

Special Report

Seaholm Intake Facility Redevelopment

Technical Assistance Panel | March 4-5, 2014
Austin, Texas



**Urban Land
Institute**

Austin

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ABOUT ULI – THE URBAN LAND INSTITUTE

The mission of the Urban Land Institute (ULI) is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to:

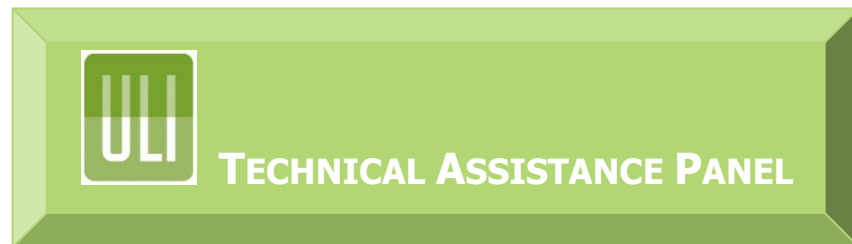
- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
- Sharing knowledge through education, applied research, publishing and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.



Established in 1936, the Institute today has more than 35,000 members from 90 countries, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public official, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

ABOUT ULI ADVISORY SERVICES

The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs and policies. Since 1947, this program has assembled well over 400 ULI-member teams to help sponsoring organizations find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's Advisory Services.



ULI offers two services under this program, an Advisory Service Panel (ASP) and a Technical Assistance Panel (TAP). Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

Both a TAP and ASP have similar components. However, an ASP is a more in depth an intense approach requiring additional hours, research and funding than a TAP.

ABOUT ULI ADVISORY SERVICES *(Cont.)*

The agenda for this one and one half day TAP assignment was intensive and held on March 4-5, 2014. The sponsoring organization provided briefing materials to the panel members prior to the session. It also provided an introduction, briefing and tour of their site and meeting with representatives of the sponsoring organization. The session included a half-day of interviews with key stakeholders, a half-day research/work session, and a presentation of findings at the conclusion. This written report was prepared and published after the completion of the work.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academicians, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Technical Assistance Panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

AUSTIN DISTRICT COUNCIL

The Austin District Council of the Urban Land Institute is organized to carry forward the mission of the national organization with a greater understanding of the unique regional issues and relationships fostered by its over 400 members in the Greater Austin area.

The leadership team for 2014 includes:

ULI Austin Executive Director

David Steinwedell

Executive Committee Members

Gregory Weaver, Chair	Mandy Pope
Rob Golding, Chair Elect	Jennifer Wenzel
Greg Strmiska	Colin Armstrong
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ULI PANEL'S ASSIGNMENT

When the Austin City Council authorized the decommissioning of the Seaholm Power Plant in 1996 in preparation for future adaptive use, part of the property that includes the Seaholm Intake Facility was on public parkland located on the shore of Lady Bird Lake and under the authority of the City of Austin Parks and Recreation Department.

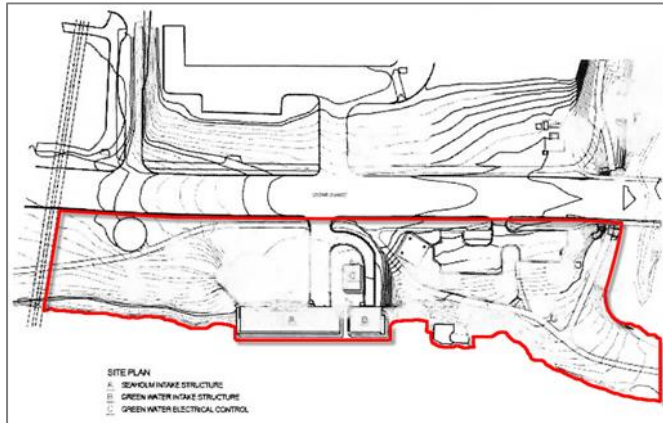
Accordingly, PARD has sought ideas for the site that would fit within its strict guidelines for the use of public parkland. A design competition was held to gather development ideas from design professionals and the general public, which resulted in 76 imaginative entries. Three finalists were recently chosen, and the high level of public participation and interest in the competition demonstrated that the citizens of Austin are very interested and have very high expectations about how the property will be developed, which has been described as the "Gem of Austin".



