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

- **Existing Tax Base**
- **TIF Captured Value**

- **Minimal Impact on Effective Tax Rate**
  - TIF Captured Value all result of TIF public investment

- **Some Impact on Effective Tax Rate**
  - TIF Captured Value includes some tax value that otherwise would have occurred

- **Larger Impact on Effective Tax Rate**
  - TIF Captured Value is all value that otherwise would have occurred
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 – 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
<table>
<thead>
<tr>
<th>City</th>
<th>TIF Policy</th>
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<tbody>
<tr>
<td>Atlanta</td>
<td>Yes, 15% of the Beltline TIF is dedicated to affordable housing</td>
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<tr>
<td>Portland</td>
<td>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</td>
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<td>Dallas</td>
<td>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</td>
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<td>San Antonio</td>
<td>Yes, up to 20% of housing units built in a TIF must be classified as “affordable” by city guidelines</td>
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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