

Waller Creek TIRZ

2009 Update of Market Demand and Absorption Projections

Brian Rodgers
August 19
Presentation to City
Council



Waller Creek TIF

WARNING !



\$ 7 million annual deficits ahead

Previous projections.....

- Inflated the Base and Captured Value by 3% annually
- Build-out projections much higher
- 2007-2010 commercial activity higher
- 2007-2010 Captured appraised value higher

Projections for this presentation:

- Zero Inflation through 2015 and 3% thereafter
- Build-Out projections per new CDC/Spillette
- Actual 2007-2010 commercial activity
- Actual 2007-2010 captured appraised value

Tax Increment Base – defined in TIF agreement

Tax Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
Captured Value	-	38,762,919	139,977,369	120,000,477	133,500,477	147,000,477	195,262,977	243,525,477	291,787,977
Total Assessed Value COA	236,199,782	274,962,701	376,177,151	356,200,259	369,700,259	383,200,259	431,462,759	479,725,259	527,987,759
Annual City Tax Revenue		159,936	577,547	495,122	550,823	606,524	805,655	1,004,786	1,203,917
50% of Total Annual County – (same capture)		87,197	314,879	269,941	300,309	330,678	439,244	547,811	656,377
Total Property Tax Revenue		247,133	892,426	765,063	851,132	937,202	1,244,899	1,552,597	1,860,294
Annual Bond Payments					6,642,287	6,642,287	6,642,287	6,642,287	6,642,287
Annual O&M Costs									2,632,000
Total Debt Service and O&M Costs		-	-	-	6,642,287	6,642,287	6,642,287	6,642,287	9,274,287
Annual Deficit		247,133	892,426	765,063	(5,791,155)	(5,705,085)	(5,397,388)	(5,089,690)	(7,413,993)
Cumulative Deficit		247,133	1,139,559	1,904,622	(3,886,533)	(9,591,618)	(14,989,006)	(20,078,697)	(27,492,689)

no inflation

Total Taxable 2008, 2009, 2010 - TCAD Certified Values

Tax Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
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Captured Appraised Value Fixed for 2008, 2009, 2010

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Captured Appraised Value Fixed for 2008, 2009, 2010

City Tax Rate Dedicated

\$0.4126 /\$100

County Tax Rate Dedicated

\$0.22495/\$100

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Annual Build-Out per CDC/Spillette New Increment

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TIRZ ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	40	63	79	80
Condominiums - mid-priced	Dwelling Units	25	50	61	53
Condominiums - luxury	Dwelling Units	-	15	16	15
Office	Sq.Ft.	-	37,500	60,000	75,000
Hotel - limited service	Rooms	-	-	30	20
Hotel - full service	Rooms	-	38	14	14
Retail	Sq.Ft.	-	2,500	5,250	5,250


Source: CDS | Spillette

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Source: CDS | Spillette

Apartments:

Legacy Town Lake	185 Units	\$40.4 million	<u>Average</u> \$218,203
Gables on West Ave	239 Units	\$24.7 million	\$103,268
Red River Flats	118 Units	\$14.5 million	\$123,236

TCAD Average Value \$146,846  \$150,000

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Source: CDS | Spillette

Condos Mid-Priced:

80 Red River

54 Rainey

44 Units

187 Units

\$284,187 average

\$278,130 average

TCAD Average Value

\$279,284



\$300,000

Condos Luxury



\$600,000

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Source: CDS | Spillette

Hotels – Limited Service


Sheraton Capitol, 11th	362 rooms	\$30.8 million	\$ 85,097 per room
Courtyard Marriot, 4th	449 rooms	\$46.8 million	\$104,173 per room

TCAD average \$95,684 per room  \$100,000 per room

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Hotels – Luxury

4 Seasons, San Jacinto	291 rooms	\$54.4 million	\$ 186,924 per room
Doubletree ,15th	189 rooms	\$20.2 million	\$ 106,614 per room
TCAD average	\$155,417 per room		\$150,000 per room