The property is located in an area that is undergoing significant change, with major commercial development along the north side of Cesar Chavez Blvd., including the redevelopment of the former Seaholm Power Plant and former Green Water Treatment Plant with offices, apartments, condominiums, retail store and restaurants, as well as significant public facilities such the new Central Public Library, now under construction.

In contrast to this significant commercial development on the north side of Cesar Chavez Blvd., the property on the south side is a much-beloved and heavily-used urban oasis along the north shore of Lady Bird Lake, including the Ann and Roy Butler Hike and Bike Trail.

The two buildings that comprise the Seaholm Intake Facility are iconic landmarks along the north shore of Lady Bird Lake. Because of their unique character and location, PARD has received numerous inquiries and expressions of interest from developers who would like to renovate the buildings for a variety of commercial uses.



In response to the public interest generated by the design competition, and the potential for attracting private investment, the City of Austin has prepared a draft Request For Qualification Statements (RFQS) for a public-private partnership with a development team for the adaptive reuse of the Seaholm Intake Facility.

The ULI Panel was asked to review the draft RFQS and give the City advice and recommendations on Legal Authority, Financial Feasibility and Public-Private Balance.

- **Legal Authority.** The Austin City Charter states that the City Council has no power to sell, convey, lease, mortgage or otherwise alienate parkland without voter approval, and the City does not intend to authorize a referendum vote. How can a public private transaction be structured with this limitation?
- **Financial Feasibility.** Except for certain public infrastructure improvements, the City does not intend to spend public funds for the redevelopment of the property. Will the type and amount of potential private commercial use and the cost of construction justify that level of private investment?

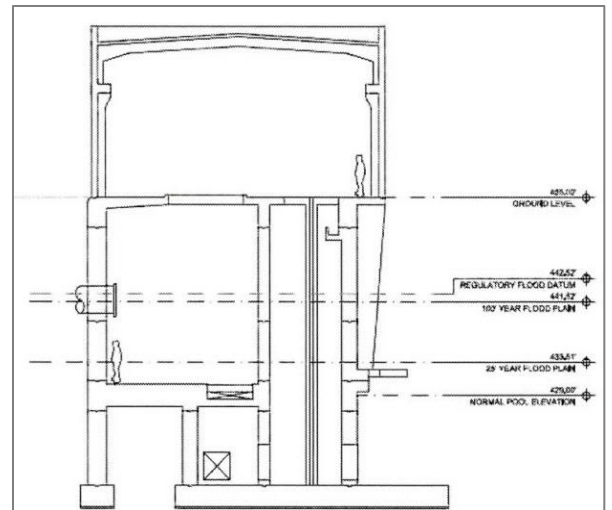
- **Public-Private Balance.** It will be difficult to find a good balance of the public use of the parkland and the private commercial uses that will be required to attract private investment. Are there any creative ways to achieve a proper balance?

CHALLENGES

During ULI Panel discussions, many challenges were identified that could impede the success of the redevelopment of this site or could place limitations on construction or funding of the project. Here are a few of the key challenges that were identified:

Substantial Cost for Renovation, Infrastructure, and Public Amenities

The structures comprising the Seaholm Intake Facility have fallen into disrepair and do not meet the current City Code requirements for occupancy. They are missing electric, water, sewage, and restroom facilities, and would require a significant investment just to bring the structures up to Code. Other site improvements for the project could cost from \$2 million to \$7 million depending on the uses to be made of the property. A popular, but very expensive, idea from the design competition is a boardwalk along the water's edge similar to the boardwalk further east on the south shore of Lady Bird Lake.



Lack of Public Funds

The City appears to be willing to use public funds to reimburse the developer for some of the basic infrastructure costs (water, wastewater, drainage, etc.), but the sources of these funds are very limited and there are a great many competing projects. Excess funds from the Seaholm Tax Increment Financing District might possibly be available, but that is not likely. The RFQS asks the developer to demonstrate that it has the ability to raise debt and equity capital to redevelopment the property and construct the improvements, and not count on any public funds for that purpose.

