

City of Austin Council Work Session

Presentation Regarding an Economic Development Entity

Task 2: Benchmarking Through Research



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Q Partners

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Agenda

- Timeline and Scope Review
- Task 1: Summary of Findings
- National Benchmarks and Case Studies
- Texas Tools and Case Studies
- Discussion: Strategic Options
- Next Steps

Timeline & Scope Review

Timeline and Scope Review: Council Direction

Create broad scope entity; Solicit feedback on governance and structure

- 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.

Timeline and Scope Review (2): SOW

- **Task 1: Engagement Kick-off and Team Formation (Dec)**
 - Review of Materials
 - Interviews
- **Task 2: Research and Benchmarking (Dec-Jan)**
 - Expanded precedent document review and broad research
 - Benchmarks nationally and in Texas
- **Task 3: Initial Proposal to Staff, Stakeholders and Leadership (Feb)**
- **Task 4: Presentation and Recommendations (March)**

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Task 1: Summary of Findings

Task 1: Kick-Off Meetings (40+ interviews)

Most meetings were conducted Dec 9, 10, and 11 in Austin's City Hall. Council member meetings were delayed due to LDC conversations and conducted via phone in January.

- **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

Task 1 Interviews Summary

Topics of Discussion

- Topics of Discussion
 - Structure
 - Governance
 - Funding
 - Powers
 - Projects
 - Examples from other cities

- **Places of Agreement:** In the next several slides, we indicate items on which a majority of interviewees agreed as suggestions for consideration by Council.

Task 1 Interviews Summary: Places of Agreement

Governance, Structure and Funding

- **Structure & Governance**

- Formation of an outside entity
- Board ultimately controlled by Council
- Strong accountability to Council – cautions about Council serving as Board
- Split thoughts on inclusion of other taxing entities on the Board

- **Funding**

- Taking general fund dollars for operations could be challenging
- Explore fee for contract services model as alternative to more COA hiring
- Real estate fees, rents, sales could be a primary long-term funding stream
- Entity should accept philanthropic donations
- Entity could accept fees for bond management
- Entity could accept fee for investment management

Task 1 Interviews Summary: Places of Agreement (2)

Powers

- **General Powers**

- Freezing property tax could be challenging but could assist with affordability
- Issuance of revenue bonds should be explored

- **Real Estate Powers**

- Direct transfer of real estate from City to entity
- Sale, lease, management of public real estate
- Act as public developer, leading and funding inclusive growth
- City lead for P3 Negotiations: Move at the pace of private market
- Expedite public approvals, “be more nimble than the City”
- Management of large-scale development districts and projects on behalf of COA

Task 1 Interviews Summary: Places of Agreement (3) Projects

- **Lead Agency for Coordinating Inclusive Growth Policy**
 - Affordable Housing, Workforce Housing, Homelessness
 - Affordable Commercial space
 - Workforce development, MWBE, Financial programs / CDFI
- **Cultural Trust**
- **International Investment Fund**
- **Coordinated Transit-Oriented Development with CapMetro**
 - Utilize transit investments as a nexus for creating affordability and cultural programs.
- **Real Estate / Public Developer**
- **Other Priority Projects as Directed by Council**



Note: Places of agreement indicate items on which a majority of interviewees agreed as suggestions for consideration by Council. In some cases there is interpretation of responses by QBL Partners.

National Benchmarks from Peer Cities

National Benchmarks: Summary of Peer Cities

	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	--	--	--	--	--	--

*City is negotiating deals and/or issuing bonds directly or through a captive conduit. Is capable of receiving fees, but not verified.



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.

Deep Dive: NYC, Philadelphia and Atlanta

More Alike Than Different

Deep Dive Summary	NYCEDC	PIDC	Invest Atlanta
Separate Entity	Yes	Yes	Yes
Board	Mixed	Mixed	Mixed
Funding			
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
Real Estate Powers and Special Relationship	Yes	Yes	Yes
Projects			
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 Tools & Benchmarks

Texas Economic Development

Several Options Already in Use or Not Feasible For Rapid Deployment

- Economic Development Sales Tax (Local Option Sales Tax)
 - EDC Type A/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)
- Agreements not to Annex
- Interlocal Agreements (Chapter 791)
- County Economic Development Powers
- Issuing Debt for Economic Development



Sources: Texas Municipal League: Economic Development Handbook (2017); Texas Local Government Code (Chapters 272, 273, 311-313, 334-335, 380, 431, 791; Texas Development Corporation Act (1979); Basics Regarding Statutory Economic Development Tools for Municipal Attorneys (2004)

Texas Economic Development

Several Options Are Feasible To Explore

- ~~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**



Sources: The elimination of items above is based upon interviews done by QBL in Task 1 that indicated that a given program was: (a) already being utilized by the City or another entity; (b) not applicable to the COA; and/or (c) represented a politically infeasible approach.

Texas Case Studies Summary

Houston, Dallas, San Antonio and Fort Worth

Texas Case Studies Summary	Houston	Dallas	San Antonio	Fort Worth
Structure: Separate Entity, Family, City Department	Houston First	EDD	EDD/SAEDC/ IDA/SAEDF	EDD*
Board: All Officials, Some Officials, No Officials	Some	--	Some	Some (FWSA)
Funding				
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	--
Real Estate Powers	Yes	--	--	Yes
Projects				
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

These are initial conclusions only and subject to revision

- **A “Family” of Organizations is likely most able to fulfill all Council purposes with appropriate oversight for critical decisions.**
 - Entity 1: Bonding Entity (Such as existing AIDC)
 - Entity 2: EDO Entity
 - City of Austin EDD
 - Partner with existing entities: Affordable Housing, DAA, GACC
- **Critical Governance Decisions Should be City-Controlled**
 - Financing and bonding done as a component unit of COA
 - EDO annual budget and projects should be approved by Council
- **Certain Powers are ideal for sustaining the organization at scale**
 - Real estate on behalf of City (and other entities if possible)
 - Revenue Bonds
 - Contracts for services on behalf of City
- **Broad agreement to pursue “inclusive growth” priorities**



Note: Conclusions are built upon Places of Agreement, and refined by looking at research done in the US and in Texas. In some cases there is interpretation of responses by QBL Partners.

Discussion:

Options for Governance

Governance Structure

Three Options for Discussion

- **Austin Economic Development Corporation (AEDC)**
- **Austin Community Development Corporation (ACDC)**
- **Austin Regional Economic Development Authority (AREDA)**



Note: Names are for ease of discussion only. The governance structure being discussed is for the new Economic Development Organization only. It is assumed that the bonding entity would be the City or the Austin Industrial Development Corporation.

Should Board Include Other Governments?

Three Options for Discussion

- **Austin Economic Development Corporation (AEDC)**
 - Board is appointed by City Council, based on specific expertise
 - Some (but minority) of Board are elected officials
- **Austin Community Development Corporation (ACDC)**
 - ACDC is City-led entity with a regional focus
 - Board is majority City-appointed (some elected officials serve)
 - Some (minority) of directors may be appointed by one or more other governments
- **Austin Regional Economic Development Authority (AREDA)**
 - AREDA is regional entity, co-led by multiple governments
 - Board is majority City-appointed (and can be all elected officials)
 - Board includes ex-officio government officials from all regionally-applicable governments

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Questions