

Term Sheet for Master Development Agreement with Aspen Heights for 1215 Red River & 606 East 12th Streets (former HealthSouth property)

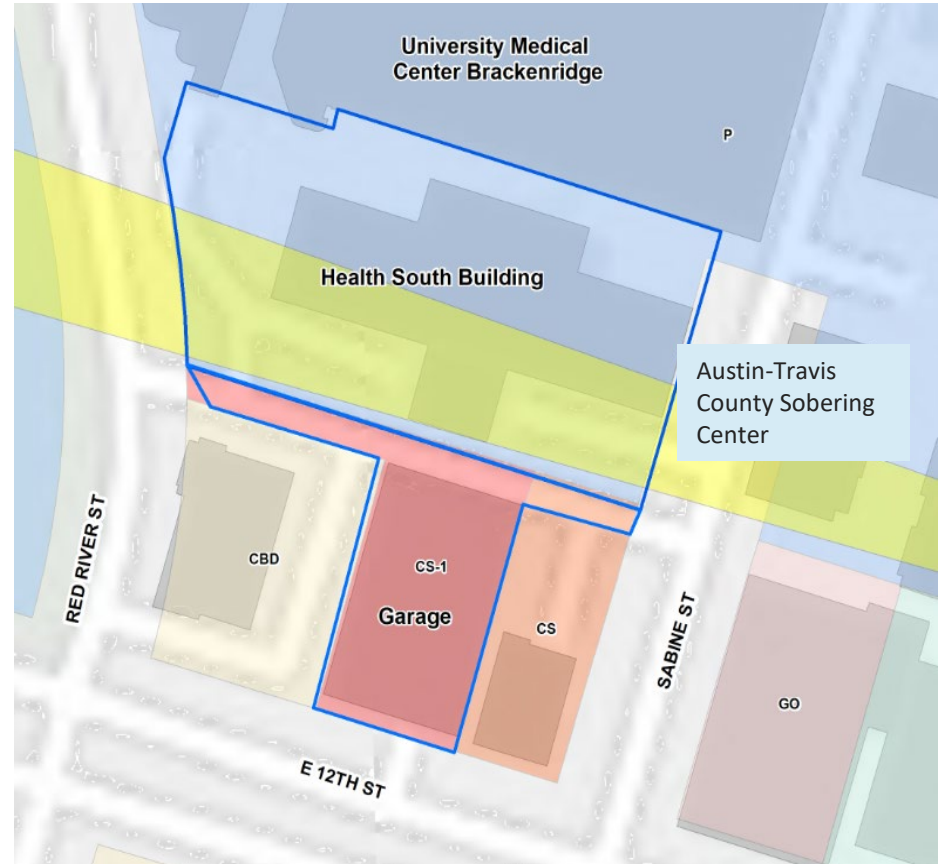
September 27, 2022 Council Work Session



**Economic
Development**
CITY OF AUSTIN

AGENDA

- 2022 Best & Final Offer
- Term Sheet for MDA
- Staff Recommendation



ASPEN HEIGHTS – CITY’S SELECTED DEVELOPER

“12th & Red
River: Tying
Austin
Together”



Locally Based Austin Team

- Aspen Heights (developer)
- STG Design (architect)
- Civiltude (engineer)
- Studio Balcones (landscape architect)

ASPEN HEIGHTS 2022 BEST & FINAL OFFER

Two mixed-use rental apartment towers connected by public plaza:

- ✓ North Tower: 37-story market-rate tower (573 apts) with live music & arts venue, food hall, & public parking
- ✓ South Tower*: 37-story mixed-income tower (348 apts) with childcare center, retail & public parking

*Includes adjacent property (614 E12th at Sabine) to enhance offer.

- ✓ 30,000 sf Public Plaza protects Capitol View Corridor
- ✓ One-time, upfront payment to City of \$12.2M for ground leases



SE elevation: View from IH-35 (credit STG Design)

ASPEN HEIGHTS 2022 BAFO HOUSING PROGRAM

921 Total Housing Units with 25% affordable housing developed by NHP Foundation & Capital A

North Tower

- 573 total market-rate apartments
- Studios, one, two and three- bedroom units

South Tower (348 total)

- 116 market-rate apartments
- 232 affordable units (67% of tower)
 - 117 units renting at or below 50% MFI
 - 115 units renting at or below 60% MFI
 - 35 studios; 84 one-bedroom units; 90 two-bedrooms units; and 23 three-bedroom units.
- Compliance with City standards (tenant protections, source of income, etc.)
- Affordability term tied to ground lease (99 years)
- South Tower built first or simultaneous with North Tower expected Summer 2027



*NW Elevation from Waterloo Park
(credit STG Design)*

ASPEN HEIGHTS 2022 BAFO COMMUNITY BENEFITS

South Tower

- Affordable Housing: 232 units at/below 50 & 60% MFI (as described above)
- Childcare: 11,840 sf space serving 75 children with \$3.7M allowance for tenant improvements, rented at \$213,120 annually (3% escalator) for 10-year term + 10-year renewal. Rent capped at 60% of market at year 20 through lease term. City has right of first refusal if qualified tenant not found in 36 months.
- Public Art: mural on exterior wall (\$200,000 value)
- Sustainability – strive for Green Building 4 or LEED Gold
- Quality of Life for Residents: learning spaces, acoustic study

