



MEMORANDUM

TO: Mayor and City Council

FROM: Veronica Briseño, Chief Economic Recovery Officer, Economic Development Department cb

DATE: December 8, 2020

SUBJECT: Updates on Redevelopment of Former Health South Property

This memorandum responds to questions from City Council members and provides additional information on the process and the proposals received regarding the redevelopment of City-owned parcels at 1215 Red River and 606 East 12th (RFP 5500 SWM 3002) per discussion during Council meetings on December 1 and 3, 2020.

Background

In October 2018, through [Resolution 20181004-042](#), City Council directed the City Manager “to announce and initiate a solicitation for detailed plans and cost estimates, with input from bond counsel to ensure that the certificates of obligation¹ are properly addressed, regarding the development of 1215 Red River and 606 E. 12th Street, particularly for mixed-income housing, with a significant emphasis on multiple-bedroom housing for households who earn 60 percent of median family income and below.”

At that October 4, 2018 meeting, a two-step procurement process -- issuing a Request for Information (RFI) to test market interest in the opportunity, followed by a Request for Proposals (RFP) -- was discussed. In subsequent discussions with City consultants, Law Department and other experts, staff learned that an RFI would not be productive. Given the strength and competitiveness of the downtown Austin market, many entities would likely not respond to the RFI to avoid revealing their interest and vision for the site and potentially undermining their competitiveness in the RFP process. Therefore, staff moved forward with the RFP format within the authority granted by Resolution 20181004-042 to “initiate a solicitation.”

On November 5, 2019, I sent a memorandum to Mayor and Council with updates on the process. The memorandum stated staff had drafted a “Request for Proposals” seeking “best ideas and partnerships” for “a catalyst mixed-use project for northeast downtown,” which would be issued later that month. All Council offices would receive a copy of the complete packet after release. I also noted that given the complexity of the site and the expense of preparing an innovative submission (estimate \$50,000), it was important to maintain the integrity of the process to ensure the City received quality responses. Upon hearing no objections, staff proceeded with issuing the RFP.

On November 18, 2019, the City’s Purchasing Office (Purchasing), with EDD as lead department, issued RFP 5500 SWM 3002. Purchasing notified more than 280 people and entities of the opportunity, including registered City vendors and nonprofit and private developers of affordable and market-rate developments. Austin City Council members, Travis County Commissioners, and key staff from Central

¹ While certificates of obligation were not issued due to certain legal restrictions, the need to reimburse the Office of Real Estate Services Budget for acquisition costs remains outstanding.

Health, Integral Care, ULI Austin, and the Austin Housing Authority received the electronic notification of the solicitation's release as well.

On January 14, 2020, a pre-proposal meeting, broadcast live on ATXN, was held as well as a tour of the site for prospective proposers. Due to the outbreak of the coronavirus pandemic, staff extended the submission deadline for proposals from March 26 to April 23, 2020. Four proposals were received and evaluated; teams from the two highest scoring proposals were invited to interview. Purchasing released the final scores for all proposals on November 6, 2020, as follows:

Solicitation Number: RFP 5500 SMW3002

Description: Redevelopment of 1215 Red River Street and 606 East 12th Street

| | | Aspen Heights Partners | Intracorp Homes/ The DMA Companies | M Arthur Gensler Jr/ 2033 Higher Education Development Foundation | Pennrose/ Hunt Development Group |
|---|------------|------------------------|---------------------------------------|---|-------------------------------------|
| Evaluation Criteria | Max Points | | | | |
| Project Concept and Strategy | 25 | 22 | 13 | 4 | 17 |
| Affordable Housing and Other Community Benefits | 25 | 21 | 13 | 4 | 17 |
| Financial Proposal | 25 | 21 | 13 | 0 | 21 |
| Experience and Management Plan | 25 | 17 | 13 | 4 | 21 |
| Sub-Total | 100 | 81 | 52 | 12 | 76 |
| Interview/Presentation (shortlisted Offerors) | 25 | 20 | * | * | 15 |
| Total | 125 | 101 | | | 91 |

Staff's recommendation to enter exclusive negotiations with the top-scoring team, Aspen Heights Partners, was posted for action on the December 3, 2020 Council meeting agenda. City Council postponed action on the item to December 10, 2020, in order to review the proposals in more detail. Council also asked staff to release any information in proposals that is not part of the proposers' confidential submittal and posed questions during the December 1 and 3, 2020 Council meetings. This memorandum is in response to these requests.

Additional Information

- Staff Briefing. Attached, please find staff's briefing at the December 1st Council Work Session.
- Additional Information on Aspen Heights' Proposal. Staff worked with Aspen Heights Partners, Law and Purchasing to share the following highlights and summary comparisons:
 - Further the goals outlined in Council Resolution 20181004-042
 - Most total housing units
 - Most total affordable units
 - Most on-site units renting for less than 60% MFI
 - Most on-site affordable units with 2 or more bedrooms
 - Offer price exceeds minimum threshold
 - Additional Community Benefits & Strengths:
 - Proposal includes affordable for-sale units
 - No City subsidies requested, preserving housing funds for other priority projects
 - Fully integrates affordable among market-rate units
 - Discounted commercial space for music and arts, tying in neighborhoods
 - Significant office space supports Innovation District
 - Team is locally based and experienced City partners on high-rise projects (Seaholm, The Independent)
- Public Information Packets. RFP Section 10.2.5 requested all proposers include a public information packet of no more than two pages that describes their overall concept and community benefits as well as conceptual renderings.

