

# WILDFLOWER TERRACE AT MUELLER

## AUSTIN, TEXAS

### Summary

Mueller is located on the 700-acre site of the former Robert Mueller Municipal Airport, which was Austin's principal airport until it closed in 1999. This joint project between the City of Austin and Catellus Development is implementing a master plan to convert the site to a commercial and residential area with modern housing and state-of-the-art retail and office facilities.

Open to new residents since 2007, the project is estimated to be completed by 2020. When fully built, Mueller will include over 5,900 homes with 13,000 residents, a town center with shops, including 30 percent locally-owned businesses, a major children's medical center and medical research complex, a film studio, rental properties, and Class A office space. It will also include over 140 acres of public open space and 13 miles of new recreational paths. Catellus, the City of Austin, Mueller homebuilders and apartment developers are working together to provide a minimum of 25 percent of affordable units—approximately 1,475 at completion.

A number of national and local builders have participated in different residential phases at Mueller. Wildflower Terrace, an affordable senior housing community, is the profile subject for this case study.

Wildflower Terrace has a mix of market-rate and predominantly income-qualified rental apartments. The building houses 201 units and resident amenities in addition to 5,500 square feet of ground-floor retail space.

### Dealmakers

- A robust public-private partnership
- Substantial, long-term public engagement
- A strong public policy commitment to affordable housing
- Design guidelines and review process for a cohesive neighborhood fabric

### Overview

Location	3801 Berkman Drive, Austin, Texas 78723
Project Type	Senior (age 55 and up) mixed-income rental, mixed-use
Developer	DMA Development Company, LLC
Supporting Partners	City of Austin Catellus Development Corp. Mueller Foundation
Housing Type	Multifamily
Site Size	2.4 acres
Units	<b>201 units:</b> <ul style="list-style-type: none"><li>• 26 units at up to 30 percent median family income (MFI)</li><li>• 60 units up to 50 percent MFI</li><li>• 85 units up to 60 percent MFI</li><li>• 3 units up to 80 percent MFI</li><li>• 27 market rate units</li></ul>
Development Costs	\$24.8 million

<b>Development Timeline</b>	2010: Land acquisition 2010: Construction started 2012: Property opened
<b>Funding Sources</b>	Nine percent Low Income Housing Tax Credits: \$14,531,000 City of Austin General Obligation Bonds: \$2,000,000 Mueller Foundation: repayable seed money
<b>Websites</b>	<a href="http://www.muelleraustin.com">http://www.muelleraustin.com</a> <a href="http://homesatmueller.com/wildflower-terrace/">http://homesatmueller.com/wildflower-terrace/</a>

## Development Partners

### DMA Development Company

Diana McIver established the DMA Development Company, LLC in 1999 in response to a need for quality affordable housing in rural areas. The company develops small to mid-size apartment communities in rural areas and smaller cities utilizing the Housing Tax Credit program. The service area of DMA Development Company, LLC has included Texas, Georgia, and the District of Columbia. The DMA Development Company is one of DMA Companies' three unique and distinct services encompassing the creation and management of affordable multifamily housing properties.

### The City of Austin

Austin is the capital of Texas and the seat of Travis County. Austin is the eleventh most-populated city in the U.S. and the fourth most-populated city in Texas. It is the fastest-growing of the 50 largest US cities. In 2016, Austin had a population of 931,830. The cost of housing in Austin is among the least affordable in the nation, in the same league as San Francisco, Portland, San Antonio and Atlanta as metro areas with a growing gap between how much workers make and how much of that income it takes to afford a median-priced home. Over the years, the City of Austin has steadily pursued policies to foster the preservation and production of affordable housing.



Photography by Thomas McConnell

## Catellus Development Group

The Oakland, California-based Catellus Development Group is Mueller's Master Developer with responsibility for the community's overall development over the 20-year buildout. Catellus is directly responsible for financing, constructing, and marketing the development, and investing necessary equity into the project. Catellus is also responsible for the creation and oversight of the Mueller Affordable Homes Program.

## Mueller Foundation

The Mueller Foundation is a 501(c)(3) non-profit corporation voluntarily created by Catellus to support the Mueller community's vision and goals including affordable housing. While Mueller's minimum affordable housing requirements are specified in the Master Development Agreement between the City and Catellus, the Mueller Foundation supports efforts that go beyond the agreement. The Mueller Foundation is considered a donor-advised fund of the Austin Community Foundation, with funds from three sources: a real estate transaction fee of .025 percent on all Mueller residential and commercial sales; proceeds related to Mueller's affordable housing Shared-Equity program; and contributions by the master developer and its project partners.