Limitation of Financing Options Because of Parkland Alienation Restrictions

The City Charter prohibition against conveying, leasing, mortgaging or otherwise alienating parkland creates a very difficult obstacle in securing debt or equity financing for the project. A short-term revocable license agreement appears to be the only type of agreement the City will enter into with regard to the use of parkland for commercial purposes. While an annual renewable term of one year is the typical for most City license agreements, there is precedent for a 10-year term if the use includes a significant public use or benefit. For most lenders and investors, a short-term license agreement would not provide the type of security required for a substantial loan or equity investment. It has been seen in other US cities, that long-term licenses (10 to 20 years) with fair revocation provisions have been financeable for certain commercial developments on city owned property.



High Public Expectations Combined with Distrust of Developers

The design competition and the creative and exciting ideas presented as possible uses of the property have raised high expectations among the general public and public officials, without going through the more difficult process of examining the cost and financial feasibility of the proposed projects. The recreational and other public amenities shown in these plans are very attractive and compelling, and some people might mistakenly assume that these features can easily be incorporated into the projects because of the significant amount of profits to be made from the remaining private use. The general distrust that many people may have regarding developers might keep them seeing this in a different light.

Uncertainty of Process, Timetable and Business Terms

The draft RFQS does a good job of asking for information the City can use to identify one or more development teams with the qualifications and experience with similar types of projects. But, there are a great many unanswered questions and unresolved issues regarding the process, timetable and business terms for the project. For example:

- What type of legal structure does the City have in mind for the public-private partnership?
- What type of license or other agreement does the City intend to use, and what are the proposed terms and conditions?
- What are the other proposed business terms? When will the City determine if the project will meet the requirements of Chapter 26 of the Texas Parks and Wildlife Code?

Without more certainty regarding the process, timetable and business terms, the City may select a qualified and experienced development team that ultimately decides not to proceed when these questions are answered.

Identify a Champion with the Ability to Build Consensus

The redevelopment of this property, with the proper balance of public and private uses will require a trusted private sector or public sector leader to step forward to become its champion from beginning to end. Because of the many stakeholders and diverse interests, this person must have the proven ability to find the common ground and build a consensus-around it.

MARKET OPPORTUNITIES

Unique Iconic Site

The structures on the site sit majestically at the water's edge. The façade reflects the 1950's Art Deco movement and radiate historical and architectural significance. They are among a small handful of structures along Laky Bird Lake with direct access to the water. The site is bisected by the Hike and Bike Trail, and shaded by beautiful mature live oak trees. The abandoned structure are a curiosity to joggers and bicyclists now, but it has obvious potential as a



special place for people to stop by to gather together to eat, drink, rest, exercise and enjoy many other commercial and non-commercial activities.

Dynamic Growth in the Surrounding Area

Austin is currently at the top of most national lists for job growth and economic opportunity, driven in large part by its young, well-educated population and quality of life. Construction throughout the City has increased dramatically in response to the population growth and favorable economic conditions. As previously noted, this is particularly evident in the significant amount of new construction currently underway and planned in the surrounding Seaholm District. This dynamic growth has also created a need for more public space, which the City is lacking compared to other cities of its size. This strong economic condition and market demand should result in a number of qualified developers responding to the City's RFQS to partner with the City to redevelop the property.

Strong Public Interest

Public interest in the redevelopment of the site has been strong due to its location along the Hike and Bike Trail and its proximity to the lakeshore. Proof of its level of public interest can be seen through the overwhelming response to the design competition that received 76 entries with ideas about how to redevelop the property. The community appears to be ready for something significant to be done at this site, and the various stakeholders will be watching very closely to make sure their vision for the area is realized.

High Volume of Pedestrian and Bicycle Traffic

In addition to its highly visible location along the Cesar Chavez, Blvd. gateway into Downtown, the tree-shaded Hike and Bike Trail that crosses the site brings approximately 15,000 daily hikers, bikers, and runners within a few feet of the Water Intake Facility. Pedestrian and bicycle access to the site across busy Cesar Chavez Blvd. is currently available with the Pfluger Bridge immediately west



of the property, and additional direct access to the new Central Public Library will be provided with an expanded Hike and Bike Trail beneath the Shoal Creek Bridge at the east end of the property. The City is also considering a new pedestrian bridge to provide a direct link to between the redeveloped Seaholm Power Plant and its public parking facilities.

