



I-35 Cap and Stitch Cap Decks - Staff Recommendations

Austin City Council Work Session | March 24, 2026

Purpose & Agenda



PURPOSE

- Provide responses to Resolution No. 20250522-105
- Provide staff recommendation regarding funding commitment for cap decks

AGENDA

- Status of existing “Roadway Elements” commitment
- Cap decks
 - TxDOT milestones
 - Staff Recommendation Regarding Cap Deck Funding
 - Current cost estimates
 - Value capture, monetization, and other findings regarding City funding options
- A Call for Partners
- Legislative Outlook
- Next steps

Future-Proofing Austin's Vision

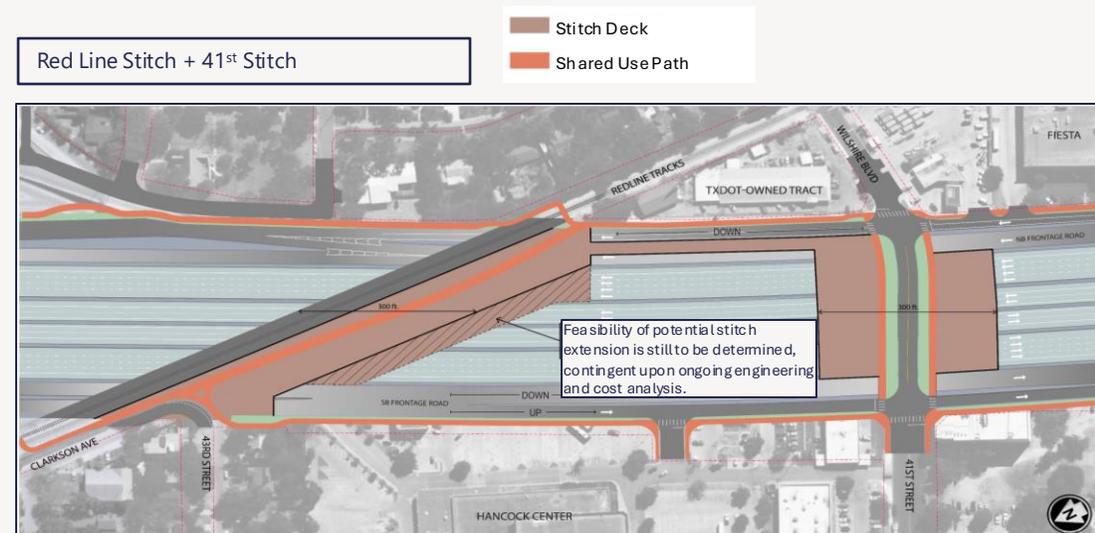
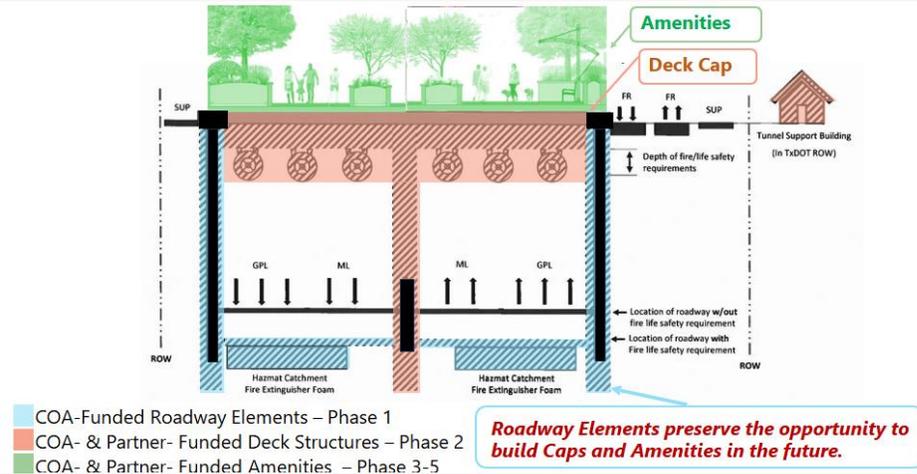
Resolution No. 20250522-042

Authorized **\$104 million** and an Advanced Funding Agreement (AFA) with TxDOT for **Roadway Elements** (Phase 1), preserving the opportunity for future cap decks at the following locations:

- Cesar Chavez to 4th Street
- 4th Street to 7th Street
- 11th street to 12th Street
- Two 300-foot stitches from 41st Street to the Red Line

Northern Stitches

- Staff identified the option shown at right to TxDOT, following public input and technical analysis.
- The roadway elements are estimated to cost only \$8.4 million. This frees up an additional **\$18M** in reserves.
- With the 20% contingency (\$14M) included in \$104M, the City now has a total of **\$32M of the \$104M** to address potential cost increases as engineering progresses.





