

#27

**Community Development Commission
Recommendations**

Final CDC Recommendations

- City Council to direct staff to do an outreach program on tax exemptions and tax payer rights available to residential property owners in the Community Preservation and Revitalization Zone including city neighborhood centers, libraries, and mailouts to people in the area.
- The City of Austin will add to its legislative package the pursuit of legislative initiatives intended to preserve and enhance the ability of long-time residents and business owners in the CP&R Zone to continue to live and work in the zone. Such initiatives include but are not limited to community land trusts, property tax exemptions, community development financial institutions, homestead preservation districts, and circuit breaker programs.
- Major employers receiving incentives under the Community Preservation and Revitalization (CP&R) Ordinance must agree to pay livable wages and benefits to all employees working within the CP&R area. "Livable wages and benefits" as defined by the City of Austin.
- To be eligible for tax abatement, 10% of residential units in mixed use developments will be affordable to people at 40% and below of median family income.
- Instead of the proposed utility vouchers, create a separate fund targeted to existing or new businesses within the zone, limited to businesses that employ 24 or fewer employees, which would provide low interest loans, reviewed on individual merits, including but not limited to livable wages paid to employees, for rehabilitation of existing businesses or for working capital for new businesses. Priority is to be given first to existing owners, then to residents of the zone with start-up businesses, and lastly, to new businesses locating in the zone.
- All applications for incentives under the Community Preservation and Revitalization Zone must include information about whether housing exists on the current site, and, if so, a description of such. The Community Development Officer will conduct an affordability review and discuss replacement with the applicant if the housing is accessible and/or reasonably-priced, as well as provide a recommendation to the Council concerning the provision of incentives, notifying the CDC at least one week before Council action on the project. The Community Development Officer is responsible for compliance monitoring if the City Council requires reasonably priced housing as part of the incentive package approved.

Questions and Answers from Town Hall Meeting

CP&R Town Hall Meeting, December 7, 2004
Questions and Answers

- 1. What does 50% Median Family Income (MFI) mean? (Name not provided)**
If you listed all the incomes of households in the Austin area from lowest to highest, the Median Family Income would be the amount in the middle of the list, so half of all households in Austin would make more than the median, and half would make less than the median. It is a way of stating an average income for the area. Those making 50% of the median income would be those making much less, or half, of the “average” income. When used as a criteria for programs the Median Family Income is based on the size of a household. For example, a family of four that earns 50% of the Median Family Income would earn approximately \$35,550.
- 2. I understand the importance of business developing in the community. But, as a resident of the community I do not quite understand the significance here. How do I help my community, the people who live in community, who beautify their house, beautify their yard, with money? Please explain the significance of incentives to residents. (Roscoe Overton)**
Through the CP&R Zone proposal, a Homeowner Assistance Fund would be created to assist families whose income is less than 50% of the Median Family Income (MFI) for Austin. The assistance provided would be in the form of a utility rebate. The purpose behind this is to assist these families in meeting their financial needs given the added financial impact they may feel as a result of the increase to the value of their property that may occur due to the new development occurring in the area. This is the first economic development proposal for East Austin that includes a provision that aims to assist existing homeowners.
- 3. Too many pieces of gentrification projects don't seem to be working together. What about renters? Won't development change the "flavor"? Community Housing projects don't bring much benefit to a community. (Natalie Chamber)**
Renters do not receive any benefits from this proposal. The main focus of the Homeowner Assistance Program is to help preserve affordable housing that currently exists within the zone. The construction of affordable housing has been identified as one of the main tools for curbing gentrification. For this reason, the CP&R Zone proposal encourages the construction of affordable homes through development incentives and aims to preserve affordable homes that already exist within the zone through the Homeowner Assistance Program. The “preservation “ aspect of the CP&R Proposal is what is intended to preserve the “flavor” of the area.
- 4. The City needs to lobby for rent control. Inclusionary zoning should exist throughout the city. Alternative models for large companies already exist (Samsung/Intel). We don't need utility vouchers; we need the building of affordable housing (30-50% MFI). The city-owned land should be put in trust to be developed for the working poor. 11th Street wasn't built for the community-people from the community can't afford to live there. (Susana Almanza)**

Texas law does not allow local municipalities to institute rent controls for the purposes of this proposal (they are only permitted when a state of disaster is declared by the Governor).

