

CITY COUNCIL MEETING JANUARY 27, 2021 ITEM #13 REDEVELOPMENT OF HEALTHSOUTH TRACTS

STAFF RESPONSES TO COUNCIL QUESTIONS

For all public documents, please visit EDD Health South project page at: <http://www.austintexas.gov/departments/1215-red-river-606-east-12th>

TOPIC		COUNCIL REQUEST	COUNCIL MEMBER	ORIGIN	STAFF RESPONSE
1	AE DISTRICT CHILLER PLANT	Provide a detailed analysis of economic and use impacts of including AE's district cooling plant facility in this project.	Tovo	Council message board 12/10/20	Austin Energy continues to seek a site in northeast downtown for a chiller plant to serve adjacent developments. Design and construction of a plant takes approximately two to three years. AE first conducts a feasibility study (est. cost \$250K) for any new plant to determine if pursuing the plant would be economically feasible. A new plant is not currently budgeted; for reference, Seaholm DCP#3 cost \$45M to construct; land/space acquisition are additional costs. See also Council's confidential sharepoint site.
2	AE DISTRICT CHILLER PLANT	Provide information about the funding available for land costs associated with the AE district cooling plant facility and the Downtown Austin Community Court.	Tovo	Council message board 12/10/20	Austin Energy continues to seek a site in northeast downtown for a chiller plant to serve adjacent developments. Design and construction of a plant takes approximately two to three years. AE first conducts a feasibility study (est. cost \$250K) for any new plant to determine if pursuing the plant would be economically feasible. A new plant is not currently budgeted; for reference, Seaholm DCP#3 cost \$45M to construct; land/space acquisition are additional costs. See also Council's confidential sharepoint site.
3	AE DISTRICT CHILLER PLANT	20. Please provide additional information and context, including the timeframe, for Austin Energy's need of a district cooling facility in the area. Please indicate which proposals accommodate this need. What financial value would the City ascribe to the provision of that facility?	Tovo	12/10/20 Council Q&A Report	Austin Energy continues to seek a site in northeast downtown for a chiller plant to serve adjacent developments. Design and construction of a plant takes approximately two to three years. AE first conducts a feasibility study (est. cost \$250K) for any new plant to determine if pursuing the plant would be economically feasible. A new plant is not currently budgeted; for reference, Seaholm DCP#3 cost \$45M to construct; land/space acquisition are additional costs. See also Council's confidential sharepoint site.
4	AFFORDABLE HOUSING	1 & 5. How can the city maximize income restricted housing in Austin, including in the downtown area, and especially using city-owned land to do this?	Mayor	12/10/20 Council Q&A Report	The Austin Strategic Housing Blueprint, adopted by City Council in 2017, calls for an additional 60,000 units affordable to households at or below 80% Median Family Income (MFI) over 10 years. City Council subsequently approved district goals for affordable housing, including a goal of 7,086 affordable units for District 1 (in which the Health South site is located). Any income-restricted residential units on the Health South site will help to meet these ambitious goals. There are a variety of strategies articulated in the Austin Strategic Housing Blueprint to create or preserve income-restricted housing. The primary mechanisms deployed by the City of Austin include direct subsidy (through Housing Development Assistance programs) and incentives (through density bonus programs and other developer incentives). Publicly-owned land presents a unique opportunity to create additional affordable housing through a combination of subsidy and/or incentives. In fact, the Blueprint challenges the city to maximize public property to build or include affordable housing. The Health South procurement is well-aligned with the goals articulated in the Austin Strategic Housing Blueprint. As stated in the Blueprint (page 27): "Publicly owned land is a public asset that must be used strategically to achieve multiple public benefits, including the creation of affordable homes in our community. In order to do this, the Austin City Council must decide to make siting affordable housing on public land a priority by setting policy that construction of affordable housing will always be considered when the City makes decisions regarding its publicly owned land."

