

**City of Austin
Tax Increment Financing Reinvestment Zone No. 17
(Waller Creek Tunnel Project)**

**Final Project Plan
and
Reinvestment Zone Financing Plan
March 2008**

**Amendment No. 1 to Final Project Plan
and
Reinvestment Zone Financing Plan
February 2011**

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Executive Summary

On June 21, 2007, the Austin City Council approved an ordinance creating Tax Increment Financing (TIF) Reinvestment Zone No. 17 to finance the construction of flood control improvements along lower Waller Creek. The TIF is located within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street.

The purpose of the Waller Creek Tunnel project, which is to be financed through TIF Reinvestment Zone No. 17, is to provide 100-year storm event flood protection with no out-of-bank or roadway flooding for the lower Waller Creek watershed. The project will provide flood protection to existing buildings, prevent the flooding of roadway crossings, and reduce the width of the floodplain in the Reinvestment Zone area, essentially containing it within the creekbed. This reduction in floodplain area resulting from the project will significantly increase the amount of developable land area in the lower Waller Creek watershed.

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

The proposed tunnel will be approximately 22 feet in diameter and approximately 5,400 feet in length. The total estimated cost of the project is \$127,547,000 (in June 2006 dollars). The tunnel will originate in Waterloo Park near East 12th Street with discharge to Lady Bird Lake. The tunnel alignment is generally beneath Sabine Street. Significant inlet and outlet structures are required and because the structures are in parkland, aesthetics of the structures are a major consideration. The inlet structure will include a pond, an inlet structure, small dam, access bridge, pump building and significant landscaping enhancements. The inlet also includes mechanical screens to ensure operational reliability and a system to pump small quantities of water from the tunnel to the creek. This pumped water will augment the base flow in the creek and by so doing enhance its aesthetic appeal and water quality. The outlet structure includes a pond, an outlet shaft, and a de-watering pump system. On April 12, 2007, the Austin City Council created the Waller Creek Citizen Advisory Committee. The City Council believes it is very important for the community to participate and provide oversight in the construction and development of the Waller Creek Tunnel Project. The process for finalizing park facilities to be located at the tunnel inlet and outlet will include consideration of recommendations made by the Committee. The Committee includes a citizen appointed

by Travis County.

The Waller Creek tunnel project will spur economic development throughout downtown, in particular in the Reinvestment Zone area where development has lagged the rest of the city. The project will enhance the parkland and trail along the creek by providing amenities in Waterloo Park and on Lady Bird Lake and by preventing flooding and reducing streambank erosion. Further, the project's water re-circulation efforts will supplement stream base flow and enhance the quality of water flowing into Lady Bird Lake. The project is also expected to allow improved connectivity between east and west Austin, and with its parkland enhancement and anticipated economic development stimulus, promote tourism by convention and other visitors.

To finance this project, the City of Austin formed TIF Reinvestment Zone No. 17 (see Exhibit 3 for TIF boundaries) in accordance with State law. In a TIF, one or more political subdivisions contribute up to 100% of the property tax on the increase in value of real property in the district (tax increment) for TIF purposes. Under the terms of TIF Reinvestment Zone No. 17 and an Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County, negotiated with Travis County, the City of Austin will contribute 100% of its tax increment, and Travis County will contribute 50% of its tax increment. The project will be funded by the issuance of debt that will be repaid primarily from the tax increment revenues collected during the 20-year duration of TIF Reinvestment Zone No. 17. At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

Project Plan

Introduction

This document is the Project Plan for TIF Reinvestment Zone No. 17 for the Lower Waller Creek Flood Control Improvements, in the City of Austin, Texas, as required by Chapter 311 of the Texas Tax Code. The purpose of TIF Reinvestment Zone No. 17 is to finance reimbursements of costs associated with flood control improvements in the Waller Creek watershed of the City of Austin, Texas.

