



Economic Development Department Items for Council Consideration | September 12

Business Expansion Program, Place-Based Enhancement Program,
Economic and Cultural District Framework Policy



**Economic
Development**
CITY OF AUSTIN

An aerial photograph of a city skyline, likely Austin, Texas, featuring a prominent river (the Colorado River) and dense greenery in the foreground. The city buildings are visible in the background under a cloudy sky. The entire image is overlaid with a semi-transparent blue filter.

Business Expansion Program

Business Expansion Program Update Process

Refine Process and Update Program

- **Chapter 380 Policy Reassessment**
 - Requires program reassessment every 5 years
- **Community Engagement and Input**
 - Extensive initial engagement to gather feedback
- **Project Scoring and Application Strengthening**
 - Improve scoring guidance
 - Strengthen application processes
- **Objective Metrics Development**
 - Develop metrics for greater relevance and transparency
- **Update Existing Program**
 - Address eligibility barriers for small businesses
 - Explore opportunities for improving utilization and impact, particularly in targeted hiring
 - Tighten corporate recruitment eligibility criteria

Business Expansion Program Update Process (Cont.)

Actions Taken

➤ Independent Analysis

- Reviewed best practices and identified program gaps
- Findings: Program is broad, complex, and the incentive is not impactful relative to other programs

➤ Stakeholder Consultation and Community Engagement

- Conducted Community Benefits Review and Program Development Focus Groups
- Delivered presentations to Boards and Commissions for feedback and suggestions

Proposed Revisions: General Eligibility and Processing

	Existing Terms and Conditions	Staff Recommended Revisions
<u>General Eligibility</u> Onsite Child Care	Application scores are granted bonus point for providing on-site childcare services	Modify scoring to provide bonus for childcare assistance without requiring on-site services
<u>General Eligibility</u> Alternative Compensation	Base wages and Salary are the only form of compensation eligible to meet Living Wage requirement	Allow alternative compensation, including tips, commission, shift differential and bonuses to be eligible in meeting Living Wage criteria
<u>Process</u> Application Review Timing	Timeline not currently defined	Included estimated timeline in Application Process to provide transparency

Proposed Revisions: Category 1 – Now Category BE-1

	Existing Terms and Conditions	Staff Recommended Revisions
Local Expansions	Currently includes small and large local businesses	Isolate small business as an independent business type eligible under Category BE-1
Define Small Business	Not currently defined	Defined as a company with 100 employees or less
Job Creation Criteria	Requires minimum creation of 5 new full-time jobs	Job creation eligibility equaling the greater of 1 job or 10% of existing employment

Proposed Revisions: Category 2 – Now Category BE-3

	Existing Terms and Conditions	Staff Recommended Revisions
Apprenticeships, Internships and Targeted Hires	<p>Provides employers an incentive for creating job opportunities for apprenticeships, internships and targeted hires.</p> <p>Currently only utilizes Workforce Solutions as the sole service provider to link employers to targeted hiring opportunities.</p>	<p><u>Apprenticeships</u> Incentivize on a per job basis under Category BE-3 and expand service provider network beyond Workforce Solutions, such as ACCD and ARMA</p> <p><u>Internships</u> Removed from eligibility</p> <p><u>Targeted Hire</u> Change to 10% Bonus Incentive for filling 25% of new jobs with Targeted Hiring under BE-1 and BE-2</p>
Housing Stipend	\$1,000 annual housing stipend per filled position	Replace as scoring bonus for providing housing assistance

Proposed Revisions: Category 3 – Now Category BE-2

	Existing Terms and Conditions	Staff Recommended Revisions
External Attractions	Includes relocating businesses or local businesses adding a new line or services	Expanded to include external attractions and all local large businesses as Category BE-2
Define Large Business	Not currently defined	Define as a company with 101 employees or more
Job Creation Criteria	Requires minimum creation of 75 new full time jobs	Job creation eligibility equaling the lesser of 75 jobs or 10% of existing employment
Investment	Not currently required	Minimum capital investment of \$2.0 million

