City of Austin
Mueller Redevelopment Project
Tax Increment Financing Reinvestment Zone No. 16

Final
Project Plan and Reinvestment Zone Financing Plan

August 2009

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Exhibits

Exhibits
(continued)

I. Executive Summary

On December 16, 2004, the Austin City Council approved Ordinance No. 041216-083 creating Tax Increment Reinvestment Zone No. 16 (the "TIF") to finance the construction of public improvements which are necessary for the redevelopment of approximately 700 acres of City-owned land formerly known as the Robert Mueller Municipal Airport herein referred to as the "Project". The TIF is bounded generally by 51st Street on the north, IH-35 on the west, Airport Boulevard on the west and the south, and Manor Road on the south and the east (see Exhibit 4 for TIF boundaries).

In accordance with State law, this final project plan and financing plan has been prepared to describe the Project and associated financing which includes the use of several funding sources: Master Development revenues (land sale proceeds and other revenue); contract revenue bonds; and dedicated ad valorem tax increment revenue from the City of Austin as the sole taxing unit participating in the TIF.

The Project is being implemented under the terms of a Master Development Agreement (the "MDA") with Catellus Austin, LLC who will serve as the master developer of the land. The purpose of the Project, which is partially financed through the TIF, is to redevelop the former municipal airport, which is near the heart of the City. The site is predominantly open and contains obsolete structures and site improvements remaining following closure of the municipal airport on the site that substantially impair the sound growth of the City.

Project costs discussed in this plan are a subset of total Master Development costs, which will be incurred to complete development of the land. Those costs that are included in Master Development costs but not in Project costs are discussed in the Non-project cost section of this document and will not be reimbursed by the TIF but instead will be reimbursed from Master Development revenues.

The Project is strategically located approximately three miles northeast of downtown Austin and the Texas Capitol building and also is within two miles of the University of Texas campus. The Project is designed as a model for responsible urban planning and development and will result in the creation of a community that is compact and pedestrian-scaled, supportive of transit, includes affordable housing, and is compatible and complementary with the surrounding single-family neighborhoods. The Project provides all public infrastructure and related costs necessary to redevelop the property such as roadway systems, water and sewer systems, and parks.

At full build-out the Project will be a mixed-use neighborhood with approximately 4,900 housing units, 1.1 million square feet of office, and 790,000 square feet of retail, and 1.2 million square feet of institutional uses, with schools, parks and open space. Key infrastructure elements of the project include almost 122,000 linear feet (lf) of water lines, over 93,000 lf of wastewater lines, 110,000 lf of storm sewers, 45,800 lf of reclaimed water lines, 140 acres of parks and greenways, and 149,000 lf of roadways ranging from 20 to 132 feet wide (including landscaped right-of-way and sidewalks). The total estimated cost of the Master Development is $292.7 million and the Project is $211.9 million (in 2009 dollars).

To finance the public infrastructure components of the Project, the City of Austin formed the TIF, in accordance with State law. In a tax increment reinvestment zone, one or more political subdivisions contribute up to 100% of the ad valorem 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 as much of its tax increment as necessary to repay debt that is issued.

While the majority of public infrastructure needed to accomplish the Project will be paid from Master Development revenues, a portion will be financed through the issuance of debt. The Mueller Local Government Corporation (the "LGC"), which was created on December 2, 2004, will issue debt that will be repaid from tax increment, collected during the duration of the TIF. The TIF will remain in place until all debt payable from TIF revenues has been retired.

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 Project is for the redevelopment of the property that previously served as the City's airport, which is located approximately three miles northeast of downtown Austin. The purpose of the TIF is to finance reimbursements for a portion of costs associated with infrastructure to be constructed within the TIF including roadways, sidewalks, water and wastewater lines, storm sewers, parks, greenways, reclaimed water systems, flood detention and water quality controls, and other related miscellaneous infrastructure as well as demolition of existing airport structures.

In December 2004, after an extensive Request for Qualifications (RFQ), Request for Business Plan (RFBP), and negotiation process, the City of Austin entered into the MDA with Catellus Austin, LLC, to serve as master developer for the Project. Catellus will be responsible for managing the design and construction of all infrastructure required for redevelopment of the Project in the TIF. Catellus will also be responsible for marketing the property. The City will oversee and monitor the activities of Catellus as defined in the MDA. The City will be responsible for maintaining the infrastructure after it has been completed and conveyed to the City with the exception of certain open space areas that will be maintained by the Mueller Master Community Association. Under a tri-party agreement with the City and the TIF, the LGC, which was created by City Council on December 2, 2004, will be responsible for administering the TIF.

