



To: Mayor and City Council

From: Bob Gedert, Director, Austin Resource Recovery *BG*
Greg Canally, Deputy Chief Financial Officer *gc*
Lauraine Rizer, Officer, Office of Real Estate Services *LR*

Cc: Marc A. Ott, City Manager
Robert Goode, Assistant City Manager
Elaine Hart, Chief Financial Officer
Kevin Johns, Director, Economic Development Department

Date: February 23, 2016

Subject: Austin [re]Manufacturing Hub Financing Next Steps

The purpose of this memo is to update the Mayor and City Council on the next steps for financing the Austin [re]Manufacturing Hub project.

Background

Staff presented to City Council a request to sell surplus land as a means of raising revenue to support the construction of infrastructure at the Austin [re]Manufacturing Hub. At its February 4, 2016 meeting, City Council directed staff to return by February 25, 2016 with alternate financing mechanisms that do not increase rates. As part of that discussion, the City Council also indicated its desire to see a Request for Proposal (RFP) process put in place to help move the [re]Manufacturing Hub project forward.

Council Update

Austin Resource Recovery will have \$1.3 million in funds to support the Austin [re]Manufacturing Hub from the Bolm Road lease revenues, and \$2.4M from the Austin Water Utility to construct a waste water line to the project. ARR is actively engaged in conversations with the U.S. Economic Development Administration (EDA) on options for remedying the project's timeline delays to maintain the City's \$1 million grant for the project. The most promising financing mechanism for outstanding project costs is the concept of a public-private partnership with a professional developer.

The City has a successful track record of delivering other large-scale redevelopment projects through public-private partnerships. Staff believes a similar approach for the Austin [re]Manufacturing Hub is achievable and in the best interest of the City. The process has been initiated to develop the scope of service for formal solicitation for a public-private partnership to support this project.

A formal solicitation process will identify third-party developers interested in partnering on this project with the City of Austin. It will also identify the level of private or non-profit funding available for the development. Should the solicitation process produce no successful bidders or

a financing gap is unable to be filled by the private or non-profit sector, staff will bring forward options to City Council for filling the financial gap at that time.

On a related matter, Austin Resource Recovery is working together with the Economic Development Department, Office of Real Estate Services, the Planning and Zoning Department, and the Development Services Department to analyze the suitability of the 4711 Winnebago Lane site for a live/work project with Artspace, and staff will report back on the analysis by March 3, 2016.

EDA Grant

Staff met with the regional office of the U.S. Economic Development Administration (EDA) on February 16, 2016 in regards to the federal grant awarded for the Austin [re]Manufacturing Hub. The discussion offered potential scope reductions that would maintain the \$1 million grant and expedite the project timeline. Staff will work closely with EDA in the next month to finalize new terms and ensure the project remains in compliance with the grant requirements.

Next Steps

We expect to complete the third-party developer solicitation process by late summer. Concurrent to the formal solicitation process, the City will continue the design and construction of the exterior waste water line to serve the property, which will assist us in meeting EDA timelines. Below is an estimated timeline of key milestones for the [re]Manufacturing Hub over the next six months:

February- March 2016

- Prepare third-party developer solicitation documents

March 2016

- Council Action Requested: Construction contract for Phase I of exterior waste water line on City Council agenda (scheduled for March 31st Council Meeting)
- Long-term lease at Bolm Road with Skillpoint Alliance executed; lease revenue received to support project
- New terms for EDA grant finalized

April 2016

- Third-party developer solicitation opens

June 2016

- Third-party developer solicitation closes
- Construction of Phase I of exterior waste water line begins

July-August 2016

- Staff review of third-party developer partnership solicitation responses

September 2016

- Council Action Requested: Third-party developer partnership solicitation award presented to City Council for approval

We will continue to update Council on progress of this project as we move forward. If you have further questions, please contact Bob Gedert at 512-974-1926.



MEMORANDUM

TO: Mayor and Council

FROM: Kevin Johns, Director
Sylvia Holt-Rabb, Assistant Director
Economic Development Department

DATE: March 9, 2016

SUBJECT: **Feasibility of an Austin Artspace Live/Work Project- 4711 Winnebago Lane
(Resolution No. 20160204-038)**

The purpose of this memo is to report on the feasibility of developing an Artspace live/work project on the City-owned tract located at 4711 Winnebago Lane in Southeast Austin, in Council District 2. Our preliminary conclusions are positive. Below we have summarized background information on Artspace, data from an Artspace study investigating a potential Austin development, and general data supporting the potential for redeveloping the Winnebago site.

4711 Winnebago

The property located at 4711 Winnebago Lane is 9.5 acres and is located between a light industry-zoned area and a single-family zoned area. It is zoned Limited Industrial-Conditional Overlay-Neighborhood Plan (LI-CO-NP) combining district zoning and is designated as Industrial/ Recreation & Open Space on the Southeast Combined Neighborhood Plan Future Land Use Map. With regard to public transit, there is an east/west Capital Metro bus line that is about ½ mile from the site.

