

City Council Work Session Meeting Transcript –6/20/2017

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[9:11:13 AM]

>> Mayor Adler: We have until 10:30 to go through codenext report so we're going to go ahead and get started. Mario, do you want to come on up? Thanks.

>> [Inaudible].

>> Mayor Adler: Okay. Why don't you go ahead and turn on the microphone. Great. So we appreciate you coming by. We've set up a couple of meetings a week to generally talk about codenext-related issues. We had designated Tuesday work sessions between 9:00 and 10:30 to discuss some and then we also talk from 1:00 to 3:00 on Wednesdays. We'll do that this week. In a second, council, we'll have to talk about what happens next Monday and see who is going to be here and see if we want codenext folks to come back. And then we also need to touch base to see if we want to continue this as best we can into August for the mayor pro tem and I to sit down and try to come up with a schedule to propose, if there's interest in that. But what we're trying to do is to daylight issues that we hear in the community. Some of the issues that have come up would be -- that we've heard about is how codenext may or may not impact property taxes or property tax valuations. And Mario, since you are the chief appraiser for the appraisal district we appreciate you coming and visiting with us. There have been some questions that have been posted I think on the bulletin board and I think you've seen copies of those. I posted some. I think councilmember pool, Leslie posted some as well. So if you could address some of those questions that you've seen that would be real helpful and then we'll ask questions.

[9:13:22 AM]

So thanks so much.

>> So just starting at the top --

>> Mayor Adler: And by the way, I want to say we have a quorum present now.

>> So one of the questions was how are single-family property values determined my tcad? Our residential appraisals, they are all market driven, so properties are appraised by assessing how the city has assessed properties in the recent past. We report our findings based on what we have already seen happen in the market. So we never predict the future. We're never looking forward, we're always looking behind and in hindsight. So in residential appraisals what we will do is make a determination of what we think the land value is. We've come up with a replacement cost new for the improvements and then we look at sales of properties to determine how we might need to trend our values up or down based on what we're seeing of sales of similar properties. In terms of how our appraisals and how the new codenext might impact the appraisals, the appraisal district, we take a position that right now they are market neutral until we see evidence that they impact the market or they make some change. At this point we don't have any evidence and so we would not do anything proactively related to codenext or changes in codenext or the local codes. We're going to wait and see what the evidence comes from the market.

>> Mayor Adler: So when you're valuing single-family residences, you compare it to sales. Right?

>> Yes.

>> Mayor Adler: What kind of market data do you compare them with?

>> If we're valuing a single-family residential property, we're going to look for comparable properties within its neighborhood that are also single-family residential properties. We're not going to compare a single-family residential property with a duplex or triplex or four-plex. We're going to look for similar properties and similar characteristics for comparable sales.

[9:15:24 AM]

>> Mayor Adler: Okay. And I think one of the questions was if you have a single-family home on a property and the zoning changes, but it's still being used as a single-family residence, how do you -- what comp sets do you use then? How do you value that property.

>> By law if it's a single-family residence used as a residence and has the protection of a homestead exemption, we must always consider that the highest and best use is as a single-family residence. So we will always compare that to other single-family residences, even though the underlying zoning underneath it may be something different.

>> Mayor Adler: So one of the questions that we had was if a neighbor builds a duplex or an Adu on their property, will that increase the valuation of my property?

>> The neighbor's property who adds the additional unit, particularly an Adu, because when they add the Adu, the still primary use of that property is still single-family residential. They'll get additional value added to their property because they have additional building. The square footage is larger. We're going to increase the value of that specific property. But at this point we have not seen any evidence that the addition of an Adu impacts the land values or anything else that would be contributing or that would go across any of its neighbors. So right now the impact it has is only on the specific property that has added the additional unit.

>> Mayor Adler: Okay. Then one of the other questions I've gotten and colleagues have gotten as well that I posted was if there's a vacant lot in my neighborhood and it goes up in value because of the additional number of units that could be put on it or the fact that it could be used for a duplex or something else, if that vacant lot value goes up in value, will that raise the overall tax value of my single-family home in that neighborhood?

[9:17:26 AM]

>> When we're looking at value, we're going to look at the overall total value. We're going to compare that to properties that are similar. When we look at components, we're looking specifically at land. We're going to look for sales of other land components in that area that have similar characteristics. It may be that we change the allocation of our overall market value based on what we see and those land sales. We value land either we look for vacant land sales, we look for properties where the land, the improvement has been torn down, which makes it essentially a land sale. Or we'll do an abstraction by allocation on improved sales. We will back out what we know the cost to reconstruct the improvement is and the residual becomes land value. We may adjust our land value based on those sales of lots or tear downs, but when we look and determine the overall value of that property, we're still going to compare it to other similar properties. A single-family residential would be compared to a single-family residential. So the allocation between land and improvement might shift, but we will still be looking at others. So the improvement may go down. If the land values go down, the improvement value might go up, that allocation might shift because of those values that we see, but the overall market value of those properties is going to be determined by sales of other similar properties.

>> Mayor Adler: Of other single-family home properties. >>

>> Mayor Adler: Is a single-family property with a homestead exemption valued as a single-family residence, even if other uses or more units could be built on the property?

>> Yes, particularly those that have the homestead protection and get the exemption best law we're required that the highest and best use of that is as a residence and we are required to appraise it as such.

>> Mayor Adler: Would that be the same answer if that residence is surrounded by other properties that have been given the ability to have more uses or additional uses?

[9:19:27 AM]

>> Even if the housing or the use of the property surrounding it changes, we are still required by law to appraise that as a single-family residential. So it could be surrounded by businesses on all sides. It is still single-family residential and we have to appraise it as single-family residential.

>> Mayor Adler: There are some parts of the city right now that allow for ads to be developed on them. Are you making adjustments now for increased value for properties that have the potential to have an Adu built on them or the potential to have a duplex built on them.

>> We're not making any adjustments for the potential of the Adu unit. Again, we're not seeing in market yet that that's bearing out that there's a premium because of that potential. What we do is for those properties that have the specific unit on it, they'll see an increase in their value because we're adding additional buildings to the appraisal of the property, but the surrounding properties are not being impacted because of the potential of the Adu. Again, we're going to be comparing the sales of the properties and what are other market properties selling for. And we have not yet seen enough evidence to indicate the potential that the ads is impacting.

>> Mayor Adler: One of the things that you came and talked to us about several months ago was what I think you were calling segmented market valuations. And thank you for doing that, by the way. Would you describe what that segmented market deal was that you were doing?

>> Again, this is something that we do as our appraisal process. We're always looking at our appraisal models. And revising them to make sure we have the most accurate appraisals that we can. And one of the things we saw in certain markets, particularly in areas that were transitional, at the end of their life cycle, we saw that was a lot of properties being remodeled next to a lot of properties that were in original than had never been modeled. And when we analyze the sales data, we're always doing it in hindsight. When we analyzed the sales data in some neighborhoods we saw there was a marked premium being paid for the properties that were modeled over and above the premium that we recognize in our models just based on new condition and new age.

[9:21:37 AM]

In those markets what we have been doing is we have been bifurcating the market, splitting it out, so those properties that were newer and modeled are being compared to other newer remodeled

properties and those properties in original condition are being compared to other properties in original conditions and it changes the values and appraisals on those properties. But that's always done in hindsight. We do it every year and we have to see market evidence that there is a between the ways those properties are selling. We will anticipate at some point in time all the properties will be remodeled and there won't be a need to bifurcate the market. We will be looking at that every year and looking in hindsight at what the market has already told us.

>> Mayor Adler: Last question. Would you talk about the housing supply in Austin and what do you think? Are you seeing any evidence that that impacts market values?

>> Yeah. What we've seen, particularly in the last five years in our appraisals, they've increased substantially, particularly in the open core. And we're always looking and analyzing our data. What we've seen in the last five years is Austin has been at historic lows in terms of housing supply. We've been at a two month supply of housing annually for the last five years. Six months is considered to be a stabilized market. But because we have such low supply and because we've got a lot of employment growth, which leads to a lot of population growth, which leads to a lot of demand, we've got very high demand for housing and a very low supply to meet that demand. And we've seen that that is created upward pressure on the market and sales prices. So we've seen values increase due to that imbalance between supply and demand. And so we're reflecting the market. That's what we've seen historically. Looking back high schoolly in times when we saw more balance and equilibrium between supply and demand we did not see the double digit increases in appraised values.

>> Mayor Adler: Thank you. Councilmember pool.

>> Pool: Thanks, Ms. Quigley, for being here.

[9:23:38 AM]

I appreciate it. My staff is working on a one-page information sheet to help answer some of the valuation questions that are coming from our residents and I'll have it available to pass out. In fact, it looks like we have it here. So they're going to take the work that they've done to date and add some information from today's meeting and then follow up with you later to make sure that we continue to have this information complete and correct. But I do have some specific questions for some additional information to augment what we already understand. I might not be able to get to all of them today, but I'll try to give it a start. So I have four questions. So we've heard from residents who are worried about how codenext will affect property values and you've talked about this. I know in my district staff has talked about changing a number of single-family properties to a t3 transit 4 zoning properties. And some are worried this will impact market pressures on them, drive up their property values and force them out of their homes. My understanding is that state law requires that Travis central appraisal district to appraise residential homesteads by comparing them to other homesteads, and you've talked about this

some already this morning. Does this apply only to the structures or does it also include the land value as well? You touched on that, but you can tell this is a really important question for folks. So I think it bears repeating. For instance, is there a possibility that changing a property from an sf-3 category to t4 could drive up a property's land valuation relative to a comparable property with t3 zoning?

>> And again, when we do our valuation we're going to look to see what our allocation should be to land and improvement. It's possible that land value could go up, but then based on what we in terms of other sales in residential single-family properties we could make a change in the valuation of land and improvement, but the total value of that property will be based on sales of other single-family residential properties.

[9:25:43 AM]

>> Pool: Which means the total valuation could in fact increase.

>> It could increase or decrease depends on what we see in the market.

>> Pool: And and based on what you said a little bit ago and with the mayor's question that there was an imbalance between supply and demand the likelihood is those properties would increase in value.

>> Again, we're always in hindsight so we'll look to see what does the market tell us.

>> Pool: So my question goes to market segmentation. I wanted to explore that a little bit. I appreciated the presentation you made to us, I guess it was last fall. And I've tried to describe it to my constituents and don't do a very good job. So since you're here and I think you're the best person to talk about it, I think that would be really helpful. Tcad employs a tech in some neighborhoods called market segmentation on homesteads that separates out newly constructed homes from older existing homes and values them separately. And if you could describe how someone can see what category their property is in by looking on the appraisal, on the website, on your website, will there be any kind of market segmentation for commercial properties on major corridors or minor arterials so that existing older small business properties will be valued in line with others of their kind in terms of improvements?

>> As it relates to residential properties, again, we'll do that analysis every year. We look in hindsight. Properties that we segment or separate the market out, if they look on our website, their neighborhood code will end with the number nine to indicate it is a market that has been broken out. We are always going look at that data, again annually. This year we had 39 total neighborhoods that we saw evidence that there was a marked difference between the way that the remodeled homes and the original homes were selling. So we did that in 39 neighborhoods. Could be next year when we look at the data, the more data we get, there may be more, may be fewer.

[9:27:43 AM]

It depends on the market does. Some neighborhoods that are segmented this year may not be next year if the market data does not indicate that's an appropriate model to use. As it relates to commercial property and I have my director of commercial here with me today. We do not see any market evidence at this point in time, particularly on those major corridors, to indicate we should be segmenting the market. I don't know if you want to talk about the drivers on commercial property that make them significantly different than the drivers on residential properties.

>> Thank you very much. So residential property is all based on utility generally, substitution, so a homeowner looking to buy a property is not going to pay more for property A than property B if they provided the same utility. For commercial property generally properties trade on anticipation, future benefits and [indiscernible] Associated with that investment.

[Inaudible]. So it's very difficult to look at commercial property relative to residential in terms of market segmentation because we have a lot of different use types in commercial property. As zoning increases or decreases that can materially affect what the residual income benefit to that owner would be for that property. The other thing that we see in commercial is commercial is highly driven based on location. So if you're on a major thoroughfare or on an arterial road with good frontage and visibility, it's very difficult to replace that on something that's a secondary location. You can build an exact replica of the building, but if it's on a secondary street that materially impacts the value of the property. So for us properties on the commercial side that have great location, visibility, traffic count, et cetera, things that drive potential income, we're going to be able to drive the valuation for us. So it's a little more difficult and a little more detailed, property specific, than on the residential, where you may have 30 sales within a neighborhood to compare like properties. On commercial because of the nature of each individual property and the income that it can create based on a plethora of factors, based on the more complex and broad brush to say we could do a market segmentation.

[9:29:57 AM]

>> Pool: So when you look at highest and best use on commercial property does it look at the age of the building, the structure that a particular structure that a building is in.

>> The first step is to determine what is legally permissible on the site. The second step is what's physically possible at that location. The third step is to determine what's financially feasible. And then the fourth step is to determine what's maximally productive. So you may have a lot of properties that meet the criteria one through three, but you should only have one use that meets all four, which would be the maximum production of income. And yield to the investors or the owner. So the highest and best use analysis the age of the building, the structure, et cetera, are going to come into play, but at the end

of the day it's a lot more economically driven relative to what the return of that income stream is. So you could have a situation where you have a building that's very old in a great location that returns a premium to the owner so that even though it's an old building, it may be the highest and best use. You may have some buildings that are brand new that because of whatever factors in the marketplace don't return an investment return to the investors, and it may not be the highest and best use, so age is something that we would consider, but it's in context of those four steps that I outlined.

>> Pool: Is there anything in that value assessment that considers the impact or the intrinsic value to the neighborhood that it might be adjacent to or is it all driven by profit and investment?

>> I mean, most commercial properties are going to be valued based on the income stream they can produce or the expected income stream they can produce. So there may be some residual. If it's in an historic neighborhood or if there's some other underlying market factors that would attribute value to a particular value that there may be an instance where that would come into play, but generally speaking we would look at what the income tells us for that building and place a valuation on that property based on those characteristics.

[9:32:01 AM]

>> Pool: Okay. So the market drives what is on a parcel in a commercial corridor, not what the neighborhood may need.

>> Right.

>> Pool: Okay. My third question, I've heard concerns from people that if we place transect zoning on major corridor -- transect zoning on major corridors in the outside area it might have effect on the valuations. My understanding is values are done according to the market. If the market pressures to redevelop are low in those areas would transect zoning affect valuations.

>> I would say the appraisal district is already dealing with zoning and entitlement changes and conforming uses and with variances as part of our job now. So codenext is going to bring in a new set of those standards and a new set of allowed uses, et cetera. But those things are intrinsic in the marketplace. The market participants reflect to those entitlements or to those permitted uses. So we're already doing what we're discussing today with the current coding system and current system that's in place. So it would be presumptuous of us at this point to try to say exactly what would happen. What we can tell you is that our models are going to be built based on what does take place in the marketplace. And we're already doing that if properties have impervious cover issues, if they have easements, if they have other impediments that are affecting the marketability of that property, we're taking those into consideration when we place a value on them and we'll continue to do that looking forward if and when codenext is implemented and applied.

>> Pool: So it sounds like the change in the zoning categories or the terminology won't change anything about the process.

>> We are going to derive our values based on market data. And what does the market and how does the market react to the changes when we always -- our work is in hindsight so we wait to see, do we have any evidence from the market that these are an impact or not, and make a determination after we review it.

>> Pool: Hindsight on residential, but prospective on commercial?

[9:34:03 AM]

>> It's still --

>> It's a combination of both.

>> It's still hindsight because we're looking at transactions that have already taken place, however we know those transactions have taken place with an investor looking to the future. So when they make their purchase decision, when they write up a contract, when they decide to agree on a purchase price, they are projecting out what they think the future benefit of that property relative to the income is. By that's intrinsic into -- it's already factored into the price. We're still reflecting what those prices are. The mindset is just a little bit different. They're looking to the future when they make their purchase decisions, whereas residential maybe is looking maybe more for utility and I need a place in a good school district, et cetera. So they move in for utility and an investor on a commercial property is looking for a return on the investment over the holding period. And that's going to vary based on, you know, the individual investor. Some people want to buy and hold for 20 years. Some people want to buy and get the rents up and sell it in five years. But those prices will reflect those. And then when we get those data points into our system, we're going to reflect what those prices have already done.

>> Pool: Have you looked at the expansion of uses that are permitted currently in the draft definitions of the transect Zones?

>> I've given a cursory review of that. Unfortunately for us, this is the time of year where we have protests and informal settlement conferences going on. So this year we've had 123,000 protests. So my focus has been on that, but we have given a cursory review of some of the intensified uses, increased density and so forth. As it relates to commercial property, generally if you increase density, if you increase utility, if you make it where you can put more units on a site from an investment perspective that should increase the return to the property owner and will probably positively impact the value.

[9:36:03 AM]

Again, we'll wait to see what the market tells us, but from the financial perspective, if you could build more apartment units on a property, if you can build mixed use construction with retail and increased density and create synergy, the data has suggested that that increases the value.

>> Pool: The square footage per unit goes up, even if the units are smaller, the square footage price is probably more than the original structure.

>> Exactly. So if you can fit smaller units, but more units, that's still more revenue. So those are things that we have to consider, but again, we're considering those things now. So Austin's very diverse on the commercial side. We've seen a lot of new construction projects that are very creative. We've seen new construction projects that incorporate a multitude of property types. So we're already dealing with those issues now and reflecting values accordingly.

>> Pool: I think looking at the square footage costs and valuations is kind of a way to level set for how much affordability is brought to us by increased density. So my last question, we understand the tcad values homes based on three variables, land value, market adjustment factor and a replacement cost. We'd like to understand the market adjustment factor more fully and what variables play into that.

[Lapse in audio].

>> We determine what our allocation should be, we look at what does the market tell us. That market adjustment is really we've determined a land value based on either sales of vacant lots or tear downs or an allocation by abstraction by allocation. We've got our land value, we know what the replacement cost is of the improvement for those properties are. Those two together will give us a total value. We look at the total value compared to sales prices of homes that we know have sold and see is there a trending factor that we need to apply to get our modeled total value up to market value of what they're selling for. That trend factor is applied to all properties sold or unsold based on what we see.

[9:38:07 AM]

So that market adjustment is just a trending factor that we use based on market data.

>> Pool: So tell me a little bit more about how you arrive at that.

>> We'll do a sales ratio analysis. So we'll look at our appraised value, divided by the sales price will give us a ratio. So if the appraised value is 80,000 and the sales price was 100,000, we'd get a ratio of 80%. We know that we need to trend our model value of 80,000 up to get it to 100,000 because our requirement is to be at 100% of market value. So that factor that we apply is that trend factor, that's the market adjustment. It's what we use to take the 80,000 model value up to \$100,000, which is the sales price. And we apply that equally to all sold and unsold properties.

>> Pool: And I guess the market adjustment piece is the piece that drives homeowners crazy.

>> It really is just based on the market. What do we see in the market.

>> Pool: Because they may have done nothing to their house.

>> They may have done nothing to their property, but there's appreciation because homes are more valuable, their selling more. If they bought it 10 years ago at a specific price, what they could sell it for today is going to be different and that's the trending factor, that's the to determine what is the current value of the properties and we're required to be 100% of market adjustment every year. One of the things for residential homeowners that they have that they don't often understand is when we appraise properties we're going to determine three different values. We're going to determine a market value, which is what would the property sell for. That market value is unlimited. We assess that every year. We mostly on market data. The other value that we're going to determine is an assessed value. That is the one where the homestead protection comes into place is on that assessed value. Last year's assessed value plus 10 percent is this year's assessed value. It is whatever is reflected in the market. We have assessed value, which is limited, based on 10%, then we have taxable value, which is any exemptions by the appraisal units is the taxable value and that gets applied when they're calculating their tax burden every year.

[9:40:21 AM]

You multiply that by the tax rate to determine how much they owe in taxes.

>> Pool: And you said you make the market adjustment across the city on all properties annually.

>> We do the appraisals every year and look at all properties. Some properties may or may not have an change, depending upon what we see in the market. There's not one market adjustment factor that applies to everything across the county. We'll look at it neighborhood specific. What are similar properties in a similar neighborhood selling for relative to that subject.

>> Pool: And the last question I understand from a presentation you made last fall is you batch together portions of the city. It's like painting the Brooklyn bridge, by the time you finish going to the end you come back and start all over again. You don't do all these neighborhoods at all -- every year?

>> No.

>> Pool: You do portions of the city which is different from the piece you just described.

>> What we do is when we're looking at reappraisals we're look at where do we have market data to justify making a change. Some portions we won't have much market data, maybe not many homes sold. We may not make a change in that area. Whereas a neighborhood right had beside it might have a lot of

sales and we may make an adjust N that area. We look at the entire county when we do that to determine where do we need to make adjustments, but where we make adjustments is based on on market data. What do we see in terms of market data that we've been able to collect over the past year.

>> Pool: Thank you so much. >>

>> Flannigan: It's really very interesting information. I'm curious. You said that some of the rules that you use are codified in state law. And of course I represent two different -- two counties, not just Travis. I'm curious which of the techniques you use are tcad practices and which are state codified practices.

