DRAFT

CITY OF AUSTIN

ECONOMIC DEVELOPMENT

Place-Based Enhancement Program Guidelines

A Chapter 380 Program

City of Austin Economic Development Department

2024-2029

Table of Contents

1. **Introduction and Purpose: Context to City Program Development** Page X
2. **General Eligibility** **Page X**
3. Program Categories
    - ***Category 1: Affordable Space*** **Page X**
        - Category Values & Priority Goals Page X
        - Category Eligibility Page X
        - Incentives Provided Page X
        - Community Benefits Page X
        - Bonus Qualifiers Page X
    - ***Category 2: Community Impact*** **Page X**
        - Category Values & Priority Goals Page X
        - Category Eligibility Page X
        - Incentives Provided Page X
        - Community Benefits Page X
        - Bonus Qualifiers Page X
    - ***Category 3: Cultural Preservation*** **Page X**
        - Category Values & Priority Goals Page X
        - Category Eligibility Page X
        - Incentives Provided Page X
        - Community Benefits Page X
        - Bonus Qualifiers Page X
    - ***Category 4: Transformational Infrastructure*** **Page X**
        - Category Values & Priority Goals Page X
        - Category Eligibility Page X
        - Incentives Provided Page X
        - Community Benefits Page X
        - Bonus Qualifiers Page X
4. **Application Process and Expanded Timeline** **Page X**
5. **Agreement Term** **Page X**
6. **Stewardship** **Page X**
    a. Annual Reporting/Performance Measures Page X
7. **Termination** **Page X**

1. Introduction and Purpose: Context to City Program Development:

The Austin has a thriving economy with economic stability and growth that is the envy of many cities. However, the structure of this growth has led to a general crisis in affordability of real estate for some sectors of the economy. While our affordable housing needs are substantial and the focus of major policy efforts, Austin's creative spaces, music venues, small businesses, ~~and~~ nonprofits, legacy businesses, and essential community development institutions are also regularly threatened with operational constraints or even displacement because of the limited availability of affordable commercial space. Our challenge is to incentivize development that also provides stable space for these essential anchors of Austin's culture and community.

Resolution No. 20170302-034 initiated revisions to all of the City's economic development incentive programs, and its guidance includes an additional new focus on real estate programs that support small businesses, creative spaces, and businesses providing amenities in underserved areas of Austin. Ordinance No. 20180830-058 calls for the creation of a Locational Enhancement Program, using the economic development framework of Texas Local Government Code Chapter 380 agreements, to support a variety of small businesses and nonprofits in accessing affordable real estate. Specifically, it refers to the following primary beneficiaries: "Small, local, heritage businesses, non-profits, cooperatives, and those in the creative sector."

This primary direction is augmented by a variety of City plans and Council resolutions and ordinances that speak to the need for commercial affordability programs for specific user groups, including but not limited to the following:

- Northeast Austin Plan (11/12/2020): This resolution, Resolution No. 20201112-043, instructed the City Manager to initiate planning processes for a large 5-census tract area of northeast Austin. The plan for this area will include a variety of elements, including a goal to "encourage the development of flexible, affordable commercial space to ensure local businesses can remain in their communities."
- Live Music (7/28/2022): This resolution, Resolution No. 20220728-094, instructs the City Manager to establish a bonus and incentive program to support live music venues, including "fee waivers" and "expanded facilitation of affordable commercial space restrictive covenants in new construction."
- Creative Space (9/1/2022): This resolution, Resolution No. 20220901-089, instructs the City manager to establish code amendments, regulatory changes, and incentive programs to support affordable creative space. This includes tools such as "fee waivers," "expanded facilitation of affordable commercial space restrictive covenants in new construction," incentivization of "lower cost/long term leases that do not pass on tax or utilities to the cultural venue" including "potential property tax relief for owners," and the use of Chapter 380 agreements for financial incentives.
- Residential in Commercial (12/1/2022): This ordinance, Ordinance No. 20221201-055, establishes a creative space preservation tool for commercially zoned property redeveloped into mixed-use residential buildings, for creative spaces established 10 years or longer in the space. The ordinance also requires that creative spaces be offered "the option to lease a creative space

of comparable size and affordability following the completion of redevelopment" of the property, supporting a need for tools to support creative space affordability.

- Equitable Transit-Oriented Development Policy Plan (ETOD) (2/23/2023): ETOD proposed an array of strategies and tools for promoting equitable implementation of planning districts around light rail and rapid bus stations associated with the Project Connect plan. A major section of this plan addresses retention and affordability of small businesses, legacy businesses, and creative spaces in ETOD redevelopments. Three of the crucial tools it describes are as follows, which are described in-depth in the report Appendix:
    - Affordable Ground Floor Space for Local Businesses & Non-profits: Incentivize developers to provide affordable and favorable ground-floor lease terms for small businesses, non-profits, and community-supporting space as part of the parameters set for future land dispositions led by the City and CapMetro, such as business affordability criteria that is tied to standard ratios of Annual Sales (Revenue) to Annual Rent for target industries. The City can also deploy funds to subsidize local or legacy businesses within ground-floor space.
    - Incentivize Public Amenities that Improve Community Health and Wellbeing: Evaluate potential incentives (financial or administrative) that could be provided for ETOD projects that design public spaces and public amenities to facilitate community gathering, neighborhood commerce, festivals, and sustainability.
    - City-Led Innovative and Gap Financing: Develop a suite of innovative finance tools exist that can be used to help fill funding gaps and allow for public and public-private development to support the community benefits required for ETOD.
- Palm District Plan (9/21/2023): This resolution, Resolution No. 20230921-102, amends the Downtown Plan to accommodate specific recommendations for the eastern portion of Downtown, called the Palm District, including the Red River Cultural District. The guidance adopted in this language includes the following, reiterating the impetus for this initiative:
    - Revisions to the Chapter 380 policy to incorporate tools and mechanisms for small businesses and creative space preservation.
    - Initiation of the development of a Location Enhancement Program and an ordinance to Council for adoption.

To help achieve this direction, the Economic Development Department solicited consulting services from the firm Ricker-Cunningham. Ricker-Cunningham has completed an intensive study of needs and constraints for a locational enhancement program, including analysis of market contexts for different Austin-area submarkets and industries. Their report makes a series of findings and recommendations including the following:

1. City Participation Criteria: Manage incentives so that the costs of providing community benefits are appropriate to the level of gap financing and/or tax reimbursement offered.
2. Allowances for Small and Micro Business: Processes and opportunities to participate in incentive programs should be made as simple and transparent as possible so small businesses and creative space operators can participate in them without resource-draining administrative burden.

3. Availability and Use of City Offerings: A range of programs should be offered to meet the challenge of long-term affordability for target users, including especially gap financing programs.
4. Commercial – Residential (Affordable Housing) Connection: Target incentives to support affordable housing for artists and musicians as well as affordable commercial and production space.
5. Interpretation of Authorizing Legislation: The provision of affordable creative space, retention of small, local, legacy businesses, and the support of businesses, nonprofits, and cooperatives that provide extensive community benefits should be evaluated as much as community development as economic development. In that sense they should not be overly restricted by requirements tying incentive values to numbers of jobs created, more typical of incentive programs for large plants and corporate headquarters. The state statute does not require this and it would be a hindrance to any location enhancement program focused on affordable real estate for small businesses and creative space operators.
6. Financial Partners: Work with CDFIs or other community-based lenders to provide support in reviewing applicants, administering financial tools, and gap financing for project capital stacks.

These findings are substantiated by extensive community and stakeholder feedback undertaken as part of the Chapter 380 revision process in 2018, as well as through industry focus groups and feedback on a variety of Economic Development Programs from 2020-2023. While the small business, creative, and nonprofit landscape around real estate and space in this period has been driven predominantly by COVID-19 era business restrictions, supply chain disruptions, and other macroeconomic factors to an unprecedented degree, stakeholders have been clear that Austin was already facing a crisis in affordability of commercial space that was exacerbated by COVID-19.

This lack of affordable commercial space has only continued post-COVID. As recently as 2023 Q4, Austin's retail market had a vacancy rate of 2.9%, an indication of major space constraint. A report from the CoStar Group, a leading industry provider of real estate data, noted that with "little supply relief coming from the construction of new retail space, landlords are experiencing... rent growth that is double the national average." This rapid retail rent escalation is a major factor driving economic precarity for local small business and creative space operators.

To address these issues and implement City Council directives, the Economic Development Department has developed this locational enhancement program, referred to as the Place-Based Enhancement Program. This Program is focused on incentivizing real estate projects that deliver affordable space with a Community Benefits Return on Investment beyond the financial profile. For the Place-Based Enhancement Program, the primary Community Benefit is support for real estate affordability for essential economic and cultural needs including the following: creative spaces; music venues; grocery stores; childcare centers; small, local businesses; community infrastructure; and legacy businesses and nonprofits.

Based on the consultant recommendations and priorities that continue to be identified by City Council and community stakeholders, we proposed the following broad parameters to guide the implementation of the Place-Based Enhancement Program.