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5	AFFORDABLE HOUSING	2 & 6. Please provide a means to evaluate whether the city should invest in additional units on this site, or if there is a cash value to the City that can be better invested at another location, potentially nearby, to get more total units or deeper affordability?	Mayor	12/10/20 Council Q&A Report	City staff is constantly weighing the benefits of on-site affordability compared with off-site opportunities. Again, the Austin Strategic Housing Blueprint is instructive. One of the five core values articulated in the Blueprint is to “Foster Equitable, Integrated and Diverse Communities.” The city achieves this through inter-related strategies and actions, including incentivizing the inclusion of income-restricted housing in new development, as well as encouraging mixed-income developments through our subsidy and incentive programs. Housing and Planning Department currently collects fees-in-lieu for a variety of geographic-based programs, such as Plaza Saltillo TOD, North Burnet Gateway, and the Downtown Density Bonus. Those fees have enabled staff to provide critical resources to high profile affordable housing developments. Foundation Communities’ Waterloo Terrace (132-unit supportive housing project) received \$827,308 in direct subsidy through the North Burnet Gateway fund. Similarly, DMA Development’s Talavera Lofts (92-unit workforce housing development) received \$1,202,079 through the Plaza Saltillo TOD fund. Oftentimes, fee-in-lieu payments for offsite housing can be both practical and advantageous, such as the Downtown Density Bonus fee-in-lieu funding dedicated to low-barrier, Permanent Supportive Housing. However, the majority of the time, requiring on-site, income-restricted housing helps the city work toward the goal of fostering equitable, integrated, and diverse communities.
6	AFFORDABLE HOUSING	3 & 7. From a housing policy perspective, is it better for residents and children of all financial strata to be in a development with a mix of various income levels? And what’s the optimum mix?	Mayor	12/10/20 Council Q&A Report	There is an enormous body of national research on this issue, including HUD’s longitudinal Moving to Opportunity study, which began in the 1990s. More recently, nationally-renowned researcher, Raj Chetty’s “Opportunity Insights” has provided extensive data analysis focused on housing and neighborhoods’ impact on social and economic mobility: https://opportunityinsights.org/ . Raj Chetty is currently working on a partnership with Public Housing Authorities to evaluate the effectiveness of programs designed to move low-income families with children out of high poverty areas into areas of opportunity: https://www.povertyactionlab.org/page/creating-moves-opportunity . The research will help to inform public policy in the future. For now, the “optimum mix” of income levels in a community is subjective and elusive. Oftentimes, the income mix of a single development is determined by the financing mechanism. For example, a Low Income Housing Tax Credit (LIHTC) project has specific income levels (established by federal law) that dictate the project size, unit mix, and underlying capital stack. Fortunately, most of our local affordable housing developers strive to create mixed-income opportunities within their developments (where financially feasible) because of a desire to create more diverse and sustainable communities.

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7	AFFORDABLE HOUSING	4 & 8. What is the optimum percentage of income restricted and market units that is best and we should be trying to achieve in any given project?	Mayor	12/10/20 Council Q&A Report	The City of Austin's density bonus programs have been carefully calibrated to incorporate on-site affordability, while recognizing market realities and legal constraints. With many of the existing density bonus programs, the market has enabled developers to dedicate a relatively small but meaningful percentage (10%) of their total units to moderate affordability levels (either 60% or 80% MFI) without providing any direct subsidy. Either increasing the percentage of units or decreasing the levels of affordability (e.g., "pulling any of the available levers"), will require additional subsidy to achieve greater community benefit.
8	AFFORDABLE HOUSING	More affordable housing to such an extent that affordable housing is the site's primary use, be it through a 9% Low Income Housing Tax Credit application or a General Obligation bond subsidy if necessary.	Tovo	Council message board 12/10/20/20	See EDD memos to Mayor/Council on 12/8/20 and 1/20/21. 2018 Resolution did not direct site's primary use to be affordable housing; if it is current Council's consensus to do so, this solicitation should be cancelled and rebid.
9	AFFORDABLE HOUSING	3. To the greatest extent legally feasible, please provide a detailed breakdown of each proposal as it relates to housing. Please provide a breakdown of each proposal as it relates to market housing units vs. affordable housing units. Then, within each proposal please provide the total number of proposed units (market and affordable combined), the total number market rate units and total number of proposed affordable units for each proposal. Then, please provide how many affordable units are rental vs. ownership and please provide the unit mix (bedroom count) for each category of rental and ownership affordable units.	Tovo	12/10/20 Council Q&A Report;	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
10	AFFORDABLE HOUSING	4. Please provide information about how the amenities contemplated by each proposal are intended to be utilized by households residing in the income-restricted homes.	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
11	AFFORDABLE HOUSING	13. Please describe in detail what affordable housing each developer has constructed in the Austin area.	Tovo	12/10/20 Council Q&A Report	See EDD 12/8/20 memo to Mayor and Council; attachments are proposers' public information packets. Additional information on Council's confidential SharePoint site.

