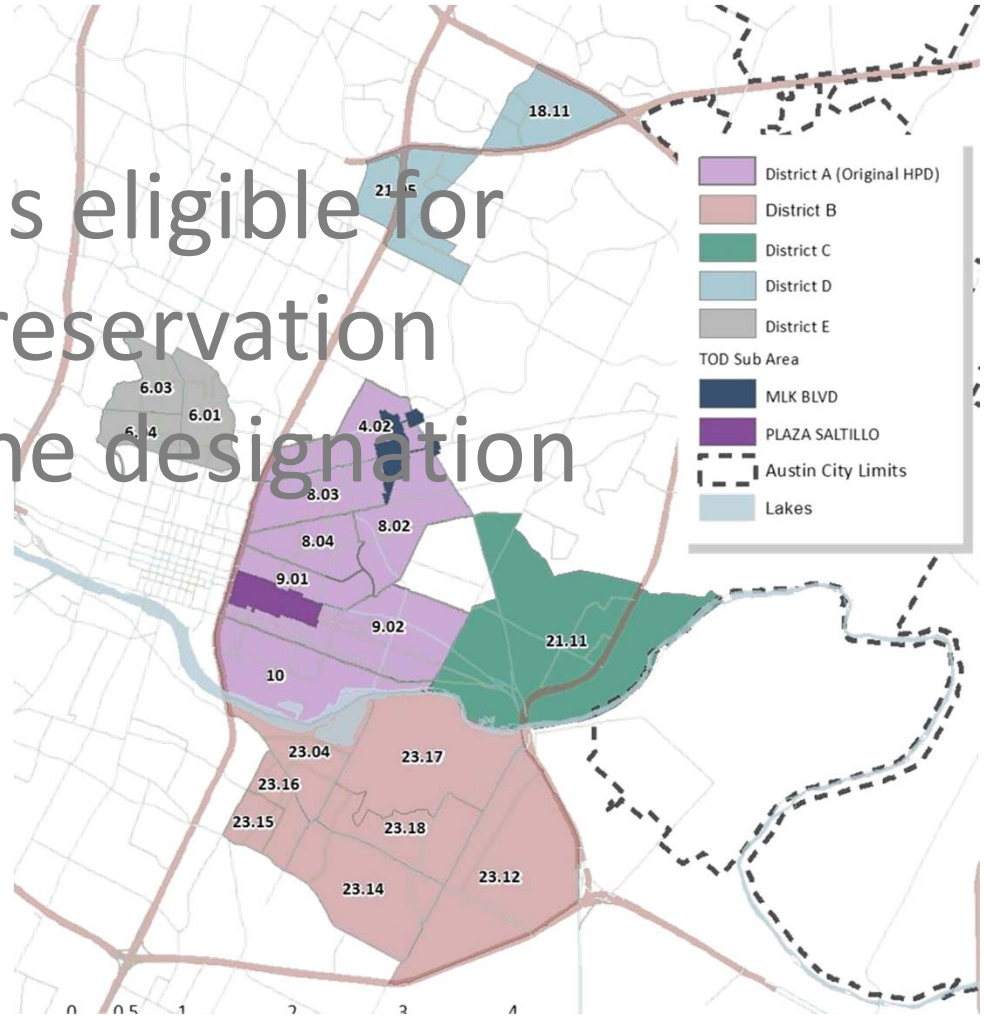


# Homestead Preservation District

Analysis of areas eligible for  
Homestead Preservation  
Reinvestment Zone designation



# Homestead Preservation Districts

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## City can fund affordable housing through tax increment in specified districts

