

STATESMAN PUD ECONOMIC ANALYSIS

Austin City Council
July 26, 2022



BACKGROUND

- **The Statesman PUD at 305 S. Congress is envisioned as a high-density, mixed-use development along Ladybird Lake within the South Central Waterfront (SCW) District**
 - The Statesman PUD represents 20 percent of the District's area
- **City-retained consultants at ECONorthwest prepared a financial tool in 2016 to evaluate buildout scenarios of the SCW Framework Plan (including the Statesman site), and updated the findings in 2020**
 - They found that development of the scale contemplated in the 2016 SCW Framework Plan may be financially infeasible, and suggested the establishment of a TIRZ
- **In April 2022, the Council approved the first reading of an ordinance rezoning the Statesman site to allow for the PUD under the condition of 11 amendments in addition to the 21 amendments provided by the Planning Commission**
 - Of these amendments, six were identified by the Developer as adding too great a cost burden to be borne by the project without public financing assistance through a TIRZ or other mechanism

PURPOSE OF THE ASSIGNMENT

- 1. Update the 2020 ECONorthwest findings using current market data**
 - The 2020 Study indicates a \$146 million funding shortfall for the Statesman site. Have current market economics changed the findings of the 2020 ECONorthwest analysis regarding Statesman PUD feasibility?
- 2. Estimate the costs associated with the six Planning Commission / City Council requests to which the Developer has not agreed**
 - The Developer indicates any of these six requests would add too great a cost burden on Project feasibility
- 3. Estimate the value of the benefits already agreed upon in the PUD**
 - As part of the PUD proposal, there are six identified community benefits provided above and beyond what would normally be required under typical zoning

1. UPDATING 2020 FINDINGS

Reviewed all available information regarding 2020 analysis

- ECONorthwest model included market value estimates for various project components
- EPS did not have access to the ECONorthwest model itself, nor has EPS recreated the analysis wholesale

Imputed 2020 costs from ECONorthwest figures

- Development value of \$1.73 billion
- Funding shortfall of \$146 million
- Implied Development cost of \$1.88 billion

Updated relevant value metrics to 2022 figures

- Rental rates, price points, RevPAR
- Construction Cost Index (CCI) and Building Cost Index (BCI)
- Market value changes weighted by development mix

Since the 2020 analysis was performed:

Value-side metrics have increased 25%

Cost-side metrics have increased 28–36%

1. UPDATING 2020 FINDINGS – RESULTS

The 2020 study results indicate a \$146 million funding shortfall for the Statesman Site. While real estate values have generally risen since that initial analysis, **area construction cost inflation has outpaced market values, suggesting an *increase* in the estimated funding shortfall in 2022.**

Item	2019 Estimate ¹	Percent Change	May 2022 Estimate	Adjustment Factor
Project Value	\$1,729,770,257	24.7% ²	\$2,156,232,832	Wgt. Avg. Market Value increase in PUD Components
<u>Project Cost</u>				
Low Estimate	\$1,875,809,432	27.7%	\$2,394,668,200	ENR CCI for Dallas ²
High Estimate	\$1,875,809,432	36.1%	\$2,553,870,156	ENR BCI for Dallas ²
<u>Project Shortfall</u>				
Low Estimate			-\$238,435,368	
High Estimate			-\$397,637,324	

[1] 2019 estimates from ECONorthwest feasibility analysis dated September 23, 2020 which uses 2019 market data.

[2] Construction Cost Index and Building Cost Index. Dallas is closest market for which Engineering News Record (ENR) publishes historic cost indices.

Source: Engineering News Record Construction Cost Index and Building Cost Index; Economic & Planning Systems

2. ADDITIONAL REQUESTS

Developer indicated the following amendments would add too great a cost burden to the project:

- PC 14* – 4% of Rentals at 60% Avg. MFI rather than 80% MFI
- PC 16 – Capital Cost of Pier & Water Steps
- PC 17 – Revenue/Value Impact of Added Park Maintenance Costs
- PC 20 – Capital Cost of Specific TIA Improvements
- PC 21* – Affordable Housing at 60% MFI (rental) and 80% MFI (ownership) on Bonus Sq. Ft.
- CM KT 10* – 10% of Rentals at 60% MFI, 5% Condos at 80% MFI with HOA Affordability Adjustments