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12	AFFORDABLE HOUSING	15. What are the affordability terms for each of the proposals?	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
13	AFFORDABLE HOUSING	16. Will the selected developer be required to accept housing voucher holders?	Tovo	12/10/20 Council Q&A Report	It is not City policy to require public-private partnerships to accept Housing Choice Vouchers, only projects that receive AHFC subsidies. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal.
14	AFFORDABLE HOUSING	11. Does staff have a recommendation on whether we should use this asset to generate revenue or resources that we could apply to permanent supportive housing so that the use of this public asset could help us house some of the people downtown that are otherwise living on our streets and in tents?	Mayor	12/10/20 Council Q&A Report	This question is much broader than can be answered by the Economic Development Department. Unless already allocated for specific purposes, revenues generated by redevelopment projects (in this case General Fund revenues) become part of the City's revenue forecast and are used for expenses as put forward in that year's proposed budget. The proposed budget represents the recommended allocation of revenues based on priorities.
15	AFFORDABLE HOUSING	Require an affordable housing term length of 99 years for rental and ownership.	Tovo	Council message board 12/10/20/20	City housing programs require a 99-year term for ownership and 40 years for rental. This aligns with other financing sources and nationwide best practices. Additional information on Council's confidential SharePoint site.
16	AFFORDABLE HOUSING	Alter the unit makeup of the affordable units to reflect a significant shift from one-bedroom and studio homes to two- and three-bedroom homes to align with recommendations from the 2008 Families with Children Task Force.	Tovo	Council message board 12/10/20	Per 12/8/20 and 1/20/21 EDD memos to Mayor/Council, Aspen Heights' proposal offers the most on-site affordable units with 2 or more bedrooms; additional community benefits including changes to the affordable unit sizes and mix may be negotiated but could trigger changes to financial and other terms of AH proposal. Additional information for Council is available in the confidential SharePoint site.
17	AFFORDABLE HOUSING	Include a "Right of First Refusal" provision for the City of Austin that would be enacted upon expiration of the affordability terms or if the affordable rental homes convert to a condominium use.	Tovo	Council message board 12/10/20	At Council's direction, this may be included in staff negotiations yet would trigger changes to financial and other terms of AH proposal. Current City single-family homeownership programs require AHFC to be named under a ROFR. A ROFR under a condominium project is more complicated yet may be negotiated at additional cost to the City. There is not a City requirement for a ROFR on affordable apartments in the event they convert to condominiums. For rental units, assuming ROFR is placed at the end of the affordability period as in LIHTC program, AHFC has instructive language. In HPD's new rental housing guidelines, AHFC requires a ROFR favoring AHFC in all developments receiving AHFC subsidies. The ROFR is subordinated to TDHCA's ROFR.
18	AFFORDABLE HOUSING	Require source of income non-discrimination and the acceptance of Housing Choice Vouchers, the City of Austin's local housing vouchers, or other rental subsidies for the affordable rental homes.	Tovo	Council message board 12/10/20	It is not City policy to require public-private partnerships to accept Housing Choice Vouchers, only projects that receive AHFC subsidies. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal.