>> Okay. The market segmentation is going to be something that is unique to Travis county. As far as we're the only ones in the state that are doing that technique. The appraisal of getting at appraised value of 100% of market value is statewide.

[9:42:25 AM]

The Texas property tax code is what beg rates our practices. So we're going to do whatever the Texas property tax code dictates. The requirement to appraise residential home properties as residential highest and best use, that's a state requirement.

>> Flannigan: And that homestead is only compared to other homesteads is also a state requirement?

>> Yes.

>> Flannigan: That's great. The notion that we might measure affordability in terms of cost per square foot is a new one for me. I will have to really think about that. I think it's more complicated. It's certainly nothing that we've seen come from any of the housing agencies or groups in the community. It's cost per unit or you might argue cost per bedroom. But cost per square foot is a far more complicated number. And the challenge of uses, commercial uses on corridors I think is also more complicated because a business isn't going to open in a neighborhood if they don't think there are customers there to make it profitable. And there are other challenges with that notion, food deserts is the big one, but the idea that a business is going to open in a neighborhood that no one wanted I think violates what a business owner would do and that business would close very quickly. Those are just some of my questions. But I'm going to keep listening and see if I have any more.

>> Mayor Adler: Councilmember alter.

>> Alter: Thank you. Good morning. So what I'm hearing people trying to understand is I have a particular example. I live on a block, I have a modest bungalow. My entire block has been rezoned. Everyone on the block has increased entitlements. We all have very similar houses. I don't sell my house, but my neighbor or two or three of my neighbors sell their house, which are now have a lot of

entitlements, but when they sell them they're selling a modest bungalow, but that price jumps up a lot because they now have increased entitlements.

[9:44:31 AM]

What happens to my property valuation when I've got two or three properties on my block that are exactly the same, but now everyone, including me, has this entitlements and so they sell at a premium over what they would have before they had that new value. What happens to my property valuation.

>> Again, we'll be looking at that market data of similar properties and your neighbor's properties would be similar comparables we would use in appraising your property. If the sales prices are indicating that the value should be increased, we will increase that value. We're going to look at market data and follow and report what the market has told us happened.

>> Alter: So the market leads my neighbors to sell their homes at higher prices, that is going to affect my valuation, but if I have a homestead exemption it will be limited to 10% growth?

>> Correct.

>> So you're not changing -- if I'm understanding correctly, you're not changing the tax appraisal based on changes in zoning, but if people sell their houses in the markets and their evaluated more highly by the market and they're the same properties, then that would then feed into that. Now, what happens in the case that I have my modest bungalow and my neighbor has a modest bungalow and they add an Adu to their house, how do you then -- so there's more value on their property. Does that impact my property?

>> No. Fact they added the Adu is going to impact their property specific.

>> Alter: And if they added square footage to their house --

>> Just as if they added a swimming pool, it will affect their property specifically. It would not impact your property.

>> Alter: Now, what if they change their use completely to be multi-family if they're now allowed to do that.

>> If they change their use and become rather than a single-family, if they change to a triplex, then they would no longer be used as a comparison for your property.

[9:46:34 AM]

They would be used as a comparison for other triplex properties.

>> Alter: Okay. So your appraisals are not based on the zoning, they're based on the actual structure's use.

>> Use.

>> Alter: Okay.

>> Mayor Adler: Can you answer that question out loud in case someone is listening to the tape?

>> Sure. Our appraisals are going to be based on the actual structure's use, so a single-family will be appraised relative compared to other single-families. Triplexes will be compared to other triplex properties. We will not intermix or interchange that.

>> Alter: If we go back to the example where we added the Adu and said that would affect the neighbor's property, now I've got my modest bungalow, my neighbor has a modest bungalow plus an Adu, they go to sell their property, which is now worth more because it has the Adu. How does that affect my property in the comparison because they're still a single-family unit, they just also have an Adu? How do you make those comparisons?

>> So we would do the same appraisal ratio. In this case the property with the Adu and its sales price would be compared and we would do the ratio based on it not just as a single-family, but we'll look at it and add the value for the Adu and then compare that to the sales price to determine if there's any market drive trending that we need to apply. So we've already taken into consideration the fact that they've added value to their property because we've added that extra Adu and extra value to the property. Now we're looking at the market and saying what does the market tell us in terms of values and trending values.

>> Alter: So I'm not fully understanding how that affects my modest bungalow or not.

>> It would -- essentially what we would do is when we're look at that sales price of the value, we've added in an Adu so you could essentially subtract the value of the Adu out of both the property and the sales price of that to determine what's the value of the sale price of just the property in general and trending those. Again, a single sale is not going to be what we use to make our determinations in the market. We'll have multiple sales. And then we will look at sales of properties with ads versus sales without ads to determine is that driving values or additional premium to be applied to that based on fact that you do or do not have an Adu.

[9:48:45 AM]

So far based on the data that we have so far, we're not seeing that that creates a premium. They're selling at a similar rate to other properties without the additional units.

>> Alter: So overnight changing the zoning is not going to change people's property evaluations.

>> No.

>> Alter: However, once the market gets going, if the market decides that those entitlements demand a greater sales price there could be a knock-on, domino effect if you have similar structures for that first sort of sale period, but that knock-on may or may not happen -- continue to compound over time because once I'm a multi-family unit I'm not being compared to that single-family, but that initial jump would be. Does that make sense?

>> I'm not understanding your question.

>> Alter: So my question is that if -- what I've been trying to understand is the incentives we're creating for the market demand on the impact of the property values. If I'm understanding what you're saying correctly, there's a time period -- so we change the zoning and I think there's first a concern that people have of whether just changing the zoning changes the property value. And what I'm hearing from the discussion is from your perspective simply changing the zoning doesn't change the property value, but it's the market's response to that change in the property value that will impact property values.

>> That's correct.

>> Alter: And that market response will have its biggest hit in that first changeover if we see changes from one use to another. Is what I'm trying to understand. So if I sell a modest bungalow next to a modest bungalow, the other modest bungalow's price will be affected if they can do more on that property, but once that modest bungalow gets changed into a multi-family, it's not going to be compared to me.

>> Correct.

>> Alter: So there will be an initial bump in this process if the market values the properties higher for that sale when we're comparing apples to apples.

[9:50:49 AM]

>> Again, all of the work that we do is going to be in hindsight. It depends on how long does it take for that bungalow to be transitioned from a bungalow to a duplex. If it takes three years, then at the time that it's sold, the use of it was as a single-family residential, it's sold as a single-family residential. We're going to compare it to other single-family residential. If the change happens immediately, and again we're looking in hindsight, if by the time that we're looking at this it has already been converted to

something else, then we will not consider that as a single-family residential sale. We'll consider it as a different kind of sale because the use of property has changed.

>> Alter: Except when I sold it it was a modest bungalow.

>> When you sold it it was a modest bungalow, yes.

>> Alter: So wouldn't you be comparing my property valuations to the modest bungalow even if in a year I have a multi-family on it?

>> Again, timing will apply a factor in this. We look at data that has occurred in the previous year. If during the course of the year the change has occurred, then we're going to say this is now a duplex. We're going to compare it to other duplexes and that sale will be compared to other duplexes, not single-family residential.

>> Alter: Okay. I'm going to need to absorb that. If you're on a street that has different types of zoning, but I have similar structures. So we have streets that may have a whole bunch of modest bungalows, but one house gets a lot more entitlements on one property or another, you are not rolling that zoning difference into your valuations when they're would sold in any way, but the market might.

>> We're going to look and see what does the market tell us if there's a difference. If he with be Lou in neighborhood and only one of the properties has that entitlement, but a lot of properties have told that don't have it and we see that there is a difference, the market is telling us that there's a difference, then we're going to reflect what the market tells us, but we're going to see what does the market tell us. So if you've got seven houses and only one of them has the elevated entitlements and we see that it has sold for more, but all the other houses haven't, then we are going to try to look at the market and say, okay, that's the market telling us that that entitlement means something in that neighborhood.

[9:53:00 AM]

But again we're going to wait and see what the market tells us.

>> Alter: Okay. I'm going to need to digest that. I'll pass it on.

>> I have a follow-up question.

>> Mayor Adler: Hang on. Mayor pro tem.

>> Kitchen: It's a follow-up on to her question. Just real quickly. How do you know that it's the entitlement --

>> Mayor Adler: Ann, I think all these questions are follow-up questions, so let me stay with the order that we have.

>> [Inaudible].

>> Tovo: I think he was ahead of me.

>> Mayor Adler: You can certainly defer to him, but you put up your little yellow marker early and then I will recognize Pio.

>> Tovo: First of all, thank you so much for being here and answering these questions. Okay. So I have a variety of questions. The one I posted online refers to the university neighborhood overlay and how that impacted property values, but we can -- I had a couple of follow-ups I wanted to talk about first. I think to summarize what I'm hearing, if increased entitlements impact market values, those market values will impact property owners around them.

>> Yeah. Our requirement is to appraise properties at market value. So that's what we're going to try to do is determine what the market value is. We're going to listen to the market and let it tell us.

>> Tovo: And if you can suddenly do more on your property than you could before, you are likely -- the the market will respond to that. The market will start paying more for those tracts of land, and I think we've seen it in simple examples, including the neighborhood university overlay and that does impact values. So councilmember pool, I don't know that we'll have an opportunity today to talk, but I do think - - I think your sheet is extremely useful. I think the line about if the market itself begins to incorporate zoning change information, I think it is very important for people to understand that if zoning -- if zoning starts to influence sales prices, which it does, that will change the valuations and that will increase the lot value.

[9:55:10 AM]

That seems to be the takeaway from our conversation here today. And I wanted to talk --

>> Kitchen: I'm sorry, go ahead.

>> Tovo: I wanted to talk for a minute about lot values with duplexes next to single-family homes. And I have lots of these in my area, but I can't at the moment think of any addresses. But if you've got a neighborhood where you have a duplex on a lot adjacent to a single-family, I feel as if I've seen that they all have the same lot value, if they're the same lot size. Is that not accurate? Do you assess -- I understand what you're saying you assess the improvement differently, but do you assess the lot value differently?

>> The first premises is to assess the land as though vacant, what is the value of the lot. So lots should be consistently appraised similarly. Not always, but in certain cases that will be what we do, it depends on what the market is telling us in those areas. In some cases we see that the land underneath a duplex may be higher, sometimes it may be lower. Sometimes for equity they're all similar. But when we look at

comparison to determine the total market value, we're going to look at the sales price of other similar single-family residential properties and we will not compare it to duplex properties. So the overall total market value. Our allocation may shift, again, but it would not -- the total market value would be as comparison to other single-family residential properties.

>> Tovo: And I understood that point, but I think what I'm still -- what feels what doesn't jibe with my thoughts of looking at the lot values is that the land values seem to be pretty consistent in places even if the improvements on them are different. Like you might have two units versus one. I hear you saying the allocation -- anyway, let me see if I can find some examples. I did want to talk for a minute -- so I have almost 72% of my constituents are renters.

[9:57:17 AM]

And so I want to talk for a minute [lapse in audio]. On councilmember pool's second half talking about I understand what you're saying about the homestead exemption, but for people who live in duplexes or other single-family houses that are rentals, the homestead exemption obviously doesn't help them. So if we're -- if those properties are being appraised at their highest and best use and the valuation -- and their entitlements have changed and thus they're more -- those properties have more value than they did before the zone change, likely that will have an impact on their value.

>> Yeah. We are required to appraise them at market value. And the only protection by law that is granted to that highest and best use determination is for properties that have a homestead exemption.

>> Tovo: But if I'm understanding correctly, if a homeowner does not claim the bullet that councilmember pool wrote, a homeowner does not claim their homestead exemption, their property will be appraised based on the highest and best use, instead of on their use as a homestead. So if you've got a residential property that is a rental property, so it's not eligible for a homestead exemption, then you need to appraise it at its highest and best use, which ones it has increased entitlements, will be more -- will be a more valuable property.

>> Potentially.

>> Potentially that could be the case.

>> Tovo: I guess I would say while I think we're talking a lot here today about the impact on property owners, again, in an area like mine, where a lot of, you know, the primary -- the majority of people are renters, that could -- that increase in entitlement, as it begins to affect the market, will really impact renters because property owners will pass along those increased costs, those increased valuations, increased taxes to their renters. Okay. So I wanted to talk briefly about -- the university neighborhood overlay.

[9:59:22 AM]

In 2004 -- let me make sure I've got the date right. In 2004, there was a substantial increase as a result of the neighborhood plan, the west university -- west campus area was granted very significant entitlements, increases in entitlements, and so that changed the valuations because the properties did begin turning over very quickly and selling for higher amounts because they suddenly were able to go, I believe, to 75 feet, you know, one and two-story buildings could suddenly go a lot higher. And I wanted to ask you to talk us through that. Let me just name a couple things that happened as a result. Some organizations -- some sororities and fraternities in that area began to express real concern that they were struggling to hang on to their properties because their property assessments had gone up so much. And so they actually came to council and asked to be excluded from the university neighborhood overlay and so I've got -- I've got some information that my zoning and platting commissioners sent me, talking about that. At the time the property tax bill for sigma ki's house tripled to \$60,000 after the uno was passed and at the time the coordinator for student housing preservation group was quoted saying nonprofit student housing organizations don't benefit from the overlay zoning guidelines and wanted their properties to be excluded. We need to find a way -- this is the quote that was in the paper at the time. We need to find a way to return to our original zoning district. By doing so we'll actually reduce the development potential of the property and hope it will lower its valuations. Again, they came to council and a variety of properties were actually excluded from uno.

[10:01:29 AM]

So I guess, you know, that example concerns me because it shows I think the impact of how zoning can increase the market value of particular properties, and it does impact not just those properties that want to redevelop and can get increased revenue, but the properties around it. And so I don't know if there's anything that you want to add about uno and what -- whether that is an example we can find ways to --

>> I think there's -- I think.

>> Tovo: -- Mitigate against.

>> With the appraise district, we have an interesting task because we're not policymakers. We just apply the statutes written in the tax code and then we adjust to the market that responds to the policies that have been established either by locally elected officials and others that have the ability to make those overlays public-private partnerships, targeted reinvestment Zones, et cetera, et cetera. When something is increased in utility, the district is just going to look to the marketplace. In your example in uno,

obviously the market responded with increased values. The district is by law required to reflect those values. There are certain statutes in the code that allow for nonprofits to qualify for certain exceptions. There are other things that are written in that allow the district to apply if and when those things qualify, the district certainly applies those as stated. So, you know, our role is very simple. We look at the data. We apply what the data says. And we assess the values. We're not out there advocating for property owners to reduce values. We're not out there advocating for purchasers to pay more for property. So I don't think that we have a role relative to overlays or anything else other than just to reflect what the market does. I will say, though, that there are more to the marketplace -- there's more to the market than just zoning. We're already dealing with zoning currently.

[10:03:29 AM]

But there's population growth, there's demographics, socioeconomic issues that come into market value that market participants take into consideration. You could have a property that has been fully entitled but if it's in a location that the market doesn't support that higher intrinsic use or density use it's not going to support an increased value. Just because something has an overlay or increased zoning doesn't by definition mean the value is going to go up. A lot of properties are underutilized based on current zoning values. The district is going to reflect that based on what the market says. I understand your question relative to the overlay and I think that's an important component relative to the value but certainly not the only component that needs to be given consideration because there are a lot of other market forces and factors that come into play here that determine the valuation.

>> Tovo: I appreciate that. I just think that is an example that we should be cognizant of as we look to think about how zoning, while you don't -- while your valuations don't reflect an increase in entitlements through zoning, they do respond, as you said, to the market, and the market does respond to increased entitlements on a particular plot of land, as we see clearly with the uno example. Thank you again. I appreciate it. I might have some more questions for you.

>> Mayor Adler: Thank you.

>> Tovo: But that's it for now.

>> Mayor Adler: Councilmember Renteria.

>> Renteria: Thank you, mayor. My question is -- and I see a lot of this going on in my district, is where there's a nice house there, bungalow, and they tear it down and build two units. So how do y'all handle the land value when someone is paying, you know, just -- we'll just say they pay \$500,000 for the house but they go and tear down and build two units. How do y'all look at that transaction?

[10:05:29 AM]

When it comes to your valuation of the land.

>> When they're putting a duplex on it we will compare it and use it as a comparable for other duplexes.

>> Renteria: So even though you got an Adu, like an axillary unit or granny flat in the back, they're not attached, just a secondary unit, and you're -- you build one there, your neighbor built two of them, two units there, but they tore down the older unit, older house, didn't bother trying to remodel it, just tore it down and built two units. So but they paid \$500,000 for the lot. So how do y'all appraise that transaction?

>> It's the principal use of that property as a single-family residential?

>> Renteria: Yes.

>> Not as a multi-family?

>> Yes.

>> If I'm understanding it correctly.

>> Renteria: I mean, it's all single family housing. It's just we're allowing the secondary unit to be built in the back, like a garage apartment.

>> Okay.

>> Renteria: But all units -- the original house there and then they build two brand-new units because they didn't like that old house or it just wasn't suitable for repair.

>> In those cases, if it's still single-family residential, then we would use that as a comparable for other single-family residential. Now, that property will have additional value to it because it may have an Adu unit in the back, but it would still be single-family residential. If it changes completely in its use and it goes to being a duplex, then we're going to use that as a comparison for duplexes. Or if it goes to a triplex we'll use that as a comparison for triplexes.

>> Renteria: What increases the land value? Not the property, just the land value?

>> Just the land value? We're going to do a couple things. In most of our developed neighborhoods we don't have a lot of vacant lot sales so we're going to be look at either sales of properties that have torn down, which would give us an indication of value, but we also couple that with the sales of properties that we know were improved and we will abstract, take out what we know the replacement cost to be of that improvement, and we look at the residual of those sales in combination with all other data that we have to give us a determination of what our land value allocation should be.

[10:07:54 AM]

So a single sale of that nature is not going to change everything we do. We take that in conjunction with all of the data that we have to determine what is the appropriate allocation of land value for those properties.

>> Renteria: So basically what you're saying is that if -- if you have more than one -- which is happening on that now. They're buying that and tearing the house down and building -- but they're paying, like, I mean, the land on the building they built is not worth the \$500,000 that they're, you know -- it might cost them just \$200,000 to build these units. How do y'all consider that, if someone is paying that much money for a house, for a lot, tearing down the house there and building two houses on it? You know, because I -- the land value has gone up so high in my neighborhood. It's more than what the house is worth and that's what I was wondering. How did you get to that when the land value was so low? How did it -- how did it rise so fast?

>> Again, we're going to be looking at -- look to see if there are any vacant land sales, if there are any tear-down sales we'll look at that, also that abstraction by allocation. We may get into situations where, you know, there is more value on the land and a nominal value on the improvement because the improvements are offering so little in terms of contributory value but we will be comparing those sales, that overall market value, we're going to be comparing that to other similar properties of similar use.

>> Renteria: And just to close that out -- I can get some comfort out of it -- on your land value, that's not 10% homestead exempt? You have to pay taxes on the full value?

>> No. The exemption and the assessed value limitation is to the total value so the assessed value limitation is to the total value. They don't do that separately. It's the total value is limited. So --

>> Renteria: Your 10% increase is supplied to land and house, your whole value?

[10:09:57 AM]

>> The whole value of the whole property is what is limited.

>> Mayor Adler: Land and improvements.

>> -- It can change year to year and each component is not limited separately. It is the total that has the assessed value limitation.

>> Renteria: Thank you.

>> But it's total also gets the benefit of the exemptions.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I think my questions were answered but I'm going to ask this 11 more time just to make sure I understood it correctly. So this goes back to the discussion about -- let's see. This goes back to the discussion about what we were talking about was in terms of how the entitlement can impact the sales price.

>> Mm-hmm.

>> Kitchen: And how that then impacts a subsequent -- the valuation of a neighboring lot or something like that. So if I'm understanding correctly, if a house goes up in a neighborhood and that house has increased entitlement because of the difference in the zoning, the assumption is that the -- that the rise in value is due to the entitlement. Because you don't have any other way to know that, right?

>> We --

>> Kitchen: You don't know if -- I guess what I'm trying to get at is -- before codenext our prices are continuing to -- you know, valuations are continuing to go up. They're going to continue to go up after codenext. Of additional entitlements. You don't have any way to assess that out. The reason I'm asking that is, if you're living in a neighborhood and, you know, one street over there's an increase in the entitlement and you see an increased valuation but the other street doesn't have an -- that increased entitlement, it may not be a T zone, for example, or may not be another approach to increased entitlement, are you going to -- how far around that house do you apply the sales value? Do you see what I'm asking?

[10:11:57 AM]

>> Yeah. We're going to look in a neighborhood and say you've got a neighborhood of 20 streets and one of those streets has increased entitlements and those reports are selling for more but all the other homes in that neighborhood aren't, we're going to be looking at the data in behind -- hindsight. It's only on those properties we can say that's why these particular properties sell for more than the others interior but we're not going to make that assumption in advance. We're going to look to see what does the market data tell us and we'll be looking at all of the data for that neighborhood.

>> Kitchen: Okay. So what if the valuation is going up on that street but also on other streets?

