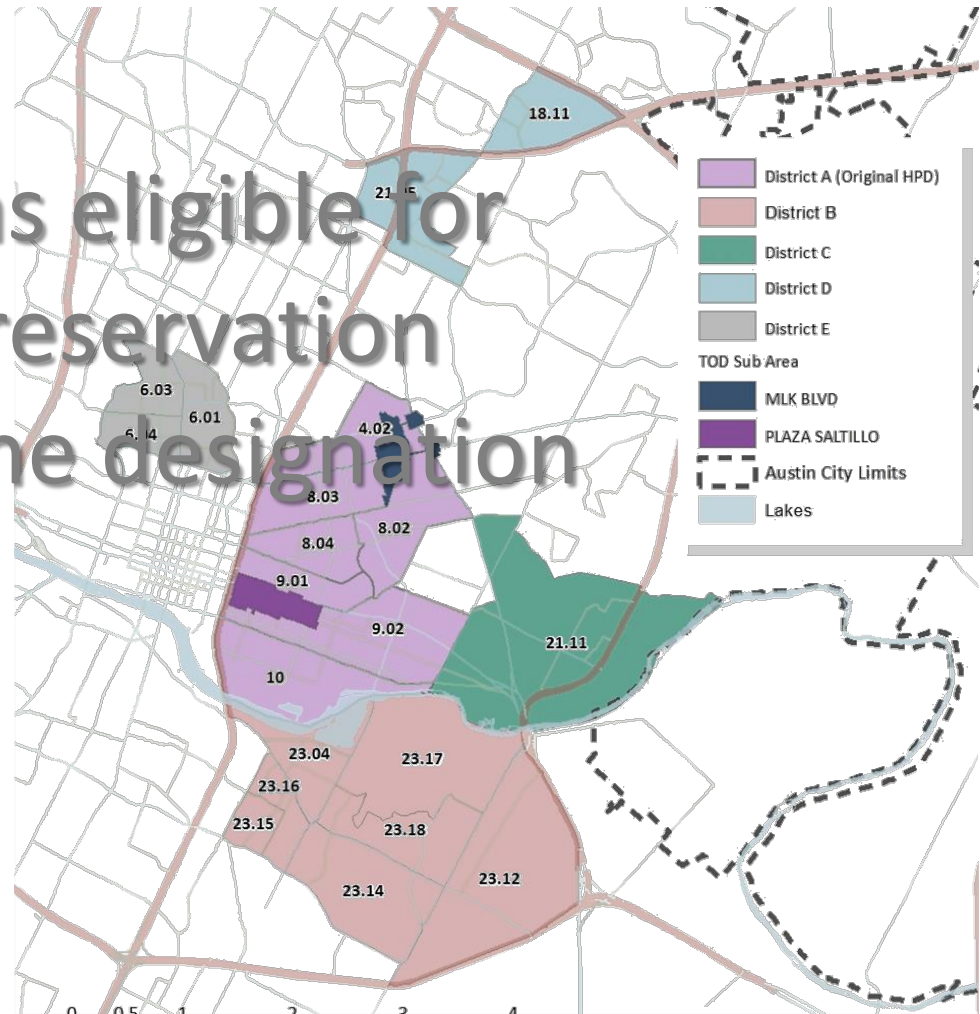


Homestead Preservation District

Analysis of areas eligible for
Homestead Preservation
Reinvestment Zone designation



HPD Background

What does the HPD legislation do?