2. General Eligibility:

a. Applicants for Place-Based Incentive Program resources within either of the portfolio categories will be expected to provide information confirming the proposed project will address one or more of the following Council objectives:

   i. Commercial affordability for tenants of commercial space with the intention of alleviating both short- and long-term financial challenges (such as rent and new pathways for revenue generation) with particular focus on local small business, legacy businesses, non-profits, cooperatives, and those in the creative sector;
   ii. Financial challenges faced by owners of commercial spaces by providing access to capital financing to deliver community benefits, such as affordable and public spaces, creative spaces, new goods, and services, and to preserve neighborhood identity;
   iii. Participation in the development process of new developments, including mixed-use commercial, to deliver a variety of benefits directly to the adjacent community (for example, affordable space, transportation solutions, socially beneficial real estate, sustainable development, and equitable access to opportunity) while representing and serving a diverse range of industry, users, and resident populations;
   iv. Opportunities for developing partnerships with existing developments to alleviate barriers to expansion and renovation to advance the quality, affordability, and uses of existing locations within the city of Austin and to preserve the business and cultural community;
   v. Specific market needs, such as the delivery of goods, services, and transportation solutions to underinvested areas that yield benefits to the community beyond local tax base contribution; and,
   vi. Opportunities for alleviating and offsetting burdens of the city regulatory environment as it relates to business preservation, growth and development.

b. Contract Requirements:

1. Project provides ‘But For’ statement: Verifiable evidence that the award advances one or more priority goals. In the context of the Place-Based Incentive Program, and because it is intended to be a gap financing program for real property projects, information provided should highlight the economic impact of constructing or maintaining desired improvements in terms of heightened costs or diminished revenue. The project will need to certify that “but for” the award or incentive, the project could not be completed and/or its proposed community benefits could not be provided, or that “but for” the award or incentive the Community Benefit Target would face displacement.
2. Project provides comprehensive data and information to analyze and execute the contract, which may include, but not be limited to, the following:

   a. Summary of project and financing;
   b. Financial statements, such as real estate pro forma cash flow of costs and revenues, balance sheets, income statements, etc.;
   c. Site and zoning reviews;
   d. Construction cost/real estate investment projections;
   e. Signed and notarized statements from target beneficiary tenants;
   f. Copies of signed and notarized leases;
   g. Historical or projected tourism data demonstrating annual number of out-of-town visitors.
3. Recipients of Place-Based Incentive Program grants or loans will be required to sign an affidavit confirming they will comply with all federal, state, and local laws and authorities. Evidence of noncompliance may be grounds for terminating the agreement. At its discretion, the City may work with the recipient to develop a plan and timeline for becoming compliant.
4. Absent a negotiated agreement with the City, an incentive recipient shall not petition for potential vested rights under any provision of Chapter 25 of the City Code, or Chapter 245 of the Texas Local Government Code, for the Chapter 380 project that is the subject of the agreement. Incentive recipients agree to comply with City environmental requirements on all future development that is the subject of the agreement.
5. Project complies with the City of Austin's MBE/WBE Ordinance through the Minority-Owned and Women- Owned Business Enterprise Procurement Program.
6. Project with capital expenditures in the form of new construction:
   a. All construction workers hired for construction of the project will be provided Workers Compensation Insurance and OSHA 10 Training;
   b. All construction work on the project must comply with the City's established prevailing wage program that is used on City of Austin public works projects;
   c. Construction workers hired for construction work will be paid at least the City's living wage.
7. A documented minimum capital investment of $2 million for any project involving new construction.
8. Company may protest property tax valuation, however in the event the tax valuation of the property has been lowered as a result of a successful protest, the City will evaluate the impact of the new valuation on the project's financials and may reduce the incentive amount .
9. Company provides written policies to support anti-harassment and anti-discrimination practices for business operations and work environment in the City. Recipients of all Chapter 380 grant and loan programs shall be required to sign and comply with a City-provided form specifying non-discrimination and anti-harassment policies and practices. Evidence of noncompliance may be grounds for terminating the agreement. At its

discretion, the City may work with the recipient to develop a plan and timeline for becoming compliant.

10. While evidence of non-compliance or violation of a City code may be grounds for terminating the agreement, the City reserves the right to negotiate a cure period in which payment of the incentive may be withheld.
11. Company meets high standards for its employees, which must include at least one of the following options:
    a. Meeting City of Austin living wage standards for all employees of the company receiving the incentive. Forms of compensation included in the living wage shall be limited to base salary, hourly wage, tips, commissions, bonuses, shift differential pay, profit-sharing, or cooperative patronage. At its discretion, the City may work with the recipient to develop a deferment period to meet this standard for specific types of high-impact community development projects.
    b. Submitting a signed statement affirming the completion of a labor peace agreement with a labor organization that seeks to represent employees working in the business before reimbursements begin, or a signed affidavit affirming commitment to completing a labor peace agreement if the business is approached by a labor organization. The filing of Unfair Labor Practices against the recipient will be grounds for suspension of incentive reimbursements or loan penalties, with a potential period to cure completing accountability steps for minor infractions.

c. Community Benefit Targets:

i. Music Venues and Creative Spaces. Creative sector businesses and nonprofits including the following: music venues and performance venues; art workshops; theaters; museums or art galleries; art, dance, or studios for performing art, music, or visual art; arts related retail including craft shops, art supply stores, music stores, musical instruments stores; and artist live/work units.

ii. Local Small Businesses, Nonprofits, and Cooperatives. Small, local businesses; nonprofits; and cooperatives, especially “legacy businesses,” being those customer-facing, brick-and-mortar businesses twenty years or older in the following sectors: restaurants and related food sectors, personal services, creative sectors, small-format retail.

iii. Community Development Projects. Businesses, nonprofits, and cooperatives offering essential community benefits to underserved and underinvested areas of Austin that close a specific “gap” in the economic ecosystem. These essential goods and services are essential for place-based economic development and resilience. These high community impact investments include, but are not limited to, the following:

1. Childcare facilities, especially “High Quality Childcare” facilities as described in the Austin Public Health May 1, 2023 Memorandum in response to Resolution No. 20221201-044; this includes parameters

around certification and affordability and may include certified home-based childcare providers;

2. Adultcare facilities;
3. Full-service grocery stores or providers that serve low-income, low-access (LILA) Census tracts as determined by the U.S. Department of Agriculture. Incentives will be prioritized for stores that are "community-owned" through a nonprofit or cooperative;
4. Anchor facilities for an economic or cultural district, including multi-tenant spaces with affordable commercial lease provisions;
5. Industry hubs and incubators, including food hubs, coworking facilities, makerspaces, and similar facilities;
6. Workforce or affordable housing may be eligible as a secondary Community Development Project in a mixed-use project if affordable commercial or nonprofit space is also provided in the project, with specific limitations based on Category and Target Area. Workforce and affordable housing may include the following:
    a. Housing priced to be affordable to residents and families earning no more than 80-120% MFI or below, which must also be below the average area submarket rate, and which may or may not include affirmative marketing to occupational groups;
    b. Housing priced to be affordable to residents and families earning no more than 30-50% MFI for Priority Equity Area census tracts;
    c. Live/work units for artists or musicians that meet this affordability criteria; or,
    d. Group equity or limited equity housing cooperatives that meet this affordability criteria and/or conform to guidelines in the HUD 213 program.

iv. Other benefits as determined by City Council, including infrastructure requirements associated with City-Led Redevelopment Initiatives.

d. Target Areas

Place-Based Incentive tools will be targeted to specific areas that have been identified through City programs and processes as needing high levels of anti-displacement services. These include the following (maps in appendix):

i. Economic and Cultural Districts. Economic and Cultural districts (ECD) are contiguous micro-geographic areas, typically between ¼ mile – 1 ½ mile in size, containing concentrations of creative, cultural, entertainment, heritage, or commercial assets that contribute to neighborhood supportive commerce or place-based storytelling and identity. These include, but are not limited to, districts that have received Creative District zoning.

ii. Equitable Transit-Oriented Development: Areas with Transit-Oriented Development zoning as of May 2024 or included in the ETOD density bonus combining district (DBETOD) as adopted in May 2024 and expanded in future amendments and zoning cases.

iii. City-led Redevelopment Initiatives. Sites in or within 1-mile of major City-led redevelopment initiatives, including repositioning of City properties, City-owned land bank properties, or City-led special district development including but not limited to the South Central Waterfront, Colony Park, and (former) Tokyo Electron. These target areas include development sites led by the City's Housing Finance Corporation, Economic Development Corporation, or Public Facilities Corporations as well.

iv. Priority Equity Areas. Areas identified in the Nothing About Us Without Us Anti-Displacement Tool to further neighborhood-based equity in areas impacted by Project Connect, especially in the Eastern Crescent, which has been historically underserved by community amenities and which includes many neighborhoods experiencing economic displacement of residents and small businesses. This includes the specific direction to focus on "areas within a mile of Project Connect stations in areas that are Vulnerable, Active or Chronic displacement risk."

These Target Areas may be revised annually to reflect the creation of new Economic and Cultural Districts, the expansion of the DBETOD zone, the initiation of new City-Led Redevelopment Initiatives, and the revision of the Project Connect Anti-Displacement Map.

Projects supporting Music Venues and Creative Spaces outside of these Target Areas may be eligible for consideration, especially in the case of legacy music venues and creative spaces.

