



May 13, 2010

Honorable Mayor Lee Leffingwell and City Council  
City Hall  
301 West 2<sup>nd</sup> Street  
Austin, TX 78701-3906

Re: A New Approach to Implementation of the Redevelopment Project for East 11<sup>th</sup> and 12th Streets

Dear Honorable Mayor, Mayor Pro Tem and Council Members:

The Organization of Central East Austin Neighborhoods (O.C.E.A.N.) writes to convey its support for the attached resolutions adopted by the most directly impacted neighborhoods, which call for significant change in the City's approach to revitalization efforts along the East 11th and 12th Street corridors.

For 15 years, the residents, business operators and property owners of Central East Austin have invested significant time and effort crafting and supporting the Urban Renewal Plan for East 11th and 12th Streets, and our firmest hope has been to see the commercial and residential vitality of these corridors renewed in a manner that respects and enhances the long-established, adjacent neighborhoods and businesses of our planning area. The stakes for our community and for the taxpayers funding this Redevelopment Project are considerable, and we are concerned that the performance and financial instability of the entity tasked with leading the Project represent insurmountable obstacles to successful completion. We ask that you take the steps described in the resolution to put the Project back on a fiscally responsible trajectory that attracts the private investment needed to realize the vision for mixed-use along these corridors.

While we recognize the improvements achieved along East 11th Street under the stewardship of the Austin Revitalization Authority, we note not only the cost to date—\$38 million—but also that major blocks on East 11th remain conspicuously vacant, redevelopment of East 12<sup>th</sup> Street has hardly begun, and there exists no clear and comprehensive plan for completing the Project as envisioned. Too much money and responsibility has been entrusted to ARA with too little return or accountability, and too much time has passed without progress. ARA has also proved unable to gain the trust of the community, and recent action to remove neighborhood representatives from its Board for expressing criticism of ARA performance will certainly not set this organization on a path towards establishing the credibility that has long eluded its leadership.

Now is the time to do much better—for those the urban renewal effort was originally meant to assist, for those who live and work here—whether for one month or 20 years—for future neighbors and businesses we hope one day to attract, and for all of the citizens of Austin.

Thank you for considering our requests. We look forward to further discussing this matter with you in the very near future.

Sincerely,

David Thomas  
President, Organization of Central East Austin Neighborhoods

## East 12<sup>th</sup> Street—A New Approach

### Resolution

*Completion of the East 11<sup>th</sup> and 12<sup>th</sup> Street Development Project: Ensuring East 12<sup>th</sup> Street fulfills its promise as a Mixed-Use/Residential & Commercial Corridor.*

**WHEREAS**, Texas Urban Renewal Law mandates that a municipality exercising urban renewal powers shall use public resources to “afford the maximum opportunity...for the rehabilitation or redevelopment of the urban renewal area by private enterprise;” and

**WHEREAS**, more than one decade ago, the City of Austin, the Urban Renewal Agency (URA) and Austin Revitalization Authority (ARA) undertook the East 11<sup>th</sup> and 12<sup>th</sup> Street Redevelopment Project (Project) as an urban renewal project; and

**WHEREAS**, in furtherance of the Project, those parties entered into multiple acquisition, development and loan agreements, operational contracts and professional service agreements that resulted in the expenditure of over 23 million dollars, unmanageable debt obligations for ARA, a compromised investment in the East 11<sup>th</sup> Street corridor for the City of Austin, a quest for liquidity that conflicts with ARA’s responsibility to ensure development “effective and compatible with neighborhood interests” *and, most glaring of all*, the majority of the Project—the East 12<sup>th</sup> Street corridor FROM I-35 to Poquito Street—not yet even begun; and

**WHEREAS**, the City of Austin’s Redevelopment Project Audit Report, dated November 3, 2009, concluded that the above fiscal peril and serious lack of progress on East 12<sup>th</sup> Street occurred in large measure because those parties charged with providing development expertise to and oversight of project implementation—the ARA, URA and the City of Austin Neighborhood Housing and Community Development (NHCD)—“[were] not in sync” and failed “to articulate and understand respective duties;” and

**WHEREAS**, the chief agreement amongst those partners is the Acquisition, Development and Loan Agreement (Tri-Party Agreement), which assigns ARA the duty to “make recommendations to the City concerning the types of public infrastructure improvements in the redevelopment area,” and assigns the City the duty of designing and constructing what is recommended; and

