



# City of Austin

This report is responsive to Resolution No. 20130627-72 (see exhibit A) directing staff to analyze the impacts of HB 3350 (see exhibit B) and present necessary City Code amendments so that Homestead Preservation Districts can be created.

*The City Manager is directed to analyze the impacts of HB 3350 and present a legal and fiscal analysis, potential boundaries and included property classes along with necessary Code amendments in order to align current City code with state law so that homestead preservation districts can be created as soon as possible.*

## Background

Local Government Code Chapter 373A, Homestead Preservation District and Reinvestment Zone (HPD), was originally introduced to the Texas Legislature by Representative Eddie Rodriguez in 2005. In 2007, at the City of Austin's request, the legislation was amended to require County participation in any HPD Tax Increment Financing Zone or Homestead Preservation Reinvestment Zone. On January 11, 2007, Council Ordinance 20070111-053 (see exhibit C) established the original Homestead Preservation District (see Figure 2).

Texas Local Government Code Chapter 373A created three affordable housing tools specifically for seven census tracts in central East Austin, as follows:

- *Homestead Preservation Reinvestment Zone:* Allows the use of tax increment financing (TIF) to finance the creation and preservation of affordable housing in the district. In 2008, City Council approved Ordinance No. 20081218-114 (see exhibit D) creating and designating the area within the HPD as Homestead Preservation Reinvestment Zone Number One and establishing the HPRZ TIF. The Travis County Commissioners' Court did not approve the TIF and the ordinance expired on March 31, 2009.
- *Homestead Land Trust:* Allows Council to designate one or more community land trusts to operate within the district and access TIF funds. In 2008, Council approved an Ordinance No. 20081016-014 (see exhibit E) designating Austin Housing Finance Corporation, Travis County Housing Finance Corporation and PeopleTrust to operate as HPD Land Trusts.
- *Homestead Land Bank Program:* Allows the City of Austin to operate a Land Bank program, through which vacant properties subject to tax foreclosure are made

available for affordable housing. Legislation specifies that properties in tax foreclosure may be sold to the land bank if<sup>1</sup>:

- (1) that market value of the property is less than the total amount owed on the property including all taxes, penalties, etc.;
- (2) The property is not improved with a building or buildings;
- (3) There are delinquent taxes on the property for at least five years; and
- (4) The municipality has executed an interlocal agreement with the other taxing units.

These specific requirements limit the number of properties eligible for the Homestead Land Bank Program. In 2008 and again in 2010, staff research determined that no developable properties in the original Homestead Preservation Reinvestment Zone (HP District A) fit the requirements contained in the statute.

### **2013 Amended Legislation**

Chapter 373A was again amended in 2013 by Representative Rodriguez (Senate Sponsor Watson). The intent of the legislation was to expand the areas eligible for a homestead preservation district beyond areas contiguous to a central business district. The following outlines the changes to the legislation.

The current legislation stipulates to qualify as a Homestead Preservation District:

- The potential district must have fewer than 75,000 residents (increased from the previous 25,000 residents requirement);
- The overall poverty rate of the potential district must be at least two times the entire poverty rate for the City; and,
- Each census tract in the district must have a median income that is less than 80 percent of the City of Austin overall median family income (from 60 percent).

The legislation eliminates the following HPD qualifying criteria:

- Fewer than 8,000 household limit;
- The number of owner-occupied households not to exceed 50 percent of total households;
- Fifty-five percent of housing stock to be at least 45 years old;
- Unemployment rate greater than 10 percent; and
- Requirement that the district be contiguous to the Central Business District.

---

<sup>1</sup> Texas Local Government Code 373A.208.

The 2013 amendments also eliminate the requirement that a Homestead Preservation Reinvestment Zone TIF can only be established if the county participates. If the county chooses to participate it:

- Must adopt a final order that agrees to the creation of the zone, the zone boundaries, and the termination date of the zone;
- Pay into the TIF at an equal amount as the City; and
- The county is the only taxing unit entitled to receive the required annual report.

### **Eligibility for Designation of New Districts**

The poverty rate for the City of Austin is 20.30 percent. This rate is higher than the entire state which is 17 percent and the nation at 14.3 percent. The median family income for a family of four in the City of Austin is \$63,672. For a district to qualify each census tract must have a median family income that is less than 80 percent of the City of Austin overall median family income, and the overall poverty rate for the district must be at least 40.6 percent. Over 100,000 undergraduate and graduate students live within the City of Austin, according to data from the Census Bureau's 2011 American Community Survey (the latest data available). This population of college students— who may have low levels of household income--can inflate the City's overall poverty rate. And while most of these students may technically live below the poverty line they may not actually be impoverished. This inflated rate makes it difficult to find areas in the City that meet the two times the poverty rate criteria.

### **Methodology for determination of Potential New Districts<sup>2</sup>**

Staff conducted analysis using City of Austin geographical information systems datasets and U.S. Census Bureau data to identify potential Homestead Preservation Districts.

- Identified census tracts with a median family income (MFI) less than 80 percent of the City of Austin's \$63,672 MFI
- Calculated the poverty rate of each census tract with an MFI less than 80 percent (see exhibit F: Map 1)
- Grouped census tracts to meet the requirements of: Contiguous census tracts with an overall poverty rate equal to at least two times the municipality's poverty rate of 20.30 percent (see exhibit F: Map 2)

Chapter 373A permits multiple districts to be designated as Homestead Preservation Districts. Staff has identified 5 potential districts (see figure 1 / exhibit F: map 3) that meet the legislative requirements: all census tracts MFI less than 80 percent and combined have an overall poverty rate of 40.6 percent or above.

---

<sup>2</sup> Analysis based on data provided by the U.S. Census Bureau American Community Survey 2011 5yr Estimates

## Evaluation of Current and Potential Homestead Preservation Districts

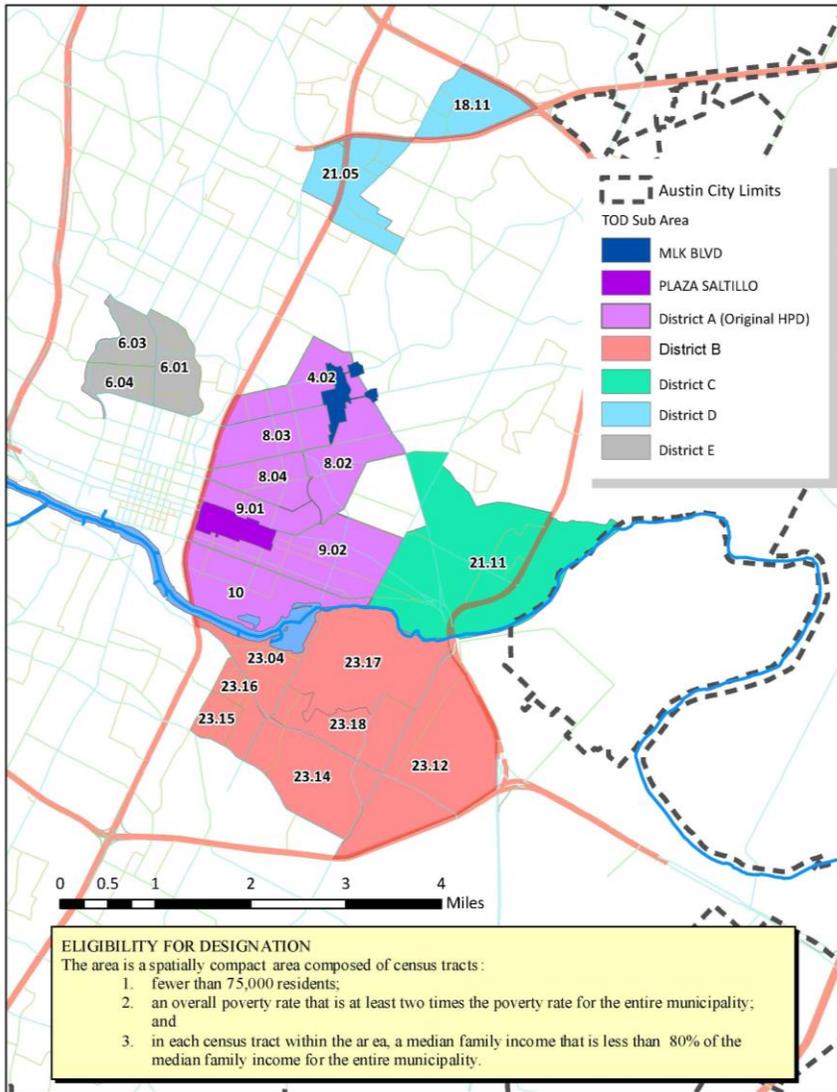


Figure 1: Existing and Potential Homestead Preservation Districts

Further analysis of the potential districts considers each district relative to:

- The City of Austin Neighborhood Planning Areas (exhibit F: Map 4)
- The CAMPO 2013 Transportation Network (exhibit F: Map 5)
- The Imagine Austin Growth Concept Map (exhibit F: Map 6)

**District A (existing Homestead Preservation District)**

**(Census Tracts: 4.02, 8.02, 8.03, 8.04, 9.01, 9.02, 10)**

An area designated as a district under Chapter 373A, may retain its designation as a district regardless of whether the area continues to meet the eligibility criteria. The current HPD continues to be a valid district as it has remained intact and not dissolved by ordinance. Evaluation of the current census tracts within the HPD no longer meets the criteria set forth in the legislation. This is primarily due to the fact that the overall poverty rate of the district is no longer two times the poverty rate for the entire municipality. This means that, while the HPD can continue to exist in its current configuration, the boundaries cannot be changed.

This district has a total population of 20,379 and an overall poverty rate of 32.27percent. This Homestead Preservation District includes the MLK Blvd Transit Oriented Development and Plaza Saltillo TOD Transit Oriented Development, as well as the Upper Boggy Creek, Central East Austin, Chestnut, Rosewood, Govalle, Holly, and East Cesar Chavez Neighborhood Planning Areas.

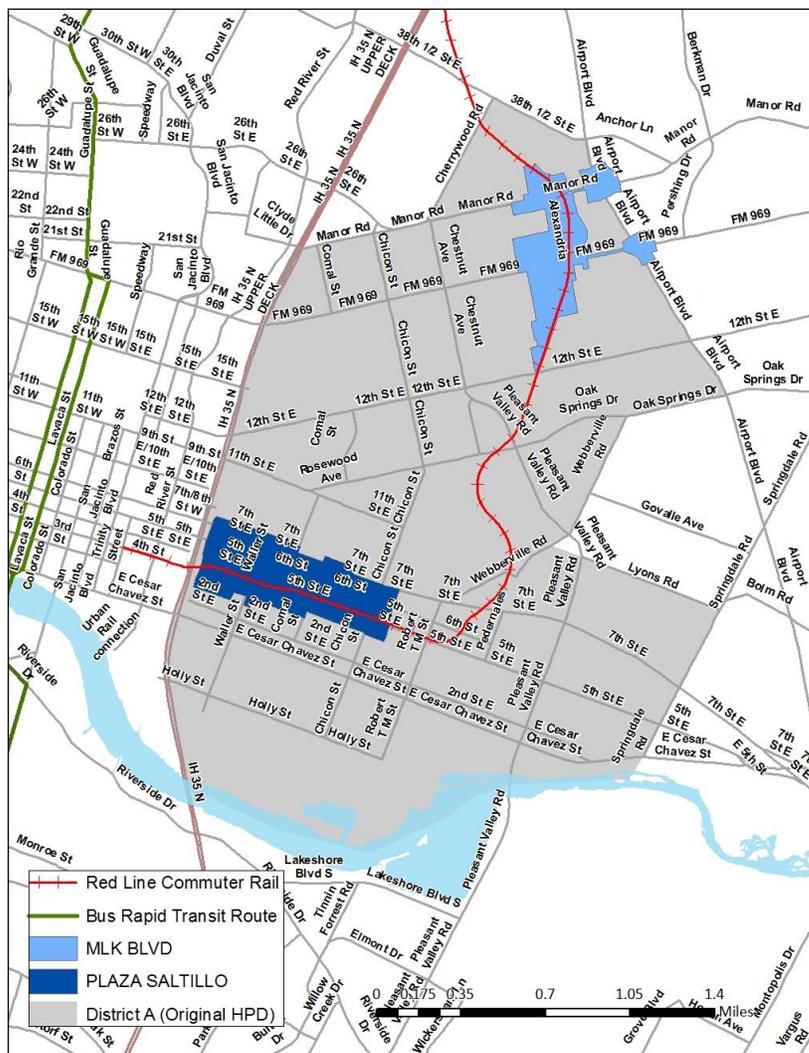


Figure 2: HP District A

## District B

(Census Tracts: 23.04, 23.12, 23.14, 23.15, 23.16, 23.17, 23.18)

The potential district has a total population of 35, 486 and an overall poverty rate of 43.61percent. This District includes the East Riverside Corridor planning area and future development will be subject to the East Riverside Corridor (ERC) Master Plan, adopted in 2010, and the Regulating Plan for the East Riverside Corridor Zoning District, adopted in 2013. These documents provide standards for land use, site development, building design, connectivity and streetscape, and development bonus. Standards for individual properties are determined by the designated ERC Subdistrict. The Imagine Austin Future Growth Concept map identifies a large Neighborhood Center in the middle of this potential Homestead Preservation District. In addition to the East Riverside Corridor planning area, this proposed district encompasses the Montopolis, Pleasant Valley, and the majority of the Riverside Neighborhood Planning Areas.

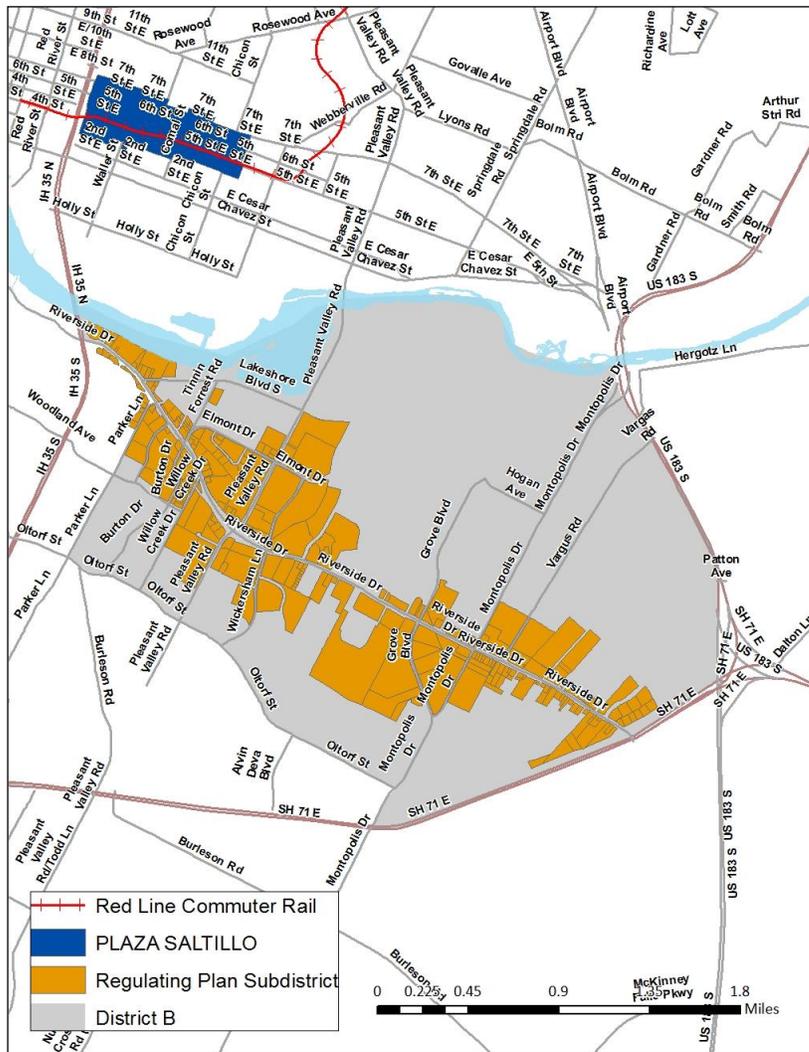


Figure 3: HP District B

**District C  
(Census Tracts: 21.11)**

The potential district has a total population of 4,354 an overall poverty rate of 41.57percent and includes the Johnston Terrace Neighborhood Planning Area, and portions of the Govalle Neighborhood Planning Area. This district also includes as area designated by the Imagine Austin Future Growth Concept Map as a Neighborhood Center.

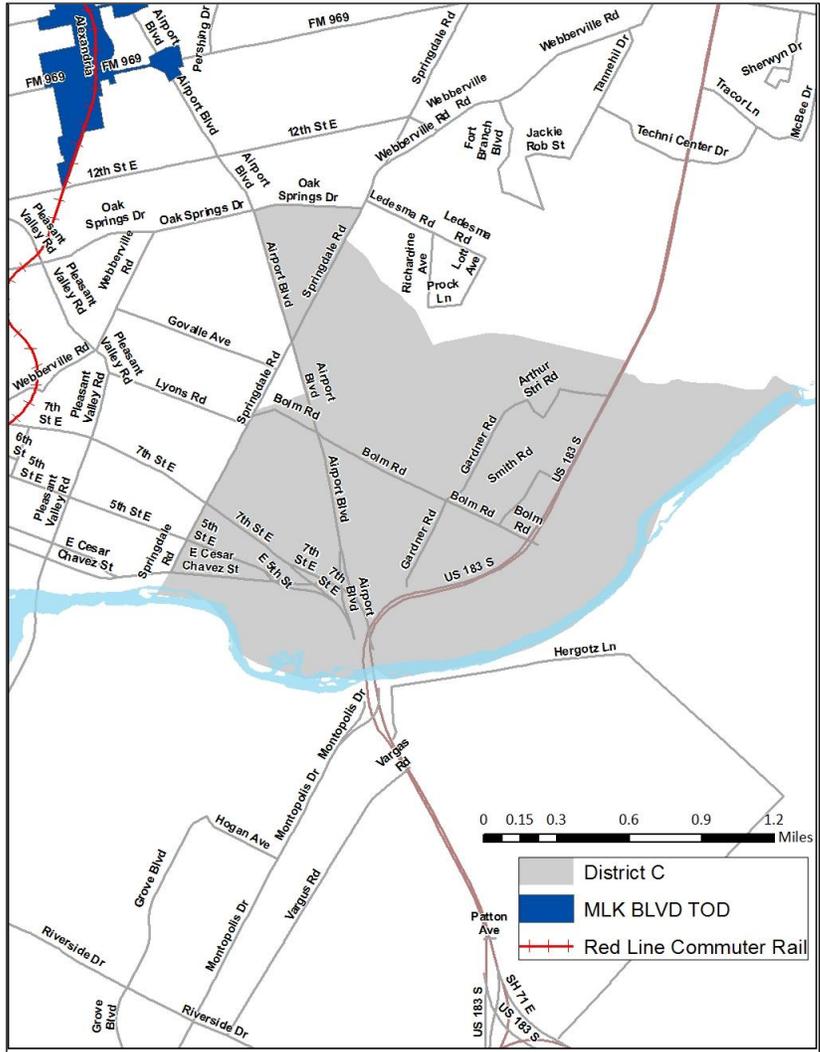


Figure 4: HP District C

**District D**  
**(Census Tracts: 18.11, 21.05)**

The potential district has a total population of 8,334 and an overall poverty rate of 44.32percent and includes the Coronado Hills, North Loop, and Windsor Park Neighborhood Planning area. This district also overlaps with an area designated as a Regional Center on the Imagine Austin Future Growth Concept Map.