The CP&R Zone proposal encourages the construction of housing units that are affordable for families earning 65% of the Median Family Income or less. The City will work to identify other strategies for making these units even more affordable.

The City is currently analyzing the feasibility of utilizing land trusts as an added strategy for developing affordable housing.

The City's redevelopment efforts in the 11th and 12th Street area include both residential and commercial development. At least 23 housing units have been developed for families at or below 60% MFI thus far.

- 5. CHDOs are building quickly and not for targeted MFI. What about those who had to leave and are coming back or are inheriting a home? How does that fit with the 10 year homeowner criteria? What assurances are there that Neighborhood Planning staff will work with residents once development begins? What about TOD? (Lori C-Renteria)**

All of the affordable housing programs require that the household be income eligible. The City has an existing policy that allows benefits received from the program to be transferred to family members if certain conditions are met. The family member would have to meet the program's income, ownership and residency requirements. The household would not assume the rights and responsibilities of the existing loan, but would have the existing loan reconstituted under their name. A similar provision may be adopted as part of the CP&R Zone proposal.

When the City is approached about providing incentives through the CP&R Zone program, the City will encourage the developers to meet with and obtain input from residents of affected neighborhoods in order to identify and address potential adverse effects associated with the proposed project.

The draft TOD rules will be considered by City Council in late January and/or early February. We welcome any input that you may have on the proposed rules.

- 6. Can revenues go toward property taxes instead of utility bills? The City's portion is only one part of our taxes. What about tax exemption from other tax entities? Can our taxes be frozen? (Johnny Limon)**

Texas law does not allow local municipalities to abate taxes or freeze taxes for existing residential properties. Thus, funds deposited in the Homeowner Assistance Fund may not be earmarked for the payment of individual tax obligations.

If this program is established by the City Council, it may be possible for other entities to supplement the City's efforts to provide assistance to homeowners if these taxing entities also provide financial incentives for the proposed development project.

- 7. What are the criteria for jobs being created by commercial businesses wanting an incentive? Small businesses (minority owned) should be considered in proposal since they are the backbone and leadership builders of the community. (Steven Aleman)**

Thus far, the only criteria for meeting the job creation requirement for receiving development incentives are that (1) the persons holding the qualified jobs live within the boundaries of the CP&R Zone and (2) the persons holding the qualified jobs must have held the jobs for a full year.

At this time, no specific type of assistance has been identified for existing businesses within the CP&R Zone. Existing businesses that are redeveloping or expanding would be eligible for the same development incentives that any other business could utilize if they meet the proposed requirements. This is an issue we will explore further.

- 8. Is there a way to know which residents are planning to move? What about the Mennonite strategy of binding together-if someone wants to buy, they buy it together. Is there a legal way of holding on to land? (Mary Lehmann)**

Currently, we do not have a specific mechanism for determining when a homeowner is planning to move or sell their property. This is an issue that we will explore further.

Similarly, we do not have a specific program that would allow multiple families to pool their financial resources in order to purchase property. This is an issue that we will explore further.

The City is currently analyzing the feasibility of utilizing land trusts as an added strategy for developing affordable housing.

- 9. We want relief in taxes. What guarantees are there that money going into the fund will really stay in East Austin? Have new lofts really assisted the community? (Robert Mendoza)**

Texas law does not allow local municipalities to abate taxes or freeze taxes for existing residential properties.

Funds invested in the Homeowner Assistance Fund will go specifically to help families living within the boundaries of the CP&R Zone who meet the income guidelines (i.e., 50% MFI or less).

Financial incentives that are offered by the city for specific projects will only be paid once the developer has fulfilled their obligations to (a) invest in the Homeowner Assistance Fund, (b) build affordable housing and/or (c) provide jobs to residents who live within the boundaries of the CP&R Zone.

New developments, like the Pedernales Lofts, increase the tax base and make better use of unutilized or underutilized land. They also may have the effect of increasing property values for surrounding property owners. The Pedernales Lofts project was developed prior to the establishment of the CP&R Zone program and thus was not required to meet the 65% affordable housing requirement or to provide funds to assist affected homeowners. If the CP&R Zone program is established, new projects would have to meet these requirements in order to qualify for development incentives.

10. Has the idea of grandfathering the area into a freeze zone been considered? The plan needs to really address affordability. (Alvin Patterson)

Texas law does not allow local municipalities to abate taxes or freeze taxes for existing residential properties.

