

# Urban Land Institute – Austin Chapter

## EDC 101



**Matthew Kwatinetz**

**Q Partners**

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# Agenda

- EDC “in a nutshell”
- My background
- What will AEDC do?

# EDC in a nutshell

# Motivation for an EDC



## *Use of land as a capital resource*

- As cities grow to scale, and the pace of deal-making increases, the city can find it hard to move at the same speed of the private market. This is true whether cities have strong-mayor or council-manager forms.
- The use of a “public developer” or using “land as a capital resource” dates back in the US to the 18<sup>th</sup> century NY “docks for streets” program, was continued with the establishment of the Port Authority of NY/NJ to manage the post-WW I harbor traffic, and was accelerated around the country in the 1970’s with urban fiscal crises demanding new sources of non-tax revenue.
- In the extremes of market cycles (such as rising real estate markets as we had from the Great Recession until March 2020) cities often rediscover the power of real estate to manage civic outcomes
- In 2017, when I was at NYCEDC, we convened a group of 17 cities to ask what best practices were in using real estate to combat gentrification and inequity in cities, as well as funding public policy without raising taxes



# National Benchmarks: Summary of Peer Cities

*This information was presented to COA Council in a public work session 1/21/20*

	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.

# An EDC is a Public Real Estate Developer

*As Cities grow to scale, some create a public developer*

- **Why? A public developer can...**
  - Move at the pace of the market
  - Speed approvals, but with the direct oversight of the City
  - Reduce the burdens of government with new funding sources
  - Own and operate real estate to generate cash
  - Accept charitable donations
  - Accept investment dollars
  - Blend the best of public and private deal-making
  - Generate more money for COA from under-performing real estate
  
- **Similar to its peers, the AEDC has been constituted as a “family” of organizations which we collectively call the AEDC.**

# My Background



# Brief: Capitol Hill Arts Center & Chamber

*Combining efforts to combat gentrification.*



**Culture +**  
**Music +**  
**Entertainment +**  
**Social Venture**



# “Too Late for Capitol Hill?”

*Cocktail and Finger Sandwich Skepticism*

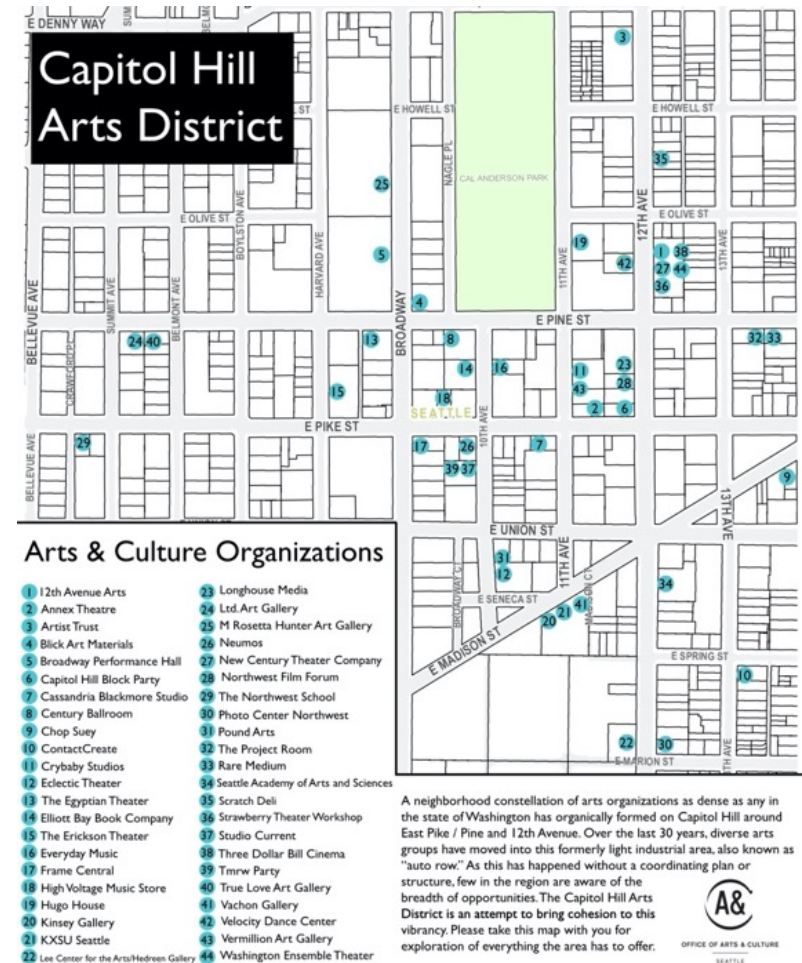




# Seattle: Cultural Overlay District

*Slow to start, but still going...*

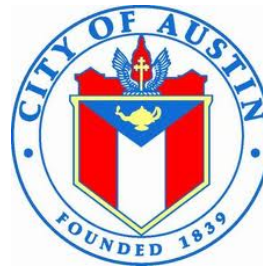
- Organizing (2006 – 2008)
- CODAC (2008 – 2009)
- CODAC Report: (2009)
- City Council Resolution (2009)
- NEA Our Town Grant Initial Support
- City's Creative Place-making Toolkit
- Establishment of Capitol Hill Arts & Culture District (2014)
- Creation of Historic Central Area Arts & Culture District (2015)
- Uptown Arts & Cultural District (2017)
- Columbia Hillman Arts & Culture District (2018)





