City Council Work Session Transcript – 2/27/2024

Title: ATXN-1 (24hr)
Channel: 1 - ATXN-1
Recorded On: 2/27/2024 6:00:00 AM
Original Air Date: 2/27/2024
Transcript Generated by SnapStream
==================================

Please note that the following transcript is for reference purposes and does not constitute the official record of actions taken during the meeting. For the official record of actions of the meeting, please refer to the Approved Minutes.

[8:59:52 AM]

This is atxn the City of Austin's Government Access Channel five minute.

>> It is 9 A.M. And? And I am Leslie pool, the mayor pro tem. And with the mayor's absence today, I will be presiding. And I am calling this meeting to order at 9:00 in the morning for the work session of council. It is Tuesday, February 27. We're meeting at city council

[9:00:54 AM]

meeting at city council chambers, located at 301 west second street. We have a quorum of city council members present, and I see one council member, council member Kelly is with us remotely. Members, I'm going to take up the one pulled item first and then proceed to our briefings. As you read on the council message board, the mayor will be off the dais today. So we have moved the executive session items to this Thursday. So that the full council can be present. I pulled item 73, which is the db 90 draft ordinance, and it's the replacement for vmu two. That program haam to give staff an opportunity to give us a short presentation. They have some changes they'd like to outline, and then we can take questions after for and to that point, I want to note. I want to note I'm not sitting in the mayor's spot. So I don't have I'm not looking at that queuing for questions. So I'll do it the old style way where I'll be looking for y'all's hands raised and then try to do it in order

[9:01:54 AM]

and then try to do it in order and recognize everybody who wants to speak. So staff, if you are ready, we thank you. City manager. Miss bates, welcome. It's great to see you. Thank you .

>> You have one minute.

>> Thank. And we're going to talk for you. Thanks for being here.

>> Good morning. I am Andrea bates, assistant director for the planning department. And I am going to provide an update on item 73, which is an ordinance that would create a new zoning district that creates a density bonus program called db 90. In general, the db 90 program would allow a development that provides affordable housing, income restricted affordable housing on site, or pays a fee in lieu to be eligible for up to 30 additional feet from the base zone, with a maximum of 90ft and Eid of other modifications to site development standards and compatibility standards. So I'm going to focus on one particular

[9:02:58 AM]

going to focus on one particular element of db 90. In my remarks today, and that are the proposed redevelopment requirements for existing multifamily structures under the original staff proposal, in order to use the db 90 density bonus program, an applicant that wanted to redevelop a site with existing market rate, affordable multi family housing would need to meet several additional requirements. First, they'd need to prove that the existing multifamily structure required extensive repairs, the value of which was over more than 50% of the structure value they would also need to replace all existing units that are affordable to a household, earning 80% of the median family income or below, and they would need to replace them with units that had a comparable number of bedrooms. As the original affordable units. The applicant would also need to provide current tenants with notification about the

[9:04:00 AM]

notification about the redevelopment and with relocation benefits and then finally, the current tenants would need to be granted the right to return to a unit of comparable size and affordability in the redeveloped project. The purpose of these requirements is to try to preserve existing market rate, affordable housing that are in decent condition by eliminating an incentive to redevelop those properties. Under this bonus program, if the existing structure needed extensive repairs, the provision allows for redevelopment while ensuring that the existing tenants had protections, and that the bonus program is creating at least the same number of units as were on the site originally. The reason for this is that preserving these existing affordable units is a key element of the city's displacement mitigation strategy, and then maintaining the overall number of affordable units is a key element of the strategic housing blueprint. Goals however, these

[9:05:00 AM]

Goals however, these redevelopment requirements do not apply to the program that was previously known as vmu two. They did apply in a different bonus program in the residential and commercial bonus program, so council adopted the vmu two provisions in June of 2022 and then followed up with the residential and commercial program in December 2022. So when obtained both of these programs were invalidated by the court in December of 2023, along with a third program called compatibility on corridors. But the primary goal of db 90 is to replace vmu two by allowing for that additional 30ft in height. But when we looked at the programs and we were thinking about a replacement, we were looking at all three and the provision of all three in the council direction that it provided in Ben and provided in the adoption of all three programs and so that's why we originally included the

[9:06:02 AM]

originally included the redevelopment requirements. They were in residential and commercial. They helped meet city goals for displacement prevention. And we thought that they reflected council policy direction for a bonus program that applied to market rate development. However when we describe the intent of db 90, we focused solely on vmu two. We described it as a replacement for vmu two. We did not talk about the other programs about residential and commercial. We did not talk about potential improvements to vmu two. We described it as a replacement to vmu two, and vmu two did not have this provision in. So since the focus has been on vmu two, many stakeholders were surprised by the inclusion of the redevelopment requirements. And so there was significant discussion about this when it went to the planning commission. Planning commission recommended that staff consider a way to establish a waiver or variance for existing multifamily

[9:07:03 AM]

for existing multifamily structure redevelopment requirements. They were concerned about the potential impact of adding these requirements to the program in coordination with law. We decided that the most feasible way to address this direction was to create an appeals process for the valuation of the property. So as a fairly narrow approach, in light of the planning commission discussion about the impact. And so that's why we're coming to you today with another option. We recognize that that narrow appeal may not meet some of the planning commission's concerns. Some of the stakeholder concerns about about applying the redevelopment requirements to this program at this time. And so, since all of our prior discussion focused on vmu two, which does not include this, staff has prepared another version of the draft ordinance for council consideration. The original draft, which was posted last week, reflects the original staff recommendation, as amended

[9:08:04 AM]

staff recommendation, as amended by the planning commission, with a couple changes in addition to this, appeals process. The second draft ordinance, which is labeled draft ordinance staff version, was posted yesterday and that removes the reference to the redevelopment requirements. It would eliminate the requirements so that projects utilizing db 90 do not need to meet them. That is currently staff's recommendation to council. It includes the other changes as recommended by planning commission, but removes the reference and the requirement for the redevelopment exception. Because of the way that this has been messaged and the fact that stakeholders were not expecting to be meeting those requirements at this time. It also gives staff additional time to think about how to best meet displacement prevention goals in the context of our density bonus programs and we hope after further consideration and evaluation of programs broadly,

[9:09:04 AM]

evaluation of programs broadly, we may bring something back to apply some sort of redevelopment protections either to db 90 or to other density. Bonus programs in the future. But we recommend at this point, not this week, further study. And then on further discussion. And we could potentially bring it back at a different time. And that's all I had on that particular topic. We have other folks who can answer questions about db 90 generally.

>> Thanks, miss bates.

>> As I understand it, staff will work with the housing department on this redevelopment clause to see if it's appropriate for the db 90 program and with stakeholder engagement, is that correct? Yes ma'am. Great. Certainly we've lost one of the biggest incentives to this program, which was the ease of process, which adds up to savings on time and cost of a zoning application. If we add a lot of other requirements now, we run the risk of this program not

[9:10:04 AM]

the risk of this program not being used at all. And obviously, if we are taking the time and staff input and expertise to craft it, we want it to be a useful tool for members of our community. So in this case, applicants can simply choose a zoning category with the same entitlements that has no affordability requirement. And even if affordability is privately negotiated, it may not be to our standards and they won't be city monitored. I'd like to note that the language in part three H in db 90, that refers to 418 is a bit confusing . This might be because the wording puts the reference to division before a reference to the overarching article. In future, it might not be as clear as it could be to discern between divisions. If more articles and divisions are added to this ordinance, and I think staff is has taken that in and is working on that, is that correct? Yes okay. Thank you. I will entertain some questions.

[9:11:04 AM]

will entertain some questions. Council member harper-madison.

>> I had a quick question, but it looked like the mayor or. I'm sorry. The manager raised his hand before. I didn't want to go out of turn. It looked like you had raised your hand like you. Okay, so my concerns and I think you might have addressed them already. So what I would like to know is, in response to the considerations about how best to meet our displacement goals, given that there's a bit of like, wonkiness, with some exceptions that we need to make. I'm curious what we can do both by way of the housing and planning committee and just council as a body to assist staff with meeting those goals and sort of assessing what the exceptions do to a thing. That's flexible. Currently it's in play. So just curious what we can do to help you guys out.

>> Well, if the db 90 program is adopted, as we currently recommend, without the requirements, council can always consider the facts of the

[9:12:05 AM]

consider the facts of the particular property. When a rezoning case comes before you. And so that would be an opportunity in the interim to think about, you know, as you'll have the information in the staff report about whether there is existing affordable multifamily development on a property and if it meets the planning principles to apply the density bonus zone. So there will be an opportunity to do a property by property analysis of the appropriateness of the db 90 program. While we are doing a more comp intensive review of displaced prevention methodologies and options, the planning department is also currently working on on a review of density bonus programs. Generally and although we don't have the, you know, consultant is not specifically tasked to evaluate displacement prevention measures, it is certainly something that staff can be thinking about holistically for

[9:13:06 AM]

thinking about holistically for all of our density bonus programs. And then any findings or recommendations that are coming out of that will return to council, or perhaps to the housing and planning committee first, for vetting and discussion, then I'd like that very much.

>> And for what it's worth, I think our I'm realizing more and more just how useful our committees are for vetting these ideas and sort of running through things that are in flux. I had the opportunity out in whisper valley last week to attend, an unveiling for a multi family. And this is, like, completely it looked like I had left town. There's just nothing out there but recognized that this community is embracing multifamily and, you know, recognizing what some of the considerations are. I think you addressed my

point, when you said, the thing earlier about when you said when staff has addressed it as staff is addressing this, one of the things that we need to consider is whether or not we're going to be able to meet our goals. And that just got me thinking. If we preempt the ability to meet our

[9:14:06 AM]

preempt the ability to meet our goals by building in protections and, you know, recognizing we could use the housing and planning committee to say, okay, this is an opportunity for us to. But you scare me a little because I didn't know how to articulate it. You did. It really well. You said case by case, considerations. And that sounds like a lot of work to me. And so that concerns me. And so when I'm asking, I think that's what I was trying to articulate. How can we help relieve some of that workload? Because when you start saying case by case, it sounds like an extended workload, which sounds like more time.

>> We completely agree. And that was one of the potential benefits of including staff standardized provisions for all bonus programs. So that, community development community know what to expect when they're envisioning development of under a bonus program. And so that's simply an option for council consideration in the interim. While a potential alternative to this approach is being considered, you know, it may be

[9:15:06 AM]

considered, you know, it may be a reevaluate of the redevelopment requirement provisions to ensure that they are feasible for most market rate developers to meet. And so we've had a short test time while these provisions have been in the residential and commercial program. But honestly, they only apply to a relatively small number of properties. These programs are designed Ed both db 90 and residential and commercial are designed for properties with commercial based Zones, and only about 7% of the properties that would be eligible for db 90 have multifamily housing identified as their land use in our land use database, and it's an even smaller percentage from there that would meet these affordability requirements. So it's a small number of properties, but the fate of those properties is important. And so it's worth additional study to ensure that we can provide protections that are well designed to accommodate

[9:16:06 AM]

well designed to accommodate development. That includes income restricted housing through a bonus program instead of sending those particular properties to a path that may involve development under a base zone with the no income restricted affordable housing as a result, that is very, very helpful and really answered all my questions.

>> I won't be asking any more. I'll just be waiting to get more information as you guys present more briefings.

>> Thank you, thank you council member. Any more questions? Yes. Councilmember Allison alter, good morning.

>> Can you just give us a sense of the timing for these discussions? Well, we have not scoped out a process for consideration.

>> Ann, since we were initially envisioning starting from this point, we don't have a specific timeline. Sign up for the thorough evaluation. Other than the timeline that we're on for the comprehensive review of the bonus programs, and I believe that that is scoped for most of the remainder of this calendar year, with the potential to come

[9:17:08 AM]

year, with the potential to come back to council with recommend options and potential initiation from those from that study, in the late fall or early winter. And so, of course, if there are low hanging fruit and we realize a great approach that could be be, you know, ready for stakeholder discussion and potential council review earlier than that, you know, before the thorough, comprehensive analysis is complete, we could propose that for initiation Ann, because we were also the spring, developing the itod overlay, which has. So we'll be thinking about similar types of things and we'll also, you know, in addition to the work on the comprehensive density bonus program, James, you know, for the remainder of the year. And so I guess that would be kind of the longest envisioned timeline now is, you know, that comprehensive review that goes through the end of the year. But if there's a clear path before that, we would be happy to bring it forward for committee or for

[9:18:08 AM]

it forward for committee or for council consideration.

>> But under this current plan, if we adopt these items on Thursday, a property that falls in those categories would be able to develop under these rules with no extra attention to the properties. If income restricted, current income restricted or current market rate, low income housing Singh if it if council applies the db 90 district to the property, yes, it would be able to develop without meeting the requirements.

>> And I and I just remind us all that the point of this exercise was to reestablish vmu two, which we had passed with good support previously, and the direction to staff was to bring that back so that we could approve it a second time under the circumstances given the circumstances of the lawsuit that council

member Vella, I just wanted to mention we're working on on some amendments, on the db 90 and, one of them is

[9:19:09 AM]

on the db 90 and, one of them is actually a provision that's currently in the, the crestview station.

>> Master plan, the regulating plan whereby there's a provision in there saying that you have to provide 10, affordable units, but the city can basically buy down additional affordability within in the crestview area. And we that's a it's a really interesting provision. I don't think it's one that we've actually used. It's in there. But it hasn't been actually used by the city. But I want to try and incorporate some something like that into these other programs that are coming down the road so that we can potentially through a tif or a tirz or something like that, potentially reinvest some money into affordability, you know, along these areas or in specific projects. So we're not quite there yet. We're still kind of

[9:20:11 AM]

there yet. We're still kind of drafting and working on it. But I just wanted to mention that, again, the goal being affordability. I, you know, and I just want to mention that also . So what my, my concern would be in making the affordability programs too difficult is that they could just ask for more zoning that has no affordability and no requirement, you know, so I just want to be careful about, you know, trying to kind of get too much. And then the developers would be that, you know what? We're just going to go with the base zoning and we're going to change our project, and then we lose the, you know, 1020, however many affordable units that we would get otherwise. So I do think we have to be very careful about the calibration on those affordability programs.

>> Thank you. Councilman Ryan alter, just a quick follow up question on what councilmember Allison alter was asking if this passes and someone currently has the their plan on using vmu two, they can't just continue on their path.

[9:21:13 AM]

their path.

>> Right. They need to go get a rezone, hopefully through a speedier process that miss Hardin talked about at our previous meeting. But but there will still be an application potential for, the neighbors to protest that all all those so it's not just like a over a night deal. They'll still be a process involved. Ed.

>> That is correct. The ordinance would have city initiation of the rezoning, which in this case means a waiving of fees for projects that meet certain parameters, basically, that were in the pipeline of attempting to use vmu 2 or 1 of the other invalidated programs, but it would require an applicant application. The staff review and the traditional notification process. Planning commission hearing. Council hearing.

>> Got it. Thank you very much.

>> Council member for, qadri.

>> Thank you. Just a quick question for clarification sake. Related to the right of return policy, it's a great policy,

[9:22:13 AM]

policy, it's a great policy, but, I understand it's db 90 would not apply to that. Is that correct?

>> The current staff recommendation, the updated staff ordinance would not. But, without the redevelopment requirements, would not have a right to return provision. That is correct.

>> Great. Okay. Thank you.

>> Councilmember Allison alter.

>> Thank you. Can you clarify why, whether the properties that would be eligible to come in and apply for db 90 are, are the same property that were eligible for vmu two or, or is it a wider universe?

>> There is a little bit of nuance to that, and I will lean on joy Hardin to describe the difference in how vmu two was applied just previously to its invalidation, and just to clarify, I'm really interested to understand whether the universe of properties is different that can apply for db 90 than versus vmu two. >> Joy harden, zoning officer in

[9:23:14 AM]

>> Joy harden, zoning officer in the planning department.

