



# Board Orientation

Austin Economic Development Corporation

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April 2021

# Council Direction Leading to AEDC Creation

# Council investigated the creation of an EDC since 2014

A series of resolutions identified the need to first investigate and then create a real estate focused entity that could assist with inclusive growth outcomes and the preservation of existing cultural spaces as well as the development of new affordable spaces.

- 20141211-122: Directed the CM to explore the feasibility of an EDC
- 20160303-019: Music & Creative Ecosystem Omnibus
  - Included the coordination of the preservation and creation of affordable cultural and music space by a specialty entity that could also negotiate in public/private projects and be integrated into public projects.
- 20170216-040: Directing the CM to bring forward proposals for the EDC
- 20180215-082: Use an EDC to create a Cultural Trust
  - Directed using the Cultural Asset Mapping Project (CAMP) as a guide for broad inclusion
  - Cultural Trust to be integrated into an EDC
  - Investigation of code revisions, retail incentives and other real estate mechanisms to assist as needed
- 20190808-072: Authorizing the creation of the EDC (see next slide)

## In August 2020, Council Directed Staff to Create EDC

"to complement the City's vision and programming for inclusive economic development through the formation of public-private partnerships and facilitation of resulting projects that generate additional resources or revenues for the City"....

- City Council directs the City Manager to initiate the necessary processes to authorize the Creation of an economic development entity, identify potential funding sources, solicit stakeholder feedback on the entity's governance and operational structure, and, if necessary, contract with a subject matter expert to develop an implementation plan.
- City Council directs the City Manager to structure the entity broadly enough to **manage a range of projects**, which could include affordable housing development, public-private Partnerships with private-led development such as the **South Central Waterfront** that could provide community benefits, and shall include a **Cultural Trust** to support acquisition and preservation of creative space.
- City Council directs the City Manager to bring forward a recommendation for funding needs to implement this direction for consideration during the Fiscal Year 2020 budget deliberations.

# EDD spent 2020-2021 exploring how to best follow Council direction

EDD contracted with QBL Real Estate in November of 2020 to pursue four work streams...





# Research & Stakeholder Engagement

# Stakeholder Meetings – Research Phase

Meetings December 2020 – January 2021 to understand precedent work and stakeholders.

- **City of Austin Elected Officials and/or Policy Staff:** CM Tovo, CM Alter, CM Pool, CM Kitchen, CM Flannigan, CM Casar, Mayor Pro Tem Garza, Mayor Adler
- **City of Austin Department Staff:** City Manager, Asst. CM; Economic Development Department; EDD Cultural Arts Division; Redevelopment Division; EDD Strategy & Int'l; EDD Music & Entertainment Division; Planning and Project Group EDD; COA Planning; Neighborhood Housing & Community Development (AHCD) and AHFC; Real Estate & Finance; Law Department
- **Inter-Governmental:** County Commissioner Travillion, Office of the Judge of Travis County, County Commissioner Shea, University of Texas, Capital Metro, CAMPO, Austin Community College, Austin Independent School District, State Senator Watson, Texas Council on Economic Development, City of San Antonio
- **Stakeholders and Anchors:** Capital City Innovation, Downtown Austin Alliance, Red River Cultural District, Austin Cultural Alliance, Greater Austin Chamber of Commerce, Urban Land Institute, Perkins+Will, Austin Community Foundation, Affordable Central Texas, Housing Authority of the City of Austin ("HACA") with HACA, AAHC, NHCD, AHFC

# Stakeholder Meetings – Proposal Phase

Follow-up meetings February 2021 – April 2021 to delve into structures, governance and project-specific details.

- **City of Austin Elected Officials and/or Policy Staff:** CM Alter, CM Kitchen, CM Pool, CM Flannigan, Mayor Adler, CM Tovo, CM Casar, MPT Garza, CM Harper-Madison (March 2-5<sup>th</sup> in Austin)
- **City of Austin Leadership/CMO Staff:** EDD Leadership Team (multiple meetings Feb-May), City Manager Cronk (March, July), Assistant City Manager Gonzales (April 16<sup>th</sup>, April 30<sup>th</sup>, May 15<sup>th</sup>, and several meetings in June and July), City Team: Rodney, Greg, Leela, Elaine, Veronica (May 30<sup>th</sup>, June, July).
- **Redevelopment Division:** PIDs/Districts (Feb 11<sup>th</sup>), Mueller with Catellus (Feb 11<sup>th</sup>), St. John's Site/Home Depot (Feb 12<sup>th</sup>), Souly Districts (March 13<sup>th</sup>, April 10<sup>th</sup>), Review District Overlays (April 16<sup>th</sup>)
- **Transportation & Infrastructure:** COA Staff and CapMetro Staff (Feb 11<sup>th</sup>)
- **South Central Waterfront:** SCWAB (Feb 11<sup>th</sup>), ECONorthwest Consultants Abe Farkas, Ian Carlton (March), South Central Tour with EDD, Facilities, NHCD, Capital construction, planning (March 5<sup>th</sup>), SCWAB Executive Team (April 20<sup>th</sup>), SCWAB Public Meetings (April 20<sup>th</sup>, April 24<sup>th</sup>)
- **Cultural Trust:** John Riedie and Cody Cowan (1/28), Cultural Trust with EDD and John Riedie (2/11), Red River – Waterloo Greenway (2/11), Cody Cowan and Nick Shuley – Austin Music Movement (5/30). Ben Barnes (March), Rebecca Reynolds (Austin Music Venue Alliance), Seattle Cultural Districts Office (Matt Richter)
- **Huston-Tillotson University:** Discussion with President Burnette (2/12), Tour and meetings on March 4<sup>th</sup>



# Interviews Summary

## Topics of Discussion

- Structure
  - Governance
  - Funding
  - Powers
  - Projects
  - Examples from other cities
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- **Places of Agreement: In the next several slides, we indicate items on which a majority of interviewees agreed as suggestions for consideration by Council.**

# Interview Summary: Places of Agreement

Areas in which stakeholders agreed on structure, governance, funding and powers

- **Formation of an outside entity accountable to Council**
- **Blended funding model focused on real estate and contract services:**
  - Real estate fees through management, leases, sales and transactions
  - Contract fees from the City to perform certain services that save the City from hiring additional staff
  - Philanthropic donations, Investment management and conduit financing (bond) management
- **Focus on maximizing the ability of the EDC to act as a public real estate developer**
  - Direct transfer of real estate from the City
  - Sale, lease, management of public real estate
  - Act as a developer, leading and funding inclusive growth
  - Lead Public/Private negotiations at the pace of the private market
  - Expedite public approvals and "be more nimble than the City"
  - Managing large-scale development districts and projects on behalf of the City.