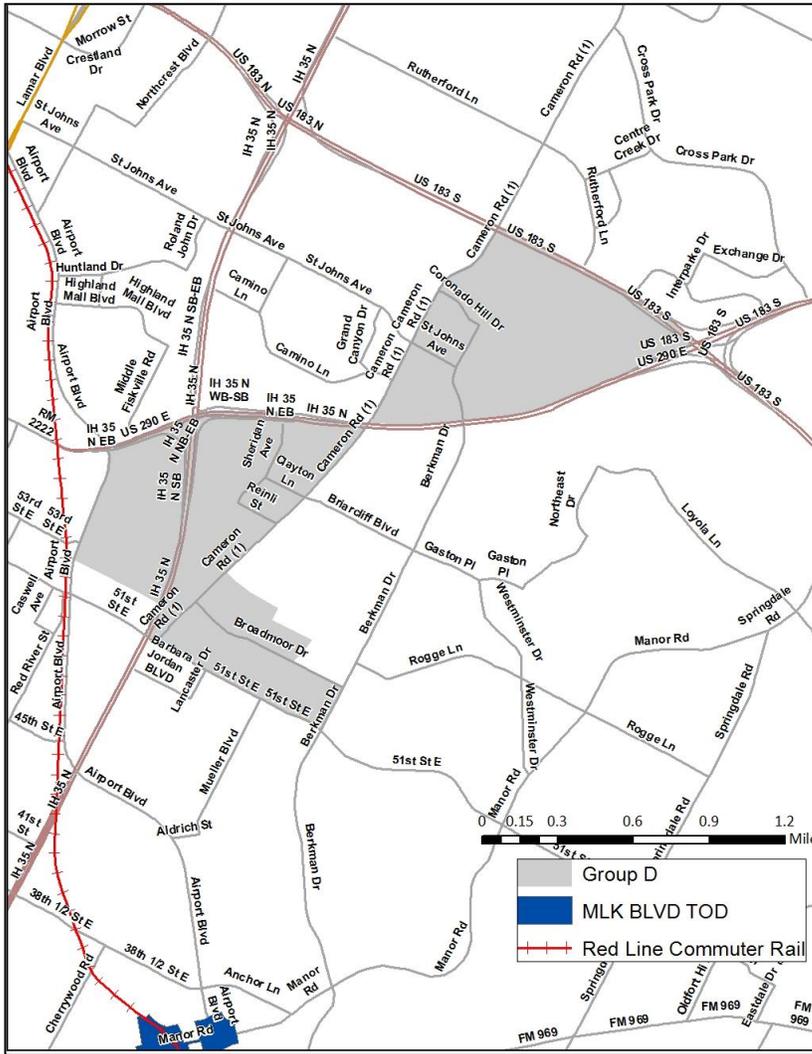


Figure 5: HP District D

**District E  
(Census Tracts: 6.01, 6.03, 6.04)**

This potential district has a total population of 11,852 and an overall poverty rate of 82.29percent. The University of Texas is located within this district and the concentrated student population skews the area demographics resulting in a combined poverty rate of 82.29percent for these three census tracts. Staff recommends that the eligible District E not be considered for Homestead Preservation District designation based on the particular circumstances.

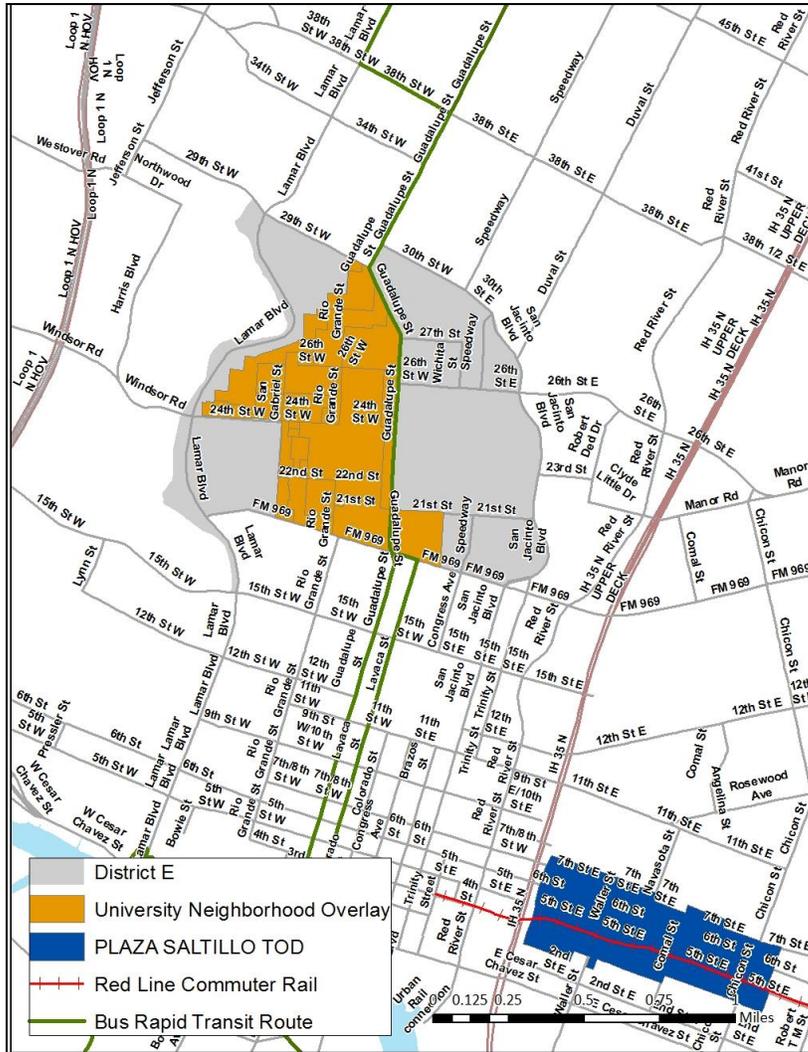


Figure 6: HP District E

## Financial Analysis

The Combined taxable value for the census tracts that make up the 5 eligible districts is approximately \$4.65 billion. The total taxable value for the 4 recommended Homestead Preservation Districts is approximately \$3.1 billion. This is approximately 3.5percent of the City's entire \$88.5 billion assessed valuation.

	<b>Census Tract</b>	<b>2012 Taxable Value</b> (\$ millions)
<b>District A</b>	4.02	\$197.1
	8.02	\$134.0
	8.03	\$233.5
	8.04	\$157.4
	9.01	\$171.0
	9.02	\$438.9
	10	\$281.6
		<b>Total Value</b>
<b>District B</b>	23.04	\$274.5
	23.12	\$211.3
	23.14	\$176.2
	23.15	\$76.9
	23.16	\$97.2
	23.17	\$72.4
	23.18	\$199.9
		<b>Total Value</b>
<b>District C</b>	21.11	\$259.7
		<b>Total Value</b>
<b>District D</b>	18.11	\$90.4
	21.05	\$21.5
		<b>Total Value</b>
<b>District E</b>	6.01	\$125.1
	6.03	\$850.9
	6.04	\$580.7
		<b>Total Value</b>

Staff is poised to assist the City Council as they consider further direction regarding policy priorities and goals as it relates to creation of any new Homestead Preservation District(s). Council's continued discussion and direction on the creation of new districts, would serve as the basis and scope for staff's effort to develop a financing and funding plan for any of these potential districts. A financing plan would be developed in the context of an overall Affordable Housing financing strategy. One component of a financial plan for any new district would be a consultant led effort to conduct a market analysis study of each of the new districts, using land use and market data information to project future property values.

This analysis would consider policy implications for each Homestead Preservation District. This study would serve to inform the development of the overall financing plan for any new Homestead Preservation District(s). A proposed financing plan would include recommendations on using value capture and/or other funding tools to accomplish the Council's priorities.

It should be noted that in the legal analysis responsive to this Resolution, in order to create a Homestead Preservation Reinvestment Zone (HPD TIF) the TIF ordinance must contain findings that the area is underproductive, underdeveloped, or blighted. The Homestead Preservation District legislation does not specify criteria for determining whether land is unproductive, underdeveloped or blighted. As so, the legal analysis concludes that a reasonable interpretation of the law is that a city should create criteria as to what constitutes an unproductive, underdeveloped, or blighted area. The legal analysis provides Texas Tax Code 311.005 Criteria for Reinvestment Zone as example criteria. Staff recommends that, although the tax code does not directly apply to the Homestead Preservation Reinvestment Zone, that it should serve as a starting point for establishing the criteria.

**Attachments:**

Exhibit A: Resolution No. 20130627-72

Exhibit B: HB 3350

Exhibit C: Ordinance 20070111-053

Exhibit D: Ordinance No. 20081218-114

Exhibit E: Ordinance No. 20081016-014

Exhibit F:       Map 1: Census Tracts with MFI of less than 80percent by Poverty Rate  
                  Map 2: Eligible Homestead Preservation Districts – Poverty Rate by Census Tract  
                  Map 3: Eligible Homestead Preservation Districts  
                  Map 4: Eligible Homestead Preservation Districts – Neighborhood Planning Areas  
                  Map 5: Eligible Homestead Preservation Districts – Imagine Austin Growth Concept  
                  Map 6: Eligible Homestead Preservation Districts – CAMPO 2035 Transportation  
                  Network

# Exhibit A

**RESOLUTION NO. 20130627-072**

**WHEREAS**, since 2005, the City of Austin has worked to institute a homestead preservation district to address affordability issues for homeowners; and

**WHEREAS**, House Bill 3350 addresses concerns previously expressed by other jurisdictions and enhances the statutory language allowing for the expansion of boundaries of a district; and

**WHEREAS**, City Council passed Resolution 20130411-033 amending its legislative agenda supporting passage of HB 3350 and has filed previous resolutions supporting both the creation of homestead preservation districts and the funding mechanisms necessary to establish the districts; and

**WHEREAS**, HB 3350 takes effect September 1, 2013; and

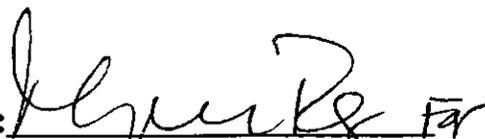
**WHEREAS**, it is the desire of the City Council to begin preparations for the creation of a new homestead preservation district that complies with state law as amended by House Bill 3350; **NOW, THEREFORE,**

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

The City Manager is directed to analyze the impacts of HB 3350 and present a legal and fiscal analysis, proposed boundaries and included property classes along with necessary Code amendments in order to align current City code with state law so that homestead preservation districts can be created as soon as possible.

**ADOPTED:** June 27, 2013

**ATTEST:**

  
Jannette S. Goodall  
City Clerk

City Clerk

## Exhibit B

AN ACT

relating to homestead preservation districts and reinvestment zones.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 373A.051(a), Local Government Code, is amended to read as follows:

(a) To promote and expand the ownership and rental of affordable housing and to prevent the involuntary loss of homesteads by existing homeowners and renters living in the area, the governing body of a municipality by ordinance may designate as a homestead preservation district an area in the municipality that is eligible under Section 373A.052.

SECTION 2. Section 373A.052(a), Local Government Code, is amended to read as follows:

(a) To be designated as a district within a municipality described by Section 373A.003(a) under this subchapter, an area must be composed of census tracts forming a spatially compact area [~~contiguous to a central business district and~~] with:

(1) fewer than 75,000 [~~25,000~~] residents;

(2) [~~fewer than 8,000 households,~~

~~(3) a number of owner-occupied households that does not exceed 50 percent of the total households in the area,~~

~~(4) housing stock at least 55 percent of which was built at least 45 years ago,~~

1           ~~[(5) an unemployment rate that is greater than 10~~  
2 ~~percent,~~

3           ~~[(6)]~~ an overall poverty rate that is at least two  
4 times the poverty rate for the entire municipality; and

5           (3) ~~[(7)]~~ in each census tract within the area, a  
6 median family income that is less than 80 ~~[60]~~ percent of the median  
7 family income for the entire municipality.

8           SECTION 3. Section 373A.152, Local Government Code, is  
9 amended by adding Subsection (b) to read as follows:

10           (b) A county may participate in a homestead preservation  
11 reinvestment zone established by a municipality under Subsection  
12 (a) by adopting a final order:

13           (1) agreeing to the creation of the zone, the zone  
14 boundaries, and the zone termination date specified by the  
15 municipality under Section 373A.1521(1); and

16           (2) specifying an amount of tax increment to be  
17 deposited by the county into the tax increment fund that is equal to  
18 the amount of the tax increment specified by the municipality under  
19 Section 373A.1521(3).

20           SECTION 4. Section 373A.1522, Local Government Code, is  
21 amended to read as follows:

22           Sec. 373A.1522. EFFECTIVE DATE OF ZONE.       The zone  
23 designated by the ordinance adopted under Section 373A.1521 takes  
24 effect on the date designated by the municipality in the ordinance  
25 adopted under Section 373A.1521 ~~[on which the county adopts a final~~  
26 ~~order.~~

27           ~~[(1) agreeing to the creation of the zone, the zone~~

1 ~~boundaries, and the zone termination date specified by the~~  
2 ~~municipality under Section 373A.1521(1); and~~  
3 ~~[(2) specifying an amount of tax increment to be~~  
4 ~~deposited by the county into the tax increment fund that is equal to~~  
5 ~~the amount of the tax increment specified by the municipality under~~  
6 ~~Section 373A.1521(3)].~~

7 SECTION 5. Section 373A.155(b), Local Government Code, is  
8 amended to read as follows:

9 (b) If a county elects to participate in a homestead  
10 preservation reinvestment zone, the [The] county shall pay into the  
11 tax increment fund for the zone an amount equal to the tax increment  
12 paid by the municipality as specified in the order adopted under  
13 Section 373A.152 [~~373A.1522~~].

14 SECTION 6. Section 373A.158(a), Local Government Code, is  
15 amended to read as follows:

16 (a) If a county elects to participate in a homestead  
17 preservation reinvestment zone, the [The] county is the only taxing  
18 unit entitled to receive the annual report prepared under Section  
19 311.016(a), Tax Code.

20 SECTION 7. This Act takes effect September 1, 2013.

---

President of the Senate

---

Speaker of the House

I certify that H.B. No. 3350 was passed by the House on May 10, 2013, by the following vote: Yeas 104, Nays 39, 2 present, not voting.

---

Chief Clerk of the House

I certify that H.B. No. 3350 was passed by the Senate on May 22, 2013, by the following vote: Yeas 21, Nays 10.

---

Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

---

Governor

## Exhibit C

**ORDINANCE NO. 20070111-053**

**AN ORDINANCE CREATING A HOMESTEAD PRESERVATION DISTRICT.**

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

**PART 1. Findings:**

- (A) The City wishes to promote and expand the ownership of affordable housing and to prevent the involuntary loss of homesteads by existing low-income homeowners in the City.
- (B) The City is authorized to adopt a homestead preservation district under Chapter 373A, Local Government Code, enacted in 2005 by H.B. 525.
- (C) Based on the interpretation of Chapter 373A in Attorney General Opinion No. GA-0474, certain legislative revisions are necessary to allow the City to achieve its affordable housing goals using a homestead preservation district and homestead preservation zone.

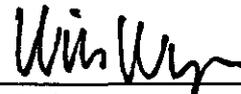
**PART 2.** Subject to the condition described in Part 3, the City Council creates a Homestead Preservation District consisting of Census Tracts 4.02, 8.02, 8.03, 8.04, 9.01, 9.02 and 10.00, as depicted on the map attached as Exhibit A. The district has the powers of a homestead preservation district under Chapter 373A, Local Government Code.

**PART 3.** If the 80<sup>th</sup> Texas Legislature adopts legislation substantially similar to H.B. 470, attached as Exhibit B, this ordinance takes effect on the effective date of the legislation.

**PASSED AND APPROVED**

\_\_\_\_\_  
January 11, 2007

§  
§  
§



\_\_\_\_\_  
Will Wynn  
Mayor

**APPROVED:**

  
\_\_\_\_\_  
David Allan Smith  
City Attorney

**ATTEST:**

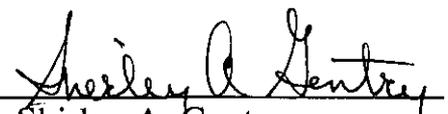
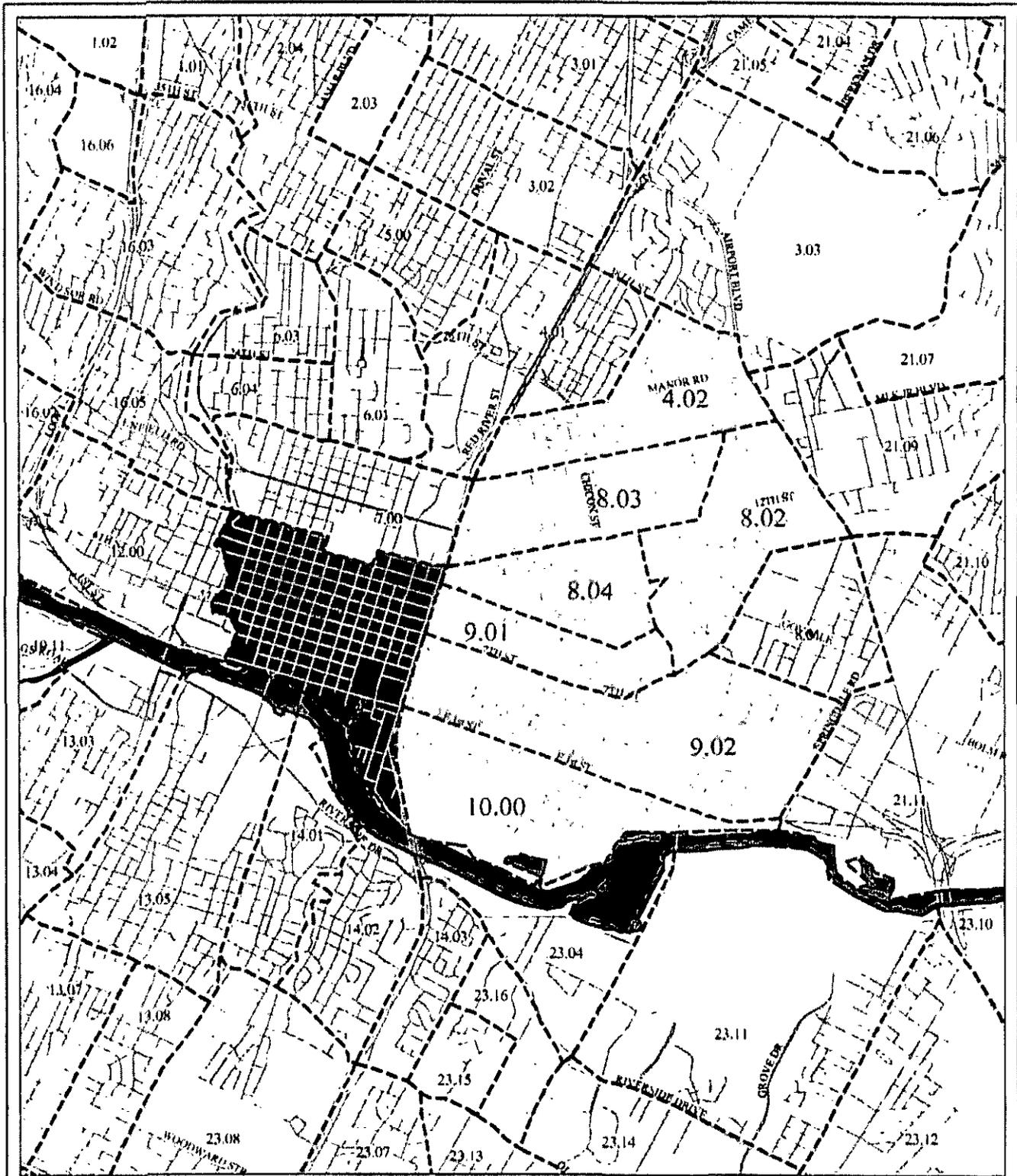
  
\_\_\_\_\_  
Shirley A. Gentry  
City Clerk

Exhibit A



Provisional Homestead Preservation District

Seven Tracts: 4.02, 8.02, 8.03, 8.04, 9.01, 9.02, 10.00

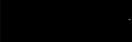
-  Census 2000 Tracts
-  Potential District Tracts
-  Central Business District

EXHIBIT B

80R3135 E

By: Rodriguez

H.B. No. 470

A BILL TO BE ENTITLED

AN ACT

1-1  
1-2 relating to the creation, operation, management, and programs of  
1-3 homestead preservation districts.