Projects supporting grocery store Community Development Projects outside of these Target Areas may be located in low-income, low-access (LILA) Census tracts as determined by the U.S. Department of Agriculture.

Enhancing equity of asset development and service delivery for historically underserved neighborhoods will be major factors in determination. If a project falls into a Priority Equity Area as well as other Target Areas, the project shall meet the Priority Equity Area requirements for Categories 1 and 2.

e. **Affordability Standards and Compliance**

i. For the purposes of the Place-Based Enhancement Program, the following standard will define "affordable commercial space":

1. 50% of area market rate for the sector, with a capped 3% annual escalator for the life of the incentive; or,
2. A rent/revenue ratio appropriate to the industry, not to exceed of 7%, with a capped 3% annual escalator for the life of the incentive.

3. Place-Based Enhancement Program Categories

a. The following program guidelines are organized into three broad categories:

i. Category 1: Affordable Space

ii. Category 2: Community Impact

iii. Category 3: Cultural Preservation

iv. Category 4: Transformative Infrastructure

b. *Category 1: Affordable Space*

i. **Category Values & Priority Goals:** Austin's creative spaces and live music venues, legacy businesses, local small businesses, and important high-impact community facilities face increasing pressure in accessing affordable real estate, especially as rental rates and property taxes increase throughout Austin. The Affordable Space category will provide property tax reimbursements and incentives to eligible developers of commercial and mixed-use property who are able to provide affordable, long-term leases to these high priority Community Benefit Targets.

ii. **Category Eligibility**: The Company will comply with Minimum Requirements as stated in section 2 of this document, and must meet the following additional eligibility requirements:

1. The project is for new construction, expansion, tenant improvement, or redevelopment of mixed-use or commercial real estate;
2. The total project has a minimum total project investment of $2 million for new construction projects providing affordable commercial and nonprofit space;
3. The project leverages City incentives at minimum 1:2 ratio for City investment relative to total project cost (for every $1 of City incentive, the project must generate at least $2 of total value);
4. The project is located in a Target Area;
5. If the project is in the ETOD Target Area defined by the DBETOD density bonus zone, the project must utilize and receive approval for the ETOD density bonus prior to applying for this program;
6. If the project is in a Priority Equity Area, the project must prioritize affordable leases to Community Benefit Targets that are representative of, serve and are accountable to communities that are at immediate risk of cultural erasure and displacement within Austin; this may include applicants that directly serve Black/African American, Native American, Asian, Hispanic/Latino, Middle Eastern, and Pacific Islander communities or LGBTQIA+ and/or disability communities;
7. The project provides affordable real estate to Community Benefit Targets, with the following minimum requirements for affordable non-residential space:
    a. 50% of rolling 5-year average retail or industrial market rate within 1 mile of the project, based on project characteristics, as determined by the City; or,
    b. Monthly rent does not exceed a rent/revenue ratio of the target beneficiary appropriate to the industry, not to exceed 7%; and,
    c. Maximum 3% annual rent escalation for the duration of the incentive and any incentive renewal; and,
    d. Affordability term equivalent to the duration of the incentive, for a minimum of five (5) years.
8. While this program is focused on affordable space for small business, creative spaces, nonprofits, and commercial cooperatives, if the project includes affordable residential units, the affordable residential units may

be eligible for inclusion in the valuation of project financing "gap" if the following conditions are met, for any Target Area:

a. The project also includes affordable commercial or nonprofit space consistent with requirements in this category;
b. The inclusion of affordable residential units in the valuation of the project financing "gap" is supported by a signed attestation from the City of Austin Housing Department;
c. The affordable residential units are Live/work units for artists or musicians that are affordable to families earning 80% MFI or less; or,
d. The affordable residential units are provided through a group equity or limited equity housing cooperative that is affordable to families earning 80% MFI or less and/or conforms to guidelines in the HUD 213 program;

In addition, to be included in valuation of the project financing "gap" the residential portion of the project may meet one of the following requirements:

e. The project is in a Priority Equity Area and the residential units are affordable to households earning 30% or less of the MFI for the area Census tract; or,
f. The project is in or within 1 mile of a City-Led Redevelopment Initiative and the residential units are affordable to households earning 80% or less of the MFI for the project's Census tract; and,
g. The residential units applied to the valuation of project financing "gap" and related incentives are in excess of those units associated with zoning requirements or development bonuses.

Review, approval, and compliance for any residential portion tied to this incentive Category will be coordinated with the Housing and Planning Departments).

iii. **Incentives Provided**: The total value of incentives that may be offered in Affordable Space projects will be calculated to fill the financing gap created in new construction of real estate that incorporates the intended community benefit of targeted affordable commercial, nonprofit, or creative space; affordable or workforce housing; or related community infrastructure above and beyond regulatory requirements in new construction. The City will analyze each project through a detailed review of the project's operating proforma, held as confidential working documents for staff evaluation that will not be owned by the City, including the following:

1. Development costs (land, hard, soft, financing/other);
2. A detailed operating proforma over at minimum ten-year horizon that details sources of operating revenue, expenses and distribution of cash flow;
3. The imputation of any incentives, such as density bonuses or federal tax credits committed to the project; and,
4. The terms of debt and equity including return hurdles to fund the project.

The information should demonstrate and quantify a financial "gap" and the opportunity for leveraging private sector capital should the City choose to participate. The City will determine the financial feasibility of the project, the potential extent of project-generating City revenue, and level of appropriate investment. The results will be measured as one component of the Project Score.

The Applicant will comply with the condition that "but, for" the provision of the incentive they would not be able to offer the development project, including its community benefits package. The value will also be limited by a fiscal cost/benefit analysis based on the value of real estate investment, to ensure the City retains a revenue-positive or neutral position.

The project financial "gap" should refer to community benefits offered in addition to any required by either base zoning or in return for a regulatory development bonus. The incentive may be layered with regulatory incentives, however, to help achieve project community benefit goals. The project's incentive must be tied to addressing the funding gap created by providing development with targeted community benefits; the incentive will not be used toward filling gaps in the development budget not associated with targeted community benefits.

Property and Sales Tax Reimbursement: Annually, the City will return a share of the municipal property and/or sales tax liability on the incremental value of new construction (not to exceed, in the aggregate, 100% of the net present value of the total estimated tax liability, excluding dedicated transfers such as the Austin Transit Partnership transfer). Property and/or sales tax reimbursements will be made based on the below Property and Sales Tax Reimbursement Allocation Schedule, up to the value needed to fill the project financial "gap" created by providing the community benefit. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete. As stated above, if the business successfully protests and lowers its property tax valuation, the reimbursement from the City may be reduced proportionately.

Project Score	Max Tax Reimbursement (% of net present value of the total estimated tax liability over term)
0-50	0%
51-79	10% - 50%
80-100	50% - 100%

Expedited Permitting and Fee Waivers: Fee waivers and expedited permitting costs may be made available for projects that incorporate affordable creative spaces, live music venues, legacy businesses, and other commercial and nonprofit target recipients retained in redevelopments, based on annual appropriations from the General Fund and/or reimbursement from property or sales tax payments. These programs may be explored as future offerings.

iv. **Community Benefits**: The primary focus of community benefits in this Category is the delivery of affordable commercial and nonprofit leases to Community Benefit Target tenants. Factors considered "valuable" in the overall analysis of project ROI for this Category are related primarily to the quality, affordability, and terms of these real estate arrangements, including but not limited to the following:
   1. Provision of affordable commercial space to established or new creative spaces or venues;
   2. Provision of long-term commercial leases to established or new creative spaces of venues with lease escalation limits;
   3. Provision of affordable space to established creative spaces and venues facing eminent or recent displacements;
   4. Provision of space to community development projects in locations and manners appropriate to the need served; and,
   5. Provision of affordable commercial space to small local businesses, legacy businesses, nonprofits, and cooperatives generally.

v. **Bonus Qualifiers**: Bonus Qualifiers are a factor of the overall Project Score and could include but are not limited to the following:
   1. Providing a "right to return" for an existing creative or small business space at a redevelopment site, with comparable space and lease rates to those held prior to redevelopment;
   2. Providing affordable space to a recently displaced (within 24 months of application) creative or small business space;
   3. Having target beneficiary businesses, nonprofits, or cooperatives already identified;
   4. Providing temporary relocation assistance/funding to an existing creative space or small business at a redevelopment site;
   5. Co-location or providing multiple affordable spaces to target beneficiary tenants;
   6. Providing multiuse affordable space such as creative coworking and workshop spaces;
   7. Offering affordable space at lower rates, longer terms, or lower annual escalations than required;
   8. Prioritizing creative space and/or legacy business or nonprofit tenants; and,
   9. Prioritizing affordable leases to Community Benefit Targets that are representative of, serve and are accountable to communities that are at immediate risk of cultural erasure and displacement within Austin; this may include applicants that directly serve Black/African American, Native American, Asian, Hispanic/Latino, Middle Eastern, and Pacific Islander communities or LGBTQIA+ and/or disability communities.

