

SPECIAL MEETING OF THE
CONCORD CITY COUNCIL/CITY
COUNCIL SITTING AS THE LOCAL
REUSE AUTHORITY
MUELLER URBAN VILLAGE
3550 MUELLER BOULEVARD
AUSTIN, TX 78723
FRIDAY, JUNE 5, 2015

The Concord City Council sitting as the Local Reuse Authority met in a special meeting at 7:40 a.m. for a site visit to Mueller Project, hosted by Catellus Development Corporation, with Mayor Grayson presiding. Vice Mayor Hoffmeister and Councilmember Birsan were in attendance.

Minutes follow in abbreviated form per Resolution 3361 and Council Minutes of September 26, 1966.

ROLL CALL

COUNCILMEMBERS PRESENT: Edi Birsan, Laura Hoffmeister, Tim Grayson

STAFF PRESENT: Valerie Barone, City Manager; Michael Wright, Executive Director, Local Reuse Project; Victoria Walker, Director of Community and Economic Development; Dahlia Chazan, Arup

MEMBERS OF THE PUBLIC
WHO ADDRESSED THE COUNCIL: None

PUBLIC COMMENT PERIOD - None

CITY COUNCIL
MATTERS

INSPECTION OF REAL PROPERTY – MUELLER URBAN VILLAGE, AUSTIN, TEXAS

Note that Catellus staff provided several handouts and a video showing what is currently developed at the project. These are available on the Concord Reuse Project (CRP) website:
<http://www.concordreuseproject.org/>

I. Opening of Public Meeting – 7:40 am

Mayor Grayson convened the Public Meeting, with Vice Mayor Hoffmeister and Councilmember Birsan present. Community member Mary Jo Rossi joined the tour. Valerie Barone, Michael Wright, and Victoria Walker represented City staff. Dahlia Chazan, planning consultant joined and has prepared these minutes.

Appended to these minutes is a brief overview of project basics and the Austin context provided to City Council participants in advance of the tour.

II. Breakfast and Mueller Overview at Mueller Center

Greg Weaver (Executive Vice President for Development and Mueller project leader) gave an overview, assisted by other Catellus staff members.



Following are key points of interest from this meeting:

1. At project initiation, Greg Weaver began to seek large employers, as such a component was important to the City of Austin. Key to success of this was what ultimately became the Dell Children's Hospital. Although the University of Texas initially did not want to participate in the project, the university ultimately did, in large part because of the hospital's participation. The hospital deal was reached before a Disposition and Development Agreement (DDA) was signed with the City of Austin, under a separate agreement, while the university agreement was included in the DDA.
2. The Lake Park was built early in the project, before most development, and served as an early amenity for the community. It is also a key part of the project's stormwater management program and is designed to fill above its usual level during heavy rainfall. It serves as a citywide amenity and draws visitors from across Austin and surrounding areas for events at the park and nearby hangar, as well as fishing and kayaking on the lake. Costs for the park were \$9 million (7 years ago).
3. The project was designed to allow the density of built portions of the project to increase over time. For example, the surface parking at the hospital could be developed into structures in response to future needs. Structured parking at the Thinkery children's museum was built to allow additional levels to be added.
4. The Town Center will ultimately be a focal point of the project, in addition to the Lake Park, but they have just recently achieved critical mass to support development of the Town Center. They are focusing on creating an organic look and feel, using different architects for different buildings.
5. Catellus participates in a 4-step process to review proposed designs with the City of Austin, including review at a panel convened monthly of paid outside design professionals. Final review is through the City of Austin.
6. The project is overall LEED-certified (as a neighborhood development) and the buildings within it all meet LEED or a similar local standard, consistent with Austin's requirements. This includes the big-box stores near the highway. 95 percent of all construction-related debris has been recycled. The hospital is the first LEED Platinum hospital. Landscaping at the project uses recycled ('purple pipe') water.
7. Of the planned buildout of approximately 5,900 homes, approximately 1,900 have been completed, and 596 are under construction. Catellus, to date, has included 9 vertical homebuilders, of which 4 are small, local builders, and 5 are regional and national production builders. These builders all are required to participate in the affordable home program, and are all required to work in proximity to one another (rather than taking



large blocks to themselves). This has been done to ensure that different types of homes are interspersed with one another, including affordable and market-rate for sale homes. At buildout, it is projected to be 60 percent ownership housing and 40 rental housing.

