



BOARD/COMMISSION RECOMMENDATION

South Central Waterfront Advisory Board

Recommendation Number: (20171030-002) : Resolution Recommending City Council Move Forward with South Central Waterfront Plan Tax Increment Finance Study

WHEREAS, the South Central Waterfront Vision Framework (SCW Plan) was adopted by City Council in July 2016, and

WHEREAS, the SCW Plan includes a physical framework for guiding the redevelopment of the South Central Waterfront to achieve the SCW Vision and community benefits of a great public realm of expanded open spaces, trails, green streets, plazas and other public places, as well as targeting that the future buildout of the district will include 20% of new dwellings units to be affordable, and

WHEREAS, the SCW Plan includes a financial framework that would generate \$100 M to realize the SCW public realm Vision plus \$65 M gap financing to fund the affordable housing goal; and

WHEREAS, the SCW Plan identifies implementation action items necessary to achieve the SCW Vision and community benefits, including creation and adoption of financial tools for value capture and to leverage private capital based on a modeled bonus densification of redevelopment; and

WHEREAS, the CodeNEXT process is currently developing the zoning and regulatory standards which are recommended in the SCW Plan in order to realize the SCW Vision's buildout; and

WHEREAS, the SCW Plan identifies that establishing a Tax Increment Finances (TIF) District is one of the two most critical financial tools recommended to fund and achieve the SCW Vision and community benefits; and

WHEREAS, the SCW Plan analysis showed that, under current entitlements and projections, the future tax revenues that the City will collect from this district will double, but under the SCW Plan buildout projections the City will collect nearly six times over current tax revenues; and

WHEREAS, the SCW Plan's preliminary TIF analysis indicates that the potential value capture under the master plan would provide both ample tax increment to increase funds to the City's general fund, well beyond what will be generated without the SCW Plan, and still provide the value capture to help achieve the SCW Vision, and

WHEREAS, the first major redevelopment project has already been initiated by the filling of applications with the City of Austin, and

WHEREAS, the South Central Waterfront Advisory Board (SCWAB) was established, as recommended in the SCW Plan, in order to advise the City Council on implementation of the SCW Plan recommendations, and

WHEREAS, the SCWAB members have held meetings to discuss the recommendations set forth in the SCW Plan, and

WHEREAS, the SCWAB has identified that the TIF Study that is recommended in the SCW Plan is a critical and time-sensitive implementation item;

NOW, THEREFORE, BE IT RESOLVED that the that the South Central Waterfront Advisory Board requests that the City Council directs the City Manager to assign staff and identify funding, as necessary, to Initiate the Tax Increment Financing Study ; and that City Council includes instructions that this study is to be completed within a six month timeline and returned to Council for consideration and potential adoption.

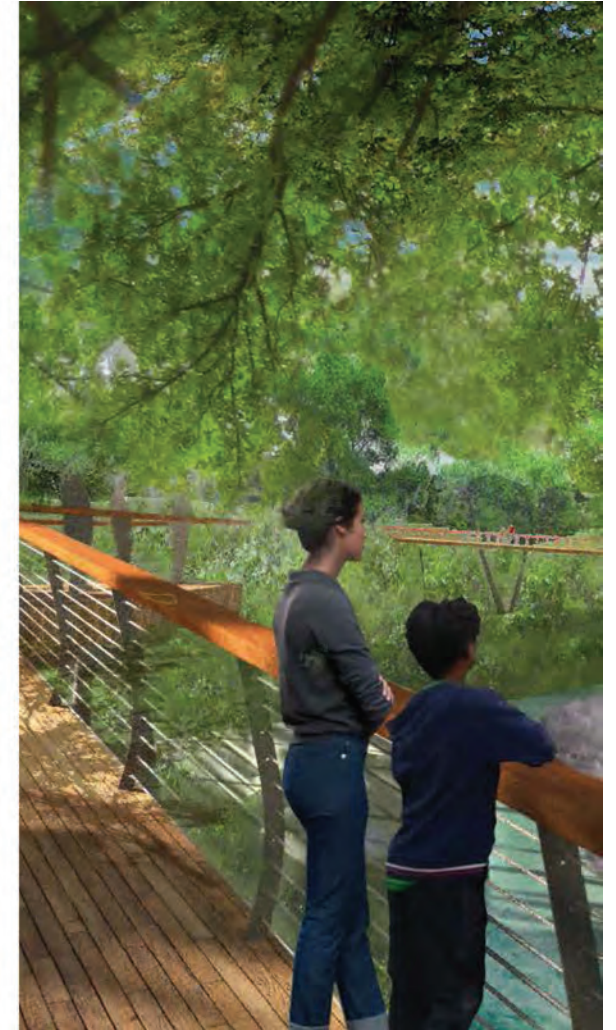
Date of Approval: October 30, 2017

Record of the vote: (Unanimous on a 5-0 vote, 4 absent)

Attest: Alan Holz

(Staff or board member can sign)

SOUTH CENTRAL WATERFRONT VISION FRAMEWORK PLAN



Acknowledgments

City Council

Amended to set the affordable housing goal at 20% and adopted by City Council as an amendment to the Imagine Austin Comprehensive Plan on June 16th, 2016

Steve Adler, Mayor

Ora Houston, District 1 Council Member

Delia Garza, District 2 Council Member

Sabino "Pio" Renteria, District 3 Council Member

Gregorio "Greg" Casar, District 4 Council Member

Ann Kitchen, District 5 Council Member

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South Central Waterfront (SCW) Project Team

Planning and Zoning Department | Urban Design Division

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SCW Plan Excerpts RE: PID/TIF Finance Tools

Artist's rendering of the test scenario for the South Central Waterfront

This rendering is a "what if" illustration that imagines how the South Central Waterfront might appear twenty years from now. The rendering begins with a framework of a quality public realm and pedestrian-scaled blocks on the ground, and adds in new development with enough density to provide the incentives for developers to help pay for the public realm and hundreds of units of affordable housing.



