



To: Mayor and City Council
From: Bob Gedert, Director, Austin Resource Recovery
Cc: Marc A. Ott, City Manager
Robert D. Goode, Assistant City Manager
Date: February 3, 2016

Subject: Austin Resource Recovery Budget Amendment (#44) and Land Sale (#45)

The purpose of this memo is to update the Mayor and City Council on clarifications to questions arising from recent discussions about the proposed Austin Resource Recovery land sale and the planned use of funds resulting from the land sale.

Background

The Audit and Finance Committee discussed these items at its January 30th meeting, and Council postponed action on this item to February 4th

Staff Update

Several questions have evolved around the proposed land sale and the use of revenues to support the ReManufacturing Hub. The following is a summary of the questions and answers.

Types of Businesses sought to locate at Hub: Residential and commercial generated recyclables are first processed through local privately-operated material reprocessing facilities. The Hub will not replace this function, but rather places “end-users” of the processed material, to eliminate over-seas shipping. The highest priority businesses types sought for the Hub include: gypsum Board recycling, paper carton converting, plastics #3-7 processing or manufacturing, glass processing or manufacturing, ceramics recycling, electronics reuse, repair or recycling, commercial appliance repair, scrap tires processing or manufacturing, - mattress recycling, paint recycling, furniture repair, refurbishment, or recycling, and upcycling processes. Additional business types that may be consider include: grease trap waste recycling, non-ferrous metals recycling, paper, cardboard and wood fiber recycling, and other construction and demolition debris recycling.

Prohibited Activities at the Hub Site: Waste-to-Energy processes, landfilling, mixed solid waste sortation, and composting are prohibited at the Hub and landfill site. FAA restrictions include: reflective surfaces, food waste that may attract scavenger birds, and building height restrictions. These restrictions apply to leased as well as sold land at the Hub and landfill location.

Flow-Control of Recyclables: The City is prohibited by federal rules and court rulings from designating the flow of recyclable material to a selected facility, known as “flow-control.” The Department has no plans to engage in flow-control. Instead, the Department supports the development of local end markets for collected recyclables, which in turn supports local privately-operated recyclers, and supports the City Council adopted Zero Waste mission. To be clear, all haulers can choose to use the businesses at the ReManufacturing Hub, or they can choose to ship their materials elsewhere. The development of local markets is advantageous to all private haulers, yet it is a business decision to determine where to ship their recyclables.

Anticipated Expenses of the Hub: The on-site development costs of the Hub is estimated at \$5.1 million, and involves the placement of utilities and road surface on the site, the conveyance of storm water to retention ponds, and the landscaping of the common areas. An additional \$2.4 million has been dedicated for an exterior extension of wastewater line to the site. The City will not support the construction of buildings on site, as that is the responsibility of the tenants.

Funding Options: The Department has identified the following three options to generate revenues to support the Hub expenditures:

- Surplus Land Sales
- Utility Fund Revenues (impacts customer rates)
- General Fund Revenues (impacts property taxes)

Any use of the Departments utility funds will result in customer rate impacts, and is not recommended as a financing tool for this project. Use of the Departments reserve fund would require eventual replenishment of the funds, presumably through customer rates. The Department recommends one-time land sale revenues to avoid financial impacts on the citizens.

Requested Land Sales to Support the Hub: The Department seeks the dedication of revenues from the Bolm Road lease (\$1.3 million), the sales of two parcels at the Landfill (estimated value \$2.0 million), the sale of the Winnebago site (\$1.4 million), and the use of the federal EDA grant (\$0.6 to \$1.0 million), supporting \$5.1 million in direct expenses. The remaining \$2.4 million in expenditures for the Austin Water extension line is managed through a 20-year repayment plan. The two parcels at the landfill are being surveyed, and the Office of Real Estate has sought input from City Departments on their potential interest. The sale of the land parcels at the landfill will have restrictive deed requirements that prohibit landfilling and waste-to-energy on the property. The department seeks guidance from Council to pursue bids for these two landfill parcels.

Winnebago Land Sale: The Department is requesting to sell the surplus land on Winnebago to support the ReManufacturing Hub. In the event that the land sale is not supported by the City Council, the Department will need to consider other options, including the possible sale of additional acres of land at the Hub to support the expenses of this project. The lack of revenue from this land sale may require a scale back of the project, and the withdrawal of the EDA grant.

RFP for Private Development: The City previously explored the use of a private developer, however due to the unique characteristics of this site and the need to supply water and wastewater line extensions, the City would have expended the funds to construct utilities on site and pay a developer to seek tenants. The anticipated lease revenues would not support the financial interest of a private developer. The current approach has reduced expenditures by an estimated \$2.5 million. Although this project is not financially viable for a private developer, the City benefits through living wage requirements, hard-to-employ employment requirements, and the support of the City Zero Waste goals.

Budget Amendment: The proposed Budget Amendment reflects utilization of funds from the Winnebago Lane land sale to support the Austin Resource Recovery facility development, including basic infrastructure at the Austin [re]Manufacturing Hub within the timeline required by the project's U.S. Economic Development Administration grant (Ordinance #20140807-012). If the land sale is not approved by Council, then the Budget Amendment would be withdrawn.

Recommendation

Staff recommends Council's approval of the land sale (item #45) and the ARR Budget Amendment (Item #44). If you have further questions, please contact Bob Gedert at 974-1926.