



# Cultural Trust Update

Joint Arts and Music Commission

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Update: April 27, 2021

# 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.

# 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.

# Cultural Trust Background and 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

Guided by the recommendations of the Joint Arts and Music Commission,\* research into best practices, and stakeholder feedback.

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, asset 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 a lease, license, operating agreement or other appropriate use agreement.**
- **Prioritize** support for organizations based on **Diversity, Equity, and Inclusion principles**
- Spaces would be **made available to organizations at affordable rates**

\*<https://www.speakupaustin.org/bond-for-creative-space>

# Timeline



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

# Program Summary

**Competitive RFP** to fund two types of projects as a first initiative

**Outcome:** Acquire venues with associated qualified operators for long-term ownership by the City of Austin for the public benefit of enhanced access to creative and cultural facilities

**Priority:** Financial and Operating Capacity

**Anticipated outcome:** 1-2 existing venues saved

**Anticipated funding source:** Iconic Venue Fund ("HOT")

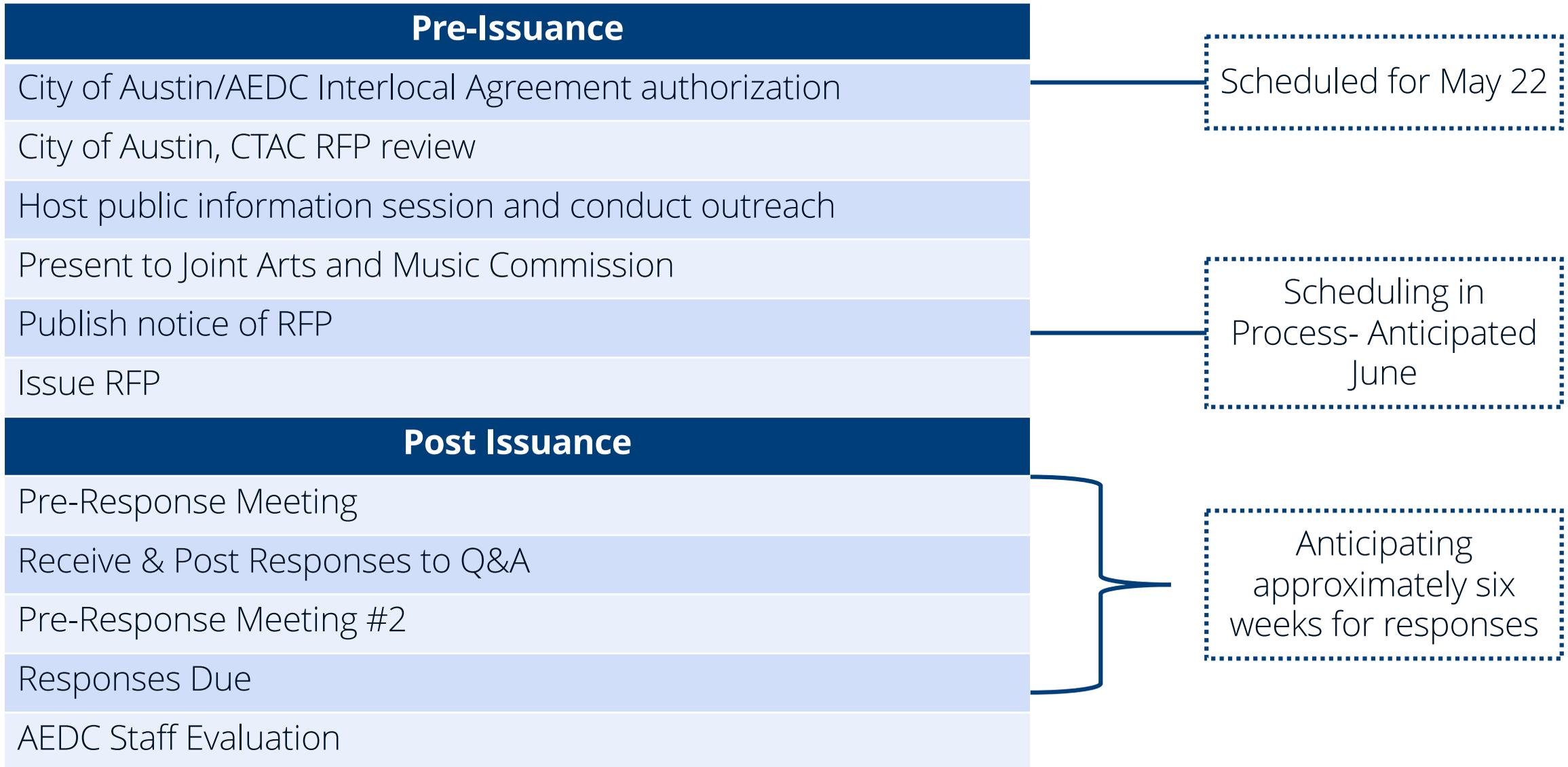
**Outcome:** Provide affordable multi-use space for cultural organizations with a focus on diversity, equity, and inclusion.

