



# An Analysis of Housing Vulnerability in San Antonio

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City of San Antonio Neighborhood & Housing  
Services Department



CITY OF SAN ANTONIO  
**NEIGHBORHOOD & HOUSING  
SERVICES DEPARTMENT**

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# **An Analysis of Housing Vulnerability in San Antonio**

## **Executive Summary**

The City of San Antonio's Neighborhood and Housing Services Department engaged NALCAB – National Association for Latino Community Asset Builders to conduct a study of housing vulnerability in San Antonio, including implications for vulnerable populations and vulnerable affordable housing stock. This study has been undertaken based on a recommendation from the City of San Antonio's Housing Commission. Definitions of housing affordability and vulnerability, a framework for understanding these issues and analysis and mapping of the San Antonio market are presented herein. This study is intended to guide ongoing analysis and research as well as to inform the City of San Antonio's approach to housing policy and practice.

This study relies on data from publicly available sources, including the US Census, the City of San Antonio and the Bexar County Appraisal District, and proprietary data that NALCAB purchased from industry-recognized real estate data providers, including CoStar and House Canary. This study draws on a wide range of publicly available secondary sources, studies and analyses, including from federal agencies, private companies and non-profit research institutions. NALCAB also applies its own proprietary methodology for measuring neighborhood change in the San Antonio market.

### **Defining Affordability and Vulnerability**

- *Housing Affordability* – Housing costs are most commonly considered to be affordable when they are equal to 30% or less of household income on a monthly basis. Housing affordability is more accurately understood when the costs of transportation are also taken into account, especially in a geographically large metro area like San Antonio. Many experts agree that combined housing and transportation costs are considered affordable if they do not exceed 45% of income.
- *Affordable Housing* – The term affordable housing is often used without a clear definition. For the purposes of this report, affordable housing includes the wide range of housing choices that are affordable to households making up to the median income in the City of San Antonio. This includes subsidized housing (such as those financed with Low Income Housing Tax Credits, Project-based Section 8, public housing funds, and/or a wide range of other public subsidies) as well as affordable housing that is developed and operated without public subsidy, often called “naturally occurring.” Subsidized housing has legal covenants that typically define an income range for households to be eligible for occupancy and ensure minimum housing quality standards. “Naturally occurring” affordable housing is typically higher cost than most subsidized housing and/or is of lower quality.
- *Households experiencing Household vulnerability* – Households experience housing vulnerability when there are factors that threaten their ability to maintain or remain in their home. This report recognizes several categories that make households vulnerable, including those related to income, physical/ mental health, social issues and discrimination. Vulnerable households may be less resilient to changes in the housing market and/or less able to maintain and repair their home.

- *Vulnerable Affordable Housing Stock* – Existing affordable housing stock, whether subsidized or “naturally occurring,” rental or owner-occupied, may be considered vulnerable either because there are factors that could lead to significant price increases or because deteriorating physical condition or geographical location make units unmarketable and/or uninhabitable.

### **Context: Relevant Demographic and Real Estate Market Trends**

- *San Antonio is experiencing a long-term trend of population growth, which is driving the need for housing* – The population of the City of San Antonio's grew between 2000 and 2016 by approximately 26% (US Census), and is projected to grow by an additional 88,000 additional residents by 2022 (ESRI Community Analyst). This growth requires the production of new housing units affordable to households across the entire income spectrum.
- *Average housing costs are increasing in San Antonio* – According to Marcus Millichap, a real estate brokerage and data firm, in the 4<sup>th</sup> quarter of 2017, the average effective rent for multifamily apartments in San Antonio rose year-over-year by 4.5% to \$951, with the highest year-over-year increases in Central San Antonio (including downtown) of 10.2%. The National Association of Home Builders/ Wells Fargo Opportunity Index indicates that the median sale price for a home in the Q3 2017 was \$216,000, the highest average quarterly sales price in San Antonio since the Index began.
- *Most new housing production in San Antonio is priced above what low- and moderate-income households can afford* - According to the US Census 5 year estimates, the 2016 median household income (MHI) in the City of San Antonio was \$48,143 and was \$54,638 in the broader San Antonio/ New Braunfels metropolitan statistical area (MSA). According to a MetroStudy report, for the twelve-month period ending in the third quarter of 2017, 56% of new home starts in San Antonio were priced over \$250,000 and only 17% were priced under \$200,000. In the 4<sup>th</sup> quarter of 2017, the highest effective rents were in areas with high concentrations of new production, such as Far North Central San Antonio (including the Stone Oak area) with effective rents of \$1,189 and Central San Antonio (including downtown) with effective rents of \$1,223, according to Marcus Millichap.
- *There have been significant public investments in San Antonio's center city* – Investments in the expansion of the Riverwalk (Museum Reach to the north and Mission Reach to the South), from 1998 – 2016, have exceeded \$380 million. According to the Center City Development Office (CCDO), \$46,321,876 in CCDO incentives between 2012 and 2016 leveraged \$593,439,817 in private sector real estate investment. More than \$50 million in additional federal and private investment has been made in the Eastside Promise/ Choice Neighborhoods immediately to the east of downtown.
- *San Antonio is experiencing broad-based appreciation in housing values, with the highest rates of appreciation near the center city* – Based on proprietary data purchased from HouseCanary, between 2011 and 2016, the median rate of appreciation in single family home values in San Antonio, aggregated at the block group level, was 39%. There were no block groups with declining average single-family values. Analysis based on tax appraisals (Bexar County Appraisal District) between 2011 and 2016 demonstrate the median rate of increase in single family valuations was 26%. The highest rates of

single family price appreciation are occurring inside Loop 410, and those block groups experiencing double the median rate of appreciation were all clustered near the center city.

- *Modest household incomes and existing cost burden make relatively small increases in housing costs a significant concern for many San Antonians* – Households in San Antonio that earn less than the median income (\$48,143 in 2016) face significant challenges in affording housing, especially if they require multiple bedrooms for children and/or have significant transportation costs. According to the Harvard Joint Center for Housing Studies, 44.4% of renter households in San Antonio are cost burdened (paying more than 30% of their income for housing). The National Association of Home Builders/ Wells Fargo Opportunity Index ranks San Antonio 159 out of 233 metro markets, with 233 being the least affordable for a household earning the median income to buy a house in the market where they live.

## Analysis

- *An increasing number of households that reside in unsubsidized “naturally occurring” affordable housing located in appreciating neighborhoods may be vulnerable to housing cost increases in coming years* – If population growth, real estate appreciation and housing production continue according to their current trends, housing costs are likely to continue rising in San Antonio for both rentals and owner-occupied housing. Relatively rapid appreciation in single family values are occurring in block groups with relatively low average housing values as well as average household incomes below the city’s median income.
- *A subset of appreciating neighborhoods are experiencing significant demographic change* – NALCAB’s Neighborhood Change Analysis identifies census tracts experiencing changes faster than the city as a whole not only in housing costs, but also in median income, percentage of residents with college degrees, and the percentage of non-Hispanic White residents. Block groups experiencing the highest rate of appreciation in housing values are located in census tracts that demonstrate the highest Neighborhood Change Indicator Scores. These block groups are concentrated in the center city, with a few additional census tracts outside of Loop 410. This should not be understood as a positive or negative indicator in and of itself, but rather as a flag for further investigation of neighborhood market dynamics that could indicate displacement pressures.
- *Residents of mobile home communities located in neighborhoods that are experiencing rapid real estate appreciation will be particularly vulnerable to displacement* - Mobile home communities are vulnerable when market conditions present a financial incentive for the owner to sell the land to investors. San Antonio has a large number of mobile home communities distributed throughout the metro area, including in areas experiencing significant public investment and/or market appreciation. There are approximately 160 mobile home communities located in areas with average single-family housing values above \$150,000 and higher than average rates of appreciation. There is a significant cluster of mobile home communities located along the southern Riverwalk Mission Reach Expansion that may be particularly vulnerable to redevelopment.
- *Subsidized housing with expiring affordability covenants located in neighborhoods with higher than median values may be vulnerable to conversion to market-rate* - A range of subsidized affordable rental housing has time-

limited affordability covenants (legal restrictions) that ensure rents are affordable to households in a defined income range. This includes properties financed with Low-Income Housing Tax Credits (LIHTCs), Project-based Section 8, HUD HOME funds, federal insurance guarantee programs, Section 202 housing designated for the elderly, Section 811 housing designated for the disabled, among others. When there is a significant gap between the maximum rents that can be charged by the owner of subsidized apartments and the effective rents in the surrounding neighborhood, the potential exists for the owner to convert the property to market rate rents when the affordability covenants expire. The affordability covenants on 5,373 units of LIHTC housing may expire between 2018 – 2022. Contracts for up to 4,700 units of project-based Section 8 and the affordability covenants on a range of other subsidized housing may also expire in the next five years. Some of these properties are located in high value, high opportunity areas, such as the Medical Center.

- *There are areas of San Antonio with significant dilapidated housing and high concentrations of vulnerable households* – In contrast to housing vulnerability in rapidly appreciating neighborhoods, a substantively different kind of housing vulnerability exists in neighborhoods with significant dilapidated housing, high concentrations of vulnerable households and limited housing market activity. These are areas that have experienced historic disinvestment. This report illustrates the concentration of various types of social and physical vulnerability in areas within Loop 410 and identifies specific areas on the Westside, the far Eastside and the deep Southwest side that are demonstrating limited private market activity.

## **Recommendations**

1. Conduct ongoing citywide monitoring of indicators of socio-economic change in neighborhoods experiencing multi-year appreciation in real estate values and/or tax appraisals. Monitoring socio-economic change at the neighborhood level can help to identify areas that could benefit from coordinated strategies to support households experiencing housing vulnerability and vulnerable affordable housing stock.
2. Conduct specific vulnerability analyses in areas that receive significant concentrations of public investments which may have the potential to leverage private investment and significantly influence market conditions. Vulnerability analyses can serve as the basis for developing strategies, concurrent with public investments, to mitigate potential impacts on vulnerable populations.
3. Consider housing and tax policies to address the needs and opportunities of low- and moderate-income households residing in rapidly appreciating neighborhoods, with a particular focus on the circumstances of mobile home communities.
4. Work with owners of publicly subsidized housing in high cost/ high opportunity areas to develop preservation strategies in anticipation of expiring affordability covenants.
5. Target supportive services and rehabilitation efforts in areas with significant dilapidated housing and high concentrations of vulnerable households.

# **An Analysis of Housing Vulnerability in San Antonio**

## **I. Introduction**

The City of San Antonio's Neighborhood and Housing Services Department engaged NALCAB – National Association for Latino Community Asset Builders to conduct a study of housing vulnerability in San Antonio, including implications for vulnerable populations and vulnerable affordable housing stock. This study has been undertaken based on a recommendation from the City of San Antonio's Housing Commission. Definitions of housing affordability and vulnerability, a framework for understanding these issues and analysis and mapping of the San Antonio market are presented herein. This study is intended to guide ongoing analysis and research as well as to inform the City of San Antonio's approach to housing policy and practice.

This study relies on data from publicly available sources, including the US Census, the City of San Antonio and the Bexar County Appraisal District, and proprietary data that NALCAB purchased from industry-recognized real estate data providers, including Costar and House Canary. This study draws on a wide range of publicly available secondary sources, studies and analyses, including from federal agencies, private companies and non-profit research institutions. NALCAB also applies its own proprietary methodology for measuring neighborhood change to the San Antonio market.

## **II. Why Housing Matters**

Housing is a foundational element of the U.S. economy. The Bipartisan Policy Center reported that from 1980 to 2007, residential fixed investment contributed 4.5 percent to the U.S. Gross Domestic Product.<sup>i</sup> Perhaps more importantly, research has shown that where a family lives determines much about their economic trajectory and the opportunities their children will have.<sup>ii</sup> For low- and moderate-income families that struggled during the Great Recession, the post-Recession housing market has presented a variety of challenges related to affordability, access to opportunity (including employment, quality education and health services) and building wealth.

Stable, quality, affordable housing that provides access to employment, educational institutions and health care resources is critical for building wealth and economic mobility. In particular, areas with greater economic and racial diversity favorably impact the economic opportunities for children and families. A growing body of research confirms that stable, quality housing – whether rental or homeownership - contributes to school performance, diminishes health problems, and strengthens neighborhoods.<sup>iii</sup>

## **III. Definitions**

### ***Housing Affordability***

Housing costs are most commonly considered to be affordable when they are equal to 30% or less of household income on a monthly basis. Housing affordability is more accurately understood when the costs of transportation are also taken into account. This is particularly true in a metro area like San Antonio that is geographically very large, resulting in a high variability of transportation costs

depending on where people live. Many experts agree that combined housing and transportation costs are considered affordable if they do not exceed 45% of income.<sup>iv</sup>

Research by the Center for Financial Services Innovation and the JP Morgan Chase Institute over the past several years has helped to illuminate the role of month-to-month volatility in both income and expenses, especially for low-income people, further complicating the question of affordability.<sup>v</sup> For example, at least half of households experience swings in monthly income and/or expenses of more than +/- 25%. This means that while a household may be able to afford rent or a mortgage payment based on a theoretical calculation, they may have regular difficulty meeting their payments on a month-to-month basis. For more affluent households, this may mean limiting optional expenditures like going out to eat. Households with fewer resources may pay late and incur fees that then create a cycle of additional fees and expenses that can eventually lead to the loss of their housing. Given these variables, affordability should be understood as a spectrum, and something that impacts renters and homeowners alike.

An affordability ratio does not address critical factors such as the quality of housing and the accessibility of opportunity and amenities, including employment, quality education, health resources, access to fresh food, parks, internet connectivity, etc. These factors are critical to health and economic mobility and must be considered in combination with affordability in housing policy and practice.

### ***Affordable Housing***

The term affordable housing is often used without a clear definition. For the purposes of this report, affordable housing includes the wide range of housing choices that are affordable to households making up to the median income in the City of San Antonio.

Affordable housing includes subsidized housing, such as those financed with Low Income Housing Tax Credits, Project-based Section 8, public housing funds, and/or a wide range of other public subsidies, as well as affordable housing that is developed and operated without public subsidy, often called “naturally occurring.” Subsidized housing has legal covenants that typically define an income range for households to be eligible for occupancy and ensure minimum housing quality standards. “Naturally occurring” affordable housing is typically higher cost than most subsidized housing and/or is of lower quality.

### ***Households Experiencing Household Vulnerability***

This study examines populations that experience housing vulnerability and vulnerable affordable housing stock in San Antonio. The term vulnerability implies a threat. For households, unaffordable or inadequate housing threatens quality of life and can lead to involuntary displacement, and, in extreme cases, homelessness. There is extensive research, including sources cited above, that demonstrates the connections between housing instability and negative social outcomes including in the areas of health, youth educational performance and economic mobility.

Existing affordable housing stock, whether subsidized or “naturally occurring,” rental or owner-occupied, may be considered vulnerable either because there are factors that could lead to significant

price increases or because deteriorating physical condition or geographical location make units unmarketable/ uninhabitable. It is important to note that market factors that threaten the affordability of housing may not be viewed by the owner as a threat, but rather an opportunity to achieve a higher return on investment.

