Waco Strategic Housing Plan

March 2022

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Executive Summary

Waco is a growing city but lacks an adequate inventory of housing units for existing households of all income levels. More specifically, there exists a critical "housing mismatch" where higher income households are residing in units that are affordable to lower income households. Without an adequate supply of units available for higher income households, they rent and buy down-market to meet their housing needs. This exerts greater pressure in a tight market with lower income households negatively impacted the most as they have less income and fewer housing choices.

Among Waco's nearly 49,000 households, 7,185 are precariously housed. These extremely low-income households living at 0-30% of median income account for 14.7% of all households and are paying more than 30% of their income on housing. One missed paycheck, a major car repair, loss of an income earner or a major medical expense could make the difference between being at risk of homelessness and becoming homeless.

Waco's housing challenges can be described in terms of supply, stability and subsidy.

Housing Supply

While the cost of housing is of concern for those unable to secure and maintain housing they can afford, a more significant concern is an inadequate housing supply. Three out of every four existing owner units are affordable to households with incomes up to 80% of median income, equivalent to $32,152. For renters, 83% of the rental stock is affordable to this same income group—but only 10% of the city's entire rental inventory is affordable to extremely low-income households subsisting on an annual income of no more than $12,057. In other words, there are only 2,199 rental units that are affordable for the 7,897 extremely low-income households. And, to make matters worse, about 500 of the 2,199 units affordable to the lowest income households are occupied by higher-income households.

At the opposite end of the income spectrum, there are 2,601 households earning 120% of median income and higher (equivalent to $48,228 and higher). For this group of households, there are only 378 rental units that are affordable to them. The difference between this group of households and the extremely low-income group is that they can afford to find housing outside of their income tier, even if it means renting "down market"—thereby squeezing out lower income households from units that would be affordable to them. The results can be forcing many lower income households to rent units above their affordability level, crowd into units with other households, or move into places unfit for habitation.

Exacerbating the supply challenge is the type of housing being built. New housing construction in Waco has consisted largely of single-family homes, which have accounted for 77% of all housing growth between 2010 and 2019. In contrast, new multi-family units numbered only 540 during the entire decade. Having an adequate supply of physical units to house every household reduces the likelihood of higher income households residing in units that are affordable to much lower income households.

Housing Stability

Development pressure in some of Waco's lower income neighborhoods threatens housing stability for both renters and owners. For current and long-term residents to fully enjoy and participate in the revitalization of their neighborhoods, anti-displacement measures will be required.

Stability is the key to protecting households who reside in gentrifying neighborhoods that are attractive to new investment. Reinvestment and revitalization in older neighborhoods happen because these locations offer some of the highest rates of return for investors. Vacant land and buildings are some of the cheapest in a city and the prospect of seeing something new happen in neighborhoods long neglected is viewed as a positive. But displacement of residents due to development pressure destabilizes their housing and their neighborhood and disrupts the support network they have built over years. Balancing revitalization efforts with preventive displacement measures is the key to stabilizing households. Residents can benefit from better living conditions, new amenities, increasing home values and wealth, local jobs and the possibility of starting small businesses.

Housing Subsidy

When housing supply and stability are not adequate, then subsidies are needed. The waiting lists for public housing and Housing Choice Vouchers in Waco exceed the number of units and vouchers available. Many households who are at risk for becoming homeless live in unsubsidized housing and could benefit from vouchers to subsidize their rent and lower their cost burden, thereby stabilizing a precarious housing situation.

After a decline in homelessness from 2016-2018, the number of people experiencing homelessness has begun rising. Across the six-county Heart of Texas Continuum of Care region, the number of homelessness peaked in 2016 at 267 persons. Following a gradual decline through 2018, this trend has once again reversed. In 2020, a total of 234 homeless persons were counted during the special census event. Most significant is the 54% increase among sheltered households with children between 2019 and 2020. These are homeless households with children under the age of 18 who are living in emergency shelters, safe havens and transitional housing.

A Framework for the Strategic Housing Plan

The Strategic Housing Plan includes a set of goals and recommendations to set Waco on a course to address the inadequacies of its housing supply in meeting demand for households of all income levels, with emphasis on the most precariously housed. The recommendations are categorized into Supply, Stability and Subsidy initiatives. Several recommendations do not fit neatly into one of these three categories and are more administrative in nature but are critical foundational steps necessary to implement the Strategic Housing Plan. They are described as Administrative Strategies.

Administrative Strategy 1: Build a more robust Community Services Department.

The implementation of the plan's recommendations will require the coordination and collaboration of numerous city departments as well as outside partners. The Community Services Department's capacity will need to be expanded with individuals experienced in real estate development, financing, project management, data analysis, community engagement and more. Several of the recommendations in this plan will be implemented concurrently, requiring a high level of administration to manage the level of activity required to maintain a steady forward pace for several years.

Administrative Strategy 2: Prioritize city resources to finance affordable housing initiatives.

Waco is a HUD entitlement community but its annual allocation amounts are woefully inadequate to address the level of housing need. City Council must evaluate how General Fund and other resources can be prioritized to address specific housing initiatives with the goal of expanding the overall inventory. Making a one-time or annual commitment of General Fund revenues to capitalize a Housing Trust Fund (see Subsidy Strategy 1) can provide a dedicated source of funding for small and large development projects–free from the onerous regulations and restrictions of state and federal programs. Proceeds from the sale of city-owned assets (such as vacant land) can also increase the resources available for housing. Included in this category would be the city's continuing support of Tax Increment Reinvestment Zones (TIRZ) whose plans include new residential development. Using TIRZ to support site development costs specifically for this purpose 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 cost of program administration.

Among the STRs registered with the city, approximately two-thirds are located in Market Types A, B and C where most of the city's affordable housing stock is located. The city recently adopted on a permanent basis the prohibition of Type II and Type III STRs in residential districts. The demand for affordable rental housing for lower income Waco households is too high to lose viable housing units to visitors and tourists. Increase the annual licensing fee to cover the full administrative costs of the program.

Administrative Strategy 4: Expand the use of HMIS and use the data to make informed decisions to address homelessness.

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. This allows the community to understand the full continuum of services, identify gaps in services, duplications in services and other barriers to accessing homeless services. The Department of Housing and Urban Development's 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.

There is a need for permanent housing that is affordable to the lowest income households in Waco. The solution to homelessness is permanent housing. Over 60% of households assessed through Coordinated Entry were prioritized for Rapid Rehousing. In order 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. The current PSH units are largely for chronically homeless veterans. There are chronically homeless individuals who do not qualify for these types of units. There is also a need to evaluate the use of 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; however, this may require reducing the requirements to access these beds.

Supply Strategy 1: Increase investment in short-term rental assistance and homeless prevention.

The second most frequent priority score through the Coordinated Entry system is for Diversion or Mainstream Resources. These are often households who are not literally homeless but may be facing a housing crisis and need rent and utility assistance. Often, they have an opportunity to remain in their current housing situation. Homeless prevention programs can provide case management, landlord mediation, financial assistance and some housing location services to help divert households from having to enter the homeless system. By providing short-term, shallow subsidies and case management services, households may be able to stabilize in their current housing and avoid homelessness all together.

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. City records reported a list of potentially 5,000 vacant properties across the city. The extent of this inventory should be verified because many of the properties could be appropriate for acquisition, rehabilitation, development and resale opportunities. Due to the extensive inventory, focusing on a specific neighborhood or market type may be more practical.

There are several related elements to this strategy:

First, begin verification of the location and condition of the vacant properties on the city's list.

Second, explore the implementation of a Vacant Property Registration Ordinance requiring all owners of vacant structures to register their properties with the city. Update the list quarterly from city utility records. Determine a fee schedule that would cover staffing costs to establish and maintain the registry. The collection of fees from vacant property owners should finance program operations rather than city taxpayers. Assess penalties for non-compliance. Deny future applications for building permits or development plans (on other properties) to owners in non-compliance. Aggressively pursue violators. Demolish units no longer feasible for rehabilitation. Assume tax-foreclosed parcels into the City Trust to clear title.

Third, where possible, combine adjacent vacant parcels and package for new development. Issue development RFPs for large parcels appropriate for new multi-family development.

Supply Strategy 3: Amend the zoning ordinance to allow for higher density housing.

Nearly 63% of Waco's housing inventory consists of single-family detached and attached dwelling units. Single-family detached units accounted for 77% of all housing growth (3,089 additional units) between 2010 and 2019. By comparison, multi-family units in structures of five or more units represented only 540 new housing units built between 2010 and 2019. Three strategies are included in this recommendation.

Upzoning refers to increasing the development density of land to permit more development. For this purpose, increasing development means opening up more land in Waco for more housing units to be built. This can be done selectively in specific neighborhoods, across large swaths of the city, or across the entire city. Upzoning does not have to include high density housing but

could include higher density than what exists now. For example, upzoning parcels in accessible and high opportunity locations (transit, grocery stores, jobs) would incentivize more multi-family rental housing, by most measures the more affordable housing option over single-family units. By opening more land for more housing, more developers can build housing and low- and moderate-income households can access more affordable housing.

Permit accessory dwelling units (ADU) on residential lots to increase housing supply in single family neighborhoods. ADUs are smaller residential units built on lots with a principal residential structure. They provide living quarters for aging parents, adult children, and non-family members who need small affordable units.

Provide density bonuses (increase density; reduce height limits, setbacks, lot width, lot coverage and minimum parking requirements) to incentivize developers to build more housing with a specified percentage of the units affordable to lower income households. This harnesses the private market to develop new affordable units while ensuring that the market-rate development remains profitable. The density bonuses are less costly for the city than financial incentives such as reduced fees, tax abatements or other subsidies. This is not a mandatory set-aside program but a voluntary incentive that, if designed right, can increase the number of units originally proposed by the developer and secure new affordable housing units.

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. This is a significant boost above the Texas minimum wage of $7.25, which is only 36% of median income. Recognizing that it cannot build its way out of affordable housing, Waco City Council recently increased the minimum wage for all city jobs to $15/hour in an effort to substantially lift its employees' financial capacity to find affordable housing with less likelihood of being cost-burdened. This initiative provides improved opportunity for households to rent or buy "up-market", thereby making available lower cost units where needed.

Stability Strategy 2: Seek Neighborhood Revitalization Strategy Area (NRSA) designation in qualifying neighborhoods.

Entitlement communities receiving Community Development Block Grant (CDBG) program funds are encouraged by HUD to develop Neighborhood Revitalization Strategy Areas for specific neighborhoods in which new investment would benefit from certain incentives. The designation of an NRSA eases some of the regulatory requirements of the CDBG program. To qualify, the neighborhood must include a contiguous area, primarily residential in nature, with a percentage of low- and moderate-income persons that is 70% but not less than 51%.

The incentives provided through NRSA designation include the following:

1) *Job creation / retention as LMI area benefit: such activities may qualify as meeting area benefit requirements, thereby eliminating the need for individual businesses to track the income of persons considered for, or who fill, such jobs.*

2) *Aggregation of housing units: housing units occupied by non-LMI households can be assisted if at least 51% of the total housing units assisted are occupied by LMI households.*

3) *Aggregate public benefit standard exemption: jobs created with CDBG funds are exempted from the regulatory requirements of requiring the creation of one job per $35,000 investment of CDBG funds*

4) *Public service cap exemption: public service activities carried out by community-based development organizations are exempt from the regulatory 15% cap on public service activities.*

One of the lesser-known benefits of an NRSA is the potential to economically integrate a neighborhood. Through the easing of the regulatory requirements, the city could invest CDBG funds and assist non-LMI housing units, households and businesses located in an NRSA, thereby creating opportunities for mixed-income neighborhoods to evolve and thrive. NRSAs have a greater likelihood of success if the locations are selected in consideration of other development activities, either within the eligible area or in close proximity to it.

Stability Strategy 3: Expand the city's housing rehabilitation programs to increase production and focus on targeted city blocks.

These activities preserve owner-occupied units for households up to 80% of median income. A recent study in Philadelphia revealed that city-funded rehabilitation activities in historically segregated, low income, Black and Hispanic neighborhoods resulted in a decrease in crime by 21.9% on that block. As other homes on the block were rehabilitated, the crime rate dropped even more. The repairs included structural repairs such as replacement of an exterior wall to stop leaking, electrical repairs that replaced malfunctioning circuits, among other types.

Stability Strategy 4: Establish a Rental Registration Program.

Rental registration programs require owners of multi-family properties to register with the city. An annual fee ranging from $10-$25 per unit is usually required and can offset administrative costs. Rental registration programs give city code inspectors the authority to inspect the interior and exterior of rental units on a rotating basis, typically once every three to five years. A significant advantage for having a rental registry is a greater level of protection for tenants. Many tenants, including immigrants, may not report deficiencies in their rental units for fear of retaliation from their landlord, including eviction or threats of deportation. In addition, code violations reported by tenants are more frequently related to environmental conditions (such as mold) and not the more serious major structural deficiencies. Rental registration can catch code violations before the problems become too expensive to repair. It can also deter code violations among property owners who might otherwise defer regular maintenance.

Stability Strategy 5: Identify NOAH rental housing for acquisition with public funds to preserve as affordable housing.

Target NOAH properties that are offered for sale and located in or in close proximity to gentrifying neighborhoods. Acquiring these and making them permanent affordable housing is much more feasible than financing new development. Provide financing to rehabilitate the units, if needed, 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 revenues. Once the loan is paid off, rental income above which is needed to maintain and operate the units can be set aside for future reserve funding needs. This activity protects NOAH units from being converted to market-rate housing. It is also a strategy for acquiring a NOAH building with HOME-ARP funds to convert to permanent supportive housing.

Subsidy Strategy 1: Establish a local Housing Trust Fund.

A housing trust fund is established by local ordinance and has several benefits. First, it is a mechanism through which its funds can be used to finance affordable housing initiatives to address local need. Second, it is a locally established nonprofit organization under the direction of a board of directors. Third, it is a source of funding that is restricted only by the policy and programs established by its board (i.e., it is not encumbered by state and federal regulations). And, it can be used to leverage additional private and public resources, thereby expanding the potential non-local resources available to the city for addressing affordable housing need.

To be successful and sustained over time, a housing trust fund must have a dedicated stream of funding. Periodic grants and other one-time sources are certainly good, but the focus of the trust fund is better spent on investing its funding rather than constantly raising funds. Common dedicated sources include general fund annual line items but also real estate tax transfer or recordation fees. Sustainable trust funds typically use their dollars to leverage even more funding from public sources, thereby generating a substantially greater impact. Because these are local funds, for the most part, eligible activities can vary from predevelopment costs, construction, rehabilitation and services tied directly to supportive housing, among others. Dispersed funding can be in the form of grants or loans with the latter providing a source of recurring revenue back to the trust fund.

A housing trust fund should be stablished by local ordinance and include the number and composition of board members (such as representatives from real estate, lending, legal, housing development, supportive housing providers, financing, etc.) along with their terms of office. Sources of potential funding must be described as well as eligible activities and qualifying applicants. An annual report to City Council should be required.

Staffing needs for a housing trust fund can vary, depending on the funding and activity levels. A director with extensive financing and housing development experience is best.

Subsidy Strategy 2: Establish a Community Land Trust.

Establish a Community Land Trust, a private nonprofit organization whose mission is receiving and acquiring property to be held "in trust" for development of new affordable housing. Typically, a CLT will acquire land and facilitate the rehabilitation or construction of housing on it. With single-family units, the sales price is an affordable one to ensure permanent affordability. Income-eligible buyers purchase the house from the CLT, but the CLT retains ownership of the land. By removing the cost of the land from the development of the unit, the home can be sold at a lower cost. The homebuyer must qualify for a mortgage and also pay the CLT a small monthly lease for the land. If the owner sells the house, the CLT will set the new sales price to ensure affordability and the seller recoups their original investment plus a pro-rated share of the equity based on appreciation. A new income-eligible homebuyer can

purchase the home. CLTs can also develop multi-family rental housing in a similar way with affordable rents set to the median income for income-eligible renter households.

Tax-foreclosed properties held in trust by the city could be transferred to a CLT. In this way, income-eligible homebuyers would only need to finance a mortgage for the sales price of the unit because the CLT would retain permanent ownership of the land on which the home sits.

Subsidy Strategy 3: Expand the Rental Tax Abatement Program to include multi-family properties or adopt a comparable program for multi-family properties within the Residential Tax Abatement Area.

Another incentivizing tool for developers is a 10-year tax abatement for new affordable multi-family projects consisting of more than four units and for the adaptive re-use or preservation of formerly vacant or non-residential structures into affordable residential uses for non-student households. For a mixed-income property, provide the tax abatement on the affordable units.

Providing a tax abatement is another financial incentive the city can offer to encourage private developers and builders to undertake new affordable rental construction or substantial conversion of larger structures. Cities expect to break even when they grant tax abatements: the amount they forgo in tax revenue from the new development until it is completed should be exceeded by the tax revenue increase caused by the new housing's economic impact. If lower property taxes keep operating costs lower, then property owners should maintain affordable rents. At the very least, a prohibition against raising rents during the abatement period should be part of the written agreement.

Introduction

The Waco Strategic Housing Plan is an analysis of the local housing market with a focus on how well the market is meeting housing demand. There are several factors that drive housing affordability in Waco. ***Household growth*** demands more housing as the population increases, and as life events occur—marriage, divorce, adult children moving out of their parents' homes—causing new household formation. The regional ***economy*** and the jobs and wages available to residents determine how much households can spend on housing.

Housing costs, driven by supply and demand, are a component of affordability. Regional and local trends and pressures influence how high rents might increase and what monthly mortgage payments may be. ***Housing supply***, in the case of Waco, is a critically important factor of affordability. An inadequate supply for lower income households contributes to cost burden. But an inadequate supply for higher income households, who have more options with more income, causes them to buy or rent "down-market", often squeezing out lower income households in competition for the same units.

Finally, ***development pressure*** in some Waco neighborhoods where revitalization is underway can threaten the sustainability of long-term homeowners and renters who want to remain in their housing, living among the support systems in their neighborhoods. If left unchecked, revitalization can cause displacement due to rising rents and property taxes as development is built for new, higher income households rather than current residents.

Examining how these factors converge and impact Waco's housing market offers insight into how well the market meets current and future demand.

The framework for this analysis is the six market types identified across Waco. Based on comparable trends and conditions, the citywide housing market was categorized into six distinct submarkets. This approach lends itself to developing goals and strategies that are appropriate for a group of Waco's diverse neighborhoods regardless of their location across the city.

About the Data Used in this Plan

The research and analysis for this plan was begun in January 2021. Current data available at that time was the 2015-2019 American Community Survey and the 2013-2017 Comprehensive Housing Affordability Strategy data. Where trends over time were identified, 2000 and 2005 ACS data were used. One of the most useful sources for determining cost burden is HUD's formulated Comprehensive Housing Affordability Strategy (CHAS) data set. Additionally, current data obtained from a variety of local, state, regional and federal agencies were incorporated into the analysis. These are identified throughout the plan.

The U.S. Census Bureau's release of the 2020 decennial Census and the 2016-2020 American Community Survey until sometime in 2022 was delayed due to problems with low survey responses that occurred during the Covid-19 pandemic.

The 2020 Redistricting Data released in July 2021 has been incorporated where appropriate, but the data sets are very limited. They included total population by race and ethnicity, total housing units by occupancy status, the population 18 years of age and older and group quarters.

Defining Affordability

The concept of affordability is a key focus when analyzing how well a housing market meets housing demand for all income levels in a community. A number of terms are used consistently throughout this report to refer to specific housing concepts, many of which are based on the level of affordability.

- *Housing costs*: Homeownership costs include mortgage principal and interest, taxes, insurance and utilities. Rental costs include rent and utilities.
- *Affordability*: Housing is affordable if a household pays no more than 30% of their income on all housing costs.
- *Median family income*: Income calculations published by HUD for states, counties, cities and large urban areas that are adjusted for household size.
- *Area median household income*: Income calculation provided by the American Community Survey for a given geographic area as a reference point. This income is not adjusted for household size like the median family income, and so it is usually a smaller number.
- *Extremely low-income*: 30% or less of the median income.
- *Very low-income*: 31% to 50% of the median income.
- *Low-income*: 51% to 80% of the median income. "Low-income" can also be used as a catch-all term for any household earning up to 80% of the median income.
- *Moderate-income*: 81% to 100% of the median income.

$0 - $12,057
Extremely Low-Income
(0-30% median household income)

$16,910 Federal Poverty Level
(2019, family/household of two)

$12,058 - $20,095
Very Low-Income
(31-50% median household income)

$25,750 Federal Poverty Level
(2019, family/household of four)

$20,095 - $32,152
Low-Income
(51-80% median household income)

$32,153 - $40,190
Moderate-Income
(81-100% median household income)

$40,190 ACS Median Household Income
(2019, not dependent on household size)

$40,191 - $48,228
Middle-Income
(101-120% median household income)

$64,500 ACS Median Household Income
(2019, family/household of four, includes all McLennan County)

- *Middle-income*: 101% to 120% of median income. This study focuses on households in Waco earning up to 120% of the median income.
- *Poverty*: The federal poverty threshold for a family of four in 2019 was $25,750 per year. This was equal to 64% of Waco's 2019 median family income.
- *Cost burden*: HUD defines any household paying more than 30% of income on housing expenses as "cost-burdened."
- *Severe cost burden*: Any household paying more than 50% of income on housing expenses.
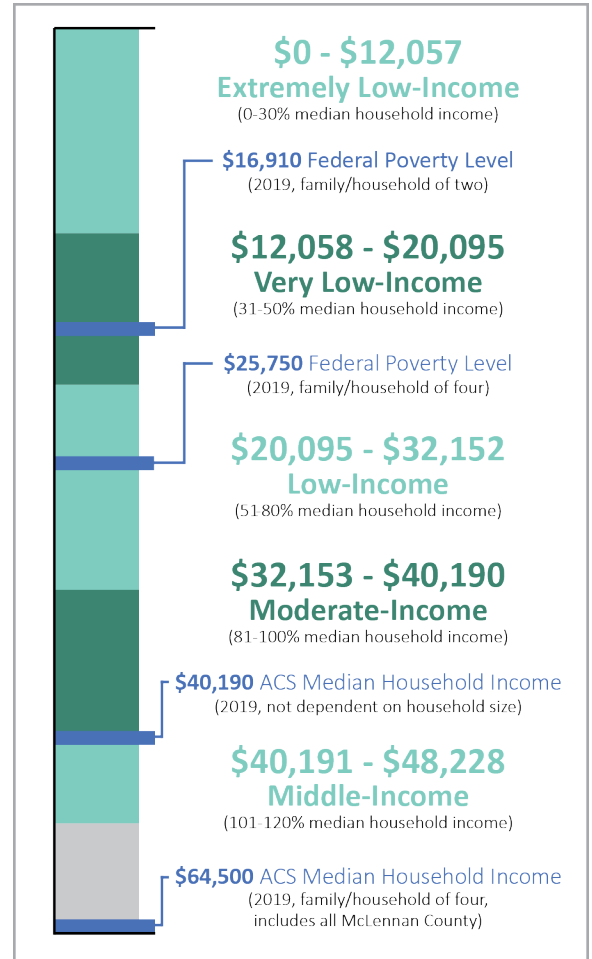
For more information on income, see *Appendix A*.

Housing Market Types

Waco's housing market was analyzed by defining the market types across the city. Regardless of location, groups of several Census tracts share common characteristics and trends. By categorizing these Census tracts into discrete categories, it becomes easier to recommend appropriate initiatives for each market type. 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 can have the greatest impact. For example, a market type consisting of stable neighborhoods with older housing stock might benefit from housing rehabilitation to preserve existing units that are affordable to low- and moderate-income households. By comparison, a market type with a higher level of activity (i.e., a higher level of buying and selling of housing units) located on a major corridor with public transit access might benefit from increasing density through zoning to expand housing inventory. Market typology is also useful as a local planning tool to assist residents in understanding the housing market forces impacting their neighborhoods. It is against the backdrop of the market types that other trends and conditions are presented and analyzed throughout this plan.

The market types used in this study are composed of three elements—the level of **housing market activity**, **access to opportunity** and **neighborhood change** over the last decade—and labeled A, B, C, D, E and F. These are summarized on the following pages and color-coded in the Market Type maps.

Housing Market Activity
The level of housing market activity was determined by the data points included below.

Housing Market Activity Variables (1 of 2)							
Market Type	% Change in Homeowners, 2010-2019	% Change in Renters, 2010-2019	% Cost-burdened Homeowners with a Mortgage, 2019	% Cost-burdened Homeowners without a Mortgage, 2019	% Cost-burdened Renters, 2019	Median Home Value, 2019	% Change in Median Home Value, 2010-2019
A	16.5%	-11.8%	43.5%	34.1%	60.0%	$ 57,460	29.0%
B	-19.5%	28.7%	54.1%	15.4%	76.8%	$105,925	68.0%
C	22.8%	22.0%	43.5%	17.7%	55.2%	$ 94,800	29.6%
D	-4.0%	16.8%	35.7%	15.2%	50.3%	$ 84,750	25.9%
E	8.8%	5.6%	28.4%	12.0%	35.8%	$172,800	31.6%
F	17.3%	25.1%	23.3%	13.8%	39.5%	$181,775	31.6%

Housing Market Activity Variables (2 of 2)						
Market Type	Median Gross Rent, 2019	% Change in Median Gross Rent, 2010-2019	Number of Flips	Number of STRs	Median Year Structure Built, 2019	Change in Vacancy Rate, 2010-2019	Unemployment Rate, 2019
A	$ 690	19.2%	24	25	1960	1.9%	8.5%
B	$ 804	17.5%	23	31	1984	-1.5%	7.9%
C	$ 899	28.1%	96	76	1969	-4.4%	4.5%
D	$ 844	15.4%	187	21	1965	-1.3%	4.0%
E	$ 981	8.4%	49	5	1981	4.2%	3.6%
F	$ 1,179	28.1%	276	17	1986	-1.7%	2.9%

Neighborhood Change

Neighborhood change was determined by the data points listed below.

Market Type	Population Growth, 2010-2019	Change in Whites, 2010-2019	Change in Blacks, 2010-2019	Change in Hispanics, 2010-2019	Median Income, 2019	Change in Median Income, 2010-2019	Median Gross Rent, 2019	% Change in Median Gross Rent, 2010-2019
				Neighborhood Change Variables				
A	-3.9%	-28.5%	-3.7%	73.9%	$26,771	12.0%	$ 690	19.2%
B	15.8%	20.4%	16.7%	40.1%	$17,298	54.5%	$ 804	17.5%
C	17.3%	14.6%	40.2%	28.1%	$39,620	22.0%	$ 899	28.1%
D	5.7%	-15.4%	10.7%	36.6%	$38,998	27.3%	$ 844	15.4%
E	15.8%	-0.1%	182.0%	105.9%	$71,542	17.7%	$ 981	8.4%
F	19.3%	8.8%	75.2%	83.0%	$73,599	18.1%	$ 1,179	28.1%

Market Type	Median Age, 2019	% Change in Median Age, 2015-2019	% Age 25-34, 2019	Change in % Age 25-34, 2015-2019	% With Bachelor's Degree or Higher, 2019	Change in % with Bachelor's Degrees or Higher, 2015-2019	Number of Flips
				Neighborhood Change Variables			
A	28.1	-5.2%	11.9%	-0.3%	9.4%	1.4%	24
B	23.3	-2.1%	11.0%	0.2%	30.1%	2.0%	23
C	33.9	2.2%	14.9%	1.1%	22.8%	4.0%	96
D	30.8	1.2%	16.4%	0.8%	13.5%	2.2%	187
E	38.2	2.3%	12.6%	-0.5%	27.1%	-0.9%	49
F	41.3	3.5%	12.4%	-0.5%	35.6%	2.6%	276

Access to Opportunity

The Opportunity Index identifies areas in which new developments may be more financially feasible in the long-term due to proximity to factors that allow residents to have successful access to employment, public transit, and a healthy environment.

The following data sources were used in creating the Opportunity Index:

1. Longitudinal Employer-Household Dynamics (LEHD) – provides the number of non-federal workers and jobs in a Census tract.

2. Waco Transit System (WTS) – uses the WTS's General Transit Feed Specification to identify public transit stops throughout Waco.

3. Health Resources and Services Administration (HRSA) Shortage Designation – designates Census tracts as Medically Underserved Areas (MUAs). MUAs have too few primary care providers, high infant mortality rates, high poverty rates, and/or high elderly populations.

4. USDA's Food Access Research Atlas – provides a spatial overview of food access indicators by Census tract using the share of a tract's population that are low-income and residing beyond ½ mile from a supermarket.

5. EPA's EJSCREEN Tool – combines both environmental and demographic information to visualize environmental justice geographically. Environmental indicators include National Air Toxics Assessment (NATA) Air Toxics Cancer Risk, NATA Respiratory Hazard Index, NATA Diesel PM, Particulate Matter (PM2.5), ozone, lead paint, traffic proximity and volume, proximity to risk management plan sites, proximity to treatment storage and disposal facilities,

proximity to National Priorities List sites, and wastewater discharge. Demographic factors considered include low-income status, racial and ethnic status, educational attainment, linguistic isolation, individuals under age 5 and individuals over age 64.

These variables cannot be presented in a chart as easily as the variables used to calculate the Housing Market Activity Index and the Neighborhood Change Index.