- Aspen Heights' packet was posted on November 20, 2020 with the December 3, 2020 Council Agenda, Item #9 here <https://www.austintexas.gov/department/city-council/2020/20201203-reg.htm#009>.
 - Attached are the public information packets submitted by Pennrose / Hunt Development Group and Intracorp Homes / The DMA Companies.
 - The proposal submitted by M. Arthur Gensler Jr / 2033 Higher Education Development Foundation did not include a public information packet. Upon staff's request for one, the team contact responded, "Applicant requests that parties discuss content and process for public disclosure."
- Acquisition Costs and Other Public Financing Options. In a series of actions on December 15, 2016 (Agenda Items 19, 20 and 38), City Council authorized staff to purchase HealthSouth's leasehold interests in the site at 1215 Red River and 606 East 12th Streets for \$6.5 million. The posted actions state the City is to reimburse itself for the capital expenditure with certificates of obligation (CO). These are non-voter approved debt backed by property taxes that cannot be used for any economic development purposes. Affordable housing is considered economic development for debt issuance purposes. Given Council's interest in pursuing affordable housing on site, COs were not issued; however, the Office of Real Estate Services budget must be reimbursed for the expense plus any interest accrued. The minimum financial offer in the RFP included \$8.7 million for this purpose.

Recently, a suggestion was made to use other funds to increase affordable housing opportunities in the project. While the City may use voter-approved general obligation bonds for affordable housing, these carry substantial legal requirements that were not a component of the RFP. In addition, using affordable housing bond funds in projects with mixed uses is complex and may not be approved by the Office of the Attorney General (OAG). Therefore, it is likely the City will need to reissue the solicitation after Bond Counsel, staff, and Law Department attorneys discuss project structures with OAG's Public Finance Division to determine whether the OAG would approve of such a use, and if so, what project structure would be required to address the public finance legal requirements.

- Red River Realignment Costs. Addendum 4 to RFP issued on February 7, 2020 provided a response to a proposer's question on whether the selected developer would be responsible for proportionate costs of the new Red River Street between 12th to 15th Street. At that time, Austin Transportation Department (ATD) advised EDD staff that the developer would need to contribute up to \$3.5 million for such purposes. The final figure might be less but would not be more than \$3.5 million. Thus, the Addendum revised the minimum financial offer required under the RFP to \$12.2 million -- \$8.7 million for reimbursement of acquisition costs and up to \$3.5 million for the street realignment. This financial contribution is in addition to the loss of a portion of the site to accommodate the new right-of-way alignment of Red River Street. A survey showing the new alignment was shared with potential proposers in Addendum 6 on March 23, 2020.

After the solicitation closed and as ATD's negotiations with Central Health advanced, these terms changed. Under the current agreement with the City, the University of Texas via the 2033 Higher Education Development Foundation and Central Health will develop the new Red River Street between 12th Street and 15th Street. The selected developer of the former HealthSouth tracts will not be responsible for construction costs of the roadway between 12th and 13th Streets adjacent to the HealthSouth site; ATD will be. The selected developer will only be responsible for standard transportation fees directly related to their proposed project.

- Stakeholder Input. Austin City Council discussed the purchase and redevelopment of the HealthSouth site on three occasions from 2016 to 2018; during those deliberations Council did not direct staff to incorporate input from City Boards and Commission or other stakeholders. Resolution 20181004-042 directed City Manager to present the status of the solicitation within 30 days, which signaled Council's interest in proceeding quickly. The RFP, however, called out key area stakeholders – Central Health, UT Austin and its medical campus, the State Capitol, Capital City Innovation and its innovation district, Waterloo Greenway, Red River Cultural District, and East 11th and 12th Streets, anchored by the African-American Cultural Heritage District. It also noted that Travis County Courts and Commissioners Court, Central Health, UT-Dell Medical School and Integral Care had expressed interest in having health and/or justice related uses on the site. Proposers were encouraged to address these diverse area interests in their proposal. Attached for convenient reference are two recent letters to the City from Downtown Austin Alliance and Waterloo Greenway outlining these stakeholders' desire to have the proposed redevelopment maximize the monetary value to the City while achieving certain community benefits as outlined in more than a dozen bullet points.
- Potential for Affordable Housing at HealthSouth. Recent questions posed how many units of affordable housing are possible on the HealthSouth site. As a benchmark, the July 18, 2018 report by Urban Land Institute (ULI) Austin entitled "City of Austin 5 Sites Considered for Affordable Housing ULI Affordability Strategic Council Ranking" named the HealthSouth site as the "best" option of the five city-owned sites evaluated for incorporating affordable housing. This volunteer council of local real estate professionals conducted financial and feasibility analyses at their own initiative and submitted their findings to Austin City Council. ULI Austin concluded the HealthSouth site could accommodate 207 total units (168,700 square feet) with some retail (8,165 square feet) if awarded Low Income Housing Tax Credits from the State's most competitive (9 percent) category and at least \$3 million in subsidies from Austin Housing Finance Corporation (AHFC) and the site was transferred at no cost to the developer.² In this scenario, half (103) of the 207 units would be affordable to families earning at or below 60 percent of median family income and the other half would rent at market rates.

