



South Central Waterfront

SCW Financial Analysis & Calculator : September 23, 2020

South Central Waterfront Advisory Board | Austin, TX

PURPOSE of the SCW Financial Framework Update:

To provide City Council & decision-makers with information and a calculator to explore scenarios to understand financial impacts of potential policy choices.

Today's Presentation:

- **Quick review of work to date that informs the Financial Calculator.**
- **Review sample scenarios to understand how the Calculator can be used to test financial implications and inform policy choices by decision-makers.**

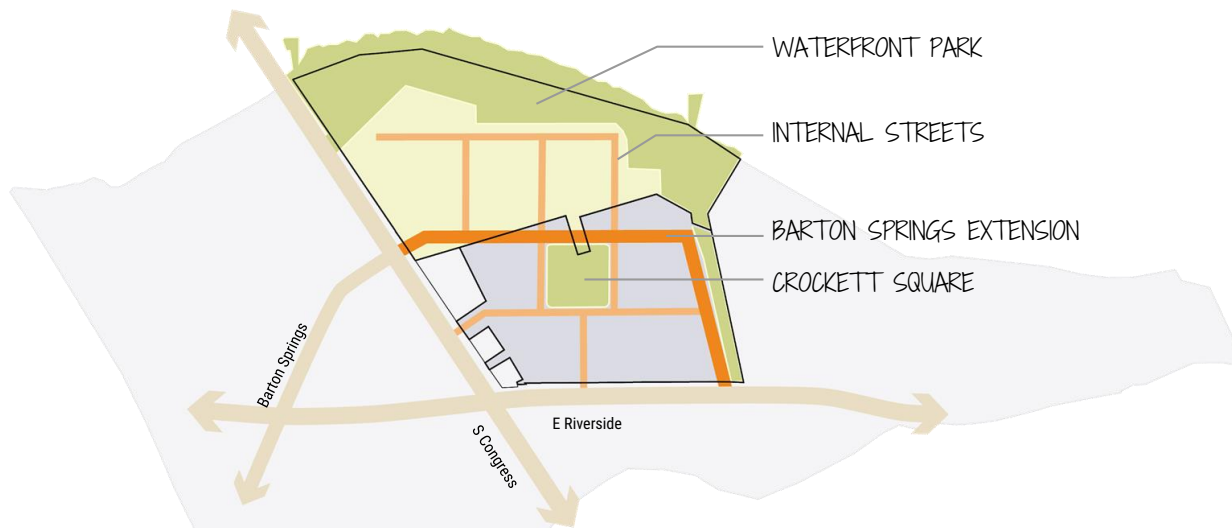
THE SCW VISION: Community Benefits

Financially feasible
Public/Private Partnerships
to make the district:

- **GREEN:** Retrofitting **17 new acres of connected parks, trails, plazas and open spaces** across a patchwork of properties
- **CONNECTED:** Insert **.6 miles of new streets**, add **over 2 miles of refurbished and new sidewalks**, and include **transit options**, to create a walkable and transit-friendly district
- **AFFORDABLE:** Incentive and support **affordable housing to ultimately equal 20%** of the district's new residential units



Updating the infrastructure plan: The big shift



2016 SCW Plan

- Block Structure reflects idealized district vision
- Barton Springs Alignment:
 - Requires City Leadership to facilitate cooperation between two major property owners - Cox & Crockett
 - Requires City Initiative and Public Funding to complete the construction
- Open Space Requirements:
 - Park & Pedestrian Plazas - 9.6 acres; flexible layout
 - Crockett Square - 1 acre plaza; flexible layout + Green Connector