>> Excuse me, council member alter so the code allows properties to apply by what the code had was core transit corridors and future core transit corridors in the code where you could apply. Now, if you have certain commercial and office zoning districts, no matter what street type you're on, you can apply for, dp 90. So that's the main difference. If you have office, office, low, geo and then commercial district zoning, then you could apply no matter what street. Of course it goes through the standard zoning process and it goes to the political commission and then council. But the main difference is regardless of street, of course, typically not a local street or residential street, but regardless of street, if you have certain office or

[9:24:15 AM]

have certain office or commercial zoning, you can apply for db 90. And that's the main difference.

>> It doesn't mean you get 90ft if you're not. So it is an additional 30ft, to the base zoning district.

>> You may not be able to achieve that 30ft for other reasons. And if you're based on a district doesn't allow, let's say lr is 40ft. So if you got the additional 30ft, you'd have a 70 foot maximum height, 70ft of maximum height, instead of 90. So it's a 30 foot bonus to your base zoning district.

>> Do we have any kind of map of the eligible properties that can apply?

>> I'm not sure. Maybe we could make one that would be helpful.

>> If it's possible to see the areas where there are office.

>> And I just want to remind people, if someone had I think this came up, if someone, maybe council member Vella, someone could have a multi family, a lower level multifamily and decide to rezone to the low to do db 90 or an office. So I just

[9:25:17 AM]

do db 90 or an office. So I just want to remind and we see that even now that just because you don't have an office or commercial zoning doesn't mean you can't rezone to that to allow the db 90. Does that make sense? You could have a multifamily or a, a sf six classification.

>> Yeah. So maybe the eligibility criteria that I'm that map doesn't make sense.

>> I just want to expand the universe. No, that's it would show you what we have now. But I mean this happens now even under the vmu two and the V U C residential properties want the additional height. And it does require the affordability, as council member villa said. And the council has approved most of these because now if they build to the extra height, they would have to do the affordable units. So if you had an mf three property and you rezoned so that wouldn't just give you the full universe of properties. Okay. Thank you. Okay. Thank you.

>> All right. Looks like we have addressed the questions. Thank

[9:26:17 AM]

addressed the questions. Thank you, staff, for bringing all of this good information. The new version and the context. So on to the briefings. City manager.

>> Yeah, the first item is the water forward update reuse plan. And Shea Rollins is here to that presentation and answer your questions. Good morning.

>> Mayor pro tem council members , I'm Shea Ralls roalson, the director of Austin water and we're here today to talk about a number of items coming before you on March 7th. Related to moving our our water forward plan forward, particularly related to our strategies for reuse and reclaimed water. So today I'll start with a brief overview of what water forward is just to make sure we're all jumping off from the same point. Talk about our our short and long tum reuse strategies. We've

[9:27:17 AM]

long tum reuse strategies. We've done quite a bit of work on these strategies to address affordable Katy, so we'll review that and then we'll talk about our key, 2024 activities. And that's mostly around, March seventh next week. So water forward is our 100 year integrated water resource plan. It was unanimously adopted by council in November of 2018. It has a number of diverse and environmentally conscious water management strategies, is particularly focused around adapting to growth, drought and climate change. And we developed this plan in conjunction with our water forward task force, which is, a council appointed task force that we have been working with, for close to ten years. And I want to thank our the chair of the water forward task force, Jennifer walker, who's here with us today. We appreciate their guidance and support. So a little bit about

[9:28:18 AM]

support. So a little bit about where Austin's water comes from. We get all of our drinking water from the Colorado river. We have three water treatment plants that take water from, Lakes Austin and Travis. We have very old, senior water rights to the run of river rights is what that's called. Plus contracts with the lower Colorado river authority for stored water in the Lakes. That gives us rights to up to 325,000 acre feet per year. Back in 1999. So right at 25 years ago, we recognized a need to shore up those rights, and we entered into a contract with lcra. For additional, water and we paid $100 million up front at that time. Now use fees will go into effect one once our average use is, for two consecutive years, exceeds

[9:29:20 AM]

consecutive years, exceeds 201,000 acre feet. So so, back in 1999, we thought we would reach that trigger between, you know, around 2015 to 2020, but thanks to our communities, real efforts on conservation and the things that we are all doing in our homes every day, our water use last year was 175,000 acre feet, and so the next, you know, we've reduced our demand quite a bit. Our next opportunity for really keeping that trigger, pushing that trigger off in time is our reclaimed and reuse water strategy. So when we talk about our centralized reclaim system, we're talking about highly treated effluent from our wastewater treatment plants. That is pumped back up into the core of our service area for use for non-potable water uses. The remainder of that water that we collect from our customers, that gets treated at our wastewater

[9:30:20 AM]

gets treated at our wastewater plants, is discharged to the Colorado river. So we're really talking about that. The water that gets by us, catching that and reusing that, as a way to offset potable water use. So our water forward guiding principles , it's an adaptive management plan. As I mentioned, it's updated on a five year cycle. We are working on the next update now, which will come forward for council approval, at the end of this year. And we're really focused on, resiliency in inclusivity. Our community values, having a diverse set of tools in our toolbox, equity and affordability, which we'll talk more about today. Clearly, we need to protect the Colorado river. We need to reduce our operational risks, and we focus on our local supplies. And if those top line, guiding principles look familiar, we're very well integrated with the other strategic plans. Luz, within the city. So the climate equity plan, the strategic mobility plan, watershed

[9:31:21 AM]

mobility plan, watershed protection department's rain to river strategic plan, Austin energy, Austin resource recovery . All of these plans are very well integrated and they are balanced on the three legged stool of environmental sustainability and climate equity, affordability and reliability and resiliency. So what we are really talking about when we talk about an adaptive plan is planning for uncertainty . We know that Austin is growing. We don't know exactly where and when that growth will happen. We know our climate is changing. We don't know exactly what that's going to look like in 100 years. And so what we do is we develop a range of strategies that work for as many possible outcomes as possible, and then we revisit that on a on a regular, recurring basis so that our plan is adaptive to changing conditions, and that those changing conditions are here. Now we can look at the combined, storage of our water supply Lakes, which are Lakes Buchanan and Travis. And the, the, this is the full time

[9:32:25 AM]

the, this is the full time period since the dams were built . You can see back in the 50s, significant drought, for, for a long, long time, most of my career, that was our drought of record. It was the it was a part of the law of the of central Texas. And in the water supply planning business that we planned for a repeat of the drought of record, which was the drought of the 50s. And then we had a long period of, of relatively stable hydrologic conditions where the Lakes would fall. But then they would rise again until we got into 2008 to 2016. Ann. And you can see that that's, it's deeper. It's longer . And so we are, we are coming into a period of high variability, and we need to have plans that not only provide for our needs as a growing community, but help us bridge these times of deep drought and deep uncertainty. So when we think about our collection of water forward strategies,

[9:33:25 AM]

water forward strategies, there's about 18 to 20 of them. I'm going to work from the right to the left. Partnerships we're talking about our partnerships with lower Colorado river authority. We're talking about our participation in the region. K region of the state water planning process. When we talk about supply, I mentioned that we get all of our water from the Colorado river. So we're looking at what are our alternate gives to supply for the future conservation. I mentioned how much value we have gotten out of the demand side of this equation. Reducing our demand that helps extend our supply, existing supplies, and then reuse is really a switch hitter for us. So it's a new supply because it's additional molecules of water that would otherwise flow down the Colorado river. And we capture that and reuse it. But it's also a supply storage strategy because every drop of reclaimed or reuse water that we use is a drop of potable water we don't need. So that really underscores the value to us of reuse. And when we think about why we're so focused on this right now, you know, when we signed that deal with lcra in 1999, 25 years ago, this is what

[9:34:27 AM]

1999, 25 years ago, this is what you see on the left is what you saw. If you were out paddling on town lake. And of course on the right is what you see today from from lady bird lake and so who knows what our community will look like 25 years from now. And so we need all the strategies we have to get ready for that. And so when we talk about, financial value of reuse, our estimate is that every year we push off that trigger, for the use payments to lcra is worth about $10 million a year to us. So so, that's real money. So this is not new work. We've been working on the reclaimed system since the mid 90s. We, we have been working on , on site water reuse systems. We Austin water and the city of Austin, other departments have been leading the way in this. We have on site water reuse systems in use at the central library. We have both on site, stormwater, rainwater condensate, as well as black

[9:35:29 AM]

condensate, as well as black water treatment and reuse at the permitting and development center ag headquarters flushes their toilets with reclaimed water, as well as a number of other developments. So I want to express my gratitude to the other departments in the city that have been real partners with us in demonstrating that these systems work. You may be wondering why purple. We're we talk we're talking about purple pipe day and every, every icon. You see that has reclaimed water is purple. And that is because, a very mundane reason. We have a color code in the water industry and reclaimed water is purple. And so anytime you see a purple pipe out in the wild that is reclaimed water. So in terms of council actions, prior back in 2021, we, you all implemented, a number of ordinances that set the framework for on site water reuse systems as well as a new a voluntary connection incentive

[9:36:29 AM]

voluntary connection incentive that has been in place since then and then set a timeline that we would begin to, make these requirements, mandatory beginning in this, in this time frame. Now and then on the conservation side, we've been doing water benchmarking. So this is where new developments come in. And they prepare a spreadsheet of what are their water needs and how can they offset those needs with reuse and reclaimed water. And that is giving us a lot of really good data about how we can push water reuse forward. A little bit about the centralized reclaim system, because Austin water and the city of Austin have made significant investments in the centralized system. Beginning with the water reclaimed water initiative at the walnut creek wastewater plant back in the mid 90s. The money doesn't quite line up with the years. That's just to give you an idea on the left, $100 million. That's how much that's completed projects, acts pipe in the ground, $94 million is the value of work

[9:37:32 AM]

million is the value of work that is ongoing right now. And then in our plan, an additional $203 million. So this is a treatment at our plants. It's pipelines, pump stations, storage tanks, and this is what the system looks like today. So those purple boxes are the walnut creek wastewater plant and the north and the, south Austin regional plant, to the east. And there are you can see that the pipes are making their way toward downtown and projects are currently in design and construction Ann that will connect that to make that a looped system, which will make it a lot more robust in terms of customer service. But you can tell by looking at this map, it'll be a long time before we have purple pipe on every street. The way we have water and wastewater down every street . And so these tools that we're working on now that we're moving forward with asking for your support, Burt, are are about incrementally moving water reuse forward. So when we talk about the current strategies that are

[9:38:35 AM]

the current strategies that are that are up for your consideration, I want to start right at the top with affordability. Our community is having a lot of conversations about housing affordability, and that is top of mind for us as well. And so we have a really put a lot of effort into, into a, into incentive leaves, because we recognize that, that we all the costs we all that there are costs associated with expanding the system and there is a lot of value to Austin water and to all of our customers, regardless of whether you're the one connecting to the system or not. In expanding this reclaimed water. Because it because of all the reasons I talked about how it supports our overall water supply. So we will continue to invest in expanding our centralized reclaim system. We are looking at opportunities for community scale reclaimed, which is where you could, treat and reuse water right? Right where it's, where it's generated in a local community. And then we have the on site water reuse

[9:39:38 AM]

we have the on site water reuse systems, which is development scale collection of air conditioning, condensate, rainwater, stormwater, that's then recycled and reused for non-potable uses like irrigation, cooling towers and toilet flushing. So in our proposed toolbox for addressing affordability, we have incentives and grants for reuse and conservation. This is where we would fund a portion of the of the project costs for implementing these systems. There's some built in, benefits to connecting the reclaimed if you, don't use as much potable water, you don't need as big a water meter. And so you get a break on the cost of your water meter. You get a, you pay less per gallon for reclaimed water than, than you do for potable water. So there's some built in cost savings. They don't make a, these project costs, pencil out. And so, we have some additional

[9:40:40 AM]

And so, we have some additional proposed reduction in monthly fixed charges helping these developments to get into the expedited building permit review process. A low interest loan program is on the drawing board, which would be, funded, with seed money from Austin water. But managed through the financial services department. And then cost sharing. You know, that would be where we would directly participate in these in these projects. And then there are, there's a state managed program called pace, which stands for property assessed clean energy. And Travis county is one of the administered of that program. We've done a white paper on how that could be used to support reclaimed and reuse water systems in Austin. And so we're prepared to help developments go through that program as well. So all of these affordability strategies, require the funding. And so we have a number of funding strategies. One is we currently

[9:41:41 AM]

strategies. One is we currently have a community benefit charge of $0.15 per thousand gallons that funds our customer assistance program for our most vulnerable customers. We are proposing to add an an additional $0.15 per thousand gallons that would be dedicated to our reclaimed water system expansion. Our cap, customers do not pay the cbc. And so this would not affect our our most vulnerable customers. But everyone else would pay a $0.15 per thousand gallons. We estimate for the average residential customer, that's about a $1.47 per month. The another, funding strategy is what we're calling the on site water reuse alternative fee. So if there are developments that are more than 500ft from the reclaimed water system or the centralized system, then we they would have the option to dual plumb their building. May if they have multi family make ready for centralized reclaimed water. But rather than building

[9:42:44 AM]

water. But rather than building the on site water reuse system, pay a fee in lieu of that. And so we're working through the details on that. Again that's proposed to apply to multifamily developments. And on the other hand, we are also providing incentives to help them pay for those systems. So we hope they will choose that option instead. But we want to have all the tools in our in our toolbox. We're also looking at purple choice and purple choice plus, which is a voluntary rate program designed Ed after Austin energy's green choice for those of you who are familiar with that one. And again, that would be just a way for those in our community who really want to support this work. Could sign up to pay this voluntary rate, and that money would be dedicated to expanding the reclaim system and then at some point in the future, we're looking at excess usage fees. I talked about the water benchmarking, where developments, look at how much water they need in the future that could become a budget where we would then apply excess usage fees if they exceed that budget.

[9:43:44 AM]

fees if they exceed that budget. This is very similar to the way on on all of our bills at home. The more you use the higher tier rate you get into, we don't really have a corollary to that. On the commercial side. So this would move us closer to something similar to what we do on the residential side. So a summary of what these requirements look like by development size, for small developments under 250,000ft S. They are currently required to connect to the reclaimed system if they're within 250ft. There's no change proposed for small developments, for large developments that do not have multifamily. They are currently required to connect within 500ft to the centralized system. Going forward, they'll be required, to connect within 500ft or install an on site water reuse system and use it for uses like toilet flushing, which requires dual plumbing. And then for large developments that do have a multifamily, it would be the same requirements as, as without

[9:44:47 AM]

same requirements as, as without multifamily, except that they would have the option to pay a fee. An alternative fee, instead of building the on site water reuse system and I'll note that, we are recommending that, projects that are, that qualify for the city's affordability unlocked or state low income housing tax credit would be exempted from these requirements. But again, they would be eligible for our incentive program. So we hope to help make it feasible for all of these developments to implement these water saving, strategies. So that brings me to March 7th. So that's next Thursday. We will have four items on the agenda for you that support these initiatives. And, and then, as well as an interlocal agreement with Travis county, which is a great example of how we're partnering, to bring reclaimed water to new developments. The Travis county courthouse,

[9:45:49 AM]

Travis county courthouse, downtown is already dual plumbed. They're just waiting for us to get there. And so we've worked out a cost sharing agreement to get centralized, reclaimed water to them faster. And then in August, we will have additional rates and incentives that will be a part of our budget adoption. But everything that I've talked about today is wrapped into those council items that are on your agenda for next week. And with that, I'm happy to take any questions.

>> Thank you so much. Director, a couple of questions and then I'll see, who else on the dais has some questions? Can you tell us how many gallons of potable water, will be saved by this project? On a daily basis?

>> We estimate that we'll save more than 10 million gallons of potable water, by 2040. As well as, as I mentioned, putting off the $10 million a year that we would pay to lcra. Once we hit the trigger of water use. So

[9:46:50 AM]

the trigger of water use. So

>> And how does delaying the payment trigger to lcra benefit our customers? Yes.

