



South Central Waterfront

2020 South Central Waterfront Vision Implementation Update

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Financial Framework

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Realizing the vision for the South Central Waterfront will require coordinated partnerships among many different players. The SCW Vision Framework Plan proposes an implementation approach that builds upon the following tenets:

- A shared vision: Buy in on shared vision for the area among key stakeholders: property owners, neighborhoods, the City, vested interest groups (e.g., affordable housing providers, open space entities). This includes the recognition that enhanced entitlements will be required to enable more robust private development that then provides a primary resource base for public realm and public purpose improvements, and expansion of affordable housing opportunities.
- Partnerships: The City envisions partnerships with developers to help pay for public realm improvements. This includes financial incentives and binding development agreements between City and property owners/developers about which parties are responsible for providing which public realm improvements.
- Phased Implementation: The City anticipates that improvements will be built in phases based on which owners/ developers are prepared to redevelop as well as the City’s ability to craft mutually beneficial development agreements. The potential implementation strategy could give preference for public resources to those property owners/developers prepared to move forward.

THE SCW FINANCIAL FRAMEWORK UPDATE

The SCW Plan’s Financial Framework provides a path to ensure that the SCW Vision can actually be funded and achieved. The financial analysis looks to how the impending wave of potential redevelopment can be leveraged for value capture and how public and private investments can be coordinated to realize the public realm improvements and affordable housing goals.

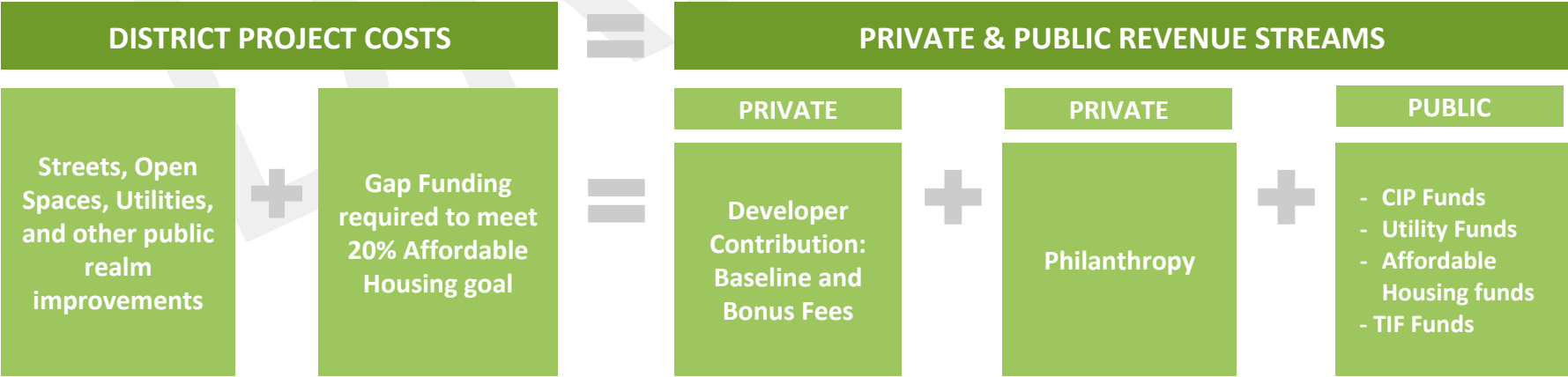
The 2020 Update of the SCW Financial Framework builds upon the analysis and methodology of the 2016 Plan and updates it to current economic conditions. In doing so, this Update dives into the details of District Project Costs and models financial scenarios around private and public revenue streams that pay for the District Vision.

This section lays out the SCW District’s project costs and discusses a variety of public and private revenue streams that could help pay for the District’s project costs and projected buildout.

- District Project Costs:
 - Infrastructure Costs and how they are allocated to each redeveloping parcel
 - Affordable Housing Strategies and Policy Options that informs the affordable housing gap
- Funding Toolkit
- Potential Development Capacity by 2040 (Buildout Options)
- Financial Calculator
- Scenario Analysis

SCW FINANCIAL CALCULATOR

The SCW Financial Calculator is an Excel-based parcel-by-parcel proforma modeling tool that allows planners and policy and decision makers to evaluate multiple policy choices and their economic impacts.



DISTRICT PROJECT COSTS

The SCW District Project Costs are made up of two primary streams - physical infrastructure (streets, open spaces, and utilities) and gap financing required to fund affordable housing generated by the district.

PHYSICAL INFRASTRUCTURE COSTS

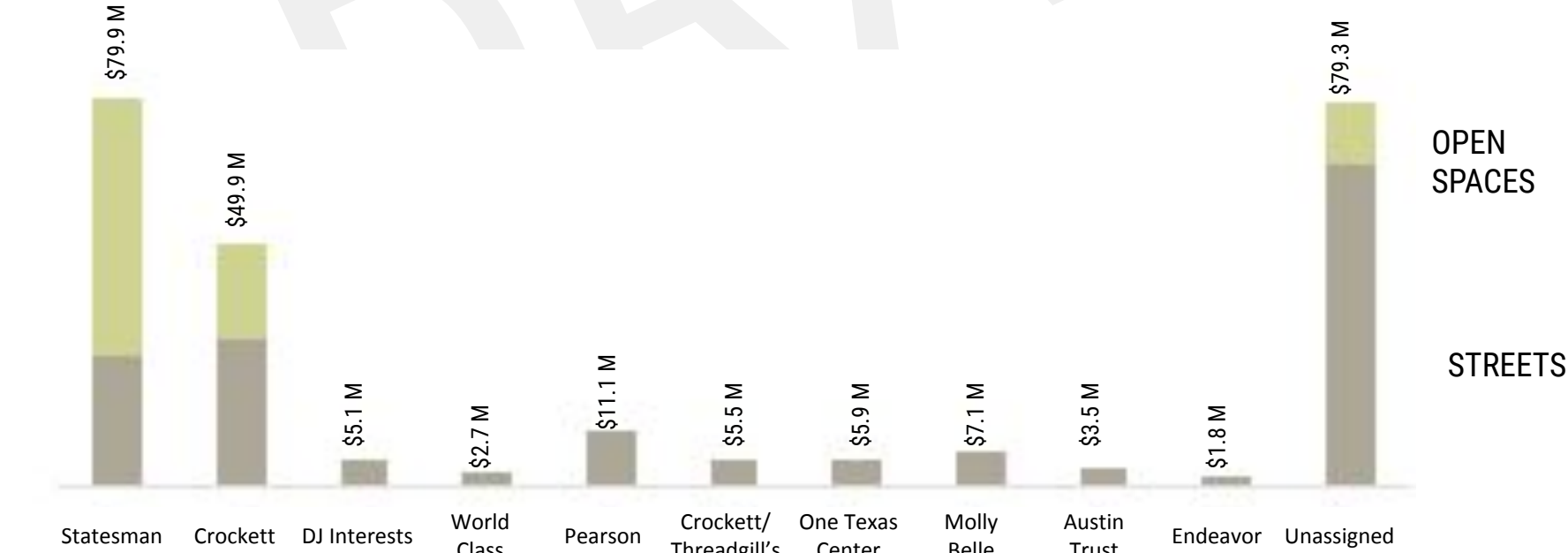
As laid out in the previous section, the physical infrastructure costs is \$251 Million in 2019 dollars. Costing each street, open space, and utility allows us to estimate the share of public and private revenue sources it would take to meet the SCW vision on each developing parcel in the district.

Cost Allocation by Parcel

For the purposes of financial analysis, Streets and Open Spaces and their costs were assigned to the nearest parcel. For example, equal share of the cost of a street fully bordering two parcels was assigned to both parcels. The chart below shows the physical infrastructure allocation for each parcel in the district. As they redevelop, each parcel is responsible for their Baseline Costs, which are determined based on their final buildout, and any additional District Fee.

AFFORDABLE HOUSING COSTS

The 2016 SCW Framework Plan sets a goal of generating 20% affordable housing units for every residential unit built in the District. The affordable housing gap is determined to the funds needed to convert market rate units to affordable units either in the SCW District or outside it. The final number of affordable units generated by the district are dependent on a number of policy choices that City leadership will need to make. These policy options are described in further detail in the coming pages.



PUBLIC & PRIVATE REVENUE STREAMS

The funding toolkit in the SCW Financial Framework is built on the notion that identifies public and private revenue streams that help pay for the district’s project costs discussed earlier.

PRIVATE REVENUE STREAMS

BASILINE DEVELOPMENT REQUIREMENT

Each redeveloping property in the SCW District is responsible for covering their Baseline Costs, which were calculated based on the cost of development in the district in the absence of the Plan. In this analysis, Street Impact Fees, Parkland Dedication Fees, and Water/Wastewater Impact Fees contribute to the Baseline Development Requirement and are dependent on the Buildout Scenario selected.