# National Benchmarks: Summary

Summary of information from Peer Cities conference

	Population (2018)	Lead Agency	Single Entity v. Family of Orgs	Fees for contract services to City	Fees from Public Developer Role	Fees from bonding	Inclusive Growth Programs (including finance)
NYC	8,398,748	NYCEDC	Family	Yes	Yes	Yes (NYCIDA)	Yes
SF	883,305	City Department	--	--	Yes*	--	Yes
LA	3,990,456	City Department (+LAEDC)	Family	--	Yes	Yes (MICLA & IDA)	Yes
Philadelphia	1,584,138	PIDC	Family	Yes	Yes	Yes (PIDA)	Yes
Miami	470,914	City Department	Family	--	Yes	Yes (MDIDA & DDA)	Yes* (Beacon Council)
Chicago	2,705,994	City Department	City: 2FM & DPD	--	Yes*	Yes*	Yes* (CRGC)
Boston	694,583	City Department	Family (EDIC/BRA)	--	Yes*	Yes (BIDFA)	Yes
Austin	964,254	--	--	--	--	--	--

Sources: NYCEDC’s Peer Cities Conference (2017); Matthew Kwatinetz’ experience working with NYCEDC, PIDC. Former director of BRA; Research conducted by QBL of online resources of each entity and city studies.

# Public Developers: Atlanta, Philadelphia and New York City

	NYCEDC	PIDC	Invest Atlanta
Separate Entity	Yes	Yes	Yes
Board	Mixed	Mixed	Mixed
<b>Funding</b>			
General Fund	Pass through	Pass through	Yes*
Dedicated Tax to support operations	No	No	No
Bonds	Yes	Yes	Yes
Contract for Services to government	Yes	Yes	Yes
Real Estate Sales, Lease Revenues, Transaction Fees, AM	Yes	Yes	Yes
Non-Local Government Grants and/or donations	Yes	Yes	Yes*
Fees for Managing Private Funds	Yes	Yes	No
<b>Real Estate Powers and Special Relationship</b>	Yes	Yes	Yes
<b>Projects</b>			
Corporate Attraction & Retention	Yes	Yes	Yes
Industry development	Yes	Yes	Yes
Inclusive Growth (Affordability, Workforce, and/or MWBE)	Yes	Yes	Yes
Affordable Housing and/or Affordable Commercial	Yes	Yes*	Yes
Cultural Trust or cultural affordability program	Yes	No*	Yes*

# Texas Economic Development Tools Available

Feasibility of tools available in Texas to support the mission of a public developer

- ~~Economic Development Sales Tax (Local Option Sales Tax)~~
  - **EDC Type B**
- **Local Government Corporations (Chapter 431)**
- ~~Sports & Community Venue Projects and Districts (Chapters 334, 335)~~
- **Local Property Tax Incentives (Chapters 311-313)**
- **Economic Development Through Tourism (“HOT”)**
- ~~Grants and Loans (Chapter 380)~~
- **Real Property for Economic Development (Chapters 272, 273, 253)**
- ~~Agreements not to Annex~~
- **Interlocal Agreements (Chapter 791)**
- ~~County Economic Development Powers~~
- **Issuing Debt for Economic Development**

# Texas Case Studies: Summary

	Houston	Dallas	San Antonio	Fort Worth
<b>Structure:</b> Separate Entity, Family, City Department	Houston First	EDD	EDD/SAEDC/ IDA/SAEDF	EDD*
<b>Board:</b> All Officials, Some Officials, No Officials	Some	--	Some	Some (FWSA)
<b>Funding</b>				
General Fund	TBD	--	--	
Dedicated Tax	HOT	--	--	HOT
Bonds	No	Yes	--	Yes
Contract for Services to government	Yes	--	Yes	--
Real Estate Sales, Lease Revenues, Transaction Fees, AM	Yes	--	--	--
Non-Local Government Grants and/or donations	Yes	--	SAEDF	--
Fees for Managing Private Funds	No	No	SAEDC	--
<b>Real Estate Powers</b>	Yes	--	--	Yes
<b>Projects</b>				
Corporate Attraction & Retention	Some	Yes	SAEDF	--
Industry development	Some	Yes	SAEDC	Yes
Inclusive Growth (Affordability, Workforce, and/or MWBE)	No	Workforce	Workforce	No
Affordable Housing and/or Affordable Commercial	No	No	No	No
Cultural Trust or cultural affordability program	No	No	No	No



# Conclusions of Interviews and Research

- **A “Family” of organizations is most able to fulfill all Council purposes with appropriate oversight for critical decisions.**
  - A new AEDC combined with existing AIDC and contracted with EDD management
- **Critical governance decisions should be city-controlled**
  - Financing and bonding should be approved by City (as part of AIDC)
  - Board should be mixed (public employees and private citizens) appointed by Council
  - Annual budget, contract and projects approved by Council
- **To insure long-term sustainability, the AEDC should focus on real estate, revenue bond projects and contracts for services on behalf of the City**
- **Coordinate Inclusive Growth amongst departments and organizations, including projects such as:**
  - Cultural Trust
  - International investment fund
  - South Central Waterfront
  - Utilize upcoming transit investments as a nexus for creating affordability and cultural programs
  - Support for real estate transactions and infrastructure projects of the City
  - Promote and support affordable housing, workforce housing, homelessness, affordable commercial space, workforce development, MWBE, and equitable financial programs.
  - Provide immediate staff support on other priority projects, in particular negotiations, as directed by Council and staff.

