



# **AEDC South Central Waterfront Update**

## TIF Overview and Analysis Questions

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MARCH 2021



# **Agenda**

**TIRZ Timeline & Next Steps**

**TIF Framework & Precedents**

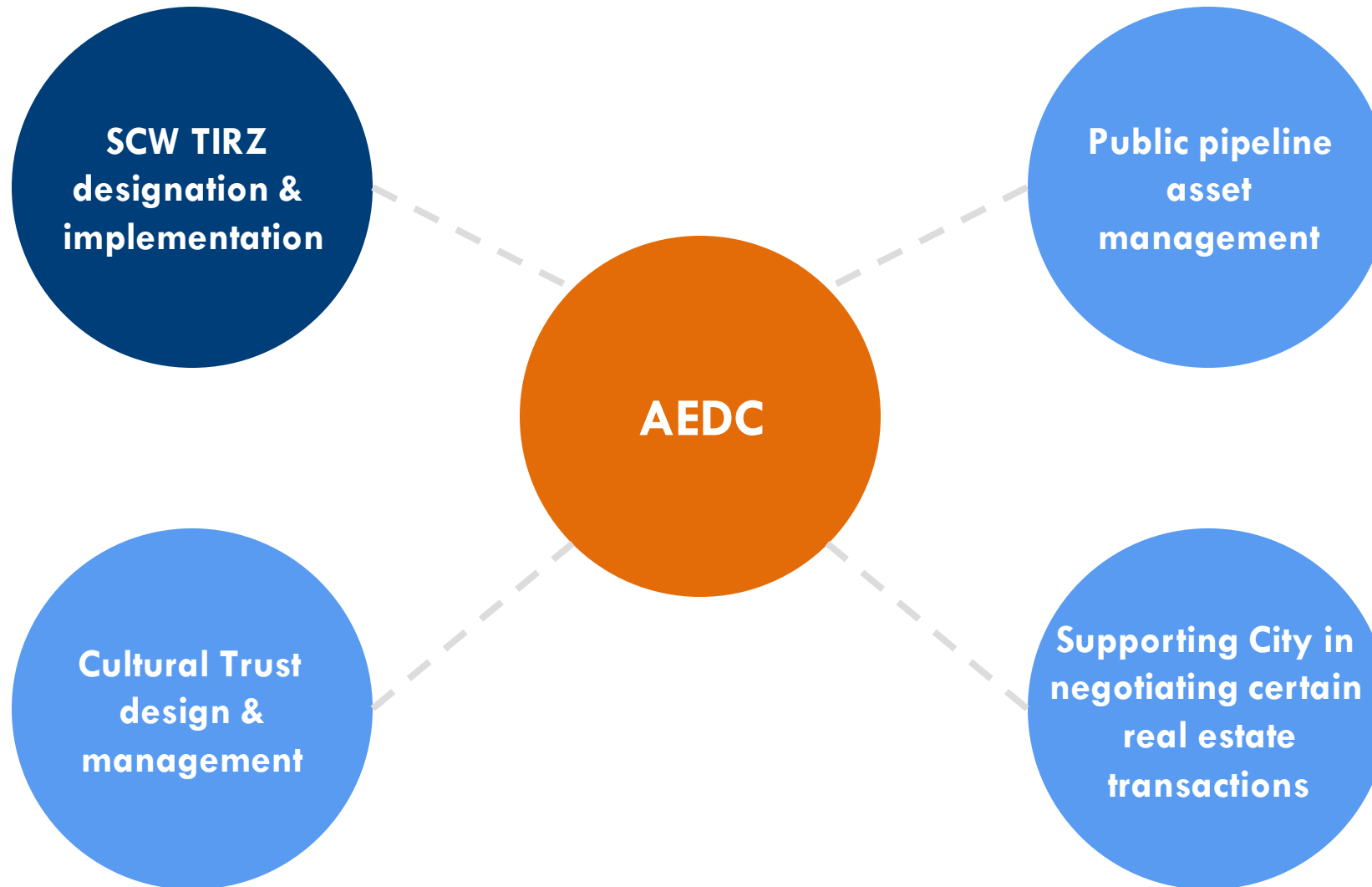
**Infrastructure Scenarios Update**

**Affordability Scenarios**

**TIRZ Board Requirements**

# TIRZ Timeline & Next Steps

# AEDC Organizational Responsibilities



# AEDC Organizational and Executive Update

## AEDC Board Activity

- Interim Board monthly meetings:
  - Dec. 14, 2020
  - Jan. 14, 2021
  - Feb. 8, 2021
  - Mar. 8, 2021
- **April 8** | Board meeting to approve Interlocal Agreement (ILA)
- **April** | Final Board designated

## Legal Counsel

- ILA is in final state and being reviewed by City Manager and EDD
- Winstead has reviewed TIRZ and Cultural Trust considerations and proposed path forward (included as attachment to ILA)

## Executive Search

- Korn Ferry retained as Executive Search Firm
- **March** | Posting openings for COO, CXO
- **April** | Interviews for COO, CXO

## Gov't & and Community Relations

- **Jan + Feb** | ULI hosted public mtgs
- Stakeholder mtgs
  - Dec 16, 2020
  - Feb 10, 2021
- **March 17** | AEDC Stakeholder mtg
- **March 18** | CTAC meeting
- Council one on ones to continue monthly
- **April** | Council Action to approve ILA

# SCW History | Recent SCWAB Efforts

As recommended by SCWAB, Finance Department hires CMR to conduct **TIF financial analysis**, including revenue projections.

