



City of Galveston

DEVELOPMENT SERVICES

ECONOMIC DEVELOPMENT STAFF REPORT

Previous Staff Report submitted to Council in Aug 2021

Date August 4, 2021

To: Brian Maxwell, City Manager
Honorable Mayor and City Council Members

From: Michele Hay, Economic Development Coordinator

Project: Board Structure and Organizational Flowchart of Redevelopment Entities (RDA, GHFC, GPFA) and Mission of RDA

Request:

Discuss and Consider the Board Structure, Mission and Organizational Flowchart for the Galveston Island Redevelopment Authority, Galveston Housing Finance Corporation and Galveston Property Finance Authority.

Background

Staff recently presented recommendations for streamlining the efforts of the City's three redevelopment entities, the Galveston Island Redevelopment Authority (RDA), Galveston Housing Finance Corporation (GHFC) and Galveston Property Finance Authority (GPFA).

The areas to be considered today are a mission for the RDA, the Board Structure for all three entities (RDA, GHFC and GPFA), and the Organizational Flowchart between the three entities and Council.

Recommendations

[Board Structure](#)

Staff recommends increasing the number of RDA Board members to a 7-member Board structure, to match the GHFC/GPFA boards.

Staff recommends utilizing the same board members for all three entities. This structure would allow for a streamlined, cohesive redevelopment ecosystem and provide cost savings by not duplicating professional services expenses, such as attorneys and accounting services.

Additionally, staff recommends considering the following qualifications when choosing Board members:

- At least 1 member should have financial background
- At least 1 member should have construction background

[Recommendation: Organizational Flow of Redevelopment Ecosystem \(See attached\)](#)

As far as the recommended flow of communication & coordination directives from City Council, the Economic Development Coordinator would serve as staff liaison between the Redevelopment entities, City Manager and City Council.

Note: City Council sets the directives for the three Redevelopment entities, which will guide their plan of work. Any decision to issue debt on behalf of any of the three entities requires approval from Council.





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Recommendation: Mission of RDA

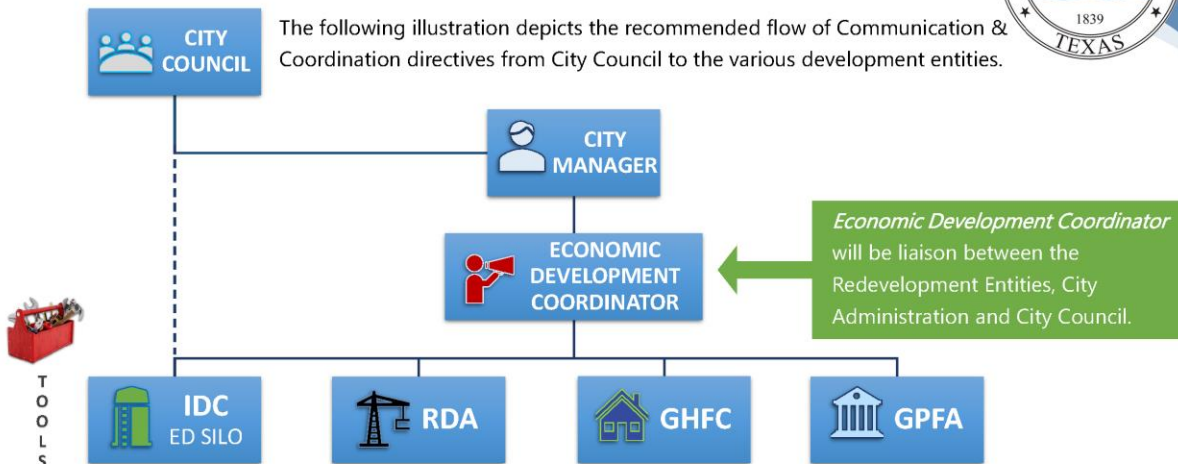
Based on the Economic Development Plan and the priorities gleaned from recent interviews with Council members, staff recommends the following Mission statement:

To create, support and promote endeavors that enhance housing opportunities and business growth, and to serve as a catalyst for development, and redevelopment in the commercial corridors and waterfront areas of the City of Galveston

Attachments

Exhibit A: Organizational Flowchart

Economic Development Organizational Flow





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Attachments

Exhibit B: Recommendations: Goals & Directives for Each Entity

In comparing the functions and tools of these three entities with the goals and objectives in the 2018 Economic Development Plan as well as current Council's priorities, there are several areas in which each entity could be utilized to advance these goals.

