

REAL ESTATE INC.

Austin investor acquires massive East Austin industrial campus for data center

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Austin-based developer Chris Milam has purchased the massive – and largely vacant – former Freescale Semiconductor Inc. campus in East Austin for an undisclosed price.

The sale of the 109-acre, 935,255-square-foot campus at 3443 Ed Bluestein Blvd. closed Sept. 30.

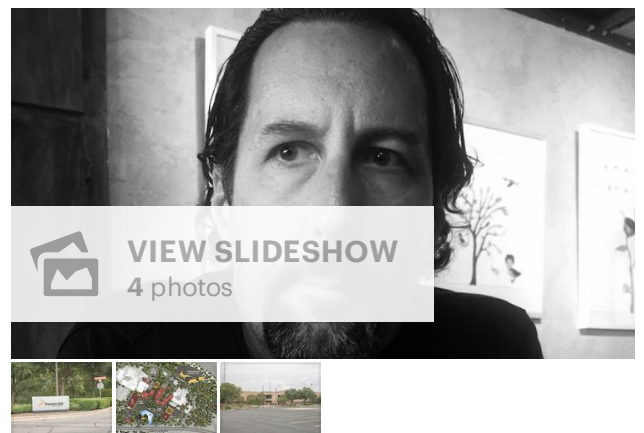
Milam's company International Development Management, or IDM, will convert the aging industrial campus into a data center and value office space, starting with a \$100 million investment in the first phase of development. Click on the photo to see a slideshow of images of the project.

In an exclusive interview, Milam said there are three reasons why the project, now dubbed "MOS 8," will be a success.

The buildings are solidly constructed in a premium location, an onsite Austin Energy substation provides 200 megawatts of power to the campus and the site is equipped with fiber, thanks to Hewlett-Packard Co., which operates a data center on the south side of what was originally a Motorola campus. Freescale maintains manufacturing operations on the north side of the complex.

MOS 8 is wedged between the two, encompassing eight buildings and parking garages.

Milam has high expectations for what's to come. Construction crews are already onsite handling preliminary work.



Chris Milam is the man behind the redevelopment of the Bluestein campus. He initiated the... more

"It will be one of the top 50 data centers in the country by the number of racks and in the top 5 in the U.S. by power," Milam said.

Backed by Romspen – a Canadian institutional investor headquartered in Toronto – IDM will invest \$100 million in the first phase, which is scheduled to deliver in the first quarter of 2017.

Milam bought the rambling industrial facility from a consortium of local investors, including Manny Farahani and lawyer Jimmy Nassour. That group purchased the site in 2012 for an estimated \$5 million, according to knowledgeable real estate sources.

Milam wouldn't go into details about what he paid, but allowed that "they did really well on this sale."

Farahani and Nassour completed some minor upgrades to the property and tried to market it without significant success. They also tried to take it to auction– a process that yielded no bidders.

In the last six months, Milam surfaced as a viable buyer. So why will he succeed?

"My speciality is large scale complicated urban infill deals," Milam said.

Still, the prospect was daunting.

"I thought, 'Do I really want to tackle that?' But I could see in my mind's eye how to retrofit it and make it evocative of the 1970s," Milam said.

He approached Tom Cornelius, principal at GSC Architects, who had been involved with the original design.

"He got us the drawings. That was a huge savings in time," Milam said.

While working on his other big project in Austin – The Backyard outdoor venue and hospitality development in Bee Cave – Milam learned about the burgeoning data center market and how the emergence of "the cloud" is having a tangible impact on real estate development.

The cloud doesn't exist without gigantic servers and data storage, which can't exactly be built in the sky.

"The cloud is a huge industrial operation," Milam said.

The former fabrication plant will be transformed into the data center, while the rest of the buildings will be renovated into offices for bargain hunters who want a close-to-the-city presence. MOS 8 is about 15 minutes from downtown and 15 minutes from Austin-Bergstrom International Airport.

"Lots of tenants need a large amount of space and they can't afford 50-plus dollars per square feet in downtown Austin," he said.

Government agencies and educational users, such as Austin Community College, are Milam's primary target markets.

Though few people wanted to take a chance on buying the Freescale campus, Milam doesn't see his latest investment as an untenable risk.

"HP converted their space into a data center. That tells you something," he said. "You just can't get that kind of power any more."

Milam concedes that waiting for the deal to close was stressful and had its share of obstacles.