Understanding the market types, their respective characteristics in addition to the factors affecting affordability, will help inform the city's strategy for preserving and creating affordable housing units.

Each of the six market types are illustrated and described on the following pages. In each of the six market type maps, three Census tracts are gray, indicating that insufficient data were available to include them in the market typing. These included: Census tract 3 (Baylor University campus), Census tract 33 (consisting primarily of Texas State Technical College and TSTC Waco Airport), and Census tract 9800 (Waco Regional Airport). Additionally, because the market types are Census tract-based, city neighborhoods may cover more than one market type.

Market Type A

Market Type A neighborhoods include six Census tracts (5.98, 10, 12, 13, 15 and 15) that are close or adjacent to Downtown—Carver, North East Riverside, Brook Oaks, Sanger Heights and North Waco.

Population
Market Type A neighborhoods in Waco are the only ones to experience overall population decrease—the largest decrease occurring among white residents accompanied by a large increase in Hispanics with a minimal increase in Black residents. Residents have the highest unemployment rate with the second lowest median income. These neighborhoods trend younger with a below-average age of 28 and a low percentage of individuals with a bachelor's degree or higher.

Tenure
There is an above-average increase in homeowners along with a minor decrease in renter households. There are high rates of cost-burden for both renters and homeowners.

Housing
Overall, this is a relatively weak housing market. Market Type A includes the lowest housing values and the oldest housing stock in Waco, most likely due to their location as primarily first-ring residential neighborhoods around Downtown. This is indicative of a housing stock in need of rehabilitation accompanied by new housing development. The increase in Hispanic residents may be contributing to the increase in homeownership along with a modest increase in housing value. There is a low number of housing flips and a below-average number of short-term rentals. This market type has the lowest gross rent but still experienced a moderate increase in gross rent by 2019.

Access to Opportunity
Due to their location adjacent to Downtown, residents in this market type experience high levels of access to public transit and job centers. Unfortunately, their location in medically underserved areas, lengthy distances to supermarkets, lower incomes and environmental hazards result in relatively high levels of health disparity.
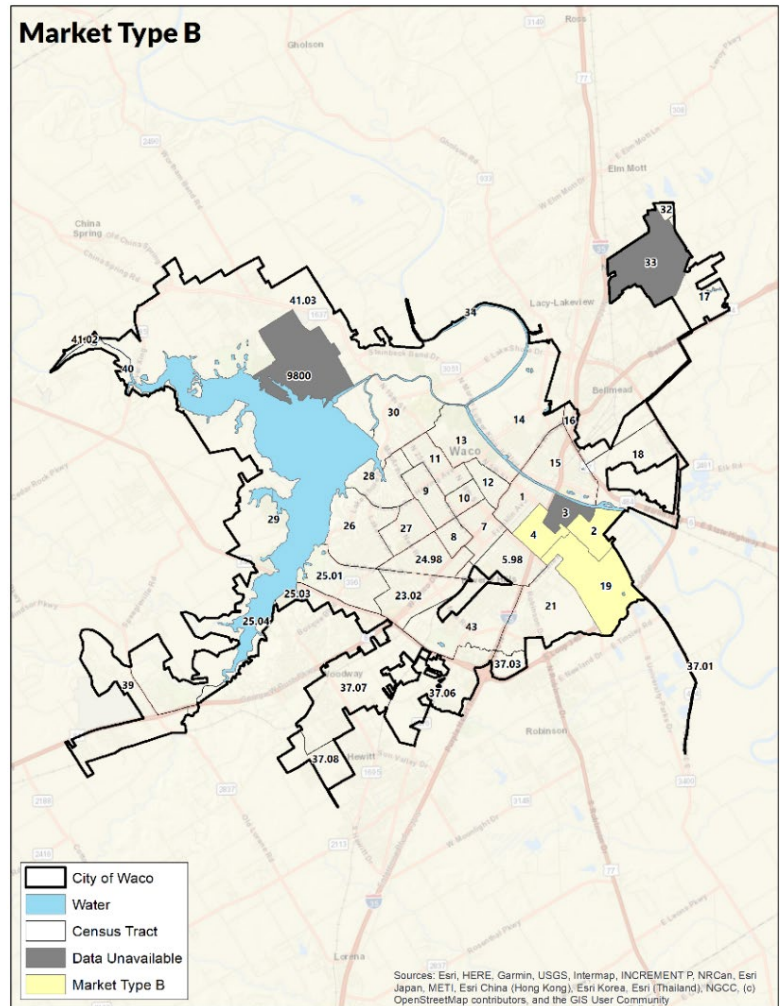
Market Type B

Market Type B neighborhoods include three Census tracts (2, 4, and 19) that surround Baylor University with Census tract 4 also adjacent to Downtown. This market type includes the neighborhoods of Baylor and Oakwood.

Population

Market Type B neighborhoods reflect the heavy influence of Baylor's very large college student population and the residents living in close proximity to the university. These seemingly unrelated characteristics reflect college students, faculty and others living in these neighborhoods. The lowest median income in Waco, the youngest population (average 23 years), the second highest unemployment rate and the highest levels of educational attainment describe the demographics. A moderate population increase is reflected by an increase in white residents with a slight increase in Blacks and Hispanics.

Market Type B

Legend:
- City of Waco
- Water
- Census Tract
- Data Unavailable
- Market Type B

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

Tenure

The city's largest decrease in homeowners occurred in Market Type B along with an above-average increase in renters. This could result from an increase in investors acquiring units in the owner-occupied inventory to convert to rental housing for university students, faculty and/or short-term rentals. The city's highest rates of cost burden among renters and homeowners with mortgages are found here. College students are typically cost-burdened due to their lower incomes, even if residing in off-campus rental housing.

Housing

Market Type B includes a newer housing stock with average home values in 2019. Between 2010-2019, the largest increase in housing value citywide occurred. These neighborhoods appear to be attractive to investors with an above-average number of short-term rentals due to their close proximity to the university, Downtown and other tourist attractions. A comparable trend occurred in the rental inventory with a moderate increase in gross rents between 2010-2019.

Access to Opportunity

Due to the location of Baylor University and its proximity to Downtown, residents have high access to job centers with low-to-moderate levels of access to public transit. Low access to supermarkets and environmental hazards result in the highest level of health disparity among all market types.

17

Market Type C

Market Type C neighborhoods include six Census tracts (1, 7, 8, 17, 28 and 30) comprising all or parts of Sanger Heights, Brookview, Cedar Ridge, Landon Branch, Technology Village and Downtown Waco.

Population
Market Type C has experienced a large increase in population, primarily driven by a moderate increase in Blacks. White residents experienced a moderate decrease while Hispanics increased slightly. The average age is 34 years. A moderate percentage of residents with a bachelor's degree or higher is reflected in below-average unemployment and median income.

Tenure
The city's highest increase in homeowners occurred in Market Type C along with a moderate increase in renter households. Moderate rates of cost burden are found among renters and homeowners.

Market Type C

Legend:
- City of Waco
- Water
- Census Tract
- Data Unavailable
- 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

Housing
The highest number of short-term rentals are located in these neighborhoods, most likely due to the attraction of Downtown and Baylor University. The below-average housing values of an older housing stock most likely contributed to this trend, making the creation of short-term rentals a financially attractive investment. This, in turn, may have contributed to being the only market type to experience a decrease in vacant housing units. Rehabilitation of the housing stock would be appropriate. Market Type C tied with Market Type F for the highest increase in gross rent from 2010-2019. By 2019, these neighborhoods had average gross rent rates.

Access to Opportunity
The inclusion of Downtown Waco in Market Type C means the highest access to job centers for residents in these neighborhoods. Similarly, they enjoy high levels of access to public transportation and average health equity.
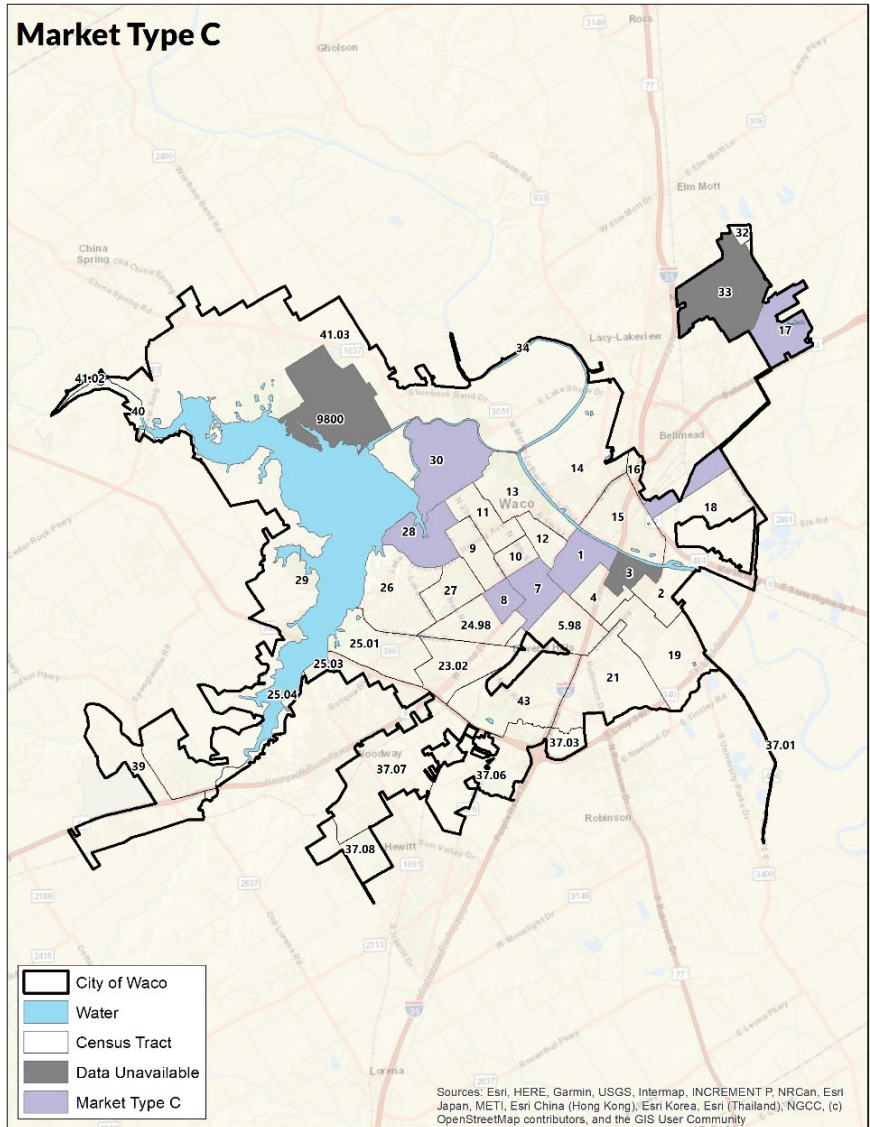
Market Type D

Market Type D includes all or part of eight Census tracts (9, 11, 16, 21, 23.02, 24.98, 27 and 43) forming an arc through the heart of Waco. This includes North Waco, Heart of Texas, Brookview, Richland Hills, Kendrick, Alta Vista, and the small northern tip of North East Riverside. A significant amount of general commercial and neighborhood commercial districts are found throughout this market type.

Population
Market Type D experienced slight overall population growth resulting from minimal increases among Black and Hispanic residents. A low rate of bachelor's degrees or higher is reflected in a below-average median income; however, the unemployment rate is below average.

Tenure
Some change was noted due to a moderate increase in renter households and a minimal change in owner-occupied units. Moderate rates of cost burden were experienced by both renters and owners.

Housing
Market Type D has an older housing stock with below-average housing values with the lowest increase in housing values occurring among all market types in these neighborhoods—all of which indicate a need for preservation of affordable housing through rehabilitation. This lower cost market experienced a high number of housing flips but has a below-average number of short-term rentals. A low gross rent increase between 2010-2019 resulted in a moderate gross rent throughout the market type in 2019.

Access to Opportunity
Residents in Market Type D enjoy high levels of access to public transit, the highest access to job centers and above-average health equity.
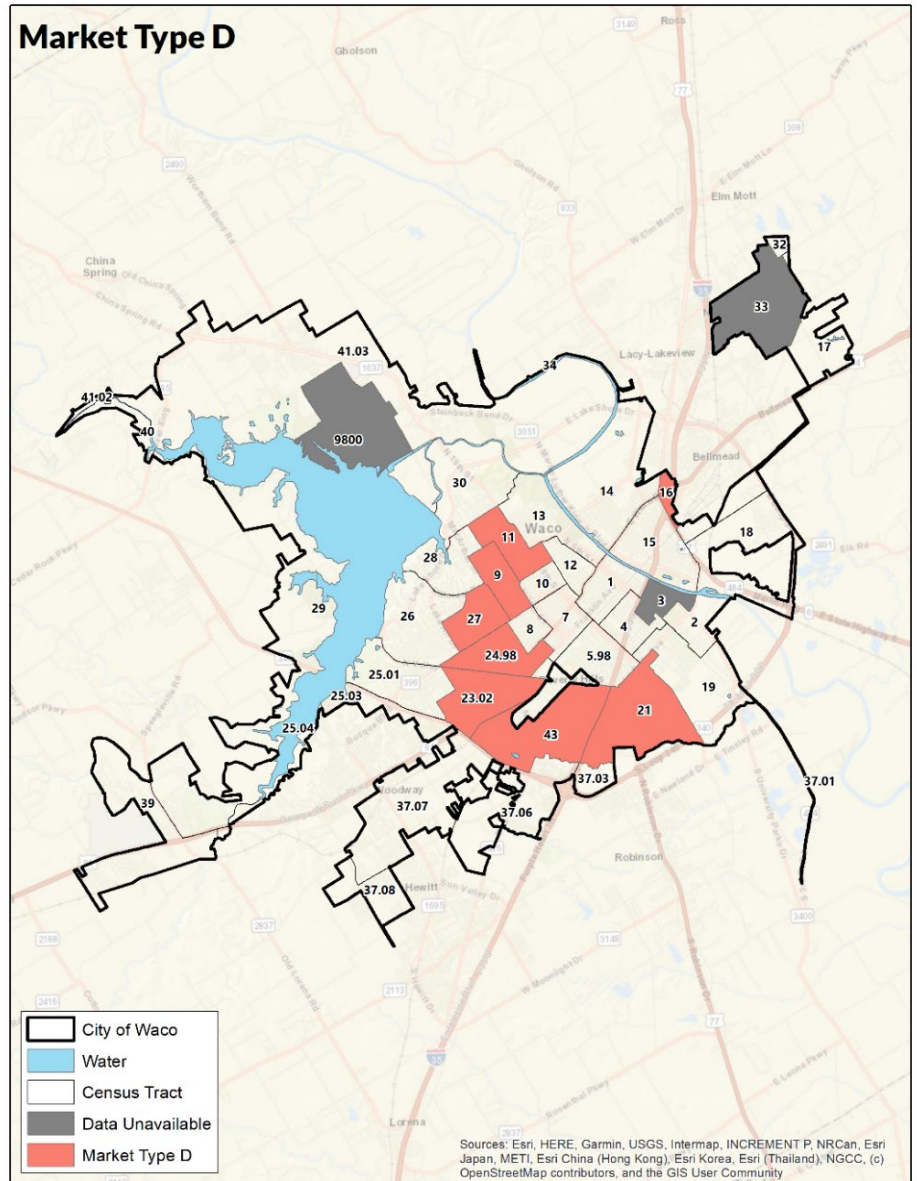
Market Type E

Market Type E includes all or parts of nine Census tracts (18, 25.01, 23.02, 25.04, 29, 32, 37.03, 40 and 41.02) along Waco's periphery and the western side of Lake Waco. This includes the neighborhoods of Parkdale, Viking Hills, Timbercrest, and the southern tip of Alta Vista.

Population
The largest population growth among all market types occurred in these neighborhoods, driven by large increases in Black and Hispanic residents. There is a moderate rate of residents with bachelor's degrees or higher along with the highest median income in Waco. The population is older on average at 39 years with a below-average unemployment rate.

Tenure
This is a very stable market type with the largest decrease in renters and a minimal change in homeownership. The highest median income citywide is reflected in the lowest rate of cost burden among renters and a low rate among homeowners.

Housing
Overall, this is one of Waco's two strongest markets that includes a significant amount of undeveloped land. An above-average increase in housing values over the past decade resulted in the highest housing values in the city by 2019. The second-highest gross rent is found here despite the lowest increase in gross rent between 2010-2019. Market Type E had the highest increase in vacancy rates, more likely driven by new housing construction. The lowest number of housing flips and short-term rentals are also indicative of a higher cost and newer housing inventory.

Access to Opportunity
Due to the outlying locations of the neighborhoods, residents have the lowest access to public transit and job centers, but they also enjoy the highest levels of health equity.
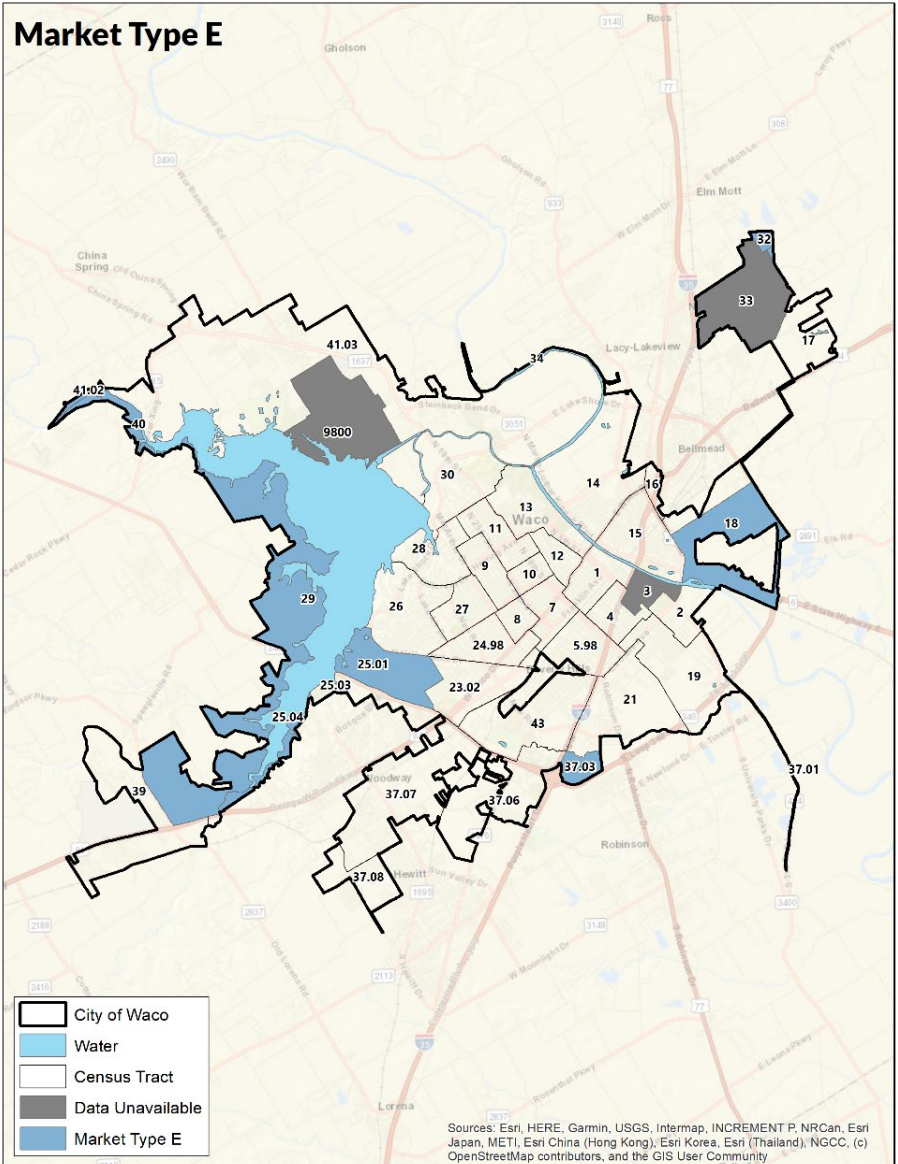
Market Type F

Market Type F includes all or parts of seven Census tracts (25.03, 26, 37.06, 37.07, 37.08, 39 and 41.03) primarily along the northern and southern boundaries of Waco. This includes the neighborhoods of China Spring, North Lake Waco, Highway 84 West plus the neighborhood of Mountainview more centrally located in the city.

Population

Another market type with a large overall population increase, Market Type F has experienced a slight increase in white residents but the large increases among Black and Hispanic residents were the drivers of growth. The second-highest median income along with the lowest unemployment rate is reflective of the oldest average age (41) and high levels of educational attainment of bachelor's degrees or higher.

Tenure

Market Type F experienced the highest increase in renter households with a modest increase in homeownership. There are low rates of cost-burdened renters and owners due to a high median income.

Housing

Along with Market Type E, Market Type F is one of Waco's two strongest housing markets and includes the city's newest stock. There was a moderate increase in housing value from 2010-2019, a decade which ended with very high housing values. This market type was tied with Market Type C for the highest increase in gross rent over the past decade. The below-average number of short-term rentals is indicative of an area that has few attractions for visitors and tourists. And the high number of housing flips can be explained by a new housing inventory and strong population growth.

Access to Opportunity

Similar to Market Type E, the outlying locations of the neighborhoods provide residents with low access to public transit and below-average access to job centers, but who also enjoy above-average levels of health equity.

Market Type F

Legend:
- City of Waco
- Water
- Census Tract
- Data Unavailable
- Market Type F

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
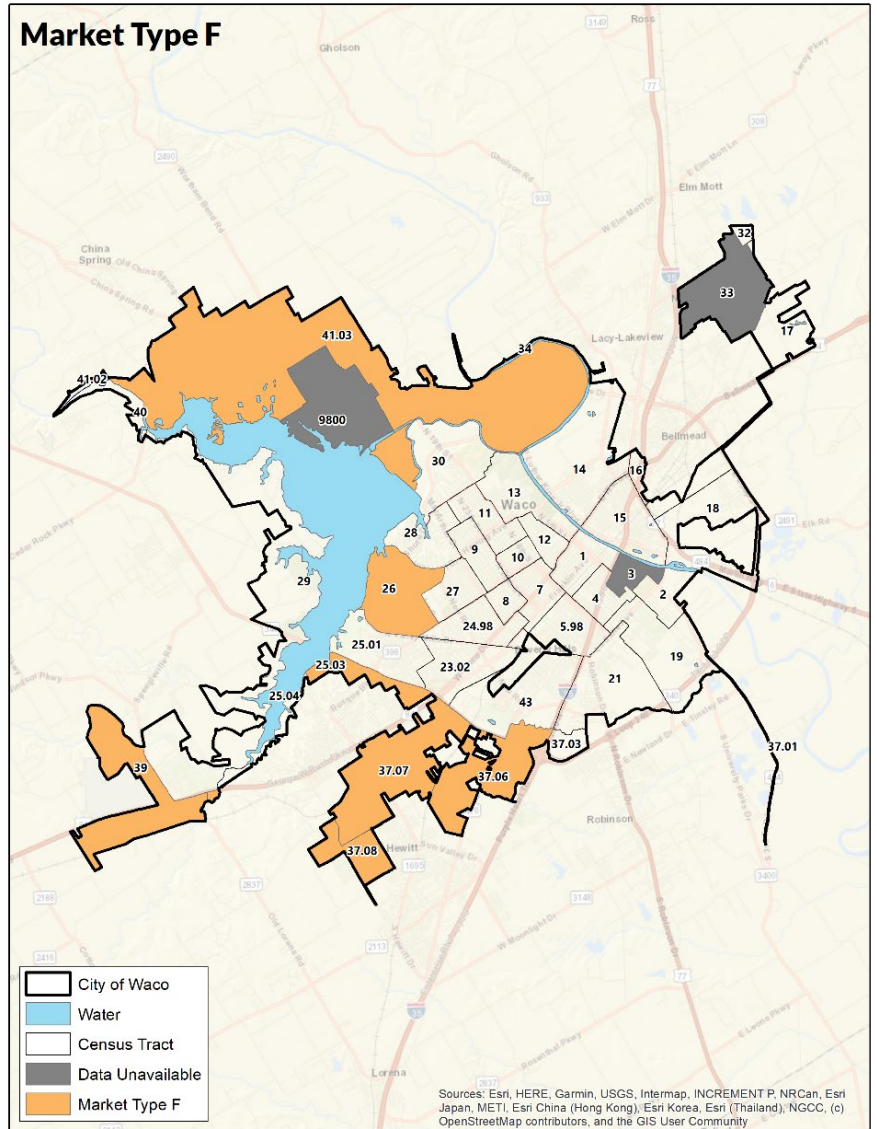
What drives housing affordability in Waco?

The market types are a useful backdrop for understanding current conditions in Waco's neighborhoods. The factors that impact housing affordability, described below, are evaluated on a citywide level to understand the overall housing market. Examining how these factors converge and impact Waco's housing market offers insight into how well the market meets current and future demand. From that point, measures can be taken that are specific to the needs of each market type.

There are several factors that drive housing affordability in the city. **Household growth** demands more housing as the population increases, and as life events occur—marriage, divorce, adult children moving out of their parents' homes—causing new household formation. The regional **economy** and the jobs and wages available to residents determine how much households can spend on housing.

Housing costs, driven by supply and demand, are a component of affordability. Regional and local trends and pressures influence how high rents might increase and what monthly mortgage payments may be. **Housing supply**, in the case of Waco, is a critically important factor of affordability. An inadequate supply for lower income households contributes to cost burden. But an inadequate supply for higher income households, who have more options with more income, causes them to buy or rent "down market", often squeezing out lower income households in competition for the same units.

Finally, **development pressure** in some Waco neighborhoods undergoing revitalization can threaten the sustainability of long-term homeowners and renters who want to remain in their housing, living among the support systems in their neighborhoods. If left unchecked, revitalization can cause displacement due to rising rents and property taxes as new development is built for new, higher income households rather than current residents.

Population and Household Growth
Waco's population grew 11.2% over the last decade to include 135,858 residents with increases among all age cohorts except persons 45-54. Between 2010 and 2019, population change by age cohort reflected moderate increases across the board with the exception of a very slight decline among the 45-54 age group.

Figure 1: Change in Population Distribution by Age Cohort, Waco

Population Growth by Age
■ 2010 ■ 2019

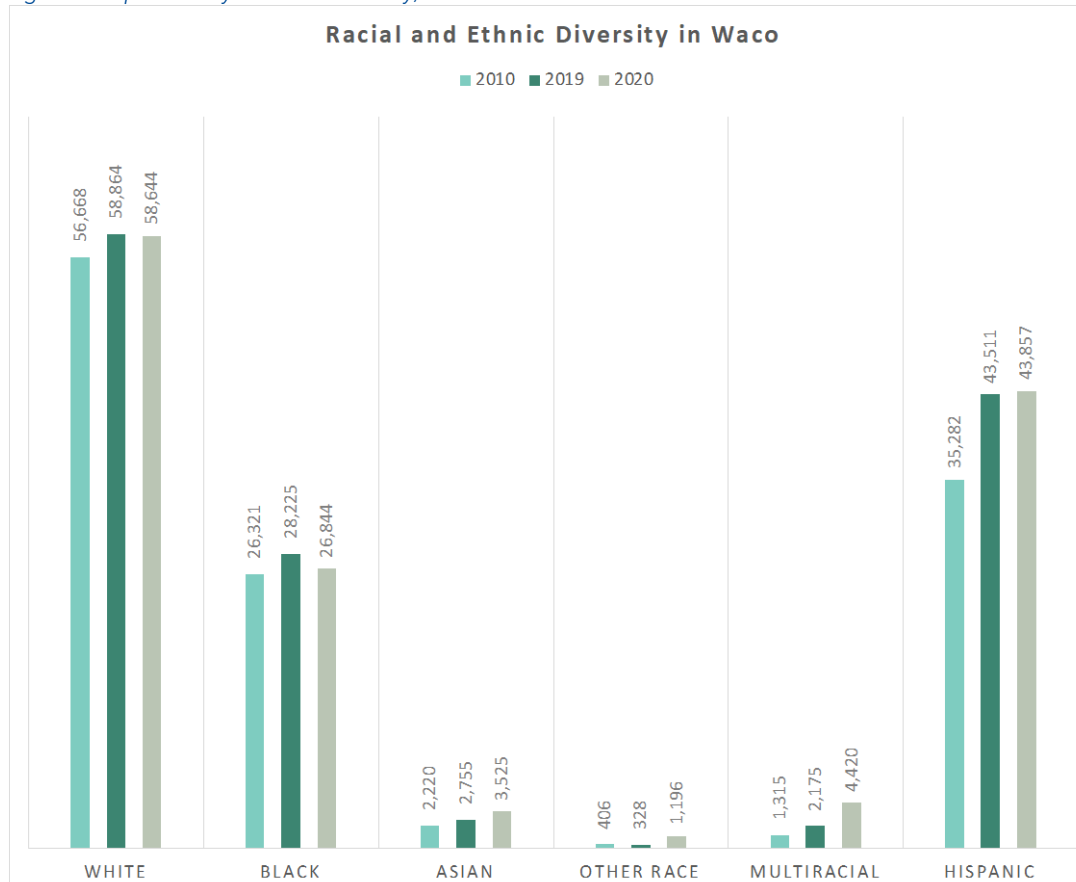| Age	2010	2019
UNDER 18	31,007	32,355
18-24	24,205	27,644
25-34	16,472	18,743
35-44	13,003	14,820
45-54	13,540	12,797
55-64	10,296	12,945
65+	13,689	16,554
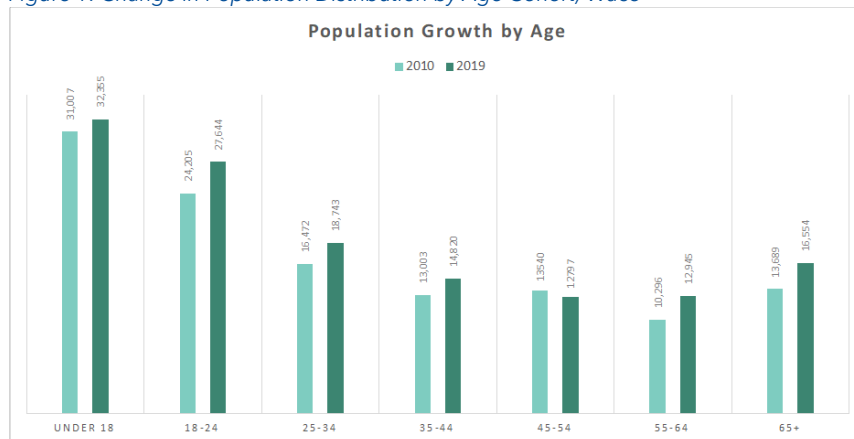
Source: 2010, 2019 ACS 5-Year Estimates–DP05

Recently released Redistricting Data reported a slightly higher population count of 138,486 as of April 2020, which represented an increase of 2,628 residents above the 2019 American Community Survey estimates. Looking at population increase between the 2010 and 2020 decennial census counts reveals a ten-year increase of 13,681 residents, equivalent to an annual average of 1,368 persons. This was 23% higher than the annual growth rate between 2000-2010.

