



## MEMORANDUM

**TO:** Mayor and Council Members

**FROM:** Rodney Gonzales, Assistant City Manager 

**DATE:** November 19, 2019

**SUBJECT:** Update on Resolution No. 20170928-052 and Resolution No. 20190523-029

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This memorandum provides an update for the following:

- Resolution No. 20170928-052 which directed the City Manager to negotiate the acquisition of Palm School for use as public and civic space.
- Resolution No. 20190523-029 which directed the City Manager to negotiate in earnest with Travis County on options for the continued public ownership and operation of the Palm School and surrounding site.

### **Palm School – Background**

Palm School is a historic and culturally-significant site with the core building dating back to 1892. At one time in Austin’s history, it served as a cultural center for the surrounding Latino community. The school has significance to the heritage of the community and is a cultural asset.

### **Dedicated Team**

There is a team dedicated to the City’s efforts to acquire Palm School. The City Manager has assigned me to be the Executive Lead for this effort, and the team draws from the expertise of staff in the Office of Real Estate Services, Economic Development, Finance, and Legal. When and if needed, consultant work will be drawn upon as will expertise from other City departments. This effort is a priority among staff, and the work has been ongoing with a goal to timely develop successful outcomes.

### **Recent Action - Travis County Commissioners Court Approved Restrictive Covenants for Palm School**

On October 29<sup>th</sup>, the Travis County Commissioners Court approved restrictive covenants to be included with the property deed and must be followed by any owner to ensure historic and cultural preservation. The restrictive covenants do not have to be renewed and will be attached to the property going forward. Please see the attached illustration of the Palm School preservation area and no build zone for reference. In general, the restrictive covenants require the property owner to do the following:

- Restore the Palm School Primary Preservation area within five years.
- Maintain the school in perpetuity.
- Not subdivide the property.
- Reserve 80% of the preserved area for public use, either for a community event space, museum, nonprofit office space, artist studio space or educational center.

- Ensure that new construction at the north end of the site maintain “physical, visual, and programmatic connectivity to Palm Park and Palm School.”
- Adhere to “no-build zones” around the entry to the school and at the eastern property edge.

#### **Recent Action – Palm School Appraisal Initiated**

The Office of Real Estate Services (ORES) has initiated a property appraisal for Palm School which will take into consideration the recently approved restrictive covenants adopted by the Travis County Commissioners Court. It is anticipated that the appraisal will be concluded by the end of January 2020, and the appraisal is a needed step to inform the proposal to be offered for Palm School.

#### **Recent Action – Conversation with Travis County to Discuss Framework for Palm School Acquisition**

On November 13<sup>th</sup>, a meeting was held with Judge Eckhardt and other Travis County staff to lay the framework for acquiring Palm School. The purpose of the meeting was to inform Travis County about the initiation of the appraisal, discuss renovation cost estimates, and to identify what City financial assets could be used to acquire the property. No decisions have been made at this time, rather there will be similar, ongoing discussions to narrow down options for a proposal to acquire Palm School from Travis County. At the appropriate time, a final proposal will be made to Travis County that, if accepted, will be placed on a future City Council agenda for consideration.

#### **Exposition Center (Expo Center)**

In addition to pursuing a path to acquire Palm School, staff continues to pursue mutually beneficial solutions for achieving shared goals with Travis County on the Expo Center, which is a significant economic driver within the Eastern Crescent and a valued community asset. Connected to this pursuit is determining how, if possible, the City and Travis County might share the utilization of hotel occupancy tax (HOT) assessment revenues because Travis County’s planned financing for expanding the Expo Center requires the use of HOT assessment revenues.

As indicated in a July 31, 2019 memorandum to City Council, a financial analysis for the Convention Center expansion is needed to inform all the revenue sources that will be required for the expansion. The Convention Center expansion financial analysis will ultimately be informed by the final site assembly footprint for a western expansion phase of the project, the design of the expansion itself, and the components of any co-development or public-private partnership agreements. Once those elements are more defined, the team will update the financial feasibility analysis.

On August 8<sup>th</sup>, City Council provided guidance for staff to explore a viable financial scenario for retiring Convention Center debt and expanding the Convention Center that would create a pathway which would enable Travis County to access funding under Chapter 334. In terms of the ability to retire the current Convention Center debt that is backed by the City’s Chapter 334 HOT funding, staff will conduct this analysis at the time the expansion financial analysis is done.

A 2021 debt retirement timeframe was previously described as the potential earliest timeframe that might have been possible; however, the reallocation of HOT for other allowable uses, the timing for site acquisition, and the expanded scope of the expansion itself to include the current Convention Center site have all affected timing and ability to retire the current debt ahead of its scheduled maturity in 2029. Although a specific debt retirement timeline cannot be identified at this point without the expansion financial analysis being completed, we have determined that the previously discussed early debt retirement timeline of 2021 is not feasible without more information on the above items.

At this time, staff recommends that all revenue sources remain available as financing options for the Convention Center expansion until such time that the financial analysis is completed and a recommendation for the design of a Convention Center expansion is proposed.

In conclusion, City staff continue to prioritize the acquisition of Palm School, and we are committed to a successful outcome.

CC: Spencer Cronk, City Manager  
CMO Executive Team

Attachment: Illustration of Palm School Preservation Area and No Build Zone

Exhibit B. No-Build Zones and Preservation Areas