1-4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-5 SECTION 1. Section 373A.002, Local Government Code, is  
1-6 amended by amending Subdivision (1) and adding Subdivisions (1-a),  
1-7 (2-a), and (4-a) to read as follows:

1-8 (1) "Affordable housing" means both subsidized and  
1-9 nonsubsidized housing designed for persons whose incomes generally  
1-10 deny them the opportunity to purchase or rent housing on the open  
1-11 market and includes project costs for projects located inside or  
1-12 outside a zone related to providing subsidized and nonsubsidized  
1-13 housing.

1-14 (1-a) "Central business district" means a compact and  
1-15 contiguous geographical area of a municipality in which at least 90  
1-16 percent of the land is used or zoned for commercial purposes and  
1-17 that has historically been the primary location in the municipality  
1-18 where business has been transacted.

1-19 (2-a) "County" means the county containing all or the  
1-20 greatest portion of a homestead preservation reinvestment zone.  
1-21 For purposes of applying other law to a district or program created  
1-22 under this chapter, including Chapter 311, Tax Code, a reference in  
1-23 the other law to a "county" has the meaning assigned by this  
1-24 section.

2-1 (4-a) "Project costs" has the meaning assigned by  
2-2 Section 311.002(1), Tax Code.

2-3 SECTION 2. Section 373A.003, Local Government Code, is  
2-4 amended to read as follows:

2-5 Sec. 373A.003. APPLICABILITY OF CHAPTER. This chapter  
2-6 applies only to:

2-7 (1) a municipality with a population of more than  
2-8 650,000 that is located in a uniform state service region with fewer  
2-9 than 550,000 occupied housing units as determined by the most  
2-10 recent United States decennial census; and

2-11 (2) a political subdivision with jurisdiction over  
2-12 territory that is also part of a municipality described by  
2-13 Subdivision (1).

2-14 SECTION 3. Subchapter B, Chapter 373A, Local Government  
2-15 Code, is amended by adding Section 373A.0521 to read as follows:

2-16 Sec. 373A.0521. DISSOLUTION. (a) The governing body of a  
2-17 municipality in which a district is located may adopt an ordinance  
2-18 dissolving the district.

2-19           (b) On the adoption of the ordinance, the district is  
2-20 dissolved and the municipality succeeds to the property and assets  
2-21 of the district and assumes all bonds, debts, obligations, and  
2-22 liabilities of the district.

2-23           (c) This section does not prohibit the municipality from  
2-24 continuing to operate programs established by the municipality,  
2-25 including programs established under Subchapter C, D, or E, in the  
2-26 area previously included in the district that are owned and  
2-27 operated by the municipality on the date the district is dissolved.

3-1           SECTION 4. Section 373A.101, Local Government Code, is  
3-2 amended to read as follows:

3-3           Sec. 373A.101. CREATION. The governing body of a political  
3-4 subdivision [municipality] by ordinance or order may create or  
3-5 designate under this subchapter one or more homestead land trusts,  
3-6 including a housing finance corporation established under Chapter  
3-7 394 or a land trust operated by a community housing development  
3-8 organization certified by the municipality, to operate in an area  
3-9 that includes a district designated under Subchapter B [by the  
3-10 municipality].

3-11           SECTION 5. Section 373A.102, Local Government Code, is  
3-12 amended to read as follows:

3-13           Sec. 373A.102. NATURE OF NONPUBLIC TRUST. A trust that is  
3-14 not created by the governing body of a political subdivision must be  
3-15 a nonprofit organization that is:

3-16           (1) created to acquire and hold land for the benefit of  
3-17 developing and preserving long-term affordable housing in the  
3-18 district; and

3-19           (2) exempt from federal income taxation under Section  
3-20 501(a), Internal Revenue Code of 1986, by being certified as an  
3-21 exempt organization under Section 501(c)(3), Internal Revenue Code  
3-22 of 1986.

3-23           SECTION 6. Section 373A.104, Local Government Code, is  
3-24 amended to read as follows:

3-25           Sec. 373A.104. BOARD OF DIRECTORS. (a) A trust shall be  
3-26 governed by a board of directors.

3-27           (b) ~~[The governing body of the municipality shall appoint~~  
4-1 ~~the directors of a trust created by the municipality.~~

4-2           ~~[(c) The initial board of a trust created by the~~  
4-3 ~~municipality must be composed of four members of the governing body~~  
4-4 ~~of the municipality and three residents of the district.~~

4-5           ~~[(d)]~~ If a trust holds land that provides at least 100  
4-6 housing units, at least one-third of the board members must reside  
4-7 in housing units located on land held by the trust.

4-8           SECTION 7. Subchapter C, Chapter 373A, Local Government  
4-9 Code, is amended by adding Section 373A.110 to read as follows:

4-10           Sec. 373A.110. APPLICABILITY OF SUBCHAPTER TO TRUST  
4-11 OPERATED BY HOUSING FINANCE CORPORATION. Sections 373A.102,  
4-12 373A.104, 373A.105(b), and 373A.106 do not apply to a trust  
4-13 operated in the district by a housing finance corporation  
4-14 established under Chapter 394.

4-15           SECTION 8. Section 373A.151, Local Government Code, is  
4-16 amended to read as follows:

4-17           Sec. 373A.151. APPLICABILITY [NONAPPLICABILITY] OF OTHER  
4-18 LAW. (a) Except as provided by this subchapter, Chapter 311, Tax  
4-19 Code, applies [does not apply] to a homestead preservation  
4-20 reinvestment zone created under this subchapter. To the extent of  
4-21 any conflict between this subchapter and Chapter 311, Tax Code,

4-22 this subchapter prevails.

4-23 (b) In addition to other provisions of this subchapter that  
4-24 modify or supersede the application of Chapter 311, Tax Code, to a  
4-25 zone established under this subchapter, Sections 311.005 and  
4-26 311.006, Tax Code, do not apply to a zone established under this  
4-27 subchapter.

5-1 SECTION 9. Section 373A.152(a), Local Government Code, is  
5-2 amended to read as follows:

5-3 (a) A municipality by ordinance may designate a contiguous  
5-4 geographical area contained entirely within the boundaries of the  
5-5 district as [ereate] a homestead preservation reinvestment zone to  
5-6 develop or redevelop affordable housing [as provided by this  
5-7 section] if the municipality determines the zone is necessary to  
5-8 accomplish the purposes of this chapter [finds that the area to be  
5-9 included in the zone is unproductive, underdeveloped, or blighted  
5-10 as provided by Section 1-g(b), Article VIII, Texas Constitution.  
5-11 The governing body of the municipality shall administer the zone].

5-12 SECTION 10. Subchapter D, Chapter 373A, Local Government  
5-13 Code, is amended by adding Sections 373A.1521 and 373A.1522 to read  
5-14 as follows:

5-15 Sec. 373A.1521. CONTENTS OF REINVESTMENT ZONE ORDINANCE.

5-16 The ordinance designating the homestead preservation zone must:

5-17 (1) contain the information required under Sections  
5-18 311.004(1), (4), and (6), Tax Code;

5-19 (2) assign a name to the zone for identification, with  
5-20 the first zone designated as "(Name of municipality) Homestead  
5-21 Preservation Reinvestment Zone Number One," and subsequently  
5-22 created zones assigned names in the same form numbered  
5-23 consecutively in the order of their designation;

5-24 (3) specify the amount of tax increment to be  
5-25 deposited by the municipality into the tax increment fund; and

5-26 (4) contain findings that the area is unproductive,  
5-27 underdeveloped, or blighted as provided by Section 1-g(b), Article  
6-1 VIII, Texas Constitution.

6-2 Sec. 373A.1522. EFFECTIVE DATE OF ZONE. The zone  
6-3 designated by the ordinance adopted under Section 373A.1521 takes  
6-4 effect on the date on which the county adopts a final order:

6-5 (1) agreeing to the creation of the zone, the zone  
6-6 boundaries, and the zone termination date specified by the  
6-7 municipality under Section 373A.1521(1); and

6-8 (2) specifying an amount of tax increment to be  
6-9 deposited by the county into the tax increment fund that is equal to  
6-10 the amount of the tax increment specified by the municipality under  
6-11 Section 373A.1521(3).

6-12 SECTION 11. Subchapter D, Chapter 373A, Local Government  
6-13 Code, is amended by adding Section 373A.1541 to read as follows:

6-14 Sec. 373A.1541. TAX INCREMENT FINANCING AND ABATEMENT.

6-15 Designation of an area as a homestead preservation reinvestment  
6-16 zone is also designation of the area as a reinvestment zone for tax  
6-17 increment financing under Chapter 311, Tax Code.

6-18 SECTION 12. Section 373A.155, Local Government Code, is  
6-19 amended to read as follows:

6-20 Sec. 373A.155. COLLECTION AND DEPOSIT OF TAX

6-21 INCREMENTS. (a) The municipality designating the zone and the  
6-22 county [Each taxing unit that taxes real property located in a zone]  
6-23 shall provide for the collection of its taxes on real property  
6-24 located in the zone as for any other property taxed by the

6-25 municipality and the county [unit].

6-26 (a-1) The municipality shall pay into the tax increment fund  
6-27 an amount specified in the ordinance designating the zone.

7-1 (b) The county [Except as provided by Subsection (d), each  
7-2 taxing unit] shall pay into the tax increment fund for the zone an  
7-3 amount equal to the tax increment paid by the municipality as  
7-4 specified in the order adopted under Section 373A.1522 [produced by  
7-5 the unit.

7-6 [(e) A taxing unit shall make a payment required by  
7-7 Subsection (b) not later than the 90th day after the delinquency  
7-8 date for the unit's property taxes. A delinquent payment incurs a  
7-9 penalty of five percent of the amount delinquent and accrues  
7-10 interest at an annual rate of 10 percent.

7-11 [(d) A taxing unit other than the municipality is not  
7-12 required to pay into the tax increment fund any of its tax increment  
7-13 produced from property located in a zone unless the taxing unit  
7-14 enters into an agreement to do so with the governing body of the  
7-15 municipality that created the zone. A taxing unit may enter into an  
7-16 agreement under this subsection at any time before or after the zone  
7-17 is created. The agreement may include conditions for payment of  
7-18 that tax increment into the fund and must specify the portion of the  
7-19 tax increment to be paid into the fund and the years for which that  
7-20 tax increment is to be paid into the fund. The agreement and the  
7-21 conditions in the agreement are binding on the taxing unit and the  
7-22 municipality].

7-23 SECTION 13. Sections 373A.157(a) and (e), Local Government  
7-24 Code, are amended to read as follows:

7-25 (a) The tax increment fund is administered by the governing  
7-26 body of the municipality in accordance with the project and  
7-27 reinvestment zone financing plans [annual plan developed by the  
8-1 municipality under Section 373A.156]. Revenue from the tax  
8-2 increment fund must be dedicated as provided by this section to the  
8-3 development, construction, and preservation of affordable housing  
8-4 in the zone by a political subdivision, a community housing  
8-5 development organization certified by the municipality, a trust  
8-6 created or designated by a political subdivision [the  
8-7 municipality], or another entity as provided by this section.

8-8 (e) The municipality must spend at least 80 percent of the  
8-9 revenue expended annually from the tax increment fund for the  
8-10 purchase of real property and the construction or rehabilitation of  
8-11 affordable housing in the zone, including project costs. The  
8-12 municipality may spend not more than 10 percent of the revenue  
8-13 expended annually from the tax increment fund for administration of  
8-14 the zone.

8-15 SECTION 14. Sections 373A.158(a) and (b), Local Government  
8-16 Code, are amended to read as follows:

8-17 (a) The county is the only taxing unit entitled to receive  
8-18 the annual report prepared under Section 311.016(a), Tax Code [On  
8-19 or before the 90th day following the end of the fiscal year of the  
8-20 municipality, the governing body of the municipality shall submit  
8-21 to the chief executive officer of each taxing unit that imposes  
8-22 property taxes on real property in a zone created by the  
8-23 municipality under this subchapter a detailed report on the status  
8-24 of the zone].

8-25 (b) The report must include:

8-26 (1) the amount and source of revenue in the tax  
8-27 increment fund established for the zone;

9-1 (2) the amount and purpose of expenditures from the  
9-2 fund and the income levels of the persons who benefited from the  
9-3 expenditures;

9-4 (3) the number of parcels of property purchased,  
9-5 housing units rehabilitated, and housing units constructed and the  
9-6 income levels of the persons residing in the housing units;

9-7 (4) the tax increment base and current captured  
9-8 appraised value retained by the zone;

9-9 (5) the total amount of tax increments received; and  
9-10 (6) any additional information necessary to  
9-11 demonstrate good faith ~~[strict]~~ compliance with the provisions of  
9-12 this subchapter.

9-13 SECTION 15. Section 311.0031, Tax Code, is amended to read  
9-14 as follows:

9-15 Sec. 311.0031. ENTERPRISE ZONE. Designation of an area [~~as~~  
9-16 ~~an enterprise zone~~] under the following other law [~~Chapter 2303,~~  
9-17 ~~Government Code~~] constitutes designation of the area as a  
9-18 reinvestment zone under this chapter without further hearing or  
9-19 other procedural requirements other than those provided by the  
9-20 other law:

9-21 (1) Chapter 2303, Government Code; and  
9-22 (2) Chapter 373A, Local Government Code.

9-23 SECTION 16. The following laws are repealed:

9-24 (1) Sections 373A.152(b), (c), (d), (e), and (f),  
9-25 Local Government Code;

9-26 (2) Section 373A.158(c), Local Government Code; and  
9-27 (3) Sections 373A.108, 373A.153, 373A.154, and  
10-1 373A.156, Local Government Code.

10-2 SECTION 17. This Act takes effect September 1, 2007.

## Exhibit D

**ORDINANCE NO. 20081218-114**

**AN ORDINANCE CREATING AND DESIGNATING THE AREA IN THE HOMESTEAD PRESERVATION DISTRICT AS A HOMESTEAD PRESERVATION REINVESTMENT ZONE, NAMED "HOMESTEAD PRESERVATION REINVESTMENT ZONE NUMBER ONE, CITY OF AUSTIN, TEXAS"; ESTABLISHING A BOARD OF DIRECTORS FOR THE REINVESTMENT ZONE; CREATING A TAX INCREMENT BASE; ESTABLISHING A TAX INCREMENT FUND; 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 creation of a Homestead Preservation Reinvestment Zone ("the Zone") under Chapter 373A of the Texas Local Government Code ("Homestead Preservation Districts and Reinvestment Zones") and Chapter 311 of the Texas Tax Code (the "Tax Increment Financing Act") for the approximately 2,867 acre area within the Homestead Preservation District, located within the area bounded on the west by I-35; on the south by Lady Bird Lake; on the east by Springdale Road to Lyons Road to Webberville Road to Oak Springs Drive to Airport Boulevard on the east; on the north by 38<sup>th</sup> 1/2 Street to Cherrywood Road and Manor Road, and depicted in the map in Exhibit A attached to and incorporated as part of this ordinance. As required by Chapter 373A, the boundaries of the proposed Zone are located within or coterminous with the boundaries of the Homestead Preservation District, created by City Ordinance No. 20070111-053.
- (B) The City has prepared a preliminary Homestead Preservation Reinvestment Zone project and financing plan, attached to and incorporated as part of this Ordinance as Exhibit B (Preliminary Plan).
- (C) As required by Section 311.003 (*Procedure for Creating Reinvestment Zone*) of the Tax Increment Financing Act, the governing body of each taxing unit that levies taxes on real property in the proposed Zone has been given a copy of the Preliminary Plan, and provided 60 days notice of the creation of the proposed reinvestment zone. Presentations were made to the Travis County Commissioners' Court, the Austin Community College Board of Trustees and the Austin Independent School District Board of Trustees. The Travis County Healthcare District waived the presentation.

- (D) The Preliminary Plan provides that some or all of the ad valorem taxes of the City that constitutes the City's tax increment from property within the proposed Reinvestment Zone will be deposited into the Tax Increment Fund created by this ordinance, and that an amount equal to the amount that the City contributes to the Tax Increment Fund will be deposited into the Fund by Travis County if agreed to by the County, constituting their respective tax increments from property within the proposed Zone, and which funds may be utilized for the purposes described in the Preliminary Plan.
- (E) On December 18, 2008, at 6 o'clock p.m., at the Austin City Hall, Austin, Texas, the City held a public hearing to receive public comments on the creation of the proposed Zone and its benefits to the City and the property in the proposed Zone.
- (F) In compliance with the Tax Increment Financing Act, notice of the public hearing on the proposed Zone was published at least seven days before the date of the public hearing in the Austin American-Statesman, a daily paper of general circulation in the City.
- (G) At the hearing, the City Council heard comment from each interested person supporting or opposed to: the creation of the proposed Zone; the boundaries of the proposed Zone; the inclusion of all or part of the territory included in the proposed Zone, and the concept of tax increment financing.
- (H) The owners of property located within the proposed Zone, other taxing units, and other interested persons were given a reasonable opportunity at the public hearing to protest the creation of the proposed Reinvestment Zone, including the inclusion of certain property in the proposed Reinvestment Zone.
- (I) The Reinvestment Zone meets the criteria for the creation of a reinvestment zone as set forth in the Texas Local Government Code Chapter 373A because:
- (1) It is a contiguous geographic area located wholly within the Homestead Preservation District created by City Ordinance No. 20070111-053.
  - (2) It meets the requirements of Texas Local Government Code Section 373A.1521(4) in that it is unproductive and blighted, because there are a substantial number of substandard, deteriorated or deteriorating structures and other improvements, including homesteads in need of rehabilitation; a predominance of defective sidewalks; defective or unusual conditions of title; and a substantial number of sites at which there has been illegal dumping or other activities which have resulted in environmentally deleterious conditions.

- (3) The affordable housing and other improvements proposed to be implemented in the proposed Zone will significantly enhance the value of all taxable real property in the proposed Reinvestment Zone.
- (J) The creation of the proposed Zone will benefit the City, its residents and property owners, including the property, residents, and property owners in the proposed Zone.
- (K) The development or redevelopment of the property, especially affordable housing, in the proposed Zone will not occur solely through private investment in the reasonably foreseeable future.
- (L) The creation of the proposed Reinvestment Zone and the expenditure of funds on deposit in the Tax Increment Fund is necessary or convenient to the creation of the Reinvestment Zone or to the implementation of the Preliminary Plan for the Reinvestment Zone, and constitutes a program to promote local economic development and to stimulate business and commercial activity in the City.
- (M) The creation of the Reinvestment Zone becomes effective upon approval of an order by the Travis County Commissioners' Court agreeing to creation, the amount of tax increment to be contributed, and other terms in accordance with Texas Local Government Code Section 373A.1522. Therefore, the Council wishes to adopt this ordinance and provide that the amount of increment and certain other terms shall be subject to agreement on such terms by the Commissioners' Court.