# Q Partners at 12 Years

*A portfolio of inclusive prosperity and culture led economic development*



PENN INSTITUTE for  
URBAN RESEARCH



Greater Philadelphia Innovation Cluster  
for Energy-Efficient Buildings  
A U.S. DOE Energy Innovation Hub



capitol hill arts center



CULTURE  
KING COUNTY LODGING TAX





# Augusta Regional Collaboration Corporation

## *Story from the Lab: Augusta, Georgia*



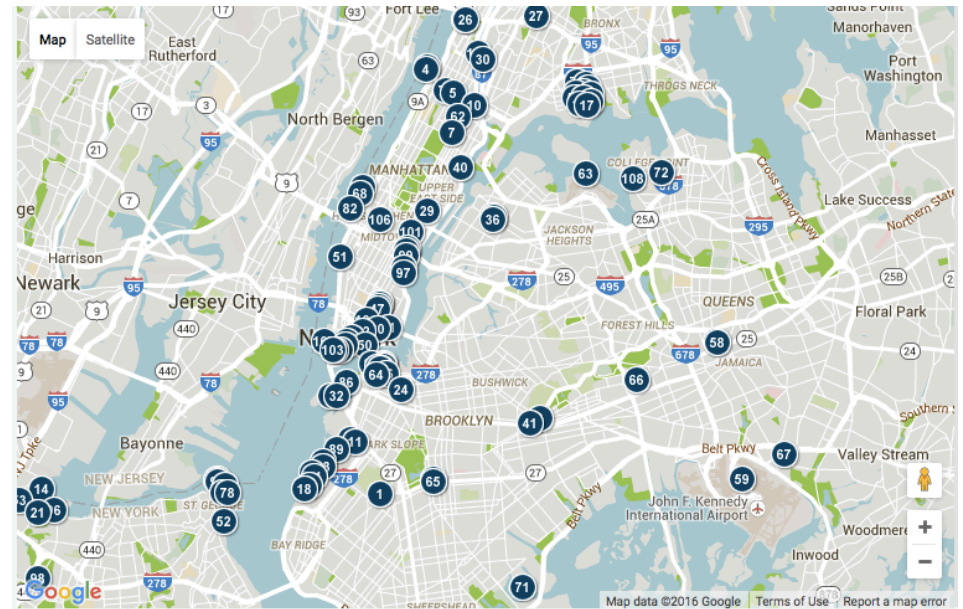


# NYC Economic Development Corporation

*Story from the Lab: New York, NY (My previous role: Executive Vice President)*



is charged with creating strong neighborhoods and good jobs.



As EVP of Asset Management, I was charged with leveraging the 67 million square foot real estate and infrastructure portfolio to create double bottom line outcomes, using land as a “capital resource”. Land value can create positive social outcomes and policy without raising taxes.



# NYC: Affordable Real Estate for Artists (NYC)

*In NYC we rolled out the largest affordable artist workspace initiative in the nation.*

## Cross agency task force



NYCEDC



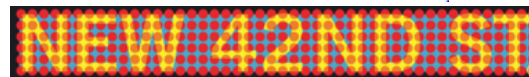
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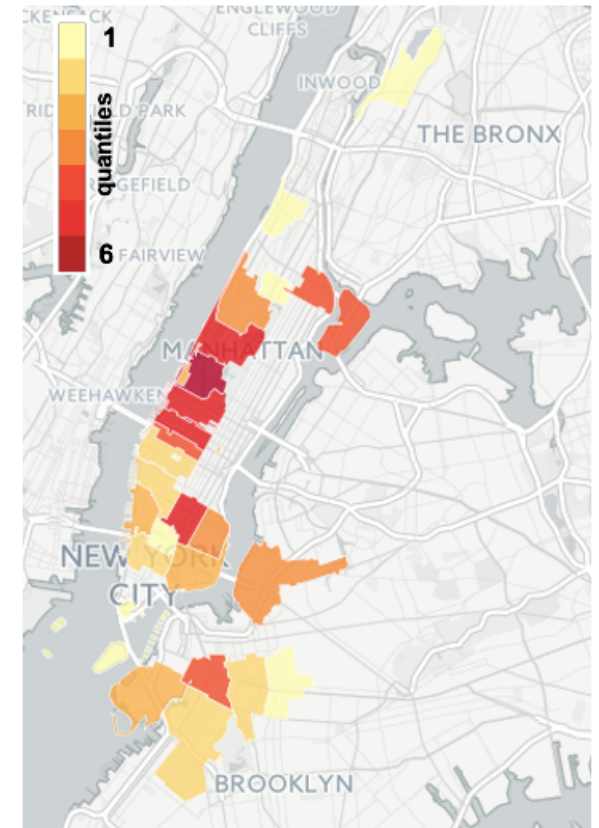
## Example stakeholders