Stéphanie Bower | Architectural Illustration



Financial Framework

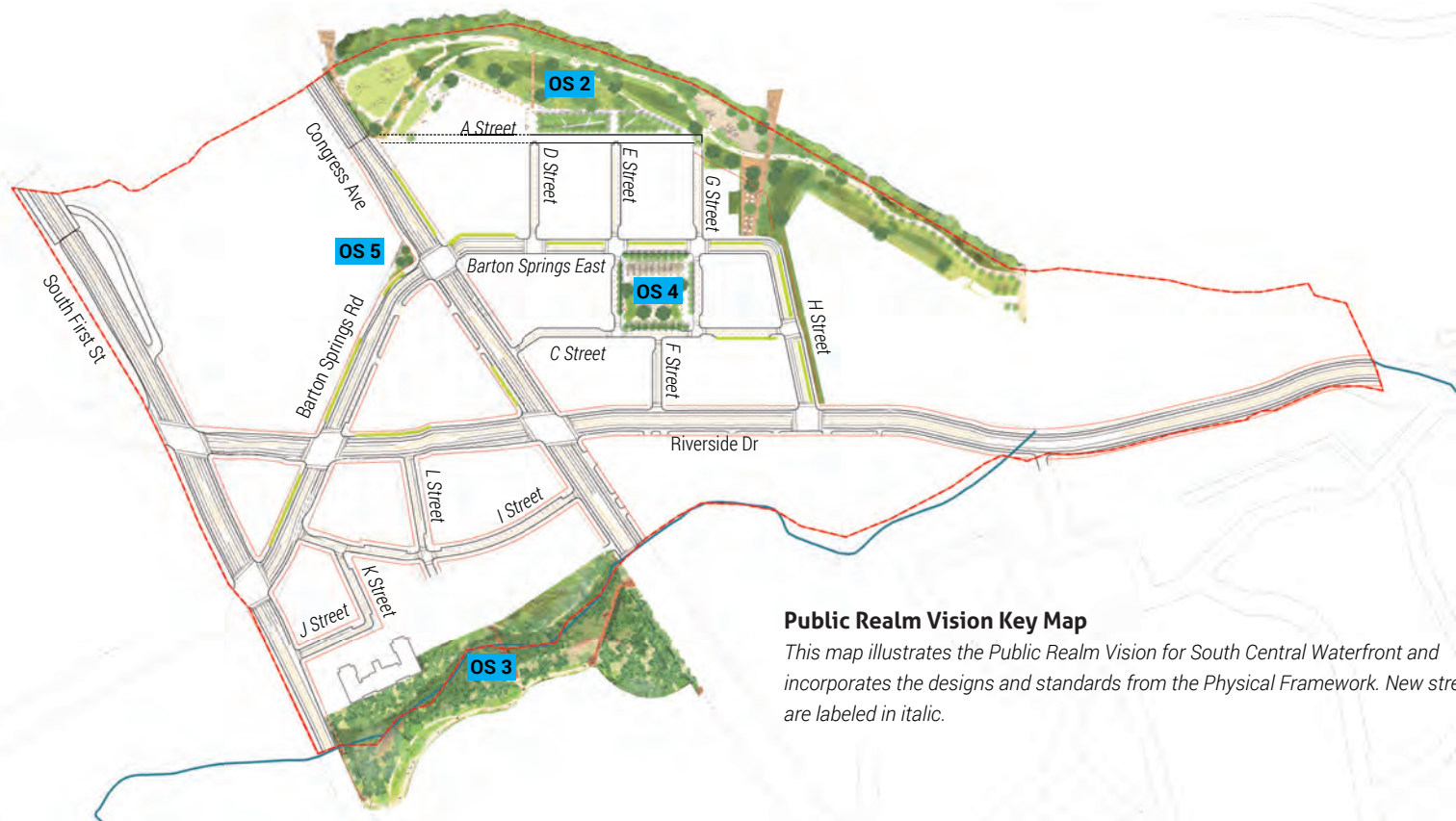
Realizing the vision for the South Central Waterfront will require coordinated partnerships among many different players. The SCW Vision Framework Plan proposes an implementation approach that builds upon the following tenets:

- A shared vision: Buy in on shared vision for the area among key stakeholders: property owners, neighborhoods, the City, vested interest groups (e.g., affordable housing providers, open space entities). This includes the recognition that enhanced entitlements will be required to enable more robust private development that then provides a primary resource base for public realm and public purpose improvements, and expansion of affordable housing opportunities.
- Partnerships: The City envisions partnerships with developers to help pay for public realm improvements. This includes financial incentives and binding development agreements between City and property owners/developers about which parties are responsible for providing which public realm improvements.
- Phased Implementation: The City anticipates that improvements will be built in phases based on which owners/developers are prepared to redevelop as well as the City's ability to craft mutually beneficial development agreements. The potential implementation strategy could give preference for public resources to those property owners/developers prepared to move forward.

Value of Community Benefits

Public Realm

Based on the conceptual designs for the parks, plazas, roadway improvements, and other public realm improvements presented in the physical framework chapter, a rough opinion of probable costs was calculated. Every effort was made to be as precise as possible, for example incorporating information from recent great streets project in Austin, but these are still only planning-level figures and include a 35 percent contingency. The chart on the opposite page summarizes potential costs for each improvement identified in the Vision, with a total estimated cost of just under \$100 million. A more detailed breakdown can be found in Appendix II.



Public Realm Vision Key Map

This map illustrates the Public Realm Vision for South Central Waterfront and incorporates the designs and standards from the Physical Framework. New streets are labeled in *italic*.

Summary of Probable Costs for the Public Realm Vision

Open Space Summary						
Name	Code	Area (SF)	Area (ac)	Unit	Unit Cost	Total Cost
Waterfront Park	OS2	418,619	9.61	SF	\$ 15.62	\$ 6,537,119
Bouldin Creek / TSD	OS3	286,189	6.57	SF	\$ 15.80	\$ 4,521,908
Cox Crocket Plaza	OS4	60,548	1.39	SF	\$ 59.36	\$ 3,594,075
Barton Springs Rain Garden	OS5	36,590	0.84	SF	\$ 21.07	\$ 771,026
Open Space Total		801,947	18.41	SF	\$ 19.23	\$ 15,424,128

Streets and Green Infrastructure Summary											
Name	Code	Length (LF)	MFTP	Transit	Bike	Total Cost	Civil Cost	Amenities Cost	Landscape Cost	Transit / Bike Cost	Utilities Cost
Existing Streets (Total \$)						\$ 23,957,590	\$ 10,214,990	\$ 600,000	\$ 497,600	\$ 360,000	\$ 12,285,000
Existing Streets (\$/LF)						\$ 3,076.61	\$ 1,311.80	\$ 77.05	\$ 63.90	\$ 46.23	\$ 1,577.63
Barton Springs Drive	B5-6	989				\$ 3,418,430	\$ 1,647,300	\$ 100,000	\$ 111,880	\$ -	\$ 1,559,250
Riverside Drive	M	3,575				\$ 13,735,270	\$ 7,554,890	\$ 200,000	\$ 191,880	\$ 150,000.00	\$ 5,638,500
Congress Avenue	N	1,624				\$ 3,653,200	\$ 729,860	\$ 150,000	\$ 116,840	\$ 105,000.00	\$ 2,551,500
South First Street	O	1,599				\$ 3,150,690	\$ 282,940	\$ 150,000	\$ 77,000	\$ 105,000.00	\$ 2,535,750
New Streets (total)						\$ 33,974,460	\$ 22,211,050	\$ 1,150,000	\$ 459,160	\$ -	\$ 10,154,250
New Streets (\$/LF)						\$ 5,500.16	\$ 3,595.77	\$ 186.17	\$ 74.33	\$ -	\$ 1,643.88
A Street	A	881				\$ 1,953,660	\$ 411,660	\$ 150,000	\$ 42,000	\$ -	\$ 1,350,000
Barton Springs Drive East	B1-4	1041				\$ 7,699,590	\$ 5,953,920	\$ 200,000	\$ 98,920	\$ -	\$ 1,446,750
C Street	C	323				\$ 5,170,140	\$ 3,678,910	\$ 150,000	\$ 74,480	\$ -	\$ 1,266,750
D Street	D	323				\$ 1,797,910	\$ 1,283,910	\$ 50,000	\$ 14,000	\$ -	\$ 450,000
E Street	E	539				\$ 2,930,240	\$ 1,996,740	\$ 100,000	\$ 28,000	\$ -	\$ 805,500
F Street	F	236				\$ 1,384,750	\$ 942,750	\$ 50,000	\$ 14,000	\$ -	\$ 378,000
G Street	G	547				\$ 2,589,070	\$ 1,580,540	\$ 100,000	\$ 42,280	\$ -	\$ 866,250
H Street	H	539				\$ 4,075,800	\$ 3,063,820	\$ 100,000	\$ 61,480	\$ -	\$ 850,500
I Street	I	923				\$ 4,327,750	\$ 2,736,750	\$ 100,000	\$ 42,000	\$ -	\$ 1,449,000
J Street	J	244				\$ 673,890	\$ 231,890	\$ 50,000	\$ 14,000	\$ -	\$ 378,000
K Street	K	250				\$ 662,590	\$ 204,840	\$ 50,000	\$ 14,000	\$ -	\$ 393,750
L Street	L	331				\$ 709,070	\$ 125,320	\$ 50,000	\$ 14,000	\$ -	\$ 519,750
Streets and GI Total						\$ 57,932,050	\$ 32,426,040	\$ 1,750,000	\$ 956,760	\$ 360,000	\$ 22,439,250

Public Realm Total	\$ 73,356,178
Total With Contingency	35% \$ 99,030,841

Funding Toolkit

The project team evaluated possible funding tools based on a set of evaluation criteria developed specifically to fit the South Central Waterfront context. The process of developing this evaluation criteria and narrowing the set of applicable funding tools is outlined in more detail in Appendix IV: Funding Tools Evaluation. The evaluation criteria included:

- Economic feasibility: Can the tool create and maintain revenues?
- Fairness: Who pays for the tool in relation, and who benefits from the projects?
- Legality: Is the tool legal in the state of Texas?
- Political acceptability: How likely are elected officials and the public at large to support the funding source?