From a larger perspective, when the appreciation of real estate values negatively impacts vulnerable populations and affordable housing stock, cities and counties experience social and economic consequences, including constrained economic growth and economic segregation. This is especially significant in San Antonio as the city has already been identified as one of the most economically segregated cities in the United States.<sup>vi</sup>

Populations that experience housing-related vulnerability can be described in the following categories:

- Income-based Vulnerability – Households with low- and moderate- incomes have more limited housing choices relative to higher income households, and are more vulnerable to market changes. Higher income households are more likely to have flexibility for responding to increasing housing costs, from something as simple as going out to dinner less, to more fundamental reallocation of their household income. The basic cost of living (food, clothing, transportation, etc.) creates a lower end limit to this flexibility for low-income households. When housing costs leave a household with insufficient income to meet these basic costs of living, household are vulnerable to becoming homeless. Month-to-month volatility in household income and expenses can exacerbate the vulnerability of a low-income household.
- Physical/ Mental Health-related Vulnerability – Households with individuals that have physical disabilities or mobility impairments, including frail elders, have unique housing needs (i.e. concerns with accessibility, first floor access, etc.), which can significantly impact their quality of life and/or severely constrain their housing options. Households with a member that suffers from a chronic debilitating illness or mental disability may also face housing-related barriers. These challenges can be compounded for low- and moderate-income households, but are not limited to any income segment.
- Social Vulnerability – A variety of social factors can impact access to housing. Formerly incarcerated individuals experience well-documented barriers to quality housing.<sup>vii</sup> Family size is another factor that can significantly constrain housing choices, particularly for large families in the rental market. Households with an undocumented member face additional barriers to secure housing and income stability, and make up a significant segment of the market in San Antonio.<sup>viii</sup>
- Vulnerability Related to Discrimination – The Fair Housing Act protects people from discrimination based on their race, color, national origin, age, sex, family type, religion, and disability. Despite the existing legal protections, housing discrimination occurs all too frequently.<sup>ix</sup> A variety of other populations face discriminatory challenges, including same-sex couples. It is worth noting that housing discrimination tends to increase in tighter housing markets when owners and sellers have more leverage and opportunities for greater returns.

It is important to acknowledge that homeless populations often fit into all of the categories of vulnerability described above, and, from a housing perspective, they represent the most vulnerable populations.

Addressing different kinds of housing vulnerability is not merely a question of addressing affordability, but also requires access to opportunity and sometimes services or legal representation.

### ***Vulnerable Affordable Housing Stock***

Affordable housing units are vulnerable if they are either at risk of significant short term increases in cost due to market changes, or at risk of condemnation or destruction. Existing affordable inventory is critical given the difficulty in financing and constructing new housing for this segment of the market. The following are categories of vulnerable affordable housing to consider.

- Subsidized rental units with expiring affordability covenants – Privately-owned housing units that have been financed using government subsidies have affordability covenants, or time-limited requirements that they only be leased to households below a specified income range. Subsidized housing is subject to minimum housing quality standards and are typically inspected by a government agency prior to lease-up and periodically thereafter. When covenant periods come to an end, owners may choose to increase rents in order to increase their net rental income or sell the property. This can lead to significant rent increases when affordability covenants expire on units located in appreciating neighborhoods.
- Expiring project-based Section 8 contracts – Another form of subsidy, project-based Section 8, is a direct rental subsidy paid to a private owner of multifamily rental housing property to cover a portion of the rent for low-income tenants during a given contract period (often five years). All rental units under Section 8 contracts are subject to minimum housing quality standards. When the contract ends, if the owner chooses not to renew the contract, tenants will be left to pay the full rent on their own or they will be displaced.
- “Naturally occurring” affordable rental housing located in neighborhoods experiencing price appreciation – A significant portion of the rental housing affordable to households earning below the area median income is market-rate housing, meaning it was built and operates without any government subsidy. This is a category of lower cost housing that typically has significant quality concerns. Those owners who invest very little in the upkeep of their rental properties can afford to charge lower rent. Owners will typically increase rents as they see evidence that housing values are increasing. In neighborhoods experiencing price appreciation, “naturally occurring” affordable rental housing is highly vulnerable to rapid price increases.
- Mobile home communities— Mobile home communities, a type of “naturally occurring” affordable housing, are particularly vulnerable to real estate market price appreciation. Typically, the owner of a mobile home community owns the land, utilities and other infrastructure improvements, and leases these to a household that owns or rents their own mobile home. Undeveloped land can be particularly attractive to developers. When a mobile home community is sold to an investor who intends to develop the land for a different purpose, the entire

community can be subject to dislocation, as took place in San Antonio in 2015 at the Mission Trails Mobile Home Community.<sup>x</sup>

- Homeownership and rapidly rising tax obligations – Housing units that are owned by lower income households can be subject to increased housing costs due to rising tax obligations and insurance costs. Seniors that claim the homestead exemption are protected from rising taxes, though not from increases in insurance, utilities, HOA fees and other housing costs. However, when homes have benefitted from a senior homestead exemption for an extended period and they are then passed to the next generation or sold, they can be subject to rapid increases in tax obligations. This dynamic is more challenging when homes are passed to multiple owners in the next generation, potentially resulting in shared titles and absentee owners. Owners faced with tax obligations that they struggle to afford are vulnerable to property tax lenders, who pay off property taxes and use the home as collateral to secure the debt. This lending model can lead to abuses when the owner misses a payment and the lender moves to foreclose on the entire house to pay the loan. Property tax lenders aggressively market to households that fall behind on their taxes including through billboards, direct mail and even door to door solicitation.
- Housing in significant disrepair – Beyond rising tax burdens, homeowners must also contend with the costs of maintenance and upkeep. The older a home, the more likely a property owner will need to invest significantly in maintenance. When owners do not have the income to make repairs, or have circumstances that make upkeep difficult or simply choose not to invest in a property, deferred maintenance can lead to conditions that trigger code violations. Code enforcement plays an important role in ensuring health and safety of the City’s housing stock. Code violations may be an important indicator of the vulnerability of “naturally occurring” affordable rental housing because they may trigger repairs that an owner may then seek to recover through increasing rent. Code violations can also be a challenge for low-income owners. Whether rental or ownership, these situations can present economic challenges for low-income people and may be best resolved with financial assistance and/or supportive services.
- Housing in flood zones – Housing can be vulnerable due to being located in areas that are subject to natural disasters. In San Antonio, this category primarily includes homes in flood zones. While the direct impact of flooding is clearly a source of vulnerability, it is also important to take into account the impacts of changing flood zones, and the impact that updated flood zone maps can have on a property’s insurability. In 2016 the City of San Antonio adopted a Sustainability Plan which extensively documents the need to prepare for an increased likelihood of severe flash-flooding events.

#### **IV. Context: Relevant Demographic and Real Estate Market Trends in San Antonio**

##### ***Population Growth***

The population of the City of San Antonio grew between 2000 and 2016 by approximately 26% (US Census), and is projected to grow by an additional 88,000 additional residents by 2022 (ESRI Community Analyst). Projections for San Antonio’s population growth in the City’s SA Tomorrow Comprehensive Plan suggest an increase by as many as 1 million people by 2040, or approximately

28%, over the next 15 years. Growth of the Hispanic population will rapidly outpace growth in all other demographic categories.<sup>xi</sup>

This growth requires the production of new housing units affordable to households across the entire income spectrum. According to the City of San Antonio's Comprehensive Housing Needs Assessment published in June 2013, the estimated housing need (the gap between projected demand and projected supply of housing) for 2016 was 179,960 units (114,588 renter and 65,372 owner)<sup>xii</sup>.

A number of key factors reinforce that demand and need for housing in San Antonio will continue to be strong in the coming years, including the following:

- strong industry clusters (military, medical, bio-tech, tourism, cybersecurity, etc.);
- ongoing capital investment from Mexican nationals;
- a low-cost of living relative to most of the rest of the major urban centers in the United States; and,
- there are currently 27,671 applicants on the waiting list for housing choice vouchers, and 27,327 applicants on the waiting list for public housing.<sup>xiii</sup>

## ***Income***

According to the US Census 2012-2016 5 year estimates, the median household income (MHI) in the City of San Antonio was \$48,183 and \$54,638 in the broader San Antonio/ New Braunfels metropolitan statistical area (MSA).<sup>xiv</sup> This increased from 2011-2015 5 year estimates of \$46,744 and \$53,122 respectively. The median income in the City of San Antonio is lower than in the broader MSA, and rose at a faster rate than the MSA between 2015 and 2016.

According to the U.S. Bureau of Labor Statistics, the unemployment rate in Bexar County in September 2017 was 3.2%. The average weekly wage in the second quarter of 2017 for the eight county San Antonio Area (as defined in the Quarterly Census of Employment and Wages) was \$897. The average hourly wage in San Antonio was approximately 9% below the median wage for the United States.<sup>xv</sup>

The following table presents 2016 household incomes for the City of San Antonio by quintiles, meaning an evenly distributed 20 percent of the population falls within each of the following income categories.<sup>xvi</sup> The ranges below provide important context for understanding the range of affordability needs across these ranges of incomes.

<b>Quintile</b>	<b>Upper Limit of Income Estimate</b>
Lowest Quintile (Lowest 20%)	\$20,077 and below
Second Quintile (40 <sup>th</sup> percentile)	\$20,078 to \$37,442
Third Quintile (60 <sup>th</sup> percentile)	\$37,443 to \$59,535
Fourth Quintile (80 <sup>th</sup> percentile)	\$59,536 to \$94,978
Lower Limit of Top 5% (95 <sup>th</sup> percentile)	\$94,979 to \$170,580

US Census, 2012 – 2016 American Community Survey Five Year Estimates

## ***Housing Affordability***

Households in San Antonio that earn less than the median income face significant challenges in affording housing, especially if they require multiple bedrooms for children and/or have significant transportation costs.

- According to the Harvard Joint Housing Center’s “The State of the Nation’s Housing Report 2017,” of the 311,700 households that rent in the San Antonio-New Braunfels metropolitan statistical area, 71,000 (22.8%) pay 30-50% of their income for housing costs, and 66,900 (21.5%) pay more than 50% of their income for housing costs.
- According to “The State of the Nation’s Housing Report 2017,” of the 478,600 households that own their home in the San Antonio-New Braunfels metropolitan statistical area, 67,200 (14%) pay 30-50% of their income for housing costs, and 38,400 (8%) pay more than 50% of their income for housing costs.
- According to the Center for Neighborhood Technology’s Housing and Transportation Index, the average household in San Antonio spends 23% of their income on transportation.

The table below shows 2016 median gross rent in San Antonio across different unit sizes.

Median gross rent	Estimate
0 bedroom	\$610
1 bedroom	\$744
2 bedrooms	\$918
3 bedrooms	\$1,094
4 bedrooms	\$1,317
5 or more bedrooms	\$1,309

US Census, 2012 – 2016 American Community Survey Five Year Estimates

According to the US Census, the median gross rent in San Antonio in 2016 was \$882 per month.<sup>xvii</sup> A 2017 report from the Harvard Joint Center for Housing Studies presents a similar data point, indicating that the median housing cost for renters (gross rent *plus* utilities and other housing costs) in San Antonio was \$914. A variety of online sources provide data on rents in San Antonio that are in a similar range. ALN Apartment Data reported the average effective rent in Oct. 2017 was \$947.<sup>xviii</sup> Apartmentslist.com reports that in January 2018 that the median rent for a one bedroom was \$840 and \$1040 for a two bedroom.<sup>xix</sup>

The lowest market rate rents in San Antonio advertised on Apartments.com and Zillow.com are in the range of \$550-\$600 for a one bedroom. Using a conservative average monthly utility costs estimate of \$100 for a one bedroom unit,<sup>xx</sup> households in San Antonio earning in the range of \$26,000 – \$28,000 ( $\approx 60\%$  of San Antonio’s median household income) would be housing cost burdened living in the least costly market rate one bedroom unit available in the market. Along with this affordability challenge, these low cost units tend to have significant quality concerns and/or are located in areas with limited access to employment, quality education and health care services.

Consider this calculation based on data from the MIT Living Wage Calculator for a household with two adults, with one income, and with two children:<sup>xxi</sup>

<b>Annual expenses for HH of 2 adults with 1 income and 2 children</b>	<b>Housing Cost of \$650/month</b>	<b>Housing cost of \$950/ month</b>	<b>Housing cost of \$1,250/ month</b>
Food	\$8,888	\$8,888	\$8,888
Child Care <sup>xxii</sup>	\$0	\$0	\$0
Medical	\$7,090	\$7,090	\$7,090
<i>Housing</i>	<i>\$7,800</i>	<i>\$11,400</i>	<i>\$15,000</i>
Transportation	\$11,911	\$11,911	\$11,911
Other	\$6,010	\$6,010	\$6,010
Required annual income after taxes	\$37,588	\$41,188	\$44,788
Estimated taxes	\$5,165	\$5,659	\$6,154
<b>Required income before taxes</b>	<b>\$42,753</b>	<b>\$46,847</b>	<b>\$50,942</b>
Hourly wage required assuming 2,080 work hours/ year	\$20.55	\$22.52	\$24.49

To contextualize these sample calculations, the table below presents the most common occupations in San Antonio with their respective median wages.

<b>Occupation<sup>xxiii</sup></b>	<b>Annual Income</b>	<b>30% of Monthly Income</b>
Office Clerk	\$34,950	\$874
Customer Service Rep	\$32,490	\$812
Retail Salesperson	\$28,940	\$724
Cashier	\$21,010	\$525
Food Prep Worker	\$18,730	\$468

The occupations that are shaded grey cannot afford the least expensive one bedrooms in San Antonio as a single earner household. None of these professions provides a median wage that allows a single earner, two adult household with two children to avoid being housing cost burdened. This helps to explain why 44.4% of renter households in San Antonio are currently cost burdened. Cost burdened households will be sensitive to relatively small changes in housing costs and, in an appreciating real estate market, are vulnerable to affordability-based displacement.

### ***Real Estate Market Trends***

*Housing costs are increasing in San Antonio*

Owner-occupied homes make up 54% of all housing units in San Antonio, and 46% of households are in the rental market.<sup>xxiv</sup> Housing costs are rising for both owners and renters. According to the San Antonio Board of Realtors (SABOR), in Jan. 2017 the average home price increased to \$242,622, an 8% year-over-year increase.<sup>xxv</sup> The National Association of Home Builders/ Wells Fargo Opportunity Index indicates that the median sale price for a home in the Q3 2017 was \$216,000, the highest average quarterly sales price since the Index began.

According to the Harvard Joint Center for Housing Studies', "The State of the Nation's Housing Report 2017," the median monthly housing cost for renter households in San Antonio was \$914 and for homeowner households was \$958.<sup>xxvi</sup> Analysis by the Harvard Joint Center illustrates a notable shift in the San Antonio rental housing market between 2005 and 2015 with significant increases in the number of rental units priced above \$800/ month and a modest decline in the number of units priced below \$800.<sup>xxvii</sup> According to Marcus Millichap, a real estate brokerage and data firm, in the 4<sup>th</sup> Quarter of 2017, the average effective rent for multifamily apartments in San Antonio rose year-over-year by 4.5% to \$951, with the highest year-over-year increases in Central San Antonio (including downtown) of 10.2%.<sup>xxviii</sup>

*Most new housing production in San Antonio is priced above what low- and moderate-income households can afford*

The City of San Antonio's Comprehensive Housing Needs Assessment published in June 2013 stated, "Based on current trends, it is expected that the private housing market will continue to favor higher-income households and homeowners over lower-income households and renters." This appears to have been an accurate projection.