**2018**

City updates **SCW Modified Physical Framework** and ECONorthwest development feasibility analysis.

**May-Sep. 2020**

Austin voters approve **Project Connect** bond, which will fund two light-rail transit stations in the district.

**Nov. 2020**

**2018**

SCWAB recommends the creation of an **economic development entity** to implement the Vision Plan.

**Oct. 2020**

City Council establishes the **Austin Economic Development Corporation** to help manage the district.

**Ongoing**

AEDC regularly briefs the SCWAB on strategy for implementing the Vision Plan, including a **potential TIRZ**.

*2016-Today: the **South Central Waterfront Advisory Board** oversees Vision Plan implementation.*

# AEDC South Central Waterfront Efforts To Date

	Dec.-Nov. 2020	January	February	March
<b>Council/City Staff</b>	Commenced SCW working group with EDD, HPD staff; Engaged Council members in initial 1:1s	Continued Council 1:1s on TIRZ and SCW working group		Engaged Finance to conduct required analysis; Continued Council 1:1s
<b>AEDC/SCWAB</b>	AEDC Board Meetings	AEDC Board Meeting <b>1/15:</b> AEDC presented initial findings and strategy to SCWAB	AEDC Board Meeting	AEDC commenced search process for C-suite positions
<b>TIRZ Ordinance</b>	Reviewed TIRZ statutes, City policy, and precedents districts	Retained Winstead as outside legal counsel	Outlined ordinance, project plan, and financing plan	Addressed key questions on project costs, affordable housing, etc.
<b>TIRZ Analysis</b>	Reviewed prior analysis and SCW Framework Plan	Modeled development scenarios with and without TIRZ investment	Refined infrastructure & affordable housing scenarios	Engaged CMR & ECONorthwest on analysis updates

# Key Steps for TIRZ Designation & Implementation

## Step 1

### City Council Forms TIRZ

- Prepare preliminary financing plan
- Accept but-for analysis
- Host public hearing on TIRZ Approve ordinance establishing
- TIRZ Board of Directors Freeze tax increment base

## Step 2

### City Council Votes on Final Project & Financing Plans

- Finance to review/approve final Financing Plan
- Housing & Planning to review/approve final Regulating Plan
- AEDC to approve final Project Plan and explore partnership(s) with other taxing units via Real Estate Committee

## Step 3

### City Council & TIRZ Board Implement Plans

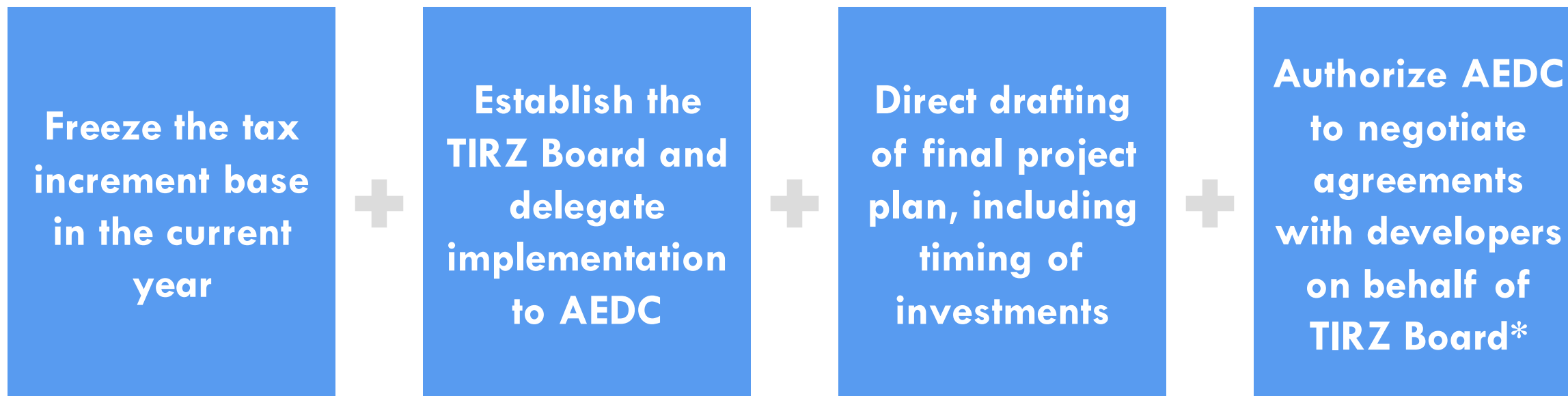
- Contracts with AEDC to administer TIRZ
- AEDC & TIRZ Board negotiate development agreements
- Bonds issuance to fund infrastructure & affordable housing (requires City Council approval)



