

National Resource Network, Waco

Downtown and Ring Neighborhood Development Strategy

5/19/16



Project Goal & Context

Priority Projects

Funding Toolkit

Action Plan

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Project Context | Over the past year, the NRN Team has supported Prospect Waco's collective impact approach to economic development.



JOBS FOR THE FUTURE

D Vaughan Consulting

Marquez Community Strategy

Project Goal | Integrate community and Downtown development through a focus on the relationship of downtown and the ring neighborhoods.



Project Scope | HR&A, Enterprise, and Marquez Strategy collaborated to develop an integrated strategy for Downtown and ring neighborhoods.



Our Premise | Smarter and more sustained investment in Downtown & ring neighborhoods is essential to increasing citywide economic competitiveness.

Economic opportunity exists in both Downtown and East Waco.

Market failures require attention, including public "pump priming."

Public investment will leverage private.

An integrated Investment Strategy should prioritize ROPI.

Our Premise | Investment in Downtown and ring neighborhoods will advance Prosper Waco's Financial Security goals.

Enhance households' ability to save and build wealth

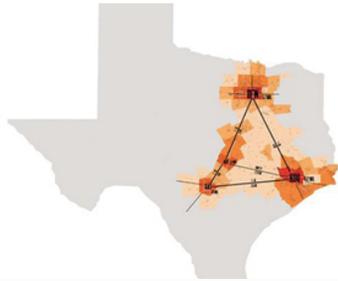
Increase individual and household income, especially for the lowest-earning workers

Increase youth employment

By 2020, at least 55% of Waco residents will live with income above 200% of the federal poverty level.

The diagram consists of three dark blue rounded rectangular boxes on the left, each containing a goal. Three light blue arrows point from these boxes towards a large dark blue circle on the right. The circle contains the target outcome text.

Downtown Opportunity | Downtown is poised to become an economic engine for the ring neighborhoods and the city as a whole.



Regional Economic Strength | State GDP growth of 4% annually, concentrated in the TX triangle



Real Estate Development | 1,000 new multi-family residential units in past 10 years



Emerging Tourist Destinations | 240,000 hotel nights in past 10 years



Locus of Recent Investments | Tens of millions TIF and City since 2010

Ring Neighborhood Opportunity | East Waco has untapped assets and opportunities for cultural preservation, housing and development.



Direct Connection to Downtown | Bridge to Elm provides entrance and connection to historic commercial strip



Leverage Public Assets | Existing investment in park, library, fire station, schools, YMCA, housing, health clinic – all connected with clear passageways



Build from Early Success | Economic development along Elm Ave already demonstrates promise



Revitalize without Displacement (Intentionality) | Infill opportunities allow for integrated, cultural preservation and revitalization

Market Obstacles | Challenges to Downtown & ring neighborhood development require a strategic, well-timed, catalytic response.

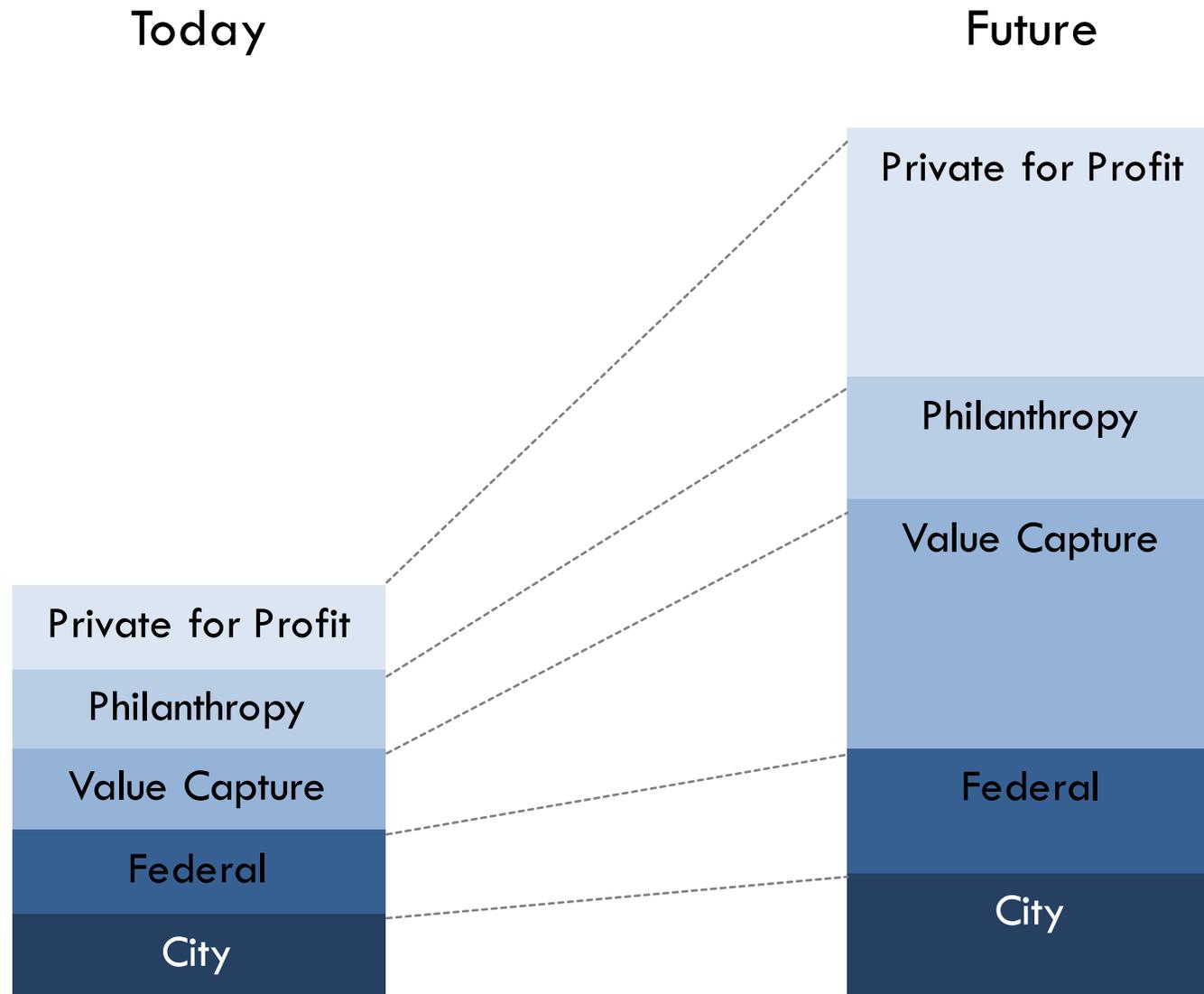


Tourism | Lack of place-making + limited marketing = unrealized potential for diverse destinations that could easily constitute a full day trip.