BONUS DEVELOPMENT REQUIREMENT

In addition to Baseline Costs, redeveloping properties in the SCW District may be required to contribute additional District Fees, either in-kind or towards the District Fund. District Fees levied on each property may follow a schedule of fees released periodically by the City entity charged with the implementation of the SCW Plan. The Financial Calculator developed as part of this Update helps weigh policy choices related to the District Fees.

PUBLIC IMPROVEMENT DISTRICT (PID)

The SCW Plan highlighted the function that a PID could play, especially in providing supplemental operations and maintenance for the district’s new infrastructure comes online. As a practical, short-term implementation, the existing Austin Downtown District (also known as the Downtown Austin District, or DAA) has been in effect for several properties in the district for

	OPERATIONS & MAINTENANCE	TRANSPORTATION & INFRASTRUCTURE	OPEN SPACES (Parks, Trails, Plazas)	AFFORDABLE HOUSING
PRIVATELY FUNDED				
Baseline Development Requirement		✓		
Bonus Development Requirement		✓	✓	✓
Public Improvement District	✓			
Philanthropy (Conservancy)	✓			
PUBLICLY FUNDED				
Tax Increment Finance (TIF)		✓	✓	✓
Capital Improvement Projects (CIP)		✓	✓	
Public Utilities		✓		
Affordable Housing (AHTF, tax credits)				✓

(PID continued)

some time, and the 2018 approval of the “Snoopy” PUD required that the property owner join the DAA.

It remains an open question whether this arrangement with the DAA is the correct course for the long term, or whether the SCW district should create an independent PID. In either case, the need for supplemental operations and maintenance will be an expanding need, which should be addressed by decision-makers as implementation unfolds.

PHILANTHROPY (CONSERVANCY)

The current interests for philanthropic contributions are unknown, but could include civic-minded individuals, local foundations, conservancies, and SCW developers that support the vision for the area. Philanthropic commitments can also help leverage investments in redevelopment efforts by the public and private sectors.

PUBLIC REVENUE STREAMS

TAX INCREMENT FINANCE

Single-origin coffee four dollar toast air plant craft beer, food truck iceland palo santo mixtape stumptown tattooed turmeric meggings lyft shabby chic brooklyn. Pork belly yr salvage pitchfork artisan ennui XOXO mlkshk af chicharrones. Taxidermy iPhone tacos church-key gentrify next level succulents small batch, tilde waistcoat poutine.

Succulents chicharrones fashion axe semiotics brunch cronut. Locavore organic portland taiyaki echo park tote bag intelligentsia keytar. Single-origin coffee four dollar toast air plant craft beer, food truck iceland palo santo mixtape stumptown tattooed turmeric meggings lyft shabby chic brooklyn. Pork belly yr salvage pitchfork artisan ennui XOXO mlkshk af chicharrones. Taxidermy iPhone tacos church-key gentrify next level succulents sm

CAPITAL IMPROVEMENT PROJECTS (CIP)

In this Update Capital Improvement Program (CIP) funds were estimated based on interdepartmental input, the primary source being the Public Works Department. Roadway and Drainage Improvements to Core Transit and Collector Streets comprise the majority of these public dollars. Targeting CIP dollars in the SCW would support development and show the City’s commitment to the SCW Framework Plan. Without a partnership with the public sector, the Plan’s infrastructure requirements would place a cost burden on future development that, according to City Staff’s financial modeling, it would not be able to absorb.

PUBLIC UTILITIES

Public Utility calculations in this 2020 Update were derived from a thorough vetting of infrastructure improvements utilizing private consultants and interdepartmental input. Assumptions for Water, Wastewater, Electric, Communications, Reclaimed Water and Gas are provided in this Update based on this vetting. Infrastructure Cost Calculations

for each parcel based on these assumptions fell primarily into the baseline development costs for the parcel. Otherwise referred to as the “cost of development.” Utilities that are considered superior development per the District Vision Plan, such as reclaimed water, show up in the graphs and charts as the “Utilities” cost calculations. Particularly if the parcel includes the redevelopment of streets that are required to develop with these superior development infrastructure requirements.

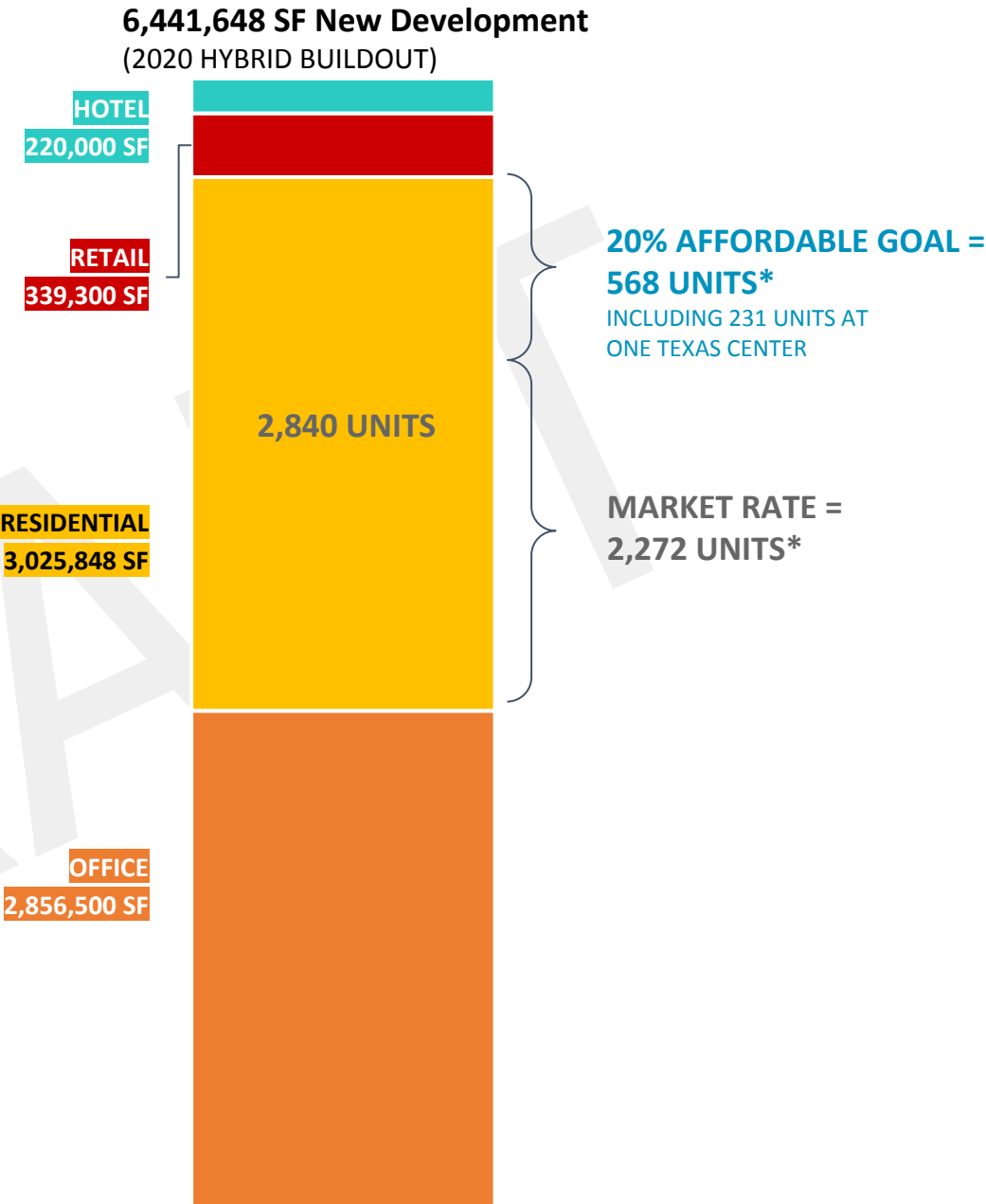
AFFORDABLE HOUSING FUNDS

Pork belly yr salvage pitchfork artisan ennui XOXO mlkshk af chicharrones. Taxidermy iPhone tacos church-key gentrify next level succulents small batch, tilde waistcoat poutine. Succulents chicharrones fashion axe semiotics brunch cronut. Locavore organic portland taiyaki echo park tote bag intelligentsia keytar. Single-origin coffee four dollar toast air plant craft beer, food truck iceland palo santo mixtape stumptown tattooed turmeric meggings lyft shabby chic brooklyn. Pork belly yr salvage pitchfork artisan ennui XOXO mlkshk af chicharrones. Taxidermy iPhone tacos church-key gentrify next level succulents small batch, tilde waistcoat poutine

AFFORDABLE HOUSING POLICY OPTIONS

South Central Waterfront offers a unique and unprecedented opportunity to help the City turn one of its most vexing challenges into an opportunity. The City faces an enormous shortage of affordable housing. Many close-in neighborhoods as well as downtown provide only limited capacity (for a variety of reasons) to accommodate close in affordable units that are accessible to transit. The South Central Waterfront district offers the potential to set and achieve a target of making 20 percent of future housing units developed in the area affordable to households at 60 to 80 percent of Area Median Income for rental and 100 to 120% AMI for ownership.