The primary toolkit identifies local funding tools that can fund public realm and infrastructure improvements in the area. In addition to the toolkit identified in this section, the City will explore state and federal funding tools for development and infrastructure projects on a project by project basis including New Market Tax Credits, TIGER grants, HUD discretionary grants, Section 108 loans, and other state/federal grants and loans as applicable. The City will remain open to other potential funding tools that become available after the adoption of this Plan.

	Transportation Infrastructure	Parks and Open Space	Affordable Housing
Publicly Funded			
Tax Increment Financing (TIF)	X	X	X
Parking Partnership	X		
CIP Funds	X	X	
GO Bonds	X	X	X
Tax Abatement			X
Housing Trust Fund			X
Vertical Housing Development Program			X
Privately Funded			
Public Improvement District (PID)	X	X	X
Philanthropy	X	X	X
Transfer of Development Rights		X	X
Low Income Housing Tax Credit			X
Real Estate Investment Trust			X

Blue: Preferred tool

Black: Other tool to be considered

Public Funding Tools

As a result of this evaluation, the team identified a preferred funding toolkit. This section provides information on a set of tools which can be bundled to meet the goals of the SCW Plan. It is not meant to be an exhaustive list (e.g., discretionary state and federal grants are among resources are not included), but rather a pragmatic approach that lays out a set of potential tools that could be bundled for selected projects.

Tax Increment Financing (TIF)

Tax Increment Reinvestment Zone

How it works:

Tax increment financing allows a jurisdiction to finance infrastructure improvements and other projects using a portion of proceeds from property and sales tax within an established boundary, a Tax Increment Reinvestment Zone (TIRZ). Revenues pay back upfront bonds for large-scale improvements including parks, street improvements, as well as for strategic site acquisitions and eligible economic development projects.

Applicable SCW projects:

Parks, plazas, street improvements, utility upgrades, structured parking, and site acquisition. Explore the potential to support affordable housing.

Preliminary assessment:

Austin has experience creating Reinvestment Zones. The preliminary capacity estimates that the District can pay for significant portions of many key projects using TIF. In addition, the potential for the Reinvestment Zone to raise significant revenue looks promising, as there are several projects that are on the cusp of redevelopment that could help to jumpstart the district.

Next steps:

Conduct a study with a public process and financing plan that includes: boundary determination, findings of blight, projected frozen property and sales tax base, defined projects, duration of the zone, projected development absorption, projected property and sales tax revenues, maximum indebtedness, and project and bonding timelines.

Capital Improvement Program

How it works:

The City of Austin has identified a variety of infrastructure deficiencies in the South Central Waterfront District. Most of these projects provide enhancements to existing facilities. The City could coordinate its projected CIP efforts with other efforts identified in the Plan to optimize the use of public resources.

Applicable SCW projects:

Parks, plazas, street improvements, and utility upgrades.

Preliminary assessment:

The City's CIP capacity is somewhat limited in this area, and may not be able to support the development of new transportation and open space amenities.

Next steps:

Work with City departments to determine applicable projects that could be implemented through existing CIP processes.

Public-Private Partnerships for Parking Facilities

How it works:

The City receives revenues from on street and publicly owned parking garages. A portion of these revenues can be used to float revenue backed bonds to construct new district serving public parking structures that achieve multiple benefits which include: reducing the need for more single use parking spaces, generating revenues for the City, providing more shared parking spaces within a district, and enabling for and non-profit developers to invest more in uses that provide housing and jobs.

Applicable SCW projects:

Provide district parking as part of public and privately owned facilities or strictly public structures.

Preliminary assessment:

Engaging with private and non-profit developers early in the redevelopment process to make them aware of the benefits of such parking partnerships can result in helping make more redevelopment projects viable, particularly those that are poised to proceed but still have funding gaps.

Next steps:

Assess the capacity of this program and initiate discussions with developers about potential interest and utilization of this resource.

Private Funding Tools

Public Improvement District

How it Works:

A Public Improvement District (PID) is a special assessment district where property owners voluntarily commit to assess themselves a fee to fund capital improvements and affordable housing assistance programs. The City would work with property owners to establish the PID, and would then sell bonds to finance the identified improvements and programs. Property owners within the PID would repay the bonds through annual payments tied to their property taxes or other selected assessment measure.

Applicable SCW Projects:

Parks, street improvements, utilities, marketing/branding, and affordable housing

Preliminary Assessment:

The revenue capacity for PIDs is dependent upon property owners' willingness to self-assess to cover infrastructure and other project/program costs, and the size of the PID boundary. The City would need to work with property owners to generate support for the projects or programs identified in the plan which could include infrastructure, operations, and affordable housing projects.

Next Steps:

Evaluate whether to expand the existing downtown PID or create a new PID for the SCW district. This evaluation should make detailed PID projections on project/program costs and identify the assessments required to achieve PID goals. The City or a group of property owners could then initiate a petition that calls for the SCW district to be declared a public improvement district.

Transfer of Development Rights

How it Works:

Transfer of development rights (TDR) is a market-based technique that encourages the voluntary transfer of growth from places where a community envisions less development (called sending areas) to places where a community would like to see more development (called receiving areas). There are likely several possible "sender" and "receiver" properties. TDR receivers (senders and buyers) could include for or non-profit developers, or a public entity such as the City.

Applicable SCW Projects:

Parks, plazas, affordable housing sites.

Preliminary Assessment:

There are a number of privately held and publicly owned parcels that could serve as TDR senders enabling those owners to receive payment for development rights that would be transferred elsewhere. Determining potential receiving areas will require more work (e.g., size of the TDR boundary). Among the private tools, TDRs are the most subject to a variety of market conditions (e.g., interest from senders in selling, needs of potential receivers, costs of the TDR, development cycles). This makes them a less predictable, but nevertheless, helpful, resource for public realm and affordable housing.

Next Steps:

The City would need to work with local property owners to gauge interest in a TDR Program. The City should create a legal document that 1) defines the TDR area area, and 2) develops a sender and receiver structure.

Philanthropic Sources

How it Works:

Other cities have engaged in successful capital campaigns to raise private money to fund streetscape and park projects as well as for affordable housing. These efforts typically fund plaza construction, street furniture, plantings, and light installations, and ongoing maintenance, as well as various aspects of affordable housing that may include site acquisition and participation in construction.

There may be several players interested in a philanthropic contribution, naming rights, or sponsorship to public realm elements and affordable housing in the South Central Waterfront.

Applicable SCW Projects:

Parks, public art, and affordable housing.

Preliminary Assessment:

The current interests for philanthropic contributions are unknown, but could include civic-minded individuals, local foundations, conservancies, and SCW developers that support the vision for the area. Philanthropic commitments can also help leverage investments in redevelopment efforts by the public and private sectors.

Next Steps:

Initiate conversations with existing conservancies, foundations, and others about potential interest in philanthropic contributions for the first SCW projects.