Between 2010 and 2020, Asians, Other Race, Multiracial and Hispanic residents accounted for 85% of Waco's population growth. Redistricting Data allows a comparison using actual population counts for 2010 and 2020. Due to the limited scope of the Redistricting Data and the fact that Hispanic/Latino is counted as a race (rather than an ethnicity), the same data from 2010 and 2019 were used to chart the change in each population group included below.

All population groups increased in number when comparing 2010 and 2020 decennial data with an increase of 16,274 residents. However, the most significant changes in population over the past decade occurred among non-whites and non-Blacks. Asians increased 59%, Other Races by 195%, Multiracial persons by 236% and Hispanics by 24%--together representing 85% of Waco's growth. According to the Census Bureau, more Americans than ever identified as multiracial in 2020, and represent the fastest-growing demographic.[1]

Figure 2: Population by Race and Ethnicity, Waco

Racial and Ethnic Diversity in Waco

■ 2010 ■ 2019 ■ 2020

	WHITE	BLACK	ASIAN	OTHER RACE	MULTIRACIAL	HISPANIC
2010	56,668	26,321	2,220	406	1,315	35,282
2019	58,864	28,225	2,755	328	2,175	43,511
2020	58,644	26,844	3,525	1,196	4,420	43,857

Source: 2010 and 2019 ACS 5-Year Estimates (DP05); 2020 DEC Redistricting Data (PL 94-171) (P1)

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[1] Silvia Foster-Frau et al, "'We're talking about a big powerful phenomenon': Multiracial Americans drive change", *The Washington Post*, Oct. 8, 2021.

In 2019, nearly one-quarter of Waco's population was under 18 years of age. Waco and McLennan County have roughly equivalent proportions of youth under 18, while Waco has a much higher percentage of persons aged 18-24 than the county. A higher rate among this group is driven by the area's college student population.

Figure 3: Comparison of Population Distribution by Age Cohort, Waco and McLennan County
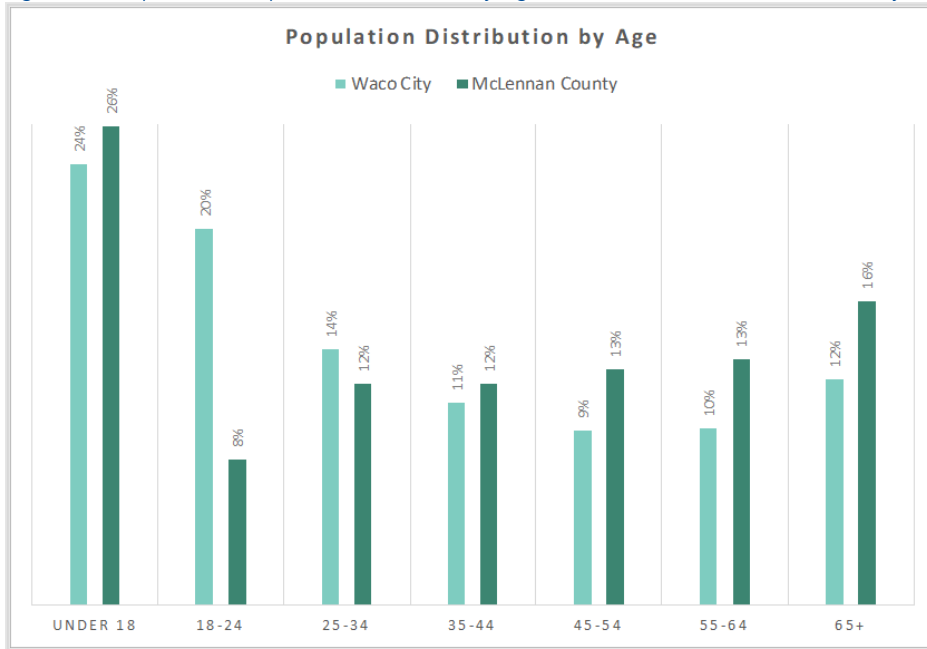
Source: 2019 ACS 5-Year Estimates –DP05

Growth among Waco's households increased 10.3% between 2010 and 2019, meaning an additional 4,554 households needed units. A more accurate indicator of housing demand is household growth as every household needs a home. New household formation occurs when younger adults leave home and find their own place to live, new residents relocate to Waco, people get married or divorced, parents become empty nesters, etc.

Waco is home to nearly 49,000 households, 62% of which are single and two-person households. The impact of college students is revealed, in one way, by the higher rate of one-person households in Waco compared to the county. These consist of the larger age cohort of 18-24 (i.e., single-person, non-family households). Both Waco and McLennan County had similar proportions of households comprised of three persons and four or more persons.

Consistent with Waco's larger proportion of young adults aged 18-24, the predominant household type is non-family households. Non-family households include unrelated roommates and one-person households, and account for 41% of all households. The proportion of two or more persons per household in Waco decreased as age increased; residents 55 and older are more likely to live in single-person households, particularly once they reach 75. Growth among smaller households drives demand for smaller and more affordable housing units for both ends of the age spectrum.

For more information on demographic trends, see *Appendix B*.

The Economy

Waco's economy is shifting toward more healthcare and manufacturing jobs. While Waco's regional economy appears to be focused heavily in Office and Administrative Support employment, these jobs experienced the third largest drop in employment from 2015 to 2019. Rising industries include Healthcare Supports, Management, Transportation and Material Moving. As shown in the following figure, 10% of all jobs in Waco are in the Food Preparation and Serving Related category, a category that has experienced a 30% increase in jobs from 2010 to 2019. There has been a net gain of over 8,000 jobs from 2015 to 2019, of which 30% have an annual salary above 80% of AMI for a household of four, equivalent to $51,600 for McLennan County.

Almost half of all jobs in 2019 paid wages that required working more than 40 hours a week to afford a two-bedroom unit. Of these 58,450 jobs, 58.3% are within industries where women are the predominant workforce: Healthcare Support, Food Preparation and Related, Office and Administrative Support occupations.

Figure 4: Net Change in Jobs by Occupation, 2015-2019

Net Change 2015-2019 (loss or gain)
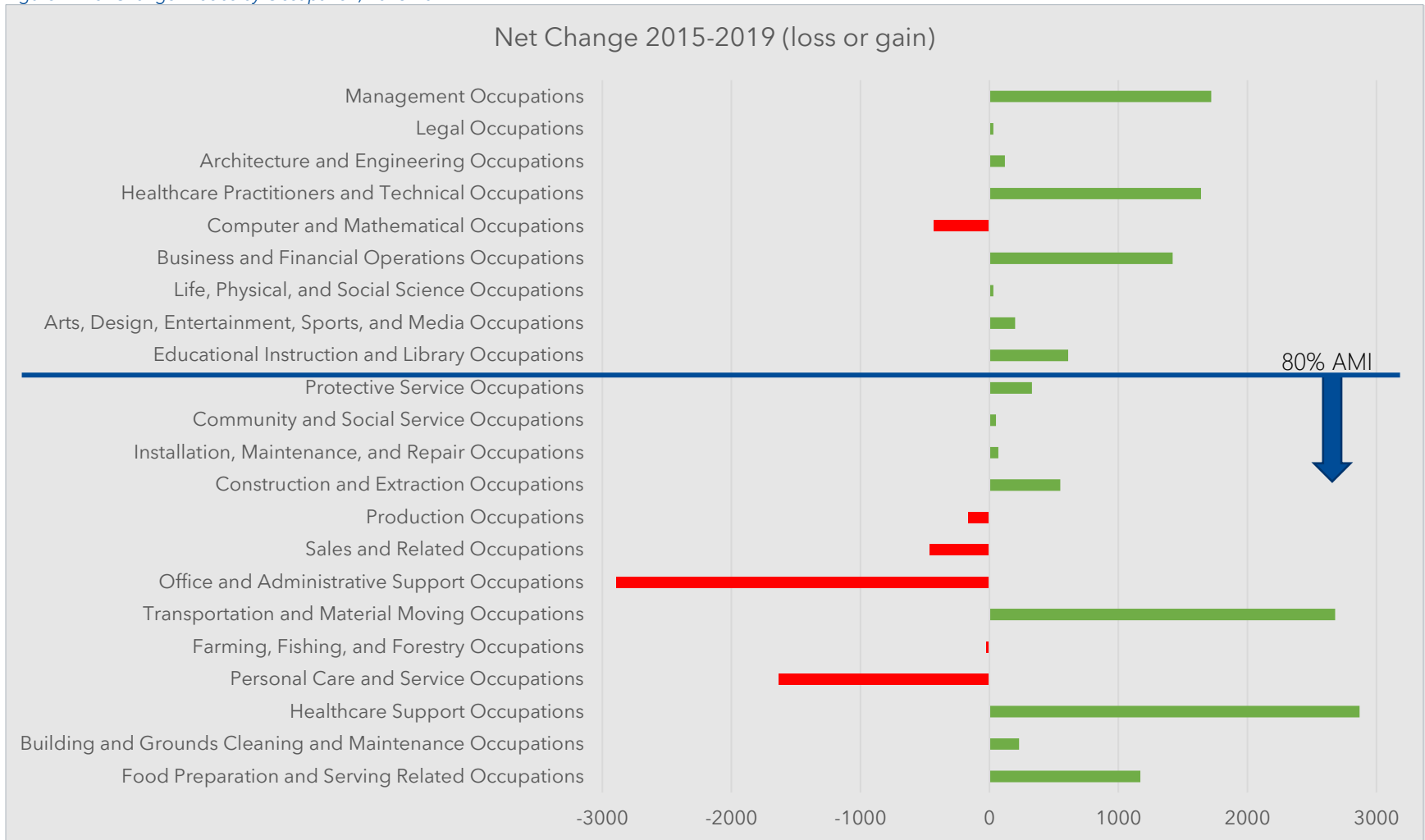
Source: LHEP 2015, 2019

Job losses in Waco have had a more detrimental impact on women than men. While jobs with the highest gains and highest losses paid relatively the same, the changes affect different populations. From 2015 to 2019, occupations with the top gains are in the Healthcare Support and Transportation & Material Moving industries, while top losses are in the Personal Care & Service and Office & Administrative Support industries. Gains in Healthcare Support Occupations positively impact women, however the losses in Personal Care and Service Occupations negatively impact women. There is essentially a "trade" of one low-paying job for another. Healthcare Support Occupations earn 25% less annually than Office & Administrative Support industries.

The top five occupations held by women are Office and Administrative Support, Educational Instruction and Library, Sales and Related, Food Preparation and Serving Related and Healthcare Support. The top five occupations held by men in Waco are Production, Construction and Extraction, Sales and Related, Management and Material Moving.

The impact of job losses and lower wage jobs concentrated among women means a greater likelihood of cost burden and difficulty securing affordable housing, even more so among single female-headed households with children.

*Figure 5: Occupations by Gender, Waco*
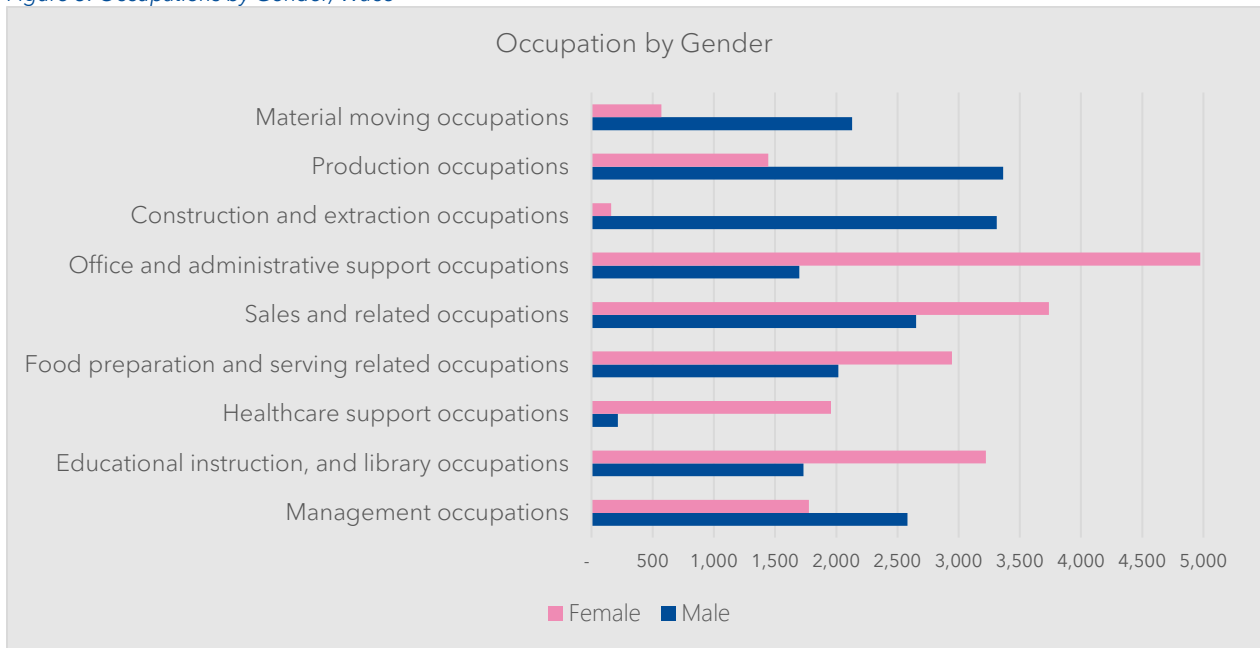
Source: ACS 2019 (S2401)

Some of the most common jobs in Waco are low-paying and vulnerable during times of economic downturn. Households supported by one of these jobs would have to work significantly more than 40 hours a week to afford the median two-bedroom rent. Food Preparation and Food and Related occupations would need to work 89 hours a week, Sales and Related occupations 72 hours a week, and Office and Administrative Support occupations 56 hours a week to afford the median two-bedroom rent in Waco.

Projected economic growth continues to be in low-paying occupations. The top 10 occupations by projected employment for the Heart of Texas Region[2] are Fast Food and Counter Workers, Cashiers, Retail Salespersons, Customer Service Representatives, Office Clerks, General Janitors and Cleaners (Except Maids and Housekeeping Cleaners), Registered Nurses, Construction Laborers and Heavy and Tractor-Trailer Truck Drivers. Six of these top 10 occupations have annual salaries below 80% of Waco's median household income, equivalent to $32,152.

Figure 6: Wages for Top 10 Occupations by Projected Employment in Heart of Texas Region
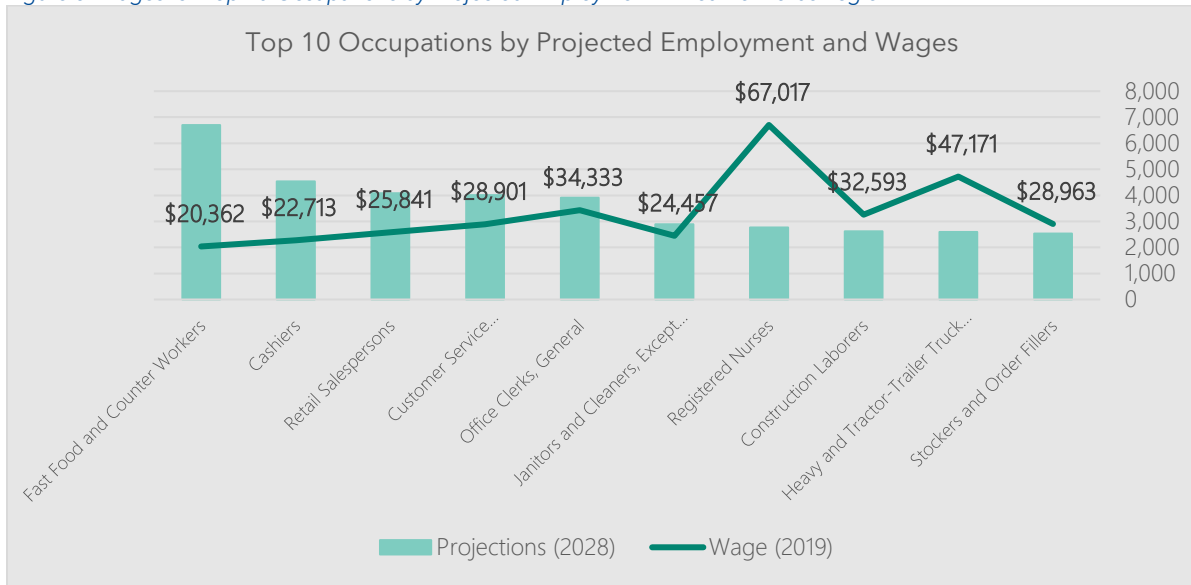
Source: 2019 Top 25 Occupations by Projections, Texas Labor Analysis

Consistent with national trends, unemployment skyrocketed in Waco as a result of the global pandemic. Unemployment had been consistently low during the five years pre-Covid-19, fluctuating between 2.8% and 4.6%. By April 2020, Waco's unemployment rate increased to 10.5%, representing a 249% increase from the previous April but was lower than the national rate of 14.7%. An annual moving average trendline evens out fluctuations in data to show a trend more clearly.

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[2] The Heart of Texas region includes Bosque, Falls, Freestone, Hill, Limestone and McLennan counties.
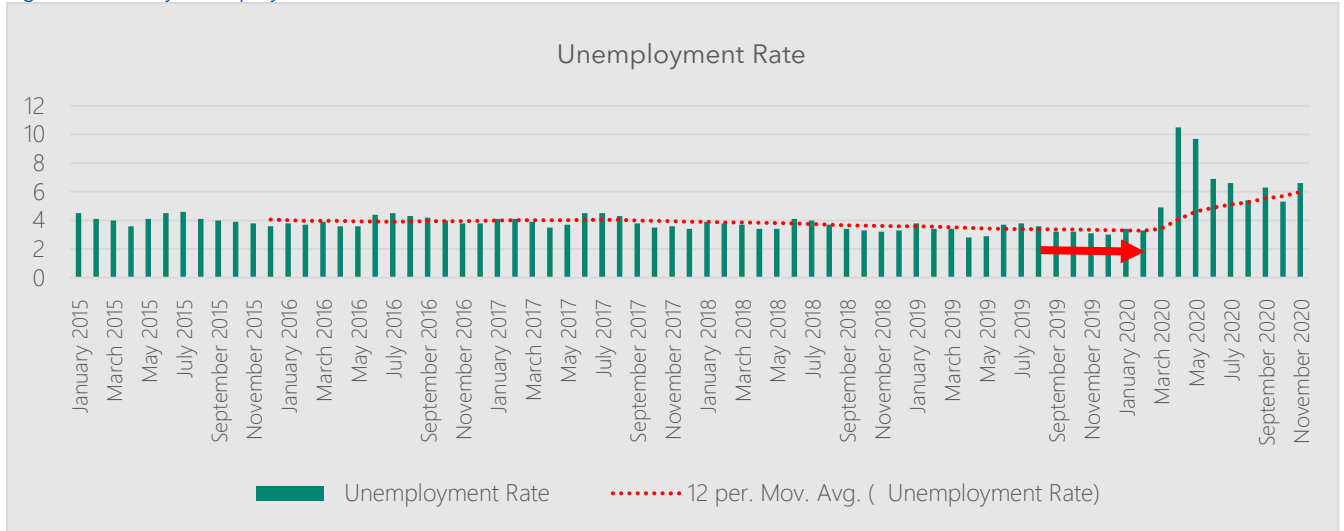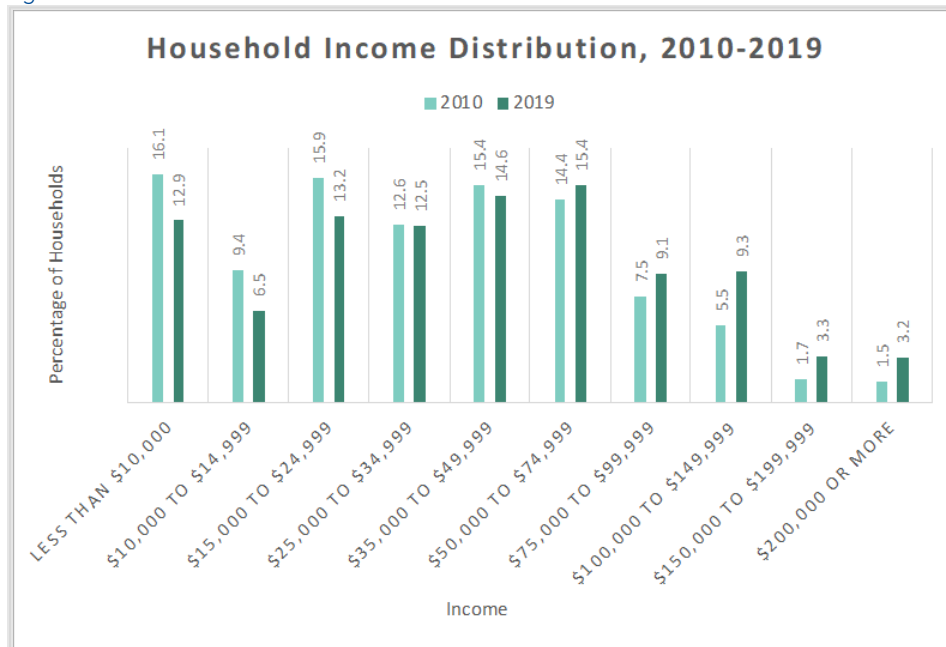
Source: Bureau of Labor Statistics, Monthly 2015-2020

One-third of all households had incomes below $25,000 in 2019. This was down from more than 41% in 2010, but still represented the largest segment of households in Waco. Nearly 13% of households had annual incomes below $10,000.
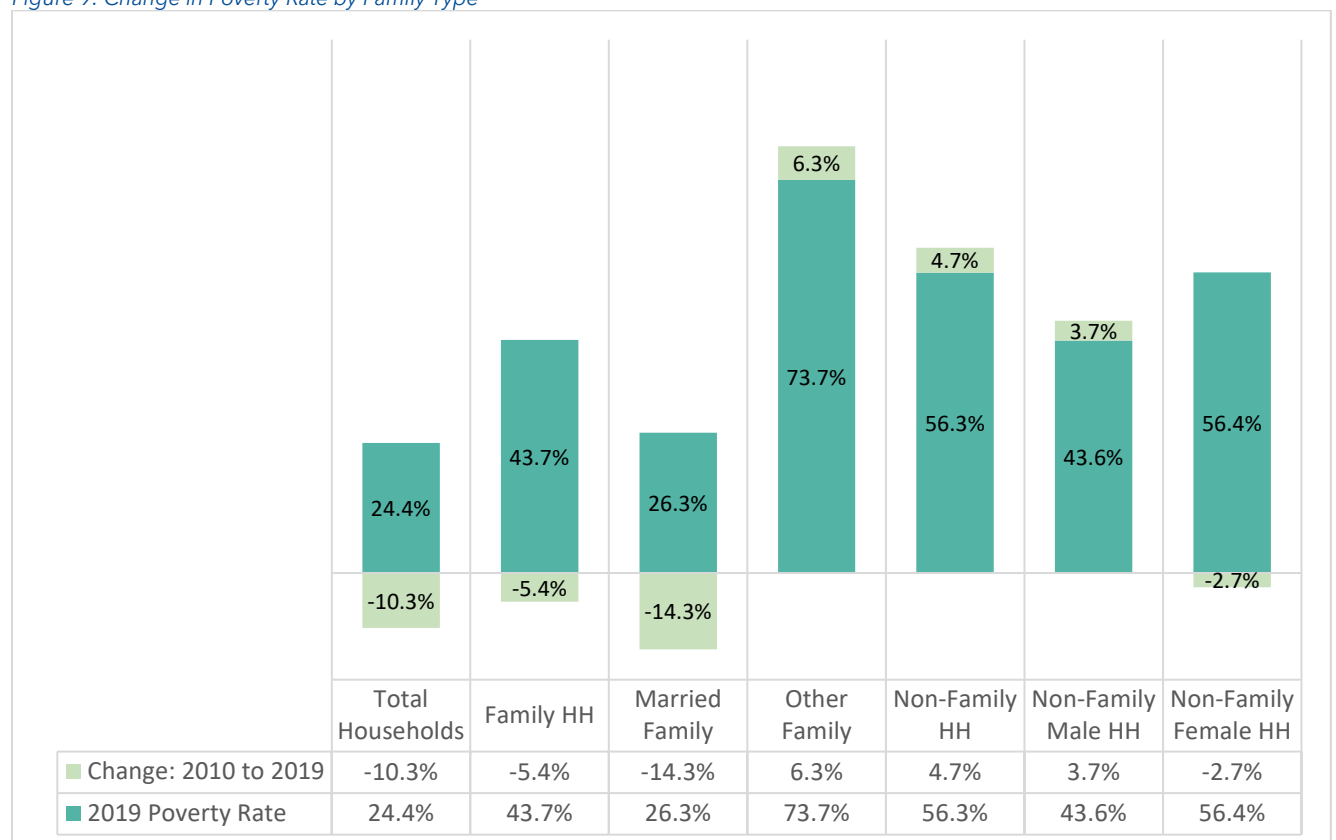
Figure 8: Household Income Distribution

Waco's poverty rate of 25.7% is more than double the county's rate of 10.4% in 2019. Waco's large college student population significantly impacts the poverty rate because students typically have low incomes. After adjusting for people enrolled as undergraduates, Waco's poverty rate decreases to 18.4%. Still, this remains significantly higher than the rates for Texas (13.6%) and the U.S. (10.5%). For more information on how college students impact poverty rates, see *Appendix C*.

Among households in poverty, a greater proportion of non-family households experience poverty compared to family households. Family households in poverty decreased by slightly more than 5% in 2019, while the rate increased by nearly 5% for non-family households. This is consistent with a large college-age population, although it also includes single-person non-student households. Among non-family households, female-headed households are more likely to live in poverty than male-headed households.

"Other families" comprise 73.7% of family households living below poverty compared to approximately 44% of married families. The Census defines "other families" as a male or female householder without a spouse present, living with family members related by birth, marriage, or adoption. The poverty rate decreased by 14.3% for married families in 2019 but increased by more than 6% for "other families".

Figure 9: Change in Poverty Rate by Family Type

	Total Households	Family HH	Married Family	Other Family	Non-Family HH	Non-Family Male HH	Non-Family Female HH
■ Change: 2010 to 2019	-10.3%	-5.4%	-14.3%	6.3%	4.7%	3.7%	-2.7%
■ 2019 Poverty Rate	24.4%	43.7%	26.3%	73.7%	56.3%	43.6%	56.4%

Source: 2019 ACS 5-Year Estimates–B17017

Overall, the rate of poverty decreases with age. Householders under age 25 represent the smallest proportion of Waco's total households (13.6%) but account for one-third of all households in poverty. The under-25 age cohort has both the highest rate of poverty and the lowest median income, earning less than 40% of median income. As noted previously, Waco's poverty rate among householders under age 25 is driven by its large segment of college student population.

