



# Update on Interlocal Agreement (ILA) Lone Star Rail District (LSRD)

Financial Services Department  
October 22, 2013 – Council Work Session  
Council Resolution 20130829-077



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# Agenda

- Resolution 20130829-077 – Direction from Council
- LSRD Proposed Interlocal Agreement – the “ASK”
- LSTAR Operating Cost Forecast
- LSRD Proposed Interlocal Agreement – Framework
- Austin’s Points of Disagreement
- LSRD Proposed Austin Station Zones (TIZ)
- Next Steps





# Resolution 20130829-077

- Council supports CAMPO Transit Working Group's regional vision
- Directs City Manager to work with Lone Star Rail District (LSRD) and Capital Metro Transportation Authority to **develop interlocal agreement and ordinances to provide value capture revenue** from station areas within Austin
  - LSRD's consideration - include Austin's stations in rail project's environmental impact study for Federal approval in a Record of Decision
  - Allow time for adequate consideration and public input for Council action prior to December 31, 2013 decision goal
- Directs City Manager to create a restricted fund to retain value capture revenue to be **disbursed only if LSRD's passenger rail system becomes operational**
- **City support conditional upon support by other Central Texas local jurisdictions** via adopted resolutions provided by LSRD on or before October 31, 2013



# LSRD Proposed ILA – the “ASK”

- Begin setting aside property tax revenue prior to rail system development
- Funding “ASK” expanded from operations to all project costs
- Value capture (Tax Increment Financing) revenue from zones
  - 50% increment within 1/2 mile radius for 6 stations and 1/4 mile radius for Seaholm station
  - TIF now, but economic development would occur later and may be natural growth or rail stimulated growth
- LSRD to manage value capture revenue in Tax Increment Fund
- New “ASK” adds station parking revenue as funding source
- 40 year term with automatic 40 year renewal, unless Year 39 opt-out exercised



# LSTAR Operating Cost Forecast

Service Level *	Initial (2018)	Base (2023)	Full (2028)
Small cities	\$ 10.56 M	\$ 19.57 M	\$ 33.78 M
Central Texas	\$ 10.56 M	\$ 19.57 M	\$ 33.78 M
South Central Texas	\$ 10.56 M	\$ 19.57 M	\$ 33.78 M
<b>Total</b>	<b>\$ 31.68 M</b>	<b>\$ 58.70 M</b>	<b>\$ 101.33 M</b>

- LSTAR operating cost forecast
  - 1/3 from Austin/Travis County/Austin College District
  - 1/3 from San Antonio/Bexar County
  - Remaining 1/3 from smaller counties/cities
- Value Capture “ASK” = \$10.56M total for Central Texas in 2018 from City of Austin, Travis County, Austin College District

\* Service Level - Cost escalated at 2.5% annually.

M = Million



# LSRD Value Capture Estimate

Service Level *	Initial (2018)	Base (2023)	Full (2028)
City of Austin	\$ 0.865 M	\$ 3.191 M	\$ 6.709 M
Travis County	\$ 0.860 M	\$ 3.173 M	\$ 6.672 M
Austin College District	\$ 0.164 M	\$ 0.603 M	\$ 1.269 M
<b>Total</b>	<b>\$ 1.889 M</b>	<b>\$ 6.967 M</b>	<b>\$ 14.650 M</b>

- Value capture estimate provided by LSRD
- Based on LSRD “ASK” for 50% value capture
- Rail Influenced Growth = revenue from property value growth within ¼ mile of LSRD stations attributed to LSRD rail service
- Non-Rail Influenced Growth = revenue from normal growth



# LSRD Proposed ILA – Framework

- Interlocal Agreement for approval of “**Parties**” in each County
- **Transportation Infrastructure Zone(s) or TIZ** created under Transportation Code to provide value capture
- LSRD - Governing body for project, zone, schedule, operations
- Local funding from Tax Increment Financing (TIF) value capture (property tax, sales tax), other revenues, in-kind contributions
  - “**Pay as you go**” funding
  - LSRD to manage value capture revenue in Tax Increment Fund
  - Funds all project costs, including administrative and operating
- May amend zone and station locations when final per National Environmental Policy Act (NEPA) requirements



# Austin's Points of Disagreement

Council direction - Retain funds in restricted, City account to use for O&M costs only when rail system "becomes operational"

- LSRD Proposed ILA conflicts with Council direction
  - LSRD "ASK" - retain and manage Tax Increment Fund
  - LSRD "ASK" - use Tax Increment Fund **prior to** rail operations
- LSRD value capture "ASK" is unlike other City TIFs which are based on economics of zone
  - Economic studies not expected to support 50% value capture
- New "ASK" adds station parking revenue as funding source and expands funding request beyond O&M costs
- Term of 40 years, with automatic renewal of 40 years
- TIZ legislative guidance is brief; no public process required

