



MEMORANDUM

TO: Mayor and Council

FROM: Mark Washington, Assistant City Manager *MW*

DATE: December 15, 2017

SUBJECT: Update on Resolution 20170928-052 related to downtown and other community projects

Attached is an update regarding the work by City staff from several departments responding to Council Resolution 20170928-052 directing the City Manager to follow-up on several items related to projects in downtown and other areas. In summary the resolution required the City Manager to:

- Continue the staff process to expand temporarily the Waller Creek Tax Increment Finance (TIF) project and present options for a Public Improvement District (PID) for park maintenance for the Waller Creek park system.
- Identify financial options such as Certificates of Obligation (CO), General Obligation Bonds (GO Bonds) and Hotel Occupancy Tax (HOT) to support the Emma S. Barrientos Mexican American Cultural Center expansion.
- Identify options for creating a dedicated funding stream for individuals experiencing homelessness and schedule a briefing on the Action Plan to End Homelessness. This project includes the legal, practical, and logistical issues related to the Tourism Public Improvement District and its ability to fund City efforts to address homelessness initiatives.
- Identify financial options such as HOT, GO bonds, or other financing mechanisms to address historic inequities in the Eastern Crescent including funding for the Walter E. Long Park, Travis County Expo Center, and Spirit of East Austin projects.
- Negotiate acquisition of Palm School for use of public and civic space and, if successful, provide Council with funding options for the purchase.
- Obtain relevant information on whether or not to make a decision to expand or renovate the Convention. These options should be explored working with the Center for Sustainable Development at the University of Texas.

This is an update and not a final report. Staff recognizes both the interconnectedness and independence of the various areas and will continue to brief Council on issues as they become ready for consideration. I want to thank staff from PARD, Convention Center, Budget, Development Services, Economic Development, Law and Watershed departments for their work on this matter.

Staff Update on Resolution 20170928-052 related to downtown and other community projects

I. Continue the Staff Process to Expand the Waller Creek TIF and present options for a PID for park maintenance

Interim CFO Greg Canally is leading the effort on analyzing the potential projects and impact of a TIF expansion. Further analysis is needed on the PID. After the analysis is completed, staff will brief Council regarding the feasibility of funding the capital projects included in the design plan for the Waller Creek park system previously approved by Council. An update is anticipated in the early Spring 2018.

II. Identify financial options to support expansion of the Emma S. Barrientos Mexican Cultural Center (ESB-MACC)

The Parks and Recreation Department continues to engage the community and the ESB-MACC Board in an effort to plan the final phases of the ESB-MACC. The following link provides details of the master plan to date <https://www.austintexas.gov/department/emma-s-barrientos-mexican-american-cultural-center-master-plan>. At this time, the community is indicating support for a plan that has a first phase that would be eligible for GO (General Obligation) Bonds or CO (Certificates of Obligation). The next phase could be eligible for HOT (Hotel Occupancy Tax) if it could legally be considered to be part of the Convention Center expansion project.

The first part of the ESB-MACC expansion is reflective of the community input and desire for additional amenities to meet community programming and event needs increased classroom and gallery space as well as improvements to the site such as the installation of shade structures and the development of a “gran entrada” at the entrance along Rainey Street. The GO Bond is an appropriate funding source and certificates of obligation, or non-voter approved property tax backed debt, could be a source of funding if Council waives the City’s Financial Policies. Staff does not recommend that these financial policies be waived. The relevant financial policies can be found on page 834, Volume II of the City’s Budget (see link here) https://assets.austintexas.gov/budget/17-18/downloads/FY18_Proposed_Budget_Vol_2.pdf).

The next phase of expansion envisions a new performing arts theater. There is potential for alignment with the Austin Convention Center Department (ACCD), which is in close proximity to the ESB-MACC. Staff’s goal for this master planning effort is to first identify the minimum space and capacity of a performing arts venue for the ESB-MACC based on input from the artistic community and ESB-MACC patrons, at the same time, articulate the potential for an ACCD partnership that may result in a larger facility. This strategy allows our planning team to engage deeply with the artist community and patrons of the ESB-MACC and ensure that their needs are identified and documented. It also allows for creative financing options, such as Hotel Occupancy Tax revenue, in the future. The community will need to be engaged in the future to evaluate and gauge partnership opportunities with the ACCD that may include HOT financing. The final meeting for the ESC-MACC master plan process takes place in January and will be followed by presentations to boards, commissions, and Council with an anticipated adoption date in March, 2018.

III. Options for a funding stream for homelessness initiatives

Interim Assistant City Manager Sara Hensley is leading the efforts to coordinate a comprehensive and coordinated approach concerning the issues related to homelessness; to include the allocation of financial resources. Her most recent November 28, 2017 memo to Council provided an update on the cross-functional team effort and strategy. Below is a link to that memo.

<http://www.austintexas.gov/edims/pio/document.cfm?id=288719>

As part of the analysis of funding streams, staff will continue to research and evaluate various options such as a TIF, bonds or Tourism Public Improvement District (TPID). Staff previously briefed Council on the proposal by hotels to establish a TPID. A TPID is a voluntary assessment agreed upon by hotel and motel properties. These properties must agree to pay a TPID assessment fee on net occupancy receipts from sleeping rooms that are subject to Hotel Occupancy Tax. These funds may be used by the district to benefit the hotels and tourism.

