



Implementation of Homestead Preservation District Tax Increment Reinvestment Zone

Financial Services Department

November 18, 2015
Housing & Community Development Committee



Today's briefing

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A vertical timeline graphic consisting of four white circles connected by a green line, positioned to the left of the four agenda items.

Recap of City Council Direction on HPDs

Tax Increment Financing Overview

Timeline/Steps to Create HPD TIRZ

Policy Issues regarding HPD TIRZ creation



Council Direction on Homestead Preservation

- **Resolution No. 20150604-051**

“City Manager ... directed to proceed with establishing Homestead Preservation Districts in the areas designated as District B, District C and District D ...”

- Public Hearing & Ordinances will be on November 19th Council meeting
- District A was previously created by City Council on 1/11/07

“City Manager ... directed to explore implementation of inclusionary zoning in Homestead Preservation Districts ...”

- Law Department has provided City Council with requested information



Council Direction on Homestead Preservation

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- **Resolution No. 20150604-051**

“City Manager .. directed 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.”

- Staff has created a work plan/timeline to allow Council to take action by the end of this calendar year



Tax Increment Financing

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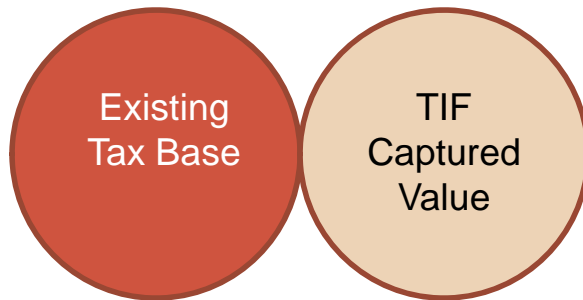
- Popular financing tool to encourage economic development within a defined geographic area or zone
 - Various Texas Code sections allow reinvestment zones, including Chapter 311 of the Tax Code; and Chapter 373A of the Local Government Code
- Sets aside property tax revenue due to assessed valuation growth in zone to use for specific purposes in zone
 - Typically public investments that stimulate economic development
- “But For” the TIF subsidy, economic development would not occur at proposed level solely from private investment in the reasonably foreseeable future
- Base year is established, and growth above that base year is the “increment”
- TIFs increase effective tax rate – the lower the “but-for” test, the bigger the increase



Tax Increment Financing

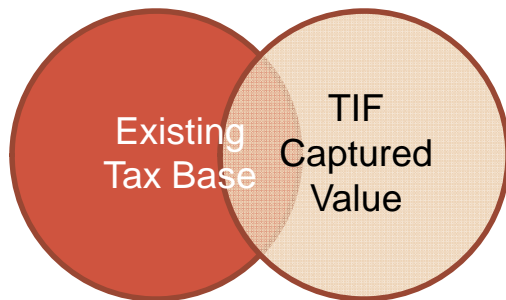
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"But-For" Scenarios



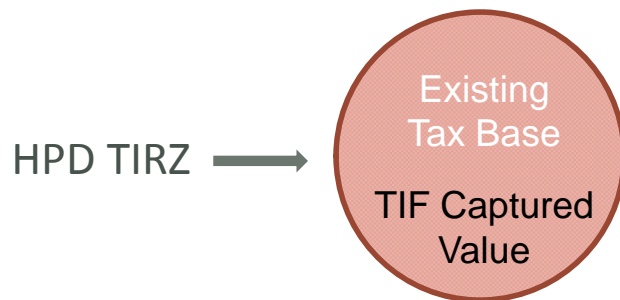
- TIF Captured Value all result of TIF public investment

