

RESOLUTION NO. 20190919-088

WHEREAS, access to healthy food retailers not only offers opportunities to purchase affordable food and medications, but also serves as an economic anchor, creates local jobs, and captures local dollars within the community, among other economic and community development outcomes; and

WHEREAS, according to the 2012 study, “Searching for Markets: The Geography of Inequitable Access to Supermarkets in the United States,” African-Americans are 2.49 times and Latinos are 1.38 times more likely than Whites to live in neighborhoods without access to a full-service grocery store; and

WHEREAS, the City of Austin has significant areas designated as food deserts based on the United States Department of Agriculture’s (USDA) parameters, particularly located in the Eastern Crescent of Austin; and

WHEREAS, residents in Southeast Austin food deserts have, for over 10 years, expressed a need for a full service grocery store that can provide affordable food, medications, and home products during flexible hours, which could potentially be made available through a partnership with the City of Austin; and

WHEREAS, the Imagine Austin Comprehensive Plan includes creating a Healthy Austin Program to provide incentives for full service grocery stores and farmers markets to be located in underserved areas; and

WHEREAS, one of the Health & Environment Strategic Outcomes the City Council adopted in Strategic Direction 2023 is to implement community-informed initiatives that make healthy and affordable foods easily accessible to all, especially for our vulnerable populations and historically marginalized communities; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, other examples of communities utilizing CDBG funding to support access to healthy food retail options include projects in Springfield, Oregon and Greensboro, North Carolina, where they leveraged CDBG funds to support a 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**,

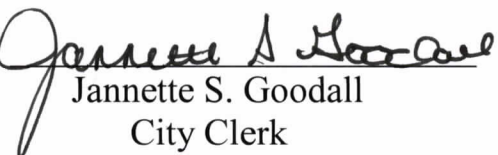
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

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: September 19, 2019

ATTEST: 
Jannette S. Goodall
City Clerk