

Use of Tax Increment Reinvestment Zones for Affordable Housing

Housing & Planning
Council Committee

January 23, 2018

Current Funding for Affordable Housing

- **City Property Tax**
 - General Fund Transfer
 - General Obligation Debt
 - Housing Trust Fund
 - ***Tax Increment Financing***
 - Homestead Preservation Districts (HPD)
- Federal / State Grants
- Developer Incentives
- Tax Credits

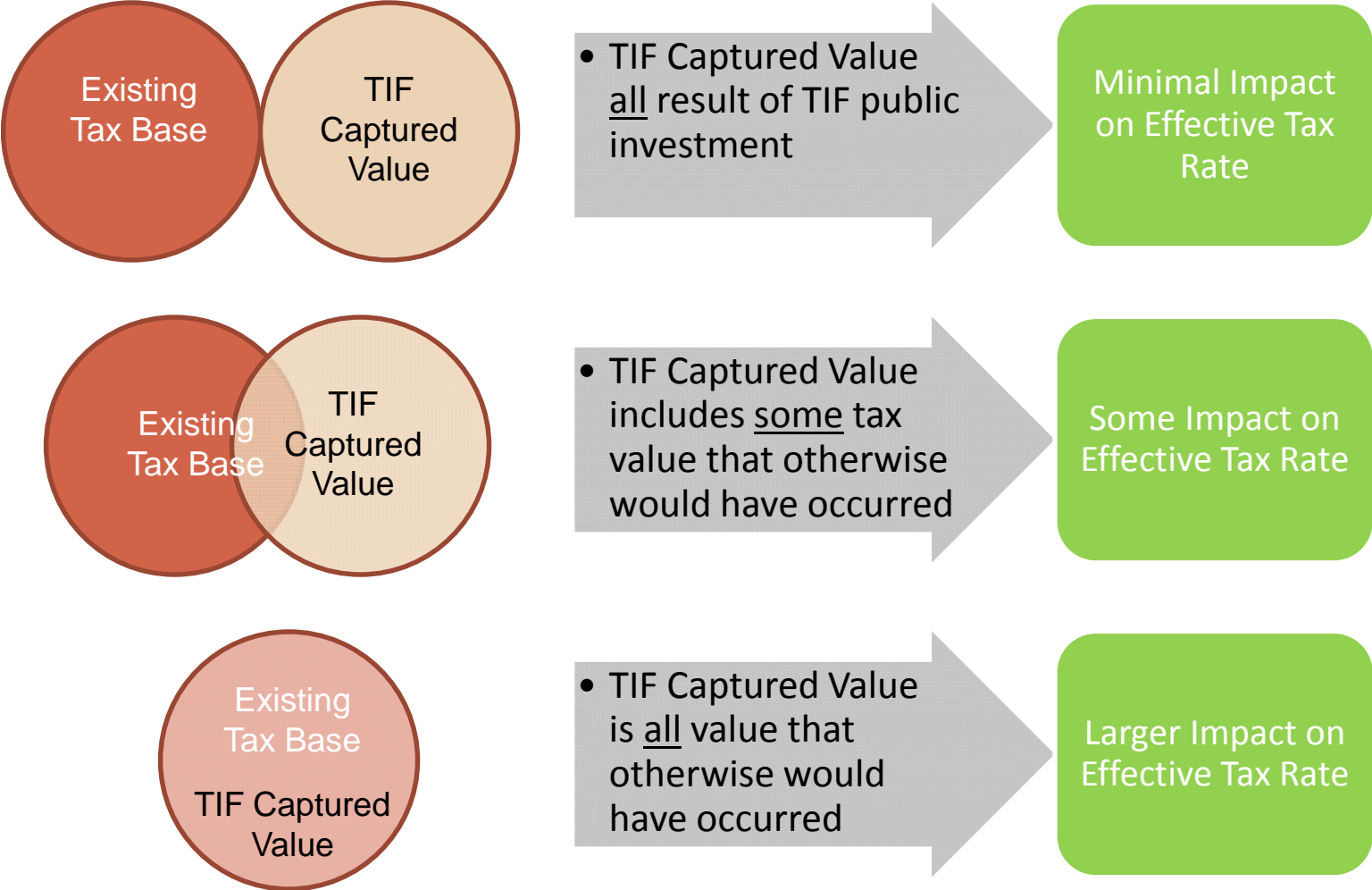
Tax Increment Financing (TIF)