>> Mm-hmm.

>> Kitchen: Then what do you do in terms of comparing?

>> We will be looking to see, is there a relative difference between how much the values are going up? Again, we'll do our assessed value, divided by sales price to get that ratio. If we say the ratio is 70% on those properties that have the increased entitlement, but the ratio is 80% on the others, we might say that difference between 70 and 80% might be due to the entitlements. We can make that assessment. If they're all at 70% we're going to say entitlements are not making a difference. So we'll be looking at that data, we'll be doing those rationales.

>> Kitchen: How granular do you get in terms of the comparison? Say that particular street that has the increased entitlements is obviously in a different location so there's a geographical difference. And there also might be actual differences in the houses. So how granular do you get in comparing the houses? Is it. To square footage, height? What is it.

>> When we get our data to make comparisons on houses we get the square footage, we measure all properties from the exterior, we know how many floors they are, we know basic characteristics about the construction of the property, we know what the exterior veneer is what kind of roofing it's gosh we know whether it's got a slab or pier and beam, relative age of the property.

[10:14:06 AM]

That is something we'll make an adjustment for. We know the condition of the property, make generates based on conditions, we can take a look and see what is the quality of construction? Is there a difference that quality of construction. Those are the factors we can tell that we know we'll make a determination on those separately and that's how granular we get.

>> Kitchen: Okay.

>> We don't know how many bedrooms or baths because we don't get into interiors.

>> Kitchen: So a homeowner that had their property value increased because there was a property on a neighboring street, if there wasn't comparability between their -- on all the factors you mentioned between their houses they could use that as an argument that their property valuation should not have been increased? Okay. But say all those things are the same, are you taking into account the geography of the street? If I'm on this street and there's raising a valuation on a neighboring street, can I argue that might should not be raised in valuation because I'm not located in the same part of that neighborhood or do you get that granular?

>> You know, it depends, and we would look at historic data in that case.

>> Kitchen: Okay.

>> Because if geography was the case we would have seen that premium for that location in years past. So we could look at, okay, historically, do we see this is based on location or is this because of the recent

change that made that change to the properties? So, for example, properties that may be, you know, back up against the railroad, they're still in the same neighborhood but these properties are directly adjacent to the railroad, they may not sell for as much as the other properties. We can contribute or attribute the difference in the sales price because of that particular factor. Again, we would have to look at the market data and see what the market data tells us. Sometimes we'll have to look back and go back and historically to see if we can definitely contribute or attribute the difference to that factor.

>> Kitchen: I have to think through that. The reason I'm asking is because we had some really good questions exploring the impact in the different zoning on -- on those streets right next door.

[10:16:13 AM]

I'm not sure we explored the impact on that further and further into a neighborhood where you don't have that difference. So that's what I'm trying to think through. So because you don't know why someone bought something, if they bought it, you know, for the location, for example, or for some other reason.

>> Yeah. We try to qualify our sales to make sure that they are market transactions. So, you know, if it's a sale between relatives, we may not consider that to be a market sale that we would use in our comparison because there's other exten waiting factors that go into that transaction.

>> Kitchen: Bottom line, it sounds like anything that impacts the market value, including increase in entitlements can cause neighboring values to go up.

>> Our requirement is to appraise at market value. What does the market tell us.

>> Kitchen: Okay, thank you.

>> Mayor Adler: Mr. Casar.

>> Casar: Thank you so much for coming. I wanted a brief comment for my colleagues in this discussion. I think it's really useful. Of course it's important to understand the way properties get valued for taxing purposes but the valuation, I wouldn't want to -- it seems like there is some correlation but it doesn't equal what property valuation is compared to the impact on affordability in the city for two really key reasons. One is what councilmember kitchen was just bringing up, which is that we see rapidly rising rents and valuations in our current state. We're not in a static universe where we could just say, well -- because then that would make the choices really easy if we wanted to make things cheaper, if we lived in a static world where we were the only ones affecting affordability we can make decisions that tried to reduce the overall value of property, but the fact of the mawr -- matter is renters are rapidly rising, there's supply and demand balances, huge economic factors and demographic changes.

[10:18:15 AM]

So we are -- by adding increased entitlements we can be respond to go those. So while I think we don't live -- the status quo is of rapidly rising rents. Second, it's I think the uno example is the perfect example of this, that just because one of those larger apartment buildings is clearly higher value and more expensive as an entire building than if it was still -- if it were still single family houses and duplexes, that does not mean it's more expensive there than it otherwise would have been if it remained lower levels of entitlements. I think what is really clear if the zoning had been left the same we would have fewer income-restricted units than we have now and we would have fewer co-ops and locked in affordable places to live. So we have to wrestle with both of those because, you know, it is the cooperatives that are income-restricted there have been built built by the fee-in-lieu that's spun off there, the students living in west campus, it's because they can go in and get qualified for one of those units because of the density bonus. If we had just left the entitlements the same, sure, some of those places that were replaced by the density bonus buildings may still remain, but their rents likely because of constricted supply may be so much higher than they are today. So I think that in the end, that's not to say that we should be thinking through the implications on property valuation, but it is to say that it is a complicated relationship and we should not equate increased valuation because of changes in entitlement to loss of affordability. Because the loss of affordability is happening now and because leaving properties without entitlement changes right now is oftentimes leading to still huge spikes in land value, still huge spikes in rents and properties selling at much higher -- much higher prices than they were ever bought for and being replaced by unaffordable units and confuse of them, oftentimes, and that continued few of them is driving continued demand and really high prices.

[10:20:38 AM]

And so we don't live in a static world and it would be much easier to make these choices with y'all if we did. So I guess while I really appreciate the information and it will be a factor in our consideration, I just would urge us to take the step of acknowledging that while property valuations are affected by entitlements, the property valuations increasing because of the zoning change does not -- is not equal to loss of affordability. In fact, if we do it right, we could create affordability by doing so, and that's the level of analysis we should be asking for, how does this make things more affordable rather than how does this -- rather than just looking at the factor of how does this affect property valuation. Because a building with 10% income-restricted units that also spits off money to create a cooperative that was income-restricted units -- I don't know about the fraternities and sororities mentioned but the vast majority are not an affordability solution but cooperatives are. So a couple of properties that might become single-family homes or duplexes instead become an apartment building that was income-restricted units and spits off money for a co-op, that has more property valuation to it but I think it's a better affordability solution than what would have otherwise happened.

>> Mayor Adler: Thank you. Ms. Houston, is your light on?

>> Houston: Yes, mine is on.

>> Mayor Adler: Okay, Ms. Garza.

>> Garza: I just want to make sure I understood a lot of the conversation. So entitlements can affect value if the market responds? Right?

>> Again, we're required to appraise at market value. So we're going to look to see what does the market say. If the market responds to increased entitlements then our appraisals are going to go reflect the market.

>> Garza: If the market doesn't respond to an attempt -- entitlement change, it does nothing.

>> Yes, if the market says these are negative or neutral, we're going to reflect what the market is telling us.

>> Garza: Councilmember Casar said market rates are affected by entitlements.

[10:22:40 AM]

I would say that's not entirely correct. They could be affected by entitlements, but not always.

>> Can. Yes, always the work we do is in hindsight, we are looking to see what has the market told us.

>> Garza: I'm wondering. Recently there was a change in entitlements and that would be ads. Do you have any data that shows that additional entitlement has --

>> What we've seen so far we cannot attribute the fact it has an Adu to increased market value. We don't see it contributing to the overall values. We see it specifically for that property because we're adding value for the additional unit, that square footage. But in terms of sales information we're not seeing that's been impactful to the sales price of the property. Outside the fact that there's an additional unit and square footage.

>> Garza: Okay. So earlier there was a question about best -- what was it?

>> Highest and best use.

>> Garza: Highest and best use. If it's not a homestead property, it is valued at its highest and best use. Are you saying that if I have a second property and it has the entitlement of an Adu but I have not built an Adu on there, it will be sold of the value of it having an Adu?

>> We will look. If you've got a secondary property if it's got a single-family residential property on it, we're going to look at the highest and best use and then what are properties similarly situated to it selling. Even though the highest and best use might be -- the highest and best use analysis is going to take into consideration, is it economically feasible for somebody to transition at from single-family residential? Do they have all those four tests in order to change it from single family residence? Even though may be zoned for something higher, highest and best use may still be single-family residential, in which case we're going to continue to appraise it as single-family residential. The change in zoning does not necessarily mean that the highest and best use of the property will change to something different.

[10:24:45 AM]

There's potential it could. We look at the analysis, four steps, and say does it change it? It may or may not. We don't know.

>> Garza: Again, it's all assumptions and looking at how -- okay. So just wanted to reiterate that. Just because you can build a Adu on a secondary property that's not homestead doesn't mean it will be valued higher than the single family that it is already.

>> Yes. We are not seeing that there is any market factor on that at this point.

>> Garza: Okay.

>> That may change in the future. We don't know. Again, we do our work in hindsight. If in the future the market reacts differently and they say we're willing to pay more for that because that have specifically, we'll react to the market.

>> Garza: Councilmember Renteria, he said -- in certain areas, obviously closer to the central city.

>> Right.

>> Garza: To downtown, there will be situations where people are building their -- they're knocking down a single family house and building a brand-new main house and Adu in the back. That is a market-driven thing that allows someone to come in and know there's value in that. There's value to building that brand-new house and value to building that Adu. That is all market-driven, and you mentioned something earlier, that that is because of a supply issue. The reason somebody knows they can go buy a \$500,000 lot with a tiny not so great house on it and then invest and build is because they know the market right now, there's a supply issue in the market right now.

>> Mm-hmm.

>> Garza: And that has driven much of the higher values in this -- anywhere near downtown, is because of a supply issue.

>> Yeah. And that's one of those neighborhood situations where we may look at that and say is this a neighborhood where we need to segment it. They've torn down, built this brand-new property on it and do those properties that are torn down, built, you know, newly renovated, are they selling differently than the properties in original condition, selling in original condition are selling for.

[10:26:48 AM]

That might be a case when we look at market data this is one needs to be segmented. We just have to look at the data and see what it tells us.

>> Garza: Could you show, for example, the percentage increase in market value in certain areas of the city? Because my assumption would be anywhere near downtown, it's going to be -- market value has gone up significantly more.

>> Yes.

>> Garza: Than market values south of Ben white.

>> Yeah. We have seen in the last five years, in terms of market value appreciation, what properties are selling for, significantly higher prices in the urban relative to what we see in the suburban areas. Everybody is going up but we're seeing much more appreciation in the urban core. Demand is higher, the price people are willing to pay for those properties is a lot higher and the market value, therefore, is being reflected mean appraisals are going up. We do see that specifically in the urban core. In some years past we would see a divide along I-35, it would be an east-west divide. Again, we're going to go look at that data every year to make a determination of what the valuation should be but we are going to look at it every year.

>> Garza: So as long as we have what is -- what's driving the market is a lack of housing in certain parts of the city, where people want to live, there is not that supply. That's why houses near downtown are more expensive than houses outside. Okay. Is that a correct statement?

>> What we are -- again, looking historically, when we are increasing values, what led to those increased values, and we are seeing -- again, we've had historic low supply of housing, and we've had very, very high demand. In the areas most in demand have been those areas in the urban core so we've seen much more appreciation in those areas than we have seen in some of the suburbs. We're starting to see that level out a little more. While the urban core is still increasing and at a higher rate, we're seeing those increases kind of expand out into those suburban areas so, again, the market is, again, positive everywhere, but a little bit more positive in the urban core.

[10:29:03 AM]

>> Garza: Okay. Thank you.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you. And I want to tell you how much I appreciate your calmness and your thoroughness and, you know, this is driving most of us crazy, and you just are willing to sit there and -- and you don't guess defensive and this is the way it is. So I really appreciate --

>> Thank you.

>> Houston: -- Your ability to give us the information that we're asking for even though sometimes we kind of jumble. So let's start with the urban core. Is the definition of the urban core the same definition the city uses or do you have a different definition?

>> You know, you might consider the downtown area to be an urban core. What we look at I think its perimeter, if you go around 183, that little circle you'll see, we consider that to be our urban core.

>> Houston: Okay. So that's pretty much the same one.

>> Mm-hmm.

>> Houston: So we talked about data on the escalation of the valuation of property taxes. Do you have any data by the city, not by districts because y'all are probably not set up by that, to be able to show what the valuations are in different parts of the city? The urban core and as we go more past 183, what - the increase in valuations are? Could we get something to show what that is?

>> Every year we send our notices of appraised value, the "Austin american-statesman" some of the other papers will publish, we do a heat map. We break our county down into 27 areas, and they all have an alpha assignment. So, for example, east Austin might be areas D and E, and we have a heat map that tells you what is the percentage increase in those specific areas.

>> Houston: So have you done that already?

>> Yeah, we did that for 2017. I can email that to you.

>> Houston: Would you please send that to -- would everybody like to see that?

>> Absolutely.

>> Houston: Okay. Let us see that multiply I must have missed it in the paper.

>> Yeah, we do that every year just to look at appreciation. Again, that's one of the things we noticed this year that was different for 2017 than it was for last year, is that, you know, overall appreciation in the urban core used to be in the upper to double digits, sometimes closer to 20%.

[10:31:18 AM]

This year we're seeing it around 8-12% so it's a lot cooler than it was in years past but it's still positive. And then we're seeing the outlying areas starting to catch up in terms of their appreciation, not quite as high as the urban core but still higher than they've been in the past.

>> Houston: Thank you. And then, well, you've talked about what may have caused that difference but I have a question. Everybody has their one question so this is mine.

>> Sure.

>> Houston: This is just about my lot, not about the improvement, not about my house on my lot. So if, again, if a nearby lot is either vacant at this point or if there is a single family house on it and that's demolished and then the developer of that property is gonna build four single family properties on that lot, what does -- what does that do to the valuation of my lot?

>> Of your lot? Okay. We're going to look at it every year and the allocation of value that we may attribute to the land as opposed to what we attribute to the improvement can change on a year to year basis. In east Austin Austin we're seeing the appraised values have gone up. When we do the allocation of how much of that increase of what those properties are selling for as a whole, we've been making increases to the land value, and that's just an allocation just because we have seen just through experience that either vacant lots or tore down lots or by doing that extraction through allocation that the value of land underlying that is increased so we're going to change our allocation. Sometimes if the market goes down then we may change the allocation, but that allocation will be done. Again, that's an analysis we do every year. Any time we make a change in land values we'll do a land analysis report that we can make available to tell you exactly what were we looking at? What were the sales we looked at? Which ones were vacant land sales, which ones were tear downs, which were the abstractions and what is that telling us? We try to be conservative in our land values but we've got that data.

[10:33:24 AM]

We don't make a change unless we have some market data to back that up.

>> Houston: And I'm concerned about the rental properties, too, but I think we've kind of had that conversation. So I'm good with my lot may -- that my house is on may up or down, depending upon what y'all determine, and -- but the total package, because it's a homestead, the 10% is taken off?

>> Yes. And that's really the important thing for, you know, property owners to bear in mind. What is the total value? We may have differences in opinion on the allocation, is the total value correct?

Because when we do our analysis, we're looking at the total value compared to a sales price total value. And so we want to make sure we're getting that spot on.

>> Houston: And so when we look at the four new units that are coming up that are \$750,000 each, hopefully that will not -- my next valuation will be segmented because the house is over 50 years old and so hopefully we would look at comparable 50-year-old houses in the neighborhood to determine the improved value of the house?

>> We're going to look to see what the market is telling us. If we see there is a difference between those newer remodeled properties and the way that original properties are selling, that it's over and above just the difference in age and condition, we will make a segmentation on those properties.

>> Houston: Okay, this is my last question. In east Austin and probably someplace else but I only am familiar with east Austin, in east Austin, there are many places where, on the corridors, houses could -- they're single family lots and then there are industrial Zones that houses were built on and there are commercial Zones where houses are built on. With the codenext, those transition in some way or fashion. So if I have a restaurant that's on a single family lot, it will still be -- is it considered commercial now?

[10:35:34 AM]

Or is it the lot? I forgot. You probably told us this already.

>> If it is a commercial property --

>> Houston: On a single-family lot.

>> But it's a commercial property? The highest and best use of that property is typically going to be commercial and we're going to value it as such.

>> Houston: Okay. Okay. Because one of my business owners has that situation, and she said the property taxes are killing her. Now I can understand why, because even though all the lots are single family, are fronting manor road, y'all are evaluating it as a restaurant.

>> Yes. It is a restaurant.

>> Houston: It is a restaurant.

>> And we're going to value as it a restaurant.

>> Houston: Okay. Thank you so much again.

>> Mayor Adler: So the -- I agree, right now in the city we have prices that are rising geometrically and we're losing people and we're losing communities. If we don't do anything, I think it's going to just get worse and worse and worse. And I think that that is the single biggest thing that's impacting affordability in this city, is the rise of housing prices generally. And we need to be doing everything we can everywhere we can to be able to impact that, and I think that one way that we do that is with respect to supply. When we -- a lot of the examples that we've heard, as we're talking about issues here, we talk about rising property values and what happens. It's hard to do in Austin, to talk about just codenext, because we're in a market where everything is going up in value. So I want to ask some questions that try to look just at the codenext impact, the improvements or the entitlements, the entitlements. Almost assuming that there is no market increases, so we can just focus on that element. I want to go back and talk about some of the things you talk about because I think it's an important concept, which is the allocation issue is where I started off.

[10:37:35 AM]

Then that's a question I think that Ms. Houston was asking. If I have a single-family home and it's valued at \$500,000, \$200,000 to the lot and \$300,000 to the improvements. My neighborhood has a vacant lot and that vacant lot now could be built out with a duplex or triplex and let's say that vacant lot, because of that, doesn't sell for the 200,000 that my lot, under my \$500,000 property was worth, that now sells for \$300,000 because it could be improved with a triplex. That's a vacant lot sale in my neighborhood.

>> Mm-hmm.

>> Mayor Adler: Did I understand you correctly, that if you knew that the -- someone was buying that vacant lot to put a triplex on it, you wouldn't use that vacant lot to value my property because it's a sale of a lot for a different highest and best use? Is that right?

>> Yeah. What we're going to look at, if we know that in advance, that that's going to happen.

>> Mayor Adler: If you know that.

>> If we know in advance that's what's happening. If we don't know if&just know it's a vacant lot sale at \$300,000 we may use it but we're going to use that in conjunction with other market data we have, other sales in that abstraction. If all that data is telling us is that the value of the land should be 300,000 rather than 200,000, we will increase the value of all the land to 300,000. Now, for that particular house, where the land used to be 200 and the house was 300, but we now say the land is worth 300, if similar houses out there are still selling at 500, we're going to change the allocation. So the land will be --

>> Mayor Adler: Explain what it means to increase the allocation?

>> What it means is how much of that total sales price of \$500,000 do we allocate to land and how much do we allocate to the improvement? And if our evidence is indicating that 300,000 of that goes to the land, then how much we allocate to the improvement will come down to 200,000.

[10:39:38 AM]

And that will be played into based on our market adjustment that we do. So the market adjustment may be a negative market adjustment applied to the improvement to bring that improvement down. So that's what we're going to look at.

>> Mayor Adler: I think the sheet you prepared, Ms. Pool, is really helpful. My only reservation with it is, I'd really like to see you be able to incorporate somehow or another the difference between land value versus improvement value and the allocation issue. Because I think it's really significant what she just said, that if I'm in a market, I have my house, it's \$500,000, 200 to the land, 300 to the improvement, there's a vacant lot in the neighborhood, it sells for 300 because it's going to be developed into a triplex now, if we know it's going to be developed into a triplex it's not even a sale that the appraiser would use but if she doesn't know -- know that and it looks like just a lot sale in the neighborhood and there's the belief it was for someone to build a single-family house on she would use that \$300,000 but the total value of my property wouldn't change from 500. It would still be at 500. It's just that instead of being 200 on the lot and 300 in the improvement they would reallocate that to be 300 in the lot and 200 in the improvement. So I think the concept of land versus total value, even if the land value goes up, if the total value of my property didn't change because of that -- let me ask you another question.

>> Pool: Can I comment on the -- [overlapping speakers]

>> Mayor Adler: Everybody gets to comment. I bit my tongue when everybody else was talking and I'll let everybody else come back in if they want to.

[Laughter] Let me ask you another example. If I have a lot that is a commercial lot, for example, and I have a commercial lot that can be developed now to four stories instead of two stories, now you said that the price per square foot was higher if you could get more yield on it, more greater number of units on it.

[10:41:54 AM]

And I want to be real clear, what I heard you say -- you were talking about the land value in that instance, that the value of the land would be greater based on the number of units that could be built,

not necessarily that the square foot of each building square footage would go up. Is that correct? Is that what you said?

>> Yes, sir. With the increased utility, the lot value should have a residual value that's higher, but it doesn't mean -- with the increased density you get the benefit of economy of scale. So as your number of units increase your cost per unit could decrease, so your total value may be higher but your cost per unit or your rent per unit may be less.

