

KNOCKING DOWN BARRIERS TO BUSINESS

In Austin, Texas



AGENDA



ABOUT CITIES WORK

We are Institute for Justice's nonpartisan regulatory consulting initiative committed to **increasing economic opportunity and fostering entrepreneurship in cities across the country.**

We partner with cities to make it cheaper, faster, and simpler to start a small business—all free of charge.

1

Comprehensive Small Business Regulatory Research & Analysis.

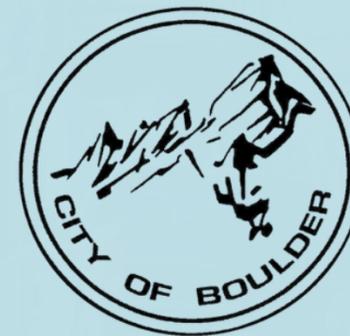
2

Local Insights Gathering via Entrepreneur Roundtables & Department Stakeholder Interviews.

3

Customized Reform Strategy, Implementation & Continual Learning.

OUR RECENT PROJECTS



WHY REGULATORY REFORM?

41%

Of Americans would start a business in the next 6 months if they could.

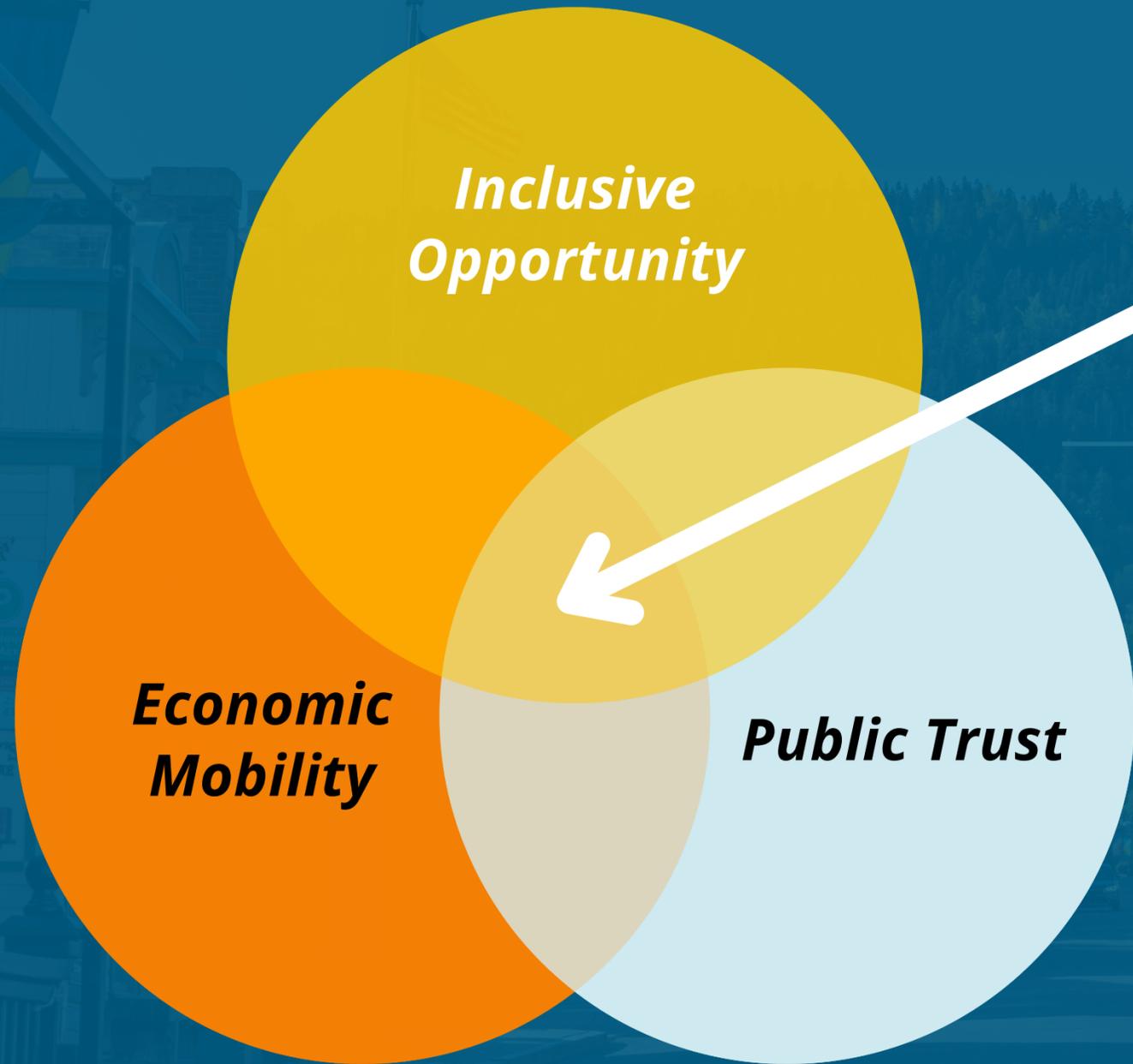
<2%

Actually do.

~50%

Cite government fees and regulations as a reason.

WHAT IS REGULATORY JUSTICE?



*The idea that local rules should protect the public **without** excluding the public.*



Suzanne Daniels
Brentwood Social House



Eric Brooks
Black Pearl Books



Elliott Curelop
Madhu Chocolate

“I can’t imagine being a first-time entrepreneur in Austin—there is no way to understand the language and intent of the requirements. You will die under the weight of bureaucracy.”

CITIES WORK IN AUSTIN



PROJECT MILESTONES

2023

Began Research & Interviews

Business process mapping & entrepreneur roundtables

2024

Continued Research

Q1 2025

Co-hosted Food Truck Workshop

Collaborated with EGBI to deliver a walk-through of how to navigate state, county, and local requirements to start a food truck to almost 50 aspiring and current entrepreneurs

Q4 2025

Launched Small Business Report



One-Stop Shop Score

2/5

- ✓ Connecting city requirements with processes from other levels of government
- ✗ Completing forms and registrations through the portal, not through each agency's own website
- ✗ Covering all city requirements, not just requirements for getting a business license
- ✗ Providing a single log-in opportunity so entrepreneurs can organize information and track progress in one location
- ✓ Guiding entrepreneurs effectively through the process