**WHEREAS**, ARA & the City evidenced understanding of these duties when ARA recommended, and the City of Austin, Public Works, Austin Energy, AT&T and Cap Metro effected 11 million dollars worth of infrastructure and streetscape improvements to East 11<sup>th</sup> Street *before* major re-development commenced there; and

**WHEREAS**, the Redevelopment Project Audit Report found that infrastructure on East 11<sup>th</sup> Street “is now sufficient for large-scale development,” but that the physical condition of East 12<sup>th</sup> Street remains “largely substandard;” and

**WHEREAS**, “largely substandard” signifies water and wastewater capacity completely inadequate to serve best build-out of parcels designated for high-density mixed-use structures and a gauntlet of utility poles and lines jutting across the development canvas; and

**WHEREAS**, the neighborhood and business communities have consistently expressed to ARA leadership their desire that the installation of comprehensive infrastructure improvements along the East 12<sup>th</sup> Street corridor be given the highest of priorities so as to facilitate private development, yet ARA leadership has instead placed a greater emphasis on the City of Austin acquiring additional privately-owned tracts along the corridor in hopes of expanding ARA's potential opportunities to profit from its role as co-developer and/or property manager; and

**WHEREAS**, ARA's business plan and strategy have proven to be in conflict with the spirit and intent of the Texas Urban Renewal Law, effectively deterring private independent investment and halting progress on the East 12<sup>th</sup> Street corridor for more than a decade;

**BE IT RESOLVED THAT**

The Swede Hill and Robertson Hill Neighborhood Associations regretfully note that the City of Austin, the Urban Renewal Agency and the Austin Revitalization Authority have failed to complete the East 11<sup>th</sup> and 12<sup>th</sup> Street Redevelopment Project according to schedule, according to plans in place and in accordance with the Tri-Party Agreement and Texas Urban Renewal Law.

We request that Council acknowledge that ARA's flawed business plan has led to a misplaced priority on managing ARA's debt rather than on revitalizing the area according to the vision, goals and project controls agreed to by the surrounding communities.

We further request that Council mandate a new and fiscally sound approach to implementation of the vision and project controls articulated in the Urban Renewal Plan (URP), to include the following actions:

**Eliminate ARA's role from the Redevelopment Project.**

1. Forego all upcoming community meetings to be hosted by the City Manager's Office and/or the URA and/or the ARA for the purpose of gathering stakeholder comments regarding possible amendments to the URP or East 12<sup>th</sup> Street Neighborhood Conservation Combining District (NCCD). The community is not requesting that changes be made to the Plan. It is urging that the long-established Plan be implemented. These meetings are fully redundant to the years-long series of community meetings held to craft the still nascent NCCD, and they threaten to undo thousands of hours of community consensus-building and further stall progress.
2. Decline to renew the Tri-Party Agreement with ARA.

**Create an even playing field for the redevelopment of East 12<sup>th</sup> Street that fosters and promotes true competitive bidding to attract and capture a much broader spectrum of potential private developers than what has been produced under the current approach.**

3. Declare an immediate moratorium on eminent domain proceedings—no more acquisition of East 12<sup>th</sup> Street property by the City of Austin.
4. Declare an immediate moratorium on transfer of property from the URA to the ARA.

5. Declare an immediate moratorium on new loan agreements and extensions of existing loan agreements with the ARA.
6. Reprioritize the action timeline for East 12<sup>th</sup> Street projects to focus first on effecting infrastructure and streetscape improvements. Dedicate talent and resources to immediate formation of a group charged with articulating an appropriate and achievable plan for comprehensive improvements.
7. Approve and fund this plan by December 2010, with implementation to commence by January 2011.
8. Identify and effect the sale of City of Austin and URA-owned properties on East 12<sup>th</sup> Street. Articulate terms of sale contingent upon compliance with the URP project controls and current zoning entitlements in place, to be altered only via a full and open community vetting process.

**Take immediate action to jumpstart redevelopment by local firms and area stakeholders.**

9. Develop an incentive package to attract would-be developers to East 12<sup>th</sup> Street, which may include low-interest loan opportunities, property tax incentives, possible extension of the Waller Creek TIF and possible dedication of a percentage of Downtown Density Bonus Program "in-lieu-of" fees to assistance of minority business owners and operators on the East 12<sup>th</sup> Street corridor.

