Mosaic Sound Collective:
Musician Affordable Housing Project

Technical Assistance Panel | April 18, 2017
ABOUT 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
- 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 40,000 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.

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 it’s over 650 members in the Austin area.

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# TABLE OF CONTENTS

ABOUT THE URBAN LAND INSTITUTE & AUSTIN DISTRICT COUNCIL ........................................Inside Cover

ABOUT ULI ADVISORY SERVICES ........................................................................................................ 1

CURRENT AISD SITUATION .................................................................................................................. 2

ULI PANEL ASSIGNMENT ..................................................................................................................... 2

PANELISTS ............................................................................................................................................. 3

ACKNOWLEDGMENTS .......................................................................................................................... 3

EXECUTIVE SUMMARY ......................................................................................................................... 5

FINDINGS & OBSERVATIONS ................................................................................................................ 5

NEXT STEPS .......................................................................................................................................... 6

CONCLUSIONS ....................................................................................................................................... 7

BIOGRAPHIES OF PANELISTS ............................................................................................................ Back Cover
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 700 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 and intense approach requiring additional hours, research and funding than a TAP.

This one and one half day TAP assignment was held on June 15 - 16, 2016 with an intensive agenda. During the first session, the sponsoring organization provided an overview of the assignment and a guided tour of some of surplus real estate properties. The first day concluded with a discussion by industry experts. Some of these experts were already in discussions with the sponsoring organization about their perceived challenges and opportunities. The second day’s 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.
CURRENT SITUATION

The cost of living has escalated in Central Texas to exceed that of the national average, according to a poll conducted by BestPlaces.net. Housing is cited as the primary source for this disparity in cost of living. Yet, according to indeed.com, the average musician’s salary in Texas is approximately $25.85 per hour, which is 22% below the national average.

To bridge the gap between the high cost of living and low income of musicians and artists, Mosaic Sound Collective (MSC) engaged ULI Austin as a neutral body to conduct a Technical Assistance Panel (Panel) to review the potential for the development of an affordable housing community for musicians. The Panel will consist of local experts with very different viewpoints. This is an exploratory Panel that will make recommendations to Mosaic Sound Collective.

Figure: Provided by BestPlaces.Net
ULI PANEL ASSIGNMENT

ULI Austin was engaged to convene this Panel to review a 7+ acre parcel of land near MSC for the purpose of developing affordable housing for musicians and artists in the Central Texas Community.

**MSC established the following objectives for this TAP:**

- The Panel will review the constraints to developing the identified property and make a recommendation on best usage to achieve affordable housing, within existing constraints.
- The Panel will determine a set of recommendations to overcome obstacles to development including finance, legal, zoning, adaptive reuse and joint venture/public-private partnerships.

**The Panel operated under the following assumptions:**

- Over $450,000 in on-site and off-site work completed by the current owner and accepted by the City of Austin to deal with drainage issues and stormwater retention.
- The parcel of land under consideration has been approved for zoning **MF-2-NP**, **GO-MU-NP** and **LR-MU-NP** by the City of Austin. Overall residential entitlement is 179 DU (dwelling units) maximum and 166 DU minimum. There are three distinct entitlement areas.
  - Residential entitlement within the **MF-2-NP** area is 139 DU and allows any number of bedrooms per DU within the MF-2 area.
  - Residential entitlement within the **GO-MU-NP** area is 11 to 16 DU*. Both general office and residential uses are entitled on 0.3057 acres GO-MU-NP.
  - Residential entitlement within the **LR-MU-NP** area is 16 to 24 DU*. Both local commercial and residential uses are entitled on 0.8974 acres LR-MU-NP with 187.68 feet of frontage and driveway access.

*Residential entitlement within MU overlay areas is least when units within MU overlay areas have 2 or more bedrooms each and is maximized when units within MU overlay areas are efficiency units. A mix of unit types in the MU overlay areas yields intermediate residential entitlements.

Figure: Parcel of Land Under Consideration
PANELISTS

The Urban Land Institute Technical Assistance Panel brought together six industry experts to explore and address issues related to redevelopment opportunities for AISD’s surplus real estate assets particularly as it pertained to affordable housing options:

**Panel**

Dave Stauch (Panel Chair)  
Capital Project Management  
Austin, TX

Mike Brown  
Texas Capital Bank  
Austin, TX

Bill Meyer  
Newland Communities  
Austin, TX

Elizabeth Good  
Cypress Real Estate Advisors  
Austin, TX

Additional information on these Panelists may be found on the back inside cover of this Report.

ACKNOWLEDGEMENTS

ULI Austin would like to thank the leadership of Mosaic Sound Collective (MSC) for inviting the Urban Land Institute to provide independent, objective expert advice on the potential to development an affordable housing community for musicians by a private MSC.

We would also like to thank the stakeholders who participated in the background interview session for providing their insight to augment the multiple decades of on-the-ground experience represented among the ULI panel members. Additional community leaders were invited, but declined the invitation to participate. Contact ULI Austin for a list of all invited.

The following key stakeholders were invited:

- Seth Mearig, BGE, Inc.
- Cynthia Bast, Locke Lord
- Kent Collins, Centro Development
- Frank Rodriguez, City of Austin
- Walter Moreau, Foundation Communities
- Quinn Gormley, CohnReznick
- Mandy DeMayo, HousingWorks
- Clifford May, Longbow Real Estate

The findings and recommendations provided in this report are based on the collective expertise of the panel, along with the provided briefing materials, and information gleaned from the tour, stakeholder interviews and discussions conducted during the panel’s day long effort.
EXECUTIVE SUMMARY

The Panel conducted a brief assessment of the proposed property and reviewed the goals of MSC and the potential for the property to support these goals. Several stakeholders and interested parties were interviewed to obtain their insights into challenges and opportunities at the development site.