c. *Category 2: Community Impact*

i. **Category Values & Priority Goals:** Many Community Benefit Targets, including music venues, large creative complexes, grocery stores and childcare facilities, or catalytic anchor facilities, can invest in new development of those facilities but need incentives to overcome the prohibitive costs of real estate, construction, and early operations for their sites. Community Impact Incentives support new real estate investment for these target beneficiaries, who often require specific site and building requirements. This Category also supports tenant improvements for these types of projects. These incentives may be used for more customized real estate investments.

ii. **Category Eligibility:** The Company will comply with Minimum Requirements as stated in section 2 of this document, and must meet the following additional eligibility requirements, as stated below:

1. The project is for new construction, expansion, tenant improvement, or redevelopment of a stand-alone facility, in which the Community Benefit Target is an owner or co-owner of the property;
2. The project is located in a Target Area, or another geography appropriate to the nature of the project; for example, grocery store projects may be located in federally designated "food deserts," childcare facilities may be located in areas underserved for childcare, etc.;
3. The project is focused on of the following:
    a. <u>Music Venue and Creative Space Projects</u>. Reimbursement of property taxes and sales taxes directly to a creative nonprofit, business, or cooperative to develop new or expand existing music venues and creative spaces.
    b. <u>Community Development Projects</u>: Grocery Stores. Property and sales tax reimbursements for provision of grocery stores in underserved areas of the city. This incentive would be targeted to full-service grocery stores or providers that serve low-income, low-access (LILA) Census tracts as determined by the U.S. Department of Agriculture. Incentives will be prioritized for stores that are "community-owned" through a nonprofit or cooperative.
    c. <u>Community Development Projects</u>: Childcare Facilities. Property tax reimbursements for affordable childcare providers. Incentives will target "High Quality Childcare" facilities as described in the Austin Public Health May 1, 2023 Memorandum in response to Resolution No. 20221201-044. This includes parameters around certification and affordability and may include certified home-based childcare providers.
    d. <u>Community Development Projects</u>: Catalytic Anchor Projects: Property tax reimbursements for new development of anchors to a business district, or delivery of catalytic target industry infrastructure, including the following types: industry incubators;

multi-tenant spaces with affordable commercial lease provisions; food hubs; and other anchors that provide major community benefits while supporting district-wide prosperity.

e. Local Small Businesses, Nonprofits, and Cooperatives: Property tax reimbursements for tenant improvements by eligible local small businesses in Target Areas.

iii. **Incentives Provided**: The total value of incentives that may be offered in Community Impact projects will be based on the incremental value of new construction associated with the project. The Applicant will comply with the condition that "but, for" the provision of the incentive they would not be able to complete the development project. The City will analyze each project through a detailed review of the project's operating proforma, held as confidential working documents for staff evaluation that will not be owned by the City, including the following:

1. Development costs (land, hard, soft, financing/other);
2. A detailed operating proforma over at minimum ten-year horizon that details sources of operating revenue, expenses and distribution of cash flow;
3. The imputation of any incentives, such as density bonuses or federal tax credits committed to the project; and,
4. The terms of debt and equity including return hurdles to fund the project.

The information should demonstrate and quantify a financial "gap" and the opportunity for leveraging private sector capital should the City choose to participate. The value will also be limited by a fiscal cost/benefit analysis based on the value of real estate investment, to ensure the City retains a revenue-positive or neutral position. The City will determine the financial feasibility of the project, which will inform the cost/benefit analysis. A net fiscal position for the City will be determined from this analysis to help inform the level of appropriate investment, coupled with other program criteria measures and Score Card (see "Project Score"). The cost-benefit tool and resulting value is not the sole determinant of the value of the total potential incentive offer. Cost/benefit analysis will include full consideration of benefits including net revenues from the municipal portion of property, sales, beverage, and hotel occupancy taxes directly or indirectly generated by the project and its new investment and job creation.

Property and Sales Tax Reimbursement: Annually, the City will return a share of the municipal property and/or sales tax liability on the incremental value of new construction (not to exceed, in the aggregate, 100% of the net present value of the total estimated tax liability, excluding dedicated transfers such as the Austin Transit Partnership transfer). Property and/or sales tax reimbursements will be made based on the below Property and Sales Tax Reimbursement Allocation Schedule. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete. As stated above, if the business successfully protests and lowers its property tax valuation, the reimbursement from the City may be reduced proportionately.

Project Score	Max Tax Reimbursement (% of net present value of the total estimated tax liability over term)
0-50	0%
51-79	10% - 50%
80-100	50% - 100%

Affordable Space Gap Loans/Grants: The City, directly or through a contract with a community lender, may develop a loan and/or grant fund to support gap financing for music venues, creative spaces, community impact projects, and legacy businesses and nonprofits for the following purposes:

- Acquisition of real property;
- Site planning, construction, and development of new real property facilities; or,
- Tenant improvements, infrastructure, initial working capital, and other needs for real property acquisition and development.

Expedited Permitting and Fee Waivers: Fee waivers and expedited permitting costs may be made available for projects that incorporate affordable creative spaces, live music venues, legacy businesses, and other commercial and nonprofit target recipients retained in redevelopments, based on annual appropriations from the General Fund and/or reimbursement from property or sales tax payments. These programs may be explored as future offerings.

iv. **Community Benefits**: The primary focus of community benefits in this Category is the delivery of creative spaces and high-impact community development projects, especially in underserved Target Areas. Factors considered "valuable" in the overall analysis of project ROI for this Category are related primarily to the quality, affordability, and terms of these real estate arrangements, including but not limited to the following:

1. Provision of affordable commercial space to established or new creative spaces or venues;
2. Provision of affordable space to established creative spaces and venues facing eminent or recent displacements;
3. Meeting major community infrastructure and social service needs for underserved Priority Equity Areas, especially for grocery services, childcare, and other needs as defined by adopted City of Austin plans and ordinances; and,

4. Development of hubs and incubators supporting target industry and occupation sectors, including food hubs, makerspaces, and creative and nonprofit coworking facilities

v. **Bonus Qualifiers**: Bonus Qualifiers are a factor of the overall Project Score and could include but are not limited to the following:
   1. Co-location or providing multiple affordable spaces to target beneficiary tenants
   2. Providing multiuse affordable space such as creative coworking and workshop spaces
   3. Participating in state or federal programs that leverage public resources to boost spending power of low-income families
   4. Co-location with affordable housing or live/work units for artists and musicians (Creative Space Projects specifically)

d. *Category 3: Cultural Preservation*

i. **Category Values & Priority Goals:** The goal of the Cultural Preservation Incentive is to support the preservation of existing music venues, creative spaces, and legacy businesses that are essential drivers of the City's branding and tourism sectors through tax incentives and other future programs that may include loans, grants, or fee waivers. This program will support retention of the business and enhancements to the business site to enhance operational resilience and mitigate long-term displacement pressure.

ii. **Category Eligibility:** The Company will comply with Minimum Requirements as stated in section 2 of this document, and must meet the following additional eligibility requirements, as stated below:
   1. Projects must be located within Austin city limits;
   2. Projects must be located:
      a. At an original site; or,
      b. If the creative space or legacy business has been displaced in the prior five (5) years, a new site within Austin city limits; or,
      c. If the creative space or legacy business has been displaced in the prior ten (10) years, and if the creative space or legacy business is representative of, serves and is accountable to communities that are at immediate risk of cultural erasure and displacement within Austin, a new site within Austin city limits.
   3. Projects supporting existing music venues are eligible for music venues or performance venues with an audience site capacity under 5,000.
   4. Projects supporting legacy businesses, nonprofits, or cooperatives must have been established for at least twenty (20) years within Austin city limits, or at least ten (10) years in an Economic and Cultural District;
   5. Projects supporting legacy businesses, nonprofits, or cooperatives must be locally owned and not part of franchises or a branch of a company with headquarters located outside of Austin.

6. Projects supporting legacy businesses or cooperatives must be public facing, physical locations in one of the following industry categories:
    a. Food Services and Drinking Places (NAICS 722)
    b. Retail Trade:
        i. Furniture and Home Furnishings Stores (NAICS 442)
        ii. Electronics and Appliance Stores (NAICS 443)
        iii. Building Material and Garden Equipment and Supplies Dealers (NAICS 444)
        iv. Grocery Stores (NAICS 4451)
        v. Specialty Food Stores (NAICS 4452)
        vi. Health and Personal Care Stores (NAICS 446)
        vii. Clothing and Clothing Accessories Stores (NAICS 448)
        viii. Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)
        ix. Miscellaneous Store Retailers (NAICS 453)
    c. Veterinary Services (NAICS 541940)
    d. Repair and Maintenance:
        i. Automotive Repair and Maintenance (NAICS 8111)
        ii. Electronic and Precision Equipment Repair and Maintenance (NAICS 8112)
        iii. Personal and Household Goods Repair and Maintenance (NAICS 8114)
    e. Personal and Laundry Services (NAICS 812)
7. The project demonstrates a compelling need to prevent displacement or closure of the applicant; or to prevent long-term displacement by enhancing operational resilience.
8. The project is focused on of the following:
    a. Creative Space Preservation and Resilience. Reimbursement of property taxes and/or sales taxes directly to a creative nonprofit or business. Tax reimbursements will be targeted to prevent displacement of live music venues and creative spaces, with beneficiaries demonstrating need for business retention.
    b. Legacy Business Preservation and Resilience. Incentives funded as sales and property tax reimbursements for small, local, legacy businesses, nonprofits, and cooperatives, including those who own their own property. Tax reimbursements will be targeted to prevent displacement, with beneficiaries demonstrating incentive need for business retention. Incentives may also-support succession planning and conversion to employee and/or community ownership. This incentive supports successful legacy business owners in selling their business to their employees through a 100% employee stock ownership plan (ESOP), cooperative, or employee ownership trust. It is intended to preserve businesses and employment while expanding opportunities for equity through giving employees access to wealth-generating assets

