

APRIL 5, 2021

ESTABLISHING A NEW ECONOMIC DEVELOPMENT ENTITY

DALLAS CITY COUNCIL ECONOMIC DEVELOPMENT COMMITTEE

- ▶ JEFF MARCELL
- ▶ ALEX COOKE



AGENDA

- ▶ Introductions
- ▶ Project Background
- ▶ Benchmarking
- ▶ Entity Recommendations
- ▶ Questions
- ▶ Staff Recommendations



The background is a solid orange color. On the left side, there is a large, stylized number '1' formed by two overlapping rectangular shapes. The top-left corner of the '1' is cut off at a 45-degree angle. The word 'INTRODUCTIONS' is written in a bold, white, sans-serif font, positioned in the lower half of the image and partially overlapping the vertical bar of the '1'.

INTRODUCTIONS

THEORY INTO PRACTICE

Committed to **holistic thinking** and **sustainable development**.

We design strategies that will support your community's **vision for the future**.



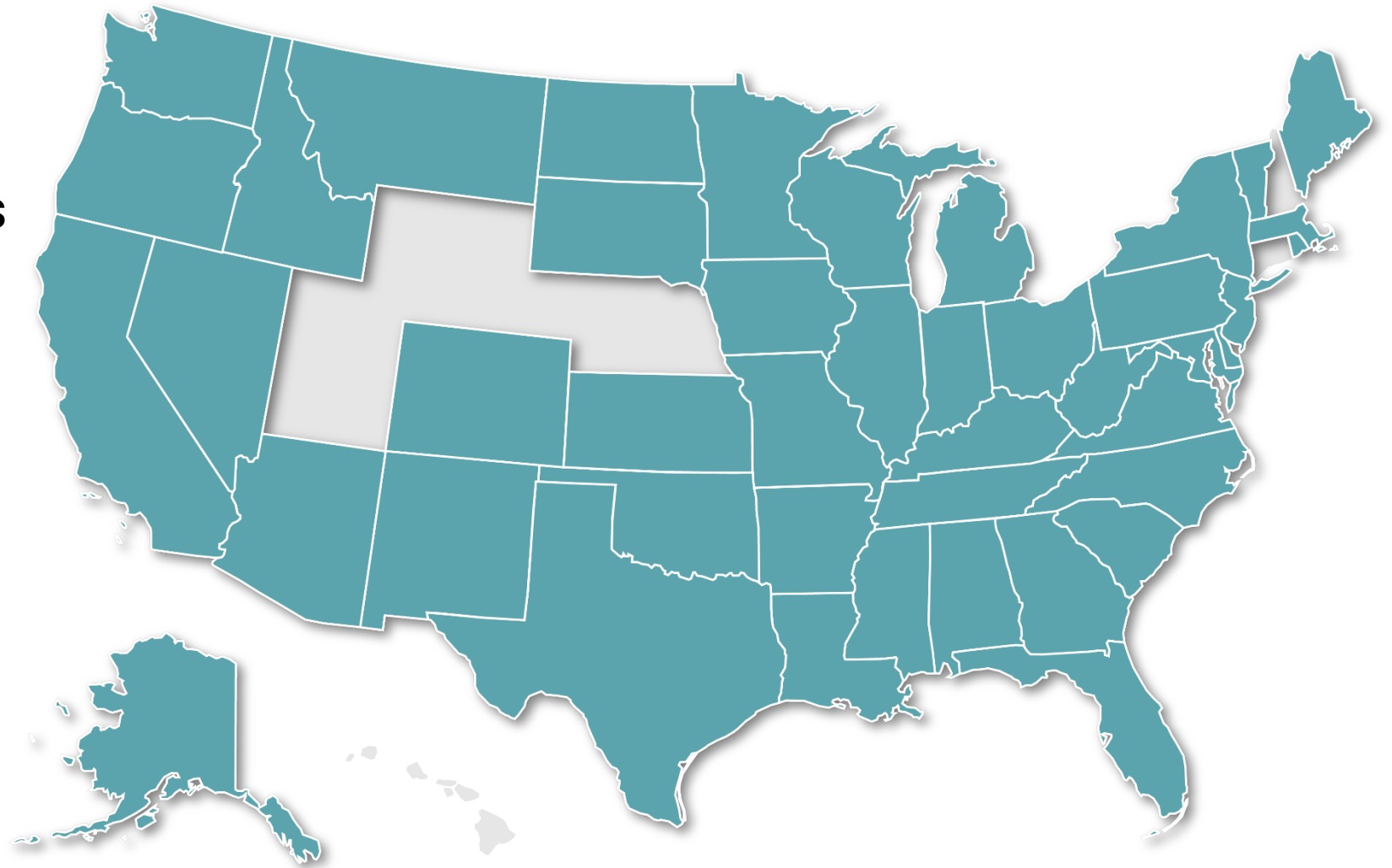
1995 Year founded

400+ Engagements

300+ Clients

44 States

5 Countries



LEADERSHIP



Tom Stellman
CEO & Founder



Tracy McDaniel
President



Jon Roberts
Managing Partner



Jeff Marcell
Senior Partner

ENGAGEMENT MANAGEMENT



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Austin,
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SVP, Production



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Designer



Misty Blaze
Assoc. Designer

OPERATIONS



Tristin Caramiho
VP, Accounting

4 principals
with a total
staff of 17

The background is a solid orange color. On the left side, there are two overlapping circles of different shades of orange. A large, semi-transparent orange number '2' is positioned on the left, partially overlapping the circles. The text 'PROJECT BACKGROUND' is written in a bold, white, sans-serif font, centered on the right side of the image.

PROJECT BACKGROUND

HOW WE GOT HERE

- ▶ The 2019 Economic Development Strategic Plan (EDSP) recommended that Dallas needs a new entity outside of City government to:
 - ▶ More aggressively promote the City's competitive strengths, assets, and advantages
 - ▶ Generate new investment and jobs in the City, especially in underserved and underdeveloped areas
- ▶ TIP was hired to facilitate a review of the EDSP and gather additional input on priorities
 - ▶ Creating a new economic development entity was the highest priority item in the online survey and frequently touted during interviews
- ▶ TIP is now engaged to assist with the implementation of that recommendation through:
 - ▶ Benchmarking regional, state, and national economic development organizations
 - ▶ Identifying best practices and relevant organizational models for Dallas
 - ▶ Making recommendations around structure, oversight, funding, staffing, budget, and timeline

