
South Central Waterfront Advisory Board Meeting

Item 3B: Discussion and Possible action on
Tax Increment Reinvestment Zone No. 19
(South Central Waterfront)

What we will discuss:

- Why are we here
- What is a TIRZ
- What people are saying
- What the TIRZ will pay for and where have they been used
- Why do we need to fund the TIRZ now and next steps

Why we are here

Why are we here

§ 2-1-172 - SOUTH CENTRAL WATERFRONT ADVISORY BOARD.

The South Central Waterfront Advisory Board is established to provide continuity and communication among stakeholders and advocates as the South Central Waterfront Plan moves toward implementation and to provide recommendations to the city council regarding plan implementation.

→ Governance Structure

Made recommendation to council regarding the creation of an Economic Development Corporation

Wrote recommendation letter to AEDC and Council calling for creation of subcommittee

→ Regulating Plan

Council directed staff to return in 9 months with a Regulating Plan that should include increased development entitlements, bonuses, and regulations (We provided feedback to council on this topic)

→ Funding/Financing Sources

Council implemented the TIRZ in Dec. 2021 - **Set recapture rate 0%**

Note: SCWAB Board utilized the “Next Steps” identified on pg. 110 of the Vision Plan to determine priorities.

—
Regulating Plan will outline built
environment based on community
benefits

**TIRZ dollars can be used now for
planning and community benefits**

Logistically not tied together

What is a TIRZ

TIRZ - Tax Increment Reinvestment Zone

Just what is it exactly?

"Is a method local governments can use to pay for improvements that will draw private investment to an area. **Tax increment financing isn't a new tax**; instead, it redirects some of the ad valorem tax from property in a geographic area designated as a Tax Increment Reinvestment Zone (TIRZ) to pay for improvements in the zone."

"Each taxing unit may dedicate all, a portion of, or none of the tax revenue that is attributable to increased property values brought about by improvements within the reinvestment zone. **The additional tax revenue received from the affected properties is referred to as the tax increment.**"

Source: Comptroller of Texas Website -
<https://comptroller.texas.gov/economy/local/ch311/>

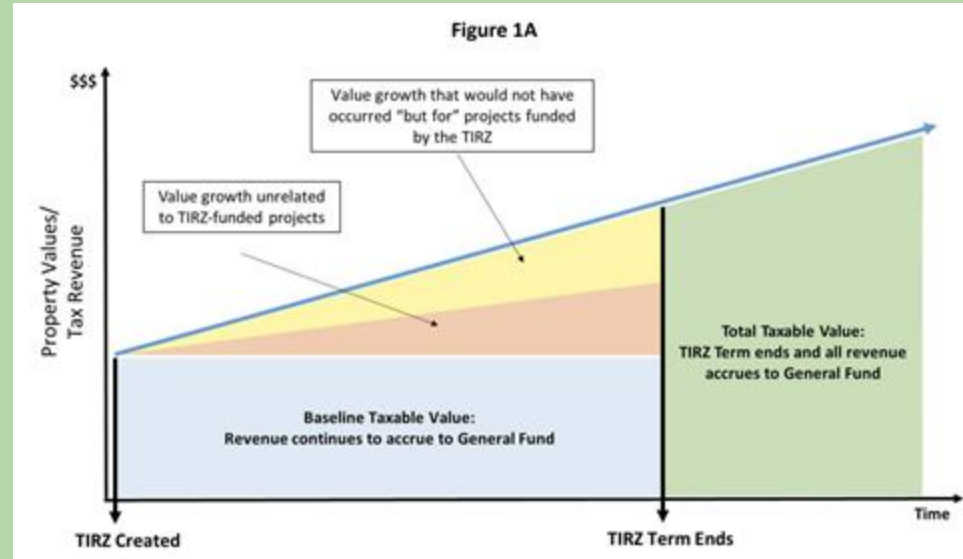
TIRZ - How it is applied to the South Central

Waterfront

The City of Austin performs a rigorous “but-for” analysis

Only takes into account the amount of taxable value that is **attributable due to TIRZ investment**.

