

RESOLUTION NO.

WHEREAS, the City Council passed Resolution 20221201-044 to establish a consistent, transparent process that includes an early opportunity for City Council to set priorities, determine partners, and receive community input for the proposed development and redevelopment of City-owned land. Specifically, the Council is committed to “achieve the maximum value (which could include maximizing community benefits and/or our revenue) from the use of its on ~~on~~ City-owned property;” and

WHEREAS, the City purchased 1215 Red River & 606 East 12th Streets, known as HealthSouth, in 2016, and directed a solicitation for the property in 2018 via Resolution 20181004-042: “particularly for mixed-income housing with a significant emphasis on multiple-bedroom housing for households who earn 60% median family income and below. Respondents should propose on-site mixed-income housing, and respondents should be allowed the option to maximize Strategic Housing Blueprint goals through off-site affordable housing, preferably within one mile of Downtown, in addition to their on-site proposal;” and

WHEREAS, after solicitation, City Staff recommended award of the project to a mixed-use, mixed-income proposal based on its superior delivery of housing, affordable housing, other community benefits such as childcare, a live music venue, and a plaza, as well as the taxable value created for the Housing Trust Fund, and in 2022, Council directed exclusive and final negotiations with this partner; and

WHEREAS, negotiations were discontinued with the selected developer in June, 2023; and

25 **WHEREAS, in response, Council passed** Resolution No. 20230720-132
26 directed the City Manager to:

27 a.) retain City ownership of the properties,

28 b.) explore at least, but not limited to, the following scenarios based on
29 market feasibility: affordable housing scenarios on- site and within the
30 Palm District Planning area,

31 c.) explore lead negotiators, including specifically the Austin Economic
32 Development Corporation (AEDC) and Austin Housing Finance
33 Corporation (AHFC), and

34 a.)d.) provide a comprehensive report on market feasibility of the site
35 redevelopment to inform next steps; and

36 **WHEREAS,** the market feasibility report provided by the City concluded
37 “Mid-and long-term, Downtown Austin is a very attractive market for
38 development; Near-term projects face challenges from recent development cost
39 inflation and stiff recent and planned competition; Affordable Housing is in high
40 demand regionally and particularly scarce downtown, where many low-income
41 employees work;” ~~current market conditions and community priorities support~~
42 ~~affordable housing and ground floor retail as priorities for the site;~~ and

43 **WHEREAS,** the ongoing Palm District Plan, which study area includes
44 HealthSouth, calls for a variety of strategies to grow inclusively in this vibrant,
45 transit-oriented district, including: leveraging redevelopment to increase housing
46 density for all socioeconomic groups;” and

47 **WHEREAS,** other affordable housing opportunities in the downtown
48 neighborhood include 164 public housing units reserved for older adults and

people with disabilities, 159 units of supportive housing serving income between 30-50 percent median family income (MFI), and 43 condo units serving incomes at 80 percent MFI; and

WHEREAS, the Austin Strategic Housing Blueprint states, “Building affordable housing on developable public land in key locations near transit and job centers is invaluable in helping low-income workers and families live close to jobs and schools, while decreasing congestion and pollution”; and

WHEREAS, the Austin Strategic Housing Blueprint’s over-arching goal of 135,000 homes across a range of incomes by 2028 requires a wide variety of strategies to maximize the number of units of housing, and

WHEREAS, the parcels at 1215 Red River & 606 East 12th Streets provide a unique opportunity to creatively establish an inclusive, mixed-use development, while supporting other assets in the area, such as the Innovation District, Waterloo Greenway, and Red River Cultural District;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Council supports redeveloping the site at 1215 Red River and 606 East 12th Streets as an inclusive, mixed-use development that maximizes affordable housing, both on-site and off-site, and other community benefits, such as childcare. The City Council directs the City Manager, through the Austin Economic Development Corporation to issue a Request for Proposal (RFP) for, at the minimum, the following development options by January, 2024:

1, Utilizing the entire site for on-site affordable housing;

2. Partitioning of the site whereby a portion is dedicated to on-site affordable housing and a separate portion is dedicated to mixed used project;

3. Maximizing the development of the site that includes a mix of on-site and off-site affordable housing.

~~units affordable to households earning between 50 and 80 percent of Austin's MFI and prioritizes local ground floor retail and restaurant uses, at a minimum desires for the Austin Housing Finance Corporation (AHFC) to continue exploring this redevelopment option and to:~~

~~Provide a scenario based on staff's recommendation of a hybrid approach for an affordable housing development on a portion of the site. When defining the portion of land dedicated to on-site affordable housing, AHFC is encouraged to creatively and thoughtfully consider existing land constraints and resubdivision to maximize developability of the tracts as a whole. Return, at a minimum, with details on number of units, income mix, bedroom mix, longevity of affordability, acreage needed, market rate units estimated on the remainder of the site, and any proposed community amenities;~~

~~2. Prepare estimated yield analysis scenarios of other alternative on-site affordability proposals for the entire site based on strong, fair, and poor market conditions, including but not limited to yield under:~~

~~a. The Downtown Density Bonus Program~~

~~b. The Rainey District Density Bonus Program, and~~

~~c. A market rate development using Payment in Lieu of Taxes (PILOT).~~

~~For analysis purposes only, AHFC is to utilize ground floor retail and community and cultural space as other priorities to consider. For scenarios involving fee-in-lieu, the City Manager is directed to provide information on the timeline and process of delivering affordable housing units; and~~

~~3. Return to Council with the detailed on-site proposal and alternative comparison for recommendation by January of 2024. Upon return to Council for further deliberation of affordability options, explore feasibility and cost of other on-site community benefits such as local commercial, childcare, and arts and community space.~~

The solicitation shall require the responses to include the following elements for each option under current market conditions as well as how improvements and declines in the current market would impact the response:

1. Number of affordable housing units on-site, including their level of affordability, bedroom mix, longevity of affordability, and acreage needed;
2. Number of affordable housing units off-site, including their level of affordability, bedroom mix, longevity of affordability, and acreage needed;
3. Amount of public subsidy, including tax credits or City subsidy, necessary to complete the development;
4. Projected property tax revenues that would be generated for the total site;
5. Any additional revenue the City would receive;
6. Ability to provide other community benefits, such as childcare; and
7. Financial feasibility of the proposal.

ADOPTED: _____, 2023 **ATTEST:** _____

Myrna Rios
City Clerk

DRAFT