Figure 10: Householder Composition by Age vs. Households in Poverty
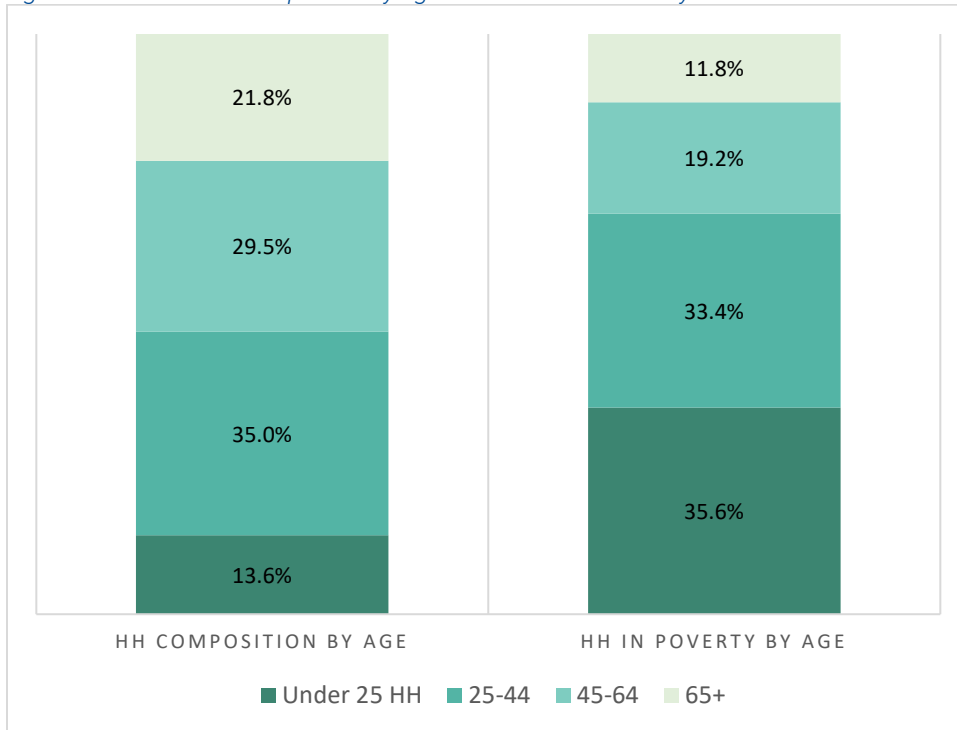
Source: 2019 ACS 5-Year Estimates–B17017

More economic data can be found in *Appendix D*.

Housing Costs

The median income household in Waco cannot afford to purchase the median sales price home in 2019. The median income of $40,190 could purchase a house priced up to $148,000.[3] The median housing sales price in Waco in 2019 was $186,000.[4] A homebuyer would need to have an annual income of at least $66,900[5] to purchase the median sales price unit, equivalent to 166% of Waco's median household income.

Figure 11: Housing Values by Price Point, 2019
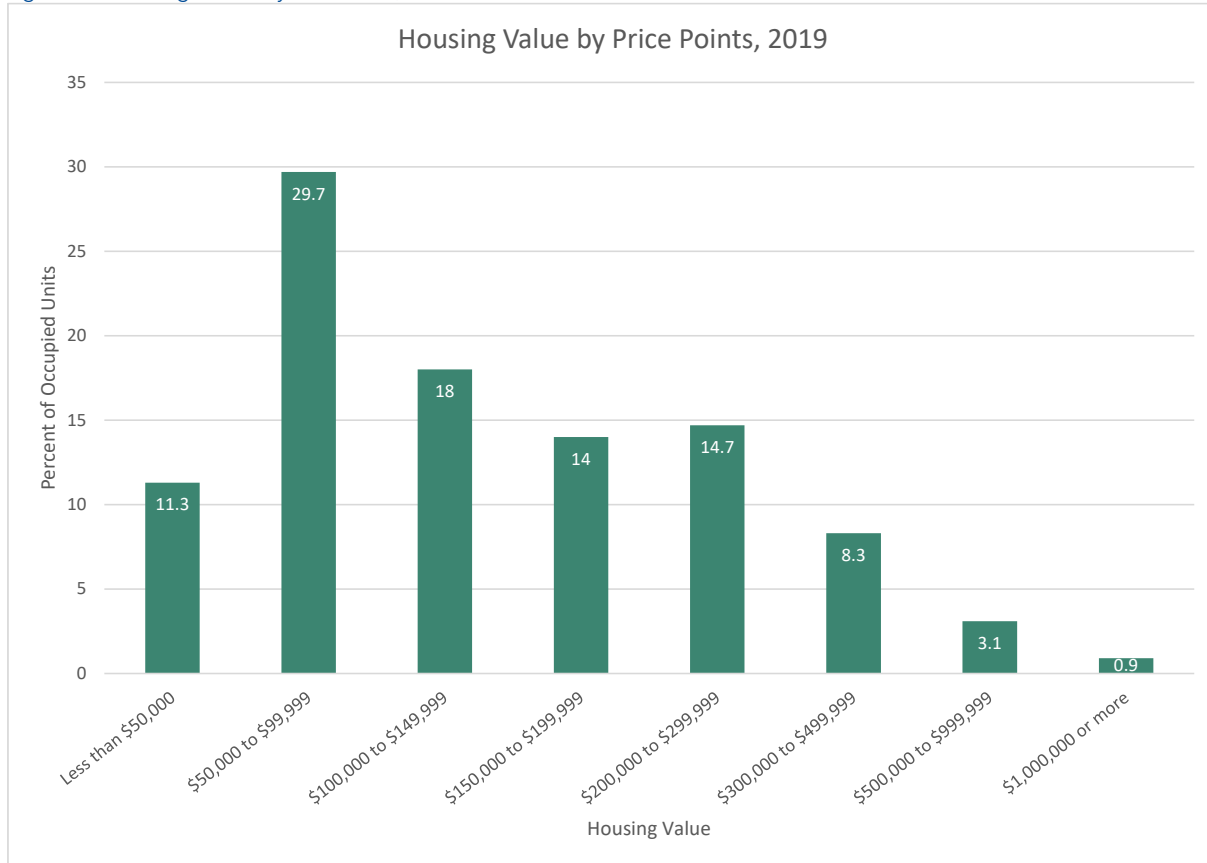
Waco's inventory of lower-cost homes has decreased considerably. The inventory of owner-occupied units with values lower than $100,000 has decreased from 59.7% of total inventory in 2010 to 41% in 2019. On the opposite end of the spectrum, the inventory with values of $200,000 and higher more than doubled from 12.1% to 27% during the same period. The "loss" of units from the lower price points represents fewer units affordable to lower income households.

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[3] 30-year fixed rate FHA loan at 3.5%; DTI 30%; 1% downpayment/closing costs; $1,565/year property taxes; $1,750/year homeowners insurance; $787/year PMI; PITI no more than 30% of household income; no more than $250 in other monthly debt.
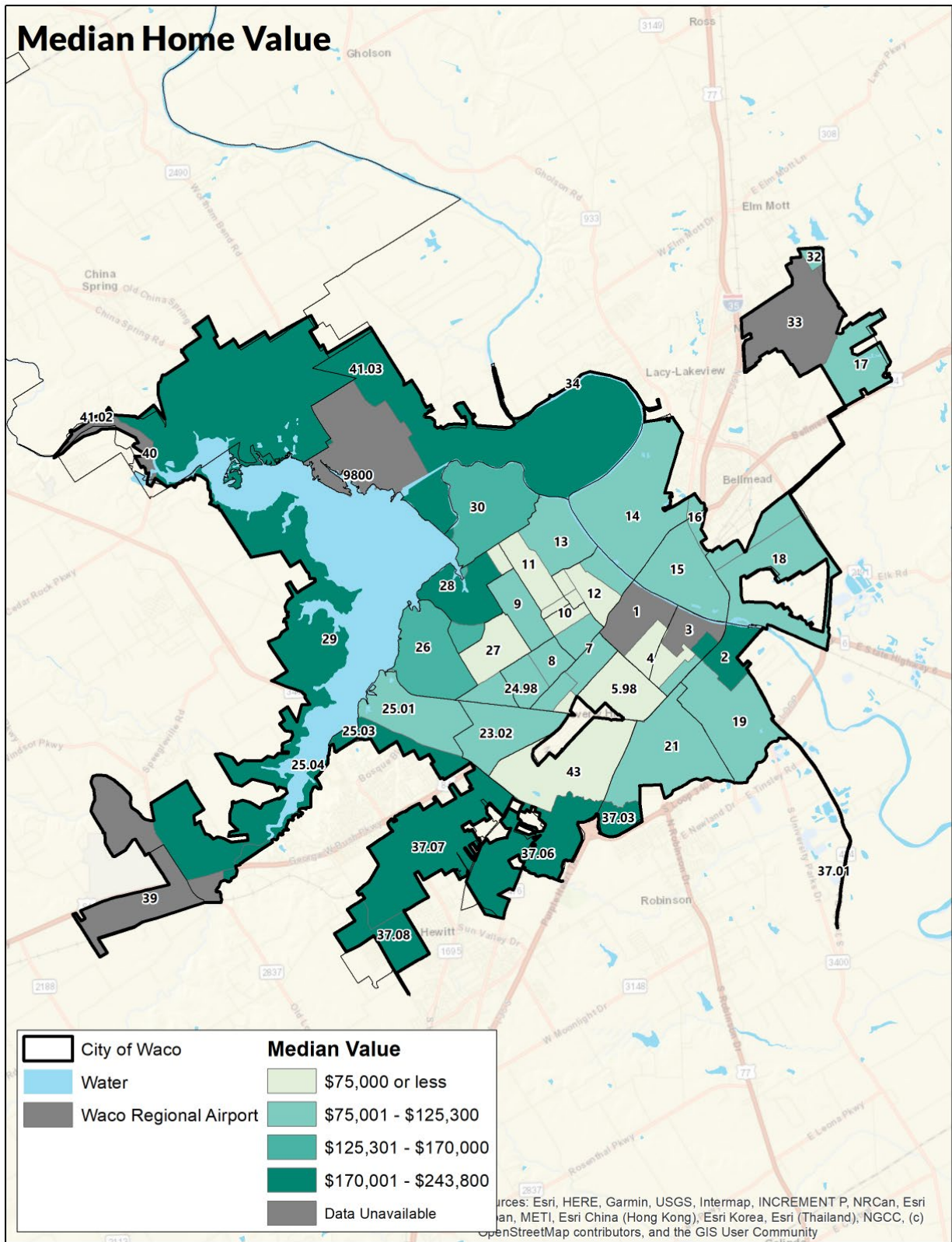[4] Waco Association of Realtors
[5] 30-year fixed rate of 3.5%; DTI 30%; 5% downpayment/closing costs; $3,377/year property taxes; $3,500/year homeowners insurance; $1,699/year PMI; PITI no more than 30% of household income; no more than $500 in other monthly debt.

Figure 12: Change in Housing Value by Price Points (not adjusted for inflation)
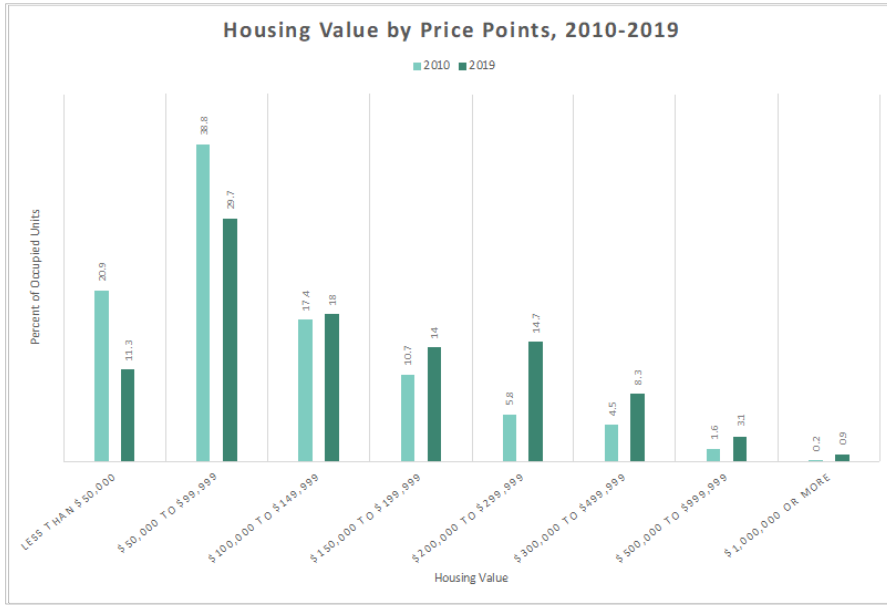
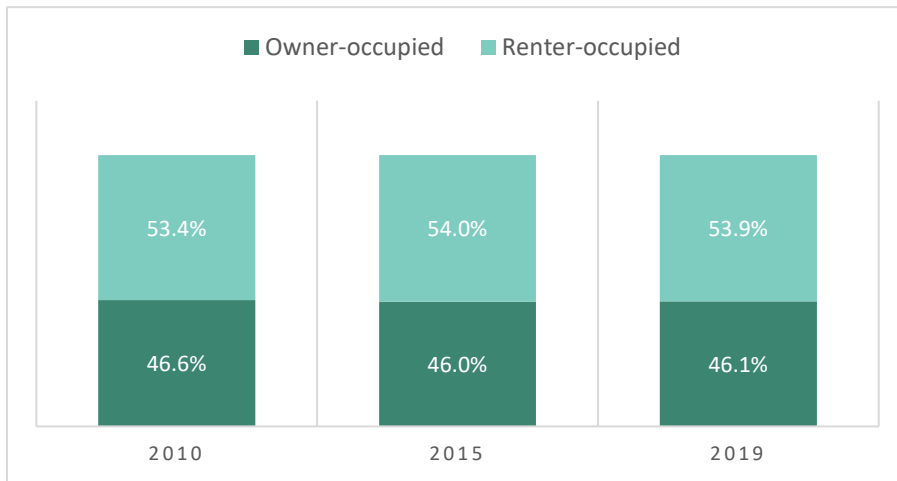Source: 2010 and 2019 ACS 5-Year Estimates (DP04)

Source: 2019 ACS 5-Year Estimates–DP04

Homeownership rates have remained virtually unchanged over the last decade. The rate of homeownership in Waco has remained at about 46% since 2010, significantly lower than Texas and McClennan County, both of which have remained above 60%. The presence of a large renting college student population, however, drives the homeownership rate downward in Waco as in most college towns, where off-campus rental housing is more common.
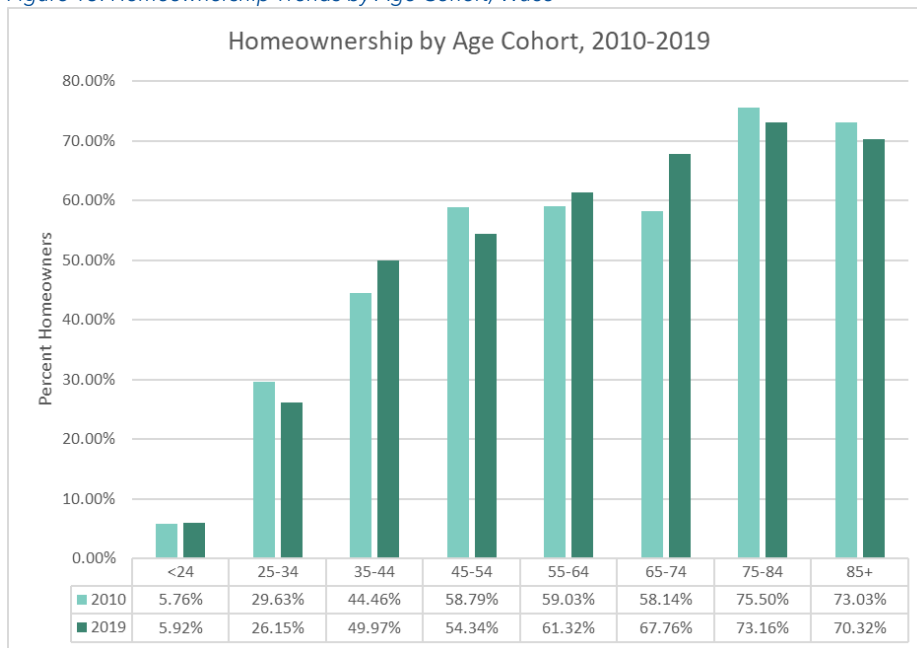
Figure 14: Tenure of Occupied Units

Source: 2010, 2015, 2019 ACS 5-Year Estimates – B25032, DP04

Homeownership rates increase, however, among older householders even as household size declines. Among the 7,573 households in the 55-64 age cohort, 61.3% were homeowners. The rate of homeownership peaks above 75% with the 75+ age group.

Figure 15: Homeownership Trends by Age Cohort, Waco

	<24	25-34	35-44	45-54	55-64	65-74	75-84	85+
2010	5.76%	29.63%	44.46%	58.79%	59.03%	58.14%	75.50%	73.03%
2019	5.92%	26.15%	49.97%	54.34%	61.32%	67.76%	73.16%	70.32%

The median income household in Waco could afford the median gross rent in 2019. An affordable monthly rent for a household earning the median income of $40,190 would be $1,005 while the median gross rent (rent plus utilities) was $862. But the number of units renting for up to $999 (the closest price point available through the Census) decreased from 83.1% of the rental inventory in 2010 to 67.2% in 2019. Units renting for $1,000 or more increased from 26.9% to 32.8%.

Figure 16: Change in Gross Rent by Price Points
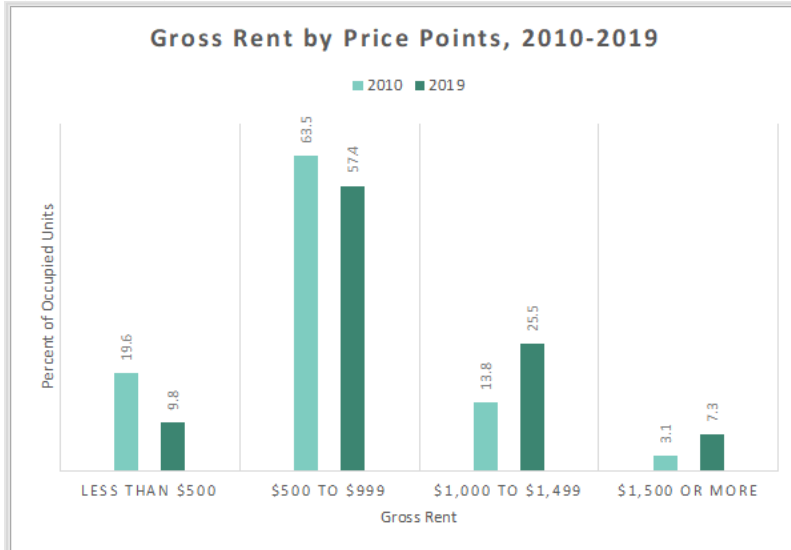
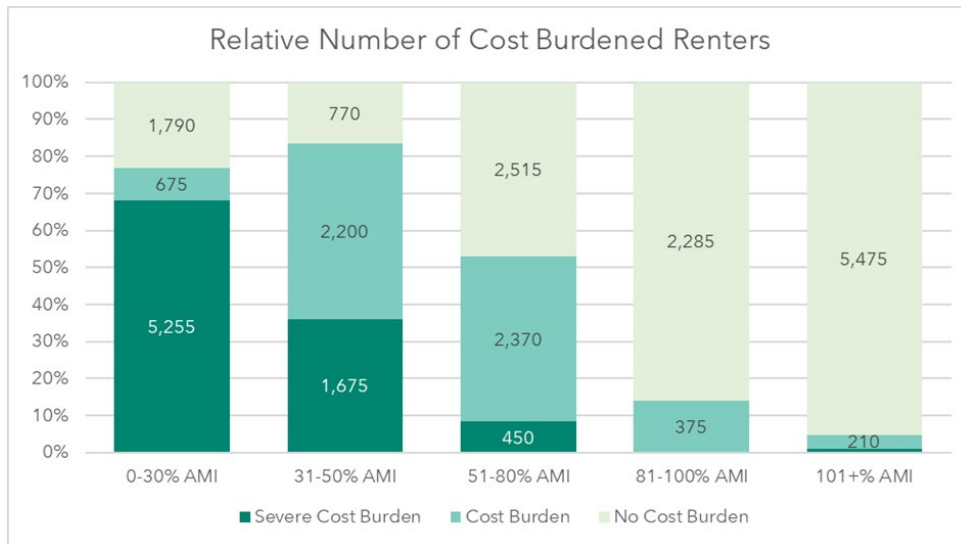***Cost burden among renters is nearly three times more prevalent than among owners.*** Nearly one-third of American households were cost burdened in 2017, equivalent to 37.8 million households. The rate was higher in Waco at 37.5%, equivalent to 17,895 households among renters and owners.

The most precariously housed in Waco include 5,930 renter households plus 1,255 owner households with incomes of 0-30% AMI. Analyze renters and owners by income tier and a clearer profile emerges of who has the greatest need for affordable housing. Among the 5,255 lowest income renter households at 0-30% AMI, 68% are severely cost-burdened. Among the same income tier of owners, 64% are severely cost-burdened but a much smaller number of households are impacted. Combined, the rates of cost burden and severe cost burden among the most economically insecure group of renter and owner households reveal where the greatest need for affordable housing can be found. These two groups of extremely low-income households represent 13% of all households in Waco.
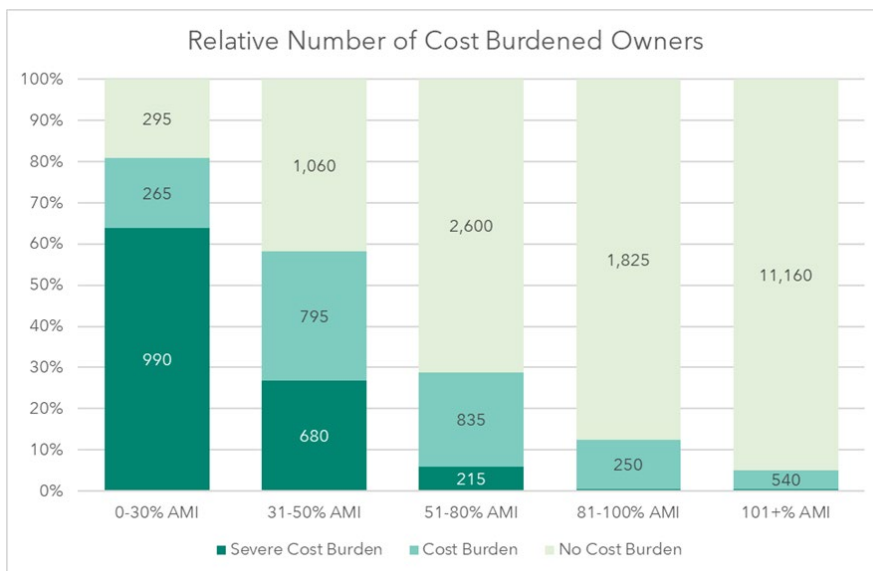
Figure 17: Cost Burden Among Renters

Relative Number of Cost Burdened Renters

	0-30% AMI	31-50% AMI	51-80% AMI	81-100% AMI	101+% AMI
Severe Cost Burden	5,255	1,675	450		210
Cost Burden	675	2,200	2,370	375	
No Cost Burden	1,790	770	2,515	2,285	5,475

Source: CHAS 2013-2017

Figure 18: Cost Burden Among Homeowners

Relative Number of Cost Burdened Owners

	0-30% AMI	31-50% AMI	51-80% AMI	81-100% AMI	101+% AMI
Severe Cost Burden	990	680	215		
Cost Burden	265	795	835	250	540
No Cost Burden	295	1,060	2,600	1,825	11,160

Source: CHAS 2013-2017

"Other Race" and Hispanic renters are more likely to experience cost burden. Although the numbers of households are smaller, Other Race and Hispanic renters are slightly more likely to be cost-burdened.

Figure 19: Cost Burden by Tenure, Race and Ethnicity
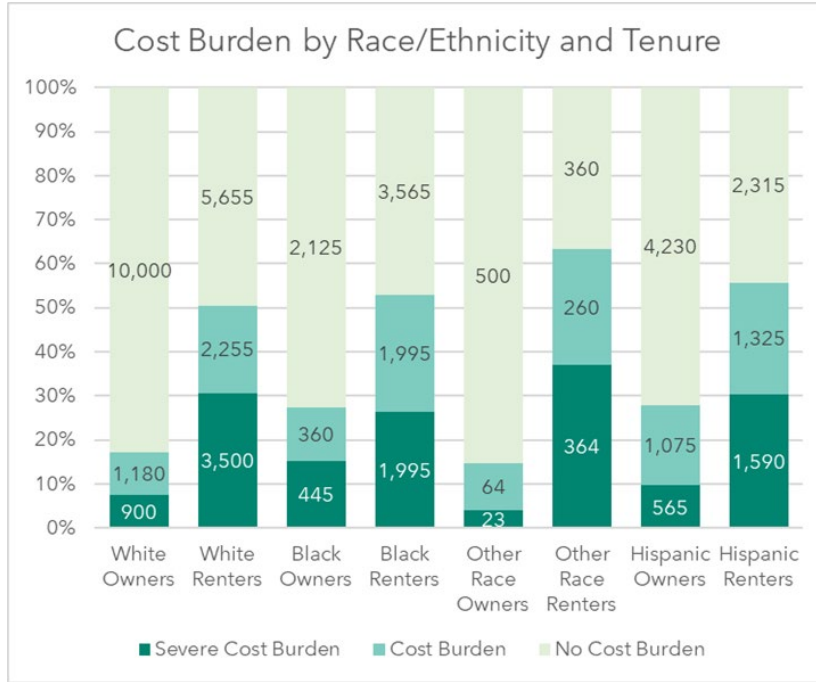
Source: CHAS 2013-2017

More information on cost burden can be found in *Appendix I*.

Housing Supply

Of similar significance in its impact on housing affordability, housing supply is as strong an indicator as housing cost.

Current Inventory

**Waco's housing inventory included 55,180 units in 2019, a 7.8% expansion since 2010.**
The ratio of homeownership to renter-occupancy has remained consistent since 2010 at 46% to 54%. Redistricting Data reported a total housing inventory of 58,107 units in the city, representing a significant increase of 2,927 units (5.3%) over 2019.[6] Calculating the increase in units between the 2010 Census and the 2020 Census reveals a 13.4% increase in units over a full ten-year period, equivalent to an annual average hike of about 700 units.

Figure 20: Change in Dwelling Units
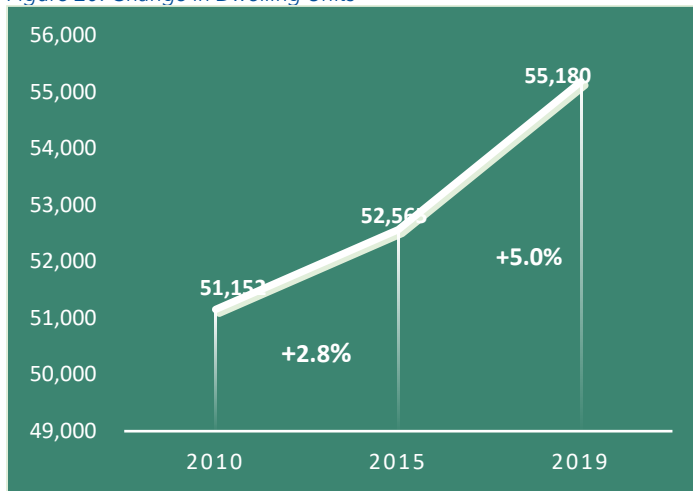
Source: 2010, 2015, 2019 ACS 5-Year Estimates - DP04

*Figure 21: Tenure of Occupied Units, 2010-2019*
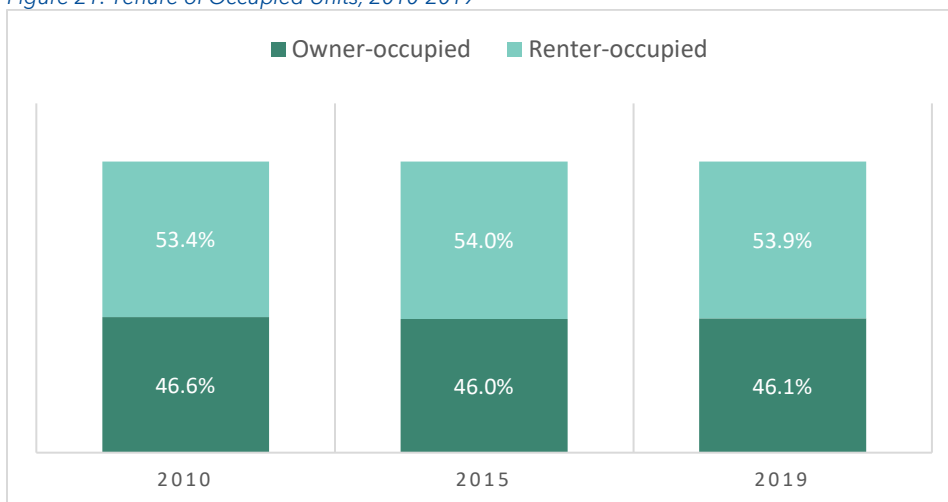
Source: 2010, 2015, 2019 ACS 5-Year Estimates – B25032, DP04

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[6] One reason for the sharp increase in a single year may be related to the American Community Survey being a sample survey conducted between the decennial surveys, which are 100% actual counts.

Waco's housing stock is more diverse than the county's with 37.1% of its inventory consisting of something other than single-family detached units. In contrast, barely 10% of the county's stock is found in multi-family structures. A greater variety of housing types can accommodate more diversity among household types and income levels.