Achieving this goal will require partnerships between the City and private property owners, participation by various affordable housing providers, and a strong portfolio of affordable housing tools. The district’s close proximity to downtown employment and public transit also reduces the transportation cost burden for households by increasing commute options, including the ability to walk, bike, or take transit to work instead of owning and operating a personal vehicle.



*Unit Numbers based on [Sample Scenario 1](#)

POLICY CONSIDERATIONS TO MEET DISTRICT GOALS

The number of affordable housing units generated by the SCW District is primarily determined by the number of market rate units built within the district. However, several affordable housing policy choices can further determine how many units are generated.

PROVIDING UNITS WITHIN DISTRICT VS OUTSIDE DISTRICT

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In District:

- Helps fill the housing shortage in central city
- Puts housing close to jobs and transit
- Creates a more diverse district
- Very expensive

Outside District:

- Can be a model for how “wealthier” districts can pay for housing in areas that need it the most
- More units for the same price = housing more people/families
- Potentially perpetuates segregation

ONSITE AFFORDABLE HOUSING REQUIREMENT

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Setting an AH requirement on a Site-by-site basis

- Allows for adjustment of AH targets as properties redevelop

vs Setting a blanket district wide requirement at a fixed percentage

- Provides certainty to developers

LEVERAGING CITY OWNED PROPERTY AT ONE TEXAS CENTER

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- Rental or ownership housing units
- Low-rise, mid-rise, or high-rise development
- 100% affordable or mixed-income development

DEPTH OF AFFORDABILITY

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Fewer units accessible at a deeper level of affordability
Vs
More units accessible to people with a higher MFI

How these options can be influenced by the in district vs outside district conversation.

EVALUATING ECONOMIC IMPACTS OF AH POLICY

The economic impacts of these choices can be evaluated with the help of the financial calculator.

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BUILDOUTS FOR FINANCIAL ANALYSIS

The Financial Framework requires private properties to "buy-in" to the Vision by building the public realm on-site, as well as financially contributing to city-led improvements. To incentivize property owners to contribute, their costs must be offset through increased development allowances.

The 2020 SCW Financial Calculator modeled two development scenarios:

- Hybrid Buildout
- Statesman PUD Buildout

These development scenarios allows for a parcel-by-parcel proforma financial model to calibrate the range of bonus development entitlements required to provide economic incentive for properties to redevelop and fund the community benefits (public realm and affordable housing) within a system of value capture financing tools.

It is important to note that the development scenarios analyzed are not a prescription or recommendation on what should be built; it is a test to see how a set of financial tools could leverage the private market to fund the SCW Vision. These development scenarios provide a foundation for the City to further explore the potential value-capture tools and offers direction for potential public/ private partnership opportunities.

TIPPING PARCELS

The map on the next page shows in yellow, "tipping parcels" – properties most likely to redevelop within the next 15 years - as modeled in the 2016 Plan. These tipping parcels form the basis for the financial analysis and all Buildouts considered in this Update show the development potential by the year 2040 for these parcels only.

Non-tipping parcels do not feature in the district financial analysis and currently cannot opt into the SCW Regulating Plan. That is not to say that non-tipping parcels are unlikely to redevelop soon. Evolving market conditions and changing property ownerships since the adoption of the Plan have ripened some previously non-tipping parcels for redevelopment.

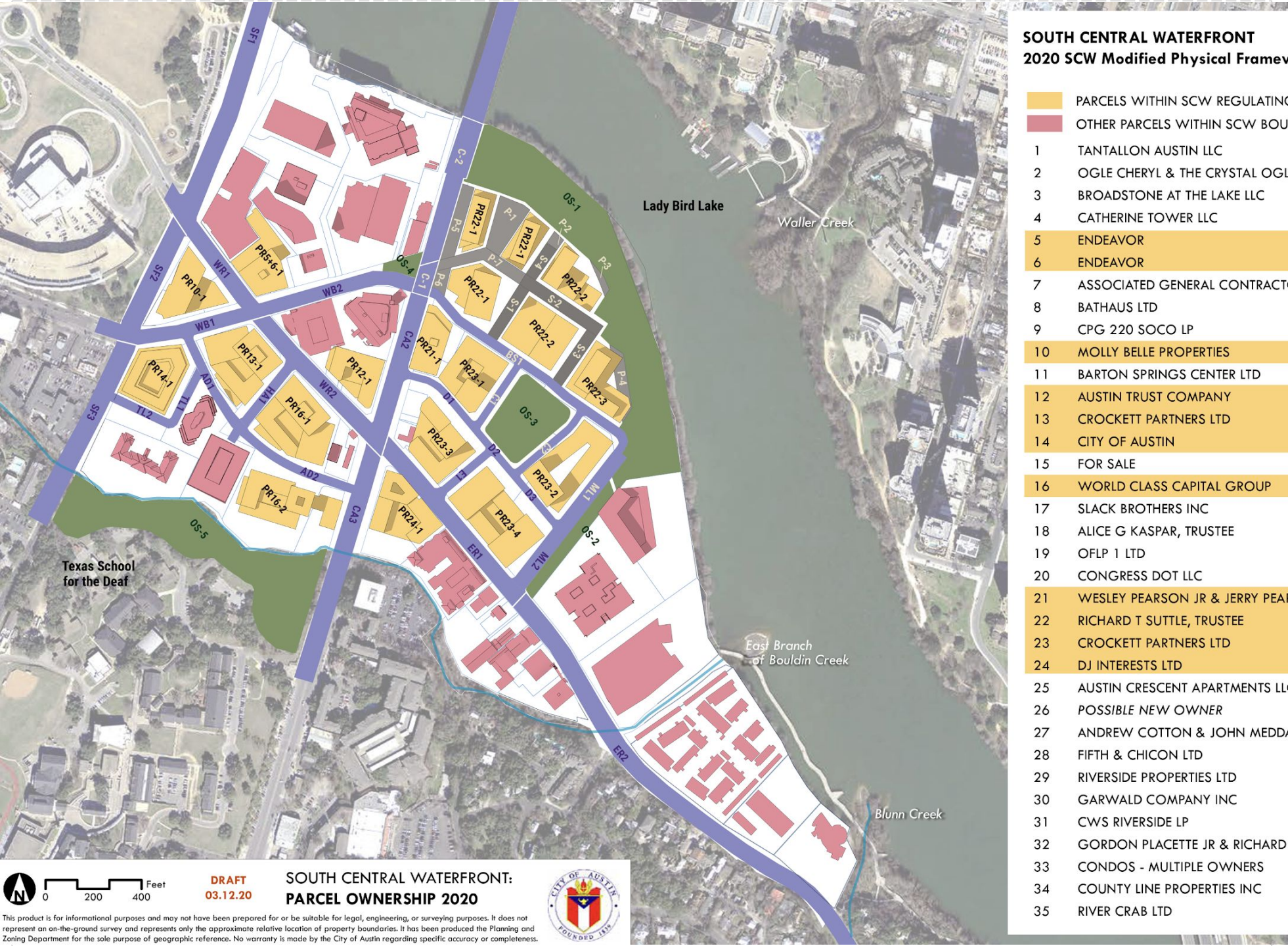
RIVERSOUTH

Since the adoption of the Plan, PR-10, formerly known as the "Snoopy", successfully applied for a PUD based on the entitlements proposed in the 2016 Plan. The building, now known as RiverSouth is currently under construction.

At the time of the application, the City was yet to establish the key implementation steps described in the Plan, which would have allowed this development to apply the Plan's proposed development process.

As an interim strategy, the PUD outcomes were modeled after the SCW Plan. This included cash and in-kind contributions from the development towards the district totaling 3.1 Million dollars. After various in-kind contributions, the remaining balance totaling \$176,074 was paid by the developer as District Fee and is currently held in a District fund set up by the City.

Since RiverSouth participated in the Plan, this property has been included in the 2020 SCW Financial Analysis.