>> Thank you. It's primarily a financial benefit. As well as, as we looked at with the, the uncertainty in, in the lake level, it gives us more peace of mind that we can bridge those deep droughts, as you mentioned.

>> Go purples, tie to water forward. Can you describe the overall all water forward process, its development and how Austin water has received stakeholder feedback?

>> Sure. So, so, water forward is, as I mentioned, is our 100 year water resources plan. And we began it, many years ago. And of course, it was adopted by city council in 2018. We've had a lot of vetting and dialog. We have our water forward task force, that initially we, council stood up that task force to help us get water forward done and, you know, develop what

[9:47:52 AM]

done and, you know, develop what that portfolio of strategies was going to be for the 2018 plan. But once we got going, we really realized the value in having those perspectives at the table with us. And so we continue to meet with our water forward task force and they're actively engaged in the update to the plan. And we do a number of outreach on our speak up Austin Paige we do surveys, we host community events. We've done a lot of work around engaging our community and what these strategies should, should be. And, and we are really looking to have, you know, a wide variety of strategies. We don't want to have all our eggs in one basket, if you will. We want to. So there are some that have more or less yield, if you will, like Mok pools of water that they produce. But they bring us value in other ways, including in how we engage with our community. I really appreciate the public engagement and the education.

>> What about educating the public about other city water conservation programs that would

[9:48:53 AM]

conservation programs that would also boost this boosts them, and they boost them like water wise. And the green grow programs. We are continuing to work with our our partners in watershed and other departments to get the word out about the things people can be doing in their own homes.

>> You are also going to be seeing our updated drought contingency plan and water conservation plan, which are also on a five year schedule, and are due to tcu this spring. Lcra is updating their drought contingency plan and so ours will be in lockstep with theirs as our, as our, water supplier. And and we can we are we've been doing a number of outreach activities to our community around what what our water conservation requirements should be. You know, on a base level, we only do one day of watering a week in Austin. That's been our

[9:49:53 AM]

week in Austin. That's been our conservation stage for many years. And so we're beginning to look at, you know, how do we ratchet down water use when we get into these deep drought situations and we want to hear from our community what they think is feasible and productive on that rate?

>> And I think just as a note, at our next water oversight committee meeting, I'd like to get a full presentation of all the various conservation education programs that we have, for the community, just to remind everybody about them. And the many years that they have been ongoing and the impacts on our community. Thank you, thank you. Okay. Other questions? Yes. Councilmember Fuentes.

>> Yes. Thank you. I'm excited for purple pipe day next week with the four council items that we will be voting on. It's going to be a fun day, and I thank you for sharing about how these strategies came about.

We appreciate the work of the water board task force, and all the community members who weighed in to help shape water forward, and it's exciting to see the strategies in motion and know that there's still so much more

[9:50:54 AM]

that there's still so much more that that needs to be done to ensure that everyone has access to clean, safe and affordable water. For some of the questions that I have are centered around, you know, what we what you laid out and what we know is that the city of Austin has been leading the way with reclaimed water and with our reuse strategies. You've listed a couple of elements that that has the system on site. Have we or to what extent has the convention center, the airport expansion, those really big projects that we have in the pipeline over the next decade? How how have they been involved in these conversations?

>> So, you can see on the map that I put up earlier that we have a lot of purple pipe on the airport property. So the airport uses reclaimed water, for a number of uses on that facility. And then the convention center will be, you know, they're they're in the heart of our of our distribution system for, for reclaimed water. So they'll, they will comply with all of the, all of the new requirements as well. >> And is there a process in

[9:51:55 AM]

>> And is there a process in place that the city has that takes a look at upcoming developments, whether it be with affordable housing, multifamily units, units perform, permanent supportive housing or other big scale infrastructure projects. You all are involved in those conversations as well.

>> We are so as as development S are beginning to go through the city's process, then we get engaged to help them understand what the requirements are and help them prepare that water benchmarking. Document and understand what their water needs are and what their options are for meeting those, demands.

>> Looking forward with the with federal funding opportunities, can you speak to how we're engaged with the bipartisan infrastructure law? Any other types of federal funding opportunity that might come down our way?

>> So the, the federal funding primarily comes through the Texas water development board as the states, agency that distributes those funds. And so they call for projects every

[9:52:56 AM]

they call for projects every year we vet our projects every year and submit project information forms. And so we have had Eid, state revolving fund, support, which can include often does include federal money, for a number of these reclaimed projects as well as other water and wastewater projects. And so we'll continue to work with water development board. We're also talking to the bureau of reclamation, which has reuse specific funding opportunities to see how their options might fit in with our projects. And so that's a that's a we have a team on our in our finances team that that's part of their responsible cities. And so we look for those funding opportunities. And we have saved a lot. It's that's real money for us. We've saved a lot of money using those Texas water development board low interest loans. Thank you.

>> Allison alter. Thank you.

>> And I think there's also some folks to the left of you. Good morning. I too am very excited

[9:53:58 AM]

morning. I too am very excited to see us move forward. And, I hope you know, the delay that we had from the fall will not not be repeated. Next week. And that we can actually move forward, I think as we're looking at 88 degree days in February, the reality of potentially having a longer drought, this year and, and for the foreseeable future is very real. And we need to be taking every step that we can. So I appreciate that you all are bringing this forward. I wanted to just check in on, you know, so this additional option that was added to the proposals that we saw before, where they can, if they're multifamily, that is larger than 250,000ft S, that as an option, they can install, do plumbing, making it ready to connect to the reclaimed water. And then pay a fee to support the reclaimed system expansion. How is that going to interplay

[9:54:58 AM]

How is that going to interplay with the incentives that you're offering? Because I wouldn't want to give them, like they're supposed to be paying us to be in the reclaimed water. I don't want to then be turning around and subsidizing their due plumbing when they're opting out of the thing that we think would be more useful at this stage.

>> Well, does that work at the I will say that we are continuing to work through the details on what this program is going to look like. At this time, our our main goal is for as many buildings to be ready for reclaimed water as possible. And so our financial incentives, support, support that and, and are available to, to buildings. And then. I'm thinking give me a moment to think through your question. So. We would our financial incentives right now are primarily around around

[9:55:58 AM]

are primarily around around assisting developments in connecting to the centralized reclaimed water system. If they are farther than 500ft from that system, then they will be required to dual plumb. And then if they have multifamily, they can opt out of the on site water reuse system and pay a fee. Instead. And if they don't have multifamily, then they have to build the on site water reuse system. So I don't think there's an overlap in paying an incentive versus, them paying us a fee. But we will look into that and, you know, just frankly, our our goal is more dual plumbing and more purple pipe in the ground and more on site water reuse systems. So we're trying to do everything we can in furtherance of that goal. And we do have we can't we can't make it a net profit for developments. There's rules against that. So, you know, we'll we will be looking at each

[9:57:00 AM]

we'll we will be looking at each development specific fee.

>> And when will we be seeing this program. Will we have this draft next week. Are we adopting that next week or or.

>> Yes. It's in the it's defined in the documents that you have. Okay.

>> But which part then is still evolving.

>> Good question.

>> I'm going to I'm going to get some help with this one.

>> Good morning council members. I am Ana Brian Borja Austin water's assistant director of business services. The code amendments that you will see next week will establish the fee in lieu process for multifamily properties and will also establish the, or reauthorize our pilot incentive programs. We currently have a published document for the pilot incentive

[9:58:01 AM]

document for the pilot incentive programs that is published on our website. And so with council's adoption, we will update that pilot incentive program to incorporate all the various incentives that council has authorized us to undertake. So while the details of administration and execution Ann are developed in an administrative document that's programmatic, we will we will document that to reflect council's intent and direction to us. And, and we will also with our pilot incentive program, we'll be bringing that back on an annual basis for reauthorization.

>> Okay. So when we vote next week, will we have clear Katy on how the incentives would interact with this third option or fourth option? I guess for the large multifamily properties that are not within the 250ft, I think it will be important for

[9:59:03 AM]

think it will be important for us to develop those answers to the extent that we are able within the time frame.

>> So I think that that that is a task that we need to make sure to prepare. Leading into March 7th.

>> Thank you. And I'm not sure what the balance is, but I do want to understand the interplay and how how you're proposing that to work. I understand that we ultimately do want these properties to have the dual plumbing, and in some sense, the onsite is an interim step, too. So, so but I do want to have some clarity there of how those are, how those are connecting. Thank you. And then director Olsen, you mentioned that the, the, we don't currently have a way to step up the costs for commercial usage of water. Can you elaborate a little bit more? Sure.

>> We have a we have a two rates for commercial. It's slightly higher in the summer and slightly lower, the rest of the year. And, and so the, there's not an inclined to rate for

[10:00:06 AM]

not an inclined to rate for commercial where the more they use, the more they pay. And so that's something that we are working toward with this idea of the excess usage fees. But that's not a part of what's in your what you'll be approving next week or voting on next week .

>> And would that be something that we'd be considering under the water forward umbrella, or is that something that's reserved for a discussion of a rate case? We also have, I mean, above and beyond the benchmarking issue.

>> Right. So the how that excess usage fee would work. I think we would be talking about that, but primarily in the cost of service and rate. Discussion. And so that's, but that's not, that's a future topic. That's not something that we're actively, working on right now. So, in part because we need to give this water benchmarking time to

[10:01:06 AM]

this water benchmarking time to become more accurate and to get better data out of it so that we understand and what's reasonable to look out for that. Because every residential use has a lot of similarities, commercial use can vary quite a bit depending on the building.

>> Thank you. I think there's still a question of like, how much you use generally beyond what your building was designed for and whether if you're if you're deploying a lot of water, for your processes and you know that that as you add more water to your usage, that that we should be considering that, but it doesn't sound like we currently have a process for that. So that's something that I will, think about as we're going through the rate process, etc. And when it's appropriate and we'll have more conversations. I'm just learning about it. So I don't, I don't know which way is the right way to move forward. But from a council standpoint, it does seem like the price signals would be used.

[10:02:08 AM]

signals would be used.

>> So I think so too. I mean, our, our commercial and industrial customers have a lot of price signals already because they use a lot of water. And so they have that incentive, to reduce their water use. But I think some additional working together on, how we can help them be incentivized to fix leaks faster, you know, do all the things that we're trying to do on the public side as well. Great.

>> Thank you.

>> Thank you. Council member. Council member. Harper-madison. And then council member Ryan alter.

>> Thank you.

>> Mayor pro tem and, council member alter. You actually, that was a great lead in because I was thinking along the lines of, especially with larger construction projects, I think about like our northeast planning district. And, I really appreciate that your presentation addressed green spaces or green fields. Because that's a d-1 issue. And so, and recognizing that I do have some questions around with its size, size and diversity and the various planned communities, I, I anticipate that there will be

[10:03:11 AM]

I anticipate that there will be a challenge on prioritization on, for an area like a district, one that's relatively complex. I, I'm curious, how do we prioritize, redeveloping existing infrastructure and laying down new pipes and not just new developing, but rapidly new developing areas? That's one question. If I could stick in there, one word. Regional new developing area and then regional. You know, I saw an article the other day about an extension of a trail that goes from Austin to Maner, and then I was talking to some folks in Maynard who were talking from Maynard to Elgin, and then folks who are talking from Maynard east to Harker heights. And so it's like the regional conversation really keeps coming up. And so I find myself, wondering what that impact looks like for the rapid new development. Sure

>> So to start with how we make our choices about what we rehabilitate, we have we have a

[10:04:11 AM]

rehabilitate, we have we have a really robust condition and criticality assessment that, asset management program. And so we use that every year in our cip budgeting process to allocate what we call renewal funding. And so that is money that is just for, replacing poor performing pipe. And, and so that's how we prioritize where we replace that old or it isn't necessarily correlated with age but pipe that is it is not performing well. It has a lot of breaks. So then thinking about how we plan for the future and where development is coming, particularly in rapidly developing areas, we have a service extension request process. And so when a new development is contemplating, you know, beginning to go through the process of developing, then they submit to us their where they are, what their what kind of uses they'll have, how much water and wastewater they'll need. And we look at how near or far they are from our existing system and

[10:05:12 AM]

from our existing system and help them identify where they need to build the infrastructure to serve that new development. And in these really rapidly developing areas, we'll have a number of these seizures happening all adjacent to each other. And so we see a lot of conversations happening between developers about how they can collaborate on getting that infrastructure built to collectively serve them. And so sometimes we facilitate those conversations. Burns. And then that is a piece of our larger overall long range planning process, which is, for water, wastewater and reclaimed water. We have extensive, hydraulic models. We estimate where the demands are going to be, and we run that simulation over multiple years and determine where we need to build new pipe to serve that growth. Or upsize pipe to serve infill growth. And so all of those planning exercises are happening on top of each other and inform one another. >> That's perfect and really

[10:06:12 AM]

>> That's perfect and really does help to answer my question, because I'm thinking along the lines of, if we can find creative solutions like our partnership with the county around the northeast planning district, I wondered, does that free up? Some resources? Does that free up some dollars for us to dig a little bit deeper in other neighborhoods that otherwise might have been missed ? And so but I think you're answering those questions, and it sounds like all the considerations are being made.

>> We definitely don't want development next door to each other, each building a 16 inch water line.

>> Thank you. And I appreciate that because that's one of the points of consideration for me in addressing things that are existing and then incoming. So for example, we have some really cool incoming development that's directly adjacent to failing infrastructure, power and power lines that need to be buried. But they're still not a comprehensive system for all of these projects to talk directly to one another so that duplicative effort, it really did waste resources and time. It's the time that you really can't get back. So but I it sounds like you guys are already considering those things. I have

[10:07:13 AM]

considering those things. I have one more question, and it might be a little off the wall. So be it with me. So as I'm looking at some things around, I'm entirely obsessed with agriculture, nature focused housing right now . And as I'm looking at that, a lot of that is considerations around water usage. And really smart, sustainable application of the use of water. And we've been looking at some, energy generation stuff. And sure enough, serendipitously, over the weekend, I heard on cut a report about geothermal. And so I just found myself wondering, and it's actually something I wanted to bring to water oversight. Just some curiosities around what are the potential impacts for, like, you know, as they're having this conversation specifically, they said something along the lines of, geo fluid extraction considerations. And I just find myself wondering, does that have any impact, good or bad, on us? For our water considerations, I'm certainly not asking you to answer the question now. I just

[10:08:14 AM]

answer the question now. I just didn't want it to be too weird when I asked. Start asking these off the wall questions around geothermal considerations. I will go look into geothermal and how it's used in central Texas.

>> Awesome. Thank you.

>> Well, it turns out apparently Texas is one of the premier users of geothermal energy. And we're making some real innovative, sort of standardizing, the practice. And so I think that's really cool. And, and I appreciate that you wore a purple shirt. Thank you. I like to coordinate with my policy as well. So thank you.

>> And just so everybody knows, the geothermal conversation will be something that we are talking with Austin energy about as well. So it's definitely, in the queue. Great council member Ryan alter, thank you very much.

>> I wanted to start with your discussion or you're kind of noting about affordable housing and permanent supportive housing, not having this requirement. And I think that's something I understand. The concern creation that as, as we go forward thinking about, of course, it requires additional resources, but us bringing to the table that that full bridge

[10:09:14 AM]

the table that that full bridge so that these developments, can take advantage of, of reuse and, and hopefully lower water bills. But we could really use these developments as models to the community of how, I'll say easy it is. But how you can really integrate this into multifamily development and show all the benefits. But we have to, as a city, certainly recognize the additional cost. And I think, go beyond what we would typically do for a standard project. But I think that's something that we should consider for, looking forward just because I don't think because you're an affordable housing development, you shouldn't have the benefits of more efficiencies and lower water usage. So that's kind of want to flag that. I, we talked a while back when you were first going over these the, the purple choice program. And any kind of corollary as it relates to

[10:10:16 AM]

corollary as it relates to Austin energy's community solar program, you mentioned the, green choice program. But if there is anywhere within our rate structure where someone could opt in to a higher fee now, but then that be locked in and over time that be lower, whether that's your customer charge or some other, you know, we have the power supply adjustment for Austin energy. Y'all don't have that exact, corollary, but I could imagine a business saying I might be willing to pay a little more now , so, but have that ability to know what my future looks like by locking in the rate. I think it'd be interesting. Food for thought. And I know y'all are looking at all these financing mechanisms, but, a way to kind of incentivize people now to really reduce any kind of upside risk later on. You mentioned opportunities for community

[10:11:19 AM]

opportunities for community scale reclaimed water. What what did you mean by you're looking for opportunities there?