If the same project did not receive competitive tax credits, ULI Austin notes the project could tap noncompetitive (4 percent) tax credits, which provide less subsidy. In this scenario, however, AHFC's subsidy would rise to roughly \$10 million in addition to the land at no cost. In both cases, the City would forego land payments and be required to provide direct subsidy for the construction of the affordable units. The property would also be partially exempt from property taxes. A third development option offered was for the City to use a public corporation to retain ownership of land and improvements, thereby exempting it fully from property taxes in order to rent half of the units at or below 80 percent of median family income and half at market rates. ULI did not estimate the AHFC subsidy required under this third option. The ULI Austin analysis stated "some multibedroom" units with average size of 800 square feet could be incorporated in all scenarios.

In summary, the ULI Austin report shows that 103 affordable apartments can be achieved on the site if the City would forego payment for the site and provide direct subsidy of \$3 to 10 million. Since Resolution 20181004-042 referenced this report, it was included as Attachment 12 to the RFP.

² The City would have to identify funds of up to \$8.7 million to reimburse itself for acquisition costs.

- Next Steps. If Council authorizes, staff will negotiate with Aspen Heights an Exclusive Negotiation Agreement (ENA) that establishes roles and responsibilities for both parties in negotiations for a Master Development Agreement (MDA). The Housing and Planning Department (HPD) will continue to participate and weigh in on this discussion in regards to the affordable housing component. Once the ENA is executed, City staff and Aspen Heights will begin negotiating details of the MDA. This will include the amount and timing of lease or sale payment(s), details on affordable housing and other community benefits, and Third-Party Agreement requirements for construction. Staff may negotiate changes to community benefits in Aspen Heights' proposal that would trigger corresponding changes to financial and other terms. Staff will need direction from Council if additional or revised benefits are sought. Staff will bring the final terms and conditions to Council for authority to execute the MDA.

The City's Anti-Lobbying Ordinance applies to this process until the City and selected proposer execute an Exclusive Negotiation Agreement (ENA) or 60 days after the ENA is authorized by Council. Please continue to refer all correspondence and questions regarding this item to Shawn Willett, Deputy Purchasing Officer (shawn.willett@austintexas.gov).

Attachments

- December 1, 2020 staff briefing
- Public information packet submitted by DMA Companies/Intracorp
- Public information packet submitted by Hunt/Pennrose
- November 4, 2020 Downtown Austin Alliance letter
- November 5, 2020 Waterloo Greenway letter

XC:

Spencer Cronk, City Manager
 Nuria Rivera-Vandermyde, Deputy City Manager
 J. Rodney Gonzales, Assistant City Manager
 Sylnovia Holt Rabb, Interim Director, Economic Development Department
 James Scarboro, Purchasing Officer
 Shawn Willett, Deputy Purchasing Officer
 Edward Campos, Interim Director, Small & Minority Resources Department
 Rolando Fernandez, Capital Contracting Officer
 Susana Carbajal, Assistant Director, Economic Development Department
 Christine Maguire, Redevelopment Division Manager