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

**PART 3. Board of Directors.** A Board of Directors for the Zone is established, consisting of up to 15 members (Board).

(A) The Board of the Zone shall be appointed as follows:

- (1) The Travis County Commissioners' Court may appoint 5 members to the Board, or a different number of members as agreed to by the City Council and Commissioners' Court, provided however, that the Commissioners' Court may not appoint more members to the Board than the City Council. The Austin Independent School District Board of Trustees may appoint one member to the Board of the Zone. The Travis County Healthcare District, and the Austin Community College Board of Trustees, have waived their right to appoint a member to the Board. For those board positions for which taxing units have waived the right to

appoint a member, the City Council may appoint a Board member to fill the board positions, unless filled by Travis County appointees.

- (2) As provided in Subsection 311.009(a) of the Tax Increment Financing Act, the remaining members of the Board not appointed by another taxing unit, are appointed by the City Council.
- (B) A Board member shall serve a two year term. The City Council shall designate a member of the Board to serve as its chair. The Board shall elect from its members a vice chair and other officers as it deems necessary.
- (C) The Board shall make recommendations to the City Council and County Commissioners' Court concerning the administration of the Zone. It shall prepare and adopt a final project plan and financing plan for the Zone and submit these plans to the City Council and Commissioners' Court for approval. The extent of review and administration of the Zone by the Commissioners' Court is subject to negotiation and agreement between the City and County. The Board shall possess all powers necessary to prepare, implement and monitor the project plan and zone financing plan for the Zone as the City Council considers advisable, including the submission of an annual report on the status of the Zone.

#### **PART 4. Authority of the Board.**

The City Council authorizes the Board of the Zone to exercise any of the City's powers with respect to the administration, management, or operation of the Zone or the implementation of the project plan for the Zone, except that the Board may not: issue tax increment bonds or notes; impose taxes or fees; exercise the power of eminent domain; or give final approval to the project plan.

**PART 5. Tax Increment Base.** The tax increment base for the Zone is the total appraised value determined by the Travis Central Appraisal District as of January 1, 2008, of all taxable real property located in the Zone as provided in Texas Tax Code Section 311.012(c), unless the Travis County does not approve creation of the Zone until 2009, in which case the tax increment base is the appraised value as of January 1, 2009.

#### **PART 6. Tax Increment Fund.**

- (A) 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 up to 40% of the City's increment, as is agreed to by the Travis County Commissioners' Court, must be deposited into the Tax Increment Fund by the City. Travis County shall deposit an amount equal to the amount of tax

increment deposited by the City, as established in an order approved by the Travis County Commissioners Court agreeing to creation of the Zone, its boundaries, termination date, and specifying an amount of tax increment. The Tax Increment Fund shall be used to pay approved project costs for the Zone. It is intended that the City and Travis County will contribute their agreed upon annual payments of tax increment derived from ad valorem taxes into the Tax Increment Fund for the term of the Zone.

- (B) The City Council shall approve an expenditure from the Tax Increment Fund in excess of the City Manager's administrative limit or a related contract before the expenditure is made or the contract is executed.
- (C) 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 7. 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.

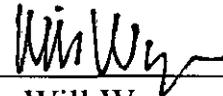
**PART 8. Effective Date and Termination.** In accordance with Texas Local Government Code Section 373A.1522, the Zone shall take effect on the date that the Travis County Commissioners' Court adopts an order agreeing to creation of the Zone and other terms, and shall terminate on the following: (1) December 31, 2018, or December 31, 2019 if Travis County approves creation of the Zone in 2009, or (2) at an earlier time designated by the City Council by ordinance and the County Commissioners' Court by order if the Council and the Commissioners' Court determine that the Zone should be terminated due to insufficient private investment, accelerated private investment, or other good cause, or (3) when all project costs or indebtedness if any,

including interest, have been paid in full. If the Travis County Commissioners' Court has not approved an order agreeing to creation by March 31, 2009, then this ordinance expires and is of no effect.

**PASSED AND APPROVED**

December 18, 2008

§  
§  
§



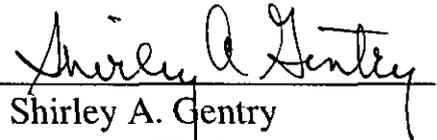
Will Wynn  
Mayor

**APPROVED:**



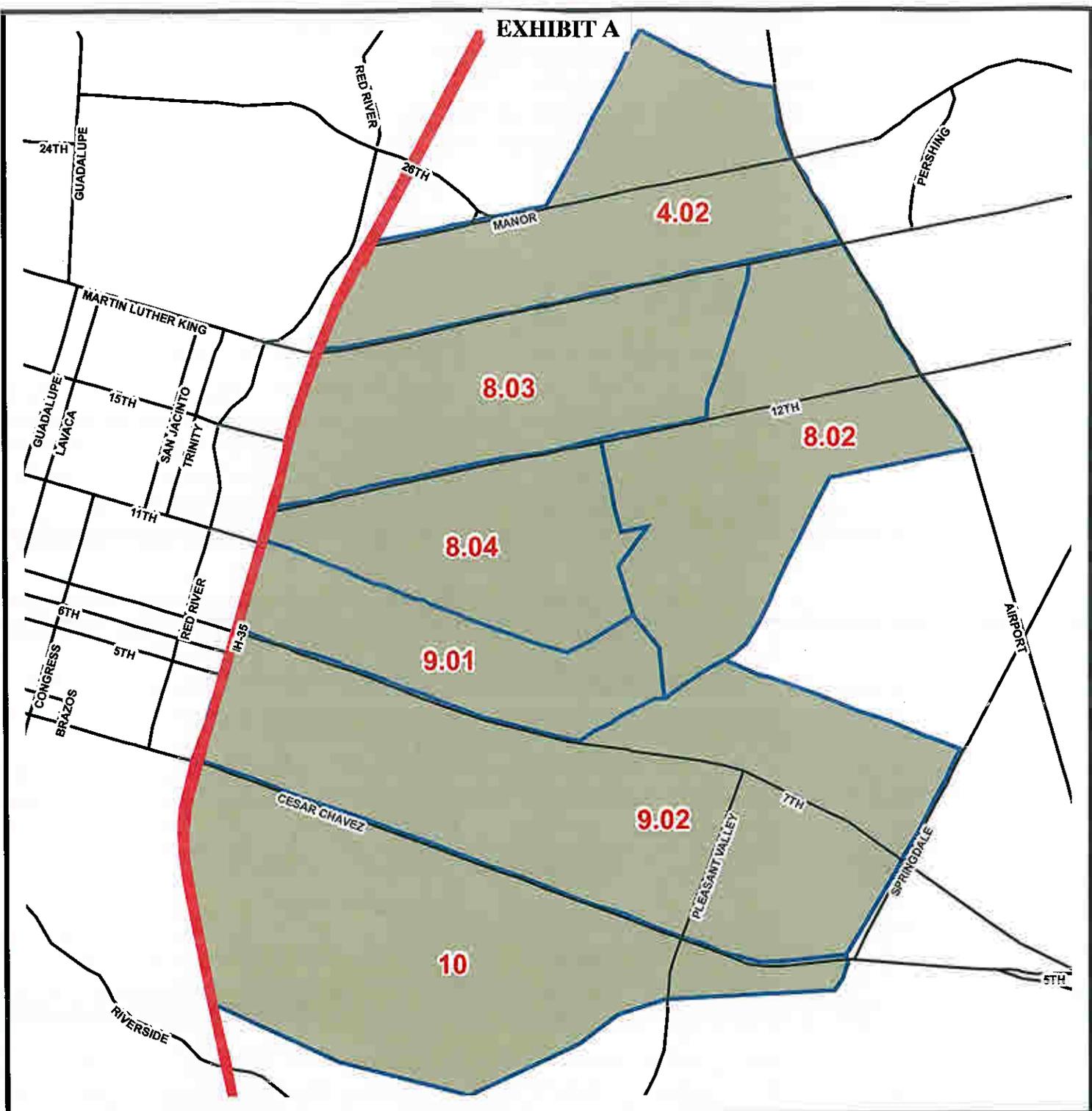
David Allan Smith  
City Attorney

**ATTEST:**



Shirley A. Gentry  
City Clerk

**EXHIBIT A**



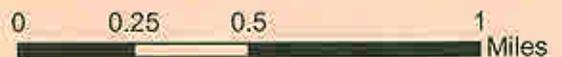
**Homestead Preservation Reinvestment Zone No. 1**

 Homestead Preservation Census Tracts

**ELIGIBILITY FOR DESIGNATION**

The area is a spatially compact area composed of census tracts contiguous to a central business district and with:

1. fewer than 25,000 residents;
2. fewer than 8,000 households;
3. a number of owner-occupied households that does not exceed 50% of the total households in the area;
4. housing stock at least 55% of which was built at least 45 years ago;
5. an unemployment rate that is greater than 10%;
6. an overall poverty rate that is at least two times the poverty rate for the entire municipality; and
7. in each census tract within the area, a median family income that is less than 60% of the median family income for the entire municipality.



This map has been produced by the Austin Housing Finance Corporation for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness. Created October 2007. Updated October 2008.

**EXHIBIT B**

City of Austin  
Homestead Preservation Reinvestment Zone No. 1

Preliminary Project Plan  
and  
Reinvestment Zone Financing Plan

October 2008

## Table of Contents

Executive Summary

Project Plan

Reinvestment Zone Financing Plan

## Executive Summary

Chapter 373A, Local Government Code was passed by the 79<sup>th</sup> Texas Legislature in 2005. The Chapter, titled “Homestead Preservation Districts and Reinvestment Zones”, provides tools for municipalities to create and preserve affordable housing within specific areas.

The stated purposes of Chapter 373A are: (1) promote the ability of municipalities to increase homeownership, provide affordable housing, and prevent the involuntary loss of homesteads by existing low-income and moderate-income homeowners living in disadvantaged neighborhoods; (2) protect a municipality’s interest in improving economic and social condition within disadvantaged communities by enhancing the viability of homeownership among low-income and moderate-income residents in areas experiencing economic pressures; and (3) provide municipalities with a means to expand and protect homestead interests of low-income and moderate income families.

The Homestead Preservation Reinvestment Zone must be located within the boundaries of the Homestead Preservation District. Areas eligible for designation as the District are described in Chapter 373A. On January 11, 2007, the City Council passed Ordinance 20070111-053, designating the District. The boundaries of the District are IH-35 on the west; Lady Bird Lake on the south; Springdale Road to Lyons Road to Webberville Road to Oak Springs Drive to Airport Boulevard on the east; and 38<sup>th</sup> ½ Street to Cherry wood Road to Manor Road on the north. The proposed TIF includes all of the Homestead Preservation District area. A map of the proposed Homestead Preservation Reinvestment Zone is attached as Exhibit 1 to the Plan.

The Homestead Preservation District has experienced a great deal of redevelopment pressure, as buyers seek homes close to Downtown. Developers and speculators have moved to purchase properties in the District for development of new housing, leaving long-time residents increasingly unable to purchase and maintain homes in the neighborhoods they and their families have lived in for generations. While redevelopment activities have brought welcome additions to the range of services available for residents, efforts to maintain affordable housing have been hampered by rising real estate prices and limited funding.

Recent data indicates that 48% of households in the District earn less than \$25,000 annually, and a disproportionately large number of households are headed by single-parents, and/or lack a high school diploma. In contrast, a review of homes for sale listed on the Austin Board of Realtors Multiple Listing Service indicates that there are no inhabitable homes available for purchase in the area for a household earning twice as much.

Programs operated by the City of Austin and nonprofit Community Housing Development Organizations have sought to increase the availability of affordable housing in the District. Future production of affordable housing in the District is hampered by increasing real estate values and decreasing federal support for affordable housing programs. Vacant lots suitable for single-family development are priced between \$60,000 and \$250,000 in the District.

The purpose of the Homestead Preservation Reinvestment Zone, is to provide affordable housing opportunities within the Zone. Federal prohibition for projects exceeding the 221(d)3 project cost limitation, or for projects exceeding the 203(b) value, frequently make the use of existing programs impossible in this rapidly gentrifying area. But for the funds to be generated by the HPRZ, continued

development and preservation of affordable housing within the Zone would be severely limited.. This plan does not identify or propose any particular purchases of real estate, construction or rehabilitation projects. It is intended that projects will be designed, proposed, planned and developed over time, based on the amount of funds available in the increment fund as the TIF continues in operation. All projects will be subject to City of Austin public notice, procurement and purchasing requirements in effect at the time of proposal.

To finance the creation and preservation of affordable housing within the Homestead Preservation District, the City of Austin proposes the formation of a Homestead Preservation Finance Reinvestment Zone, in accordance with Chapter 373A of Local Government Code. In a TIF, the City and County contribute a portion of the property tax on the increase in value (tax increment) to TIF purposes. Under this proposal the City of Austin will contribute up to 100% of its tax increment and Travis County will annually contribute to the increment fund a percentage of its tax increment that would equal the dollar amount contributed by the City to the increment fund. The project will be funded with the increment collected by the TIF, as funds are received. No debt secured by a tax increment pledge or the full faith and credit of the City or the County will be issued to meet project costs, although layering of funding from other sources may be used to accomplish project goals. The TIF would terminate no later than after 10 years.

## **Project Plan**

This document is the Preliminary Project Plan for the Homestead Preservation Reinvestment Zone (HPRZ), City of Austin, Texas as required by Chapter 373A of the Local Government Code and Chapter 311 of the Texas Tax Code. The Zone is located in Central East Austin, entirely within the Homestead Preservation District. The purpose of the Zone is to finance the creation and preservation of affordable housing within the Zone.

The creation of the TIF will serve a public purpose through creation and preservation of affordable housing within the Zone, and will provide a continuing benefit to the community. This plan may be amended from time to time.

Expenditures for project and administrative costs will be funded by tax increment revenues derived from increases in property values within the Zone. Expenditures will be made in accordance with Chapter 373A, Local Government Code and Chapter 311, Tax Code. Chapter 373A provides that projects funded by the HPRZ benefit low and moderate income households at specific levels. The construction or rehabilitation of any improvements will comply with City planning, development and construction regulations. Project costs are as defined in Tax Code Section 311.002, and as further defined in Local Government Code Section 373A.157(e), and may include offsite improvements directly related to the construction or rehabilitation of affordable housing in the zone.

In accordance with the requirements of the HPRZ statute, funds will be expended as follows:

At least 25% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 30% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households at 30% MFI or below within the Zone. The public benefit created through the preservation of affordable ownership housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

At least 50% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 50% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction, rehabilitation, renovation or reconstruction of homestead and rental housing for households at or below 50% MFI within the Zone. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

All of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 70% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction or rehabilitation of affordable housing for households at or below 70% MFI within the District. Funds may be provided as a direct subsidy to eligible households. The public benefit created through the creation of affordable housing will be preserved through shared-equity liens or within a land trust to meet the affordability period requirements in the statute.

Not more than 10% of the revenue from the tax increment fund expended annually will be used for the administration by land banks and Community Housing Development Organizations of housing-related activities in the Zone. Funds will be made available on a competitive basis to CHDOs certified by the City of Austin that have developed or rehabbed at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building code within the preceding 10-year period within the Zone.

Not more than 10% of the revenue expended annually from the tax increment fund for administration of the zone.

Funds returned to the HPRZ as loan repayment, recapture or program income will be invested in projects in the Zone. Funds received will be used to create and preserve affordable housing in accordance with the Project Plan.

Revenue from the HPRZ will be dedicated as provided in the project plan for use by a political subdivision, a Community Housing Development Organization certified by the City of Austin, or a Homestead Land Trust created or designated by the City of Austin. Funds may be made available on a competitive basis through a Request for Proposal process.

The area Median Family Income (MFI) level by household size will be the basis for home owner or tenant participation. The Median Family Income is published by the United States Department of Housing and Urban Development on an annual basis. Household eligibility will be determined according to 24 CFR Part 5, using the guidelines found in the *“Technical Guide for Determining Income and Allowances for the HOME Program”*, HUD Publication 1780-CPD.

**1. Maps showing existing uses and conditions of real property and proposed improvements and uses of that property within the Zone**

The Homestead Preservation District is impacted by seven separate Neighborhood Plans. The plans are the result of community efforts to articulate preferences for future land development. The plans all include a Future Land Use Map, which indicates preferred types of development and density for the Neighborhood. The Future Land Use Maps included as part of the project plan are for the following Neighborhoods:

- Central East Austin Neighborhood
- Chestnut Neighborhood
- East Cesar Chavez Neighborhood
- Govalle/Johnston Terrace Neighborhood
- Holly Neighborhood
- Rosewood Neighborhood
- Upper Boggy Creek Neighborhood

While some of the FLUM boundaries extend beyond the Homestead Preservation District, they provide a clear illustration of community preferences for future development, and are included here as Exhibit 2.

**2. Proposed Changes of Zoning Ordinances, the Master Plan of the Municipality, Building Codes, and Other Municipal Ordinances**

All project construction is anticipated to adhere to all City Code and other municipal requirements in effect at the time permits are issued. Currently, there are no proposed changes to City ordinances, master plans or building codes. Should changes to zoning ordinances be required to complete individual projects, all applicable processes will be followed.

**3. List of Estimated Non-project Costs**

Non-project costs are those development items that will be funded by others and are necessary for the implementation of the project. No tax increment reimbursement is provided for non-project costs. No non-project improvements or costs are proposed.

**4. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project**

When necessary and applicable under the Finance Plan and Project Plan for the Homestead Preservation Reinvestment Zone, recipients of financing will be directed to replace all occupied and vacant occupy-able affordable housing demolished or subject to conversion as the result of a project financed through or by the HPRZ.

Consistent with the purpose of the Homestead Preservation Districts and Reinvestment Zones statute, recipients, to the greatest extent feasible, will take steps to minimize the direct and indirect displacement of persons from their homes. These steps may include, but are not be limited to, the following:

1. Coordinate code enforcement with rehabilitation and housing assistance programs;
2. Stage rehabilitation of apartment units to allow tenants to remain in the building/ complex during and after the rehabilitation, working with empty units first;

3. Arrange for facilities to house persons who must be relocated temporarily during rehabilitation;
4. Adopt policies which provide reasonable protections for tenants faced with conversion to a condominium or cooperative, as a result of a project assisted with HPRZ funds;
5. Provide counseling services to assist homeowners and tenants to access information on assistance available to help them remain in their neighborhood in the face of revitalization pressures.

All permanent replacement housing will be provided within three years after commencement of the demolition or conversion. Before entering into a contract committing the HPRZ to provide funds for a project that will directly result in demolition or conversion, the HPRZ will direct that Notice be made public by placing publication in a newspaper of general circulation, or post the information at the City of Austin's neighborhood centers, City Clerk's office, the City of Austin Neighborhood Housing and Community Development (NHCD) website, and other selected local public places in the area of the proposed project. Such Notice to include:

1. A description of the proposed assisted project;
2. The address, number of bedrooms, and location on a map of affordable housing that will be demolished or converted as a result of the assisted project;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. To the extent known, the address, number of bedrooms and location on a map of the replacement housing that has been or will be provided;
5. The source of all funding and a time schedule for the provision of the replacement housing;
6. The basis for concluding that the replacement housing will remain affordable for the required period;
7. Information demonstrating that any proposed replacement of housing units with smaller dwelling units (e.g., a 2-bedroom unit with two one-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the approved Project Plan for the HPRZ.