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Source: CDS | Spillette

Office: \$230 per sf used in original projections

Retail: \$195 per sf used in original projections

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Apartments	150,000	/unit
Condo - Midpriced	300,000	/unit
Condo - Luxury	600,000	/unit
Office	230	/sf
Hotel Ltd Service	100,000	/room
Hotel Full Service	150,000	/room
Retail	195	/ sf

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	2010	2011	2012	2013	2014	2015
Apartments	6,000,000	6,000,000	9,450,000	9,450,000	9,450,000	9,450,000
Condo - Midpriced	7,500,000	7,500,000	15,000,000	15,000,000	15,000,000	15,000,000
Condo - Luxury	-	-	9,000,000	9,000,000	9,000,000	9,000,000
Office	-	-	8,625,000	8,625,000	8,625,000	8,625,000
Hotel Ltd Service	-	-	-	-	-	-
Hotel Full Service	-	-	5,700,000	5,700,000	5,700,000	5,700,000
Retail	-	-	487,500	487,500	487,500	487,500
Total	13,500,000	13,500,000	48,262,500	48,262,500	48,262,500	48,262,500

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no inflation

	2016	2017	2018	2019	2020	2021	2022
Captured Value	357,337,985	436,608,080	518,256,279	602,353,923	688,974,497	778,193,687	869,677,454
Total Assessed Value COA	593,537,767	672,807,862	754,456,061	838,553,705	925,174,279	1,014,393,469	1,105,877,236
Annual City Tax Revenue	1,474,377	1,801,445	2,138,325	2,485,312	2,842,709	3,210,827	3,588,289
50% of Total Annual County	803,832	982,150	1,165,817	1,354,995	1,549,848	1,750,547	1,956,339
Total Property Tax Revenue	2,278,208	2,783,595	3,304,143	3,840,307	4,392,557	4,961,374	5,544,629
Annual Bond Payments	6,642,287	6,642,287	6,642,287	6,642,287	6,642,287	6,642,287	6,642,287
Annual O&M Costs	2,710,960	2,792,289	2,876,057	2,962,339	3,051,209	3,142,746	3,237,028
Total Debt Service and O&M Costs	9,353,247	9,434,576	9,518,344	9,604,626	9,693,496	9,785,033	9,879,315
Annual Deficit	(7,075,039)	(6,650,981)	(6,214,202)	(5,764,319)	(5,300,939)	(4,823,659)	(4,334,686)
Cumulative Deficit	(34,567,728)	(41,218,709)	(47,432,911)	(53,197,229)	(58,498,169)	(63,321,828)	(67,656,514)

Waller Creek Reserve Fund

Purpose and Nature of Fund

The Waller Creek Reserve Fund was established to provide reserve funding for the Waller Creek tunnel project. The City and County tax increments, as set out in the agreement between the City of Austin and Travis County, are expected to provide sufficient funds to pay the costs of the project over the 20-year life of the Waller Creek Tax Increment Financing (TIF) Reinvestment Zone No. 17. Collection of TIF revenue is expected to begin in fiscal year 2009 and end in fiscal year 2028. To smooth out the cash flows during the early to mid life of the TIF, an additional source of funding for the project has been available from within the Convention Center/Waller Creek venue to supplement the available TIF revenue when needed to help cover project costs or debt service.

Factors Affecting Revenue

The Hilton Hotel bonds were refunded in December 2006 and the resulting savings provides for the payment of net revenue from the hotel to the Austin Convention Enterprises Corporation (ACE) and ultimately to the City of Austin. This net revenue is not hotel occupancy tax revenue, but represents revenue from the hotel project. The use of these revenues strengthens the final financing plan. Use of these revenues will help solve cash flow issues in the early years of the TIF before the tax increment has significantly grown, and will provide a reserve for unanticipated problems that might be encountered during the long design and construction phases. Net revenue of \$1.8 million was received in 2008 based on 2007 financial results for the hotel and \$2.3 million was received in 2009 based on 2008 financial results for the hotel. \$2.3 million was expected in additional funding in 2010 based on 2009 results when the 2010 budget was adopted in the fall of 2009. The economic recession has affected the hotel industry and, as a result, no cash flow became available for deposit into the Waller Creek Reserve Fund in 2010. No additional deposits are anticipated in 2011, but as the economy improves and the hotel industry begins to prosper, cash flow from the hotel project is expected to become available for the Waller Creek project in the future.