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

The flood control improvements will be public infrastructure. The proposed tunnel will be approximately 22 feet in diameter and approximately 5,400 feet in length. The tunnel will originate in Waterloo Park near East 12th Street with discharge to Lady Bird Lake. The tunnel alignment will be generally beneath Sabine Street. Significant inlet and outlet structures are required and because the structures are in parkland, aesthetics of the structures are a major consideration. Preliminary design features include a pond, an inlet structure, small dam, access bridge, pump building and significant landscaping enhancements. The inlet also includes mechanical screens to ensure operational reliability and a system to pump small quantities of water from the tunnel to the creek. This pumped water will augment the base flow in the creek and by so doing enhance its aesthetic appeal and water quality. Two to four storm water inlets along Waller Creek downstream of the tunnel inlet and possibly a parallel smaller diameter tunnel originating near East 3rd Street and terminating at the tunnel outlet will provide for the diversion of storm water entering the lower Waller Creek channel.. The outlet structure includes a pond, an outlet shaft, and a de-watering pump system. On April 12, 2007, the Austin City Council created the Waller Creek Citizen Advisory Committee. The City Council believes it is very important for the community to participate and provide oversight in the construction and development of the Waller Creek Tunnel Project. The process for finalizing park facilities to be located at the tunnel inlet and outlet will include consideration of recommendations made by the Committee. Exhibit 5 is a resolution by the Committee outlining design recommendations.

On August 30, 2007, the City Council approved an amendment to the professional services agreement with the joint venture of Brown & Root, Inc/Espey Padden for design/bid (Phase 2) and construction management and warranty assistance (Phase 3) engineering services. These costs will be primarily funded with unencumbered 1998 venue project bond proceeds, and related bond interest earnings. Additional expenditures associated with the design and construction of the project and other project-related costs, including easements and right of way, will be funded by tax increment revenues derived from increases in property values resulting from the new development. Monetary obligations are to begin in the spring or early summer of 2010, beginning with the acquisition of easements and right of way required to begin construction of the tunnel. Construction is currently estimated to start in June 2010.

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

TIF Reinvestment Zone No. 17 includes approximately 126 acres. The boundaries of the zone are within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street. Existing land use includes commercial, residential and public use, including park land. The extent of the floodplain within the TIF Reinvestment Zone No. 17 currently precludes many development options.

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

II. Proposed Changes of Zoning Ordinances, the Master Plan of the Municipality, Building Codes, and Other Municipal Ordinances

All project construction is anticipated to adhere to existing design and building criteria and regulations. Currently, there are no proposed changes to City ordinances, master plans or building codes. In the future, regulatory changes may be recommended as part of the Downtown Austin Master Plan (Downtown Plan), which is currently being formulated with stakeholder input, and is summarized below.

Downtown Plan

As a city, Austin is seen as one of the best in the country, with a long and growing list of "Bests," including:

- 1st place - "Best Large City for Relocating Families" (The Worldwide Employee Relocation Council (ERC), Primacy Relocation and Sperling's BestPlaces, June 2004)
- 1st place (for the second consecutive year) – "Top 10 Cities for Hispanics to Live In" (Hispanic magazine, August 2005)
- 2nd place - Top Creative Class Cities (The Rise of the Creative Class, Richard Florida, 2002)
- 2nd place - "Ten Greenest Cities" list. (Vegetarian Times' July/August 2005)
- 3rd place - "Best Places" for business and careers (Forbes, May 2005)
- 6th place - Nation's top tech hubs (Silicon Valley study, September 2005)
- 11th place - "The 25 Best Running Cities in America" and (Runner's World July 2005)
- One of the top 10 cities to be a dog. (DogFancy November 2005)

At the heart of all these accolades are Austin's citizens, their love for the City, and in a very tangible sense, downtown. Downtown Austin is the City's central business district, the entertainment hub, the primary tourist destination, and home to City, County and State governmental activities.

Downtown Austin, however, is in a period of transition. On the one hand, downtown is experiencing tremendous growth in the housing sector based on strong demand. On the other hand, downtown is struggling to maintain or recapture its retail and office market share as office buildings and shopping centers are being built further and further away from downtown to accommodate a growing suburban population. If left unchecked, this development pattern will lead to the advancement of one sector to the possible exclusion and detriment of others.

On December 15, 2005, the Austin City Council adopted a resolution initiating a planning process for downtown Austin, including the Waller Creek TIF area. The Council action required the selection of a nationally-recognized consultant with downtown expertise to develop the Downtown Plan by working with stakeholders, including but not limited to state, federal and local governments, the Capital Metropolitan Transportation Authority, downtown neighborhood associations and downtown business groups, affordable housing advocates, parks groups and environmental organizations. The consultant's scope of work was to include the following:

1. Implement ordinance modernizations, including but not limited to Floor to Area standards and procedures for modifying where appropriate; height standards and procedures for modifying where appropriate, and; funding ordinances for infrastructure.
2. Identify right-of-way for passenger rail and dedicated bus thoroughfares.
3. Develop a program and procedure for the sale and development of government-owned land.