***Rendering
of IH35
crossings to
be built by
TXDOT.***

***No City
funding
required.***

Cap Decks

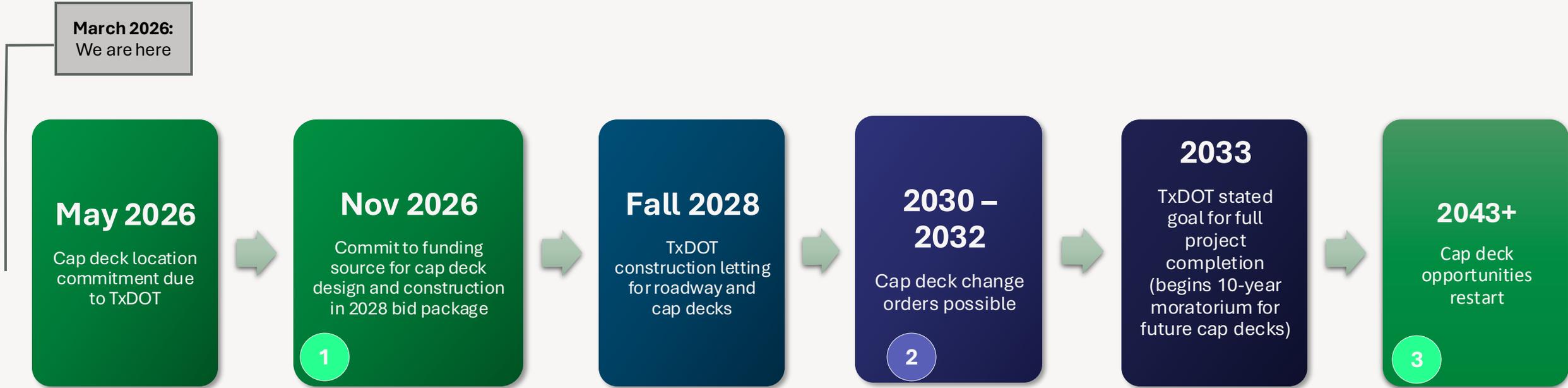
TxDOT Milestones

Current Cost Estimates

Funding Sources Evaluated



Upcoming TxDOT Cap Deck Milestones



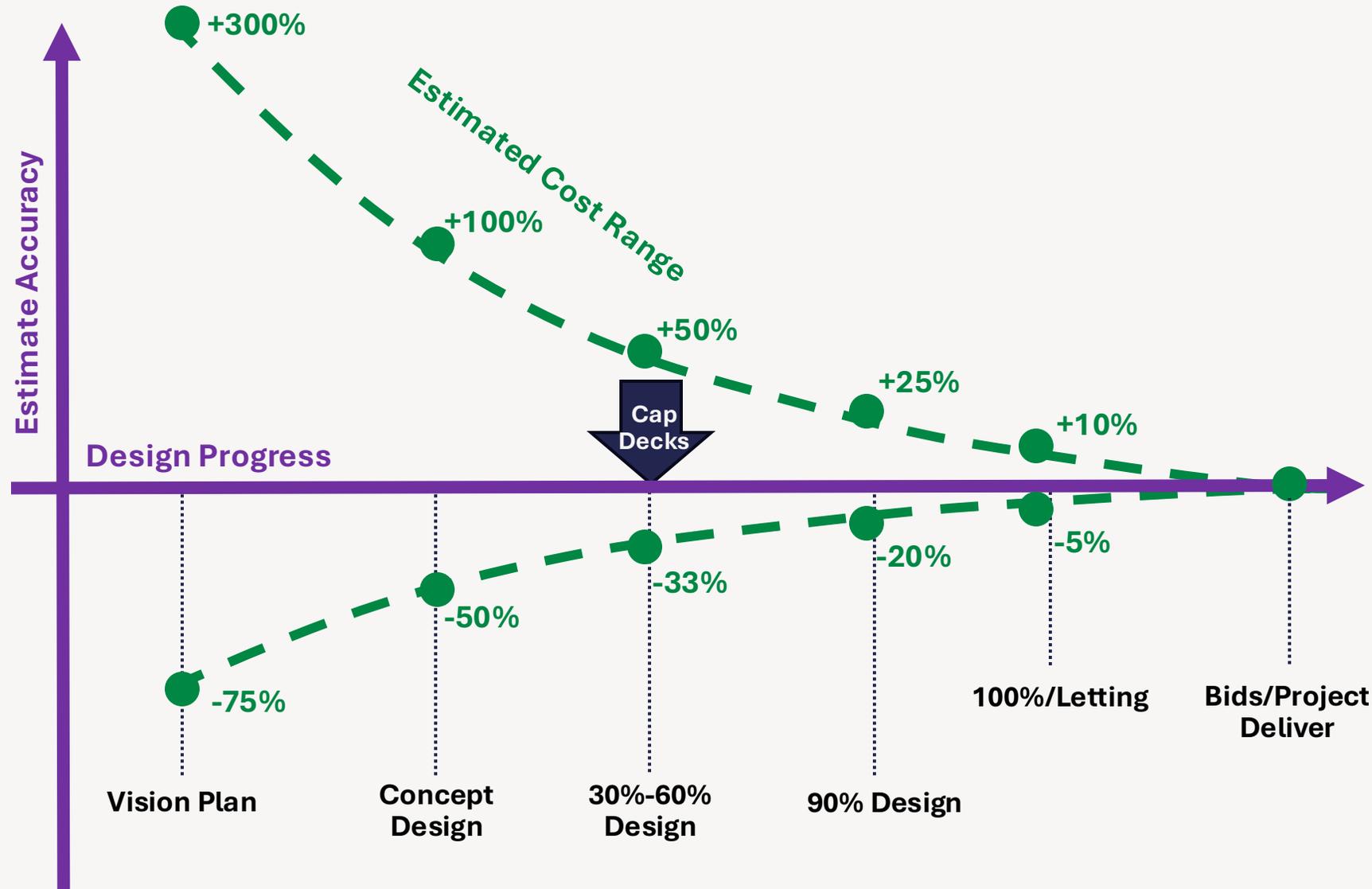
Reminder: Austin Council has committed \$104M for roadway elements (Phase 1). This timeline is restating known construction commitment milestones for cap decks (Phase 2).

Staff Recommendation on Cap Decks



- **Continue with vertical elements/future proofing only.**
- **City invites community leaders to assist in identifying partners for cap decks development that do not require any additional City funding.**

Uncertainty of Cap Deck Costs



Uncertainties:

- Current cost estimates reflect 2025 dollars and **original bid conditions**, not the higher costs typically associated with 2030–2032 change-order bidding.
- Based on **early** planning concepts, not **finalized** construction plans.
- Relies on **30% construction design roadway assumptions**, not TxDOT's current evolving design.
- Assumes **structural conditions** to allow broadly for two-story buildings, rather than reflecting location-specific amenity designs.
- Does not include any **utility infrastructure** cost estimates.