11. A 1929 decree that minorities live east of I-35 needs to be examined-history is repeating itself. How can we control tax credit property? The Housing Finance Corp. has an impact on development and needs to be looked at. Can Section 8 vouchers be turned into home ownerships? Many programs at the State level may be able to help, like special municipal districts. St. Johns community is a perfect area for this. Laws against housing discrimination need to be enforced. (Melvin Wrenn)

If a tax credit development elects to participate in S.M.A.R.T. Housing™, we verify compliance transit-oriented, Green Building, accessibility and other City land use and building regulations. The Internal Revenue Service verifies compliance with housing affordability goals. If the tax credit development receives funding through the Austin Housing Finance Corporation in addition to tax credits, City staff monitors compliance with income and other eligibility standards for the period that the development must serve low income families. However, the City does not control Low Income Housing Tax Credit properties that received local property tax exemption unless we are participating as an owner or general partner.

Generally, Section 8 vouchers are used for low-income renters since these are the families with the greatest need for safe, affordable housing in Austin. The Housing Authority of the City of Austin (HACA) could potentially adopt a policy that allows Section 8 vouchers to be used for homeownership, since this policy has been adopted in other jurisdictions. The consequences of using Section 8 for homeownership is that fewer of the neediest rental households would be served, and renters at or below 50% Median Family Income have been identified as the most vulnerable to gentrification pressures. Since HACA is an independent agency with a Board approved by the Mayor but not staffed by City employees, this is ultimately not a City decision.

The City of Austin's Equal Employment/Fair Housing Office (EE/FHO) of the Human Resources Department has the power by City ordinance to enforce -- the Federal Fair Housing Act, Federal Title VIII, and the City's Housing Ordinance. Any citizen within the Austin city limits can file a complaint on housing discrimination with this office. After an investigation is conducted and EE/FHO finds that there is a

violation, this office, together with the City Law Department, can file a lawsuit in any District Court in Travis County. EE/FHO is allowed to do this through the City's Housing Ordinance and Title VIII. The EE/FHO is the only entity that has the right to enforce any housing discrimination claim.

- 12. What can be done for small business? Incentive percentage should be reversed to give more help to the smaller businesses. Money coming in for improvements are not spent in East Austin, but always over by Congress Ave. Employment is key to home ownership. (Willie Lewis)**

At this time, no specific type of assistance has been identified for existing businesses within the CP&R Zone. Existing businesses that are redeveloping or expanding would be eligible for the same development incentives that any other business could utilize if they meet the proposed requirements. This is an issue that we will explore further.

The existing infrastructure in East Austin may not support new development of great intensity. Thus, it may be possible for the City to partner in such development projects in exchange for the types of mitigation measures that the CP&R Zone proposal requires.

- 13. The Neighborhood Association requested a Conditional Use Overlay during the planning process to prohibit duplexes. Duplexes are appraised higher which raises values. (Andrew Buchnall)**

The CP&R Zone proposal requires that proposed developments be consistent with adopted neighborhood plans. Although the CP&R Zone program will help mitigate the effects of medium to large commercial and mixed-use projects, it cannot prevent these same projects or even smaller scale projects (like duplexes) from developing without City support. Through the establishment of this program, the City is at the very least setting minimum requirements for obtaining City assistance.

- 14. We need rent caps. The percentage of housing that is affordable is not enough. Companies need to be required to pay higher wages. (Marguerite Jones)**

Texas law does not allow local municipalities to institute rent controls for the purposes of this proposal (they are only permitted when a state of disaster is declared by the Governor).

- 15. Why are we giving incentives to developers? Why give breaks to those who don't need it? Residents need to get involved in the neighborhood planning process. Developers should be required to make project real affordable. Let's challenge developers to be creative. (Daniel Llanes)**

Many developers are already considering development projects located within the boundaries of the proposed CP&R Zone. By providing incentives to the developers, we will create an avenue by which to address issues that may affect the surrounding neighborhoods.

Through this proposal, we are encouraging the development of affordable housing. We will continue working to make the residential units as affordable as possible. We believe that this proposal is a creative way by which to build more affordable housing units as well as to preserve existing affordable housing units.