Affordable Housing Strategies

The City and its partners have developed a preliminary toolkit for affordable housing in the district that includes, but is not limited to the following tools:

Housing Trust Fund

In 2015, Austin City Council made a decision to increase the amount of revenue directed to the Housing Trust Fund. Previously, only 40% of the increment from formerly publicly-owned properties was going into the fund. Now, 100% is going into the HTF. That could produce a significant, sustainable source of funding for affordable housing.

Public Improvement District

The development, rehabilitation, or expansion of affordable housing is an allowed use in a PID, and should be further explored in a PID Feasibility Study.

Vertical Development Program

This program allows for additional height in exchange for the commitment to include a percentage of affordable units at 80% of Median Family Income. If combined with other incentives (like low interest loans through a PID financing program), this bonus would produce more units or a different mix of units.

Preservation Strike Fund

In 2014, the City recommended implementation of a preservation strike fund that was identified in Housingworks 2014 report, "Taking Action: Preservation of Affordable Housing in the City of Austin." The fund can be used to acquire sites for affordable housing. The City is working on development of a sustainable economic model for the fund, a determination of a fund structure and a framework for the housing portfolio, and options for seeding the fund. This fund could provide seed money for the development of housing that meets fund criteria within SCW.

Tax abatements

The City allows tax abatements for non-profit owned affordable housing, limited to the City's portion (20%) of the total property tax. The City will continue to explore expanding tax abatements for privately developed/ owned affordable units that are part of mixed-income developments.

Low Income Housing Tax Credits

This program directs private capital toward the development and preservation of affordable rental housing for low-income households. Tax credits are awarded to eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing. Both the 9% and 4% credits can be pursued for affordable housing in SCW. These credits can also be supplemented with TIF participation. For example: The Housing Authority has been successful with securing 4% tax credits and partnering with private developers to create more affordable housing (through its subsidiary, Austin Affordable Housing Corporation). HACA typically owns the land, thereby securing tax exempt status, and leases to the partnership. Exemption can reduce operating expenses in the 20% range, thereby enabling lower rents.

Real Estate Investment Trust

The Trust is a vehicle that allows local investment in the SCW's affordable projects.

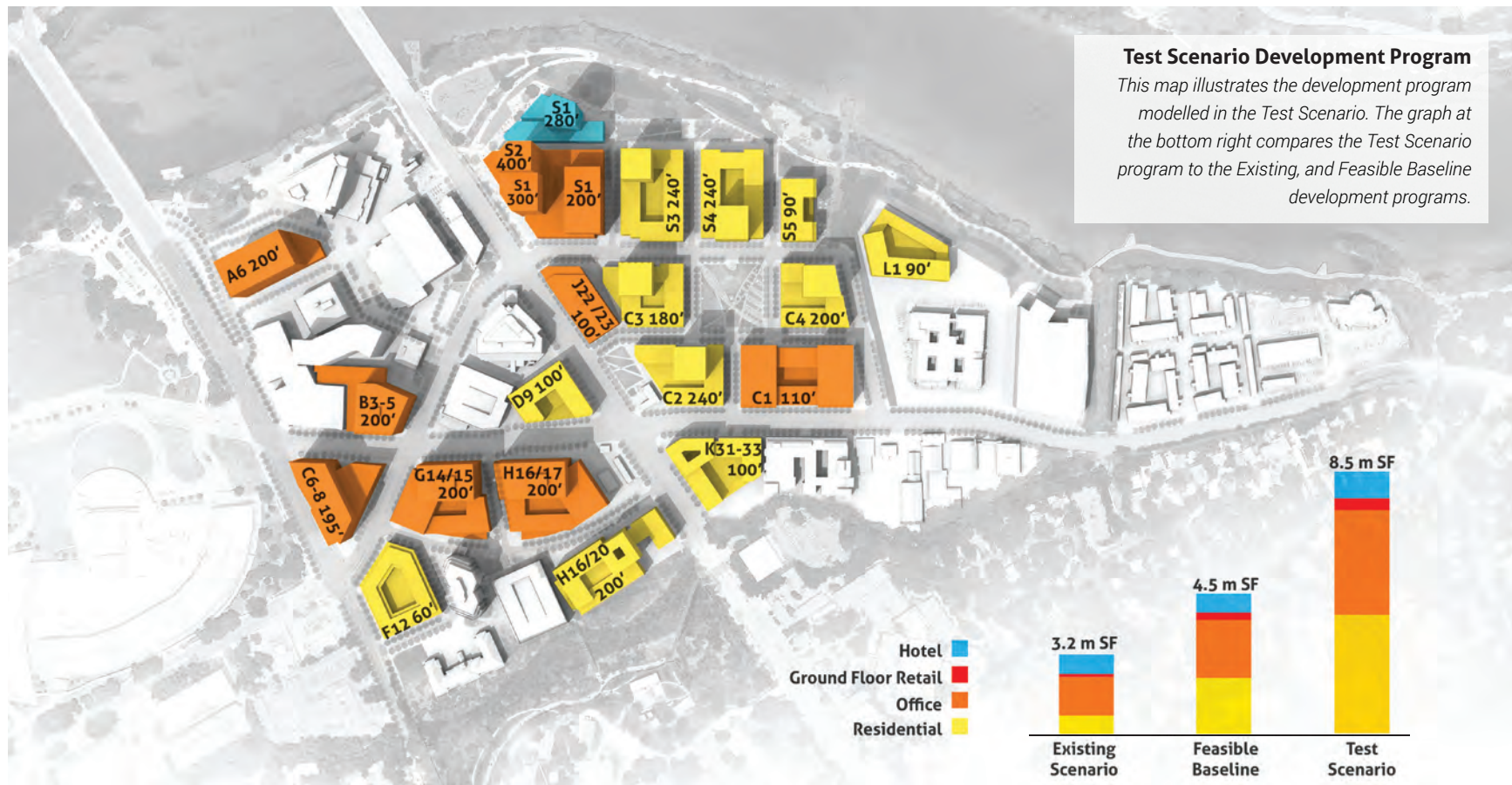
Tax Increment Financing

Tax increment financing allows a jurisdiction to finance infrastructure improvements and other projects using a portion of proceeds from property and sales tax within an established boundary.

Test Scenario Development Program

The Financial Framework requires private properties to "buy-in" to the Vision by building the public realm on-site, as well as financially contributing to city-led improvements. To incentivize property owners to contribute, their costs must be offset through increased development allowances.

The Test Scenario is a "what if" financial model to calibrate the additional development needed beyond existing entitlements to incentivize private properties to participate in the Vision. The map below shows the Test Scenario on "tipping parcels" – properties most likely to redevelop within the next 15 years. Under the Test Scenario, private properties ultimately pay for the whole public realm vision through on site improvements and the recommended Funding Toolkit on page 97. Please refer to Appendix V: Scenario Evaluation for more details about the scenario modelling.



multi-family component achieved lower RLV than similarly scaled office developments in this area, given the interplay between development costs and achievable rents.

- L1. This site was modeled with 192 units and 240 total parking spaces (half of which were underground). The achievable rents for this building do not support the cost to build and operate a parking structure, especially with underground parking.
- **High parking ratios.** The high parking ratios are one of the key drivers of feasibility for the Baseline.
 - The Hyatt PUD office parcel (A6) had the highest residual land value of \$201 because it was modeled to share existing parking at the Hyatt Hotel. Without having to provide the full amount of parking to support this new development, this site can achieve the highest residual land value. This parcel has 170 parking spaces for 380,000 square feet of development, or one space per 2,000 square feet.
 - As a comparison, a smaller 1.7-acre parcel, F12, assumes a 15 story office tower. Requiring this office development to park itself drives RLV down to \$115 per square foot compared to the higher numbers that A6 achieves. B4, a three story office building with surface parking, has low development feasibility due to the presence of surface parking, which is a relatively inefficient use of land given the high land values in this area.
- **Density**
 - There is wide spread in RLV between some of the developments with the same mix of uses and with similar heights. This is due to the assumed Floor Area Ratios (FAR) on those parcels. Sites H16/17/20 and J24/27/30 have a similar mix of office and residential uses, but the J sites have an FAR of 3 compared to the H sites with an FAR of 1. All else equal, a site with higher density will have higher residual land value and the sites with lower density will have lower residual land values compared to similar development programs.