4. Identify east-west and north-south rail lines and dedicate station locations downtown.
5. Integrate the Downtown Neighborhood Plan and the Transit Oriented Development Ordinance Convention Center Station Area Planning effort into the Downtown Plan and Ordinance.
6. Identify strategies and best practices for affordable work force housing in the downtown area.

In April 2007, the City contracted with the ROMA Design Group to assist with the development of the Downtown Plan. The contract for the Downtown Plan envisions that the plan will unfold in phases.

Phase One -- Analyze baseline information, interview key stakeholders, assess opportunities and challenges, and craft a strategic framework with clearly prioritized actions aimed at implementing the downtown vision. The phase one work will require six months to complete.

Phase Two – Implementation of the identified high-priority items.

Proposed regulatory changes considered in the Downtown Plan will be evaluated for any potential impacts on the construction of the proposed TIF improvements and future redevelopment and assessed valuation within the TIF area. The City of Austin expects that any regulatory changes that may be recommended will enhance redevelopment opportunities and density (and thus, valuation) beyond the baseline assumptions included in the feasibility section of this report.

Waller Creek Master Plan

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

III. List of Estimated Non-Project Costs

The project is necessary to revise the floodplain in the zone. Anticipated redevelopment within the zone will be accomplished by private developers after the construction of the project. Non-project costs are those development items that will be funded by others and are necessary for the implementation of the project. No tax increment reimbursement is provided for non-project costs. No non-project improvements or costs are proposed.

IV. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project

No persons will be displaced as a result of the construction of the project.

Reinvestment Zone Financing Plan

As outlined previously, under the terms of TIF Reinvestment Zone No. 17 and the Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County, the City of Austin will contribute 100% of its tax increment, and Travis County will contribute 50% of its tax increment. The project will be funded by the issuance of debt that will be repaid primarily from the revenues of the 20-year TIF Reinvestment Zone No. 17. At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

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

The following list itemizes the estimated infrastructure project costs for TIF Reinvestment Zone No. 17. The zone is expected to incur bond financing costs but these costs have not been included in the list below. Line item amounts may be adjusted with approval of the TIF Reinvestment Zone No. 17 Board of Directors. Additional construction cost estimate information is available in *Waller Creek Tunnel Construction and O&M Cost Estimates Update, Brown & Root/Espey Padden Joint Venture, October 6, 2006*.

<u>Project Capital Item</u>	<u>Estimated Cost</u>
Construction Costs	
Inlet, with Mechanical Screens	\$21,605,000
Tunnel on Sabine Street alignment	27,566,000
Outlet	13,300,000
<u>Intervening Storm Sewer Connections</u>	<u>32,260,000</u>
Total Construction Cost:	\$94,731,000
 Right-of-Way	
Tunnel	\$702,000
<u>Intervening storm sewer connections</u>	<u>730,000</u>
Total Right-of-Way Cost:	\$1,432,000
 Other Project Costs	
Engineering, Testing & Construction Management	\$27,610,000
Administrative	
Zone Creation	150,000
City Real Estate Acquisition Services	200,000
<u> City Project Management (2.0%)</u>	<u>1,900,000</u>
Total Administrative:	\$2,250,000

Project Contingencies	
Construction (5 to 15% included above)	\$ 0
Right-of-Way (10%)	143,000
<u>Engineering (5%)</u>	<u>1,381,000</u>
Total Contingency (excluding construction)	\$1,524,000

Total Project Capital Cost **\$127,547,000**

Project Annual Costs

Operation and Maintenance (in 2006 dollars)	\$2,632,000
<u>Zone Administration</u>	<u>30,000</u>

Total Annual Cost **\$2,662,000**

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

The Waller Creek bypass tunnel is located throughout the Zone as shown in Exhibit 4.

III. Economic Feasibility Studies

The Brown & Root/Espey Padden Joint Venture prepared economic models of development resulting from the project and increases in tax revenues resulting from the development. The project was found to be economically viable. Economic studies of the project were also prepared by Spillette Consulting and Charles Heimsmath and also demonstrated the economic viability of the project. These economic studies are on file with the Board of TIF Reinvestment Zone No. 17 and the City Council of the City, and are incorporated by reference into this project plan. The Waller Creek TIF estimated buildout and tax revenues are attached as Exhibit 8. Buildout assumptions are attached as Exhibit 9.