THE DATA

Starting a restaurant in Austin

AGENCIES INVOLVED

15

IN-PERSON ACTIVITIES

24

NUMBER OF FEES

31

NUMBER OF FORMS

38

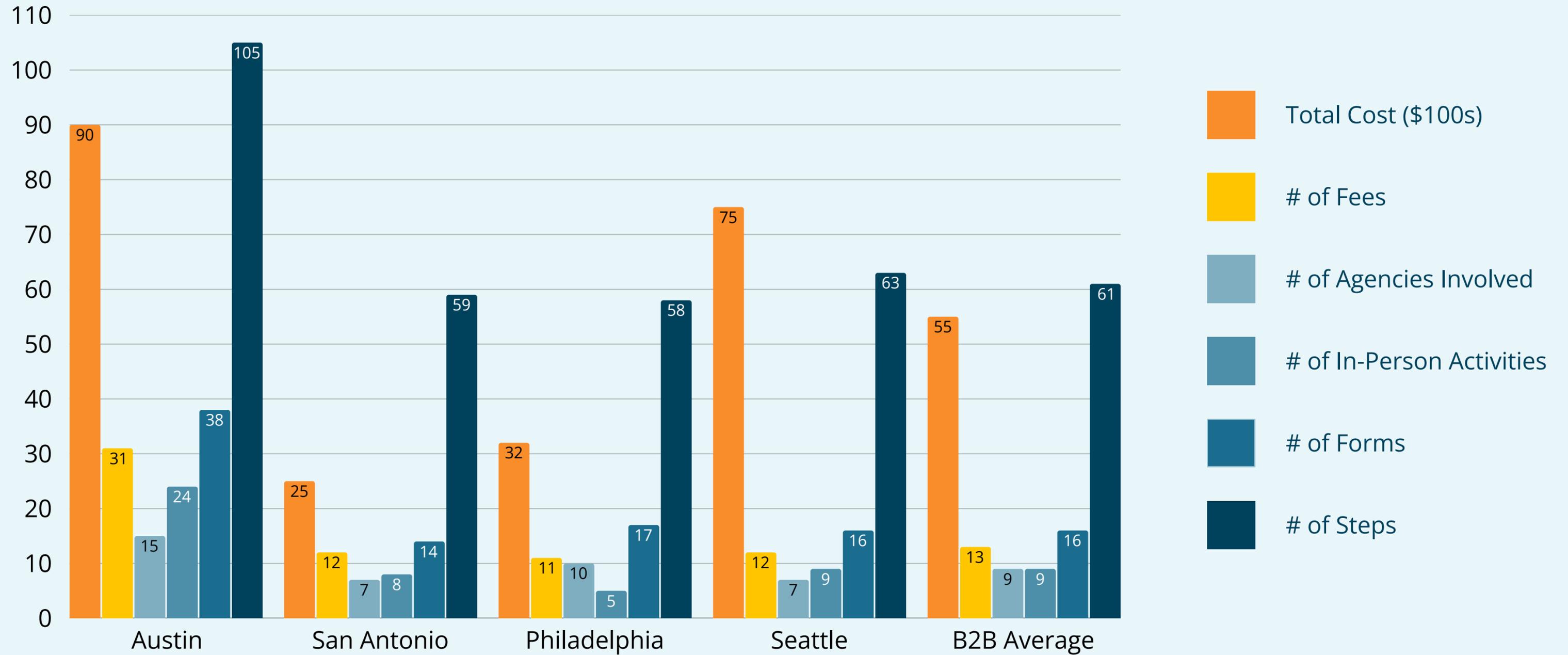
TOTAL AMOUNT OF STEPS

105

TOTAL COST

\$8,932

STARTING A RESTAURANT IN AUSTIN



FINDINGS SUMMARY

105 STEPS

Austin is the most complex city to open a restaurant

\$8,962

Austin is the 3rd most expensive city to start a restaurant

In comparison to our other city study cities

The people who could benefit the most from having access to entrepreneurship are excluded due to high costs, onerous restrictions, and not “knowing the right person” in the government

- Lower-Income Entrepreneurs
- Entrepreneurs of Color
- Immigrant Entrepreneurs
- Women Entrepreneurs
- Returning Citizen Entrepreneurs

ENTREPRENEUR INSIGHTS

8

Entrepreneur Roundtables

30+

Entrepreneurs Engaged



Diverse Representation

- First-time entrepreneurs
- Serial entrepreneurs who've opened businesses in Austin, Buda, & other surrounding areas
- Immigrant entrepreneurs
- Food, childcare, retail, service-based



Patricia Bedford
Suga's Cakery

NAVIGATING PERMITTING & LICENSING PROCESSES

*“I want to follow the health code rules. I want to do the right thing. But **every** inspector we’ve had has their different pet peeves —like how one of them said we have too many cuts in our cutting board.*

There are ‘requirements’ like this in each inspection, where I didn’t know it was a thing the inspector was looking for.”

