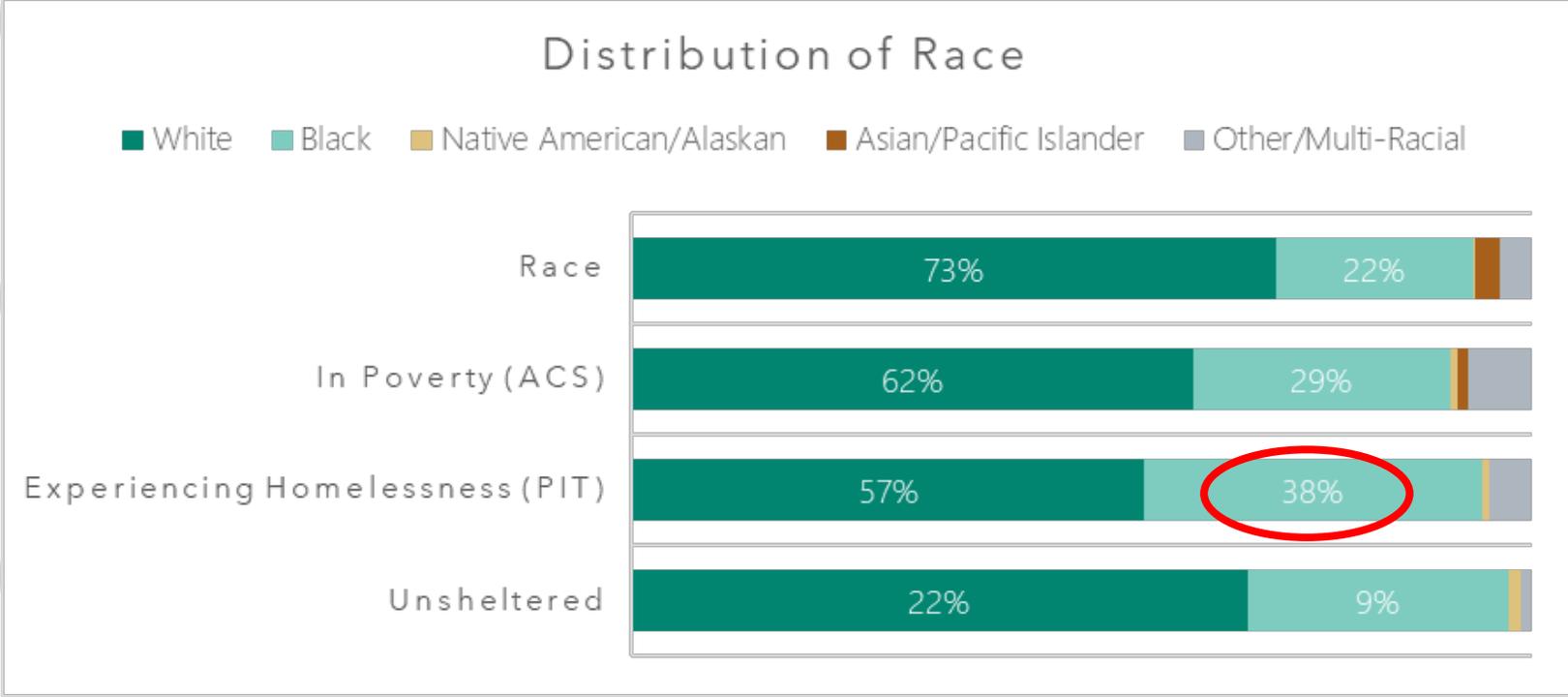
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990 Extremely Low-Income **Owners** Paying More
than **30%** for Housing

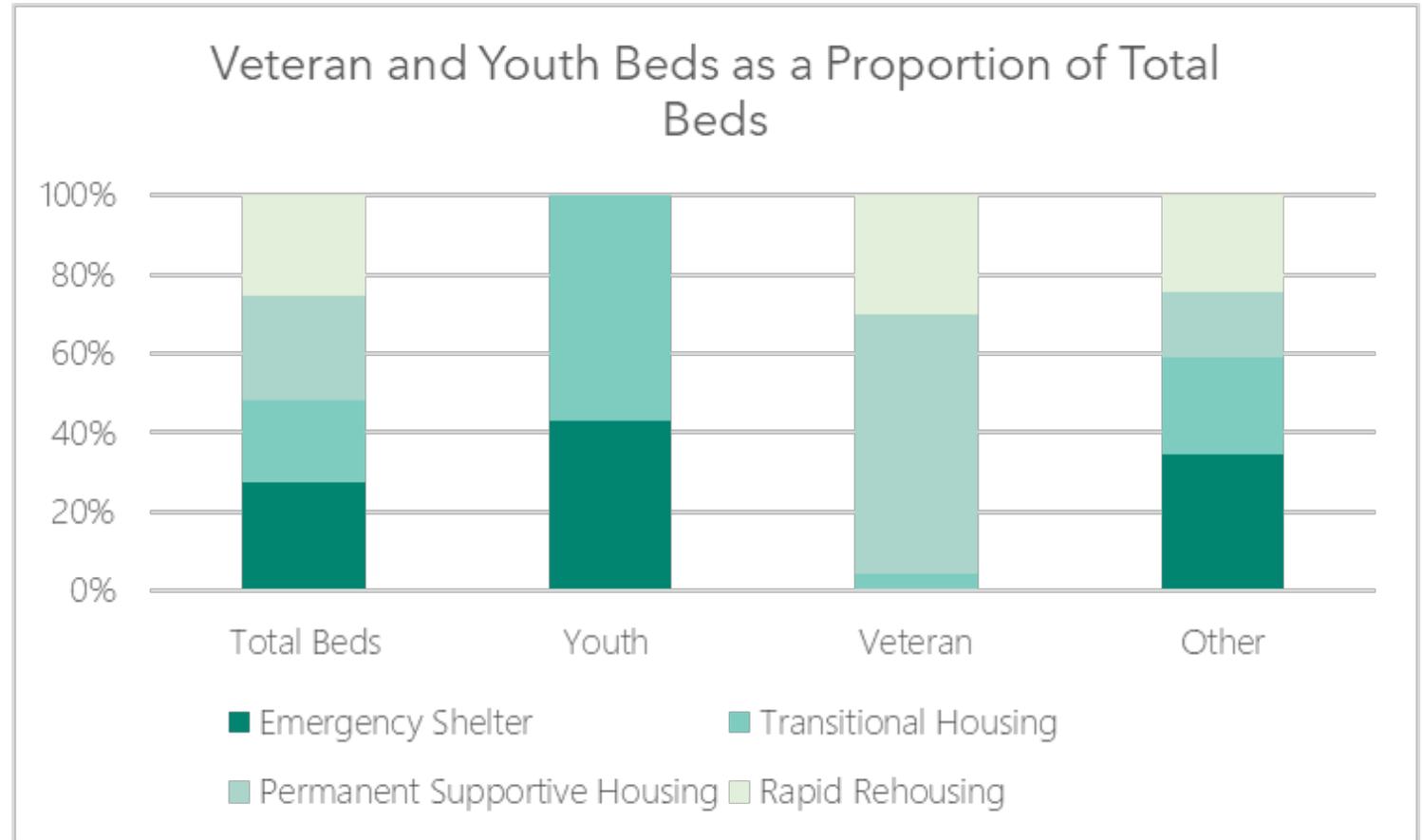
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265 Extremely Low-Income **Owners** Paying More
than **50%** for Housing

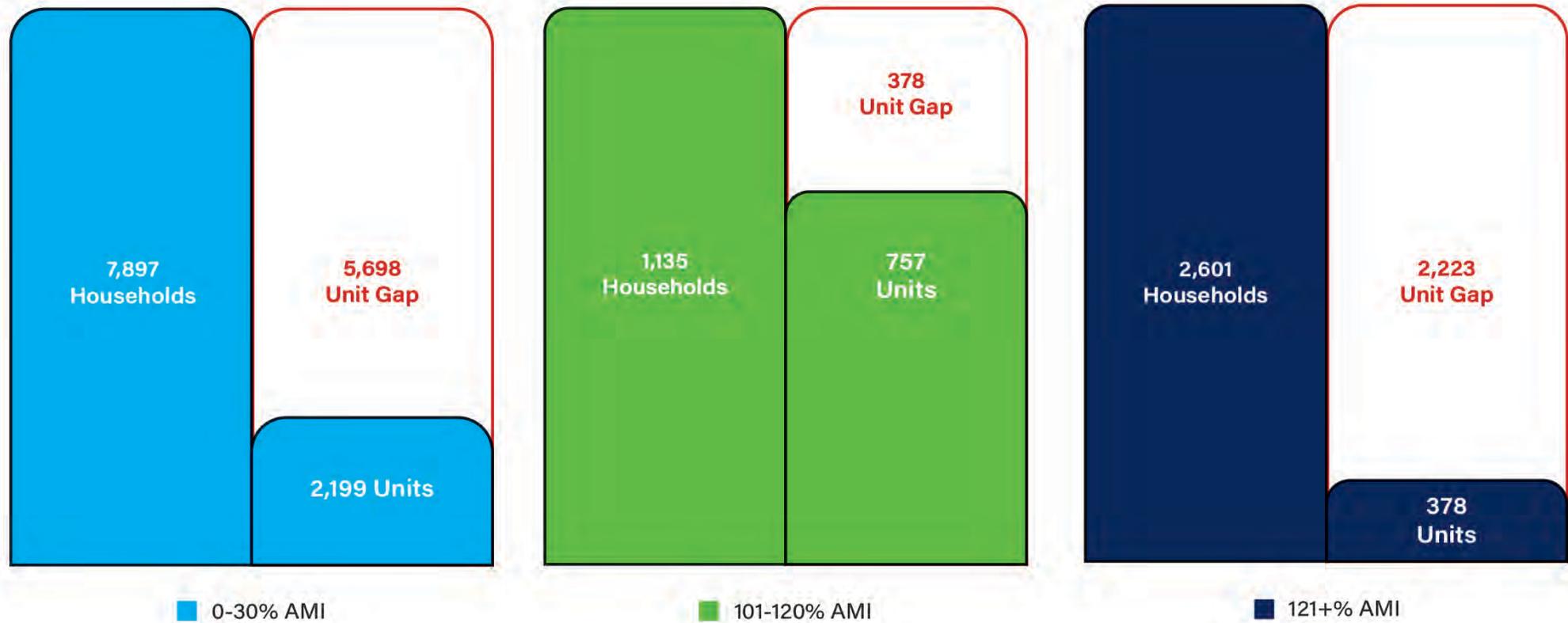
Black households are over-represented in Waco's homeless system in Waco



More than 9 in 10 of the Permanent Supportive Housing beds dedicated to Chronically Homeless are set-aside for Veterans. But the PIT count identified a much higher number of non-Veteran Chronically Homeless individuals.