*These three requests are mutually exclusive affordability programs

2. ADDITIONAL REQUESTS – RESULTS

The estimated costs of the six amendment requests range from a low of \$2.7 million to a high of \$265.9 million. Past analysis and broadly updated current market economics suggest **the project is infeasible prior to the addition of any of these amendment requests, so each request would send the project further into infeasibility.**

Item	Total Cost	Description
PC 14	\$6,291,450	4% of Rentals at 60% Avg. MFI rather than 80% MFI
PC 16	\$2,673,000	Capital Cost of Pier & Water Steps
PC 17	\$9,913,930	Revenue/Value Impact of Added Park Maintenance Costs
PC 20	\$15,682,140	Capital Cost of Specific TIA Improvements
PC 21	\$265,907,555	Affordable Housing at 60% and 80% on Bonus SF
CM KT 10	\$59,886,060	10% of Rentals at 60% MFI, 5% Condos at 80% MFI with HOA Affordability Adjustments

3. VALUE OF EXISTING PUD BENEFITS

There are six items included in the PUD proposal identified as community benefits because they are noncompulsory inclusions that are offered above-and-beyond the base requirements:

1. Affordable Housing Program

- 4% of rental units at 80% MFI and payment in-lieu for 4% of ownership units

2. Affordable Commercial Program

- 4% of commercial sq. ft. at 60% of market rate lease values

3. Underground Parking

- Placing 95% of required parking spaces in underground format

4. “Superior” Parkland Dedication & Improvement Fees

- Additional fee of \$100 per unit and per hotel room beyond payment of standard fees

5. Parkland Easement Maintenance Costs

- Dedication and ongoing maintenance of 1.59-acre park access easement

6. Dedicated Land for TIA Improvements

- Dedication of 1.92 acres of right-of-way for Barton Springs extension project

3. VALUE OF EXISTING PUD BENEFITS – RESULTS

The community benefits of the Project that the Developer has already agreed to are **estimated to cost a total of between \$117.6 and \$179.5 million.*** These include affordable housing and commercial space, the added costs of underground parking, park fees in excess of the City’s standards, parkland easement maintenance costs, and right-of-way dedications. The figures do not include parkland dedications, easements, or improvements that are also generally required of development not under a PUD.

PUD Agreed-Upon Benefits	Total Value	Description
Affordable Housing	\$30,346,200	4% of Rentals at 80% MFI, In-Lieu Fee for 4% of Condos
Affordable Commercial	\$1,862,069	4% of Retail Space rented at 60% of Market Value
Underground Parking	\$70,927,088	Added Cost of Constructing 3,981 Spaces Underground vs. Above-Ground
"Superior" Parkland Dedication & Improvement Fees	\$165,300	"Superior" Parkland Fees at \$100 per Unit and \$100 per Hotel Room
Parkland Easement Maintenance Costs	\$1,733,377	Capitalized Revenue Impact of \$91.9K Annual Costs for 1.59 Acres
<u>Dedicated Land for TIA Imp.</u>		1.92 Acres of Otherwise Developable Land for Barton Springs Extension and Bike / Ped Facility
Low Estimate	\$12,545,280	
High Estimate	<u>\$74,435,328</u>	
<u>Total</u>		
Low Estimate	\$117,579,314	
High Estimate	\$179,469,362	

Source: Economic & Planning Systems

*The range in estimates is due to the Dedicated Land for TIA Improvements cost estimate, as the value of land in this area can vary significantly depending on perspective – low estimate via City of Austin Financial Services Department, high estimate via Jones Lang LaSalle data for Austin CBD land comps between 2017-2021

CONCLUSION

- 1. Changes to market economics since the 2020 ECONorthwest analysis have increased the Statesman's funding shortfall**
 - Increases in construction costs have outpaced increases in achievable rents, deepening the funding gap from \$146 million in 2020 to between \$238–\$398 million in 2022
- 2. While each of the amendment requests would increase the existing funding gap identified, there is a wide range in how great of an additional gap each would create**
 - PC 16 is estimated to cost the least at \$2.7 million, while PC 21 is estimated to cost almost \$266 million
- 3. The community benefits included in the Project that have already been agreed to are estimated to be worth between \$118 and \$180 million**
 - The six identified community benefits are provided above and beyond what would normally be required

