

## Travis County Commissioners Court Voting Session Agenda Request

**Meeting Date:** February 12, 2019

**Agenda Language:**

Consider and take appropriate action on the creation of the Velocity Crossing Public Improvement District (PID).

**Prepared By/Phone Number:** Diana Ramirez/512.854.9694

**Elected/Appointed Official or Department Head:** Jessica Rio

**Commissioners Court Sponsor(s):** Margaret Gómez, Commissioner, Pct. 4

**Press Inquiries:** Hector Nieto, PIO@traviscountytexas.gov or (512) 854-8740

**Background/Summary of Request and Attachments:**

On September 27, 2018, Travis County received a petition to create the Velocity Crossing Public Improvement District (PID) in eastern Travis County (Precinct 4) within the City of Austin's corporate limits to enable the financing of public improvements within the proposed district. In compliance with the County's PID policy, the petitioner's representative notified the City of Austin of its intent to pursue the creation of the PID with Travis County before it submitted the petition to the County.

The petitioner for the creation of the PID is SH 71-130 Holdings, LP. The proposed Velocity Crossing PID is located in Travis County Precinct 4, occupying the southwest corner of the State Highway 71 and State Highway 130 intersection. The proposed PID is located within a federally designated Opportunity Zone. The PID comprises approximately 324.695 acres and will consist of mixed-use commercial development.

A PID may be created only after a governing body (in this case, the Commissioners Court) holds a public hearing on the advisability of the proposed improvements. The public hearing was opened by Commissioners Court on January 29, 2019 and held open until February 5, 2019 or the PID is created, whichever is later.

Notice of the public hearing was published in the *Austin Chronicle* and *La Voz* community newspaper. A written notice was mailed to the owners of the property within the proposed PID boundaries as well as the Austin City Manager and other city staff. The hearing date and time as well as a link to the public notice was also shared on the NextDoor electronic application.

In seeking the creation of the PID, the owner proposes to use the PID assessment and bond revenues to develop a mixed-use project that includes office, medical, retail, and entertainment space as well as multifamily uses and/or a hotel. Without the financing provided by a PID, market demand would drive the owner to build an industrial park in this prime location.

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The creation of the Public Improvement District allows the owner to become eligible for the reimbursement of costs related to the construction of public improvements that specially benefit the PID. The specifics of any reimbursement amounts, bonding capacity, levy of assessments, public improvements, and community benefits will be memorialized in a series of legal agreements and documents that will follow the creation of the PID and will be approved by the Commissioners Court and/or the Board of the Travis County Development Authority (TCDA).

The community benefits that are proposed for the PID are listed in the attached (Community Benefits). This attachment will continue to be refined and will be included as an exhibit to the Financing Agreement that will be developed after creation.

As part of its due diligence review, Travis County hired Economic Planning Systems (EPS) to review the owner's feasibility study, market study, and Phase 1 environmental study and prepare a memorandum of findings regarding the owner's real estate, market, absorption, phasing and pricing assumptions. The report finds the owner's assumptions to be reasonable and the Velocity Crossing locations to offer attributes that should make the development attractive to residents and workers. The full buildout timeframe of more than 20 years is found to delay the realization of the full potential to fund the infrastructure and the full scale of benefit to the County and City in the near-term. Given that this is intended to be a large scale mixed-use project, staff believes the development over a longer period will benefit the area in that it will allow time for appropriate infrastructure to be in place prior to the growth.

The Travis County Affordable Housing Policy Committee (Committee) also reviewed the owner's studies and the local submarket. The committee's Affordable Housing, Opportunity & Fair Housing Review finds that the PID is in a low to very low opportunity area that is already transitioning quickly given the number of known residential, commercial and infrastructure projects underway. For that reason, the Committee recommends the County obtain one or more multifamily parcels within the PID once those parcels are platted and are served by infrastructure.

Staff is working with the developer to determine the best mechanism to allow the County to acquire the parcel(s) when appropriate. In compliance with the PID Policy Subchapter B, at each bond issuance the developer will pay the Community Benefit Fee to the Capital Economic Progress Corporation (CEPC). These funds will then be available to the County to put towards the purchase of the parcel it has selected for purchase, if any.

Because this PID is located within the City of Austin's corporate limits, many if not all the public improvements will be dedicated to the city and not the county. For this same reason, staff has kept city staff apprised of our due diligence efforts and is making all reports we commission or receive from the owner, our consultants, or staff available to the city. In addition, all the projects undertaken as part of the PID will go through the city's regular development and permitting processes.

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County staff, the owner team, and City of Austin representatives met on January 30, 2019 to discuss any remaining concerns city staff may have. Several issues were discussed with the city with one requiring additional research. Rob Spillar, Director of Transportation at the city, asked if certain roads that are planned to be built in later phases of the PID development could be built earlier. Specifically, Mr. Spillar asked for the roads that provide connectivity to the ACC land be built at the outset of the PID construction, or Phase 1, rather than during Phases 2 and 3 as currently approved by the City.

The owner has spent the past week reviewing this request with their engineers, financial consultant, and county staff. The conclusion is that speeding up the building of these roads is costly and may not provide sufficient additional community benefit to warrant it. The transportation recommendations included within the city's unanimously approved zoning case for this project include the subject road construction in the later phase of the project. Changing the phasing of the roads after zoning approval will undo the work the city has already accomplished and will also result in the city facing operations and maintenance costs for the additional roads several years before they may truly be needed.

With regard to ACC, the land adjacent to Velocity Crossing to the south is in the planning stages for their Del Valle workforce development campus. The center will serve as a replacement for and expansion of heavily-used facilities at the college's Riverside Campus, and become the home to automotive technology, building construction technology, heating, air, and refrigeration technology, welding technology, and jewelry training. The next step for the college is to hold a bond election to secure the funding for the construction of the facilities, meaning construction is not imminent. Travis County and the owner will follow the college's planning and financing process for the Del Valle campus to ensure the timing of the infrastructure construction benefits ACC as well as the PID.

The owner will continue to work with City Transportation staff to ensure this issue is fully resolved.

### **Staff Recommendations:**

Staff recommends that Commissioners Court approve the Resolution Creating the Velocity Crossing Public Improvement District and Ordering Public Improvements To Be Made for the Benefit of Such District attached.

### **Issues and Opportunities:**

The creation of the PID will allow the owner to begin work on the initial public improvements, including roads that will specifically benefit the PID but also meet the requirements of the agreement between the owner and HEB. An HEB store is planned to be located at the corner of State Highway 71 and Farm to Market 973, outside but adjacent to the PID boundaries. The eligible costs of constructing these initial public improvements will be reimbursed by PID bond proceeds after the infrastructure is built

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and all legal agreements are finalized. The owner has submitted a letter of agreement to comply with the construction worker protection standards and HUB requirements of the PID policy prior to execution of all the legal agreements and documents.

Upon approval, notice of the Commissioners Court's authorization to create the PID will be published one time in a newspaper of general circulation in the County, a community newspaper that serves the PID area, the NextDoor application, and emailed directly to interested parties. Under state statute, the authorization of the PID takes effect when it has been published in the newspaper.

A county may establish a PID unless, within 30 days of the county's action to approve a PID, a home rule municipality objects to the establishment of the PID within the municipality's corporate limits or ETJ. Because this PID is located within the City of Austin's corporate limits, the City will have 30 days to object to the PID's creation. If the City objects to creation of the PID within the statutory time frame, the creation is annulled.

After the 30-day objection period for the City expires, County staff will resume negotiations with the owner to ensure the level of community benefit attained is the highest possible that still results in a successful project, and that the promised community benefits are properly memorialized in legal and bond documents, which will subsequently be approved by the Commissioners Court and/or governing Board of the TCDA.

Actual construction of PID improvements may not begin (1) until 20 days subsequent to the effective date of the PID's authorization and/or (2) if, during that 20-day period, written protests are signed by at least two-thirds of the landowners within the PID. In this instance, the petitioner owns 100% of the privately-owned land within the proposed PID boundaries, so no landowner protests are anticipated.

### **Fiscal Impact and Source of Funding:**

The County is reimbursed for estimated staff time and direct expenditures related to the review and creation of the PID by the petitioner. After creation, additional costs in connection with the issuance of PID bonds and ongoing administration of the PID are borne by the PID landowners.

The owner has already submitted the filing fee intended to cover in-house review of the petition, and the owner has also established an escrow account with the Travis County Development Authority's trustee. The escrow account funds are used to ensure the advertising, real estate market analysis, attorney fees, and other County and TCDA costs associated with the review and consideration of the PID petition are fully covered by the petitioner and owner. These costs include the costs of the County's and TCDA's consulting team that are not paid as PID bond delivery date expenses.

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**Required Authorizations:**

Jessica Rio, County Executive, Planning and Budget Office

**Copies to:**

Tom Nuckols, Julie Joe, County Attorney's Office

Cynthia McDonald, Sydnia Crosbie, Morgan Cotten, David Greear, Anna Bowlin, Wendy

Scaperotta, Scheleen Walker, Stacey Scheffel, TNR

Christy Moffett, Sherri Fleming, HHS/CDBG

Kathryn Madden, Beth Adams, Cameron Van Noy, County Auditors

Mark Gilbert, Karen Thigpen, Andrea Shields, PBO/EDSI

Cliff Blount, Rachel Heckelman, Naman, Howell, Smith & Lee

Julie Houston, Bill Medaille, Orrick

Jon Snyder, Vanessa Stowe, P3Works

John Crumrine, Blake Roberts, PFM

Elaine Hart, Belinda Weaver, Diana Thomas, Kim Euresti, Mary Marrero, Randi Jenkins,

Rob Spillar, Andy Linseisin, Chris Herrington, Kevin Shunk, Danielle Morin, Christine

Maguire, City of Austin

Karl Koebel, Doug Launius, SH 71-130 Holdings, LP

Scott Tomhave, Lone Star Advisors

Rick Rosenberg, Zach Crawford, DPFG

Sharon Smith, Armbrust & Brown, PLLC

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## Velocity Crossing Public Improvement District Community Benefits

### Travis County Code PID Policy §481.003 Community Benefits

(a) Subject to the requirements of this chapter, the Commissioners Court will consider approval of a petition for a PID only if the PID supports real estate development projects that provide for community benefits to a degree that is superior to the level of community benefits typically generated by real estate development projects that do not involve PID financing, such as, but not limited to the following:

(1) Projects that will generate primary employment or other long-term economic development benefits to the County, above and beyond the economic development benefits generated by hiring short-term workers to construct the project supported by the PID.

*As a commercial PID, the tenants will be commercial and retail companies that will create permanent jobs after the construction jobs are no longer needed. Construction jobs created for PID improvements will have to comply with the PID policy's construction worker protection standards.*

*RCLCO, a market research firm with extensive experience in the Central Texas market, anticipates that there is market support for 2.9 to 3.9 million square feet of commercial space in addition to 1,900 to 2,300 multifamily units or hotel keys at the Velocity Crossing site.*

*The PID is located immediately north and contiguous to a 124-acre parcel of land that will house an Austin Community College regional workforce center. The center will provide much-needed space for programs such as automotive technology, building construction technology, heating, air conditioning and refrigeration technology, welding technology, jewelry, and more. ACC is currently in the planning process for the campus. RCLCO writes that adjacency to the ACC campus may enhance office and flex opportunities and strengthen multifamily demand.*

(2) Projects that increase Affordable Housing opportunities for persons of low or moderate incomes.

*The developer will comply with the PID policy regarding payment of a community benefit fee of 10% of the net PID bond proceeds at each PID bond issuance. The County will negotiate with the developer to obtain a mechanism for the purchase of one or two multifamily sites within the development. The PID policy states that vacant multifamily parcels considered under the PID policy will be valued at the market value of the parcel. The opinion of value on the parcels must be established by an appraiser approved by the County.*

*The housing market and demographics will be reevaluated by the Affordable Housing Committee as the multifamily parcels are platted and a recommendation regarding the County's*

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*potential purchase as described above will be made to Commissioners Court then. Recommendations on affordability levels, etc. will also be made at that time.*

(3) Improvements or Services that advance Approved Master Plans.

*A Travis County LWTP Priority 1 Conservation Corridor runs along the southeast corner of the property.*

*The Imagine Austin plan includes high capacity (bus rapid) transit along Hwy 71, along the north edge of the property.*

(4) Projects that create or enhance parks, hike and bike trails, recreational facilities, open space benefits, etc. that exceed what is required by applicable development regulations.

*The developer has indicated in TNR's Parkland Review Form that the PID will set aside approximately 44-53 acres of parkland and open space and include trail connectivity from Barkley Meadows Park through the Velocity Crossing development. Details will be negotiated as the development moves through its phases and the preliminary plans for phases 2 and/or 3 are approved.*

(5) Projects that improve environmental protection, stormwater quality, and flood control benefits in ways that exceed what is required by applicable development regulations.