**Priority:** Policy Goal Alignment

**Anticipated Outcome:** 4-6 organizations sharing 2 AEDC managed spaces

**Anticipated funding source:** Creative Facilities Bond ("CFB")

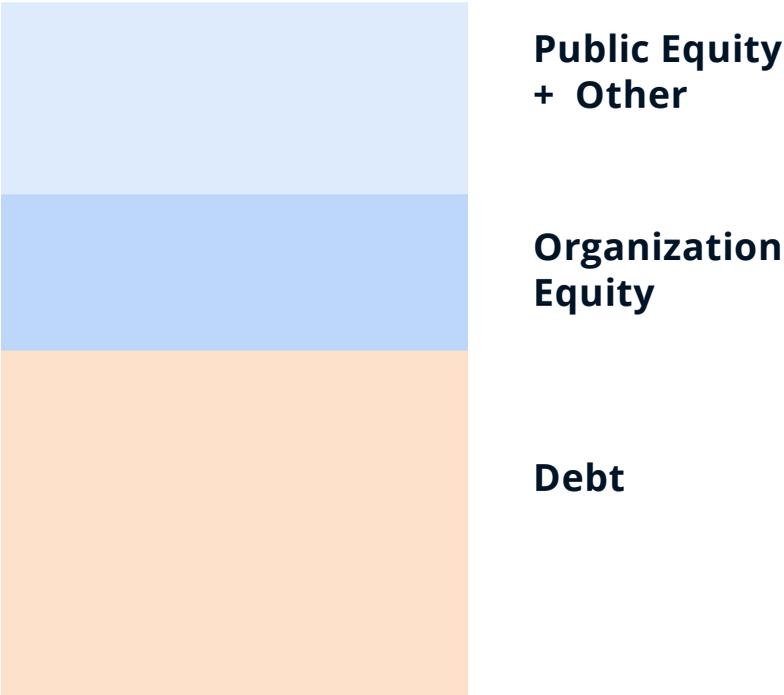
# RFP Release Timeline



# Potential Financing Structure

Source	Anticipated Amount
<b>Public Equity + Other*</b>	Varies
<b>Organization Equity</b>	Competitive criteria for capacity, less weighted for policy
<b>Debt</b>	Maximum loan amount based on DSCR constraint

## Hypothetical Capital Stack



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

# Model Overview

**Portfolio Overview**

- Typical public equity contribution required in prototypical transactions
- Typical organization equity contribution required in prototypical transactions
- Potential total number of transactions