IV. The Estimated Amount of Bonded Indebtedness to be Incurred

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

Estimated capital cost of project (in millions):	\$127.55
Cash on hand:	<u>(27.30)</u>
Balance to be financed:	\$100.25
Inflated balance	\$109.48

V. The Time When Monetary Obligations are to be Incurred

Monetary obligations are to begin in the spring or early summer of 2010, beginning with the acquisition of easements and right of way required to begin construction of the tunnel. Construction is currently estimated to start in June 2010. Project design was initiated in

August 2007 and will be paid for with the City's cash-on-hand provided by the 1999 bond proceeds plus related interest earnings.

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

VII. Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone

Description of the Methods of Financing

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

outlined in the Agreement between the City of Austin and Travis County and in this financing plan will be incorporated into any bond covenants associated with the issuance of debt related to this project.

Sources of Tax Increment Revenue

The tax increment revenue necessary to pay the project costs is expected to come from increased property values in the zone due to construction of new commercial and residential buildings. Estimated buildout and tax revenues are shown in Exhibit 8. Buildout assumptions are shown in Exhibit 9.

The financing plan is based on the City of Austin contributing 100% of their collected incremental tax revenue to the zone and Travis County contributing 50% of their collected incremental tax revenue to the zone. Tax rates that were in effect when the TIF Reinvestment Zone No. 17 was established in June 2007 are shown below.

Taxing Unit	Total Tax Rate	Tax Rate Dedicated	% Dedicated
City of Austin	\$0.4126/\$100	\$0.4126/\$100	100%
Travis County	\$0.4499/\$100	\$0.22495/\$100	50%

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

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

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

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

X. Duration of the Zone

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

Amendment No.1 to the Final Project Plan and the Reinvestment Zone Financing Plan

The purpose of Amendment No. 1 to the Final Project Plan and the Reinvestment Zone Financing Plan adopted in 2008 is to reflect:

- current project designs (identifying changes from the preliminary plans during the final design process),
- Waller Creek Master Plan recommendations (and other proposed changes to the City's Comprehensive Plan, zoning ordinances and building codes),
- updated cost estimates, and
- the most recent estimates of underlying funding sources that are anticipated to pay for the construction, operation and maintenance of the tunnel.

In accordance with State law, the Board of Directors of the Waller Creek TIF Reinvestment Zone No. 17 at any time may adopt an amendment to the project plan consistent with the requirements and limitations of applicable State law. The amendment takes effect on approval by the City of Austin, as the municipality that created the zone, and by the Travis County Commissioners Court, under the terms of the Agreement to Participate in Tax Increment Reinvestment Zone No. 17 (the Agreement), between the City of Austin and Travis County, which was executed by both parties in March 2008. If an amendment increases the total estimated project costs, the approval must be by ordinance or order, as applicable, adopted after a public hearing that satisfies the procedural requirements outlined in State law. The City has completed the necessary procedural requirements, including presentations to local taxing jurisdictions regarding Amendment No. 1, and a public hearing. Presentations were made to the Travis County Commissioners Court on February 1, 2011, and to the Austin Independent School District on February 14, 2011. Notice of the public hearing was published in the Austin American Statesman on January 29, 2011, and the public hearing was scheduled and held in City Council chambers on February 17, 2011.

Updated Project Plan

The Project Plan amendments include updates to the project design and to planning documents for the district. Much of the anticipated project design features included in the preliminary and final project and financing plan were based on the *Waller Creek Tunnel Project Conceptual and Preliminary Engineering Report, Brown & Root/Espey Padden Joint Venture, April 25, 2001*. Final project data collection and design was initiated in August 2007 and this plan has been updated to reflect the current status of the design process. The approved plan also contemplated a master planning process for the Waller Creek District, which has now been completed.

Tunnel Project

The Waller Creek Tunnel Project will support transformation of the Waller Creek District into a safer, more vibrant area. Currently, much of the District lies within a 100-year floodplain and is subject to severe flooding, erosion, and litter. The tunnel will reduce the risk of severe flooding and stream bank erosion along lower Waller Creek by capturing and diverting flood waters from the upper creek basin (above 12th Street) into a large tunnel located approximately 60 to 70 feet underground. The proposed tunnel will vary in diameter from roughly 20 to 26 feet and will be approximately 5,600 feet in length. The tunnel alignment will be generally beneath Sabine Street (Exhibit 10). The tunnel will begin in Waterloo Park where an inlet facility and pond will accept flood waters and screen out trash and debris. Creek side inlets between 4th and 5th Streets and between 8th and 9th Streets are proposed to capture additional flood waters below 12th Street. The tunnel will discharge to an outlet lagoon on the shores of Lady Bird Lake.