iii. **Incentives Provided**: The total value of incentives that may be offered in Cultural Preservation projects will be based on the total value of municipal property and sales tax associated with an existing music venue, creative space, or legacy business, nonprofit, or cooperative. The Applicant will comply with the condition that "but, for" the provision of the incentive they would not be able to avoid economic displacement or enhance operational resiliency against long-term displacement. A net fiscal position for the City will be determined from analysis of the project to help inform the level of appropriate investment, coupled with other program criteria measures and Score Card (see "Project Score"). The cost/benefit tool and resulting value is not the sole determinant of the value of the total potential incentive offer. Cost/benefit analysis will include full consideration of benefits including net revenues from the municipal portion of property, sales, beverage, and hotel occupancy taxes directly or indirectly generated by the project and prevention of the applicant's closure, loss of jobs, or displacement.

<u>Property and Sales Tax Reimbursement</u>: Annually, the City will return a share of the municipal property and/or sales tax liability of the project site (not to exceed, in the aggregate, 100% of the net present value of the total estimated tax liability, excluding dedicated transfers such as the Austin Transit Partnership transfer). Property and/or sales tax reimbursements will be made based on the below Property and Sales Tax Reimbursement Allocation Schedule. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete. As stated above, if the business successfully protests and lowers its property tax valuation, the reimbursement from the City may be reduced proportionately

Project Score	Max Tax Reimbursement (% of net present value of the total estimated tax liability over term)
0-50	0%
51-79	10% - 50%
80-100	50% - 100%

<u>Affordable Space Gap Loans/Grants</u>: The City, directly or through a contract with a community lender, may develop a loan and/or grant fund to support gap financing for music venues, creative spaces, community impact projects, and legacy businesses and nonprofits for the following purposes:

- Acquisition of real property to support preservation and resilience efforts; or,
- Tenant improvements, infrastructure, initial working capital, and other needs for real property acquisition and development.

These programs may be explored as future offerings should funding become available.

Expedited Permitting and Fee Waivers: Fee waivers and expedited permitting costs may be made available for projects that incorporate affordable creative spaces, live music venues, legacy businesses, and other commercial and nonprofit target recipients retained in redevelopments, based on annual appropriations from the General Fund and/or reimbursement from property or sales tax payments. These programs may be explored as future offerings should funding become available.

iv. **Community Benefits**: Given the rising cost of establishing, operating, and maintaining a business in the Austin market, this Category does not require all projects provide the city with a revenue-positive fiscal position to qualify for an award. This program is intended to support economic development value outside a revenue-positive fiscal impact for the City. To this end, community benefit components will be assigned a "value" beyond the typical matrices of direct revenue generation resulting in sales and property tax revenue. These Community Benefits are another factor in determining the level of appropriate investment for the City to realize those community benefits, outside of revenue. Return on investment including Community Benefits are not requirements for participation in the program. Instead, they are additional measurements the City of Austin uses to determine valuable impact on the community beyond tax revenue generated from the project's construction and job creation. Below is a list of Community Benefits that are considered "valuable" in the overall analysis of the project in this Category.
   1. Preserving existing music venues and creative spaces facing displacement from high real estate related costs or redevelopment;
   2. Supporting site investments by existing music and creative spaces to improve operational effectiveness and resilience to reduce displacement pressure; or,
   3. Preserving legacy or small, local businesses, nonprofits, or co-ops in a Target Area.

v. **Bonus Qualifiers**: Bonus Qualifiers are a factor of the overall Project Score and could include but are not limited to the following:
   1. Being located in an existing cluster of creative spaces or live music venues;
   2. Urgency of need, with incentive required in 12-24 months to avoid displacement;
   3. Co-location or providing multiple affordable spaces to target beneficiary tenants;
   4. Providing multiuse affordable space such as creative coworking and workshop spaces;
   5. Co-location with affordable housing or live/work units for artists and musicians;

6. Being a creative space or legacy business, nonprofit, or cooperative that is representative of, serves and is accountable to communities that are at immediate risk of cultural erasure and displacement within Austin; this may include applicants that directly serve Black/African American, Native American, Asian, Hispanic/Latino, Middle Eastern, and Pacific Islander communities or LGBTQIA+ and/or disability communities;
7. Being a legacy business, nonprofit, or co-op that has been established at the site or in Austin longer than the minimum requirement of 20 years; or,
8. Support "legacy" business longevity through employee ownership.

e. *Category 4: Transformational Infrastructure*

i. **Category Values & Priority Goals:** The goal of this category is to support the provision of infrastructure elements that further the transformational achievement of an adopted community plan or development tied to Council resolution, especially for City-led Redevelopment Initiatives, that may include transportation or transit solutions, socially beneficial real estate, sustainable development, dedication of right-of-way for public purposes, parkland, green infrastructure, or utility infrastructure.

ii. **Category Eligibility:** The Company will comply with Minimum Requirements as stated in section 2 of this document, and must meet the following additional eligibility requirements, as stated below:

1. The project must be associated with and identify a site-specific adopted community plan or development tied to Council resolution, to further delivery of a City-Led Redevelopment Initiative;
2. The project is for new construction, expansion, tenant improvement, or redevelopment of mixed-use or commercial real estate;
3. The total project has a minimum total project investment of $2 million;
4. The project leverages City incentives at minimum 1:2 ratio for City investment relative to total project cost (for every $1 of City incentive, the project must generate at least $2 of total value);
5. The project must meet one or more of the following criteria:
   a. The project is located on property which is owned wholly or in part by the City of Austin;
   b. The project is located on property which is owned wholly or in part by Austin Housing Finance Corporation, the Austin Economic Development Corporation ("Rally Austin"), the Strategic Housing Finance Corporation of Travis County, a Public Facilities Corporation established by the City, or any other development authority established by the City of Austin; or,
   c. The project supports the realization of a small area plan associated with and encompassing a City-Led Redevelopment Initiative.

iii. **Incentives Provided**: The total value of incentives that may be offered in Transformational Infrastructure projects will be calculated to fill the financing gap created in new construction of real estate that incorporates the intended community benefit of infrastructure above and beyond regulatory requirements in new construction. The City will analyze each project through a detailed review of the project's operating proforma, held as confidential working documents for staff evaluation that will not be owned by the City, including the following:

1. Development costs (land, hard, soft, financing/other);
2. A detailed operating proforma over at minimum ten-year horizon that details sources of operating revenue, expenses and distribution of cash flow;
3. The imputation of any incentives, such as density bonuses or federal tax credits committed to the project; and,
4. The terms of debt and equity including return hurdles to fund the project.

The information should demonstrate and quantify a financial "gap" and the opportunity for leveraging private sector capital should the City choose to participate. The City will determine the financial feasibility of the project, the potential extent of project-generating City revenue, and level of appropriate investment. The results will be measured as one component of the Project Score. The Applicant will comply with the condition that "but, for" the provision of the incentive they would not be able to offer the development project, including its complement of high-value infrastructure. The value will also be limited by a fiscal cost/benefit analysis based on the value of real estate investment, to ensure the City retains a revenue-positive or neutral position.

The project financial "gap" should refer to community benefits and infrastructure offered in addition to any required by either base zoning or in return for a regulatory development bonus. The incentive may be layered with regulatory incentives, however, to help achieve project community benefit goals. The project's incentive must be tied to addressing the funding gap created by providing development with targeted community benefits; the incentive will not be used toward filling gaps in the development budget not associated with targeted community benefits.

<u>Property Tax Reimbursement</u>: Annually, the City will return a share of the municipal property tax liability on the incremental value of new construction (not to exceed, in the aggregate, 100% of the net present value of the total estimated tax liability, excluding dedicated transfers such as the Austin Transit Partnership transfer). Property tax reimbursements will be made based on the below Property Tax Reimbursement Allocation Schedule. The total incentive amount will be estimated at the time of the agreement execution and will be capped at that amount. If the cap is reached before the end of the agreement term, the agreement is deemed complete. As stated above, if the business successfully protests and lowers its property tax valuation, the reimbursement from the City may be reduced proportionately.