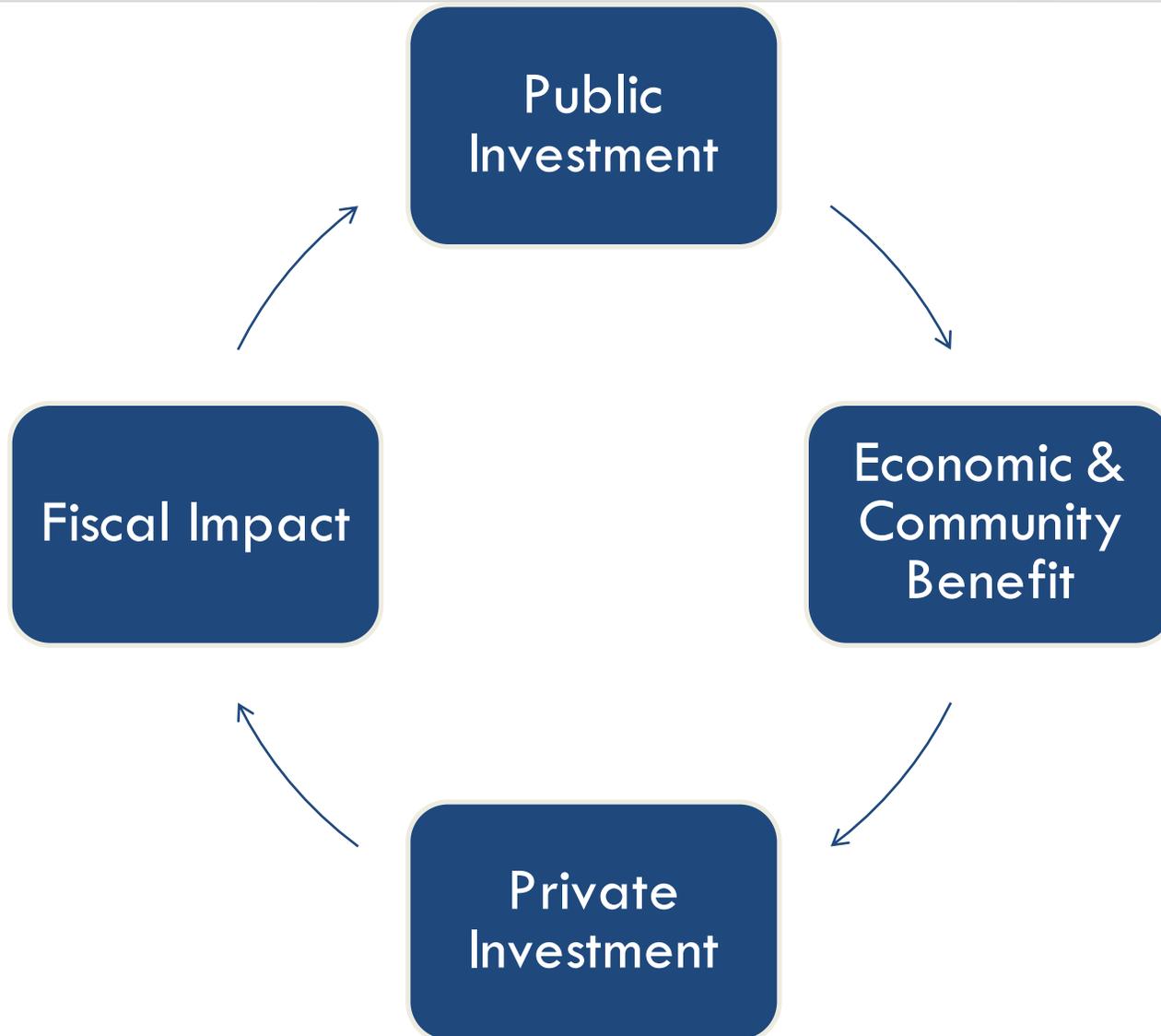
Community Development | Collective Impact should leverage recent library reopening, CDBG spending, and community visioning.

Real Estate Market | Market economics support moderate-density adaptive reuse residential, but not higher density or new construction.

Investment | Public investment has the potential to catalyze private investment: 3⁺:1 leverage ratios are plausible.



Investment | The public sector may need to make the first move in this virtuous cycle.



Preliminary Opportunities | We identified five catalytic opportunities for Downtown & ring neighborhood development.

Align publicly-controlled investment with economic goals

Enhance and clarify the real estate development **incentive toolbox**

Designate a **tourism and entertainment** district

Streamline and enhance Downtown **marketing and programming**

Designate a cultural, mixed-use preservation district as **ring catalyst**



Proposed Initiatives | Our assessment suggests a focus on 5 investment types, from among which priority projects should be chosen.

Streetscape and Connectivity:

- Improve pedestrian connectivity and experience in Downtown and to/from key ring neighborhoods

Parking and Transportation:

- Improve transit, both within and to Downtown

Real Estate Development

- Leverage relative residential market strength, high community impacts in ring neighborhoods, and federal funds
- Support commercial experimentation, including live/work, micro-enterprise, incubation and nonprofit space

Arts and Culture:

- Create a cultural, mixed-use district along Elm Ave

Public Space:

- Target capital investment in programmed parks and gateways

Development Strategy | Today, we describe specific projects that advance goals given opportunities, along with an implementation plan.



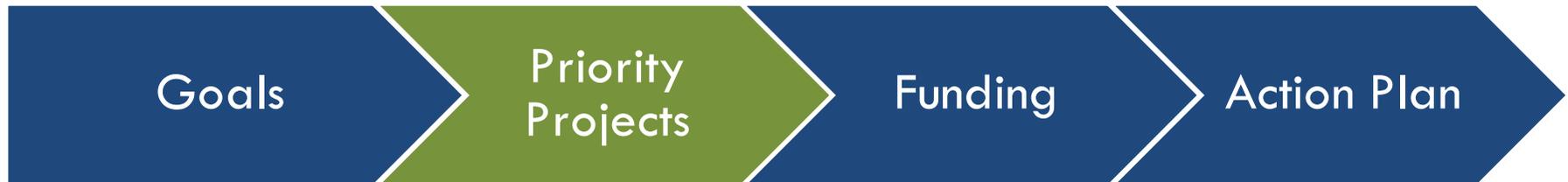
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Priority Projects | Catalytic investments can support revitalization.



Context | Realizing existing plans for Downtown and ring neighborhoods will require hundreds of millions of dollars of capital investment.

