



City of Austin

MEMO

Neighborhood Housing and Community Development

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Date: May 8, 2012

To: Mayor and Council Members

From: Betsy Spencer, Director

Subject: 11th and 12th Street Urban Renewal Area:
Market Study and Development Strategy

This memorandum serves as an update to the Market Study and Development Strategy for the 11th and 12th Street Urban Renewal Plan Area completed by Economic & Planning Systems (EPS) for the Neighborhood Housing and Community Development Office (NHCD) on March 5, 2012.

A component of the study was recommendations on the disposition of land owned by the Urban Renewal Agency (URA) as well as the City of Austin owned properties, specifically to *offer publicly-held land for development or disposition as soon as possible*. NHCD staff and the Urban Renewal Board (URB) have begun to evaluate the property disposition recommendations, along with the other recommendations in the Development Strategy. This evaluation will include determining federal and state requirements related to this matter. In addition, at the April meeting of the URB, Board Members requested their legal counsel explore how they could legally dispose of properties and whether disposition would require a competitive bid process.

Urban Renewal Agency (URA) Legal Counsel has advised that the URA may not sell property within the Urban Renewal area to a private person without a competitive bid procedure. Texas Local Government Code Section 374.017 regulates the disposition of property within the urban renewal area. If the URA were to transfer ownership of the property to the City, the City would still be obligated to follow the bidding procedures outlined in Local Government Code Section 374.017. This is because the property would still be located within the urban renewal area; and all land within the urban renewal area is required to be disposed of pursuant to LGC Section 374.017 regardless of whether title is in the name of the City or the URA.

LGC Section 374.017 also allows a municipality to sell property to a nonprofit organization without complying with the notice and bidding requirements as long as the organization agrees to use the property in a manner that promotes a public purpose of the municipality. If the nonprofit fails to use the property in that manner, ownership of the property reverts back to the municipality. The sale must be for fair market value as determined by the municipality or the URA. State law requires the purchase price to be paid in cash for property sold to either a private person or a nonprofit.

Recent guidance from the U.S. Department of Housing and Urban Development (HUD) may require immediate development or repayment of all funds expended on the property of some of the properties within the URP due to the length of time the property has been held without development. If immediate development is not feasible and it is determined that repayment will be necessary then the property will need to be sold without federal restrictions to fund the repayment. If sale of the property is necessary, property purchased with federal funds must be sold for appraised value and all proceeds, including any equity received, returned to HUD.

Property disposition may include the following:

1. Development by NHCD or AHFC;
2. Cash sale to a nonprofit for a public purpose and in compliance with federal requirements;
3. Request for proposals for the sale and development of the property with restrictions;
4. Request for proposals for the sale of property without development restrictions.

NHCD staff will continue to work with the URB on developing a work plan that will include the disposition of URA and City of Austin property in the Urban Renewal Plan area. In addition, staff will be bringing forward an item for Council consideration in August as a follow up action to the East 11th and 12th Street Development Strategy, providing time for the Urban Renewal Board to be briefed and provide comment.

Near term next steps are as follows:

1. Determine appropriate disposition of all properties and make recommendations for disposition of URA properties to the URB;
2. Amend the Urban Renewal Plan to remove Austin Revitalization Authority (ARA) and insert current plan modification process;
3. Finalize Request for Proposal Matrix for competitive bid on URA properties;
4. Combine Urban Renewal Plan (URP) and amendments into one document;
5. Combine 11th and 12th Street Neighborhood Conservation Combining District (NCCD) and amendments into one document.
6. Begin the process of reconciling 11th Street URP with 11th Street NCCD.

Please let me know if you have any questions. Thank you.

cc: Bert Lumbreras, Assistant City Manager
Deborah Thomas, Division Chief, Law Department