



BROADWAY CULTURAL CORRIDOR ECONOMIC & FISCAL IMPACT ANALYSIS



July 12, 2016

SUMMARY OF FINDINGS – MIDTOWN TIRZ UTILITY & STREET IMPROVEMENTS

The City of San Antonio has made a meaningful commitment to increasing population density and economic activity within the central city. Over \$269.7 million in new taxable developments have been completed over the last ten years within the Midtown TIRZ. This area has a tremendous amount of additional growth potential as articulated in numerous adopted plans. However, each of these documents highlights the needs for two types of major infrastructure investments – utility relocation and street upgrades. If San Antonio takes a long-term vision for the Midtown TIRZ area by investing in more extensive improvements over a shorter period of time, the community could accelerate the benefits of redevelopment.

TXP, Inc. was retained by Centro San Antonio to consider the economic implications of improving utility and street infrastructure in the Midtown area of San Antonio. Specifically, TXP was asked to examine how implementing underground utilities and making street improvements referred to as “Complete Streets” might influence future land use patterns and density along three major street segments in the existing Midtown TIRZ: Broadway, North Alamo, and Avenue B.

Over the next 20 years, the net increase in City of San Antonio tax revenue attributable to new developments along these three street corridors assuming infrastructure upgrades are made could generate between \$55.3 million and \$64.1 million in new tax revenue depending on the growth scenario. This revenue would be sufficient to relocate and bury utilities or pay for a significant portion of Complete Streets improvements. In addition, any short-term investment in infrastructure upgrades should factor in future cost savings related to maintenance and repair that can now be delayed. This increase in economic activity is consistent with other large scale public improvement projects such as the Museum Reach extension of the San Antonio River.

UTILITY & STREET IMPROVEMENTS IN MIDTOWN SAN ANTONIO STUDY OVERVIEW

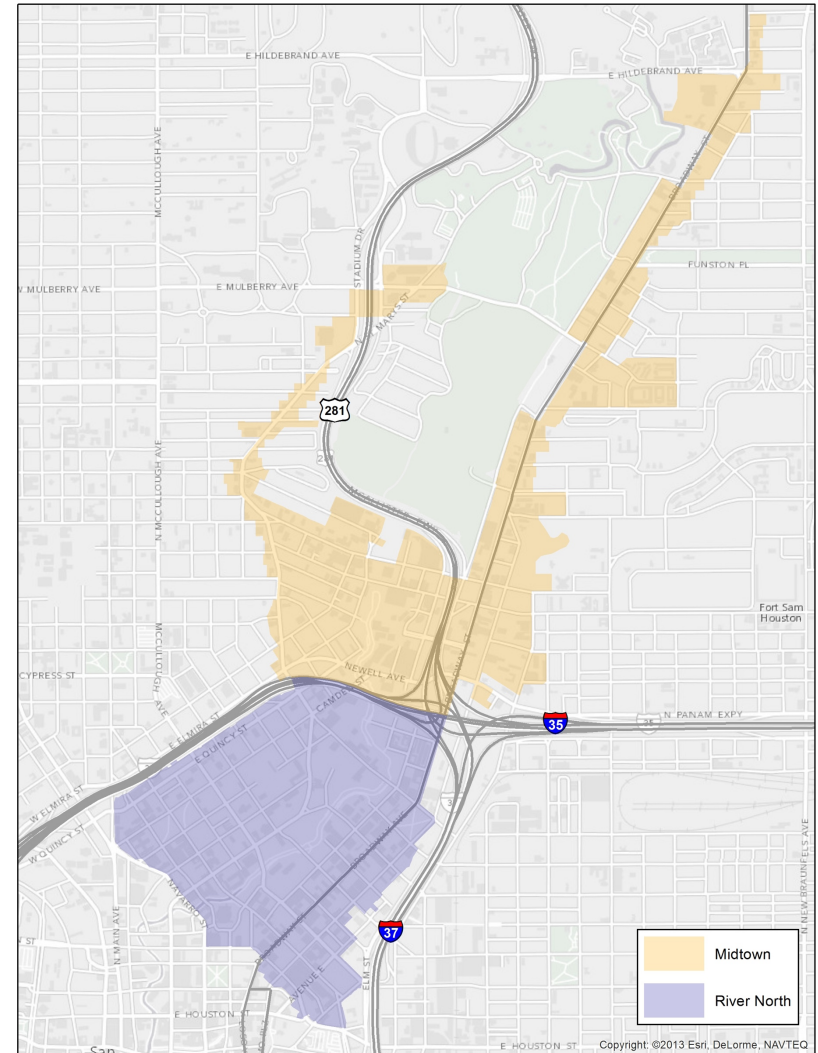
In 2015, TXP, Inc. was retained by Centro San Antonio to consider the economic implications of improving utility and street infrastructure in the Midtown area of San Antonio. Specifically, TXP was asked to examine how implementing underground utilities and constructing Complete Streets (streets that accommodate the needs of all users and all modes of travel) might influence future land use patterns and density along three major streets segments in the existing City of San Antonio Midtown Tax Increment Reinvestment Zone (Midtown TIRZ):

- Broadway (Houston to Mulberry)
- Avenue B (Casa Blanca Street to Broadway and the highway interchange to 4th Street)
- North Alamo (Houston to Broadway)

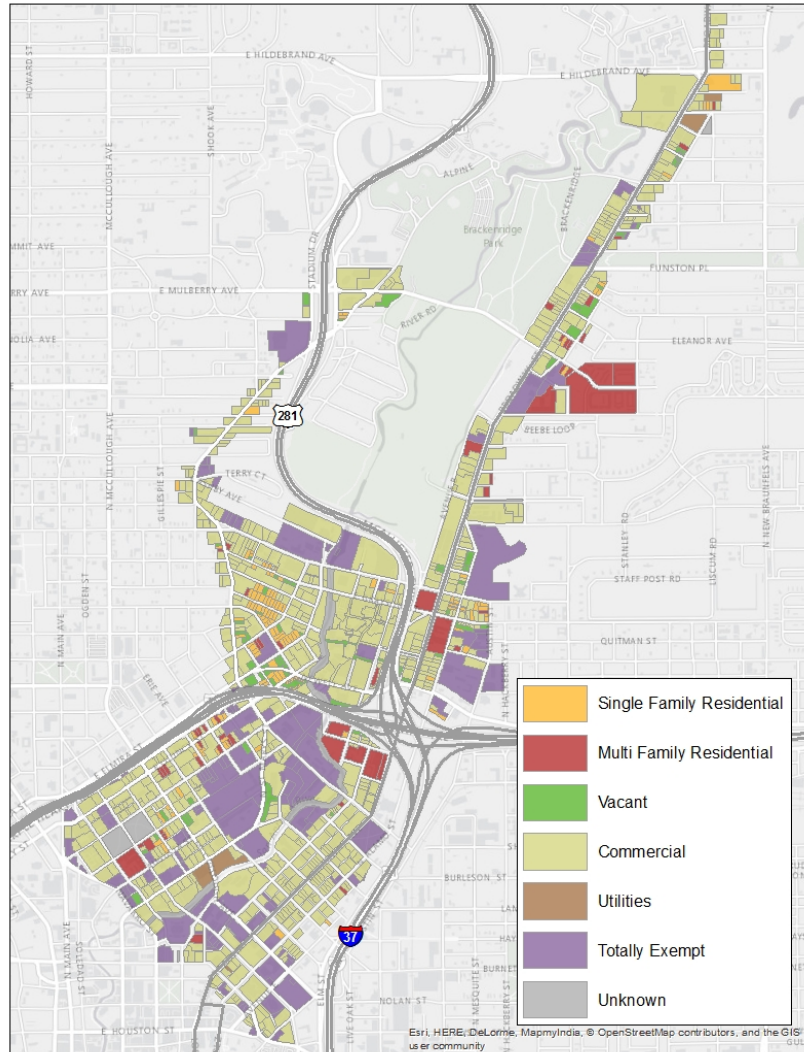
As background, the Midtown TIRZ was created in December 2012 when the San Antonio City Council authorized the merger of the River North Tax Increment Reinvestment Zone Twenty-Seven (River North TIRZ) into the Midtown TIRZ. According to Bexar Appraisal District data, the Midtown TIRZ now includes 670 parcel acres. The original Midtown TIRZ was approximately 425 parcel acres with the balance covered by an expanded River North TIRZ.

The successful redevelopment of the Pearl, the relocation of the The DoSeum, and the completion of over 1,600 residential units are examples of real market demand for residential, cultural, and entertainment offerings within the Midtown TIRZ area. Many of these mixed-use projects, however, required costly relocation of utilities. Some of these costs were offset by the City of San Antonio Center City Housing Incentive Program and project rebates funded through the Midtown TIRZ. The undergrounding of the utilities, for example, allowed the mixed-use projects to take advantage of additional building area which resulted in more dense, economically viable projects. Other projects, however, never materialized due to these higher infrastructure costs that are typically associated with urban infill and redevelopment projects.