Galveston Redevelopment Authority (RDA):

- Continuation with current TIRZ projects – TIRZ 13
- Continuation with current PID projects
- Designate Pelican Island as a Redevelopment Area and explore resources to stimulate growth
- Designate commercial corridors for redevelopment – Broadway corridor; corner stores in midtown and east end neighborhoods

If Council chooses to expand the scope of the RDA beyond management of the TIRZ and PIDs, another role for the RDA could be to assist staff with examining economic development projects. For projects that don't qualify through the Industrial Development Corporation, but do meet one of the Council's Economic Development objectives, the RDA could provide staff with assistance in the vetting process.

Galveston Housing Finance Corporation (GHFC):

- Develop short- and mid-term goals to address housing needs
- Creating and furthering partnerships that facilitate homeownership
- Meet with other entities - Grants & Housing Dept, Vision Galveston, GHA, Galveston Urban Ministries, GHF and others - to find opportunities for collaboration

Galveston Property Finance Authority (GPFA):

- Housing initiatives to address workforce and middle-income earners
- Formation of a land bank for purchasing properties for redevelopment – commercial and residential

They could also work in tandem on specific projects in achieving the City's overarching economic development goals, such as:

- Proactively establishing public-private partnerships that meet jobs and housing goals
- Anticipating future challenges to Galveston's resilience and bringing together resources and entities to meet the challenges





REDEVELOPMENT ECOSYSTEM ANALYSIS

Analysis of Galveston's Redevelopment Agencies

In 2020, the Galveston Island Redevelopment Authority (RDA), the Galveston Property Finance Authority (GPFA) and the Galveston Housing Finance Authority (GHFC) voted to combine the agencies' boards, whose roles were primarily housing-related, in order to streamline their efforts. Restated Articles of Incorporation were created and board members were appointed, but clear directives from Council need to be provided in order to develop their plan of work.

Staff was recently tasked with analyzing and developing recommendations for an appropriate structure for this redevelopment "ecosystem".

Vision Galveston employed consultant, Asakura Robinson to assist City Staff in examining the future role of the three agencies (RDA, GPFA and GHFC) in advancing the City's economic development goals. The following are results of the combined analysis efforts along with staff recommendations for moving the Redevelopment Ecosystem forward.

History and Structure of RDA, GHFC, and GPFA

The [Galveston Housing Finance Corporation \(GHFC\)](#) was created in 1979, through the Texas Housing Finance Corporation, Local Govt Code 394 and is non-profit corporation.

The GHFC has been devoted to encouraging homeownership, primarily through the issuance of mortgages to low- and moderate- income households for homeownership.

The GHFC can issue bonds in order to raise funds to support their programs and projects. The GHFC can not issue bonds or other debts without the approval of the council and the programs and projects must also adhere to the directives of the Council.

Past projects of GHFC include the Magnolia Court Townhomes and the rehabilitation and sale of a number of tax foreclosed homes. Early on in its creation, the GHFC also issued several bonds for the development of multifamily housing and to provide financial assistance for low- and moderate-income families to purchase or rehabilitate homes.

The GHFC has partnered with the Galveston Property Finance Authority (GPFA) and the City's Grants & Housing Department on collaborative efforts to assist families with homeownership efforts. In 1999, the board for the two entities were combined to continue the collaborative efforts.

The [Galveston Property Finance Authority \(GPFA\)](#) was established in 1988 as a non-profit corporation. Its purpose has been to acquire, own, hold, lease and sell real and personal property to or for the benefit of the City of Galveston.

One of its most significant projects was the Barton Square development in 2002. This effort focused on constructing forty (40) single-family homes for the middle-income. To date, approximately 40% of the homes are owned by the original homeowners and 73% of the development are homesteaded properties.