Some of many issues staff continues to work on with LSRD



# LSRD Proposed ILA – Zone Governance



Governance	LSRD "ASK"	Points of Disagreement
<p>TIF District or Zone Board</p> <p>Zone Management</p>	<ul style="list-style-type: none"> <li>• LSRD Board serve as Zone Board</li> <li>• LSRD responsibility                             <ul style="list-style-type: none"> <li>• Manage Project</li> <li>• Manage Zone or TIZ</li> <li>• Manage Tax Increment Fund</li> <li>• Determine schedule and operations of transportation improvements</li> </ul> </li> <li>• Create Zone Advisory Board</li> </ul>	<ul style="list-style-type: none"> <li>• LSRD Board has broad powers</li> <li>• COA limited to one seat on LSRD Board and one on Zone Advisory Board</li> <li>• Austin College District (Party to ILA) not currently on LSRD Board</li> <li>• For existing City TIFs, City Council appoints Zone Board</li> </ul>

# LSRD Proposed ILA – Defined Terms



Definitions	LSRD “ASK”	Points of Disagreement
Project Costs	<p>Project costs defined as:</p> <ul style="list-style-type: none"> <li>• Capital costs for Project Plan</li> <li>• <b>Operating &amp; Maintenance (O&amp;M) costs</b> of transportation improvements</li> <li>• Financing costs for debt</li> <li>• Real estate cost</li> <li>• Professional services costs</li> <li>• <b>Administrative costs</b> (legal review, financial analysis, and other costs related to Zone)</li> <li>• Operating costs of Zone and Project</li> <li>• Organizational costs</li> <li>• Other necessary payments</li> <li>• Reasonable reserves</li> </ul>	<ul style="list-style-type: none"> <li>• O&amp;M and administrative costs in Project Costs, not separate</li> <li>• Project Connect conceptual proposal was local funding of O&amp;M costs</li> <li>• <b>New “ASK” expands request for funding beyond O&amp;M costs</b></li> <li>• Use of local funds for Zone administrative costs <b>before</b> rail operations begin</li> <li>• LSRD “ASK” conflicts with Council direction – Retain in restricted, city account for <b>use for O&amp;M costs only</b> when rail system “becomes operational”</li> </ul>

# LSRD Proposed ILA – Local Funding



Source	LSRD “ASK”	Points of Disagreement
Property Tax Value Capture	<ul style="list-style-type: none"> <li>• 50% of tax increment in Zone</li> <li>• Excludes existing single family and duplex residential</li> <li>• Honors pre-existing economic development agreements</li> <li>• Prorate undeveloped properties until subdivided</li> <li>• Tax exempt parcels added when privately developed</li> </ul>	<ul style="list-style-type: none"> <li>• Zone economic studies not expected to support 50% value capture</li> <li>• Difficult to determine if increased value due to natural growth or rail stimulated growth</li> </ul>
Parking Revenue	<ul style="list-style-type: none"> <li>• 50% of parking meter revenue ¼ mile from station in Zone</li> </ul>	<ul style="list-style-type: none"> <li>• <b>New “ASK” for COA</b></li> <li>• LSRD “ASK” conflicts with Council direction for value capture only</li> </ul>
Economic Development Agreements	<ul style="list-style-type: none"> <li>• Existing economic development agreements in zone honored</li> <li>• New agreements would be subordinate to TIZ</li> </ul>	<ul style="list-style-type: none"> <li>• Limits COA’s economic development abilities on current and future agreements in the Zone</li> <li>• No reduction in rail value capture</li> </ul>

