



# **Downtown Living Initiative Chapter 380 Program Update**





# Program Purpose

To promote economic development and stimulate business and commercial activity by providing economic and other incentives for new, pedestrian friendly multifamily residential mixed-use development





# Background/Economic Justification

- Downtown lacks perpetual activity and retail that creates a vibrant city
- Vibrancy helps to attract trade shows, conventions and meetings to the George R. Brown
- Proposal based on recommendations of:
  - George R Brown Convention Center 2025 Master Plan (2011)
  - Downtown/ East Downtown Livable Center Plan (2011)
  - Urban Land Institute Technical Assistance Panel (2012)



# Initial Program Terms

Financial incentives offered for the lesser of:

- Four years (through June 2016); **or**
- The first 2,500 doors (residential units)





# How it works

Developer of residential mixed use in accordance with guidelines receives a reimbursement that is the lesser of \$15,000 per door **or** :

- 75% of the incremental City property tax paid per door for 15 years from project completion; *and*
- 75% of the incremental Downtown District assessment paid for 15 years from project completion

Interest costs not paid by incentive



# Other benefits to developers & residents

Toolkit also includes:

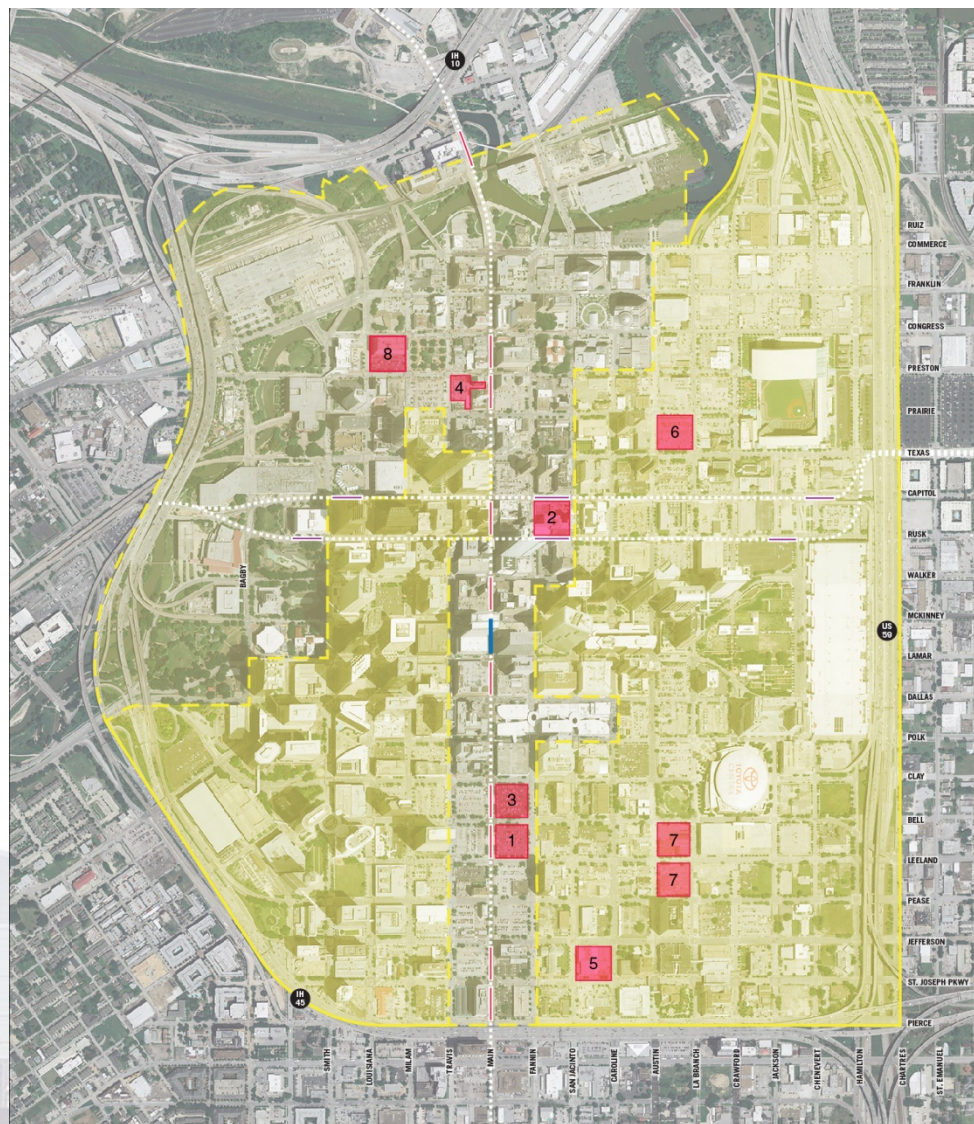
- Improved streetscapes: enhanced sidewalks and on-street parking
- Public transit including bus, light rail, and Greenlink
- Access to existing bike trails
- Downtown Public Safety Guides program
- Underground utilities throughout most of area
- Sustainable use of existing infrastructure
- Many large & small events in area year round
- Discovery Green and Root Memorial Square
- Access to over 140,000 jobs within a 1-mile radius of the target area