chashama



## Data-driven approach



# What is AEDC?

# Public Real Estate Developer

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- **Why? A public developer can...**
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  - Blend the best of public and private deal-making
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- **Of the 17 cities that participated in the Peer Cities Conference about the strategic use of real estate to accomplish public policy, 100% agreed that one of the best strategies for doing so was to create an EDC that had real estate powers to advance projects that a municipality could not on its own.**



# Organizational Structure (1): Family of Organizations

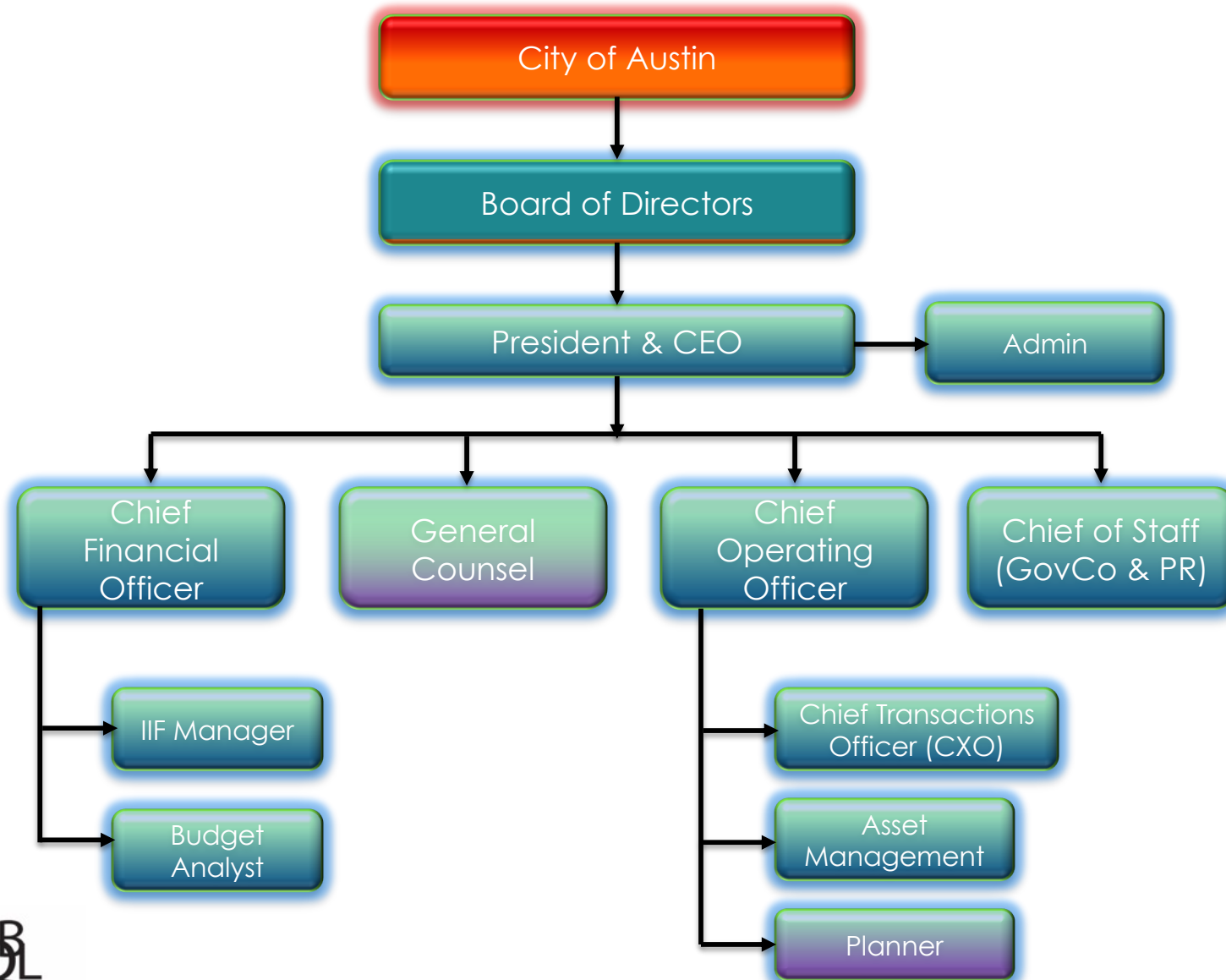
- **A family of organizations is the best solution**
  - New Entity: Austin Economic Development Corporation (AEDC)
  - Existing Entity: Austin Industrial Development Corporation (AIDC)
  - Partner/Manager: COA Economic Development Department
  - Donor Advised Fund: Existing Foundation
  
