

**ORDINANCE NO. 20151217-099**

**AN ORDINANCE CREATING AND DESIGNATING A HOMESTEAD PRESERVATION REINVESTMENT ZONE NAMED "CITY OF AUSTIN HOMESTEAD PRESERVATION REINVESTMENT ZONE NUMBER ONE"; CREATING A TAX INCREMENT BASE; ESTABLISHING A TAX INCREMENT FUND; ESTABLISHING OTHER PROVISIONS FOR THE EFFECTIVE ADMINISTRATION OF THE ZONE; AND SETTING AN EFFECTIVE DATE.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

**PART 1. Findings.** The City Council finds that:

- (A) The City has proposed the creation of a Homestead Preservation Reinvestment Zone ("the Zone") under Chapter 373A of the Texas Local Government Code for the area depicted on the map attached to and incorporated into this ordinance as Exhibit A. The boundaries of the Zone are located entirely within or are coterminous with the boundaries of the Homestead Preservation District created by Ordinance No. 20070111-053.
- (B) The City has prepared a preliminary financing plan which is attached to and incorporated into this ordinance as Exhibit B.
- (C) The Zone is necessary to accomplish the purposes of Chapter 373A of the Texas Local Government Code and will promote the ability of the City to increase home ownership, provide affordable housing, prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in disadvantaged neighborhoods and will provide the City with a means to expand and protect the homestead interests of low-income and moderate-income families living within the Zone; and
- (D) The Zone meets the requirements of Texas Local Government Code Section 373A.1521(4) in that the area contained within the Zone is unproductive, underdeveloped, or blighted as provided by Section 1-g(b), Article VIII of the Texas Constitution.

**PART 2. Creation.** A Homestead Preservation Reinvestment Zone is created for the area described in Exhibit A, and this zone is designated "City of Austin Homestead Preservation Reinvestment Zone Number One".

**PART 3. Administration of the Zone.** As provided in Texas Local Government Code Section 373A.157(a), the Zone and the tax increment fund established below in Part 7 are administered by the City Council of the City of Austin.

**PART 4. Authority of the City Council.** The City Council has the powers necessary to accomplish the purposes for which the Zone is created.

**PART 5. Tax Increment Base.** As provided by Texas Tax Code Section 311.012(c), the tax increment base for the Zone is the total taxable value, as determined by the Travis Central Appraisal District, of all real property taxable by the City of Austin and located in the Zone as of December 31, 2015.

**PART 6. Tax Increment.** As required by Texas Tax Code Section 311.012(a), the City's tax increment for a year is the amount of property taxes levied and assessed by the City for that year on the captured appraised value of real property taxable by the City and located in the Zone.

**PART 7. Tax Increment Fund.** A Tax Increment Fund for the Zone is established. The Tax Increment Fund may be divided into accounts and subaccounts as authorized by the City Council. A tax increment derived from City ad valorem taxes in the amount of 10% of the City increment must be deposited into the Tax Increment Fund by the City. The Tax Increment Fund including an account or subaccount shall be maintained at the City's depository bank and secured as prescribed by state law.

**PART 8. Zone Effective Date and Termination Date.** The Zone shall take effect on December 31, 2015 and shall terminate on December 31, 2025.

**PART 9. Severability.** If any section, paragraph, clause, or provision of this ordinance is for any reason held to be invalid or unenforceable, the invalidity or unenforceability of that section, paragraph, clause, or provision shall not affect any of the remaining provisions of this ordinance.