*Reclaimed water line will be extended to the PID.*

*The developer has been working with COA's Watershed Protection Division and has notified them that the project has a CLOMR from FEMA and is building the project in compliance with ATLAS 14.*

*The developer is encouraging tenants to install solar panels.*

(6) Projects that increase or enhance mass transit, bicycle, pedestrian, carpooling, or any transportation options other than single-occupant vehicles.

*The main roads in the PID will include elevated bicycle lanes separated from sidewalks by landscaped and tree-shaded greenways. In addition, major spine roads are being designed with sidewalks on both sides, in lieu of a single shared use path. The accompanying detention ponds are being enhanced by natural screening material. Design and landscape of these areas have been highly intentional to enhance pedestrian experience and encourage multimodal connectivity throughout the PID and with adjacent improvements including ACC and HEB.*

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(7) Projects that improve public educational or health programs and/or facilities.

*At build out, the Velocity Crossing development is projected to generate more than \$14 million in ad valorem tax revenues on an annual basis. In addition, the commercial nature of the project is expected to generate significant full-time employment opportunities, which will be a major benefit for the numerous residential communities being planned in the immediate area that will also be generating significant ad valorem tax revenues to the School District.*

*Much needed medical office space is part of the developer's programming for the mixed-use site.*

(8) Projects that provide innovative, exceptional benefits to improve the public roadway network in the County other than the project's internal streets.

*The developer has been working with TxDOT and the City of Austin Transportation Department on turn lanes and signalization along the major roads around the development (FM 973, SH 130, SH 71) to address traffic flows in the area. There will be nine ingress and egress points to the development along those three roadways.*

(9) Projects featuring excellence in community design, including well-connected streets, humane public spaces, on-site amenities, and a mix of land uses in walking distance.

*The developer engaged with the urban design firm that designed Mueller, and the excellence of their community design and connectivity there is clear: it is one of the most desirable areas of Austin to live. The developer could have engaged any firm and elected to choose one that would provide a superior level of design and improves the infrastructure, jobs, retail, medical, and multimodal transportation opportunities for the community. The proposed design is more challenging to execute due to the higher development costs as well as the permitting challenges with the City of Austin.*

(10) Projects that incorporate more than minimal green building standards.

*Please see number 5 above.*

(b) PIDs must provide multiple community benefits. Affordable Housing opportunities are especially important to the Commissioners Court, so the County will examine each PID petition for Affordable Housing opportunities. Creation of a PID without an Affordable Housing element will generally be appropriate only where the area surrounding the PID has a greater need for community benefits other than Affordable Housing.

*Multiple community benefits are provided by this PID, including the provision of funding/land for affordable housing.*

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(c) It is not necessary that all community benefits be funded by PID assessments or PID bonds. If a community benefit is not eligible for PID financing based on section 372.003, Local Government Code, the petitioner must ensure ongoing financing of the benefit from other sources.

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**RESOLUTION CREATING  
THE VELOCITY CROSSING PUBLIC IMPROVEMENT DISTRICT AND ORDERING  
PUBLIC IMPROVEMENTS TO BE MADE FOR THE BENEFIT OF SUCH DISTRICT**

**PREAMBLE**

**WHEREAS**, Travis County, Texas (the "County") is authorized by Chapter 372, Texas Local Government Code, as amended (the "Act"), and Chapter 481, Travis County Code (the "County's PID Policy"), to create a public improvement district and to levy special assessments against property within the district to pay the costs of public improvement projects that confer a special benefit on property within the district;

**WHEREAS**, on September 27, 2018, there was submitted to and filed with the County Clerk of the County pursuant to the Act that certain Petition for the Creation of a Public Improvement District to Finance Improvements to Velocity Crossing Mixed Use Project (the "Petition") requesting the establishment of a public improvement district covering approximately 324.695 acres within the corporate limits of the City of Austin (the "City") as depicted in the map attached as Exhibit A, to be known as the "Velocity Crossing Public Improvement District" (the "District");

**WHEREAS**, the Commissioners Court (the "Court") has reviewed the Petition and determined that the Petition satisfies the requirements of the Act and the County's PID Policy;

**WHEREAS**, after providing the notices required by the Act and by the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended, the Court conducted a public hearing on January 29, 2019, February 5, 2019, and February 12, 2019, to determine the advisability of creating and establishing the District and undertaking the public improvement projects described in the Petition;

**WHEREAS**, the public hearing was closed on February 12, 2019, after allowing the Court to receive additional public comments and to hear evidence and make findings as to the advisability, nature and cost of the improvements, the boundaries of the District, and the method of assessment and apportionment of costs between the District and the County;

**WHEREAS**, all owners of property located within the proposed District and all other interested persons were given the opportunity at the public hearing to speak for or against the creation of the District and the proposed public improvements;

**WHEREAS**, the District will provide the public improvements described in the Petition and Exhibit B or as negotiated hereafter;

**WHEREAS**, the County's PID Policy requires that the petitioner pay a PID Community Benefit Fee equal to 10% of net PID bond proceeds at each issuance or provide affordable housing or other highly desirable community benefits which together equal 10% of the net PID bond proceeds at each issuance;

**WHEREAS**, “net PID bond proceeds” means the par amount of the PID bonds less delivery date expenses;

**WHEREAS**, “delivery date expenses” means the sum of the cost of issuance and underwriter’s discount;

**WHEREAS**, in accordance with the County’s PID policy, the PID petitioner or its successors will remit the PID Community Benefit Fee to the Capital Economic Progress Corporation (the “CEPC”);

**WHEREAS**, the PID petitioner has agreed to comply with the affordable and fair housing requirements in Subchapter B of the County’s PID policy and to negotiate with the County regarding the possible purchase by CEPC of one or more parcels in the PID, with the express understanding that the specific terms and conditions relating to a purchase will be set forth in one or more legal documents that will be negotiated between the County, the Travis County Development Authority, and the PID petitioner after the County’s creation of the District; and

**WHEREAS**, the Court hereby makes findings based on the information contained in the Petition presented to the County, a real estate market analysis, an Affordable Housing, Opportunity and Fair Housing Review, and the comments received at the public hearing;

**NOW THEREFORE, BE IT RESOLVED THAT:**

**Section 1.** The Court hereby approves the statements contained in the preamble of this Resolution and finds that all statements are true and correct and incorporate the same in the body of this Resolution.

**Section 2.** The Court, after considering the Petition and the evidence and testimony presented at the public hearing, hereby finds and determines that:

- (a) the Petition was filed with the County Clerk and was signed by owners of taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment under the proposal, as determined by the current appraisal roll of the Travis Central Appraisal District, and by the record owners of real property liable for assessment under the proposal who own taxable real property that constitutes more than 50 percent of the area of all real property that is liable for assessment under the proposal;
- (b) the proposed public improvements described in the Petition and Exhibit B are authorized under Section 372.003 of Texas Local Government Code, as amended, and are advisable and desirable improvements for the District;
- (c) the proposed public improvements will promote the interests of the County and are of the nature that will confer a special benefit on all

property within the District by enhancing the value of such property located within the District;

- (d) the boundaries of the District include all of the property that is set forth and described in the Petition and Exhibit A made a part hereof for all purposes;
- (e) the nature of the proposed improvements are set forth in Exhibit B and estimated costs thereof are set forth and described in the Petition and Exhibit C, each exhibit attached hereto and made a part hereof for all purposes;
- (f) the assessment of costs of the proposed improvements will be levied on each parcel of property within the District in a manner that results in imposing equal shares of the costs on property similarly benefitted;
- (g) the costs of the improvements shall be apportioned between the District and County as allowed by Local Government Code Chapter 372 and Travis County Code Chapter 481;
- (h) the District shall be managed without the creation of an advisory body; and
- (i) The PID petitioners will be permitted to request approval for a service and assessment plan, and an assessment roll, to levy an annual assessment to provide enhanced operations and maintenance services for the public facilities and associated areas of the District.

**Section 3.** Based on the foregoing, the Velocity Crossing Public Improvement District is hereby created and the public improvements are authorized to be made in accordance with the service and assessment plan for the Velocity Crossing Public Improvement District and other agreements between the County and petitioners to be approved by the Court at a future meeting.

**Section 4.** After adoption of this resolution, the Planning & Budget Office is authorized and directed to cause a copy of this resolution to be published in a newspaper of general circulation within the County and the City, and to provide a copy of this resolution to the City of Austin.

**Section 5.** If any section, article, paragraph, sentence, clause, phrase or word in this resolution or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this resolution; and the Court hereby declares it would have passed such remaining portions of the resolution despite such invalidity, which remaining portions shall remain in full force and effect.

**Section 6.** The authorization of the District pursuant to this resolution shall take effect upon publication of this resolution as provided above.

APPROVED THIS \_\_\_\_\_ day of \_\_\_\_\_, 2019 by the  
Commissioners Court of Travis County, Texas.

TRAVIS COUNTY, TEXAS

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Sarah Eckhardt  
County Judge

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Jeffrey W. Travillion, Sr.  
Commissioner, Precinct 1

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Brigid Shea  
Commissioner, Precinct 2

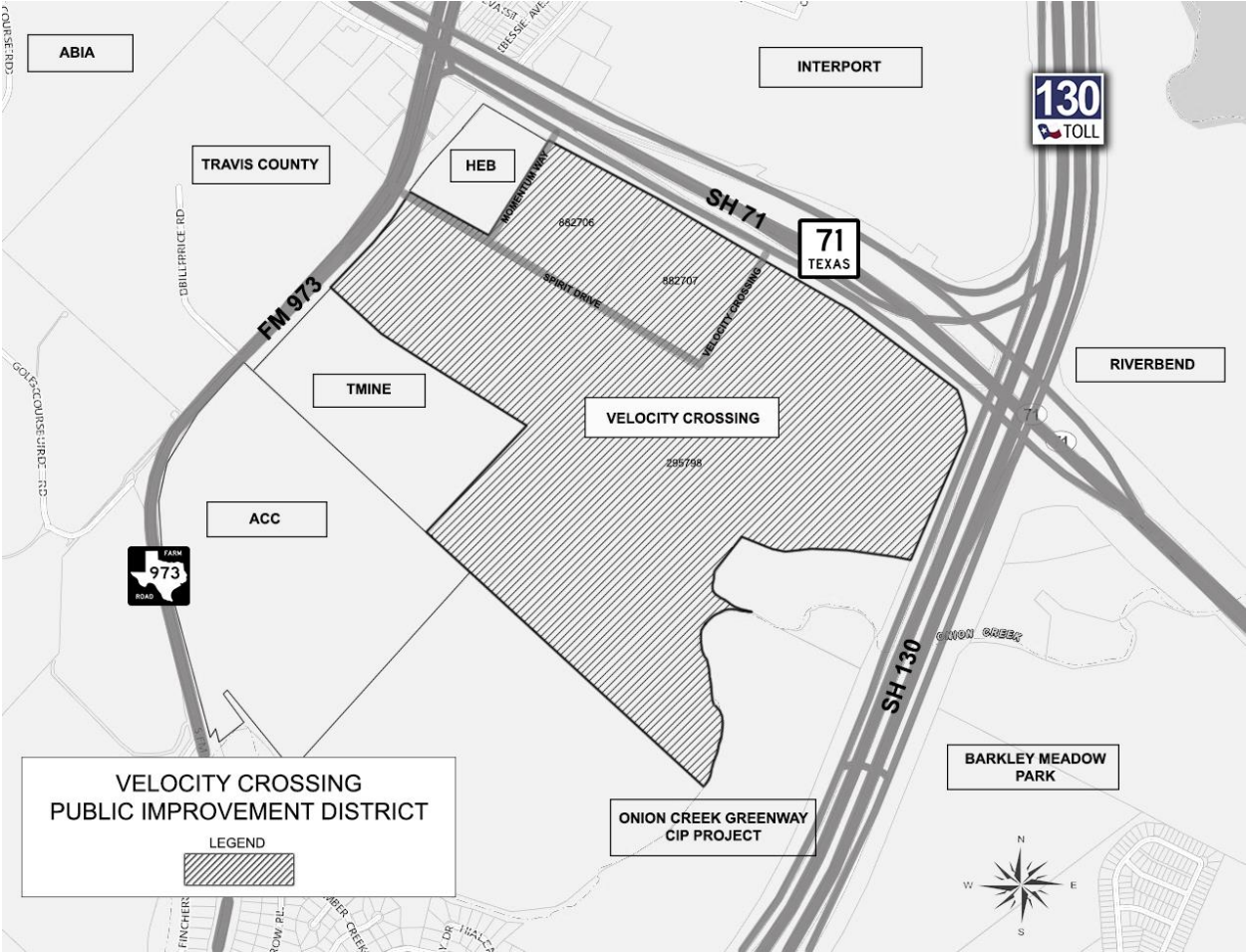
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Gerald Daugherty  
Commissioner, Precinct 3

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Margaret Gómez  
Commissioner, Precinct 4

EXHIBIT A





## **EXHIBIT B**

### **Proposed Public Improvements**

The general nature of the proposed public improvements is:

- (1) landscaping;
- (2) erection of fountains, distinctive lighting, and signs;
- (3) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of-way;
- (4) construction or improvement of pedestrian malls;
- (5) acquisition and installation of pieces of art;
- (6) acquisition, construction, or improvement of libraries;
- (7) acquisition, construction, or improvement of off-street parking facilities;
- (8) acquisition, construction, improvement, or rerouting of mass transportation facilities;
- (9) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (10) the establishment or improvement of parks;
- (11) projects similar to those listed in (1)-(10);
- (12) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (13) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
- (14) payment of expenses incurred in the establishment, administration, and operation of the district; and
- (15) the development, rehabilitation, or expansion of affordable housing.
- (16) payment of expenses under (14) may also include expenses related to the operation and maintenance of mass transportation facilities.