Figure 22: Housing Stock Composition, Waco and McLennan County
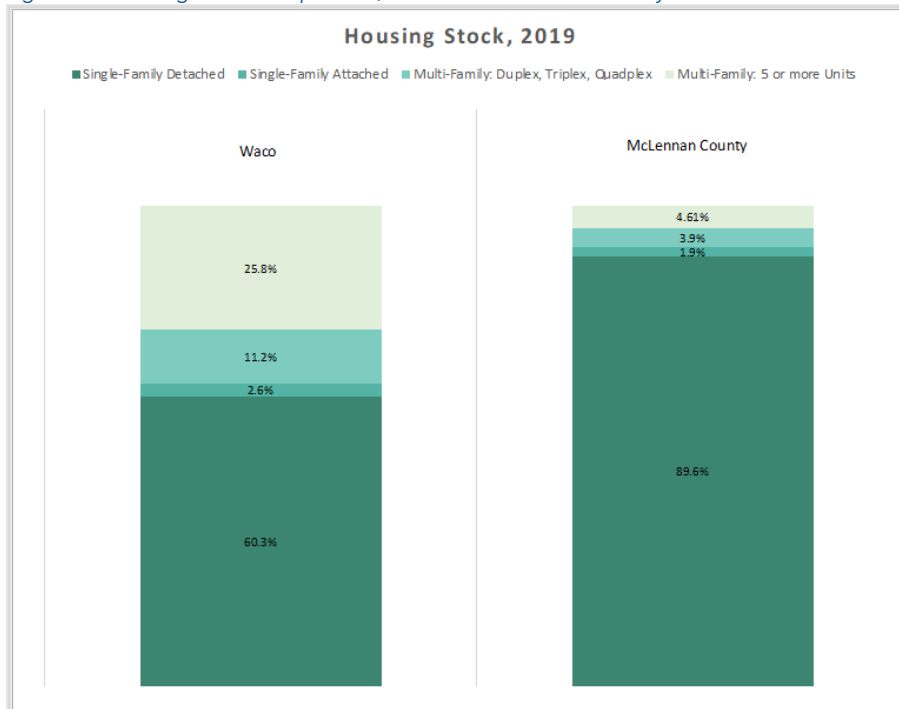
Single-family detached housing accounted for 77% of housing growth (3,089 additional units) between 2010 and 2019. The total number of dwelling units in Waco increased 7.8% with the addition of 4,028 units.

Multi-family units in structures of five or more units represented only 540 new housing units built between 2010 and 2019. Nearly half of all renters live in multi-family housing structures, yet very limited multi-family housing has been built since 2010. The proportion of single-family detached housing remained virtually the same while the share of multi-family housing decreased modestly. Multi-family housing structures of 5 or more units accounted for 25.8% of the city's housing stock (14,255 units). Structures with 20 or more units (40%) were the most common.

Waco had a high housing vacancy rate of 11.3% in 2019. A total of 6,277 units were vacant, comprising a large segment of the city's housing inventory. Of these, 1,019 were identified as having been rented or sold but not yet occupied. Another 1,695 were on the market for rent or for sale. Redistricting Data reported a lower 10.1% total vacancy rate as of April 2020. By comparison, the US vacancy rate was 6.7% in 2019; Redistricting Data reported this rate increased to 9.7% by 2020.

Nearly half of the 6,277 vacant housing units in Waco are off-market and unavailable for occupancy. This represents an increase of 25% in "other vacant" units since 2010. This trend

occurred as the sum of vacant units for rent, for sale and for seasonal or recreational use decreased 35% from 3,551 in 2010 to 2,312 in 2019. Most notable is a significant increase in the number of off-market vacant units as the housing market heated up. The Census classifies vacant units into several categories. Units categorized as "Other Vacant" include housing units that do not fit into any year-round category (such as for rent, for sale, for seasonal or recreational use, used for non-residential purposes, and rented or sold but not yet occupied). Additional information about the off-market "other vacant" units is unavailable. Reasons why these units remain vacant might include being used for storage by the owner, abandonment, uninhabitable condition, and being tied up in estate settlements, among others.

The supply of vacant-for-seasonal-use units more than doubled from 231 to 617. This category would include short-term rental units, among others, defined as vacant units held off the market, including units held for occasional use, temporarily occupied by persons with usual residence elsewhere, and vacant for other reasons.

Figure 23: Vacant Housing Stock by Category
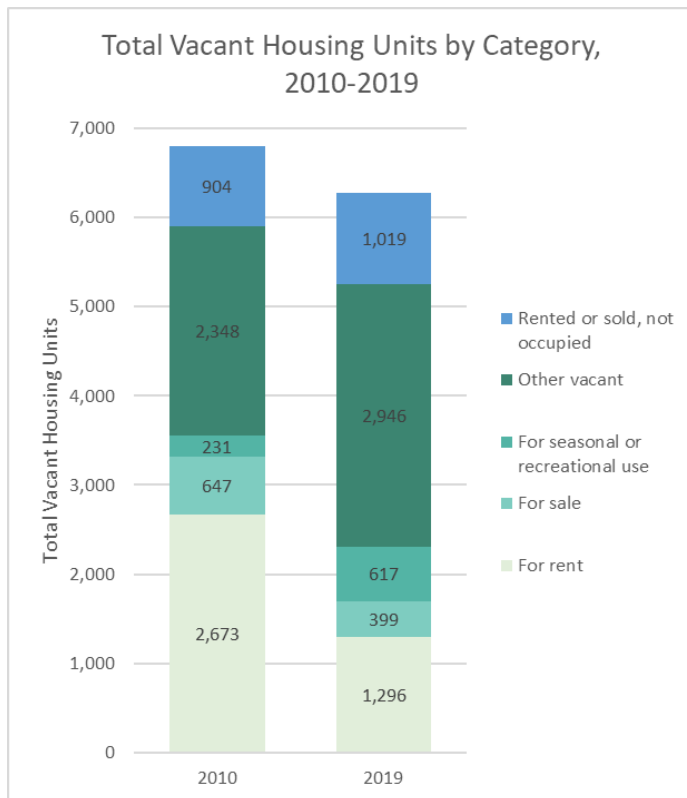
Source: 2019 ACS 5-Year Estimates 25004-DP04

The costs of a high vacancy rate can have detrimental impacts on neighborhoods. Long-vacant homes decrease neighboring property values, become attractive nuisances for illegal activity, detract from potential investment opportunities and result in a loss of tax revenue. The cost of a high vacancy rate is also carried by local government in the form of lot maintenance, demolition and disposal and additional policing when criminal activity occurs in and around the units in a neighborhood.
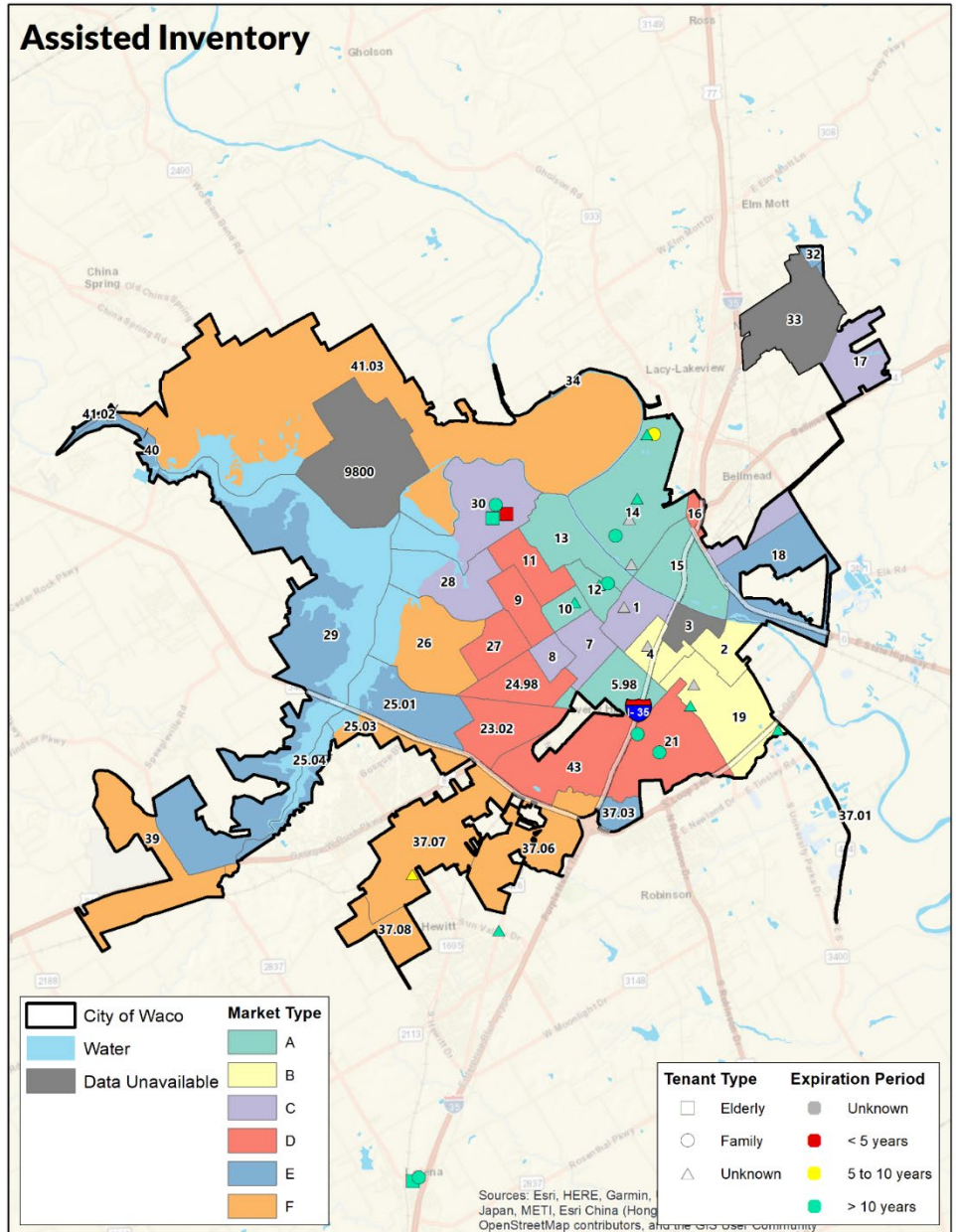
Assisted Housing
Waco's assisted inventory includes rental properties developed using federal subsidy programs such as the Low-Income Housing Tax Credit, HOME, National Housing Trust Fund and other federal and state resources. According to the National Housing Preservation Database, Waco's assisted inventory consists of 20 properties with a total 3,078 housing units. Waco contains most of McLennan County's assisted inventory with 85.5% of all assisted housing units located in the city.

Waco's assisted housing is located primarily in Market Type A with high access to public transit and employment centers but also higher levels of health inequity, including high exposure environmental health hazards and lack of access to healthy foods.

The adjacent map reflects the distribution of assisted units and expiration of the periods of affordability for much of the assisted housing in Waco.
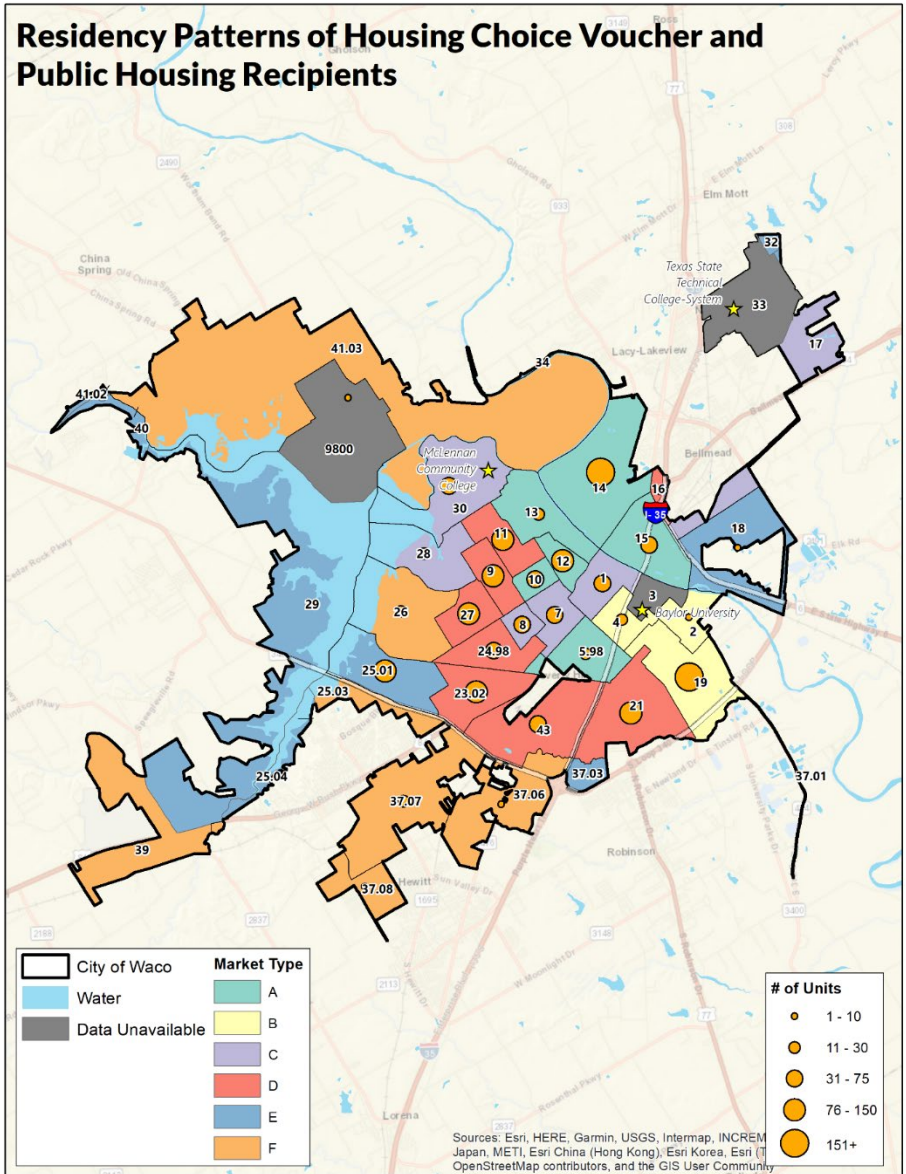
More information on the assisted housing inventory can be found in *Appendix N* and *Appendix O*.

The Public Housing and Housing Choice Voucher programs are operated by Waco Housing Authority & Affiliates (WACOPHA) whose service area includes the city and McLennan County. WACOPHA's portfolio includes public housing, HCVs, Rental Assistance Demonstration (RAD) units and Veterans Affairs Supportive Housing (VASH) vouchers.

Public housing and voucher households reside in the market types that form the core of Waco—A, B, C and D—and where most of the city's affordable housing is located. As of April 13, 2021, there were 2,271 HCVs in use and 558 households residing in public housing units for a total of 2,829 publicly assisted households. An additional 358 HCV households were residing in McClennan County outside of Waco.

Residency Patterns of Housing Choice Voucher and Public Housing Recipients

Legend:

City of Waco
Water
Data Unavailable

Market Type
A
B
C
D
E
F

# of Units
1 - 10
11 - 30
31 - 75
76 - 150
151+

Sources: Esri, HERE, Garmin, USGS, Intermap, INCREM
Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (T
OpenStreetMap contributors, and the GIS User Community

Black households represent 78% of current Public Housing and Housing Choice Voucher households but only 23% of all households in Waco. As listed in the following chart, Black households represent 75% of current Public Housing and Housing Choice Voucher households but only 15% of all households in McLennan County. No other racial and ethnic group is over-represented among WACOPHA units. This is an indication of the difficulty that many Black households have in obtaining affordable housing in the absence of public subsidy.

Figure 24: Housing Choice Voucher and Public Housing Households by Race and Ethnicity

Race and Ethnicity	McLennan 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%

Note: Total percentages do not equal 100 due to rounding.
Source: WACOPHA; 2019 ACS 5-Year Estimates

The waiting lists for public housing and HCV is nearly equal to the current inventory of units and vouchers that are fully occupied. As of April 2021, WACOPHA had 2,239 applicants on the waiting list for HCVs and 953 applicants on the waiting list for public housing. The majority of applicants have incomes at the lowest end of the spectrum (0-30% AMI). Slightly more than a quarter of the applicants are very low- and low-income households.

Figure 25: Public Housing and HCV Waiting List Applicant Households by Income

Income Levels	Number	Percentage
Extremely low income (0-30% AMI)	2,240	70.2%
Very low income (31-50% AMI)	578	18.1%
Low income (51-80% of AMI)	310	9.7%
Not low income (over 80% of AMI)	64	2.0%
Total	3,192	100%

Source: WACOPHA April 13, 2021

Black households also account for more than two-thirds of all waiting list applicants. Comparable to the demographics of current tenant households, this segment of the population has the greatest difficulty in securing affordable housing in the private market.

Figure 26: Public Housing and HCV Waiting List Applicant Households by Race and Ethnicity

Race and Ethnicity	Number	Percentage
All Applicant Households	3,192	100%
White	684	21%
Black/African American	2,291	72%
American Indian/Alaska Native	41	1%
Asian	11	1%
Native Hawaiian/Pacific Islander	9	1%
Other	0	0%
Declined to provide info	126	4%
Ethnicity	3,192	100%
Hispanic	546	17%
Non-Hispanic	2,646	83%

Source: WACOPHA April 13, 2021

***The greatest housing need (53%) among HCV and public housing applicants is for two-
and three-bedroom units for families with children.*** One-bedroom units have been
requested by 42% of applicants who need small units.

Figure 27: Public Housing and HCV Waiting Lists by Number of Bedrooms Needed
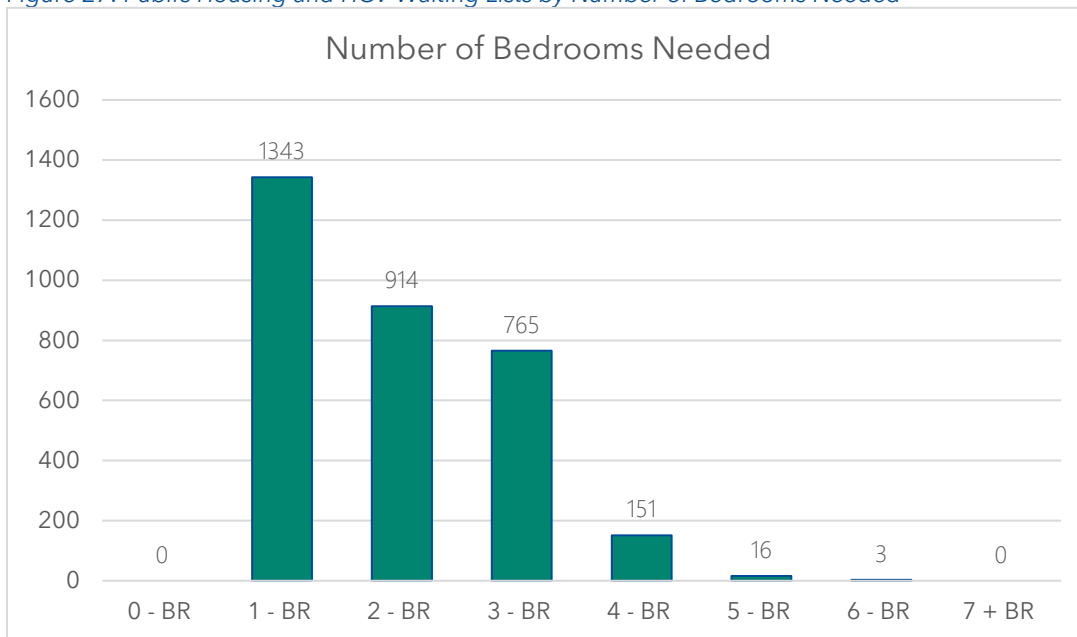
Source: WACOPHA April 13, 2021

Short-term Rental Units

Short-term rentals are an increasingly popular and, at times, controversial topic in Waco's housing landscape. Platforms such as Airbnb, VBRO and HomeAway have emerged as a major competitor to traditional hotels, bringing more tourists and travelers into residential areas. The rapid growth of short-term rental platforms has prompted concerns about impacts on affordable residential rental markets.

Among the STRs registered with the city, approximately two-thirds are located in Market Types A, B and C–where most of the city's affordable housing stock is located. The impact of STR platforms on local residential housing markets is a growing area of concern as it relates to rental housing shortages in general,

Short-Term Rentals in Waco, TX

and to affordable housing, specifically. Homeowners who use these platforms may be converting existing long-term rentals, or converting affordably priced single-family dwellings, to STRs. Doing so could decrease the supply of long-term rentals and lead to increased rents.

Data provided by the city revealed a total of 238 active STRs as of May 12, 2021. This represents 0.49% of the total occupied housing units in Waco.[7]

***Units converted to STRs were primarily priced in the 0-30% and 121%+ median income tiers with smaller numbers of units priced in the other tiers.*** Based on available data, there is a large supply of naturally occurring affordable housing in Market Types A, B and C (even if

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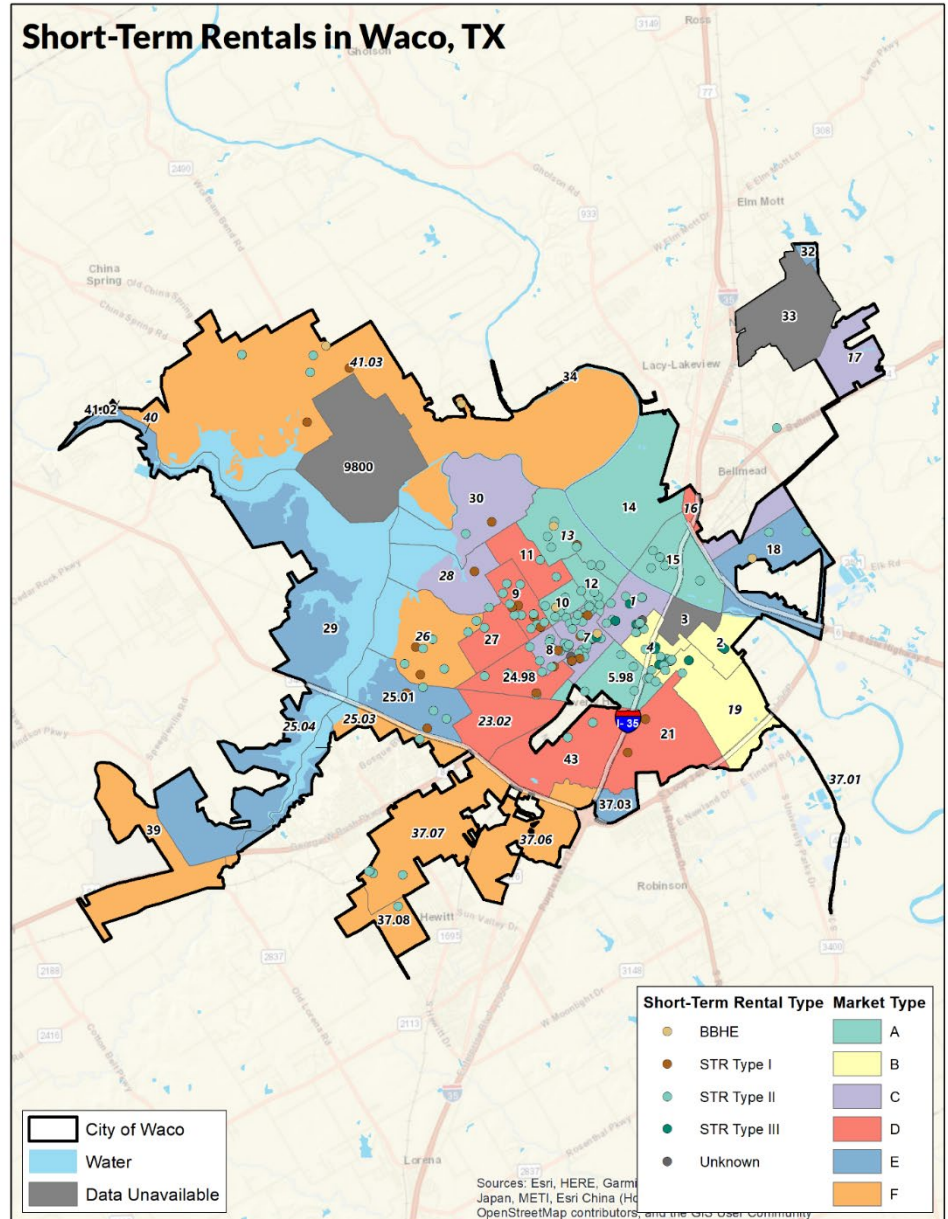
[7] When the analysis is limited to Types II and III, then the percentage of all occupied units less than 0.42%.

it is occupied by higher income households) and, as a percentage of all housing units, the number of STRs is small. However, the demand for affordable rental housing for lower income Waco households is too high to lose viable housing units to visitors and tourists.

Figure 28: Home Value of Short-Term Rentals by Type
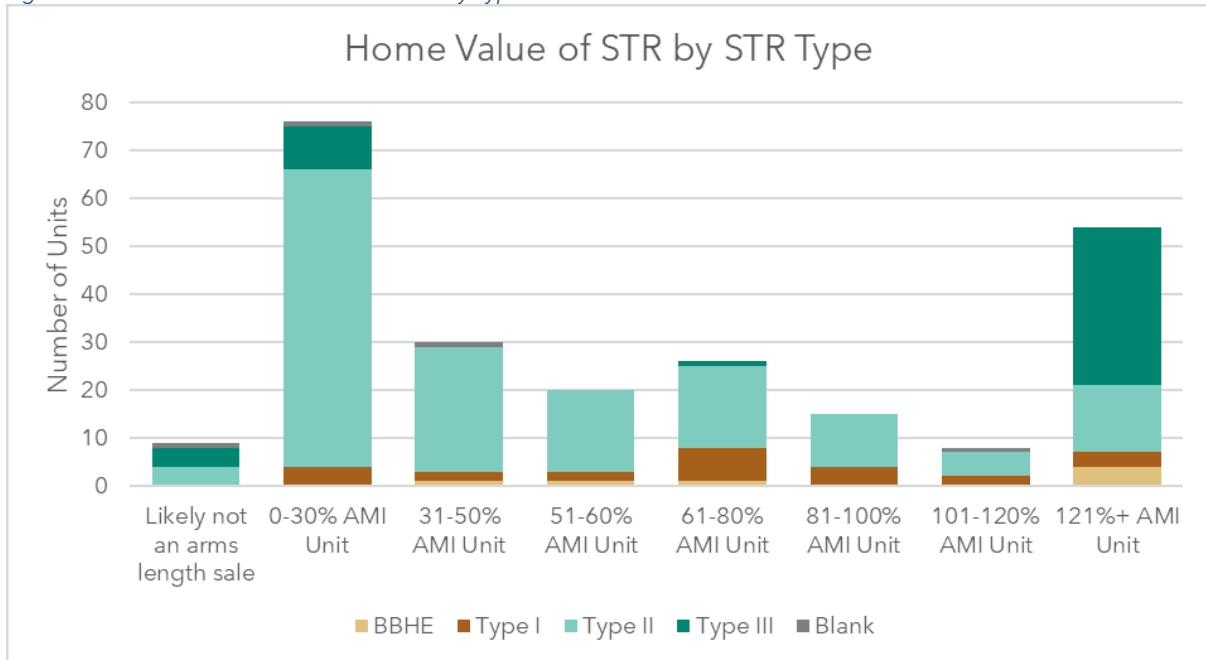
Note: STRs classified as "Likely not an arm's length sale" are classified that way because the market value, which is the sale price in the tax data, is a nominal amount (i.e., $1, $10) or an amount that is clearly below true market value given that the condition of the home is good enough to be rented out (i.e., $10,000).
Source: Tax Office, Planning Services, 2015-2019 PUMS, Calculations by Mullin & Lonergan Associates, Inc.

More information on STRs can be found in *Appendix Q*.

How well does Waco's housing market meet demand?

Analyzing the affordability and availability of housing for all household income levels reveals how well Waco's housing market meets current demand. This analysis reveals that **naturally occurring affordable housing** is a substantial segment of the city's inventory but does not meet all demand. As a result, there is an inadequate supply of affordable rental housing as **cost burden is highest among the most economically insecure households**. Furthermore, the **number of persons experiencing and at-risk of homelessness is increasing**.

The Affordability Gap Analysis demonstrates how **many higher-income households are meeting their housing needs by renting and buying "down market"**, living in units that are affordable for lower income households. This trend has the effect of squeezing out the lowest income households who have the fewest options available to them.

Naturally Occurring Affordable Housing (NOAHs)
Waco has a substantial inventory of naturally occurring affordable housing with 54% of rental units affordable to households with incomes between 51-80% of median income. Sometimes referred to as NOAHs, these are housing units that were developed in the private market, generally between 1940 and 1990, without any public subsidy. A majority of Waco's rental units are affordable to households earning 51%-80% of median income. Across all affordability tiers, 40% of units have two-bedrooms and comprise the largest segment of the rental housing inventory.

Figure 29: Rental Unit Inventory by Bedroom Size and Affordability Tier

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%**	**---**

Source: CHAS 2013-2017

But the existing rental inventory is significantly inadequate to provide affordable housing for all income tiers. Only 10% of existing rental units are affordable to the lowest income households. The most economically insecure income tier of households has the smallest inventory of NOAH rental units. And, as described previously, this same income tier of 0-30% median income has the highest rate and numbers of households who are cost-burdened and severely cost-burdened. In other words, although housed, most 0-30% median income renter households are at risk for homelessness due to high rates of cost burden.

