

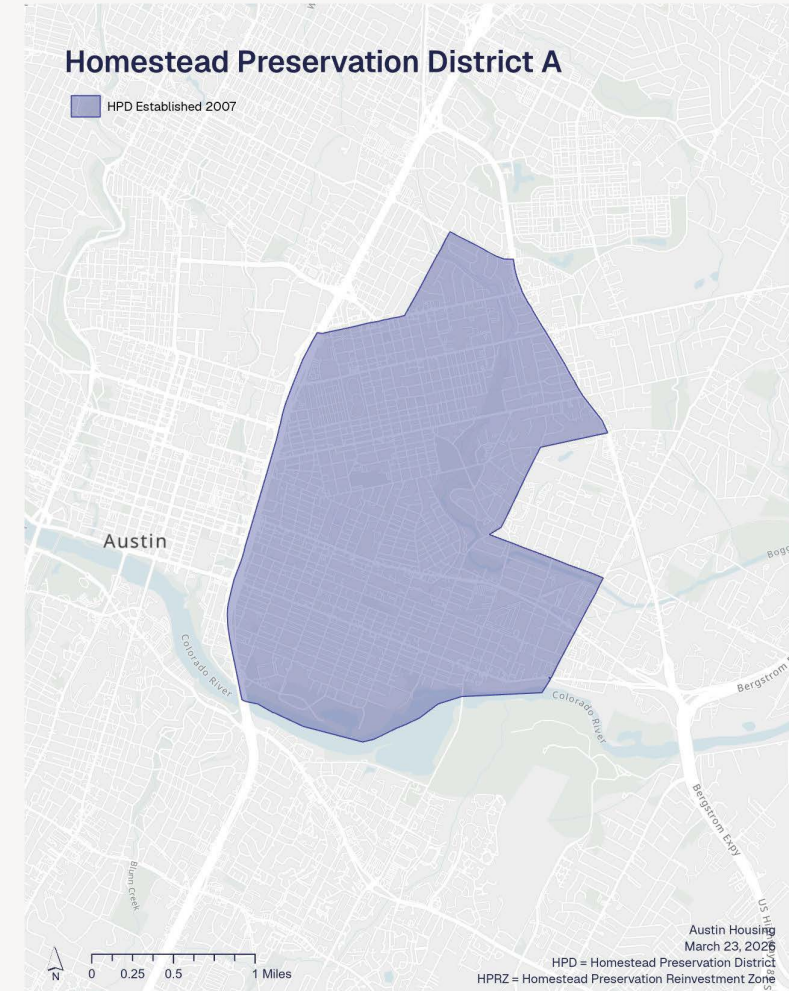


Homestead Preservation Districts

Austin Housing | April 14, 2026

What Are Homestead Preservation Districts (HPDs)?

- Created by the Texas Legislature in 2005 under Chapter 373A
- To promote affordable homeownership and prevent displacement of low- and moderate-income households.
- HPDs allow cities to use three tools:
 - Homestead Land Trusts
 - Homestead Land Banks
 - Homestead Preservation Reinvestment Zones (**HPRZs**)
- **HPD A was established by the Austin City Council in January 2007**