NEXT STEPS – EPS PHASE II ANALYSIS

- **At the City’s request, a more thorough analysis of overall Statesman PUD project economics, including a more detailed estimation of:**
 - Market-supported real estate values
 - Development costs
 - Differential between value lift of PUD zoning over base zoning (and how that compares to the value of agreed-upon benefits)
 - Ability of the project to bear community benefits beyond those already offered
- **Estimate the development value differential created by the City allowing a 525’ building height limit instead of the base maximum of 400’ and compute estimated City property tax revenues to be received through the differential**

APPENDIX

1. UPDATING 2020 FINDINGS – DETAIL

Triangulated the implied development cost of the Statesman Site from the 2020 ECONorthwest analysis as \$1.876 billion

- Added funding shortfall to the value of development, both values that were included in the presentation referenced in the footnote below

Item	Value
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Statesman Site (2019 Estimate)

Funding Shortfall	\$146,039,175
Value of Development	<u>\$1,729,770,257</u>
Implied Development Cost	\$1,875,809,432

Source: "SCW Financial Analysis & Calculator : September 23, 2020"
using 2019 market data; Economic & Planning Systems

1. UPDATING 2020 FINDINGS – DETAIL

Applied percent changes in market value metrics for each development type to the specific development mix of the Statesman program

- Applied land use-specific metrics to their appropriate land uses in order to weight the final percentage (24.7%) by the development mix

Land Use	Square Feet		Change in Market Value 2019 - 2022	Adjustment Factor
	#	%		
Residential				
Rental	1,336,500	38%	30.2%	CoStar Group data ¹
Ownership	308,500	9%	61.6%	Redfin data ²
Commercial				
Office	1,495,000	43%	15.6%	CoStar Group data ¹
Retail	150,000	4%	8.0%	CoStar Group data ¹
Hotel	220,000	6%	12.0%	CoStar Group data ¹
Total	3,510,000	100%	24.7%	Weighted average of market changes based on product mix³

[1] Changes in market values found using CoStar Group data for residential rental, office, and retail by taking percent change in asking rents from 2019 to 2022 (Year-To-Date) for Downtown Austin market area. Market value change for hotel found using CoStar Group data by taking percent change in monthly RevPAR for hospitality uses in the Downtown Austin market area from September 2019 to April 2022.

[2] Change in market value for residential ownership found using Redfin data by taking percent change in median condominium sale price from September 2019 to April 2022 within the 78704 Zip Code. The same data was also retrieved for Zip Code 78701 which returned a slightly lower percent change, so the more aggressive rate was used.

[3] Change in Market Values are weighted by percent of building square footage rather than the percent of market value each land use represents because that information was not possible to glean from materials to which EPS had access.

Source: CoStar Group; Redfin; Economic & Planning Systems

1. UPDATING 2020 FINDINGS – DETAIL

Applied percent changes in value metrics found previously and the percent changes in construction cost indices to the 2020 Statesman cost and value figures to inflate them to 2022 values

- Provided a low and high estimate using the Construction Cost Index (low) and the Building Cost Index (high)

Item	2019 Estimate ¹	Percent Change	May 2022 Estimate	Adjustment Factor
Project Value	\$1,729,770,257	24.7% ²	\$2,156,232,832	Percent change per Table 3
Project Cost				
Low Estimate	\$1,875,809,432	27.7%	\$2,394,668,200	ENR CCI for Dallas ³
High Estimate	\$1,875,809,432	36.1%	\$2,553,870,156	ENR BCI for Dallas ³
Project Shortfall				
Low Estimate				-\$238,435,368
High Estimate				-\$397,637,324

[1] 2019 estimates from ECONorthwest feasibility analysis dated September 23, 2020 which uses 2019 market data.

[2] Per **Table 3**.

[3] Construction Cost Index and Building Cost Index. Dallas is closest market for which Engineering News Record (ENR) publishes historic cost indices.