Project Type	Contemplated Projects
Streetscape & Connectivity	23
Parks	7
Private Development	43
Arts and Culture	5
Total	78

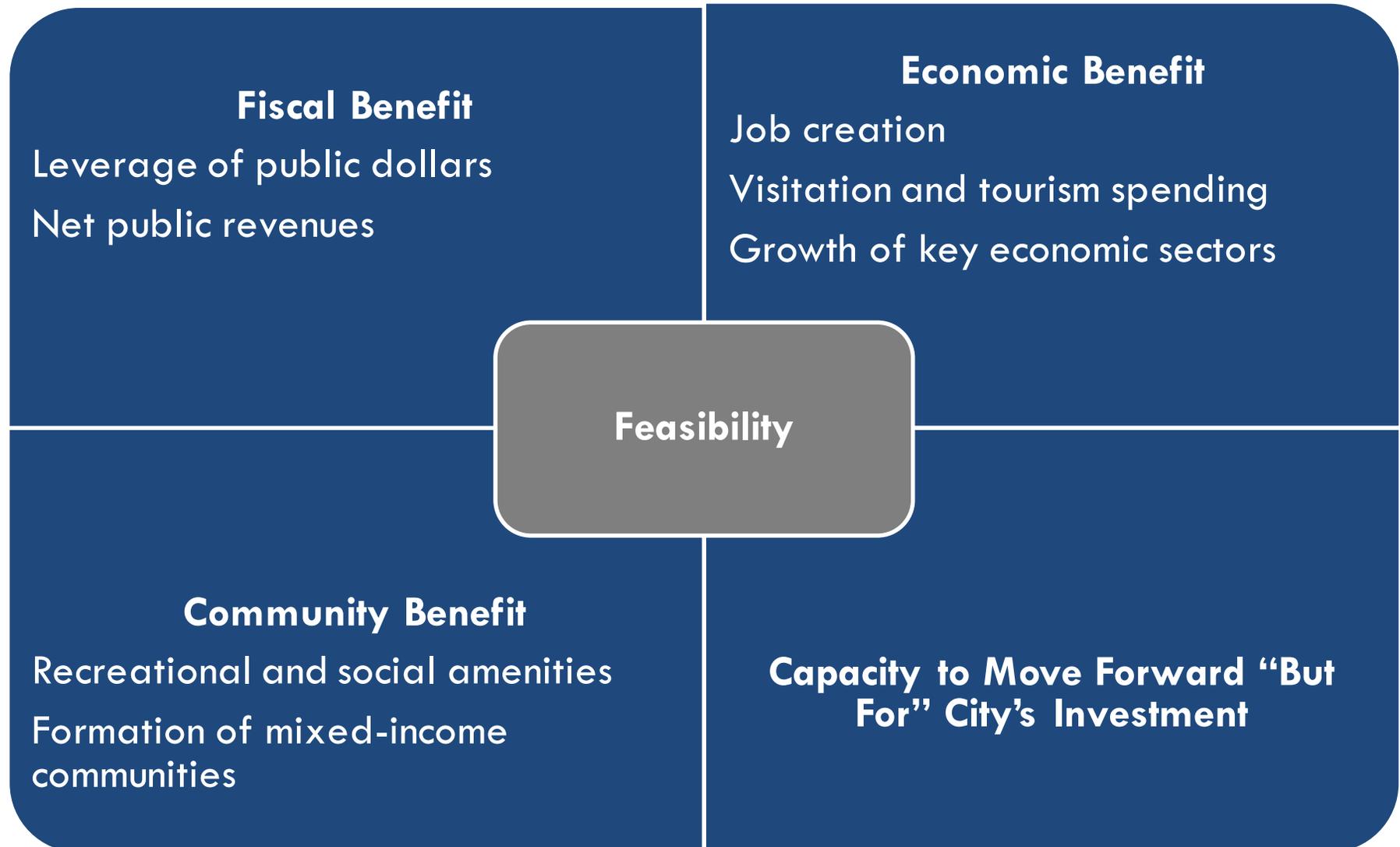
Context | Aspirations almost certainly exceed available resources.

Funding Source	2015 Budget
Downtown Development	\$6,850,000
PID	\$975,000
DDC	\$280,000
Downtown TIF	\$5,600,000
Other Community & Economic Dev.	\$15,250,000
CVB	\$4,440,000
WMCEDC	\$1,500,000
City of Waco	\$1,240,000
HOME	\$480,000
Section 108 Loan (Authority)	\$6,500,000
CDBG	\$1,030,000
African American Chamber	\$70,000
Hispanic Chamber	\$70,000

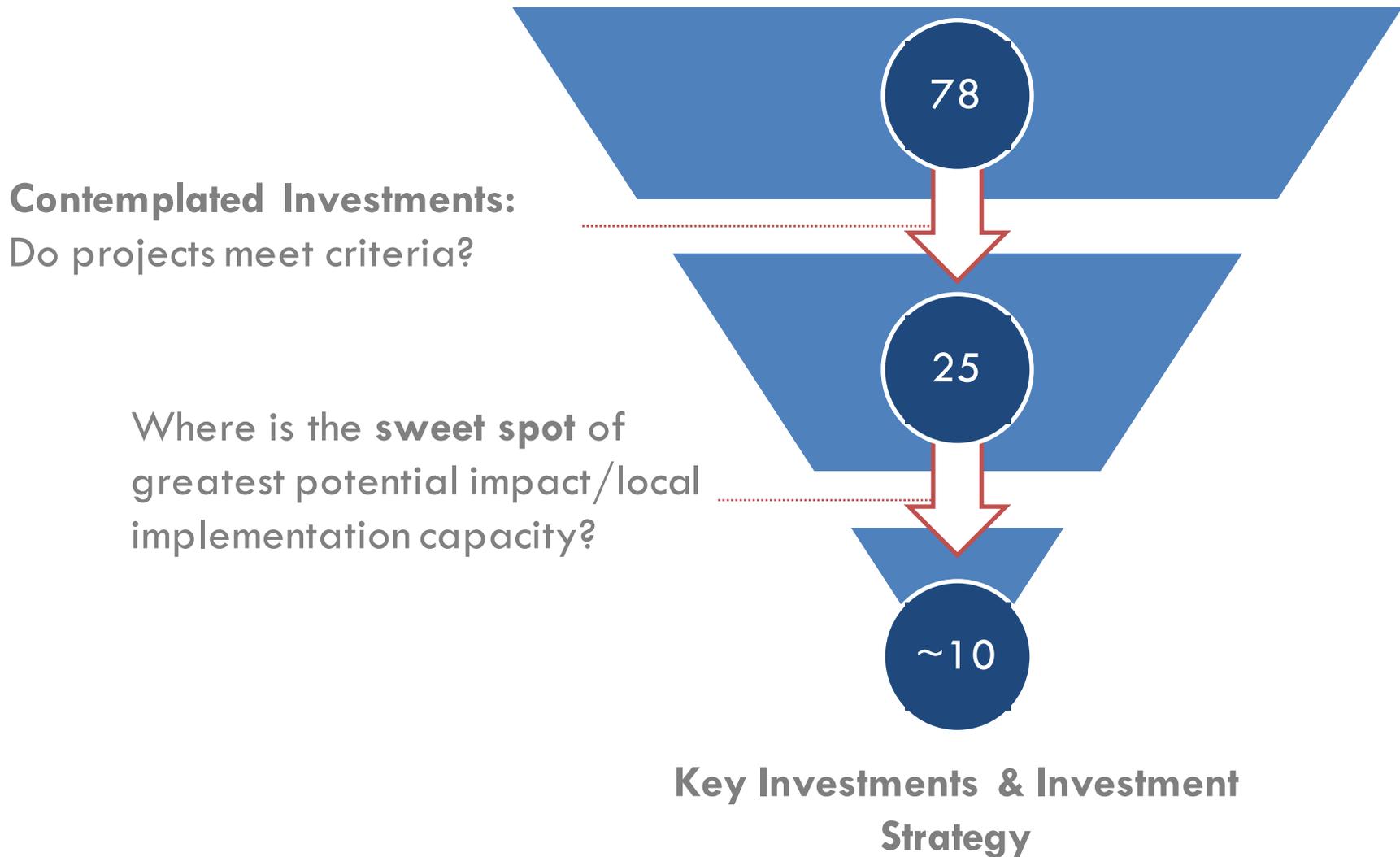
Context | The TIF's major (\$100k+) Downtown investments have been ad hoc.