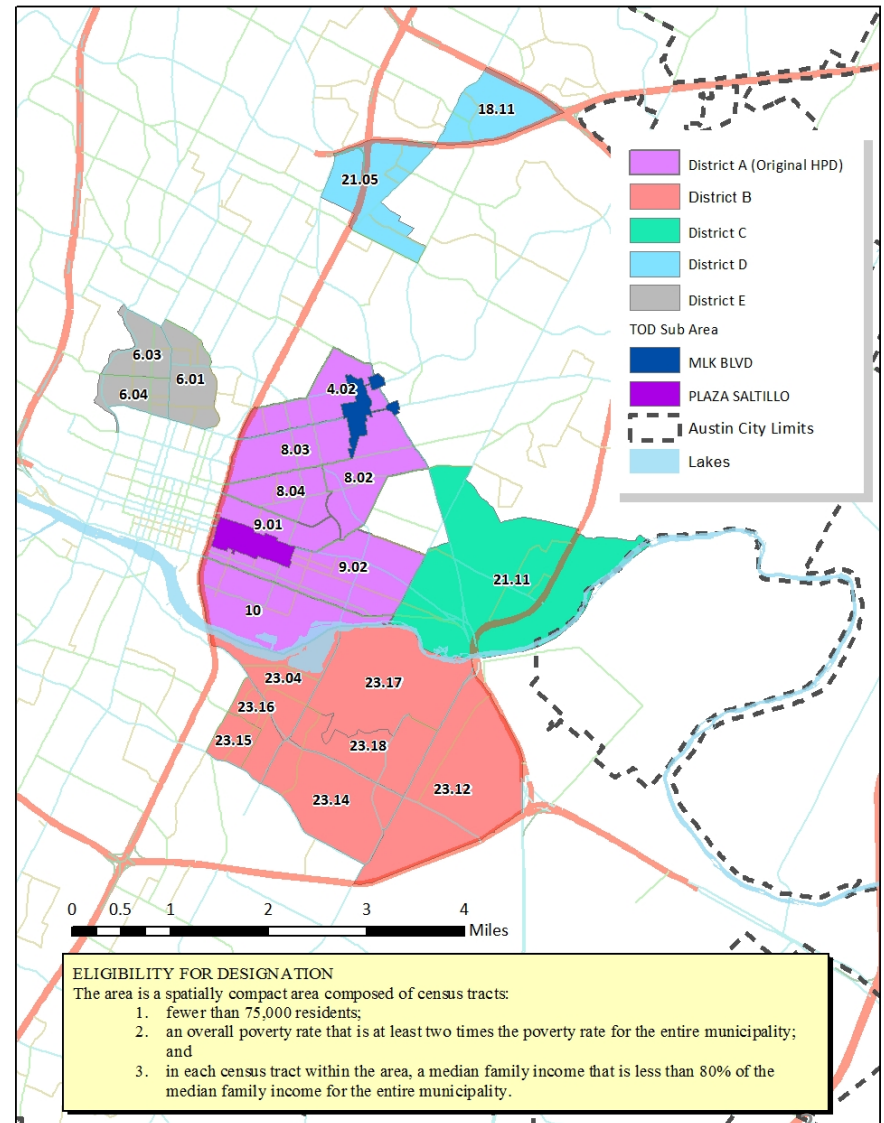
- Enabled under HB 3350 and LGC 373A
- City approved a district in 2008, but never implemented
- State law amended in 2013 to allow City to act without County

## 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

# Districts Reviewed for Eligibility Criteria

In 2013, 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.



# Council Resolution NO. 20140213-044

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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

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Neighborhood Housing and Community Development and the Finance Department have contracted with Economic & Planning Systems (EPS) and Capital Market Research (CMR) to address the Homestead Preservation District analysis through slightly different lenses in order to produce a comprehensive analysis that considers both the financial and social implications of designating Homestead Preservation Districts and the potential use of the Homestead Preservation Reinvestment Zone TIF tool.



