

RESOLUTION NO. 20050428-043

WHEREAS, the City Council wishes to promote economic development and prosperity for residents of East Austin, which area has historically lagged behind the rest of the City in jobs and income; and

WHEREAS, the Community Preservation and Revitalization program, attached as Exhibit A, would have positive economic effects, including the creation of jobs, investment, and affordable housing, in the area of East Austin bounded by I-35 from Manor Road to Riverside Drive, Riverside Drive from I-35 to SH 71, SH 71 from Riverside Drive to US 183, US 183 from SH71 to Manor Road, and Manor Road from US 183 to I-35, and in the City as a whole; and

WHEREAS, the program includes a component intended to offset unintended negative side effects of the program on long time East Austin business owners, under which qualifying business owners could receive economic development assistance; and

WHEREAS, the program is intended to promote local economic development and stimulate business and commercial activity in East Austin, as authorized under Texas Local Government Code Chapter 380 and other applicable law; **NOW THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

- (1) The above recitals are adopted as findings.
- (2) The Community Preservation and Revitalization Zone program ("CP&R Zone") attached as Exhibit A, a program for economic and community development for the area of East Austin bounded by I-35 from Manor Road to Riverside Drive, Riverside Drive from I-35 to SH 71, SH 71 from Riverside Drive to US 183, US 183 from SH71 to Manor Road, and Manor Road from US 183 to I-35, is hereby adopted, with the following changes:
 - (a) Set a minimum number of affordable units that must be provided in order for mixed-use projects to qualify for incentives:
 - i. For projects that include at least 7500 sq. ft. of commercial space, the greater of one (1) residential unit or 10% of the total units must be provided at 65% MFI;
 - ii. For projects that include at least 15,000 sq. ft. of commercial space, the greater of three (3) residential units or 10% of the total units must be provided at 65% MFI; and
 - iii. For projects that include at least 30,000 sq. ft. of commercial space, the greater of five (5) residential units or 10% of the total units must be provided at 65% MFI.

- (b) For commercial-only projects, set a minimum wage of \$10/hr. for the jobs that must be created in order to qualify for incentives.
- (c) Instead of establishing a Homeowner Assistance Fund for the CP&R zone, establish a Small Business Assistance Fund for the CP&R Zone, target the financial assistance from the Small Business Assistance Fund to small businesses that have operated within the CP&R Zone for at least 5 years, and initiate a public process to determine the eligibility criteria for the program and to identify the types of activities that may be funded by this program.
- (d) Change the financial incentives for mixed-use projects as follows:
 - i. For projects with at least 7,500 sq. ft. of commercial space and meeting the affordable housing criteria, applicants would be eligible for a property tax refund of 50% if they agree to contribute an amount equal to 20% of their refund to the Small Business Assistance Fund;
 - ii. For projects with at least 15,000 sq. ft. of commercial space and meeting the affordable housing criteria, the applicant would be eligible for a property tax refund of 75% if they agree to contribute an amount equal to 20% of their refund to the Small Business Assistance Fund; and
 - iii. For projects with at least 30,000 sq. ft. of commercial space and meeting the affordable housing criteria, the applicant

would be eligible for a property tax refund of 100% if they agree to contribute an amount equal to 20% of their refund to the Small Business Assistance Fund.

- (e) Change the financial incentives for commercial-only projects as follows:
 - i. For projects creating between 25 and 49 jobs for residents of the zone, the applicant would be eligible for a property tax refund of 50% if they agree to contribute an amount equal to 20% of their refund to the Small Business Assistance Fund;
 - ii. For projects creating between 50 and 99 jobs for residents of the zone, the applicant would be eligible for a property tax refund of 75% if they agree to contribute an amount equal to 20% of their refund to the Small Business Assistance Fund; and
 - iii. For projects creating 100 or more jobs for residents of the zone, the applicant would be eligible for a property tax refund of 100% if they agree to contribute an amount equal to 20% of their refund to the Small Business Assistance Fund.
- (f) Add a requirement that states that if Travis County provides financial incentives to a project that is receiving support from the City through the CP&R Zone program and the level of incentives

provided by Travis County is equal to or greater than the level of incentives provided by the City, then the applicant will agree to contribute an amount equal to 20% of their combined Travis County/City refund to the Small Business Assistance Fund.

