



Recommendation for Action

File #: 22-3036, **Agenda Item #:** 12.

9/29/2022

Posting Language:

Authorize negotiation and execution of a master development agreement with Aspen Heights Partners, or its affiliates, for terms governing the development, construction, and lease of a mixed-use residential development and associated infrastructure on City-owned sites located at 1215 Red River Street and 606 East 12th Street under terms outlined in a term sheet.

Lead Department:

Economic Development Department.

Fiscal Note:

There is no fiscal impact.

Prior Council Action:

July 28, 2022 - Council authorized 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.

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 Health South 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:

This action responds to Council direction on July 28, 2022, to extend staff negotiations with Aspen Heights Partners through September 30, 2022 under the City's exclusive negotiating agreement (ENA) to create an innovative, catalyst mixed-use project for northeast downtown. The additional time was needed to reach final terms on project financing, phasing, affordable housing, and other community benefits among other terms. The result is included in a proposed term sheet of a Master Development Agreement (MDA) for Council consideration. The ENA and MDA will also reflect all standards for City construction projects, such as prevailing wage, worker safety and training, Better Builder, sustainability, and childcare. With Council approval of the term sheet, staff and Aspen Heights will develop the MDA that will govern the redevelopment and operations of the project.

On November 18, 2019, at the direction of Council, staff 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 Street, the former Health South Rehabilitation facility and its parking garage. Four proposals were received by April 23, 2020. Aspen Heights Partners, a local Austin real estate developer, scored the highest. On January 27, 2021, Council authorized staff to negotiate and execute an ENA to develop terms governing a MDA for redevelopment of the City parcels. The City's negotiating team is led by Economic Development Department with representatives from Financial Services Department-Real Estate Services, Housing and Planning Department, and the Law Department.

The ENA was executed on May 17, 2021. Under terms outlined in the ENA, City team and Aspen Heights meet regularly to negotiate terms of a MDA and exercised all administrative extensions, first on February 9, 2022, and the second May 18, 2022, and the third on August 16, 2022. For additional information, visit the 1215 Red River & 606 East 12th project website at <https://www.austintexas.gov/department/1215-red-river-606-east-12th>.

Strategic Outcome(s):

Economic Opportunity and Affordability; Government that Works for All.