# Goals

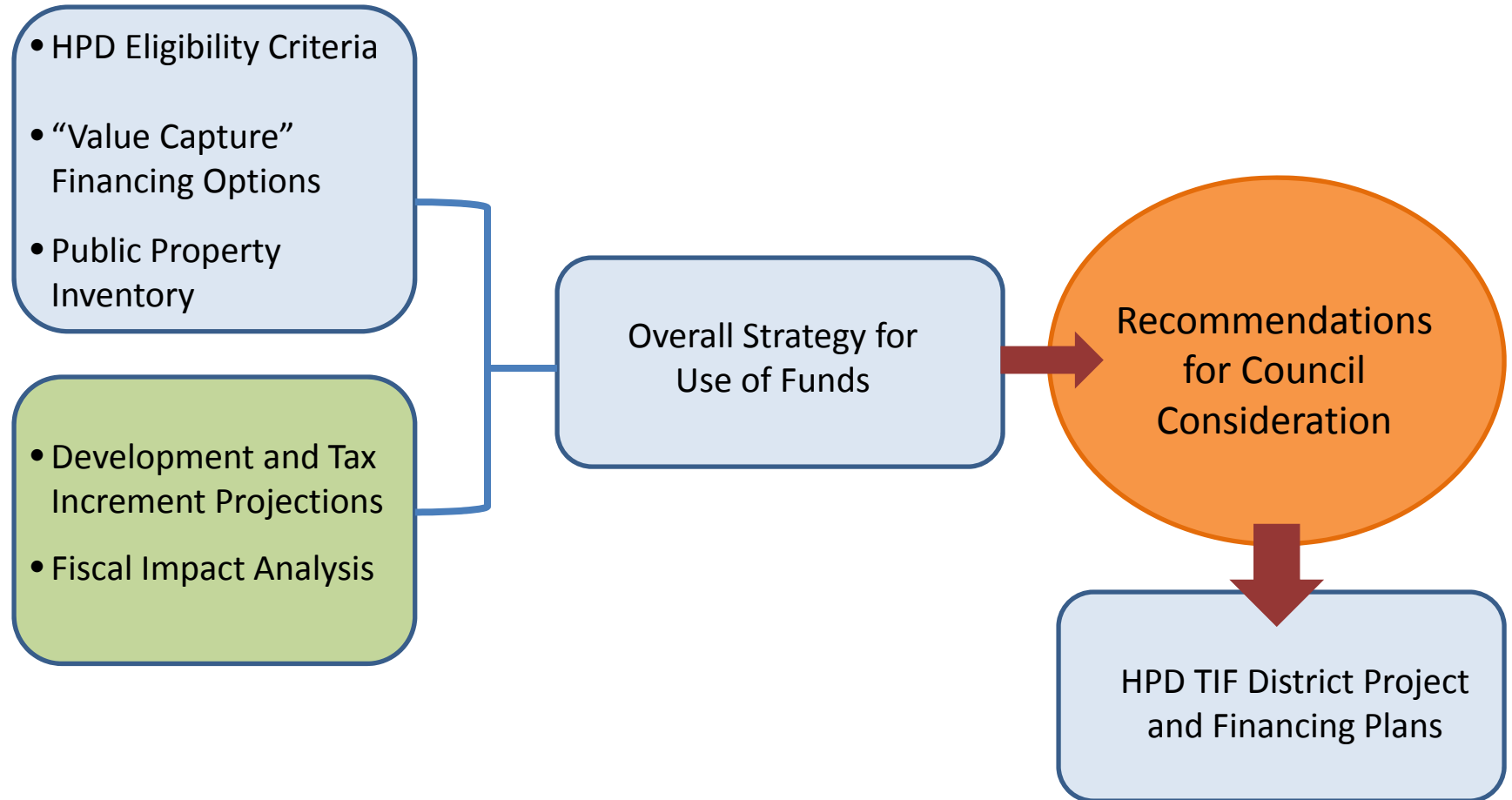
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## **Our purpose today is to discuss:**

- I. Required and Recommended HPD Eligibility Criteria
- II. Characteristics of and priorities for potential districts
- III. Value Capture Tools and Other Local Funding Resources
- IV. Tax Increment Finance Study