**EXHIBIT C**  
**Estimated Costs of Public Improvements**

The estimated total cost of the proposed public improvements is approximately \$70,000,000 (plus issuance costs and other financing costs), which may be modified to conform to actual expenses. The costs of the improvements will be paid by assessment of the property owners within the proposed District. The County will pay none of the costs of the proposed improvements from funds other than such assessments. The remaining costs of the proposed improvements, as well as any other infrastructure required for the District, will be paid from sources other than the County.

## **MEMORANDUM**

To: Karen Thigpen and Diana Ramirez,  
Travis County Corporations

From: Darin Smith and Jenny Lin

Subject: Velocity Crossing PID Real Estate Assumptions;  
EPS #181165

Date: January 31, 2019

*The Economics of Land Use*



Economic & Planning Systems, Inc. (EPS) has been retained to assist the Travis County Corporations (TCC) in the evaluation of a proposed Public Improvement District (PID) for the Velocity Crossing property. EPS is specifically tasked with reviewing the market assumptions being used by the developer to formulate its PID revenue projections. The intent of this review is to provide the TCC with a third-party opinion as to whether the project itself appears viable, and whether the real estate assumptions are reasonable and achievable. The specific questions posed by the TCC to EPS include:

- Are the developer's real estate and market assumptions reasonable?
- Is the development program likely to be marketable?
- Are the pricing assumptions reasonable?
- Are the development absorption/phasing assumptions reasonable?

### **Project Background**

Velocity Crossing is a 375+acre property in southeast Austin that is proposed for a mixed-use development by SH 71-130 Holdings, LP (the "Developer"). The TCC and the Developer have been discussing the prospect of establishing a PID for 314 acres of the property, through which some of the costs of providing infrastructure for the current unimproved site could be financed. The contemplated PID bond would be secured by the value of the land and development at Velocity Crossing and the debt service would be repaid through special assessments on the developed properties benefitted by the infrastructure, with the Developer serving to provide interim debt service as needed.

*Economic & Planning Systems, Inc.  
2501 Ninth Street, Suite 200  
Berkeley, CA 94710-3883  
510 841 9190 tel  
510 841 9208 fax*

*Berkeley  
Sacramento  
Denver*

**[www.epsys.com](http://www.epsys.com)**

## Summary of Developer Assumptions

EPS has reviewed site plans and market analysis provided by the Developer and its consultants, including the draft PID financial analyses produced by Development Planning & Financing Group, Inc. (DPFG). DPFG has experience preparing financial analyses for multiple PIDs and many other land-secured financing mechanisms throughout the United States and is the consultant to a number of different development entities for projects located in the Austin region such as the Estancia, Indian Hills, and Whisper Valley PIDs authorized by the City of Austin (the “City”) and the WildHorse Ranch PID authorized by Travis County (the “County”). Each of the City’s PIDs have successfully issued bonds to finance qualified infrastructure, and EPS has provided similar due diligence services to both the City and the County in connection with the contemplated or actual issuance of PID bonds. The most recent DPFG studies for Velocity Crossing (dated December 5, 2018 and January 22, 2019) indicate the following programmatic assumptions:

- 893 units of attached multi-family residential;
- 350,000 square feet of retail space;
- 60,000 square feet of restaurant space;
- 1,935,350 square feet of office space;
- 75,000 square foot theatre;
- 579,000 square feet of industrial space; and
- 1,200 hotel rooms

## EPS Findings

In addition to the DPFG study, the Developer provided market information regarding demand projections and comparable transactions from RCLCo, an experienced market analysis consulting firm. RCLCo’s demand projections include both a “Base Case” scenario and an “Upside” scenario which takes into consideration the amount of competition from pipeline projects. From our review of the revised project-related materials provided by the Developer, including statistical research and real estate analysis produced by third parties as well as our own assembled library of PID market and feasibility studies from the Austin region in recent years, EPS has formulated the following opinions:

- 1. The Velocity Crossing location offers several attributes that should make the development attractive to residents and workers.**

The site is located within a convenient commuting distance from Downtown Austin and is accessible by SH71/130. The site lies just east of the Austin-Bergstrom International Airport (ABIA), which has undergone recent expansion. The City has designated the general area east of the City as part of the “Desired Development Zone” and is encouraging housing and workspace development in the area. The site is also located within an Opportunity Zone<sup>1</sup>, presenting tax benefits for future developers and investors. Major employers with campuses within a few miles of the site include TruSourceLabs,

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<sup>1</sup> For more information on this federal investment incentive program, see the following website:  
<https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

Progressive Insurance, Superior HealthPlan, and Cyprus Semi. There are various pipeline projects currently underway in the vicinity of Velocity Crossings including approximately 1,800 residential units at Riverbend Landing, Lexington Parke II, and Coopers Meadow. Immediately adjacent to the site is Interport 2, another large-scale, mixed-use project currently in review. HEB supermarkets has purchased an adjacent site just outside the proposed PID boundary, for which the Developer is providing the required infrastructure. The Developer is also concurrently developing a major manufacturing facility ("Project Bluewave") adjacent to the PID site, reflecting rising interest from large employers. Finally, the Developer's residential program and pricing assumptions indicate an intention to focus on serving a middle-class rental market rather than assuming significant upscale homebuyers, and thus would be pricing units where a large proportion of the market can afford them. These factors cause EPS to conclude that the Velocity Crossing project will have a positive competitive position within the regional real estate market.

**2. Based on the information provided to EPS at this time, the anticipated Velocity Crossing PID bond capacity appears to be reasonable relative to the value of the project and its underlying land.**

Typically, a PID-type bond must bear some relationship to the value of the underlying asset used for collateral. In past PID projects, market participants have indicated that a 3:1 ratio of land value to bond amount is reasonable to ensure adequate cushion in the event of contraction in real estate values and/or an unforeseen workout scenario, and EPS agrees with this general rule of thumb. Additionally, the County's PID policy requires a minimum appraised value-to-lien ratio of 3:1. For Velocity Crossing, DPFG states that "the Developer has agreed to a minimum value-to lien-ratio of not less than 3:1 for each proposed bond issuance." In this type of PID analysis reviewed by EPS in the past, the 3:1 ratio has been based on the relationship between the value of the land (as improved with infrastructure funded by the PID bond) and the gross amount of the PID bond.

The most recent DPFG analysis for Velocity Crossing indicates that the PID bonds may be issued in different phases, based on the value of land and development associated with each phase of infrastructure. For example, two bonds are shown to be issued in "Phase 1," the first as early as 2020 subject to a 3:1 value-to-lien based on the estimated value of the largely unimproved land at that time, and the second a few years later after some or much of the Phase 1 vertical development (i.e., buildings) are assumed to have been built and occupied. While the DPFG analysis indicates that the first, land-based PID bond may have a gross value of \$8.4 million based on an assumed land value of \$25.2 million, all parties agree that the actual amount that can be issued in the initial PID bond and any subsequent bonds will be subject to a contemporary appraisal and the 3:1 value-to-lien ratio minimum. The second "Phase 1" bond is shown at \$14.8 million in gross amount, compared to an estimated \$383 million in vertical building value at that time, in which case the value-to-lien ratio would exceed 20:1. This ratio is comparable to or even superior to the same relationship (total building values to gross PID amount) assumed in past DPFG PID studies reviewed by EPS,<sup>2</sup> which have typically been at least 15:1 and occasionally higher than 20:1.

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<sup>2</sup> For example, Estancia (2018): 20:1; Bella Fortuna (2017): 15:1; WildHorse Ranch (2014): 22:1.

DPFG is basing the potential for PID bonding capacity on an assumed Velocity Crossing PID tax rate of \$0.4655 per \$100 of assessed valuation, which would raise the overall tax rate to \$2.860, including taxes paid to the City of Austin, Travis County, Del Valle Independent School District, Austin Community College, and Travis County Healthcare. Though DPFG's Velocity Crossing analysis does not compare this overall tax rate with those of other PID-funded projects as they have for past PID analyses, EPS can confirm that the \$2.860 total tax rate is within the range of other existing and proposed projects.<sup>4</sup>

The assumption of a \$0.4655 PID tax rate for Velocity Crossing falls below the City of Austin's recent practice of limiting PID tax rates to not greater than 125 percent of the City's own tax rate. If this limitation were applied to Velocity Crossing, the Velocity Crossing PID tax rate could be as high as \$0.5504 at 125 percent of the City's current tax rate of \$0.4403. Thus, if the City's standard were applied, the PID capacity potentially could be increased by roughly 20 percent, holding all other financing assumptions equal. As such, EPS regards DPFG's updated PID tax rate assumption as reasonably conservative.

That said, the fact that Velocity Crossing is currently planned to exclusively include "income properties" (commercial, industrial, retail, hotel, and apartments) introduces the potential that the developers and tenants of "income properties" will be more sensitive to their tax rate than are homebuyers, because higher taxes directly and consistently affect their returns on investment. In EPS's experience, income property developers and tenants adjust other factors in their financial pro formas and cash flows downward to account for higher tax rates, potentially lowering the rents they may pay or the price they will pay for land. To the extent that the higher total tax rate for Velocity Crossing may be capitalized into these other financial metrics, the land or building values may be reduced, thus affecting the value-to-lien limit and the overall bonding capacity.

Again, EPS understands that a formal appraisal will be provided in advance of any actual PID bond issuance as required by the County's PID policy, and that the amount of the bond will ultimately be governed by the 3:1 ratio applied to a defensible appraised valuation. Moreover, the bond investors will ultimately determine the level of PID financing that can be supported based on market conditions at the time of issuance and their independent credit analysis of the development project, including the potential capitalization of the PID tax rate into land and project values.

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<sup>4</sup> For example, DPFG has previously cited the following tax rates for projects with PID or MUD financing: Stonefield: \$3.134; Sunfield: \$3.134; Estancia Phase 2: \$2.763; Easton Park: \$3.166; WildHorse Ranch: \$2.964; Whisper Valley: \$2.894.



3. **Based on the market analysis provided by RCLCo, the Velocity Crossing development program is expected to take over 20 years to fully develop, so the full potential to fund infrastructure as well as the full scale of benefit to the City, County, and community will not be realized in the near-term.**

The RCLCo report provided by the Developer estimates that only 1.6 million square feet of the project's 1.9 million square feet of office and flex space would be absorbed by 2038, and that is under an "upside" scenario that assumes a major office tenant would occupy 500,000 square feet of that space. According to CBRE, only 2.2 percent of the existing Austin office inventory is located within the Southeast submarket in which the project lies. In the Southeast submarket, vacancy rates are the second highest in 2018 at about 20 percent and lease rates are significantly lower than the regional average. Moreover, although 2.7 million square feet of office space was delivered in the Austin market in 2018 (through October), only 0.4 percent was located within the Southeast submarket. From 2009 to 2018, CoStar indicates that there were no office deliveries at all within a five-mile radius of the Site. Also, the Southeast submarket is made up of 90 percent Class B and Class C office space. EPS believes that these indicators suggest Velocity Crossing's office program will have market risks if anchor tenants are not identified and secured early on.

Hotel demand projections under RCLCo's "upside" scenario is projected to be 630 rooms by 2038, just over half of the program's full buildout of 1,200 rooms. Hospitality development and pipeline activity for hotels are generally concentrated west of Highway 183 along Highway 71, making Velocity Crossing the first significant hotel development on the east side of the airport. With the ABIA expansion, Velocity Crossing could potentially capture (at least for the near term) much of the growing hotel demand in the airport market, but this potential is said to be reflected in the RCLCo projections.