>> Well, they're there, for example, let's say there's an area on the north east side of Austin that is developing and that is a long way to go with centralized wastewater to get all the way down to our regional plants.

>> So that could be an area where we would build a small wastewater treatment plant and then reuse that, that reclaimed water. Right there in that community.

>> And when we think of community reuse, are you typically just thinking for irrigation or actually in residential?

>> We are beginning to look at developing the standard codes for, for reclaimed use for residential, single family home, residential, reclaimed use.

>> Well, that'd be interesting.

>> And you mentioned a seed fund for the low interest loans. Can you talk about that a little bit?

>> My I what I, what I really meant by that and I, I'm not sure seed is the right word to use there, but essentially that, the low interest loan program,

[10:12:21 AM]

the low interest loan program, would be a program administered by the financial services department of the city of Austin .

>> To provide below market loans to developments, to make their financing more affordable. And that that initial money, that money will be paid back over time. So it should be self-sustaining. But that that initial money to fund that program would we would front that. I got you, I got you and as it relates to the purple choice program or potentially the fee in lieu if we are able to you know, collect whether it's $1 million, $3 million, $5 million.

>> The idea is to turn that around and just build out the purple pipe system faster. Is that right? That's right. Okay. Yes so I think, you know, I highlight some of these because of course, all these require investments, require additional dollars. And y'all have certainly, brought forth some very useful tools. But you know, in in light of the conversations we'd be having and, and the

[10:13:23 AM]

we'd be having and, and the conversations I think we're going to have around, the environmental investment plan, we have opportunities to bring additional resources to kind of supercharge some of these efforts, whether it is getting our affordable housing developments, able to reuse water for or having that community scale, projects or even just, you know, having a more purple pipe faster, if we bring those investment, as you mentioned, we're going to save money in the long terme. You mentioned that we had, 175,000 gallons or not, acre feet used last year. Our climate equity plan goal is for 152 000 by 2030. So you know, are we going to hit that. But not on our current trajectory. But you know, this is part of the question that I think we should be asking of how do we, invest to achieve our goals. And so I really appreciate this work and look forward to wearing purple on the seventh.

>> Excellent.

>> Thank you, director roalson. And just keep in mind it sounds like we're going to have to

[10:14:24 AM]

like we're going to have to staff up in order to meet the ambitious plans that council member Ryan alter has for us. Any other questions? Yes. Council member Alice, I did.

>> Thank you. Mayor pro tem, could you cover the dates again? When is this going to launch or are there any other date metrics people should be considering as they process this information?

>> So these are the requirements that you will consider next week on March 7th, will would go into effect April 1st.

>> And so that is the same. You know, these incentives, part of the items that you will consider next week will, will implement the community benefit charge immediately. And so that money will start coming in and will be allocated to our budget. And so there's a budget amendment in your package as well, which will authorize our, pilot incentive program up to $5.6 million for this fiscal year. So developments that come in after April 1st will be subject to the requirements and eligible for

[10:15:24 AM]

requirements and eligible for the incentives.

>> And this fiscal year, meaning through September 30th of 2024.

>> That's correct. And then we will continue to, evaluate that on an annual basis, which, of course, for fiscal year 25 means we're looking at it for our budget right now. As we go through our cost of service study and look at our, our, at our rate needs as well.

>> Okay. Thank you.

>> Thank you everybody. Last question, council member vela, since you're on the existing properties that are using a purple pipe, the library, the Austin energy building, what percentage of their water use is the purple pipe?

>> Is the reuse or reclaimed water? Do we know the answer to that?

>> Yes. Come on up, Katherine. I invite supervising engineer Katherine Duszynski to the podium.

>> Good morning. Council members. We just looked at this data recently, and I believe the Austin energy building is, reduce their potable demand by

[10:16:24 AM]

reduce their potable demand by 80. And the central library is 85% reduction.

>> And that's, that's really good news. And glad to hear that it is that effective. I mean, that high of a percentage of the water use. This is a broader question, but I'm thinking about water generally. How much of our use is lawn use still? Because when I think about, you know, water savings, you know, lawn and people watering their grass jumps out to me as kind of, do we know what the kind of the estimates are for the amount of, of our water that goes towards lawns versus for other human uses.

>> We do know that we have a model that has sort of figured out that demand by single family sector, multifamily sector, commercial sector, off the top of my head, I do not have that. Those numbers for you, but we can provide them and no problem.

>> And just a couple more questions. And again these are kind of more bigger picture questions. I'm just trying to understand better the water

[10:17:24 AM]

understand better the water situation. The 10 million gallons saved I guess is that 10 million a year saved. Correct.

>> Yes. 10 million gallons per day. And I think that's for centralized. Reclaimed. And then the on site would be an additional 6 million gallons per day.

>> So, and what would be our water usage per day, like 10 million gallons? What's the, the top line number. Like how much water are we using per day on a on a winter day, we typically use around 120 million gallons a day. Okay

>> And on the summer and in the summer, we're up around 180.

>> Okay. So so, overall, we're talking about, you know, a 10% ish of our, our, our water use would be through the, the reclaimed and reused water.

>> That's right. And I would call that you know, that's in the next 10 to 15 years.

>> And then of course, as we continue to build out the system and invest in these systems that will only grow, you know, the goal is to, is to get as much of

[10:18:25 AM]

goal is to, is to get as much of these systems going. Now so, for the, for the future because it'll just continue to pay dividends and just a follow up question on the percentage of the development's use, the 80% or 85, almost all of that is toilet flushing.

>> That's right. Wow.

>> And landscape irrigation and landscape irrigation, cooling towers. Got it.

>> Yep. Got it. And then finally on the chart for the developments under 250 K, that any development under 250 K would that includes multi family developments under 250 K.

>> That's correct.

>> All right. And any sense of the cost of the purple pipe you know, per unit or, you know what I mean for a 200 unit multi family or something like that.

>> We did look at. So it varies a lot by building typology.

>> And so in our report that we provided to you all back in October, it had some numbers in there for, for for the different building types and what the cost

[10:19:27 AM]

building types and what the cost per unit was. So for the high rise buildings where the plumbing is kind of stacked on top of each other, it's basically a wash and cost. But for the I think so it was basically from a cost benefit all the way up to, I think, about $7,000 per unit. Okay. And so that's really what these affordability incentives are based around. We really don't want to developments to I mean, we want them all to take advantage of these measures so that they can implement these options.

>> Yeah. And just to be clear, though, that if you're a multifamily development within 250ft of a purple pipe, you have to connect into the purple pipe and plumb your building with. And that's a current rule that's current. Okay got it.

>> Currently? Yes.

>> If you are within 250ft and you're, less than 250,000ft S, regardless of your building use, you are required to connect and

[10:20:27 AM]

you are required to connect and use it for all of the uses, including dual plumbing.

>> And this would even be let's say, a very small development, you know, like, let's say a. Is that do you want to speak to that?

>> I think Catherine can answer these questions a little bit better about the differences between what's required for the different building types? Yes

>> So, they can be small developments. They would have to be a multifamily with five or more units. That's kind of the threshold. And, there is an allowance for a director's variance for a financial hardship. If there's really you just can't make it pencil out for those smaller developments that exist and will persist.

>> Got it. Is there any cap in terms of the variance like, you know, under you know, I don't know, 20 or you know, something like that. It's not defined like that.

>> It's mostly it's, you know for the public support of housing projects and things like that that have just, you know, a discretionary variance, I guess, as needed on a case by case basis, correct.

>> All right. That's all my questions. Thank you very much. >> Didn't we have a case

[10:21:28 AM]

>> Didn't we have a case recently that was discretionary in a zoning case that the dais voted not to require the connecting to the purple pipe?

>> Yes. That was an existing, development that was coming back for a variance from city council and did not move forward with connecting to the reclaimed water system.

>> And do these rules make that, appeal to the council? Not does it remove that or would that, open door still be available? I think I'd have to ask the planning department about that. I think that was part of what we grappled with with that particular, request of the dais. Because if we have breaks in the connectivity without that piece, then it's harder for anybody further down the line to connect, because now that pipe doesn't exist. So I think we on a policy basis will need to take on that consideration so that we can truly have of a decision on

[10:22:28 AM]

can truly have of a decision on whether this will be a comprehensive citywide plumbing with the purple pipe. That's a decision that rests with this dais. Thank you, director roalson. I think that's it for this, briefing. Really appreciated. Good information, good questions. City manager. Would you like to call up the next briefing? Indeed.

>> We have a routine item that is going to talk about city finances.

>> Good morning, mayor pro tem council members. My name is Ed Benigno, chief financial officer for the city. Item number two, briefing number two, on your agenda as an fy 24 budget update. Now we just heard that council member harper-madison likes to coordinate her dress with her policy. And about ten minutes y'all are going to know whether the red was for this item or for something else. All right. Carrie's wearing green. We're gonna find out which one of them was right in about ten minutes. So Carrie's going to do

[10:23:28 AM]

minutes. So Carrie's going to do the bulk of the presentation, but before she comes up here, I wanted to lay a little bit of a foundation for this item by providing you what I thought was some important context and background information. Before Carrie gets into the details, beginning with, why are we here? And the answer to that goes back to August of 2023, when you all were adopting the fiscal year 24 budget. As happens with every budget that I've ever been engaged in, there simply is not enough, never enough funding to address all of the priorities that an elected body or the community may have. And in particular, there were four programs where we didn't have perfect information. Another common theme with with budgets, but we didn't know for those programs is what their spending requirements were going to be for the fiscal year. We also had a lot of uncertainty about our sales taxes. We didn't know what our revenues were going to look like. For the next fiscal year, you may recall that for a long period of time, we had been seeing double digit growth in our sales tax revenues. And then

[10:24:28 AM]

our sales tax revenues. And then in the months leading up to the budget adoption, they had really seemed like they had plateaued and had flattened, out. So there was all that uncertainty. And so zo council asked staff to come back mid-year 24. And that's what we're doing here today to provide an update on those programs, to let you know what we've learned about the spending trajectory of those programs. And also to give you an update on our sales tax revenue projections. The second item is just this is going to be a much briefer presentation. But in April, like we always do, we will be coming to council with a very detailed five year financial forecast that will give you a much bigger, broad picture about what the city's current finances look like and what the financial projections are in the future. We're also right now we're working with all of our departments on their expenditure projections and their rate projections, for the next five years. And so you will get the benefit of that broader picture, but you're going to have to wait about six weeks till we come back and do a lengthier, presentation with our five year financial forecast. I

[10:25:29 AM]

five year financial forecast. I mentioned earlier that that trend, that long standing trend, we had had, I mean, ten, 20 some months, even 30% year over year growth in our sales tax revenue and then a plateaued and flattened out in the 2 or 3 months leading up to budget adoption. Ann it had dropped down to low single digits. We have continued to see that trend over the last 3 or 4 months. We have continued to see really, flat sales tax revenues. Now, the good news of that is flat is better than down. Right. And so flat is better than down. But the bad news is, is we built our fy 24 budget assuming 4% sales tax growth. And so flat is not good enough. If our sales tax remained flat against that 4% assumption that we made in the budget, we are going to have a budget deficit that will need to deal with before the end of the fiscal year. And then the final point is, and you're going to hear a lot more about this during that financial forecast presentation. But we are, heading towards a fiscal cliff with our arpa spending. And I

[10:26:29 AM]

with our arpa spending. And I don't say a cliff to be overly dramatic, but it does kind of that's just the image I get in my head, because in arpa, we received $188 million of federal stimulus dollars. Council approved a spending framework of $263 million that included the arpa funding. It included some grant funding, and it included some general fund reserves. So $266 million influx of funding into our budget that allowed us allowed us to elevate services in a number of areas. And over the next three years, that funding is going to start dropping off the arpa funds have to be fully committed by the end of this fiscal year, and we're confident we're going to be able to do that. And they have to be fully expended by the end of 2026. December of 2026. And we're confident we'll be able to fully expend all of those federal dollars. We're not going to leave anything on the table, but there are going to be some critical policy decisions coming up during that period of time about this elevated level of spending and whether or not when that money starts to dry up, if we're going to go back to

[10:27:31 AM]

we're going to go back to pre-covid levels of funding or if we're going to try to maintain those elevated levels of spending, and if so, how does that look relative to our ability to do so, relative to our revenue? So I just want to highlight that we will have more on that in the financial forecast. But it's another important backdrop for this whole conversation. I felt that we kind of needed to set the table with that, that that is coming. And make sure you're you're aware of that. I don't know if we want to pause real quick for questions and just my setting the table or if you want to go straight to carry, does anybody have anything specific to what Ed was just talking about?

>> City manager. Did you.

>> Well, I mean, the only thing I'd say is to just build on what Ed just talked about is that one is this a little unusual in the sense that we've not done a mid-year kind of a mid-year review? So this is a first in a long time. So so be gentle with your questions as, as Carrie gets through her presentation. The second thing is, is that we have for a long time not had economic headwinds. In our budgeting process. And at least one quarter doesn't make a trend

[10:28:32 AM]

one quarter doesn't make a trend necessarily, but but those are beginning to manifest themselves. The higher interest rates have begun to have their desired effect of slowing the economy down. And even though Austin is still the envy of the state of Texas in terms of economic activity, we have slowed down and I think it's beginning to impact, our, our revenues and, Carrie will get into that in a couple of minutes . But the final thing I'll say is, is that as you prepare, as you begin to understand all of that, what we would simply ask that you avail yourself to more information rather than less information before making commitments, until we know kind of what the trends are going to be, and we'll have a little bit more of that discussion toward the end of, Carrie's presentation, so that when we do make a commitment that we can actually fulfill that commitment . The second thing is that, and I've told the staff this over and over again, the last thing we want to do is begin to hire individuals who then begin to make commitments, whether it's housing or whether it's, refrigerators, whether it's whether it's, automobiles or children's tuition. And then three months later, find out

[10:29:34 AM]

three months later, find out that we can't we can no longer afford that individual because we don't have the income to pay for it. And then you have to you have the unpleasant discussion with that person that that job is being eliminated. So we're not quite there yet. But I think it's those are the things that we're we temper ourselves in terms of not getting over our skis with respect to finances.

>> Thank you. City manager. Miss Lang, it is great to see you. Well, good morning.