Like the GHFC, it requires Council approval for issuing debt and its programs and projects must also adhere to the directives of the Council.

The [Galveston Island Redevelopment Authority \(RDA\)](#) was created in 2002 under Texas Transportation Code 431, Subchapter D, as a Texas Housing Finance Corporation, under Local Govt Code, Ch 394. It is also a non-profit corporation and the most flexible of the three agencies.

While its initial purpose was to manage the Tax Increment Reinvestment Zones for the City, its articles of incorporation are broad in scope. The articles give the RDA the ability to promote, develop, encourage, and maintain housing, employment, commerce, and economic development in the City” and to “administer, manage and supervise economic development tools implemented by the City”. With only one remaining Tax Increment Reinvestment Zone (TIRZ 13), the RDA can easily expand its focus.

[Recommendation: Redevelopment Ecosystem Structure](#)

At this time, Staff recommends approving the structure of all three entities utilizing the same board members. This structure would allow for a streamlined, cohesive redevelopment ecosystem and provide cost savings by not duplicating professional services expenses, such as attorneys and accounting services.

[Recommendation: Board Structure](#)

Staff recommends utilizing the same board members for all three entities. Prior to 2020, the RDA had 5 board members and the combined GHFC and GPFA had 7 board members. In 2020, when the initial decision was made to combine the boards of all three entities, it was recommended to appoint a 7-member Board.

Staff recommends Council approve the following 7-Member Board structure:

Board Members/Officers

- 7 members
- Officers should be:
 - President
 - Vice President
 - Treasurer
 - Secretary

Qualifications of Board members

- At least 1 member should have financial background
- At least 1 member should have construction background

[Recommendation: Organizational Flow of Redevelopment Ecosystem](#)

As far as the recommended flow of communication & coordination directives from City Council, the Economic Development Coordinator would serve as staff liaison between the Redevelopment entities, City Manager and City Council.

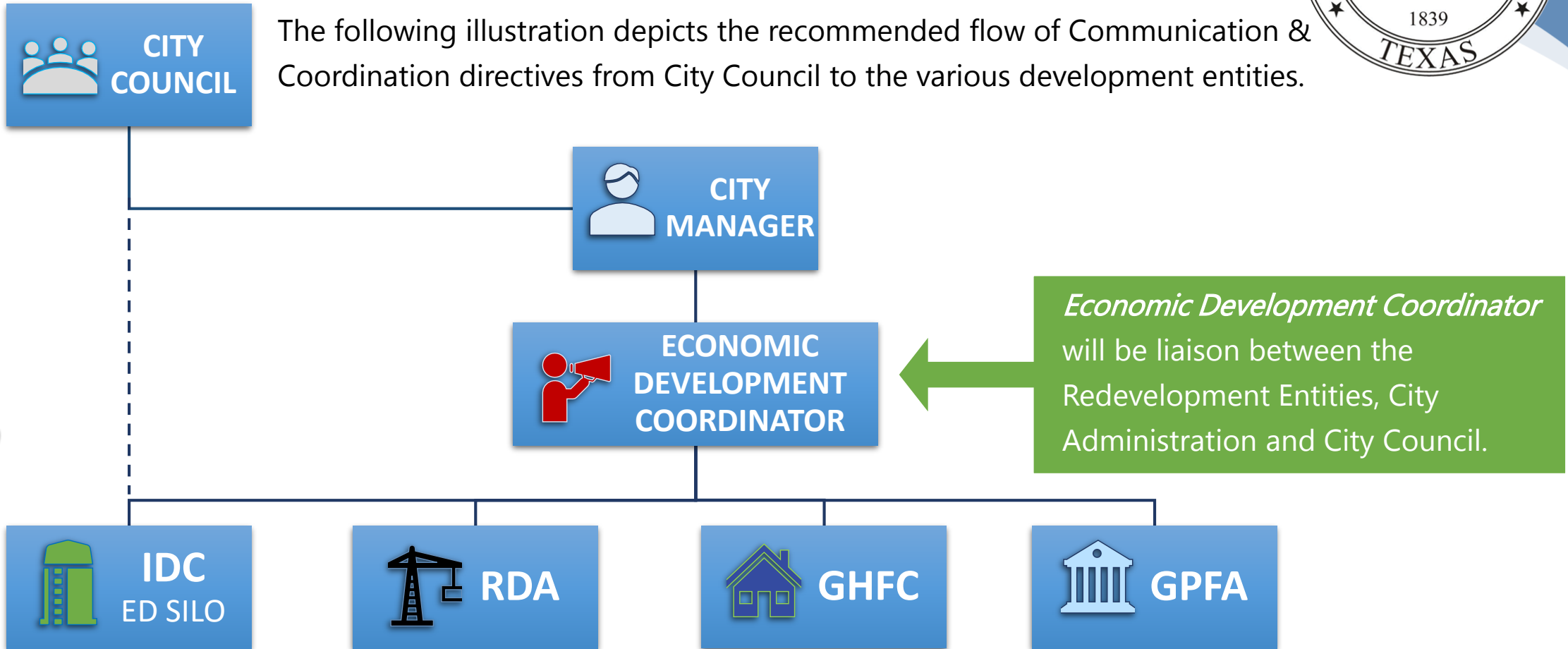
Each entity has unique resources to bring to the table and would likely have their own Council driven directives. They could also work in tandem on specific projects in achieving the City’s overarching economic development goals, such as:

- Proactively establishing public-private partnerships that meet jobs and housing goals
- Anticipating future challenges to Galveston’s resilience and bringing together resources and entities to meet the challenges

Economic Development *Organizational Flow*



The following illustration depicts the recommended flow of Communication & Coordination directives from City Council to the various development entities.



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Galveston Island Redevelopment Authority (RDA)

If Council chooses to expand the scope of the RDA beyond management of the TIRZ and PIDs, another role for the RDA could be to assist staff with examining economic development projects. For projects that don't qualify through the Industrial Development Corporation, but do meet one of the Council's Economic Development objectives, the RDA could provide staff with assistance in the vetting process.

Purpose of RDA

Currently, the Articles of Incorporation for the **Galveston Island Redevelopment Authority (RDA)** state its purpose as:

for aiding, assisting, and acting on behalf of the City of Galveston, Texas (the "City") in the performance of its governmental functions to promote the common good and general welfare of the following areas:

- (i) Reinvestment Zone Number Thirteen, City of Galveston, Texas ("TIRZ 13"),
- (ii) any **other tax increment reinvestment zones created in the future** by the City pursuant to Chapter 311 of the Texas Tax Code (collectively, the "Zones") and neighboring areas, and as the boundaries of the Zones may be amended from time to time (the "TIRZ Area"),
- (iii) any area where a **project is to be wholly or partially funded by federal grant funds**,
- (iv) any areas designated as a **state or federal enterprise or empowerment zone**,
- (v) any areas designated as **special district or economic development district** created by or consented to by the City pursuant to Texas law, and any area so designated by the City Council of the City and Chair of the Authority that is determined to be a consistent with this Article **"Economic Development Areas"**;

to promote, develop, encourage and maintain housing, employment, commerce, transportation and economic development in the City; and

to administer, manage and supervise economic development vehicles and tools implemented by or on behalf of the City

The broad scope of the RDA's purpose provides for the most flexibility of the three redevelopment entities and should remain as such. As specific goals and objectives are completed or if new objectives are created in the future, they would likely fall within this broad scope.

Recommendation: Mission of RDA

While the purpose of the RDA is broad, the Mission for the RDA can be more directed. Based on the Economic Development Plan and the priorities gleaned from recent interviews with Council members, staff recommends the following Mission statement:

To create, support and promote endeavors that enhance housing opportunities and business growth, and to serve as a catalyst for private development and redevelopment in the commercial corridors and waterfront areas of the City of Galveston

Recommendations: Goals & Objectives for Each Entity

In comparing the functions and tools of these three entities with the goals and objectives in the 2018 Economic Development Plan as well as current Council's priorities, there are several areas in which they could be utilized to advance these goals.