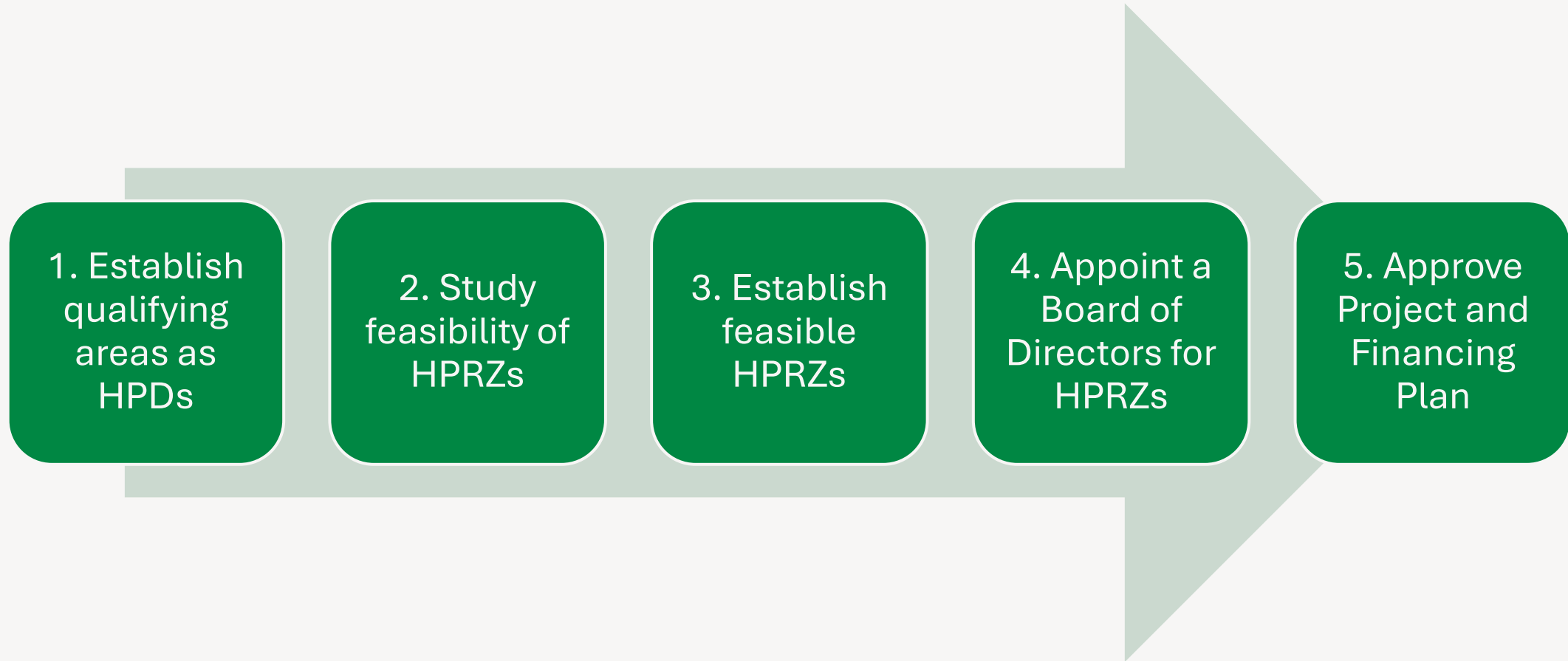


What is an HPRZ?

- **Homestead Preservation Reinvestment Zone (HPRZ)** is a modified tax increment reinvestment zone permitted by Local Government Code Chapter 373A whose funds are dedicated solely for affordable housing.
- An HPRZ's boundaries must be contained within a previously established Homestead Preservation District (HPD).
- **HPRZ #1 was established by Austin City Council in December 2015.**