>> Mayor Adler: Maybe less if you have more. That begs another question. If I have a piece of land that now has additional entitlements, it can go from two stories to four stories and its value has gone up because I can get an additional number of units, if I'm trying to apply that land sale to the adjacent piece of property that has a commercial building on it that's only one story or two stories, would -- could you take fairly the value of that land, valued for a four story building, possibility for a four story building, and then use that to value the land under the adjacent commercial property that was already improved with a two-story building? Or would you -- if you were going to do that would you have to give zero value to the two-story building if it had to be torn down?

>> Right. That's a very good question. The answer will vary depending on the viability of the two-story building and the marketplace. So if the two-story building still produces revenue stream or income stream that makes it have utility in the marketplace, then that's going to be the indication that that may be the highest and best use as currently situated. So the sale next door may not impact the valuation on that particular property. If the property next door is two stories, proves it's no longer economically viable in its current state and is primed for redevelopment, the land value may actually very similarly to some of these residential conversations we've had, the land value may be worth more than the property as improved because they're not getting to maximize the benefit that have increased density that the entitlements allow for.

[10:44:14 AM]

>> Mayor Adler: Correct. But in that situation, the land value would have to rise so much that the building on the next-door property effectively goes to zero value.

>> Correct.

>> Mayor Adler: That the land by itself is worth more.

>> Exactly.

>> Mayor Adler: What you can't do is take land -- what I understood you to say, tell me if I'm understanding correctly, you can't take land valued for the potential of having four stories and use that to value the two-story building next door and still give value to the two-story building that would need

to be tore down? You either do one of the two? You either devalue the next door building with land values at two stories with a two-story building just the way that it was, or you can value the land as if it had the potential for four stories but then you can't give any value to the improvement?

>> That's correct. So that would be an example to our highest and best use analysis. If and when the two-story building is no longer economically viable because the land value has reached a point that it doesn't make sense to keep it in its current state, then we'll put a very nominal value on that improvement, it would be a nominal contributory value because the market would have said the two-story building as currently constructed has no value. The value is in the land. But up until that point, we're going to value the building as it's used if it's viable in the marketplace. If it's still able to command rent that makes it viable and has utility, then the income stream will support a valuation. So we monitor that annually based on the sales data that we get. So we're already doing that work now because we have some high traffic corridors where this has already taken place, on Lamar, where we've had a lot of mixed-use development we're seeing some of this already. You have some properties that are really older, you know, not -- they're less dense construction, et cetera, but they have a really good mix of tenants and their draw for the local community. So in their current state they still perform at a level that produces a highest and best use result as improved.

[10:46:18 AM]

At some point, however, the land sales around it may get to a point where it renders the improvement value negligible or nominal and we would just value the land at market and the total may not change. It would just be an allocation issue, where the land maybe 99% of the value and the improvement has a 1% value. It's very similar to the residential where we're looking at the total market value, and the allocation may change based on market parameters but we're monitoring that annually as we get sales data in.

>> Mayor Adler: Okay. So then there are three things then that I've taken from the conversation here this morning. And they go back to questions that a lot of people have asked beginning, again, with councilmember Renteria and what Ms. Kitchen and Mr. Casar said as well. We are right now in a rapidly rising market. We don't do anything. And properties downtown, closest to the center of the city, we're going up in value and you're saying you're now seeing that spreading even father away, that properties are now being able to accelerate into an ever increasing degree -- to an ever increasing area that we have.

>> You know, there are no longer 18-20% increases but we're seeing more parity between the level of increases, urban core versus suburban areas. They're still not identical but there's more parity between them. Our overall increase was about 8% across the board with the urban core being between 8-10, sometimes 14%, depending where you're at.

>> Mayor Adler: One thing I take from the conversation we need to do everything we can to increase the supply of housing so we can get a balance between supply and demand. The second thing you said that I think is real important, if I'm in my house and I'm trying to figure out how change in other properties ability to be able to do more things, how that's going to impact my property, the first thing to know is that if I'm in a single-family home, you're going to use other single-family home sales to value my home.

[10:48:27 AM]

>> Correct.

>> Mayor Adler: If somebody buys a piece of property to tear it down, to build a triplex or an apartment building that's not a comparable, you're going to use to value my single-family home.

>> If we know that, yes.

>> Mayor Adler: If you know that. Even if you don't know that and if you don't know that, then it's going to adjust the allocation issue where the total value of the property doesn't go up, just the relationship between the vacant land, the land and the improvements are going to get adjusted to still stay with the same -- with the same value.

>> Correct.

>> Mayor Adler: Then the last thing is that the issue of segmentation is something that you're going to continue to use where the market shows that, where properties that are not being improved or not being redone are valued against that universe, whereas the other properties are compared to those that are.

>> Yeah, when the market data indicates that that's appropriate, we will continue to do that.

>> Mayor Adler: Okay. Ms. Pool.

>> Pool: Thanks. Two things. One, the question that you were talking about, mayor, about the settlement or the allocation -- segmentation or the allocation. This document is a recap of a meeting that was had and that item didn't come up or we didn't have complete information about it. Now we do. So happy to make that change. I'm looking up some properties in my neighborhood because I want to challenge what you're saying about the allocation being a zero sum example. The shifting of 200 plus 300,000 equals 300 plus 200 because the total 500,000 is just shifted. That isn't actually what's happening.

>> If the market is going up at the same time we're also going to be making adjustments for appreciation in the market.

>> Pool: So that's exactly right.

>> Yes.

>> Pool: That's the piece that's missing from the stripped down example, zero sum example that was used. We haven't been in that market --

>> Right.

>> Pool: -- For a really long time.

>> Yes.

>> Pool: So when people see these -- what they view as examined increases and they are not caring if it's the house or the property, they're looking at the total sum and we have so little that we can do about it here, that's the piece that I just want us -- so we need to be really accurate on how we're making -- crafting these examples.

[10:50:51 AM]

>> Mayor Adler: That happens with or without codenext. Because the markets go up.

>> Pool: We don't have codenext in place yet.

>> Mayor Adler: Right.

>> Pool: There are concerns that codenext is going to exacerbate because it looks overall that it will increase the number of entitlements, which goes to the dollar figures of value of properties everywhere. So that's -- that is the essence of everyone's concern, whether they like it or they don't like it, that's what people are focusing on.

>> Mayor Adler: Okay. Ms. Kitchen.

>> Kitchen: As a follow-up to the same question about segmentation. In addition to the -- this is another aspect of that, from what councilmember pool brought up. So say you -- so what -- the example was that the total value remains the same and that you're just allocating between the land, again, understanding the impact that councilmember pool --

>> Again, that will be the first Sep that we're going to do when we're doing our model, we're going to look at our allocation. After we've determined what the appropriate allocation is then we would trend it based on what we see happening in the market.

>> Kitchen: I want to know what happens in the future. So -- and this may be addressed by councilmember pool's question. So if you've reallocated in the mayor's example so that now the island

worth 300 as opposed to 200 but your total cap is 500 and then you apply what councilmember pool was relating to you, what happens in the future to that allocation? So doesn't it -- doesn't it continue to multiply the allocation on the land?

>> We will take -- you know, we'll look in the future to see if there's data that indicates that there should be a change in our allocation. If we see three years down the road that those lands -- the vacant lots or tear downs are selling and it's 150 then we will make a change in the allocation that we apply to that.

>> Kitchen: I'm trying to understand what the practical impact is of the difference between allocating to land and the building.

[10:52:56 AM]

Because what you've done in that circumstance is you have -- or what we're doing in that circumstance is we're raising the allocation on the land based on a tear down valuation, right? Okay. And in the absence of understanding why --

>> And we're going to use that in conjunction with all of the other data that we have. So if we've got, you know, 15 sales of improved properties and the abstraction by allocation indicates something different than what the tear-down says then we're not going to use that sole tear-down sale to make that decision, that decision, in terms of our allocation. It may be one variable among many that we would consider.

>> Kitchen: Can you help me understand the implications of allocation value on the land versus value on the building?

>> Really when we look at our appraised values we're trying to get to market value, which is the total value. What you allocate to the improvement or what you allocate to the land may differ, may change, but if the total market value, what those properties are selling for doesn't change, then our total market value is not going to change. We're going to reflect total market value.

>> Kitchen: Well, I guess I may need to think through this more but there must be some reason for allocation, you know, and what I'm wanting to understand is the impact down the road. Not the first year, but the impact down the road of allocating more of the value to the land. That's what I'm trying to understand. So. . .

>> It helps -- it helps us improve our appraisal models in terms of the accuracy and the adjustments that we make. If we've got an allocation that's appropriate to the land based on what the land would sell for, then we -- the differentiation that we see based on the improvement types becomes more meaningful when we're comparing that data and doing our analysis.

>> Kitchen: Then the other way for me to ask it -- and, again, I may not be understanding exactly how you're doing it -- is then when does the house catch up? In other words, in the example that the mayor gave where you're shifting the valuation from -- you know, you're keeping your 500 but your valuation is going from 300 on the land and 200 on the house, you keep it at 500, but every year after that that house is gonna be valued lower than everything around it, because the value before was 300 and you took it down to 200.

[10:55:22 AM]

So at some point, is that value of that property -- that building not gonna have to catch up? So even though you kept it at 500 in year one, year two, year three, year four, really are getting is you really are, by raising the allocation on the land, you really are impacting that property by a vacant lot that was sold.

>> Pool: Mayor, if I can interject in here. That isn't even what's happening. And I gave an example of the houses are not going down while the island going up. They are both going up.

>> Mayor Adler: But that's because the market is going up and that's going to happen whether we do codenext or don't do codenext.

>> Pool: Which is what I said about five minutes ago. My point is if we keep talking about the example you've used it gives the impression that we're going to be level set from year to year to year.

>> Mayor Adler: I start off by saying the market is going to go up and we're going to see that regardless, we need to do everything we can to slow it down. That said I want to focus just on codenext so assume for me a second we're in a flat market and I did that so we can focus and understand how codenext either contributes to or doesn't contribute to that.

>> Pool: I guess I would say I'm not sure our appraisal experts with the appraisal district would really be able to respond to that, but the reality is, before we get to codenext, our property values, both the land and the structures, are going to up and -- going up, and I have an example on my little device there for them to look at, and you can see the history. You can look at your -- the Travis cad website, just pick a property and you'll see land value history, or the value history, and it breaks out the structure from the land. And they're not going down. They're consistently both going up.

>> Kitchen: My question is, even in -- even if you weren't considering that, you'd still have to go up at some point to catch up because your land -- because your house stays behind.

>> Pool: Right. Your point is if you keep leveling it eventually the house is going to be worth nothing and the land will be worth everything, which -- that's exactly what happens eventual.

[10:57:29 AM]

That's why the house doesn't catch back up as the markets value go. At some point the improvement on the land is worth less than -- than the land alone.

>> Kitchen: So why are we doing that? Why are we doing the allocation? There has to be some implication of that and that's what I'm trying to understand. It's a bigger picture question, and you may not be able to address it now, and that's fine. But I'm understanding why -- if I want to understand why, there has to be some impact on why we're doing that.

>> We do the allocation because it is a state -- it's a mandate, statutory mandate.

>> Kitchen: Okay.

>> That our notices of appraised value, we must give an indication of value to the land and value to the improvement. But in terms of our total value, how we're tested when the state comes in and tests our value, they're not looking at individual components. And court law has come up as well that says that it is not the individual component determination that the appraisal district makes, it's whether or not they have the overall value correct.

>> Kitchen: Okay. Now I have a slightly different question, and that's -- we we talked about segmentation and how that works. Segmentation, if I'm understanding correctly, it's really a concept that applies to the value of a building, not to the value of the land.

>> Casar: Mayor?

>> Mayor Adler: Mr. Casar.

>> Kitchen: I'm sorry. Why did -- why don't we apply segmentation to the value of the land? Because we don't have the information to do that, is that the case?

>> Yeah, because we're looking -- are we seeing that there's a premium being paid for remodeled properties over the unremodeled properties that's going more towards the improvement or not necessarily attributable to the location.

>> Kitchen: You could make the same argument with regard to the land. I guess the problem is you don't have all the information. Because the vacant land you don't know why it's selling for me. It may be selling to me because it has the ability to make an improvement on it, which means it's not comparable to my land.

>> It could be view.

[10:59:31 AM]

You know, terrain. There's a lot of things that may attribute to that.

>> Kitchen: Okay. Have we considered applying segmentation to the value of the land or is that something you don't have the data for?

>> At this point we don't have the data to apply that way. If we get more data and the market indicates then we have sufficient information, then we may make that adjustment.

>> Kitchen: Okay. Because the whole point of segmentation is to get a finer more, more granular view where we're comparing apples to apples. Okay. Thank you.

>> Mayor Adler: Mr. Casar?

>> Casar: To councilmember kitchen's question, I was thinking the same thing. And you may have said the same thing. If a vacant lot next door, and let's say it was very similar, sold for 300,000, and then there's a house or a structure, let's not even -- let's say there's a structure there that's valued at 500, but the land was at 200, if that house were torn down, then all of a sudden the land value would have been at 200 unless it was fixed at 300. So you would have a depressed land value that would not -- if, again, assuming that everything was equal, which is an assumption, we're not talking about a particular piece of land, but if we -- that's my understanding of why the state would require that you fix that to 300 so that if the house is torn down and now it's two empty lots sitting next to each other that are identical that you wouldn't have one valued at one-third less than the other next door to it. So that would be the reason for making the adjustment between the property value and the land value, I think. It seems to me to be the underlying rationale. Is that right? Does that make sense?

>> It could.

>> Kitchen: I don't know the reasoning behind it. That's why I was asking.

>> Mayor Adler: MARIA?

>> In part that could be the case. If at some point in the future that Hughes is torn down, it now becomes a vacant lot, the next year-round when we go to do our appraisals we have inequity because we've got a vacant lot at 300 and another vacant lot right next door to it at 200 and that would be inequitable if they're the same lots, same utility their value should be the same.

[11:01:49 AM]

>> Casar: Because you try to value land whether something is built on it or not at the value of the vacant land?

>> We try to, yes.

>> Casar: I think we've made some of the case today around why in some cases entitlement may have some impact on valuation and have it wouldn't and have valuation can have an impact on affordability positively or negatively because a big apartment with income-restricted units may actually more affordability. But you do have existing neighborhood streets where you have zoning that allows small multi-family, multiunit on one house and straight single-family. Generally speaking, how much does zoning entitlement in the neighborhood context ultimately lead to valuations? Is it a significant factor, small factor? I may be asking you a question that's just too hard to say, but if it is something that you could answer I would be interested.

>> There are so many differences depending upon where you are in the city that the answer would vary depending upon the circumstance. So there is no one size fits all answer that I could give to that question.

>> Casar: And that's what I figured and I think that that's -- that's -- that makes our decision making around this more challenging and nuanced, but I think it's more helpful to understand that and grapple with that, and in the case of whether or not it impacts it positively or negatively it changes based on the circumstance. A higher property valuation helps or hurts affordability varies upon the circumstance. And how it works in different parts of the city for different neighborhoods based on what the zoning entitlements are is different in every case. So we really need to be thinking about this on as much of a case-by-case basis as possible and not necessarily say that higher entitlements means higher values or lower values because certainly the highest entitlement is an industrial use and we know industrial uses next to residential property can depress the value of that property.

[11:03:57 AM]

So this is ultimately something you have to work on case by case and that we should be thinking on.

>> And again we're not going to say entitlements, we're going to look at the market and how does the market react to the entitlements, but the work we do is going to be based on what is the market telling us? Because we're required to be at market value and we'll be looking at market value to make that determination.

>> Mayor Adler: Mayor pro tem?

>> Tovo: Thanks. And you know, I think, as may be obvious, we're -- there are going to be some different uses made of this information. We clearly have some policy differences among us, but -- and I understand that there's not a direct one to one relationship, but if we look at -- if we look at the way zoning impacts valuation in our city, the market response, I mean, it just is that simple. A response. And if suddenly on the single-family lot next door to me you can construct potentially six units, my guess is

that person is going to be able to sell that tract of land for more than he could now with his maximum capacity of two units. So I mean, I think that the discussion that we're having about, quote, unquote, affordability, we just have to recognize it's also talking about swapping out certain people for other people because you will -- I mean, as I walk door to door when I campaigned, probably every other household with somebody or every third household was somebody who told me they were struggling to stay in their house, whether they owned it or they rented it, because of the valuations increasing. And a lot of the valuations is in the lot value, but as I think the questions that we just had determined, you know, the allocation on both -- the allocation aside, both them could increase, your lot value as well as your home value. And in a lot of my district, though the lot value is more than the home, they are both increasing.

[11:05:58 AM]

And so, you know, as I think one of the things that was -- that I still need to think about is when you have the lot next door that I talked about has an increase in entitlements, it has an increased rental unit, it does not have a home exemption. Those are lots that as I said before, I think you will see an impact on renters. I wanted to mention since we talked about co-ops, one of the great things about west campus are the co-ops. I didn't want anybody to know those actually resulted from U.N.O. Many of them preexisted U.N.O. It is a form of housing in the west campus area and U.N.O. Has done a good thing about creating income restricted units. The majority of the housing is not income restricted. These are complicated questions to sort out as we think about the kind of city we want to create and how to best address the different challenges that we're facing. One of them is -- one of them being long-time residents struggling to stay in their neighborhoods. I didn't understand the answer long ago to the question about segmentation. How one could be aware of whether they are in an area that's where you're applying it or not. And I'm sorry if you answered that question. Again, I heard it asked, but I didn't hear the answer. If I look at the tcad records, can I determine that?

>> Yeah. On our neighborhood records, we have a neighborhood code. Say your neighborhood code is Y 4000. If you are in a segmented neighborhood, then you may be in Y 4009, those that we separate out will have that nine on the end.

>> Tovo: So you would look for a nine. Let me just pull one up. And the nine means that you are looking at the different valuations for older housing versus newer housing stock?

>> Correct.

>> Tovo: What about historic housing? What if it has an historic designation on that property?

[11:07:58 AM]

Does that factor into -- do you still treat that as kind of an older housing stock?

>> The city of Austin has the historic exemption so those will have that historic HT exemption on those if they've been designate and granted the exemption. And they get special considerations in terms of an exemption amount. They are still appraised in terms of market value, but you grant them an exemption.

>> Tovo: Right, but I guess as you're segmenting -- does it play into the segmentation? Do they still fall into the pool of older housing stock?

>> Yes. If they've not been remodeled, then we would compare those to other properties.

>> Tovo: Okay. And again, I would look for the -- okay. So, for example, neighborhood, is that where I would see the nine.

>> Yes.

>> Tovo: Neighborhood CD, if it's housing with no 9 it's not a segmented? Okay. Thank you very much. And then how does one request -- how do you determine which -- beyond your research if you start seeing people coming in and doing appeals saying we think we should be segmented, at what point do you respond by doing segmentation?

>> We will get the market data every year on that to determine whether or not we need to segment a market -- an area. So that is something that we look at every year on our market data. As property owners come in if they bring us additional data then we absolutely incorporate that data in our assessment and model that we create for the following year.

>> But you would have to see a lot of market driven data showing that the older housing stock is selling for far less than the newer housing stock.

>> Correct.

>> Tovo: Thanks.

>> Mayor Adler: Are we ready to move on? Yes, councilmember alter.

>> Alter: Thank you. I think it's important that we recognize that we have never seen an entitlement shift like the one that we're proposing where the entire city is being rezoned. So if we can't tell what's due to the zoning and what's due to the market, we do know that what we do in our zoning affects the market.

[11:10:07 AM]

And so we need to be really careful, and this is how I'm thinking about it, is the goal is not to just do something. The goal is to do something that moves us in the direction of our goals. So I think these conversations are really important and we do have to get into this granular detail because we have to understand what we're incentivizing in the market. And it's not just a matter of providing entitlements and then the supply follows. We have lots of entitlements right now that are not being used for the kind of housing that we need. And we don't have a great understanding of why they're not using those entitlements. They have those entitlements right now, and those entitlements may be affecting property values too, I might add. My question may or may not be for tcad, but may be more for the consultants. I understand that Denver went through a recent process similar to this. What do we know about what happened to property values in Denver as this evolved? I don't know if there are other cities where we could also understand that.

>> Yeah. So similarly Denver, the assessments are based on

[indiscernible] And market response. Den Denver like Austin is a fast growing city. There's significant demand for housing. And our market has been constrained in terms of supply, not because of the zoning, but because of other issues in the concerns about construction defects. So the greatest or the strongest market segment, especially for first time home buyers in the more affordable for sale market has been constrained because multiunit owner occupied housing has not been able to get built for the last five or six years.

[11:12:18 AM]

So that is probably one of the most significant pressures on constraining supply of housing, affordable market rate -- not affordable. Sort of entry level affordable housing has been affected by the threat of those defects. So the state legislature has been working on this every year to try to find ways to resolve that situation. But it's a supply issue.

>> Alter: But that's a supply issue totally unrelated --

>> Right. So the zoning had nothing to do with -- it's really his -- while the zoning allowed development, this development, this development is not happening primarily other than -- for reasons that are bottom line constraint of supply.

>> I'm not familiar with those details for Denver, but for the other properties that are there and we had to switch, what do we know about those property valuations? Did they have a similar increase in entitlements or if you can't build the housing you can't tell anything from it?