Three out of every four existing owner units (75%) are affordable to households with incomes between 0-80% median income. Across all affordability tiers, 79% of units have three or more bedrooms, indicating a lack of smaller units suitable for smaller households including single-person households.

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%**	**---**

Note: The lowest tier among homeowners is 0-50% median income since few 0-30% households are homeowners.
Source: CHAS 2013-2017

Cost Burden Among the Most Economically Insecure Households

In Waco, 5,255 extremely low-income renter households pay more than 30% of their income on housing costs; another 675 are severely cost-burdened, paying more than 50% of their income on housing. Among homeowners, 990 are cost-burdened and another 265 households are severely cost-burdened. These 7,185 households represent the most precariously housed in Waco.

Among the 9,270 extremely low-income households in Waco, 39% (3,615) are in the workforce. Of these, 85% are employed.
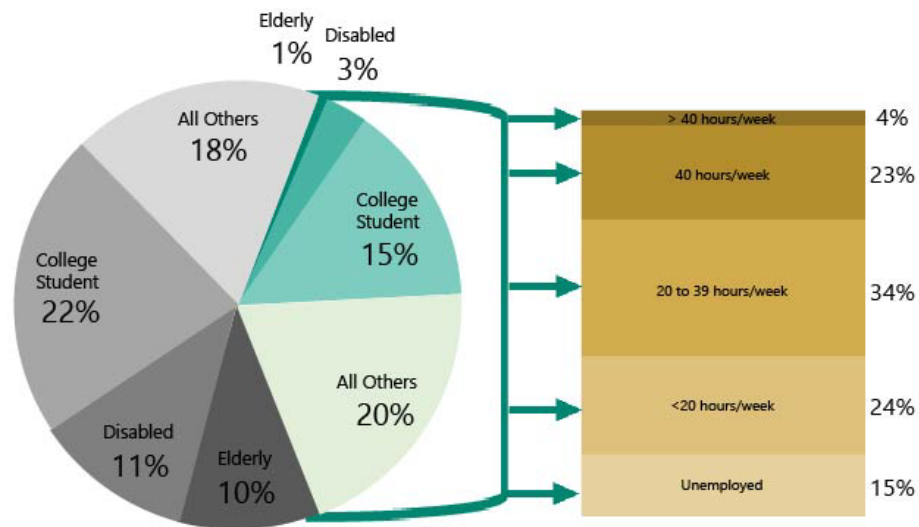
Greens indicate persons in the labor force (i.e., employed or looking for work) while greys indicate persons not in the labor force.

The graph includes only renters with incomes between 0-30% AMI. Each person in those households is classified in the following hierarchy: elderly, disabled, college students, all others. This means that a person who is both elderly and disabled is classified into the Elderly category. A person who is both disabled and a college student will be classified as Disabled. Persons who are not elderly, disabled or a college student (or any combination) are classified as All Others. This group includes those who are caregivers for a person with a disbility, an elderly person, or a child.

Persons Experiencing and at Risk of Homelessness
After a decline in homelessness from 2016-2018, the number of people experiencing homelessness has begun rising. Across the six-county Heart of Texas Continuum of Care region[8], the number of homelessness peaked in 2016 at 267 persons. Following a gradual decline through 2018, this trend has reversed. With the last Point-in-Time count conducted in 2020, a total of 234 homeless persons were counted during the special census event.

Figure 31: Annual Point-in-Time Counts, Heart of Texas Continuum of Care
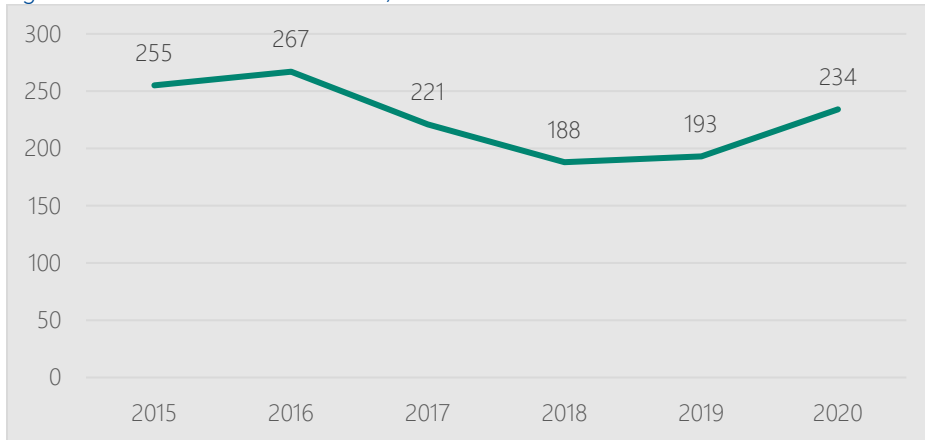
Note: The Heart of Texas Continuum of Care includes Bosque, Falls, Freestone, Hill, Limestone, and McLennan counties.
Source: HUD CoC Homeless Populations and Subpopulation Reports, TX-604 HMIS

Most significant is the 54% increase among sheltered households with children between 2019 and 2020. These are homeless households with children under the age of 18 who are living in emergency shelters, safe havens and transitional housing.

Figure 32: 2020 Annual Point-in-Time Count, Sheltered by Household Type

Note: The Heart of Texas Continuum of Care includes Bosque, Falls, Freestone, Hill, Limestone, and McLennan counties.
Source: HUD CoC Homeless Populations and Subpopulation Reports, TX-604 HMIS

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[8] The Heart of Texas Continuum of Care includes Bosque, Falls, Freestone, Hill, Limestone, and McLennan counties.

There was also a slight increase in the number of people experiencing homelessness who were unsheltered. Unsheltered homelessness includes living in a car, on the streets, a park, abandoned building and other places not meant for human habitation.

Unsheltered Homelessness

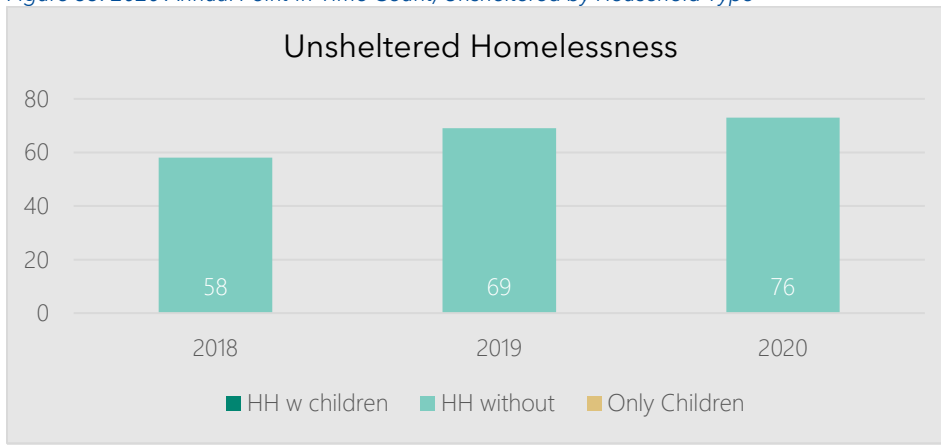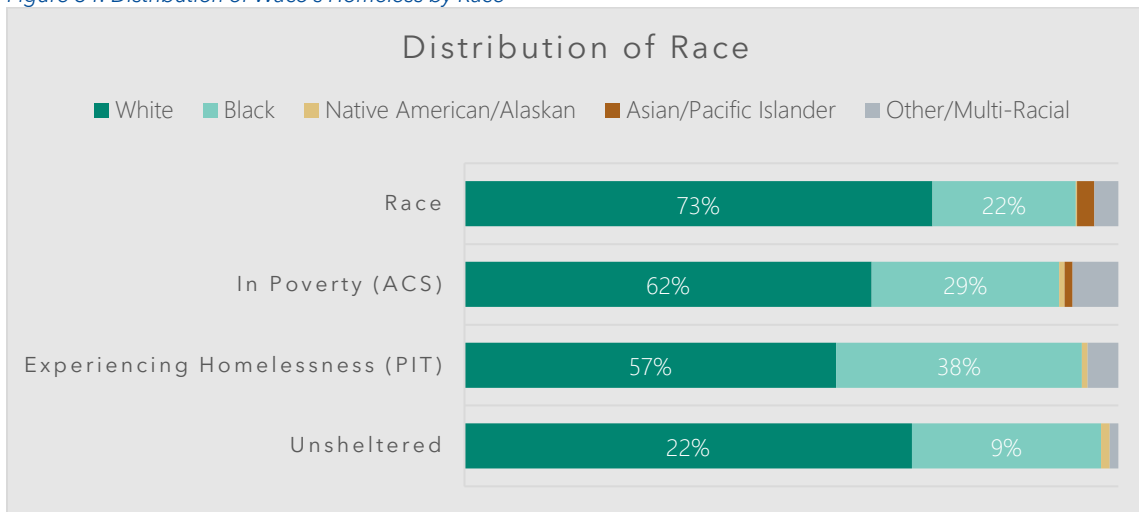| Year	Count
2018	58
2019	69
2020	76

■ HH w children   ■ HH without   ■ Only Children

Note: The Heart of Texas Continuum of Care includes Bosque, Falls, Freestone, Hill, Limestone, and McLennan counties.
Source: HUD CoC Homeless Populations and Subpopulation Reports, TX-604 HMIS

Black households are over-represented in Waco's homeless system. While Black residents represent 22% of Waco's population, they accounted for 38% of people experiencing homelessness during the 2020 Point-in-Time count. Similarly, Blacks account for 29% of city residents living in poverty. Nationally, Black households accounted for 40% of all people experiencing homelessness in 2019 despite representing only 13% of the U.S. population. Homelessness disproportionately impacts Black households, according to the 2019 Annual Homelessness Assessment Report (AHAR).

Distribution of Race

■ White   ■ Black   ■ Native American/Alaskan   ■ Asian/Pacific Islander   ■ Other/Multi-Racial

| Category	White	Black
Race	73%	22%
In Poverty (ACS)	62%	29%
Experiencing Homelessness (PIT)	57%	38%
Unsheltered	22%	9%

Source: ACS 2019, 2020 Point in Time

51

The HOTHC reported a 17% decrease in the number of people who are chronically homeless. HUD defines chronic homelessness as an "individual with a disability who lives either in a place not meant for human habitation, a safe haven, or in an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or in an emergency shelter immediately before entering the institutional care facility, continuously for at least 12 months, or on at least four separate occasions in the last 3 years, where the combined occasions total a length of time of at least 12 months."

More than 9 in 10 of the Permanent Supportive Housing beds dedicated to Chronically Homeless in the HOTHC inventory are set-aside for Veterans Affairs Supportive Housing (VASH) voucher holders, leaving only 7 Chronically Homeless permanent supportive housing beds for non-veteran homeless individuals across six counties. However, the 2020 Point-in-Time Count identified a far greater number of non-veteran, chronically homeless individuals, far exceeding the current available non-VASH permanent supportive housing (PSH) beds available across the six-county region. Research has shown that PSH lowers the public costs associated with high utilization rates of other systems such as criminal justice, medical and homeless services. Most importantly, PSH has been shown to increase health outcomes, provide long-term housing stability and increase overall quality of life for residents receiving support.[9] According to the 2020 Housing Inventory Count (HIC), the HOTHC had 138 Permanent Supportive Housing units. Of those, 58.6% were units dedicated to chronically homeless individuals. Of the 81 beds dedicated to chronically homeless, 74 are exclusively for veterans.

Figure 35: Veteran and Youth Beds as a Proportion of Total Beds
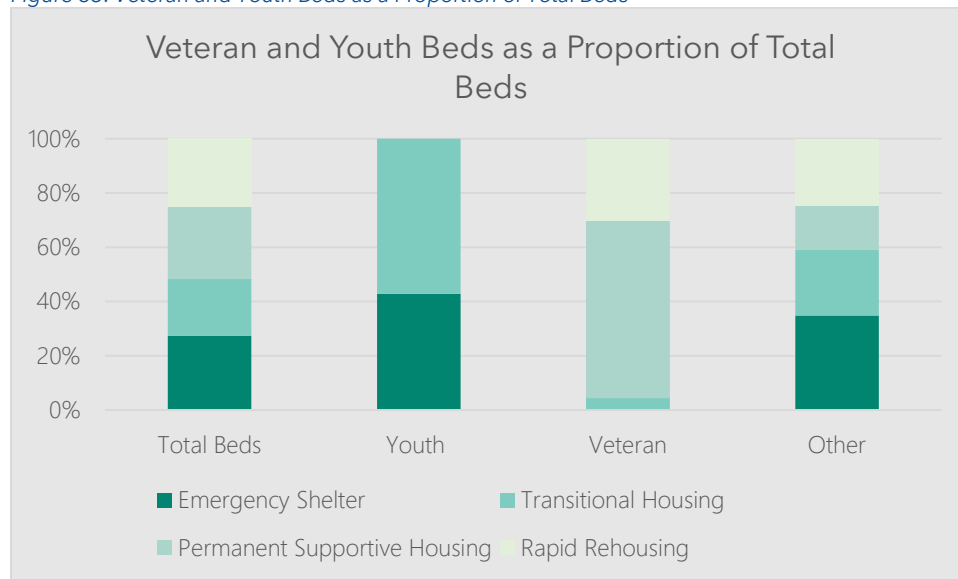
Note: The Heart of Texas Continuum of Care includes Bosque, Falls, Freestone, Hill, Limestone, and McLennan counties.
Source: 2020 HUD Housing Inventory Count TX-604

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[9] Evaluation of the Collaborative Initiative to Help End Chronic Homelessness
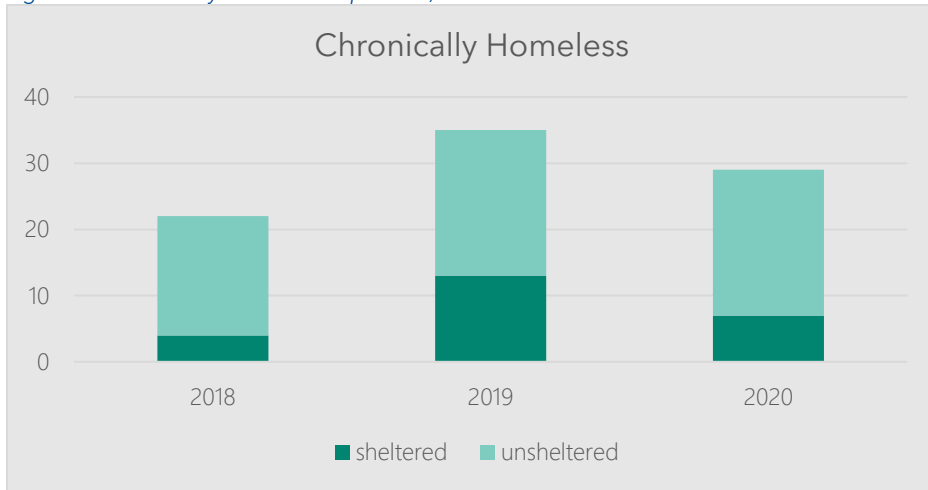
Chronically Homeless

Note: The Heart of Texas Continuum of Care includes Bosque, Falls, Freestone, Hill, Limestone, and McLennan counties.
Source: HUD CoC Homeless Populations and Subpopulation Reports, TX-604 HMIS

More information on persons experiencing and at risk for homelessness can be found in *Appendix P*.

Affordability Gap Analysis

An Affordability Gap analysis was conducted to determine the proportion of households across income tiers that do not have access to units that are both affordable and available. It's one thing to have housing units in a community that are affordable to lower income households, but if the units are not available to these households, then there is an inadequate supply to meet demand.

An affordable housing gap is the difference between the number of households earning a specific income and the housing units that are *both affordable and available to them*. Housing is *affordable* if a household can pay for it with no more than 30% of their income. Housing is *available* to a specific income group if it is vacant and priced affordably, or if it is currently occupied by a household at or below the defined income threshold. A gap between the supply of and the need for affordable housing represents households who are paying more for housing than they can reasonably afford.

The source of data used for this analysis is the Public Use Micro Sample (PUMS) data, which is a sample of raw data files from the American Community Survey. With this data set, it is possible to estimate the proportion of households with available and affordable housing by income tier and tenure. Public Use Micro Areas (PUMA) are the geographic areas that contain at least 100,000 people. There are two PUMAs covering Waco: one that is wholly contained within city limits and a second PUMA that covers the outer edges of Waco and the balance of McLennan County.

The following results represent the conclusions drawn from a multi-step process. The full analysis is presented in *Appendix H*.

Summary of Affordable Housing Gap
Among all renter households in the lowest income tier of 0-30% median income, four out of five do not have available and affordable housing. Among renter households with incomes between 0-50% AMI, 47% do not have available and affordable housing.

Figure 37: Affordability Gap for McLennan County (inclusive of Waco)

Income Tier	Renter Households		Owner Households	
	Percentage *without* Available and Affordable Housing	Number *without* Affordable and Available Housing	Percentage *without* Available and Affordable Housing	Number *without* Affordable and Available Housing
0-30% AMI	80%	8,156	38%	1,436
0-50% AMI	47%	7,572	27%	2,271
0-60% AMI	27%	5,213	21%	2,344
0-80% AMI	6%	1,528	11%	1,875
0-100% AMI	0%	-90	6%	1,348
0-120% AMI	-3%	-786	4%	967

Note: A negative value indicates that, at that income tier and tenure, there is a surplus of available and affordable units.
Source: PUMS 2015-2019, Calculations by Mullin & Lonergan Associates, Inc.

The reasons the affordability gap decreases as income increases can be related to either one or both of the following:

1. There are more units that are available and affordable to households with higher incomes.
2. Households with higher incomes reside in housing that is affordable to lower income households.

The following figures illustrate the residency patterns among renters and owners by income tier. Within the rental market, there are more households than units at the lowest income levels and many of the units that do exist at that price point are occupied by higher income households. A similar pattern holds true within the owner market as well albeit to a lesser extent. This **housing mismatch** explains why there is a large affordability gap at the lower income tiers. In other words, high income households are buying and renting down market.

There is a larger inventory of rental housing units than there are households at incomes between 31%-100% of median income in inner Waco, indicating a large supply of naturally occurring affordable housing. What is most significant is the number of households residing down market—occupying housing units that are affordable to income tiers lower than their own. For example, in the 61%-80% income tier, there are about 5,800 housing units but less than 1,000 (shown in green) are occupied by households at 61%-80% median income. Most striking is the 1,500 or so extremely low-income households at 0-30% median income (shown in red) that reside in housing units that are well beyond their level of affordability. This pattern holds true in both PUMAs.

The greatest mismatch occurs in the 0-30% income tier where there are slightly more than 2,000 units affordable to this income tier of nearly 8,000 households. In other words, there is only 1 rental housing unit affordable for every four households in this income group but about 500 are occupied by higher income households.

Exerting pressure at the opposite end of the spectrum is an inadequate rental inventory for households above 100% of median income. Particularly evident in the 121% and higher income tier, there are fewer than 400 units available for over 2,500 households in this income group.

Waco's trends mirror national trends in terms of rental housing mismatch. The National Low Income Housing Coalition conducted this analysis for the entire U.S. housing inventory. In 2019 the greatest housing mismatch among the nation's renter households was found among the 0-30% AMI income tier and among households above 100% of AMI.[10]

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[10] https://reports.nlihc.org/sites/default/files/gap/gap-21_figure_01.pdf
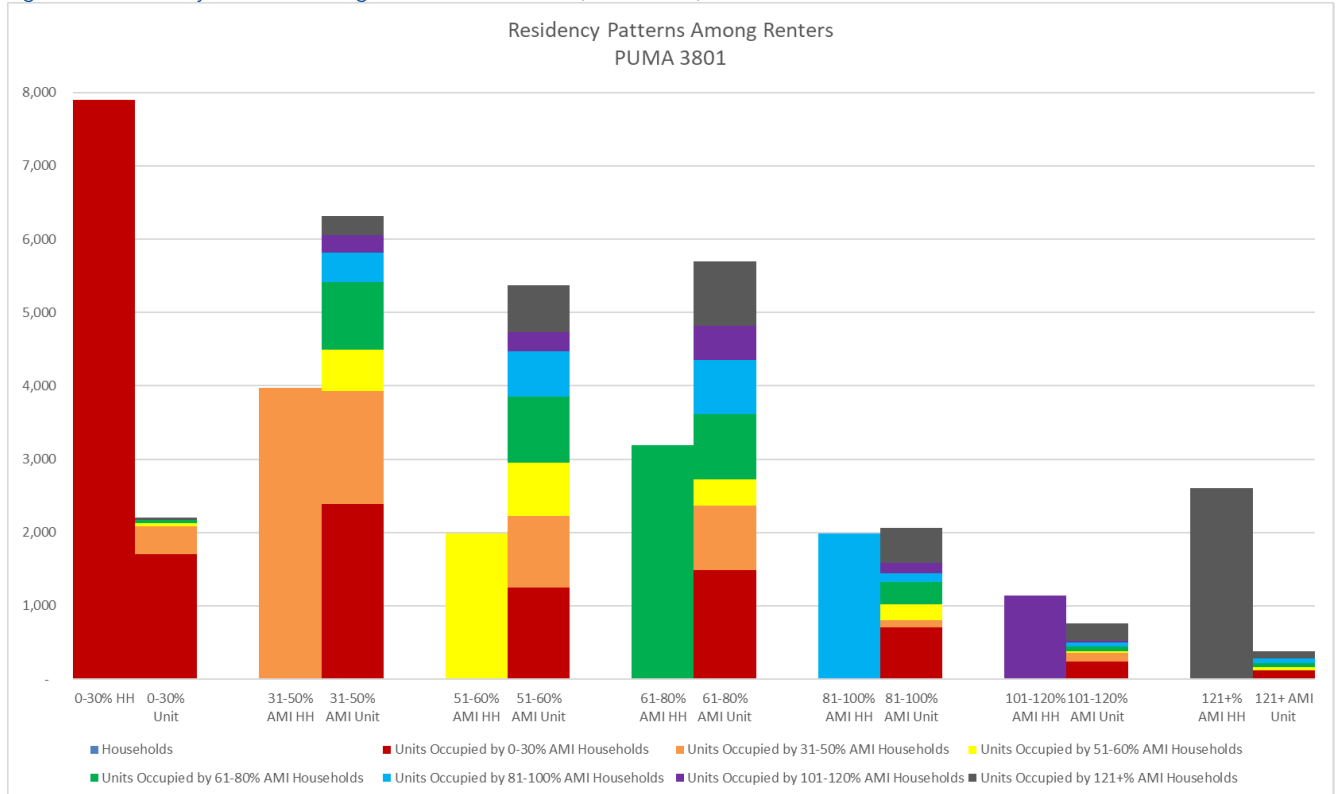
Source: PUMS 2015-2019, Calculations by Mullin & Lonergan Associates, Inc.

The graphic on the following page breaks down the housing mismatch among renter households in Inner Waco for each income tier. In the 0-30% AMI tier, for example, there is a gap of 5,698 units that are affordable for the 7,897 households in that income tier.

For the 31-50% AMI, 51-60% AMI, and 61-80% AMI income tiers, there is what appears to be an "over-supply" of housing units affordable to the households in each respective income tier. Only the 81-100% AMI tier is relatively evenly matched between households and the units affordable to them. In reality, however, most of these units are occupied by households within lower and higher incomes.

Among the two highest income tiers, there are housing gaps with the 121+% AMI tier significantly mismatched.

HOUSING GAP FOR RENTER HOUSEHOLDS IN WACO, TX

7,897 Households | 5,698 Unit Gap | 2,199 Units
0-30% AMI

3,972 Households | 6,313 Units
31-50% AMI

5,367 Units | 1,986 Households
51-60% AMI

5,698 Units | 3,192 Households
61-80% AMI

1,986 Households | 2,057 Units
81-100% AMI

378 Unit Gap | 1,135 Households | 757 Units
101-120% AMI

2,601 Households | 2,223 Unit Gap | 378 Units
121+% AMI

Much of the owner housing stock is affordable in the 0-80% AMI tiers, including a large number of units in the 0-50% AMI range, indicating a large supply of naturally occurring affordable housing within the owner market. However, there are more than 5,500 households with incomes above 120% AMI for about 1,500 units priced for those households, which means that higher income owners are buying down market, thereby squeezing out lower income households from units that would be affordable to them. This pattern holds true in both PUMAs.

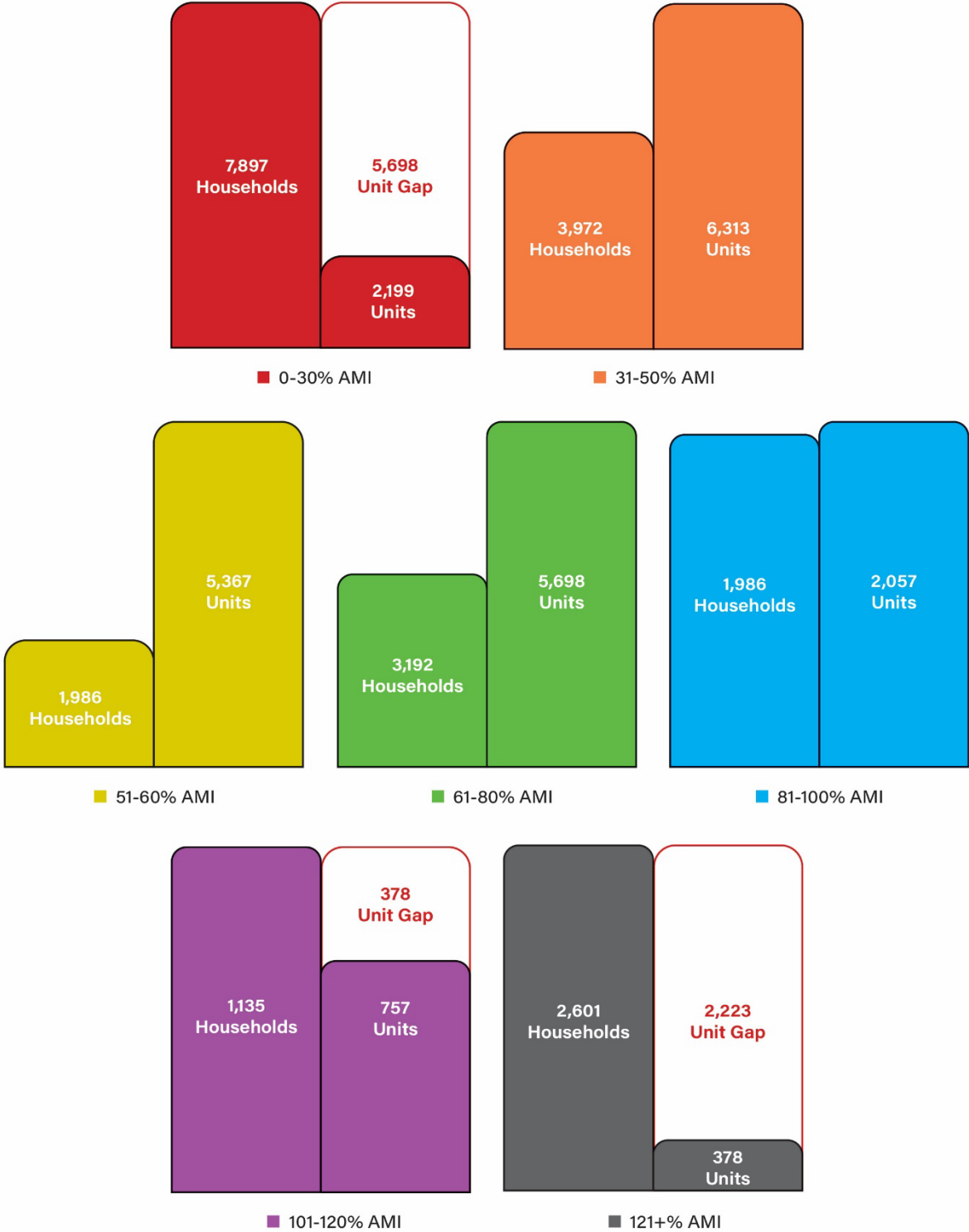*Figure 39: Residency Patterns Among Owners, PUMA 3801 (inner Waco)*
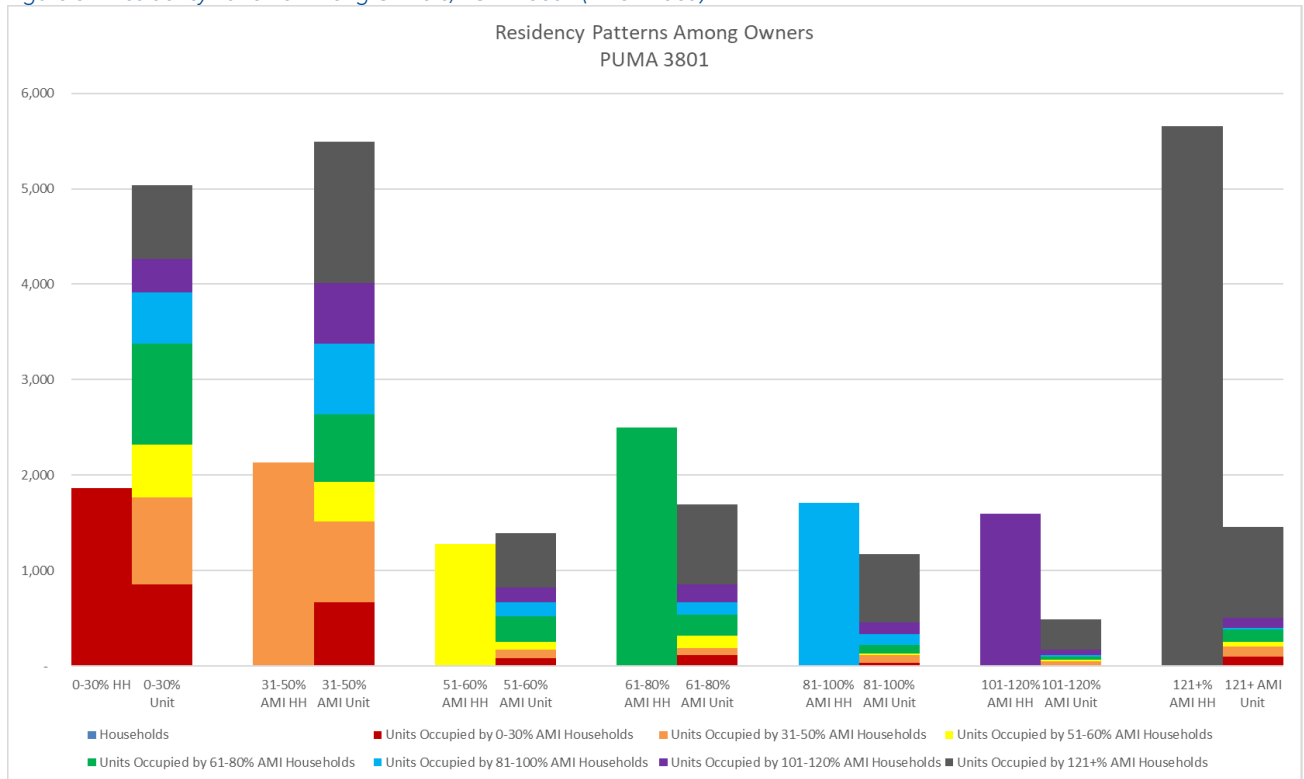
Source: PUMS 2015-2019, Calculations by Mullin & Lonergan Associates, Inc.

