



Colony Park and South Central Waterfront Plan Update

November 16, 2021

Council Direction

- Resolution 20211021-044
 - Develop preliminary project and financing plan for the creation of a South Central waterfront TIRZ and establish this calendar year
 - Include an option to initially set tax participation level at 0%
 - Design TIRZ to recapture some portion of the “but for” incremental value associated with the construction of the public improvements
 - Collaborate with the Austin Economic Development Corporation
 - Provide Council with a plan/schedule for Colony Park TIRZ in 2022

Council Direction

- Resolution 20211021-045
 - Provide Council an update on TIRZ or another financial mechanism to pay for public improvements/amenities in the South Central Waterfront Plan
 - Provide a plan for achieving the financial mechanism by the end of December 2021
 - Provide an update on the status of the regulatory plan to support land use and design elements and a timeline that begins that review process by December 1, 2021
 - Provide an implementation plan and schedule for creating a Colony Park TIRZ in 2022

Agenda

1. Colony Park Update
2. South Central Waterfront (SCW) Plan Overview
2. SCW Physical Framework and Cost Estimates
3. Public Infrastructure Financing Options
4. Tax Increment Financing (TIF)
 - a) Background
 - b) Statutory Requirements
 - c) City Council Policy Requirements
 - d) Steps for creating a Tax Increment Reinvestment Zone (TIRZ)
5. SCW Market and TIF Debt Analysis
6. Preliminary TIRZ Financing Plan
7. Affordable Housing Options
8. Regulating Plan Updates
9. Next Steps

Colony Park Update

Colony Park Sustainable Community Public Finance Strategy



Project Overview

- 208 acres of City-owned land in northeast Austin
- Mixed-use & mixed-income residential and commercial development
- 10 years of community stakeholder support
- Proposed Green Line TOD & Purple Line BRT alignment

Approved Master Plan + Planned Unit Development (PUD) (12/2014)

- 20% affordable workforce housing
- Approx. 50 acres parks, open space, trails
- Austin Energy Green Building Program rated buildings

Key Dates/Milestones

- May 2020: Executed Exclusive Negotiation Agreement with Catellus Development
- Sept. 2021: Authorized Purchase and Sale Agreement with Central Health for 2.3 acres for a Health and Wellness Center; Authorized Infrastructure Development Agreement with Catellus for Central Health public street and utility infrastructure construction

Estimated Infrastructure Financing Gap approx. \$125M



Colony Park Sustainable Community Public Finance Strategy



Catellus project development & financing gap recommendations (05/2021)

- Increase density through PUD amendment
- Lower infrastructure costs
- Leverage City participation (CIP / value capture mechanism)
- Approx. \$25M public infrastructure reductions in recommended PUD amendment

Public Finance Strategy (Draft)

- Approx. \$25M Tax Increment Reinvestment Zone
- Approx. \$15M Public Improvement District (pending legal review)
- Approx. \$60M Capital Improvement Project Funding (currently unidentified)

Economic and Community Benefits

- Approx. \$540M property value - 1:5.4 public investment to value leverage ratio
- Approx. \$3.5M annual property tax and sales tax revenue
- Approx. 2,900 construction jobs & 1,200 permanent jobs
- Health and Wellness Center development with Central Health
- Austin Public Health & Austin Public Library co-located with Central Health
- Retail development

Public Finance Plan recommendation to Council first quarter of 2022

South Central Waterfront Plan Update

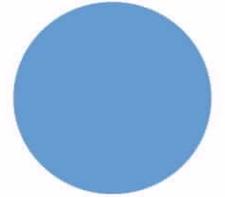
South Central Waterfront Vision Plan

Plan Overview

- Establishes conceptual framework to allow site-specific building enhancements in exchange for on-site and citywide community benefits.
- Lays out set of tools to guide area redevelopment for next 20 years
- 97 acres in district (118 acres with right-of-way); 34 privately-owned properties, and 1 City-owned property (One Texas Center)
- Proposed Blue Line alignment (1 stop) and Orange Line alignment (1 underground stop)