A detailed map of the Midtown TIRZ (Texas Infrastructure Redevelopment Zone) area in Houston, Texas. The map shows a grid of streets including E Hildebrand Ave, E Mulberry Ave, Cypress St, W Elmira St, W Quincy St, N Main Ave, N McCullough Ave, Stadium Dr, N Main St, Newell Ave, Camou St, Equiney St, N Loop St, N Panam Expwy, and E Houston St. Major highways are shown as thick grey lines with shields for US-281, I-37, and I-35. A large green area representing a park or undeveloped land is located in the upper right quadrant. A red shaded region indicates the Midtown TIRZ boundary, which follows major corridors like Stadium Drive and I-37. Landmarks include Fort Sam Houston in the southeast and various commercial and residential areas. A legend in the bottom right corner identifies the red shaded area as 'Midtown TIRZ'. Copyright information at the bottom reads 'Copyright ©2013 Esri, DeLorme, NAVTEQ'.



MIDTOWN TIRZ CURRENT LAND USE PATTERNS & ASSESSED REAL PROPERTY VALUES



The Midtown TIRZ covers approximately 564.5 acres. The 2015 assessed values is nearly \$1.2 billion. According to the Midtown TIRZ 2012 Finance Plan, the assessed value of the TIRZ was \$763.9 million. The additional \$329.4 million in increased assessed value is linked to the Pearl, other new mixed-use residential projects, and appreciation.

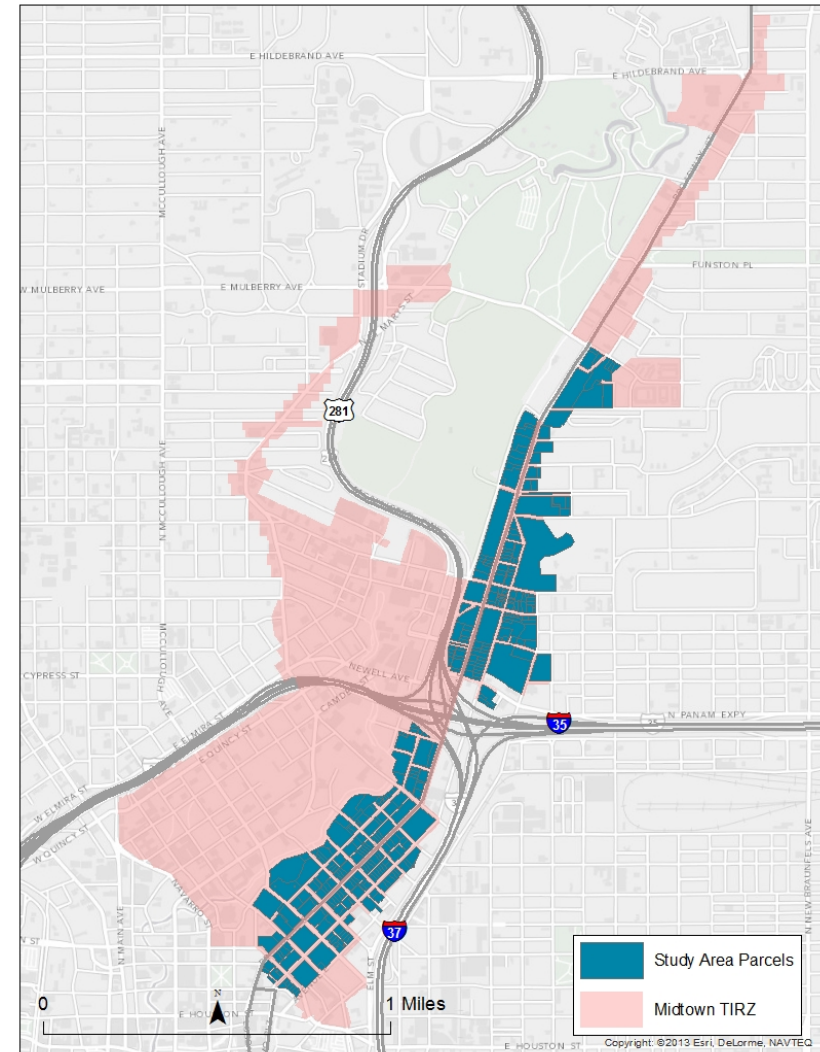
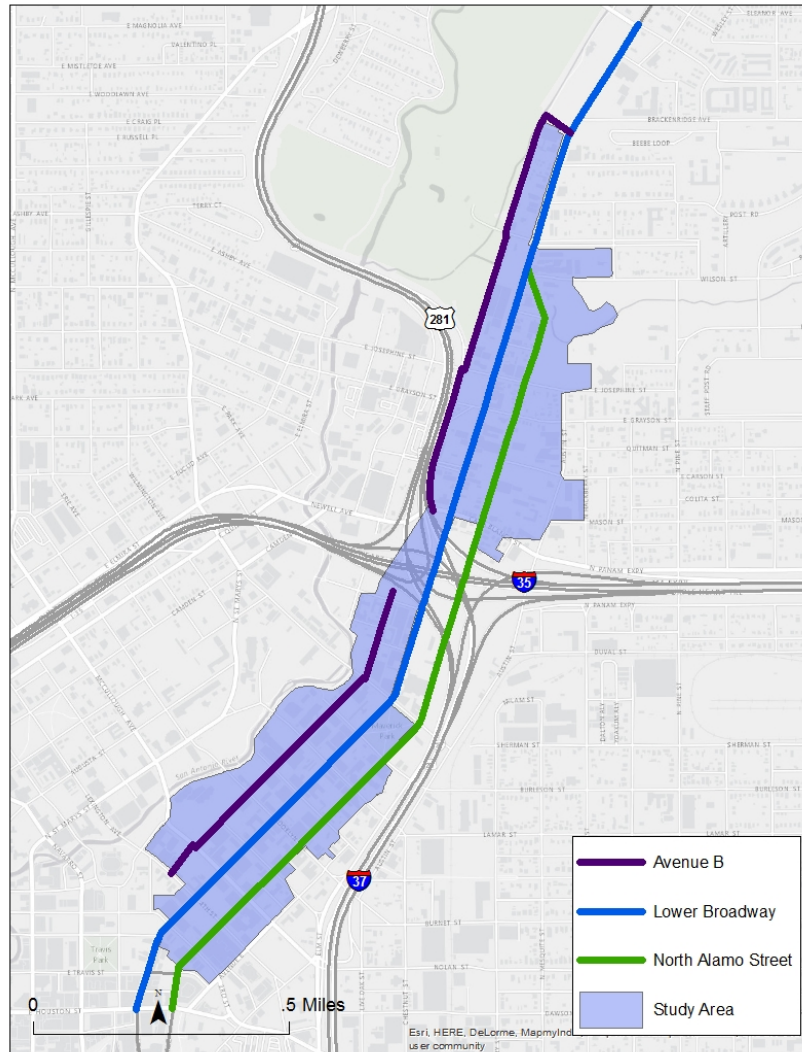
Note, the name for the Midtown TIRZ is not consistently spelled in documents and reports. The Midtown TIRZ is referenced as “MidTown” and “Midtown.” TXP has chosen to use the term “Midtown” in this document.

Table 1: Midtown TIRZ Assessed Value (2015)

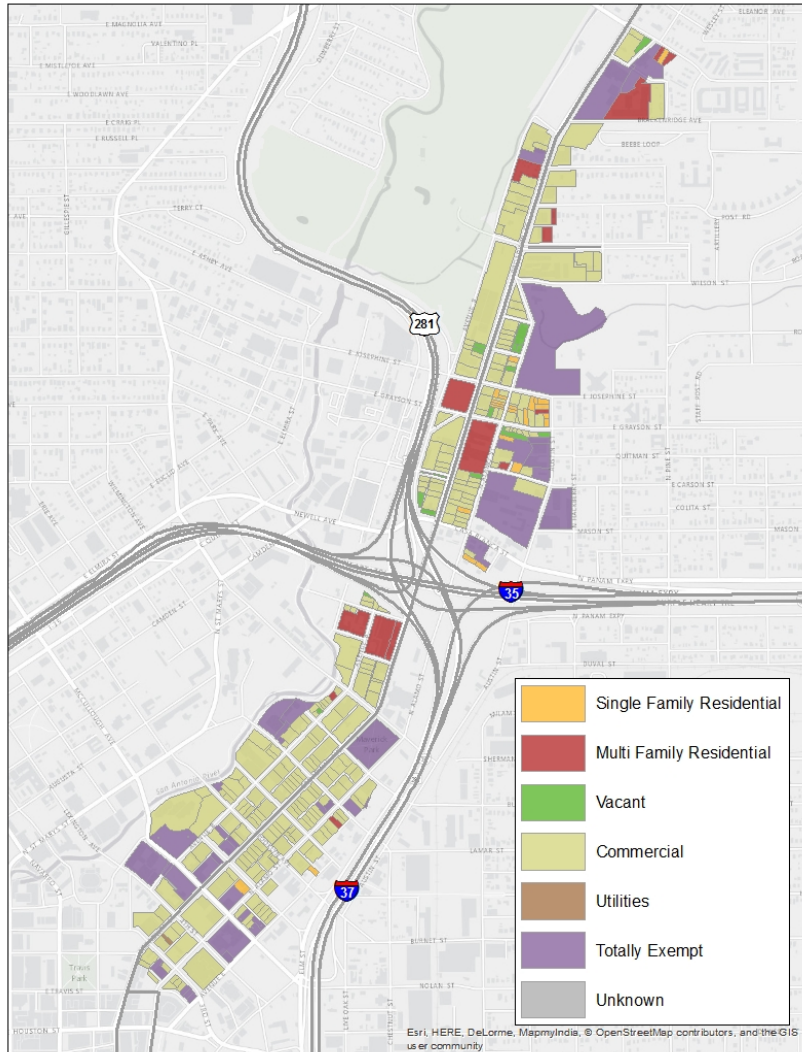
Land Use	Acres	Assessed Value
Single-Family Residential	21.0	\$85,314,117
Multi-Family Residential	42.4	\$219,715,950
Vacant	16.4	\$9,289,620
Commercial	313.4	\$686,645,159
Utilities	6.3	\$34,580,458
Totally Exempt	147.0	\$130,845,432
Unknown	18.0	\$0
Total	564.5	\$1,166,390,736