- Establishes eligibility criteria (physical and socio-economic)
- Identifies project costs toward which funds can be applied
- Distinguishes HPDs from regular Tax Increment Reinvestment Zones
- Authorizes capture of future tax increment to fund affordable housing needs in eligible areas
- Provides HPD Tools: Land Trust, Land Bank and TIF

HPD Background

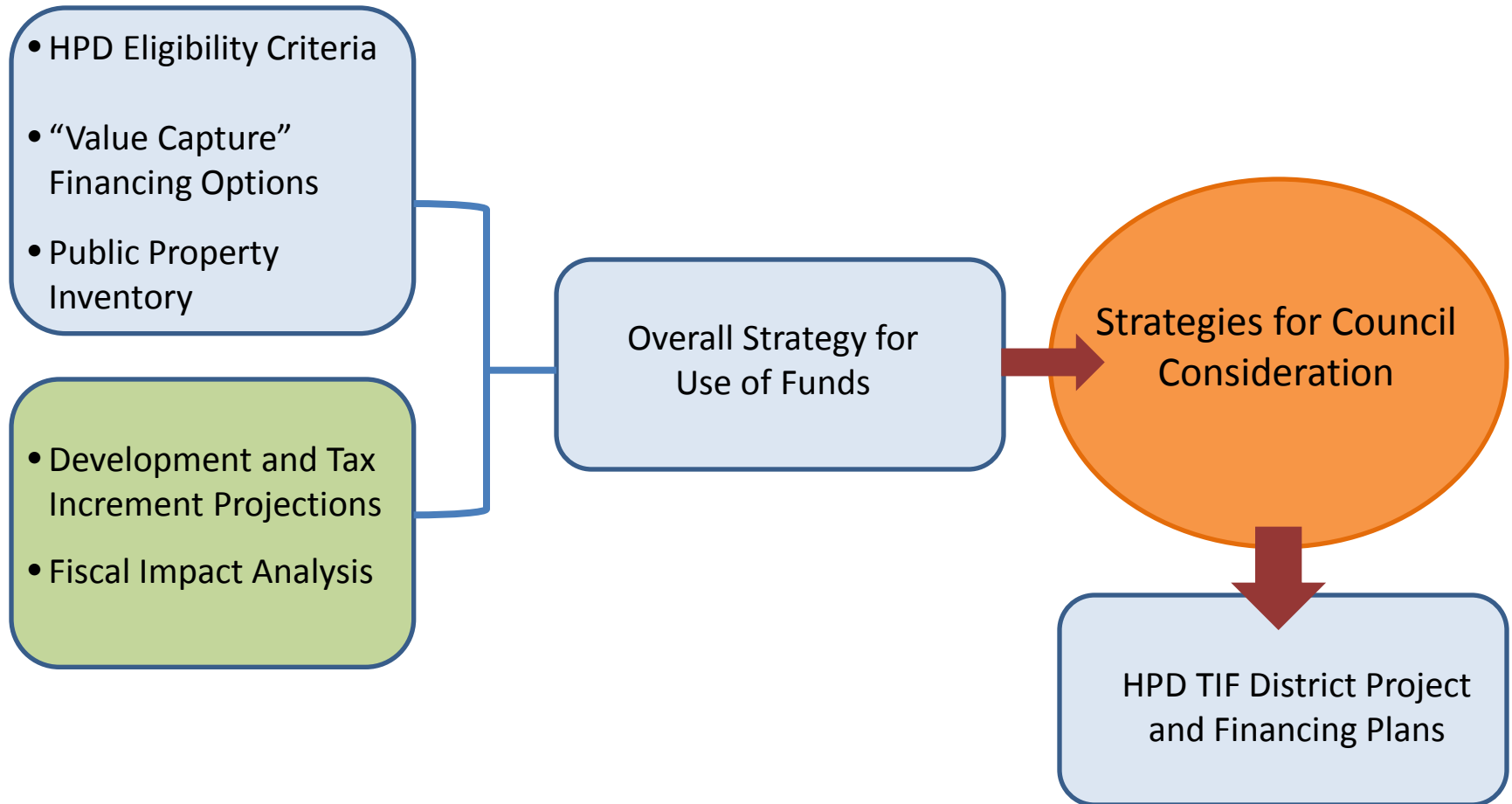
- 2005 Homestead Preservation District & Reinvestment Zone introduced to Texas Legislature by Representative Eddie Rodriguez
- 2007 At the City of Austin's request, the legislation was amended to require County participation in any HPD Tax Increment Financing Zone or Homestead Preservation Reinvestment Zone.
- 2007 City Council established the original Homestead Preservation District
- 2008 Council initiated the HPD TIF and approved an Ordinance designating Austin Housing Finance Corporation, Travis County Housing Finance Corporation and PeopleTrust to operate as HPD Land Trusts.
- 2009 The Travis County Commissioners' Court did not approve the TIF and the ordinance expired on March 31, 2009.
- 2013 HB 3350 passed with revised HPD criteria.