**Staff Recommendation on
Development Team for
1215 Red River & 606 East 12th
Streets (former HealthSouth tracts)**

December 1, 2020 Item #B2

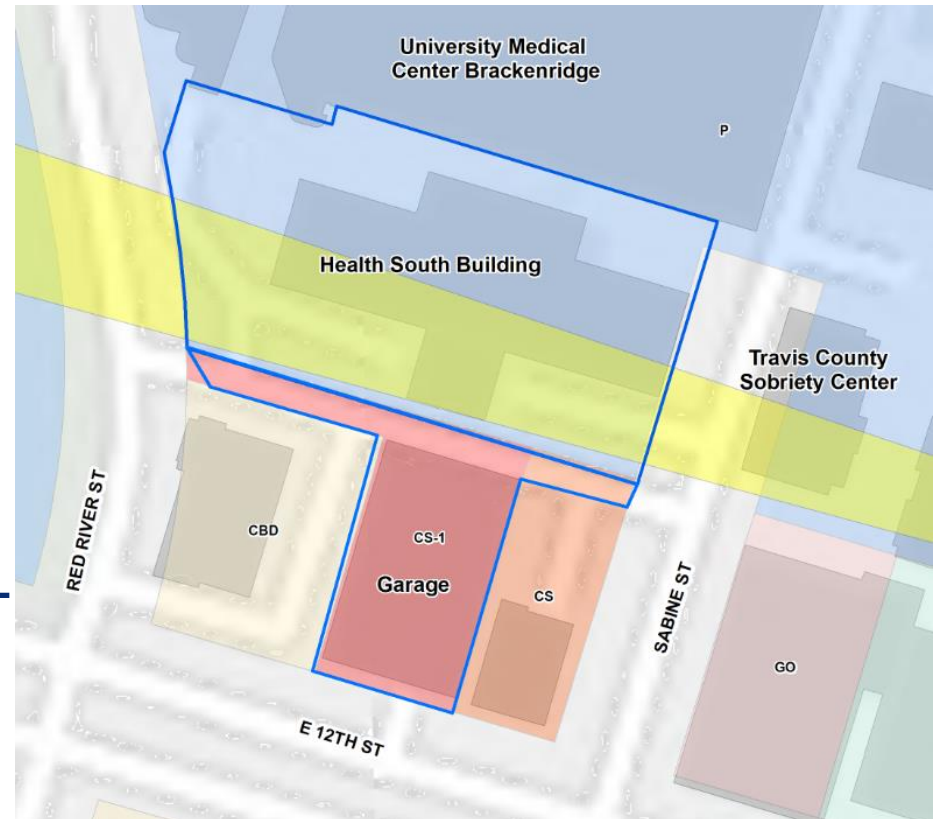
December 3, 2020 Item #9



**Economic
Development**
CITY OF AUSTIN

AGENDA

- HISTORY OF SITE
- CITY COUNCIL GOALS – SOLICITATION OVERVIEW
- EVALUATION PROCESS & REQUEST FOR COUNCIL ACTION ON 12/03/20
- OVERVIEW OF RECOMMENDED PROPOSAL
- SUMMARY OF OTHER PROPOSALS
- NEXT STEPS



SITE HISTORY

1952-76: City purchased 1215 Red River through series acquisitions

1988-90: City offers site to Brackenridge Hospital. Rehab Hospital Service Corp. (RHSC) executes ground lease & builds rehabilitation facility.

1995: RHSC assigns lease to HealthSouth, which acquires 606 East 12th to build parking garage.

2016: HealthSouth closes facility & offers to sell City its interests.

2017: Acquisition complete; Council considers redevelopment options.

2018: Council directs staff to issue solicitation to redevelop site with priority on affordable housing.

2019: RFP issued 11/18/19; Purchasing notified 278 vendor contacts.

2020: RFP closed 4/23/20. Diverse staff panel evaluates four proposals received & selects highest scored for Council approval.

COUNCIL GOALS & SOLICITATION OBJECTIVES

RESOLUTION 20181004-042

- Increase supply of multiple-bedroom housing for households earning at or below 60% of Median Family Income on site with option to also provide affordable units within one mile of site
- Address City financial obligations:
 - Proposals for ground lease or purchase welcome.
 - Minimum offer set at \$12.2 million of which \$8.7 million addresses site acquisition costs per Resolution and up to \$3.5 million for the proportionate share of costs for realignment of Red River Street per City standards.

SOLICITATION ALSO HIGHLIGHTED CITY PUBLIC-PRIVATE PARTNERSHIP REQUIREMENTS

- Develop site according to Austin values, ex., MWBE procurement program and Third-Party Agreement standards
- Provide additional community benefits, if possible, such as:
 - art, music, film, cultural arts, health care, workforce and job training, child-care services, small and local businesses, and/or
 - a new Austin Energy district cooling plant facility to serve area.

EVALUATION AND SELECTION OF PROPOSALS

After scoring the four proposals submitted, Aspen Heights and Pennrose/Hunt were invited to interview with evaluation panel. Aspen Heights received the highest total score (101 of 125) and is recommended for Council approval. City Purchasing announced the' rankings on November 6, 2020, as follows:

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Request for Council Approval on December 3, 2020

Agenda Item #9 requests Council act to authorize the negotiation and execution of an Exclusive Negotiating 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 Health South tract.

- 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 be brought to Council for approval in a proposed Master Development Agreement (MDA).
- The ENA and MDA will reflect requirements regarding City construction projects, such as MWBE procurement program, demolition of commercial buildings, as well as Third-Party Agreement standards, such as prevailing wage, worker safety and training, Better Builder and sustainability.

RECOMMENDED PARTNER: ASPEN HEIGHTS

12th & Red River: Tying Austin Together



ASPEN HEIGHTS PARTNERS



Austin-based team with more than 40 years experience

- Aspen Heights – developer
- STG Design – architecture, interior design, planning
- Civiltude – engineering, planning
- Studio Balcones – landscape architecture

ASPEN HEIGHTS' DEVELOPMENT PROGRAM

- Two Towers: 36-story residential tower of 420,000 sf of housing with 348 apts & 160 condos; 15-story office tower of 170,000 sf
- Affordable housing integrated on site; with over 25% of apartments serving residents earning 50% and 60% area median family income and ownership opportunities for those earning 80% area median family income.