Source: Bexar Appraisal District, TXP

STUDY AREA CORRIDORS & PARCELS: BROADWAY, NORTH ALAMO, AND AVENUE B



CURRENT STUDY AREA LAND USE PATTERNS & ASSESSED REAL PROPERTY VALUES



The Study Area covers approximately 167.2 acres or 29.6 percent of the TIRZ. The 2015 assessed value was just over \$325.3 million. Note, the Study Area does not include the Pearl. Five years ago, the assessed value for the Study Area was roughly \$170 million. The \$155.0 million in increased value is linked to many mixed-use projects that took advantage of relocating utilities and the associated increase in density.

Table 2: Study Area Assessed Value (2015)

Land Use	Acres	Assessed Value
Single-Family Residential	3.1	\$2,636,690
Multi-Family Residential	14.5	\$120,088,730
Vacant	2.7	\$1,448,470
Commercial	95.0	\$173,776,318
Utilities	0.1	\$506,180
Totally Exempt	51.4	\$26,804,220
Unknown	0.4	\$0
Total	167.2	\$325,260,608

Source: Bexar Appraisal District, TXP

UTILITY & STREET IMPROVEMENTS IN MIDTOWN SAN ANTONIO STUDY AREA

Over the past 5 to 10 years, a number of studies have documented the importance of a strong central city in San Antonio. Many of these studies and reports have been adopted by the City of San Antonio. TXP has highlighted a few common findings to provide context for this report. Because many of these studies have been commissioned and formally adopted by the City of San Antonio, TXP has accepted these findings. Therefore, this report is not designed to set a new direction for the Midtown area or describe the need for a quality of life and cultural amenities that appeal to a specific demographic. Rather, TXP has focused on analyzing the future growth potential along portions of the three main corridors in the Midtown TIRZ: Broadway, North Alamo, and Avenue B.

TXP has collected parcel information for these three corridors, referred to as the “Study Area.” TXP has focused on these subareas of the Midtown TIRZ because these streets are typically referred to as important catalytic areas in existing studies, reports, and land use documents. In addition, a substantial portion of new developments the Midtown TIRZ over the past 5 years have occurred within the Study Area.

TXP has organized the report around analyzing and answering three overarching questions:

1. What is the development pattern, density, and value of projects within the Study Area that have been able to relocate and/or bury utilities?
2. How much additional growth might occur if future projects could offset the costs associated with utility relocation and Complete Streets improvements?
3. What amount of incremental tax revenue could the City of San Antonio generate based on greater density due to continued redevelopment in the Study Area?

AMENDED TIRZ PROJECT PLAN HIGHLIGHTS ECONOMIC POTENTIAL OF THE STUDY AREA



According to the Midtown Amended Project Plan (Page 4):

“The MidTown area is ripe for redevelopment, with amenities such as the river improvements, proximity to downtown offices, arts and cultural events, and numerous vacant storefronts. Trends in downtown housing booms are beginning to reach San Antonio. If the area is not supported by a targeted strategy, the existing demographic and industrial conditions would likely produce minimal growth in residents or businesses. This trend would continue to underutilize valuable land at the urban core while the city advances into former farms and ranches at the perimeter of the city.”

The Economic Feasibility section of Plan highlights the importance of this area (Page 38):

“The preliminary economic feasibility study finds that a city commitment to the neighborhood would spur higher-density urban development, and thus increase property values and population more than the absence [of] city investment. The type of people attracted by the development also may increase the job pool of educated workers who seek urban living, enhancing the city’s competitiveness and contributing to the revitalization of the city core.”

RIVER NORTH MASTER PLAN IDENTIFIED BROADWAY & AVE. B AS CATALYTIC STREETS



In May of 2008, City Council authorized the creation of the River North Planning team which, in cooperation with the Downtown Alliance, hired nationally recognized City Planners Moule & Polyzoides to develop the River North Master Plan. The plan made the following recommendations for two catalytic projects within the Midtown TIRZ (Page 3.2):

“Broadway street Improvements: Broadway is the “face” of River North to the vast majority of San Antonians and visitors. As such, it is the place that a near-term transformation would provide the greatest leverage, providing an unmistakable signal that River North is changing fundamentally, and now. In addition to being the most visible of all the streets in River North, it is the one where the greatest change is needed, hence its number 1 status among prioritized streets.

Avenue B street Improvements: If Broadway is the face of River North, Avenue B is in certain ways its heart...Thus improving Avenue B from a worn-out industrial street to an urban neighborhood street is a very high priority.”

MIDTOWN BRACKENRIDGE MASTER PLAN RECOMMENDED STREET & UTILITY UPGRADES



In May of 2009, the MidTown TIRZ Board and the City entered into a Memorandum of Understanding with the San Antonio River Authority to facilitate the creation of the MidTown Brackenridge Master Plan. The resulting document was adopted by City Council in October of 2011. The MidTown Brackenridge Master Plan makes the following recommendation for the Broadway Corridor (Page 2.6):

“All of Broadway should have underground utilities.”

The Master Plan also describes the need for street, sidewalk, and transit improvements (Page 2.4):

“The MidTown Brackenridge Master Plan envisions a walkable, transit-friendly urban area with the density, street life, and public realm that will promote bike use. For the area to evolve towards this vision, on-street parking, wider sidewalks, and street trees are critical to changing the development environment and promoting incremental improvements for the commercial areas. The Master Plan promotes connecting the bike lanes in River North that are either on Broadway or Alamo St. to Pearl Boulevard and then to Avenue B.”

HR&A CENTER CITY MARKET STUDY FINDS THAT INFRASTRUCTURE INVESTMENT IS ESSENTIAL



HR&A was retained to provide guidance on the City of San Antonio's existing incentives policy to support its goals for Center City. The firm produced a report in June 2015. Included in the report were the following findings related to future incentive policy (Page 96):

"Infrastructure investment is an essential tool for supporting new development, especially largescale transformative projects (like the Pearl Brewery, HemisFair Park, and Lone Star).

In moderate markets, infrastructure investment generates value that may eventually replace incentives, and private finance districts and other sources may support infrastructure investment."

Under Suggested Next Steps, HR&A highlights the needs for (Page 100):

"Complete street improvements and utilities upgrades in River North per the River North and Midtown Master Plan; invest in transit and public realm improvements in Core."