History of Waterfront Planning

- 1960-70s: Creation of Lady Bird (formerly Town) Lake & beautification efforts led by First Lady
- 1980s: Town Lake Corridor Study & Waterfront Overlay Combining District
- 2012-13: Sustainable Places Design Assessment
- 2014-16: 19 public events & 3 Council Briefings; Interim SCW Plan
- 2016: EPA's 'Greening of SCW' Report outlines vision
- 2016: Council adopts SCW Vision Framework Plan as amendment to Imagine Austin
- 2020: Staff updates SCW Physical Framework, Project Costs, and Financial Calculator



SCW Plan: Overview & Status

Adopted 2016 Vision Framework Plan calls for:

- Approximately 17 acres of parks, plazas, open space, trails
- 1.5 miles of refurbished / new multimodal streets
- 6.4 million sf of new construction (office, residential, hotel, retail)
- Approximately 2,800 new residential units with goal of 20% to be affordable at 60-80% Median Family Income (MFI) for rental units and 80-120% MFI for ownership units.

CRITICAL IMPLEMENTATION STEPS	STATUS
Regulating Plan outlining opt-in zoning regulations	Underway
Public financing tools, such as a Tax Increment Financing and Public Improvement District	Underway
Creation of economic development entity to oversee implementation	Completed (2020) (Austin Economic Development Corporation (AEDC))
Creation of SCW Advisory Board	Completed (2017)
Leverage city-owned property at One Texas Center to help meet affordable housing and create new City office space	Underway
Identify Lead City Department to coordinate SCW Implementation	Completed – Economic Development Dept. lead effective October 1, 2021

SCW Modified Physical Framework Cost Estimates

- *Developed with consultant support and in collaboration with CoA Departments (HPD, PWD, AW, AE, TARA, WPD, ATD, & PARD).*
- *Estimates do not include funds needed to meet affordable housing goal or operation and maintenance of amenities.*
- *Cost estimates are currently under review*

Public Benefit	Description	Cost Estimates* (\$ in millions)
Open Spaces	Parks, trails, plazas (+/-17 acres)	\$93.7
Roadway & Drainage	New (0.6 miles) & refurbished (0.8 miles) streets, including Barton Springs extension	\$83.4
Streetscapes	Sidewalks, street trees	\$56.3
Utilities	Water, wastewater, electric, gas, and telecommunications network	\$35.7
Green Infrastructure	Water quality rain gardens within right of way	\$5.5
Reclaimed water		\$2.4
	TOTAL	\$277.0

* Modified Framework 2020 estimates adjusted for projected cost escalation (EDD 11/2/2021)