Factors Affecting Requirements

As outlined in the TIF project and financing plan, should actual costs exceed estimated project costs, then the City of Austin will be responsible for funding those additional costs if project or operating costs exceed the available TIF revenues to be contributed by the City and Travis County. These reserve funds can be used to help cover project costs, including cost overruns or other unexpected issues. The financing plan developed in May 2007 reflected the use of \$5 million in reserve funds to help cover project costs prior to the first issuance of debt. The 2011 budget reflects the transfer of approximately \$4.5 million to the Capital Improvements Program for that purpose.

Rainy day fund empty
and no near term
prospects for recovery

	2008-09 Actual	2009-10 Amended	2009-10 Estimated	2010-11 Proposed
Revenue	\$2,396,705	\$2,357,000	\$52,000	\$0
Requirements	\$0	\$0	\$0	\$4,475,000

Waller Creek TIF

Nobody's fault – the market has determined the project will not succeed as planned.

A combination of :

- build-out projections from another era

- 3% inflation projections

\$3.6 billion captured value projected for 2027

may now be \$1.4 billion

City of Austin

Financial and Administrative Services Department



MEMORANDUM

To: Mayor and City Council Members

From: Leslie Browder, Chief Financial Officer

A handwritten signature in black ink, appearing to be 'LB', is written over the printed name 'Leslie Browder'.

Date: June 16, 2010

Re: Waller Creek District Market Update

The purpose of this memorandum is to summarize the results of an update to the Waller Creek Tax Increment Financing Reinvestment Zone (TIRZ) market projections. This study incorporates the most recent development trends within the Waller Creek TIRZ, and examines the future outlook for growth in market demand and new development, over the 20-year term of the Waller Creek TIRZ. A copy of the consultant's report is attached for your review.

