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

Final Project Plan
and
Reinvestment Zone Financing Plan

March 2008
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Executive Summary

On June 21, 2007, the Austin City Council approved an ordinance creating Tax Increment Financing (TIF) Reinvestment Zone No. 17 to finance the construction of flood control improvements along lower Waller Creek. The TIF is 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 Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings 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 TIF Reinvestment Zone No. 17, 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 in the Reinvestment Zone area, essentially containing it within the creekbed. This reduction in floodplain area resulting from the project will significantly increase the amount of developable land area in the lower Waller Creek watershed.

In accordance with State law, this Project Plan and TIF Reinvestment Zone No. 17 Financing Plan have been created to describe the Waller Creek Tunnel project and associated financing using dedicated TIF revenue from the City of Austin and Travis County.

The proposed tunnel will be approximately 22 feet in diameter and approximately 5,400 feet in length. The total estimated cost of the project is $127,547,000 (in June 2006 dollars). The tunnel will originate in Waterloo Park near East 12th Street with discharge to Lady Bird 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, an 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. On April 12, 2007, the Austin City Council created the Waller Creek Citizen Advisory Committee. The City Council believes it is very important for the community to participate and provide oversight in the construction and development of the Waller Creek Tunnel Project. The process for finalizing park facilities to be located at the tunnel inlet and outlet will include consideration of recommendations made by the Committee. The Committee includes a citizen appointed
by Travis County.

The Waller Creek tunnel project will spur economic development throughout downtown, in particular in the Reinvestment Zone 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 Lady Bird 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 Lady Bird Lake. The project is also expected to allow improved 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 formed TIF Reinvestment Zone No. 17 (see Exhibit 3 for TIF boundaries) 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 of real property in the district (tax increment) for TIF purposes. Under the terms of TIF Reinvestment Zone No. 17 and an Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County, negotiated with Travis County, 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 tax increment revenues collected during the 20-year duration of TIF Reinvestment Zone No. 17. 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 Project Plan for TIF Reinvestment Zone No. 17 for the Lower Waller Creek Flood Control Improvements, in the City of Austin, Texas, as required by Chapter 311 of the Texas Tax Code. The purpose of TIF Reinvestment Zone No. 17 is to finance reimbursements of costs associated with flood control improvements in the Waller Creek watershed of the City of Austin, Texas.

The City of Austin will be solely responsible for managing the design and construction of the Waller Creek tunnel project, for operating and maintaining the tunnel after its completion, and for administering the TIF zone, which is located on the eastern edge of the downtown area of Austin, Texas. In the event that actual costs exceed estimated project costs outlined in the project and financing plan, the City of Austin will be responsible for funding those additional costs to the extent that project or operating costs exceed the available TIF revenues to be contributed by the City and Travis County, as described more fully in the financing plan that follows. Upon completion, a significant amount of land will no longer be within the flood plain, and will then be suitable for development. It is estimated that the investment in private development will benefit both the City and the County financially, and will also benefit City and County citizens through the creation of jobs and recreational amenities.

The flood control improvements will be public infrastructure. The proposed tunnel will be approximately 22 feet in diameter and approximately 5,400 feet in length. The tunnel will originate in Waterloo Park near East 12th Street with discharge to Lady Bird Lake. The tunnel alignment will be 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. Preliminary design features include a pond, an 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. Two to four storm water inlets along Waller Creek downstream of the tunnel inlet and possibly 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. On April 12, 2007, the Austin City Council created the Waller Creek Citizen Advisory Committee. The City Council believes it is very important for the community to participate and provide oversight in the construction and development of the Waller Creek Tunnel Project. The process for finalizing park facilities to be located at the tunnel inlet and outlet will include consideration of recommendations made by the Committee. Exhibit 5 is a resolution by the Committee outlining design recommendations.
On August 30, 2007, the City Council approved an amendment to the professional services agreement with the joint venture of Brown & Root, Inc./Espey Padden for design/bid (Phase 2) and construction management and warranty assistance (Phase 3) engineering services. These costs will be primarily funded with unencumbered 1998 venue project bond proceeds, and related bond interest earnings. Additional expenditures associated with the design and construction of the 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. Monetary obligations are to begin in the spring or early summer of 2010, beginning with the acquisition of easements and right of way required to begin construction of the tunnel. Construction is currently estimated to start in June 2010.

I. Maps Showing Existing Floodplain and Map Showing Post-Project Floodplain

TIF Reinvestment Zone No. 17 includes approximately 126 acres. The boundaries of the zone are 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 Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings 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 TIF Reinvestment Zone No. 17 currently precludes many development options.