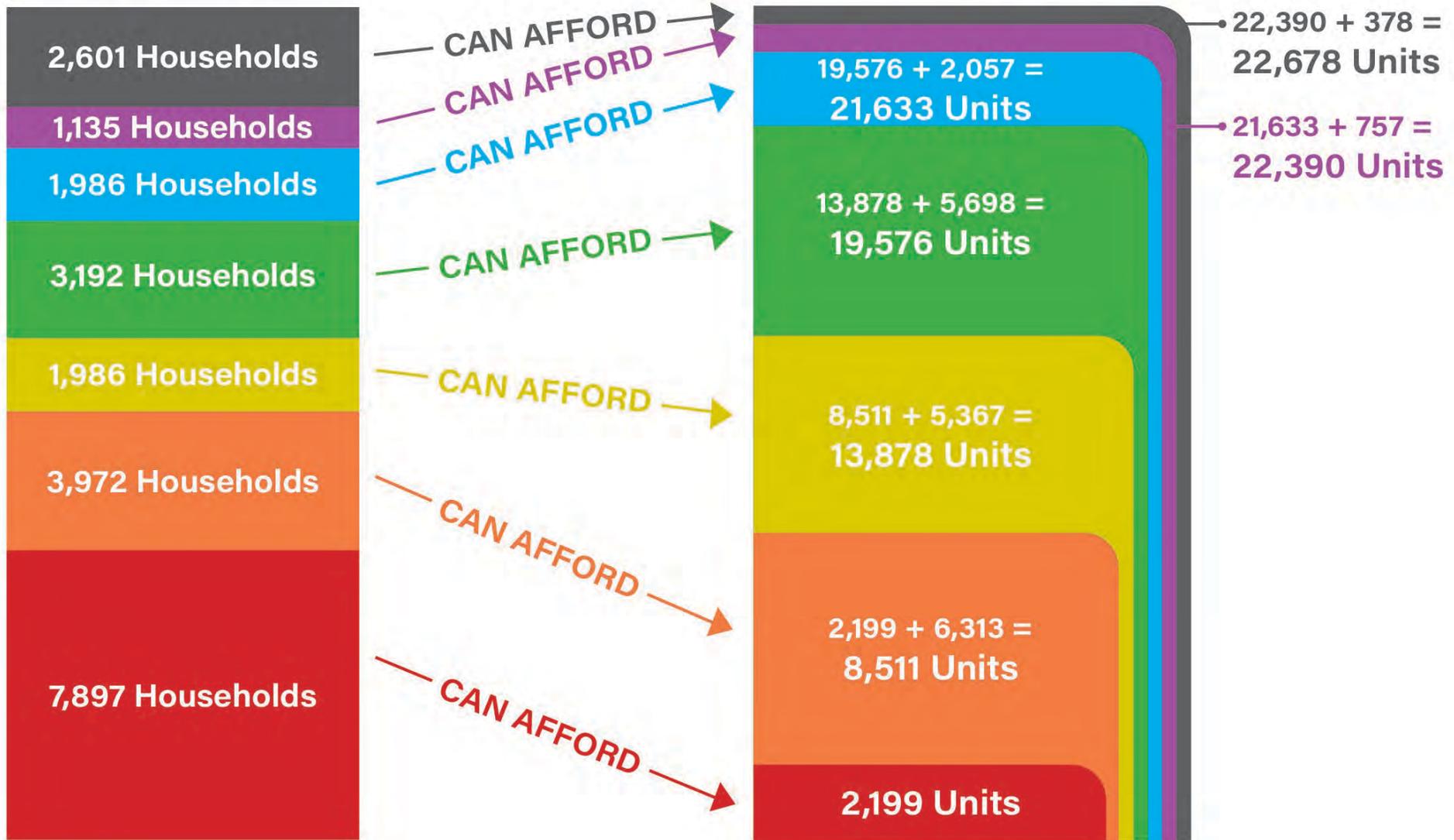


RESIDENCY PATTERNS AMONG RENTERS IN WACO, TX

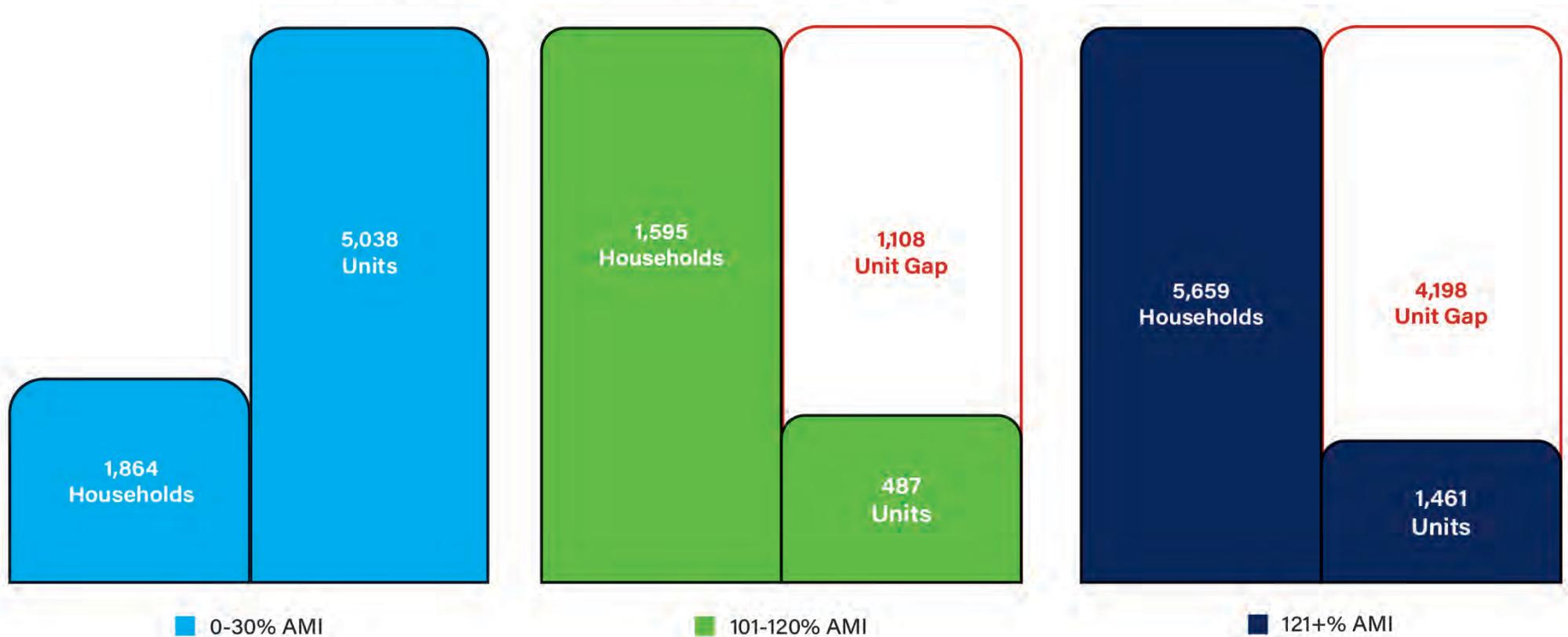


The greatest housing mismatch occurs among renters in the 0-30% income tier where there are almost 2,200 units affordable to this income tier consisting of nearly 8,000 households. Similar trends are found in the upper income levels—causing many of these households to rent “down market”, putting greater pressure on the lowest income households.

RESIDENCY PATTERNS AMONG RENTERS IN WACO, TX

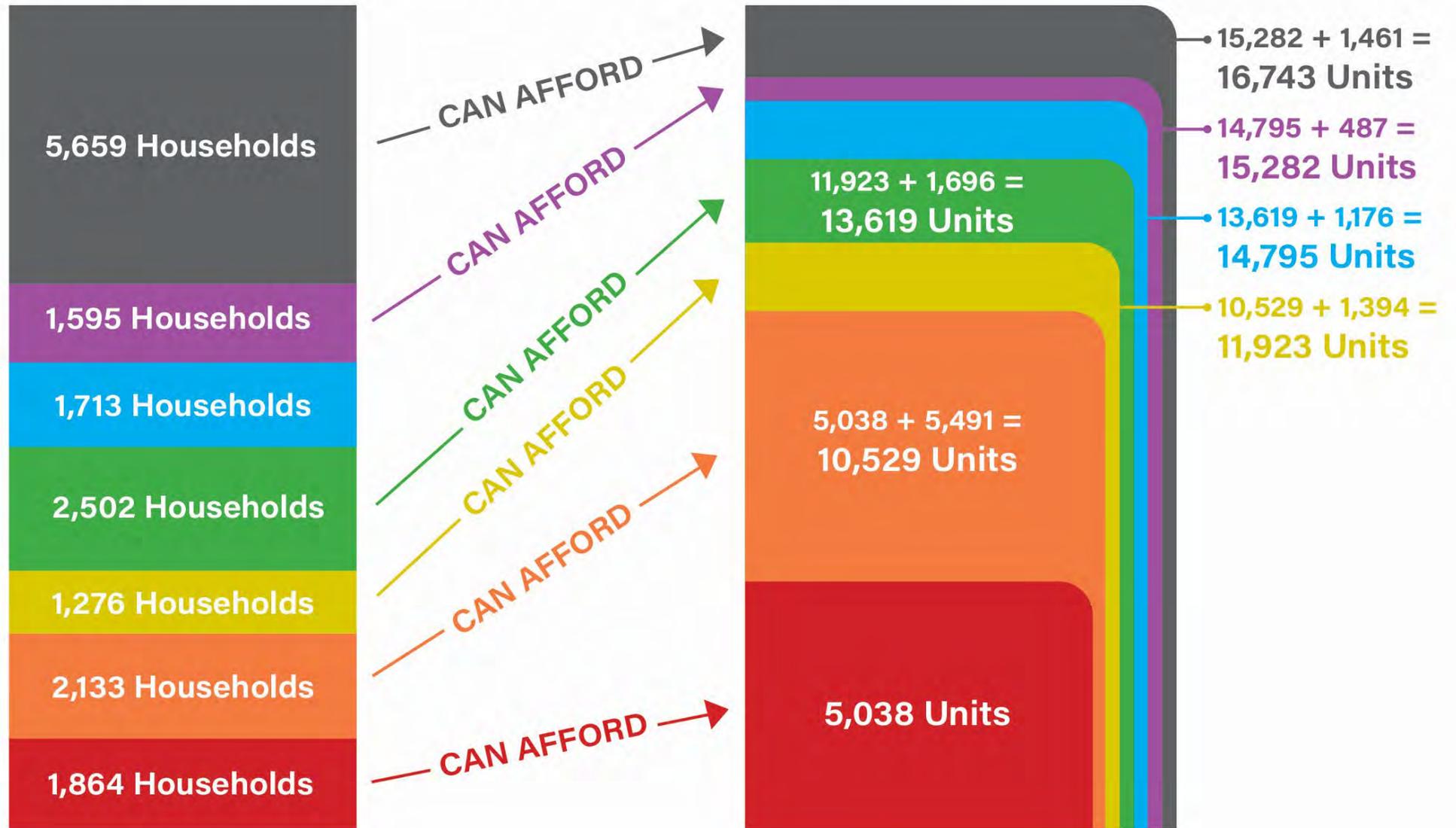


RESIDENCY PATTERNS AMONG OWNERS IN WACO, TX

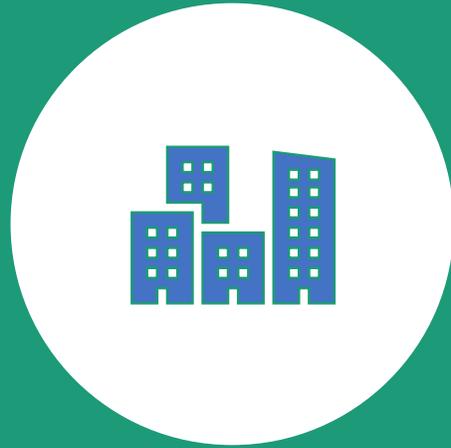


Among homeowners with a mortgage, the situation is the same for the upper income households. However, at the lowest end of the spectrum, there are over 5,000 units that are affordable for 1,864 households in the 0-30% AMI range.

