



MEMORANDUM

TO: Mayor and Council

THRU: Gina Fiandaca, Assistant City Manager

FROM: Richard Mendoza, Director, Public Works Department

DATE: January 9, 2020

SUBJECT: Response to Resolution 20190808-075 (CIUR 2181) relating to the Cypress and Shoal Creek Project

Background:

On August 8, 2019, City Council passed Resolution 20190808-075, which directed the City Manager to provide an update on the progress of the Cypress and Shoal Creek and other identified projects, including feasibility and financial analysis, other private and public funding sources available as well as other appropriate projects within and proximate to the Seaholm TIF District. This memo provides an update to the following three specific items in the Resolution:

Staff Update:

- 1. Review the Cypress and Shoal Creek Project and make a recommendation relative to the overall prioritized needs of the City including an update on the progress of the Seaholm Intake Facility restoration project*

Response:

As mentioned in the Shoal Creek Vision to Action plan, the Cypress and Shoal Creek Project aims to accomplish the following improvements:

- Preserve and repurpose the railroad trestle bridge
- Improve or replace the 3rd street bicycle/pedestrian bridge
- Construct a new Shoal Creek Trail under the existing West 3rd Street bridges
- Construct three public plazas along 3rd Street from Walter Seaholm Dr. to Nueces St.

City staff from the departments of Public Works, Parks and Recreation, Economic Development, and Finance met with our partner stakeholders from the Shoal Creek Conservancy and the Downtown Austin Alliance to review these projects.

The Shoal Creek Conservancy completed a study into the engineering feasibility of preserving the railroad trestle bridge. For this project to be fully realized, staff would need to undertake an additional structural analysis study to produce a final preliminary engineering report.

The remaining Cypress and Shoal Creek Projects do contain components that are listed in the Urban Trails Plan as Tier 1 and Tier II trail connections. These components are also in alignment with goals of the Austin Strategic Mobility Plan. However, it is important to note that there is existing trail infrastructure in the area, although they are substandard. The Urban Trails program is currently focusing on Tier I trails that do not have existing infrastructure. There are a number of these Tier 1 projects that are in progress now funded by the 2016 mobility bond.

Staff plans to evaluate the Cypress and Shoal Creek Project to determine how it should be prioritized in the upcoming Urban Trails Comprehensive Plan update, which will kick off in 2020. Staff recommends that the Urban Trails program manage the Cypress and Shoal Creek Project should any components of it move forward.

Shoal Creek Conservancy is also in the process of selecting a consultant to further conceptualize the Cypress and Shoal Creek Project. Shoal Creek Conservancy hopes to have a conceptual plan and renderings completed summer 2020. The estimated cost for these improvements is approximately \$18 million.

Seaholm Intake Facility Restoration Project:

Since Council approval of the Seaholm Waterfront Master Plan in the summer of 2018, the Parks and Recreation Department (PARC) has contracted and initiated a design scope with local architecture firm Cotera + Reed to implement the first phase of improvements to the historic Seaholm Intake building. The primary goal for the first phase of construction is to make the Intake Building safe and inhabitable for small programs and events by updating the building for code compliant occupancy, and to ensure compatibility with future phases of intervention. This work is being managed directly by PARC, in close coordination with PARC's non-profit partners, The Trail Foundation and Austin Parks Foundation.

The project's current design phase began with an intensive conditions assessment to identify components of the project scope, and meetings with building reviewers to interpret code-compliance requirements. Preliminary investigations were completed in spring 2019, and PARC received a schematic design package in early September 2019. This drawing set graphically outlines the full scope of intervention required to achieve the Phase 1 goals. Key components of the project scope include infilling large voids in the ground floor slab, sealing the basement levels from lake water, restoring the windows, improving site and building accessibility and providing building systems upgrades to accommodate occupancy and enhance comfort. The design phase is anticipated to continue into the early spring of 2020, at which point the drawings will be released for bid.

Six hundred thousand dollars of funding for this project was allocated through Hotel Occupancy Tax, as identified on PARC's proposed spending plan for FY18. Passage of the bond in 2018 supplemented the Phase 1 project budget with an additional \$2 million. Construction is anticipated to begin in fall 2020. Additional information on the Master Plan, which outlined the basis for the first phase of facility improvements, can be found here:

<http://www.austintexas.gov/department/seaholm-intake>.

- 2. Conduct a feasibility and financial analysis of the Cypress and Shoal Creek Project, Seaholm Intake Facility, as well as other appropriate projects within and proximate to the Seaholm TIF District. Consider multiple options for the funding of projects, including but not limited to, philanthropic funding, parks and mobility bonds, parkland dedication funds, hotel occupancy tax heritage tourism and preservation funding, as well as the extension of the Seaholm Tax Increment Financing District's term, purpose, and geographic area eastward to Nueces Street and south to include the Seaholm Intake Facility located on parkland to help partially fund the Cypress and Shoal Creek Project improvements consistent with financial policies regarding Tax Increment Financing as adopted or amended by City Council*

Response:

Staff previously provided similar information as part of the 2018-19 Budget process, via Budget Question #127. Additional analysis is below.

