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OFFICE OF THE CITY MANAGER

To: Mayor and Council

CC: Joyce Wilson, Debbie Hamlyn, Bill Lilly, Andrea Tirres

From: Susie Byrd, City Council Representative District 2

Date: Friday, August 17, 2007

Subject: Item # 17 A on the City Council meeting regarding "struck off" properties

Dear Mayor and Council:

This memo is to serve as back up for an item that I posted on the agenda for Tuesday, August 21. The item reads as follows:

Discussion and action on direction staff to develop an interlocal agreement and program that would enable the City to sell "struck off" properties at a minimal price in order to create more affordable housing options for El Pasoans.

Tax foreclosure process. When a property is foreclosed for back taxes, it is sold at a public auction. If the property is not sold at public auction, it is "struck off" and held in trust by the City of El Paso. The City can and will sometimes sell the property for less than the taxes owed if it means getting it back on the tax rolls. Currently, the City has no community development policy that governs how and under what conditions those properties are sold for less than the taxes owed. Under state law, a municipality can enter into an interlocal agreement with the other taxing entities that allows them to sell property for amounts as low as \$1 if the sale helps advance affordable housing goals. We have researched other communities, including Houston and Central Texas, that have entered into these interlocal agreements and developed programs that advance their affordable housing goals. The City and the other taxing entities would have to agree that we would forego taxes owed in order to advance our goals in affordable housing and to get the property back on the tax rolls. There is a strong economic benefit of turning tax-foreclosed or dilapidated properties into residential properties that generate new taxes and utility revenues that far outweighs the value of partially recovering revenues from unpaid taxes and liens levied.

Lack of available land for affordable housing. Recently, Andrea Tirres surveyed non profit agencies that work to provide affordable housing. One of the biggest barriers that the non profits cited for building affordable housing was lack of available land. Both the price of land and the availability of land were cited as barriers in developing affordable housing (both single family, owner occupied housing and multifamily housing). The rule of thumb is that lot costs (including lot development and purchase) should not exceed 25% of the sales price of a home. When developing affordable housing, it is particularly important to keep lot costs low so that you can deliver a product that is affordable to the buyer.

El Paso Housing Finance Corporation (HFC). The HFC is very interested in taking a lead role in developing such a program. The HFC will soon issue an RFP requesting that a consultant help develop a program that would take underutilized and vacant property and develop it as affordable single family housing as a means to preserve and stabilize neighborhoods. We believe that developing a program that utilizes “struck off” properties would be an ideal first step for the HFC. The HFC would like to partner with the City in this endeavor. For your information, I have included a handbook called Housing Infill Program Handbook that describes a program where an HFC worked with municipalities and other taxing entities to develop such a program.

Program options. The City could partner with the HFC or another non-profit partner. The HFC or non-profit partner could in turn sell properties to non-profits or builders at a very low cost. In return for the low cost, the non-profit or builder would be required to develop the property per our specifications and sell the property at an affordable price to a qualified buyer. The HFC or non-profit partner could also purchase the property at a very low cost, contract with a builder and sell the property at an affordable price to a qualified buyer. The important thing would be to make sure that we are serving buyers who, because of their incomes, are having a difficult time finding an affordable home in El Paso and ensure that the sales price was set so that the buyers were spending no more than 30% of their income towards their housing costs. We could also use some of the down payment assistance programs to make the homes affordable for potential buyers.

Costs. At this point, I am not anticipating any costs that would be borne by the City of El Paso, other than Community Development staff time in coordinating with the HFC to ensure that the City’s affordable housing goals are met. Both Andrea Tirres (currently part time with the City and part time with the HFC) and Bill Lilly have participated in preliminary discussions about potential programs and partnerships. Carmen Perez, our tax foreclosure attorney, brought down a colleague from Houston who described the program in Houston called Houston Hope. Carmen has agreed to draft the interlocal agreement using Houston’s interlocal as a template.

My request. I request that the Mayor and City Council authorize the City to develop an interlocal agreement, begin conversations with other taxing entities about participating in such a program and coordinate with the HFC to develop a program and partnership that meets our affordable housing goals.

Thank you for your consideration.

Susie Byrd
City Council Representative
District 2