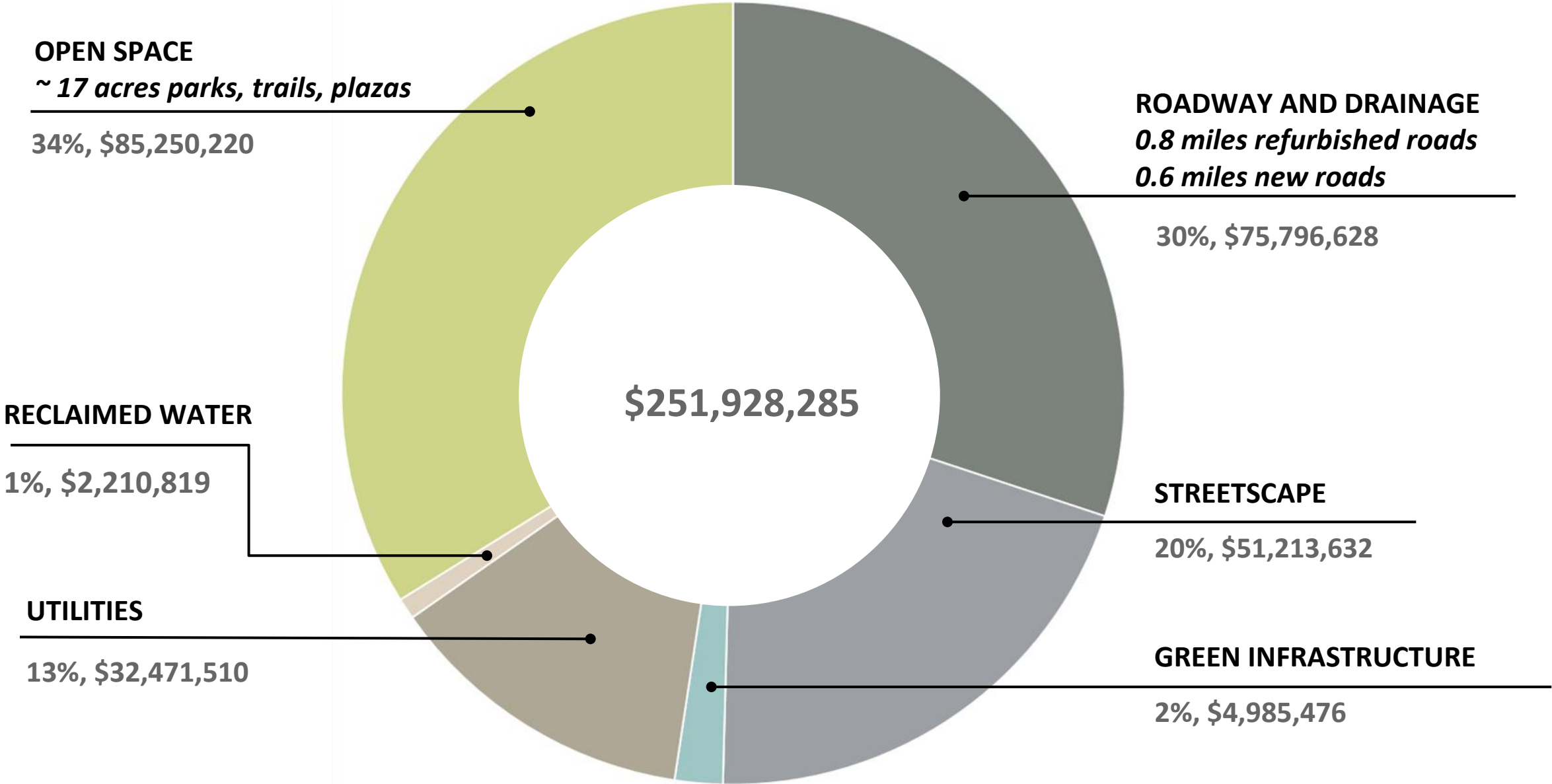
2020 Modified SCW Plan

- Block Structure follows the flexible guidelines laid out in the 2016 Plan and reflects on-the-ground realities
- Barton Springs Alignment:
 - follows property boundary between Cox & Crockett
 - Barton Springs on Cox property consistent w/ 2019 PUD proposal
 - This shift requires Cox to dedicate ~1.6 acres to Barton Springs Rd. that would otherwise have been on Crockett
- Open Space Requirements:
 - Key Open Spaces change slightly to accommodate the altered grid structure
 - Cox Property requirement ~ 9 acres Park & Pedestrian Plazas
 - Crockett Property - 1.3 acre plaza; flexible layout + Green Connector

2020 Updated SCW Illustrative Plan

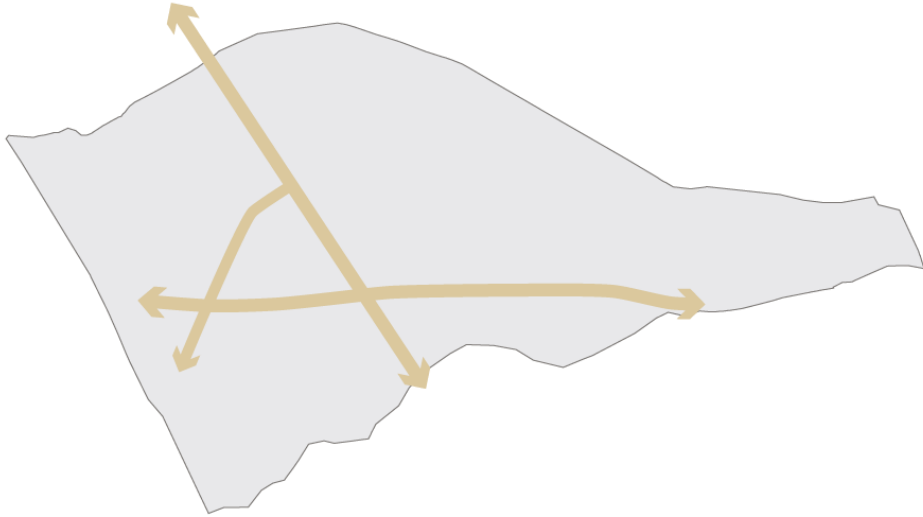


SCW Infrastructure Projects: Basis for District Project Plan

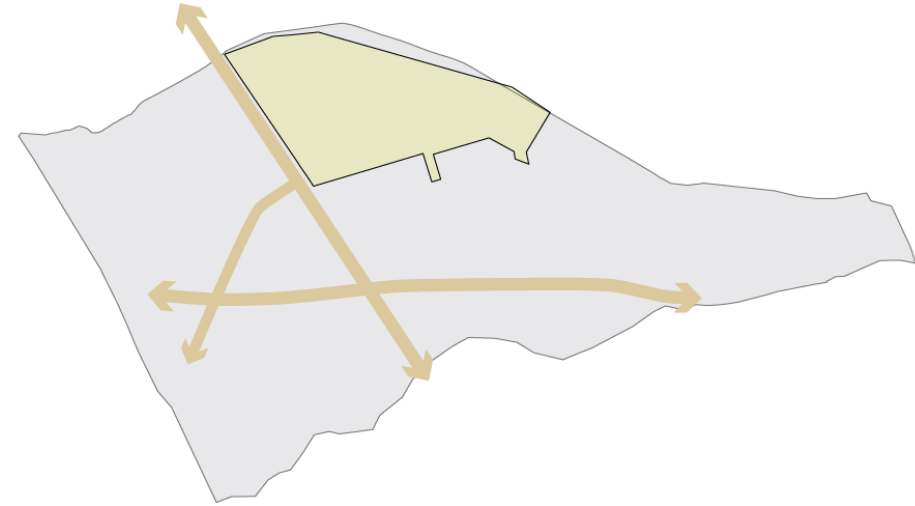


Importance of Statesman site to the district

35 properties = 97 acres



Statesman site ~ 19 acres
(20% of the District's properties area)