# Subsequent Council Legislation and Direction

# Subsequent Council legislation during the formation process

A series of resolutions further clarified Council's direction as to the nature and purpose of the AEDC.

- 20190808-072: Authorizing the creation of the AEDC, as well as major projects to undertake (SCW, Trust)
- 20200326-091: Explore expanding uses of existing resources to assist COVID-impacted organizations
- 20200521-095: Accelerate the creation of AEDC to assist live music.
  - Directing the exploration of the use of city-owned property as well as a public pipeline of assets.
- 20200521-096: Accelerate the AEDC with a focus on assisting Red River District and exploring the use of TDR programs and regulatory changes to support music venues.
- 20201001-055: Creation of the AEDC
- 20201203-046: Repurposing HOT funds to create the Iconic Venue Fund and assigning up to \$15M of those funds to AEDC to manage as a part of the Cultural Trust. Directing the expansion of the authorized use of those funds to cover “Iconic” music venues, cultural spaces, restaurants and businesses through an interpretation of an expansion of the visitor information center, as authorized by the State of Texas.

# Start-Up of AEDC

# AEDC Focus and Roles

**AEDC is working with EDD, HPD, and Finance to support several future objectives...**



# AEDC Formation: Progress

	Oct.-Nov. 2020	Dec. '20-Jan. '21	February 2021	March 2021
AEDC Board Activity	Council votes to create AEDC	Dec. 14: First Board meeting Jan. Board meeting	Board meeting	Board meeting
Management	QBL retained to launch organization	Obtain copies of other Master Contract agreements	Ongoing Interlocal Agreement (ILA) negotiations	Final ILA negotiations
Executive Search	RFP prepared for executive search firm	RFP released	Negotiations & Selection of Korn Ferry as firm	First job postings released
Legal	RFP prepared for Legal RFP	RFP released; Winstead retained as counsel; Creative Bond Negotiations	Creative Bond Negotiations & Administrative set-up	Bond negotiations; Banking RFP; Board support

*Stakeholder meetings held in Dec, Feb and March. Public (ULI) Meetings held in Jan, Feb.*



# AEDC Formation: Interlocal Agreement

## Initial Projects

- Cultural Trust
- South Central Waterfront
- Public & Private Pipeline
- Management of AIDC (as staff to Council)

## Funding

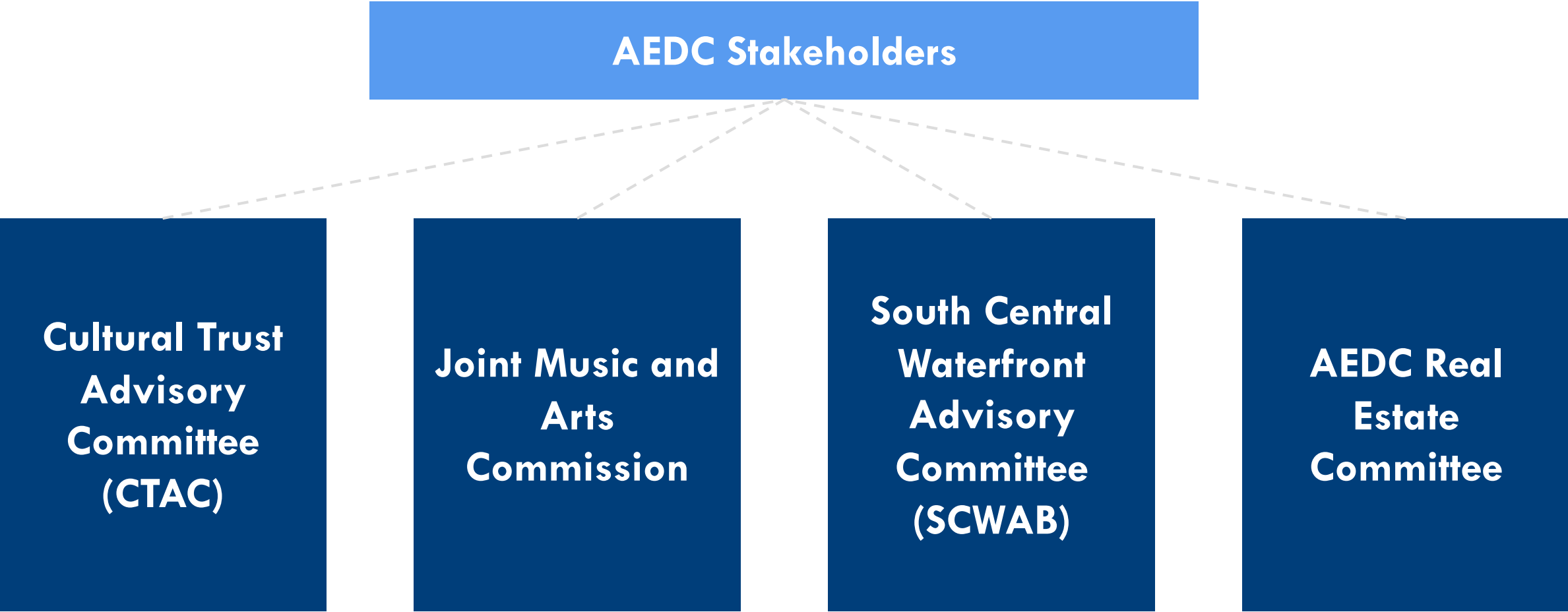
- Transfer of EDD Funds and AIDC balance
- Creative Space Bond
- Iconic Venue Fund

## Annual Oversight

- Annual Contract
- Budget
- Real Estate Reporting
- Inclusive Growth and DE&I Reporting