WHY A NEW ENTITY IS NEEDED

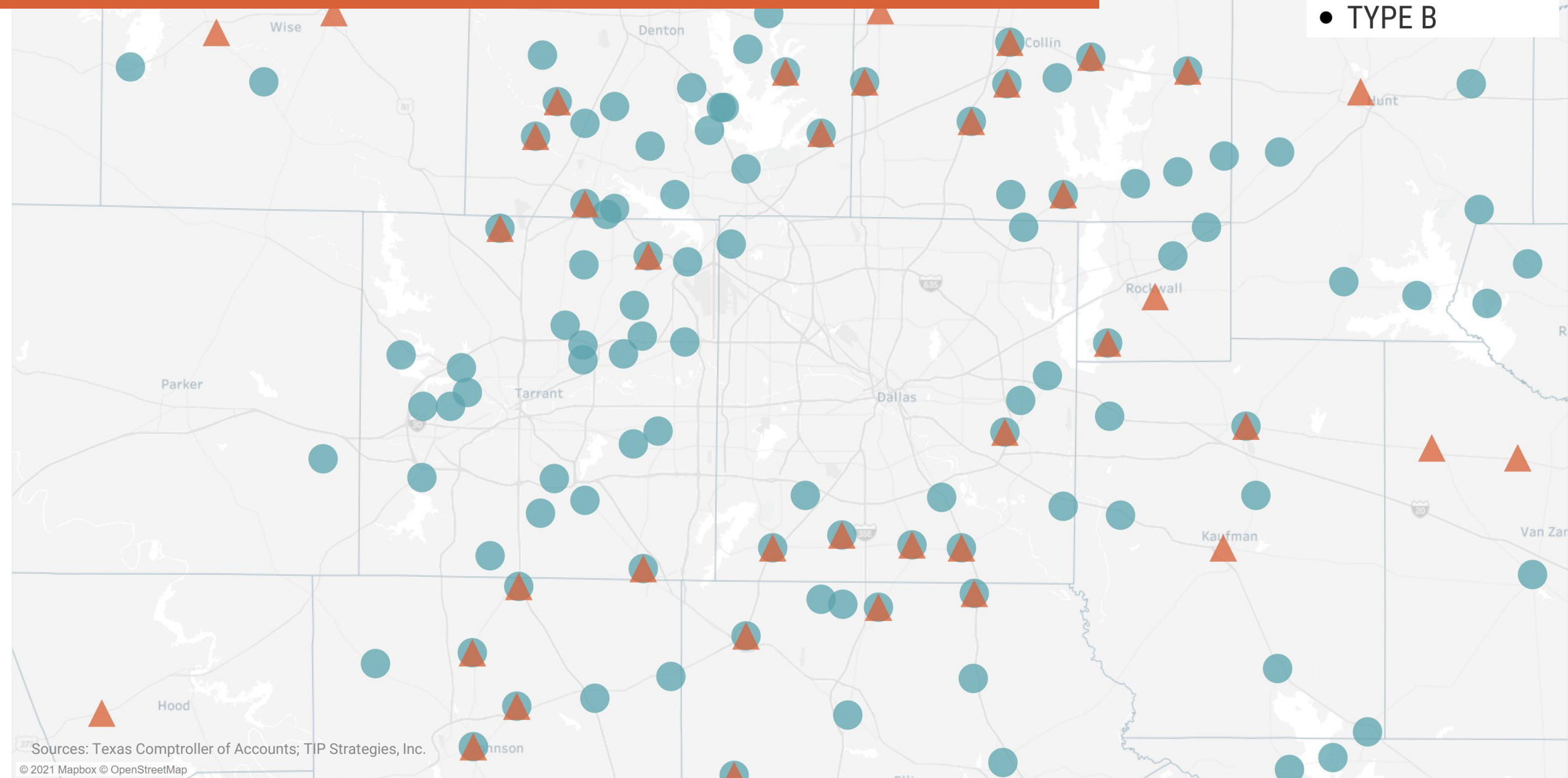
- ▶ The competition for investment, jobs, and talent in the region is fierce
- ▶ Dozens of North Texas communities that have established Type A or Type B (or both) local option sales tax corporations to lead their economic development efforts
- ▶ Other cities in the Metroplex that do not have Type A/B corporations have well-funded economic development organizations that compete at the highest levels
- ▶ OED currently does limited marketing and outreach, generally in partnership with the Dallas Regional Chamber or the Texas Economic Development Corporation
- ▶ The City lacks an economic development organization focused solely on showcasing Dallas's assets and catalyzing new development, especially in southern Dallas

SALES AND USE TAX ELECTIVES IN NORTH TEXAS

SALES TAX OPTION

▲ TYPE A

● TYPE B



Sources: Texas Comptroller of Accounts; TIP Strategies, Inc.

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ADVANTAGES OF A NEW INDEPENDENT ENTITY

- ▶ The ability to insulate economic development activities from day-to-day politics
- ▶ More speed and efficiency in responding to business development opportunities
- ▶ The ability to move at the speed of the market for real estate transactions
- ▶ Greater access to private sector networks, industry knowledge, and resources
- ▶ Added potential to engage the development community on such issues as social equity, workforce, and housing
- ▶ More operational flexibility and autonomy on issues of financial planning and budgeting, human resource management, information technology, purchasing, and procurement

A large, faint, stylized number 8 is positioned on the left side of the image, serving as a background element. It is rendered in a light orange color that matches the overall theme.

BENCHMARKING

DFW PEERS & COMPETITORS