In the SCW Vision, the Statesman contributes:



62% of District's Open Space

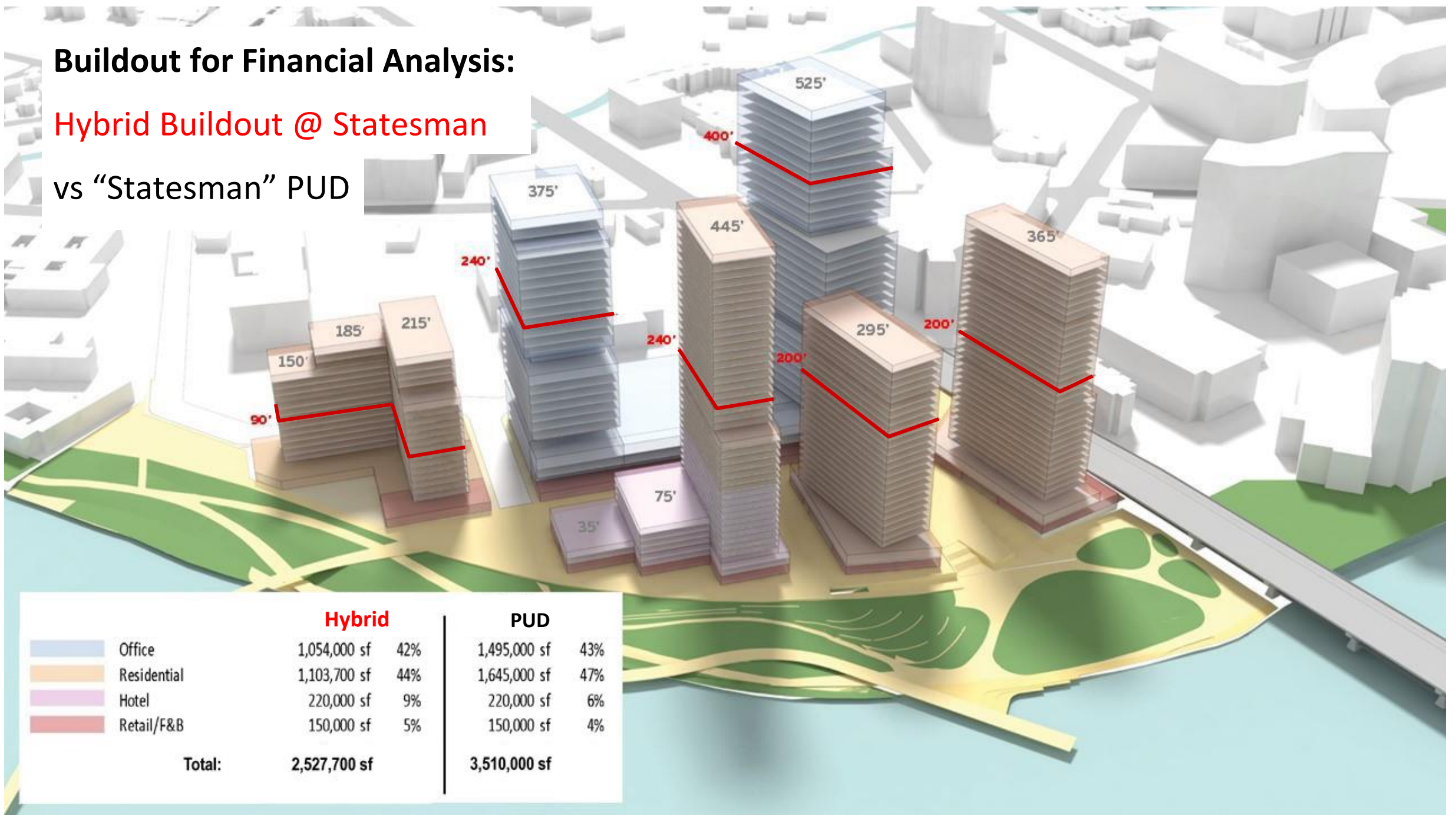
18% of District's New Streets

32% of District's Infrastructure Cost (\$80 M)

