

# Affordable Housing

## Short- and Long-term Funding Strategies



August 6, 2013





# Overview

June 27 Resolution directed City Manager to prepare scenarios for maintaining NHCD's CIP service level, which currently stands at \$10M per year.

Financial staff have developed four scenarios, which are responsive to Council's further instructions to:

- include a mix of General Fund, Sustainability Fund, and Bond funding;
- analyze the tax and/or fee implications of each scenario; and,
- address a range of options for the issuance of debt in amounts up to \$65M.



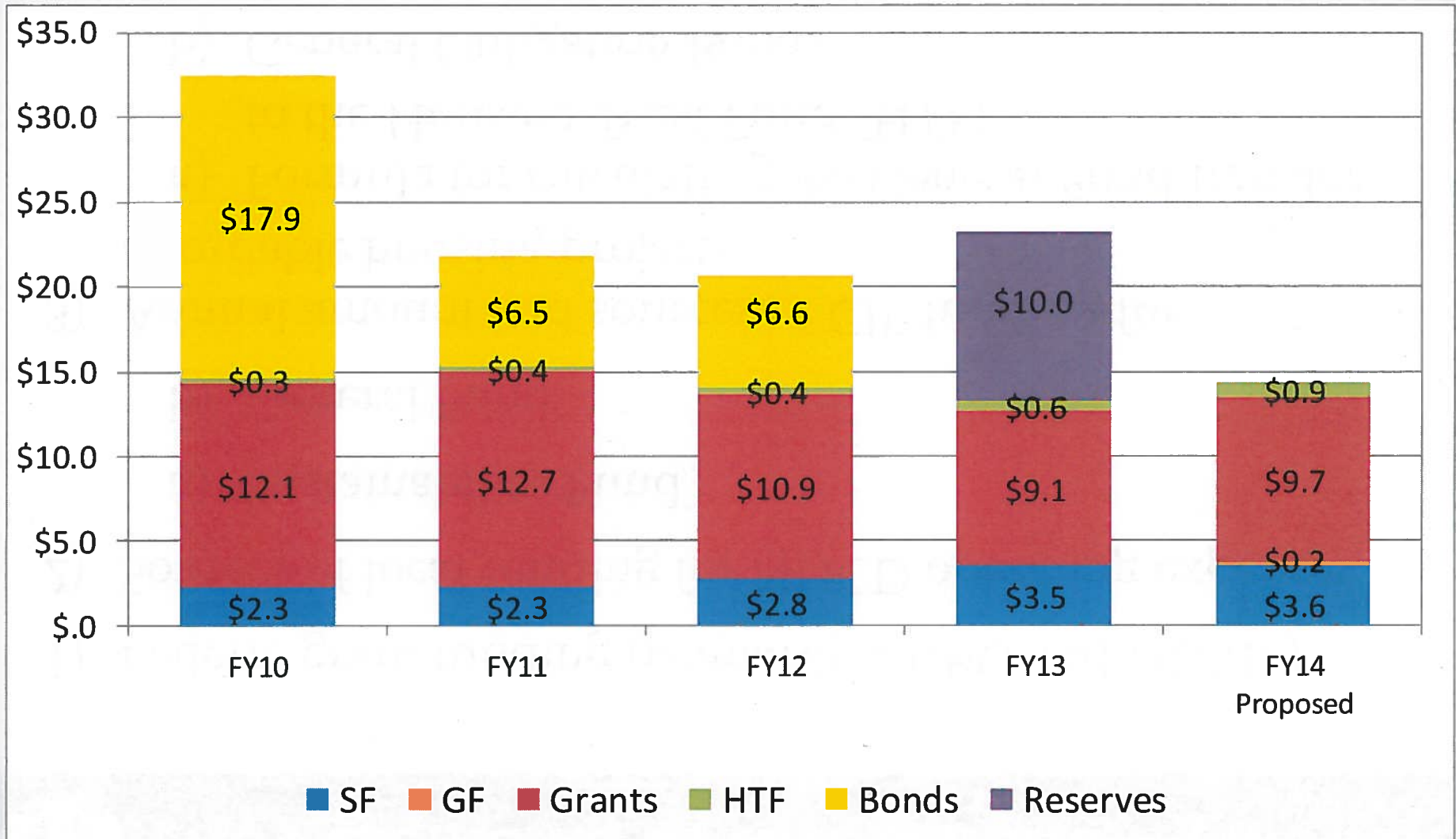
# Key Elements of NHCD Funding Model

- 1) Federal grant funding (primarily CDBG and HOME)
- 2) Sources of local funding for NHCD operating expenses
  - a) Sustainability Fund
  - b) General Fund
- 3) Annual amount and sources of CIP funding for affordable housing projects
  - a) Formula for calculating the General Fund transfer to the Housing Trust Fund (HTF)
  - b) General Obligation Bonds
  - c) Transfer to CIP (Sustainability Fund and General Fund)





