

## Homestead Preservation Reinvestment Zone



Presentation to  
Austin City Council

December 18, 2008

1

## Homestead Preservation Legislation

- 2007 Legislation created Chapter 373A, Local Government Code to:
  - Increase homeownership
  - Provide affordable housing
  - Prevent the involuntary loss of homesteads by existing low and moderate-income homeowners
- Statute requires that Travis County adopt HPRZ, and contribute equally to the TIF
- Specifies incomes of clients to be served, with majority of funds targeted below 50% MFI

2

## **Homestead Preservation Reinvestment Zone – Project and Financing Plan**

- Legislation set annual funding allocation
  - 25% of funds to benefit households at 30% MFI or below
  - 50% of funds to benefit households at 50% MFI or below
  - 5% of funds to benefit households at 70% MFI or below
  - 10% for nonprofit housing developers & Land Bank
  - No more than 10% for TIF administration
- Eligible uses set broadly to serve primarily homeowners
- The HPRZ TIF Board will forward the final Project and Financing Plan to Council for approval

3

## **Establishing the Homestead Preservation TIF – Actions to Date**

- City Council adopted the preliminary Project and Financing Plan on 10/16
- Staff Briefings to other taxing jurisdictions :
  - Austin City Council 11/20
  - Austin Independent School District 11/24
  - Travis County Commissioners Court 11/25
  - Austin Community College 12/1
  - Travis County Healthcare District waived presentation
- City Housing and Finance Staff met with County counterparts on 10/15, 12/3, and 12/15

4

## **Establishing the Homestead Preservation TIF – Next Steps**

- **City Council 12/18**
  - **Public Hearing**
  - **Possible adoption of HPRZ Ordinance**
- **City staff preparing response to questions received from County staff on 12/16**
- **Travis County Commissioners will discuss adoption of the HPRZ TIF at the 12/23 meeting**

5

## **Estimated Tax Increment Ranges**

<b>Captured Value</b>	<b>10-Year Total</b>	
	<b>Low</b>	<b>High</b>
<b>Total HP District</b>	<b>\$776 million</b>	<b>\$ 1.1 billion</b>

- **Rough estimate based on historical growth trends**
  - **Future growth depends on development and market conditions**
  - **Includes two transit oriented development districts**

6

## Revenue Estimates at Various Increments

Combined City and County TIF Revenue	
Increment	10-Year Total
100%	\$41.8 million
50%	\$20.9 million
40%	\$16.7 million
30%	\$12.5 million
25%	\$10.5 million
20%	\$8.4 million
10%	\$4.2 million

- TIF must be approved by County to become effective

7

## Impact of TIFs

- Traditional TIF creates new tax base that results directly or indirectly from the TIF project(s)
  - Property values increase due to improvements in the zone
  - Emphasis on commercial investment or economic development
- Homestead TIF creates or preserves affordable housing
  - Emphasis is on residential versus commercial investment
  - Less potential for significant growth in tax base due to annual residential appraisal limits
  - Unique matching funds requirement from County
  - Dedicates tax revenue to pay for projects in the zone that would normally have accrued to General Fund for municipal services
    - Average annual tax revenue foregone by the General Fund could range:
      - \$150,000 at 10% increment up to \$1.5 million at 100% increment

8

## **HPRZ – Options for setting the increment**

- Specify a low amount of the tax increment, possibly 10%.
- Specify the desired amount of the tax increment.
- Specify that the City agrees, within a range, to the amount of increment to be specified by the County.
- Specify that the City agrees, up to X percent of the City's increment, to the amount of the increment to be specified by the County.
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