City of Austin **MEMO**

Neighborhood Housing and Community Development
P.O. Box 1088, Austin, TX 78767 -1088
1000 East 11th Street, Ste 200, Austin, TX 78702
(512) 974-3100 • Fax (512) 974-3161 • www.austintexas.gov/housing

To: **Mayor and City Council Members**

From: **Betsy Spencer, Director**

Date: **August 13, 2012**

Subject: **11th and 12th Street Urban Renewal Area Development Strategy Update**

This memorandum provides information on recent U.S. Department of Housing and Urban Development (HUD) notification regarding the completion of long-standing projects and its impact on the disposition of specific Urban Renewal area properties, particularly properties on East 12th Street.

HUD has notified the City of Austin, as well as a number of other municipalities that receive entitlement dollars, of its prioritization to bring long-standing projects to a close. HUD has advised that formal guidance will be forthcoming in the near future. HUD advises that long standing projects funded with Community Development Block Grant (CDBG) funding must be completed by September 30, 2012. Long-standing projects funded with HOME Investment Partnership Program (HOME) dollars must be completed by March 31, 2013. It has been advised through conference calls with HUD representatives that failure to complete the project or repay funds could result in the City's inability to draw down future federal entitlement funding for new projects.

In anticipation of this directive and in order to be proactive on these issues, NHCD has taken aggressive action on behalf of the City to ensure responsiveness to HUD's direction. A significant project initiative for the department has been the disposition of several federally-funded publicly-owned tracts in East Austin, most specifically the East 12th Street properties owned by the Urban Renewal Agency (URA) and the City of Austin (COA). The properties are noted below along with the federal investment amounts pertaining to each tract (See attached map):

Urban Renewal Area Properties Most Impacted by HUD Directive

TRACT	OWNER	ADDRESS	# of PARCELS	FEDERAL FUNDS INVESTED
3	URA	1120 E. 12th Street	1 lot – mixed use	$ 40,830 CDBG
5	URA	1322-1338 E. 12th Street	8 lots – mixed use	$163,642 CDBG
12	COA	1001-1105 E. 12th Street	10 townhome lots	$880,379 30% CDBG/70% HOME
13	COA	1190-1198 Navasota	5 single-family lots	$280,092 45% CDBG/55% HOME

Since immediate development and completion of these projects by the anticipated HUD deadline is not feasible, CDBG funds invested must be repaid to HUD with non-federal dollars or property purchased with CDBG funds must be sold for appraised value and **all proceeds**, including any equity received, remitted to HUD. If the appraised value is less than the total expended HUD will accept that amount and the activity can be closed.

The City of Austin is committed to compliance with the American with Disabilities Act and will provide reasonable modifications and equal access to communications upon request.

The COA properties however, have two sources of funds. HOME regulations require that 100% of the HOME funds expended must be repaid in order to close the activity. HOME does not consider the appraised value of the property. In this case repayment will be based on the percentage of each fund source in the properties. If the appraised value is less than the federal funds invested, additional non-federal funds will be needed to repay the entire amount of HOME funds expended.

NEXT STEPS/RECOMMENDATIONS

Office of Real Estate Services (ORES) is in the process of finalizing appraisals on all COA and URA properties on East 12th Street. City staff is making the following recommendations regarding the publicly-owned properties on 12th Street.

Urban Renewal Agency owned tracts (3, 5):

City staff is recommending a repayment of federal funding invested in both URA Tracts 3 and 5. The Budget Office has indicated there is sufficient unexpended appropriation of Sustainability Funds for the $204,472 repayment to HUD for both URA-owned Tracts. NHCD is initiating an August 16 Council Agenda item for City Council approval of the repayment to HUD on these tracts. Repayment with local funds will remove the federal restrictions to allow the URB and City Council flexibility in the timing of property disposition as well as flexibility in how future sales proceeds may be receipted by the City to encourage desirable development on the Corridor. The Urban Renewal Agency will continue discussion on these tracts at its regular meeting Monday, August 20. We anticipate a good return on equity based on HUD required appraisals.