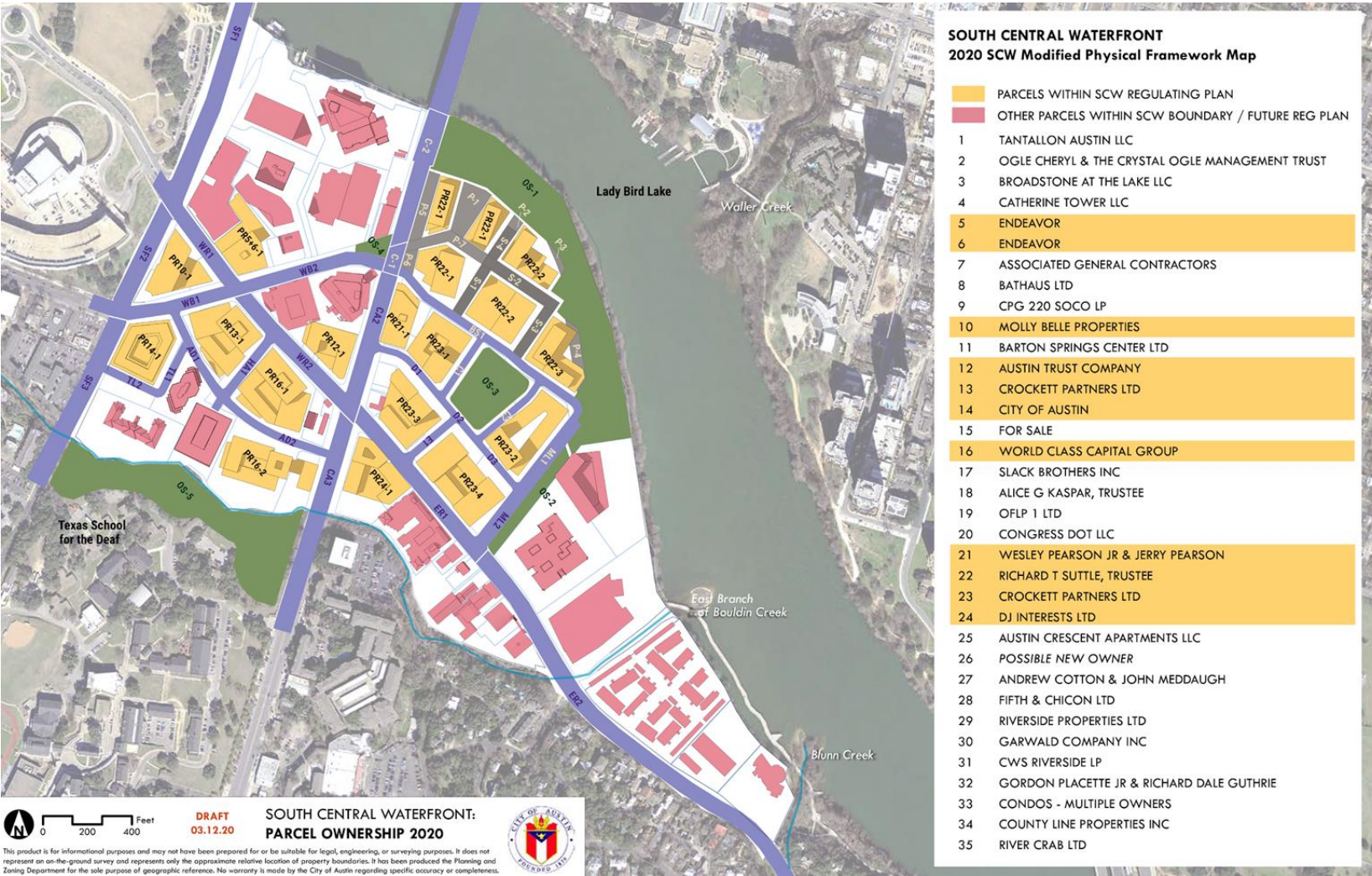
Buildout for Financial Analysis:

Hybrid Buildout @ Statesman

vs “Statesman” PUD

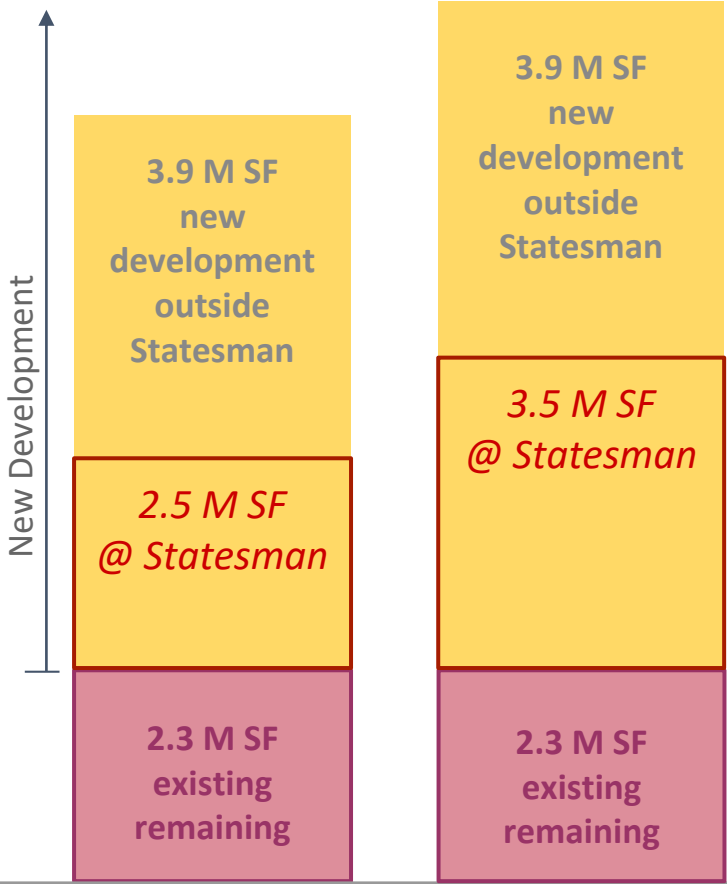


Buildout for full district: Hybrid vs PUD



6.4 M SF New:
Hybrid

7.4 M SF New:
PUD



2040 Projected

Purpose & Indicators on Financial Analysis

SCWAB Presentation May 18, 2020: ECONW Presentation to SCWAB

*Link: <http://www.austintexas.gov/edims/document.cfm?id=340611>

Methods

- Update of 2016 modeling for Framework Plan to provide Council with directional indicators when considering policy options
- Parcel-based pencil-outs that consider plan entitlements, infrastructure costs, affordable housing, and bonus participation fees
- A snapshot look at the district build out, as though all development delivered simultaneously