According to a 2016 market study of San Antonio by US HUD Policy Development and Research based on CoreLogic data, the average sale price of new homes in 2015 was \$263,500.<sup>xxix</sup> According to Metrostudy, for the first quarter of 2017, 56% of New Home Starts were priced over \$250,000.<sup>xxx</sup>

For the twelve-month period ending in the third quarter of 2017, 56% of new home starts in San Antonio were priced over \$250,000 and 17% were priced under \$200,000.<sup>xxxi</sup> In the 4<sup>th</sup> Quarter of 2017, the highest effective rents were in areas with high concentrations of new production, including Far North Central San Antonio (including the Stone Oak area) with effective rents of \$1,189 and Central San Antonio (including downtown) with effective rents of \$1,223.<sup>xxxii</sup>

While there is a wide range of infill residential development in the urban core, projects that yield homes at price points that are significantly higher than in the surrounding neighborhood are more likely to drive appreciation and, potentially, neighborhood change. In a number of instances this has occurred at greater scale when vacant lots, or formerly single-family lots, have been redeveloped into multiple units that sell or rent at prices higher than in the surrounding neighborhood market. Multiple examples in the Lone Star neighborhood illustrate this dynamic. A previously single family lot was redeveloped into multiple single family townhomes, with prices starting at \$545,000.<sup>xxxiii</sup> On the same street, another development with multiple single family homes is currently listed for sale at prices ranging from \$299,000 to \$439,000.<sup>xxxiv</sup> The design and materials used to construct these homes are

higher cost, and demand in these neighborhoods is such that the finished products sell for a higher price point. The average 2016 single family home sale price in this Census block group, according to HouseCanary, was \$104,342. Similar infill development projects have been undertaken in neighborhoods adjacent to the urban core, including Beacon Hill, Dignowity Hill, Mahncke Park, Tobin Hill and Lone Star.

These data suggest that there is a mismatch between the pricing of new housing and what is affordable to a large segment of households in San Antonio. In the short term, the cost of housing is likely to be impacted by shortages in materials and labor resulting from the impacts of recent natural disasters.<sup>xxxv</sup>

*There have been significant public investments in San Antonio's center city*

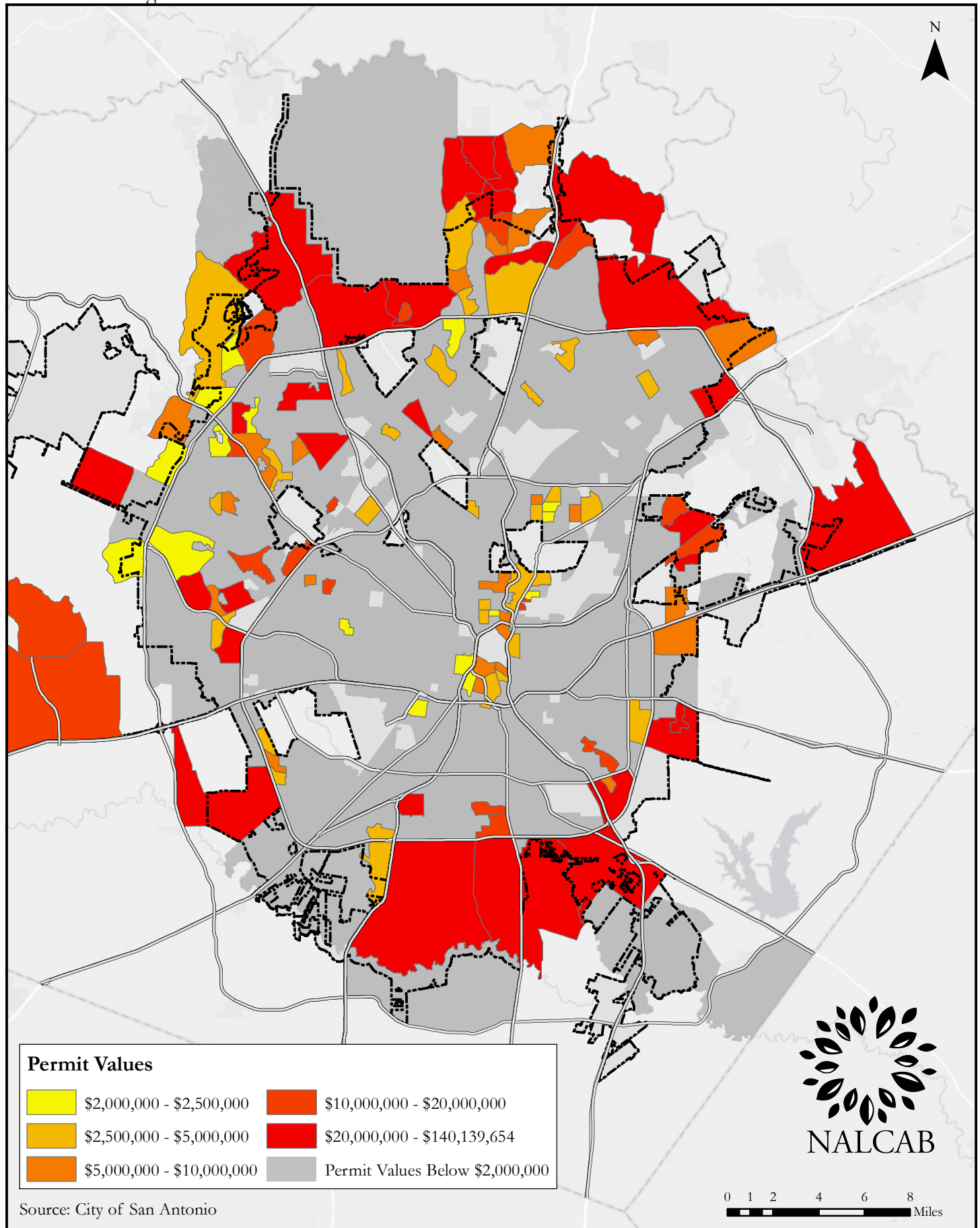
San Antonio has continued to sprawl since the Comprehensive Housing Needs Assessment was published, especially to the north and west. The 2013 Comprehensive Housing Needs Assessment described the following trends in San Antonio's residential real estate market:

- Despite a desire to prevent sprawl, more than 60% of permits issued between 2000 and 2010 were for lower-density single-family units.
- Growth was strongest in suburban and exurban areas.
- Growth in multi-family development occurred in higher-growth areas near major employment centers, outside of higher poverty, higher minority areas.

The following map illustrates permit value data from 2011 – 2016 for both new construction and rehabilitation projects, and is largely consistent with the trends noted above in the 2013 report, with the exception of some infill activity adjacent to the inner city.

# Aggregated Value of Permits 2011-2016

New and Existing Construction

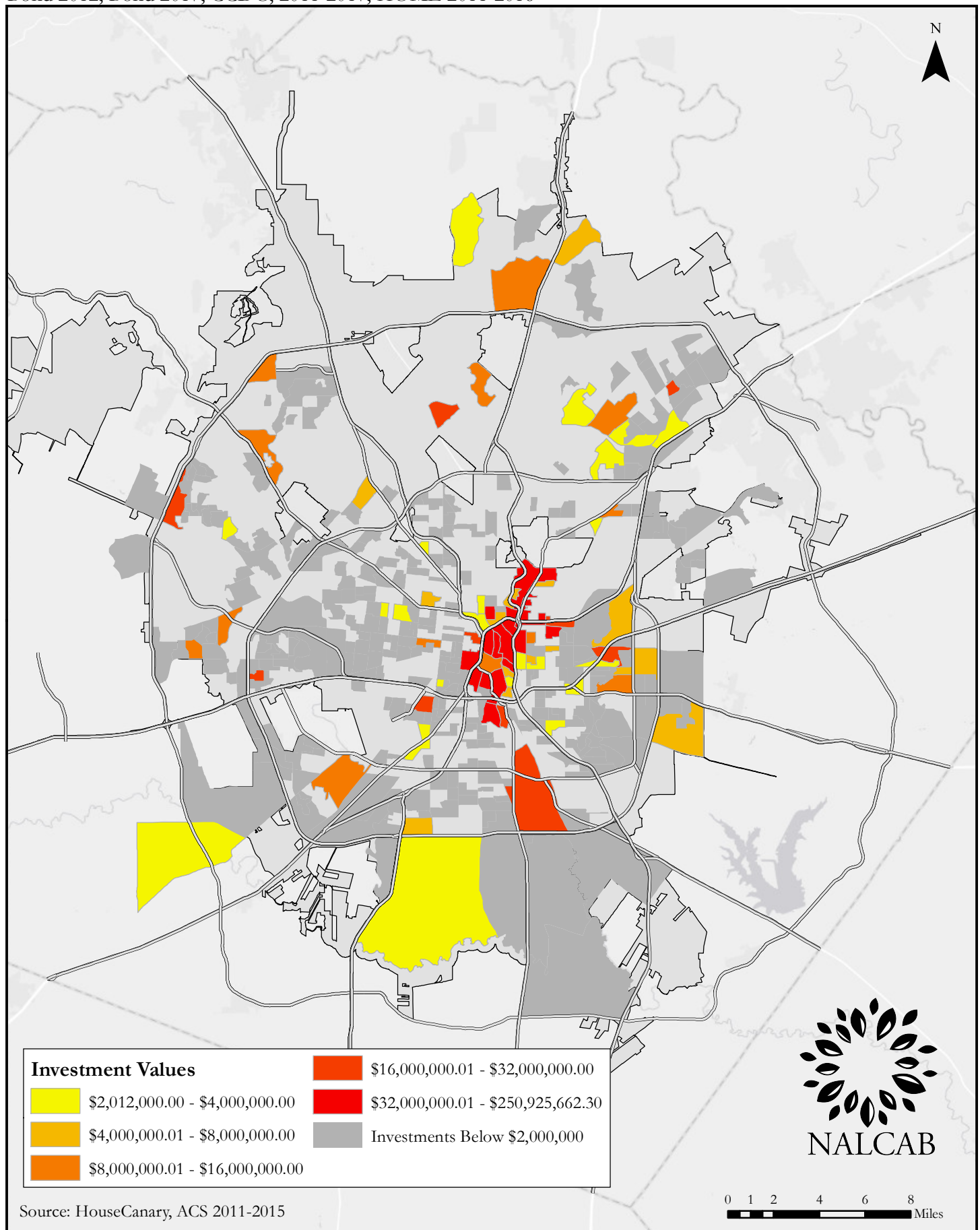


While the suburban and exurban growth continues to outpace development downtown, there has been an increase in both the supply and demand for housing in the urban core. The \$384 million expansion of the San Antonio Riverwalk to the north (completed in 2009) and the south (completed in 2013) impacted real estate markets near this nationally-renowned urban park. The City of San Antonio and Bexar County have made significant investments in numerous other parks and greenways over the past decade, including Hardberger Park, Salado Creek, Woodlawn Lake, Alazán and Apache Creeks, and San Pedro Creek, among others.

Beginning in 2011, the City of San Antonio declared the Decade of Downtown as an intentional policy response to the challenges of continued sprawl. This approach acknowledged the importance of a vibrant downtown, and sought to encourage residential density in the city's urban core and some surrounding neighborhoods. Between 2012 – 2016, CCDO provided \$46,321,876 in incentives, to catalyze \$593,439,817 in private sector real estate investment. CCDO projections through 2020 estimate an additional \$66,162,444 in incentives, with an anticipated \$763,451,583 in investment leveraged. These incentives have helped produce 3,980 housing units since 2012, and an additional 4,124 housing units are anticipated by 2020.<sup>xxxvi</sup> The following map illustrates the location and distribution of incentives and municipal investments since 2012 by Census Block Group.

# Aggregate City of San Antonio Investments

Bond 2012, Bond 2017, CCDO, 2011-2017, HOME 2011-2016



The map displays the Houston area with various colored overlays indicating designated zones. The Promise Zone is shown in yellow, covering a large portion of the city. The Eastside Promise Neighborhood is highlighted in blue, located in the central-eastern part of the city. The Choice Neighborhood is marked in red, situated within the Eastside Promise Neighborhood. The EPN/CN Overlap is indicated by a dark purple pattern, located in the central part of the city. Major highways such as I-10, I-35, I-67, and I-25 are shown. Other labeled areas include Alamo Heights, Terrell Hills, Fort Sam Houston, Kirby, and Martin Luther King Jr. Blvd. The map also shows various streets like Houston St, E Commerce St, and Martin Luther King Jr. Blvd.

**Legend:**

- Promise Zone
- Eastside Promise Neighborhood
- Choice Neighborhood
- EPN/CN Overlap

The United Way led the Eastside Promise Neighborhood, a holistic approach to improving the educational performance of children in schools on the near eastside, and SAHA led the EastPoint Choice Neighborhood effort to redevelop the Wheatley Courts public housing community and invest in the surrounding neighborhood. In 2013, a 22 square-mile area that included both the Promise and Choice Neighborhoods was designated the Eastside Promise Zone. These coordinated efforts resulted in more than \$100 million of investment in community policing, housing, education and community services. It has been the largest community reinvestment effort in a high poverty neighborhood in San Antonio's history.

have been significant factors in a larger market trend of housing investment (new construction and rehabilitation) inside of Loop 410. Several large, private development efforts, including most notably the redevelopment of the Pearl Brewery into a high-end, mixed-use development, have contributed to the transformation of neighborhoods and real estate micro-markets in the urban core.<sup>xxxvii</sup>

NALCAB purchased proprietary data from HouseCanary to aggregate single family home values at the Census block group level.<sup>xxxviii</sup> Based on data from HouseCanary, between 2011 and 2016, the median rate of appreciation in single family home values in San Antonio, aggregated at the block group level, was 39% and there were no block groups with declining average single-family values. Analysis based on tax appraisals (Bexar County Appraisal District) between 2011 and 2016 demonstrate the median rate of increase in single family valuations was 26%. The highest rates of single family price

appreciation are occurring inside Loop 410, and those block groups experiencing double the median rate of appreciation were all clustered near the center city. A San Antonio metro report from Zillow for November 2017 indicates broad-based market appreciation in rents.<sup>xxxix</sup>

## V. Analysis

### ***An increasing number of households with below median incomes that reside in unsubsidized affordable housing located in appreciating neighborhoods may be vulnerable to housing cost increases in coming years***