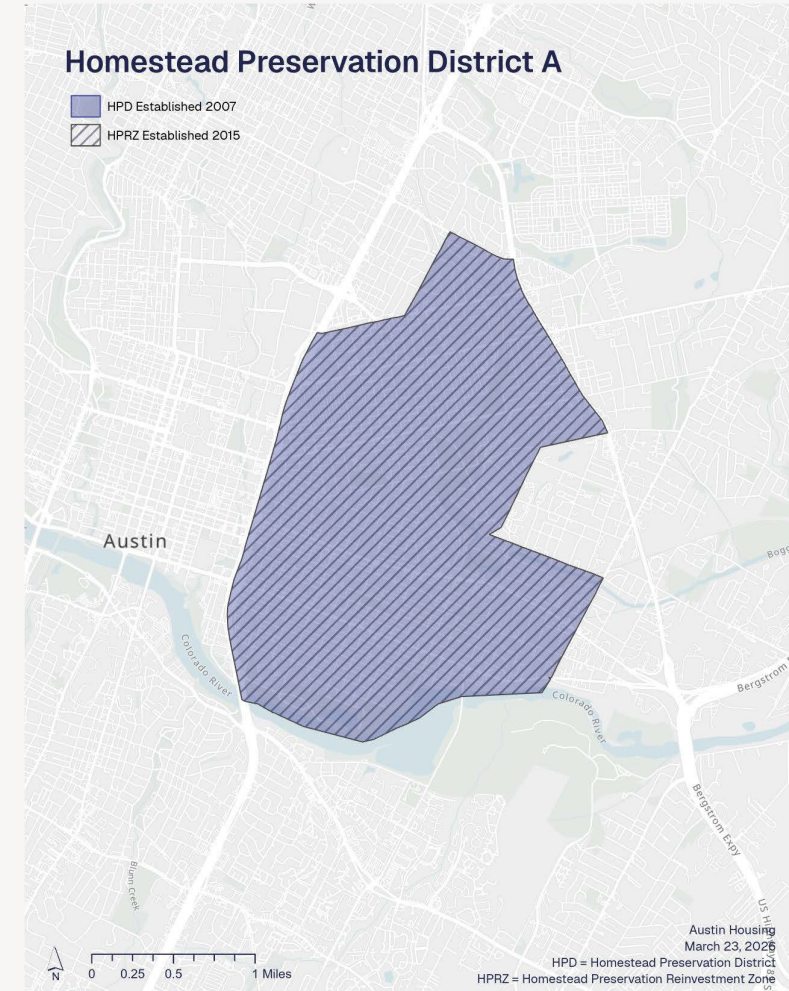


How HPRZs Are Established



HPRZ #1 Overview

- HPRZ #1 was established in 2015 with a 10% tax increment
- City Council increased increment to 20% in 2019
- Affordability Requirements (Chapter 373A):
 - 100% of funds: $\leq 70\%$ MFI
 - At least 50%: $\leq 50\%$ MFI
 - At least 25%: $\leq 30\%$ MFI
 - Housing created or rehabilitated must remain affordable for at least 30 years
- HPRZ #1 was originally set to expire in 2025