- 16. Why is data used for East Austin that pertains to the entire city? Median Income needs to be lowered to fit our neighborhood. Smart Growth doesn't work in these neighborhoods. Residents don't agree with affordable housing zone plans - they aren't affordable to current residents. We need to preserve what we have before spending funds on incentives. (Lené Grindrod)**

With this proposal, we are trying to bring the level of affordability for new housing units down to 65% of Median Family Income. Typically, the target level of affordability is 80% of Median Family Income. We also are proposing to provide financial assistance, in the form of a utility rebate, to families living within the boundaries of the CP&R Zone whose income is less than 50% of the Median Family Income. This is the "preservation" component of the proposal.

- 17. Nobody ever challenges the Appraisal District. This needs to happen. Requirements for East Austin business owners have not been equal to other areas. Residents in this area need to be educated to take a stand and get involved. (Marcelo Tafoya)**

As part of this program, we intend to develop an educational program to educate families living within the boundaries of the proposed CP&R Zone about the resources that are available to them.

- 18. What's a CHDO? (Name not provided)**

A CHDO is a Community Housing Development Organization.

- 19. How can the CP&R initiative do more? The Legislature could designate the "Zone" to allow the City of Austin to freeze taxes to elderly and disabled (per recent legislation) in this zone. Attention needs to be addressed to precarious situation of renters. (Eric Anderson)**

We will suggest that the City be add to its legislative agenda the need to pursue legislation that can assist municipalities in addressing the tax impacts that residents of economically disadvantaged areas are experiencing due to the redevelopment of such areas.

The proposal does not currently provide assistance for renters. The focus of the program is to help encourage the development and preservation of affordable single-family housing units within the boundaries of the CP&R Zone. The level of resources that we are dedicating to the homeowner assistance fund is in all likelihood not sufficient to help the targeted population and renters as well.

- 20. It looks like the housing portion could significantly change the character of area. The commercial endeavors could be proposed in areas that are not zoned in the plans. I totally oppose more ordinances that will nullify any or all of the**

neighborhood plans we worked on for years. Very, very bad idea. Recommend change word "policies" to "policies and zoning." Skip infill in area near IH-35 actually created some gentrification. City-sponsored housing projects need to target low income people. Maybe start with applicants for City's forgivable loan program who opted not to take it for fear they would saddle their children with debt. How about making an additional qualification to get the commercial incentives that employers provide minimum wages of net < \$8.50 an hour?
(Jane Rivera)

In order to qualify for incentives, a developer that seeks to develop within an area for which a neighborhood plan would be adopted would have to agree to develop in accordance with the adopted neighborhood plan. Neighborhood plans have been adopted for the entire area that would be encompassed by the proposed CP&R Zone.

At this time, the only requirements relating to jobs created for residents of the CP&R Zone are that (1) the persons holding the qualified jobs live within the boundaries of the CP&R Zone and (2) the persons holding the qualified jobs must have held the jobs for a full year. A minimum wage requirement for jobs created as a part of this proposal is something we will consider adding to the list of requirements.

- 21. I think East Austin needs development and appreciate your efforts to create affordable housing development. I only think this proposal should also make incentives for small business and create tax breaks that will help East Austinites open business in our neighborhoods.**

At this time, no specific type of assistance has been identified for existing businesses within the CP&R Zone. Existing businesses that are redeveloping or expanding would be eligible for the same development incentives that any other business could utilize if they meet the proposed requirements. This is an issue that we will explore further.

- 22. Is there a desire/incentive to preserve older existing homes, or is it better to tear them down and build new ones (duplexes, multi-family?) (Fiona Essa)**

One of the goals of this program is to provide help to homeowners through the Homeowner Assistance program. In so doing, we hope to preserve affordable housing that already exists within the boundaries of the CP&R Zone.

- 23. Will Smart Growth be involved with this proposal? We think Smart Growth should be challenged. Quality homes keeping the character of the neighborhood should (needs) to be kept! (Lorraine Avilés)**

It is not clear what is meant by Smart Growth in this particular case. At this point, the only development incentives provided by the City would be through (1) SMART Housing, a program that encourages the development of affordable housing by offering fee waivers and expedited development review as incentives, and (2) the City's Economic Development Policy, that provides incentives for very large projects (i.e., those whose construction costs total about \$100 million). The proposed CP&R program would provide financial incentives for smaller projects that include an affordable housing component, provide jobs for residents of the zone and who invest

in the Homeowner Assistance Fund. Through both the Smart Housing and the CP&R programs, we seek to preserve the character of the neighborhood by encouraging the construction of housing units that are more affordable than the market rate units that would otherwise be constructed without the incentives.

