

**Waller Creek
Tax Increment Financing Reinvestment Zone
City of Austin
Tax Increment Financing Reinvestment Zone No. 17**

**Preliminary Project Plan
and
Reinvestment Zone Financing Plan**

June 13, 2007

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Executive Summary

The proposed zone is to be located within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Town Lake; on the south by Town Lake from Trinity Street east to Cumming Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street.

The purpose of the Waller Creek Tunnel project, which is to be financed through the subject Tax Increment Financing Reinvestment Zone (TIF), is to provide 100-year storm event flood protection with no out-of-bank or roadway flooding for the lower Waller Creek watershed. The project will provide flood protection to existing buildings, prevent the flooding of roadway crossings, and reduce the width of the floodplain. The reduction in floodplain area resulting from the project will significantly increase the amount of developable land area in the lower Waller Creek watershed.

The proposed tunnel will be 22 feet in diameter and approximately 5400 feet in length. The tunnel will originate in Waterloo Park near East 12th Street with discharge to Town Lake. The tunnel alignment is generally beneath Sabine Street. Significant inlet and outlet structures are required and because the structures are in parkland, aesthetics of the structures are a major consideration. The inlet structure will include a pond, a morning-glory shaped inlet structure, small dam, access bridge, pump building and significant landscaping enhancements. The inlet also includes mechanical screens to ensure operational reliability and a system to pump small quantities of water from the tunnel to the creek. This pumped water will augment the base flow in the creek and by so doing enhance its aesthetic appeal and water quality. The outlet structure includes a pond, an outlet shaft, and a de-watering pump system. A floating stage may be located on the outlet shaft. An outdoor amphitheater may be built on the slopes surrounding the outlet pond. The park facilities to be located at the tunnel inlet and outlet will be finalized following meetings with the public and Parks and Recreation Department Board. The total estimated cost of the project is \$127,547,000 (in June 2006 dollars).

The Waller Creek tunnel project will spur economic development throughout downtown, in particular in an area where development has lagged the rest of the city. The project will enhance the parkland and trail along the creek by providing amenities in Waterloo Park and on Town Lake and by preventing flooding and reducing streambank erosion. Further, the project's water re-circulation efforts will supplement stream base flow and enhance the quality of water flowing into Town Lake. The project is also expected to improve the connectivity between east and west Austin, and with its parkland enhancement and anticipated economic development stimulus, promote tourism by convention and other

visitors.

To finance this project, the City of Austin proposes the formation of a tax increment financing reinvestment zone (TIF) in accordance with state law. In a TIF, one or more political subdivisions contribute up to 100% of the property tax on the increase in value (tax increment) to TIF purposes. Under the proposal, the City of Austin will contribute 100% of its tax increment, and Travis County will contribute 50% of its tax increment. The project will be funded by the issuance of debt that will be repaid primarily from the revenues of a 20-year tax increment financing zone (a “TIF”). At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

Project Plan

Introduction

This document is the Preliminary Project Plan for the Waller Creek Tax Increment Financing Reinvestment Zone for the Lower Waller Creek Flood Control Improvements, City of Austin, Texas as required by Chapter 311 of the Texas Tax Code. The Zone is on the eastern edge of the downtown area of Austin, Texas. The purpose of the Zone is to finance reimbursements of costs associated with flood control improvements in the Waller Creek watershed of the City of Austin, Texas.

The flood control improvements are public infrastructure. The proposed tunnel will be 22 feet in diameter and approximately 5400 feet in length. The tunnel will originate in Waterloo Park near East 12th Street with discharge to Town Lake. The tunnel alignment is generally beneath Sabine Street. Significant inlet and outlet structures are required and because the structures are in parkland, aesthetics of the structures are a major consideration. The inlet structure will include a pond, a morning-glory shaped inlet structure, small dam, access bridge, pump building and significant landscaping enhancements. The inlet also includes mechanical screens to ensure operational reliability and a system to pump small quantities of water from the tunnel to the creek. This pumped water will augment the base flow in the creek and by so doing enhance its aesthetic appeal and water quality. Approximately four storm water inlets along the lower Waller Creek downstream of the tunnel inlet and a parallel smaller diameter tunnel originating near East 3rd Street and terminating at the tunnel outlet will provide for the diversion of storm water entering the lower Waller Creek channel. The outlet structure includes a pond, an outlet shaft, and a de-watering pump system. A floating stage may be located on the outlet shaft. An outdoor amphitheater may be built on the slopes surrounding the outlet pond. The park facilities to be located at the tunnel inlet and outlet will be finalized following meetings with the public and Parks and Recreation Department Board.