RESIDENCY PATTERNS AMONG OWNERS IN WACO, TX



■ 0-30% AMI
 ■ 31-50% AMI
 ■ 51-60% AMI
 ■ 61-80% AMI
■ 81-100% AMI
 ■ 101-120% AMI
 ■ 121+% AMI

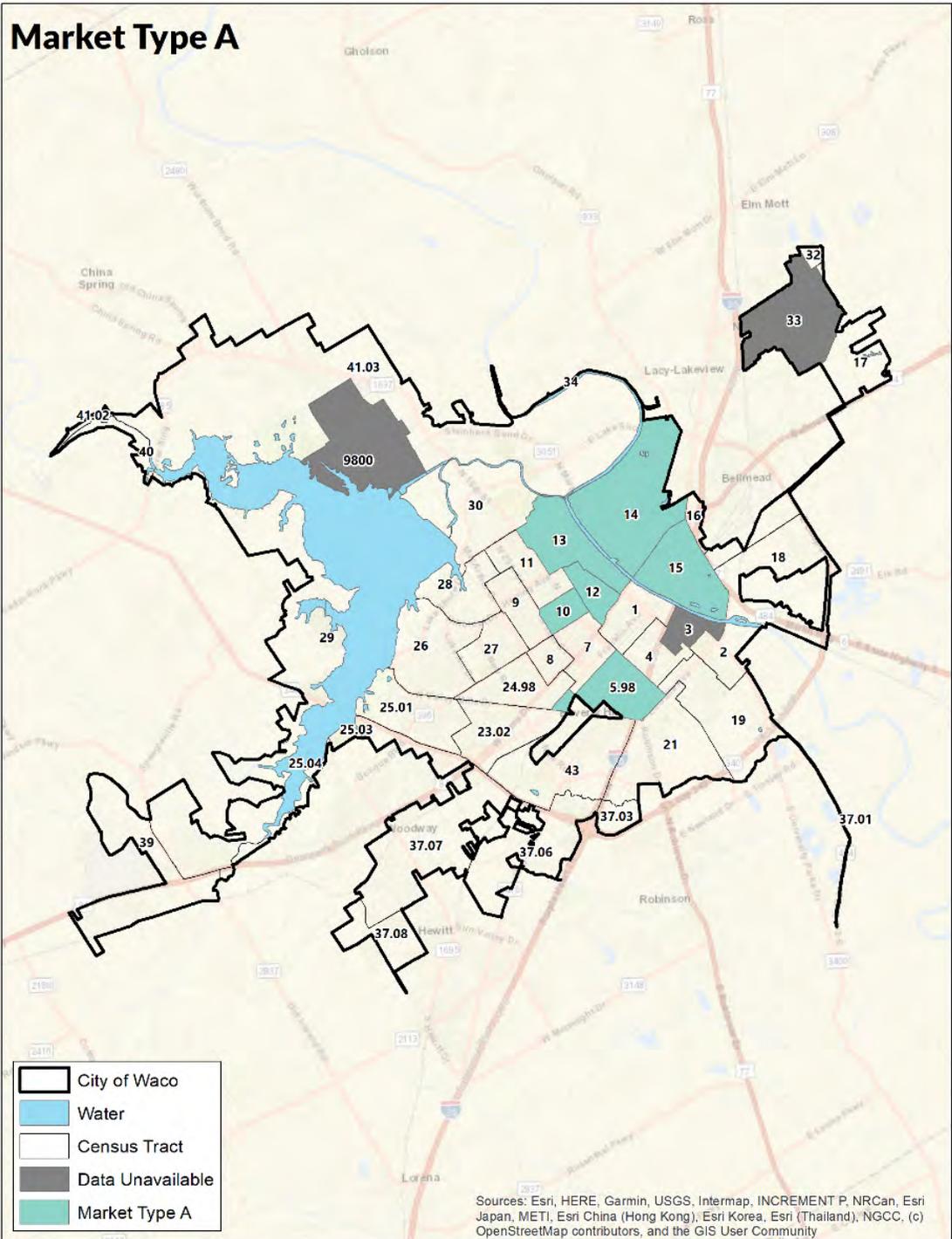


Waco's Market Types

Using Market Types in Waco

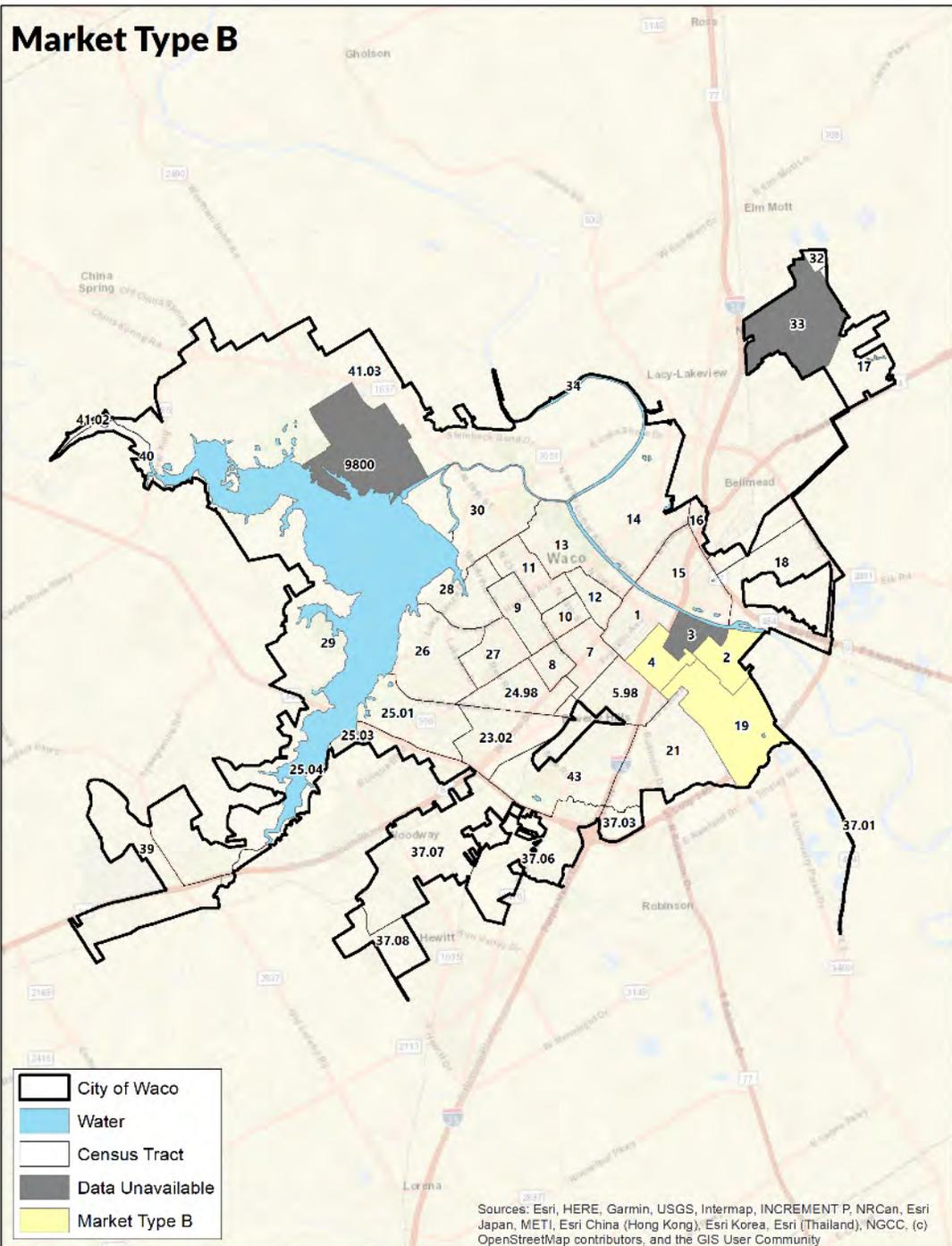
Describing housing markets by the level of housing activity, access to opportunity and neighborhood change provides a tool for strategically matching public resources and policies where they have the greatest impact.

