

## Development activity picks up at The Domain

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Construction on three new projects at The Domain began in the past five months, ending Endeavor Real Estate Group's three-year-long development hiatus at the high-end retail, office and residential center.

This activity signifies renewed confidence in the local economy and will eventually bring to fruition Endeavor's dream of an 8 million-square-foot urban complex dotted with parks and trails.

"We're back," said Ben Bufkin, a development associate at Endeavor. "Momentum is building again."

## **Quiet no longer**

The three projects that broke ground include a 55,000-square-foot Whole Foods Market, which will replace the smaller location at Capital of Texas Hwy. and MoPac. Workers broke ground in September and the market is scheduled to open in spring 2013.

In October, a residential project developed by Endeavor, Dallas-based Columbus Realty and an international real estate investment firm, RREEF, also broke ground. The development will open in two phases: Phase 1 will be 315-unit apartment complex at Esperanza Crossing and Alterra Parkway, and Phase 2 will be a 228-unit apartment complex at Domain Drive and Esperanza Crossing.

The third project is a 9-acre park on Alterra Parkway between Kramer Lane and Esperanza Crossing, for which construction began in January. The initial phase of the park will include grassy areas, a bocce ball court and a trail and will open in spring 2012. A second phase will add a pavilion.

Although Endeavor is likely to introduce more mixed-use development on the remaining 83 undeveloped acres, Bufkin said the earliest date such projects could appear is fall 2014.

“There’s nothing that we’re ready to announce today,” he said. “The partnership is spending a bunch of time right now in strategic planning about what is next.”

## **Expanding the vision**

The idea for The Domain started in 1999 after the formation of Endeavor, which had bought 243 acres from IBM and 60 acres from Multech, along with financial partners Blackstone Group and JER Partners. At the time, the idea was to create a dense campus for the dot-com/tech industry. When the dot-com bubble burst, the joint venture shifted directions.

“It was clear that this area was going to be one that continued to grow at a faster rate than other parts of the city,” Bufkin said. “For those reasons, it is fundamentally sound real estate.”

In 2003, Endeavor partnered with mall owner and operator Simon Property Group to create a mixed-use lifestyle center on 57 acres. Later known as The Domain I, the center is anchored by retail giants Neiman Marcus and Macy’s and has 630,000 square feet of retail, 90,000 square feet of offices and 390 apartment units.

Kathleen Shields, senior vice president of development at Simon, said the company partnered with Endeavor because The Domain was complementary to its other retail locations, such as the Arboretum at Great Hills.

“A great deal of effort was made to give the project an authentic Hill Country feeling. We laid out the project around mature trees, used native landscape and building materials and incorporated the work of local artists into our play areas,” she said.

Simon bought 45 acres for The Domain II and then purchased Endeavor’s portion of The Domain I in 2007, the year it opened. Endeavor and its investment partners sold another 33 acres to a private investor in Oklahoma. The real estate company owns the remaining 178 acres with RREEF.

In February 2010, Simon opened The Domain II, anchored by Dick's Sporting Goods and Dillard's. The new phase added 520,000 square feet of retail, 75,000 square feet of offices and 411 residential units. Shields said Simon maintained similar architectural details to tie together the two projects.

### **Part of a bigger picture**

The Domain fits into the area the city identifies as the North Burnet/Gateway corridor, or 2,300 acres of land bound by US 183, Braker Lane, MoPac, Walnut Creek and Metric Boulevard. The corridor was designated in 2006 after the city approved development of The Domain.

"It is included in the boundary so that we can connect [The Domain] with [the development] the city is encouraging in the North Burnet/Gateway," Austin City Planner Christine Freundl said.

During the next 20 years, Freundl said the city plans to build up the transportation infrastructure around The Domain and transform the North Burnet/Gateway from an aging commercial and industrial district into a residential, retail and commercial hub.

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### **An incentive paying off?**

In 2003, Simon Property Group, which developed Domain I in partnership with Endeavor Real Estate Group and now owns Domain I, received a tax incentive agreement from the City of Austin.

For the first five years, the city agreed to repay Simon 82 percent of the 1 percent sales tax the city receives in sales tax revenue and 25 percent of the incremental property tax revenue. The percent drops to 52 percent for the next 15 years.

Between March 2007, when The Domain I opened, through December 2011, the city collected almost \$8 million in sales tax revenue from The Domain I. As of January, Austin had paid Simon \$5.7 million, said Rodney Gonzales, deputy director with the City of Austin's Economic Growth and Redevelopment Services Office.

The city still earned \$5.7 million, which includes \$3.4 million in increased property tax revenues over the baseline stated in the initial Chapter 380 tax economic development agreement, Gonzales said.

Many residents balked at the idea of the city handing out tax incentives for a retail project. Among them was Brian Rodgers, a local developer and founder of Stop Domain Subsidies, a website that was dedicated to providing information about the subsidies and urged residents to support Proposition 2 in the November 2008 ballot.

The proposition asked voters to prohibit the city from entering into future agreements that would provide financial incentives to developments that included retail. It was defeated with 52 percent of the vote.

Although Rodgers said he supports future expansion of The Domain, he said he still thinks taxpayer money never should have gone to the development.

“The Domain is good for the tax base, but they should pay their own way,” he said. “Nobody subsidizes my business.”

**Courtesy of JB Goodwin**