

# EXHIBIT B

## City of Austin Homestead Preservation Reinvestment Zone No. 1

### **DRAFT** Preliminary Reinvestment Zone Financing Plan

City of Austin  
Financial Services Department

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## **Introduction**

Texas Local Government Code Chapter 373A, Homestead Preservation District and Reinvestment Zone (HPD), created three affordable housing tools for census tracts that meet certain conditions regarding size of population, poverty rates and median family income. The tools created were a Homestead Land Trust, a Homestead Preservation Reinvestment Zone, and Homestead Land Bank Program.

On January 11, 2007 the Austin City Council established the Homestead Preservation District, generally in the 78702 zip code, which met the eligibility criteria in 373A.052 at the time of designation. HPD District A consists of approximately 2,900 acres and 7,900 parcels as of 2015.

The creation of a Homestead Preservation Reinvestment Zone (the “Zone”) is done pursuant to Chapter 373A of Texas Local Government Code, as well as the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code.

## **Preliminary Reinvestment Zone Financing Plan**

Before adopting a Zone, a preliminary financing plan must be completed. Tax Increment Financing (TIF) is the tool used in the Zone. A TIF captures a percentage of the incremental tax revenue above a set base tax year, and dedicates those funds a newly created to the intended purpose of the Zone.

The proposed Homestead Preservation Reinvestment Zone No. 1 (Zone No. 1) for District A has approximately \$776 million in assessed valuation (Tax Year 2015), representing 2.2% of the total assessed valuation in the City of Austin. See Exhibit A for Homestead Preservation Reinvestment Zone No. 1. Of the 7,800 parcels in District A, all but two are at least 50% within the boundaries of District A. These 2 parcels are not included in Zone No. 1.

Using this 2015 tax year as the base year, the City Council will determine percentage of the increment in each subsequent tax year that will be dedicated to the development, construction and preservation of affordable housing within District A. The City Council will also determine how long the Zone will be in effect by establishing a termination date of the zone. Revenue collected will be deposited into a newly created Homestead Preservation Reinvestment Zone No. 1 Fund (the “Fund”).

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 following table illustrates the tax increment that could be generated above the 2015 base tax year, under a 100% capture scenario, (all the incremental revenue above 2015 goes into the Fund) and a 50% capture scenario. Each scenario is projected for a 10 year period, and a 20 year period.

**Table 1: Projections of Incremental Property Tax Revenue for Zone No. 1**

	<b>100% Capture</b>	<b>50% Capture</b>
1 <sup>st</sup> Year Revenue (FY17)	\$1.0 million	\$500,000
Year 10 Revenue (FY26)	\$10.4 million	\$5.2 million
<i>Cumulative 10 Yrs</i>	<i>\$56.5 million</i>	<i>\$28.3 million</i>
Year 20 Revenue (FY36)	\$24.2 million	\$12.1 million
<i>Cumulative 20 Yrs</i>	<i>\$174.2 million</i>	<i>\$87.1 million</i>

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.