Galveston Redevelopment Authority (RDA):

- Continuation with current TIRZ projects – TIRZ 13
- Continuation with current PID projects
- Designate Pelican Island as a Redevelopment Area and explore resources to stimulate growth
- Designate commercial corridors for redevelopment – Broadway corridor; corner stores in midtown and east end neighborhoods

PROJECTS

- TIRZ 13 – Beachtown Development
- Campeche Shores PID

Galveston Housing Finance Corporation (GHFC):

- Develop short- and mid-term goals to address housing needs
- Creating and furthering partnerships that facilitate homeownership
- Meet with other entities - Grants & Housing Dept, Vision Galveston, GHA, Galveston Urban Ministries, GHF and others - to find opportunities for collaboration

PROJECTS

- Magnolia Court Townhomes – rental program
- New construction of single-family homes
- Rehabilitation and sale of tax foreclosed homes
- Bonds issued for several multi-family complexes in 1980's

Galveston Property Finance Authority (GPFA):

- Housing initiatives to address workforce and middle-income earners
- Formation of a land bank for purchasing properties for redevelopment – commercial and residential

PROJECTS

- Barton Square Development – constructed forty (40) single-family homes for middle-income families
- GPFA has partnered with other entities, such as GHFC in other programs

REDEVELOPMENT ECOSYSTEM AT-A-GLANCE



GALVESTON HOUSING FINANCE CORPORATION (GHFC)	GALVESTON PROPERTY FINANCE AUTHORITY (GPFA)	GALVESTON REDEVELOPMENT AUTHORITY (RDA)
<p>CREATED IN 1979</p> <p>PURPOSE:</p> <p>GHFC has been devoted to encouraging homeownership, primarily through the issuance of mortgages to low- and moderate-income households. GHFC has also purchased, renovated and sold tax foreclosed properties to low- and moderate-income families</p> <p>Early on in its creation, the GHFC also issued several bonds for the development of multifamily housing</p> <p>STRUCTURE:</p> <p>Texas Housing Finance Corporation, Local Govt Code 394 Non-profit corporation 7-member Board of Directors Same Board as GPFA MUST have City Council authorization to issue bonds or debt; Programs MUST be approved by City Council</p> <p>RESOURCES</p> <p>Bonds, Loans, Grants, LiHTC</p> <p>PROJECTS</p> <ul style="list-style-type: none"> ➤ Magnolia Court Townhomes – rental program ➤ New construction of single-family homes ➤ Rehabilitation and sale of tax foreclosed homes ➤ Bonds issued for several multi-family complexes in 1980’s 	<p>CREATED IN 1988</p> <p>PURPOSE:</p> <p>To acquire, own, hold, lease and sell real and personal property to or for the benefit of the City of Galveston and to collect, receive, borrow, lend or obtain and lend funds to or for the use of the City or others for City’s public purpose through approved programs. Permanent Public Improvements Program.</p> <p>The GPFA has partnered with other entities, such as the GHFC to assist with project needs.</p> <p>STRUCTURE:</p> <p>Non-profit corporation 7-member Board of Directors Same Board as GHFC MUST have City Council authorization to issue bonds or debt; Programs MUST be approved by City Council</p> <p>RESOURCES</p> <p>Bonds, Loans, Grants</p> <p>PROJECTS</p> <ul style="list-style-type: none"> ➤ Barton Square Development – constructed forty (40) single-family homes for middle-income families ➤ GPFA has partnered with other entities, such as GHFC in other programs 	<p>CREATED IN 2002, amended in 2006 & 2015</p> <p>PURPOSE:</p> <p>Its initial purpose was to manage the TIRZs for the City, but the articles also give the RDA the ability to promote, develop, encourage, and maintain housing, employment, commerce, and economic development in the City” and to “administer, manage and supervise economic development tools implemented by the City”, such as Public Improvement Districts (PID)</p> <p>With only one remaining Tax Increment Reinvestment Zone (TIRZ 13), the RDA can easily expand its focus. It is the most flexible of the three agencies.</p> <p>STRUCTURE:</p> <p>Texas Transportation Code 431, Subchapter D Texas Housing Finance Corporation, Local Govt Code 394 Non-profit corporation 5-member Board of Directors MUST have City Council authorization to issue bonds or debt; Programs MUST be approved by City Council</p> <p>RESOURCES</p> <p>TIRZs, PIDs, Bonds, Historic Tax Credits, 380 Agreements</p> <p>PROJECTS</p> <ul style="list-style-type: none"> ➤ TIRZ 13 – Beachtown Development ➤ Campeche Shores PID