SIGNIFICANCE OF THE STATESMAN & CROCKETT SITES

The SCW District had 35 parcels, encompassing 97 acres of land area, not including the street network. The Statesman and Crockett properties together represent roughly 30% of this District’s area. In the SCW Vision, these two properties contribute:

- Statesman Site
- ~19 acres
 - 20% of District land area
 - 62% of District’s Open Space
 - 16% of District’s New Streets
 - 32% of District’s Infrastructure Costs



- Crockett Site
- ~12 acres
 - 17% of District land area
 - 10% of District’s Open Space
 - 18% of District’s New Streets
 - 20% of District’s Infrastructure Costs

HYBRID BUILDOUT VS PUD BUILDOUT

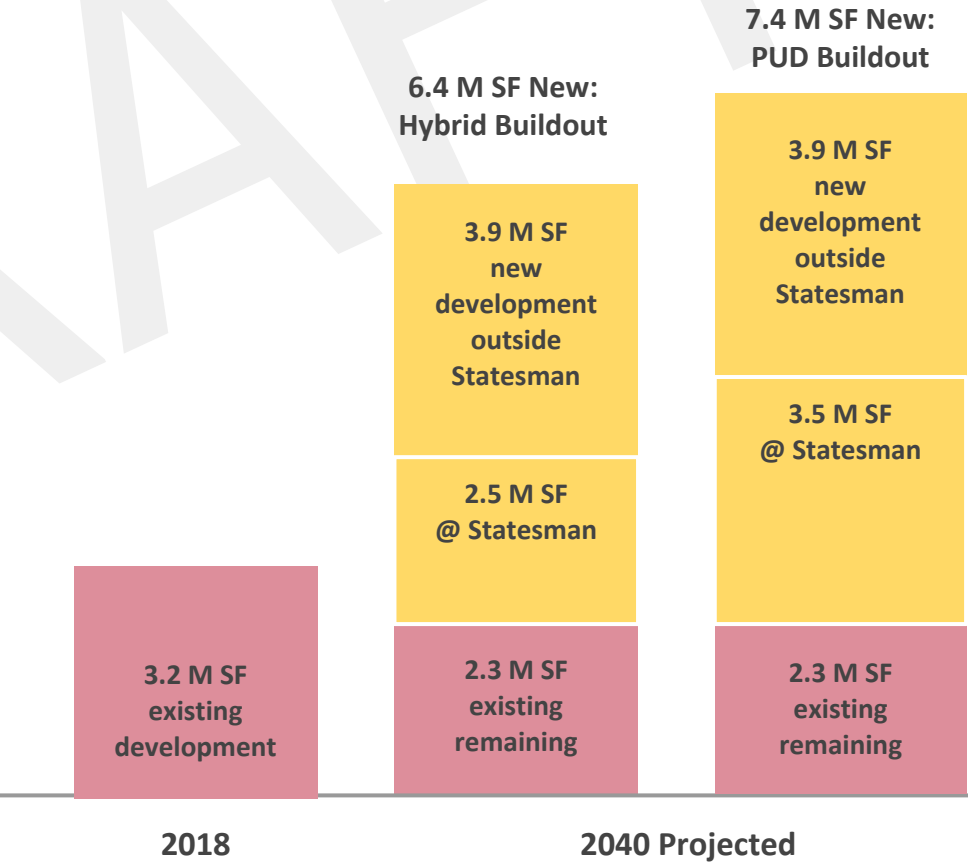
Within the physical framework of streets, blocks, open spaces, and green infrastructure, the 2016 SCW Plan envisions buildout scenarios on “tipping properties” (i.e., properties most likely to redevelop over the next twenty years, according to analysis in the 2016 plan). Buildout scenarios apply projected building program assumptions (i.e., square-footage of uses) across the ten tipping properties.

In this Update of the Plan, two Buildout Scenarios for tipping properties have been created in this document collection:

- **Hybrid Buildout Scenario:** This buildout scenario is identical to the Endeavor Buildout except that the building heights for the Statesman site have been reduced to correspond to height limits as established in the 2016 SCW Plan. Across the ten tipping properties this scenario models a potential of approximately 6.4 million square feet of development.
- **2020 PUD Buildout Scenario:** This is identical to the 2020 Update SCW Plan Buildout except for an increased density on two of the tipping properties. The buildout assumptions (square footage of uses and building heights) from the current 305 S. Congress PUD proposal (aka: Endeavor Buildout) is used for the Statesman property. The adjacent Crockett property buildout has been adjusted per the Modified Physical Framework but building heights are consistent with the 2016 plan. Across all ten tipping properties this scenario models a potential of approximately 7.4 million square feet of development.

SIGNIFICANCE OF SCW BUILDOUT SCENARIOS FOR FINANCIAL ANALYSIS

1. Buildout assumptions are key inputs into creating the Financial Framework proforma modeling that is now in progress.
2. Modeling the alternative buildout scenarios allow for assessing the financial impacts of the current PUD proposal as compared to the original concept from the 2016 plan. Also, the Hybrid buildout provides a method to assess the financial impacts of limiting the PUD proposal to building heights to match the SCW Plan.



HYBRID BUILDOUT

The Hybrid Buildout Scenario for Financial Analysis takes the proposed building footprints and uses from the PUD proposal but reduces the building heights to limits as established in the 2016 adopted SCW Plan. The 2020 Hybrid Buildout also adopts the 90% underground parking for the Statesman Site, as proposed in the PUD application. Across the ten tipping properties, this scenario models a potential of approximately 6.4 million square feet of new development by 2040.

SIGNIFICANCE OF THE HYBRID BUILDOUT FOR FINANCIAL ANALYSIS

- Buildout assumptions are key inputs into creating the interactive Financial Framework Proforma Model, alternatively known as the Financial Calculator. **2020 SCW Hybrid Buildout Scenario** will become the basis for the 2020 update to the SCW financial analysis.
- Buildout assumptions and the Financial Framework Proforma Model can be used to calculate potential development fees and financial gaps that might be expected from future development.

- The **2020 SCW Hybrid Buildout Scenario**, used as an input into the proforma model, can assess the financial impacts of the current PUD proposal but with building heights consistent with the 2016 adopted SCW Plan. However, the update to the financial proforma model also will allow an input for the building

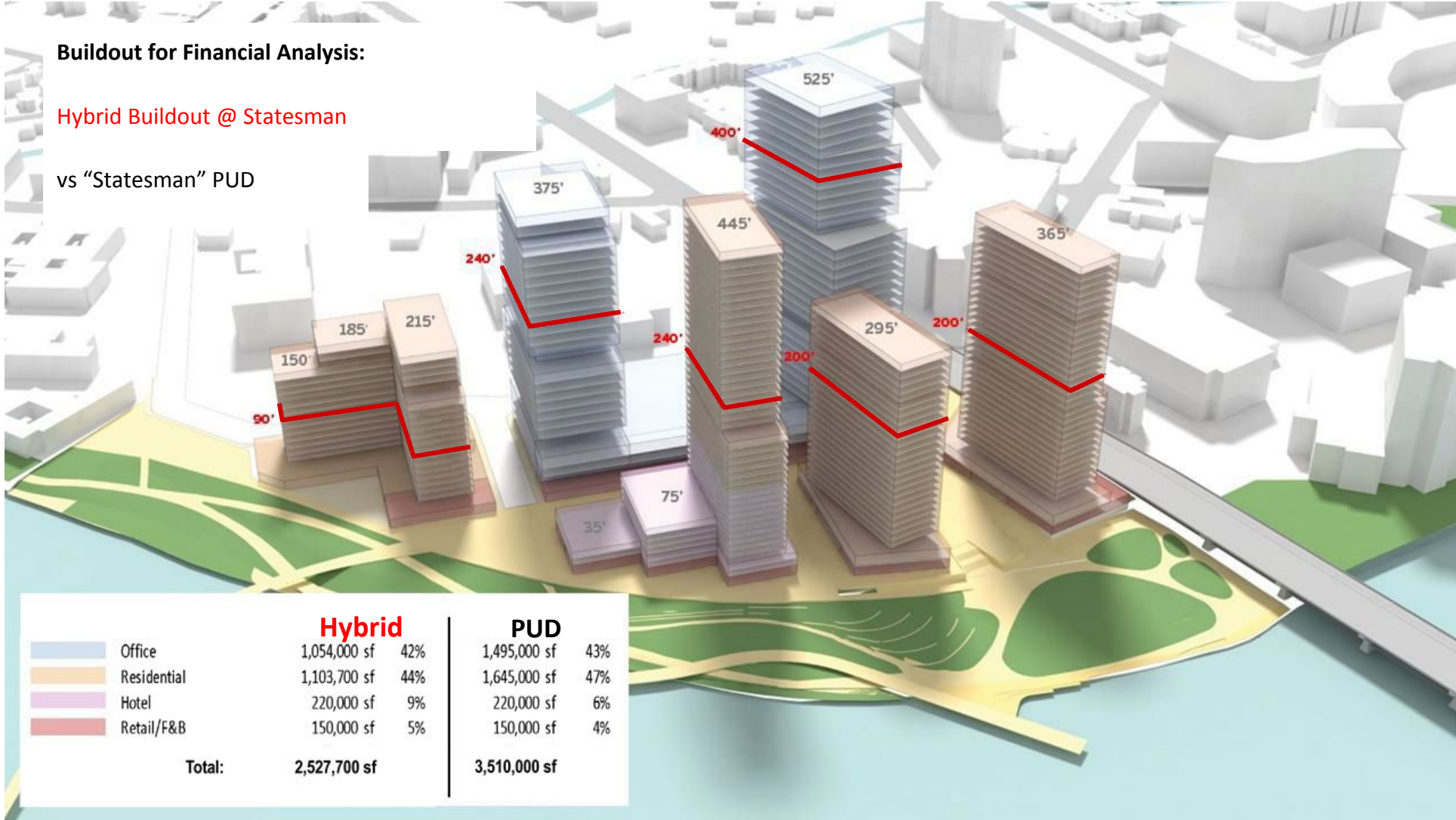
densities/heights at the Statesman site as proposed in the PUD application to understand financial impacts to the Statesman property and to the district as compared to the Hybrid Buildout heights.