Council Resolution NO. 20140213-044

On February 13, 2014, the City Council approved a resolution directing the City Manager to develop a financing and funding strategy for five districts identified as meeting the criteria for establishing HPD's. The strategy is expected to include the following:

- a market study to project future property values and related tax increment,
- Consideration and projection of value capture and/or other funding tools,
- Development of criteria for determining whether land is unproductive, underdeveloped, or blighted, and,
- an inventory of public land and its intended use in each proposed district

HPD TIF Analysis Overview



HPD Eligibility Criteria

HPD legislation requires HPDs to be contiguous Census tracts that feature:

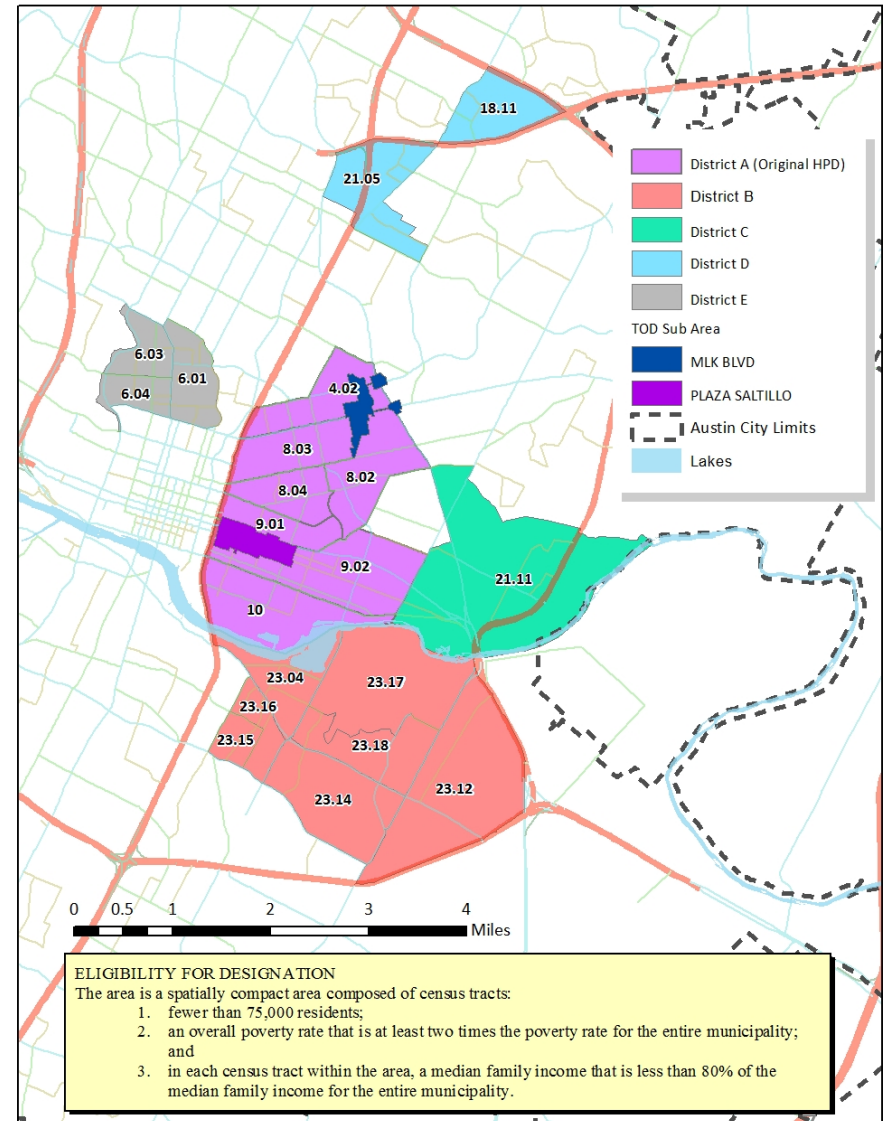
- < 75,000 residents
- 2X the City's overall poverty rate
- Median family income <80% of City's overall