Approach | Four sets of performance-based, publicly disclosed investment criteria can maximize the impact of limited resources.



Approach | We applied the 4 investment criteria to contemplated Downtown and ring neighborhood investments to identify priorities.



Key Investments | Of 78 contemplated investments, these ~10 offer the highest net impact.

	Econ	Community	Fisc	But For
Streetscape and Connectivity				
Downtown sidewalk network	High	High	High	High
Pedestrian connect to E. Waco	Medium	High	Low	Medium
Parks				
Riverfront	Medium	High	Medium	Medium
Downtown	Medium	High	Medium	Medium
East Waco	Low	High	Low	Medium
Parking and Transportation				
BRT along Franklin Avenue	Medium	High	Low	Medium
Real Estate Development				
Heritage Sq and Riverfront	High	Medium	High	Medium
Mixed-income in E. Waco (Elm)	Low	High	Low	Medium
Arts and Culture				
Public art	High	Medium	Low	Medium
Downtown cultural institution	High	Medium	Low	Medium
E. Waco Cultural	Medium	Medium	Medium	Medium

Investment | These early moves can generate momentum to support ongoing revitalization.



Greensboro, NC

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Funding Toolkit | Priority projects will require new and/or reallocated funds.



Development Resources | The City currently employs a range of funding tools for Downtown & ring neighborhood development.

Current Downtown & Ring Neighborhood Funding

Incentive	Community Develop	Infrastruc	Civic / Cultural	Real Estate Develop
HOME	Red	White	White	White
Section 108	Red	White	White	White
Tax Foreclosures	Red	White	White	White
CDBG	Red	Yellow	Yellow	White
TIF	Yellow	Red	Yellow	Yellow
Direct City investment	Red	Red	Red	Yellow
Below-Market Land Sale	White	Yellow	Red	Red
Property Tax Abatements	Red	White	White	Red

Development Resources | There may also be opportunities to increase access to existing Downtown resources.

Access public/TIF revenues up-front via **bond financing** to invest in future growth

Tap into **public land value** (e.g., proceeds from sale) for infrastructure and real estate development

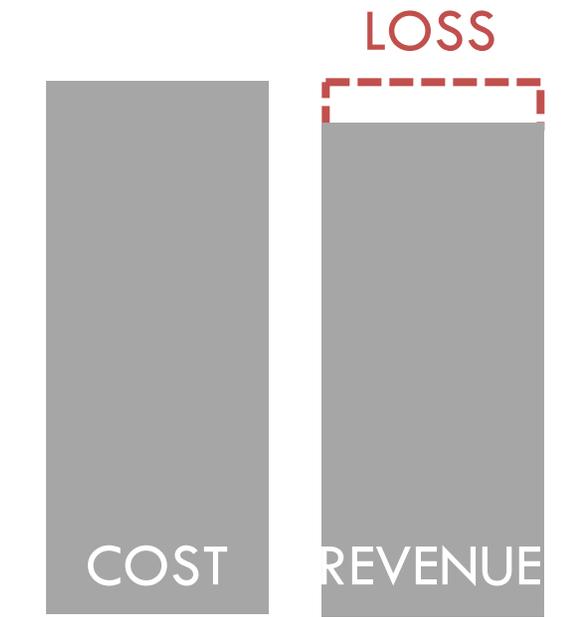
Solicit **patient capital** from key businesses and institutions to support accretive investments

Extend the **TIF boundaries** to encompass additional development potential

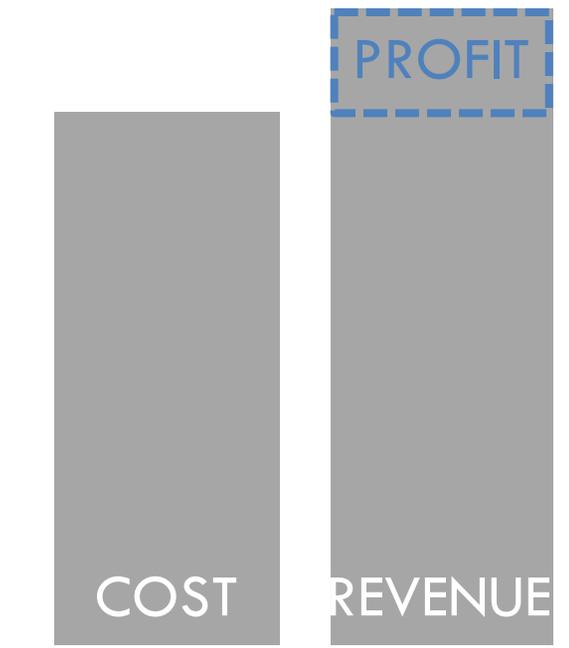
Pursue **additional community development** resources: Federal Competitive, Foundations, Tax Credit (LIHTC/NMTC)

Real Estate Development Incentives | Efforts to attract private development must address the development feasibility gap.

INFEASIBLE



FEASIBLE



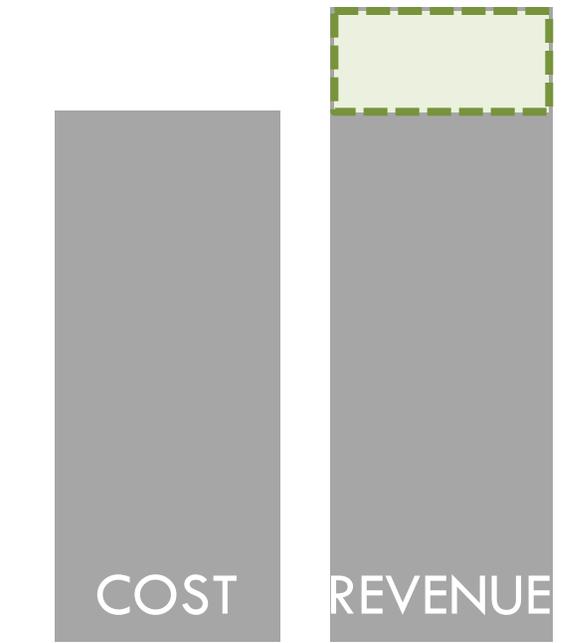
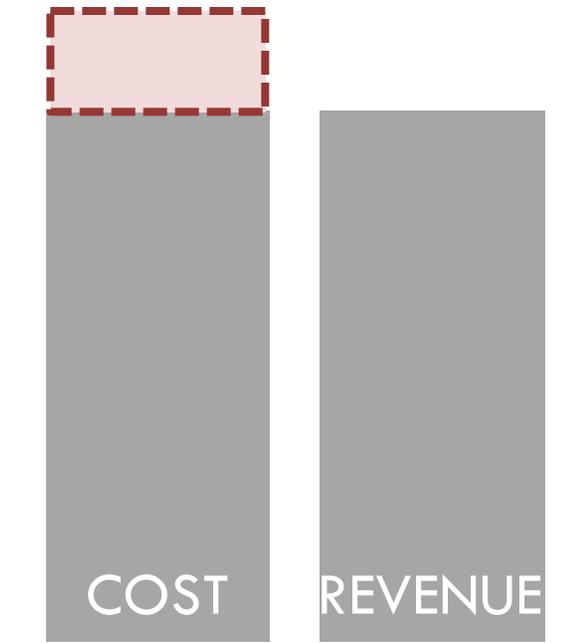
Real Estate Development Incentives | Incentives address this gap to reduce developer costs or increase revenues.

