

[re]Manufacturing Hub Feasibility Analysis

presented to

Zero Waste Advisory Commission

presented by

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Oakland

Sacramento

Denver

Los Angeles

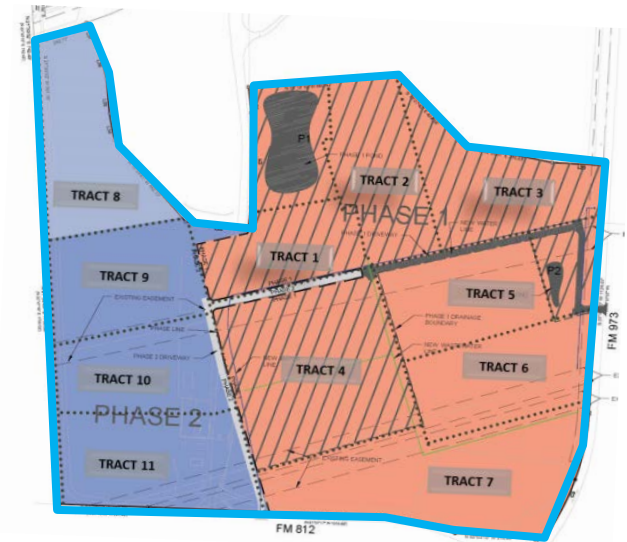
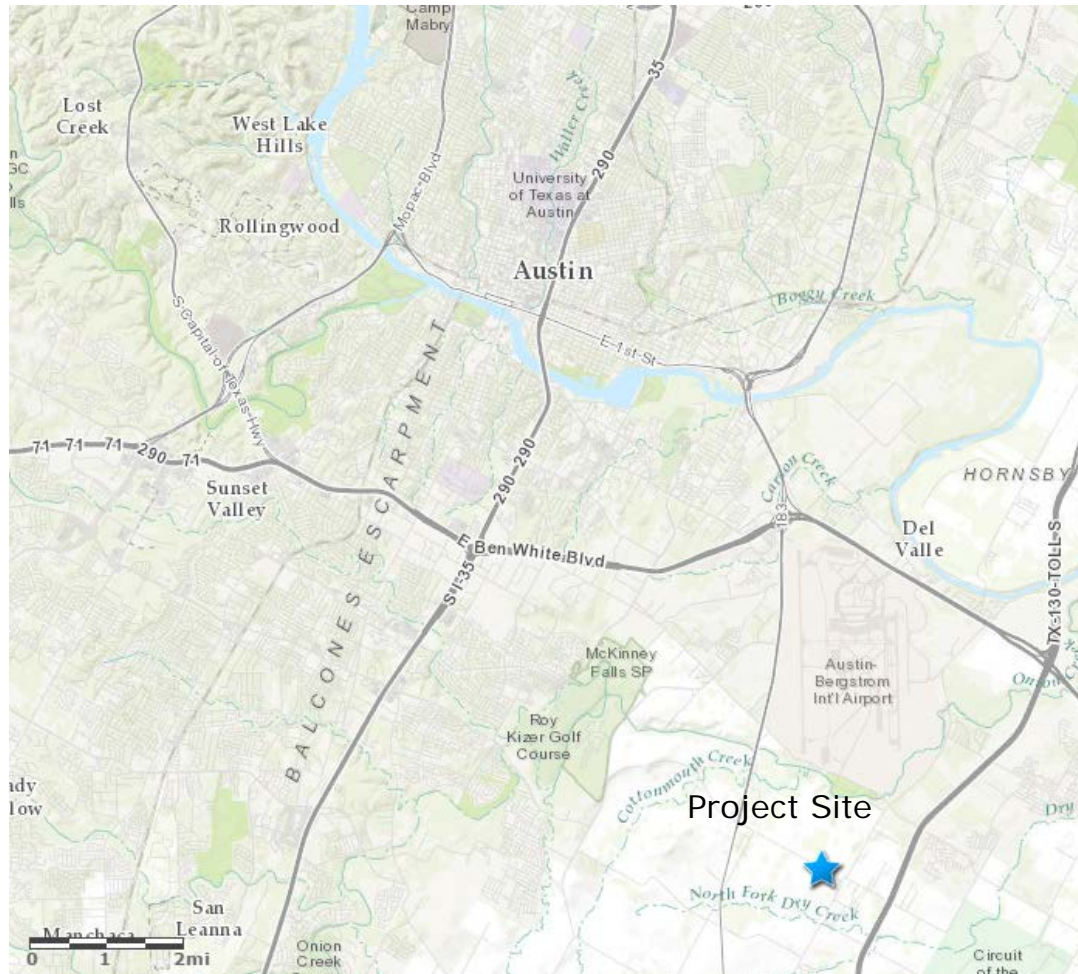
Economic & Planning Systems

- Full service economic consulting firm
- Expertise
 - Real estate economics
 - Economic development
 - Public finance
 - Fiscal and economic impact analysis
 - Land use policy
- Many Austin area projects



