




MEMORANDUM

TO: Mayor and Council Members

FROM: Veronica Briseño, Assistant City Manager 

DATE: June 28, 2023

SUBJECT: Termination of HealthSouth Exclusive Negotiating Agreement

This memorandum provides closure on [Resolution No. 20181004-042](#), regarding the redevelopment of City-owned properties located at 1215 Red River and 606 East 12th Street—the former HealthSouth rehabilitation hospital and garage (HealthSouth Property). On May 17, 2021, the City executed an Exclusive Negotiating Agreement (ENA). Since that time, the City has entered into six end-to-end extensions of the ENA with the most current set to expire on June 29, 2023. The developer has recently indicated that the Council approved term sheet is no longer financially feasible due to market conditions. For example, the most recent offer from the developer reduces the affordable housing onsite from 25% to 7%. For these reasons, the City is terminating the ENA.

Due to the significant value the downtown HealthSouth property can offer to the Austin community, staff will reassess its redevelopment strategy to ensure the Mayor and City Council priorities and community benefits are maximized and delivered swiftly. After additional market analysis, staff will return to Council in 60 days with a recommendation for an expeditious process for redevelopment. Meanwhile, staff will make plans to demolish the existing structures to eliminate maintenance costs of the HealthSouth Property and expedite redevelopment options.

If you have additional questions, please contact Susana Carbajal at Susana.Carbajal@austintexas.gov.

cc: Jesús Garza, City Manager
Sylvia Holt-Rabb, Director, Economic Development