Opportunity to Engage Non- Profits and Individual Philanthropist

A significant amount of the private contributions from non-profit organizations and individual philanthropists will be necessary to fully realize the community vision for the site. While this will present the community with a difficult challenge, it will also be an opportunity for these stakeholders to be at the table to ensure that the best balance between public and private uses is reached, and will also help the community reach a new level of civic philanthropy that all great cities must have.

DESIGN

Create a Landmark Destination

Because of its unique historical and architectural characteristics and location on the lakeshore of a beautiful park, this property has the opportunity to become the “Gem of Austin”. There are few other locations in Austin that have the natural beauty and special sense of place of this site. The location should be developed in such a way so that it doesn’t simply serve as a structure for those who currently utilize the Hike and Bike Trail, but it should be a landmark destination for the entire community.

Rare Opportunity to be on the Waterfront

As previously noted, this site offers a rare opportunity to have direct waterfront access to Lady Bird Lake for a variety of commercial and non-commercial uses. There are very few places along the shore of Lady Bird Lake where users of the Hike and Bike Trail can stop for a meal or a drink, or where residents and visitors can gather at a restaurant, brew pub, wine bar, health and wellness center, exercise facility and other compatible commercial uses. Being near the water in a pleasant environment is a universally understood human magnet that was recognized in all of the design submittals.



Achieve the Optimum Balance of Public and Private Use

While it may be necessary for a significant part of the space to be used commercially in order for the capital to be generated for site improvements, much emphasis has been given toward keeping the property accessible to the widest portion of the public as possible. A balance between the two will need to be reached in order to develop this property. Many ideas of how to utilize the space were discussed and many appeared in the design competition entries. Some of the more common uses are a restaurant, art gallery, brew pub, concert or event location, kayak rentals, juice or coffee bars.

Respect the Character and Simplicity of the Structures

The existing structures that comprise the Water Intake Facility have a special character that includes functional utility and simplicity that should be preserved to the extent feasible. This type of simple, utilitarian structure has a unique character and appeal, and substantially altering its appearance could hurt its appeal. Minimizing unnecessary alterations to the structures could also minimize the cost of redevelopment.



Site Constraints Limit Development

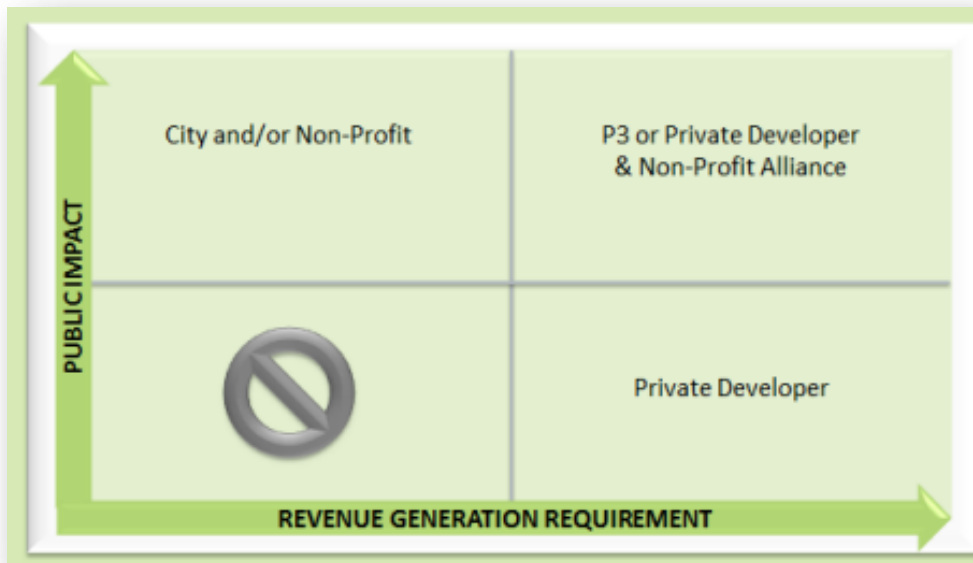
This site contains numerous restrictions and constraints that limit the amount of land and space in the building available for development.