RCLCo is more optimistic regarding residential and retail, however. RCLCo suggests that the 893 multifamily housing units may take until roughly 2030 to achieve buildout under a "base" absorption forecast, given growth patterns and projections as well as the current and expected competitive supply of multifamily housing near the site. In RCLCo's "upside" forecast, the multifamily units might be built out by roughly 2027. RCLCo similarly estimates that the 350,000 square feet of retail and 60,000 square feet of restaurant space planned for Velocity Crossing might be absorbed by about 2030 under the base scenario, and by roughly 2027 under the upside scenario.

The industrial program appears to be less aggressive and more in-line with demand projections for the Velocity Crossing site, and perhaps even under-estimates the potential for this use. The program reflects a total of 579,000 square feet of industrial space on the site, while RCLCo projects that 502,000 to 548,000 square feet of industrial use may be in demand at the site by just 2023. According to CBRE, industrial space in the Southeast submarket makes up approximately 23 percent of all industrial space in the Austin region with a healthy vacancy rate of about 7.2 percent. Rents in the Southeast subarea are also some of the highest at an average of \$16.95 per square foot (triple net). Based on these indicators, EPS concludes that industrial space in the Southeast submarket is yet to be oversaturated and can handle the new product that Velocity Crossing is planning to deliver within the relatively near future. By comparison to the

lengthy absorption period for the office and hotel uses in particular, the Developer may wish to consider the merits of increasing the industrial land offering for Velocity Crossing to accelerate project buildout.

These absorption considerations are important insofar as the Developer may be assuming the creation of value to support the PID bonds, and/or the TCC may be assuming the delivery of certain project components that yield benefits. For example, if the County (or City) consider hotel taxes to be a significant benefit of the project, the RCLCo market analysis suggests that it may take decades before those revenues are generated in full. The absorption assumptions are also important in understanding the potential phasing of PID bonds and their ability to fund infrastructure, although the developer has indicated that the infrastructure program for Velocity Crossing can be phased effectively rather than requiring very large up-front investment that might not be reimbursed by the PID for many years. The TCC and Developer may wish to explore the implications of these absorption projections, including considering the extent to which the development regulations may allow flexibility to respond to market opportunities other than what is currently envisioned.

**4. The Velocity Crossing pricing assumptions are relatively reasonable.**

The DPGF projections of bonding capacity assume that the multifamily units would be worth \$157,663 per unit when they are developed in Phase 2 roughly seven to nine years from now. While this value is slightly high for its location under the current market, it could be generated by achieving rents of about \$1,250 per unit, which EPS considers reasonably foreseeable that far into the future. If some of these units are offered for sale rather than for rent, their value may be significantly greater than the Developer has projected.

Office development is estimated to be worth \$200 per square foot in Phase 1, increasing over time as more is built in Phase 3. This is relatively low compared to recently constructed and recently sold office buildings in the Austin area which are trading for an average of \$350 per square foot, although the Southeast Austin office market does have lower values than the regional average.

Projected Phase 1 retail assessed values at \$210 per square foot are also slightly lower than Austin's per square foot sale prices of recently transacted and recently built projects which range from \$250 to \$350.

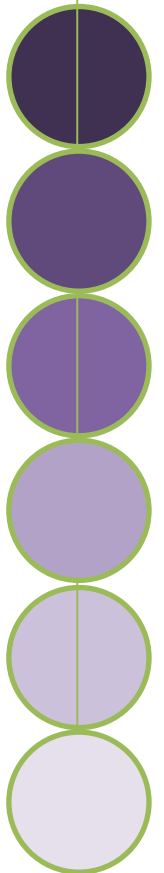
The Phase 1 industrial development is assumed to have an average value of \$110 per building square foot. According to CoStar, this is in the range of recently built and recently transacted buildings which reflects a sale price ranging from \$103 to \$124 per square foot.

EPS concludes that the pricing assumptions provided by the Developer represent achievable values that are reasonable for purposes of modeling the financial feasibility of the Velocity Crossing PID. However, as noted above, it is possible that if the PID tax rate exceeds the "income property" investors' or tenants' typical expectations or the rates being paid by comparable projects, there may be some downward adjustment to property values at Velocity Crossing.

# **Affordable Housing, Opportunity & Fair Housing Review**

**Velocity Crossing Public Improvement District**

Submitted by the Travis County Affordable Housing Policy Committee  
to Diana Ramirez, Planning & Budget Office  
December 10, 2018



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## Affordable Housing, Opportunity & Fair Housing Review for the Velocity Crossing Public Improvement District

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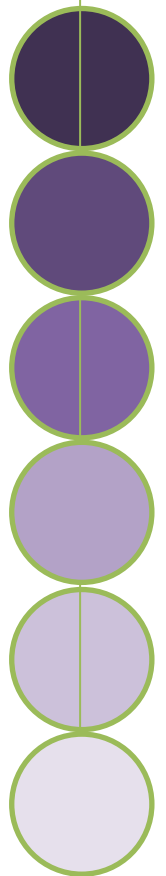
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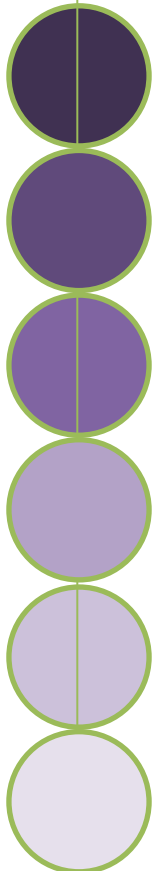
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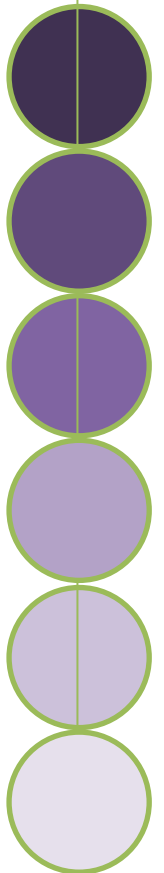
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# Executive Summary





# I. Executive Summary

## A. Introduction

In April 2016, the Travis County Commissioners Court approved its first Public Improvement District (PID) Policy. The policy offers an opportunity to support and promote affordable housing goals, as a PID is one of a limited number of tools available to the County to create affordable housing through private development.

Several Departments within the County are responsible for various aspects of affordable housing development. In April 2015, the Travis County Commissioners Court approved the creation of an Affordable Housing Policy (AHP) Committee, made up of County employees and a representative from the City of Austin, to draft affordable housing policies and identify tools to support affordable housing, fair housing and opportunity goals. A subgroup of the AHP Committee was charged with conducting a review of any proposed PIDs to ensure compliance with fair housing requirements and to provide recommendations related to affordable housing. The analyses are completed by the subgroup with assistance from Community Development Block Grant (CDBG) staff.

### *Components of this Review*

The Velocity Crossing PID review consists of three different, but interrelated components: affordable housing, fair housing compliance, and opportunity. Housing is considered affordable if it does not create a cost burden, meaning no more than 30% of a household's income is spent on housing costs. The analysis assesses the surrounding area to determine how much existing housing is naturally affordable to households at various income levels, whether any housing has affordability restrictions in place, and the likelihood that the housing will be affordable in the next 10-20 years. Generally speaking, the analysis seeks to identify if additional affordable housing is needed in the area and to what income populations it should be targeted. The proposed development of the Velocity Crossing PID occurs across three phases, the first two of which do not include housing development. The third phase includes several parcels held for multi-family housing development. This report will be updated prior to the multi-family parcels being released/sold for development.

The Opportunity Analysis includes a review of factors which contribute to the quality of a neighborhood or area. Affordable housing development is best prioritized in higher areas of opportunity. Areas of high opportunity have strong schools as well as excellent neighborhood amenities such as pools, walking trails, access to healthy food, medical and social services, transit and job centers. Moreover, high opportunity areas are removed from environmental hazards. Areas of lower opportunity need investments to improve the factors contributing to the lower opportunity.

Fair Housing Compliance reviews information related to racial, ethnic, and economic segregation patterns in a given census block group. The CDBG program's Analysis of Impediments to Fair Housing Choice and related Fair Housing Plan provides the basis for the review. As a CDBG entitlement, the County must not contribute to segregation patterns, but rather must seek to improve racial, ethnic and economic balance through affirmative marketing and other strategies.

High level summaries of all components of the review are provided in Tables 1-3 below, followed by the

group's recommendations. Part II of this report includes the detailed analyses that informed the recommendations.

## B. Summary of Analysis

The Affordable Housing, Opportunity and Fair Housing Analysis of the Velocity Crossing PID focuses on several variables to determine if the County's affordable housing, opportunity, and fair housing goals can be achieved with the creation of the PID. The Committee reviewed the City of Austin's Strategic Housing Blueprint, Consolidated Plan, and Imagine Austin plan to ensure recommendations aligned with City policies, when appropriate.

Table 1: Summary of PID Analysis, Housing	
Area of Analysis	Summary
<b>Housing: Owner Housing</b>	The regional housing market is likely to remain extremely competitive over the next year, and low and middle income households may face challenges finding affordable homes. Existing owner housing in the PID 3-mile area is relatively affordable compared to the County as a whole, but there is currently very little rental housing and no multifamily housing developments.  There is no owner housing proposed in the PID.
<b>Housing: Renter Housing</b>	Demand for affordable rental housing is anticipated to increase in the area as multifamily development in central Austin continues to orient toward higher income households and low to moderate-income households are priced out of the area.  Multi-family housing is proposed for Phase 3 of PID development. This report will be updated prior to Phase 3.
<b>Housing: Middle Income Workforce Housing Affordability</b>	When the report is updated prior to the multi-family parcels being released, anticipated in Phase 3, foreclosures and other salient data points in the area will be reviewed.

Table 2: Summary of PID Analysis, Opportunity	
Area of Analysis	Summary
<b>Opportunity: Demographics</b>	A higher percentage of residents in the PID 3-mile area are African American or Hispanic compared to the County as a whole, and a lower percentage are White or Asian. The PID is located in an impacted block group and is surrounded by impacted block groups on three sides.  Affirmative Marketing practices and a diversification of housing types may be able to positively impact the concentration of race/ethnicity in the area.
<b>Opportunity: Opportunity Map</b>	The PID location is in a "Very Low to Low" opportunity area based on the 2012 Kirwan Institute Opportunity Map. It is important to note the map is based on

	<p>data from 2012 and the PID area was not densely populated at the time of the map creation, and therefore data points used to calculate the Opportunity score may have a high margin of error. Key data points related to Opportunity scoring were reviewed to ensure the subgroup had a realistic picture of the area and allow for a more informed decision.</p> <p>The PID area is surrounded by block groups with “Low or Very Low” opportunity. It is possible that this development will help increase the opportunity in surrounding areas.</p>
<b>Opportunity: Capital Improvement Projects</b>	<p>The PID will augment current plans for roads, parks, and trails for both the City of Austin and Travis County. This is not a comprehensive list of capital improvements as the Transportation and Natural Resources Department is responsible for negotiating these types of items in the PID.</p> <p><b>Road Projects</b></p> <ul style="list-style-type: none"> <li>• The development of the project is anticipated to include typical street sections that will permit the flow of traffic quickly off interstate/arterial roads preventing back-up congestion on the main thoroughfares.</li> <li>• Two traffic signals are approved within the FM 973 alignment that will assist with managing traffic flows from existing business along FM 973.</li> </ul> <p><b>Parks Overview</b></p> <p>Travis County has prioritized the construction of the multiuse Onion Creek Greenway, which runs along the eastern perimeter of the PID. Additionally, approximately 22 acres within the PID will be dedicated as parkland along Onion Creek and as open space throughout the project.</p> <p><b>Expansion of Water and Wastewater</b></p> <p>The Velocity Crossing PID, through its infrastructure investments, brings the opportunity for development of substantial amenities and services. The PID itself includes medical office space as well as retail amenities and job centers that are not possible currently without water and wastewater infrastructure. Perhaps most importantly, the water and wastewater infrastructure will make the construction of an HEB possible, which is critical considering this area of Travis County is a food desert.</p> <p>Capital improvement projects will establish an interconnected, multi-use, regional trail system that is comprised of on-road and off-road facilities and that will be connected to the transit system.</p>
<b>Opportunity: Educational Opportunity</b>	<p>Based on school report cards by the Texas Education Agency and ratings provided by the foundation Children at Risk, current educational opportunity in this location is low; however, it is likely that by the time Phase 3 of the PID is ready, the State reports will reflect significant change with the school district’s performance.</p> <p>Furthermore, County staff have met with Del Valle ISD leadership to learn more about the school district’s plan to transform itself and create curriculum to meet the unique needs of its students focused on:</p> <ul style="list-style-type: none"> <li>• Individualized learning plans;</li> </ul>

