



MEMORANDUM

TO: Mayor and City Council

FROM: Sylnovia Holt-Rabb, Interim Director, Economic Development Department *SHR*

DATE: June 24, 2020

SUBJECT: Overview on Redevelopment Planning and Process:
906 E. St. Johns Ave./7309 North IH-35 City-Owned Properties

In accordance with [City Council Resolution No. 20171207-058](#), the Economic Development Department, in collaboration with its consultants and the University of Texas at Austin Center for Sustainable Development, created a report to update and inform City Council on the redevelopment opportunities at two adjacent City-owned properties: 906 E. Saint Johns Avenue (formerly Home Depot) and 7309 N. Interstate 35 (formerly Chrysler Dealership).

The attached report summarizes the public engagement process, the new vision for the property, and potential funding sources to cover a financing gap in the project. With community engagement and visioning now complete, staff recommends a City Council discussion on the project regarding the vision and financing options.

Questions may be directed to Sylnovia Holt-Rabb, Interim Director, Economic Development Department, at 512.974.3131 or Sylnovia.Holt-Rabb@austintexas.gov, or to Christine Maguire, Redevelopment Division Manager, Economic Development Department, at 512.974.7131 or Christine.Maguire@austintexas.gov.

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**Overview on Redevelopment Planning and Process:
906 E. St. Johns Ave./7309 North IH-35 City-Owned Properties**

BACKGROUND

[City Council Resolution No. 20171207-058](#) directed staff to gather information from the community and create a new vision for two adjacent City-owned properties: 906 East Saint Johns Avenue (formerly Home Depot) and 7309 North Interstate 35 (formerly Chrysler Dealership).¹

The Economic Development Department, in collaboration with its consultants and the University of Texas at Austin Center for Sustainable Development, provides this report to advise the Austin City Council on the repositioning of these properties. This report summarizes the public engagement process, the new vision for the property, and funding options necessary to make the vision a reality. This report also includes vetted recommendations to reposition these properties through a Request for Proposals (RFP) process.

A robust and inclusive two-year public engagement process informed and validated the new vision. Table 1 on the next page includes highlights and details of those engagements. The robust public engagement process, informed by economic, architectural, and urban planning expertise, culminated in a consensus vision for the redevelopment.

Vision

To support a complete community in an historic neighborhood by reinforcing its strengths and enhancing its services and quality of life through redevelopment. This vision includes:

- *A mixed-income, mixed-use district with affordable housing, particularly accessible to current and past residents of the neighborhood;*
- *Open space for recreation and congregation; and*
- *Space for community retail and support services specific to the St. John neighborhood.*

The Scenarios Overview on page three features four visualizations that include the components of the vision. The full University of Texas at Austin Center for Sustainable Development study, "[Revitalization Strategies: Policies and Processes for Transformation in the St. John Neighborhood](#)," provides further detail on the vision and process.

¹ While the neighborhood is Saint John, the street is Saint Johns Avenue.

Table 1. Community Engagement and Milestones

Milestone Date	Activity	Participants	Results
5/1/2018	On-line and paper survey	644	Desired uses: Green space, recreational uses, housing, grocery store, youth development. Retail and community services also mentioned in open ended component of survey.
5/30/2018	Charette and visioning meeting	35	1) Learn results of survey; 2) Define overall vision thru charette; 3) Learn need for future Council advocacy.
6/20/2019	City Council approval of consultants		Approval of Interlocal agreement with the University of Texas Center for Sustainable Development 20190620-174.
9/4/2019	Team site tour	15	Consultant orientation with the property and meeting with community leadership and Council Office.
9/25/2019	Public "Kick Off" Meeting	45	1) Learn about UT research process; and 2) How the process will inform the future "request for proposals" (RFP) from developers for the two properties.
9/25/2019 - 11/4/2019	UT Survey	28	Information provided on general features important to the neighborhood and key resources for UT to consult.
10/15/2019	Market Study		Consultant (Economic & Planning Systems, Inc.) delivers market study showing strong market demand for affordable housing, market rate housing, lodging, and light industrial; low market demand for office, retail
11/4/2019	Preliminary Scenarios Public Meeting	80	150 comments summarized in the UT Final Report. Strong support for affordable housing, recreational space, and community services; tolerance for revenue generating uses along the interstate.
2/10/2020	Final UT Scenarios and Report		Full Report: https://issuu.com/utsoa/docs/revitalization_strategies_st._john_issuu_utsoa
2/14/2020	Focus Group	10	Preview recommendations and gauge support.
2/24/2020	Focus Group	13	Preview recommendations and gauge support.
Feb - March 2020	"Coffee with the Principal" AISD Meetings	15- 25	Hear results of study and receive feedback.
3/9/2020	Final Community Meeting	40	Hear about the final recommendations from the UT Study, how the recommendations will be used for a future RFP and evaluation criteria to review future developer proposals
May 29, 2020	Final Report		Review by Economic Development, Neighborhood Housing & Community Development, Parks and Recreation, City Attorney, Financial Services, Public Works, Austin Water, and Austin Energy.