MIDTOWN DEVELOPMENT PROJECTS THAT TOOK ADVANTAGE OF RELOCATING UTILITIES

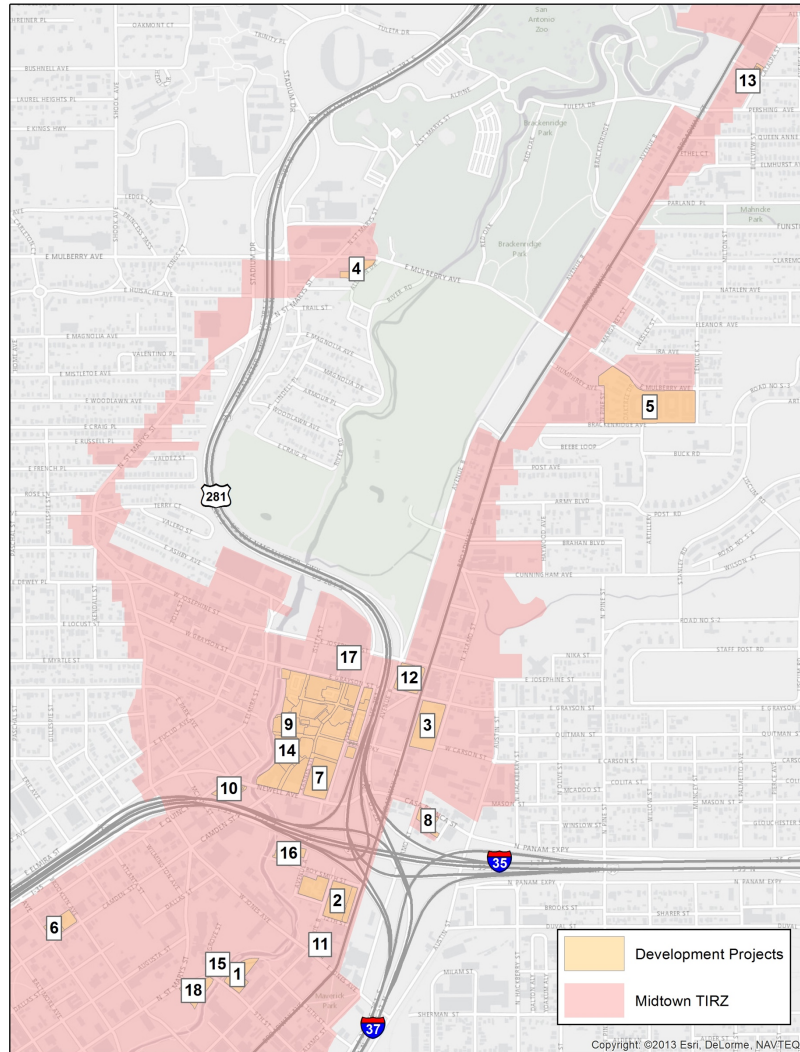


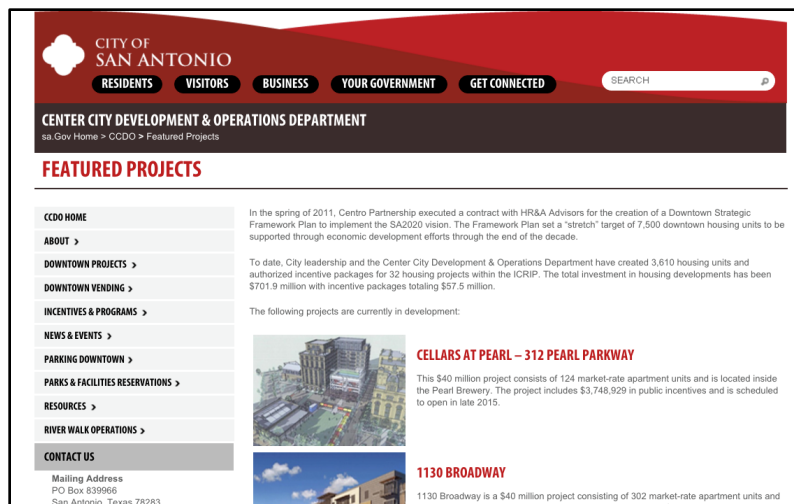
Table 3: Recent Midtown TIRZ Development Projects (2015)

Project	Project Name	Estimated Assessed Value	Estimated Acres
1	120 Ninth Street	N.D	N.D
2	1221 Broadway	\$41,600,000	4.5
3	1800 Broadway	\$44,000,000	3.2
4	840 Mulberry	N.D	N.D
5	Brackenridge at Midtown	\$45,250,000	9.9
6	Camden Medical Center	\$4,350,000	0.6
7	Can Plant Apartments	\$38,464,200	2.9
8	Casa Blanca Lofts	\$5,335,690	0.9
9	Cellars at Pearl	N.D	N.D
10	East Quincy Townhomes	\$8,500,000	0.9
11	Hughes Warehouse	\$2,872,000	0.7
12	Mosaic	\$22,800,000	1.8
13	Museum Townhomes	N.D	N.D
14	Pearl Parkway	\$15,739,001	1.2
15	Phipps Law Firm	\$6,250,000	0.5
16	River House	\$25,069,440	3.1
17	SoJo	\$1,005,620	0.3
18	Wyndham Garden Inn	\$8,429,875	1.3
Total		\$269,665,826	31.8

Source: Bexar Appraisal District, City of San Antonio, TXP

ND = no data available or data was incomplete

VALUE PER ACRE OF NEW MIDTOWN TIRZ DEVELOPMENTS VERSUS EXISTING PROPERTIES



Approximately 15 major development projects have been built in the Midtown TIRZ over the past 10 years. A number of new projects have been announced but have not broken ground. Other projects are currently under construction.

The total 2015 assessed value of these completed projects is \$269.7 million and includes approximately 1,459 residential units and 1.7 million square feet of residential and commercial space. The average assessed value per acre of new development in the TIRZ is \$8.5 million (see Table 3).

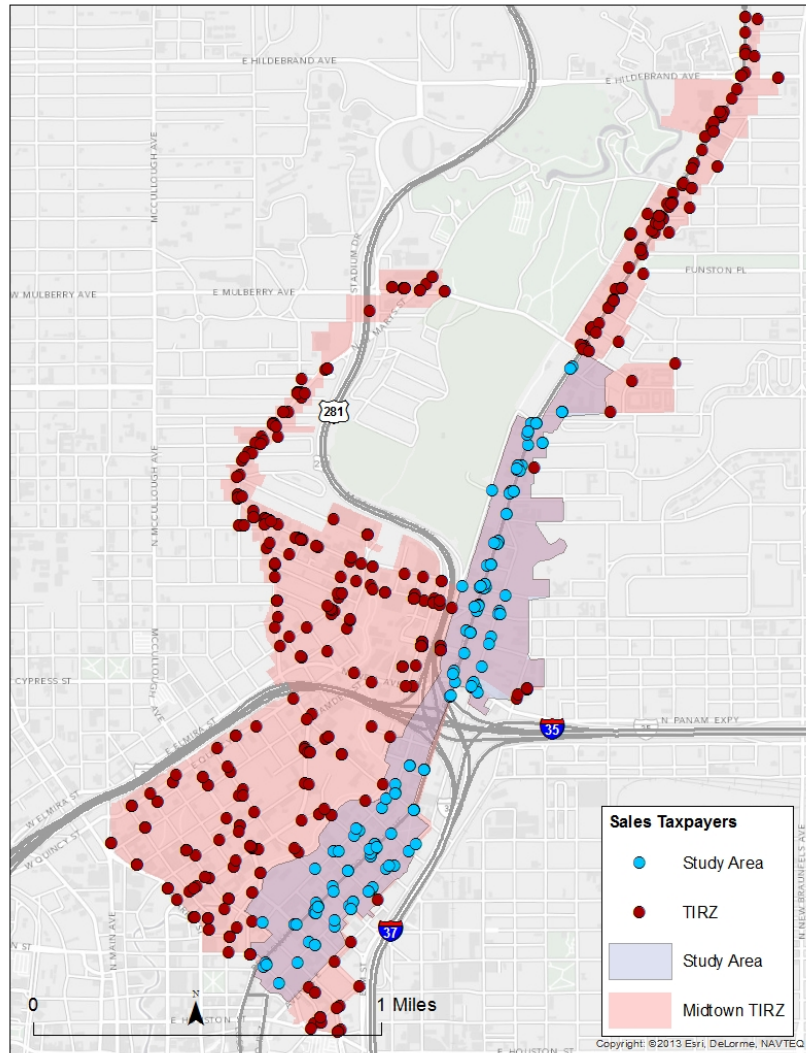
More Pearl apartments, phase two of 1221 Broadway and public safety headquarters on HDRC's plate

By Benjamin Olivo on May 4, 2011 at 9:59 AM



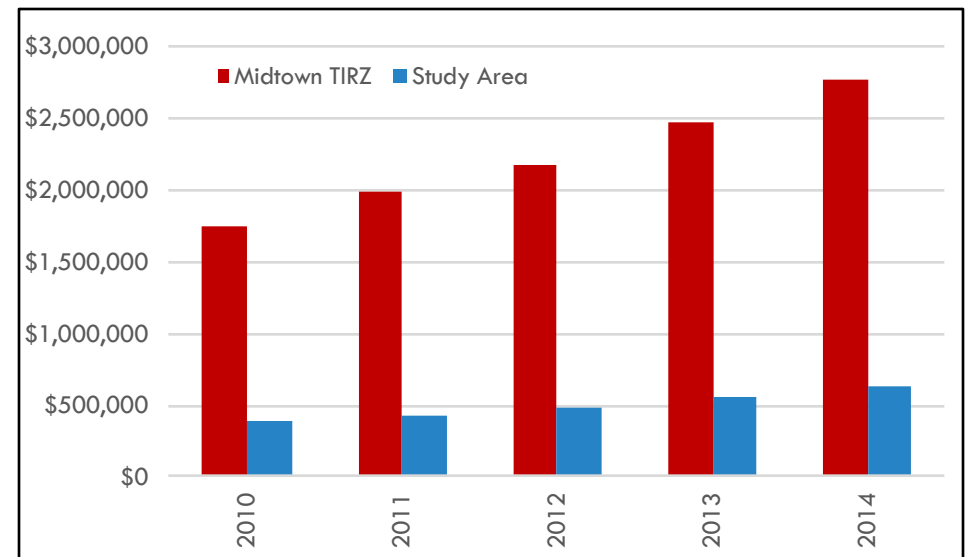
The average assessed value per acre excluding these properties and exempt land is \$1.9 million per acre – a difference of approximately \$6.7 million per acre. This figure represents the average increase in value possible if comparable infrastructure improvements are made.