- (3) The City Manager is directed to include the following provisions when developing the regulations governing the administration of the CP&R Zone program:
 - (a) allow projects to be phased such that the entire development does not need to commence at once as long as (i) the various phases being developed are contiguous to each other and (ii) the applicant agrees to refund the financial incentives if future phases do not occur according to an agreed upon schedule; and
 - (b) specify that commercial uses that occupy greater than 75,000 sq. ft. of space are not eligible for financial incentives through the CP&R Zone program, however, other businesses that are part of a development project that includes such a commercial use may qualify for incentives as long as they meet the eligibility criteria (but do not occupy greater than 75,000 sq. ft. of commercial space).
- (4) The City Manager is directed to prepare administrative regulations for the CP& R Zone program, to implement and administer the program, and return to Council as necessary for approval of any items for implementation of the program.

- (5) The City Manager is directed to pursue the following strategies relating to the development and preservation of affordable housing within the CP&R Zone:
- (a) to preserve public investments and recycle affordability in the CP&R Zone by adopting a tax abatement policy to mitigate gentrification pressures, by creating a community land trust for the CP&R Zone and by strengthening restrictive covenant language in order to protect our public investments relating to affordable housing;
 - (b) to identify other types of incentives that may promote the development of affordable housing (such as utility reimbursements and/or density bonuses);
 - (c) to remove existing regulatory barriers to housing affordability to enhance SMART Housing requirements and lessen the impact of other development regulations.
- (6) The City Manager is directed to determine the feasibility of targeting funds from existing housing and community development funding sources to the CP&R zone, including but not limited to the programs listed below:
- (a) the general fund allocation for affordable housing;

- (b) the Neighborhood Commercial Management Program;
 - (c) the Rental Housing Assistance Program; and
 - (d) general obligation bonds for affordable housing.
- (7) The City Manager is directed to determine the feasibility of utilizing funds from existing economic and community development programs for the purpose of:
- (a) establishing a business directory for businesses located within the boundaries of the CP&R Zone; and
 - (b) conducting a survey of businesses located within the CP&R Zone in order to determine the greatest areas of need in terms of the management and operations of these businesses.
- (8) The City Manager is directed to determine the feasibility of enhancing the SMART Housing requirements for projects that are developed within the boundaries of the CP&R Zone in order to provide residential units at 65% MFI to receive benefits under the program.

- (9) The City Manager is directed to report back to the City Council on the implementation of items 5 through 8 within 90 days.

ADOPTED: April 28, 2005

ATTEST: Shirley A. Brown
Shirley A. Brown
City Clerk

EXHIBIT A

East Austin Community Preservation and Revitalization Zone Program

Purpose

The City wishes to create an economic development program under authority of Chapter 380 of the Texas Local Government Code for the area bounded by I-35 from Manor Road to Riverside Drive, Riverside Drive from I-35 to SH 71, SH 71 from Riverside Drive to US 183, US 183 from SH71 to Manor Road, and Manor Road from US 183 to I-35 ("the Zone").

This program is an additional component of the City's existing economic development program, and is intended to encourage economic development in an area of East Austin, which has traditionally lagged behind the rest of the city in benefiting from economic prosperity as Austin's economy has grown.

Criteria for consideration of a project for the East Austin Economic Impact Zone program benefits are shown below. One goal of the program is to increase jobs, wealth and investment in this area of East Austin. It is reasonable to assume that property values, and therefore taxes and other expenses may rise. In order to mitigate the possible unintended negative side effect of increases in taxes and other costs on long-time homeowners in the area, an additional component of the program is proposed. As a condition of receiving the proposed economic development incentives for investment in the area, the recipient of incentives would be required to pay an amount equal to 10% of what their city tax would have been without the incentives, to a "Homeowners' Assistance Fund", to be administered by the City. Qualified homeowners would then be eligible to request assistance from this fund in the form of utility payment vouchers.