SCENARIOS OVERVIEW

Scenario B.1 envisions a public street network across the sites, nearly 300 mixed-income housing units, new semi-private open space, and new commercial uses along the highway.



Scenario B.2 envisions a public street network across the sites, about 240 mixed-income housing units, a significantly expanded public park through the center, and new commercial uses along the highway.



Scenario C.1 envisions a single public road across the site, 140 mixed-income housing units, a new terraced park, and commercial and non-profit uses along the highway.



Scenario C.2 envisions a single public road across the site, 240 mixed-income housing units, a new terraced park, and commercial and non-profit uses along the highway.



** Scenarios are conceptual only. Scenario A.1 is excluded here as it did not receive significant community support.*

The four scenarios on page three include a range of options and uses recommended for consideration in Resolution No. 20171207-058. Mixed-income housing, recreation space, community retail, and non-profit space are featured across the scenarios and respond directly to the uses recommended for consideration in the resolution. These scenarios also honor the community's history and diversity by focusing on the needs of current and past St. John residents as identified through the community engagement process.

FINANCING ISSUES AND OPTIONS

Resolution No. 20171207-058 calls for identifying a financing framework to execute the vision. Due to the significant site improvements necessary to realize the vision, financing assistance will be required to fund a community-supported redevelopment project.

Several financing options that are listed in this section. However, including a financing option in this report does not mean the specific financing source is available for use. In many cases, there are competing financial priorities throughout the City and limited financing availability. Future City Council discussions are needed to provide the full context of utilizing financing toward these projects and the larger financial implications to other City projects.

Community engagement found general support for all the University of Texas redevelopment scenarios shown above. The four community-supported scenarios featured a total funding gap estimated to range between \$41 million and \$71.5 million, not including potentially significant on-site and/or off-site utility infrastructure costs.

Approximately \$9 million to \$10 million of the funding gap is associated with bond defeasance costs. The developer would be required to provide these funds immediately upon signing a Development Agreement, which is estimated to be roughly equivalent to the value of the land based on the latest Travis Central Appraisal District land valuation.

The remaining funding gap is associated with transforming the site from highway-adjacent vacant commercial spaces to a mixed-use development with community benefits, including new public infrastructure, park expansion and amenities, and affordable housing. These components are highlighted in Table 2 below based on funding sources that may be available to close the gap.

The sections below Table 2 explain financial solutions for each community benefit. Bond Counsel, the City's Finance Department, and impacted departments reviewed these solutions and preliminarily determined them as viable options.² Note that depending on the selected developer and negotiated final agreements, revenue made available for one component may offset deficits for other components. Additionally, the proposals from developers may raise legal issues for particular sources of funding. These will have to be evaluated with Bond Counsel.

² Financing options were reviewed with the Law Department (Leela Fireside), Financial Services (Greg Canally), Parks & Recreation (Ricardo Soliz, Charles Mabry), Neighborhood Housing & Community Development (Mandy DeMayo, Regina Copic, James May, Travis Perlman), Austin Water (Kevin Critendon), Austin Energy (Mark Dombroski), and Public Works (Richard Mendoza).

Table 2. Estimated Funding Gap by Component

Component	Estimate Funding Gap (range)
Public Infrastructure	\$26 million to \$36 million*
Park Development	\$1 million to \$1.3 million
Housing Development	\$0 to \$31 million

**Cost estimates were developed by UT-Austin. Demolitions, remediation, earthwork, and site preparation enabling site development are carried in the public infrastructure figure. Utility costs were not developed or included in these cost projections. Estimated project management and soft costs are included.*

Public Infrastructure Financing Options

The four community-supported University of Texas scenarios estimate a cost of \$26 million to \$36 million associated with general site redevelopment and public infrastructure, excluding utility costs. The funding options below could assist in offsetting these costs.

City Bond Debt for Public Infrastructure: The community-supported scenarios feature significant investments in new street infrastructure, including new roads, sidewalks, bike lanes, and utilities. The scenarios also include new open space, recreational amenities, and water management infrastructure. If redeveloped as publicly-owned infrastructure and amenities, these features could be funded by issuing debt either as Certificates of Obligations (CO), approved by City Council, or General Obligation (GO) bonds, which would first need voter approval.

If the City Council chooses to issue debt for public infrastructure, the developer selected through the Request for Proposals (RFP) process could be reimbursed for qualifying public infrastructure expenditures. In general, unless bonds are specifically approved by the voters to be used for economic development, completed infrastructure on the site is owned by the City of Austin.

