

EXHIBIT B

City of Austin
Homestead Preservation Reinvestment Zone No. 1

Preliminary Project Plan
and
Reinvestment Zone Financing Plan

October 2008

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Executive Summary

Chapter 373A, Local Government Code was passed by the 79th Texas Legislature in 2005. The Chapter, titled “Homestead Preservation Districts and Reinvestment Zones”, provides tools for municipalities to create and preserve affordable housing within specific areas.

The stated purposes of Chapter 373A are: (1) promote the ability of municipalities to increase homeownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in disadvantaged neighborhoods; (2) protect a municipality’s interest in improving economic and social condition within disadvantaged communities by enhancing the viability of homeownership among low-income and moderate-income residents in areas experiencing economic pressures; and (3) provide municipalities with a means to expand and protect homestead interests of low-income and moderate income families.

The Homestead Preservation Reinvestment Zone must be located within the boundaries of the Homestead Preservation District. Areas eligible for designation as the District are described in Chapter 373A. On January 11, 2007, the City Council passed Ordinance 20070111-053, designating the District. The boundaries of the District 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. The proposed TIF includes all of the Homestead Preservation District area. A map of the proposed Homestead Preservation Reinvestment Zone is attached as Exhibit 1 to the Plan.

The Homestead Preservation District has experienced a great deal of redevelopment pressure, as buyers seek homes close to Downtown. Developers and speculators have moved to purchase properties in the District for development of new housing, leaving long-time residents increasingly unable to purchase and maintain homes in the neighborhoods they and their families have lived in for generations. While redevelopment activities have brought welcome additions to the range of services available for residents, efforts to maintain affordable housing have been hampered by rising real estate prices and limited funding.

Recent data indicates that 48% of households in the District earn less than \$25,000 annually, and a disproportionately large number of households are headed by single-parents, and/or lack a high school diploma. In contrast, a review of homes for sale listed on the Austin Board of Realtors Multiple Listing Service indicates that there are no inhabitable homes available for purchase in the area for a household earning twice as much.

Programs operated by the City of Austin and nonprofit Community Housing Development Organizations have sought to increase the availability of affordable housing in the District. Future production of affordable housing in the District is hampered by increasing real estate values and decreasing federal support for affordable housing programs. Vacant lots suitable for single-family development are priced between \$60,000 and \$250,000 in the District.

The purpose of the Homestead Preservation Reinvestment Zone, is to provide affordable housing opportunities within the Zone. Federal prohibition for projects exceeding the 221(d)3 project cost limitation, or for projects exceeding the 203(b) value, frequently make the use of existing programs impossible in this rapidly gentrifying area. But for the funds to be generated by the HPRZ, continued

development and preservation of affordable housing within the Zone would be severely limited.. This plan does not identify or propose any particular purchases of real estate, construction or rehabilitation projects. It is intended that projects will be designed, proposed, planned and developed over time, based on the amount of funds available in the increment fund as the TIF continues in operation. All projects will be subject to City of Austin public notice, procurement and purchasing requirements in effect at the time of proposal.

To finance the creation and preservation of affordable housing within the Homestead Preservation District, the City of Austin proposes the formation of a Homestead Preservation Finance Reinvestment Zone, in accordance with Chapter 373A of Local Government Code. In a TIF, the City and County contribute a portion of the property tax on the increase in value (tax increment) to TIF purposes. Under this proposal the City of Austin will contribute up to 100% of its tax increment and Travis County will annually contribute to the increment fund a percentage of its tax increment that would equal the dollar amount contributed by the City to the increment fund. The project will be funded with the increment collected by the TIF, as funds are received. No debt secured by a tax increment pledge or the full faith and credit of the City or the County will be issued to meet project costs, although layering of funding from other sources may be used to accomplish project goals. The TIF would terminate no later than after 10 years.

Project Plan

This document is the Preliminary Project Plan for the Homestead Preservation Reinvestment Zone (HPRZ), City of Austin, Texas as required by Chapter 373A of the Local Government Code and Chapter 311 of the Texas Tax Code. The Zone is located in Central East Austin, entirely within the Homestead Preservation District. The purpose of the Zone is to finance the creation and preservation of affordable housing within the Zone.

The creation of the TIF will serve a public purpose through creation and preservation of affordable housing within the Zone, and will provide a continuing benefit to the community. This plan may be amended from time to time.

Expenditures for project and administrative costs will be funded by tax increment revenues derived from increases in property values within the Zone. Expenditures will be made in accordance with Chapter 373A, Local Government Code and Chapter 311, Tax Code. Chapter 373A provides that projects funded by the HPRZ benefit low and moderate income households at specific levels. The construction or rehabilitation of any improvements will comply with City planning, development and construction regulations. Project costs are as defined in Tax Code Section 311.002, and as further defined in Local Government Code Section 373A.157(e), and may include offsite improvements directly related to the construction or rehabilitation of affordable housing in the zone.

In accordance with the requirements of the HPRZ statute, funds will be expended as follows:

At least 25% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 30% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households at 30% MFI or below within the Zone. The public benefit created through the preservation of affordable ownership housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

At least 50% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 50% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction, rehabilitation, renovation or reconstruction of homestead and rental housing for households at or below 50% MFI within the Zone. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

All of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 70% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction or rehabilitation of affordable housing for households at or below 70% MFI within the District. Funds may be provided as a direct subsidy to eligible households. The public benefit created through the creation of affordable housing will be preserved through shared-equity liens or within a land trust to meet the affordability period requirements in the statute.

Not more than 10% of the revenue from the tax increment fund expended annually will be used for the administration by land banks and Community Housing Development Organizations of housing-related activities in the Zone. Funds will be made available on a competitive basis to CHDOs certified by the City of Austin that have developed or rehabbed at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building code within the preceding 10-year period within the Zone.

Not more than 10% of the revenue expended annually from the tax increment fund for administration of the zone.

Funds returned to the HPRZ as loan repayment, recapture or program income will be invested in projects in the Zone. Funds received will be used to create and preserve affordable housing in accordance with the Project Plan.

Revenue from the HPRZ will be dedicated as provided in the project plan for use by a political subdivision, a Community Housing Development Organization certified by the City of Austin, or a Homestead Land Trust created or designated by the City of Austin. Funds may be made available on a competitive basis through a Request for Proposal process.

The area Median Family Income (MFI) level by household size will be the basis for home owner or tenant participation. The Median Family Income is published by the United States Department of Housing and Urban Development on an annual basis. Household eligibility will be determined according to 24 CFR Part 5, using the guidelines found in the *“Technical Guide for Determining Income and Allowances for the HOME Program”*, HUD Publication 1780-CPD.

1. Maps showing existing uses and conditions of real property and proposed improvements and uses of that property within the Zone

The Homestead Preservation District is impacted by seven separate Neighborhood Plans. The plans are the result of community efforts to articulate preferences for future land development. The plans all include a Future Land Use Map, which indicates preferred types of development and density for the Neighborhood. The Future Land Use Maps included as part of the project plan are for the following Neighborhoods:

- Central East Austin Neighborhood
- Chestnut Neighborhood
- East Cesar Chavez Neighborhood
- Govalle/Johnston Terrace Neighborhood
- Holly Neighborhood
- Rosewood Neighborhood
- Upper Boggy Creek Neighborhood

While some of the FLUM boundaries extend beyond the Homestead Preservation District, they provide a clear illustration of community preferences for future development, and are included here as Exhibit 2.

2. Proposed Changes of Zoning Ordinances, the Master Plan of the Municipality, Building Codes, and Other Municipal Ordinances

All project construction is anticipated to adhere to all City Code and other municipal requirements in effect at the time permits are issued. Currently, there are no proposed changes to City ordinances, master plans or building codes. Should changes to zoning ordinances be required to complete individual projects, all applicable processes will be followed.

3. List of Estimated Non-project Costs

Non-project costs are those development items that will be funded by others and are necessary for the implementation of the project. No tax increment reimbursement is provided for non-project costs. No non-project improvements or costs are proposed.

4. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project

When necessary and applicable under the Finance Plan and Project Plan for the Homestead Preservation Reinvestment Zone, recipients of financing will be directed to replace all occupied and vacant occupy-able affordable housing demolished or subject to conversion as the result of a project financed through or by the HPRZ.

Consistent with the purpose of the Homestead Preservation Districts and Reinvestment Zones statute, recipients, to the greatest extent feasible, will take steps to minimize the direct and indirect displacement of persons from their homes. These steps may include, but are not be limited to, the following:

1. Coordinate code enforcement with rehabilitation and housing assistance programs;
2. Stage rehabilitation of apartment units to allow tenants to remain in the building/complex during and after the rehabilitation, working with empty units first;

3. Arrange for facilities to house persons who must be relocated temporarily during rehabilitation;
4. Adopt policies which provide reasonable protections for tenants faced with conversion to a condominium or cooperative, as a result of a project assisted with HPRZ funds;
5. Provide counseling services to assist homeowners and tenants to access information on assistance available to help them remain in their neighborhood in the face of revitalization pressures.

All permanent replacement housing will be provided within three years after commencement of the demolition or conversion. Before entering into a contract committing the HPRZ to provide funds for a project that will directly result in demolition or conversion, the HPRZ will direct that Notice be made public by placing publication in a newspaper of general circulation, or post the information at the City of Austin's neighborhood centers, City Clerk's office, the City of Austin Neighborhood Housing and Community Development (NHCD) website, and other selected local public places in the area of the proposed project. Such Notice to include:

1. A description of the proposed assisted project;
2. The address, number of bedrooms, and location on a map of affordable housing that will be demolished or converted as a result of the assisted project;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;
5. The source of all funding and a time schedule for the provision of the replacement housing;
6. The basis for concluding that the replacement housing will remain affordable for the required period;
7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two one-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Project Plan for the HPRZ.

To the extent that the specific location of the replacement housing and other data in items 4 through 7 are not available at the time of the general submission, the recipient of HPRZ funds will identify the general location of such housing on a map and complete the disclosure and submission requirements as soon as the specific data are available.

The Board of the HPRZ or its designated agent is responsible for ensuring the tracking of replacement housing and ensuring that it is provided within the required period.

The recipient of HPRZ funds is responsible for the provision of relocation payments and other relocation assistance to any lower income household displaced by the demolition or conversion of any housing. The provision of relocation payment(s) and other relocation assistance will, at a minimum, meet all the requirements of the Uniform Relocation Assistance and Real Property Acquisition regulations found at 49 CFR Part 24, and the requirements of the Department of Housing and Urban Development Handbook 1378, Tenant Assistance and Real Property Acquisition, as amended, regardless of any other fund source(s) for the project.

Reinvestment Zone Financing Plan

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 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 or the County during discussions, but prior to establishment of the TIF. 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, 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 no later than after 10 years.

I. List of the Estimated Project Costs of the Zone, Including Administrative and Recurring Expenses

The zone will not incur bond financing costs. All project costs associated with the project plan outlined above will be funded on a pay-as-you-go basis, using TIF revenue that has been collected and deposited into the Homestead Preservation TIF fund.

At least 25% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 30% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households at 30% MFI or below within the Zone. The public benefit created through the preservation of affordable ownership housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

At least 50% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 50% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction, rehabilitation, renovation or reconstruction of homestead and rental housing for households at or below 50% MFI within the Zone. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

All of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 70% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction or rehabilitation of affordable housing for households at or below 70% MFI within the District. Funds may be provided as a direct subsidy to eligible households. The public benefit created through the creation of affordable housing will be preserved through shared-equity liens or within a land trust to meet the affordability period requirements in the statute.

Not more than 10% of the revenue from the tax increment fund expended annually will be used for the administration by land banks and Community Housing Development Organizations of housing-related activities in the Zone. Funds will be made available on a competitive basis to CHDOs certified by the City of Austin that have developed or rehabbed at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building code within the preceding 10-year period within the Zone.

Not more than 10% of the revenue expended annually from the tax increment fund for administration of the zone.

II. Statement Listing the Kind, Number and Location of All Proposed Public Works or Public Improvements in the Zone

The proposed project includes the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households as outlined in I above. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

III. Economic Feasibility Studies

An economic feasibility study was completed by Capital Market Research. See Exhibit 3. Because the Homestead Preservation District is a large and diverse area, Capital Market Research applied a broad approach to the forecast of future real estate values, taking into account growth trends, as well as the status of current and planned development in the district. A block-by-block market analysis, which was completed for the Waller Creek tunnel project, is not a practical approach for the analysis of a Homestead Preservation TIF due to the size and diversity of the district. Four possible growth scenarios for the tax base in the Zone were developed, with the city-wide average growth scenario used to project future tax revenue. Staff has verified taxable values included in the report, working with the Travis County Appraisal District. Additional analyses of potential TIF revenue and the estimated impact on the City's General Fund will be completed by staff, and attached to the final plan.

IV. The Estimated Amount of Bonded Indebtedness to be Incurred

No bonded indebtedness will be incurred.

V. The Time When Monetary Obligations are to be Incurred

The Homestead Preservation TIF will not issue debt. Monetary obligations will be incurred for eligible projects as funds become available, estimated to 2010.

VI. Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone

Description of the Methods of Financing

The zone will not incur bond financing costs. All project costs associated with the project plan outlined above will be funded on a pay-as-you-go basis, using TIF revenue that has been collected and deposited into the Homestead Preservation TIF fund.

Sources of Tax Increment Revenue

The tax increment revenue necessary to pay the project costs is expected to come from increased property values in the zone due to growth in values and development that would normally occur over the course of time. Estimated tax base and tax revenues are shown in the table below.

10-Year Revenue Projections

\$\$ in millions	Yr 1	Yr 5	Yr 10	Annual Average	10-Year Total
HP District					
Captured tax base	\$60.6M	\$337.3M	\$775.8M	\$350.8M	\$ 775.8M
TIF tax revenue	\$ 0.2M	\$ 1.2M	\$ 2.4M	\$ 1.3M	\$ 13.2M

The table above is based on the City of Austin contributing up to 100% of their collected incremental tax revenue to the zone at an estimated effective tax rate. If Travis County subsequently agrees to contribute a dollar amount equal to the amount of the City's contribution each year during the life of the TIF, an additional \$13.2 million could be generated over a ten-year TIF life. Council may approve a plan that provides for a lower increment than 100% if agreed to by the City and the County during discussions after approval of this preliminary plan, but prior to establishment 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 preliminary plan, 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 rates that are currently in effect are shown below.

Taxing Unit	Total Tax Rate	Tax Rate Dedicated	% Dedicated
City of Austin	\$0.4034/\$100	\$0.4012/\$100	up to 100%
Travis County	\$0.4122/\$100	\$0.4122/\$100	up to 100%

VII. The Current Total Appraised Value of Taxable Real Property in the Zone

The area includes 6,815 parcels and includes two proposed Transit Oriented Development (TOD) Districts at Plaza Saltillo and Martin Luther King (MLK).

	Number of Parcels	2008 Taxable Value - City	2008 Taxable Value - County
HP District	6,815	\$1,124,971,617	\$1,024,133,255

VIII. The Estimated Captured Value of the Zone During Each Year of its Existence

The preliminary revenue projections in the table in Section VII above assume that city-wide taxable values will grow, on the average, by 5.4% per year and that new construction will grow by 1.4%.

If the most recent 10-year trends were used to project growth in taxable values in the Homestead Preservation District, growth in overall assessed value might range from 4% to 12% annually, depending on the forecasting methodology. Growth in the District's tax base has averaged 12.9% annually over the last ten years, compared with 7.1% for the City overall. The revenue projections above were developed assuming that overall growth in the District would approximate overall City growth of 5.4% annually as a conservative approach since double-digit growth is not likely to consistently occur over a long-range forecast period.