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19	AFFORDABLE HOUSING	Designate a certain percentage of the income-restricted affordable rental homes to be reserved for voucher holders and Continuum of Care units.	Tovo, Kitchen	Council message board 12/10/20; Meeting with Briseño, Truelove & Carbajal 12/17/20	This is not current City policy nor was it included in the 2018 Resolution. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal.
20	AFFORDABLE HOUSING	For the reasons outlined in University of Texas School of Law Clinic Entrepreneurship and Community Development Clinic November 2020 report, "Public Facility Corporations and the Section 303.042(f) Tax Break for Apartment Developments," the rent charged (including a utility allowance) in the affordable rental units shall not exceed 30% of a household's income at 60% MFI or 50% MFI income levels and the income restrictions (and rent restrictions) shall be adjusted for household size under HUD guidelines. https://law.utexas.edu/wp-content/uploa ... Report.pdf	Tovo	Council message board 12/10/20	This request may need clarification. Staff supports setting project's rent restrictions to comply with City HPD and TDHCA/US Treasury rent restrictions. Tying a rent ceiling to 30% of an individual household's income would not provide sufficient certainty for developer and financing partners.
21	AFFORDABLE HOUSING	Ensure the inclusion of our current policy, in which the sale price of the affordable homes must be no more than 3 times the household's annual income (or 3.5 times the household's income if someone in the household has completed approved homebuyer counseling or education). Ownership units must also subject to an equity cap, where the homeowner's equity can increase up to 2 percent per year for 30 years (at which point no additional equity can be earned). This allows the homeowner to gain some appreciation at resale, while also preserving the affordability of the home for future income-eligible homebuyers.	Tovo	Council message board 12/10/20	Two separate requirements are presented. The equity cap is City policy and enforced through the Restrictive Covenants. It is expected this policy will be incorporated in the final terms and conditions in the MDA governing HealthSouth tracts. The City's maximum sales price policy, however, was effective July 1, 2020, after the HealthSouth RFP closed. Thus, proposers are not required to incorporate this standard. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal.
22	BUILDING DESIGN / CONSTRUCTION	Achieve LEED Gold rating or 4-star Green Building standards.	Tovo	Council message board 12/10/20	These are AH proposed sustainability goals as noted in the 12/1/20 staff briefing; Aspen Heights' public information packet and the 12/8/20 EDD memo. All of which are available on EDD project page.

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23	BUILDING DESIGN / CONSTRUCTION	List any waivers or approvals required to execute development as proposed.	Tovo	Council message board 12/10/20	At this stage of the solicitation, such a list does not exist. Additional confidential information for Council in SharePoint site.
24	BUILDING DESIGN / CONSTRUCTION	Include a study by a qualified acoustical consultant documenting current sound conditions in the area and prescribing a plan for construction and design solutions to minimize sound impact to residential portions of the redevelopment not only for any contemplated venue uses within the project, but also for amplified sound from the adjacent Waterloo Park.	Tovo	Council message board 12/10/20	Austin building codes and ordinances set standards for construction of mixed-uses, and it is also in the interest of developer to ensure compatible experiences. Additional acoustic studies or sound accommodations are not current City policy nor was it included in the 2018 Resolution. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal.
25	BUILDING DESIGN /CONSTRUCTION	2. To the greatest extent legally feasible, please provide a detailed breakdown of each applicant's proposal. Please provide the details surrounding each proposal's ratio of uses by square footage – for instance, Proposal #1 - % office use, % residential use, % entertainment use, etc.	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
26	BUILDING DESIGN /CONSTRUCTION	17. Please provide additional details about the parking specifications in each proposal. If parking is provided in the proposal(s), how many above-ground floors will be devoted to that purpose and in which building(s)?	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
27	COMMERCIAL USE	Explore the inclusion of on-site high-quality affordable childcare as a use within the proposal and return to Council detailing its feasibility and options for inclusion in the negotiation for the master development contract.	Tovo	Council message board 12/10/20	This was not included in the 2018 Resolution. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal. Additional confidential information for Council in SharePoint site.