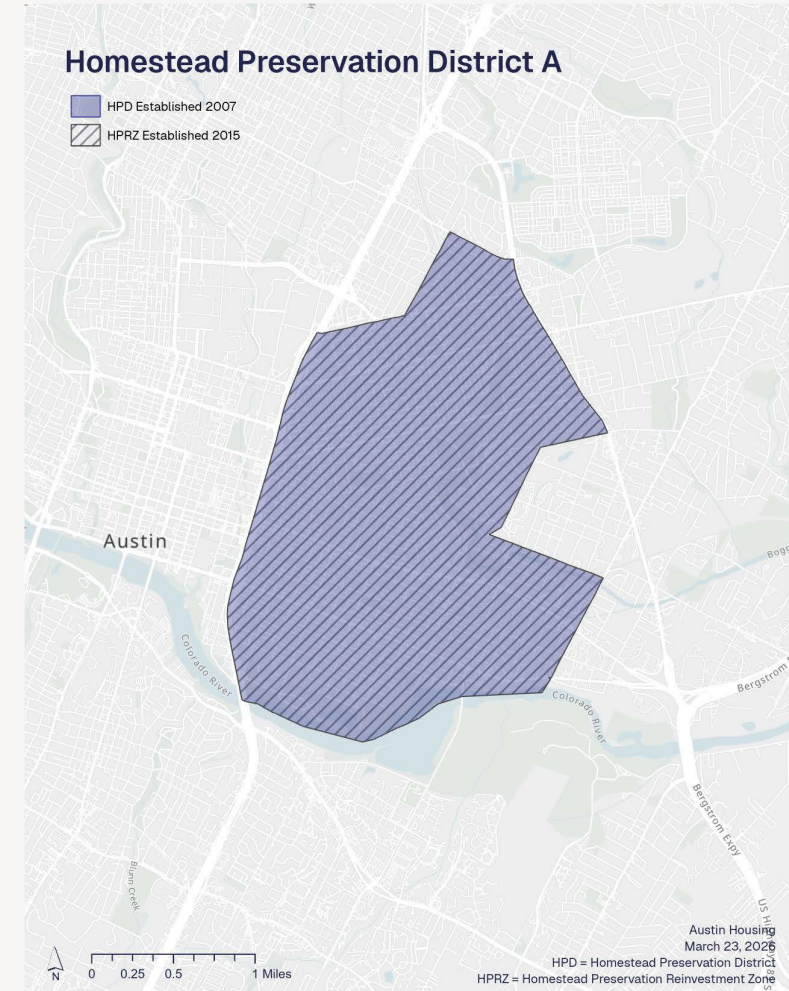
HPRZ #1 Investments

- As of FY2025, HPRZ #1 collected \$21.9M in revenue
- HPRZ #1 has supported the creation of hundreds of affordable units in developments such as:
 - The Rebekah
 - The Works III at Tillery
 - The Ivory, and
 - Santa Rita Courts



2025 HPRZ #1 Extension

- In the Fall of 2025, City Council adopted:
 - Resolution No. 20250911-046
 - Ordinance No. 20251120-063
- These actions:
 - Extended HPRZ #1 by 10 years (through 2035)
 - Increased the increment from 20% to 40%
 - Approved the Preliminary Amended Project & Financing Plan
- Next steps:
 - This study is needed to update revenue projections with the 40% increment
 - Staff will bring forward a Final Amended Project & Financing Plan Summer 2026