To the extent that the specific location of the replacement housing and other data in items 4 through 7 are not available at the time of the general submission, the recipient of HPRZ funds will identify the general location of such housing on a map and complete the disclosure and submission requirements as soon as the specific data are available.

The Board of the HPRZ or its designated agent is responsible for ensuring the tracking of replacement housing and ensuring that it is provided within the required period.

The recipient of HPRZ funds is responsible for the provision of relocation payments and other relocation assistance to any lower income household displaced by the demolition or conversion of any housing. The provision of relocation payment(s) and other relocation assistance will, at a minimum, meet all the requirements of the Uniform Relocation Assistance and Real Property Acquisition regulations found at 49 CFR Part 24, and the requirements of the Department of Housing and Urban Development Handbook 1378, Tenant Assistance and Real Property Acquisition, as amended, regardless of any other fund source(s) for the project.

# Reinvestment Zone Financing Plan

In the proposed TIF, if created, the City and County contribute equal amounts of the property tax on the increase in value of real property in the zone (tax increment) as generated. The plan proposes that the City of Austin could annually contribute up to 100% of the amount of property taxes levied by the City on the captured appraised value of real property taxable by the City and located in the Zone. Council may approve a plan that provides for a lower increment than 100% if agreed to by the City or the County during discussions, but prior to establishment of the TIF. In accordance with the statute, Travis County would contribute a dollar amount equal to the amount of the City's contribution each year during the life of the TIF. County approval of the creation, boundaries, duration, and amount of tax increment is necessary for the TIF to become effective, and therefore, the City will consult with Travis County representatives to reach agreement on the amount of tax increment to be contributed by the City and County, as well as other terms. Tax increment revenues may be expended only for purposes described in the project and financing plans for the TIF. The project will be funded as the increment is collected, and no debt will be issued to finance the project. The proposed TIF would terminate no later than after 10 years.

## **I. List of the Estimated Project Costs of the Zone, Including Administrative and Recurring Expenses**

The zone will not incur bond financing costs. All project costs associated with the project plan outlined above will be funded on a pay-as-you-go basis, using TIF revenue that has been collected and deposited into the Homestead Preservation TIF fund.

At least 25% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 30% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households at 30% MFI or below within the Zone. The public benefit created through the preservation of affordable ownership housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

At least 50% of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 50% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction, rehabilitation, renovation or reconstruction of homestead and rental housing for households at or below 50% MFI within the Zone. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

All of the revenue from the tax increment fund expended annually will be used to directly benefit households at or below 70% of the area Median Family Income. Funds will be used for direct project costs associated with the purchase of real property, construction or rehabilitation of affordable housing for households at or below 70% MFI within the District. Funds may be provided as a direct subsidy to eligible households. The public benefit created through the creation of affordable housing will be preserved through shared-equity liens or within a land trust to meet the affordability period requirements in the statute.

Not more than 10% of the revenue from the tax increment fund expended annually will be used for the administration by land banks and Community Housing Development Organizations of housing-related activities in the Zone. Funds will be made available on a competitive basis to CHDOs certified by the City of Austin that have developed or rehabbed at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building code within the preceding 10-year period within the Zone.

Not more than 10% of the revenue expended annually from the tax increment fund for administration of the zone.

**II. Statement Listing the Kind, Number and Location of All Proposed Public Works or Public Improvements in the Zone**

The proposed project includes the purchase of real property, rehabilitation, renovation or reconstruction of homestead properties owned by households as outlined in I above. The public benefit created through creation or preservation of affordable housing will be secured with shared-equity liens, or within a land trust to meet the affordability period requirements in the statute.

**III. Economic Feasibility Studies**

An economic feasibility study was completed by Capital Market Research. See Exhibit 3. Because the Homestead Preservation District is a large and diverse area, Capital Market Research applied a broad approach to the forecast of future real estate values, taking into account growth trends, as well as the status of current and planned development in the district. A block-by-block market analysis, which was completed for the Waller Creek tunnel project, is not a practical approach for the analysis of a Homestead Preservation TIF due to the size and diversity of the district. Four possible growth scenarios for the tax base in the Zone were developed, with the city-wide average growth scenario used to project future tax revenue. Staff has verified taxable values included in the report, working with the Travis County Appraisal District. Additional analyses of potential TIF revenue and the estimated impact on the City's General Fund will be completed by staff, and attached to the final plan.

**IV. The Estimated Amount of Bonded Indebtedness to be Incurred**

No bonded indebtedness will be incurred.

**V. The Time When Monetary Obligations are to be Incurred**

The Homestead Preservation TIF will not issue debt. Monetary obligations will be incurred for eligible projects as funds become available, estimated to 2010.

**VI. Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone**

**Description of the Methods of Financing**

The zone will not incur bond financing costs. All project costs associated with the project plan outlined above will be funded on a pay-as-you-go basis, using TIF revenue that has been collected and deposited into the Homestead Preservation TIF fund.

**Sources of Tax Increment Revenue**

The tax increment revenue necessary to pay the project costs is expected to come from increased property values in the zone due to growth in values and development that would normally occur over the course of time. Estimated tax base and tax revenues are shown in the table below.

**10-Year Revenue Projections**

<b>\$\$ in millions</b>	<b>Yr 1</b>	<b>Yr 5</b>	<b>Yr 10</b>	<b>Annual Average</b>	<b>10-Year Total</b>
<b>HP District</b>					
Captured tax base	\$60.6M	\$337.3M	\$775.8M	\$350.8M	\$ 775.8M
TIF tax revenue	\$ 0.2M	\$ 1.2M	\$ 2.4M	\$ 1.3M	\$ 13.2M

The table above is based on the City of Austin contributing up to 100% of their collected incremental tax revenue to the zone at an estimated effective tax rate. If Travis County subsequently agrees to contribute a dollar amount equal to the amount of the City's contribution each year during the life of the TIF, an additional \$13.2 million could be generated over a ten-year TIF life. Council may approve a plan that provides for a lower increment than 100% if agreed to by the City and the County during discussions after approval of this preliminary plan, but prior to establishment of the TIF. County approval of the creation, boundaries, duration, and amount of tax increment is necessary for the TIF to become effective, and therefore, after approval of this preliminary plan, the City will consult with Travis County representatives to reach agreement on the amount of tax increment to be contributed by the City and County, as well as other terms.

Tax rates that are currently in effect are shown below.

<b>Taxing Unit</b>	<b>Total Tax Rate</b>	<b>Tax Rate Dedicated</b>	<b>% Dedicated</b>
City of Austin	\$0.4034/\$100	\$0.4012/\$100	up to 100%
Travis County	\$0.4122/\$100	\$0.4122/\$100	up to 100%

**VII. The Current Total Appraised Value of Taxable Real Property in the Zone**

The area includes 6,815 parcels and includes two proposed Transit Oriented Development (TOD) Districts at Plaza Saltillo and Martin Luther King (MLK).

	<b>Number of Parcels</b>	<b>2008 Taxable Value - City</b>	<b>2008 Taxable Value - County</b>
HP District	6,815	\$1,124,971,617	\$1,024,133,255

### **VIII. The Estimated Captured Value of the Zone During Each Year of its Existence**

The preliminary revenue projections in the table in Section VII above assume that city-wide taxable values will grow, on the average, by 5.4% per year and that new construction will grow by 1.4%.

If the most recent 10-year trends were used to project growth in taxable values in the Homestead Preservation District, growth in overall assessed value might range from 4% to 12% annually, depending on the forecasting methodology. Growth in the District's tax base has averaged 12.9% annually over the last ten years, compared with 7.1% for the City overall. The revenue projections above were developed assuming that overall growth in the District would approximate overall City growth of 5.4% annually as a conservative approach since double-digit growth is not likely to consistently occur over a long-range forecast period.

Staff was able to obtain new construction data since 2005 for the District from the Travis Central Appraisal District. If these trends were used to project growth in new construction, projections might average as much as 10% annually, depending on the forecasting methodology. These more recent trends reflect the steep growth in development experienced in the last few years, and are likely not to be sustainable over a long-range forecast period. As a more conservative approach, the projections above reflect average annual growth in new construction of 2.5% consistent with the average annual compounded growth in new construction experienced across the city during the last ten years.

#### **Cumulative Captured Value in the Zone** Dollars in millions

2009	\$ 60,581,526
2010	\$ 124,425,463
2011	\$ 191,707,500
2012	\$ 262,612,781
2013	\$ 337,336,426
2014	\$ 416,084,059
2015	\$ 499,072,379
2016	\$ 586,529,752
2017	\$ 678,696,845
2018	\$ 775,827,284

### **IX. Duration of the Zone**

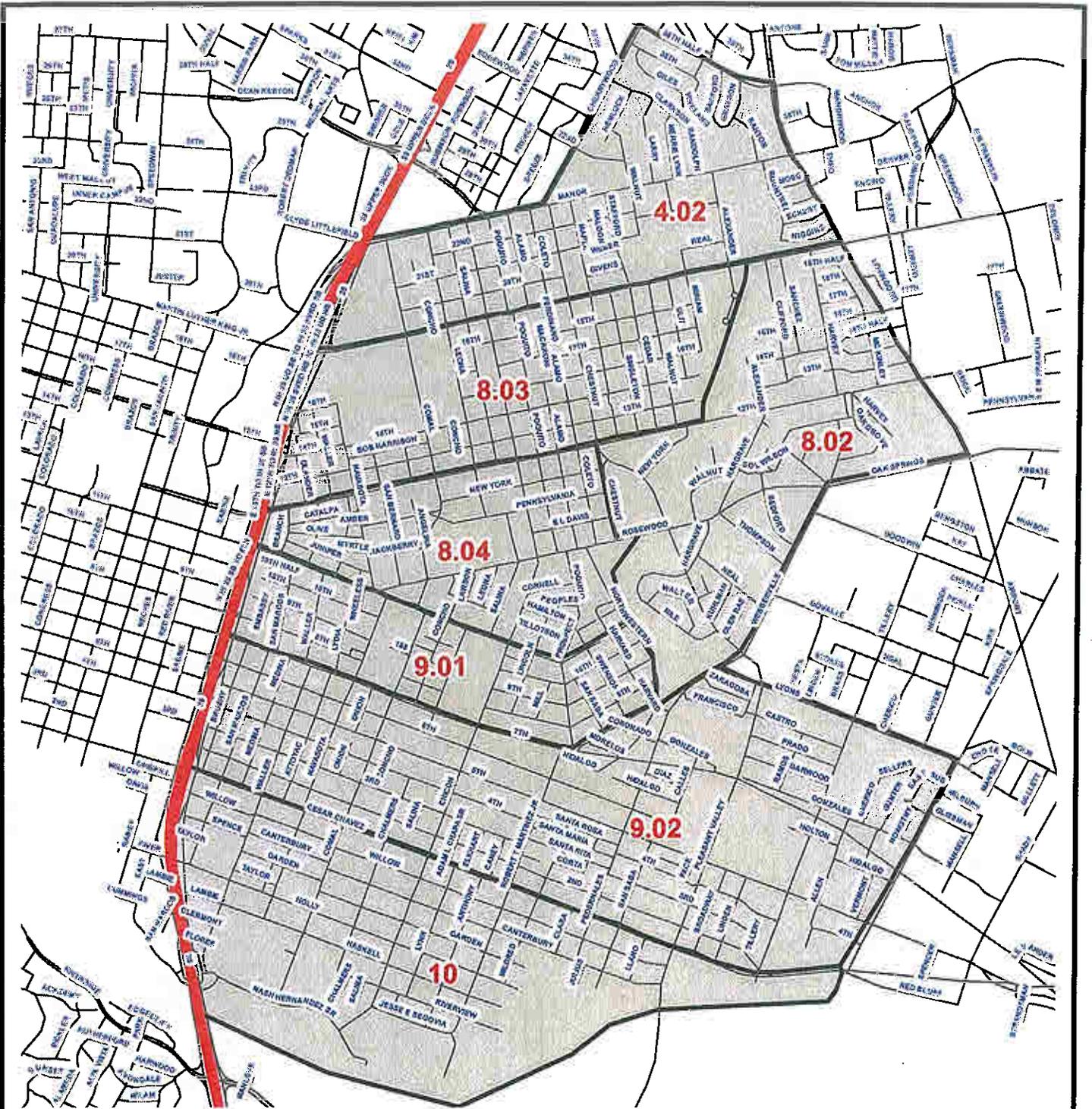
The duration of the Reinvestment Zone is up to 10 years. If established by the end of calendar year 2008, the first date for which the TIF captured appraised value will be recorded will be January 1, 2009. Fiscal year 2010 will be the first year in which both the City and Travis County would pay their associated tax increment into the TIF fund that will be established pursuant to an agreement to be executed between the City and County. In the event that the local economy declines and General Fund property tax revenue is negatively affected or for other good reason, the parties may agree to terminate the TIF agreement prior to the termination date only by written agreement signed by both parties, which agreement shall include the actual termination date, and the disposition of funds that have not been disbursed.

**Homestead Preservation Reinvestment Zone No. 1**  
**Preliminary Project Plan and Reinvestment Zone Financing Plan**

**EXHIBIT 1**

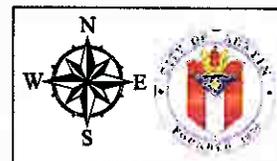
**Zone Map**

The boundaries of the District are IH-35 on the west; Lady Bird Lake on the south; Springdale Road to Lyons Road to Webberville Road to Oak Springs Drive to Airport Boulevard on the east; and 38<sup>th</sup> ½ Street to Cherry wood Road to Manor Road on the north. A map of the proposed Homestead Preservation Reinvestment Zone is attached.



## Homestead Preservation Reinvestment Zone No. 1

 Homestead Preservation



0 0.25 0.5 1 Miles

This map has been produced by the Austin Housing Finance Corporation for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness. Created October 2007. Updated October 2008.

### ELIGIBILITY FOR DESIGNATION

The area is a spatially compact area composed of census tracts contiguous to a central business district and with:

1. fewer than 25,000 residents;
2. fewer than 8,000 households;
3. a number of owner-occupied households that does not exceed 50% of the total households in the area;
4. housing stock at least 55% of which was built at least 45 years ago;
5. an unemployment rate that is greater than 10%;
6. an overall poverty rate that is at least two times the poverty rate for the entire municipality; and
7. in each census tract within the area, a median family income that is less than 60% of the median family income for the entire municipality.

## **Homestead Preservation Reinvestment Zone No. 1**

### **Preliminary Project Plan and Reinvestment Zone Financing Plan**

## **EXHIBIT 2**

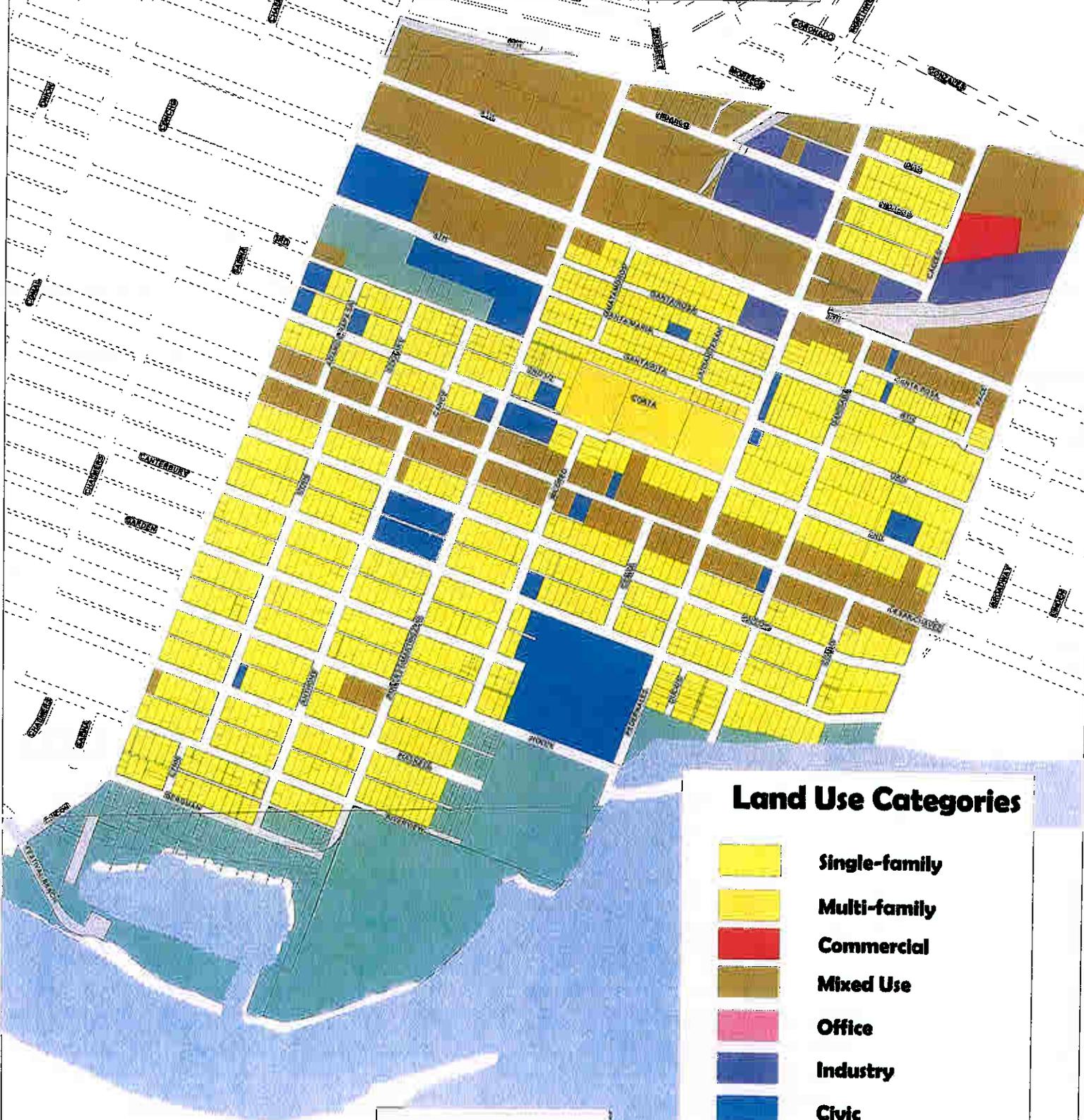
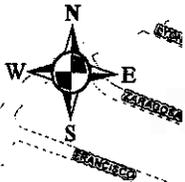
### **Future Land Use Maps**

The Future Land Use Maps included as part of the project plan are for the following Neighborhoods:

- Central East Austin Neighborhood
- Chestnut Neighborhood
- East Cesar Chavez Neighborhood
- Govalle/Johnston Terrace Neighborhood
- Holly Neighborhood
- Rosewood Neighborhood
- Upper Boggy Creek Neighborhood



# Holly Neighborhood Planning Area Future Land Use Map Updated: September 8, 2003



## Land Use Categories

- Single-family**
- Multi-family**
- Commercial**
- Mixed Use**
- Office**
- Industry**
- Civic**
- Open Space**

A comprehensive plan shall not constitute zoning regulations or establish zoning district boundaries.





