



MEMORANDUM

TO: Mayor and City Council

FROM: Bob Gedert, Director, Austin Resource Recovery
Kevin Johns, Director, Economic Development Department

DATE: July 26, 2016

SUBJECT: Austin [re]Manufacturing Hub Update

The purpose of this memo is to provide an update on the Austin [re]Manufacturing Hub developer selection process and an upcoming deappropriation of the US EDA grant.

Developer Selection Process

As reported in our memo to Council on February 23, 2016, the City is pursuing a public-private partnership approach (in response to Council's direction) to the Austin [re]Manufacturing Hub redevelopment project. We are evaluating the model of other successful large-scale redevelopments by the City. Staff is in the process of identifying the best approach for a solicitation to bring a third party private developer onto the project. Although we initially hoped to bring a solicitation result back to Council by September, we identified the need for additional analysis prior to initiating a solicitation due to the uniqueness of the project.

Staff plans to engage an outside real estate consultant to perform a feasibility analysis on the property and the project, and make recommendations of public-private partnership development strategies for the Hub that are financially sound and meet City goals. The consultant's recommendations and analysis will follow established Council direction, policies and guidelines for this project. The following overarching goals for the Austin [re]Manufacturing Hub will guide the analysis and subsequent developer selection process:

1. Inclusive Economic Development
2. Zero Waste
3. Environmental Stewardship
4. Compatibility
5. Adaptive Reuse
6. Financial Feasibility

Upon completion, the consultant's analysis will be made available for Council review. The analysis will inform the creation of a formal solicitation intended to identify the best third party private developer

partner. The timeline for the solicitation will be determined by the outcome of the consultant's analysis and Council's input on the preferred approach to the project.

EDA Grant

In July 2014, the City of Austin was awarded a grant from the U.S. Economic Development Administration (EDA). As you know, the City planned to use the grant to partially fund development of on-site infrastructure at the Austin [re]Manufacturing Hub. However, as it played out, Austin Resource Recovery (ARR) lacked the funds for the required matching share for the grant or the means to obtain funds prior to EDA deadlines. This occurred due to: the unforeseen (at the time of grant application) inability to use Certificates of Obligation for this project, the decision not to sell ARR's surplus property at 4711 Winnebago Lane and use those funds for matching the grant, and the decision to not raise rates to fund the project.

In coordination with the EDA regional office, the City identified the possibility of a project scope and budget change that would shift the grant funds from the on-site infrastructure to an exterior wastewater line project that will serve the Hub. This project had funding secured from Austin Water and was on track to be under construction within EDA deadlines. The City has investigated and pursued this solution since February, but has determined that it would not ultimately meet both the EDA's requirements and the City's operational needs. A particular challenge was the fact that original contract sent out for bid did not include federal provisions and the selected contractor would have required a change order of approximately \$295,000 just to incorporate and implement the federal provisions. The City also explored other uses of the federal funds, but did not have a substantially similar project able to be completed by July 1, 2019.

As a result, on July 22, 2016, the City requested a termination of the grant from the EDA, and the FY17 budget will reflect this deappropriation. The City had expended no grant funds, and therefore no funds will need to be repaid. The EDA has expressed their understanding of the extenuating circumstances surrounding this grant and assured the City that this result will not negatively impact the City for future grant considerations.

We are still exploring the Austin [re]Manufacturing Hub project. The exterior wastewater line will be constructed and the City will continue to pursue this project (as outlined above) in order to create living wage clean tech jobs for individuals with employment barriers and support our zero waste goal.

Cc: Marc A. Ott, City Manager
Sue Edwards, Assistant City Manager
Robert Goode, Assistant City Manager
Greg Meszaros, Director, Austin Water