*Who Dallas competes with for investment & jobs within the **Metroplex***

CITY	TYPE OF ENTITY	GEOGRAPHIC FOCUS	GOVERNANCE	PERSONNEL	FUNDING SOURCE	REVENUE	PRIMARY FUNCTIONS
Fort Worth Chamber of Commerce	Chamber of Commerce – 501(c)(6)	Fort Worth region	5 Officers 48 Board Members	16 FTE	Private Investments Memberships Events	\$5,297,061 (2018)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Talent ▸ Entrepreneurship ▸ Advocacy
Plano Economic Development	City Department	City	City Council	5 FTE	2 cents of property taxes dedicated to ED incentive fund	\$8,924,828 (2020)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Redevelopment
Frisco Economic Development Corporation	Type A sales tax corporation (City also has a Type B corp.)	City	7-member Board of Directors appointed by the City Council	9 FTE	half-cent sales tax and other revenues	\$42,990,488 (2019)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Product ▸ Entrepreneurship
Richardson Economic Development Partnership	Partnership between the City and Chamber	City (Telecom Corridor)	Board of Directors (24)	7 FTE	City appropriation and member dues	\$2,823,982 (2018)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Entrepreneurship ▸ International Business Recruitment
McKinney Economic Development Corporation	Type A sales tax corporation (City also has a Type B corp.)	City	7-member Board of Directors appointed by the City Council	7 FTE	quarter-cent sales tax	\$16,725,965 (2019)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Infrastructure ▸ Marketing
Irving-Las Colinas Chamber of Commerce	Non-Profit 501(c)(6)	City/Regional	Board of Directors (56)	19 FTE	Membership dues Grants Program Services	\$4,655,805 (2019)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Small Business/ Entrepreneurship ▸ Marketing ▸ International ▸ Workforce Development