# Sources of NHCD Funding: FY10 – FY14





# **Local Funding Sources for NHCD O&M Expenses: Sustainability Fund & General Fund**



# Sustainability Fund & General Fund

- The Sustainability Fund is funded via an annual transfer from the Austin Water Utility and Austin Resource Recovery
- Goal is to transition NHCD programs from the Sustainability Fund to the General Fund over a 4-year period
  - Part of citywide effort to improve cost sharing models (other examples include 311 and EGRSO allocations)

<b>Funding Source</b>	<b>FY10 Actual</b>	<b>FY11 Actual</b>	<b>FY12 Actual</b>	<b>FY13 Amd</b>	<b>FY14 Prop</b>	<b>FY15 Proj</b>	<b>FY16 Proj</b>	<b>FY17 Proj</b>	<b>FY18 Proj</b>
Sustainability Fund	\$2.3	\$2.3	\$3.0	\$3.5	\$3.6	\$2.2	\$1.0	\$0.0	\$0.0
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$1.8	\$3.2	\$4.4	\$4.7
<b>Total</b>	<b>\$2.3</b>	<b>\$2.3</b>	<b>\$3.0</b>	<b>\$3.5</b>	<b>\$3.8</b>	<b>\$4.0</b>	<b>\$4.2</b>	<b>\$4.4</b>	<b>\$4.7</b>

In millions





## Net Impact to Typical Resident\*

General Fund - O&M Tax Impact	0.4 cents
Median-Value Home Tax Bill Impact	\$7.55
ARR - Cost Savings to Typical Ratepayer	(\$3.00)
AWU - Cost Savings to Typical Ratepayer	(\$6.55)
Total Savings to Typical Ratepayer	(\$9.55)
Net Annual Impact to Median-Value Homeowner	(\$2.00)

\*A typical resident is defined as the owner of a median-valued Austin home subscribing to a 64-gallon trash cart and using on average 8,000 gallons of water and 4,700 gallons of wastewater per month.



# **Annual Level & Sources of NHCD CIP Funding:**

## **Housing Trust Fund Calculation & General Obligation Debt**





# HTF Calculation Summary

## Current Methodology

- 40% of property tax revenue from formerly City-owned properties within the Desired Development Zone is transferred annually into HTF
- Excludes incremental revenue captured by TIFs
- FY14 transfer projected at \$0.8M; FY19 at \$1.9M
- Subject to annual Council approval

## Revised Methodology

- Tie HTF transfer to fixed percentage of total General Fund – O&M property tax revenue
- Percentage would rise from 0.25% in FY14 to 2% by FY18, capped at \$10M
- FY14 transfer projected at \$0.9M; FY19 at \$10M
- Subject to annual Council approval



## Four Scenarios Analyzed

**Option 1: Revised HTF Policy & \$10M Annual CIP**

**Option 2: Current HTF Policy & \$10M Annual CIP**

**Option 3: Revised HTF Policy & \$12.1M Annual CIP**

**Option 4: Current HTF Policy & \$12.1M Annual CIP**



## HTF Cost Scenario Comparison: Maintain Annual CIP Spending of \$10M

### Option 1: Revised HTF Policy & \$10M Annual CIP

Funding Source	FY14 Proj	FY15 Proj	FY16 Proj	FY17 Proj	FY18 Proj	FY19 Proj	Totals
Revised HTF Calculation	\$0.9	\$1.8	\$4.0	\$6.5	\$9.5	\$10.0	<b>\$32.7</b>
Bond Proceeds	\$9.1	\$8.2	\$6.0	\$3.5	\$0.5	\$0	<b>\$27.3</b>
Total Available for CIP	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	<b>\$60.0</b>