	<ul style="list-style-type: none"> <li>• Literacy achievement in elementary;</li> <li>• Robust Career Technical Education programming in high school; and</li> <li>• Holistic services which serves the whole child.</li> </ul> <p>The implementation of the district wide plan is ongoing and preliminary data is promising regarding student achievement. The County intends to work with the school district to develop a brief overview of the plan, its implementation and annual results.</p>
<b>Opportunity: Transportation &amp; Job Accessibility</b>	<p>Transportation to the Velocity Crossing area from points north and south is possible by toll road State Highway 130 and by points east and west by toll road State Highway 71. Access to the larger regional transit network is currently provided by the 271-Del Valle route, which is planned to be rerouted to improve access to the PID. Linkage to State Highway 183 via State Highway 71 is just west of Austin Bergstrom International Airport. State Highway 183 is currently undergoing improvements which should improve linkages to State Highway 290 to the north as well as east Austin. The \$743 million project began in 2016 and will complete in 2020. Currently, a four-lane divided highway, the Central Texas Regional Mobility Authority project will convert this stretch to expressway with tolled and non-tolled lanes plus \$25 million in bicycle and pedestrian improvements.</p> <p>The vast majority of PID area residents are travelling 10 to 24 miles to work currently. Improvements to State Highway 183, expansion of the lanes on State Highway 130, and other area surface street improvements may improve commute times marginally. It is notable, however, that most residents would be required to pay a toll to get to and from their place of work.</p> <p>There are few employment opportunities currently in the area. The Velocity Crossing PID is primarily commercial and will add some employment opportunities to the area. Based on current conditions, however, the job access score for this area is low. It is likely that the majority of residents in the surrounding area will continue to be employed outside of the PID area.</p>
<b>Opportunity: Area Amenities</b>	<p>The Velocity Crossing PID is in a large, undeveloped area near Austin-Bergstrom International Airport, so there is very little located within one mile of the PID centroid at this time. However, there are 167 unique businesses in a 3-mile radius of the centroid of the PID. The bulk of these businesses are automotive services, auto dealers, and gas stations. The Travis County Correctional Complex is also located adjacent to the PID.</p> <p>Residents of the area benefit from proximity to the Southeast Metro Park and the planned Onion Creek Greenway improvements. The PID will provide an additional 22 acres of parkland along the Onion Creek Greenway.</p>
<b>Opportunity: Environmental Scan</b>	<p>The environmental scan will be completed prior to Phase 3.</p>

Table 3: Summary of PID Analysis, Fair Housing	
Area of Analysis	Summary
<b>Fair Housing: Racial, Ethnic and Income Concentration</b>	<p>The PID location is in a Travis County identified impacted block group but not in a City of Austin R-CAP or E-CAP. Current demographics identify that the area has a concentration of more than 10% above the County demographics for Hispanics. An affirmative marketing plan directed to those populations least likely to move into the area is necessary.</p> <p>The area is surrounded on three sides by block groups that are impacted or racially/ethnically and economically segregated. It is unclear at this time how population growth will change the area.</p>
<b>Fair Housing: Disparate Impact</b>	<p>People of color, the elderly, and the disabled may experience disproportionate levels of poverty, requiring robust affordable housing options which are geographically distributed throughout the County.</p> <p>With regard to rental housing, criminal histories are often a barrier to acquire housing. Criminal histories for rental housing are under review by fair housing advocates in terms of disparate impact on people of color. “Appropriate look back periods” by type of crime are key to maintaining compliance with fair housing.</p> <p>As the criminal history issue evolves with fair housing guidance and legal challenges, property managers of multi-family housing and private landlords will need to comply with any new HUD guidance/requirements.</p>
<b>Fair Housing: Appropriateness of Affordable Housing Creation</b>	<p>The PID area is currently located in a very low to low area of opportunity, and is surrounded by areas of low opportunity. This PID will bring needed infrastructure to help HEB develop a grocery store; thereby eliminating a food desert as well as serve as an anchor for other types of development. This type of investment by the private sector into the area demonstrates the likelihood of catalytic change in the area. It will be important to create and preserve affordability in the area as this change may cause displacement through rising property values.</p> <p>The area currently provides affordable ownership options without incentives, but no single family housing is proposed in this mostly commercial PID.</p> <p>No market rate or affordable multi-family rental housing units are available in a 3-mile area which presents an opportunity to create long term affordability in multi-family housing.</p> <p>The area currently has concentrations of Hispanics, so affirmative marketing strategies need to be put into place to promote racial and ethnic diversity.</p>

## C. Affordable Housing Recommendations

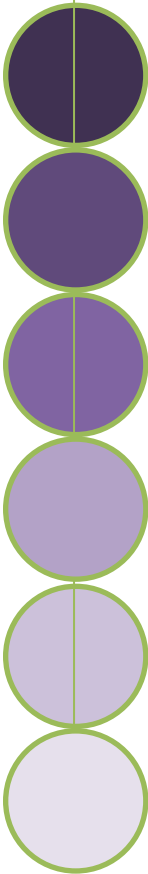
The multifamily parcels will not be available until phase 3 of the PID. At that time, this study will be

updated due to the parcels not being available more than three years from now. At present, the recommendation is for at least one, possibly two, parcel(s) be reserved for multi-family affordable housing development. Since the housing market and demographics will be reevaluated at a later date, no recommendations on affordability levels, etc. are made in this report.

This recommendation is made despite the current opportunity rating of very low to low and identification of an impacted block group. The assessment and current conditions indicate this project and this area are transitioning and preserving affordability will be vital.



# Detailed Analysis



## II. Detailed Analysis Results

### A. Overview

A PID is a development that, because of its character, magnitude, or location, addresses regional issues impacting the environment, roadways, stormwater, and emergency services with substantial effects upon health, safety and welfare. The PID review is intended to examine the impacts of the development that will be felt regionally, such as, but not limited to, enhancement of transportation facilities, water and wastewater infrastructure, affordable housing, parks and open space, address environmental impacts and provide public facilities.

#### ***Geographic Location***

The Velocity Crossing Public Improvement District (PID) is located at the southwest corner of SH-71 and SH-130 in Southeast Austin.

#### ***Surrounding Land Use***

- North: TX-130 Toll Road, US Highway 71 East, Vacant Undeveloped Land
- East: Onion Creek, Southeast Metro Park & Surf Park, Berdoll Farms, Residential Development
- South: Austin Community College Career-Technical Education Center, Vacant Agricultural Land, Barkley Meadows Park
- West: Austin-Bergstrom International Airport, Travis County Correctional Complex, Community Center at Del Valle, Mobile Home Park

#### ***Proposed Development***

The proposed Velocity Crossing PID area covers a total of approximately 314 acres. An additional 76 acres being developed by the Developer will not be within the PID but have been sold for the development of an HEB supermarket and a major manufacturing facility (“Project Bluewave”). The PID is expected to be developed as a diverse mixed-use master planned community that serves a cross-section of current and new citizens of the county. The current plans, subject to change over the life of the development given the size of the project, anticipate a variety of land uses. The analyses prepared as part of the Feasibility Study assume the following:

- 893 units of attached multi-family residential
- 350,000 square feet of retail space
- 60,000 square feet of restaurant space
- 1,935,350 square feet of office space
- 75,000 square foot theatre
- 579,000 square feet of industrial space
- 1,200 hotel rooms

In addition, the project will include a number of public amenities, including trails, parks, open space, enhanced landscaping, sidewalks and bike lanes, and connectivity throughout.

#### ***Catalyst for Transformative Change in the Region***

The Velocity Crossing PID, through its infrastructure investments, brings an HEB to a food desert. It also is complementing ACC’s proposed campus just to the south, and ACC is partnered with Del Valle ISD as

well. Both of these amenities have the potential to be catalytic in this part of the County. More than any other PID in the County's current queue, this one has the ability to change a region of the County, which on the flip side, can lead to rising property values and home prices with displacement possible for existing residents.

## B. Demographic Analysis

This section describes the current demographics for the area, and the proposed PID development. This information assists the analysis in understanding the housing by income type needed. Because the PID location is currently undeveloped, data were pulled for an area within a 3-mile radius to the PID. Throughout this section this will be referred to as the PID area. Data sources include the 2010 Census, American Community Survey data, and ESRI demographic data. This section informs all components of the PID review.

### *Demographics: Population and Households*

The area surrounding the PID has experienced significant population and household growth between 2010 and 2016, a trend that is anticipated to accelerate. Household growth in the PID area is projected to increase at approximately 3.46 percent per year from 2018 to 2023, notably faster than growth projected at the state and national levels based upon ESRI demographic estimates. The average household size is also increasing slightly.

<b>Table 4: Population and Household, PID 3-Mile Area</b>			
	<b>2010</b>	<b>2018</b>	<b>2023 (projected)</b>
Population	13,677	17,351	20,298
Households	3,149	4,019	4,764
Average Household Size	3.73	3.83	3.85

Source: 2010 Census; ESRI Demographics

As indicated by the table below, population growth has resulted in an influx of residents across all age groups since 2010; however, the most significant change has been the increase in number of individuals aged 55 or older in the PID area.

Projections indicate that between 2018 and 2023 there will be a notable increase in the number of residents aged 25-34 years as well as the number of children aged 0-9 years, which corresponds with a projected 18 percent increase in the number of families in the PID area. Projections also indicate that the number of residents aged 55 or older will essentially remain stable.

<b>Table 5: Population and Age Distribution, PID 3-Mile Area</b>			
	<b>2010 (Base)</b>	<b>2010-2018</b>	<b>2018-2023 (projected)</b>
Under 5 years	1,284	+25%	+23%
5-9 years	1,289	+15%	+20%
10-14 years	1,183	+16%	+17%
15-19 years	1,148	+15%	+12%
20-24 years	1,150	+32%	+5%
25-34 years	2,726	+23%	+32%
35-44 years	2,159	+26%	+15%
45-54 years	1,545	+27%	+7%

55-64 years	756	+58%	+4%
65 years or older	437	+85%	+7%

Source: 2010 Census; ESRI Demographics; 2012-2016 ACS 5 Year Data

#### ***Demographics: Households by Income***

There are currently notably fewer households with incomes at the upper end of the spectrum in the PID area; however, according to projections, the higher income brackets all demonstrate positive growth, with the greatest expansion in the \$100,000 - \$149,999 bracket at 3.5 percent. Conversely, the percentage of households within each income category ranging from <\$15,000 to \$74,999 in the PID area will decrease. This attrition may be due to rising costs and an increasing affordability gap in the area.

The average household income in the PID and surrounding area in 2018 was \$52,750, and this is anticipated to increase to \$58,519 by 2023 according to the projections (not shown) fueling the income bracket shift.

<b>Table 6: Households by Income</b>			
<b>Income Brackets</b>	<b>PID 3-mile Area</b>		<b>Travis County</b>
	<b>2018</b>	<b>2023 (projected)</b>	<b>2018</b>
	<b>Percent of Households</b>	<b>Percent of Households</b>	<b>Percent of Households</b>
<\$15,000	11.2%	9.2%	10.0%
\$15,000 - \$24,999	8.4%	6.9%	7.9%
\$25,000 - \$34,999	10.0%	8.7%	8.8%
\$35,000 - \$49,999	16.7%	15.6%	12.4%
\$50,000 - \$74,999	22.2%	21.6%	17.2%
\$75,000 - \$99,999	13.2%	14.3%	11.7%
\$100,000 - \$149,999	12.8%	16.3%	15.1%
\$150,000 - \$199,999	3.2%	4.2%	7.1%
\$200,000+	2.2%	3.2%	9.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: 2010 Census; ESRI Demographics; 2012-2016 ACS 5 Year Data

#### ***Demographics: Race and Ethnicity***

Compared to Travis County as a whole, the population in the PID 3-mile area has a higher percentage of residents who identify as Black (14.5% versus 8.4%) or Some Other Race (21.4% versus 12.4%). Conversely, a lower percentage of residents identify as White (57.6% versus 67.9%) or Asian (1.5% versus 6.8%). The percentage of residents in the PID area identifying as Hispanic (of any race) is higher than for Travis County as a whole (66.3% versus 34.0%).