# AEDC Next Steps: Engagement

AEDC will transition from general stakeholder meetings to targeted committees and public discussions:



# AEDC Next Steps: Board Onboarding

## ONBOARDING PROCESS

**March 25** | Council Action for Board nominations.



**April 12** | First AEDC full Board meeting.



**April 12** | Staff hosts orientation for new Board members before meeting.

## BOARD NOMINEES

Rosie Truelove (Chair)	Diana Maldonado
Sylvia Holt-Rabb	Jeremy Martin
Kellee Coleman	David Steinwedell
Ed Van Eenoo	Stephen Levy
Carl Settles	Sharmila Mukherjee
Emmett Beliveau	Tamara Atkinson
Bradford Patterson	Molly Beth Malcolm
Xavier Peña	Suchitra Gururaj
Awais Azhar	Matias Segura
Cathy McHorse	Char Hu
Veronica Briseño (Acting CEO)	

# South Central Waterfront

# Key Steps for TIRZ Designation & Implementation

## Step 1

**City Council Forms  
TIRZ**

- Prepare preliminary financing plan
- Accept but-for analysis
- Host public hearing on TIRZ Approve ordinance establishing
- TIRZ Board of Directors Freeze tax increment base

## Step 2

**City Council Votes  
on Final Project &  
Financing Plans**

- Finance to review/approve final Financing Plan
- Housing & Planning to review/approve final Regulating Plan
- AEDC to approve final Project Plan and explore partnership(s) with other taxing units via Real Estate Committee

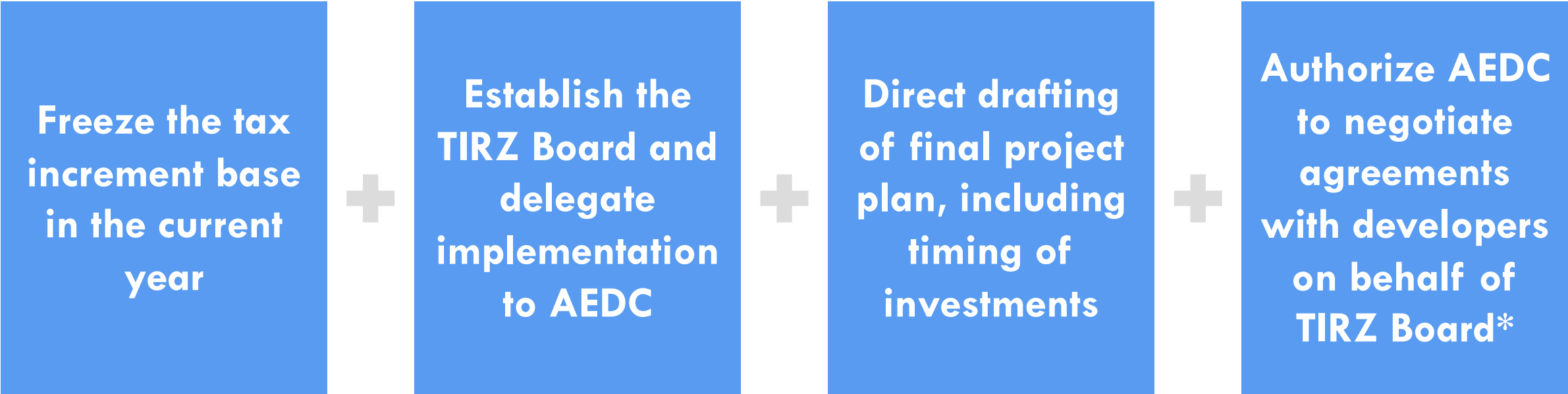
## Step 3

**City Council & TIRZ  
Board Implement  
Plans**

- Contracts with AEDC to administer TIRZ
- AEDC & TIRZ Board negotiate development agreements
- Bonds issuance to fund infrastructure & affordable housing (requires City Council approval)

# TIF Summary

Designating the TIRZ district enables City Council to...



