CITY OF AUSTIN CAP & STITCH PROGRAM

Council Member: Velasquez; Vela; Alter; Qadri
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Question: Regarding the northern cap between 38th Street and the CapMetro Red Line:

a) What are the assumptions behind the TIRZ analysis?
b) Can we see scenarios with varying development assumptions, from more modest three to six story buildings to high-rise development of twenty stories or more?
c) How would the addition of a Red Line station on the northern cap influence the analysis?

Answer:

a) The assumptions are outlined in the December 13, 2024 memo to Council on value capture analysis: 2.0-3.0 Floor Area Ratio (FAR) redevelopment; 20-year bond debt; 5% interest rate; 1.25 debt coverage ratio (DCR); $337/sf blended average valuation; 40% multifamily, 40% office, 20% retail). These assumptions are estimated to generate $76 million in capital to fund cap development.
b) The 2.0 to 3.0 district-level FAR already covers a wide array of density scenarios. We can offer a 4.0 FAR option, which would increase a tax increment reinvestment zone (TIRZ) bond for the northern caps to $103 million. Future market support for 4.0 FAR densities that exceed more centrally located areas is less likely and falls $22 million short of the estimated cost of the two northern caps (38-41 & 41-Redline) of $125 million, a cost estimate likely to continue escalating from 30% design and with current economic uncertainties. A TIRZ bond issued based on optimistic revenue projection scenarios creates performance risk as the City must cover the bond debt should redevelopment expectations underperform, thereby eroding the City's debt capacity.
c) It increases costs significantly by adding at least $60M to design and build a Red line station. Densities above already assume it is a transit-oriented development.