RETAIL HIGHLIGHTS – 25,000+ SF

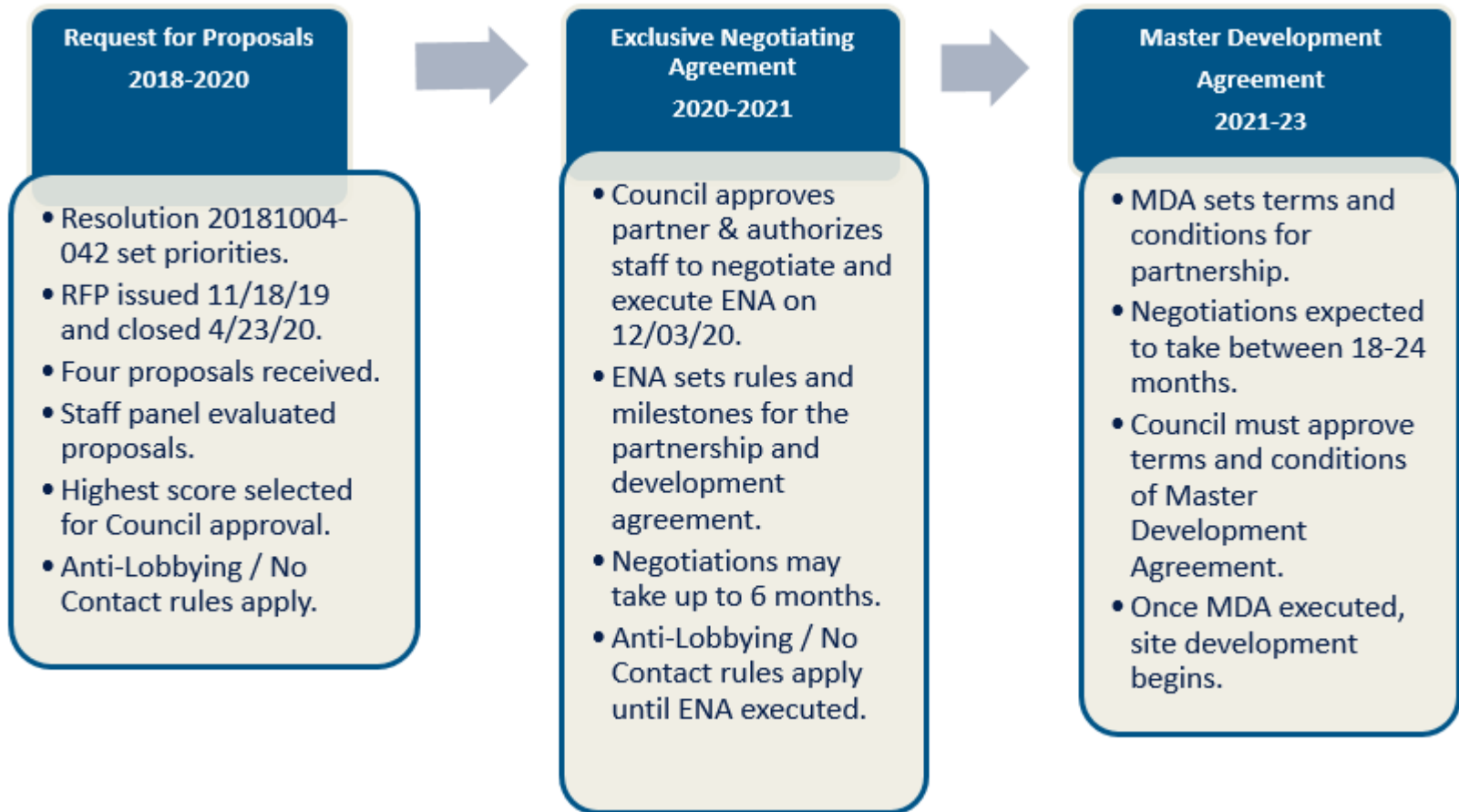
- 18,000 sf culinary destination with collaborative space for local food system
- Roof-top café & viewing deck open to public
- Retail serves residents, workers & visitors to UT, medical & State Capitol complexes

OTHER COMMUNITY BENEFITS

- 6,000 sf of music & arts space
- Mural on office tower west facade
- Seek highest sustainability ratings (LEED Gold, AE GB 4-Star)
- 22,000 sf elevated plaza connecting towers & protecting Capitol View Corridor

MASTER DEVELOPMENT AGREEMENT PROCESS

1215 RED RIVER & 606 EAST 12TH STREETS

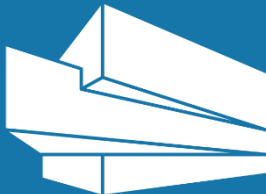


The City's Anti-Lobbying Ordinance applies to this process until the City and Aspen Heights Partners execute an Exclusive Negotiation Agreement (ENA) or 60 days after Council authorizes the ENA.

Please continue to contact Shawn Willett, Deputy Purchasing Officer (shawn.willett@austintexas.gov) with questions. Economic Development Department is lead for negotiations and contract management.



**Economic
Development**
CITY OF AUSTIN



Redevelopment

CITY OF AUSTIN
ECONOMIC
DEVELOPMENT

PUBLIC INFORMATION PACKET***Development Overview***

Our proposal is a high-density, mixed-use community that includes residential, office, retail, public space, and affordable housing at this exceptional location in Austin's burgeoning "Innovation District". The proposed design concept is a vibrant, visitable, inclusive, and livable community that provides the same quality experiences for all users. To this end, our proposal centers around locating 100% of its proposed affordable housing at this site, and not on another site within a mile. Of paramount importance to our team is that the affordable housing is an integral part of the overall development, and as such, creates a truly mixed-income community.

The Development Team

Our team has extensive experience and significant capacity to deliver the proposed development as presented herein. Intracorp will be the lead developer for the site and the market-rate mixed-use Tower, and DMA will be the developer for the affordable residential building.

Intracorp Homes, for more than 40 years, has been dedicated to building extraordinary homes and strong, profitable relationships with its partners, earning a reputation as one of North America's leading real estate developers. During those years, Intracorp has created more than 50 joint-venture partnerships and delivered more than 23,000 homes in communities that include mixed-use design, green building, sustainability features, and affordable housing components. Every new home begins with a unique vision, drawing inspiration from the local surroundings. Then, building materials and architectural details are carefully considered, with not so much as a square inch wasted.