Acknowledging that significant inlet and outlet facilities are to be constructed in parkland, aesthetics of the structures are a major consideration. The process for finalizing design features at the tunnel inlet and outlet have included consideration of recommendations made by the Waller Creek Citizen Advisory Committee (WCCAC). On April 12, 2007, the Austin City Council created the WCCAC as a means to ensure public participation and review of the proposed tunnel improvements. The WCCAC has held monthly public meetings since their formation and hosted open houses for members of the community to provide their input on the project.

The current design layouts for the inlet and outlet facilities are shown in Exhibits 11 and 12 respectively. Among the more notable changes from the preliminary plans, the inlet facility has been moved south nearer to 12th Street to be less intrusive to the park. The inlet structure and pump house building have now been combined to reduce the overall facility footprint as well. A service drive into the park for debris removal hauling is shortened as trucks enter the facility via the parking area fronting 12th Street. Other modifications may be made as the inlet facility design is completed in early 2011. Plans have also not been finalized for the grading and restoration of the park - including trail and landscaping locations. The majority of the restoration work is expected to occur in 2014 upon completion of the major tunnel components.

At the outlet facility, the modified design retains much of the natural character of the Lady Bird Lake. The previously proposed amphitheater, floating stage and large structural bridge along the shoreline have been replaced by a more natural lagoon setting. Structural concrete once planned to be exposed along the water surface and bridge has been either replaced or masked by natural materials such as limestone and native landscaping. The boathouse site, once located near the water's edge, has been moved farther from Lady Bird Lake to comply with waterfront overlay restrictions. Other minor plan changes may occur as the outlet design is finalized in 2011, but such changes, should they occur, are not anticipated to affect the project costs as set forth in Amendment No. 1.

Planning Initiatives

In February 2009, the City engaged ROMA Design Group and its subconsultant team to work with the City in the creation of the *Waller Creek District Master Plan (ROMA Design Group, June 2010)*. The master plan lays out a vision for the future of the Waller Creek District and identifies actions necessary to make that vision a reality. In addition to three Town Hall meetings, City staff and ROMA conducted numerous stakeholder focus groups, interviews, and technical coordination meetings in order to refine the vision and clarify goals. Prior to City Council adoption of the plan on June 24, 2010, the Master Plan was presented to several City Boards and Commissions as well as the Travis County Commissioners Court.

A number of key principles were formulated to guide the planning and design of the creek corridor and district. They include:

1. Enhance the ecological, hydrological and open space value of the creek corridor;
2. Create an interwoven web of appropriately scaled pedestrian and bicycle linkages to, across and along the creek corridor that connect Lady Bird Lake with UT, and East Austin and Rainey Street with Downtown, and;
3. Promote development activity and investment along the creek and throughout the district.

The Master Plan included recommendations for capital improvements (primarily trail, street and creek improvements) and suggested development standards for the district. As part of the development standards, a handful of zoning change recommendations were also included in the plan. The plan is available for review and can be accessed at the following website: http://www.ci.austin.tx.us/wallercreek/mp_docs.htm

The City has also embarked on a comprehensive planning process, *Imagine Austin*, which will provide broad-level guidance on how Austin will grow and develop into the future. According to the City Charter, the Comprehensive Plan contains "the Council's policies for growth, development and beautification of the land within the corporate limits and the extraterritorial jurisdiction of the city." This process will focus on three key themes: Community Engagement, Sustainability and Implementation.

The planning process is expected to extend until the end of 2011 with the final product serving as:

- A guide for the management of change
- A reflection of community values and aspirations
- The foundation for policies, strategies, and actions
- The community's to-do list
- A catalyst for community consensus

The City periodically updates its building codes as national and international standards are updated for the building industry. Since the adoption of the previous project plan, the following building standard updates have been adopted:

- 2009 International Building Code (previous standard, 2003 IBC)
- 2009 International Energy Conservation Code (from 2006 IECC)
- 2008 National Electric Code (from 2005 NEC)
- 2009 International Fire Code (from 2003 IFC)
- 2009 International Property Maintenance Code (from 1994 Uniform Housing Code and the 1994 Uniform Code for the Abatement of Dangerous Buildings)
- 2009 Uniform Mechanical Code (from 2003 UMC)
- 2009 Uniform Plumbing Code (from 2003 UPC)

