

Austin Economic Development Corporation

Stakeholder Update and Discussion on Governance



Background

- Resolutions [20141211-122](#) and [20170216-040](#) the Austin City Council directed the City Manager to “deliver a feasibility study” and “bring forward...specific proposals” related to the creation of an economic development entity with the capacity to “create or support development of affordable housing, redevelopment, revitalization and other priority projects and goals of the City.”
- As staff began working with an external consultant to prepare recommendations and working documents for the creation of an entity, Council provided additional direction to align the development of the economic development entity with the intent and creation of an “Austin Cultural Trust” through resolutions [20180215-082](#) and [20190808-072](#).
- In May of this year, Council further directed the City Manager to expedite a review of existing entities and resources that could be centralized to support the timely execution of recovery efforts that could secure or retain creative culture and community benefits in resolutions [20200521-095](#) and [20200521-096](#).
- The Economic Development Department (EDD) staff and consultant presented recommendations for creation of a holistic economic development entity for discussion during the Council Work Session on August 25th. As outlined in the [memo provided with the report to Mayor and Council on July 31, 2020](#).
- Through [Resolution 20201001-055](#) Council approved the legal documents needed for the creation of the Austin Economic Development Corporation (AEDC) and simultaneously approved staff’s recommendations to appoint the first six places as an interim board.

Public Real Estate Developer

As Cities grow to scale, some create a public developer

- **Why? A public developer can...**
 - Move at the pace of the market
 - Speed approvals, but with the direct oversight of the City
 - Reduce the burdens of government with new funding sources
 - Own and operate real estate to generate cash
 - Accept charitable donations
 - Accept investment dollars
 - Blend the best of public and private deal-making
 - Generate more money for COA from under-performing real estate

- **Of the 17 cities that participated in the Peer Cities Conference about the strategic use of real estate to accomplish public policy, 100% agreed that the best strategy for doing so was to create an EDC that had real estate powers to advance projects that a municipality could not on its own.**

Organizational Structure (1): Family of Organizations

- **An autonomous family of organizations is the best solution**

- New Entity: Austin Economic Development Corporation (AEDC)
- Existing Entity: Austin Industrial Development Corporation (AIDC)
- Partner/Manager: COA Economic Development Department
- Donor Advised Fund: Existing Foundation

- **A family is what we saw in all similar nat'l benchmarks**

- Atlanta, Philadelphia, NYC

- **The new AEDC would encompass the following existing entities:**

- Austin Industrial Development Corporation
- Austin Regeneration Fund
- South Central Waterfront Advisory Board

- **The new AEDC would take on roles for the following areas (no new entities):**