## Chestnut Neighborhood Planning Area Adopted Future Land Use

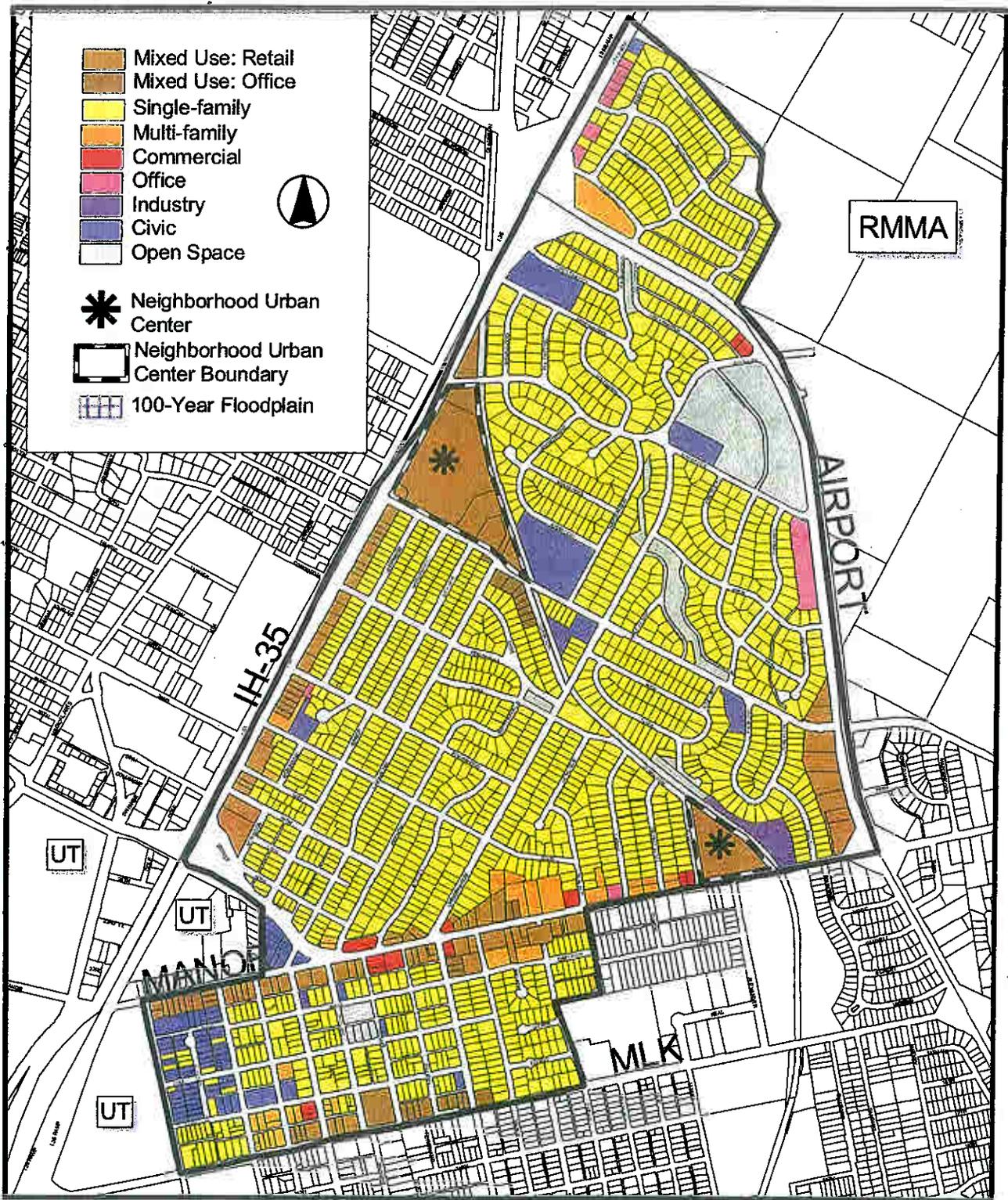
200 100 0 200 400  
Feet

Future Land Use	
10 Agriculture	200 Multi-family
50 Rural Residential	300 Commercial
100 Single-family	330 Mixed Use
111 Higher-Density Single Family	335 High Density Mixed Use
113 Mobile Homes	350 Warehouse/Limited Office
130 Mixed Residential	400 Office
	430 Mixed Use/Office
	490 Major Planned Development
	500 Industry
	560 Major Impact Facility
	600 Civic
	700 Open Space
	750 Environmental Conservation
	800 Transportation
	870 Utilities
	940 Water



Produced by City of Austin  
Neighborhood Planning &  
Zoning Department  
February 14, 2005

This map has been produced by the City of Austin for the sole purpose of aiding regional planning and is not warranted for any other use. No warranty is made regarding its accuracy or completeness.



## Upper Boggy Creek Neighborhood Planning Area: Future Land Use Map

This map is for informational purposes only. No guarantee can be made as to its accuracy.

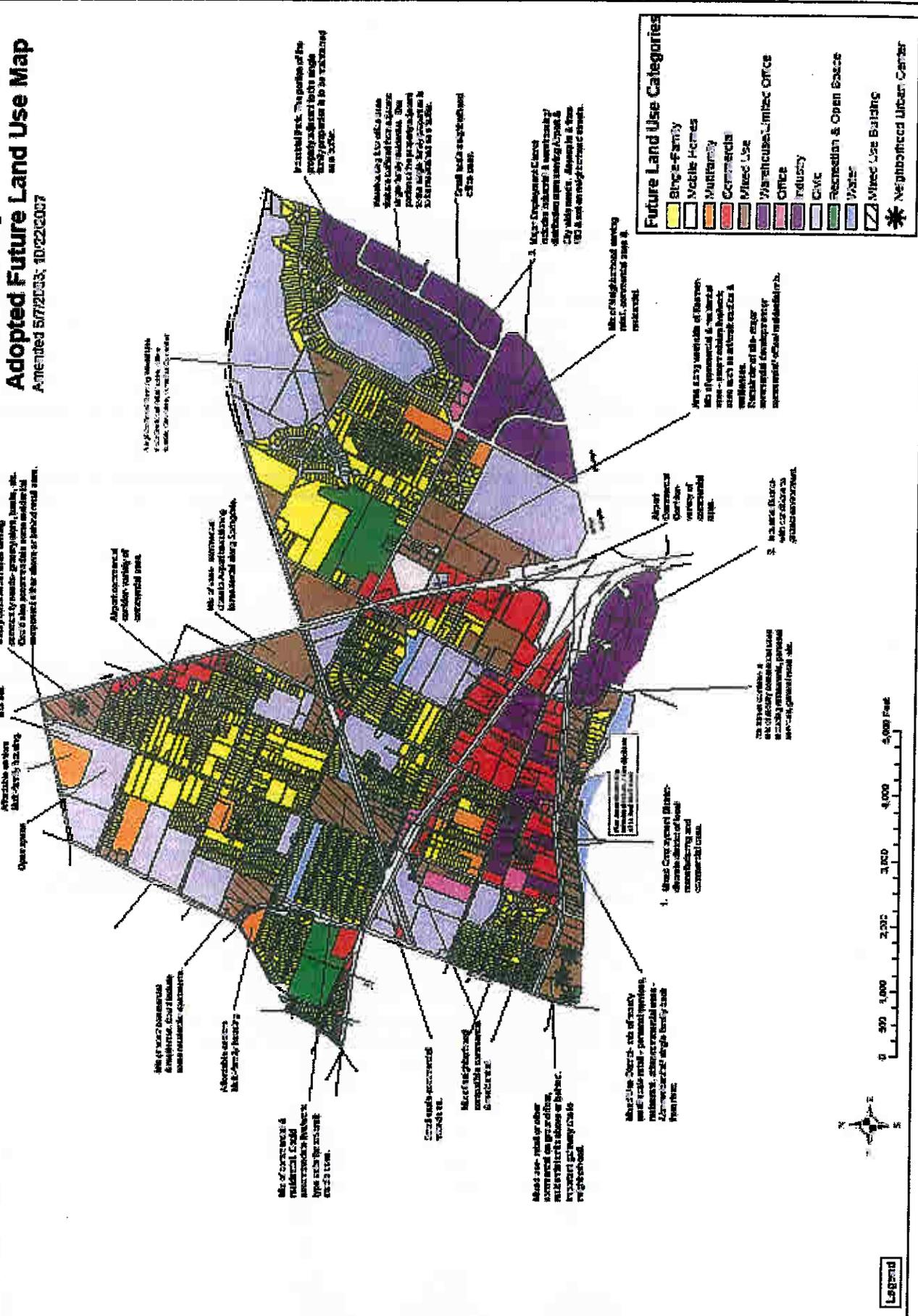


NPZD  
City of Austin

# Govalle/ Johnston Terrace Combined Neighborhood Plan Adopted Future Land Use Map

Amended 5/7/2003; 10/22/2007

A complete set of plan and/or zoning regulations or related zoning district boundaries. This map has been prepared by the City of Austin for the sole purpose of providing reference to users by the City of Austin regarding specific locations or conditions.



### Future Land Use Categories

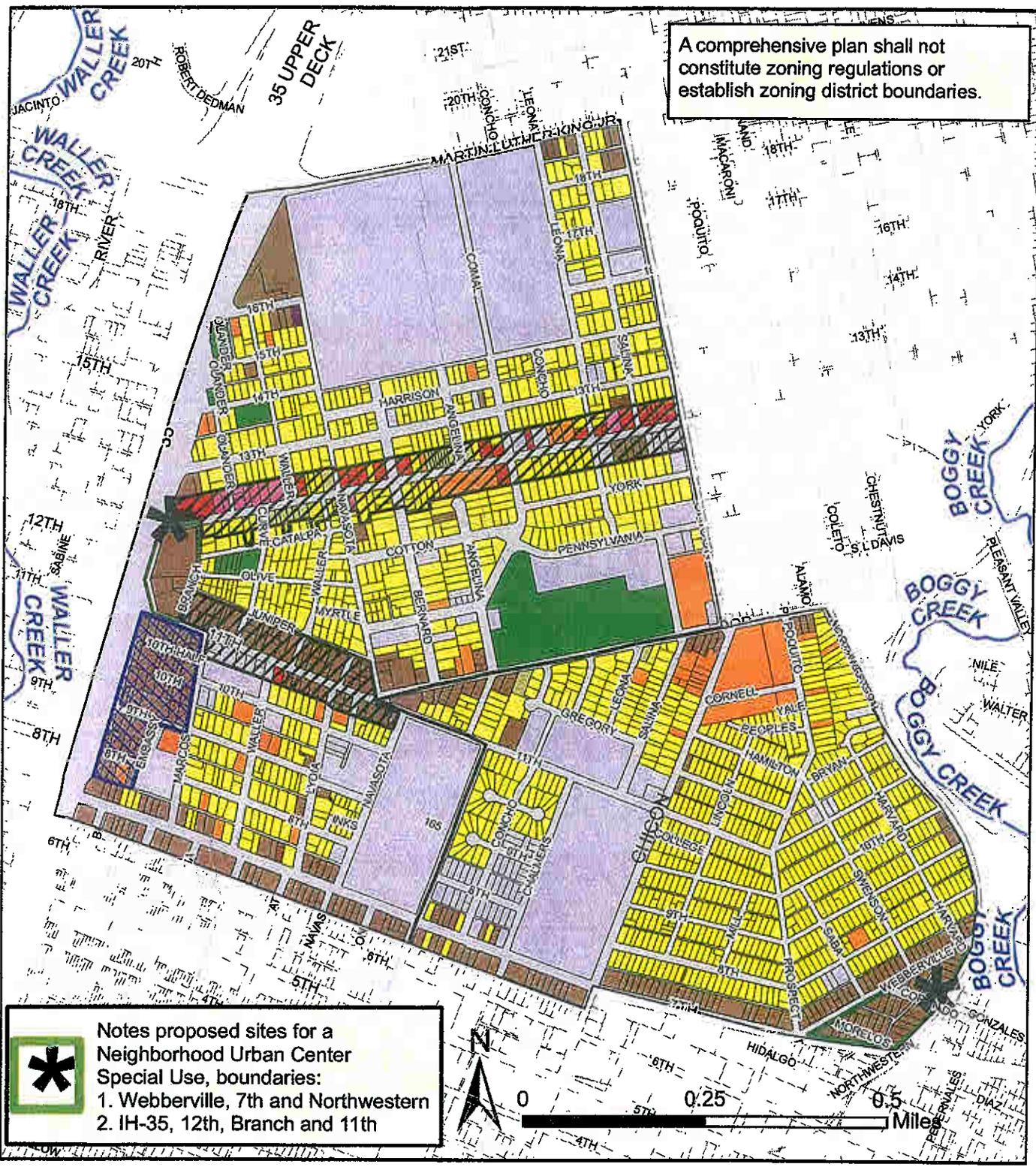
[Yellow]	Single-Family
[Light Green]	Mobile Homes
[Orange]	Multifamily
[Red]	Commercial
[Purple]	Mixed Use
[Dark Purple]	Warehouse/Limited Office
[Light Blue]	Office
[Green]	Industry
[Light Green]	Civic
[Light Green]	Recreation & Open Space
[Light Blue]	Water
[Hatched]	Mixed Use Barriers
[Star]	Neighborhood Urban Center



Legend



A comprehensive plan shall not constitute zoning regulations or establish zoning district boundaries.



 Notes proposed sites for a Neighborhood Urban Center Special Use, boundaries:  
 1. Webberville, 7th and Northwestern  
 2. IH-35, 12th, Branch and 11th



**Central East Austin Neighborhood Planning Area: Future Land Use Map**  
 Adopted 12/13/2001  
 Amended 6/23/05, 11/30/06, 5/3/07, 5/25/07  
 Neighborhood Planning and Zoning Department

-  Neighborhood Planning Areas
-  Bennett Tract & 11th Street NCCD
-  Austin Revitalization Authority 11th & 12th Street Corridors

-  Single-Family
-  Higher-Density Single-Family
-  Multifamily
-  Commercial
-  Mixed Use
-  Office
-  Mixed Use/Office
-  Industry
-  Civic
-  Recreation & Open Space
-  Transportation

**Homestead Preservation Reinvestment Zone No. 1**  
**Preliminary Project Plan and Reinvestment Zone Financing Plan**

**EXHIBIT 3**

**Economic Feasibility Study**



Real Estate Research, Land Development Economics & Market Analysis

October 10, 2008

Margaret R. Shaw  
Director  
City of Austin, Neighborhood Housing  
and Community Development  
1000 East 11<sup>th</sup> Street, Suite 400  
Austin, TX 78702

reg. **Homestead Preservation District TIF**

Dear Ms. Shaw,

As you requested, we have prepared an assessment of the Homestead Preservation District proposed for a portion of central east Austin. Our assessment includes a determination of historical and current real property values within the District and a forecast of taxable value to help estimate the potential revenue that could be generated from a tax increment district.

### **Overview**

Between 1997 and 2007, the number of residential units receiving building permits within the boundaries of the Homestead Preservation District (HPD) increased from 35 units to 154 units per year. Permitted residential units during this time span decreased citywide by 5%, yet the number of permitted units in the HPD increased fourfold. Permitted units in the HPD, as a share of citywide residential units, increased from 0.5% in 1997 to 2.4% of total permits citywide by 2007.

An increasing number of mixed-use and loft-style buildings are being developed within the HPD, such as Saltillo Lofts, TwentyOne24, and Waterstreet Lofts. A recent Diana McIver & Associates report identified more than 16 residential or mixed-use developments with more than 650 units currently planned near the Saltillo TOD, one of two TOD's located within the HPD.

As the pace of development has increased in the HPD, property values of new and existing units have increased significantly. In 1999-2000 in the HPD area, the median price for residential listings on the Austin Board of Realtors Multiple Listing Service was \$90,000, with the median price per square foot at \$66.00. By 2005-2006, the median price on MLS had increased to \$135,000, with the price per square foot at \$109.00. This 50% increase in market value contrasts to a 30% increase city wide over the same period.

These trends point to a significant demographic shift in the Homestead Preservation District. The area is experiencing a rising level of development activity, including not only single-family homes but also mixed-use, loft-style developments. This new development

Capitol Market Research, Inc.  
605 Brazos, Suite 300  
Austin, Texas 78701  
Phone: (512) 476-5000  
Fax: (512) 476-5011  
[cheimsath@cmraustin.com](mailto:cheimsath@cmraustin.com)

has contributed to increasing property values, but this trend has also had a negative financial impact on renters and homeowners seeking to remain in the area.

### **Methodology**

The approach that we took and the results of our analysis are shown below.

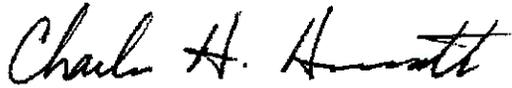
1. First we obtained from the Neighborhood Housing and Community Development Office a file that contains the property tax ID numbers and values for all 6,815 parcels in the proposed Homestead Preservation District. The appraisal district data included the property ID number, situs address, year of completion and total value by year, from 2000 through 2008. (Table 1)
2. Because there are two TOD areas within the proposed HPD TIF (Saltillo Plaza and MLK) which may also use TIF financing as a tool to foster development, we have also provided a forecast that removes the 464 TOD parcels from the HPD inventory with the result being a slightly smaller area with less value. (Table 2)
3. With this data, we then explored several options for estimating future values within the district and determined that the two most acceptable approaches were an extrapolation of historical trends using two different forecasting methods. The two approaches selected were
  - a) a district value forecast that is based on the average annual percentage increase in total district value from 2000 through 2008 (high scenario)
  - b) a district value forecast which uses a linear extrapolation of the total property values in the area from 2000 through 2008 (low scenario)
4. The results of these forecast options are presented in table (3) with TOD parcels and (3)a, (without TOD parcels)
  - a) the forecast based on district value increases from 2000 to 2008 results in a 2028 total district value of \$12.7 billion with the TOD parcels and \$12.5 billion without.
  - b) and the forecast which is based on a linear extrapolation of the property values results in a \$2.7 billion district value with the TOD parcels and \$2.5 billion value without.
  - c) After examining the two options, CMR also prepared a forecast that is the average of the two scenarios, and which falls into the middle of the range of values at \$7.7 billion in 2028 with the TOD parcels and \$7.4 billion without. And, as a more conservative approach, the City may wish to assume that growth will more closely approximate the city-wide average over the long-term future.

5. A Tax Increment revenue analysis was prepared using the most conservative forecast to determine what revenues would be available to support the planned affordable housing program initiatives within the district and these results are shown in Table(4) and (4)a.

We hope this preliminary analysis is useful to you as you consider the option of creating a Homestead Preservation District in Austin.