**Ensure that oversight of the Plan is competent and without conflict of interest**

10. Set minimum requirements for Urban Renewal Board (URB) commissioners. Commissioners should demonstrate a command of the Urban Renewal Plan, the East 12th Street NCCD and all other relevant zoning documents, a commitment to overseeing implementation of plans in place, and be more representative of the neighborhoods and stakeholders affected by the Redevelopment Plan.
11. Scrutinize current Commissioners for conflicts of interest including, but not limited to, any direct or indirect corporate, financial or personal affiliations with or interests in land developers or other entities or individuals that have submitted or proposed plans to develop property owned by the City of Austin, ARA or URA within the area controlled by the URP. Establish a revolving door policy that prohibits any Urban Renewal Board Commissioner from holding such an interest for a period of at least two years after vacating a position on the URB.
12. Set a policy for limiting terms, with the goal of transitioning the URB composition to represent the populations affected as new urban renewal plans are undertaken.

**Swede Hill Neighborhood Association  
Tracy Witte, President**

**Robertson Hill Neighborhood Association  
Stan Strickland, President**

**A RESOLUTION OF THE GUADALUPE ASSOCIATION FOR AN IMPROVED  
NEIGHBORHOOD AND THE ROBERTSON HILL NEIGHBORHOOD ASSOCIATION  
CALLING FOR CHANGE IN THE EAST 11TH STREET REDEVELOPMENT PROCESS**

**WHEREAS**, the City of Austin and community organizations, including member groups of the Organization of Central East Austin Neighborhoods (OCEAN) have invested years of time and effort to develop the Urban Renewal Plan that calls for affordable and accessible housing that is attractive to a diverse range of people and mixed use development that respects and enhances the residential neighbors of Central East Austin; and

**WHEREAS**, in October 1999, more than a decade ago, the City of Austin (City), the Austin Revitalization Authority (ARA), and the Urban Renewal Agency (URA), entered into an Acquisition, Development and Loan Agreement (Tri-Party Agreement) to evidence arrangements for the management and implementation of the East 11<sup>th</sup> and East 12<sup>th</sup> Street Redevelopment Project (Project)/ Urban Renewal Plan (URP) to facilitate development in the area; and

**WHEREAS**, work executed under the Tri-Party Agreement has helped the East 11<sup>th</sup> Street Corridor, however, it has left major tracts vacant for many years and/or under the ownership and control of the City, URA and ARA as reflected on the area maps attached as Exhibits A and B ; and

**WHEREAS**, considered as a whole, the Tri-Party Agreement has proven to be an inefficient means for redevelopment and, as the City of Austin's Redevelopment Project Audit Report dated November 3, 2009 (Audit Report) concludes, "Liquidity challenges, reliance on the City for income, and inconsistent financial planning have adversely impacted ARA's long-term viability; and

**WHEREAS**, Texas Urban Renewal Law mandates that municipalities use resources in urban renewal areas in ways that "...afford the maximum opportunity...for the rehabilitation or redevelopment of the urban renewal area by private enterprise;" and

**WHEREAS**, the City, ARA and URA have not effectively utilized Federal and local resources to afford maximum opportunity for private enterprise, but instead have provided preferred developer status to the ARA, financially sustained it with operational funding via the Tri-Party Agreement, and awarded the ARA non-competitive acquisition, loan and development contracts; and

**WHEREAS**, instead of using a public competitive process, the City, ARA and URA have tried to implement the Project by entering into multiple acquisition, development and loan agreements, and operational contracts that have resulted in the expenditure of over 23 million dollars; and

**WHEREAS**, the ARA has accumulated debt of over 13 million dollars and has assumed a mission focused on managing its debt in such a way that conflicts with its responsibility to ensure development that is "...effective and compatible with neighborhood interest;" and

**WHEREAS**, this is manifested in ARA proposals or support for projects that do not comply with allowed uses and exceed the development controls of the Urban Renewal Plan and the East 11<sup>th</sup> Street Neighborhood Conservation and Combining District (NCCD), such as a cocktail lounge on Block 17 and another large-scale office building on Block 18; and

**WHEREAS**, the City and the ARA have failed to implement their own projects in a timely manner, as evident in the failure to begin development on the East Room, the Legacy Estates town homes, and Block 16 and Block 18; and

**WHEREAS**, the Audit Report concluded that all agencies in the Tri-Party Agreement share responsibility for the precarious financial position of the ARA and the serious lack of progress with the Project for over a decade; and

**WHEREAS**, the Audit Report states this compromised financial position/financial instability and the lack of progress is because the City, ARA, URA were “not in sync” and failed “...to articulate and understand respective duties;” and