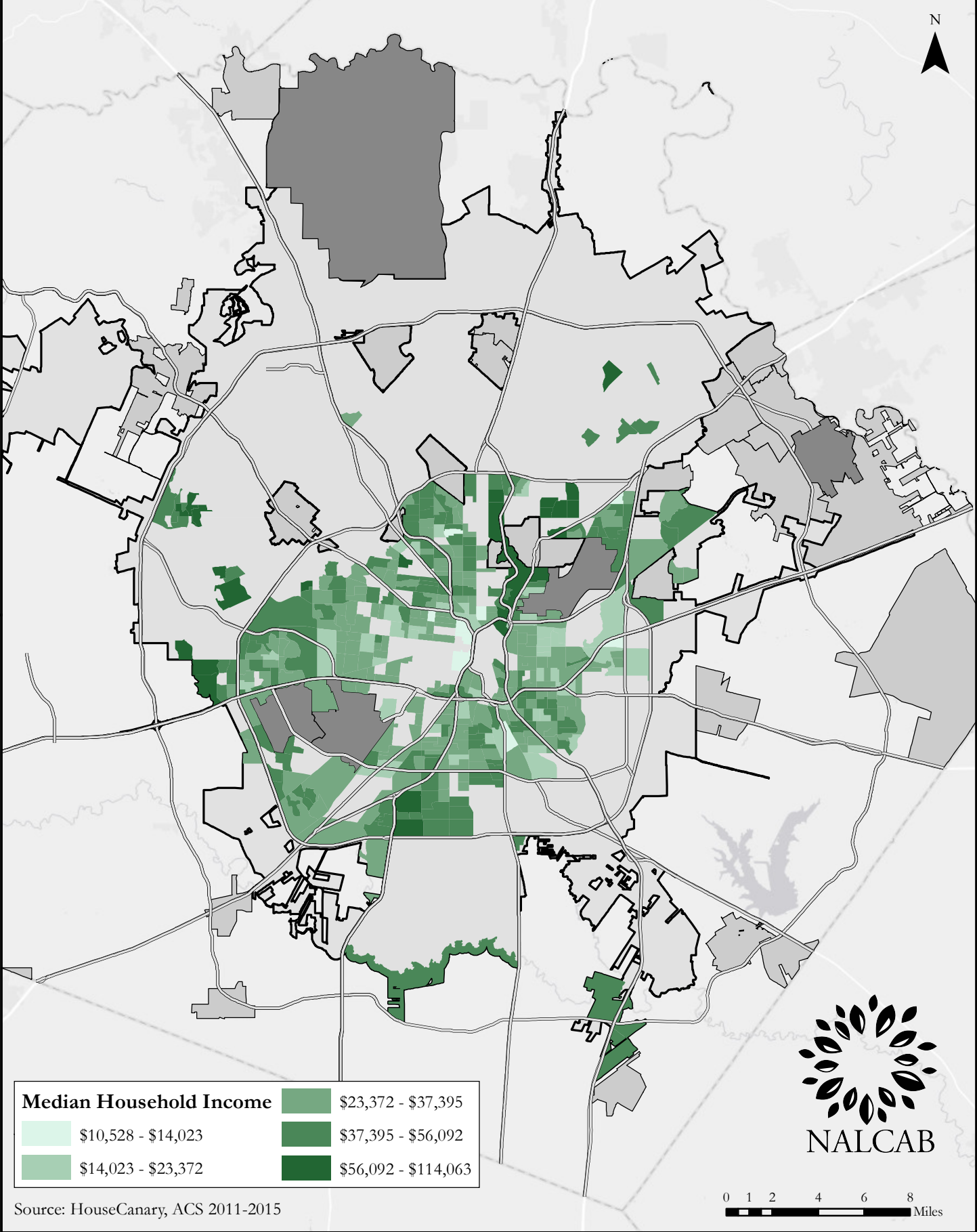
This report has presented evidence indicating a mismatch between housing cost trends and what many households in San Antonio can afford. More than 44% of renter households in San Antonio are cost burdened and are, as a result, highly sensitive to relatively small housing cost increases. San Antonio also has significant numbers of low- and moderate-income homeowners who are sensitive to changes in their tax obligations.

To more precisely understand where in the San Antonio housing market pressures may impact vulnerable households, NALCAB has mapped the appreciation of single family housing values provided by HouseCanary, aggregated at the block group level, from 2011 – 2016 and median household income at the block group level over the same period. NALCAB also mapped change in tax appraisals from 2011- 2016 and median household income at the block group level over the same period to compare the results against the HouseCanary data.

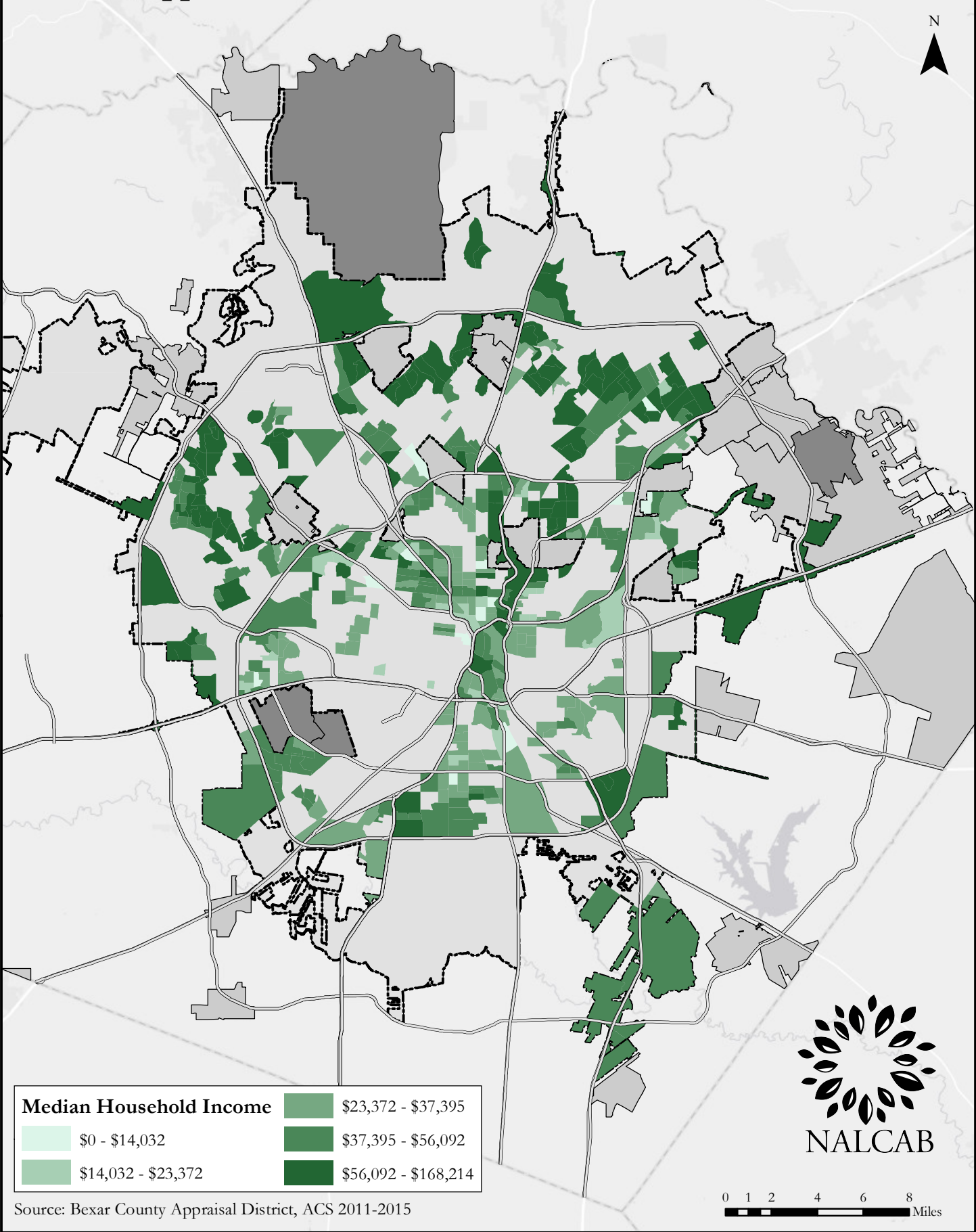
The HouseCanary data has been developed to estimate the present-day value at which a given residential property will be sold in an arm-length transaction. BCAD data necessarily lags market dynamics to some extent because tax appraisals are based on actual sales in the years prior to the appraisal and can be further impacted by owners protesting the valuation. The following maps show only those block groups experiencing appreciation in housing values at a rate higher than the average in San Antonio. Those block groups then show variation in the intensity of color based on the median income in the block group.

Using HouseCanary data the map illustrates a significant overlap between block groups experiencing appreciation in housing values at a rate higher than the average in San Antonio and block groups for which the median income is below the city average, which are clearly clustered within Loop 410. BCAD data also illustrates a somewhat more geographically diffuse pattern with concentrations of overlap in the center city.

# Block Groups Experiencing Above Average Single-Family Value Appreciation



# Block Groups Experiencing Above Average Single-Family Valuation Appreciation



The following chart presents 25 block groups with the highest rates of change in median single-family home values from 2011 to 2016 using HouseCanary data, along with 2016 median household income by block group according to the US Census American Community Survey 5 year estimates.

*Top 25 Block Groups with Fastest Rates of Appreciation in Single-Family (SF) Values, 2011-2016*

Neighborhood	Block Group ID	2011 Median SF Value	2016 Median SF Value	% Change 2011 - 2016	2016 Median Household Income
Dignowity Hill	480291919002	\$35,589	\$99,653	180%	\$25,556
Dignowity Hill	480291919001	\$50,676	\$120,648	138%	\$59,464
Dignowity Hill/ Jefferson Heights	480291919003	\$34,520	\$80,813	134%	\$24,125
Dignowity Hill/ Government Hill	480291919004	\$34,228	\$78,832	130%	\$27,083
Denver Heights	480291302001	\$28,598	\$62,786	120%	\$31,319
Denver Heights	480291302002	\$26,292	\$57,967	117%	\$25,625
Denver Heights	480291401002	\$43,636	\$85,593	96%	\$38,250
Jefferson Heights	480291305001	\$26,619	\$51,998	95%	[see note below]
Edison/Central Los Angeles (LA) Heights	480291906032	\$56,150	\$109,537	95%	\$43,750
Dignowity Hill	480291919005	\$76,846	\$149,693	95%	\$25,102
Northmoor/ Edison/ Central LA Heights	480291906031	\$53,782	\$103,628	93%	\$34,960
Government Hill	480291307002	\$37,697	\$72,214	92%	\$25,194
Beacon Hill/ Central Los Angeles Heights	480291905042	\$68,783	\$130,760	90%	\$26,484
Jefferson Heights	480291305002	\$29,926	\$56,889	90%	\$23,349
Jefferson Heights/ Denver Heights	480291305004	\$37,639	\$71,021	89%	\$34,722
Harvard Place - Eastlawn	480291306002	\$29,063	\$54,072	86%	\$25,592
Alamodome Gardens/ Downtown/Denver Hts.	480291103003	\$56,619	\$105,332	86%	\$36,324
Harvard Place - Eastlawn	480291306003	\$29,571	\$55,007	86%	\$20,116
Government Hill Alliance	480291307001	\$39,236	\$72,901	86%	\$22,255
Harvard Place - Eastlawn	480291306004	\$31,119	\$57,710	85%	\$23,250
Keystone	480291905011	\$59,043	\$109,215	85%	\$35,341
Harvard Place - Eastlawn	480291306001	\$27,708	\$51,078	84%	\$23,108
Central Los Angeles Heights	480291906043	\$52,323	\$96,454	84%	\$40,259
Central Los Angeles Heights	480291906041	\$43,871	\$80,803	84%	\$49,375
Mahncke Park	480291920005	\$51,641	\$94,951	84%	\$17,288

*Note:* The US Census states, “An ‘-’ entry in the estimate column indicates that either no sample observations or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowest interval or upper interval of an open-ended distribution.”

The following chart shows a similar trend over the same period of time using property appraisals from the Bexar County Appraisal District. The average rate of increase of tax appraisals citywide was 26%, compared to the 39% increase in values from HouseCanary data. Nevertheless, the correlation between the appreciation of single family values and lower income neighborhoods is clear.

*Top Twenty-Five Block Groups with the Greatest Increase in Property Appraisal in Bexar County, 2011 – 2016*

Neighborhood	Block Group ID	2011 Avg. Appraised Value	2016 Avg. Appraised Value	Percent Change 2011-2016	Median Household Income
Dignowity Hill	480291919005	\$61,790	\$139,659.59	130%	\$25,102
Tobin Hill /Downtown	480291109001	\$68,389	\$154,518.42	130%	\$58,438
Dignowity Hill	480291919001	\$47,162	\$99,303.71	110%	\$59,464
Lone Star	480291501001	\$50,108	\$101,219.33	100%	\$41,053
Five Points/Downtown	480291101003	\$60,054	\$121,185	100%	\$47,988
Dignowity Hill/Government Hill	480291919004	\$40,992	\$78,556.67	92%	\$27,083
Dignowity Hill/Jefferson Heights	480291919003	\$39,048	\$74,218.52	90%	\$24,125
Tobin Hill /Downtown	480291101001	\$160,701	\$303,178.75	89%	\$31,314
Bel Meade /The Towers on Park Lane	480291204006	\$217,538	\$409,308.62	88%	\$56,667
Dignowity Hill	480291108002	\$149,578	\$280,825.00	88%	\$14,531
Tobin Hill	480291919002	\$46,440	\$86,825.54	87%	\$25,556
Collins Garden	480291501004	\$42,754	\$77,595.71	81%	\$30,529
Five Points/Uptown NA	480291107001	\$52,929	\$95,905.07	81%	\$13,323
Walzem/Gibbs Sprawl*	480291215082	\$30,656	\$53,981.73	76%	\$27,455
Tobin Hill	480291902002	\$107,942	\$188,500.79	75%	\$48,229
Government Hill /Downtown	480291110002	\$61,381	\$107,035.87	74%	\$53,611
Government Hill /Downtown	480291110001	\$69,101	\$119,122.29	72%	\$20,119
Uptown NA	480291901004	\$54,422	\$92,081.59	69%	\$28,250
Tobin Hill	480291108001	\$118,654	\$200,459.17	69%	\$31,319
Lone Star	480291205022	\$49,650	\$83,317.58	68%	\$27,177
Lone Star	480291501002	\$45,582	\$76,403.72	68%	\$28,352
Government Hill /Downtown	480291110003	\$45,249	\$75,671.36	67%	\$37,031
Austin Highway/410	480291205025	\$51,319	\$85,729.15	67%	\$12,354
Tobin Hill	480291108003	\$151,922	\$250,592.16	65%	\$39,271
Lone Star/Collins Garden	480291620032	\$55,590	\$91,307.94	64%	\$41,397

\* The Gibbs Sprawl/Walzem Census Block Group falls outside the City of San Antonio city limits in unincorporated Bexar County.

Between 2011 and 2016, many of San Antonio’s lower income neighborhoods experienced significant single-family price appreciation. Price appreciation alone is not predictive of broader neighborhood change nor vulnerability to displacement. In fact, for low-income neighborhoods, price appreciation can be a positive indicator and an opportunity for low- and moderate-income homeowners to build wealth. It may also be an indicator that residents have greater access to amenities and opportunity.