>> It's great to be here. Kerri Lang, budget officer with the financial services department. I'm glad to be here to talk a little bit more about, fiscal year 24 update. I have, Eric Nelson with me, who is the deputy budget officer. And, we are going to walk through today, talk about the fiscal year 23, year end review. This is a preliminary review of fiscal year 23, as we are still waiting on the final audited numbers from, for the fiscal year, and they will move forward. Our

[10:30:35 AM]

they will move forward. Our discussion today to talk about some of that sales tax collection trends that, the city manager and editor discuss, as well as providing you all an update of the specific areas that were flagged during budget adoption. Ann. Namely, we'll talk about tenant stabilization funds, our permanent supportive housing funds in regards to local vouchers and wraparound services. And then the city of Austin's child care assistance program. So when we look at fiscal year 23 and how we ended the year, the general fund revenue essentially met its revenue target for fiscal year 23. We. Had $1.304 billion, in revenue, 3.5 million above that. So we pretty much met our revenue target. But it's really important to note how we met that target for fiscal year 23, when we ended the year. When we look at our property taxes. There was a shortfall that was primarily due to, protest and refunds that were given after

[10:31:38 AM]

refunds that were given after budget adoption so that that impacted the property tax revenue as we talked about sales tax collection collections continued the downward trend that we started discussing last fiscal year, although when we were at the budget, state budget adoption process, we were still over a 3.5% growth. And so that's why you see the trend when you see the trend going down compared to what we budgeted, we still had relatively strong, even though it was trending down. But sales tax continued to trend down and it was a $4.3 million shortfall from what was estimated for the end of the fiscal year. So those shortfalls were offset with this one time, $5.9 million ems, revenue. Who that revenue is attributed to them cleaning up their backlog, their billing backlog, and they were able to, clean it up much faster than they anticipate. And that showed that $5.9 million increase in their revenue. Again, that is one time revenue that we'll see now that they are level. We'll

[10:32:38 AM]

now that they are level. We'll just see the normal increases and ebbs and flows for ems revenue. And then we did see an increase in interest earnings based on those higher interest rates that we are that we are dealing with right now. When we look at the expenditures for fiscal year 23, the general fund departments did come within 99.9% of their budget for the fiscal year. And all of this is telling the story and setting the stage of what we're looking at for fiscal year 24. So when we think about the year end for fiscal year 23 and its impact on reserve, we are currently with the reserve balance of 4.7 million above our financial policy requirements. But there are some major, assumptions that were made in the creation of the of the budget and the reserves budget for fiscal year 24 that are really important to discuss. And I'll talk about it a little bit more detail in the next couple of slides, but we'll talk about the significant FEMA reimbursement expectations that we put into our reserve budget for this year, as well as our Travis county reimbursement for

[10:33:39 AM]

Travis county reimbursement for covid expenses, and then continue the conversation about what we're seeing with our sales tax and the expectation for a 3.5% return. So digging a little bit more into our reimbursement assumptions, we have budgeted. 19.2 million for covid related FEMA reimburse payments for this fiscal year to date, we have received 16.4, but I think it's really important to note that we don't have a timeline or a actual real idea of when those additional dollars will come in. Sometimes we see a couple of new obligations from FEMA in the first couple of months, and then they may go quiet for several months. So so if we remain flat for the rest of this fiscal year with FEMA, reimburse in particular, then that would be an additional $2.8 million potential gap in our assumptions for fiscal year 24 along the lines of the Travis county reimbursement staff has been

[10:34:40 AM]

reimbursement staff has been working really closely with the Travis county team on that $15 million budget. That is just $15 million of the total agreement that we budgeted for this fiscal year, because we know that the reimbursement could take a little bit longer. So we want to be conservative in our expectation of receiving the full contract amount in this fiscal year. And so we have received $10.6 million to date. We are continuing to work with Travis county and getting them the information they've requested to try to make sure we get the full reimbursement for this fiscal year. Going back to sales tax, as we look at our sales tax return so far, the chart that you see there shows the downward trend that began in fiscal year 23. We talked about how we saw the trend moving down, during the budget process, but we didn't realize our first negative growth until August. And so that that was how that was the information we had to

[10:35:42 AM]

was the information we had to impact how we budgeted fiscal year 24. So, in the first quarter, if you look at the first quarter of the fiscal year, then you recognize that we'll see a 0.5% growth for this fiscal year. I want to just remind you all that sales tax is on a two month lag. And so what you're seeing for December, January and February represents the first quarter of the fiscal year, for the city's revenue. And so when we look at that, when we look at that, that, the actual 0.5% growth compared to 3.5, we start the year and we currently have a $8.5 million budget deficit when we're looking at sales tax revenue, if we continue on this, this flat growth for the fiscal year that could get up to $15.4 million of a gap by the end of this fiscal year. Now, we'll come back to you as as the city manager and Ed mentioned in the financial forecast time frame and give you

[10:36:42 AM]

forecast time frame and give you all an update in about six weeks to show you what we are seeing with sales tax, we'll have about five months of information at that time, and we'll give you the projected burns for the fiscal year based on that updated information that we will receive in the financial forecast east. Moving forward to the items that were discussed during budget, there were there were, 4 or 5 items that were specifically discussed, during budget about coming back and having a conversation about these items during a potential mid-year conversation on tenant stabilization is one, the public excuse me, permanent supportive housing, local voucher and wraparound services programs were the others, as well as the city of Austin's childcare assistance program. So when we start the conversation about, tenant stabilization, we want to

[10:37:43 AM]

tenant stabilization, we want to start off by looking at our full housing stabilization efforts and kind of touch base on the all the areas that we have looked at or have we've invested in on housing stabilization and, and, and tenant stabilization programs. The ones that we talked about in budget in particular were the emergency rental assistance and tenant relocation. It also includes tenant representation and renters rights. The city is also investing in anti-displacement through the project connect funds, as well as displacement prevention navigator program. And then finally in our homelessness response efforts, our permanent supportive housing programs and our rapid rehousing with tenant stabilization in particular, the city began funding rental assistance as part of our response to the to the impact that covid was having on the community. We currently have $9.6 million of one time funds for tenant stabilization related to rental assistance and relocation. This includes. $7.8

[10:38:44 AM]

relocation. This includes. $7.8 million from fiscal year 23 and $1.8 million. This fiscal year. The contract with the vendor. So when you look at this slide, you'll see that we've had $2.2 million of expenditures. And that speaks to the contract with the vendor was signed this this summer. But there was a ramp up period with the vendor. And so we're starting to see more of that. Those expenditures. Than what is what the numbers show or what the numbers indicate. And speaking with the department, we've helped 345 households to date. We anticipate fully expending those dollars and serving 1500 households by the end of may. And the one of the reasons that we think that it's going to wrap up with that ramp up period now, in place, the vendor has indicated that they'll be able to process some of these requests a little bit faster. Moving forward to the permanent supportive housing local voucher program. This program, was was is for the

[10:39:46 AM]

program, was was is for the voucher program that provides the subsidy for these units that are coming online or have recently come online. There is the 12.4 million in the Austin high Austin housing finance corporation, and the one time dollars of 1 million that is in the general fund budget stabilization reserve. These dollars have been contracted out. They were contracted out in November of 2023. As you all know, espero opened in January and so they are still in the leasing process. And so as those leases start and when pecan gardens comes online in spring of 24, then we'll start seeing these funds be expended in this fiscal year. The anticipation is that $1.5 million will be expended this year. And then as more units come online, the eventual annual expenditure is estimated to be $4.5 million annually. But for this fiscal year, we only anticipate the use of $1.5 million. Next, we'll

[10:40:48 AM]

of $1.5 million. Next, we'll talk about the wraparound services. There was $1 million provided in the, one time funds for wraparound services for this fiscal year. The department has been working to, create a solicitation Ann for that $1 million. That is expected to go out at the end or, excuse me, later this spring and spring of 2024. However the department also has $8.7 million of funding that is in their ongoing funding for wraparound services. And as you can see to date, those fundings that have been spent are about $1.6 million. And then finally, the child care assistance program, that program is current under currently under evaluation and receiving and evaluating the surveys that went out to employees in January. And we have 70 employees currently enrolled. That's why the

[10:41:48 AM]

enrolled. That's why the expenditure to date is only showing $73,000. And we anticipate that, spending approximately $400,000 this fiscal year. And the human resources department is working on getting the information out to employees so that they are aware of the program and that they can, evaluate the survey to see how to better implement the program for this fiscal year. And going forward. So as we start to wrap up the discussion, are the presentation. We want to just kind of do a recap and, and focus on the things that we're seeing from a financial perspective. We think that both the, the local voucher and the wraparound services for permanent supportive housing has sufficient funds for this fiscal year. Similar the based on the current enrollment, the child care assistance program is funded sufficiently for fiscal year 24. So we. We believe that continued discussion and

[10:42:50 AM]

continued discussion and evaluation is needed on attendance stabilization program to see how we can better fit the program or rightsize the program based on funding that is available. And then in light of the current trends that we anticipate for sales tax, we want to make sure that we are cautious about the financial outlook of what the city is going to see by the end of this fiscal year, and the impact of those sales tax returns on fiscal year 25 and our financial forecast period, we'll be back with you in six short weeks. It's going to blink of an eye. Y'all will see us again soon, and we'll have a more comprehensive, update on what we're seeing with our revenue. What we're seeing with expenditures and what anticipated growth we're seeing with expenditures over not just the short time for fiscal year 25, but also over the midterms, over the five year forecast. And so with that, we and all these variables that we're still working with, we're asking that, that you as council allow us to come back with that financial

[10:43:51 AM]

come back with that financial forecast update before we start making any one time or changes for this fiscal year, because we want to have a complete, and comprehensive understanding of what these impacts will have for us, not just for this year, but in the future.

>> And council members, one of the things I'd like to do just to wrap up is just as an example, I think, arpa has provided a distortion of what we can afford in terms of a run rate. And so, for example, as a, as a this is a made up example, but it's a, it's a I think it's a real example. If we have an ability to spend $20 million on a program because that's in our run rate, it's in our base budget. But arpa came in and we added 40 million to that. When that 40 million goes away, all you can afford is 20 million. And so that is 40 million of benefit that you gave to the community for whatever program that was. And that money has now lapsed, and you don't have the ability to spend $60 million.

[10:44:52 AM]

ability to spend $60 million. You can only you can only spend 20 million. And I think those are real things that Carrie and Eric and Ed are trying to sort through. Again, we're not I think what we would really the takeaway for us as we went through this very valuable exercise is that we would like to have more information so that we could give you that information so you would have more informed, be better informed in terms of whatever decisions you make going forward with respect to not just the budget for this year, but as you put the budget together for year 25. And with that, I think Carrie and Eric and Ed are happy to answer any of your questions, and I'll be a supporting cast member.

>> Thank you, city manager. Council member vela, we'll start with you. Thank you. And then council member Ryan alter.

>> Stepping back just a little bit on on on kind of a more of a big picture. How is that the 3.5, property cap, affecting us? And I guess my question would be more without about the 3.5%

[10:45:53 AM]

more without about the 3.5% property cap. Since I've been on the dais, I've only been in the 3.5, property cap environment. What would we have taken of the increase in property taxes in the past? I believe the cap used to be 7% 8.5.

>> It used to be 8. And what would be a normal.

>> And again, I know it varies per year, but you know, what would we normally have captured of that 8.5. So it would it would vary year over year.

>> But we would consider going I mean we would go right below eight or a couple of you know, percentages below, below eight. So it would it would depend on what the needs were for that fiscal year. But we had the flexibility to address any gaps, address any enhancements up to that 8% with that

cap. What it means is that we rely more heavily on whatever sales tax is doing to balance mostly our baseline expenditure for growth. And so, I mean, and when did the

[10:46:54 AM]

And so, I mean, and when did the 3.5% property tax cap kick in. 2019 was when it passed, 2021 was when it was put into place.

>> Okay. And so since 2021, I mean we're talking about, you know, tens of millions of dollars in per year that we're essentially kind of leaving on the table. And again, that's, that's piling up, you know, year after year. Huh? Correct. The quick question on the ems billing backlog, are they done with that backlog? Are they or are there's going to be some additional revenues that could potentially come in?

>> My understanding is they've cleared their backlog and they're only using their their revenue at this point is their regular transport revenue.

>> Got it.

>> So there's no anticipated, additional ems backlog billing collections. No. Got it. And then the 9.6 million for the tenant stabilization. Those are

[10:47:55 AM]

tenant stabilization. Those are all local funds that we have budgeted over the last couple of years. Is that correct? Correct. All right. And the 9.6 million was was budgeted over a two year period.

>> Yes. We budgeted the original 7.8 million inches fiscal year 23. And then in this last budget cycle for fiscal year 24, we budgeted 1.6, both one time.

>> Okay.

>> Got it. Thank you. That that's really all my questions. I know we discussed this in the housing committee the other day. You know, about the need. And I appreciate y'all identifying that, you know, the programs and the childcare are in a decent place, but the tenants stabilization is likely to, to run out. And that's a concern, especially. And I think the city manager spoke to it too, where, you know, we don't want to we've got to keep continuity in these programs. You know, the stop and start nature is not good for the people receiving and asking for

[10:48:56 AM]

people receiving and asking for the funds. It's not good for the contractor for the, you know, that are administering the funds . You know, we want something a little more, more steady and stable. And the fact that the program has already closed to new applications and is likely to run out of funding before the end of the fiscal year, is a real concern. You know, I look forward to as you all you know, we get the February sales tax numbers. I guess at some point, pretty soon. And, you know, we'll get a little bit more insight into, you know, where we are, you know, but I look forward to, to kind of looking at that and trying to figure out what we can do. And not only that, but, I mean, thinking about the program, moving forward, what's the level of funding that is going to be manageable? Moving forward? I mean, I know when we budgeted that $8 million at first, in 2022, you know, we had about a $25 million budget surplus. If I remember correctly, that that we were we were working with obviously, the situation has changed substantially. And I'm just, you know, we've got to get

[10:49:59 AM]

just, you know, we've got to get to a number that that is sustainable over the, the long terme. Thank you. Chair thank you. Mayor pro tem council member Ryan alter.

>> Thank you.

>> On your FEMA reimbursement discussion, how much do we have out standing?

>> Knew someone would ask that question. So it's in several different, phases. And so what I understand is 43 million has been submitted and is being reviewed. But the total for the total, submission or anticipated submission Ann is 168 million. And I caution that because we have seen some revenue reimbursed or some reimbursement from covid from FEMA. However over the timeline is what is how

[10:50:59 AM]

over the timeline is what is how is why we caution because because we have some projects from FEMA, 2013, Halloween floods, things like that, that we still have not received reimbursement for. They've been FEMA has been really responsive on some of the covid projects. However, we have no indication from them on how fast they will move forward. And so, when we when we anticipate updated the 19.2 million for this year, it was based on the dollars that we already saw were either obligated or going to potentially be obligated in this fiscal year. We don't know where FEMA is going to obligate the remaining dollars.

>> Yeah. No, I know there's a huge guessing game. I was just curious what kind of magnitude still is outstanding. When you talk and I don't know if this is a question for you or maybe a question for Mandy about the housing vouchers, the local housing vouchers? I seem Mandy coming on down. I know for those

[10:52:00 AM]

coming on down. I know for those that hakka, they're typically funded at about $15,000. A tenant per year. Is that kind of what we're doing? Are we matching hakka or is same kind of deal?

>> Mandy Demayo, interim director of housing department yes, our program, the local housing voucher program, is based on the federal program, which is what hakka administers. So the project based vouchers pays the difference between what a tenant can afford 30% of their adjusted gross income and the fair market rate rent that's established by hud and that does average out to about $15,000 per unit per year.

>> And so when, Mr. Lang was talking, about $4.5 million is kind of what we anticipate this program stable, stabilizing at. We're anticipating about 300 vouchers a year.

>> That is correct. We have already committed to, a variety of different permanent

[10:53:00 AM]

of different permanent supportive housing, projects. And you all saw a presentation from David gray and Jamie may a few weeks ago where we talked about all of the psh projects that we have in the pipeline. Many of those projects we have committed vouchers to, and, hakka. In addition, has typically matched our vouchers. So a sparrow at Rutland as an example. It's 171 units, 101 of those units have project based vouchers, 51 of those units are ours local housing voucher and 50 are from hakka. So from the federal government. And are those oversubscribed kind of like Rota or is it pretty?

>> Are we in fair balance of the need in the so, we are currently , we have committed to all of the projects that are in the pipeline line that we can fund and reasonably with that

[10:54:03 AM]

and reasonably with that estimated 4 to $4.5 million per year.

>> We also acknowledge this is a tough program because unlike the federal government, it commits to the project based vouchers over a 15 plus year time period. We do not we commit for a year and then it's dependent because the funding typically comes through the housing trust fund. So it's dependent on annual contributions to the housing trust fund. We try to make it as long of a commitment as possible. So that on the front end, the affordable housing projects can go through underwriting, typically with the state, with the Texas department of housing and community affairs, and can be underwritten for those operating expenses.