- 24. Too many residents do not meet the 10 year residency requirement – GDNC, Habitat, Casa Verde, and AHFC are bringing East Austinites “back home” from rental units thru the 1st time homebuyer, infill initiatives. Exempt any East Austin-born homebuyer who goes thru a CHDO. (Lori C-Renteria)**

The intent behind the 10-year requirement is to focus the assistance to homeowners and families that were living in the area before property values began to skyrocket. A resident that meets the affordability criteria but not the 10 year requirement for residency would be able to qualify once they reach their 10th year of residency. Thus, we hope that they are encouraged to stay in the neighborhood until they reach ten years, knowing that they will be able to benefit from the Homeowner Assistance Program.

- 25. We need details. The median income must be area income. Not citywide. We will be gentrified out of our neighborhood if the city planning commission approves Ed Joseph subdivision for Johnston-Govalle Terrace. Where is the preservation? My neighborhood/Johnston-Terrace Govalle community is being “sold down the river” with give-aways to developer (Evan Williams) with plans to destroy what we have for his profit. They’re calling it smart growth, a hyper-dense development on unfit land. The land doesn’t drain properly for this type development. This plan (Edward Joseph Subdivision) does not comply with the stated goals of our neighborhood plan. There is 100% objection to the proposed development by the residents of the neighborhood. Every household is opposed to this development because its density will destroy the character of the existing neighborhood. The planning commission lies to us and is actively helping the developer to screw us. And we pay taxes. And the city gives tax incentives to the developer? For what?! The city has received nothing, yet gave incentives and breaks to developers to destroy what we’ve worked so hard to achieve. A nice neighborhood. And the city has helped a developer trash it. (Lené Grindred)**

A conscious effort was made to set the affordability requirements at a level that was sensitive to the median income for families residing within the boundaries of the proposed CP&R Zone. Our analysis shows that the median-income for residents of the zone is 54% of the median income of the city. For this reason, we seek to encourage the development of housing that is affordable to families whose income is 65% of Median Family Income (MFI) or less. The 65% MFI level of affordability is much more desirable than the 80% MFI level that is more common. Furthermore, through the CP&R program we also hope to provide assistance to families who currently live within the boundaries of the proposed zone and whose income is less than 50% of the Median Family Income.

- 26. The MFI must reflect area resident’s income. Not West Austin income. (Tom Cuddy)**

Please refer to response for Question 25.

27. How does the proposal address rents – small businesses? (Marguerite Jones)

The proposal does not currently provide assistance for renters. The focus of the program is to help encourage the development and preservation of affordable single-family housing units within the boundaries of the CP&R Zone. The level of resources that we are dedicating to the homeowner assistance fund is in all likelihood not sufficient to help the targeted population and renters as well.

At this time, no specific type of assistance has been identified for existing businesses within the CP&R Zone. Existing businesses that are redeveloping or expanding would be eligible for the same development incentives that any other business could utilize if they meet the proposed requirements. This is an issue that we will explore further.

28. Linkage to the history of Central East Austin... what time has been spent on connecting the dots? What industries are being targeted? What general plan is going to be developed? What is the impact of the plan in 2020? (Melvin G. Wrenn)

The question of “what uses/industries will be targeted” has been addressed through the neighborhood planning process. Adopted neighborhood plans stipulated which land uses would be permitted, conditional and/or prohibited. These adopted neighborhood plans steer away from the types of undesirable uses that had previously proliferated in East Austin as a result of the inequitable land use policies of the past. However, current pockets of industrial uses remain. Through this proposal, it may be possible to be more specific about the types of uses that would and would not qualify for incentives.

29. (1) there is a major disconnect between the MFI in the zone 54% and the MFI of 65% to receive a 10% rebate. (2) Will the Assistance program help older folks living on a fixed income pay their property taxes? (3) What protections are going to be put in place to keep a developer from getting an incentive to build residential units at the 65% then flip the property and sell at market rate? (Ora Houston)

A conscious effort was made to set the affordability requirements at a level that was sensitive to the median income for families residing within the boundaries of the proposed CP&R Zone. Our analysis shows that the median-income for residents of the zone is 54% of the median income of the city. For this reason, we seek to encourage the development of housing that is affordable to families whose income is 65% of Median Family Income (MFI) or less. The 65% MFI level of affordability is much more desirable than the 80% MFI level that is more common. Furthermore, through the CP&R program we also hope to provide assistance to families who currently live within the boundaries of the proposed zone and whose income is less than 50% of the Median Family Income.

