

RESOLUTION NO.

MR Late Backup

WHEREAS, the 2017 Austin Housing Strategic Blueprint cites multifamily property tax exemption programs as effective incentive programs used in other cities to ensure a percentage of housing in participating developments is affordable; and

WHEREAS, such programs allow cities to provide a partial property tax exemption for a specified number of years in exchange for code-compliant, income-restricted affordable housing; and

WHEREAS, Local Government Code Chapter Section 378.002 allows a municipality to create an Neighborhood Empowerment Zone (NEZ) if it determines that the creation of the zone would promote, among other things, the rehabilitation or creation of affordable housing, including manufactured housing, within the zone; and

WHEREAS, a municipality may adopt an NEZ if it finds that the creation of the zone serves the public purpose of increasing the public health, safety, and welfare of the persons in the municipality; and

WHEREAS, a municipality may create more than one zone and may include an area in more than one zone; and

WHEREAS, Local Government Code Chapter Section 378.004 allows a municipality to enter into agreements abating municipal property taxes on property in the NEZ subject to the duration limits of Tax Code Section 312.204; and

WHEREAS, Section 312.204 states that "the governing body of a municipality

eligible to enter into tax abatement agreements under Section 312.002 may agree in writing with the owner of taxable real property that is located in a reinvestment zone, but that is not in an improvement project financed by tax increment bonds, to exempt from taxation a portion of the value of the real property or of tangible personal property located on the real property, or both, for a period not to exceed 10 years, on the condition that the owner of the property make specific improvements or repairs to the property"; and

WHEREAS, Neighborhood Housing and Community Development has researched other Texas cities such as Fort Worth that have successfully deployed and administered such a program; and

WHEREAS, according to University of Texas School of Law, Community Development Clinic's "Preserving Austin's Multifamily Rental Housing: A Toolkit," under a "right of first refusal" law, a tenant or a governmental entity is given the right to match a private offer to purchase a property during a notice period; and

WHEREAS, according to the report, states and cities can also require "a right to make an offer," which is similar to "right of first refusal," however, this option gives tenants or a governmental entity an exclusive window of opportunity to make an offer, rather than matching an offer, with no obligation from the owner to sell; and

WHEREAS, the report also states that a state or city can require a "right to purchase" provision, requiring the owner to sell to a designated purchaser at market value in lieu of converting a subsidized property to market rate; and

WHEREAS, in such arrangements notice requirements oblige a property owner to give designated entities advance notice before ending an affordability agreement, which provides impacted parties ample time to allocate funds and formulate a plan to mitigate the impact of a loss to the city's affordable housing supply; **NOW, THEREFORE;**

THEREFORE BE IT RESOLVED BY THE CITY OF AUSTIN CITY COUNCIL:

The City Manager is directed to develop a multifamily property tax exemption program that would be available for multifamily and manufactured home park property owners who agree to set aside a portion of their units for families who meet certain income levels.

The City Manager is directed to define and create the boundaries of a "Neighborhood Empowerment Zone" in which properties eligible for the program would be located.

The City Manager is directed to work with the Austin Apartment Association, Real Estate Council of Austin, affordability advocacy groups, neighborhood groups, the Austin Tenants' Council, impacted tenants, and other relevant stakeholders to help formulate the Program's characteristics and eligibility standards, including:

- A suggested amount or percentage of required affordable units;
- The valuation of the tax exemption;
- Methods of enforcement and compliance for the affordability standards, as well as the estimated administrative costs associated with enforcement and compliance monitoring;
- A metric that prioritizes multifamily dwellings near bus stops, grocery stores,

employment centers, under-enrolled public schools, and medical facilities in both gentrifying and high opportunity areas;

- A metric that prioritizes multifamily dwellings that provide housing to individuals who have housing barriers, such as a criminal history or poor credit;
- A metric that prioritizes multifamily dwellings that include two or more bedrooms;
- A method of tracking when the affordable units will conclude their affordability periods;
- A method of recouping the tax abatement should the property owner end their obligations prematurely;
- A plan to annually assess the multifamily property tax exemption program's effectiveness.

The City Manager is also directed to explore the possibility of allowing a higher level of tax abatement in exchange for granting the City a "right of first refusal," a "right to make an offer," or a "right to purchase" a participating property owner's affordable units at or below market rate.

The City Manager is also directed to include a requirement that all participating property owners must not discriminate based on source of income as lawful.

THEREFORE BE IT FURTHER RESOLVED:

The City Manager is directed to report back to City Council regarding the estimated impact of the proposed exemption on the General Fund as well as options for structuring

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program in such a way as to balance the financial impact.

The City Manager is directed to complete the fiscal analysis and place a proposed ordinance on the Council's agenda to enable Council to enact the exemption if it chooses, within a timeframe that would allow the exemption to be incorporated into the City's 2019-2020 Fiscal Year. The City Manager is further directed to report on progress and initial findings within 6 months of the date of passage of this resolution.

ADOPTED: _____, 2017

ATTEST: _____
Jannette S. Goodall
City Clerk