Name	Property Code	Area (ac) (Source: TCAD)	Parcel	2016 Plan Code	Office	Residential	Residential	Retail	Hotel	TOTAL GFA	Parking		Height
					(gsf)	(gsf)	(du)	(gsf)	(gsf)	(gsf)	Podium	Underground	(Ft)
Statesman	PR22	18.86	PR22-1	S1	684,000	452,700	370	111,800	220,000	1,468,500	156	1,679	
			BLDG 2		684,000	0	0	66,400	0	750,400	156	1,157	400
			BLDG 4		0	336,700	299	21,000	0	357,700	0	365	280
			BLDG 5		0	116,000	71	24,400	220,000	360,400	0	157	240
			PR22-2	S2	370,000	278,400	248	30,000	0	678,400	100	704	
			BLDG 1		0	278,400	248	14,000	0	292,400	0	302	240
			BLDG 3		370,000	0	0	16,000	0	386,000	100	402	240
			PR22-3	S3	0	372,600	331	8,200	0	380,800	0	292	
			BLDG 6&7		0	372,600	331	8,200	0	380,800	0	292	90/240
TOTAL					1,054,000	1,103,700	949	150,000	220,000	2,527,700			
Crockett	PR23	17.3	PR23-1	C3	0	287,225	262	10,000	0	297,225	210	52	180
			PR23-2	C4	0	370,250	336	30,000	0	400,250	375	0	200
			PR23-3	C2	0	367,350	362	19,000	0	386,350	247	123	240
			PR23-4	C1	340,900	0	0	20,000	0	360,900	460	460	110
TOTAL					340,900	1,024,825	960	79,000	0	1,444,725			
DJ Interests	PR24	1.87	PR24-1	K31-33	0	202,348	238	14,300	0	216,648	342	0	100
TOTAL					0	202,348	238	14,300	0	216,648			
World Class	PR16	6.09	PR16-1 & 16-2	H16,17,20	371,000	387,000	344	32,000	0	790,000	824	412	200
TOTAL					371,000	387,000	344	32,000	0	790,000			
City of Austin (OTC)	PR14	1.71	PR14-1	F12	10,000	155,975	150	7,000	0	172,975	128	0	60
TOTAL					10,000	155,975	150	7,000	0	172,975			
Crockett (Threadgill's)	PR13	1.56	PR13-1	G14/15	347,600	0	0	10,000	0	357,600	476	238	200
TOTAL					347,600	0	0	10,000	0	357,600			
Austin Trust	PR12	0.92	PR12-1	D9	0	152,000	152	9,000	0	161,000	222	0	100
TOTAL					0	152,000	152	9,000	0	161,000			
Riversouth	PR10	1.35	PR10-1	C6-8	330,000	0	0	18,000	0	348,000	772	96	195
TOTAL					330,000	0	0	18,000	0	348,000			
Endeavor (Zax)	PR5 & PR6	1.71	PR5 & PR6	B3-5	250,000	0	0	10,000	0	260,000	520	0	200
TOTAL					250,000	0	0	10,000	0	260,000			
Pearson	PR21	0.81	PR21	J22-23	153,000	0	0	10,000	0	163,000	163	163	100
TOTAL					153,000	0	0	10,000	0	163,000			
DISTRICT TOTALS					2,856,500	3,025,848		339,300	220,000	6,441,648			

STATESMAN PUD BUILDOUT VS HYBRID BUILDOUT

In 2019, a PUD proposal for the 305 S Congress Site (Statesman) was submitted which includes taller buildings than was envisioned in the 2016 adopted SCW Plan. The PUD submission also proposes to put 90% of on-site parking underground, a significant improvement over the 2016 adopted SCW Plan which envisioned approximately 25% of parking underground and 75% in above-ground parking plinths (typical of downtown development). With the proposed additional density at the Statesman Site , and all other parcels with the Hybrid buildout, the districtwide buildout across all ten tipping properties would generate approximately 7.4 million square feet of new development by 2040.



Name	Property Code	Area (ac) <small>(Source: TCAD)</small>	Parcel	2016 Plan Code	Office	Residential	Residential	Retail	Hotel	TOTAL GFA	Parking		Height
					(gsf)	(gsf)	(du)	(gsf)	(gsf)	(gsf)	Podium	Underground	(Ft)
Statesman	PR22	18.86	PR22-1	S1	838,000	789,000	617	111,800	220,000	1,958,800	156	2,374	
			BLDG 2		838,000	0	0	66,400	0	904,400	156	1,425	525
			BLDG 4		0	480,000	427	21,000	0	501,000	0	522	365
			BLDG 5		0	309,000	190	24,400	220,000	553,400	0	427	445
			PR22-2	S2	657,000	400,000	356	30,000	0	1,087,000	100	1,208	
			BLDG 1		0	400,000	356	14,000	0	414,000	0	428	295
			BLDG 3		657,000			16,000	0	673,000	100	780	375
			PR22-3	S3	0	456,000	405	8,200	0	464,200	0	358	
		BLDG 6&7		0	456,000	405	8,200	0	464,200	0	358	150/215	
TOTAL					1,495,000	1,645,000	1,378	150,000	220,000	3,510,000			
Crockett	PR23	17.3	PR23-1	C3	0	287,225	262	10,000	0	297,225	210	52	180
			PR23-2	C4	0	370,250	336	30,000	0	400,250	375	0	200
			PR23-3	C2	0	367,350	362	19,000	0	386,350	247	123	240
			PR23-4	C1	340,900	0	0	20,000	0	360,900	460	460	110
	TOTAL					340,900	1,024,825	960	79,000	0	1,444,725		
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World Class	PR16	6.09	PR16-1 & 16-2	H16,17,20	371,000	387,000	344	32,000	0	790,000	824	412	200
			TOTAL					371,000	387,000	344	32,000	0	790,000
City of Austin (OTC)	PR14	1.71	PR14-1	F12	10,000	155,975	150	7,000	0	172,975	128	0	60
			TOTAL					10,000	155,975	150	7,000	0	172,975
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			TOTAL					347,600	0	0	10,000	0	357,600
Austin Trust	PR12	0.92	PR12-1	D9	0	152,000	152	9,000	0	161,000	222	0	100
			TOTAL					0	152,000	152	9,000	0	161,000
Riversouth	PR10	1.35	PR10-1	C6-8	330,000	0	0	18,000	0	348,000	772	96	195
			TOTAL					330,000	0	0	18,000	0	348,000
Endeavor (Zax)	PR5 & PR6	1.71	PR5 & PR6	B3-5	250,000	0	0	10,000	0	260,000	520	0	200
			TOTAL					250,000	0	0	10,000	0	260,000
Pearson	PR21	0.81	PR21	J22-23	153,000	0	0	10,000	0	163,000	163	163	100
			TOTAL					153,000	0	0	10,000	0	163,000
DISTRICT TOTALS					3,297,500	3,567,148		339,300	220,000	7,423,948			

SCW FINANCIAL CALCULATOR

The 2020 Financial Calculator was developed by SCW Consultant, ECONorthwest. This work built upon initial feasibility modeling from the 2016 SCW Framework Plan. To evaluate potential regulatory policies and incentives, ECONorthwest developed a parcel-based pro forma model that looked at the feasibility of potential development across the South Central Waterfront. This 2020 Financial Calculator includes updated assumptions and methods to provide greater clarity to City Council about potential development feasibility when considering policy options.

The COVID-19 pandemic has created uncertainty for the future of the district and its timeline for development. From the creation of the SCW Framework Plan in 2016 until 2019, the District saw increased developer interest in a distinct mix of uses, but construction costs in the Austin market were also increasing rapidly. Over the next few years, demand remains uncertain. For example, construction costs may stabilize with fewer project starts, but construction costs seldom decline. Regardless of this uncertainty, developing a flexible implementation plan and associated policies can prepare the SCW to attract new development in the future.

The Financial Calculator provides a snapshot look at the district buildout, as though all development delivered simultaneously under market conditions in late 2019 and early 2020 (ECONorthwest vetted assumptions with local developers and property owners in 2019 and the City of Austin and Statesman site developer, Endeavor, provided cost information in 2020). To conduct this analysis, ECONorthwest used parcel-based pencilouts to consider multiple “input scenarios.” The input scenarios included plan entitlements, infrastructure costs, affordable housing, and bonus participation fees.

The Calculator produces a summary of parcel-by-parcel performance for development feasibility, a district-wide feasibility gap, and an affordable housing shortfall (if any) for each set of input scenarios. These can be compared with the results from the 2016 Framework Plan to understand how market conditions, both demand and costs, have changed since its adoption.