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28	COMMERCIAL USE	Negotiate inclusion of city uses within this office space, including the Downtown Austin Community Court.	Tovo	Council message board 12/10/20	This was not included in the 2018 Resolution. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal. The City's Strategic Facility Governance Team recognizes the HS site as a way to maximize affordable housing on site, other City assets have been identified to provide administrative office space.
29	COMMERCIAL USE	Provide information about what ways the commercial space at the HealthSouth redevelopment could help further the City's goal to implement a portfolio approach to city real estate.	Tovo	Council message board 12/10/20	A portfolio approach of real estate owned by municipalities is a best practice. Utilizing City assets at the direction of Council allows for specific needs of the City to be addressed. Staff has worked to strategically identify tracts ripe for redevelopment as well as planning for administrative and facility use. The City's Strategic Facility Governance Team recognizes the HS site as a way to maximize affordable housing on site, other City assets have been identified as spaces to provide administrative office space.
30	COMMERCIAL USE	Provide an analysis of how creating office space for the City at HealthSouth could open up possibilities for more affordable housing at One Texas Center.	Tovo	Council message board 12/10/20	Incorporating City offices at HealthSouth has not been evaluated; it's not clear how moving offices from OTC to HS would free up space for affordable housing unless the intent is to demolish OTC. Preliminary land massing analysis of OTC allows for both administrative office space and housing without impacting the HS property. This municipal use was not envisioned in Council Resolution 20170323-052 directing staff to evaluate the HS site nor in Resolution 20181004-042 directing this solicitation. Council would need to clarify its goals, and it would take time for staff to analyze the impact of moving offices between HS and OTC and corresponding impacts on the portfolio approach. As noted in 1/20/21 EDD memo, if Council's priorities for HS have changed since 2018 then staff recommends cancelling this solicitation and issuing new one with current priorities.
31	COMMERCIAL USES	9. Has the tract been assessed for the relocation of the Downtown Austin Community Court? Please describe this assessment and detail how this could be utilized within the office / commercial uses within each of the four proposals.	Tovo	12/10/20 Council Q&A Report	Council Resolution 20181004-042 directed staff to solicit proposals for 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. Council direction did not include incorporation of other civic uses, such as Downtown Austin Community Court (DACC). Council may direct staff as part of the MDA negotiations to incorporate the DACC in the commercial property, which would trigger changes to the financial terms and other community benefits.
32	COMMERCIAL USES	11. Should the Council select a proposal that includes a music / entertainment venue on-site, please detail how noise mitigation would be addressed for the residents, as well as what resources the City intends to allocate toward enforcing sound violations.	Tovo	12/10/20 Council Q&A Report	Austin building codes and ordinances set standards for construction of mixed-uses, and it is also in the interest of developer to ensure compatible experiences. Such an idea is not unprecedented. Stratus Properties incorporated both W Hotel and Residences and Austin City Limits Live at Moody Theater in a previous public-private partnership. The hotel opened in December 2010, and ACL Live opened the following year, February 2011. ACL Live is a state-of-the-art, 2,750-person capacity live music venue that hosts approximately 100 concerts a year as well as tapings of ACL television show and a variety of private events. While not located within the residential tower, it is located below the W Hotel and Residences with more than 250 hotel rooms and 159 condominiums. There has never been a sound problem experienced by condominium residents due to events at ACL Live. Violations of the Sound Ordinance are handled by a combination of departments funded through the annual City budget process.

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33	COMMERCIAL USES	19. Do any of the proposals include pools / aquatic facilities?	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
34	COMMERCIAL USES	9. How can uses such as childcare, live music venues for nearby legacy venue operators, and the Downtown Community Court be explored for consideration at this site?	Mayor	12/10/20 Council Q&A Report	Upon Council's authorization to negotiate and execute the exclusive negotiating agreement, staff will be able to explore these uses through the negotiations with the selected firm. As directed by Resolution No. 20181004-042, staff solicited proposals for development of 1215 Red River and 606 E. 12th Street, with an emphasis on mixed-income housing, especially multiple-bedroom housing for households who earn 60 percent of median family income (MFI) and below. RFP 5500 SMW3002 also stated, if feasible, additional community benefits, 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 the area would be welcome. Such potential uses would be included in the Master Development Agreement that would be brought back to Council for approval upon mutual agreement by City staff and the selected firm. Given such diverse interests, it would be useful to staff for Council to prioritize the type and scale of additional community benefits sought and to confirm the minimum financial offer required. These uses will change the financial terms and community benefits in the original proposal. If on the other hand, Council now wishes to use the HealthSouth site primarily for civic uses – DACC, AE district cooling facility, childcare, creative arts space, community pool, and/or primarily affordable housing – then it would be best to cancel the RFP and re-bid with these new priorities required as elements of any proposal.
35	COMMERCIAL USE	Require the local retail / commercial / office components of the proposal to include the City of Austin's living wage standard, including a mechanism to ensure that these wages mirror the City of Austin's living wage as it increases in future years.	Tovo, Casar	Council message board 12/10/20 & public meeting	This was not included in the 2018 Resolution. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal. It would set a new precedent and place the project at a market disadvantage. This requirement currently applies to City vendors and their subcontractors under direct contract and for vendors at ABIA and Convention Center. It also applies under Chapter 380 Program, Third-Party Agreements, Art Space Assistance Program, Expedited Permit Review Incentive Program, and certain non-construction procurement activities. As it's a requirement, vendors price their bids accordingly.
36	COMMERCIAL USE	Craft agreement to ensure commercial tenants will be independent, local merchants.	Tovo	Council message board 12/10/20	This was not included in the 2018 Resolution. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal. Additional confidential information for Council in SharePoint site.
37	FINANCIAL	5. Please provide responses from each of the applicants as to how their pro forma and financing strategies may change now that the Red River realignment revenue requirement in the RFP is no longer required.	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.