Market Type A



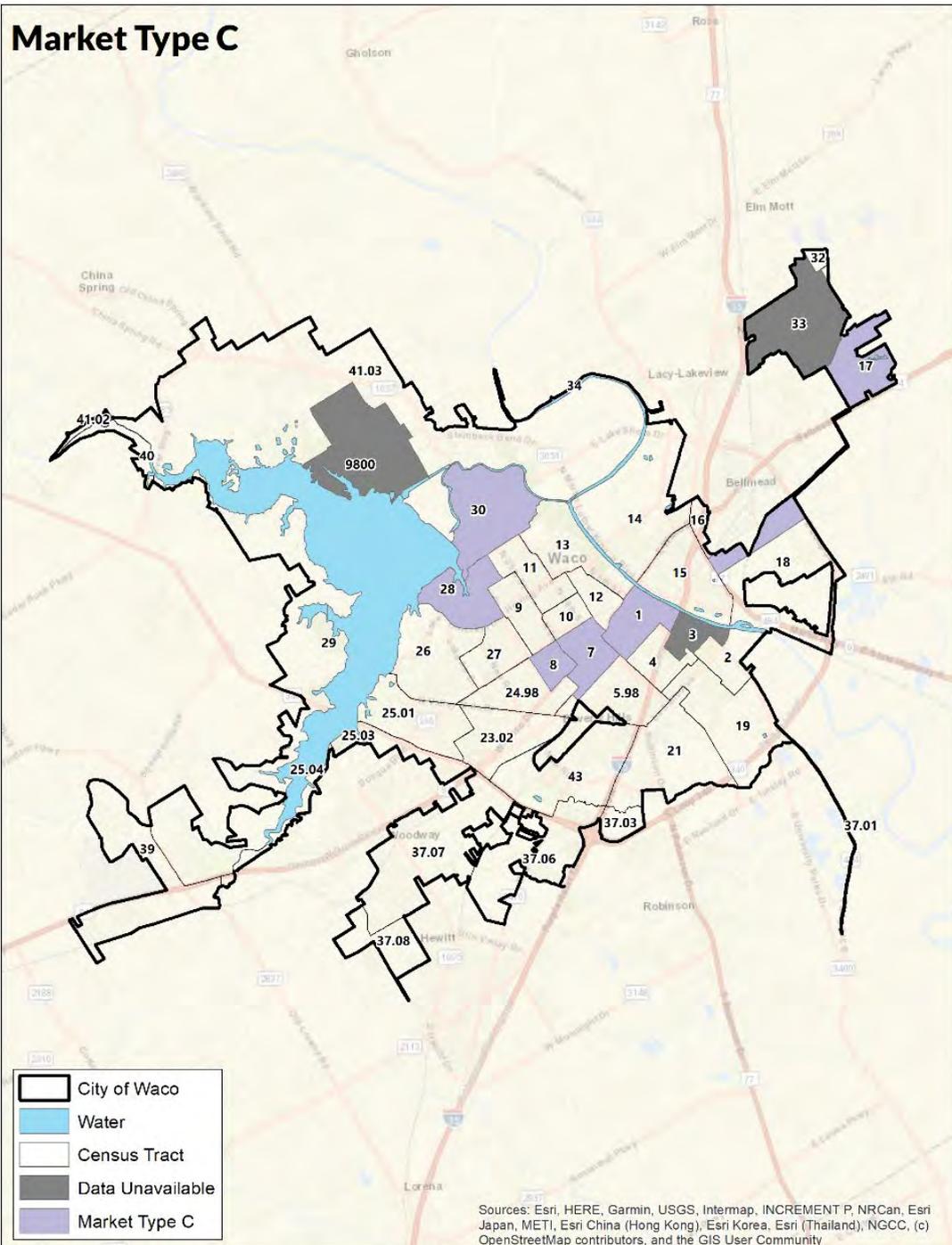
- Overall, a relatively weak market
- Population decrease with increase in Hispanics
- High unemployment/low income
- Trends younger, below-average age of 28
- Low percentage of bachelor degrees
- High cost burden among renters and owners
- Oldest stock with lowest values indicative of a lower quality stock in need of rehab
- Increasing homeownership
- Lowest gross rent

Market Type B



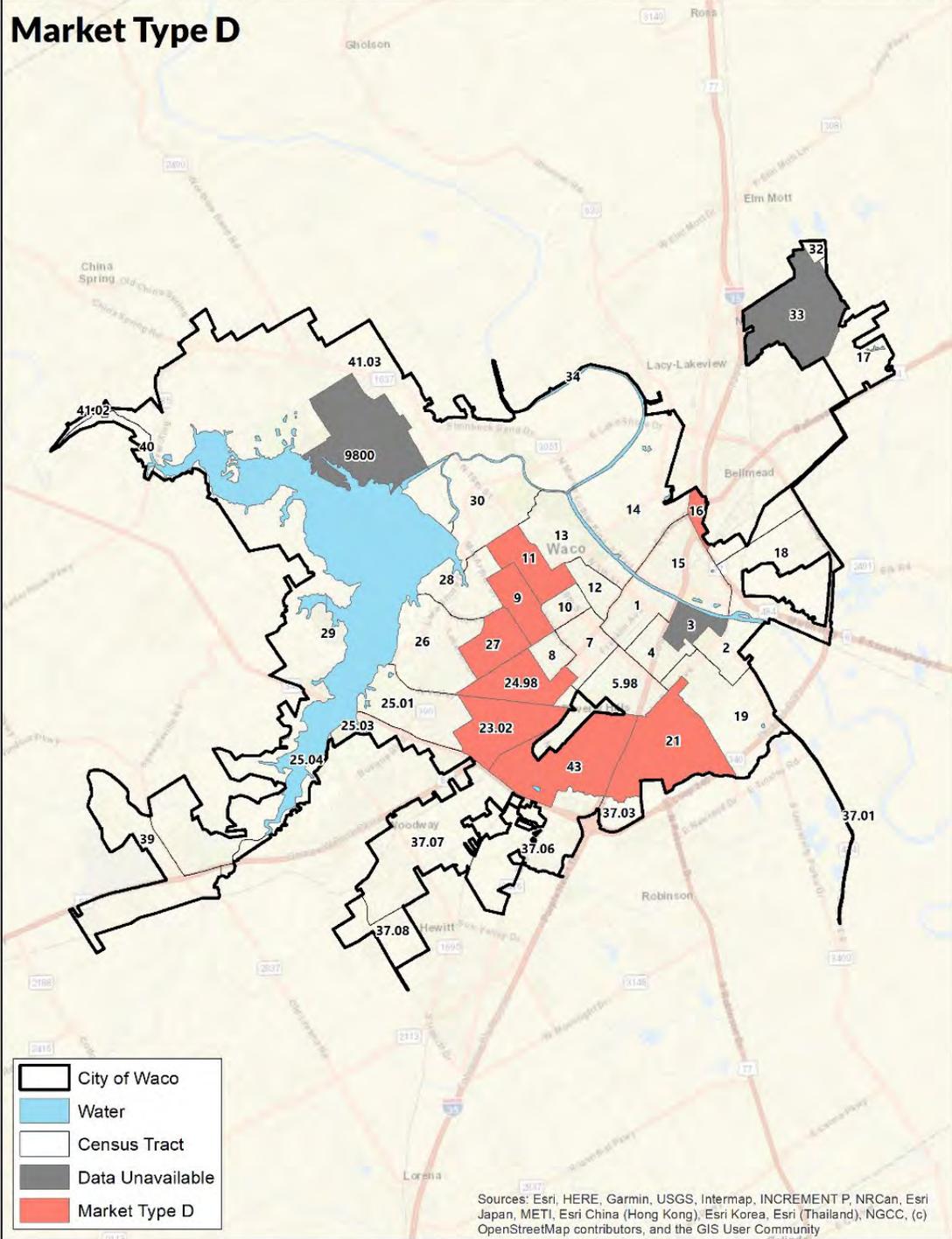
- Market heavily influenced by location
- Lowest income, high unemployment rate with highest levels of college degrees
- Youngest population, average age of 28
- Largest decrease in homeowners among increase in STRs
- Highest rates of cost burden, renters and owners
- Newer stock, largest increase in value, moderate gross rent
- High access to job centers; lower access to transit, supermarkets

Market Type C



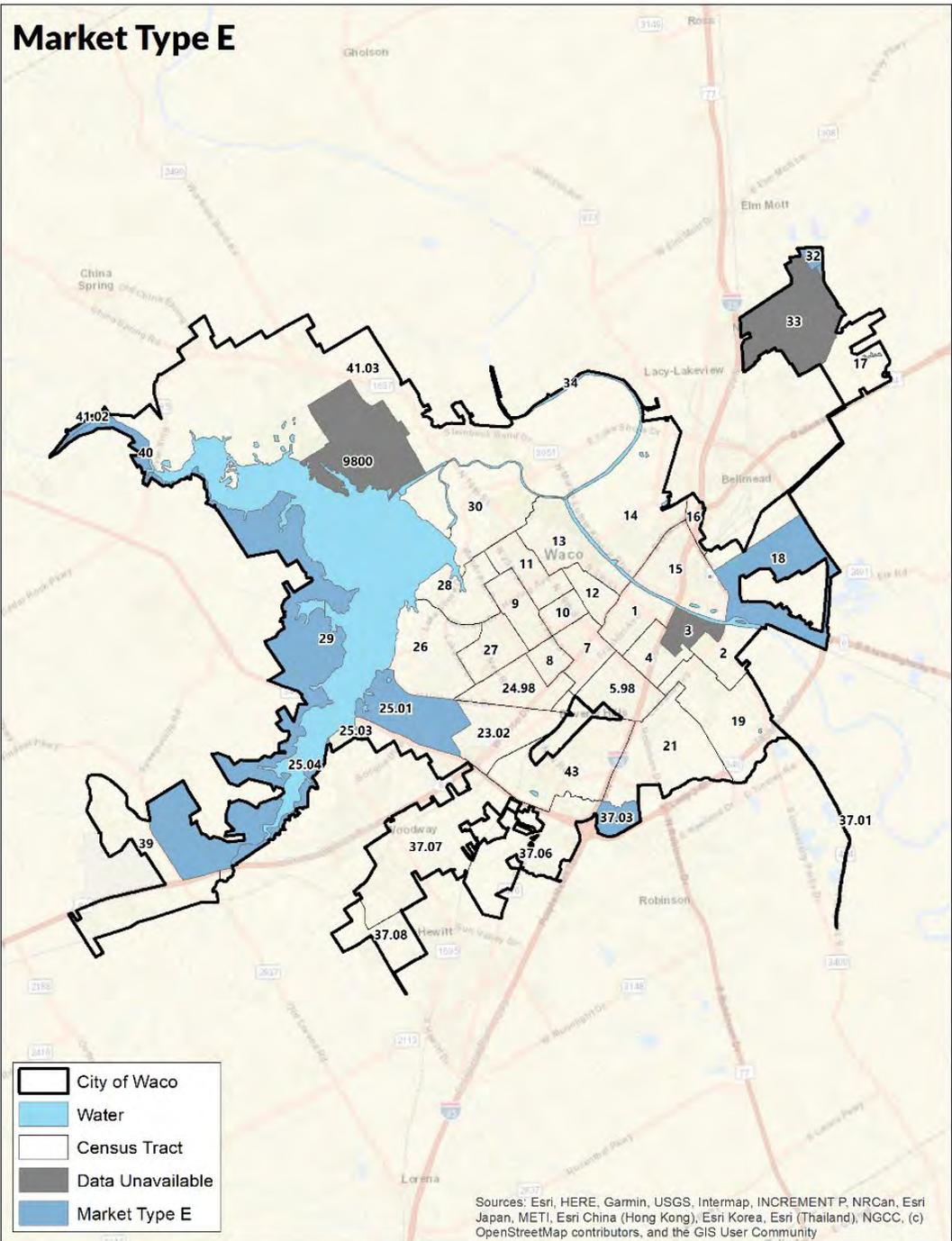
- Large increase in population primarily driven by Black residents
- Moderate level of college education with below-average unemployment
- Highest increase in homeowners along with moderate increase in renters
- Moderate rates of cost burden for renters and owners
- Highest number of STRs: below-average housing values and only area to have a decrease in vacant units
- Stock may require rehab to preserve
- Highest increase in gross rent
- Highest access to job centers, high access to transit