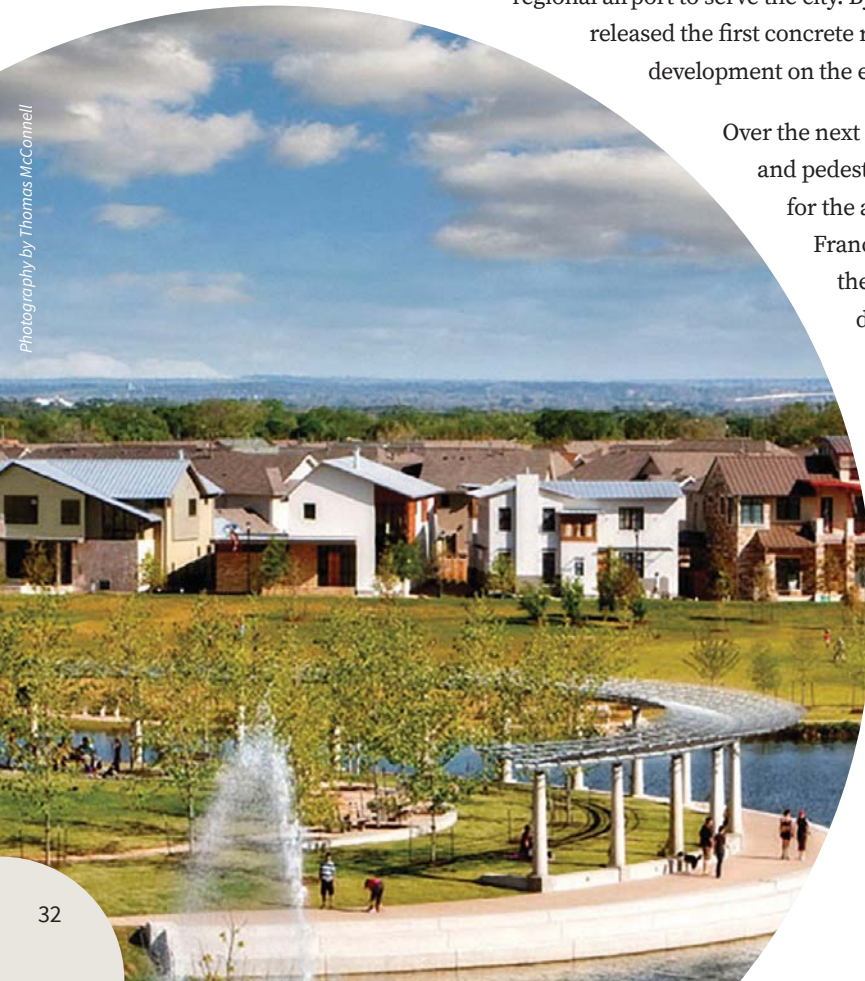
As a result of the collaboration by Catellus, the City of Austin, and Mueller home builders to meet the goal in the Master Development Agreement for affordability, homes purchased in the Mueller Affordable Homes Program are sold for less than the home's actual market value. The Mueller Foundation holds a soft second lien on homes sold in the program, ultimately capturing the difference between the sales price and market value to support future affordability efforts. They also hold a purchase option on the home for the same purpose.

## Policy and Planning

The transition of Robert Mueller Municipal Airport from its service as an airport to a new urban village in the heart of Austin has been a work in progress for the last 45 years, when talks first began about a larger regional airport to serve the city. By 1984, Citizens for Airport Relocation (C.A.R.E.) released the first concrete redevelopment plan that called for "low-density development on the edge with high density in the center" of Mueller.

Over the next 20 years, a clear community vision of a compact and pedestrian-oriented, mixed-use community emerged for the airport site, and a master plan was created by San Francisco's ROMA Design Group in 2000. Finally, in 2002, the city selected Catellus Development as the master developer for the 700-acre urban infill project. Primary City oversight is provided by a project manager dedicated to the Mueller redevelopment within the City's Economic Growth and Redevelopment Services Office. Residential build-out is expected to be completed by 2020.

