

## AGENDA



Thursday, October 16, 2008

**Neighborhood Housing and Community Development  
RECOMMENDATION FOR COUNCIL ACTION****Item No. 13**

**Subject:** Approve a resolution adopting the City's preliminary tax increment reinvestment zone project and financing plans for the Homestead Preservation Reinvestment Zone project area; and authorizing the City Manager to distribute to all other taxing jurisdictions the project and financing plans and the City's notice of intent to designate the Homestead Preservation Reinvestment Zone Number One and to hold a public hearing on the creation of the zone; and authorizing the City Manager to take other steps as necessary to create the reinvestment zone. (Boundaries of the proposed TIF are IH-35 on the west; Lady Bird Lake on the south; Springdale Road to Lyons Road to Webberville Road to Oak Springs Drive to Airport Boulevard on the east; and 38th ½ Street to Cherry wood Road to Manor Road on the north. Under the proposed Plan, the Transit Oriented Development (TOD) Districts at Plaza Saltillo and East Martin Luther King, and a portion of land that is noncontiguous, are proposed to be excluded from the TIF.)

**Fiscal Note:** There is no unanticipated fiscal impact.

**For More Information:** Margaret Shaw, Director, Neighborhood Housing and Community Development, 974-3184

**Prior Council Action:** On January 11, 2007, the City Council approved an ordinance creating the Homestead Preservation District under Local Government Code 373A, and establishing an effective date for the District. On January 31, 2008, the City Council directed the City Manager to work with Travis County to begin the steps needed to implement a Tax Increment Financing (TIF) Reinvestment Zone in all or a portion of the Homestead Preservation District.

The Homestead Preservation Districts and Reinvestment Zones Statute (Homestead Preservation Statute) provides tools to help ease the ill effects of gentrification, including a Homestead Preservation District, land trust, land bank and tax increment reinvestment zone that directs a portion of increased property tax collections in the district for the development and preservation of affordable housing.

The Homestead Preservation Reinvestment Zone (the Zone) must be located within the boundaries of the Homestead Preservation District. The City Council approved the establishment of the Homestead Preservation District in January 2007. The District includes the area eligible for designation as the District under Texas Local Government Code Chapter 373A., which are seven Census Tracts in Central East Austin, specifically Tracts 4.02, 8.02, 8.03, 8.04, 9.01, 9.02, and 10.00. The boundaries of the District may be described roughly as IH-35 on the west; Lady Bird Lake on the south; Springdale Road to Lyons Road to Webberville Road to Oak Springs Drive to Airport Boulevard on the east; and 38th ½ Street to Cherry wood Road to Manor Road on the north. The proposed TIF includes all of the Homestead Preservation District area, except that the draft Preliminary Plan proposes to exclude the areas included in the Transit Oriented Development (TOD) districts at Plaza Saltillo, East Martin Luther King and a portion of land that is noncontiguous. Specific parcels not included as part of the TOD districts are described in the preliminary project and financing plans because the City Council has previously directed staff to take the steps necessary to assess the feasibility of creating separate TIFs to fund improvements within these TOD Districts. The assessment has not yet been completed.

The census tracts included in the proposed Zone meet the criteria for inclusion in the District under Local Government Code Section 373A.052. There are fewer than 25,000 residents in the Zone, occupying fewer than 8,000 households. Of those 8,000 households, fewer than 50% are owner-occupied and more than 55% of the units were constructed at least forty-five years ago. The overall poverty rate for households in the Zone is more than twice that of the City of Austin, with median family income at 60% or less (\$42,650 for a household of 4) of the median for the metropolitan area (\$69,600 for a household of 4). Furthermore, the area impairs the City's growth because conditions in the area hinder the provision of housing accommodations for low and moderate income households, and there are a substantial number of substandard and deteriorated residential structures, deteriorating sidewalks and other improvements, and defective or unusual conditions of title. The above characteristics indicate that the area proposed to be included in the TIF is unproductive, underdeveloped or blighted, as required by the statute.

The project is intended to help increase homeownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in the Zone. To finance the project, the Neighborhood Housing and Community Development Department proposes the formation of a TIF in accordance with Texas Local Government Code Chapter 373A, the Homestead Preservation Statute. The proposed TIF may work with other tools provided in the Statute, including land banks and land trusts, if created or designated, to accomplish goals of the TIF project. In the proposed TIF, if created, the City and County contribute equal amounts of the property tax on the increase in value of real property in the zone (tax increment) as generated. The Department's plan proposes that the City of Austin could annually contribute up to 100% of the amount of property taxes levied by the City on the captured appraised value of real property taxable by the City and located in the Zone. Council may approve a plan that provides for a lower increment than 100% if agreed to by the City and the County during subsequent discussions that will take place prior to establishment of the TIF if this resolution is approved. In accordance with the statute, Travis County would contribute a dollar amount equal to the amount of the City's contribution each year during the life of the TIF. County approval of the creation, boundaries, duration, and amount of tax increment is necessary for the TIF to become effective, and therefore, after approval of this Council item, the City will consult with Travis County representatives to reach agreement on the amount of tax increment to be contributed by the City and County, as well as other terms. Tax increment revenues may be expended only for purposes described in the project and financing plans for the TIF. The project will be funded as the increment is collected, and no debt will be issued to finance the project. The proposed TIF would terminate after 10 years. In the event that the local economy declines and General Fund property tax revenue is negatively affected, the agreement with Travis County should allow the parties to terminate by mutual consent due to extenuating circumstances, similar to the Waller Creek agreement.

A preliminary project plan and financing plan is attached that describes the project using dedicated tax increment revenues from the City of Austin and Travis County as the only taxing units participating in the TIF. Before adopting an ordinance creating the TIF, the City Council must approve the preliminary project and financing plan for the proposed Zone. After approval, a copy of the plan must be sent to the governing body of each taxing unit that levies taxes on real property in the proposed zone. This requested action would approve the preliminary project plan and financing plan, and direct the City Manager to send the plans and the required notice of a proposed hearing on TIF creation to other taxing jurisdictions, and to take other steps as necessary to create the TIF, including consultation with Travis County. After approval, NHCD staff will deliver the notices, which will include requests to the other taxing jurisdictions to waive a statutory 60-day period before the hearing may be held.