

# **The South Central Waterfront Tax Giveaway: The Uber-Rich Who Win, The Taxpayers Who Lose.**

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**What Do Billion-Dollar Trusts, Giant Real Estate Investment Firms, Austin’s Largest Political Donors, and the Scandal-Ridden Nate Paul Have in Common? They all want the Austin City Council to give them \$278 million of our property taxes** to subsidize their \$8 billion, luxurious South Central Waterfront development on Lady Bird Lake Shore. We wish them well but believe there are far more pressing needs for our hard-earned tax dollars beyond subsidizing their private development.

**These uber-rich South Central Waterfront (SCWF) property owners include:**

- **The Cox Family, the 14<sup>th</sup> wealthiest family in the world, worth \$34.5 billion.**
- **World Class Properties, headed up by Nate Paul who was raided by the FBI.**
- **Endeavor Real Estate Group, the largest developer in Central and South Texas and the largest contributor with their lobbyists to Austin city council candidates.**
- **CWS Capital Partners, which owns \$5 billion worth of luxury apartment complexes across the country.**

The SCWF consists of some of the most valuable property in Austin, with 118 acres on the South shore of Lady Bird Lake adjacent to downtown. These developers plan to build at the SCWF Austin’s “Second Downtown,” with 6.2 million additional square feet of luxury condominium towers, high-end skyscrapers, and lavish hotels. All the SCWF properties are currently valued on the tax rolls at \$824 million; when completed, this massive, private development is projected to be worth at least \$8.5 billion.

The SCWF investors contend the SCWF is “not financially viable” for them without massive city property tax subsidies. City staff has recommended at least \$278 million in property taxes over a number of years be diverted from general revenue to the SCWF’s infrastructure. This revenue then would not be available for Austin residents’ needs, such as libraries, parks, flood mitigation, and sidewalks.

Below, we lay out some of the facts (and our sources) about the four SCWF uber-rich property owners who want \$278 million from Austin property taxpayers.

## The \$35 Billion Cox Family:

The Cox Family Trusts own 18.8 acres on the south shore of Lady Bird Lake. The property is located at 305 Congress, where the Austin-American Statesman operated for years. The Cox Family Trusts and their developer, Endeavor Real Estate Group, are proposing to [build out 3.5 million square feet](#), with 2 high-end office skyscrapers, 3 opulent condominium towers and a plush hotel. When the [Cox Family sold](#) the Austin-American Statesman newspaper in 2018, it retained the Statesman’s property on South Congress.

**The Cox Family is one of the world’s wealthiest families with approximately \$34.5 billion in assets.** ]“We live in an era of truly incredible wealth and vast inequality between the richest billionaires and every day middle class people...**The Cox family is the 14th-wealthiest family in the world** with a [combined \\$33.6 billion net worth](#) [in 2020].”

According to Forbes in 2021, the Cox Family heirs are now [worth \\$34.5 billion](#) through their ownership of Cox Enterprises. Cox Enterprises is a massive, global conglomerate that owns media (television and radio stations, newspapers, and cable) and automotive companies with [\\$21.1 billion in annual revenues](#) in 2019.

**The Cox Family are members of the [world’s most exclusive inheritance club](#): “the world’s 25 richest clans, who control \$1.1 trillion of wealth**, according to data compiled by the Bloomberg Billionaires Index.”

Bloomberg News cautions that the richest families in the world like the Cox Family likely have [substantially greater wealth than reported](#): “And any calculation is likely to be a lowball figure. The wealth of families like the Rothschilds or Rockefellers is too diffuse to value. The nature of many dynastic fortunes — backed by decades and sometimes centuries of assets and dividends — can obfuscate the true extent of their holdings.”

**The Statesman newspaper is but a shell of its former self because the Cox Family sold the paper to GateHouse Media.** A so-called [media vulture company](#), GateHouse maximizes short-term profits by slashing media staff. Offering a [buyout](#) to all Statesman employees, GateHouse eviscerated the newspaper’s local and state coverage. The Coxes could have sold the newspaper to The Hearst Corp., which also [bid](#) on the Statesman. Hearst, which owns the San Antonio Express News and Houston Chronicle, among many other papers, has [maintained greater newspaper staff and coverage](#) than GateHouse has.

## **Nate Paul and World Class Properties:**

World Class Properties, founded by its principal Nate Paul, owns World Class South Congress Square, LLC. This entity possesses 6 acres in the SCWF.