## PROTOTYPICAL TRANSACTION BY SUBMARKET: 20-YEAR CF

CBD	East	South	Central	Outer
<p><b>Uses</b></p> <ul style="list-style-type: none"> <li>• Acquisition Price*</li> <li>• Financing Costs</li> <li>• Transaction Costs</li> <li>• Upfront Reserves</li> </ul>	<p><b>Uses</b></p> <ul style="list-style-type: none"> <li>• Acquisition Price*</li> <li>• Financing Costs</li> <li>• Transaction Costs</li> <li>• Upfront Reserves</li> </ul>	<p><b>Uses</b></p> <ul style="list-style-type: none"> <li>• Acquisition Price*</li> <li>• Financing Costs</li> <li>• Transaction Costs</li> <li>• Upfront Reserves</li> </ul>	<p><b>Uses</b></p> <ul style="list-style-type: none"> <li>• Acquisition Price*</li> <li>• Financing Costs</li> <li>• Transaction Costs</li> <li>• Upfront Reserves</li> </ul>	<p><b>Uses</b></p> <ul style="list-style-type: none"> <li>• Acquisition Price*</li> <li>• Financing Costs</li> <li>• Transaction Costs</li> <li>• Upfront Reserves</li> </ul>
<p><b>Sources</b></p> <ul style="list-style-type: none"> <li>• Public Equity</li> <li>• Organization Equity</li> <li>• First Mortgage</li> </ul>	<p><b>Sources</b></p> <ul style="list-style-type: none"> <li>• Public Equity</li> <li>• Organization Equity</li> <li>• First Mortgage</li> </ul>	<p><b>Sources</b></p> <ul style="list-style-type: none"> <li>• Public Equity</li> <li>• Organization Equity</li> <li>• First Mortgage</li> </ul>	<p><b>Sources</b></p> <ul style="list-style-type: none"> <li>• Public Equity</li> <li>• Organization Equity</li> <li>• First Mortgage</li> </ul>	<p><b>Sources</b></p> <ul style="list-style-type: none"> <li>• Public Equity</li> <li>• Organization Equity</li> <li>• First Mortgage</li> </ul>
<p><b>Operations**</b></p> <ul style="list-style-type: none"> <li>• Rent Revenue</li> <li>• OpEx + RE Taxes</li> </ul>	<p><b>Operations**</b></p> <ul style="list-style-type: none"> <li>• Rent Revenue</li> <li>• OpEx + RE Taxes</li> </ul>	<p><b>Operations**</b></p> <ul style="list-style-type: none"> <li>• Rent Revenue</li> <li>• OpEx + RE Taxes</li> </ul>	<p><b>Operations**</b></p> <ul style="list-style-type: none"> <li>• Rent Revenue</li> <li>• OpEx + RE Taxes</li> </ul>	<p><b>Operations**</b></p> <ul style="list-style-type: none"> <li>• Rent Revenue</li> <li>• OpEx + RE Taxes</li> </ul>

\*Based on CoStar sales prices.

\*\*Based on a combination of CoStar market data and CSAP venue survey data.

# Cultural Trust Advisory Committee (CTAC)

## *RFP Evaluation Committee Update*

- CTAC is an open advisory committee of AEDC.
  - We have a rolling membership window and are still accepting new members.
  - Members must agree to 10-15 hours of work plus attending bi-monthly meetings
  - Members must have no conflict of interest and cannot receive money from the Trust directly or indirectly, nor become an occupant of a Trust building nor be a service provider to same.
- The RFP Evaluation Committee will include AEDC staff and selected CTAC members.
  - We are continuing to seek CTAC members and RFP Evaluation Committee members, in particular we are making a call for more diverse participation.
  - Evaluation committee members must submit an application:
    - <https://forms.office.com/Pages/ResponsePage.aspx?id=BN1QNYRm4Ei-kjz-67LpBWj7vKjyZMlvCQoxLwMqjUNIFKNjRRNTFEVfKxWjdLSkjVRzQ4VTg2Mi4u>