Reminder: Additional Future Project Cost Estimates



Austin

COST ESTIMATES BY CAP ¹		PHASE 1 ² ROADWAY ELEMENTS (COMMITTED MAY 2025)		PHASE 2 DECKS AND TUNNEL ELEMENTS		TOTAL PHASE 2 FUNDING NEED	PHASE 3 ³ - PHASE 5 MINIMUM AMENITIES - BUILDINGS	CONSTRUCTION TOTAL (STRUCTURES + AMENITIES)	ONGOING ANNUAL STRUCTURE O&M
		Acres	Cost Estimates (\$M)	Cost Estimates (\$M) ⁴	Design Estimate (\$M) (as of 1/2026)	Cost Total Estimates (\$M)	Cost Total Estimates (\$M)	Cost Total Estimates (\$M)	Cost Total Estimates (\$M)
CC-4th	5.37	\$40	\$131	\$10	\$141	\$101	\$232	\$3	
4th-7th	3.28	\$29	\$60	\$5.5	\$65.5	\$77	\$137	\$3	
11-12th	2.17	\$9	\$53 \$86	\$5	\$91	\$61	\$147	\$1	
41st Stitch	1.11	\$6 (as of 12/2025)	\$23 (as of 12/2025)	\$1.5	\$24.5	\$9	\$32	\$1	
Red Line	2.05	\$2 (as of 12/2025)	\$46 (as of 12/2025)	\$3	\$49	\$10	\$56	\$1	
Total	13.98								
Total		\$86	\$346	\$25	\$366	\$258	\$604	\$9	

Updated (1/2026) Cost Estimate from TxDOT for 11th – 12th Cap Deck:

- **\$86M** (includes 20% contingency)
- 62% increase in estimated Phase 2 cost
- Based on recent Klyde Warren Phase 2 estimates*
- Factors in design changes from TxDOT's evolving I-35 designs, which impact cap structural costs.
- Previous TxDOT estimate for 11/12th cap deck did not accommodate two-story buildings throughout.