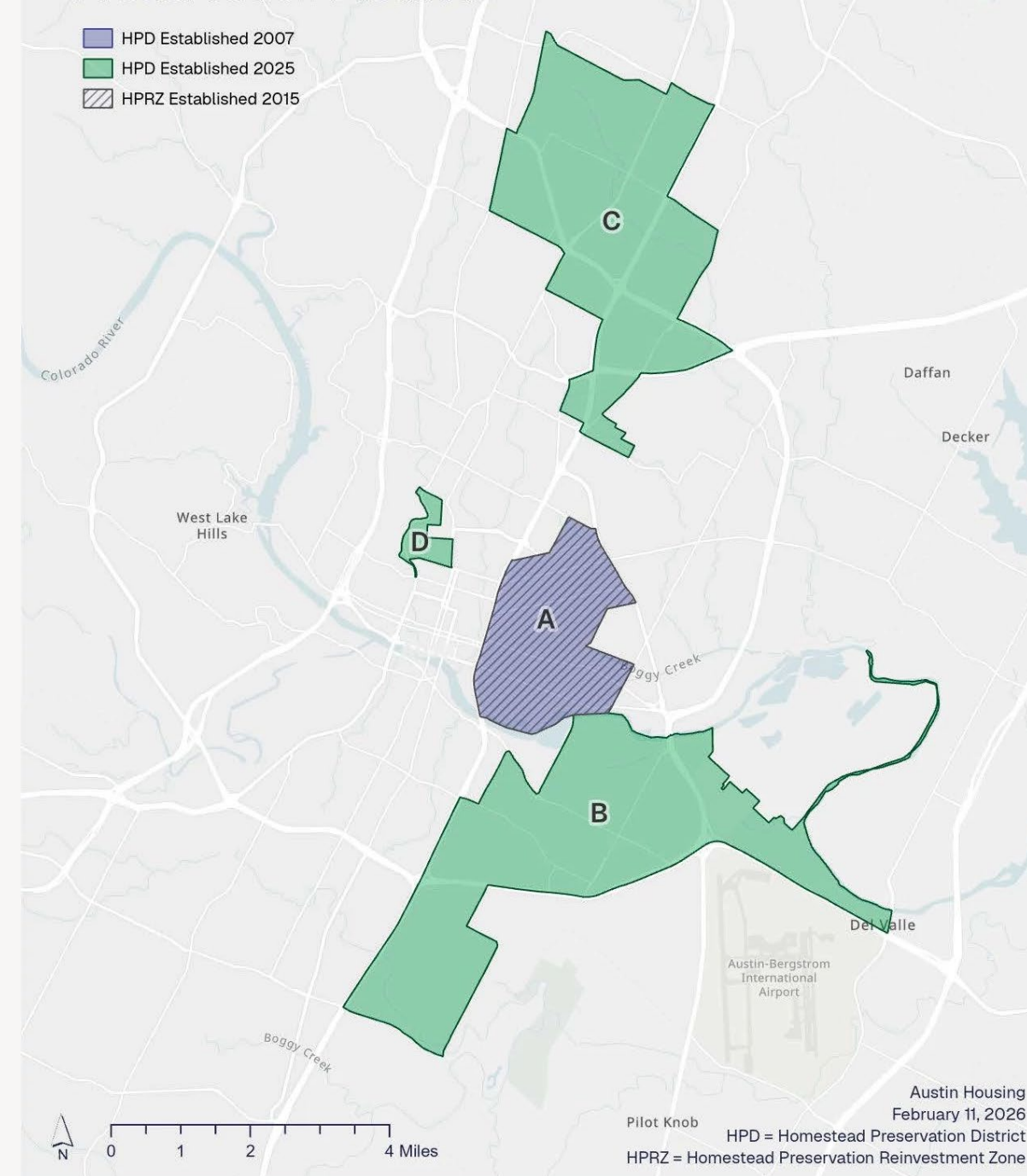
Austin Regains Eligibility for New HPDs

- From 2010 to 2023, Austin could not establish new Homestead Preservation Districts (HPDs) because its population exceeded the limit set by state law.
- House Bill 4559, passed in 2023, corrected this issue, making Austin eligible once again to create new HPDs.
- **Criteria to establish HPDs**
 1. **Each HPD must have an overall poverty rate that is at least two times the poverty rate for the entire municipality**
 2. **In each census tract within the area, a median family income that is less than 80 percent of the median family income for the entire municipality.**
 3. **Each HPD must have fewer than 75,000 residents**