Development Program

The Test Scenario assumes that the City would allow current property entitlements to change if local land owners were to partner in the creation of a robust public realm. This scenario assumes:

- **Increased heights:** A maximum height of 400 feet could be permitted on some sites. Many sites have buildings reaching 21-26 stories.
- **Increased FAR:** FAR reaches 8.5.
- **Existing South Shore Waterfront Overlay setbacks remain in place.** This district honors primary and secondary setback lines from the Town Lake Shoreline and improves water quality measures and stormwater infrastructure where East Bouldin Creek setbacks are encroached upon.
- **Some existing PUDs remain, while others allow additional development.**

Sites

This scenario assumed that the same sites would develop as the baseline study sites, as well as additional sites that did not achieve the minimum required residual land values (\$100). Additionally, some of the larger parcels were subdivided to allow for increased density that is not permitted under the current entitlements. Therefore the number of overall sites for development increased, as well as the density, total development square footage, and value of the land and structures.

Use Mix

ECONorthwest worked with the City of Austin and McCann Adams to determine development programs on each of the study sites. The sites in the Test Scenario are a mix of office towers, mixed-use office buildings, and multi-family residential buildings with ground floor retail. See Attachment 4 for an overview of built form, including height, FAR, square foot by development type, and parking spaces. Exhibit 6 shows the Test Scenario development concept, including building height and site configuration.

3 Test Scenario

The purpose of the Test Scenario is to show the scope and scale of development that could occur in the SCW if the City and private partners participated in a shared investment in the public realm of the South Central Waterfront and committed to an ambitious affordable housing target.

3.1 Assumptions

Developing the Test Scenario required assumptions for 1) entitlements most logical to assume for the area, 2) the sites most likely to redevelop, 3) use mix, and 4) development costs/revenues.

Exhibit 6. Test Scenario Development Concept



Source: Asakura Robinson

Development Costs/Revenues

ECONorthwest worked with local development professionals (including the ULI) to gather assumptions for all building types, as detailed in Attachment 3.

Public Improvement District Assessment

Each of the parcels includes an assumed cost associated with a Public Improvement District (PID) that is assessed as a \$10 per square foot of gross development. The PID fee is intended to cover a portion of public realm and affordable housing costs².

3.2 Findings

As described in the methodology section, ECONorthwest used a residual land value (RLV) analysis to determine development feasibility of the program shown in Exhibit 6. The land values were calculated as residual land values, which in some cases differ significantly from the range of market values suggested by various representatives in Austin’s real estate field due to the specific development feasibility associated with the development program modeled on each site. Attachment 4 includes a table showing the findings by site.

The key factors that are driving these outcomes are:

² For the purpose of the model, the PID was assumed as a \$10 per parcel up front cost. It is likely that the PID would be assessed as a yearly fee at an amount less than \$10, therefore the residual land value estimates are conservative. The PID would need to generate enough annual income to support the bonding capacity to finance the improvement costs early on in the phasing of the development program.

- **Achievable rents.** The current market could support new development of higher density office and residential product types.
 - **Office:** C2, a 22 story office tower, has a RLV of \$90 PSF, which is below the target for the area. This is due to the lower density, amount of underground parking programmed on the site, and high site specific infrastructure costs.
 - **Hotel:** On S2, we modeled a full-service, 24-story hotel and found that it would likely perform well in this area, given the high Average Daily Rates in Central Austin. Our analysis found a residual land value of \$400 per square foot for a high rise hotel³.
 - **Residential:**
 - **Waterfront rents:** As an alternate scenario, we modeled higher rents at \$3.25 per square foot on waterfront residential towers (S3, S4, S5), an increase of \$0.15 per square foot over the average modeled through the district. This higher rent is an ambitious target that would require a commensurate investment in building and district amenities.
 - **Site L1** was modeled with similar parameters as the baseline scenario. The extremely low residual land value (\$3 per SF) is due to the small building footprint and low density of this project.
- **High Parking Ratios/Underground Parking**
 - The Test Scenario assumed lower parking ratios than the Baseline Scenario.
 - While underground parking is preferable from an urban design standpoint, it is very expensive. To help make projects pencil, we opted to model podium parking in some cases.
 - Shared parking arrangements that could capitalize on varied usage by different development types would likely provide increased flexibility for developers.
- **Affordable Housing using a hypothetical Public Improvement District Assessment estimate**
 - We used a target of \$125 per square foot as a residual land value to determine the subsidy needed to meet a district target affordable housing set aside. The per unit subsidy varied greatly by construction type:
 - For H16/17/18, the analysis assumed that two buildings would be built on site, one of which would a wood-frame project that would include units affordable to households at 80% of Area Median Income (AMI), unless LIHTC’s are involved. The per unit subsidy required for 86 affordable units in that project would be \$50,000.

³ The hotel RLV was not calculated using a return on cost feasibility metric similar to the other parcels due to limited data availability. Using market data and industry standard land to value ratio’s, the parcel can support the indicated RLV and achieve the minimum desired financial return

- For high rise developments on C1 and C3, the analysis found a need for a subsidy of \$280,000 and \$300,000 respectively per unit affordable to households at 80% of AMI. The cost of construction for high rise buildings is much greater than for stick built lower rise products. Therefore, the subsidy required to achieve the targeted RLV is more than 5 times greater per unit for high rise construction.
- For F12, we found a need for a \$27,000 per unit subsidy if the One Texas Center site redeveloped as an entirely affordable project at an 80% of Area Median Income (AMI) target, assuming \$0 cost (RLV) is associated with the parcel. If the site were able to obtain Low Income Housing Tax Credits, the depth of affordability could go to 60% of AMI.

4 Scenario Comparison

Exhibit 7 shows the differences in the mix of land uses between existing conditions, the Baseline, and the Test Scenario. Both the Baseline and the Test Scenario add market rate housing units, office square footage, retail square footage, and parking spaces, with the Test Scenario adding almost double of each.

Exhibit 7. Scenario Summary – All Development

Component	Unit of Measurement	Existing Total	Stable Sites + Baseline Total	Stable Sites + Feasible Baseline Total	Stable Sites + Test Scenario Total
Housing	units	1,297	2,168	1,956	4,162
Market Rate	units	1,297	2,168	1,956	3,635
Affordable	units	-	-	-	527
Office	SF	1,225,332	2,252,274	1,874,631	3,405,306
Retail	SF	128,181	258,145	240,973	403,209
Hotel	rooms	839	839	839	1,264
Total Development	SF	3,216,972	5,138,133	4,539,063	8,535,869
Parking Spaces	spaces	7,465	10,399	8,853	14,520
Parks	acres	4.3	4.3	4.3	20

Note: Baseline assumes all parcels are developed regardless of financial feasibility. Stable sites have existing develop that would not redevelop in either scenario.

Exhibit 8 shows net new developed space for the Baseline and Test Scenario. New parking in the Baseline Scenario and the Test Scenario is all structured whereas existing condition is overwhelmingly surface level parking. Key differentiators in the use mix of Test Scenario include the addition of 527 affordable units (a 20% share of new units)⁴, a 425-room hotel, and 20 acres of parks and open space.

⁴ Test Scenario is illustrative and projects 3,080 new housing units. If the goal is that 20% be affordable that number would be 527. It's very probable that actual housing build out will be more or less than this scenario and that while the 20% affordable target will remain, the actual number of units will be different.