REDUCE COSTS
*(CAPITAL, OPERATING, and
TRANSACTIONAL)*

*Subsidy (Grant or Low-Interest Loan)
Tax Abatements or Incentives*

INCREASE REVENUES

*Incentive Zoning
(Greater Density, Reduced Parking
Requirements, etc.)
Infrastructure Investment*



Real Estate Development Incentives | The City’s existing tools have varying impacts on development feasibility.

Incentive	Reduce Cost		Reduce Risk	Increase Revenue
	Capital	Operating (incl. debt)		
TIF (Project Reimbursement)	■			
Direct Grants	■		■	
Neighborhood Infrastructure			■	■
Property Tax Abatement		■		
Below-Market Land Sale	■	■	■	

Real Estate Development Incentives | Public sector risk tolerance > developer's (discount rates) = up-front incentives are most impactful.

Incentive	Reduce Cost		Reduce Risk	Increase Revenue	Developer Impact (per \$1 incentive)
	Capital	Operating (incl. debt)			
TIF (Project Reimbursement)					<\$1
Direct Grants					>\$1
Neighborhood Infrastructure					???
Property Tax Abatement					<\$1
Below-Market Land Sale					>\$1

Real Estate Development Incentives | Both direct incentives and process improvements can provide high net impact to developers.

Eliminate obstacles

- Encumbrance of off-site infrastructure increases project costs > City's infrastructure cost
- Poor public infrastructure limits development feasibility

Streamline process

- Transparent City goals and availability for funds
- "As of right" incentives in priority development areas, contingent on project need

Explore new tools

- Low-interest revolving loan fund to reduce risk and financing costs?
- 380 agreements to provide predictability for reimbursement?

Funding Strategy | Align new and existing funding sources with optimal uses to maximize efficacy of Downtown investment.

Incentive	Community Development	Infrastructure	Civic / Cultural	Real Estate Development
HOME				
Section 108				
Tax Foreclosures				
CDBG				
Federal Competitive				
LIHTC/NMTC				
Foundation				
TIF				
Direct City investment				
Below-Market Land				
Patient Capital				
Prop. Tax Abatements				
380 Agreements				

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Action Plan | New/modified policies and capacities can support implementation of priority projects.



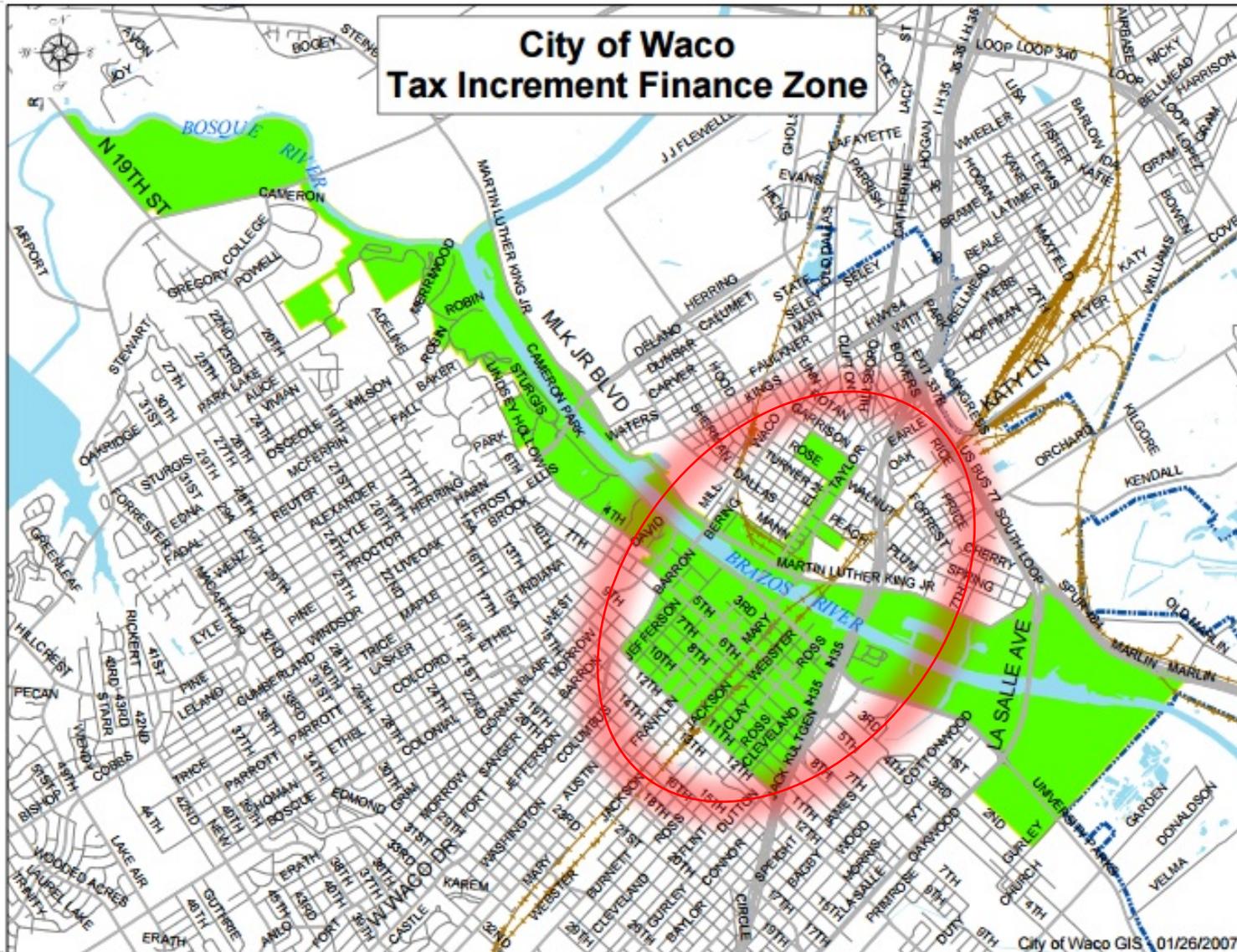
Action Plan | Three interventions are essential to near term success.

Modify **TIF** to support district-scale infrastructure investment.

Facilitate collaboration and **leadership** for Downtown development and activation.