Market Type D



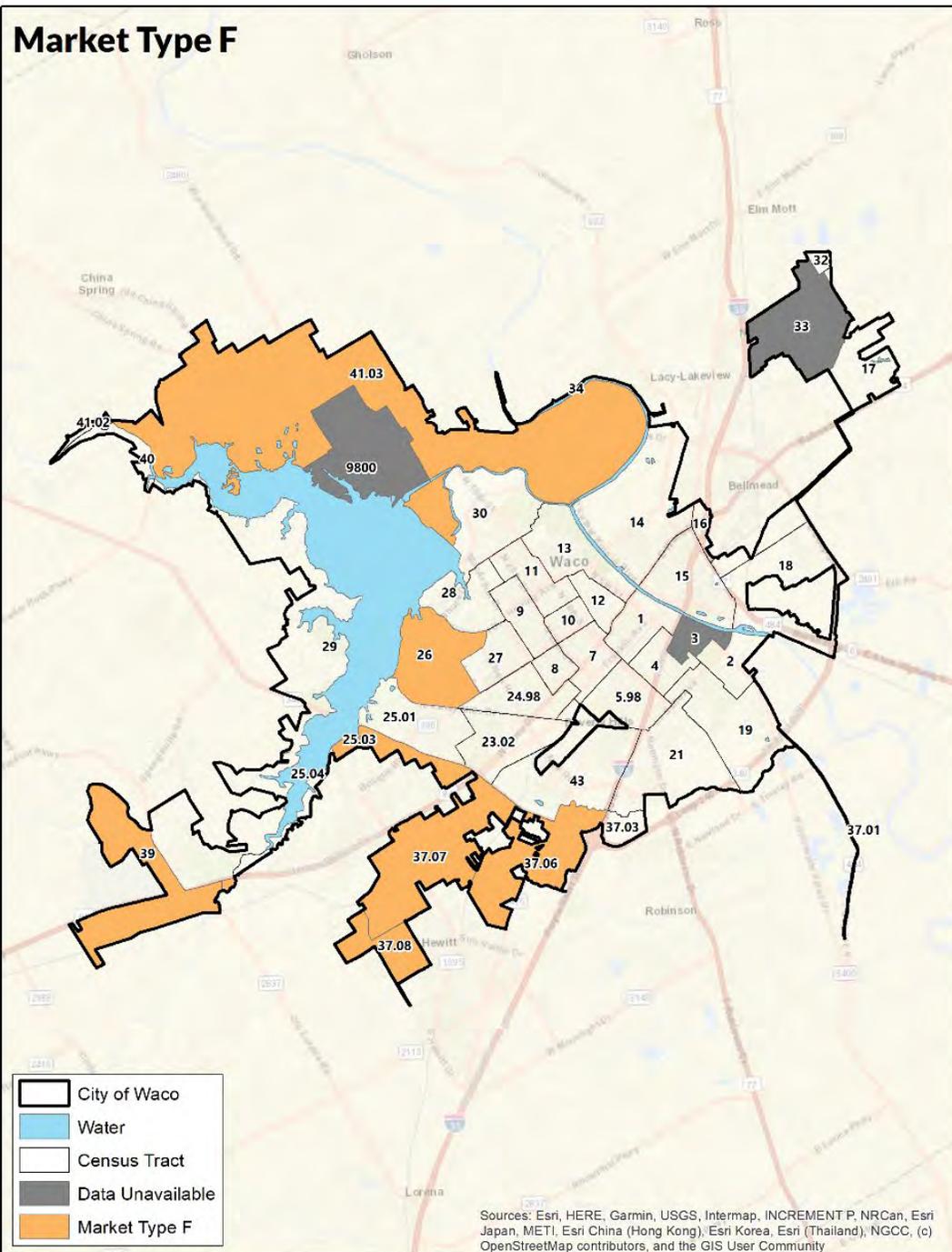
- Neighborhoods arc through central Waco with significant amount of commercial uses
- Slight population growth with increases in Black and Hispanic residents
- Low rate of college degrees, below-average incomes but below-average unemployment, too
- Moderate increase in renters with moderate rates of cost burden
- Older stock, below-average values with high number of housing flips but below-average number of STRs; stock in need of rehab
- High access to transit with highest access to job centers

Market Type E



- Overall, a very strong market
- Largest population growth driven by increases in Black and Hispanic residents
- Moderate rate of college degrees, highest income level with older average age (39) and below-average unemployment
- Very stable in tenure: largest decrease in renters, minimal change in ownership, highest income with lowest rates of cost burden
- Highest housing value, second highest gross rent
- Highest increase in vacancy rates may be related to new construction

Market Type F



- Overall, another strong market among the outer reaches of Waco
- Large population increase driven by Black and Hispanic residents
- Second-highest income, lowest unemployment among oldest average age (41), high levels of college degrees
- Newest stock with very high values
- High rate of housing flips more likely due to new construction and strong population growth
- Low access to transit, less to job centers



A Framework for Waco to Address Unmet Housing Need

FRAMEWORK FOR WACO:

EXPAND SUPPLY

Expand the overall supply of housing with a focus on affordable housing and mixed-income developments. An adequate supply of units to house every household reduces the likelihood of higher income households residing in units that are affordable to much lower income households.

FRAMEWORK FOR WACO:

STABILIZE HOUSING AND HOUSEHOLDS

Reinvest and **stabilize housing and households in neighborhoods that have long-been neglected** but are now experiencing growth and revitalization. Stability is the key to protecting households who reside in gentrifying neighborhoods that are attractive to new investment.

FRAMEWORK FOR WACO:

**SUBSIDIZE WHEN
SUPPLY AND
STABILIZING ARE
INADEQUATE**

When housing supply and stability are not adequate, then **subsidies are needed for households who are at risk for becoming homeless** and could benefit from vouchers to subsidize their rent, lower their cost burden, and stabilize a precarious housing situation.



Recommendations

Administrative Strategy 1:

Build a more robust Community Services Department

*Potential Partners:
Waco Foundation,
Cooper Foundation*

- Implementation will require coordination and collaboration of numerous city departments and outside partners
- Build up the capacity in the Community Services Department with individuals experienced in real estate development, financing, project management, data analysis, community engagement, etc.
- It will take a significant team of experienced personnel to implement and coordinate the strategies

Administrative Strategy 2:

Prioritize City resources to finance affordable housing initiatives

*Potential Partners:
Waco Foundation,
Cooper Foundation,
Grassroots CDC,
Habitat for Humanity,
NeighborWorks Waco*

- Waco's annual HUD entitlements are inadequate to address the level of housing need
- Evaluate how General Fund, ARP and other resources can be prioritized to address specific housing initiatives with the goal of expanding the overall inventory
- Capitalizing a Housing Trust Fund provides a dedicated source of funding—free from state/federal regulations
- Proceeds from the sale of city-owned assets can increase resources available for housing
- Supporting and initiating TIF districts to support site development costs for new affordable units is a strong incentive for housing developers

Administrative Strategy 3:

Increase the annual licensing fee for Type II and Type III STRs to cover the program's administrative costs

- About two-thirds of STRs are located in Market Types A, B and C where most affordable housing stock is located
- The City made permanent the prohibition of Type II and Type III STRs in residential districts
- Increase the annual fee to fully cover the administrative costs of the program

Administrative Strategy 4:

Expand the use of HMIS and use the data to make informed decisions to address homelessness

Potential Partners:

*Prosper Waco, Heart of
Texas CoC Partners,
Economic Opportunity
Advancement Corporation*

- There is a need to have all homeless service providers, regardless of funding sources they receive, entering data into HMIS and filling their beds through the Coordinated Entry System
- Allows community to understand full continuum of services, identify gaps in services, duplications in services and other barriers to accessing homeless services
- HUD' Office of Special Needs Assistance Programs Office recommends communities analyze data at both the system and project levels and evaluate their efforts by subpopulation, across project types, and in other ways

Administrative Strategy 5:

Right-size the current homeless services inventory

*Potential Partner:
Heart of Texas CoC
Partners*

- A need for permanent housing affordable to the lowest income households
- To quickly move households out of homelessness and into permanent housing, there needs to be available and affordable units
- Maximize permanent supportive housing units for people who need high levels of support
- Evaluate transitional housing beds being used as emergency shelter beds to better understand if there is a need for more emergency beds
- Many transitional housing providers may have the capacity to meet the needs of homeless families in Waco but may require reducing requirements to access these beds

Supply Strategy 1:

Increase investment in short-term rental assistance and homeless prevention

*Potential Partners:
Heart of Texas CoC Partners,
Economic Opportunity
Advancement Corporation*

- Second most frequent priority through Coordinated Entry is for Diversion or Mainstream Resources
- Often households who are not literally homeless but may be facing a housing crisis and need rent and utility assistance and have an opportunity to remain in their current housing situation
- Homeless prevention can provide case management, landlord mediation, financial assistance and some housing location services to help divert households from having to enter the homeless system
- Providing short-term, shallow subsidies and case management services, households may stabilize in their current housing and avoid homelessness all together
- Low-Income Housing Tax Credit financing and HOME-ARP are potential sources

Supply Strategy 2:

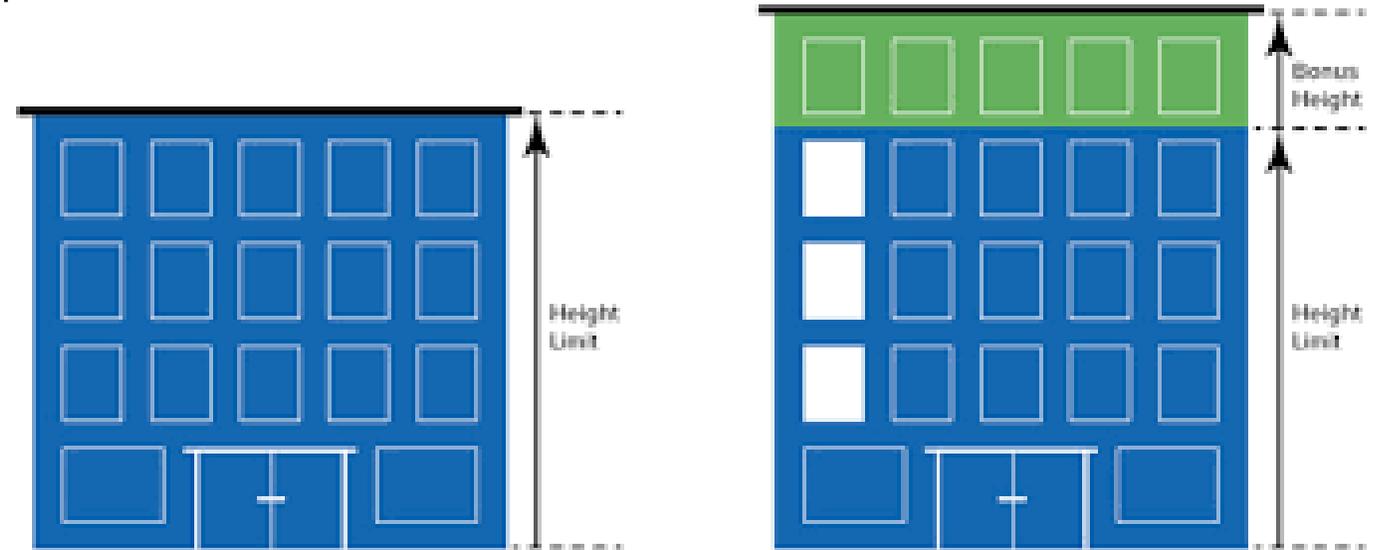
Develop a citywide Vacant Property Plan

- Nearly half of Waco's 6,277 vacant housing units are off-market and unavailable for occupancy
- Verify location and condition of the 5,000+ vacant properties on the City's list; determine owner of record and availability for purchase
- Establish a Vacant Property Registration ordinance requiring all owners of vacant structures to register their properties
- Combine adjacent vacant parcels and package for new development, issue RFPs for large parcels appropriate for new multi-family development
- City has already acquired 15 vacant parcels on 15th Street, continuing to strategically acquire parcels as available
- **Market Type Focus: A, B, C**