Any residents who meet the eligibility criteria (i.e., who have lived in their home for more than 10 years, and whose income is less than 50% of the Median Family Income) would qualify for the Homeowner Assistance Program.

At this time, there is nothing to prohibit a family that purchases a home that meets the 65% Median Family Income criteria from selling the property. This is an issue that we will explore further.

30. How can abatements be for businesses be directed/redirected for Austin business developers? When can the Customer Assistance Program information be shared in utility bills? Where will jobs be created? What type of jobs will be created? What are the criteria for both? Will the criteria change annually? When will developers begin to give us incentives – the consumer? (Deborah R. Duncan)

At this time, no specific type of assistance has been identified for existing businesses within the CP&R Zone. Existing businesses that are redeveloping or expanding would be eligible for the same development incentives that any other business could utilize if they meet the proposed requirements. This is an issue that we will explore further.

The Customer Assistance Program is currently in place and being advertised/promoted by Austin Energy. Austin Energy periodically includes information about the program in the newsletter that is distributed with your utility bills.

In order to qualify for incentives through the CP&R Program, a development must be located within the boundaries of the zone and a specific number of jobs must be set-aside for persons who reside within the boundaries of the zone. At this time, the only requirements relating to jobs created for residents of the CP&R Zone are that (1) the persons holding the qualified jobs live within the boundaries of the CP&R Zone and (2) the persons holding the qualified jobs must have held the jobs for a full year. Additional requirements regarding the jobs created through the CP&R program may be added before final approval. Once a development agreement has been signed, the criteria relating to job creation will have been established for that specific agreement. Thus, we are able to adjust the job creation requirements until the first development agreement occurs, and even then the criteria may be changed from one agreement to the next if there is a need to adjust the criteria.

31. (1) Smart Housing and land development codes that allow for high density development directly cause gentrification by raising land values. This has been decided and promoted by the City of Austin. (2) How can it revitalize existing, defunct property in commercial areas? (Airport Blvd.) (3) How can you expand the tax breaks? The investors get a break and those living in the area make up the difference by paying higher taxes? (when property values increase) It doesn't make sense. (4) If you want to ensure compatibility standards and preserve neighborhood character, then do it! Don't lie to us. Be on our side. Not on the side of developers. Restrict density! (Theresa Houston)

Land use policies that allow development at higher densities would have the effect of increasing the value of the properties on which the increased density may occur and possibly the value of the properties surrounding the properties for which higher densities are allowed. Through the neighborhood planning process, we have been able to define the scale and density of development so that we do not encourage development that is out of scale with the existing neighborhood. For this reason, one of the main criteria that must be met by a development seeking financial incentives through the CP&R program is that the project be developed in compliance with adopted neighborhood plans. Thus, development incentives provided through the CP&R program will only be provided for developments that adhere to the development restrictions imposed by neighborhood residents through the neighborhood planning process.

Revitalization of abandoned or underutilized property would be encouraged through the financial incentives provided by the CP&R Zone program, assuming that such a development also complies with all of the qualifying criteria (i.e., affordable housing, job creation, investment in the Homeowner Assistance Program, etc.)

Many developers are already considering development projects located within the boundaries of the proposed CP&R Zone. By providing incentives to the developers, we will create an avenue by which to address issues that may affect the surrounding neighborhoods. Specifically, we will require that projects funded through the CP&R program include an affordable housing component, provide jobs for residents of the zone and invest in the Homeowner Assistance Fund. If a proposed project does not participate in the CP&R program, then the benefits to the residents of the zone will not be realized.

Original Proposal

East Austin Community Preservation and Revitalization Zone Proposal

Purpose

The City wishes to create an economic development program under authority of Chapter 380 of the Texas Local Government Code for the area bounded by I-35 from Manor Road to Riverside Drive, Riverside Drive from I-35 to SH 71, SH 71 from Riverside Drive to US 183, US 183 from SH71 to Manor Road, and Manor Road from US 183 to I-35 ("the Zone").