The DMA Companies, which consists of DMA Development Company, LLC (DMA), and its consulting and management affiliates, bring close to forty years of experience in affordable housing utilizing a wide array of financing tools. DMA is widely recognized in Texas — and particularly in Austin — as the "go to" firm for creative, mixed-income, mixed-use rental developments. In addition to providing development consulting on more than 12,000 nonprofit-owned affordable units nationally, DMA has developed more than 30 affordable properties in two states (Texas and Georgia) and in the District of Columbia under the Housing Tax Credit Program and currently owns and manages a portfolio of more than 2,500 units with a value of more than \$200 million.

The Program

The design includes a 41-story residential tower on the larger parcel and a 7-story residential building on the smaller parcel. The North Tower will be mixed-use, with approximately 352 residential units, 25,350 square feet of commercial space, and a

6-story parking garage at its base, with approximately 553 parking spaces that will serve both buildings. On the Red River frontage, approximately 4,200 square feet of retail space is provided to activate the primary street edge.

Community Benefits

- 80 units of rental housing affordable to a range of incomes between 30% and 80% of the Area Medium Income ("AMI"), integrated seamlessly into a larger community that includes luxury market rate units. Specifically, while some affordable rental units will be included in the high-rise Tower and the majority in the 7-story building, all affordable units will be equal in quality and finish out to promote equity across the site.
- 21,150 square feet of commercial space within the development will be marketed to specific tenants at below market rent to put educational, non profit, entrepreneurial, tech and healthcare focused operators in our building to help grow this Innovation District.
- Public Plaza and Greenway. The proposed design includes well-designed, open, and inviting public plaza between the buildings, to be enjoyed by residents and visitors alike. In its generous design and proportion, the plaza and greenway will serve both as respite from the more energetic environs around this site (whether it be the hospital district to the north, or the Red River entertainment district to the south) and as a more active space where friends can gather and socialize.
- Green Building and Sustainability Features. The entire project will be designed using the most advanced sustainable building technologies and energy efficient building systems. We plan to reach a minimum 3-Star Energy Rating by Austin Energy Green Building program. The design of the building focuses on enhancing the quality of living for the project residents, paying attention to natural light and ventilation, shape and size of dwelling units, and public and private amenity spaces which encourage human interaction.
- Improved Built Environment along Red River. Our proposal increases the diversity of uses in the existing area. Introducing housing in this area, while it is undergoing redevelopment, is essential for urban revival by promoting activity that is not limited to "9 to 5" business hours, but that extends into the evenings.



November 4, 2020

Mayor Adler and Austin City Council Members
301 West Second Street
Austin, TX 78701

Re: Recommendations for Redevelopment of Former Health South Property (1215 Red River and 606 East 12th Street)

Mayor Adler and Council Members,

The Downtown Austin Alliance supports redevelopment of the Health South property that will maximize monetary value to the city while achieving community benefit. We recommend that the redevelopment include the following desired outcomes:

- Produces the highest and best use and monetary value to the City. This is even more critical now that the COVID-19 crisis has strained the City's funding, and it is important because it allows the City the greatest flexibility to direct resources and achieve highest ROI and expected community benefits.
- Meets affordable housing requirements in order to assist in the development of a mixed-income neighborhood, including units for low- and moderate-income families, and partially or completely includes the ability to fund substantial off-site affordable housing elsewhere.
- Includes affordable retail and services that are critical to affordable living as called for in the Downtown Vision.
- Ensures the development has the ability to help achieve the City's greatest equity priorities.
- Includes inviting uses and spaces for all – including public amenities, where appropriate, that are welcoming to people of all backgrounds, ages, and abilities.
- Seeks to provide dense, mixed uses to support current and future area residents, employees and visitors.
- Supports and enables principles of the Downtown Vision.
- Includes transit-supportive density, uses and urban design that complement the Project Connect vision, specifically the Gold Line and Purple Line.
- Contributes to an active streetscape with first-floor amenities that promote pedestrian activity, including ground-floor retail and services on 12th and Red River Streets
- Enhances the character and vitality of Downtown, East Austin, the University of Texas and the State Capitol Complex.
- Considers its abundant, emerging, neighborhood context of current and future public and private redevelopment at the Central Health Downtown Campus, the Austin Innovation

District, the State Capitol Complex, Waterloo Greenway and additional emerging districts like East 12th Street and I-35 Corridor.

- Considers comprehensive planning efforts for the Waller/Palm District.
- Considers recommendations outlined within the Urban Land Institute's Report for the I-35 Corridor including the ability to connect and/or complement future development along the East 12th Street corridor and consider recommendations outlined for it within the Urban Land Institute's Report.
- Complementary with the adjacent, family-friendly Waterloo Park and Waterloo Greenway in its building form, function, and architectural design.
- Complementary with adjacent Red River Cultural District, including Moody Amphitheater in Waterloo Park.
- Follows Waterloo Greenway District Design Guidelines and favors projects committed to implementing these principles.
- Enhances mobility, access and connectivity by implementing Great Streets where possible and looking for opportunities to improve the pedestrian and bicycle experience.

We believe these desired outcomes align with and will help achieve the four priorities for downtown Austin identified in the community-driven Downtown Vision: downtown is a thriving center, a welcoming place, an authentic neighborhood and a leader in urban transportation. We appreciate your consideration of these desired outcomes as you determine the future of this important site.