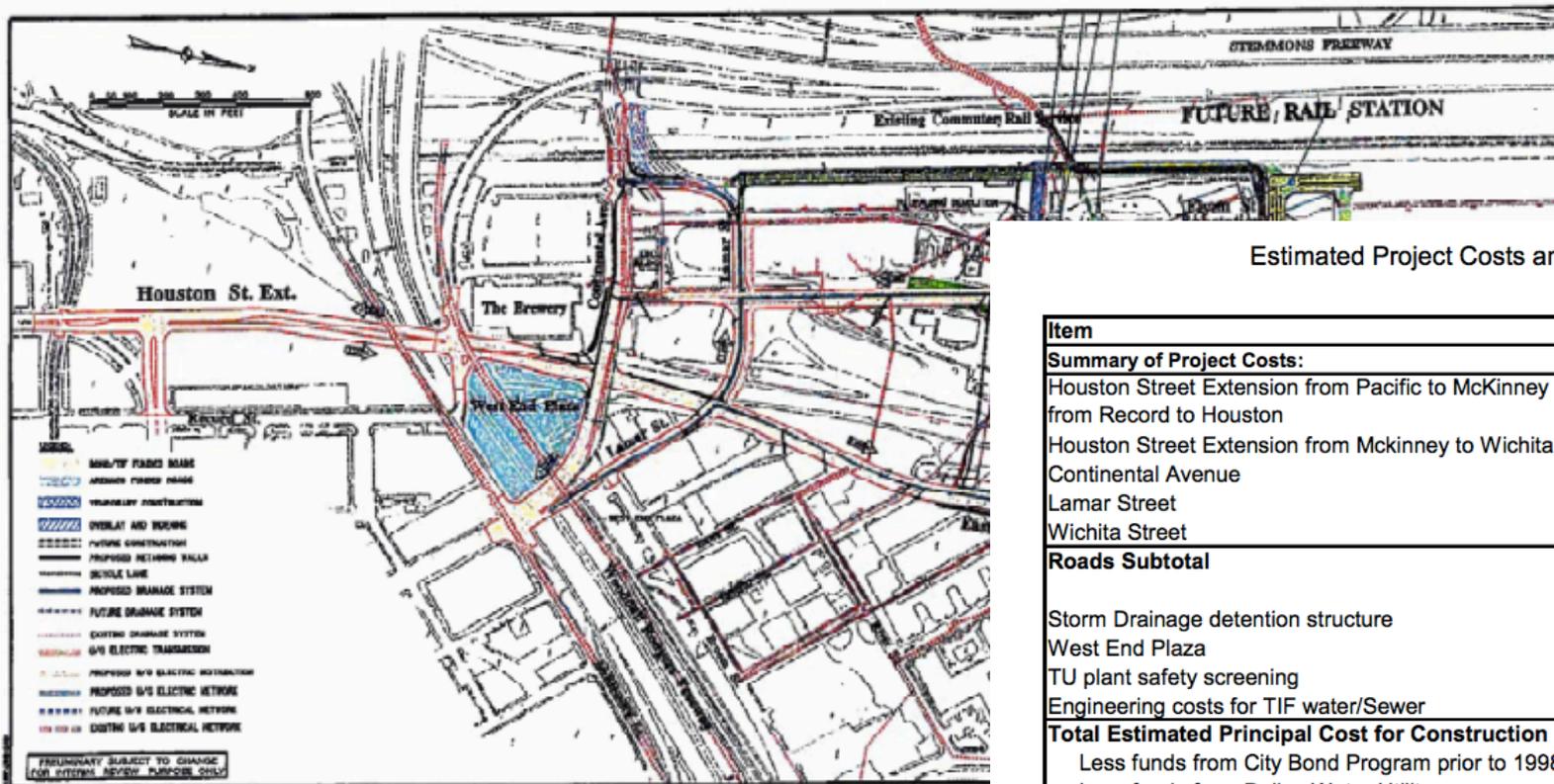
East Waco preservation, engagement, and empowerment strategy

TIF | An expanded geography can better support investment throughout Downtown/ring neighborhoods and leverage additional increment.



TIF | In other TX cities, a Project Plan clarifies and advances a capital investment strategy. It also provides certainty to developers.