Updated Reinvestment Zone Financing Plan

The project cost estimates included in the preliminary (2007) and final (2008) project and financing plans were based on the *Waller Creek Tunnel Construction and O&M Cost Estimates Update, Brown & Root/Espey Padden Joint Venture, October 6, 2006*. The approved financing plan accounts for anticipated inflation of the preliminary cost estimate developed in 2006. Project design was initiated in August 2007 and this plan is amended to reflect the latest estimates of project costs (in 2010 dollars) based on the current status of the design process and to better reflect future construction pricing when elements of the tunnel are actually awarded.

Project Costs

As shown below, total project costs include construction, right-of-way acquisition, engineering, administrative and contingency costs. With the majority of the project design completed, the current year project cost (in 2010 dollars) is estimated at \$140.3 million. This amount includes approximately \$2.5 million for right-of-way acquisition that is expected to be recouped after project construction. At the main tunnel entrance, the City initially pursued the acquisition of a four-year construction easement for the entire site and permanent easements for the creek and tunnel shaft location. However, some property owners chose to sell their property to the City in fee simple. The City plans to resell this property at the end of the construction period, with the goal of recovering the original acquisition cost.

The resulting net 2010 project cost is \$137.8 million (compared to the previous total cost projection of \$136.8 million). Because the tunnel project will be constructed over a four-year period, the 2010 construction cost estimate has been further inflated to account for staggered construction starts and additional contingency. For the purposes of this plan amendment, the total gross project cost is estimated at \$146.5 million.

Recently, the main tunnel was bid along with the 4th Street creek inlet. This portion of the project was bid ahead of the other major projects (main inlet, outlet and 8th Street creek inlet) due to the project size and duration. The underground tunnel segment is the largest component of the project and will take over three years to construct. The portion of the project budget allotted for the Main Tunnel/4th Street Inlet is \$45.6 million. The actual low bid for the project was \$48.7 million. Project oversight will incorporate various cost management strategies, as underlying funding sources are updated, to help complete the project as outlined in this amendment. Potential cost management strategies are discussed in more detail in the following section.

Cost Management Strategy

In light of the higher than expected tunnel bids and uncertainty related to future bid results, additional cost controls and scope reductions may be necessary to manage total project costs. For example, cost control strategies may include revised debris handling systems, backup power provision, and other design changes. Should these measures alone not achieve desired cost reduction goals, consideration may be given to postponing the construction of one or both of the creek inlets or reassessing the need for the creek inlets after the upcoming design of the trail and stream improvements. Deleting creek inlets may impact the ability to limit the rise of floodwaters in the creek to no more than 4 or 5 feet during a 100-year storm as anticipated in the current design. It should also be noted that preliminary engineering on the lower Waller Creek stream restoration and trail project is expected to begin in 2011 with initial results available in 2012. This work will better characterize the benefits of the creek inlets in relation to the restored creek channel and proposed trail location. Any decisions regarding the creek inlets can be made as late as early 2013, when award of the 8th Street creek inlet contract is planned. Below is a list of anticipated milestones for the project (subject to change):

Key Waller Creek Project Milestones

February 2011	Award Main Tunnel/4 th Street Creek Inlet
August 2011	Award Inlet at Waterloo Park
February 2012	Award Outlet at Waller Beach
2011 to 2012	Preliminary Engineering for Lower Waller Creek Restoration and Trail Project
Early 2013	Award of the 8 th Street Creek Side Inlet

Updated List of the Estimated Project Costs of the Zone, Including Administrative and Recurring Expenses

As indicated previously, the tunnel project will be constructed over a four-year period. The table below depicts the estimated project costs developed by the design team, and are stated in 2010 dollars in the column labeled "Current Estimate". These 2010 construction cost estimates have been further inflated to account for staggered construction starts and additional contingency in the column labeled "Construction Bid Cost Estimates". The cost estimates developed in 2006 totaled \$136.8 million, including estimated inflation at that time.