Background on Artspace

Artspace is a nonprofit real estate developer specializing in creating, owning and operating affordable spaces for artists and creative businesses. To date, Artspace has completed 35 major projects in 15 states that represent nearly 2,000 live/work units and millions of square feet of non-residential community and commercial space. The City of Austin and Artspace produced a report in 2010 that concluded Austin was a strong candidate for a mixed-use Artspace live/work project. A second report in 2013* surveyed 770 individual creatives and 145 creative organizations and businesses to assess the demand for space, the types of space needed, and the survey respondents' ability to pay for new space.

The 2013 report found that: 1) the arts community has a deep need for affordable space of all kinds – housing, studio, workshops, exhibition, performance, office, etc.; 2) 50% of individual respondents interested in housing would qualify for housing units set aside for those at or below 60% Area Median Income (AMI); and 3) Austin can easily support the creation of up to 111 new, affordable live/work units in Austin. This works out to be a single mixed-use arts facility of at least 30 units, in addition to multiple small affordable creative space developments.

* https://www.austintexas.gov/sites/default/files/files/EGRSO/artspace_survey_report2013.pdf

Potential of the 4711 Winnebago Lane Location

The 4711 Winnebago Lane property has potential as an Artspace development:

- Current talks with Artspace suggest that this 9.5 acre property might be ripe for a “campus-like development” (creative hub). Artspace has indicated they could build a 30-75 affordable housing unit complex that could take up 2 acres, leaving approximately 7.5 acres for other buildings.
- The property is located between a light industry-zoned area and a single-family zoned area, which presents opportunities for connecting with the industries in the area on potential artistic product development and connecting with adjacent neighborhood schools for art classes and workforce development for young people.
- Artists working in a light industrial area with reclaimed materials would support Austin Resource Recovery zero waste goals.
- There is an east/west Capital Metro bus line that is about ½ mile from 4711 Winnebago. The Artspace market study found that 81.6% of individual artists surveyed would use public transportation if available.
- The location could potentially include a “maker-space” or “fab lab” community center. Maker spaces provide tools, manufacturing equipment and education to enable resident artists and community members to design, prototype and create manufactured works that cannot be created with the resources available to individuals working alone.
- Such a development could become an anchor for the adjacent neighborhoods. At the Southeast Austin Combined Neighborhood meeting held on February 23, the community expressed support for an Artspace development on 4711 Winnebago Lane and expressed their hope for artists working with their children and in their schools.
- These activities are in alignment with the goals and implementation of Imagine Austin, the CreateAustin Cultural Master Plan, the Economic Development Department strategies, and goals of the recent Austin Music and Creative Ecosystem Omnibus Resolution.

Obstacles

There are some obstacles to overcome in order to redevelop the 4711 Winnebago Lane property as an Artspace live/work project.

- 1) The property was bought with Solid Waste Services funds and the City cannot use utility assets for non-utility functions. In order to redevelop the property as an Artspace community: a) the General Fund or another entity must purchase the land from Austin Resource Recovery, or b) zero waste must be made part of the project’s mission.
- 2) The use of the property for live/work space is in conflict with the current zoning and the current neighborhood plan; a change in zoning from Limited Industrial-Conditional Overlay-Neighborhood Plan combining district zoning (LI-CO-NP) to Limited Industrial-Planned Development Area-Neighborhood Plan combining district zoning, or General Commercial Services-Mixed Use combining district zoning (CS-MU) will be required. A neighborhood plan amendment will also be required. A potential solution is to explore the feasibility of developing the site as art workshops, without residential use, for artists working with reclaimed materials. This would avoid the zoning and neighborhood plan conflicts, and would further Austin Resource Recovery’s zero waste goals, and provide more working space for artists in Austin. Further discussion with Planning and Zoning staff would need to occur prior to finalizing a proposed zoning change.

- 3) There is a heavy reliance on the community to help fund an Artspace project. Artspace typically accesses public funding available for affordable housing, economic development, historic preservation and cultural facility development, as well as private sector bank financing and philanthropic support. Artspace works alongside the community to identify necessary funding. They have already started to research and build relationships with public and private funding sources in Austin and in Texas. The next three steps in an Artspace development are predevelopment tasks - determining project location and size, project design and financial modeling, and securing final gap financing. These three steps typically take about 18-25 months and costs approximately \$750,000. The City of Austin is not expected to be the sole funder of this project. Additionally, Artspace will typically receive land as part of the community support. Should the City of Austin want to maintain ownership of the property, it could offer the needed acreage to Artspace through a lease or as part of a land trust.

Next Steps

Artspace is ready to work with the City and other stakeholders on the first predevelopment step identified above – to establish a preliminary project scope and space development program for evaluating building and site capacity. The cost for this step is \$150,000 (a portion of the \$750,000 identified above). Artspace currently has a commitment from the Austin Housing Finance Corporation for \$75,000 to begin this work, and has held initial talks with Austin Community Foundation for additional funding. Artspace has informed staff that an Artspace team can visit Austin in April 2016 to begin the preliminary planning phase.

We hope this information is helpful in your deliberations. Please let us know if you have suggestions or questions. We look forward to hearing what direction Council would like us to take on this project. For further information please contact Kevin Johns at 512-974-7802.

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