

AGENDA



Thursday, December 11, 2008

**Economic Growth & Redevelopment Services
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 28

Subject: Approve an ordinance creating the Tax Increment Financing Reinvestment Zone No. 18 for the Seaholm Redevelopment Project, establishing a Board of Directors for the zone, and related matters. The proposed zone is to be located within the area bounded on the west by the planned Seaholm Drive from Third Street south to Cesar Chavez Street; on the south by Cesar Chavez Street from the planned West Avenue east to Seaholm Drive; on the east by West Avenue from Cesar Chavez Street north to Third Street; and on the north by Third Street between Seaholm Drive and West Avenue.

Amount and Source of Funding: There is no unanticipated financial impact. A fiscal note is not required.

For More Information: Rodney Gonzales, Acting Director, EGRSO / 974-2313; Jeff Knodel, Deputy Director, Financial and Administrative Services / 974-2589; David Lloyd, Attorney Senior, Legal / 974-2918

Prior Council Action: On April 10, 2008, the City Council authorized the negotiation and execution of a master development agreement with Seaholm Power Development, LLC. On August 28, 2008, the City Council approved a resolution adopting the City's preliminary tax increment reinvestment zone project and financing plan for the Seaholm Redevelopment Project area; and authorizing the City Manager to distribute to all other taxing jurisdictions the financing plan and the City's notice of intent to designate the Seaholm Tax Increment Financing Reinvestment Zone and to hold a public hearing on the creation of the zone; and authorizing the City Manager to take other steps as necessary to create the reinvestment zone. On October 23, 2008, City Council set November 20, 2008 as the date to hold a public hearing on the creation of the zone. On November 20, 2008, City Council held a public hearing on the creation of the zone.

The City of Austin is proposing to create a Tax Increment Financing (TIF) Reinvestment Zone to finance the construction of public improvements for the Seaholm Redevelopment Project (the "Project"). The TIF is located within the area bounded on the west by the planned Seaholm Drive from Third Street south to Cesar Chavez Street; on the south by Cesar Chavez Street from the planned West Avenue east to Seaholm Drive; on the east by West Avenue from Cesar Chavez Street north to Third Street; and on the north by Third Street between Seaholm Drive and West Avenue.

The purpose of the Project, which is to be partially financed through the TIF, is to provide for the redevelopment of the historically significant Seaholm Power Plant and its immediate grounds. The site impairs the City's growth because of deteriorating structures, inadequate street layout, and unsafe conditions.

In addition to rehabilitation for the historic power plant, the Project will relocate utilities, provide for new street infrastructure to connect Cesar Chavez Street and Third Street, and provide for the development of an office building and hotel/condo tower. The new street infrastructure will provide access to the office building and hotel/condo tower thereby supporting the economic viability for the Project.

To finance the public infrastructure and power plant rehabilitation components of the Project, the City intends to form the TIF in accordance with State law. In a tax increment reinvestment zone, one or more political subdivisions contribute up to 100% of the property tax on the increase in value of real property in the district (tax increment) as generated. Under the terms of the TIF, the City of Austin will contribute 100% of its property tax and sales tax increment. Tax increment revenues so generated may be expended only for purposes described in the project and financing plan for the TIF. The public infrastructure and power plant rehabilitation components of the Project will be primarily funded by the issuance of debt that will be repaid from the tax increment revenues, both property taxes and sales taxes, collected during the 30-year duration of the TIF.

State law stipulates that before adopting an ordinance creating a reinvestment zone, the governing body of the municipality or county must prepare a preliminary reinvestment zone project and financing plan. A preliminary project plan and financing plan has been prepared to describe the Project and associated financing using dedicated tax increment revenue from the City of Austin as the sole taxing unit participating in the TIF. The preliminary plan was sent to the governing bodies of each taxing unit that levies taxes on real property in the proposed zone.

On August 27, 2004, the City issued a request for qualifications for an entity to redevelop the Seaholm Power Plant site. On April 28, 2005, Seaholm Power Development, LLC (SPD) was selected by the City Council from a pool of respondents as the master developer. On November 14, 2005, the City and SPD entered into an exclusive negotiating agreement. On April 10, 2008, the City Council authorized the negotiation and execution of a master development agreement (MDA) with SPD and directed staff to move forward with the process of creating the TIF for the Project. The MDA was executed on June 17, 2008.

On November 20, 2008, City Council held a public hearing on the TIF Reinvestment Zone.