>> Again, I wouldn't say -- I don't think we have as much analysis on -- what the rise in property value has been. As a function of the rezoning. I mean, there is some obviously -- based on market response.

>> Alter: Is there another city that we might look to if Denver is not a fair comparison, that's gone through this major zoning of its properties?

[11:14:21 AM]

>>Ty citywide scale I think we -- we could look for some other examples. I think that again in general because market is the basis for assessment and where markets are strong. Those assessments might -- those potentials might be realized in the zoning. In the case of increasing entitlements in areas whereby policy growth is intended and where the market is strong, the development will happen. As you mentioned, there are cities where there is not enough market strength that is realizing all the full potential. This is a pretty standard situation in most places.

>> Alter: But some of that is because developers aren't going to create a situation where they voluntarily create a buyers market too. I mean, that's part of this. It not all about giving them entitlements. The developers respond to that and they're not going to create an environment where they're going to lose money either.

>> That's correct. That's fundamental market dynamics.

>> Alter: So there are nuances to this supply argument that we have to keep in mind so that we're really understanding what we're generating with the decisions that we're making. And as I approach this, that's what I'm trying to understand. And it's not -- they're not easy implications, but we need to think that through to understand what our policy is going to mean over time.

>> I think I can tell you that in Denver we have areas that were significantly upzoned around transit, so we normally think that these are very strong markets for significant development.

[11:16:34 AM]

And there have been -- there is again a very strong market condition where entitlement on commercial areas or around station areas have been pretty significant and the actual development that ensued was actually much less. So there are some areas where there are light rail station, locations within one or two stops of downtown. So these are one would think really highly valuable. The developer would not do any development unless they could fully maximize to their 16 stories, and they developed as a six-story.

>> Alter: Didn't you say they were having construction defect problems.

>> These are rental. Construction defect threats are for owner occupied. So one would say that, well, why would the development only go six stories when it could go 16 stories steps away from a light rail station in a very strong market? Because the profitability for delivering a rental building at that amount of density penciled out and the risk apparently by that developer to fully realize and maximize the entitlement was not there. Again, a very strong market. But I will say -- so in some ways, you know, as planners we sort of think, oh, that's too bad that the development that actually could happen there by its entitlement didn't happen there. But over time there are other sites that might. So if that's the market response today, that's what it is, but it also shows us that -- and maybe some people would say maybe you've created too much entitlement even in these high growth areas that some of these developments are not fully maximizing to the potential and yet development is still profitable.

[11:18:54 AM]

So that happens.

>> Alter: Thank you.

>> Mayor Adler: Next is Ms. Houston and then Mr. Flannigan and then we're stopping.

>> Houston: Thank you. Don't leave yet, sir, because I have a question about Denver because --

>> Mayor Adler: Let me ask a quick question. Are there going to be any questions for

[indiscernible]? Can we let them go?

>> Houston: They don't want to go. This is fun.

>> We have to get you guys qualified.

[Laughter].

>> Mayor Adler: Thank you very much. You've been great today, very helpful. Ms. Houston?

>> Houston: You know, I'm going back to the adage about supply and demand. And so I've asked since we've been doing codenext show me a place where you've increase supply and the prices, what we call affordability has gone down. And I'm still waiting for that information. So I was hoping that you would be able to say in Denver we've increased the supply, increased the demand and the rents of home ownership, all of that has gone down. And is that -- are you able to say that that's happened in Denver?

>> I wouldn't say that it's gone down. I don't think -- I think what we're really talking about is the rate of the rise. In other words, in general, right, prices coming down is not the most desirable state for property owners, from homeowners to know that the property is valued less this year than it was last

year. So part of the question is is your goal to reduce values in your city or is it about how do you -- how do you temper the rate of rise that you're experiencing in recent years.

[11:21:09 AM]

So I can say in Denver that the goal was not to reduce property value. The goal was to promote investment in high priority areas that were identified in our plan, blueprint Denver, to capitalize on transit investments and locate development near the core. Where we have the most walkable and most mixed use environments. So the priorities for growth really were along corridors and in the corridor and in the creation of new centers around transit. And that's beginning to happen. So there's a higher rate of development and redevelopment in places that got upzoned. And in places that were zoned according to

[inaudible].

>> Houston: So the conversation about how people can afford to live in Denver, are not living in Denver. That whole affordability piece that we struggle with here in Austin, the whole piece about displacement of individuals and whole communities you didn't have those conversations? Denver's population may be very different from Austin, but those are the things that we talk about affordability like it's part of your plan, but you all didn't seem to have those conversations?

>> Oh, we absolutely did, yeah. No, it's -- in very much the same way, and in Colorado we actually have - - and in Denver we have inclusionary housing, so we actually -- which we don't have that tool. So we do have those tools and even with those tools it's not enough. So the city is also looking into -- and actually working on providing additional funding through bonding for affordable housing efforts. It's a strong market.

[11:23:10 AM]

In other words, the zoning, the rate of entitlement, the amount of entitlement, has more to do with how much potential, how much diversity of housing do you have the ability to provide? The. Market is going to respond in ways where there are desirable places. I mean, that is -- that's fundamentally what we're talking about. So the more desirable particular neighborhoods are, they can add value. That happens today. And if those are desirable places, if there's additional supply, if they're already expensive they probably will still be expensive, but if you have additional supply, the rate of increase, the rate of that cost, the increase, is going to be lower because there's more distribution of what that value might be.

>> Houston: Then my last comment is that the market responds, and I think that's what is happening here in Austin is that some people know Edward June and he sent everybody a piece that developers are going build to the market. They're not building entry level housing. So we talk about diversity of housing types, I'm talking about diversity of people who are able to live in those diverse housing types. And at the at the trajectory we're on now that's not happening. That's not happening. And I don't see how that relationship between the diversity of housing types and being able to get people in, the market is going to control what those rents are going to be and how much those houses are going to cost. So I think we fool the public when we say that we'll see some leveling out at some point or the more we build the different places over in the city, the affordability issue will be impacted somehow.

[11:25:22 AM]

I'm not seeing that and I don't want to take time for you all to try to help me see it because you've done it in the past, but there's a difference between building to market, which is happening here in Austin, and building to entry level housing, which is what I'm talking about when I'm talking about people being displaced and not being able to afford even that diverse mix that you all talk about.

>> I can say that in the case of Denver, the discussions about diversity and the discussions about more options were driven more by neighborhoods and folks wanting -- not as developed, but homeowners wanting expand the options of how they could stay. If they had the option to do an Adu and they could then begin to collect rent. If they had the ability to redevelop their lot to build a duplex and an Adu, which might create options for them in terms of their family situation. Having the ability to have parents move in with them. Having -- like a number of different things. So when we talked about it, it wasn't -- the production of housing wasn't -- isn't really only developers. It's what do homeowners have in terms of their options for their future. And so in our -- pardon me?

>> Houston: Developers are producing more of the stock than just individual people.

>> Yeah. Well, I'm just saying in Denver a lot of the conversation had to do with what options do property owners -- homeowners have for their future.

>> Renteria: Mayor, I would like to make a comment too.

[11:27:23 AM]

You know, in Denver I had an opportunity to travel to that area for over 16 years, and the last time I went there, which was in 2008, they had so much sprawl going out there, there was not a single space between Denver and Boulder. People cannot even rent in Boulder. When I went down there the first

year in the early '90s, it was just a sleepy college town. Now it's just unbelievable. You've got-million-dollar homes plus. You cannot afford to buy anything in Boulder. It's so sprawled out. The vacant land that used to be out there was so beautiful. Now all you see is housing all over the place. Traffic is a mess. They're investing all kinds of money on their rail system. And that's what's happening all over the place. And also the high cost of housing. We're experiencing that right now in east Austin if we don't do something. Houses -- lots are selling with two units on it for \$1.4 million three blocks down my street. And nothing has been done. No codenext, nothing. But if we don't do something quick, we're going to find ourselves being just like Denver. In fact, we already are. Everybody having to move out to all the little suburb towns, Buda and all these other little cities. And they're facing a major problem because they don't have enough schools, they don't have enough -- their roads are not made for that kind of population growth. So it's -- it's -- Denver is reacting. They didn't plan for it, but they're reacting now. So we're going to be in the same situation.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: Just a couple of comments. I've heard the phrase "Citywide upzoning" used.

[11:29:23 AM]

And I just want to caution us to not say stuff like that. That is not true. There's barely a single parcel in my district that is substantively different than the zoning today. So far there may be areas that were upzoned and I think that's a great conversation we need to be having, but it is not the entire city. It's not half the city. It's a much smaller percentage than that. And I don't want to instill fear in the community that things are happening that are not happening. The market forces question is a really important one and not all developers build high end homes, but when the process is such that the only way you can mitigate the risk of development is by building high end homes, it becomes just as complicated or lengthy or political, then you only get homes that have huge profit margins because they have to build in buffer for the risk of building. If we had more consistent policy, if we had more predictable policy across the city, whatever it was, even just to clean up the things that are complicated now and not increase development rights, then I think we would see more affordable developments happen because the types of developers that build those units, some of which are non-profits that we've seen come before this council, they would have more opportunities to build stuff at a lower cost because there would be less risk that their financiers are force is them to account for. So that's important because it's also not just about the residential construction, it's also about small businesses. And we've all seen the stories over the last few years of local Austin cultural brands saying they'll never build another location in Austin. They'll never open another location in Austin. And none of us want to see that either. And so these are not -- these are broad issues and it's very easy to dig into codenext and find issues when we are on draft number one on a document that everyone, consultants included, has acknowledged that there are errors and tweaks that need to be made.

[11:31:24 AM]

What I'm hoping to hear is solutions. And part of what you all have seen me do in zoning cases in my district is start to test some of these theories and to say all right, well, I see this zoning case has some elements that maybe we're trying to get away from. How would we solve this problem in different ways? And my staff and I are working on some options to do that that I think can provide more predictability and security for neighborhoods and small business owners and the community in general so that there is consistent and common policy and predictability across the city that can both streamline the process, simplify the process, and create the communities and environments that we're hoping to achieve. And I think we're all on the same page with that generally, but we've spent so much time arguing about a draft that is not even close to finished that we have forgotten to talk about the solutions. And that's where I'm hoping to be sooner than later.

>> Mayor Adler: Okay. Are we ready to move on. We'll close real quickly. Mayor pro tem?

>> Tovo: Just one question. I have some interesting articles people have forwarded to me about Denver's plan. Is it accurate to say that some of the articles talk about the fact that some neighborhoods were actually downzoned as an element of blueprint Denver? I'm just looking at some articles talking about an area of stability that was identified. I guess the kind of say I have not done the kind of research I would if I were actually studying blueprint Denver. I know only a couple of articles because obviously we're in the midst of looking at codenext. But the articles are talking about paradigm being kind of areas of change and areas of stability, which I know you referred to areas of stability aren't necessarily not changing. They're just identified as areas of stability, but some of the articles people have forwarded talking about at least one of those areas of stability as lake as highland as having been -- I guess there was a move to prevent duplexes and other multi-family categories to try to encourage single-family zoning as I understand some of the articles, to prevent -- to provide more stability.

[11:33:44 AM]

So is it accurate to say that blueprint Denver did include some downzonings as part of --

>> So blueprint Denver was pretty clear about -- and there's a map that said these are areas of stability. These are the areas of change. And I'm trying to recall. There might have been some areas that I think people described as downzoning, but it depends on how you -- people would describe density in different ways, whether by size, by number of units, that sort of thing. So there were some new Zones that were created that basically carry forward past entitlements. There were some that I think I've

described it before that actually created the ability to have the same number of units, but on significantly smaller lots. I mean, there was a whole range.

>> Tovo: But were there some areas -- some areas identified in the areas of stability where actually your ability to construct multiple units decreased?

>> Was constrained.

>> Tovo: I can't tell if these proposals were successful or not. And let me say I'm certainly not proposing we do that here, that we downzone properties, but I think if we're looking at other plans and talking about them and making them part of the conversation and thinking about other ways that other communities have tried to address this issue of increasing property values and trying to create some stability in the face of market faces and change, what are options. And again, to be very clear I'm not proposing that as an option, but if we're talking about blueprint Denver I want to have a fuller understand of what it did do.

>> Sure.

>> Mayor Adler: Thank you.

>> Kitchen: I have one really quick.

>> Mayor Adler: Real quick.

[11:35:44 AM]

>> Kitchen: I want to make sure I'm understanding. When we use the term downzone and upzone, I think we're saying the same thing in number of units. I think I heard the mayor pro tem confirm that's what she was talking about. Then wean don't have to get into it right now, but in the future conversations, let's be sure and define what we mean by downzone and upzone because people mean different things. They also attribute that sounds scary to some people and it is obviously something that we need to understand what is happening, but what it is is really important for us to be clear on what we're talking about. So that's just -- that's a remind four myself. I don't mean to call anyone out, but it's a reminder for all of us. And I'm reminded about that because of what councilmember Flannigan said a moment ago, we have to be really clear otherwise we're going to create -- contribute to ideas in people's heads that may not be correct. And those that are correct that's what we want to really understand.

>> Mayor Adler: Upzoned, downzoned and density, people mean different things in the conversations?

>> Tovo: I think that's an excellent point, pitched. I would use upzoned to talk about an increased number of units, an increased capacity on those structures, so increasing fart or F.A.R. Or eliminating the

F.A.R. In some case in transect Zones, I would say in an increasing number of uses, decreasing compatibility. I would also factor parking in there. If you suddenly have lower parking requirements, I think that enables you to have more on that property and it's an increased entitlement. But with regard to up zoning to me it's increasing number of units, increasing size, increasing F.A.R., increasing number of uses or variety of uses. Those are kind of my top list.

[11:37:45 AM]

But thank you. I think we should be as specific as possible.

>> Mayor Adler: Okay, guys. Tomorrow can we talk about the schedule, the issue that councilmember alter has done getting an additional report done, and also taking a look at areas outside the urban core where we have the corridors and the like? That was the subject of councilmember kitchen's deal? Can we talk about those tomorrow? Okay.

>> Kitchen: And could I ask a related question?

>> Mayor Adler: Okay. We're not going to talk that much, but --

>> Kitchen: No, I'm not going to talk about it, but I want to say that I did post and I think I sent to you all my suggestions. And again, they're only suggestions. You guys know much more about this than I do. When we talk about this tomorrow I would just ask that you respond to what I laid out. You could tell me that's not the way to approach it. It should be a different way or whatever. Just so that I can understand that that's been heard and maybe there's -- y'all can tell us what you think. Does that make sense?

>> Greg Guernsey, planning and zoning. We released the affordability tool last Friday. I do have eco northwest staff here if you would like a presentation on the affordability tool. They won't be back probably until August when you go on your summer break. You will have this opportunity again.

>> Mayor Adler: So I do think we want to have that done. Councilmembers, we also have on our agenda today connections with project connect, that's coming up in front of cap metro next week so we want to make sure that we get that presentation today. We also have a legislative update that's put on our calendar. And they're all here, but they fly out at 1:15. So I don't know in what or the you want to do this.

-- What order you want to do this. We need to do the legislative update.

[11:39:46 AM]

We need to do -- northwest, are they going to be here for awhile? We don't have to call that right now. We could call that after lunch?

>> Tovo: I thought we were maybe doing it tomorrow.

>> Mayor Adler: Tomorrow? Okay. So we'll make sure we have that tomorrow. The other thing we have that they want to have instruction on, we have the possibility of doing a session, it was posted on the 26th, which was next Monday. I won't be here. I don't think that Mr. Casar is going to be here. You can meet in any number without us, but is anybody here that wants to meet next Monday on codenext?

>> Flannigan: Is there a difference between want to and able to?

[Laughter].

>> Mayor Adler: Who wants to schedule this? Who wants to schedule a meeting for Monday is the question.

>> Tovo: I know that we -- I think that we do better when we're all together, so it doesn't seem to make sense to me to have just a couple of us here. Again, I may come down and support you in the trial. So I'll be here and could meet, but it seems a little silly to meet in a small group. On the other hand, I do think we need to look at our schedule and really come up with a plan B because I can tell tomorrow we're not going to get through our topics and some of them are really critical.

>> Mayor Adler: Lets me and you get together with our schedule so we can lay out and in August kind of that and you and I need to sit down and make that proposal back to the group.

>> Tovo: It seems tomorrow would be important to do the affordability piece. Do we have an opportunity -- I had intended to try to schedule tomorrow until 3:30 S that an option at this point? Or is there a mobility committee at 3:00 tomorrow?

>> Kitchen: We have a mobility committee meeting at 3:00, I think.

>> Tovo: Okay. It was on my calendar. I didn't know if that was new info. I guess we just need to regroup on the calendar.

>> Mayor and council, I will have the consultants available next Tuesday and Wednesday morning. So if you wish to move the meeting that would have occurred on Monday to Tuesday during the day or Wednesday morning, we can make them available.

[11:41:56 AM]

>> Mayor Adler: Okay. That might make a lot of sense.

>> Renteria: I have a capital metro board meeting. Monday.

>> Mayor Adler: Monday. We'll wait and see if there's time on Tuesday and/or Wednesday to service some additional issues.

>> Houston: I'm out of town until Thursday.

>> Mayor Adler: Okay. Ms. Alter?

>> Alter: I wanted to clarify. I had pulled 43, which was about the drafts and stuff. If we're going to talk about that tomorrow we should just wait on that so we don't --

>> Mayor Adler: I agree.

>> Alter: We don't need to do it twice.

>> Mayor Adler: We'll discuss that issue tomorrow. All right, guys.

>> Alter: 43 was about the drafts.

>> Mayor Adler: Okay. Let's get the presentation from I think either capital metro or the Lege we'll do both those before we break for lunch. Is capital metro here? Thanks, guys. We'll do both this and Lege before we break.

>> And mayor, people waiting for other items, will we break and go into lunch executive session and then we have just one item to discuss in executive session?

>> Mayor Adler: And northwest. What we're going to do -- consultants? We're going to come back and do -- we'll do it tomorrow, that's right. So the only thing -- yes. So let's see. We'll touch base on -- so what we would be coming back after lunch would be just the -- the only thing I was going to say about Austin energy which I pulled was just to remind everybody publicly that we're going to get the presentations this week, but we will not be taking public testimony so no one should come down and speak on number 3.

>> Pool: And no action on it.

>> Mayor Adler: And no action. When it comes up in August then everybody gets a chance to give public testimony. That would just leave us coming back after lunch for items 30 and 40, which were pulled by councilmember pool and councilmember Flannigan.

>> Kitchen: Mr. Mayor, one quick question. Did we do this already? I was a little bit.

[11:43:56 AM]

>> Mayor Adler: No, we still have that to do, capitol complex as well.

>> Kitchen: Mayor, I think that -- I think you've heard that we're a little tight on time, but -- and I think you obviously know that what's of value to me -- I don't know about my colleagues -- is really understanding what's proposed for us to -- for the cap metro board to address on Monday. So I know you'll direct your comments that way. And what the map looks like essentially and what it means.

>> Good morning, mayor, members of council. I'm Todd hemmington, vice-president of planning and development for cap metro. Thanks for the time this morning. I know you have a busy agenda so I'll move through this quickly. But it's an important moment for project connect, which is an important project for capital metro and for the city and the region. We are looking at a high capacity transit plan for the region, but with the focus on the central part of the city of Austin, the central core as we call it. So just to walk through the presentation quickly, we are in the process of refining the project connect plan. We are extensively coordinating with the city of Austin strategic mobility plan, which has been a great partnership so far and we're looking forward to continuing that as we move forward. And why are we doing it? Well, as I mentioned, we're trying to identify and select high capacity transit options to get into, out of and through central Austin from the rest of the region. And in a picture -- this is another reason why we're doing it. We have obvious mobility challenges, but we also have

[indiscernible] And geometry issues, and in an urban environment like we have in the city, trying to have every single person that -- person that needs to move around do that in a private automobile is just not feasible.

[11:46:01 AM]

And can't be sustained over time. So this image obviously shows, and you've seen it before hopefully , but the one addition is on the right-hand side. A lot of people think, well, with new shared mobility and this great future perhaps even with autonomous vehicles, maybe we don't need transit anymore. We want to refute that as loudly as we can because again going back to space issues and making efficient use of limited rights of way where there's no real opportunity to make anything wider, we have to move people more efficiently. That includes walking, biking and public transit. So our approach that we've been working on, and again, the reason we're here today is we've wrapped up phase 1 of a three-part effort. If you think about it as a funnel of sorts, we started with a large universe of projects. We've now made our first narrowing effort and then as we continue the study we'll continue to narrow down to ultimately a smaller set of projects that we think can be funded and moved forward for implementation. The next phase that we're hoping to kick off with the board's approval, our board, capital metro board's approval next week, would be to initiate phase 2. That's where we get into more detailed analysis of those corridors that basically made the short list. And then the third phase would be our path to implementation. That's where we get into the -- again, identifying that final list of projects that we think can move forward. We'll be searching for funding, partnerships, and perhaps pursuing federal funding at

this point as well. And again, we are just at the wrap-up of phase 1. So this is the result of phase 1. This essentially is our key projects that we've identified throughout the region. Blend them into these different categories. We have commuter routes primarily focused on getting folks into the central core and back out for work or school.