Sincerely,



Dewitt Peart
President & CEO

cc: Spencer Cronk, City Manager
Nuria Rivera-Vandermyde, Deputy City Manager
J. Rodney Gonzales, Assistant City Manager
Veronica Briseno, Chief Economic Recovery Officer
Sylvia Holt Rabb, Interim Director, Economic Development Department
Susana Carbajal, Assistant Director, Economic Development Department
Christine Maguire, Redevelopment Division Manager
Margaret Shaw, Economic Redevelopment Program Manager

waterloo greenway

DATE: November 5, 2020

SUBJECT: Redevelopment of former HealthSouth property (1215 Red River and 606 East 12th Street)

Dear Shawn Willett,

Waterloo Greenway Conservancy supports redevelopment of the HealthSouth property that will optimize monetary value to the city while achieving community benefit. In addition, the redevelopment should consider its abundant, emerging, neighborhood context of current and future public and private redevelopment at the Central Health Downtown Campus, the Austin Innovation District, the State Capitol Complex, Waterloo Greenway and additional emerging districts like East 12th Street and I-35 Corridor.

- Produces the highest and best use and monetary value to the City. This is even more critical now that the COVID-19 crisis has strained the City's funding, and it is important because it allows the City the greatest flexibility to direct resources and achieve highest ROI and expected community benefits.
- Meets on-site affordable housing requirements, including units for low- and moderate-income families, in order to assist in the development of a mixed-income neighborhood, and leverages redevelopment revenue to fund additional affordable housing off-site.
- Includes affordable retail and services that are critical to affordable living as called for in the Downtown Vision.
- Ensures the development has the ability to help achieve the City's greatest equity priorities.
- Includes inviting uses and spaces for all – including public amenities, where appropriate, that are welcoming to people of all backgrounds, ages, and abilities.
- Seeks to provide dense, mixed uses to support current and future area residents, employees and visitors.
- Supports and enables principles of the Downtown Vision.
- Includes transit-supportive density, uses and urban design that complement the Project Connect vision, specifically the Gold Line and Purple Line.
- Contributes to an active streetscape with first-floor amenities that promote pedestrian activity, including ground-floor retail and services on 12th and Red River Streets.
- Enhances the character and vitality of Downtown, East Austin, the University of Texas and the State Capitol Complex.
- Considers comprehensive planning efforts for the Waller/Palm District.
- Considers recommendations outlined within the Urban Land Institute's Report for the I-35 Corridor including the ability to connect and/or complement future development along the East 12th Street corridor and consider recommendations outlined for it within the Urban Land Institute's Report.
- Complementary with the adjacent, family-friendly Waterloo Park and Waterloo Greenway in its building form, function, and architectural design.
- Complementary with adjacent Red River Cultural District, including Moody Amphitheater in Waterloo Park.
- Follows Waterloo Greenway District Design Guidelines and favors projects committed to implementing these principles.
- Enhances mobility, access and connectivity by implementing Great Streets where possible and looking for opportunities to improve the pedestrian and bicycle experience.

We thank you for your leadership on the redevelopment of the former HealthSouth property.

Sincerely,
Waterloo Greenway Conservancy



PROPOSED REDEVELOPMENT PLAN

The proposed mixed-use development is approximately one million GSF (excluding parking) and contains the following components:

- **Affordable Residential:** This proposed mixed-use development would provide a total of 100 affordable units. Fifty of these affordable units are in the South Tower located at Red River Street and East 12th Street and fifty of the units are at the Central Health office and Terrazas Branch Library site a few blocks from downtown on East Cesar Chavez between San Marcos Street and Waller Street. The location of the affordable housing on both of these sites will be a significant increase in the affordable housing in proximity to downtown Austin.
- **Market Rate Residential:** The Red River site includes 230 market rate units. The Cesar Chavez site will also include 20 market rate units.
- **Office:** A 19-story office building will provide 649,500 GSF of office space.
- **Parking:** Five levels of below-grade parking will provide 1,400 spaces.
- **Sobering Center:** This will be relocated from the site across Sabine Street to the proposed 12,000 GSF, two-story site located at street level on the Southeast corner of the building.
- **District Cooling Plant:** The Austin Energy District Cooling Plant is shown across Sabine Street.
- **Retail/Multi-Use Meeting Space:** The northern face of the development (facing a green space paseo, adjacent to the building lobby and 4,000 GSF terrace) will house a 7,000 GSF multi-use meeting space available to non-profits and public entities. Adjacent to the multi-use meeting space, on the northeast side of the development, also facing the paseo, will be a 6,100 GSF retail space for a potential community benefit, such as an artist collaborative, or a restaurant. The Cesar Chavez site includes a 2,100 SF Community space that can be used for workforce and job training or other identified programs.