**PART 10.** This ordinance takes effect on December 28, 2015.

**PASSED AND APPROVED**

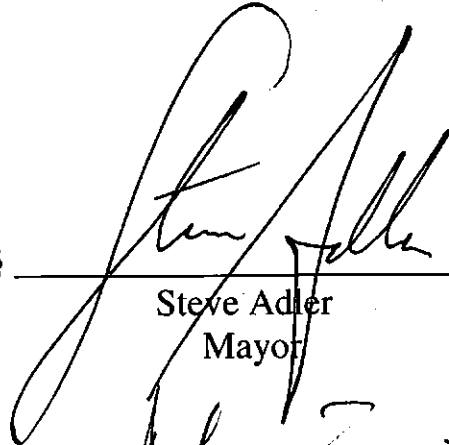
December 17, 2015

**APPROVED:**



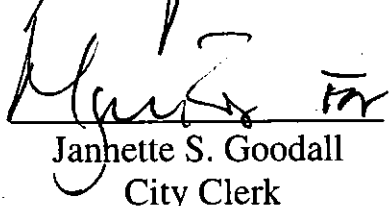
Anne L. Morgan  
City Attorney

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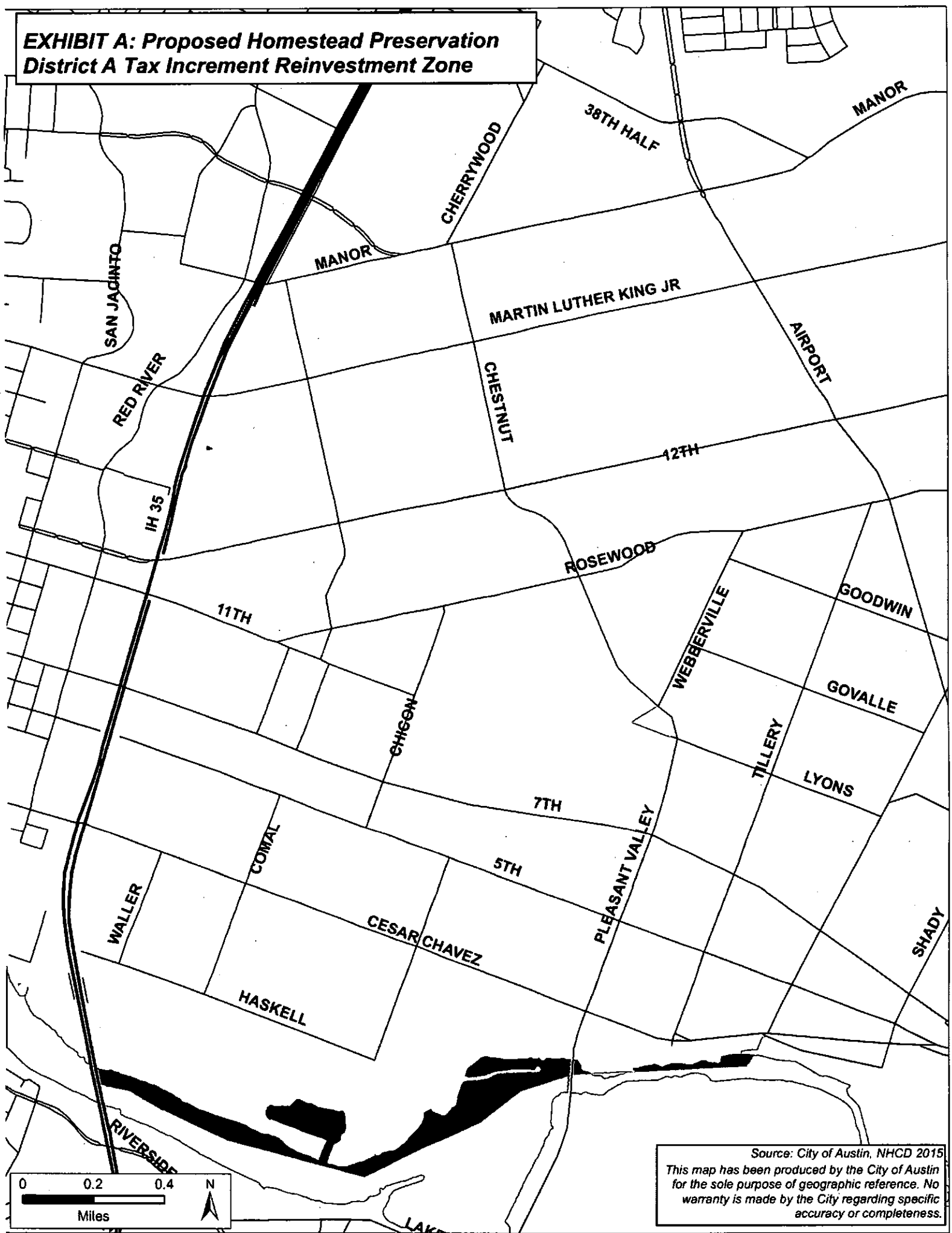
Steve Adler  
Mayor

**ATTEST:**



Janhette S. Goodall  
City Clerk

**EXHIBIT A: Proposed Homestead Preservation  
District A Tax Increment Reinvestment Zone**



# **EXHIBIT B**

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

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

**City of Austin  
Financial Services Department**

**December 2015**

## **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.