The graphic on the following page breaks down the housing mismatch among owner households in Inner Waco for each income tier. In the 0-30% AMI tier, there are more than 2.5 times the number of units in the city's inventory that are affordable for the 1,864 households in this income tier. A comparable trend is found within the 31-50% AMI income tier and, to a lesser degree, within the 51-60% AMI tier.

The largest housing gaps are found among the four higher tiers, increasing in severity with each higher income tier.

HOUSING GAP FOR OWNER HOUSEHOLDS IN WACO, TX

0-30% AMI
1,864 Households
5,038 Units

31-50% AMI
2,133 Households
5,491 Units

51-60% AMI
1,276 Households
1,394 Units

61-80% AMI
2,502 Households
1,697 Units
805 Unit Gap

81-100% AMI
1,713 Households
1,176 Units
537 Unit Gap

101-120% AMI
1,595 Households
487 Units
1,108 Unit Gap

121+% AMI
5,659 Households
1,461 Units
4,198 Unit Gap
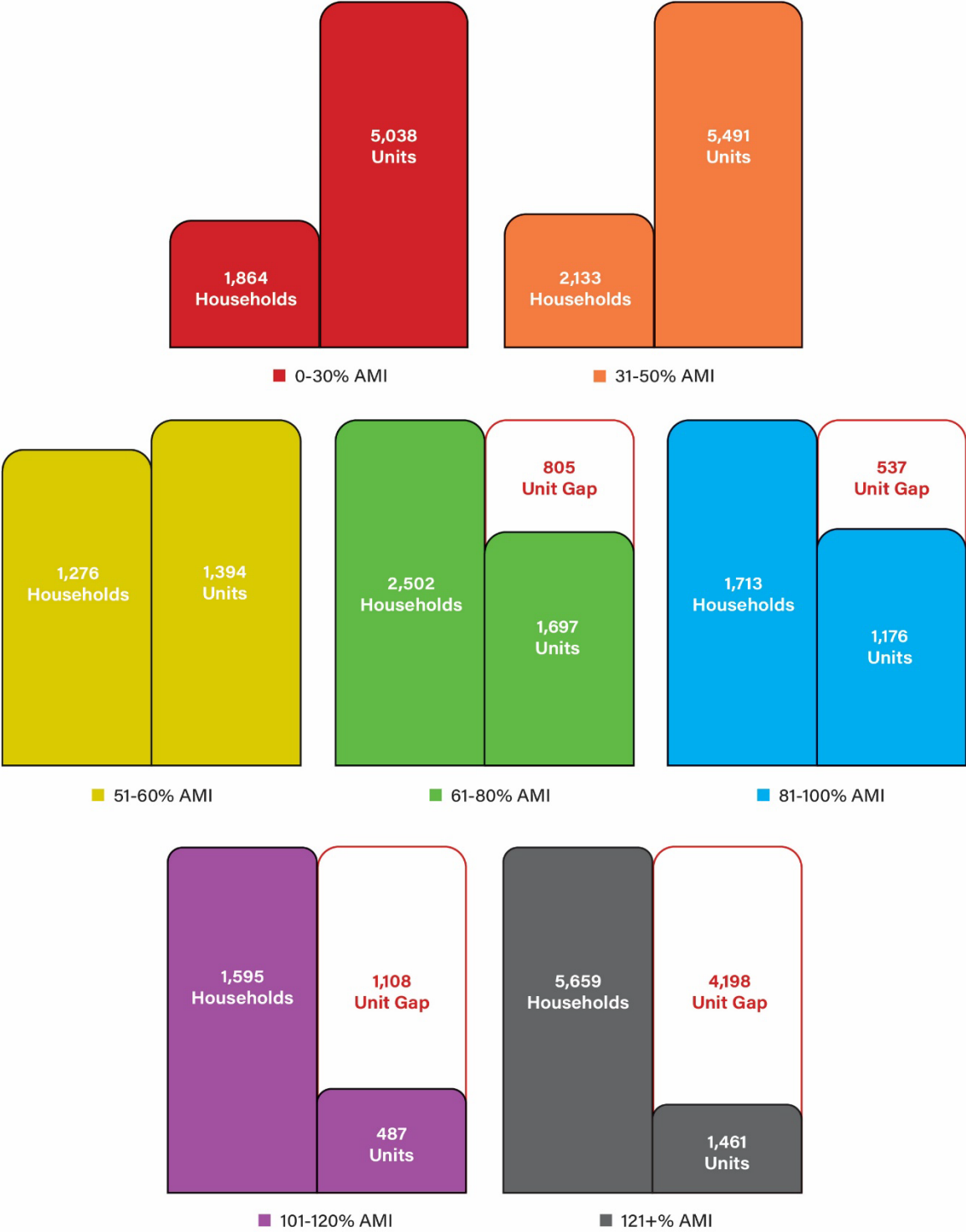
The analysis also studied housing affordability by characteristics of household occupants: elderly head of household, race, ethnicity, disability status, college student households and presence of children. More information can be found in *Appendix H*. Key findings for renters and owners are included below.

Renter Households

As income increases, households tend to live in more expensive units. When the sample is restricted to only households with incomes up to 120% AMI and residing in units affordable up to 120% median income, then the general trend is that as income increases, households tend to live in more expensive units. However, even above 100% median income, households tend to rent units that are affordable in the 30-80% median income range.

Black households tend to have lower incomes than other households and live in lower-cost housing, all the while experiencing cost burden.

There is no significant difference in the residency patterns among households that identify as Hispanic compared to households that do not identify as Hispanic or Combination households.

Only elderly households below 60% tend to be cost burdened. Among households with an elderly head of household, households tend to live in more costly units as income increases.

Renter households with persons with disabilities tend to have lower incomes and be cost burdened. Cost burden among households with disabilities tends to disappear once household income reaches 90% of median income.

Cost burden among households with children significantly declines at approximately 70% median income. There are households with children across the income spectrum. Among households with children, cost burden significantly declines at approximately 70% of median income independent of the household type (i.e., single female, single male, married couple). The largest difference among households with children is that single female households are significantly more likely to have incomes below 30% median income.

College students tend to live in units that are affordable to households above 30% median income. Despite college student households tending to have incomes below 30% median income, they also tend to live in units that are affordable to households above 30% of median income indicating that the lowest income non-student households are most likely not competing with college students for the most affordable units.

Owner Households

Homebuyers are buying down market. When the sample is limited to only those households with incomes up to 120% of median income and units affordable up to 120% of median income, it is observed that owners tend to have higher incomes and reside in units that are below their affordability tier, an indication that owners are buying down market.

There is a wider range of unit affordability in PUMA 3802 (McClennan County and part of Waco) than PUMA 3801 (inner Waco). Units in 3801 tend to be affordable in the 0-60%

AMI range while units in PUMA 3802 are more distributed along the entire affordability spectrum.

Black homeowners are more likely to reside in more affordable units even as their income increases. Owners with lower incomes are more likely to be cost burdened than their higher income counterparts.

Households identifying as Hispanic are more likely to live in more affordable units even as their household income increases.

There is no discernable difference in residency patterns among owners by elderly households compared to non-elderly households.

There is no discernable difference in residency patterns among owner households with one or more members with a disability than households without members with a disability.

Households without children tend to live across the unit affordability spectrum and have incomes across the income spectrum. Couples raising children tend to have higher household incomes while single female-headed households tend to have lower incomes.

Future Housing Demand
Household size and income affect housing demand. An increase in smaller households needs to be addressed with appropriately sized units in the right income tier. Otherwise, these households will be forced to live in larger units that they cannot afford or seek units down-market, squeezing out lower income households. Coupled with projected population increases among lower income households and renters will have even more difficulty finding affordable housing.

Renters
The largest increase in numbers is projected to occur in the 0-30% and 31-50% income tiers. Overall, citywide growth of 6% in renters is projected by 2026 with a disproportionate increase in the number of renters over the age of 62 (10%). Driven in part by projected growth in lower wage employment, this increase will place even greater pressure on expanding the affordable housing inventory for the lowest income tiers.

Renter households at 100-120% of median income will remain virtually unchanged and only a small 4% increase is projected among households at 120% of median income and above. The only projected decrease is projected for the 61-80% median income tier.

Figure 40: Citywide Projected Number of Renters by Income Tier

Renters				
AMI Tiers	2021	2026	Change (#)	Change (%)
0-30%	9,920	10,670	750	8%
31-50%	4,913	5,308	395	8%
51-60%	2,075	2,161	86	4%
61-80%	3,191	3,127	-65	-2%
81-100%	1,762	1,947	185	11%
100-120%	1,373	1,381	8	1%
Above 120%	3,802	3,947	145	4%
Citywide	27,036	28,541	1,505	6%

Source: HISTA by Ribbon Demographics, LLC; Calculations by Mullin & Lonergan Associates, Inc.

Owners
As with renters, the highest number increase among owner households is projected to occur among the 0-30% median income tier. Although a smaller increase in number, this would represent a 13% expansion of homeowners in the lowest income category. The most significant growth will occur in the income tiers below 80% of median income.

Figure 41: Citywide Projected Number of Owners by Income Tier

Owners				
AMI Tiers	2021	2026	Change (#)	Change (%)
0-30%	3,078	3,471	393	13%
31-50%	3,332	3,554	223	7%
51-60%	1,488	1,658	170	11%
61-80%	2,990	3,286	296	10%
81-100%	2,454	2,529	75	3%
100-120%	2,023	1,994	-29	-1%
Above 120%	9,039	9,300	261	3%
Citywide	24,404	25,792	1,388	6%

Source: HISTA by Ribbon Demographics, LLC; Calculations by Mullin & Lonergan Associates, Inc.

Housing demand is largely driven by growth in the number of households, which in turn is driven by employment growth. However, six of the top 10 occupations have an annual salary below 80% median income.

New housing construction in Waco has consisted largely of single-family homes. Single-family detached housing accounted for 77% of all housing growth, averaging slightly more than 300 new units annually between 2010 and 2019. In contrast, new multi-family units numbered only 540 during the entire decade.

More information on household projections can be found in *Appendix M*.

Rental Units Needed to Reach a Healthy Vacancy Rate

Vacancy rate is an indicator of the balance between the supply and demand for units in the market. In theory, a "healthy" vacancy rate somewhere between 5% and 7% provides enough open inventory for renter households to search for and find housing that is suitable. Vacancies below 5% can exert upward pressure on the market as renters compete with one another for scarce units. Households with higher incomes, therefore, are at an advantage in finding housing as they can afford a greater range of units than households with more limited resources.

There is a need for between 368 to 952 additional rental units immediately to bring the vacancy to 5% or 7%, respectively. Assuming a 1,500 square foot unit, built at $100 per square foot[11,12], which is the lowest end of estimates, it would cost between $55.2 million and $142.8 million to build the needed units. Increasing the cost to $150 per square foot, the estimated total cost to build the needed units increases to $82.8 million to $214.2 million.

To meet the need for housing for additional households as well as maintain a vacancy rate of 5%, there is a need for an additional 1,584 to 1,618 rental units by 2026 above current need. HISTA projection data indicates that the household size will remain stable until 2026 (approximately 2.4 persons per household) but that there will be an increase of 1,505 renter households. This means an additional 1,952 to 2,570 rental units are needed by 2026 to achieve and maintain a healthy vacancy rate. This calculation does not take into account the need specifically for housing affordable to households under 80% of median income.

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[11] https://www.homeadvisor.com/cost/architects-and-engineers/build-your-own-house/
[12] https://www.forbes.com/advisor/home-improvement/cost-to-build-a-house/

A Framework for Waco to Address Unmet Housing Demand

Key Findings
This analysis of Waco's housing market revealed many trends and conditions about how the market is meeting demand for many households, but not for all households.

Household growth is not being adequately served by the ***housing supply*** at both the lower end and upper end of the income spectrum. As a result of an inadequate supply, higher income households are buying and renting down-market, living in units that are affordable to households in lower income tiers. This trend has the most detrimental effect on the most economically insecure income tier—extremely low-income households at 0-30% of median income. An inadequate housing supply has also driven up ***housing costs***.

Compounding the housing shortage is a ***local economy*** in which some of the most common jobs are low-paying and vulnerable during times of economic downturn. Almost half of all jobs in 2019 paid wages that required working more than 40 hours a week to afford a two-bedroom unit. Looking ahead, projected economic growth will continue to be in low-paying occupations.

Development pressure in some of Waco's lower income neighborhoods threatens housing stability for both renters and owners. For current and long-term residents to fully enjoy and participate in the revitalization of their neighborhoods, anti-displacement measures will be required.

Strategic Plan Framework
The framework of the Strategic Housing Plan is focused on the following three concepts:
- Supply – building an adequate supply of homes to meet all households needs
- Stability – protecting renter households and existing affordable housing
- Subsidy – supporting those who need additional assistance to become housed or maintain their housing[13]

Having an adequate ***supply*** of physical units to house every household reduces the likelihood of higher income households residing in units that are affordable to much lower income households. A large segment of households in Waco buy or rent down-market as a result of an insufficient supply of housing, causing many lower income households to rent units above their affordability level, crowd into units with other households, or move into places unfit for habitation. Research shows that when higher-end units were built and higher income residents moved in, it created a "migration chain" when households from down-market vacated their units to move into the units recently vacated by the higher income households.[14] An adequate supply of housing in a variety of types to meet the demand of all household incomes and changing lifestyles would expand housing choice across the spectrum.

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[13] Shane Phillips, The Affordable City: Strategies for Putting Housing Within Reach (and Keeping it There). (Washington, D.C.: Island Press, 2020).
[14] Phillips, *The Affordable City*, 75.

Stability is the key to protecting households who reside in gentrifying neighborhoods that are attractive to new investment. Reinvestment and revitalization in older neighborhoods happen because these locations offer some of the highest rates of return for investors. Vacant land and buildings are some of the cheapest in a city and the prospect of seeing something new happen in neighborhoods long neglected is viewed as a positive. But displacement of residents due to development pressure destabilizes their housing and their neighborhood and disrupts the support network they have built over years. Balancing revitalization efforts with preventive displacement measures is the key to stabilizing households. Residents can benefit from better living conditions, new amenities, increasing home values and wealth, local jobs and the possibility of starting small businesses.

When housing supply and stability are not adequate, then **subsidies** are needed. The waiting lists for public housing and Housing Choice Vouchers in Waco exceed the number of units and vouchers available. Many households who are at risk for becoming homeless live in unsubsidized housing and could benefit from vouchers to subsidize their rent and lower their cost burden, thereby stabilizing a precarious housing situation. In the case of Waco, both an increase in housing supply and more subsidies are needed.

Waco's Housing Goals

The following goals are established to set Waco on a course to address the inadequacies of its housing supply to meet the demand of its resident households of all income levels. The goals are based on the three concepts of supply, stability and subsidy.

Supply Goal: Expand the overall supply of housing with a focus on affordable housing and mixed-income developments.

Stability Goal: Reinvest and stabilize housing and households in neighborhoods that have long been neglected but are now experiencing growth and revitalization.

Subsidy Goal: Use financial resources to support lower income households through a variety of measures with emphasis on the most precariously housed.

Strategic Housing Plan

The initiatives in the housing plan are structured to establish a foundation to address affordable housing now and in the future. Given the nature of the current housing situation, there are some relatively simple, cost-effective solutions that can be implemented immediately that will help to alleviate current barriers and mitigate additional harm. Establishing a housing trust fund is a critical priority but it will take time to create the governing board, capitalize the fund and deploy its resources. The prioritization of these recommendations should not be interpreted as downplaying the importance of the housing trust fund. Many of the recommendations included in the Strategic Housing Plan study are being implemented in other cities and counties, and several are best practices in places throughout the U.S. Several are bold measures requiring strong advocacy, community conversations and time.

Waco is a growing city but lacks an adequate inventory of housing units for current households of all income levels. More specifically, there exists a critical "housing mismatch" where higher income households are residing in units that are more financially appropriate

for lower income households. Without an adequate supply of units available for higher income households, they rent and buy down-market to meet their housing needs. This exerts greater pressure in a tight market with lower income households negatively impacted the most as they have less income and fewer housing choices.

Despite these conditions, Waco has many benefits and resources with the potential to begin addressing housing demand. Major new businesses have opened and there are several opportunities for new development within core city neighborhoods. Analyses revealed the distribution of lower income households throughout many city neighborhoods and within a relatively affordable housing market. The challenge facing Waco today is to maximize its resources, intentionally build citywide housing affordability and stabilize core city neighborhoods that are poised for substantial growth.

The recommendations included on the following pages are categorized into Supply, Stability and Subsidy initiatives. However, several recommendations do not fit neatly into one of these three categories and are more administrative in nature but are critical foundational steps necessary to implement the Strategic Housing Plan. They are described as Administrative Strategies.

Administrative Strategy 1: Build a more robust Community Services Department.

Why?	The implementation of the plan's recommendations will require the coordination and collaboration of numerous city departments as well as outside partners. The Community Services Department's capacity will need to be expanded with individuals experienced in real estate development, financing, project management, data analysis, community engagement and more. Several of the recommendations in this plan will be implemented concurrently, requiring a high level of administration to manage the level of activity required to maintain a steady forward pace for several years.
Responsible Entities:	City of Waco
Potential Partners:	Waco Foundation, Cooper Foundation
Possible Funding Sources:	General Fund
Priority:	Year 1
Market Type Focus:	Not applicable

Administrative Strategy 2: Prioritize city resources to finance affordable housing initiatives.

Why?	Waco is a HUD entitlement community but its annual allocation amounts are woefully inadequate to address the level of housing need. City Council must evaluate how General Fund and other resources can be prioritized to address specific housing initiatives with the goal of expanding the overall inventory. Making a one-time or annual commitment of General Fund revenues to capitalize a Housing Trust Fund (see Subsidy Strategy 1) can provide a dedicated source of funding for small and large development projects–free from the onerous regulations and restrictions of state and federal programs. Proceeds from the sale of city-owned assets (such as vacant land) can also increase the resources available for housing. Included in this category would be the city's continuing support of Tax Increment Reinvestment Zones (TIRZ) whose plans include new residential development. Using TIRZ to support site development costs specifically for this purpose is a strong incentive for housing developers.
Responsible Entities:	City Council
Potential Partners:	Waco Foundation, Cooper Foundation, Grassroots CDC, Habitat for Humanity, NeighborWorks Waco
Possible Funding Sources:	General Fund Sale of city-owned assets Bond sale Federal American Rescue Plan Act (ARPA) and HOME-American Rescue Plan (HOME-ARP) funding Tax Increment Reinvestment Zones
Priority:	Years 1-10 (annually)
Market Type Focus:	Not applicable

Administrative Strategy 3: Increase the annual licensing fee for Type II and Type III STRs to cover the cost of program administration.

Why?	Among the STRs registered with the city, approximately two-thirds are located in Market Types A, B and C where most of the city's affordable housing stock is located.
	The city recently adopted on a permanent basis the prohibition of Type II and Type III STRs in residential districts. The demand for affordable rental housing for lower income Waco households is too high to lose viable housing units to visitors and tourists. Increase the annual licensing fee to cover the full administrative costs of the program.
Responsible Entities:	City Council
Potential Funding Resources:	Not applicable
Schedule to implement:	Year 1

Administrative Strategy 4: Expand the use of HMIS and use the data to make informed decisions to address homelessness.

Why?	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. This allows the community to understand the full continuum of services, identify gaps in services, duplications in services and other barriers to accessing homeless services. The Department of Housing and Urban Development's 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.
Best Practice:	New York, NY; NYC Continuum of Care; NYC's CoC utilizes HMIS data to make improvements to the overall system. A dedicated committee, Systems Workgroup, utilizes a community-driven process, to further the goals of system integration, data sharing, and building efficiencies that will lead to expedited placement of the most vulnerable homeless households.
Responsible Entity:	Heart of Texas Continuum of Care (HMIS Lead Agency)
Potential Partners:	Prosper Waco, Economic Opportunity Advancement Corporation
Potential Funding Resources:	Continuum of Care Emergency Solutions Grant
Schedule:	Years 1-10 (on-going)

Administrative Strategy 5: Right-size the current homeless services inventory.

Why?	There is a need for permanent housing that is affordable to the lowest income households in Waco. The solution to homelessness is permanent housing. Over 60% of households assessed through Coordinated Entry were prioritized for Rapid Rehousing. In order 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. The current PSH units are largely for chronically homeless veterans. There are chronically homeless individuals who do not qualify for these types of units. There is also a need to evaluate the use of 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; however, this may require reducing the requirements to access these beds.
Best Practice:	National Alliance to End Homelessness; Homeless System Evaluator Tool (https://endhomelessness.org/resource/homeless-system-evaluator-tool/) and System Design Training and Technical Assistance. The National Alliance created a tool to help communities understand the performance of their homelessness system, different programs, and program types within the system. The National Alliance also offers Technical Assistance and training on System Design to help communities right-size their system.
Responsible Entities:	Heart of Texas Continuum of Care HOTCoC jurisdictions
Potential Funding Resources:	Continuum of Care Texas Department of Housing and Community Affairs Federal HOME-ARP Emergency Solutions Grant Local Housing Trust Fund
Schedule:	Years 1-3

Supply Strategy 1: Increase investment in short-term rental assistance and homeless prevention.

Why?	The second most frequent priority score through the Coordinated Entry system is for Diversion or Mainstream Resources. These are often households who are not literally homeless but may be facing a housing crisis and need rent and utility assistance. Often, they have an opportunity to remain in their current housing situation. Homeless prevention programs can provide case management, landlord mediation, financial assistance and some housing location services to help divert households from having to enter the homeless system. By providing short-term, shallow subsidies and case management services, households may be able to stabilize in their current housing and avoid homelessness all together.
Best Practice:	Center for Evidence-based Solutions to Homelessness: Homeless Prevention, A Review of the Literature; This document provides a review of research and literature on the topic of homeless prevention. It provides meaningful information on criteria for determining if a homeless prevention program is successful and describes the evidence for five homeless prevention intervention strategies.
Responsible Entities:	Heart of Texas Continuum of Care CoC jurisdictions
Potential Funding Resources:	Texas Department of Housing and Community Affairs Emergency Solutions Grant program Local Housing Trust Fund
Schedule to implement:	Year 1 (on-going)

Supply Strategy 2: Develop a citywide Vacant Property Plan.	
Why?	Nearly half of Waco's 6,277 vacant housing units are off-market and unavailable for occupancy. City records reported a list of potentially 5,000 vacant properties across the city. The extent of this inventory should be verified because many of the properties could be appropriate for acquisition, rehabilitation, development and resale opportunities. Due to the extensive inventory, focusing on a specific neighborhood or market type may be more practical.

There are several related elements to this strategy:

First, begin verification of the location and condition of the vacant properties on the city's list.

Second, explore the implementation of a Vacant Property Registration Ordinance requiring all owners of vacant structures to register their properties with the city. Update the list quarterly from city utility records. Determine a fee schedule that would cover staffing costs to establish and maintain the registry. The collection of fees from vacant property owners should finance program operations rather than city taxpayers. Assess penalties for non-compliance. Deny future applications for building permits or development plans (on other properties) to owners in non-compliance. Aggressively pursue violators. Demolish units no longer feasible for rehabilitation. Assume tax-foreclosed parcels into the City Trust to clear title.

Third, where possible, combine adjacent vacant parcels and package for new development. Issue development RFPs for large parcels appropriate for new multi-family development. |
| Best Practices: | Dallas, TX Vacant Building Ordinance
Arlington, TX Vacant Structure Registration Ordinance
Baytown, TX Vacant Property Registration Ordinance |
Responsible Entity:	City of Waco
Possible Funding Sources:	General Fund
Priority:	Years 1-2 (then on-going)
Market Type Focus:	For verification of vacant properties, focus on Market Types A, B, C. This initiative should supplement other revitalization efforts.

Supply Strategy 3: Amend the zoning ordinance to allow for higher density housing.	
Why?	Nearly 63% of Waco's housing inventory consists of single-family detached and attached dwelling units. Single-family detached units accounted for 77% of all housing growth (3,089 additional units) between 2010 and 2019. By comparison, multi-family units in structures of five or more units represented only 540 new housing units built between 2010 and 2019. Three strategies are included in this recommendation. Upzoning refers to increasing the development density of land to permit more development. For this purpose, increasing development means opening up more land in Waco for more housing units to be built. This can be done selectively in specific neighborhoods, across large swaths of the city, or across the entire city. Upzoning does not have to include high density housing but could include *higher* density than what exists now. For example, upzoning parcels in accessible and high opportunity locations (transit, grocery stores, jobs) would incentivize more multi-family rental housing, by most measures the more affordable housing option over single-family units. By opening more land for more housing, more developers can build housing and low- and moderate-income households can access more affordable housing. Permit accessory dwelling units (ADU) on residential lots to increase housing supply in single family neighborhoods. ADUs are smaller residential units built on lots with a principal residential structure. They provide living quarters for aging parents, adult children, and non-family members who need small affordable units. Provide density bonuses (increase density; reduce height limits, setbacks, lot width, lot coverage and minimum parking requirements) to incentivize developers to build more housing with a specified percentage of the units affordable to lower income households. This harnesses the private market to develop new affordable units while ensuring that the market-rate development remains profitable. The density bonuses are less costly for the city than financial incentives such as reduced fees, tax abatements or other subsidies. This is not a mandatory set-aside program but a voluntary incentive that, if designed right, can increase the number of units originally proposed by the developer *and* secure new affordable housing units.
Best Practices:	Austin, TX Accessory Dwelling Units Texas Granny Pods Dallas, TX Accessory Dwelling Unit Overlay
Responsible Entities:	City Planning Commission City Council Waco Housing Authority (administration of affordable units)
Potential Funding Resources:	Not applicable
Schedule to implement:	Years 2-3

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.	
Why?	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. This is a significant boost above the Texas minimum wage of $7.25, which is only 36% of median income. Recognizing that it cannot build its way out of affordable housing, Waco City Council recently increased the minimum wage for all city jobs to $15/hour in an effort to substantially lift its employees' financial capacity to find affordable housing with less likelihood of being cost-burdened. This initiative provides improved opportunity for households to rent or buy "up-market", thereby making available lower cost units where needed.
Responsible Entities:	City Council Waco Economic Development Department
Potential Funding Resources:	General Fund
Schedule to implement:	On-going
Market Type Focus:	Citywide

Stability Strategy 2: Seek Neighborhood Revitalization Strategy Area (NRSA) designation in qualifying neighborhoods.	
Why?	Entitlement communities receiving Community Development Block Grant (CDBG) program funds are encouraged by HUD to develop Neighborhood Revitalization Strategy Areas for specific neighborhoods in which new investment would benefit from certain incentives. The designation of an NRSA eases some of the regulatory requirements of the CDBG program. To qualify, the neighborhood must include a contiguous area, primarily residential in nature, with a percentage of low- and moderate-income persons that is 70% but not less than 51%. The incentives provided through NRSA designation include the following: 5) Job creation / retention as LMI area benefit: such activities may qualify as meeting area benefit requirements, thereby eliminating the need for individual businesses to track the income of persons considered for, or who fill, such jobs. 6) Aggregation of housing units: housing units occupied by non-LMI households can be assisted if at least 51% of the total housing units assisted are occupied by LMI households. 7) Aggregate public benefit standard exemption: jobs created with CDBG funds are exempted from the regulatory requirements of requiring the creation of one job per $35,000 investment of CDBG funds 8) Public service cap exemption: public service activities carried out by community-based development organizations are exempt from the regulatory 15% cap on public service activities. One of the lesser-known benefits of an NRSA is the potential to economically integrate a neighborhood. Through the easing of the regulatory requirements, the city could invest CDBG funds and assist non-LMI housing units, households and businesses located in an NRSA, thereby creating opportunities for mixed-income neighborhoods to evolve and thrive. NRSAs have a greater likelihood of success if the locations are selected in consideration of other development activities, either within the eligible area or in close proximity to it.
Best Practice:	Raleigh, NC NRSA Plan Ogden City, UT NRSA Canton, OH NRSA Plans
Responsible Entities:	Waco Community Services Department City Council (approval of plan and budget)
Potential Partners:	Waco Housing Authority Waco Foundation Cooper Foundation Prosper Waco City Center Waco
Potential Funding Resources:	Community Development Block Grant program (planning activity) Community Development Block Grant program (annual allocations) Local Housing Trust Fund General Fund (coordinated public infrastructure investments) Tax Increment Residential Zone (TIRZ) (coordinated public infrastructure investments)
Schedule to implement:	Year 1-2 (obtain HUD approval for NRSA plan) Years 2-6 (minimum five-year implementation plan required)
Market Type Focus:	A – Bridge Street area in East Waco (revitalization-focused) C – Around the Magnolia Market development near Downtown (preservation of affordable housing in the core city)

Stability Strategy 3: Expand the city's housing rehabilitation programs to increase production and focus on targeted city blocks.