# HPD TIF Analysis Overview

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# HPD Eligibility Criteria

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

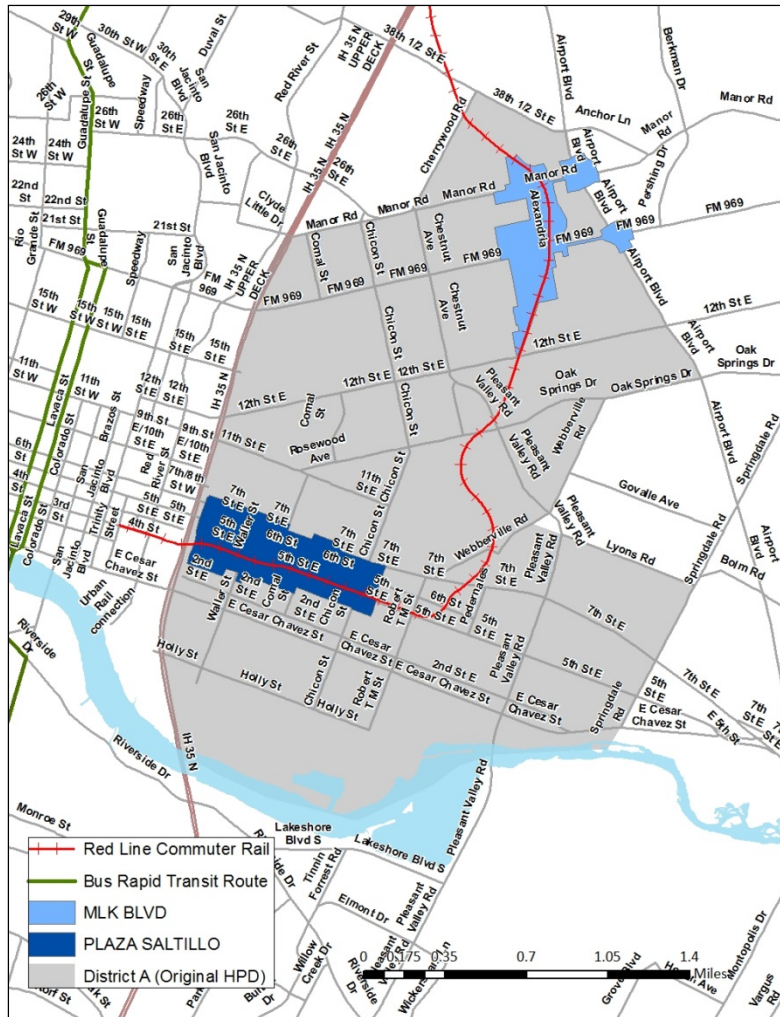
- < 75,000 residents
- 2X the City's overall poverty rate
- Median family income <80% of City's overall

**Additional recommended criteria for HPDs:**

- < 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)