<b>Table 7: Race and Ethnicity</b>		
	<b>PID 3-mile Area</b>	<b>Travis County</b>
<b><i>Race</i></b>		
White	57.6%	67.9%
Black or African American	14.5%	8.4%
American Indian and Alaska Native	1.0%	0.7%
Asian	1.5%	6.8%

Native Hawaiian and Other Pacific Islander	0.1%	0.1%
Some Other Race	21.4%	12.4%
Two of More Races	3.8%	3.7%
<b><i>Ethnicity</i></b>		
Hispanic	66.3%	34.0%
Not Hispanic	33.7%	66.0%

Source: ESRI Demographics; 2012-2016 ACS 5 Year Data

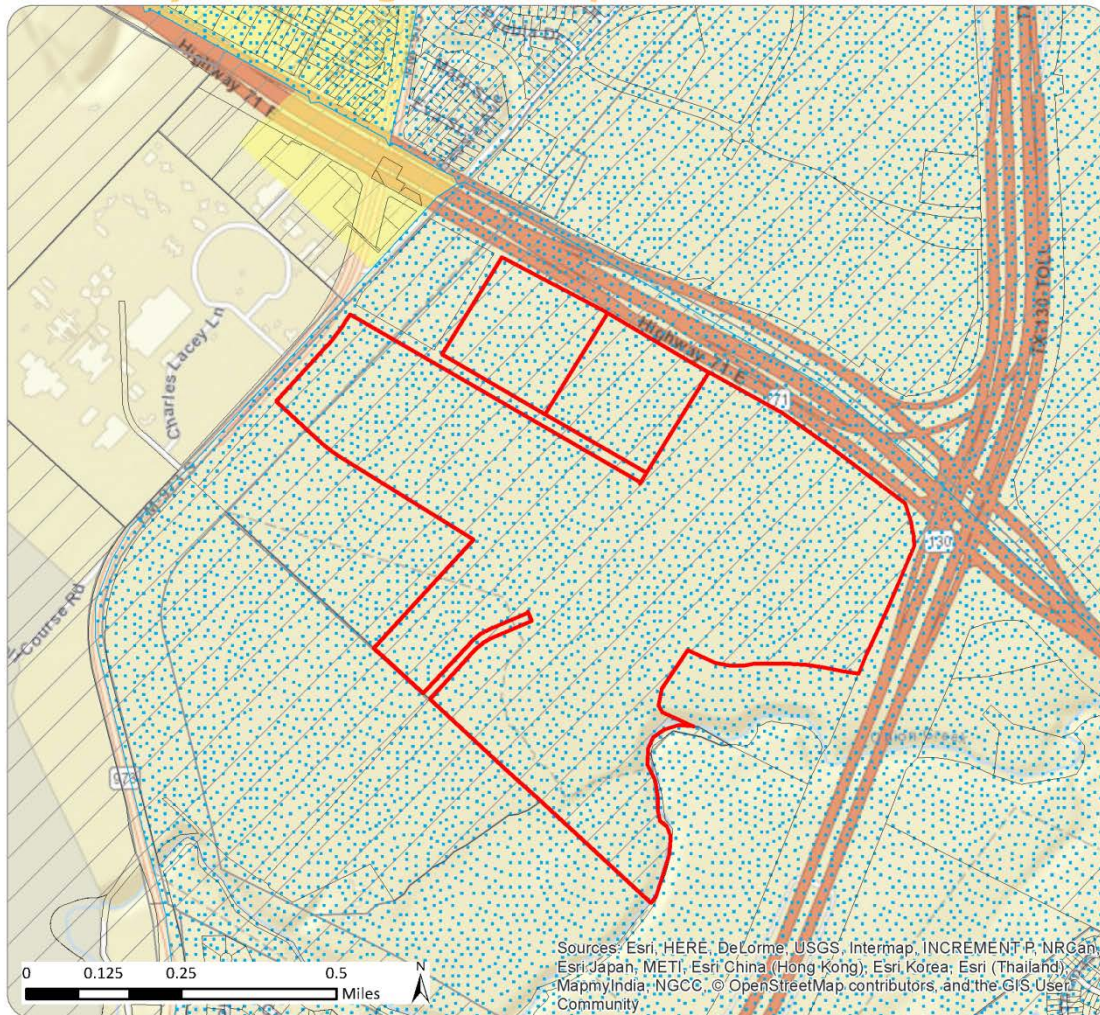
Jurisdictions receiving federal money for housing and community development programs do an analysis evaluating the racial/ethnic make-up and percentage of low to moderate income in a given block group. In Travis County a block group is considered to have a concentration if any category of race or ethnicity is 10% or more above county average. A block group is considered impacted if it has both a race or ethnic concentration and also a high percentage of low to moderate income levels<sup>1</sup>. As shown on Map 1, the PID is located within an impacted block group with a concentration of Hispanic population and is adjacent to impacted block groups on three sides.

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<sup>1</sup> In this context low to moderate income levels are based on the 2018 Exception Percentage for the Travis County CDBG Program (e.g., where at least 49.36% of persons are considered LMI).

**Map 1. Velocity Crossing PID Map with Impacted Areas**

## Velocity Crossing PID Map with Impacted Areas

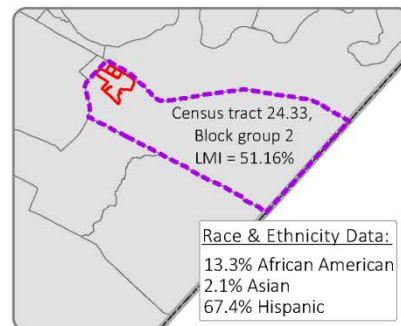


The PID is within Census Tract 24.33, Block Group 2, which is within the City of Austin's incorporated area. It is not located in a COA RCAP/ECAP, but is located within an impacted area.

### Legend

- Velocity Crossing PID parcels
- TCAD parcels
- Impacted areas
- City of Austin RCAPs/ECAPs
- Incorporated areas

Map created by Travis County HHS/CDBG/E. Rivera, December 2018. Data sources: Opportunity Areas data: Regional Composite Opportunity Index data from Kirwan Institute for the Study of Race & Ethnicity, Ohio State University, 2012. Block group LMI based on Low/Moderate Income Summary Data (LMISD), effective 7/1/2014, provided by U.S. HUD (based on the 2006-2010 American Community Survey data).



## C. Housing Analysis

Availability of safe, decent, and affordable housing is a cornerstone for both opportunity and wholesale economic development. According to the Austin Board of Realtors, Austin-area single family home sales set record highs in 2017. In December 2017, the average home price in the Austin MLS area was \$366,670 and the median home price was \$303,367<sup>2</sup>. Affordability is made more challenging by an extremely low housing inventory. In December 2017, only 2.1 months of housing inventory was available<sup>3</sup>. A housing market is generally considered balanced with four to six months of inventory.

### Existing Housing

#### *Units by Value*

There is currently no development within the PID, so surrounding residential areas can be considered a reasonable snapshot of housing in the area.

The majority (88%) of housing in the PID area is valued at less than \$300,000, with 27 percent of housing stock falling within the \$100,000 - \$149,999 range. In Travis County as a whole, these same brackets comprise 54.8% and 10.3% of the housing stock, respectively, indicating the relative affordability of housing in the PID area. The following table shows the value of homes in the PID area as of 2018 and projections for 2023.

<b>Table 8: Housing Units by Value</b>						
Home Value	PID 3-mile Area				Travis County	
	2018		2023 (projected)		2018	
	Number	Percent	Number	Percent	Number	Percent
<\$50,000	315	10.2%	262	6.9%	5,720	2.2%
\$50,000 - \$99,999	421	13.6%	289	7.6%	8,907	3.5%
\$100,000 - \$149,999	833	27.0%	650	17.0%	26,583	10.3%
\$150,000 - \$199,999	552	17.9%	945	24.7%	40,299	15.7%
\$200,000 - \$249,999	564	18.3%	901	23.6%	32,457	12.6%
\$250,000 - \$299,999	39	1.3%	79	2.1%	27,059	10.5%
\$300,000 - \$399,999	178	5.8%	263	6.9%	41,589	16.2%
\$400,000 - \$499,999	108	3.5%	221	5.8%	26,198	10.2%
\$500,000 - \$749,999	33	1.1%	92	2.4%	26,421	10.3%
\$750,000 - \$999,999	21	0.7%	56	1.5%	10,528	4.1%
\$1,000,000+	24	0.8%	63	1.6%	11,478	4.5%
<b>Totals</b>	<b>3,088</b>	<b>100.0%</b>	<b>3,820</b>	<b>100.0%</b>	<b>257,239</b>	<b>100.0%</b>

Source: ESRI Demographics; 2012-2016 ACS 5 Year Data

Home values in the PID and the surrounding area are projected to trend upward. In 2018, the average home value in PID area was \$180,602 and is expected to rise to \$229,272 by 2023, an increase of nearly \$50,000 or roughly 27 percent.

<sup>2</sup> Texas A&M Real Estate Center, <https://www.recenter.tamu.edu/>, accessed November 15, 2018.

<sup>3</sup> Austin Board of Realtors "December 2017 Year-End Market Report", <https://www.abor.com/statsdec17/>, accessed November 15, 2018.



### **Owner and Renter Household Analysis**

The following table shows the current mix of renter and owner occupied housing in the area, based on 2018 data, as well as projections for 2023. These are compared to the mix of housing types in Travis County as a whole for reference.

<b>Table 9: Owner and Renter Households</b>						
	<b>PID 3-mile Area</b>				<b>Travis County</b>	
	<b>2018</b>		<b>2023 (projected)</b>		<b>2018</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Owner Occupied	3,088	74.0%	3,820	78.3%	257,296	48.4%
Renter Occupied	931	22.3%	944	19.4%	238,623	44.8%
Vacant	155	3.7%	114	2.3%	36,129	6.8%
<b>Totals</b>	<b>4,174</b>	<b>100.0%</b>	<b>4,878</b>	<b>100.0%</b>	<b>532,048</b>	<b>100.0%</b>

Source: ESRI Demographics; 2012-2016 ACS 5 Year Data

While Travis County as a whole is relatively evenly split between renter and owner occupied housing, the majority (74%) of housing in the PID area is owner-occupied. Only 22% of existing housing is renter-occupied, a proportion that is expected to decrease to 19% by 2023.

### **Structure Type**

Single unit detached structures account for the majority (74%) of housing stock in the PID area, notably higher than the proportion of housing units in the county as a whole. There are also a significantly higher proportion of mobile homes in the PID area compared to the County as a whole (20% versus 3%). There are a small number of multi-unit housing options available, the bulk of which contain two units.

<b>Table 10: Structure Type</b>				
<b>Units In Structure</b>	<b>PID 3-mile Area</b>		<b>Travis County</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
1, detached	2,986	74.2%	254,548	53.6%
1, attached	84	2.1%	19,601	4.1%
2	74	1.8%	15,340	3.2%
3 to 4	24	0.6%	15,613	3.3%
5 to 9	0	0.0%	22,086	4.7%
10 to 19	13	0.3%	47,601	10.0%
20 to 49	0	0.0%	34,763	7.3%
50 or more	0	0.0%	49,420	10.4%
Mobile Home	807	20.1%	15,241	3.2%
Boat, RV, Van, etc.	35	0.9%	536	0.1%
<b>Totals</b>	<b>4,023</b>	<b>100.0%</b>	<b>474,749</b>	<b>100.0%</b>

Source: ESRI Demographics; 2012-2016 ACS 5 Year Data

Demand for affordable rental housing is anticipated to increase in the area as multifamily development in central Austin continues to orient toward higher income households and low to moderate-income households are priced out of the area.

### **Foreclosures**

This information will not be included in the report at this time. When the report is updated prior to the



multi-family parcels being released, anticipated in Phase 3, foreclosures in the area will be reviewed.

### Proposed Housing Development

The PID's development financing was initiated in 2017 in anticipation of the approval and creation of the PID in 2018. Phase 1A road and utility construction (approximately 2,000 LF around the HEB tract, FM 973 signal, and SH71 acceleration lane) is anticipated to commence January 2019. Phase 1B & Phase 2 construction is contemplated to start immediately following final City of Austin permitting, an estimated 19-month process, Q2 of 2020. Phase 3 will be activated as the market dictates. It is possible an office campus user could activate this phase early aligning the schedule with Phase 2 improvements.

The Developer has proposed 893 units of attached multi-family housing which will be constructed during Phase 3 of PID development, which is anticipated to begin in 2023.

<b>Table 11: Land Use, Totals at Build Out</b>			
		<b>West Area Phases 1B &amp; 2 2020</b>	<b>East Area Phase 3 2023</b>
Retail	SF	350,000	0
Restaurant	SF	40,000	0
Fast Food	SF	20,000	0
Office	SF	1,315,047	620,303
Industrial	SF	174,000	405,000
Theater	SF	75,000	0
Multi-Family	Units	0	893
Hotel	Units	0	1,200
<b>Total at Build Out (SF)</b>		<b>1,974,047</b>	<b>1,025,303</b>
<b>Total at Build Out (Units)</b>		<b>0</b>	<b>2,093</b>

PID financing is repaid through an assessment levied on properties located within the PID boundaries. The estimated valuation tables below are based upon the same development phases provided in the land use tables on the previous page.