[11:48:05 AM]

We have connectors, which are the yellow on the map and a little closer in. And we'll have a leap behind O ts map in more detail if you're interested. Then we have circulators, which are moving people within the urban area. We've identified three there. And I'll show you the list in just a moment. And then express routes is another important component. And the last thing I'll say on this map is all of these high capacity, as we call them, pieces, are integrally fitting in with the larger transit network. So the local buses that you're probably familiar with are all underlying this and supporting a high capacity vision for the entire region. So again, the breakout by different types, we have commuters. There were really three that rose to the top. One is I-35. Two is the red line, which of course is already in operation, but we want to upgrade that so we can have more carrying capacity. And then third is the green line, which of course is on the capital metro owned rights of way that goes out east towards manor and Elgin. Second is the circulator routes. We have three identified in the downtown area. I won't go through those in detail. As well as the connectors. And those are ones again that we'll be studying in more detail. We'll be looking at what mode makes the most sense, so on that list will be bus rapid transit, the light rail, other street car and potentially other modes that could make sense in each of these different corridors. And that again will be what we'll be digging into in phase 2. Just briefly, the other parts we're looking at are some additional upgrades to our metro rapid services, which have been implemented and proven successful. We have metro trail station capacity so we can have more room for trains at each station potentially running two cars at once.

[11:50:08 AM]

Further upgrades to metro express to make sure we can get into and out of the central area quickly and efficiently. And then mobility hubs are a concept that came out of the smart cities effort. Also we've been working with the department of transportation -- the transportation department on connected and autonomous vehicles. All kind of tie into this motion of having these various hubs where you have a whole range of mobility options at key points in the city. Just kind of summarizing phase 1 and again teeing up our meeting with our own board next week, we've had extensive public involvement. We have a technical and community advisory groups we've engaged throughout the effort as well as public meetings. We briefed our board committees. When he a major online engagement process that

gathered a whole lot of input that we're just now completing that. And that really helped shape what comes out of phase 1. Briefing partners across the entire region, and actually we've gotten a lot of interest from outlying areas that five, 10 years ago may have thought transit had no role there, but now they're starting to see that that's an important thing for their future. Not only Justin. And then again, next week we'll have the board's action to move us into phase 2. So that wraps up essentially where we are. Phase 1, findings now being completed. Moving into phase 2 where we'll do that more detailed analysis. The last point, just to hopefully make the connection to what you all are working on, is your priority outcomes, each of these has -- we believe has a direct link to project connect. And I think the obvious ones are the first four, but the last two as well. So economic opportunity and affordability we know that it's not just housing, it's how H plus T as they call it, housing plus transportation costs.

[11:52:15 AM]

And having access to good transit, walkable, bikable areas reduces the transportation costs, which can help with your overall household affordability. Again, we believe that high capacity transit, what will be coming out of project connect, will be essential for our mobility going forward. We know that transit is very safe, much safer than driving alone. And the research on health and public transit keeps growing and adding a body of knowledge to the evidence that people that use public transit are healthier. So I'll stop there. Like I said, we have a leave-behind map with more detail if you want to take a look at that at your lure. And I tried to keep it fairly short and to the point, but would welcome any questions that you may have.

>> Mayor Adler: That was great. Thank you. Mr. Casar?

>> Do you have the map?

>> I'll pass that out right now.

>> Casar: My question may be related to that. Thank you for making the presentation. Thanks to the cap metro board members who are on the council for your work on this and for making the case for mass transit and a lot more of it. Related to the map that you've got here on page 5, my first question is where that yellow line stops and it looks like that connector line going up north Lamar is stopping at 183.

>> That is correct. And I meant to say that as I was walking through it, but I want to add at this point that each of these lines you will see on the map the terminal points, ie, where it ends, was a function of the studies that we collected and used as the basis to begin project connect. That is not definitive. So in phase 2 we'll be looking at each of these and saying, it's what was previously viewed as the terminal point or the end of the line still what makes sense? And so for that one, for example, we may decide based on public input as well as the technical analysis that it makes more sense to extend it further.

[11:54:23 AM]

Similar to any of the other ones where if we see growth patterns either what's already happened or what is coming, that it makes sense to extend further out that's something that we'll be evaluating.

>> Casar: And that would be something you need to evaluate between phase 1 and phase 2, so beginning now would be -- is a good time to start chiming in on those sorts of decisions.

>> Sure, absolutely.

>> Casar: So my chime in right now is that I appreciate that you have the mobility bonds highlighted on this map. You don't have the mobility bond highlighted on north Lamar because there is not inclusion of the section of north Lamar. Most of the section of north Lamar that we are planning on investing in. So if that line went a little bit further up you would actually have an Orange and yellow line indicated there. And I recognize that it's not a high growth area, but you also have a transit center there and you also have some of the most dense housing in the city existing there. Andouilles have some of the most diverse neighborhoods and transit oriented people there. And obviously cap metro knows that because y'all transport many of those folks on the most successful bus line in the city. So I would just -- I'm always open and interested in hearing information and data to change my mind, but right now it seems to me short sighted to end Lamar at 183 given that you have such a population that needs service and that uses the service and the city is dedicating potentially our largest bond project from the last mobility bond to that area in particular. And then you would probably have a yellow and Orange line at that location and an imagine Austin center at Lamar and rundberg. And an existing cap metro piece of unutilized land is right there. So I'd be interested in hearing what the arguments are on the other side, but it seems pretty overwhelming that Lamar as a transit corridor really has a lot of utility north of that segment.

[11:56:27 AM]

>> I think we would concur. And I think that, again, if I wasn't clear, we pulled -- we started this effort without an entire universe of every road in the entire region, but what are the places that over the past 20, 30 years that we collectively have looked at where high capacity might make sense? So those prior studies did stop at that point, but I think you just gave a great list of evidence for why it should go further. And that's what we'll do in phase 2 is do that kind of deep dive into the details. And yeah, for all the reasons you just said and maybe others, absolutely it should be extended further out.

>> Casar: Okay. There's my input for now and I'll find more formalize to channel it through. But if we want to -- didn't want to give you any surprises.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you. As you know, Ms. Synovial Joseph has been in front of you several times for ridership in the northeast part of the community. Are you taking her concerns seriously?

>> Yes, we met with her, Robert Gonzalez and I met with her just a few folks ago. She does her homework. She had some good points and we are taking that into consideration as we move forward. The related point that I didn't perhaps elaborate on is this particular study is focused on again that term high capacity transit. But our connections 2025 effort and the local bus services of which Ms. Joseph has expressed particular interests are absolutely to what we do and will remain the core of what we do. So concerns like we've currently heard and we will look at them and weigh them as we do with all the other public input we receive.

>> Houston: I say that only as the city continues to move further east, northeast and southeast, the lack of transit in those areas is woefully under prescribed.

[11:58:37 AM]

So even if you have these wonderful connections in the center, if people can't get to them, they can't use them.

>> Right.

>> Houston: And especially the especially the east-west connections. There is 37. I know you're running a little connector bus now, and you're doing a pilot in Mueller.

>> Yes, ma'am.

>> Houston: In parts of -- some parts of

[indiscernible] Park for an on-call system but we're just not growing north-south and downtown. We're growing because of the prices.

>> Right.

>> Houston: In the edges.

>> Absolutely.

>> Houston: We have to begin to think how do we get people in from the edges so they don't come -- use their one car to come into the city. I've got people who work in regency off 969 and cavalier park so

there's one bus that gets them into town but it takes a long time. I think that's number 18. We've got to think differently as the city continues to grow even though we talk about compact and connects it's not really. If y'all are not thinking broader than just this area, then we're going to still have people driving in from Austin's colony because they can't pick up an express bus to get into downtown.

>> Yes, ma'am. I agree. In fact today at Travis county commissioners court where they're hopefully extending an agreement with Travis county to support some service beyond the cap metro service area into portions of eastern Travis county where we know the need is there but they're not part of capital metro. So through partnerships like that, we're able to extend our service into areas of that, of that nature.

>> Houston: So it's always good to tell those stories when you come in because then it sounds like you're thinking ahead.

>> Not always, but we try.

>> Mayor Adler: Councilmember alter.

>> Alter: I had -- councilmember Flannigan.

>> Flannigan: I know I'll get another crack at this at the mobility committee, I'm sure. Just to daylight some questions, the difference between potential express and enhanced express, the potential one does mopac, which is at some point going to be finished.

[12:00:46 PM]

>> Yes.

>> Flannigan: Why is that noted as potential versus the 183 project, which hasn't yet been fully approved?

>> I think it's potential and Jacob may be able to help, because it hasn't in fact launched yet. So we have all the plans, it's been approved, but -- is that correct?

>> Jacob Calhoun with capital metro. That is correct. So the reason that the potential ones are labeled as potential it is not a current express on that route right now. But something like the express services we run out to Leander will be enhanced by going up 183.

>> Flannigan: Because they're already express buses stuck in the traffic with everybody else.

>> Correct.

>> Flannigan: That makes some sense. Is there a more comprehensive, detailed version of this phase 1 recommendation, or is the presentation and slides we're seeing the actual document?

>> We have a much more detail. There's a comprehensive list of the -- Jacob brought the notebook but we'd certainly be happy to provide you all the detail and I believe it's also our projectconnect.com. On our website we posted all of the technical analysis, as well as the public involvement that came together to take the big list and narrow it down into phase 2.

>> Flannigan: I'll do my best to --

>> Let us know at any time. We'd be glad to come meet with you.

>> Mayor Adler: Ms. Pool.

>> Pool: Do you have anymore maps? I think I missed getting one.

>> Anybody else.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I'll be last. I've said this before, but just for the folks here, I appreciate what councilmember Casar brought up and what others have brought up and also as I've mentioned before and we've had this conversation before and we'll have it on Monday, too, is that I'll be looking to make sure that we analyze potential routes further south, so I'll be looking to think about 11 and ten, extending those potentially, and at the appropriate time understanding that this is a longer-term plan.

[12:03:08 PM]

And then also the area to the southeast.

>> Okay. We need to start talking about when and how it might be appropriate transit there.

>> Right. Very good.

>> Mayor Adler: All right. Thank you very much.

>> Thank you.

>> Mayor Adler: So we had put on the legislative update. Now we're set for special session. I don't want to put you in the position or put the city in a position where we're discussing things that we might not want to discuss so I don't know if we should have abbreviated legislative session here update where you then report back to people. Do people have questions? We have reports that have been handed out to us in the legislative deal here. Do we want them to come up and talk to us?

>> Garza: I don't have an opinion on that. I wanted to understand how the special session works and just if you could give like a 101 on do they have to file a brand-new bill and does it go through the committee process all over again? Can you just speak to that for those of us who haven't worked in the leg and don't know. Can they re-cycle an old bill and add to it?

>> Intergovernmental relations. Actually, Brandon, for more specific questions, if you could help me. Special session is 30 days. While the governor sets the call, where he sets parameters of what he wants the legislature to address, members can file any bill. So when I was going to show the presentation, while we actually had some positive outcomes on defeating some key legislation, please know that all of that is subject to come up again and can be -- and will move.

>> Garza: Even if it's not in the special call?

>> That's right.

>> Garza: Okay.

>> So it's all up to the legislature at that point. The members, the chairs of the committees that decide if they want to take a shot at something.

[12:05:10 PM]

Now, the governor has set the priorities. A lot of those priorities are some of the same issues that we were dealing with for the regular session, revenue caps, annexation, trees. We had a number of tree legislation. The hands-free was also an issue. And then development issues. Some of those bills we've seen. Some of them we're not quite clear what the governor was referring to. And we'll find out.

>> Councilmember, to your question about hearings, understand that quite often they will not have a hearing about a bill, especially if it's an item that they already, you know, had -- or conducted a public hearing on during the regular session. They may very well just have some kind of formal hearing, not take testimony, vote it out of committee, move it through the process.

>> And the items -- I'm snapper car with

[indiscernible] Staff as well. The items that are not on the call that have bills filed, as Brandon and bri pointed out can have hearings. They won't actually be set for a floor vote unless they're add or would be subject to a point of order. That's often some of the dynamics that we see, are topics that members are hopeful they will convince the governor eventually to add to the call or to allow to be considered. In special sessions past we have seen that. Often if the governor achieves some of his or making progress on some of the items that he's placed on the call, he will add others, almost as a form of a reward for taking action on the items that he has seen, they'll get to other items.

>> Correct me if I'm wrong because the proclamation has not officially been filed yet, the governor -- he has his press conference but we don't have the official proclamation session.

>> Correct.

>> There's still some wiggle room in here about what's been discussed and what can be to come?

>> There will be two proclamations I would assume because the governor was very detailed in his religious announcing the first and only item will be the sunset legislation, and once that bill passes the senate, where it failed during the regular session, he said then he will issue the other 19 items that he detailed.

[12:07:34 PM]

So there will be probably two proclamations, and to bri's point, there's a chance then other items get added. He's not bound by what he announced at that press conference.

>> Garza: Thanks. I've gotten questions from the public on how to get involved. The answer is there may or may not be a hearing where they can go speak?

>> That's true. But yet their staffs and offices will be open. It is a more narrow -- there's not as much activity, so if those issues that are being considered, those members are not on those relevant committees, they may be at the capitol a bit. So one way is to -- the old-fashioned way of showing up at the capitol and making the rounds.

>> Garza: Okay.

>> Is a good way.

>> Garza: Thank you.

>> I would encourage them to do it now, to speak to members of our delegation now and speak to key committee members now.

>> Mayor Adler: Okay. Ms. Houston.

>> Houston: So after the first proclamation -- is that what you said?

>> Yes, ma'am.

>> Houston: And it's time for lunch.

>> Yes, ma'am.

>> Houston: I'm getting light-headed. And they take a vote on the sunset bill.

>> Yes, ma'am. The senate.

>> Houston: The senate takes. Could they adjourn and all go home and not wait for that second proclaiming to be issued? I mean, would that be rude?

>> Either chamber has that prerogative to do that. It would perhaps be seen as subverting the will of the governor, so I wouldn't bank on that happening.

>> He could call them back in. The governor could issue a call for another special session to start immediately the next day if he chose.

>> But they certainly can. The -- to be more precise, if it were to happen in the house, for example, the chair, meaning the speaker, would have to recognize somebody for that motion.

>> Mayor Adler: So, bri, first, you put together a great team. We really appreciate the work that was done.

[12:09:36 PM]

>> Thank you.

>> Mayor Adler: I've spent way too much time with you guys up at the legislature, as have other members of the ad hoc group and others. I'm a little bit leery of kind of, like, doing a postmortem before --

>> Before we're finished?

>> Right.

>> Mayor Adler: Before we're done. I think the best thing to do would be just to call you guys back and walk us through the session. But in case if anybody is just listening, I think that what the people want more than anything else is relief to the fact that 75% of the property tax increases that we're seeing in this area result because of the failed and broken school finance system. So we sure would like our state leaders to focus on what I think is the singular issue that most people are concerned about. That said, I think we'll just then pass on the rest of the report until we're actually done.

>> Absolutely.

>> Mayor Adler: Mr. Casar.

>> Casar: I concur with everything the mayor said, so thank you all for your really hard work so far. I saw y'all down there too often as well.

[Laughter] I did just have one quick question, though, to air about one of the I'm sorry on the governor's list. Which was related to -- I think I generally, looking at his list, could track back to which bills it was that he's talking about that he wanted to see get done, generally. But one related -- the one related to city issues where I couldn't figure out exactly which bill he was track back to was related to permitting. Do we know which bill or what it is that his intention is related to dealing with that issue?

>> I, like you, councilmember, could track most of those bills, and that was one that I don't have a solid answer for you on. I don't know. Specifically.

>> It may not have been that it was a particular legislation from this. It was one bill in particular that dealt with attorneys' fees with regards to that topic. With regards to that topic.

[12:11:40 PM]

However, the development community has had that as one of their top priorities for almost 20 years of tinkering with it. At the legislative level. And so it's one that the governor and his staff have been imminently familiar with, even to this day it's back to attorney general issuing some opinions on it. So he may have some ideas where he wants it to go that we're not privy to yet.

>> Casar: Right. Because we recently negotiated this as a council, creating a voluntary program and then for the largest developments having some community benefits tied to that. My understanding is that that's a voluntary program and if all of a sudden the legislature chose to take some of those community benefits away, we still would have the authority to have a voluntary program or no longer have it if the pros didn't balance out with the cons. I don't know if -- if that's -- my understanding, if that's generally the case. So, again, for those folks listening, watching, I do think that school finances probably one of the key issues that I hear constituents want fixed, and that we've seemed to have generally addressed some of the faster permitting issue thing, but if the legislature wants to tinker with something that we have carefully calibrated, my understanding is that's a program that we can -- that we can decide to have or not to have ourselves. And so it will be interesting to see what comes out on that one.

>> Agreed.

>> Mayor Adler: Okay. We'll bring you guys back.

>> Thank you, everyone. Thank you to all of you.

>> Thank you.

>> Mayor Adler: Okay. Councilmembers, what we have now, we have executive session where we need to talk about real estate issue up at highland mal. That's the only thing we're going to be talk about in executive session, we're talking about

[indiscernible] Next Thursday, not today. We have three other things we would be coming back for after lunch. One is the facilities report that we have handed out. The other one is an item pulled by councilmember pool, and an item pulled by councilmember Flannigan.

[12:13:45 PM]

Do we want to break for lunch, handle the executive session, and come back? Or do we want to try to deal with these last three things before we go so you don't have to come back? Yours was real quick? We want to try? Three things. This would be one and then the other two. Do we want to try and push through so we don't have to come back out? Let's try to do that. It's relatively quick. Let's do that. So we'll tee up this report. While they're getting ready, Mr. Flannigan, did you want to address your pulled item?

>> Flannigan: Yes. The last version of item number 40 I saw the backup still said June 22. So I'm curious about the process that we're going to use to fix that. And then, second, I'm planning on bringing an amendment to amend part 11 that right now says the scope of the commission's work may be expanded by council via resolution to add or by an affirmative vote of the commission. I think the commission being the first charter review commission under 10-1 should not be constrained. They should have an opportunity to discuss and recommend items we can then decide not to move forward on.

>> Kitchen: Mr. Mayor.

>> Mayor Adler: Yes.

>> Kitchen: I have some alternative language which I will post that I think balances the need of the commission to focus on the items that we are identifying with the ability for them to send us comments. So I will post that. I think it's really important to distinguish those two things. I've been on a target commission. It is a difficult job. And there's a -- what we've put for them in their scope is already so big that I don't want them to get mired down and be sidetracked. At the same time, I do want to hear from them. So I will post the alternative language that I'm thinking about. I think it gets to the same end that you're wanting to get to while still respecting their time and understanding how it works in terms of what we need back from them.

[12:15:54 PM]

So I'll post that.

>> Flannigan: That's great. I'll submit comments on the message board once you do that.

>> Kitchen: Actually, I won't even post it. I'm just going to read it to you because it's one sentence. I know you're trying to move fast but I think for clarity purposes, I think that that might be useful. So the kind of thing that I'm talking about is the commission may receive stakeholder input on other matters, and I think it might be in a different place, but the commission may receive stakeholder input on other matters related to the city charter and may include in their report ideas and comments on such matters, something to that effect. We can work on that.

>> Flannigan: All right. We can work on it.

>> Mayor Adler: Mr. Casar and Ms. Pool.

>> Casar: On the same topic, maybe look -- I generally favor some of the ideas that councilmember Flannigan brought up. I think one potential way so that it's not just comments to us would be to change number 11 to say the scope of the commission's work may be expanded by council via resolution and the commission may request that the council increase the commission's scope. Such that if they receive that input from stakeholders and they think about, look, we really would like to add this to our scope, this they don't give that us us -- to us on the back end but instead bring that up early on so if they come up with good ideas we can tell them whether they're on the right Frack or not. I don't want them getting sidelined by an idea that we're not interested in, but nor do I want them though to feel so constrained they can't even talk about those ideas and an idea is never generated that we might have liked. I will post that language as well and hopefully we have this all worked out for something we can put on consent for Thursday.

>> Mayor Adler: Ms. Pool.

>> Casar: I --

>> Mayor Adler: I'm sorry.

>> Casar: I only chimed in on that because you guys had talked about it. I do have one other amendment which would be intendee appointments of the city attorney by the city council. I would like to say appointment of the city attorney or other city officials by the city council just to have the commission think on that issue and then just think if there are any other positions that it would be helpful to be appointed by the city council as opposed to the city manager.

[12:18:00 PM]

I know -- I don't know what the constraints of the state constitution and state law may be, but I do know in other cities there are other city officials other than the city manager and the ones that we have currently that are appointed by the council, for example, the fire chief and the police chief in various cities are appointed by the city council. I don't have an opinion on either of those positions in particular.

I just mean if we are -- it seems the topic is which city -- which city position should be appointed by council versus by the city manager, and I would like for them to be able to think about that expansively and think about this as opposed to just focusing on the city attorney. So I'll bring that amendment and hopefully it will be considered friendly, and if the sponsors could speak to that that would be helpful to me.

>> Mayor Adler: Ms. Pool.