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38	FINANCIAL	6. Please provide projected profits for the developer from each of the respective projects.	Tovo	12/10/20 Council Q&A Report	The proposals were scored based on the strength of the overall financial proposal received. Aspen Heights Partners and Pennrose / Hunt Development Group both scored 21 of 25 possible points. Intracorp Homes / DMA Companies scored 13 and Gensler / 2033 Foundation were awarded no points. Additional information for Council is available in the confidential SharePoint site.
39	FINANCIAL	7. Please describe the contemplated lease arrangement in terms of phasing of payments and plans for the City having an equity-stake in the revenues generated from any commercial activity on the site.	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
40	FINANCIAL	14. The Request for Proposals included a revenue requirement of \$8.7 million for acquisition costs. The purchase price for this tract was \$6.5 million. Has the city issued debt for this project and begun accruing interest? Please detail what expenses account for the difference between the \$6.5 million and the \$8.7 million.	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site due to company proprietary information.
41	FINANCIAL	Estimate the amount of property tax revenue that could flow to the Affordable Housing Trust Fund as a result of taxable uses on this site.	Tovo	Council message board 12/10/20/20	See Confidential Sharepoint for City Council
42	FINANCIAL	Provide independent analysis of financial qualifications of developer in writing	Kitchen	12/17/20 meeting with Briseño, Truelove, Carbajal	See Confidential Sharepoint for City Council
43	FINANCIAL	Similar to other City of Austin master development agreements, a provision that allows for profit-sharing for the City beyond a certain internal rate of return once costs are covered.	Tovo	Council message board 12/10/20	Council may direct staff as part of negotiations to have the City share in revenues from the commercial and/or residential property, which may reduce the offer price and/or other community benefits. Such a "waterfall" financing structure where the City takes a profit-sharing stake works when the City invests funds upfront to ensure project's success. Such was the case in Mueller, 2nd Street District retail, and Seaholm. The City invested in the deals and stipulated that if the developer achieved a financial return, the City would share in surplus. Seaholm outperformed expectations, so the City received a full repayment of its investment. In 2nd Street District, Lambert's landlord achieved his guaranteed return and the City began sharing in the profits. The City is not projected to share in profits with the AMLI Austin Retail project for decades. The impact of COVID19 will likely eliminate any 2SD profits for the foreseeable future. The Mueller project is not yet complete, so the City's share of participation has not yet been determined.

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44	FINANCIAL	Provide information about what real estate costs the City would expect to incur if the DACC and the AE district cooling plant facility are located elsewhere in the Downtown area.	Tovo	Council message board 12/10/20	Austin Energy continues to seek a site in northeast downtown for a chiller plant to serve adjacent developments. Design and construction of a plant takes approximately two to three years. AE first conducts a feasibility study (est. cost \$250K) for any new plant to determine if pursuing the plant would be economically feasible. A new plant is not currently budgeted; for reference, Seaholm DCP#3 cost \$45M to construct; land/space acquisition are additional costs. See also Council's confidential sharepoint site. The proposed lease for DACC brought to Council recently listed costs \$21M over 10 years, which is a reliable estimate. DACC's current budget does not include these expenses.
45	PROCESS	Ensure that, at a minimum, the Finance Department, Office of Real Estate, Parks and Recreation Department, and Housing and Planning are deeply involved and engaged in the negotiation of the terms of the Master Development Agreement.	Tovo	Council message board 12/10/20	Staff concurs.
46	PROCESS	Provide information regarding how this project might be managed by the Austin Economic Development Corporation to ensure maximum community benefits.	Tovo	Council message board 12/10/20	As the Austin EDC has only recently been established, the redevelopment of HealthSouth has not been considered for the Austin EDC portfolio.
47	PROCESS	City Manager is directed to return to Council at least eight weeks prior to the Recommendation for Council Action as it relates to the execution of the agreement to detail their findings	Tovo	Council message board 12/10/20	Staff concurs.
48	PROCESS	8. Which staff and which departments will be involved in the negotiation of the Master Development Agreement? Which staff/departments have been involved in negotiation of other public/private redevelopments on city-owned land, such as McKalla Place, Seaholm, Green Treatment Plant, and the new COA Planning and Development Center?	Tovo	12/10/20 Council Q&A Report	Staff of the Economic Development Department with their financial consultant Economic & Planning Systems and the Law Department will lead Master Development Agreement (MDA) negotiations for the former HealthSouth site. As needed for subject matter expertise, they will engage staff of Housing and Planning, Office of Real Estate Services, Transportation and Development Services. This process is similar to that used for the MDAs governing the Seaholm District, which included the former Green Water Treatment Plant and Energy Control Center. EDD and Financial Services jointly led negotiations on the McKalla Place MDA with the assistance of outside legal counsel and a financial consultant
49	PROCESS	Staff to return for Council approval of ENA (Jan 27 to grant authority only to negotiate, not execute)	Kitchen	12/17/20 meeting with Briseño, Truelove, Carbajal	An ENA is not a policy document, nor does it set project requirements or community benefits. That is within the Master Development Agreement. The ENA sets rules for exclusive negotiations with developer, such as milestones, timeline and duties of the City and Developer during the negotiations. Staff recommends Council grant authority to negotiate and execute the ENA, and move immediately into MDA negotiations. The final proposed MDA terms and conditions will be subject to robust public comment process prior to Council consideration.