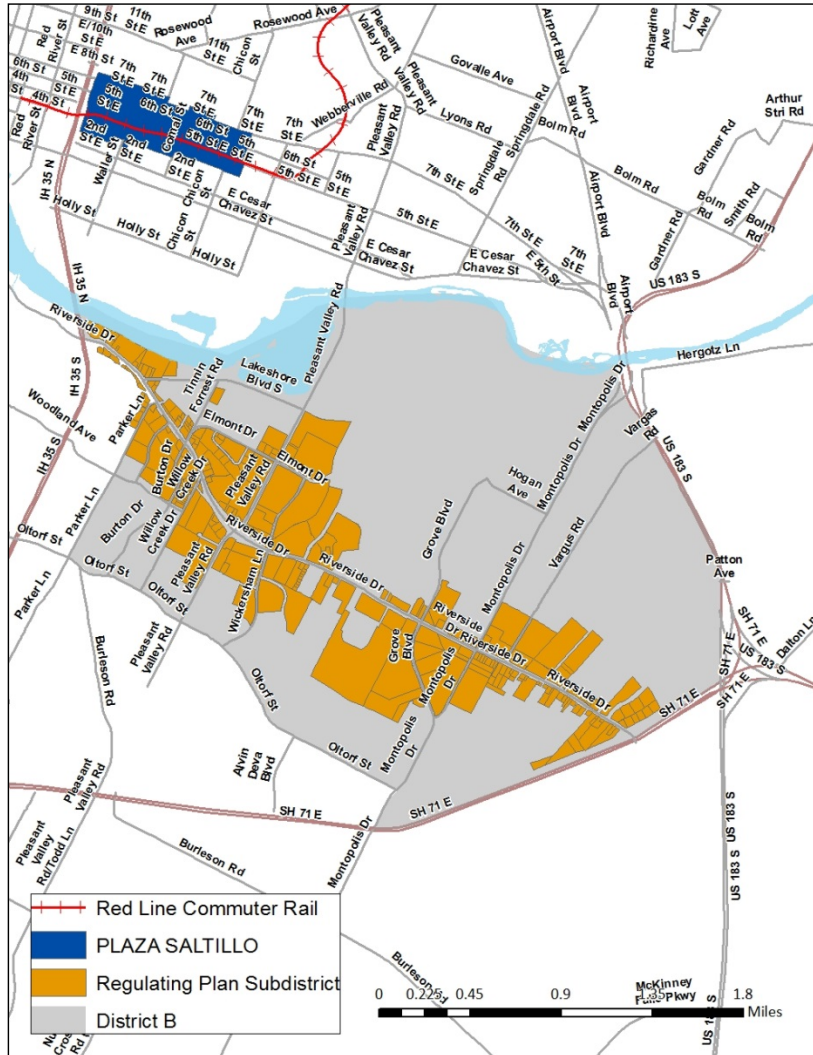
# HPD District A



- 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.

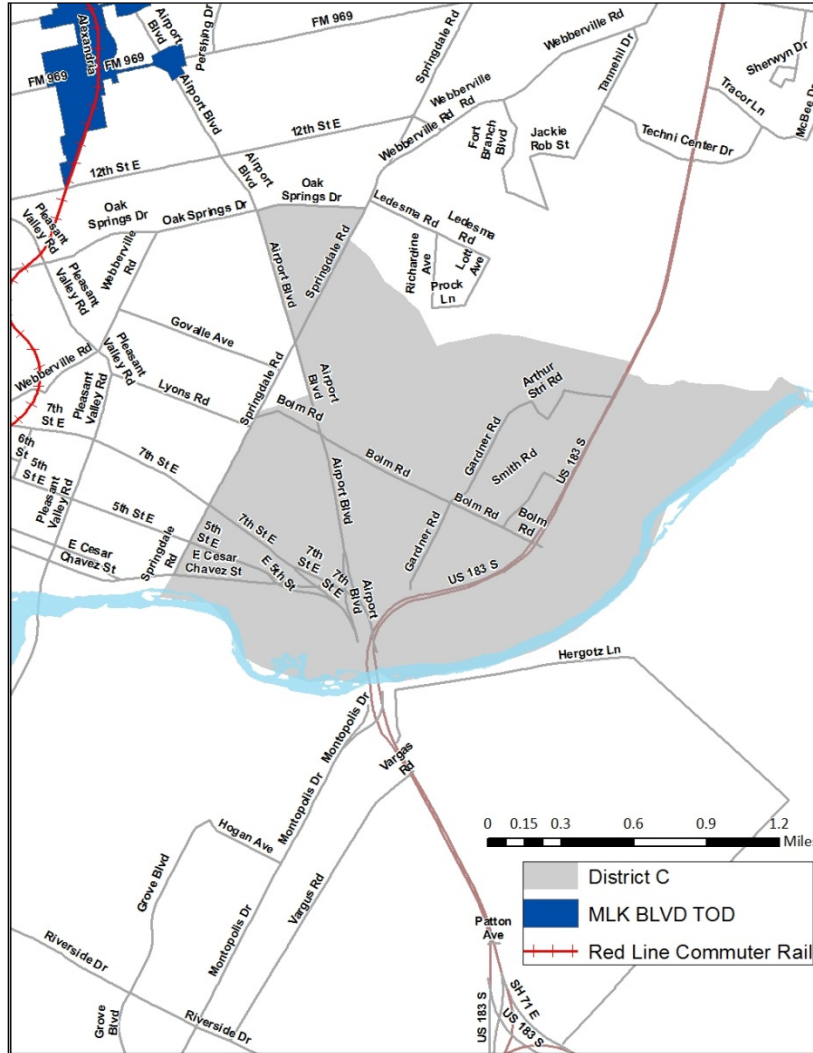
# HPD District B



- 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.