Staff was able to obtain new construction data since 2005 for the District from the Travis Central Appraisal District. If these trends were used to project growth in new construction, projections might average as much as 10% annually, depending on the forecasting methodology. These more recent trends reflect the steep growth in development experienced in the last few years, and are likely not to be sustainable over a long-range forecast period. As a more conservative approach, the projections above reflect average annual growth in new construction of 2.5% consistent with the average annual compounded growth in new construction experienced across the city during the last ten years.

Cumulative Captured Value in the Zone Dollars in millions

2009	\$ 60,581,526
2010	\$ 124,425,463
2011	\$ 191,707,500
2012	\$ 262,612,781
2013	\$ 337,336,426
2014	\$ 416,084,059
2015	\$ 499,072,379
2016	\$ 586,529,752
2017	\$ 678,696,845
2018	\$ 775,827,284

IX. Duration of the Zone

The duration of the Reinvestment Zone is up to 10 years. If established by the end of calendar year 2008, the first date for which the TIF captured appraised value will be recorded will be January 1, 2009. Fiscal year 2010 will be the first year in which both the City and Travis County would pay their associated tax increment into the TIF fund that will be established pursuant to an agreement to be executed between the City and County. In the event that the local economy declines and General Fund property tax revenue is negatively affected or for other good reason, the parties may agree to terminate the TIF agreement prior to the termination date only by written agreement signed by both parties, which agreement shall include the actual termination date, and the disposition of funds that have not been disbursed.

Homestead Preservation Reinvestment Zone No. 1
Preliminary Project Plan and Reinvestment Zone Financing Plan

EXHIBIT 1

Zone Map

The boundaries of the District 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. A map of the proposed Homestead Preservation Reinvestment Zone is attached.

Homestead Preservation Reinvestment Zone No. 1

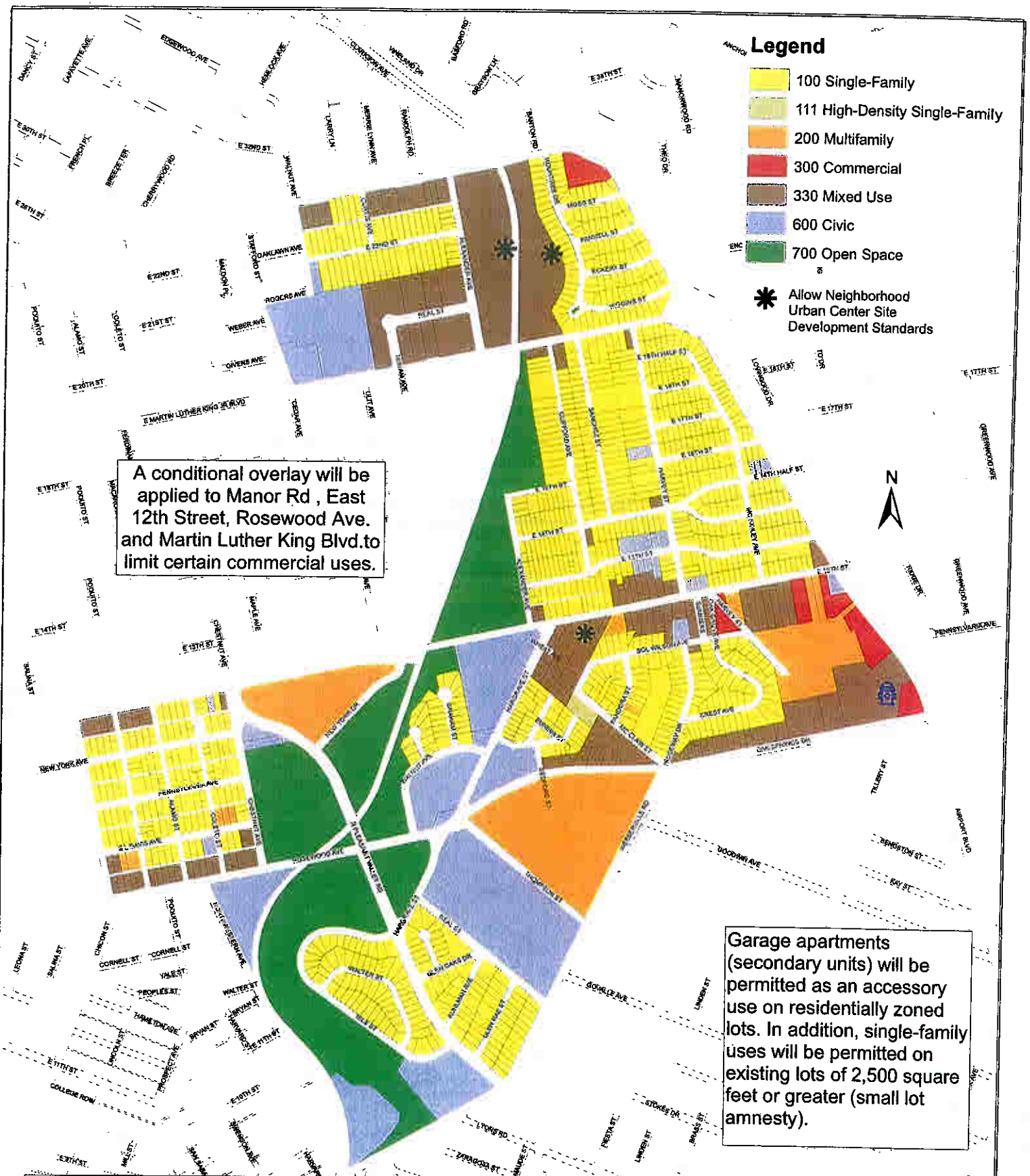
Preliminary Project Plan and Reinvestment Zone Financing Plan

EXHIBIT 2

Future Land Use Maps

The Future Land Use Maps included as part of the project plan are for the following Neighborhoods:

- Central East Austin Neighborhood
- Chestnut Neighborhood
- East Cesar Chavez Neighborhood
- Govalle/Johnston Terrace Neighborhood
- Holly Neighborhood
- Rosewood Neighborhood
- Upper Boggy Creek Neighborhood

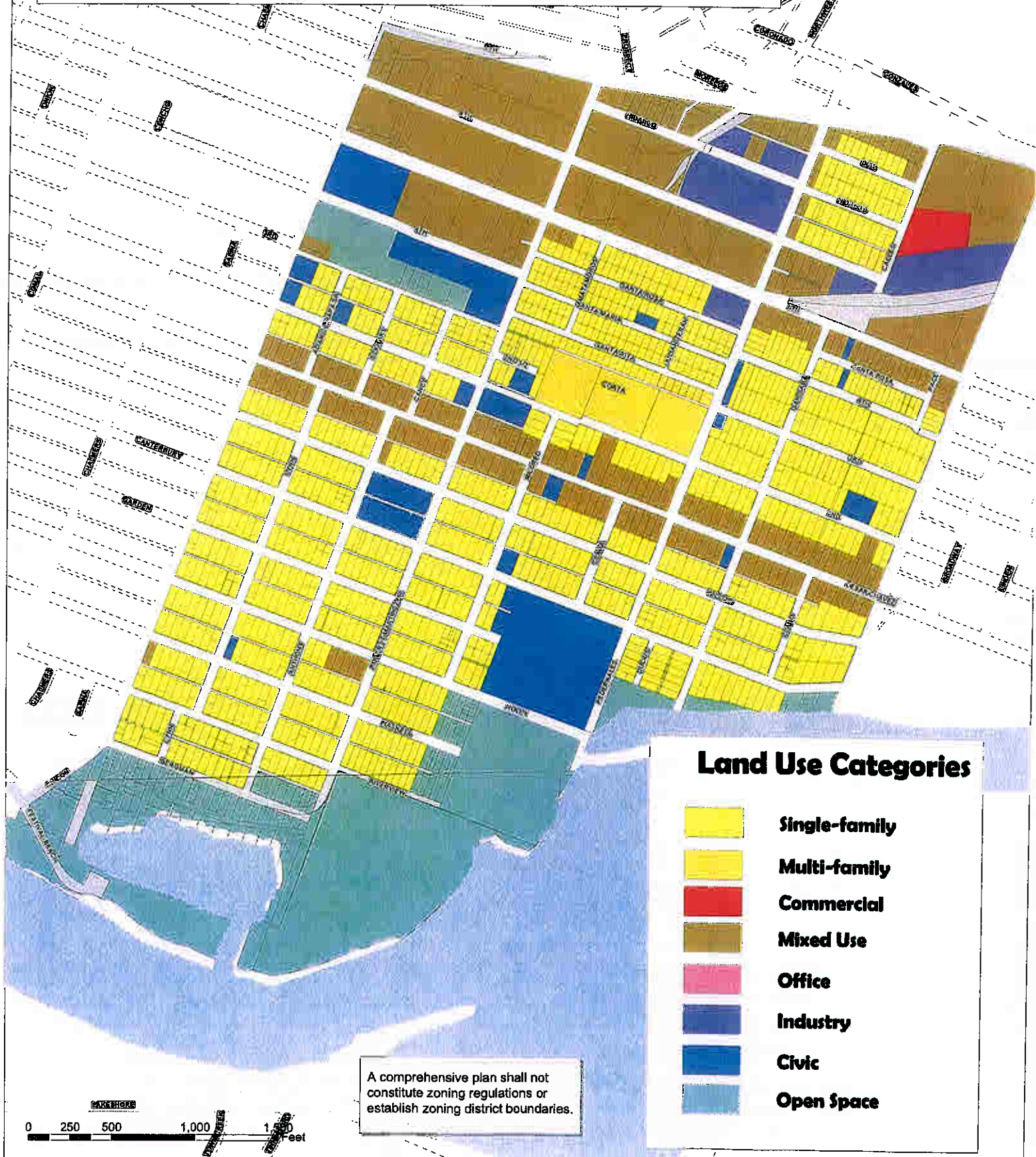
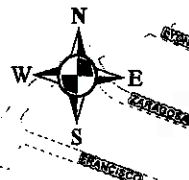