Nate Paul, a real estate wunderkind, founded World Class Capital Group in 2007. Buying heavily after the 2008 real estate crisis, [World Class controlled \\$1.2 billion](#) in mostly commercial properties by 2017. A few local properties included the Teakwood Plaza, Galleria Oaks and Arboretum Crossing shopping centers, the 3M campus, and the Cypress Semiconductor property.

**Nate Paul 's quickly-amassed real estate empire toppled even faster because of scandals. Agents with the FBI, U.S. Treasury and Texas State Securities Board [raided Paul's offices](#) in Austin in August 2019, carrying away boxes of records.** Although no criminal charges have been filed to date, lenders sought to sell off the troubled company's assets, triggering World Class to file [mass bankruptcies](#).

**Nate Paul and his companies also have been accused of [endangering Austin's live music scene](#).** Ethics Music Lounge and Kingdom were locked out of their clubs after World Class bought their buildings in 2018, the Austin Chronicle reported. Previously World Class squeezed out Metal and Lace (formerly Headhunters), Momo's, and La Zona Rosa. Austin's Rio [bar employees sued Nate Paul](#) and other owners in 2014, alleging that Paul shorted them \$500,000 in tips (the litigation settled out of court).

## Endeavor Real Estate Group:

Endeavor serves as the developer for the Cox Family's prime 18.8 acres in the SCWF; it also owns in the SCWF 1/3rd of an acre at [312 Barton Springs Road](#) (where Zax was). Endeavor paid \$4 million for the lot in 2019.

**Endeavor's real estate projects have been treated well at Austin City Hall. Endeavor and its lobbyist Armbrust & Brown were the two largest private contributors to city council candidates in 2020.** Endeavor employees contributed \$41,340 and Armbrust & Brown employees contributed \$51,473, for a combined \$92,800, to their chosen council candidates. (These figures were compiled from the City of Austin's [campaign finance data portal](#)).

**"[Endeavor Real Estate Group](#) is the largest full-service commercial real estate company in Central and South Texas."** Started in Austin in 1999, "Endeavor has acquired or developed more than 17 million sf [square feet] and currently has 2.5 million sf in its pipeline. [Noteworthy projects](#) include the Domain, Southpark Meadows, 1890 Ranch, Whole Foods Market grocery store at Domain, IBC Bank Plaza, Champion Office Park and recently completed The Bowie, a 36-story mixed-use tower consisting of 41,000 sf of office space and 358 luxury rental units in Downtown Austin's Market District."

**"Endeavor is [currently active as an investor](#) in Nashville, Denver, Houston, Dallas, San Diego, San Antonio, San Marcos and South and Central Texas."** Endeavor owns or manages **124 properties**, "[represent\[ing\] an extremely diverse portfolio of commercial projects](#), ranging from high-end corporate environments to industrial facilities and traditional or boutique retail space." It is on a "[money-raising roll](#)," having "raised nearly \$160 million... and has commitments from investors that would increase that total to more than \$300 million."

**While [Endeavor maintains](#) "we've built our continued success on a simple formula. Approach every relationship with integrity and treat every project like it's in our own backyard," it has been involved in a number of major controversies.** These include receiving massive city tax subsidies for the luxury Domain Shopping complex, using sexist - and racist - appearing brochures to promote shopping at the Domain, and in failing to fulfill its commitments on affordable housing at its Plaza Saltillo development.

**The Domain's \$57 Million Unnecessary Tax Subsidy.** In 2003, Endeavor sought to develop 42 acres of prime real estate at the corner of Braker and MoPac for high-end shopping, including Neiman Marcus, Tiffany's, and Louis Vuitton. Called the Domain I, [Endeavor requested from the city property and sales tax breaks](#) over a number of years, worth \$37 million. Endeavor called it "a bold, no-risk investment," and a nearly unanimous Council approved the Domain tax breaks over [vocal opposition](#) that the subsidies weren't needed.

Six months later, Endeavor created a [Domain Shopping Center, LP partnership](#) with Simon Properties, the world's largest shopping center developer. Nonetheless, Endeavor still maintained that it and Simon Properties [needed the tax breaks](#): "incentives were needed for

exactly the reasons Endeavor stated at the time: ‘So we could tell prospective tenants that we were going to be meeting with that we had a viable project... Without them, it wouldn't be built.’” (Endeavor makes [the same threat now about the SCWF](#): “‘We won’t build the plan if there’s no [SCWF] TIRZ, it just doesn’t work. It all fits together,’ said Richard Suttle, the attorney representing the property owner [Cox Family] and development team [Endeavor].”). Several years later, [Endeavor sold its interest](#) in Domain I, which was [wildly successful](#), to Simon Properties.