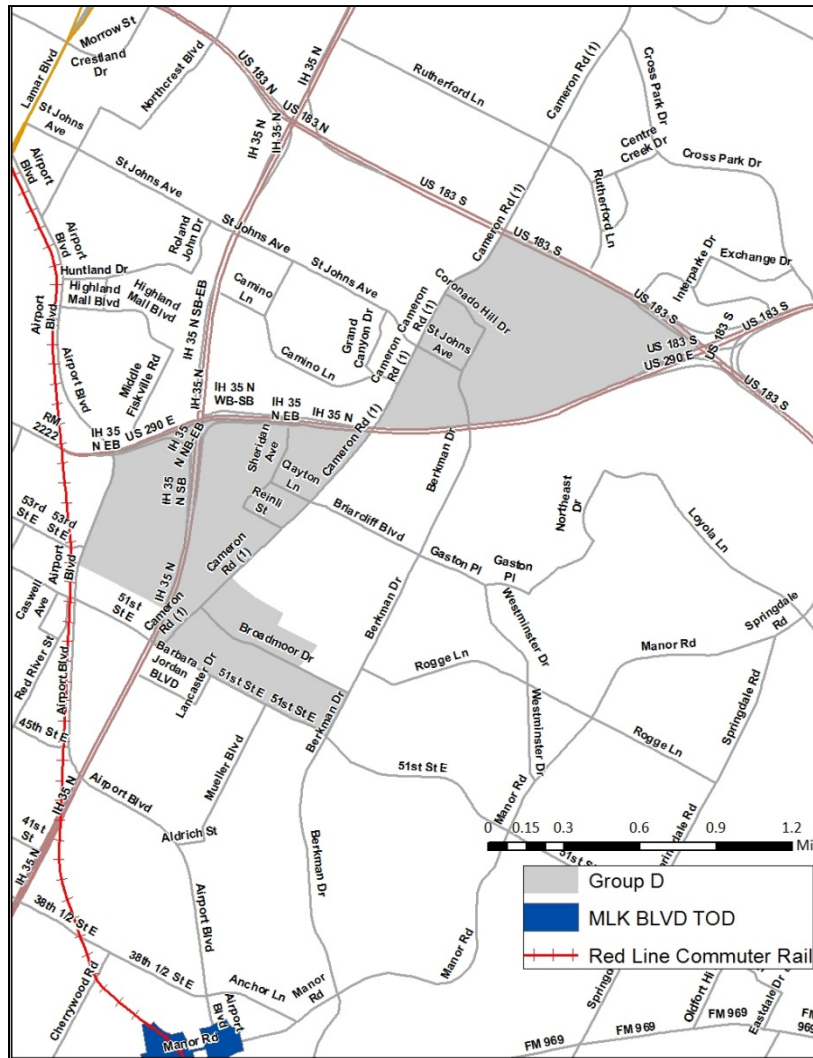
# HPD District C



- 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.