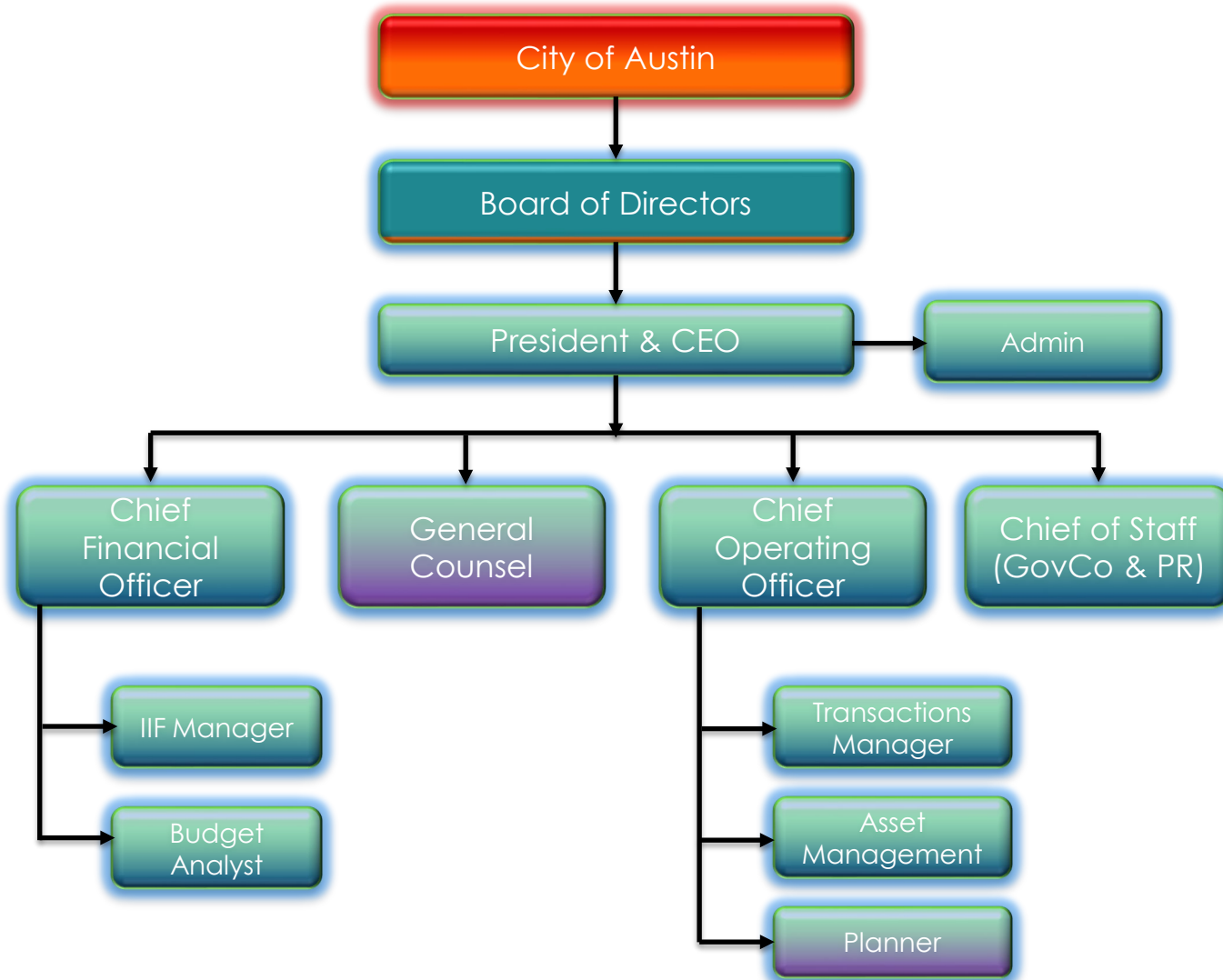
- Management of South Central Waterfront (no new LDC)
- Support Homelessness work and real estate per Resolution 20190808-077 (no new LDC)
- Cultural Trust: Run as a program of AEDC (no new entity)

Organizational Structure (2): Powers & Controls

- **Austin Economic Development Corporation (Outside Entity)**
 - *A new Local Government Corporation* with federal charitable status - 501(c)3
 - A board which is appointed by City Council
 - Obligated by contract for performance, autonomous entity in its operation
 - Can accept charitable donations
 - Can manage private investment dollars
 - Can own and operate real estate (Must obtain TX real estate broker's license)
- **Austin Industrial Development Corporation (Conduit Entity)**
 - *An existing Development Corporation* formed by Council in 2015 as a financing conduit
 - Development Corporation authorized by Section 501 (TX LGC)
 - Board is composed of the City Council, who must approve any financing
 - The CFO of AEDC serves as the President of AIDC
- **City of Austin Economic Development Department (City of Austin)**
 - AEDC reports to EDD via contract, but is a separate and autonomous entity
 - Oversight and management of AEDC via an ILA
 - Director of EDD should serve as the initial Interim President of AEDC

Organizational Chart: 3-Year Stabilized View

Purple roles can be initially outsourced. Orange roles not compensated by the organization itself.



Governance: AEDC Board

The composition of the Board shall consist of the President and representatives that hold a strong background, understanding and familiarity of the nominating organization and the community the nominating organization serves. Further, each representative shall possess demonstrable skills and experience in the areas of industry, public/private partnerships, infrastructure or transportation, real estate development or construction, urban/regional planning, *historic preservation*, finance, creative and music industry, minority and women-owned businesses (MWBE), and/or workforce.

