

Houston To Add Hundreds of New Affordable Homes Backed by Bonds

Bond Represents Uptown Houston's Largest Fund Ever Raised for Affordable Housing



Uptown Development Authority's \$112 million bond issuance will help fund the creation of nearly 1,000 affordable homes across Houston. Pictured are homes already under construction through a separate initiative by the city at Towne Park Village in northeast Houston. (City of Houston)

By [Marissa Luck](#)

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Houston, a city struggling with surging house prices, could get a big infusion of new affordable housing thanks to a \$112 million bond issued by the Uptown Development Authority.

The quasi-governmental economic development group recently raised its largest funding for affordable housing in Houston to date.

The bond will go toward creating nearly 1,000 affordable homes spread across the city through public-private partnerships with both nonprofit and for-profit developers, city officials said.

About \$47 million has been earmarked to build 575 owner-occupied homes, including single-family homes and condominiums throughout the city, according to city of Houston and Uptown Development Authority officials. Another \$53 million will go toward a unique community land trust program that subsidizes homebuyers for up to 425 homes.

The city wants to entice developers to target building more homes accessible at the \$200,000 and \$250,000 price point or lower, said Tom McCasland, director of Houston's Housing and Community Development Department, in an interview.

McCasland said rising land prices have made what used to be a “starter home” largely inaccessible to many Houstonians.

“Going back to 2008 and even before, you had a lot of starter homes on the market or your entry-level homes, but as home prices have continued to escalate while salaries have largely been stagnant for the last decade or more, many of those people that could have been first-time home buyers 10 to 15 years ago now no longer can afford to be first-time homebuyers,” McCasland said.

Median single-family home prices in Houston have jumped by more than 80% in the past decade, hitting \$275,900 in February compared to \$150,990 in February 2011, according to the Houston Association of Realtors. Meanwhile, condominium and townhouse prices are up by nearly 50% from a decade ago, reaching \$178,700 for units sold in February.

Many low-income first-time homebuyers only have the purchasing power for homes between \$75,000 and \$150,000, McCasland noted.

“The challenge for us is both to stimulate the market to provide the need, and then to have qualified buyers,” McCasland said.

To that end, the city can offer subsidies upfront for developers to build homes as well as subsidies for the homebuyers directly to help cover the costs. For example, at one new townhouse project already underway, Robin's Landing, the city is offering subsidies of roughly \$43,000 between the homebuyer and the developer to build 384 homes, he said. That project is within Habitat for Humanity's planned 127-acre, mixed-use development [Robin's Landing](#).

The timeline of when the new housing will be added was not immediately clear as the city is still preparing how to execute a plan. The city expects to issue a so-called Notice of Funding Availability to developers this summer as a call for proposals for new housing projects, a spokeswoman said in an email.

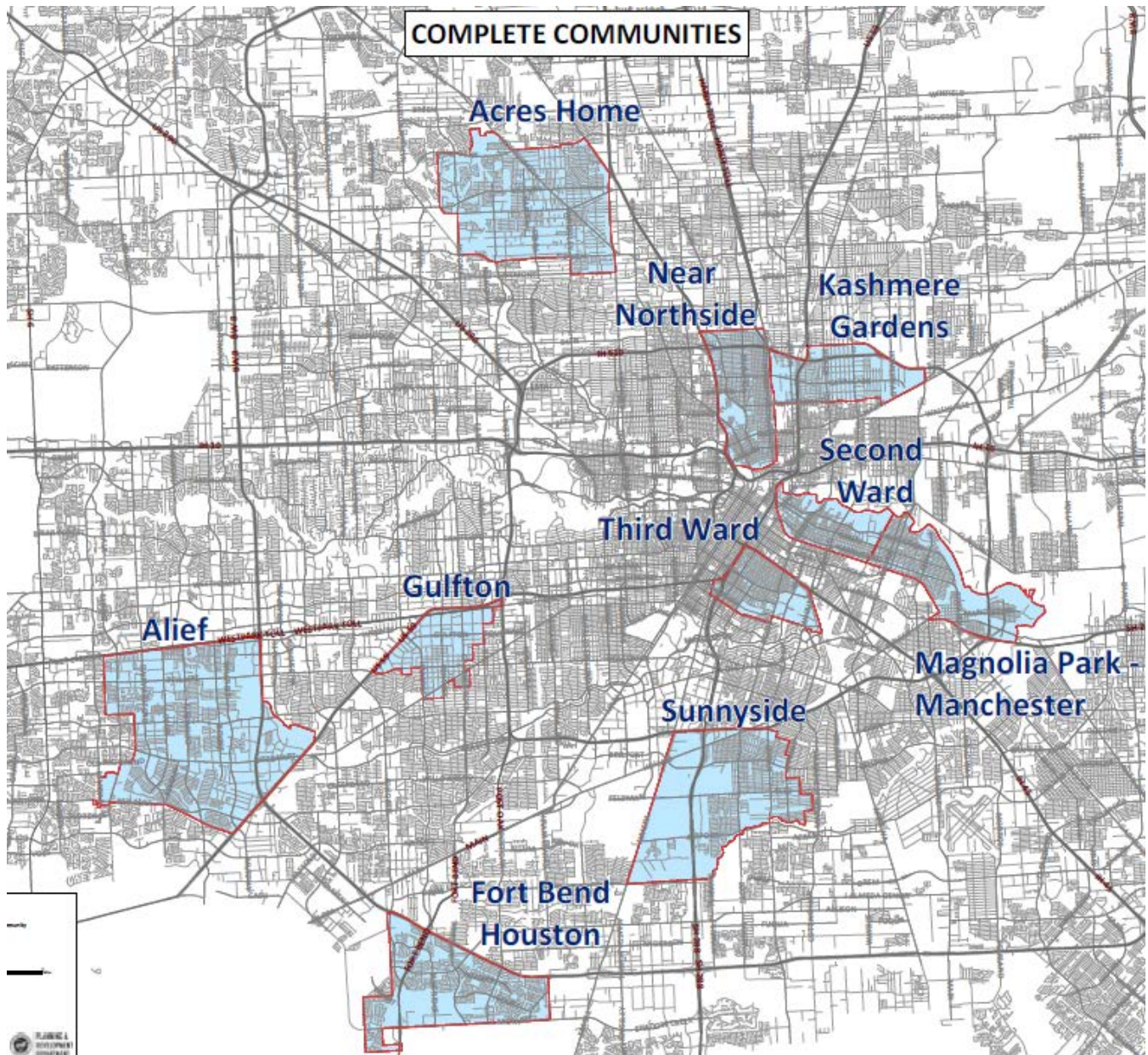
The new single-family, townhouse and condominium building programs are on top of the nearly \$1 billion in new affordable apartment projects the city is [planning](#) across the Houston area. Those efforts are expected to add about 3,100 affordable apartments by 2024.