To determine which areas should be designated as a district additional recommended criteria for HPDs:

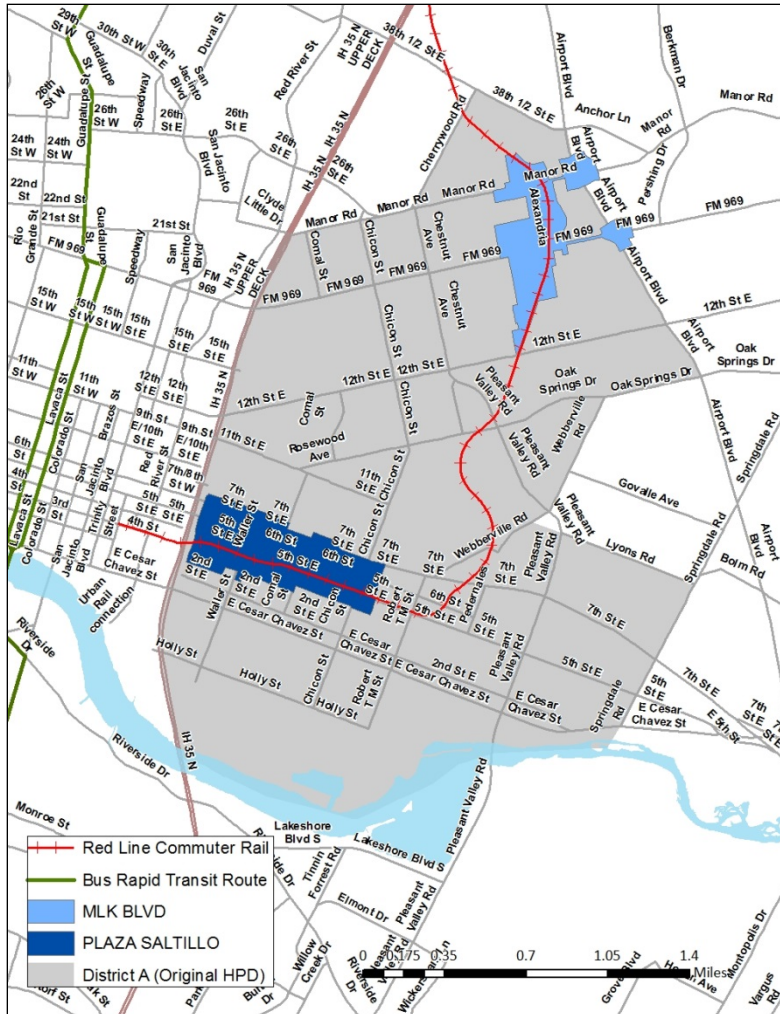
- > City average proportion of cost-burdened residents (35%+ of income)
- < 50% student population (skews info regarding cost burdens)
- < 5% of total tax base in TIF/HPD zones (current City policy)
- Finding that private investment is not meeting affordability needs
- Finding of blight/unproductive property (as in TIF legislation) and/or
- Finding of underdeveloped property (threat of displacement)

Districts Reviewed for Eligibility Criteria

At City Council's direction, NHCD conducted analysis of City of Austin census tracts and identified five areas that would be eligible as a HPD under the current legislation.