# TIF Framework & Precedents

# TIF Summary

**Designating the TIRZ district enables City Council to...**



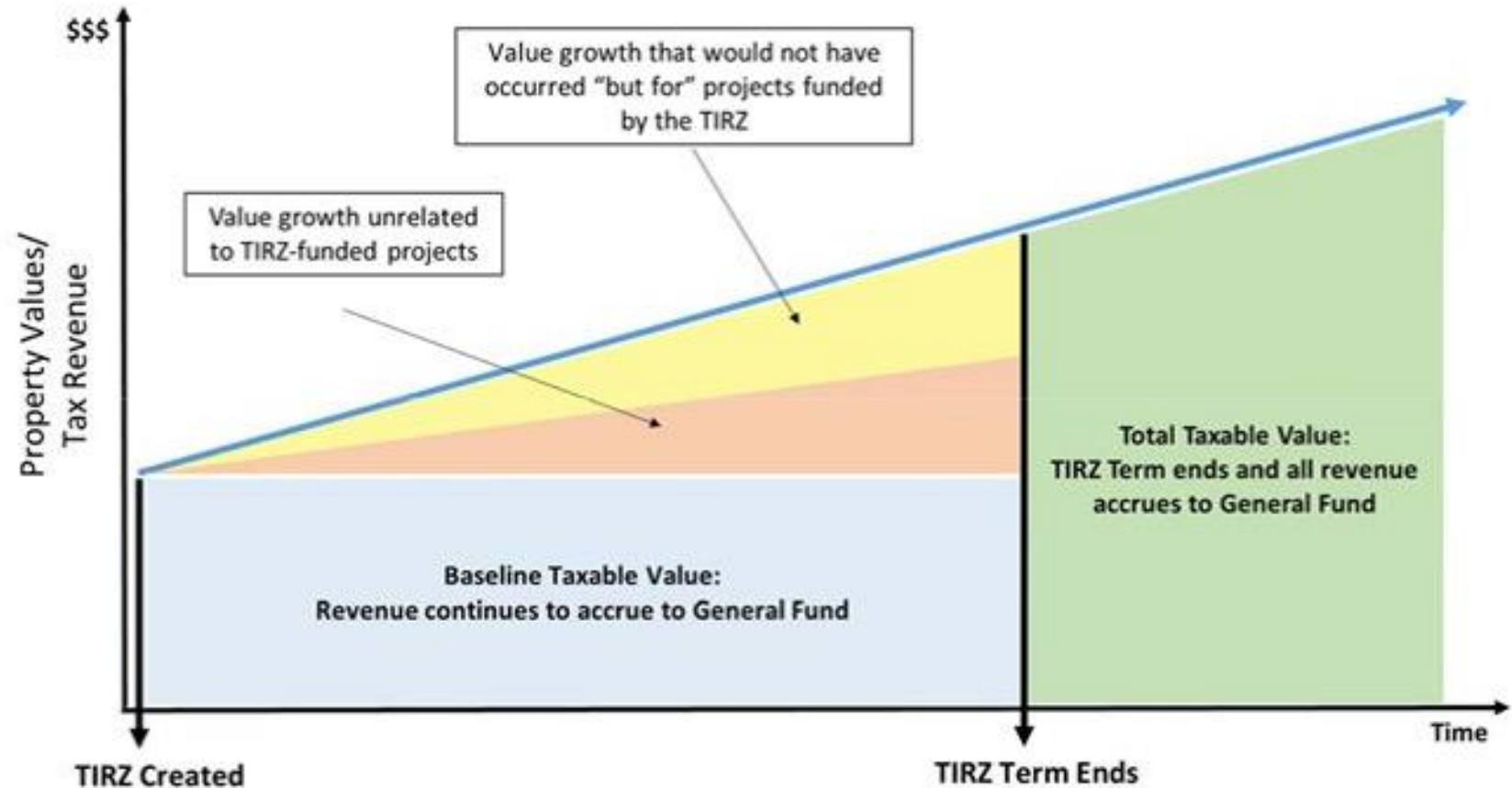
*\*Final agreements likely require approval of City Council*

# TIF Summary

A TIRZ can capture the tax increment created by:

- 1) **Existing property** value increases (**orange**)
- 2) **New development** that would have occurred **without TIRZ** (**orange**)
- 3) **New development** that would **not** have occurred “**but for**” the **TIRZ** (**yellow**)

Figure 1A



Source: <https://www.austintexas.gov/edims/document.cfm?id=325495> Memo to Council

