

# **MEMORANDUM**

To:

Mayor Lee Leffingwell and Council Members

From:

Anthony J. Snipes, Assistant City Manager AUS

Date:

March 27, 2014

**Subject:** 

Update Regarding 5th Street Garage Red River Retail/Office Space

#### **Purpose**

Due to the high level of interest in this property expressed by Council members, business and community stakeholders, this memo is being provided with updates regarding development of a lease solicitation for the Austin Convention Center-owned lease space in the Red River side of the 5<sup>th</sup> Street Garage.

#### **History**

In 2001, the City of Austin condemned the property in question in order to build a parking garage for the Convention Center and an Austin Energy chilling plant on the property. The property was then in litigation for the next twelve years. The trial court entered a Final Judgment on May 16, 2013, providing final possession of the parking structure and chilling plant to the City of Austin.

On June 27, 2013 the City Council approved a lease with the Austin Convention Visitors Bureau (ACVB) for one of two commercial spaces, measuring 4,154 square feet. ACVB is paying 100% of the Tenant Improvements, estimated at \$750,000 with completion anticipated in March or April 2014. Staff has developed a lease solicitation for the adjoining, unfinished lease space of approximately 14,593 total square feet, referred to here as the "Red River space."

## Planning Process and Determination of Highest and Best Use

Austin Convention Center staff worked closely with the Office of Real Estate Services (ORES) in the creation of a lease solicitation for the Red River space. In preparation, ORES

surveyed seven close competitors of the Austin Convention Center for information regarding types of uses surrounding the centers, demands for types of businesses, and success of various uses surrounding the centers. Those cities include Dallas, Houston, San Antonio, New Orleans, Denver, Minneapolis, and Nashville. ORES staff then reviewed the Imagine Austin plan, in regards specifically to the Pedestrian Shed, and the Waller Creek Plan for consistency.

The City's preliminary Waller Creek District Overlay designates East 4<sup>th</sup>, East 5<sup>th</sup>, and Red River Streets as Mixed Use, Pedestrian Activity Streets. Potential uses include: Art Gallery, Food Sales, General Retail Sales, Personal Services, Restaurant, Theater, and Cultural Services. Rentals in the Market Rent Analysis indicate an economic demand for retail space in the subject area. The conclusion of an independent third-party consultant, in conjunction with ORES staff, was that the highest and best use of the subject property is for a multi-tenant retail use in conformance with the Waller Creek Overlay.

### Next Steps

Based on these recommendations, Austin Convention Center staff has created a lease solicitation for the property. This solicitation will be released in the very near future with the goal of finding one or multiple tenants to achieve the highest and best use for the property.

As always, please contact me if you have any questions or suggestions related to this plan.

XC:

Marc A. Ott, City Manager
Michael McDonald, Deputy City Manager
Sue Edwards, Assistant City Manager
Mark Tester, Austin Convention Center Department Director
Lauraine Rizer, Real Estate Services Officer