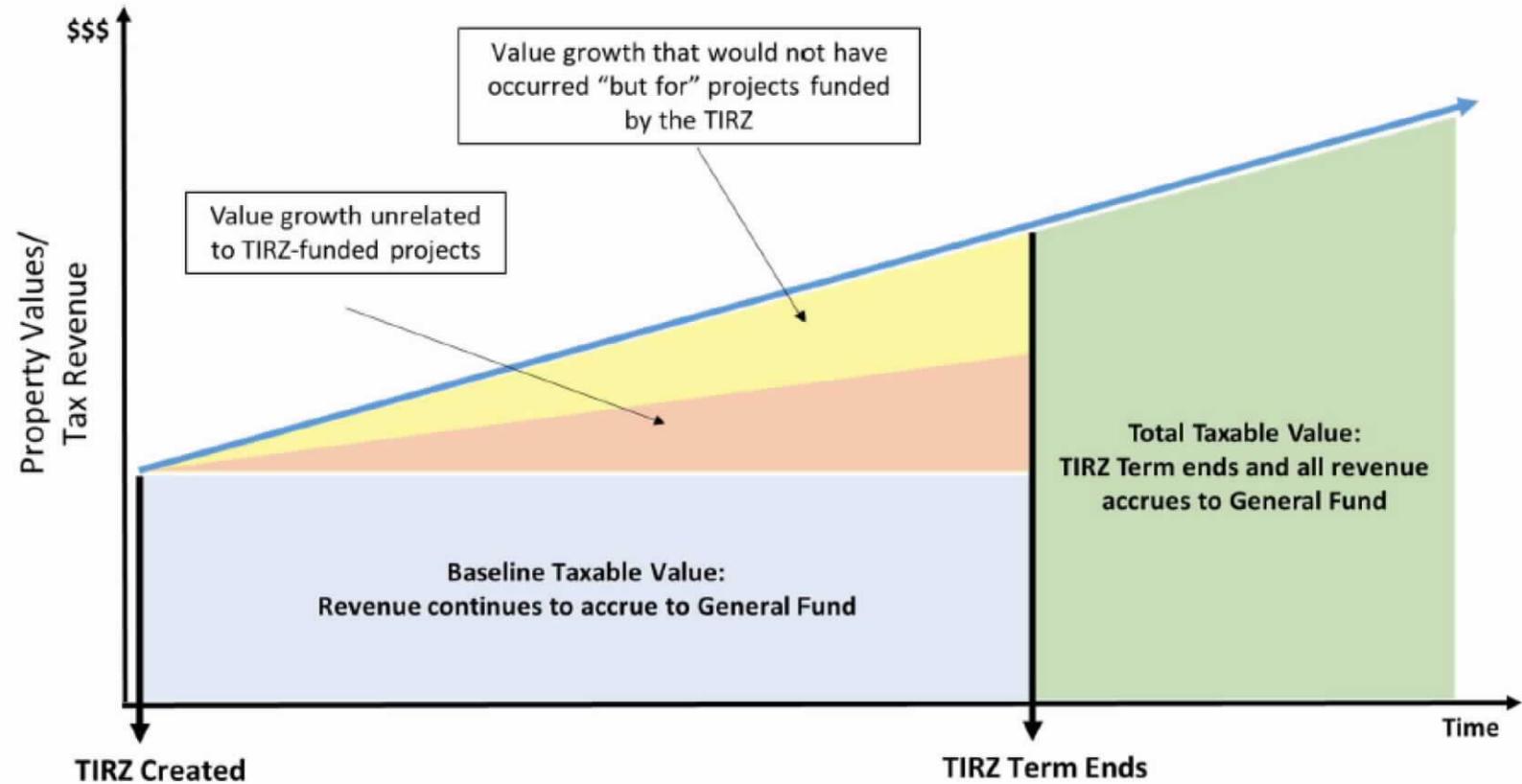
Public Infrastructure Financing Options

- Existing department CIP appropriations (may include current revenues or voter approved bonds)
- Housing Trust Fund
- New voter approved bond program
- Economic incentive agreement(s)
- Public-Private Partnerships
- Public Improvement District (Requires parcel owner support)
- Municipal Management District (Requires State legislation and parcel owner support)
- Tax Increment Reinvestment Zone/Tax Increment Financing

Tax Increment Financing (TIF)

- Tool to spur economic growth in an area in which development or redevelopment is unlikely to occur in the reasonably foreseeable future without public investment
 - Regulated by State law (Chapter 311 of the Texas Tax Code)
- Not a new tax. Instead, some of the property tax revenue from a designated geographic area is dedicated to pay for improvements in the zone.
 - In Texas, a city or county may designate a Tax Increment Reinvestment Zone (TIRZ)
 - Upon creation, the baseline value of property within the zone is frozen, and some or all of the tax revenue resulting from future growth in property value within the zone (the tax increment) is collected within a dedicated fund to pay for the costs of the investments anticipated to spur growth

Tax Increment Financing



Statutory TIF Requirements

- Must verify a clear and significant “but for” criterion whereby development or redevelopment within the zone would not occur solely through private investment but for public investment.
- Criterion includes, but is not limited to:
 - Area’s present condition substantially impairs growth
 - Substandard or deteriorating structures
 - Inadequate sidewalks or street layout
 - Unsanitary or unsafe conditions, conditions that endanger life or property
- Once all project costs have been paid or the debt associated with the TIRZ has been retired and the term of the TIRZ ends, all property tax revenue returns to the City for general purposes