This program is an additional component of the City's existing economic development program, and is intended to encourage economic development in an area of East Austin, which has traditionally lagged behind the rest of the city in benefiting from economic prosperity as Austin's economy has grown.

Criteria for consideration of a project for the East Austin Community Preservation and Revitalization Zone program benefits are shown below. One goal of the program is to increase jobs, wealth and investment in this area of East Austin. It is reasonable to assume that property values, and therefore taxes and other expenses may rise. In order to mitigate the possible unintended negative side effect of increases in taxes and other costs on long-time homeowners in the area, an additional component of the program is proposed. As a condition of receiving the proposed economic development incentives for investment in the area, the recipient of incentives would be required to pay an amount equal to 10% of what their city tax would have been without the incentives, to a "Homeowners' Assistance Fund", to be administered by the City. Qualified homeowners would then be eligible to request assistance from this fund in the form of utility payment vouchers.

Incentives for Economic Development

Two types of development qualify for incentives:

- Developers of mixed-use projects receive property tax refunds based on the number of commercial square feet and number of residential units within the project (see table below). It is anticipated that some form of design guidelines will be incorporated in order to evaluate these projects.
- Firms locating in the Zone receive property tax refunds based on the number of jobs provided for residents of the designated zone.

All development projects would also be required to be consistent with the City's adopted Neighborhood Plan for the area for which the development is proposed.

Developers building mixed-use projects or providing jobs for Zone residents will receive a refund of City property taxes of up to 85% over a 10-year period, depending on the size of the project or number of jobs produced. It is also proposed that as an additional condition of the economic development incentives, developers be required to contribute to the Homeowners' Assistance Fund an amount equal to 10% of what unabated City taxes would have been. Below is an illustration of example projects in each size category:

Incentive Guidelines - Mixed Use Projects	Incentive Guidelines - Commercial/Office	(1) Percentage of City Tax Rebated for a 10 Year Period	(2) Estimated Value of Example Project	(3) Total Property Tax	(4) City's Portion of Property Tax	(1) X (4) City Tax Abated Annually	(4) X .10 = (5) 10% of City Taxes to HAP Fund	(6) No. of Projects Needed to Reach Target 1	(7) No. of Projects Needed to Reach Target 2
7,500 sf new comm. space*	25 - 49 jobs for Zone residents	35%	3,405,000	91,097	16,780	5,873	1,678	33	67
15,000 sf new comm. space*	50-99 jobs for Zone residents	60%	5,730,000	153,300	28,237	16,942	2,824	20	40
30,000 sf new comm. space*	100+ jobs for Zone residents	85%	9,180,000	245,602	45,239	38,453	4,524	12	25

* 10% of living units reserved for tenants at 65% MFI

(1) Percentage as stated in Program Guidelines

(2) Assumptions: Comm. cost psf of \$150, resid. cost psf of \$120
 1,000 sf per living unit
 19 living units in tier 1, 29 tier II, 39 tier III.

(3) Estimated Value of Project multiplied by 2.6754, total property tax rate.

(4) Estimated Value of Project multiplied by .4928, City's property tax rate.

(6) Target 1 = funding needed so that the program is able to provide assistance equal to the difference between their current taxes and their 2004 taxes.

(7) Target 2 = funding needed so that the program is able to provide assistance equal to the difference between their current taxes and their 2004 taxes doubled.

Note 1: Tax rebate calculations are based on assumed increase in value of entire project (commercial + multifamily)

Note 2: The City does not provide rebates for 100% retail projects.

Homeowner Assistance

Property owners, living in the Zone for at least ten years and at 50% or below median family income, are eligible for benefits in the form of utility vouchers equal to two times the difference between the current year's taxes and the 2004 taxes.

Quantification of the Homeowner Assistance Provided

Basis of Calculations

- Of the total property tax bill, consisting of AISD, City of Austin, Travis County, and Austin Community College assessments, the *City of Austin portion represents 18.4%*.
- The average home value of qualifying homeowners is estimated to be \$69,000.
- The average City tax bill of qualifying homeowners is estimated to be \$340.
- The number of eligible individuals is estimated to be 2,200.