<b>Table 12: Land Use, Gross Assessed Values at Build Out</b>			
		<b>West Area Phases 1B &amp; 2 2020</b>	<b>East Area Phase 3 2023</b>
Retail	\$210/SF	\$73,500,000	\$0
Restaurant	\$210/SF	\$8,400,000	\$0
Fast Food	\$210/SF	\$4,200,000	\$0
Office	\$200/SF	\$276,159,870	\$124,060,600
Industrial	\$110/SF	\$19,140,000	\$44,550,000
Theater	\$200/SF	\$15,000,000	\$0
Multi-Family	\$140,000/Unit	\$0	\$125,020,000
Hotel	\$120,000/Unit	\$0	\$144,000,000
<b>Total at Build Out</b>		<b>\$343,874,400</b>	<b>\$437,630,600</b>

## Middle-Income Workforce Housing Affordability Analysis

“Workforce housing” is generally understood as housing that is affordable to households earning mid-range incomes, approximately 60%-140% of Median Family Income (MFI) for an area. These households typically have incomes that are too high to qualify for “Affordable Housing”, housing or programs that are usually targeted to households earning less than 80% of MFI. In areas such as Austin with rapidly increasing housing costs, households earning incomes in this range may find it difficult to locate a home with a price they can afford. Affordable is defined here as a household paying no more than 30% of gross income toward housing costs.

This report does not provide the tables which show the estimated home prices that would be affordable to four-person households earning from 80%-140% of MFI for the Austin-Round Rock MSA. When the report is updated prior to the multi-family parcels being released, anticipated in Phase 3, foreclosures in the area will be reviewed. Moreover, since the PID is not planned to include for purchase housing, a home sale affordability analysis is not included in this report.

### *Rental Housing*

RCLCO finalized a Market Analysis for the project on November 1, 2018, which included an examination of the multifamily competitive market in the area. There is a demonstrable lack of investment in multifamily housing east of Austin-Bergstrom International Airport, so the Market Assessment focused on a sample of other highway-oriented communities in southeast Austin built since 2014 to develop a snapshot of the multifamily housing market. It should be noted that all of these multifamily developments are outside of the 3-mile PID area. The results of the analysis are provided in the table below.

<b>Table 13: Multifamily Housing Developments</b>						
<b>Community Name</b>	<b>Year Built</b>	<b>Market Rate Units</b>	<b>Occupancy Rate</b>	<b>Average Size (SF)</b>	<b>Average Asking Rent</b>	<b>Average Asking \$/SF</b>
Concord	2016	346	90%	1,019	\$1,484	\$1.46
Ethos Apartments	2014	372	93%	989	\$1,409	\$1.43
Bexley 3Five	2016	338	95%	859	\$1,228	\$1.43
Terra	2018	372	16%	857	\$1,300	\$1.52
Southpark Crossing	2017	308	95%	801	\$1,088	\$1.36
Old California	2018	256	99%	957	\$1,192	\$1.25
Still Waters at Southpark Meadows	2016	256	100%	740	\$1,036	\$1.40
Radius on Grove	2017	156	98%	1,092	\$1,741	\$1.60

Source: RCLCO Velocity Crossing Market Analysis

The following table shows rents that would be affordable to households earning 50%, 60%, and 80% of Area Median Income (AMI). As noted above, there is currently very little rental housing in the area. The proposed development includes 893 units of multifamily housing.

<b>Table 14: Affordable Rents, by AMI</b>			
	<b>Gross Rent Affordable at 50% AMI</b>	<b>Gross Rent Affordable at 60% AMI</b>	<b>Gross Rent Affordable at 80% AMI</b>
<b>Efficiency</b>	\$752	\$903	\$1,204
<b>1 Bedroom</b>	\$806	\$967	\$1,290
<b>2 Bedroom</b>	\$967	\$1,161	\$1,548
<b>3 Bedroom</b>	\$1,118	\$1,341	\$1,789
<b>4 Bedroom</b>	\$1,247	\$1,497	\$1,996

Source: Novogradac & Company Rent and Income Calculator, Dec. 2018.

## Conclusion

The regional housing market is likely to remain extremely competitive over the next year, and low and middle income households may face challenges finding affordable homes. Existing owner housing in the PID 3-mile area is relatively affordable compared to the county as a whole but there is currently very little rental housing and no multifamily housing developments.

The proposed Velocity Crossing PID includes parcels on which to build 893 units of multifamily housing. The proposed housing development would diversify the existing housing stock. However, since the housing market and demographics will be reevaluated at a later date, no recommendations on affordability levels, etc. are made in this report.

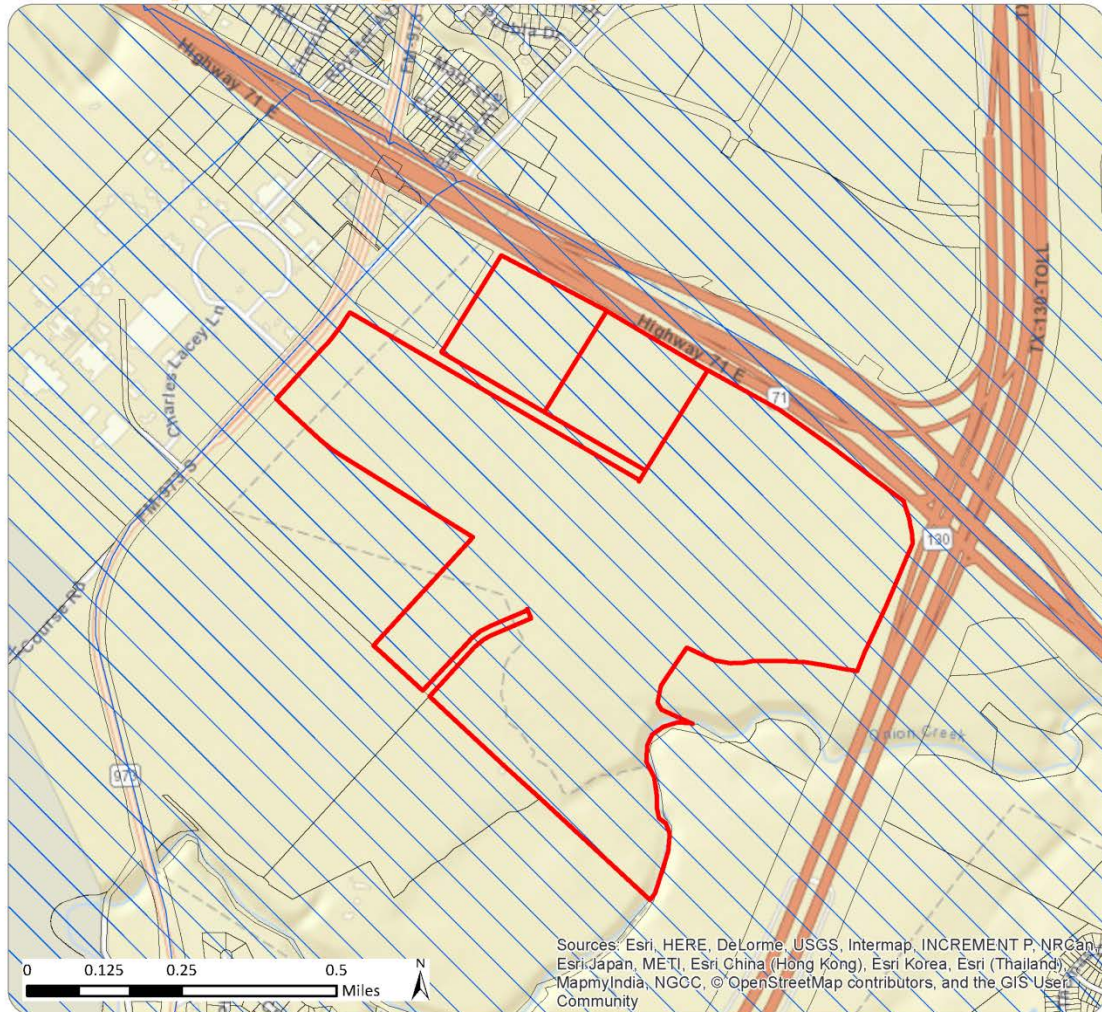
## D. Opportunity Analysis

According to the Kirwan Institute for the Study of Race and Ethnicity at Ohio State University, who developed the “Communities of Opportunity” model, opportunity areas are based on a fair housing and community development framework that assigns each neighborhood a score reflecting the degree to which its residents have access to determinants of positive life outcomes, such as good schools, jobs, stable housing, transit, and the absence of crime and health hazards. Based on this analysis, block groups are designated as very-low, low, moderate, or high opportunity areas.

As shown on Map 2, the Velocity Crossing PID is located in a “Very-Low to Low opportunity” area and is surrounded by “Very-Low to Low opportunity” census tracts. Specifically, the PID census tract scored very low for both Educational Opportunities and Job Access.

**Map 2. Velocity Crossing PID Map with Opportunity Areas**

## Velocity Crossing PID Map with Opportunity Areas

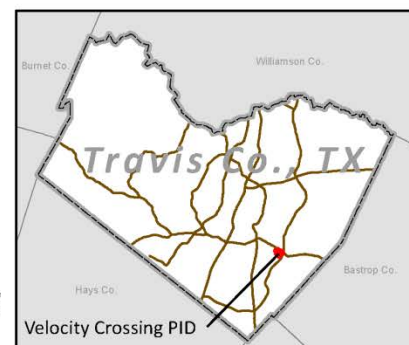


The PID is within a Very Low to Low Opportunity Area.

### Legend

- Velocity Crossing PID parcels
- TCAD parcels
- Opportunity Areas**
  - Very low to low opportunity area
  - Moderate to very high opportunity area

Map created by Travis County HHS/CDBG/E. Rivera, December 2018. Data sources: Opportunity Areas data: Regional Composite Opportunity Index data from Kirwan Institute for the Study of Race & Ethnicity, Ohio State University, 2012. Block group LMI based on Low/Moderate Income Summary Data (LMISD), effective 7/1/2014, provided by U.S. HUD (based on the 2006-2010 American Community Survey data).



## **Conclusion**

It is important to note that since the PID area is not highly developed, the metrics related to opportunity mapping may not be statistically reliable in all cases and therefore the opportunity score may be inflated.

The project is anticipated to positively influence the entire area by bringing appropriate development and improved infrastructure and amenities to the area and thereby improve opportunities for current and future residents.

## **Capital Improvement Plans**

The PID will augment current plans for roads, parks, and trails for both the City of Austin and Travis County. This is not a comprehensive list of capital improvements as the Transportation and Natural Resources Department is responsible for negotiating these types of items in the PID.

### ***Road Projects***

- The development of the project is anticipated to include typical street sections that will permit the flow of traffic quickly off interstate/arterial roads preventing back-up congestion on the main thoroughfares.
- Two traffic signals are approved within the FM 973 alignment that will assist with managing traffic flows from existing business along FM 973.

### ***Parks Overview***

Travis County has prioritized the construction of the multiuse Onion Creek Greenway, which runs along the eastern perimeter of the PID. Additionally, approximately 22 acres within the PID will be dedicated as parkland along Onion Creek and as open space throughout the project. Open space will vary depending on the number of multi-family units and density as the number of units per acre affects the City's parkland area requirements to meet or exceed.

The predominant focus of open space and parkland dedication is to use it for recreational activities and trails, with some areas being dedicated for playscapes and other passive recreational activities.

The proposed trail network will be designed with connectivity to Onion Creek regional trail plans and Onion Creek Greenway. Moreover, the City recognizes a 200-foot wide Critical Water Quality Zone that traverses the center of the property and leads to Onion Creek on the east side of the development. Development within this zone is restricted and as such can be utilized and incorporated into the greater trail network to provide a means of access for pedestrians internal to the development.

### ***Enhanced Transportation Options***

The proposed project includes plans for dual bike and pedestrian travel aisles and Capital Metro currently runs service to the PID area via local route 271. Capital Metro has detailed planned realignment of this route in their Connections 2025 plan which will provide direct transit connectivity from the Velocity Crossing PID to the regional transit network.

### ***Expansion of Water and Wastewater***

The Velocity Crossing PID, through its infrastructure investments, brings the opportunity for development of substantial amenities and services. The PID itself includes medical office space as well

as retail amenities and job centers that are not possible currently without water and wastewater infrastructure. Perhaps most importantly, the water and wastewater infrastructure will make the construction of an HEB possible, which is critical considering this area of Travis County is a food desert.

## Conclusion

Proposed capital improvements will enhance a multi-use, regional trail system and provide additional open space and parkland to the area. Existing transit makes affordable housing development more attractive. The project also expands infrastructure to support a HEB, thus changing access to fresh food in a current food desert. Some of the proposed office space is specifically targeted for medical offices, bringing doctors, dentists and other medical service providers farther into southeast Travis County than was previously possible. This development is anticipated to be transformative to the area and its residents.

## Educational Opportunities

School quality is a critical element in determining local opportunity, in particular for families with children. Future housing within the Velocity Crossing PID would be allocated to the schools listed below based on current districting by the Del Valle Independent School District.

Velocity Crossing is at this time districted for attendance at Del Valle Elementary School, Del Valle Middle School, and Del Valle High School.