Model Inputs	Input	Instructions	To set closest to 2016 Plan Doc
Affordable Housing Requirement	Apply New Districtwide Requirement (below)	Select option [The "Framework Plan" option applies the site-specific percent of affordable units in all cases, which overrides the affordability selections below. Set to Districtwide Requirement to enter a custom value in the cell below.]	Set value to "Apply Framework Plan Affordable Percentages"
Districtwide Affordable Requirement (excluding Statesman)	10.0% across district	Input value (% units) [If "Framework Plan" option is selected above, this value will be ignored.]	NA
Statesman/Cox Affordability Requirement	Cox at 4.15% (Plan Requirement)	Select option [If "Framework Plan" option is selected above, this value will be ignored.]	NA
Affordable Unit Shortfall Filled Onsite or Offsite	Outside district	Select option ["Onsite" applies NHCD cost for buying-down high-rise units; "Offsite" applies NHCD cost for buying-down low-rise units assumed to be outside of the district]	NA
Affordable Housing Subsidy Type (excluding OTC)	Zero Aff Subsidy	Select option [Baseline input: "Zero Aff Subsidy"]	Set value to Zero Aff Subsidy
NHCD Per Affordable Unit Subsidy	\$0.00 / Aff Unit	Input value (\$) to be applied if 'Aff Subsidy Per Unit' selected for Subsidy Type above	Set value to 0
District Master Planning Fee	\$0.00 / Gross FAR Foot	Input value (\$)	Set value to 0
One Texas Center Development Scenario	60' 4 over 2 Rental 100% affordable	Select 2016 Plan.	Set value to 2016 plan document
Market Assumptions	2019 Interviews	Select option	Set value to 2016 Plan
Buildout Scenario	2020 HYBRID	Select option [Baseline input: "2020 UPDATED SCW"]	Set value to 2020 UPDATED SCW

Notes

Rollup

Development Summary

Plan Scenarios

Pro Formas

OTC

Market

Public Benefits

Affordable

MAS

Infra

Parcel

KEY TAKEAWAYS

Developments of the scale contemplated in the 2016 SCW Framework Plan may be financially infeasible, even before accounting for infrastructure and affordability requirements.

The analyses affirmed many of the findings from the SCW Framework Plan analysis, particularly the infeasibility of the district's vision without public financial support.

- Infrastructure: Recent feasibility testing suggests that developments, including at the Statesman site, are financially infeasible even before accounting for the impact of incremental infrastructure called for in the SCW Framework Plan. Thus, the plan's infrastructure requirements lead to larger subsidy amounts for any given site in the SCW. Infrastructure investments will require coordination between the public and private sectors.

- Affordable Housing. Achieving the 20% housing affordability target is infeasible without public subsidy. The SCW Framework Plan demonstrated that achieving the District's overall goals could require project-by-project affordable housing subsidies. Our analysis suggested extending these subsidies to cover infrastructure and general feasibility of development at the scale and quality envisioned in the SCW Framework Plan.

Market conditions impede the viability of new development in the District.

The market conditions brought on by the global health emergency in the first part of 2020 are unprecedented. No forecaster can predict the near or distant future. This hinders the viability of new development at a scale that matches the City's vision for the district. The timing, scale, and phasing of future development will all be difficult to predict.

The most feasible affordable housing development types are low- and mid-rise 100% affordable rental projects

In the SCW Framework Plan, the City set a goal that 20% of housing delivered in the district would be income-restricted. This included a 100% affordable building on the OTC parking lot and an affordable housing target less than 5% for all units on the Statesman site. We considered multiple OTC options and Statesman targets the 2020 Financial Tool. The results reaffirmed the findings from the 2016 SCW Framework Plan: achieving the City's 20% affordable housing goal requires substantial project-by-project subsidies. The most feasible development types are low- and mid-rise 100% affordable rental projects in the OTC parking lot or adjacent neighborhoods, without requiring onsite units for condo buildings

SCENARIO EVALUATION WITH THE FINANCIAL CALCULATOR

The SCW Financial Calculator is an interactive, excel-based tool that allows for modeling financial scenarios to understand and evaluate the economic implications of policy choices. The Calculator assumes all development in the District comes online at the same time, when in reality parcels will redevelop over a period of time.

CALCULATOR INPUTS

The landing page of the Financial Calculator contains a list of inputs with a drop-down menu with options for each input. A scenario is complete when options for all the inputs have been selected.

AFFORDABILITY REQUIREMENT

This option allows the user to either enter custom affordable housing requirements to parcels or apply the site-specific percent of affordable units in all cases, as modeled in the 2016 Plan.

Due to the heavy infrastructure burden on the Statesman site, the 2016 Plan development scenario assumed a smaller affordable housing requirement for this parcel. For the same reason, the model allows for a custom affordable housing input for Statesman

AFFORDABLE UNIT SHORTFALL

This option determines where the affordable unit shortfall generated by the district would be fulfilled. Choosing "Onsite" applies NHCD cost for buying-down high-rise units and choosing "Offsite" applies NHCD cost for buying-down low-rise units assumed to be outside of the district.

SUBSIDY FOR AFFORDABLE UNITS

This option accounts for the availability of subsidies per unit from other affordable housing related public funds.

ONE TEXAS CENTER SCENARIOS

Nine options for One Texas Center allows for different rental and ownership scenarios at this site in a 60' stick-build, 85' mid-rise building, or a 170' high rise that maxes out the current entitlements on the site.

DISTRICT FEE

As part of the Bonus Development Requirement, developers may need to pay a District Fee levied on a dollar per gross square foot basis. The Calculator allows the user to fill-in any dollar amount per square foot.

MARKET ASSUMPTIONS

The Calculator allows for a selection of assumptions from seven different market conditions. These assumptions reflect market conditions in 2016, 2019 based on interviews, the 305 S Congress PUD, average historical market, and most favorable market conditions for development. In addition, there is a fill-in option for a future market scenario.

BUILDOUT SCENARIO

Buildout selection includes the 2016 Plan buildout, the 2020 Hybrid Buildout, and the 305 S Congress PUD buildout discussed earlier.

RESULTS & ANALYSIS

Once all inputs have been selected, the Calculator aggregates development performance across all parcels in the District and summarizes the performance of the District as a whole. This allows decision makers to weigh the economic impact of policy options, made at a single parcel level, on the whole district.

The following pages discuss various scenarios based on a limited selection that allows for a sensitivity analysis of choosing a particular policy. The results from the Financial Calculator described below provide the economic perspective for a more comprehensive policy conversation.

FEASIBILITY GAP

As stated earlier, most development in this District is infeasible even before accounting for affordable housing and infrastructure burden. For this line item, the calculator aggregates additional funds needed for all parcels to have feasible development.

INFRASTRUCTURE GAP

The Calculator separates out the costs of the physical infrastructure that remains unallocated to any parcel in the District. This "gap" is expected to be the District's responsibility to fulfil.

AFFORDABLE HOUSING GAP

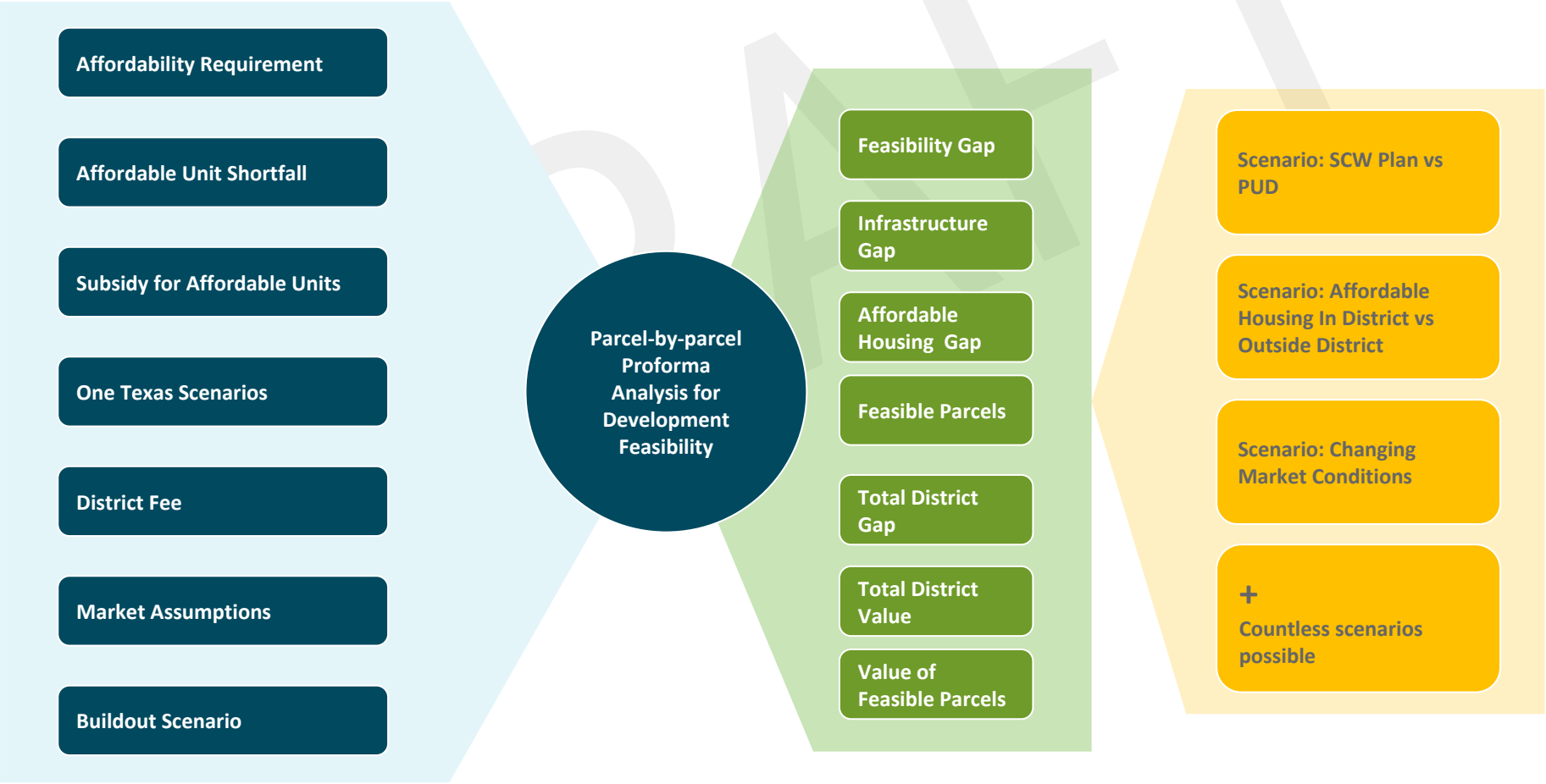
The Calculator also separates out the costs to meet the affordable unit shortfall. This includes units both within and outside the District and account for subsidies provided by other public housing funds and fees collected in lieu of building units.