Respectfully yours,

**CAPITOL MARKET RESEARCH, INC.**



Charles H. Heimsath, AICP

October 10, 2008

Date

Table (1)  
**Homestead Preservation District Tax Valuation Summary**

Year	Tax Records	City of Austin Total Taxable Value	Travis County Total Taxable Value
2000	6,739	376,239,867	350,442,581
2001	6,744	440,713,546	407,565,143
2002	6,751	506,825,154	465,381,719
2003	6,760	540,240,799	489,540,931
2004	6,779	601,542,656	542,880,116
2005	6,785	656,922,625	590,068,946
2006	6,823	785,895,911	707,574,588
2007	6,835	928,976,896	840,251,056
2008	6,815	1,124,971,617	1,024,133,255

TaxValuationSummary.xls

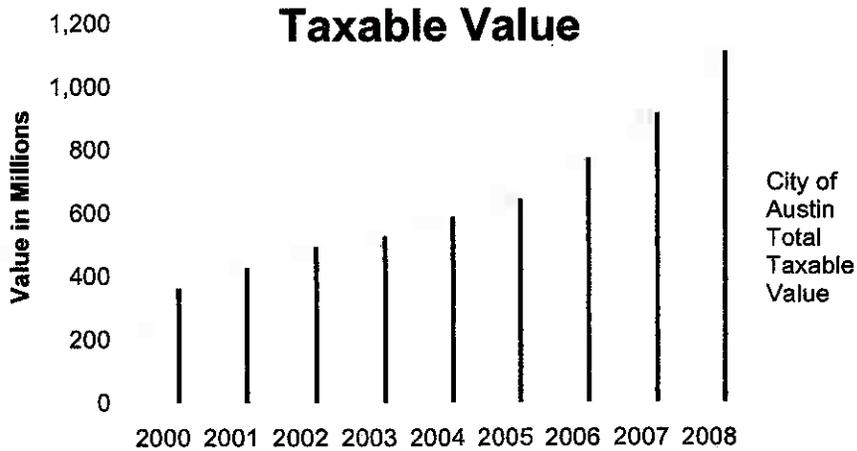


Table (2)  
**HPD Tax Valuation Summary (without TOD parcels)**

Year	Tax Records	City of Austin Total Taxable Value	Travis County Total Taxable Value
2000	6,286	326,373,619	301,401,317
2001	6,288	387,883,647	355,884,948
2002	6,295	447,496,882	407,454,579
2003	6,304	482,946,804	434,015,197
2004	6,323	533,359,300	476,860,841
2005	6,329	587,021,465	520,626,187
2006	6,363	706,508,636	630,676,022
2007	6,375	839,986,069	754,031,696
2008	6,351	1,009,339,633	911,606,955

TaxValuationSummary.xls

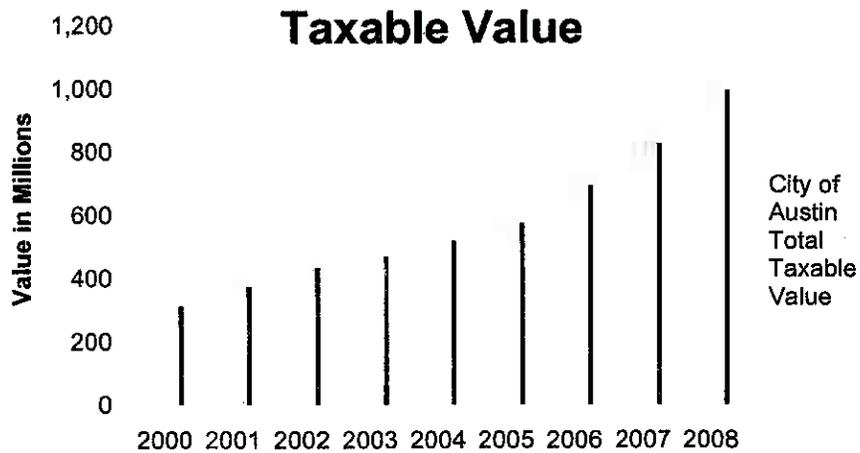


Table (3)  
**HPD Forecasted Taxable Value Options**

Year	District City Taxable Value	High range	Low Range	High/Low Average	City Average
2000	\$376,239,867	.....	.....	.....	.....
2001	\$440,713,546	.....	.....	.....	.....
2002	\$506,825,154	.....	.....	.....	.....
2003	\$540,240,799	.....	.....	.....	.....
2004	\$601,542,656	.....	.....	.....	.....
2005	\$656,922,625	.....	.....	.....	.....
2006	\$785,895,911	.....	.....	.....	.....
2007	\$928,976,876	.....	.....	.....	.....
2008	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617	\$1,124,971,617
2009	.....	\$1,270,092,956	\$1,090,359,367	\$1,180,226,161	\$1,185,553,143
2010	.....	\$1,433,934,947	\$1,175,935,039	\$1,304,934,993	\$1,249,397,080
2011	.....	\$1,618,912,555	\$1,261,510,711	\$1,440,211,633	\$1,316,679,117
2012	.....	\$1,827,752,275	\$1,347,086,383	\$1,587,419,329	\$1,387,587,398
2013	.....	\$2,063,532,318	\$1,432,662,055	\$1,748,097,187	\$1,462,308,043
2014	.....	\$2,329,727,987	\$1,518,237,727	\$1,923,982,857	\$1,541,055,676
2015	.....	\$2,630,262,897	\$1,603,813,400	\$2,117,038,148	\$1,624,043,996
2016	.....	\$2,969,566,811	\$1,689,389,072	\$2,329,477,941	\$1,711,501,369
2017	.....	\$3,352,640,930	\$1,774,964,744	\$2,563,802,837	\$1,803,668,462
2018	.....	\$3,785,131,610	\$1,860,540,416	\$2,822,836,013	\$1,900,798,901
2019	.....	\$4,273,413,587	\$1,946,116,088	\$3,109,764,838	\$2,003,159,970
2020	.....	\$4,824,683,940	\$2,031,691,760	\$3,428,187,850	\$2,111,033,347
2021	.....	\$5,447,068,168	\$2,117,267,433	\$3,782,167,800	\$2,224,715,877
2022	.....	\$6,149,739,962	\$2,202,843,105	\$4,176,291,533	\$2,344,715,877
2023	.....	\$6,943,056,417	\$2,288,418,777	\$4,615,737,597	\$2,470,776,578
2024	.....	\$7,838,710,695	\$2,373,994,449	\$5,106,352,572	\$2,603,831,858
2025	.....	\$8,849,904,375	\$2,459,570,121	\$5,654,737,248	\$2,744,052,379
2026	.....	\$9,991,542,039	\$2,545,145,793	\$6,268,343,916	\$2,891,824,000
2027	.....	\$11,280,450,962	\$2,630,721,466	\$6,955,586,214	\$3,047,553,360
2028	.....	\$12,735,629,136	\$2,716,297,138	\$7,725,963,137	\$3,211,668,955

**Historical and Forecasted Value Options**

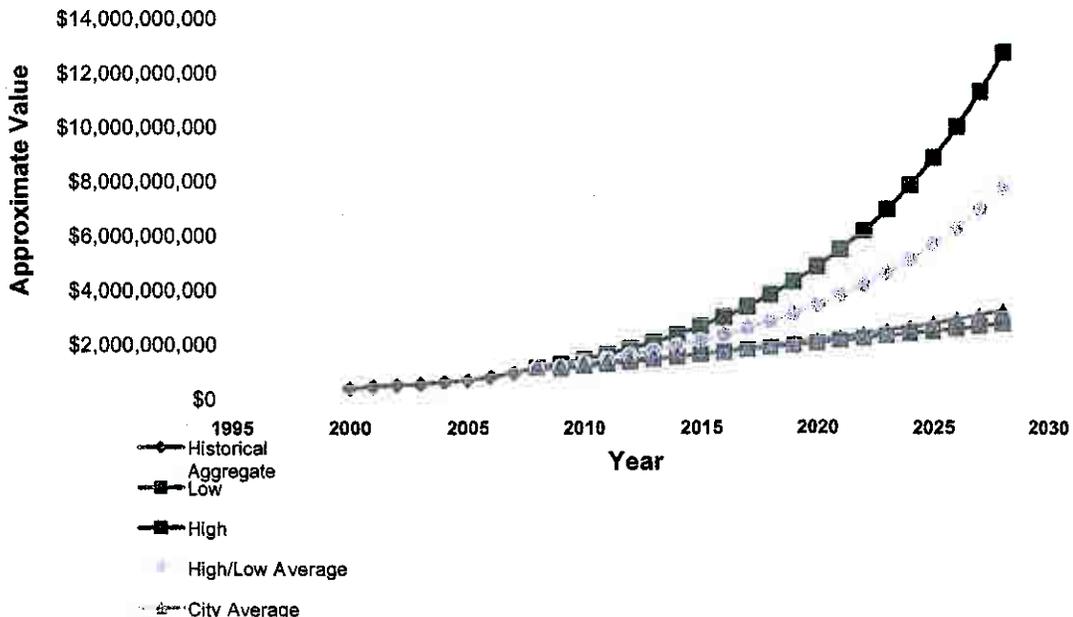


Table (3)a  
**HPD Forecasted Taxable Value Options without TOD parcels**

Year	District City Taxable Value	High range	Low Range	High/Low Average	City Average
2000	\$326,373,619	.....	.....	.....	
2001	\$387,883,647	.....	.....	.....	
2002	\$447,496,882	.....	.....	.....	
2003	\$482,946,804	.....	.....	.....	
2004	\$533,359,300	.....	.....	.....	
2005	\$587,021,465	.....	.....	.....	
2006	\$706,508,636	.....	.....	.....	
2007	\$839,986,069	.....	.....	.....	
2008	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633	\$1,009,339,633
2009	.....	\$1,144,591,144	\$983,735,353	\$1,064,163,248	\$1,063,694,191
2010	.....	\$1,297,966,357	\$1,062,239,844	\$1,180,103,101	\$1,120,975,829
2011	.....	\$1,471,893,849	\$1,140,744,336	\$1,306,319,092	\$1,181,342,175
2012	.....	\$1,669,127,625	\$1,219,248,827	\$1,444,188,226	\$1,244,959,345
2013	.....	\$1,892,790,726	\$1,297,753,319	\$1,595,272,023	\$1,312,002,402
2014	.....	\$2,146,424,684	\$1,376,257,810	\$1,761,341,247	\$1,382,655,835
2015	.....	\$2,434,045,591	\$1,454,762,302	\$1,944,403,947	\$1,457,114,069
2016	.....	\$2,760,207,701	\$1,533,266,793	\$2,146,737,247	\$1,535,581,998
2017	.....	\$3,130,075,533	\$1,611,771,285	\$2,370,923,409	\$1,618,278,551
2018	.....	\$3,549,505,654	\$1,690,275,776	\$2,619,890,715	\$1,705,422,285
2019	.....	\$4,025,139,411	\$1,768,780,268	\$2,896,959,840	\$1,797,262,009
2020	.....	\$4,564,508,093	\$1,847,284,759	\$3,205,896,426	\$1,894,047,051
2021	.....	\$5,176,152,177	\$1,925,789,251	\$3,550,970,714	\$1,996,044,943
2022	.....	\$5,869,756,569	\$2,004,293,742	\$3,937,025,156	\$2,103,535,164
2023	.....	\$6,656,303,949	\$2,082,798,234	\$4,369,551,091	\$2,216,813,906
2024	.....	\$7,548,248,678	\$2,161,302,725	\$4,854,775,702	\$2,336,192,889
2025	.....	\$8,559,714,001	\$2,239,807,217	\$5,399,760,609	\$2,462,000,623
2026	.....	\$9,706,715,677	\$2,318,311,708	\$6,012,513,693	\$2,594,583,304
2027	.....	\$11,007,415,578	\$2,396,816,200	\$6,702,115,889	\$2,734,305,775
2028	.....	\$12,482,409,265	\$2,475,320,691	\$7,478,864,978	\$2,881,552,526

**Historical and Forecasted Value Options**

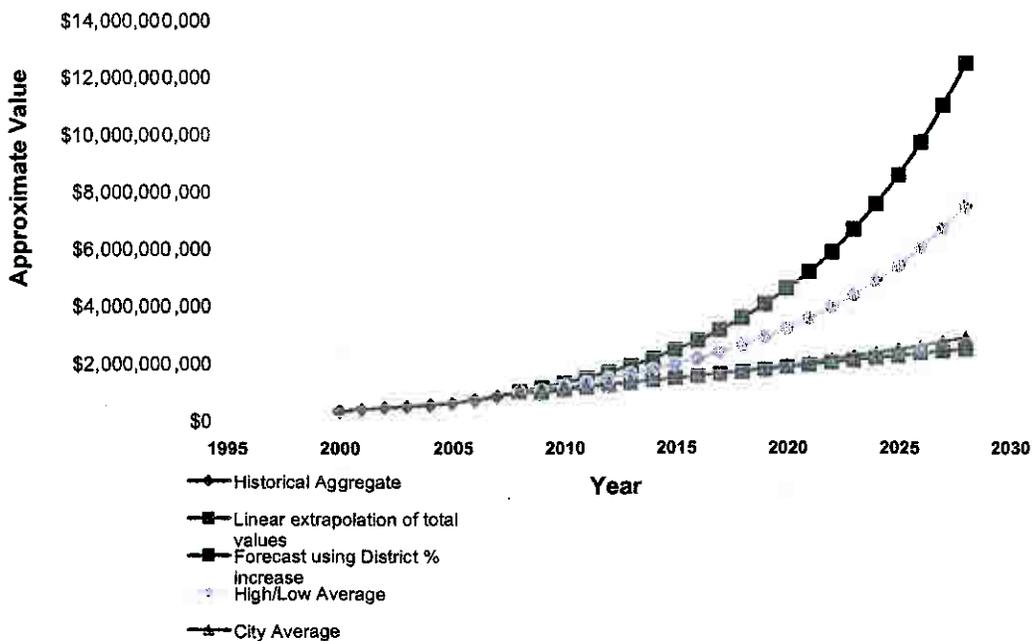


Table (4)  
**Homestead Preservation District: Austin, Texas**  
**Cummulative City of Austin Property Tax Collections**

Homestead Preservation District				
Year	2008 HPD District Value	Homestead Preservation District Forecasted Values	Increment from Base Year	Revenues from Incremental Value
2008	\$1,124,971,617	\$1,124,971,617	\$0	\$0
2009	\$1,124,971,617	\$1,180,226,161	\$55,254,544	\$245,961
2010	\$1,124,971,617	\$1,304,934,993	\$179,963,376	\$489,987
2011	\$1,124,971,617	\$1,440,211,633	\$315,240,016	\$731,939
2012	\$1,124,971,617	\$1,587,419,329	\$462,447,712	\$971,667
2013	\$1,124,971,617	\$1,748,097,187	\$623,125,570	\$1,209,351
2014	\$1,124,971,617	\$1,923,982,857	\$799,011,240	\$1,444,644
2015	\$1,124,971,617	\$2,117,038,148	\$992,066,531	\$1,677,382
2016	\$1,124,971,617	\$2,329,477,941	\$1,204,506,324	\$1,907,395
2017	\$1,124,971,617	\$2,563,802,837	\$1,438,831,220	\$2,134,502
2018	\$1,124,971,617	\$2,822,836,013	\$1,697,864,396	\$2,357,739
2019	\$1,124,971,617	\$3,109,764,838	\$1,984,793,221	\$2,577,483
2020	\$1,124,971,617	\$3,428,187,850	\$2,303,216,233	\$2,793,513
2021	\$1,124,971,617	\$3,782,167,800	\$2,657,196,183	\$3,005,601
2022	\$1,124,971,617	\$4,176,291,533	\$3,051,319,916	\$3,213,511
2023	\$1,124,971,617	\$4,615,737,597	\$3,490,765,980	\$3,416,999
2024	\$1,124,971,617	\$5,106,352,572	\$3,981,380,955	\$3,615,813
2025	\$1,124,971,617	\$5,654,737,248	\$4,529,765,631	\$3,809,697
2026	\$1,124,971,617	\$6,268,343,916	\$5,143,372,299	\$3,998,387
2027	\$1,124,971,617	\$6,955,586,214	\$5,830,614,597	\$4,181,615
2028	\$1,124,971,617	\$7,725,963,137	\$6,600,991,520	\$4,359,111
<b>Total</b>				<b>\$48,142,297</b>

HPD value estimates based on forecasts prepared by Capitol Market Research, October 8, 2008  
 Assumes the City of Austin Property Tax Rate is the effective tax rate in each year

# Homestead Preservation District (without TOD Parcels): Austin, Texas Cumulative City of Austin Property Tax Collections

Table (4)a

Homestead Preservation District				
Year	2008 HPD District Value	Homestead Preservation District Forecasted Values	Increment from Base Year	Revenues from Incremental Value
2008	\$1,009,339,633	\$1,009,339,633	\$0	\$0
2009	\$1,009,339,633	\$1,064,163,248	\$54,823,615	\$220,680
2010	\$1,009,339,633	\$1,180,103,101	\$170,763,468	\$439,512
2011	\$1,009,339,633	\$1,306,319,092	\$296,979,459	\$656,534
2012	\$1,009,339,633	\$1,444,188,226	\$434,848,593	\$871,557
2013	\$1,009,339,633	\$1,595,272,023	\$585,932,390	\$1,084,441
2014	\$1,009,339,633	\$1,761,341,247	\$752,001,614	\$1,295,407
2015	\$1,009,339,633	\$1,944,403,947	\$935,064,314	\$1,504,074
2016	\$1,009,339,633	\$2,146,737,247	\$1,137,397,614	\$1,710,288
2017	\$1,009,339,633	\$2,370,923,409	\$1,361,583,776	\$1,913,886
2018	\$1,009,339,633	\$2,619,890,715	\$1,610,551,082	\$2,114,003
2019	\$1,009,339,633	\$2,896,959,840	\$1,887,620,207	\$2,310,976
2020	\$1,009,339,633	\$3,205,896,426	\$2,196,556,793	\$2,504,608
2021	\$1,009,339,633	\$3,550,970,714	\$2,541,631,081	\$2,694,692
2022	\$1,009,339,633	\$3,937,025,156	\$2,927,685,523	\$2,881,017
2023	\$1,009,339,633	\$4,369,551,091	\$3,360,211,458	\$3,063,362
2024	\$1,009,339,633	\$4,854,775,702	\$3,845,436,069	\$3,241,503
2025	\$1,009,339,633	\$5,399,760,609	\$4,390,420,976	\$3,415,206
2026	\$1,009,339,633	\$6,012,513,693	\$5,003,174,060	\$3,584,236
2027	\$1,009,339,633	\$6,702,115,889	\$5,692,776,256	\$3,748,351
2028	\$1,009,339,633	\$7,478,864,978	\$6,469,525,345	\$3,907,308
<b>Total</b>				<b>\$43,161,641</b>

HPD value estimates based on forecasts prepared by Capitol Market Research, October 8, 2008

Assumes the City of Austin Property Tax Rate is the effective tax rate in each year

Base year TOD values of \$115,631,984 removed from District total value of \$1,124,971,617

## Exhibit E

**ORDINANCE NO. 20081016-014**

**AN ORDINANCE DESIGNATING HOMESTEAD LAND TRUSTS.**

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

**PART 1. Findings:**

- (A) The City wishes to control local land use and reduce absentee ownership, provide affordable housing for low and moderate-income residents in the community, promote resident ownership and control of housing, keep housing affordable for future residents, and capture the value of public investment for long-term community benefit. Designating homestead land trusts will further these goals.
- (B) The City is authorized to designate homestead land trusts by Chapter 373A, Subchapter C, Local Government Code.

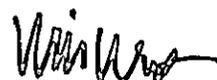
**PART 2.** The following entities are designated to operate as homestead land trusts in the Homestead Preservation District: The Austin Housing Finance Corporation, the Travis County Housing Finance Corporation, and PeopleTrust.