Incentives for Economic Development

Two types of development qualify for incentives:

- Developers of mixed-use projects receive property tax refunds based on the number of commercial square feet and number of residential units within the project (see table below). It is anticipated that some form of design guidelines will be incorporated in order to evaluate these projects.
- Firms locating in the Zone receive property tax refunds based on the number of jobs provided for residents of the designated zone.

All development projects would also be required to be consistent with the City's adopted Neighborhood Plan for the area for which the development is proposed.

Developers building mixed-use projects or providing jobs for Zone residents will receive a refund of City property taxes of up to 85% over a 10-year period, depending on the size of the project or number of jobs produced. It is also proposed that as an additional condition of the economic development incentives, developers be required to contribute to the Homeowners' Assistance Fund an amount equal

to 10% of what unabated City taxes would have been. Below is an illustration of example projects in each size category:

Incentive Guidelines - Mixed Use Projects	Incentive Guidelines - Commercial/Office	(1) Percentage of City Tax Rebated for a 10 Year Period	(2) Estimated Value of Example Project	(3) Total Property Tax	(4) City's Portion of Property Tax	(1) X (4) City Tax Abated Annually	(4) X .10 = (5) 10% of City Taxes to HAP Fund	(6) No. of Projects Needed to Reach Target 1	(7) No. of Projects Needed to Reach Target 2
7,500 sf new comm. space*	25 - 49 jobs for Zone residents	35%	3,405,000	91,097	16,780	5,873	1,678	33	67
15,000 sf new comm. space*	50-99 jobs for Zone residents	60%	5,730,000	153,300	28,237	16,942	2,824	20	40
30,000 sf new comm. space*	100+ jobs for Zone residents	85%	9,180,000	245,602	45,239	38,453	4,524	12	25

* 10% of living units reserved for tenants at 65% MFI

(1) Percentage as stated in Program Guidelines

(2) Assumptions: Comm. cost psf of \$150, resid. cost psf of \$120
1,000 sf per living unit
19 living units in tier I, 29 tier II, 39 tier III.

(3) Estimated Value of Project multiplied by 2.6754, total property tax rate.

(4) Estimated Value of Project multiplied by .4928, City's property tax rate.

(6) Target 1 = funding needed so that the program is able to provide assistance equal to the difference between their current taxes and their 2004 taxes.

(7) Target 2 = funding needed so that the program is able to provide assistance equal to the difference between their current taxes and their 2004 taxes doubled.

Note 1: Tax rebate calculations are based on assumed increase in value of entire project (commercial + multifamily)

Note 2: The City does not provide rebates for 100% retail projects.

Homeowner Assistance

Property owners, living in the Zone for at least ten years and at 50% or below median family income, are eligible for benefits in the form of utility vouchers equal to two times the difference between the current year's taxes and the 2004 taxes.

Quantification of the Homeowner Assistance Provided

Basis of Calculations

- Of the total property tax bill, consisting of AISD, City of Austin, Travis County, and Austin Community College assessments, the *City of Austin portion represents 18.4%*.

- The average home value of qualifying homeowners is estimated to be \$69,000.
- The average City tax bill of qualifying homeowners is estimated to be \$340.
- The number of eligible individuals is estimated to be 2,200.

By law, an individual's assessed property value may only increase by 10% per year, and taxes are frozen for homeowners over the age of 65. Applying a 10% assessed value increase, and assuming a constant tax rate, the average annual increase in the City tax bill is estimated to be \$34. Using an estimated 75% participation rate for qualifying residents, the number of participants would be 1,650. To reach Target 1, total dollar amount distributed would then be \$56,100 (1,650 participants multiplied by \$34).