Exhibit 8. Net New Development

	Unit of Measurement	Baseline Total Net New Development	Feasible Baseline Total Net New Development	Test Scenario Net New Development
Housing	units	1,086	659	3,080
Market Rate	units	1,086	659	2,553
Affordable	units	0	0	527
Office	SF	1.7 M	922K	2.9 M
Retail	SF	160K	141K	345K
Hotel	rooms	0	0	425
Total Square Feet of New Buildings	SF	2.8 M	1.6 M	6.2 M
Parking Spaces	spaces	5,376	2,851	9,711
New Parks	acres	0	0	20 acres

Note: Assumes all parcels are developed regardless of financial feasibility

Building Program Build-Out Density and Uses

The Baseline and Test Scenario have key differences in height, FAR, and site coverage. Exhibit 9 shows the general differences between each scenario compared with existing conditions.

Exhibit 9. Development Assumptions Detail

	Existing	Baseline and Feasible Baseline	Test Scenario
Height Ranges	60-200 feet allowed.	1-15 stories. Generally, 3-9 stories. (The Hyatt parcel is 13 stories and F12 is 15 stories. The Statesman is 1-6 stories.	5-26 stories. Generally, between 7 and 21 stories.
Max Height	200 feet (Hyatt site)	200 feet (Hyatt site)	400 feet
Range of Floor Area Ratios	0.0-0.92	0.4-3.0	1.3-8.5

4.1 Financial Performance

Exhibit 10 shows development costs and financial results for the Feasible Baseline and two alternatives for Test Scenario: Test Scenario A and Test Scenario B. The key difference between Test Scenario A and B is that B assumes an increased market rent of \$3.25 PSF for sub-parcels S3, S4, and S5 (versus \$3.10 PSF in Test Scenario B). Building costs in the Test Scenarios are almost three times the amount in the Baseline and the block layout associated with that vertical development would also require a large outlay for site infrastructure and district public realm improvements. The total value (land and buildings) in the Test Scenarios are more than double the amount in the Baseline.

Exhibit 10. Financial Performance (New Development)

	Feasible Baseline*	Test Scenario	
		Test Scenario A	Test Scenario B
Development Cost			
Building Cost	\$458 M	\$2,050 M	\$2,053 M
Parcel Infrastructure Cost	N/A	\$28 M	\$28 M
Hypothetical District Infrastructure PID Assessment	N/A	\$63 M	\$63 M
Financial Results			
Building Value	\$670 M	\$2,588 M	\$2,593 M
Total Land Value	\$83 M	\$234 M	\$245 M
Total Value (Land + Building)	\$754 M	\$2,822 M	\$2,838 M

4.2 Fiscal Impacts

For fiscal impacts, ECONorthwest compared existing conditions, the Test Scenario, and the Feasible Baseline (which assumes that only study sites with a RLV of \$100 per foot or more would redevelop). As of 2015, the SCW generated approximately \$2.6 million annually in tax revenue to the City of Austin and \$12.9 million total to all taxing districts (Exhibit 11).

In the Feasible Baseline, if just sites that had residual land values over \$100 per square foot redeveloped, total tax revenues would be \$26.2 million for all taxing jurisdictions, an increase of \$13.2 million. In Test Scenario, total tax revenues would be nearly three times the amount in the baseline at close to \$75 million.

Exhibit 11. Property Tax Revenues – Existing, Baseline, and Test Scenario (Assuming Full Buildout, 2015 Dollars)

	Existing	Feasible Baseline*	Test Scenario
COA Tax	\$2.6 M	\$5.2 M	\$14.7 M
Total Tax	\$12.9 M	\$26.3 M	\$74.7 M

Note: *Sites with residual land value of \$100+ PSF (A6, C6/7/8, G14/15, J24/27/30, F12) have different tax revenues in the Feasible baseline. Other study sites that do not pencil use existing values.

Attachment 1: Overview of Existing Entitlements

This section provides a reference for existing entitlements in the area as of 2015. This information was confirmed by the City of Austin prior to the creation of the Baseline.

Base Zoning

Parcels in the study area have the following base zoning classifications.

- CS-1: Commercial-Liquor Sales: Commercial Services District (CS), liquor sales permitted (1)
- CS-1-V-NP: Commercial Services District (CS), liquor sales permitted (1), vertical mixed use permitted (V), and located within an approved Neighborhood Plan (NP)
- LI: Limited Industrial Services: No residential uses permitted
- PUD: Planned Unit Development

The CS and LI zones do not currently permit residential uses, including condos and apartments (only residential uses allowed are two types of bed and breakfast)

Other Entitlements

There are additional entitlements that apply to most parcels in the area. They are:

Streetscape Design

Study sites fronting Congress Avenue, Riverside Drive, and South 1st street are subject to Subchapter E streetscape design standards: 7' sidewalk, 8' planting/street furniture zone.

Waterfront Overlay District⁵

Several parcels in the SCW are in Austin's South Shore Central Subdistrict.

- Primary setback lines:
 - 150' landward from the Town Lake Shoreline
 - 80' from East Bouldin Creek centerline
 - 35' north of the northern public right-of-way boundary of Riverside Drive
- Secondary setback lines:
 - 50' landward from the primary setback line parallel to the Town Lake Shoreline
 - 130' from the primary setback line parallel to the East Bouldin Creek centerline
- Maximum Height
 - For structures located between the primary and secondary setback lines, the lower of 35 feet or the maximum height allowed in the base zoning district;

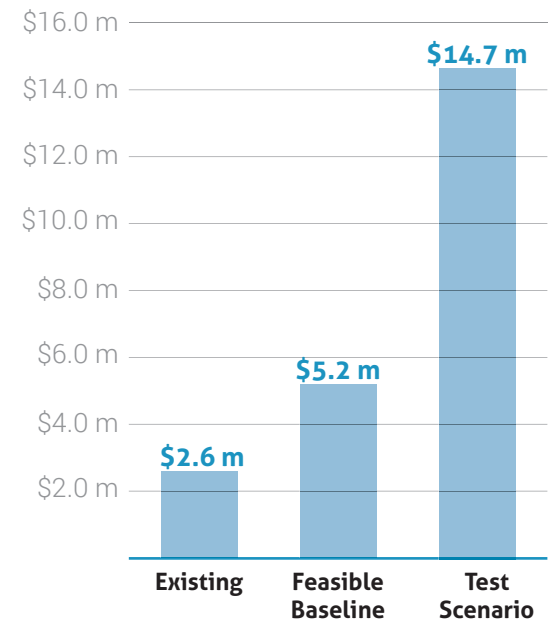
⁵ Waterfront Overlay District Language

Financial Implications of the Scenarios

The results of the scenario models are compared with existing conditions in the table below. The Theoretical Baseline scenario revealed that while current zoning and urban design regulations would legally allow a full buildout of approximately 5 million square feet, much of this is not economically feasible. Therefore a second scenario was modeled, the Feasible Baseline, which projected how much development would realistically occur given the economic conditions in Austin. This Feasible Baseline model shows that under current regulatory and financial conditions, it is not financially viable for the private sector to dedicate any land towards new right-of-way or parkland, making it prohibitively expensive for the City to realize the full Vision without these contributions. The Test Scenario demonstrates how much new development would be necessary to enable both the private sector -- through public realm and affordable housing dedications -- and the City -- through increased tax increments -- to realize the coordinated development and public realm envisioned by the South Central Waterfront Vision Framework Plan.