>> Got it.

>> That makes, a lot of sense. My next question often is, is not for you, Mandy. You guys are all my question. Thank you. It's related to on slide 17, kind of

[10:55:05 AM]

related to on slide 17, kind of where we are today, just that timeline, looking forward at and it you know, right now we find ourselves in the policy input space. You know, you mentioned boards and commissions. Just thinking taking this opportunity to think about the process that we utilized back in July and August of, you know, we put forward our proposed, amendments and then kind of had you and the departments work through it and, you know, I think it was very valuable and helpful. But I'm wondering from your perspective of is there value van eenoo in us in this policy input time, bringing forward some of those ideas so that you can flesh them out? Now rather than right when we're you know, the budget is on us. And, you know, in some instances, we had conversations where we found out that things were already happening within the department or could be, fit into an existing program. And so

[10:56:07 AM]

into an existing program. And so I'm just wondering, if is more information now from us helpful or, or are you kind of still doing formulation and would it be better to wait until that July August timeline when.

>> So I would say I think if you want to provide us some more direction, or if you have areas that you want us to look at, now is a fine time for us to look at. We wouldn't be able to, give specific funding, availability until we kind of work through it more. But if you want to give us some areas to work with the departments, maybe to help you understand what's already funded, and if there needs to be additional funding. That's what we're here for. We're here to help you walk, walk through those things. It is a tough crunch when we get into the last few weeks to get amendments and work through them, and but I think the departments and the team is ready to do both. So give us information now we'll

[10:57:07 AM]

give us information now we'll start working through working with departments to get it, knowing that we'll be able to refine that data as we get more data related to what we anticipate for next fiscal year.

>> Great. Well, I you know, one thing I've been thinking about is it would be valuable kind of for us to build a very preliminary pre, list and just so that we can all kind of know what each other are thinking about, because we can't have those conversations, unfortunately, except in a setting, such as this. But that, you know, not saying that this must be in the budget, but kind of help us think what that cost

would be or how that would work out. Or maybe you're already, planning on it. I just, I, I'm wondering if that trying to think through that beneficiarius . Well, I wanted to respond.

>> Yes. I I will say that that allowing us to give you some more comprehensive information and financial forecasts could probably set that stage a little better.

>> And so if you would allow us to give that information in April and then start giving us some information to kind of make sure we can work through those

[10:58:09 AM]

sure we can work through those and analyze them, that would probably give us a good leeway into what next fiscal year is going to look like.

>> Sure.

>> And I just I want to make it easiest for you. So I'm trying to not have you us you know, load you down at the last minute . Allow for your office to, to work through that. My last question.

>> City city manager.

>> I just want to I mean, I think you're at the time we, deliver the financial forecast, which will be in six weeks. That'll be the time for the council. You're going to get, the data, the data dump, as it were, of this is where we stand. And that'd be a good time to say. Well, here's the kinds of things that we would like there to be some focus on. Once upon a time, there used to be a policy budget that was done in early part of the budget process in June, sometime we don't do that anymore. And that was to allow council to basically say, here's the here's the, the structure of what the budget's going to look like based on what your priorities are and all I want to just say is that when the budget gets put together, a lot of that

[10:59:09 AM]

gets put together, a lot of that already reflects what the council's priorities are, right? The things that you've either approved, you've asked us to go look at, we're not perfect with sometimes we, we have lapses in judgment. Ed gets awfully frugal and decides not to, you know, that kind of stuff. But but those are I mean, those are the things that we would want to have a discussion in, in April and then but but certainly things that you can put on the table and say, here's the kinds of things we're thinking about. And what happens is the budget. The budget is incremental in the sense you have so much personnel cost as a percentage of our budget that there's really I mean, the discretionary expenses that you have relative to the total is not that much money. And so just to be mindful of that as you as you think through your, your priorities as you want to think about.

>> Absolutely.

>> Thank you.

>> I think, council member Fuentes, I said one more question.

>> About one more question.

>> Yeah. Blade to police overtime. And I don't know who. Maybe that's for you or just. I'm curious. We have seen reports that we are over budget as it relates to police overtime. And so I'm wondering,

[11:00:10 AM]

overtime. And so I'm wondering, is that something we expect to continue? Is is the department doing anything to address that? Overtime? I see chief Henderson making her way down.

>> Let me. Chief, as you come up, to answer this question, let me try to address this a little bit. Yes. I think there's been a bolus of overtime that happened in the first quarter. Part of the. What's driving that is the short, the number of officers that are still missing from the roster. And so you can imagine what the chief is having to deal with when we need to cover an evening shift. And there are no takers, or there's very few takers. And so you use incentives to try to bring to be able to cover that that evening. Now our academy classes have gotten a little better. So I think that that, that in the offing and then, in addition, under the direction of, assistant manager Bruce mills, there's an organization that we

[11:01:11 AM]

there's an organization that we are working with that will come in and help, chief Henderson sort through the scheduling program that we do. How do how do how can we schedule the existing resources in a more efficient and effective way? And so I think those are all things that are working. And then Ed's got some questions. I mean, some answers in terms of the dollars themselves. And then the chief is here to elaborate on what I just talked about.

>> Yeah, I'll quickly turn it over to the chief to talk about what's driving the overtime. But I just wanted to come in in regards to the over budget, considering. And so certainly if you look at that line item police is over budget. But everybody needs to remember the budget is a plan. And so when we put together the line item budget, that's kind of our plan for spending typically about day two of the budget, something happens and the plan needs to be adjusted. But by charter, the spending authority that council approves is at the department level. So the department's not over budget until their bottom line, if their budgets $100 million until they go over $100 million, they're not over budget. But I'm telling you, every department director, if

[11:02:11 AM]

every department director, if they're doing their job well, they're adjusting their budget spending plan as the year goes on and as circumstances change. So in the case of the police department, where you look at council authorized somewhere around 1800 sworn personnel, and we currently have about 1450 sworn personnel, boots on the street, that creates a lot of savings that we had budgeted for salaries that the chief is now needing to use in overtime to meet the to meet the mission.

>> Thank you. Thank you. Council member I appreciate the question . Please note that in fy 23, two of the primary cost drivers for our budget was not just overtime, but also our terminal leave payout and essentially that's when a retirement occurs. There's some cost associated with that. So while overtime was one of the or the second highest, please note the highest one was our terminal leave payout. Please note we understand the expectations is that we are going to stay on budget and we will stay on on budget for 20 fy 2024. One thing

[11:03:11 AM]

budget for 20 fy 2024. One thing that we're instituting and have instituted since the inception of the fy 24 budget is a daily evaluation of our budget. In addition, after two weeks after the two week pay period, a more in-depth evaluation is done to identify any potential trends. Anything that we need to potentially forecast. But understand, like I said, those the primary driver was our terminal leaf payout and our separations for this year are as of right now are not trending as high as they did last year. Point point and time. And so we don't anticipate that, that will have the same number of separations and then if we stay on par with where we're at, we there should not be any issues as far as that terminal leaf payout and being able to adjust our budget to, to compensate for that.

>> And as some of that overtime does that factor, the special events factor into that it it depends. >> Some some special event

[11:04:12 AM]

>> Some some special event overtime is reimbursed and some, some, some is not. So it all depends on the event in and of itself. Got it.

>> And the, the program that that the managers mentioned. Ed. Can you just talk about that real quick. What who who is helping us. What.

>> That's Barry brydan, is a company that's been hired to not just do an evaluation of our, our shifts and how we allocate our personnel, but also going to be looking at our recruiting process is also looking at our pay peers and how they're processed. Is there a more efficient way that we can we can do it. We're we're it's another method for us to be more innovative and strategic in how we're going to still deliver our quality policing services with the with the staffing shortages that we do have.

>> And I don't know if that this individual or firm is, is the appropriate mechanism or not. But as you're reviewing that, I think it's helpful for us to think about, if there are opportunities to do augmentation for things that that may be an APD officer doesn't need to be

[11:05:14 AM]

APD officer doesn't need to be doing, and we'd rather have them, you know, doing something else like a crash report or something of the nature. So, don't know if that's an opportunity to help us think about that, but we'd love absolutely.

>> Yes, sir.

>> Help. Thank you very much.

>> You're welcome.

>> Thank you. Council member. Council member.

>> Fuentes.

>> Thank you. My question is around. This is for Kerri. Lang. Can you share with us any new revenue sources that we anticipate for this year? I know that we've initiated the tourism public improvement district, and that will come back to us to approve by ordinance. But not sure when that will actually take effect. If approved by council. But any new revenue sources that you can touch on. That we anticipate my face probably says it all.

>> There aren't any additional, especially in regards to the general fund revenue. We have not identified any new revenue sources for general fund.

>> Okay. Well, I guess for the April meeting, can we have a list of what that might be? I know we also closed the C home tirz. Any other revenue sources

[11:06:15 AM]

tirz. Any other revenue sources that we've put into motion that we should be considering when we take a look at our financial forecasts, that would be helpful. The other question I have is, can you remind us the, reserve policy that we put into motion this fiscal year, the amount that we increased it, the reserve policy was set at 17.

>> However, the council decided to fund at 16.7% for this fiscal year.

>> So I think we went from 14% to 16.6, which is about $35 million increase. Just want to remind our colleagues that we put an additional 35 million into our reserve fund, which was that percentage

increase that we just outlined on slide six. You mentioned that currently our reserve balance is 4.7 million above our financial policy requirement. Can you elaborate a little bit more on that?

>> Yes. So the, financial policy for reserves has two components.

[11:07:17 AM]

for reserves has two components. There's the, 17% total balance component. And then there's also a requirement that we not spend more than one third of the bhsf. And so, the. 4.7 million is what's left at that capacity based on that one third provision. Although it's pretty close to where you'd be, being above the 17.

>> So it's what's left at that capacity as assuming a 17% financial reserve policy, assuming a 17% and assuming the long standing policy of not expending more than one third of the balance of the stabilization reserve in any year.

>> Very good. One item, colleagues, that I want to highlight that is of particular interest is our rental assistance fund. What we know is that the demand in our community has been quite high. We've had thousands of austinites apply for emergency rental assistance, and they've already shut down the registration list because

[11:08:18 AM]

the registration list because we're at capacity. We've overextended the amount of funds that we have available. Councilmember vela, you alluded to this in your remarks earlier about, the need for us to establish a more permanent fund and to rightsize what that fund should look like. And I just wanted to publicly share my support for us to have a permanent rental assistance fund for emergencies. Moving forward, you know, council has taken action these last two fiscal years where we've had these one time allocations as part of the budget deliberations. But clearly, given the demand that we have in our community, given the housing crisis that we're in and given our commitment to prevent homelessness, it is incumbent on us to have a permanent fund dedicated for emergency rental assistance. Knowing that we have you know, an increase here in our reserve fund, knowing that we have the we were you know, told we were going to have a mid-year budget review process and, it seems like April might be that time

[11:09:20 AM]

like April might be that time frame for us to consider mid-year budget amendments. I would be supportive of us in increasing the amount that we have available into the fund. Again given that we've already exceeded our capacity, the funds have been have been spent, but there's still quite a gap, and I wonder if director Demayo has any indication of what that gap is given the amount of applications that have come in for the rental assistance and the amount that we've have currently allocated for funding.

>> So we had a presentation at the housing and planning committee led by nefertiti Jackman.

>> Our displacement prevention officer. And she was joined briefly by doctor Murillo, who runs el Buen samaritano zo which is the vendor for our I belong in Austin program or our emergency. Our tenant stabilization and emergency rental assistance program. Right now we have in the first we opened the portal, I think in

[11:10:21 AM]

opened the portal, I think in September. And through the, until a couple of weeks ago when we shut down the portal, we had about 7000 folks apply by, that on average, the request is the maximum, rental assistance available per the program guidelines is $6,000. We're seeing an average about $4,700, per applicant. Right. And so, so with the current pool of applicants, it's we estimate that about 80% of them will be eligible per the program guidelines, meaning that they meet the income qualifications and that they live in the full purpose jurisdiction of the city of Austin. The need far outpace aces. The resources rs. And that we're not unique in the city of Austin. Across the country. We are seeing this this is a trend across the country, and I don't

[11:11:22 AM]

across the country, and I don't know of another jurisdiction, that can provide the resources to meet the need out there. Our current program, haam, as Kerri mentioned, is on pace. To expend all the funds the end of may. We are looking at based on a conversation we had at with council member vela at the housing and planning committee. We are looking at ways to perhaps reprioritize, applicants so we can narrow the pool of applicants to better have the resources meet the demand may be looking at lower income levels. Currently, the mfi limit for our emergency rental assistance program is 80. Median family income. We, of course, could lower that to 30. Median family income 50. Median family income and serve fewer our folks fewer households, but serve people with higher needs. So there are different ways to target the

[11:12:22 AM]

different ways to target the program. And we're looking at that, for future iterations of the program.

>> Thank you. Director Demayo and colleagues, again, I mean, I think there there's considerable interest and I just want to re-emphasize my support for establishing a permanent rental assistance fund for emergencies, for ensuring that we have a parameters in place. So that we are able to effectively get these dollars out. In emergency situations, knowing the need that we have in our community, knowing that we've already expended the resources we have available for it. And I am committed to that work. And, councilmember vela, if you're interested in bringing forward an amendment in April as part of this conversation for us to increase the amount that we have available for the rental assistance fund, please know that I stand in support.

>> Thank you. Council member and to that extent, maybe city manager, if it looks like there is some inelasticity in the funding, can you help us know where we would need to shift revenues in order to fund that? >> Well, it's certainly value. I

[11:13:23 AM]

>> Well, it's certainly value. I think one of the things that I just would ask you guys, the council members to think about, is we have a lot of housing programs. Stabilization is one of them, but there's several others. And I would ask you just simply to look at the whole and to make sure that we understand all that's being invested already in keeping people in their homes or in their apartments. As the case might be. The second thing is, is that and I asked, Kerri to, to do this just to begin to illustrate what was the state that existed prior to covid, prior to arpa, what was in the base then, and what's and what have we spent since then? That's in excess of that base. And so that you can begin to see, just as an illustration of how much we added into those programs over the with the arpa money and other funding sources that we may have had, but I think we welcome the discussion in April. I mean, I think, that's the time to have that discussion. And a robust debate about this prior city, along with all the host of other priorities that the

[11:14:24 AM]

other priorities that the council is going to have to grapple with as it tries to wrestle the 25 budget. To some conclusion.

>> Thank you. City manager and councilmember Allison alter is next.

>> Thank you. I want to start by acknowledging the really hard work, that our ems department and our budget office and working with finance has done to address the ems backlog. This is something that my office has been working on through our role and audit and finance and through various, budget riders, etc. And we made an investment in additional staffing for the revenue management billing office. You, however, are only seeing part of that benefit in this, this, document. We had a $5.9 million above the estimate in terms of getting rid of the backlog for one time funds. There was also also, by my

calculations, a 3.9 million in ongoing funding that is coming. That was above what we anticipated. And there was

[11:15:24 AM]

anticipated. And there was already in the base for fiscal year 23 money from the ongoing that was, additional knell. So this is a significant amount of revenue, and I want to, applaud chief Luckritz, and his staff, as well as doctor Escott, who led the process for the dispatch equity study that helped us to see that these opportunities were there for this additional revenue management. That being said, I do want to point out that we have budget direction from fiscal year 23 where this revenue is supposed to be reinvested in the ems department . And while we did secure, a contract that I think is a very good contract for our ems employees, there are some issues that we do need to still take care of. And I wanted to just flag a couple of those, for colleagues. And I've been talking with the city manager's office and chief Luckritz and Bruce mills about this. But the one that I want to flag for today is that we still haven't filled all the positions that we have allocated for ems to meet

[11:16:26 AM]

have allocated for ems to meet the demands in our community. Katy. We have classes for ems on a regular basis. What we are seeing is that in order for people to fill those classes, they need relocation assistance. They need to be able to get to Austin. We're able to attract people. But there's an obstacle there because they need that extra $2,500, to be able to make the move, to be able to survive through the period of the training. Singh. And so I want to flag that and I want to, you know, just encourage my colleagues to also be asking about that. There are other things, other places where we also could reinvest. But this one, in my view, is extremely important because it doesn't do us any good to have authorized positions, to have funded positions, and not be able to fill them. And in the case of ems, we can bring those folks into it. And I don't know if chief wants to speak to that. He came down or not. Of where we're at in that process or anything

[11:17:27 AM]

at in that process or anything else you want to add about the revenue process.

