

# Late Backup

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## Homestead Preservation District and Reinvestment Zone

### Austin City Council

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## Background

- ▶ Legislation introduced in 2005, amended in 2007, by TX Rep. Eddie Rodriguez creates Chapter 373A, Local Government Code to:
  - Increase homeownership
  - Provide affordable housing
  - Prevent the involuntary loss of homesteads by existing low and moderate-income homeowners
- ▶ Council Ordinance 20070111-053 established the Homestead Preservation District

## Homestead Preservation Components

- ▶ **Homestead Land Trust** allows City Council to designate community land trusts to preserve affordable housing permanently in the District. (3 organizations designated 10/16/08)
- ▶ **Homestead Land Bank** allows the City to operate a land bank through which vacant land that has been foreclosed due to non-payment of property taxes can be made available for affordable housing development. (10/16/08 Council directed staff to explore citywide homestead land bank.)
- ▶ **Homestead Preservation Reinvestment Zone** allows use of tax increment financing (TIF) to help fund affordable housing. Requires Travis County as an equal funding partner.

## Homestead Preservation Reinvestment Zone

- ▶ Council Resolution 20080131-078 directed staff to implement Homestead Preservation TIF.
- ▶ 6,815 total parcels within the district, 464 in Transit-Oriented Districts (TODs).
- ▶ 2008 Area Taxable Value \$1.12B (City) and \$1.02B (County).





## Establishing the HP TIF

### Actions To Date

- ▶ 10/15: City staff (NHCD & Finance) briefed County counterparts about upcoming notification of intent to form TIF and project plan.
- ▶ 10/16: Council approved preliminary project and financing plan that includes Plaza Saltillo & MLK TODs, which have current City taxable value of \$415.6 million.
- ▶ 10/17: City's formal notification sent to taxing entities.
  - County is only financial participant; however, State law requires AISD/ACC/Healthcare District be briefed. They may waive their right to briefing and TIF Board participation.
  - Staff briefing for County Commissioners Court scheduled for 11/25.
  - AISD/ACC/Healthcare District to be scheduled by mid-December.
- ▶ 11/20: Staff briefing for Austin City Council.

## Coordination with TOD Planning

- ▶ 10/16: Council directed staff to include eligible TODs in Homestead TIF. Statute limits uses of Homestead TIF funds to support affordable housing only.
- ▶ Council has also directed staff to explore feasibility of creating TIFs to support TOD improvements.
  - This standard TIF permits broader uses – transit, infrastructure as well as affordable housing.
  - Analysis to be complete in late spring 2009.
- ▶ TODs are currently proposed to be included in Homestead TIF. Changes to HPD TIF boundaries would require Council action and County agreement.

## HP Tax Increment Project 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
  - Uses include acquisition, construction & renovation of affordable properties and related infrastructure
  - Project costs funded as TIF revenue available; no debt will be issued

## Estimated Tax Increment Potential

Captured value	Annual Average	10-Year Total	
		Low	High
Total			
HP District	\$ 96.2 million	\$776 million	\$ 1.1 billion
TODs	\$ 8.2 million	\$ 80 million	\$ 83 million

- ▶ Rough estimate based on historical growth trends
  - Future growth depends on development and market conditions.
- ▶ Projected TOD tax revenue averages \$170,000 each year.



## Homestead TIF Revenue Projections

- ▶ Revenue projections prepared using a range of assumptions
- ▶ Tax rate
  - Effective vs. rollback tax rate
- ▶ Growth assumptions within TIF
  - Consistent with City-wide projections
  - Higher growth in TIF based on historical trends
  - Includes estimated tax increment in TODs
- ▶ Analysis includes assessment of impact of TIF on City's General Fund tax revenue

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## Homestead TIF Revenue Projections

	Combined City and County TIF Revenue	
Increment	Annual Average	10-Year Total
100%	\$4.2 million	\$41.8 million
50%	\$2.1 million	\$20.9 million
40%	\$1.7 million	\$16.7 million
30%	\$1.3 million	\$12.5 million

- ▶ TIF must be approved by County to become effective
- ▶ If County approves TIF, total amount of TIF revenue generated by City must be matched by County
  - Increment amount to be negotiated with County

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## Impact of TIFs

- ▶ Tax increment financing programs are designed to promote revitalization or reinvestment within TIF zone
- ▶ 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 is usually on commercial investment
- ▶ Homestead TIF creates or preserves affordable housing
  - Emphasis is on residential versus commercial investment
  - Less potential for significant growth in new tax base due to annual residential appraisal limits
  - Unique matching funds requirement from County

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## Impact on City General Fund

- ▶ Tax revenue generated by new construction each year helps to cover the increased cost of delivering City services
- ▶ HP TIF dedicates tax revenue generated from new construction in HP District that would normally accrue to General Fund
  - Foregone revenue increases gradually as increment grows over the life of the HP TIF
  - Depending on amount of increment, new revenue foregone by City's General Fund each year could range:
    - ▶ \$450,000 at 30% increment up to \$1.5 million at 100% increment
    - ▶ Annual average over 10-year TIF life

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## Policy Considerations

- ▶ Amount of tax increment for discussions with County prior to TIF approval
- ▶ TIF project and financing plan
  - Preliminary plan presented in October
  - Final, more specific plan must be approved by funding partners at future date
- ▶ City/County partnership during life of TIF
  - Definition of roles

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## Establishing the TIF – Next Steps

- ▶ Staff Briefings for Other Taxing Jurisdictions
  - 11/24 Austin Independent School District
  - 11/25 Travis County Commissioners' Court
  - 12/1 Austin Community College
  - To be determined Healthcare District
- ▶ 12/18 Austin City Council public hearing and action
- ▶ 12/23 or 12/30 Travis County Commissioners Court may take action
  - Statute requires County to match City participation level.
  - If City & County adopt by 12/31/08, current values will be base year for collections. If adopted after 1/1, 2009 tax value will be base.

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## Questions/Discussion