Council Adopted TIF Policy

- Adopted in its current state as part of FY 2019-20 Budget and in accordance with Resolution 20180301-023
- Major provisions
 - Project/finance plans must include participation by the private sector and/or other tax entities
 - City must conduct a rigorous “but for” analysis demonstrating development/redevelopment within the zone would not occur solely through private investment
 - **Any housing developing that is part of the TIF project plan must provide for at least 20% of the units to be affordable to households at or below 60% MFI for rental and 80% MFI for ownership**
 - Bonds issued to fund TIF development are subject to coverage tests, debt service reserve requirements, and must mature on or before the termination date of the zone

Initial Steps Required to Establish a TIRZ

1. Prepare the reinvestment zone preliminary financing plan
2. Publish public hearing notice in newspaper
3. Hold public hearing; Staff must provide information re: boundaries, amount of bonds, percentage of tax increment to be contributed, and estimated project costs
4. Council vote on reinvestment zone ordinance and board of directors (**potentially could occur December 9, 2021**)

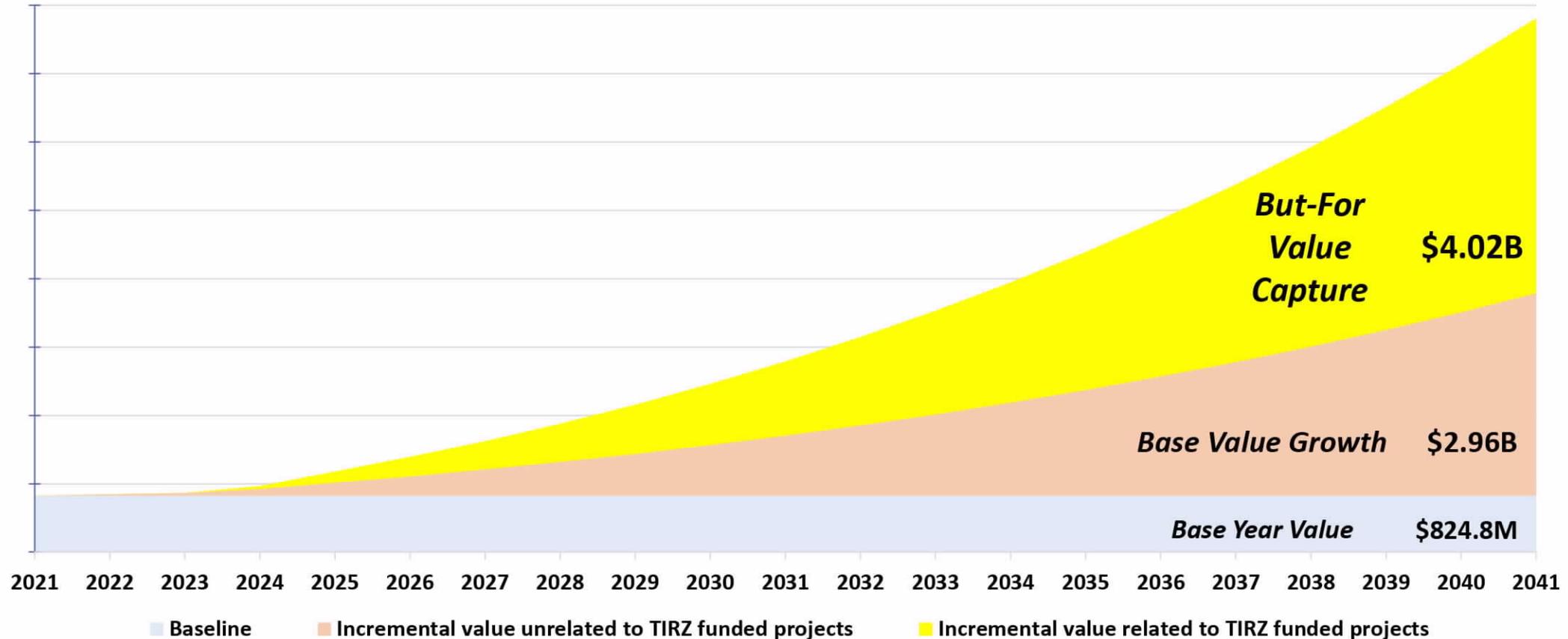
Next Steps Required to Establish a TIRZ

5. Zone's Board of Directors must prepare a project and financing plan to be reviewed and voted on by the City Council
6. Establish increment dedication by other taxing units within the zone, if applicable
7. Zone's Board of Directors must make recommendations to the City Council on implementing the TIF and the Council would authorize the Board (by ordinance) to exercise certain City powers
8. Submit an annual report within 150 days of fiscal year end to the CEO of each taxing unit and State Comptroller with revenue/expenditure numbers, bonded indebtedness, tax increment base/current capture value, tax increments received, etc.

South Central Waterfront Market Analysis

Market analysis supports feasibility of SCW framework with development absorbed over 20-year period

South Central Waterfront Value Projections



Tax Increment Financing Analysis

- TIRZ district boundary
 - SCW boundary less new construction that has recently been completed
 - Strengthens "but-for" argument and protects General Fund
 - Strong "but-for" criteria is required by State law and Council financial policy and is important to future Attorney General bond issuance reviews
- Recapture percent
 - Exclude Austin Transit Partnership (ATP) portion of tax rate (approximately 20% of O&M rate)
 - Limit City portion of tax rate to only additional increment that would not have occurred "but-for" the public investment (approximately 55% of projected revenue growth)
 - Reviewing whether to exclude debt portion of tax rate
- Bonding capacity
 - Incremental revenue capture from property tax over 20-years estimated at \$153.6 million