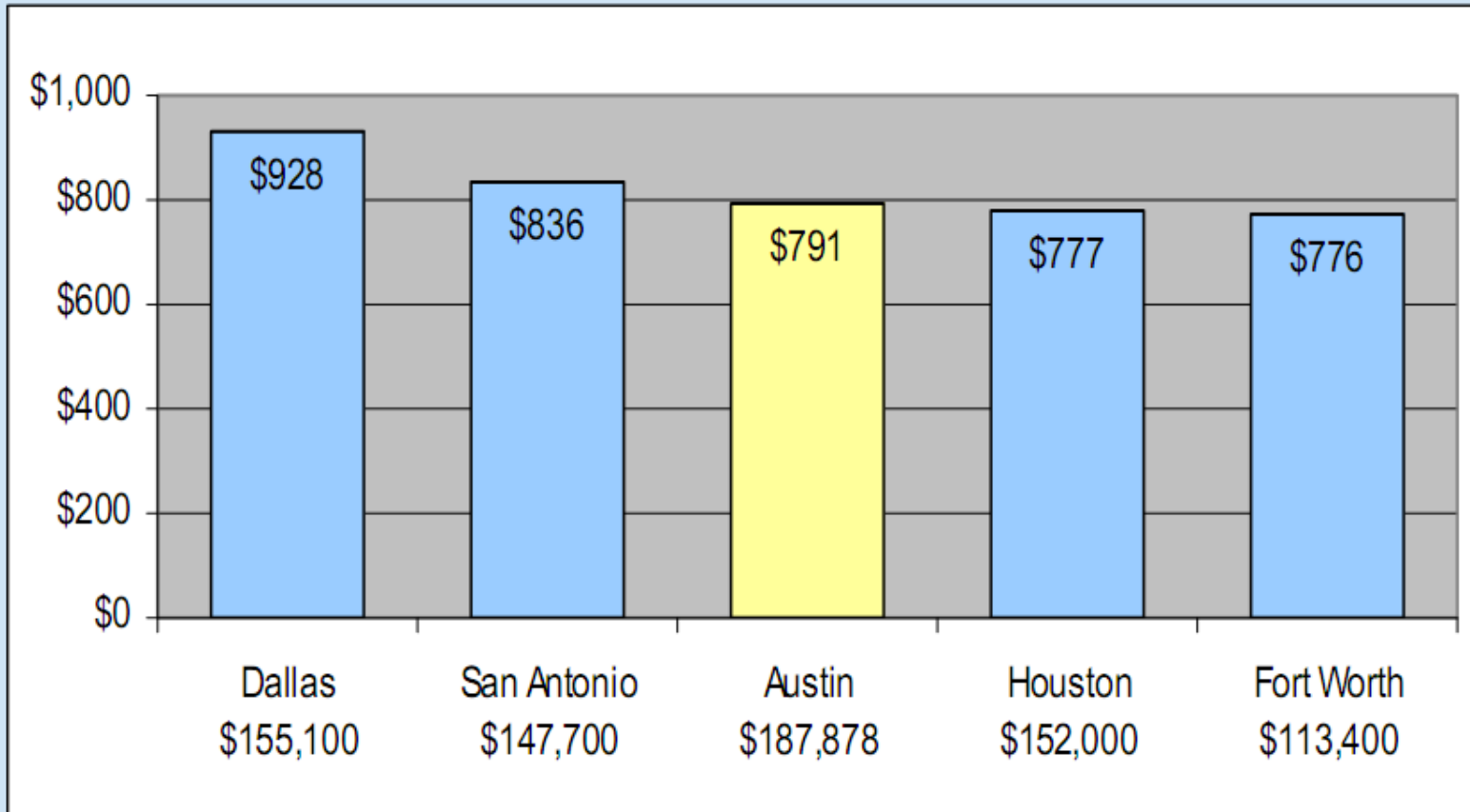
2009 Market Update
Given to Mayor and
Council on
June 16, 2010

How long has staff
had this report?

THE END

Stop Doing That Please!