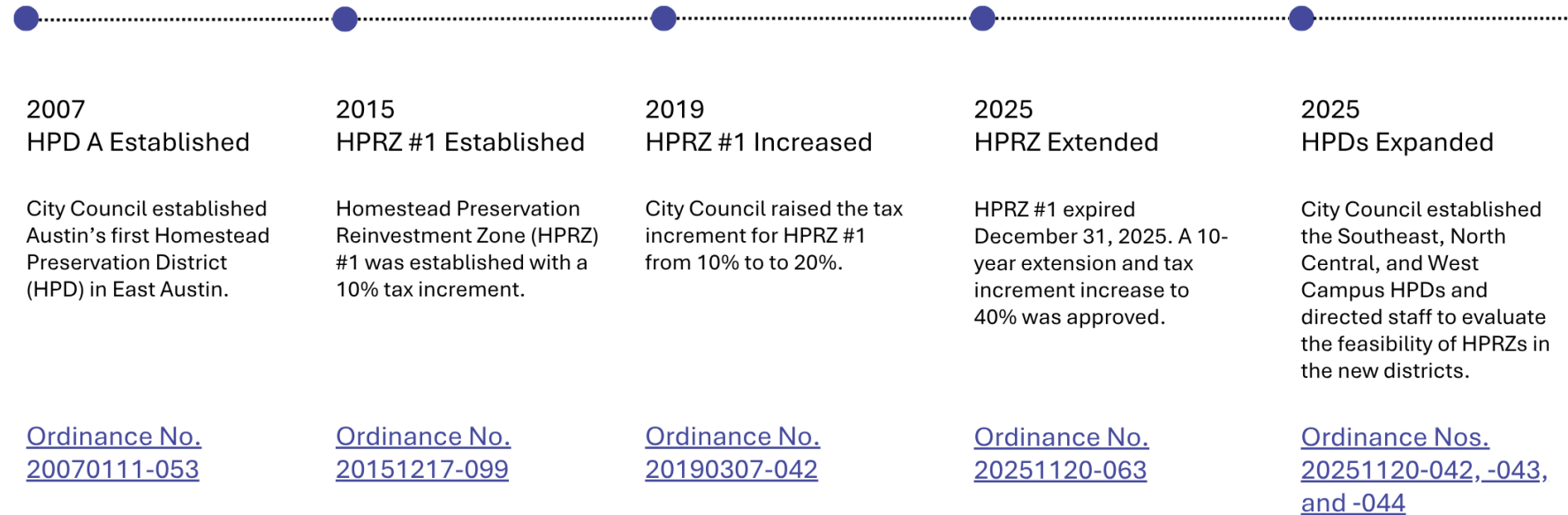


2025 HPD Expansion

- State law changes restored eligibility for Homestead Preservation Districts (HPDs) and prompted review of potential new HPDs.
- In September 2025, City Council directed staff to prepare draft ordinances for new HPDs that met the eligibility criteria (Resolution [No. 20250911-047](#)).
- In Fall of 2025, City Council established the Southeast (B), North Central (C), and West Campus HPD (D). Council also directed staff to study the feasibility of creating HPRZs within the new HPDs.



Homestead Preservation District Timeline



Studying the Feasibility



In February 2026, Austin Housing kicked off a feasibility study with Hayat Brown that is estimated to be completed by June 2026.



This study will analyze the existing and new Homestead Preservation Districts (HPDs) by building GIS datasets, assessing historic taxable value trends, evaluating development activity, and forecasting 10-year taxable value under multiple growth scenarios.



The study will also produce 10-year revenue projections for current and future Homestead Preservation Reinvestment Zones (HPRZs), evaluate General Fund impacts, and provide recommendations on increment allocations and zone boundaries, culminating in a final report for City decision-making.