Source: Engineering News Record Construction Cost Index and Building Cost Index; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – PC14

Calculated incremental cost between PC14 request and the Developer’s existing affordability program offering

- Capitalized value of the differential between providing affordable units at 60% MFI compared to 80% MFI for all 48 proposed affordable units

Unit Type	Rent at 80% MFI ¹	Rent at 60% MFI ¹	Diff. per Month	Diff. per Year	Cap Rate ²	Unit Value Difference	# of Aff. Units ³	Total Value Difference
Studio	\$1,546	\$1,159	\$387	\$4,644	4.00%	\$116,100	8	\$928,800
1-Bedroom	\$1,656	\$1,242	\$414	\$4,968	4.00%	\$124,200	26	\$3,229,200
2-Bedroom	\$1,986	\$1,489	\$497	\$5,964	4.00%	\$149,100	12	\$1,789,200
3-Bedroom	\$2,295	\$1,721	\$574	\$6,885	4.00%	\$172,125	<u>2</u>	<u>\$344,250</u>
Total							48	\$6,291,450
<i>Formula</i>	<i>a</i>	<i>b</i>	<i>c = a - b</i>	<i>d = c * 12</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>f * g</i>

[1] Maximum rents for various unit sizes provided by AHFC.

[2] Capitalization Rate from CoStar Group data for Class A Multifamily in Downtown Austin.

[3] Affordable unit count reflects 4 percent of rental units per PUD plan.

Source: Austin Housing Finance Corporation; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – PC16

Cost estimates for the PC16 request items provided by DPR Construction

Item	Cost Estimate	Notes
Pier	\$1,925,000	per DPR Construction ¹
Water Steps	<u>\$748,000</u>	per DPR Construction ¹
Total	\$2,673,000	

[1] Cost estimates provided by DPR Construction (the Developer's contractor) via the Developer.

Source: DPR Construction; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – PC17

Capitalized value of the estimated maintenance cost per acre for maintaining the 6.53 acres of dedicated waterfront parkland

- Maintenance cost estimate provided by the City of Austin Parks and Recreation Department (Developer's estimate was much higher)

Item	Value	Formula	Description
City Parkland Acres	6.53	<i>a</i>	Dedicated waterfront parkland excluding 1.59-acre parkland easement PUD will maintain.
Maintenance Cost per Acre	\$80,465	<i>b</i>	Estimate per City of Austin Parks and Recreation Department
Total Annual Costs	\$525,438	$c = a * b$	
Cap Rate	5.3%	<i>d</i>	CoStar Group capitalization rate for Downtown Austin Class A commercial properties as of May 2022.
Impact on PUD Feasibility	\$9,913,930	c / d	Deduction to project value based on operating expenses of parkland maintenance.

Source: City of Austin Parks and Recreation Department; CoStar Group; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – PC20

Cost estimates for the PC20 request items provided by DPR Construction

Improvement ¹	Location ¹	Cost Estimate ²
Barton Springs Extension	Barton Springs Rd east of S Congress Ave	\$15,494,000
6 ft Protected Bike Lane with 2 ft Curb Buffer	East curb of S Congress Ave between Bridge to Riverside Dr	\$188,140
Bike and Pedestrian Facility	Riverside Drive Access	(Included in Barton Springs cost estimate above)
Total		\$15,682,140

[1] Per Table 2 of "Statesman PUD - 305 S. Congress Transportation Impact Analysis Final Memo C814-89-0003.02" dated December 13, 2021.

[2] Cost estimates provided by DPR Construction (the Developer's contractor) via the Developer.

Source: DPR Construction; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – PC21

This table estimates the total implied subsidy of providing the PC 21 request

- PC 21 seeks to require affordability based on proportions of the bonus square footage of the entire project, not just the proportion of residential uses or units, and thus has a very high impact
- PUD Proposal of 3.515 million gross sq. ft. (GSF) less base zoning of 660,000 GSF = 2.855 million GSF “bonus square footage”
- The \$296 million is not the final result, as the Developer’s currently proposed affordability program must be netted out from this (on next slide)

Item	Formula	PC 21 Request
<u>Rental Unit Financial Impact</u>		
Monthly Market Rate Rents per Sq. Ft. ¹	<i>a</i>	\$4.00
Monthly Affordable 60% MFI Rents per Sq. Ft. ²	<i>b</i>	\$1.45
Monthly Rent Reduction per Sq. Ft.	$c = a - b$	\$2.55
Annual Rent Reduction per Sq. Ft.	$d = c * 12$	\$30.56
10% of Bonus Sq. Ft. ³	<i>e</i>	285,500
Total Annual Rent Reduction	$f = d * e$	\$8,723,467
Cap Rate ⁴	<i>g</i>	4.00%
Impact on Project Value	$h = f / g$	\$218,086,684
<u>For-Sale Financial Unit Impact</u>		
Market Rate Sales Price per Sq. Ft. ⁵	<i>i</i>	\$727.40
Affordable 80% MFI Sales Price per Sq. Ft. ⁶	<i>j</i>	\$179.82
Price Reduction per Sq. Ft.	$k = i - j$	\$547.58
5% of Bonus Sq. Ft. ³	<i>l</i>	142,750
Impact on Project Value	$m = k * l$	\$78,167,071
Total Implied Subsidy of PC 21 Request	$h + m$	\$296,253,755

