


MEMORANDUM

TO: Theresa Alvarez
President and CEO
Austin Economic Development Corporation

FROM: Anne Gatling Haynes 
Chief Transactions Officer
Austin Economic Development Corporation

DATE: October 17, 2022

SUBJECT: Cultural Trust 'Long list' Feasibility Evaluation Status

The AEDC staff and Real Estate Committee recommend a prioritized 'Long List' of Cultural Trust projects based on the Feasibility evaluation. This prioritized list constitutes the order in which the projects will be advanced within each category to finalize the shortlist. Although every effort is being made to advance all projects in some way, the funds will not be sufficient to invest in all 14 projects at this time. The projects have been evaluated and prioritized based on consideration of deal structures relative to funding source, timeline, organizational vulnerability to displacement, business capacity, economics of the project, commitments to diversity/equity/inclusion, and site control as applicable.

Between the Board meeting and the expected meeting with Council this Fall, the applicants will be notified of deal structure proposal and estimated budgets, City Staff will have been formally briefed, and we will seek council approval to formally enter into negotiations with property owners (City Council meeting estimated for December 1, 2022). Given the complexity of each project, including the multiple parties which will have to agree on the transaction, final operating structures to align with the public fund requirements, and the timelines associated with the projects, it is possible that a prioritized project may not choose to move forward with the process. In that case, the next project in order of priority will be advanced.

The majority of projects advancing at this time are Existing Venues, and New Venues that have a site associated with their project. AEDC is also in discussion with City of Austin to advance a new capital project for initial investment, based on existing available space owned by the City of Austin, that will be anchored by two Long List projects. This space will include new space that aligns with Joint Music and Arts Committee recommendations and will be available to all. The design process will include pipeline organizations to assure that specifications of this new space will accommodate many organizations.

AEDC is also pursuing, in partnership with City of Austin staff, a few longer term new facilities on City of Austin property that are not currently available, but may be available in the future. These will support not just a few of the long list organizations that may not be initial investments due to feasibility challenges, but also additional organizations from the Pipeline. These projects will advance on a parallel track in order to finalize project concept strategy and budgets in order to identify new funds.

After this phase, when all projects have been negotiated with operators and property owners, AEDC will announce the short list of projects for investment, based on available funding resources.

The request at City Council will include approval of the primary projects slated for investment with the

\$12M Creative Space Bond, and approval to proceed with negotiation and execution of those projects based on the budget and deal structure strategies as presented in Executive Session. The Council will also hear the information on projects including those being funded by the Iconic Venue fund at the same time, but no Council approval is required.

BACKGROUND: AEDC was identified as the Program Manager for the nascent Cultural Trust program in 2021, as outlined in the Interlocal Agreement with the City of Austin. With \$16.9 Million of initial funds (2018 Creative Facilities Bond, HOT-backed Iconic Venue Fund, COA budget funds), plus an additional 2.5 M identified in the FY23 City of Austin budget, the program plans to facilitate the investment in an initial portfolio of projects that will provide reliable and consistent affordable accommodations for operating organizations in music/arts/culture. The next step of final Due Diligence will need to balance transparency with protecting the City's negotiating position, assuring affordability.

The Request for Proposals (RFP) was issued to the public on November 30, 2021, and closed on March 31, 2022. The RFP was open for four months, and the process included multiple rounds of distribution, direct outreach to programs, Art/Music Commission announcements, at least 10 program update and technical assistance programming, 30 hours of direct one-on-one office hour opportunities.

The program received 45 Submissions from all 10 Council Districts, representing over 500,000 Square Feet of space needs and represent a diversity of arts disciplines, communities served, and programming offered. An additional 16 proposals were received for 'Pipeline Only' (not yet requests for funding), representing additional needs.

On May 19, 2022, AEDC Staff and representatives of the Cultural Trust Advisory Committee met with the 45 submitters to describe the results of the application process, the makeup of the submitters and their needs, and next steps in the process. That powerpoint and recorded session is available on the project website <http://www.austinedc.org/cultural-trust>. We have continued to correspond and meet with many of the pipeline organizations, and

After an initial scoring round by an evaluation committee, based on scoring rubrics included in the RFP, in June 2022 the Executive Committee of AEDC approved the Real Estate Committee's recommendation for the initial Long List of projects to proceed into Feasibility and Due Diligence. The 'Long List' includes 14 organizations that provide music, theater, humanities, mixed media, visual arts, and the new venues will include spaces to support a broader range of arts and organizations. The 'Long List' also includes organizations that have been at the forefront of servicing and representing a diverse range of communities.

Between July and September 2022, staff proceeded with the evaluation of each of the projects, relative to the feasibility of each project with respect to independent project deal structures relative to funding source, timeline, organizational vulnerability to displacement, business capacity, economics of the project, commitments to diversity/equity/inclusion, and site control as applicable. Each project has unique considerations and received in depth analysis of the project budgets based on the potential project deal structure, as well as initial operating pro formas structured to assure a rent structure that is at least the same if not better than what the organizations currently operate within, and modelled to be sustainable/predictable over a longer term.

The prioritized projects in the Long List include projects that meet the objectives of the joint Music and Arts Commissions (2021). The portfolio of final projects, and including New Venues that have been prioritized will include:

- Flexible rehearsal spaces to include small rooms for bands/theater companies/performance artists to rehearse
- Performance venue with a capacity of at least 50 seats (may include outdoors)
- Visual arts studio and gallery space(s)
- Educational space(s)

The Joint Music and Arts Commissions also provided guidance of desired geography, which all of the projects for the Bond funds are aligned with, as well as prioritization for projects that reflect best practice and demonstration of commitment to Diversity/Equity and Inclusion. The projects were evaluated according to the scoring rubric in the RFP for practices and commitment to Diversity, and also weighted based on those scores for the final evaluation of feasibility. The final operating plan agreements for all Bond funded projects will include advanced and continual expectations to expand significantly affordable access to facilities for underserved marginalized communities.

The remaining projects in the pipeline will continue to be considered an inventory of needs that we hope will be able to be matched with future facilities and future resources. All of the projects and organizations are an amazing representation of Austin, and we are committed to working with the breadth of organizations directly, and with our partners, in the near future.