Popular financing tool to encourage economic development within a defined geographic area or zone

- Various Texas Code sections allow reinvestment zones, including Chapter 311 of Tax Code and Chapter 373A (Homestead Preservation) of Local Government Code
- **Purpose** - set aside property tax revenues due to assessed valuation growth in zone to use for specific purposes in zone
 - *For public investments that stimulate economic development*

Tax Increment Financing (TIF) & Tax Rates

“But- For” Scenarios



Tax Increment Financing (TIF)

“Pay as You Use”

- Set aside tax increment revenue to pay debt service or up-front to kick start capital projects or for development costs
 - TIF authority issues bonds to finance public infrastructure
 - Developer finances project, then city reimburses (shifts debt risk to developer)

“Pay as You Go”

- Set aside tax increment revenue for use when sufficient balance accumulates or until a time driven target is met
- Can be a slow process depending upon zone development

Chapter 311

Chapter 311 – Key Provisions

- Reinvestment zone *may not* be created if:
 - More than 30% of zone total assessed value (AV) is residential, excluding publicly owned property
- Contains more than 25% of total AV of real property taxable by a city, county or independent school district
- Tax Increment Bonds
 - Typically issued under a separate credit
 - Cities may issue; Counties may not issue, but TIF participation OK
 - Payable solely from zone's tax increment revenue
 - Normally have debt service coverage requirements

City of Austin Experience

Chapter 311 used for Affordable Housing

Mueller Redevelopment TIF

- Public financing for infrastructure
- Under agreement with developer, 25% of all housing is for affordable units; **1,248 units to-date; with a total at completion of 1,550**
- For sale < 80% MFI; Rental < 60% MFI; 3 tax credit deals get to <30 % MFI
- Permanent affordability coordinated with the Mueller Foundation



Other Texas Cities

Chapter 311 used for Affordable Housing in Texas

City of San Antonio

- Several of their TIRZ achieve affordable housing
 - Westside TIRZ: 225 multi-family units, and 25 single family

City of Dallas

- All new TIFs under 311 have 20% at 80% MFI affordability goal
- Davis Garden TIRZ
 - 42% of all units will be affordable (304 units of 723 total)



Hillside West Senior Housing



Taylors Farm

National Practices

City	TIF Policy
Atlanta	Yes, 15% of the Beltline TIF is dedicated to affordable housing
Portland	A minimum of 45% of TIFs after July 1, 2015 is to be dedicated to development, preservation and rehabilitation of housing affordable to households at or below 100% MFI
Dallas	All TIF Districts created after 2005 require an affordable housing set aside – 20% of all housing receiving TIF funding must be affordable to households at or below 80% MFI
San Antonio	Yes, up to 20% of housing units built in a TIF must be classified as “affordable” by city guidelines

Expanding Use of TIFs for Housing

Target Mobility Corridors

- Opportunity to leverage \$482 million planned investment
 - Synergies of housing, transit, jobs + future development
 - Create framework/regime for partnerships

As part of any Update to City's TIF Policy

- Overall Assessment of existing TIF Policy
- General Fund revenue & requirements
- Use of TIF supported debt for housing
- Chapter 380 Incentive Update effort
- Legislative perspective
- Other potential uses for TIFs
- Review of financial & legal frameworks
- Development of goals / programs in line with Austin Strategic Housing Blueprint

Questions / Discussion