Tools and Resources

Among the tools and resources that can be utilized for Redevelopment efforts are the following:

- **Bonds** - provides federal, state and local governments and private entities the funds needed to spur development and long-term infrastructure projects.
- **Tax Increment Reinvestment Zones (TIRZ)** - Tax increment financing is a method local government can use to pay for infrastructure improvements that will draw private investment to the area. It uses ad valorem tax from property in the “zone” to pay for improvements in the zone over a period of time.
- **Historic Tax Credits** - Federal, state, and local tax incentives exist for owners of historic properties. The Federal Program includes a 20 percent income tax credit for the rehabilitation of historic, income-producing buildings. The new Texas Historic Preservation Tax Credit Program offers a 25 percent tax credit for the rehabilitation of historic buildings. Additionally, a state sales tax exemption on labor is available for work to buildings listed in the National Register of Historic Places. County and local taxing authorities may grant property tax exemptions for buildings with state or local historical designations.
- **Public Improvement Districts (PID)** - The Public Improvement District Assessment Act authorizes cities and counties to levy and collect special assessments on properties located within their limits. PIDs may be formed to create several improvements, such as water, wastewater, health and sanitation, or drainage improvements; street and sidewalk improvements; mass transit improvements; parking improvements; library improvements; park, recreation and cultural improvements, etc.
- **4B Sales Tax** – 4B sales tax revenue may fund projects in industries that support “primary jobs”, such as manufacturing and industrial facilities; research and development facilities; distribution centers; small warehouse facilities; primary job training facilities and classes; corporate headquarter facilities; business infrastructure; airport facilities, etc.
- **380 Agreements** - Chapters 380 (cities) of the Local Government Code respectively grant cities and counties broad discretion to make loans and grants of public funds or the provision of public services, at little or no cost, to promote all types of business development including industrial, commercial and retail projects. Each agreement may be uniquely tailored to address the specific needs of both the local government entity and the business prospect.
- **Private funds through Public-Private Partnerships (P3)** - Public-private partnerships are collaborative agreements between a public agency and a private entity that are used to finance, build, and operate projects, such as public infrastructure and transportation projects, parks and convention centers. P3’s often involve some form of tax relief for the private entity.

TOOLS & RESOURCES USED IN PAST

In staff's historical research of past Economic Development efforts dating back to the 1960's, the City or one of its entities (GHFC, GPFA, IDC) issued bonds for several residential and commercial projects.

In the 1980's, Galveston saw a significant amount of development with the use of Industrial Development bonds. Notable projects include the San Luis Hotel, the Wal-Mar and Randall's Shopping Centers, a tank farm on Pelican Island and a number of historic building renovations downtown.

The GHFC utilized both single family and multi family bonds to assist residential developments. Apartments along Central City Blvd and the William B Travis Apartments made use of multi family bonds, while single family bonds were utilized to assist with mortgages for low to moderate income families and to purchase and renovate tax foreclosed homes.

In the 1990's, Galveston utilized a few Tax Abatements for Hotel & Convention Center expansion and industrial business expansion projects.

The most significant resource utilized to date was the Tax Increment Reinvestment Zone. Beginning in the early 1980's, Galveston would see fourteen (14) TIRZs created. While not every zone was successful and there has been much debate surrounding the use and continued use of TIRZs in Galveston, it is clear that a significant amount of development did occur in the various zones. At this time, only one zone, TIRZ 13, remains active.

All of these tools above have been utilized at one time or another throughout the years to assist in development efforts.