Financial Evaluation - Key Takeaways

- Developments of the scale contemplated in the 2016 SCW Plan may be financially infeasible, even before accounting for infrastructure and affordability requirements
- New development that matches the City's vision will require public subsidy
 - Infrastructure investments will require coordination between public and private sectors
 - Achieving the 20% housing affordability target is infeasible without public subsidy

Establish District Funding Options

- TIF is an essential element of funding portfolio
- Establish a TIF district on Statesman site to capture value from new entitlements
 - Consider limiting TIF to that subarea for now

Purpose & Indicators on Financial Analysis

SCWAB Presentation July 20, 2020:

ECONW Deliverable- SCW Financial Framework Memo

*Link: <http://www.austintexas.gov/edims/document.cfm?id=343373>

BACKGROUND AND PURPOSE:

"Our work has focused on defining scenarios to aid decision makers and the Planning & Zoning Department with a final calibration of opt-in zoning..., which could contribute to a Tax Increment Reinvestment Zone (TIRZ) Financing Plan produced by others."

"This 2020 Financial Tool included updated assumptions and methods to provide greater clarity to City Council about potential development feasibility when considering policy options."

KEY TAKEAWAYS:

"Developments of the scale contemplated in the 2016 SCW Framework Plan may be financially infeasible, even before accounting for infrastructure and affordability requirements."

- Infrastructure: Recent feasibility testing suggests that developments, including at the Statesman site, are financially infeasible even before accounting for the impact of incremental infrastructure called for in the SCW Framework Plan.
- Affordable Housing. Achieving the 20% housing affordability target is infeasible without public subsidy."

POLICY DIRECTIONS:

"Establish funding options for the District. Given the need for public financial support, TIRZ could be an essential element of the District's funding portfolio. Implementation steps could include:

- Establishing a TIRZ district on Statesman site to capture value from new entitlements, but consider limiting TIRZ to that subarea for now."

INTERACTIVE FINANCIAL CALCULATOR > Exploring Options & Impacts

Model Inputs	Input	Instructions	To set closest to 2016 Plan Doc
Affordable Housing Requirement	Apply New Districtwide Requirement (below)	Select option [The "Framework Plan" option applies the site-specific percent of affordable units to the cases, which overrides the affordable housing requirement below. Set to Districtwide Requirement or enter a custom value in the cell below]	
Districtwide Affordable Requirement (excluding Statesman)	10.0% across district	Input value (% units) [If "Framework Plan" option selected above, this value will be ignored]	
Statesman/Cox Affordability Requirement	Cox at 4.15% (Plan Requirement)	Select option [If "Framework Plan" option selected above, this value will be ignored]	
Affordable Unit Shortfall Filled Onsite or Offsite	Outside district	Select option ["Onsite" applies to filling the shortfall by buying-down high-rise units; "Offsite" applies to filling the shortfall by buying-down low-rise units assumed to be available in the district]	
Affordable Housing Subsidy Type (excluding OTC)	Zero Aff Subsidy	Select option [Baseline input: "Zero Aff Subsidy"]	Set value to Zero Aff Subsidy
NHCD Per Affordable Unit Subsidy	\$0.00 / Aff Unit	Input value (\$) to be applied if 'Aff Subsidy Per Unit' selected for Subsidy Type above	Set value to 0
District Master Planning Fee	\$0.00 / Gross FAR Foot	Input value (\$)	Set value to 0
One Texas Center Development Scenario	60' 4 over 2 Rental 100% affordable	Select 2016 Plan.	Set value to 2016 plan document
Market Assumptions	2019 Interviews	Select option	Set value to 2016 Plan
Buildout Scenario	2020 HYBRID	Select option [Baseline input: "2020 UPDATED SCW"]	Set value to 2020 UPDATED SCW

Endless variables to test financial feasibility and gap funding requirements to inform policy choices