Project Site

10108 FM 812



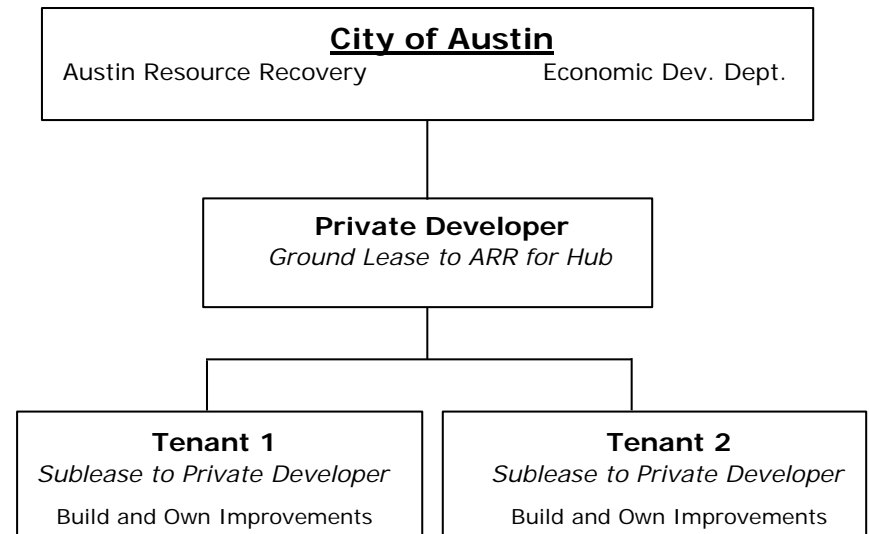
Current Hub Concept

- Project goals:

1. Zero Waste
2. Environmental Stewardship
3. Inclusive Economic Development
4. Financial Feasibility
5. Compatibility
6. Adaptive Reuse