 - Results in a debt capacity of approximately \$95.5 million
 - As new construction occurs in initial years, zone will not generate enough revenue to meet debt service requirements – Requires resolution to be determined

Public Infrastructure TIF Recommendation

- **Debt capacity is not sufficient to fund all SCW plan infrastructure improvements**
- Must identify feasible subset of projects within TIF financing plan
- Exploring a “tiered” infrastructure plan concept
- Tiers can be category based or geographic based
 - Ex: streets, drainage, etc.
 - Ex: Waterfront and Downtown Gateway
- Tier(s) will be determined through staff collaboration before returning to Council with recommendation in December

Affordable Housing Options

- South Central Waterfront plan calls for 20% overall within the district
 - Envisioned as a district-wide goal
 - Some parcels could be held to less than 20%
- City Council TIF Financial Policy
 - “Any housing development that is part of a TIF project plan must provide for at least 20% of the units to be affordable to households earning at or below 60% of median family income for rental housing and 80% of the median family income for ownership housing for at least the duration of the TIF project plan.”
- Estimated cost of meeting 20% affordability within the district exceeds available TIRZ revenue
 - Will require other forms of gap financing/capital stacking, developer support, or modification to goals and policies

Regulating Plan

- Controls physical buildout
- Lays out public benefits and developer incentives
- Includes requirements for affordable housing provided by private developments that utilize bonus entitlements, as well as streets, blocks, open space, streetscape, frontage, building placement, building height, land uses, parking and transportation, impervious cover
- Is optional – properties can always redevelop using existing zoning

Regulating Plan

	AUG	SEP	OCT	NOV	DEC	JAN 2022	FEB	MAR	APR	MAY	JUN
Plan Drafting											
Internal Staff Review											
Coordination with External Agencies											
External Stakeholder Engagement											
Coordination with SCWAB											
Boards, Commissions, Council for Adoption											
Statesman PUD Resolution											
Financial Toolbox Assessment											

Next Steps/Timeline

South Central Water Front

- November – Staff will develop preliminary project and financing plan
 - Plan will include zone boundaries, amount of bonds, percentage of tax increment to be contributed, and estimated project costs
- December – Public Hearing and Council action to establish TIRZ and associated Board
- Develop financing mechanism for funding gap and provide a plan for achieving that mechanism by the end of December 2021
- 2022 – Develop final project and financing plan and convene Board of Directors for approval

Colony Park

- Provide an implementation plan and schedule for creating a Colony Park TIRZ in 2022