

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	53609	Agenda Number	99.
Meeting Date:	12/17/2015		Department:	Finance
Subject				
<p>Conduct a public hearing and consider an ordinance creating and designating a homestead preservation reinvestment zone named "City of Austin Homestead Preservation Reinvestment Zone Number One" generally located north of the Colorado River, east of Interstate 35, west of Airport Boulevard and Springdale Road, and south of 38 1/2th Street and establishing provisions for the effective administration of the zone.</p>				
Amount and Source of Funding				
Fiscal Note				
There is no unanticipated fiscal impact. A fiscal note is not required.				
Purchasing Language:				
Prior Council Action:	<p>January 11, 2007- Council approved Ordinance 20770111-053 that created Homestead Preservation District (District) A.</p> <p>June 4, 2015- Council Resolution 20150604-051 directed City Manager to create a work plan and timeline to create a Homestead Preservation District Tax Increment Reinvestment Zone (TIRZ) in District A.</p>			
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Council Committee, Boards and Commission Action:	<p>November 18th, 2015- Presentation and policy discussion on creating HPD TIRZ at the Housing & Community Development Committee. No action was taken.</p> <p>December 9, 2015- Discussion and recommendations made at the Housing & Community Development Committee. The Committee voted 4 to 0 to recommend the creation of City of Austin Homestead Preservation Reinvestment Zone No. One to the full Council, with an increment of 10% and the length of the Zone at 10 years.</p>			
MBE / WBE:				
Related Items:				
Additional Backup Information				

Council Resolution 20150604-051 directed the City Manager to “proceed to develop a work plan and timeline to create a Homestead Preservation District Tax Increment Reinvestment Zone (TIRZ)...in Homestead Preservation District A.” In response to this resolution, staff has prepared this ordinance to create a Homestead Preservation Reinvestment Zone (Zone) under Chapter 373A of the Texas Local Government Code, consisting of area within the previously established Homestead Preservation District A.

The proposed ordinance before Council will designate and create City of Austin Homestead Preservation Reinvestment Zone No One for Homestead Preservation District A, adopt a preliminary financing plan, and provide for the reinvestment of the funds captured under the financing plan. The proposed ordinance directs that 10% of all incremental property tax revenue above 2015 tax revenue to be deposited into a Tax Increment Fund, and sets the length of the Zone at 10 years.

Homestead Preservation District A

On January 11, 2007, Council Ordinance 20070111-053 established the original Homestead Preservation District (District A). District A is delineated by 2010 US Census tracts 4.02, 8.02, 8.03, 8.04, 9.01, 9.02, and 10, and encompasses approximately 2,900 acres. It includes portions of the Upper Boggy Creek, Central East Austin, Chestnut, Rosewood, Govalle, Holly, and East Cesar Chavez Neighborhood Planning Areas. There are two Transit Oriented Development Districts (TODs) located in this District: Plaza Saltillo and MLK Boulevard. A map of District A is included in the preliminary financing plan attached to this RCA.

Local Government Code Chapter 373A, known as the Homestead Preservation District and Reinvestment Zone (Zone) Act, creates three affordable housing tools for census tracts that meet certain conditions regarding size of population, poverty rates, and median family income: Homestead Land Trust, a Homestead Preservation Reinvestment Zone, and a Homestead Land Bank Program. These tools are intended to leverage alternate financing mechanisms to encourage economic development within a defined geographic area or zone.

Criteria for Establishing an HPD

- Each HPD must have fewer than 75,000 residents;
- Each HPD must have an overall poverty rate that is at least two times the poverty rate for the entire municipality;
- In each census tract within an HPD area, the median family income must be less than 80% of the median family income for the entire municipality; and
- The City must make a finding that the land in the HPD is “unproductive, underdeveloped, or blighted.”

In 2015, Council Resolution 20150604-051 directed the City Manager to establish Homestead Preservation Districts B, C, and D, bringing the total number of HPDs in the City to four. The public hearing on each of these three districts was conducted on November 19th, 2015; Council will be requested to approve the ordinances establishing these three districts on December 17th, 2015.

Creation of Homestead Preservation Reinvestment Zone 1

Following the creation of an HPD, the City must follow several procedural steps to designate a Zone, including:

- Council must conduct a public hearing on the creation of the Zone;
- Not later than the seventh day before the date of the public hearing, the City must publish a notice of the hearing in a local newspaper of general circulation;
- The City must prepare a preliminary zone financing plan; and
- The City must provide a reasonable opportunity for property owners to protect the inclusion of their property in the proposed Zone.

On December 9th, 2015, the Housing & Community Development Committee voted 4 to 0 to recommend to the full Council the creation of the Zone with a 10% tax increment and a 10 year term.

Tax Increment Financing

The ordinance before Council which creates the Zone utilizes Tax Increment Financing (TIF), pursuant to the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code as well as Chapter 373A of the Texas Local

Government Code. A TIF captures a percentage of the incremental tax revenue above a set base tax year, dedicating those captured funds to the intended purpose of the Zone. Funds captured in the TIF of Zone 1 will be directed to the development, construction, and preservation of affordable housing within District A.

This proposed TIF would be a "Pay-As-You-Go" TIF. That is, tax revenue collected each year would be dedicated to housing programs, pursuant to Section 373A.157, in District A. The City will not use this annual incremental tax revenue to issue debt for affordable housing programs.

The preliminary financing plan is attached as part of the ordinance, and includes specific fiscal projections at various capture levels.

Upon creation of the Zone, in each subsequent fiscal year, Neighborhood Housing & Community Development will present an annual "Project Plan" for how the collected funds would be utilized. Per 373A.157 all revenue would need to be expending to benefit families that have a yearly income at or below 70% of the area median family income (MFI); with at least 50% being spent on families at or below 50% MFI; and with at least 25% being spent on families at or below 30% MFI.