



City of Austin

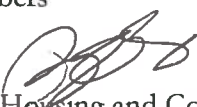
Neighborhood Housing and Community Development

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May 27, 2015

TO: Mayor and Council Members

FROM: Betsy Spencer 
Director, Neighborhood Housing and Community Development

SUBJECT: June 4, 2015 Agenda Item Seeking Council Designations for
Community Land Trust Organizations

On the June 4, 2015 Council Meeting Agenda, there will be a Request for Council Action from Neighborhood Housing and Community Development that will be posted as:

Approve an ordinance designating the Chestnut Neighborhood Revitalization Corporation and the Guadalupe Neighborhood Development Corporation as Community Land Trusts and granting the corporations a property tax exemption on certain properties.

Background Information

If approved, this action will enact an ordinance designating the Chestnut Neighborhood Revitalization Corporation (CNRC) and the Guadalupe Neighborhood Development Corporation (GNDC) as Community Land Trusts (CLTs). The purpose for the CLT designation is to make certain properties owned by these organizations eligible for exemption from City of Austin *ad valorem* taxes. Both organizations have properties that are being developed for ownership housing that would be covered under the ordinance.

The Texas Local Government Code, Chapter 373B, and Section 11.1827 of the Texas Tax Code authorizes local governments to designate non-profit organizations as CLTs by ordinance. To qualify as a CLT, an organization must be a 501(c)(3) non-profit, created to acquire and hold land for the benefit of developing and preserving long-term affordable housing within the jurisdiction of the unit of local government.

Full Exemption under Other Statutes

The properties under development by CNRC and GNDC are already fully exempt for a limited amount of time under a provision of the Texas Property Tax Code. Section 11.182(c) of the Property Tax Code allows non-profit affordable housing providers a 100% exemption from property taxes for three (3) tax years while the property is being held and developed for affordable home ownership.

CNRC's and GNDC's exemptions for these properties under this section of the Property Tax Code expire on the earlier of end of the third tax year or when the homes are sold to a low-income buyer.

Once the homes are sold, the property will return to the tax rolls, and the homebuyer will be responsible for the payment of property taxes.

Both organizations are seeking designation as CLTs in the event the housing is not developed and sold within the three-year full exemption period.

Developments Underway

GNDC has four houses it has rehabilitated and will be selling to low- to moderate-income buyers. The houses were formerly located on Rainey Street and were relocated to vacant lots in GNDC's 11-acre Guadalupe-Saldaña Subdivision. The sale of all four houses should be completed in calendar year 2015.

CNRC is in the process of developing a 43-unit mixed-income, mixed-use ownership development in the area of East 13th and Chicon Streets. The development, known as "The Chicon," will provide affordable ownership opportunities in Central East Austin where home prices are rapidly escalating. The Chicon, with retail on the ground floor and two floors of residential units above, is expected to have a transformative effect in the vicinity of the well-known intersection of East 12th and Chicon Streets. The first of two construction phases is expected to begin in late 2015, so completion and sale of all 43 units will likely occur in 2017.

In addition to rental housing to be constructed at the Guadalupe-Saldaña Subdivision, GNDC plans to build 58 affordable ownership units. With the 33 affordable units at the Chicon, this will put 91 ownership properties into some type of permanent affordability restriction: either by using the CLT ownership model or by using a Shared Equity/Right of First Refusal ownership model that enables the non-profit to re-purchase the unit and use the share of equity increase to help make the home affordable for the next buyer.

Estimated Unrealized Revenue to the General Fund for CLT Exemptions

(Information taken from the Fiscal Notes attached to each year's Request for Council Action.)

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total Since Inception</u>
-\$2,395	-\$2,847	-\$1,842	\$0.00	-\$7,084

Developments will Expand Tax Base

Although estimates of unrealized revenue through the CLT exemption amount to \$7,084 over four years, the 47 new ownership units that will be developed by GNDC and CNRC will expand the property tax base when the homes are sold. The amount of new tax revenue these properties will generate for the City will more than offset any forgone revenue to date as the result of CLT designations.

If you have questions or would like to discuss this further, please let me know.

cc: Marc A. Ott, City Manager
Bert Lumbreras, Assistant City Manager