STATEWIDE PEERS & COMPETITORS

*Who Dallas competes with for investment & jobs within the **state***

CITY	TYPE OF ENTITY	GEOGRAPHIC FOCUS	GOVERNANCE	PERSONNEL	FUNDING SOURCE	REVENUE	PRIMARY FUNCTIONS
Greater Houston Partnership	Non-Profit 501(c)(6) (formed when the Houston Chamber of Commerce, Houston Economic Development Council, and the Houston World Trade Association merged in 1989)	12-County Greater Houston Region	Board of Directors (142) Executive Committee (42) Advisory Committees (9)	82	Membership Donations Investments	\$17,611,204 (2019 estimated, combined balance with GHP Foundation)	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Incentive assistance ▸ Permitting process assistance ▸ Data collection and analysis ▸ Marketing ▸ Talent Attraction ▸ Advocacy ▸ Resiliency ▸ Global Recruitment ▸ K-12 + Higher Ed ▸ Workforce
San Antonio Economic Development Foundation	Non-Profit 501(c)(6)	San Antonio, TX	Executive Committee (21)	19	Membership Donations Investments Grants Programs Miscellaneous	\$2,947,434	<ul style="list-style-type: none"> ▸ Business Attraction ▸ Retention & Expansion ▸ Workforce ▸ Global Recruitment ▸ Incentive assistance
Austin Economic Development Corporation	Local Government Corporation	Austin	22-member board appointment by City Council	11 (projected staffing by year 3)	City seed funding. Future revenue from real estate transactions, lease management.	\$900,000 (2021 proposed); \$3,941,500 (2024 proposed)	<ul style="list-style-type: none"> ▸ Public real estate development

NATIONAL PEERS & COMPETITORS

*Who Dallas competes with for investment & jobs within the **nation***

CITY	TYPE OF ENTITY	GEOGRAPHIC FOCUS	GOVERNANCE	PERSONNEL	FUNDING SOURCE	REVENUE	PRIMARY FUNCTIONS
Invest Atlanta	Local Government Authority	Atlanta, GA	Chair (Mayor) Board of Directors (9)	51	City funds Service/Loan/Admin Fees Developer Fees Rental Income Debt Service Payments	\$44,311,650 (2018)	<ul style="list-style-type: none"> ▸ Site selection ▸ Housing ▸ Entrepreneurship ▸ Incentive assistance ▸ Business Development ▸ Neighborhood redevelopment ▸ Business Attraction Retention & Expansion ▸ Workforce
World Business Chicago	Non-profit 501(c)(3)	Chicago, IL	Chair (Mayor) Board of Directors (76)	28	Private donations Government grants Programs Galas Sponsorships	\$8.9 million (2019)	<ul style="list-style-type: none"> ▸ Business Attraction Retention & Expansion ▸ Research & Data ▸ Entrepreneurship ▸ Small Business ▸ DEI
Baltimore Development Corporation	Non-profit 501(c)(3)	Baltimore, MD	Board of Directors (15)	52	Federal Funds City Funds State Funds Investments Fees Private Grants	\$14,641,017 (2018)	<ul style="list-style-type: none"> ▸ Business Attraction Retention & Expansion ▸ Marketing ▸ Site Development ▸ Neighborhood Redevelopment ▸ Small Business ▸ Entrepreneurship ▸ Food Policy ▸ FTZ