Rosewood Neighborhood Planning Area Future Land Use Map

City of Austin
Neighborhood Planning and
Zoning Department
Adopted 11/28/01; Amended 11/2/06, 7/26/2007

A comprehensive plan
shall not constitute zoning
regulations or establish
zoning district boundaries.

Holly Neighborhood Planning Area Future Land Use Map Updated: September 8, 2003





Chestnut Neighborhood Planning Area Adopted Future Land Use

200 100 0 200 400
Feet

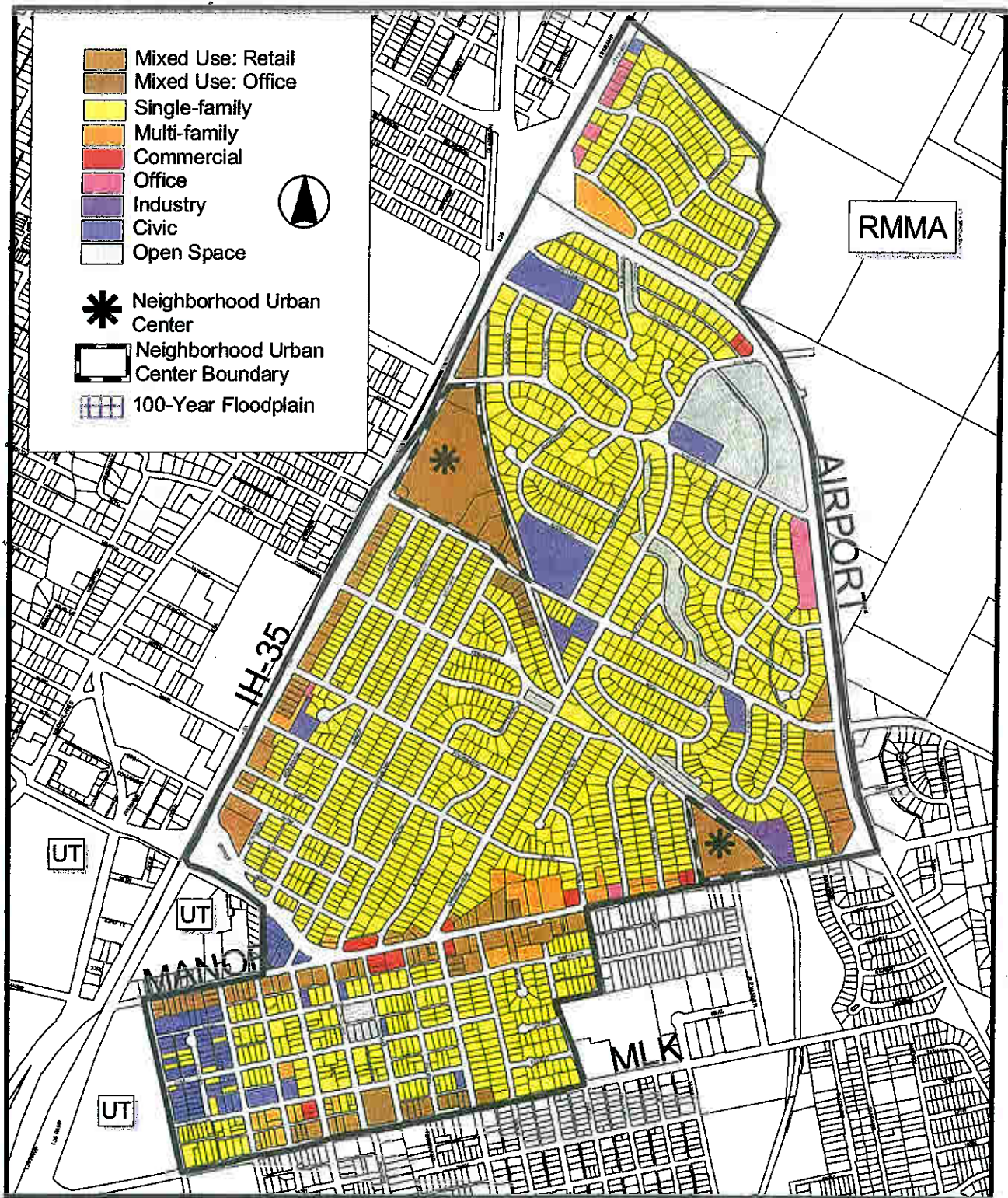
Future Land Use

10 Agriculture	200 Multi-family	490 Major Planned Development	870 Utilities
50 Rural Residential	300 Commercial	500 Industry	940 Water
100 Single-family	330 Mixed Use	560 Major Impact Facility	
111 Higher-Density Single Family	335 High Density Mixed Use	600 Civic	
113 Mobile Homes	350 Warehouse/Limited Office	700 Open Space	
130 Mixed Residential	400 Office	750 Environmental Conservation	
	430 Mixed Use/Office	800 Transportation	



Produced by City of Austin
Neighborhood Planning &
Zoning Department
February 14, 2005

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Upper Boggy Creek Neighborhood Planning Area: Future Land Use Map