North Tower

- Live music venue: 7,400 sf space with \$4.9M allowance for tenant improvements and leased at \$35/SF (3% escalator) for 10-year term + 10-year renewal. Rent capped at 60% of market at year 20 through lease term. Good faith efforts to serve historically disenfranchised operators.
- Commercial/Retail: 35,160 sf space with good faith efforts to lease minimum of 30% to local businesses; 500-800 sf space in food hall as local food incubator rented at 60% of market throughout lease term
- Sustainability – strive for Green Building 4 or LEED Gold
- Quality of Life for Residents: learning spaces, acoustic study

New Public Improvements

- Improved Connectivity: \$6.6M minimum investment in streetscape on Red River, partially improved alley; new 13th Street with City financial participation
- Public Plaza: 30,000 sf open space with aquatic amenity/splash pad and English-Spanish signage. Plaza designed for flexible programming, including live music and family-friendly activities
- Parking: public parking available in both garages (244 of 1,365 total spaces); above and below-ground.

ASPEN HEIGHTS 2022 BAFO & TERM SHEET

Financial

- \$12.2M upfront lump-sum payment to City
- \$8.8M (balance of \$21M original offer) paid to NHP Foundation for affordable units
- City shares in proceeds / profit with conditions (to be determined in MDA)

Legal

- 2 ground leases by tower with conditions on assignments
- 70 years initial lease term with 29 years of extensions to equal 99 years
- Rezoning of sites to occur concurrently
- Default & cure provisions for failure to perform

Public Engagement

- Public comments on MDA, including briefings to Downtown and Design Commissions
- Community engagement plan developed for all phases of redevelopment

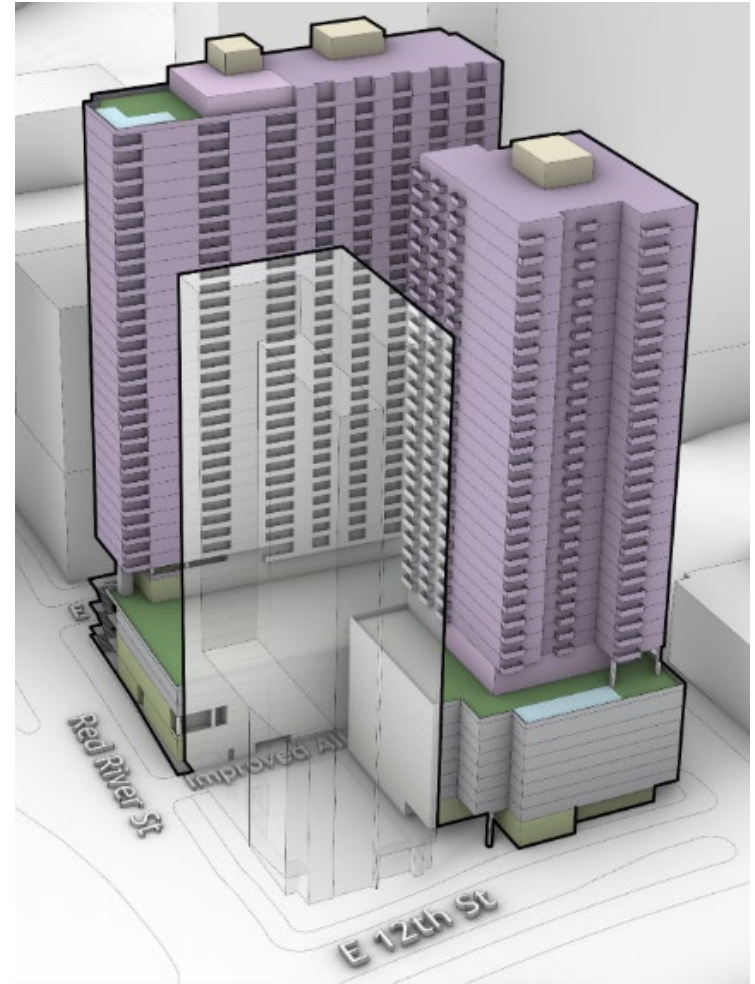
Terms Do Not Include:

- Office space (no market-rate or City office space)
- Ownership opportunities (no condominiums)
- Garages will not allow for future conversion to occupancy
- Commercial tenants will not be subject to City's Living Wage requirements
- No Continuum of Care units
- Austin Energy District Cooling Plant

ASPEN HEIGHTS 2022 BAFO ASSUMPTIONS

Aspen Heights' delivery schedule for 2027 & 2028 is aggressive & assumes:

- MDA executed by Spring 2023, including public comments
- Per RFP, City initiates zoning for its tracts and supports rezoning for adjacent private parcel as concurrent, related package
- New 13th Street with City as lead and cost reimbursement subject to successful negotiations with Central Health
- Successful & timely project financing for affordable units



SW Elevation with proposed adjacent hotel shadowed (credit: STG Design)

STAFF RECOMMENDATION

Item 12 on September 29, 2022 Council Agenda:

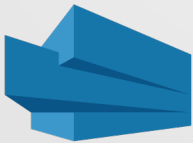
Authorize negotiation and execution of a master development agreement with Aspen Heights Partners, or its affiliates, for terms governing the development, construction, and lease of a mixed-use residential development and associated infrastructure on city-owned sites located at 1215 Red River Street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

Should this item be postponed, staff will need to extend the ENA expiration date to allow sufficient time to return to Council.

Questions?

Thank you.

**City Negotiating Team includes staff of Housing & Planning,
FSD-Real Estate Services, Law, and Economic Development.**



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