# Program Success to Date

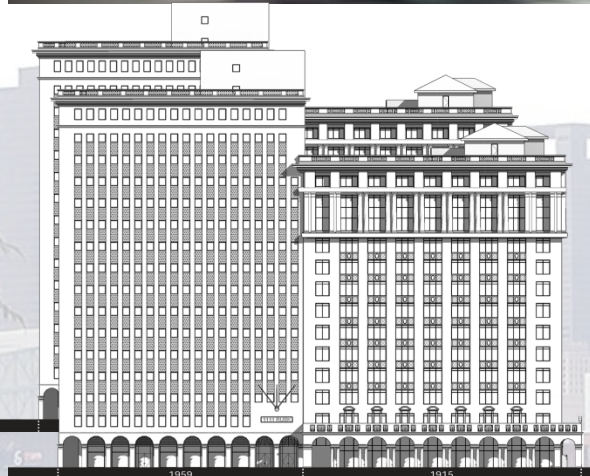
## DLI Project List

#	Developer	# Units
1	Novare (Atlanta, GA)	336
2	Provident Realty Advisors (Dallas, TX)	323
3	Alliance Residential (Phoenix, AZ)	207
4	Hines (Houston, TX)	380
6	Marquette Companies (Chicago, IL)	302
Units w/ Executed Agreements		1,548
5	Allied Orion Group (Houston, TX)	289
7	Camden Properties (Houston, TX)	518
8	BMS (Houston, TX)	463
<i>Approved - Agreements Not Yet Executed</i>		1,270
<b>Total</b>		<b>2,818</b>





# Current DLI Program Projects





## Calculation of Basis for Incentive

	July 2012	Current
Assumptions:		
Unit size average (SF)	1,050	1,030
Number of units per block	180	310
Block Area (SF)	62,500	62,500

### Cost calculations:

Land	Downtown land cost per SF	\$ 110.00	\$ 160.00
	Non-downtown land cost per SF	\$ 70.00	\$ 70.00
	Delta land cost	\$ 40.00	\$ 90.00
	Delta land cost per unit	\$ 13,889	\$ 18,145
Construction	Downtown construction cost per SF	\$ 160.00	\$ 235.00
	Non-downtown construction cost per SF	\$ 140.00	\$ 195.00
	Delta construction cost per SF	\$ 20.00	\$ 40.00
	Delta construction cost per unit	\$ 21,000	\$ 41,200
Misc	Streetscape restoration cost per block	\$ 250,000	\$ 250,000
	Delta cost per unit	\$ 1,389	\$ 806
Rent	Rent downtown per SF per month	\$ 1.95	\$ 2.40
	Rent non-downtown per SF per month	\$ 1.80	\$ 2.00
	Delta Rent per SF per month	\$ 0.15	\$ 0.40
	Rent premium per unit/mo	\$ (157.50)	\$ (412.00)
	Rent premium per unit/year	\$ (1,890.00)	\$ (4,944.00)
	NPV rent premium @10 years	\$ (12,682.05)	\$ (33,174.64)

### Recap: Net cost differential per unit: downtown vs. non-downtown

Land cost	\$ 13,889	\$ 18,145
Construction cost	\$ 21,000	\$ 41,200
Streetscape restoration cost	\$ 1,389	\$ 806
Rent premium (NPV)	(\$12,682)	(\$33,175)
	<b>\$ 23,596</b>	<b>\$ 26,977</b>



# Proposal Going Forward

- Expand program unit cap by 2,500 units to 4,000 (Downtown District recommends 5,000)
- Expand target area within downtown
- Maintain:
  - Program termination date of June 30, 2016
  - Same incentive structure
  - Same program requirements