

Exhibit B

City of Austin Seaholm Redevelopment Project Tax Increment Financing Reinvestment Zone No. 18

Preliminary Project Plan and Reinvestment Zone Financing Plan

August 2008

Table of Contents

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| I. Executive Summary | 1 |
| II. Project Plan | 3 |
| A. Introduction | 3 |
| B. Adopted Zoning Ordinance, Use and Site Development Regulations, and Conditional Overlay, and Plans of the Municipality..... | 4 |
| C. Seaholm District Master Plan | 4 |
| D. List of Estimated Non-Project Costs..... | 5 |
| E. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project | 5 |
| III. Reinvestment Zone Financing Plan | 6 |
| A. List of Estimated Project Costs of the Zone | 6 |
| B. Statement Listing the Kind, Number, and Location of All Proposed Public Works or Public Improvements in the Zone | 6 |
| C. Economic Feasibility Study | 6 |
| D. Estimated Amount of Bonded Indebtedness | 7 |
| E. Time When Monetary Obligations are to be Incurred | 7 |
| F. Description of the Method of Financing of 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 of Real Property in the Zone..... | 7 |
| G. The Current Appraised Value of Taxable Real Property in the Zone..... | 8 |
| H. The Estimated Captured Value of the TIF During Each Year of its Existence | 8 |
| I. Duration of the Zone | 8 |

Exhibits

| | |
|-----------|--------------------------------------------|
| Exhibit 1 | Map - TIF Boundaries |
| Exhibit 2 | Renderings – Seaholm Redevelopment Project |
| Exhibit 3 | Seaholm District Master Plan |
| Exhibit 4 | Seaholm Tax Revenue Schedule |

I. Executive Summary

The City of Austin is proposing to create Tax Increment Financing Reinvestment Zone No. 18 (the “TIF”) to finance the construction of public improvements for the Seaholm Redevelopment Project (the “Project”). The proposed boundaries are located within the area bounded on the west by the planned Seaholm Drive from Third Street south to Cesar Chavez Street; on the south by Cesar Chavez Street from the planned West Avenue east to Seaholm Drive; on the east by West Avenue from Cesar Chavez Street north to Third Street; and on the north by Third Street between Seaholm Drive and West Avenue. Exhibit 1 depicts the boundaries for the TIF.

In accordance with State law, this preliminary project plan and financing plan has been prepared to describe the Project and associated financing using dedicated tax increment revenue from the City of Austin as the sole taxing unit participating in the TIF.

The Seaholm Power Plant is a circa 1950 Art Deco industrial building, designed by the renowned national engineering firm, Burns and McDonnell. The name Seaholm pays homage to Walter Seaholm, Austin’s fourth City Manager and a former utility director. Seaholm served for many years as Austin’s primary electrical generation facility and stopped generating power in 1989. In 1996, the Austin City Council authorized the environmental remediation of the Seaholm Power Plant with a view to its eventual adaptive reuse as “a unique and exceptional cultural facility in Downtown Austin.” In 1997, the Seaholm Reuse Planning Committee, made up of interested community representatives, led a public polling process to determine the best use or uses for the power plant structures. The Committee’s 1998 report recommended preserving the facility for a multi-use public attraction developed through a public-private partnership. A master plan for the district was also recommended to address issues of parking transit, and pedestrian and bicycle linkages. In the summer of 2000, ROMA Design Group was commissioned by the City to prepare a Seaholm District Master Plan. The purpose of the master plan was to establish an appropriate context for the redevelopment and reuse of the Seaholm Power Plant site as a successful mixed-use public attraction.

On August 27, 2004, the City issued a request for qualifications for an entity to redevelop the Seaholm Power Plant site. On April 28, 2005, Seaholm Power Development, LLC (SPD) was selected by the City Council from a pool of respondents as the master developer. On November 14, 2005, the City and SPD entered into an exclusive negotiating agreement. On April 10, 2008, the City Council authorized the negotiation and execution of a master development agreement (MDA) with SPD. The MDA was executed on June 17, 2008.

The purpose of the Project, which is to be partially financed through the TIF, is to provide for the redevelopment of the historically significant Seaholm Power Plant and its immediate grounds. The site impairs the City’s growth because of deteriorating structures, inadequate street layout, and unsafe conditions.