ESTIMATED SALES TAX REVENUE GENERATED BY BUSINESSES WITHIN THE MIDTOWN TIRZ



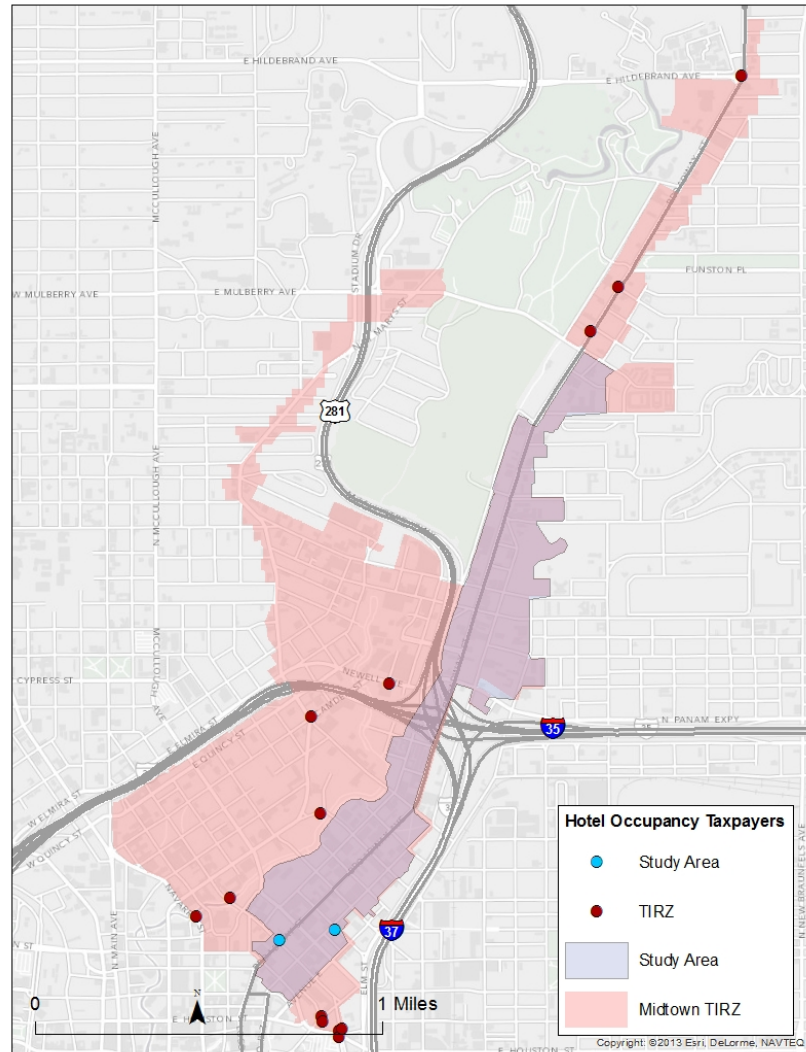
Beyond property tax revenue, Midtown TIRZ businesses generate sales tax revenue for the City of San Antonio. TXP obtained sales tax payer information from the Texas Comptroller of Public Accounts. The adjacent map depicts the location of sales tax payers over the past five years. Between 2010 and 2014, sales tax revenue increased about 60.0 percent for both the TIRZ and Study Area businesses. Sales tax collections for the City of San Antonio as a whole increased 45.7 percent for this same period.

Figure 1: Estimated Annual City of San Antonio Sales Tax Revenue



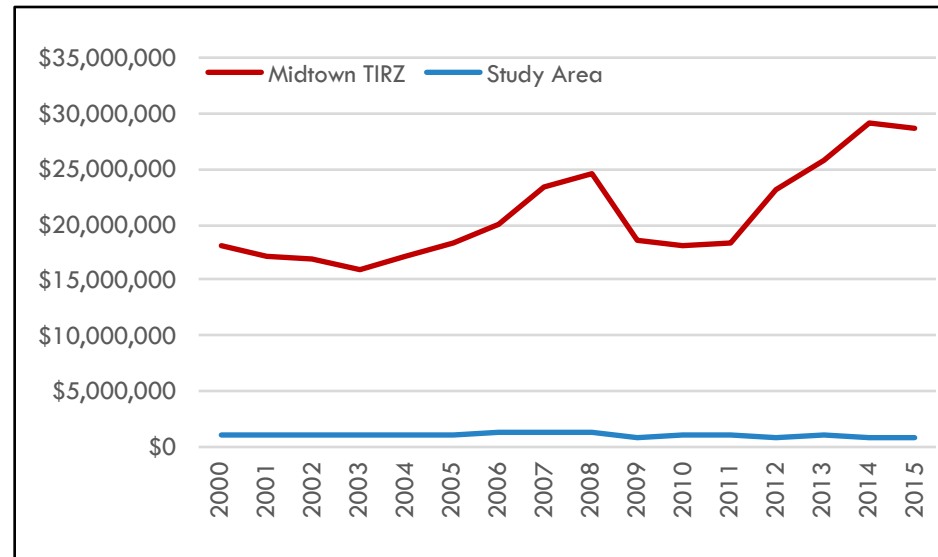
Source: Texas Comptroller of Public Accounts, TXP

ESTIMATED TAXABLE ROOM REVENUE FROM HOTELS & MOTELS WITHIN THE MIDTOWN TIRZ



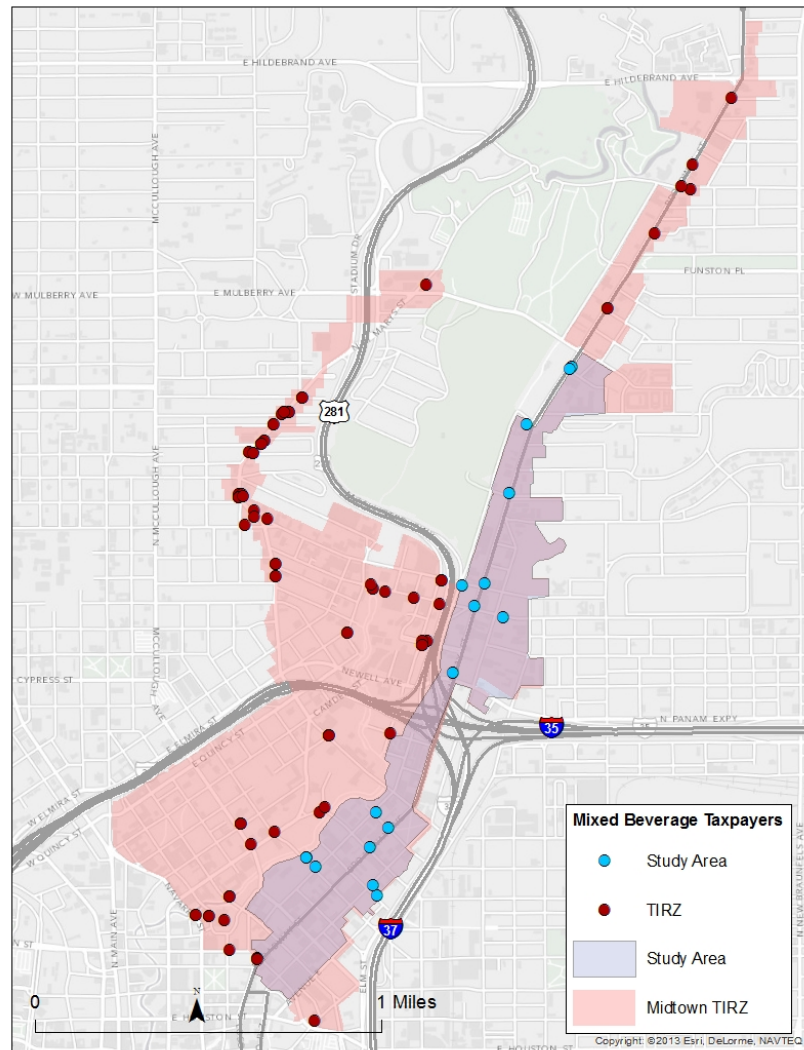
The Midtown TIRZ has 10 to 15 establishments reporting taxable room revenue. Total room units have remained between 1,100 and 1,300 over the past five years. Within the Study Area, there are approximately 80 room units available. The opening of the Hotel Emma should only increase the attractiveness of this area. The City of San Antonio assesses a 9.0 percent hotel occupancy tax rate, which translates into over \$2.5 million per year from hotels in TIRZ.