Expenditures associated with the design and construction project and other project-related costs including easements and right-of-way will be funded by tax increment revenues derived from increases in property values resulting from the new development.

I. Maps Showing Existing Floodplain and Map Showing Proposed Floodplain

The Zone includes approximately 126 acres. The proposed zone is to be located within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Town Lake; on the south by Town Lake from Trinity Street east to Cumming Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street. Existing land use includes commercial, residential and public use including park land. The extent of the floodplain within the proposed Zone precludes many development options.

Exhibits 1 and 2 show the existing floodplain and post-project floodplains in the Zone. Exhibit 3 shows the Zone boundary. Renderings of the Waller Creek Tunnel inlet and outlet are shown in Exhibits 5 and 6.

II. Proposed Changes of Zoning Ordinances, the Master Plan of the Municipality, Building Codes, and Other Municipal Ordinances

All project construction is anticipated to adhere to existing design and building criteria. Currently, there are no proposed changes to City ordinances, master plans or building codes. In the future, regulatory changes may be recommended as part of the Downtown Austin Master Plan (Downtown Plan).

Downtown Plan

As a city, Austin is seen as one of the best in the country, with a long and growing list of “Bests,” including:

- 1st place - “Best Large City for Relocating Families” (The Worldwide Employee Relocation Council (ERC), Primacy Relocation and Sperling's BestPlaces, June 2004)
- 1st place (for the second consecutive year) – “Top 10 Cities for Hispanics to Live In” (Hispanic magazine, August 2005)
- 2nd place - Top Creative Class Cities (The Rise of the Creative Class, Richard Florida, 2002)
- 2nd place - "Ten Greenest Cities" list. (Vegetarian Times' July/August 2005)
- 3rd place - "Best Places" for business and careers (Forbes, May 2005)
- 6th place - Nation's top tech hubs (Silicon Valley study, September 2005)
- 11th place - “The 25 Best Running Cities in America” and (Runner's World July 2005)
- One of the top 10 cities to be a dog. (DogFancy November 2005)

At the heart of all these accolades are Austin's citizens, their love for the City, and in a very tangible sense, downtown. Downtown Austin is the city's central business district, the entertainment hub, the primary tourist destination, and home to City, County and State governmental activities.

Downtown Austin, however, is in a period of transition. On the one hand, downtown is experiencing tremendous growth in the housing sector based on strong demand. On the other hand, downtown is struggling to maintain or recapture its retail and office market share as office buildings and shopping centers are being built further and further away from downtown to accommodate a growing suburban population. If left unchecked, this development pattern will lead to the advancement of one sector to the possible exclusion and detriment of others.

On December 15, 2005 the Austin City Council adopted a resolution initiating a planning process for Downtown Austin including the Waller Creek TIF Area. The Council action required the selection of a nationally-recognized consultant with downtown expertise to develop the Downtown Austin Plan by working with stakeholders, including but not limited to State, Federal and local governments, Capital Metro, downtown neighborhood associations and downtown business groups, affordable housing advocates, parks groups and environmental organizations. The consultant's scope of work was to include the following:

1. Implement ordinance modernizations, including but not limited to FAR standards and procedures for modifying where appropriate; height standards and procedures for modifying where appropriate, and; funding ordinances for infrastructure.
2. Identify right-of-way for passenger rail and dedicated bus thoroughfares.
3. Develop a program and procedure for the sale and development of government-owned land.
4. Identify east-west and north-south rail lines and dedicate station locations downtown.
5. Integrate the Downtown Neighborhood Plan and the TOD Ordinance Convention Center Station Area Planning effort into the Downtown Austin Plan and Ordinance.
6. Identify strategies and best practices for affordable work force housing in the downtown area.

In April 2007, the City contracted with the ROMA Design Group to assist with the development of the Downtown Master Plan. The contract for the Downtown Plan envisions that the Plan will unfold in phases.

Phase One -- Analyze baseline information, interview key stakeholders, assess opportunities and challenges, and craft a strategic framework with clearly prioritized actions aimed at implementing the downtown vision. The Phase One work will require six months to complete.

Phase Two -- Implementation of the identified high-priority items.

Proposed regulatory changes considered in the Downtown Plan will be evaluated for any potential impacts on the construction of the proposed TIF improvements and future redevelopment and assessed valuation within the TIF Area. The City of Austin expects that any regulatory changes that may be recommended will enhance redevelopment opportunities and density (and thus, valuation) beyond the baseline assumptions included in the Feasibility section of this report.

III. List of Estimated Non-Project Costs

The project is precedent to revising the floodplain in the Zone. Anticipated redevelopment within the Zone will be by private developers after the construction of the project. Non-project costs are those development items that will be funded by others and are necessary for the implementation of the project. No tax increment reimbursement is provided for non-project costs. No non-project improvements or costs are proposed.