Exhibits 1 and 2 show the existing floodplain and post-project floodplains superimposed on an aerial showing land uses in the zone. Exhibit 3 shows the zone boundary. Renderings of the Waller Creek Tunnel inlet and outlet are shown in Exhibits 7 and 8.

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 and regulations. 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), which is currently being formulated with stakeholder input, and is summarized below.

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 Plan by working with stakeholders, including but not limited to state, federal and local governments, the Capital Metropolitan Transportation Authority, 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 Floor to Area 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 Transit Oriented Development Ordinance Convention Center Station Area Planning effort into the Downtown 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 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.

Waller Creek Master Plan
The City is in the process of selecting a consultant to create a Waller Creek Master Plan, which will emphasize planning beyond the completion of the tunnel project. A request for qualifications was issued in November 2007 and a notice to proceed is expected to be issued in May 2008 after the consultant has been selected. The plan is expected to take approximately 24 months to complete and will include an assessment of baseline conditions within the district, community visioning, and a final report that will include an implementation plan and cost estimates.

III. List of Estimated Non-Project Costs

The project is necessary to revise the floodplain in the zone. Anticipated redevelopment within the zone will be accomplished 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

As outlined previously, under the terms of TIF Reinvestment Zone No. 17 and the Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County, 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 the 20-year TIF Reinvestment Zone No. 17. At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

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 TIF Reinvestment Zone No. 17. The zone is expected to 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 TIF Reinvestment Zone No. 17 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.

<table>
<thead>
<tr>
<th>Project Capital Item</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Costs</strong></td>
<td></td>
</tr>
<tr>
<td>Inlet, with Mechanical Screens</td>
<td>$21,605,000</td>
</tr>
<tr>
<td>Tunnel on Sabine Street alignment</td>
<td>27,566,000</td>
</tr>
<tr>
<td>Outlet</td>
<td>13,300,000</td>
</tr>
<tr>
<td>Intervening Storm Sewer Connections</td>
<td>32,260,000</td>
</tr>
<tr>
<td><strong>Total Construction Cost:</strong></td>
<td><strong>$94,731,000</strong></td>
</tr>
<tr>
<td><strong>Right-of-Way</strong></td>
<td></td>
</tr>
<tr>
<td>Tunnel</td>
<td>$702,000</td>
</tr>
<tr>
<td>Intervening storm sewer connections</td>
<td>730,000</td>
</tr>
<tr>
<td><strong>Total Right-of-Way Cost:</strong></td>
<td><strong>$1,432,000</strong></td>
</tr>
<tr>
<td><strong>Other Project Costs</strong></td>
<td></td>
</tr>
<tr>
<td>Engineering, Testing &amp; Construction Management</td>
<td>$27,610,000</td>
</tr>
<tr>
<td>Administrative</td>
<td></td>
</tr>
<tr>
<td>Zone Creation</td>
<td>150,000</td>
</tr>
<tr>
<td>City Real Estate Acquisition Services</td>
<td>200,000</td>
</tr>
<tr>
<td>City Project Management (2.0%)</td>
<td>1,900,000</td>
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<tr>
<td><strong>Total Administrative:</strong></td>
<td><strong>$2,250,000</strong></td>
</tr>
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</table>
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 Spillette Consulting and Charles Heimsmath and also demonstrated the economic viability of the project. These economic studies are on file with the Board of TIF Reinvestment Zone No. 17 and the City Council of the City, and are incorporated by reference into this project plan. The Waller Creek TIF estimated buildout and tax revenues are attached as Exhibit 8. Buildout assumptions are attached as Exhibit 9.

IV. The Estimated Amount of Bonded Indebtedness to be Incurred

The estimated amount of bonded indebtedness to be incurred by the TIF Reinvestment Zone No. 17 is shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Estimated capital cost of project (in millions):</td>
<td>$127.55</td>
</tr>
<tr>
<td>Cash on hand:</td>
<td>(27.30)</td>
</tr>
<tr>
<td>Balance to be financed:</td>
<td>$100.25</td>
</tr>
<tr>
<td>Inflated balance:</td>
<td>$109.48</td>
</tr>
</tbody>
</table>

V. The Time When Monetary Obligations are to be Incurred

Monetary obligations are to begin in the spring or early summer of 2010, beginning with the acquisition of easements and right of way required to begin construction of the tunnel. Construction is currently estimated to start in June 2010. Project design was initiated in
August 2007 and will be paid for with the City’s cash-on-hand provided by the 1998 bond proceeds plus related interest earnings.