- Public-Private Partnership

- Ground lease with Master Developer
- Sublease to [re]manufacturing tenants



Financial Impacts of Current Concept Goals

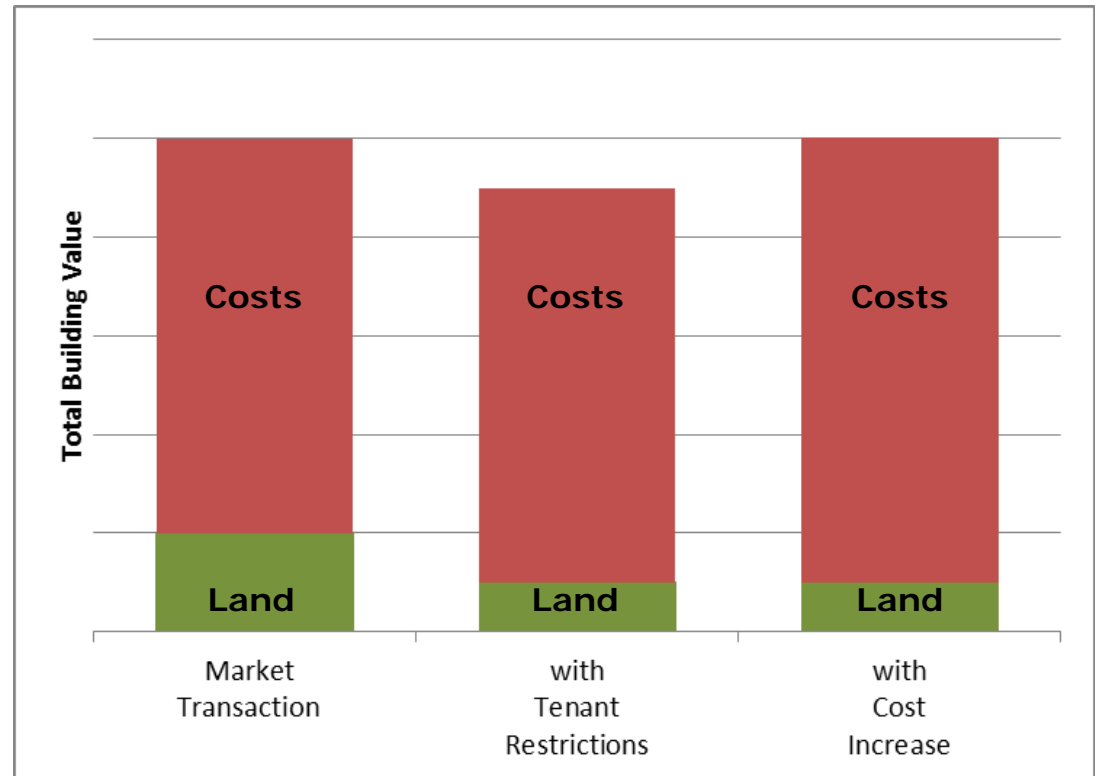
- Tenant Restrictions

- Limits competition, depresses land value

- Cost Increases

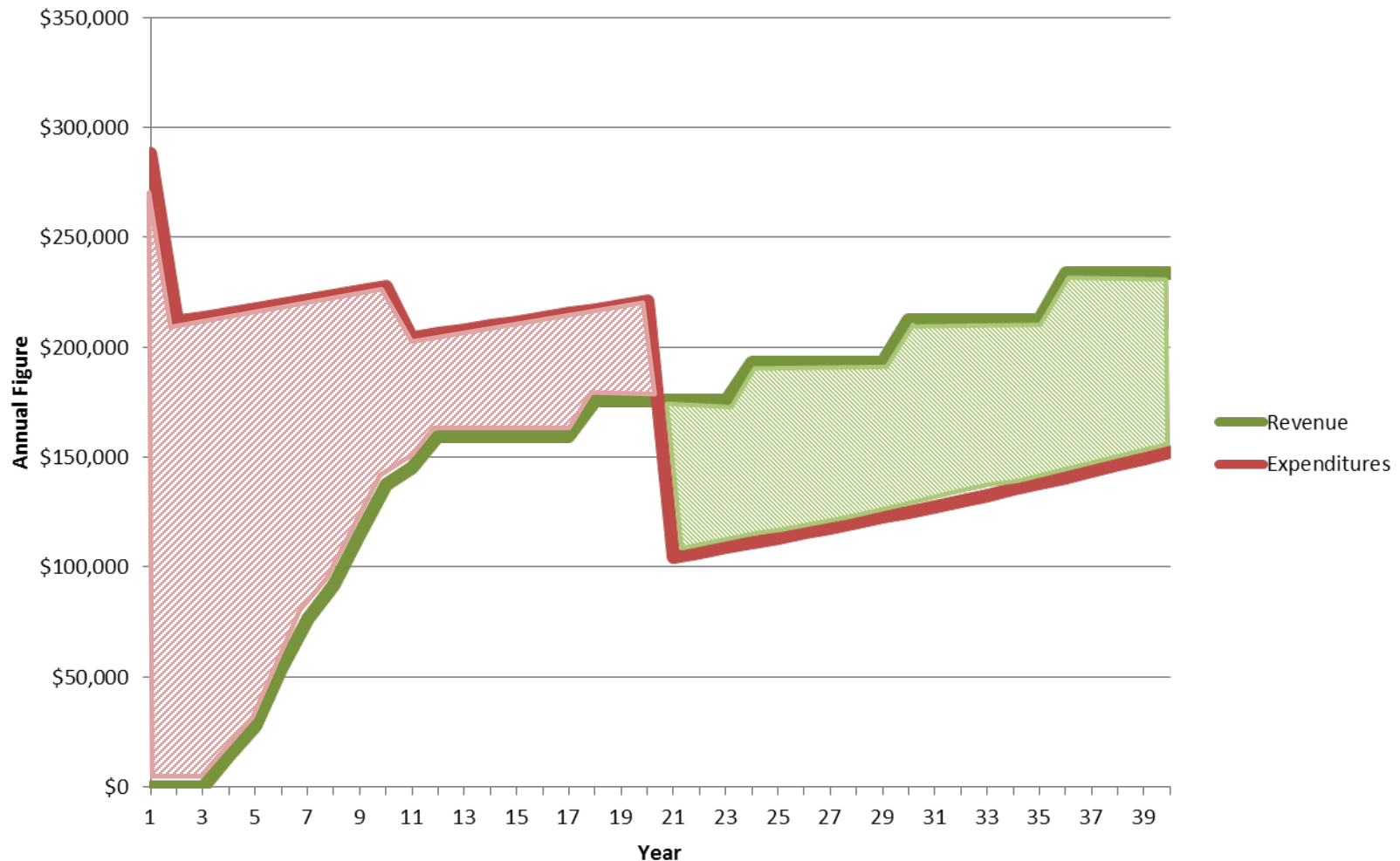
- Wages
- Sustainability goals
- Hiring & contracting

Land Lease Value Impacts -- Illustrative



Projected Cash Flow under Current Concept

40-Year Cash Flow Net Present Value ~ -\$5.4 million



Financial Obstacles of Current Concept

The Current Concept Plan for the Hub is not financially feasible for three primary reasons:

1. Unimproved land requires high infrastructure costs (\$7.5 million)
2. Industrial land value is not high enough to cover the capital and operating costs for this site
3. City regulations and restrictions for the Hub further reduce expected ground lease revenue

Explored Modifications to Current Concept

- Public Investment
 - Public capital/grant funding
 - Raise ARR Rates
- Change Governance Structure
 - Economic Development Authority
- Modify Project Goals
 - Reduce wage requirements
 - Allow more diverse tenant types

Net Present Value Comparison

The explored modified versions of the Hub have negative net present values, implying that they are still not financially feasible.

- Current Concept: -\$5.4 Million
- Reduced wage requirements: -\$2.7 million
- Diversify tenant types: -\$5.0 million

Explored Alternatives to Current Concept

- Use Other Land
 - Use other publicly-owned site
 - Sell public land
- Incentive Programs
 - Subsidize development costs on private land
 - Subsidize rent on private land

Feasibility Conclusions

1. The Current Concept does not work without public subsidy
2. Even if City regulations were relaxed, the project still requires subsidy due to infrastructure costs
3. Directly subsidizing Hub-like tenants would have lower risk and more direct value than putting money into a speculative land development