[1] Value based on Developer's pro forma but consistent with CoStar data on asking rents for Downtown Austin Class A Multifamily.
 [2] Blended average of City-provided unit rents at 60% MFI as applied to Developer's proposed rental unit mix.
 [3] Total bonus square feet calculated as 2,855,000.
 [4] Capitalization Rate from CoStar Group data for Class A Multifamily in Downtown Austin as of May 2022.
 [5] Based on ECONorthwest's 2019 market assumptions inflated to current market value based on 61% growth in median condo sale prices from 2019 - 2022 in Zip Code 78704 per Redfin.
 [6] Blended average of City-determined affordable sales prices by unit as applied to Developer's proposed for-sale unit mix.

Source: Endeavor Real Estate Group; CoStar Group; City of Austin; Redfin; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – PC21

This table estimates the total implied subsidy of the Developer's existing affordability program and nets out the value of the PC 21 request (previous slide)

Item	Formula	Developer's Proposed Affordability Plan
<u>Rental Unit Financial Impact</u>		
Monthly Market Rate Rents per Sq. Ft. ¹	<i>a</i>	\$4.00
Monthly Affordable 80% MFI Rents per Sq. Ft. ²	<i>b</i>	\$1.94
Monthly Rent Reduction per Sq. Ft.	$c = a - b$	\$2.06
Annual Rent Reduction per Sq. Ft.	$d = c * 12$	\$24.74
Affordable Sq. Ft. (4% of all Rental Units)	<i>e</i>	43,250
Total Annual Rent Reduction	$f = d * e$	\$1,069,848
Cap Rate ³	<i>g</i>	4.00%
Impact on Project Value	$h = f / g$	\$26,746,200
<u>For-Sale Unit Financial Impact</u>		
Total For-Sale Units	<i>i</i>	190
4% of For-Sale Units	$j = i * 0.04$	8
In-Lieu Fee per Required Affordable Unit	<i>k</i>	\$450,000
Total In-Lieu Fee	$l = j * k$	\$3,600,000
Total Implied or Direct Subsidy of Developer Proposal	$h + m$	\$30,346,200
Total Implied Subsidy of PC 21 Request	per Table 10	\$296,253,755
Subsidy Difference between Developer's Proposal and PC 21		\$265,907,555

[1] Value based on Developer's pro forma but consistent with CoStar data on asking rents for Downtown Austin Class A Multifamily.

[2] Blended average of City-provided unit rents at 80% MFI as applied to Developer's proposed rental unit mix.

[3] Capitalization Rate from CoStar Group data for Class A Multifamily in Downtown Austin as of May 2022.

Source: Endeavor Real Estate Group; CoStar Group; City of Austin; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – CMKT10

This table estimates the maximum prices the Developer would be allowed to charge for ownership units at 80% MFI with HOA fees included

- As shown, the inclusion of market-rate HOA fees significantly reduces the allowable sale price, and in the case of the 3-bedroom units, drops it into the negative

Staff has acknowledged HOA fees act as a significant hindrance to the provision of affordable units in luxury high rise condos in desirable Austin areas