*\*Final agreements likely require approval of City Council*



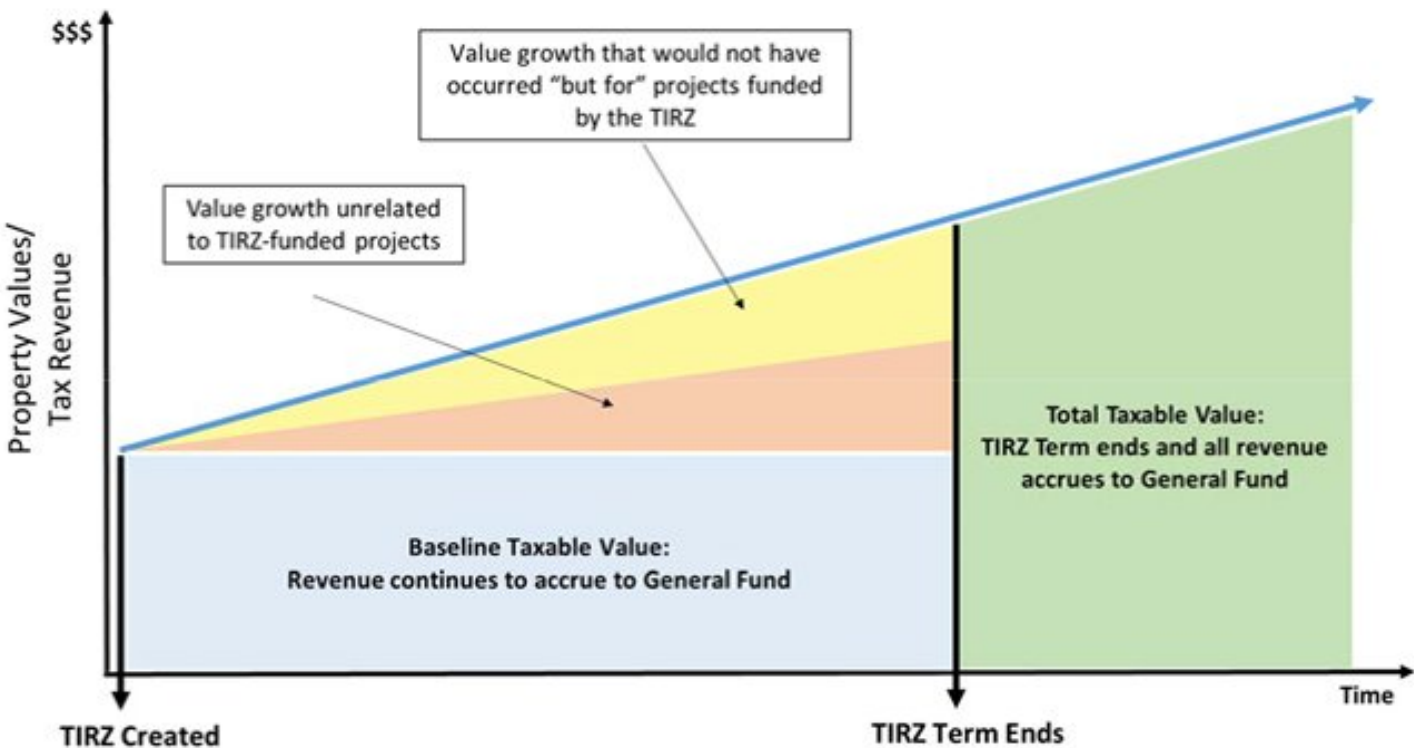
# TIF Summary

Finance and CMR are currently investigating key TIRZ questions, including:

How much property tax growth would occur without TIRZ investments? *(shaded in orange)*

If the SCW TIRZ is approved, what would be the aggregate taxable value in TIRZs? *(10% limit)*

## DEPICTION OF TIRZ INCREMENT CAPTURE



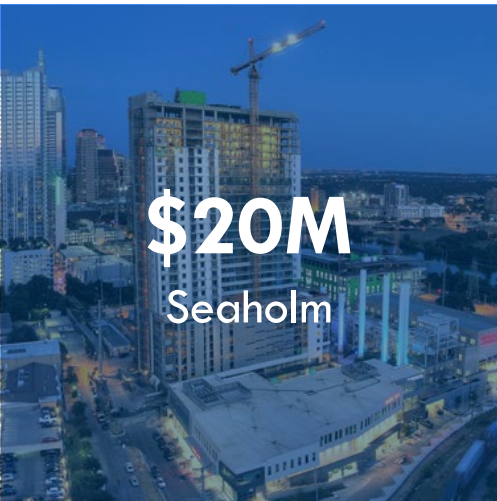
Source: <https://www.austintexas.gov/edims/document.cfm?id=325495> Memo to Council

# TIF Examples



**AUSTIN  
PRECEDENTS**  
*(size of TIF investment)*

**NATIONAL  
PRECEDENTS**  
*(size of TIF investment)*



# Local TIF Examples | Mueller



- **TIF Approved: 2004**
- **Total Development Cost: \$1.4B**
- **TIF Investment: \$50M** (\$212M project costs)

*\*2020 City Audit Report*

- **CHALLENGE:** The costs to remove obsolete structures at former Robert Mueller Airport and lack of infrastructure required public funding were great enough that public investment was required to enable redevelopment.
- **INVESTMENT:** TIF funded infrastructure necessary for mixed-use redevelopment, including utilities, roadways, and landscaping. Developer contributed to both infrastructure and private improvements as part of a Master Development Agreement.
- **DEVELOPMENT: \$1.4B\*** in assessed value increment generated to enable repayment of TIF expenditures, driven by:
  - 4,900 Housing Units (25% affordable)
  - 1.1 M SF of Office
  - 790 K SF of Retail
  - 1.2 M SF institutional uses
  - 20% dedication to open space & parks



# Local TIF Examples | Waller Creek



- **TIF Approved:** 2007
- **Total Development Cost: \$1.1B**
- **TIF Investment: Phase I > \$109M** (\$128M project costs),  
**Phase II > \$110M** (\$354M project costs)

*\*2020 City Audit Report*

- **CHALLENGE:** Nearby flooding created unsafe conditions and rendered existing structures obsolete (Phase 1). Former floodplain space limited new development (Phase 2). Investment was required on public land to facilitate development in the surrounding area.
- **INVESTMENT: Phase 1)** TIF funded construction and maintenance of Waller Creek Tunnel to restore 1.5 miles of the creek. Travis County provided 50% of increment. **Phase 2)** TIF funded development of 35-acre “Chain of Parks” along the former floodplain. Developers, the Conservancy, and CIP shared the costs of the new parks, trail connections, and the ongoing operations.
- **DEVELOPMENT: \$1.1B\*** in assessed value increment that supported repayment of TIF expenditures, driven by:
  - 1.6M SF Office
  - 6,055 Housing Units

# South Central Waterfront TIF (As Considered)

Precedent TIF	Challenge: why subsidy required for development	Investment: infrastructure costs funded by TIF	Development: private investment enabled by TIF
South Central Waterfront	Inadequate lot layout and insufficient street layout	New & upgraded streets, utilities, and open space	2.8M sf office, 3,000+ resi units, 352K sf retail
Mueller	Obsolete structures and improvements from airport	Demolition, utilities, roadways, and landscaping	4,900 units, 1.1M sf office, 1.2M institution, 790K retail
Waller Creek	Unsafe conditions and obsolete structures from flooding	Phase 1: Waller Creek Tunnel Phase 2: 35-acre chain of parks	1.6M sf office and over 6,000 housing units
Seaholm	Inadequate street layout and obsolete power plant structures	Power plant repairs, public plaza, streets, and utilities	280 resi units, 143K sf office, and 48K sf retail
Capital Riverfront	Lack of infrastructure on former industrial waterfront	Roadways, infrastructure, and waterfront open space	12.6M sf office, 15K resi units, 1,270 hotel rooms, 1M sf retail
Cortex Innovation District	Underutilized “blighted area” with high vacancies	New office space as locus of innovation district	3.0M sf office, 700K sf retail, 1,000 resi units
9th & Colorado	Environmental contamination, blight, lack of infrastructure	Remediation, public space, parking, streetscapes	100-200K office, 235-300K sf retail, 900-1,100 units

