May 8, 2015

Dear Mayor, Mayor Pro Tem, and City Council Members,

On May 14, 2015, City Council will consider a resolution in support of the adoption of Homestead Preservation Districts (HPDs). On behalf of HousingWorks policy committee, we applaud the establishment of the three additional districts (known as Districts B, C, and D) listed in the resolution. In addition, we urge you to formalize the Tax Increment Finance tool in both Districts A and B. Time is of the essence.

As you may know, HPDs were originally authorized by state legislation in 2005 under Chapter 373A of the Local Government Code in order to combat the negative effects of gentrification. HPDs provide municipalities with several tools. The most powerful of these tools is a district-wide Homestead Preservation Reinvestment Zone (referred to here as an “HPD TIF”). The HPD TIF is a special type of Tax Increment Finance tool, or TIF, that reinvests property tax funds generated by rising property values in a district to finance the creation and preservation of affordable housing in the same district.

The HPD TIF was never intended to act as a traditional TIF (e.g., project-based, bond-able, and authorized under Chapter 311 of the Texas Tax Code). Instead, the HPD TIF was envisioned as a district-wide reinvestment zone that would generate a dedicated revenue stream each year to combat gentrification. As such, the HPD TIF is authorized under a separate section of the Texas Tax Code (Chapter 373A).

HPD TIF funds can be utilized to support a broad range of affordable housing projects in a homestead preservation district. Creating a HPD TIF does not impact how and where community land trusts and land banks are utilized. Contrary to some misperceptions out there, these tools can already be utilized throughout the City of Austin regardless of whether a HPD TIF is adopted.

Another important feature of HPD TIFs is the ability of municipalities to abate property taxes for up to 10 years for owners who are undertaking repairs and improvements to their properties. This tool, authorized under Chapter 373A.1541 of the Local Government Code, provides the city with an
unprecedented opportunity to offer targeted tax relief to single-family homeowners and multifamily property owners who are undergoing property upgrades in exchange for affordability restrictions. This policy strategy was recommended as part of HousingWorks’ July 2014 report Taking Action: Preservation of Affordable Housing in the City of Austin.

Using the City’s December 5, 2014, financial analysis, an HPD TIF for District A would generate approximately $950,000 next year, while an HPD TIF for District B would generate approximately $350,000. While small, these are critical funds that would help to offset the negative consequences of gentrification in East Austin. These funds could be utilized to assist low-income homeowners with home repairs, as well as help nonprofit developers with creating and preserving affordable multifamily housing. While District A has already seen exorbitant property value increases, District B is positioned to also undergo enormous shifts in valuation. The HPD TIF would help to combat the negative consequences from rising property values, as the original legislation contemplated.

Please move forward with the adoption of HPDs in Districts B, C, and D. In addition, we urge you to create the district-wide TIF in both Districts A and B. Should you have any questions or require any additional information, please do not hesitate to contact me at (512) 454-1444.

Sincerely,

Mandy De Mayo
Executive Director