<u>Capital Cost Item</u> (in thousands of dollars)	<u>Current Estimate</u> (in 2010 dollars)	<u>Construction Bid</u> <u>Cost Estimate</u>
Construction Costs:		
Inlet	\$31,964	\$33,585
Tunnel/4th Street	\$43,585	\$45,667
Outlet	\$18,530	\$20,008
8 th Street Inlet	\$6,400	\$7,438
Subtotal	\$100,479	\$106,698
Right-of-Way:		
Tunnel/Creekside Inlets	\$4,231	\$4,231
Subtotal	\$4,231	\$4,231
Other Project Costs:		
Engineering, Construction Management	\$26,899	\$26,899
Materials Testing and Abatement	\$965	\$965
Value Engineering/Quality Control	\$397	\$397
Subtotal	\$28,261	\$28,261
Administration:		
Zone Creation and Amendment	\$60	\$60
Real Estate/Contracting Services	\$440	\$440
Project Management	\$2,450	\$2,450
Construction Inspection	\$2,984	\$2,984
Subtotal	\$5,934	\$5,934
Contingency		
Project-wide	\$1,427	\$1,427
Subtotal	\$1,427	\$1,427
Total Gross Project Capital Costs	\$140,332	\$146,551
Real Estate Cost Recovery	\$2,500	\$2,500
Total Net Project Capital Costs	\$137,832	\$144,051
	(2010 Dollars)	(Construction Bid)

Annual Project Expenses (in thousands of dollars)

Operation and Maintenance (in 2010 dollars)	\$2,713
<u>Zone Administration (see note below)</u>	<u>-0-</u>
Total Annual Expenses	\$2,713

Alternate Funding Source for Tunnel Operations and Maintenance Tax increment financing is a tool available under state law that can be used to publicly finance needed structural improvements and enhanced infrastructure within a defined area. In addition to funding project capital costs, the 2008 project plan and reinvestment zone financing plan included tunnel operations and maintenance (O&M) costs as an eligible expense of the TIF. The 2008 plan reflected projected cash flow from the Hilton Hotel project to pay for tunnel O&M through 2024, until sufficient TIF revenues were projected to be available to fund both debt service and O&M. This funding source has proved to fluctuate with the economy, similar to sales taxes and hotel occupancy taxes, and no excess hotel cash flow became available for the tunnel project in fiscal year 2010. This updated financing plan provides the option of shifting these ongoing operating costs to the City’s Drainage Utility Fund, an appropriate use of these funds for a flood control project. An increase of 40 cents per month in the current drainage fee, which is expected to be needed by 2014 or 2015, would generate sufficient funds to cover the estimated annual cost of tunnel O&M over time, providing a more stable funding source. It is possible that the cost of operating the tunnel can be partially absorbed within the Drainage Utility Fund’s current budget with minimal affect on the level of contributions to their existing capital improvements program. The City’s Watershed Protection Department will evaluate the feasibility of absorbing all or a portion of these operating costs prior to project completion as part of the City’s five-year forecast and budget development processes. During the annual budget development process, the City Council may elect to permanently or temporarily shift the annual cost of tunnel operations and maintenance to the Drainage Utility Fund, or charge the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Cash flow from the Hilton Hotel project may also continue to be used in the future, when it is available, to help pay for tunnel O&M, debt service or project capital costs.

Zone Administration is an eligible TIF expense that was included in the preliminary and final project and financing plans. Expenses were estimated at \$30,000 annually. These costs are currently being absorbed by the City of Austin and have not been charged to the TIF to date. As the TIF begins to generate sufficient revenue to cover project costs of a capital nature, the City may elect to charge the costs associated with zone administration against available TIF funds.

Updated Economic Feasibility Studies

The City contracted with CDS | Spillette to update the findings from the 2006 Waller Creek economic study in light of current economic conditions and recent development trends in the region, the city, the downtown Austin area and the Waller Creek TIF Reinvestment Zone No. 17. In updating their market projections, CDS | Spillette obtained

data and consulted with a number of sources, including local real estate developers and brokers, property managers, downtown organizations, Waller Creek master planners, and the Travis Central Appraisal District. They also visited and discussed local real estate conditions and outlook with Capital Market Research, a local firm that conducts real estate research and market analysis, to obtain an informal “double check” for reasonableness.