The Domain now consists of [300 acres with three separate Domains: Domain I, Domain II, and Domain III](#). Within a few years after the Domain I opened, it was already considered Austin’s “[Second Downtown](#).” The three Domains now have “1.8 million square feet of retail space including more than 50 bars and restaurants, along with 1.5 million square feet of office space, 2,700 apartments and 775 hotel rooms.”

As [critics pointed out at the time](#), there never was a need for the city to subsidize the Domain, with its prime location and high-end shopping, for the development to be profitable. Even after the Domain became a hugely profitable success, the Council has refused to end its tax subsidy, which the Domain I’s owners still gets today. Domain II and III somehow [thrived without any subsidy](#).

In 2004, Brian Rodgers, a local activist and commercial developer, [sued the City to stop the Domain tax subsidies](#). A local court agreed, holding that the city had no obligation to continue the subsidies. Nonetheless, the City Council has continued to voluntarily give several million dollars a year in tax subsidies to the Domain—even though it has been inarguable for years that the Domain doesn’t need the tax breaks. And the “\$37 million tax subsidy”, as critics predicted, has [ballooned to \\$57 million](#).

**Racist and Sexist Marketing.** [The Domain has been marketed to shoppers](#) in ways that are troubling at best and racist and sexist at worst. A Domain II brochure revealed the “quintessential Domain Northside shopper” that Endeavor wanted: a “classy,” “well-heeled woman,” who carries a “Givenchy handbag,” “drives a BMW Series 6 [costing up to \$100,000]... at night, and by day drives a Range Rover Sport [costing up to \$130,000]”, and “is most likely to describe her ethnicity as Anglo, Jewish, or Asian.” Endeavor apologized, but the brochure’s intent could not be whitewashed away.

**Reneging on Plaza Saltillo.** Endeavor outbid other developers for Cap-Metro’s 10-acre [prime Plaza Saltillo property](#), directly across I-35 from the Central Business District. Endeavor won the bid because it committed to providing 25% affordable housing units and limiting the height of its project. Later, [in 2017, Endeavor asked the Council to let it back out of its commitments](#), now “put[ting] forth proposals for a zoning change to allow a 125-foot-tall office building not previously included in the plan, as well as taller residential buildings and the scaling back of affordable housing units. The proposed changes would allow the reduction of the number of affordable apartment units from the originally agreed-upon 200 to 141...”

The East Cesar Chavez Neighborhood “opposed the proposed allowable height increase, doubling of density (from 112,500 square feet to 259,000 square feet), a decrease in affordable housing, and an insufficient number of apartments that have more than one bedroom...”

The Council, however, let Endeavor re-trade the deal, making it much more profitable for Endeavor. Critics maintained that Endeavor never intended to fulfill its commitments to the neighborhood and city and that the bid should be reopened to allow for fair bidding competition.

## **CWS Capital Partners:**

CWS Riverside 300, LP and CWS Riverside Square, LP own 4 and 3 acres respectively on Lady Bird Lake Shore next to the Cox Family's properties. These two limited partnerships are part of the national real estate firm CWS Capital Partners out of Newport Beach, California. **“CWS Capital Partners and its investors own and manage over 29,000 units of luxury apartments located in high-growth markets across the United States with an aggregate value in [excess of \\$5 billion.](#)”** CWS is a **“[fully integrated real estate](#) management, development, repositioning and management of luxury apartments with a considerable presence in Texas and other metropolitan areas across the nations.”**

**Of CWS' 100 luxury apartment complexes, [25 are in Austin.](#) CWS states that it [really likes Austin because rents are very high](#) and the city does not require it to give many community benefits:** “Austin currently has some of the highest Class A rent and the lowest level of concessions.”

CWS Capital is a **[vast enterprise](#)** of **[35 subsidiaries](#)**: 4 main entities (CWS Investments, CWS Financial Advisors, CWS Apartments, and CWS Corporate Housing) plus 31 real estate investment limited partnerships. Before the pandemic, CWS was one of the **[fastest-growing](#)** companies in the country.

**In conclusion, these uber-rich don't need our hard-earned property tax dollars to build their luxury private development.** The SCWF TIRZ is the anthesis of affordability and is not in the best interests of squeezed Austin taxpayers. For more information on this tax giveaway, please go to **<https://taxpayersvsgiveaways.org/>**.