



# **Budget and Fiscal Affairs Committee**

## **Local Government Corporations Presentation April 29, 2014**



# Local Government Corporation Definition

- A public, non-profit corporation created to aid and act on behalf of one or more local governments to accomplish any governmental purpose of those local governments. Tex. Transp. Code Ann. § 431.101(a).
- Used for funding transportation, water and sewer infrastructure, economic development ventures, and other projects that will benefit the public.



# Local Government Corporation Creation

If the City chooses to create a local government corporation, then the City Council must approve, by resolution:

- Creation
- Certificate of formation
  - After creation, City Council must approve any amendments to the Certificate of formation
  - No bonds may be issued without City Council approval
- Bylaws
  - Directors may be removed with or without cause by City Council approval
  - Includes Code of Ethics to govern Directors
- LGCs are required to establish programs for MWBE businesses
- Certificate of formation and any amendments are filed with the Secretary of State.



# LGC Powers and Limits

- The LGC is subject to the Public Information Act and the Open Meetings Act (Transp. Code §§ 431.003, 431.004, 431.005).
- The LGC may issue bonds and notes to carry out its purpose.
- On dissolution or liquidation of an LGC created by a City, all assets shall be transferred to the City. Tex. Trans. Code Ann. § 431.186.
- No independent authority to tax.
- No eminent domain power.



# Checks and Balances

City Council retains control and authority by:

- Approving the certificate of formation and any interlocal or lease agreements with the City
- Confirmation of all board nominees
- Approval of each annual budget
- Approval of any debt issuance and refunding
- Approval of TIRZ project plans or amendments to project plans



# Local Government Corporation Board of Directors

- Nominated by the Mayor
- Confirmed by City Council
- A minimum of three directors is required
- Directors may be removed by the Mayor with or without cause
- Vacancies filled in the same manner as above



## LGCs Created For A Variety of Reasons

- Limits or manages the financial risk to the City.
- LGCs may issue revenue bonds that are not City debt.
- Allows public projects to benefit from a board of directors with specific expertise.
- Board members may be drawn from community stakeholders directly involved or interested in the matters of the LGC.
- LGCs are more likely recipients of private contributions than City.



## City of Houston LGCs

The City of Houston has created 28 LGCs to assist various functions:

- 22 Redevelopment Authorities LGCs formed to assist TIRZ activity
- 6 Specific Purpose LGCs





# Specific City of Houston LGCs – 22 TIRZs with Redevelopment Authorities

- Midtown Redevelopment Authority
- Memorial-Heights Redevelopment Authority
- OST/Almeda Corridors Redevelopment Authority
- South Post Oak Redevelopment Authority
- Uptown Redevelopment Authority
- City Park Redevelopment Authority
- East Downtown Redevelopment Authority
- Memorial City Redevelopment Authority
- Fifth Ward Redevelopment Authority
- Hardy/Near Northside Redevelopment Authority
- Harrisburg Redevelopment Authority
- Gulfgate Redevelopment Authority
- Saint George Place Redevelopment Authority
- Main Street Market Square Redevelopment Authority
- Greater Greenspoint Redevelopment Authority
- Fourth Ward Redevelopment Authority
- Southwest Houston Redevelopment Authority
- Upper Kirby Redevelopment Authority
- Old Sixth Ward Redevelopment Authority
- Leland Woods Redevelopment Authority
- Leland Wood Redevelopment Authority II
- Lake Houston Redevelopment Authority



# Other Specific City of Houston LGCs

Name	Created	Purpose
Houston Zoo Development Corp.	6/27/2002	To promote the public interests of the City by supporting the Houston Zoo.
Houston Recovery Center	7/9/2012	To staff, manage, and operate a sobering center for short-term treatment and management of persons under the influence of alcohol and other drugs and to provide those persons with information on and referrals to community based outpatient services
Houston First Corporation (f/k/a Convention Center Hotel Corp. 2/18/00-7/1/11)	7/1/2011	Operating and maintaining City-owned facilities in the convention & theater districts, assisting in the development of visitor-related facilities and attractions, promoting economic growth and job creation in the Houston region.
Houston Amateur Sports Park LGC	11/9/2011	To aid and act on behalf of the City to accomplish the City's governmental purposes of management, operation, and improvement of the Sports Park land as a recreational sports field and training facility for public and community use and for the enhancement of quality of life within the city limits and its extra-territorial jurisdiction.
Houston Parks Board LGC, Inc.	7/1/2008	To provide for the acquisition of land for new public parks and open spaces; and to provide for the development, improvement, and installation of new and existing public parks and open spaces.
Houston Forensic Science, LGC	6/26/2012	To operate an independent center to provide accurate and timely analysis of forensic evidence and related services.

Note: LGCs highlighted in blue will be the focus of today's presentation.



