



City of Austin

Neighborhood Housing and Community Development

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June 6, 2017

TO: Mayor and Council Members

FROM: Rosie Truelove, Interim Director
Neighborhood Housing and Community Development

SUBJECT: Revised Memorandum Item #13: June 8, 2017 Agenda Item Seeking Council Designations for Community Land Trust Organizations

On the June 8, 2017 Council Meeting Agenda, there will be a Request for Council Action from Neighborhood Housing and Community Development that will be posted as:

Approve an ordinance designating the Chestnut Neighborhood Revitalization Corporation and the Guadalupe Neighborhood Development Corporation as Community Land Trusts and granting the corporations a property tax exemption on certain properties.

Background Information

If approved, this action will enact an ordinance designating the Chestnut Neighborhood Revitalization Corporation (CNRC) and the Guadalupe Neighborhood Development Corporation (GNDC) as Community Land Trusts (CLTs). The purpose for the CLT designation is to make certain properties owned by these organizations eligible for exemption only from City of Austin *ad valorem* taxes. Both organizations have properties that are being developed for ownership housing that would be covered under the ordinance. The list of properties with estimated exemption amounts is attached.

The Texas Local Government Code, Chapter 373B, and Section 11.1827 of the Texas Property Tax Code authorizes local governments to designate non-profit organizations as CLTs by ordinance. To qualify as a CLT, an organization must be a 501(c)(3) non-profit, created to acquire and hold land for the benefit of developing and preserving long-term affordable housing within the jurisdiction of the unit of local government. Organizations designated as CLTs must provide a copy of the City Ordinance to the Travis Central Appraisal District by July 1 each year in order to receive the exemption.

Full Exemption under Other Statutes

Some of the properties under development by GNDC are already fully exempt for a limited amount of time under a provision in the Property Tax Code. Section 11.1827(c) of the Property Tax Code allows non-profit affordable housing providers a 100% exemption from property taxes for three (3) tax years while the property is being held and developed for affordable home ownership.

GNDC's exemptions for these properties under this section of the Property Tax Code expire on the earlier of end of the third tax year or when the homes are sold to a low-income buyer.

Once the homes are sold, the property will return to the tax rolls, and the homebuyer will be responsible for the payment of property taxes. GNDC is seeking designation as a CLT in the event the housing on these properties is not developed and sold within the three-year full exemption period.

Developments Underway

GNDC will soon begin construction on eight single-family homes that will be sold to low- to moderate-income buyers. The houses will be built on vacant lots in GNDC's 11-acre Guadalupe-Saldaña Subdivision. The sale of all eight houses should be completed in calendar year 2018.

CNRC is in the process of developing a 43-unit mixed-income, mixed-use ownership development in the area of East 13th and Chicon Streets. The development, known as "The Chicon," will provide affordable ownership opportunities in Central East Austin where home prices continue to escalate. Construction at The Chicon was interrupted for approximately 9 months due to issues beyond CNRC's control, so completion and sale of all units will likely occur in calendar year 2019.

In addition to rental housing to be constructed at the Guadalupe-Saldaña Subdivision, GNDC plans to build 58 affordable ownership units. With the 33 affordable units at the Chicon, this will put 91 ownership properties into some type of permanent affordability restriction: either by using the CLT ownership model or by using a Shared Equity/Right of First Refusal ownership model that enables the non-profit to re-purchase the unit and use the share of equity increase to help make the home affordable for the next buyer.

Estimated Unrealized Revenue to the General Fund for CLT Exemptions

(The information below has been taken from the Fiscal Notes attached to each year's Request for Council Action. The exemption from property tax revenue will reduce the potential revenues the General Fund receives the following year.)

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total Since Inception</u>
-\$2,395	-\$2,847	-\$1,842	\$0	-\$14,453	-\$21,537

Developments will Expand Tax Base

Although estimates of unrealized revenue through the CLT exemption amount to \$21,537 since 2013, the 51 new ownership units that will be developed by GNDC and CNRC will expand the property tax base when the homes are sold. The amount of new tax revenue these properties will generate for the City will more than offset any forgone revenue to date as the result of CLT designations.

If you have questions or would like to discuss this further, please let me know.

cc: Elaine Hart, Interim City Manager
Bert Lumbreras, Assistant City Manager

**List of Community Land Trust Organizations
and
Properties Proposed for City of Austin Tax Exemption**

1. Chestnut Neighborhood Revitalization Corporation (CNRC)

<u>Address</u>	<u>TCAD ID</u>	<u>Estimated Exemption Amount</u>
1807 East 13 th Street	#197289	\$ 5,032.18
1212 Chicon Street	#197290	1,390.24
1309 Chicon Street	#198693	2,412.53
1301 Chicon Street	#198700	4,163.85
1301 ½ Chicon Street	#198701	689.29
1305 Chicon Street	#198702	<u>1,378.59</u>
	Total	\$ 15,066.68

2. Guadalupe Neighborhood Development Corporation (GNDC)

<u>Address</u>	<u>TCAD ID</u>	<u>Estimated Exemption Amount</u>
1902 Willow Street	#189178	\$ 0.00
2800 Prado Street	#192282	839.42
705 Lydia Street	#192961	795.24
3008 Father Joe Znotas Street	#809901	0.00
3016 Father Joe Znotas Street	#809899	0.00
3009 Father Joe Znotas Street	#809907	0.00
3017 Father Joe Znotas Street	#809909	0.00
3013 Father Joe Znotas Street	#809908	0.00
3012 Father Joe Znotas Street	#809900	0.00
3025 Father Joe Znotas Street	#809911	0.00
3024 Father Joe Znotas Street	#809897	<u>0.00</u>
	Total	\$ 1,634.66

Total Estimated Exemption Amount: \$ 16,701.34