Minimal Impact on Effective Tax Rate



- TIF Captured Value includes some tax value that otherwise would have occurred

Some Impact on Effective Tax Rate



- TIF Captured Value is all value that otherwise would have occurred

Larger Impact on Effective Tax Rate



Tax Increment Financing

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	HPD TIRZ (373A)	Chapter 311
Location for TIRZ	Only in HPD	City-wide
TIRZ Boundaries	Must be contiguous 100% within the HPD	Contiguous or Non-Contiguous
Zone Restrictions	Can be used in primarily Single Family areas	In each TIF, no more than 30% of private property can be for Single-Family
Permitted Use of Funds	Affordable Housing only	Any designated “project cost”
Affordable Housing	Yes; 100% on < 70% MFI; 50% on < 30% MFI	Yes; no restrictions
General Fund Revenue Impact	Yes – high	Yes – zero to low
Debt Financing	No	Yes
Subject to 5% Cap on Assessed Valuation	Yes	Yes



Timeline/Steps

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- The creation of Homestead Preservation District Tax Increment Reinvestment Zone (HPD TIRZ) is prescribed by both Chapter 311 and Chapter 373A:

Step	Council / Committee	Date
Policy Discussion on Creating HPD TIRZ	Housing & Community Development Committee	November 18, 2015
Action on HPD TIRZ Ordinance	Housing & Community Development Committee	December 9, 2015
Set Public Hearing	City Council	December 10, 2015
Conduct Public Hearing	City Council	December 17, 2015
Action on HPD TIRZ Ordinance	City Council	December 17, 2015
Financing Plan & Project Plan	City Council	Annual



Ordinance Requirements

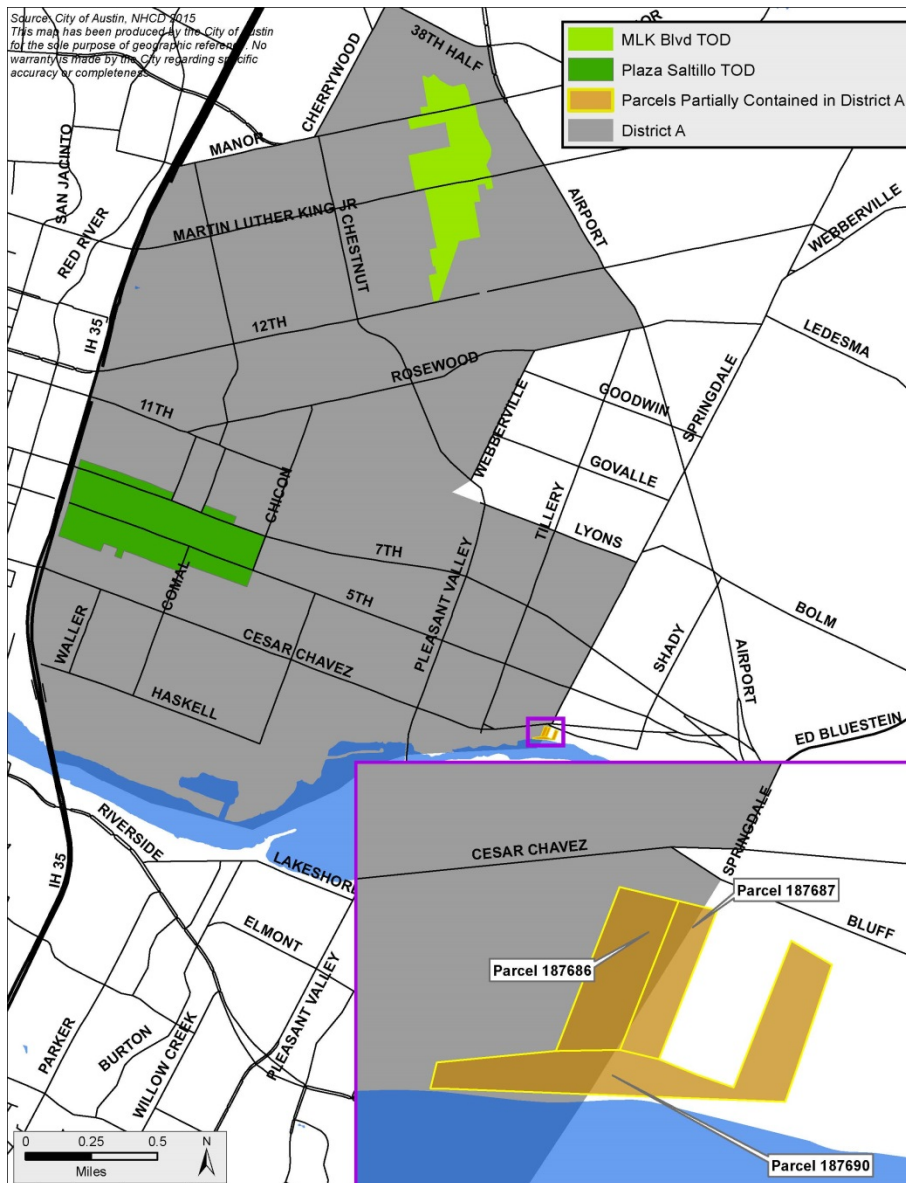
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- Describe Boundaries
- Provide a termination date for the zone
- Establish a tax increment fund
- Assign a name; i.e. “City of Austin Homestead Preservation Reinvestment Zone No. 1”
- Specify the amount (%) of tax increment to be deposited into the fund
- Contain findings that the area (i.e. the HPD) is “unproductive, underdeveloped, or blighted”