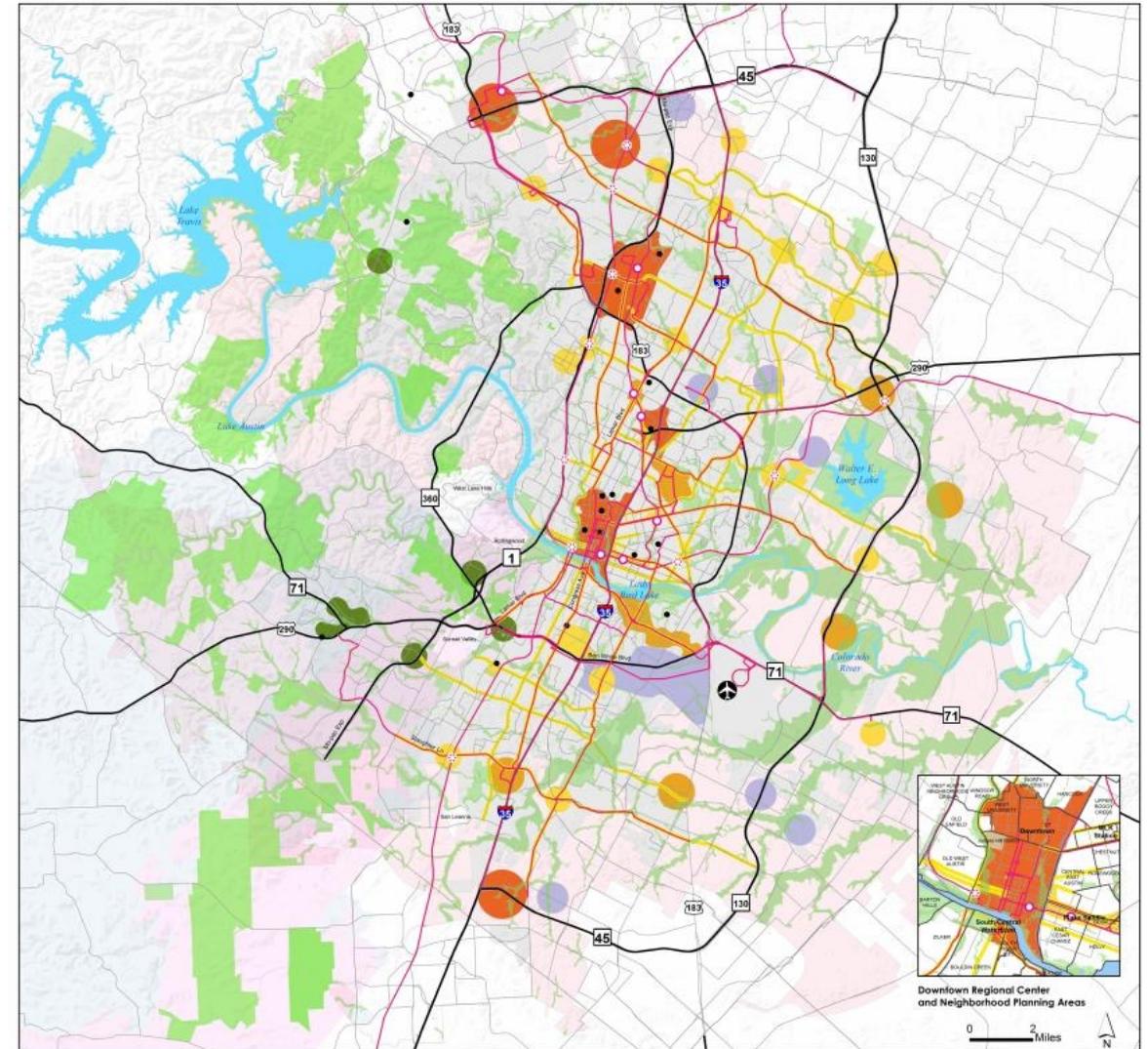
# AEDC Next Steps Before RFP Release



# 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
<b>Annual Rent PSF</b>	\$50	\$32	\$18
<b>RLV/SF</b>	\$360	\$131	(\$44)
<b>Typical Size (SF)</b>		5,000	4,500
<b>Incremental RLV Decrease by Venue</b>		(\$1.2M)	(\$1.8M)

Questions?