



Recommendation for Action

File #: 22-3566, **Agenda Item #:** 29.

12/8/2022

Posting Language

Authorize negotiation and execution of a lease agreement with the Austin Economic Development Corporation for approximately 7,006 square feet of space in the City's Permitting and Development Center located at 6310 Wilhelmina Delco Drive, Austin, Texas 78752 for an annual lease rate of \$100, and approve the use of up to \$2,400,000 of proceeds from Proposition B of the 2018 Bond for this project and the Millennium Youth Entertainment Complex.

Lead Department

Financial Services Department.

Fiscal Note

This item has no fiscal impact.

For More Information:

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Additional Backup Information:

The Austin Economic Development Corporation (AEDC) was organized to aid and act on behalf of the City in the performance of the City's governmental functions to accomplish certain governmental purposes of the City as specified in an interlocal agreement between the parties in 2021 (Interlocal Cooperation Agreement).

The leased space will be approximately 7,006 square feet located in the City's Permitting and Development Center (PDC). Due to the proposed use of tax-exempt bond funds to make capital improvements to the space and to ensure compliance with federal income tax law, the leased space must total less than five percent of the total PDC facility (which will be a term of the lease). The space will serve as a part of the City's Cultural Trust and improvements, funded by the City, will include an art exhibition space that will be open to the public, a multi-use theatre space, small rehearsal rooms that can be used for rehearsals, education, and recording, and some shared workspaces. It is anticipated that this space will be occupied continuously as a vibrant community center as well as a place to cultivate career development for artists.

The City is partnering with AEDC to achieve several shared goals, including broadening community access to vital programs and resources, developing economic opportunity and entrepreneurial success, and strengthening cultural arts, music, and theatre. The City considers AEDC a key partner in exploring opportunities for progress, serving the community, and building stronger relationships with residents, businesses, and visitors to increase prosperity, cultural investment, and deliver needed services to the community.

The term of the lease will be 15 years with one option to extend for an additional 15 years. The Strategic Facilities Governance Team has reviewed and approved this request.

Execution of the lease is contingent upon the AEDC receiving from the U.S. Department of the Treasury a determination letter recognizing AEDC as a tax-exempt, non-profit organization under Section 501(c)(3) of the

Internal Revenue Code. This recognition is anticipated to be received by the end of December 2022. Expenditures will be monitored to track compliance with federal income tax law relating to the issuance of tax-exempt obligations, as will be more fully outlined in the agreements with the parties.

In accordance with the Interlocal Cooperation Agreement, Council must approve the expenditure of any proceeds from Proposition B of the 2018 Bond. By approval of this item, Council approves the use of bond funds for the following expenditures:

PDC

An unfinished, street-level portion of the PDC parking garage on Middle Fiskille Road is proposed for development through the Cultural Trust as a much-needed, affordable, multi-purpose arts space in an emerging arts and education district. It will serve as both swing space for displaced creatives as well as a place where up-and-coming organizations can be supported by a community of users. This space will be occupied as a vibrant community center and an incubator for emerging artists and organizations looking to grow their audiences and programming before engaging a space of their own.

Improvements include full fit-out of the approximately 7,006 square foot space to support a wide range of visual and performing arts activity. Initial conception of the space includes a 75-person multi-use theater space, small rehearsal rooms, and shared workspaces. Additionally, primary walls within the space will accommodate a visual art gallery. There will also be an area that can function as a daytime café, concessions for shows, and catering for events. The creative ecosystem will contribute input to inform the design of the fit-out of the space. This project budget is anticipated to be approximately \$2 million. The current budget estimate for fit-out is approximately \$1.7 million for construction, with approximately \$300,000 of soft costs and contingency. Design is anticipated to begin within the first quarter of 2023, with occupancy to occur by early 2024.

AEDC will be the lead lessee of the space, with direct oversight over day-to-day and all operations to assure compliance with bond expectations. The space will be managed and operated through a qualified management agreement with an experienced operator selected from the Cultural Trust applicant pool.

Millennium Youth Entertainment Complex Renovation

The Millennium Youth Entertainment Complex (MYEC) has been a staple in the East Austin Rosewood community for 23 years. Born out of a lack of affordable recreational outlets, MYEC was conceived through a collaborative effort between the City and the local Austin Rosewood Community Development Corporation (ARCDC). The MYEC offers roller skating, 16 lanes of bowling, arcade, a food court, a movie theater, and meeting space.

The renovations to the MYEC will add capacity for additional theatrical and cinematic uses in the space and support of creative arts organizations. The MYEC plans to offer the space to school children for oratory practice and competitions, as well as individuals interested in the film and arts industry who need a space to develop their craft (i.e., film makers, directors, stage managers, light and sound technicians, musicians).

This project budget is anticipated to be approximately \$400,000, inclusive of construction costs and project management services. The planned renovations will be capital improvements to the space such as interior finishes, new theater seats, lighting, and various support items and spaces such as dressing room improvements. As the current departmental leaseholder with the City, the Parks and Recreation Department will facilitate the project execution and the current operator of the MYEC, ASM Global will operate the facility, under the governance of the ARCDC. This project is estimated start upon approval of this item and is expected to be completed within 12 to 18 months.

Strategic Outcome(s):

Government that Works for All, Economic Opportunity and Affordability, Culture and Lifelong Learning.