**PART 3.** This ordinance takes effect October 27, 2008.

**PASSED AND APPROVED**

October 16, 2008

§  
§  
§

  
\_\_\_\_\_  
Will Wynn  
Mayor

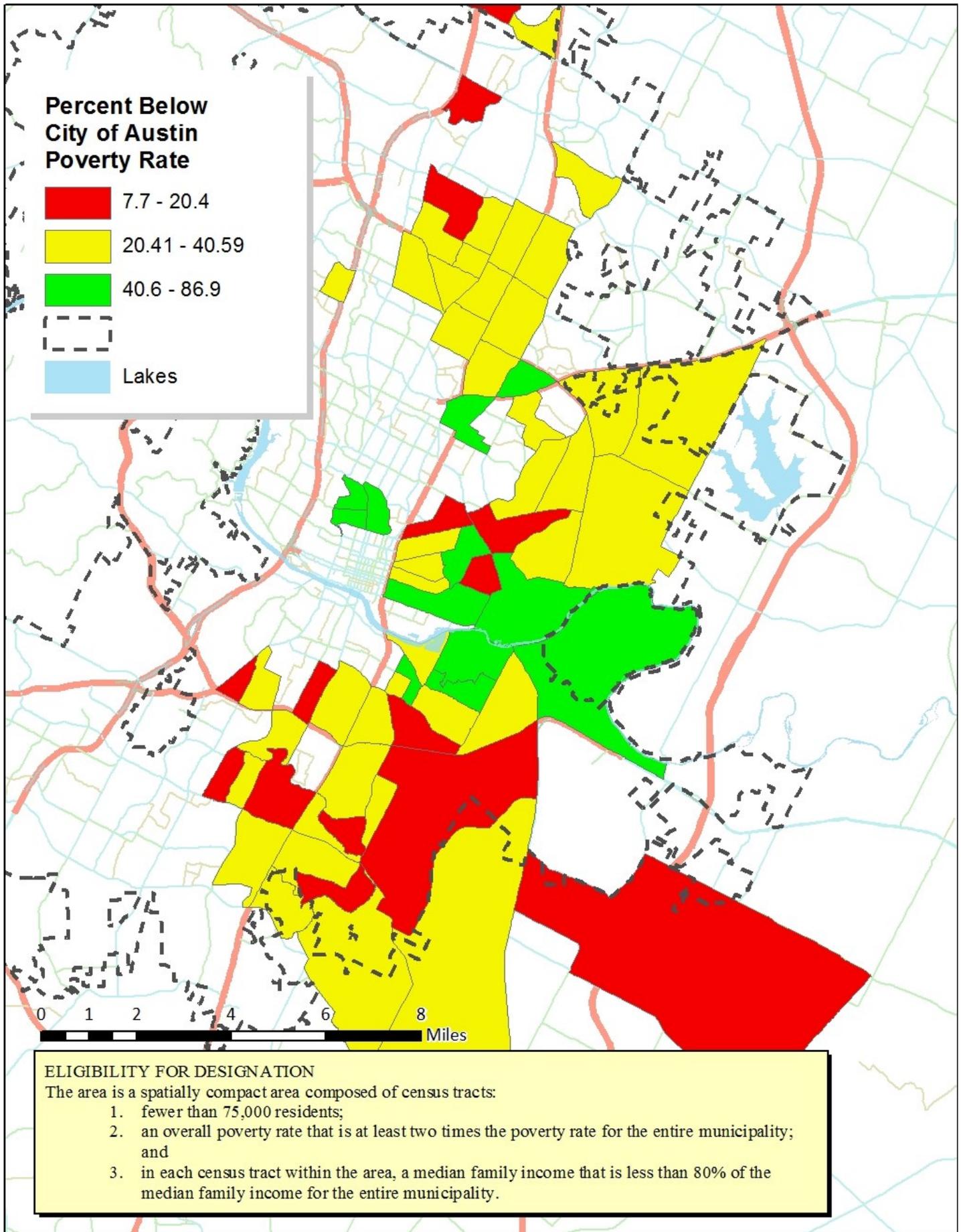
**APPROVED:**

  
\_\_\_\_\_  
David Allan Smith  
City Attorney

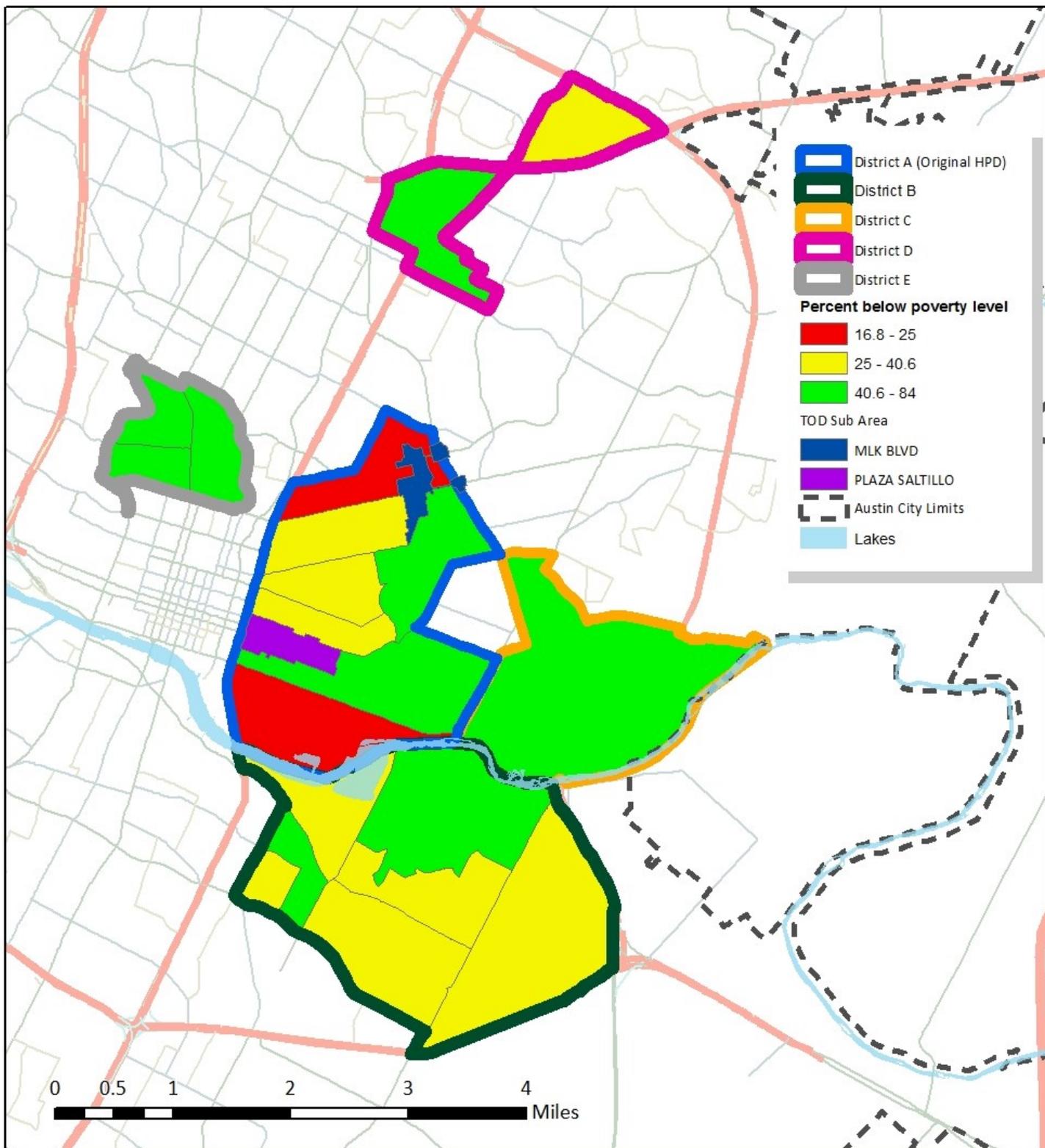
**ATTEST:**

  
\_\_\_\_\_  
Shirley A. Gentry  
City Clerk

### Census Tracts with MFI of less than 80% by Poverty Rate



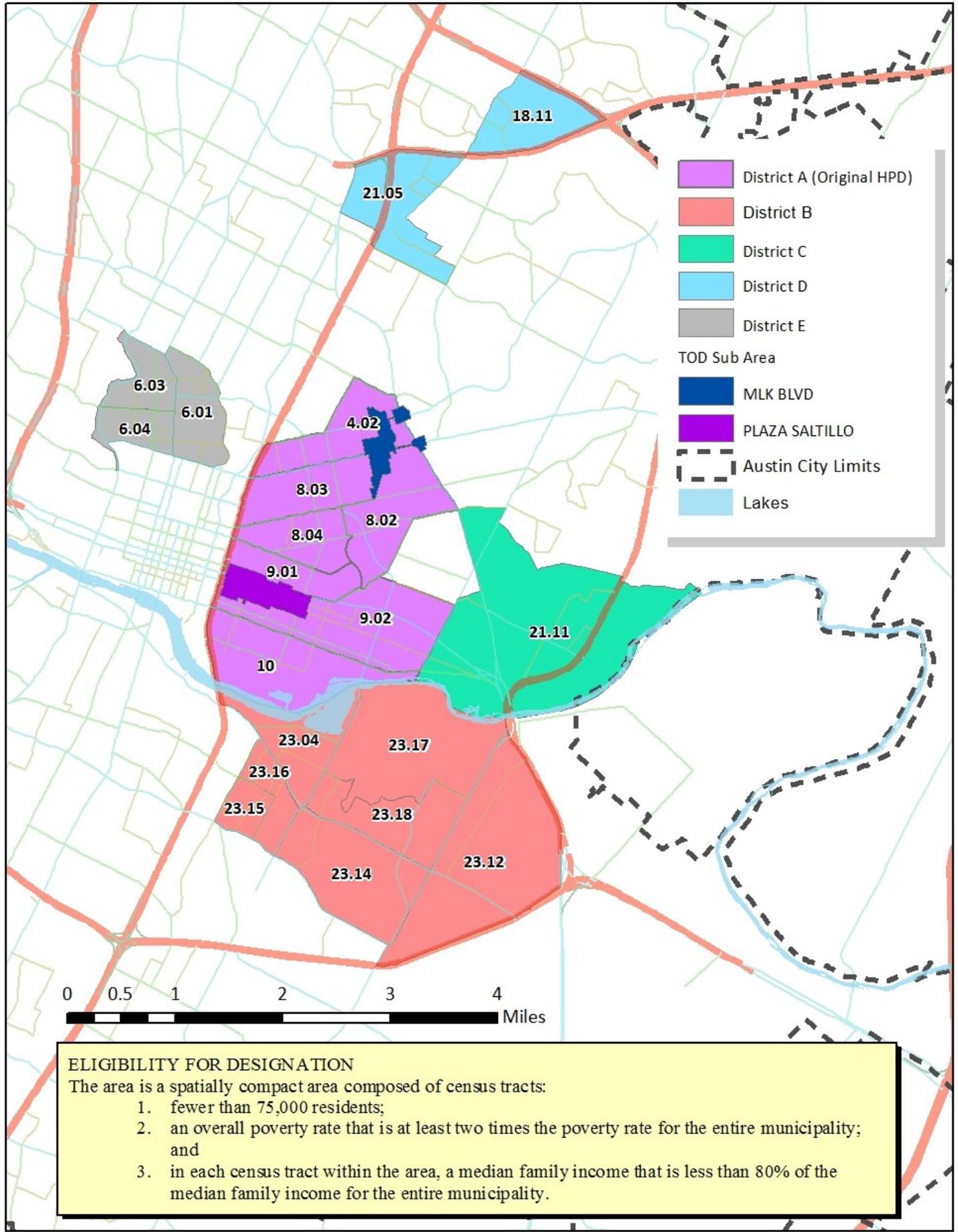
### Eligible Homestead Preservation Districts: Poverty Level by Census Tract, 2013



**ELIGIBILITY FOR DESIGNATION**  
 The area is a spatially compact area composed of census tracts:

1. fewer than 75,000 residents;
2. an overall poverty rate that is at least two times the poverty rate for the entire municipality; and
3. in each census tract within the area, a median family income that is less than 80% of the median family income for the entire municipality.

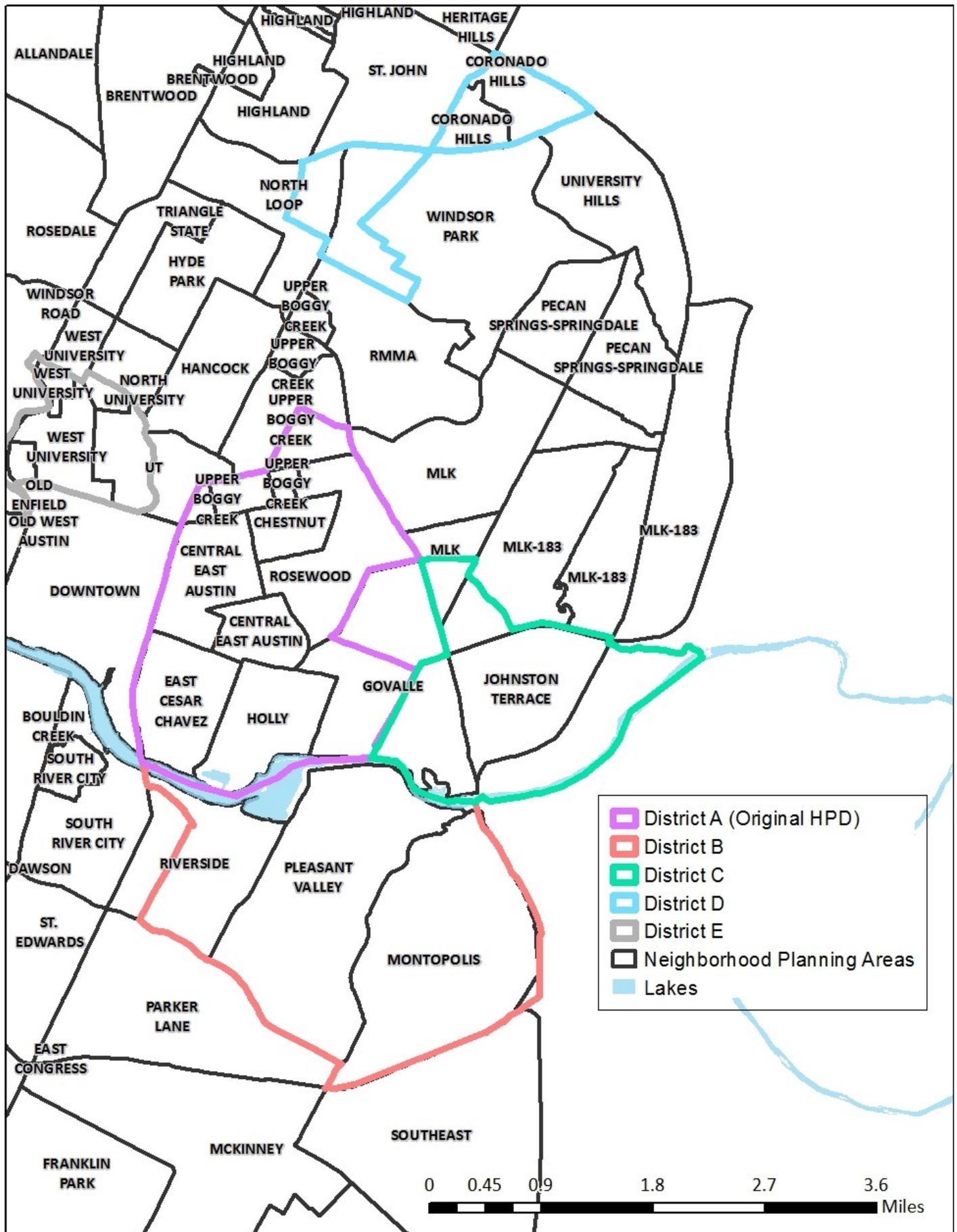
# Eligible Homestead Preservation Districts, 2013



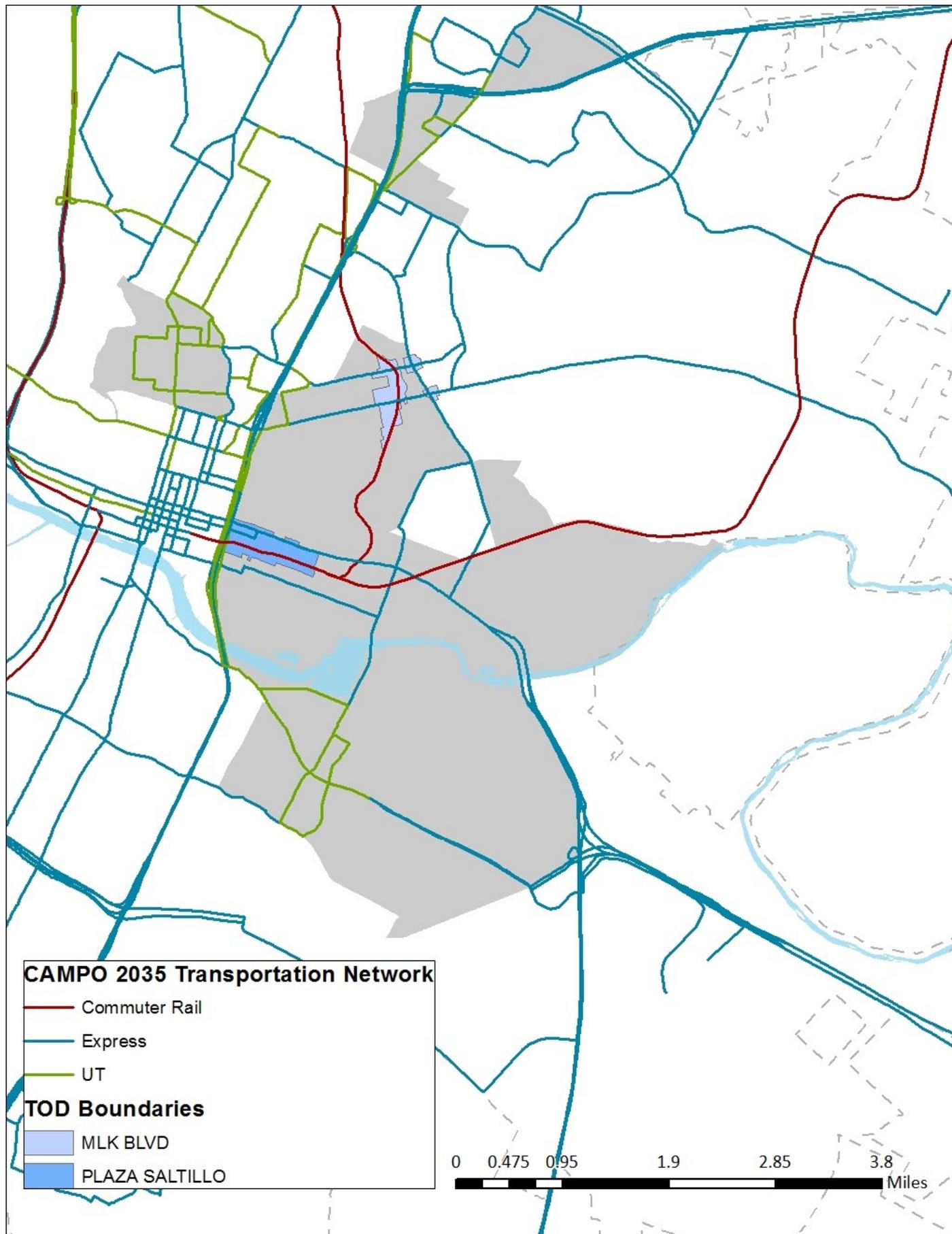
**ELIGIBILITY FOR DESIGNATION**  
The area is a spatially compact area composed of census tracts:

1. fewer than 75,000 residents;
2. an overall poverty rate that is at least two times the poverty rate for the entire municipality; and
3. in each census tract within the area, a median family income that is less than 80% of the median family income for the entire municipality.

### Eligible Homestead Preservation Districts: Neighborhood Planning Areas, 2013



# Eligible Homestead Preservation Districts: CAMPO 2035 Transportation Network



Eligible Homestead Preservation Districts: Imagine Austin Growth Concept, 2013