CITY COUNCIL MEETING JANUARY 27, 2021 ITEM #13 REDEVELOPMENT OF HEALTHSOUTH TRACTS

STAFF RESPONSES TO COUNCIL QUESTIONS

For all public documents, please visit EDD Health South project page at: <http://www.austintexas.gov/department/1215-red-river-606-east-12th>

TOPIC		COUNCIL REQUEST	COUNCIL MEMBER	ORIGIN	STAFF RESPONSE
50	PROCESS	1. Please provide the rationale for why the City's real estate portfolio consultant, CBRE, recommended that the City switch from an RFI to an RFP for the HealthSouth tract.	Tovo	12/10/20 Council Q&A Report	At the October 4, 2018 City Council 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 11/5/19, EDD Director Veronica Briseño 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. Upon hearing no objections, the Purchasing Office with EDD as lead department issued RFP 5500 SWM 3002 on November 18, 2019.
51	PROCESS	10. Please detail procedurally how Council can provide direction in the negotiations of the contract to realize different community uses on the tract, such as an on-site childcare facility that could be open to both residents and the public.	Tovo	12/10/20 Council Q&A Report	On December 10, 2020 when City Council considers staff's recommendation to enter exclusive negotiations with Aspen Heights Partners, the Council may vote to direct staff to consider changes to proposed community benefits. Since this would trigger corresponding changes to financial and other terms, Council direction should set priority for most desired outcomes. Staff will bring the final terms and conditions to Council for authority to execute the MDA. Changes in the requirements for the project may result in a need to cancel this solicitation and reissue under new terms.
52	PROCESS	12. Given that Council has now created an Economic Development Corporation with a scope that allows the redevelopment of city-owned parcels to achieve maximum community benefits, have staff considered what role the EDC might play with regard to the redevelopment of Health South and how that would impact affordable housing and community benefits?	Tovo	12/10/20 Council Q&A Report	As the Austin EDC has only recently been established, the redevelopment of HealthSouth has not been considered for the Austin EDC portfolio.
53	PROCESS	18. Who from the City of Austin served on the interview team, and what questions were asked of the applicants?	Tovo	12/10/20 Council Q&A Report	Responses provided on Council's confidential Sharepoint site.

