

## CIP BUDGET FISCAL NOTE

**DATE OF COUNCIL CONSIDERATION:**

1/23/14

**CONTACT DEPARTMENT(S):**

Neighborhood Housing

**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.

**CURRENT YEAR IMPACT:**

<b>Department:</b>	<b>NHCD</b>
Project Name:	Affordable Housing
Project Authorization:	2013-2014 Capital Budget
Funding Source:	2013 G.O. Bond Program
Fund/Dept/Unit:	NEW-7207-NEW
Current Budget	0
Unencumbered Balance	0
This Action	15,000,000
Estimated Available	<u>15,000,000</u>

**ANALYSIS / ADDITIONAL INFORMATION:** City of Austin voters approved proposition 1 authorizing \$65 million of General Obligation Bonds to fund affordable housing projects and programs in the November 2013 Bond Election. It is projected these projects and programs 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 projects and programs. Subsequent installments of funding will be approved by the City Council as part of the annual capital budget.

This appropriation will also support 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.

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 expenditures already incurred. The use of reimbursement resolution 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.