Project Score	Max Tax Reimbursement (% of net present value of the total estimated tax liability over term)
0-50	0%
51-79	10% - 50%
80-100	50% - 100%

iv. **Community Benefits**: The primary focus of community benefits in this Category is the delivery of infrastructure above and beyond regulatory requirements that supports the execution of a transformational development project identified and prioritized by City Council. Factors considered "valuable" in the overall analysis of project ROI for this Category are related primarily to the scale and quality of this infrastructure as it relates to an adopted community plan:
1. Provision of multimodal transportation solutions, including in particular transit infrastructure, beyond regulatory requirements;
2. Provision of affordable housing beyond regulatory requirements, at a level and depth of affordability to be determined by the Housing Department and City Council;
3. Dedication of land to approved public purposes in accordance with a development plan adopted by City Council;
4. Provision of parkland, green infrastructure, or urban forest and wildlife habitat above and beyond regulatory requirements;
5. Provision of electric, water, wastewater, stormwater, and other utility related infrastructure above and beyond regulatory requirements; and,
6. Incorporation of advanced sustainable design features in the site or in construction, above and beyond regulatory requirements, which may include use of specialized building materials and construction practices, remediation of brownfields, management of site water and rainwater, incorporation of restorative and regenerative agriculture programs, and advanced atmospheric climate mitigation strategies (site location and density may not be used toward accomplishment of this goal).

v. **Bonus Qualifiers**: Bonus Qualifiers are a factor of the overall Project Score and could include but are not limited to the following:
1. Provision of infrastructure that serves community needs outside the project, including for adjacent properties or the surrounding neighborhood; or,
2. Project provides improvements for unfunded infrastructure projects identified and prioritized in City Council plans and projects, that were adopted prior to the incentive application.

4. Application Process and Expanded Timeline

a. Projects seeking partnership with the City of Austin through the Place-Based Incentive Program will follow the following general administrative process. This timeline may adjusted on a case-by-case basis dependent upon application complexity and volume:

   i. **Step 1: Applicants Complete the Inquiry Form**: The Incentive Inquiry is the first opportunity for a Company to request consideration for a Chapter 380 incentive through the Economic Development Department with the City of Austin. It is imperative the Applicant self-select for appropriate Minimum Requirement and General Eligibility criteria. This Inquiry Form is not the Place-Based Enhancement Program Category Application, but rather serves as the initial introduction of the project seeking alignment with the City of Austin's Place-Based Enhancement Program Category.

      For City-Led Redevelopment Initiatives or projects associated with Economic and Cultural Districts or Priority Equity Areas, City staff leads may support the initial Online Application.

   ii. **Step 2: Project Introduction & Inquiry Form Review:** Upon receipt of the Incentive Inquiry Form, Staff will review for project appropriateness and inform the applicant of determination within five (5) business days of whether the project may meet minimum qualifications for Business Expansion Program categories. After review, City staff will respond to the Applicant and schedule a meeting to discuss the inquiry further when appropriate.

   iii. **Step 3: Complete the Program Application:** Upon determination that the proposed project meets minimum program requirements the Economic Development staff will extend an invitation to the applicant to complete the full Place-Based Enhancement Program Application for the respective category.

   iv. **Step 4: Project & Application Analysis:** Upon receipt of an Application, staff shall respond if the Application is deemed complete, or provide a summary of deficiencies within seven (7) business days. After receipt of a completed Place-Based Enhancement Application submission, the City will review the Final Application and determine whether Minimum Requirements and General Eligibility criteria are met and measure program qualifications, fiscal impact and determine a Project Score within fourteen (14) business days of receipt. At its discretion, staff may request an extension of up to seven (7) business days for additional time for application review.

   v. **Step 5: Application Clarifications:** Upon final review of a Completed application, staff shall provide the Applicant the determination of the Application's score and award eligibility. If staff determine that the application does not meet minimum requirements or does not achieve a sufficient score, the Applicant may respond to with clarifications or cures to deficiencies within fourteen (14) business days of receipt of notice. Upon receipt of final clarifications, staff will review all final application documentation to make a final assessment of the Application.

   vi. **Step 6: Project Status – Accepted or Declined:** The final review staff shall provide a Letter of Eligibility, which shall detail the Application's score and eligibility, staff award recommendation and a targeted date for City Council

Consideration if appropriate and necessary (see approval authority below). The Applicant shall have seven (7) business days to provide written notice of acceptance the Letter of Eligibility. Applicants will be informed of the status of their application within fourteen (14) business days of receipt after the Final Place-Based Enhancement Program Application and all requested clarifications have been submitted. If the project has been approved for further processing, City staff will communicate directly with the Applicant to inform them to expect the process going forward.

vii. **Step 7: Term Sheet/Memorandum of Understanding (MOU):** It is at this time that staff will negotiate a potential deal structure with the Applicant should the project score above the Minimum Project Threshold. The terms of the deal will be memorialized in a non-binding Memorandum of Understanding between the City and Applicant.

vii. **Step 8: Agreement Execution:** Agreement development is determined on terms and conditions of an award to the applicant and may impact the length of time for development and execution of award.

b. The following processes will be followed for varying levels of incentive package proposal valuations:

i. **City Manager Authority Approval:** For total incentive package proposals that are valued within City Manager Spending Authority, and if the company agrees to move forward with the City's proposal, Applicants will be informed to expect a formal letter of "Program Acceptance" from the Program's Department including the City's Chapter 380 Place-Based Enhancement Category agreement proposal and stipulated conditions upon which the company must agree. The agreement is executed by both parties and begins with the Compliance process. (Approximately 30 days)

ii. **City Council Approval:** For incentive package proposals that are valued above City Manager Spending Authority but below a total $5,000,000* net benefit value for the City or less than a $200,000,000* project Capital Investment Value, and if the company agrees to move forward with the City's proposal, a Chapter 380 Place-Based Enhancement Program Category agreement is drafted by City staff and submitted for City Council approval on the next regular Council Meeting Agenda date. The proposal will not be approved on a "consent" vote by Council to allow the public an opportunity to speak on behalf of the item. If Council approves of the proposal, the agreement is executed by both parties and begins with the Compliance process. (Approximately 60 days)

iii. **City Council and Public Hearing Approval:** For incentive package proposals that are valued above a total $5,000,000* net benefit value for the City or more than a $200,000,000* project Capital Investment Value, and if the company agrees to move forward with the City's proposal, the following process is followed:

1. The Chapter 380 Place-Based Enhancement Program Category proposal is placed on the Council agenda as a time-certain agenda item with a staff presentation on the proposal. The public can comment on the Chapter 380 Place-Based Enhancement Program proposal at this Council meeting.
2. The Chapter 380 Business Expansion Program Category proposal, application, evaluation documents, analysis and proposed contract are announced in a press release and made available to the public at the time of the Agenda posting. All of this information is posted to the Economic Development Department's page on the City website.
3. An online comment portal is setup to collect public comments for a minimum of five business days, unless special circumstances are required. All comments received are forwarded to the City Council prior to the second Council meeting.
4. The second City Council meeting includes a public hearing and City Council action.

5. Agreement Term

a. Place-Based Enhancement Program incentives may be solicited at any phase of the real estate development process prior to receiving the final Temporary Certificate of Occupancy (TCO) for a site. The agreement term will begin following receipt of the project TCO and any additional submittals required to demonstrate compliance with the incentive agreement, including documentation of affordable leases and verification of tenant participation. Tax reimbursements will be effective for the year following initial TCO and document submittals.

6. Stewardship

a. The Place-Based Enhancement Program is administered in accordance to the City of Austin's Chapter 380 Guiding Principles and Chapter 380 Policy. City staff is committed to the following values in the administrative implementation and stewardship of the Chapter 380 Place-Based Enhancement Program:

   i. **Efficient, Inviting, and Responsive to Market Needs:** The Chapter 380 Program is a visible, accessible opportunity for the City to use public funds to encourage private entities to discover new ways to improve the Austin community and improve business endeavors. This process must be efficient and expeditious to match the rapid pace of the business environment and minimize delay. Every effort will be made to build in appropriate timelines, clearly communicate expectations on those timelines, and carry out an efficient process of the Chapter 380 application steps.

   ii. **Transparency:** The Chapter 380 Place-Based Enhancement Program will comply with best practice transparency measures, including producing timely and accurate reporting on all Chapter 380 agreements, supporting documentation, compliance reports, and ongoing payment information available on the City's website or other communication outlet. All final agreements and project information will be made available to the public via online portal immediately and openly after approval.

iii. **Compliance and Third Party Assessment:** All Chapter 380 agreements are performance-based, meaning the company must demonstrate its compliance annually to receive that year's payment. Every year, the Economic Development Department reviews the company's compliance with the agreement requirements, and an independent, third-party reviews the department's annual review. If both annual reviews confirm company compliance, then the company is deemed to have fulfilled its annual obligations, and the payment is made for that year. All payment information will be available on the Economic Development Department Open Portal website.