New Tax Increment Reinvestment Zone (TIRZ) for the Site and Area Properties: The City can create a TIRZ in qualifying parts of the city, subject to necessary approvals as authorized by state law. The creation of a TIRZ allows a percentage of the increase in future property taxes due to development of the site, and any other sites included in the TIRZ, to be dedicated toward the development of improvements at the St. John property. Other taxing jurisdictions would have the opportunity to opt-in at their determination that the project provides tax benefits for them. The projected tax increment over a 20-year period could be used to secure revenue bond debt for improvements at the site that are approved in the financing plan for the TIRZ. If Council is interested in using a TIRZ, during the process after a developer is selected, an independent economic and real estate analysis would need to be completed, and Council would need to approve the TIRZ and its financing plan.

Park Development

Parkland Dedication Fees: The City of Austin Parks and Recreation Department (PARC) collects parkland dedication fees from private development projects that can be spent on parkland acquisition and improvements in a two-mile radius. In some cases, these fees can be spent further than two miles from

the development site if there is no anticipated park project in closer proximity. However, these fees must be spent on dedicated parkland or recreational easements granted to the city.

2018 General Obligation Bond Funds for Parks and Recreation: As of June 2020, PARD has funding designated for park acquisitions and improvements that may be available to help support redevelopment in the St. John neighborhood area.

Parks Partnerships: PARD has partnered with other public entities, such as Texas Parks and Wildlife, for grant funding to support indoor and outdoor park amenities. There may also be opportunities with non-profit organizations such as Austin Parks Foundation, which receives funding from Austin City Limits, or the YMCA, that have each partnered with the City on recreation centers and smaller park improvements that have joint benefits.

Housing Development

To achieve the housing element of the vision, housing subsidies may be required. The amount of subsidy required will depend on the final housing plan and the total number and type of housing units. Using the scenarios as an example, a housing plan with 153 units and 50 percent affordability was estimated to require no housing subsidy (Scenario C.1) based on anticipated revenue offsets from the market-rate units and non-competitive four percent tax credits. The scenario with the most extensive housing plan for 358 units and 78% affordability (Scenario C.2) estimated a housing subsidy requirement of approximately \$31 million.

City and City Entity Funding Sources

Rental Housing Development Assistance Program: This program through the City of Austin Neighborhood Housing and Community Development (NHCD) provides gap financing to developers of income-restricted housing in Austin with funds allocated from the 2018 Bond referendum. These funds are allocated competitively based on criteria developed by NHCD. This program exclusively funds housing units below 50% median family income with a target subsidy of less than \$50,000 per unit.

Ownership Housing Development Assistance Program: As with the Rental Housing Development Assistance Program, NHCD provides gap financing for developers of income-restricted ownership housing in Austin. This program exclusively funds housing units below 80% median family income with a target subsidy of less than \$80,000 per unit.

Fee Waivers: Income-restricted housing development may qualify for fee waivers through the City's SMART Housing Fee Waiver Program. Fee waivers can range in value from thousands to tens of thousands per housing unit. Note that waivers only apply to affordable units.

Private Activity Bonds or Multi-Family Mortgage Revenue Bonds: The Austin Housing Finance Corporation (AHFC) issues these bonds to finance multi-family developments. Multi-Family Mortgage Revenue Bonds are purchased by private investors and are repaid through rents collected at the bond-financed property, not by the City of Austin or taxpayers. This is often critically important funding to reaching desired affordability levels in new income-restricted developments.

External funding sources

Federal Funding: NHCD distributes the City of Austin's federal allocation of Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) grants through various programs, in the same manner that the Housing Trust Fund is distributed through programs. Allocated competitively, a project at the St. John Redevelopment might qualify.

There are other federal funding opportunities available to a developer not administered by the City of Austin. These include: Federal Home Loan Bank grants, Texas Department of Housing and Community Affairs (TDHCA) Direct Loan Program, Texas State Affordable Housing Corporation Loans, and HUD 221 (d) (4) Loans. Please note that the City does not issue any resolutions or provide any support on these types of applications.

Low-Income Housing Tax Credits (LIHTC): The Texas Department of Housing and Community Affairs (TDHCA) provides low-income housing tax credits (LIHTC) that allow housing developers or their investment partners to take a federal tax credit to offset up to either four percent or nine percent of their federal tax liability in exchange for building low-income rental housing. This funding is not allocated by the City but there are ways for the City to support applications for projects of interest. Note that while four percent tax credits are available to all qualifying projects, nine percent tax credits are allocated competitively.

RECOMMENDED PROCESS

Staff recommends a work session briefing and discussion with City Council to review the vision and financing issues/options. As mentioned above, there are many competing financial priorities throughout the City of Austin, and a discussion of financing availability and prioritization of this project in relation to other City projects is needed. The dialogue from the work session, and any further action on the prioritization of these two properties, will inform the next steps for a competitive Request for Proposals (RFP) process. Council Resolution 20190620-174 directed the City Manager to identify and select a developer partner who can successfully deliver this vision. Prior to moving to an RFP phase, staff recommends holding a City Council work session that would provide staff the following input:

- 1) Input on financing options outlined above;
- 2) Desired timeline for the RFP; and
- 3) Level of support for draft RFP criteria.