8. The development program has been modified since project inception primarily to include more retail (big box near the highway), largely at the request of the City and community to provide sales tax to support amenities desired by the community.



9. Local participation influenced the outcome substantially, from the restoration of a portion of Blackland Prairie, proposed by the Ladybird Johnson Wildflower Center to the Smart Grid/Pecan Street project sponsored in partnership with the University of Texas.
10. Catellus, while not locally-based, hired many local staff to support its operations at Mueller, and all staff work on-site in a building converted from the former arrivals facility of the airport shuttered on the property.
11. All parks in the project are managed by the property owners' association, although all are publicly accessible (not restricted to Mueller residents). This has allowed them to have a higher level of flexibility about programming and higher-quality amenities than if they were maintained by the City of Austin. In addition, Catellus provides staff support for programming at the parks. Parks and open spaces are designed to fit in with those in neighborhoods surrounding the project, and also serve as a buffer to existing neighborhoods.
12. The City of Austin maintains all other public services, including roads, underground utilities, and storm drainage, following construction by Catellus. All utilities have been put underground. The City of Austin provides emergency response services using a fire station already found at the former airport; no police facility has been constructed. Austin has roadway specific property tax allocation.
13. There was quite a bit of discussion of the deal structure between the City of Austin and Catellus. The following summary has been prepared in consultation with Catellus staff:

The Catellus structure (in Austin, and proposed in Concord) provides that Catellus is entitled to the greater of 15% of revenue or a 15% IRR on money Catellus advances for project costs such as infrastructure. Catellus advances project costs using its own money. For any land sale revenue, Catellus receives 15% as a fee and the remaining revenue goes into a "project escrow account." The project escrow account is then used to reimburse Catellus for any money advanced to pay for prior project costs and also set aside for future project costs. Separately, an accounting will be made of all money advanced by Catellus and reimbursed out of the project escrow account including the 15% fee paid to Catellus. To the extent that the money reimbursed to Catellus from the escrow account, including the 15% fee to Catellus, is not enough to provide Catellus with a 15% IRR on the money it advanced, then – only to the extent there are additional funds in the project escrow account - Catellus would be entitled to additional monies from the project escrow account to get Catellus to a 15% IRR.

In Austin, based on the performance and phasing of the project, the 15% fee appears sufficient and Catellus will not be entitled to additional monies. The City of Austin has pledged tax increment to Catellus to reimburse for project costs to the extent land sales do not provide enough revenue. Although Austin has floated some bonds and deposited the proceeds in the project escrow account, based on the performance and

phasing of the project, the amount of tax increment necessary to reimburse the developer for project costs will be substantially below the total amount of tax increment available. It is also worth noting that there will be substantially more tax increment available to the City than originally forecasted because property values have increased more than anticipated.

III. Van Tour of Mueller Project

On the van tour, participants had a chance to view parts of the project currently under construction, newly opened, and completed in the past several years. This gave a good sense



for how trees, yards, and other features that mature over time will look at ultimate buildout.

Following were a few highlights of the tour:



1. Alley-loaded single-family residential neighborhood (some have secondary ('granny') units above garages. Two- and three-story houses.

2. Cycletracks. Some streets have cycletracks built in for bicycles, and some built early on are being retrofitted with cycletracks.



3. Public streetscape design.



4. Pecan Street demonstration smart grid project.



5. Former airport control tower retained as visual point of interest.

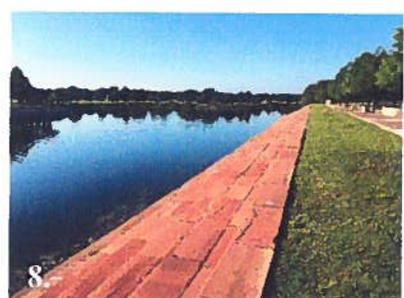
6. Multifamily housing. Generally 4-story building heights. Most has ground-floor retail, and all existing ground-floor retail is occupied.



7. The Thinkery – a relocation of a longstanding children’s museum previously based elsewhere in Austin.



8. Public art. (Not seen, but discussed, are solar sunflowers near the big box stores, which serve as both public art and renewable energy supply).



9. Wrapped parking garage. This is a ‘before’ picture, and elsewhere the tour visited an ‘after’ with micro-apartments between the garage and roadway.