Figure 2: Estimated Annual Taxable Room Revenue



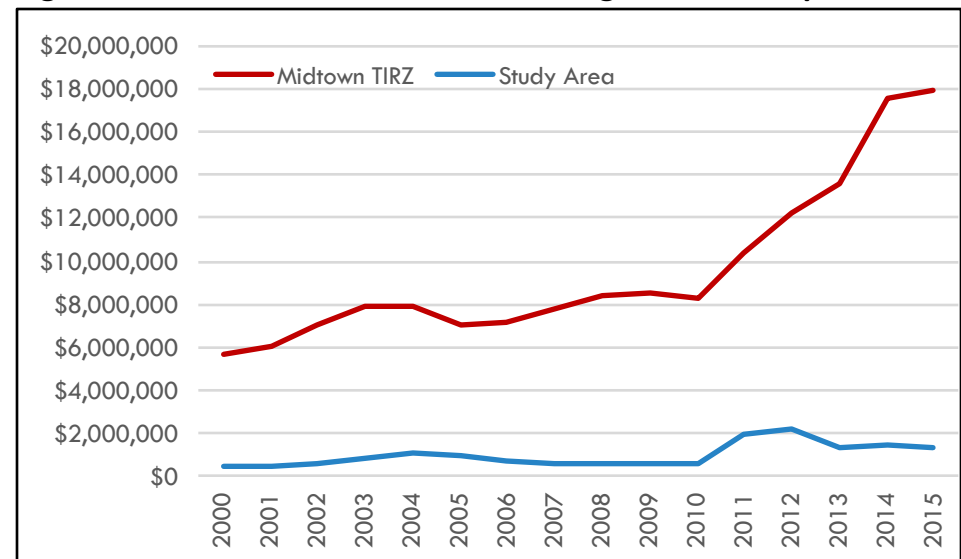
Source: Texas Comptroller of Public Accounts, TXP

ESTIMATED MIXED BEVERAGE GROSS RECEIPTS GENERATED WITHIN MIDTOWN TIRZ



The majority of mixed beverage tax revenue in the Midtown TIRZ is generated in the North St. Mary's Street corridor. The other main cluster of establishments is near the Pearl. The uptick in this revenue stream corresponds to the redevelopment of the TIRZ starting in 2010. While this revenue stream is not included in the financial forecast, it is a significant amount of revenue that should grow over the long-term. This revenue source highlights the type of positive impact that can accrue but is not typically factored in when evaluating public sector investments.

Figure 3: Estimated Annual Mixed Beverage Gross Receipts



Source: Texas Comptroller of Public Accounts, TXP

MIDTOWN UTILITY & STREET IMPROVEMENTS CHALLENGES AND OPPORTUNITIES

The existing studies provide a detailed and well-documented vision for the Midtown area of San Antonio. Each of these reports calls on the community to improve the infrastructure along the corridors. While the infrastructure issues vary block to block, the general consensus based on reviewing the master plans as well as conversations with local developers, architects, and engineers is that overhead power lines, mobility, and flooding represent the most pressing challenges.

Without burying overhead lines, for example, setback requirements and fire codes limit the physical scale of the buildings. The unsightliness of the power lines can also negatively impact rents for residential and commercial units. Because the rental rate for these spaces are lower, this reduces the overall financial viability of the project. Additionally, overhead power lines impede the street level ambiance contemplated by the master plans. Outdoor seating at a restaurant, for example, is compromised by the existence of power poles in the middle of sidewalk. Pedestrian mobility is similarly impacted by the presence of power poles.

The smaller lot sizes and existing utility issues typically found in urban core redevelopment oftentimes make these costs too high for a single developer to finance or absorb. Unfortunately, no mechanism exists to allocate these costs along the entire corridor to different land owners or future developers to make the improvements all at once. The net result is a patchwork of redevelopment projects unable to leverage the upgrades outlined in the master plans. For the recent Midtown TIRZ projects that were able to take advantage of greater density, these projects average about 50 units per acre. A standard ratio for traditional apartments in San Antonio is 20 to 25 units per acre. Burying overhead utilities allowed many of these developers to build out to the full envelope of sites. The combination of infrastructure improvements and consumer demand for this type of built environment generates far greater tax revenue per acre than suburban multi-family developments.

CASE STUDY: IMPACT OF THE MUSEUM REACH SAN ANTONIO RIVER EXTENSION

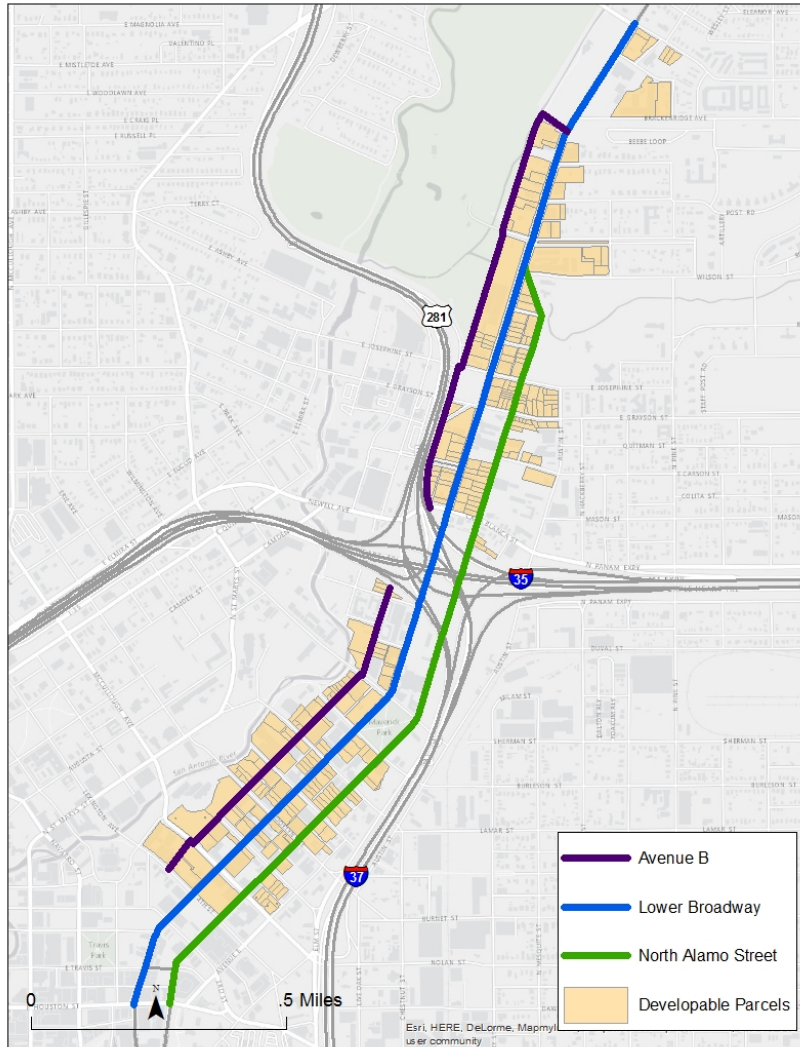
The City of San Antonio and other public sector entities have a successful history of investing in large-scale infrastructure projects that make a tangible impact on land use patterns and spur new development. While return on investment is not the only measure a community should use when determining how to allocate financial resources, projects that generate increased tax revenue create a positive feedback loop that should be considered. The community's investment in the Museum Reach extension of the San Antonio River, for example, serves as a case study for what could happen if a similar level of effort is made along the corridors. According to an independent 2014 report prepared for San Antonio River Authority:

“The extension of the San Antonio River into what is now known as the Museum Reach has been a catalyst to a plethora of activity in the northern part of downtown that has led to a large boost to the downtown and San Antonio economy. **The improvements to both the infrastructure and beauty of the area have not only facilitated substantial development but it has spurred a variety and large number of events that attract people from all over the community and beyond.** This area of the city, spurred by the massive repurposing of the Pearl Brewery and other large developments, has grown into one of the hottest spots in town – a place to be and be seen. **Without the improvements made in the area as a result of the Museum Reach extension, much of this new development and activity would not have been possible.** Thus, beyond its economic impact, the Museum Reach has also certainly enhanced the quality of life of residents throughout the community.”

The study also highlights the long-term impact of this investment:

“On top of the current impact, the impact will continue to grow in this area over the next 15-20 years. It is likely that there will be at least another \$1 billion in investment in the area similar to the investments already made. Thus, we will most likely see the impact on employment and incomes expand significantly in the foreseeable future.”