# Austin TIF Policy Requirements

Total value of the City's TIF zones **cannot exceed 10% of the City's tax base**

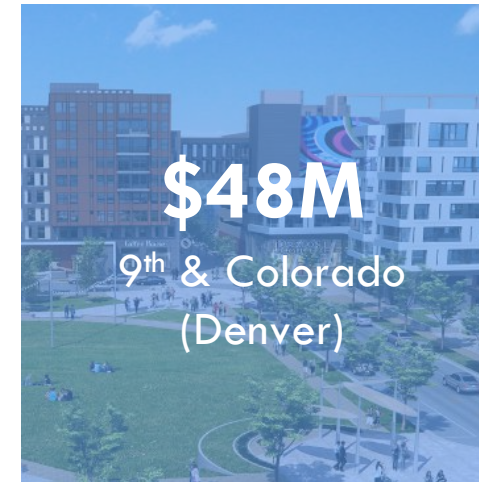
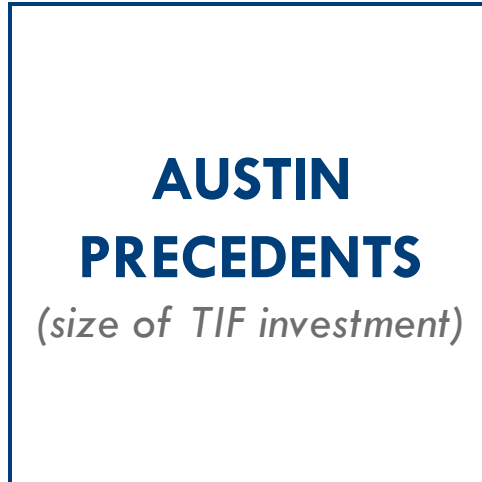
**20% of units must be affordable** at or below 60% AMI for rental housing (80% AMI for for-sale units)

TIRZ plan must include **participation by private sector** and/or other taxing entities

A rigorous **“but-for” analysis** must show redevelopment would not occur solely through private investment

**TIF bonds must meet key criteria** to comply with City's debt service and reserve requirements

# TIF Examples





# Local TIF Examples | Mueller



- **TIF Approved: 2004**
- **Total Development Cost: \$1.4B**
- **TIF Investment: \$50M** (\$212M project costs)

*\*2020 City Audit Report*

- **CHALLENGE:** The costs to remove obsolete structures at former Robert Mueller Airport and lack of infrastructure required public funding were great enough that public investment was required to enable redevelopment.
- **INVESTMENT:** TIF funded infrastructure necessary for mixed-use redevelopment, including utilities, roadways, and landscaping. Developer contributed to both infrastructure and private improvements as part of a Master Development Agreement.
- **DEVELOPMENT: \$1.4B\*** in assessed value increment generated to enable repayment of TIF expenditures, driven by:
  - 4,900 Housing Units (25% affordable)
  - 1.1 M SF of Office
  - 790 K SF of Retail
  - 1.2 M SF institutional uses
  - 20% dedication to open space & parks

# Local TIF Examples | Waller Creek



- **TIF Approved:** 2007
- **Total Development Cost:** **\$1.1B**
- **TIF Investment:** Phase I > **\$109M** (\$128M project costs), Phase II > **\$110M** (\$354M project costs)

*\*2020 City Audit Report*

- **CHALLENGE:** Nearby flooding created unsafe conditions and rendered existing structures obsolete (Phase 1). Former floodplain space limited new development (Phase 2). Investment was required on public land to facilitate development in the surrounding area.
- **INVESTMENT:** Phase 1) TIF funded construction and maintenance of Waller Creek Tunnel to restore 1.5 miles of the creek. Travis County provided 50% of increment. Phase 2) TIF funded development of 35-acre “Chain of Parks” along the former floodplain. Developers, the Conservancy, and CIP shared the costs of the new parks, trail connections, and the ongoing operations.
- **DEVELOPMENT:** **\$1.1B\*** in assessed value increment that supported repayment of TIF expenditures, driven by:
  - 1.6M SF Office
  - 6,055 Housing Units

# Local TIF Examples | Seaholm



- **TIF Approved:** 2008
- **Total Development Cost:** **\$300M**
- **TIF Investment:** **\$20M** (\$136M project costs)

*\*2020 City Audit Report*

- **CHALLENGE:** The city's desire to redevelop the Historic Seaholm Power Plant was impeded by deteriorating structures, inadequate street layout, and lack of utilities and roadways. The costs of remedying these were prohibitive to attractive to private development on the site.
- **INVESTMENT:** The TIF funded repairs to the power plant generator building. In addition, it invested in a public plaza and other infrastructure improvements to streets and utilities that enable private development. Developers shared these infrastructure costs, including plant repairs.
- **DEVELOPMENT:** **\$334M\*** in assessed value increment that supported repayment of TIF expenditures, driven by:
  - 143K SF Office
  - 48K SF Retail
  - 280 Residential Units



# National TIF Examples | Capitol Riverfront, D.C.



- **TIF Approved:** 2005
- **Total Development Cost:** \$3.3B
- **TIF Investment:** \$257M

- **CHALLENGE:** Vacant city industrial land lacked the infrastructure to support private development interest and the planned Department of Transportation HQ in the area.
- **INVESTMENT:** TIF funded infrastructure, roadways, and open space to create a walkable neighborhood that supported dense, mixed-use development along the waterfront. The neighborhood has attracted substantial new development, funding an entirely new tax base supporting payment of TIF bond obligations.
- **DEVELOPMENT ENABLED:** 300-acre district surrounding the Washington Navy Yard, including:
  - 12.6 M SF Office
  - 14,600 Residential Units
  - 1,270 Hotel Rooms
  - 1,150K SF Retail