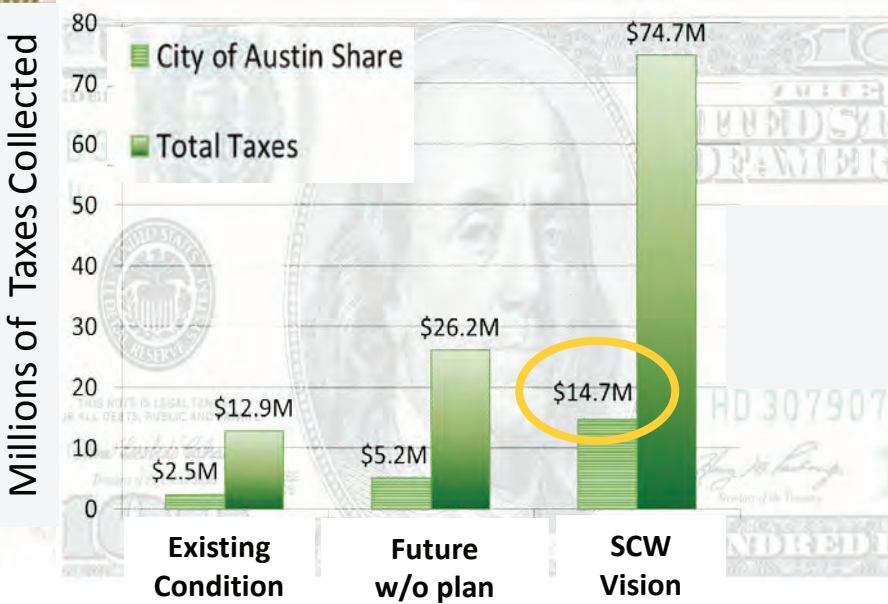
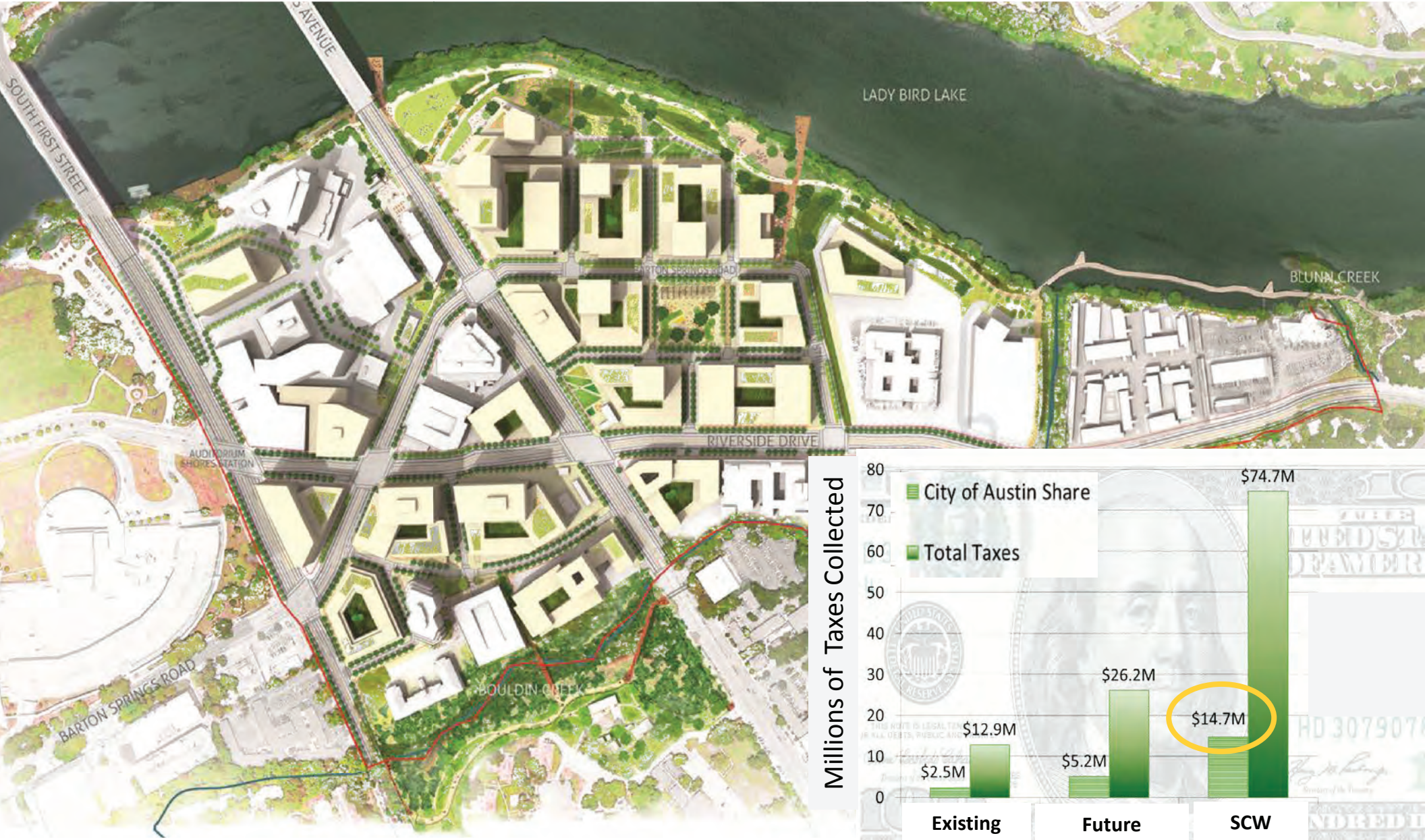
		Existing Baseline	Theoretical Baseline	Feasible Baseline	Test Scenario
Office	sf	1,225,332	2,252,274	1,874,631	3,405,306
Retail	sf	128,181	258,145	240,973	422,530
Residential	sf	1,258,637	2,022,892	1,818,637	3,963,392
	units	1,297	2,168	1,956	3,999
Hotel	sf	604,822	604,822	604,822	859,322
	keys	839	839	839	1,264
Total	sf	3,216,972	5,138,133	4,539,063	8,650,550
Parking	spaces	7,465	10,399	8,853	14,393
Building Cost			\$786,804,612	\$548,405,162	\$2,053,083,362
Total Value		\$612,668,503	\$1,250,619,723	\$1,177,427,155	\$3,245,748,978
COA Tax		\$2,552,352	\$5,514,032	\$5,178,152	\$14,669,680
Total Tax		\$12,976,526	\$27,990,541	\$26,261,403	\$74,683,984

City of Austin Tax Revenue



*sf is leasable square footage, and does not include sf for parking
 **current tax valuation remains constant for properties that do not redevelop

SCW Plan Excerpts RE: PID/TIF Financial Tools



Implementing the Plan

Phasing Considerations

The SCW Framework Plan presents a holistic redevelopment program for the area and envisions a vibrant, sustainable mixed-use waterfront urban neighborhood. The SCW Plan provides a path to transforming the district with vital streetscapes, enhanced connectivity through the area and to surrounding neighborhoods, a range of open space amenities, and hundreds of units of affordable housing. Reorienting a district at this scale will require phased implementation, most likely triggered by private property owners as they move forward with redeveloping land and enter into binding development agreements with the City. Given market conditions that continue to encourage new development in the area, the City expects the first phase of development to occur within the next few years.

Governance and Organization

Establish a South Central Waterfront Development Corporation

A development corporation could provide the district with a suite of predevelopment and development services to assist the execution of both public and private projects within the district. This development corporation could facilitate and advocate for necessary public approvals, champion city-building public infrastructure to support development, and package a range of incentives and funding tools necessary to achieve the aspirations of the South Central Waterfront Vision. A development corporation can be structured as a public entity, a non-profit or a private venture, and can include public and private partners in either option. Upon adoption of this plan, the City should take the necessary steps to research the feasibility and potential structure of a South Central Waterfront Development Corporation. Recommendations and an ordinance to implement should be returned for City Council consideration as soon as possible.