# Adopted SCW Plan Scenario | Sources & Uses

## ESTIMATED USES

Project Cost	Amount
Existing Streets & Utilities	\$52M
New Streets & Utilities	\$115M
Parks & Open Space	\$85M
TOTALS	\$252M

## ESTIMATED SOURCES

Funding Sources	Amount
Private Developers	\$35M
CIP Funding	\$60M
Utilities Reimbursement	\$17M
TIRZ + Other Sources*	\$140M
TOTALS	\$252M

\*2018 CMR analysis estimated \$217M in nominal 20-yr. tax increment.

# How may AEDC reduce the TIRZ funding commitment?



# Cultural Trust



# Cultural Trust Goals

## INITIAL GOAL OF CULTURAL TRUST

In 2018, the City resolved to support "a community arts stabilization trust, the "Austin Cultural Trust", that creates, through purchase and long-term lease, affordable spaces that supports artists and arts organizations, preserves historic and iconic cultural buildings and spaces for creative and cultural uses, and functions in a way that provides for cultural assets to exist in all parts of the city"

- *Resolution 20201001-055*

In 2020, the City identified "To support **acquisition and preservation of cultural spaces** within the City of Austin," as a function of AEDC.

- *Resolution 20201001-055*

# Cultural Trust Goals – First Initiative

AEDC will propose additional measures for the Cultural Trust to address other Austin cultural needs, but **this first step is targeted toward acquiring and preserving spaces.**

- Create a **competitive RFP** to fund an initial set of organizations
- Use AEDC as **broker and facilities manager** to save City money
- **Leverage existing funds** using AIDC or private debt
- Spaces would be **owned by the City as permanent cultural infrastructure but made available for use to organizations under an appropriate use agreement, lease, license, operating agreement or other.**
- **Prioritize** support for organizations based on **Diversity, Equity, and Inclusion principles**
- Spaces would be **made available to organizations at affordable rates**
  - Organizations would have to provide an equity match for purchase
  - Organizations would have to demonstrate capability to make payments

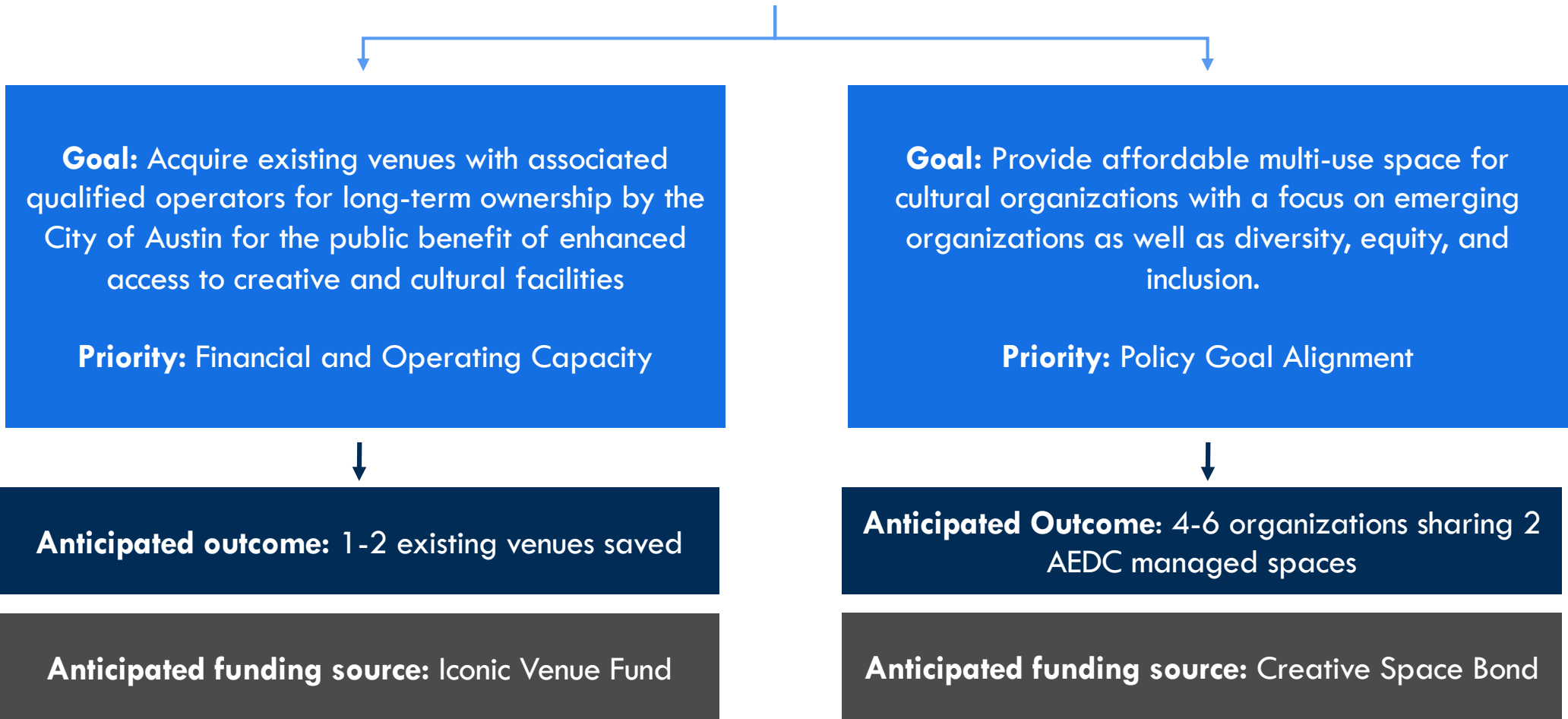
# Timeline



*\*Discussions with banks, philanthropy, impact capital, and City capital sources*

