Potential, limitations come into focus for new economic development tool proposed in Austin

Jul 26, 2019, 2:49pm CDT

There could soon be a new player in Austin's economic development arena.

Austin City Council is set to consider a resolution Aug. 8 to create an economic development entity to help the city's housing, redevelopment and revitalization efforts.

Council Member Kathie Tovo said the resolution she's sponsoring will culminate years of work to create an economic development corporation, or a similar type of organization, to address city priorities on affordability.

The resolution would direct city staff to take the first steps toward creating an economic development organization, as well as identify potential sources of revenue and gather feedback on how the entity would be run. The city could also contract with a "subject matter expert" to develop an implementation plan.

And Council would direct staff to structure the new entity broadly enough to manage a range of projects like affordable housing development, acquiring and preserving creative space and aiding private-led development, such as the South Central Waterfront.

Mayor Steve Adler and Council Members Natasha Harper-Madison, Alison Alter and Ann Kitchen are co-sponsoring the resolution.

Council Member Jimmy Flannigan also sounds optimistic about an economic development corporation but hopes, if Austin creates one, it is allowed to explore all opportunities allowed to it under state law.

"This is a key focus area for me," he wrote on the Council's message board. "An economic development corporation can help us better leverage resources for the city, the community and with partners in our region."

Due to Austin's size and the type of projects Council wants a new entity to tackle, the city is mostly limited to creating a Type B economic development corporation or a local government corporation, according to a May 29 staff report.

While economic development corporations are touted for their flexibility and speed to pull deals together, there's no additional sales or use tax revenue for the city to allocate to an EDC.

"Revenue to support an economic development corporation would need to derive from other sources, such as grants, loans, bonds, interest on loans, user and admission fees, and real estate profits," according to the resolution.

In an era of revenue caps on local governments, an EDC could provide one option for the city to generate money for economic development projects authorized under state law, according to the resolution.

Austin Chamber of Commerce President Mike Rollins said many communities use economic development entities as vehicles for city priorities like developing and revitalizing public properties.

"I see no conflict or duplication with what Opportunity Austin does," Rollins said, referring to the five-county economic development initiative led by the Chamber. "In fact ... it is easier to engage in public-private partnerships for development."

But some experts, such as University of Texas professor Nate Jensen, worry that local economic development would become less transparent with a new entity.

Daniel Salazar
Staff Writer
Austin Business Journal