# National TIF Examples | Cortex Innovation, St. Louis



- **TIF Approved:** 2014
- **Total Development Costs:** **\$2.1B**
- **TIF Investment:** **\$168M**

- **CHALLENGE:** The area, which had high vacancy rates, was significantly underutilized, and qualified as a “blighted area,” had failed to attract private development.
- **INVESTMENT:** TIF funded subsidized new office space that attracted private development and supported the creation of an innovation district.
- **DEVELOPMENT:** 168-acre site, including:
  - 3.8M SF of office/research space
  - 700K sf of retail space
  - Around 1,000 residential units
  - 350 hotel rooms
  - Shriners Hospital for Children healthcare facility



# National TIF Examples | 9<sup>th</sup> & Colorado, Denver



- **TIF Approved:** 2014
- **Total Development Costs:** **\$419M**
- **Total Public Investment:** **\$49M** (\$48 M TIF + \$1M grants)

- **CHALLENGE:** The area was not suitable for private development due to existing blight, environmental contamination, and a lack of supportive infrastructure.
- **PLAN:** The TIF funded public space, environmental remediation, and facilitation of a high-density, transit supportive environment to attract development. The plan included creation of parking, demolition of blighted buildings, and streetscape improvements.
- **DEVELOPMENT ENABLED:** 26-acre site, including:
  - 100k – 200k SF of office
  - 235k –300k SF retail,
  - 900 - 1,100 units with 11% affordable

# South Central Waterfront TIF (As Considered)

Precedent TIF	Challenge: why subsidy required for development	Investment: infrastructure costs funded by TIF	Development: private investment enabled by TIF
South Central Waterfront	Inadequate lot layout and insufficient street layout	New & upgraded streets, utilities, and open space	2.8M sf office, 3,000+ resi units, 352K sf retail
Mueller	Obsolete structures and improvements from airport	Demolition, utilities, roadways, and landscaping	4,900 units, 1.1M sf office, 1.2M institution, 790K retail
Waller Creek	Unsafe conditions and obsolete structures from flooding	Phase 1: Waller Creek Tunnel Phase 2: 35-acre chain of parks	1.6M sf office and over 6,000 housing units
Seaholm	Inadequate street layout and obsolete power plant structures	Power plant repairs, public plaza, streets, and utilities	280 resi units, 143K sf office, and 48K sf retail
Capital Riverfront	Lack of infrastructure on former industrial waterfront	Roadways, infrastructure, and waterfront open space	12.6M sf office, 15K resi units, 1,270 hotel rooms, 1M sf retail
Cortex Innovation District	Underutilized “blighted area” with high vacancies	New office space as locus of innovation district	3.0M sf office, 700K sf retail, 1,000 resi units
9 <sup>th</sup> & Colorado	Environmental contamination, blight, lack of infrastructure	Remediation, public space, parking, streetscapes	100-200K office, 235-300K sf retail, 900-1,100 units

# Infrastructure Scenario Updates

# Two Infrastructure Scenarios

*Based on prior City and ECONorthwest analysis*

1

## Baseline Infrastructure

TIF funds infrastructure costs (streets, utilities, etc.) required to enable private development across the district

2

## Adopted SCW Plan

TIF funds the open space and infrastructure envisioned by the SCW Framework Plan to unlock full value potential in district

# Scenario 1 Infrastructure

Baseline improvements to enable feasible new development

PROJECT COSTS (USES) BY SCENARIO

Project Cost	TOTALS	Existing Streets & Utilities	New Streets & Utilities	Parks & Open Space
Baseline Infrastructure	\$175M	\$49M	\$112M	\$14M



# Scenario 2 Infrastructure

Public investments to achieve the full SCW Vision Plan and potential district value

## PROJECT COSTS (USES) BY SCENARIO

Project Cost	TOTALS	Existing Streets & Utilities	New Streets & Utilities	Parks & Open Space
Baseline Infrastructure	\$175M	\$49M	\$112M	\$14M
Adopted SCW Plan	\$77M	\$3M	\$3M	\$71M
TOTAL COSTS	\$252M	\$52M	\$115M	\$85M

# SCW Plan: Value Creation from New Plazas & Trails

Rain Gardens



Nightwing Plaza

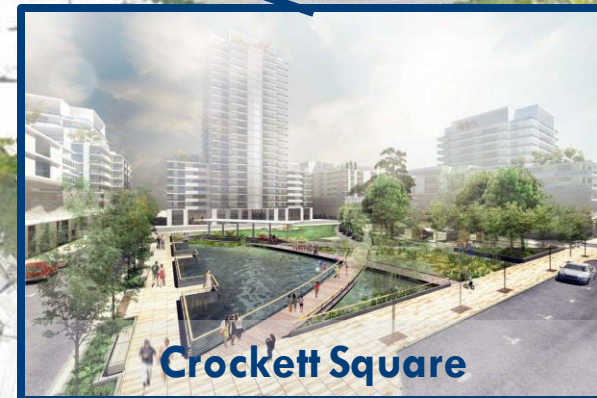


East Bouldin Creek Trail





# SCW Plan: Value Creation from Enhanced Public Spaces



# Baseline Infrastructure | Sources & Uses

## ESTIMATED USES

Project Cost	Amount
Existing Streets & Utilities	\$49M
New Streets & Utilities	\$112M
Parks & Open Space	\$14M
TOTALS	\$175M