- **A family is what we saw in all similar nat'l benchmarks**
  - Atlanta, Philadelphia, NYC
  
- **The new AEDC would take on roles for the following areas (no new entities):**
  - Management of South Central Waterfront (no new LDC)
  - Support Homelessness work and real estate per Resolution 20190808-077 (no new LDC)
  - Cultural Trust: Run as a program of AEDC (no new entity)

# Organizational Structure (2): Powers & Controls

- **Austin Economic Development Corporation (Outside Entity)**
  - *A new Local Government Corporation* with federal charitable status - 501(c)3
  - Obligated by contract for performance, autonomous entity in its operation
  - A board appointed by and controlled by City Council (see next slide)
  - Can accept charitable donations
  - Can manage private investment dollars
  - Can own and operate real estate (Must obtain TX real estate broker's license)
  
- **Austin Industrial Development Corporation (Conduit Entity)**
  - *An existing Development Corporation* formed by Council in 2015 as a financing conduit
  - Development Corporation authorized by Section 501 (TX LGC)
  - Board is composed of the City Council, who must approve any financing
  - The CFO of AEDC serves as the President of AIDC
  
- **City of Austin Economic Development Department (City of Austin)**
  - AEDC reports to EDD via contract, but is a separate and autonomous entity
  - Oversight and management of AEDC via a Master Contract
  - Director of EDD serves as the initial Interim President of AEDC

# Organizational Chart: 3-Year Stabilized View

*Purple roles can be initially outsourced. Orange roles not compensated by the organization itself.*



# Governance (2): Project Structure & Approvals

## Real Estate and Contracts for Services

- **AEDC Will Propose A Contract Every Year to COA.**
  - The contract will propose real estate projects and contracts for services.
  - Autonomy is a factor of success, as indicated by best practices.
- **Real Estate Projects (Three Types)**
  - Lease Administration: *AEDC will manage properties on behalf of the City. The City will retain title. AEDC will be paid out of proceeds from the property and will follow all City rules for procurement and disposition. The City retains title.*
  - Transaction Support: *AEDC will perform a transaction (lease, sale, purchase) on direction from the City. AEDC will follow all City procurement and disposition requirements, as applicable. AEDC must comply with all Texas law and will obtain appropriate licenses and certifications including a Broker's license. AEDC will never have any property interest. Payments to AEDC will be made from the transaction.*
  - Public Development: *The transfer of property to AEDC will be done with an explicit contractual requirement to achieve a public purpose. AEDC will take title to the property. However, if AEDC does not use the property for the public purpose, the City will revert the property. If AEDC must abide by all City procurement rules, even should it determine to perform a further disposition—any such further disposition must still comply with achieving the public purpose.*
- **Contracts for Services**: COA may contract with AEDC to provide services to reduce the burdens of government. These services can be paid for directly via contract, or can be funded as offsets to rent, real estate or other payments due from AEDC to COA.
- **AEDC will provide a detailed annual report to COA**

# Project List



# Projects: Proposed List

## Initial List (See Report for Details)

### ■ Major Projects

- South Central Waterfront
- Huston-Tillotson District Planning
- Cultural Trust
- International Investment Fund

### ■ Ongoing City-Wide Projects

- Transaction support on P3 negotiations
- Public Owned Sites Pipeline
  - Support of Affordable Housing
  - Support of childcare & early childhood education
  - Support of inclusive growth around TODs
  - Asset Management on public owned sites
- Support of Homelessness
- District (and emerging PID) support
- Colony Park, St. John's/Home Depot, Health South, Justin TOD

### ■ Other Priority Projects as Directed by Council



# Projects: Summary of Value-Add

## What is the “special sauce” here?

- **Aggregation of Contracts & Districts**
  - Example: Consolidating resources (i.e., starting a campfire vs. lighting candles)
  - Example: Multiple organizations vs. one
    - Operating expense efficiency and scale
- **Cross-Subsidy**
  - Some projects generate more revenue than cost (surplus)
  - At direction of City (annual contract), this surplus can be directed to other policy
  - This allows support for community development and inclusive growth projects
  - This includes creating feasibility for projects that do not cash flow on their own
  - Example: SCW revenues supporting HTU
- **Consultant & Broker Fees Saved**
  - “Bringing broker in-house”
  - Putting myself out of a job!

# Questions