** Estimates are based on 90% design in 2025 dollars*

For all caps to be completed

- **\$604** million construction commitment needed.

1 Cost estimates will change as project engineering progresses.
 2 Austin City Council has already committed \$104M to Roadway Elements and \$15.4M for 100% design.
 3 Phase 2-5 (Cap Decks and Amenities) will be funded as partnerships are identified.
 4 Phase 2 cap decks added via change order or separate contract after TxDOT letting may increase deck costs by 35% to 100% or more. Phase 2 construction estimates assume allowing for two-story buildings throughout. Partners can potentially realize significant cost savings by tailoring deck loading to specific amenity concepts.



Factors Underpinning Recommendations

- Analysis of financials and return on investment (ROI)
- Benchmarking of highway cap capital stacks across the country
- Estimation of Austin value capture potential (TIRZ and PID)
- City Bond and debt metric analysis
- Engaged funding interest from advocates most likely to champion partnership agreements
- Analysis of various funding sources per Resolution No. 20250522-105
- Monetization potential of City downtown and central Austin properties
- Opportunity cost and competing needs



Local Funding for Future Phases is Limited

In response to Austin City Council [Resolution No. 20250522-105](#).

Funding Source	Limitations
Street Impact Fees	<ul style="list-style-type: none"> • Ineligible. Must be spent on capacity expansion in a Capital Improvement Plan and funds are restricted to established service areas. • Unreliable funding forecast due to reliance on market conditions and development programs.
Temporary ROW (TURP) Fees	<ul style="list-style-type: none"> • \$14M estimated annually but fully allocated for critical transportation services. • Fees collected must meet rough proportionality requirements.
Parking & Transportation Management District (PTMD) Funds	<ul style="list-style-type: none"> • 5-year revenue projection for all downtown areas around I-35 is under \$7M. • Funding supports staffing and internal operations as well as meter O&M and sidewalk improvements.
Short-Term Vehicle Rental Tax	<ul style="list-style-type: none"> • Debt pledged through 2030 and funds must be spent on a voter-approved venue project. • Venue funds cannot be used for a parks/recreation system (Ch. 334).
Bond Fund Reallocation (Redbud Bridge)	<ul style="list-style-type: none"> • Requires Council and/or voter approval for deauthorization or reallocation of debt.
Convention Center/Hotel Occupancy Tax (HOT)	<ul style="list-style-type: none"> • Vast majority of HOT funds fully committed to ongoing Convention Center redevelopment for next 30 years. • Legal restrictions on HOT funds would limit public use or access to caps.
Austin Convention Enterprise (ACE) Funds	<ul style="list-style-type: none"> • Debt pledged until 2034 and future funds dependent on tourism market fluctuations.
Certificates of Obligation (CO)	<ul style="list-style-type: none"> • Debt capacity concerns. • May not meet current or future use limitations.
Voter-Approved General Obligation (GO) bonds	<ul style="list-style-type: none"> • Debt capacity concerns. • Voter approval required.
State Infrastructure Bank (SIB) Loan	<ul style="list-style-type: none"> • Maximum amount from State already provided (\$41M) with municipal debt impact (20-year repayment, 3.54% interest).