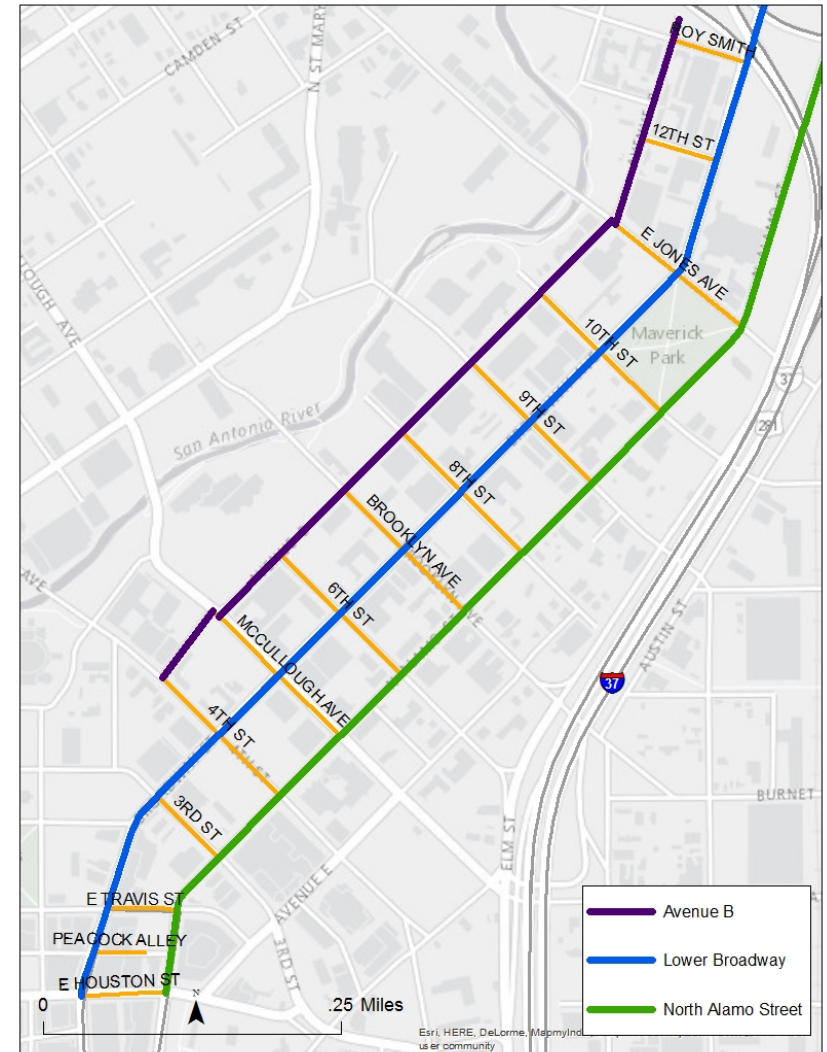
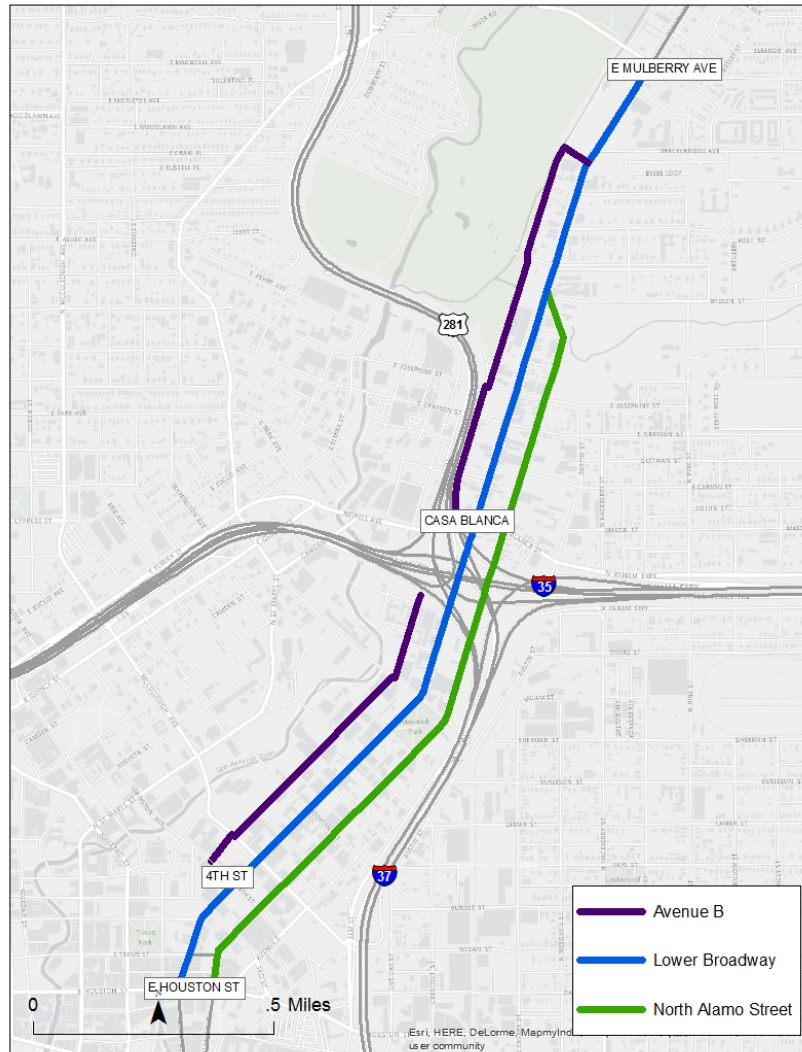
PARCELS THAT COULD REDEVELOP WITHIN THE STUDY AREA OVER THE NEXT 20 YEARS



Based on the River North Master Plan, MidTown Brackenridge Master Plan, and existing development projects, it was possible to identify the areas that would likely redevelop over the next 20 years. The adjacent map depicts the parcels that will probably see investment. In addition to the master plans, TXP reviewed population and employment forecasts developed by the Alamo Area Council of Governments for small areas referred to as transportation analysis zones. TXP also took into consideration floodplain data from the San Antonio Water System. Over the next 20 years, approximately 80 to 100 acres will likely redevelop adjacent to the three corridors.

A major assumption is that the utilities and streets along Broadway, Alamo Street, and Avenue B are improved. Based on conversations with local engineers, real estate developers, and architects, the relocation of utilities is a necessary infrastructure improvement required to spur new development and allow for the density needed to justify the investment risk. The need and justification for these investments are also clearly articulated in the planning reports adopted or sponsored by the City of San Antonio.

STUDY AREA CORRIDORS DETAIL: BROADWAY, NORTH ALAMO, AND AVENUE B



DEVELOPMENT POTENTIAL ASSUMPTIONS FOR UTILITY & STREET IMPROVEMENTS

TXP made the following assumptions when estimating the costs and economic impact of utility and street improvements :

- The forecast period is 20 years.
- The 2015 City of San Antonio property tax rate of \$0.558270 per \$100 valuation remains constant for the forecast period.
- City of San Antonio sales tax rate of 1.0 percent remains constant for the forecast period.
- Average residential dwelling unit size of 1,100 square feet (consistent with actual built product).
- Multi-family density is 50 units per acre.
- Combined annual electric and gas CPS Energy revenue per residential account is \$1,800 – with 14% transferred to City
- Taxable sales per square foot of retail and restaurant space is \$300.
- No attempt was made to forecast tax revenue attributable to new hotels or mixed beverage sales.
- The net increase in taxable value per acre is \$6.7 million based on new development potential.
- The improvements are made in Year 1 and do not result in delays for redevelopment projects.
- Developers will take advantage of the increased building density now available on each corridor parcels which will help offset the higher cost of land in the Study Area.
- New projects will have a density, cost, and assessed value similar to projects built in the TIRZ over the past 5 to 10 years.

PROJECTED NEW CITY OF SAN ANTONIO REVENUE BY DEVELOPMENT SCENARIOS

Table 4: Estimated Net New City of San Antonio Revenue*

Year	Scenario 1	Scenario 2	Scenario 3
1	\$191,612	\$197,003	\$235,568
2	\$392,396	\$402,955	\$480,083
3	\$602,765	\$618,257	\$733,950
4	\$823,148	\$843,329	\$997,587
5	\$1,053,992	\$1,078,607	\$1,271,429
6	\$1,295,760	\$1,324,542	\$1,555,929
7	\$1,548,935	\$1,581,607	\$1,851,558
8	\$1,814,019	\$1,850,290	\$2,158,805
9	\$2,091,533	\$2,131,100	\$2,478,180
10	\$2,382,020	\$2,424,566	\$2,810,210
11	\$2,686,043	\$2,731,238	\$3,155,447
12	\$3,004,187	\$3,051,687	\$3,514,460
13	\$3,337,062	\$3,386,507	\$3,887,845
14	\$3,685,298	\$3,736,315	\$4,276,217
15	\$4,049,555	\$4,101,752	\$4,680,218
16	\$4,430,513	\$4,483,483	\$5,100,513
17	\$4,828,883	\$4,882,201	\$5,537,796
18	\$5,245,401	\$5,298,624	\$5,992,783
19	\$5,680,832	\$5,733,499	\$6,466,223
20	\$6,135,970	\$6,187,601	\$6,958,889
Total	\$55,279,924	\$56,045,163	\$64,143,690

* Property tax, sales tax, and CPS transfer to the City of San Antonio
Source: TXP

TXP has developed three revenue forecasts assuming the utility and street infrastructure improvements are made. The three scenarios are described below. The tax revenue in the table includes property and sales tax revenue as well as the CPS Energy transfer to the City of San Antonio.

- **Scenario 1** is based on the changing development pattern within the Midtown TIRZ and Study area over the past five years. This scenario is more heavily weighted towards residential growth.
- **Scenario 2** blends past Midtown TIRZ projects, the River North Master Plan growth scenarios, Alamo Area Council of Governments socioeconomic forecasts, and stakeholder input to drive future growth. Compared to Scenario 1, this scenario has less overall residential growth but more commercial growth.
- **Scenario 3** assumes the Study Area attracts even more commercial growth. Over the past few years, about 90.0 percent of new activity in the TIRZ has been residential. Given San Antonio's commitment to the urban core and attracting emerging technology industries, these corridors are a logical location for much of this activity.