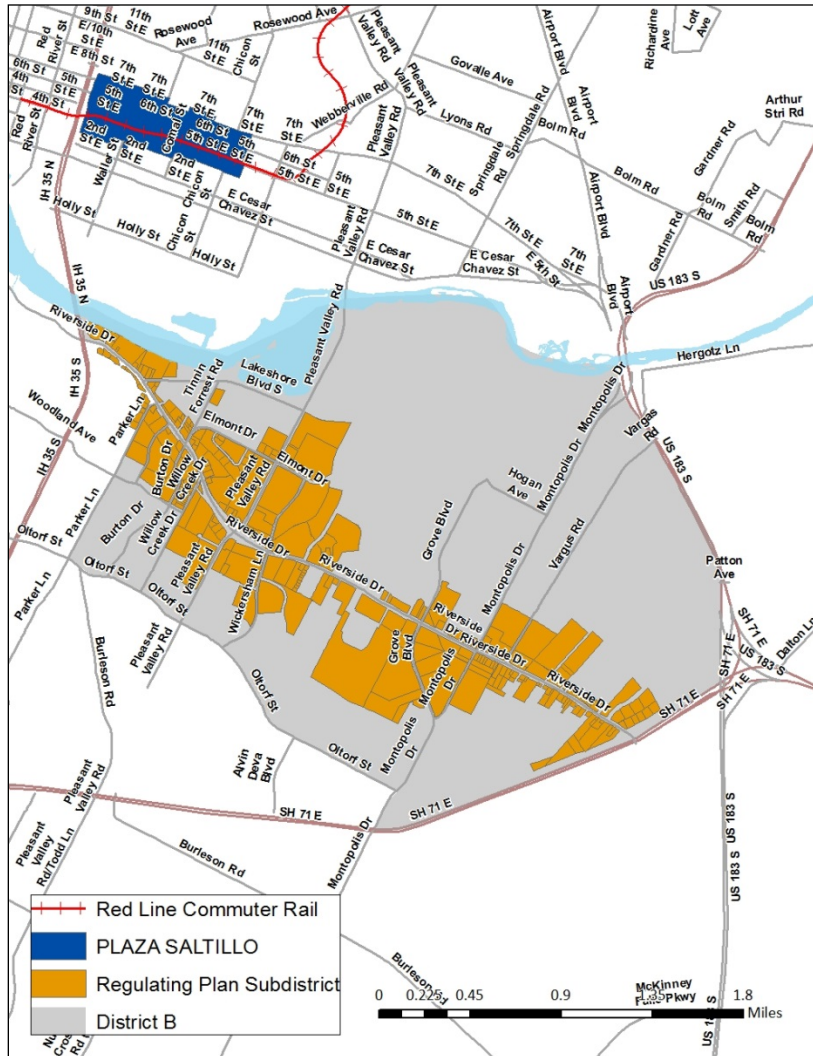
HPD District A



- Total population of 20,379
- Overall poverty rate of 32.27%.
- Boundaries includes the MLK Blvd TOD and Plaza Saltillo TOD
- Upper Boggy Creek, Central East Austin, Chestnut, Rosewood, Govalle, Holly, and East Cesar Chavez Neighborhood Planning Areas.

The reduced poverty rate and increased incomes since 2008 reflect the results of economic displacement, which remains a significant threat in this area if new affordable housing is not provided.