## ESTIMATED SOURCES

Funding Sources	Amount
Private Developers	\$25M
CIP Funding	\$60M
Utilities Reimbursement	\$17M
TIRZ + Other Sources*	\$73M
TOTALS	\$175M

*\*2018 CMR analysis estimated \$217M in nominal 20-yr. tax increment.*



# Adopted SCW Plan | Sources & Uses

## ESTIMATED USES

Project Cost	Amount
Existing Streets & Utilities	\$52M
New Streets & Utilities	\$115M
Parks & Open Space	\$85M
TOTALS	\$252M

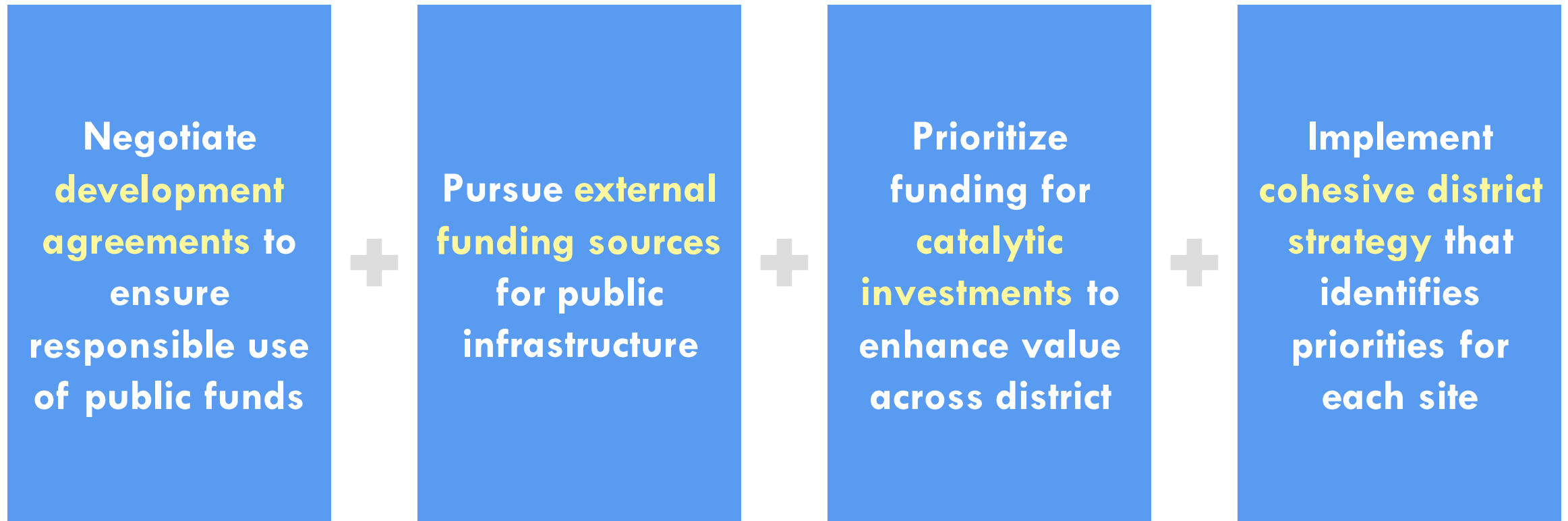
## ESTIMATED SOURCES

Funding Sources	Amount
Private Developers	\$25M
CIP Funding	\$60M
Utilities Reimbursement	\$17M
TIRZ + Other Sources*	\$150M
TOTALS	\$252M