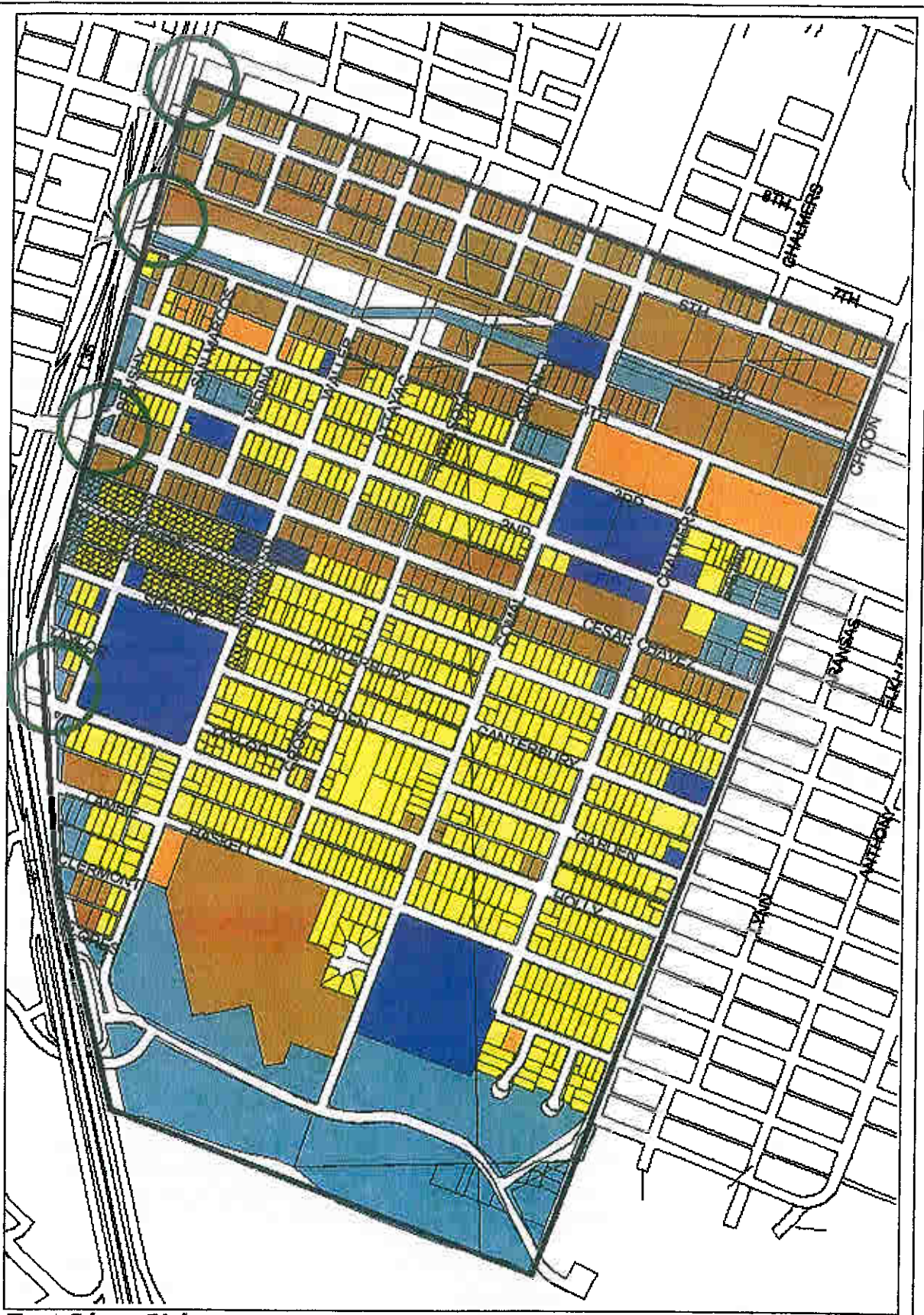
NPZD
City of Austin

This map is for informational purposes only. No guarantee can be made as to its accuracy.

regarding specific

regarding specific





East César Chávez Neighborhood Plan Future Land Use Plan



PCSD
Neighborhood Planning
Plotted: May 1999
Adopted by Ordinance: May 13, 1999



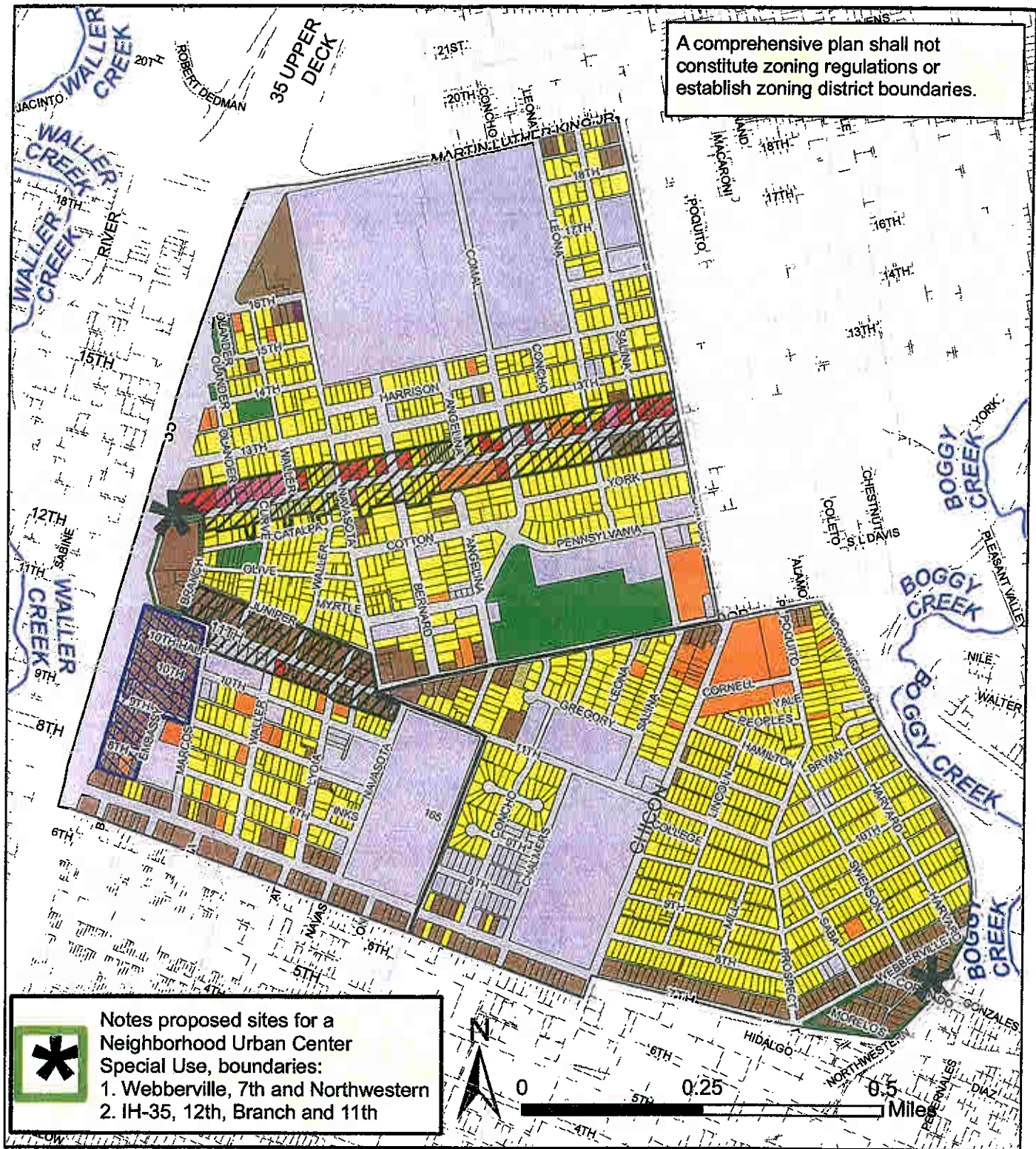
Neighborhood Gateway

A comprehensive plan shall not constitute zoning regulations or establish zoning district boundaries.

- Multi-Family
- Mixed Use
- Residential
- Openspace
- Civic
- Historic District



A comprehensive plan shall not constitute zoning regulations or establish zoning district boundaries.