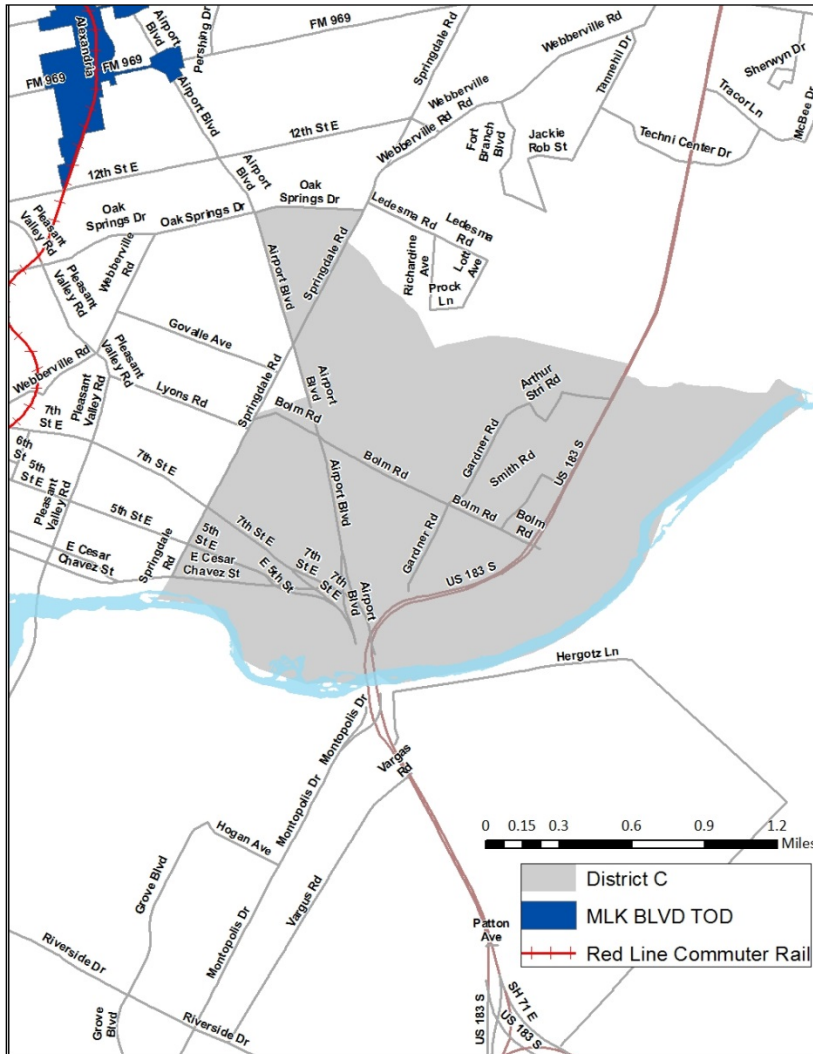
HPD District B



- Total population of 35, 486
- Overall poverty rate of 43.61 percent
- East Riverside Corridor planning area
- Montopolis, Pleasant Valley, and the majority of the Riverside Neighborhood Planning Areas.

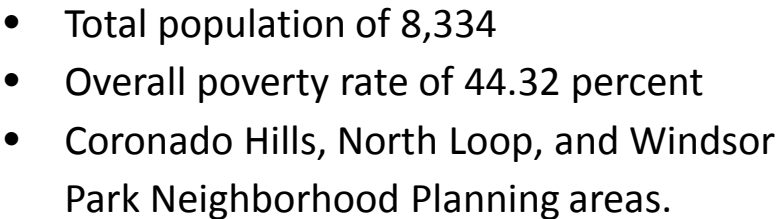
This area meets all suggested eligibility criteria, and is planned for considerable development that may threaten displacement of existing lower-income households.