The City and County tax increments, as set out in the Agreement with Travis County, are expected to provide sufficient funds to pay the costs of the project; however, there are timing issues associated with the cash flows during the 20-year life of the TIF. Collection of TIF revenue is expected to begin in fiscal year 2009 and end in fiscal year 2028. To smooth out the cash flows during the life of the TIF, an additional source of funding for the project is available from within the Convention Center/Waller Creek venue to supplement the available TIF revenue when needed to help cover project costs or debt service. The refunding of the Hilton Hotel bonds that occurred in December 2006 provides for the payment of net revenue from the hotel to the Austin Convention Enterprises Corporation (ACE) and ultimately to the City. These net revenues are not hotel tax revenues, but represent revenues from the hotel project. The use of these revenues strengthens the final financing plan. Using this additional funding will provide additional security for the bond holders when debt is issued to finance the project, thus helping to lower the interest rate. Use of these revenues will also solve cash flow issues in the early years of the TIF before the tax increment has significantly grown, and will provide a reserve for unanticipated problems that might be encountered during the long design and construction phases. As outlined in the project plan, should actual costs exceed estimated project costs, then the City of Austin will be responsible for funding those additional costs if project or operating costs exceed the available TIF revenues to be contributed by the City and Travis County.

VII. 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 is allowed, under the provisions of Section 311.015 of the Tax Increment Financing Act, to issue tax increment bonds or notes, the proceeds of which may be used to provide for project-related costs. The City possesses the authority under Texas law to issue certificates of obligation to finance projects such as those described in this project plan. The City will issue debt under its own authority to finance design and construction of the tunnel project. The City of Austin will be responsible for managing the financing process for the tunnel project and intends to issue future certificates of obligation to fund construction and other related project costs as needed. When the City issues certificates of obligation to fund project costs described in this project plan, revenues deposited to the credit of the tax increment fund for TIF Reinvestment Zone No. 17 will be made available to the City for the purpose of paying the debt service on the certificates of obligation. By issuing certificates of obligation, the City assumes the risk if future development is not sufficient to pay for all costs related to the construction of the tunnel. Travis County will be responsible only for contributing 50% of its tax increment to be derived from the TIF Reinvestment Zone No. 17. The terms and conditions
outlined in the Agreement between the City of Austin and Travis County and in this financing plan will be incorporated into any bond covenants associated with the issuance of debt related to this 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. Estimated buildout and tax revenues are shown in Exhibit 8. Buildout assumptions are shown in Exhibit 9.

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. Tax rates that were in effect when the TIF Reinvestment Zone No. 17 was established in June 2007 are shown below.

<table>
<thead>
<tr>
<th>Taxing Unit</th>
<th>Total Tax Rate</th>
<th>Tax Rate Dedicated</th>
<th>% Dedicated</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Austin</td>
<td>$0.4126/$100</td>
<td>$0.4126/$100</td>
<td>100%</td>
</tr>
<tr>
<td>Travis County</td>
<td>$0.4499/$100</td>
<td>$0.22495/$100</td>
<td>50%</td>
</tr>
</tbody>
</table>

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

The total appraised value within the TIF Reinvestment Zone No. 17 based on values for the 2006 tax year when the TIF was established in June 2007 was $173.6 million. Recent values from the Travis County Appraisal District for the 2007 tax year are approximately $236.2 million associated with taxable properties in the City of Austin and $228.1 million in Travis County. Exhibit 8, which depicts estimated tax revenue over the 20-year TIF period, has been updated to reflect the updated 2007 tax values. These updated tax values have also been incorporated in the Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County.

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

The estimated captured appraised value of the TIF Reinvestment Zone No. 17 during each year of its existence is shown in Exhibit 8. The estimated appraised value for tax year 2007 has increased compared to the value originally projected. The assumptions in the Brown & Root/Espey Padden Joint Venture economic model related to cumulative assessed value increment within the zone over the estimated life of the TIF are considered reasonable and materially accurate for purposes of projecting future tax increment revenues. Estimated buildout and tax revenues are shown in Exhibit 8. Buildout assumptions are shown in Exhibit 9.

X. Duration of the Zone
The duration of the TIF Reinvestment Zone No. 17 is 20 years. The Austin City Council has established January 1, 2008 as the first year of the TIF Reinvestment Zone No. 17, with the TIF base valuation dated January 1, 2007. January 1, 2008 will be the first date for which the TIF captured appraised value will be recorded. Fiscal year 2009 will be the first year in which both the City and Travis County pay their associated tax increment into the TIF fund that will be established pursuant to the Agreement. The TIF Reinvestment Zone No. 17 will terminate on September 30, 2028, or the date on which the project has been fully implemented and all Project Costs of the TIF District, including any debt or interest on that debt, issued by the City in accordance with the financing plan have been paid or otherwise satisfied in full. The Parties may agree to terminate the TIF agreement prior to the termination date only by written agreement signed by both parties, which agreement shall include the actual termination date, and the disposition of funds that have not been disbursed.