Value Capture for Future Phases is Limited

Funding Source	Limitations
Public Improvement Districts (PIDs)	<ul style="list-style-type: none"> Limited revenue for capital projects (Downtown PID total annual revenue is \$16M and supports all Downtown Austin Alliance projects and activities). Hypothetical East Austin PID would likely be less than \$1M annually. Funding based on commercial special assessments (rates and use of funds at Board discretion).
Tax Increment Reinvestment Zones (TIRZs)	<ul style="list-style-type: none"> Downtown areas west of I-35 already fully allocated to the Waller Creek TIRZ (TIRZ #17) for infrastructure and the chain of parks project. Tax increment in areas east of I-35 already allocated to Homestead Preservation District 1 (HPRZ1) (40% tax increment starting next year). Potential for a future Hancock-Cherrywood TIRZ but revenue projections insufficient for both stitch construction and requisite transit amenities. Capital View Corridors limit the density and thus value capture potential adjacent to Downtown cap deck locations. TIRZs generally require a "but-for" analysis.
Monetization	<ul style="list-style-type: none"> City-owned sites were evaluated for lease or sale to help fund this project. Opportunities are limited, funding is insufficient, and many sites are desired for other uses. CBRE evaluated 1215 Red River / 606 East 12th site and Terrazas Library sites to estimate current value and marketing potential. <ul style="list-style-type: none"> Estimated current value for 1215 Red River / 606 East 12th site is approximately \$48.5M for sale and \$2.8M/yr for ground lease once stabilized. Estimated current value for Terrazas Library is approximately \$11M for sale and \$675k/yr for ground lease once stabilized. Accommodating library space into a new mixed-use development at site would reduce this amount by the pro-rata cost to build the new library portion of the project. Monetization of the two sites falls far short of the value required to support Cap & Stitch development costs. Property monetization process may not align with cap/stitch funding deadlines, as each site follows a unique timeline (planning, marketing, negotiation, due diligence, and closing).

Federal Legislative Outlook

Limited Near-Term Grant Opportunity



- Federal funding should not be assumed as a primary cap deck funding source in the near term, but likely for change-orders.
- Federal surface transportation law expires Sept. 30, 2026; reauthorization timeline uncertain.
 - Competitive highway grant funding likely limited in FY 2026–2027.
- Current Congressional leadership has indicated reduced support for large competitive grant programs.
 - Future funding is expected to focus on core programs such as **BUILD, INFRA, CRISI (rail), and transit capital grants**. Reconnecting Communities is unlikely to continue under current proposals.
- Future opportunity could improve depending on federal political shifts.



Resolution No. 20250522-105: Staff Response

The City Manager is directed to:

- **Prepare a proposed financing plan** for design & construction of roadway elements and phased implementation of caps in AFA that includes a “**wide variety of funding sources**” that do not impact City’s General Obligation debt capacity by more than \$49M (\$40M State SIB +\$8M GO debt).
- **Study the feasibility, costs and benefits associated with six additional bike and pedestrian crossings** of I-35 in the Capital Express projects, including connections to nearby City bike and pedestrian facilities.
- **Work with representatives from local labor and workforce development organizations**, including, but not limited to, the Austin Infrastructure Academy, regarding opportunities to further the workplace safety standards, trade apprenticeship opportunities, and living wage requirements for the City's construction of any I-35 caps.

Staff's response:

- This presentation outlines the proposed financing plan. For detailed responses to potential funding options and questions posed by Council, please visit: <https://www.austintexas.gov/page/our-future-35-council-cap-stitch-questions>.
- Preliminary Engineering Reports are underway. All crossings are feasible, but unfunded. The 2024 Safe Streets for All grant (\$10.5 million) with FHWA will fund the Little Walnut Creek Crossing (not yet executed).
- Staff does not recommend City-funded caps.