Supply Strategy 3:

Amend the zoning ordinance to allow for higher density housing

- Single family units comprise 63% of Waco's inventory
- Upzone parcels in accessible and higher opportunity locations to incentivize more multi-family rental housing
- Permit accessory dwelling units (ADU) on residential lots to increase housing supply in single family neighborhoods
- Provide density bonuses (increase density; reduce height limits, setbacks, lot width, lot coverage and minimum parking requirements) to incentivize developers



Multi-family Density Bonus Example

Stability Strategy 1:

Continue providing economic incentives to qualifying employers who create new jobs at a minimum wage of \$15/hour for full-time employees

- A minimum wage of \$15/hour for a full-time employee translates to a \$30,000 annual income, equivalent to about 75% of median income in Waco
- Recognizing that a city cannot build its way out of affordable housing, providing this level of economic incentive to local residents will substantially lift their financial capacity to find affordable housing with less likelihood of being cost-burdened
- As a result, the City of Waco has raised the minimum wage for all City jobs to \$15/hour; provides improved opportunity for households to rent or buy “up-market”, keeping lower cost units available where needed

Stability Strategy 2:

Seek Neighborhood Revitalization Strategy Area (NRSA) designation in qualifying neighborhoods

Potential Partners:

*Waco Housing Authority,
Waco Foundation, Cooper
Foundation, Prosper Waco,
City Center Waco*

- The NRSA designation eases some of the CDBG regulatory requirements
- A neighborhood must include a contiguous area, primarily residential in nature, with a percentage of low- and moderate-income persons that is not less than 51%
- Incentives include elimination of job creation tracking, exemption of aggregate public benefit, exemption from 15% public service cap, and aggregation of housing units
- Potential to economically integrate a neighborhood
- Possible eligible areas:
 - Bridge Street area in East Waco (revitalization-focused)
 - Around the Magnolia Market development near Downtown (preservation-focused)
- **Market Type Focus: A, C**

Stability Strategy 3:

Expand housing rehabilitation programs to increase production and focus on targeted city blocks

*Potential Partners:
Habitat for Humanity,
Grassroots CDC,
NeighborWorks Waco*

- Ramp up the current number of rehabilitations/year
- Preserve owner-occupied units for households up to 80% of median income
- Philadelphia study revealed city-funded rehabilitation activities in historically segregated, low income, Black and Hispanic neighborhoods resulted in decrease in crime by 21.9% on that block
- Focus on areas in close proximity to other initiatives—15th Street where City recently acquired 15 vacant parcels for redevelopment, in future NRSA neighborhoods
- **Market Type Focus: A, C, D**

Stability Strategy 4:

Establish a Rental Registration Program

- Requires owner of multi-family properties to register with the city
- Annual fee ranging of \$10-\$25 per unit usually required, can offset administrative costs
- Gives city code inspectors authority to inspect unit interior and exterior on a rotating basis, typically once every three to five years
- Greater level of protection for tenants
- Rental registration can catch code violations before the problems become too expensive to repair and deter code violations among property owners who might otherwise defer regular maintenance
- The City has begun researching this initiative

Stability Strategy 5:

Identify NOAH rental housing for acquisition with public funds to preserve as affordable housing

Potential Partners:

Prosper Waco, Local Landlord Association

- Target multi-family NOAH properties for sale and located in/close proximity to gentrifying neighborhoods
- Acquiring these for affordable housing is more feasible than financing new development
- Provide financing to rehabilitate the units as a means of stabilizing this valuable resource in a neighborhood
- Acquisition of this type can be initially financed with a loan from the Housing Trust Fund with repayment based on expected rent revenue
- Protects NOAH units from being converted to market-rate housing
- HOME-ARP funds a potential source to acquire/convert NOAH property to permanent supportive housing
- **Market Type Focus: A, C, D**

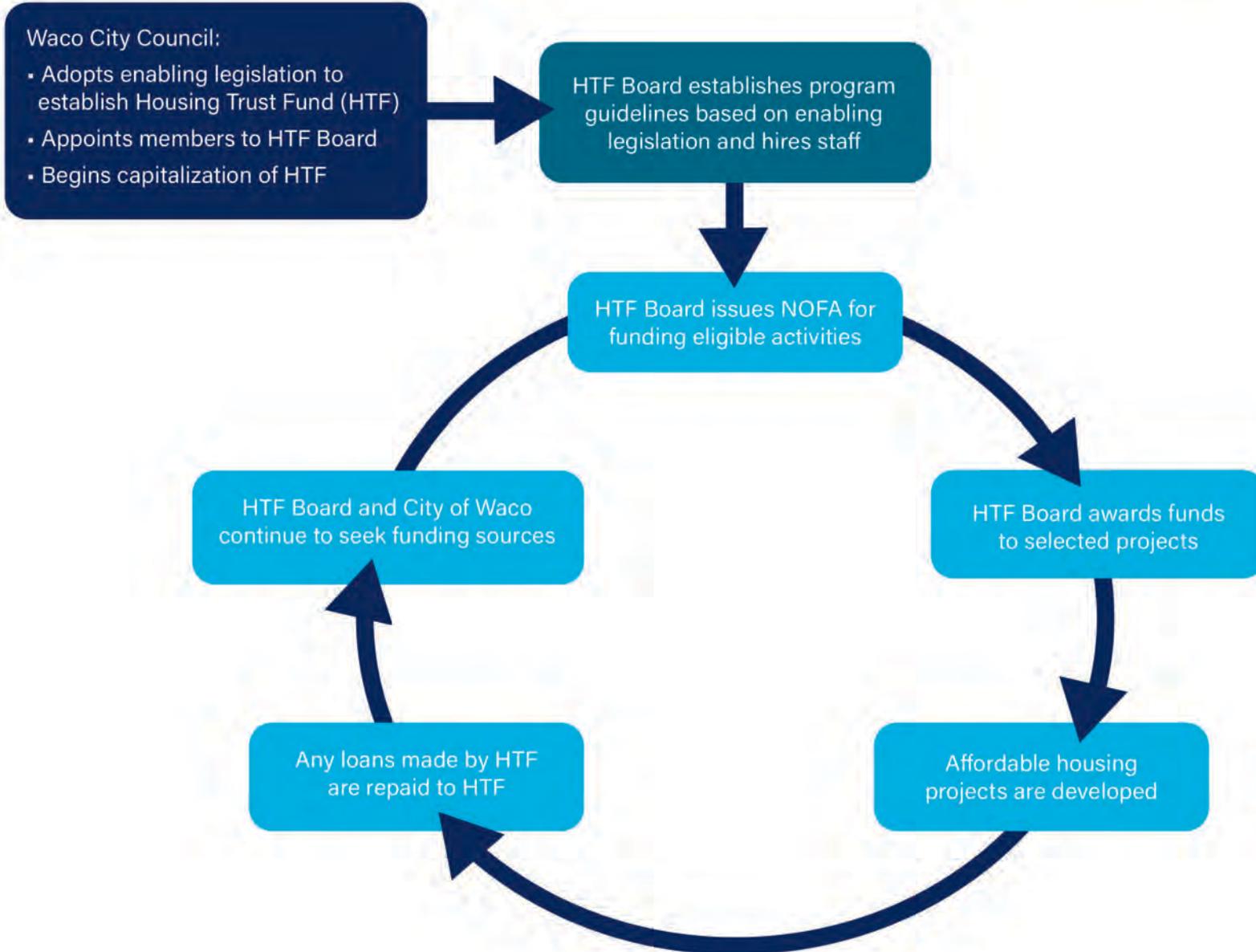
Subsidy Strategy 1:

Establish a local Housing Trust Fund

*Potential Partners:
Heart of Texas Finance
Corporation, Waco
Foundation, Cooper
Foundation*

- Established by local ordinance
- Mechanism through which funds can finance affordable housing initiatives to address local need
- Locally established nonprofit organization under the direction of a board of directors
- Source of funding that is restricted only by the policy and programs established by its board
- Sustainable funds typically use their dollars to leverage even more funding from public sources, thereby generating a substantially greater impact for addressing affordable housing need
- Capitalizing sources: General Fund, STR licensing fees, ARP, local foundations, proceeds from sale of city-owned assets

HOW A HOUSING TRUST FUND WORKS



Subsidy Strategy 2:

Facilitate the Establishment of a Community Land Trust

*Potential Partners:
Heart of Texas Finance Corporation, Waco Foundation, Cooper Foundation*

- Private nonprofit organization whose mission is receiving/acquiring property to be held “in trust” for development of new affordable housing
- CLT acquires land and facilitates rehabilitation or construction of housing on it
- Sales price is set to ensure permanent affordability
- Income-eligible buyers purchase the house from CLT but CLT retains ownership of the land
- Removing the land cost from the development allows the home to be sold at a lower cost
- Tax-foreclosed properties held in trust by the City could be transferred to a CLT

Subsidy Strategy 3:

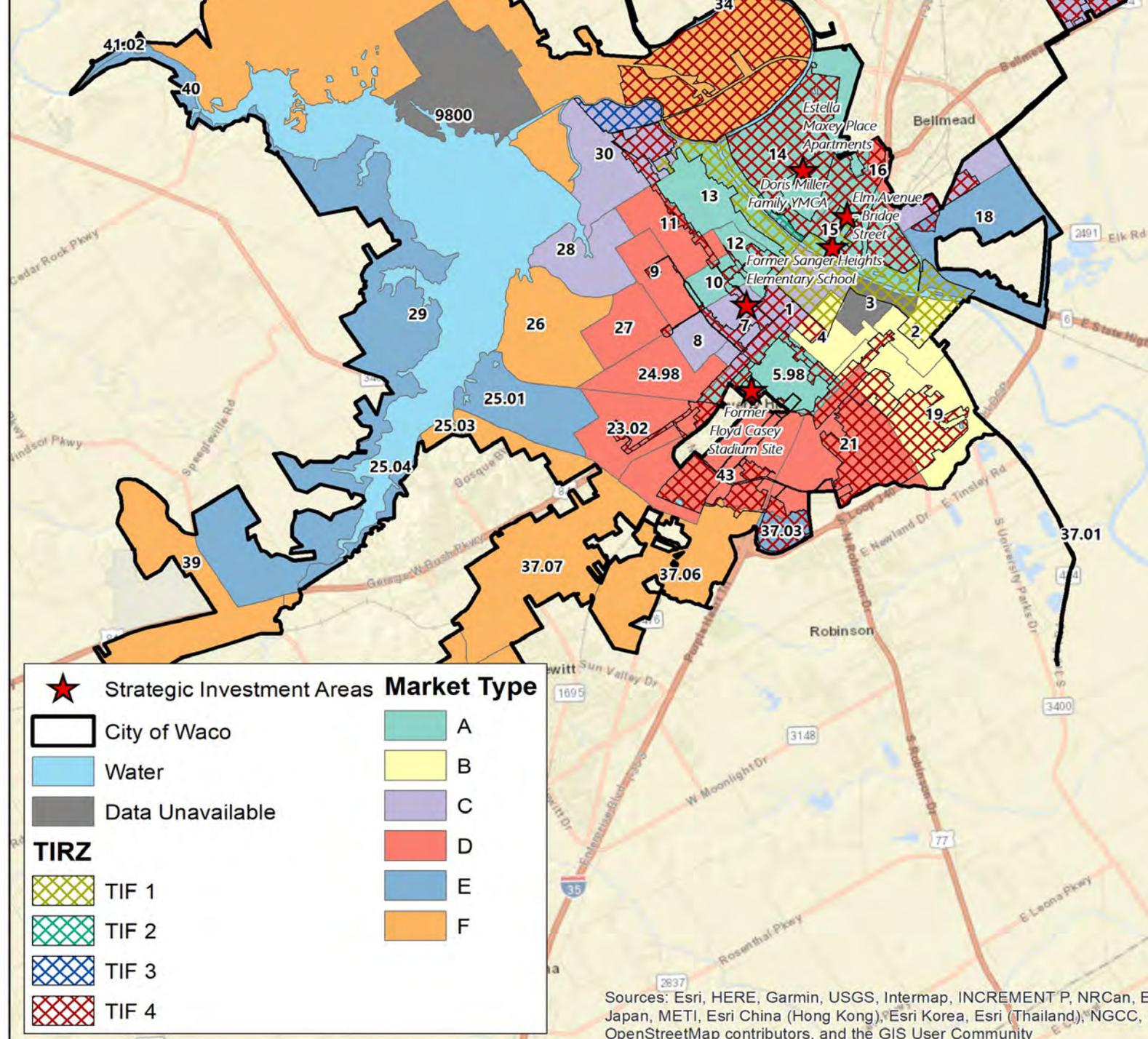
Expand the Rental Tax Abatement Program to include multi-family properties within the Residential Tax Abatement Area

- Incentivize with 10-year tax abatement for new affordable multi-family projects (5+ units), adaptive re-use or preservation of formerly vacant or non-residential structures into affordable residential uses for non-student households
- Another financial incentive to encourage private developers to undertake new affordable rental construction or substantial conversion of larger structures
- If lower property taxes keep operating costs lower, then property owners should maintain affordable rents; prohibit raising rents during the abatement period
- **Market Type Focus: D, E, F**

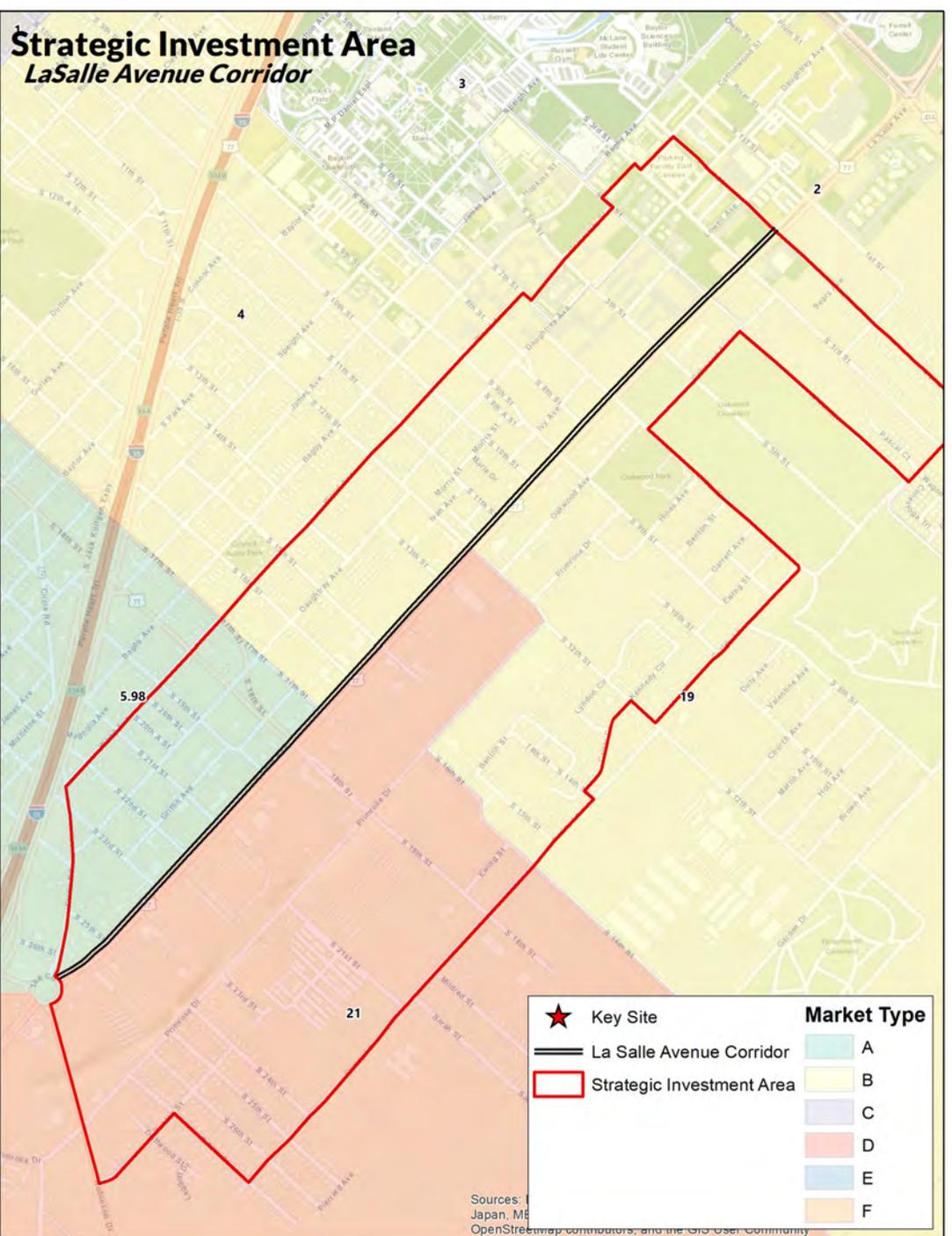
Strategic Investment Areas

Several Strategic Investment Areas were identified. Because these are more development-related than the strategies to address supply, stability and subsidy, they are discussed separately.

- Tax Increment Residential Zones (TIRZ) are found in all market types
- Most Strategic Investment Areas identified in this study are found in the central core of Waco where TIRZ benefits can spur new private investment
- Each of these Strategic Investment Areas will be highlighted on the following slides

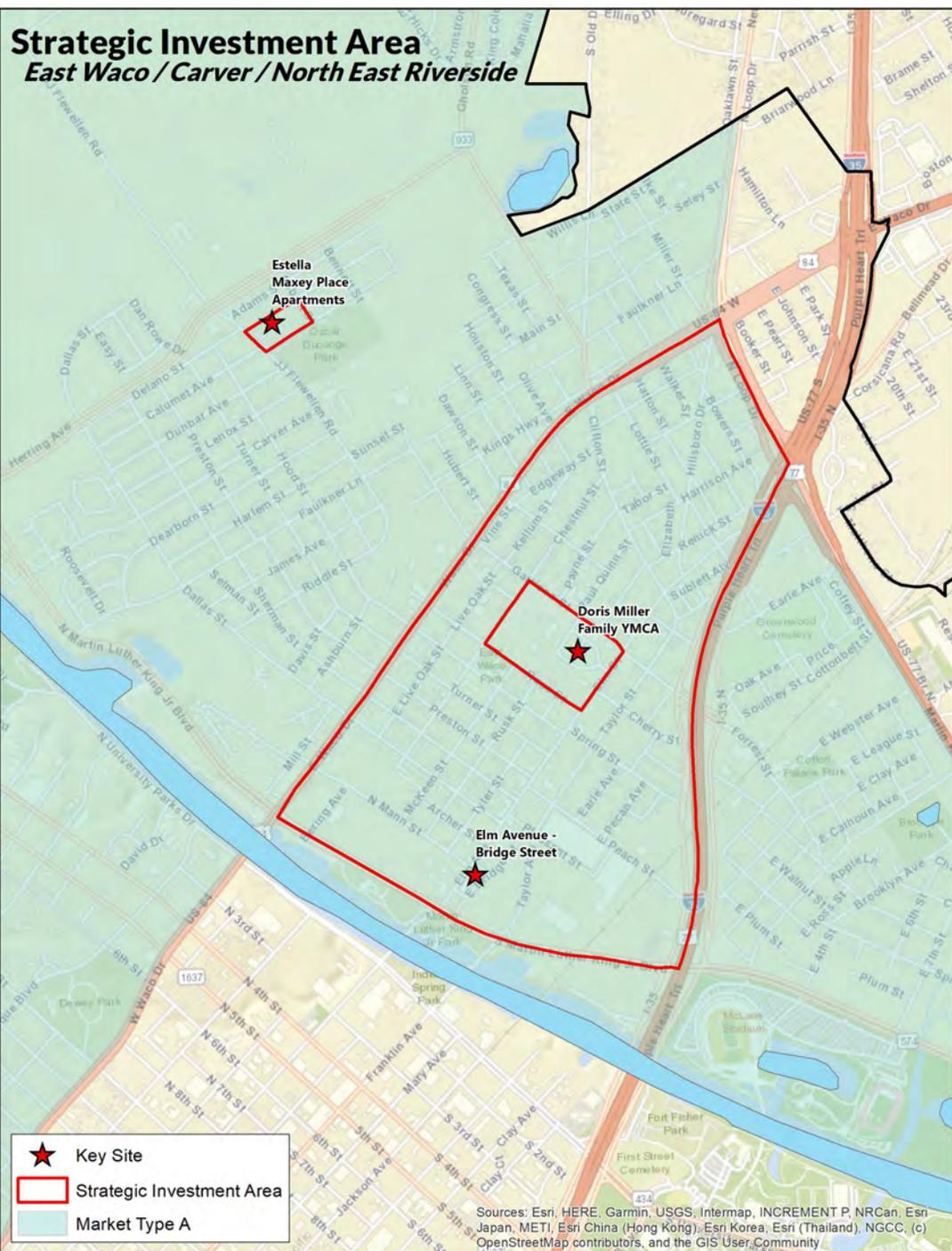


Strategic Investment Area LaSalle Avenue Corridor



- Begin an affordable housing in-infill between Oakwood Avenue and Primrose Avenue given the abundance of vacant parcels
- Potential for affordable housing development on vacant land between 7th and 9th Streets and Hines Avenue and Gurley Avenue
- Partner with Waco Housing Authority to capitalize on the recent RAD Program at South Terrace Apartments
- Acquire vacant residential land/units on either side of LaSalle Avenue near Baylor University to preserve naturally occurring affordable housing
- Work with developers to encourage mixed use/mixed-income multi-family developments along the corridor in exchange for the TIRZ benefits they receive