Any organic growth is not included in the TIRZ calculation and hence not included in TIRZ fund - **holds General Fund harmless**



Kimberly Olivares - City of Austin Deputy CFO

(Council Work Session 8/20/22)

"HOW MIGHT A REVENUE INCREASE SOUTH CENTRAL WATERFRONT TIRZ IMPACT THE PROPERTY TAX RATE IN BURDEN FOR THE TYPICAL HOMEOWNER TAXPAYER?"

*IF THE TIRZ IS SET UP TO ONLY BE RESULTING IN THE NEW VALUE THAT WOULD NOT HAVE OCCURRED, BUT FOR THE PUBLIC INVESTMENT, DURING THE EXISTENCE OF THAT TIRZ, THEN **THERE'S NO NEGATIVE IMPACT OF THE TAX RATE.**"*

*"SO EACH OF THESE PERCENTAGES, THESE, CONTRIBUTION RATES ARE **THE INCREMENT THAT WOULD ONLY BE ASSOCIATED WITH THAT, BUT FOR VALUE GROWTH.***

*SO AS A RESULT, **IT WOULD HOLD THE GENERAL FUND HARMLESS**, IN TERMS OF WHAT THE GROWTH THAT YOU WOULD SEE IN PROPERTY VALUES AND THE ASSOCIATED TAX REVENUE, BECAUSE OF JUST NORMAL, ORGANIC GROWTH OUTSIDE OF SOUTH CENTRAL WATERFRONT, EFFORTS."*

**What people are
saying**

What people are saying - misleading information

TAXPAYERS AGAINST GIVEAWAYS


[ABOUT TAG](#) [BASICS](#) [RESOURCES](#) [FAQS](#) [CONTACT CITY HALL](#) [PETITION](#)

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About TAG



What people are saying - misleading information



Taxpayers Against Giveaways (TAG) is a new Texas non-profit corporation that advocates for Central Texas taxpayers and against subsidizing private developments. **We oppose as a gigantic giveaway the diverting of \$278 million in property taxes to the South Central Waterfront Tax Increment Reinvestment Zone Plan (SCWF TIRZ).** The Austin City Council is scheduled to vote on the amount of our property taxes going to the TIRZ in Spring 2022.

The facts show the SCWF developers will build their 6.2 million square feet of luxury condominium and office towers on the shores of Lady Bird Lake *without taxpayers having to pay \$278 million of their infrastructure.* We believe our tax revenues would be better spent on Austinites' needs, such as libraries, parks, sidewalks, public safety and affordable housing.

TAG Info vs SCW Vision Plan

Information currently on TAG Website - Source TAG “Understanding the TIRZ”

Why Is the TIRZ A Tax Giveaway? Because the SCWF will Redevelop Without Our Tax Dollars.

The SCWF will redevelop on its own without the use of property taxes—making the TIRZ a gift to the developers and investors. There are a number of reasons: the prime location of the land on the shores of Lady Bird Lake just south of Downtown; Austin’s incredibly rapid growth, especially for centrally-located plush development; and, most importantly, the city’s proposed zoning entitlements through height and FAR increases of an additional 4 million square feet of space. Developers typically provide their own infrastructure on redevelopments such as this. In addition, the [city’s own analysis](#) from 2016 shows that private developers would redevelop the SCWF even without our tax subsidies.

Actual information in the SCW Vision Plan:

“The results of the scenario models are compared with existing conditions in the table below. The Theoretical Baseline scenario revealed that while current zoning and urban design regulations would legally allow a full buildout of approximately 5 million square feet, much of this is not economically feasible.”

Source: Pg. 102 SCW Vision Plan - Financial Implications of the Scenarios

TAG Info vs SCW Vision Plan

Information currently on TAG Website - Source TAG “Understanding the TIRZ”

Who Was Originally Paying for the SCWF Infrastructure in the 2016 Plan? The Developers.

The SCWF plans envisions a glamorous, new development with beautiful parks, streetscapes, new and improved roads, and plentiful bike lanes and sidewalks (“SCWF infrastructure”). The 2016 plan indicated that the private developers would pay for the \$73 million in infrastructure improvements through a Public Improvement District (PID)*. The developers also were contributing 527 “affordable” housing units at their own expense. The 2016 SCWF plan did NOT divert our property tax dollars to pay for the district’s infrastructure.