Victory / West Dallas Project Plan



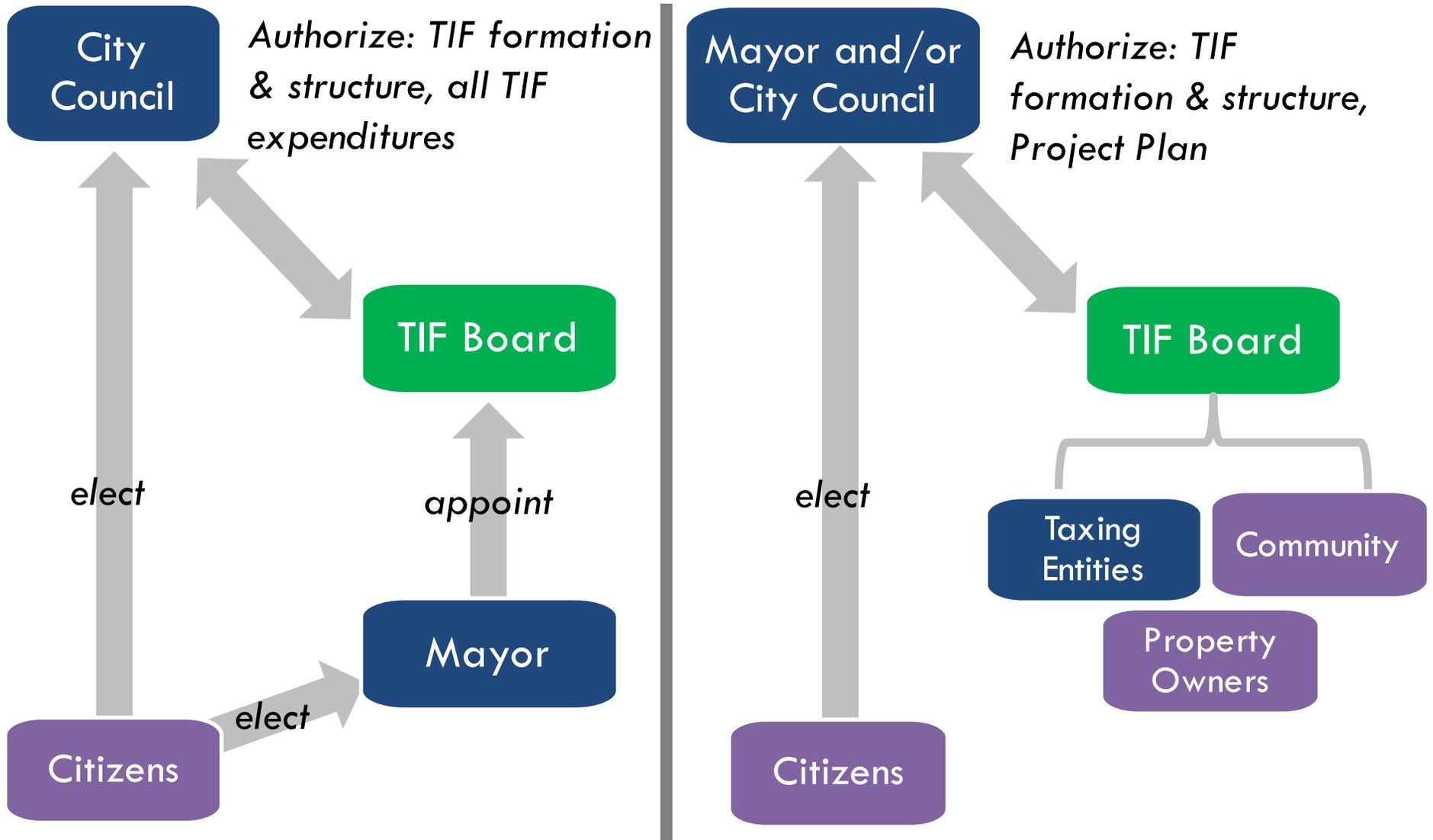
Estimated Project Costs and Interest

Item	Cost
Summary of Project Costs:	
Houston Street Extension from Pacific to McKinney and Ross from Record to Houston	\$6,681,638
Houston Street Extension from Mckinney to Wichita	\$16,556,413
Continental Avenue	\$4,068,398
Lamar Street	\$1,745,577
Wichita Street	\$3,886,568
Roads Subtotal	\$32,938,592
Storm Drainage detention structure	\$1,834,950
West End Plaza	\$2,000,000
TU plant safety screening	\$569,400
Engineering costs for TIF water/Sewer	\$143,347
Total Estimated Principal Cost for Construction	\$37,486,288
Less funds from City Bond Program prior to 1998	\$750,000
Less funds from Dallas Water Utilites	\$538,200
Less funds from May 1999 City Bond Program	\$11,210,000
Net Principal Cost paid by Developer, Reimbursed by Fund**	\$24,988,088
Administrative Fees to City	\$510,000
Estimated Interest Expense (as of 09/30/2011)	\$14,927,193

TIF | With a City-approved Project Plan, the TIF can streamline approvals, precluding slowed development.

Current Approvals

Potential Approvals



Leadership | Effective implementation of priority projects requires diverse capacities.