City of Austin owned tracts (12, 13):

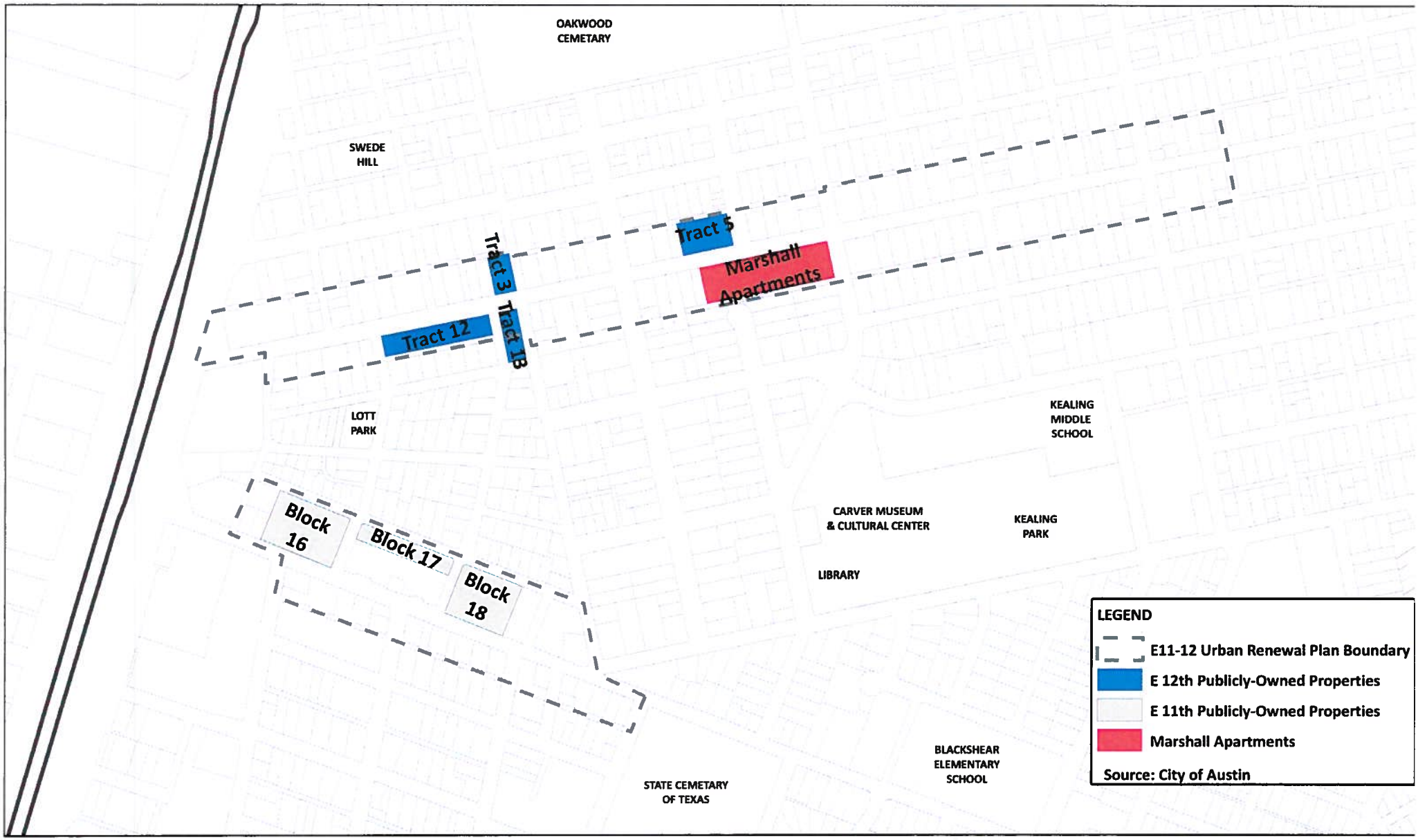
NHCD is working with the ORES to assist with property disposition. NHCD is proceeding forward with the sale of COA Tract 12 and 13. ORES will issue an Invitation for Sealed Bids on both tracts in the near future. It is anticipated that the federal funds invested in the two tracts combined will exceed the appraised value.

NHCD will continue to explore with HUD all options that would allow for creative solutions to further geographically dispersed affordable housing goals in Austin. This includes exploring whether the proceeds realized from the sale of the 12th tracts could be utilized to acquire additional properties for affordable housing elsewhere in the city limits.

Staff will be working closely with the URB and ORES to ensure a transparent and fair land disposition process. Please let me know if you have any questions.

cc: Marc A. Ott, City Manager
Bert Lumbreras, Assistant City Manager
Deborah Thomas, Division Chief, Law Department
Lauraine Rizer, Real Estate Officer, Office of Real Estate Services

Attachment: East 12th Street Public Land for Disposition Map



EAST 12TH STREET PUBLIC LAND FOR DISPOSITION

Prepared by City of Austin Neighborhood Housing & Community Development

JULY 12, 2012