Actual information in the SCW Vision Plan:

“The project team evaluated possible funding tools based on a set of evaluation criteria developed specifically to fit the South Central Waterfront context... The primary toolkit identifies local funding tools that can fund public realm and infrastructure improvements in the area.”

Source: Pg. 95 SCW Vision Plan - Funding Toolkit

TAG Info vs SCW Vision Plan

Information
currently on TAG
Website - Source
TAG
“Understanding
the TIRZ”



Why are Taxpayers Now Being Asked in 2022 to Pay for the SCWF Infrastructure?

Five and half years after the 2016 plan, the city staff rolled out in December 2021 its SCWF TIRZ plan. This plan still called for the same vision of a second downtown with an additional 6.2 million square feet in high-end development. But without explanation, taxpayers now were picking up the cost of the new infrastructure through a TIRZ. There was no mention of the city's 2016 financial analysis that showed the developers could and should pay the infrastructure costs.

Why Has the Infrastructure Cost Quadrupled in 5 Years to \$278 million?

No explanation or detail has been produced to date for the SCWF infrastructure costs swelling from from \$73 million to \$278 million.

Pg. 16 of SCW Vision Plan Appendix - SCW Preliminary Estimate of Probable Cost - total \$99M

July 2020 - Regular Called Meeting of the SCWAB - Item 2A: Staff Presentation on 2020 MODIFIED PHYSICAL FRAMEWORK COSTS - \$252M

December 2021 - Staff presented TIRZ Plan to council with Physical Framework costs updated to account for escalation in construction costs (verify this)

TAG Info vs SCW Vision Plan

Information currently on TAG Website - Source TAG “Understanding the TIRZ”

What Does Texas Law Require for City to Establish a TIRZ?

Texas law requires that before a city can establish a TIRZ that it must demonstrate that but-for the public investment (our tax dollars), the properties (the SCWF) would not redevelop in the foreseeable future: Texas Tax Code, Section 311.003(a) states: “The governing body... may designate... a reinvestment zone to promote development or redevelopment of the area if the governing body determines that development or *redevelopment would not occur solely through private investment in the reasonably foreseeable future.*” This finding has not been, and cannot be, met for this massive, luxury development with its prime location.

The SCWF will redevelop without tax subsidies, making the TIRZ both a tax giveaway and illegal.

Actual information in the SCW Vision Plan:

“Legality: Yes. The South Central Waterfront appears to meet the statutory definition of blight and the type of infrastructure improvements needed in the area are eligible to TIF. “

Source: Pg. 31 of SCW Vision Plan Appendix

TIRZ - Texas Attorney General Opinion

Summary:

A city may not designate an area as a tax increment financing reinvestment zone, including an area subject to a petition under section 311.005(a)(5) of the Tax Code, unless the area is “unproductive, underdeveloped, or blighted” within the meaning of article VIII, section 1-g(b) of the Texas Constitution. **An area that satisfies the criteria of section 311.005(a)(1), (a)(2), or (a)(3) comports with this constitutional requirement.**



OFFICE OF THE ATTORNEY GENERAL - STATE OF TEXAS
JOHN CORNYN

December 8, 1999

The Honorable Kip Averitt
Chair, Committee on Financial Institutions
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768-2910

The Honorable Michael Fleming
Harris County Attorney
1019 Congress, 15th Floor
Houston, Texas 77002-1700

Opinion No. JC-0152

Re: Whether a municipality may designate an area as a reinvestment zone under chapter 311 of the Tax Code if the area is not “unproductive, underdeveloped, or blighted” within the meaning of article VIII, section 1-g(b) of the Texas Constitution, and related questions (RQ-0081-JC)

TIRZ - Texas Attorney General Opinion

Section 3 11.005(a) establishes criteria for tax increment finance zones by providing that to be designated as a reinvestment zone, an area must:

- (1) substantially arrest or impair the sound growth of the municipality creating the zone, **retard the provision of housing accommodations**, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of: **(see next slide)**
 - (2) be predominantly open and, **because of obsolete platting**, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality;
-