*\*2018 CMR analysis estimated \$217M in nominal 20-yr. tax increment.*

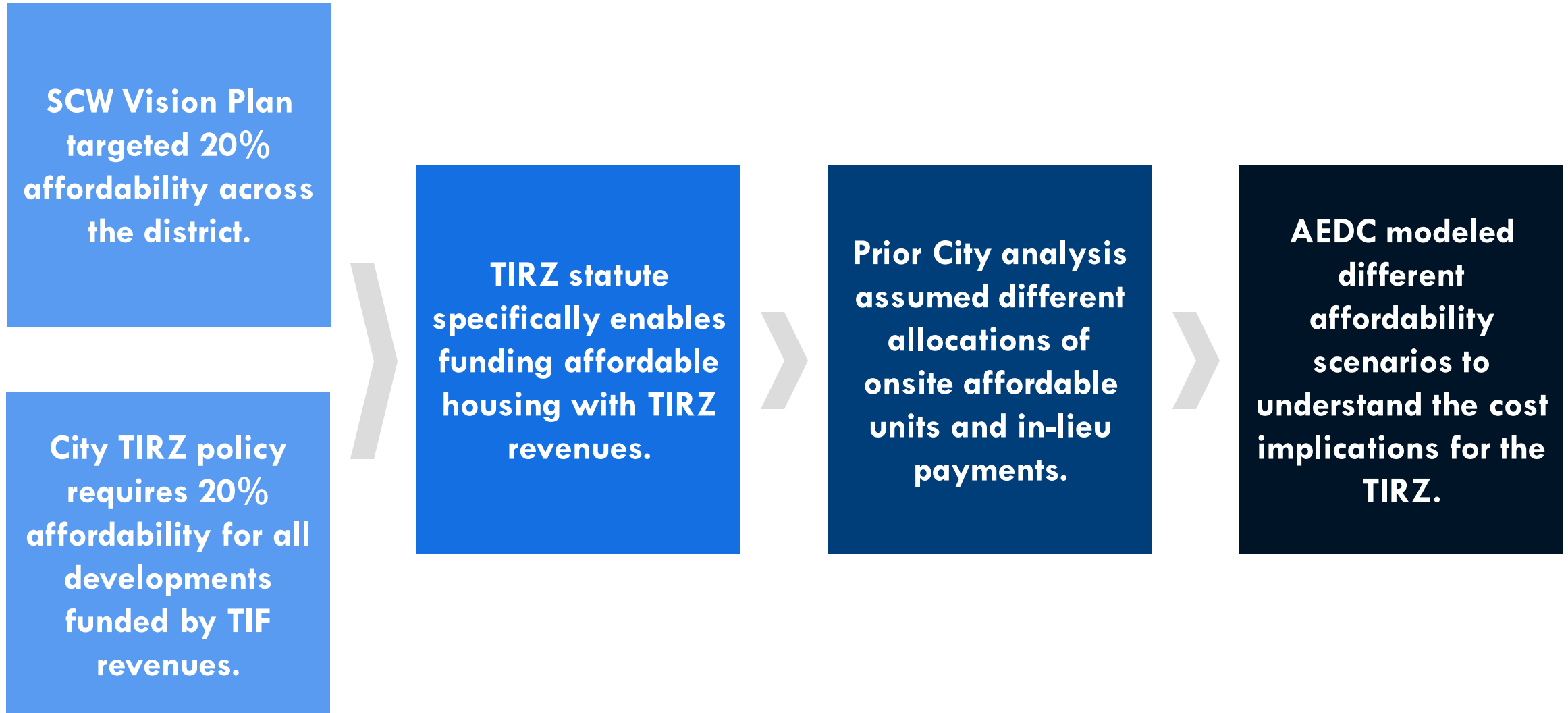


# How may AEDC reduce the TIRZ funding commitment?





# Affordability Scenarios

# Affordable Scenarios



# Affordable Scenarios

	 <b>Less Public Investment</b>	<b>Baseline</b>	<b>More Public Investment</b> 
<b>District Threshold</b>	10% (remaining TIRZ)	20%	
<b>Statesman</b>		4.15% from PUD	District threshold (10-20%)
<b>Condo Buildings</b>		In-lieu fees	Onsite rentals (or for-sale)
<b>Rental Buildings</b>	In-lieu fees	Onsite rentals	
<b>OTC</b>	Mixed income, stick built	100% affordable, stick-built	High-rise affordable/ mixed-income
<b>In-Lieu Fees</b>		Units outside of district (stick)	Units within district (high-rise)

# Affordable Scenario Assumptions

	10% Onsite/In-Lieu	Baseline	In-Lieu W/in District	20% Onsite
District Threshold	10% onsite/in-lieu + 10% TIRZ-paid in-lieu	20% (exc. Statesman)		
Rental Buildings	10% onsite rentals	20% onsite rentals		
Condo Buildings	10% developer in-lieu fees (w/in district)	20% developer in-lieu fees (w/in district)		
Statesman	4.15% onsite/in-lieu			20% onsite/in-lieu
OTC	100%: 142 units			
In-Lieu Fees	Units outside of district		Units within district	Units outside of district
Incremental Gap	(\$57M)	(\$85M)	(\$119M)	(\$140M)
% Affordable Onsite	9.9%	13.31%	5%	18.2%
% Affordable In-Lieu	10.1%	6.7%	15%**	1.8%

\*ECONorthwest model does not support scenarios with in-lieu fees paid by rental building developers; the model assumes that rental developers provide units onsite.

\*\*15% in-lieu refers to the district wide affordability gap



# Impact of Cultural Venues in SCW

Developing two cultural venues in place of ground-floor retail space would require up to **\$3.0M** in additional public investment.