Policy Considerations

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Boundaries of HPD A TIRZ

- Properties that straddle the district boundary line
- Plaza Saltillo and MLK Transit Oriented Developments (TODs)
- Redevelopment opportunities



Policy Considerations

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- Amount of Tax Increment collected & Zone Termination Date
 - Base Year would be current tax year 2015 (FY16)

	100% Capture	50% Capture
1 st 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>

- Funds would need to be expended within HPD A boundaries
- Tax rate would automatically increase to make up for reduction in General Fund revenue
- Annual revenue collected will be basis for finance plan & project plan brought to Council each year



Policy Considerations

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Tax Increment Financing Financial Policies

- TIF zones established where revenues will recover public cost of debt with adequate safety margin
- No more than 5% of City's tax base will be in TIF zones
 - Currently at 1.3%
 - To preserve City's tax base and General Fund revenue sources
 - Limit upward pressure on tax rate
 - Consideration of other General Fund cost drivers and program needs

TIF Area	Acres	Assessed Value (AV)	% of Total City AV
Mueller	700	\$829 million	0.8 %
Seaholm	13.6	\$122 million	0.1 %
Waller Creek	126	\$776 million	0.7 %
HPD District A	2,900	\$2.4 billion	2.2 %



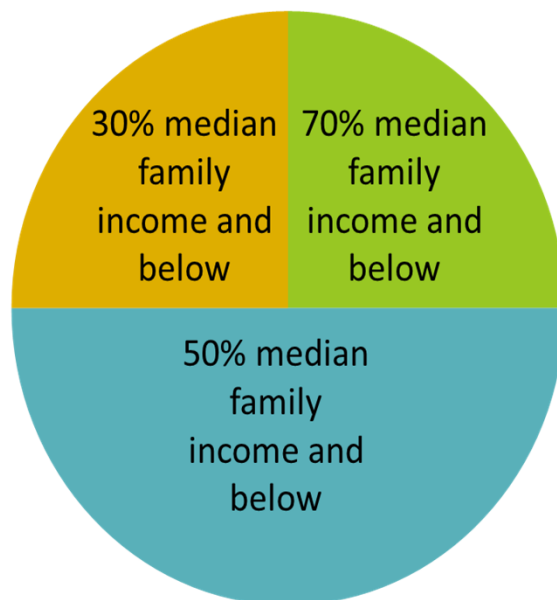
Policy Considerations

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- Other Potential TIFs recently discussed
 - Colony Park
 - ACC/Highland Mall
 - Airport Boulevard
 - Transit Corridors
 - Bull Creek / Former TxDOT parcel
 - South Central Shore Initiative
 - Other HPDs
 - Lone Star Rail District
 - Redevelopment of city-owned properties



TIRZ Reinvestment Requirements



Use of Funds

- NHCD would put TIRZ funds towards existing programs
 - Work with District A stakeholders to tailor needs
- Must be used within HPD District A



Next Steps

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Step	Council / Committee	Date
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Questions / Comments