- Place 1 Director, Economic Development Department (Public/Private)
- Place 2 Director, City Housing & Planning Department (Housing)
- Place 3 Chief Equity Officer, City of Austin (Equity)
- Place 4 City Chief Financial Officer (Finance)
- Place 5 City of Austin Arts Commission (Arts)
- Place 6 City of Austin Music Commission (Music)
- Place 7 Minority Ethnic Chambers of Commerce(WMBE Business)
- Place 8 Greater Austin Chamber of Commerce (Industry)
- Place 9 Urban Land Institute (Urban/Regional Planning)
- Place 10 Real Estate Council of Austin (Real Estate Development/Construction)
- Place 11 Capital Metro (Infrastructure/Transportation)
- Place 12 Workforce Solutions Capital Area (Workforce Development)
- Place 13 Austin Community College (Vocational and Workforce Education)
- Place 14 University of Texas (Higher Education)
- Place 15 Austin Independent School District (K-12 education)
- Place 16 ECHO Austin (Homelessness)
- Place 17 Austin UP (Senior Services)
- Place 18 United Way of Austin (Early Childcare/Child Education)
- Place 19 City of Austin Historic Landmark Commission (Historic Preservation)
- Place 20 President/CEO (Ex-Officio Officer)

Governance (2): Project Structure & Approvals

Real Estate and Contracts for Services

- **AEDC Will Propose A Contract Every Year to COA.**
 - The contract will propose real estate projects and contracts for services.
 - Autonomy is a factor of success, as indicated by best practices
- **Real Estate Projects (Three Types)**
 - Lease Administration: *AEDC will manage properties on behalf of the City. The City will retain title. AEDC will be paid out of proceeds from the property and will follow all City rules for procurement and disposition. The City retains title.*
 - Transaction Support: *AEDC will perform a transaction (lease, sale, purchase) on direction from the City. AEDC will follow all City procurement and disposition requirements, as applicable. AEDC must comply with all Texas law and will obtain appropriate licenses and certifications including a Broker's license. AEDC will never have any property interest. Payments to AEDC will be made from the transaction.*
 - Public Development: *The transfer of property to AEDC will be done with an explicit contractual requirement to achieve a public purpose. AEDC will take title to the property. However, if AEDC does not use the property for the public purpose, the City will revert the property. If AEDC must abide by all City procurement rules, even should it determine to perform a further disposition—any such further disposition must still comply with achieving the public purpose.*
- **Contracts for Services:** COA may contract with AEDC to provide services to reduce the burdens of government. These services can be paid for directly via contract, or can be funded as offsets to rent, real estate or other payments due from AEDC to COA.
- **AEDC will provide a detailed annual report to COA**

Priority Projects

- **South Central Waterfront**
 - Negotiation assistance for large projects
 - Pursuing appropriate financial tools and approvals
 - Capturing the timing of the market
 - Value capture funding of infrastructure

- **Cultural Trust**
 - Leveraging \$12M to \$100M+
 - Saving transaction fees from brokers & consultants (“Bringing consultant in-house”)
 - Common management of city infrastructure, while guaranteeing permanent affordability

- **Real Estate Assessment**
 - Inclusive Growth and Basket of Goods Model
 - Multi-use developments versus single use facilities

- **Huston-Tillotson University**
 - Same expertise needed for district development
 - Utilizes monies generated from other projects – achieving economy of scale
 - Promotes inclusive growth and protects vulnerable communities

Next Steps and Participation

Timeline: Governance Development

■ AEDC Approved with Interim Board Seated	October 1, 2020
■ Recommendations of Governance to Mayor and Council	November 20
■ Request for Council Approval of Nominating Entities	December 3
■ Interim Board Meeting of AEDC	December 14
■ AEDC Presentations to Nominating Bodies	Dec. – Jan 2021
■ Nominating Bodies Submit Nominees	January 22, 2021
■ Fourth Meeting of Interim Board of AEDC	March 8, 2021
■ Final Stakeholder Session	March 17, 2021
■ Approval of First Board of AEDC	March 25, 2021
■ Approval of AEDC/COA Agreement	April 8, 2021
■ First Board Meeting of AEDC	April 12, 2021

Additional information regarding future meetings: [COA Associated Entities: AEDC](#)

*While 501c3 status generally takes 3-6 months to receive approval, general practice is that charitable status can be assumed upon application and become retroactive to donations and grants. If it is desired, expedited processing is also available – QBL has experience successfully expediting 501c3 formation with the Service. Initial donations for the Cultural Trust are recommended herein to use a conduit Foundation so status will not be relevant.