TIRZ - Texas Attorney General Opinion

Section 3 11.005(a)(1) continued

- (A) a substantial number of substandard, slum, deteriorated, or deteriorating structures;
 - (B) the predominance of defective or inadequate sidewalk or street layout;
 - (C) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
 - (D) unsanitary or unsafe conditions;
 - (E) the deterioration of site or other improvements;
 - (F) tax or special assessment delinquency exceeding the fair value of the land;
 - (G) defective or unusual conditions of title;
 - (H) conditions that endanger life or property by fire or other cause
-

TAG Info vs SCW Vision Plan

Information currently on TAG Website - Source TAG “Understanding the TIRZ”

*A Public Improvement District (PID) is a partnership between a city and area property owners. The property owners assess themselves fees to pay the city for providing them infrastructure and other services. Unlike TIRZs, taxpayers don't pay for the infrastructure, the developers do.

Actual information in the SCW Vision Plan:

A Public Improvement District (PID) is a special assessment district where property owners voluntarily commit to assess themselves a fee to fund capital improvements and affordable housing assistance Programs.

The revenue capacity for PIDs is dependent upon property owners' willingness to self-assess to cover infrastructure and other project/program costs, and the size of the PID boundary.

Source: Pg. 97 SCW Vision Plan - Funding Toolkit

**What the TIRZ
will pay for and
where have they
been used**

What can the TIRZ
ACTUALLY FUND,
what is in the **TIRZ Plan**
and where they have been
used in Austin.

City of Austin
South Central Waterfront
Tax Increment Reinvestment Zone No. 19

Preliminary Project and Financing Plan

December 2021

TIRZ - Chapter 311 of Texas Tax Code

Sec. 311.002. DEFINITIONS. In this chapter:

(1) "Project costs" means the **expenditures made or estimated to be made and monetary obligations incurred or estimated to be incurred** by the municipality or county designating a reinvestment zone that are listed in the project plan as **costs of public works, public improvements**, programs, or other projects benefiting the zone, plus other costs incidental to those expenditures and obligations.

Sec. 311.010. POWERS AND DUTIES OF BOARD OF DIRECTORS.

(b) The board of directors of a reinvestment zone and the governing body of the municipality or county that creates a reinvestment zone may each enter into agreements as the board or the governing body considers necessary or convenient to implement the project plan and reinvestment zone financing plan and achieve their purposes..... **An agreement may dedicate revenue from the tax increment fund to pay the costs of providing affordable housing or areas of public assembly in or out of the zone.**

What is in the TIRZ plan for the South Central Waterfront

6.1 Categories of Public Improvements

The **proposed public improvements** to be financed by the Zone include roadway and drainage improvements, streetscapes, open spaces (parks, trails, plazas), utilities, green infrastructure, and reclaimed water and other miscellaneous and soft costs, as further described in Exhibit D (the “Public Improvements/Project Costs”).

Exhibit D: Public Improvements/Project Costs

Tier	Project Costs	Amount	Years*
1	Roadway and Drainage (New and refurbished)	\$83,400,000	1-10
2	Streetscapes	\$56,300,000	TBD
3	Open Spaces (parks, trails, plazas)	\$93,700,000	TBD
3	Utilities (Water, wastewater, electric, etc.)	\$35,700,000	TBD
3	Green Infrastructure (Water quality)	\$5,500,000	TBD
3	Reclaimed Water	\$2,400,000	TBD
N/A	Underwriter Discount & Cost of Issuance	\$800,000	TBD
N/A	TIRZ Administrative Costs	\$300,000	1-20
--	TOTAL	\$278,100,000	--

* Timeline will be further refined in the Final Plan.

Where have they been used in Austin - Mueller

TIRZ Number 16 Mueller
Redevelopment Project

*Paid for "all infrastructure and related
costs necessary to redevelop the site"*

Currently on track to meet its 25%
affordable housing goal

Tracking of Affordable Housing

Type	Reporting Period	# of Residences Contractually Committed by Builders / Developers	# of Residences Under Construction	# of Residences Occupied
For-Sale*	Current Reporting Period	0	98	10
	Cumulative	704	98	546
For Rent	Current Reporting Period	0	36	25
	Cumulative	863	36	726
Total	Current Reporting Period	0	134	35
	Cumulative	1,567	134	1,272