Property Tax Comparison

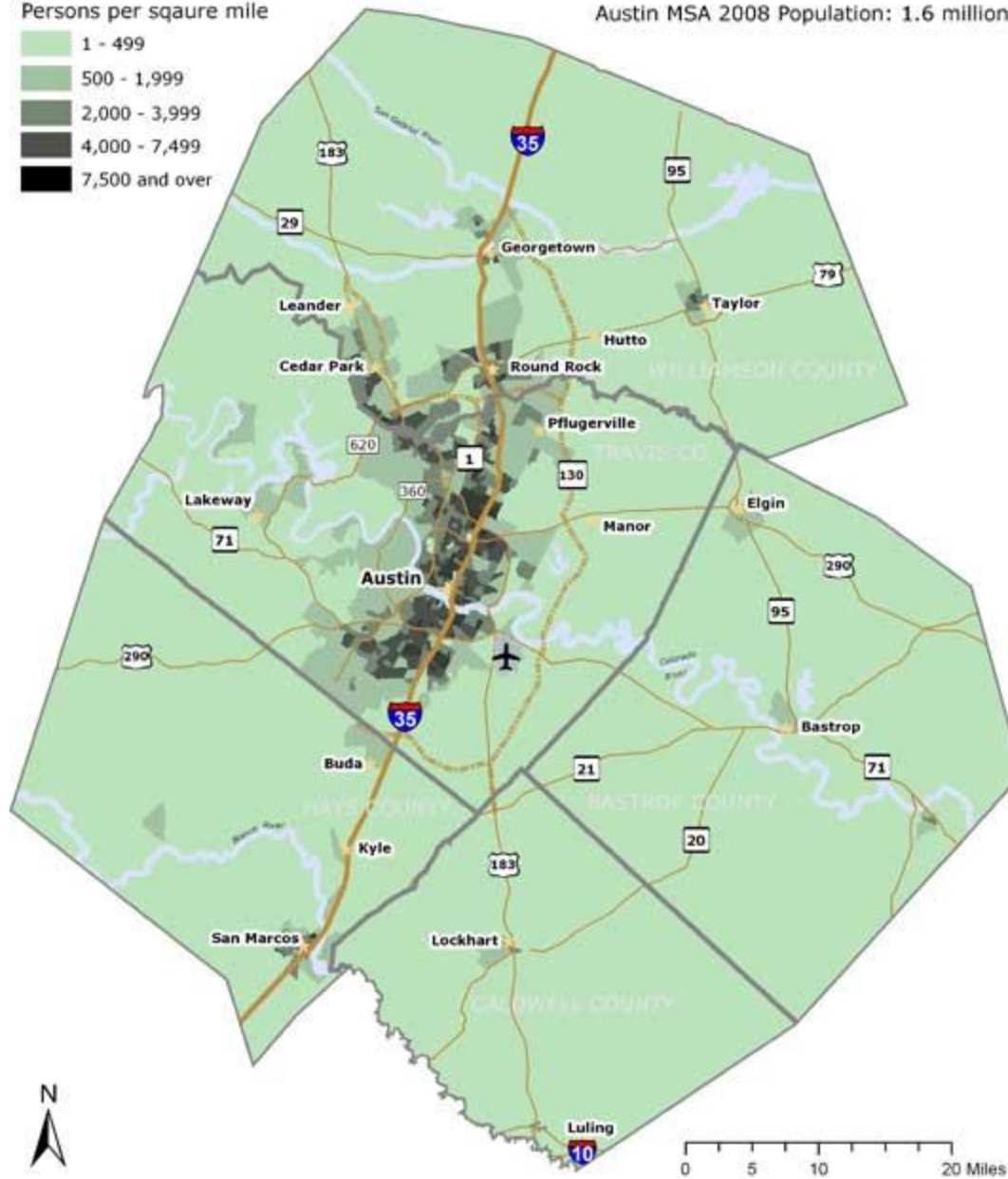


2009 Median Home Price

Persons per square mile

- 1 - 499
- 500 - 1,999
- 2,000 - 3,999
- 4,000 - 7,499
- 7,500 and over

Austin MSA 2008 Population: 1.6 million



