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24 **WHEREAS**, in September 2018, City Council approved updated guidelines
25 for the City of Austin’s Chapter 380 economic development incentive program to
26 allow more flexibility to meet a greater variety of community needs throughout
27 Austin that may, in some instances, include access to healthy food retail; and

28 **WHEREAS**, access to food retail is a complex issue that will require multiple
29 tools to address effectively; and

30 **WHEREAS**, the Community Development Block Grant (CDBG) Program
31 provides annual grants that could help incentivize or advance economic development
32 activities in underserved areas, specifically development of grocery stores; and

33 **WHEREAS**, City of Austin Ordinance No. 820401-D (“The Austin Housing
34 and Community Development Block Grant Ordinance”) sets forth requirements and
35 provisions for the administration of CDBG funds received by the City of Austin
36 under the Housing and Community Development Act of 1974 and currently limits
37 the use of these funds for healthy food retail, specifically the use for the development
38 of grocery stores; and

39 **WHEREAS**, City Council passed Ordinance No. 820401-D in 1982 to direct
40 the use of CDBG funds to create and preserve affordable housing in the city in
41 recognition of the constraints and limited resources available at the time; and

42 **WHEREAS**, in 2018, voters approved \$250 million in local funds addressing
43 a critical gap to create capital for affordable housing that includes the developer
44 assistance programs for rental and ownership opportunities in Austin; and

45 **WHEREAS**, voters have approved, to date, about \$380 million in capital for
46 affordable housing programs to address affordable housing needs for low to
47 moderate income residents in Austin; and

48 **WHEREAS**, CDBG funds may be used to finance eligible economic
49 development projects, including microenterprise and small business development;
50 and

51 **WHEREAS**, healthy food retail program activities are likely eligible for
52 CDBG funding under one of the three eligible activities: (1) rehabilitation, (2)
53 special economic development, or (3) microenterprise assistance; and

54 **WHEREAS**, the special economic development activities category may be
55 used for acquisition, construction, or rehabilitation of commercial or industrial
56 properties; and

57 **WHEREAS**, in order to qualify for CDBG funding, the healthy food retail
58 activity must also meet one of the three national objectives: (1) benefit persons of
59 low or moderate income, (2) prevent or eliminate slums or blight, or (3) meet an
60 urgent community development need because existing conditions pose a serious and
61 immediate threat to the health or welfare of the community and other financial
62 resources are not available; and

63 **WHEREAS**, eligible healthy food retail activity's national objective should
64 be to provide funding to retail stores that are located in qualifying low- or moderate-
65 income areas that are primarily residential; and

66 **WHEREAS**, participating jurisdictions on CDBG funding created a 5-year
67 Consolidated Plan that describes how all eligible activities will be carried out
68 through the years; and

69 **WHEREAS**, any substantial change of Ordinance No. 820401-D will require
70 a future change to the 5-year Consolidated Plan; and

71 **WHEREAS**, the City of Houston has been successful in leveraging CDBG
72 funds in order to support the creation of grocery stores in areas designated as food
73 deserts:

- 74 • In 2014, the City of Houston used \$2 million in CDBG funds to make a
75 performance-based grant, a forgivable loan over a 10 year period based on
76 compliance, for the construction of a Pyburn's grocery store to serve
77 Houston's South Union communities.
- 78 • In 2018, the City of Houston used \$5 million in CDBG 108 funds to make a
79 loan to the Houston Housing Finance Corporation (HHFC) to purchase a
80 \$13.8 million site on the Third Ward, along State Highway 288 at MacGregor
81 Boulevard, that was subsequently leased to H-E-B and the remainder of the
82 funds, \$8.8 million, was provided from EDI funds. HHFC continues to own
83 the site and, therefore, provides a tax-exemption for the land. In exchange, the
84 City of Houston and HHFC are receiving a payment in lieu of taxes from H-
85 E-B. The payment is less than the estimated property taxes for the land based
86 on its purchase price.
- 87 • In 2018, the City of Houston used \$800,000 in CDBG funds to make a
88 \$600,000 grant and a \$200,000 loan to Telolapan, a local grocer that is
89 building a store to serve Houston's Fifth Ward community. The grant and loan
90 are used to fund portions of the cost for the grocer's leasehold improvements,
91 fixtures and equipment.

92 **WHEREAS**, other examples of communities utilizing CDBG funding to
93 support access to healthy food retail options include projects in Springfield, Oregon
94 and Greensboro, North Carolina, where they leveraged CDBG funds to support a
95 Regional Food Hub and a Community Co-op; and

WHEREAS, CDBG funds have proven to provide crucial public improvements to communities; and

WHEREAS, attracting and incentivizing new or improved healthy food retail in communities of color and low-income can improve health and economic outcomes in the places that need it the most; **NOW, THEREFORE**,

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

The City Council directs the City Manager to provide a report recommending changes to City of Austin Ordinance No. 820401-D that will eliminate the limitations of the use of CDBG funds for healthy food retail, specifically for the development of grocery stores, in areas with low food access, such as Southeast Austin, among other areas.

BE IT FURTHER RESOLVED:

The City Council directs the City Manager to present the feasibility report back for full City Council consideration on the above topic by November 14th, 2019.

ADOPTED: _____, 2019 **ATTEST:** _____

Jannette S. Goodall
City Clerk