If the actual costs exceed estimated Master Development costs outlined in this project plan and financing plan, funding for such excess costs will be provided first by available Master Development revenues and then by the issuance of additional TIF-supported debt. The original proforma anticipates TIF revenues to exceed those required for repayment of debt issued to finance Project costs. TIF revenues that exceed those required for repayment of TIF-supported debt will be used to reimburse the City for grant payments made under the Economic Development and Grant Agreement between the City and the LGC authorized by City Council on April 27, 2006 pursuant to Chapter 380 of the Texas Local Government Code. The grant payments are used to fund debt service on the contract revenue bonds that were issued by the LGC to finance public infrastructure constructed within the TIF, and which were necessary for implementation of the TIF project plan. Responsibility for costs in excess of Master Development revenues, contract revenue bonds, and the maximum amount of TIF-supported debt will be primarily born by Catellus per the terms of the MDA.

At full build-out, the property will be a mixed-use neighborhood with approximately 4,900 housing units, 1.1 million square feet of office, and 790,000 square feet of retail, and 1.2 million square feet of institutional uses, with schools, parks and open space. Upon completion it is estimated that property values in the TIF will exceed $1 billion in 2009 dollars, which will benefit both the City and other taxing jurisdictions, and will also benefit Austin citizens through the creation of jobs and recreational amenities.

The Mueller Master Plan for the site was created through a lengthy process, which included extensive opportunity for public involvement. The Robert Mueller Municipal Airport (RMMA) Redevelopment Advisory Group was established by City Council on October 23, 1997, and served throughout the development of the Master Plan. The RMMA Plan Implementation Advisory Commission was established by City Council on June 8, 2000 and serves throughout the implementation of the Master Plan. This commission continues to meet and monitor progress of the Project as well as its impact on surrounding neighborhoods.

Because of the large size of the Project, the site will be developed in thirteen sections. To date, infrastructure has been completed for Sections 1A, 2A, 3, 4, 5, and 12 and design is underway for Section 7 (see Exhibit 5-12). In addition, the northwest and southwest greenways, the lake park, pocket parks, and the first neighborhood park including the swim center have been completed. Master Development project costs incurred by Catellus and reimbursed to date have been reimbursed by land sale proceeds as well as the net proceeds of $12 million in contract revenue bonds issued by the LGC. The outstanding contract revenue bonds are not secured by TIF revenues. It is anticipated that debt to be supported by TIF revenues will be issued in 2009.

Completed private development on the property includes the Dell Children's Medical Center of Central Texas, a 425,000 square foot regional retail shopping center, the University of Texas Dell Pediatric Research Institute, the Seton Family of Hospital's Administration Building, the Ronald McDonald House, and 440 single-family homes and 201 units as part of the initial 441-unit apartment complex. Approximately 120 single-family homes and the remaining 240 units of the 441-unit apartment complex are currently under construction.

B. Maps Showing Original Plat of Property and Map Showing Property at Full Build-out

The TIF includes approximately 700 acres. The boundaries of the TIF are generally 51st Street on the north, IH-35 on the west, Airport Boulevard on the west and the south, and Manor Road on the south and the east. Exhibit 1 provides a legal description of the metes and bounds of the zone. At the time of creation, the existing land use was public (either owned by the City or by a tax-exempt hospital) and had a taxable land value of $0.

Exhibits 2 and 3 show the site as of the time of creation of the TIF and the proposed Project at full build-out of the site. Exhibit 4 shows the TIF boundary.

C. 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. The zoning for the Project site was Aviation Services (AV) until it was rezoned as a Planned Unit Development (PUD), approved by City Council August 26, 2004, (Ordinance No. 040826-061). This zoning designation was in place at the time the TIF was created. Two PUD amendments were processed subsequently: May 3, 2007 (Ordinance No. 20070503-065 and April 23, 2009 (Ordinance No. 20090423-087). In order to qualify to be a PUD, the Mueller Master Plan was deemed to be superior to development that would occur under the City of Austin's building codes and conventional zoning and subdivision regulations. All project construction adheres to the Mueller Design Guidelines, a document that identifies the goals for the Project plus establishes site planning standards, building form and placement, building character, materials, and treatments. The Mueller Design Guidelines are administered by the New Construction Council, a group of three architects and representatives from Catellus and the City.

Future changes will continue to be reviewed with the RMMA Plan Implementation Advisory Commission in public meetings prior to presentation to City Council for action.