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TOPIC		COUNCIL REQUEST	COUNCIL MEMBER	ORIGIN	STAFF RESPONSE
54	PUBLIC COMMENT	Host at least one public session prior to returning to Council to provide information and receive feedback on the proposal and project terms, in a manner similar to public discussion and engagement opportunities at the Seaholm Intake Building and other public projects of this nature.	Tovo	Council message board 12/10/20	See EDD memos to Mayor/Council on 12/8/20 and 1/20/21. The 2018 Resolution did not direct staff to incorporate public comments. To do so now would likely find the City out of compliance with state law and City Purchasing practices. While staff cannot insert a public comment process before executing the Exclusive Negotiating Agreement because it was not included in the RFP, staff recommends incorporating a robust public comment process on the terms and conditions of a Master Development Agreement prior to returning to City Council for authority to execute.
55	PUBLIC COMMENT	Conduct briefings at the Community Development Commission and Design Commission and provide these Commissions the opportunity to give feedback on the proposed terms of the Master Development Agreement prior to its return to Council.	Tovo	Council message board 12/10/20	Staff concurs.
56	PUBLIC COMMENT	Allow public to provide input on proposal(s) prior to Council action on January 27	Kitchen	12/17/20 meeting with Briseño, Truelove, Carbajal	See EDD memos to Mayor/Council on 12/8/20 and 1/20/21. Both EDD and HPD notified stakeholders and members of the Downtown, Design and Community Development Commissions of the opportunity to speak on Item #13 on January 27th and of the project webpage. The 2018 Resolution did not direct staff to incorporate public comments on proposals. To do so now would likely find the City out of compliance with state law and City Purchasing practices. While staff cannot insert a public comment process before executing the Exclusive Negotiating Agreement because it was not included in the RFP, staff recommends incorporating a robust public comment process on the terms and conditions of a Master Development Agreement prior to returning to City Council for authority to execute.
57	PUBLIC COMMENT	10. What does the consortium and planning group for the Innovation Zone think about the use of this tract and how it fits into the dynamics of the larger area?	Mayor	12/10/20 Council Q&A Report	Capital City Innovation, the nonprofit organization leading the vision and strategic direction for Austin Innovation District, has not shared its priorities for the site to date. However, two of the key stakeholders in the area – Downtown Austin Alliance and Waterloo Greenway – sent letters to the City stating their priorities. Both place priority on the HealthSouth redevelopment to consider the context of the area – the Central Health campus, Innovation District, State Capitol Complex, Waterloo Greenway and the East 12th Street and I35 Corridor. They support the “highest and best use and monetary value to the City” especially in light of the 2020 recession due to the global pandemic. They seek dense, mixed uses that incorporate affordable, family housing and services for current and future residents, employees and visitors. For convenience, these letters were shared with Council as attachments to 12/8/20 EDD memo.
58	RECREATION / PARKS	Require that members of the public be able to access the viewing deck through a means other than the proposed restaurant.	Tovo	Council message board 12/10/20	Aspen Heights' public information packet states a benefit is a "viewing deck where visitors can see Austin from a vantage point typically reserved for those who live and work downtown." At Council's discretion, a requirement that access to viewing deck is through public, common space may be included in staff negotiations yet trigger changes to financial and other terms of AH proposal.

CITY COUNCIL MEETING JANUARY 27, 2021 ITEM #13 REDEVELOPMENT OF HEALTHSOUTH TRACTS

STAFF RESPONSES TO COUNCIL QUESTIONS

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TOPIC		COUNCIL REQUEST	COUNCIL MEMBER	ORIGIN	STAFF RESPONSE
59	RECREATION / PARKS	Codify the commitment that park / green space be fully accessible to the public and ensure that the developer provides and maintains obvious, discernible street-level signage in English and Spanish to that effect.	Tovo	Council message board 12/10/20	Aspen Heights' public information packet states a benefit a "half acre elevated public park overlooking the State Capitol and Waterloo Park." The renderings show public access. Thus it will be included in the project requirements and in recorded, legal documents. The City does not require bilingual signage in non-dedicated parkland. At Council's direction, this may be included in staff negotiations yet could trigger changes to financial and other terms of AH proposal. Additional confidential information in Council's SharePoint site.
60	RECREATION / PARKS	Require that any pool or aquatic amenity be fully accessible to the public at no charge. Any such facility should be included on the aforementioned signage.	Tovo	Council message board 12/10/20	The 2018 Resolution did not list a public pool as a priority community benefit in the redevelopment. PARD's 2016 Aquatics Master Plan does not identify a downtown pool as a need, nor was it included in the PARD Long Range Plan adopted by Council in 2018. There are multiple pools within proximity to the site (Rosewood, Westenfield Neighborhood, and Givens Community Pools). Additional confidential information on Council's SharePoint site.
61	RECREATION / PARKS	Specify that costs for maintaining the park and any aquatic facility will not be the responsibility of the city.	Tovo	Council message board 12/10/20	As the elevated, programmed park included in Aspen Heights' proposal is listed as community benefit, its creation and maintenance will be the responsibility of the project owner and residents. This will be one of the project requirements in the MDA. An aquatic facility / public pool was not listed in the 2018 Resolution, nor do PARD's Aquatic and Long-Range Plans list a downtown public pool as a need. Any private pool will be maintained at the expense of the residents.