Lack of Upfront Information, Complex Permit/License Categorization, and Maze of Requirements Create Confusion for Entrepreneurs

Lack of Transparency in Inspections Creates Perception of Subjectivity

City Requirements and Associated Costs (Including Delays) Stifle Small Businesses

City Requirements are Misaligned with their Goal of Supporting Small Businesses and Promoting Public Health and Safety

ACCESSING CITY RESOURCES & AFFORDABLE FORMS OF ENTREPRENEURSHIP

*“Outside of getting city permits, I haven’t done any work with the city. As a Black- and women-owned business, [the question] is, **where do you start?**”*

*[I’m] running a business, I don’t have time to research and figure it out. You apply for stuff, don’t hear back—**it is a daunting process.**”*

Limited Options for Economically Accessible Ways to Start a Business

Perception of City Prioritizing Big Businesses over Small

INTERACTING WITH THE CITY

*“Our very good friend had to close down his business because **the city gave him a permit and said everything was okay. A year later, the city says, ‘you did that wrong.’***

Where is a small business getting the money for these things? We have to pay ourselves, our employees, our property.”

Poor Communication with Entrepreneurs and Delayed City Responses

Inconsistent or Inaccessible Information Provided by the City

LET'S CELEBRATE THE PROGRESS

2023

Allowed childcare service businesses to operate in residential zones by right

2024

Passed a resolution to simplify the building permitting process

2025

Established grease trap exemptions for eligible cafes and food establishments

Created on-site inspection option for food trucks (no longer requires trip to city office)

