



**TO:** Mayor and Council Members

**FROM:** Greg Canally, Interim Chief Financial Officer *gdc*

**DATE:** July 6, 2017

**SUBJECT:** Update to Financing for Downtown Projects – “Downtown Puzzle”

---

On February 9, 2017, City Council passed a resolution (20170209-033) directing the City Manager to provide financial information for certain Downtown project areas, provide an overall economic assessment of the eastern area of Downtown, and provide assessments related to potential funding options for furthering the goals of the City Council for enhancing the Downtown district.

Hotel Occupancy Tax and Tourism Public Improvement District

Two key elements of this “Downtown Puzzle” are the use of Hotel Occupancy Tax (HOT) and the creation of a Tourism Public Improvement District (TPID). At the February 7, 2017 Council worksession, staff presented to Council several financing concepts related to funding a convention center expansion that included additional project funding that could be available as a result of the expansion for projects such as Palm School, Red River District, nearby historic sites, as well as annual funding available for other allowable uses such as music and historic preservation. The presentation also discussed the possibility of a TPID and how each concept could impact the timing its initiation. The worksession presentation and supplemental information can be found at: <http://www.austintexas.gov/department/city-council/2017/20170207-wrk.htm>. One of the next steps outlined in the presentation was to consider this information in the context of the larger downtown vision, as directed by Council.

This information was also presented to the Visitor Impact Task Force, who recently completed their work and issued their final report. The Task Force report was issued last Friday and can be found at: <http://www.austintexas.gov/edims/document.cfm?id=279988>.

Tax Increment Financing

Another key element to the downtown puzzle is the potential use of Tax Increment Financing (TIF) to fund the adopted Waller Creek Design Plan. There is the potential for additional Waller Creek TIF funding by extending the TIF to 2041. There is also the potential for an expanded or additional TIF that could be used to fund capital or operating needs related to homelessness.

Status

Staff has been analyzing various potential financial components available to address the Downtown projects and initiatives outlined in the resolution. Staff has created an “Initial Financing Framework” for the Downtown Puzzle, attached to this memo, cataloging the potential funding sources and potential investments.

The first section of the "Initial Financing Framework" summarizes funding sources and includes information on how much is available and what type of funding it is (i.e. capital or operating). The second section summarizes investments, what funding sources are being used, and the type of funding source (i.e. capital or operating).

As mentioned above, the main funding sources identified at this stage are from Hotel Occupancy Tax – generating approximately \$610 million in capital funds, and \$8 to \$10 million in additional operating funds; and from Tax Increment Financing for extension of the Waller Creek TIF – generating approximately \$110 million to be used, along with private fundraising, for the Waller Creek Design Plan.

The "Initial Financing Framework" also lays out how a TPID could be utilized as a new operating funding source to address homeless initiatives. We also are analyzing the expansion or creation of an additional downtown TIF to fund capital needs for homelessness.

This "Initial Financing Framework" is a work in progress, and we still have significant additional analysis to conduct over the upcoming months, most importantly refining our estimates on funding sources, as well as conducting an economic assessment framework for the eastern part of Downtown. We expect to have another iteration of this framework complete by the end of September.

Please don't hesitate to contact me if you have any questions.

xc: Elaine Hart, Interim City Manager  
Assistant City Managers  
Mark Tester, Austin Convention Center, Director  
Carla Steffen, Austin Convention Center, Deputy Director

<b>Downtown Puzzle: Initial Financing Framework</b>			
July 2017			
	<b><u>Funding Sources</u></b>	<b><u>Amount</u></b>	<b><u>Type</u></b>
			<b><u>Notes</u></b>
1	Waller Creek TIF - Extend to 2041	\$110 M	Capital
2	Hotel Occupancy Tax (HOT)	\$610 M	Capital
			From Convetion Center Financing Concept "2b"
3	Expanded or New Downtown TIF	\$30 M	Capital
	<b><i>Sub-Total Capital Sources</i></b>	<b><i>\$750 M</i></b>	
4	Hotel Occupancy Tax (HOT)	\$8 M - \$10 M	Operating
			From Convetion Center Financing Concept "2b"
5	Tourism Public Improvement District (TPID)	\$8 M	Operating
			Net avail for City Uses; ramp up period to the full \$8 M
6	Waller Creek Area Assessment	\$1 M	Operating
	<b><i>Sub-Total Operating Sources</i></b>	<b><i>\$17 M to \$19 M</i></b>	
	<b><u>Investments</u></b>	<b><u>Amount</u></b>	<b><u>Type</u></b>
			<b><u>Notes</u></b>
1	Waller Creek Projects	\$110 M	Capital
			matched with fundraising
2	Convention Center Area Expansion	\$560 M	Capital
			From Convetion Center Financing Concept "2b"
	Other Area Improvements	\$ 50 M	Capital
			From Convetion Center Financing Concept "2b"; could include Palm School, Brush Square, MACC, Historic Sites
3	Homeless Initiatives	\$30 M	Capital
			for New one-time Capital Needs; i.e. Housing for Homeless
	<b><i>Sub-Total Capital Investments</i></b>	<b><i>\$750 M</i></b>	
5	HOT Allowable Uses: Music, Historic Preservation	\$8 M - \$10 M	Operating
			From Convetion Center Financing Concept "2b"
6	Homeless Initiatives	\$8 M	Operating
			from TPID
7	Waller Creek Area Assessment	\$1 M	Operating
			for maintenance of linear park
	<b><i>Sub-Total Operating Investments</i></b>	<b><i>\$17 M to \$19 M</i></b>	