



# South Central Waterfront TIRZ Work Session

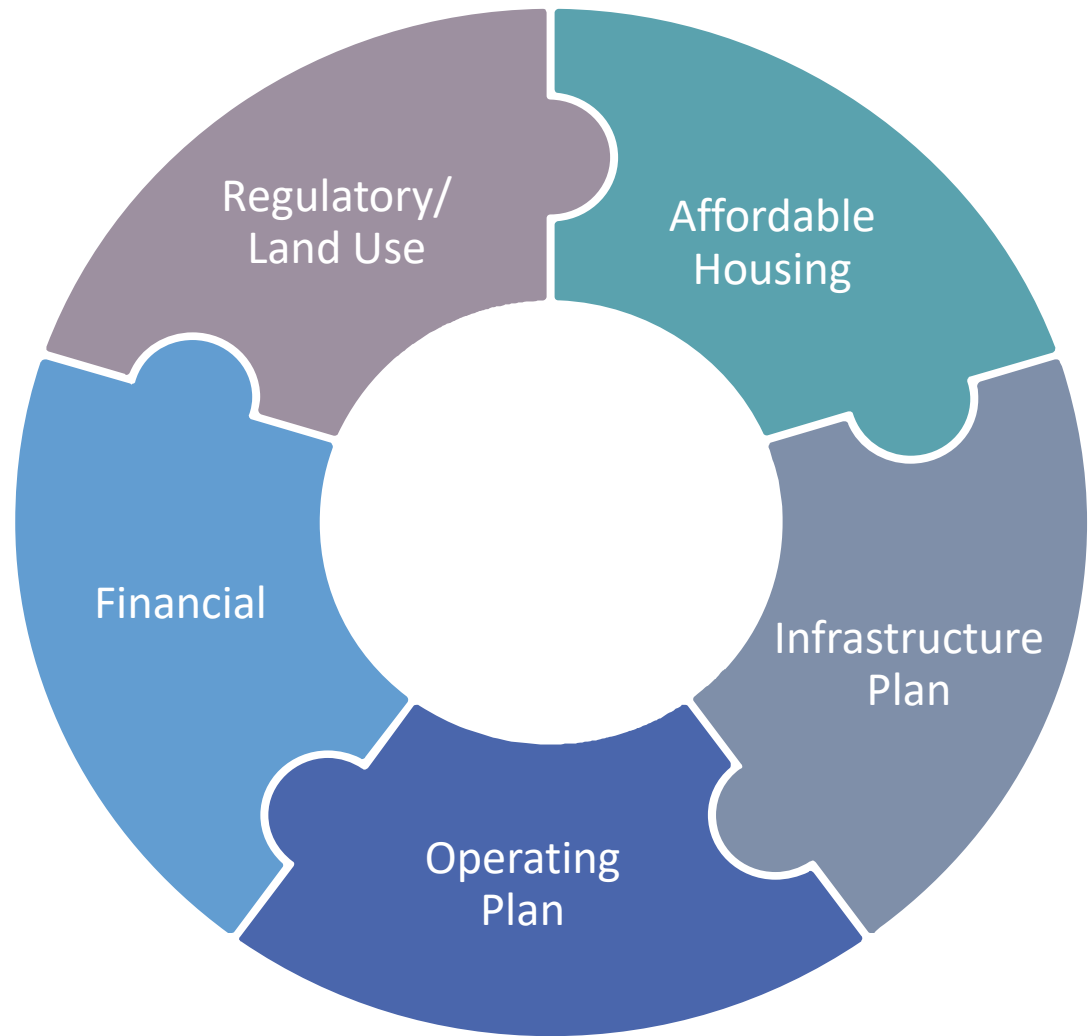
February 1, 2022



# Agenda

1. Structure to Achieve SCW Vision
2. Affordable Housing Policies and Tools
2. Statutory TIF Requirements
3. TIF Scenarios
4. SCW Estimated Project Costs
6. Funding Gap
7. Roles and Responsibilities
8. Implementation Strategy
9. Principal Decision Points

# Structure to Achieve SCW Vision



# Policies Guiding Affordable Housing in the SCW

## SCW Vision Framework

- Envisions 20% of housing units within the district to be income-restricted affordable to households earning
  - 60% - 80% MFI for rental
  - 100% - 120% MFI for ownership
- Envisions a district-wide goal requiring City and developer participation
  - Varying set-aside rates at the parcel level depending on other community benefit contributions outlined in the plan
  - Anticipates partially achieving affordability goals on the only City-owned property within the district – One Texas Center

## Council Adopted TIF Policy

- Requires participation by the private sector and/or other tax entities
- Requires that 20% of any housing developing as part of the TIF project plan be income-restricted affordable to households earning
  - 60% MFI for rental
  - 80% MFI for ownership
- More stringent in terms of funding and development requirements
- Expects developer participation as opposed to TIRZ funding all affordable housing (e.g. Mueller)

# Affordable Housing Tools

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## Regulatory Tools

- Developer Incentives
  - Density bonus programs
  - Fee waivers
- PUD
  - Site-specific negotiated development agreements

## Financial Tools

- TIRZ
- Voter-Approved Bonds
- Housing Trust Fund
- Federal Funding
- Tax Credits

## City-Owned Land

- Partnerships
- Community Land Trusts

# Statutory TIF Requirements

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- Must verify a clear and significant “but for” criterion, whereby development or redevelopment within the zone would not occur in the reasonably foreseeable future but for public investment (i.e. development will not occur solely through private 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

# Tax Increment Financing Scenarios

|                              | 46% Contribution* |                     | 80% Contribution** |                     |
|------------------------------|-------------------|---------------------|--------------------|---------------------|
|                              | With River South  | Without River South | With River South   | Without River South |
| <b>Cumulative Revenue</b>    | \$167.2M          | \$153.6M            | \$290.8M           | \$267.5M            |
| <b>Est. Debt Capacity***</b> | \$104.0M          | \$95.5M             | \$180.5M           | \$166.5M            |

\* 46% contribution is based on contributing only that property tax revenue associated with the “but for” value growth and less the revenue dedicated to Project Connect/Austin Transit Partnership.

