




MEMORANDUM

TO: Mayor and City Council Members

FROM: Kimberly McNeeley, M.Ed., CPRP, Director
Austin Parks and Recreation Department 

DATE: January 26, 2022

SUBJECT: Dougherty Arts Center Project Updates

This memorandum provides an update regarding the Austin Parks and Recreation Department's (Department) Dougherty Arts Center (DAC) Replacement Project.

The program for this building project was established over the last ten years through an extensive public engagement and site selection process and proposes a modest expansion of existing arts services that are aligned with community expectations. While the 2018 bond request was aligned with expectations for the project at that time, conditions of the approved site, Council directed design stipulations and current market conditions have created a substantial construction budget deficit. The Department has explored and continues to explore alternative funding options. However, to date, neither philanthropy, nor enterprise-financed parking or public private partnership pathways have resulted in viable supplemental funding options. Without an increase in funding, the Department will not meet development expectations. This memo outlines the challenges.

Based upon ongoing conversations with City Legal and the Budget Office, it is feasible to issue additional debt to fund the construction of the project as previously supported by Boards, Commissions and Council. Staff is prepared to bring the funding request forward for Council consideration should this approach be supported by Council. Alternatively, the current level of available funding would support the construction of an incomplete DAC facility and require phased delivery of the project. The Department seeks additional direction from Council.

Project Background

In 2010, the Department hired an architectural consultant to conduct a conditions assessment and feasibility analysis to replace or rehabilitate the DAC, a 1940s Naval and Marine Reserve facility that was adapted as an arts center in the late 1970s. The report concluded that the DAC facility was constructed as a modular military structure not intended for long-term use and exhibited a high degree of deteriorated and hazardous conditions. Further, redevelopment at the current site was both cost prohibitive and infeasible due to the facility's location atop a former landfill, within the 25-year floodplain and other limitations of the code.

The Department undertook a multi-year process to explore alternative sites in coordination with the Office of Real Estate and the City's Strategic Facilities Governance team. This process also included a thorough exploration of potential partnership opportunities with AISD sites, which were ultimately unsuccessful. In response, the Department concluded that replacement of the DAC on City-owned parkland in proximity to the existing location would best meet the needs and preserve the central location of the existing facility. The site at Butler Shores was identified as a viable option in a feasibility study the Department commissioned in 2014.

Building on work previously completed, the Department brought forward a request to replace the DAC facility at a new location as part of the 2018 General Obligation Bond. The request was vetted through the Bond Election Advisory Task Force and supported by voters in November 2018, dedicating \$25 million to replace the current DAC under Bond Proposition B. At that time, this level of funding was estimated to be sufficient to deliver a new facility of approximately 45,000 square feet if constructed on land already owned by the City.

Concurrent with the 2018 Bond election, the Department further vetted the site at Butler Shores in a more focused planning effort, inclusive of community engagement, development of architectural program and site development analysis, which concluded in early 2019. Following this phase of work, City Council approved the relocation of the DAC to the Butler Shores site in May 2019.

Direction from Mayor and Council

Council's approval for redevelopment of the DAC at Butler Shores was conditional on additional direction requiring analysis and community engagement to support Council's desire for preservation of open space, exploration of shared infrastructure with adjacent landowners, limiting impacts of vehicular traffic, and a comprehensive traffic demand management study of the larger district. Council directed that any parking provided at this site should be structured, underground, and should prioritize access from Riverside Drive, necessitating the removal of an existing surface parking lot that is subject to a long-term shared-use agreement between the City and the ZACH Theatre. Recognizing that this direction had impacts to the available project funding, Council provided direction to explore alternative financing mechanisms for the structured parking garage and to engage project stakeholders to determine levels of philanthropic interest in the DAC project.

Additionally, recognizing the importance of art and performance spaces to Austin's creative economy, the prominence of the project site and the concept of an emerging Arts District on the South-Central Waterfront, Council also directed the Department to plan for expansion and identify aspects of the DAC that may exceed current levels of funding to be delivered either through philanthropic contributions or in future phases of work.

Following the project's expanded preliminary design phase, which included presentations to eight Boards and Commissions, the Department returned to Council in March 2021 with new design options which responded to Board, Commission and Council direction from the previous two years. In May 2021, Council supported one of the two options the Department considered viable and provided approval to move forward into design and construction of the facility, subject to additional direction. At this time, the Department reiterated that aspects of the suggested direction were not considered in the original bond request and remained unfunded.

Funding Challenges and Project Development

In the last two years, the Department has thoroughly explored mechanisms and partnerships by which the project could leverage alternative funding – specifically for the underground parking garage – including with the City’s Strategic Facilities Governance Team, Budget Office, Austin Transportation Department Parking Enterprise Program, the Texas Facilities Commission Public-Private Partnerships Program, and the consideration of federal grants. To date, the only funding option identified is the issuance of non-voter approved debt.