***A subset of appreciating neighborhoods are experiencing significant demographic change***

Building on a wide range of academic and practitioner-led studies of neighborhood change, NALCAB developed a Neighborhood Trend Analysis methodology for identifying neighborhoods experiencing change in ways that might indicate a current or impending trend of displacement. The analysis measures changes over time in housing prices and demographics using four of five indicators from the US Census American Community Survey. Changes at the tract level are compared to changes at the city level to help separate neighborhood-level changes from larger trends. The indicators are:

- *Either* Median Home Value *or* Median Contract Rent
- Median Household Income
- Population 25 years or older with at least a bachelor’s degree
- Number of White, non-Hispanic, residents

Each census tract is scored based on the number of indicators (0-4) that have changed more rapidly than the city’s overall rate of change over the period 2000-2015. In contrast to examining only the change in housing costs, this methodology identifies more complex changes in the demographics of a census tract, including the percentage of residents who have higher incomes, higher levels of educational attainment and/ or are White, non-Hispanic. When price appreciation is accompanied by significant demographic shifts, the character or culture of a neighborhood may change.

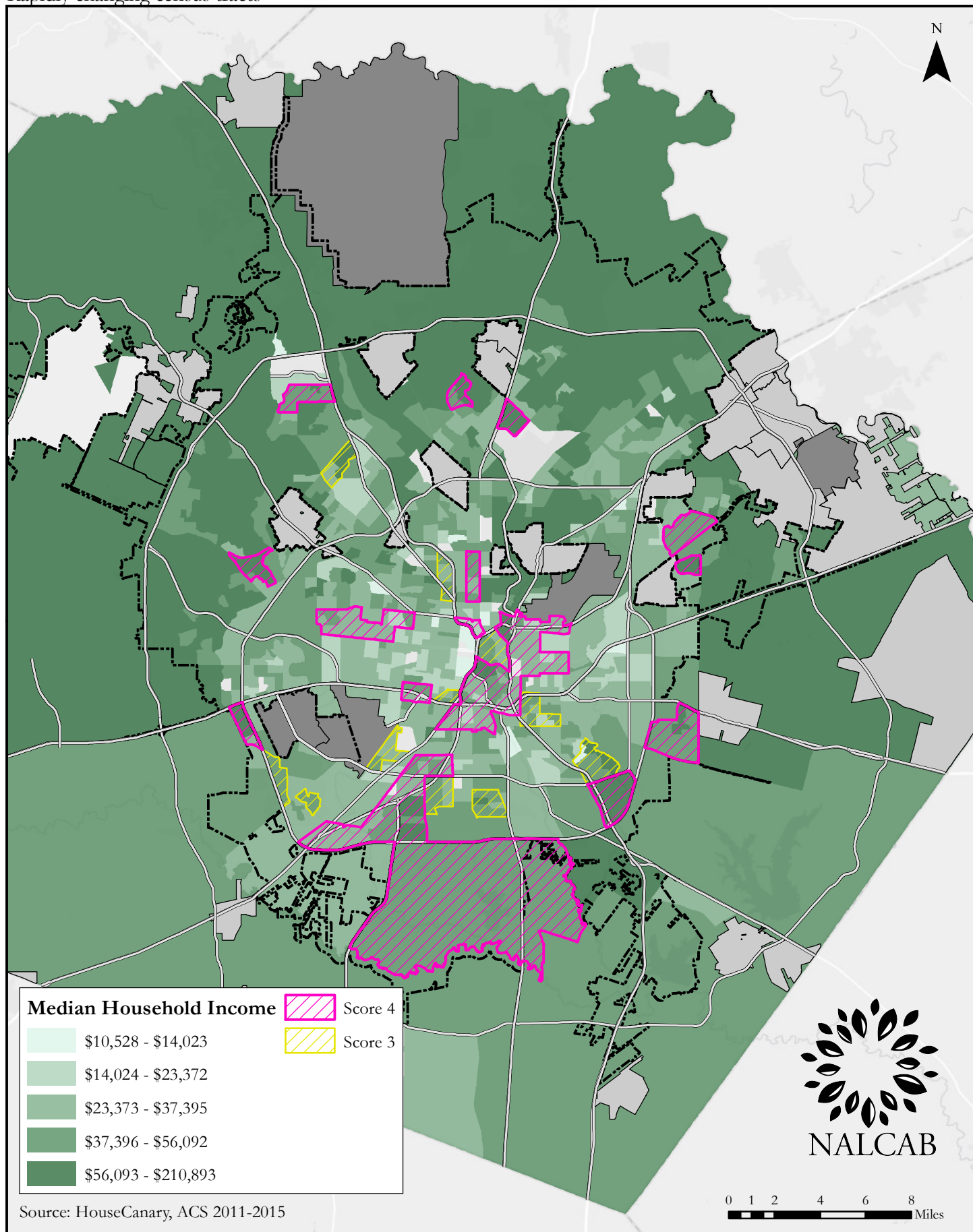
The following charts shows the number of census tracts in San Antonio that received each score using NALCAB’s Neighborhood Change Analysis methodology.

<b>Rapidly Changing Census Tract Score</b>	<b>Number of Census Tracts in City of San Antonio</b>	<b>Percentage of Census Tracts</b>
Score 4	35	10%
Score 3	14	4%
Score 2	25	7%
Score 1	100	27%
Score 0	192	52%

The following map shows census tracts that scored a three or four on the Neighborhood Trend Analysis methodology, overlaid on median household income. In San Antonio, many census tracts experiencing rapid change across multiple indicators also demonstrate low median incomes. These block groups are concentrated in the center city, with a few additional census tracts outside Loop 410.

# Neighborhood Trend Analysis 2000-2015

Rapidly changing census tracts



A score of three or four using the Neighborhood Trend Analysis should not be understood as a positive or negative indicator in and of itself, rather as a flag for more in-depth investigation of housing vulnerability. Neighborhoods that have experienced disinvestment and high levels of vacancy may demonstrate rapid change as a result of community improvement and a reduction in crime or vacancy – positive outcomes for neighborhood residents. It is worth noting that the near Eastside, which is experiencing the largest community reinvestment effort in San Antonio history targeted in a high poverty community, has demonstrated rapid change according to this methodology. Lower income neighborhoods with low vacancy and strong social fabric might view rapid demographic change as a threat. Neighborhoods will inevitably experience these changes differently, requiring community engagement efforts to better understand the implications of market change for residents.

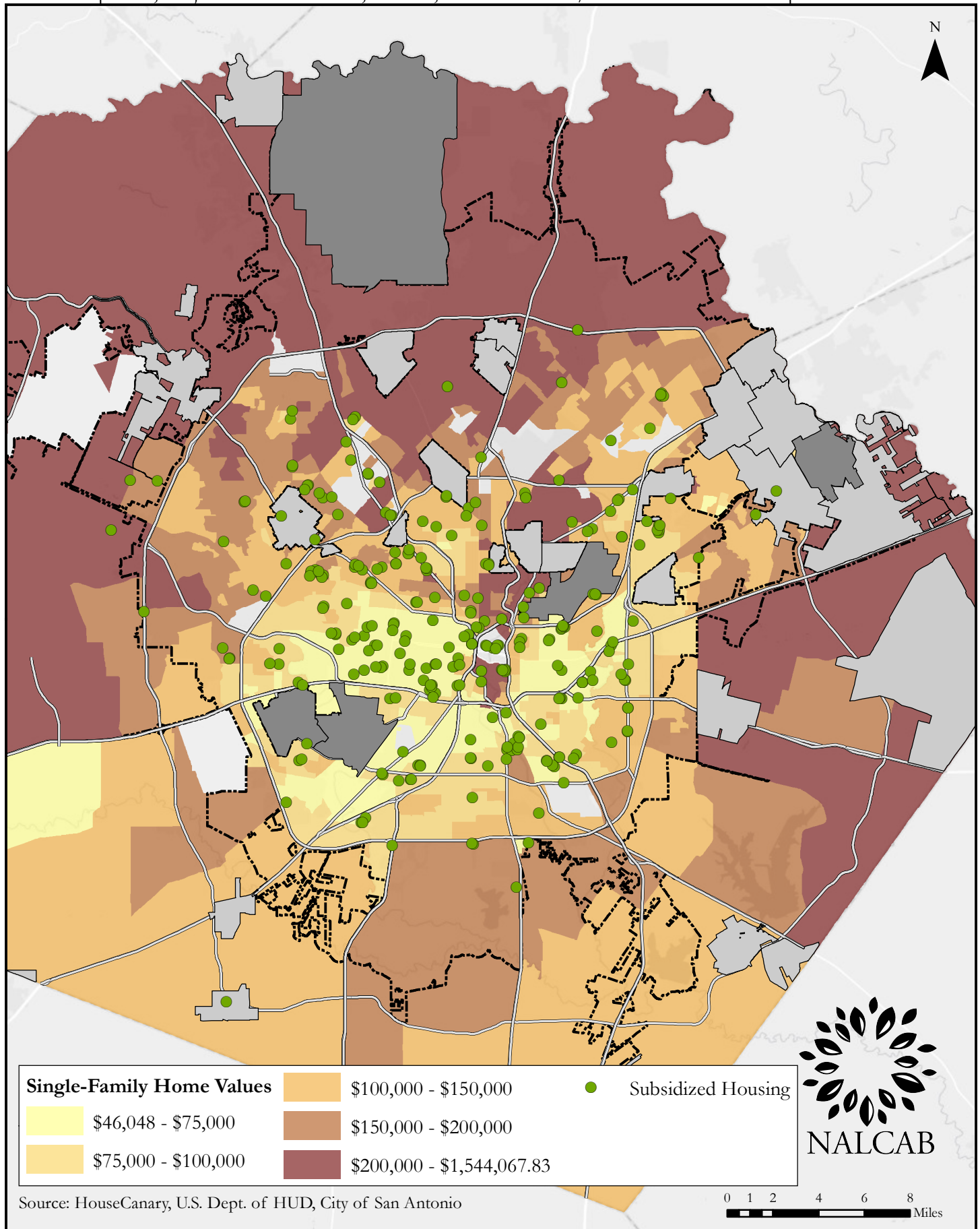
***Subsidized housing with expiring affordability covenants located in neighborhoods with higher than median values may be vulnerable to conversion to market-rate***

Appreciation in San Antonio's real estate market has the potential to threaten the affordability of the subsidized rental housing stock. A range of publicly subsidized affordable rental housing has time-limited affordability covenants (legal restrictions) that ensure rents are affordable to households in a defined income range. This includes properties financed with Low-Income Housing Tax Credits (LIHTCs), Project-based Section 8, HUD HOME funds, federal insurance guarantee programs, Section 202 housing designated for the elderly, and Section 811 housing designated for the disabled, among others. When there is a significant gap between the maximum rents that can be charged by the owner of subsidized apartments and the effective rents in the surrounding neighborhood, the potential exists for the owner to convert the property to market rate rents when the affordability covenants expire. The affordability covenants on 5,373 units of LIHTC housing may expire between 2018 – 2022. Contracts for up to 4,700 units of project-based Section 8 and the affordability covenants on a range of other subsidized housing may also be expiring in the next five years. Some of these properties are located in high value, high opportunity areas, such as the Medical Center. Barring some intervention, within the next five years, a significant number of affordable housing units could be at risk of conversion to market rate.

The map presented immediately below illustrates the location of a wide range of subsidized housing in San Antonio overlaid on single-family home values, as a proxy for real estate market strength. The map that follows illustrates the location of LIHTC properties with affordability covenants that were set to expire between 2018 – 2022 when they were originally financed. Some of these properties may have had their affordability covenants extended by the State of Texas. This illustrates current affordable housing inventory that may be at risk of converting to market rents. An additional map zooms in on near northwest San Antonio around the Medical Center where housing values are strong.

# Publicly Subsidized Affordable Housing

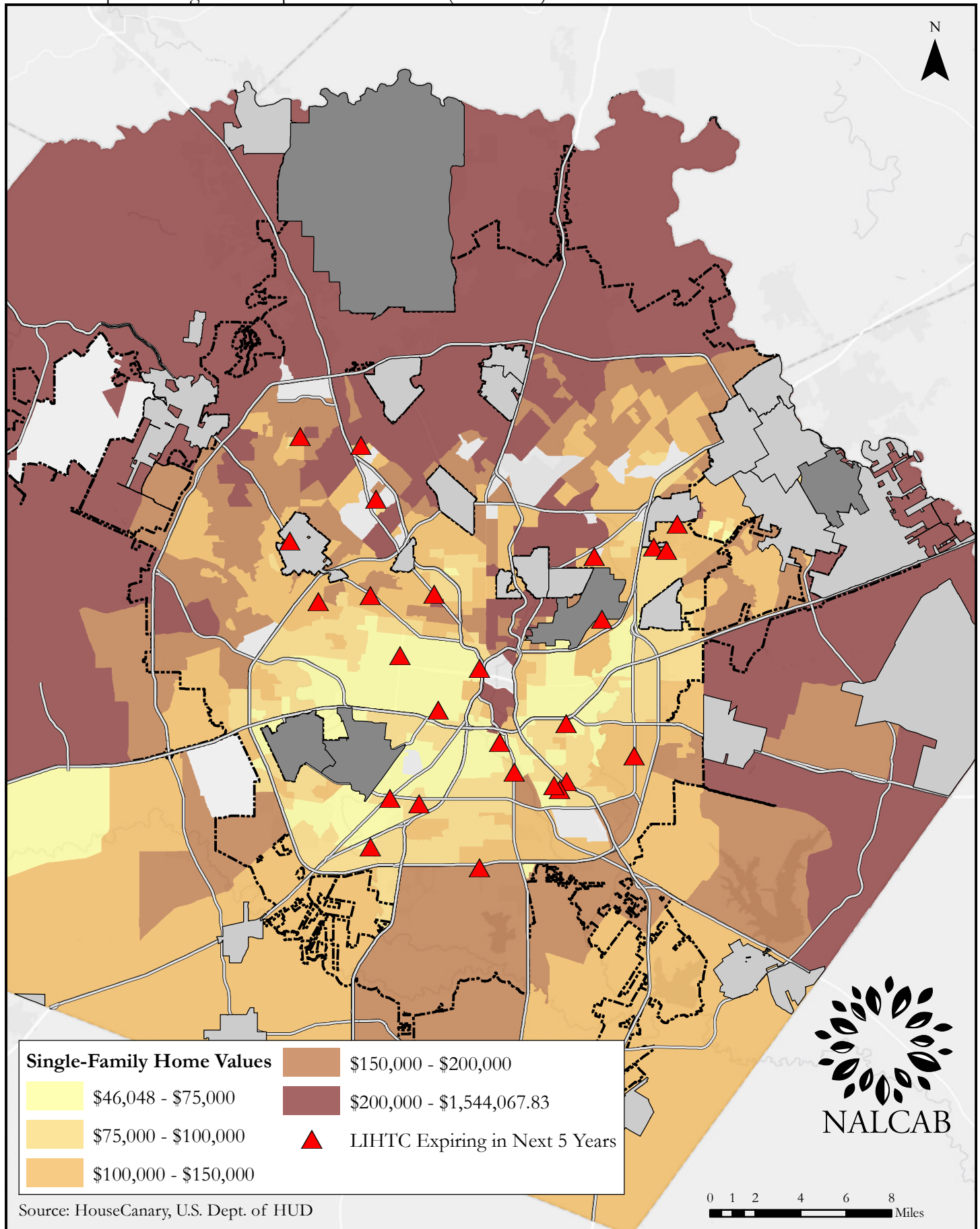
SAHA Properties, Project-Based Section 8, LIHTC, Rent Subsidized/Restricted Two-Star Properties