Item	1 Bedroom Unit	2 Bedroom Unit	3 Bedroom Unit	Total
Affordable Price Point Calculation				
Household Size	1	2	3	
Maximum Income at 80% MFI ¹	\$55,400	\$63,300	\$71,200	
Target Buyer Income ¹	\$48,450	\$55,400	\$62,300	
Target Buyer Monthly Income	\$4,038	\$4,617	\$5,192	
Target Front End ratio	\$1,413.13	\$1,615.83	\$1,817.08	
Avg. Unit Sq. Ft.	1,000	1,450	2,211	
Avg. Monthly HOA Fee per Sq. Ft. ²	\$0.87	\$0.87	\$0.87	
Monthly HOA Fee	\$865.00	\$1,254.25	\$1,912.52	
Monthly Taxes ³	\$149	\$96	\$0	
Monthly Insurance	\$15	\$18	\$20	
Monthly Ground Lease Fee	-	-	-	
Monthly Reserve Fee	-	-	-	
Principal & Interest	\$384.13	\$247.58	-\$115.43	
Monthly Interest Rate	4.00%	4.00%	4.00%	
Loan Period (in months)	360	360	360	
Down payment and closing costs	-	-	-	
Affordable Mortgage	\$80,727.50	\$52,031.98	-\$24,259.05	
Affordable Price	\$80,700	\$52,000	-\$24,300	
Proposed Ownership Program				
Unit Mix	50%	40%	10%	100%
Ownership Units	95	76	19	190
Sq. Ft. per Unit	1,000	1,450	2,211	
Total Sq. Ft.	95,000	110,200	42,009	247,209
Affordable Price ⁴	\$80,700	\$52,000	\$0	
Affordable Price per Sq. Ft.	\$80.70	\$35.86	\$0.00	\$47.00

[1] per City of Austin, Neighborhood Housing and Community Development Office.

[2] Average of the per sq. ft. HOA Fees of two recently constructed high-rise residential condo towers in Austin (Austin Proper and the Austonian).

[3] Monthly taxes set to equal 2.22% of affordable price, which is the current tax rate on properties within Austin.

[4] Affordable Price values from above. Value for the 3 Bedroom Unit set to 0 as the calculated price is negative.

Source: City of Austin, Neighborhood Housing and Community Development Office; Endeavor Real Estate Group; Economic & Planning Systems

2. ADDITIONAL REQUESTS – DETAIL – CMKT10

This table nets out the implied subsidy of the CMKT10 request (previous slide) from the Developer's proposed affordability program to arrive at the final value

Item	Formula	CM KT 10 Request
Rental Unit Financial Impact		
Monthly Market Rate Rents per Sq. Ft. ¹	<i>a</i>	\$4.00
Monthly Affordable 60% MFI Rents per Sq. Ft. ²	<i>b</i>	\$1.45
Monthly Rent Reduction per Sq. Ft.	$c = a - b$	\$2.55
Annual Rent Reduction per Sq. Ft.	$d = c * 12$	\$30.56
10% of Rental Residential Sq. Ft. ³	<i>e</i>	107,115
Total Annual Rent Reduction	$f = d * e$	\$3,272,889
Cap Rate ⁴	<i>g</i>	4.00%
Impact on Project Value	$h = f / g$	\$81,822,228
For-Sale Unit Financial Impact		
Market Rate Sales Price per Sq. Ft. ⁵	<i>i</i>	\$727.40
Affordable 80% MFI Sales Price per Sq. Ft. (with HOA Fee) ⁶	<i>j</i>	\$47.00
Price Reduction per Sq. Ft.	$k = i - j$	\$680.40
5% of Ownership Residential Sq. Ft. ⁷	<i>l</i>	12,360
Impact on Project Value	$m = k * l$	\$8,410,032
Total Implied Subsidy of CM KT 10 Request	$h + m$	\$90,232,260
Total Implied or Direct Subsidy of Developer Proposal	<i>per Table 11</i>	\$30,346,200
Subsidy Difference between Developer's Proposal and CM KT 10		\$59,886,060

[1] Value based on Developer's pro forma but consistent with CoStar data on asking rents for Downtown Austin Class A Multifamily.

[2] Blended average of City-provided unit rents at 60% MFI as applied to Developer's proposed rental unit mix.

[3] Total rental residential square feet is 1,071,145 per unit mix data provided by Developer.

[4] Capitalization Rate from CoStar Group data for Class A Multifamily in Downtown Austin as of May 2022.

[5] Based on ECONorthwest's 2019 market assumptions inflated to current market value based on 61% growth in median condo sale prices from 2019 - 2022 in Zip Code 78704 per Redfin.

[6] Per **Table 12**.

[7] Total ownership residential square feet is 247,209 per unit mix data provided by Developer.