In addition to expanded scope for the DAC replacement project, supply chain issues, material escalation, and a booming local market have created a challenging construction climate that has further constrained the City’s financial resources to meet the expectations for this project. Preliminary estimates suggest the construction cost of the underground parking garage stands between \$12-15 million and costs for the building are estimated near \$28 million. The total bond allocation for this project is \$28.5 million, with a portion of the funding already spent.

Friends of the Dougherty Arts Center (FODAC) is a longtime supporter of the arts center and has voiced a desire to support fundraising efforts. FODAC is in the exploration phase of developing a capital campaign, however, the funding gap will likely far exceed FODAC’s capacity to leverage private funding for the DAC project.

Resolution of the funding issue is immediately time critical to allow for necessary coordination and budget reconciliation in the project’s design phase. Throughout the Department’s multiple community engagement efforts, the project team has heard fervent community enthusiasm for the DAC, support for its mission and that donor interest exists. To date, the City has invested more than 10 years in planning, design, and community engagement. Despite current funding challenges, the project team remains committed to delivering an arts center in a park setting that meets the Austin community’s aspirations.

The project team is presented with two pathways forward. Option One would allow the project team to proceed with design for the facility as originally programmed and supported by City Council with the understanding that additional funding commitments are still needed. Option Two would be to proceed with the understanding that currently available funding would require a reduced project scale and/or construction in phases. Doing so would require the deferment of a key component of the facility’s program and would introduce significant operational challenges, including a future closure for the next phase of construction.

For multiple reasons, the Department does not recommend Option Two that would require reducing the scale of the architectural program and/or pursuing phased construction. The program was assembled and refined over multiple years of community engagement and has already been reduced to a functional baseline for the new facility. It reflects the needs of Austin’s art community and needs of the programs that are offered at the current DAC, which continuously operates at capacity with significant wait lists.

Additionally, the site for the new facility is prominent, visible, and constrained. Construction is disruptive and it will require close coordination with adjacent residents, business owners, as well as the ZACH Theatre and PARD Main Office to ensure continuity of their operations. Achieving a site development permit in this location will require a holistic approach to the site’s buildable area, with consideration for mobility and right of way improvements, utility infrastructure, easements, and heritage trees. There are efficiencies to be captured in permitting and construction that will better serve this project and the surrounding area by delivering in one mobilization. Piecemealing the delivery of the new DAC will come

at greater cost to the City. The Department remains engaged in discussions with City and community leaders to identify the best path forward.

The Future of the Original DAC Building and Site

PARD is aware that following the construction of a new DAC there may be nonprofit or community interest in occupying the DAC building on Barton Springs Road. As was messaged in previous planning phases, following the opening of the new DAC, the Department intends to move forward with an application to demolish the current building due to its highly deteriorated conditions, the existence of hazardous building materials, its location atop a former landfill requiring active monitoring compliance with Texas Commission on Environmental Quality (TCEQ), and the building's location within the 25-year floodplain. It is untenable for the Department to consider an operational agreement that will result in ongoing occupancy of the building and therefore PARD will pursue action to move forward with demolition and remediation.

The process of securing a demolition permit for the building, originally constructed in 1947, will require approval from the Historic Landmark Commission, which was briefed on this issue in March 2021. PARD intends to develop a complete and thorough documentation package to ensure that the building and its history is captured and memorialized.

Similarly, the Department is aware that there is also community interest in pursuing park development on the original DAC site once the building is removed. Opportunities for significant redevelopment of the site would be limited due to the extent of the 25-year floodplain. However, it is possible this area could serve as a surface parking area and passive open space, which could support the adjacent uses at the Alliance Children's Garden, Liz Carpenter Fountain and other elements of Butler Park. This use would be compatible with previous plans for the Metropolitan Park, but there has been no recent planning effort or community engagement to address next steps at this immediate site. Compliance with TCEQ standards for the onsite landfill will be a significant factor in allowable uses for this area, as well as a driver of cost.

Bond funding dedicated to the construction of the new DAC is not intended to be utilized to demolish the existing building or to remediate/restore the current DAC site. All aspects of this work scope remain unfunded at this time. However, the site is within the bounds of Butler Park and may be able to utilize funding that directly supports the Butler Park and associated venues or other sources within the Department's purview.

The Department will continue to update City Council and the community on the project as progress is made. Additional project information is available at:

<https://www.austintexas.gov/department/dougherty-arts-center-redevelopment-project>. Should you have any questions, please contact my office at (512) 974-6717.

cc: Spencer Cronk, City Manager
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