Background on the Seaholm Tax Increment Financing (TIF) and Tax Reinvestment Zone (TIRZ)

The Seaholm TIF Fund was established to account for property and sales tax revenue that is collected in Seaholm TIRZ No. 18. City Council formed the TIRZ in 2008 to help ensure the development of the Seaholm area. The TIRZ was created in conjunction with the Master Development Agreement (MDA) for the Seaholm area.

The terms associated with the TIRZ state that the City of Austin will contribute 100% of its tax increment to support \$20.4 million in infrastructure improvements. These improvements included repurposing of the historic generator building, construction of a public plaza, and bike, pedestrian, street, and utility infrastructure.

The TIRZ is scheduled to end September 30, 2043, or when all project costs and/or debt repayments have been paid.

Current Funding Status of Seaholm TIRZ

Since its inception, \$6.2 million of tax revenue is expected to be collected through FY20 and deposited into the Seaholm TIRZ Fund. In addition, the City negotiated to have a position in the redevelopment, and as such the Seaholm TIRZ Fund also realized \$11.5 million in revenue sharing. Because of this revenue sharing, it was determined to not issue debt to pay for the project plan costs, but instead to have TIRZ #18 be a “pay as you go” TIRZ. Because there is no debt, there are no interest costs. Total revenue estimated through FY 2020 is \$17.7 million.

Of the \$20.4 million in project plan appropriation, \$12.2 million has been spent. To date, the TIRZ has collected more revenue than has been expended. However, expenditures of \$6.8 million remain, associated with the Bowie Street Underpass project (part of the TIRZ project plan). The Bowie Underpass project has been delayed by negotiations with Union Pacific Railroad. Some progress has been made lately, and it is possible that a Request for Council Action (RCA) for approval of an agreement could come forward in the near future. If Council does not approve the agreement, the project could be cancelled, and a portion of the budgeted funds could be reallocated to other projects. This would also require a TIRZ Plan amendment be

approved by the TIRZ Board. Additional revenue of \$2.7 million is needed to fully fund the project plan; we estimate this will occur in FY 2022, well in advance of the 2043 timeline. Once all the TIRZ revenue up to \$20.4 million has been collected – again, we estimate in FY2022 – unless directed otherwise, staff would bring back an ordinance to dissolve TIRZ #18. At that point, any TIRZ revenue balance, plus future tax revenue from the area would go to the General Fund.

Seaholm TIRZ and the Cypress/Shoal Creek Project & Seaholm Intake Project

We have not conducted a full analysis of the Cypress and Shoal Creek project. Typically, the creation of a TIRZ or amendment to an existing TIRZ project plan is for significant infrastructure projects in areas that are under-development or lacking specific development. The Seaholm area is essentially a built-out area, and any one project may not drive additional “uplift” in property values, above and beyond market-driven increases. In terms of looking at the existing and extending eastward to Nueces, blocks 188 and 185 are already fully built or in construction. These two blocks are also part of the Green Water Treatment Plant redevelopment, and per previous Council resolution, 100% of the property tax revenue is directed towards the Housing Trust Fund. Likewise, north of 3rd Street on the eastern side of Shoal Creek, is an already existing development, 360 Condominiums. At this time, we have not analyzed potential redevelopment of the Seaholm Intake Structure on property values.

Hotel Occupancy Tax and the Cypress and Shoal Creek Project & Seaholm Intake Project

While not fully vetted, the renovation of the 3rd Street Trestle bridge, does appear that it would be eligible for the Historic Preservation portion of Hotel Occupancy Tax (HOT). The process for utilizing those funds includes applying through the City’s Heritage Grant Program, following an interdepartmental review process that evaluates specific eligibility criteria, including the historic designation of the property, shovel-readiness, promotional tourism impact, city-assigned level of importance, equitable geographic dispersion, leveraged cost with other private funds, and measurable evaluation criteria subject to reporting and contractual requirements. Per Tax Code 351, for historic preservation funded projects, a project must be at, or in the immediate vicinity of, convention center facilities or visitor information centers or located in the areas that would be frequented by tourists and convention delegates. Grants provided through the Heritage Grants Program are available to entities that own or lease historic properties in the authorized locations and that meet the eligibility requirements of state law.

Bond funding and the Cypress and Shoal Creek Project & Seaholm Intake Project

Parks and Mobility Bonds – At this time all Mobility Bond funding that would be appropriate for this work has been allocated to other higher priority projects. Currently, \$2 million from PARD 2018 Bond funding is set aside for the Seaholm Intake Facility.

Parkland Dedication funding the Cypress and Shoal Creek Project & Seaholm Intake Project

Although the Seaholm Intake project and Cypress/Shoal Project would likely qualify for parkland dedication fee funding, there are many other very high priority park projects in the downtown area which staff would recommend utilize this funding.

Please feel free to contact me if you have any questions or require more information on this matter.