Source: Endeavor Real Estate Group; CoStar Group; City of Austin; Redfin; Economic & Planning Systems

3. VALUE OF EXISTING PUD BENEFITS – DETAIL

AFFORDABLE COMMERCIAL

Item	Formula	Value
Total Project Retail Sq. Ft.	<i>a</i>	150,000
Percent to be Discounted	<i>b</i>	4.00%
Discounted Retail Sq. Ft.	$c = a * b$	6,000
Monthly Market Rate NNN Lease Rate per Sq. Ft. ¹	<i>d</i>	\$45.00
Discounted to 60% ²	$e = d * 0.6$	\$27.00
Implied Discount per Sq. Ft.	$f = d - e$	\$18.00
Total Discount per Year	$g = c * f$	\$108,000
Cap Rate ³	<i>h</i>	5.80%
Impact on Project Value	g / h	\$1,862,069

Capitalized value of the total square footage of commercial space being offered at 60% of market rents

[1] Average annual NNN (Triple Net) rent from CoStar Group data for Retail developments built since 2010 in Downtown Austin as of May 2022.

[2] Planning Commission has requested that discounted space be offered at 60% of market rate.

[3] Capitalization Rate from CoStar Group data for Retail in Downtown Austin as of May 2022.

Source: CoStar Group; Economic & Planning Systems

3. VALUE OF EXISTING PUD BENEFITS – DETAIL

UNDERGROUND PARKING

Item	Formula	Value
Cost per Underground Parking Space ¹	<i>a</i>	\$65,816
Cost per Above-Ground Parking Space ¹	<i>b</i>	\$48,000
Cost Difference per Space	$c = a - b$	\$17,816
Proposed Underground Parking Spaces	<i>d</i>	3,981
Total Added Cost of Underground Parking	$c * d$	\$70,927,088

Cost differential between constructing the 3,981 parking spaces underground instead of in an above-ground format

[1] Hard costs provided by DPR Construction via the Developer. Soft costs of 20 percent of hard costs added to arrive at values shown.

Source: DPR Construction; Economic & Planning Systems

3. VALUE OF EXISTING PUD BENEFITS – DETAIL

“SUPERIOR” PARKLAND DEDICATION & IMPROVEMENT FEES

Item	Formula	Value
Proposed Housing Units ¹	<i>a</i>	1,378
Additional Parkland Fee per Unit	<i>b</i>	\$100
Proposed Hotel Rooms	<i>c</i>	275
Additional Parkland Fee per Room	<i>d</i>	\$100
Total "Superior" Parkland Fees	$(a * b) + (c * d)$	\$165,300

[1] EPS assumes the additional parkland fee per unit is charged to all units, not just the Market Rate units.

Source: Economic & Planning Systems

3. VALUE OF EXISTING PUD BENEFITS – DETAIL

PARKLAND EASEMENT MAINTENANCE COSTS

Item	Formula	Value
Estimated Annual Maintenance Cost of 1.59-Acre Easement ²	<i>a</i>	\$91,869
Cap Rate ²	<i>b</i>	5.3%
Impact on Project Feasibility	<i>a / b</i>	\$1,733,377

Capitalized value of estimated annual maintenance cost is a negative impact on Project feasibility as it is an ongoing operating expense

[1] Estimate provided by the City of Austin Parks and Recreation Department.

[2] CoStar Group capitalization rate for Downtown Austin Class A commercial properties as of May 2022.

Source: City of Austin Parks and Recreation Department; CoStar Group; Economic & Planning Systems

3. VALUE OF EXISTING PUD BENEFITS – DETAIL

DEDICATED LAND FOR TIA IMPROVEMENTS

Description	Formula	Value
Dedicated Right-Of-Way Acreage	<i>a</i>	1.92
<u>Land Value per Sq. Ft.</u>		
Low Estimate ¹	<i>b</i>	\$150
High Estimate ²	<i>c</i>	\$890
<u>Land Value per Acre</u>		
Low Estimate	$d = b * 43,560$	\$6,534,000
High Estimate	$e = c * 43,560$	\$38,768,400
<u>Total Value</u>		
Low Estimate	$a * d$	\$12,545,280
High Estimate	$a * e$	\$74,435,328

Estimated land value in this area applied to the 1.92 acres of land being dedicated to right-of-way

[1] Low Estimate via City of Austin Financial Services Department.

[2] High Estimate via JLL CBD Land Sale Comps for Austin Texas between 2017 and 2021.

Source: City of Austin Financial Services Department; JLL; Economic & Planning Systems