FEASIBLE PARCELS

Given a particular scenario selection, the Calculator outputs show how many parcels are theoretically financially feasible. The reality could be vastly different based on market conditions and development phasing.

DISTRICT TOTALS

Finally, the Calculator allows decision makers to view overall results for the District. This includes the total funds needed by the district to realize the Plan vision and the total value generated by the district buildout. These totals allows for further study of value capture mechanisms with this district.



CAVEATS: LIMITATIONS & PURPOSE OF SCENARIOS

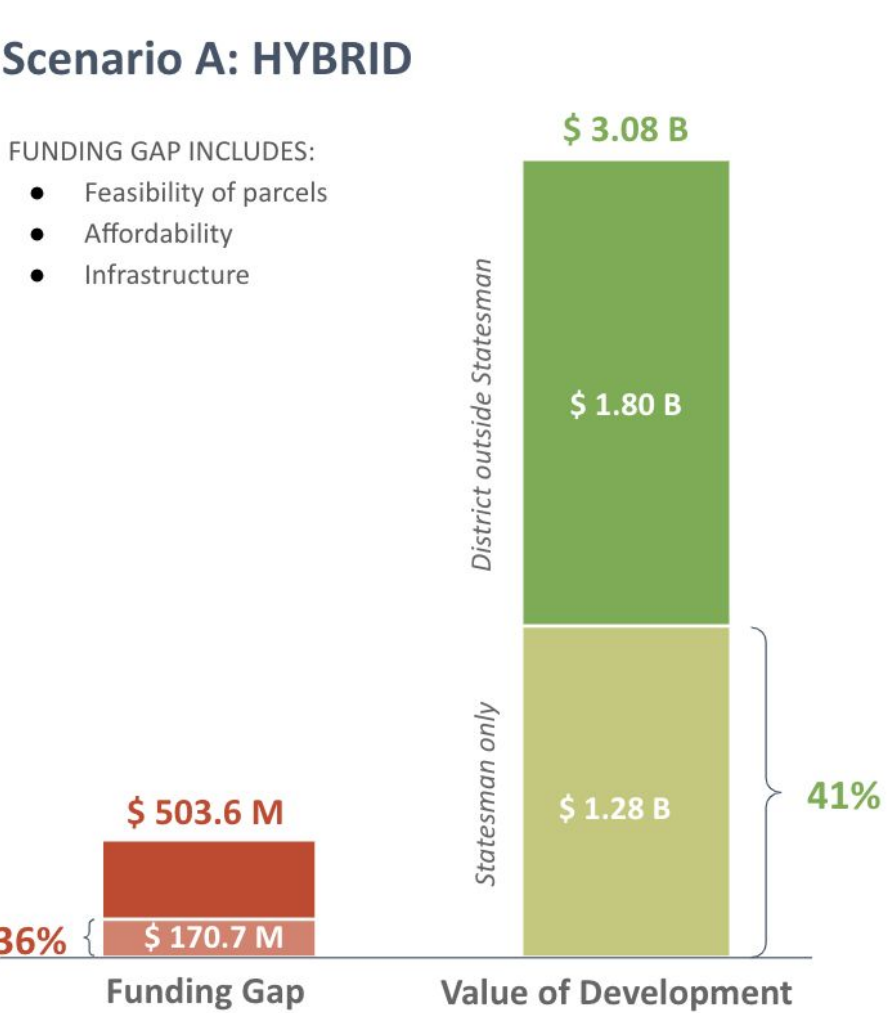
- **SNAPSHOT OF COSTS & MARKET CONDITIONS:** The financial calculator allows the operator to select multiple inputs (district buildouts; market assumptions; bonus fees; etc) in order to evaluate financial impacts on a variety of outputs (primarily the ability to cover costs for infrastructure & affordable housing). The calculator has been designed as a flexible tool which allows for updating the inputs for costs and market data in order to provide for long-term usefulness. However, the inputs and outputs data in the calculator that is used for the particular scenarios in this book are based on current costs and market trends (2019/2020), and any scenario evaluations should be viewed within these snapshot conditions.
- **SNAPSHOT FOR BUILDOUTS:** In reality, the buildout of properties likely will unfold over the next twenty years, with costs and market conditions ever-changing as the progress of redevelopment takes places. The scenarios presented here assume a snapshot of what would happen if the full buildout across the district were accomplished in current time (2019/2020). In other words, given all the current input assumptions, what would the district’s financial impacts be if all of the properties were redeveloped all at once, today.
- **UNDERSTANDING SENSITIVITY & TRENDS INSTEAD OF PRECISE BOTTOM-LINES:** The calculator provides several selections for the market inputs, each of which provide a reasonable option for comparison. The operator will discover, however, a huge variation on the outputs for financial analysis, based on the market assumption selected. This wide variation calls attention to the sensitivity of input/output results. The caveat here is that all of the numbers which result from this calculator should be taken with a grain of salt. What is important, however, is that the general trends of financial surpluses and gaps generally trend in the same directions, regardless of the input assumptions selected.
- **UNDERSTANDING POLICY IMPLICATIONS:** Besides testing the sensitivity of market and cost variables, the calculator can be used to set up evaluations which focus on comparing impacts of policy decisions.. For instance, scenarios evaluations could set with all assumptions the same except to adjust for:
 - Compare financial impacts of requiring all affordable housing within the district vs allowing some of the units to be built outside the district;
 - Comparing impacts for the nine different affordable housing schemes at One Texas Center;
 - And, comparing financial impacts of allocating affordable housing bond funds towards development as opposed to not - just to name a few
- **PURPOSE OF THE SCENARIOS PRESENTED HEREIN:** The two scenarios presented herein use the same set of input assumptions for both schemes except for one variable only: what would the financial snapshot look like for the district look like we only compare the Hybrid buildout vs the PUD buildout. This option was built into the calculator to make relevant the updated financial analysis to the real-time redevelopment proposal now in review. The purpose is not to advocate for or against the current PUD proposal, but rather to make available to decision-makers a tool which could highlight the potential for value-capture which will likely be part of the decision-making process.

