

## Q&A – Additional Questions from Council Work Session

Items #27 and #28

### 1. Please provide an overview of the overall cost of the project

The Convention Center is currently in the solicitation phase for design services and construction management firms for the Convention Center Redevelopment and Expansion Project. City staff will release more details about the financial and cost projections associated with the project once we receive Council approval and the contractual agreements have been executed. Releasing these projections prior to achieving these two key project milestones would have a negative financial impact on the ability of the City to secure the most advantageous terms in the final contractual agreements. These financial projections were created by City staff from the Convention Center, Financial Services, and Capital Delivery Services working closely with HVS Consulting, Conventional Wisdom, and the City's financial advisor (PFM). This integrated team will continue to work together to ensure that the most effective methodologies for management of the applicable costs are applied through the life of project.

The estimated preliminary budget and performance baseline for the Austin Convention Center Redevelopment project is expected to be approximately \$1.4-1.6 billion dollars. Approximately \$1.2 billion is estimated for construction costs – referred to as hard costs by the industry – includes construction manager, building materials and labor, construction insurance, and construction permits and fees. The remainder of the preliminary baseline budget is approximately \$400 million for all the other costs – referred to as soft costs by the industry – not related to direct building construction. The industry standard for these costs is typically between 30-35% of the cost of construction. These include architectural and engineering consultants, project management, quality assurance and control, site and building permits, and miscellaneous costs. A contingency has also been set aside to address any unknown conditions or challenges as well as for risks that have been identified that could occur during the implementation of the project. The project budget will continue to be refined as the project progresses, and the additional contracts will come before the Council before approval.

In August 2019, the Austin City Council [authorized](#) an increase in the municipal hotel occupancy tax rate (HOT) from 7% to 9% in support of an expansion of the Austin Convention Center. This 2% Chapter 351 HOT, along with the 4.5% HOT and Convention Center facility revenues, comprise the financing revenue for this project. The current plan of finance for the Convention Center expansion is considering the issuance of multiple series of bonds between 2026 and 2029 as construction occurs and construction cashflow is needed. Bonding capacity is being modeled with a focus on a minimum HOT revenue to debt service ratio of a 125% (or 1.25x debt service coverage), which is the minimum coverage ratio for an A bond rating. Currently, the City's Convention Center credit has a bond rating of "A", which is attributable to strong trends in HOT revenue, robust debt coverage ratio levels, and good financial management. The actual debt service costs will depend on a variety of factors including the ultimate cost of the Convention Center redevelopment and expansion design, bond structuring, and interest rates on the bonds (which is directly related to credit ratings and the interest rate environment at the time of issuance). In addition to debt that will be issued in support of this project, the Convention Center will contribute funds available for this project from the Capital Fund over the construction period, closing the gap between the bonding capacity and the estimated project costs.

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**2. Please provide a high-level overview of how the economic impact for the redevelopment and expansion was calculated.**

Due diligence for the Convention Center redevelopment and expansion project included an updated economic impact study based on the proof of concept. The full report was completed in December 2021 and may be found [here](#). A summary of the economic impact from the redevelopment and expansion project is below:

<b>FIGURE 1-9 ANNUAL ECONOMIC IMPACT SUMMARY (\$ 2020)</b>			
<b>Summary of Impacts*</b>	<b>Current ACC</b>	<b>Increase from Expansion</b>	<b>Total</b>
Economic Impact (millions)	\$468.8	\$285.0	\$753.8
Fiscal Impact (millions)	\$11.75	\$13.85	\$25.60
Jobs	2,715	1,622	4,337
*In a stabilized year.			

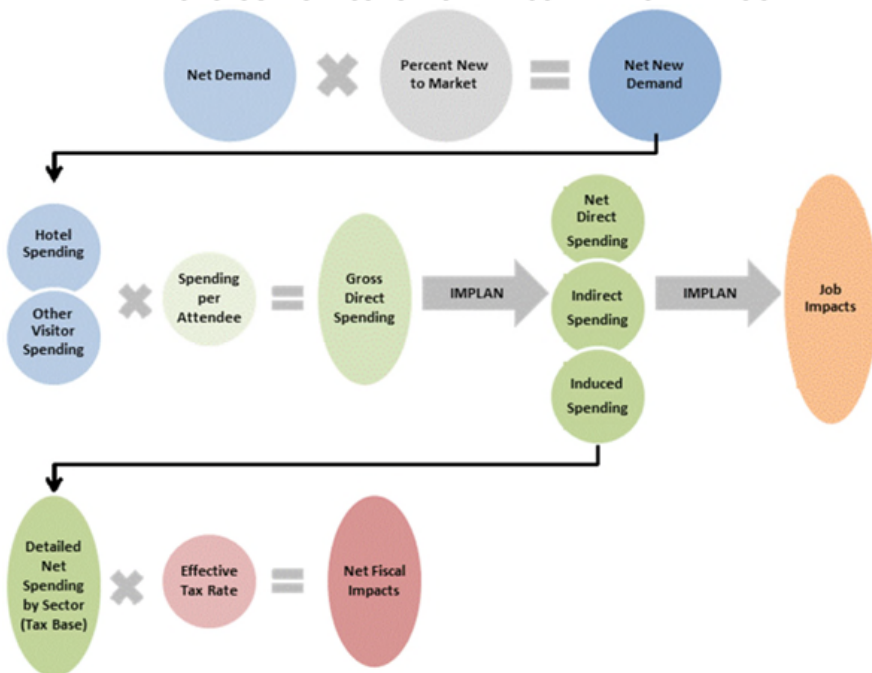
Page 73 of the PDF (Section 5) includes the following calculation graphic for arriving at the economic impact of the expanded Austin Convention Center on the local economy. Their methodology evaluated the spending that new visitors, event organizers, and exhibitors would generate in Austin as a result of the new Convention Center.

## 5. Economic Impact

Based on the demand projections presented in this report under each scenario, HVS identified the new spending that would occur in the local economy due to the proposed redevelopment and expansion of the Austin Convention Center (“ACC”). HVS estimated the amounts of income and employment that new visitors, event organizers, and exhibitors would generate in Austin annually once demand has stabilized. HVS compared the economic impact generated by the ACC from 2019 until 2032 under the one-phase and two-phase construction scenarios.

The figure below demonstrates our methodology.

**FIGURE 5-1  
METHODOLOGY FOR ECONOMIC AND FISCAL IMPACT ANALYSIS**



### 3. What does the revenue from the potential private development look like?

The Proof-of-Concept document for the Convention Center redevelopment and expansion plan includes a potential private development opportunity on a portion of the existing site. City staff has engaged Hayat Brown as P3 Advisor to evaluate the feasibility of any potential development, including an exploration of all the revenue components of the potential development. We will continue to work with our legal department, Financial Services, and other relevant departments as we move forward. Staff will be reaching out to the Council offices to schedule individual meetings related to this effort in the coming weeks, and as the project progresses, regular updates on the design and financials. Lastly, staff will bring forward the contract with the selected developer for approval.