# Houston Zoo Development Corporation

- Incorporated 6/27/2002
- To Promote the public interests of the City by supporting the Houston Zoo.
- City leased Zoo premises to the LGC.
- Replaced the previous concessionaire with an independent operator to be consistent with best practices nationally.
- Nine-member board, four of whom are also on the board of the operator.
- LGC matched city capital contribution for Zoo Renovation.



# Houston Amateur Sports Park LGC

- Purpose is to build, manage, and operate the Amateur Sports Park land as recreational sports field and training facility for the public and community.
- This LGC is to focus on the Houston Sports Park's goals and objectives including to be self-supporting – City provide ground lease to the LGC.
- The funds raised by the LGC can only be spent on the Park.
- The LGC consists of an 11 Member Board:
  - Positions 1-7 – General Appointments
  - Position 8 – Adult Soccer League Representative – Provides guidance to assist in providing a high-end playing venue to support adult participation
  - Position 9 – Youth Soccer League – Provides guidance to assist in providing a supportive educational environment to encourage youth participation
  - Position 10 and 11 – 2 representatives of the nearby neighborhoods – Provides the connection the Park's neighbors to maintain good relations, make sure the Park's operation is a positive addition to the areas quality of life, encourage the neighborhood to help preserve the quality of the park's facilities and encourage the park's utilization by local youth
  - Ex-officio member of the Board – Council Member for the district of the Sports Park



# Houston Recovery Center

- The LGC provides management of all aspects of the Houston Recovery Center and operates the Recovery Center as an independent contractor of the City.
- LGC has been assigned the lease for the Star of Hope facility. The City contracts with the LGC for operation of the center and pays the LGC an agreed cost for the Center's operation including lease costs.
- There will be an annual review to determine subsequent year's budget and any increases required in operating costs or scope of services desired by the LGC.
- The LGC has five directors:
  - Two – City of Houston representatives
  - Two – Star of Hope designees
  - A chairman selected by the four other board members
- All appointees are appointed by the Mayor and approved by City Council.
- LGC is responsible for hiring and retaining a Director and provides oversight and services direction to the Director.



# Houston First Corporation

- The Houston Convention Center Hotel Corporation (“HCCHC”) was formed on 2/18/2000.
- The City’s Convention and Entertainment Facilities Department was consolidated into HCCHC on 7/1/2011. The new entity was renamed Houston First Corporation (HFC).
- HFC promotes the Houston region and maintains the City’s convention and theater district facilities.
  - The Greater Houston Convention & Visitors Bureau is an HFC contractor responsible for soliciting convention business and marketing Houston
- HFC is primarily funded by Hotel Occupancy Taxes, the uses of which are significantly restricted by state statute.
- HFC’s fiscal year is on a calendar-year basis; the budget is reviewed and approved by City Council in the 4<sup>th</sup> quarter of each calendar year.
- In 2011, HFC provided a one-time payment of \$10 million to the City and will continue to provide annual payments of \$1.3 million per year, adjusted for CPI.
- HFC is currently in major project development and will update City Council quarterly at a budget and fiscal affairs committee meeting.



# Houston First Corporation Highlights Since 2012

- **Convention & Theater District Development**
  - 1,000-room Marriott Marquis to be attached to George R. Brown Convention Center (GRB)
  - New north parking garage/office and retail space
  - Redesign of GRB entryway and Avenida de las Americas
  - Working to add additional retail establishments along Avenida de las Americas
  - Partnering with Nau Center for Texas Cultural Heritage to develop a regional tourism center
  - Providing HOT Tax incentives for hotel development (Embassy Suites, JW Marriott, Allessandra, etc.)
  - Partnered with Buffalo Bayou Partnership in funding Sunset Coffee Building; HFC will operate upon completion
  - Initiated master plan studies for the Theater District, Miller Outdoor Theatre and regional tourism development
  - MWBE program: 15% of contract spend in 2012, 35% in 2013, with continued improvement expected for 2014
- **Citywide Initiatives**
  - Hosting 2017 Super Bowl LI NFL Experience and El Centro
  - Hosting 2016 NCAA Final Four
  - Annual support for Discovery Green (\$1.12 million) and Hobby Center (\$1.1 million)
  - Partnered with Downtown District and BG Group to launch and operate Greenlink



## LGCs in Other Texas Cities

- San Antonio – Several LGCs and multiple other corporations for various purposes.
- Austin – Several LGCs and other corporate entities to assist government operations. The LGCs were created to own, operate and or finance the convention center and airport hotels. Others assisted Redevelopment Projects
- Dallas – Several LGCs. The Dallas LGCs all were formed to enable project based financing.
- Fort Worth – Several LGCs were formed to assist TIRZs.





# Local Government Corporation Conclusions

- Each LGC is created for a unique purpose and City Council approves the certificate of formation.
- TIRZ/RDAs have provided significant project support with focus on infrastructure, catalyst for economic development and improving the quality of life for the broader community.
- Special Purpose LGC depends on City Council to approve budgets and confirm board appointments.
- Have used City Council Committees and Mayor's reports to update City Council on significant events in each LGC.