The Master Development Agreement (MDA) includes the provisions of the Mueller Affordable Housing Program. The results of the affordable housing program are reviewed annually by the Austin Housing Finance Corporation (AHFC) and specifically incorporated into the City's consolidated affordable housing plan.



Photography by Thomas McConnell

Mueller is zoned as a planned unit development (PUD), which is a zoning category that sets a higher standard than typical developments and is for large tracts of land. PUD zoning provides some flexibility over time within the parameters set by the ordinance. The Mueller PUD is based on the City’s Traditional Neighborhood District (TND) ordinance, which encourages the mixed-use, compact development of residences, shops and workplaces oriented toward pedestrian activity. The zoning ordinance provides waivers from standard City code when necessary in order to develop the Mueller Master Plan as a TND.

The Mueller redevelopment plan is based on six core principles:

- **Fiscal Responsibility:** Redevelopment must create a positive revenue stream that will fund onsite infrastructure and increase the City’s tax base for the benefit of all citizens.
- **Economic Development:** The project should serve to reinforce Austin’s role in an increasingly global market-place and create a wide range of employment opportunities for a diversity of the community’s citizens.
- **East Austin Revitalization:** The project must promote economic development opportunities within East Austin, giving local residents a direct stake in redevelopment.
- **Compatibility with Surrounding Neighborhoods:** Development must maintain and enhance the quality of life in adjacent neighborhoods, providing complementary linkages, land uses and transportation patterns.
- **Diversity & Affordability:** Redevelopment must offer a wide range of housing choices in order to create a new community of socially and economically diverse residents.
- **Sustainability:** Development should be planned in a way that promotes energy and water efficiency, resource protection, reduced auto dependency, watershed protection and green space preservation.

Wildflower Terrace was the first predominantly affordable rental property in Mueller when it opened in 2012. It includes 201 units, with 174 units subject to income qualification and 30 at market rate. The affordability term is 99 years, the result of a requirement for the City of Austin’s GO bond funding. The City of Austin’s SMART Housing Program provided fee waivers and expedited processing of construction permitting.

Units	Income Qualification	Rent
26	30 percent MFI	\$373
60	50 percent MFI	\$656
85	60 percent MFI	\$800 – \$947
3	80 percent MFI	\$1,100 – \$1,300
27	Market Rate	\$1,500 – \$1,900

## Public Outreach

The Mueller Master Plan represents more than 20 years of community involvement. As a joint project between the City of Austin and Catellus, transforming Mueller from an airport to a mixed-use urban village was the result of hundreds of public meetings and collaboration between the City, its consultants and community stakeholders. Over time, Catellus and the City of Austin have used public input to refine the plan as part of the Master Development Agreement.

The Robert Mueller Municipal Airport Plan Implementation Advisory Commission was formed in June 2000. It holds regular meetings to discuss specific aspects of Mueller’s redevelopment, including proposed amendments to the Master Plan, land disposition strategy, traffic, urban design and zoning issues, and demolition of existing facilities, to make recommendations to Council, and it acts as the primary vehicle to address neighborhood concerns. As residents have moved into Mueller they have replaced seats as members of the Commission.

In addition, committees comprised of members of the public have been created to study specific issues such as traffic around Mueller and affordable housing.

## Design

Mueller's master plan embodies new urbanist principles to create a community that is compact and pedestrian-scaled, supportive of transit, and compatible with the surrounding fabric of single-family neighborhoods.

The Mueller Design Book sets forth guidelines for the design of buildings and public and private open spaces within the Mueller community and is incorporated as part of the Master Development Agreement between the Master Developer and the City of Austin. The guidelines are intended to supplement the zoning provisions of the Mueller Planned Unit Development and the Mueller Master Community Covenants.

To realize the community's vision for Mueller, the design guidelines emphasize cohesive and high-quality development. Mueller's walkable design and mixed-use development pattern follow "new urbanist" principles. Transportation options include auto, bicycle, and pedestrian connectivity with bus and future rail transit. Streets are designed to serve as an extension of the open space, pedestrian, and bicycle network and contribute to the community's sense of place and identity.

The affordable for-sale units have typically been produced by builders whose primary business is market-rate development. The Mueller design guidelines require similar architecture and a mix of market-rate and affordable housing units. As a result, the designs for each are comparable, with some reductions in the size and adjustments in the interior finishes.