Major Differences from 2006 Market Research Several trends have emerged since the 2006 market research was completed, which was used as the basis for property valuation projections used in the 2007 Waller Creek project and financing plan. The economic recession that began to affect Austin in the fall of 2008 was not predicted when the previous study was completed. Based on input from the Travis Central Appraisal District, overall property values within the city are projected to decline in fiscal year 2011, and most likely remain relatively flat during fiscal year 2012. CDS | Spillette lowered projections of new office developments compared to 2006 projections, consistent with consultation of local real estate research resources, including Capitol Market Research. Although Austin has been outperforming the regional office market during the recent slowdown, historical variations make forecasting difficult. There have been no significant office buildings in the core of downtown since the Frost Bank building. Because new office development is becoming more dominant in the southwest quadrant of downtown, the eastern edge of downtown, where the TIF Reinvestment Zone is located, could capture a smaller share in the near term than had been projected in the past. CDS | Spillette also indicates in their updated research that commuter rail services should enhance competitiveness for office space in the Waller Creek TIF Reinvestment Zone as ridership increases over the longer term. Regarding retail development, the southwest quadrant of downtown was just emerging as a retail center in 2006, and its future dominance was underestimated at that time. CDS | Spillette estimates that this quadrant appears poised to further enhance its retail presence in the future with the City’s planned Green and Seaholm redevelopment projects, possibly affecting the likelihood of a major retail concentration within the Waller Creek TIF area. This is not expected to adversely impact property values within the TIF zone since retail presence typically acts as a sales tax generator, with less effect on property values. Finally, CDS | Spillette anticipates that the emphasis on high-quality, multi-family residential development, which the Waller Creek District Master Plan orientation would enhance, should increase property values over time and the project should remain economically viable.

Updated Estimated Amount of Bonded Indebtedness to be Incurred

Outlined in the table below is a comparison of estimated project capital costs to be financed, estimate amount of bonded indebtedness, and related debt service.

Waller Creek Tunnel Project Estimated Net Project Costs with Level Debt Service In Thousands of Dollars		
	Approved Financing	Current Plan Outlook
Estimated cost of tunnel, including inflation	\$ 136,791	\$ 144,051
1999 bond proceeds, including interest earnings	\$ (27,300)	\$ (34,000)
Hotel cash flow, including interest earnings		\$ (2,000)
General Obligation CIP interest		\$ (2,000)
Inflated cost of tunnel - amount to be financed	\$ 109,491	\$ 106,051

Updated Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs

Description of the Methods of Financing

The updated financing plan includes the following changes that, when combined, results in a sound and stable financing plan for the Waller Creek tunnel project.

- Utilizing the Drainage Utility Fund to provide a more stable funding source for ongoing tunnel O&M costs, either temporarily or on a permanent basis, with minimal impact on the affordability of future drainage fees and on the level of contributions to the Utility's existing capital improvements program
- Reducing debt service costs by phasing the issuance of debt to more closely match project spending and anticipating savings from a more favorable interest environment
- Applying additional funding sources, such as interest earnings, to reduce the amount of costs to be financed with debt
- Providing interim funding for debt service through the temporary use of subsidies received under the Build America Bonds program and the Waller Creek Reserve Fund

- Limiting the use of excess earnings from the Hilton Hotel project to mitigate volatility that can occur due to economic cycles, while still contributing funds to help pay for costs related to the tunnel project

Updated Tax Rates Affecting Tax Increment Revenue

The financing plan is still based on the City of Austin contributing 100% of their collected incremental tax revenue to the zone and Travis County contributing 50% of their collected incremental tax revenue to the zone. Tax rates currently in effect are shown below.

Taxing Unit	Total Tax Rate	Tax Rate Dedicated	% Dedicated
City of Austin	\$0.4571/\$100	\$0.4571/\$100	100%
Travis County	\$0.4658/\$100	\$0.2329/\$100	50%

Updated Captured Value of the Zone during Each Year of its Existence

The estimated captured appraised value of the TIF Reinvestment Zone No. 17 during each year of its existence has been updated based on the market research completed by CDS | Spillette. Updated market demand and absorption projections are shown in Exhibit 13. Updated projections of TIF value, increments and tax revenue are shown in Exhibit 14. The projections shown in Exhibit 14 reflect a cumulative surplus in excess of \$2 million at the end of the 20-year TIF term, assuming that TIF funds are used to pay for debt service, as well as tunnel O&M costs. Under an alternative scenario, Exhibit 14 depicts a cumulative surplus of \$58 million if the costs of tunnel O&M are shifted to the City’s Drainage Utility. During the City’s annual budget process, the City Council will have the option of permanently or temporarily shifting tunnel O&M costs to the Drainage Utility, or charging the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Council may also elect to fund costs related to the tunnel project with cash flow from the Hilton Hotel project when it is available.