<b>Table 15: Area Schools Evaluation, 2017</b>				
<b>School</b>	<b>Type</b>	<b>School Report Card*</b>	<b>Distinguished?</b>	<b>Children at Risk Rating**</b>
<b>Del Valle Elementary School</b>	Elementary	Met Standard	No	D-
<b>Del Valle Middle School</b>	Middle	Met Standard	ELA/Reading	D+
			Science	
			Top 25% Student Progress	
			Top 25% Closing Perform. Gaps	
<b>Del Valle High School</b>	High	Met Standard	Postsecondary Readiness	D
			Science	
			Social Studies	
			Postsecondary Education	

Source: Texas Education Agency School Report Cards, Children at Risk

\* Texas Education Agency develops School Report Cards by combining accountability ratings, data from the Texas Academic Performance Reports, and financial information on campus performance.

\*\*Children at Risk is a non-partisan, non-profit research organization. Their ratings are from 2017 and are produced by composite indices related to student achievement, campus performance, year-to-year improvements, and college readiness (high schools only). Full methodology can be found at <https://texasschoolguide.org/content/uploads/2018/05/TSG-Methodology-2018.pdf>

## **Del Valle ISD Transformation**

County staff met with Del Valle ISD leadership to learn more about the school district's plan to transform itself and create curriculum to meet the unique needs of its students focused on:

- 1) Individualized learning plans;
- 2) Literacy achievement in elementary;
- 3) Robust Career Technical Education programming in high school; and
- 4) Holistic services which serves the whole child.

The implementation of the district wide plan is ongoing and preliminary data is promising regarding student achievement. The County intends to work with the school district to develop a brief overview of the plan, its implementation and annual results.

## **Austin Community College**

Typically the report does not comment on higher education in this section. However, there will be an Austin Community College (ACC) campus immediately to the south of the PID, and the water/wastewater infrastructure the PID is putting in will enable ACC's development. Furthermore, the transformation of DVISD has closely aligned it with ACC's programs. This expansion of ACC to the area along with yet another business waiting for this PID's critical infrastructure expansion demonstrates the transformative nature of the PID and the area.

## **Conclusion**

Based on school report cards by the Texas Education Agency and ratings provided by the foundation Children at Risk, current educational opportunity in this location is low; however, it is likely that by the time Phase 3 of the PID is ready, the State reports will reflect the significant change with the school district's performance. The building of a new ACC campus proximate to Del Valle High School will expand opportunity in the area.

## **Transportation and Job Accessibility**

### ***Transportation Network***

Transportation to the Velocity Crossing area from points north and south is possible by toll road State Highway 130 and by points east and west by toll road State Highway 71. In October of 2018, construction began to add lanes and capacity State Highway 130 from State Highway 45 North down to State Highway 290. The \$36.7 million project and should take two years to complete. Additionally, linkage to State Highway 183 via State Highway 71 is just west of Austin Bergstrom International Airport. State Highway 183 is currently undergoing improvements which should improve linkages to State Highway 290 to the north as well as east Austin. The \$743 million project began in 2016 and will complete in 2020. Currently a four lane divided highway, the Central Texas Regional Mobility Authority project will convert this stretch to expressway with tolled and non-tolled lanes plus \$25 million in bicycle and pedestrian improvements.

### ***Business Activity***

Currently, there no identified businesses within the PID boundaries; however, within the 3-mile buffer zone of the PID centroid, there are 167 identified businesses with 8,325 employees. With 16,485

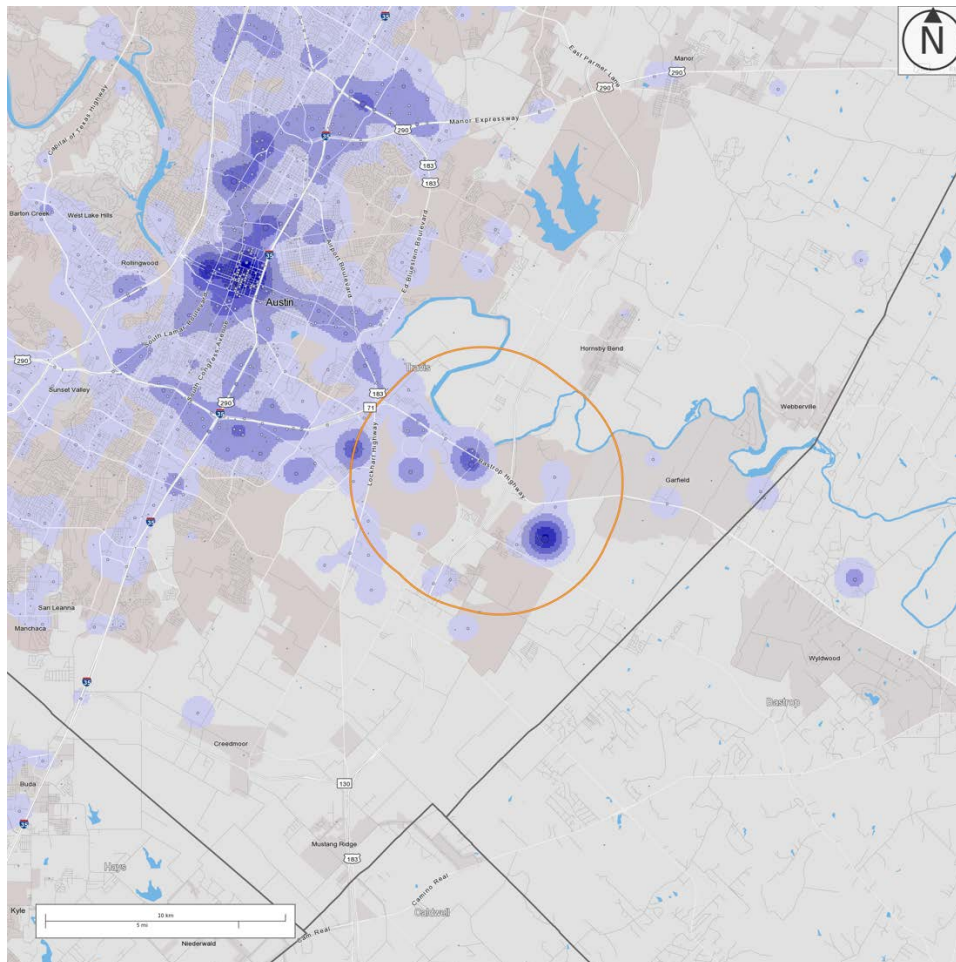


residents in this same area, the employee/residential population ratio is 0.51:14.

### ***Job Accessibility***

For a more refined analysis, job accessibility was evaluated using the US Census Bureau's Longitudinal-Employer Household Dynamics (LEHD) data. As Map 3 below indicates, a significant number of workers are employed in downtown Austin.

**Map 3. Job Accessibility Map**



The vast majority of PID area residents are travelling 10 to 24 miles to work currently. Improvements to State Highway 183, expansion of the lanes on State Highway 130 and other area surface street improvements may improve commute times marginally. It is notable, however, that most residents would be required to pay a toll to get to and from their place of work. This should be considered in assessing the affordability of living in the area.





Access to the larger regional transit network is currently provided by the 271-Del Valle route, which is planned to be rerouted to improve access to the PID.

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<sup>4</sup> ESRI Community Analyst. Infogroup/ESRI data, 2018.



**Table 16. Jobs by Distance, 2015**

<b><u>Jobs by Distance - Home Census Block to Work Census Block</u></b>		
<b>2015</b>		
	<b>Count</b>	<b>Share</b>
<b>Total All Jobs</b>	<b>6,474</b>	<b>100.0%</b>
 <b>Less than 10 miles</b>	<b>2,375</b>	<b>36.7%</b>
 <b>10 to 24 miles</b>	<b>2,451</b>	<b>37.9%</b>
 <b>25 to 50 miles</b>	<b>247</b>	<b>3.8%</b>
 <b>Greater than 50 miles</b>	<b>1,401</b>	<b>21.6%</b>

#### ***Velocity Crossing Future Employment Opportunities***

Velocity Crossing is primarily a commercial PID, therefore job proximity to future residents and residents in the surrounding area may be improved by PID development. It is important to consider, however, the “internal containment” – the number of residents who work in their home Transportation Analysis Zone (TAZ) – is extremely low in Central Texas. It is likely that the majority of residents in the surrounding area will continue to be employed outside of the PID area.

#### **Conclusion**

Relative commute times for the area are average; however, residents must pay a toll to get to and from work. There are few employment opportunities currently in the area; however, the Velocity Crossing PID is primarily commercial and will add some employment opportunities to the area. Based on current conditions, however, the job access score for this area is low, but will improve based on the employment opportunities created.

#### **Area Amenities**

##### ***Businesses and Services***

The Velocity Crossing PID is in a large, undeveloped area adjacent to the Austin-Bergstrom International Airport, so there is very little located within one mile of the PID centroid at this time. However, there are 167 unique businesses in a 3-mile radius of the centroid of the PID. The bulk of these businesses are automotive services, auto dealers, and gas stations. The Travis County Correctional Complex is also located adjacent to the PID.

##### ***Other Amenities***

Residents of the area benefit from proximity to the Southeast Metro Park and the planned Onion Creek Greenway improvements. The PID will provide an additional 22 acres of parkland along the Onion Creek Greenway.

#### **Environmental Scan**

This information will not be included in the report at this time. When the report is updated prior to the multi-family parcels being released, anticipated in Phase 3, the environmental scan of the area will be

reviewed.

## **E. Fair Housing Analysis**

### ***Racial, Ethnic and Income Concentration***

In the Demographic Analysis section of this report, a review of income, race and ethnicity was conducted. Current demographics identify that the area has a concentration of Hispanics, with populations of these groups more than 20% above the county average. However, data does not indicate a concentration of people living in poverty. A review of the Travis County and the City of Austin Fair Housing Plans confirm the area is in an impacted block group, meaning it is both racially/ethnically and economically concentrated. However, the PID area is not located in a City of Austin R/ECAP, surrounded by block groups that are impacted or both racially/ethnically and economically segregated. Please refer to the Velocity Crossing PID map in the Demographic Analysis section.

### ***Disparate Impact***

People of color, the elderly and the disabled may experience disproportionate levels of poverty, requiring robust affordable housing options which are geographically distributed throughout the county.

There are no design standards to review at this time to determine if any barriers to creating affordable housing exist. A variety of housing types, accessibility, square footages and design standards that promote affordability are needed.

As identified in the “Existing Housing” section of this report, the area currently has mostly ownership opportunities, which are relatively affordable based on Travis County averages, but little rental and no multi-family housing within a 3 mile area of the PID. No protections to maintain naturally affordable housing are currently in place.

With regard to rental housing, criminal histories are often a barrier to acquire housing. Criminal histories for rental housing are under review by fair housing advocates in terms of disparate impact on people of color. “Appropriate look back periods” by type of crime are key to maintaining compliance with fair housing.

As the criminal history issue evolves with fair housing guidance and legal challenges, property managers of multi-family housing and private landlords will need to comply with any new HUD guidance/requirements.

### ***Appropriateness of Affordable Housing Creation***

The PID area is currently located in a very low to low area of opportunity, and is surrounded by areas of low opportunity. This PID will bring needed infrastructure to help HEB develop a grocery store; thereby eliminating a food desert as well as serve as an anchor for other types of development. Moreover, the project is proposed to include medical office space and provide linkage and infrastructure for the buildout of an Austin Community College campus to the south of the PID. This type of investment by the private sector demonstrates the likelihood of catalytic change in the area. It will be important to create and preserve affordability in the area as this change may cause displacement through rising property values.

The area currently provides affordable ownership options without incentives, but no single family

housing is proposed in this mostly commercial PID.

No market rate or affordable multi-family rental housing units are available in a 3-mile area which presents an opportunity to create long term affordability in multi-family housing.

The area currently has concentrations of Hispanics, so affirmative marketing strategies need to be put into place to promote racial and ethnic diversity.

## **Conclusion**

There is an inherent risk in promoting affordability in this area as it may further concentrate poverty or Hispanic people, thereby contributing to segregation patterns. It is unclear at this time how population growth will change the area; however, as affordability decreases as we expect it to with the area transforming over the next 5-15 years and opportunity increases, it is prudent to put mechanisms in place to support long-term affordability for rental housing.

Affirmative Marketing practices may be able to positively impact the concentration of poverty and race/ethnicity. Affirmative marketing to those populations least likely to move into the area is necessary as well as housing options with longer term affordability need to be created.

As the criminal history issue evolves with fair housing guidance and legal challenges, property managers of multi-family housing and private landlords will need to comply with any new HUD guidance/requirements.

Ongoing review of investments needed for transportation, after school programming, mentoring, tutoring, and affirmative marketing will need to occur throughout the life of the PID.