Denser development allows for 20 percent or 140 acres of Mueller's 711 acres to be dedicated parks and open space. These spaces include approximately five miles of bicycling/pedestrian trails. The community is designed with public parks around its perimeter, allowing easy public access without interference with neighborhood activities

All housing at Mueller is designed in accordance with the Mueller design guidelines. Mueller's affordable homes comply with the City of Austin's SMART Housing™ guidelines and are required to attain a minimum three-star rating in the Austin Energy Green Building program.

Mueller's New Construction Council serves as a design review body for the community. The New Construction Council (NCC), comprised of representatives from the design and development community, is responsible for the review and approval of all new construction within Mueller. The design guidelines provide the criteria for the NCC's review of individual projects.

## Sustainability

Mueller embraces a new model of "green urbanism" at three levels: green community design, green buildings, and green infrastructure. Every Mueller residential, retail and commercial building meets standards for green building. All residential units are built to meet a three-star rating in the Austin Energy Green-Building Program. Commercial development, including multi-family units, meet a two-star rating in Austin Energy's program or are LEED-certified.

Mueller applies green community design to provide heat island mitigation, light pollution reduction and storm water management. Green building principles encourage resource-efficient design and the selection of regional materials that are non-toxic, recycled and sustainably harvested.

At the infrastructure level, Mueller has a reclaimed water system, a centralized energy plant, and regional detention and water-quality ponds to capture and filter stormwater runoff.

Like most of the major multifamily developments in Mueller, Wildflower Terrace is a mixed-use property. The four-story building with structured parking includes one- and two-bedroom apartments. The ground floor retail tenants are Bikram Yoga Austin East and Realty Austin – East.

Amenities include a movie theater, community room, fitness center, billiards room, a library and computer center, laundry facilities, and an art studio. Walking trails and Mueller’s Southwest Greenway and future Southeast Greenway are nearby. The parking garage allows each resident to park on the level adjacent to their apartment.

The affordable and market-rate units are indistinguishable, with 700–1000 square-foot floorplans, 9- and 10-foot ceilings, ENERGY STAR appliances, washer/dryer connections, and walk-in closets in the energy efficient, LEED-Silver certified building. Most units have balconies or porches, some with views of downtown Austin. The property also include ADA mobility accessible units, and sight- and hearing-accessible units.

Starting the project during the Great Recession yielded a lower construction pricing, which allowed room in the budget for higher-quality finishes. The project was subject to Mueller’s New Construction Council design review and received input from nearby neighborhood associations. Wildflower Terrace was the first predominantly affordable rental development at Mueller and has been held to the same high standard as all Mueller properties.

## Financing

As publicly owned land, the City of Austin has sought to leverage the redevelopment of Mueller to achieve several objectives. The city’s transaction with Catellus is guided by the Master Development Agreement (MDA), which governs the transfer of land, the deconstruction of existing improvements, the construction of infrastructure, sales to third parties, and numerous other development obligations and responsibilities. Under the MDA, the city and Catellus have each committed to fund the cost of constructing the Mueller Master Plan, and each will realize financial gains from the successful redevelopment of Mueller.

### Public Financing and Revenues

Public financing has been vital to fulfill the vision for Mueller, due to the lack of infrastructure in place, the cost to demolish existing buildings and runways, and the high level of amenities. City general fund dollars are not committed to expenditures for the Mueller redevelopment costs.

The city’s primary source of financial gain is the ongoing property and sales tax revenues generated by the project, which will also repay the public financing for the project. In addition, as development occurs, the City will receive development and permit fees. To finance the costly infrastructure improvements in the first few years of the development, the City deferred its land-sale proceeds and issued bonds supported by project-generated tax revenues.

The city is also employing tax increment financing (TIF), where a portion of the property and sales taxes generated at Mueller are pledged to fund public improvements for the project. As TIF bonds are paid off—typically within 20 years of issuance—the City will retain more and more of the sales and property taxes generated by the Mueller redevelopment for use in its general fund.

It is currently estimated that the City will receive roughly \$55 to \$65 million during the first 20 years, over and above what is required to pay for the bonds. Current projections suggest that all of the City’s bonds for Mueller could be repaid by 2032.