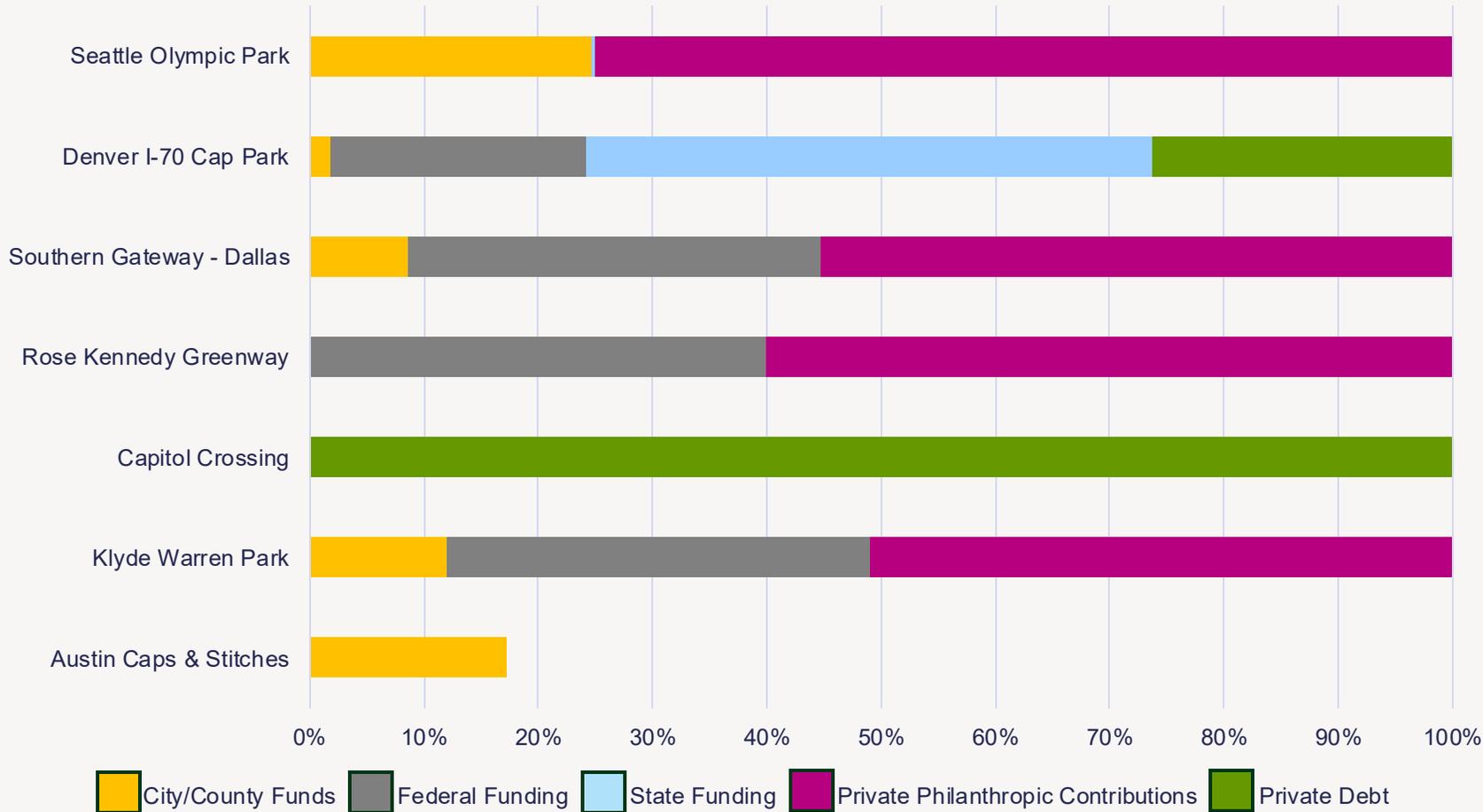
A Call for Partners

Process Recommendations



Cap Funding Requires Partnerships

Capital Stack by Cap



- The high cost of cap development generally requires multiple partners and funding sources.
- Philanthropy covered roughly half of cap construction costs or more in 4 examples.
- Federal and state funding were very significant in 3 examples.
- City funding has been less than 25% of total costs in all examples.
- Partner led-design prevents “overdesign” and ensures that the design comports with private funding capital stack.

Pending Factors Impacting On-Cap Development



- Potential impacts to caps' structural loading capacity
- Vehicular accessibility (emergency vehicles, service & maintenance, customer access)
- TxDOT Air Rights Agreement / “Lease” / Multi-Use Agreement
 - Allowable uses & activation
 - Revenue treatment
 - Agreement signatories
- Ongoing maintenance & inspection requirements

Recommended Process for Developing Cap Decks



Austin



City enables caps by funding roadway elements
\$104M committed (May 2025)



Identify funding partners who will develop cap decks



City or funding partner signs Air Rights Agreement with
TxDOT



Execute required agreements and contracts for the
design and construction of cap decks



Funding partner builds on caps

- **Convene and support civic and business organizations** to lead outreach and attract funding and development partners.
- **Explore, with funding partners, tools needed** to ensure successful cap deck development and safeguard the public's interest and investment.
- **Seek Federal and State funding opportunities** to support cap decks.

Next Steps



- Inform TxDOT of City response on location commitment for cap decks in initial bid package by May 2026.
 - Staff recommendation – no City funding for cap decks in initial bid package - Council does not need to take any formal action.
- Negotiate and execute Advanced Funding Agreement with TxDOT for roadway elements (including payment schedule).
- Update the Our Future I-35 website to provide information on cap deck opportunities.
- Seek external partners to develop cap decks and negotiate air rights agreement(s) either through change orders (2030–2032) or release separate letting for cap construction after CapEx-C completion (2043 or later).

Questions?



ATPW, AFS

March 24, 2026