



Recommendation for Action

File #: 22-2576, **Agenda Item #:** 168.

7/28/2022

Posting Language:

Authorize an amendment of the exclusive negotiation agreement with Aspen Heights Partners for the redevelopment of 1215 Red River Street and 606 East 12th Street, the former Health South tract, to extend the agreement through September 30, 2022.

Lead Department:

Economic Development.

Fiscal Note:

This item has no fiscal impact.

Prior Council Action:

- January 27, 2021 - Council authorized negotiation and execution of an exclusive negotiating agreement with Aspen Heights Partners.
- December 10, 2020 - Council postponed the request to authorize negotiation and execution of an exclusive negotiating agreement with Aspen Heights Partners to January 27, 2021.
- December 3, 2020 -- Council postponed the request to authorize negotiation and execution of an exclusive negotiating agreement with Aspen Heights Partners to December 10, 2022.
- October 4, 2018 - Council approved Resolution No. 20181004-042 directing the City Manager to solicit plans for redevelopment of the Health South tract.
- March 23, 2017 - Council approved Resolution No. 20170323-052 directing the City Manager to explore options for repurposing the Health South tract.
- December 15, 2016 - Council approved Ordinance No. 20161215-019 and Resolution No. 20161215-020 amending the budget and declaring the intent to reimburse itself for the Health South acquisition. Council approved the acquisition of the HealthSouth tract.

For More Information:

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Council Committee, Boards and Commission Action:

June 17, 2021 - Downtown Commission: Update on Health South.

Additional Backup Information:

Staff continue to negotiate with Aspen Heights Partners on its best and final offer for the Health South property. Due to the lack of proforma information to verify the best and final offer, staff need more time to complete their analyses to be able to make a recommendation to Council on proposed terms of a Master Development Agreement (MDA).

This action extends the negotiating period for 45 days under the City's exclusive negotiating agreement (ENA) with Aspen Heights Partners to create an innovative, catalyst mixed-use project for northeast downtown. The ENA terminates on August 16, 2022 without further action by Council. The additional 45 days is needed to reach final terms on project financing, phasing, M/WBE participation goals, affordable housing and other community benefits among other terms. The resulting terms and conditions in a proposed term sheet of a MD) will be brought to Council for consideration prior to September 30, 2022. The ENA and MDA will also reflect standards for City construction projects, such as prevailing wage, worker safety and training, Better Builder, and sustainability.

Background

At the direction of Council, staff issued a Request for Proposals on November 18, 2019, seeking a real estate development team to redevelop the City-owned parcels at 1215 Red River Street and 606 East 12th Street, the former HealthSouth Rehabilitation facility and its parking garage. Four proposals were received by April 23, 2020. The proposal submitted by Aspen Heights Partners, a local Austin real estate developer, scored the highest, and on January 27, 2021, Council authorized staff to negotiate and execute an ENA for terms governing a MDA for redevelopment of the City parcels. The City's negotiating team is led by the Economic Development Department with representatives from the Financial Services Department, Office of Real Estate, Housing and Planning, and the Law Department.

The ENA was executed on May 17, 2021. Under terms outlined in the ENA, the City team and Aspen Heights meet regularly to negotiate terms of a MDA and exercised all administrative extensions, first on February 9, 2022 and secondly on May 18, 2022. The ENA terminates on August 16, 2022 without further Council action. For additional information, visit the [1215 Red River & 606 East 12th project website](https://www.austintexas.gov/departments/1215-red-river-606-east-12th) [<https://www.austintexas.gov/departments/1215-red-river-606-east-12th>](https://www.austintexas.gov/departments/1215-red-river-606-east-12th).

Strategic Outcome(s):

Economic Opportunity and Affordability; Government that Works for All.