



# St. Austin Catholic Parish and School

Land Monetization and School Construction  
Case Study // Austin, Texas



## SITUATIONAL OVERVIEW

St. Austin Catholic Parish, founded in 1908 in Austin, Texas, is served by the Paulist Fathers, a religious community of priests established in the United States in 1858. The parish serves approximately 2,000 households drawn from the greater Austin metroplex. St. Austin Catholic School, the urban parish's pre-K through middle school, serves roughly 220 students. The church and school sit on a roughly two-acre site adjacent to the campus of the University of Texas at Austin.

### WHAT MOTIVATED THE PROJECT?

The community's foremost motive in undertaking a project that would reconfigure the campus was the declining state of the parish ministry and school facilities. The vast majority of parish ministry space was comprised of a former women's dormitory and a former convent that once housed Dominican sisters who staffed the school. While school enrollment and parish ministry efforts remained strong, the facilities' progressive deterioration presented a serious threat to the parish's ongoing mission, including the future of the school. The cost of maintenance for the facilities, constructed in the 1950s and 1960s, largely in concrete, and aging poorly, began to outstrip the projected cost of new construction over the long term.

Taking the opportunity to evaluate their space needs for the twenty-first century, the parish defined a total demand for 100,000 square feet of ministry space outside of the church building itself, to house the school, parish life, and neighborhood outreach for generations to come. This represented a 53% increase over previous levels of ministry space.

### WHAT WERE KEY PRECONDITIONS FOR SUCCESS?

St. Austin benefits from a stellar location adjacent to the campus of the University of Texas at Austin, in a neighborhood in which city planning policies have allowed for explosive new growth in high-rise development, particularly student housing. The parish's land was thus extremely attractive to developers.

The parish had previously undertaken real estate investment and development projects, having constructed a parking garage with ground floor retail on another lot on the block in 2008, and so benefited from previous experience navigating complex transactions.

# OUTCOME

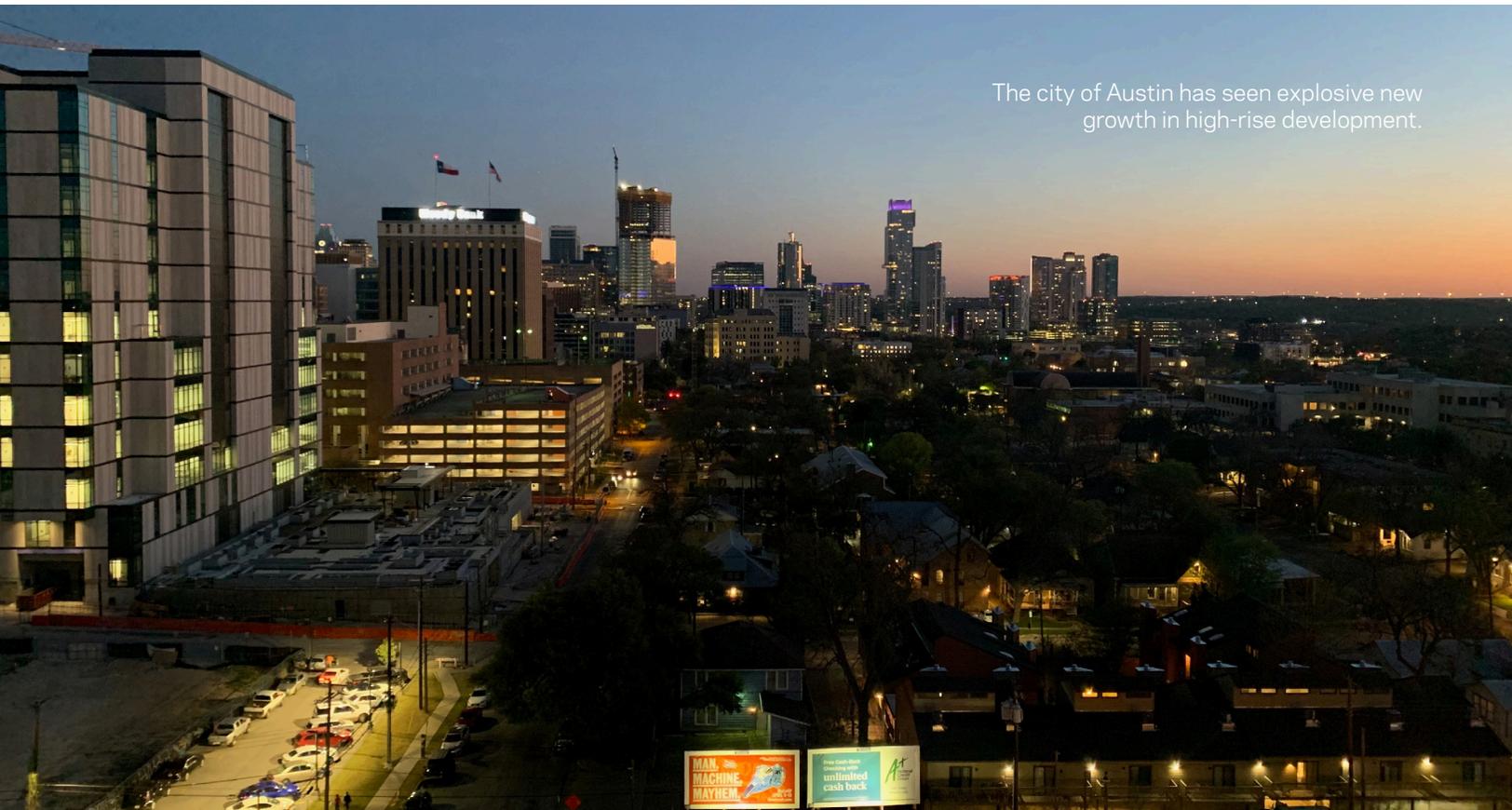
In order to monetize its excess land, St. Austin is leasing approximately one acre of its campus to a third-party developer on a 99-year ground lease. The developer will construct a \$100+ million, 29-story, 423-unit student housing and parking structure which it will own and operate for the life of the lease on land retained by the parish. Two hundred of the building's 991 beds will be affordable housing. At the end of the lease term, the parish will take possession of all structures on its land. The developer will pay the parish a competitive rent that escalates over the life of the lease and is responsible for all property taxes incurred due to the rental tower's for-profit nature.

Coupling revenues from the ground lease with other funds, the parish will construct a \$44 million, 5-story building on the campus to house the school and parish ministries, along with a gym and rectory located on the lower levels of the residential tower. St. Austin has retained the same developer developing the student housing tower to oversee this project in order to enable an integrated workflow on the site and unlock economies of scale.

St. Austin will finance the construction of their new facilities with cash from one upfront ground lease payment and \$39 million in debt. The debt package consists of \$30 million of senior, tax-exempt bank debt to be repaid entirely by the ground lease payments and \$9 million of junior, taxable bonds to be paid by the parish capital campaign and other existing parish income. Given expected prepayment by the parish, ground lease payments are ultimately expected to cover 88% of total project costs. Since the parish will pay cathedraticum (diocesan tax) on its new income, and Greystar will cover property taxes for the land it leases, the project will provide the parish, diocese, and civic community with new revenue streams for decades to come.



St. Austin Catholic Parish is adjacent to the University of Texas at Austin.



The city of Austin has seen explosive new growth in high-rise development.