& CONTINUE THE MOMENTUM

THE OPPORTUNITY



Legalize the Missing
Forms of Accessible
Entrepreneurship

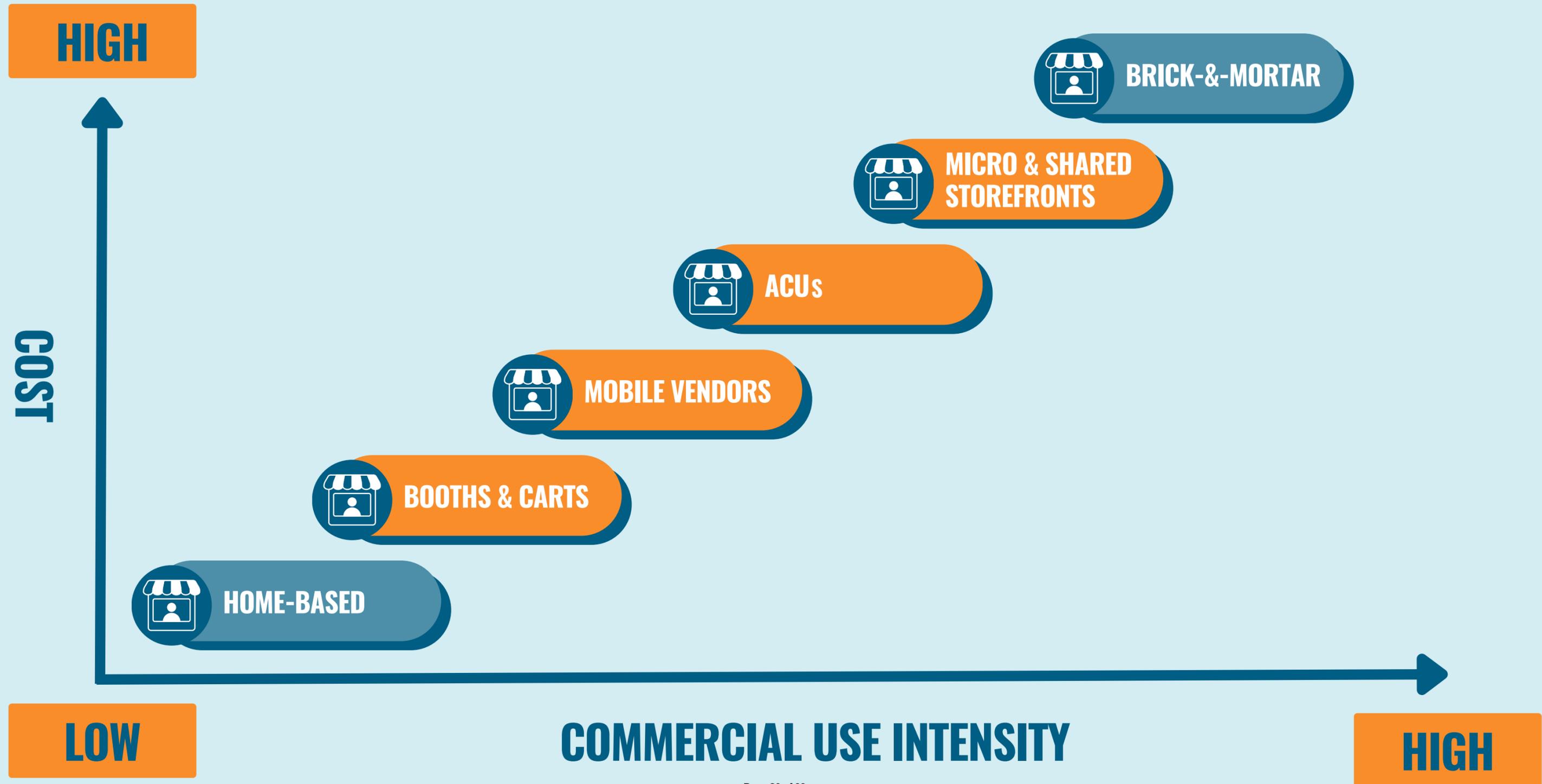


Encourage
Entrepreneurial
Growth by Making
Getting Started More
Affordable



Meet Entrepreneurs
Where They are with
Clear Information &
Transparent
Processes

THE “MISSING MIDDLE” OF COMMERCIAL



1

LEGALIZE THE MISSING FORMS OF ACCESSIBLE ENTREPRENEURSHIP

Modernize home-based business (HBB) regulations to achieve best practices & legalize accessory commercial units (ACUs)

CURRENT HBB REGULATIONS

- Employees must be occupants*
- Maximum of 3 customer-related vehicle trips per day
- Must be conducted entirely within the dwelling or accessory structure
- Advertising by a sign or with an address is prohibited
- Nuisance ban

PROPOSED REFORM

- Bring regulations into compliance with state law
- Permit by right low-impact HBBs (allows for on-street parking)
- Allow reasonable signage (same standards as other signs in residential areas)
- Allow advertising with address

HB 2464 - PASSED JULY 2025

- Prohibits localities from requiring a permit for or restricting no-impact HBBs
- No-impact HBB = does not generate on-street parking or a substantial increase in traffic; activities cannot be seen from the street; does not substantially increase noise/violate noise ordinance

WHY DOES THIS REFORM MATTER?

- For many, their home is their source of capital
- In comparison to traditional small business owners, HBB owners are more likely to be minorities and women
- With Austin's high prices, HBBs are crucial to creating access to entrepreneurship

Best Practice: Seattle, Washington

Beloved **Yonder Cidery** was in violation of home-based business rules because it had a sign. Seattle changed their regulation to lift restrictions on “appointment only” visits and allowed limited signs.



Performance Standard	Pre-Pandemic	Reformed Regulations
Customer Visits	By appointment only	No limit and can include walk-up customers
Employees	No more than two non-resident employees	No limit
Vehicles with Home Occupations	No more than two	No more than three
Signage	One sign up to 64 square inches	One sign up to 720 square inches
Commercial Deliveries	One per day on weekdays, none on weekends	No limitation
Visual Evidence of Home Occupation	None allowed from exterior of structure, except for childcare	Home occupation may be located on outdoor areas of a lot

1

LEGALIZE NEIGHBORHOOD BUSINESSES

Modernize home-based business (HBB) regulations to achieve best practices, legalize accessory commercial units (ACUs), enable neighborhood retail

CURRENT ACU REGULATIONS

Austin doesn't currently have a widely codified ACU category. Instead, the city regulates small commercial uses through existing zoning tools such as:

- **Neighborhood commercial zoning districts** (e.g., LR, GR, CS)
- **Mixed-use zoning** (e.g., MU overlays)
- **Home occupations** within residential zones
- **Neighborhood commercial nodes or corridor zoning**

HOME INITIATIVE - PASSED DECEMBER 2023

Increased where people could build ADUs and removed parking requirements

PROPOSED REFORM

Allow ACUs by right

- Builds upon the proposed HBB reform
- Complements the Neighborhood Cafe Resolution (October 2025)

Maintain nuisance regulations

- Protect neighborhoods by prohibiting nuisance behavior rather than broad restrictions on HBBs, ACUs, and small businesses
- Enforce existing rules: "A home occupation may not produce noise, vibration, smoke, dust, odor, heat, glare, fumes, electrical interference, or waste run-off outside the dwelling unit or accessory structure."
- Traffic code prohibits illegal stopping, loading, unloading, parking

1

LEGALIZE THE MISSING FORMS OF ACCESSIBLE ENTREPRENEURSHIP

Modernize home-based business (HBB) regulations to achieve best practices & legalize accessory commercial units (ACUs)

NATURAL PROGRESSION OF AFFORDABILITY GOALS

- The city has prioritized housing affordability in recent reforms and has seen tangible impacts (rent prices decreasing).
- Often small businesses are left behind in these reforms. HBBs and ACUs create opportunity for affordable spaces to start a small business.
- HBBs and ACUs can help infill sprawled neighborhoods and provide valuable services to neighbors.

A STEP, NOT A LEAP

With corporations and large businesses moving to Austin, **supporting the local business and creative scene has never been more important.**

ADU reform & mixed-use zoning has demonstrated the ability and appetite for Austin being a **leader in place-making.**

This reform will advance the city's goal of creating complete communities.

WHAT COULD THIS REFORM LOOK LIKE IN AUSTIN?



Neighborhood-serving small businesses



Katy McAfee / Community Impact Newspaper
Ave. B Grocery in Hyde Park



Civil Goat Coffee Co.
Civil Goat on Cuernavaca



Riverside Homes / Austin Monthly
ADU in Riverside/Zilker

ACU Reform: Raleigh, North Carolina

Performance Standard	Pre-Reform (2020)	Post-Reform (2022)
Employees	No more than two non-resident employees	No more than two non-resident employees
Signage	One sign up to 3 SF	One sign per building facade up to 6 SF
Parking Requirement	One additional on-site parking space per unit	No additional parking required
Zoning	Residential districts only and required special use permit	By-right in all zones
Spatial Limitations	Must be conducted wholly within a residential dwelling	In principal structure, attached, or detached structure. Can be combined with ADU

IMPACT



More opportunities for neighborhood-scale commerce



More clarity for the entrepreneur



Less complexity, staff time taken up by SUP review

Neighborhood Retail: Seattle, Washington



Seven Market
Ravenna | Seattle, WA

CORE FEATURES

- Food processing, craft work, and general sales and services
- Consolidated Neighborhood Residential Zones and enabled commercial development
- Capped at 2,500 SF

2

ENCOURAGE ENTREPRENEURIAL GROWTH BY MAKING GETTING STARTED MORE AFFORDABLE

Giving entrepreneurs a chance to earn income before paying regulatory fees

CURRENT REGULATIONS

- Fees for permits, licenses, reinspections, reviews, resubmissions are **significant**
- Option to pay more for faster reviews and specialized appointments
- Zoning/sign variance fees start at \$4,000+
- Entrepreneurs feel like the city is “nickel and diming”

DISPROPORTIONATE HARMS

- High fees can make or break a small business getting started
- Confusing requirements often result in multiple submission attempts which makes accurately budgeting more challenging
- The small, micro-business entrepreneurs often cannot afford a lawyer/navigator