NATIONAL PEERS & COMPETITORS

*Who Dallas competes with for investment & jobs within the **nation***

CITY	TYPE OF ENTITY	GEOGRAPHIC FOCUS	GOVERNANCE	PERSONNEL	FUNDING SOURCE	REVENUE	PRIMARY FUNCTIONS
New York City Economic Development Corporation	Non-Profit	New York, NY	Board of Directors (27)	438	Contributions, Grants, Gifts Program Services	\$761.12 million (2018)	<ul style="list-style-type: none"> ▸ Site selection ▸ Housing ▸ Entrepreneurship ▸ Incentive assistance ▸ Business Development ▸ Neighborhood redevelopment ▸ Business Attraction Retention & Expansion ▸ Transportation
Los Angeles Economic Development Corporation	Non-profit 501(c)(3)	Los Angeles County	Board of governors which includes the Executive Committee (100+)	29	Contributions, Grants Program Services Membership Dues Program Services	\$7,363,304 (2019)	<ul style="list-style-type: none"> ▸ Site selection ▸ Entrepreneurship ▸ Incentive assistance ▸ Business Development ▸ Neighborhood redevelopment ▸ Business Attraction Retention & Expansion ▸ Industry Cluster Development ▸ Workforce Development
Philadelphia Industrial Development Corporation	Non-Profit 501(c)(4)	Philadelphia, PA	Board of Directors (30)	60	Government grants Programs Investments	\$23.46 million (2018)	<ul style="list-style-type: none"> ▸ Financing ▸ Site Development ▸ Networking ▸ Entrepreneurship ▸ Small Business

INVEST ATLANTA CASE STUDY TAKEAWAYS

- ▶ IA began with a single focus and steadily added competencies over the decades
 - ▶ Allowed the organization to grow organically and to understand needs and seamlessly integrate change
- ▶ Structuring IA as an independent government authority has enabled them to recruit top talent
- ▶ Braiding economic, community, and workforce development under one roof allows funds to be used synergistically and reduces spending on redundant services
- ▶ Keeping decision making power with IA for development projects ensures follow-through and consistency, independent of changing elected officials
- ▶ Coordinating efforts like these presents up-front challenges, but make the development processes much smoother and quicker in the long run



ENTITY RECOMMENDATIONS

STRUCTURE

- ▶ Establish a new economic development corporation (EDC) as a local government corporation (LGC)
- ▶ Texas allows cities to create a LGC to act on behalf of a city to accomplish a governmental purpose
- ▶ An LGC has the powers granted to contract and own property
- ▶ The EDC should be established as a non-profit 501(c)(3) due to its capacity to receive charitable donations

FUNCTIONS

BUSINESS DEVELOPMENT

- ▶ **Outbound marketing:** earned media, marketing missions, national advertising, trade shows/industry conferences
- ▶ **Inbound marketing:** familiarization tours, networking with real estate brokers and developers
- ▶ **Branding:** strengthens Dallas's brand as one of the world's great economic centers
- ▶ **Business retention & expansion:** business visitations, networking, and events

PUBLIC DEVELOPER

- ▶ **Public development:** serve as a public developer of City-owned properties and conduct land acquisition to advance real estate projects that the City could not do on its own, especially in strategic areas
- ▶ **Existing asset support:** to support major development projects (e.g., Kay Bailey Hutchison Convention Center, the Streetcar project, and Hensley Field)
- ▶ **Transaction Support:** perform real estate transactions (lease, sale, purchase)
- ▶ **Lease administration:** manage properties on behalf of the City

OVERSIGHT

- ▶ Dallas City Council will have oversight of the EDC through approving board appointments, providing guidance on contractual priorities, and the authorizing any public financial incentives
- ▶ EDC governed by 11-15 board of directors representing diverse organizations representing the public, nonprofit, and private sectors in such areas as:
 - ▶ Real estate, planning, equity, business, economic and community development, finance, workforce, marketing, resource development, architecture and design, and philanthropy
- ▶ The Council will approve board members nominated by the City Manager's Office
- ▶ The EDC should operate under a five-year contract with the City
 - ▶ The Council will provide guidance as to what its economic development priorities are in the contract
- ▶ The EDC board will have the authority to approve real estate transactions
- ▶ Transparency will be a guiding principle of the EDC
 - ▶ Detailed annual report presented to the City of Dallas Economic Development Committee
 - ▶ Regular newsletter to update the board, councilmembers, and the public