\*\* 80% contribution is based on contributing 100% of the property tax revenue less a conservative estimate of the portion dedicated to Project Connect/Austin Transit Partnership.

\*\*\* Debt capacity is calculated based on entire total revenue estimate. This amount will be reduced once accounting for any cash contributions required for administration and other needs of the TIRZ.

# Estimated SCW Infrastructure Costs

- Estimates do not include AEDC administrative expenses, affordable housing, or operations and maintenance of amenities.
- Financing options:
  - Department CIP appropriations
  - New voter approved bond program
  - Economic incentive agreement(s)
  - Public-Private Partnerships
  - Public Improvement District
  - Municipal Management District
  - Tax Increment Financing (TIF/TIRZ)

| Public Benefit       | Description   | Cost Estimates*<br>(\$ 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                               |
| <b>TOTAL</b>         |   | <b>\$277.0</b>                      |

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



# Funding the Gap

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- **Debt capacity is not sufficient for TIRZ to fund all SCW plan infrastructure improvements**
- Consider reducing scale of project scope
- Negotiate with developers to fund certain improvements (e.g. affordable housing)
- Look to other financing options such as voter-approved bonds, etc.
- Utilize a “tiered” infrastructure plan for TIRZ funded projects
  - Tier One projects are prioritized and remaining tiers would be implemented as revenue is available

# Roles and Responsibilities

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- City is responsible for putting in place the financial, regulatory and policy tools to transition the 2016 Vision Plan from a highly conceptual framework to market feasibility.
- AEDC will have an advisory role to ensure the market will deliver the community benefits described in the Vision
- AEDC will provide professional services to implement the SCW TIRZ project plan with City support by:
  - Developing guidelines for internal and external stakeholders to operationalize the Vision
  - Coordinating with City on utilities, streets, and infrastructure investments
  - Marketing and promoting the South Central Waterfront Vision
  - Recruiting and negotiating voluntary participation of property owners
  - Supporting applicants through City processes
  - Engaging City Council, SCW Advisory Board, stakeholders, and media

# South Central Waterfront Vision

## Roles & Responsibilities of City and Austin Economic Development Corporation

| SCW Vision Component                | City of Austin   | Austin Economic Development Corporation  |
|-------------------------------------|--|--|
| Regulating Plan                     | HPD leads, until adopted, then all Departments provide support, as needed  | AEDC advises HPD on market feasibility during drafting, then leads implementation.           |
| Streets, infrastructure & utilities | Staff supports AEDC  | Coordinates relevant City departments on needed improvements                                 |
| Affordable Housing                  | HPD prepares regulatory and financial tools required to achieve 20% affordability goal, including tapping GO Bonds, Housing Trust Fund, Public Finance Corporation and existing programs | Advise on market feasibility. Market program to encourage participation.                     |
| Other Community Benefits            | EDD coordinates with relevant departments on regulatory and financial tools needed to achieve other community benefits   | Advise on market feasibility. Market program to encourage participation.                     |
| Financial Tools                     | FSD leads efforts with relevant departments to identify financial tools and funding, such as CIP, General Fund, GO Bonds, TIRZ19, PID(s)   | Advise on market feasibility of financials tools. Market program to encourage participation. |
| One Texas Center redevelopment      | SFGT with support from HPD and BSD lead; redevelopment to include affordable housing and municipal office buildings  | Advise as needed.  |

# SCW Vision Implementation Strategy

| Month 1  | Month 2  | Months 3-6      | Months 7-9  | Implementation                        |
|--|--|-----------------|---|---------------------------------------|
| Overall Plan   | City Council: Governance                           |                 |   |                                       |
| Amended Prelim TIRZ Plan   |  | Final TIRZ Plan |   |                                       |
|  |  |                 | Approvals   | Implementation                        |
| <b>Finance:</b> Financial Plan & Projections, Additional Financing Tools |  |                 | Debt Issuances, Fund Mgmt, Projections, Reporting                                 |                                       |
| <b>HPD:</b> Regulating Land Use Plan                                     |  |                 | EDD/HPD/ATD/Public Works/PARD:<br>Implementation Support and Coordination, Policy |                                       |
|  | <b>HPD:</b> Affordable Housing Tools & Funding     |                 |   |                                       |
|  | <b>EDD/AEDC:</b> Operations Plan, Additional Tools |                 |   |                                       |
|  | <b>AEDC:</b> Infrastructure Project Plan           |                 |   | Implementation, Oversight & Reporting |
|  | <b>AEDC:</b> TIRZ Administrative Budget            |                 |   |                                       |

# Principal Decision Points

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- Geographic Boundary
  - With or without River South property
  - General Fund impact by including in the TIRZ base
- Project Prioritization
  - Street network deemed to be foundational to supporting development
  - Affordable housing
  - Tiers
- Tax increment contribution rate
  - General Fund impact from allocating new construction value to the TIRZ that would have occurred without public investment





# Questions and Discussion