AGENDA

Recommendation for Council Action

Austin City Council		**Item ID**	29729	**Agenda Number**	28.
Meeting Date:	1/23/2014		**Department:**		Neighborhood and Community Development

Subject

Approve an ordinance amending the Fiscal Year 2013-2014 Neighborhood Housing and Community Development Department Capital Budget (Ordinance No. 20130909-002) to increase appropriations by $15,000,000 for affordable housing. Related to Item # 29.

Amount and Source of Funding

Funding in the amount of $15,000,000 will be provided by the future issuance of Public Improvement Bonds, approved by the voters on November 5, 2013.

Fiscal Note

A fiscal note is attached

Purchasing Language:	
Prior Council Action:	
For More Information:	Betsy Spencer, NHCD Director, 512-974-3182; Kimberly Springer, Deputy Budget Officer, 512-974-2924
Boards and Commission Action:	January 15, 2014 - Approved by the Bond Oversight Committee on a 5-0 vote with Committee Members Friese and McPhail absent.
MBE / WBE:	
Related Items:	

Additional Backup Information

In the November 2013 election, City of Austin voters approved Proposition 1 authorizing $65 million of General Obligation Bonds to fund affordable housing projects. It is projected these projects will be implemented over five to six years. This budget amendment, in the amount of $15,000,000, provides the initial installment of funding for these including programs described in the Affordable Housing Guidelines. Subsequent installments of funding will be approved by the City Council as part of the annual capital budget.

Reservation for Possible Awards of Low Income Housing Tax Credits

This appropriation also includes support for local applicants applying for Low Income Housing Tax Credits for developing proposed rental projects to be located in Austin. The Texas Department of Housing and Community Affairs (TDHCA) administers a competitive process for tax credits that are allocated by the U. S. Treasury on a per capita basis to each state. Texas will receive $57 million in tax credits to be awarded in July 2014, and Texas Region 7

in which Austin is located, will receive just over $3 million worth of tax credits. The purchasers of the tax credits use the credits to offset other taxes in equal amounts for a 10-year period. Therefore, a purchase of $3 million in credits has a 10-year value of $30 million to generate equity that will help produce affordable rental housing in Region 7. Thirty million dollars will fund roughly 2 to 3 tax credit projects, or roughly 300 rental units. Tax credit applications receive maximum points for a commitment of funding of $15,000 per unit. Therefore, in order to provide strategic and maximum local support for Austin applicants in the competitive process, an amount of $4.5 million of General Obligation Bond proceeds would be reserved for and committed to tax credit projects, subject to the award of tax credits by TDHCA.

During Fiscal Year 2012-13, $4.5 million was reserved for tax credit projects, and two Austin projects received awards, and the City's contribution to the two projects ended up being $4.25 million. If no Austin project receives a tax credit award in 2014, or if less than $4.5 million is needed for tax credit projects, the balance of these reserved funds would be made available for other projects.

Reimbursement Resolution

A reimbursement resolution is a separate, but related, item on this Council agenda. A reimbursement resolution is required by federal and state law whenever a bond issuer plans to use bond proceeds to retroactively reimburse itself for project costs already incurred. The use of reimbursement resolutions is approved in the City's financial policies and allows the City to start projects to be funded with bonds in advance of the City's next scheduled general obligation bond sale. The City typically schedules its annual issuance of general obligation debt in August to coordinate with the budget cycle.