



**TO:** Mayor and Council  
**FROM:** Greg Canally, Interim Chief Financial Officer *gdc*  
**DATE:** January 29, 2018  
**SUBJECT:** Update on Resolution No 20170216-040: Economic Development Corporations

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This memorandum serves to update the City Council on Resolution No 20170216-40 that directed the City Manager to work with staff from Financial Services, Office of Real Estate Services and the Economic Development Department to bring forward a specific proposal for creating an Economic Development Corporation or similar entity that could create or support development of workforce housing, redevelopment, revitalization and other priority projects and goals of the City.

Background

The Development Corporation Act of 1979 gives Texas Cities and Counties the ability to carry out economic and community development projects in their local communities through economic development corporations (EDCs). Chapters 501, 504 and 505 of the Local Government Code outline the broad powers that Cities and Counties can grant to Type A and Type B Corporations. Although the City of Austin does not meet the eligibility thresholds for forming Type A and B Corporations, it can look to them as models for a type of entity that would prove an effective economic development tool that brings to bear broad powers given by City Council to deliver a range of public benefits.

Status of Work

Staff explored entities that are currently available to the City. These existing entities have varying degrees of powers and authority intended to carry out specific roles (i.e. Austin Housing Finance Corporation, Industrial Development Corporation, and Urban Revitalization Corporation). Staff coordinated with Travis County and the Downtown Austin Alliance to delineate existing entities to prevent duplication of efforts surrounding this issue. These existing entities have a more narrow authority and scope than what could be achieved through a new entity formed under one or more statutes. For example, local governments are increasingly forming local development corporations under Chapter 431 of the Texas Transportation Code. The statute enables local governments the ability to create a transportation corporation which has the powers to accomplish "any governmental power of those local governments." Cities commonly use a "431-type" entity to facilitate the development of mixed-income, mixed-use and other socially beneficial real estate, industry and business development projects due to its combination of governmental and private corporation powers.

However, prior to formalizing a final proposal on the creation of any such new entity, there are additional discussions with City Council that need to occur. There are several policy objectives that Council is currently considering, for which a new economic development entity could be a critical tool. It will be important to connect and align information and objectives that may arise from these discussions.

**Redevelopment of City Land.** In the fall of 2017, staff indicated to City Council that we had consolidated ten different Council Resolutions related to re-use/redevelopment of city-owned land. Outcomes of re-development could include housing, space for our creative and arts groups, and generally mixed-use, mixed-income developments. A new outside economic development entity could be beneficial for these types of efforts. *A briefing on this is tentatively planned for February 27th.*

**Update and expansion of the City's Chapter 380 Policy.** This update looks to address a variety of business expansion projects that will secure equitable prosperity for Austin, while also delivering access to opportunities for the hard to employ and economically disadvantaged populations. The recommended update could also provide the development of a slate of tools – including a new outside economic development entity – that allow staff to negotiate in a variety of projects that secure safe and healthy environments, accessibility and transportation mobility options, as well as cultural and learning opportunities. *The next briefing on this overall effort is scheduled for March 20<sup>th</sup>.*

*This rewrite of the City's Chapter 380 Policy was requested by City Council in March of 2017, and has been on-going since that time. In the spring and summer, staff conducted an extensive community engagement process, and on December 5<sup>th</sup>, 2017 provided Council an update on those efforts. Based on the community's conversations and stated values, staff also presented Initial Considerations for the policy rewrite: extending the policy beyond business recruitment to focus on job opportunities for the hard to employ; incentivizing middle skill jobs for existing residents; supporting small, local, creative, cultural and heritage businesses; and responding to specific issues in targeted areas; and expanding the range of tools and programs to accomplish these objectives. The full presentation can be found here: <http://www.austintexas.gov/edims/document.cfm?id=289528>*

Once the discussions on these two critical topics occur, staff would then be able to come to City Council in late spring, with a briefing on the creation on a new economic development entity, including additional policy considerations that would need to be addressed, such as:

- Governing structure and composition of the external Board of Directors;
- Legal structure and framework;
- Financial options to seed an entity's initial operations and working capital;
- Framework for property acquisition
- Future policy objectives directing City activity related to real estate acquisition, project evaluation and asset disposition processes.

We look forward to the continued conversation with Council regarding the potential creation of a new economic development entity. For additional information, please contact me at 512-974-2609, or David Colligan, Manager of Global Business Expansion, at 512-974-6381.

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