The Economic Development Department may explore additional options to provide up-front financing for Chapter 380 projects. Such incentives would also be subject to annual compliance review and assessment as described here.

iv. **Term of Agreements & Grandfathering:** Agreements made within the Place-Based Enhancement Program are not subject to the five-year maximum term. Typically 5-20 years, the term of those agreements is made to best reflect the project's timeline, investment, and job creation schedule and the City will honor those agreements until the termination of the agreement. In the event a program is allowed to sunset or program criteria is changed to reflect shifting conditions, existing agreements will be grandfathered for the remainder of the term of the project agreement unless otherwise agreed to by the parties in a written amendment to the agreement. The City Manager is able to propose a longer or shorter term for an agreement should the City have a competitive justification or business need for such action. All agreements must contain standard City termination provisions for economic development agreements, including Payments Subject to Future Appropriation and Event of Default clauses.

v. **Market Conditions: "High-Impact" Projects:** High-impact projects, unique developments, and market competitive or other non-conforming projects will be considered on a case-by-case basis and within the context of the current market conditions at the time of project application. City staff will analyze those conditions and projects and determine if a recommendation for incentive proposal is achievable through current programs. If it is determined that the non-conforming project is attractive, justifiable, and can provide significant community value given current market conditions, and does not fit within the structure of a current program outline, special consideration may be made to create a program to support such a project depending on feasibility and City financial bandwidth.

vi. **Annual Update & Reporting:** An annual assessment will be made for the effectiveness of the programs and projects in reaching the intended goals. Program Metrics and Project Metrics are tracked on an annual basis that will be shared publicly. Metrics focus on Austin's Strategic Direction outcomes and general performance measurements could include but are not limited to (see following page):

Program Metrics:	Project Metrics:
Number of Applications Received/Accepted	Community benefits achieved
Affordable Space Produced by Category, in gross square feet and total unit count: • Creative space • Local small business, nonprofit, or co-op space • Community development project space • Workforce and affordable housing	Affordable Space Produced by Project, in gross square feet and total unit count: • Creative space • Local small business, nonprofit, or co-op space • Community development project space • Workforce and affordable housing
Creative spaces and businesses supported through retention	Creative spaces and businesses supported through retention
Total capital investment relative to City incentives (i.e., leverage ratio)	Capital investment relative to City incentives (i.e., leverage ratio)
Economic and Cultural Districts impacted through incentives	Total capital investment in project
Target industries impacted	Category specific metrics
Equity Measures	Equity Measures
Other Strategic Direction Measurements	Other Strategic Direction Measurements

1. Specific goals for each of the Program and Project metrics will be identified during the rule promulgation and development process to occur in the first year of this program. This process to determine specific goals that will be carried forward in future years will include stakeholder input, consideration of best practice programs, and appropriate goals based on determined annual program budget allocations.
2. At the end of the five-year period of the program, Annual Reports will be reviewed and used as supporting documentation to make the decision to sunset, phase-out or revise the program structure.

vii. **Termination:** Incentives will be terminated upon completion of the agreed upon term of the incentive, including any approved incentive renewals. If a project fails to comply with contract terms, it will be allowed a corrective period at the City's discretion. If the project remains out of compliance, they will not be eligible for annual incentive payments. Persistent failure to remain in compliance may result in permanent suspension of the incentive.

Appendix:

- **Place-Based Enhancement Program Target Areas**
- **Place-Based Enhancement Program Definitions**
- **Scoring Matrix**

<u>**Appendix**</u>

Target Areas

Figure 1: Economic and Cultural Districts (Recognized as of 2024)

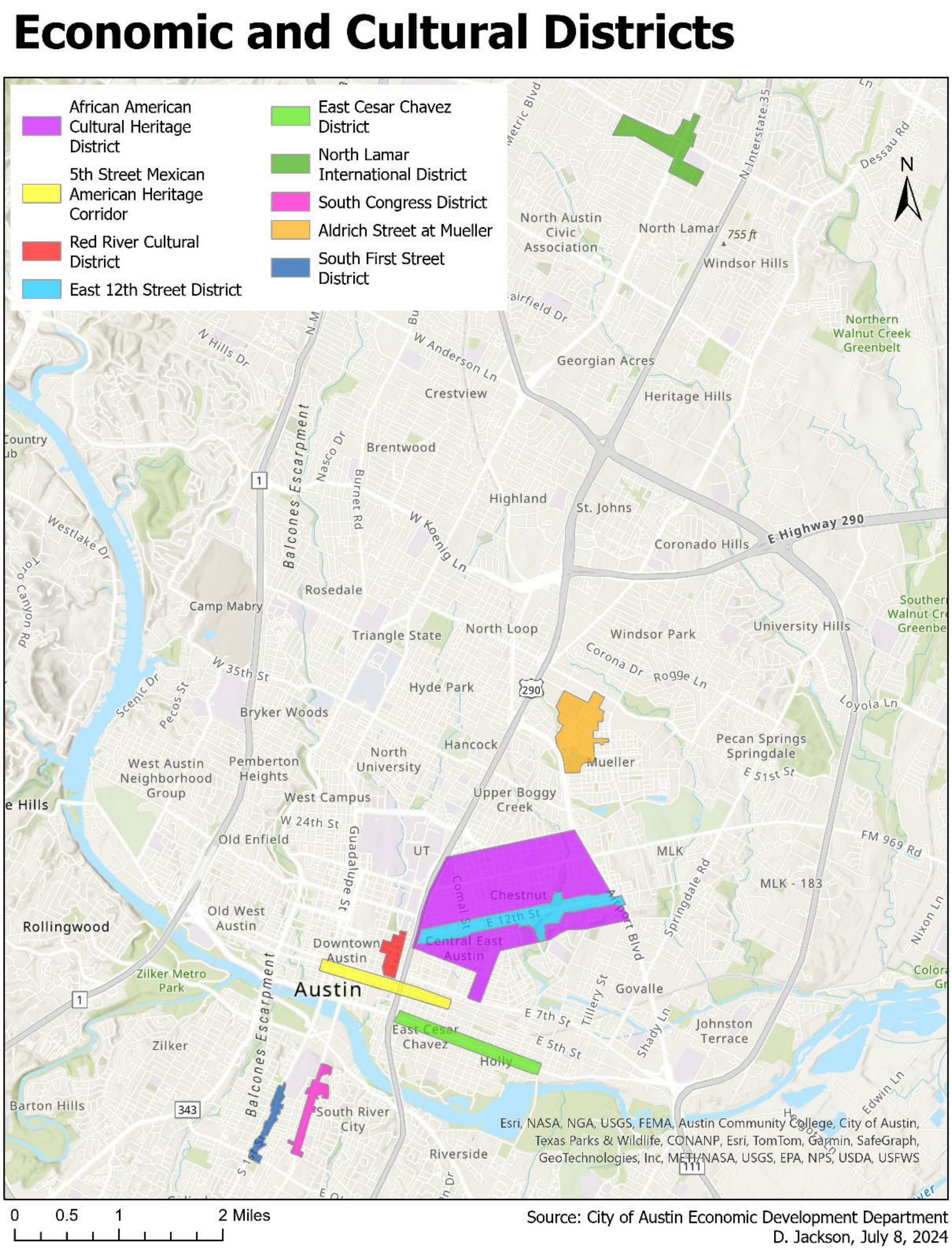

Figure 2: Equitable Transit-Oriented Development Density Bonus Overlay (As of 2024)