Proposed Revisions: Awards & Recommended Additions

	Existing Terms and Conditions	Staff Recommended Revisions
<p><u>All Categories</u> Award Eligibility</p>	<p><u>Category 1 & 2</u> Term of up to 5 Years.</p> <p><u>Category 3</u> Term of up to 10 years</p> <p><u>All Categories:</u> Up to \$1,800 per job, OR 50% property tax reimbursement</p>	<p><u>All Categories</u> Term of up to ten years</p> <p><u>All Categories</u> Award of up to \$3,000 per job, OR up to 75% reimbursement of eligible property taxes</p>
<p><u>New Items</u> Child Care Assistance Reserve</p>	<p>Not currently utilized</p>	<p>Dedicate 10% of eligible project related property taxes to a reserve for City child care programs, set aside in addition to a company award.</p>

Recommended Additions

	Existing Terms and Conditions	Staff Recommended Revisions
<u>New</u> <u>Components</u> Application Fee	Not currently assessed	Assess a \$3,000 fee to place an application on a City Council agenda for consideration
<u>New</u> <u>Component</u> Compliance Deferment Period	Not currently available	Provide small businesses a period to reach compliance, provided it completes a technical assistance curriculum during the deferment Companies will not receive reimbursements during the deferment period.

An aerial photograph of a city skyline, likely Austin, Texas, featuring a mix of modern high-rise buildings and older structures. The foreground is dominated by a large, lush green park area with many trees. The entire image is overlaid with a semi-transparent blue filter. The text "Place-Based Enhancement Program" is centered in the middle of the image in a white, bold, sans-serif font.

Place-Based Enhancement Program

Place-Based Enhancement Program Background

- ▶ **Program Authority:** State of Texas Local Government Code Chapter 380
- ▶ In 2018 EDD Staff utilized feedback from an extensive engagement process in development of the current Chapter 380 Policy
 - Community conversations included 8 Sessions, held in each Council District
 - Sessions' attendance ranged from 7 to 90, with 160 unique attendees, providing 260 points of input, generating 2,500 comments
 - **"Affordability" was a top concern for Creative Sector and Small Business participants**
- ▶ City Council adopted [Ordinance No. 20180830-058](#) authorizing the City Manager to develop a Location Enhancement Program focused on “Commercial affordability for tenants of commercial space with ... particular focus on small, local, heritage businesses, non-profits, cooperatives, and the creative sector” & “...the delivery of goods, services and transportation solutions to underinvested areas that yield benefits to the community”

Program Development Activity

Consultant Study

- Reviews current polices, state and local best practices and provides findings
- Incorporates real estate market analysis to identify gap financing options
- Makes recommendations on program priorities, guidelines, targets, and scoring

Initial Stakeholder Focus Groups

- Cultural Arts and Creative Sectors Needs
- Music Industry Needs
- Existing Small Business Support Program
- Strategic Property Coordination
- Chapter 380 and Incentive Delivery
- Arts and Creative Space Developers
- Businesses District and Association Representatives
- Real Estate Development Community
- Private | Public Sector Lenders

Program Stakeholder Presentation

- Music Commission (Voted to Recommend)
- Arts Commission (Voted to Recommend)
- Early Childhood Committee (Voted to Recommend)
- Construction Advisory Committee (Voted to Recommend)
- ULI Austin Creative Culture Strategic Council
- Red River Cultural District and Music Venue Alliance
- Business Stakeholders: Chambers of Commerce

Proposed Program

What is it?

- A new program to encourage affordable commercial space for the creative sector, small local business, community-serving projects, and needed infrastructure in underserved areas

What is the incentive based on?

- New investment in real estate in priority areas for the City that provides major community benefits
- Preservation of existing venues, creative spaces, and legacy businesses threatened by high real estate costs (rent, taxes, building improvements)

What community benefits are prioritized?