# HPD District D

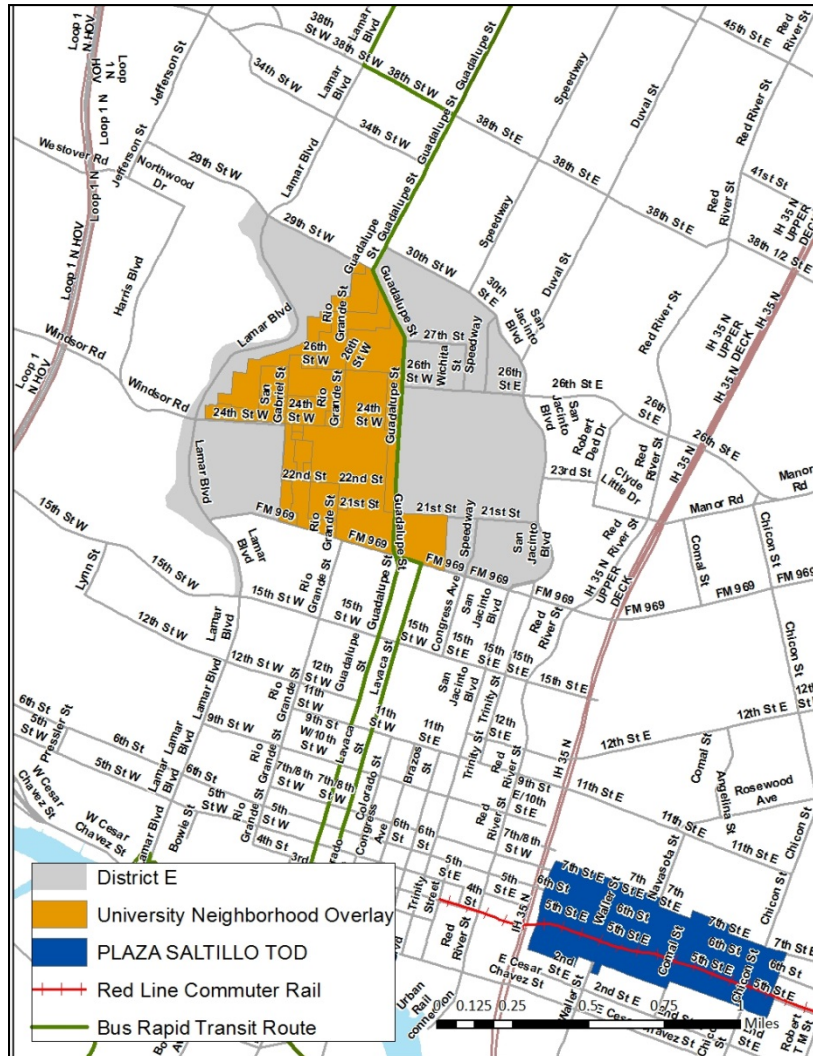


- Total population of 8,334
- Overall poverty rate of 44.32 percent
- Coronado Hills, North Loop, and Windsor Park Neighborhood Planning areas.

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.



# HPD District E



- Total population of 11,852
- overall poverty rate of 82.29 percent.
- Includes The University of Texas

Staff recommends that the eligible District E not be considered for Homestead Preservation District designation based on the particular circumstances, as students' reported income often does not reflect their available resources to meet housing costs and the City has already adopted the University Neighborhood Overlay to promote affordable housing in the area.

# Summary of Criteria by District

RECOMMENDED HPD ELIGIBILITY CRITERIA					
	<u>Total Pop.<sup>1</sup></u>	<u>% Poverty<sup>2</sup></u>	<u>Median Income<sup>2</sup></u>	<u>% Students<sup>1</sup></u>	<u>Aggregate AV</u>
<i>Standard</i>	<i>&lt;75,000</i>	<i>2 X City %</i>	<i>All Tracts &lt;80% MFI</i>	<i>&lt;50% Total Pop.</i>	<i>&lt; 4% of City Total<sup>3</sup></i>
<i>City</i>	802,140	20.3%	\$50,938 (80% MFI)	12.2%	100.0%
District A	21,551	32.3%	No	8.4%	2.2%
District B	36,685	43.6%	Yes	21.4%	1.5%
District C	4,290	41.6%	Yes	5.0%	0.3%
District D	8,606	44.3%	Yes	3.5%	0.5%
District E	22,493	82.3%	Yes	93.9%	2.1%
					6.6% Aggregate
1) Source: American Community Survey 2008-2012					
2) Source: American Community Survey 2007-2011					
3) Austin's Financial Policy limits total TIF areas to 5% of total City tax base. Existing TIF districts comprised 1% of total tax base in 2012. All figures represent 2013 assessed valuations, and are subject to update.					

# Recommended Prioritization of HPDs

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## Alphabetical Order!

1. **District A** – existing HPD has seen significant demographic change
2. **District B** – E. Riverside area with major changes planned
3. **District C** – large area in east Austin ripe for infill and change
4. **District D** – small area not yet experiencing much market pressure
5. **District E** – student housing area has UNO affordable housing

# “Value Capture” and Other Local Funding

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**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 Local Funding**

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## **“Value capture” and other approaches used elsewhere include:**