Notes

Rollup

Development Summary

Plan Scenarios

Pro Formas

OTC

Market

Public Benefits

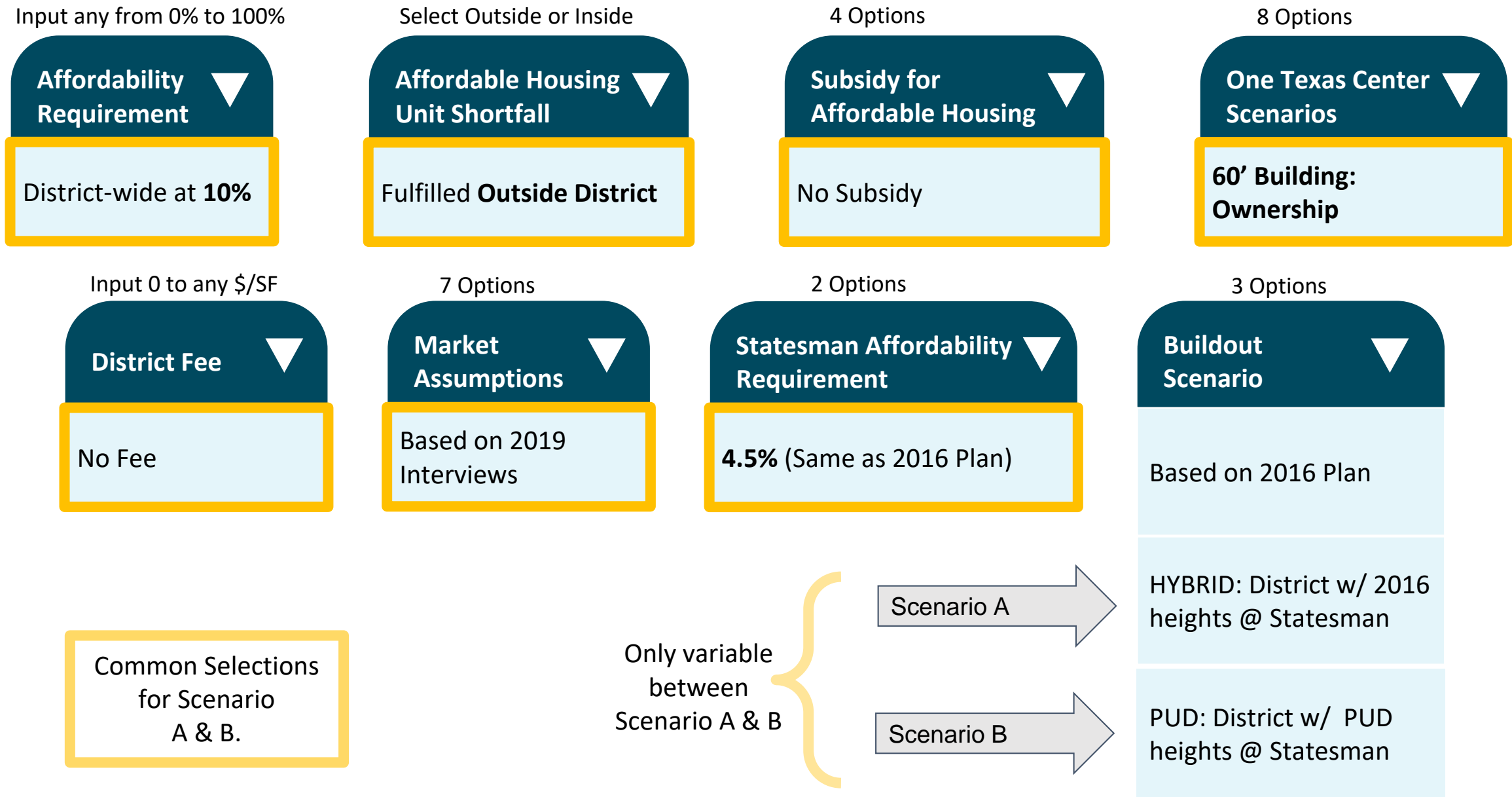
Affordable

MAS

Infra

Parcel In

FINANCIAL CALCULATOR > Two Sample Buildouts - Scenarios A & B



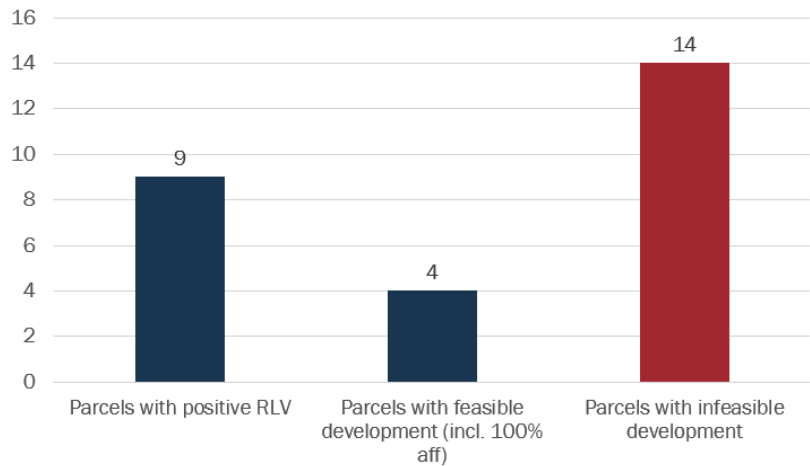
FINANCIAL CALCULATOR > Scenario A

Model Output - Parcel Summary	Parcels	%
Parcels with positive RLV	9	45%
Parcels with feasible development (incl. 100% aff)	4	20%
Parcels with infeasible development	14	70%
Total parcels with development potential	18	90%

Model Output - District Value		
Total construction cost across all parcels	\$	2,823,100,000
Total value of developments across all parcels	\$	3,084,400,000
Estimated existing value across all parcels	\$	255,500,000

Model Output - Feasibility Funding Requirements	
Subsidy needed for 100% feasible development	\$366,400,000
Unallocated District Infrastructure Burden (offsite)	\$79,400,000
Subsidy required for OTC development	\$11,000,000
Cost to meet district affordable unit shortfall	\$13,300,000
Total feasibility gap	\$470,100,000
District fee (collected from developing parcels)	\$200,000
Affordable housing in-lieu fees	\$18,000,000
Funding needed to realize plan vision	\$469,900,000

Number of Feasible Parcels



Fee Design Considerations	
Total project-based bonus infra + aff costs incurred	\$168,800,000
Total fees assessed	\$3,100,000
Total credits granted	\$2,900,000
Total fees collected	\$200,000

Total cost to address housing shortfall \$13,300,000

Fee Design Considerations	Parcels	%
Parcels that pay a fee (after bonus infra/aff credit)	1	5%
Total parcels with development potential	20	100%

Calculations from PAZ - Date: September 9, 2020

Statesman Site	
Funding Shortfall	\$170,729,977
Value of Development	\$1,279,861,360

SCW District Value of Development	
Total Value of Development (TVOD)	\$3,084,407,125
TVOD for Parcels that Develop w/o a TIF	\$742,934,644
TVOD for Parcels that Develop w a TIF	\$2,341,472,481