“The way business is done at Mueller, there is a lot of buy-in early on. Affordable housing can get a lot of push-back from NIMBYs, but people know from the beginning that there is quality affordable housing at Mueller, and Catellus sets a tone to inform stakeholders and collect feedback early in the development process to make the process go much smoother.”

**Diana McIver**  
President and Chief Executive Officer, DMA  
Companies

## Private Financing and Revenues

At the beginning of the project, Catellus mostly used its own money to finance initial infrastructure development. The city used proceeds from land sales to repay Catellus' infrastructure investments and future infrastructure costs. Catellus has not received any fee waivers and is expected to pay \$5 million in City development fees. At the end of the redevelopment, after all costs and land-sale proceeds are known, there will be a final accounting, and Catellus will realize its investment returns through the money generated by its sale of land. At the end of the development phase, Catellus is expected to recoup that initial investment and earn a 15 percent return on that investment.

## Financing for Wildflower Terrace

The Mueller Foundation provided a small loan for temporary seed money to launch the \$24.8 million project, which has since been repaid.

Despite building during the economic downturn, DMA Companies managed to secure both public and private funding, including \$2 million in general obligation (GO) bonds for affordable housing from the City. However, additional funding allowed the project to move forward without actually drawing from the GO bonds. In 2005, voters in the City of Austin approved a \$55 million affordable housing GO bond issue that helped build, renovate or preserve 3,400 units of low-income rental and ownership housing. Housing developers apply for portions of the funds, which help attract and secure money from other sources. Voters approved an additional \$65 million in 2013.

Nine-percent low income housing tax credits were awarded in 2010, a recessionary period when it was notably hard to fund tax credits. Wildflower Terrace was one of the few projects to find investors. The tax credits generated \$14.5 million in tax credit equity through RBC Capital. The permanent mortgage was \$7 million, and the development fee was \$1.3 million.

## Marketing and Management

Prospective apartment renters go through the apartment community's leasing office. Leasing agents have information on apartment floor plans and rental rates, along with application materials for the Affordable Homes Program. Prospective tenants in Mueller's affordable rental apartments will also be income-certified by rental property owners before signing their leases.

Renters in the affordable program at Mueller are recertified annually for income eligibility. The guidelines of the Mueller Affordable Homes Program allow for tenants' incomes to increase after move-in, up to 140 percent of 60 percent of MFI. If the annual income certification shows that a tenant's income increases past this limit, then the tenant is no longer eligible for Mueller's Affordable Homes Program and must pay for a market-rate unit.

The rental units at Wildflower Terrace filled quickly, reflecting Austin's high demand for affordable senior housing. There is currently a waiting list.

The amenities have proven to be a big draw for community members as well as residents. Art classes, writing classes, and other activities that are free for residents are open to others in the community for a nominal fee. The community room is open to local nonprofits to host meetings.

## Observations and Lessons Learned

**Public policy is an important driver.** In the Master Developer Agreement, the City of Austin leveraged its ownership of the former airport land to create the opportunity for a substantial commitment to affordable housing. Austin's SMART Housing Policy, green building standards, and increased density strengthened the commitment to affordability and sustainability.

**Early planning helps to realize the community's vision for a large redevelopment effort.** Citizen advocacy for the redevelopment of Mueller took place over a 20-year period, starting in the early 1980s. The process of imagining what conversion of the property could look like began long before the City and Catellus signed a Master Developer Agreement in 2002.

**Affordability needs sustainability.** The original goal of affordability for 25 percent of the units has had to adapt along the way to stay the course. The creation of the Mueller Foundation to manage the Affordable Homes Program has been part of an effort to strengthen Mueller's capacity to achieve the development's affordable housing goal.

**Embrace the community.** The amenities at Wildflower Terrace have offered an opportunity to invite other neighbors to enjoy the common areas and serve community needs. In Aldrich 51, DMA Company's next multifamily project at Mueller, there will be a training room conducive to community presentations and meetings.

**Stylish design is a major asset.** The attractive architecture and design of Wildflower Terrace, in coordination with Mueller's design guidelines, contribute to the overall appeal of the Mueller development.

**A financial commitment to affordable housing helps meet local needs.** The City of Austin's general obligation bond for affordable housing provided \$2 million for the project.



This document is a portion of NAHB's report  
*How Did They Do It? Discovering New Opportunities for Affordable Housing.*

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# How Did They Do It?

Discovering New Opportunities  
for Affordable Housing

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