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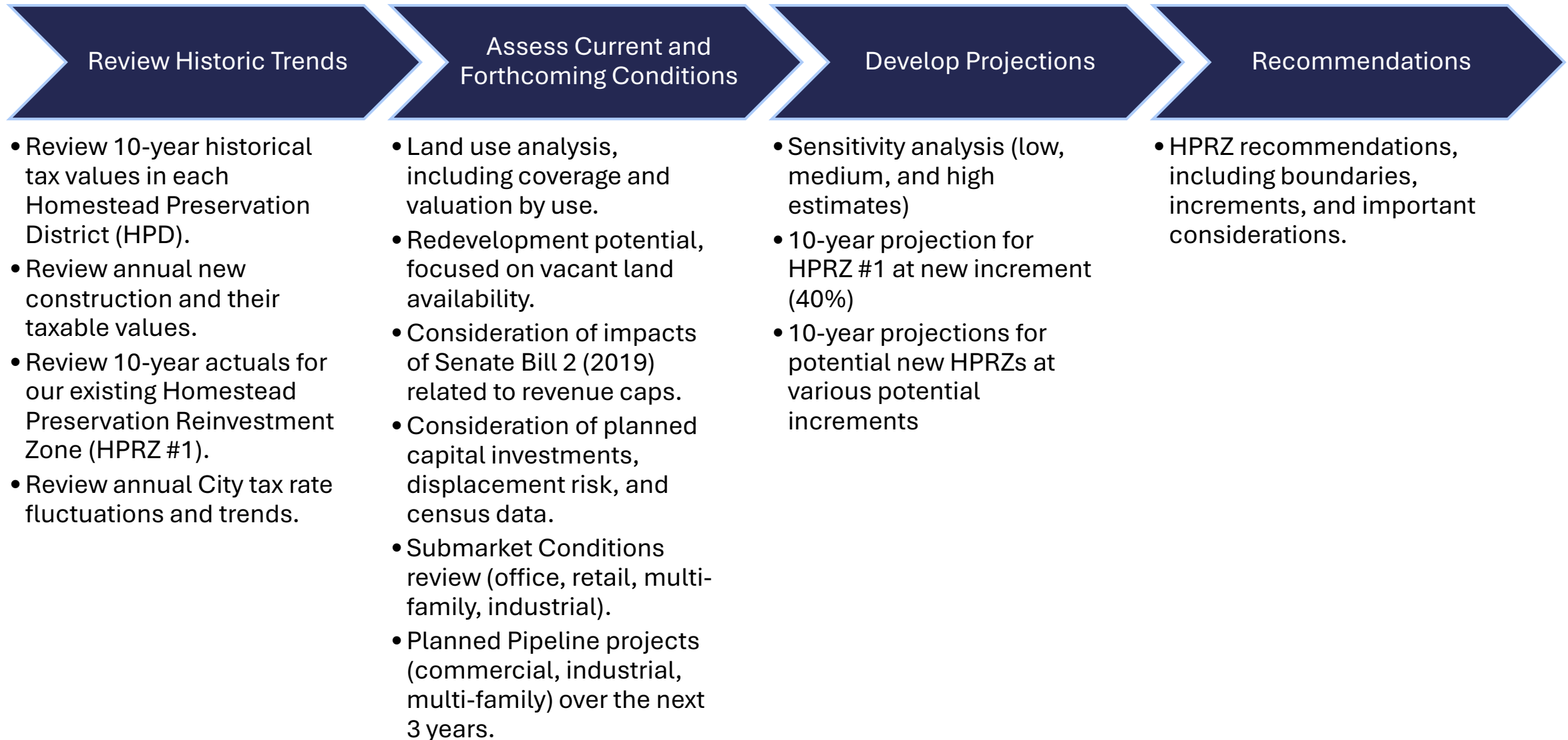


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Study Methodology



Fiscal Considerations

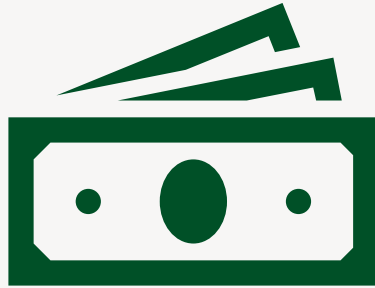
- **Tax Increment growth likely to slow in future years.** Annual growth is likely to slow down in the future due to the development cycle, land availability, and changes to State law.
- **New construction is critical to increased revenue in the general fund.** HPRZ funds capture all new construction within their designated zones, redirecting this revenue from the general fund to be used for approved expenses within the HPRZ.
- **Compensating for HPRZs may require a slightly higher City tax rate.**
- **The net benefit of an HPRZ depends on use of funds.** Funds should seek to at least partially offset anticipated general fund liabilities.
- **Balance is essential.** Decisions regarding the creation or expansion of HPRZs should focus on 1) maximizing community impact; 2) ensuring all funds can be dispensed over the life of the zone.; and 3) minimizing tax burden on property owners by expending HPRZ funds in a manner that reduces programmatic demands on the general fund.

Policy Considerations

- **Additional HPRZs will need to consider City Fiscal Policy.** City's fiscal policy to maintain no more than 10% of its taxable value in these special districts.
- **Expenditure of funds should consider socio-economic impacts.** Careful attention should be paid to avoid concentration of poverty and affordable housing units in specific neighborhoods.
- **Increment allocation should consider projected revenue and capacity to expend funds.** The City should set increment percentages for HPRZs that can sustain ongoing programs without resulting in excess funds that are challenging to spend in full.



Next Steps



HPRZ No. 1

Final Amended Project & Financing Plan, including updated financial projections



HPDs B, C, and D

Staff will issue a memo upon completion of the feasibility study

Questions?

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