Type	Total # of Homes Offered	Total # of Affordable Homes Contracted	% of Affordable Homes
For-Sale*	2,739	704	25.7%
For Rent	3,190	863	27.1%
Overall	5,929	1,567	26.4%

Distribution of Existing Affordable Buyers by Median Family Income (MFI) Percentage

Affordable Level	<= 50% MFI	50%-60% MFI	60%-70% MFI	70%-80% MFI	80%-120% MFI
Percent of Buyers**	4%	10%	21%	46%	19%

Distribution of Existing Renters by Median Family Income (MFI) Percentage

Affordable Level	<= 30% MFI	30%-50% MFI	50%-60% MFI	60%-80% MFI
Percent of Leased Units	8%	25%	66%	1%

Notes:

*Additional 68 for-sale homes contracted to provide housing for households earning between 80%-120% MFI are not included in the chart above.

**Includes both initial sale and resale of affordable homes.

Source: Mueller Semi-Annual Report / Affordable Housing update through June 1st, 2022
<https://www.austintexas.gov/departments/mueller-redevelopment>

**Why do we need
to fund the TIRZ
now and next
steps**

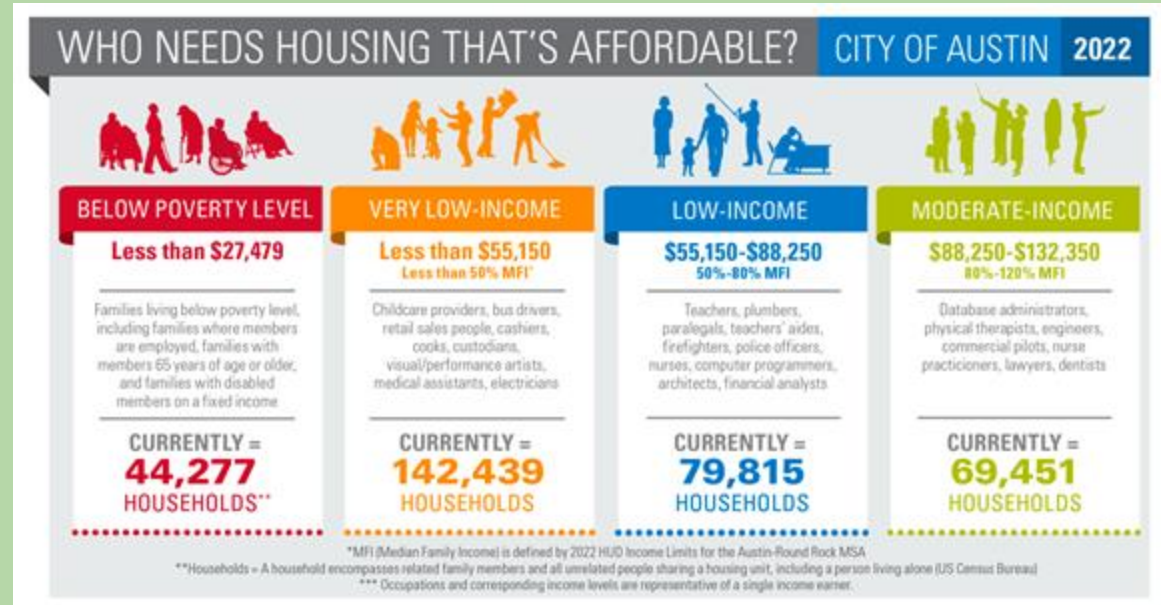
Why do we need to fund the TIRZ?

- Incentivise the **sustainable** and **equitable** redevelopment of the area
 - Provide more housing
 - Adequate density to fund community benefits
 - Provide for affordable housing funds - generally
- Help ensure long term **success of ALL transit investments** our community is making
 - SCW is the confluence of all major forms of urban transit
- Do our part to help **make a dent in housing Austin's housing crisis**, today
 - Development of One Texas Center to **aid in reaching our district goal** for housing