**WHEREAS**, the NHCDO and the ARA have consistently failed to engage area stakeholders in timely, thorough and transparent consensus-building efforts, and instead have regularly opted to reveal redevelopment concepts that established only fractional community support; and

**WHEREAS**, this approach to public process has resulted in community distrust of ARA, making it highly unlikely that this organization will be able to effectively lead future consensus-building endeavors among area residents, business owners and property holders; and

**WHEREAS**, ARA has proven unable to leverage substantial City office occupancy of projects such as the Street-Jones Building on East 11<sup>th</sup> Street to keep rates of the remaining commercial space accessible to successful small businesses such as “Primizie” and “Ms. B’s;” and

**WHEREAS**, the City, ARA and URA have failed to meet the objectives of the URP; have failed to provide the residential density through mixed-use projects that would sustain small businesses; have failed to adequately support those businesses and organizations that cultivate the heritage of the area; and failed to gain the confidence and trust of the community most affected by the redevelopment; therefore

***BE IT RESOLVED THAT***

The Guadalupe Association for an Improved Neighborhood and the Robertson Hill Neighborhood Association request that City Council eliminate the current arrangement between the City, URA, and ARA that, after more than a decade, has resulted in missed deadlines and a fiscally unsound expenditure of redevelopment funding on East 11 Street.

We further request that City Council establish and mandate a timelier and more fiscally sound approach to implementing the vision and project controls set forth in the Urban Renewal Plan and the NCCD for East 11<sup>th</sup> Street, to specifically include the following ways:

1. Decline renewal of the Tri-Party Agreement; and
2. Effect the sale and/or development of all City and URA owned property on East 11<sup>th</sup> Street through a public competitive bidding process that subjects the property to the restrictions provided in the URP and NCCD; and declare that no additional property in the East 11<sup>th</sup> Street Corridor be sold or otherwise transferred from the City or URA to the ARA or any other developer unless through such a process subject to such restrictions; and

3. Involve City staff with the most expertise who can assist and expedite the sale and development of the East 11<sup>th</sup> Street Property, and provide clear incentives and subsidies to attract private developers who offer the maximum community benefit; and
4. Provide more effective and comprehensive incentives and subsidies to attract and sustain new businesses on the East 11<sup>th</sup> Street corridor with an emphasis on small, minority and women-owned businesses, and affordable housing; and
5. Declare that the City shall execute no new loan agreements or extensions of existing loans with ARA or any other developer related to the East 11<sup>th</sup> Street Corridor unless they prove to be the best choice through a public competitively bid process; and
6. Decline the ARA any extensions to missed deadlines related to Block 18 or other delayed projects; and
7. Mandate that the City seek development partners with the appropriate expertise, financial stability, and record of success achieving goals similar to those of the Community Redevelopment Plan and hold those partners responsible for failure to implement projects, without plainly justifiable cause, according to schedule; and
8. Consider preserving a permanent community open green space and community events venue where possible; and
9. Provide more substantial and effective incentives and subsidies to prospective developers to promote where possible, sustainable local businesses that reflect the diverse heritage of Central East Austin, and to provide mixed income level, rental housing and home ownership opportunities, including a substantial percentage of affordable housing in the entire East 11<sup>th</sup> Street area ; and
10. Within the existing project controls, implement all measures possible to develop the Juniper Street side of Blocks 16, 17 and 18 in the East 11<sup>th</sup> Street corridor with affordable ownership and rental housing, and make a good faith effort to use every tool available to ensure the longest term of affordability including, but not limited to, exploring the establishment of a Homestead Preservation District and Land Trust in the E. 11<sup>th</sup> Street corridor to ensure long term home ownership sustainability and diversity in the Urban Renewal Area.

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Michael Guajardo, President

GUADALUPE ASSOCIATION FOR AN IMPROVED NEIGHBORHOOD

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Stanton Strickland, President

ROBERTSON HILL NEIGHBORHOOD ASSOCIATION

**Exhibit B:**  
**City of Austin, A.R.A., & U.R.A. Owned Property 11th & 12th Street NCCD Areas**



- Vacant Property [Undeveloped]
  - Public Property [Developed]
  - Parking [Developed]
  - URA Property [Undeveloped]
  - ARA Property [Developed]
  - ARA Property [Undeveloped]
  - City of Austin Property [Developed]
  - City of Austin Property [Undeveloped]
- 11th Street N.C.C.D.  
 12th Street N.C.C.D.