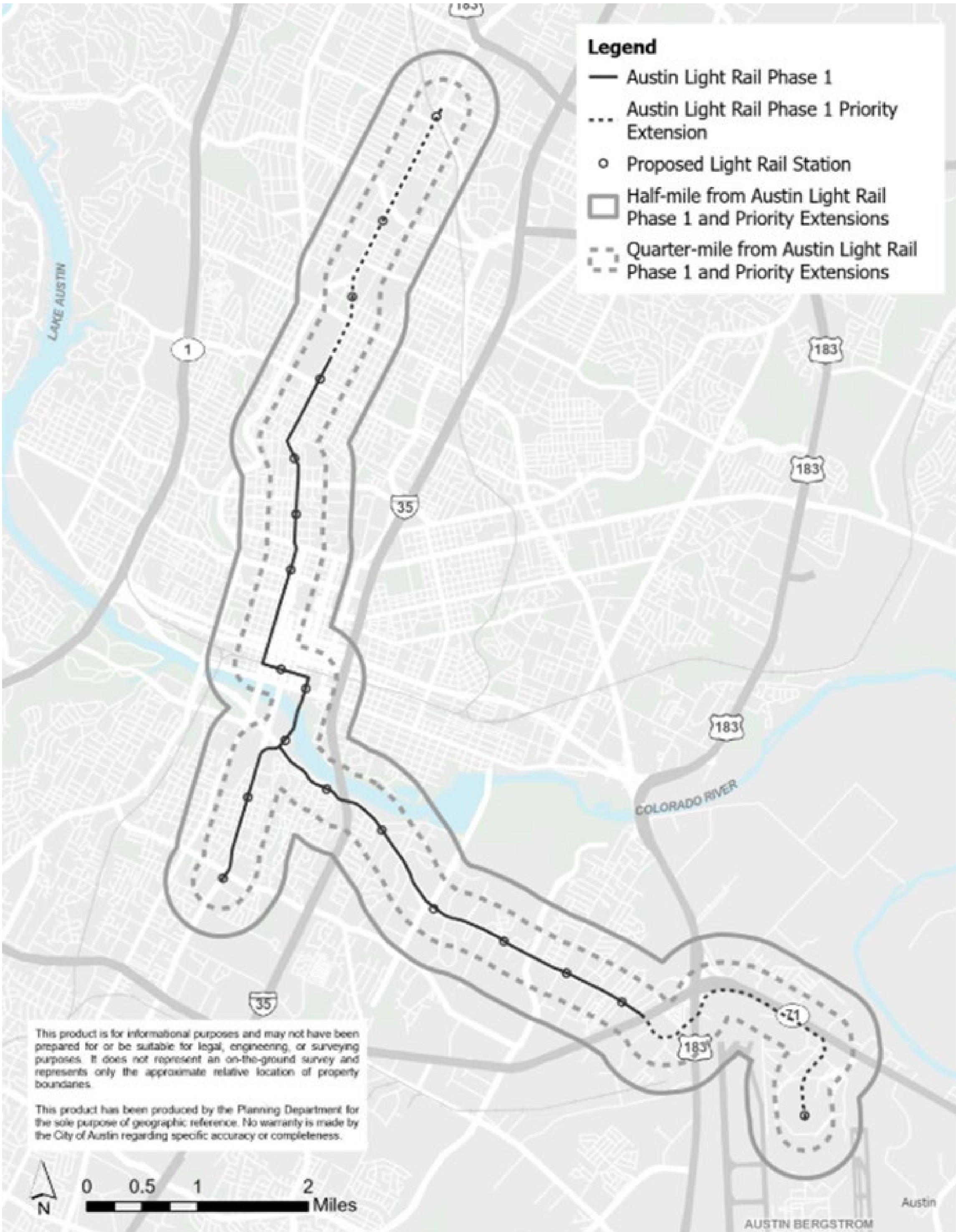

Figure 3: City-Led Redevelopment Initiatives (As of 2024)

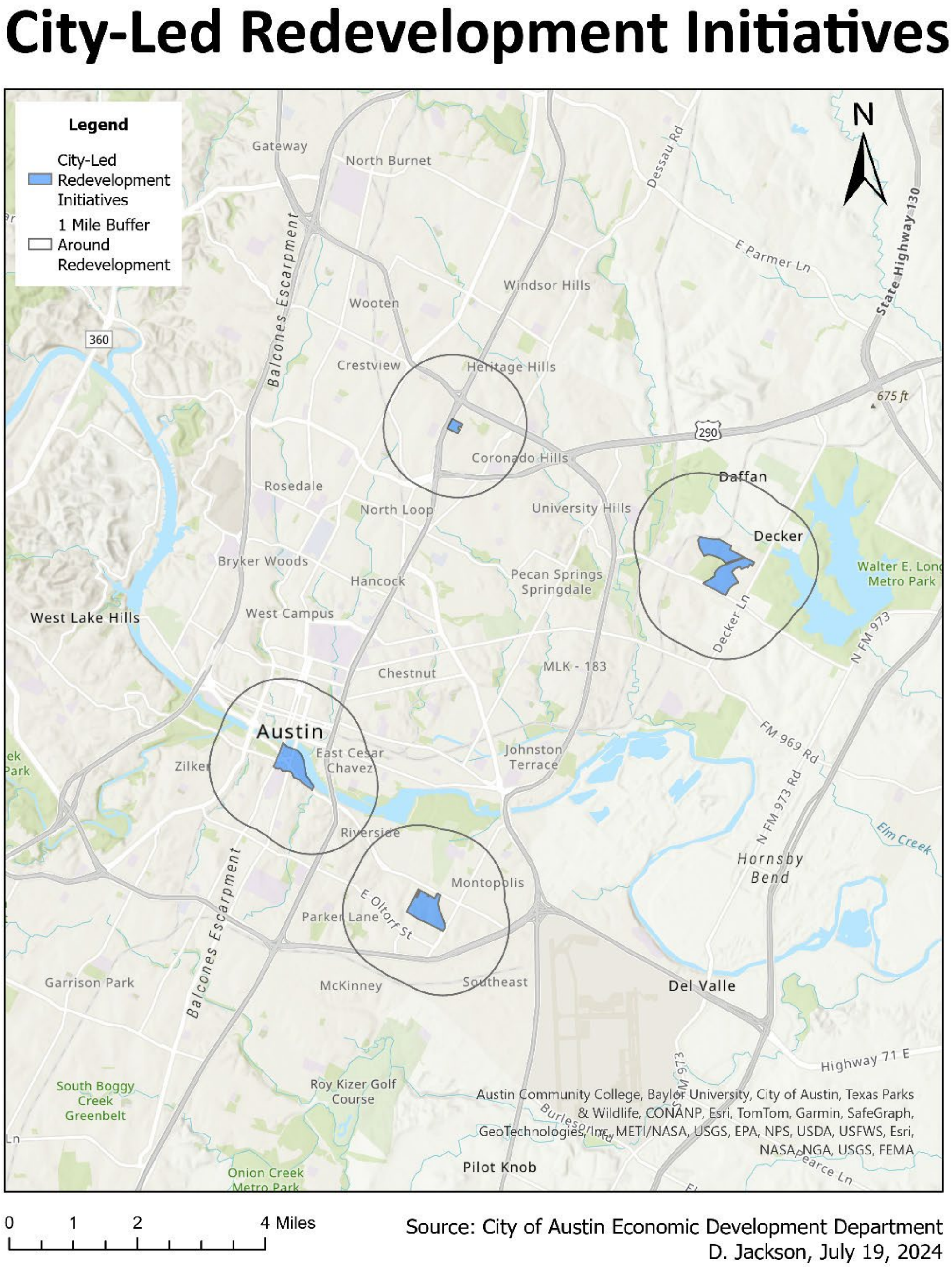

Figure 4: Priority Equity Areas (As of 2024)

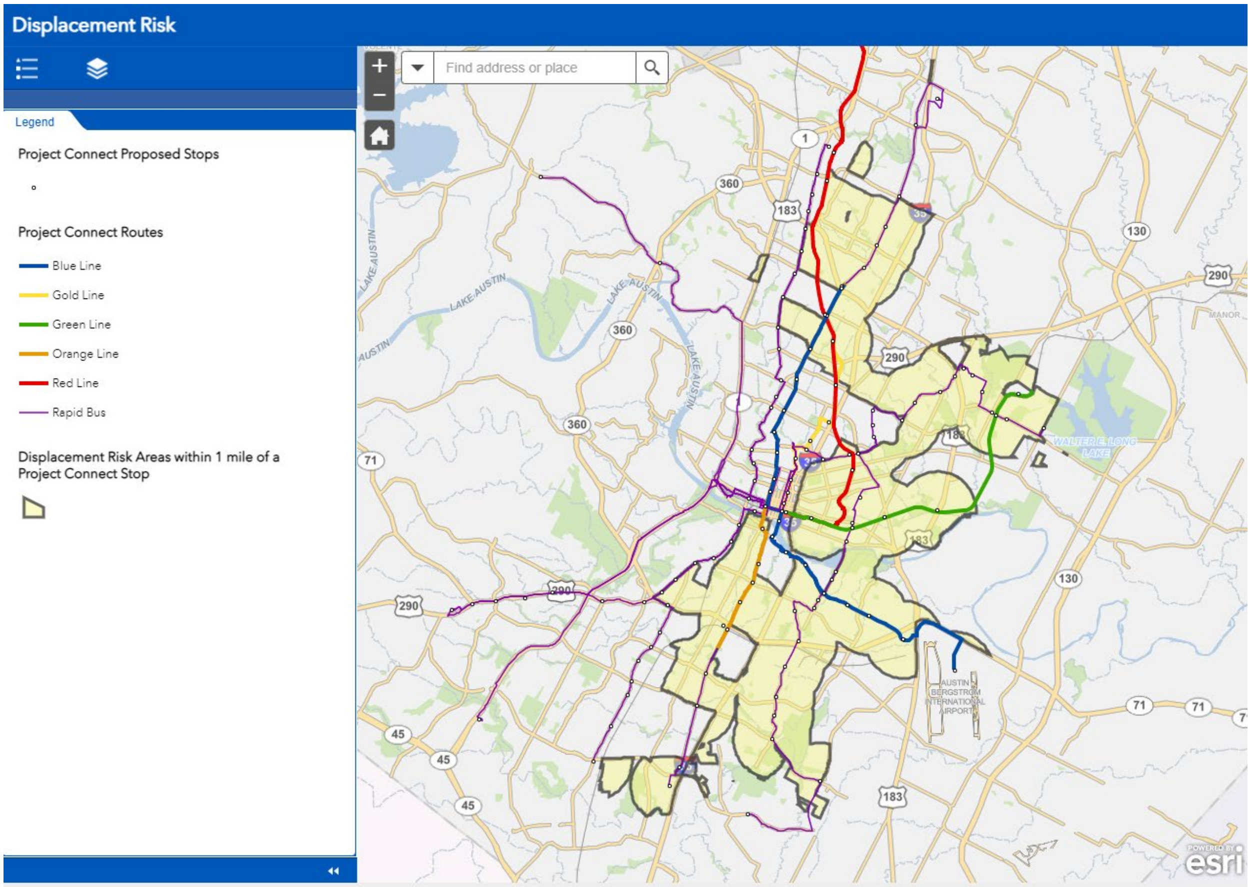

Image from the *Nothing About Us Without Us Project* Connect Racial Equity Anti-Displacement Map showing displacement risk areas within 1 mile of a Project Connect Station ([Link to online map](#))