Median - Austin MSA vs. Median - City of Austin

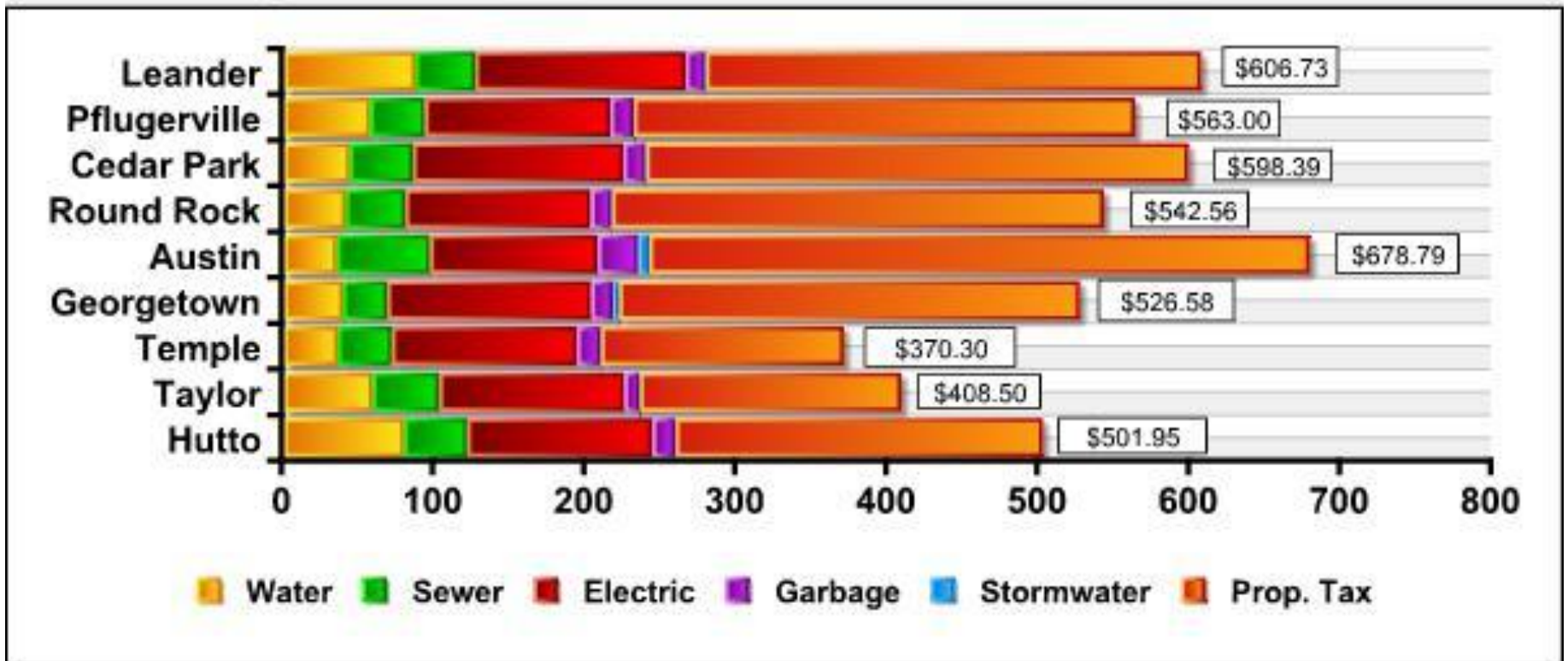
- Median -San Marcos to Georgetown \$187,878
- Median City of Austin * \$212,145
- Average City of Austin * \$261,543

