

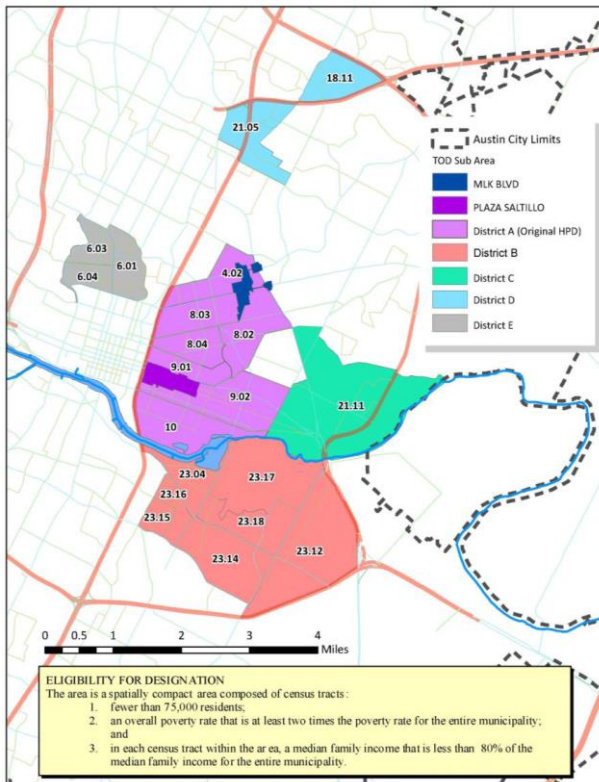
HOMESTEAD PRESERVATION DISTRICTS NEW TOOLS TO COMBAT GENTRIFICATION

What are the HPDs? Homestead Preservation District and Reinvestment Zone (HPD) was created by the Texas State Legislature to offer local municipalities additional tools to combat the negative effects of gentrification.

Where are the HPDs? Austin has one already-designated HPD (District A) and three more that are currently being contemplated (Districts B, C, and D). In 2007, City Council established the original Homestead Preservation District (District A). Based on 2013 state legislation, city staff determined that four additional districts were eligible for designation. Currently, three of those four eligible HPDs (District B, C, and D) are being contemplated for designation.

Homestead Preservation Districts are not just about Community Land Trusts or Land Banks.

What is the HPD TIRZ? Without question, the most valuable resource to mitigate gentrification provided by HPDs is the **Tax Increment Reinvestment Zone (TIRZ)**. The TIRZ can be used to generate funds that, by law, must be used to help households with low to moderate income residing within the district.

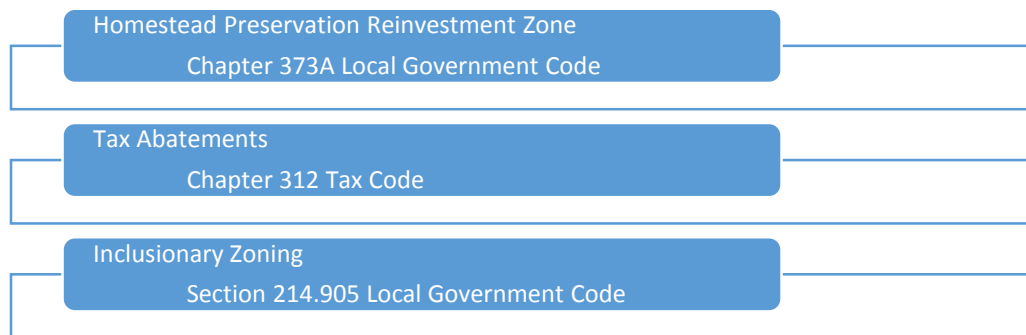


Money from the HPD TIRZ can be used for homeowners to help them keep their homes, or for renters to have access to affordable housing within the district. The TIRZ uses a portion of the increasing tax revenue from gentrifying areas designated as HPDs and dedicates it to serve households with incomes that are below 70%, 50% and 30% of the median income for Austin. In fact, the HPD legislation specifies that no more than 10% of the funds generated by the HPD TIRZ can be used for administrative costs. This means 90% of the money created by the TIRZ must be used to help people with low to moderate income within the HPD! Half of the funds generated by an HPD TIRZ must be used to assist households with incomes that are below 50% of the median Austin income.

Some people think that the HPD is the same as a Community Land Trust (where a nonprofit owns the land and leases the improvements for a long term, such as 99 years) or think it is land banking (purchasing land for future development). However, CLTs were authorized by separate legislation and

can exist anywhere in Austin, and already do exist in Austin, without ever using the HPD. In fact, both CLTs and land banking are used all over Texas. Neither CLTs nor Land Banking is an integral part of HPDs. In fact, the land banking provisions authorized within the HPD legislation has very specific requirements that make it virtually impossible to use within any Austin HPD. So, the real issue about the Homestead Preservation District is whether to use a portion of the increased tax revenue from gentrifying areas to assist with the preservation and creation of affordable housing for renters and homeowners living within those areas.

What can HPDs do? In summary, there are **three new tools** authorized by HPD legislation that could increase affordability within the designated areas:



By creating the **Homestead Preservation Reinvestment Zone**, the city would capture the increased property taxes of the *entire* district and dedicate the *incremental* value toward affordable housing. The captured funds must be dedicated to “development, construction, and preservation of affordable

HPDs will provide additional resources for affordable housing – single-family and multifamily – within the designated districts. Funds from the HPD can be directed to already proven programs, including home repairs for low-income homeowners and preservation of multifamily housing for long term affordability.

housing in the [reinvestment] zone.” The city estimates that the increased incremental value in District A in 2015 would be nearly \$1 million. This could be dedicated exclusively to affordable housing within District A.

By implementing the **Tax Abatements**, the city can agree to abate taxes for properties in the HPD zone if property owner makes improvements or repairs to the property. Abatement agreement can last up to 10 years.

The ban on inclusionary zoning in the Texas Local Government Code exempts property in a homestead preservation district. The city could implement **Inclusionary Zoning** policies within the designated HPDs to ensure onsite affordable housing as part of new residential development.