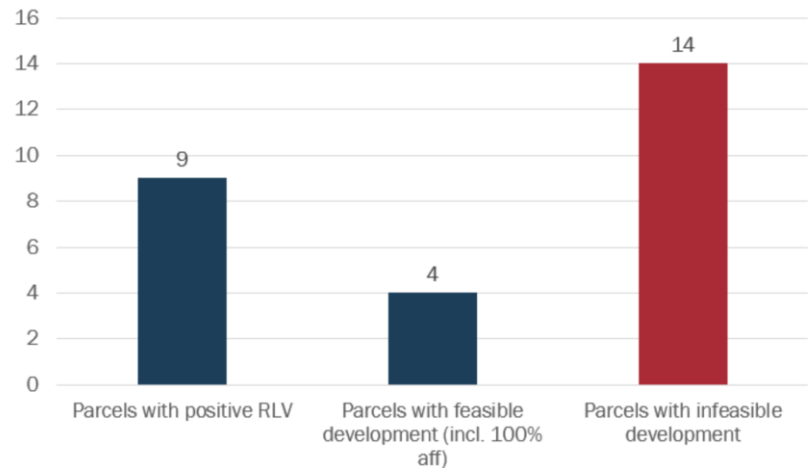
FINANCIAL CALCULATOR > Scenario B (PUD = District w/ PUD heights @ Statesman)

Model Output - Parcel Summary	Parcels	%
Parcels with positive RLV	9	45%
Parcels with feasible development (incl. 100% aff)	4	20%
Parcels with infeasible development	14	70%
Total parcels with development potential	18	90%

Model Output - District Value		
Total construction cost across all parcels	\$	3,239,100,000
Total value of developments across all parcels	\$	3,534,300,000
Estimated existing value across all parcels	\$	255,500,000

Model Output - Feasibility Funding Requirements	
Subsidy needed for 100% feasible development	\$396,100,000
Unallocated District Infrastructure Burden (offsite)	\$79,400,000
Subsidy required for OTC development	\$11,000,000
Cost to meet district affordable unit shortfall	\$16,200,000
Total feasibility gap	\$502,700,000
District fee (collected from developing parcels)	\$200,000
Affordable housing in-lieu fees	\$17,300,000
Funding needed to realize plan vision	\$502,500,000

Number of Feasible Parcels



Fee Design Considerations	
Total project-based bonus infra + aff costs incurred	\$180,900,000
Total fees assessed	\$3,100,000
Total credits granted	\$2,900,000
Total fees collected	\$200,000

Total cost to address housing shortfall \$16,200,000

Fee Design Considerations	Parcels	%
Parcels that pay a fee (after bonus infra/aff credit)	1	5%
Total parcels with development potential	20	100%

Calculations from PAZ - Date: September 9, 2020

Statesman Site	
Funding Shortfall	\$146,039,175
Value of Development	\$1,729,770,257

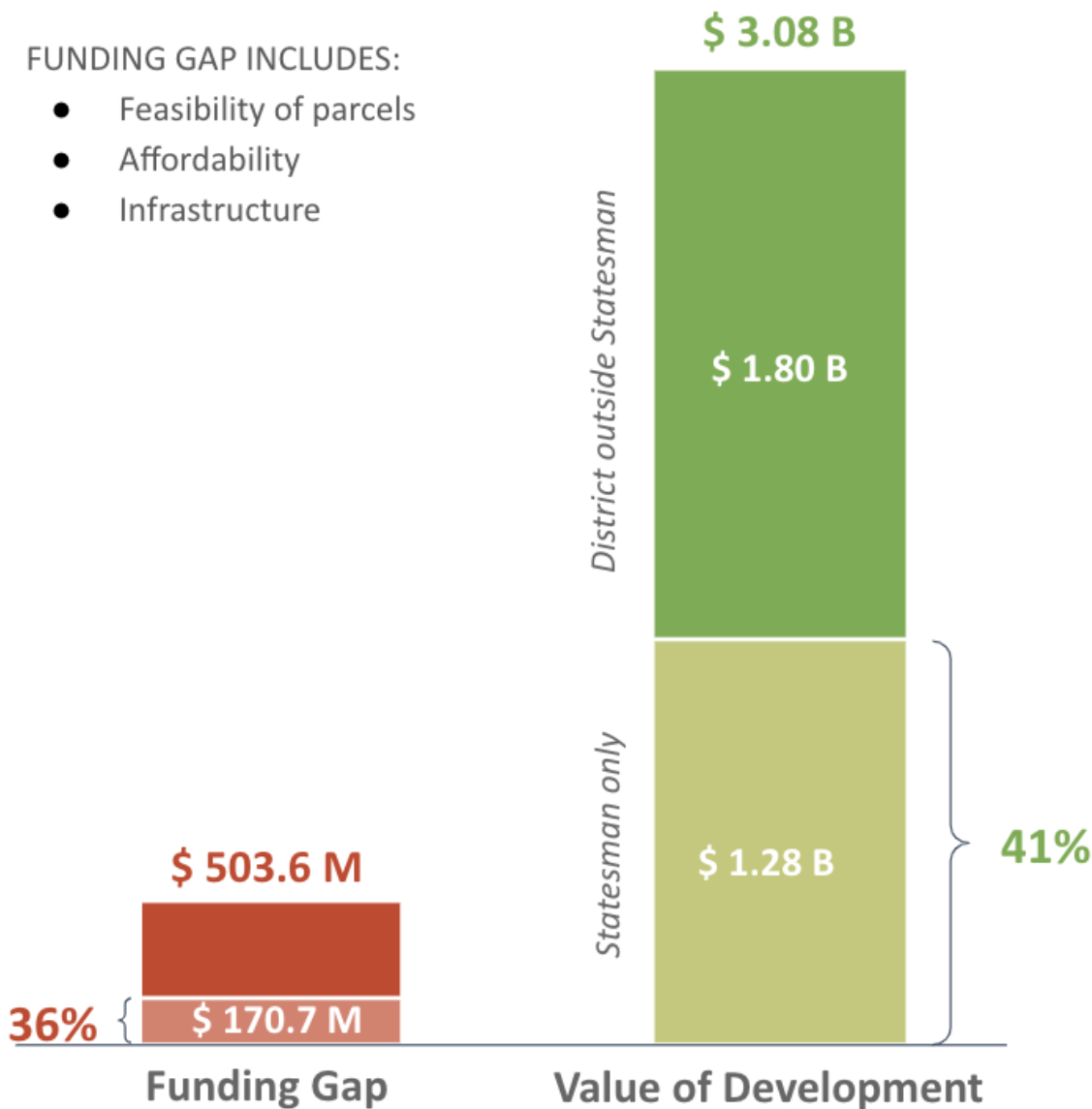
SCW District Value of Development	
Total Value of Development (TVOD)	\$3,534,316,022
TVOD for Parcels that Develop w/o a TIF	\$811,509,748
TVOD for Parcels that Develop w a TIF	\$2,722,806,274

