

Lessons learned from mixed-use as Austin development takes off

Denver-area real estate professionals know first-hand that closed airport properties offer enormous potential for commercial and residential redevelopment. The Stapleton and Lowry projects here have both garnered national attention as model mixed-use communities built on top of shuttered airfields.

Less well-known in Denver, however, is another large-scale airport redevelopment project currently underway in Austin, Texas. The 711-acre Mueller Airport site is in the midst of a multiyear redevelopment plan that will include retail, office, research and other commercial uses as well as thousands of new single- and multifamily housing units.

Within Austin, the project has received accolades as a model of urban planning and public-private partnership. Austin Mayor Will Wynn, for instance, has called Mueller "a fabulous success" and "one of the best and most ambitious mixed-use projects in the nation." Dr. Ken Shine, executive vice chancellor of the University of Texas System, said Mueller is an asset "that will deliver immeasurable benefits to Austin and the entire state over the long term."

More broadly, the Mueller experience offers important lessons for other communities around the country grappling with the challenges of how to implement a large-scale mixed-use plan.

■ Project overview. Robert Mueller Municipal Airport served Austin from 1930 to 1999. Like Stapleton Airport in Denver, it became outmoded over time, as air traffic increased and commercial and residential growth left the airport completely landlocked. When Austin relocated its airport operations to the former Bergstrom Air Force Base southeast of the city, Austin was presented with a golden opportunity to build a new mixed-use community from the ground up.

My company was brought in



Greg Weaver
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as master developer of the site in 2002. Working closely with our partners in city government, we have managed all key aspects of the project, including community outreach, entitlement, cleanup and public financing.

Today, work is well on its way at Mueller. The airport is already home to a 220,000-square-foot regional retail center, a 127,000-sf medical office building and a 127-bed children's hospital serving 46 counties across the state. Phase I of residential construction at the site is currently under way, with 4,600 single- and multifamily units planned at full build-out. The University of Texas at Austin's Dell Pediatric Research Institute, new children's health and biomedical research center, is scheduled to open in the second quarter of 2009. More than 140 acres – 20 percent of the site – have been set aside as community open space.

The exact timeline for the complete build-out of Mueller will depend on market conditions. But most expect that within five years it will be an established, thriving community, with a critical mass of residents, an established base of employers and retail stores that are drawing destination shoppers from throughout the Austin metro area.

■ Lessons learned. To be sure, the redevelopment of Mueller has encountered its share of problems and challenges. But work completed at the site so far has been characterized far more by success than by failure. Importantly, it has produced a number of lessons that should be taken to heart by any community undertaking a mixed-use project of comparable size and complexity.

Among these lessons are the following:

1. Community input helps produce a high-quality master plan. Enormous effort went into the master planning process at Mueller. More than 100 public meetings were held over two years, and there was continuous dialogue between the city, Catellus and key community stakeholder groups. That investment of time on the front end is paying substantial dividends today. It gave Austin residents a sense of real ownership in the project, and today public acceptance of the Mueller master plan borders on fanatical.

2. Tax-increment financing is a critical tool. The financial structure of mixed-use developments varies widely from project to project. But they tend to have one thing in common: An expectation that the private developer will front the cost of cleanup and infrastructure improvements. These expenses can be enormous – often running into multiple millions of dollars at a medium-sized site. As such, tax-increment financing is usually essential in order to enable a project to be financially viable.

TIF has been used successfully at Mueller. The city created a special district around Mueller through which it can issue tax-exempt municipal bonds. Although Catellus pays for infrastructure improvements up-front, it will be repaid by the district once development is in place and generating tax and sales revenue.

3. Establish and implement robust design guidelines. It's important for master developers to acknowledge the importance of urban design to their projects. They should embrace design guidelines as part of master planning – and work with builders and vertical developers to make sure these rules are properly implemented. For the Mueller project, the city of Austin adopted a comprehensive "design book" as part as part of the project mas-

ter plan to ensure that development undertaken by multiple contractors remains attractive and consistent with the overall vision for the project.

4. Incorporate green design. Any commercial builder active today knows that the environmental movement has become a critically important force in the real estate industry. Global warming has clearly emerged as a top priority for regulators at every level of government, including localities that control the entitlement of most large-scale redevelopment projects. Given their high profile and large degree of public involvement, mixed-use projects can generally be expected to face significant green building requirements going forward.

But that doesn't have to be a burden. At Mueller, every commercial and residential building must be certified via Austin's green-building program. Our experience so far is that both commercial tenants and prospective homebuyers are extremely enthusiastic about the project's environmental credentials, and that they will serve as an important demand driver at the site over time.

■ Conclusion. Every development is unique, but we understand enough about mixed-use today to know that certain strategies will help maximize any development's overall chances of success. High-quality master plans, tax-increment financing, robust design guidelines and a commitment to environmental building are all measures that can be implemented virtually anywhere, to beneficial effect.

Developers and city planners who incorporate these principles into a mixed-use project stand the best chance of producing high-quality developments. In doing so, they can create substantial economic value – while delivering long-term benefits to their community.▲