Where our housing goal fits into the larger picture

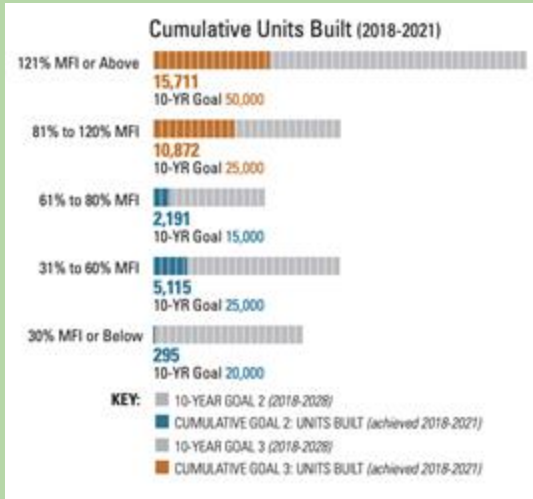
The South Central Waterfront Vision Plan Outlined a goal of making 20 percent of future housing units developed in the area affordable to households at 60 to 80 percent of Area Median Income for rental.

Is consistent with COA adopted TIRZ policy.



Source: *Housing Works Austin - Who Needs Affordable Housing*
<https://housingworksAustin.org/the-issue-of-affordability/>

The risk of not doing anything



KUT 90.5 Austin's NPR Station

KUT Radiolab

NEXT UP:

Data show Austin will soon be the least affordable non-California city in the nation

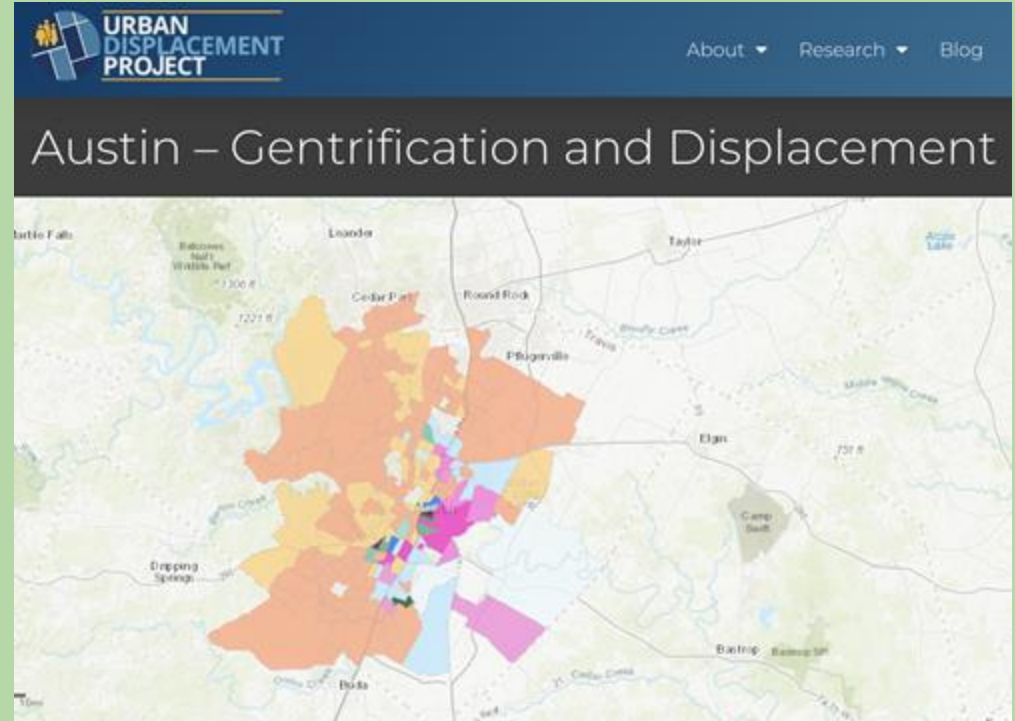
KUT 90.5 | By Shelly Brisbin
Published December 2, 2021 at 1:45 PM CST

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Source: Housing Works Austin - Strategic Housing Blueprint Scorecard
<https://housingworksaustrin.org/>