D. List of Estimated Non-Project Costs

The Project is necessary to facilitate the development of this strategically located property that is approximately three miles northeast of downtown Austin. All types of City infrastructure must be constructed before vertical development can occur. Anticipated redevelopment within the TIF will be accomplished by third-party users and developers after infrastructure construction has been completed for the various project sections. Non-project costs are those development items that will be funded by Master Development revenues (land sale proceeds or other revenues) and are necessary for the successful implementation of the Project. No tax increment reimbursement is provided for non-project costs. The current estimate for non-project costs is $80.8 million. Non-project cost items primarily include predevelopment costs, project administration fees, marketing and public relations, swim centers, sales office and historic hangar, and developer return. Table 1 contains additional information on non-project costs.

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 of the Project.

III. Reinvestment Zone Financing Plan

As outlined previously, the Master Development has several sources of funding, with the TIF comprising only a small portion of total financing sources. A significant portion of the infrastructure will be funded by proceeds from land sales and other project related revenues. In addition, the LGC issued $12 million in contract revenue bonds in 2006. The outstanding contract revenue bonds are not secured by TIF revenues. The LGC has the authority to issue an additional $3 million in contract revenue bonds secured on a parity with the outstanding 2006 bond issue. Additional TIF debt to be issued will be repaid from TIF revenues.

The City of Austin will contribute up to 100% of its tax increment as necessary to fund debt service payments for this Project. It is anticipated that in the years immediately following the final debt issuance almost 100% of the tax increment will be needed for debt service payments. However, as time passes, it is anticipated that this percentage will decrease with any excess not required to support debt service, related debt covenants, or other obligations in the MDA flowing to the City. The TIF will remain in place until all debt payable from TIF revenues has been retired. The City will fund any infrastructure maintenance costs through its regular funding sources which will be allocated in future annual budgets.

The financing plan was developed in 2003 and 2004 in coordination with Catellus as the details of the MDA were being finalized. During that period, an illustrative site plan was prepared that included development detail at the street and lot level. This allowed the City and Catellus to develop a very detailed estimate of project costs as of 2004. The 2004 Master Development cost estimate was $246.7 million. Due primarily to the rising cost of construction materials, Master Development costs and project costs have changed. The 2009 Master Development cost estimate is $292.7 and the Project cost estimate is $211.9 million. In addition, land values have also increased from original estimates. Finally, the timing of some of the sections of the Project has been adjusted. This financing plan will present both the original estimates as well as updates that were prepared in the summer of 2009 that reflect the types of changes discussed above.

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

The total estimated development cost of the Project is $211.9 (in 2009 dollars). Table 1 on the next page itemizes the estimated project costs as well as non-project costs originally estimated in 2004 and as updated in 2009. The Project is expected to incur bond financing costs but these costs have not been included in the table below.

Additional construction cost estimate information is available in: the original *Estimates of Total Development Costs* prepared by Economic and Planning Systems*; RMMA (Mueller) Redevelopment Cost Estimates* prepared by Bury + Partners, Inc.*; Intersection Improvement Estimated Costs* prepared by WHM Transportation Engineering*; and RMMA: Preliminary Cost Analysis for Park and Open Space* prepared by RVi, as well as updated *Estimate of Total Development Costs* prepared by Catellus. These studies are available on file with the Secretary of the TIF Board. The majority of the initial studies were prepared in late 2003 to mid-2004. The Bury studies have been updated periodically with the most recent update occurring January 2009.

Catellus periodically updates the Master Development and Project cost estimates based on the actual cost of infrastructure for the sections under construction.