# First Initiative – Release RFP in Spring 2021

Competitive RFP funds two  
types of projects

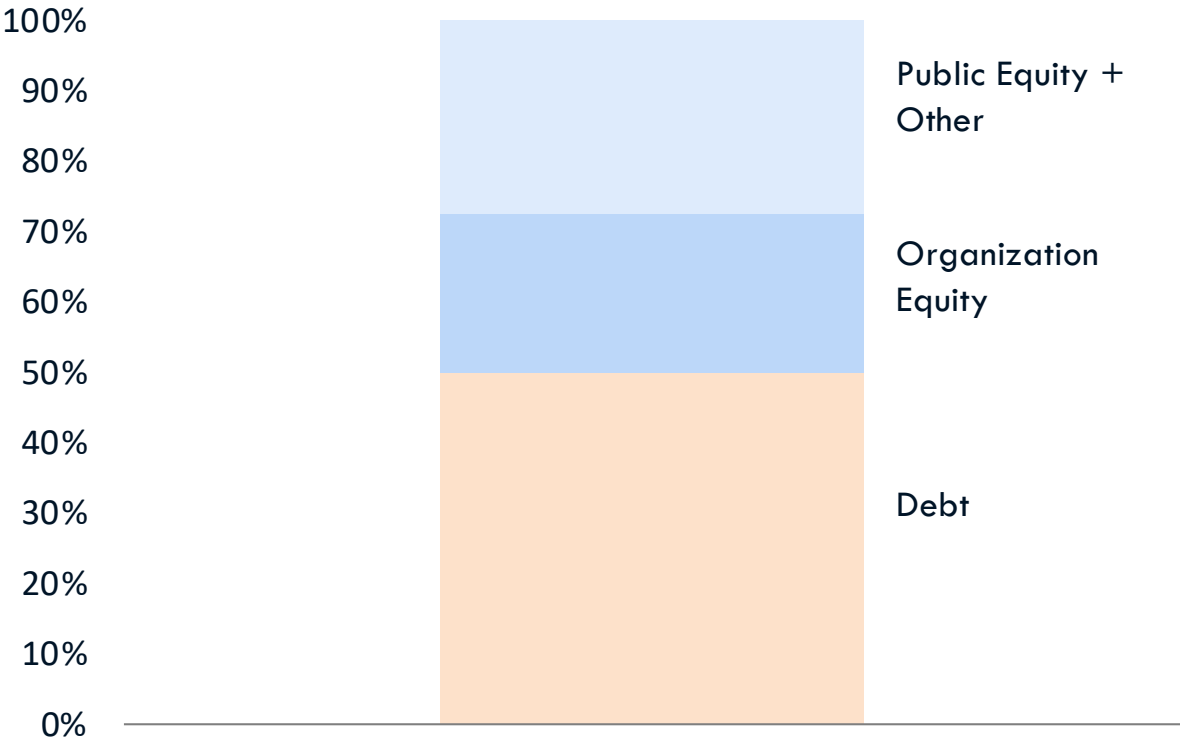


# Potential Financing Structure

Source	Anticipated Amount
Public Equity + Other*	Varies
Organization Equity	Competitive Criteria
Debt	Maximum loan amount based on 1.20 DSCR constraint

*\*Potentially includes philanthropic support , impact capital, or other sources of funding, as available.*

Hypothetical Capital Stack



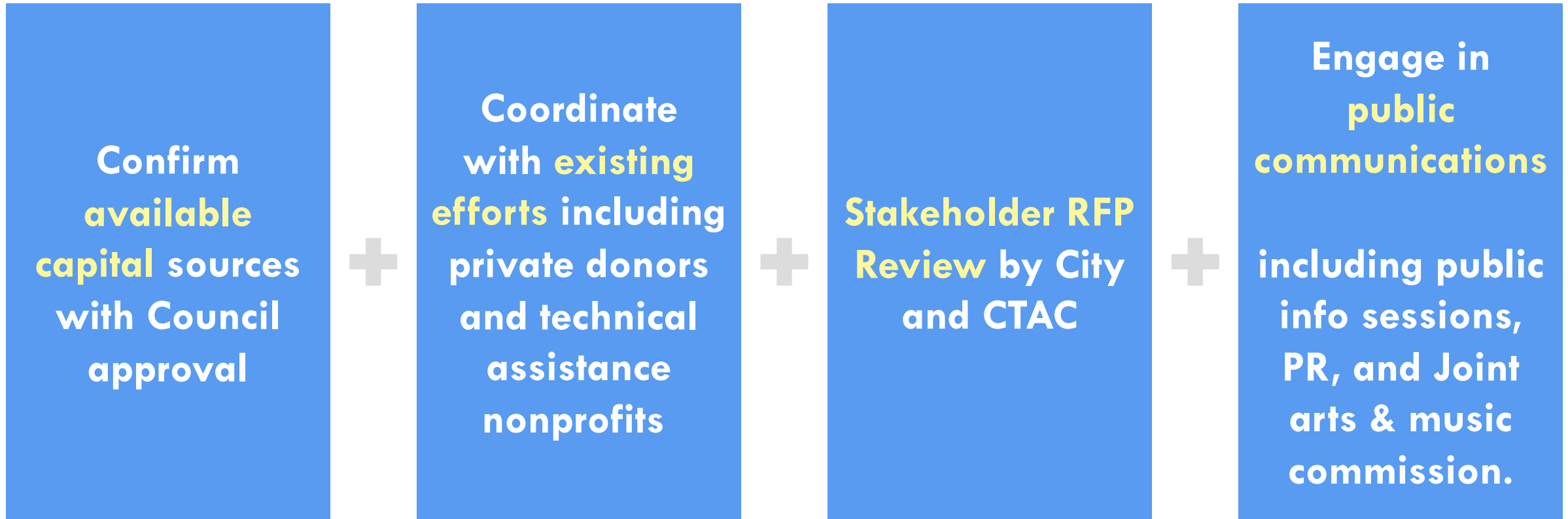
# Cultural Consortium

- The Long Center is establishing a Cultural Consortium, pooling organizations to improve access to services and reduce costs
- The initial phase of services is likely to include Professional Employer Organization (PEO) – HR/benefits management - and co-working/office space
- AEDC is exploring opportunity for organizations funded through Cultural Trust to opt-in and help pilot Cultural Consortium