The risk of not doing anything - Austin Area Displacement Map

Displacement and Gentrification Census Tract Typologies	
Typology (tract income level)	Typology Criteria
Vulnerability	<ul style="list-style-type: none">• % Renters• % People of color• % Low-income household below 80% Area Median Income• % Households with children in poverty• % People 25 and older without a Bachelor's Degree
Susceptible Gentrification	<ul style="list-style-type: none">• Vulnerable Population• Adjacent Housing Market Condition
Early: Type 1 Gentrification	<ul style="list-style-type: none">• Vulnerable Population• Accelerating Housing Market Condition
Early: Type 2 Gentrification	<ul style="list-style-type: none">• Vulnerable Population• Demographic Change• Adjacent Housing Market Condition
Dynamic Gentrification	<ul style="list-style-type: none">• Vulnerable Population• Demographic Change• Accelerating Housing Market condition
Late Gentrification	<ul style="list-style-type: none">• Vulnerable Population• Demographic Change• Appreciated Housing Market Condition
Continued Loss Gentrification	<ul style="list-style-type: none">• Has % white and % with BA increasing• Appreciated Housing Market Condition
Stable Exclusion	Has both factors from 2010 to 2016 <ul style="list-style-type: none">• Moderate to High income Tracts above regional mean
Ongoing Exclusion	Has both factors from 2010 to 2016 <ul style="list-style-type: none">• Moderate to High income Tracts in 2016 AND <ul style="list-style-type: none">• Absolute loss in low-income households 2010

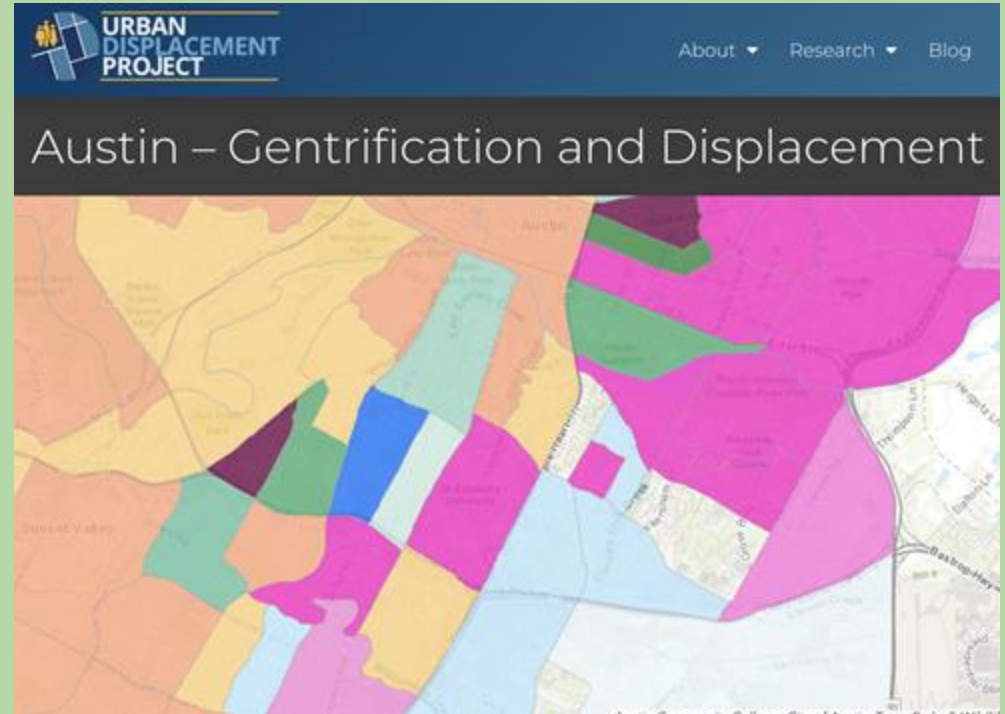


Source: Urban Displacement Project

<https://www.urbandisplacement.org/maps/austin-gentrification-and-displacement/>

The risk of not doing anything - SCW Board Contributing Neighborhoods Map

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Source: Urban Displacement Project

<https://www.urbandisplacement.org/maps/austin-gentrification-and-displacement/>

What we have learned and next steps

- The TIRZ is legal and will hold the General Fund harmless
- TIRZ dollars are only paid by property owner
- TIRZ dollars will be used for community benefits outlined in Vision Plan
- TIRZ dollars can be used to help solve housing crisis
- We have a project and perhaps more that can start to utilize affordable housing funds - now
- Make recommendation to Council regarding TIRZ recapture rate