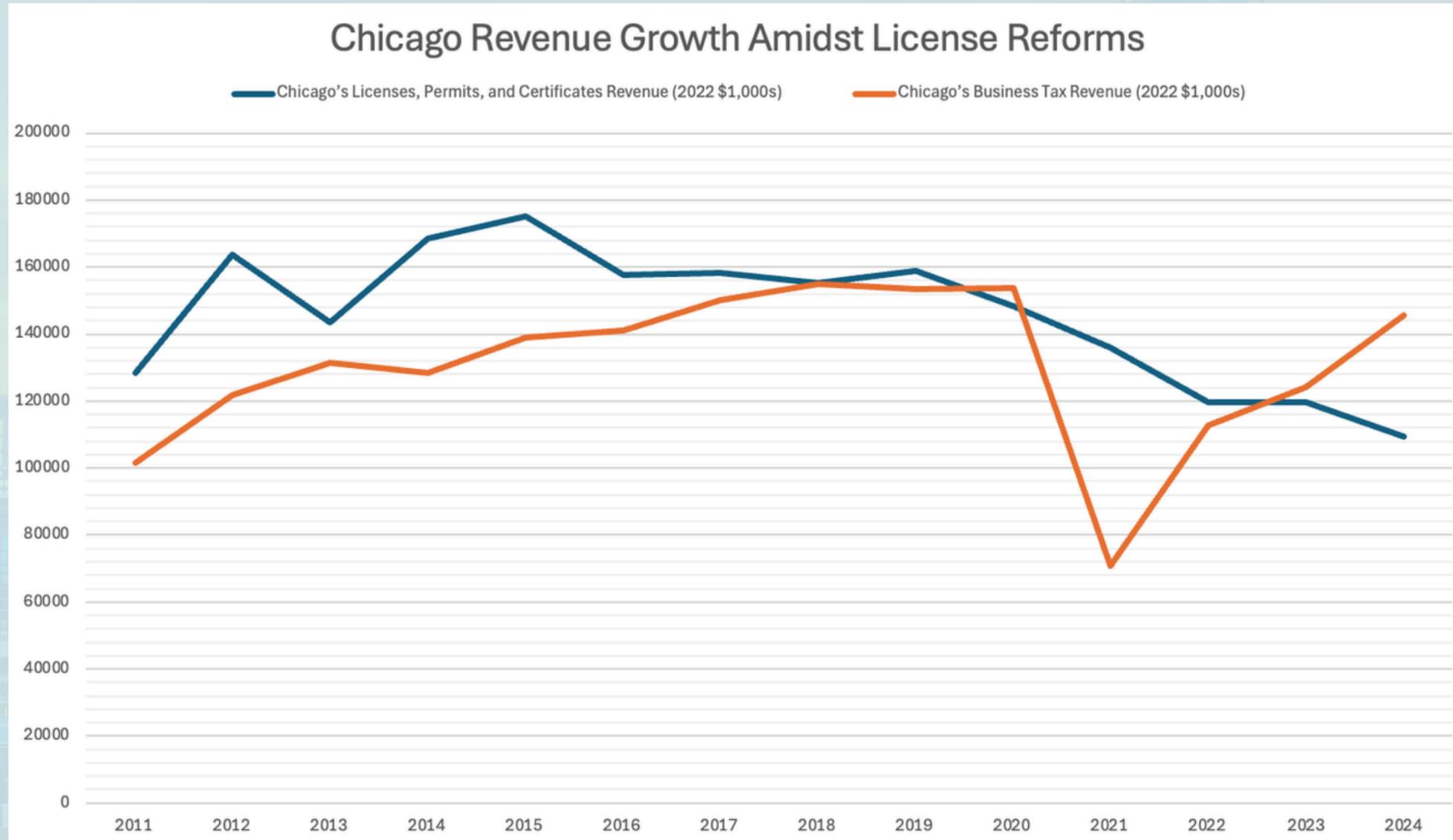
PROPOSED REFORM

Emerging Business Fee Reduction Act

- Reduced fees for new microenterprises over a four-year time period
- Targeted assistance to lower-income and new entrepreneurs
- Fee reduction scale designed to parallel opportunity to earn income
- Eligibility requirements: must be a local business (incorporated in ATX & fewer than 5 other locations) and be under a personal networth threshold