## ***Next Steps***

- AEDC is corresponding with the Long Center to obtain survey data from potential Consortium members and further refined initial service offerings

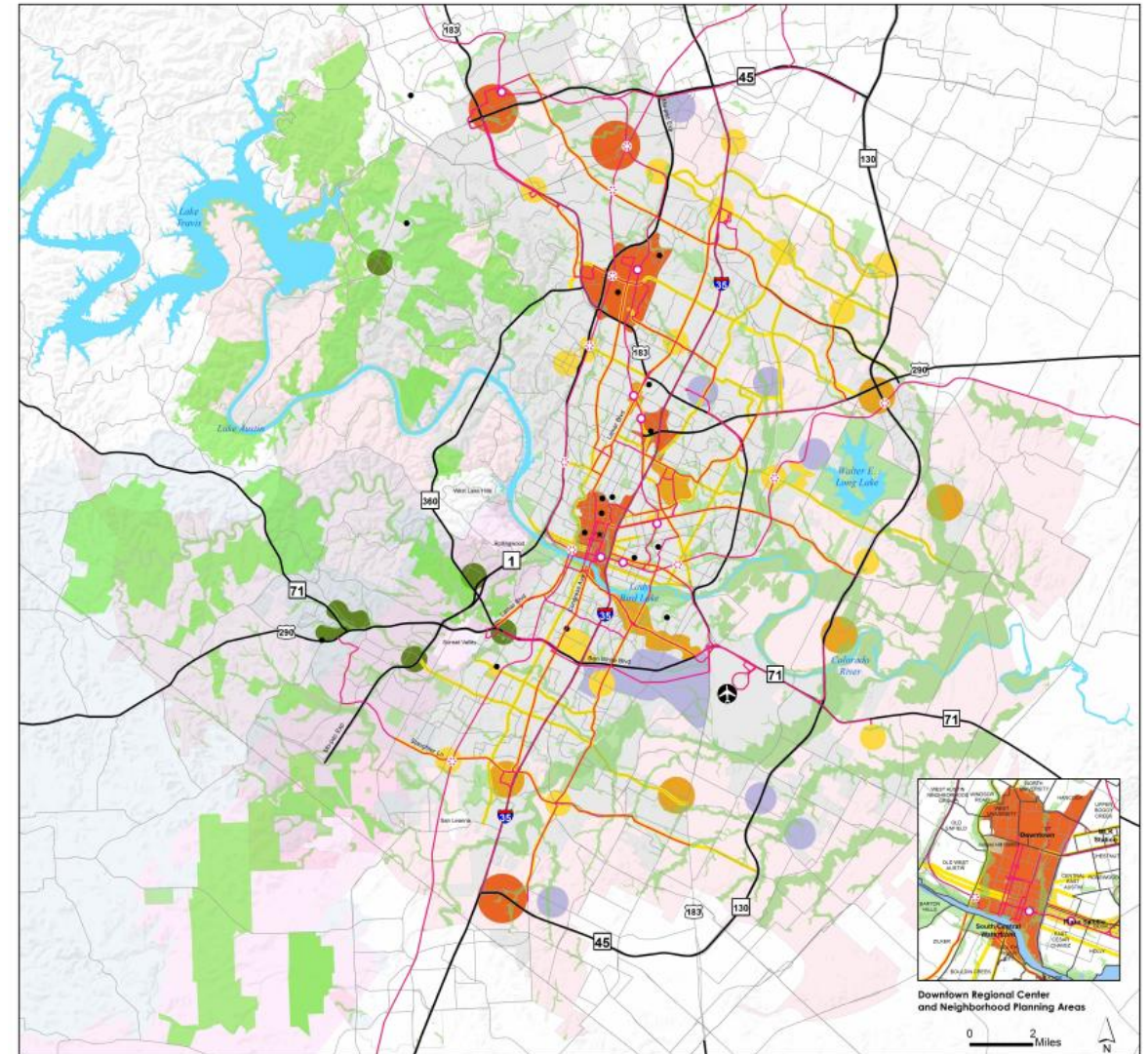
## AEDC Next Steps Before RFP Release



# Planned Follow-up RFP

## *City-Owned Sites (Public Pipeline)*

AEDC is currently reviewing publicly owned sites (with a focus on City ownership) to determine if any may be made available in a subsequent RFP for cultural arts and/or music uses. Depending on responses to the initial RFP, some monies from the Bond may be leveraged to support this program.





# Potential Future RFP: Cultural Space in SCW

Developing two cultural venues in place of ground-floor retail space would require up to **\$3.0M** in additional public investment.

	Retail	Music Venue	Cultural Arts Venue
Annual Rent PSF	\$50	\$32	\$18
RLV/SF	\$360	\$131	(\$44)
Typical Size (SF)		5,000	4,500
Incremental RLV Decrease by Venue		(\$1.2M)	(\$1.8M)

Next Steps

# Future Projects

- **SCW Cultural Venues & City-owned facilities**
- **Public Pipeline / Asset Assessment Work**
- **Huston Tillotson University Master Planning & Transaction Support**
- Looking into other areas of **inclusive growth** and beginning conversations: affordable housing, childcare, homelessness, and other potential districts.
- We are seeking more **opportunities for projects and funding**

Questions?