Notes proposed sites for a Neighborhood Urban Center Special Use, boundaries:
 1. Webberville, 7th and Northwestern
 2. IH-35, 12th, Branch and 11th

Central East Austin Neighborhood Planning Area: Future Land Use Map

Adopted 12/13/2001

Amended 6/23/05, 11/30/06, 5/3/07, 5/25/07

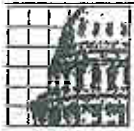
Neighborhood Planning and Zoning Department

-  Neighborhood Planning Areas
-  Bennett Tract & 11th Street NCCD
-  Austin Revitalization Authority 11th & 12th Street Corridors

-  Single-Family
-  Higher-Density Single-Family
-  Multifamily
-  Commercial
-  Mixed Use
-  Office
-  Mixed Use/Office
-  Industry
-  Civic
-  Recreation & Open Space
-  Transportation

Homestead Preservation Reinvestment Zone No. 1
Preliminary Project Plan and Reinvestment Zone Financing Plan

EXHIBIT 3
Economic Feasibility Study



CAPITOL MARKET RESEARCH

Real Estate Research, Land Development Economics & Market Analysis

October 10, 2008

Margaret R. Shaw
Director
City of Austin, Neighborhood Housing
and Community Development
1000 East 11th Street, Suite 400
Austin, TX 78702

reg. **Homestead Preservation District TIF**

Dear Ms. Shaw,

As you requested, we have prepared an assessment of the Homestead Preservation District proposed for a portion of central east Austin. Our assessment includes a determination of historical and current real property values within the District and a forecast of taxable value to help estimate the potential revenue that could be generated from a tax increment district.

Overview

Between 1997 and 2007, the number of residential units receiving building permits within the boundaries of the Homestead Preservation District (HPD) increased from 35 units to 154 units per year. Permitted residential units during this time span decreased citywide by 5%, yet the number of permitted units in the HPD increased fourfold. Permitted units in the HPD, as a share of citywide residential units, increased from 0.5% in 1997 to 2.4% of total permits citywide by 2007.

An increasing number of mixed-use and loft-style buildings are being developed within the HPD, such as Saltillo Lofts, TwentyOne24, and Waterstreet Lofts. A recent Diana McIver & Associates report identified more than 16 residential or mixed-use developments with more than 650 units currently planned near the Saltillo TOD, one of two TOD's located within the HPD.

As the pace of development has increased in the HPD, property values of new and existing units have increased significantly. In 1999-2000 in the HPD area, the median price for residential listings on the Austin Board of Realtors Multiple Listing Service was \$90,000, with the median price per square foot at \$66.00. By 2005-2006, the median price on MLS had increased to \$135,000, with the price per square foot at \$109.00. This 50% increase in market value contrasts to a 30% increase city wide over the same period.

These trends point to a significant demographic shift in the Homestead Preservation District. The area is experiencing a rising level of development activity, including not only single-family homes but also mixed-use, loft-style developments. This new development

Capitol Market Research, Inc.
605 Brazos, Suite 300
Austin, Texas 78701
Phone: (512) 476-5000
Fax: (512) 476-5011
cheimsath@cmraustin.com

has contributed to increasing property values, but this trend has also had a negative financial impact on renters and homeowners seeking to remain in the area.

Methodology

The approach that we took and the results of our analysis are shown below.

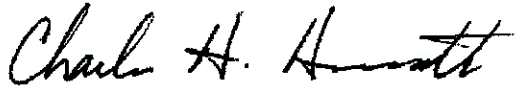
1. First we obtained from the Neighborhood Housing and Community Development Office a file that contains the property tax ID numbers and values for all 6,815 parcels in the proposed Homestead Preservation District. The appraisal district data included the property ID number, situs address, year of completion and total value by year, from 2000 through 2008. (Table 1)
2. Because there are two TOD areas within the proposed HPD TIF (Saltillo Plaza and MLK) which may also use TIF financing as a tool to foster development, we have also provided a forecast that removes the 464 TOD parcels from the HPD inventory with the result being a slightly smaller area with less value. (Table 2)
3. With this data, we then explored several options for estimating future values within the district and determined that the two most acceptable approaches were an extrapolation of historical trends using two different forecasting methods. The two approaches selected were
 - a) a district value forecast that is based on the average annual percentage increase in total district value from 2000 through 2008 (high scenario)
 - b) a district value forecast which uses a linear extrapolation of the total property values in the area from 2000 through 2008 (low scenario)
4. The results of these forecast options are presented in table (3) with TOD parcels and (3)a, (without TOD parcels)
 - a) the forecast based on district value increases from 2000 to 2008 results in a 2028 total district value of \$12.7 billion with the TOD parcels and \$12.5 billion without.
 - b) and the forecast which is based on a linear extrapolation of the property values results in a \$2.7 billion district value with the TOD parcels and \$2.5 billion value without.
 - c) After examining the two options, CMR also prepared a forecast that is the average of the two scenarios, and which falls into the middle of the range of values at \$7.7 billion in 2028 with the TOD parcels and \$7.4 billion without. And, as a more conservative approach, the City may wish to assume that growth will more closely approximate the city-wide average over the long-term future.

5. A Tax Increment revenue analysis was prepared using the most conservative forecast to determine what revenues would be available to support the planned affordable housing program initiatives within the district and these results are shown in Table(4) and (4)a.

We hope this preliminary analysis is useful to you as you consider the option of creating a Homestead Preservation District in Austin.

Respectfully yours,

CAPITOL MARKET RESEARCH, INC.



Charles H. Heimsath, AICP

October 10, 2008
Date

Table (1)
Homestead Preservation District Tax Valuation Summary

Year	Tax Records	City of Austin Total Taxable Value	Travis County Total Taxable Value
2000	6,739	376,239,867	350,442,581
2001	6,744	440,713,546	407,565,143
2002	6,751	506,825,154	465,381,719
2003	6,760	540,240,799	489,540,931
2004	6,779	601,542,656	542,880,116
2005	6,785	656,922,625	590,068,946
2006	6,823	785,895,911	707,574,588
2007	6,835	928,976,896	840,251,056
2008	6,815	1,124,971,617	1,024,133,255

TaxValuationSummary.xls

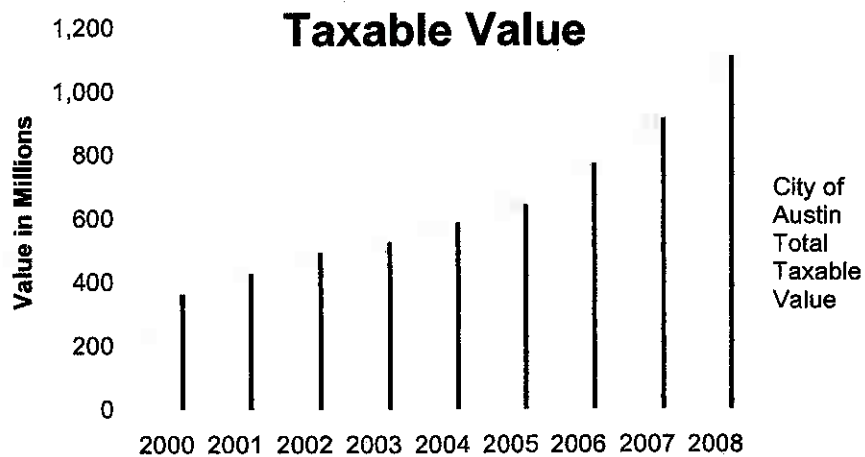


Table (2)
HPD Tax Valuation Summary (without TOD parcels)

Year	Tax Records	City of Austin Total Taxable Value	Travis County Total Taxable Value
2000	6,286	326,373,619	301,401,317
2001	6,288	387,883,647	355,884,948
2002	6,295	447,496,882	407,454,579
2003	6,304	482,946,804	434,015,197
2004	6,323	533,359,300	476,860,841
2005	6,329	587,021,465	520,626,187
2006	6,363	706,508,636	630,676,022
2007	6,375	839,986,069	754,031,696
2008	6,351	1,009,339,633	911,606,955