In addition to rehabilitation for the historic power plant, the Project will relocate utilities, provide for new street infrastructure to connect Cesar Chavez Street and Third Street, and provide for the development of an office building and hotel/condo tower. The new street infrastructure will

provide access to the office building and hotel/condo tower thereby supporting the economic viability for the Project.

To finance the public infrastructure and power plant rehabilitation components of the Project, the City intends to form the TIF in accordance with State law. In a tax increment reinvestment zone, 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) as generated. Under the terms of the TIF, the City of Austin will contribute 100% of its property tax and sales tax increment. Tax increment revenues so generated may be expended only for purposes described in the project and financing plan for the TIF. The public infrastructure and power plant rehabilitation components of the Project will be primarily funded by the issuance of debt that will be repaid from the tax increment revenues, both property taxes and sales taxes, collected during the 30-year duration of the TIF.

II. Project Plan

A. Introduction

This section describes the project plan for the TIF and the Project, in the City of Austin, Texas, as required by Chapter 311 of the Texas Tax Code. The purpose of the TIF is to finance the construction of public improvements at the Project site.

The City of Austin will be solely responsible for managing the MDA for the Project, and administering the TIF, which is located on the Southwestern edge of the downtown area of Austin, Texas. It is anticipated that the investment in private development will benefit the City financially and will also benefit Austin citizens through the creation of jobs and recreational amenities.

The Project represents a very important opportunity for the City to redevelop publicly-owned land and will spur economic development within the Southwest quadrant of downtown. Recently, several residential development projects have been located in Southwest Downtown. Development within the Reinvestment Zone area has lagged in comparison to Southwest Downtown and other sections of the City. The Project will:

- Enhance and contribute to Downtown Austin and the Seaholm District
- Complement and enhance Lady Bird Lake, Shoal Creek and Sand Beach Reserve
- Incorporate sustainability, green building and alternative energy
- Provide a positive economic and financial impact to the City
- Enable the development of a central rail transit hub

Once complete, the Project site will feature a mix of uses, including retail shops, condominiums, a boutique hotel, office space, special event space, and an outdoor terrace that overlooks Lady Bird Lake.

Seaholm Power Plant

The centerpiece of the Project is the historic preservation of the Seaholm Power Plant. The building is a 136,000 square foot iconic structure that has more than 110,000 square feet of useable floor space. The building features a turbine hall that measures 110 by 235 feet with a ceiling that is 65 feet high. Once renovated, the building will house an event center, office, retail, and restaurant uses. Part of the renovation includes creating a dynamic entrance on the west end of the building.

Street Infrastructure

The Project's street infrastructure will create a link between Cesar Chavez Street and Third Street. New street infrastructure includes the construction of Seaholm Drive to the west of the Project site and West Avenue to the east of the Project site. Seaholm Drive will lead to the drop off area for the entry point into the power plant building and will serve as an entry to the below grade garage that will serve the Project from below the plaza. Additionally, Seaholm Drive will connect the City-owned parking garage to the Project site. West Avenue is to the east of the Project site and will also connect Cesar Chavez and Third Street. West Avenue will intersect with the planned 2nd Street extension, connecting both the new Central Library and future redevelopment on the Green Water Treatment Plant site. With the connection to 2nd Street, the

Project will be the west anchor for residential and retail development occurring within the 2nd Street area.

Plaza

Aside from providing enhanced streetscapes, the Project will provide open space for pedestrians traversing the Seaholm District. An inner plaza will be at the center of the Project and is designed for events, retail, and restaurant activity. The plaza will link the renovated Seaholm Power Plant to the office building and hotel/condo tower. The pedestrian-friendly plaza will provide connections from the Green Water Treatment Plant redevelopment and new Central Library to the proposed Seaholm Intermodal Station located just west of the Project.

With its parkland enhancement and anticipated economic development stimulus, the Project will promote tourism by convention center visitors and other visitors. The Project will incorporate a portion of the Lance Armstrong Bikeway and connections to the planned Pfluger Bridge Extension and Bowie Street Underpass. There is a possibility to have a stop for the proposed Downtown Circulator at the plaza near West Avenue and Third Street.

