



MEMORANDUM

TO: Mayor and Council

FROM: Ed Van Eenoo, Deputy Chief Financial Officer

DATE: January 29, 2013

SUBJECT: Housing Trust Fund Analysis (Response to Resolution No. 20121213-065)

At the December 13, 2012 City Council Meeting, the Mayor and Council approved Resolution No. 20121213-066 directing the City Manager to provide a report to the City Council by January 31, 2013 regarding the past and future funding mechanisms for the Housing Trust Fund (HTF). The City and staff from the Travis County Appraisal District (TCAD) researched properties and summarized below are the findings.

Number 1: Previous revenue to the HTF from developments on city-owned land including historical projections versus actual amounts to date

From FY 2001-2013, the actual 40% transfer from city-owned properties to the Housing Trust Fund is a total of \$2,524,780. The annual transfer amount is determined at the time of Budget development and is subject to change due to audits and tax adjustments. Therefore, the actual amount transferred to date is \$116,278 higher than projected over this same period. In addition to the 40% transfer, another source of funds to the HTF and affordable housing projects has also been the Sustainability Fund. Over this period, there was an additional \$6,800,000 million transferred from the Sustainability Fund for a total combined transfer over this period is \$9,324,780.

Number 2: Projected revenue to the HTF from existing and planned developments on city-owned land for the coming 20 years

Based on existing properties used for the HTF 40% transfer, a 20-year projection of the total transfer is estimated at \$19.0 million from FY 2014-2034. The assumptions for future years are a 3% annual growth rate in assessed values and a constant tax rate of \$0.5029 per \$100 of assessed valuation.

The only known developments eligible for a transfer to the HTF that are not currently in a Tax Increment Financing (TIF) district are the Green Water Treatment Plant (GWTP) and Energy Control Center (ECC). Staff anticipates these projects will be on the tax rolls beginning in January of 2014. Using this assumption, the 40% transfer to the HTF would begin in FY 2015-16. Over the next 20 years, the GWTP is

estimated to result in \$22.5 million and the ECC \$9.6 million of additional funding to the HTF. The total projected HTF transfer from existing and new developments over the next 20 years is estimated at \$51.1 million.

Number 3: Research regarding development of non-City-owned properties in the Desired Development Zone that were not on the Travis Central Appraisal District property tax rolls on June 1, 1997 with an accounting of 40% of their incremental tax revenue to date and projected for the coming 20 years

The Travis County Appraisal District's Office researched City-owned and non-City-owned tax-exempt properties in the Desired Development Zone (DDZ) on the property tax rolls prior to June 1, 1997. These were compared with City-owned and non-City-owned properties in 2012, which is the current year taxable values and exemptions are determined by TCAD.

TCAD identified 128,365 total properties in the DDZ in 1997. From this total, 3,298 accounts found were tax exempt prior to June 1, 1997. Out of these tax exempt parcels, 2,884 accounts matched records from 1997 to 2012. The remaining 414 parcels did not match records from 1997 to 2012 and require manual research. City staff requested that TCAD research the top 30 properties with a value over \$1.0 million. These represented 70% of the total value of unmatched properties and are detailed in the next paragraph. TCAD estimates the remaining 384 parcels, representing only 30% of the unmatched property value, would require one month of research for each year analyzed.

TCAD found that 332 parcels that were tax exempt in 1997 are now taxable in 2012. Currently, ten of these properties are included in the Housing Trust Fund transfer calculation with a total 2012 taxable value of \$344.9 million resulting in a transfer of \$0.6 million in FY 2012-13. An additional seven city-owned properties were also identified that meet the HTF criteria. These seven properties have a 2012 taxable value of \$753,909, which will result in an additional \$1,500 transfer to the HTF annually. The remaining 315 properties are all non-City owned. These 315 non-City owned properties have a total 2012 taxable value of \$316.0 million and would result in an additional transfer of \$0.6 million to the HTF if they were included in the HTF transfer calculation. Additionally, a 20-year projection of the HTF transfer using the same assumptions from "Number 2" for the 315 non-City owned properties is estimated at \$18.8 million from FY 2014-2034.

Determining the amount of the incremental tax revenue that would have accrued to the HTF since its inception if non-city owned properties had been included in the transfer calculation will require extensive additional research by TCAD. Due to the manual nature of the research required for each of the 414 parcels without a records match, TCAD estimates this analysis will take 12-15 months to perform. Due to this significant time requirement, staff is seeking further Council direction prior to requesting the analysis by TCAD.

Number 4: Background and context for the decision to interpret the City Council direction from Resolution No. 000907-72 to include only development on city-owned land

Resolution No. 000907-72 passed by Council on September 7, 2000 directed the City Manager to identify funds and resources to invest in an expanded Affordable Housing Initiative. It also directed the City Manager or his designee to report back to Council with recommendations for creating this Initiative subject to future City Council approvals. One of these elements was to dedicate to the Housing Trust Fund 40% of all incremental tax revenues from developments built on property in the DDZ and not on the TCAD property tax rolls as of June 1, 1997. In a subsequent

Council meeting, a separate staff Recommendation for Council Action concerning the Housing Trust Fund was approved. This RCA noted that the HTF would be funded through the development of "City-owned surplus property." Based on this prior Council action, staff has proceeded with applying the 40% transfer to only city-owned properties, subject to Council approval during the annual Budget process.

Number 5: Properties included in Tax Increment Finance districts, such as Seaholm, that satisfy the criteria listed above and are not currently generating revenue for the Housing Trust Fund and the fiscal impacts to the fund

Per the City's terms in the finance plan for each TIF, 100% of the City's incremental tax revenue goes to projects in the TIF until it expires. Parcels currently in a TIF that were reviewed by TCAD for this analysis have a total 2012 taxable value of \$625.8 million, nearly all related to the Mueller Development. Using this value, the projected incremental tax revenue from these parcels that would have been dedicated to the 40% transfer to the Housing Trust Fund is an additional \$1.2 million for FY 2013.

xc: Mayor and Council
City Manager
Assistant City Managers
Chief Financial Officer
Department Directors