Source: HouseCanary, U.S. Dept. of HUD, City of San Antonio

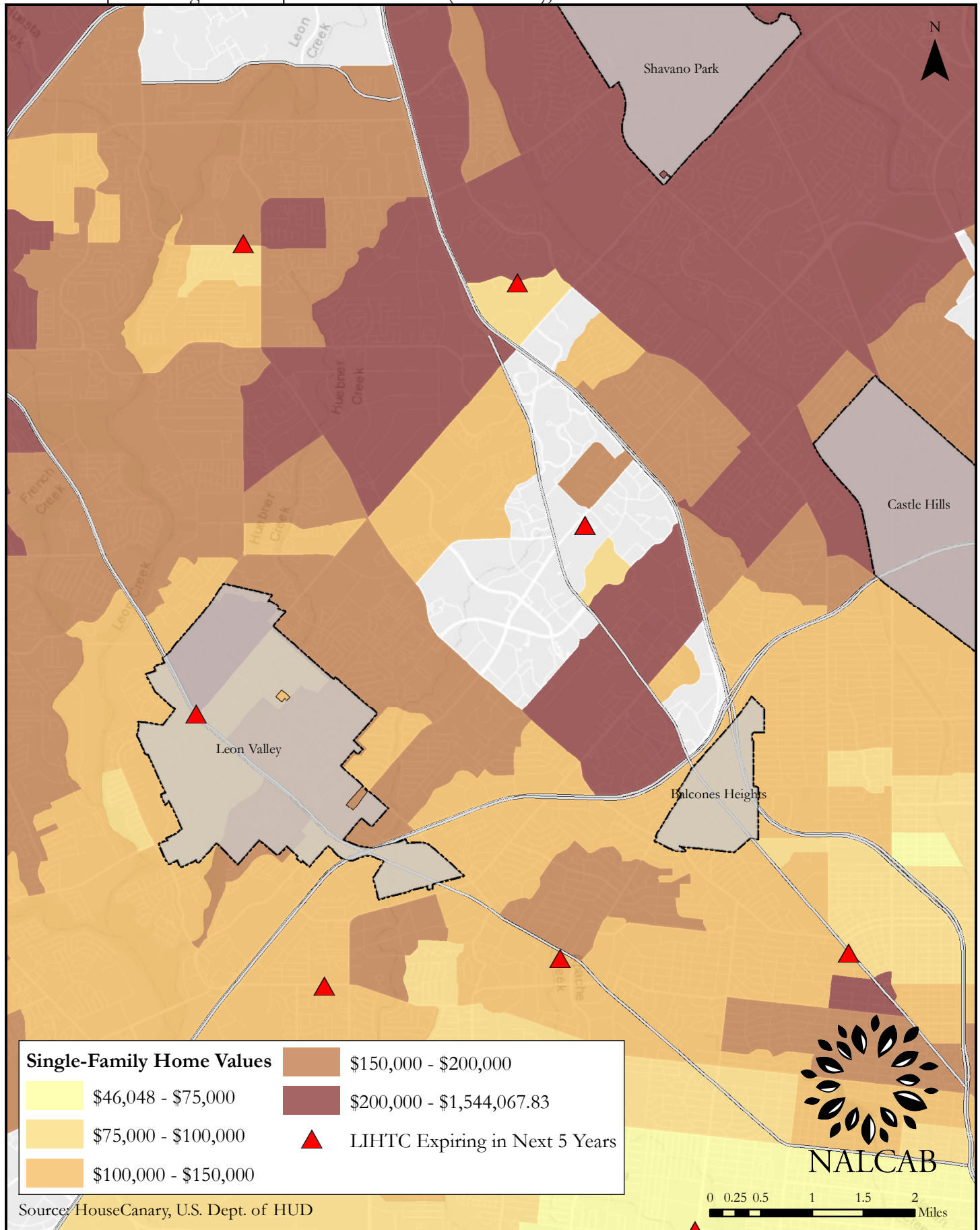
# Expiring Publicly Subsidized Affordable Housing

LIHTC Properties Eligible to Expire Within 5 Years (2018-2022)



# Expiring Publicly Subsidized Affordable Housing

LIHTC Properties Eligible to Expire Within 5 Years (2018-2022), near the Medical Center



***Unsubsidized “naturally-occurring” rental housing, and especially mobile home communities, located in neighborhoods that are experiencing rapid real estate appreciation will be vulnerable to price increases***

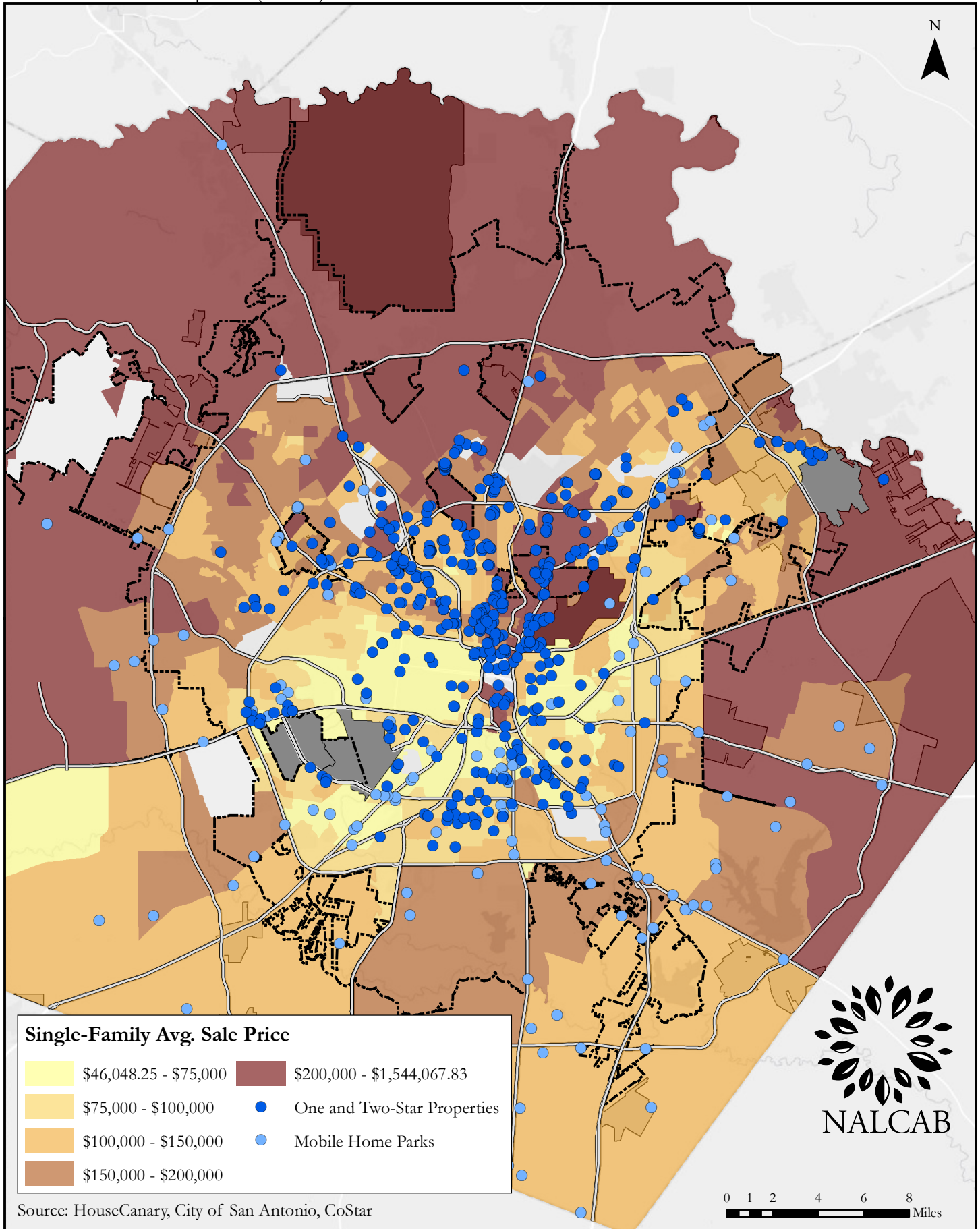
In an appreciating real estate market, subsidized rental housing may be vulnerable to being converted to higher market rate rents when their affordability covenants expire. “Naturally occurring” affordable rental housing can be vulnerable to the impacts of market appreciation more immediately. Owned homes may be affected as market appreciation impacts their tax valuations. Natural disasters can also impact insurance costs.

The Urban Land Institute Terwilliger Center for Housing requested a study by CoStar, a commercial real estate data analytics firm, of “naturally occurring” affordable housing across the United States. CoStar evaluates multi-family and commercial buildings based on a 5 star scale. Ratings are determined based on property characteristics including design and construction, and is tested through field research, rating models, analytic quality assurance, and market advisories.<sup>xl</sup> Using this rating system, CoStar identified one- and two-star properties in its database without subsidy, as examples of naturally occurring affordable housing. In the San Antonio market, virtually all one star rated properties are publicly subsidized.

The following map shows properties in the San Antonio market rated by Costar with one or two stars, removing all subsidized multi-family developments in this category, and including mobile home communities. The locations of these “naturally occurring” affordable housing developments are overlaid on single-family home values, as a proxy for real estate market strength. Given the broad trend of appreciation in housing values and costs, those properties in areas with relatively higher values may be imminently vulnerable to price increases. Unsubsidized affordable housing may be vulnerable to price increases even in areas with lower current values where there is a relatively high rate of appreciation and intensity of public investment.

# "Naturally-Occurring" Affordable Housing

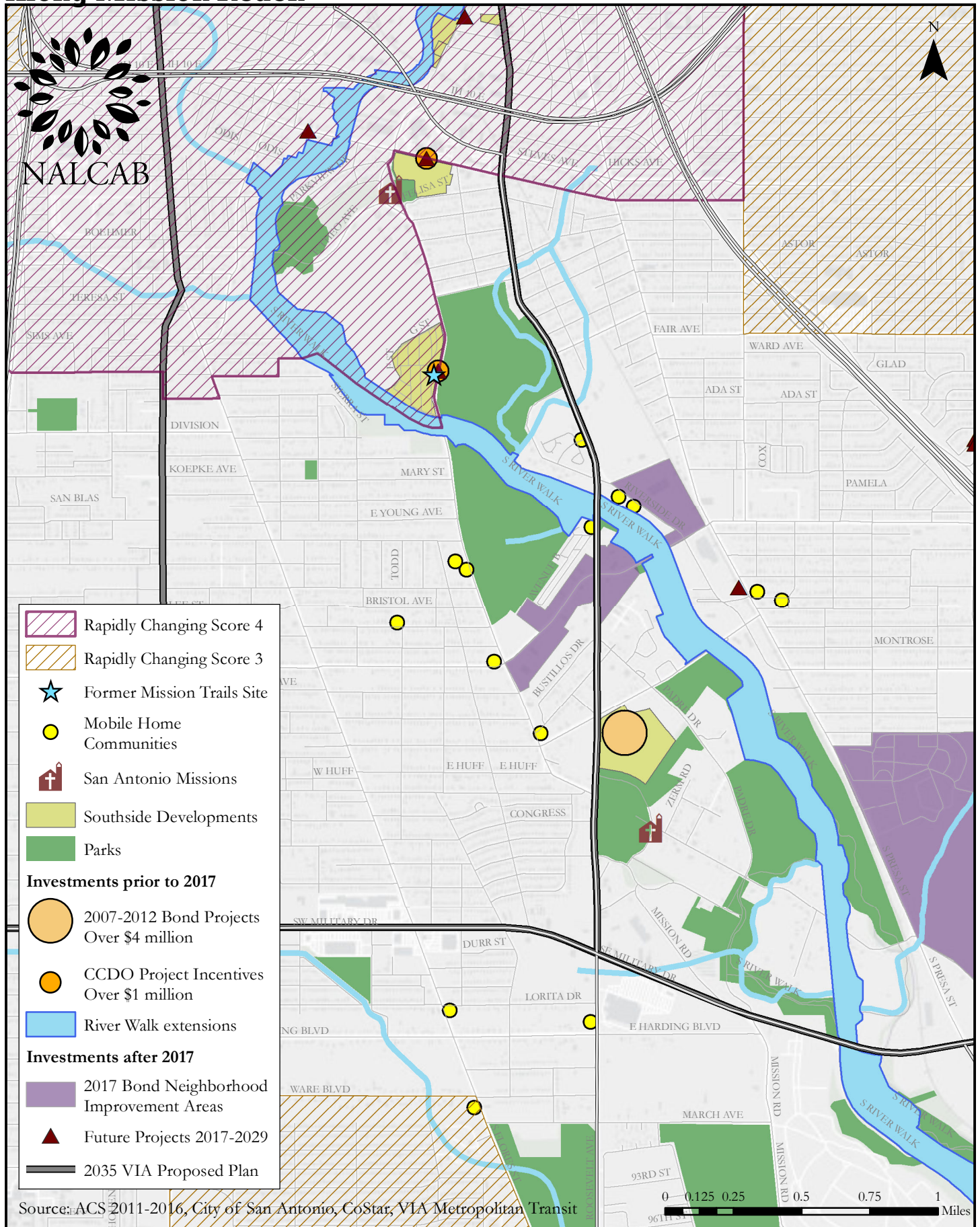
One and Two-Star Properties (CoStar) and Mobile Home Parks



Mobile home communities are particularly vulnerable when market conditions present a financial incentive for the owner to sell the land to investors. San Antonio has a large number of mobile home communities distributed throughout the metro area, including in areas experiencing significant public investment and/or market appreciation. There are numerous mobile home communities located in areas with average single-family housing values above \$150,000 and higher than average rates of appreciation.

The following map illustrates a significant cluster of mobile home communities located along the southern Mission Reach expansion. Real estate activity and public investments are illustrated through bond projects, Center City Development and Operations investments, the extension of the River Walk, and anticipated future investments beyond 2017, including future bond projects, and future private sector development listed through CoStar. Based on NALCAB's Neighborhood Trend Analysis, the census tracts at the northern edge of this map are already experiencing change in ways that might indicate a current or impending trend of displacement. Existing neighborhood change to the north, and continued investment along this segment of the river, point to possible redevelopment pressure for mobile home communities adjacent to the river.