* 2010 TCAD Average and Median Values

City of Georgetown Peer Review

Combined Total Monthly Utility and Tax Expense

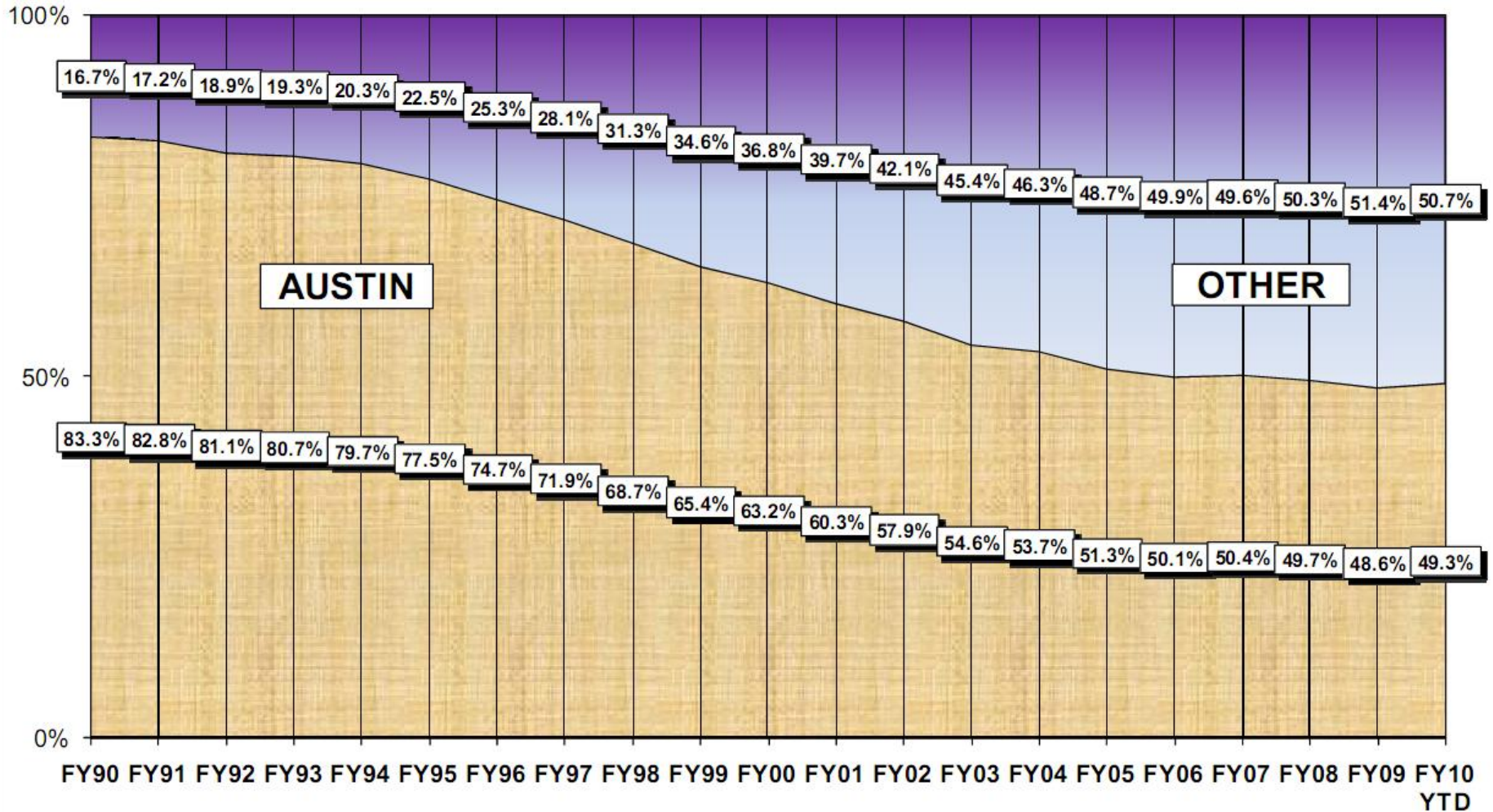
Based on Average Home Values as of 12/16/09



Stop Doing That Please!

Council Budget Question #1 – CM Shade

CITY SALES TAX REVENUE SHARE AUSTIN-SAN MARCOS MSA



- The misinformation conveyed is that Austin's share of regional sales has tumbled below 50%. That is not the case. This same sales tax chart was misused to justify the Domain project.
- Austin only charges 1% sales tax while Round Rock and Georgetown charges 2%. When corrected for the different tax collection rates, Austin share of MSA retail sales is shown to be much higher.

Stop Doing That Please!

City Hall Fund

Purpose and Nature of Fund

The City Hall Fund is a special revenue fund that accounts for revenue and operating expenses related to City Hall's underground parking garage and retail leases.

Factors Affecting Revenue

City Hall at 301 W. 2nd Street opened in December 2004. In addition to offices for Mayor, Council Members and City staff, the building houses retail and restaurant spaces and a multi-level underground parking garage.

Parking garage revenue collection began in October 2006 with parking spaces leased to a private valet operator for 2nd Street retail activities. Parking fees for other users began in June 2007 to coincide with increased area retail, residential and office development. Economic development agreements allow 2nd Street retail and restaurant business to provide some validated parking to encourage retail patronage. City Hall visitors receive validated parking.

Revenue from retail leases began in January 2007. Revenue estimates for FY 2010 from valet, daily parking and retail leases are estimated to be \$309,092. Revenue for FY 2011 is projected to increase to \$439,514 as contract parking initiative develops.