10. Bocce (pétanque) court set up at the request of the former Mayor, who is the head of the local pétanque organization, also headquartered at Mueller.



11. Senior housing project (Wildflower Terrace), which is primarily affordable (90% of units for seniors with incomes at 30 to 80% of area median income), with the remainder of the units rented at market rate.

IV. Meeting with Mayor Adler

Mayoral advisors Sherri Greenberg and Kerry Tate participated, as did the Mayor's Chief of Staff, John-Michael Cortez. Catellus staff did not participate in this meeting or others through adjournment of the Public Meeting.



The Mayor noted that he was happy with the choice of Catellus as developer and did not think you would find anyone who was not happy with the choice. He has found them to be easy to work with, to help push the envelope, to think outside the box, and to improve upon the City's plan. Although there were initial concerns about the amount of retail, the City has found that the retail that was developed has had an overall improvement on the City's retail environment. And, the project, as a whole, has had a beneficial

impact on the community, resulting in improvements in surrounding neighborhoods. He has found the walkable community at Mueller to be a new concept that has given form to the concept of a more sustainable community, so they have something tangible to talk about when discussing the concept. He has also found the project to spark good discussions about gentrification and affordable housing – it has not completely solved those issues, and he would like to keep working toward solving them. Finally, the project is drawing attention (positively) to a part of the City that had previously been somewhat overlooked, and has made that part of town into a destination for people from all parts of the City, all ethnic/socioeconomic groups. In general, new residents are ethnically and culturally diverse, representing the spectrum of Austinites. One partial exception to this is Hispanics, some of whom have found the limited capacity to expand single-family homes to accommodate extended families to dissuade them from moving to the project.

The Mayor (and others) noted that one challenge on the project is the quality of the local public schools, which have been a concern for both potential applicants for affordable housing, as well as for the market-rate housing. This is an ongoing concern, and an issue they have not solved. They have encouraged community involvement in the schools, and the issue is partially mitigated by the Austin school district's liberal policy allowing transfers within the district, so some residents are able to choose schools in other parts of the City. Despite this issue, homes at the project have all sold before construction was completed.

With both the Mayor and other participants in this meeting, there was an extensive discussion of the approach to providing affordable housing in partnership with the Mueller Foundation. The Foundation uses funds from a fee on all real estate sales (commercial and residential) to support provision of affordable (for-sale and rental) housing. Rental housing is included in all rental projects and residents must annually recertify that they qualify – this process is managed by Habitat for Humanity. For-sale affordable units are sold to qualified buyers with a 'silent second' for the difference between what the buyer can afford and the market price – originally the program was set up to allow participants to sell their units and receive the proceeds from increases in home value based on their level of investment in the homes. This approach has been changed to limit the proceeds to 2% simple interest based on the level of investment by participants. These systems were developed in consultation with national experts through a process supported by Catellus.

V. Meeting with Brewster McCracken – former 8-year Austin Council member currently with Pecan Street, Inc.



Mr. McCracken noted that his focus on the project has been to bring his background in urban planning to bear on ensuring project success. He confirmed that the project densities were at City and resident request, primarily because this approach supported additional provision of affordable housing. His only lesson learned in this regard was that they might have made the building heights more flexible to allow some additional height in one or two districts.

He found that Catellus worked well with the local single family developers who were initially concerned about the development types proposed in the project, and that ultimately strong demand was found for the project.

He has found that the project's initial claims have come to fruition – community members do know one another and interact more so than in other neighborhoods in Austin, and water use is lower.

Nearby neighborhoods fought for and achieved restrictions on roadway connections between Mueller and existing neighborhoods. This has not been as successful as hoped because as project buildout has progressed residents of nearby neighborhoods have found that they want to visit destinations on the site (parks, shopping, and other services) and would like to be able to access them more directly.

Mr. McCracken described the Design Book as important for fostering the ultimate outcome of a variety of design types, but with some minimum specifications, such as for porches and other features.

He participated in the negotiations with Catellus after they were selected as the master developer (to prepare a DDA) and described those negotiations as primarily focusing on engineering questions that had not previously been investigated, and not contentious between the City and Catellus. Mr. McCracken also noted that during these negotiations they had support from financial advisors and ROMA Design that was very helpful in understanding the details of the agreement. Overall, most interactions with the Catellus team were handled by staff, with major policy choices brought to the City Council.