- The main community benefit for these projects will be providing affordable commercial space or supporting/retaining new or existing creative spaces, legacy businesses, and community-serving initiatives
- Additional community benefits will be tied to deeper affordability, serving many organizations, etc.

Place-Based Enhancement Program Categories

Program Proposal

Category I - Affordable Space:

Tax reimbursements on new construction to developers of mixed-use and commercial building projects to include affordable commercial leases for arts and music venues and establishments, small local businesses, and community development projects.

Category II – Community Impact:

Tax reimbursements on new construction that support the development of stand-alone high-impact community development or improvement projects including arts and music complexes, grocery stores in food deserts, childcare facilities, and industry hubs and incubators.

Category III – Cultural Preservation:

Tax reimbursements and potentially other programs to support retention and improvement of existing music venues, creative spaces, and legacy businesses, nonprofits, and co-ops.

Category IV – Transformational Infrastructure:

Flexible support for the provision of infrastructure elements, including transportation solutions, sustainable development, and utilities, that furthers the transformational delivery of a City-led redevelopment initiative tied to Council resolution or Council-adopted plan.

Community Benefits and Geographic Targeting

Community Benefit Targets

Music Venues and Creative Spaces

Small, Local Businesses, Nonprofits, and Co-ops

Community Development Projects - Specific, high impact projects to benefit underserved community or fill an industry ecosystem “gap”.

Target Areas

Economic and Cultural Districts: Contiguous areas containing concentrations of creative, cultural, entertainment, heritage, or commercial assets.

Equitable Transit-Oriented Development (DBETOD): Areas included in the ETOD density bonus combining district.

City-led Redevelopment Initiatives: Sites in or within 1-mile of major City-led redevelopment initiatives (i.e. Colony Park, South Central Waterfront, etc.)

Priority Equity Areas: Areas identified in the Project Connect Anti-Displacement Tool to further neighborhood-based equity, especially in the Eastern Crescent.

Affordability Standards and Example

Commercial Affordability

- 50% market rate for retail or Rent to Revenue ratio requirement based on industry standards; and 3% annual escalation cap maximum
- Incentive will be sized to fill financial gap from providing community benefit

Gap Filling Incentive Model	
Pro Forma Gap from Affordable Lease	\$1.2 million
Annual Incentive	\$122,000
Total Incentive Over Term	\$1.2 million
Project Profile	
Total Construction Cost:	\$31.3 million
Total Square Footage Added in Project	157,000 GSF
Affordable Creative Space Produced	5,000 GSF
Term of Agreement	10 years
Monthly Rent for Creative Space	\$6,250
Project Score (Max 100)	90

Category I: Affordable Space Example

The Grackle Development Company will build a new 12-story mixed use building in the ETOD density bonus zone. The project features 1 story (20,000 SF) of retail and 11 stories of residential units. They are investing \$31 million, and complying with all ETOD district requirements. While the market rent rate for retail is \$30/SF per year, the company will provide 5,000 SF of space to the recently displaced Globe Theatre Company for \$15/SF per year for 10 years instead of the market rate of \$30/SF. The company scores a 90 out of 100 by meeting the minimum requirements, providing the "But For", and achieving several bonus items such as offering a long-term lease and supporting a recently displaced creative space.

An aerial photograph of a city skyline, likely Austin, Texas, featuring a mix of modern high-rise buildings and lower-density residential areas. A large green park area with a winding path is visible in the foreground. The entire image is overlaid with a semi-transparent blue filter.

Economic and Cultural District Framework Policy

Needs

Holistic Development

Ensures a unified and comprehensive approach to the recognition, support, and development of economic and cultural districts, fostering balanced growth across Austin.

Cultural Preservation and Promotion

Protects and promotes Austin's rich cultural heritage and creative ecosystem, ensuring that cultural assets and historic landmarks are preserved for future generations.

Economic Vitality

Boosts local economy by supporting small businesses, attracting tourism, and creating job opportunities, thereby enhancing the economic resilience of neighborhoods.