>> Pool: Great. So far so good. I appreciate all the input. Specifically to the date, the June 22, I basically threw -- pulled that down and said that won't be the date, obviously, when we talked about it last week. I'm thinking August 31, so we will be plugging in a date. So the process there, we will amend it with a date. So just think about August 31, thinking in terms needs to get moving, and if we're looking -- which I am -- at having this on the ballot in November '18 that we're circumscribed by the size of the assignment, which was also part of the conversation about how wide do we move the scope and then getting people underway and having the process run so that it comes back to us in the end for us to make final adjustments because we will be determining what we accept or don't accept or expand upon that come from this charter revision commission.

>> Flannigan: I assumed August would be the final conclusion. I wanted to make sure the process was clear.

>> Pool: August 31, we have a council meeting on that day, as it happens and it's the last day of the month. Use that as a working date and we can decide on Thursday.

[12:20:00 PM]

Thank you, everybody, for all your support on this. Appreciate it.

>> Mayor Adler: Councilmember alter and then Ms. Houston.

>> Alter: Thank you. So I was interested in a couple clarifications on process from legal, and I spoke with legal and Ms. Morgan, correct me if I'm wrong in my understanding, but the open meetings act will automatically apply to the commission, but the lobbying, the prohibition of lobbyists is not, so it's my intention to amend it so that the members of the commission cannot be lobbyists. And I'm working with legal on some language to that effect.

>> Pool: Let me make sure I heard you right. So a person who is appointed cannot be a lobbyist?

>> Alter: Yes.

>> Pool: But you're not touching whether they can be lobbied?

>> Alter: Right. It's whether they are a lobbyist.

>> Pool: So a member.

>> Alter: Yeah.

>> Pool: If we can get a ruling on that, that sounds acceptable to me as well.

>> Alter: My understanding is that that was what I was told by legal, is that one applied and the other didn't. So we were going to work to clarify the lobbyist prohibition.

>> Mayor Adler: Ms. Houston.

>> Did Ms. Morgan --

>> That's correct. You're right. You explained it well.

>> Alter: Thank you.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you. On item 35, to the -- councilmember kitchen, could there be a further resolved to add a date when this should be brought back to council?

>> Kitchen: Sure. That sounds fine to me.

>> Houston: Okay. So I'll get with you and see what date is good. Okay.

>> Mayor Adler: All right. Mayor pro tem.

>> Tovo: Sorry, I'm not sure what we're doing next.

>> Mayor Adler: Rodney's presentation, coming back to pulled items.

>> Tovo: I thought we were going to executive session.

>> Mayor Adler: People wanted to do this quickly.

>> Pool: I got confused. We were talking about item 40 and then there was a date. I'm sorry, was there a different item number?

>> Houston: We were talking about item 35.

[12:22:01 PM]

>> Pool: Okay. We're going so fast.

>> Mayor, council, Rodney Gonzalez, director for the development services department. I'll be brief with the presentation. It's related to item 14 on Thursday's agenda, which is requested to authorize an interlocal -- authorization negotiation of an interlocal agreement between the city of Austin and the Texas facilities commission. The Texas facilities commission adopted a master plan for the capitol complex in 2016. The master plan does envision the creation of a state campus along what is currently north congress avenue, and it incorporates the boundary of northern 15th street to martin Luther king junior boulevard. The build-out for the capital complex plan is planned for over three phases and the Texas facilities commission does begin to begin development of phase 1 for the master plan this summer. The Texas facilities commission is requesting city of Austin support in moving phase 1 forward. There are representatives from the Texas facilities commission here, and they'll be here Thursday as well, including Peter moss, deputy executive director, and John roff, the deputy executive director for facilities design and construction. So today's presentation will capitol complex master plan. We will provide a summary of what the Texas facilities commission directs -- requested of the city of Austin is, and as I mentioned at the beginning, this is related to item 14 on the Thursday council agenda, which is the request for authorization to negotiate interlocal between the city of Austin and the Texas facilities commission. Looking at phase 1 of the capitol complex master plan, this involves a \$581 million development by the state of Texas , encompassing six projects. Primarily the construction is deemed the Texas mall. This would include three out of the four blocks the congress avenue north of the capitol.

[12:24:03 PM]

The area does propose for the location of congress avenue and 17th street right-of-way to create a landscaped tree line civic event space. That also serves as a cultural gateway on the north access of the state capitol. At the north end of the Texas mall, the facilities commission envisions an open mu see, yes, ma'am, plaza that would link the Texas state history museum, art mu see, yes, ma'am, and new planned cultural venue in what will be a new 1801 congress building. Speaking of the building, there are two office buildings planned at 1601 north congress avenue and 1801 north congress avenue, both buildings total in excess of 1 million square feet of office space. There would be a 3100 underground parking garage constructed as well. Underneath north congress avenue. As well as the facilities commission envisions expanding the central utility plant to serve both 1601 congress avenue and 1801 congress avenue, as well other state facilities. Along with that utility plan expansion there would be new utility underground tunnels implemented. Those would extend from the plant expansion to 1801 and 1601 congress avenue. Along with the project there would be various utility installations and relocations. There are two other phases envisioned with the capitol complex master plan. Neither of those are appropriated as of yet. However, with regard to phase 2, the appropriation would be sought in the 2019 legislative session. That project is anticipated to invest \$384 million into the project and would include the renovation of the fourth block of the Texas mall, as well as the construction of two new state office buildings of approximately 500,000 square feet. The third phase is unappropriated as well. The appropriation would be sought in the 2021 legislative session.

[12:26:05 PM]

The investment by the state of Texas would be \$412 million into the capitol complex and would involve new new state office buildings of approximately 500,000 square feet. Looking at phase 1, the Texas facilities commission envisions executing phase 1 through 6 separate design packages, and those are elaborated on this schematic here. Package one would include excavation and that would be excavation both both 1601 and 1801 north congress avenue as well as the underground parking garage. Package two would involvement utility relocks. Package three would be the central utility plant expansion and the associated utility tunnels. Then package four and five involve the building construction for 1801 and 1601 congress avenue. 1801 congress avenue is a planned 14 story building and 1601 is a planned 12 story building. Finally, the final package, package six, would be the construction of the pedestrian mall and underground parking garage. Looking at time line for package one, the facilities commission does want to begin excavation this summer to particularly this month, with what is deemed as 1a on the slide in front of you. That would be the location of 1801 congress avenue. They would then move to excavation for 1601 congress avenue, which is listed as 1b, and then begin the congress avenue excavation in June of 2018, which is listed as 1c. Also they would begin the utility relocations in November of this year. But planned completion for the entire phase 1 project would be December 2021. In summary, the facilities commission is asking for city support for these four primary areas, and expedited process for the project.

[12:28:07 PM]

The waiver of utility tunnel, easement and right-of-way usage fees, conversion of 16th, 17th, 18th street to two-way streets and the city's vacationing conveyance of congress avenue and 17th right right-of-way for the project area. With regard to an expedited process, the facilities commission is asking for the assignment of city of Austin project team to coordinate all city responsibilities for the project. They would like to ensure that the city of Austin's review and inspections and processing of all aspects of the project are prioritized. They are also asking for participation in the city's general permit program for the portions of the project that relate to utility relocations and tie-in abouts. We currently with a general permit program and use that for city programs. We also have used them for recent projects associated with the university of Texas. Looking at the easement and usage fees, we've estimated that to be a total of \$6.9 million, approximately 273,000 is associated with the utility tunnel easement fees and approximately \$6.6 million is associated with right-of-way usage fees. The Texas facilities commission is proposing to pay all direct costs associated with staff time for review and inspection of the project. Moving on to the way conversion of 16th and 17th streets. The facilities commission is intend to pay for that conversion as well, which includes traffic lights, signage and pavement striping that would be

modified during the construction of phase 1, 16th, so to speak, 18th street would be closed and upon opening of the pedestrian mall 16th and 18th streets would be reopened, however 17th street would be used to access the underground parking garage. With regard to on-site and offsite improvements, the total estimated cost is 2.8 million.

[12:30:07 PM]

Of the on-site improvements associated with phase 1, the state has committed to pay for those improvements which total \$775,000. Because phase 2 and phase 3 are not yet appropriated, the facilities commission would seek that appropriation associated with those two phases, which totals 1.3 million. And then the offsite improvements, deemed system improvements, we've estimated those at \$740,000, and in practice we've typically participated with the development community on a pro rata share basis and we would negotiate what that proportionate share is between the city of Austin and the facilities commission. Moving on to congress avenue, the facilities commission is asking for the vacation and conveyance of the congress avenue and 17th right right-of-way. Typically in the vacation right-of-way, the city does seek market value. However, this is a state statute 2166.052 that allows for the city of Austin and the Texas facilities commission to contract for what is deemed a reasonable value. Although there is no definition of reasonable value, the statute does contemplate in-kind exchanges, including possible credits towards future acquisitions. We do want to make sure that council is aware that there have been heritage trees identified within the project area, specifically in the congress avenue right-of-way, there are two heritage trees planned for removal. And the facilities commission has indicated to us that they would participate in discussions as to how best to address those heritage trees. So in summary, the project considerations that would be negotiated if the request is authorized would be the expedited process, the waiver of easement usage fees, the two-way conversion, and the associated congress avenue vacation of right-of-way. Next step is of course this Thursday, this is item 14 on the agenda, this specific request is authorization to negotiate, not to execute, but only to negotiate, an interlocal with the Texas facilities commission and at a future date we would return to council with that negotiated interlocal.

[12:32:16 PM]

That concludes our presentation

>> Mayor Adler: Any questions? Mayor pro tem.

>> Tovo: Thank you for this presentation. As I understand it, you would need to come back, as you said, with the negotiated document. Does it exist in draft form at this point or no?

>> We have drafted that with the facilities commission, and we did that because we needed to get -- we started on very general terms, if you will. And we needed to narrow that to see what specifically the city has done in the past, what might be contemplated. There are some points, though, that still need to be negotiated. But we have it in draft form and we feel that we could negotiate the remaining portions in fairly short order.

>> Tovo: Did I understand you to say that part of this work they wanted to begin this month?

>> Yes. And so with regard to 1801 congress avenue, they would apply for the permits associated with that project and they would pay for those permit fees, but we feel confident that they can begin that without a negotiated or executed interlocal agreement.

>> Tovo: I see. So they will -- they'll proceed under the regular process for that piece of it because they want to get started before the interlocal and anything that's contemplated in this document, that work would take place after?

>> Yes.

>> Tovo: Okay. So one of my questions, I guess, is the one that you had highlighted about reasonable value. Do you have any estimate on what that would be at this point?

>> The real estate office has been involved and there is a -- an estimate that they have developed. They, however, are not comfortable in releasing that information just yet until we go through a formal appraisal process. So that way that figure can be assured by their office.

>> Tovo: But we will be proceeding through a regular appraisal process on that?

>> Yes.

>> Tovo: Okay, thank you.

[12:34:17 PM]

We had a -- at least one, maybe two, resolution -- council resolutions related to work with the facilities commission. On the prior prior council. And I wonder if you could make those available in our backup information. I'm trying to -- I can't exactly remember what those looked like or what the result of those were, but I think it would be useful. I know mayor pro tem coal sponsored one. That's the one I'm really aware of, but there may be others as well.

>> I'm not familiar with those but we would research those.

>> Tovo: Thanks. I may be able to go through enough brain files and come up with the year on that, but main not. I don't know. I guess that was it for right now. Thanks.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you. You went through that very quickly. How much funding is available from the state for the first phase?

>> The first phase they do have appropriations where at first phase, which is \$581 million.

>> Houston: And how much with all the ask from the city, how much would our total participation be? Financially. I've heard several million here and 700,000 there. So what would our total --

>> So, financially, if you look first at the right-of-way and usage fees, so that we've estimated so far at \$6.9 million.

>> Houston: Okay.

>> And then we would also look at that reasonable value associated with the vacation of congress avenue.

>> Houston: What about the -- let's see. Where is it? What about assignment of a project team? How much does that cost? Specifically for this. That means you will be drawing people away from other things to work specifically on this, so how much is the cost for that?

>> We haven't run a figure for that. The facilities commission has been clear that they would pay for the direct costs associated with staff time for review and inspections.

[12:36:22 PM]

And so, yes, although the staff would be -- would be responsible for this particular project, they'd still be able to work on other projects interlocal. So I certainly don't want to give the impression they're dedicated only to this project.

>> Houston: I think when you come back I need to know the cost that we're going to be putting into this, what kind of skin in the game are we putting in versus what the skin in the game that the facilities commission is putting?

>> Okay.

>> Houston: I can't see that altogether right now. I think that's it for right now.

>> Mayor Adler: Ms. Pool and then councilmember alter.

>> Pool: So this is item 14 so that means it's on the consent agenda?

>> Yes.

>> Pool: Okay. Mayor, we should pull this from the consent agenda.

>> Mayor Adler: Okay.

>> Pool: I have some concerns over the fact that it's Tuesday, the 20th, and we're looking for approval on negotiate. I realize it's not also on execute on the 22. So I'm not of a mind, really, to vote for this just on that basis. Do you feel like you had enough time in the conversations with the Texas facilities commission to -- so that this could have come to us earlier? It's a large -- this is big.

>> It is. It's pretty significant. And we actually started much larger than where we are today. We started meeting formally with the facilities commission at the beginning of April, and we've worked very diligently to get to this point of the process. Knowing their time frame in mind. So, yes, I can certainly understand your concerns. Had we had the element of more time to work on this such that we could bring more of this information to council earlier, we should have -- we would have liked that.

[12:38:23 PM]

But the facilities commission does need to begin as quickly as they can.

>> Pool: So I'd like to see a clear understanding of what the waivers and fees. You've given us a couple of estimates, and I think I wrote down 6.9 that was on one of the sheets and 6.6 million that would both be waivers, the right-of-way conveyance and the easement and utility relocation so I just want to be clear on that and I wanted to be really clear to the community, to the public, the money that would be coming out of the city of Austin's revenues in order to waive these costs because the costs don't go away pinpoint costs exist. Given how tightly our hands are being tied this year by the very same legislature, I think it will be a very difficult decision for us, and the searching for the funding will be really hard to come by due to the preemptions and the revenue caps and the facts that we have -- the fact that we have to raise taxes in order to pay for things, unfunded mandates that come down from this same state government. So I need to understand so that everyone in the community understands the amount of money that the state of Texas is requesting. And I want to see the piece I think that mayor pro tem touched on this, the things this they can do without us actually saying yes to it, which I think is pretty large. And then I am concerned about those heritage trees. I also will note that the governor has put heritage tree ordinance on his hit list for the special session because he doesn't think that the city of Austin should have any influence or concern or say or involvement in what happens to trees that are well older than any of us in this room.

[12:40:24 PM]

And that from a philosophical and public policy position is a really hard pill, bitter pill, for this council and for the city residents to swallow. So I will be focusing really carefully on the removal of two heritage trees. I want to see them. I want to know what their value is. I want to know are they just going to cut them down or are they going to move them? And what are they going to do to replace that? Finally, and this is a small detail, if the state is going to move its campus to this new Texas mall, that means there will be more parking garages, and I think you've got them in these pictures here. So I would like to know what the public access is going to be to these garages and will it be free access when state workers aren't driving and parking in those garages? You have a lot of other things to say and that I'm thinking about but my fundamental thing is two days to take this all in and have a reasonable conversation about it and what we would expect from a negotiation that you guys would carry out just isn't enough. Thanks.

>> Thank you, councilmember.

>> Mayor Adler: I just wanted to -- I think you've raised a lot of interesting topics for us to discuss and then I think we need to air some of those out. I also think it's important for us -- there's a the love things happening in the state legislature that we've all been involved in, a lot of positions that the state legislature takes that we've taken issue with, me no less than anyone, on something like this, though, I think we need to be neutral arbiters of processes, the same way we expected the state to do that for us on the loop 360 money they gave to us, as well as the Austin energy contract that we entered into.

[12:42:30 PM]

So I think we need to be careful and I think you raise some good substantive questions but it's -- I think we need to be aware of what I think is our -- over one of our -- what are our responsibilities. I also know that senator Watson and Donna Howard have worked really hard on this as well and maybe we give them the time or opportunity if they'd like it to be able to visit with us too. Councilmember alter.

>> Alter: I think it's potentially a very transformative project for the city and for the people of Austin, and I would welcome the opportunity for people to have more notice about that. One thing that I'm wondering if you could provide is a list of right-of-ways that the city would like to have from the state. I'm aware of one very important one in my district near the grove P.U.D. That we are in the process of asking for, and I'm just wondering if there are other ones as well that -- you know, that we can include as part of this if we are waiving fees on right-of-ways that we can maybe make some other things happen that are also very important to our community that depend in the other direction with respect to state right-of-ways.

>> Thank you, councilmember. In the interest of being brief, we certainly have approached our discussions with the facilities commission in that regard. How could we best bring forward concerns of what we might also want in terms of property exchanges, however the facilities commission is very limited in that they can only talk about and negotiate with properties that are under their purview. So

matters of right-of-way are under the Texas department of transportation and so those can't be accessed, if you will. That's information we've been given. But we certainly can provide you a list of the ones that we've broad forward.

>> Alter: In this case I think we're asking for a right-of-way over facilities property.

[12:44:35 PM]

So we're asking for a right-of-way, but the property is a facilities property.

>> Pool: It's a librarian archives.

>> The librarian archives.

>> Pool: Facilities commission handles it for them and Robert Thomas, the scuff director of the facilities commission, is aware.

>> Okay.

>> Alter: We're working in a positive direction with them,.

>> Pool: Right.

>> Alter: But anything we can do to speed that process up would be very much welcomed by the community and if we can include that in the discussion as an option, if it is within the constraints.

>> Sure. If you would send us the information, we'd certainly look at it.

>> Alter: Okay.

>> Pool: The real estate office has this information already, but happy to emphasize it.

>> Mayor Adler: Ms. Houston.

>> Houston: I agree, it's not -- we need to be good -- we need to play in the sandbox well, but the thing is that this has been going on for a while and I just received notification of it the first of this year so it really has not been enough time to process all of the entity cassies of what's being asked for in our relationship with the Texas facilities commission. I had a question about congestion and the underground parking and what are we gonna do to mitigate -- it's a transportation issue, and I have not gotten real good understanding of how we're getting people in and out of that underground parking garage at the peak times. 15th is already crowded to capacity, and on the outbound times mlk is already crowded. There's other things that need to be discussed that I'm not sure is contained in this packet.

>> Okay.

>> Houston: Today.

>> Mayor Adler: It would be good to understand the traffic implications. They're taking some right-of-way on 17th street, so to get a better understanding of why that's happening on 17th street, not 16, 18, and how that -- the impact of that I can't tell from just looking at this.

[12:46:38 PM]

>> Absolutely. I do want to emphasize that the facilities commission has submitted a transportation impact analysis to the Austin transportation department that has been reviewed by the staff of atd but we can come forward with that information that responds to your questions.

>> Mayor Adler: Okay. Ms. Garza.

>> Garza: Do any of these phases include some kind of improvement that pumps the smell of freedom into the air?

[Laughter] Sorry, I couldn't resist. I know. I know it was a concern for our governor.

[Laughter] My real question was, can this -- does this have to be on this agenda? Can this wait? What is the problem with postponing this?

>> You know, I think that question can best be answered by the facilities commission because this is their time line that they're concerned with, and we've certainly endeavored to work with them to bring it to this point and to bring it to council at this time. But the facilities commission will be present on Thursday, and I think they could best answer that question.

>> Garza: To the mayor's point, it would be good if our democratic friends could send a letter, let us know what their thoughts are on this, because it -- you know, it's kind of natural to take a bit of a defensive stance when the state is doing us for something. But if we knew where our Progressive friends stood, that would be helpful.

>> Kitchen: Mr. Mayor.

>> Mayor Adler: Yes.

>> Kitchen: I have a number of questions, and, first off, I think we're doing the public a disservice to vote within two days of talking about this without allowing the public much time to respond and tell us what they're thinking. So I don't see how -- I also don't see how approving this this Thursday would impact the state's time line in any way. They've already said to us that they intend -- or that they want to start excavation.

[12:48:39 PM]

Well, their time line for doing that, if I'm understanding correctly, is before it could even possibly come back to us to approve. So whether or not we go forward on Thursday is immaterial if I'm understanding correctly to their time line for what they want to do this summer because, you know, you're going to negotiate but then it's going to come back to us again that we have to approve. So am I understanding that wrong?

>> No. According to the time line, we can certainly bring that up. They certainly can begin the excavation for 1801 congress avenue and they're planning to do that.

>> Kitchen: Okay.

>> And it's -- we're down to a few points of negotiation with the facilities commission, and we feel confident that we can probably bring that back after the July break for council's consideration of execution. The matter before you is whether or not you want to authorize the continued negotiation for these fine points or if you want to wait for that decision, which would be after the July break. But there again, I think the facilities commission would want an opportunity to respond to your concerns on Thursday. They will be present for that meeting as well.

>> Kitchen: Okay. But what I'm -- so let me ask a further question. So they're talking about excavating before we approve the final agreement?

>> Yes. On 18 --

>> Kitchen: Wait. Just answer my question. So that's what they're talking about doing, correct?

>> For one particular piece.