	Retail	Music Venue	Cultural Arts Venue
Annual Rent PSF	\$50	\$32	\$18
RLV/SF	\$360	\$131	(\$44)
Typical Size (SF)		5,000	4,500
Incremental RLV Decrease by Venue		(\$1.2M)	(\$1.8M)

# TIRZ Board Responsibilities

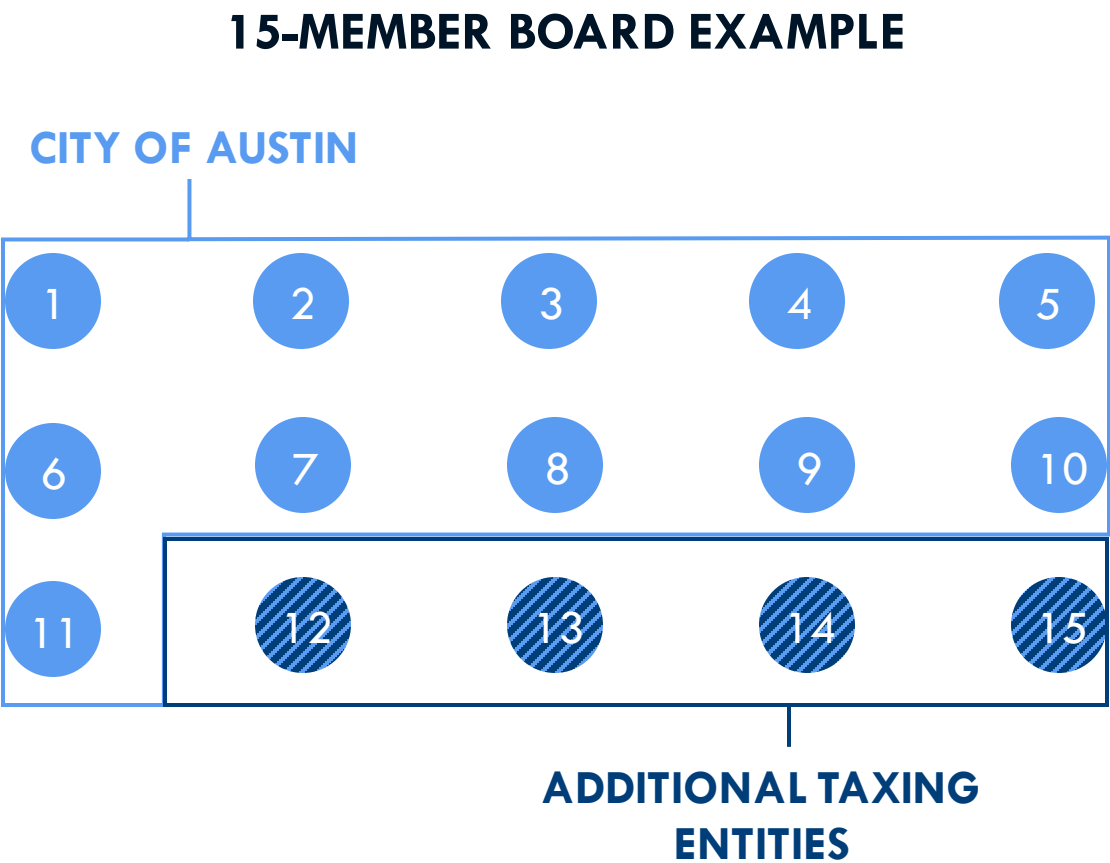
# Board Composition

5-15 members

Taxing units can join at any time

Each participating taxing unit may appoint 1 member

City appoints remainder (up to 15 total)



# City Council TIRZ Powers

**Approve final project &  
financing plans**

**Acquire or sell property**

**Issue bonds**

**Implement project &  
financing plans**

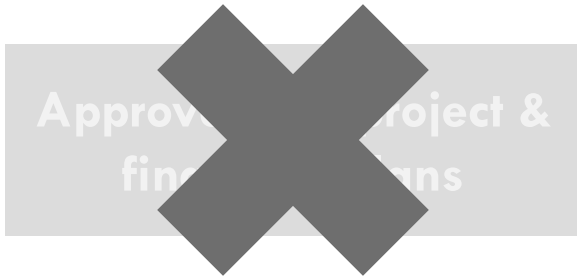
**Enter into 3<sup>rd</sup>-party  
agreements**

**Impose taxes or fees**

**Exercise eminent  
domain**

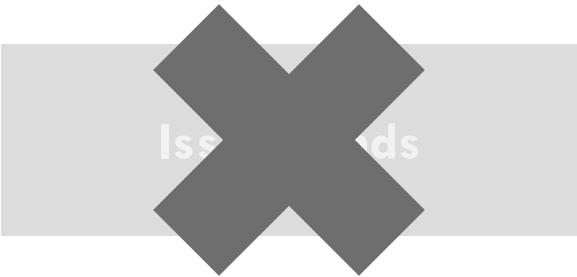
**Construct public works**

# TIRZ Board Powers (with Council authorization)



**Acquire or sell property**

*Requires consent from  
City Council*



**Implement project & financing plans**

**Enter into 3<sup>rd</sup>-party agreements**

*May dedicate TIF revenues  
and/or restrict land uses*



**Contract w/ local corp.  
(AEDC) to manage zone**



**Construct public works**



Questions?