ESTIMATED COST OF INVESTMENT IN NEW UTILITY & STREET IMPROVEMENTS

WSP|Parsons-Brinckerhoff was retained by Centro to refine the cost estimates for Complete Streets along Lower Broadway. The detailed cost estimates developed by WSP|Parsons-Brinckerhoff range from \$46.9 million to \$50.7 million. The range takes into account inflation, construction contingency, and when the improvements are made (2016 versus 2018). Based on the WSP|Parsons-Brinckerhoff analysis and information found in other studies, TXP assumed it would cost \$1,000 per foot to bury utilities along North Alamo and Avenue B. The following table depicts the estimated costs of the proposed improvements.

Table 5: Estimated Cost of Midtown Corridor Improvements

Street Corridor	Improvement	Estimated Cost (\$2016)
Lower Broadway*	Complete Streets	\$46,916,460**
North Alamo	Bury Utilities	\$8,448,000
Avenue B	Bury Utilities	\$8,976,000
Total	N.A.	\$64,340,460

Source: Stakeholder Input, Existing Studies, TXP

* Assumes Complete Streets along Lower Broadway and burying utilities along cross streets

** Includes at 15.0% contingency

PROJECTS COSTS & FUNDING SOURCES

The Broadway corridor has been identified as a key route for cars, pedestrians, and mass transit – linking Midtown to the larger downtown area. The adjacent streets are also attracting developments that could take immediate advantage of improved utility infrastructure, but these corridors might not require full Complete Streets. TXP suggests the community take a phased approach to implementing the key infrastructure. While a cost-benefit analysis would indicate Complete Streets along the three corridors would yield the largest return on investment, the costs might exceed the current funding capacity.

The infrastructure costs for the priority projects (including similar infrastructure spending along upper Broadway) is approximately \$106.8 million:

- Complete Streets along lower Broadway – \$46.9 million (includes \$5.1 million in contingency)
- Bury utilities along lower Broadway cross streets, Avenue B, and North Alamo – \$17.4 million
- Complete Streets along upper Broadway and flood control – \$42.5 million (includes \$4.6 million in contingency)

TXP has identified a number of possible funding strategies to pay for these projects. Every funding strategy has pros and cons, but TXP has created a series of options that are both reasonable and financially sound. The City of San Antonio 2017 Bond is assumed to be the primary funding source for the projects.

Over the next 20 years, the increase in City of San Antonio tax revenue attributable to new developments within the Study Area (assuming infrastructure investments are made) could generate between \$55.3 million and \$64.1 million in new tax revenue (see Table 5). The Midtown TIRZ is also projected to have an ending fund balance of \$13.1 million. The combination of existing TIRZ revenue and future growth should generate \$70.0 to \$75.0 million in revenue for the City of San Antonio. This sum, while significant, does not cover the entire project costs outlined above.

PROJECTS COSTS & FUNDING SOURCES

Funding a project of this magnitude will require the support from other public sector agencies. Bexar County, the San Antonio River Authority, and City Public Service will also receive net new revenue based on greater density and better utilization of existing infrastructures. Based on these gains, it would not be unreasonable or inappropriate for these organizations to contribute approximately 25.0 percent of the total project costs. Given the existing funding commitments and the tax revenue benefits generated by the Midtown area, the following funding strategy should be pursued by all stakeholders and public sector entities.

The Texas Department of Transportation (\$5.0 million) and the Alamo Area Metropolitan Planning Organization (\$9.0 million) have already committed a combined \$14.0 million for the segment of Broadway from the highway interchange north to Mulberry. This leaves an overall project funding balance of \$92.8 million.

Table 6: Possible Funding Sources

Funding Source	Amount
Total Project Cost	\$106,800,000
Less Existing Commitments	\$14,000,000
Texas Department of Transportation	\$5,000,000
Alamo Area Metropolitan Planning Organization	\$9,000,000
Balance Remaining to be Funded	\$92,800,000
City of San Antonio – Future Growth in Study Area (20 years)	\$50,000,000
Midtown TIRZ Net Revenue Balance (2016 – 2031)	\$11,000,000
Bexar County, City Public Service, and SARA	\$31,800,000

FINANCING OPTIONS FOR PROJECTS

Option #1 – Leverage the City of San Antonio 2017 Bond

The City of San Antonio is about to embark on its next bond planning process. It is premature to forecast how much funding might be allocated towards Study Area projects, but the 2017 Bond will likely be the cornerstone of any funding strategy. Option 1 assumes the 2017 Bond plus contributions from Bexar County, City Public Service, and SARA would pay for some portion, but not all, of the infrastructure upgrades and improvements. The community would need to prioritize which streets to initially fund.

Option #2 – 2017 Bond + Midtown TIRZ Debt or Pay as You Go

It is unlikely the 2017 Bond will cover the full project costs (see Option #1). The Midtown TIRZ could be leveraged (either debt or pay as you go) to fund the balance of the projects. Because the Midtown TIRZ ends in 2031, the City of San Antonio would need to extend the TIRZ for another 10+ years to ensure sufficient financial resources are available to complete the project. TIRZ debt is typically more expensive than debt that is backed by the full faith and credit of a city or county. In addition, pay as you go will take the longest time to implement because a fund balance needs to build up. Other public sector groups would also contribute.

Option #3 – 2017 Bond + Terminate the Midtown TIRZ

The City of San Antonio has already made the public policy decision to reinvest 100% of future property tax revenue within the Midtown TIRZ, but issuing TIRZ debt or taking a pay as you go approach is not the most efficient option to fund large scale infrastructure projects that span multiple parcels and owners. The City of San Antonio could utilize the \$70.0 to \$75.0 million in future city tax revenue by terminating the Midtown TIRZ. Accessing the entire San Antonio tax base provides the most efficient and lowest cost of capital to pay for the Midtown infrastructure costs. These projects would be included in the 2017 bond instead of financing via Midtown TIRZ issued debt. This approach does not create a new “cost” to the City of San Antonio since the TIRZ is capturing 100 percent of future increment, but simply changes how the debt costs are repaid. Bexar County, City Public Service, and SARA would also contribute to the project costs.

CONCLUSION

The City of San Antonio has made a meaningful commitment to increasing population density and economic activity within the central city. Over \$269.7 million in new taxable developments have been completed over the last ten years within the Midtown TIRZ. This area has a tremendous amount of growth potential as articulated in numerous plans. However, each of these documents highlights the needs for two types of major infrastructure investments – utility relocation and street upgrades. While San Antonio’s piecemeal approach linked to specific developments and parcels has proven demand exists for more dense urban living, the lengthy negotiation process with multiple public sector entities and uncertainty around costs shifted to the developer threaten future real estate activity. If San Antonio takes a long-term vision for the Midtown TIRZ by investing in more extensive improvements over a shorter period of time, the community will yield tremendous benefits. Without this investment, development will continue to be pushed to lower costs greenfield locations outside of the central city.

Over the next 20 years, the net increase in City of San Antonio revenue attributable to new developments within the Study Area assuming investments are made could generate between \$55.3 million and \$64.1 million in new tax revenue. This revenue would be sufficient to relocate and bury utilities or pay for a significant portion of Complete Streets improvements.

These projections are based on the best available datasets and information related to market conditions in San Antonio region. Given the high visibility of some of the projects likely to locate in the Study Area, for example, the substantial commitment of a few large developers could have a significantly positive impact on both the level and timing of future growth. Moreover, the financial projections make no allowance for positive spillover to the value of other properties in Midtown TIRZ as a result of new development, which easily could occur. At the same time, a slowdown in development as a result of a weaker national economy, negative changes in key drivers of regional economy, or other unforeseen issues could materially reduce the volume of construction put in place over the next 20 years.

ABOUT TXP, INC.

TXP is an economic analysis and public policy consulting firm founded in 1987 in Austin, Texas. Our clients have discovered that we are the firm to hire when there is not an immediate, obvious, or simple solution to their economic or public policy challenge. In addition to drawing on the expertise of our firm members, we regularly partner with urban planning, engineering, and public policy firms to put together teams uniquely suited to our clients' needs.

TXP offers a full-range of economic analysis and forecasting services to public and private clients. The firm specializes in applying focused primary research to enhance secondary data. TXP offers a number of other services to clients, including periodic reports highlighting economic trends in regional economies and presentations to a range of stakeholders. TXP currently serves as economist-on-retainer for a number of high-profile private and public sector clients throughout Texas.

TXP has successfully helped clients manage the balance between economic development, land use planning, and infrastructure development to ensure overall community prosperity. Our team provides in-depth analysis on the connection between tax base enhancement and service cost reduction, and works with communities, state agencies, local governments, universities, and developers to facilitate growth and redevelopment.

TXP, Inc.

1310 South 1st Street, Suite 105

Austin, Texas 78704

(512) 328-8300 phone

www.txp.com



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