In general, if the TPID is approved by Council, the proponents of the TPID have indicated that 20% of the TPID funding would come directly to the City for projects that benefit the hotels and could provide funding for homelessness initiatives that improve public health and safety around the hotels. The proponents of the TPID have also indicated another 20% would be made available to the Austin Convention Center to use in ways that initially benefit the hotels and subsequently the homeless. Further development of the comprehensive strategy on homelessness is needed to determine the most appropriate funding option for this initiative.

IV. Identify financial options such as HOT, GO bonds or other financing mechanisms that will address historic inequities in the Eastern Crescent such as Walter E. Long Metropolitan Park, Travis County Expo Center and the Spirit of East Austin initiatives

The Budget Office is in the process of reviewing a list of projects identified by Council through various resolutions and departments through the Spirit of East Austin and other efforts. I anticipate the inter-departmental team will complete their comprehensive evaluation prior to January 31, 2018 and will be able to update the council upon completion. Additionally, as part of the Walter E. Long Metropolitan Park Master Plan, Parks & Recreation and Economic Development have partnered to analyze whether non-recreational development could complement the recreational uses envisioned for the Park, support broader economic development interests of the region as well as potentially providing funding for Park improvements and services.

Discussions about development opportunities around the Travis County Expo Center continue to evolve. Council previously requested information regarding whether expanding the Travis County Expo Center would qualify as a Convention Center to allow the City to adopt the additional HOT tax under the City's taxing ability to pay for expansion of that facility.

While the Tax Code does not provide a definition of "existing convention center", in Section 351.1015(a)(5), a "qualified project" is defined to be:

(5) "Qualified project" means:

(A) a convention center facility; or

(B) a multipurpose arena or venue that includes a livestock facility and is located within or adjacent to a recognized cultural district, and any related infrastructure, that is:

(i) located on land owned by a municipality or by the owner of the venue;

(ii) partially financed by private contributions that equal not less than 40 percent of the project costs; and

(iii) related to the promotion of tourism and the convention and hotel industry.

Additionally, the multipurpose arena section is limited by a population bracket in the statute:

(b) This section applies only to a qualified project located in a municipality with a population of at least 650,000 but less than 750,000 according to the most recent federal decennial census.

The Travis County Expo Center is not a convention center, and fits more within the definition of an “other qualified project”. The Travis County Expo Center is not located within or adjacent to a recognized cultural district, nor was it partially financed by private contributions that equal not less than 40% of the project costs. Further it is not located in a municipality that meets the population limit. Therefore, it is staff’s understanding it is unlikely the Attorney General’s Office would approve bonds to improve the Expo Center if those bonds are backed by the increase in hotel occupancy taxes authorized for convention center expansion or other qualified projects.

There is potential for voter approved Venue funding for the Travis County Expo Center under Chapter 334 of the Local Government Code. However, section 334.2515 of Chapter 334 currently prohibits the use of HOT as a funding source for a venue on parkland. Chapter 334 provides various other funding sources that might be available for projects at the Travis County Expo Center and those should be explored in the context of the specific projects.

V. Negotiate acquisition of Palm School for use of public and civic space and provide council with funding options if the County is interested in selling

County staff has indicated the Commissioners Court awarded a contract for a Historic Structures Report and Site Reuse Assessment with Antenora Architects and their affiliates on August 1, 2017. The scope of that contract includes; a detailed assessment of Palm School’s history, structural information, a conditions assessment, accessibility issues, code review, an archaeological report, and a multi-scenario site reuse assessment. This effort will help the County understand the building, its integrity, and it’s potential. The study is expected to be completed in early 2018. The Historic Structures Report and Site Reuse Assessment report is intended to inform a broader discussion about the building’s future, potential uses, and potential partnerships.

According to County staff, the County’s objective will be to receive significant financial return for the high-value site while ensuring historic preservation and providing a community benefit. The County may opt to do so through a competitive RFP process or through a deed-restricted sale of the site.

VI. Obtain relevant information on whether or not to make a decision to expand or renovate the Convention Center and explore design options working with the Center for Sustainable Development at UT and RFI process inviting designs or other processes

On December 14, 2017 Council authorized an interlocal agreement with the University Of Texas School Of Architecture's Center for Sustainable Development. The work will:

- Synthesize previous assessments of the Convention Center to include work products and public testimony
- Review scholarship of best practices
- Create an economic model to assess the current state of the Convention Center as well as the contributions of a renovated/recompensed/expanded Convention Center to the local economy under different financial structures
- Analyze the competitive position, business model, and financial performance of the Convention Center among peer facilities
- Identify constraints on building size
- Identify a range of physical/spatial planning alternatives for reconfiguration or expansion of the Convention Center
- Assess the spatial, economic, and social impacts of each component

Additionally, bond counsel has advised that the Convention Center must actually be expanded and become larger to meet the definition of expansion of a Convention Center thus authorizing Council to adopt the additional tax to pay for such expansion. Thus, if Council desires to increase the Hotel Occupancy Tax for projects that are part of the expansion, the Convention Center must be physically expanded.

Next Steps

Staff will continue to work on these initiatives and provide an update to Council during or after February 2018.

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