VI. Meeting with Pam Hefner (Redevelopment Project Manager) and Greg Canally (Deputy Chief Financial Officer)



Mr. Canally explained key features of the financial agreement with Catellus:

1. The City of Austin did not want to take any financial risk on the project, nor did they want Catellus to have an opportunity for a windfall, so they share in the profits. The City has not spent any General Fund money on the project, although the City has needed to upgrade infrastructure in nearby places to support development at the site.
2. They worked together to estimate total project costs and then identified land sales as the way those costs would be paid for.
3. Catellus pays project costs up front, and once they have paid a defined amount the City issues bond debt secured by the tax increment financing (TIF) district.
4. Currently, the City's General Fund is benefitting from the project, with sales tax revenue exceeding the amount it is paying to service bond debt.

5. The City holds land until Catellus is ready to sell it at market rate. Because they share in the proceeds Catellus is incentivized to get a good price.
6. The City has been protected through various changes in ownership of Catellus because it ultimately holds the land, without which the project cannot be completed.

Ms. Hefner explained key features of the disposition and development agreement (DDA) with Catellus:

1. It contains built-in triggers for Catellus, so they cannot cherry-pick only the portions of the development with the greatest value.
2. It was structured to allow for built-in flexibility, so that small changes can be made at a staff level.
3. If issues arise that need to be documented, they prepare 'comfort letters' that can be agreed to on the side of the DDA, without opening up the DDA for new discussion.

Ms. Hefner also discussed staffing to support the project, which is currently staffed by three people who focus solely on the project and are supported by staff throughout the City. Much of the work of this three-person team is to resolve issues as they arise and keep project review moving forward.

VII. Meeting with Jim Walker



Mr. Walker has been involved with the project as a resident of a nearby neighborhood since the mid-1990s. He brings his background as an urban planner to his work on the project, which has in the past several years included sitting on the Mueller Commission, a citizen advisory body, which meets monthly and advises the City Council. The Commission represents the 16 neighborhoods (each with a neighborhood organization) that surround the project. He also was a non-voting member of the selection panel that ultimately selected Catellus versus a team consisting of local development interests. Following are key points of interest from this meeting:

1. Mr. Walker described the participation of Greg Weaver and other Catellus staff as key to the project's success – they participated meaningfully in numerous (150 in the first year) meetings with the community: staff who attended meetings listened and adjusted the project in response to what they heard, rather than sending an outreach person who was unable to influence the project.
2. The City hired ROMA Design Group to prepare the Design Book for the project before issuing a request for proposals (RFP) and included the Design Book in the RFP.
3. Having the project's goals defined early on has given the community and decisionmakers a touchstone, and has helped foster agreement when discussion of more specific aspects of the project such as building types needed to take place. The goals are:
 - a. Fiscal Responsibility
 - b. Economic Development
 - c. East Austin Revitalization
 - d. Compatibility with Surrounding Neighborhoods
 - e. Diversity & Affordability
 - f. Sustainability

4. The Mueller Commission serves as citizen's advisory commission to the City Council, and has been in existence since before development was initiated. The Commission was initially formed with representatives from relevant professions such as architecture and real estate financing. They have recently taken a new approach of having each of the City Councilmembers and the Mayor appoint a representative, who does not have to live in the corresponding Councilmember's district. The Commission generally takes the approach of resolving issues with respect to ongoing project development so they can make a unanimous recommendation and have the item ultimately approved on consent by the City Council. The Commission is staffed by Pam Hefner.
5. Catellus reports regularly to the Commission. Mr. Walker found that Catellus staff working on the project supported community/neighborhood organization trust and participation in the project.
6. During the Great Recession Catellus requested a reduction in the affordability ratio because affordable and market rate units had similar prices. The Commission recommended to the Council that no policy change be made, and the Council retained the 25% affordable policy.
7. Asked if there was anything he'd do differently, Mr. Walker discussed the potential to structure affordable housing differently and the potential to build at higher densities if there had been additional transit. He noted that the densities were supported by adjoining neighborhoods so long as they were supported by associated levels of transit and that this is monitored via annual traffic counts.

By order of the Mayor, the meeting was adjourned at 3:25 p.m.



TIMOTHY S. GRAYSON
MAYOR


JOELLE FOCKLER, CMC
CITY CLERK