COMPARING SCENARIOS A & B > 2020 Financial Snapshot

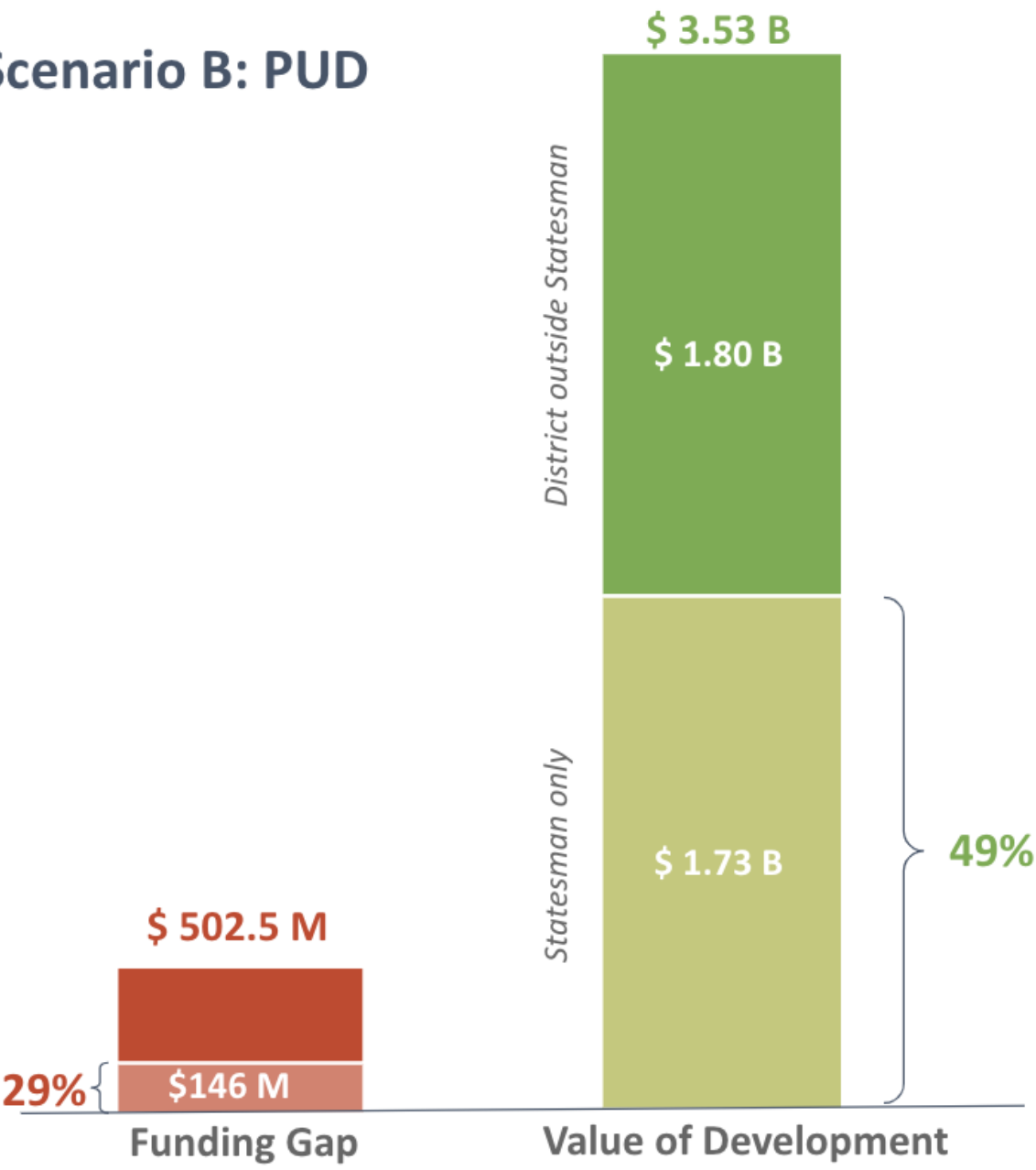
Scenario A: HYBRID

FUNDING GAP INCLUDES:

- Feasibility of parcels
- Affordability
- Infrastructure



Scenario B: PUD



COMPARING SCENARIOS A & B > What develops without gap funds?