Table 1: Master Development Costs Segregated by Project and Non-Project Costs

Project Capital Item	Estimated Cost 2004		Estimated Cost 2009	
<u>Project Costs Eligible for TIF Reimbursement</u>				
Construction Costs (hard and soft):				
Hospital Phase Development Costs (construction, design, and other)		$ 17,750,100		$ 16,444,931
Non- Hospital Phase Development Costs:				
Water, Wastewater, Reclaimed Water, Roadways, Storm Sewers and Erosion Control	$ 45,411,387		$ 60,214,919	
Demolition	9,693,838		9,264,894	
Grading	4,983,861		5,612,900	
Water Quality/Detention Ponds	4,171,952		8,176,924	
Landscaping and Amenities	17,751,997		23,056,480	
Town Center Parking Facility	7,515,698		7,408,938	
Electric	5,437,774		9,612,702	
Other (street lighting, remediation, security, utilities, rehabilitation of tower, traffic improvements)	10,063,562		17,668,892	
Design, Consulting, Permits, and Fees	25,029,050		23,732,392	
Contingencies	21,114,156		10,312,255	
Total Non- Hospital Phase Development Costs:		151,173,275		175,061,296
Total Construction Costs		168,923,375		191,506,227
Other Project Costs:				
Management Fee (4%)	5,165,816		6,843,011	
Insurance	1,041,088		52,077	
Other Project Costs	Note 1		3,540,436	
Selling and Closing Costs	9,568,805		9,978,673	
Total Other Project Costs		15,775,709		20,414,197
Total Project Costs Eligible for TIF Reimbursement		**184,699,084**		**211,920,424**
<u>Non-Project Costs Required to Complete the Project</u>				
Swim Centers (hard and soft, contingencies)	3,874,350		4,292,474	
Sales Office and Hangar Renovations	2,500,000		5,443,123	
Predevelopment Costs	6,717,055		6,355,652	
Project Administration and Other Miscellaneous	6,331,329		8,294,790	
Marketing and Public Relations Costs	Note 1		11,155,388	
Developer Return	42,591,436		45,278,084	
Total Non-Project Costs Required to Complete the Project		**62,014,170**		**80,819,511**
Total Master Development Costs (Note 2)		**$ 246,713,254**		**$292,739,935**

Note 1: Costs for marketing, public relations, legal services and several other minor miscellaneous items were anticipated but not estimated in the original pro forma. These are necessary costs of the project and hence have been included in the FY 2009 estimates. A portion of these costs is recovered through increased land sales revenues which were also not included in the original project revenue estimates.

Note 2: No annual infrastructure maintenance costs will be funded by the Project or by the TIF.

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

The Project will provide all infrastructure and related costs necessary to redevelop the site in accordance with the Mueller Master Plan. Exhibits 5-1 through 5-12 provide maps and drawings of the various types of key infrastructure installed and future installations. Examples of this infrastructure include:

- Demolition Work – to remove preexisting airport structures
- Grading and Erosion Controls
- Wastewater – over 93,000 linear feet of 8 and 15 inch lines
- Reclaimed Water – approximately 45,800 linear feet of 6 to 12 inch lines
- Potable Water – approximately 122,000 linear feet of 8 to 16 inch lines
- Wet Ponds – in the Lake Park, Southwest Greenway and Southeast Greenway areas
- Drainage – over 110,000 linear feet of storm sewers
- Roadway System – over 149,000 linear feet of roadways ranging from 20 to 132 feet wide including sidewalks and landscaping within the rights-of-way
- Traffic Improvements
- Open Spaces including Parks, Greenways, and Trails
- Landscape and Amenities
- Street Lighting and Electric Distribution
- Miscellaneous Infrastructure including items such as street lighting, electric distribution
- Permits and Fees
- Contingency
- Town Center Parking Facilities
- Construction Management
- Project Management
- Performance and Payment Bonds
- Design and Consulting Services
- Environmental Studies and Consulting Services
- Miscellaneous Costs related to the costs listed above

C. Economic Feasibility Studies

Economic and Planning Systems (EPS) prepared the overall economic model for the Project. The project economic model has been updated based on increases in the cost of materials, increases in land values, and changes to timing of infrastructure sections. As recently as April 2009, EPS reviewed Catellus' financial information and compared the results and assumptions to those used in the MDA model in an attempt to indicate how the project is performing compared to earlier expectations. EPS concluded the following:

- The Project has performed better than expected to date, with higher land sale and other revenue sources and lower project costs than were anticipated in the MDA proforma.
- Most of Catellus' projections for the future appear reasonably conservative, and EPS believes it is possible that the Project will yield better returns than Catellus' model is now predicting, given the Project's performance to date.

The original economic model relied on several sources of information. Capital Market Research prepared residential and commercial market analyses which were used to estimate land sale proceeds resulting from the Project, absorption, and tax revenues resulting from the Project. Bury + Partners Inc. prepared the detail of the majority of project costs based on the illustrative site plan. RVi prepared cost estimates for parks and open spaces and WHM Transportation Engineers provided estimates of intersection improvements. These cost estimates were reviewed by the City's independent engineering firm, Earth Tech, and were found to be reasonable. Based on all this input, the Project was found to be economically viable.

The original and updated economic model, market analyses, and engineering estimates are on file with the Secretary of the TIF Board and are incorporated by reference into this project plan and financing plan. Catellus is required under the terms of the MDA to annually update the economic model, which is then reviewed and approved by the City. The Project build-out and estimated ad valorem tax revenues are attached as Exhibit 6.