The need for new affordable rental units is huge. Last year, the greater Houston area only had about 41 affordable and available rental units for every 100 very low-income households, according to a 2020 [study](#) from the National Low Income Housing Coalition. The Houston area had only 19 affordable and available units for every 100 extremely low-income households.

McCasland said the city is prioritizing adding affordable housing in neighborhoods in Mayor Sylvester Turner's "Complete Communities" [initiative](#). These include Alief-Westwood, Fort Bend Houston, Kashmere Gardens, Magnolia Park-Manchester, Sunnyside, Acres Homes, Second Ward, Third Ward, Gulfton and Near Northside. The Third Ward, a historically Black community southeast of downtown and east of Interstate 45, was recently listed among the top communities in Houston in danger of pricing out residents because of gentrification, according to a study from Rice University.

The city is working with stakeholders in those communities to implement action plans on a wide array of health, education, housing, civic engagement and economic goals.

“We have a lot of goals beside just putting rooftops over people’s heads. It’s about transportation, access to job centers, access to schools” and dozens of other quality of life factors, McCasland said. “Location matters.”



A map of where Houston is prioritizing affordable home development and other community programs through its Complete Communities initiative. (City of Houston)

Out of the total \$112 million in bonds raised by the Uptown Development Authority, about \$53 million will go toward funding the Choice Community Land Trust program. That initiative provides homeowners with up to \$150,000 in grants toward buying a

home as long as they agree to stay in the home for five years and sell the home at an affordable price in the future, McCasland said. The homeowners only own the structure itself, not the land underneath it, which they rent through a ground lease from a nonprofit group, but the ground lease can be sold and inherited.

The Uptown Development Authority worked with UBS Financial Services Inc. to raise funds for the city's expanded affordable housing initiatives. That includes about \$48 million backed by a private bank, Texas Capital, and a \$64 million bond backed by public investors for a total average interest rate of 3.18%.

The Uptown Development Authority is responsible for implementing improvements and other action plans on behalf of a [Tax Increment Reinvestment Zone](#) that includes the Uptown area. As a quasi-governmental arm of the city, Uptown's bonds are provided to the city to support various projects, including these ambitious affordable housing efforts.

Although Uptown Development Authority provides millions in affordable housing funding to the city every year, this is by far the largest effort the organization has pushed for to expand accessibility to low- and moderate-income housing in Houston, John Breeding, president of Uptown Houston, said in an interview. Previously, Uptown Houston issued bonds for \$13.7 million in the early 2000s and the latest affordable housing bond was issued in 2004, Breeding said.

“The state requires that if you create a TIRZ, that you have to be willing to dedicate a third of the revenue to affordable housing ... but we are more than happy to participate. We think it's great,” Breeding said. “The mayor has some exciting ideas about how to build homes and create homeownership and really make a major impact on the community.”

While the TIRZ raises money from rising property values in the Uptown area, the affordable housing funds will be dispersed throughout the city. Breeding said it's likely that Uptown land prices are too expensive to build a major affordable housing project in the area. However, he's encouraged that the recently expanded transit bus line, the

MetroRapid Silver Line, could offer better transportation services for workers commuting into Uptown from other parts of the city.

Outside of city-run programs, some private developers are already looking at creative models for expanding affordable rental properties in Houston. PadSplit [expanded its coliving model](#) into the city and across the country. PadSplit is also part of the rise in single-family rental homes, which some [experts think](#) offers opportunities for multifamily developers to help address the affordability crisis.