# Proximity of Mobile Home Communities to Investments Along Mission Reach



***There are areas that have experienced historic disinvestment with significant dilapidated housing and high concentrations of vulnerable households***

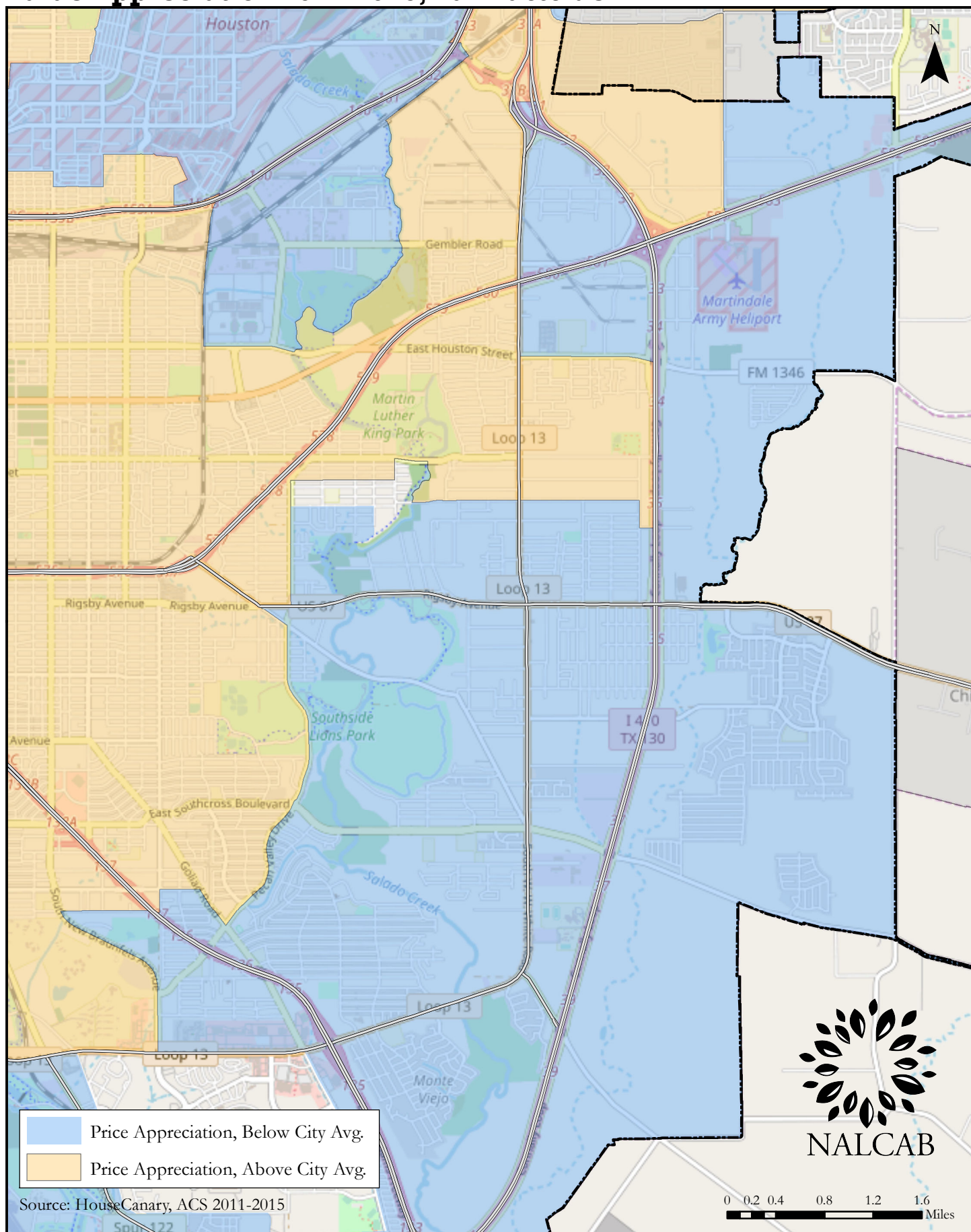
In contrast to housing vulnerability in rapidly appreciating neighborhoods, a substantively different kind of housing vulnerability exists in neighborhoods with significant dilapidated housing, high concentrations of vulnerable households and limited housing market activity. Housing vulnerability in these neighborhoods tends to be closely associated with high levels of income-based and social vulnerability among residents as well as those households residing in older structures in significant disrepair. These are areas that have experienced historic disinvestment.

While many neighborhoods that have experienced historic disinvestment face significant challenges, many also have significant strengths. Many working class neighborhoods in San Antonio are home to low-income households that have experienced significant housing stability due to the lower cost of housing and relatively low-price appreciation. These stable working-class communities have historically been a source of cultural vibrancy in San Antonio. While price appreciation is not a significant pressure point in these neighborhoods, the relative sensitivity of low-income households to changing housing costs suggests that significant market changes such as rezoning, major reinvestment projects and/or significant public investments have the potential to produce vulnerability. The geographic correlation of the successful Eastside Promise community development efforts and the high rates of appreciation in neighborhoods such as Dignowity Hill may offer important lessons for future community development investments.

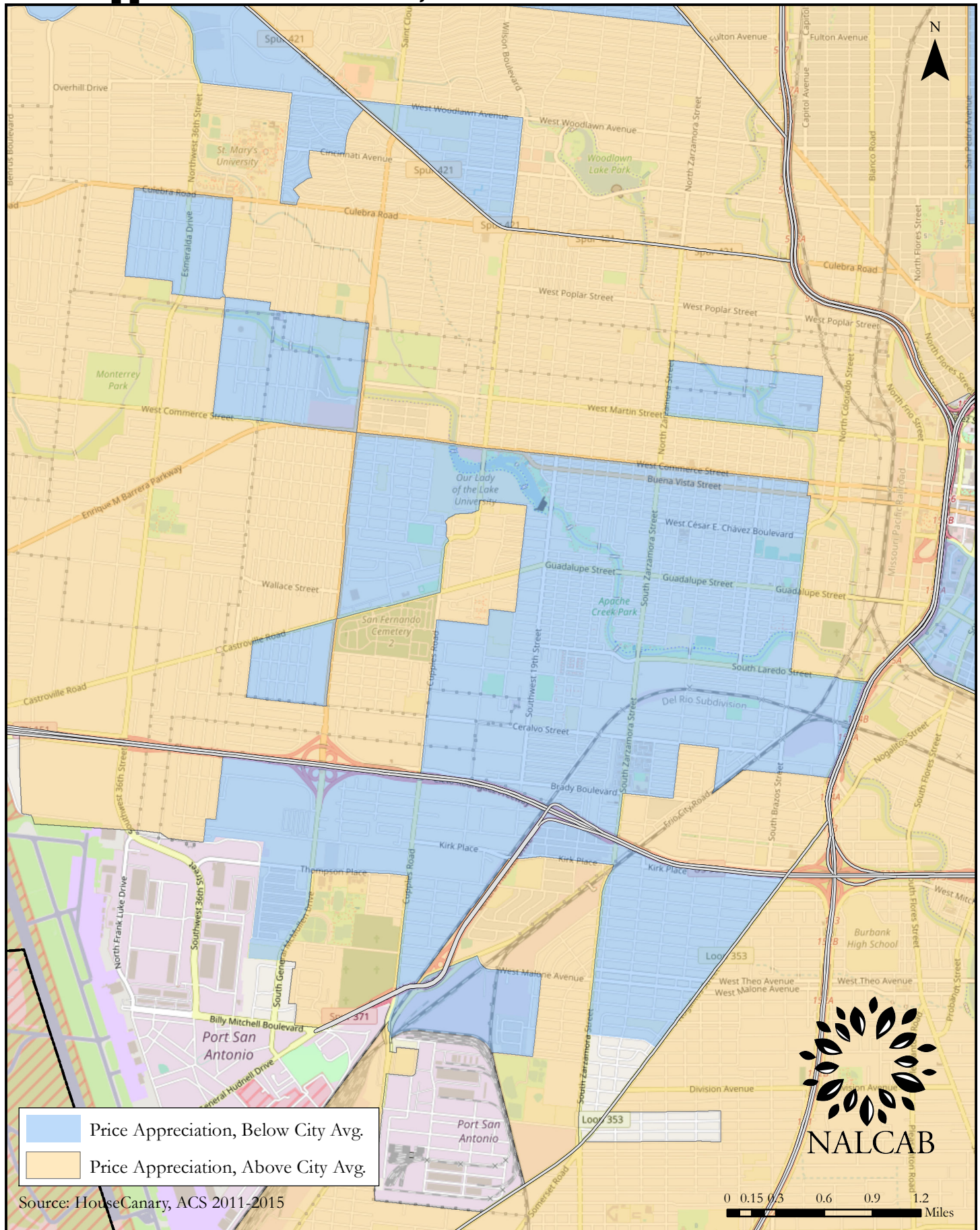
*Below average rates of housing appreciation*

The following maps zoom into three areas on the near Westside, the far Eastside and the deep Southwest side where housing values are appreciating at rates below the city average based on HouseCanary data from 2011 – 2016.

# Block Groups Experiencing Below Average Single-Family Value Appreciation 2011-2016, Far Eastside



# Block Groups Experiencing Below Average Single-Family Value Appreciation 2011-2016, Westside



Price Appreciation, Below City Avg.

Price Appreciation, Above City Avg.

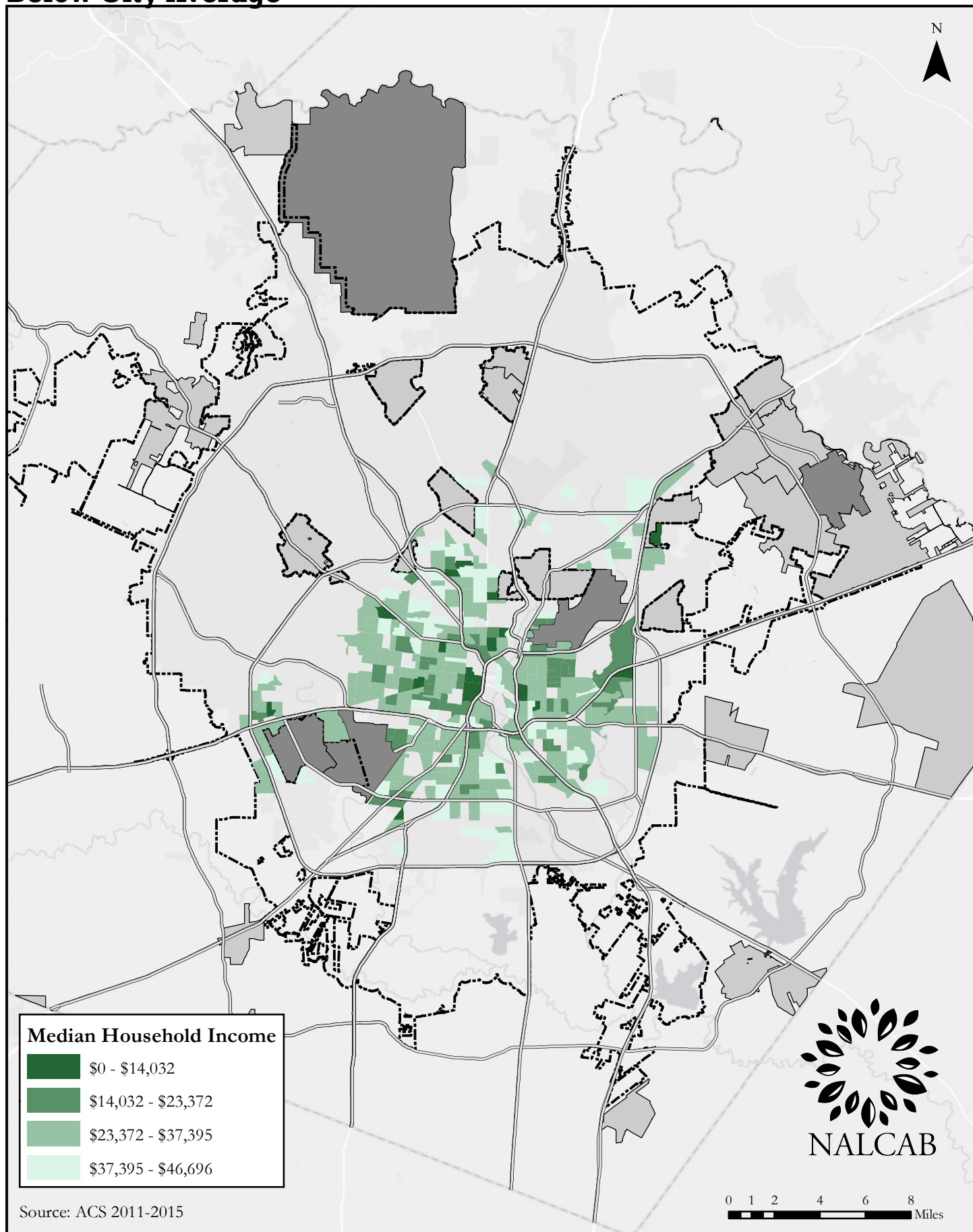
Source: HouseCanary, ACS 2011-2015

0 0.35 0.7 1.4 2.1 2.8 Miles

### *Housing Condition*

Without data from a detailed housing conditions survey, it is difficult to map relative housing conditions across a metro area. A reasonable proxy can be developed by overlaying the age of housing with the average income in a given area. This assumes that, on average, older homes have greater need for repair or rehabilitation. It also assumes that, on average, lower income homeowners and landlords of units in lower income areas will have less financial capacity to address home improvement needs. The following map illustrates block groups in which the median year of which houses were built is before 1970. These block groups are then shaded by income so that the darkest color block groups are those that are lowest income with housing stock built before 1970.

# Median Year Built Before 1970 with Median Household Income Below City Average



## *Social Vulnerability*

The following section illustrates the concentrations of different kinds of social vulnerability in San Antonio as they intersect with market appreciation. Vulnerable populations, as measured by disability, age, education level, and unemployment, are clustered in areas experiencing rapid price appreciation and may face challenges in their ability to cope with market change.

### Disability

To understand physical vulnerability, the map below illustrates U.S. Census block groups by the percentage of self-identified households with at least one disabled resident member. The Census category used for disability includes ambulatory difficulty, which may have implications for finding housing adapted to the design needs of a disabled resident. Disability is also an important consideration for the fact that families caring for a child with a disability may face additional barriers in terms of cost and time and the implications in terms of earnings potential or household budget. Higher concentrations of households with physical disability are located within Loop 410, where market pressure is clearly demonstrated through rises in home price.

### Population Over 65

The map below illustrates the percent population by block group over age 65. While individuals over 65 are not necessarily vulnerable, they are more likely to be living on a fixed income than younger working age populations. Aging homes require consistent and demanding upkeep, and older or disabled property owners may struggle. Both seniors and households with a reported disability are also challenged by the availability of rental properties equipped to support the needs of elderly or disabled populations and the costs associated with retrofitting housing with compatible design features.

