



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 6.

Agenda Date: 3/20/2019

In Control: Governance Committee

DEPARTMENT: Neighborhood & Housing Services

DEPARTMENT HEAD: Verónica R. Soto, AICP

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Council Consideration Request (CCR) from Councilmember Courage: requesting to create a Neighborhood Improvements Bond tax increment affordable housing fund.

SUMMARY:

On November 27, 2018, Councilmember Courage submitted a Council Consideration Request (CCR) requesting to create a Neighborhood Improvements Bond (NIB) tax increment affordable housing fund whereby any tax increment from a completed affordable housing project that utilizes NIB funding would be directed to a fund dedicated to affordable housing.

BACKGROUND INFORMATION:

On May 6, 2017 citizens of San Antonio approved Proposition 6, the Neighborhood Improvements Bond Program. This proposition authorizes the City to issue bonds in the amount of \$20 million for the purposes of incentivizing the development of affordable/workforce housing. The proceeds from which are to be used to acquire and prepare properties for affordable housing redevelopment within 12 specific geographic areas consistent with the City Council approved 2017 Urban Renewal Plan. The City does not construct housing within the Neighborhood Improvements Bond (NIB) program but rather partners with the private sector to do so after the City through its urban renewal agency acquires property and gets it development ready utilizing the NIB funds.

To create a dedicated source of funding for affordable housing through the NIB program, the Council Consideration Request (CCR) requests that staff use a similar mechanism to the Tax Increment Financing (TIF)

program which allows the tax increment from a project that is located within a Tax Increment Reinvestment Zone be returned or used within the Zone. To that end, the value of a completed project that utilizes NIB program funds will increase over the base valuation and the captured tax increment of the City's property tax portion would be dedicated to an affordable housing fund rather than the General Fund.

This is a viable approach to developing a dedicated source of funding for affordable housing; however, the Neighborhood Improvements Bond Program does not anticipate yielding tax increment on large-scale multi-family developments due to potential partnerships with the San Antonio Housing Trust Public Finance Corporations that offer 100% tax exemptions as a gap-financing tool. The following are examples of taxable and tax exempt scenarios:

Tax Exemption Scenarios for a Multi-Family NIB Funded Project - 3830 Parkdale Drive Apartments

The City Council-approved 3880 Parkdale Drive site in the Wurzbach Improvement Area that will be developed into a multi-family rental apartment complex in approximately three years. This property is anticipated to be 100% tax exempt.

According to the Finance Department, if the City assumes a development value of \$40 million, this would generate an Operation & Maintenance amount of \$138,708 annually in tax increment and approximately \$3.74 million total over the 30 year period. However, since the project is anticipated to be tax exempt, the increment generated over the 30 year period would be zero dollars.

Taxed Scenario for a Single-Family NIB Funded Project - Eastside Single-Family Infill Homes Sold for Homeownership

The pending Eastside Single-Family Infill site includes five lots on the Eastside that will be developed into single-family homes for homeownership within two years.

If we assume that the purchase price of five homes are \$130,000 each, the estimated new value generated is a total of \$650,000 which would generate approximately \$2,254 annually in tax increment. Assuming a 30 year term (with a two year build out) for the proposed tax increment with the City participating at 100% Operations & Maintenance, this would generate \$63,112 total over the 30 year period.

ISSUE:

In a subsequent conversation with Councilmember Courage, it was determined that the intent of the Council Consideration Request (CCR) is to have a property tax increment that will go beyond the Neighborhood Improvements Bond (NIB) Program. This would also include other affordable housing incentive programs that are offered by the City such as the City Center Housing Incentive Program (CCHIP) and fee waivers.

The 2018 CCHIP Program will develop an affordable housing fund and designate an amount equal to 25% of the ad valorem tax increment paid by the developer of a completed CCHIP incentivized project to the fund, to support affordable housing projects.

Through Council direction, the Neighborhood & Housing Services Department will manage the affordable housing fund generated by the CCHIP Program, which can be used citywide.

The call for a dedicated revenue source or fund for affordable housing is consistent with the Mayor's Housing Policy Task Force's Framework Report that was accepted by City Council in 2018. The Framework Report recommends the evaluation and development of a dedicated revenue stream to fund affordable housing.

ALTERNATIVES:

City Council could choose not to take any action on the Council Consideration Request (CCR) which would not enable staff to conduct an evaluation of the incentive programs and develop policy recommendations for establishment of a dedicated revenue source of funding for affordable housing.

FISCAL IMPACT:

Development of an affordable housing fund using tax increment could affect future revenue to the General Fund because as property values rise, tax collected would increase proportionally. However, tax increase/increment would be diverted to the affordable housing fund rather than to the general fund.

Based on initial analysis, the amount of funding collected would be minimal at first but could grow over time if there are additional projects that direct funding to a dedicated fund for affordable housing.

RECOMMENDATION:

Staff recommends continuing evaluation and analysis of the various incentive programs to include the Neighborhood Improvements Bond program and others to develop recommendations for establishment of a property tax increment dedicated revenue source of funding for affordable housing and that the recommendations be presented to the Comprehensive Plan Committee (CPC) in April or May 2019.