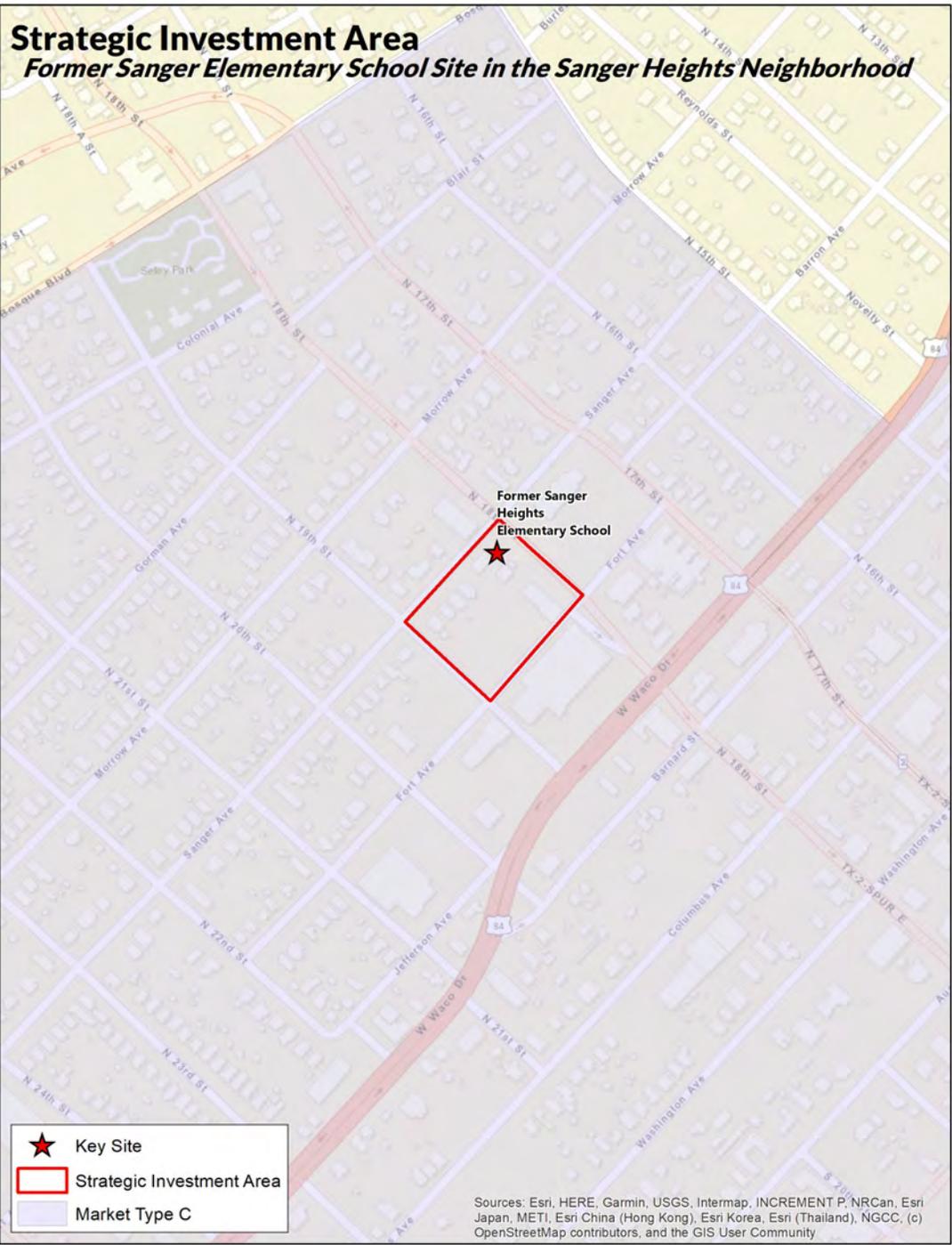
Strategic Investment Area
East Waco / Carver / North East Riverside



- Preserve land and affordable housing stock between Live Oak Street /Chestnut Street/Garrison Street /Preston Street
- Develop comprehensive redevelopment plan for the former Paul Quinn College site in conjunction with the recently acquired Doris Miller YMCA facility and the restoration of Johnson Hall facility
- Provide incentives to assist with establishment of acquisition/rehab or new construction/resale homeownership program to benefit households between 50%-120% median income
- Identify potential sites and developers to implement new multi-family, mixed use affordable housing tax credit project that utilizes the benefits of the TIRZ District
- Partner with Waco Housing Authority to plan for a later RAD phase of Estella Maxey with focus on both rental and sales housing for households up to 80% of median income.
- Design/implement Weatherization Program for homeowners up to 80% of median income to reduce cost burden related to utility costs

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community

Strategic Investment Area
Former Sanger Elementary School Site in the Sanger Heights Neighborhood

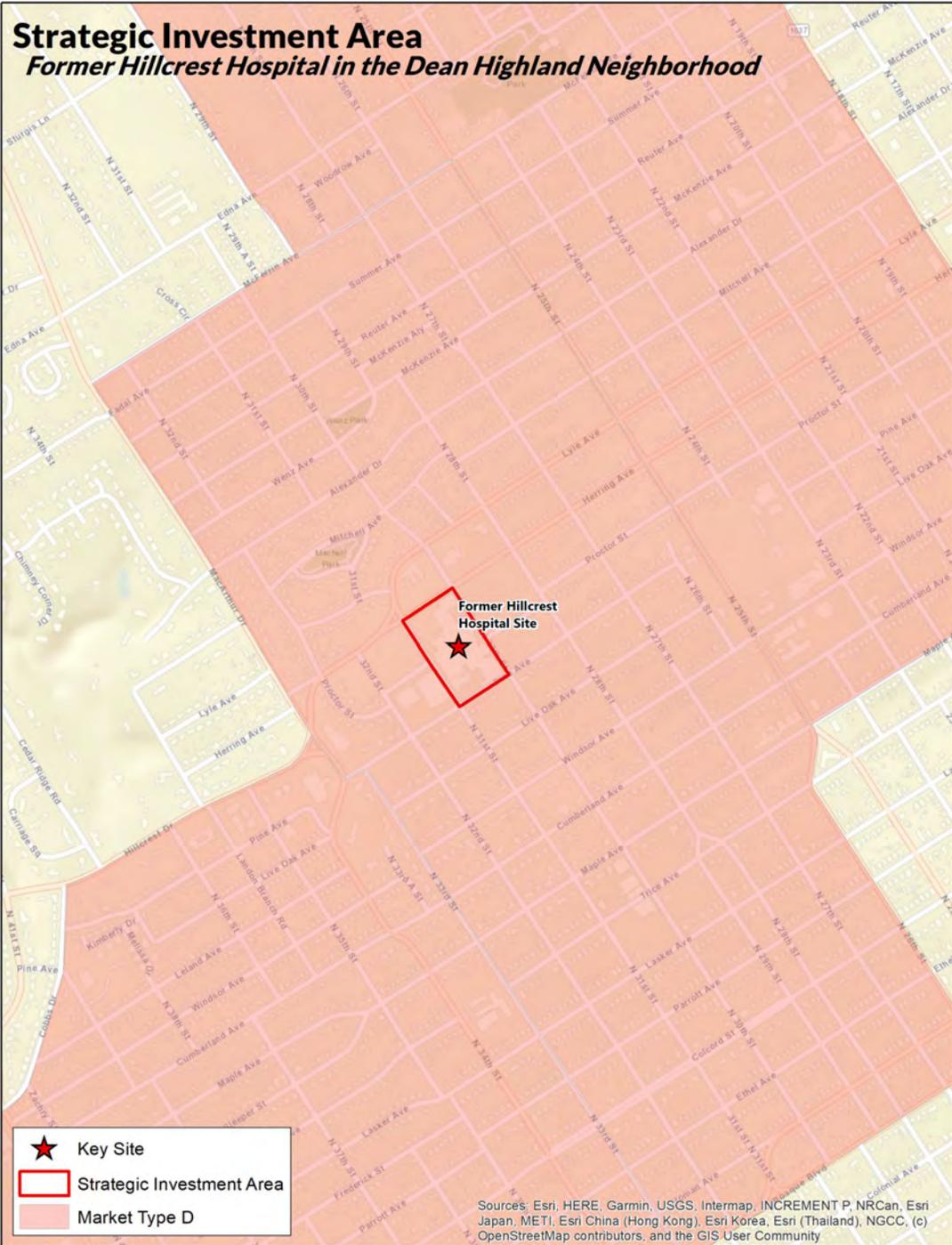


★ Key Site
▭ Strategic Investment Area
▭ Market Type C

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community

- Neighborhood revitalization underway by Grassroots CDC
- Architectural schematic site plan completed for this City block: 20 market-rate and 6 affordable units to be developed
- Financial feasibility analysis with projected sources and uses of funds completed
- Conduct Phase I/II environmental site assessments and related reports to determine if environmental remediation is necessary; public funding can be used to clean the site and prepare to convey to developer
- Target housing rehabilitation funding for surrounding neighborhood
- **Market Type Focus: C**

Strategic Investment Area
Former Hillcrest Hospital in the Dean Highland Neighborhood



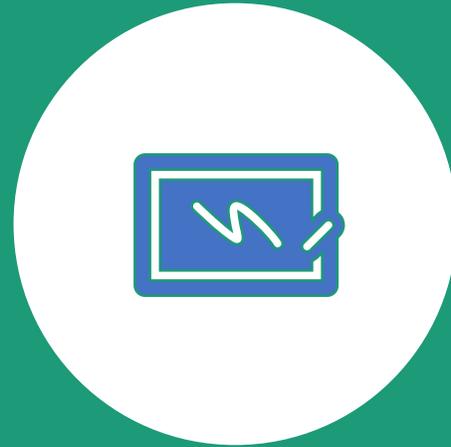
- Former Hillcrest Hospital, privately owned and located along Herring Avenue and North 30th Street, was recently demolished, leaving a 14-acre potentially developable site
- Redevelopment plans are currently unknown
- Waco City Council approved TIRZ for this site
- This site has the potential for a high-density, mixed-use and mixed-income development. As part of the TIRZ assistance, negotiations with the property owner should include an affordable housing set-aside within the overall development plan.
- **Market Type Focus: D**

Strategic Investment Area

Kate Ross RAD Development in Downtown Waco



- Partner with Waco Housing Authority, and other developers, to plan for a later RAD phase of Kate Ross Public Housing site
- Overall development plan should be comprehensive in nature and expand beyond the public housing site and into the surrounding neighborhoods
- Given the location and proximity of the development to the Silos and Baylor, all plans should plan include the preservation of long-term affordability of any new units constructed or rehabilitated
- Redevelopment should also focus on both rental and sales housing for households up to 80% of median income
- **Market Type Focus: B**



Next Steps



Questions?