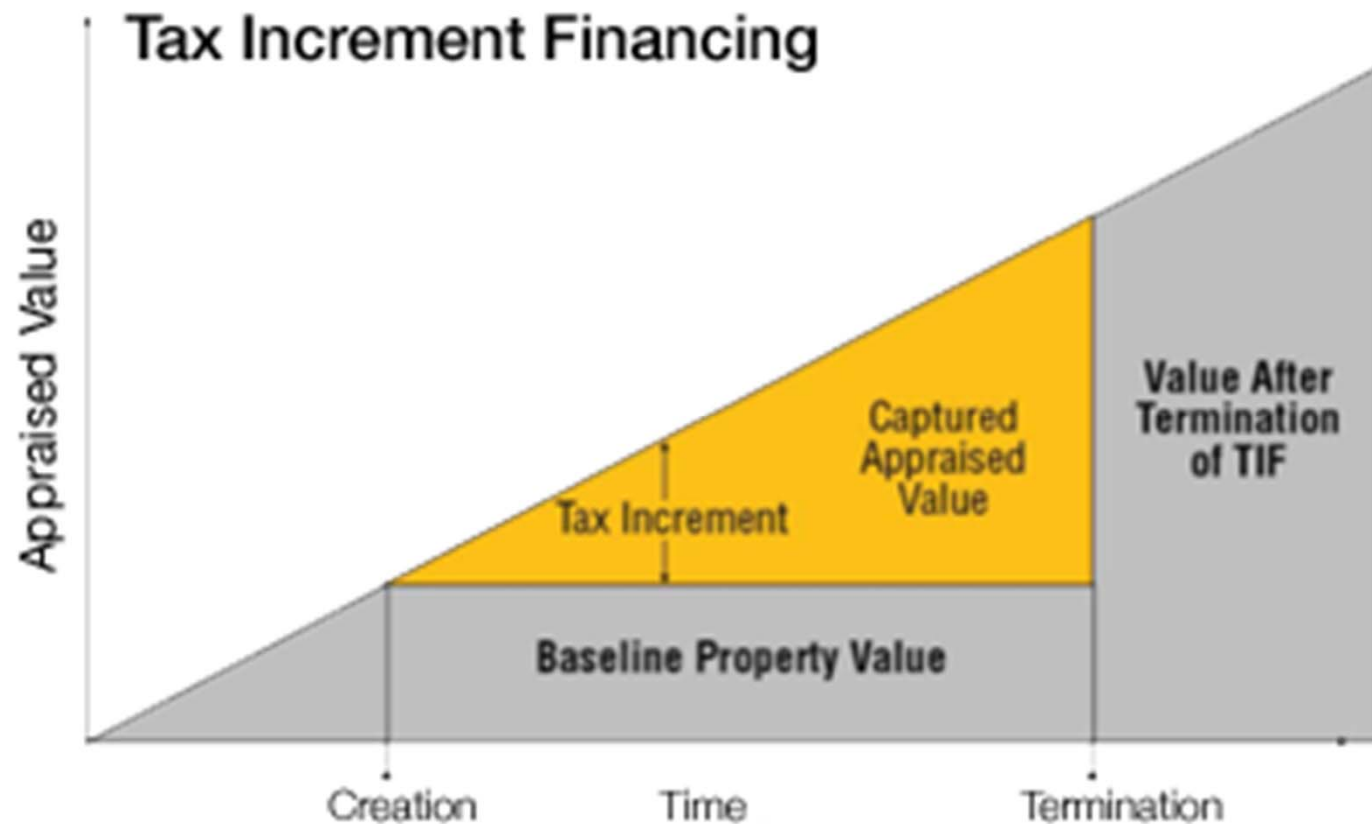
- Inclusionary zoning, in-lieu fees, and impact fees on market-rate housing
- Sales taxes, hotel taxes, “occupational privilege” tax, excise tax
- Document recording fees, commercial linkage fees

## **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 options

# HPD Fiscal Impact Analysis

How Does Tax Increment Financing Work?



# Development & Tax Increment Projections

	District A	District B	District C	District D	Total
<b>Acres</b>	2,900	3,600	1,700	830	9,960
<b>Residential Records</b>	6,579	3,099	1,082	960	13,863
<b>Total Assessed Value: 2014</b>	\$1,976,432,614	\$1,317,807,869	\$302,290,769	\$470,243,495	\$5,839,762,176
<b>Projected Growth: 2023</b>					
<b>Annual Rate*</b>	10.7%	5.5%	7.4%	3.6%	
<b>Total Value</b>	\$4,448,862,385	\$1,878,531,491	\$528,978,743	\$573,462,001	\$11,823,758,354
<b>Increment vs 2014</b>	\$2,472,429,771	\$560,723,622	\$226,687,974	\$103,218,506	\$5,983,996,178
<b>Property Tax Revenue: 2023</b>	\$11.9 million	\$2.7 million	\$1.1 million	\$.05 million	\$28.7 million

\*based on annual growth 2004-2013