D. The Estimated Amount of TIF Bonded Indebtedness to be Incurred

The current estimate for the amount of bonded indebtedness to be incurred by the TIF is $30 million. As estimates are revised in the future, this amount may be lower but should not exceed $35 million. As previously stated, other sources of revenue may be used to fund Master Development costs before the issuance of debt. Estimated TIF debt requirements for the Project were arrived at by deducting these other revenue sources from total estimated Master Development costs as follows:

Table 2: Estimated Amount of TIF Bonded Indebtedness

Sources of Funding to Pay for Master Development Costs	2004 (in millions)	2009 (in millions)
Estimated Master Development Costs	$ 246.71	$ 292.74
Less:		
Land Sale Proceeds and Other Project Revenue	- 200.27	- 247.54
Contract Revenue Bonds (Net to Project)	- 13.53	- 14.58
TIF Revenue Collected Prior to Bond Issuance	- 1.46	- 0.68
Balance to be Financed by TIF No. 16	**$ 31.45**	**$29.94**

E. The Time When Monetary Obligations are to be Incurred

Monetary obligations for the Master Development began November 2003 and for the Project began December 16, 2004, beginning with demolition and construction of infrastructure on the first few sections of the project. As previously noted, because of the magnitude of the Project, infrastructure will be constructed and land will be sold in sections. Construction of all sections is expected to be completed in 2015.

The early sections of the Project were funded with $10.6 million in proceeds from the sale of land to Seton for the development of the Dell Children's Medical Center of Central Texas.

F. 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 primary source of funding for the Master Development is proceeds from the sale of the land and other related revenues. These sources are projected to provide approximately 85 percent of total Master Development costs. In addition, as previously mentioned the LGC issued $12 million in contract revenue bonds in August 2006 to provide additional funding.

Additional debt to be issued will be repaid from the TIF revenues. The initial issuance is expected to occur in 2009. 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 or to contract with another governmental entity to issue this debt. On December 2, 2004 the City Council created the LGC which will be responsible for issuing debt for the Project under a tri-party agreement with the City, the TIF, and the LGC.

Additional TIF-supported debt issuances are anticipated in fiscal years 2012, and 2016. The timing and number of these issuances are subject to change as annual evaluations of project performance and projected performance are reviewed.

It is expected that the City and the LGC will enter into a grant agreement, pursuant to which the City may, subject to annual appropriation by the City Council, appropriate funds to the LGC in the event that tax increment revenues securing bonds issued to finance project costs are not sufficient to make schedule debt service payments on the bonds.

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 TIF due to construction of commercial and residential buildings. Estimated build-out and tax revenues are shown in Exhibit 6. Build-out assumptions are based on projected land absorption. Vertical construction is estimated to be completed approximately one year after the land sale occurs. Land sale absorption was based on the original market analyses prepared by Capital Market Research and has been adjusted to reflect changes in the timing of project section completion.

The financing plan is based on the City of Austin contributing up to 100% of its collected incremental ad valorem tax revenue to the zone in amounts necessary to meet debt service obligations. In addition, the City is committed to contribute to the Project 100% of its incremental tax revenue collected prior to the fiscal year in which the first debt service payments are due. The City of Austin adopted tax rate for the 2009 fiscal year is $.4012 per $100 of valuation. From inception of the TIF through 2009, the City has committed 100% of TIF revenue to the Project.

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

The total appraised value within the TIF based on values for the 2004 tax year when the TIF was established in December 2004 was $0. For the 2007 tax year the assessed value was $52,866,137. The certified tax roll for 2008 indicates the assessed value is $120,170,029. However, the preliminary tax roll for 2009 indicates the assessed value is approximately $287 million. The certified tax roll for 2009 will not be known until the end of July 2009. Tax increment revenues estimated to be collected from inception of the TIF through 2009 are $684,187.

H. The Actual and Estimated Captured Value of the Zone During Each Year of its Existence

The actual and estimated captured appraised value of the TIF during each year of its existence is shown in Exhibit 6. The assumptions in the economic model related to cumulative assessed value increment within the TIF over the estimated life of the TIF are considered reasonable and materially accurate for purposes of projecting future tax increment revenues.

I. Duration of the Zone

The zone took effect on December 16, 2004 and shall terminate on December 31, 2045, or at an earlier time designated by the City Council by ordinance if the council determines in its sole discretion that the TIF should be terminated due to insufficient private investment, accelerated private investment, or other good cause, or when all project costs and tax increment bonds, if any, including interest, have been paid in full.