Factors Affecting Requirements

Garage operating expenses, including maintenance, repair, operator management costs and utilities are estimated at \$330,420 in FY 2010. Operating expenses for FY 2011 are expected to increase to \$371,330.

Daily parking

\$ _____

Valet parking

\$ _____

Lease revenue

\$ _____

	2008-09 Actual	2009-10 Amended	2009-10 Estimated	2010-11 Proposed
Revenue	\$338,134	\$426,792	\$309,092	\$439,514
Requirements	\$265,442	\$361,420	\$330,420	\$371,330

Stop Doing That Please!

Economic Incentives Reserve Fund

Purpose and Nature of Fund

The Economic Incentives Reserve Fund has been established to separately identify and monitor the economic incentive agreements that the City maintains. The agreements originate through the establishment of performance based Chapter 380 economic development grants or redevelopment agreements, or they may be permitted by City Council for other reasons. The agreements are established on the grounds that they provide higher levels of employment, economic activity, and stability.

The fund currently tracks these twelve agreements:

Performance-based Chapter 380 economic development grants

- Advanced Technology Development Facility
- Domain Shopping Center
- Friday Night Lights
- HelioVolt Manufacturing Plant
- Hewlett-Packard Data Center
- Home Depot Austin Technology Center
- Samsung 300 mm Fab Plant
- Legal Zoom
- Hanger Orthopedics
- Facebook

Redevelopment agreements

- Mueller (sales tax portion only)

Other

- Robertson Hill

Factors Affecting Revenue

The Economic Incentives Reserve Fund is funded by a transfer from the General Fund, Austin Energy, and Austin Water Utility. The transfers are completed in anticipation of future payouts as specified in the agreements. In some instances there is a year or more lag between the collection of revenue and disbursement, and in other cases the revenue and expenses will occur in the same year. By setting aside funds in advance of the fiscal year, the City is in a better position to plan for its obligations. Revenue of \$10.7 million is projected for FY 2011.

Factors Affecting Requirements

As outlined within individual agreements, the City anticipates requirements of \$9.9 million in FY 2011.

Spend \$9,853,005 With No Details?

	2008-09 Actual	2009-10 Amended	2009-10 Estimated	2010-11 Proposed
Transfers In	\$7,838,376	\$5,511,478	\$8,756,444	\$10,734,544
Requirements	\$3,783,053	\$5,841,545	\$5,800,929	\$9,853,005

RESPONSE TO REQUEST FOR PUBLIC INFORMATION

DEPARTMENT: Economic Growth and Redevelopment Services Office

REQUEST NO.: 6766

REQUESTED BY: Citizen – Brian Rodgers

DATE REQUESTED: 8/15/2010

DATE SENT TO EGRSO: 8/16/2010

REQUEST: This open records request is for a breakdown of the Proposed FY11 for the Economic Development Reserves Fund containing a lump sum amount for incentive grants in the amount of \$9,853,005.00.

RESPONSE: Please see the breakdown of the \$9,853,005 below.

Anticipated ED Incentive Payments in Fy 2011

<i>Company</i>	<i>Description</i>	<i>Amount</i>
ATDF	Chapter 380 payment	58,997
Home Depot	Chapter 380 payment	223,624
HP	Chapter 380 payment	180,987
Samsung	Chapter 380 payment	4,986,019
Samsung	reimbursable development fees	600,092
Domain	Chapter 380 payment (based on sales tax revenue)	1,359,092
Domain	Chapter 380 payment (based on property tax revenue)	160,695
HelioVolt	Chapter 380 payment	23,301
Robertson Hill	Chapter 380 payment	142,128
Friday Night Lights	Chapter 380 payment	45,000
Mueller	debt service on bonds	983,069
Hanger	Chapter 380 payment	50,000
LegalZoom	Chapter 380 payment	20,000
Facebook	Chapter 380 payment	20,000
	Economic incentive payments for future agreements	1,000,000
Total		9,853,005

Stop Doing That Please!

THE END