- The dual setbacks from Cesar Chavez Blvd and the north shore of Lady Bird Lake required by the City Code leave a very narrow strip of property available for new development.
- The large live oak trees are protected by the City's Heritage Tree Ordinance, which further limits the amount of developable land.
- The lake cannot be filled to create additional land as proposed in one of the design competition entries.
- Building B is located within an electric utility easement and beneath a high voltage power transmission line, which limits the type of uses in the Building and type of improvements that can be constructed.
- The lower level of Buildings A and B are located in a flood plain, below the normal lake level, which further limits the type of uses and improvements that can be located in that part of the Buildings.

RECOMMENDATIONS

Design a Process to Assure the Best Mix of Public and Private Use

The Public/Private Matrix above illustrates the balancing act required to achieve the best mix of public use desired by the community and the private commercial uses required to generate the necessary revenue to pay for the redevelopment of the property.



The ULI Panel recommends that the City build on the community consensus evident in the design competition to create a process for achieving the right mix of public, non-profit and private interests that the community will support, including the RFQS and recommended RFP process for selecting the development team.

Encourage and Facilitate Non-Profit Participation

Without the public funds to create a true public-private partnership with the City, the best way to move into the preferred upper right hand box of the Public/Private Matrix is to create an alliance with non-profit entities such as The Trail Foundation and Austin Parks Foundation and other important stakeholders.

The ULI Panel recommends that the RFQS and recommended RFP process include selection criteria that rewards development teams that create alliances with strategic nonprofit entities that can contribute knowledge and relationships and attract individual philanthropy and other resources for the project.

Reduce Uncertainties and Streamline the Process

The City must take steps to overcome the uncertainties created by the City Charter limitations on the sale, conveyance, leasing, mortgaging or other alienation of the property, and the Chapter 26 procedure for determining if the property will be available for private development. It will be a great waste of time and resources if the City selects a preferred development team through the RFQS process, and then learns that the property is not available for private development, or the legal or financial structure will not work.

The ULI Panel recommends that the RFQS process should be used to identify several development teams, each of which should include a non-profit ally, with the experience and qualifications required to redevelop the property in accordance with the City's goals and community vision.

As soon as possible as the selection of these development teams, the ULI Panel recommends that the City initiate a second phase Request For Proposals (RFP), with very specific guidelines regarding the proposed legal and financial structure, including a proposed form of License Agreement with the essential business terms,

including a fair, revocable term of up to 20 years, and a predetermination that the project will meet the requirements of Chapter 26 of the Texas Parks and Wildlife Code.

A question was raised regarding the process: Currently, the plan is once the Council determines the top Teams, they would enter into an Exclusive Negotiation Agreement with them. Could the same result be achieved by attaching the License Agreement terms to that document? Then if the Team withdraws/balks they could go to the next highest ranked Team.

Attaching the License Agreement early in the process will be helpful, the current RFQS does not ask the respondents to propose financial and other business terms. The second step RFP would give the respondents the documents and information necessary to submit competitive proposals. By this stage of the process, the Chapter 26 determination should have been made and therefore, will be removed as a risk factor.

In general, the City rarely breaks off negotiations with the first party selected. Once they've invested time and money with the first party, it's hard to start over with someone else. The City will be running the risk of selecting a development team that is qualified (on paper), but is later surprised about what it has to do to develop on parkland with no City funds. Why not use a competitive two-step process to determine who is best qualified and best prepared to execute under unusual circumstances?

CONCLUSION

The Seaholm Intake Facility can truly become the “Gem of Austin”. Its prime lakeshore location, inclusion in City parkland with existing hike and bike trails, and location directly across the street from one of the fastest growing areas of the City, enables this site to have the potential of being something grand. Its historic Art Deco architecture, surrounded by older growth trees, make it a perfect setting for the public as a whole to take advantage of its natural and man-made beauty.

Due to its parkland location, the project has received elevated public interest. Much care must be taken to ensure the public benefits from its development. But, due to many limitations placed on how this property can be developed, the solutions to what can be done here is also limited.

The limited resources of the City of Austin have created a need for some outside entity to help finance any type of endeavor. A balance must be struck between private interests and public benefit and the encouragement of non-profit entities seems to be a solution to this financing issue and to resolve alienation concerns. By designing the process to encourage their participation through the RFQS and RFP process, this issue can be addressed in an open and creative manner.



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