>> Excuse me? Thank you very much for inviting me to come down. In terms of our recruiting, we are are, in a very good place. We've made some significant improvements from a recruiting perspective. If we look at, last year, fiscal year, 2023, we saw twice as many people join the department as departed. The department, which is a significant change from what we've seen in the past. And we look forward to continuing that. We do acknowledge that we do have some challenges. Probably one of the larger

challenges is the ability for folks to relocate from out of state to the city of Austin. We have been working with the budget office and the finance department. To in our existing budget to look at opportunities for us to incentive wise individuals to relocate to Austin. And we'll continue to explore and see what the impact on our staffing patterns are going to be. As we enter into the budget process for 2025, and continue those conversations

[11:18:29 AM]

continue those conversations with the city managers, office and finance to see what opportunities we might have. In the short tum. And we're optimistic that any that as we continue to fill those vacancies that, such incentives may be less required. But we thank you for your for your advocacy. Thank you.

>> And don't go too far, because I may have some more questions. So I wanted to respond to council member vela's comment about, like, we're not expecting more money. We actually did a cost of service study fee for our transport fees, and we are charging less than we could charge. Whether we charged more, whether that would mean additional revenue is another question. There is a legislative strategy that I think that we should be pursuing at the federal level. That would, potentially open up a lot of revenue from insurance companies who are currently not paying their fair share of our ems system, given the rules that govern from the federal level that change was made at the state level, during the legislative session. But it has

[11:19:29 AM]

legislative session. But it has not been made at the federal level. And I think that, it's not going to resolve issues for this budget in all likelihood. But I do think it's something that we need to be advocating for as part of our federal legislation, because the insurance companies basically are kind of gaming the system and not paying us, what they could, given the way it charges and I'm not going to try and explain more of that, here on the spot. But there is a way forward, with the help of our legislative delegation, where significant amount of additional revenue could come. But that's not from the billing backlog, but it is from taking a good look at what we can charge for our transport fees. And I think we definitely, should be doing that. The other thing that I wanted to raise is, is that during the budget, we authorized personnel to move to 24 over seven service for our community care collaborative program, which is our, our our hotline line. That helps people not have to, use an ambulance as well as

[11:20:30 AM]

to, use an ambulance as well as our paramedic practitioner program, which is our program that is sending out, physician assistants who also help us to address low acuity calls and not have to send an ambulance. That frees up our ambulances for when you have your heart attack that, means that we need less ambulances as we grow. All of which saves us money. We had set a target of making that 24 over seven, and we had had, agreed that we were going to go speak with some of our partners who were reaping some of the benefits of the reduced emergency room costs and etc. So, chief Luckritz, if you could speak to where we are, in that process and when you expect to be able to come back and tell us we can do the 24 seven, sure.

>> You know, so to begin with, you know, as we look at the way that we staff ems, you know, we are looking at creative ways, we have not reached full 24 over seven staffing for that, for that department. But, you know, on certain days and times when we do feel that it is necessary, we will shift other resources in

[11:21:30 AM]

we will shift other resources in our budget to be able to ensure that we're adequately serving the community. For example, ice storms or other types of events where that might occur. There has, you know, we did receive direction to have continued conversations about alternative funding sources. We are in very active negotiations and discussions with central health to evaluate the overall portfolio of everything that we do from from ems beyond just ambulance transport, to see what types of synergies there are with the central health and other resources and how we could we could better fund those. Historically, you know, there has been some funding to ems from central health, for various things that we do. And we're kind of looking to see how we can address the funding that we've had in the past where best to apply that. But in terms of the actual dollar amounts, I'm not really comfortable, you know, sharing that right now as we're kind of an active negotiations. But I'm happy to have, some, some offline conversations about, about where we're at. But I am very optimistic about the conversations that we're having. >> Thank you. I appreciate it.

[11:22:31 AM]

>> Thank you. I appreciate it. You know, again, city manager, you made a promise that we would get this done. And I understand we're in the negotiation, and we want to we want to be moving that forward. And I just want to reiterate, my desire and my commitment to making sure that we can move forward with these programs at the 24 over seven level. They've been proven to save, ambulance time and emergency department care, etc. And I appreciate the desire to, to seek funding elsewhere. But just want to underscore the importance of that. And then the other thing that I wanted to ask is for the FEMA, I think we're going to be submitting we have some reimbursements that are coming in this agenda. We're going to be submitting a question to try and get some greater, greater clarity on what's outstanding in terms of FEMA reimbursements across multiple incidences, not just covid. I had the opportunity, with a few of you to be at an emergency management training and got to simulate being in the finance administration section

[11:23:32 AM]

finance administration section during an incident command and learned a little bit more about the delays in the process. With FEMA, but but I think it is important that we have a sense of the magnitude of the amount of money that we have, paid out for these disaster tirz and where we anticipate funding back , knowing, of course, that nothing's guaranteed. And that process is slow, I think it is still important and helpful. As we think about our budget moving forward, for us to have that, greater clarity and if for some reason that can't be done Ann at the Wright quality level for Thursday, then if you can send it in a memo that will that will work as well. I'm more interested in getting the numbers right than having it for Thursday, if that. I know it's complicated and, a complicated, process. Thank you.

>> And I've got one question for you. I think I'll I'll close us down on this conversation. City manager. And, miss Lang, you had mentioned I think it was you

[11:24:34 AM]

mentioned I think it was you that was talking about the sales tax shortage, or maybe it was Mr. Van Eno. It was $8.5 million. And you show a gap widening to 15.4 million. Is this in a in addition to the 8.5 million, or is the 8.5 million include added in that 15 million?

>> That would be included. And that's that's not our current projection. We're just saying if we stay at a 0.5% growth for the rest of this fiscal year, that's what it could widen to. We, you know, so that's the potential.

>> Gotcha.

>> Very good. Thank you. I just wanted to clarify that.

>> All right. Thank you so much for the good presentation.

>> City manager.

>> All right. The last item is even more routine than this one. And that's, health south. And so, we'll ask them to come up and make a brief presentation on that. Okay, Mandy, you're at .

[11:25:58 AM]

.

>> Oh, you do.

>> Good morning, mayor pro tem and council, Mandy Demayo, interim director of the housing department. And we are here this morning to talk about Burt health south here we go. Briefly going over the agenda. I want to give a status update on the project. I am then going to turn it over to Darren Smith with, eps, economic planning systems. Darren is our consultant for the health south project, and he's going to walk through the different scenarios that were presented in the January 31st memo.

>> Mr. Mayor, thank you so much. But we can barely hear you.

>> Oh my gosh. Normally I'm accused of being loud. Okay. Is that better?

>> Thank you.

>> Okay I'm going to lean into the microphone. The agenda for today, we are going to go over a status update on the health south project. I am then going to turn it over to Darren Smith

[11:26:59 AM]

to turn it over to Darren Smith with eps economic planning system and eps is the city's consultant on the health south redevelopment project. And Darren is going to walk through the various, scenarios that were developed and presented as part of the January 31st memo that was sent to mayor and council. Then we are going to go through some additional considerations, based on those scenarios and have hopefully a good discussion on regarding I want to just do brief history of the health south project, and by brief history, I mean we're only going back to July of last year in July of 2023, city council passed a resolution that directed staff, to look at a mixed use mixed income project, for the health south redevelopment, focusing on residents at or below 60% median family income. They prioritized city council, prioritized leasing rather than selling. The site directed staff to conduct stakeholder engagement and to do a deep dive into the market feasibility of the redevelopment

[11:28:01 AM]

feasibility of the redevelopment of the site. Of course, last September for September 6th of 2023, we came, to the city council housing and planning committee and did a presentation on summary of our stakeholder engagement as well as a deep dive into the market feasibility of the project based on the parameter tirz that were directed by city council on September 21st, 2023, city council passed a resolution directing staff to focus on mixed use development with a focus on affordable housing at or between 50% and 80. Median family income. So to a certain extent, work force, housing and to estimate the potential, residential yield, both affordable and market under multiple development scenarios that resulted in the January 31st memo that went to mayor and council, which was directly responsive to those, that resolution. I do also want to remind folks that the site

[11:29:01 AM]

remind folks that the site demolition, site demolition, which was authorized by city council back in September, is currently underway. Phase one of that demolition, which is the parking garage, was recently completed and we are looking forward to phase two of the project, which is the actual hospital structure. I am going to turn it over to Darren and ask him to lean into the microphone.

>> Thank you again. I'm Darren Smith with economic and planning systems. Nice to be with you this morning. What we have on the screen is a little bit of orientation for, folks who may need it. On the left is a Google maps image of the health south building, and in front of it, the parking garage. Those are the two city owned sites in question. On the right you see the same parcels from map view and you see in yellow the capital view corridor that goes through the site and affects the height at which development can happen on the portion of the site that has that yellow bar

[11:30:03 AM]

site that has that yellow bar through it. So of course, the site is right at 12th and red river. The 606 east 12th street site is the garage and 1215 red river is the health south property. Council's direction in September of last year was to they were looking to support the redevelopment of the site for affordable housing, maximizing affordable housing, but also looking at a variety of other uses and at that time, the city manager had made city manager's, staff had made a recommendation of looking at the site as potentially two separate developments. One of which would be 100% affordable housing and the other would be more of a market rate. Housing project. At council's direction, we have looked at three other alternatives, one of which employs the downtown density bonus program, through which

[11:31:03 AM]

bonus program, through which developers would be allowed to achieve certain heights if they pay an in-lieu fee for development, or alternatively, provide units on site. In addition, we've looked at a program similar to the Rainey street district density bonus program, which requires units on site. There is no in-lieu fee option for that one, and finally, what was called a payment in lieu of taxes program that really means to maximize the value of the site and the revenue generation from the site , as opposed to providing affordable units on site with the idea that the revenues from that development, could be used to produce affordable housing elsewhere in the city. So for each of these scenarios, we have looked at the number of units that could be developed, the unit mix by bedroom count, the land value and the projected property tax revenue. I've already sort of described the four scenarios. Again, the hybrid. Well, let me just skip

[11:32:03 AM]

hybrid. Well, let me just skip to this one. This is a graphic done by an economist. So take that for what it's worth. On the left you have our estimation of what the hybrid scenario could more or less look like. There would be a low rise development on the health south site. That's the 1215 red river site. The low rise development is important. There both because there's the capitol view corridor, but also because the feasibility of construction for affordable housing in particular, is very much affected by the cost of construction and at staff's direction, we have looked at a wood frame construction there that can only get up to about five stories of wood frame construction over a podium, parking and ground floor retail section so that one would stay low, on the garage site, the property could be developed for a high rise use on that site for scenarios two and four for the product would look similar.

[11:33:06 AM]

product would look similar. There would be a high rise on both sites, but the one on red river, the health south site would be subject to the capitol view corridor, which goes up to the sky. So it would be a skinny, tall building on that site. And on the garage site you would have a wider building. In the Rainey street district. Scenario three, that one shows a mix of market rate and affordable housing on both sites . We start with an appraisal, from Hornsby and company that was completed, in January of this year. We start with the appraisal because that tells us what the market rate, land value would be subject to certain development regulations. We are looking at a variety of development regulations, so it's important to understand what is assumed in the appraisal. The appraisal assumed that this site would be rezoned for CBD and would be allowed a base zoning of 8 to 1 fa floor area ratio,

[11:34:08 AM]

of 8 to 1 fa floor area ratio, but also allowed to go up to 25 to 1 floor area ratio through the payment of an in-lieu fee. That appraisal suggested that these two sites combined, when subject to those requirements, could be worth about $61 million if they were. If it were developed at a 15 to 1 fa. Almost as much interestingly, if allowed at a 15, I'm sorry, $61 million if developed at a 25 to 1 fa and almost as much if developed at a 15 to 1 fa. There conclusion was that there's not a linear relationship, strictly speaking, between the allowable density and the value of the site, because many sites are not, in fact, developing all the way up to the allowable 25 to 1 fa. So those figures are reflective of those densities, but also the expectation that those, projects would be subject to the in-lieu fee at $12 per

[11:35:10 AM]

to the in-lieu fee at $12 per bonus, square foot. So we've also adjusted that, to say, well, in our fourth scenario, the pilot scenario, the assumption there is that it would not be subject to the in-lieu fee. So what is that in lieu fee cost and to the extent that they are avoiding it, that would add value value to the project that add value to the land because they are avoiding a cost. So we've estimated the in-lieu fee to be roughly $13 million at the 25 to 1 fa. So in that scenario the land would be worth closer. To $75 million. So we start with those and then again, the exercise is to look at what alternative development that, uses and programs could yield. The first scenario, again, is the hybrid. We are looking in this, slide at the affordable site that is the red river site that the health south building sits on. And, in this case, it would be again, only a five story building. And the

[11:36:13 AM]

five story building. And the site could accommodate. 176 affordable housing units. Now with the, Texas, funding program , 70% of those units would need to be two bedrooms or greater. So the assumption there is that 176 units could be built of which 124 would be two bedroom units in this case, those units would be priced at 50 to 80% of median family income for a period of not less than 40 years. It is possible and likely that the extent the affordability would be extended beyond that, but that would be the initial time of affordable Katy. The land value in this scenario would be zero. The land would essentially need to be dedicated to that project, and another $17 million of public subsidy would be required to make that project. Finance able that $17 million is based on the

[11:37:14 AM]

that $17 million is based on the city's recent history of other projects of similar scale. The value per unit, the revenues per unit that the city has contributed, contributed to make those units affordable. All, so all told, in this case, the city would need to contribute $17 million, would not get any revenue for that site. Either as a land value or as ongoing property taxes. But you would get 176 on site affordable units. The other site, the 606 east 12th street site, would be developed as a market rate, high rise development. It would accommodate another 328 units and, it would pay an in-lieu fee of about $3 million. I'm sorry, I, I failed to advance the slide . So 328 additional units, market rate units. It would pay

[11:38:18 AM]

market rate units. It would pay $3 million or so of in-lieu fee, and the land would be worth about $15 million. Which you could receive as an upfront capitalized ground lease payment or you could receive, an annual payment over time, we estimate the property taxes from that, project would be roughly $700,000 per year to start. And there would be no public subsidy required for that site at and all told, it would generate between the ground lease revenue and the property taxes from that site. About $68 million of money over time, over about 99 years is what we're talking about there. That money, the $68 million could be used, leveraged to support the additional construction of 267 units off site. So there would not be any affordable units in that building. But the money from that building is enough to, support brought about 267 units off site. So all told. Between

[11:39:20 AM]

off site. So all told. Between the two of them combined, there would be 178 on site units and 267 supportive off site units, for a total of 445. And the city would generate, roughly $51 million of net public revenue. When accounting for both the revenues from the market rate building plus the subsidy required for the affordable building. So that's our first scenario. Scenario. Two. Is. The one that would be subject to the downtown density bonus. And the assumption here is that the developers would choose to pay the in-lieu fee of $12 per bonus square foot, rather than providing the units on site. We have a separate analysis that looks at that, provision of units on site, but it is less favorable to the developers, which is why the developers are pretty consistently pay the in-lieu fee rather than producing the on site units

[11:40:21 AM]

producing the on site units under the dense downtown density bonus program in this case, there would be a total of about 1400 housing units on the two sites combined, none of which would be affordable on site. But the project would pay about $13 million of in-lieu fees. That could be dedicated to off site affordable units. In addition, the land value is estimated at around $61 million, and the property taxes almost three. $3 million a year to start between these two two buildings, generating a net present value over again about a century of $300 million of, positive revenue to the city, which could be leveraged to support almost 1600 units off site somewhere else. Again, the trade off there is you get much more money, but no affordable units on the site. The third scenario, replicates something like the Rainey street bonus program, which requires

[11:41:21 AM]

bonus program, which requires that 5% of the units on site be provided as affordable housing. Now the market rate values of these units are at least twice as high as the affordable price is. And what that means is that for the same construction cost, the project would physically be the same. But some of the units would be worth a lot less. So the construction costs stay the same. The value of the project goes down. And because of that, the land value comes down as well. In this case, again, you'd have 1400 total units. You'd have 93 of those units being provided as affordable at 80% of median income for a period of 40 years. But the land value would go down significantly from $61 million in scenario two to only $44 million in this case, you would still have significant property value, property value, and a tax assessment. But the total net present value of the revenues would come down from

[11:42:22 AM]

revenues would come down from about 300 million to closer to 240 million. That could still support over 1200 units of affordable housing off site. In addition to the 93 units on site for a total of 1331, affordable units, is our current estimate. The last scenario, the pilot payment in lieu of taxes is what it was referred to as in the council resolution on really what this is, is a scenario in which there is no affordability requirement on site, but rather you're trying to maximize the value of the development to get the most revenue and see what you can do with that revenue. So in this case, again, the physical program stays the same. 1400 housing units, none of them would be affordable. There would be no in-lieu fee payment from that one. But the land value would be maximized at close to $75 million. The assessed value would be maximized as well, and you would end up with something like $330 million of net present

[11:43:23 AM]

like $330 million of net present value. Public revenue that could support over. 1700 affordable units off site. So once again, you have the trade off of getting more value and revenue, but no on site affordable units and this slide is probably very hard for most everyone to read. But we're trying to, put them side by side and show you the four scenarios in the first one. Again you get 445 total supportable affordable units, of which 170 white would be, sorry, 178 would be physically on site. But the city would be giving up the land value from the health south property. And also needing to put in $17 million of near-tum subsidy to make that project happen by comparison, the three other alternatives produce less or even zero affordable units on site. But do produce much more revenue for the city that could be used to

[11:44:24 AM]

the city that could be used to leverage, many more affordable units elsewhere in the city. At the current going rate of city subsidy for affordable housing. Thank you. I know that was a lot of information.