Planning

Design Oversight

Developer Engagement &
Entitlements

Community Engagement

Clean & Safe

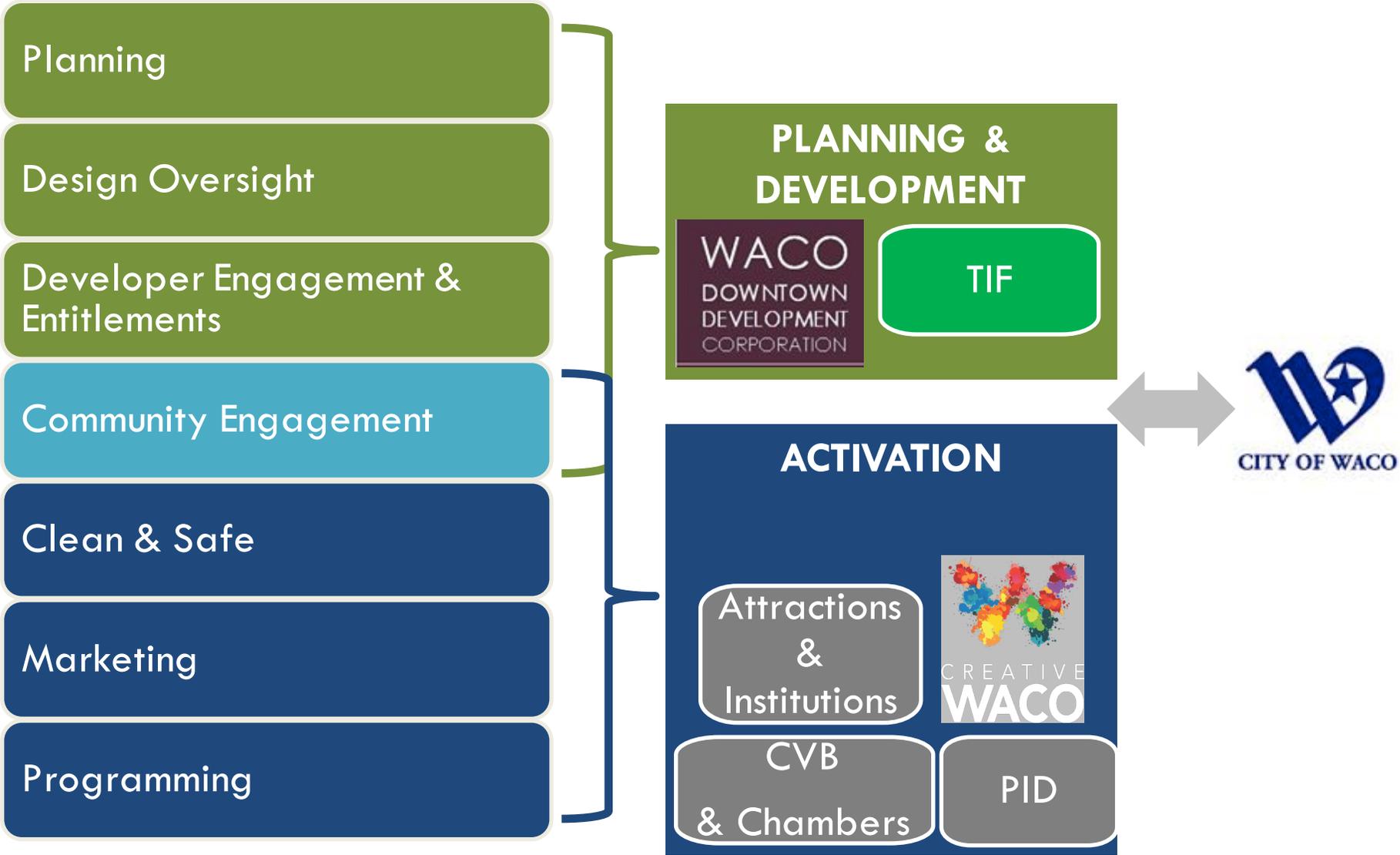
Marketing

Programming

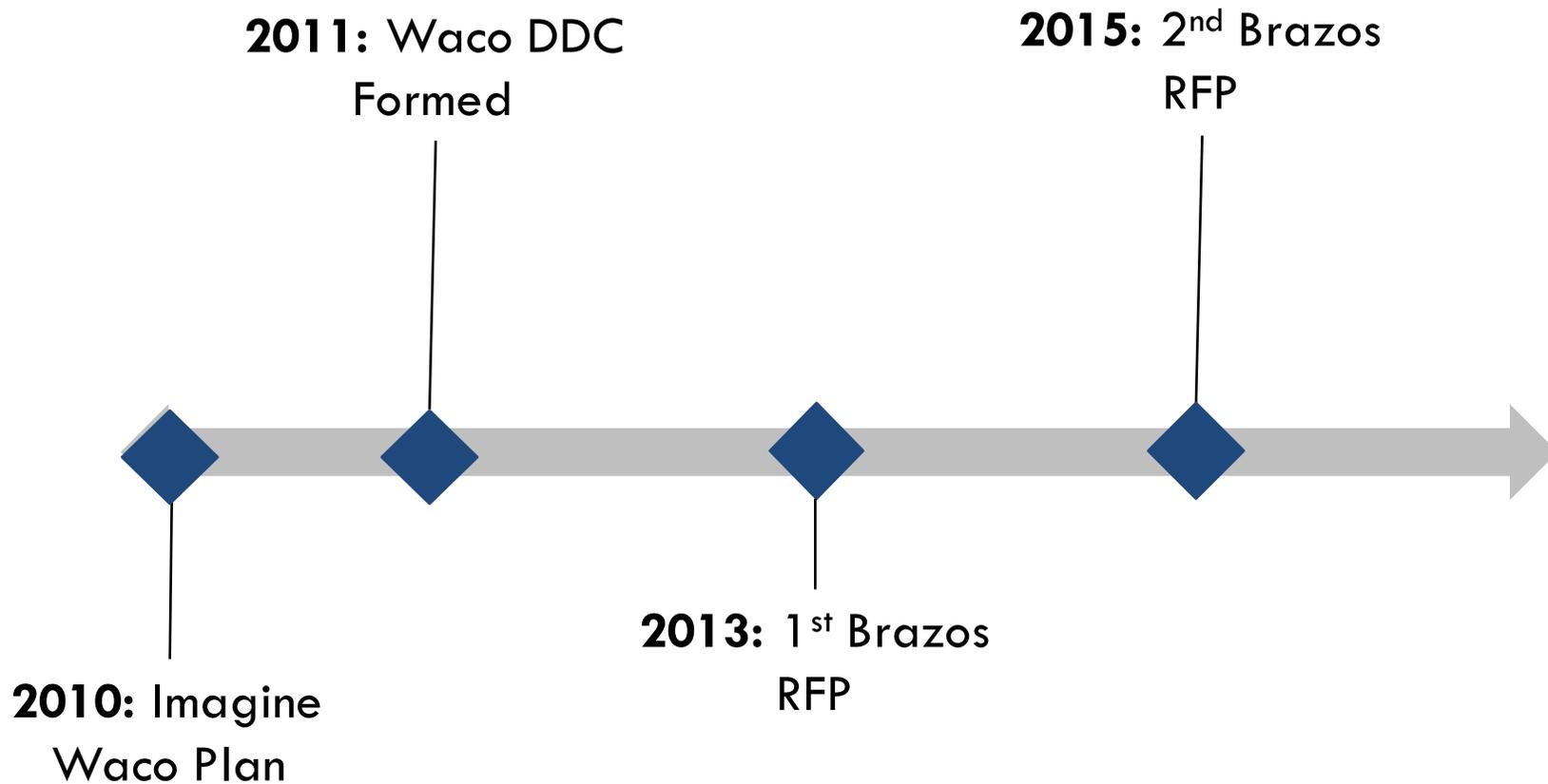
Leadership | Currently multiple organizations support Downtown – but some capacities are missing.



Leadership | Effective collective impact requires clarity of roles, especially to leverage City resources.



Leadership | The ultimate success of thoughtful planning efforts requires empowered implementation entities.



Leadership | An empowered *Downtown* leadership entity does not currently exist.

Current

			
CAPITAL PLANNING			
INFRASTRUCTURE DEVELOPMENT	LEAD	stakeholder	
DEVELOPER ENTITLEMENTS	CO-LEAD	stakeholder	CO-LEAD

Leadership | Improve DDC Capacity in Capital Planning, consistent with its mission, to fill this gap.

Potential Concept

			
CAPITAL PLANNING	Oversight	LEAD	Fund
INFRASTRUCTURE DEVELOPMENT	LEAD	Oversight	Fund
DEVELOPER ENTITLEMENTS	CO-LEAD	CO-LEAD	Fund

Leadership | Center City San Antonio employs a similar model, with great success.

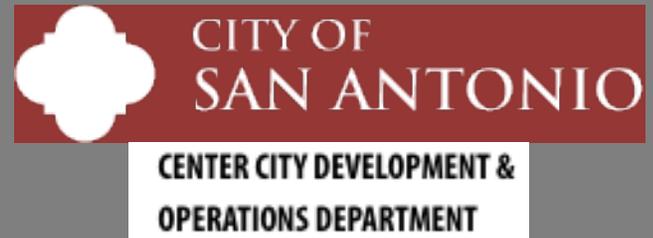


Capital Planning: Planning, design oversight, advocacy

Developer Engagement

Marketing & Programming

Clean & Safe



Infrastructure Development

Developer Entitlements:
Application review, approval,
funding

Leadership | Currently there is not enough programming Downtown to make it into an actively used area.



Leadership | Clear leadership and enhanced collaboration could support more effective marketing and activation of Downtown.

Current

					
CLEAN & SAFE	Base City Services	CO-LEAD	CO-LEAD		
PROGRAMMING	LEAD	Stakeholder		Related Activities	Related Activities
MARKETING	Related Activities	CO-LEAD	CO-LEAD		Related Activities

Leadership | Multiple structures could channel resources toward more effective activation.

Option 1: Typical Structure

		 		
CLEAN & SAFE	Base City Services	LEAD		
PROGRAMMING		LEAD	Supportive Programs	Supportive Programs
MARKETING		LEAD	Coordination	Coordination

Leadership | Multiple structures could channel resources toward more effective activation.

Option 2: Formalize & Support Collaboration

					
CLEAN & SAFE	Base City Services	Support	LEAD		
PROGRAMMING	Support	Support	Support	LEAD	Support
MARKETING	Support	Support	LEAD	Support	Support

Leadership | The Heart of Brooklyn successfully advanced a collective impact model for 10 years.



Leadership | Effective leadership requires alignment of the stars.

Responsibility

Authority

Capacity

Accountability



East Waco | To move forward, the City needs to organize its efforts around three levers, with planning as overarching foundation.

Evaluation & Planning

- Full 360 Assessment – what efforts are underway?
- Evaluate infrastructure needs and opportunities for efficiencies
- Assess neighborhood-serving commercial opportunity in East Waco

Financing

- Consider untapped resources

Policy & Regulation

- Zoning to support mixed-use & mixed income district

Coordination & Governance

- Activate neighborhood engagement and empowerment

Next Steps | Downtown/ring stakeholders must engage with their individual and collective functions in order to implement priority projects.

Capital Investment Strategy: Imagine Waco Strategic Update / TIF Project Plan

Downtown Activation Strategy: Programming Calendar, Marketing Plan

Governance Update (as needed): TIF, DDC

Strategic Partnerships: Creative Waco, East Waco anchors, Downtown attractions

Expected Results | The Action Plan will result in feasible advancement of Prospect Waco goals.

Fiscal Benefit

Leverage of public dollars
Net public revenues

Economic Benefit

Job creation
Visitation and tourism spending
Growth of key economic sectors

By 2020, 55% of Waco residents will have income 200+% of the federal poverty level.

Community Benefit

Recreational and social amenities
Formation of mixed-income communities

Capacity to Move Forward “But For” City’s Investment

National Resource Network, Waco

Downtown and Ring Neighborhood Development Strategy

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