B. Adopted Zoning Ordinance, Use and Site Development Regulations, and Conditional Overlay, and Plans of the Municipality

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. On January 10, 2008, City Council approved Ordinance No. 20080110-075 rezoning the property, and establishing use and site development regulations for the Project site.

The zoning ordinance rezoned the site from Public (P) district and unzoned (UNZ) to Downtown Mixed Use-Central Urban Redevelopment District-Conditional Overlay (DMU-CURE-CO) combining district. The Zoning Case No. C14-2007-0164 file is available at the City's Neighborhood Planning and Zoning Department regarding the rezoning.

Generally, use and site development regulations were modified as follows:

- The maximum height is 393 feet from ground level for the proposed hotel/condo tower lot
- Outdoor entertainment is a permitted use of the property
- Public right-of-way is allowed to be used for off-street loading and trash collection

The conditional overlay adds the following conditions:

- A cocktail lounge is a permitted use for a maximum gross floor area of 9,000 square feet
- A convenience storage is a permitted use for a maximum gross floor area of 25,000 square feet

C. Seaholm District Master Plan

In June 2000 ROMA Design Group was commissioned by the City to prepare the Seaholm District Master Plan, generally bounded by 5th Street on the north, San Antonio Street on the east, Lady Bird Lake on the south and Lamar Boulevard on the west. The purpose of the master plan is to establish an appropriate context for the redevelopment and reuse of Seaholm as a successful mixed-use public attraction.

Key goals of the master plan are:

- Preserve and reuse the historic structures on the site and in the surrounding district
- Ensure adequate parking for the future major public attraction that can be developed in close proximity to the facility
- Preserve and enhance the open space character of the Sand Beach Reserve
- Achieve an appropriate balance between pedestrian, transit, bicycle and automobile transportation, recognizing that the district is an important hub of pedestrian, bicycle and transit systems entering into the downtown area
- Explore the potential for redevelopment of public and privately owned properties in the district

D. List of Estimated Non-Project Costs

The City anticipates constructing a City-owned parking garage outside, but in the immediate vicinity, of the boundaries of the TIF. Surplus revenues from the parking garage will be contributed to the Project.

E. 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 or implementation of the Project.

III. Reinvestment Zone Financing Plan

The City of Austin will contribute 100% of its tax increment, both property tax and sales tax, to the TIF. This section describes the financing plan for the TIF and the Project.

A. List of Estimated Project Costs of the Zone

The total estimated development cost of the Project is \$113.4 million (in July 2008 dollars). The Project will include an office building, hotel/condo tower, plaza, terrace, rehabilitation of the Seaholm Power Plant, and construction of two roadways running north to south on the east and west side of the Seaholm Power Plant site.

The following table itemizes the estimated Project and non-Project costs (in millions). The Project is expected to incur bond financing costs but these costs have not been included in the list below.

Table 1: Project and Non-Project Costs (in millions)

| Project Costs | | | | | |
|----------------------------|------------------|----------------|---------------------------------------|---------------------|-----------------|
| Project Component | Developer Funded | City of Austin | | | Total Costs |
| | | TIF Funded | Water and Electric Utility CIP Funded | 1/4 Cent CIP Funded | |
| Office Building | 14.8 | | | | \$ 14.8 |
| Hotel/Condo | 63.0 | | | | 63.0 |
| Power Plant Rehabilitation | 19.1 | 4.5 | | | 23.6 |
| Plaza | 1.7 | 2.1 | | | 3.8 |
| Street Work | | 1.5 | | 2.7 | 4.2 |
| Utility Relocations | | | 4.0 | | 4.0 |
| Totals | \$ 98.6 | \$ 8.1 | \$ 4.0 | \$ 2.7 | \$ 113.4 |

| Non-Project Costs | |
|-----------------------------------------------------------------------|-------|
| City-Owned Parking Garage (Anticipated to be funded by revenue bonds) | \$3.8 |

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

The proposed public infrastructure for the Project is located throughout the TIF zone and is shown in Exhibit 2.

C. Economic Feasibility Study

In April 2008, the City Council approved the negotiation and execution of the MDA with Seaholm Power Development, LLC for the redevelopment of the Seaholm Power Plant. In developing the MDA, the City contracted with Economic and Planning Systems, Inc., to conduct a financial feasibility assessment of the Project and to analyze pro forma financial statements for the Project. The Seaholm Tax Revenue Schedule is attached as Exhibit 4 and indicates the TIF build out, property tax revenue, and sales tax revenue from the Project.

