

Effectiveness of Financing Tools for Economic Development



Objective

Are the City's tax increment financing districts effectively achieving the goals of the community?

Background

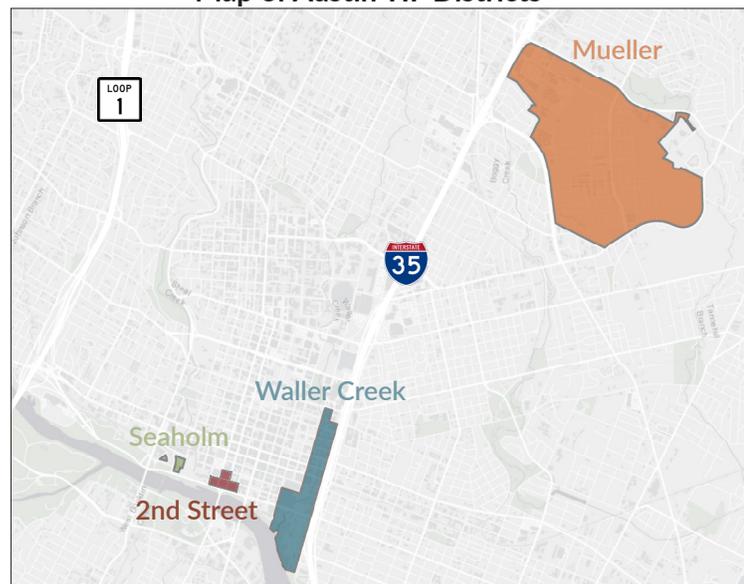
Tax increment financing is used to encourage development in areas where it would not happen otherwise. Austin has designated four areas as tax increment financing (TIF) districts.

When a TIF district is created, the value of properties within that district is frozen at a "base value." Taxes paid on the base value continue to contribute to the City's general fund. Any increase in value (the "tax increment") that, in turn, generates tax revenue beyond the base value tax goes to a TIF fund. Money in the TIF fund is used to pay for improvements within the TIF district, either directly or to pay off bonds sold to finance the improvements. As with any other property, properties in the TIF pay taxes to the County Tax Assessor/Collector, and the County sends the money to the City. The diagram to the right depicts this process.

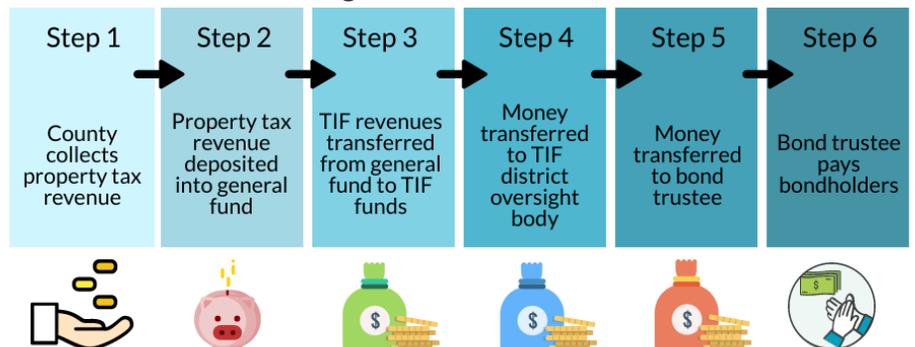
What we found

The City's use of tax increment financing in four TIF districts has had positive benefits, including increased tax revenues, redevelopment of disused property, removal of land from a floodplain, and more housing. We found that almost all community goals for these zones have either been achieved, or are in progress. The City recently adopted new, more specific, policies which could enhance the benefits the City realizes from the use of tax increment financing.

Map of Austin TIF Districts



Flow-through of funds from TIF districts



SOURCE: OCA analysis of City documents and interviews with City staff, October 2019

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What We Found

The City's TIF districts have achieved, or are on track to achieve, the majority of the established community goals relating to the TIF districts.

Information about Austin's TIF Districts

TIF District	Base year/ Expires*	Main purpose
Mueller	2004 / 2045 (41 years)	Redevelop disused airport property and construct infrastructure
Waller Creek	2007 / 2041 (34 years)	Construct flood tunnel & improve surface parks
Seaholm	2008 / 2043 (35 years)	Preserve disused 1950s power plant building
Second Street	1999 / 2029 (30 years)	Maintain plazas and streetscapes in certain blocks downtown

* Or until debt is paid off, whichever comes first
SOURCE: OCA Analysis of City of Austin Records, August 2019

Property tax revenues and values in three of Austin's TIF districts

TIF District*	Base value	2019 Captured value**	FY2019 Property tax revenues to TIF fund
Mueller	\$0	\$1.41 billion	\$6.22 million
Waller Creek	\$236 million	\$1.05 billion	\$4.63 million
Seaholm	\$0 (2008 original) \$6.65 million (2012 amendment)	\$334 million	\$1.47 million

* Data for the Second Street TIF is not presented because this is not a traditional TIF
** As of April 11, 2019
SOURCE: OCA Analysis of Travis Central Appraisal District and City records, August 2019

Summary of goal achievement in the Mueller TIF district

Goals achieved or on track	Goals not achieved
Mixed-use community with about 1.1 million sq ft of office space, 790,000 sq ft of retail, and 1.2 million sq ft of institutional uses (schools, parks, open space)	Extension of light rail system through district (2014 bond failed)
About 4,900 housing units with 25% reserved as affordable	
Infrastructure investments including roadways, sidewalks, utility lines, and demolition of airport structures	
Various environmental goals	
Various transportation goals, including pedestrian and bicycle infrastructure	

SOURCE: OCA Analysis of City documents and staff interviews, 2019

Summary of goal achievement in the Seaholm TIF district

Goals achieved or on track	Goals not achieved
Preservation of 1950s power plant building	Intermodal transit facility accommodating buses and train service (2014 bond failed)
Open spaces including pedestrian plaza	Pedestrian underpass at Bowie Street (negotiations incomplete for right of way)
Infrastructure investments including roadways, sidewalks, and utility lines	
Mixed-use district including retail, office, and residential properties	

SOURCE: OCA Analysis of City documents and staff interviews, 2019

Summary of goal achievement in the Waller Creek TIF district

Goals achieved or on track	Goals not achieved
Construct tunnel to mitigate a 100-year storm event	
Reduction in floodplain of about 28 acres	
Parkland improvements and trail construction	

SOURCE: OCA Analysis of City documents and staff interviews, November 2019

Additional Observations

The City has new TIF policies as of FY2020 which could enhance the benefits the City realizes from the use of tax increment financing. The Second Street TIF is required by a contract.

What We Recommend

We made no recommendations in this audit.