Equitable Investment

Addresses disparities in resource allocation, ensuring that all districts receive equitable support and investment, promoting inclusive growth and community development.

Policy Alignment: Imagine Austin; Cultural Tourism Plan; Thriving in Place/Cultural Asset Mapping Project; Music and Creative Ecosystem Stabilization Recommendation; Healthy Food Initiative; Chapter 380 Policy; Strategic Housing Blueprint; Complete Streets; Neighborhood Actions Plans

Purpose

Guidance for Community and Policy Makers

Offers clear direction for identifying, organizing, and resourcing Economic and Cultural Districts within Austin.

Recognition and Cultivation

Continues the commitment to recognizing and nurturing the unique cultural and economic values that benefit the community.

Support for District Development

Provides a structured approach to support the development and sustainability of vibrant, diverse, and culturally rich districts.

Public Benefit Focus

Ensures that the development of these districts serves the public interest, enhancing the quality of life for all residents.

Value and Guiding Principles

Community Amplification and Stewardship

Foster grassroots engagement and organization

Preservation and Promotion of Cultural Identity

Ensure that cultural assets, traditions, and stories are honored

Equitable Access to Resources and Opportunities

Implement policies and initiatives that address systemic barriers to access

Sustainable Development and Environmental Stewardship

Integrate sustainable practices into district planning and operations

Economic Clustering

Promote collaboration, networking, and shared resources, fostering growth and resilience within the local economy

Recognition Process



Letter of Intent:

Details boundaries, goals, and priorities.



Letters of Support:

Demonstrate support from a majority of relevant stakeholders.



Demonstration of Organizational Capacity:

Submit approved bylaws, membership roles, and/or fiscal sponsorship agreements. Assistance available if needed.



Cultural Asset Map*:

Map including tangible and intangible cultural assets.



District Strategy/Implementation Plan:

Inclusion of plan that includes visioning, strategic planning, and programming.



Recognition/**Establishing Ordinance***:

City will formally recognize district through notice or establishing ordinance.

* - **Bolded** items unique to Cultural District Designation

District Development Services

Ombudsmanship	★ District Management Entity Toolkit	District Management Entity Development Support	Training/Organizational Resources
★ Identity District Agreement	Cultural Asset Mapping	★ Equitable Cultural Funding Model	★ Public Improvement Districts
Historic District Designation	Regulatory Incentives (Creative District Overlay)	Tax Increment Financing/Tax Increment Reinvestment Zones	Parking Transportation Management Districts/Parking Benefit District
★ Special Revenue Funds	Wayfinding Signage	Business Partnering Program	District Strategy/Implementation Plan Development

Staff will regularly evaluate tools and resources for recommendation and adoption

Policy in Action

Enhanced Support and Resources

Access to Services: Existing districts will benefit from increased access to specialized services such as ombudsman support, district management toolkits, and financial assistance programs.

Training and Resources: Existing districts will have improved access to organizational training, legal resources, and strategic planning support.

Improved Coordination and Integration

Streamlined Processes: The policy aims to enhance coordination between existing districts and city departments, improving the efficiency of accessing resources and services.

Identity and Branding: Programs like the Identity District Agreement will support existing districts in updating or enhancing their branding and identity through specialized projects.

Policy in Action

Financial and Operational Assistance

Funding Opportunities: Existing districts will have access to equitable funding models, special revenue funds, and tax increment financing to support economic and cultural development.

Support for Under-Resourced Areas: Financial support and professional services will be available to help existing districts in underserved areas overcome challenges related to capacity and resource constraints.

Potential Challenges

Adaptation to New Policies: Existing districts may need to adapt to new policy requirements and procedures, which could involve additional administrative efforts or adjustments to their operations.

Resource Allocation: The introduction of new programs and resources might necessitate a reevaluation of how resources are allocated among existing districts.



An aerial photograph of a city, likely Austin, Texas, showing a mix of urban buildings, green spaces, and a river. The image is overlaid with a semi-transparent blue filter. The word "Questions?" is centered in white text.

Questions?