Table 2 below reflects all revenues and expenses for the City of Austin, including the City-owned parking garage, which as indicated previously, will have surplus revenues used to supplement TIF revenues. The financial feasibility assessment indicates that revenues from the Project and the City-owned parking garage will be sufficient to pay for expenses.

Table 2: Financial Feasibility (in millions)

| Estimated Revenues and Expenses | Subtotal | Total |
|------------------------------------------------------------|-----------------|----------------|
| Estimated Revenues (Net Present Value, August 2008) | | |
| Property Taxes (30 Years @ 100%) | \$ 6.3 | |
| Sales Taxes (30 Years @ 100%) | 2.4 | |
| Parking Gross Revenues (30 Years @ 100%) | 7.1 | |
| 1/4 Cent Capital Improvement Project (CIP) Funding | 2.7 | |
| Water Utility CIP | .5 | |
| Electric Utility CIP | .4 | |
| Total Estimated Revenues | | \$ 19.4 |
| Less: Estimated Expenses | | |
| Power Plant Rehabilitation | - 4.5 | |
| Plaza | - 2.1 | |
| Street Work | - 4.2 | |
| Utility Relocations | - 4.0 | |
| City-Owned Parking Garage | - 3.8 | |
| Total Estimated Expenses | | - 18.6 |
| Difference | | \$ 0.8 |

CIP funding from the 1/4 cent program, water utility, and electric utility is allocated toward utility extensions and a portion of the street improvements for the Project.

D. Estimated Amount of Bonded Indebtedness

The estimated amount of bonded indebtedness to be incurred by the TIF is \$8.1 million.

E. Time When Monetary Obligations are to be Incurred

Monetary obligations are to begin in the late summer of 2009, beginning with the development of the plaza area.

F. Description of the Method of Financing of 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 of 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-exempt 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 public improvements such as those described in the project plan. The City

will issue debt under its own authority to finance the City's portion of the power plant rehabilitation, street improvements, and the development of the plaza area as outlined in the MDA with Seaholm Power Development, LLC. When the City issues certificates of obligation to fund Project costs described in this project plan, revenues deposited to the credit of the TIF will be made available to the City for the purpose of paying debt service on the certificates of obligation.

Sources of Tax Increment Revenue

The tax increment revenues necessary to pay the Project costs are expected to come from two sources and are shown in Exhibit 4, Seaholm Tax Revenue Schedule. Revenue will come from the incremental growth in property tax revenue due to new commercial and residential investment in the area adding taxable value to property in the TIF. The City of Austin is currently the only taxing entity in the appraisal jurisdiction participating in the TIF. The financing plan is based on the City of Austin contributing 100% of their collected incremental property tax revenue to the TIF. The tax rate for the City of Austin for Fiscal Year 2008 is \$0.4034 per \$100 of valuation.

Tax increment revenues are also anticipated from the increase in sales taxes generated in the TIF from the development of retail businesses in the area. The current sales tax rate in the City is 8 1/4% of which 1% is the City's portion. It is this 1% in sales tax receipts from retail sales in the TIF that is the second source of increment revenue. Current sales tax receipts in the TIF are \$0.

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

The current appraised value for the TIF is \$0 because in 2008, the base year for the TIF, the property included in the TIF is City owned and is considered tax-exempt. The City intends to sell and lease the land bounded by the TIF to Seaholm Power Development, LLC as agreed to in the MDA, thereby making the real property taxable.

H. The Estimated Captured Value of the TIF During Each Year of its Existence

The estimated captured appraised value of the TIF is shown in the Seaholm Tax Revenue Schedule, Exhibit 4.

I. Duration of the Zone

The proposed duration of the TIF is 30 years. The proposed first year of the TIF begins January 1, 2008 with the TIF base valuation dated January 1, 2008. January 1, 2008 will be the first date for which the TIF captured appraisal value will be recorded. No sales taxes have been assessed or levied as of the date of the TIF creation. Fiscal year 2009 will be the first year the associated tax increment will be paid into the TIF. The TIF will terminate September 30, 2038, or the date the project has been fully implemented and all Project costs of the TIF, 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.