HPD District C

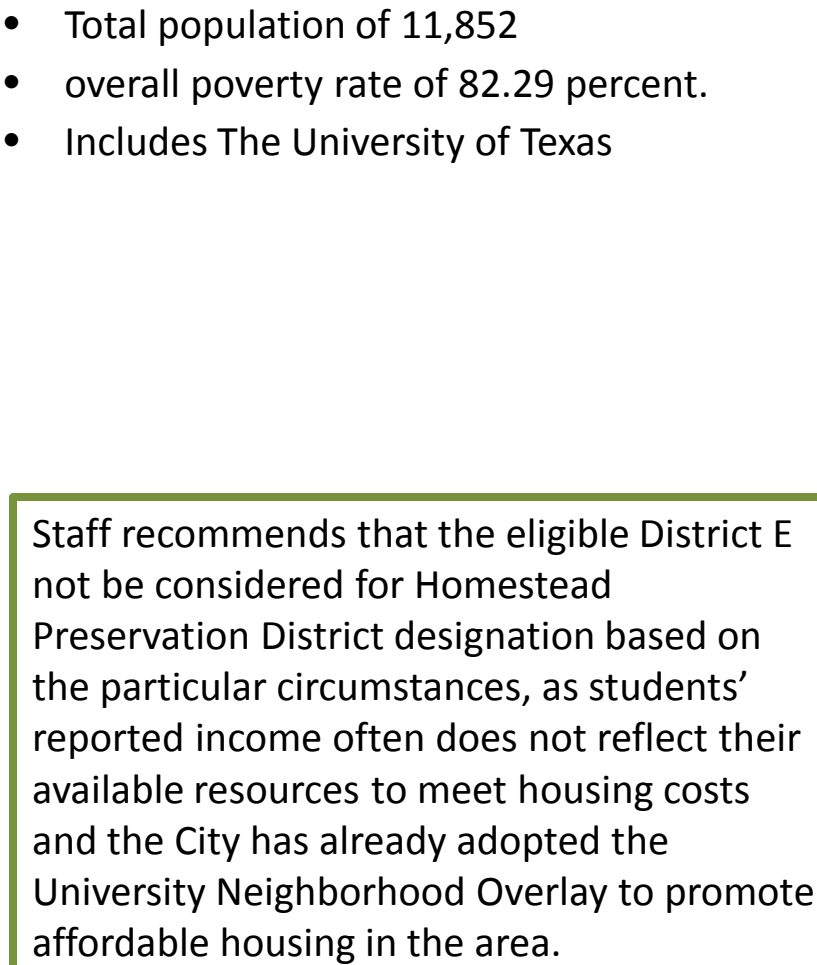


- Total population of 4,354
- Overall poverty rate of 41.57 percent
- Johnston Terrace Neighborhood Planning Area, and portions of the Govalle Neighborhood Planning Area.

This area meets all suggested eligibility criteria, and lies just east of the original HPD where market forces have recently caused economic displacement of some lower-income households.



This district meets all suggested eligibility criteria, and lies just north of the Mueller project that has demonstrated the strong market potential of the area, potentially threatening economic displacement of lower-income households.



“Value Capture” and Other Local Funding

City has used numerous approaches to provide local funding and incentives for affordable housing production and retention

- GO Bonds
- Sustainability Fund
- Housing Trust Fund and City land development
- UNO Zoning and Trust Fund
- AE/Holly Good Neighbor
- Density Bonus
- S.M.A.R.T. Housing
- General Fund/CIP

“Value capture” and other approaches used elsewhere include:

- Inclusionary zoning, in-lieu fees, and impact fees on market-rate housing
- Sales taxes, hotel taxes, “occupational privilege” tax, excise tax
- Document recording fees, commercial linkage fees

Law Department has determined the City’s options are limited

- Inclusionary zoning and impact/linkage fees prohibited in TX
- Existing taxes are at limits (sales) or cannot be re-purposed (hotel)
- HPDs and TIFs for affordable housing are among few untapped options¹³

Development & Tax Increment Projections

- Review of Historical Trends – reviewed data to understand important trends and extrapolate those trends as an initial indicator of potential future conditions and assessed values
- Assessment of Future Development Potential – estimated the amount of development that may occur in the HPDs in the coming years.
- Estimates of Tax Increment and Sensitivity Testing – estimated the tax increment growth in each HPD over the next 20 years utilizing multiple methodologies for projecting assessed value and TIF revenue.

