File #: 20-3440, **Agenda Item #:** 9. 12/3/2020

Posting Language

Authorize negotiation and execution of an exclusive negotiation agreement with Aspen Heights Partners, for terms governing a master developer contract for the redevelopment of 1215 Red River and 606 East 12th, the former HealthSouth tract.

MBE/WBE: This solicitation was reviewed for subcontracting opportunities in accordance with City Code Chapter 2-9B Minority Owned and Women Owned Business Enterprise Procurement Program. For the services required for this solicitation, there were no subcontracting opportunities; therefore, no subcontracting goals were established in this solicitation phase, but will be negotiated in the contracting phase.

Lead Department

Economic Development Department.

Fiscal Note

This item has no fiscal impact.

PURCHASING: The Purchasing Office issued a Request for Proposals (RFP) 5500 SMW3002 for these services. The solicitation was issued on November 18, 2019 and closed on April 23, 2020. Of the four offers received, the recommended Contractor submitted the best evaluated responsive offer. A complete solicitation package, including a log of offers received, is available for viewing on the City's Financial Services website, Austin Finance Online. Link: Solicitation Documents <https://www.austintexas.gov/financeonline/account_services/solicitation/solicitation_details.cfm?sid=132936>.

Prior Council Action:

October 4, 2018 - Council passed Resolution No. 20181004-042, directing the City Manager to solicit plans for redevelopment of the HealthSouth tract.

March 23, 2017 - Council passed Resolution No. 20170323-052, directing the City Manager to explore options available for repurposing the HealthSouth tract.

December 15, 2016 - Council passed Ordinance No. 20151215-019 and Resolution No. 20161215-020, amending the budget and declaring the intent to reimburse itself for the Health South acquisition; Council also approved item 38, authorizing the acquisition of the HealthSouth tract.

For More Information:

Respondents to this solicitation, and their representatives, shall continue to direct inquiries to the solicitation's Authorized Contact Person: Shawn Willett, at 512-974-2021 or Shawn.Willett@austintexas.gov <mailto:Shawn.Willett@austintexas.gov>.

Additional Backup Information:

The contract is for a master developer to partner with the City to create an innovative, catalyst mixed-use project for northeast downtown. At the direction of City Council, staff of the Economic Development Department and the Purchasing Office issued a Request for Proposals seeking a real estate development

team to redevelop the City-owned parcels at 1215 Red River and 606 East 12th, the former HealthSouth Rehabilitation facility and its parking garage. Aspen Heights Partners, the recommended Contractor, is a local Austin company with extensive experience with real estate development and property management, including multi-family apartments, condominiums, assisted living and student living. The firm recently completed The Independent, a mixed-use tower in the Seaholm District under a public-private partnership agreement with the City. During the Exclusive Negotiation Agreement (ENA) phase, financing terms, project phasing, M/WBE participation goals, affordable housing details, among other terms, will be negotiated. The resulting terms and conditions developed through the ENA will then be brought to Council in a proposed Master Development Agreement (MDA) for Council approval. The ENA and MDA will also reflect standards for City construction projects, such as prevailing wage, worker safety and training, Better Builder, and sustainability.

The solicitation was designed to harness the creativity of the market to provide on-site affordable housing with significant community benefits while also improving the City's financial position. The proposals were to be consistent with Austin values and enhance the cultural and economic vitality of the surrounding area. While the site could be developed for a variety of commercial and residential uses, City Council specifically directed that the site and its value be used to increase the supply of housing serving residents earning at or below 60 percent of area median family income. Consistent with Council direction, proposers were permitted to redevelop the site through a purchase or ground lease agreement. A summary of Aspen Partners' proposal is included as backup.

A panel of City executives from multiple disciplines evaluated the proposals and scored Aspen Heights Partners as the best to provide this service based on project concept and strategy, affordable housing and other community benefits, financial proposal, and experience and management plan.

Background:

Through a series of acquisitions from 1952 to 1976, the City purchased the site at 1215 Red River. In 1988, the City offered its land for development in order to attract a physical rehabilitative services provider; Rehab Hospital Services Corporation (RHSC) executed a ground lease through February 28, 2063 and opened its four-story facility in 1990. Five years later, RHSC assigned the ground lease to HealthSouth which developed the parking garage at 606 East 12th Street to serve the facility. Due to market factors, HealthSouth announced its intention in 2016 to close its facility and approached the City about terminating the lease. On December 15, 2016, City Council authorized staff to acquire its tenant leasehold interests and title to the parking garage; the acquisition was completed on February 28, 2017.

On March 23, 2017, City Council directed the City Manager to evaluate the site's redevelopment options with respect to providing affordable housing for individuals and families earning at or below 60 percent of area median family income. In response to Resolution No. 20170323-052, staff provided an evaluation memorandum by the City's consultant with specific scenarios on building reconfiguration, associated costs and funding strategies and possible timeline; its conclusions were that reuse of the building would be less efficient than redeveloping the site and leveraging its value to support new affordable housing.

With this information, on October 4, 2018, Council directed staff to initiate a solicitation to redevelop the site to include mixed-income housing that incorporated units with multiple bedrooms serving households earning 60 percent of area median family income or below. Resolution No. 20181004-042 also directed staff to allow proposers to offer an affordable housing option off-site, within one mile of the site, in addition to an on-site option.

During the RFP process, the site was evaluated and rejected for use as a temporary shelter for Austin's homeless residents as well as for COVID-19 patients due to building condition and other factors. In August, the City launched the Violet KeepSafe Storage program, located in the former HealthSouth parking garage, to provide storage to people experiencing homelessness. Access to storage helps people who live unsheltered

attend service provider appointments, doctor's appointments, pursue employment, and rest without worrying about the safety of their possessions. This and other temporary uses at the site will cease when the development team assumes control of the site under the terms of the MDA.

Strategic Outcome(s):

Government that Works for All; Economic Opportunity and Affordability.

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