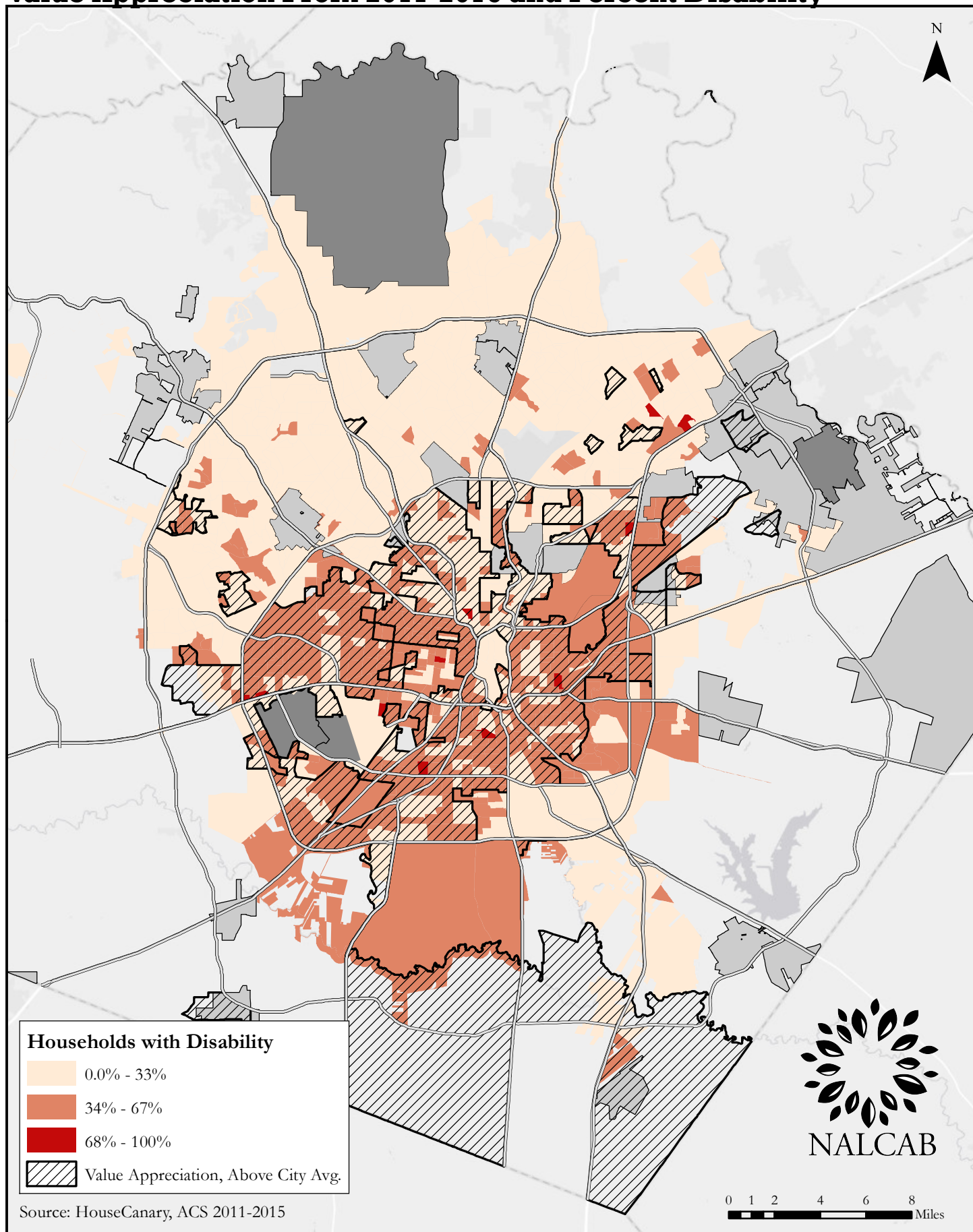
### Educational Attainment

The map below illustrates concentrations of San Antonio residents by educational attainment. Lighter areas are communities where most residents have earned a high school diploma or higher. By contrast, the communities within Loop 410 include populations with fewer residents earning diplomas, and may have limited earning potential. As with other indicators of vulnerability, there is a close match between communities with lower education levels and price appreciation.

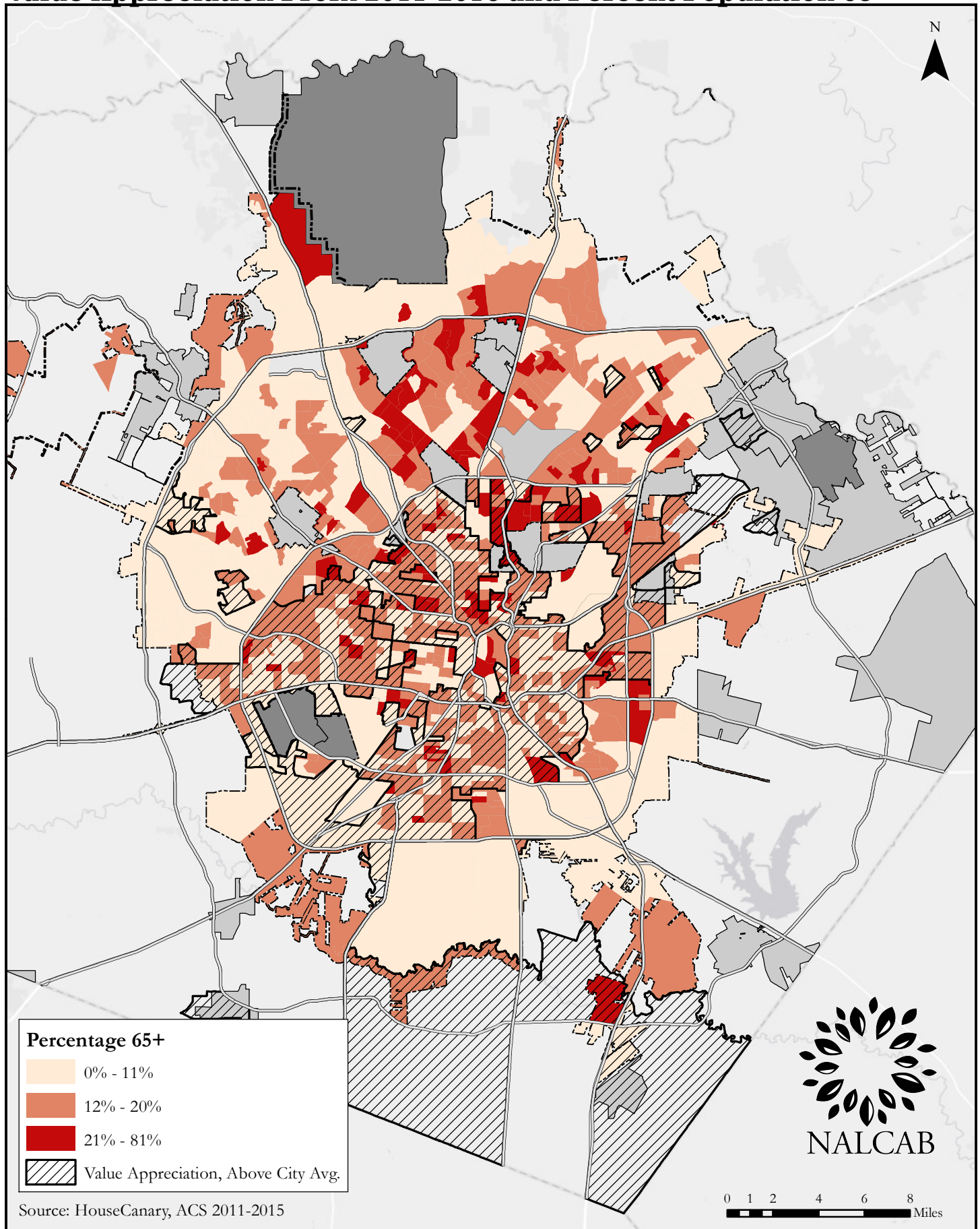
### Unemployment

The map below illustrates concentrations of severe unemployment. The spatial distribution of Census block groups with particularly high unemployment where rapid market appreciation is occurring suggests housing vulnerability.

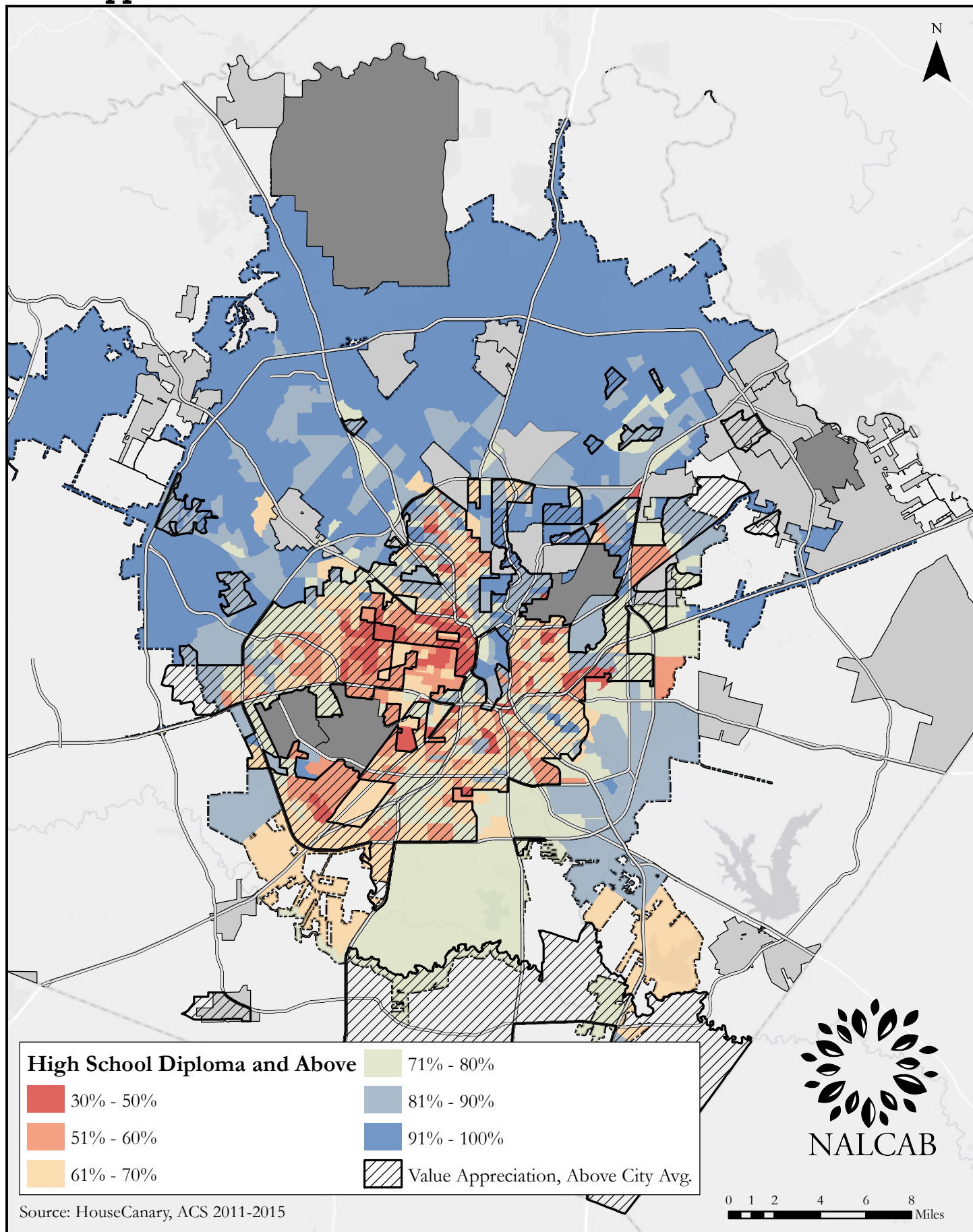
## Block Groups Experiencing Above Average Single-Family Value Appreciation From 2011-2016 and Percent Disability



# Block Groups Experiencing Above Average Single-Family Value Appreciation From 2011-2016 and Percent Population 65+



# Block Groups Experiencing Above Average Single-Family Value Appreciation From 2011-2016 and Educational Attainment



## VI. Recommendations

In 2017, the City of San Antonio made an unprecedented step by passing a \$2.7 billion budget that, for the first time, applies an “equity lens,” meaning that the budget directs more resources, particularly for streets, public safety, and neighborhood improvements, to areas and populations that demonstrate greater needs and that have a history of underinvestment by the public and private sectors. This contrasts with the past approach of dividing resources approximately equally across the ten Council Districts and will be important for giving all San Antonians an opportunity to benefit from the city’s extraordinary economic development and growth.

While San Antonio’s housing market has experienced notable and broad-based appreciation over the past five years, the pace of capital investment in real estate and market appreciation presents an opportunity for intentional public policy to shape private investment patterns and mitigate negative impacts on vulnerable populations. Further, a strong economy and especially real estate related revenues (property taxes, development fees, etc.) support a strong municipal financial position, an opportunity that many cities in the United States do not share.

San Antonio is characterized by a history of racial and ethnic segregation that is apparent in today’s housing market. It is well documented that historical practices, including red-lining by the insurance and banking industries and discriminatory covenants in titles, resulted in a spatial division of the city along racial and ethnic lines, including down to the character of plats.<sup>xii</sup> These circumstances present challenges for effective city planning and development today and require intentional solutions.

The City has an opportunity to take the next major step in advancing equity in the area of housing. Housing affordability is a fundamental driver of where people choose to live, and where we live plays an important role in shaping our economic opportunities. This means that housing affordability is a key predictor of equity.

Mayor Ron Nirenberg has identified housing as a top policy priority for the City and appointed a five-member Housing Policy Task Force to, “develop a framework for a comprehensive and compassionate housing policy to address the pressing housing challenges — from availability and affordability to gentrification and displacement — that the city faces.”

The following are recommendations for the City of San Antonio to consider based on the data and analysis presented in this report.

1. Conduct ongoing citywide monitoring of indicators of socio-economic change in neighborhoods experiencing multi-year appreciation in real estate values and/or tax appraisals. Monitoring socio-economic change at the neighborhood level can help to identify areas that could benefit from coordinated strategies to support households experiencing housing vulnerability and vulnerable affordable housing stock.

2. Conduct specific vulnerability analyses in areas that receive significant concentrations of public incentives and/or investments which may have the potential to leverage private investment and significantly influence market conditions. Vulnerability analyses can then serve as the basis for developing strategies, concurrent with real estate incentives, to mitigate potential impacts on vulnerable populations.
3. Consider housing and tax policies to address the needs and opportunities of low- and moderate-income households residing in rapidly appreciating neighborhoods, with a particular focus on the circumstances of mobile home communities.
4. Work with owners of publicly subsidized housing in high cost/ high opportunity areas to develop preservation strategies in anticipation of expiring affordability covenants.
5. Target supportive services and rehabilitation efforts in areas with significant dilapidated housing and high concentrations of vulnerable households.

## About NALCAB

NALCAB – National Association for Latino Community Asset Builders is a 501 (c)(3) non-profit organization, headquartered in San Antonio, TX and with offices in Washington, DC. NALCAB is recognized nationally for its expertise and track record of accomplishment in the fields of equitable neighborhood development and housing policy.

NALCAB's mission is to build assets for Latino families, communities and organizations and our work advances economic mobility for low and moderate income people in diverse communities. NALCAB pursues this mission by supporting non-profit organizations, and by providing technical assistance to units of state and local government, in three program areas: equitable neighborhood development, small business investment and building family financial capability. NALCAB operationalizes its efforts in four lines of business: organizational capacity building (including grant-making and technical assistance); training and leadership development (including a national training and a fellowship); policy and research (including at the federal, state and local levels); and, direct investment (through a loan fund and an equity fund).

NALCAB has conducted research on topics including place-based reinvestment efforts, access to capital for Latino entrepreneurs and neighborhood change in multiple cities. Over the past ten years, NALCAB has partnered with US HUD to deliver results in diverse communities, including through the Neighborhood Stabilization Program, the OneCPD and Community Compass TA Programs, as the lead agency for two HUD-funded National Fair Housing Media Campaigns, and through the Rural Capacity Building Program.



NATIONAL  
ASSOCIATION FOR  
LATINO  
COMMUNITY  
ASSET  
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