Summary of Major Recommendations

1. Overall, this appears to be a good opportunity for MSC to expand their services in providing affordable housing to musicians and artists.
2. The sellers price per unit appears high based upon market comps.
3. Some other concerns about the site were raised that should be easy to address.
4. The Panel made recommendations on “Next Steps” as listed on page 8.

FINDINGS & OBSERVATIONS

Findings

- The storm sewer connections pricing the current property owner provided are low as compared to current market rates.
- The storm detention pond is too large for the site and could be reduced to add to the buildable area.
- Potential compatibility issues exist with neighboring houses.
- The panel questioned the ability to build 179 units.
- Several Panelists and Interviewees alike believe only four of the seven+ acres are usable.
- The soil is very expansive, which will increase the cost of construction.
- Not a 9% tax credit deal, possible 4%
- Based on the sellers price, an estimate, $18K per unit is reasonable if you assume 179 units to be built.
- $150K/unit all in (including land)
- Potential for co-op housing (option for loans from HUD)
- Suggested sources of equity, but not limited to, can include Housing Trust Fund (COA), HUD Home Program and Charitable Contributions.
- Compliance with fair housing laws and regulations may be difficult. In addition, how do will MSC define who is a musician and/or artist? What happens if a musician stops performing.
- Marketing of community will impact applicant pool.
- Using a design of one and two bedroom units will self-select away from families.

Figure: Mayor Steven Adler Learns about Plans for Mosaic Affordable Housing Plans
• Potential for City land swap or City land trust

**Other Observations**

• Real Estate Tax Abatement - 50% tax abatement if community is run by a nonprofit that has the following characteristics:
  ✓ Affordable housing purpose
  ✓ In existence for at least 3 years
  ✓ 2 community members are on its board

• Services provided at Mosaic could help qualify for 4% funding
• Mosaic Sound Collective existing site can potentially be aided by Neighborly Bond, EDA or New Market Credit
• Utilization of the flood plain for some improvements should be explored

**NEXT STEPS**

The following steps were recommended by the panel before purchasing the parcel of land under consideration.

1. Download due diligence info on land - Mosaic
2. Zoning transect map review - Mosaic
3. Density study (approx $3,500) from an architect – Panel Supported
4. Quick proforma – Panel Supported
5. Review Art Space on El Paso development - Mosaic
6. Recommend Broker = Sayers Real Estate Advisors – ULI Austin
7. Bring development partner to the table… may become long-term partner – ULI Austin
8. Review ability to pay / $2.0 Mil for land – Mosaic/ULI Austin
9. Charitability Portion (flood plain) w/ Durbin Bennett – ULI Austin
10. Gain control of property w/long-term review and closing options (LOI) – Mosaic
11. Hold additional discussions with Foundation Communities as a potential partner - Mosaic
CONCLUSION

Despite the many challenges, the opportunity for Mosaic to build a musician oriented community adjacent to its other facilities would provide a missing component for the music industry in Austin.

Mosaic is encouraged to follow the next steps toward determining the feasibility of constructing a musicians village including discussing with established affordable housing providers in the area to partner with on the project.

MOSAIC SOUND COLLECTIVE

SERVING AUSTIN'S MUSICAL COMMUNITY, PRESERVING AUSTIN'S MUSIC CULTURE

AUSTIN, TEXAS
BIOGRAPHIES OF PANELISTS

Dave Stauch (Panel Chair)
David Stauch has more than 30 years of experience in the Central Texas construction industry, providing direct leadership on many of Austin’s most high-profile and complex projects including the historic restoration and extension of the Texas State Capitol, the redevelopment of the Seaholm Power Plant, the relocation of Concordia University and the construction of the Sematech research center. He is currently representing the owner of The Independent, the tallest residential building west of the Mississippi River.

William “Bill” Meyer
Bill Meyer is a Senior Vice President of Newland Communities. He has over 25 years experience in all aspects of planned community development, (e.g., acquisitions, start-up, sales & marketing, project management, golf operations, asset management) across multiple US markets. He has closed over $500M of real estate sales and obtaining development approvals for thousands of homes and over one million square feet of office and commercial uses in multiple jurisdictions.

Michael Brown
Mike Brown currently serves as a Senior Vice President of Texas Capital Bank in Austin. Prior to joining Texas Capital Bank in 2009, he spent 12 years with Wells Fargo and four years at Citibank. His banking career dates back to 1989. Since 2002 he has served as a volunteer and member of the board of directors of Meals on Wheels of Central Texas. Positions with Meals on Wheels include finance committee chair, endowment board member, building committee member, board chair from 2012 to 2014, executive committee member, and CEO search committee member. Brown is a current advisory board member to the Urban Land Institute and past board member of the Real Estate Counsel of Austin. Brown is a graduate of the University of Texas at Austin with a BBA in finance.

Elizabeth Good
Elizabeth Good is Vice President at Cypress Real Estate Advisors where she works with private real estate investment and development focusing on single-family, multifamily and mixed-use product type across Texas, Colorado and Florida. Prior to Cypress, she worked at JBE & Associates and Charter Mac. She has a Masters from Columbia and a Bachelors from the University of Southern California.