Establish a SCW Public Improvement District

A public improvement district (PID) could provide funding for projects in the district, as identified in the Plan, including infrastructure and affordable housing. The PID could also provide management for programs, district services and additional maintenance of the public realm. The City should take the necessary steps to evaluate the feasibility of a PID, including evaluation of whether to expand the existing downtown PID or create a new SCW PID. This evaluation should make detailed PID projections on project/program costs and identify the assessments required to achieve the PID goals.

Mandate a SCW Advisory Group Appointed by City Council

The SCW Initiative benefited from ongoing engagement with the Waterfront Planning Advisory Board (WPAB) up until the WPAB was dissolved in June 2015. Moreover, the WPAB created a South Central Waterfront Stakeholder Outreach Committee (SOC) in January 2014 to provide additional representation and expertise to the SCW Initiative and the SCW Initiative has benefited from this informal committee. The SCW SOC included representatives from the WPAB plus representatives from adjacent neighborhoods to the SCW, SCW property owners, real estate professionals, affordable housing professionals, and the Texas School for the Deaf. Staff has informally continued to work with the SCW SOC to facilitate dialogue and outreach. The currently active membership of the SCW SOC, as last authorized by the WPAB, is listed in the Acknowledgments section of this document. A Council authorized SCW Advisory Group could provide continuity and communication among stakeholders and advocates as the SCW Plan moves towards implementation, as well as provide recommendations to the city council and city boards as Next Steps proceed, outlined in this Plan.

Coordinate City government to effectively implement the plan

The City Manager should identify a lead city department and staff to implement the SCW Plan, and key City departments should assign point individuals to an interdepartmental work group with a central oversight role for plan implementation. This group should coordinate efforts of all affected City departments, and act as the liaison to the SCW Advisory Group, the South Central Waterfront Development, and other entities which may be formed.

Regulatory Amendments

Adopt the South Central Waterfront Vision Framework

Upon adoption, this Vision Framework Plan will become an amendment to the City's Comprehensive Plan and amend the growth concept map to add a regional center to the area covered by the plan.

Make amendments to other plans

Adoption of this Vision Framework Plan will set in motion due process and the necessary steps to amend any existing plan affected.

Coordinate with CodeNEXT

The creation of a Regulating Plan for the South Central Waterfront District will be assigned to the CodeNEXT Initiative.

Capital Improvement Projects

Coordinate with Projects Identified in the Capital Improvement Program Pipeline and Rolling Needs Assessment

Several infrastructure projects in the South Central Waterfront district are already identified in the City's Five-Year Capital Improvement Program Pipeline and Rolling Needs Assessment. Most of these projects provide enhancements to existing facilities and will need to coordinate with any improvements recommended by the SCW Vision Framework Plan. These projects are described in more detail in Appendix V. Notable planned projects include streetscape improvements to Congress Avenue, shoreline restoration of Lady Bird Lake, and ongoing programs to rehabilitate and reconstruct arterial and neighborhood streets, install bicycle and pedestrian facilities, and address water quality problems identified by the Watershed Protection Master Plan.

Waterfront Park and District Open Space

The waterfront park is a pivotal feature for the area. Its realization must be tied to and integrated with the redevelopment of the Statesman site. That said, if the City wants to complete the park before the Statesman site is redeveloped, it could take either of two approaches, each conditional on reaching a development agreement with the Statesman property owners:

- 1) Build the entire park at once by floating a general obligation bond, using philanthropic sources, or a combination of the two.
- 2) Phase construction over time. If phasing is required due to funding and redevelopment issues, then the City could use a combination of tax increment revenues, a public improvement district, and/or philanthropic sources.

Expand Funding Toolkit

To achieve the public realm and affordable housing vision, the City of Austin and other providers need to enact tools such as a public improvement district, tax credits, TDRs, and land write downs to help secure sites for affordable units and to finance new affordable and mixed-income developments on publicly-owned and private sites. The adoption of this plan will set in motion the required next steps to initiate feasibility studies and potential ordinances for Council to consider for the creation of a Public Improvement District, Transfer of Development Rights ordinance, and Tax Increment Finance District.

City Action	Timeframe		Key Partners	
	0-1 yr	2+ yr	City	Other
<p>Initiate Public Improvement District evaluation</p> <p>To evaluate the feasibility of a Public Improvement District, the City will need to engage property owners in a similar process to the tax increment study. The process should:</p> <ul style="list-style-type: none"> Engage with private property owners and the Downtown Austin Alliance. Since part of the area is already within a PID, the City will need to 1) assess the benefits and costs of expanding the PID or creating new one. Identify potential PID eligible projects and programs and conduct detailed PID projections on project/program costs. Identify assessments required to achieve PID goals Complete the steps required for PID adoption, detailed in the Local Government Code Chapter 372. Improvement Districts in Municipalities and Counties (http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.372.htm) 	X		Economic Development, Finance	Coordinate with taxing jurisdictions, Downtown Austin Alliance. Potential consultant support
<p>Initiate Development Corporation / Authority Evaluation</p> <ul style="list-style-type: none"> Evaluate potential structures for a South Central Waterfront Development Authority 	X		Economic Development, Finance, Legal	Potential consultant support
<p>Transfer of Development Rights.</p> <p>Evaluate the potential of a TDR ordinance that defines TDR areas and develops a sender and receiver structure. The structure would address among other factors:</p> <ul style="list-style-type: none"> How to value development rights. How the development rights can be used by the receiving entity (e.g., more FAR and/or height as well as other conditions such as possible affordable housing commitment either on site or a fee-in-lieu). Who is eligible to buy the rights (e.g., private property owners and developers, the City, non-profits). There are several possible "sender" properties. Three of these could include One Texas Center (related to affordable housing), the Cox properties (related to the waterfront park), and the Crockett properties (related to the plaza). 	X		Legal, CodeNEXT	Potential consultant support
<p>Develop a Regulating Plan</p> <p>The City should aim to set up regulatory conditions that lead to changes in the entitlements to the area over time.</p> <ul style="list-style-type: none"> Incorporate incentives and form-based code provisions to provide clarity for public realm and urban design intentions 		X	Coordinate with CodeNEXT staff and consultants	

City Action	Timeframe		Key Partners	
	0-1 yr	2+ yr	City	Other
<p>Evaluate the feasibility of Tax Increment Financing in the SCW</p> <p>Prepare a TIF/TIRZ feasibility study that builds on the preliminary projections in the SCW framework plan.</p> <ul style="list-style-type: none"> clarify that the area meets statutory blight requirements assess projected absorption potential for varying product types factor in possible sales tax increment in addition to property tax evaluate alternative boundaries make assumptions about projects that may be tax-exempt identify desired TIF eligible projects and programs <p>Additional information on the process to set up a TIRZ are summarized in the Local Economic Development Handbook.[1]</p>	X		Transportation, Economic Development, Finance	Coordinate with taxing jurisdictions. Potential consultant support.
<p>Evaluate the potential of a Parking Management District.</p> <p>The City should evaluate the potential for investment in district parking options that can provide public parking to support area uses.</p>	X		Transportation, Economic Development, Finance	
<p>Refine affordable housing implementation strategy</p> <p>This includes refining MFI target goals, identifying phased opportunities for site acquisition and implementation of various product types. Identify key partners and lead roles for each component of the toolkit.</p>	X		NHCD, Real Estate	Potential affordable housing partners.
<p>Initiate conversations with potential philanthropic donors.</p> <p>The City has had initial discussions with existing foundations and trusts such as The Trail Foundation, and the St. Davis Foundation about potential partnership. As part of continuing conversations, the City will discuss the feasibility of developing a South Waterfront Conservancy.</p>	X	X	City Council, Departments TBD	