



City of Austin

MEMORANDUM

Neighborhood Housing and Community Development

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DATE: August 21, 2014

TO: Mayor and City Council

FROM: Betsy Spencer, Director, Neighborhood Housing and Community Development
Elaine Hart, Chief Financial Officer, Finance Department

SUBJECT: Homestead Preservation District: Resolution No. 20140213-044

The purpose of this memorandum is to request an extension regarding direction set forth in Resolution No. 20140213-044. On February 13, 2014, the City council approved a resolution directing the City Manager to develop a financing and funding strategy for five districts identified as meeting the criteria for establishing Homestead Preservation Districts (HPD). The strategy is expected to include the following:

- Projection of future property values and related tax increment;
- Consideration and projection of value capture and/or other funding tools;
- Development of criteria for determining whether land is unproductive, underdeveloped, or blighted; and,
- An inventory of public land and its intended use in each proposed district.

The resolution called for these items to be completed and a report back to Council within 180 days, or August 11, 2014. NHCD and Finance are requesting an extension to October 31, 2014.

Since the adoption of the resolution, Neighborhood Housing and Community Development and the Finance Department have contracted with Economic & Planning Systems (EPS) and Capital Market Research (CMR) to address the Homestead Preservation District analysis to produce a comprehensive analysis that considers both the financial and social implications of designating Homestead Preservation Districts and the potential use of the Homestead Preservation Reinvestment Zone Tax Increment Finance tool.

At this time Neighborhood Housing and Community Development has collaborated with EPS consultant Darin Smith to complete two levels of analysis:

1. Criteria and Definitions related to the potential HPD program:

- The criteria for establishing the eligibility of an HPD
- The criteria for determining whether land is unproductive, underdeveloped, or blighted as required under the existing TIF policy
- The viability of each potential HPD identified by staff as meeting the initial eligibility criteria

2. The City's overall affordable housing financing strategy:

- The City's recent history of locally-based funding sources and/or production incentives for affordable housing
- The potential use of "value capture" mechanisms to fund affordable housing
- Other potential locally-based affordable housing funding mechanisms

The Finance Department is currently working with Charles Heimsath of CMR and the City's Planning and Development Review Department to complete the analysis related to development and tax increment projects for the proposed Homestead Preservation Districts as well as the fiscal impact of the potential HPD Tax Increment Reinvestment Zones on the City of Austin as a whole. The results of CMR's work will inform the second phase of EPS's analysis.

Finance staff has determined that there will be no budget action required of the Council prior to the implementation of the Homestead Preservation Reinvestment Zones if the Council chooses to move forward with the adoption of the eligible Homestead Preservation Districts. If any budget actions are required, these actions would occur at the time of, or subsequent to, the creation of any district by the Council.

The final report will be released to Mayor and Council no later than October 31, 2014.

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