"It's one thing to negotiate price. It's another thing to negotiate terms," Milam said.

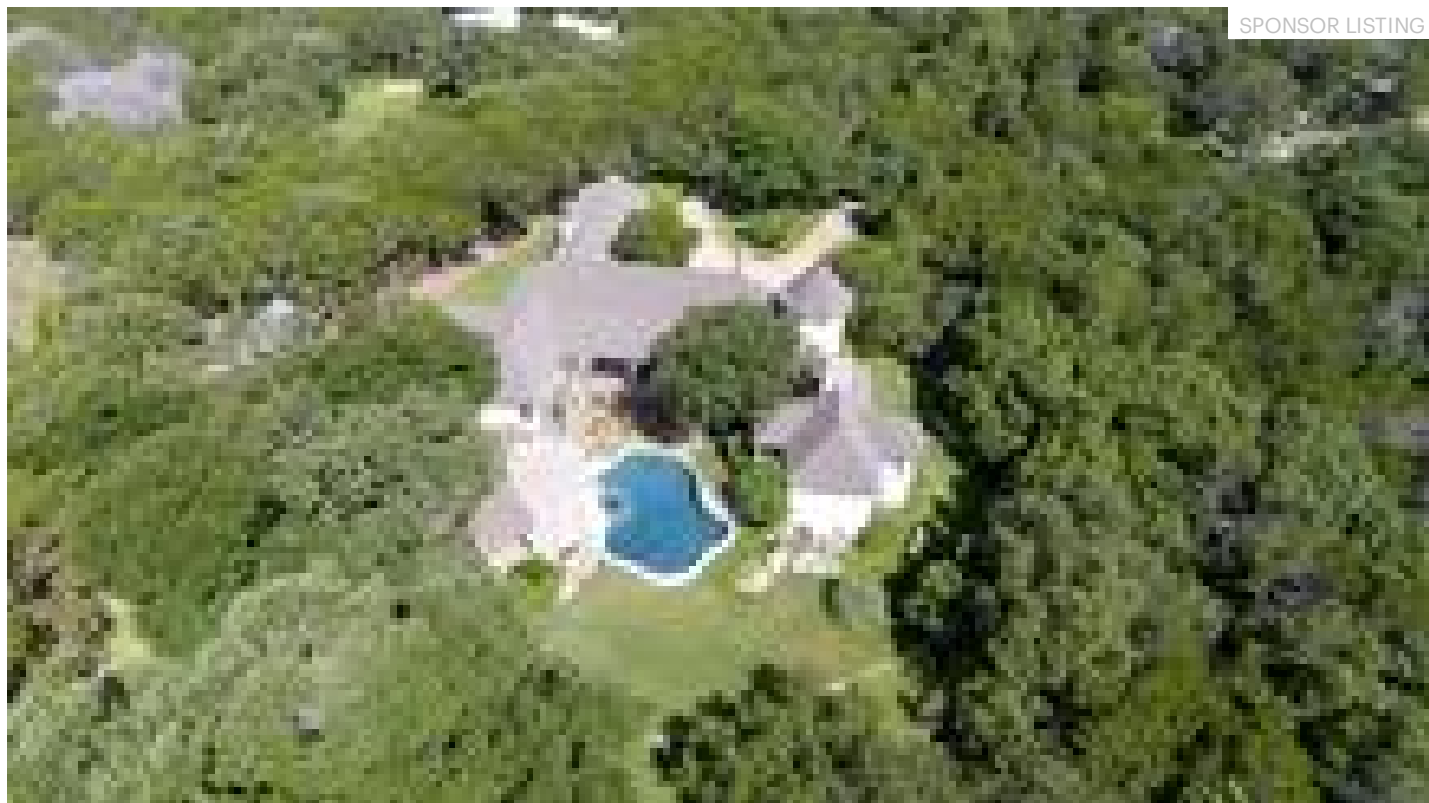
Now he's taking a deep breath and moving ahead.

Milam has plenty of support from an extensive development team. Besides GSC, other Austin companies involved are Bury, White Construction, Digital 724 LLC, Paul Koehler Brown structural engineers, Dynamic Systems Inc. and Schmidt Electric. WSP, a global engineering firm, also is involved.

Jan Buchholz covers commercial and residential real estate, construction and architecture and retail and restaurants for the Austin Business Journal.

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