By law, an individual's assessed property value may only increase by 10% per year (and the City of Austin also exempts \$51,000 of appraised value for homesteaders over 65). Applying a 10% assessed value increase, and assuming a constant tax rate, the average annual increase in the City tax bill is estimated to be \$34. Using an estimated 75% participation rate for qualifying residents, the number of participants would be 1,650. To reach Target 1, total dollar amount distributed would then be \$56,100 (1,650 participants multiplied by \$34).

Property Tax Increases in the Zone

The Table below shows the change in average valuation of owner occupied housing stock within the study area from 1990 to 2002, broken down into three periods: 1990 to 1995, 1995 to 2000, and 2000 to 2002.

Residential Valuation Trends (1990-2002)				
Homestead Exemption Only				
Period	Ending Value	Average Change	Percent Change	Annualized Percent Change
1990-95	32,906	2,408	7.3%	1.4%
1995-2000	60,670	27,764	84.4%	13.0%
2000-2002	82,688	22,018	36.3%	16.7%

n = 6409

The residential property value change was relatively flat from 1990 to 1995 as the study area saw few home sales. This in turn gave the county appraisal district little reason to increase assessed market value. Moreover, Austin's overall economy was only beginning to emerge from its deep slump of the late 1980s and early 1990s.

However, the following period from 1995 to 2000 experienced a strong surge in home values within the study area as pressure from increasingly expensive housing in the region began to be felt in east Austin and the pace of sales accelerated. The county appraisal district took advantage of comparable sales within the study area to support the claim that market values were rising.

The ascent of home values within the study area increased even further between 2000 and 2002 as evidenced by the annualized percentage gain of 16.7% during the period. While there is no information to describe the trend from 2002 to 2004, it is assumed that home values within the study area will continue to increase.

The trajectory of average residential property value within the study area over the past few years is partly a function of the appraisal district playing catch-up to account for market trends of the 1990s. However, it is important to note that current property value increases are largely a function of intensified redevelopment pressures within east Austin as a whole.

For the purposes of this study we assumed that only the lower half of the owner-occupied homes in the area would qualify for this program. This is consistent with the fact that according to Census data about 45% of east Austin homeowners are under 50% of regional

median family income. In 2002 the average housing value for this qualifying group was \$57,000. If values for 2004 have been adjusted upwards by 10% per year for two years, the maximum increase allowed, we can assume that qualifying homeowners will have an average home value of about \$69,000.

East Austin Community Preservation and Revitalization Zone Development Examples

\$100M, \$50M & \$25M Projects at 60% Tax Rebate

(2) Estimated Value of Example Project	(1) Percentage of City Tax Rebated for a 10 Year Period	(3) Total Annual Property Tax	(4) City's Portion of Property Tax	(1) X (4) City Tax Abated Annually	(4) X .10 = (5) 10% of City Taxes to HAP Fund	(6) No. of Projects Needed to Reach Target 1	(7) No. of Projects Needed to Reach Target 2
100,000,000	60%	2,675,400	492,800	295,680	49,280	1	2
50,000,000	60%	1,337,700	246,400	147,840	24,640	2	5
25,000,000	60%	668,850	123,200	73,920	12,320	5	9

\$100M, \$50M & \$25M Projects at 85% Tax Rebate

(2) Estimated Value of Example Project	(1) Percentage of City Tax Rebated for a 10 Year Period	(3) Total Annual Property Tax	(4) City's Portion of Property Tax	(1) X (4) City Tax Abated Annually	(4) X .10 = (5) 10% of City Taxes to HAP Fund	(6) No. of Projects Needed to Reach Target 1	(7) No. of Projects Needed to Reach Target 2
100,000,000	85%	2,675,400	492,800	418,880	49,280	1	2
50,000,000	85%	1,337,700	246,400	209,440	24,640	2	5
25,000,000	85%	668,850	123,200	104,720	12,320	5	9

(1) Percentage as stated in Program Guidelines

(2) Assumptions: Comm. cost psf of \$150, resid. cost psf of \$120
 1,000 sf per living unit
 19 living units in tier 1, 29 tier II, 39 tier III.

(3) Estimated Value of Project multiplied by 2.6754, total property tax rate.

(4) Estimated Value of Project multiplied by .4928, City's property tax rate.

(6) Target 1 = funding needed so that the program is able to provide assistance equal to the difference between their current taxes and their 2004 taxes.

(7) Target 2 = funding needed so that the program is able to provide assistance equal to the difference between their current taxes and their 2004 taxes doubled.