In millions

### Option 2: Current HTF Policy & \$10M Annual CIP

Funding Source	FY14 Proj	FY15 Proj	FY16 Proj	FY17 Proj	FY18 Proj	FY19 Proj	Totals
Current HTF Calculation	\$0.8	\$0.8	\$1.1	\$1.3	\$1.7	\$1.9	<b>\$7.6</b>
Bond Proceeds	\$9.2	\$9.2	\$8.9	\$8.7	\$8.3	\$8.1	<b>\$52.4</b>
Total Available for CIP	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	<b>\$60.0</b>

In millions





## HTF Cost Scenario Comparison: Maintain Annual CIP Spending of \$10M

Cost to Median-Value Homeowner	Option 1: Revised HTF & \$10M CIP	Option 2: Current HTF & \$10M CIP	Option 1 vs. Option 2
FY14 – FY19	\$87.62	\$39.32	\$48.30
FY20 – FY39	\$72.96	\$153.05	(\$80.09)
Total*	\$160.58	\$192.37	(\$31.79)

Debt- Service Costs	Principal	\$27.3M	\$52.4M	(\$25.1M)
	Interest	\$15M	\$29.8M	(\$14.8M)

\*For six years of operating expenses and 20-year debt retirement.

All values are estimates only.





## HTF Cost Scenario Comparison: Increase Annual CIP Spending to \$12.1M

### Option 3: Revised HTF Policy & \$12.1M Annual CIP

Funding Source	FY14 Proj	FY15 Proj	FY16 Proj	FY17 Proj	FY18 Proj	FY19 Proj	Totals
Revised HTF Calculation	\$0.9	\$1.8	\$4.0	\$6.5	\$9.5	\$10.0	<b>\$32.7</b>
Bond Proceeds	\$11.2	\$10.3	\$8.1	\$5.6	\$2.6	\$2.1	<b>\$39.9</b>
Total Available for CIP	\$12.1	\$12.1	\$12.1	\$12.1	\$12.1	\$12.1	<b>\$72.6</b>

In millions

### Option 4: Current HTF Policy & \$12.1M Annual CIP

Funding Source	FY14 Proj	FY15 Proj	FY16 Proj	FY17 Proj	FY18 Proj	FY19 Proj	Totals
Current HTF Calculation	\$0.8	\$0.8	\$1.1	\$1.3	\$1.7	\$1.9	<b>\$7.6</b>
Bond Proceeds	\$11.3	\$11.3	\$11.0	\$10.8	\$10.4	\$10.2	<b>\$65.0</b>
Total Available for CIP	\$12.1	\$12.1	\$12.1	\$12.1	\$12.1	\$12.1	<b>\$72.6</b>

In millions



## HTF Cost Scenario Comparison: Increase Annual CIP Spending to \$12.1M

Cost to Median-Value Homeowner	Option 3: Revised HTF & \$12.1M CIP	Option 4: Current HTF & \$12.1M CIP	Option 3 vs. Option 4
FY14 – FY19	\$92.99	\$44.72	\$48.27
FY20 – FY39	\$109.77	\$189.82	(\$80.05)
Total*	\$202.76	\$234.54	(\$31.78)

Debt-Service Costs	Principal	\$39.9M	\$65M	(\$25.1M)
	Interest	\$22.2M	\$37M	(\$14.8M)

\*For six years of operating expenses and 20-year debt retirement

All values are estimates only.





# Cost Scenario Summary

	HTF Calculation Methodology	Total CIP \$	Total G.O. Debt	Total Interest Expense	Total Impact to Median-Value Homeowner
Option 1	Revised	\$60M	\$27.3M	\$15M	\$160.58
Option 2	Current	\$60M	\$52.4M	\$29.8M	\$192.37
Option 3	Revised	\$72.6M	\$39.9M	\$22.2M	\$202.76
Option 4	Current	\$72.6M	\$65M	\$37M	\$234.54



# Staff Recommendations

- 1) Transition local funding for NHCD operating costs from the Sustainability Fund to the General Fund over 4 years
  - Slight savings to a “typical” resident
- 2) Revise the HTF calculation method to increase General Fund transfers into the fund
  - Provides a more stable source of capital funding by reducing reliance on cyclical bond elections
  - Saves \$14.8 million in interest costs in comparison with options that rely more heavily on bond funds
  - Steeper impact curve to taxpayer in short-term is more than offset by long-term savings
- 3) Supplement the HTF with \$27.4 million in Bond funding to maintain annual CIP funding of \$10.0 million (Option 1)
  - In line with NHCD’s recent CIP spending levels





# Questions?