TaxValuationSummary.xls

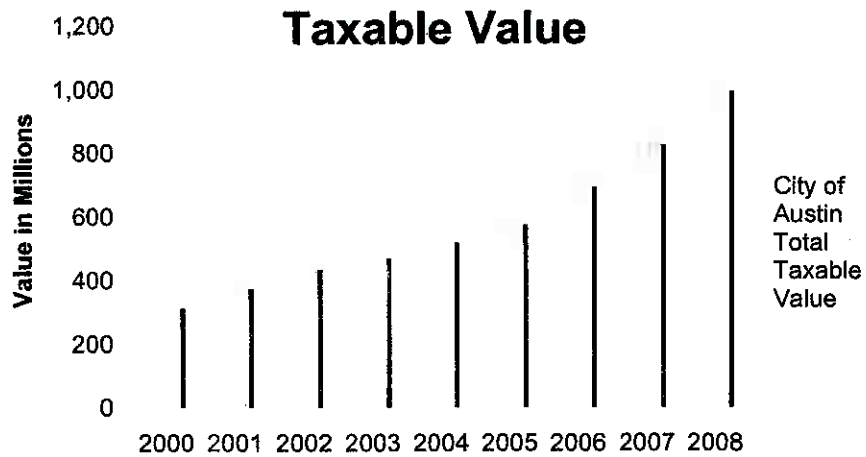


Table (3)
HPD Forecasted Taxable Value Options

Year	District City Taxable Value	High range	Low Range	High/Low Average	City Average
2000	\$376,239,867	.....	.....	.....	.....
2001	\$440,713,546	.....	.....	.....	.....
2002	\$506,825,154	.....	.....	.....	.....
2003	\$540,240,799	.....	.....	.....	.....
2004	\$601,542,656	.....	.....	.....	.....
2005	\$656,922,625	.....	.....	.....	.....
2006	\$785,895,911	.....	.....	.....	.....
2007	\$928,976,876	.....	.....	.....	.....
2008	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617
2009	.....	\$1,270,092,956	\$1,090,359,367	\$1,180,226,161	\$1,185,553,143
2010	.....	\$1,433,934,947	\$1,175,935,039	\$1,304,934,993	\$1,249,397,080
2011	.....	\$1,618,912,555	\$1,261,510,711	\$1,440,211,633	\$1,316,679,117
2012	.....	\$1,827,752,275	\$1,347,086,383	\$1,587,419,329	\$1,387,587,398
2013	.....	\$2,063,532,318	\$1,432,662,055	\$1,748,097,187	\$1,462,308,043
2014	.....	\$2,329,727,987	\$1,518,237,727	\$1,923,982,857	\$1,541,055,676
2015	.....	\$2,630,262,897	\$1,603,813,400	\$2,117,038,148	\$1,624,043,996
2016	.....	\$2,969,566,811	\$1,689,389,072	\$2,329,477,941	\$1,711,501,369
2017	.....	\$3,352,640,930	\$1,774,964,744	\$2,563,802,837	\$1,803,668,462
2018	.....	\$3,785,131,610	\$1,860,540,416	\$2,822,836,013	\$1,900,798,901
2019	.....	\$4,273,413,587	\$1,946,116,088	\$3,109,764,838	\$2,003,159,970
2020	.....	\$4,824,683,940	\$2,031,691,760	\$3,428,187,850	\$2,111,033,347
2021	.....	\$5,447,068,168	\$2,117,267,433	\$3,782,167,800	\$2,224,715,877
2022	.....	\$6,149,739,962	\$2,202,843,105	\$4,176,291,533	\$2,344,715,877
2023	.....	\$6,943,056,417	\$2,288,418,777	\$4,615,737,597	\$2,470,776,578
2024	.....	\$7,838,710,695	\$2,373,994,449	\$5,106,352,572	\$2,603,831,858
2025	.....	\$8,849,904,375	\$2,459,570,121	\$5,654,737,248	\$2,744,052,379
2026	.....	\$9,991,542,039	\$2,545,145,793	\$6,268,343,916	\$2,891,824,000
2027	.....	\$11,280,450,962	\$2,630,721,466	\$6,955,586,214	\$3,047,553,360
2028	.....	\$12,735,629,136	\$2,716,297,138	\$7,725,963,137	\$3,211,668,955

Historical and Forecasted Value Options

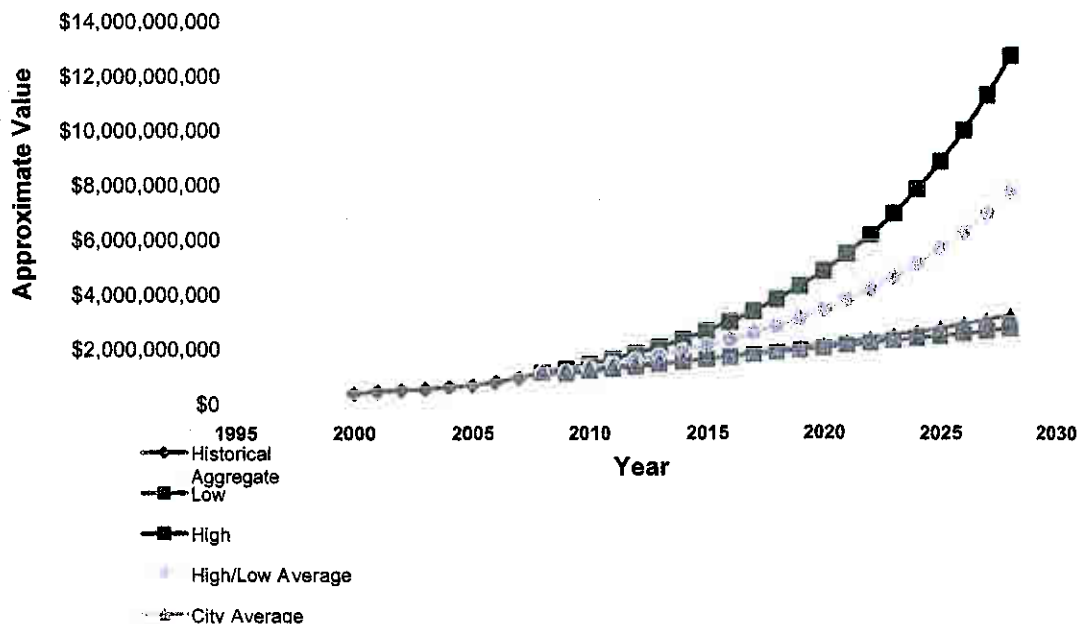


Table (3)a
HPD Forecasted Taxable Value Options without TOD parcels

Year	District City Taxable Value	High range	Low Range	High/Low Average	City Average
2000	\$326,373,619	.....	.....	.....	
2001	\$387,883,647	.....	.....	.....	
2002	\$447,496,882	.....	.....	.....	
2003	\$482,946,804	.....	.....	.....	
2004	\$533,359,300	.....	.....	.....	
2005	\$587,021,465	.....	.....	.....	
2006	\$706,508,636	.....	.....	.....	
2007	\$839,986,069	.....	.....	.....	
2008	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633
2009	.....	\$1,144,591,144	\$983,735,353	\$1,064,163,248	\$1,063,694,191
2010	.....	\$1,297,966,357	\$1,062,239,844	\$1,180,103,101	\$1,120,975,829
2011	.....	\$1,471,893,849	\$1,140,744,336	\$1,306,319,092	\$1,181,342,175
2012	.....	\$1,669,127,625	\$1,219,248,827	\$1,444,188,226	\$1,244,959,345
2013	.....	\$1,892,790,726	\$1,297,753,319	\$1,595,272,023	\$1,312,002,402
2014	.....	\$2,146,424,684	\$1,376,257,810	\$1,761,341,247	\$1,382,655,835
2015	.....	\$2,434,045,591	\$1,454,762,302	\$1,944,403,947	\$1,457,114,069
2016	.....	\$2,760,207,701	\$1,533,266,793	\$2,146,737,247	\$1,535,581,998
2017	.....	\$3,130,075,533	\$1,611,771,285	\$2,370,923,409	\$1,618,278,551
2018	.....	\$3,549,505,654	\$1,690,275,776	\$2,619,890,715	\$1,705,422,285
2019	.....	\$4,025,139,411	\$1,768,780,268	\$2,896,959,840	\$1,797,262,009
2020	.....	\$4,564,508,093	\$1,847,284,759	\$3,205,896,426	\$1,894,047,051
2021	.....	\$5,176,152,177	\$1,925,789,251	\$3,550,970,714	\$1,996,044,943
2022	.....	\$5,869,756,569	\$2,004,293,742	\$3,937,025,156	\$2,103,535,164
2023	.....	\$6,656,303,949	\$2,082,798,234	\$4,369,551,091	\$2,216,813,906
2024	.....	\$7,548,248,678	\$2,161,302,725	\$4,854,775,702	\$2,336,192,889
2025	.....	\$8,559,714,001	\$2,239,807,217	\$5,399,760,609	\$2,462,000,623
2026	.....	\$9,706,715,677	\$2,318,311,708	\$6,012,513,693	\$2,594,583,304
2027	.....	\$11,007,415,578	\$2,396,816,200	\$6,702,115,889	\$2,734,305,775
2028	.....	\$12,482,409,265	\$2,475,320,691	\$7,478,864,978	\$2,881,552,526