>> And I want to go ahead and, and, bring up some additional considerations for you all as you contemplate those four different scenarios. As we talked about at the September 2023 housing and planning committee, we are facing enormous economic headwinds right now. We have, of course, very high interest rates, high construction costs, and lots of competition from new, and under construction projects in fact, we have about 3000 multifamily units coming online. They're under construction right

now, downtown. We also have about 3,000,000ft S of commercial property that is under construction, right now. So

[11:45:25 AM]

construction, right now. So there's a bit of uncertainty in terms of the downtown market. We also know from the appraisal as well as corroborate it from multiple other, Conway facts that several recent projects have actually scaled back, or delayed development. And we also know that right now, in this moment, our land values are most likely a bit depressed, versus what we would consider stable market conditions. Another thing I want to draw everybody's attention to and underscore from the earlier conversation. And in some ways, I'm glad that we went after Kerri. Ed and Ed, that the hybrid scenario, that first scenario that we contemplated, which included the on site affordable units, would require, at a minimum of $17 million, of near terme city subsidy. It's a pretty significant amount of funds. And we have seen and you all will see at the upcoming Thursday Austin housing finance

[11:46:26 AM]

Thursday Austin housing finance corporation meeting, where you all will be asked to consider nine projects. That's in our rental housing development or ownership housing development. Second quarter applications. We are significantly over oversubscribed in our subsidy. In fact, in the second quarter of our Rhoda and oda programs, we had asks of about $120 million. We are bringing forward for your consideration. On Thursday, a $50 million, worth of, projects that we are recommending approval of city subsidy. But the $17 million that would be required in order to move forward with the hybrid scenario means that our very limited resources would need to be redirected to this project and would potentially pause other, high priority, affordable, projects. That's the other thing I really want to underscore is that the best case timing for the affordable housing project, the hybrid scenario that's contemplated to

[11:47:27 AM]

scenario that's contemplated to come online, would be sometime in 2028, just based on solicitation requirements. As well as pulling together the financing for the project between the private activity bond, lottery, as well as the low-income housing tax credit program. Another important aspect to underscore is that the ground lease revenues may be less. We're talking about a lease scenario because that is what city council asked us to contemplated, but they will most likely be less than what would be achievable through a fee. Simple sale, ground lease project rejects can face greater financing challenges. And so we just want to make sure that everybody is fully aware of that. And that the ground lease option would not necessarily optimize revenues, but would certainly, maintain city ownership over the long terme. The other thing, when we talk

[11:48:28 AM]

The other thing, when we talk about the off site supportable affordable units, which is on the previous slide, the, the last number, of course, with our scenarios two, three and four, the pilot, there's a pretty significant number of supportable off site units. Those would be achieved over time. Best case scenario, we would see those units over a decade or two. That assumes new property tax revenue from the site development would go into the housing trust fund and then would be, redirected to affordable housing development. So it wouldn't be immediate. And I just want to make sure that folks know that that is over time, anticipation. We are happy to open it up for discussion. I do want to let folks know that we have, most of our project team here, which includes, the Austin economic development corporation, Teresa Alvarez is here. We worked with Teresa and Anne gatling Haynes. Margaret Shaw with economic development.

[11:49:29 AM]

Shaw with economic development. We also have sylnovia holt-rabb. We have the law department. Merrick is a door check with financial services and real estate and myself. Nicole Joslin have been working on this project from the housing department. And of course, Darren Smith and eps. We are happy to take any questions.

>> Thank you miss Demayo for the great presentation. Council member qadri, I think is going to start us off.

>> Sure. Healthsouth is such a fun thing.

>> Yeah, I, I have two questions. But, you know, I just kind of want to lay. I guess, the groundwork for all this, as an office, as a district nine office. Our vision for the property, has been aligned with a lot of this area stakeholders. And that's affordability. That's ground floor retail and that's a mixed use site. And I know staff recommended to wait until later in the year after the budget, to kind of revisit healthsouth. And that's something that I'm comfortable with. And I know other council offices that at least I've, I've spoken to are kind of on the same page. So you know, as y'all are looking at

[11:50:30 AM]

know, as y'all are looking at financial markets, it's, you know, my main ask of you all is just to continue to, keep in mind, I guess our vision, which is that of affordability, ground floor retail and a mixed use site. But I have two questions. For y'all. The first question is, what would it look like to reinvest the revenue of this property into community benefits on site?

>> Yeah, I mean, that's basically scenario five, right?

>> Right. Thank you for the question. If I understand it correctly, you're asking about the revenues. What we have modeled is that all of those revenues we've estimated how many affordable units could be produced with those revenues. Of course, if you are asking for other different community benefits, whatever those may be, and there's been talk of a number of things over time, cultural facilities, active live music venues, childcare, a lot of things have been discussed

[11:51:31 AM]

of things have been discussed for that site and other city owned sites. To the extent that you're asking for those things, they would necessarily cost the project something. And so fewer of those dollars would be available for affordable housing . So that's that's where the trade off is really, in theory, you could drive the land value all the way down to zero. With a combination of affordability and community benefits and so forth. But, you know, we see the, the dollars that I have presented, are significant Wright in some cases, there are hundreds of millions of dollars of, money from lands, ground lease payments and property taxes from the project. Those could be sort Ed out and you could decide how much of that you want to go to affordable housing versus some of these other community benefits that you're talking about. And it would be really a sort of shopping list, if you will, to the extent that you had set a bar for how low you're

[11:52:32 AM]

set a bar for how low you're willing to go on the land value. Got it.

>> And I think my second question might kind of hit on my first question a bit. I was just going to ask if there are any other ways to make an inclusive development attainable. And, you know, some of those options are things that you listed creative spaces, childcare facilities. Are there any other things that you all haven't have in mind? We haven't.

>> So when we looked at all of the different scenarios across the board, we assumed a certain amount of ground floor retail, loosely defined.

>> And I know in the previous solicitation there was a goal for things like, child care and creative spaces and, we wanted to solve for the residential component first because that is the primary goal. As we understood it, of the healthsouth redeveloped site. And so we want to solve for that , that and understand better the affordability mix and what we could achieve with the affordability mix. Before delving into the commercial

[11:53:33 AM]

delving into the commercial component, which would be a secondary component of the redevelopment.

>> Thank you. Those are all my questions. Mayor pro tem council member Ryan alter, when we talk about the capital capital view corridor, I was looking at the map and it lists it as a city capital view corridor.

>> Is that correct, or is that a state created capital view corridor for our assumption?

>> Is it's part of the state capital view corridor?

>> Okay.

>> If we could get clarification on that, we will. I would love to. That's is more of an aside. I when we talk about the property tax element, especially in the payment of lieu of taxes model, if an individual and I'm not advocating we should do this, but if we were to sell it, someone fully develop it, they would then pay, you know, all the property taxes that we all

[11:54:36 AM]

the property taxes that we all have the pleasure of paying. That is greater than this amount. Correct. We are only calculating the city portion of the property taxes, not the school district. And health. You know, all the others.

>> Correct.

>> So there is the reason I ask is I in my mind, it seems like there is potential there. The city is about a quarter of the total tax rate, right. So if someone is planning a development and including the property tax element in their operating costs, they would plan for a number that's almost four times greater than, let's say, the 2.8 million. And so we have the potential to capture even greater payment in lieu of taxes. If we were to say to the developer, look, we want 50% of what you would normally pay, and that would be, you know, upwards of almost $6 million. Instead of the just about $3 million you're projecting here is that I know

[11:55:37 AM]

projecting here is that I know there are other financial considerations, but in in theory , we. Is there is there anything wrong with that assumption in.

>> I think there is. Okay. The payment, the payment in lieu of taxes, scenario that we've run, really is just mathematically meant to maximize the value of the site. It has no affordable housing. Frankly, we had a hard time understanding exactly what payment in lieu of taxes meant in this scenario, whether the property is sold or on a ground lease basis, there would be a possessory interest tax. That that is

effectively just the same tax rate that they would have if they owned it outright. Right. And the revenues from that would go, as you say, to the city, the county, the, the various the school district and others. And so when we've done the math, it is assuming that,

[11:56:38 AM]

the math, it is assuming that, yes, the dollars that we're talking about are just the city's portion of those, those property taxes. If you were able to make a deal with some of the other taxing entities that they too would participate in some way toward affordable housing, for example, there may be opportunities to increase the numbers that we've talked about, but if the developer were required to pay more than the standard rate of taxes, then their operating costs would go up and the amount that they could pay for the land in the first place. Then goes down because the construction cost stays the same. The operating revenues go down. So we've tried to just assume that they're paying a typical tax rate.

>> And so I think maybe I didn't ask it in the right way, because if we own the land and we're providing a ground lease, there are zero taxes being paid. Is that correct?

>> That is not correct. Okay they would be subject to a possessory interest tax, especially if it's a long time ground lease, which it would

[11:57:40 AM]

ground lease, which it would need to be for a development of this scale. And that's, and that's essentially just the exact same tax rate they would otherwise be paying.

>> I'm with you.

>> Is there any mechanism? I know there are very different affordability requirements. If we start talking about something like a PFC, but is there another mechanism where we do capture or make the entire project tax free or tax exempt that we are able to capture those revenues?

>> Not that I'm aware of, but we would we can certainly look into it further. You mentioned PFC, so the public facility corporation, which of course would require 50% of the units be affordable at 80, 40% at 80, 10% at 60, or a housing finance corporation structure, which would require the significantly more affordability that would not be achievable, at a scale like this. Okay, so I am not aware of a scenario, but we could certainly contemplate

[11:58:42 AM]

could certainly contemplate that. That's very helpful.

>> And I think just the last, piece of note you touched on it, but I think it's really important to highlight if we are looking at scenario one, not only the $17 million that someone would have to come to the city, which would take, projects that we would have otherwise funded off the table. But but you mentioned in your memo that this and this project would also require tax credits, which means a project that would have otherwise received tax credits, the tax credits are finite pool. So some one else is not getting those tax credits. And so while we might be bringing that 445 units to market here, we are taking hundreds of units away. Some where else. And so the net benefit to the public could almost be a wash. And I think that's that's just something on a site like this. We have to be very cautious of what is our our

[11:59:42 AM]

very cautious of what is our our net benefit. And, and the last point I'll make is I think it piggybacks very well on the discussion we had with the, with Kerri and the budget and our discussion on, you know, we think about dollar into affordable housing as building a new project. Right. But the goal is to have people, especially at a lower income, be able to afford a place to live. And so here is a potential ongoing revenue stream that starts around $3 million and will grow, that could be used to help people stay in their apartment. That is affordable housing, or could be used, in the hope fund that we created to help provide vouchers for individuals to be in Ann, you know, to get off the street and into permanent supportive housing. These are things that that are achieving the goals of building a affordable housing complex somewhere else, but that are not in the way we typically think

[12:00:43 PM]

in the way we typically think about dollars being deployed. And so I think as we enter into a time of more austerity looking at revenue sources like this to bolster people being able to stay in their homes, afford early, accomplishes a lot of those same goals. So I wrap it up with that, and I appreciate your work.

>> Thanks very much. Are there any other questions? Councilmember Allison alter?

>> Thank you. I appreciate your line of questioning. Councilmember alter, just to piggyback on the tax piece, have we considered a scenario where we ask some of our other, entities to commit to devote that tax revenue to affordable housing or something down the line? Is that something that we've looked at?

>> It's certainly something that we could contemplate some sort of cooperative agreement with the other taxing entities, but we have not yet. We're not at that stage Paige yet. But it certainly is for their projects,

[12:01:44 PM]

certainly is for their projects, for affordable housing.

>> I think that would benefit doesn't have to be money that then like the city controls, but it could be that it would create a fund for them to do similar kinds of things. In that and that's a great idea.

>> We certainly have two other jurisdictions that are active in affordable housing. That would be aid. The school district is undertaking some affordable housing development. And of course, Travis county. Okay. Thank you.

>> And so what is so I appreciate these scenarios. And I know you were given direction to provide these. What is it that staff is recommending as the next steps or of these scenarios? Which one? Do you favor.

>> So at this point, considering the previous slide with all of the various considerations, the market realities is the required subsidy as well as a variety of, hyper local considerations. That

[12:02:45 PM]

hyper local considerations. That area, the northeast area of downtown, is undergoing a lot of change and potentially uncertainty. We have a vacant it's about 14 acres, vacant to the north of us, owned by central health. We are awaiting some redevelopment, decisions by the central health board. We also have some property that is developing adjacent to this property. We have a hotel at the southwest corner to the south southwest of our property at the northeast corner of 12th and red river. And then we have market considerations and market realities that we want to, take a deeper dive into. Our recommendation at this point really is to pause us, and take this up again, summer fall, when we have a better idea of both the budget for fy 25, as well as some of the ongoing Singh, market conditions that we are

[12:03:46 PM]

market conditions that we are contemplating.

>> Thank you. I appreciate that. That sounds like it makes sense, given the market conditions. I do just want to underscore I think there may be some interesting opportunity with other entities to say, okay, if we put this on the roles, you know, in this particular way, it will, you know, we can do it to maximize that, you know, could this be a source for you two for, you know, affordable housing related tpid bucket, not with the city controlling their money, but just just like, hey, here's a mechanism to get this, you know, is this something you'd want to potentially consider and see how that then affects the choices that we make, knowing that we may be able to do two, different things depending on the approach that we took. So thank you.

>> Thank you. Council member. And there being no more questions, I think we, city manager, I think we're done with this work session. So I will call us adjourned at 12:04 P.M.

[12:04:46 PM]

call us adjourned at 12:04 P.M. Thank you.