Fiscal Impact Analysis

- HPD Impact on Assessed Value - evaluate the impact that the production of affordable housing may have on the City's future fiscal position.
- Total Assessed Value in All TIF - determine the current proportion of the City's tax base represented by the potential HPDs individually and in aggregate. This information will inform stakeholders whether or not the adoption of the HPD TIFs will conform to or violate the City's established TIF policy.

Overall Strategy for Use of Funds

HPD legislation requires:

- 100% of funds must be for households < 70% of median income
- 50%+ of funds for households < 50% of median
- 25%+ of funds for households < 30% of median
- 80%+ of funds buy property, construct/rehab units and infrastructure
- < 10% of funds allowed for City administration of HPD zone
- < 10% of funds for land trusts' or housing organizations' administration

Housing needs assessment indicates:

- Funding for housing construction is a high priority in the NHCD Consolidated Plan
- City's greatest unmet need is for households < 50% of median income
- Rental housing needs are particularly acute and subject to market dynamics

Overall Strategy for Use of Funds

Affordable Housing Funding:

- Federal funding is trending downward and costs trending upward
- Local funding has been aggressive but subject to bond elections and competing budget needs
 - GO Bonds
 - Sustainability Fund
 - General Fund/CIP
- Alternative “value capture” approaches used elsewhere are limited:
 - Inclusionary zoning prohibited in TX
 - Impact fees and new taxes also prohibited
 - Existing taxes are at limits (sales) or cannot be re-purposed (hotel)

Overall Strategy for Use of Funds

STRATEGY:

1. Use HPD to stabilize affordable housing funding in selected areas

- For construction/preservation rather than support services
- Meets recognized critical need in HPDs and City overall
- Preserve flexibility to meet evolving needs or capitalize on emerging opportunities
- Augment rather than replace existing sources in these areas

2. Continue to use other sources for housing in non-HPD areas

- Promote geographic dispersion by maintaining programs that can be used throughout the City
- Can also use new TIF districts for affordable housing

Strategies for Council Consideration

- **Establish Homestead Preservation Reinvestment Zones (HPRZ) in 4 of 5 eligible areas OR only establish HPD's in the districts ranked highest priority for the HPRZ**
 - Original HPD plus Districts B, C, and D, not in District E (West Campus)
 - Fund construction/preservation as needs and opportunities evolve
 - Requires drafting of HPD TIF District Project and Financing Plans
- **Establish HPD eligibility criteria that reflect City policy goals**
 - Evidence of Housing Cost Burdens and Limited Student Population
 - Findings of Unproductive and/or Underdeveloped Property
 - < 5% of total City tax base in TIF/HPD zones
- **Continue to pursue local and federal resources for affordable housing throughout the City**
 - Creation of TIFs within the areas eligible for HPD designation but without the restrictions tied to HPRZ. TIF's could support affordable housing, public transit, and infrastructure
 - Funding such as GO Bonds, Housing Trust Fund, etc.
 - Programs such as density bonus, S.M.A.R.T. Housing, etc.

Strategies for Council Consideration

- Rather than establishing Tax Increment Reinvestment Zones in the entirety of the HPDs, identify projects throughout these potential districts for specific areas, and evaluate establishing Tax Increment Reinvestment Zones (TIRZ) under Tax Code Chapter 311 for subareas such as the existing Transit Oriented Development (TOD) Red-Line stations at Saltillo Plaza (District A) and MLK station (District A), along the Riverside Corridor (District B), and others, to invest in both affordable housing and infrastructure;
- Identify specific target areas to encourage development within potential districts to jointly collaborate with the city and include affordable housing;
- For all future TIRZs created in any HPD, set-aside a percentage for affordable housing;
- Amend the Housing Trust Fund resolution, by increasing the percentage from 40% to 60% of property tax revenue generated by properties in the HPD that convert from public to private sector, subsequent to the amendment date, and dedicating all 60% to be spent within the HPD area the property resides in;
- Increase annual General Fund budget for Affordable Housing, earmarking increase specifically for the HPD districts.

HPD

Questions