Business Age	Percentage of total fees business shall pay
≤ 1 year	0%
1 year & 1 day – 2 years	25%
2 years & 1 day – 3 years	50%
3 years & 1 day – 4 years	75%
4+ years	100%

Case Study: Chicago, Illinois



TIMELINE

2012: Eliminated license types by 60%, saving businesses \$2 million. The city previously had 117 types of licenses.

2017: Chicago slashed two-year food cart business licensing fees from \$350 to just \$100.

2018: Offered entrepreneurs a two-year start-up license for the price of one year, effectively halving the cost to obtain a new business license in addition to further streamlining efforts.

3

MEET ENTREPRENEURS WHERE THEY ARE WITH CLEAR INFORMATION & TRANSPARENT PROCESSES

By empowering staff to create reforms & establishing a true one-stop shop

THE COMPREHENSIVE EFFICIENCY ASSESSMENT PROGRAM (CEAP - PASSED FEBRUARY 2026)

- Austin created a recurring citywide efficiency review process overseen by the City Auditor's Office.
- Every city department evaluated through comprehensive operational audits.
- Full assessment cycles will occur at least every three years.
- Independent external review - the city auditor must contract with outside experts to conduct the assessments

Goal: Complement the efficiency assessments by formalizing a path for city staff to co-create reform recommendations.

PROPOSED REFORM: SPRING CLEANING ORDINANCE

Empowers the staff members responsible for administering processes to create the solutions based on their lived experience.

- All departments would be required to submit to the city council a report of:
 - inefficient processes
 - confusing procedures
 - costly administrative requirements
 - unnecessary steps in permitting, regulation, or internal operations.
- Department teams would implement a metric and **feedback system** to track pain points, bottlenecks, or commonly failed processes and **employee-suggested solutions** to these issues.

3

MEET ENTREPRENEURS WHERE THEY ARE WITH CLEAR INFORMATION & TRANSPARENT PROCESSES

By empowering staff to create reforms & establishing a true one-stop shop

ESTABLISH A TRUE ONE-STOP SHOP

- Use easily digestible language and offer materials in multiple languages
- Ensure all links work and applications/pdfs are the most up-to-date versions
- Remove unnecessary & repeat information
- Connect entrepreneurs to local, state, and federal requirements
- Implement a permit navigator tool

EFFECTIVELY CLARIFY CONFUSING PROCESSES

- Accessible information is crucial but should not be a bandaid to an onerous process. Simplify the backend complexities or internal confusion first.
- Ensure city staff has an understanding of the whole permitting & licensing process and knows who to refer entrepreneurs to in each team

UTILIZE EXISTING RESOURCES & COMMUNICATION CHANNELS TO BETTER PREPARE ENTREPRENEURS

- Analyze data from the website's chatbot to determine what items people are most confused about
- Create explainer videos & materials to address these issue areas
- Provide other departments with most commonly requested educational materials
- Educate the ESOs about these educational resources and provide with copies to distribute



"My friends that have owned and started businesses in Austin in the last 13 years made Austin what Austin is today. Most of them don't want to do business in Austin anymore."

—Anonymous Austin Entrepreneur

Tamuka Simango
Water Your Plants



THANK YOU!

Cities Work stands ready to help make it cheaper, faster, and simpler to start a business in your city.

Contact

Ava Mouton-Johnston
amjohnston@ij.org | (512) 970-8525



**AUSTIN, TX SMALL BUSINESS
INSIGHTS & POLICY
RECOMMENDATIONS**