IV. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project

No persons will be displaced as a result of the construction of the project.

Reinvestment Zone Financing Plan

I. List of the Estimated Project Costs of the Zone Including Administrative and Recurring Expenses

The following list itemizes the estimated infrastructure project costs for the Zone. The Zone may incur bond financing costs but these costs have not been included in the list below. Line item amounts may be adjusted with approval of the Zone Board of Directors. Additional construction cost estimate information is available in *Waller Creek Tunnel Construction and O&M Cost Estimates Update, Brown & Root/Espey Padden Joint Venture, October 6, 2006*.

<u>Project Capital Item</u>	<u>Estimated Cost</u>
Construction Costs	
Inlet, Morning Glory with Mechanical Screens	\$21,605,000
Tunnel, 22 ft. diameter, Sabine Street alignment	27,566,000
Outlet, with floating stage and amphitheatre	13,300,000
<u>Intervening Storm Sewer Connections</u>	<u>32,260,000</u>
Total Construction Cost:	\$94,731,000
Right-of-Way	
Tunnel	\$702,000

<u>Intervening storm sewer connections</u>	730,000
Total Right-of-Way Cost:	\$1,432,000

Other Project Costs

Engineering, Testing & Construction Management	\$27,610,000
Administrative	
Zone Creation	150,000
City Real Estate Acquisition Services	200,000
City Project Management (2.0%)	1,900,000
Total Administrative:	\$2,250,000
Project Contingencies	
Construction (5 to 15% included above)	\$ 0
Right-of-Way (10%)	143,000
Engineering (5%)	1,381,000
Total Contingency (excluding construction)	\$1,524,000

Total Project Capital Cost **\$127,547,000**

Project Annual Costs

Operation and Maintenance	\$2,632,000
Zone Administration	30,000

Total Annual Cost **\$2,662,000**

II. Statement Listing the Kind, Number and Location of All Proposed Public Works or Public Improvements in the Zone

The Waller Creek bypass tunnel is located throughout the Zone as shown in Exhibit 4.

III. Economic Feasibility Studies

The Brown & Root/Espey Padden Joint Venture prepared economic models of development resulting from the project and increases in tax revenues resulting from the development. The project was found to be economically viable. Economic studies of the project were also prepared by Spillete Consulting and Charles Heimsmath and also demonstrated the economic viability of the project. The Waller Creek TIF Buildout and Tax Revenue Schedule is attached as Exhibit 7.

IV. The Estimated Amount of Bonded Indebtedness to be Incurred

The estimated amount of bonded indebtedness to be incurred by the Zone is shown below:

Estimated capital cost of project (in millions):	\$127.55
Cash on hand:	<u>(27.30)</u>
Balance to be financed:	\$100.25

Inflated balance (4.5%) at time of construction start in 2010: \$109.48

V. The Time When Monetary Obligations are to be Incurred

Monetary obligations are to begin with the start of construction currently estimated as August 2010. Project design will be initiated in August 2007 and will be paid for with cash-on-hand.

VI. A Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone

Description of the Methods of Financing

The City of Austin may, under the provisions of Section 311.015 of the Tax Increment Financing Act, issue tax increment bonds or notes, the proceeds of which may be used to provide for project-related costs. The City of Austin intends to issue tax increment bonds or notes to finance the project.

Sources of Tax Increment Revenue

The tax increment revenue necessary to pay the project costs is expected to come from increased property values in the Zone due to construction of new commercial and residential buildings. Buildout assumptions are shown in Exhibit 8.

The financing plan is based on the City of Austin contributing 100% of their collected incremental tax revenue to the Zone and Travis County contributing 50% of their collected incremental tax revenue to the Zone. Current (2006) tax rates are shown below:

Taxing Unit	Total Tax Rate	Tax Rate Dedicated	% Dedicated
City of Austin	\$0.4126/\$100	\$0.4126/\$100	100%
Travis County	\$0.4499/\$100	\$0.22495/\$100	50%

VII. The Current Total Appraised Value of Taxable Real Property in the Zone

The total estimated 2007 appraised value within the Zone is \$173,584,987.00

VIII. The Estimated Captured Value of the Zone During Each Year of its Existence

The estimated captured appraised value of the Zone during each year of its existence is shown in Exhibit 7.

IX. Duration of the Zone

The duration of the Zone is 20 years. The Zone will take effect on the date it is created and it is anticipated that the City of Austin Council will establish January 1, 2008 as the base year of the Zone. The Zone will terminate on December 31, 2028, or on a date to be subsequently established by ordinance of the City of Austin Council.