Historical and Forecasted Value Options

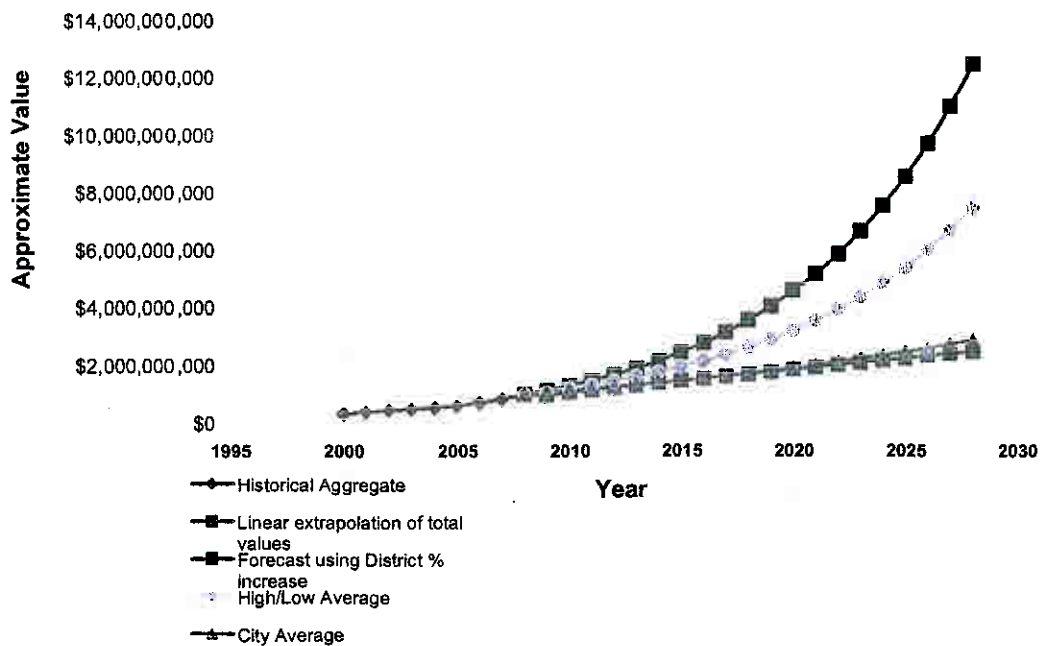


Table (4)
Homestead Preservation District: Austin, Texas
Cummulative City of Austin Property Tax Collections

Homestead Preservation District

Year	2008 HPD District Value	Homestead Preservation District Forecasted Values	Increment from Base Year	Revenues from Incremental Value
2008	\$1,124,971,617	\$1,124,971,617	\$0	\$0
2009	\$1,124,971,617	\$1,180,226,161	\$55,254,544	\$245,961
2010	\$1,124,971,617	\$1,304,934,993	\$179,963,376	\$489,987
2011	\$1,124,971,617	\$1,440,211,633	\$315,240,016	\$731,939
2012	\$1,124,971,617	\$1,587,419,329	\$462,447,712	\$971,667
2013	\$1,124,971,617	\$1,748,097,187	\$623,125,570	\$1,209,351
2014	\$1,124,971,617	\$1,923,982,857	\$799,011,240	\$1,444,644
2015	\$1,124,971,617	\$2,117,038,148	\$992,066,531	\$1,677,382
2016	\$1,124,971,617	\$2,329,477,941	\$1,204,506,324	\$1,907,395
2017	\$1,124,971,617	\$2,563,802,837	\$1,438,831,220	\$2,134,502
2018	\$1,124,971,617	\$2,822,836,013	\$1,697,864,396	\$2,357,739
2019	\$1,124,971,617	\$3,109,764,838	\$1,984,793,221	\$2,577,483
2020	\$1,124,971,617	\$3,428,187,850	\$2,303,216,233	\$2,793,513
2021	\$1,124,971,617	\$3,782,167,800	\$2,657,196,183	\$3,005,601
2022	\$1,124,971,617	\$4,176,291,533	\$3,051,319,916	\$3,213,511
2023	\$1,124,971,617	\$4,615,737,597	\$3,490,765,980	\$3,416,999
2024	\$1,124,971,617	\$5,106,352,572	\$3,981,380,955	\$3,615,813
2025	\$1,124,971,617	\$5,654,737,248	\$4,529,765,631	\$3,809,697
2026	\$1,124,971,617	\$6,268,343,916	\$5,143,372,299	\$3,998,387
2027	\$1,124,971,617	\$6,955,586,214	\$5,830,614,597	\$4,181,615
2028	\$1,124,971,617	\$7,725,963,137	\$6,600,991,520	\$4,359,111
Total				\$48,142,297

HPD value estimates based on forecasts prepared by Capitol Market Research, October 8, 2008
Assumes the City of Austin Property Tax Rate is the effective tax rate in each year

Table (4)a

Homestead Preservation District (without TOD Parcels): Austin, Texas

Cumulative City of Austin Property Tax Collections

Homestead Preservation District				
Year	2008 HPD District Value	Homestead Preservation District Forecasted Values	Increment from Base Year	Revenues from Incremental Value
2008	\$1,009,339,633	\$1,009,339,633	\$0	\$0
2009	\$1,009,339,633	\$1,064,163,248	\$54,823,615	\$220,680
2010	\$1,009,339,633	\$1,180,103,101	\$170,763,468	\$439,512
2011	\$1,009,339,633	\$1,306,319,092	\$296,979,459	\$656,534
2012	\$1,009,339,633	\$1,444,188,226	\$434,848,593	\$871,557
2013	\$1,009,339,633	\$1,595,272,023	\$585,932,390	\$1,084,441
2014	\$1,009,339,633	\$1,761,341,247	\$752,001,614	\$1,295,407
2015	\$1,009,339,633	\$1,944,403,947	\$935,064,314	\$1,504,074
2016	\$1,009,339,633	\$2,146,737,247	\$1,137,397,614	\$1,710,288
2017	\$1,009,339,633	\$2,370,923,409	\$1,361,583,776	\$1,913,886
2018	\$1,009,339,633	\$2,619,890,715	\$1,610,551,082	\$2,114,003
2019	\$1,009,339,633	\$2,896,959,840	\$1,887,620,207	\$2,310,976
2020	\$1,009,339,633	\$3,205,896,426	\$2,196,556,793	\$2,504,608
2021	\$1,009,339,633	\$3,550,970,714	\$2,541,631,081	\$2,694,692
2022	\$1,009,339,633	\$3,937,025,156	\$2,927,685,523	\$2,881,017
2023	\$1,009,339,633	\$4,369,551,091	\$3,360,211,458	\$3,063,362
2024	\$1,009,339,633	\$4,854,775,702	\$3,845,436,069	\$3,241,503
2025	\$1,009,339,633	\$5,399,760,609	\$4,390,420,976	\$3,415,206
2026	\$1,009,339,633	\$6,012,513,693	\$5,003,174,060	\$3,584,236
2027	\$1,009,339,633	\$6,702,115,889	\$5,692,776,256	\$3,748,351
2028	\$1,009,339,633	\$7,478,864,978	\$6,469,525,345	\$3,907,308
Total				\$43,161,641

HPD value estimates based on forecasts prepared by Capitol Market Research, October 8, 2008

Assumes the City of Austin Property Tax Rate is the effective tax rate in each year

Base year TOD values of \$115,631,984 removed from District total value of \$1,124,971,617