# LSRD Proposed ILA – Use of Local Funds



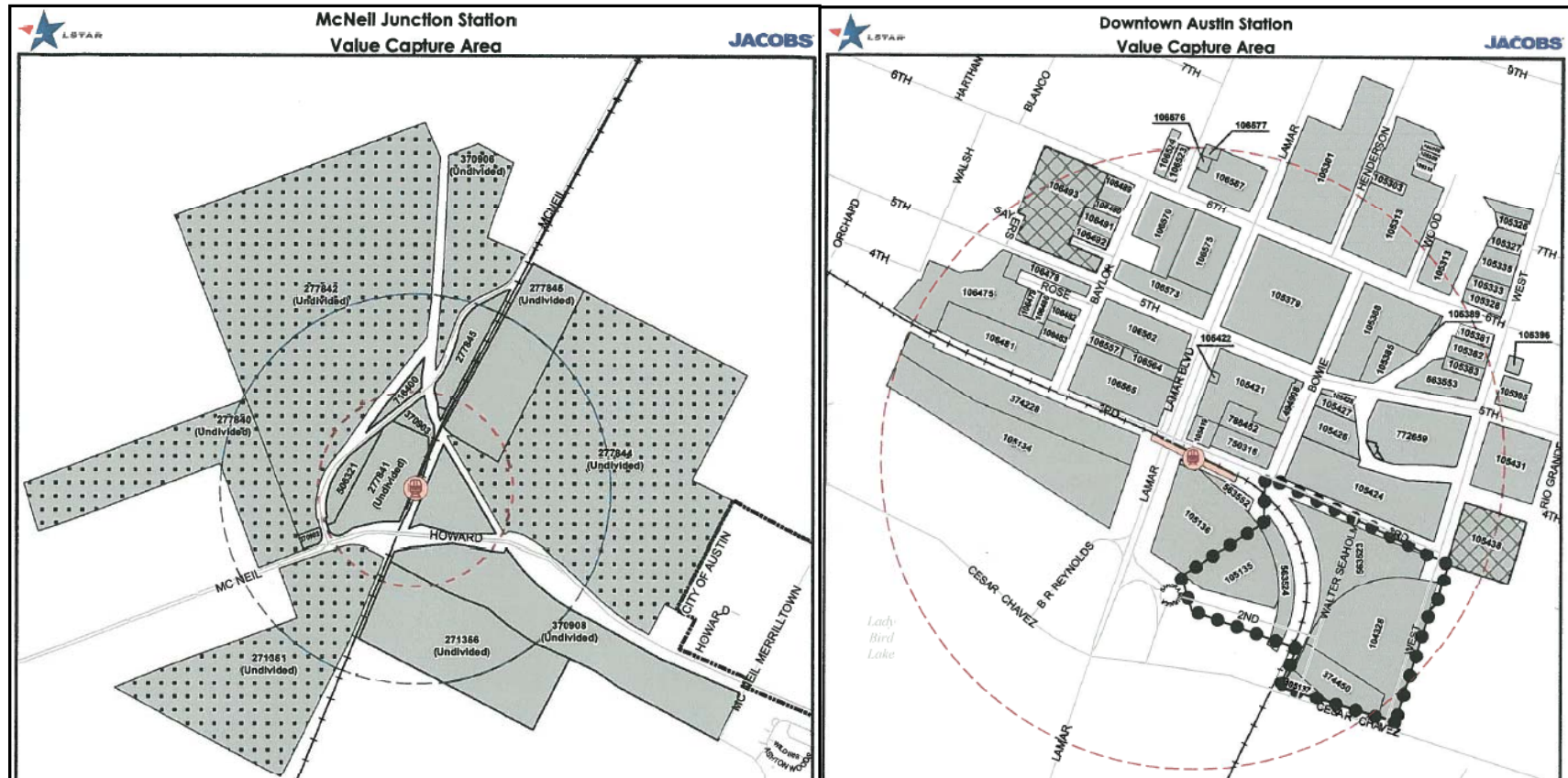
Value Capture	LSRD “ASK”	Points of Disagreement
Tax Increment Fund	<ul style="list-style-type: none"> <li>• One Tax Increment Fund managed by LSRD</li> <li>• Alternative offered - consider escrow account held by a trustee directed by LSRD</li> </ul>	<ul style="list-style-type: none"> <li>• LSRD “ASK” conflicts with Council direction – <b>Retain in restricted, city account</b> for use for O&amp;M costs only when rail system “becomes operational”</li> <li>• COA wants control of its funds</li> <li>• Co-mingles all local funding in one Tax Increment Fund</li> <li>• Project Connect conceptual proposal was local funding of O&amp;M costs</li> <li>• <b>New “ASK” expands request for funding beyond O&amp;M costs</b></li> <li>• Use of local funds for Zone administrative costs <u><b>before</b></u> rail operations begin</li> </ul>

# LSRD Proposed ILA - Term



Set-Up and Administration	LSRD "ASK"	Points of Disagreement
Term of TIF/TIZ	<ul style="list-style-type: none"> <li>• 40 years</li> <li>• Year 39 any party may give opt-out notice</li> <li>• If no Year 39 notice, <b>automatic extension for additional 40 years</b></li> <li>• Potential 80 year term</li> </ul>	<ul style="list-style-type: none"> <li>• 40 year term and extension considered too long</li> <li>• Need plan for self-sufficient rail operations by Year 40, then value capture revenue can return to local government</li> <li>• Existing City TIFs – term tied to debt issuance provides a natural end (30 years or less with no extension)</li> </ul>
Withdrawal of Funds and Suspension	<ul style="list-style-type: none"> <li>• Request refund if funds not paid out or committed for Administrative or Project Costs after six (6) years following zone approval</li> <li>• May withdraw funds held longer than six years</li> </ul>	<ul style="list-style-type: none"> <li>• ILA allows funding of Administrative costs <b>prior to</b> rail operations which would occur in initial six year period</li> </ul>

# LSRD Proposed Austin Station Zones (TIZ)



- Zone may include parcels outside ¼ or ½ mile radius
- Increment excludes single family or duplex residential in Zone when created
- If single family rezoned, value capture added and backdated to Zone creation
- Undivided – Pro-rate until subdivided, then include in Zone
- If tax-exempt property becomes taxable, include in Zone



# Next Steps

- Continue negotiations on interlocal agreement
- Lone Star Rail District to provide
  - Draft Project Plan – Project description and estimated cost
  - Zone economic studies for value capture
  - Adopted Resolutions of other Central Texas local governments indicating support of CAMPO Transit Working Group's regional vision on or before October 31
- Timeline
  - Council asked staff to provide draft interlocal agreement to Council on November 4
  - Council consideration and public input for Council action prior to December 31, 2013 decision goal
    - Council Meeting Dates – November 7 & 21, December 12



## *Questions / Discussion*

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