Why?	These activities preserve owner-occupied units for households up to 80% of median income. A recent study in Philadelphia revealed that city-funded rehabilitation activities in historically segregated, low income, Black and Hispanic neighborhoods resulted in a decrease in crime by 21.9% on that block. As other homes on the block were rehabilitated, the crime rate dropped even more. The repairs included structural repairs such as replacement of an exterior wall to stop leaking, electrical repairs that replaced malfunctioning circuits, among other types.
Best Practice:	Philadelphia, PA (Association Between Structural Housing Repairs for Low-Income Homeowners)
Responsible Entities:	Community Services Department
Potential Partners:	Habitat for Humanity Grassroots CDC NeighborWorks Waco
Potential Funding Resources:	Community Development Block Grant program HOME program
Schedule to implement:	Year 1 (then on-going)
Market Type Focus:	A, C, D

Stability Strategy 4: Establish a Rental Registration Program.

Why?	Rental registration programs require owners of multi-family properties to register with the city. An annual fee ranging from $10-$25 per unit is usually required and can offset administrative costs. Rental registration programs give city code inspectors the authority to inspect the interior and exterior of rental units on a rotating basis, typically once every three to five years. A significant advantage for having a rental registry is a greater level of protection for tenants. Many tenants, including immigrants, may not report deficiencies in their rental units for fear of retaliation from their landlord, including eviction or threats of deportation. In addition, code violations reported by tenants are more frequently related to environmental conditions (such as mold) and not the more serious major structural deficiencies. Rental registration can catch code violations before the problems become too expensive to repair. It can also deter code violations among property owners who might otherwise defer regular maintenance.
Best Practice:	San Marcos, TX Long-term Rental Registration Ordinance College Station, TX Missouri City, TX Rental Registration Ordinance
Responsible Entities:	City Council Waco Code Enforcement Services
Potential Funding Resources:	General Fund (start-up) Revenue-generated fees for continuing operations
Schedule to implement:	2-3 Years (then ongoing)
Market Type Focus:	Citywide

Stability Strategy 5: Identify NOAH rental housing for acquisition with public funds to preserve as affordable housing.	
Why?	Target NOAH properties that are offered for sale and located in or in close proximity to gentrifying neighborhoods. Acquiring these and making them permanent affordable housing is much more feasible than financing new development. Provide financing to rehabilitate the units, if needed, 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 revenues. Once the loan is paid off, rental income above which is needed to maintain and operate the units can be set aside for future reserve funding needs. This activity protects NOAH units from being converted to market-rate housing. It is also a strategy for acquiring a NOAH building with HOME-ARP funds to convert to permanent supportive housing.
Responsible Entities:	City Council Community Services Department
Potential Partners:	Local Landlord Association
Potential Funding Resources:	Housing Trust Fund Texas Department of Housing and Community Affairs Federal HOME-ARP funding HOME program
Schedule to implement:	As potential properties become available
Market Type Focus:	A, C, D

Subsidy Strategy 1: Establish a local Housing Trust Fund.	
Why?	A housing trust fund is established by local ordinance and has several benefits. First, it is a mechanism through which its funds can be used to finance affordable housing initiatives to address local need. Second, it is a locally established nonprofit organization under the direction of a board of directors. Third, it is a source of funding that is restricted only by the policy and programs established by its board (i.e., it is not encumbered by state and federal regulations). And, it can be used to leverage additional private and public resources, thereby expanding the potential non-local resources available to the city for addressing affordable housing need. To be successful and sustained over time, a housing trust fund must have a dedicated stream of funding. Periodic grants and other one-time sources are certainly good, but the focus of the trust fund is better spent on investing its funding rather than constantly raising funds. Common dedicated sources include general fund annual line items but also real estate tax transfer or recordation fees. Sustainable trust funds typically use their dollars to leverage even more funding from public sources, thereby generating a substantially greater impact. Because these are local funds, for the most part, eligible activities can vary from predevelopment costs, construction, rehabilitation and services tied directly to supportive housing, among others. Dispersed funding can be in the form of grants or loans with the latter providing a source of recurring revenue back to the trust fund. A housing trust fund should be stablished by local ordinance and include the number and composition of board members (such as representatives from real estate, lending, legal, housing development, supportive housing providers, financing, etc.) along with their terms of office. Sources of potential funding must be described as well as eligible activities and qualifying applicants. An annual report to City Council should be required. Staffing needs for a housing trust fund can vary, depending on the funding and activity levels. A director with extensive financing and housing development experience is best.
Best Practice:	San Antonio Housing Trust Austin, TX Housing Trust Fund Louisville Affordable Housing Trust Fund in Louisville, KY
Responsible Entity:	City Council
Potential Partners:	Heart of Texas Finance Corporation Waco Foundation Cooper Foundation
Possible Funding Sources:	General Fund Sale proceeds from city-owned assets ARP funds Local foundations
Priority:	Years 1-2 (then ongoing)

Subsidy Strategy 2: Establish a Community Land Trust.	
Why?	Establish a Community Land Trust, a private nonprofit organization whose mission is receiving and acquiring property to be held "in trust" for development of new affordable housing. Typically, a CLT will acquire land and facilitate the rehabilitation or construction of housing on it. With single-family units, the sales price is an affordable one to ensure permanent affordability. Income-eligible buyers purchase the house from the CLT, but the CLT retains ownership of the land. By removing the cost of the land from the development of the unit, the home can be sold at a lower cost. The homebuyer must qualify for a mortgage and also pay the CLT a small monthly lease for the land. If the owner sells the house, the CLT will set the new sales price to ensure affordability and the seller recoups their original investment plus a pro-rated share of the equity based on appreciation. A new income-eligible homebuyer can purchase the home. CLTs can also develop multi-family rental housing in a similar way with affordable rents set to the median income for income-eligible renter households. Tax-foreclosed properties held in trust by the city could be transferred to a CLT. In this way, income-eligible homebuyers would only need to finance a mortgage for the sales price of the unit because the CLT would retain permanent ownership of the land on which the home sits.
Best Practice:	Guadalupe Neighborhood Development Corporation in Austin, TX Frameworks Community Development Corporation in Austin, TX Houston Community Land Trust
Responsible Entity:	Local nonprofit organization (with seed money from the city)
Potential Partners:	Heart of Texas Finance Corporation Waco Foundation Cooper Foundation
Possible Funding Sources:	Housing Trust Fund Community Development Block Grant program and other public grants Parcels held in City Trust (as donations to CLT for development) Charitable donations
Priority:	Years 3-5 (then ongoing)
Market Type Focus:	A, B, C, D with an emphasis in neighborhoods where revitalization is underway and the cost of land is rising

| Subsidy Strategy 3: Expand the Rental Tax Abatement Program to include multi-family properties or adopt a comparable program for multi-family properties within the Residential Tax Abatement Area.	
Why?	Another incentivizing tool for developers is a 10-year tax abatement for new affordable multi-family projects consisting of more than four units and for the adaptive re-use or preservation of formerly vacant or non-residential structures into affordable residential uses for non-student households. For a mixed-income property, provide the tax abatement on the affordable units. Providing a tax abatement is another financial incentive the city can offer to encourage private developers and builders to undertake new affordable rental construction or substantial conversion of larger structures. Cities expect to break even when they grant tax abatements: the amount they forgo in tax revenue from the new development until it is completed should be exceeded by the tax revenue increase caused by the new housing's economic impact. If lower property taxes keep operating costs lower, then property owners should maintain affordable rents. At the very least, a prohibition against raising rents during the abatement period should be part of the written agreement.
Best Practices:	Washington, DC Tax Abatement for New Residential Development Cleveland, OH Residential Tax Abatement Program
Responsible Entity:	City Council
Possible Funding Sources:	Not applicable
Priority:	Year 2-4
Market Type Focus:	Citywide

Strategic Investment Areas

Across Waco there are development projects in various stages, ranging from concept plans for vacant sites to impressive redevelopment initiatives that are serving as catalysts for revitalization of surrounding neighborhoods. In some cases, the growth in new businesses, re-use of long-vacant structures, construction of new facilities, creation of new jobs and related public infrastructure improvement are changing the dynamics of their environs. In some neighborhoods, the change and improvements will need to be managed to ensure that long-term residents are not displaced, affordable housing units are not lost to new development and neighborhood support networks are not disrupted.

This section includes specific recommendations for several of the Strategic Investment Areas listed previously. Because these are more development-related than the strategies to address supply, stability and subsidy, they are provided separately in this section.

Tax Increment Reinvestment Zones

Waco City Council has already laid the groundwork to facilitate new development within these Strategic Investment Areas through its approval of Tax Increment Reinvestment Zones, or TIRZ. These are special zones created by a governing body to attract new investment in an area. TIRZs help finance the costs of redevelopment and promote growth in areas that would otherwise not attract sufficient market development in a timely manner. Currently, there are four TIRZ areas in Waco, which are focused primarily in older city neighborhoods and throughout the city core.

Tax Increment Reinvestment Zones in Waco, TX

Strategic Investment Areas
City of Waco
Water
Data Unavailable

TIRZ
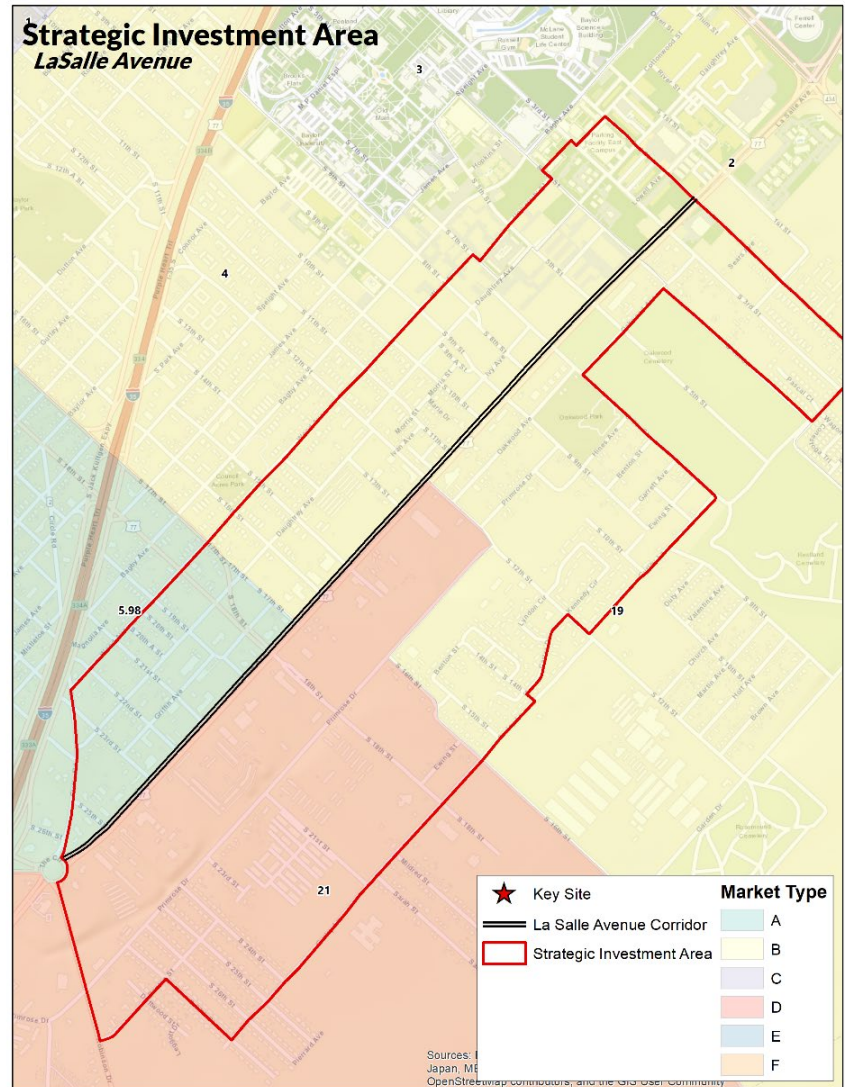TIF 1
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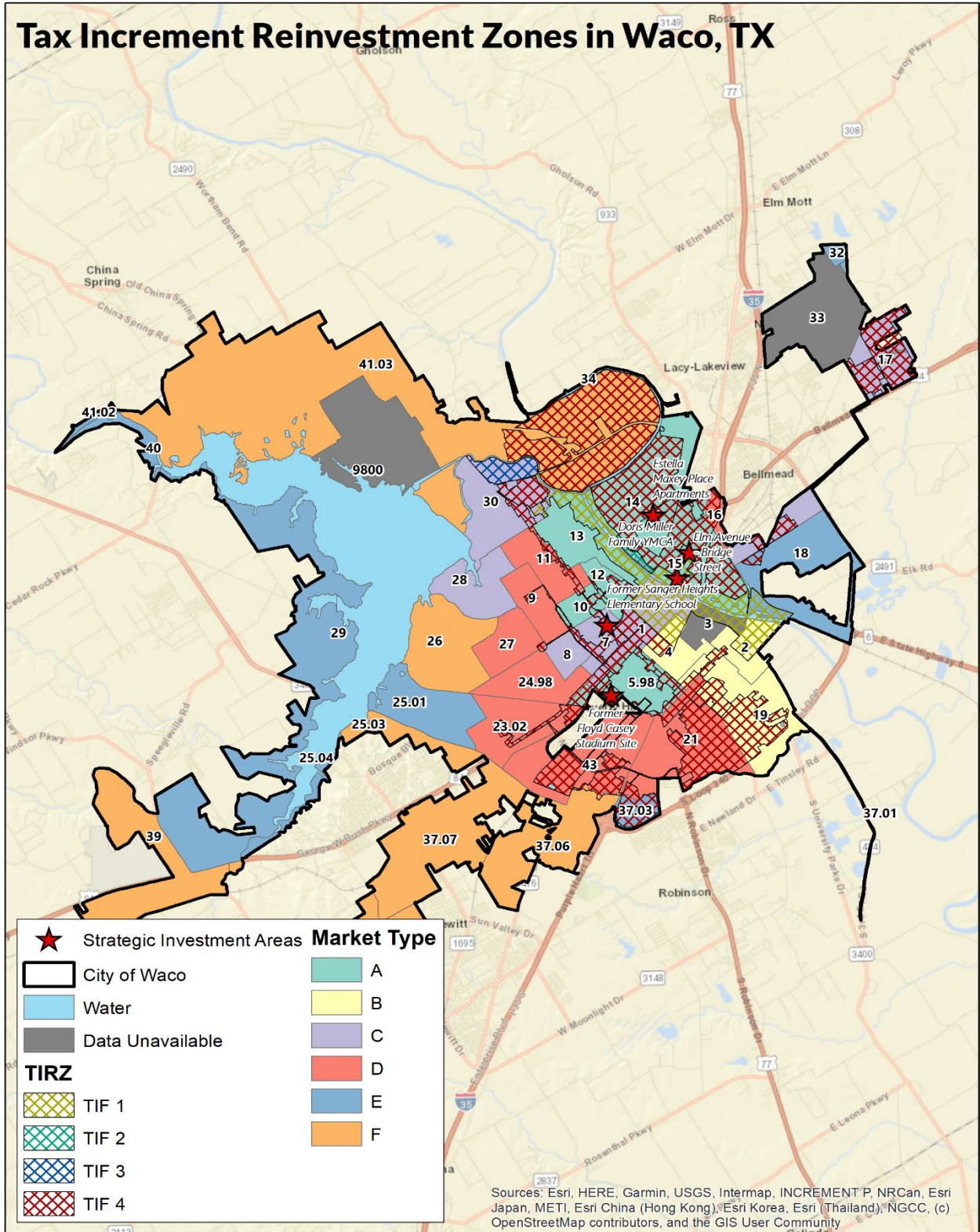
Market Type
A
B
C
D
E
F

The map on the following page illustrates the location of Waco's approved TIRZs against the background of the city's six market types.

LaSalle Avenue Corridor

- Begin an affordable housing in-infill program between Oakwood Avenue and Primrose Avenue given the abundance of vacant parcels located within this area.

- Potential for affordable housing development opportunity exists 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 in the area around South Terrace Apartments.

- Acquire vacant residential land or housing units on either side of LaSalle Avenue, as it becomes available, near Baylor University to preserve the naturally occurring affordable housing in this area.

Strategic Investment Area
LaSalle Avenue

Key Site
La Salle Avenue Corridor
Strategic Investment Area

Market Type
A
B
C
D
E
F

- Once the proposed TIF District is approved/implemented for LaSalle Avenue, consider working with the private development community to encourage the development of mixed use/mixed-income multi-family developments along the corridor. As part of the incentives for developers, ensure the TIF district guidelines include multi-family/mixed uses as permitted uses for TIF development subsidies.

- **Market Type focus: A, B, D**

East Waco/Carver/North East Riverside
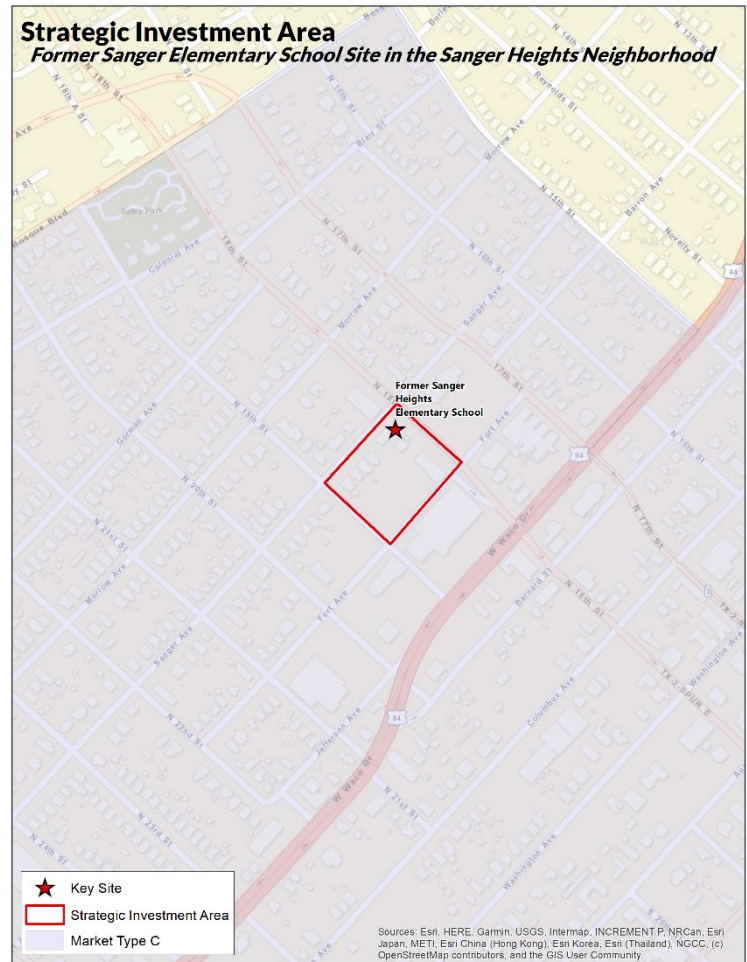
- Implement new affordable Preservation of land and affordable housing stock especially between Live Oak Street /Chestnut Street/Garrison Street /Preston Street.

- Provide incentives to assist with the establishment of an acquisition/rehab or new construction/resale homeownership program to benefit households between 50%-120% median income.

- Identify potential sites and developers to implement a new multi-family, mixed use affordable housing tax credit project that utilizes the benefits of the new TIRZ.

- Partner with Waco Housing Authority, and other developers, to plan for a later phase of the planned RAD redevelopment of the Estella Maxey public housing community. The overall development plan should be comprehensive and expand beyond just the public housing site and into the surrounding neighborhoods. Redevelopment should also focus on both rental and sales housing for households up to 80% of median income.

- Design and implement a Weatherization Program for existing homeowners up to 80% of median income to reduce cost burden related to utility costs.

- Develop a comprehensive redevelopment plan around the former Paul Quinn College site in conjunction with similar initiatives planned for the recently acquired Doris Miller YMCA facility and the restoration of Johnson Hall. The plan should include specific economic development and job readiness initiatives for residents in the surrounding area and new sales and rental housing initiatives for low- and moderate-income households.

- **Market Type focus: A**

Strategic Investment Area
East Waco / Carver / North East Riverside

Legend:
★ Key Site
▭ Strategic Investment Area
▨ Market Type A

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
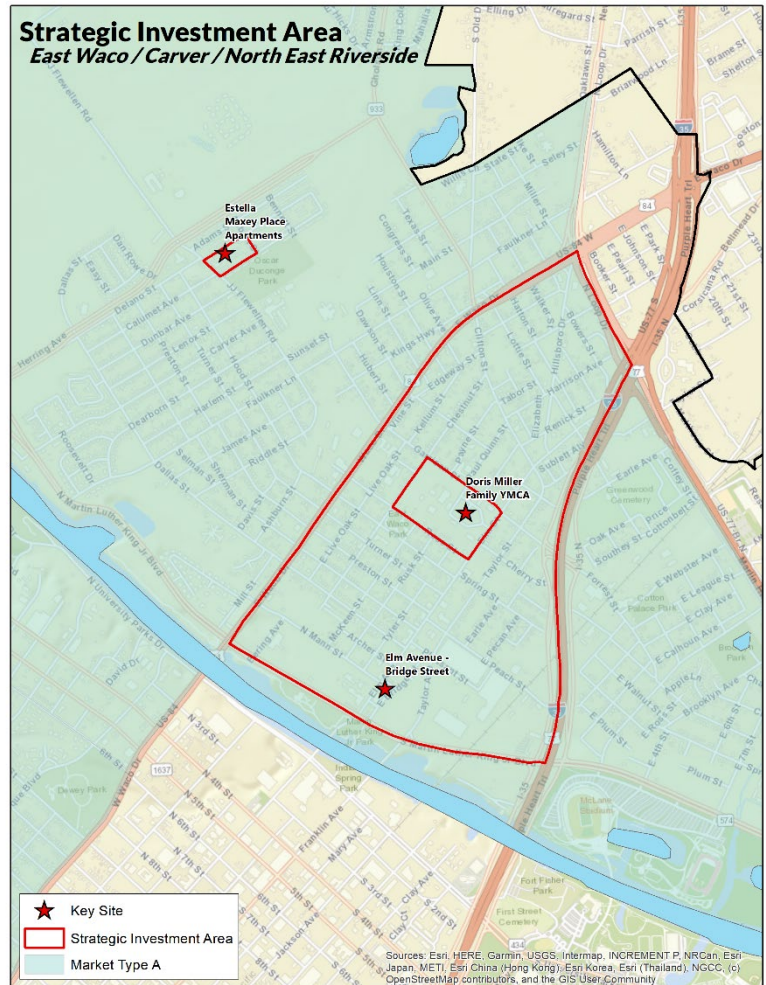
Former Sanger Elementary School Site

- Neighborhood revitalization underway by Grassroots CDC

- Architectural schematic site plan completed for this city block: 20 market-rate and 6 affordable housing units to be developed

- Financial feasibility analysis with projected sources and uses of funds completed

- Conduct Phase I and Phase II environmental site assessments and other related reports to determine if environmental remediation is necessary

- Target housing rehabilitation funding for the surrounding neighborhood

- **Market Type focus: C**

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

Former Sanger Heights Elementary School

★ 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
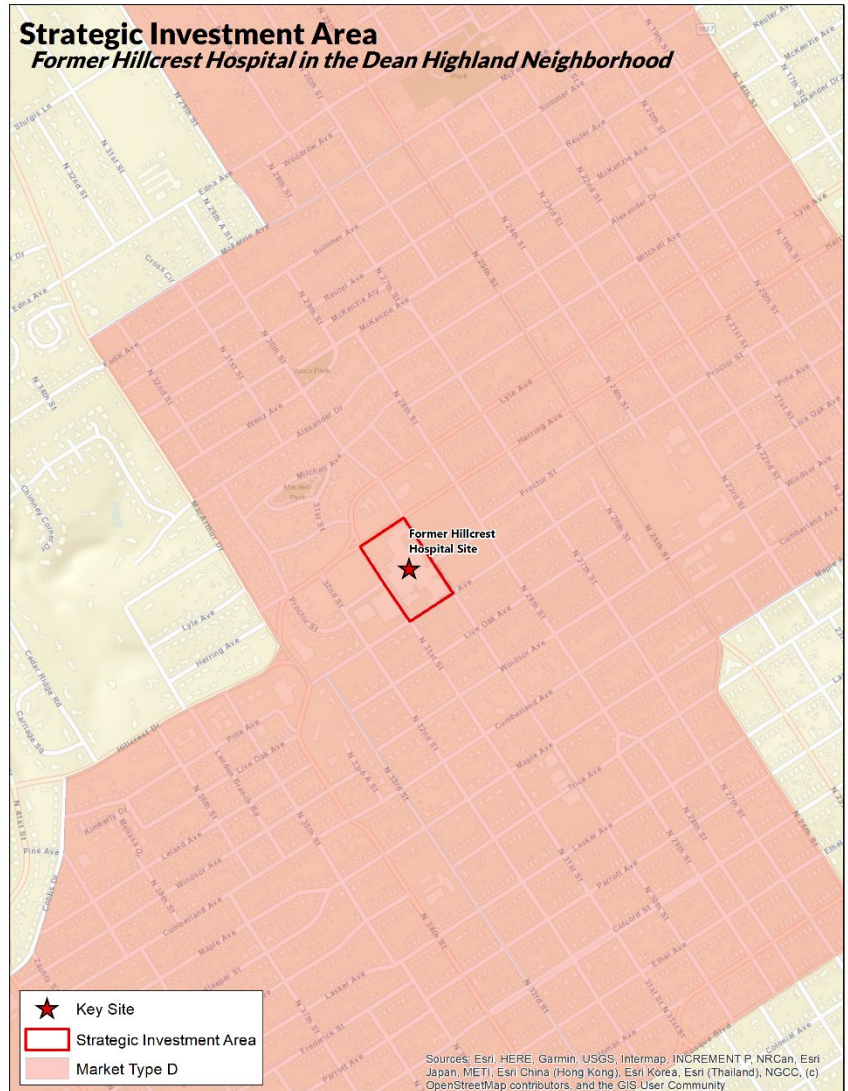
Kate Ross Public Housing Community

- Partner with Waco Housing Authority, and other developers, to plan for a later phase of the planned RAD redevelopment of the Kate Ross Public Housing site.

- Overall development plan should be comprehensive in nature and expand beyond just 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**

Strategic Investment Area
Kate Ross RAD Development in Downtown Waco

Former Hillcrest Hospital Site

- The former Hillcrest Hospital, owned by Baylor Scott and White Health and located along Herring Avenue and North 30th Street, was recently demolished, leaving a 14-acre potentially developable site.

- Waco City Council approved a TIRZ for this site

- This site has the potential for a high-density, mixed-use and mixed-income development. As part of the TIRZ, negotiations with the property owner should include an affordable housing set-aside within the overall development plan.

- **Market Type focus: D**

Strategic Investment Area
Former Hillcrest Hospital in the Dean Highland Neighborhood

Former Hillcrest Hospital Site

Key Site
Strategic Investment Area
Market Type D

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

The Former Floyd Casey Stadium Site

- Given the prospect of 300 new housing units to be developed on the site, continuous monitoring and tracking of the development and absorption rate of the market-rate units is important. Consideration of mixed-income multi-family units to be developed should be a goal for future City and Developer discussions.

- **Market Type Focus: A**

Strategic Investment Area
Former Floyd Casey Stadium Site in the University Neighborhood

Former Floyd Casey Stadium Site

Legend:
- ★ Key Site
- ☐ Strategic Investment Area
- ☐ Market Type A

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