>> Kitchen: Right. I understand. For one particular piece. So, okay. So let me just also understand the -- the state ask that we have on page 7, 8, 9, I think something like that, have you negotiated -- I mean, are these points negotiated so far? And are these points that we are agreeing to that when you bring it forward these will be things that we're supposed to vote on but that you're going to have them as agreed to in the negotiated agreement?

[12:50:47 PM]

>> These points, as requested by the facilities commission, would be a part of the agreement, which would be the -- what does expedited mean? That means the prioritization of departments.

>> Kitchen: Okay, I got it. So I particularly cannot approve this on Thursday because if I am -- if my

[indiscernible] On Thursday tells you to continue with the way you've been negotiating this, not that you've been doing it wrong, I'm not suggesting that, but if my vote is telling you to continue to allow these state asks, then I can't do that on Thursday because I need more time to think about -- these are pretty detailed and impactful asks on our community, and from a financial standpoint, if nothing else. So they may be okay. They may not be. But, for example, we've already talked about 6.9 million, which is a significant -- significant impact. And that's not even the whole cost. So I'm not prepared yet because I don't have time between now and Thursday to determine if that's appropriate, and I don't want to vote for something to give you the -- give you a direction that's not appropriate for you or for the facilities commission to imply that that's something that I might agree with when I don't even know yet. So I don't see how I'm going to go forward with this on Thursday. But let me tell you more. My staff has submitted some questions, but as councilmember Houston said, I would like to know the entire cost for every aspect of it. I would like to know -- have a couple of other questions. Have our transportation department and our water, wastewater departments been involved in the negotiation?

>> Yes.

>> Kitchen: Okay. Both of them?

>> Yes.

>> Kitchen: Okay. I would like to understand the -- you said there was a tia, right?

>> Yes.

[12:52:49 PM]

>> Kitchen: Okay. So have we received it and I just haven't seen it?

>> The staff has it, yes.

>> Kitchen: But hasn't been sent to --

>> No, hasn't been sent to council.

>> Kitchen: So we don't even have the tia to look at yet.

>> No.

>> Kitchen: Okay. All right. What about the impact -- let's see. There was -- let's see. Let me ask another question. I'm also curious about the impact on our stormwater system. So is there an analysis somewhere of that that we can look at?

>> We'll look for the analysis, watershed protection has been involved as well.

>> Kitchen: But is there a written analysis?

>> I'll find out if there is one.

>> Kitchen: Okay. All right. And then let's see.

>> Kitchen: I have other questions too. Those are the ones that rise to the top. And, again, I will -- I know I'll have other questions. I'll try to submit them all before Thursday, but I would just let my colleagues know that I'm not going to be able to vote for this on Thursday. I think it's adduces service to the public to -- disservice to the public to try to do it so quickly. I don't see how it impacts the ability for them to move forward with what they want to move forward this summer with because they were gonna do it anyway, regardless of whether or not we had signed off on an agreement and I don't think it's appropriate for us to send you off to negotiate something that we're not sure that we agree with. Oh, I - - and I'm sorry. There was one other question I did have. I wanted to understand -- the slide that you have about the expedited process.

>> Yes.

>> Kitchen: Is this -- so the four bullet points that you have here, is this the typical -- is this -- would all these four bullet points be included in our existing expedited process?

[12:54:51 PM]

Or is there something new and in addition here?

>> There is no expedited process for this piece of it. You may recall that we've done previous interlocals specifically with the university of Texas that speak to --

>> Kitchen: I'm sorry. Let me explain my question. I didn't mean to interrupt. What I'm asking is, and I didn't ask it very well, I know that y'all are working on an expedited permitting process, you know, for our community. Okay? Are these for the components of that expedited permitting process? So, for example, allowing specialized sequencing of work? Allowing participation in the general permit program? Is that part of the expedited permitting process y'all have been developing for the rest of the city?

>> No. That deals with vertical development, so the buildings themselves. This is more the horizontal development, so the site development itself. So we haven't been working on the site development expedited process at all.

>> Kitchen: Okay. So this goes beyond -- this kind of expedited process goes beyond what we're contemplating for the rest of the community?

>> Yes. For the rest of the community.

>> Kitchen: Okay.

>> It does include elements that we currently do have, like the general permit program.

>> Kitchen: Yes.

>> Which we have for city departments and utility franchise holders.

>> Kitchen: Okay. So with other governmental entities like aid and capital metro and other governmental entities, have we done any of this kind of -- I know you mentioned UT, but I'm talking about our local governmental entities, do we allow participation in the general permit program or specialized sequencing of work?

>> For aid, we have a specific interlocal that speaks to the permitting process where we do expedite their permits as well so we work quite closely with aid. For cap metro, one doesn't come to mind, and I know for UT, as I mentioned, we do have specific interlocals with UT.

>> Kitchen: Okay. Finally, what does that mean, the general permit program?

[12:56:54 PM]

What is participation in the general permit program?

>> If you can think of it as an umbrella permit to which under -- to which other permits then can be applied for within that general permit. It allows for a project manager to be dedicated to that permit application process.

>> Kitchen: Okay.

>> It allows for an expedited process within that program.

>> Kitchen: Okay. What do we use that for now?

>> We use it for city departments, primarily our utilities, Austin energy, Austin water, and then we use it for other utility franchise holders.

>> Kitchen: Do we use it for aid?

>> As I mentioned, for aid, we have a separate interlocal with aid. Aid probably wouldn't avail themselves of this program. Their contractors might. Associated with utility relocations. But with aid, we have a separate interlocal that addresses how we will work with aid.

>> Kitchen: And is it comparable to --

>> I would say it's probably even faster.

>> Kitchen: Okay.

>> Because aisd has a -- their concerns are of course they have to have their facilities open in time for school and so we will get permit applications as late as June and July that need to be processed immediately.

>> Kitchen: So the general permit program is a way to help with maybe a larger project because you've got a one point person? Is that the way it works?

>> Yes and there's a lot of coordination. When you talk about utilities that are underground and you're dealing with gas, telecomm, electrical, and so it involves a lot of coordination.

>> Kitchen: Okay.

>> Amongst all the utilities.

>> Kitchen: So with our recent interlocal agreement with cap metro, did we avail them of the general permit program process?

>> I'm not familiar. You'd have to look into that interlocal.

>> Kitchen: If you would check that for me.

>> Sure.

>> Kitchen: Okay. Okay. Let's see... In the specialized sequencing of work can you explain that for me?

>> Sure. What that would mean is when a utility easement has been -- when the utility has been relocated itself, but the easement itself has not yet been transferred over, that they are allowed to begin work within that area.

[12:59:06 PM]

>> Kitchen: Okay. I have the same questions, you don't have to answer them now, but I have the same questions regarding that bullet item with regard to cap metro and aid and others to the extent to which we've used them with our other partners in the community. That's all my questions for now.

>> Mayor Adler: Okay. Mayor pro tem?

>> Tovo: I want so say some of my colleagues might be supporting a postponement on Thursday and I do support that too. The last time we had a question about the Texas utilities item on the agenda, it was a short time frame. And it's been awhile isn't I've red the capitol complex master plan and I'm going to

do that before Thursday and large. And I think there are questions that we won't be able to get to. I had one question back to the expedited permit. Part of the expedited permit process that we passed has set certain labor standards. Have you had discussions with the state about whether they're going to adhere to the labor standards that we've set --

>> No, we haven't had that discussion at all because the expedited building plan review process that was established by city council deals with vertical construction. Here we're talking about with regard to the site itself. That's where the city's involvement would be. As a matter of course we do not get involved in the permitting of state buildings. They do not have to as a matter of being a state agency go through the city's process for building permits.

>> Tovo: They're asking for an expedited permit process as I understand -- you have not yet had a discussion about -- and I understand the differences between the vertical construction and what they're contemplating, but have you -- so is there an opportunity to have that conversation with them about labor standards?

[1:01:14 PM]

>> I certainly would say so. And we certainly can take council direction with regard to how you all would like us to approach this interlocal, should council consider it on Thursday.

>> Tovo: I may be remembering this wrong, but back when we had a resolution, as I mentioned, from the council talking about interlocals with the state and with the facilities commission, it seems as if we may have had a couple of executive sessions about the issue as well and there may indeed be a memo circulating. I may or may not be remembering that correctly. If there are, that might also be useful information for us to have before Thursday or before whenever we take this up if we decide to postpone it.

>> Houston: Mayor?

>> Mayor Adler: Okay. Mr. Casar and then Ms. Pool. Ms. Pool.

>> Pool: Thanks. Rodney, thanks for doing all the preparatory work and everything for this. I know you're kind of absorbing all of this. I'm going to guess, I'm going to take a wild guess and say I bet you're not surprised at some of the responses. On your memorandum from June 16 where you talked with the Texas capitol complex master plan phase 1, it says the third from the bottom paragraph, it says overall phase 1 represents a 581-million-dollar state investment in the revitalization of a public space. What exactly does that mean? Which public space? Is that congress avenue? Are they pulling down a building and putting up a new one? Tell me what this means.

>> Sure. It primarily means, of course, congress avenue, the pedestrian mall which they're deeming as the Texas mall. It also incorporates, of course, the vertical construction R the two office buildings at 1601 and 1801 congress avenue. As we've been informed by the facilities commission, 18081 is planned to have a cultural venue space in it that would be accessible to the public.

[1:03:15 PM]

And within the master plan, which they've had posted on their website, they do envision that this area of course would be a linkage of the different cultural venues that are in that area north of the capitol, which include the Blanton museum, the Texas history museum and then of course this potential cultural venue at 1801 congress avenue as well as the state capitol.

>> Pool: Okay. So the public investment is in built structures?

>> Yes.

>> Pool: Okay. Because it kind of sounds like they're getting us a park for \$581 million.

>> Oh, no. The park itself -- the Texas mall is not 581 million. We could certainly get that cost break down from the facilities commission.

>> Pool: Yeah. I think it would be really helpful and I think we'll need to have that level of detail on this anyway. And then last question you mention a cultural facility. Is that -- you have to pay to get into the Blanton, I think.

>> Yes.

>> Pool: There's admission there. There's admission at the Texas state history center. And I think you can walk into the building, but if you want to get into any of the exhibits or the movies, it costs money. So my guess is that will be the same scheme for the cultural venue that may be built there?

>> I would anticipate that would be the case. And I don't know the full program details of those other facilities. I know that they do offer from time to time free access, if you will, on certain days into venues. It's not full time. But I would anticipate it would be a four feet access, but the facilities commission as I mentioned may be best able to answer that question.

>> Pool: That would be great because last week we had pretty detailed conversation about access to our parks. And how many days are free and how many days are open to the public and how many are not. And we had a pretty robust conversation and the general belief around this dais was that we should err on the side of being open and accessible and free.

[1:05:20 PM]

And so that's kind of a mindset for this council and public facilities. And I'd like to communicate that along to our good friends at the state.

>> All right. Thank you.

>> Pool: Thanks.

>> Mayor Adler: Okay. Anything else. Ms. Houston?

>> Houston: I can be very quick. Councilmember pool, yes, the great lawn will -- the congress avenue mall will be open and free to the public. And that will be a relationship between that and Waterloo park. It will also -- I think if I remember correctly when they talked to me about this, it would have an amphitheater so there would be live music on the green. I think the music museum is supposed to be that cultural space across from the bullock. So they do intend to activate the space for the public. How you get it done -- if you and I wanting to have a picnic it's one thing. If we want to have urban music festival there I'm not sure what that process might be to activate a space for a larger group of people.

>> Pool: Thank you for that. That's good additional information, which I didn't have. And I wasn't meaning to suggest that we should have one of our city-sponsored festivals there although that's an interesting idea. My larger point, though, was that the cultural facilities tend to be admission based and we had a number of conversations just the last council meetings about how we're really trying to open things up so that they're not admission based. So that was the point that I was trying to make. And I appreciate having the additional detail about the great lawn. I'd love to see pictures of it.

>> Sure. The facilities commission, as I mentioned, will be present on Thursday and we can certainly ask them to provide more visuals.

>> Mayor Adler: Okay. Thank you. Anything else? Thanks a lot, thank you.

>> Thank you.

>> Mayor Adler: I think the only other thing, council, we have, other than the executive session, lunch, is the item you pulled, Ms. Pool, which is item number 30, which is the by gosh contract.

>> Pool: And while I'm pulling this up I want to request for Thursday a postponement of item 58.

[1:07:25 PM]

That one has bubbled up recently. That's the bowie high school.

>> Mayor Adler: The what?

>> Pool: Bowie high school. We did a resolution a couple of weeks ago with a land swap. I haven't actually focused on it specifically, but it sounds like things have kind of gone down one road instead of the other so I will be looking for a postponement. I think staff may request that as well.

>> Mayor Adler: Okay. That's noticed for a public hearing. I guess we could conceivably conduct the public hearing --

>> Pool: I think we may want to clean it up before we bring it to a public hearing. You may be hearing a lot of concerns about things that we may be able to address before.

>> Mayor Adler: Yeah, I don't know if the ramifications would be a postponing of the deal. Let's talk about that. All right, go ahead.

>> Pool: Okay. Let's see. So item 30 is the negotiation and execution of the 36-month contract with organics by gosh. This is one that we had pulled down previously and sent into the work group on waste management that I was chairing. And Mr. Scarborough is here to answer some questions. And so what I wanted to do was flip to the right page with my notes. I want to take the temperature of the rest of the council on a couple of things, which is why I've pulled this item, for staff, I will bring forward an amendment on Thursday with the base contract of only three years. You remember this one had a base term of three years and then a couple of extensions on the rca. My -- this is coming from the work group. The work that we've done together and that has been councilmembers kitchen, Garza and alter and their staffs.

[1:09:29 PM]

What I would suggest is that we then have staff conduct a new solicitation at the start of the second year and get some policy feedback from the zero waste advisory commission and the water, wastewater commission. At the end of the third year staff would return with a recommendation to keep the contract or post a new contract. It would give staff a whole year to do an assessment E typically you have four to six months, is that correct, Mr. Scarborough?

>> It could go as long as nine months, but we try to keep it within four to six months.

>> Mayor Adler: Would you introduce yourselves?

>> James Scarborough, purchasing.

>> Pool: And the second thing I wanted to bring up you all may have contacted by some stakeholders yesterday or today, but I got a -- I was contacted by some of the other stakeholders asking that the contract only be extended for one year rather than the three years in order to get a rollout underway

while conducting a new solicitation. So that's the piece that I wanted you all to think about and we can talk about that on Thursday to see if we want to make any amendments to that. And this is the city's first long-term contract to expand the organics collection program. We have a lot of interest in this expansion, which I am very supportive of. Some of you might feel more comfortable with going with only one year on this particular contract, so that would be the essence of the conversation we could have either today and/or on Thursday. Mr. Scarborough, could you maybe address the difference between a longer determine, a three-year contract versus a one-year contract? Are there pricing differentials on that?

>> Mayor, councilmembers, when we bring council a recommends for a contract it's going to be based on the content of the solicitation. The initial term was three years with additional three one-year optional extensions. In talking to arr, the rationale for the base period was to strike a balance between the time that would be necessary for the contractor to build out any facilities, make any investments in their operations and to return enough on their investment so that the city can still receive a competitive price.

[1:11:51 PM]

So naturally if we're going to contemplate a contracted term other than what was in the solicitation, we wanted to make sure that the grounds of the authorization would substantiate it. So in this case there was a single offer, and to the extent that they're willing to consider a shorter period of time, we could certainly put that in front of them. They may then come back with a request for additional consideration for a shorter period of time. They're not going to be able to amortize their investments and will likely ask for additional consideration in the form of terms and conditions and/or pricing.

>> Pool: Okay. Does anybody have any questions about that piece there?

>> Mayor Adler: In all fairness, I'm not in a position to know if I have questions.

>> Alter: I just want to add for the reasons that Mr. Scarborough has just raised where we're trying to ramp up to cover the whole city with this program, the length of the term is important for this business' ability to make the investments that it needs at a price that we think we can afford. And so I am not in favor of that and I will just want to point out that we are in a particularly unique situation right now where the anti-lobbying ordinance will not apply for this period of time. This will be like probably the only contract where we will see that without that ordinance in effect. So you may get lobbied hard. We've had extensive discussions in our group. I haven't necessarily seen the material that was shared, but I did want to remind you that we are in a particular period where the anti-lobbying ordinance is relaxed for this waste management and you will probably see that with respect to this contract. Our intention is to get you a report back from our committee as soon as possible. And Ms. Pool can speak more to the hope for timing.

[1:13:56 PM]

You may hear some issues about capacity. The real capacity constraint is on the city to actually pick up the waste is what we have been told. And so I just wanted to clarify those items on that discussion.

>> Pool: Yeah, thanks for that.

>> Houston: Excuse me. We're not talking about waste. We're talking about compost, right?

>> Pool: This is the organics by gosh, yes.

>> Houston: Okay. It's the composting.

>> Alter: But it falls under the waste management. When we created the working group we relaxed the lobbying rules.

>> Houston: I understand that.

>> Alter: So that they don't apply right now.

>> Mayor Adler: Mayor pro tem?

>> Tovo: Councilmember alter, I want to be sure I understand what you were saying you would not support holding it at one year?

>> Alter: I would not support resolution the material from three years to one year. I would not support including the extensions by right without coming back to council?

>> Tovo: Thank you. I just wanted to be sure I understood that.

>> Pool: I just want just to let you all know why we're moving ahead with the contract before the working group makes its recommendations and I hope we will have a report on the message board this week because we did promise to report back to you all this month and we're close to wrapping it all up. We took action on this request, gongs by gosh, in March. Organics my gosh. We posted it due to outstanding questions. And since that time the contractor had received additional compliance approval by Travis county and the tceq and I think those were the questions that had been raised. So the contract with the same vendor was held over. It expires on October 20th and the working group thought it would be best to move it forward before the July break so that we could get this on the ground and moving. I would be remiss if I didn't mention that the Travis county compliance letter also noted that one of the two organics by gosh sites, the one east of third-party is in a 100-year floodplain when Travis county issued its approval in 2002.

[1:16:08 PM]

So the contractor won't be allowed to operate this facility if the company was just starting operations today. But as it stands now the site is not able to expand because of its location in the floodplain. And the second site is in bastrop. So I wanted you to have that information. And I also I wanted to let you know reasons for going with the one-year extension, if you want a little bit more information about that, you will hear testimony Thursday on this. The chief concerns were capacity and the fact that the working group was going to recommend more transparency and other modifications in the solicitation process. But those policy changes aren't yet Teed up for us. So in the end we have organics by gosh in the form that it was presented to us in March with opportunity to we move the automatic extensions or to limit the contract to a term of less than three years. I will let you know that I am aligning -- I am aligned with councilmember alter on allowing the contract to go forward for the three years, but without the automatic extensions.

>> Mayor Adler: Okay. Anything else? Ms. Kitchen?

>> Kitchen: I heard a rumor that we had a birthday today. Perhaps we should --

>> Mayor Adler: I think we do have a birthday today.

[Laughter]. It is the mayor pro tem's birthday today. Happy birthday. We sing.

[Laughter]. We turn off our mics.

[Laughter].

♪♪ Happy birthday to you.

♪♪ Happy birthday to you.

♪♪ Happy birthday dear Kathie, happy birthday to you.

[1:18:11 PM]

[Applause].

>> Tovo: Thank y'all.

[Laughter].

>> Mayor Adler: All right. The council is now going to go into closed session to take up item e-3, pursuant to 551.074 and e-2, discussion of legal issues, both related to middle fiskville road and highland

mall real estate acquisition release. We won't discuss e-1, that's withdrawn. Any objection to going into executive session.

>> Casar: Not a question, but a comment. I think councilmember alter had mentioned something about item 43. Are we deferring conversation on that until --

>> Mayor Adler: Tomorrow.

>> On Thursday we'll talk about that.

>> Mayor Adler: 43 was which item? Councilmember alter the codenext process I believe we're talking about it at our codenext session tomorrow with the consultant.

>> Mayor Adler: When we have the staffing consultants here.

>> Casar: So we can talk about that then. That's helpful. Thank you.

>> Tovo: Mayor, I got distracted by my birthday. I wanted to let you know that I will have questions on Thursday. Probably I will get them submitted in meant time, about the item on our agenda from the economic development department. This refers to something that was on our agenda earlier. It was the Einstein project money for u.t.'s ray Marshall center to evaluate stem programs. So we have had a pretty substantial discussion about that in the past and the council at this point I think did not support it. We allowed them to request a postponement. It's back on our agenda for Thursday and I'm not sure, again, whether I'll have a chance to get my questions answered ahead of time, by I certainly plan to ask some on Thursday. I'm sorry, I don't know the page.

>> Mayor Adler: 15.

>> Tovo: It's new age. It's causing me to forget the numbers on the agenda.

[1:20:12 PM]

>> Mayor Adler: All right. We will go into executive session. It is 1:20.

>> Pool: Should we pull that one for discussion? 15.

[Executive session].

[2:19:26 PM]

[Mayor] So it is 2:19 p.m. while we were in executive session we talked about E3. Real estate matters to related to lease acquisition of property out at

Highland Mall. We are now back. It is 2:20 p.m. and this meeting stands adjourned.