CENTRAL HEALTH
LP Equity Partners



**CENTRAL
HEALTH**

DEVELOPMENT TEAM

PENNROSE
Co-Developer

PENNROSE
Bricks & Mortar | Heart & Soul

HUNT
Co-Developer



**DESIGN & BUILD
CONTRACTOR**

**HENSEL
PHELPS**

**KITCHEN &
ASSOCIATES**

**CESAR CHAVEZ
ARCHITECT**

**PROJECT
ARCHITECT &
DESIGN**

**PAGE
ARCHITECTS**

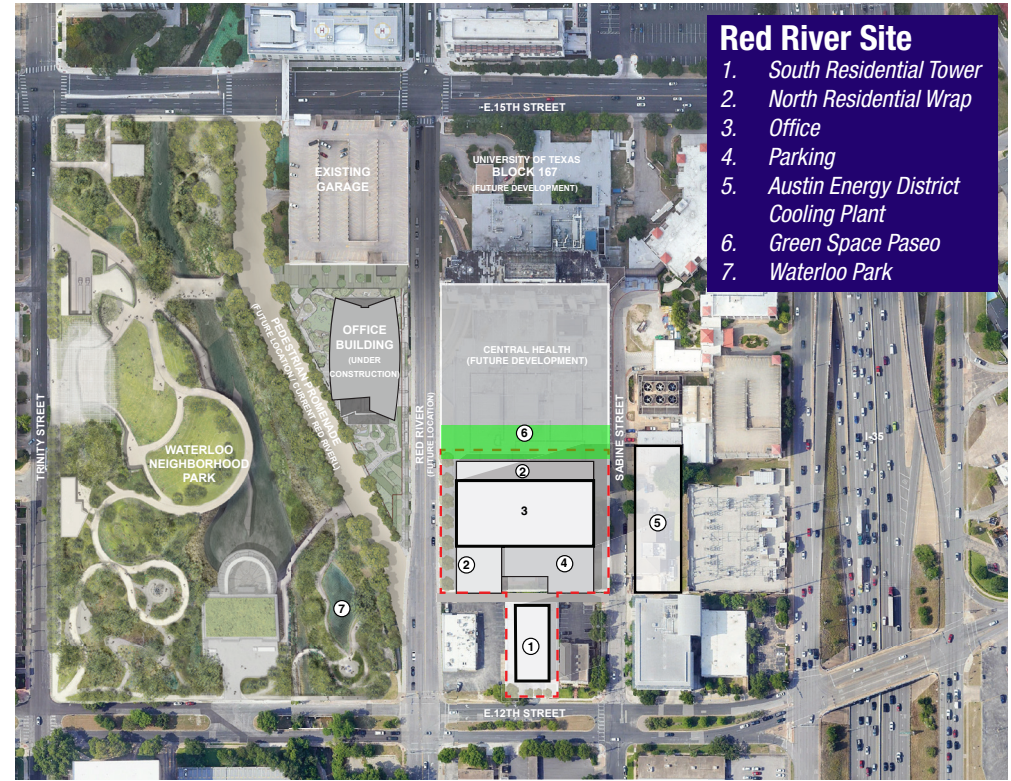
CIVIL ENGINEER

GARZA-EMC

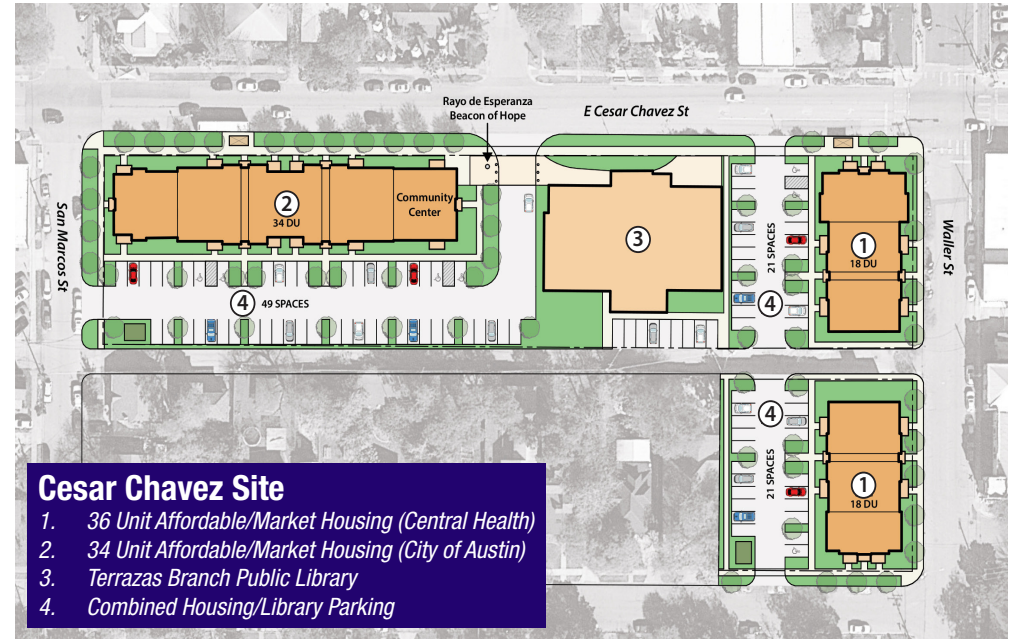
**PROJECT MANAGEMENT TEAM
MEMBERS**

Red River Site

1. South Residential Tower
2. North Residential Wrap
3. Office
4. Parking
5. Austin Energy District Cooling Plant
6. Green Space Paseo
7. Waterloo Park



PROPOSED DEVELOPMENT AT CESAR CHAVEZ SITE



Cesar Chavez Site

1. 36 Unit Affordable/Market Housing (Central Health)
2. 34 Unit Affordable/Market Housing (City of Austin)
3. Terrazas Branch Public Library
4. Combined Housing/Library Parking