COMPARING FUNDING GAPS TO POTENTIAL VALUE CAPTURE ON TWO BUILDOUT SCENARIOS

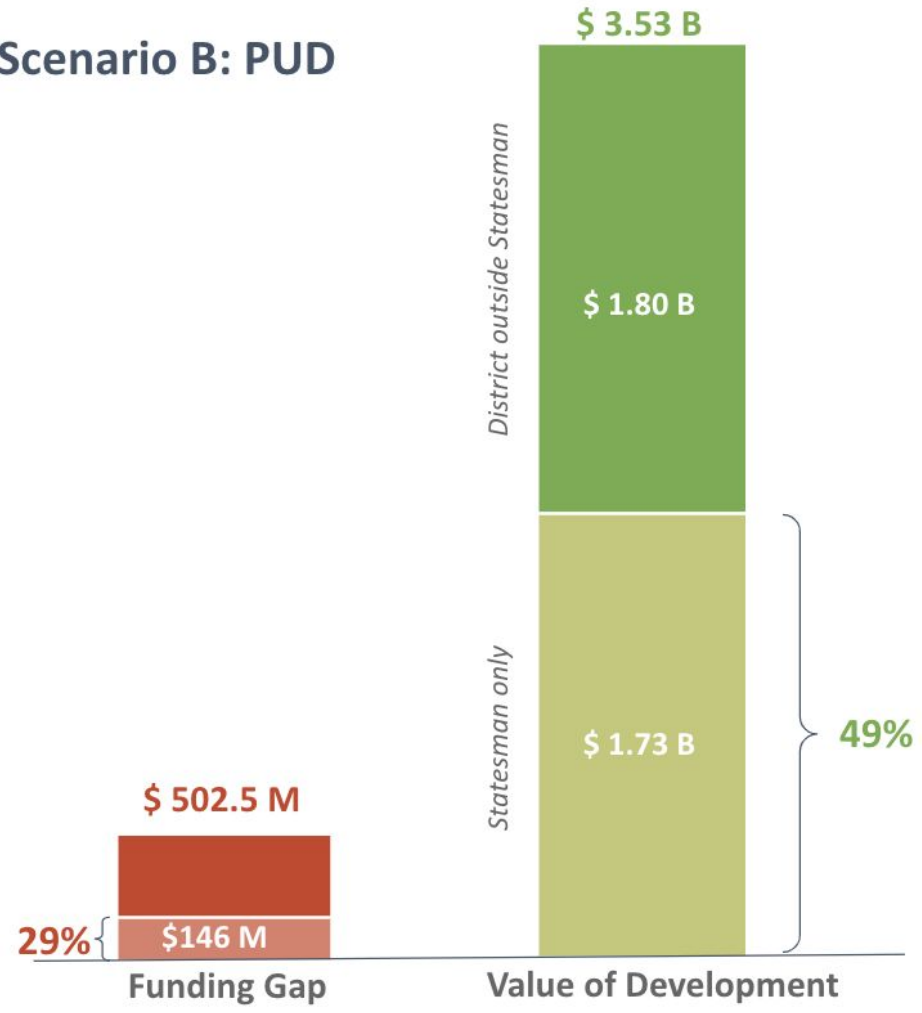
Given the same set of input assumptions, the bar charts below highlight only compares the financial impacts of snapshot investment value vs the infrastructure and affordable housing gaps for the Hybrid vs the PUD buildout. Selecting other inputs would change the overall funding gaps, but the trend would remain similar as shown in the scenario below. The main takeaway in this particular scenario comparison: the overall district financial gap to achieving full community benefits is roughly the same with both scenarios, but the potential for value capture on private development is approximately a half-billion dollars more with the PUD buildout.

Scenario A: HYBRID

- FUNDING GAP INCLUDES:
- Feasibility of parcels
 - Affordability
 - Infrastructure



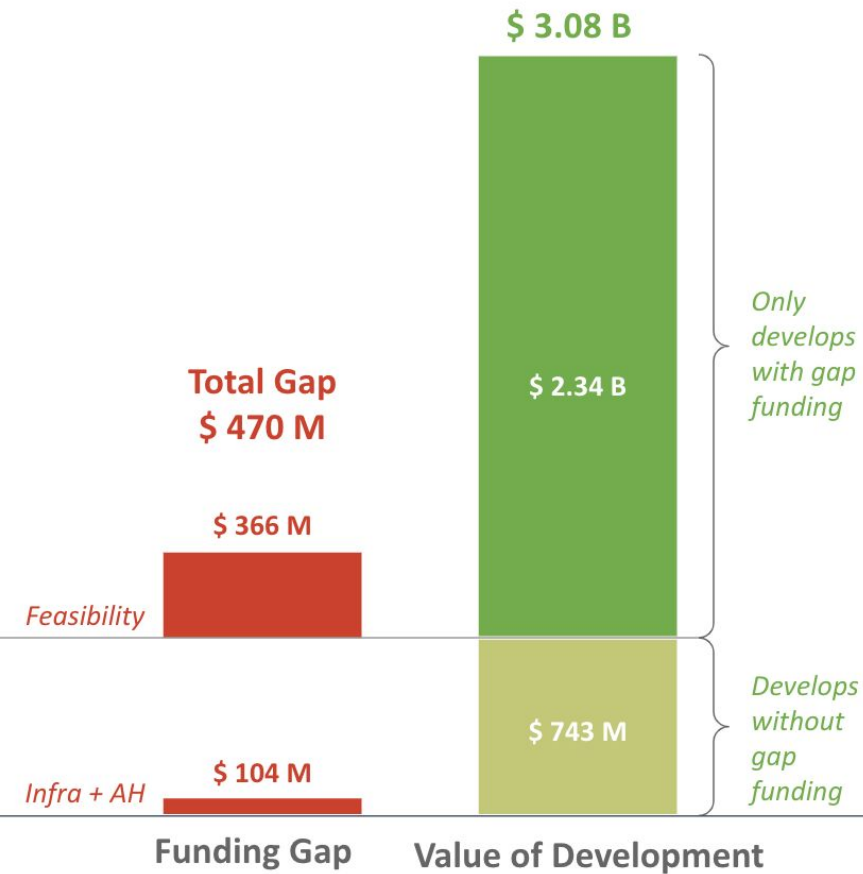
Scenario B: PUD



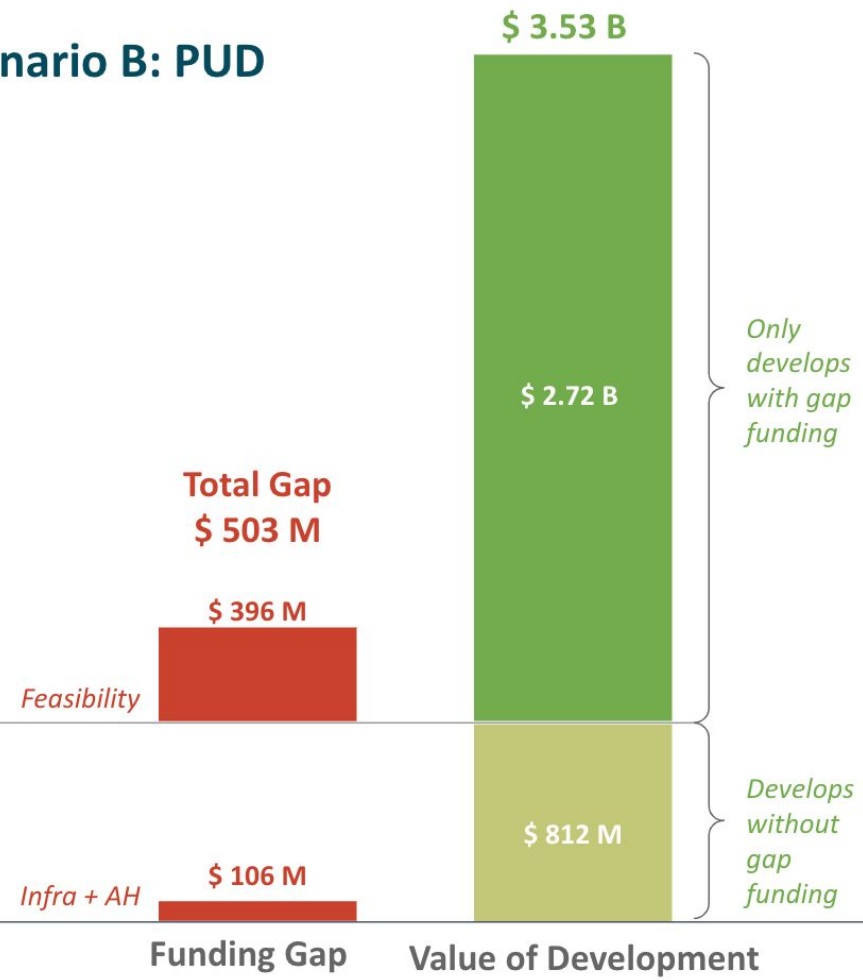
FEASIBLE DEVELOPMENT, INFEASIBLE DEVELOPMENT, & GAP FUNDING NEEDS

The 2020 update to financial analysis indicate that most of the tipping properties will not be feasible to redevelopment in accordance to the master plan vision without subsidy, while some are shown to be financially feasible without subsidy. That means, but for having subsidy, these properties cannot redevelop as envisioned and, therefore cannot provide the value capture potential, and cannot support the infrastructure and affordable housing contributions called for. In contrast, some properties are still financially feasible without subsidy but, even then, there are district community benefit goals that are not directly associated with any particular property that will still need gap funding.

Scenario A: HYBRID



Scenario B: PUD



City Leadership

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Detailed Status of Completed & In Progress Implementation Steps

- SCWAB

Development Corp

- How it might work
- What happens to the SCWAB
- Relationship with the TIF

City Staffing

Regulating Plan

Appendix A:

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