FUNDING

- ▶ Public funding required to launch and sustain the organization
- ▶ Funding EDC operations out of the general fund will be difficult, but critical to its success
- ▶ The EDC will also be able to receive additional private financial support to leverage/match public funding
 - ▶ It would not adopt a pay-to-play investor funding model for private sector contributors
- ▶ A portion of the 2017 General Obligation Bond may be allocated to fund capitalizable expenses of real estate development projects for the first three years
- ▶ As a public developer, the EDC would earn revenue through its real estate transactions and lease agreements
 - ▶ This revenue will allow the EDC to become more financially self-sustaining over the long-term
 - ▶ Revenue can be used to reimburse the City for starting up and sustaining the EDC over the first three years
- ▶ Type A/B and hotel occupancy tax funding for the EDC is not possible

STAFFING

- ▶ No existing OED business development personnel should be permanently transferred to the new EDC to take up similar positions
 - ▶ However, until a new business development and real estate management team is created, the EDC would temporarily be staffed by OED personnel
- ▶ New business development and real estate management positions would be created to fill out the team and bring in the other expertise
- ▶ Until a permanent CEO is hired by the board, the Interim Director of OED serves as the interim CEO of the EDC
- ▶ The EDC should negotiate its own employment benefits, such as health insurance and retirement plans

BUDGET

- ▶ Based on the budget of comparable organizations in the DFW Metroplex, the EDC's budget range is \$3 million to \$5 million by year 3
- ▶ Most of the budget will go toward covering operating expenses such as personnel, marketing and outreach, and general and administrative costs
- ▶ We estimate approximately 15 full-time staff will be required for the EDC by year 3
- ▶ Annual budgets should gradually increase over the first 3 years
- ▶ The City should house the organization in one of its facilities in the first few years to minimize overhead costs.
 - ▶ Ideally in southern Dallas, a target area for development
- ▶ It is not possible to estimate funds needed for capital costs or transaction expenses related to real estate development

TIMELINE

- ▶ The City should work to formally launch the EDC by the second quarter of 2022.
- ▶ Interim steps:
 - ▶ Council approval and passage of authorizing ordinance: Q3 2021
 - ▶ Establish legal entity: Q3 2021-Q4 2021
 - ▶ Appoint board of directors: End of Q4 2021
 - ▶ Hire chief executive: Q1 2022
 - ▶ Begin hiring staff and commencing operations: Q2 2022

QUESTIONS

STAFF

RECOMMENDATIONS

STAFF WORKPLAN

- ▶ The Economic Development Policy will have an effective date of May 1, 2022, in order to allow time to align program policies and budgets, and to establish baseline year data to track the proposed benchmarks. Actions to be undertaken including the following:
 1. **ENTITY CREATION:** Over the next few months, staff will take steps to stand up the Economic Development Entity.
 - ▶ The Office of Economic Development and the City Attorney's Office will work together to draft proposed formation documents for the Economic Development Entity in conformance with the recommendations adopted by City Council. These proposed formation documents will be briefed to this committee after the summer recess and scheduled for City Council adoption immediately thereafter.
 - ▶ Once Council approves the entity formation, board member nominations and vetting can begin, and a search will launch to hire an executive director and staff for the entity.

STAFF WORKPLAN

2. **DATA BENCHMARKS:** The Economic Development Policy calls for a number of goals to be achieved in the 10-year period following the effective date. Over the next year staff will engage expertise to establish data benchmarks for the initial year, and tracking mechanisms and a dashboard to track progress toward these goals.
3. **PROGRAM ALIGNMENT:** Over the next year staff from the various departments impacted by the Economic Development Policy will review and rework program policies to align with the adopted Economic Development Policy.
 - ▶ The current Public Private Partnership Program Guidelines expire on June 30, 2021. These guidelines will be extended one year in order to allow time for amendment to conform with the Economic Development Policy while maintaining compliance with state law.
4. **BUDGET RECOMMENDATIONS:** The Office of Economic Development will make budget recommendations necessary to implement the policy and entity recommendations. Specific recommendations are still under development, but we intend to request \$2 Million in the next fiscal year to stand up the economic development entity and \$3 Million the following year.

NEXT STEPS

FEEDBACK

Please provide any comments on the Economic Development Policy and the Economic Development Entity to Dr. Johnson by Friday, April 16.

COUNCIL APPROVAL

Staff recommends adoption of the Economic Development Policy and the Economic Development Entity Recommendations. We also recommend a one-year extension of the Public Private Partnership Guidelines while program review and revision is completed. We request a motion to move these items forward for consideration on the April 28 City Council agenda.

THANK YOU



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AUSTIN — BOSTON — SEATTLE