

Austin hotel/condo project set for Waller Creek

\$350 million, arts-themed project is moving to neglected area on east side of downtown.

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A high-profile arts-themed hotel and condominium project will be the first major project for the long-neglected Waller Creek area of downtown, developers announced Wednesday.

The 21c Museum Hotel and 21c Museum Residences, originally planned for Third and Brazos streets downtown, will be built on a new, larger site at East Cesar Chavez and Red River streets, along the banks of the creek.

Developers said the \$350 million project on 3½ acres is expected to pump millions in property tax dollars each year into the city's project to build a flood-control tunnel along the creek and help turn the area into Austin's version of the San Antonio River Walk.

"I'm drinking the Kool-Aid about the whole Waller Creek area," said Steve Poe, president and CEO of the Poe Companies, which is one of the partners in the project. "This is the natural progression for the city. People gravitate towards parks and water, and that's what this is."

Work is scheduled to start in early 2009 on a 16-story 21c Museum Hotel, which will have 243 rooms and double as a contemporary art museum. The museum will be open free to the public year-round.

The hotel will be followed by a 49-story condominium tower with 295 residential units, and in the future, a 425,00-square-foot tower with offices and shops or more housing, according to the Poe Companies, a Louisville, Ky.-based real estate firm.

The company expects the hotel and condo towers to open in 2011. Prices have not been set for the condos.

The condo tower would rank among the tallest being built or planned amid downtown's residential building boom.

A 55-story condo tower, the Austonian, is under construction at Second Street and Congress Avenue. And local developer Tom Stacy plans a 66-story hotel/condominium tower near Sixth and Brazos streets.

Poe officials said the 21c project needs no city zoning variances.

Poe is teaming with Art Commerce Entertainment Unlimited and Austin-based Ironwood Real Estate.

Local developers Robert Knight and Perry Lorenz, along with partnerships controlled by Lorenz and Austin-based Twin Oaks Associates, are selling the land to the Poe Companies. All the sellers will be equity partners in the project, holding a minority financial interest.

The tract currently houses several older buildings, including a duplex and a club, Lorenz said.

The new project will generate more than \$9 million a year in property taxes, nearly \$2 million of which would be earmarked for city efforts to building the flood-control tunnel along Waller Creek. About \$1 million of the county's portion of the taxes would also be dedicated to help pay for the tunnel, said Lorenz.

The city is banking on the \$124 million tunnel project to open a large part of downtown to redevelopment.

"I think we're feeling the first wave of significant development in that area," Lorenz said. "My prediction is, Waller Creek from 15th Street to (Lady Bird Lake) and including the Rainey Street neighborhood will just be transformed over the next five to 10 years because of something the city consciously did. This is just the beginning, and something good is happening."

As longtime landowners with substantial holdings in the area, Knight and Lorenz, both major proponents of the Waller tunnel project, will benefit.

But Lorenz said more than self-interest is involved. He said the southeast part of downtown "has been pretty sad for some time, a stepchild. Obviously it is in my self-interest for the area to develop like this, but more than that, it's really in the interest of the entire city."

Poe said the new location was the one he originally wanted in looking for a site for a hotel/condo project last year, he said. But at the time, it was under contract to Australian-based Constellation Property Group, which had planned a luxury condominium tower and a hotel there.

Poe said he jumped at the chance to put the land under contract when Knight notified him it was available.

"It really allows us to do what we want to do," which is to create an arts-oriented destination spot with lots of green space, and in an area with views that aren't under threat of being blocked, being flanked by the convention center to the north and parkland and Lady Bird Lake to the south. And, he said, "we see the creek as an amenity."

"This is like that proverbial place in Central Park in New York City," Poe said. "That's what we're creating."

A key attraction in the project is expected to be its restaurant, which will serve contemporary American cuisine and has a big name behind it, Michael Bonavides, who was a founding partner of the restaurant group that owns and operates Tribeca Grill, Nobu and Rubicon.

The Poe Companies originally planned to build the project on a block formerly occupied by the Whitley Printing Co. at Third and Brazos streets. The Poe Companies still owns that site, where it plans a hotel project.

Austin City Council Sheryl Cole said the 21c project "begins to fulfill the promise that Waller Creek will become a world class destination. It is wonderful to already see a major return on our investment."

Courtesy of JB Goodwin